

# REPUBLIC OF RWANDA



**MINISTRY OF FINANCE AND ECONOMIC PLANNING**

**BUDGET EXECUTION REPORT FOR THE FISCAL YEAR 2010/11**

**October, 2011**

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## I. INTRODUCTION

This report is the second since Rwanda joined the East African Community Customs Union on 1<sup>st</sup> July 2009 and changed the fiscal year from a calendar year to July/June fiscal year. This report is also a consolidation of the quarterly reports done during the fiscal year and therefore makes a separate April-June 2011 report irrelevant.

The budget that was implemented in fiscal year 2010/2011 was somewhat expansionary as it was revised to include outlays to support the economy in response to the financial crisis in 2009 as well as project grants and expenditures related to the Global Fund by central Government and the receipts from the initial public offer (IPO) of BRALIRWA. In addition the budget revision took into consideration the expected poor performance of profit taxes resulting from the financial crisis in 2009 as well as a larger than projected revenue loss from trade with East African Community (EAC). As a result of these developments total revenue and grants was revised from RWF 825.9 billion to RWF 844.2 billion to reflect both the reduction in domestic resources (loss of RWF 7.9 billion) and inclusion of the Global Fund grants (RWF 47.2 billion) mentioned above. Likewise, total expenditure and net lending was also revised from RWF 952.6 billion to RWF 988.2 billion also to reflect the inclusion of the expenditures to be funded with the Global Fund grants (RWF 47.2 billion) and the receipts from the BRALIRWA IPO (RWF17.2 billion) under net lending.

The revised budget therefore estimated the overall deficit (including grants) at RWF 143.9 billion as against the original budget figure of RWF 126.7 billion. This gap was to be financed with external net foreign financing of RWF 81.8 billion, comprising capital loans of RWF 69.5 billion and for the first time in ten years, budgetary loans of RWF 20.4 billion. Domestic debt comprising mainly Central Bank (BNR) overdraft and borrowing from the Commercial banks through sales of securities amounting to about RWF 73.3 billion was projected to augment the external debt resources for financing the resource gap.

Fiscal performance in 2010 was affected on the resource side by delays in accrual of budget support grants and on the expenditure side by delays in completing tender processes for procurement. The attached fiscal performance table 1 shows details of the original budget estimate, the revised projections and the outturn of the 2010/2011 budget.

## II. RESOURCES

On the resources side, total revenue and grants that accrued to the budget amounted to RWF 863.4 billion compared to RWF 844.2 billion in the revised budget. This shows an excess of RWF 19.2 billion. RWF 12.6 billion of the excess came from domestic revenue collections, whilst external budget support disbursements contributed RWF 6.5 billion.

### II.1. DOMESTIC REVENUE PERFORMANCE

The table below shows the details of projections and provisional actual by tax categories.

Tax revenue Performance in Fiscal year 2010/2011 Budget		
Value in Millions of RWF		
Tax Categorie	2010/2011 Budget (Revised estimates)	2010/2011 Budget (Actual)
<b>Total Tax Revenue</b>	<b>449,118.7</b>	<b>463,708.7</b>
<b>Direct taxes</b>	<b>175,965.6</b>	<b>180,870.9</b>
Companies	56,064.8	52,770.8
<b>Individuals( PAYE)</b>	<b>106,442.5</b>	<b>113,675.6</b>
Others and Property taxes	13,458.4	14,424.5
<b>Taxes on goods and services</b>	<b>235,124.7</b>	<b>245,077.6</b>
Excise taxes	84,583.5	85,815.2
VAT	134,447.2	141,570.1
Road Fund	16,094.0	17,692.3
<b>Taxes on international trade</b>	<b>38,028.4</b>	<b>37,760.2</b>
Import tax	28,297.1	27,735.2
Other (including Electrogaz fuel import)	9,731.3	10,025.0
<i>VAT+PAYE as % of Total tax revenue</i>	<i>53.6%</i>	<i>55.0%</i>
<i>Taxes on international trade as % of Total tax revenue</i>	<i>8.5%</i>	<i>8.1%</i>

### II.1.1. Tax Revenue

Regarding domestic tax revenue collections, even though the overall performance was good and reached RWF 463.7 billion (13.4% of GDP) compared to RWF 449.1 billion (13.0% of GDP) projected in the revised program, performance by tax categories varied. Direct taxes and taxes on domestic goods and services registered excess collections of RWF 4.9 billion and RWF 9.9 billion respectively, on account of general economic recovery and the various structural measures undertaken by RRA to improve tax compliance such as introduction of e-filing and e-payments and the merger of social security and income tax files. In the case of direct taxes, despite the poor performance of profit taxes on account of the impact of the financial crisis in 2009 which led to a shortfall in profit tax payments by large enterprises amounting to about RWF 3.3 billion, the excess collections from PAYE (tax on 13<sup>th</sup> month remuneration or bonus) and profit tax from small and medium firms more than offset the shortfall from large enterprises and contributed to the total excess collections from domestic taxes.

Regarding collections of RWF 245.1 billion from taxes on domestic goods and services, these exceeded the revised projected figure of RWF 235.1 billion by RWF 9.9 billion. VAT collections contributed about 58% of these taxes whilst excise taxes provided the rest. Both categories benefitted from the general recovery of the economy and the administration reform measures implemented during the fiscal year. The importance of direct and consumption taxes to the country's fiscal performance are demonstrated by the fact that both tax categories contribute about 88% of total domestic resource mobilization.

Import taxes at RWF 37.8 billion in the fiscal year 2010/2011 registered a shortfall of about RWF 0.3 billion. This shortfall was due to a larger loss emanating from a larger than expected volume and value of imports from the EAC during fiscal year 2010/2011. Since 2006, trade with the EAC has seen an upward trend and this has increased significantly since Rwanda joined the EAC in 2009 and the Common Market became effective in 2010. From 2006 to 2010 exports from Rwanda to the EAC increased by 46% whilst imports increased by 112%. In 2010, total imports from the EAC amounted to US\$ 513 million whilst exports were valued at US\$ 54 million resulting in a trade deficit with the EAC of US\$ 459 million. This trend is likely to continue in the future and a further loss of revenue from trade with the EAC is expected.

### **II.1.2. Non Tax Revenue Collections**

Non tax revenue yielded RWF 20.6 billion and registered a shortfall of RWF 2 billion compared to the revised estimate of RWF 22.6 billion. This shortfall was mainly due to the waiving of dividend payment by Banque de Kigali (BK) in fiscal year 2010/11. This concession was granted to the Bank to improve its financial position and make it more attractive for IPO done at the beginning of this year. In view of the fact that Government continues to privatize public enterprises, contributions from dividends will continue to decline. The largest share of non tax revenue will therefore come from administrative fees and charges especially visa, driving license and passport fees. For fiscal year 2010/2011 these fees amounted to RWF 1.1 billion and contributed to 5.1% of total collections.

### **II.2. EXTERNAL RESOURCES**

The original budget estimated external budget support finance (loans and grants) at RWF 419.2 billion. Budget support grants were estimated at RWF 237.5 billion, capital grants at RWF 116.8 billion and capital loans at RWF 62.9 billion. This structure of financing was adopted because up to the beginning of 2010 the country continued to be classified as a “Grants Only” country not eligible to receive budgetary loans. Since the beginning of 2010, Rwanda has been classified as a country with moderate risk of debt distress by the African Development Bank and IDA. This means that the country is now eligible to receive budgetary loans.

Consistent with this change in status, IDA provided RWF 21.3 billion (US\$ 35.5 million) of budgetary loan for the 2010/2011 budget. In addition to this financing option, the Government decided to broaden the coverage of project grants in its fiscal operations by including grants related to the Global Fund expenditure by the Central Government. These two developments necessitated a revision of the financing structure during the year. Total external budget support finance was therefore revised to RW 462.4 billion from RWF 419.2 billion. This amount was made up of budgetary support grants of RWF 372.5 billion, (current grants of RWF 208.5 billion and capital grants of RWF 164 billion including Global Fund grants of RWF 47.2 billion) and Budgetary Loans of RWF 89.9 billion (capital loans of RWF 69.5 billion and project loans of RWF 69.5 billion).

## II.2.1. Budget Support Grants

Budget support grants that accrued to the budget amounted to RWF 379 billion and exceeded the revised estimate of RWF 372.5 billion by RWF 6.5 billion. Whilst some minor sector budget support funds were delayed, these were more than offset by additional reimbursements by the UN for PKO as well as a higher than projected depreciation of the Rwandan franc vis-à-vis the US dollar.

Despite the over-performance of budgetary grants, major delays were encountered in disbursement flows during the fiscal year. Whilst some of the delays were due to longer delays by GOR in completing all legal requirements for effectiveness of donor funds, other delays occurred from the side of the donors. As a result the budget execution experienced periodic cash-flow problems resulting in larger than expected BNR overdraft as well as larger sales of securities to finance the budget. These actions in turn led to higher than programmed domestic interest costs as the estimates were exceeded by RWF 2.3 billion in the fiscal year.

The table below shows the budget support grants disbursements.

<b>2010/2011 Projected and Actual External Budget Support disbursements in Million RWF</b>		
<b>DONOR</b>	<b>2010/2011 Revised Budget</b>	<b>2010/2011 Actual</b>
WORD BANK	47,842.0	49,416.0
AfDB	2,741.3	2,741.0
DFID	39,523.8	36,852.0
EC (EU)	44,537.1	38,823.1
GERMANY	9,386.5	9,386.5
NETHERLANDS	11,633.4	12,983.6
BELGIUM	3,902.4	3,902.4
COMESA (CET)	8,400.0	10,640.1
RWANDA DEMOBILIZATION PROGRAM	3,344.5	2,968.3
AU PKO	37,446.7	47,312.6
<b>Sub-Total (Budgetary Grants)</b>	<b>208,757.5</b>	<b>215,025.5</b>
Budgetary Loan (WB)	20,450.8	21,355.3
<b>TOTAL</b>	<b>229,208.3</b>	<b>236,380.8</b>

## II.2.2. Budgetary Loans (Budget support and capital loans)

The drawdown of RWF 21.4 billion of budgetary loans represents the disbursement of the PRSG-7 loan by the World Bank/IDA.

Regarding Project Loans, the accrual of RWF 55.1 billion was RWF 14.5 billion lower than estimated in the revised budget. This was due delays in disbursement funds for the energy, public sector capacity building as well as land husbandry and water harvesting projects during the fiscal year 2010/2011.

The table below shows the details of the budgetary Loans disbursements.

<b>FY2010-2011 Projected and Actual Projects loan Disbursements in Million USD</b>		
<b>CREDITOR</b>	<b>Total July 2010 June 2011 Budget</b>	<b>Total July 2010 June 2011 Actual</b>
ADB	34,541,622.00	18,645,216.67
BADEA	8,452,423.26	5,179,818.09
EXIMCHINA	10,129,213.42	15,633,213.31
EXIMINDIA	12,580,852.44	7,616,736.02
SFD	264,990.00	264,990.00
IFAD	9,233,435.77	5,998,069.71
FKWD	10,033,417.52	6,938,724.49
IDA	32,438,582.52	26,241,139.64
NDF	628,935.61	628,935.61
OPEC	10,676,694.75	6,928,060.69
<b>TOTAL</b>	<b>128,980,167.29</b>	<b>94,074,904.23</b>



### **III. GOVERNMENT OUTLAYS**

The inclusion of the expenditures to be financed with the Global Fund grants necessitated the revision of total outlays during the fiscal year. Total expenditure and net lending was therefore revised upwards from RWF 952.6 billion in the original budget to RWF 988.2 billion.

Total expenditure and net lending at RWF 984.2 billion was RWF 4.0 billion lower than the revised budget total of RWF 988.2 billion. This lower spending equals about 28.5% of GDP as against 28.7% of GDP in the revised program and was mainly due to delays in the draw-down of project loans for foreign financed capital projects despite excess spending under recurrent expenditure.

#### **III.1. EXPENDITURE PERFORMANCE BY ECONOMIC CLASSIFICATION**

##### **III.1.1. Recurrent Spending**

Regarding recurrent spending, total outlays of RWF 526.9 billion exceeded the revised estimate of RWF 514.2 billion by RWF 12.7 billion. All revised projection totals under economic classification were exceeded.

###### **✓ Wages and Salaries**

In the case of wages and salaries, total spending of RWF 122 billion exceeded the revised estimate figure of RWF 120.5 billion by RWF 1.5 billion. The major contributors to this over-spending were additional payments for teachers' salaries on account of new recruitments and one-off payment in respect of late promotions in MINADEF.

###### **✓ Goods and Services**

Spending under goods and services was also exceeded by about RWF 4.9 billion. This was mainly due to a larger expenditure to support the marketing of agricultural produce by MINICOM (RWF1.2 billion), one-off purchases of vehicles and uniforms for MINADEF and additional spending on the participation of Rwanda's under seventeen soccer team in the World Cup tournament in Mexico at the beginning of this year.

### ✓ **Transfers and Subsidies**

Expenditure regarding transfers and subsidies exceeded the revised total of RWF 197.2 billion by RWF 4 billion. Transfers for export promotion activities (including cassava cultivation and processing) and additional spending to rent power generating equipment for EWSA contributed to the excess spending.

### ✓ **Interest Expenditure**

Outlays for interest expenditure of RWF 15.6 billion exceeded the original budget projection of RWF 13.5 billion by RWF 2.1 billion and the revised estimate of RWF 15.2 billion by RWF 0.4 billion. Interest paid on the overdraft amounted to about RWF 1.1 billion as against RWF 0.5 billion estimated. Interest paid on the sale of Government securities (Treasury bills and bonds) during the fiscal year reached RWF 4.8 billion compared to RWF 3.7 billion in the budget. As indicated above the additional interest payment was due to various delays in the disbursement of budget support funds (budgetary loans and grants) during fiscal year 2010/2011.

### ✓ **Exceptional Expenditure**

Regarding exceptional expenditure the over-spending of RWF 1.2 billion was on account of additional spending on Peace Keeping Operations (PKO) in Sudan. The UN will reimburse Rwanda for this additional expenditure.

### **III.1.2. Capital Spending**

Total spending of RWF 438.6 billion was RWF 14.3 billion lower than the RWF 452.9 billion projected in the revised budget. Lower spending on account of foreign finance capital largely accounted for the under-spending. This was due to disbursement delays regarding infrastructure projects in the hydro power, public sector capacity building as well as land husbandry and water harvesting sectors.

### **III.1.3. Net Lending**

Net Lending refers to outlays 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 expenditure for fiscal year 2010/2011 amounted to RWF 40.7 billion. Rwandair operations took RWF 25.2 billion as projected whilst the Government provided RWF 9.2 billion to the Kigali Conference Complex (KCC) as a long term loan to continue the construction of the complex. In addition the Government contributed RWF 2.0 billion to Free Trade Zone Authority as well as RWF 2.0 billion for the Methane Gaz Project. RWF 1.9 billion was transferred into the Government's Strategic Investment Fund during the fiscal year 2010/2011.

During fiscal year 2010/2011, gross receipts amounted to RWF 22 billion. The main sources of these receipts were the IPO of BRALIRWA which yielded RWF 17.2 billion and the sale of some Government shares in BRALIRWA to HEINEKEN Company which also yielded RWF 4.6 billion. As a result of these receipts, net spending under Net Lending was RWF 18.7 billion slightly lower than the RWF 20.3 billion projected in the revised budget.

### **III.2. EXPENDITURE PERFORMANCE UNDER FUNCTIONAL CLASSIFICATION**

As shown in attached table 4, total primary expenditures for fiscal year 2010/2011 amounted to RWF 812.8 billion by functional classification as against a revised budget estimate of RWF 805.2 billion. Primary expenditure refers to total recurrent expenditure, domestic capital and net lending.

For the fiscal year 2010/2011, total spending in the Education sector amounted to RWF 137.5 billion taking a share of 17% of total outlays. Of this amount, a large share was spent on the implementation of the Nine Year Basic Education Program. Accordingly expenditure on pre-primary and primary education took RWF 55.3 billion about 40.2% of the total education budget. Teachers' salaries amounted to RWF 22.9 billion of this expenditure on pre primary and primary education.

Outlays on secondary education reached RWF 34.1 billion, about 24.8% of the spending on education. Here again teachers salaries' took a share of RWF 16.5 billion. Expenditure on higher education mainly the running costs of tertiary institutions and non formal education amounted to RWF 33.2 billion and RWF 8.3 billion respectively. Spending on Scientific and

technological research as well as other education related expenditures amounted to RWF 2.4 billion and RWF 4.1 billion respectively.

Some of the main expenditure items under education also included transfers for capitation grants amounting RWF 15.9 billion as well as expenditure on curriculum development and on the purchasing of various textbooks costing RWF 5.6 billion. RWF billion was spent on feeding costs in schools whilst RWF 10.2 billion was allocated to the Higher Education Students Financing Agency (SFAR) for scholarships and other grants. Consistent with the basic education policy, construction of new schools and rehabilitation of existing ones continued in fiscal year 2010/11. Accordingly RWF 14 billion was spent on new construction whilst RWF 0.9 billion was used for repair and maintenance of schools. In the area of schools feeding RWF 4.8 billion was spent.

The on-going implementation of the one laptop per child program was delayed during fiscal year 2010/11 due to procurement problems. This has since been rectified and funds have been allocated in the revised 2011/12 budget for the continuation of this policy.

Spending under General Public Services took RWF 185.5 billion equivalent to 22.8% of total outlays. The largest share of this spending amounting to RWF 74.4 billion went to activities implemented by MINECOFIN. Of particular importance were the transfers that went to fund the running costs of some financial and Governance institutions such as the Rwanda Revenue Authority (RWF 13.9 billion), The National Institute of Statistics (RWF 1 billion) and the Auditor General's Office (RWF 1.4 billion) and the Rwanda Public Procurement Authority (RWF 0.9 billion). The Electoral Commission was also given RWF 8.5 billion for preparations towards required elections. Other allocations went to two of the Government's Strategic Projects namely RWANDAIR (25.2 RWF billion) for its operations and The Kigali Conference Center (KCC) RWF 9.2 billion as a soft loan to allow constructional works to continue. In addition RWF 9.3 billion was spent on the country's subscription to various international organizations whilst RWF 1.2 billion was allocated to support the marketing of agricultural products in the country to maintain price stability. For the conduct of monetary policy to contain inflation, BNR spent RWF 4.2 billion on interest payments in its sterilization of excess liquidity operations. Debt repayment was at Rwf 24.9 billion while interest payments were at Rwf 12.2 billion.

Regarding expenditure on external affairs this reached RWF 47.5 billion in fiscal year 2010/2011. There is also a change of coverage here as this amount included spending on Peacekeeping Operations (PKO) in the Sudan amounting to RWF 34.9 billion. Running costs of the diplomatic service including capital works amounted to RWF 11.4 billion.

Other key expenditures under General Public Services include block grants to the districts for their running costs that totaled to RWF 19.9 billion. Expenditure on territorial administration covering PRESIREP, Cabinet and the legislative organs (Parliament and Senate) was RWF 10.1 billion. This amount was used on wages and salaries, goods and services as well as on some programs such as the promotion and protection of children's rights under PRIMATURE. Furthermore to continue and expand the policies aimed at maintaining unity and reconciliation, peace-building and conflict management, the National Commission for Unity and Reconciliation was allocated an amount of RWF 2.9 billion.

Transport and communication took an amount of RWF 109.8 billion equivalent to 13.5% of total outlays. Sectors covered under this section included road transport, broadcasting and publishing and information and communication technology. The transfer to the Transport Development Board allowed the construction of several roads including the international highway-Bujumbura-Ruhwa, the Gitarama-Ngororero-Mukamira road and the Butare-Kitabi-Ntendezi road. In addition RWF 7.8 billion was spent on the repair and maintenance of several urban road networks.

In the area of broadcasting and publishing, RWF 4.1 billion was used for the OBVAN TV and Radio project, the digitalization of TVR and the construction of TV towers. Regarding information and communication technology, RWF 30.6 billion was spent in fiscal year 2010/11. Some of the important projects financed include the National Backbone Infrastructure costing RWF 24.4 billion and the National Data Center with an expenditure of RWF 3.0 billion. Other projects funded included the Kigali Metropolitan/Wibro Network, the Kigali Techno pole, district ICT infrastructure as well as for various ICT capacity building programs. Furthermore, RWF 1.2 billion was used to upgrade and improve the Kigali International Airport, whilst RWF 1.1 billion was spent on the Airspace Management System.

Total outlays for the health sector amounted to RWF 63.9 billion equivalent to 8% of total primary expenditure. As has been the practice, health expenditure reported by Central Government in the budget is only a portion of the country's total spending on health care. The portion spent by other donors and NGOs are therefore excluded.

A large portion of this amount was used mainly as transfers to various hospitals and district health centers for the provision of primary health care. The remuneration package took a share of about RWF 17.2 billion, subsidization of health services (Mutuelle) costed RWF 7.2 billion, performance based financing of health centers took an amount of RWF 10.3 billion, whilst about RWF 1.3 billion was used for the supply of drugs and other consumables. In

addition, programs in family planning and reproductive health were funded with RWF 1.2 billion. Spending of RWF 12.7 billion was made on various capital items including the purchases of health equipment and transport facilities (RWF 2.5 billion) and the rehabilitation of various health centers (including King Faycal, Kinihira and Ntongwe hospitals) with an amount of RWF 10.2 billion.

Starting from the second half of fiscal year 2010/11, Government took steps to broaden the coverage of project grants in its fiscal operations. In this regard a portion of the Global Fund spending by Central Government was included in fiscal spending and reporting during the second half of the fiscal year 2010/2011. However these expenditures for fiscal year 2010/2011 have not been included in the primary spending total in this report. For the period January-June 2011, it was estimated that RWF 47.2 billion of the RWF 49.4 billion (US\$ 85 million) Global Fund Grant disbursed in December 2010, would be used by Central Government health facilities during the January-June 2011 period. Data available at end June indicate the transfer of this amount to the various projects and programs (HIV/AIDS, Malaria and Tuberculosis) to be funded with these resources.

Fuel and energy took a share of RWF 57.8 billion or about 7% of the total outlays. By far the largest share of this amount was used to fund the various on-going energy projects in line with the policy to increase power generation and distribution (Energy Rollout Program). Some of the main projects financed include the following: Electricity Rollout Program (RWF 6.3 billion); rehabilitation of 3 hydro power stations ( RWF 4.9 billion); electrification of Ngarama-Mugere in Gatsibo district (RWF 3.8 billion); procurement and installation of power transformers to increase power generation capacity (RWF 3.0 billion); construction of 8 micro-hydro power stations (RWF 0.9 billion); electrification of 6 districts (RWF 1.0 billion) and the project for the substitution of wood/charcoal for domestic use ( RWF 0.8 billion).

Furthermore, Government spent RWF 20.7 billion as subsidies to the energy sector for rental power and the payment of import duties on fuel imports as well as RWF 2.4 billion on the methane gas project.

Spending under agriculture amounted to RWF 49 billion or a share of 6%. As has been the policy a large share of the outlays focused on the continuation of the crops intensification program (CIP) with the objective of increasing output to ensure food security and boost exports. Consistent with this policy a large share of the funds was used for crops production including the importation of fertilizer amounting to RWF 12.3 billion. The Rwanda Agricultural Board, which has been tasked to promote agricultural production through the

intensification and development of sustainable production systems was funded with RWF 4.7 billion for its activities.

To improve land husbandry, hillside and low land irrigation and water harvesting, RWF 6.6 billion was spent on irrigation and watershed management projects whilst RWF 1.6 billion was spent on the mechanization program. The continuation of the one cow per family program received RWF 1.8 billion. In the area of export promotion, RWF 8.1 billion was allocated through the Rwanda Development Bank (BRD) for the cultivation and processing of cassava for exports as well as for horticultural products and improvement of coffee production. RWF 0.5 billion was also spent to support improved seeds production. Forestry management used RWF 0.9 billion for its activities during fiscal year 2010/2011. To support the food security policy, the Ministry of Agriculture spent RWF 2.5 billion on the construction of storage facilities in the country.

Total spending in respect of public order and safety amounted to RWF 47.9 billion or 6% of total outlays. The main programs under public order and safety are police and security services, Law courts and Gacaca and the Prisons Service. Regarding police and security services, RWF 24 billion was spent in fiscal year 10/11. The main programs financed included RWF 9.8 billion and RWF 4.7 billion for wages and salaries and for provision of logistics respectively. RWF 0.3 billion was used for crime intelligence and detective services, whilst RWF 0.2 billion was spent on the Police Training Schools.

In the case of the Law Courts and Gacaca, RWF 9.6 billion was spent on various programs for the administration of justice during the fiscal year. RWF 6.1 went into the running costs of MINIJUST, and the law courts including the Supreme Court. With regards to the Prison Service, total spending was RWF 8.6 billion. The largest share went to the Rwanda Correctional Services and was used for the payment of wages and salaries of Prison staff as well as for the prisoners' welfare including clothes and food (RWF 3.9 billion). An amount of RWF 0.6 billion was also used for the various constructional works in several prisons.

Defense expenditure amounted to RWF 46.8 billion or about 6% of total primary spending. Wages and salaries which included arrears on account of late promotions took an amount of RWF 30.6 billion. The remaining amount was used for the procurement of goods and services including the transfer of RWF 1.0 billion to the personnel welfare fund (CSS).

Expenditure on industry and commerce reached RWF 40.2 billion equivalent to about 5% of the total expenditure. The largest share of this amount went to the Rwanda Development Board (RDB) for its running costs as well as for the financing of its numerous activities. In the area of tourism, RWF 2.4 billion was spent on tourism promotion and wildlife

conservation. Regarding export promotion the expenditure of about RWF 10 billion was used for activities aimed at value addition to export products such as pyrethrum, tea and horticulture.

For the promotion of trade and industry by ensuring that goods and services originating from Rwanda meet international norms and standards, RWF 1.3 billion was transferred to the Rwanda Bureau of Standards for the construction of testing laboratories to allow an efficient performance of its activities. The Rwanda Cooperative Agency also received RWF 1.8 billion for the promotion of business support services and the strengthening of the cooperative movement. For the promotion of small scale enterprises, RWF 1.3 billion was allocated for the promotion of SACCOS micro-credit schemes. An amount of RWF 2.8 billion was used for the relocation of the Gikondo Industrial Park. Furthermore RWF 0.1 billion was used as running costs of the Commercial, Business and Land Courts.

Outlays for social protection programs took RWF 36.9 billion which is about 5% of total outlays. The main items financed with this allocation are the transfers to the Fund For Assistance to vulnerable Genocide Survivors (RWF 18.8 billion) as well as expenditure on poverty alleviation programs-cash hand-outs to vulnerable groups and cash for work for those physically able –VUP (VISION 2020 UMURENGE) in the districts amounting to RWF 11 billion in fiscal year 2010/2011. The Demobilization Commission also received an amount of RWF 1.9 billion for the continuation of the demobilization and re-integration exercise.

Spending for Land, Housing and Community Amenities and for water and sanitation amounted to RWF 14.7 billion (1.8% of total outlays) and RWF 11 billion (1.4% of total outlays) respectively. With regards to the allocation to the Land, Housing and Community Amenities, RWF 4.3 billion went to the Rwanda Housing Authority and RWF 3.0 billion also went to the Rwanda Natural Resources Board for financing of their activities. In the area of housing development, the allocation allowed the preparation of urban plans for 5 cities. The transfer to the Rwanda Natural Resources Board (RNRB) was used for the systemic land registration project as well as for the land use and planning master plan project.

The allocation for water and sanitation was mainly used to improve the water supply and sanitation in the country. Some of the main projects implemented include the rural water supply and sanitation II project (PRSC-PEAMER) costing RWF 4.0 billion, the National Rural Water Supply and Sanitation program with an amount of RWF 3.6 billion. RWF 0.4 billion was also spent on various urban sanitation projects.

Expenditures in respect of youth, culture and sports as well as environmental protection took shares of RWF 9.5 billion or about 1% and RWF 3.8 billion or about 0.5% respectively.



With regards to youth, culture and sports, the allocation funded the promotion of various sporting activities including the participation of the Under-17 youth football team in the world under 17 youth tournament in Mexico this year. Some of the funds were also used by the National Commission for the fight against genocide in the development of national memory institutions.

The funds allocated for environmental protection were used mainly for the protection of river banks and lake shores, the allocation to the integrated management of critical ecosystems project as well as mainstreaming of environment into sectors including demonstration projects that show the gains of environment protection.

#### **IV. OVERALL FISCAL BALANCE AND FINANCING**

As a result of the good performance of domestic revenue mobilization and the excess donor support disbursements on one hand and the lower spending on account of delays in foreign financed project loans, the overall cash requirement of Government in fiscal year 2010/2011 at RWF 132.8 billion was about RWF 22.3 billion lower than the revised program but only about RWF 1.9 billion lower than the original budget estimate.

This cash deficit was financed with net foreign project loans disbursements of RWF 68.5 billion and net domestic bank and non bank financing of RWF 64.3 billion. Regarding external project loans, despite some delays in the disbursement processes, the execution of vital investment projects including the strategic energy projects (power generation and distribution), and various roads construction activities including the Kigali urban roads project as well as agriculture and water projects were accelerated.

In the case of domestic financing of the 2010/2011 budget, the fact that the budget was expansionary coupled with delays in the disbursement of donor budget support funds led to an increase in the domestic resource requirement of Government. Accordingly, the Government borrowed RWF 77.8 billion of domestic resources in fiscal year 2010/2011. These were made up of the use of the overdraft facilities at the Central Bank and sales of securities (Treasury bills and bonds) to the Commercial banks. RWF 19.6 billion of these domestic debt resources were used to retire non bank debt including RWF 4.0 billion to CSR. As a result of these financing transactions, the domestic debt of the Government which amounted to RWF 218.9 billion (about 6.7% of GDP) at 2010, rose to RWF 245.8 billion (about 7.1% of GDP) by end June 2011.

## **V. CONCLUSION**

As indicated at the beginning of this report, the execution of the budget for 2010/2011 was affected on the resources side by some delays in the disbursement of budget support funds and this led to periodic cash-flow problems of Government and also resulted in an increase in domestic debt and a larger outlay for domestic interest.

On the expenditure side, delays in finalizing contract documents led to a slow-down in spending at the beginning of the fiscal year. It is expected that the lessons learnt in the execution of the 2010/2011 budget will help guide the execution of the 2011/12 budget.