

# REPUBLIC OF RWANDA



**MINISTRY OF FINANCE AND ECONOMIC PLANNING**

**BUDGET EXECUTION REPORT FOR THE JULY 2011-MARCH 2012 PERIOD.**

**May, 2011**

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## **INTRODUCTION.**

In the first half of fiscal year 2011/2012, the implementation of the budget faced several challenges. In the resources area, uncertainties concerning timely donor budget support funds complicated Government cash-flow management. Regarding outlays, delays in completing tender processes for capital projects as well as payment orders for suppliers of Government reduced execution of some programs and projects and also the disbursement of external loans required for these projects. Since the beginning of 2012, most of these issues have been resolved and implementation of the second half of the budget has proceeded according to projections. By end March 2012 total resources that accrued to the budget amounted to RWF 796.7 billion representing 78.8 percent of total resources of RWF 1010.6 billion projected for the fiscal year 2011/2012. On the expenditure side total expenditure and net lending at RWF 785.4 billion at end March 2012 amounted to 72.2 percent of total outlays of RWF 1087.6 billion estimated for the fiscal year.

The table of Provisional Fiscal Outturn below shows the details of fiscal performance for the July 2011 to March 2012 period.

**Table 1: Operations of Central Government (in billion RWF)**

	July-March Prov Act	July-March Proj
<b>Revenue and grants</b>	<b>796.7</b>	<b>799.6</b>
Total revenue	432.6	425.5
Tax revenue	403.7	387.0
Direct taxes	160.7	153.1
Taxes on goods and services	210.2	203.4
Taxes on international trade	32.8	30.5
Non-tax revenue	28.9	38.4
Total Grants	<b>364.1</b>	<b>374.2</b>
Budgetary grants	<b>227.9</b>	<b>235.8</b>
Capital grants	136.2	138.3
Projects	136.2	85.3
Of Which Global Fund	50.9	53.0
<b>Total expenditure and net lending</b>	<b>785.4</b>	<b>806.7</b>
Current expenditure	455.6	435.0
Wages and salaries	101.8	96.7
Purchases of goods and services	106.8	109.2
Interest payments	13.7	12.0
Transfers	174.4	166.1
Exceptional social expenditure	58.9	34.1
Capital expenditure	342.7	377.7
Domestic	145.7	182.7
Foreign	197.1	194.9
Of Which Global Fund	67.4	53.0
Net lending	-12.9	-6.0
Of which: Rwandair	20.1	11.8
<b>Overall deficit (payment order)</b>		
Including grants	11.3	-7.1
Excluding grants	-352.8	-381.3
Change in arrears (net reduction-)	-9.9	-9.7
<b>Deficit (cash basis)</b>	<b>1.4</b>	<b>-16.8</b>
<b>Financing</b>	<b>-1.4</b>	<b>-124.8</b>
Foreign financing (net)	91.5	100.6
Domestic financing	-92.8	-83.8

## **A.RESOURCES.**

### **I. Domestic Revenue Performance.**

Total revenue collected for the period July 2011- March 2012 amounted to RWF 432.6 billion and exceeded the projections for the same period of RWF 425.5 billion by RWF 7.1 billion. Total collections also represent 76.6 percent of the estimated total domestic revenue collections for the fiscal year 2011/2012. Regarding the composition of revenue type there was a shortfall in non tax revenue collections which was offset by the excess collections from domestic taxes.

#### **i.Tax Revenue Collections.**

The table below shows the details of tax revenue performance for the period July 2-11-March 2012.

Total tax revenue collections for the period July 2011 to March 2012 amounted to RWF 403.7 billion as against RWF 387 billion estimated for this period. The actual collections therefore exceeded the projected amount by RWF 16.7billion. The total collections at end March also represent 77.7 percent of the projected collections for the fiscal year 2011/2012 of RWF 519.7 billion. The good performance of domestic tax revenue collections benefitted from the general economic growth in 2011 which was higher than projected as well as from the ongoing administrative reforms. All tax categories contributed to the excess collections but the largest shares were attributable to direct taxes (PAYE) and VAT collections.

## Tax revenue Performance for July 2011-March 2012

Tax Categorie	Value in billions of RWF	
	July 2011 - March 2012	July 2011- March 2012
	Proj	Act.
<b>Total Tax Revenue</b>	<b>387.0</b>	<b>403.7</b>
<b>Direct taxes</b>	<b>153.1</b>	<b>160.7</b>
Companies	39.5	41.5
<b>Individuals( PAYE)</b>	<b>97.1</b>	<b>101.9</b>
Others and Property taxes	16.5	17.3
<b>Taxes on goods and services</b>	<b>203.4</b>	<b>210.2</b>
Excise taxes	66.6	68.8
VAT	122.8	126.9
Road Fund	13.9	14.4
<b>Taxes on international trade</b>	<b>30.5</b>	<b>32.8</b>
Import tax	25.0	26.9
Other (including Electrogaz fuel import)	5.4	5.8
<b><i>VAT+PAYE as % of Total tax revenue</i></b>	<b><i>56.8%</i></b>	<b><i>56.7%</i></b>
<b><i>Taxes on international trade as % of Total tax revenue</i></b>	<b><i>7.9%</i></b>	<b><i>8.1%</i></b>

With regards to direct taxes collections of RWF 160.7 billion exceeded the estimate of RWF 153.1 billion by RWF 7.6 billion. The excess performance came mainly from PAYE collections on account of taxes paid on the granting of 13<sup>th</sup> month salaries to various workers, increases in salaries in the private sector that increased the base for taxation and an increase in the number of taxpayers resulting from additional job creation in the economy.

The performance under taxes on goods and services which amounted to RWF 210.2 billion exceeded the projection of RWF 203.4 billion by RWF 6.8 billion. This excess performance was mainly attributable to VAT collections (domestic and imports). There was also a small over-performance under taxes on international trade. Collections of RWF 32.8 billion were RWF 2.3 billion higher than the RWF 30.5 billion projected. The increase in imports especially consumer goods and the depreciation of the exchange rate accounted for this excess collections.

## ii. Non tax Revenue Collections.

As at end March 2012, total collections stood at RWF 28.8 billion as against RWF 38.4 billion projected. There was therefore a shortfall of RWF 9.5 billion. The projection was made up of the accrual of RWF 17.4 billion license fees from Airtel and RWF 21 billion from other administrative fees and charges including dividends from public enterprises. Whilst the Airtel fees accrued, there were lower collections of RWF 9.5 billion from other fees and charges and they accounted for shortfall. Lower payment of dividends by public enterprises as a result of the ongoing divestiture process was the reason for the shortfall.

The table below shows the details of the non tax revenue collections (in billion RWF).

Items	July 2011- March 2012
Miscellaneous Fines	0.5
Administrative fees	7.8
Of Which: Passport /travel document fees	1.4
Migration Visas	0.6
Driving Licences(Incl provisional DL)	2.6
Other Administrative fees	3.8
Other non tax Revenues	20.5
Of Which:Dividends	0.4
Other receipts	20.1
<b>Total</b>	<b>28.8</b>

## II. Budgetary Grants

In the July 2011-March 2012 period of this current fiscal year, the Government estimated the accrual of RWF 374.2 billion of grants for the financing of the budget. Budget support grants were to contribute RWF 235.8 billion whilst project grants were estimated at RWF 138.3 billion. By end March 2012, total grants received amounted to RWF 364.1 billion of which RWF 227.9 billion represented budget support grants and RWF 136.2 billion accrued for projects. There was therefore a total shortfall of RWF 10.1 billion. Exchange rate fluctuations between the US dollar and other donor currencies accounted for the largest share of the shortfall. However in the case of budget support grants, one month delay in the disbursement of Justice sector support grants from the Netherlands also contributed to the shortfall.

The table below shows details of budget support grants for the period July 2011-March 2012.

Table 4: Budget Support Disbursement for July-dec 2011 (in millions USD)

	July-March 2012 Proj.	July-March 2012 Act.
World Bank	70.0	67.7
AfDB	37.3	37.3
DFID	62.1	103.5
EC (EU)	68.6	64.8
Germany	15.8	15.7
Netherlands	19.8	15.7
Belgium	8.1	6.6
FTI	20.0	20.0
<b>S/Total</b>	<b>301.6</b>	<b>331.3</b>
AU PKO	47.6	41.6
Demob Prog.	4.2	2.8
<b>Total Grants (USD mios)</b>	<b>353.4</b>	<b>375.7</b>
<b><u>Budgetary Loans</u></b>		
WB Budgetary Loan( PRSG )	65.0	62.0
Third Community Living Standards	6.0	6.2
AfDB (Agric . Sector Budget Support)	20.4	20.1
<b>Total loans (USD mios)</b>	<b>85.4</b>	<b>82.3</b>

The collation of accurate capital grants disbursements continue to pose problems for budget execution particularly offshore payments for projects.. In the meantime we continue to track the cash disbursements through BNR. As at end March 2012, total cash disbursements for projects through BNR amounted to US\$ 236 million. This amount includes US\$ 114.3 million from the Global Fund.

Efforts are ongoing with the collaboration of the donors to track the offshore project funds through the IFMIS database. This should improve the budget execution report of the donor funded capital projects



## **B. OUTLAYS.**

Table 1 above shows the details of outlays by economic classification for the period July 2011- March 2012. Total expenditure and net lending during this period amounted to RWF 785.4 billion as against RWF 806.7 billion projected. There was under-spending of RWF 21.3 billion. The actual expenditure amount of RWF 785.4 billion represents 72.2 percent of the revised budget estimate of RWF 1087.6 billion. Excess spending under recurrent expenditure was offset by under-spending under capital expenditure. In the implementation of the budget, minor changes in the economic classification occurred. This is the result of aligning the IFMIS database with the new “chart of accounts”. The total outlays however remained unchanged.

### **✓ Recurrent Spending.**

Total recurrent spending for the July 2011-March 2012 period amounted to RWF 455.6 billion and exceeded the projection of RWF 435 billion by RWF 20.6 billion. Excess spending occurred under wages and salaries and transfers but these were partly offset by lower spending under goods and services.

Regarding wages and salaries, total spending of RWF 101.8 billion exceeded the estimate of RWF 96.7 billion by RWF 5.1 billion and was due to frontloading of payments concerning the regularization of Teachers’ salaries including increases in the minimum wages.

Spending under goods and services were lower by RWF 2.4 billion mainly on account delays in completing payment documents for a few Government suppliers of goods and services.

In the area transfers, expenditure in the July 2011-March 2012 period exceeded the estimate for the period by RWF 8.4 billion. The front loading of transfers to the LDF of the districts for various projects and programs accounted for the over-spending.

### **✓ Capital Spending.**

Total capital expenditure at RWF 342.7 billion was RWF 35 billion lower than the programmed figure of RWF 377.7 billion. A shortfall in domestic capital spending of RWF 37 billion was offset by a small excess spending under foreign financed capital of RWF 2.2 billion.

Regarding the domestically funded capital expenditure, delays in completing all tender documentations including those required for the establishment of “letters of credit” (LCs) for some contracts on time accounted for the shortfall. There are indications however that a large share of these LCs will be paid in May and June resulting in an acceleration of spending during these two months. The affected areas are the fiber optic, education ( 1 laptop per child) and some energy projects.

In the case of the externally financed capital expenditure the excess spending was on account of MINISANTE projects funded by the Global Funds. This involved the utilization of unused balances from disbursements in fiscal year 2010/2011.

### **C. ARREARS.**

Total net payments at end March 2012 amounted to RWF 9.9 billion compared to the projected amount of RWF 9.7 billion for the period. The largest shares of arrears payments were in respect of subsidies to Electrogaz for fuel imports of RWF4.2 billion, payments for the construction laboratories of RWF1.6 billion and compensation of RWF 0.9 billion..

### **D. FINANCING.**

In the July-December 2011 period, the disbursement of the Global Fund grants of RWF 51 billion which was not spent immediately together with the lower spending mainly on account of domestic capital expenditure led to a larger build up of deposits mainly at BNR amounting to RWF 173.6 billion as against RWF 138.4 billion estimated. Consistent with the fiscal program, Government drew down a portion of these deposits to cover the cash deficit during the January to March 2012 period because there were no significant disbursement of budget support grants during this period. As a result the net draw –down ( net domestic financing) which amounted to RWF 80.8 billion in the January-March period reduced the net increase in deposit build- up from RWF173.6 billion at end December 2011 to RWF 92.8 billion. This figure is still RWF 9 billion higher than the RWF 83.8 billion estimated.

### **E. PRIORITY EXPENDITURES.**

Total priority spending for the July 2011- March 2012 period amounted to RWF395.7 billion compared to RWF 381.6 billion projected. . This amount exceeded the projection by RWF14.1 billion. The excess payment of Teachers' salaries contributed to the overspending.

### **F. CONCLUSION.**

Since the beginning of 2012, there has been acceleration in spending under goods and services and capital expenditure as the bottlenecks that delayed spending have been resolved. The major concern has been the delay in LCs payments but these are expected to be accelerated in May and June 2012. With regard to transfers and wages and salaries monthly spending have now returned to normal levels. The execution of the budget in the second half of the fiscal year 2011/2012 is therefore on track.