

REPUBLIC OF RWANDA



Ministry of Finance and Economic Planning

BUDGET SPEECH

FINANCIAL YEAR 2018/19

***Industrialization for Job Creation
and shared prosperity***

Presented

TO BOTH CHAMBERS OF THE PARLIAMENT OF THE
REPUBLIC OF RWANDA ON JUNE 14th, 2018

BY

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MINISTER

I. INTRODUCTION

*Honourable President of Senate,
Honourable Speaker of Chamber of Deputies,
Honourable Members of Parliament,*

1. As provided under article 162 of the Rwanda constitution of 2003 as amended in 2015 as well as articles 35 and 38 of the Organic Law on State Finances and Property as amended to date, I have the honour to present to you on behalf of the Government, the Budget and Economic Policy for the fiscal year 2018/19.
2. The budget framework paper for 2018/19 and the medium term was presented to you towards the end of April this year upon which I take this opportunity to thank you for your valuable comments, which were very instrumental during the preparation of 2018/19 fiscal year's draft finance law.
3. The theme for the 2018/19 budget is “**Industrialization for Job Creation and Shared Prosperity**” This theme has been chosen by all EAC Finance Ministers to demonstrate our total commitment to job creation in our region through rapid industrialization in order to drastically reduce the current high rate of unemployment particularly among the youth in our region. This commitment is also in line with the content of our first seven-year plan of the NST1 whose key priorities include the creation of decent jobs for our population. We intend through the budget for 2018/19 and the medium term to redouble our efforts through on-going and new industrialization and other policies to create additional job openings.

***Honourable President of Senate,
Honourable Speaker of Chamber of Deputies,
Honourable Members of Parliament,***

4. This budget and economic policy statement for fiscal year 2018/19 is organised as follows:

- a) First, I will provide a brief summary of the global economic performance for 2017 and the projections for 2018 and 2019. This summary will also include the performance and outlook for sub-Saharan countries including our partner countries in the EAC.
- b) Secondly, I will be providing a brief summary of the execution of the 2017/18 budget and the key results in some priority sectors.
- c) In the third section of the speech, I will present the Government's medium term macro-economic framework covering the period 2018/19 to and 2020/21.
- d) The last section will focus on the details of the Government's budget and economic policy for the fiscal year 2018/19. In this section, I will talk about the allocation of resources consistent with the National Strategy for Transformation (NST1) priorities and intended sectoral strategies to support implementation in 2018/19.

II. GLOBAL ECONOMIC PERFORMANCE IN 2017 AND OUTLOOK FOR 2018 AND 2019

Honourable President of Senate,
Honourable Speaker of Chamber of Deputies,
Honourable Members of Parliament,

5. According to the recent World Economic Outlook (WEO) of the IMF published in April 2018, global growth strengthened in 2017 to 3.8%, with a notable rebound in global trade. It was driven by investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe and signs of recovery in several commodity exporting countries.
6. Across advanced economies, the 0.6% pickup in 2017 growth relative to 2016 is explained almost entirely by investment spending. Global growth is expected to tick up to 3.9% this year and in 2019, supported by strong momentum, favourable market sentiment, accommodative financial conditions, and domestic and international repercussions of expansionary fiscal policy in USA. The partial recovery in commodity prices should allow conditions in commodity exporters to gradually improve.
7. In sub-Saharan Africa, output growth saw a modest pickup from 1.4% in 2016 to 2.8% in 2017. This performance was due to several factors including the rebound in oil production in Nigeria. Growth is projected to continue in 2018 to 3.4%, although it could decline in 2019 mainly due to policy uncertainties that could restrain growth in Nigeria and South Africa.

8. In the case of the East African Community (EAC) member states, economic activity has improved in most EAC Partner states with real GDP growth in the four selected partner states projected to average 6.1% in fiscal year 2017/18 compared to the average of 5.6% in fiscal year 2016/17. This growth is higher than the projected Sub-Saharan Africa average of 3.4% for 2018. This is mainly driven by improvement in public investment in infrastructure and a recovery in the Agricultural sector, following favourable weather conditions.

III. DOMESTIC ECONOMIC PERFORMANCE

***Honourable President of Senate,
Honourable Speaker of Chamber of Deputies,
Honourable Members of Parliament,***

9. On the domestic front, after a sluggish growth of 2.9% due to low growth of industry and services in the first half of 2017, GDP growth rebounded in the second half of the year to reach 6.1% in 2017 against 5.2% projected. Agriculture growth was at 7% due to a 7% growth in food crops compared to 3% growth in 2016. Growth in industry of 4% compared to 7% in 2016 was the most disappointing as activity in construction recorded a deceleration of -3% in 2017. With a growth of 8% in 2017, the services sector showed a steady performance, driven by growth in tourism as reflected by a strong growth in hotels and restaurants, in transport supported by Rwandair expansion, the expansion of credit to the private sector in 2017 compared to 2016 and different government initiatives to support information and technology development continue to yield results, the sector grew by 12% in 2017. This result was achieved despite a flat growth in trade due to a drop in private consumption.

10. On inflation, headline inflation declined to 4.8 % in 2017 from 5.7% in 2016 and eased to 3.0% at the end of May 2018. The decline is explained by factors such as favourable weather conditions in 2017 which improved food production leading to the fall in food inflation from 15% in the first half of 2017 to 4.6% in the second half of 2017. Another reason for the decline in inflation was the ease in exchange rate pressures.
11. Regarding the external sector, the trade balance in merchandise goods improved substantially in 2017, driven by a strong growth in exports of 44.5% and a decline in imports of 5.6%.
12. On the monetary front, key monetary aggregates registered positive results compared to 2016. Broad money grew by 13.0 % at the end of April 2018 compared to 11.9% growth at the same period in 2016. Private sector credit growth grew by 8% by End April 2018 compared to 8.8% in the same period of 2017. The year 2017 also saw an ease in exchange rate pressures as a result of improvements in export receipts and a decline in imports. Consequently, the FRW depreciation against the US dollar moderated to 3.5% at the end of May 2018 from 6.4% in the same period of 2017.

Honourable President of Senate,
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13. With regards to fiscal performance, Parliament in February 2018 approved the revised budget for the 2017/18 year amounting to FRW 2,115.3 billion. The execution of the first three quarters of the fiscal year 2017/18, has been generally on track.

14. At the end of March 2018, Tax revenue collections of FRW 901.6 billion slightly exceeded the target of FRW 880.6 billion by FRW 21 billion. Total non-tax revenues collections were FRW 150.4 billion with a shortfall of FRW 16 billion compared to the total amount of FRW 166. 4 billion that was projected.
15. Total external disbursements of FRW 585.7 billion registered an excess of FRW 13.2 billion compared to FRW 572.5 billion estimated for the nine months period under review. Frontloading of donor grants in March 2018 was responsible for this performance. With this performance, we are confident that all external grants will be disbursed before the fiscal year ends.
16. Regarding expenditures, total spending in July – March 2018 period amounted to FRW 1,631.9 billion which is FRW 34.1 billion higher than FRW 1,597.8 billion projected. Given the current implementation level, we are confident that the revised budget for the fiscal year 2017/18 will be fully implemented by end June 2018.

Honourable President of Senate,

Honourable Speaker of Chamber of Deputies,

Honourable Members of Parliament,

17. After giving the highlights of our domestic economic performance and general budget implementation, I would like to bring to your attention some key sector achievements in 2017/18 fiscal year.

a) Agriculture sector

18. The following are key achievements in agriculture sector at the end of March 2018:

- ✓ In line with the land consolidation policy, 312,574 ha of land have been consolidated for Maize plantation, 693,321 ha for Beans, 115,646 ha for Irish potatoes; 25,214 ha for wheat; 26,660 ha for Cassava; 28,300 ha for rice and 15,777 ha for Soybeans in both season A and B.
- ✓ To increase soil productivity, 12,863.5 MT of fertilizers were distributed including 4,975 MT of DAP, 2,388.7 MT of UREA, and 5,475.8 MT of NPK. In addition, 10,864.5 MT of lime were distributed in districts with high acid soil.
- ✓ In line with the efforts put on local seeds production, 10 MT of Hybrid maize seed, 169 MT of wheat, 60 MT of Soybeans, 60MT of Irish Potato and 89,690,500 of cassava cuttings were certified for use.
- ✓ For better soil protection against erosion, 1,562.7 ha and 486.9 ha of radical terraces and progressive terraces have been developed respectively.
- ✓ The rehabilitation works for Kabuye marshland is ongoing at 95% to completion, while Rwamagana branches stand at 41.5%. 340 ha were developed for irrigation under small scale irrigation scheme, works for 267 ha hillside irrigation in Rwamagana are ongoing while construction of Muyanzena dam was completed.
- ✓ In order to increase animal resources productivity, 76,721 cows were inseminated, and 28,050 artificially inseminated born calves were registered. also one additional Nitrogen plant has been installed in Huye district.
- ✓ In line with the efforts to increase agricultural exports, 17,030 MT of coffee were exported and generated USD 59.5 million; 19,444 MT of

made tea were exported and generated USD 63.8 million; 15.0 MT of refined pyrethrum were exported and generated USD 2.5 million.

- ✓ For non-traditional exports, 22,458 MT of Horticulture (fruits, vegetables and flowers) were exported and generated USD 17.0 million; while hides and skins generated USD 4.6 million from the export of 2,726 MT. Meat generated USD 17.2 million through the export of 4,877 MT and dairy product generated USD 11.1 million from the export of 9,367 MT.
- ✓ To strengthen agriculture value chain, 44,638,417 litres of milk were supplied to different processing plants. Furthermore, 262.02 km of feeder roads were rehabilitated to facilitate agriculture production to reach different markets.

b) Energy sector

19. The following are key achievements in Energy sector at the end of March 2018:

- ✓ 113,605 new households were connected to on-grid electricity against the target of 96,648 households for 2017/18.
- ✓ 80,475 new households have been connected to off-grid solutions against the annual target of 98,977 households for 2017/18 and the works are still ongoing to connect more households.
- ✓ 434 productive users were connected to electricity against the annual target of 276 that were planned to be connected.
- ✓ The overall works progress for the construction of 110Km of 110kV Rulindo-Gabiro-Musha transmission line and Gabiro substation as well as extension of Musha substation was at 98.5%;
- ✓ 110/30kV Rulindo and Gifurwe sub-stations were constructed and the overall progress of the construction was at 98.86%;

- ✓ The overall works progress for the construction of Rulindo-Byumba-Gatuna & Byumba-Ngarama transmission lines was at 99.78%;

c) Water and Sanitation Sector

20. The following are key achievements in Water & Sanitation sector at the end of March 2018:
- ✓ 58,665 people and 33,245 people were supplied with clean water in urban and rural areas respectively;
 - ✓ 147.1km of water network extension and 172.2km were constructed in urban and rural areas respectively;
 - ✓ Volume of water produced was 36,244,862m³ at the end of quarter 3 against the annual target of 39,009,633m³. The new Nzove I water plant was at testing stage with total progress at 98%;
 - ✓ Two public toilets were completed in Gasabo and Rwamagana districts while the construction works for additional four (one in Nyarugenge, one in Gasabo and two Kicukiro district) is at 80%.

d) Transport Sector

21. The following are key achievements in Transport sector at the end of March 2018:
- ✓ In relation to the upgrade of roads, 138.1 km of roads were upgraded and these include Kivu Belt (Lot 6) Rubengera-Gisiza (24.1km), Kivu Belt (Lot 7) Gisiza-Rubavu (48km), Base –Rukomo (38km) and City of Kigali roads (28km);
 - ✓ In reference to the ongoing rehabilitation of roads, 57.9 km were rehabilitated. These include, Gabiro-Kayonza with works completed at

- 26.9%, Huye-kitabi road at 24.5%, Kagitumba-Gabiro road at 12.8% and Kayonza – Rusumo Road at 28.9%;
- ✓ Regarding the national paved roads, 689.8 km were under maintenance. Among the maintained roads include, Kicukiro-Nemba Road (61km), Kigali-Huye-Akanyaru Road (157km), Rusizi-Bugarama Road (46km), Kigali-Kayonza Road (74.8km), Musanze-Rubavu Road (67 km), Muhanga-Karongi Road (78km), Crete Congo-Nil-Ntendezi Road (30km), Muhanga-Ngororero-Mukamira road (98 Km) and Kigali-Gatuna asphalt road 78 km;
 - ✓ In line with the progress on national unpaved roads under maintenance; Giticyinyoni-Ruli-Rushashi-Gakenke (68.7 Km), Brasserie-Nkora (27 Km), Kazabe-Rutsiro (54Km), Kinazi-Mukunguri roads were maintained.
 - ✓ The progress on the construction of New Bugesera International Airport (NBIA) was at 14.2% by end of March 2018.

e) Urbanization and Human Settlement Sector

22. The following are key achievements in Transport sector at the end of March 2018:
- ✓ In relation to rural settlement planning, 30 IDP model villages were under development by end March 2018.
 - ✓ 12,689 households have been relocated from scattered settlements while 1,279 HHs from High Risk Zones have been resettled in grouped settlements.
 - ✓ Regarding affordable housing development, 200 houses out of the planned 1,000 houses were completed through a Public Private Partnership with Urukumbuzi. The progress of works needed to provide basic infrastructure which was completed at 45% at Batsinda II, 69% at Abadahigwa Kabuga.

f) Education Sector

23. The following are key achievements in Education sector at the end of March 2018:

- ✓ 30 Early Childhood Development (ECD) centers and 90 pre-primary classrooms were constructed in all districts;
- ✓ In relation to the curriculum, teaching and learning program, 90,904 Kinyarwanda reading books were distributed in pre-primary schools;
- ✓ 1,947 participants including district director education (DDEs), district education officers (DEOs), sector education officers (SEOs) and head-teachers from all the districts were trained on the special teacher statute and registration and licensing in the teacher management information system.
- ✓ 995,888 textbooks were distributed to both primary three (P3) and Primary six (P6);
- ✓ In relation to the In-House textbook writing initiative, 12 titles of textbooks under pre-primary and 33 titles for both lower and upper Secondary were written.
- ✓ In line with integrating ICT in Education, 200 schools were connected to internet and among them 70 schools received 100 laptops each. In addition, there was a pilot deployment of digital content aligned with Competence Based Curriculum (CBC).
- ✓ Regarding access to education program, 982 old classrooms were renovated, Vunga IDP Model village school was constructed, 12 new science laboratories were constructed and equipped while 1546 toilets were constructed.
- ✓ Under TVET school construction, the progress of infrastructure works of hospitality management institute was at 75%, Rutongo mining school at

99%, Nyabihu TVET School at 95% and Muhanga TVET School at 55% by the end of March 2018.

- ✓ A total number of 1,085 youth have been trained under National Employment Program (NEP) to bridge the prevailing skills gap.
- ✓ School of Architecture and Environmental Design was completed and inaugurated in the FY 2017/18.

g) Health Sector

24. The following are key achievements in Health sector at the end of March 2018:

- ✓ In controlling the malaria vector, IRS (Indoor Residual Spraying) has been conducted in KIREHE, NYAGATARE, GISAGARA and BUGESERA which have a high burden of malaria to reduce the morbidity;
- ✓ In order to reduce the burden of Non Communicable Diseases among the Rwandan population, training sessions on the management of Non-Communicable Diseases (NCDs) were organized and conducted for health care providers, 427 from health centers and 18 from district hospitals;
- ✓ Concerning the eligibility of adults and children receiving antiretroviral therapy, health care providers from 6 districts hospitals and 30 health centers have been trained on PMTCT (Prevention of mother-to-child transmission) and HIV case documentation; 24 PMTCT Healthcare Providers from private Health Facilities and 21 Healthcare providers from Public Health Facilities were trained on HIV prevention updates, including PMTCT and Sexually Transmitted Infections (STIs);
- ✓ A mentorship session was conducted for 38 midwives from hospitals on new Post-natal care (PNC) guidelines focusing on building skills of

healthcare providers regarding the recognition of danger signs for the mother and new born.

- ✓ For managing chronic and acute malnutrition, 1027 tons of fortified blended Food have been distributed to children under 2 year's old and 333 tons have been distributed to lactating and pregnant woman in UBUDEHE Category 1 in all districts;
- ✓ In order to increase the coverage of social protection programs to the extreme poor and vulnerable people, an annual CBHI (Community Based Health Insurance) subscription fees for vulnerable people in UBUDEHE Category One was paid;
- ✓ In line with the ongoing policy to improve the geographical accessibility to health services, construction works of Byumba Hospital, Gatonde district Hospital, Gatunda Hospital and Nyabikenke Hospital is progressing.
- ✓ To improve the Clinical Services and Primary Health Care in health facilities through supporting teaching hospitals to conduct outreach medical services, CHUK operated 183 general surgeries and 117 orthopedic surgeries in Rwamagana, Shyira and Kibungo Hospitals.
- ✓ Through the support of international medical missions, 18 Heart surgeries, 47 fistula repairs, 1 Neurosurgery, 25 ENT (Ear, Nose, Throat) surgeries and 35 goiters operations have been conducted in health facilities.

h) Justice Sector

25. The following are key achievements in Justice sector at the end of March 2018:

- ✓ In order to achieve modernized management of civil, criminal and commercial cases, Integrated Electronic Case Management System (IECMS) development phase II was completed at 100% as planned.
- ✓ In line with reinforcing justice delivery at local level, Abunzi registered 33,829 cases whereby, 32,074 representing 94.8% cases were mediated while 1,755 (5.2%) are still ongoing;
- ✓ With regard to implementing legal aid and justice for Children policies, MAJ recorded 14,612 cases of which 14,516 (99%) cases were handled;
- ✓ In order to recover embezzled funds, a total amount of Frw 616,688,568 of government funds was recovered;
- ✓ Under rehabilitation of police stations, construction works of Rusororo Police Station was completed at 75%, Kicukiro Police Station at 75%, Rwezamenyo Police Station at 73%, Kayonza district police unit at 76%, Kiziba building was completed at 100% and the construction of regional headquarters in Northern, Southern, Eastern and Western regions were completed at 100%;
- ✓ In order to continue improving detention facilities and conditions, Construction works of classrooms for the recruits at Rwanda Correctional Services (RCS) training school was completed at 95%.

i) Social Protection Sector

26. The following are key achievements in Social Protection sector at the end of March 2018:

- ✓ In order to ensure adequate and extended coverage of social protection safety nets, a total of 124,263 households have benefited from classic Public Work in 244 Sectors and the average working days gained by households was 59 days;
- ✓ In line with implementation of Joint action plan to eliminate malnutrition (JAPEM); 22,530 cows were distributed through Girinka program;
- ✓ 980,921 litres of milk were distributed to 95,175 pupils of 143 schools located in 27 districts under one cup of milk per child;
- ✓ 16, 477 under-five children with acute and chronic malnutrition have been supported and 1,950,847 litres have been distributed;
- ✓ 1,615,162 households were identified with well-maintained kitchen gardens and in collaboration with local government; households were mobilized for kitchen gardens establishment.
- ✓ Special attention was given to distribution of small stock (pigs and poultry) to vulnerable families in Rusizi, Nyamasheke, Rutsiro and Rubavu districts for nutrition improvement purpose;
- ✓ In line with the mainstreaming of child rights and welfare; 1,011 children and young adults (262 from orphanages, 700 from Centers for children in streets and 49 children of three years of age with their mothers in detention centers) were integrated into family and alternative family based care;
- ✓ 1,333 genocide survivors benefited from special direct support; 21,617 were supported under ordinary direct support; 14,001 students in Higher learning institutions and Short courses were supported with school fees and monthly allowances;

- ✓ In line with strengthening Social Protection and complementary programs; 3,008 Households (1,803 headed by females & 1,205 headed by males) have been benefited from minimum package for graduation.
- ✓ NECDP was established and staffed; ECD Mapping was conducted in 30 Districts where 4,100 ECD were mapped and functional.
- ✓ In line with the target to construct 30 model ECDs (one per district) 24 are operational, 2 are completed but not yet operational, while 4 are not yet completed.

IV. MEDIUM TERM ECONOMIC POLICIES

**Honourable President of Senate,
Honourable Speaker of Chamber of Deputies,
Honourable Members of Parliament,**

27. After giving you updates on our domestic economic performance and key programs and projects implemented in the fiscal year 2017/18, this section now focuses on the Government's macroeconomic objectives and policies for the medium term and the budget for the fiscal year 2018/19.
28. As mentioned in the introduction of this speech and in line with the theme chosen for the 2018/19 fiscal year's budget, the medium term macro-economic policies and this budget will focus on projects and programs that reflect NST1 key priorities and in particular those targeted at job creation.
29. In the area of economic growth, I have already mentioned that after a low growth of 5.9% in 2016, the economy rebounded in 2017 with a growth of 6.1%. This upward trend is expected to continue in 2018 with an overall

GDP growth of 7.2% and an average in the medium term of 7.9%. This growth performance is expected to be driven by agriculture and industry. In the case of agriculture, growth is projected at 5.6% in 2018 and at around 4.5 % in the medium term. This performance is due to expected strong rise in food and export crops production on account of the on-going investments in land consolidation and irrigation as well as adequate supply of inputs both fertilisers and seeds.

30. Industry sector is predicted to be the biggest contributor to growth in 2018 and in the medium term. It is expected to grow by 8.3% in 2018 and will be led by a pick- up in construction activity which is projected to rise to 5.2% in 2018 following a contraction in 2017. For 2019 and 2020, an average growth of 13.5% is projected reflecting expected strong activity including the construction of the Bugesera airport. Significant contributions are expected from the manufacturing sub sector with growth of 6.1% in 2018 rising to an average of about 8.1% in the medium term. Mining sub-sector growth in 2018 is projected at 20.1 % and is expected to rise to an average of 32.2% per year in the medium to reflect ongoing and planned investments in the mining sector. Electricity is projected to grow on average by 11.9% in 2018 and the medium term due to an increase in production.
31. Growth in the services sector is expected to remain strong at 7.6 % in 2018 and at above that over the medium term. Significant contributions will come from a recovery in trade, expansion of transport services, further development of the tourism sector and the good performance in other sectors like agriculture and manufacturing.
32. In the case of inflation, headline inflation which showed a declining trend from 5.7% in 2016 to 4.9% at end December 2017, continued to decline to

1.7% in April 2018. Looking ahead, headline inflation is expected to remain below 5% which is our objective, as exchange rate pressures, global inflation, international commodity prices and aggregate demand remain broadly subdued.

33. Regarding the external sector, the current account is expected to deteriorate in 2018 and 2019 to USD 867.2 million and USD 1,026.9 million respectively due to higher imports from the construction of the Bugesera airport. Exports are expected to improve during these years, while imports excluding Bugesera imports record only moderate increases. This situation will reflect the results from the import substitution policy and value added strategies being now implemented across different sectors of the economy. Despite the projected current account deterioration, expected higher financial flows in foreign direct investment and debt flows in 2018 and 2019 will boost the overall external position in 2018 and the medium term and support a modest build-up in reserves in 2018 and the medium term at around 4 months of imports.
34. In the area of monetary and financial sector development policies, BNR will continue to boost liquidity within the banking sector. Consistent with this policy, we expect all the key monetary aggregates to grow at least in line with nominal GDP. In this regard, we expect broad money to grow by 16.5% in 2018 and rise to 18.8% in 2019. This growth is expected to support private sector credit growth of 15.1% in 2018 and 15.2% in 2019.
35. Exchange rate policy in 2018 and the medium term will focus on maintaining a more market driven exchange rate that allows the market to adjust freely to shocks in external trade and other economic fundamentals. In 2018, the exchange rate pressures are expected to reduce due to

expected increase in export receipts and moderate increase in imports. This situation will reduce inflationary pressures whilst allowing BNR to continue to support the foreign exchange market.

V. THE BUDGET FOR FISCAL YEAR 2018/2019

**Honourable President of Senate,
Honourable Speaker of Chamber of Deputies,
Honourable Members of Parliament,**

36. After giving you the highlights of our medium term macro-economic policies, I would like to present to you the components of our medium term fiscal objectives and the 2018/19 budget with a major focus on prioritised areas.
37. Our medium term fiscal policy will continue to reflect the policies of fiscal consolidation and prudent borrowing to keep debt and external balances sustainable. Improvements in domestic revenue mobilisation and expenditure prioritisation to reduce spending are expected to allow these results to be achieved. Consistent with these objectives, the overall deficit is projected at 4.9% of GDP for the FY 2018/19, and is projected to decline to 4.6% of GDP by 2020/21.
38. Our total budget for the fiscal year 2018/19 is projected at FRW 2,443.5 billion compared to the 2017/18 revised budget of FRW 2115.3 billion, which shows an increment of FRW 328.2 billion. Increase in domestic resource mobilization as well as in external budget support funds makes this increase possible.

39. Domestic resources are projected at FRW 1,645.1 billion, which is 67% of the total budget. This is an increment of FRW 232.3 billion compared to FRW 1412.8 billion in the 2017/18 revised budget. Tax revenue collections are projected at FRW 1,351.7 billion which show an increment of FRW 151.4 billion over the revised budget figure of FRW 1200.3 billion. The non-tax revenue projected figure of FRW 155.7 billion is also FRW 17.5 billion higher than the FRW 138.2 billion in the revised 2017/18 budget.
40. In fiscal year 2018/19, external loans are projected at FRW 402.2 billion, which is 16.4 % of the total budget. The total domestic resources and loans combined amount to FRW 2,047.3, which is about 84% of the entire budget while external grants total to FRW 396.3 billion, which is 16% of the total budget. This is a good indication that grants financing of our budget is declining and we are on the right track towards our objective of self-reliance.

Honourable President of Senate,
Honourable Speaker of Chamber of Deputies,
Honourable Members of Parliament,

41. Allow me to highlight key tax measures that will help us to reach domestic revenue targets for 2018/19 some of which are expected to take effect with a lag:
- Amendment of the law on Tax Procedures involving the ‘EBM for all’ which aims at rolling out the EBMs to selected non-VAT registered tax payers, addressing loopholes in the existing Law and improving some taxpayers’ compliance procedures;
 - Enactment of the law amending excise duties on beer, wines and liquors as well as mobile data;

- Amendments to taxes on income involving capping of management fees, excluding liberal professionals from the lump-sum/flat regime and the implementation of the transfer pricing guidelines which will help the RRA conduct proper audits of multilateral companies etc.
 - Revision of the property tax law
42. In addition, the following tax incentives agreed at EAC level will support some strategic sectors in the promotion of transport services, Made in Rwanda and cashless economy, access to basic needs for the population, and supporting sports activities:
- ✓ **Rice** will continue paying import duty rate of 45% or USD 345/MT instead of 75% or USD 345/MT;
 - ✓ **Sugar** will continue paying import duty rate of 25% instead of 100% or 460 USD/MT whichever is higher;
 - ✓ **Goods imported for the use by Armed Forces Shop (AFOS)** will continue paying 0% instead of 25%;
 - ✓ **Road Tractors for Semi Trailers** will continue paying duty rate at 0% instead of 10%;
 - ✓ **Motor Vehicles for Transport of Goods with gross weight exceeding 5 Tons but not Exceeding 20 Tons** will continue paying Import Duty Rate of 10% instead of 25%;
 - ✓ **Motor Vehicles for transport of goods with gross weight exceeding 20 tons** will continue paying import duty rate of 0% instead of 25%;
 - ✓ **Buses for transportation of more than 25 persons** will continue paying import duty rate of 10% instead of 25%;
 - ✓ **Buses for transportation of 50 persons and above** will continue paying a duty rate of 0% instead of 25%;

- ✓ All **capital machinery** and **raw materials** used in textile and leather industry will continue paying import duty of 0% instead of 25%;
- ✓ **Telecommunication equipment** will continue paying import duty rate of 0% instead of 25%;
- ✓ **Bicycles for racing or rally**, will be exempted from import duty of 25%;
- ✓ **List of raw materials** used in industries will continue pay 0% instead of 10% or 25%
- ✓ **Electronic Transaction devices** (all smart cards, ATM cards, Point of Sale Cards and their Operating Machines) will continue to pay 0% instead of 25%;
- ✓ **Second hand clothes** will continue paying 4 USD/Kg instead of 2.5%USD/35% Kg whichever is higher, while the **second hand shoes** will pay 5USD/Kg instead of 0.4 USD/ 35% whichever is higher.

Honourable President of Senate,
Honourable Speaker of Chamber of Deputies,
Honourable Members of Parliament,

43. Our expenditure policies in 2018/19 and the medium term will be guided by our NST1 priorities. Consistent with these policies, a total amount of FRW 1,266.1 billion is being allocated for recurrent expenditures. This amount is FRW 135.4 billion higher than the FRW 1,130.7 billion in the revised 2017/18 budget and also represents 52% of the total budget. This increase not only for paying salaries of public servants and running costs of new public agencies but will also fund the on-going restructuring of Government machinery.

44. In the case of capital spending, an amount of FRW 936.6 billion representing 38% is being proposed. This amount is FRW 154.1 billion higher than the FRW 782.5 billion spent in 2017/18. The domestically financed portion of FRW 549.6 billion is FRW 68.3 billion higher than the FRW 481.3 billion in 2017/18 and represents 58.6% of the total development budget. The foreign financed portion of FRW 387.0 billion is FRW 85.8 billion higher than the amount of FRW 301.1 billion spent in 2017/18 and also represents 41.4% of the development budget. With these allocations the priority is to complete on-going projects that will promote growth and job creation.
45. Net Lending outlays are allocated FRW 190 billion which is FRW 12 billion higher than the FRW 178 billion spent in 2017/18. Increased transfers to Rwandair for its expanded operations as well as higher outlays for some export promotion activities account for the increase.
46. The budget for fiscal year 2018/19 is expected to close with an overall deficit of FRW 436.8 billion which will be funded with foreign net borrowings of FRW 372. Billion and net domestic debt of FRW 64.4 billion.

Honourable President of Senate,
Honourable Speaker of Chamber of Deputies,
Honourable Members of Parliament,

47. After giving you the highlights of our medium term fiscal policy objectives and the 2018/19 budget, I would like to present key priority areas allocated resources in line with NST1 pillars:

a) Economic Transformation Pillar

48. The overarching 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. This pillar was allocated 1,373.8 billion that makes 57% of the total budget for 2018/2019. The main interventions planned under this pillar include:

i. **Key strategic interventions that contribute to the creation of 216,717 Off-farm Jobs** were allocated **Frw 46.7 billion**. Key activities and projects planned include:

- ✓ Coordination of Implementation of NEP Interventions in various sectors with focus on youth and women;
- ✓ Hands-on skills development through TVET and scaling up access to start up toolkits
- ✓ Skills upgrading for craftsmen and facilitation for acquisition of modern equipment and technology
- ✓ Strategic partnerships with the private sector in workplace based learning (industrial based training, apprenticeship and rapid response training)
- ✓ Promoting entrepreneurship and access to finance
- ✓ Standards and compliance capacity development program for SMEs
- ✓ Operationalization of other big private investments like Volkswagen, Pharmaceuticals, etc.

ii. Key strategic interventions under **Industrialization and Export promotion** were allocated **Frw 253.5 billion**. Key planned activities and projects include:

- ✓ Construction of provincial and district industrial parks

- ✓ Construction of 4 ports in Lake Kivu
- ✓ Continuing ongoing Bugesera Airport Project
- ✓ Expansion and support to RwandAir Operations
- ✓ Promoting MICE tourism by attracting 142 international events and conferences
- ✓ Improving Coffee Production and Productivity with the aim of exporting USD 75 Million; and increasing volume by 32%
- ✓ Implementing Tea Expansion Project to generate USD 82.7 Million in exports and increase volumes by 20%
- ✓ Increase the quantity of horticulture exported by 34%
- ✓ Expansion of flower park by 20ha

iii. Under Transport, strategic interventions were allocated Frw 238.9 Billion. Key activities and projects planned include:

- ✓ Improving and sustaining quality of road network through, construction, Rehabilitation and Maintenance of national and District Roads;
- ✓ Organizing public transport services in Kigali City and in other cities across the country;
- ✓ Construction of 534km of Feeder Roads across the country

iv. Energy development and access to electricity were allocated Frw 144 Billion and key strategic interventions planned include:

- ✓ Connecting 307 productive use areas to electricity
- ✓ Adding more 7.6 MW of electricity generation capacity to the grid
- ✓ Network strengthening, transmission and construction including Gasogi-KSEZ transmission line and its sub-stations as well as Rulindo-Gabiro-Musha Transmission line

- ✓ Electricity Loss Reduction through the construction of 110kv line Jabana-Mont Kigali-Gahanga
 - ✓ Continue connecting more households to on grid electricity through electricity rollout program as well as off grid solutions
- v. Under **Domestic Savings promotion**, the following key interventions and projects have been prioritized:
- ✓ Establishment of Kigali International Business and Financial Services Center;
 - ✓ Operationalization of the Long Term Saving Scheme where 445,000 people will be subscribed;
 - ✓ Implementation of the 10-Year Capital Market Master Plan
 - ✓ U-SACCOs Automation and Consolidation Towards Cooperative Bank Project
 - ✓ Operationalization of the World-Class Payment Eco-system to promote Rwanda into a cashless Economy
 - ✓ Establishing Agriculture financing and insurance scheme
- vi. **Agriculture** was allocated **Frw 124.7 Billion** and key strategic interventions planned in 2018/19 include:
- ✓ Operationalizing Smart Nkunganire System to register farmers electronically and better manage subsidies for inputs;
 - ✓ Promotion of Local seed multiplication for priority crops to increase self-reliance and reduce seeds importation by 50%;
 - ✓ 15,000 MT of grains will be stored at national level and 191,528MT at decentralized level to ensure food safety in emergencies;
 - ✓ Increase area under irrigation from 48,500 ha (June 2017) to 59,829 ha by June 2019 by developing additional 11,329 ha;

- ✓ Continue supporting vaccination of (1.5 million animals) and artificial insemination (100,854 cows) through livestock intensification program;
- ✓ Increase quantity of fertilizer used by farmers by 27% from 38,000 MT to 48,200MT;
- ✓ Continue supporting agriculture mechanization;
- ✓ Developing additional 800 ha of radical terraces;
- ✓ Operationalization of agriculture insurance scheme and agriculture development fund.

b) Social Transformation Pillar

49. The overarching goal for the Social Transformation Pillar is to develop Rwandans into a capable and skilled people with quality standards of living and a stable and secure society. This pillar was allocated RWF **668.2 billion** which is equal to 27% of the total budget for 2018/2019. Key priority interventions and projects allocated the budget under this pillar include the following:

i. The **Social protection** and **poverty eradication** was allocated **Frw 104.9 Billion** in 2018/19 budget. Key strategic interventions planned include specific interventions allocated resources include:

- ✓ Distribute 40,000 cows under GIRINKA Programme and reach a total of 350,000 cows since the programme started;
- ✓ One Cup of Milk Per Child distributed for 86,980 children at school
- ✓ Provide support to 31,511 beneficiaries of Direct support (DS) for vulnerable people, for genocide survivors and demobilized soldiers;

- ✓ Construction of new Rehabilitation Centers (Nyamagabe and Gitagata) and construction of 20 classrooms at Iwawa;
- ✓ Scaling up VUP Direct Support from 96,078 to 107,000 households in all 416 sectors;
- ✓ Expand VUP Classic Public Works from 128,656 households in 244 sectors to 142,137 households in 270 sectors and VUP Public Works for people with disabilities, elders and lactating mothers from 2,757 households in 80 sectors to 30,000 households in 150 sectors;
- ✓ Scale up VUP Financial services from 37,170 to 43,245 loans provided to beneficiaries;
- ✓ scaling up the Minimum Package for Graduation from 6,669 households in 30 sectors to 20,161 households in 150 sectors;
- ✓ Increasing community projects implemented at Village level through Ubudehe from 11,816 to 14,837;
- ✓ Continue relocating households from High Risk Zones and Scattered Settlements.

ii. Health Sector was allocated **Frw 205 Billion** in 2018/19 budget and key strategic interventions planned include:

- ✓ Increase the number and quality of human resources for health including: general practitioners, specialists, nurses and qualified administrators;
- ✓ Sustaining the universal access to TB, Malaria, HIV treatment for all;
- ✓ Operationalization of the new CBHI Financial Sustainability Model;
- ✓ Construction of hospitals including Gatonde, Munini, Nyabikenke, Byumba, Gatunda and Nyagatare;

- ✓ Construction of 5 Health Centers in the remaining sectors without Health Centers;
- ✓ Stunting Reduction and Prevention Project;
- ✓ Nutrition Support Services (Milk Distribution to 50,998 under 5 years malnourished children in 235 sectors);
- ✓ Distribution of Fortified Blended Food (FBF) to 15,022 pregnant women and 75,202 Children.

iii. Education Sector was allocated **Frw 272.8 Billion** and key planned strategic interventions priorities in 2018/19 include:

- ✓ Training teachers on new Competency-Based Curriculum (CBC) and ICT Competency Framework;
- ✓ Classrooms construction and rehabilitation;
- ✓ Phasing out of double shifting in primary schools;
- ✓ Scaling up of Smart Classrooms;
- ✓ Promotion of STEM in primary and secondary through construction of laboratories;
- ✓ Construction and equipment of TVET schools and incubation centers;
- ✓ Implementation of the new University of RWanda Financing Model to ensure its financial sustainability;
- ✓ Support to operationalization of centers of excellence;
- ✓ Support to in-house textbook development initiative.

c) Transformational Governance Pillar

50. The overarching goal for the Transformational Governance Pillar is to consolidate Good Governance and Justice as, building blocks for equitable and sustainable National Development. This pillar has been allocated **Frw**

401.5 billion which makes 16% of the total budget for 2018/2019. The following are key priorities:

i. Reinforcing Rwandan culture and values through:

- ✓ Organizing various Itorero Activities (Impamyabigwi, Urugero Ruciye Ingando, Indangamirwa and others);
- ✓ Continuing Ndumunyarwanda programme;
- ✓ Extension and upgrading the National Ubutore Development Center;
- ✓ Fighting Gender based Violence;
- ✓ Advancing and Sustaining Gender Equality Gains;

ii. Sustaining Safety and Security of citizens and their properties through:

- ✓ Operationalization of Rwanda Investigation Bureau;
- ✓ Acquisition of Fire Fighting Trucks;
- ✓ Rehabilitation of various Police Stations;
- ✓ Construction of Automated Driving License Testing Center;

iii. Strengthening diplomatic and international cooperation through:

- ✓ Construction, Rehabilitation and Renovation of various Embassy Infrastructures;
- ✓ Providing the necessary equipment to Peace Keeping Operations Missions;
- ✓ Introduction of Electronic travel documents;
- ✓ Contributions to various international and regional organizations where Rwanda is a member.

iv. Strengthening Justice, Law and Order by:

- ✓ Continuing implementation of Judicial reforms to reduce backlogs; whereby the Court of Appeal shall be operationalized and Primary Courts restructured;
 - ✓ Provide support to MAJ Services;
 - ✓ Providing Support and training to Mediation committees (ABUNZI);
 - ✓ Continue the roll out of Integrated Electronic Case Management System (IECMS);
 - ✓ Rehabilitation of various Genocide Memorial sites
 - ✓ Reinforcing the National Forensic Laboratory and National Police
- v. Supporting the capacity, Service delivery and Accountability of public Institutions;
- vi. Connecting 5,312 public institutions to the internet;
- vii. Promoting Citizens' participation, engagement and partnerships in development

Honourable President of Senate

Honourable Speaker of Chamber of Deputies

Honourable Members of Parliament

51. After presenting key intervention areas, allow me to highlight key projects allocated money in 2018/19 budget.
52. Under Economic Transformation Pillar, the following are key projects:
- ✓ Connecting New Households connected to the Grid – EARP: Frw 42 Billion;

- ✓ 220 KV line Mamba-Rwabusoro-Rilima Transmission line: Frw 12.1 Billion
- ✓ Kigoma/Rwanda-Ngozi/Burundi 220/110kv transmission line: Frw 9.8 bn;
- ✓ Construction of Gasogi-KSEZ Transmission line and Substations: 8.2 Billion;
- ✓ Construction of Rulindo-Gabiro-Musha Transmission line: Frw 3Billion;
- ✓ Construction of Rusumo-Bugesera-Shango transmission line: Frw 6.7 Billion
- ✓ Pre-paid Rent To Own Solar Home System By Tp/ Mobisol: Frw 2.9 Billion
- ✓ Rwanda Dairy Development Project Project: Frw 12.9 billion;
- ✓ Gikondo Industrial Park Relocation Project: Frw 9.8 Billion
- ✓ Priority Crop Intensification Project (including Fertilizer import): Frw 5.8 billion
- ✓ Government Funded Modern Irrigation (GFI): Frw 4.9 Billion
- ✓ Construction of 4 Provincial Industrial Parks: Frw 4.1 Billion
- ✓ Export Targeted Irrigation (GFI) Project: Frw 9.8 Billion
- ✓ Gako Integrated Beef Project: Frw 5.6 Billion
- ✓ Manufacturing Growth Project (Construction of Two Advanced Factory Units): Frw 1.5 Billion;
- ✓ Rehabilitation of Irrigation Facilities in Rwamagana District: Frw 7 billion
- ✓ Establishment of Horticulture Center of Excellence Project: Frw 500 million
- ✓ Export Growth Facility Project: Frw 1.2 Billion;
- ✓ Improving Coffee Production, Productivity and Quality: Frw 2.5 Billion
- ✓ Flower Park Construction: Frw 2.4 Billion

- ✓ Tea Expansion Project: Frw 2.9 Billion
- ✓ Construction of Kigali Cultural Village Project: Frw 1.5 Billion
- ✓ Oil and Gas Exploration Project: Frw 1.4 Billion
- ✓ Construction and upgrading of Nyagatare-Gicumbi-Base-Rukomo road (73 Km): Frw 8 billion;
- ✓ Rehabilitation and Widening of Kayonza-Rusumo Road (92km): Frw 7.5 Billion;
- ✓ Acquisition of Emergency Mobile Bridge: Frw 7.5 Billion
- ✓ Construction of Ports on Lake Kivu: 5.8 Billion
- ✓ Kigali City Urban Roads Upgrading (54 Km) Project: 5.4 Billion
- ✓ Upgrading Pindura-Bweyeye Road (32 Km) Road: Frw 3 Billion
- ✓ Construction of Rubagabaga and Satinsyi Bridge: Frw 3 Billion
- ✓ Rehabilitation and Extension of Kamembe and Rubavu Airport Runways: Frw 1 Billion

53. Under Economic Transformation Pillar, the following are key projects:

- ✓ Improvement of Urban Water Supply: Frw 19.7 Billion
- ✓ Rural Water Supply Project (Increase access to 70%): Frw 4 Billion
- ✓ Rwanda Sustainable Water Supply and Sanitation Program (AfDB Program): Frw 2.7 Billion
- ✓ Nduba Landfill Project: Frw 1.7 Billion
- ✓ School Construction Project: Frw 10.5 Billion
- ✓ Stunting Prevention and Reduction Project: Frw 9 Billion
- ✓ Construction and Rehabilitation of Houses for Genocide Survivors: Frw 12.5 Billion;
- ✓ Improvement of Sanitation in Urban Areas: Frw 6.3 Billion
- ✓ Nutrition Support Services (Milk support to malnourished children): Frw 2.4 Billion
- ✓ Disaster response intervention: Frw 2 Billion

- ✓ Construction of Munini District Hospital: Frw 2 Billion
- ✓ Construction of Gatonde Health facility: Frw 1.5 Billion;
- ✓ Construction of Nyabikenke Hospital: 1 Billion
- ✓ Construction of Karembure 12 YBE school: Frw 1.5 Billion
- ✓ Construction of a Research and Training Institute Against Digestive Cancer (IRCAD): Frw 3.5 Billion
- ✓ In-House Production of textbooks Project: Frw 5 billion
- ✓ Construction of 8 IDPs built Vunga: 2 Billion
- ✓ Protection and Assistance to Refugees: 2.2 Billion
- ✓ Tubarerere Mu Muryango Program: Frw 500 Million
- ✓ Installing lightning protection equipment in RUTSIRO District: Frw 300 Million;
- ✓ Fighting Malaria, Tuberculosis and AIDS in partnership with Global Fund: Frw 28 Billion

54. Under Transformational Governance Pillar, the following are key projects:

- ✓ ICT Private Sector Development: Frw 6.4 Billion
- ✓ Enhancement of the ICT Innovation Capacity in Rwanda: Frw 1.4 Billion
- ✓ Project: E-Gates: Frw 2.3 Billion
- ✓ Public CCTV Project: Frw 5 Billion
- ✓ National Cyber Security project: Frw 2.1 Billion
- ✓ Construction of National Archives Building: Frw 2.7 Billion
- ✓ Construction of three regional Stadia in Bugesera, Ngoma and Nyagatare Districts: Frw 3.7 Billion;
- ✓ Public Finance Management Reforms Project: Frw 2.5 Billion
- ✓ Strengthening Public Audit in Rwanda: Frw 1.5 Billion
- ✓ Extension of Ubutore Development Center in Nkumba: Frw 1 Billion
- ✓ Rehabilitation of Bisesero memorial site (phase): Frw 1.3 Billion

- ✓ Establishment of Nyamagabe rehabilitation Center: Frw 1.5 Billion
- ✓ Acquisition of 10 Fire Fighting Trucks Project: Frw 1.5 Billion
- ✓ Upgrading AMAHORO Multipurpose Indoor Arena Project: Frw 2.5 Billion
- ✓ Construction of Automated Driving License Testing Center: Frw 1.1 Billion
- ✓ Integrated Electronic Case Management System (IECMS) Project: Frw 600 Million;
- ✓ Digitization and Conservation of Gacaca Records: Frw 1 Billion

VI. CONCLUSION

Honourable President of Senate

Honourable Speaker of Chamber of Deputies

Honourable Members of Parliament

55. In conclusion, allow me to commend my colleagues in the sector ministries as well as the parliament for the collaboration shown to us in the budget preparation. With my colleagues in the sector ministries, most of the issues concerning the linkage of the budget with sector priorities, institutional plans and nationwide priorities were addressed during the planning and budget consultations.
56. Regarding the parliament, the new approach introduced last year to scrutinise the budget framework paper in different clusters continued this year. We appreciate what was done this year. It has helped to streamline planning by improving inter-agency consultations and coordination as well as sequencing interventions in the medium term.

57. During these consultative meetings, some policy issues emerged and these were transmitted to Cabinet for consideration. They involve issues on effective co-ordination of investments in ICT and measures to contain recurrent spending including the wage bill. Regarding the ICT issue, Cabinet has recommended to instruct all Government Institutions to request for written authorisation from RISA before making any investment in ICT. Where applicable, RISA should facilitate the purchase of such equipment.
58. In line with the Parliament recommendation to reduce the recurrent spending to boost economic growth and welfare, the budget rationalization exercise was organised to revisit initial budget allocations on non-essential budget lines and this helped to save resources that were allocated to strategic priorities with gaps. These includes school construction and rehabilitation, completion of ongoing health infrastructure projects, disaster management related activities and agriculture projects among others.
59. Concerning the wage bill containment, the Cabinet adopted the policy measure that, for institutional structure review, in addition to enhanced service delivery, the cost implications should be neutral or should result in savings to Government. Adherence to this directive should help to contain recurrent spending and free up additional resources for capital spending to boost economic growth and welfare.
60. I would also like to emphasise that since we do not live in isolation, our economic program and in particular our budget in fiscal year 2018/19 could be affected by some external and domestic factors. On the external side, there are uncertainties concerning commodity prices especially oil products. In addition, there could be delays in the accrual of donor budget support funds to the Treasury. In the case of the domestic scene, there could be

uncertainties concerning the weather and other climate related issues. As you all know, the entire East African region has been affected by the recent floods. These climatic factors could affect our agricultural production negatively.

61. Both these external and domestic factors could impact negatively on our economic and budgetary performance. The government will continue, as we have always done, to monitor these factors closely and will take all the necessary measures to ensure the implementation of our economic program whilst maintaining macro-economic stability.
62. I would like to take this opportunity to thank you for the time accorded to me to present to you on behalf of the Government the draft finance law for 2018/19 and hereby request for your approval of this framework in a timeframe prescribed by the law to allow timely implementation.

I thank you!