

13 MAR 2020

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MINISTRY OF FINANCE AND ECONOMIC PLANNING

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To: Central Government Chief Budget Manager (All)

Re: Guidelines for preparation of budget estimates for FY 2020/21 and Medium Term Expenditure Framework for the period 2020/21 – 2022/23

A. Purpose:

1. The Ministry of Finance and Economic Planning (MINECOFIN) issued the first Planning and Budgeting Call Circular (PBCC) No 0805/10/19/ NDPR of 23rd October 2019. This circular provided you with advance information to facilitate timely and appropriate preparation of the 2020/21 FY budget and the Medium Term Expenditure Framework (MTEF) that meet the required quality. This second Budget Call Circular is therefore aimed at providing you with detailed guidelines including indicative budget ceilings and instructions to enable budget agencies to prepare and submit detailed budget estimates for the FY 2020/21 and the MTEF Improving Planning across Government for better delivery of National Development Strategies.

B. The Macroeconomic Context of 2020/21 Budget Preparation

- 1 Rwanda's policies and strategies for 2020/21 and over the medium term are built on Government's ambition to raise Rwandans high living standards and reach the upper middle income status by 2035 and high income by 2050. This is reflected in the blue print of the Vision 2050 under development. The National Strategy for Transformation (NST1) provides the direction of the policy objectives over the medium term.
The government continues also to implement a set of measures to promote diversification of exports and reduce exposure to external shocks and imbalances over the medium term. The Made in Rwanda campaign and policy will continue to play a key role in narrowing the current account deficit overtime in the short to long run and help to consolidate private sector domestic activities, create jobs and boost economic growth

2. In line with MINECOFIN and IMF current macroeconomic framework, the real GDP growth is estimated at 8.0% in the medium-term. Inflation is expected to remain not higher than 5% in the medium-term
3. Fiscal policy for the Government in 2020/21 and the medium term will seek to achieve a medium term fiscal path that allows for more spending to reach the NST 1 goals whilst maintaining public debt at a sustainable level; Momentum in mobilizing domestic resources to support the development goals of Government including through broadening of the tax base and strengthening tax compliance and; achieve enhanced fiscal transparency.
4. The fiscal framework for 2020/21 and the medium term will prioritize key investments identified under the NST1 in order to ensure long-term development goals. Fiscal deficits will be kept at manageable levels in line with the policy on debt to remain low risk. The revenue and expenditure allocation by broad economic category is shown in the table 1 below. The deficit is expected to reduce to 4.9 percent of GDP in 2022/23 from 6.4 percent of GDP.

Estimates for Resources and Outlays: 2019/20-2022/23

Operations of Central Government % of GDP	Jul-Jun 2019/20 Revised Budget	Jul-Jun 2020/21 BCC	Jul-Jun 2021/22 BCC	Jul-Jun 2022/23 BCC
Revenue and grants	23.5	23.2	22.8	22.9
Total revenue	19.3	18.8	18.8	18.8
Tax revenue	16.5	16.6	16.8	17.0
Non-tax revenue	2.8	2.2	2.0	1.8
Total Grants	4.2	4.4	4.1	4.1
Budgetary grants	1.5	1.8	1.9	1.9
Capital grants	2.7	2.6	2.2	2.2
Total expenditure and net lending	30.9	28.8	28.2	27.9
Current expenditure	15.5	14.8	14.4	13.7
Wages and salaries	4.4	4.5	4.4	4.2
Purchases of goods and services	2.8	2.8	2.8	2.7
Interest payments	1.6	1.5	1.5	1.4
External Int (due)	0.6	0.6	0.6	0.6
Transfers	4.3	4.3	4.1	3.9
Exceptional social expenditure	2.4	1.7	1.5	1.5
Capital expenditure	12.0	12.0	12.0	12.3
Domestic	7.3	7.1	7.4	7.0
Foreign	4.7	4.9	4.5	5.3
Net lending	3.4	2.0	1.8	1.8

Overall Deficit Including grants	-7.4	-5.6	-5.4	-4.9
Non-Debt Creating Deficit	-6.4	-5.7	-5.4	-4.9
Financing	8.0	5.9	5.7	5.3
Foreign financing (net)	5.9	5.0	4.1	4.8
Drawings	6.5	5.7	4.9	5.5
Budgetary loan	4.4	3.4	2.5	2.3
Project loans	2.0	2.2	2.4	3.2
Amortization (due)	-0.6	-0.7	-0.8	-0.7
Domestic financing	2.1	1.0	1.5	0.5
Banking system (Monetary Survey)	2.1	1.0	1.5	0.5
Non-bank (Net)	0.0	0.0	0.0	0.0
Errors and omissions/unclassified build up	0.0	0.0	0.0	0.0

Source: MINECOFIN

5. The priority focus of the 2020/21 budget and the medium-term strategy is to allocate adequate resources to the ongoing commitments and key priorities and interventions of NST1 described in its three pillars. Similarly, priorities from high level decisions taken in different fora such as; National Umushyikirano Council, National Leadership Retreat, Presidential Pledges, among others will be incorporated with those from planning consultations and Public Investment Committee resolutions concluded in March 2020. **Below are some specific priorities and targets identified:**

Economic transformation:

- **Job Creation and Entrepreneurship promotion:** Over 214,000 jobs are targeted in FY 2020/21 and will be achieved through the following initiatives; supporting 20,542 SMEs to access advisory services and finance, 2,000 new jobs to be created through Cultural and Creative Industries projects, piloting 416 projects to promote one model income and employment generating project in each village, acquisition of modern equipment for ICPCs and promotion of priority value chains among others.
- **Made in Rwanda policy:** This will be promoted through certification of 125 products and re-certification of 218 products to ensure continual compliance to standards requirements and the issuance of MIR Logo to 150 products. 100 leather SMEs in production of footwear and leather and 50 garment companies/cooperatives will be supported to increase their competitiveness



and the 23rd Rwanda International Trade Fair will be organized to help showcase products.

- **Border Infrastructure and facilities will be improved** through completion of Nyamasheke Cross Border Market at 100%, Bugarama at 80% and operationalization of Burera, Rusizi, Rubavu and Karongi Cross Border Markets. Rusizi one Stop Border Post will be constructed at 15% and Rusizi Bonded Warehouse at 80%.
- **Development of industrial parks (IPs).** This includes construction of Bugesera Phase 1 basic infrastructure targeted at 81.6% (Sewage system and wastewater treatment plant), Bugesera tannery park at 10%, expropriation of 35 Ha of land for buffer zone in Rwamagana and 63 Ha for Muhanga IPs.
- **Export Promotion:** 15 Export firms will be facilitated to access finance for export through the Export Growth Fund (EGF) and 18 properties will be expropriated from Gikondo Industrial Park as well as strengthen Value Chain market linkages.
- **Increasing Electricity generation for socio-economic Transformation:** This will include completion of construction of 80MW Hakan Peak to power plant while Shema (Symbion) Peat to Power plant will generate 14MW. Construction of 80MW Rusumo hydro power plant, construction of 220kv Mamba-Rwabusoro-Rilima transmission line, Mamba-Rwabusoro substation as well as completing the upgrade of Rilima substation. Mukungwa-Nyabihu single circuits, Rusumo-Rilima-Shango Transmission line and Rilima substation will also be fully constructed. Rwanda-Burundi transmission line and associated substations (Gisagara and Rehabilitation of Kigome) will be completed.
- **Accelerating transport projects to meet targets and ensure improved roads condition:** Specifically, 34.6 Km of national roads will be constructed, 249.16 km of national roads will be upgraded and 296 km of national roads will be rehabilitated. 291.7 km of feeder roads will be maintained, 450 Km of feeder roads will be constructed at 85% while the demarcation of railway corridors will be at 70%.

- **Increasing agricultural productivity:** This will be pursued through increasing the use of improved seeds and fertilizers. 5750 MT of improved seeds (4,025 MT of maize, 920 MT of Wheat, 805 MT of Soybean) will be timely distributed to farmers. 53,067 MT of fertilizers will also be distributed to farmers.
- **Promoting urbanization:** This will involve review of 10 districts' Master plans and their physical plans in alignment to the National Land use Master plan, Urban Development Master Plans and development of conceptual master plans aligned to the National Land Use Master Plan. Upgrading Amahoro Stadium, completion of National Archives building as well as removal of 172,169 additional Sqm of Asbestos from Government buildings.
- **Promoting the green economy:** The sector will prepare project proposals for submission to the Green Climate Fund and to other potential funders. Potential projects include; smart mobility, alternative cooking technology promotion, floods risk management in volcano region, support Green City implementation, Climate Smart Agriculture and Agroforestry among others.
- **Sustainable Management of Natural Resources:** This will include continuation of privatization of public forest management with a target of 10% of forests to be allocated to private operators. Tree plantation will focus on agroforestry and fruit trees with 35,000 ha and 500,000 trees respectively. Nyandungu Eco-tourism park will be rehabilitated at 100%, 30 new automated weather stations will be installed and operationalized, implementation of 30% of floods control measures in the volcano area, construction of Sebeya flood control dyke and new muhazi dyke for water storage. In addition to this, potential economic sectors (Agriculture, Infrastructure) are reminded to take into consideration climate resilient actions while implementing their sector specific mandates during the fiscal year 2020/2021.

Social transformation:

- **Scaling up coverage of programs designed to support vulnerable households:** This will include roll out of VUP classic Public Works to reach 191,399 households and expanded Public Works to reach 75,000 households from 158,554 households and 43,861 households (Q2, 2019/20) respectively.



Provide loans to 23,485 beneficiaries through VUP Financial Services scheme from 21,284 beneficiaries (Q2, 2019/2020). Roll out of the revision of Ubudehe categorization and development of social registry to improve efficiency in targeting and coordination of social protection programs. Addressing human security issues in Districts through construction of 9,313 new houses and rehabilitation of 35,509 houses for vulnerable households.

- **Promoting access to quality Health:** To be realized through construction and renovation of health facilities to improve the geographical accessibility and the referral system that include Ruhengeri, Masaka, Muhororo, Nyagatare and Mental Health Day Care centre in Gasabo District.
- **Improving the quality of education:** This will include constructing 416 new classrooms and 1,248 latrines for pre- primary; 5,984 for primary and 8,257 latrines, 3,739 for secondary and 5,608 latrines.
- **Increasing access to clean water at household level** by operationalization for Kanzenze water treatment plant in Bugesera District, finalize construction of Gihira II water treatment plant in Rubavu District, extension and rehabilitation of water supply systems of 898km in urban area and 378.1km in rural area to serve 852,252 and 190,947 new people respectively, construction of 4 Fecal Sludge Treatment Plants and modern landfills in Musanze, Rubavu, Rusizi and Karongi Districts and operationalization those constructed in Nyanza, Kayonza and Nyagatare Districts.

Transformational governance:

- **Promoting quality service delivery in public, private and CSO:** This will be achieved by expanding services delivered online through Irembo, conducting Nk'Uwikorera Campaign, and online service delivery assessments. Fully redesign and integrate 76 additional services on Irembo version 2 for end to end service delivery.
- **Operationalization of automated civil registration (for births and deaths) at the place of events (health facilities, prisons and sectors).**

- **Promoting innovation and increasing digital literacy for all:** This is envisaged to increase from 20.4% to 45% by implementing the basic digital literacy among citizens through the Digital Ambassadors Program (DAP), develop and mainstream digital literacy curriculum into education curricula at all levels for Teachers and Students, implement ICDL training & certification for the workforce, establishment and operationalize 3 new Centers of Excellence.
 - **Enhancing Public Finance Management** through implementation of Auditor General's recommendations at 100% and ensure 65% of Budget Entities get clean Audit on Financial Statement and 43% get clean audit on compliance. Conduct audits, inspections and peer review-peer learning assessments to Non Budget Agencies (NBAs) and on social programmes and other initiatives.
 - **Implementation of the revised Local Governments structure** to make the cell a center of service delivery
 - **Preparing and conducting 2021 elections in local government and elections for special councils from village level up to the national level.**
6. Fiscal consolidation and expenditure prioritization remain the focus for the government in medium term. This was asserted during the planning consultations and requires continued efforts towards expenditure rationalization by cutting unnecessary expenditures. The Chief Budget Manager of the leading ministry is expected to spearhead the coordination of efforts during the budget formulation exercise.

2 Specific instructions for 2020/21 Budget Preparation

7. The total indicative resource envelope for the FY 2020/21 is **RWF 3017.1 Billion** as shown in table above, with a flexible envelope of **RWF 2480.6 Billion**. The flexible envelope excludes project grants and project loans earmarked for specific projects implemented by some agencies. In line with this, only agencies with externally financed projects is expected to be allocated ceiling on External Grant or External Loan.
8. The Medium Term Expenditure Framework has been issued to budget agencies for allocation to different programmes and projects as shown in **Annex 1(a)**. The

indicative budget ceilings have been issued at sector level (Ministries and other high level institutions), which shall be responsible for coordinating the budget consultative process together with their affiliated agencies for proper prioritization and allocation to each budget agency within the sector. This coordination is imperative since Ministerial budget consultations shall be conducted at the Ministry level and prioritization will be evaluated at the level of programs.

9. The allocation to capital domestically financed including counterpart funds for externally financed projects where applicable has been derived from allocation to specific projects especially ongoing while new projects will require further orientation by the Public Investment Committee (PIC) at the central level and Local Government Project Advisory Committee (LGPAC) based on available information and documents submitted. Agencies are therefore requested to make proper allocation among different projects and ensure all priority projects get adequate apportionment within the ceiling available.
10. In addition to the indicative ceilings provided at sector level, based on historical data and available information, we have provided detailed indicative ceilings at agency level in **Annex 1(b)** to serve as a basis for discussions between sector ministries and affiliated agencies. However, this is just indicative and should not discourage the sector level consultations as the final allocation by agency will be determined by the parent ministry/institution based on additional information that might be available as well as sector priorities. National Budget team will remain available for technical support and guidance to ministries and agencies during the consultations between parent ministries and affiliated agencies while agency allocation agreed upon will be communicated to National Budget for configuration in the IFMIS before data entry starts.
11. In the prioritization process and allocation of resources to activities within a budget agency, consideration should be given to NST1 pillars' priorities and any on-going commitments including the unfinished business of the VISION 2020. It is important that direct references are made to the Sector Strategic Plans (SSPs) and the Annual Action Plans (AAP) developed during the Sector/Sub sector Working Groups (SWG/SSWGs) with direct linkages to results attainable. Whilst it is essential NST1 priorities are given adequate funds, all fixed costs and on-going commitments including expropriation costs, taxes and any counterpart funds for externally financed projects should be covered in the available envelope and where applicable sequence activities over the medium term.

12. During the preparation of MTEF that will guide data entry into the IFMIS, the broad categories should not be altered. The total amount for wages and salaries, non-wage recurrent, domestically financed capital, External Grants and External Loans should remain unchanged.
13. Effective FY 2019/20, the government begun a paradigm shift from Program-Based Budgeting to Performance-Based Budgeting which has been designed to strengthen proper linkage between resource allocation and expected results to be delivered as well as strengthening the mechanism of transparency and accountability in the use of public resources. The reform started with a pilot phase of four ministries and for 2020/21, this pilot phase has been expanded to include a few selected decentralized administrative entities one per province and Kigali city to enable the success of the reform in the roll-out phase planned in subsequent years.

Therefore, each of the piloted budget agency was requested to choose at least one program/sub-program from which the performance information shall be piloted for performance –based budgeting. Since the performance information for the piloted agencies will be reflected in the finance law, agencies are advised to give much consideration to the piloted program/sub-program as well as planned outputs, indicators and targets in the medium-term for quality review during budget allocation in line with the available resources.

14. Effective from FY 2020/21, the government has undertaken a Public Finance Management reform to shift from modified cash to accrual basis of accounting and this reform has brought changes to the Chart of Accounts. **Annex 2** presents the updated Chart of Accounts and accordingly, all budget agencies are required to prepare detailed expenditure estimates with relevant expenditure items in conformity with the updated Chart of Accounts classifications provided in **Annex 2(a)**. Agencies are reminded to ensure that all expenditure items are included in their action plans to avoid frequent requests to create new expenditure items and mispositing during budget execution. Revenue estimates (for districts and other agencies that generate internal revenues) shall be prepared in accordance with revised Chart of Accounts classifications provided in Annex 2(b). In case a budget agency is not sure of where to classify some of the budget items, it should seek guidance from the focal person from National Budget whose contacts are shown in **Annex 3**.

15. The organic law on state finances and property as amended to date, especially in its article 4 concerning the fundamental principles of public finance management lays emphasis on comprehensiveness and uniformity of the budget among others. This implies that all own revenues to be spent by any government entity should be reflected in their approved budget to avoid any kind of discrepancies between approved budget and actual executed budget. The same Organic Law provides for the use of the Treasury Single Account (TSA) whereby all central government agencies have to channel the revenues they collect to the TSA and get budgetary allocation for their operations. This is therefore a reminder to agencies that currently collect and spend revenues without being appropriated by competent organs (the parliament, district councils or Board of Directors where applicable) that this provision of the law still holds.

16. Nevertheless, for genuine reasons; including efficiency in collection, some central government agencies have been allowed to directly use some of the revenues they collect without channelling them to the treasury. This should however not be executed off budget and compromise the fundamental principle of budget comprehensiveness. For the past, we have realized that the funds had not been included in the annual budget of the respective agencies. For 2020/21 fiscal year budgeting, the agencies are requested to use **Annex 4** and provide information about the projected revenue collection for inclusion in the macro framework and subsequently in the budget proposal for approval by the parliament.

17. Furthermore, for extra budgetary entities like referral hospitals and University of Rwanda whose budget is adopted by their competent organs other than the Parliament like the Board of Directors should submit their approved budget to National Budget Department for consolidation on July 17, 2020.

18. While developing the budget estimates to be entered into the IFMIS, all budget agencies are required to use the MTEF templates that are consistent with the system configuration to facilitate data entry exercise. Budget estimates for central government agencies shall be prepared in the format provided in **Annex 5** (commonly called MTEF) while new earmarked transfers by central government agencies to decentralized entities shall be prepared in the format provided in **Annex 6**. The earmarking institutions should also attach to the Annex 6 the guidelines which

clarify how, why, who and which items the earmarked envelope will be spent on by local entities. For the outer years of the MTEF, projections should be informed by ongoing and new projects among other factors.

19. Agencies are reminded that, no inter-entity transfers are allowed during implementation of the 2020/21 budget for all expenditures committed through the treasury unless the transfer is a final expenditure in return for either services rendered or goods supplied. All budget agencies are therefore requested to have thorough consultations with their potential recipients of inter-entity transfers and indicate such resources as earmarked transfers that shall be captured under the budgets of those agencies. Inter-entity transfers from central government to decentralized entities are captured in **Annex 6** provided above.

20. The ceilings of wages and salaries for FY 2020/21 budget estimates have been prepared on the basis of each institution's approved organization structures. However agencies tend to hurry in implementing recently approved structures with no consideration given to available resource envelop. MINECOFIN strongly request all agencies to plan for recruitments in a financially sustainable manner and where possible phase them in the medium term. Therefore, Human Resource Managers should be involved in the budget process to provide adequate information on budget estimates related to the wages and salaries.

21. Some budget agencies employ contractual staff to provide support in the routine business of the institutions or any other unforeseen activities. These employees are paid from the category of goods and services and not from wages and salaries. The allocation for contractual personnel is included in the non-wage recurrent envelope provided for each budget agency. You are required to provide information on all contractual personnel to be paid during the financial year 2020/21 to justify the allocation for this budget item. Justification should be in form of a letter from the Ministry of Public Service and Labour (MIFOTRA) approving those contractual staff for your budget agency. This information should be submitted in the format provided in **Annex 7** with supporting documents. Budget for contractual staff reflected in **annex 7** and included in the budget submission without approval from MIFOTRA as a supporting document will not be allowed.

22. Budget agencies are prohibited to pay salaries of the Single Project Implementation Unit (SPIU) staff using recurrent budget. The rules governing management of Single Project Implementation Units (SPIUs) require that all salaries paid to SPIU staff are budgeted under the development budget corresponding to the projects. The salaries related to SPIU staff shall not exceed the total gross salaries for the SPIU structure approved by the Ministry of Public Service and Labour.

23. MINECOFIN have provided the indicative ceilings for externally financed projects. This has been done as a basis to allow agencies to provide as much information as possible to ensure that all projects are captured on-budget and in capturing these projects in smart IFMIS budget agencies must clearly indicate their correct funding segment (funding type with regards to whether it is an external grant or external loan and specific donor). It is not appropriate to include funds for externally financed project in your budget submission without binding commitment from the donor.

Therefore, all budget agencies shall be required to provide copies of financing agreements for all new externally financed projects before they are entered in the IFMIS system. For projects that require counterpart funds, this shall be deducted from the envelope provided for domestically financed projects and must be strictly recorded as counterpart and not as agency budget allocation. It is imperative to note that all government projects funded by donors should be captured in the budget as long as the project funds are spent using the national execution procedures and have an annual disbursement plan.

24. As required under article 167 of the Constitution, all international agreements that commit State Finances shall be ratified after authorization by Parliament. Accordingly, budget agencies shall be required to have ratified agreements. The annual membership fees should be payable both in foreign and local currency and be submitted to the Ministry of Foreign Affairs, Cooperation and East African Community whose among its responsibilities is to settle these fees.

25. All Ministries and decentralized entities (Districts) are requested to submit well prepared Gender Budget Statements (GBS) together with Gender Distribution of Employment (GDE) for the Financial Year 2020/21. Annex 15 of this circular gives detailed guidelines on how to mainstream gender in the budget. While preparing the Gender Budget Statement consider that, it is not a stand-alone document instead it is

derived from the action plan and IMIHIGO. Therefore, this linkage will form part of the basis for the GBS analysis.

26. As it was mentioned in the PBCC, potential economic sectors (Agriculture, Infrastructure) are reminded to take into consideration environment and natural resources management aspects while implementing their sector specific mandates during the fiscal year 2020/21. Special attention should be given to close follow-up of the implementation of the Environmental Impact Assessments (EIAs) together with their Environmental management plans.
27. All budget agencies should continue to budget for payment of customs duties, VAT and other relevant fees and charges on all expected imports, local purchases and contracts. This therefore serves to remind all budget agencies that the amount allocated for payment of taxes, duties and fees is part of the envelope provided.
28. It has been observed that some budget agencies request for the issuance of Letters of Credit and Promissory Notes with no corresponding budgetary provision to support them when they mature. To avoid delayed payments and ensure effective budget implementation, all Letters of Credit and Promissory Notes whose maturity go beyond the 2020/21 fiscal year should be provided for review and timely authorization since there will be no extra funds to cover those claims.
29. MINECOFIN have learnt from experience that some budget agencies have foreign exchange related transactions (subscriptions, letters of credit, promissory notes etc...) and require exchange rates to derive local currency equivalent in the budget estimates. It is important to have a uniform basis for budget estimates from all budget agencies. Accordingly, the exchange rate to be used during the 2020/21 budget preparation is shown in the table below

Table: Exchange rate forecasts of US dollar against the Rwanda Franc

Exchange Rate Forecasts	2019/20	2020/21	2021/22
Rwf/USD exchange rate (period average)	922.5	1,008.5	1,053.9

Source: MINECOFIN

30. As required under article 26 of the Organic Law on State Finances and Property, Public Enterprises should adhere to the principles of budget preparation provided in this circular. In line with the requirement of article 7 of Organic law on State Finances and Property, Public Enterprises are required to submit estimates of their revenues and expenditures for the period 2020/21-2022/23 to accompany the 2020/21 budget. The parent Ministry/Institution is required to provide a completed **Annex 9** from the relevant Public Enterprise(s) under its responsibility together with the substantive budget submission for 2020/21
31. As highlighted in NST1 ,1.5 million decent and productive jobs has to be created by the end 2024 which is crucial to the country's development ,mainstreaming job creation was identified among the priority interventions to be pursued .Thus, a planning template (**Annex 14**) that will show anticipated jobs to be created has been provided .Information requested should be sent to MIFOTRA via employment@mifotra.gov.rw with a copy to ndpr@minecofin.gov.rw .For further guidance on how to fill the template ,you can contact the national planning focal persons in the annex of MINECOFIN focal points.
32. All budget agencies should ensure that the contents of these guidelines are strictly abided by and all issues therein addressed in their budget estimates. The table below provide a summary of annexes required to accompany the electronic submission for a complete budget submission for 2020/21:

A SUMMARY OF ANNEXES TO BE SUBMITTED

S/N°	ANNEX N°.	DESCRIPTION	WHO TO SUBMIT IT	SUBMISSION MODALITY
1	Annex 4	Completed table of expected internally generated revenues and expenditures	All agencies that has internally generated revenues	IFMIS
2	Annex 5	Completed table of 2020/21 budget estimates and MTEF	All budget agencies	IFMIS
3	Annex 6	Completed table on new earmarked transfers to decentralized entities for the FY 2020/21 and the medium term	Only agencies with New earmarked transfers	Email & hard copy
4	Annex 7	Completed table of contractual	Only agencies with	Email &

		staff	contractual personnel	hard copy
5	Annex 8	Completed Strategic Issues Paper signed by the Chief Budget Manager	All Ministries/other high level institutions and consolidate issues from affiliated agencies	Email
6	Annex 9	Completed table of budget estimates of Public Enterprises showing estimates of their revenues and expenditures for the period 2020/21-2022/23	All Ministries and agencies with Public Enterprises under them	Email & hard copy
7	Annex 11	Annual Maintenance Plan highlighting prioritized areas for maintenance in the 2020/21 fiscal year	All agencies with fixed assets	Email
8	Annex 19	Updated guidelines for the existing earmarked transfers and additional information for new earmarked transfers to districts for the FY 2020/21	All central government agencies with earmarked transfers	Email & hard copy
9	Annex 15	Gender Budget Statement for all Ministries and decentralized entities	All Ministries and their affiliated agencies plus districts	Email & hard copy
10	Annex 16	Transfers to Other Government Agencies for the FY 2020/21	All central government agencies with transfers to other central government agencies.	Email & hard copy

3 Fiscal Decentralization Issues:

33. The Ministry of Finance and Economic Planning in collaboration with Sector Ministries and other Agencies, developed guidelines for execution of 2020/21 earmarked transfers as shown in **Annex 16**. According to article 32 of the Organic Law N° 12/2013/OL of 12/09/2013 on State Finances and Property, MINECOFIN should submit these guidelines to the Parliament as part of the Budget Framework



Paper (BFP) in April 2020. Accordingly, you are required to update the activities to be earmarked to decentralized entities that are applicable to your institution and submit them together with budget estimates for the 2020/21 budget.

34. The 2020/21 new earmarked transfers to decentralized entities are included in the Sector Ministries' ceilings whilst existing earmarked transfers are incorporated in the districts' ceilings. Accordingly, all existing earmarked transfers shall be mapped to their corresponding revised programs and sub-programs in decentralized entities. Similarly, in providing new earmarked transfers, special reference has to be made to the program and sub-program structure of decentralized entities as shown in **annex 10**. Sector Ministries that have new earmarked transfers are required to use **Annex 6** for submission with other budget documentations.
35. In addition to earmarked transfers that are deducted from the resource envelope of the central government earmarking agency and budget under districts, some central government implement externally financed projects whereby funds are transferred to districts during implementation (what is commonly known as Transfers from other government agencies). To ensure proper planning and appropriate budgeting for the transfers, the transferring agency is required to provide guidelines for these transfers in **Annex 16**.
36. In accordance with Law N° 41/2010 of 25/11/2010 regulating the organization and functioning of the Local Development Agency (LODA), all development projects financed by the Central Government for implementation by decentralized entities shall be funded through LODA. The envelope for all domestically financed projects in decentralized entities has therefore been allocated to LODA which will determine the ultimate ceiling of development projects for each district and City of Kigali. Therefore, it is imperative that line Ministries and other budget agencies that have earmarked capital projects to communicate to LODA the priority areas for investment with clear guidelines on outputs to be achieved as well as sectorial standards and norms that should be respected in the planning and budgeting processes of the decentralized capital projects.
37. This circular is relevant to decentralized entities only in respect of the Central Government transfers to decentralized entities. Since the budget of a decentralized entity covers more than Central Government transfers, a separate Budget Call Circular has been prepared for decentralized entities detailing steps for the



preparation of decentralized entities budgets for the FY 2020/21 and the medium term.

Conclusion

38. Coordination between Line Ministry, affiliated agencies, Single Project Implementation Units and administrative decentralized entities (on earmarked transfers and planned transfers from other government agencies) is very important to prepare a complete budget submission. It is worth noting that Ministries should undertake adequate consultations with all relevant agencies before budget hearings convene.

39. In order to meet the constitutional obligation to submit the 2020/21 draft budget estimates and MTEF to parliament before commencement of the budget session, the draft estimates of budget agencies should reach the Ministry of Finance and Economic Planning not later than **March 20th, 2020** in hard copies and electronically through IFMIS. Budget hearings for all Sector Ministries are expected to start in mid-March 2020. A tentative ministerial budget consultation timetable is provided in **Annex 12**.

Yours sincerely,


Dr. Uzziel NDAGIJIMANA
Minister of Finance and Economic Planning



CC:

- H.E. The President of the Republic of Rwanda
- Right Hon Prime Minister
- Hon. Minister (All)
- Hon. Minister of State (All)
- CEO RDB, RMPGB