



MINISTRY OF FINANCE AND
ECONOMIC PLANNING
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To: Chief Budget Manager (All)

Re: Submission of Budget Estimates for the Financial Year (FY) 2010/11

1. INTRODUCTION:

- 1.1. Reference is made to the Budget Call Circular of September 30, 2009 reference N^o 5826/09/10/DG BUD, communicating advance information to all budget agencies to allow the preparation of informed plans and budgets for the FY 2010/11. This Budget Call Circular serves to provide all budget agencies with detailed guidelines and instructions to facilitate them to prepare and submit detailed budget estimates for the FY 2010/11 and 2010/11-2012/13 Medium Term Expenditure Framework.
- 1.2. The first Budget Call Circular mentioned earlier was accompanied by the budget calendar for preparation of the budget estimates for the FY 2010/11. You are urged to adhere to this calendar in all respects to enable the Ministry of Finance and Economic Planning to coordinate the budget process effectively.
- 1.3. The purpose of this circular is twofold. Firstly, it is intended to communicate the indicative resource envelope and sector ceilings for the FY 2010/11. Secondly, it is to request all budget agencies to prepare and submit detailed budget estimates for the FY 2010/11 and 2010/11 – 2012/13 MTEF with all accompanying budget documentation.
- 1.4. The deadline for submission of the FY 2010/11 budget estimates and MTEF projections is **January 29, 2010**. This deadline applies for both the online submission of detailed budget estimates for the 2010/11 financial year and MTEF projections as well as the submission of hard copies of the Strategic Issues Papers and accompanying documentation. The **third week of January 2010** has been reserved to provide training to the new budget officers on the entry of budget estimates into the budget system.

2. THE RESOURCE ENVELOPE FOR FY 2010/11 AND MTEF PROJECTIONS:

- 2.1. The total indicative resource envelope for the FY 2010/11 is **RwF 863 billion** as indicated in **Annex 1**. This envelope has been derived on the basis of assumptions for the key macroeconomic variables that have already shown signs of stress from the global financial and economic crisis. This has been done, however, while taking into account the macroeconomic objectives of the country. The sector and agency ceilings have been prepared with a view to sustain activities embarked on in the FY 2009/10 and particular importance has been attached to the EDPRS priorities in resource allocation.
- 2.2. The indicative ceilings have been provided at the sector level and by functional classification to reflect the broad picture on resource allocation in accordance with the EDPRS priorities. The indicative ceilings have also been provided at the budget agency level and by economic classification to facilitate budget agencies to derive detailed budget estimates for the FY 2010/11 and MTEF projections.
- 2.3. The indicative budget ceilings have been issued at the high level of Line Ministries, Provinces and other high level Government institutions. This is important to allow coordination and prioritization of activities at the high level and reflects the mechanism used during budget consultations with the Ministry of Finance and Economic Planning. All institutions that have been allocated ceilings are required to immediately coordinate a consultative process with all affiliated agencies to agree on individual agency ceilings that shall be the basis for the detailed budget estimates to be entered in the budget system.
- 2.4. The detailed budget estimates that shall be entered into the budget system online shall be done at the budget agency level. Consequently, all budget agencies are required to prepare detailed budget estimates and allocate resources to the relevant budget items in conformity with the Chart of Accounts provided in **Annex 2**. Budget agencies that have budget items that are not reflected in Annex 2 OR are not sure of where to classify certain budget items are required to seek guidance from the sector experts whose contacts are shown in **Annex 3**.

3. KEY POLICY ISSUES:

- 3.1. The budget strategy for the FY 2010/11 and the medium term is to consolidate the strategic actions embarked on in the previous years and focus interventions to the EDPRS priorities as well as other priorities endorsed by the Government retreat to provide the base for future growth and poverty reduction. All budget agencies are therefore urged to give priority to ongoing activities as well as existing obligations before engaging into new commitments.
- 3.2. The ceilings for the 2010/11 budget estimates have been prepared in view of the currently concluded public sector reforms in all Ministries and other high level institutions. Accordingly, all budget agencies shall be required to submit the latest job classifications consistent with the format shown in **Annex 4** and the payroll for the month of December 2009 to justify the envelope for wages and salaries.
- 3.3. As stipulated in paragraph 4(g) of the Budget Call Circular issued in September 2009, all budget submissions for the FY 2010/11 shall be accompanied by a draft action plan and a draft procurement plan corresponding to the 2010/11 budget estimates. You are reminded to prepare and submit a draft action plan consistent with the format shown in **Annex 5** and a draft procurement plan shown in **Annex 6**.
- 3.4. As mentioned in paragraph 4(f) of the Budget Call Circular issued in September 2009, all public investment projects financed through domestic resources shall require the approval of the Public Investment Committee in order to be allocated resources. While the envelope has been allocated on the basis of projects being implemented in the FY 2009/10, this will be reviewed by the Public Investment Committee subject to complying with the criteria and conditions stipulated in **Annex 7**. **Apart from complying with the environmental criteria as illustrated in Annex 7, it is to be noted that for any new project related to construction and repair of international roads, industries & factories, stadiums, hospitals & large public buildings, extraction of mines, work in parks and its buffer zones, agricultural & breeding activities using chemical fertilizers & pesticides in wetlands, work and activities using bio-technologies to modify seeds & animals, it is compulsory to budget for Environmental Impact Assessment as part of the pre-feasibility/feasibility study.**
- 3.5. The indicative ceiling provided for externally financed projects is based on the 2009/10 budget and may differ from your projections for the FY 2010/11 and the medium term. In case of significant variation, you are allowed to use your projections and justify them with details of external financing commitments, total disbursements to date, and projected future expenditures for on-going projects. For new projects, budget agencies

should provide as a minimum signed finance agreement and project identity document. Facts to support your projections shall be submitted in line with the format shown in **Annex 8**.

- 3.6. Counterpart fund estimates are provided under domestically financed capital ceiling. Because these costs are directly linked to externally financed project expenditures, the budget submission shall be justified against the planned levels of externally financed expenditures. The submission for counterpart fund shall be supported by a copy of the signed project agreement to be submitted together with other budget documentation.
- 3.7. The Government is committed to implementing Gender Responsive Budgeting as described in paragraph 4(d) of the first Budget Call Circular. **Annex 9** of this circular gives detailed guide for mainstreaming gender in the budget and for preparation of the **Gender Budget Statement**. It is a requirement for the budget submission of a pilot sector (Health, Agriculture, Education and Infrastructure) to be accompanied by a Gender Budget Statement and Gender Budget Statements shall be subject to Parliamentary scrutiny during budget discussions in Parliament. All budget agencies are however urged to refer to Annex 9 and make an attempt to mainstream gender since this requirement shall be mandatory to all budget Agencies in the following financial year.
- 3.8. The Government is further committed to implementing results-based budgets as described in paragraph 4(c) of the first Budget Call Circular. In the framework of linking the plan to the budget, it is important to list the strategic objectives of the institutions together with the corresponding activities and outputs alongside the relevant budget programmes and sub-programmes. In that regard, money allocated to each sub-programme can be evaluated against the results it is set to achieve. The Strategic Issues Paper, which is **Annex 10** of this circular, is intended to achieve this objective. The completed Strategic Issues Paper shall be signed by the Chief Budget Manager and submitted in hard copy along with other budget documentation.
- 3.9. The Ministry of Finance and Economic Planning has noted with concern growing domestic arrears for some budget agencies. This is mainly attributed to fiscal indiscipline and is harmful to private sector development. It is therefore necessary to identify all pending arrears payments to incorporate them in the budget estimates for the FY 2010/11. All concerned budget agencies are required to submit together with other budget documentation, information on pending arrears payments in the format shown in **Annex 11**.
- 3.10. The Cabinet Meeting held on February 11, 2009 directed that all Non Tax Revenues formerly collected by autonomous and semi-autonomous agencies shall be collected by the Rwanda Revenue Authority to streamline the function of collection of Non Tax Revenue and eliminate fragmented efforts by different Government Agencies. All Agencies that are, for some reasons, still collecting Non Tax Revenues are required to complete and submit **Annex 12**.

4. CENTRAL GOVERNMENT TRANSFERS TO DISTRICTS:

- 4.1. It is a priority of the Government to implement the Fiscal Decentralization Policy, and the 2010/11 budget policy focuses on consolidating and improving the existing fiscal decentralization mechanisms especially the block grant and earmarked transfers to districts. The block grant formula has been revised to take into account the financial realities of each district. The indicative ceilings of block grant and earmarked transfers to districts in the FY 2010/11 as well as the medium term are shown on **Annex 13**.
- 4.2. Whilst the Central Government transfers to districts for the FY 2010/11 have not been determined at the time of issuing this circular, districts have been advised to start preparing their 2010/11 budget estimates and MTEF on the basis of transfers provided in the 2009/10 budget. The understanding is that Central Government transfers to Districts can only increase but cannot be reduced. Consequently the 2009/10 earmarked transfers to Districts are not included in the line Ministry's ceiling. However, the additional transfers for the FY 2010/11 are included and form part of the Line Ministry's ceiling. The concerned Line Ministries are urged to consult with Districts and submit budget estimates for earmarked transfers to Districts for the FY 2010/11 and the medium term in the format shown in **Annex 14**.
- 4.3. The present circular is relevant to Districts only in respect of the Central Government transfers to Districts. Since the budget of a Districts covers more than Central Government transfers, a separate Budget Call Circular has been prepared for districts detailing steps for the preparation of districts budgets for the FY 2010/11 and the 2010/11-2012/13 MTEF.

5. CONCLUSION:

- 5.1. Our past experience has shown that some Chief Budget Managers don't submit all the required information as indicated in the circular and consequently some budget requests are denied or "cut". This is therefore to remind you that your Online submission of budget estimates for FY 2010/11 should be supported by the following:
 - (a) A 2010/11 draft Action Plan consistent with the budget estimates;
 - (b) A 2010/11 draft Procurement Plan consistent with the budget estimates;
 - (c) Job classifications consistent with the format shown in Annex 4 and the payroll for the month of December 2009;

- (d) A completed Strategic Issues Paper in the format shown in Annex 10 and signed by the Chief Budget Manager;
- (e) A Gender Budget Statement (*where applicable*);
- (f) Non Tax Revenues consistent with Annex 12 (*where applicable*);
- (g) Pending arrears payments in the format shown in Annex 11 (*where applicable*);
- (h) Budget estimates for earmarked transfers to Districts for the FY 2010/11 and the medium term in the format shown in Annex 14 (*where applicable*);
- (i) Project information consistent with Annex 7, Annex 8 and the requirements described in paragraph 3.6 (*where applicable*);

5.2. In the preparation of the 2010/11 budget estimates, all Budget Agencies are required to adhere to their programme and sub-programme structure as reflected in the approved budget for the FY 2009/10. Budget Agencies that would like to make changes to the existing structure are required to submit the proposed modifications to the Ministry of Finance and Economic Planning not later than January 15, 2009 to enable changes to be made in advance of data entry into the budget system.

Yours sincerely,

James MUSONI
Minister of Finance and Economic Planning

CC:

- H.E. The President of the Republic of Rwanda
- Right Hon Prime Minister
- Ministers (All)
- Ministers of State (All)