

REPUBLIC OF RWANDA



MINISTRY OF FINANCE AND ECONOMIC PLANNING

BUDGET EXECUTION REPORT FOR THE FISCAL YEAR 2009/10

SEPTEMBER 2010

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1. INTRODUCTION

This report is the first one since Rwanda joined the East African Community Customs Union (EAC) on 1st of July 2009 and changed the fiscal year from a calendar year to a July/June fiscal year. Budgetary performance in fiscal year July 2009/June 2010 was affected by a number of factors. The main factors include the joining of the East African Community Customs Union (EAC) on 1st July 2009 and the resultant reduction of import barriers, delays in the disbursement of donor budget support grants as well as delays in completing tender processes.

The original budget approved by Parliament estimated total resources at RWF 743.7 billion. Domestic resources were to contribute RWF 401.5 billion with tax revenue contributing RWF 368 billion, whilst non tax revenue was expected to yield RWF 33.5 billion. Total external grants were projected at RWF 334.2 billion. Budgetary grants were estimated at RWF 207.8 billion and capital grants at RWF 126.4 billion.

Total expenditure and net lending was estimated at RWF 814.3 billion. Recurrent spending was projected at RWF 459.2 billion, whilst capital expenditure was expected to take RWF 348.1 billion. Net Lending was projected at RWF 7 billion. The overall cash deficit was estimated at RWF 79.0 billion to be financed with foreign net financing of RWF 63.3 billion and domestic net financing of RWF 15.7 billion.

As a result of additional resource pledged by some major donors to help the country cope with the global financial crisis and expected changes in domestic resource mobilization especially regarding expected shortfalls from non tax revenue on one hand and the need to provide additional finance for some priority projects and programs on the other hand, the budget was revised in early 2010.

Total resources were revised upwards from RWF 743.7 billion to RWF 779.6 billion showing a net increase of RWF 35.9 billion. Domestic resources were adjusted downwards from RWF 401.5 billion to RWF 385.1 billion showing a reduction of RWF 16.4 billion. This reduction reflected the non-accrual of the expected collection of Identity Cards receipts and proceeds from the sale of fertilizer imports in 2008. Reflecting the expected additional donor resources, total budgetary grants were revised upwards to RWF 394.5 billion from RWF 334.2 billion showing an increase of RWF 60.3 billion.

Consistent with the accrual of additional resources, total outlays of Government were revised upwards to RWF 873.6 billion from RWF 814.3 billion, showing an increase of RWF 59.3 billion. The overall cash deficit was also revised upwards to RWF 102.4 billion from RWF 79 billion showing an increase of RWF 23.4 billion.

This estimated financing gap was to be financed solely from domestic banking and non bank sources.

A large share of the additional spending was allocated to the upcoming Kigali Conference Center, Energy Roll-out Programme and Rwandair as well as higher outlays for the One Lap per Child project, Nine Year Basic Education, storage facilities for agriculture, irrigation projects and roads in the Rubavu district.

2. RESOURCES

2.1 DOMESTIC REVENUE

Total domestic revenue collections of RWF 391.5 billion (12.4 % of GDP) exceeded the revised projected amount of RWF 385.1 billion by about RWF 6.4 billion. Higher collections from direct taxes and some indirect taxes offset shortfalls under taxes on international trade and non tax revenues.

2.1.1 Tax Revenue

Tax Categories	Value in Millions of RWF	
	2009/2010 (Revised Estimates)	2009/10 (Actual)
Total Tax Revenue	369,360.2	376,483.4
Direct Taxes	144,520.2	148,818.2
Companies	44,176.2	45,490.0
Individuals (PAYE)	89,603.1	92,267.9
Others and Property Taxes	10,740.9	11,060.3
Taxes on Goods and Services	191,240.0	195,104.9
Excise Taxes	53,791.8	54,878.9
VAT	124,899.8	127,424.0
Road Fund	12,548.4	12,802.0
Taxes on International Trade	33,600.0	32,560.3
Import Tax	26,308.2	25,494.1
Other (Including Electrogaz Fuel Import)	7,291.8	7,066.2
<i>VAT + PAYE as % of Total Tax Revenue</i>	<i>58.1%</i>	<i>58.4%</i>
<i>Taxes on International Trade as % of Total Revenue</i>	<i>9.1%</i>	<i>8.6%</i>

Total tax revenue collections of RWF 376.5 billion (12% of GDP) exceeded the revised projections of RWF 369.3 billion by about RWF 7.2 billion. These excess collections came mainly from direct taxes (excess of RWF 4.3 billion) and taxes on domestic goods and services (excess of RWF 3.8 billion). On the other hand, collections of taxes on international trade registered a shortfall of about RWF 1.0 billion compared to the revised budget projection of RWF 33.6 billion. Collections from PAYE contributed the largest share of the excess under direct taxes whilst collections from consumption taxes notably VAT was the main contributor to the excess under taxes on domestic goods and services. PAYE and VAT taxes continue to provide the largest shares of domestic revenue collections. In fiscal year July 2008/June 2009, these two categories of taxes contributed about 56% of tax revenue. In the fiscal year July 2009/June 2010, the share rose to about 59%. This development is in line with Government policy to get the well-off in society to provide a larger share of resources for the development of the country as envisaged in the EDPRS.

In the case of taxes on international trade the shortfall of RWF 1.0 billion was primarily due to the impact of Rwanda joining the East African Customs Union on 1st July 2009 and the resultant reduction in import barriers and taxes. This led to a shift in the direction of trade towards the East African Community and the COMESA free trade area. In the period July-December 2009, imports from the EAC and COMESA free trade area rose from about 26% of total imports to about 31% showing an increase of about 6%. In the January-June 2010 period there was a further increase of about 1% as these imports reached about 32% of total imports. A large share of imports from the EAC and COMESA free trade area are consumer goods which normally would attract the high end of taxes and duties. The total revenue loss for the fiscal year was estimated at about RWF 12.2 billion (US\$ 21.2 million). In October last year the COMESA Secretariat reimbursed Government with RWF 8.7 billion (US\$15.2 million) representing about 72% of the loss. An application for the remaining re-imburement from the COMESA Secretariat has been lodged.

2.1.2 Non Tax Revenue

Collections of RWF 15 billion (0.5% of GDP) were about RWF 0.8 billion lower than the RWF 15.8 billion estimated in the revised budget. This shortfall in collection was due to lower dividend payment by BNR. Originally, RWF 0.7 billion was estimated from BNR. However as a result of lower profits made, only RWF 56.9 million was paid.

2.2 EXTERNAL RESOURCES

2.2.1 Budgetary Grants

Total budget support disbursements during the fiscal year 2009/2010 amounted to RWF 283.0 billion as against RWF 268.1 billion estimated in the revised budget. The excess of RWF 14.8 billion was mainly due to more than projected reimbursements from the UN in respect of the Peace-keeping operations in Sudan as well as exchange rate fluctuations of some major donor currencies such as the SDR, UA, the Euro and the GBP against the US dollar. The table below shows the details of budget support donor disbursements during the fiscal year.

DONOR	2009/2010 Revised Budget	2009/2010 Actual
World Bank	72,561.40	68,474.20
AfDB	10,843.70	10,309.50
DFID	45,469.60	45,539.10
EC (EU)	40,514.20	41,220.40
Germany	10,959.20	10,938.00
Netherlands	17,857.10	19,956.80
Belgium	9,199.80	5,317.90
Other Grants	8,169.00	9,846.20
FTI (Education)	20,188.00	20,032.50
Demob (Basket Fund)	1,491.90	844.8
AU PKO	27,859.40	47,655.10
Sub-Total	265,113.30	280,134.50
HIPC	2,999.30	2,840.70
Total	268,112.60	282,975.20

During the year under review, delays were experienced in donor support disbursements. This in turn led to a slow-down in commitments and actual payments to Government contractors and suppliers as well as higher interest costs to Government as it had to maintain high overdraft levels at BNR and also sell a large amount of domestic security instruments for cash to spend. The additional interest costs to Government from the high overdraft at BNR and from the sale of securities in fiscal year 2009/2010 amounted to about RWF 35 billion. In addition, by delaying payments, Government caused some hardship to its contractors and suppliers as those who obtained loans and advances from the banks were not able to service their debt in time resulting in incurring additional interest burden.

2.2.2 Capital Loans and Grants

Problems encountered in obtaining accurate data on donor loan and grant disbursements for externally financed projects still persist. In the absence of such data Government continues to rely on BNR for cash disbursements for best estimates. Provisional data from these sources put total disbursements at RWF 116.8 billion compared to the projected RWF 195 billion. The projected capital grants were RWF 126.4 billion and the cash disbursements were RWF 98.3 billion while capital loans disbursed were RWF 30.4 billion against RWF 68.6 billion projected.

3. OUTLAYS

Attached tables 1-4 show details of expenditures by economic and functional classifications as well as expenditures by programs.

Total expenditure and net lending for Government during the fiscal year amounted to RWF 804.2 billion compared to RWF 814.3 billion in the original budget and RWF 873.5 billion in the revised budget. The provisional actual amount is therefore RWF 69.4 billion lower than the revised budget estimate. Total recurrent spending at RWF 459.2 billion was the same as projected in the original estimate but RWF 19.5 billion lower than the revised projections.

Spending under capital expenditure was somewhat slow in the fiscal year. Total spending at RWF 316.7 billion was RWF 31.4 billion lower than the original estimate and RWF 39.7 billion lower than the revised estimate.

3.1 PERFORMANCE BY ECONOMIC CLASSIFICATION

As shown in the attached table 1 apart from interest payments, spending under all items was lower than estimated in the revised budget. As mentioned above, a number of factors were responsible for this under spending and these are described below. It is however worth noting that despite the lower spending in fiscal year July 2009/ June 2010, the prioritization of expenditures allowed the priority outlays target to be met.

3.1.1 Wages and salaries

A shortfall of about RWF 1.3 billion was registered under this item and this shortfall was attributable to lower than expected staff costs by the some agencies. Specifically, districts had projected to recruit university graduates (A0) to teach in both lower and upper secondary. However, this was not forthcoming for most districts mainly those in distant rural areas. As a consequence, those

districts recruited A2 graduates who are paid less than half of A0 graduates and spent less money than was actually projected.

3.1.2 Goods and Services

The total expenditure of RWF 106.3 billion was about RWF 6 billion lower than the revised budget projection of RWF 112.3 billion. The major areas of under-spending affected were MINEDUC and MININFRA. With regard to MINEDUC, the under-spending on One Laptop per Child Project was due to a decision made to modify the remaining XO Laptops with improved specifications to be delivered in end of 2010. As a result of this decision, RWF 1.8 billion of the allocated amount could not be spent. In the case of textbooks, letters of credit for supplies were opened at BNR. However delays in the procurement process led to the spending of only RWF 2.7 billion of the allocated RWF 3.8 billion. The rest of the textbooks are expected before the end of 2010.

Regarding MININFRA, delays in the recruitment of some staff for the weather stations and securing of contracts for the rehabilitation and purchase of equipment caused the under spending of the allocated amount. It is worth noting however that the road maintenance allocation of RWF 11.7 billion was entirely spent for the purpose intended.

3.1.3 Interest Payments

Interest expenditure was the only item where the allocation was exceeded by about RWF 1.3 billion. Domestic interest payments were responsible for this overspending as the Government had to resort to the issuance of treasury bills especially to commercial banks to cover the financing gap caused by delays in external donor budget support disbursements. The total cost of the additional issuance amounted to RWF 1.5 billion.

3.1.4 Transfers and Subsidies

The spending of RWF 179.6 billion was about RWF 10.6 billion lower than the revised projection of RWF190.2 billion. Out of this shortfall amount, transfers for capitation grants and for school feeding programs accounted for RWF 3.4 billion and RWF 1.1 billion respectively. The major reason for the under-spending on capitation grant resulted from the fact that guidance to implement uniform capitation grant of Rwf 3,500 per child for the 9 year basic education came after the budget had been made on the basis of Rwf 3,500 per child for primary schools and Rwf 11,000 secondary schools. School feeding execution registered a shortfall mainly due to some schools that received World Food Programme support that did not received school feeding when their estimates had been included in the budget.

3.1.5 Exceptional Expenditure

Total spending amounted to RWF 51.6 billion and was RWF 3.1 billion lower than the RWF 54.7 billion budgeted for this item. The transfer to the Genocide Survivors Fund (FARG) accounted for this under spending. This was due to delays in finalizing the restructuring of the administration of FARG which included cleaning up the database to remove ineligible beneficiaries. As a result, transfers of funds for construction of houses for some eligible beneficiaries were delayed.

3.1.6 Capital expenditure

Capital spending registered a shortfall of RWF 39.7 billion compared to the revised budget. Domestic capital spending contributed RWF 2.1 billion whilst the Externally Financed portion contributed RWF 37.6 billion.

3.1.6.1 Domestic Capital

The shortfall in spending amounting to RWF 2.1 billion was attributable to a number of factors. For some of these projects notably the National Backbone Infrastructure project and the hillside irrigation and water harvesting project, the lower spending was attributable to changes in the design of the projects which delayed implementation. Regarding the Kalisimbi communication project, the construction and rehabilitation of some prisons, the construction of the national data center, the Bugesera water supply project and the rural electrification project, the lower spending was due to delays in completing tender and procurement processes.

Furthermore, there was an under-spending under the poverty reduction program VISION 2020 UMURENGE. This was due to the fact that some of the program components, notably the operationalization of the MICRO credit portion could not be started on time.

3.1.6.2 Foreign Capital Expenditure

The table below shows the projected disbursements and provisional actual in million USD.

CREDITOR	July 2009 June 2010 Original Proj.	July 2009 June 2010 Revised Proj.	July 2009 June 2010 Prov. Act
ADB	27,843,738	27,843,739	14,833,238
BADEA	5,315,377	5,315,377	1,701,581
EXIMCHINA	0	20,000,000	10,042,714
EXIMINDIA	20,000,000	20,000,000	1,668,549
FIDA	0	8,303,332	8,548,934
FKWD	0	3,339,151	1,902,571
FSD	4,446,463	4,446,464	672,190
IDA	15,693,049	15,693,049	7,548,311
NDF	2,435,000	2,435,000	2,723,179
OPEC	11,269,841	11,269,841	2,922,999
TOTAL	87,003,468	118,645,953	52,564,266

The table shows that only US\$ 52.5 million of project loans (RwF 30.4 Bn) estimated at US\$ 118.6 million was disbursed during the fiscal year 2009/2010. This shows a shortfall of US\$ 65.9 million, reflecting a major slow-down in the disbursements for foreign financed capital projects. The major shortfall occurred under ADB/ADF financed projects where out of US\$ 27.8 million that was projected, only US\$ 14.8 million was disbursed. In the case of projects funded with OPEC loans, only US\$ 2.9 million of the estimated draw-down of US\$11.3 was disbursed. Regarding IDA loans, only about 50% (US\$ 7.5 million) of the US\$15.7 million projected was utilized. The major areas earmarked for finance with these external loans include agriculture (livestock and forestry), education (schools construction), roads and power projects.

Regarding the Kigali Urban road project financed with the loan from EXIMCHINA, US\$ 20 million was expected to be disbursed in fiscal year 2009/2010 but only US\$ 10 million was disbursed. In the case of the EXIMINDIA Loan for the Nyabarogo power project, in addition to the US\$16 million spent in June 2009, only US\$ 1.7 million was used to pay for works done in fiscal year 2009/2010. The fact that there was a large shortfall in external loan disbursement for execution of capital projects could by implication point to lower public investment during fiscal year 2009/2010. However it must be pointed out that there are several donor supported capital spending that is not covered in the central budgetary operations. If account is taken of these it is likely that in some cases total public investment is understated. This situation could affect the yearly estimate of real GDP growth.

3.1.7 Net Lending

Net Lending refers to payments by Government to public enterprises for recapitalization, working capital and other financial requirements minus receipts from these enterprises by way of loan repayments and sale proceeds. Gross spending under this item for the fiscal year therefore amounted to RWF 37.1 billion. Gross receipts from the privatization of the Mata and Gisakura tea factories totaled about RWF 9 billion. This resulted in net spending under this item of RWF 28.2 billion compared to the revised budget total of RWF 38.4 billion. This figure therefore shows a shortfall of RWF 10.2 billion. The major reason for this shortfall is the lower spending by RWANDAIR due to delays in implementing some of their projects especially the purchase of ground equipment and the construction of the hangar.

3.2 PERFORMANCE BY FUNCTIONAL CLASSIFICATION

The table below shows total spending by functional classification.

S/N	SECTOR	BUDGET 2009-2010	ACTUAL 2009-2010
1	LEGISLATIVE AND EXECUTIVE ORGANS	97,907.40	95,008.40
	OTHER GOVERNMENT SERVICES	113,567.50	146,248.60
2	DEFENSE	43,606.00	42,699.20
3	PUBLIC ORDER AND SAFETY	47,034.00	44,695.30
4	ENVIRONMENTAL PROTECTION	5,749.20	4,051.70
5	AGRICULTURE	31,652.00	27,128.70
6	INDUSTRY AND COMMERCE	13,104.50	11,819.60
7	FUEL AND ENERGY	30,060.90	32,486.40
8	TRANSPORT AND COMMUNICATION	63,430.60	55,874.20
9	LAND HOUSING & COMMUNITY AMENIT	4,683.30	4,337.90
10	WATER AND SANITATION	5,991.60	4,388.10
11	YOUTH CULTURE AND SPORTS	6,361.80	5,821.70
12	HEALTH	52,828.90	54,421.10
13	EDUCATION	149,652.00	131,981.60
14	SOCIAL PROTECTION	38,332.90	32,546.60
Total		703,962.60	693,509.10

Total primary outlays for the fiscal year 2009/2010 amounted to RWF 693.5 billion by functional classification. Primary expenditure here refers to total recurrent expenditure, domestic capital and net lending. As has been the practice in the past both budgetary allocations and spending reflect EDPRS priorities.

To remove the bottlenecks to exports of goods and services on one hand and improve the country's competitiveness on the other hand, Government decided to embark on some six key strategic investment projects some of which were started in the fiscal year 2009/10.

The classification of some of these projects under other Government services including MINECOFIN pushed allocations and spending for this sector high. Accordingly, total spending at RWF 146.2 billion took a share of about 21% of total outlays. Some of the major items funded under MINECOFIN included the outlays for the Kigali Convention Center with a transfer of RWF 18 billion and the financing of the restructuring of RWANDAIR with RWF 10.8 billion. Other items funded are the operational expenses of several autonomous bodies such as the Auditor General's Office, The Rwanda Revenue Authority and the National Institute of Statistics. In addition, the allocation was used to pay both external and domestic debt of the country amounting to about RWF 36.2 billion. Other items funded under other Government services were Rwanda's subscriptions to various regional and international organizations including the EAC (RWF 3.3 billion) and the East African Development Bank (RWF 2.2 billion). For the conduct of an effective monetary policy to contain inflation, BNR was allocated an amount of RWF 3.9 billion. The funding of the UN Peacekeeping Operations in Sudan amounting to RWF 23.1 billion was made from this sectoral expenditure amount.

In line with the EDPRS priorities, spending on education continues to be high. In the fiscal year 2009/2010, spending on education at about RWF 132 billion took a very large share of 19% of total outlays. Of this amount a large share went to the implementation of the Nine Year Basic Education policy. Accordingly, outlays on pre-primary and primary education and secondary education including "Tronc Commun" took RWF 44.8 billion and RWF 28.5 billion respectively. Non formal and higher education took shares of RWF 3.3 billion and RWF 37.6 billion respectively, whilst science and technology spent RWF 3.2 billion. Some of the items financed include wages and salaries of teachers at all levels (RWF 31.8 billion) and capitation grants for primary and "Tronc Commun" (RWF 16.5 billion) Furthermore, outlays for schools feeding, supply books and laptops under the one laptop per child policy took a significant portion of the of funds used in this sector. In addition some funds were used for repair and maintenance works as well as for construction of new schools in various districts. The total expenditure in education also includes spending on vocational schools and post graduate teacher training facilities. Funding of both domestic and external scholarships through SFAR as well as the transfer to the National Examination Council (CNER) for the conduct of national examination was made from this sectoral allocation.

Spending on the legislative and executive organs took a share of RWF 95 billion or 13.7% of total outlays. Transfers to the districts in respect of running costs at RWF 16.4 billion took the largest share of this amount. The Local Government Development Fund (CDF) got transfers of RWF 31.7 billion. This amount was used to finance various developmental projects such as construction of classrooms, rehabilitation of feeder roads, and implementation of reforestation programs and electrification of some districts.

A large amount of funds in this sector was used for justice and the rule of law and order project. RWF 1.5 billion was used to finance the setting up of the Justice Sector Secretariat. RWF 0.3 billion was disbursed to support MINIJUST, whilst RWF 0.4 billion was transferred to the National Law Reform Commission, the Higher Institute of Law Practice and Development and National Human Rights Commission. The GACACA project also spent RWF 1 billion mainly for transport of prisoners and per diems of prison guards.

Spending on transport and communication totaled to RWF 55.9 billion equivalent to about 8.1% of total expenditure. A large share of this amount was used for the detailed feasibility studies for the new Bugesera airport. Other shares were used for rehabilitation of various road networks including the Kigali-Ruhengeri, Ruhengeri-Gisenyi, Ngorero-Mukamira, Kicukiro-Kirondo as well as the Kigali Urban Road-network.

In the area of communication, projects funded include the Kalisimbi project, the Kigali Metropolitan Wibro network, The National Backbone Infrastructure project, the E-Rwanda project, The Gov-NET/Government Intranet project and the ongoing establishment of the National Data Center.

Health spending accounted for RWF 54.4 billion of about 7.8% of total outlays. It has been pointed out in various reports on the health sector that spending by the Government represents only a portion of total expenditure of the health sector in Rwanda. The other portion is spent by various external donors and these expenditures are not included in Government's expenditures. The amount of RWF 54.4 billion mentioned above was used mainly as transfers to various district health centers and hospitals. They were used for the payment of wages and salaries of health personnel (RWF14.1 billion), subsidization of health services-pooling risk for health insurance (RWF 2.8 billion), provision of health infrastructure including the rehabilitation and extension works of King Faisal Hospital (RWF6.3 billion), purchases of drugs, dressings and various equipment including ambulances (RWF 2.3 billion).

Expenditure in respect of public order and safety amounted to RWF 44.7 billion or about 6.4% of total outlays. Large portions of this amount were used for running costs of the National Police and the Prison Service including the payment of wages and salaries and the provision of various equipments. Some funds were also used for the construction of the police headquarters, rehabilitation of some police stations and feasibility studies for the construction of the Kigali Forensic Laboratory. Regarding the prison service some funds were also used for construction and rehabilitation of a few prisons to improve the welfare of prisoners.

Defense expenditure took a share of RWF 42.7 billion or about 6.2% of total spending. Wages and salaries amounted to RWF 29.4 billion whilst the remaining RWF 13.3 billion was used for the purchases of various goods and services.

Fuel and energy expenditure took RWF 32.5 billion or about 4.7% of total outlays. The largest share of this amount was used to fund various on-going energy projects. These include the energy rollout program (RWF6.6 billion), Rukarara hydro project (RWF4.6 billion), Nyabarongo hydro project (RWF2.9 billion), RUKOMO-MUNINI-NYAGATARE electrification (RWF 2.5 billion) and extension of distribution transmission lines to some districts (RWF 1.8 billion). In addition, RWF 24 billion was spent on the on-going Lake Kivu Methane gas project. Furthermore, RWF 10.9 billion subsidies was given to Electrogaz for fuel imports (RWF 4.2 billion), import taxes payment (RWF 4.6 billion) and for the payment of rental power (RWF 2.1 billion).

Expenditures for social protection at RWF 32.5 billion accounted for about 4.7% of total outlays. Transfers to FARG to cater for the survivors of Genocide amounted to RWF 15.6 billion. Subsidies for the up-keep of other vulnerable groups such as street children reached RWF1.2 billion during the fiscal year. Direct spending for the poverty reduction project Vision 2020 UMURENGE amounted to RWF 8.9 billion.

Spending under agriculture at RWF 27.1 billion accounted for about 3.9% of total expenditure. Outlays focused on the continuation of the agricultural intensification program to raise productivity to ensure food security and a boost to exports. Consistent with this policy a large portion of total outlays amounting to RWF 11.8 billion was used for the import and distribution of fertilizer. The "one cow per family" project took RWF 1.3 billion, whilst export promotion activities (including for tea, coffee and horticulture) took an amount of RWF 7.9 billion. To improve land husbandry, hillside and low land irrigation and water harvesting projects were intensified with about RWF 2 billion being spent on these projects. Extension services were also expanded and some funds were spent in the development of wholesale markets for agricultural products to boost the income of farmers. Furthermore some funds were allocated to ISAR for various research works to improve seeds for crops including a new variety of bananas.

The share of spending for commerce and industry at RWF 11.8 billion took only a share of 1.7% of total expenditure. Running costs of the Rwanda Development Board (RDB) took a large share of expenditures. In addition an amount of RWF 0.5 billion was spent on the promotion of small and medium enterprises (SMEs) in the country and a Micro Finance Credit Line was established with a seed capital of RWF 0.9 billion. Within the total spending in the sector RWF 0.7 billion was also spent to strengthen the development of co-operatives.

Outlays for youth, culture and sports and for water and sanitation took shares of 0.7% and 0.6% respectively. With regard to youth, culture and sports, a large share of this amount went to the rehabilitation of youth centers and the National Youth Council building. In addition some of the funds were used for Rwanda's participation in international sporting activities including soccer.

In the case of water and sanitation, the entire amount was used to continue on-going work in improving water and sanitation in the country. Accordingly, the rural water and sanitation project 2 (PRSC-PEAMER) took an amount of RWF 1.2 billion. Other projects that benefitted from funding include the National Rural Water and Sanitation program (PNEAR), water supply and sanitation fund for Nyamagabe-Nyaruguru, Nyabarongo water supply system and the funding of studies for the Mutobo- Kigali water supply project.

Expenditures in respect of land, housing and community amenities and for environmental protection took shares of 0.6% each. In the case of land, housing and community amenities, a large share of resources went to fund the running costs of the Land Registration Agency. Some funds were also spent on the improvement of informal housing in the western province.

Regarding environmental protection, some of the projects funded included the rehabilitation of hydrological stations, continuation of the on-going work to protect river banks and lake shores and the fighting of the water hyacinth problem.

3.3 PRIORITY SPENDING

The attached table shows details of priority spending by economic classification in the fiscal year 2009/2010. The table below gives a summary of priority spending against the projections for the fiscal year.

Table on Priority Expenditures:

Value In Billion RwF		
Expenditure Category	2009/2010 Budget Projection	2009/2010 Budget Actual
Recurrent Expenditure	279.4	287.6
Domestic Capital Expenditure	129.2	139.5
Net Lending	2.9	2.4
Total	411.5	429.5

The table shows that priority spending at RWF 429.5 billion exceeded the projected amount of RWF 411.5 billion by RWF 18 billion. Spending under

education, health, infrastructure especially energy and transfers for social protection and poverty reduction consistent with EDPRS priorities accounted for a large share of this excess spending.

4. DEFICITS AND FINANCING.

Annex table depicting operations of Central Government shows the financial results of the budget in fiscal year 2009/2010. As a result of lower spending, the budget closed the fiscal year with a lower overall cash deficit of RWF14.7 billion far lower than the deficit of RWF 102.4 billion envisaged in the revised budget. Even though external loan disbursements at RWF 31.1 billion were much lower than the RWF 68.6 billion programmed in the revised budget, the fact that external principal debt payments amounted to RWF5 billion generated surplus foreign net resources of RWF 26.1 billion. This amount together with the deposit draw-down of RWF8.4 billion was used to cover the cash deficit of RWF14.7 billion mentioned above and to pay domestic non bank debt of RWF 18.1 billion.

Government deposits at BNR include the accounts of some projects such as the GLOBAL FUND for malaria and HIV/AIDS. These accounts are not controlled by the Treasury. However their operations affect the monetary aggregates of the Government and during the fiscal year, there was a net withdrawal of about RWF 8.4 billion from these deposits. This therefore principally accounts for the draw-down figure of RWF 8.4 billion shown in the table.

If spending as envisaged in the revised budget had been on track, this would have resulted in a much higher cash deficit and a bigger draw-down of deposits amounting to RWF 40.8 billion.

5. CONCLUSION

As indicated earlier, a number of factors affected the performance of the July 2009/June 2010 budget. Of particular significance were the delay in the external donor budget support grants and the delay in finalizing tender processes for some projects.

Regarding improving the tender processes to expedite procurement and spending, Government is decentralizing this process to allow the budget agencies to implement their procurement plans. The Rwanda Public Procurement Authority will only act as an oversight body to ensure good governance practices in the decentralized bodies.

In the case of the donors, Government intends to discuss this issue of delays and their impact on the budgetary performance during the next Joint Budget Support Donors meeting scheduled in late October. It is expected that an amicable solution to this problem will be arrived at. Addressing these two problems will no doubt improve budget performance in future.