The Minister of Finance and Economic Planning, Dr. Uzziel Ndagijimana this Monday tabled the fiscal policy for 2020/21 before parliament laying out spending priorities. He said government will spend Frw 3,245.7 billion in the 2020/2021 an increase of Frw 228.6 billion compared to Frw 3,017.1 billion in the 2019/20 revised budget.

The fiscal policy in 2020/21 will be in line with COVID-19 economic recovery plan and National Strategy for Transformation (NST-1) priorities. Focus will be on increasing health-related spending to contain the epidemic and to strengthen the health system, scaling up social protection, strengthening the education sector, as well as supporting private sector through the Economic Recovery Fund.

Resources

The FY 2020-21 budget will be financed through domestic resources worth Frw 1,969.8 billion representing 60.7% of the entire budget. The remainder of the budget will be funded through external sources worth Frw 1,275.9 billion which accounts for 39.3% of the total budget. These include grants worth Frw 492.5 billion and loans worth 783.4 billion.

Expenditure

Equally to the projected resources, Government will spend Frw 3,245.7 billion in 2020/21. Recurrent expenditure will take up Frw 1,583.0 billion which accounts for 48.8% of the total budget.

Development projects are projected to consume up to Frw 1,298.5 billion, which represents 40% of the total budget. Domestically financed projects are estimated at Frw 703.4 billion, while externally financed projects are projected at Frw 595.1 billion.

In addition, Net Lending has been allocated Frw 306.5 billion which accounts for 9.4% of the total budget. Frw 35.2 billion is allocated to payment of arrears and Frw 22.6 billion reserved for accumulation of deposits to boost the Government reserves representing 1.1% and 0.7% of the total budget respectively.

“The share of recurrent budget in the total budget of 2020/2021 reduced by 2.6% compared to 2019/2020, while development budget and net lending increased by 2.6%. This confirms Government’s effort to contain recurrent expenditures and to focus on development spending,” Dr. Uzziel Ndagijimana, the Minister of Finance and Economic Planning said.

NST-1 and Resources Allocation

Government's expenditure policies in fiscal year 2020/21 are guided by National Strategy for Transformation priorities and objectives while ensuring appropriate allocation by promoting made in Rwanda to reduce trade deficit and build economic resilience.

To this end, the Economic Transformation pillar takes the lion's share of the resources at Frw 1,802 billion amounting to 55.5 % of the total budget. Social transformation will take up Frw 960.4 billion (29.6%) while Transformational Governance is allocated Frw 482.7 billion representing 14.9% of the total budget.

In line with NST-1 strategic objectives, some of the priority areas agreed during planning and budgeting consultations formed the basis for resource allocation in 2020/21fiscal year. These include:

- Strengthening health system by increasing accessibility to quality health services for all
- Increasing agriculture and livestock productivity
- Strengthening Social Protection programs by scaling up coverage.
- Promote employment through investment in public infrastructure.
- Support businesses affected by COVID-19 to recover, boost their business and contribute to the national economic growth.
- Support Made in Rwanda policy to reduce trade deficit and build economic resilience.
- Promote digital infrastructure and technologies to improve service delivery
- Improve access to quality education
- Continue eradication of malnutrition and stunting
- Strengthen disaster preparedness and management

The 2020/2021 draft finance law conforms to the 2020/21 – 2022/23 Budget Framework Paper that was presented to Parliament on May 21, 2020 and amended to reflect the recommended actions by the Parliament as submitted on June 5, 2020.