Annex I: Explanatory Note to the Budget Framework Paper for the period 2024/25-2026/27

1. Background

The Budget Framework Paper for the period 2024/25-2026/27 is prepared in accordance with article 34 of the Organic Law N° 002/2022.OL of 12/12/2022 on public finance management and outlines the Government's macroeconomic and fiscal policy stance as well as the budget policy over a 3-year horizon from 2024/25-2026/27. This Budget Framework Paper and the medium term budget estimates have the following main objectives:

a) To communicate the 2024/25 economic performance as a basis for the medium term projections;
b) To communicate available resource envelope for the period 2024/25-2026/27 as well as the strategic expenditure choices behind resource allocation putting into consideration the uncertain again amid financial sector turmoil, high inflation, ongoing effects of Russia's invasion of Ukraine, and three years of COVID;
c) To highlight priorities for the delivery of the National Strategy for Transformation (NST1 2017-2024), objectives;
d) To highlight the Policy issues that have a bearing on the budget for cabinet consideration and guidance.

2. Economic Performance and Medium Term Outlook

a) Global Economic Performance and Outlook

2.1 Global Outlook Growth

According to the IMF's January 2024 World Economic Outlook (WEO), Global growth remained low in 2023, slowing down to about 3.1 percent from 3.5 in the previous year 2022 and outlook remains uncertain as the global economy continue to face several challenges. The global environment was hostile to growth as the economy was still recovering from pandemic, geopolitical tensions raging such as the war in Ukraine and in the middle-east, trade fragmentation as well as climate related shocks intensifying across. Inflationary pressures mounted leading to a more monetary tightening and restrictive financial conditions. In the Sub-Saharan region, growth is estimated to have grown by 3.3 percent in 2023 from 4 percent in 2022 as post-pandemic recoveries were slowed by weakening external demand and domestic policy tightening to address persistent inflation.

2.2 Domestic Economic Performance

2.2.1 Domestic growth

In 2023, Rwanda's domestic economy was characterised by a constrained environment especially as a result of climatic shocks which suppressed agriculture production and largely transmitted through very high food prices and inflation. Despite this constrained domestic context, Rwanda's economy maintained a robust growth increasing by 8.2 percent, 2 points higher than projected. Industry and Services sector largely drove this growth contributing about 90 percent of the real GDP growth; this was mainly due to good performance of construction and manufacturing activities as well as services, of which trade, transport and hospitality sectors of the country fully recovers from COVID-19 pandemic in tourism and travels and continue to attract meetings/MICE sector.

In 2023, Agriculture registered a low growth of 1.7 percent with food crops not growing, export crops contracted by 4.4 percent. Industry increased to 10.2 percent with construction and manufacturing increasing by 11.6 percent and 10.5 percent respectively while mining & quarrying also increased by 9.1 percent. Services continued to register high growth performance increasing by 11.2 percent driven by trade and transport increasing by 9.9 percent, other services by 11.7 percent of which hotels and restaurants increased by 18 percent and Information and communication registered a very high performance of about 34.7 percent.

2.2.2. Inflation

In 2023, headline inflation stood at 14.0 percent on average, from 13.9 percent recorded in the previous year while end period headline inflation stood at 6.4 percent in December 2023 from 21.6 percent of December 2022. This was reflected in all key components of inflation (core, food and non-alcoholic beverages and energy), generally as a consequence of increases noted in the international commodity prices (food and energy) coupled with lower domestic agricultural supply. However, inflation pressures started to decelerate especially in second half of 2023.

Food inflation, increased to only 11.7 percent in December 2023 from 44.3 percent in same month 2022. Core inflation (excluding fresh products and energy) stood at 5.7 percent in December 2023 compared to 15.4 percent in the same period the previous year. On annual average, core inflation stood at 9.6 percent as of December 2023 compared to 11.1 percent in December of 2022. Imported inflation increased at 7.8 percent in December 2023 from 19.5 percent in December 2022.

At the end of February 2024, Inflation stood at 4.9 percent y/y, against 5.0 percent y/y the previous month, driven mostly by continued deceleration of food prices due to season A 2024 good harvests.

2.2.3 External sector performance

The overall balance of payment had a surplus of USD 107 million at end 2023, showing an increase from a deficit of USD 128.9 million at the end of 2022. This was due to the increase in General government loans from USD 413 million to USD 1,231.6 million for 2022 and 2023 respectively.
In 2023, the trade deficit (Goods) deteriorated by 19.1 percent to USD 2,368.8 million compared to USD 1,988.5 million in the previous year 2022. This was primarily due to growth of 8.8 percent in imports (FOB) in 2023, decelerated from 27.3 percent recorded in 2022, which outweighs exports as they grew by 1.7 percent in 2023 compared to 33.2 percent increase in 2022. The deceleration in growth of exports observed in 2023 was due to deceleration in non-gold exports, which was mainly from contraction in coffee exports by (16.4 percent), contraction in minerals 3ts by (1.2 per cent) and Tea contracted by (0.4 per cent) while gold export grew by of 59 percent.

Net Services improved from the surplus of USD 3.5 million in 2022 to a surplus of USD 94.8 million in 2023, as its debit (import) has increased by 8.1 percent while the credit (export) increased by 18.4 percent. With the above performance, the current account deficit as percentage of GDP rose to 11.8 percent in 2023 from 9.4 percent in 2022.

2.2.4 Fiscal Developments

Revised Budget FY 2023/24

The 2023/24 fiscal projection in line with the original budget approved by parliament in June 2023 was revised in February 2024 to incorporate additional resources (domestic revenues, external loans, and grants) and budget expenditures need. As a result of these revisions and in economic classification terms, total revenue and grants for FY 2023/24 were revised downwards from FRW 2,956.1 billion to FRW 2,947.2 billion showing a slight decrease of FRW 8.9 billion.

On the spending side, the total original recurrent expenditure estimate of FRW 2,901.4 billion was raised to FRW 2,906.2 billion showing a net increase of FRW 4.9 billion while the amount spent under capital expenditure was FRW 1,985.3 billion higher by FRW 90.6 billion compared to the original budget of 1,894.7 billion.

These changes which affected both recurrent spending, domestically and foreign financed capital spending allocated under different sectors (Agriculture, ICT, Education, Health, etc), all led to a net lending or borrowing/deficit of FRW 81.4 billion with FRW 24.3 billion lower than the original budget figure of FRW 105.7 billion.

Budget Execution July-December 2023

i. Resources

The budget implementation for July-December 2023 was affected by both global and domestic economic environment and in turn also affected domestic resource mobilization on one hand and the pace of expenditure commitments by sectors on the other hand. Total revenue (including grants) collections were slightly lower than projected due to a shortfall in tax collection.

Total revenue (Tax, other revenues, and grants) collections of FRW 1,784.3 billion during the July to December 2023 period and fell short by FRW 12.4 billion compared to the original budget projection of FRW 1,796.7 billion mainly due to shortfalls in Tax collection, which didn’t offset by excess performance in grants and other revenue.

Tax revenue collections for the July-December 2023 period were FRW 1,189.1 billion lower by 66.7 billion compared to original budget projection by FRW 1,255.8 billion. This sluggish performance was due to different factors which affected both direct and indirect tax collection. The consumption-based taxes were affected by inflation pressure, income related taxes which generally are paid at the deadline coincide with the weekend days while the shift in origin of imports where by big share of imports came from EAC countries are tax exempted, affected negatively collection on import related taxes. However, Tax collection is expected to catchup in the second semester of FY 2023/24.

Other revenue collections (non-tax revenue) exceeded the projections for the period under review by FRW 45.4 billion (FRW 260.8 billion achieved vs FRW 215.4 billion projected). Sales of goods and services, fines, forfeits and penalties, contributed mostly to the excess collection under the Other Revenue category. Property income fell short by FRW 3.8 billion as a result of the extension of the payment of property taxes deadline to February 2024. Revenue from agencies' own collection and PKO Collection contributed to the excess in sales of goods and services. Police collection under fines and penalties and forfeits contributed to over-performance under this category with a collection of FRW 19 billion compared to FRW 13.5 billion projected.

Regarding Grants, total grants disbursement in July-December 2023, amounted to FRW 334.4 billion and exceeded the expected amount in the original budget of FRW 325.4 billion by FRW 8.9 billion, the excess performance was due to frontloaded grants of Germany which were expected in march 2024, and higher than expected disbursement of Global funds.

ii. Expense

Total outlays during the period under review amounted to FRW 2,132.6 billion and was FRW 4.2 billion less than the estimated amount of FRW 2,136.8 billion. Performance in the use of goods and interest payment lead to lower spending during July-December 2023 period.

Expense amounted to FRW 1,413.9 billion compared to FRW 1,452.0 billion which was originally estimated for the period which is lower than projected spending by FRW 38 billion mainly coming from use of goods and services and interest payments. Under the category of use of goods and services which amounted to FRW 357 billion in the period under review it was slightly lower by FRW 2.8 billion. This category is made of needs related to administrative and other support services for the various ministries and public entities under Central Government. The shortfall under this category were related to rationalisation of spending such as adoption of online meetings and reduction in travel expenses as well as delays in procurement process of goods and services including technical assistance. Regarding lower interest payments compared to original budget estimates of FRW 34.6 billion, were mostly coming from lower interest payments to residents other than general government (domestic) where there was a higher-than-expected issuance of T-bonds (that generates interests in the following semester) than T-bills (that generates interests in the same semester) from Frw 78.1 billion projected to Frw 61.9 billion realized, in addition to lower than expected market interest rate.

3. Objectives and Policies for the Medium Term 2024/25 to 2026/27

3.1. Overview of 2024/25 policies and medium term macro-economic framework

The policies and strategies over the medium term are by and large guided by the National Strategy for Transformation (NST). The Government will continue to consolidate the public finances to reduce fiscal deficits and stabilize debt levels while responding to remaining scars from COVID-19 and the negative impact the war in Ukraine and other global geopolitical tensions have on the recovery of the economy and on households' income and spending.

The Russia-Ukraine crisis assumes a prolonged period of instability and uncertainties, plus red sea and probable China-Taiwan, drought in the South African region, may risk the medium-term macroeconomic projections through higher inflation (higher energy, food and other commodity prices), an increase in the cost of doing business and making investment, pressures on the exchange rate as well as moderate GDP growths than previously projected.

Medium term policies will be about continuing implementation of fiscal consolidation through budget spending rationalization, implement the Medium-Term Revenue Strategies (MTRS) for domestic revenue mobilization, improving the fiscal risk oversight especially for SOEs. Inflation will be kept within the band and debt anchor also will be supporting the path of reaching 65% GDP in 2031.

3.2. Real Sector Projections for 2024 and the medium term

Rwanda's growth momentum remained strong, notwithstanding the challenging external environment. The 2023 GDP growth continued to be robust at 8.2 percent year-on-year, on the back of strong performance in services and construction, as well as recovery in food crop production in the second half of the year. Inflation decelerated sharply in recent months. Headline inflation was 4.9 percent in February 2024, down from the peak of 21.7 percent in November 2022, owing to appropriately tight monetary policy stance and favourable developments in food prices as agricultural production rebounded at the end of last year. The current account deficit widened due to strong food and capital goods imports, along with lower-than-expected coffee exports. The Rwandan franc depreciated by 18 percent against the US dollar in 2023, a necessary step towards facilitating the much-needed external adjustment. International reserves stood at 4.4 months of prospective imports at end-2023, providing a helpful buffer against external shocks. While Rwanda's economic outlook continues to be positive, risks remain tilted to the downside.

GDP projections indicate a temporary softening of economic growth driven by recalibration of policies needed to preserve Macroeconomic and financial stability, ensure fiscal sustainability, and rebuild buffers. GDP growth is projected at 6.6 percent, 6.5 percent, 6.8 in 2024, 2025, and 2026 respectively, before reaching 7.2 percent in 2027. On the demand side, private consumption and investment are expected to be the main growth drivers in the medium term as fiscal consolidation continues. Net exports will improve as a result of the real effective exchange rate depreciation. On the supply side, services sector will continue to expand robustly, coupled with a continued recovery in the agricultural sector.

3.1.2 Inflation

Since the beginning of 2023, headline inflation continuously decreased, dropping from 20.7 percent in January 2023, to 6.4 percent in December 2023, and further to 4.9 percent in February 2024, on year-on-year basis. This decline reflects a reduction in all components, namely core, fresh foods, and energy inflation. This is a result of domestic agricultural supply linked to good weather conditions for 2024 Season A, NBR's monetary policy tightening, and an easing trend in some international food price pressures. Headline inflation is projected to decline to 5 percent in 2024, reflecting easing food prices and tight monetary policy.

3.1.3 External Sector projections

The current account deficit is expected to slightly lessen temporarily in 2024 driven by a rise in Exports with decline in Imports. Current account deficit is expected to steadily improve in the medium term following higher domestic savings due to fiscal consolidation. The deficit is projected to widen to 12.1 per cent of GDP in 2024, largely due to elevated global fuel and food prices.

3.1.4 Medium term External Debt Policy

Overall, Rwanda's Public debt remains sustainable with a moderate risk of debt distress. The preliminary debt sustainability analysis (DSA) conducted as of March 2024 shows that the year 2023 ended with an external Present Value (PV) of debt level to Exports of 118.8 per cent and a respective Present Value of External Debt Service to Exports and revenues of 8.3 per cent and 12.2 per cent while expecting a further decline in 2024. All these debt ratios are well below the respective thresholds of debt sustainability as per the IMF/WB Debt Sustainability Framework.

Going forward, in order to hedge for unsustainability, Rwanda's debt management strategy will: (I) continue to be guided by the debt path (limit to which the debt to GDP should not exceed) driven by a strong fiscal consolidation program designed to bring the debt level to the anchor of 65 percent of GDP by 2031 through domestic revenue mobilization strategy, spending rationalization plan and adaptation and mitigation measures for fiscal risks arising from State Owned Enterprises, Power Purchase Agreements etc.

In order to keep a moderate risk of debt distress, the overall debt strategy will also focus on (II) maximizing concessional funding opportunities to minimize debt servicing pressures; (II) Prioritize fixed instruments to avoid effect of volatile market interest rate; (III) develop the domestic market to reduce dependence on foreign currency debt while reducing refinancing risks with issuance of long-term securities; (IV) Proactively taking liability management operations whenever possible to avoid refinancing risks; (V) and finally, boosting our exports to build buffers for debt sustainability.

3.1.5 **Fiscal Stance for 2024 and the Medium Term**

The Budget for FY2024/25 indicates continued normalization of Fiscal policies for recovery from COVID-19 period and its scars, but also recovery from global geopolitical tensions as well as reconstruction efforts following Floods in May 2023. The Fiscal objectives will keep fiscal consolidation to steer Macroeconomic stability, keep debt at sustainable levels, strengthen fiscal framework, and preserve the needed fiscal space to implement the country's objectives, development programs and priorities under the National Strategy for Transformation (NST). The needed fiscal consolidation will be supported by the implementation of domestic revenue mobilization measures under the Medium-Term Revenue Strategies (MTRS) and spending rationalization measures. In addition, reforms aiming at improving the transparency, the efficiency of public financial management and investment practices as well as enhancing the management of fiscal risks.

In FY 2024/25, fiscal consolidation measures will include strengthening the efforts to rationalize spending that have already started, with a focus on making some temporary savings in both current and development spending such as those related to official travels and conferences by increasing reliance on virtual meetings and continue digitalising some of the public services. Also included are strengthening management, oversight and monitoring of public investments, and empowering priority investment projects on the development aspect. In addition, the spending rationalization will include strengthening the institutional framework and technical capacity for State Owned Enterprises (SOEs) for improving their oversight, governance and risk management. The enacted new Organic Budget Law (OBL) entails reforms processes, including a Planning-Budgeting Outlook Paper (PBOP) that guides expenditure ceilings for spending to ministries earlier in the process, supporting strategic expenditure prioritization.

As a result of Fiscal consolidation, the total recurrent and development expenditures are projected to decline from 28.3% of GDP in the current fiscal year 2023/24 to 26.8% of GDP in FY 2024/25 and to 26.6% of GDP in FY 2025/26 and 2026/27. The recurrent part will be much affected by the consolidation where the trend will be from 18.6% of GDP in the current FY 2023/24 to 17.9 % of GDP in the FY 2024/25 and continue to 17.6% of GDP and 17.1% of GDP in FY 2025/26 and FY

2026/27 respectively. Government investment however is projected at an average of 9.1% of GDP in the medium-term horizon to support the economic growth. The consolidation will affect domestically financed capital, private consumption and investment will lead growth. Meanwhile, the continued geopolitical tension will keep impacting both global and domestic economic activities and slowdown in imports. Both pricey imports and agricultural inflation pressures may affect the magnitude of the planned fiscal consolidation.

The Budget for FY2024/25 also includes an increase in the cost of fertilizers and social protection interventions and prioritization of key interventions from the Socio-Economic Recovery Plan that have shown good results in building resilience and enabling recovery.

Despite the indicated pressures, the medium-term fiscal framework will maintain the fiscal deficit path at a necessary level to bring the debt level at or below 65% of GDP by 2031. The fiscal deficit for FY 23/24 is projected at 6.7% of GDP. The FY24/25 deficit is projected at 5.2% of GDP and will decline to 3.4% in 2025/26 and 3.1% of GDP in 2026/27.

The table below Resources and Expenditures over the medium term

RESOURCES AND EXPENDITURES				
(Billion FRW)	2023/24 Revised Budget	2024/25 Budget Estimates	2025/26 Proj.	2026/27 Proj
Resources	**5,115.6**	**5,690.1**	**6,374.1**	**7,168.5**
Revenue	**2,947.2**	**3,414.4**	**4,055.5**	**4,771.4**
Taxes	**2,559.8**	**2,970.4**	**3,558.9**	**4,216.8**
Taxes on income, profits, and capital gains	1,194.7	1,401.4	1,668.0	1,978.5
Tax on Property	7.3	7.1	8.5	10.0
Taxes on goods and services	1,161.0	1,352.7	1,642.1	1,940.0
Taxes on international trade and transactions	196.9	209.2	240.2	288.2
Other revenue	**387.5**	**444.0**	**496.6**	**554.7**
Acquisition of financial assets(Domestic exl.Eurodbond) Total New issuance (TMC)	**1.6**	**83.8**	**50.4**	**52.5**
Domestic Financing	**148.2**	**148.5**	**35.5**	**102.2**
External Grants Support	**689.8**	**725.3**	**901.1**	**835.2**
Current	187.9	277.0	270.8	152.1
Capital	501.9	448.3	464.4	490.6
Required			165.9	192.5
Foreign Incurrence of liabilities	**1,328.7**	**1,318.1**	**1,331.7**	**1,407.1**
Monetary gold & SDR				
Debt securities				
Current	772.2	726.3	621.6	598.8
Capital	556.5	591.8	710.1	808.3
ERF Loan	*46.2*	*26.2*	*24.9*	*10.0*
Total Spending	**5,115.6**	**5,690.1**	**6,374.1**	**7,168.5**
Expenses	**2,913.2**	**3,421.2**	**3,956.8**	**4,369.1**
Compensation of employees	933.7	1,050.8	1,317.8	1,480.2
Use of goods and services	1,979.5	2,370.3	2,639.1	2,888.9
Of which Public debt servicing	616.3	762.7	1,051.1	1,164.3
Capital Spending	**1,978.3**	**2,037.4**	**2,228.5**	**2,614.2**
Foreign financed	1,012.3	1,014.0	1,149.6	1,288.9
Other Domestically financed (BCG)	960.3	1,017.7	1,073.3	1,318.6
Inventories (strategic stock fuel purchase domestically financed Capital)	**5.7**	**5.7**	**5.7**	**6.7**
Equity and investment fund shares(BRD & BIA ,Eurobond Projects)	**26.6**	**39.8**	**35.8**	**36.0**
Policy Lending	**81.4**	**60.7**	**59.4**	**44.4**
Other accounts payable	69.9	80.0	40.0	40.0
Increase in Deposits (Infrastructure Levy and Strategic Reserves fuel levy)	46.2	51.0	53.5	64.8

4. 2024/25 AND MEDIUM TERM DETAILED RESOURCE ALLOCATION TO NSTI PILLARS

Policy priorities for the MTEF period are guided by Vision 2050 objectives and priorities embedded in the National Strategy for Transformation (NST1 2017-2024), Presidential pledges and other strategic documents.

However, overall NST1 performance indicates the need for significant efforts toward realizing targets for around 32 indicators within the remaining NST1 period. The table below summarizes resource allocation to NST1 Pillars in the Medium term;

NST Pillar	2024/2025	%ge	2025/2026	%ge	2026/2027	%ge
01 Economic Transformation	3,399,415,790,257	60%	3,838,758,759,439	60%	4,459,617,881,224	62%
02 Social Transformation	1,509,822,372,705	27%	1,708,254,087,663	27%	1,834,607,439,178	26%
03 Transformational Governance	780,906,115,234	14%	827,112,370,663	13%	874,245,660,670	12%
Total	**5,690,144,278,196**	**100%**	**6,374,125,217,765**	**100%**	**7,168,470,981,072**	**100%**

Source: MINECOFIN

4.1.1 Economic Transformation Pillar

The supreme objective of the Economic Transformation pillar is to: Accelerate inclusive economic growth and development founded on the Private Sector, knowledge and Rwanda's Natural Resources. The above objective will be achieved by promoting the following priorities among others:

Agriculture productivity will be achieved through availing affordable seeds and fertilizers, Provision of fertilizers and pesticides for export crops (tea and coffee), replacement of old coffee trees and production of seedlings for coffee expansion, increasing the National Strategic Grain Reserves (Maize and Beans), credit to agriculture and improving tea and coffee production. To increase the animal productivity, the focus will be on the, Improving animal health and productivity through vaccination and artificial insemination and Construction of Milk Collection Centers and acquisition of milk coolers.

Private Sector Development & Youth Employment: The focus will be on Supporting MICE to increase tourism revenues, implementing the existing strategic partnerships for tourism promotion (e.g. Visit Rwanda),Provision of basic infrastructure (in Huye Industrial Parks) and expropriation (E.g: Bugesera additional land, Muhanga Industrial Park), construction of houses for households to be resettled from areas neighboring the Volcano National Park, supporting start-ups through the Rwanda Innovation Fund, constructing and operationalizing advanced factory units to facilitate investors provision of basic infrastructure in Kigali Innovation City (i.e. roads, street lighting, storm water drainage, internet facilities, etc.), organizing Rwanda international Trade Fair, Intra Africa Trade Fair and Made in Rwanda Expo, ensuring standardization and certification of produced goods to promote Made in Rwanda and exports.

In addition to the above, there will be strengthening mine site inspections, traceability, tagging, certification and enforcement of national and regional standards, enhancing mineral exploration.

The last but not the least there will be also coordination of the National Employment Program (including internships local and Israel in Agriculture, BDA support, SME support, and Job creation interventions), mainstreaming of labor intensive projects in relevant sectors and Scaling up national professional internship programs in key priority sectors (coaching and training young professionals in Energy, Mining, Investment, Tourism, agro-products for export, etc.)

Environment and Natural resources: Environment and Climate Change mitigation and adaptation measures will be strengthened; Restoration of degraded forests and catchments, construction and landscaping works for wetlands rehabilitation , supporting public and private projects to access climate finance through NDC Facility and IREME Invest, Promoting efficient land use through development and enforcement District Land Use Masterplans and Allocating public forests to private operators for efficient management.

Energy: Increased access to electricity will include, increasing electricity generation capacity, improving electricity network reliability through strengthening national grid transmissions and network rehabilitation, increasing electricity connection to households and productive use area, increasing the storage capacity of the oil strategic reserve, distribution of improved cooking stoves to reduce biomass use as cooking fuel and increasing and maintaining street lighting.

Water and Sanitation: Access to clean water and sanitation will be improved through rehabilitation of non-functional water supply systems/networks, Expansion of water supply in urban and rural areas, upgrading of Karenge Water Treatment Plant, Continuing the operationalization of Kanzenze Water Treatment Plant in Bugesera district and Construction of sanitary facilities (e.g.: Kigali Centralized Sewerage System)

Urbanization and Rural Settlement; promoting urbanization will include Providing basic Infrastructure support to affordable housing projects, Payment for Amahoro Stadium, completing the study of Kamatamu informal settlements upgrading, conduct a study to resettle households from Mont Kigali, Rebero and Jali, Asbestos removal on Government buildings and Completing the payment of Kigali Indoor Arena

Transport: To strengthen the transport system, the focus will be on increasing the length of the National Feeder roads network, scaling up the National Paved Road Network, rehabilitation of key national roads, development of Rusizi port along Lake Kivu, expanding the operations of the aviation sector and resurfacing Kigali International Runway, Taxiway and Apron.

ICT: Connecting Public Institutions to Internet, renovation of Telecom House and procure IT Network and Security Infrastructure, Installation, maintenance and Control of all public CCTV cameras, increasing government services delivered online through the Irembo platform, construction of the Drone Operation Centre (DOC), implementing the digital identification and authentication project, deployment of E-Services in key sectors (Health, Justice, Procurement and capacity building for IT staff), promoting Digital Literacy Programs (Digital Ambassadors Program) ,digital Literacy for Workforce and also implementing Digital Acceleration Initiatives and Promotion of E-Commerce Ecosystem in Rwanda and scaling up the adoption of ICT for all businesses.

Financial sector development priorities include: Automation of Umurenge SACCOs , promoting Long-term saving through Ejo Heza and other long term saving schemes, supporting the implementation of agriculture de-risking and financing facility and supporting businesses affected by the Covid-19 through Economic Recovery Fund 2 among others.

Public Finance Management: Will be enhanced through reinforcing capacity development of PFM staff in both central and local government entities, conduct research on Public Procurement issues that lead to loss of Public funds and also the roll out of EBM version 2 to more VAT registered tax payers.

The table below shows the budget allocation to the Economic Transformation Pillar

NST Pillar	2024/2025	%ge	2025/2026	%ge	2026/2027	%ge
01 Economic Transformation	**3,399,415,790,257**	**59.7%**	**3,838,758,759,439**	**60.2%**	**4,459,617,881,224**	**62.0%**
01 Agriculture	210,669,670,216		237,155,159,705		259,747,846,190	
02 Private sector Development & Youth	221,680,776,730		189,359,834,593		193,169,033,301	
03 Transport	268,389,287,352		330,430,992,864		337,406,315,222	
04 Energy	204,328,281,423		281,211,469,768		294,295,686,298	
06 Urbanization and Rural Settlement	69,506,843,639		50,417,111,967		56,190,497,680	
07 Information Communication Technolo	20,758,563,134		22,425,698,356		23,103,377,725	
08 Environment and Natural Resources	147,003,614,914		120,863,319,084		137,402,435,212	
09 Financial Sector Development	8,670,883,920		10,376,693,914		11,342,072,647	
10 Social Protection	288,894,004		260,949,168		260,949,168	
12 Education	22,418,318,458		18,471,362,972		20,781,416,455	
13 Governance and Decentralization	1,372,775,611		1,247,564,037		1,271,897,318	
16 Public Finance Management (PFM)	2,224,327,880,857		2,576,538,603,012		3,124,646,354,008	

Source: MINECOFIN

4.1.2. Social Transformation Pillar

The main goal for the Social Transformation Pillar is to develop Rwandans into a capable and skilled people with quality standards of living and a stable and secure society.

Health: Access to quality Health will be increased through, Recruitment of new health professionals, continuing development of human resources for health, construction/extending Health facilities and availing adequate medical equipment. Among other planned projects include; construction of Muhororo District Hospital, Ruhengeri Referral Hospital and Kabgayi District Hospital and Upgrading Masaka hospital into a University Teaching Hospital.

Education: In line with improving quality of education, school feeding program will be strengthened, increasing qualified teachers by recruiting new qualified teachers for primary and secondary, increasing school infrastructures: classrooms, TVET infrastructure and teaching and learning materials, increasing the use of ICT in teaching and learning through smart education, and Promoting STEM at all levels of education by establishing smart laboratories,

Social protection: Continue ongoing efforts to support vulnerable people through support to eligible vulnerable households with VUP direct support, dressing human security issues, Providing subsistence allowance, medical and psychosocial support to disabled and vulnerable ex-combatants, construction of IWAWA, Gitagata and Nyamagabe rehabilitation centers , construction and rehabilitation of shelters for genocide survivors, finalizing identification and categorization Persons with Disabilities and Promoting socio-economic inclusion and welfare of refugees and host communities through the construction of road infrastructure, TVET schools, Health facilities and rehabilitating ravines in and around refugee camps .

Malnutrition: priority interventions will include Promoting adequate early childhood development through early detection/screening of children for malnutrition and antenatal care promotion, scaling up nutrition sensitive programs, Provision of fortified blended food to children (6-23 months), pregnant and lactating women, Provision of Milk to malnourished children under 5 years and Improving the quality of ECD services through capacitating care givers.

Family and gender promotion: Promoting Gender and Family through preventing gender-based violence, child abuse and teenage pregnancy; ensuring reintegration of street and orphan children into families, improving family cohesion, strengthening Umugoroba w'Imiryango and Inshuti z'Umuryango as well as mainstreaming gender in relevant plans.

Sports and culture: Sports will be developed through ; Organizing and hosting International sports events and meetings (e.g. Hosting Union (des Cyclistes International (UCI) 2025),developing big sports infrastructure development (e.g. Amahoro stadium), upgrading of sports facilities and basic sport facilities at school and Cell level, supporting of ISONGA program center at National and Regional level to promote youth talent and organize and participate in the regional and continental sports competitions/events

Disaster Management: Priorities aimed at enhancing disaster preparedness, response and recovery include: Enhancing the capacity of early warning system including producing and disseminating warning messages to the population at risk, saving lives through quick mitigation interventions (e.g. house retrofitting) and Providing relief and recovery assistance to people affected by disaster and Providing relief and recovery assistance to people affected by disasters.

The table below shows the budget allocation in various sectors contributing of social transformation pillar:

NST Pillar	2024/2025	%ge	2025/2026	%ge	2026/2027	%ge
02 Social Transformation	**1,509,822,372,705**	**26.5%**	**1,708,254,087,663**	**26.8%**	**1,834,607,439,178**	**26.0%**
05 Water and Sanitation	107,951,129,373		103,588,190,181		117,968,706,370	
06 Urbanization and Rural Settlement	42,805,691,007		13,806,152,976		8,193,404,413	
10 Social Protection	134,424,594,770		203,405,818,689		216,280,895,981	
11 Health	374,318,368,726		415,087,067,783		438,262,725,216	
12 Education	753,448,300,160		868,240,945,938		941,833,121,219	
14 Justice, Reconciliation, Law and Ord	70,286,830,287		77,319,830,287		85,034,830,287	
15 Sports and Culture	26,587,458,382		26,806,081,808		27,033,755,692	

Source: MINECOFIN

4.1.3. Transformational Governance Pillar

The overarching goal for the Transformational Governance Pillar is to consolidate Good Governance and Justice as, building blocks for equitable and sustainable national development. This will be achieved through the following specific priorities;

Governance and Decentralization: Good governance and transformation leadership will be strengthened by Promoting quality service delivery in public, private and Civil Society Organizations (CSOs), ensuring adequate preparation of Presidential, Parliamentary and Councillors' elections, scaling up digital identification and authentication, enhancing capacities of local government leaders, improving Citizens participation and engagement in development and Providing support to the forum of political organizations .

Justice, Reconciliation, Law and order: through service , Strengthening the recovery of embezzled public funds ,intensifying control of corruption, transparency and accountability through investigation and prosecution of cyber and emerging crimes increasing access to Legal Aid by capacitating MAJ and increase its outreach activities at sector level ,hosting locally the Integrated Electronic Case Management System Rwanda (IECMS) and maintenance and ensuring full operationalization of the Rwanda Forensic Institute

Peace and security: Maintaining the peace, security and stability for Rwandans and outside the Country, construction of New Police Stations and construction of National Police College Smart Classroom (NPC Smart College) and improve inmates living conditions by construction Mageragere, Nyamasheke and Nyamagabe correctional facilities.

Foreign affairs and International Cooperation: This will involve strengthening of economic diplomacy through bilateral cooperation with other countries; support operations of Rwanda's diplomatic missions aboard, ensuring coordination and acceleration of relevant regional programmes and projects i.e. EAC projects, mobilizing Rwandan Community Abroad (Diaspora) to participate in the socio-economic development programs including CBHI and Ejo Heza and hosting the 3rd Landlocked Developing Countries (LLDCs) Summit .

The table below shows the budget allocation to the Transformational Governance Pillar

NST Pillar	2024/2025	%ge	2025/2026	%ge	2026/2027	%ge
03 Transformational Governance	**780,906,115,234**	**13.7%**	**827,112,370,663**	**13.0%**	**874,245,660,670**	**12.0%**
07 Information Communication Technolo	60,006,775,121		83,792,204,059		95,570,505,366	
13 Governance and Decentralization	208,398,929,132		214,322,290,293		234,999,107,504	
14 Justice, Reconciliation, Law and Ord	512,468,182,237		528,952,559,319		543,624,730,808	
16 Public Finance Management (PFM)	32,228,744		45,316,992		51,316,992	

POSSIBLE DOWNSIDE RISKS TO ECONOMIC PERFORMANCE AND BUDGET IMPLEMENTATION

The global economic outlook remains uncertain as the global economy continue to face several challenges. The global environment was hostile to growth as the economy was still recovering from pandemic, geopolitical tensions raging such as the war in Ukraine and in the middle-east, trade fragmentation as well as climate related shocks intensifying across. Inflationary pressures mounted leading to a more monetary tightening and restrictive financial conditions. But in general, with faster disinflation, risks to global growth would be moderate as it would lead to easing of financial conditions and looser fiscal policy, would lead to temporal higher growth.

The BFP has factored out on Government's continued measures on monitoring of both domestic and external economic developments closely and will take all necessary steps to ensure that the macroeconomic projections presented and the budget for 2024/25 is fully implemented. In doing so, Government will endeavour to uphold its main policy objectives of promoting growth and welfare of the population through economic recovery measures whilst maintaining macro-economic stability.