Budget Framework Paper

2009 – 2011/12

Ministry of Finance

and Economic Planning

September 2008

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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 (2009-2011/12) and clarify the costs of strategic policy options.

The Budget Framework (2009-2011/12) is prepared in the context of the recent years implementation 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 while maintaining macroeconomic stability to reduce the proportion of the population under the poverty line.

This year the process has been complicated by the requirements to align the budget year to that of the East African Community (EAC) member states. In essence this means that rather than budgeting for the normal calendar year, i.e. from January to December, Rwanda will as of July 2009 be budgeting for a new 'fiscal year' commencing in July and ending in December of the following year. For the BFP in 2009 we are required to submit a macroeconomic framework and budget for the first half of 2009 (January to June) the 'mini' budget so as to make this alignment possible. Also required is three years in the new fiscal year format; i.e. 2009/10, 2010/11, and 2011/12, the first fiscal year will begin in July 2009 and end in June 2010.

This paper will first briefly present an overview of the 2008 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 and strategic policy choices.

2. Overview of Rwanda's 2008 Economic Performance

2.1. Real Sector

Real GDP is expected to reach 8.5 percent in 2008. This is higher than the original projection mostly due to the overwhelming performance in the agriculture sector. This brings the five year average real GDP growth to 7.2 percent, as shown in table 1 (the full breakdown is available in annex 1). Inflation has been growing over the year and the annual average is expected to reach 15 percent by December. This is a combination of domestic price increases and international food and oil prices, with around one third accounted for by rising international food and oil prices.

As a share of nominal GDP agriculture performed well and now accounts for 38 percent up from 36 percent in 2007.

Early fears due to the 'Kenyan crisis' have been found to have negligible impact. Performance in trade and collections of revenues has actually been greater than expected.

Table 1 - GDP (Billion Rwf and Annual Percentage Change)

	2004	2005	2006	2007	2008 Proj	5 Year Av
Real GDP	**869.3**	**931.9**	**999.8**	**1079.2**	**1170.8**	-
Growth	**5.3%**	**7.2%**	**7.3%**	**7.9%**	**8.5%**	**7.2%**
Agriculture	0.1%	4.8%	1.1%	0.7%	14.7%	**4.3%**
Industry	12.8%	7.5%	10.9%	10.2%	14.6%	**11.2%**
Services	7.9%	9.1%	10.9%	12.8%	4.2%	**9.0%**
Adjustments	1.3%	6.0%	5.8%	2.3%	-6.0%	**1.9%**
Nominal GDP	1138.5	1332.9	1563.8	1866.1	2320.7	**-**
Growth	19.2%	17.1%	17.3%	19.3%	24.4%	**19.5%**
Inflation*	12.3%	9.0%	8.9%	9.1%	15.1%	**10.9%**

Source: 2004-2007 NISR, 2008 MINECOFIN Projection
*Notes: * Annual Average*

Table 2 outlines the developments in per capita income over the last five years. With the nominal GDP per capita projected to rise to 250,548 Rwf it brings the five year average growth to almost 17 percent. In USD terms the nominal per capita GDP is expected to reach 460 USD by the end of 2008. A provisional estimate for poverty reduction[1] projects that the higher than expected growth rates could reduce poverty by an extra percentage point. However, a more thorough analysis will have to take place to verify this.

Table 2 - GDP per Capita (Rwf and USD)

	2004	2005	2006	2007	2008 Proj	5 Year Av
Nominal GDP per capita (Rwf)	134,094	153,616	176,349	205,908	250,548	-
Growth	16.6%	14.6%	14.8%	16.8%	21.7%	16.9%
Nominal GDP per capita (USD)	233	275	320	376	460	-

Source: 2004-2007 NISR, 2008 MINECOFIN Projection
*Notes: * Real GDP per capita is given in constant 2001 USD.*

[1] This provisional estimate is a basic projection of current inequality levels. It does not take into account the changes in inequality levels / distribution of income over the year as this data was not available at time of writing. This calculation also takes into consideration the new NISR GDP estimates for 2006 and 2007.

2.1.1. GDP by Sector

The Agriculture Sector is showing signs of reinvigoration after the last couple of years' weak performance with a 14.7 percent growth rate expected. Data from food crop harvests indicate that the Government policies and projects have begun to make significant impacts on the productivity of the sector. Moreover, 2008 has received good weather conditions.

Table 3 outlines the total crop output by each major food crop. All important staple foods are registering strong growth apart from banana (suffering from disease) and sorghum. Maize and wheat have been particularly successful due to the 'Crop Intensification Program' as well as improved inputs (for example, fertiliser and seeds). Finally, cassava has rebounded after the disease of 2007 has been overcome.

This success in food crops will have a significant impact on GDP since this sector accounts for a third for total GDP in Rwanda. There is expected to be considerable positive externalities from this sector to the rest of the economy.

Table 3 - Food Crop Harvest Assessment (Tons)

	2007	**2008**	**Annual Growth**
Total crops	**7,074,813**	**8,234,188**	**16.4%**
Cereals	**352,057**	**461,163**	**31.0%**
Sorghum	164,406	144,418	-12.2%
Maize	101,659	166,853	64.1%
Wheat	24,195	67,869	180.5%
Rice	61,797	82,025	32.7%
Pulses	**402,346**	**392,305**	**-2.5%**
Beans	328,811	308,563	-6.2%
Groundnuts	9,921	11,122	12.1%
Soya	44,163	50,931	15.3%
Peas	19,450	21,689	11.5%
Roots and Tubers	**2,738,133**	**3,815,126**	**39.3%**
Irish Potatoes	967,283	1,161,943	20.1%
Sweet Potatoes	841,079	826,440	-1.7%
Taro	150,356	144,919	-3.6%
Cassava	779,414	1,681,823	115.8%
Bananas	**2,686,198**	**2,603,949**	**-3.1%**
Vegetables & Fruits	**896,080**	**961,645**	**7.3%**

Source: MINAGRI

For export crops the export strategies seem to be making an impact on both quantity and quality produce as both volume and prices received are rising. Production levels of tea and coffee are shown below in table 4. Coffee production has recovered from the cyclical problems of 2007, growing at 70 percent over the first semester of 2008 as compared to the same period in 2007.

Tea production however has fallen by 6 percent over this period. This can be explained in relation to the 2007 semester 1 output being the highest since 2001. So although the 2008 production is at a healthy level and above the 5 year average (of 10,110 tons) it is lower than the bumper crop of 2007.

Table 4 - Production of Tea and Coffee (Tons)

	Jan-June 2007	**Jan-June 2008**	**Change**
Coffee	3,293	5,610	70.4%
Tea	11,599	10,881	-6.2%
Total	**14,891**	**16,491**	**10.7%**

Source: NBR (OCIR-The and OCIR-Café)

Table 5 - Agriculture Export Crops Jan-June 2007 and 2008 (Million USD and Kg)

	Jan-June 2007	**Jan-June 2008**	**Change**
Coffee			
Value	8,127,687	12,045,876	**48.2%**
Volume	3,654,216	4,915,560	**34.5%**
Unit Price	2.22	2.46	**10.7%**
Tea			
Value	17,076,756	22,382,742	**31.1%**
Volume	10,164,165	10,866,700	**6.9%**
Unit Price	1.68	2.05	**21.9%**
Hides & Skins			
Value	1,797,796	1,641,433	**-8.7%**
Volume	872,500	951,000	**9.0%**
Unit Price	2.06	1.89	**-8.5%**
Pyrethrum			
Value	1,800,660	382,858	**-78.7%**
Volume	30,000	3,296	**-89.0%**
Unit Price	60.02	115.58	**92.6%**
Total			
Value	**28,802,899**	**36,452,909**	**26.6%**
Volume	**14,720,881**	**16,736,556**	**13.7%**

Source: NBR and MINECOFIN

Official data, as shown in table 5, has exports of cash crops rising by 14 percent in volume terms and 27 percent in USD value. Coffee exports have rebounded as predicted from the low output in 2007; growing 35 percent in quantity and taking advantage of the international price rising by 11 percent the value has risen by 48 percent. However, tea seems to have had some supply bottlenecks as quantities have increased by 7 percent despite a unit price rise of 22 percent. Non-traditional crops such as hides and skins and pyrethrum have not performed as well as expected. However, these are relatively small contributors to the overall GDP.

Finally, the livestock, forestry and fisheries sectors are on track in the first half of 2008. There is some evidence from the MINAGRI 'Crop Assessment Report' revealing livestock numbers are growing and there have been improvements in quality. Furthermore, productivity in terms of eggs and milk are rising.

The Industrial Sector is expected to perform well at around 14.6 percent. The majority of this is due to the contribution of construction. Both public sector and private construction are responsible, with large public sector investment projects such as the methane gas project and a boom in private sector investments such as hotels and private housing. Table 6 gives an overview of some of the key companies' production levels over the first half of 2008.

Table 6 - Selected Industrial Indicators (Production Levels)

	S1 2007	**S1 2008**	**Change**
Kabuye Sugar Works (MT)[1]	4,090	3,051	**-25.4%**
Inyange Dairy ('000 Litres)	1,363	1,518	**11.4%**
Bralirwa Total ('000 Litres)	512,476	615,853	**20.2%**
Soft Drinks	167,187	313,159	**87.3%**
Alcoholic Drinks	345,289	302,694	**-12.3%**
Utexrwa ('000 Yards)	2,077	2,087	**0.5%**
Sulfo (tons)[1]	1,145	1,427	**24.6%**
Ameki (Kg)	1,389	1,220	**-12.1%**
Electrogaz[1]			
Electricity ('000 Kwh)	38,431	43,783	**13.9%**
Water ('000 Cu M)	4,316	5,111	**18.4%**
Construction (MT)			
Domestic Cement Production[2]	25,344	25,845	**2.0%**
Imported Cement	39,114	76,933	**96.7%**
Other Imported Materials	17,534	29,594	**68.8%**

Source: MINECOFIN

Table 7 - Mineral Exports Jan-June 2007 and 2008 (Million USD and Kg)

	Jan-June 2007	**Jan-June 2008**	**Change**
Cassiterite			
Value	13,920,213	22,254,416	**59.9%**
Volume	2,162,172	2,277,477	**5.3%**
Unit Price	6.44	9.86	**53.2%**
Coltan			
Value	7,099,483	19,488,215	**174.5%**
Volume	413,630	570,147	**37.8%**
Unit Price	17.16	33.78	**96.8%**
Wolfram			
Value	10,906,885	6,830,312	**-37.4%**
Volume	1,499,371	904,912	**-39.6%**
Unit Price	7.27	7.53	**3.5%**
Total Value	**31,926,581**	**48,572,943**	**52.1%**
Total Volume	**4,075,173**	**3,752,536**	**-7.9%**

Source: NBR and MINECOFIN

Table 7 gives a summary of the three main mining exports for Rwanda up until June 2008[2]. Due to a continuation of rising international prices mining exports receipts have increased by 52 percent. However, quantities have not been able to match this rise as shown by the 8 percent fall; however this is entirely due to reduced supplies of wolfram. This may be attributable to the relatively small rise in unit price for this product (3.5 percent) as compared to cassiterite and coltan which rose by 53 and 97 percent, respectively.

The Services Sector is projected to rise more slowly at around 4 percent as *'wholesale and retail trade'* and *'hotels and restaurants'* performance settles down from higher rates in 2007, as shown in table 8. Traditionally, wholesale and retail trade dominated the share of services sector but this has started to slowdown as financial and insurance services as well as tourism, transport and communications take up the lead in the sector. The effects of the governments' financial sector development plan are making an impact in the *'finance and insurance'* sub sector which shows strong growth at 21 percent.

The *'transport, storage and communication'* sub sector is also expected to perform well this year. Changes are ongoing in the telecommunications industry such as new investors and introduction of new products. For storage there have been government incentives to enable private sector opportunities for investment. This is linked to the large harvest of grains in 2008 and the government's policy to improve food security measures.

[2] Production data was only available for the first quarter. This showed a reduction of around 27% for Jan-Jun 2008 as compared to Jan-Jun 2007.

Table 8 - GDP Growth in the Services Sector (Percentage Change)

	2004	2005	2006	2007	2008	5 Year Av
Services	**7.9%**	**9.1%**	**10.9%**	**12.8%**	**4.2%**	**9.0%**
Wholesale & retail trade	8.0%	8.9%	13.8%	12.8%	-0.1%	**8.7%**
Restaurants & hotels	1.6%	14.2%	5.5%	25.3%	-1.0%	**9.1%**
Transport, storage, communication	11.7%	10.6%	16.4%	18.4%	22.2%	**15.9%**
Finance & insurance,	17.2%	10.5%	20.3%	22.7%	20.5%	**18.3%**
Real estate & business services	3.0%	8.3%	4.5%	10.5%	-0.1%	**5.3%**
Public administration	2.2%	4.1%	10.9%	5.6%	-6.6%	**3.3%**
Education	18.5%	17.5%	5.8%	7.3%	-7.5%	**8.3%**
Health	6.4%	-4.9%	6.3%	2.8%	13.1%	**4.7%**
Other personal services	5.2%	22.9%	10.1%	29.9%	-2.1%	**13.2%**

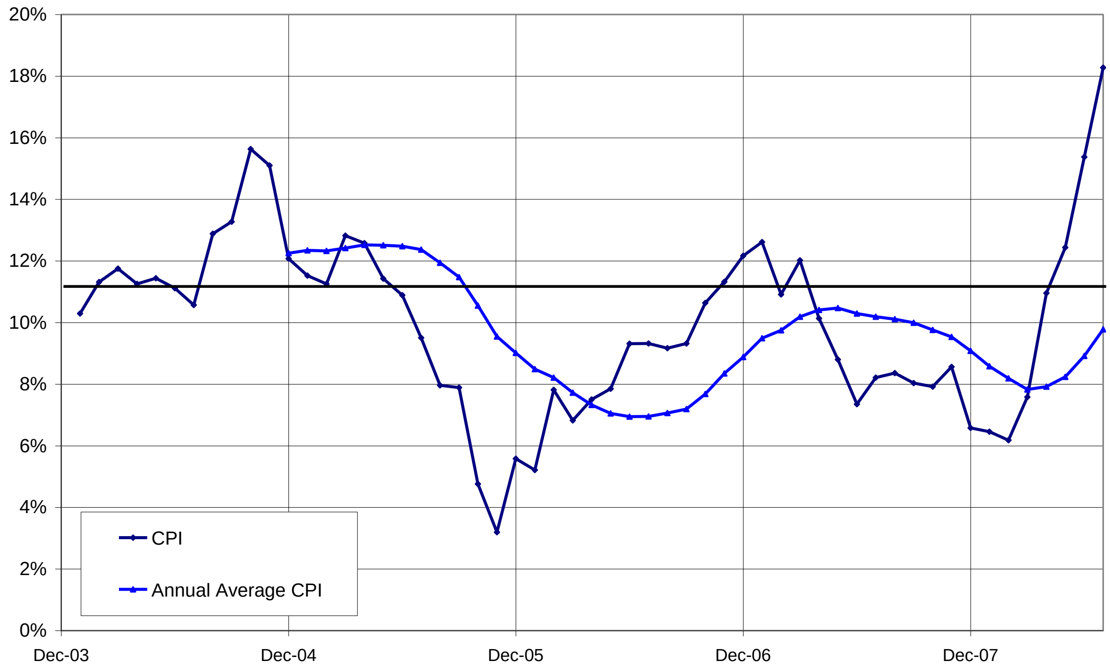
Source: NISR and MINECOFIN

In conclusion the economy has been performing well there is a challenge of managing the continued external price shocks.

2.1.2. Inflation

2008 has encountered a serious rise in inflation over the first seven months of the year, as shown in figure 1. The annual change in CPI has risen from 6.6 percent at end December 2007 to 18.3 percent as at end July 2008. However, the annual average CPI is lower at 9.8 percent compared to 9.1 percent at end 2007. As can be seen from figure 1 there has been strong upward pressure on prices since March 2008. Looking at figure 2 it is clear that there are three main factors influencing the inflation rate: first, food and non alcoholic beverages, secondly, housing costs and thirdly transport costs.

Figure 1 - CPI (Annual Change and Annual Average)

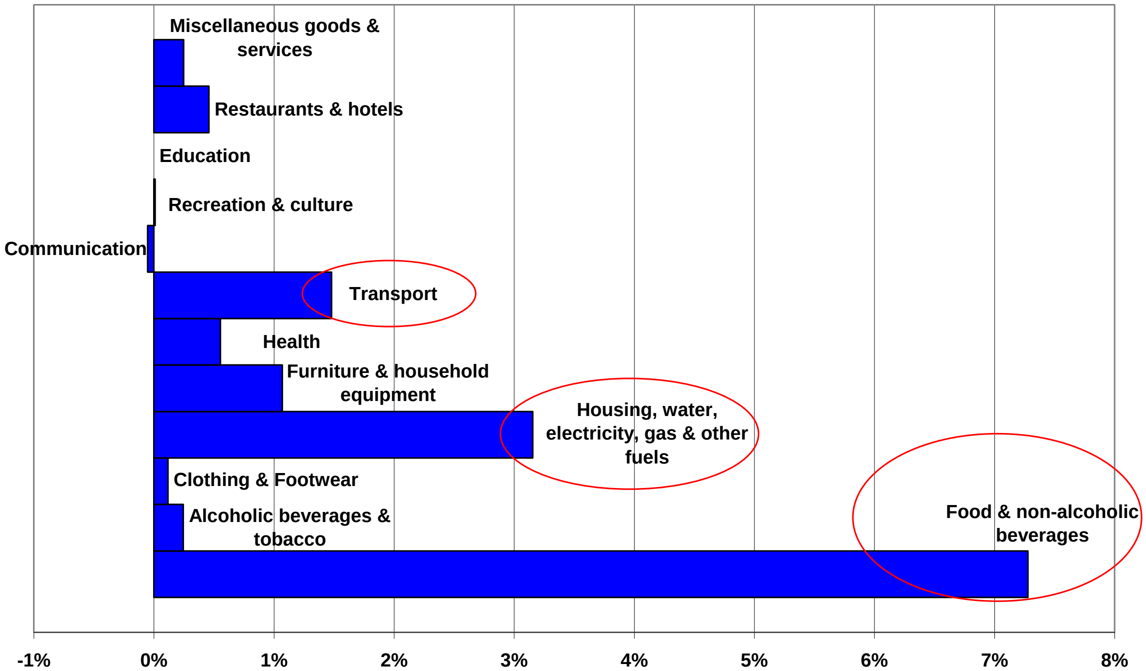


Source: NISR

Domestic pressures on the CPI over the year are sourced from food as mentioned as well as rising housing rental costs, and education fees.

International price shocks have greatly affected the price levels in 2008. The import index has risen faster than domestic prices, rising 19.1 percent as compared to 16.5 percent for domestic goods (from December 2007 to July 2008). However, as imports account for only one third of the total goods and services in the consumption basket domestic price rises still contribute more to the total inflation rate.

Figure 2 - Sector Contribution to CPI (Annual Change)



Source: NISR

The increasing international oil price is expected slow over the second half of the year. Although the cost of fuel is a small contributor to the basket of goods and services in Rwanda, it must be considered in their effect in terms of rising transportation costs to all products. This will particularly affect Rwanda as it is a landlocked country. Moreover, the new fertiliser strategy in Agriculture may be affected as the price of oil is connected to the price of fertiliser.

The rising international food prices are adding pressure despite the fact that Rwanda has produced a substantial harvest and food security is not a pressing issue. This is because key commodities such as cooking oil and salt for example are imported. These food imports are affected two fold: by rising international prices on the global markets as well as rising oil prices effecting transportation costs.

Fortunately for Rwanda there have been sufficient food crop harvests to underpin food prices. This has kept the price of locally produced food stuffs from rising as rapidly as the imported produce. The government's policy to address the supply side constraints and establish storage facilities will improve food security. By offering discounted interest rates on loans for storage facilities it is hoped that the private sector will invest in this venture. Within the contracts for these discounted loans is provided to sell all stored grains to the domestic market. This is likely to secure food supplies and keep a lid on price rises.

2.2. External Sector

Table 9 - Exports, Imports and Trade Balance Jan-June (Millions USD)

	2004	2005	2006	2007	2008 Proj	2007/08 Change
Exports	98.1	125.0	147.4	176.8	221.2	**25.1%**
Imports	-278.5	-361.9	-446.4	-581.2	-824.1	**41.8%**
Trade Balance	**-180.5**	**-236.9**	**-299.0**	**-404.4**	**-602.9**	**49.1%**
As % GDP	**-9.1%**	**-9.9%**	**-10.6%**	**-11.9%**	**-14.2%**	**-2.3%**

Source: 2004-2007 NBR and 2008 MINECOFIN Projection

The Trade Balance as at June 2008 is shown in table 9 (details on key exports have been given in tables 5 and 7 above). Exports are expected to performed well growing by 25 percent. However, imports have been greater than expected, rising by 42 percent. This has lead to a widening of the trade deficit of 49 percent, to reach 14 percent of GDP. Due to the increase in imports the trade deficit is now wider than had been expected for 2008.

Imports have increased due to two factors: firstly the increase in infrastructure needs increasing the volume imported of capital and intermediate goods and secondly the rising price of oil and food on the international markets.

Table 10 - Balance of Payments Indicators (As a Percentage of GDP)

	2004	2005	2006	2007	2008
Trade Balance	-9.1%	-9.9%	-10.6%	-11.9%	-14.2%
Current Account Balance[1]	-1.6%	-2.4%	-7.3%	-4.9%	-8.2%
Current Account Balance[2]	-15.7%	-15.7%	-16.1%	-15.6%	-19.0%
Capital and Financial Account Balance	6.8%	7.4%	10.2%	8.1%	7.0%
Overall Balance	**5.4%**	**5.0%**	**2.9%**	**3.2%**	**-1.2%**

Source: 2004-2007 NBR and 2008 MINECOFIN Projection

The Balance of Payments overview over the last five years is given in table 10 as a percentage of GDP. It is clear that the trade and current account deficit have been widening now reaching 14 and 8 percent of GDP, respectively. The net current transfers have remained strong mostly due to rising donor funds. In nominal terms they have risen from 320 million USD in 2004 to an expected 572 million in 2008. However as a percentage of GDP they have fallen from 16 to 13 percent.

The Overall Balance as a result will move from a surplus of 110.6 million USD in 2007 to a projected deficit of 51 million USD in 2008, or around 1 percent of GDP. This will be financed by the drawdown of net foreign reserves.

2.3. Implementation of Monetary Policy and Monetary Aggregates Development

Monetary policy in 2008 has been required to tighten from the loose policy in 2007. Table 11 shows the recent developments in the monetary sector along with the projections for 2008, (annex 2 gives a more details outline of the developments in the first half of 2008). As can be seen the high broad money growth of 2007 at 33 percent has been constrained. This was necessary due to the direct link between broad money growth and inflation. There is a lag and as has been mentioned in section 2.1.2 above the inflationary pressures this year have been felt as a result.

Table 11 - Monetary Indicators (Billion Rwf)

	2004	2005	2006	2007	2008 Proj	2007/08 Change
Net Foreign Assets	**172.7**	**222.5**	**285.1**	**351.6**	**343.4**	**-2.3%**
Net Domestic Assets	**32.3**	**22.6**	**34.4**	**74.1**	**141.5**	**91.0%**
Domestic Credit	108.0	107.3	142.2	183.7	251.1	**36.7%**
Central Government (net)	-27.4	-60.1	-69.5	-75.4	-60.0	**-20.4%**
Autonomous Agencies	-0.8	-0.5	-2.0	-1.3	-0.9	**-30.8%**
Public Enterprises	4.7	2.2	2.4	1.8	1.7	**-5.6%**
Private Sector	131.5	165.7	211.3	258.6	310.3	**20.0%**
Other Items Net (assets: +)	-75.7	-84.7	-107.8	-109.6	-109.6	**0.0%**
Broad Money*	205.0	245.1	319.5	425.7	485.3	**14.0%**
Growth	15.9%	19.5%	30.4%	33.2%	14.0%	
Reserve Money	59.5	64.1	71.9	93.9	114.2	**21.6%**
Growth	18.4%	7.9%	12.2%	30.6%	21.6%	
Private Sector Credit as % GDP	11.6%	12.4%	13.5%	13.9%	13.4%	**-3.5%**
NFA of BNR	122.5	181.3	224.9	281.8	271.2	**-3.8%**
As Months of Imports	4.9	6.0	6.3	6.4	4.6	

Source: 2004-2007 NBR, 2008 MINECOFIN Projection.
*Notes: * Extended coverage, i.e. including Banque Populaire.*

Net Foreign Assets (NFA) of the Central Bank rose sharply from 281.8 billion Rwf at end December 2007 to 331 billion Rwf at end June 2008 (narrow coverage). This amount is higher than the estimate of 321.8 billion Rwf for this period. This increase occurred because of the disbursement of official budget support funds of 247.1 million USD and the 25 million USD payment by the Libyan company 'LAPGREEN' representing the second instalment for the sale of Rwandatel. The accumulation of these funds to Government boosted Government deposits with the Central Bank and its Net Domestic Assets (NDA) partly offsetting the growth in reserve money. The foreign exchange reserves at end June cover about 5.2 months of imports for the country and is in line with policy projections. It is expected by the end of the year that the NFA will fall by 2.3 percent as compared to end year 2007. In Rwandan francs this will be a reduction of 8.2 billion Rwf over the year, from 351.6 to 343.4 billion Rwf. This will cover almost 5 months of imports in 2008.

Reserve Money rose by 17 percent in the first half of 2008, from 93.9 billion Rwf at end 2007 to 110.1 billion Rwf at end June 2008. This rise was due to an increase in currency in circulation that rose by 9.6 billion Rwf (from 72.7 billion Rwf at end December 2007 to 82.3 billion Rwf end June 2008), as well as deposits of the Commercial Banks (which rose from 18.6 billion Rwf at end 2007 to 24.9 billion Rwf at end June 2008). This level of reserve money was in line with the period's estimate and was achieved with foreign exchange auction sales to banks of 154.3 million USD and Government's foreign exchange spending of 80.5 million USD. By the end of the year it is expected that reserve money will reach 114.2 billion Rwf, an annual increase of 22 percent.

Domestic Credit declined from 116.1 billion Rwf at 2007 to 70.2 billion Rwf by end June 2008 (as per the narrow coverage). This sharp decline was due to a strong increase in Government deposits of about 66.1 billion Rwf on account of the external budgetary resources mentioned above.

Net Credit to Government (NCG) is expected to increase by the end of 2008 by 20 percent, to reach 60 billion Rwf. This is a turnaround from the first semester of 2008 as there will be a reduction in external disbursements.

Private Sector Credit (PSC) increased by 10 percent increase over the first semester, an increase of 20 billion Rwf (on narrow coverage terms). As per recent trends the majority share of credit is in the 'commerce, restaurants and hotels' and 'construction' sectors. However, given that inflation was around 15 percent at end of June the increase of only 10 percent meant that there was a negative increase in private sector credit. There is the need to monitor this closely during the rest of the year as it will affect the level of investment for growth. Projections for the entire year suggest a 20 percent growth rate, with a 15 percent annual average inflation rate. This growth rate is greatly due credit given by Banque Populaire du Rwanda (BPR). Yet PSC is likely to fall (-0.5 percent) as a share of GDP to 13 percent of GDP.

Broad Money (narrow coverage), i.e. excluding BPR, declined marginally from 375.2 billion Rwf at end 2007 to 371.4 billion Rwf at end June 2008. This development reflected the sharp decline in deposits particularly demand deposits which declined from 161 to 143.8 billion Rwf at end June 2008. This in turn was due to the run down in demand deposits of about 9 billion Rwf for the purchase of 16.2 million USD by some private sector actors for investment abroad. This decline in broad money during the first half of the year is in sharp contrast to what happened last year when broad money growth was 33 percent which was much higher than the nominal GDP increase of about 19 percent.

Broad Money (extended coverage), i.e. including BPR, on the other hand rose slightly by about 5 percent from 425.7 billion Rwf at end 2007 to 445.1 billion Rwf by end June 2008. This increase was also much smaller compared to an increase of about 33 percent last year.

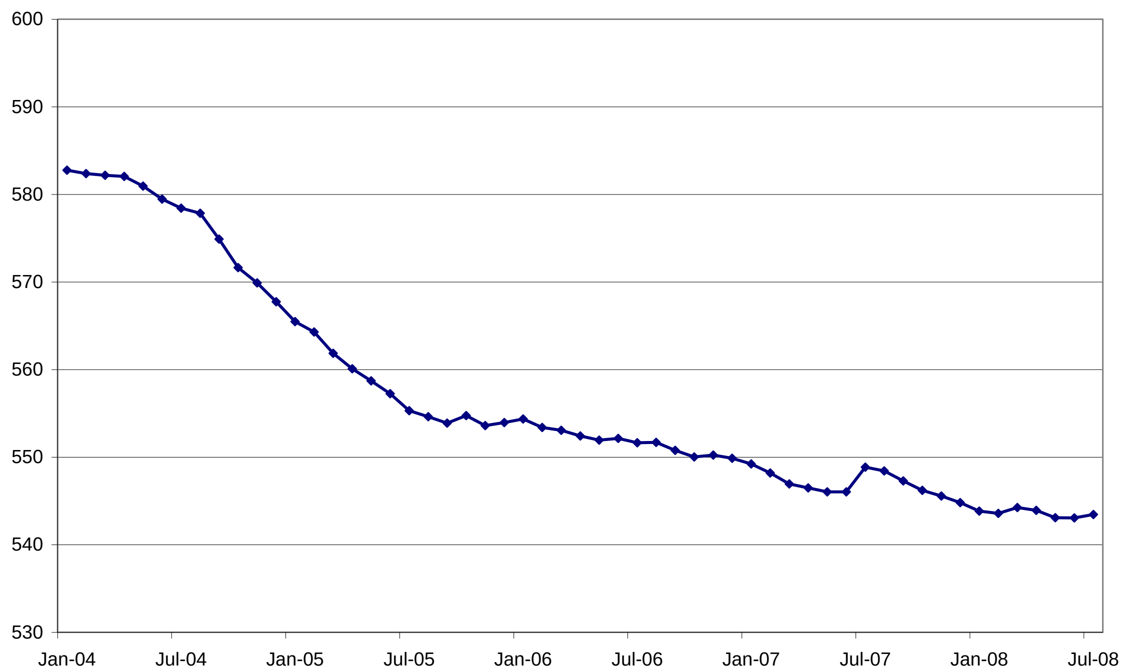
Broad Money Growth for 2008 is projected to reach 14 percent (extended basis). It is expected to increase over the year from 425.7 to 485.3 billion Rwf. This reduction in the growth rate is good news for inflationary pressures and is due to the deliberate policy of NBR to 'mop up' excess liquidity in the economy. The 'mopping up' rate increased from 5.6 percent as at end June 2007 to 6.8 percent end June 2008. This has been carried out in two forms; firstly the issuance of treasury bills and secondly the sales of foreign exchange by the central bank.

The Exchange Rate Policy over the first half of the year of the Central Bank was to allow a small periodic appreciation of the currency. From mid-February 2008, the method of exchange rate determination was modified by the Central Bank. The exchange rate was adjusted by 0.125 basis points vis-à-vis the US dollar downward or upward basis depending on under- or over-performance in sales of foreign exchange to the commercial banks. This projection was based on a weekly target for foreign exchange sales derived from the 2008 annual projection of foreign exchange sales. This method yielded foreign exchange auction sales of 154.3 million USD to the banks during the first half of the year. Figure 3 shows the end of month exchange rates of the Central Bank in the January to June 2008 period.

The Exchange Rate has appreciated from 544 in December 2007 to 543 in June 2008 this represents an appreciation of 0.2 percent. This appreciation is the result of the increased demand in 2008 for foreign exchange, and as mentioned above the NBR has increased its sales. This in turn has helped to curb broad money growth over the year.

By the end of 2008 the BNR expect the exchange rate to appreciate to 540 Rwf to the USD. This will be due to increased inflows of foreign exchange from external aid, private transfers, a good export performance and the intervention policy of NBR. It must be noted that as the coffee export campaign reaches its peak between July and September there will be a tendency for a slight depreciation as receipt of dollars rise. Sales of foreign exchange have increased to ensure benefits from the 'scaling up of aid'. As government expenditure increases along with aid disbursements these need to be aligned with higher importations, i.e. to ensure the foreign currency is spent abroad and not within the country as this would fuel inflation and undermine the exchange rate.

Figure 3 - Rwandan Franc to US Dollar Exchange Rate



<u>Source</u>: NBR

Interest Rate developments are outlined in table 12 which shows the monthly evolution of various interest rates from December 2007 to June 2008. As can be seen, the various interest rates in the country stayed relatively stable during the first half of the year. The discount rate, which represents the rate at which the Commercial Banks can borrow from the Central Bank, has remained constant at 12.5 percent. The lending rate also hardly moved from the 16 percent area.

The Money Market Rate is the rate at which the Central Bank sells its securities to the Commercial Banks to mop up excess liquidity in the economy in order to reduce inflation. This stood at 5.26 percent at end December 2007, hovered around this level in the first quarter of 2008 before rising to slightly to 5.96 percent at end May and to 6.79 percent by end June. The weighted average rate on the Treasury bills market was 5.89 percent at end December 2007. There were no rates in January and February as there were no sales. It was during this period that the Central Bank restructured the securities market by retiring most of the short-term treasury bills and selling treasury bonds of longer maturities. This action provided the required instruments to start the capital market operations. When the treasury bills sales resumed in

March, the rate was 6.22 percent. There was a slight rise in the second quarter and reached 6.5 percent at end June.

The Inter-Bank Rate represents the rate at which the Commercial Banks trade resources amongst themselves. This fluctuated between 8.0 and 6.6 percent between January and June. The high rate period coincided with a period of tight liquidity situation in the banking system. As has been the trend, **Deposit Rate** continues to remain low in the environs of 6 percent.

Table 12 - Interest Rates (Percentage)

	2008	2007					
	Dec	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**
Deposit Rate	6.77	5.97	5.78	5.69	5.91	5.70	6.05
Lending Rate	16.19	16.53	16.59	15.59	16.43	16.09	16.20
Money Market Rate - Mop Up	5.26	5.26	5.18	5.24	5.34	5.96	6.79
Discount Rate	12.50	12.50	12.50	12.50	12.50	12.50	12.50
Inter Bank Rate	6.00	8.00	6.99	8.00	6.00	6.68	6.62
Treasury Bill Market*	5.89	-	-	6.22	6.28	6.17	6.50

Source: NBR
*Note: * Weight average.*

Given that inflation at end June 2008 was about 15 percent, this made all interest rates with the exception of lending rates, negative. The Central Bank however is committed to improve its liquidity management by re-introducing the 4-weeks instruments as well as establishing repurchase agreements operations ranging from 1 to 90 days. In line with this change in policy, it aims at restoring interest rates for these money market instruments gradually to positive levels in real terms.

2.4. Fiscal Performance

Given that 2007 closed with a significant monetary overhang (as mentioned broad money rose by over 30 percent and was higher than the nominal GDP increase of about 19 percent) it was found to be prudent to slow down spending during the first half of 2008 in order not to exacerbate the inflationary expectations. Accordingly total expenditure and net lending for the January to June period under-spent by 15.4 billion Rwf, totaling 267.3 billion Rwf as against 282.7 billion Rwf projected for this period. On the resource side, total revenue and grants were above target by 7.9 billion Rwf, reaching 324.3 compared to 316.4 billion Rwf in the revised projections. Fiscal operations for the period therefore closed with a surplus (including grants) of 56.9 billion Rwf. In the revised program, a smaller surplus of 29.7 billion Rwf was envisaged.

The increased revenues will allow government to implement its entire budget spending to cover the contingency spending which was supposed to be financed by additional grants which were not realised.

The tables and text below show the performance by economic classification and by revenue source and type of spending. Annex 3 gives the full breakdown of the central government operations from 2004 to 2008. Before we discuss the execution and projections the economic fundamentals of 2008 must be again commented on in the context of the revisions to the budget.

The 2008 budget is being implemented against the backdrop of rising international fuel prices and the associated increase in transport costs. Additionally, there has been the rising costs of imports particularly food. As a result inflation in the country has risen considerably to 15 percent by end June with a significant contribution from imports. These exogenous shocks together with the political and social crisis in Kenya and the earthquakes at the beginning of the year necessitated the need to revise the budget in order to provide funds to ensure food security as well as for some other important Government programs in the first half of the year.

As a result of these revisions, an additional 50.7 billion Rwf of expenditures were added to the budget approved by Parliament. This raised the total expenditure and net lending upwards from 623.3 to 674 billion Rwf. At the same time additional grant resources including those to finance the food security expenditures became available. These together with the expected additional revenue (accruing mainly from the increase in the value of imports on account of an increase in demand, the high import prices and transport costs) led to an increase in the available resources. Accordingly, the projection for total revenue and grants was also revised upwards from 623.3 to 674 billion Rwf. 623.3 to 674 billion Rwf.

2.4.1. Revenues and Grants

Domestic Tax Revenue has performed in line with developments in the last few years. The collections continue to perform well consistent with real GDP growth, increasing monetisation of the economy as well as improvements in RRA's tax collection structures and methods. The most important of these administrative improvements are computerisation of collections, improved capacity building and most of all the creation of the 'one shop' facility that has facilitated collection of taxes.

Table 13 - S1 2008 Tax Revenue Performance (Billion Rwf)

	S1 2008 Program	S1 2008 Actual	Total 2008 Projection[1]
Total Tax Revenue	**135.8**	**150.4**	**299.4**
Direct Taxes	**47.6**	**60.6**	**108.5**
Companies	21.4	27.3	-
Individuals (PAYE)	23.6	30.1	-
Others and Property Taxes	2.6	3.3	-
Taxes on Goods and Services	**71.7**	**71.2**	**153.6**
Excise Taxes	16.3	16.2	-
VAT	51.9	51.6	-
Road Fund	3.4	3.4	-
Taxes on International Trade	**16.5**	**18.5**	**37.2**
Import Tax	15.2	17.1	-
Other (including Electrogaz fuel import)	1.5	1.7	-
As percentage of Total Tax Revenue			
VAT and PAYE	55.6%	54.3%	-
Taxes on International Trade	12.2%	12.3%	12.4%

Source: MINECOFIN.
Notes: 1 This new 2008 total projection differs from the revised budget law approved by Parliament and takes into consideration the revised nominal GDP growth (from NISR and MINECOFIN for 2006 to 2008).

Total Tax Revenue collections at end June amounted to 150.4 billion Rwf which were 11.4 billion Rwf higher than the revised projection, as can be seen in table 13. Whilst taxes on domestic goods and services registered a shortfall, direct taxes and taxes on international trade exceeded their projected totals. It is projected that the end year total tax revenue collection will reach 299.4 billion Rwf, a 26 percent increase on 2007 tax collections. Rises are expected to be met in line with higher GDP growth rates.

Direct Taxes at 60.6 billion Rwf exceeded the revised first half year's estimate by 13 billion Rwf. The largest share of this over-performance (about 90 percent) came from profit taxes. There are reasons to believe that the higher underlying inflation contributed significantly to this over-performance in profit tax collections. In addition RRA succeeded in arrears collection from some companies notably Rwandatel. In this light the end year target has been set at 108.5 billion Rwf, an annual increase of 26.5 percent.

Taxes on Domestic Goods and Services exceeded their projection by 4.6 billion Rwf to reach 71.2 billion Rwf, despite a shortfall of 1.4 billion Rwf from petroleum taxes. As has been observed in the past, VAT collections accounted for this over-performance as they benefited from the much higher inflation level as well as the increase in imports of consumer goods that attract VAT. In the case of petroleum taxes, the policy not to implement a full pass through of the current high international fuel prices for tax purposes was the main reason for the shortfall. A full pass through of the higher international prices would have increased ex-pump prices significantly and would have added to the already high inflation pressures. Total end year tax collections for this category are expected to reach 153.6 billion Rwf. This is a 27 percent rise as compared to 2007 due to the rising price levels as commented above.

Taxes on International Trade also over performed, which is of significant importance. Contrary to expectations, 18.5 billion Rwf was collected as against the estimated 16.5 billion Rwf for this period; an excess of 2.0 billion Rwf. The main reason for the excess was an increase in the total value of imports by about 61 percent (the increase in imports of consumer goods that attract the higher rate of tax was about 27 percent). This in turn arose from the general increase in international prices for various commodities (about 16 percent) as well as a general rise in demand. For these reasons the new projection for the end year is a 20 percent annual rise to 37.2 billion Rwf.

In sum table 14 below gives indices that contributed to the better performance of domestic revenue collections during the first half of 2008.

Table 14 - Indices Affecting Domestic Revenue Collection (Six Month Percentage Change)

	Dec 06 - Jun 07	**Dec 07 – Jun 08**
Overall inflation	4.5%	15.4%
Index for local goods	6.6%	12.4%
Index for imported goods	-1.1%	15.8%
Money	6.5%	5.3%
Exchange Rate / US$	0.6%	0.9%

Source: BNR
*Notes : * Appreciation*

Non-Tax Revenue of 10.8 billion Rwf was about 2.2 billion lower than projected. The shortfall was due to problems in administrative procedures that delayed the collection and transfer of the proceeds of 4.2 billion Rwf from the sale of identity cards to Ordonateur Tresorier du Rwanda (OTR's) account at the Central Bank. There are indications that these problems have been solved and as from July the proceeds are accruing to OTR's account at the Central Bank. In this respect overall annual non tax revenue is expected to reach 22.5 billion Rwf.

External Budget Support Disbursements for the first half of the year were projected at 185.1 million USD. Actual cash disbursements amounted to 247.1 million USD, an excess of 62 million USD. This included 29.4 million USD reimbursements from the AU for expenditures under the peace keeping operations. A portion of this amount however represents personal emoluments for the troops in Sudan that must be paid to them. MINICOFIN is working with MINADEF to ascertain the amount due to these soldiers for payment. Table 15 below shows the projected and actual cash disbursements for the 2008 January to June period.

Table 15 - S1 2008 External Budget Disbursements (Million USD)

	S1 2008 Proj	S1 2008 Actual
AfDB		21.16
EU	24.30	25.34
IDA	60.00	72.45
GERMANY		
SWEDEN	11.40	2.26
NETHERLANDS		
UK	53.00	64.37
UK (Education)		
DEMOBILISATION	4.68	0.75
AU PEACEKEEPING	9.25	29.68
S/TOTAL	**162.63**	**216.01**
FAST TRACK Multi donors (Education Grants)	8.67	13.0
EDUCATION SECTOR GRANTS	9.20	3.10
HEALTH SECTOR GRANTS	2.60	9.99
CDF (Budget Support)	2.00	
CONTINGENT Multi donors (Grants)		
HIPC Grant	1.70	1.70
G/TOTAL /Grants	**186.80**	**243.80**
LOANS		
OPEC FUND LOAN (HIPC)		7.00
G/TOTAL (With Loans & Grants)	**186.80**	**250.80**

Source: MINECOFIN

In addition to the above mentioned cash disbursements, the Government also received an amount of 25 million USD from the second instalment payment for the sale of Rwandatel. These above-mentioned cash disbursement together with the accrual of HIPC grants of 1.7 million USD allowed the Government to finance a large portion of budgetary expenditures as well as build up substantial banking deposits. These deposits helped to slow down monetary expansion and were beneficial in ameliorating the higher inflationary pressures in the country.

External Disbursements for Projects are less easy to analyse due to only partial data existing. Efforts are now underway to compile total accurate data covering 2007 and 2008 with the collaboration of some of the donors. It is expected that these will be available by the end of this year and be included in the 2008 budget execution report. As an interim measure this report will continue to use the projections as provisional performance.

Over the first semester 38.2 billion Rwf of grants and 15.7 billion Rwf of loans were projected from various donors for projects. It is therefore assumed that these amounts were disbursed for project implementation. However, note is to be taken of the fact that data from the Central Bank shows total cash disbursements amounting to 62.6 million USD (equivalent to 34.1 billion Rwf) in loans and grants during this period. The same information gaps that exist on disbursements side also exist in the execution area. Here also the projection of 53.8 billion Rwf is being used as provisional actual.

Table 16 – Domestic and External Revenues of the Central Government (Billion Rwf and As Percentage of GDP)

	2004	2005	2006	2007	2008[1]	5 Yr Av Growth
Total Revenues and Grants	**272.3**	**349.43**	**376.0**	**460.2**	**625.8**	**23.6%**
as % GDP	23.9%	26.2%	24.0%	24.7%	27.0%	**-**
Total Domestic Revenues	**147.1**	**180.3**	**208.2**	**252.9**	**321.9**	**21.7%**
as % GDP	12.9%	13.5%	13.3%	13.6%	13.9%	**-**
Total Tax Revenues	**134.7**	**162.6**	**193.6**	**237.8**	**299.4**	**22.1%**
as % GDP	11.8%	12.2%	12.4%	12.7%	12.9%	**-**
Total Grants	**125.2**	**169.1**	**167.8**	**207.3**	**303.9**	**26.1%**
as % GDP	11.0%	12.7%	10.7%	11.1%	13.1%	**-**
Budgetary Grants	90.4	111.3	71.9	133.3	195.8	**30.0%**
Capital Grants	34.8	57.8	95.9	74.0	108.1	**38.8%**

Source: MINECOFIN
Notes: 1 This new 2008 total projection differs from the revised budget law approved by Parliament and takes into consideration the revised nominal GDP growth (from NISR and MINECOFIN for 2006 to 2008).

To sum up table 16 outlines the developments over the past five years for all domestic and external revenues. Total revenues and grants have increased from 272.3 to 625.8 billion Rwf from 2004 to 2008, an average annual growth rate of 24 percent. As can be seen over the last five years on average grants have been growing faster than domestic revenues, 26 percent as compared to 22 percent, respectively. Within the external funding capital grants have been growing more rapidly at 39 percent, from 34.8 billion Rwf in 2004 to an expected 108.1 billion Rwf in 2008. However, as can be seen the government and RRA have been making successful inroads with domestic revenues. Since 2004 tax revenues as a percentage of GDP have risen from 11.8 to 12.9 percent. This is in line with the IMF program target of increasing the tax to GDP ratio by 0.2 percentage points per annum.

2.4.2. Total Expenditures and Net Lending

Total expenditure and net lending reached 267.3 billion Rwf in S1 2008 and was 15.4 billion lower than the revised projection figure. All items, with the exception of domestic capital spending, registered lower outlays. In addition the receipt of 25 million USD (from the second instalment for the divestiture of Rwandatel) lowered spending under net lending and contributed to the total shortfall in spending.

Table 17 - Expenditures and Net Lending of the Central Government (Billion Rwf and As a Percentage of GDP)

	2004	**2005**	**2006**	**2007**	**2008 Proj**	**5 Yr Av Growth**
Total Expenditure and Net Lending	**274.9**	**340.7**	**382.4**	**490.6**	**619.5**	**22.7%**
as % GDP	24.1%	25.6%	24.5%	26.3%	26.7%	**-**
Current Expenditure	**168.1**	**214.9**	**254.1**	**312.5**	**369.0**	**21.8%**
as % GDP	14.8%	16.1%	16.2%	16.7%	15.9%	**-**
Wages and Salaries	48.5	51.2	62.2	73.4	83.7	**14.7%**
Purchases of Goods and Services	47.6	64.5	71.5	77.5	78.2	**13.9%**
Interest Payments	11.9	10.3	14.8	10.9	13.4	**6.7%**
Transfers	41.8	53.5	71.9	103.8	136.2	**34.5%**
Exceptional Social Expenditure	18.2	35.4	33.7	46.9	58.1	**38.0%**
Capital Expenditure	**89.5**	**121.4**	**118.7**	**186.2**	**257.6**	**32.2%**
as % GDP	7.9%	9.1%	7.6%	10.0%	11.1%	**-**
Domestic	27.2	34.7	35.7	63.7	111.6	**46.0%**
Foreign	62.3	86.7	83.0	122.5	146.0	**25.4%**
Net Lending	**17.3**	**4.4**	**9.6**	**-8.1**	**-7.0**	**-38.4%**

Source: MINECOFIN

A Summary of expenditures and net lending is given in table 17, revealing an estimated 23 percent average annual increase over the last five years. Within this capital expenditures have risen at a faster rate than current spending, 32 compared to 22 percent, respectively. The domestic capital expenditures have been rising sharply over the last two years (78 and 75 percent in 2007 and 2008, respectively) which is due to a deliberate governmental policy to increase developmental infrastructure spending in line with the EDPRS. As can be seen in terms of the expenditures to GDP ratios the current expenditure ratio has remained relatively stable around 16 percent whilst the capital ratio has grown from 8 percent in 2004 to an expected 11 percent in 2008.

Priority Expenditures were generally on track despite the shortfall in total spending, in some cases there was an acceleration of spending. The total actual priority spending, as shown in table 18, slightly exceeded the estimate. As has been the trend, spending on various infrastructural projects, education, health and social protection led the way in meeting the targets. These are in line with the priorities outlined in the EDPRS.

Table 18 - S1 2008 Priority Spending Performance (Billion Rwf)

	S1 2008 Estimate	S1 2008 Actual
Recurrent Spending	90.6	89.8
Net Lending	1.3	1.4
Domestic Capital	36.5	38.3
Total	**128.4**	**129.5**

Source: MINECOFIN

2.4.3. Overall Performance and Financing

The Domestic Fiscal Deficit (excluding expenditures on demobilization and AU peacekeeping operations) for end June 2008 reached 44.9 billion Rwf compared to 67.8 billion Rwf envisaged in the revised estimate. Projections give an end year deficit of around 133.5 billion Rwf, which would mean a small widening from 5.3 to 5.8 percent of GDP over the year.

The Overall Balance (including grants) registered a surplus of 57 billion Rwf as at June 2008, around 23 billion greater than previously projected. This was the result of the good performance in domestic revenue collections and the generous foreign budget support including the payment from the Libyans for the divestiture of Rwandatel. These surplus funds together with the proceeds from the sale of securities (Treasury bills and bonds) of 8 billion Rwf and the accrual of non tax revenue in the 'zero balance' accounts amounting to 1.9 billion Rwf allowed the Government to build up deposits of 70.5 billion Rwf in the banking system and repay 9.3 billion Rwf of non bank debt. This non bank debt included the short-term loan of 2.4 billion Rwf borrowed from Caisse Sociale du Rwanda (CSR) to purchase the shares of Bank Belgolaise in Banque de Kigali last year. As mentioned above, the increase in deposits helped to reduce monetary expansion during the first half of the year. Therefore the expected balance at the end of the year is 6.3 billion Rwf, a surplus of 0.3 percent of GDP.

A Five Year Average of fiscal balances and financing developments are set out below in table 19. All measures of deficits remain affordable in 2008. As the domestic revenues collections have performed better than expected the financing needs have reduced to 0.7 billion Rwf. In terms of domestic financing this will result in an increase in government reserves of 15.3 billion Rwf.

Table 19 - Fiscal Balances and Financing of the Central Government (Billion Rwf and As a Percentage of GDP)

	2004	2005	2006	2007	2008[3]	5 Yr Av Growth
Primary Balance[1]	**-18.0**	**-23.6**	**-33.1**	**-65.5**	**-145.9**	**72.9%**
as % GDP	-1.6%	-1.8%	-2.1%	-3.5%	-6.3%	**-**
Domestic Fiscal Balance[2]	**-54.6**	**-50.9**	**-70.7**	**-98.5**	**-133.5**	**26.7%**
as % GDP	-4.8%	-3.8%	-4.5%	-5.3%	-5.8%	**-**
Overall Balance (incl Grants)	**-2.6**	**8.8**	**-6.4**	**-30.5**	**6.3**	**-90.0%**
as % GDP	-0.2%	0.7%	-0.4%	-1.6%	0.3%	**-**
Overall Balance (excl Grants)	**-127.8**	**-160.4**	**-174.2**	**-237.8**	**-297.6**	**23.9%**
as % GDP	-11.2%	-12.0%	-11.1%	-12.7%	-12.8%	**-**
Financing	18.9	-1.8	13.9	39.2	0.7	**-225.4%**
Foreign Financing (net)	**47.6**	**30.8**	**26.0**	**44.6**	**37.7**	**1.3%**
Drawings	62.8	46.5	37.7	49.1	41.6	**-7.5%**
Budgetary Loans	35.3	17.7	8.2	0.6	0.0	**-74.2%**
Project Loans	27.5	28.8	29.5	48.5	37.8	**12.4%**
Amortization (paid)	-21.4	-21.3	-11.8	-4.5	-3.9	**-30.1%**
Domestic Financing	**-28.7**	**-32.6**	**-12.0**	**-5.3**	**-37.0**	**123.1%**
Banking System	-50.3	-32.6	-9.4	4.8	-15.3	**-168.9%**

Source: MINECOFIN
Notes: 1 Excludes exceptional expenditures.
2 Excludes demobilization and peacekeeping expenditures.
3 This new 2008 total projection differs from the revised budget law approved by Parliament and takes into consideration the revised nominal GDP growth (from NISR and MINECOFIN for 2006 to 2008).

A conscious effort was made to slow down spending in order to reduce domestic demand in the economy. This in turn was expected to reduce the inflationary pressures. There are indications that since July there has been an acceleration of spending, partly on account of the inflationary pressures that have raised prices for goods and services. Given that Government is very concerned about the high level of prices, it intends to monitor the expenditure situation very carefully for the rest of the year and will take remedial actions including a slow down of spending to maintain macro economic stability.

2.5. Conclusion

In conclusion the economy looks in good shape in 2008 and in a good position to meet targets for the EDPRS period. As mentioned this has much to do with the investments made over the last few years in the agriculture sector as well as a dedication from the government and central bank to maintain macroeconomic stability.

However, there is a threat in terms of inflation. As discussed the rising international oil and food prices will impact on the costs of all goods and Rwanda will be particularly hard hit due to it being a land locked country. Containment and reduction of inflation has become a top priority for government and the central bank. As the results of the first half of 2008 show the tighter monetary and fiscal policies have taken effect in terms of reducing broad money growth and reining in government spending. As this continues the medium term economic environment is expected to remain stable.

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 (2009-2011/12)

3.1 The International Economy

3.1.1 Global Growth

In 2008 the global economy is experiencing a period of sharply slowing demand in many advanced economies and rising inflation everywhere, particularly in emerging and developing economies. However, this trend is expected to reverse gradually in 2009, and world output is forecast to recover over the medium term (see table 20). Likewise, inflation is expected to decline over the medium-term as cost-push pressures from food and energy prices diminish.

Table 20 - Medium Term Projections 2009-2013 (Percentage Change)

	2007	**2008**	**2009**	**…**	**2013**	**5 Year Av 2009-2013**
World Real GDP	**4.9%**	**3.7%**	**3.8%**		**4.9%**	**4.66%**
Advanced Economies	2.7%	1.3%	1.3%		2.9%	2.59%
Emerging Markets and Developing Countries	7.9%	6.7%	6.6%		7.0%	6.94%
Sub-Saharan Africa	6.8%	6.6%	6.7%		5.2%	5.96%
Consumer Price Index	**3.9%**	**4.7%**	**3.6%**		**3.3%**	**3.42%**
Advanced Economies	2.2%	2.6%	2.0%		2.1%	2.07%
Emerging Markets and Developing Countries	6.3%	7.4%	5.6%		4.5%	4.93%
Sub-Saharan Africa	7.2%	8.6%	6.6%		5.1%	5.59%

Source: IMF World Economic Outlook Update database, July 2007.

3.1.2 Commodity Prices

World trade is predicted to continue increasing through 2009, growing at 5.7 percent, against the backdrop of falling commodity prices. Table 21 outlines the key international price projections which are directly relevant to Rwanda.

Table 21 - World Commodity Price Indices 2004-2009 (Base Year 2005)

	2004	2005	2006	2007	2008	2009
Tea	91.6	100.0	111.7	97.9	106.3	92.4
Coffee	70.0	100.0	111.5	129.1	137.6	132.9
Fuel	72.4	100.0	119.2	131.7	174.1	171.9
Food	100.9	100.0	110.5	127.3	150.4	149.2
Industrial Inputs	89.2	100.0	136.3	154.3	151.8	138.9

Source: IMF World Economic Outlook Update database, July 2007.
Notes: Tea is Mombassa Auction Price, Coffee is Arabica and Robusta, Fuel is Petroleum, Gas and Coal, and Industrial Inputs are Agricultural Raw Materials and Metals.

Prices for tea jumped in 2008 as a result of reduced supply from Kenya as the country struggled with poor weather conditions and political unrest. Over the medium-term, however, prices are expected to fall as large exporters of orthodox teas, such as Sri Lanka and India, have announced their intention to scale up production, while international demand is expected to decline as preferences shift to substitute beverages.[3]

The price for coffee is expected to follow a similar pattern as that for tea. In 2008, the price for coffee expanded rapidly to reflect a 9 percent decline in global production due to cyclicality of coffee production and poor weather conditions in two leading coffee exporters, Brazil and Vietnam. While, global coffee consumption is expected to expand by 2 percent per annum during 2008 and 2009, the World Bank predicts that coffee prices have likely reached their cyclical highs as supplies are forecast to meet demand in the medium term.[4]

The decline in prices for our key primary commodity exports will be met by large reductions in the prices of our key imports. After severe price increases over the past five years, fuel prices are forecast to fall back over the medium term. Oil demand, for example, is expected to rise less than 2 percent per year as higher prices have slowed oil demand growth. Further, oil exporting countries are developing new, albeit costly, capacity and surplus capacity is expected to gradually increase bringing prices down over the medium term.

[3] World Bank Commodity Market Brief: Tea, May 2008.
[4] World Bank Commodity Market Brief: Coffee, May 2008.

3.2 Domestic Economy

3.2.1 Macroeconomic Summary

Over the medium term strong real growth is expected to average around 8 percent per annum. This is due to increased public and private investments with particular emphasis on the agriculture and energy sectors. Monetary policy will tighten so as to rein in broad money growth to reach the inflation target. The trade balance will widen despite strong export growth reflecting the growing import demand as a result of strong growth and investment demand. The widening deficit will only be partly offset by rising donor grants and foreign direct investment. Therefore, a lower overall surplus is expected in the medium term and to end in 2011/12 in a deficit.

On the fiscal side, even thought there is an increasing revenue to GDP ratio, domestic funds will still only meet 63 percent of total expenditures by 2011/12. There will be a shift in favour of capital expenditure to reflect EDPRS priorities. Deficits will be funded by donor grants, with only around 3 percent of the deficit to be funded through financing. Domestic borrowing will be zero therefore this financing will come from donor loans.

Table 22 gives an overview of the medium term economic framework for Rwanda. The details will be discussed in more depth in the following sections from projections concerning the real sector, external, fiscal, and monetary policy.

Table 22 - Macroeconomic Framework Summary Indicators

	2008	S1 2009[1]	2009/10	2010/11	2011/12
Economic Growth and Inflation					
Real GDP Growth	8.5%	7.2%	7.4%	7.8%	8.0%
Nominal GDP Growth per Capita	21.7%	-	12.0%	10.5%	10.5%
Consumer Price Index (annual average)[2]	15.1%	7.7%	7.0%	5.3%	5.0%
Central Government Budget (% GDP)					
Domestic Revenue	13.9%	15.8%	13.6%	13.4%	13.6%
Grants	13.1%	17.4%	11.8%	11.0%	8.7%
Expenditure and Net Lending	26.7%	31.6%	25.6%	28.9%	26.8%
Current Expenditure	15.9%	17.2%	14.2%	14.0%	12.7%
Capital Expenditure	11.1%	14.1%	12.3%	11.5%	10.4%
Overall Balance (payment order)					
Including Grants	0.3%	1.7%	-0.4%	-0.3%	-0.1%
Excluding Grants	-12.8%	-15.8%	-12.2%	-11.3%	-8.8%
Monetary Sector (annual % change)					
Broad Money	14.0%	12.9%	18.0%	16.5%	16.4%
Reserves of the BNR	-3.8%	-	7.8%	1.2%	-8.6%
Private Sector Credit	20.0%	-8.1%	19.6%	26.2%	39.2%
Gross Investment	9.8%	-	20.1%	20.9%	13.4%
Of which Private	-18.4%	-	46.7%	48.8%	27.6%
Gross National Savings	-22.0%	-	-8.1%	23.8%	9.0%
Balance of Payments (million USD)					
Exports of Goods	221.2	121.1	278.1	327.8	380.4
Imports of Goods	-824.1	-389.2	-809.6	-924.7	-984.0
Current Account Balance as % GDP[4]	-8.2%	-2.9%	-6.2%	-6.3%	-6.8%
Overall Balance as % GDP	-1.2%	5.0%	1.5%	0.1%	-1.6%
Gross Official Reserves[5]	4.6	-	8.0	7.5	6.2

Source: MINECOFIN Projections.
Notes: 1 Semester One 2009: January to June.
2 Excluding demobilization spending.
3 Excluding grants.
4 Including official transfers.
5 Months of imports of goods and services.

3.2.2 Prospects for GDP Growth

Growth is expected to be strong over the medium term averaging 7.8 percent (2009/10 to 2011/12) as the EDPRS promotes investment. These will be sourced from public and private sectors and with particular reference to increasing productivity in the agricultural sector. There will also be an emphasis on public-private partnerships for large scale projects for example in the energy sector. Table 23 gives an overview of the projected real sector trends during the next five years.

Underpinning growth is a solid and more productive agriculture sector. The industrial sector is showing double digit growth as the electricity micro hydro and methane gas projects come on line in 2010/11. This reliable and cheaper power supply should offer a boost to manufacturing sectors in particular. Services should benefit from the growing tourist sector, developments in ICT as well as the development of financial services. Over the medium term the inflation rate is targeted to fall to 5 percent.

Table 23 - Medium Term GDP Projections (Billion Rwf)

	2008	S1 2009	2009/10	2010/11	2011/12	3 Year Av
Real GDP	**1170.8**	**451.7**	**1300.5**	**1402.4**	**1515.1**	-
Growth	**8.5%**	**7.2%**	**7.4%**	**7.8%**	**8.0%**	**7.8%**
Agriculture	14.7%	7.6%	5.8%	6.0%	6.3%	**6.0%**
Industry	14.6%	12.7%	11.1%	14.5%	12.1%	**12.6%**
Services	4.2%	7.8%	8.5%	7.9%	8.9%	**8.4%**
Adjustments	-6.0%	-10.1%	-5.8%	-8.2%	-11.4%	**-8.4%**
Nominal GDP	2320.6	1176.3	2874.8	3263.3	3701.8	**-**
Growth	24.4%	20.0%	15.0%	13.5%	13.4%	**14.0%**
Inflation*	15.1%	7.7%	7.0%	5.3%	5.0%	**5.8%**

Source: *MINECOFIN Projections.*
Notes: ** Annual Average CPI, S1 2009 is a six month average as at end June 2009.*

A full breakdown of the GDP by sector is available in annex 4. Overall the agriculture share of GDP will remain stable in nominal terms at around 37 percent, and the services sector will also be stable at around 44 percent. Industry is expected to make inroads rising from 14 to 17 percent of nominal GDP. This stability in share of GDP for agriculture reveals that the agriculture sector is expected to become more productive and so regaining its hold from the 2003-2007 low growth levels. However, it also shows that the services and industry sectors will also be retaining their significance as they grow at faster rates. Below there is a short discussion on the real sector fundamentals underlying the growth projections.

Agriculture will be underpinned by many Government policies to increase yields. These range from the governments Crop Intensification Program, the national fertiliser strategy, purchasing and distribution of improved seeds, the LWH and so forth. Furthermore, there are market linkages and extension services improvements. For example, government subsidised loans for private investments in storage facilities. Moreover, raising livestock productivity is an objective through introducing new breeds and such programs as the one cow per family.

The policy interventions are constructed in such a way as to increase productivity, modernisation of the agriculture sector, reduce poverty and the basic improvements in food security will also assist in constraining inflationary pressures as will be discussed below.

Expansion and raising value added of export crops is a crucial policy for the medium term. Revised export projections are set out below in section 3.2.4. In general there is expected to be an average 15 percent per annum growth in exports in value terms. This will be mostly due to coffee and tea which are the largest export crops in Rwanda. Both commodities have an export promotion strategy in place which seeks to increase acreage under production, quality of products as well as investing in improved capital equipment to process a more finished product. However, there are also new areas of diversification such as horticulture (flowers, essential oils etc), hides and skins and pyrethrum. Although these make up a small percentage of export crops, over the medium term investments are set to increase their significance.

The Industrial Sector, as mentioned above, will benefit from the increased production of electricity. This should overcome the most important constraint to production in Rwanda: i.e. the supply and cost of power. Ongoing projects include:

- Methane Gas Project has the potential for 350 Mw for Rwanda in the long term. Over the medium term that which is coming on line is expected to be the KP1 Pilot Plant supplying 4.5 Mw and the 3.5 Mw of the REC Pilot Plant which is scheduled to be operative by end 2008.
- Rukarara project is currently 30 percent complete and is due to be completed during the first quarter of 2010, this is will supply 9.5 Mw.
- Nyabarongo project is expected to supply 27.5 Mw by 2011.
- Eight Micro Hydro Plants 20 percent completed and expected to be on line by the end of 2009. Should benefit 63,500 households with 6.35 Mw.
- EU Energy Facility is projected to supply 30,000 households with 3 Mw, construction will begin in 2009.

Other industrial sectors such as minerals and construction are expected to retain their strong growth rates over the medium term. For mining there are new investors in the country looking to open up new mines and processing plants furthermore the international demand fuelling the booming prices is not expected to slow down rapidly in the near future. For construction there are domestic and foreign investors building hotels, roads and houses. With the expected growth in the tourist industry and current demographics (growing numbers of people wishing to buy homes) the construction industry is likely to continue its strong growth.

The Service Sector will also benefit from the ongoing construction and electricity infrastructure investments. With better roads, more hotels and tourists the *'wholesale and retail trade'*, *'hotels and restaurants'* and *'transport, storage and communication'* sectors will all gain. The governments Financial Sector Development Plan (FSDP) envisions the enhancement of credit and general financial services to all in the economy, from small loans in microfinance to investing on the new capital market. These developments should increase the levels of savings available in the economy to further fuel investment projects.

To this end inflation is a concern. Currently Rwanda's domestic demand is outstripping its supply. As such we are beginning this medium term period with rapidly increasing price levels, (although as noted in section 2.1.2. above there have been exogenous price shocks in 2008). As the table above shows the inflation levels are projected to fall from 15 percent in 2008 to almost 5 percent by 2011/12. It is crucial for this macro economic framework to contain inflation. To retain a stable macroeconomic environment that is conducive to raising productivity levels and attracting foreign investments profit expectations must not be driven down by inflation.

As will be discussed in the monetary section 3.2.4. central to the monetary policy in the medium term will be the inflation target of 5 percent. To this end also the fiscal spending of the government must be observed to ensure that it does not inject more domestic liquidity than projected. This will be a difficult task as there are offsetting gains for government spending. Since the medium term is dedicated to investing in infrastructure for long term development needs it will be difficult to delay this spending to enable the inflation target to be met.

Table 24 - GDP Per Capita Over the Medium Term (Rwf and USD)

	2008	**S1 2009**	**2009/10**	**2010/11**	**2011/12**	**3 Year Av**
Real GDP per capita (Rwf)	126,406	46,113	129,281	135,749	142,795	-
Growth	6.2%	-	4.6%	5.0%	5.2%	4.9%
Nominal GDP per capita (Rwf)	250,548	120,096	285,776	315,870	348,897	-
Growth	21.7%	-	12.0%	10.5%	10.5%	11.0%
Real GDP per capita (USD)	232	104	292	306	322	-
Nominal GDP per capita (USD)	460	220	529	585	640	-

Source: MINECOFIN Projections.
*Notes: * Real GDP per capita is given in constant 2001 USD.*

To conclude table 24 reveals the expected developments in GDP per capita. Over the medium term it is expected that the nominal GDP per capita will rise from 250,548 Rwf in 2008 to 347,154 Rwf in 2011/12, this is a 39 percent increase. In USD terms we project a nominal per capita GDP of 637 USD by the end of the medium term. In this respect it is projected that the incidence of poverty will fall from the EICV II level in 2005/06 of 57 percent of the population to 44 percent in 2011/12. For extreme poverty the projections show a fall of around 13 percent from the EICV II level of 41 to 29 percent of the population by 2011/12.

However, due to data limitations these projections are based on stable inequality coefficients, i.e. income distribution remains the same over time. With the increased investments in the agriculture sector increasing productivity it is expected that the benefits of this growth will be widespread and that the inequality levels will reduce. This could mean a greater reduction in poverty levels than stated above.

3.2.3 Fiscal Policy and Projections

Over the medium term the government priorities lie in mobilising increased domestic revenues to development infrastructure projects. There will be an increase of donor funds in nominal terms however, as a percentage of GDP they will be falling as the country becomes less reliant on foreign aid. In terms of expenditure there will be a shift from current to capital expenditure with domestically funded projects rising faster than those financed by foreign aid. The overall balance over the medium term will remain sustainable.

This section will go on to discuss these issues in more detail, discussing the developments and policies for domestic revenue collections as well as the planned commitments and borrowing from external sources. Annex 5 shows the full operations of the central government over the medium term period.

Total Resources are expected to rise by 35 percent from 663.6[5] to 894.4 billion Rwf from 2008 to 2011/12. As a percentage of GDP this will fall from 29 to 24 percent, mostly due to a slow down in grants. Table 25 details these developments over the medium term.

Domestic Revenues are projected to grow by 67 percent from 2008 to 2011/12, an average of 17 percent per year. Nominally this will represent a move from 321.9 domestic collections to 538.0 billion Rwf. As a percentage of GDP they are expected to grow from 13.9 to 14.5 percent over this period. The rise in the collection of taxes is contributing more to this rise than non-tax revenues.

The expected result is that by 2011/12 domestic revenues should cover 63 percent of total expenditures in the budget. This is a rise of 10 percentage points from the projected coverage of 53 percent in 2008. If accomplished the government will be making substantial progress in its goal of a reduction in dependence on foreign aid.

[5] *This new 2008 total projection differs from the revised budget law approved by Parliament and takes into consideration the revised nominal GDP growth (from NISR and MINECOFIN for 2006 to 2008).*

Table 25 – Budget Resource Envelope of the Central Government (Billion Rwf)

	2008[1]	S1 2009	2009/10	2010/11	2011/12
Total Resources	**663.6**	**406.4**	**811.7**	**834.2**	**894.4**
as % GDP	28.6%	34.5%	28.2%	25.6%	24.2%
Domestic Revenues	**321.9**	**186.2**	**420.1**	**468.9**	**538.0**
as % GDP	13.9%	15.8%	14.6%	14.4%	14.5%
Tax Revenue	**299.4**	**170.5**	**392.0**	**438.5**	**504.8**
as % GDP	12.9%	14.5%	13.6%	13.4%	13.6%
Direct Taxes	108.5	61.5	137.3	158.2	180.6
Taxes on Goods and Services	153.6	88.5	208.8	227.8	264.7
Taxes on International Trade	37.2	20.5	45.9	52.5	59.5
Non Tax Revenue	**22.5**	**15.7**	**28.1**	**30.4**	**33.2**
External Resources	**341.7**	**220.2**	**391.7**	**365.3**	**356.4**
as % GDP	14.7%	18.7%	13.6%	11.2%	9.6%
Grants	**303.9**	**200.4**	**349.0**	**329.1**	**327.5**
as % GDP	13.1%	17.0%	12.1%	10.1%	8.8%
Budgetary Grants	195.8	138.2	221.8	192.4	178.7
Capital Grants	108.1	62.3	127.2	136.7	148.8
Loans	**37.8**	**19.8**	**42.7**	**36.2**	**29.0**
Budget Loans	0.0	0.0	0.0	0.0	0.0
Project Loans	37.8	19.8	42.7	36.2	29.0

Source: MINECOFIN.
Notes: 1 This new 2008 total projection differs from the revised budget law approved by Parliament and takes into consideration the revised nominal GDP growth (from NISR and MINECOFIN for 2006 to 2008).

Tax Revenues will increase by 69 percent from 299.4 billion Rwf in 2008 to 504.8. All three sub categories of taxation are contributing to this rise. Direct taxes and taxes on goods and services are projected to rise along with the nominal growth rate plus increases as per the new tax measures (to be discussed below). Expectations for rising tax revenues from goods and services are the highest at around 19 percent on average per annum. As the economy becomes more monetised and business moves into the formal sector there will be a widening of the tax base and so collections will rise.

The Tax Revenue to GDP Ratio is projected to average at 0.2 percentage increase per annum over the medium term. An explanatory note on the irregularity of the projections for annual changes for fiscal years, and the divergence of calendar and fiscal year tax revenue to GDP ratios is given in annex 6.

Taxation from International Trade may have the potential for reduction over the medium term as Rwanda joins the EAC custom union and becomes more closely linked with EAC countries where products attract a lower or nil taxation. However, since Rwanda is at its development phase of the EDPRS there will be greater import requirements for capital and intermediate goods.

Moreover, trade is increasing with emerging economies such as China and India which will be subject to taxation.

New Tax Measures will be implemented to assist the government in realising these projections. These measures are summarised below:

1. Elimination of Surcharge on Imported Sugar **-** To comply with EAC Customs Union requirements sugar imported from EAC will no longer attract 25 percent surcharge. Additionally, the elimination of import duties on sugar imported from the rest of the world (ROW) has been recommended. This will lead to reduced cost of sugar at the local market. It is recommended this come into effect from July 2009. The revenues from sugar reached 2 billion Rwf in 2007, giving an idea of the potential loss to be expected.

2. Amendment of the Draft Law on Direct taxes on Income -

- **Non-deductible expenses:** In order to promote the coffee industry, it has been proposed that the law be revised to allow the coffee industry to deduct interests paid on the loans contracted exceeding 4 times their equity.
- **Depreciation rate of small machines:** The proposed amendment provides that the depreciation rate for heavy machinery is 5 percent and 25 percent for small machines rather than the current situation of a fixed rate for all machinery at 25 percent.
- **Depreciation of leased assets:** There is a problem caused by double depreciation. In order to solve this the draft law provides that for assets specifically held for leasing under finance lease contract they shall only be capitalized in the books of the lessee who may claim depreciation in relation to his taxable income.
- **Bad debts:** The required conditions for deduction of bad debts from business profit on direct taxes on income affects lessors in their leasing transactions. Specifically, an amount corresponding to the debt must have been previously included I the income of the lessor. However this creates a problem of double taxation since the same income is provided in the books of the lessee. In order to solve the problem, it is provided that the said paragraph one of article three is not applicable to commercial banks and leasing entities.

3. Draft law Fixing Import Duties on Goods Originating from Tanzania – In accordance with the roadmap on implementation of the EAC Custom Union it has been agreed that Rwanda and Tanzania will reduce duties between themselves up to 80 percent and it will gradually be reduced up to 100 percent reduction. This will be implemented with effect from January 2009.

4. Draft Law Determining the Entry into Force of the EAC Customs Management Act - During negotiations on the admission of Rwanda into the EAC, it was agreed that Rwanda will implement

all EAC Customs Union legal instruments by July 2009; this includes the EAC Customs Management Act. Different empirical studies done using the 2007 data as the basis indicate that the implementation of the EAC Customs Union will lead to an average annual revenue loss of about RwF 6.0 billion. The Government proposes to compensate for this revenue loss through revising the excise tax rates for tobacco and fuel. The excise tax rate for tobacco will increase from 120% to 150%, which will yield additional revenue of about RwF 1.5 billion. Similarly as import duty on fuel will be eliminated, excise duty on fuel at a rate of 76% is proposed and this will generate additional revenue of RwF 4.5 billion. Irrespective of the potential revenue gains accruing from expanded marked and trade, the implementation the EAC Customs Union will be revenue neutral with the proposed measures.

5. Introduction of Registration Fees for Vehicles – There are problems with the current system of an annual payment for road licence tax and lease of registration number plates. Therefore it will be replaced by a lump sum amount at the time the vehicle enters the country. The payable amount would be determined by the Minister who has transport in his attributions, based on the engine's horse power.

6. Amendment of the Law Determining and Establishing Consumption Tax - Implementation of EAC Customs Union will lead to an anticipated loss equivalent to 6 billion Rwf. The loss will mainly come from application of EAC Common External tariff (EACCET) in July 2009 which will replace the current national tariff. The Rwandan tariff has a four band structure of zero percent for raw materials, 5 percent for goods of economic importance, 10 percent for intermediate goods and 30 percent for finished goods. While the EAC CET has a three band structure of zero percent for raw materials, 15 percent for intermediate goods and 25 percent for finished goods. Loss is also expected from the fact that EAC customs law which will replace our current Customs Law provides for elimination of transport cost from the port of first entry into the community to Kigali while calculating duties and taxes.

In a bid to compensate for the anticipated revenue loss, studies recommended replacing import duty on petrol and diesel with an equivalent consumption tax. This is because upon implementation of EAC CET, petrol and diesel will attract zero percent import duty instead of the current 30 percent. Hence to be able to compensate for duties and taxes to be lost while maintaining the same amount to be paid on petrol and diesel, article one provides that consumption tax on petrol and diesel be increased from 37 percent to 76 percent for both products.

Another measure is to increase consumption tax on tobacco from 120 to 150 percent; this rate is not different from other rates in the region because in Tanzania it is 150 percent and 130 percent in Uganda.

7. Amendment of the Law on Tax Procedures - The implementation of the law on tax procedures has created some problems on the taxpayers. Those problems are multiple and solutions are being recommended to the legislator.

8. Review of the Existing Leasing Law – A new draft law has been prepared to stimulate investment in leasing, make leasing as competitive as conventional loans, and enhance clarity in tax matters. This has set out different tax provisions covering expenses incurred by lesses, depreciation, bad and doubtful debt as well as assorted clauses on VAT. This proposed draft law will be submitted to cabinet together with the draft finance law.

9. Tax Incentives for the Capital Market Development - Specific fiscal incentives focussed on the capital market development will be necessary to attract the investors to avail more savings to the formal economy. Therefore, in order to stimulate the demand and supply in the capital market the following fiscal incentives are proposed:

- **Withholding tax applicable to dividend income** arising from investment in shares of companies listed on the securities market to be reduced from 15 to 5 percent in order to encourage savings to be channelled into long-term investments.
- **Withholding tax applicable to interest income** arising from investment in bonds listed on the securities market to be reduced from 15 to 5 percent for local listed bonds and to 10 percent for foreign listed bonds in order to encourage savings of long term finance.
- **Withholding tax exemption on interest income** from bonds with maturity of 3 years and above to encourage and stimulate the development of the corporate bond market.
- **VAT should be exempted** from secondary market transactions for listed securities.

The fiscal revenue that will be sacrificed in the process of stimulating the emergence of an effective capital market in Rwanda is a nugget investment since the benefits will be realized when the capital market begins to directly influence the pulse of the economy. The expected return is the emergence of a comprehensive financial services sector.

10. Tax Incentives for Electronic Transactions Payments - In order to stimulate the use of the Rwanda Electronic Payment Cards developed by SIMTEL, it is recommended that the use of electronic cards should be treated as the use of cheque and should benefit VAT exemption. This is international practice.

11. Personal Income Tax – Due to recent economic trends and conditions the current threshold for PAYE of 30,000 Rwf has been deemed too low. Paying taxes at this low rate adds to the challenge of pushing the people in this category out of poverty and does not encourage savings.

The private sector federation has requested government to revise the PAYE exemption threshold upwards from 30,000 to 70,000 Rwf. The revenue implication of this proposal is being calculated.

External Resources[6] are also given in table 25 above and expected to rise from 341.7 billion Rwf in 2008 to 356.4 billion Rwf in 2011/12, (disbursements peak in 2009/10 at 391.7 billion Rwf). These external resources are split between grants and loans supplied directly to the budget and those which bypass the budget. All are discussed below.

Budgetary Grants and Loans will simply consist of budgetary grants over the medium period due to the policy of zero budgetary loans. They are generally used to cover current expenditures and are set to move from 195.8 to 178.8 billion Rwf over the medium term. This equates to a fall as a percentage of GDP over the medium term from 8.4 to 4.8 percent. Total budgetary grants are split between funding given for General Budget Support and that which is earmarked for specific sectors; Sector Budget Support, these are both outlined in table 26 (annex 7 gives the disbursements in Rwandan francs).

General Budget Support commitments are more consistent and dependable over time. From commitments we can say that the total amount of general budget support will equal 820.8 million USD (equivalent to 445.2 billion Rwf) from 2009 to 2011/12. The level in 2011/12 grows by 8 percent as compared with 2008 expectations.

Sector Budget Support figures are less reliable for the medium term as commitments are less forthcoming over time. With present information there will be a total of 286.2 million USD (equivalent to 155.1 billion Rwf) available for sector budget support over the period. However, as shown in table 26 these commitments drop off significantly post 2009/10. This is due to donor institutions confirming commitments usually in a three year period. Over time these external resources are expected to rise. Where commitments are available the following can be said:

- Agriculture is receiving much needed investment, totalling 24.7 billion Rwf.
- Education will gain a large proportion of donor funding totalling 59.6 million USD over the medium term. The Fast Track Initiative (FTI) for Education has attracted commitments of 44 million USD in S1 2009 and 2009/10, however there are shortfalls in the remaining years. Moreover, the 2009/10 level of 22 million USD is significantly less than the 2008 financing of 58 million USD.

[6] It must be noted that adjustments are made in the budget for the expected level of new funding that will be committed by donors. These are classified as 'required grants' and if the projected monies are not realised the projects assigned to that funding will not be taken up.

Table 26 – Committed External Disbursements by Donor and Sector Allocation (Million USD)

	2008	S1 2009	2009/10	2010/11	2011/12	Total
General Budget Support						
AfDB	21.2	0.0	33.0	14.3	0.0	**47.3**
DFID	64.4	69.7	76.7	83.6	90.6	**320.6**
EC (EU)	25.3	16.9	40.2	46.3	50.9	**154.3**
Germany	7.0	7.7	7.7	0.0	0.0	**15.4**
Netherlands	4.2	4.6	4.6	0.0	0.0	**9.2**
SIDA	12.7	0.0	13.0	13.0	13.0	**39.0**
World Bank	82.5	70.0	70.0	15.0	80.0	**235.0**
Total GBS	**217.2**	**168.9**	**245.2**	**172.2**	**234.5**	**820.8**
Sector Budget Support						
Agriculture		**0.0**	**6.2**	**9.3**	**9.3**	**24.7**
EC (EU)		0.0	6.2	9.3	9.3	**24.7**
Common Development Fund (CDF)		**4.6**	**4.6**	**0.0**	**0.0**	**9.2**
Netherlands	5.0	4.6	4.6	0.0	0.0	**9.2**
Education	**18.9**	**18.1**	**35.3**	**6.2**	**0.0**	**59.6**
AfDB		0.0	6.2	4.7	0.0	**10.9**
Belgium		4.6	4.6	0.0	0.0	**9.2**
DfID		4.2	3.8	1.5	0.0	**9.5**
Netherlands		9.3	20.7	0.0	0.0	**30.0**
Education - Fast Track Initiative	**58.0**	**22.0**	**22.0**	**0.0**	**0.0**	**44.0**
Energy		**0.0**	**15.5**	**15.4**	**15.4**	**46.3**
Netherlands		0.0	15.5	15.4	15.4	**46.3**
Health	**10.0**	**27.8**	**21.6**	**6.9**	**0.0**	**56.3**
DfID		5.8	5.8	1.9	0.0	**13.5**
Belgium		6.2	0.0	0.0	0.0	**6.2**
Germany		10.8	10.8	0.0	0.0	**21.6**
Norway		4.0	4.0	4.0	0.0	**12.0**
World Bank		1.0	1.0	1.0	0.0	**3.0**
Justice		**3.1**	**9.3**	**0.0**	**0.0**	**12.4**
Belgium		0.0	3.1	0.0	0.0	**3.1**
Netherlands		3.1	6.2	0.0	0.0	**9.3**
Transport		**0.0**	**3.1**	**6.2**	**9.3**	**18.6**
EC (EU)		0.0	3.1	6.2	9.3	**18.6**
Vision Umerenge Program (VUP)		**5.0**	**5.0**	**5.0**	**0.0**	**15.0**
World Bank		5.0	5.0	5.0	0.0	**15.0**
Total SBS	**86.9**	**80.6**	**122.5**	**49.0**	**34.0**	**286.2**
Other Budget Support						
AU Peacekeeping Operations	**35.3**	**8.8**	**14.9**	**5.7**	**0.0**	**29.4**
Rwanda Demobilisation Program[1]	**8.3**	**4.0**	**8.0**	**4.0**	**0.0**	**16.0**
Total External Disbursements	**347.7**	**262.3**	**390.6**	**230.9**	**268.5**	**1,152.3**

Source: MINECOFIN.
Notes: 1 Basket fund.

- Health takes the second greatest share of sectoral funding at 56.3 million USD over the medium term. The 2009/10 commitments are more than double those for 2008. Again the majority of the commitments are in the first year and a half, it is expected that further commitments will be made to reach requirements for the remaining two years.
- Energy will receive 46.3 million USD over the medium term. An MOU has been signed between development partners and the GoR to implement the Energy Sector Wide Approach (SWAP).
- Transport has been committed 18.6 million USD by EC, this will be mainly for road construction.
- The Vision Umerenge Program has received commitments of 15 million USD from the World Bank. This will leverage additional funds from other donors plus government contributions for key priority programs.
- AU Peacekeeping Operations have received commitments of 29.4 million USD. The rise in disbursements is due to the new contract signed between the UN, AU and GoR.
- The Rwandan Demobilisation Program is now in phase three and planned activities to be financed by donors are 16 million USD, plus 2 million from the GoR. The World Bank has already committed 8 million USD under the country assistance strategy and GoR is organising a round table to ensure the remaining resources are mobilised.

Project Grants and Loans represent the level of public sector investment and as per EDPRS plans this level of expenditure will be rising. It is expected that the external capital expenditures will rise from 145.9 to 177.7 billion Rwf from 2008 to 2011/12, respectively. This represents a growth rate of 22 percent as compared to budgetary expenditures falling by 9 percent. Within the projections the grant element will be rising by 38 percent to reach 148.8 billion Rwf in 2011/12, whilst the loans are expected to reduce from 37.8 to 29.0 billion Rwf (-23 percent). Details of large projects planned for the medium term are discussed in section 4.

Total Expenditures are shown in table 27. As can be seen the expenditures are rising from 674.1 to 884.9 billion Rwf over the medium term. This results in a reduction over the period for expenditures as a percentage of GDP from 29 to 24 percent. There is an evident trend in shifting resources to capital expenditures rather than current. Resource allocation policy is discussed in section 4.

Recurrent Expenditures are falling as a share of total budget from 59 to 55 percent. In nominal terms there is an increase from 395.0 to 485.4 billion Rwf in 2011/12. This is greatly due to the reduction in exceptional expenditures as the Gacaca is phased out. Wages and salaries as a share of total budget are increasing from 12.4 to 13.1 percent over the medium term. However, this does not take into consideration the statutory 15 percent increase after three years of the implementation program.

Table 27 – Total Expenditures of the Central Government (As a Percentage of GDP)

	2008	S1 2009	2009/10	2010/11	2011/12
Total Expenditures	**674.1**	**425.8**	**802.4**	**859.2**	**884.9**
Current Expenditure	**395.0**	**207.6**	**419.0**	**469.0**	**485.4**
as % Total Budget	58.6%	48.8%	52.2%	54.6%	54.9%
Wages and Salaries	83.7	51.0	101.6	111.1	116.1
Goods and Services	84.2	46.3	104.4	126.4	143.2
Interest Payments	12.8	6.4	10.3	11.8	12.0
Amortization	18.5	5.4	11.5	12.6	14.3
Transfers	137.7	81.2	160.5	177.0	173.5
Exceptional Expenditure	58.1	17.3	30.7	30.1	26.4
Capital Expenditure	**262.2**	**166.0**	**354.3**	**374.4**	**383.7**
as % Total Budget	38.9%	39.0%	44.2%	43.6%	43.4%
Domestic	116.2	70.9	176.8	218.2	246.5
Counterpart Fund	14.2	8.6	14.8	13.2	13.7
CDF	8.7	6.4	9.6	10.2	11.4
100% Domestically Financed	93.3	55.9	152.4	194.8	221.4
Foreign Projects	146.0	95.1	177.6	156.2	137.3
Grants	108.1	66.5	135.4	125.8	111.2
Loans	37.8	28.6	42.2	30.4	26.1
Net lending	**10.0**	**3.4**	**9.1**	**8.1**	**9.5**
Arrears	**7.0**	**5.8**	**7.4**	**7.8**	**6.1**
Increase in BNR Deposits	**0.0**	**42.9**	**12.5**	**0.0**	**0.2**

Source: MINECOFIN.

Capital Expenditures are rising faster than current from 262.2 to 383.7 billion Rwf in 2011/12. This will lead to an increase in capital expenditure as a share of total budget from 39 to 43 percent. The share of domestically financed capital projects are rising on average by 30 percent a year to reach 246.5 billion Rwf. For externally financed projects the government has provided adequate counterpart funds. However, due to resource constraints the 10 percent statutory requirement for CDF resources has not been realised.

Net Lending and Arrears will remain relatively stable over the medium term to accommodate the ongoing commitments.

3.2.4 External Sector

The balance of payments will be greatly affected by the emphasis on increasing exports and also the need for importing equipment goods for infrastructure projects. To this end it is projected that during the medium term the trade balance will widen. Increasing donor funds and foreign direct investment will partially offset this and so by 2011/12 the overall balance will become a deficit.

This can be seen in table 28 the current and capital transfers reduce so as not to be able to sustain the overall balance surplus by 2011/12. An overview of the balance of payments through the medium term is available in annex 8, below a description of the significant identities and fundamentals are given.

Table 28 - Medium Term BoP Position (As a Percentage of GDP)

	2008	S1 2009	2009/10	2010/11	2011/12
Trade Balance	-14.2%	-12.4%	-10.0%	-9.9%	-8.9%
Current Account Balance[1]	-8.2%	-2.9%	-6.2%	-6.3%	-6.8%
Current Account Balance2	-19.0%	-17.4%	-15.4%	-15.3%	-14.1%
Capital and Financial Account Balance	7.0%	7.8%	7.7%	6.4%	5.2%
Overall Balance	**-1.2%**	**5.0%**	**1.5%**	**0.1%**	**-1.6%**

<u>Source</u>: MINECOFIN.

The Trade Deficit is projected to reach 603.6 million USD by 2011/12, or 9 percent of GDP. In semester one 2009 the deficit will be higher at around 12 percent of GDP. This can be explained by looking at projected importation requirements, export performance and the GDP growth rate, as discussed below and detailed in table 29.

Table 29 - Trade Balance (Million USD)

	2008	S1 2009	2009/10	2010/11	2011/12
Trade Balance	**-602.9**	**-268.1**	**-531.5**	**-596.8**	**-603.6**
As percentage of GDP	-14.2%	-12.4%	-10.0%	-9.9%	-8.9%
Exports, f.o.b.	**221.2**	**121.1**	**278.1**	**327.8**	**380.4**
As percentage of GDP	5.2%	5.6%	5.2%	5.4%	5.6%
Coffee	44.3	23.4	65.8	88.5	110.6
Tea	38.9	24.5	52.1	60.7	69.5
Imports, f.o.b.	**-824.1**	**-389.2**	**-809.6**	**-924.7**	**-984.0**
As percentage of GDP	-19.4%	-18.0%	-15.2%	-15.3%	-14.5%
Equipment	-306.2	-	-284.6	-344.1	-342.9
Energy and Fuel	-174.8	-	-232.6	-248.6	-268.0
Consumption Goods	-343.1	-	-292.4	-331.9	-373.1

<u>Source</u>: MINECOFIN.

For Imports, the earlier years of the medium term will require greater levels of importations of capital equipment for developmental purposes. Large infrastructure projects such as the methane gas plant, road constructions, public buildings as well as private sector investments in hotels and private housing are planned for 2009 and 2010. These will put pressure on the trade balance in the early years as shown in table 19; imports to GDP ratio is 19 percent in 2008 and falling to 15 percent in 2011/12.

The Export Growth Strategies for tea and coffee predict a large growth potential post-2010. This is because of the time taken for investments in the plantation of new trees to come into effect. Furthermore, new industries identified as having growth potential in the export market will take time to become productive, create trading partners and so forth. As Rwandan exports gain a niche market and grow in quantity they should exert more influence on the trade balance.

GDP Growth over the medium term is also a factor. As the growth rate increases over the medium term the nominal amount of the trade deficit become more affordable. As can be seen in the table the USD value of the trade deficit is almost equal in 2008 and 2011/12, however as a percentage of GDP it has fallen from 14 to 9 percent.

Exports of Goods over the EDPRS period are set to rise on average at 15 percent per annum, (a revised table of projections for key export commodities has been set out in annex 9). This is expected to increase the value of export by 72 percent, from 221.2 million USD in 2008 to 380.4 million USD in 2011/12. However, exports are still a small economic player in Rwanda beginning from a small base of 5.2 percent of GDP and rising to reach 5.6 percent of GDP by 2011/12.

The Cost of Imports has been pressured recently by increasing international prices of fuel and oil, which has added pressure to the trade deficit in 2008. However, as discussed in section 3.1.2. the rapid price increases in oil are not expected to continue. Moreover, as the electricity projects come on line there will be a reduction in demand for fuel for generators and so a proportional decline in imports of fuel is expected.

The Current Account Deficit (including official transfers) is projected to widen by 47 percent from 350.8 million USD in 2008 to 516.0 in 2011/12, as shown in table 30. As a percentage of GDP the deficit will fall from 8.2 to 7.6 percent over this period. The widening can be accounted by the projected slower rate of growth in budgetary grants Rwanda receives as compared to the rate of growth in imports of goods and services (trade balance deficit), therefore widening the current account deficit.

The Financial and Capital Surplus is likely to remain with a surplus throughout the medium term. It is expected to grow at around 43 percent from 299.5 million USD in 2008 to 428.3 million USD in 2011/12. However, as a percentage of GDP the surplus is projected to fall from 7 to 6.3 percent. This surplus is almost entirely due to the level of capital grants received from donors.

However, there are some developments in the private sector which are expected to raise direct investment levels by around 8 percent over the period.

Table 30 - Medium Term Current & Capital Account, Overall Balance & Financing (Million USD)

	2008	S1 2009	2009/10	2010/11	2011/12
Current Account Balance[1]	**-350.8**	**-62.2**	**-293.0**	**-438.6**	**-516.0**
As a percentage of GDP	-8.2%	-2.9%	-5.5%	-7.3%	-7.6%
Services (net)	**-297.9**	**-157.9**	**-381.0**	**-437.3**	**-483.6**
Factor Income (net)	**-22.4**	**-12.9**	**-21.1**	**-17.6**	**-17.6**
Current Transfers (net)	**572.5**	**376.6**	**640.6**	**613.2**	**588.7**
As a percentage of GDP	13.4%	17.4%	12.0%	10.1%	8.7%
Private Transfers	115.2	63.2	115.4	121.1	127.2
Official Transfers Net	457.2	313.5	525.2	492.0	461.5
Budget Grants	338.3	250.0	411.8	378.6	348.1
Other Transfers[2]	118.9	63.4	113.4	113.4	113.4
Capital and Financial Account Balance	**299.5**	**169.3**	**396.1**	**411.2**	**428.3**
As a percentage of GDP	7.0%	7.8%	7.4%	6.8%	6.3%
Capital Account (Project Grants)	**198.3**	**108.1**	**235.6**	**253.1**	**272.9**
Financial Transactions Account	**101.1**	**61.3**	**160.6**	**158.0**	**155.3**
Public Sector Capital (LT) (net)	**62.2**	**32.4**	**82.7**	**79.8**	**75.9**
Project Loans	**69.4**	**36.3**	**90.8**	**88.9**	**84.9**
Private Sector Capital (LT) (net)	**1.0**	**0.5**	**2.0**	**3.3**	**5.0**
Other Capital	**37.9**	**28.3**	**75.8**	**75.0**	**74.4**
Direct Investment	**83.4**	**46.0**	**110.3**	**110.3**	**110.3**
Overall Balance	**-51.3**	**107.1**	**103.1**	**-27.4**	**-87.7**
As a percentage of GDP	-1.2%	5.0%	1.9%	-0.5%	-1.3%
Financing	**51.3**	**-107.1**	**-103.1**	**27.4**	**87.7**
Change in Net Foreign Assets of BNR (increase -)	51.3	-107.1	-103.1	27.4	87.7

Source: *MINECOFIN*
Notes: *1 Including official transfers.*
2 Humanitarian, Technical Assistance and NGOs.

The Overall Deficit is therefore projected to widen by 71 percent from 51.3 million USD in 2008 to 87.7 million USD in 2011/12. However with the rising GDP growth the ratio of the overall deficit to GDP will remain stable at around 1 percent of GDP. Financing of the deficit will be sourced from changes in the gross official reserves of the NBR. There will be an increase in reserves up until 2009/10 thereafter drawing on reserves will be required to balance the deficit. This will have an impact on the monetary sector as will be shown below in section 3.2.4.

3.2.4 Monetary Policy

As has been mentioned the key concern over the medium term for monetary policy, *and* macroeconomic stability, will be to rein in broad money growth to bring down inflation. The target for inflation is 5 percent. This will be a challenge as in 2008 the expected end year average will be around 15 percent. The medium term will have to deal with the monetary overhang from 2007 which saw broad money grow at 33 percent. This has had implications for the inflation rate in 2008 and beyond.

The operational target for the NBR is the reserve money which affects the growth of broad money and therefore inflation. There are three main factors which can influence the level of reserve money; firstly, domestic government borrowing, secondly sales of foreign exchange and thirdly sales of treasury bills (sterilisation). The government has already set its target for domestic government borrowing at zero. The difficulty in using sterilisation is that it will increase the interest rate in a period where the country needs cheap credit.

If the NBR decides to sell more foreign currency this will reduce the amount of reserves, reducing the amount of domestic currency on the market hence broad money growth falls and so inflation will reduce. However, this will lead to an appreciation of the exchange rate which has the longer term potential to discourage investments into the export sector. There has been a small appreciation in 2008 as the demand for foreign currency has risen, reserves have fallen and broad money growth has also dropped.

Table 31 - Medium Term Monetary Indicators and Inflation (Billion Rwf)

	2008	S1 2009	2009/10	2010/11	2011/12
Inflation	**15.1%**	**7.7%**	**7.0%**	**5.3%**	**5.0%**
Broad Money	485.3	547.9	646.7	753.6	877.5
Growth	**14.0%**	**12.9%**	**18.0%**	**16.5%**	**16.4%**
Private Sector Credit as % GDP	13.4%	-8.1%	16.4%	17.2%	20.8%
NFA of BNR	271.2	516.6	556.9	563.7	515.1
As Months of Imports	**4.6**	**4.8**	**8.0**	**7.5**	**6.2**

Source: MINECOFIN

Table 31 gives a summary of the projected developments of these indicators along side the expected inflationary levels, (annex 10 gives the full details of monetary indicators for the medium term). The inflation target is the driver of monetary policy in the macroeconomic framework.

Broad Money Growth will be contained over the medium term. Using the inflation target gives an annual average broad money growth rate of 17 percent (2009/10 to 2011/12).

The NFA of the BNR will grow from 271.2 billion Rwf in 2008 to 462.2 billion Rwf in 2011/12, an increase of 70 percent. This will fund on average 6.5 months of imports over the medium term (2009/10 - 2011/12). The NFA of BNR will peak in 2009/10 at 512.9 billion Rwf due to two consecutive years of increasing reserves by over 100 million USD (2008/09 and 2009/10). This in turn is due to an expected high disbursement of budget grants in 2008/09, (rising 57 percent as compared to 2007/08).

Private Sector Credit during this period of tightening monetary policy is likely to remain strong with an average growth rate of 25 percent per annum (2009/10 – 2011/12). As a percentage of GDP there will be a rise from 19 to 23 percent[7].

4. Medium Term Budget Policy Choices

4.1 Budget Expenditure Allocations by Sector / Medium Term Investment Plan

The medium term budget framework is build on the 2008 budget and is in line with Rwanda's development strategies mainly EDPRS and Vision 2020. It focuses on the following priority areas:

- The development of physical infrastructure to enable the business environment and reduce the cost of doing business in Rwanda. This will focus on energy generation and distribution, road construction, and ICT development. Special attention will be put on regional infrastructure projects in transport and telecommunication.
- The development of the productive sector with emphasis on the agriculture, manufacturing, mining, and financial services sectors. Export oriented activities will be given higher priority in order to increase the export base and reduce the trade deficit. Policies have been created so as to increase formal employment opportunities.
- Human development and social sectors will retain its momentum as recommended by the EDPRS. Emphasis will be on technical and vocational training (TVET).
- Good governance in Rwanda will be maintained and improved by implementing key activities identified in the joint governance assessment.

Table 32 outlines the allocation of the budget over the medium term by EDPRS sectors. A full description of all sectors and sub-sectors is given in annex 11. As can be seen the allocations to infrastructure are rising from 23 to 29 percent of the total over the medium term (end 2008 to 2011/12). This highlights the governments' dedication to reducing the bottlenecks associated with doing business in Rwanda. These investments will allow the supply of electricity to be more reliable and reduce the cost. Transportation and telecommunication costs will reduce over the period due to the investments in these areas. Therefore the production costs in Rwanda are expected to reduce and so induce foreign direct investment to Rwanda.

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[7] The decline in private sector credit shown for S1 2009 is due to seasonal economic fundamentals.

The productive sector represents the lowest allocations however the share will rise from 8 to 10 percent of the total budget by 2011/12. The main focus of the government here is to create an enabling environment for the private sector to develop.

A third of the budget is allocated to the human development and social sectors. Throughout the EDPRS period this will remain relatively stable. Additional resources from donors earmarked for the health and education sectors have been taken into account.

Finally, the governance and sovereignty sector will reduce from 40 to 32 percent. This is to create room for the crucial infrastructure development needs.

Table 32 - Medium Term Sectoral Allocations (Billion Rwf)

	2008	S1 2009	2009/10	2010/11	2011/12
Total	**674.0**	**386.8**	**798.1**	**869.6**	**896.9**
Infrastructure	157.2	98.6	229.7	252.5	260.6
Productive Sectors	57.1	35.6	75.1	84.2	87.1
Human Development & Social Sectors	190.3	112.6	229.8	254.8	263.1
Governance and Sovereignty	269.3	140.1	263.5	278.2	286.1
As a Share of Total Budget	**100%**	**100%**	**100%**	**100%**	**100%**
Infrastructure	23%	25%	29%	29%	29%
Productive Sectors	8%	9%	9%	10%	10%
Human Development & Social Sectors	28%	29%	29%	29%	29%
Governance and Sovereignty	40%	36%	33%	32%	32%

Source: MINECOFIN.

4.1.1 Infrastructure

Table 33 shows the breakdown of budget expenditure allocations within infrastructure. Allocation for each sub-sector within infrastructure are rising over the medium term. This is in line with government EDPRS priorities.

Table 33 - Infrastructure Medium Term Budget Allocations (Billion Rwf)

	2008	S1 2009	2009/10	2010/11	2011/12
Infrastructure	**157.2**	**98.6**	**229.7**	**252.5**	**260.6**
Energy	57.0	35.4	84.8	89.2	92.7
Transport and Communication	68.5	44.8	98.6	113.9	115.0
Land Housing and Community Amenities	6.7	4.0	15.5	16.1	15.3
Water and Sanitation	24.9	14.3	30.8	33.2	37.5
As a Share of Total Budget	**23.3%**	**25.5%**	**28.8%**	**29.0%**	**29.1%**
Energy	8.5%	9.2%	10.6%	10.3%	10.3%
Transport and Communication	10.2%	11.6%	12.3%	13.1%	12.8%
Land Housing and Community Amenities	1.0%	1.0%	1.9%	1.9%	1.7%
Water and Sanitation	3.7%	3.7%	3.9%	3.8%	4.2%

Source: MINECOFIN.

With respect to energy generation, the medium term budget is mainly focussing on construction of Nyabarongo hydro-electric power station of 27.5 Mwh, the rehabilitation of three hydro-electric power stations (Mukungwa 1, Gihira and Gisenyi), there are also multiple new micro-hydro plants and the methane gas project to be completed. In addition, there will be financing for electricity transmission particularly the electrification of Rukomo-Munini-Nyagatare, and the electricity access roll out program. Further spending will be put in rental power and subsidy to Electrogaz, the urgent electricity project, the construction of petroleum products storage facility and the Kampala-Kigali oil pipeline (in the framework of PPP).

Concerning the transport sector, resources will be allocated for the construction of several important roads such as the Ruhengeri-Gisenyi road rehabilitation, Ngororero- Mukumira road, and the Kigali- Ruhengeri road. In addition, rural roads will be given priority over the medium term and FER will be allocated a substantial amount for road maintenance.

In the area of communication, there will be funds allocated to the national backbone infrastructure, the Karisimbi project, the e-Rwanda project, the ICT Govnet infrastructure project, the Kigali metropolitan/WIBRO network, the establishment of a national data centre and multi-purpose telecommunication centres.

Regarding water and sanitation, there will be a national rural water supply and sanitation program to ensure supply of clean water in rural areas.

In the area of habitat and urban development resources will be allocated mainly to the imugudugu resettlements, the rehabilitation of the ICT park as well as other small projects.

There are also a number of regional projects that will be implemented. These include: a feasibility study and detailed engineering study for the Isaka-Kigali railway, the Bujumbura-Ruhwa-Ntendezi-Kibuye-Gisenyi road, the Nile Basin Initiative electricity interconnection with DRC, Burundi, Rwanda, Kenya and Uganda, a communication infrastructure project (24 million USD to be financed by the World Bank), and the Rusumo falls hydro-electric plant with Tanzania.

4.1.2 Productive Sector

Table 34 shows the breakdown of budget expenditure allocations which focus on the improvement of productive capacities. Agriculture is receiving a rise in its share of the total budget, rising from 5.6 to 6.7 percent over the medium term (the long term objective is to reach 10 percent). This is hoped to make large impacts into the modernisation and raising productivity in this sector, which supports 80 percent of the Rwandan population. In this sense there are significant impacts on the reduction of the poverty level.

Table 34 - Productive Sector Medium Term Budget Allocation (Billion Rwf)

	2008	S1 2009	2009/10	2010/11	2011/12
Productive Capacities	**57.1**	**35.6**	**75.1**	**84.2**	**87.1**
Agriculture	38.1	23.1	49.6	57.4	60.1
Industry and Commerce	11.8	6.9	13.8	15.3	17.0
Environmental Protection	7.2	5.6	11.7	11.5	10.0
As a Share of Total Budget	**8.5%**	**9.2%**	**9.4%**	**9.7%**	**9.7%**
Agriculture	5.6%	6.0%	6.2%	6.6%	6.7%
Industry and Commerce	1.8%	1.8%	1.7%	1.8%	1.9%
Environmental Protection	1.1%	1.4%	1.5%	1.3%	1.1%

Source: MINECOFIN.

In order to boost agriculture production and ensure food security the major programs to be implemented include: promotion of fertiliser use; hillside irrigation; priority crops intensification; terracing; marshland development; and conducting research as well as enhanced extension services. New specific projects include the Kirehe watershed management project, rural sector support project phase three, and the land husbandry hillside irrigation and water management project (LHW). Finally there is the Bugesera integrated rural development project financed by AfDB. For the increase of modernisation of the agriculture sector there will be an emphasis on promoting agri-business and commodity chain development as well as making credit more readily available.

For livestock there will be a continuation of the one cow project in addition to a scaling up of the improved breeding of small and large livestock. Moreover, there will be new slaughterhouses and collection centres for hides and skins built.

Concerning the traditional export crops of tea and coffee the government will continue to support and initiate expansion of quantity as well as improving value addition. More resources will be allocated to strengthening export promotion activities. This will be conducted via the Development Bank of Rwanda (BRD). It is expected that the role of the private sector should grow over the medium term.

Regarding industry and commerce, the increased allocation will finance some of the following activities: export promotion; the Kigali free trade zone and industrial park phase two; and competitive enterprise development project. There will be a continuation of support to small and medium enterprises (through PPPMER and USADEF) and implementing business development centres. There will be four handcraft production centres created each year over the medium term.

In the area of land management and environmental protection key priority programs will be focused on land registration nationwide with land taxes/fees recovery; operationalisation of land information and management system; development of national land use master plan; building capacity of land management institutions; reforestation; rehabilitate and operationalisation of 20 hydrological/limnimetric stations.

The Vision 2020 Umurenge Program (VUP) is an integrated development program based in the 30 poorest districts of Rwanda. This will boost production of the active poor population and therefore reduce extreme poverty. The program will be implemented with the support of development partners.

4.1.3 Human Development & Social Sector

Table 35 shows the breakdown of budget expenditure allocations which focus on the development of human and social sectors. Education remains the largest category and rises from 15 to 16 percent over the medium term, despite the reduction of sector budget support from donors. Health will remain stable at around 10 percent, but this does not take into consideration the large off-budget financing which goes to this sector.

Table 35 - Human Development and Social Sectors Medium Term Budget Allocation (Billion Rwf)

	2008	S1 2009	2009/10	2010/11	2011/12
Human Development & Social Sectors	**190.3**	**112.6**	**229.8**	**254.8**	**263.1**
Education	103.2	59.5	123.9	138.6	145.2
Health	64.5	37.1	76.6	84.5	87.3
Social Protection	16.7	11.0	21.8	23.8	23.5
Youth, Culture and Sport	5.9	5.0	7.5	8.0	7.2
As a Share of Total Budget	**28.2%**	**29.1%**	**28.8%**	**29.3%**	**29.3%**
Education	15.3%	15.4%	15.5%	15.9%	16.2%
Health	9.6%	9.6%	9.6%	9.7%	9.7%
Social Protection	2.5%	2.8%	2.7%	2.7%	2.6%
Youth, Culture and Sport	0.9%	1.3%	0.9%	0.9%	0.8%

Source: MINECOFIN.

For pre-primary, primary and secondary education the priorities are as follows:

- Implementation of the nine year basic education.
- Increase in permanent and contractual teachers for primary and secondary levels.
- Increase in number of class rooms.
- Increase in number of primary text book development and distribution.
- Reducing current drop out/repetition/teacher student ratio from 74 to 65.
- Increase in transition rate, increase motivation of teachers (increase teachers' salary).
- Targeting orphans and vulnerable groups particularly girls in terms of retention.
- Improving teaching learning environment via increased capitation grant and school feeding.

In accordance with the EDPRS priority there will be increased attention on the technical and vocational training (TVET). This will include construction and equipment for the Kicukiro Polytechnic, construction and equipping technical and vocational training institutions (ETOs) and gradual increase in post basic education. These are designed to improve the skills base of Rwanda, they will be implemented by the newly established RWODA.

For higher education the priorities will be to increase local lecturer's motivation (phase out expatriates), equip laboratories (for KHI KIST SFB and UNR), implementing student loan schemes, encourage girls education in science and technology, strengthen public private partnership, promotion of science and technology and ICT, and development of digital learning materials.

Medium term health financing will focus on four areas, increasing access, making services more affordable, strengthening preventative as well as curative measures. This encompasses: family planning activities, strengthen mutuelles system, maternal and child health, reinforce community and family health services, increase access to key essential drugs and consumables (malaria, TB, family planning), staffing and equipping rural health centres and rural districts and HIV control. In order to improve health financing of districts performance based financing mechanism will continue and strengthened. The Kanombe and Kacyiru hospitals will be equipped to improve health services for the population.

In the area of social protection, the increased allocation represents the statutory legal transfer to FARG, assistance to other vulnerable groups, support to demobilised and incapacitated soldiers as well as reintegration of demobilised soldiers. Additionally there is increased support to fight against violence against women as well as other gender mainstreaming programs. The financing of the Ubudehe program is also included in this sector to support the extreme poor of the population.

Sports and cultural activities will focus mainly on the hosting of the 2009 African Cup of Nations for the under-21s, construction of a national museum and library, rehabilitate genocide memorial sites, and the operationalisation of the Institute of National Commission for the Fight Against Genocide.

For youth the main areas of focus are: operationalization of the youth employment fund, expansion and scale up of the youth development cooperatives (COOJAD), promotion of civic education through Itorero, sensitize youth on reproductive health issues and HIV/AIDS, rehabilitation and increasing the number of youth friendly centres, and support to youth initiatives through festivals.

4.1.4 Governance and Sovereignty

Table 36 shows the breakdown of budget expenditure allocations for governance and sovereignty. The share of the budget going to defence is falling from 8 to 6 percent over the period. As a proportion of GDP the total spending on defence will fall from 2.3 to 1.5 percent of GDP from 2008 to 2011/12. The general public service sub category takes the largest share, which is falling from 26 to 20 percent. Overall all the sub categories are decreasing as a share of total budget to release resources for the increased spending on infrastructure.

Table 36 - Governance and Sovereignty Medium Term Budget Allocations (Billion Rwf)

	2008	S1 2009	2009/10	2010/11	2011/12
Governance and Sovereignty	**269.3**	**140.1**	**263.5**	**278.2**	**286.1**
Defence	54.4	21.1	45.6	51.8	54.0
Public Order & Safety	43.3	20.1	44.6	49.9	52.4
General Public Service	171.6	98.9	173.3	176.5	179.7
As a Share of Total Budget	**40.0%**	**36.2%**	**33.0%**	**32.0%**	**31.9%**
Defence	8.1%	5.4%	5.7%	6.0%	6.0%
Public Order & Safety	6.4%	5.2%	5.6%	5.7%	5.8%
General Public Service	25.5%	25.6%	21.7%	20.3%	20.0%

Source: MINECOFIN.

Funding for governance and sovereignty are structured to consolidate peace and security, promote governance (national reconciliation program), strengthen the rule of law, and enhance accountability.

Within public order and safety there will be emphasis on improvements and promotion of community policing, support to functioning of prisons and Gacaca courts. In the justice sector there will be the following programs: development of a system of management of backlog of cases in courts, increase the number of registrars, inspectors and judge of the lower courts, enhance the capacity of commercial courts, and continue the education and specialisation of judges and registrars.

General public service represents the largest contributor to this sub-sector. It comprises of mainly the repayment of debt service of Rwanda, contributions to regional and international bodies[8], transfers to local governments and economic and financial management institutions (for example RRA, NISR, CEPEX and RPPA etc) and strengthening of commercial courts.

4.2 Conclusion and Recommendations

As indicated above, the 2009 mini budget and medium term framework reflects the principles and priorities outlined in the EDPRS. The allocations also reflect a good balance between productive sectors, infrastructure and human development. In sum the revenue and expenditure policies are expected to promote adequate growth and at the same time ensure macro-economic stability.

[8] Rwanda has agreed to assist Burundi in the payment of its contribution to the EAC. This partially explains the increase in the general public service sector in the 2009 mini budget and thereafter in the medium term.

Annex 1 - Real GDP Growth by Sector (Annual Percentage Change)

	2004	2005	2006	2007	2008	5 Year Av
GDP	5.3%	7.2%	7.3%	7.9%	8.5%	**7.2%**
Agriculture	**0.1%**	**4.8%**	**1.1%**	**0.7%**	**14.7%**	**4.3%**
Food Crop	-1.8%	6.4%	0.0%	1.8%	16.4%	**4.6%**
Export Crop	58.2%	-24.3%	29.8%	-33.1%	10.5%	**8.2%**
Livestock	2.7%	2.7%	2.7%	2.7%	2.7%	**2.7%**
Fisheries	2.6%	2.6%	2.6%	2.6%	2.7%	**2.6%**
Forestry	2.6%	2.6%	2.6%	2.6%	2.7%	**2.6%**
Industry	**12.8%**	**7.5%**	**10.9%**	**10.2%**	**14.6%**	**11.2%**
Mining and quarrying	49.2%	30.0%	-14.0%	37.5%	-7.9%	**18.9%**
Manufacturing	6.4%	3.5%	9.9%	6.9%	4.3%	**6.2%**
Food	22.5%	2.2%	6.8%	7.2%	-6.6%	**6.4%**
Beverages & tobacco	1.5%	10.6%	6.6%	1.0%	0.1%	**4.0%**
Textiles and clothing	5.9%	-1.4%	5.2%	14.1%	0.5%	**4.8%**
Wood paper and printing	1.4%	24.6%	13.4%	26.7%	-0.7%	**13.1%**
Chemicals, rubber & plastics	3.9%	2.9%	13.0%	-2.3%	8.1%	**5.1%**
Non metallic minerals	0.5%	-2.3%	4.3%	-2.5%	24.4%	**4.9%**
Furniture & other	0.3%	-10.7%	33.0%	24.1%	20.6%	**13.5%**
Electricity, gas, & water	-16.1%	17.4%	28.0%	3.7%	11.8%	**9.0%**
Construction	20.1%	9.1%	13.2%	11.6%	26.1%	**16.0%**
Services	**7.9%**	**9.1%**	**10.9%**	**12.8%**	**4.2%**	**9.0%**
Wholesale & retail trade	8.0%	8.9%	13.8%	12.8%	-0.1%	**8.7%**
Restaurants & hotels	1.6%	14.2%	5.5%	25.3%	-1.0%	**9.1%**
Transport, storage, communication	11.7%	10.6%	16.4%	18.4%	22.2%	**15.9%**
Finance & insurance,	17.2%	10.5%	20.3%	22.7%	20.5%	**18.3%**
Real estate & business services	3.0%	8.3%	4.5%	10.5%	-0.1%	**5.3%**
Public administration	2.2%	4.1%	10.9%	5.6%	-6.6%	**3.3%**
Education	18.5%	17.5%	5.8%	7.3%	-7.5%	**8.3%**
Health	6.4%	-4.9%	6.3%	2.8%	13.1%	**4.7%**
Other personal services	5.2%	22.9%	10.1%	29.9%	-2.1%	**13.2%**
Adjustments	**1.3%**	**6.0%**	**5.8%**	**2.3%**	**-6.0%**	**1.9%**
Less: Imputed bank service charge	18.9%	10.5%	20.3%	22.7%	20.5%	**18.6%**
Plus: Import duties	5.3%	7.2%	9.6%	8.3%	2.7%	**6.6%**

Source: 2004-2007 NISR, 2008 MINECOFIN Projection

Annex 2 – Semester One 2008 Monetary Developments (Billion Rwf)

	Dec 2007	Mar 2008	Jun 2008	6 Month Change
Monetary Authorities				
Net Foreign Assets	**281.8**	**296.8**	**331.0**	**17.5%**
Net Domestic Assets	**-187.9**	**-191.8**	**-220.9**	**17.6%**
Domestic Credit	-153.4	-154.2	-189.8	**23.7%**
Government (Net)	-99.6	-120.7	-159.7	**60.3%**
Autonomous Agencies	-1.3	-0.2	-0.5	**-61.5%**
Non Government Credit	-52.5	-33.3	-29.5	**-43.8%**
Private	4.8	4.7	5.1	**6.3%**
Public Enterprises	0.0	0.0	0.0	**-**
Commercial Banks (net)	-57.3	-38.0	-34.7	**-39.4%**
Other Items (Net)	-34.5	-37.2	-31.1	**-9.9%**
Reserve Money	**93.9**	**105.0**	**110.1**	**17.3%**
Currency	72.7	72.6	82.3	**13.2%**
Currency in Circulation	63.2	61.3	72.4	**14.6%**
Currency Held in Banks	9.5	11.3	9.9	**4.2%**
Commercial Bank Deposits	18.6	29.8	25.7	**38.2%**
Other Non-Bank Deposits	2.6	2.6	2.1	**-19.2%**
Monetary Survey (Narrow Coverage)				
Net Foreign Assets	**351.5**	**367.1**	**404.9**	**15.2%**
Net Domestic Assets	**24.0**	**-3.6**	**-33.6**	**-240.0%**
Domestic Credit	116.0	103.9	70.2	**-39.5%**
Government (Net)	-80.6	-101.0	-146.7	**82.0%**
Autonomous Agencies	-1.3	-0.2	-0.5	**-61.5%**
Public Enterprises	1.8	1.5	1.4	**-22.2%**
Private Sector	196.1	203.6	216.1	**10.2%**
Other Items (Net)	-92.0	-102.1	-103.8	**12.8%**
Broad Money	**375.2**	**363.6**	**371.4**	**-1.0%**
Currency in Circulation	67.3	64.4	74.8	**11.1%**
Deposits	307.9	299.2	296.6	**-3.7%**
Demand Deposits	161.0	149.6	143.8	**-10.7%**
Time Deposits	78.3	79.9	73.0	**-6.8%**
Forex Deposits	68.6	69.6	79.8	**16.3%**

Source: BNR
Note: Narrow Coverage, i.e. excludes Banque Populaire.

Annex 3 - Operations of the Central Government (Billion Rwf)

	2004	2005	2006	2007	*Jan-Jun 2008 Outturn*	*July-Dec 2008 Proj*	Proj 2008
Revenue and Grants	**272.3**	**349.4**	**376.0**	**460.2**	***324.3***	***301.5***	**625.8**
Total revenue	**147.1**	**180.3**	**208.2**	**252.9**	***161.2***	***160.7***	**321.9**
Tax revenue	**134.7**	**162.6**	**193.6**	**237.8**	***150.4***	***149.0***	**299.4**
Direct taxes	38.2	50.7	64.5	85.8	*60.6*	*47.9*	108.5
Taxes on goods and services	70.2	82.9	95.5	121.0	*71.2*	*82.4*	153.6
Taxes on international trade	26.3	29.0	33.6	31.0	*18.5*	*18.7*	37.2
Non-tax revenue	**12.4**	**17.7**	**14.6**	**15.1**	***10.8***	***11.7***	**22.5**
Total Grants	**125.2**	**169.1**	**167.8**	**207.3**	***163.1***	***140.8***	**303.9**
Budgetary grants	90.4	111.3	71.9	133.3	*124.9*	*70.9*	195.8
Capital grants	34.8	57.8	95.9	74.0	*38.2*	*69.9*	108.1
Total expenditure and net lending	**274.9**	**340.7**	**382.4**	**490.6**	***267.3***	***352.2***	**619.5**
Current expenditure	**168.1**	**214.9**	**254.1**	**312.5**	***172.0***	***196.9***	**369.0**
Wages and salaries	48.5	51.2	62.2	73.4	*40.0*	*43.7*	83.7
Purchases of goods and services	47.6	64.5	71.5	77.5	*34.9*	*43.3*	78.2
Interest payments	11.9	10.3	14.8	10.9	*3.3*	*9.5*	12.8
Transfers	41.8	53.5	71.9	103.8	*65.2*	*71.0*	136.2
Exceptional social expenditure	18.2	35.4	33.7	46.9	*28.6*	*29.4*	58.1
Capital expenditure	**89.5**	**121.4**	**118.7**	**186.2**	***99.2***	***158.4***	**257.6**
Domestic	27.2	34.7	35.7	63.7	*45.4*	*66.3*	111.6
Foreign	62.3	86.7	83.0	122.5	*53.8*	*92.2*	146.0
Net lending	**17.3**	**4.4**	**9.6**	**-8.1**	***-3.9***	***-3.1***	**-7.0**
Primary deficit[1]	-18.04	-23.64	-33.1	-65.5	*-27.7*	*-118.2*	-145.9
Domestic Fiscal Balance[2]	-54.6	-50.91	-70.7	-98.5	*-44.9*	*-88.5*	-133.5
Overall deficit (payment order)							
Including grants	**-2.6**	**8.8**	**-6.4**	**-30.5**	***57.0***	***-50.7***	**6.3**
Excluding grants	**-127.8**	**-160.4**	**-174.2**	**-237.8**	***-106.2***	***-191.5***	**-297.6**
Change in arrears (net reduction-)	-16.3	-7.0	-7.5	-8.8	*-4.0*	*-3.0*	-7.0
Domestic	-17.1	-7.0	-7.5	-8.8	*-4.0*	*-3.0*	-7.0
External	0.7	0.0	0.0	0.0	*0.0*	*0.0*	0.0
Deficit (cash basis)	**-18.9**	**1.8**	**-13.9**	**-39.2**	***52.9***	***-53.6***	**-0.7**
Financing	**18.9**	**-1.8**	**13.9**	**39.2**	***-52.9***	***53.6***	**0.7**
Foreign financing (net)	**47.6**	**30.8**	**26.0**	**44.6**	***17.2***	***20.5***	**37.7**
Drawings	62.8	46.5	37.7	49.1	*19.8*	*21.8*	41.6
Budgetary loans	35.3	17.7	8.2	0.6	*4.2*	*-4.2*	0.0
Project loans	27.5	28.8	29.5	48.5	*15.6*	*22.2*	37.8
Amortization (paid)	-21.4	-21.3	-11.8	-4.5	*-2.6*	*-1.3*	-3.9
Domestic financing	**-28.7**	**-32.6**	**-12.0**	**-5.3**	***-70.1***	***33.1***	**-37.0**
Banking system	-50.3	-32.6	-9.4	4.8	*-70.5*	*55.2*	-15.3

Source: *MINECOFIN*
Notes: *1 Excludes exceptional expenditures.*
2 Excludes demobilisation and peacekeeping expenditures.

Annex 4 - Medium Term Real GDP Growth by Sector (Percentage Change)

	2008	S1 2009	2007/08	2008/09	2009/10	2010/11	2011/12	5 Year Av
Total Real GDP	**8.5%**	**7.2%**	**8.5%**	**8.2%**	**7.4%**	**7.8%**	**8.0%**	**8.0%**
Agriculture	**14.7%**	**7.6%**	**8.1%**	**10.5%**	**5.8%**	**6.0%**	**6.3%**	**7.3%**
Food Crop	16.4%	8.1%	8.9%	11.1%	5.4%	5.6%	5.8%	**7.4%**
Export Crop	10.5%	12.0%	5.4%	15.0%	15.0%	15.0%	15.0%	**13.1%**
Livestock, Fisheries and Forestry	2.7%	2.7%	2.7%	4.4%	6.3%	6.7%	7.5%	**5.5%**
Industry	**14.6%**	**12.7%**	**12.3%**	**11.8%**	**11.1%**	**14.5%**	**12.1%**	**12.4%**
Mining and quarrying	-7.9%	-12.8%	15.1%	-3.5%	2.0%	4.0%	5.0%	**4.5%**
Manufacturing	4.3%	13.2%	5.7%	5.6%	8.9%	11.2%	9.4%	**8.2%**
Electricity, gas, & water	11.8%	43.4%	7.6%	8.6%	26.6%	32.0%	11.3%	**17.2%**
Construction	26.1%	12.9%	18.5%	18.5%	12.4%	16.4%	14.5%	**16.0%**
Services	**4.2%**	**7.8%**	**8.8%**	**6.9%**	**8.5%**	**7.9%**	**8.9%**	**8.2%**
Wholesale & retail trade, Rest. & Hotels	1.5%	11.3%	6.8%	4.4%	9.2%	9.5%	9.6%	**7.9%**
Transport, storage, communication	22.2%	13.3%	20.1%	15.9%	7.9%	8.2%	8.3%	**12.1%**
Finance & insurance,	20.5%	15.0%	21.8%	17.8%	14.3%	14.6%	14.9%	**16.7%**
Real estate & business services	-0.1%	6.7%	6.2%	2.6%	7.5%	8.6%	8.2%	**6.6%**
Public administration	-6.6%	15.3%	-0.1%	3.6%	7.9%	0.0%	7.1%	**3.7%**
Education	-7.5%	-24.5%	0.6%	-1.8%	5.0%	5.0%	5.0%	**2.8%**
Health	13.1%	25.3%	7.5%	9.4%	5.0%	5.0%	5.0%	**6.4%**
Other personal services	-2.1%	15.6%	13.4%	0.0%	2.5%	2.5%	2.0%	**4.1%**
Adjustments	**-6.0%**	**-10.1%**	**-2.3%**	**-5.6%**	**-5.8%**	**-8.2%**	**-11.4%**	**-6.6%**
Less: Imputed bank service charge	20.5%	15.0%	21.8%	18.1%	15.0%	15.0%	15.0%	**17.0%**
Plus: Import duties	2.7%	-4.7%	5.1%	2.8%	2.7%	2.4%	2.1%	**3.0%**

Source: MINECOFIN

Annex 5 - Medium Term Operations of the Central Government (Billion Rwf)

	2008	S1 2009	2007/08	2008/09	2009/10	2010/11	2011/12
Revenue and Grants	**625.8**	**391.3**	**529.7**	**759.3**	**760.2**	**828.9**	**858.9**
Revenue	**321.9**	**186.2**	**289.0**	**346.9**	**420.1**	**468.9**	**538.0**
Tax Revenue	**299.4**	**170.5**	**271.1**	**319.4**	**392.0**	**438.5**	**504.8**
Direct taxes	108.5	61.5	103.0	109.4	137.3	158.2	180.6
Taxes on goods and services	153.6	88.5	134.8	170.9	208.8	227.8	264.7
Taxes on international trade	37.2	20.5	33.3	39.1	45.9	52.5	59.5
Non Tax Revenue	**22.5**	**15.7**	**17.8**	**27.4**	**28.1**	**30.4**	**33.2**
Grants	**303.9**	**205.2**	**240.7**	**412.4**	**340.2**	**360.0**	**320.8**
Budgetary grants	195.8	138.2	166.5	276.1	204.8	234.2	209.6
Capital grants	108.1	66.5	74.2	136.4	135.4	125.8	111.2
Total expenditure and net lending	**619.5**	**371.6**	**532.2**	**723.7**	**771.0**	**838.8**	**864.3**
Current expenditure	**369.0**	**202.2**	**347.4**	**399.1**	**407.5**	**456.4**	**471.1**
Wages and salaries	83.7	51.0	76.2	94.7	101.6	111.1	116.1
Goods and services	78.2	46.3	81.6	89.6	104.4	126.4	143.2
Interest payments	12.8	6.4	11.1	15.9	10.3	11.8	12.0
Transfers	136.2	81.2	122.8	152.1	160.5	177.0	173.5
Exceptional expenditure	58.1	17.3	55.7	46.7	30.7	30.1	26.4
Capital expenditure	**257.6**	**166.0**	**204.8**	**324.3**	**354.3**	**374.4**	**383.7**
Domestic	111.6	70.9	87.1	137.2	176.8	218.2	246.5
Foreign projects	146.0	95.1	117.7	187.1	177.6	156.2	137.3
Net lending	**-7.0**	**3.4**	**-20.0**	**0.3**	**9.1**	**8.1**	**9.5**
Primary balance[1]	**-145.9**	**-63.2**	**-78.8**	**-126.8**	**-123.1**	**-163.7**	**-141.2**
Domestic fiscal balance[2]	**-133.5**	**-81.6**	**-123.2**	**-186.4**	**-170.3**	**-210.7**	**-186.1**
Overall balance (payment order)							
After grants	**6.3**	**19.7**	**-2.6**	**35.6**	**-10.7**	**-9.9**	**-5.4**
Before grants	**-297.6**	**-185.5**	**-243.3**	**-376.8**	**-350.9**	**-369.9**	**-326.3**
Change in arrears	**-7.0**	**-5.8**	**-7.7**	**-8.8**	**-7.4**	**-7.8**	**-6.1**
Domestic	-7.0	-5.8	-7.7	-8.8	-7.1	-7.0	-7.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deficit (-) (cash basis)	**-0.7**	**13.8**	**-10.3**	**26.8**	**-18.2**	**-17.7**	**-11.5**
Financing	**0.7**	**-13.8**	**10.3**	**-26.8**	**18.2**	**17.7**	**11.5**
Foreign financing (net)	**37.7**	**26.0**	**43.2**	**42.7**	**36.1**	**23.1**	**17.7**
Drawings	41.6	28.6	48.0	46.5	42.2	30.4	26.1
Project loans	37.8	28.6	43.5	50.8	42.2	30.4	26.1
Amortization	-3.9	-2.6	-4.8	-3.8	-6.1	-7.3	-8.4
Domestic financing	**-37.0**	**-39.8**	**-32.9**	**-69.5**	**-17.9**	**-5.4**	**-6.2**
Banking system treasury operations	-15.3	-39.8	-32.9	-69.5	-12.5	-0.2	-0.3
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: *MINECOFIN*
Notes: *1 Excludes exceptional expenditures.*

2 Includes demobilisation and peacekeeping expenditures.

Annex 6 – Explanation of the Divergence in Tax Revenue to GDP Ratios for Calendar and Fiscal Years

The Tax to GDP Ratio is required to grow by at least 0.2 percentage points of nominal GDP per annum. This is a government policy to become more financially independent of donor aid as well as a function of the development process whereby the country will become more formalised. Furthermore, it is an International Monetary Fund (IMF) target for their Poverty Reduction and Growth Facility (PRGF).

The Calendar Year Projections Rise by 0.2 Percentage Points of GDP per Annum. However, where the calendar year shows a smooth development over the medium term the newly calculated fiscal equivalents are more irregular. Table 36 reveals the differences in calendar and fiscal year projections for the tax to GDP ratio.

Equitable Fiscal and Calendar Medium Term Trends however are realised. It must be noted that both annual ratios, whether on a calendar or fiscal year basis, on average result in a 0.2 percentage point increase over the medium term. Moreover, as figure 4 shows the overall medium term trend for both measures of tax to GDP are similar.

This Asymmetry Arises for a Number of Reasons:

1. Annual Distributions of tax revenues and GDP growth are not equivalent and will therefore not give the exact replication of ratio growth. In projecting revenues past trends were assessed. This gave an average semester distribution of 48 percent of collections in semester one and 52 percent in the latter half of an average year. However the corresponding medium term distributions for nominal GDP are not as clear cut. Real growth moves in variable proportions as determined by each sub sector of the economy. Additionally there is an inflation aspect which is also variably distributed across a given year. This imbalance in proportions allocated to projections offer one reason for the variation in the tax revenue to GDP ratios.

2. The 2008 Projections have a knock on effect for the fiscal years 2008/09, 2009/10 and 2010/11. The first half of 2008 revenue collection over-performed. This over-performance has been projected to continue throughout the remainder of 2008, but at a lesser rate. This results in the first half of 2008 tax collections being somewhat higher than the second half. Whereas the 2008 total is consistent with calendar year projections the spread through to fiscal years looks lopsided. This is due to the higher semester one is in fiscal year 2007/08 and the lower semester two in 2008/09, therefore there is a movement from a large collection year to an average collection year. Thereafter the 2009/10 seems to be growing much faster.

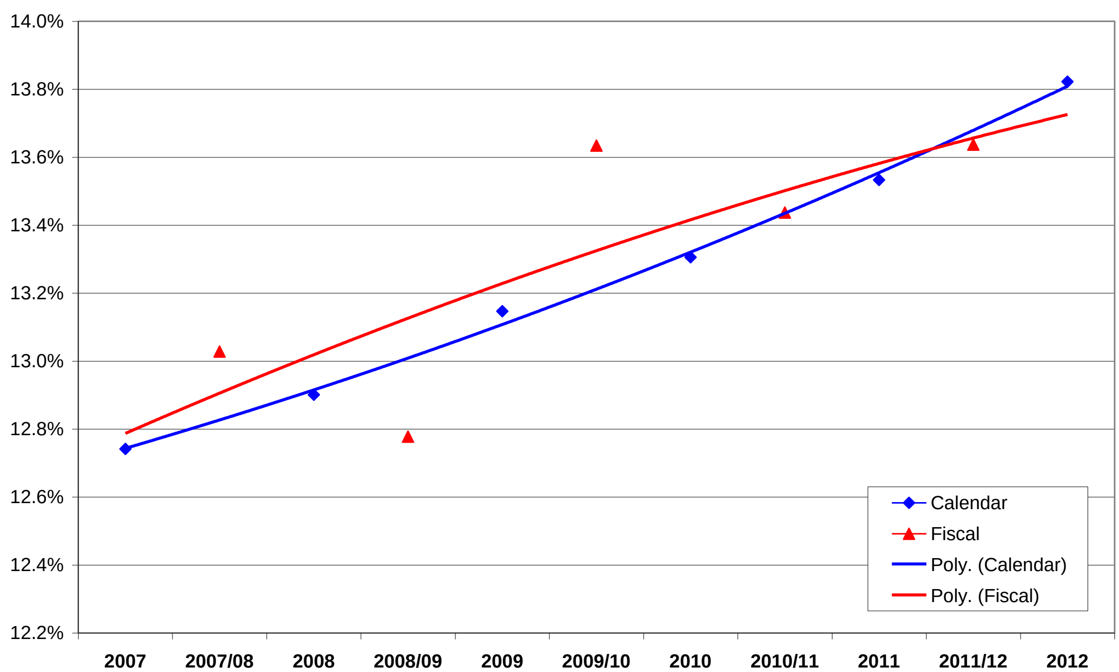
3. Difficulties in Projecting the New Fiscal Years are ubiquitous. The change to a new fiscal year entails unknown elements for the economy. It has been easier to project the tax developments and GDP performance over the medium term as there is readily available back data. Moreover, medium term policies and plans have been made are in line with calendar years and so it is a simpler process to asses the impact of these in calendar terms. Therefore, the fiscal year projections will be at greater risk of error than those for the calendar years.

Table 37 - Tax Revenue to GDP Ratio (Calendar and Fiscal Years)

	2007	2008	2009	2010	2011	2012	5 Yr Av
Calendar Year Ratio	**12.7%**	**12.9%**	**13.1%**	**13.3%**	**13.5%**	**13.8%**	**13.3%**
Annual Change	-	0.2%	0.2%	0.2%	0.2%	0.3%	**0.2%**
	2006/07	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**5 Yr Av**
Fiscal Year Ratio	**12.7%**	**13.0%**	**12.8%**	**13.6%**	**13.4%**	**13.6%**	**13.3%**
Annual Change	-	0.3%	-0.3%	0.9%	-0.2%	0.2%	**0.2%**

Source: MINECOFIN.

Figure 4 - Fiscal and Calendar Year Tax Revenue to GDP Ratio Comparison (Trends)



Source: MINECOFIN.

Annex 7 – Committed External Disbursements by Donor and Sector Allocation (Billion Rwf)

	2008	2009	2009/10	2010/11	2011/12	MT Total
<u>**General Budget Support**</u>						
AfDB	11.5	0.0	17.8	7.7	0.0	**25.5**
DFID	35.1	38.0	41.4	45.2	49.4	**173.9**
EC (EU)	13.8	9.2	21.7	25.0	27.7	**83.7**
Germany	3.8	4.2	4.2	0.0	0.0	**8.4**
Netherlands	2.3	2.5	2.5	0.0	0.0	**5.0**
SIDA	6.9	0.0	7.0	7.0	7.1	**21.1**
World Bank	44.9	38.2	37.8	8.1	43.6	**127.7**
Total GBS	**118.4**	**92.1**	**132.4**	**93.0**	**127.8**	**445.2**
<u>**Sector Budget Support**</u>						
Agriculture	**0.0**	**0.0**	**3.3**	**5.0**	**5.1**	**13.4**
EC (EU)	0.0	0.0	3.3	5.0	5.1	**13.4**
Common Development Fund (CDF)	**0.0**	**2.5**	**2.5**	**0.0**	**0.0**	**5.0**
Netherlands	2.7	2.5	2.5	0.0	0.0	**5.0**
Education	**10.3**	**9.9**	**19.1**	**3.3**	**0.0**	**32.3**
AfDB	0.0	0.0	3.3	2.5	0.0	**5.9**
Belgium	0.0	2.5	2.5	0.0	0.0	**5.0**
DfID	0.0	2.3	2.1	0.8	0.0	**5.2**
Netherlands	0.0	5.1	11.2	0.0	0.0	**16.2**
Education - Fast Track Initiative	**31.6**	**12.0**	**11.9**	**0.0**	**0.0**	**23.9**
Energy	**0.0**	**0.0**	**8.3**	**8.3**	**8.4**	**25.1**
Netherlands	0.0	0.0	8.3	8.3	8.4	**25.1**
Health	**5.4**	**15.2**	**11.7**	**3.7**	**0.0**	**30.6**
DfID	0.0	3.2	3.1	1.0	0.0	**7.3**
Belgium	0.0	3.4	0.0	0.0	0.0	**3.4**
Germany	0.0	5.9	5.8	0.0	0.0	**11.7**
Norway	0.0	2.2	2.2	2.2	0.0	**6.5**
World Bank	0.0	0.5	0.5	0.5	0.0	**1.6**
Justice	**0.0**	**1.7**	**5.0**	**0.0**	**0.0**	**6.7**
Belgium	0.0	0.0	1.7	0.0	0.0	**1.7**
Netherlands	0.0	1.7	3.3	0.0	0.0	**5.0**
Transport	**0.0**	**0.0**	**1.7**	**3.3**	**5.1**	**10.1**
EC (EU)	0.0	0.0	1.7	3.3	5.1	**10.1**
Vision Umerenge Program (VUP)	**0.0**	**2.7**	**2.7**	**2.7**	**0.0**	**8.1**
World Bank	0.0	2.7	2.7	2.7	0.0	**8.1**
Total SBS	**47.3**	**43.9**	**66.2**	**26.5**	**18.5**	**155.1**
AU Peacekeeping Operations	**19.2**	**4.8**	**8.0**	**3.1**	**0.0**	**15.9**
Rwanda Demobilisation Program[1]	**4.5**	**2.2**	**4.3**	**2.2**	**0.0**	**8.7**
Total External Disbursements	**189.5**	**143.0**	**210.9**	**124.7**	**146.3**	**624.9**

<u>Source</u>: MINECOFIN.
<u>Notes</u>: 1 Basket fund.

Annex 8 – Medium Term Balance of Payments (Million USD)

	2008	S1 2009	2007/08	2008/09	2009/10	2010/11	2011/12
Current Account Balance[1]	**-350.8**	**-62.2**	**-241.6**	**-108.4**	**-293.0**	**-438.6**	**-516.0**
Current Account Balance[2]	**-808.0**	**-375.7**	**-654.6**	**-701.4**	**-818.2**	**-930.6**	**-977.5**
Trade Balance	**-602.9**	**-268.1**	**-461.0**	**-468.7**	**-531.5**	**-596.8**	**-603.6**
Exports, f.o.b.	**221.2**	**121.1**	**199.3**	**238.8**	**278.1**	**327.8**	**380.4**
Coffee	44.3	23.4	39.7	50.2	65.8	88.5	110.6
Tea	38.9	24.5	35.7	43.6	52.1	60.7	69.5
Imports, f.o.b.	**-824.1**	**-389.2**	**-660.2**	**-707.5**	**-809.6**	**-924.7**	**-984.0**
Equipment	-306.2	-	-251.4	-234.8	-284.6	-344.1	-342.9
Energy and Fuel	-174.8	-	-196.6	-220.8	-232.6	-248.6	-268.0
Consumption Goods	-343.1	-	-212.2	-252.0	-292.4	-331.9	-373.1
Services (net)	**-297.9**	**-157.9**	**-275.4**	**-318.7**	**-381.0**	**-437.3**	**-483.6**
Factor Income (net)	**-22.4**	**-12.9**	**-23.9**	**-23.9**	**-21.1**	**-17.6**	**-17.6**
Current Transfers (net)	**572.5**	**376.6**	**518.7**	**702.9**	**640.6**	**613.2**	**588.7**
Private Transfers	115.2	63.2	105.7	109.9	115.4	121.1	127.2
Official Transfers Net	457.2	313.5	413.0	593.0	525.2	492.0	461.5
Budget Grants	338.3	250.0	305.5	479.6	411.8	378.6	348.1
Other Transfers[3]	118.9	63.4	107.6	113.4	113.4	113.4	113.4
Capital and Financial Account Balance	**299.5**	**169.3**	**298.1**	**296.5**	**396.1**	**411.2**	**428.3**
Capital Account (Project Grants)	**198.3**	**108.1**	**136.2**	**184.3**	**235.6**	**253.1**	**272.9**
Financial Transactions Account	**101.1**	**61.3**	**161.9**	**112.2**	**160.6**	**158.0**	**155.3**
Public Sector Capital (LT) (net)	62.2	32.4	71.0	56.8	82.7	79.8	75.9
Project Loans	69.4	36.3	79.8	65.0	90.8	88.9	84.9
Amortization	-7.2	-3.9	-8.8	-8.1	-8.1	-9.1	-9.0
Private Sector Capital (LT) (net)	1.0	0.5	0.5	1.3	2.0	3.3	5.0
Other Capital	37.9	28.3	90.4	54.1	75.8	75.0	74.4
Short Term Capital	0.0	-17.8	7.5	-35.5	-34.5	-35.3	-35.9
Direct Investment	83.4	46.0	82.9	89.7	110.3	110.3	110.3
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and Omissions	0.0	0.0	22.3	0.0	0.0	0.0	0.0
Overall Balance	**-51.3**	**107.1**	**78.8**	**188.1**	**103.1**	**-27.4**	**-87.7**
Financing	**51.3**	**-107.1**	**-78.8**	**-188.1**	**-103.1**	**27.4**	**87.7**
Change in Net Foreign Assets of BNR[4]	**51.3**	**-107.1**	**-78.8**	**-188.1**	**-103.1**	**27.4**	**87.7**
Net Credit from the IMF	0.0	0.0	3.4	0.0	0.0	0.0	0.0
Change in Gross Official Reserves[4]	27.2	-107.1	-101.9	-188.1	-103.1	27.4	87.7
Change in Other Foreign Liabilities	24.5	0.0	19.7	0.0	0.0	0.0	0.0

Source: *MINECOFIN*
Notes: *1 Including official transfers.*
2 Excluding official transfers.
3 Humanitarian, technical assistance and NGOs.
4 Increase is designated with a minus sign.

Annex 9 - Export Projections Over the EDPRS Period (Million USD)

Product		2008	2009	2010	2011	2012	5 yr av
Coffee	**Value**	44.34	56.90	76.04	102.65	119.76	
	Annual Change	24.3%	28.3%	33.6%	35.0%	16.7%	**27.6%**
	Volume	18.00	22.00	28.00	36.00	40.00	
Tea	**Value**	38.91	47.33	55.84	64.42	73.43	
	Annual Change	23.5%	21.6%	18.0%	15.4%	14.0%	**18.5%**
	Volume	19.00	23.00	27.00	31.00	35.00	
Cassiterite	**Value**	44.91	48.09	52.00	57.33	63.21	
	Annual Change	40.5%	7.1%	8.2%	10.3%	10.3%	**15.2%**
	Volume	4.55	4.60	4.74	4.98	5.22	
Coltan	**Value**	28.51	30.52	33.01	36.39	40.12	
	Annual Change	48.2%	7.1%	8.1%	10.3%	10.3%	**16.8%**
	Volume	1.14	1.15	1.19	1.25	1.31	
Wolfram	**Value**	10.22	10.94	11.83	13.05	14.38	
	Annual Change	-47.4%	7.1%	8.1%	10.3%	10.3%	**-2.3%**
	Volume	1.36	1.37	1.41	1.48	1.56	
Hides and Skins	**Value**	4.40	5.40	6.63	7.98	9.60	
	Annual Change	23.4%	22.7%	22.7%	20.4%	20.4%	**21.9%**
	Volume	2.00	2.25	2.50	2.75	3.00	
Pyrethrum	**Value**	3.87	4.45	5.03	6.41	7.92	
	Annual Change	29.0%	14.8%	13.1%	27.5%	23.5%	**21.6%**
	Volume	0.06	0.07	0.07	0.09	0.10	
Flowers	**Value**	0.35	0.43	0.54	0.71	0.95	
	Annual Change	19.8%	24.6%	24.5%	31.8%	34.5%	**27.0%**
	Volume	0.14	0.16	0.20	0.24	0.32	
Others	**Value**	6.75	7.68	8.67	9.81	11.14	
	Annual Change	-53.0%	13.7%	12.9%	13.2%	13.5%	**0.1%**
	Volume	9.66	10.37	11.14	12.01	12.99	
Re-exports	**Value**	38.79	44.12	49.80	56.36	63.98	
	Annual Change	116.1%	13.7%	12.9%	13.2%	13.5%	**33.9%**
	Volume	15.22	16.33	17.56	18.93	20.46	
Sub Total*	***Value***	***221.05***	***255.85***	***299.37***	***355.11***	***404.49***	
(Key Products)	***Annual Change***	***24.9%***	***15.7%***	***17.0%***	***18.6%***	***13.9%***	**18.0%**
	Volume	***71.13***	***81.30***	***93.80***	***108.72***	***119.95***	

Source: MINECOFIN
*Notes: * Equates to 96 percent of total value of projected exports.*

Annex 10 - Medium Term Monetary Indicators (Billion Rwf)

	2008	S1 2009	2007/08	2008/09	2009/10	2010/11	2011/12
Net Foreign Assets	**343.4**	**581.8**	**405.0**	**581.8**	**640.3**	**666.8**	**640.9**
Net Domestic Assets	**141.5**	**-33.9**	**38.0**	**-33.9**	**6.5**	**86.8**	**236.6**
Domestic Credit	251.1	69.6	148.3	69.6	113.1	202.1	370.5
Central Government (net)	-60.0	-216.3	-146.8	-216.3	-228.8	-229.0	-229.3
Autonomous Agencies	-0.9	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Public Enterprises	1.7	1.3	1.3	1.3	1.3	1.3	1.3
Private Sector	310.3	285.1	294.3	285.1	341.1	430.3	598.9
Other Items Net (assets: +)	-109.6	-103.5	-110.3	-103.5	-106.6	-115.4	-133.9
Broad Money	485.3	547.9	444.3	547.9	646.7	753.6	877.5
Growth	**14.0%**	**12.9%**	**30.0%**	**23.3%**	**18.0%**	**16.5%**	**16.4%**
Private Sector Credit as % GDP	**13.4%**	**-8.1%**	**12.7%**	**24.2%**	**16.4%**	**17.2%**	**20.8%**
NFA of BNR	271.2	516.6	358.7	516.6	556.9	563.7	515.1
As Months of Imports	**4.6**	**4.8**	**6.5**	**8.3**	**8.0**	**7.5**	**6.2**
Gross Investment	***411.2***	***242.8***	**380.1**	**456.3**	**548.0**	**662.5**	**751.4**
Private	*153.6*	*76.8*	175.3	132.0	193.7	288.2	367.7
Gross National Savings	***220.1***	***208.9***	**248.4**	**403.0**	**370.1**	**458.2**	**499.5**
As a % of GDP	*9.5%*	*17.8%*	11.9%	16.1%	12.9%	14.0%	13.5%

Source: MINECOFIN.

Annex 11 - Medium Term Budget Sectoral Allocations (Billion Rwf)

	REVISED BUDGET 2008	Share in %	2009 MINI BUDGET	Share in %	2009/2010 BUDGET	Share in %	2010/2011 BUDGET	Share in %	2011/2012 BUDGET	Share in %
Total	**673,975.5**	**100.0%**	**386,840.8**	**100.0%**	**798,119.1**	**100.0%**	**869,574.6**	**100.0%**	**896,943.7**	**100.0%**
01 GENERAL PUBLIC SERVICE	**171,577.9**	**25.5%**	**98,861.0**	**25.6%**	**173,334.8**	**21.7%**	**176,516.3**	**20.3%**	**179,733.4**	**20.0%**
011 EXECUTIVE & LEGISLATIVE ORGANS	12,732.8	1.9%	12,119.3	3.1%	24,458.6	3.1%	25,088.9	2.9%	26,839.4	3.0%
012 ECONOMIC/ FIN MANAGEMENT & FISCAL AFFAIRS	91,520.1	13.6%	45,869.4	11.9%	82,160.7	10.3%	84,885.3	9.8%	85,262.1	9.5%
013 EXTERNAL AFFAIRS	12,471.2	1.9%	12,565.6	3.2%	15,847.2	2.0%	14,705.7	1.7%	14,527.1	1.6%
014 LABOUR & EMPLOYMENT AFFAIRS	7,100.1	1.1%	3,687.5	1.0%	7,859.3	1.0%	8,379.7	1.0%	7,415.1	0.8%
015 GENERAL PLANNING & STATISTICAL SERVICES	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
016 GENERAL INTER-GOVERNMENTAL TRANSFERS	37,552.6	5.6%	16,089.3	4.2%	30,379.2	3.8%	32,035.1	3.7%	32,484.5	3.6%
018 GENERAL PUBLIC SERVICES, N.E.C.	10,201.1	1.5%	8,529.8	2.2%	12,629.8	1.6%	11,421.6	1.3%	13,205.2	1.5%
02 DEFENSE	**54,437.9**	**8.1%**	**21,063.6**	**5.4%**	**45,591.6**	**5.7%**	**51,781.0**	**6.0%**	**53,979.2**	**6.0%**
021 MILITARY DEFENSE	38,800.0	5.8%	21,063.6	5.4%	45,591.6	5.7%	51,781.0	6.0%	53,979.2	6.0%
023 FOREIGN MILITARY COOPERATION	10,000.0	1.5%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
024 DEFENSE, N.E.C.	5,637.9	0.8%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
03 PUBLIC ORDER AND SAFETY	**43,303.8**	**6.4%**	**20,143.1**	**5.2%**	**44,591.8**	**5.6%**	**49,858.9**	**5.7%**	**52,389.8**	**5.8%**
031 JUSTICE SERVICES AND CONSTITUTIONAL DEVELOPMENT	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
032 SAFETY AND SECURITY SERVICES	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
033 CORRECTIONAL SERVICES	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
031 POLICE & SECURITY SERVICES	15,014.9	2.2%	9,364.5	2.4%	20,169.9	2.5%	22,705.6	2.6%	24,280.9	2.7%
033 LAW COURTS AND GACACA	10,006.0	1.5%	4,709.3	1.2%	9,899.1	1.2%	9,596.2	1.1%	9,895.3	1.1%
034 PRISONS	13,431.2	2.0%	4,089.0	1.1%	10,376.3	1.3%	12,159.1	1.4%	12,398.8	1.4%
035 PUBLIC ORDER & SAFETY, N.E.C.	4,851.7	0.7%	1,980.3	0.5%	4,146.5	0.5%	5,398.0	0.6%	5,814.8	0.6%
04 ENVIRONMENTAL PROTECTION	**7,215.3**	**1.1%**	**5,575.0**	**1.4%**	**11,735.7**	**1.5%**	**11,457.3**	**1.3%**	**10,029.2**	**1.1%**
041 POLUTION ABATEMENT AND CONTROL	0.1	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
042 BIODIVERSITY AND LANDSCAPE PROTECTION	3,310.9	0.5%	1,468.1	0.4%	5,685.0	0.7%	8,888.0	1.0%	7,116.5	0.8%
043 ENVIRONMENTAL PROTECTION N.E.C.	3,904.3	0.6%	4,106.9	1.1%	6,050.7	0.8%	2,569.3	0.3%	2,912.6	0.3%
05 AGRICULTURE	**38,061.0**	**5.6%**	**23,094.8**	**6.0%**	**49,588.3**	**6.2%**	**57,446.9**	**6.6%**	**60,121.4**	**6.7%**

051 AGRICULTURAL DEVELOPMENT	30,769.3	4.6%	14,445.9	3.7%	39,271.6	4.9%	46,134.2	5.3%	47,513.7	5.3%
052 LIVESTOCK AND FISHERIES	4,012.4	0.6%	2,792.0	0.7%	6,003.7	0.8%	7,137.2	0.8%	9,296.0	1.0%
053 FORESTRY	2,146.3	0.3%	5,123.7	1.3%	2,789.9	0.3%	2,686.7	0.3%	2,247.4	0.3%
054 AGRICULTURE, LIVESTOCK AND FORESTRY, N.E.C.	1,133.0	0.2%	733.2	0.2%	1,523.2	0.2%	1,488.8	0.2%	1,064.3	0.1%
06 INDUSTRY AND COMMERCE	**11,837.6**	**1.8%**	**6,931.9**	**1.8%**	**13,806.9**	**1.7%**	**15,274.6**	**1.8%**	**16,959.6**	**1.9%**
061 MINING AND QUARRYING	510.9	0.1%	343.9	0.1%	724.4	0.1%	928.6	0.1%	923.6	0.1%
063 CONSTRUCTION SERVICES	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
064 TRADE AND COMMERCE	10,587.5	1.6%	2,782.3	0.7%	7,373.1	0.9%	7,771.6	0.9%	8,415.2	0.9%
066 CRAFT INDUSTRY	40.0	0.0%	11.1	0.0%	25.6	0.0%	30.5	0.0%	35.2	0.0%
067 INDUSTRY AND COMMERCE, N.E.C.	699.2	0.1%	3,794.6	1.0%	5,683.7	0.7%	6,543.9	0.8%	7,585.6	0.8%
07 FUEL AND ENERGY	**57,047.4**	**8.5%**	**35,439.1**	**9.2%**	**84,792.9**	**10.6%**	**89,181.7**	**10.3%**	**92,699.4**	**10.3%**
072 NATURAL GAS AND PETROLEUM	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
073 ELECTRICITY	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
075 FUEL AND ENERGY N.E.C.	57,047.4	8.5%	35,439.1	9.2%	84,792.9	10.6%	89,181.7	10.3%	92,699.4	10.3%
08 TRANSPORT AND COMMUNICATION	**68,490.0**	**10.2%**	**44,812.4**	**11.6%**	**98,562.5**	**12.3%**	**113,901.2**	**13.1%**	**115,033.4**	**12.8%**
081 ROAD TRANSPORT	51,398.8	7.6%	25,592.8	6.6%	56,691.0	7.1%	71,395.9	8.2%	66,220.8	7.4%
083 AIR TRANSPORT	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
084 WATER TRANSPORT	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
085 RAILWAY TRANSPORT	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
086 COMMUNICATION	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
087 BROADCASTING AND PUBLISHING	1,967.8	0.3%	1,289.9	0.3%	2,870.4	0.4%	3,679.5	0.4%	4,179.9	0.5%
088 TRANSPORT & COMMUNICATION, N.E.C.	1,963.6	0.3%	1,412.3	0.4%	3,150.1	0.4%	6,308.5	0.7%	6,520.1	0.7%
089 INFORMATION AND COMMUNICATION TECHNOLOGY	13,159.7	2.0%	16,517.4	4.3%	35,851.1	4.5%	32,517.2	3.7%	38,112.5	4.2%
09 LAND HOUSING & COMMUNITY AMENITIES	**6,739.5**	**1.0%**	**4,028.2**	**1.0%**	**15,501.3**	**1.9%**	**16,144.2**	**1.9%**	**15,337.6**	**1.7%**
091 HOUSING DEVELOPMENT	1,831.6	0.3%	1,885.3	0.5%	3,940.8	0.5%	4,220.7	0.5%	3,220.5	0.4%
092 LAND AND COMMUNITY DEVELOPMENT	4,907.9	0.7%	2,143.0	0.6%	11,560.5	1.4%	11,923.5	1.4%	12,117.1	1.4%
094 LAND, HOUSING & COMMUNITY AMENITIES, N.E.C.	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
10 WATER AND SANITATION	**24,923.4**	**3.7%**	**14,297.8**	**3.7%**	**30,822.6**	**3.9%**	**33,231.6**	**3.8%**	**37,537.5**	**4.2%**
101 WATER SUPPLY	0.0	0.0%	2,089.0	0.5%	7,481.0	0.9%	9,109.0	1.0%	9,510.0	1.1%
103 WATER AND SANITATION, .N.E.C.	24,923.4	3.7%	12,208.8	3.2%	23,341.6	2.9%	24,122.6	2.8%	28,027.5	3.1%

11 YOUTH CULTURE AND SPORTS	**5,913.3**	**0.9%**	**5,019.6**	**1.3%**	**7,486.6**	**0.9%**	**7,959.2**	**0.9%**	**7,169.6**	**0.8%**
111 SPORTS AND RECREATIONAL SERVICES	2,950.8	0.4%	2,598.2	0.7%	1,532.3	0.2%	2,803.1	0.3%	1,508.8	0.2%
112 ART AND CULTURAL SERVICES	615.5	0.1%	306.7	0.1%	787.5	0.1%	539.0	0.1%	591.7	0.1%
113 YOUTH AND OTHER COMMUNITY SERVICES	527.3	0.1%	1,429.7	0.4%	3,281.4	0.4%	2,463.8	0.3%	2,546.1	0.3%
114 YOUTH, CULTURE AND SPORTS N.E.C.	1,819.7	0.3%	685.0	0.2%	1,885.4	0.2%	2,153.2	0.2%	2,523.1	0.3%
12 HEALTH	**64,535.2**	**9.6%**	**37,109.3**	**9.6%**	**76,615.1**	**9.6%**	**84,456.1**	**9.7%**	**87,275.5**	**9.7%**
121 SOINS DE SANTE PRIMAIRE	46,309.7	6.9%	31,981.8	8.3%	65,166.4	8.2%	71,671.7	8.2%	75,789.8	8.4%
122 SOINS DE SANTE SECONDAIRE	8,602.0	1.3%	1,398.9	0.4%	3,341.6	0.4%	3,884.6	0.4%	4,691.7	0.5%
123 SOINS DE SANTE TERTIAIRE	7,523.2	1.1%	2,440.8	0.6%	5,621.4	0.7%	6,413.6	0.7%	4,766.0	0.5%
124 HEALTH, N.E.C.	2,100.2	0.3%	1,287.8	0.3%	2,485.7	0.3%	2,486.1	0.3%	2,028.0	0.2%
13 EDUCATION	**103,242.7**	**15.3%**	**59,479.7**	**15.4%**	**123,881.9**	**15.5%**	**138,592.0**	**15.9%**	**145,168.3**	**16.2%**
131 PRE-PRIMARY AND PRIMARY EDUCATION	45,436.4	6.7%	25,038.9	6.5%	57,506.7	7.2%	59,563.5	6.8%	70,880.2	7.9%
132 SECONDARY EDUCATION	27,761.9	4.1%	10,846.8	2.8%	21,232.4	2.7%	25,127.5	2.9%	29,238.4	3.3%
133 TECHNICAL AND VOCATIONAL EDUCATION	0.0	0.0%	2,057.9	0.5%	5,172.1	0.6%	10,209.5	1.2%	7,601.5	0.8%
134 TERTIARY EDUCATION	26,376.9	3.9%	16,004.1	4.1%	30,254.8	3.8%	30,989.1	3.6%	24,968.7	2.8%
135 EDUCATION NOT DEFINABLE BY LEVEL	550.0	0.1%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
136 SCIENTIFIC & TECHNOLOGICAL RESEARCH	2,038.1	0.3%	2,481.3	0.6%	4,881.9	0.6%	6,471.3	0.7%	6,212.0	0.7%
137 EDUCATION, N.E.C.	1,079.4	0.2%	3,050.8	0.8%	4,833.9	0.6%	6,231.1	0.7%	6,267.5	0.7%
14 SOCIAL PROTECTION	**16,650.3**	**2.5%**	**10,985.3**	**2.8%**	**21,807.2**	**2.7%**	**23,773.7**	**2.7%**	**23,509.8**	**2.6%**
141 SOCIAL SECURITY & WELFARE	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
142 GENDER PROTECTION	707.0	0.1%	710.0	0.2%	1,102.5	0.1%	1,286.2	0.1%	1,111.3	0.1%
143 ASSISTANCE TO VULNERABLE GROUPS	15,943.4	2.4%	10,275.3	2.7%	20,704.7	2.6%	22,487.5	2.6%	22,398.5	2.5%
144 SOCIAL PROTECTION N.E.C.	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%

Source: MINECOFIN