

FISCAL PERFORMANCE REPORT IN 2007

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1.0. INTRODUCTION

The budget approved by Parliament at end December 2006 projected total expenditure and net lending at RWF 485.6 billion. This amount included RWF 15.8 billion of contingent expenditures to be financed with additional grants from the external donors. Accordingly, total revenue and grants to finance the budget were estimated at RWF 458.5 billion. These comprised RWF 217.1 billion from domestic sources (tax and non tax revenue) and RWF 241.4 billion from grants (budgetary grants of RWF 153.4 billion and capital grants of RWF 88 billion). The budgetary grants amount included the expected resources of RWF 15.8 billion to finance the contingent expenditures mentioned above. The overall deficit (excluding grants) was projected at RWF 268.5 billion whilst the deficit (including grants) was expected to reach RWF 27.1 billion.

2.0. IMPLEMENTATION OF THE ORIGINAL BUDGET AND CAUSES FOR REVISIONS

In the middle of the year it became clear that the donors were unable to provide the additional grants required for financing the contingent expenditures and that these should be excluded from the budget. At the same time revenue performance has been so good that there was the need to revise the estimates upwards in order to use the additional resources for some priority expenditures that were not in the original budget. On the basis of these developments, the budget was revised in midyear to reflect this changed situation. Total revenue was revised upwards from RWF 217.1 billion to RWF 226.6 billion. On the other hand, total budgetary grants were reduced from RWF 241.4 billion to RWF 232.9 billion to reflect the non expected grants for the contingent expenditure

mentioned above and at the same time include the committed grants under Education Fast Track Initiative (FTI) of RWF 7.3 billion.

On the expenditure side there was the need to remove the contingent expenditures that were to be financed with the extra grants that were no more available and also add the expenditures that were to be financed with the FTI grants. In addition, it also became necessary to use the additional projected revenue to cater for some additional items that were not in the original budget.

Expenditure items that were allocated funds included the resettlement of returning refugees, the emergency costs associated with the floods disaster, subsidy to BNR for monetary policy operations and funds for the import of food for food security. Accordingly, total expenditure and net lending was revised upwards to RWF 490.9 billion as against RWF 485.6 billion in the original budget. The overall deficit (excluding grants) was projected to decline slightly to RWF 264.3 billion from RWF 268.5 billion. The deficit (including grants) on the other hand was estimated to rise slightly to RWF 31.4 billion from RWF 27.1 billion. The table below shows the revised budget as well as the outturn for the year.

| Table: 2007 Operations of the Central Government (Exl. Contingency) - (in billion RWF) | | |
|-----------------------------------------------------------------------------------------------|---------------------|---------------------|
| | 2007 Program | 2007 Outturn |
| Revenue and grants | 459.5 | 460.2 |
| Total revenue | 226.6 | 252.9 |
| Tax revenue | 214.5 | 237.8 |
| Direct taxes | 72.0 | 85.8 |
| Taxes on goods and services | 108.2 | 121.0 |
| Taxes on international trade | 34.3 | 31.0 |
| Non-tax revenue | 12.1 | 15.1 |
| Budgetary Grants | 232.9 | 207.3 |
| Normal grants | 144.9 | 133.3 |
| Capital grants | 88.0 | 74.0 |
| Total expenditure and net lending | 490.9 | 490.6 |
| Current expenditure | 304.7 | 312.5 |
| Wages and salaries | 68.6 | 73.4 |
| Civil | 47.5 | 52.1 |
| Defense | 21.1 | 21.3 |
| Purchases of goods and services | 71.5 | 77.5 |
| Civil | 60.8 | 67.0 |
| Defense | 10.7 | 10.5 |
| Interest payments | 9.9 | 10.9 |
| Domestic Int (paid) | 8.1 | 8.7 |
| External Int (paid) | 1.8 | 2.2 |
| Transfers | 107.4 | 103.8 |
| Of Which: BNR Monetary Policy | | 3.4 |
| Exceptional social expenditure | 47.3 | 46.9 |
| Of which : Assistance to victims of genocide (FARG) | 11.1 | 11.0 |
| Demobilisation/Reintegration | 4.6 | 3.9 |
| Peace keeping operations | 10.7 | 10.7 |
| Emergency Resettlement of refugees | 0.0 | 2.1 |
| Capital expenditure | 175.8 | 186.2 |
| Domestic | 53.2 | 63.7 |
| of which: ICT | 0.0 | 0.7 |
| Foreign | 122.6 | 122.5 |
| Net lending | 10.4 | -8.1 |
| Primary deficit (including exceptional) | -121.4 | -112.4 |
| Domestic Fiscal Balance | -124.6 | -98.5 |
| Overall deficit (payment order) | | |
| Including grants | -31.4 | -30.5 |
| Excluding grants | -264.3 | -237.8 |
| Change in arrears (net reduction-) | -7.0 | -8.8 |
| Deficit (cash basis) | -38.4 | -39.2 |
| Financing | 38.4 | 39.2 |
| Foreign financing (net) | 31.0 | 44.6 |
| Drawings | 36.4 | 49.1 |
| Budgetary loans | 1.9 | 0.6 |
| IDA (Demob) | 0.0 | 0.6 |
| OPEC Fund Loan (HIPC) | 0.0 | 0.0 |
| Project loans | 34.5 | 48.5 |
| Amortization (paid) | -5.4 | -4.5 |
| Domestic financing | 7.2 | -5.3 |
| Banking system (monetary survey) 1) | 0.4 | 4.8 |
| Non bank sector Devt Bonds | 6.8 | -12.3 |
| Of Which T/bills | 0.0 | -6.6 |
| Of Which Non Bank Debt Repayment | 0.0 | -5.7 |
| Errors and omissions | 0.0 | 2.2 |

3. FISCAL PERFORMANCE FOR THE YEAR

Performance for the year differed from the revised budget as shown in the table above. Revenues performed better and exceeded the revised estimates. Total expenditure and net lending which benefited from the receipts from the sale of Rwandatel, was about the same as projected in the revised budget. The overall deficit (excluding grants) declined to RWF 237.8 billion as against RWF 264.3 billion in the revised budget. Similarly the overall deficit (including grants) also declined slightly from RWF 31.4 billion projected to RWF 30.5 billion.

The attached tables 1 to 7 show the details of fiscal performance in 2007 in various aspects compared to the revised estimates. Tables 1 to 4 show the details of performance by economic classification. Table 5 shows execution by Ministry and by program. Table 6 shows the details by priority and non priority expenditure, while table 7 shows the details by functional classification.

3.1. Resources of the Central Government

3.1.1. Domestic Revenue

Total domestic tax and non tax revenue collected in 2007 amounted to RWF 252.9 billion as against RWF 226.6 billion projected in the revised budget. There was therefore an excess collection of RWF 26.3 billion.

3.1.1.1. Tax revenue

The table below shows the tax revenue performance for the period 2005-2007.

| | 2005 | 2006 | 2007 |
|------------------------------------------|------------------|------------------|------------------|
| Total Tax Revenue | 162 624,5 | 193 614,1 | 237 808,8 |
| Direct taxes | 50 688,2 | 64 504,9 | 85 806,8 |
| Companies | 23 815,8 | 26 810,0 | 32 040,6 |
| <i>Individuals (PAYE)</i> | 25 471,4 | 35 716,4 | 49 188,9 |
| Others and Property taxes | 1 400,9 | 1 978,5 | 4 577,3 |
| Taxes on goods and services | 82 900,0 | 95 536,9 | 120 981,8 |
| Excise taxes | 20 913,1 | 23 253,1 | 29 528,1 |
| <i>VAT</i> | 57 746,9 | 67 152,6 | 85 094,3 |
| Road Fund | 4 240,1 | 5 131,2 | 6 359,4 |
| Taxes on international trade | 29 070,0 | 33 572,3 | 31 020,2 |
| Import tax | 22 071,0 | 23 923,9 | 26 920,4 |
| Other (including Electrogaz fuel import) | 7 001,8 | 9 648,4 | 4 099,8 |

As the table shows tax revenue collections have shown an increasing trend since 2005. As in previous years tax revenue collections continue to benefit from the buoyant economic activities especially in manufacturing and services as well as increased monetization of the economy including an expansion in credit to the private sector. In addition, a number of administrative actions taken by RRA helped increase collections.

Some of these actions taken include the following: enforcement of the law on filling of tax returns on time and improvement in the capacities of auditors who conducted prompt and professional auditing of accounts leading to recovery of arrears. Furthermore, the accelerated computerization of many services (including Asycuda++ for customs operations as well as SIGTAS for domestic taxes) which increased efficiency boosted collections. In addition the decentralisation of several RRA services to the regions also contributed to the improved performance.

As shown in the above table of revenues, collections under PAYE and VAT continue to contribute large shares in domestic revenue mobilization. The table shows that the shares of these revenue heads rose from 51.2 % in 2005 to 56.5 % in 2007. This is in line with Government's social policy of

getting the “wealthier” people in society to contribute a larger share of the tax burden. These two tax items will continue to play a vital role in domestic resource mobilization in the future.

Despite the overall good performance in total tax revenue collections, taxes on international trade registered a shortfall even though the total value of imports showed an increase of about 21 % over 2007. As has been observed over the last two years, this is due to a number of factors.

The most important are:

- ✓ a shift in the composition of imports with an increasing share of capital goods that does not attract duties
- ✓ a shift in the origin of imports with a higher share coming from COMESA and EAC countries that pay no or low taxes
- ✓ an appreciation of the franc by about 1 % against the US dollar in 2007.

The table above also shows that the share of taxes on international trade over the past two years declined from 17.9% in 2005 to 13% by end 2007. In the case of 2007, the sharp decline was also due to the cancellation of the MAGERWA warehousing charges which reduced the cost of doing business in order to promote private sector development. In any case the increased reliance on consumption taxes rather than on international trade taxes is in line with best international practices.

This declining trend as a share of tax revenue collection is likely to continue in the near future and may temporarily reduce total tax collection in the medium-term.

3.1.1.2. Non Tax Revenue

Collections for 2007 amounted to RWF 15.1 billion. This amount was about RWF 3 billion higher than the revised budget figure of RWF 12.1 billion. Dividends contributed about RWF 3.2 billion (dividends from BNR amounted to RWF 2 billion), proceeds from sale of fuel from the strategic stocks contributed RWF 0.4 billion and the rest came from administrative fees and charges including passport and visa fees.

3.1.2. External Resources

The table below shows the expected external budgetary resources and actual receipts during 2007.

| Projected and Actual External Budget Support Disbursement - Cash for 2007 (In million USD) | | |
|---------------------------------------------------------------------------------------------------|--------------------|---------------|
| Source | PROJECTIONS | Actual |
| AfDB | 33,00 | 31,55 |
| EU | 23,27 | 23,52 |
| IDA | 50,00 | 51,50 |
| UK | 66,50 | 65,53 |
| UK(Education) | 5,05 | 5,05 |
| SWEDEN | 10,11 | 11,73 |
| GERMANY | 2,00 | 2,16 |
| NETHERLANDS BUDGET SUPPORT | - | 2,37 |
| DEMOBILISATION | 8,36 | 2,15 |
| Multidonor (Grants) | 8,36 | 2,15 |
| AU PEACEKEEPING | 19,40 | 13,71 |
| FAST TRACK Multidonors (Education grants) | 25,76 | 13,00 |
| EDUCATION SECTOR* | 6,5 | 11,40 |
| HIPC GRANT | 8,80 | 4,50 |
| TOTAL GRANTS | 249,95 | 238,17 |
| LOANS | | |
| IDA (Loan) | 0,14 | 1,02 |
| OPEC FUND LOAN(HIPC) | 3 | 0 |
| G/TOTAL (With Loans& Grants) | 253,09 | 239,19 |

Notes: * Additional Education Grants from:

AfDB: US\$ 4,3 million

Belgium: US\$ 2,2 million

Netherlands: US\$ 1,8 million

In 2007, external budget support disbursements were estimated at US \$ 253.1million. This amount included earmarked grants of US\$ 8.4 million from IDA and other bilateral donors (including Germany and UK) to fund the on-going demobilization and re-integration exercise as well as US\$ 19.4 million from the AU/UN as reimbursement for the Darfur peacekeeping operations expenses.

In addition US\$ 25.8 million as grant finance was committed for education under the multi-donor Education Fast Track Initiative (FTI) and a HIPC loan of US \$ 3 million from the OPEC FUND was also pledged. The total expected budget support disbursements also included an amount of US\$ 8.8 million as HIPC grant from some donors in the form debt relief. By the end of the year however total receipts amounted to US\$ 239.2 million showing an overall shortfall of US\$ 13.9 million.

This shortfall was primarily due to a partial disbursement of the FTI grants as well as the non disbursement of the HIPC loan of US\$ 3 million from the OPEC FUND during 2007. Regarding the FTI grant, documentation was completed for only half of the grant amounting to US\$ 13 million which was disbursed at end 2007. Documentation for the remaining US\$ 13 million was completed in January 2008 and US\$ 7 million of this amount has since been disbursed. In the case of the OPEC FUND HIPC loan, again all the processes were completed and an amount of US\$ 7 million has also been disbursed. This is higher than the US\$ 3 million expected.

With regard to the performance of external funds for the capital budget, CEPEX has compiled a report that gives a detailed account of all projects including implementation of the externally supported capital budget. We are currently reconciling this information with the Central Bank information and we hope that more accurate data on disbursements will be obtained

after completion of this exercise. However it is worth mentioning here that according to the Central Bank's cashflow table, US\$ 151.1 million, (comprising US\$ 83.7 million in loans and US\$ 67.4 million in grants) equivalent to RWF 83 billion was disbursed as cash for the externally financed capital budget in 2007. In the budget a total amount of RWF 122.5 billion (RWF 88 billion in grants and RWF 24.5 in long term loans) was projected.

3.2. Government Outlays

As mentioned earlier in this report, tables 1 to 4 show the details of performance by economic classification, while table 5 shows execution by Ministry and by program. Table 6 shows the details of performance by priority and non priority expenditure, while table 7 shows the details by functional classification.

3.2.1. Performance by Economic Classification

As shown in the tables, total Government spending by economic classification amounted to RWF 490.6 billion almost the same as programmed in the revised budget. However higher spending on most items including wages and salaries, goods and services, interest expenditure and domestic capital was offset by under-spending on transfers and exceptional expenditure. The accrual of US\$ 50 million from the sale of Rwandatel under net lending also reduced total expenditure significantly.

In the case of wages and salaries, the excess spending was mainly on account of MINEDUC and MINISANTE. In the middle of the year when the budget was being revised, it was estimated that both Ministries would require an additional RWF6.6 billion to fund additional recruitments in the

districts and the budget allocation was raised accordingly. In the end, only RWF 4.8 billion was utilized resulting in the outturn of RWF 73.4 billion. MINEDUC, MINISANTE and MINICOFIN are conducting a review of total personal emoluments in these sectors with a view to ascertaining why the projected additional amount was not fully utilized and also obtain data for future projections.

Regarding purchases of goods and services, the overspending of RWF 6 billion was mainly on account of higher spending for road maintenance by Fonds Routier (FER) by about RWF 5 billion and excess spending on maintenance and rehabilitation of schools by MINEDUC of about RWF 0.4 billion.

In the case of domestically financed capital expenditure, the excess of about RWF 10.5 billion was mainly due to overspending by the following sectors: MININFRA (RWF 2.3 billion) on various energy and road construction projects; MINEDUC (RWF 1 billion) on construction of new schools; MINECOFIN (RWF1 billion) funds allocated for export promotion; MINITERE (RWF 1 billion) on various water and sanitation projects including the rural water and sanitation (PSC PEAMR) and the Nyabarongo projects; MINALOC (RWF 1 billion) to the CDF for various projects in agriculture and MINICOM (RWF 0.6 billion) for the development of the free zone.

With regards to interest costs, the excess spending was mainly due to higher interest payments on a larger amount of Treasury bills sales of Government particularly to the Commercial banks for cash flow purposes.

As indicated above there were lower outlays under transfers and subsidies as well as on exceptional expenditure.

Regarding subsidies and transfers, the lower spending of RWF 3.6 billion was primarily on account of lower transfers to BNR to cover interest payments for monetary policy operations as well as lower spending by the tertiary institutions on the hiring of local professional staff. On the staff hiring the shortfall was RWF 1.4 billion. Despite the shortfall in spending under transfers and subsidies, the Government was able to provide adequate budgetary resources for the import of food (RWF 5.5 billion) for food security, transfer of RWF 8.4 billion to the districts and towns to cover their running expenses as well as RWF 1 billion as assistance to vulnerable groups in the districts.

With reference to the shortfall in spending under exceptional expenditure, this was on account of lower spending amounting to RWF 0.7 billion on demobilization. In the budget RWF 4.6 billion was programmed, but RWF 3.9 billion was spent.

Net Lending refers to gross payments by Government to public enterprises for recapitalization, working capital and other restructuring requirements minus receipts from them by way of loan repayments and sale proceeds. In the mid-year budget revision an expenditure projection of RWF 10.4 billion was made. This amount provided adequate funds for Government's investment in the methane gas company estimated at RWF 4.9 billion as well as for the purchase of Bank Belgolaise's shares in Bank de Kigali amounting to about RWF 3.5 billion. The provision did not include any transactions regarding the privatization of Rwandatel.

In the second half of the year Rwandatel was sold. The net receipts of RWF 8.1 billion as shown in the table therefore reflects all the transactions mentioned above as well as the privatization of Rwandatel. This in turn

includes the accrual of the first installment of sales proceeds of US\$ 50 million.

On the issue of the implementation of the foreign finance capital expenditure, as mentioned above, CEPEX has compiled detailed data on spending and resources. Whilst this information is helpful by providing detailed account of all projects, it does not suffice for budget implementation and hence the need for reconciliation. To avoid a discrepancy from this source, the budget estimates for expenditures and resources have been maintained as shown in the fiscal tables. These will be revised when the exercise of reconciliation is completed around July this year.

3.2.2. Performance by Functional Classification

The table 7 attached shows total primary expenditure outturn amounting to RWF 383.9 billion by functional classification for fiscal year 2007. Primary expenditure here refers to recurrent and domestic capital expenditure as well as net lending. It is worth noting that budget totals reflect revised estimates excluding contingency expenditure of RWF 15.8 billion but includes RWF 15 billion to be financed with additional revenues. It is also important to understand that some totals may differ from economic classification figures due to some cross-cutting expenditure.

Services of the Legislative and Executive Organs of Government including expenditure under MINECOFIN took the largest share of RWF 94.3 billion equivalent to 24.6% of total outlays. Some of the major activities funded under MINECOFIN include outlays for Darfur peacekeeping operations as well as for the privatization process (Bank de Kigali and Rwandatel). The transfer of RWF 8.4 billion to the districts and towns for their operations

under the decentralization policy as well as diplomatic representation abroad accounted for a large share of expenditure. Operational expenses of the Auditor General's department and the Rwanda Revenue Agency were also funded from this expenditure amount. Other items funded include import of food for food security and the transfer of funds to the Central Bank to pay for the cost of sterilizing excess liquidity to reduce inflation. Defense expenditure took a share of about 11%, the same as last year.

Spending on education at RWF 91.1 billion took the second largest share at about 24% of total expenditure. Wages and salaries for teachers at all levels, transfer of funds to the districts for capitation grants, for feeding of school children and for the supply of books and other essential materials (including computers) took a large share of this expenditure. In addition a significant amount was also spent on repairs and maintenance as well as on construction of several new schools in the districts. The total spending on education also includes outlays for vocational training, post graduate training of teachers to improve their capacity, funds for both domestic and external scholarships, as well as transfers to the National Examination Council (CNER) to conduct school examinations at the various levels.

Public order and safety took about 8% of total spending. This amount allowed adequate funding for police and prison operations including rehabilitation of several prisons in the country. It also facilitated delivery of justice by the Supreme Court as well as the operations of the GACACA Courts.

Total spending under transport and communications accounted for about 6.6% of expenditure. Spending on construction of some new roads as well as rehabilitation of others accounted for a large share of the outlays. In

the communication area spending on the Karisimbi integrated project as well as the privatization of Rwandatel were the most important items.

Health expenditure took about 6.5% of total outlays. This relative low figure is due to the fact that a large portion of total spending is funded by external donors. Their projects and programs including the sources of funding are not included in the central Government budget. This expenditure total therefore represents only central Government's spending. The funds were mainly spent as transfers to the district health centers. These included payment of wages and salaries, provision of drugs , vaccines and equipment as well as catering for "mutuelle" insurance services and contractual approach and community health programs where required. Furthermore, Government also provided some funding for the national reference hospitals, Multi-sector Aids Program (MAP) and the Protection and Care of Families against HIV/AIDS (PAFCA) project.

Expenditure in the fuel and energy sector took a share of 6.6% of total outlays. Funds for the construction of the Lake Kivu gas project, the hydro power projects (Rukarara, Nyabarongo and mini-hydro centers), the Umutara and the Kigali electrification projects, the construction of the Kibuye-Karongi power line and the emergency rehabilitation of Electrogaz infrastructure accounted for a large share of spending. In addition Government also provided funds to Electrogaz to cover the cost of renting generators, for the import of fuel as well as the payment of all taxes on the imported fuel.

With respect to agriculture, its contribution to the total outlays amounted to 3.1%. A large share of the funds was used for the importation of fertilizer and improved seeds to increase agricultural productivity. Adequate funds were also provided for extension services, research

projects, horticulture development, livestock development (“one cow per family”) as well as for irrigation projects.

Expenditure in the water and sanitation sector took a share of 2.5% of total outlays. Activities funded included the Rural Water Supply and Sanitation projects, which accounted for almost the entire expenditure.

The share for environmental protection amounted to 0.6% of total outlays. The integrated protection and management of critical ecosystems, terracing to prevent erosion and critical reforestation projects accounted for a large share of expenditure.

In the case of social protection, the amount spent in this sector represents about 3% of total outlays. Transfers to FARG amounting to about 5% of domestic revenue as agreed by law, and spending on the vulnerable groups including orphans and the resettlement of returning refugees accounted for a large share of the expenditure. Demobilization, resettlement and reintegration of soldiers also represented a large share of expenditure.

The shares for industry and commerce amounted to 1.7% of total outlays. Outlays for export promotion activities took the largest share. Some of the activities financed with central Government funds include the provision of technical assistance and other facilities including access roads and water to a number of coffee washing stations as well as provision of extension services for some tea out-growers. In addition a large amount was spent on the development of the industrial free zone during the year.

The share for land, housing and community amenities amounted to 1.1% of total outlays. The provision of facilities for land registration was the

most important item. Also, expenditure on construction and maintenance of public buildings represented a big share of expenditure.

Expenditure in respect of youth, culture and sports took 0.8% of total outlays. The funds were mainly used for rehabilitation of the national sports stadium and for funding the country's participation in various international sports competition. In addition some funds were spent on the maintenance of the genocide memorial sites.

3.2.3. Priority Spending

The attached table 6 gives the details of priority expenditure by economic classification. This table below shows a summary of the attached table.

Table: Priority spending

| Expenditure | Budget estimate (in bill. RWF) | Actual expend (in bill. RWF) |
|-----------------------|-------------------------------------------|-----------------------------------------|
| Recurrent expenditure | 167.3 | 162.9 |
| Domestic capital | 36.8 | 48.4 |
| Net Lending | 4.2 | 4.8 |
| TOTAL | 208.3 | 216.1 |

The table shows that total priority spending exceeded the target by RWF 7.8 billion, even though there was a shortfall of RWF 4.4 billion from recurrent expenditure. This shortfall was mainly due to the under-spending on teachers and health personnel salaries in the districts alluded to above under wages and salaries. There was an excess spending of RWF 11.6 billion under domestic capital. Likewise as shown above in discussing the performance of domestic capital expenditure the excess came from

spending in the energy, export promotion, water and sanitation as well as in education (construction of schools) sectors.

4.0. DEFICITS AND FINANCING

Annex table 1 shows the various deficits i.e. excluding and including grants as well as the domestic fiscal deficit. As mentioned above, expected budgetary grants showed a shortfall of RWF 11.6 billion. However domestic revenue collections over-performed by about RWF 26.3 billion and offset the shortfall in external budgetary support. The domestic fiscal deficit at RWF 98.5 billion was therefore much lower than the RWF 124 .6 billion projected. As a result of the better revenue performance the overall deficit (excluding grants) at RWF 237.8 billion was lower than the RWF 264.3 billion projected. The overall deficit (including grants) at RWF 30.5 billion was also slightly lower than the RWF 31.4 billion estimated in the revised budget. .

The sale of Rwandatel, which yielded receipts of US\$ 50 million together with external loan disbursements for capital projects amounting to RWF 48.5 billion (US\$ 87.8 million) accrued to the budget for use by the Government. These resources together with proceeds from new sales of Treasury bills to the Commercial banks amounting to RWF 12 billion and the draw-down of Central Bank's deposits of RWF4.8 billion allowed the Government to finance the cash deficit of RWF 39.2 billion as well as pay external and domestic non-bank debt of about RWF 16.8 billion. The payment of domestic non-bank debt included the retirement of about RWF 6 billion of Treasury bills held by the non-bank public.

In the revised budget the overall cash deficit (including payment of arrears) was projected at RWF 38.4 billion. Given that total net receipts

from budget and project loans would have amounted to RWF 31 billion, the Government would have required domestic bank and non bank finance of about RWF 7.4 billion to cover the additional cash shortfall.

Note is to be taken of the fact that the table on provisional outturn shows a discrepancy of about RWF 2.2 billion. This arises from the operation of the zero balance account as well as the accounts of the districts administration in the Central Bank. Transactions on these accounts resulted in an artificial increase in Government deposits which could come close to the discrepancy amount.

5.0. CONCLUSION

Despite a number of challenges emanating from the frequent changes in the budget estimates, the implementation of the 2007 budget was satisfactory. All the performance targets set were met. This was due to the diligent monitoring of implementation by the Treasury Management Committee (TMC). It is expected that this diligent monitoring will continue in 2008.

The availability of financial information on the implementation of externally financed projects remains a challenge. CEPEX has made tremendous progress in capturing detailed data relating to the implementation of projects. However, this information still has some defects for instance it cannot separate the disbursements relating to the budget year and those of the previous years. We hope to improve this effort made by CEPEX going forward to get better information