



Press Release No. 17/274  
FOR IMMEDIATE RELEASE  
July 12, 2017

International Monetary Fund  
700 19<sup>th</sup> Street, NW  
Washington, D. C. 20431 USA

### **IMF Executive Board Completes Seventh PSI Review, Second Review Under the Standby Credit Facility, and Concludes 2017 Article IV Consultation with Rwanda**

- Program implementation has been strong, with almost all targets met. Rwanda's adjustment policies are making notable progress in reversing external imbalances.
- Growth slowed in 2016, with recovery expected in 2017-18 due to strong harvests and domestic production.
- To achieve the country's goal of upper middle income status, it will be important to boost the role for the private sector to serve increasingly as the main engine for growth and investment.

The Executive Board of the International Monetary Fund (IMF) today completed the seventh review of Rwanda's performance under the Policy Support Instrument (PSI)<sup>1</sup> and the second review of the arrangement under the Standby Credit Facility (SCF)<sup>2</sup>. Completion of the second SCF review enables the disbursement of US\$25.06 million (SDR 18.0225 million), bringing total disbursements under the arrangement to SDR 126.16 million, with the remainder being tied to the next and final review.

Requests for an 18-month SCF arrangement with access of about US\$200.49 million (SDR 144.18 million) or 90 percent of Rwanda's quota and to extend Rwanda's PSI-supported program through end-2017 (see [Press Release No. 16/270](#)), were approved by the Board on June 8, 2016. Rwanda's PSI-supported program was originally approved on December 2, 2013 (see [Press Release No.13/483](#)).

Following the Executive Board discussion, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, made the following statement:

---

<sup>1</sup> The PSI is an instrument of the IMF designed for countries that do not need balance of payments financial support. The PSI helps countries design effective economic programs that, once approved by the IMF's Executive Board, signal to donors, multilateral development banks, and markets the Fund's endorsement of a member's policies (see <http://www.imf.org/external/np/exr/facts/psi.htm>). Details on Rwanda's current PSI are available at [www.imf.org/rwanda](http://www.imf.org/rwanda).

<sup>2</sup> The SCF provides financing to low-income countries on concessional terms. For more details, see <http://www.imf.org/external/np/exr/facts/scf.htm>.

“Rwanda has made notable progress in the past two decades, anchored by its carefully-considered development strategy. This includes steady progress on structural transformation, high and inclusive growth, reduced poverty and gender inequality and attractive business environment. This has been reinforced by strong macroeconomic policy management, characterized by strategic public investment in growth-enhancing infrastructure, maintenance of low inflation, and measures to bolster domestic revenue mobilization.

“Responding to adverse global conditions, the authorities took decisive steps to address external imbalances, thereby safeguarding macroeconomic stability and growth over the longer term. Exchange rate flexibility has been the central tool of policy adjustment, with structural reforms to bolster domestic production. These policies have already made progress in reducing the deficit in goods and services trade, and should place external balances on a more sustainable path over the medium term. Performance under the SCF arrangement and PSI-supported program has been strong, with almost all program targets and structural measures set through end-March achieved.

“Growth slowed in 2016, due to an extended drought, completion of large investment projects, and adjustment policies. It is expected to recover over 2017-18, with balanced risks to the outlook. Inflation spiked in early 2017 due to a food supply shock, but is now abating.

“Despite the notable achievements, the Rwandan economy remains vulnerable to external shocks. It will be important to rebuild foreign exchange reserve buffers to enhance the country’s resilience. Similarly, to support continued growth-enhancing public investment, the government should ensure that recently-introduced tax incentives to boost domestic production are well-targeted and do not unduly weaken the tax base. To reach the goal of upper middle income status, it will be important to boost the role for the private sector to serve increasingly as the main engine for growth and investment in Rwanda.”

The Executive Board also completed the 2017 Article IV Consultation<sup>3</sup> with Rwanda.

Rwanda has demonstrated strong macroeconomic policy management and implemented an ambitious development strategy that has resulted in high and inclusive growth, lower poverty and more gender equality, and improved living standards. Growth in 2016 was 5.9 percent, down from 2015, but comparing favorably to growth in the subcontinent. A recovery of growth is expected in 2017-18, owing to good rains and expanding domestic production.

A spike in consumer price inflation in early 2017 was driven by food prices: inflation has decelerated as food supply constraints have receded. Rwanda’s external trade deficit was lower than anticipated in 2016, following a strong pick up in goods and services exports, combined with reduced demand for imports.

Building on its successful ‘Vision 2020’ development strategy, the government is drafting a new ‘Vision 2050’ development strategy aimed at reaching upper middle-income status by 2035.

---

<sup>3</sup> Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Reforms should build on progress achieved, including: continuing to reorient the economy toward higher value-added economic activity; further bolstering gender equality through greater economic inclusion; increasing access to affordable financial services; and fostering the development of domestic securities markets. Main risks to economic growth continue to be weather shocks affecting agriculture, regional security issues, and unexpected shifts in external development assistance.

### **Executive Board Assessment<sup>4</sup>**

Executive Directors commended Rwanda for its achievements over the past decades, anchored by an ambitious development strategy. They welcomed the steady progress on structural transformation, high and inclusive growth, reduced poverty and gender inequality, and attractive business environment.

Directors welcomed the decisive steps to address external imbalances. They highlighted that exchange rate flexibility should continue to be the main adjustment tool, and welcomed the reforms to bolster domestic production, which should place external balances on a more sustainable path over the medium term. Directors emphasized that rebuilding reserve buffers will be important to enhance Rwanda's resilience to external shocks.

Directors welcomed improved domestic revenue mobilization in recent years which will help secure future growth-enhancing public investment and reduce donor dependency. However, they encouraged the authorities to balance carefully the benefits to domestic production from recently-introduced tax incentives with potentially adverse effects on domestic revenue mobilization. Against this backdrop, they supported planned tax expenditure analysis to ensure that tax incentives are well-targeted and do not unduly weaken the tax base.

Directors supported the authorities' plan to move to an interest-rate based monetary policy framework. They encouraged the authorities to put in place the preconditions to allow indirect policy instruments to operate, including deepening interbank and domestic debt markets. Directors encouraged measures to provide clear signals about the priorities and directions of monetary policy under the current policy regime to help anchor inflation expectations.

Directors welcomed the steps being taken to advance Rwanda's development strategy. They underscored the importance of boosting the role of the private sector to serve increasingly as the main engine for growth and investment. Directors commended the progress made in improving the business environment and encouraged continued efforts in this regard. They also emphasized the importance of investment in education and vocational training targeted at building skills to meet rapidly evolving labor needs.

---

<sup>4</sup> At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

**Table 1. Rwanda: Selected Economic Indicators, 2015 - 2019<sup>1</sup>**

	2015	2016	2017	2018	2019
<b>Output and prices</b>					
Real GDP	8.9	5.9	6.2	6.8	7.3
GDP deflator	0.1	4.9	7.4	5.5	4.6
CPI (period average)	2.5	5.7	7.1	6.0	5.0
CPI (end of period)	4.5	7.3	7.0	5.0	5.0
Core inflation (period average) <sup>2</sup>	2.1	4.1	...	...	...
Terms of trade (deterioration, -)	5.3	6.3	6.1	-4.1	3.6
<b>Money and credit</b>					
Broad money	21.1	7.6	13.0	13.2	...
Reserve money	16.2	5.5	10.9	11.1	...
Credit to non-government sector	30.1	7.8	17.9	14.2	...
M3/GDP (percent)	24.9	24.1	23.9	24.0	...
NPLs (percent of total gross loans)	6.2	7.5	...	...	...
<b>General government budget</b>					
Total revenue and grants	24.7	23.7	22.1	21.9	21.7
Expenditure	29.3	27.4	26.2	25.8	25.6
Primary balance	-0.3	-2.8	-2.9	-2.7	-2.7
Overall balance	-4.6	-3.8	-4.1	-3.9	-3.9
Net domestic borrowing	1.1	0.8	0.0	0.2	0.5
<b>Public debt</b>					
Total public debt incl. guarantees	36.4	44.5	45.7	47.1	48.7
<i>Of which:</i> external public debt	27.9	35.8	38.1	40.2	42.1
<b>Investment and savings</b>					
Investment	25.9	25.6	24.0	24.6	22.6
Government	12.6	10.6	9.4	9.9	9.5
Nongovernment	13.3	15.0	14.6	14.7	13.1
Savings	8.0	7.1	10.2	9.9	9.3
Government	3.5	3.1	3.0	3.5	3.2
Nongovernment	4.5	3.9	7.3	6.4	6.1
<b>External sector</b>					
Exports (goods and services)	18.4	19.0	20.3	20.6	21.9
Imports (goods and services) <sup>3</sup>	35.6	37.0	33.1	34.3	34.2
Current account balance (incl. grants)	-13.4	-14.4	-10.2	-11.2	-9.9
Current account balance (excl. grants)	-17.8	-18.5	-13.8	-14.6	-13.3
Current account balance (excl. large projects)	-9.9	-9.9	-10.2	-10.5	-10.3
Gross international reserves					
in billions of U.S.\$	0.9	1.0	1.0	1.0	1.2
in months of next year's imports	3.6	4.1	3.9	3.7	3.9
<b>Memorandum items:</b>					
GDP at current market prices					
Rwanda francs (billion)	5,956	6,618	7,548	8,505	9,544
US\$ (billion)	8.3	8.4	...	...	...
GDP per capita (US\$)	732	729	...	...	...
Population	11.3	11.5	11.8	12.1	12.8

Sources: Rwandan authorities and IMF staff estimates.

<sup>1</sup>All figures are based on the rebased GDP.<sup>2</sup> Defined as excluding fresh products and energy<sup>3</sup> imports for 2016 reflect purchases of two aircrafts.