Ministry of Finance and Economic Planning

Budget Framework Paper 2024/2025-2026/2027

April 2024

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I. INTRODUCTION

As stipulated in article 34 of the Organic Law N° 002/2022.OL of 12/12/2022 on public finance management, the medium-term budget framework and annual budget estimates shall be approved by Cabinet before submission to both Chambers of the Parliament to provide orientation for formulating the detailed draft finance law. This Budget Framework Paper (BFP) is therefore prepared in fulfilment of the legal provision and outlines the Government statement of the economic context, global and domestic, in which the forthcoming Budget will be presented, along with the fiscal policy objectives for the three-year period of 2024/25–2026/27.

This Budget Framework Paper (BFP) has been prepared against the global environment that has been hostile to growth as the economy was still recovering from COVID 19 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 the world.

The BFP is organised as follows: section one is the introduction, followed by section two, which gives a summary of global and domestic economic performance. The global portion includes an outlook for 2024 and 2025 and the domestic portion reviews performance in the real, external, fiscal and monetary sectors. Section three presents a brief description of macroeconomic framework and policy objectives for the medium-term. Section four deals with the details of the budget for fiscal year 2024/25 with key policies underlying the budget preparation, including the functional allocations focusing on the priorities to be funded. Policy issues arising from the 2024/25 budget formulation are discussed in section five. The BFP closes with concluding remarks in section six and finally several annexes providing additional details and numbers for the budget.

II. RECENT ECONOMIC PERFORMANCE AND OUTLOOK

a) Global Economic Performance and Outlook

i. Global Output 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 recovery was slowed by weakening external demand and domestic policy tightening to address persistent inflation.

ii. Outlook and Risks

Global growth is projected at 3.1 percent in 2024 and 3.2 percent in 2025 on account of greater-than-expected resilience in the United States and several large emerging market and developing economies, as well as fiscal support in China. Global headline inflation is expected to fall to 5.8 percent in 2024 and to 4.6 percent in 2025.

With faster disinflation, risks to global growth would be moderate as it would lead to easing of financial conditions and looser fiscal policy, these coupled with a faster economic recovery in China as well as gradual fiscal consolidation in emerging and developing countries would lead to temporal higher growth.

On the downside, commodity price spikes, amid geopolitical and weather shocks, including continued attacks in the Red Sea and supply disruptions or more persistent underlying inflation could prolong tight monetary conditions, worsen public debt levels and borrowing costs. Also, a faltering growth in China and rapid fiscal consolidation across countries would lead to slower than expected growth.

In Sub-Saharan Africa, growth is projected to rise from an estimated 3.3. percent in 2023 to 3.8 percent in 2024 and 4.1 percent in 2025, as negative effects of earlier weather shocks subside and supply issues gradually improve. Risks also remain such as further rise in global or regional instability including the escalation of conflicts in the Middle-East, increased frequency and intensity of adverse weather conditions which could drive up global energy and food prices, and in addition to elevated public debt burdens persisting.

Table 1: GDP and Inflation in selected regions/countries

(Real GDP, Annual Percentage Change)			*Proj.*		Inflation Period Average		*Proj.*	
	2022	2023	2024	2025	**2022**	**2023**	**2024**	**2025**
World	3.5	3.1	3.1	3.2	8.7	6.9	5.8	4.6
Advanced Economies	2.6	1.6	1.5	1.8	7.3	4.6	3.0	2.2
United States	1.9	2.5	2.1	1.7	8.0	4.1	2.8	2.4
Euro Area	3.4	0.5	0.9	1.7	8.4	5.6	3.3	2.2
Emerging Market and Developing Economies	4.1	4.1	4.1	4.2	9.8	8.5	7.8	6.2
Sub-Saharan Africa	4.0	3.3	3.8	4.1	14.5	15.8	13.1	9.4
Nigeria	3.3	2.8	3.0	3.1	18.8	25.1	23.0	14.7
South Africa	1.9	0.6	1.0	1.3	6.9	5.8	4.8	4.5
EAC Region	4.3	4.0	5.0	5.3	8.7	8.7	6.2	4.9

Source: *IMF, WEO January 2024*

b) Domestic Economic Performance

i. Domestic growth

In 2023, Rwanda's 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 of 8.2 percent, 2 pp 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 as the country fully recovers from COVID-19 pandemic in tourism and travels and continues 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. The table below shows details of growth performance in 2023 in various sectors

Table 2: Real GDP growth and contribution 2019 to 2023

Activity description	**2019**	**2020**	**2021**	**2022**	**2023**	**2019**	**2020**	**2021**	**2022**	**2023**
			Growth					**Contribution**		
GROSS DOMESTIC PRODUCT (GDP)	9.4%	-3.4%	10.9%	8.2%	8.2%	9.4	-3.4	10.9	8.2	8.2
Agriculture, Forestry & Fishing	**5.0%**	**0.9%**	**6.4%**	**1.6%**	**1.7%**	**1.3**	**0.2**	**1.6**	**0.4**	**0.4**
Food crops	4.0%	0.3%	6.7%	-0.9%	0.0%	0.7	0.1	1.1	-0.1	0.0
Export crops	4.5%	-9.4%	-0.5%	3.5%	-4.4%	0.1	-0.2	0	0	-0.1
Livestock & livestock products	11.2%	8.2%	8.1%	8.7%	6.5%	0.3	0.2	0.2	0.2	0.2
Forestry	5.6%	3.7%	5.4%	4.8%	5.7%	0.3	0.2	0.3	0.2	0.3
Fishing	3.7%	-15.5%	24.0%	3.3%	3.5%	0	-0.1	0.1	0	0
Industry	16.5%	-4.2%	13.3%	5.0%	10.2%	**2.9**	**-0.8**	**2.4**	**0.9**	**1.9**
Mining & quarrying	-0.3%	-31.2%	26.6%	14.1%	9.1%	0.0	-0.6	0.4	0.2	0.1
Manufacturing	11.2%	2.0%	10.6%	11.0%	10.5%	0.9	0.2	0.9	0.9	0.9
Construction	32.7%	-5.6%	15.0%	-5.8%	11.6%	1.9	-0.4	1.0	-0.4	0.7
Services	**8.3%**	**-5.5%**	**11.9%**	**12.2%**	**11.2%**	**4.0**	**-2.7**	**5.6**	**5.7**	**5.5**
Trade and Transport	**14.1%**	**-10.6%**	**13.5%**	**15.9%**	**9.9%**	**2.0**	**-1.6**	**1.8**	**2.2**	**1.5**
Wholesale & retail trade	15.7%	-3.4%	11.7%	13.9%	8.7%	1.3	-0.3	1.0	1.2	0.8
Transport	12.4%	-23.7%	14.6%	21.7%	13.4%	0.6	-1.2	0.6	0.9	0.6
Other Services	**5.9%**	**-3.3%**	**11.2%**	**10.6%**	**11.7%**	**2.0**	**-1.1**	**3.7**	**3.5**	**4.0**
Hotels & restaurants	9.7%	-40.2%	20.4%	86.9%	18.0%	0.2	-0.7	0.2	1.1	0.4
Information & communication	9.1%	29.2%	18.8%	19.7%	34.7%	0.2	0.5	0.5	0.5	1.0
Financial services	8.4%	-2.4%	18.0%	10.3%	8.5%	0.2	-0.1	0.5	0.3	0.2
Real estate activities	3.9%	0.3%	4.1%	1.5%	4.7%	0.3	0.0	0.3	0.1	0.3
Professional, scientific and technical activities	9.8%	-0.8%	13.2%	1.0%	4.0%	0.2	0.0	0.3	0.0	0.1
Administrative and support service activities	4.7%	-6.8%	5.8%	1.4%	2.3%	0.2	-0.2	0.2	0.0	0.1
Public administration and defence; compulsory social securit	4.8%	2.7%	2.4%	9.6%	10.8%	0.3	0.1	0.1	0.5	0.6
Education	2.2%	-37.5%	58.6%	17.4%	17.8%	0.1	-1.0	1.0	0.4	0.5
Human health and social work activities	3.4%	15.9%	8.9%	8.1%	-1.2%	0.1	0.3	0.2	0.2	0.0
Cultural, domestic & other services	8.2%	-1.2%	9.5%	8.2%	17.9%	0.4	-0.1	0.5	0.4	0.9
Taxes less subsidies on products	**15.0%**	**-1.7%**	**13.4%**	**11.8%**	**5.3%**	**1.3**	**-0.2**	**1.2**	**1.1**	**0.5**

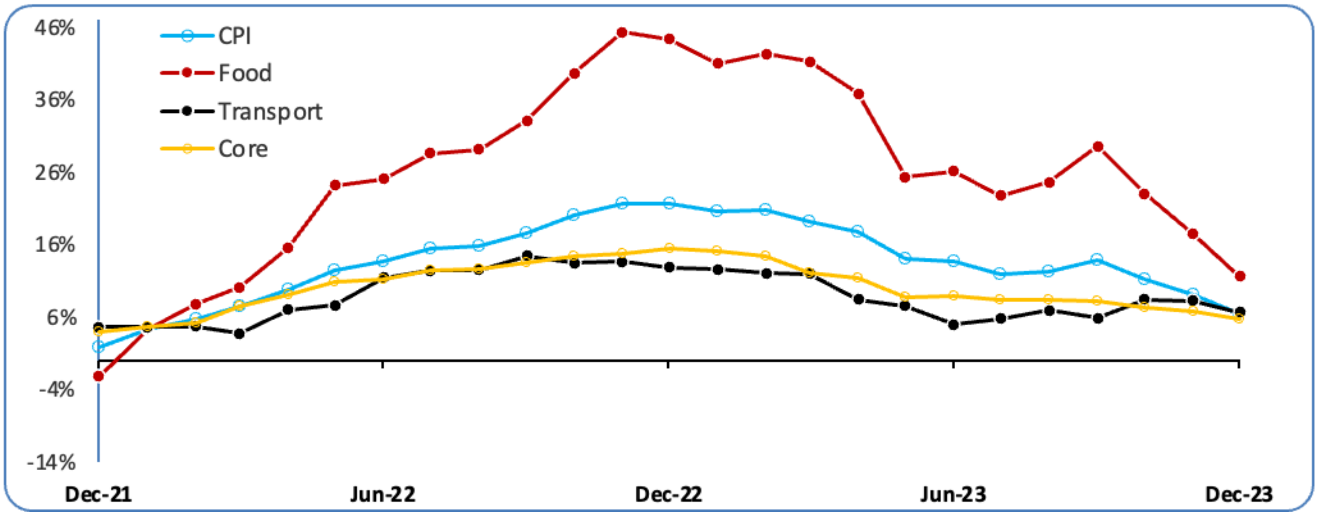
ii. Inflation

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.

Figure: Inflation developments since December 2024



iii. 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 413 to 1,231.6 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.

Table 3: Key external sector performance Indicators: in million US$

	2019	2020	2021	2022	2023	2023/2022 % change
A. Current Account	**-1230.9**	**-1227.5**	**-1203.1**	**-1246.4**	**-1653.7**	**32.7%**
Trade Balance (Goods)	**-1464.9**	**-1650.3**	**-1658.7**	**-1988.5**	**-2368.8**	**19.1%**
Exports f.o.b.	963.3	761.3	1167.6	1556.1	1582.3	**1.7%**
Of which: coffee	69.5	53.9	78.3	105.0	87.8	**-16.4%**
Tea	86.7	90.3	96.9	106.7	106.3	**-0.4%**
Minerals	100.3	83.1	149.5	203.8	201.4	**-1.2%**
Imports f.o.b.	2465.3	2431.0	2821.2	3590.4	3905.3	**8.8%**
Imports fob excl Rwandair, KCC and Bugesera	2465.3	2431.0	2821.2	3590.4	3905.3	**8.8%**
Services (net)	**-17.6**	**1.7**	**-124.4**	**3.5**	**94.8**	**2574.8%**
Services: credit	1015.0	521.4	576.3	881.2	1043.2	**18.4%**
o/w tourism	458.0	120.5	149.9	400.2	563.9	**40.9%**
Services: debit	1032.5	519.8	700.8	877.7	948.5	**8.1%**
Primary income (net)	**-329.8**	**-199.6**	**-176.4**	**-242.4**	**-277.9**	**14.6%**
Secondary income (net)	**581.4**	**620.7**	**756.4**	**980.9**	**898.1**	**-8.4%**
Secondary income: credit	657.7	683.3	839.7	1061.4	959.9	**-9.6%**
o/w workers' remittances	252.0	274.3	378.6	461.2	504.7	**9.4%**
o/w total official transfers	293.4	309.9	383.4	520.1	387.1	**-25.6%**
B. Capital Account	**260.2**	**312.5**	**422.0**	**321.8**	**397.6**	**23.6%**
Net lending (+)/ net borrowing (-) (balance from current and capital accounts)	**-970.6**	**-915.0**	**-781.1**	**-924.6**	**-1256.1**	**35.8%**
C. Financial Account: Net lending (+)/ net borrowing (-)	**-932.0**	**-1115.1**	**-1110.0**	**-704.5**	**-1317.8**	**87.1%**
Direct investment	**-257.7**	**-152.6**	**-233.4**	**-305.1**	**-459.2**	**50.5%**
Direct investment: assets	5.4	0.0	0.0	0.0	0.0	
Direct investment: liabilities (i.e. FDI)	263.2	152.6	233.4	305.1	459.2	**50.5%**
Portfolio investment	**30.4**	**-26.5**	**-273.0**	**60.4**	**70.8**	**17.2%**
Portfolio investment: assets	33.8	10.4	9.3	63.8	11.6	**-81.8%**
Portfolio investment: liabilities	3.4	36.9	282.3	3.4	-59.1	**-1854.1%**
Other investment	**-704.7**	**-936.0**	**-603.6**	**-459.8**	**-929.4**	**102.1%**
Other investment: assets	-71.4	31.9	6.1	-46.9	302.1	**744.7%**
Other investment: liabilities	633.3	967.9	609.7	413.0	1231.6	**198.2%**
o/w public sector budget loans	352.4	403.8	181.2	150.4	549.1	**265.1%**
o/w public sector project loans	316.3	363.0	368.8	377.7	411.2	**8.9%**
o/w private sector loans	77.9	100.5	131.1	104.7	157.1	**50.0%**
E. Overall Balance	**111.8**	**327.9**	**154.4**	**-128.9**	**107.0**	**183.0%**

Source: BNR

iv. Public Debt Management Developments

Overall, Rwanda's public debt keeps increasing with nominal debt to GDP ratio standing at 73.5 per cent as of end December 2023 (equivalent to 44.9% in Present value terms) vs 67.5 per cent as of end December 2022. However, Rwanda’s public debt remains sustainable largely owed to the continuous concessional nature of the portfolio (88.9% of total External debt).

The latest Debt Sustainability Analysis (DSA) conducted in this month of March 2024 revealed that public debt will be maintained at a manageable level with all indicators remaining below the thresholds (limits). The PV of external debt-to-GDP remains below the respective threshold (50 percent of GDP – EAC convergence criteria/ 55 percent as per the IMF/WB debt sustainability Analysis) with 31.2 percent of PV of external debt to GDP for the end year 2023 and 37.9 percent projected for the end year 2024. Looking ahead several risks need to be monitored regularly to avoid falling into a debt crisis.

Rwanda managed to successfully repay its 2013 Eurobond in full (USD 400m) amidst a tumultuous and challenging global market environment, thanks to a combination of debt management choices made by the government in the years leading up to the due date using both buyback mechanism in 2021 (84.9%) and repayment of 15.1% using SDR allocation fund provided by IMF in 2022. These liability management practices, had a positive impact on the country's debt sustainability by not only lowering the total debt stock but also resulting in interest savings (because the Eurobond issued in 2021 was at lower interest rate than previous).

Despite Rwanda's relatively positive outlook, there are still several risks associated with the global macroeconomic environment that could affect the country's debt sustainability like tightened global financial conditions which are pushing the cost of borrowing up, geopolitical tensions and decline in grants. It is important for Rwanda to continue to implement sound fiscal policies and actively monitor its debt levels in order to maintain its debt sustainability over the long-term.

v. Fiscal Developments

Revised Budget FY2023/24

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

a. 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 the Global Fund.

b. Expenses

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.

Expenses 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.

(In Billion FRW)	FY 2023/24	
	July - December Proj.	July - December Prov. Act.
REVENUE	**1,796.7**	**1,784.3**
Taxes	**1,255.8**	**1,189.1**
Taxes on Income, Profit and Capital gains	538.8	535.8
Taxes on Property	20.9	6.2
Taxes on Goods and Services	574.5	556.1
Taxes on International trade and transactions	121.6	90.9
Grants	**325.4**	**334.4**
Other revenue	**215.4**	**260.8**
EXPENSE	**1,452.0**	**1,413.9**
Compensation of employees	233.8	233.6
Use of Goods and Services	359.8	357.0
Interest	226.6	192.0
Subsidies	129.3	128.9
Grants	408.3	408.8
Social benefits	24.8	24.6
Other Expenses	69.4	69.0
Net Operating Balance		
Including Grants	**344.7**	**370.3**
Excluding Grants	**19.2**	**36.0**
Net Investment in NonFinancial Assets	**684.8**	**718.6**
Foreign Financed	454.6	492.1
Domestically Financed	230.2	226.5
Net Lending (+) / Borrowing (-)		
Including Grants	**-340.1**	**-348.3**
Excluding Grants	**-665.6**	**-682.7**
Net Acquisition of Fiancial Assets	**91.2**	**174.5**
Domestic	91.2	174.5
Foreign	0.0	0.0
Net Incurence of Liabilities	**396.1**	**592.7**
Domestic	121.1	82.6
Foreign	275.0	510.1
Loans	275.0	510.1

Source: MINECOFIN

Net investment in non-financial assets (capital expenditure) amounted to FRW 718.6 billion compared to FRW 684.8 billion which was originally estimated for the period. Showing a higher than projected spending of FRW 33.8 billion mainly driven by Foreign financed capital by FRW 37.5 billion higher to the observed shortfall in domestically financed by FRW 3.7 billion.

Regarding the externally financed portion, the amount spent during the period under review was FRW 492.1 billion compared to the original estimated amount of FRW 454.6 billion showing an excess of FRW 37.5 billion. As this component combines both projects financed by grants and loans, an excess in this category is coming from excess in project loan disbursement by FRW 37.5 billion, while the side of grants was as projected.

Domestically financed expenditures were FRW 3.7 billion less compared to the projected (FRW 226.5 billion spent compared to FRW 230.2 billion projected).

During this period under review, the budget closed with a net borrowing (Deficit) of FRW 348.3 billion slightly higher than the FRW 340.1 billion projected by FRW 8.2 billion.

Outlook for the remainder of the fiscal year 2023/24

The Government will continue to monitor both domestic and external economic developments closely for the rest of the fiscal year 2023/24 and will take all the necessary steps to ensure that the approved revised budget 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 macroeconomic stability.

i. Monetary Policy and Exchange Rate Developments

Since February 2022, the National Bank of Rwanda started the process of tightening monetary policy in line with anticipation of inflationary pressures. The Monetary Policy Committee increased the central bank rate by cumulative of 300 basis points to 7.5 percent by February 2024. These decisions were taken in an effort to curb down inflation and back within the medium-term target range of 2 to 8 percent, amidst global tensions, disruptions in the Red Sea and climate change.

In 2023, Broad money increased by 22.8 percent in 2023 compared to 22.5 percent recorded in the previous year, primarily driven by growth in net foreign Assets by 47.2 percent, credit to private sector maintained strong growth by 19.9 percent in 2023, which netted out decline in Net credit to government by 26.9 percent.

In 2023, new authorized loans grew by 38.7 percent, from 12.9 percent recorded in 2022. During the same period, non-performing loans (NPLs) ratio slightly increased to 4.1 percent in 2023 from 3.1 percent in 2022.

The Rwandan Franc (FRW) depreciated by 18.05 percent against the USD as of December 2023 higher compared to a depreciation of 6.1 percent recorded in 2022. This faster depreciation is linked with continued deterioration of current account deficit.

Table 4: Key Monetary Statistics in 2023

Monetary Statistics (In billion FRW)	2018	2019	2020	2021	2022	2023	*% Change*
	Dec	**Dec**	**Dec**	**Dec**	**Dec**	**Dec**	***2023/2022***
Net foreign assets	1,005.9	1,081.0	1,462.5	1,457.8	1,650.1	2,428.3	*47.2%*
Domestic credit	1,777.1	2,267.8	2,523.4	3,221.9	4,031.5	4,601.9	*14.1%*
Central government (net)	59.8	128.9	-43.7	314.3	695.4	508.2	*-26.9%*
Private sector	1,622.1	2,009.9	2,427.2	2,787.1	3,166.5	3,796.8	*19.9%*
Broad money M3	2,071.3	2,371.9	2,787.1	3,264.9	4,000.4	4,913.1	*22.8%*
Currency in circulation	180.0	209.2	237.2	262.2	309.3	328.5	*6.2%*
Deposits	1,891.3	2,162.7	2,549.9	3,002.8	3,691.1	4,584.6	*24.2%*

Source: BNR

ii. Financial Sector Development

The financial sector in Rwanda has continued to be resilient and sustained its growth despite the challenges from global and macroeconomic factors, weather related risks and strengthening of the US dollars. The sector growth by total assets; increased by 20% to 10, 687 billion in 2023 from 8,909 billion in 2022. In addition to asset growth, Banks maintained capital buffers above the minimum requirement of Capital Adequacy Ratio (CAR) of Min 15% and Min 12.5%. Microfinance sector has also demonstrated the strong capitalisation whereby an aggregate capital adequacy ratio stands at 33.8% above the minimum requirement of 15%.

In the insurance sector, liquidity improved to 117 percent in December 2023 from 98 percent recorded in December 2022, due to increased investment in more liquid assets and an improvement in asset liquid composition. The insurance sector maintained solvency, with private insurer's solvency ratio improving to 296 percent as of December 2023 from 221 percent in December 2022, driven by enhanced asset quality and efficiencies.

The pension sector which is the second largest of the financial sector, total assets increased to 1,536.80 billion in December 2023 from FRW 1,360.7 billion in December 2022.

The growth of the sector has been maintained and accelerated by innovation and adopted legal and regulation framework. In this context, the operation of Non-Deposit Taking Institutions (NDTIs) has been widened and attracted good appetite for the investors. The number of NDTIs increased from 32 institutions to 50 and their total assets increased from 86.0 billion as of December 2022 to 93.8 billion in 2023.

As an integral component of the financial sector, the capital markets played a significant role in Rwanda's financial landscape. Over the twelve-month period ending in December 2023, the Government of Rwanda successfully raised FRW 321.2 billion through the issuance of fourteen bonds, which included eight re-openings. These bonds varied in terms of maturity periods, coupon rates, and subscription levels, spanning from 3 to 20 years, with coupon rates ranging between 11.65% and 13.15%, and subscription levels ranging from 62% to 205%

On the corporate bond front, BRD Plc's FRW 150 billion medium-term note program was approved, and the bank effectively launched the first tranche of the program, raising FRW 30 billion through the issuance of a seven-year Sustainability-linked bond with an annual interest rate of 12.85%. The SLB was over-subscribed by 11%.

Table: 5 Financial Soundness Indicators (Banking Sector) - In Percent

Indicators	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Total CAR (min 15 %)	24.1	21.5	21.5	21.7	21.5
Core Capital Tier 1 (min 12.5%)	22.6	20.3	20.6	20.9	20.3
NPLs Ratio	4.9	4.5	4.6	3.1	4.1
Provisions / NPLs	81.5	106.3	119.8	141.9	99.1
LCR (min 100%)	215	254.7	268.9	215.9	234.0
NSFR (min 100%)	111	161.4	147.1	136.8	114.6
FX Exposure/Core Capital (± 20%)	-4.8	-4.4	-3.7	-0.6	1.0

Source: *NBR, Monetary Policy and Financial Stability Statement of March 2024*

Table: 6. Financial Soundness Indicators (Insurance Sector) - In Percent

Description (Ratios %)	Public Insurers			Private Insurers			Insurance Sector		
	Dec-21	Dec-22	Dec-23	Dec-21	Dec-22	Dec-23	Dec-21	Dec-22	Dec-23
Solvency margin (Min. 100%)	2879%	2379%	2284%	142%	221%	296%	1477%	1375%	1422%
ROA (Min.4%)	11.70%	14.30%	13.70%	5%	5%	7%	9%	11%	11%
Current Ratio (min. 120%)	3837%	3711%	2057%	85%	92%	97%	224%	224%	229%
Liquidity ratio (min. 100%)	4922%	5238%	3530%	94%	98%	117%	299%	286%	347%

Source: *NBR, Financial Stability Directorate*

Despite ongoing challenges, such as geopolitical tensions, climate change, global economic shocks, high inflation, and lingering effects from Covid-19, which pose risks to financial stability, the financial system has shown resilience to these new shocks. Projected economic prospects indicate favourable conditions for the growth and stability of the financial sector in the medium term. Capital and liquidity buffers held by financial institutions reflect the sector's resilience and capacity to withstand shocks.

The ongoing efforts to align the regulatory framework with international standards have been crucial in promoting stability, resilience, and transparency within the sector. In this regard, the government of Rwanda will continue to update regulatory instruments to ensure to ensure the sector stability and growth.

III. OBJECTIVES AND POLICIES FOR THE MEDIUM TERM 2024/25-2026/27

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 war assumes a prolonged period of instability and uncertainties, plus Red Sea and probable China-Taiwan, drought in the Southern 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.

i. 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. The following table highlights the GDP projections over the medium term:

Table 7: GDP Growth Projections for the period 2024 – 2027

	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.
GDP	**6.6%**	**6.5%**	**6.8%**	**7.2%**
AGRICULTURE	**5.0%**	**5.1%**	**5.2%**	**5.3%**
Food crops	4.3%	4.5%	4.6%	4.8%
Export crops	7.4%	5.7%	5.4%	5.2%
INDUSTRY	**8.9%**	**7.2%**	**8.2%**	**7.9%**
Mining & quarrying	17.0%	8.4%	10.3%	6.5%
Total Manufacturing	7.3%	6.9%	7.9%	7.9%
Construction	9.9%	7.2%	8.5%	8.7%
SERVICES	**6.8%**	**7.1%**	**6.7%**	**7.2%**
Trade and Transport	8.2%	6.7%	7.0%	7.4%
Wholesale & retail trade	8.6%	7.0%	7.2%	7.8%
Transport services	7.4%	6.3%	6.5%	6.5%
Other services	**6.2%**	**7.3%**	**6.6%**	**7.1%**
Hotels & restaurants	13.7%	6.8%	4.7%	10.8%
Information & communication	11.6%	11.6%	11.9%	11.7%
Financial services	8.6%	10.4%	9.4%	9.2%
Taxes less subsidies on products	**5.3%**	**5.2%**	**7.8%**	**10.6%**

Source: MINECOFIN

ii. 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.

iii. 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.

Table 8: Key External Sector Projections

Balance of Payments	2023	2024	2025	2026	2027
A. Current Account	**-1653.7**	**-1645.7**	**-1545.9**	**-1488.2**	**-1547.4**
Balance on goods and services	***-2274.0***	***-2045.5***	***-1997.6***	***-1933.4***	***-1879.9***
Goods (Trade Balance)	**-2368.8**	**-2156.0**	**-2100.9**	**-2069.3**	**-2087.4**
Exports f.o.b.	1582.3	1827.4	1930.8	2174.9	2371.3
Of which: coffee	87.8	96.2	101.1	105.1	109.1
Tea	106.3	126.2	132.3	138.4	144.5
Minerals	201.4	246.4	283.0	320.8	363.1
Imports f.o.b.	3905.3	3846.8	3853.4	4064.6	4327.5
Services (net)	**94.8**	**110.5**	**103.2**	**135.9**	**207.5**
Services: credit	1043.2	1096.7	1147.8	1254.1	1318.5
o/w Air Transport	144.1	167.9	175.9	197.0	207.5
o/w Travel	563.9	614.6	653.6	729.9	779.0
Services: debit	948.5	986.3	1044.5	1118.3	1111.0
Primary income (net)	**-277.9**	**-415.6**	**-457.4**	**-494.1**	**-531.8**
Secondary income (net)	**898.1**	**815.4**	**909.1**	**939.3**	**864.4**
Secondary income: credit	959.9	875.4	970.6	1004.3	934.4
o/w workers' remittances	504.7	524.7	548.6	573.7	601.1
o/w total official transfers	387.1	285.4	353.1	370.3	273.3
Secondary income: debit	61.8	60.0	61.4	65.0	70.0
B. Capital Account	**397.6**	**383.0**	**291.4**	**312.9**	**312.9**
Net lending (+)/ net borrowing (-) (balance from current and capital accounts)	***-1256.1***	***-1262.6***	***-1254.5***	***-1175.3***	***-1234.4***
C. Financial Account: Net lending (+)/ net borrowing (-)	**-1317.8**	**-1459.1**	**-1483.3**	**-1268.6**	**-1338.6**
Direct investment	-459.2	-510.6	-642.6	-695.8	-713.9
Direct investment: assets	0.0	0.0	0.0	0.0	0.0
Direct investment: liabilities (i.e. FDI)	459.2	510.6	642.6	695.8	713.9
Portfolio investment	**70.8**	**0.0**	**0.0**	**0.0**	**0.0**
Financial derivatives (other than reserves) and employee stock options: net	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other investment	**-929.4**	**-948.5**	**-840.6**	**-572.8**	**-624.8**
Other investment: assets	302.1	156.4	-56.4	225.4	-73.9
Other investment: liabilities	1231.6	1104.9	784.2	798.2	550.9
o/w Budget loans	549.1	679.4	245.4	521.0	316.0
o/w Project loans	411.2	434.0	444.6	499.0	519.1
o/w private sector loans	157.1	79.5	374.1	122.9	111.8
D. Net Errors and Omissions (minus is outflow)	**45.3**	**0.0**	**0.0**	**0.0**	**0.0**
E. Overall Balance	**107.0**	**196.4**	**228.8**	**93.4**	**104.2**
F. Reserves assets (change in net foreign assets - minus is a drop)	**107.0**	**196.4**	**228.8**	**93.4**	**104.2**
Gross official reserves (mln USD), in months of next year's imports of goods & services	**4.5**	**4.7**	**4.6**	**4.4**	**4.0**

Source: BNR/MINECOFIN

iv. 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.

v. Monetary Sector Projections

In 2024, the monetary policy stance is expected to be less tightened as inflationary pressures significantly reduce after monetary policy tightening since 2022. Monetary aggregates will grow at a lower rate than the previous year, affected by the international economic environment conditions. Broad money is projected to increase by 8.8 percent, Credit to private sector by 13.8 percent. While, reserve money is expected to deteriorate to -6.6% percent in 2024 and recover to 16.6 percent in 2025. Exchange rate pressures are expected to remain elevated in 2024 and ease over the medium term. Rwandan franc expected to depreciate by 11.80 percent in 2024 from 18.05 percent observed in 2023.

Table 9: Monetary aggregates

	2020	2021	2022	2023	2024	2025
					Projection	**Projection**
Reserve money	21.70%	30.70%	29.00%	10.11%	-6.59%	16.59%
Credit to the private sector	21.80%	25.30%	13.60%	15.76%	13.78%	15.62%
Broad money	18.00%	15.70%	22.50%	22.81%	8.79%	11.79%

vi. Financial Sector Development Strategy

The Financial Sector Development Strategy 2024/25 and in the medium term will seek to achieve the following:

a. SMEs Investment Clinic

In order to increase the number of companies outsource funding from the capital market, the Capital Market Authority (CMA) in partnership with the Government of Rwanda through the Ministry of Finance and Economic Planning put in place the SME Investment Clinic in 2019 with aim to help SMEs build thriving and sustainable businesses that will attract the best investors and connecting SMEs to the capital market. The approved company in phase 1, Energy Conception and Transmission of Electricity (ENERGICOTEL) issued a corporate bond of FRW 6,500,000,000 while the other two companies are still under approval process. The CMA through Rwanda Stock Exchange will continue to attract more companies through this initiative for SMEs listings.

b. Automation of USACCOs and Consolidation of Umurenge SACCOs into District SACCOs is expected to be completed in 2024.

The Automation of U-SACCOs and Consolidation of Umurenge SACCOs into District SACCOs and a cooperative Bank is expected to be executed in 3 phases and the last phase namely automation of U-SACCOs, Consolidation of U-SACCOs into automated District SACCOs (D-SACCOs and Establishment of a cooperative Bank. As of today, the first phase in on the final phase whereby 302 SACCOs out of 416 (72.60%)) are fully digitised and effectively using the latest version of core banking system (CBS). The remaining 138 U-SACCOs are being automated progressively until May 2024. In year 2024/25, will focus on the second phase of automation that aims at consolidating structures of U-SACCOs at district by establishing D-SACCOs in order to create the interoperability and muscle strength between U-SACCOs for sustainability, efficiency and quality services delivery.

c. Long-Term Saving Scheme for all Citizens

The Government of Rwanda through the Ministry of Finance and Economic Planning established a Long-Term Savings Scheme (LTSS) EJOHEZA under the Law N° 29/2017 of 29th June 2017, with an aim of increasing pension penetration in the informal sector. The LTSS-EJOHEZA is a Defined Contribution (DC) scheme established on voluntary basis, whereby a subscriber opens a savings account with authorized financial intermediaries (Banks or Mobile Network Operators).

The scheme started collecting savings from January 2019 and the trend of subscribers and contributions is promising. Total contributors increased by 25 percent from 2,414,422 recorded in December 2022 to 3,021,045 while total contributions increased from 39.3 billion to 54.3 billion in January 2024. The GoR will implement key reforms to ensure growth and sustainability of this scheme.

d. National Financial Inclusion agenda

FINSCOPE survey 2020 results show that financial inclusion in Rwanda stands at 93% from 48% in 2008, which means that 7 per cent of Rwandans are still financially excluded. However, MINECOFIN started implementing projects and strategies aimed at driving and closing the financial inclusion gap by under taking the following activities: Establishment of National Financial Inclusion Roadmap (2023-2024) and National Education Roadmap (2023-2027); Mapping out the 7% Rwandans who are still financially excluded; expanding a suitable financial inclusion model to effectively reach out all Rwandans who are financially excluded in all villages of Rwanda; include them into village savings and loan groups (VSLAs); and Identify, train, equip VSLA (Village Saving and Loan Association) agents with EJOHEZA Long Term Saving content and messages for them to support the enrolment and persistent saving into the EJO HEZA Long Term Saving Scheme.

As of December 2022, a total number of VSLAs stands at 58,312 with 1,517,330 household members (74.6% women) whereby 35 billion savings and 31 billion outstanding credit. VSLAs have decreased to due linkage to formal financial services and digitisation. It is in the same context, more efforts will be invested in the linkage, digitisation of VSLAs.

e. National Payment System

As a result of initiatives to drive e-payments and cashless economy, the value of retail e-payments to GDP surged by 36 percent, reaching 199.9 percent in march 2024. The predominant usage was driven by mobile payment services (for both transfers and acquiring), internet banking, and mobile banking, accounting for 101 percent, 67 percent, and 31 percent of GDP respectively.

The payment systems are also expected to remain stable and will continue to operate smoothly without any major interruption. The GoR is keen to enable payment environment through interoperability, awareness on use e-payment

The automation and digitization of Umurenge SACCO services will go a long way in enhancing the e-payment evolution in Rwanda.

f. Operationalization of Kigali International Financial Centre (KIFC)

Rwanda Finance Ltd (RFL) is an investment promotional agency mandated to promote and develop Rwanda into a Pan- African hub for investments and trade within Eastern and Central Africa thus the development of Kigali International Financial Centre (KIFC). Over the past four years despite the Covid 19, RFL has worked with key stakeholders to develop and promote KIFC through investment promotion, policy advocacy and sector upskilling. It has also worked to establish the regulatory framework and to position Rwanda as a Fintech and Sustainable Finance hub. The following has been achieved, but not limited to:

- Kigali ranked the 3rd in Africa and 2nd in Sub-Saharan Africa in the Global Financial Centres Index.
- Strategic Partnerships with International Financial Centres such as Qatar Financial Centre, Astana Financial Center, Abu Dhabi IFC and multiple international investor networks such as the World Alliance of Finance Centres, (WAIFC), UNDP Financial Centres for Sustainability, (FC4S) to foster international mutual recognition.
- More than 110 Financial Entities registered (local and international) including different legal structures such as Funds, Foundations, Special Purpose Vehicles, Holding Companies, etc.
- US$ 686 Million in targeting 5-year investment commitments.
- Large Pan-African investment structures domiciled in KIFC including FEDA with a commitment of $670 million, Virunga Africa Fund with a commitment of $250Million (% of money

mobilized will come through KIFC), and Africa Pharmaceutical Technology Foundation with a commitment of $14 Million.
- The establishment of the National Financial Sector Skills Council to oversee capacity building in the financial sector.
- Development of the Fintech Roadmap in partnership with MINICT and hosting of the International Inclusive Fintech Forum to position Kigali as a Fintech Hub.
- The Launch of the Sustainable Finance Roadmap that has resulted in flagship institutional support from development partners, including UNDP, AFD, LuxDev and GIZ to green the financial sector.
- 11 additional Double Tax Treaties signed with 4 being in force.
- 21 laws gazetted including laws for OECD compliance and establishment of Financial Intelligence Centre.
- Euro 9.3 Million 5-year project support confirmed with LuxDev to develop KIFC.

The Centre will continue in the spirit of establishing and positioning Rwanda as Financial hub and Investment across the central Africa through establishing sound polies and procedures required at an international level by learning from the best practices of similar centres.

vii. Budget Rationalization Strategy as part of planning and budgeting process

Macro - Fiscal path of the spending rationalization strategy

The Budget rationalization strategy intends to support Government commitment regarding fiscal consolidation to maintain debt at sustainable levels. The strategy was born out of and will bring about high spending prioritization, among others.

With spending rationalization, Government will be able to save 2.6% of GDP in 2024/25, 1.7% of GDP and 0.8% of GDP in FY 2025/26 and FY 2026/27 respectively, mainly on capital spending and use of goods and services.

Comparison of Aggregated baseline path and the Rationalization path

	2024/25	2025/26	2026/27
Tax Path (IMF program[1]) - % of GDP	15.8%	16.9%	17.8%
Deficit Path (IMF program) - % of GDP	-5.2%	-3.4%	-3.1%
Total expenditure (IMF program/Rationalization)[2]	5,261.6	5,838.1	6,518.2
Total expenditure (Aggregated baseline)	5,765.2	6,204.6	6,706.9
Deficit Path (aggregated baseline) - % of GDP	-7.8%	-5.1%	-3.9%

Source: MINECOFIN – GFS presentation format

Rationalization Strategy - Planning and budgeting process;

There has been an increasing pressure to deliver more services with fewer resources and a solution to this is not only to uncover new sources of revenue or to raise taxes but to also use existing

[1] IMF program: March 2024 review.

[2] Total expenditure is as per GFS 1986 including policy lending.

resources more efficiently, as well as finding ways to improve their planning, budgeting and implementation practices. This therefore calls for adequate prioritization and applying budget rationalization under spending categories with a focus on efficiency, review and redesign of programs.

Comparison of aggregated baseline results and total expenditure ceilings (In billion RWF for the medium-term)

Budget Category	FY 24-25 Aggregate baseline	FY 24-25 Expenditure Ceiling	FY 24-25 Gap	FY 25-26 Aggregate baseline	FY 25-26 Expenditure Ceiling	FY 25-26 Gap	FY 26-27 Aggregate baseline	FY 26-27 Expenditure Ceiling	FY 26-27 Gap
Wages	1,056.5	1,050.8	(5.7)	1,161.1	1,157.3	(3.7)	1,482.1	1,480.2	(1.9)
Recurrent non-wage	2,684.8	2,601.9	(82.9)	2,988.6	2,938.2	(50.4)	3,082.7	3,044.1	(38.5)
Capital domestically financed	1,438.4	1,023.5	(414.9)	1,441.4	1,129.0	(312.4)	1,503.6	1,355.3	(148.3)
External Grant	448.3	448.3	(0.0)	464.4	464.4	-	490.6	490.6	-
External Loan	565.7	565.7	(0.0)	685.2	685.2	-	798.3	798.3	-
Total expenditure	**6,193.6**	**5,690.1**	**(503.5)**	**6,740.6**	**6,374.1**	**(366.5)**	**7,357.2**	**7,168.5**	**(188.7)**

Source: MINECOFIN – Budget/Resource envelope format

The table above compares the baseline results with the indicative expenditure ceilings for FY 2024/25 and outer years to show the fiscal space.

Budget Agencies are expected to work within the allocated expenditure ceilings. This therefore calls for corrective action to minimise gaps and ensuring efficiency in spending. The related template for corrective action was shared during the 2nd Budget Call Circular and discussed with MINECOFIN during budget consultations for collaborative actions so that agencies will be able to operate with minor disruptions.

In addition, the Government has also come up with the following different expenditure rationalisation measures in order to function within the available fiscal space and minimise disruption of Government operations.

Categories of focus for the Budget Rationalization

Wages and salaries;

Salary levels have been increasing mostly due to inflationary pressure, review of all Budget Agencies (BAs) organisational structures, increase in salaries and number of teachers as well as establishment of new BAs to a lesser extent. This has increased the indicative budget projections for the FY2024/2025 to **Frw 1,050.8 Billon** compared to the current FY2023/2024 of **Frw 933.7 Billion** which is an increase of **Frw 117.1 Billion**. while the baseline costing under this category is **Frw 1,056.5 Billion** which shows a deficit of **Frw 5.7 Billion** compared to macro projections for the FY 2024/2025. This therefore calls for strong policy measures to operate within the fiscal framework while managing the expected implications on public sector service delivery. The following are among the adopted measures in the FY 2024/2025;

a) Staff recruitments will be phased and frozen where possible apart from teachers, health workers and security agencies who already have a pre-arranged recruitment plan. All Budget Agencies are expected to work with the existing staff.
b) Proposals to increase current staff salaries and related benefits will be frozen as well as introduction of new staff benefits.

c) Restrict recruitment of contractual personnel through domestic resources. All contractual recruitments should be managed under SPIU in line with available resources.
d) To complete the remaining positions on all BAs structures in the medium term, an assessment should be made and discussed with MINECOFIN to agree on the phased recruitment plan in order to fit within the BAs Medium term expenditure framework.
e) In the medium term, the Government plans to employ more efficiency measures through additional shared services. A review on phased recruitment will be carried out which will also advise on any possibilities of shared services within the sector or at National level in order to inform further recruitment and institutional reorganizations in the medium term.

Recurrent non-wage;

Over the past fiscal years, some Government institutions have been merged or dissolved to avoid duplication in administrative tasks and this has been perceived as a viable, proven approach to achieving the necessary rationalization. However, cost savings and efficiencies are yet to be determined,

Under this category, the rationalization will yield a saving of **Frw 82.9 Billion** which is the gap between the indicative budget ceilings and budget baseline costing for all BAs. Among the adopted policy measures include the following;

a) To avoid non-essential expenditures; GoR has significantly reduced allocation on budget lines such as International Per diems and airfares, meetings and public relations. Institutions are expected to operate with less allocation without jeopardizing operations. Budget agencies should also use technology and more innovative delivery mechanism such as using IT tools and institutions' facilities to avoid costs for physical meetings, workshops and travels.
b) Additional budget items have been reviewed and considered for further cost rationalization. These include; office furniture, ICT equipment, stationery and printing consumables, maintenance and/or Repairs of Administrative Buildings.
c) To further strengthen rationalization under this category, in the medium term the Government will reinforce the implementation of paperless initiative across all government agencies and encourage BAs to use online solutions. The Ministry of ICT and RISA should initiate and coordinate this reform and ensure that BAs comply with the requirements. Any saving proposals will be reviewed during the FY 2024/2025 budget revision process for piloting during the remaining half of the year.
d) In the medium-term, Rwanda Public Procurement Authority (RPPA) will regularly update standardized prices of goods and services to ensure harmonization of costing at National level. This is also expected to strengthen the MTEF, streamline the budget challenge function for realistic baseline costing and budget allocation.
e) The Government plans to employ the bulk purchase approach of key commodities at either sector or National level such as; medical equipment, fertilizers, IT equipment etc., which will lead to cost savings due to economies of scale and related costly procurement processes and requirements. An assessment will be conducted to review the possible savings.

Capital domestically financed;

In order to reduce the high level of spending that has been observed over the years, GoR decided on an urgent spending rationalization and prioritization over the medium term. This therefore calls for GoR adequate prioritization and resource allocation geared towards the selection and scaling up of interventions.

In line with the above, GoR has recommended the strategy of focusing on the ongoing projects and interventions that contribute to the economic recovery to be considered for funding. This is done in a phased manner whereby spending is projected in the medium term.

In the previous years, various underperforming domestic projects that were subject to substantial cost overruns, delays, and abandonment in the medium term were discontinued/suspended while others were phased out in the medium term under the different sectors**.** The same exercise was carried out to guide PIC while approving projects for consideration in the FY 2024/2025. The projected ceiling under this category is **Frw 1,023.5 Billion** while the updated budget baseline costing from all BAs requires **Frw 1,438.4 Billion** which shows a gap of **Frw 414.9 Billion.**

The following measures are planned in order to operate within the indicating ceilings to significantly manage the noted gap;

a) Priority will be given to ongoing projects for funding. Among these, further review will be carried out to identify those which can be slowed down and put on hold in the FY 2024/2025 with a reorganization in the medium term.
b) New but urgent projects will be assessed with proposals for reallocation within the available budget allocated to a respective BA or sector instead of requesting for additional budget and some of the pipeline projects will be put on hold.
c) In order to improve the sensitivity of Public Project Management to climate-related issues and save on implied future costs, climate-sensitive pre-screening and selection procedures shall be applied before any expensive design and feasibility study work is undertaken. This will apply to project proposals regardless of the proposed source of finance including development partner financing. Checking the quality at this early stage increases the probability of successful project results (outputs, outcomes and impacts) and decreases the probability of poor project outcomes and wasted investments, it is intended to exclude from further consideration those proposals that:

d) Project management, oversight, and monitoring including strengthening the ex-post evaluation process and required evaluations for large projects will strictly be given an emphasis while systematic data or analysis on delays or cost overruns, re-allocation actively discouraged.

Summary of Amount Rationalized by Measure

FY 2024/2025 And Medium Term Adopted Rationalization Measures (In Billion Frw)				
S/N	Budget Category/ Measure	2024/2025	2025/2026	2026/2027
I.	**Wages and Salaries**	**5.7**	**3.7**	**1.9**
	Staff recruitments or appointments will be frozen	2.2	1.2	0.5
	Increment on current staff salaries, benefits and retirement will be frozen	1.0	0.8	0.4
	Restricted contractual personnel on domestic resources	0.2	0.1	0.1
	Phasing of planned recruitments	2.2	1.6	0.9
II.	**Recurrent non-wage**	**82.9**	**50.4**	**38.5**
	Rationalization of non-essential expenditures	16.3	13.0	11.0
	Additional budget items reviewed and considered for further cost rationalization	14.0	13.4	9.6
	Reinforce the implementation of paperless initiative across all government agencies.	3.3	2.0	1.0
	Deployment of bulk purchase approach of key commodities	24.4	22.0	16.9
	Subsidies (such as transport) to be reviewed for better targetting.	25.0	-	-
III.	**Capital domestically financed**	**414.9**	**312.4**	**148.3**
	Pipeline projects put on hold	320.4	255.0	148.3
	Ongoing projects implemented at a slower pace	94.5	57.4	-
	Grand Total	**503.5**	**366.5**	**188.7**

Source: MINECOFIN – Budget/Resource envelope format

Other areas of focus for rationalization

The FY 2024/2025 will carry out the following reviews to streamline budget allocation in the medium term with appropriate spending rationalisation measures.

a) We will review the impact of all Government social protection programs to guide on appropriate interventions and budget allocation for greater developmental impact by streamlining some programs to ensure value for money and improved livelihoods of the citizens in a cost-efficient manner.

b) We plan to review, Government funding to SOEs in relation to their financial management and recommend for streamlined financial management measures for their independency and financial sustainability. This will guide appropriate cost rationalization measures on the current subsidies to such institutions.

c) We plan to assess the capability of own revenue generation for decentralized entities in consideration of property tax in order to create more room for financing other strategic projects at central Government level. This will go hand in hand with cost efficient measures in the districts in order to fit within their own revenues, with minimal dependency on resources from the Central Government.

d) We plan to review the capacity of own revenue generation for different Government institutions to save the same resources for other BAs without such an opportunity. The same will ensure that all own revenues are collected through the central treasury.

Cost rationalization measures and strategy is an important process and will not only help to remove inefficiencies but also help to finance key priority areas. MINECOFIN with other relevant stakeholders will continue to ensure that more rationalization is done by monitoring the implementation of the budget and where necessary some reforms will be proposed as well to enhance the implementation of ongoing budget reforms such as MTEF and Performance Based Budgeting to ensure a greater impact on development objectives.

viii. Climate budget tagging statement

Climate budget tagging is the process of identifying, measuring, and monitoring climate-relevant spending across government and can help to highlight the importance of climate concerns in resource allocation and execution.

Rwanda's climate budget tagging statement is a Resilience and Sustainability Facility (RSF) reform that has committed to an extensive set of public financial management and public investment management that includes the adoption of climate budget tagging under reform area of strengthening and institutionalizing the monitoring and reporting of climate-related spending that feeds decision making processes.

By climate budget tagging, Rwanda is fulfilling its obligations under the Paris Agreement, including the implementation of an Enhanced Transparency Framework (ETF) to accurately track climate finance flow. Traditionally, this tracking was conducted through Public Environmental Expenditure Reviews (PEER), which, while useful, operates outside the national accounting system and poses risks of data duplication and/or omission.

In nutshell, given nature of climate shocks and disasters that have and continues to affect macro and micro level socio-economic development, Rwanda remains committed to implement climate agenda as enshrined in the Nationally Determined Contributions (NDC) and this will be done through tracking financial resources that go into climate related interventions.

It is structured to take place in two phases. Firstly, by tagging development projects before expanding it to include all recurrent expenditures.

In addition, MINECOFIN produced guidelines on the planned climate budget tagging system, including anticipated changes to the budget call circular and user requirements for the Integrated Financial Management Information System (IFMIS).

THE BUDGET FOR FISCAL YEAR 2024/25 AND THE MEDIUM TERM

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 framework3, 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.

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[3] National fiscal frameworks are rules, regulations and procedures that influence how budgetary policy is planned, approved, carried out, monitored and evaluated.

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.

Fiscal Projections for 2024 and the Medium Term

Table 10: Medium term fiscal projections

	2023/24		2024/25		2025/26		2026/27	
	End Year Estimates	% of GDP	Proj.	% of GDP	Proj.	% of GDP	Proj.	% of GDP
REVENUE	3,845.5	22.3%	4,268.5	22.2%	5,101.6	23.6%	5,764.5	23.8%
Taxes	2,616.3	15.2%	3,037.9	15.8%	3,636.7	16.9%	4,307.4	17.8%
Taxes on income, profits, and capital gains	1,215.1	7.0%	1,417.3	7.4%	1,686.5	7.8%	2,001.1	8.3%
Taxes on payroll and workforce	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Taxes on property	32.5	0.2%	38.3	0.2%	44.5	0.2%	50.8	0.2%
Taxes on goods and services	1,181.8	6.8%	1,373.1	7.1%	1,665.4	7.7%	1,967.3	8.1%
Taxes on international trade and transactions	186.9	1.1%	209.2	1.1%	240.2	1.1%	288.2	1.2%
Other taxes	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Social contributions	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Grants	766.0	4.4%	725.3	3.8%	901.1	4.2%	835.2	3.4%
Other revenue	463.2	2.7%	505.2	2.6%	563.8	2.6%	621.9	2.6%
Property income	22.6	0.1%	24.5	0.1%	26.4	0.1%	29.5	0.1%
Sales of goods and services	412.4	2.4%	444.0	2.3%	499.1	2.3%	550.5	2.3%
Fines, penalties, and forfeits	28.1	0.2%	36.6	0.2%	38.3	0.2%	41.9	0.2%
Voluntary transfers other than grants	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Miscellaneous and unidentified revenue	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
EXPENSE	3,214.7	18.6%	3,439.6	17.9%	3,801.5	17.6%	4,141.3	17.1%
Compensation of employees	467.6	2.7%	550.2	2.9%	635.8	2.9%	714.1	2.9%
Use of goods and services	827.9	4.8%	778.3	4.0%	864.3	4.0%	962.1	4.0%
Consumption of fixed capital	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Interest	420.8	2.4%	504.1	2.6%	568.3	2.6%	570.0	2.4%
Subsidies	308.0	1.8%	322.6	1.7%	349.8	1.6%	390.1	1.6%
Grants	1,002.1	5.8%	1,075.0	5.6%	1,158.9	5.4%	1,263.6	5.2%
Social benefits	49.6	0.3%	65.1	0.3%	71.4	0.3%	72.7	0.3%
Other expense	138.7	0.8%	144.3	0.7%	153.0	0.7%	168.7	0.7%
NET OPERATING BALANCE								
including grants	630.8	3.7%	828.8	4.3%	1,300.1	6.0%	1,623.2	6.7%
excluding grants	-135.3	-0.8%	103.5	0.5%	399.0	1.8%	788.0	3.3%
Net acquisition of nonfinancial assets	1,676.5	9.7%	1,721.4	8.9%	1,941.3	9.0%	2,296.6	9.5%
Foreign financed	1,016.6	5.9%	1,014.0	5.3%	1,149.6	5.3%	1,288.9	5.3%
Domestically financed	659.8	3.8%	707.5	3.7%	791.8	3.7%	1,007.7	4.2%
Net lending (+) / borrowing (-) {deficit/Surplus}								
including grants	-1,045.7	-6.1%	-892.6	-4.6%	-641.3	-3.0%	-673.4	-2.8%
excluding grants	-1,811.7	-10.5%	-1,617.9	-8.4%	-1,542.3	-7.1%	-1,508.6	-6.2%
Net lending (+) / borrowing (-) {deficit/Surplus} V86								
including grants	-1,156.8	-6.7%	-993.2	-5.2%	-736.5	-3.4%	-753.8	-3.1%
excluding grants	-1,922.9	-11.1%	-1,718.5	-8.9%	-1,637.6	-7.6%	-1,589.0	-6.6%
Net acquisition of financial assets	185.0	1.1%	235.4	1.2%	203.1	0.9%	201.6	0.8%
Domestic	185.0	1.1%	235.4	1.2%	203.1	0.9%	201.6	0.8%
Foreign	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Net incurrence of liabilities	1,299.0	7.5%	1,128.0	5.9%	844.4	3.9%	875.0	3.6%
Domestic	90.7	0.5%	-1.4	0.0%	-137.7	-0.6%	-36.9	-0.2%
Foreign	1,208.3	7.0%	1,129.4	5.9%	982.1	4.6%	911.9	3.8%
Nominal GDP		17,268.4		19,261.4		21,575.5		24,244.5
Exchange rate		1,253.3		1,398.8		1,497.8		1,567.6

Source: MINECOFIN

Projection of Resources

The total resources estimated for the fiscal year 2024/25 will amount to FRW 5,690.1 billion. This amount is made up of domestic revenues amounting to FRW 3,414.4 billion comprising of FRW 2,970.4 billion from tax revenue and FRW 444.0 billion from other revenue collection. External grants are estimated at FRW 725.3 billion whilst external loans are estimated to be FRW 1,318.1 billion.

Domestic borrowing and financial assets drawdown amount to FRW 148.5 billion and FRW 83.8 billion respectively.

Table 11: 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

Source: MINECOFIN

a) Domestic Revenue Collections

Tax Revenue Collections

Total tax revenue collections for Treasury are projected to reach FRW 2,970.4 billion in the fiscal year 2024/25. This amount is higher to FRW 2,559.8 billion projected in the Revised Budget of FY 2023/24 by FRW 410.6 billion. The increase in the tax revenue projection will reflect the current and expected good performance of economic activities with the effect from different tax measures under the implementation of the Medium-Term Revenue Strategies (MTRS).

Other Revenue Collections.

In the Fiscal Year 2024/25, other revenue (non-tax revenue) collections are estimated at FRW 444.0 billion. Higher reimbursements trend from the UN for the cost of peace-keeping operations in the fiscal year 2024/25 mainly account for the higher projected amount. The estimated figure for PKO reimbursements in the fiscal year 2024/25 is FRW 212.6 billion, which is FRW 13.1 billion higher than the figure of FRW 199.5 billion projected in the revised budget for fiscal year 2023/24. This increase mainly resulted from higher projected exchange rate depreciation.

Other revenue estimated figure also includes an amount of FRW 124.9 billion which come from internally generated other revenue collections of the various Government agencies, comprising the Rwanda National Police and the Rwanda Development Board, Rwanda Revenue Authority, Rwanda Mines, Petroleum and Gas Board, the Rwanda Correctional Service and Rwanda Food and drug Authority. These institutions will be allowed to spend these collections and are being added to their allocations in the budget.

b) External resource Projection

In the budget for the fiscal year 2024/25, a total amount of FRW 2,043.5 billion from external sources has been projected for spending. This amount comprises FRW 725.3 billion from grants and FRW 1,318.1 billion from loans.

External grants projection

The amount of FRW 725.3 billion projected for the fiscal year 2024/25 is made of budgetary grants of FRW 277.0 billion and capital grants of FRW 448.3 billion.

In the case of capital grants, the estimated figure of FRW 448.3 billion in the fiscal year 2024/25 is FRW 53.6 billion less compared to the amount of FRW 501.9 billion projected in the revised budget of the current fiscal year 2023/24.

External Loans Projection

The amount of FRW 1,318.1 billion estimated for the coming fiscal year 2024/25 will be FRW 10.6 billion lower compared to the amount of FRW 1,328.7 billion projected in the revised budget of the current fiscal year 2023/24.

On budgetary loans side, an amount of FRW 726.3 billion is expected for the fiscal year 2024/25 where this amount will be less by FRW 45.9 billion compared to the current FY 2023/24 revised budget estimate of FRW 772.2 billion.

On the side of project loans, the figure of FRW 591.8 billion projected for the fiscal year 2024/25 and is FRW 35.3 billion higher than the projected amount of FRW 556.5 billion estimated for the fiscal year 2023/24.

Projection of Expenditures

The total expenditure for the fiscal year 2024/25 is projected to be FRW 5,690.1 billion where this figure is FRW 574.5 billion higher than the revised budget for the fiscal year 2023/24 of FRW 5,115.6 billion. The 2024/25 figure is made up of recurrent spending of FRW 3,421.2 billion. On capital spending side, the estimated amount is FRW 2,037.4 billion for both foreign and domestically financed projects, but this also include spending under various Equity investment shares projected at FRW 39.8 billion and funds for government policy lending estimated at FRW 60.7 billion.

a) Recurrent Expenditures

The allocated amount of FRW 3,421.2 billion in fiscal year 2024/25 is FRW 508 billion higher than the allocated amount of FRW 2,913.2 billion in the fiscal year 2023/24 revised budget. The compensation of employees' category is estimated at FRW 1,050.8 billion which is higher by FRW 117.1 billion in the fiscal 2023/24 revised budget, which reflects the employment growth in civil servants, horizontal promotion and bonuses as well as well as the restructuring of different public institutions.

The other recurrent spending (recurrent non-wage) allocations also include a spending amount of FRW 212.6 billion for Peace Keeping Operations in the fiscal year 2024/25. The allocated envelope for recurrent expenditures in the fiscal year 2024/25 includes an amount of FRW 504.1 billion for debt service payments. This figure is FRW 84.1 billion higher than the amount of FRW 420.0 billion spent in the fiscal year 2023/24. The increase in interest payments is a combination of both increase in debt stock and increase in interest rate mainly from domestic side to cover the cash deficit plus the exchange rate depreciation for foreign currency debts. Concerning interest payments on external debt, an amount of FRW 241.9 billion has been projected for the fiscal year 2024/25 and regarding domestic debt interest, the payment to be made will amount to FRW 262.2 billion.

b) Capital Expenditure

The total capital spending for the fiscal year 2024/25 is estimated at FRW 2,037.4 billion. This figure is FRW 59.1 billion higher than the amount of FRW 1,978.3 billion allocated in the revised fiscal year 2023/24 budget. The amount for the 2024/25 fiscal year is made, among others of, FRW 1,023.4 billion of domestically financed projects portion, FRW 5.7 billion on account of inventory projected to be used for government to purchase strategic reserves fuel storage as envisaged in the FY 2024/25 and FRW 1,013.9 billion of foreign financed portion. The increase in the allocated amount will allow to finance several projects in line with the priorities and objectives as well as stimulating economic growth.

Regarding domestically financed capital spending, the projected amount of FRW 1,023.4 billion for the fiscal year 2024/25 is FRW 90 billion higher than the amount of FRW 933 billion in the fiscal year 2023/24. The allocated amount in the fiscal year 2024/25 will among the priorities allow the implementation of some priority projects that will increase access to electricity, water and sanitation, education, agriculture as well as health.

In the case of the foreign financed portion, the estimated amount of FRW 1,013.9 billion for the fiscal year 2024/25 is FRW 51.9 billion higher than the amount of FRW 962 billion projected in the revised fiscal year 2023/24 budget. Among the major projects to be implemented are mainly in the education, energy, roads, agriculture and health sectors. The remaining amount will finance other government invests including development projects at local level

c) Policy lending

Outlays under loans in the fiscal year 2024/25 have been estimated at FRW 60.7 billion. This amount is made up of the allocated amount on Economic Recovery equivalent of FRW 26.2 billion and provision for payment of KCC loan amounting to FRW 34.6 billion.

d) Equity and investment fund shares

An amount of FRW 39.8 billion is projected under the category of Equity and Investment Fund shares which related to BRD as well as the Bugesera Airport Company envisaged spending in the fiscal year 2024/25.

IV. 2024/25 AND MEDIUM-TERM DETAILED RESOURCE ALLOCATION TO NST1 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. Those indicators are summarized below:

- **Under economic transformation pillar:** digital literacy among Rwandans, total revenues from exports, revenues from mining exports as well as from MICE, number of passengers using the national carrier per year, domestic savings, agricultural productivity in terms of yields for priority crops, land under irrigation, use of quality seeds by small scale farmers, strategic food reserves, credit to agriculture and reducing the usage of biomass for cooking.

- **Under Social Transformation Pillar:** reducing stunting among under 5 children, reducing maternal and child mortality rates, increasing health facilities with access to water, increasing the ratio of nurses per population, increasing trained teacher ratio (primary), minimum proficiency in numeracy in Senior 3, enrolment in STEMs and in TVET, reducing drop out in primary, lower and upper secondary levels and achieving universal access to sanitation facilities.

- **Under Transformational Governance Pillar:** reducing backlog cases and recovery of embezzled public funds.

Table 12: 2024/25 Resource allocation per NST1 Pillars

NST Pillars	2024/2025 Budget	% Shar	2025/2026 Budget	% Share	2026/2027 Budget	% Share
01 Economic Transformation	3,399,415,790,257	59.7%	3,838,758,759,439	60.2%	4,459,617,881,224	62.0%
02 Social Transformation	1,509,822,372,705	26.5%	1,708,254,087,663	26.8%	1,834,607,439,178	26.0%
03 Transformational Governance	780,906,115,234	13.7%	827,112,370,663	13.0%	874,245,660,670	12.0%
Total	**5,690,144,278,196**	**100**	**6,374,125,217,765**	**100**	**7,168,470,981,072**	**100**

Source: MINECOFIN

i. Allocation on 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:

<u>AGRICULTURE</u>

(1) Increasing agriculture productivity and postharvest handling facilities to ensure national food and nutrition security

- Availing affordable inputs (seeds and fertilizers) on time
- Increasing local production and multiplication of seeds for key crops (maize, wheat, soybean, Irish potato, rice, cassava and beans)
- Increasing crop climate resilience through scaling up the area under irrigation including Gabiro Agribusiness Hub
- Reducing soil erosion through construction of progressive and radical terraces
- Capacity building for extension service providers
- Developing post-harvest facilities such as drying shelters
- Increasing the National Strategic Grain Reserves (Maize and Beans) etc.

(2) Increasing animal productivity

- Improving animal health and productivity through vaccination and artificial insemination
- Distribution of small livestock
- Increasing area under improved forage
- Provision of water infrastructures such as dams and dam sheets
- Construction of Milk Collection Centers and acquisition of milk coolers.
- Increasing fish production through developing aquaculture and fisheries

(3) Export crops promotion

- Provision of fertilizers and pesticides for export crops (tea and coffee)
- Replacement of old coffee trees and production of seedlings for coffee expansion
- Scaling up the area under tea plantation
- Expropriation and construction of Kigali Whole Sale Market
- Promotion of horticulture

(3) Agriculture financing

- Scaling up Agriculture insurance for crops and livestock
- Provision of loans and matching grants to increase farmers' access to finance

<u>INFRASTRUCTURE</u>

In 2024/25, priorities in infrastructure sectors will mainly focus on scaling up access to infrastructure, maintenance as well as improving their quality. Particular attention will also be put on implementing ongoing projects and clearing expropriation to speed up project implementation.

(1) Water and Sanitation

- Increasing daily water production capacity (e.g. through upgrading of Karenge Water treatment plant in Rwamagana district)
- Expanding water supply network both in urban and rural areas
- Rehabilitation of Non-functional Rural Water Supply Systems
- Continuing the operationalization of Kanzenze Water Treatment Plant in Bugesera district
- Construction of sanitary facilities (e.g.: Kigali Centralized Sewerage System)

(2) Energy

- Increasing electricity connection to households and productive use areas
- Increasing electricity generation capacity
- Improving electricity network reliability through strengthening national grid transmissions and network rehabilitation
- Increasing the storage capacity of the oil strategic reserve
- Distribution of improved cooking stoves to reduce biomass use as cooking fuel
- Increasing and maintaining street lighting

(3) Transport

- 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
- Resurfacing the Kigali International Runway, Taxiway and Apron
- Establishing of the Center of Excellence for Aviation Skills Project

(4) Urbanization and Rural Settlements

- Construction of IDP model village to be inaugurated on 4th July 2024
- Payment for Amahoro Stadium
- Providing basic Infrastructure support to affordable housing projects
- 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
- Completing the payment of Kigali Indoor Arena

PRIVATE SECTOR DEVELOPMENT AND YOUTH EMPLOYMENT

(1) Developing Industry, Services and Investment

- Provision of basic infrastructure (in Huye Industrial Parks) and expropriation (E.g: Bugesera additional land, Muhanga Industrial Park)
- Ensuring standardization and certification of produced goods to promote Made in Rwanda and exports
- Supporting companies to trade on international online platforms
- Organizing Rwanda international Trade Fair, Intra Africa Trade Fair and Made in Rwanda Expo
- Supporting local industries in technology acquisition to increase their competitiveness
- Supporting MICE to increase tourism revenues

- Implementing the existing strategic partnerships for tourism promotion (e.g. Visit Rwanda)
- 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.)
- Payment for Fuel Storage Facilities
- Provision of basic infrastructure to Musanze site of the High Value Therapeutic Crops project (Medical cannabis)
- Construction of houses for households to be resettled from areas neighboring the Volcano National Park.

(2) Mining diversification and value addition

- Professionalization of small scale mining through modern equipment usage and skills development to increase productivity
- Strengthen mine site inspections, traceability, tagging, certification and enforcement of national and regional standards
- Enhancing mineral exploration

(3) Job Creation:

- 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
- 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.)
- Supporting Model Projects in Villages

FINANCIAL SECTOR DEVELOPMENT

- Automation of Umurenge SACCOs
- Promoting long-term saving through EJOHEZA and other long-term saving schemes
- Supporting businesses affected by the Covid-19 through Economic Recovery Fund 2
- Increasing the use of modern payment systems and digital financial services
- Supporting the implementation of agriculture de-risking and financing facility

INFORMATION COMMUNICATION TECHNOLOGY (ICT)

- Connecting Public Institutions to Internet (Schools and Health facilities)
- Installation, Maintenance and Control of all public CCTV cameras
- Promoting Digital Literacy Programs (Digital Ambassadors Program) and Digital Literacy for Workforce
- Increasing government services delivered online through the Irembo platform
- Deployment of E-Services in key sectors (Health, Justice, Procurement and capacity building for IT staff)

- Promoting cybersecurity resilience and data protection across all sectors
- Construction of the Drone Operation Center (DOC)
- Implementing the digital identification and authentication project
- Implementing Digital Acceleration Initiatives
- Promoting E-Commerce Ecosystem in Rwanda and scaling up the adoption of ICT for all businesses

ENVIRONMENT AND NATURAL RESOURCES

- Restoration of degraded forests and catchments
- Construction and landscaping works for wetlands rehabilitation
- Increasing land under biodiversity conservation
- 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
- Allocating public forests to private operators for efficient management
- Enhancing management of water resources
- Improving the quality of meteorological services
- Managing water flows from the volcano region as well as implementing catchment restoration measures

DISASTER PREVENTION AND RESPONSE

- 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 evacuation of families under imminent danger
- Providing relief and recovery assistance to people affected by disasters

The table below shows allocation of resources on NST 1 sector under the Economic Transformation Pillar for FY2024/25 and in the medium term:

Table 13: 2024/25 Resource allocation per NST1 – Economic Transformation Pillar

01 Economic Transformation	**3,399,415,790,257**	**59.7%**	**3,838,758,759,439**	**60.2%**	**4,459,617,881,224**	**62.2%**
01 Agriculture	210,669,670,216		237,155,159,705		259,747,846,190	
02 Private sector Development & Youth Employment	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 Technology (ICT)	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

ii. Allocation on Social Transformation Pillar

EDUCATION

- Supporting the school feeding program in pre-primary, primary and secondary schools
- Improving quality of school infrastructure by constructing new pre-primary and primary classrooms
- Increasing qualified teachers by recruiting new qualified teachers for primary and secondary
- Improving teachers' welfare by supporting Umwalimu SACCO
- Providing adequate teaching and learning materials at all levels
- Conducting comprehensive Assessment and general inspection in Basic Education (BE) and TVET
- Constructing and equipping TVET centers with teaching and learning materials
- Providing training consumables to TVET schools
- Promoting STEM at all levels of education by establishing smart laboratories
- Increasing the use of ICT in teaching and learning through construction of smart classrooms in secondary and TVET schools
- Facilitating the implementation of the University of Rwanda reforms to improve the quality of higher learning education

HEALTH

- Provision of equipment to existing and new Health facilities
- Recruitment of new health professionals
- Upgrading Masaka hospital into a University Teaching Hospital
- Construction of Muhororo District Hospital, Ruhengeri Referral Hospital, maternity at Kibagabaga Hospital and Kabgayi District Hospital
- Strengthening the national health system capacity to address communicable diseases including pandemics
- Continuing development of human resources for health by increasing number of specializations and sub-specialization
- Supporting the Community Based Health Insurance (CBHI)
- Provision of Performance based Financing (PBF) to Health facilities (Health Centers and Hospitals)
- Strengthening the Testing Capacity of Rwanda FDA Laboratory
- Enhancing the prevention of hygiene related diseases, including oral diseases
- Procuring insecticides for Indoor residual spraying (IRS)
- Conducting Food and Drugs inspections to assess standards compliance

NUTRITION

- Continuing the implementation of a two-year multi-sector plan to reduce stunting
- Promoting adequate early childhood development through early detection/screening of children for malnutrition and antenatal care promotion
- Provision of fortified blended food to eligible children, pregnant and lactating women
- Provision of Milk to malnourished under 5 children

- Increasing Early Childhood Development (ECD) facilities to boost enrollment of eligible children
- Improving the quality of ECD services through capacitating care givers
- Implementing Adolescent, Maternal, Infant and Young Children Nutrition guideline.

SOCIAL PROTECTION

- Continuing to implement VUP programme, nutrition sensitive support, productive assets and skills transfer to vulnerable households
- Implementing the national strategy for sustainable graduation from poverty
- Addressing human security and delinquency issues
- Supporting reintegration of delinquents and reunification of Street children with their families
- Construction of IWAWA, Gitagata and Nyamagabe rehabilitation centers
- Providing subsistence allowance, medical and psychosocial support to disabled and vulnerable ex-combatants
- Supporting vulnerable ex-combatants through skills training and provision of toolkits
- Integrating eligible persons with disabilities in relevant programs
- 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.
- Promotion of entrepreneurship in refugees' and neighboring communities through by providing access to loans and matching grants.
- Finalizing identification and categorization Persons with Disabilities.

SPORTS AND CULTURE

- Upgrading basic sport facilities at school and Cell level,
- Developing big sports infrastructure development (e.g. Amahoro stadium)
- Supporting ISONGA program Center at National and Regional level to promote youth talent
- Organizing and participating in regional and continental sports competitions/events.
- Organizing and hosting International sports events and meetings (e.g. Hosting Union (des Cyclistes International (UCI) 2025)

GENDER AND FAMILY

- Enhancing women empowerment through promoting women entrepreneurship and access to finance
- Preventing gender-based violence, child abuse and teenage pregnancy
- Supporting GBV victims through integrated services in Isange One Stop Centers
- Ensuring reintegration of street children and orphan into families
- Improving family cohesion
- Strengthening Umugoroba w'Imiryango and Inshuti z'Umuryango
- Mainstreaming gender in relevant plans.

Youth

- Promoting youth empowerment through job creation e.g. Ecobrigade, Road maintenance, youth in Agriculture, etc.
- Sensitizing youth for increased participation in youth programs i.e. Art Rwanda Ubuhanzi, Youth Connekt, etc.
- Implement Joint Youth Program (civic engagement, Skills development and entrepreneurship)

The table below shows the allocation of resources on Social Transformation Pillar for FY2024/25 and in the medium term:

Table 14: 2024/25 Resource allocation per NST1 – Social Transformation Pillar

02 Social Transformation	**1,509,822,372,705**	**26.5%**	**1,708,254,087,663**	**26.8%**	**1,834,607,439,178**	**25.6%**
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 Order (JRLO)	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

iii. Allocation on Transformational Governance Pillar

JUSTICE, RECONCILIATION, LAW AND ORDER

- Hosting locally the Integrated Electronic Case Management System Rwanda (IECMS) and maintenance
- Intensifying control of corruption, transparency and accountability through investigation and prosecution of cyber and emerging crimes
- Strengthening the recovery of embezzled public funds
- Increasing access to Legal Aid by capacitating MAJ and increase its outreach activities at sector level
- Increasing the use of ICT in Justice by revamping the internet network in Courts, Prosecution Offices and Correction facilities
- Ensuring full operationalization of the Rwanda Forensic Institute

GOVERNANCE AND QUALITY SERVICE DELIVERY

- Promoting quality service delivery in public, private and Civil Society Organizations (CSOs);
- Scaling up digital identification and authentication
- Enhancing capacities of local government leaders
- Improving Citizens participation and engagement in development
- Providing support to the forum of political organizations
- Ensuring adequate preparation of Presidential, Parliamentary and Councilors' elections

FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION

- Strengthening diplomatic relations through bilateral and multi-lateral cooperation with other countries;
- Supporting operations of Rwanda's diplomatic missions abroad
- Ensuring coordination and acceleration of relevant regional programmes and projects i.e. EAC projects
- Mobilizing Rwandan Community Abroad (Diaspora) to participate in socio-economic development programs including CBHI and Ejo Heza
- Hosting the 3rd Landlocked Developing Countries (LLDCs) Summit

INTERNAL SECURITY

- Maintaining security, peace and stability
- Constructing National Police College Smart Classroom (NPC Smart College)
- Improving inmates living conditions by constructing and expanding Mageragere, Nyamasheke and Nyamagabe correctional facilities
- Construction of RCS Training School

PUBLIC FINANCE MANAGEMENT (PFM)

- Reinforcing capacity development of PFM staff in both central and local government entities
- Conducting research on Public Procurement issues that lead to loss of Public funds
- Rolling out EBM version 2 to more VAT registered tax payers

NATIONAL UNITY AND CIVIC ENGAGEMENT

- Supporting Itorero activities
- Promoting Unity, Reconciliation and Civic education
- Renovating houses for Genocide survivors
- Preserving and protecting National heritage (e.g. installation of Mulindi National Liberation Museum park exhibition and upgrading Remera Heroes mausoleum)
- Promoting Cultural heritage through National and International Cultural heritage events and festivals (National Heroes Day, Umuganura international museums day, World Day of audiovisual heritage)

The table below shows the allocation of resources for Transformational Governance Pillar for FY2024/25 in the medium term:

Table 15: 2024/25 Resource allocation per NST1 – Transformational Governance Pillar

03 Transformational Governance	**780,906,115,234**	**13.7%**	**827,112,370,663**	**13.0%**	**874,245,660,670**	**12.2%**
07 Information Communication Technology (ICT)	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 Order (JRLO)	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	

FINANCIAL SECTOR DEVELOPMENT

- Umurenge SACCOs automation and establishing District SACCOS and cooperative bank
- Promoting Long-term saving through Ejo Heza and other long term saving schemes
- Promotion of Rwanda as investment destination and financial hub
- Design of Disaster Risk Financing Strategy
- Monitoring the implementation of National Financial Inclusion and Education strategy and roadmaps (2023-2027)
- Handling and resolving Financial complaints through the Ministerial Order on Consumer Protection
- Increasing the use of modern payment systems and digital financial services
- Support the implementation of agriculture de-risking and financing facility
- Support the implementation of Affordable Housing Financing strategy
- Finalization and publishing FinScope Survey of 2024.

V. 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.