

# REPUBLIC OF RWANDA



**MINISTRY OF FINANCE AND ECONOMIC PLANNING**

**BUDGET EXECUTION REPORT FOR THE JULY-DECEMBER 2011 PERIOD.**

**March, 2011**

The implementation of the fiscal year 2011/2012 budget in the July- December 2011 period was affected by 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.

The table of Provisional Fiscal Outturn below shows the details of fiscal performance for the July- December 2011 period.

**Table 1: Operations of Central Government**

	July-Dec 2011 Prov Act	July-Dec 2011 Proj
<b>Revenue and grants</b>	<b>587.3</b>	<b>585.9</b>
<b>Total revenue</b>	<b>284.2</b>	<b>284.1</b>
<b>Tax revenue*</b>	<b>258.6</b>	<b>252.6</b>
Direct taxes	99.7	95.5
Taxes on goods and services	138.2	137.1
Taxes on international trade	20.8	20.0
<b>Non-tax revenue</b>	<b>25.6</b>	<b>31.4</b>
Airtel licence fees	17.4	17.4
<b>Total Grants</b>	<b>303.1</b>	<b>301.9</b>
<b>Budgetary grants</b>	<b>210.9</b>	<b>209.6</b>
<b>Capital grants</b>	<b>92.2</b>	<b>92.2</b>
<b>Projects</b>	<b>56.9</b>	<b>56.9</b>
<b>Of Which Global Fund</b>	<b>35.3</b>	<b>35.3</b>
<b>Total expenditure and net lending</b>	<b>480.4</b>	<b>524.2</b>
<b>Current expenditure</b>	<b>298.5</b>	<b>287.2</b>
<b>Wages and salaries</b>	<b>68.7</b>	<b>63.2</b>
<b>Purchases of goods and services</b>	<b>69.2</b>	<b>73.8</b>
<b>Interest payments</b>	<b>9.5</b>	<b>0.0</b>
<b>Transfers</b>	<b>118.5</b>	<b>108.1</b>
<b>Exceptional social expenditure</b>	<b>32.5</b>	<b>34.1</b>
<b>Capital expenditure</b>	<b>198.6</b>	<b>251.8</b>
<b>Domestic</b>	<b>103.5</b>	<b>121.8</b>
<b>Foreign</b>	<b>95.1</b>	<b>129.9</b>
<b>Of Which Global Fund</b>	<b>12.6</b>	<b>35.3</b>
<b>Net lending</b>	<b>-16.6</b>	<b>-14.8</b>
Primary deficit (including exceptional)	-108.3	-117.0
Primary deficit (excluding exceptional)	-85.3	-90.0
Domestic Fiscal Balance ( excl. Demob and PKO)	-87.7	-84.7
Overall deficit (payment order)		
Including grants	106.9	61.7
Excluding grants	-196.2	-240.2
Change in arrears (net reduction-)	-7.9	-7.7
<b>Deficit (cash basis)</b>	<b>99.0</b>	<b>54.0</b>
<b>Financing</b>	<b>-99.0</b>	<b>54.0</b>
<b>Foreign financing (net)</b>	<b>74.6</b>	<b>84.4</b>
<b>Drawings</b>	<b>79.0</b>	<b>77.7</b>
Budgetary loans	53.5	52.2
Project loans	25.5	37.7
<b>Amortization (due)</b>	<b>-4.4</b>	<b>-5.5</b>
<b>Domestic financing</b>	<b>-173.6</b>	<b>-138.4</b>
Banking system (monetary survey) 1)	-175.4	-138.4
<b>Non bank (Net)</b>	<b>-4.4</b>	<b>-5.0</b>
<b>Non Bank Sector Debt Repayment (Net)</b>	<b>-4.9</b>	<b>-5.0</b>
Errors and omissions/ Adjustment-Deposit drawdown Including Global Fund	6.2	0.0

## A. RESOURCES.

Table 2: Tax revenue Performance for July-dec 2011

Tax Category	Value in Millions of RWF	
	July -dec 2011 Proj	July -dec 2011 Act.
<b>Total Tax Revenue</b>	<b>252.6</b>	<b>258.6</b>
<b>Direct taxes</b>	<b>95.5</b>	<b>98.3</b>
Companies	12.4	12.8
<b>Individuals( PAYE)</b>	<b>34.0</b>	<b>35.1</b>
Others and Property taxes	6.5	6.7
<b>Taxes on goods and services</b>	<b>137.1</b>	<b>138.2</b>
Excise taxes	46.0	46.4
VAT	81.9	82.5
Road Fund	9.2	9.3
<b>Taxes on international trade</b>	<b>20.0</b>	<b>20.8</b>
Import tax	16.7	17.3
Other (including Electrogaz fuel import)	3.4	3.5
<b>VAT+PAYE as % of Total tax revenue</b>	<b>45.9%</b>	<b>45.5%</b>
<b>Taxes on international trade as % of Total tax revenue</b>	<b>7.9%</b>	<b>8.0%</b>

### i) Domestic Revenue.

Total domestic revenue collections for the July-December 2011 period were projected at RWF 284.1 billion. RWF 252.6 billion was to come from tax collections whilst non tax revenue was expected to contribute RWF 31.4 billion.

- **Tax Revenue.**

Total collections at end December 2011 of RWF 258.6 billion exceeded the projections of RWF 252.6 billion by RWF 6 billion. Excess collections from direct taxes notably PAYE and consumption taxes ( VAT and excise duties) accounted for this excess performance. Taxes on international trade met the target.

- **Non tax Revenue.**

**Table 3: Non Tax revenue July -Dec 2011 Actuals (in Billion RWF)**

<b>Items</b>	<b>July-Dec 2011 Act.</b>
<b>Miscellaneous Fines</b>	<b>0.4</b>
<b>Administrative fees</b>	<b>5.4</b>
Of Which: Passport /travel document fees	0.8
Migration Visas	0.4
Driving Licences (incl.Provisional Driving Licence)	2.1
Other Administrative fees	2.1
<b>Other non tax Revenues</b>	<b>19.7</b>
Of Which: Dividends	0.4
Airtel licence fee	17.4
Other receipts (Incl.Interests/ Deposit Facility )	1.9
<b>Total</b>	<b>25.5</b>

In the July-December period an amount of RWF 31.4 billion was expected to be collected from non tax revenue. This projection was made up of the accrual of RWF 17.4 billion license fees from Airtel and RWF 14 billion from other administrative fees and charges including dividends from public enterprises. Total collections at end December of RWF 25.6 billion fell short of the target by RWF 5.8 billion. This shortfall was mainly due to lower collections of some fees and charges as well as lower dividends payment from public enterprises. The lower dividends arise from the continuation of the divestiture process which is seeing an increasing sale of Government shares in public enterprises.

Despite the shortfall in non tax revenue collections the projected target of domestic revenue collection of RWF 284.1 billion was met as the shortfall in non tax revenue was offset by the excess collections from tax revenue.

Total budgetary grants projected for the July-December period amounted to RWF 301.9 billion. Budget support grants were estimated at RWF 209.6 billion whilst capital grants were expected to contribute RWF 92.2 billion.

In the case of budgetary grants, minor delays were experienced during this period and made cash-flow planning rather difficult. However disbursements by end December of RWF 210.9 billion slightly exceeded the projection of RWF 209.6 billion. Even though some donors could not disburse before end December others front loaded their support and this accounted for the slight over-performance in budgetary grants. The table below shows the details of the budget support grants for this period.

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

	July- dec 2011 Proj	July- dec 2011 Act.
	<b>Total</b>	<b>Total</b>
<b>DEVELOPMENT PARTNER</b>		
World Bank	70.00	67.71
AfDB	37.32	37.32
DFID	62.10	103.52
EC (EU) [INDICATIVE]	65.56	61.92
Germany	15.75	15.66
Netherlands	15.65	15.65
Belgium	8.10	0.00
FTI	20.00	20.00
S/Total	294.48	321.78
AU PKO	47.60	41.55
Demob Prog.	4.20	2.82
G/Total USD	346.28	366.15
<b>Budgetary Loan</b>		
WB Budgetary Loan( PRSG VII)	65.00	62.25
Third Community Living Standards	6.00	6.23
AfDB (Agric .Sector Budget Support)	20.35	20.06
<b>Total</b>	<b>85.35</b>	<b>82.31</b>

Regarding capital grants, in the 2011/2012 budget Government started broadening the coverage of project grants in the budget to include funds whose projects are operated by ministries but hitherto have been outside the central Government's budgetary operations. Accordingly grants related to the Global Fund spending were included in the 2011/2012 budget. This operation increased the size of project grants in the budget. However there are still difficulties in tracking disbursements especially those made offshore through the IFMIS budget reporting system. Since only the cash disbursements that come through BNR can be tracked, our budget execution report assumes that the total projected amount of RWF 92.2 billion was also disbursed in order to reduce discrepancies in the monetary aggregates.

For the July- December period however, total cash capital grants disbursed through BNR amounted to US\$ 230 million. This figure includes US\$ 114.3 million from the Global Fund.

Regarding the collation of offshore capital grants disbursements efforts are ongoing with the collaboration of the donors to track these 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 July-December 2011 period total expenditure and net lending was estimated at RWF 524.2 billion. Recurrent expenditure was fixed at RWF 287.2 billion whilst capital spending and net lending was allocated RWF 251.8 billion. Total spending however at RWF 480.4 billion was RWF 43.8 billion lower than projected.

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 amounted to RWF 298.5 billion as against RWF 287.2 billion estimated. This level of spending exceeded the projection by RWF 11.3 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, the excess spending of RWF 5.5 billion 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 4.6 billion mainly on account delays in completing payment documents for various Government suppliers of goods and services.

In the area transfers, expenditure in the July- December period exceeded the estimate for the period by RWF 10.4 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 198.6 billion was RWF 53.2 billion lower than programmed. Both domestically and externally capital expenditure contributed to the lower spending.

Regarding the domestically funded capital expenditure, delays in completing all tender documentations for some capital projects on time accounted for the shortfall. The affected areas are the fiber optic and some energy projects.

In the case of the externally financed capital expenditure the lower spending affected mainly the projects funded by the Global Funds and some energy projects including the Nyabarongo hydro project. With regard to the Nyabarongo project loan disbursement in this period was also lower than estimated.

### **C. ARREARS.**

Total net payments at end December 2011 amounted RWF 7.9 billion compared to the projected amount of RWF 7.7 billion for the period. This performance took total net payments for 2011 to RWF 12.6 billion and exceeded the target of RWF 11.7 billion by about RWF 0.9 billion.

### **D. FINANCING.**

As a result of the disbursement of about RWF 51 billion by the Global Fund and lower overall spending as mentioned above, there was a larger build up of deposits under net domestic financing which reached RWF 173.6 billion at end December as against a build up of RWF 138.4 billion projected. Total net domestic financing for 2011 at RWF 107.3 billion therefore exceeded the PSI target of RWF 66.4 billion.

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

Total priority spending for the July-December period amounted to RWF 272.3 billion and took the total for the year to RWF 531.6 billion. This amount exceeded the PSI target of RWF 517.5 billion by RWF 14.0 billion.

### **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. 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.