REPUBLIC OF RWANDA

MINISTRY OF FINANCE AND ECONOMIC PLANNING

BUDGET OUTLOOK PAPER FOR THE PERIOD 2013/14-2015/16

OCTOBER 2012

TABLE OF CONTENTS

LIST OF TABLES

I. INTRODUCTION

The budget outlook paper for 2013/2014 is intended to outline the background of recent economic performance and broad fiscal parameters for 2013/2014 budget and the medium-term which are consistent with the country's commitments under Vision 2020 and EDPRS II. The document lay out the revised macroeconomic framework and 3-years economic outlook and provides in details the government revenues and expenditure forecasts for the coming three years.

The budget outlook paper will continue to help strengthening the link between policy, planning and budgeting during the medium term which is vital to the preparation of annual budget, management of public funds and allocation of resources to key sector priorities.

The Budget Outlook Paper for 2013/2014 is being prepared in exceptionally challenging environment characterized by uncertainty in donor commitment, the downside risks of the international outlook and weak global demand, lower commodity prices as well as high oil prices. There is no doubt that these factors will affect domestic macro-economic conditions.

These changing conditions have been taken into account in formulating the macro-economic policies and the budget outlook for 2013/2014 and the medium term. This reflects policy consistency and continue adherence to the government development strategy even during hard times. To strengthen planning and budget preparation process, the government will continue to embrace programme budgeting and deepen public financial reforms to increase efficiency and effectiveness in resource allocation, service delivery and value for money.

The 2013/2014 Budget Outlook Paper intends to brief the Cabinet on the previous year macroeconomic performance, give an outlook of the medium term and present the resource envelope projected in the medium term and the proposed sectoral allocation of resources for Cabinet approval. The macroeconomic conditions underlying the sector allocations will continue to be updated in the context of next financial year budget preparation to reflect any changes in economic and financial conditions.

II. RECENT ECONOMIC PERFORMANCE

1. Global performance

Global economic activity in 2011 according to the World Economic Outlook (WEO) was mixed as real GDP decelerated to 3.9 percent from 5.3 percent in 2010. Output is projected to decline further to 3.5 percent in 2012 due to mixed adverse developments across countries including the after effects of the Tsunami and earthquake in Japan and the Euro area going into recession resulting from the rise in sovereign yields, effects of deleveraging on the real economy and impact of additional fiscal consolidation. A small recovery is projected for 2013, raising output to 4.1 percent.

Growth in the emerging developing economies is also expected to slow from 6.2 percent in 2011 to 5.7 percent in 2012 because of the worsening external environment and a weakening of internal demand. Responding to the expected global recovery, growth is projected to increase slightly to 6 percent in 2013. These global factors also impacted negatively on Sub-Saharan African performance as output was estimated to have risen only marginally to 5.1 percent in 2011. It is now projected at 5.4 percent and 5.3 percent in 2012 and 2013 respectively responding to improved economic policies coupled with large infrastructure development.

2. Domestic performance

The Rwandan economy grew strongly in 2011, **the Real GDP** growth was 8.6% compared to growth rate of 6.2% and 7.2% in 2009 and 2010 respectively. The growth was mainly driven by agricultural output in the second half of the year, robust exports and strong domestic demand especially from construction and public expenditure. This has had a significant positive impact on poverty reduction as the latest surveys: EICV III and DHS4 2010 have shown that the country has achieved an impressive record in translating its recent good economic performance into improvement in living conditions and poverty reduction across the country. In particular the results show that in the last five years (from 2005/2006 to 2010/2011), at least one million Rwandese lifted themselves out of poverty.

Table 1: Real GDP growth in 2011 per sector

SECTOR	%AGE OF CONTRIBUTION TO GDP GROWTH
Gross Domestic Product	100.0%
Agriculture	**32%**
Food crops	27.2%
Export crops	0.8%
Livestock	1.5%
Forestry	2.2%
Fisheries	0.4%
Industry	**16%**
Mining and quarrying	1.0%
Manufacturing	7.0%
Electricity and water	0.0%
Construction	8.0%
Services	**46%**
Wholesale and retail trade	13.0%
Hotels and restaurants	2.0%
Transport, storage, communication	8.0%
Finance, insurance	3.0%
Real estate, business services	8.0%
Public administration	5.0%
Education	5.0%
Health	1.0%
Other personal services	1.0%
Adjustments	**6%**
Less: Imputed bank service charge	-2.0%
Plus: VAT and other taxes on products	8.0%

Source: NISR

The inflation rose sharply in 2011, but stayed in single digits and was the lowest in the region. The headline inflation reached 8.3 percent (year-on year), from 2.2 percent in the previous year, mainly driven by rising food and fuel prices but also an accommodative monetary policy. Although there has been a sharp increase in inflation in 2011, government initiatives have borne fruits in 2012 and resulted in a reduction in inflation which stood at 8.2 percent in March 2012 after a dip in January and February, reflecting the second phase of planned reduction in fuel taxes. On the supply side, the reduction in fuel taxes during the year 2011/12 contributed to reducing the inflationary pressure and stabilized prices as fuel is an important commodity that influences the prices of goods and services especially through transport costs. The single digits inflation was due to Government's responsible fiscal and monetary policies that facilitated control inflation rate.

The balance of payments recorded a sizable surplus in 2011. The Exports in value terms showed a strong growth of 56 percent in 2011 compared to 2010 on account of high prices led by coffee, tea and minerals exports. In the area of mineral exports, production in 2010 carried over to 2011 contributed to the increase in receipts. At the same time imports in value terms also rose sharply by 44 percent in 2011 compared to 2010. This sharp increase was due to a large surge in capital goods imports responding to the investment requirements for growth as well as higher outlays for energy products reflecting the high prevailing world oil prices.

As a result of these developments, the trade deficit widened by about 40 percent in 2011 compared to 2010.This performance is not only unsustainable but it shows how critical it is for us to ensure that our national export strategy is successful so we can close the trade gap.

Regarding Fiscal performance in 2011/12, the performance was good despite some challenges from delays in donor support disbursements especially during the period from January-June 2012 as well as delays by the sector ministries in completing all tender documents on time to expedite spending for capital projects.

Total revenue and grants amounted to RWF 1,049.1 billion which exceeded the revised revenue estimates of RWF 1,028.6 billion by RWF 20.5 billion. The higher performance came from excess in domestic revenue collections which amounted to RWF 26.7 billion and more than offset of the shortfall of RWF 6.2 billion in budget support grants.

The total expenditure and net lending of RWF 1,098 billion was lower than the revised estimates of RWF 1,112.3 billion by RWF 14.3 billion. The shortfall is attributed to low spending on Capital projects where the outlay of RWF 482.9 billion was lower by RWF 14.8 billion compared to the estimate of RWF 497.7 billion. On the other hand, recurrent spending of RWF 614.1 billion was almost same as the estimate of RWF 613.9 billion.

Table 2: The 2011/2012 Fiscal performance

	July-June 2012	July 2011-June 2012
	IFMIS Proj	Prov Act
Revenue and grants	**1,028.6**	**1,049.1**
Total revenue	**565.1**	**591.8**
Tax revenue*	**530.2**	**557.0**
Direct taxes	211.5	228.5
Taxes on goods and services	277.7	282.6
Taxes on international trade	41.0	45.9
Non-tax revenue	**35.0**	**34.7**
Total Grants	**463.5**	**457.3**
Budgetary grants	279.1	265.7
Capital grants	184.4	191.6
Projects	**113.7**	**113.7**
Of Which Global Fund	70.7	78.0
Total expenditure and net lending	**1,112.3**	**1,098.0**
Current expenditure	613.9	614.1
Capital expenditure	497.7	482.9
Domestic	237.7	231.6
Foreign	259.8	251.3
Net lending	**0.7**	**1.1**
Deficit (cash basis)	**-95.4**	**-62.6**
Financing	**95.4**	**62.6**
Foreign financing (net)	116.8	95.1
Domestic financing	-21.4	-32.4

III. THE BUDGET FOR 2012/13

The budget for fiscal year 2012/2013 is consistent with our baseline medium term macro-economic framework and the PSI for fiscal year 2012/2013 agreed with the IMF. It seeks to reinforce our past performance as well as deepen the fiscal consolidation strategy. The main objectives are to increase revenue mobilization as well as allocate additional resources for both recurrent and capital expenditures to address some of the factors contributing to poverty in the districts identified by EICV3 as less endowed. The budget has also allocated the resources needed for wage increases in the public sector under the Pay and Retention Policy.

1. Total revenue and Grants

Total revenue and Grants are estimated at RWF 1,385.3 billion which shows an increase of 16% compared to the revised total of RWF 1,194.2 billion in 2011/2012.

Domestic revenue collections for fiscal year 2012/2013 have been projected at RWF 724.4 billion compared to RWF 565.1 billion in 2011/2012 showing a 28.2 percent increase. This means that we are financing 52.6 percent of our total expenditure and net lending in fiscal year 2012/2013 as against 47.3 percent in 2011/2012 which indicates both the Government of Rwanda's continued commitment to strengthening its own revenue collection ability in an effective and efficient manner. The increase in domestic revenue collection is attributed to on-going revenue administration measures by the Rwanda Revenue Authority (RRA) including Increase in tax rates, starting July 2012, for imported construction materials by 5 percent on average on import duties, VAT and excise duties, Revision of the investment code, introduction of Electronic Sales Register (ERS) for recording taxpayers' transactions and limit VAT evasion and help track potential taxpayers as well as introduction of gaming tax.

Grants have been estimated at RWF 484 billion against RWF 463.5 billion in 2011/2012 which shows an increase of RWF 20.5 billion. Project loans are estimated at RWF 126.4 billion compared to RWF 75.4 billion in 2011/2012. Budgetary loans estimated at RWF 17.5 billion are lower than the RWF 52.2 billion estimated for 2011/2012 on account of changes in the composition of budgetary support funds from AfDB and the World Bank Group in fiscal year 2012/2013.

2. Expenditures and Net Lending

Regarding outlays, total expenditures and net lending are estimated at RWF 1,385.3 billion. This amount is RWF 191.1 billion higher than the revised 2011/2012 budget figure of RWF 1,194.2 billion. Recurrent expenditure has been projected at RWF 708.1 billion compared to RWF 596.3 billion in 2011/2012, showing an increase of RWF 111.8 billion. The increase in recurrent expenditure is mainly driven by increase in wages and salaries to allow the Government to implement the new pay and retention policy as well as allocation for interest payment.

Capital expenditure is projected at RWF 647.3 billion as against RWF 508.6 billion in the revised 2011/2012 budget showing an increase of RWF 138.7 billion. The increase in capital expenditure is meant for strategic investment projects as well as construction of schools and health facilities. Export promotion projects will also benefit from these allocations. This allocation also allows an increase in resources for investment in the deprived districts where poverty was identified as being higher than in other districts.

Table 3: The 2012/2013 Fiscal Projections

	2011/2012 Actuals	2012/2013 Projections
Revenue and grants	**1049.1**	**1220.5**
Total revenue	**591.8**	**724.4**
Tax revenue*	557.0	641.2
Non-tax revenue	34.7	83.2
Total Grants	**457.3**	**496.0**
Budgetary grants	265.7	252.1
Capital grants	191.6	243.9
Total expenditure and net lending	**1,098.0**	**1,342.9**
Current expenditure	614.1	**680.4**
Capital expenditure	482.9	**646.7**
Domestic	231.6	276.4
Foreign	251.3	370.3
Of Which: Global Fund		*96.2*
Net lending	**1.1**	**15.8**
Deficit (cash basis)	**-62.6**	**-130.4**
Financing	**62.6**	**130.4**
Foreign financing (net)	95.1	128.5
Domestic financing	-32.4	1.9

IV. MACROECONOMIC OUTLOOK FOR 2013 AND MEDIUM-TERM

The medium term macro -economic framework covering the period 2013/2014 to 2015-2016 is being designed against the backdrop of downside global risks in outlook stemming from weak global demand, low commodity prices and high oil prices. In addition there are uncertainties regarding donor grant commitments which are likely to affect our fiscal performance. However, the government will continue to put in place measures to control the risks so that service delivery remains unaffected. The medium term macro-economic framework is also consistent with the EDPRS II under elaboration, Vision 2020 and the PSI program covering fiscal year 2013/2014 agreed on with the IMF.

Real GDP is expected to grow on average of 7.6 percent in 2013 and over the medium term. The expected growth will be led by the Agriculture sector with an annual average growth of about 6.4%. The production of food crops especially cereals will lead this growth. The industry sector's projected growth of 9.7 percent will mainly be driven by construction and electricity, gas and water sub-sectors, whilst the services sector anticipated an average growth of 7.6 percent led by growth in the wholesale and retail trade, finance and insurance sub-sectors.

Inflation which is targeted at 7.5 percent for end-2012 is projected to stabilize at 5 percent over the medium-term. The expected increase in food production together with the adoption of prudent monetary policies by BNR will support the achievement of the inflation rate objectives both in 2012 and in the medium term.

With regard to exchange rate policy, BNR in 2013 and in the medium term is committed to maintaining a market driven exchange rate. It will therefore continue to only intervene from time to time on the foreign exchange market to smoothen the rate volatility. The Central Bank will also continue to ensure that the exchange rate policy remains supportive of external sector competitiveness and prospects for export diversification.

The Government's macro-economic framework and budget policy are being formulated against the backdrop of global downside risks which stem from weaker global demand, lower commodity prices and higher oil prices.

Table 4: Rwanda selected Macro and Financial Indicators, 2008-2017

Table 1. Rwanda: Selected Economic and Financial Indicators, 2008–17

	2008	2009	2010	Est. 2011	Country Report No. 12/152 2012	Proj. 2012	Country Report No. 12/152 2013	2013	2014	2015	2016	2017
	(Percent changes; unless otherwise indicated)											
Output and prices												
Real GDP growth	13.4	6.2	7.2	8.3	7.7	7.7	7.5	7.6	7.2	7.0	7.0	7.0
Real GDP (per capita)	11.1	4.0	5.0	6.0	5.5	5.5	5.3	5.4	5.0	4.8	4.8	4.8
GDP deflator	10.4	9.5	2.5	7.7	7.7	7.7	7.8	7.2	6.4	5.3	5.3	5.5
Consumer prices (period average)	15.4	10.3	2.3	5.7	7.9	7.9	7.0	7.0	6.3	5.8	5.3	5.0
Consumer prices (end of period)	22.3	5.7	0.2	8.3	7.5	7.5	6.5	6.5	6.0	5.5	5.0	5.0
External sector												
Export of goods, f.o.b (U.S. dollars)	51.4	-12.2	26.5	56.2	0.6	16.2	5.6	9.4	5.3	8.9	8.2	10.4
Imports of goods, f.o.b (U.S. dollars)	51.5	13.5	8.5	44.4	13.7	20.1	-0.4	7.8	-9.9	-6.2	5.3	7.1
Export volume	21.8	-20.0	11.6	20.1	12.3	14.0	6.2	12.5	4.9	7.6	10.2	8.1
Import volume	6.4	7.4	3.8	18.8	18.8	16.6	-0.6	9.0	2.3	-5.0	5.6	7.1
Terms of trade (deterioration = -)	-12.8	3.8	8.5	7.0	-6.5	-1.0	-0.8	-1.7	14.0	2.5	-1.6	2.1
Money and credit[1]												
Net domestic assets[2]	10.3	4.9	2.2	2.1	18.3	13.1	19.6	28.3	15.6	11.0	14.6	12.2
Domestic credit[2]	20.5	3.8	9.4	5.0	18.5	12.8	19.6	29.0	16.0	11.4	15.0	12.5
Government[2]	-18.1	0.2	2.4	-13.2	6.7	-5.8	3.3	16.1	-4.4	4.6	0.0	0.0
Economy[2]	38.6	3.6	7.0	18.2	11.8	18.6	16.3	12.9	20.5	6.8	15.0	12.5
Broad money (M2)	24.2	13.1	16.9	26.8	17.0	16.5	16.9	16.3	15.6	13.7	13.7	13.8
Reserve money	23.5	0.3	12.5	23.4	17.0	16.5	16.9	16.3	15.6	13.7	13.7	13.8
Velocity (GDP/M2; end of period)	5.5	5.6	5.3	4.9	4.8	4.9	4.8	4.8	4.8	4.7	4.7	4.6
	(Percent of GDP)											
National income accounts												
National savings	9.1	5.1	4.1	3.1	2.2	2.8	4.1	3.3	5.3	6.9	8.1	8.8
Gross investment	23.5	22.3	21.7	22.1	23.8	23.7	23.0	23.0	21.5	20.0	19.7	19.4
Of which: private (including public enterprises)	13.1	12.4	10.8	9.2	9.5	9.5	9.8	9.8	10.1	10.4	10.7	11.0
Government finance[3]												
Total revenue (excl. grants)	12.6	14.9	12.5	13.6	13.8	14.3	14.0	14.9	14.9	15.1	14.9	15.2
Total expenditure and net lending	22.6	26.3	25.7	27.7	26.9	26.6	28.0	32.3	28.4	24.4	23.1	22.9
Capital expenditure	8.2	11.0	10.1	12.3	12.4	11.7	13.5	13.7	13.1	10.1	9.4	9.0
Current expenditure	15.1	14.5	14.7	14.8	14.5	14.9	14.3	14.0	14.6	14.1	13.7	13.4
Primary fiscal balance[4]	-3.3	-2.2	-5.1	-5.0	-4.6	-3.9	-3.8	-3.0	-2.7	-2.1	-2.2	-1.6
Domestic fiscal balance[5]	-5.6	-5.3	-8.0	-7.8	-6.7	-6.0	-6.0	-9.3	-5.4	-4.3	-4.0	-3.7
Overall fiscal balance (payment order)												
After grants	-0.2	-2.2	-0.1	-3.4	-1.9	-1.2	-2.6	-6.9	-2.9	-2.3	-1.4	-1.6
Before grants	-10.0	-11.5	-13.2	-14.1	-13.2	-12.3	-14.0	-17.4	-13.5	-9.3	-8.2	-7.8
External sector												
External current account balance												
Including official transfers	-4.9	-7.3	-5.9	-7.3	-10.0	-11.3	-9.7	-10.2	-9.0	-6.8	-5.9	-5.4
Excluding official transfers	-14.4	-17.2	-17.5	-19.0	-21.5	-20.9	-19.0	-19.7	-16.3	-13.0	-11.5	-10.6
External debt (end of period)	14.8	14.4	14.5	17.9	18.7	18.6	19.1	19.1	19.0	19.5	18.6	17.1
Net present value of external debt												
(Percent of exports of goods and services)	…	…	86.9	88.9	111.2	109.1	114.8	113.7	116.0	121.6	110.5	98.4
Scheduled debt service ratio												
(Percent of exports of goods and services)	2.1	2.1	2.2	4.2	13.0	12.9	13.1	13.0	9.6	8.7	9.4	9.6
Gross reserves (months of imports of goods and services)[6]	4.7	5.4	4.5	5.1	5.0	5.2	4.4	4.6	4.6	4.6	4.2	4.0
Gross reserves excluding encumbered assets												
(Months of imports of goods and services)[6]				4.9	4.7	4.2	4.1	4.6	4.6	4.6	4.2	4.0
	(Millions of U.S. Dollars)											
Gross reserves	596.4	742.2	814.2	1051.2	1042.0	1144.2	950.4	989.0	978.8	1030.1	1006.2	1047.6
Memorandum item:												
Nominal GDP (billions of Rwanda francs)	2,565	2,985	3,280	3,826	4,409	4,437	5,109	5,118	5,839	6,578	7,412	8,364

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Projections are based on the program exchange rate of RF per U.S. dollar of RWF571.24 for 2010 and RWF594.45 thereafter.

[2] As a percent of the beginning-of-period stock of broad money.

[3] On a fiscal-year basis (July–June). For example, the column ending in 2011 refers to FY2010/11.

[4] Revenue excluding grants minus current expenditure except interest due and exceptional expenditure (AU peacekeeping expenditures and spending on demobilizing and integrating militia groups) minus domestically financed capital expenditure.

[5] Revenue excluding grants minus current expenditure (excluding external interest) minus domestically financed capital expenditure and net lending.

[6] Data from 2009 onward includes SDR allocation.

V. MACROECONOMIC POLICIES FOR 2013/14

The government will continue to implement a prudent monetary policy to control and keep inflation rate at a single digit as well as a fiscal policy aiming at strengthening macroeconomic stability through fiscal consolidation while providing adequate resources to the productive and social sectors in line with the objectives of the EDPRS II being finalized.

1. Monetary policy

Considering the current developments and outlook in economic fundamentals, the National Bank of Rwanda Monetary Policy will remain prudent to avoid any exacerbation of inflationary exogenous shocks, while continuing to stimulate the required lending to the productive activities to achieve expected economic growth. In this regard, to mitigate the likely negative impact of unfavorable global environment, the National Bank, in coordination with other Government stakeholders, will continue to closely monitor and analyze domestic and global economic and financial developments so that appropriate measures are taken in due time, to ensure underlying pressures are well anchored.

In terms of money markets developments, the National Bank will continue to manage liquidity by issuing Treasury Bills and availing at the same time the securities needed to promote the interbank market. Also, preparations are underway to issue a specific Bond for the Diaspora by end December 2012.

In addition, to further contribute to the development of the capital market, the Government in collaboration with the National Bank plans to extend the debt securities maturity to avail more opportunities for longer term investments. Different maturities provide market-determined term structure of interest rates that reflects the opportunity cost of money at each maturity, thus improving the yield curve.

Regarding the exchange rate policy orientation during the remaining period of 2012, BNR remains committed to maintaining a market driven exchange rate by intervening on foreign exchange market to smoothen the exchange rate volatility. Also, it will continue to ensure that the exchange rate policy remains supportive of external sector competiveness

2. Fiscal policy

With regard to fiscal policy, the government will continue to put much effort in fiscal consolidation through increased domestic revenue mobilization and expenditure prioritization to close the fiscal gap with the aim of reducing reliance on external aid. In this regard much effort will be put on efficiency in tax collection and widening the tax base as the economy grows. However, the government will ensure the measures put in place do not crow down the private sector. In the case of external resources, the projections are guided by the uncertainties in donor grant commitments. However, the government will continue to ensure availability of funds to implement ongoing development projects and where necessary this will be accomplished through borrowing. Emphasis will be put on concessional loans and ensuring the level of debt sustainability to avoid huge debt burden to future generations.

Recently, Rwanda established a solidarity fund known as Agaciro Development Fund which was launched on 23rd August 2012. This fund enables Rwandans to give their voluntary contributions to support the initiative. The contributions will be used in the annual budget presented to Parliament as a leverage on other financial sources and will finance key priority projects as identified by Vision 2020 and agreed upon in annual consultations with Rwandans.

Accordingly, the fiscal deficit (including grants) is projected at 2.9% of GDP in 2013/2014 before declining to about 1.6% of GDP by 2015/2016. Over the same period, domestic revenues are projected to increase from about 13.6% of GDP in 2011/2012 to about 14.9% of GDP by 2015/2016. Consistent with the policy to reduce our dependency on donor aid inflows, donor budgetary grants are projected to decline from about 11.4% of GDP in 2011/2012 to about 7.2 % of GDP by 2015/2016.

In line with the expenditure prioritization policy, in resources allocation, priority will be given to ongoing investment projects and programmes in infrastructure especially in energy and transport, in health, education and agriculture as well as undertaking new outlays that are consistent with EDPRS II.

VI. 2013/14 BUDGET FRAMEWORK

The 2013/14 budget framework is set against the background of the medium term Macro-fiscal framework and the PSI for fiscal year 2012/2013 agreed with the IMF. Real GDP is expected to increase by 7.2 % in FY 2013/14 underpinned by continued good performance across all sectors of the economy. The main objectives are to increase revenue mobilization as well as allocate additional resources for both recurrent and capital expenditure to address some of the factors contributing to poverty eradication.

Inflation is expected to remain a single digit 6.5% at the end of 2013 with the continued implementation of a prudent monetary policy and an easing of both food and oil prices. The nation's foreign exchange reserves are expected to be increased and reach coverage of about 5 months of imports.

Table 5: 2013/2014 – 2015/2016 Fiscal Projections

	2013/2014 Projections	2014/2015 Projections	2015/2016 Projections
Revenue and Grants	**1,396.0**	**1,373.1**	**1,518.8**
Total revenue	**815.5**	**939.1**	**1,039.6**
Tax revenue	754.8	874.0	1,006.6
Non-tax revenue	60.8	65.1	33.0
Total Grants	**580.4**	**434.0**	**479.2**
Budgetary grants	317.9	288.3	349.2
Capital grants	262.6	145.7	130.0
Total Expenditure and Net Lending	**1,556.6**	**1,517.6**	**1,614.4**
Current Expenditure	**798.4**	**874.7**	**956.6**
Capital Expenditure	**715.4**	**625.0**	**655.5**
Domestic	300.8	340.9	377.5
Foreign	414.6	284.1	278.0
Of which Global Fund	79.4	11.2	11.2
Net Lending	**42.8**	**17.9**	**2.3**
Deficit (cash basis)	**-168.6**	**-151.5**	**-102.7**
Financing	**168.6**	**151.5**	**102.7**
Foreign Financing (Net)	168.6	151.5	120.0
Domestic Financing	0	0	-17.4

1. Revenue Projections

Total revenue and grants are projected at RWF 1,360.8 billion (24.9 percent of GDP) compared to RWF 1,206.6 billion (25.4 percent of GDP) in 2012/2013. Domestic revenues are estimated at RWF 781.0 billion. Made of RWF 754.8 billion from tax revenue (13.8 percent of GDP) and non tax revenue of RWF 26.2 billion (0.5 percent of GDP). Total grants are estimated at RWF 579.8 billion (10.6 percent of GDP) comprising RWF 295.0 billion (5.4 percent of GDP) of budgetary grants, RFW 22.3 (0.4 percent of GDP) of required grants and RWF 262.6 billion (5.4 percent of GDP) of capital grants.

2. Expenditure Forecasts

Total expenditure and net lending is estimated at RWF 1,521.4 billion (27.8 percent of GDP) as compared to the total of RWF 1,385.3 billion in 2012/2013. Recurrent expenditure is projected at RWF 781.9 billion (14.3 percent of GDP) compared to RWF 679.9 billion (14.3 percent of GDP) in 2012/2013. Capital Expenditure and net lending are expected to take RWF 715.4 billion (13.1 percent of GDP) and RWF 24.0 billion (0.4 percent of GDP) respectively as compared to RWF 641.28 billion (13.5 percent of GDP) and RWF 9.7 billion (0.2 percent of GDP) in 2012/2013 respectively.
The 2013/2014 budget is projected to close with an overall deficit (including grants) of RWF 160.6 billion (2.9 percent of GDP) compared to RWF 124.4 billion (2.6 percent of GDP) in 2012/2013.

3. Resource allocation criteria

Resources are always scarce and need clear allocation criteria to meet the needs of computing priorities. The ceilings for 2013/14 budget and medium term were guided by priorities identified in the ongoing elaboration EDPRSII which is inspired by the revised Vision 2020 targets adopted in May 2012. The prosperous information from EICV 3 and DHS 4 has also been taken into consideration and sector ministries and spending agencies are requested to consider the data in defining outputs to be achieved in the 2013/14 budget.

Table 6: 2013/2014 – 2015/2016 Sectoral allocations (in Billion Rwf)

SECTOR	2011/2012 REVISED			2011/2012 ACTUALS			2012/2013 BUDGET			2013/2014 CEILINGS			2014/2015 PROJECTIONS			2015/2016 PROJECTIONS		
	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total
GENERAL PUBLIC SERVICES	194.0	32.6	**226.6**	197.6	7.0	**204.5**	188.9	14.5	**203.4**	197.9	16.9	**214.8**	216.1	14.92	**231.1**	235.1	16.23	**251.4**
DEFENSE	85.7	-	**85.7**	91.9	-	**91.9**	105.3	-	**105.3**	125.8	-	**125.8**	135.0	-	**135.0**	146.9	-	**146.9**
PUBLIC ORDER AND SAFETY	54.9	3.4	**58.4**	56.4	2.7	**59.2**	56.8	6.5	**63.3**	60.7	6.0	**66.69**	66.5	5.6	**72.08**	72.4	6.1	**78.42**
ECONOMIC AFFAIRS	117.4	279.1	**396.5**	114.0	126.6	**240.7**	95.4	396.8	**492.2**	127.9	414.3	**542.2**	140.2	401.3	**541.4**	152.5	423.6	**576.11**
ENVIRONMENTAL PROTECTION	4.5	21.1	**25.6**	3.6	7.1	**10.7**	5.6	36.5	**42.1**	6.2	45.7	**51.9**	10.8	35.7	**46.5**	7.7	39.2	**46.90**
HOUSING AND COMMUNITY AMENITIES	28.5	14.9	**43.4**	2.1	39.2	**41.3**	6.4	21.3	**27.7**	7.6	26.2	**33.8**	9.8	27.7	**37.6**	11.1	29.3	**40.3**
HEALTH	54.3	73.8	**128.1**	53.8	10.9	**64.7**	61.2	109.5	**170.7**	80.7	111.2	**191.9**	93.5	42.6	**136.1**	97.9	40.5	**138.4**
RECREATION, CULTURE, AND RELIGION	6.4	2.4	**8.8**	8.2	2.3	**10.5**	7.2	3.4	**10.7**	9.4	1.7	**11.1**	10.2	1.9	**12.1**	13.9	2.0	**15.9**
EDUCATION	150.9	40.1	**191.0**	132.4	37.0	**169.5**	179.3	45.4	**224.7**	188.8	85.9	**274.7**	172.5	89.1	**261.6**	180.2	91.9	**272.1**
SOCIAL PROTECTION	30.1	-	**30.1**	37.3	-	**37.3**	31.9	13.4	**45.3**	36.3	7.5	**43.8**	37.9	6.2	**44.1**	41.2	6.7	**48.0**
TOTAL	**726.8**	**467.4**	**1,194.2**	**697.4**	**232.8**	**930.2**	**737.9**	**647.4**	**1,385.3**	**841.2**	**715.4**	**1,556.6**	**892.6**	**625.0**	**1,517.6**	**958.9**	**655.5**	**1,614.4**

Note

Actuals for 2011/2012 are for Domestically Financed Budget only

VII. STRUCTURAL REFORMS

The government's focus will be on policies to strengthen the public financial management through fiscal consolidation and increasing domestic resources to reduce reliance on donor funds.

With focus on performance and results based budgeting, increased accountability and clear responsibilities, the Ministry of Finance and Economic Planning (MINECOFIN) is undertaking a two year program to improve the Budget System. The Budget System Improvement Programme (BSIP) focuses on feasible reforms, taking into account existing resources and circumstances, and concentrating on budget outcomes. The content, pacing, and sequencing of work in the next two years will aim at getting the system to perform basic tasks well. For the first year (2013/2014), accent will be on budget preparation and specifically focusing on revising the program structure of the Budget and improving processes around program costing. In line with this, the 2013/14 budget will be prepared using the new programme structure based on the mandate of ministries and budget agencies.

Gender and environmental mainstreaming remain key priorities for the Government of Rwanda. These will be taken into consideration in resource allocation and sector ministries will be required to present their commitments towards mainstreaming gender and environment in their 2012/13 budget.

VIII. CONCLUSION

The set of policies outlined in this BOP are consistent with the national strategic objectives and in line with national priorities pursued by the Government as a basis of allocation of public resources. The sectoral allocations provided will be the basis of sector ministries and agencies ceilings for 2013/2014 budget and the medium term.