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**To: Chief Budget Manager of the City of Kigali and District (All)**

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

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**A. Introduction**

1. In line with Organic Law on State Finances and Property as well as the Ministerial Order No 001/16/10/TC of 26/01/2016 relating to Financial Regulations, the Ministry of Finance and Economic Planning issued the First Planning and Budgeting Call Circular (PBCC) N°0806/10/19/NDPR on 23<sup>rd</sup> October, 2019. The circular provided advance information to facilitate the process of preparing the 2020/21 budget on time. This second Budget Call Circular is envisioned to provide detailed guidelines and instructions to facilitate decentralized administrative entities to prepare and submit detailed budget estimates for the FY 2020/2021, and the Medium Term Expenditure Framework.

**B. The Macroeconomic Context of 2020/21 Budget Preparation**

2. 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 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. To support the achievement of the projected economic growth, priority interventions planned in 2020/21 and in the medium term should be drawn from District Development Strategies (DDSs) contributing to the National Strategy for Transformation (NST1) and Vision 2050 in the long term.

4. Fiscal consolidation and expenditure rationalization remains our policy direction in 2020/21 and in the medium term. This involves widening local resource collection to reduce external dependency as well as prioritization of projects and interventions to generate the expected impact. Decentralized administrative entities are therefore called to implement the law No 75/2018 of 07/09/2018 establishing the sources of revenue and property of decentralized entities to widen their tax base.
5. Decentralized Administrative Entities have also the responsibilities to develop strategies to harness existing local economic potentialities as well as the local tax base. This will be achieved through investing in projects that promote business opportunities as well as improving the socio-economic welfare of the citizens. Maximizing the local revenue collection will remain also critical for the development agenda over the medium term. There is a strong need for, inter and intra-sectoral coordination in order to promote synergy and eliminate duplication of activities where these exist. The Chief Budget Manager of the City of Kigali or District is expected to coordinate with Central Government and other stakeholders during the budget preparation process.
6. As provided by the No 75/2018 of 07/09/2018 establishing the sources of revenue and property of decentralized entities, the decentralized sources of revenues are supported by transfers from the central government in terms of block grant and transfers for financing local investment projects. In addition, central government agencies with decentralized activities transfer money to local government in form of earmarked transfers for implementation of the decentralized activities. The medium term estimates of Government transfers to decentralized administrative entities are estimated in the table below:

**Table 1: 2020/21-2022/23 Medium Term central government transfer to the Decentralized Administrative Entities**

Category	2019/20 Revised Budget	Ceiling 2020/21	Ceiling 2021/22	Ceiling 2022/23
Block Grant	59,215,473,965	59,215,473,965	65,137,021,362	70,939,802,042
Recurrent Earmarked Transfers	215,784,516,154	227,945,454,609	232,475,866,907	245,459,320,434
District Capital domestic	143,049,830,730	127,691,643,675	140,460,808,043	154,506,888,847
<b>Total Government Subsidies to Local Government</b>	<b>418,049,820,850</b>	<b>414,852,572,250</b>	<b>438,073,696,311</b>	<b>470,906,011,323</b>

7. In addition to the Government Subsidy to decentralized administrative entities, their own revenues are also expected to increase as a result of ongoing resource mobilization measures and tax administration reforms. The total transfers from central government to decentralized administrative entities are classified into three broad expenditure components namely: wages and salaries, recurrent non-wage expenditures and domestic capital investments. The expenditure allocation to decentralized administrative entities by broad economic category is shown in the table 2 below:

**Table 2: 2020/21-2022/23 Decentralized Administrative Entities expenditure on Government Subsidies by broad economic category**

Category	2019/20 Revised Budget	Ceiling 2020/21	Ceiling 2021/22	Ceiling 2022/23
Wages and Salaries	163,545,892,703	175,706,831,158	180,237,243,456	193,220,696,983
Recurrent Non-Wage	52,238,623,451	52,238,623,451	52,238,623,451	52,238,623,451
Investment Projects Financing	143,049,830,730	127,691,643,675	140,460,808,043	154,506,888,847
<b>Total Government Subsidies to Local Government</b>	<b>358,834,346,884</b>	<b>355,637,098,284</b>	<b>372,936,674,949</b>	<b>399,966,209,281</b>

8. 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 NSTI 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. Below are some specific priorities 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.



- **Increasing Electricity generation and access for both economic productive areas as well as at household level 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.
- **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.

**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 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).
- **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.

### **C. Specific instructions for 2020/21 Budget Preparation**

#### **i) Key considerations for 2020/21 resource allocation**

9. As indicated in the table 1 and 2 above, the total indicative resource envelope to the Local Government for the **FY 2020/21, 2021/22 and 2022/2023 is Frw 414.9 Billion, Frw 438.1 Billion and Frw 470.9 Billion** respectively as indicated in **Annex 1**. The ceilings given to districts are for subsidies from central on block grant, and recurrent earmarked transfers while ceilings for local investment projects shall be detailed per district by Local Administrative Entities Development Agency (LODA) in line with its mandate as per the law N° 62/2013 of 27/08/2013.
10. Following the revised law governing the City of Kigali and its districts, the ceiling has been allocated at the City level and there is need for coordination to ensure activities to be performed in every district are properly considered and allocated appropriate budget.
11. In developing the budget estimates to enter into the budget system (IFMIS), the Local Government budget agencies are required to use the usual MTEF templates that are consistent with the system configuration to facilitate data entry exercise. Budget estimates shall be prepared in the format provided in **Annex 4** and in line with the revised local government programme and sub-programme structure provided in **Annex 3** that is consistent with the Chart of Accounts in use, which has been uploaded into the IFMIS. The data entered in IFMIS as activities should correspond to the PPDs (project titles) of approved LG projects available in LODA Monitoring and Evaluation Information System (MEIS) that will serve as the sole channel for reporting on the implementation of these projects. Districts and City of Kigali are also reminded that ongoing projects should remain with same codes and names as they are now in IFMIS in this current 2019/2020 Fiscal year and there is no need to duplicate them as new projects.
12. Technical Ministries are reminded to share with LODA the detailed district earmarked budget and corresponding activities/projects to be financed in each district.
13. Local Administrative Entities Development Agency (LODA) will continue engaging Development Partners intervening in Local Economic Development (LED) and Social Protection through LODA to agree on the final figures to be committed in the coming MTEF period.

**ii) Budget preparation processes**

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 5** presents the updated Chart of Accounts and accordingly, all budget districts are required to prepare detailed expenditure estimates with relevant expenditure items in conformity with the updated Chart of Accounts classifications provided in **Annex 5(b)**. 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 miss positing during budget execution. Districts Revenue estimates shall be prepared in accordance with revised Chart of Accounts classifications provided in **Annex 5(a)**.
  
15. The commitment to improve service delivery at all levels of Government is making the need for result-based budgets and programme based budgeting eminent. It is therefore imperative to establish key outputs for each budget programme with very clear performance indicators. Accordingly, funds allocated to each sub-programme in the budget can be evaluated against the results it is set to achieve in the action plan. 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 (MINAGRI, MINEDUC, MININFRA and MINISANTE). In 2020/21, this pilot phase has been expanded to include a few selected decentralized administrative entities one per province and Kigali city (**Muhanga, Nyagatare, Musanze, Rubavu and City of Kigali**) to enable the success of the reform in the roll-out phase planned in subsequent years.

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

16. It is important to respect the budget program structure that was initiated to strengthen the linkage between action plans and budgets on one hand but also to enhance accountability on the other. It is envisaged that these principles will have to be respected in the formulation of the budget and specifically in the allocation of resources. In practical terms, this entails three important considerations which you are advised to observe during the formulation of the budget:
  - a) Salaries of staff that provide support services shall have to be budgeted in the administrative and support services program while salaries of staff that are engaged in service delivery are provided in the substantive programs of service delivery. For Teachers and Health Workers' Salaries, the decentralized administrative entities should



strictly respect the revised new chart of accounts (on the side of the item level) during the data entry so as to circumvent the misallocation and miss-posting errors.

- b) All overhead costs of implementing a program are captured in the administrative and support services program.
- c) The service delivery programs as well as enabling programs should only reflect the direct cost of implementing those programs.
- d) Decentralized administrative entities that work with other Government Agencies as partners should mobilize the resources/funds in the opportune time so that they can be affected on time during the data entry.

17. As indicated in the First Planning and Budgeting Call Circular and in line with the Government Public Investment Policy, starting from 2014/15 FY, you are required to carefully prepare the budget for local development projects in line with the guidance provided by the Local Administrative Entities Development Agency (LODA). Please note also that the envelope for all domestically financed projects in Local Administrative Entities has been allocated to LODA which will determine the ultimate ceiling of development projects for each District and City of Kigali. You should submit a list of prioritized projects from those that shall be approved by the Local Government Project Advisory Committee and district councils consistent with the format shown in **Annex 6**. Additionally, it is imperative that Local Governments provide for operations and maintenance budget for capital projects at all times. Therefore, you are required to finalize the Maintenance Plan submitted in P&BCC 1 as part of your budget documentation with the format shown in **Annex 7**.

18. 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 8** of this circular gives detailed guidelines on how to mainstream gender in the budgets. 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.

19. 32. Since creation of 1.5 million decent and productive jobs is a critical target of NST 1, mainstreaming job creation was identified among the priority interventions to be pursued. To this end, a planning template (**Annex 9**) that will show anticipated jobs to be created from planned projects has been provided for your use. Information requested should be sent to MIFOTRA via [employment@mifotra.gov.rw](mailto:employment@mifotra.gov.rw) with a copy to [ndpr@minecofin.gov.rw](mailto:ndpr@minecofin.gov.rw).

20. While developing the budget estimates, the Local Government budget agencies should consider the following:

- a. Human Resource managers should be involved in the budget process to provide adequate information related to the wages and salaries budget estimates;
- b. Allocation for contractual personnel is included in the non-wage recurrent envelope provided for each budget agency;
- c. All pending arrears incurred in FY 2019/20 and previous years should be prioritized in the budget estimates. Amongst these arrears to be catered for in FY



2019/20, include the remaining arrears for Ex-commune employees where they still exist.

21. It is expected that the existing earmarked transfers should not decrease unless there is a policy decision in that respect.. Decentralized administrative entities budget agencies are advised to start preparing their 2020/21 budget estimates and MTEF on the basis of transfers provided in 2019/20 per earmarking institution. However, this can change as the earmarking institutions have the final say on which priorities will be funded and how much will be allocated to each district. Transfers provided in **annex 1 and 2** remain indicative until the corresponding earmarking institutions provide the final earmarked transfers guidelines with final ceilings. During the data entry of these earmarked transfers into the IFMIS, the decentralized entities should respect the allocations to the specific activities as proposed by the earmarking institution.
22. Earmarked Transfers Guidelines are sent by earmarking institutions to MINECOFIN for consolidation and guiding the decentralized administrative entities during the budget preparation and implementation. Earmarking entities are not allowed to issue separate guidelines to decentralized administrative entities except the ones consolidated by MINECOFIN. The districts that will receive separate instructions should refer the concerned institutions to MINECOFIN and the consolidated guidelines are the only official guidelines to follow during the budget preparation and implementation.
23. In addition, this is also a kind reminder that no inter-entity transfers shall be allowed in implementation of the 2020/21 budget for all expenditures committed through the treasury. Any commitment of providing such funds should be confirmed by signing a funding agreement by both parties. The funding agreement will be required when validating the budget to be entered in the IFMIS to be used during the FY 2020/21. As a reminder, all external financing agreements have to be countersigned by the Ministry of Finance and Economic Planning as provided in the Aid Policy.

#### **D. Conclusion**

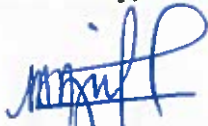
24. The Local Government authorities are required to ensure the content of this Circular are strictly adhered to and all issues therein are addressed in their draft budget proposals. The following annexes should accompany electronic submission through IFMIS for a complete 2020/21 budget submission:
  - a) A completed list of development projects consistent with the format shown in **Annex 6**.
  - b) The Annual Maintenance Plan in the format shown in **Annex 7**.
  - c) The Gender Budget Statement (GBS) in the format provided in **Annex 8**.
  - d) Employment Mainstreaming Planning Template in **Annex 9**.
25. Decentralized Administrative Entities are advised to request the technical assistance from the Fiscal Decentralization Division in relation to the budget preparation process for 2020/21 FY



and the Medium Term. The contacts for staff to engage on the technical support are provided in **Annex 10** of this circular.

26. In order to meet the statutory deadline to submit the 2020/21 draft budget estimates and MTEF to Parliament and Districts and City of Kigali Councils before commencement of the budget session, the draft budget estimates should reach the Ministry of Finance and Economic Planning **not later than March 20th, 2020** in hard copies and electronically through the Integrated Financial Management Information System (IFMIS).

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**
- **Mayor of the City of Kigali**
- **Governor of Province (All)**
- **Mayor of the District (All)**