



REPUBLIKA Y'U RWANDA
MINISTRY OF FINANCE AND ECONOMIC PLANNING

THE NATIONAL BUDGET

A Citizen's Guide for 2015/2016



“A development tool for our country that requires every citizen’s contribution”



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FOREWORD



Claver GATETE
Minister of Finance and Economic Planning

It is my pleasure to welcome you to Rwanda's citizen guide of the national budget for the fiscal year 2015/2016. This time again, the Citizen Guide is being published to help the Citizens of Rwanda to understand the budget process in order to increase their awareness and ownership of government programs planned for the citizens. Every year, the Ministry of Finance and Economic Planning provides the public with a user friendly overview of the national budget. It is our responsibility to explain to citizens how we intend to raise and spend public resources.

The national budget is an instrument through which Government policies are translated into action. Our goal in providing this budget guide is to help citizens understand how the budget is formulated and managed. This makes the budget a more open, transparent and accessible document, enabling citizens to have a better understanding of the budget process and ultimately be in a better position to influence, monitor and assess the effectiveness of Government's policies. The budget citizens' guide outlines general issues regarding the national budget, the priorities for the fiscal year 2015/2016 and the role and importance of citizen's participation in the budget process.

This year's budget theme "**Infrastructure Development for Economic and social Transformation**" reflects Rwanda's objective to achieve a higher growth rate while reducing the cost of transportation in particular and doing business in general. To achieve this, we must focus on the fundamental needs of our community and focus on working on regional projects that will enhance inclusive development.

The fiscal year 2015/2016 represents the third year of EDPRS 2 and this budget's spending will continue to focus more on funding its key priority areas. It will focus on attaining real GDP growth and reaching a GDP per capita of USD 1,240 by 2020.

At this point, let me thank everyone for their contribution during both planning and budgeting consultations. These dialogues have been highlighted as a tool that will help us achieve our objectives as we prioritize better our scarce resources. There is no reason therefore as to why we can not continue to succeed despite the fact that we shall have to continue to deal with weaker global economy, declining donor aid flows and rising cost of maintaining public services. It is my sincere hope that this guide will enhance public awareness of the budgeting process and promote citizen participation and ownership of government programs. This will ensure that government plans and budgets are implemented in line with the will of its citizens and help to improve their livelihood. To this end, I call upon all citizens to continue to participate in this process going forward.

Sincerely,



Claver GATETE

Minister of Finance and Economic Planning

ABBREVIATIONS

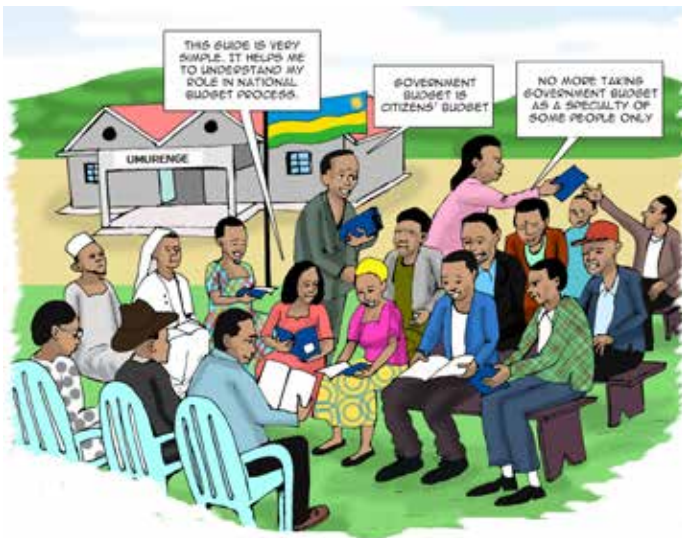
%:	Percentage
CHAN:	African Nations Championship
DDP:	District development Plan
EDPRS 2:	Second Generation of Economic Development and Poverty Reduction Strategy
FRW:	Rwandan Franc
GDP:	Gross Domestic Product
ICT:	Information and Communication Technology
IPRC:	Integrated Polytechnic Regional Center
KFL:	Kigali Forensic Laboratory
KM:	Kilometre
MINECOFIN:	Ministry Of Finance and Economic Planning
MTEF:	Medium Term Expenditure Framework
PFM:	Public Finance Management
SACCO:	Saving and Credit Cooperative
TVET:	Technical and Vocational Education Training
USD:	United States Dollar

RATIONAL OF THE CITIZENS GUIDE TO THE BUDGET

The government's budget is the people's budget. The budget is financed by revenues from the people through the taxes and fees they pay. The revenues also come from exploiting natural resources that are part of the national patrimony that belongs to the people. In addition, to finance the budget, government receives grants and loans from foreign countries and international organizations. As one of donors' requirements, for grants to be disbursed, they should benefit citizens. On the other hand, when government contracts a loan, it is the people that will have to repay it at the end.

Government is accountable to the people for this money. Making the budgets through a participatory approach and avail it publicly is one way to be accountable to the citizens. Another way is through publishing financial and budget execution reports that explain how the money has been spent and achievements made through the use of public funds. The main challenge is that budget information can be complex and is produced by different parts of the government at different times. It is thus disjointed, located in different and often quite complicated documents. In many respects, these documents are written for the internal use of government, and so use technical terms that most ordinary people do not understand. This necessitates developing a user friendly version of budget information that is easily understood by ordinary

people. This Citizens' Guide to the Budget is a document that summarizes and explains basic budget information, explains the entire budget process, and the role of citizens as well as calls for their participation and full ownership. It is a report to the people, presented in an accessible format using simple and clear language they can understand.



DEFINING NATIONAL BUDGET

The national budget is a plan of income and expenditure running over a period of 12 months, from 1st July, to 30th June. Through the budget government plans how much revenues it will raise and how the resources will be distributed among different programs and agencies. In the budget, government shows how revenues from taxpayers, grants and loans will be used. The focus is on key priorities from different sectors like Agriculture, Education, Health, Infrastructure and Social Protection.

National Budget is prepared based on national and global economic perspective. It is affected by the nation's economy and the way it is prepared and executed affects economic performance of the country. For example; when the economy is doing poorly, people are earning less and unemployment is high. In this atmosphere, revenues decrease and budget deficit grows.

GOVERNMENT NEED TO PREPARE THE BUDGET

As there are never enough funds to do all the activities that the government would like to do for its citizens, the budget acts as a tool that government uses to weigh up various needs and decide how to allocate the available scarce resources according to priorities. The identified priorities reflect the goals to which Government is most committed and they will be reflected in its budget. Thus, the budget helps to monitor implementation of planned activities and track progress against targets.



REASONS FOR CITIZENS TO UNDERSTAND GOVERNMENT BUDGET

Citizens of Rwanda need to understand how the Government budget is used; having this understanding will help us as citizens to take responsibility in participating and contributing to the best use of the national resources. It is important for us all to understand how the collective wealth of the nation is managed, so that we can better evaluate whether the budget is being used for the nation's interests.

A good understanding of the budget will enable citizens to actively monitor and influence the quality of government expenditure. Furthermore, citizens become aware of the impact that the 2015/2016 budget will have on them and our nation will move faster in achieving development objectives when every Citizen plays an active role in nation building. Finally, a good understanding of the budget by citizens provides them with information on economic opportunities as well as services that the Government intends to deliver to the public through plans and policies reflected in the 2015/2016 budget.



BUDGET PROCESS AT DECENTRALIZED LEVEL

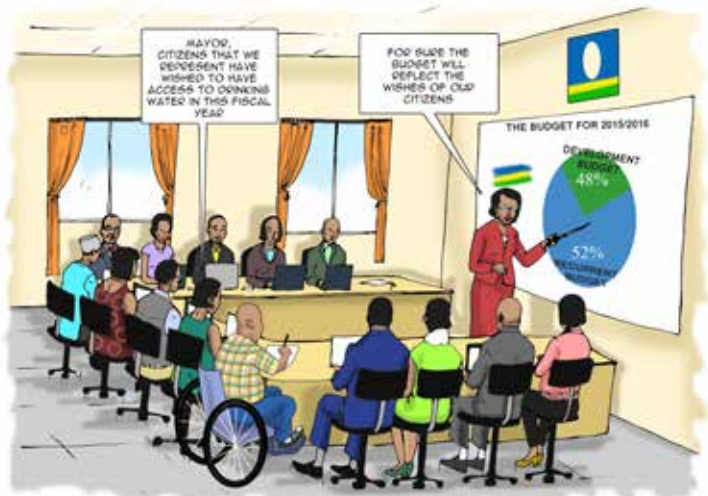
The budget process begins with the identification of the priorities by the citizens at village level. Citizens come together at the village level to discuss their medium and long term priorities to be advanced for consideration during budget formulation.

The agreed list of priorities is discussed by the councilors at the sector and district level to



determine the consolidated priorities that will form the district development plan. The district priorities outlined in the district development plans are linked to sector priorities at national level. The implementation of most government programs and projects is largely done at the district level. The district council approves pri-

orities and then district executive together with the technical personnel follow up with the implementation. For the entire process to be effective and yield the expected results, it needs to be fully participative and leaders as well as citizens should play their respective roles.



FORUMS OF CITIZENS' PARTICIPATION IN BUDGET PROCESS

The Government of Rwanda has recognized the importance of citizens' participation in budgeting process; there is a clear legal framework that allows citizens participation. There are different forums through which citizens can participate and provide their views in budget process. These include; meetings at village and cell level after public works, Joint Action Forums that bring together all development partners in district and civil society organizations.

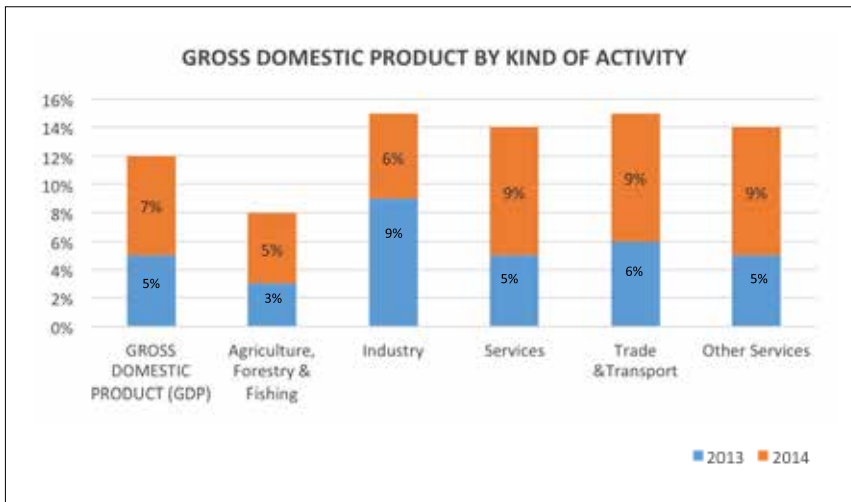
Normally, the budget process timeline goes in line with the budget calendar that categorizes the whole process into four key stages of Drafting or Preparation, Legislative & Enactment, Implementation, as well as Audit and Evaluation. Citizens should participate in each stage of the process.

HOW IS THE RWANDAN ECONOMY DOING?

National budget is a result of a macroeconomic framework; it affects and is affected by the nation's economic performance. Government spending is a key tool in maintaining stability in the economy. Before preparing the annual budget, the Ministry of Finance and Economic Planning undertakes reviews of how money was spent last year and decides on the overall priorities for the coming years. The Ministry also makes an analysis of the Economy as a whole to determine what level and composition of spending will be best to promote growth and development.

RECENT ECONOMIC PERFORMANCE

The Rwandan economy grew by 7 percent in 2014, in line with average growth over the last five years, and well above 2013 growth of 4.7 percent. All sectors contributed to this growth performance. The recent improvement in performance was especially notable in services, which grew by 9 percent compared to 5 percent in 2013. Agricultural expansion of 5 percent supported this as well.



Implementation of the 2014/2015 budget was complicated by lower domestic tax collections as well as delays in disbursement of donor support funds and slow execution of some infrastructure projects resulting in lower spending, particularly in the July-December period. Since the beginning of 2015 project implementation has improved and at end May 2015, 92.4 percent of the total outlays had been spent.

GOVERNMENT BUDGET FOR FISCAL YEAR 2015/2016

HOW BIG IS THE NATIONAL BUDGET?

The total budget for 2015/2016 fiscal year is projected at RWF 1,768.2 billion, showing an increase of RWF 5.9 billion compared to the 2014/2015 revised budget of RWF 1,762.3 billion. Recurrent expenditures are estimated at RWF 1,020.9 billion compared to the total of RWF 975.4 billion in the 2014/2015 revised budget. Development expenditures are estimated at RWF 747.3 billion compared to the total amount of RWF 787.0 billion in the 2014/2015 revised budget. The reduction in development budget in 2015/2016 is due to the reduction in external project assistance (grants and loans combined) of about RWF 66.5 billion. Nevertheless, domestically

financed projects show an increase of RWF 26.7 which is all in line with government initiative to reduce reliance on external aid and increasing domestic resource mobilization.

HOW IS THE BUDGET OF RWF 1,768.2 BILLION FINANCED?

Before the government can decide how and where to spend money, it must first determine what resources will be available to spend in the coming year.

The state's revenues are constituted by internal or domestic, and external resources.

DOMESTIC RESOURCES

Tax revenues:

In 2015/2016 fiscal year, the tax revenues are expected at RWF 894.8 billion.

Non tax revenues:

For the 2015/2016 Budget, they are expected to be RWF 219.3 billion which demonstrates an increase of 18%



compared to 2014/2015 non-tax revenues.

Domestic borrowing:

For the 2015/2016 Budget, it is projected at RWF 60 billion compared to RWF 131.2 billion in 2014/2015 revised budget.

EXTERNAL RESOURCES

External grants:

These are sums of money given by donor countries and other International organizations with no requirement to be repaid. For the 2015/2016 Budget, they are projected at 358.3 billion which demonstrates a decrease of 16% compared to 2014/2015 external grants.

External loans:

These are funds given by foreign governments and International organisations with Government obligation to pay back. For the 2015/2016 Budget, external loans are projected at 235.7 billion, which demonstrates an increase of 23 billion compared to 2014/2015 external borrowing.

USE OF PUBLIC FUNDS

The State resources are allocated to different sectors of the economy - health, agriculture, infrastructure, education, and others. Line ministries and districts have the responsibility to spend this money in line with the law on activities which will help the country achieve its objectives effectively.

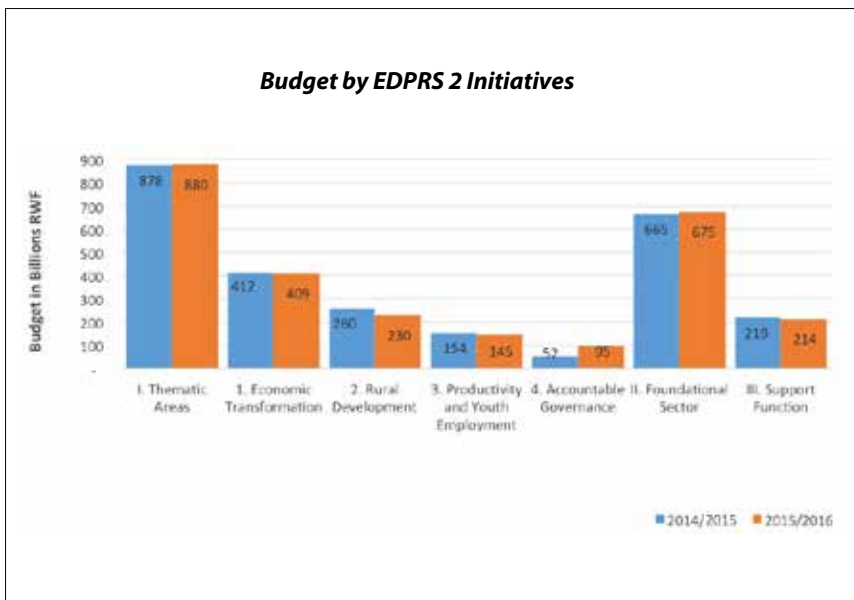


WHAT ACTIVITIES WILL THE GOVERNMENT FOCUS ON IN 2015/2016 BUDGET?

Key activities of the government are carried out through four thematic areas as identified in EDPRS 2. Furthermore, to ensure appropriate delivery of EDPRS 2, reasonable resources are allocated to Foundational Sectors and Support Functions. The four thematic areas under EDPRS 2 are:

- Economic Transformation
- Rural Development
- Productivity and Youth Employment
- Accountable Governance

Activities are planned on an annual basis but within the medium term plans of the government which are laid out in the EDPRS 2. The chart below shows the comparative allocation of resources within the Thematic Areas of EDPRS 2 for the 2015/2016 financial year compared to allocation in 2014/2015 budget.



KEY SPENDING PER EDPRS 2 INITIATIVES

The inclusion of a program or a project in the budget depends on the relative priority and its contribution towards the achievement of EDPRS 2 targets. To this end, to ensure alignment of budget allocations to EDPRS 2 priorities, participatory planning and budget consultations were organized where priorities were discussed and approved for inclusion in the budget or not.

Emerging Priorities under EDPRS 2 are grouped into the four thematic areas. In 2015/2016 budget, thematic areas were allocated a total amount of RWF 879.0 billion representing 50%. On the other hand, Foundational Issues reflect long-term priorities where, in most cases, significant progress has already been made during the implementation of EDPRS 1. These were allocated a total amount of RWF 674.5 billion equivalent to 38 percent of the 2015/2016 total budget. Finally, the Support function which focuses on the provision of economical, efficient and effective support services was allocated a total amount of RWF 214 billion representing 12 percent of the total budget for 2015/2016.

ECONOMIC TRANSFORMATION

The main objective of the Economic Transformation is to propose ambitious, prioritized and coherent cross-sectoral strategies to sustain rapid growth and facilitate Rwanda's process of economic transformation to meet Vision 2020 revised targets. Under this thematic area we allocated resources in the 2015/2016 fiscal year amounting to RWF 409.4 billion. It has the following key projects and programs.

Energy

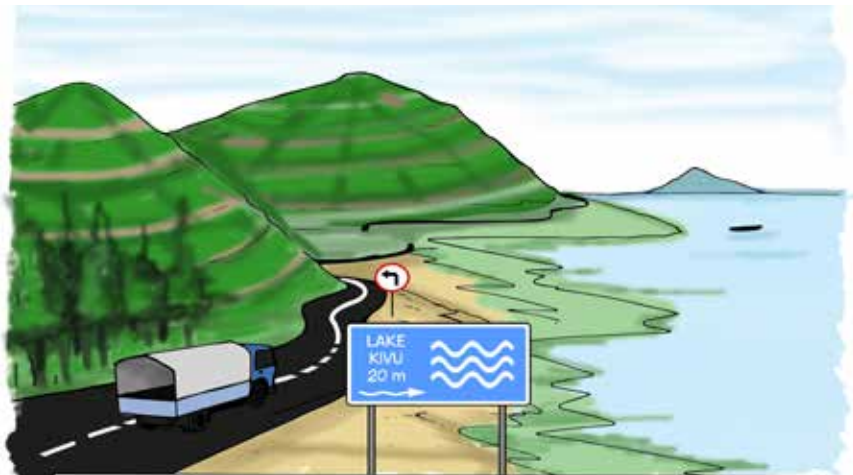
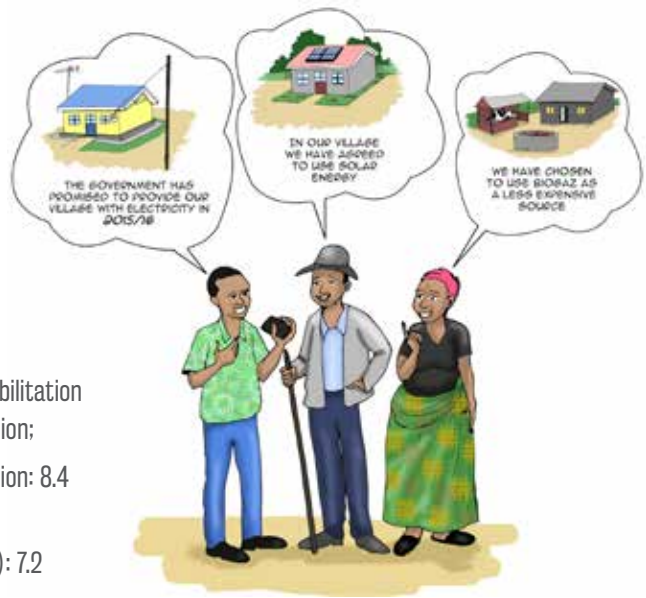


- Construction of National Wide Transmission Line: 13.3 billion;
- Electricity Access Roll Out Program: 12.2 billion;
- Development of peat to power plant: 8.2 billion;
- Rehabilitation of 3

hydro power stations:
MUKUNGWA 1-Gihi-
ra-Gisenyi: 2.7 billion;

Transport

- Kivu-belt (66 km) lot 4 &5 Rehabilitation- MWITYAZO -KARONGI Road: 10.7 billion;
- Kivu-belt (50 km) lot 7 Rehabilitation RUBAVU-GISIZA road: 10.3 billion;
- HUYE-KITABI road rehabilitation: 8.4 billion
- RUKOMO-Base (lot 2:51.5km): 7.2 billion;
- Kivu-belt (24.5 km) lot 6 Rehabilitation- RUBENGERA- GISIZA road: 5 billion;
- Rehabilitation and extension of KAMEMBE and RUBAVU airport runways: 4.4 billion
- Kigali urban roads network: 2.9 billion;
- Kigali convention Center access road (10km): 2 billion;



The construction works for Kivu Belt road are in good progress

Agriculture

- Tea expansion project: 5.3 billion;
- Gako Beef Farm: 1.3 billion;

RURAL DEVELOPMENT

The objective of rural development is to improve the quality of life and economic wellbeing of people living in rural areas by reducing rural poverty, which in Rwanda remains wide spread even though it has reduced significantly over the past decade. Under this thematic area we allocated resources in the 2015/2016 fiscal year amounting to RWF 230.2 billion. It has the following key projects and programs:



Gako Beef farming



Microfinance institutions have made access to financial services easy

Agriculture

- Priority Crops Intensification (including fertilizer imports): 10.6 billion;
- LWH - Land Husbandry Hillside Irrigation and Water Harvesting: 10.5 billion;
- Feeder roads development project: 16.1 billion;
- RSSP: Rural Sector Support Project (Phase II): 10 billion;
- Immediate Action Irrigation Project (GFI): 5.5 billion;
- PAIRB: Projet D'appui Aux Infrastructures Rurales de la Région Naturelle de BUGESERA : 4.2 billion ;
- Livestock infrastructure support program (LISP): 3.8 billion;
- National Strategic Food Reserve Project: 2.5 billion
- Post-Harvest And Agribusiness Support Project (PASP): 2.4 billion;
- One Cup of Milk Per Child: 2.1 billion;
- KWAMP: KIREHE Watershed Management Project: 1.9 billion;

Water and Sanitation

- Rural Water Supply And Sanitation II (PRSC-PEAMER): 9.2 billion;
- Improvement of Urban Water Supply: 7.6 billion;
- Lake Victoria Water Supply And Sanitation Project Phase II: 2.6 billion;
- Improvement of Sanitation In Urban Areas: 2.2 billion;



PRODUCTIVITY AND YOUTH EMPLOYMENT

This thematic area focuses on ensuring that growth and rural development are underpinned by appropriate skills and productive employment especially for the growing young population. To have 50% of Rwandese workforce working off-farm by 2020 as started in vision 2020, requires creating additional 200,000 non-farm jobs per year. This thematic area was allocated RWF 144.8 billion. Key projects funded are:

- Skills Development Project: 13.8 billion
- Sustainable Economic Development & Employment Project: 8.9 billion;
- CHAN 2016 Stadiums Project: 5.2 billion;
- KOICA Training of Trainers Project: 2.9 billion;



- Rwanda Integrated Trade Logistics Project: 2.8 billion;
- Reintegration Support to Disabled Ex Combatants: 2.7 billion;
- Support to Skills Development in Science and Technology: 2.1 billion;
- Acquisition of Hostels at College of Arts: 2 billion;
- Construction of National Archives Building: 1.8 billion;
- Technical Assistance Pool Fund For TVET System Capacity Building Project: 1.6 billion;
- Implementation of IWAWA Master Plan: 1.3 billion.
- One Laptop per Child Project



ACCOUNTABLE GOVERNANCE

The first pillar of Vision 2020 is good governance and a capable state. The Accountable Governance strategy in EDPRS 2 lays great emphasis on citizens' participation, strengthened public accountability, and quality service delivery. A key component of this is promoting accountability through decentralized institutions, and use of ICT to promote participation.

This thematic area was allocated RWF 95.3 billion, key projects funded are:

- National Statistics Basket Fund (NSDS): 5.1 billion;
- Capacity Building to Judiciary and Prosecution Project: 2.8 billion;
- Inmates and Tigestes Social Welfare: 3.7 billion;
- National Cyber Security: 2.4 billion;



- Kigali Forensic Laboratory - KFL Construction (Phase II): 2.4 billion;
- Construction of Police General HQs and KIMIHURURA Police Station: 2.1 billion;
- Prisons Rehabilitation and Management : 1.5 billion ;
- Construction of one Block, Administrative Building and Installation of Biogas and Electricity at MAGERAGERE Prison: 1 billion;
- Capacity Development Pool Funds (CDPF): 1 billion

ALLOCATIONS TO FOUNDATIONAL SECTORS

Foundational issues reflect long-term ongoing priorities where, in many cases, significant progress has already been made during EDPRS 1 and we need to build on the achievements made to achieve the targets set in EDPRS 2. Health and education, public finance management (PFM) and justice, peace and stability are prominent amongst the latter. Foundational Sectors were allocated a total amount of RWF 674.5 billion equivalent to 38 percent of the 2015/2016 total budget.

ALLOCATIONS TO SUPPORT FUNCTIONS

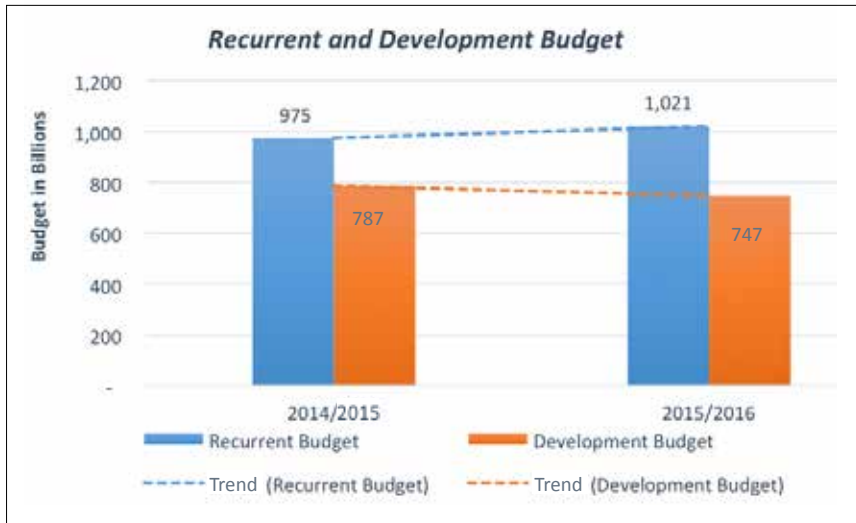
The support functions cut across all sectors and aim at ensuring that an environment conducive to the achievement of the thematic areas is created. Such support functions provide the necessary back-office functioning to make the implementation of the EDPRS 2 priorities possible. Support services were allocated a total amount of RWF 214 billion representing 12 percent of the total budget for 2015/2016.

RECURRENT AND DEVELOPMENT BUDGET

Government expenditure categories are divided into recurrent and development. The recurrent budget refers to government's expenditures to support day to day operations such as paying salaries and wages, rent, materials and supplies, transport expenses, simple repairs and maintenance of equipment. In the 2015/2016 budget recurrent budget is equal to RWF 1,020.9 billion which makes 57.7% of the total budget. Development expenditures are expenses made to fund government's development projects. Such expenses include construction of roads, schools, hospitals, electricity generation plants and transition lines, rehabilitation or

construction of water pipelines. Development budget is equal to RWF 747.7 billion which makes 42.3% of the total budget for 2015/2016.

The following chart illustrates the share of recurrent and development budget categories in the 2015/2016 budget compared to allocation in 2014/2015.



MONITORING AND EVALUATION OF BUDGET EXECUTION

The execution of the adopted budget starts on July 1st of each year and ends on 30th June of the next calendar year. The responsibility for execution of the national budget rests entirely with the management units (budget agencies, Non budget agencies). The overall monitoring and evaluation of the government finances is carried out by the Auditor General who submits the annual report to the parliament. Citizens are also encouraged to participate in the monitoring framework through provision of feedback on service delivery and timely information on what is not going on as initially planned. This can be done through citizens representatives like district councils, civil society organizations, Joint Action Forum and different meetings.



WHY SHOULD CITIZENS PARTICIPATE IN MONITORING AND EVALUATION?

Citizens and civil society have the right to monitor the implementation of the budget of government. Citizens are encouraged to monitor performance of works and services done by service providers.

Citizens' participation in the monitoring and evaluation of budget execution provide government with an opportunity to be accountable to the citizens on the use of public funds. This increases citizens' confidence in the government using their money and thus promote citizens' understanding and ownership of government programs which increases the likelihood of their success. To this end, Citizens should request managers of public funds to report on the level of implementation of planned and budgeted activities. Districts hold open days to provide citizens with information about government activities. These open sessions are important in monitoring implementation and evaluation of performance contracts.



WHERE CAN CITIZENS FIND THE NATIONAL BUDGET?

The budget becomes a law after it is passed by parliament at central government and local council at the District level. After the approval, the budget can be found in the official government gazette or in all budget agencies. A soft copy of the complete national budget law can be accessed at the website: www.minecofin.gov.rw of the Ministry of Finance and Economic Planning while the soft copies of District annual budgets can be obtained from the respective District websites and the district headquarter.

In addition, every fiscal year, the government produces a citizens guide to the budget that is distributed in all districts and civil society organizations. A soft copy of the citizens guide to the budget is also available on the website of the Ministry of Finance and Economic Planning.

CONCLUSION

The 2015/2016 budget is in line with EDPRS 2 priorities and with the proposed expenditure allocations; we expect that progress will be made towards attaining most of the targets outlined in the EDPRS 2 policy document with the scarce resources available to the government. The Government also recognizes the role of private sector towards the Achievements of EDPRS 2 targets and much effort will be invested in various programs and projects aimed at harnessing the private sector potential for an accelerated growth. Thus public expenditure will be supported by contribution from a dynamic private sector.

To fully participate in the budget process, citizens have a right and responsibility to access information on national and district's budgets.

GLOSSARY

1. **Budget Agency or Spending Agency:** Are entities whose activities are financed by the State Budget.
2. **Domestic Borrowing:** Using internal sources of funds to finance Government expenditures and new investments rather than obtaining Capital from outside of the country.
3. **Domestic revenue:** Revenue that is raised within the borders of a Country – from taxes paid by citizens, duties on imports, profits from Privatization, and various other fees.
4. **Economic growth:** Economic growth refers to the increase in the Quantity of goods and services in a country. Economic growth can be measured by changes in Gross Domestic Product.
5. **Economic Development and Poverty Reduction Strategy (EDPRS 2):** A five year (2013/14-2017/18) strategy set to propel Rwanda to middle income economy
6. **Grant:** Type of foreign aid that the Government is not required paying back to the donor government or multilateral institution. The Contribution is usually made to support a specified program, function or project.
7. **Non-tax Revenue:** Revenue that does not accrue from taxes. Includes fees, levies, permits, licenses, dividends etc.



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