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Rwanda: Sixth Review Under the Policy Coordination Instrument and Monetary Policy Consultation Clause-Press Release; Staff Report; and Statement by the Executive Director for Rwanda

INTERNATIONAL MONETARY FUND

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RWANDA

June 2022

SIXTH REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND MONETARY POLICY CONSULTATION CLAUSE—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR RWANDA

In the context of the Sixth Review Under the Policy Coordination Instrument and Monetary Policy Consultation Clause, the following documents have been released and are included in this package:

- A **Press Release** including a statement of the Acting Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 22, 2022, following discussions that ended on April 6, 2022, with the officials of Rwanda on economic developments and policies underpinning the IMF arrangements under the Policy Coordination Instrument and Monetary Policy Consultation Clause. Based on information available at the time of these discussions, the Staff Report was completed on June 3, 2022.
- A **Statement by the Executive Director** for Rwanda.

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PRESS RELEASE

PR22/222

IMF Executive Board Completes the Sixth Review of the Policy Coordination Instrument for Rwanda

FOR IMMEDIATE RELEASE

- *Rwanda continues to implement its Economic Recovery Plan while confronting the lingering effects of the pandemic and the spillovers from the war in Ukraine.*
- *Rising inflationary pressures, exacerbated by rising commodity prices, are compounding the policy challenges of balancing economic recovery with maintaining price stability.*
- *The Policy Coordination Instrument (PCI) continues to support the authorities' efforts in mitigating the impact of the ongoing external shocks, maintaining macroeconomic stability, and implementing medium-term fiscal consolidation, while advancing the structural reform agenda for more inclusive and sustainable growth.*

Washington, DC – June 23, 2022. On June 22, 2022, the Executive Board of the International Monetary Fund (IMF) completed the sixth review of the Policy Coordination Instrument (PCI)[1]. The PCI was approved on June 28, 2019 (Press Release No.19/258) to facilitate macroeconomic and financial stability, while advancing an ambitious reform agenda under Rwanda's National Strategy for Transformation (NST). Program performance remains broadly satisfactory, with all quantitative and standard continuous targets through end-December 2021 met. However, the 12-month headline inflation average in 2021 fell outside the lower bound of the program's inflation target band, triggering consultation with the IMF Executive Board. All six reform targets through end-April 2022 were also implemented.

Real GDP growth rebounded strongly to 10.9 percent in 2021, but spillovers from the war in Ukraine are compounding pandemic challenges by weighing down growth, increasing inflationary pressures and social needs, and straining fiscal balances amid high uncertainty and rising food insecurity concerns. Growth is expected to moderate to 6 percent in 2022 while headline inflation is projected to rise from 0.8 percent in 2021 to 9.5 percent in 2022. The near-term outlook is marred by uncertainty from the geopolitical risks that could prolong the spillovers from the war in Ukraine, but the medium-term outlook remains favorable, supported by the authorities' commitment to macroeconomic stability and structural reforms.

Headline inflation has been on the rise since the beginning of the year. The National Bank of Rwanda (NBR) raised the policy rate by 50 basis points to 5 percent in February but kept it unchanged in May, though inflationary pressures persist. The fiscal deficit for FY22/23 is

[1] The PCI is available to all IMF members that do not need Fund financial resources at the time of approval. It is designed for countries seeking to demonstrate commitment to a reform agenda or to unlock and coordinate financing from other official creditors or private investors.

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projected at 6.9 percent of GDP and envisages fuel, fertilizer, and public transport subsidies and social protection interventions to mitigate the impact of rising food and fuel prices. The current account deficit is projected to widen in 2022 but expected to narrow over the medium term financed by FDI and concessional loans. A medium-term fiscal consolidation, exchange rate flexibility, and reforms to strengthen Rwanda's external competitiveness are expected to cement macroeconomic and financial stability.

Policies under the PCI continue supporting the recovery from the pandemic, the response to mitigate the headwinds from the war in Ukraine while maintaining macroeconomic stability, and the implement the medium-term fiscal consolidation strategy to preserve debt sustainability. The PCI also supports reform efforts, such as financial inclusion, digitization, and green public financial management (PFM) to deliver a more inclusive and sustainable growth.

Following the Executive Board's discussion, Mr. Bo Li, Deputy Managing Director and Acting Chair, issued the following statement:

"Despite a strong economic rebound in 2021, the COVID-19 pandemic has left Rwanda with high unemployment, rising poverty, and learning losses that risk reversing hard-won social gains. These pandemic scars will likely be exacerbated by the spillovers from the war in Ukraine, which, through higher commodity prices and additional inflationary pressures, are raising social needs and food security concerns, putting pressure on fiscal balances, and limiting the policy space to support an inclusive recovery.

"The authorities' plan to use the existing social safety nets to respond to economic fallouts from the war in Ukraine is commendable. They should focus on increasing the coverage and benefits of existing social protection programs in a targeted manner and phase out fuel subsidies as planned.

"In view of rising inflation, the National Bank of Rwanda should stand ready to tighten monetary policy more aggressively to anchor inflation expectations. Implementation of the interest-rate-based monetary policy framework should continue with greater exchange rate flexibility to ensure external sustainability. Closely monitoring and containing credit risks through targeted and time-bound interventions, without relaxing regulatory and supervisory requirements will be important to safeguard financial stability. The authorities should continue to enhance the AML/CFT framework.

"Anchoring medium-term fiscal discipline through a credible and growth-friendly fiscal consolidation plan should be fast-tracked. Authorities should step up efforts to broaden the tax base, phase out tax exemptions, enhance tax compliance, and identify cost-savings, including through digitalization, efficiency gains, and prioritization. These efforts should be complemented by measures to contain fiscal risks and enhance fiscal transparency.

"The authorities' commitment to structural reforms should be sustained to minimize pandemic scaring, build resilience to climate shocks, and achieve higher and more inclusive growth."

Table 1. Rwanda: Selected Economic Indicators, 2019–27

	2019	2020	2021		2022		2023		2024		2025		2026		2027
	Act.	Act.	5th Review	Act.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)														
Output and prices															
Real GDP	9.5	-3.4	10.2	10.9	7.2	6.0	7.9	6.7	7.5	7.0	7.5	7.5	6.1	6.1	6.1
GDP deflator	2.5	6.7	2.3	2.7	5.3	9.3	7.1	8.7	5.5	5.5	5.3	5.4	5.0	5.0	5.0
CPI (period average)	2.4	7.7	0.7	0.8	5.7	9.5	6.8	8.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI (end period)	6.7	3.7	1.9	1.9	8.1	8.8	6.8	6.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (deterioration, -)	-1.8	-0.9	0.1	2.5	1.9	7.5	-0.5	-2.9	-0.8	-0.9	-0.5	0.3	-0.8	0.7	0.2
Money and credit															
Broad money (M3)	15.4	18.0	14.2	17.8	15.1	15.8	18.2	14.2	15.7	15.0	13.2	15.8	11.3	11.4	11.4
Reserve money	16.0	21.7	14.7	30.7	15.1	4.8	16.1	12.2	15.7	15.0	13.2	15.8	11.3	11.4	11.4
Credit to non-government sector	12.6	21.8	15.8	14.7	16.1	11.0	14.8	11.5	18.0	21.3	12.3	19.4	7.6	10.7	14.5
M3/GDP (percent)	25.7	29.4	29.3	30.4	29.9	30.4	30.6	29.9	31.2	30.5	31.2	31.2	31.3	31.2	31.2
	(Percent of GDP, unless otherwise indicated)														
Budgetary central government, FY basis [1]															
Revenue	23.1	23.3	25.0	25.0	24.6	25.3	24.4	24.6	24.8	22.9	24.3	23.2	24.5	24.1	24.2
Taxes	16.0	15.7	15.8	15.8	15.4	15.7	16.0	15.4	16.4	15.9	16.7	16.5	17.0	17.3	17.5
Grants	3.0	4.6	5.5	5.5	5.5	5.9	5.8	6.6	5.9	4.4	5.1	4.1	5.0	4.0	3.9
Other revenue	3.0	3.1	3.7	3.7	3.7	3.7	2.5	2.5	2.5	2.6	2.5	2.7	2.5	2.8	2.8
Expense	20.5	20.2	20.3	20.3	20.6	20.6	18.8	19.3	18.0	18.2	17.8	18.4	17.1	18.1	18.0
Net acquisition of nonfin. assets	11.2	11.0	12.2	12.2	12.0	12.4	11.8	11.0	10.5	9.6	10.5	9.5	10.5	9.6	9.6
Net lending (+) / borrowing (-) (NLB)	-8.6	-7.9	-7.5	-7.5	-8.0	-7.6	-6.2	-5.7	-3.7	-4.9	-4.0	-4.7	-3.0	-3.6	-3.4
excluding grants	-11.6	-12.4	-13.0	-13.0	-13.5	-13.5	-12.0	-12.4	-9.6	-9.3	-9.0	-8.8	-8.0	-7.6	-7.3
Net acquisition of financial assets	0.8	4.5	1.5	1.5	1.1	1.1	1.0	1.3	1.7	1.5	0.3	0.5	0.3	0.3	1.4
Net incurrence of liabilities	6.4	12.3	8.9	8.9	9.2	9.0	7.3	7.0	5.3	6.4	4.3	5.2	3.3	3.9	4.8
Domestic	1.2	2.2	2.5	2.5	-0.2	-0.5	1.6	0.7	0.9	1.2	0.8	1.4	0.2	0.2	1.7
Foreign	5.1	10.2	6.4	6.4	9.4	9.5	5.7	6.3	4.4	5.2	3.4	3.9	3.2	3.6	3.2
Overall fiscal balance (incl. grants, policy lending) [2]	-8.1	-9.1	-8.6	-8.6	-9.1	-8.7	-7.5	-6.9	-5.0	-6.1	-4.0	-4.9	-3.0	-3.6	-3.4
Debt-creating overall balance (excl. PKO) [3]	-5.5	-7.8	-8.2	-8.2	-9.1	-8.7	-7.4	-6.9	-5.0	-6.1	-4.0	-4.9	-3.0	-3.6	-3.4
Public debt															
Total public debt incl. guarantees	56.8	72.4	74.6	73.3	77.2	73.1	77.9	75.2	75.7	75.9	73.1	74.2	71.1	73.6	71.7
of which: external public debt	44.3	56.4	58.6	54.5	62.4	57.6	63.9	58.0	64.7	60.8	63.5	60.1	62.2	59.1	56.8
Total public debt excluding guarantees	53.0	69.3	73.7	72.6	75.4	71.8	74.5	73.1	72.2	73.6	69.9	71.4	68.2	71.0	69.4
External public debt incl. guarantees, PV	29.7	34.0	36.1	34.9	39.2	36.1	40.9	38.2	40.9	39.2	40.4	38.7	38.8	37.6	35.7
Gross domestic debt	12.4	16.0	16.1	18.8	14.8	15.5	14.0	17.1	10.8	15.1	9.9	14.2	9.4	14.5	15.0
Total public debt incl. guarantees, PV	42.9	51.1	52.9	54.4	55.3	53.0	56.1	56.6	53.5	55.3	51.4	53.7	50.0	52.9	51.3
Investment and savings															
Investment	23.5	25.1	21.0	26.3	26.9	25.8	29.1	28.4	29.7	29.4	30.0	28.6	27.3	28.4	28.2
Government	12.9	14.2	13.3	13.0	13.4	13.2	12.3	11.8	11.8	11.1	12.3	10.8	10.2	11.2	11.0
Nongovernment	10.6	11.0	7.7	13.3	13.6	12.6	16.8	16.5	17.9	18.3	17.7	17.8	17.1	17.2	17.2
Savings (excl. grants)	9.0	10.2	5.8	12.3	11.3	8.6	15.4	13.7	16.2	16.3	18.0	16.9	17.7	17.8	18.1
Government	3.7	-0.5	-1.6	0.2	1.4	-0.2	1.8	0.8	2.6	1.5	3.5	2.8	1.8	3.4	3.6
Nongovernment	5.3	10.7	7.4	12.1	9.9	8.9	13.6	12.9	13.7	14.9	14.5	14.1	15.9	14.4	14.5
External sector															
Exports (goods and services)	21.8	18.9	18.9	19.1	24.4	23.4	26.7	25.3	27.7	27.1	31.5	28.5	33.3	28.8	29.2
Imports (goods and services)	36.1	35.1	35.6	34.8	40.9	41.7	41.2	41.2	41.7	40.8	44.0	40.9	43.5	40.2	40.1
Current account balance (incl grants)	-11.9	-12.1	-11.0	-10.9	-11.5	-12.6	-10.3	-11.7	-9.0	-10.3	-8.0	-8.9	-5.7	-7.8	-7.3
Current account balance (excl grants)	-14.5	-14.9	-15.2	-14.0	-15.5	-17.1	-13.7	-14.7	-13.5	-13.1	-12.0	-11.7	-9.6	-10.6	-10.1
Current account balance (excl. large proj.)	-10.6	-12.0	-10.0	-10.8	-9.3	-10.5	-7.9	-9.3	-7.0	-8.4	-6.7	-7.7	-5.7	-7.8	-7.3
Gross international reserves															
In millions of US$	1,382	1,722	1,829	1,889	1,775	1,868	1,783	1,869	2,021	2,063	2,130	2,093	2,253	2,229	2351
In months of next year's imports [4]	5.6	5.9	5.2	5.0	4.6	4.6	4.3	4.4	4.3	4.5	4.4	4.3	4.4	4.2	4.1
Memorandum items:															
GDP at current market prices															
Rwanda francs (billion), CY basis	9,314	9,607	10,986	10,944	12,395	12,672	14,311	14,698	16,232	16,585	18,378	18,800	20,460	20,942	23,340
nominal growth	12.2	4.6	12.7	13.9	12.8	15.8	15.5	16.0	13.4	12.8	13.2	13.4	11.3	11.4	11.4
Population (million)	12.4	12.7	13.0	13.0	13.3	13.3	13.6	13.6	13.9	13.9	14.2	14.2	14.2	14.5	14.8

Sources: Rwandan authorities and IMF staff estimates.

[1] From FY 19/20 (2020) to FY 25/26 (2026). Fiscal year runs from July to June. FY19/20 and FY20/21 are actuals.

[2] For purposes of the PCI the overall balance (GFSM 1986, incl. policy lending) is used for monitoring.

[3] Overall deficit excl. spending on materialized contingent liabilities and other items already incl. in the DSA.

[4] Based on prospective import of goods (excluding gold) and services. SDR allocation induded in 2021.

INTERNATIONAL MONETARY FUND

RWANDA

June 3, 2022

SIXTH REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND MONETARY POLICY CONSULTATION CLAUSE

EXECUTIVE SUMMARY

Recent economic development. The economy has emerged from the COVID-19 pandemic with scars that would likely take time to reverse. Supported by the authorities' policy support, growth rebounded strongly to 10.9 percent in 2021. Spillovers from the war in Ukraine are compounding pandemic challenges by weighing on growth, increasing inflationary pressures and social needs, and straining fiscal balances amid high uncertainty and rising food insecurity concerns. Lower external demand and higher global commodity prices are projected to lower growth to 6 percent in 2022. Headline inflation is projected to rise from 0.8 percent in 2021 to 9.5 percent in 2022, exceeding the central bank's benchmark level (5 percent). The National Bank of Rwanda (NBR) raised the policy rate by 50 basis points in February 2022. While the near-term outlook is marred by uncertainty from the geopolitical risks that could prolong the spillovers from the war in Ukraine, the medium-term outlook remains favorable, supported by the authorities' commitment to structural reforms. The change in World Bank financing terms under IDA20 will increase the volume of loans, hence the debt-to-GDP ratio for Rwanda, but given the higher concessionality of the loans, the expected impact on the present value of debt path is marginal.

Program implementation. Program performance remains broadly satisfactory with all quantitative and standard continuous targets through end-December 2021 met. However, the 12-month headline inflation average triggered the monetary policy consultation clause (MPCC) as average inflation in 2021 fell below the outer lower bound of NBR's inflation benchmark. All six reform targets (RTs) due through end-April 2022 were completed, but only two were met in a timely fashion. Staff recommends completion of the Sixth Review under the Policy Coordination Instrument (PCI).

Policy recommendations. The near-term agenda should focus on mitigating the severity of the combined shocks, containing inflationary pressures, and advancing measures that would support the envisaged fiscal consolidation to reduce debt vulnerabilities and external stability while preserving policy space to respond to shocks.

- **Fiscal Policy.** A targeted approach should be implemented to protect the vulnerable from the impact of rising food and fuel prices. The reduction in fuel levy to mitigate the pass-through of higher energy import costs should be temporary and phased out by end-FY22/23, if not sooner. On fiscal consolidation, the implementation of spending rationalization measures for FY22/23 and the medium-term revenue strategy (MTRS) should advance as planned. Given the current debt level and the uncertain outlook, efforts to contain risks should be stepped up.
- **Monetary and Financial Policies.** NBR should tighten monetary policy more aggressively to curb inflation expectations and help ensure the return of inflation to the target by end-2023. Policies should also focus on implementing the interest-rate-based monetary policy framework, deepening money and government securities markets, promoting more flexible exchange rates, and safeguarding financial stability.
- **Structural Reforms.** To lay the foundations for more sustainable, inclusive, and resilient growth, policies to mitigate the pandemic scars and continued efforts to advance the climate resilience agenda will be important.

Approved By
Catherine Pattillo (AFR) and Eugenio M. Cerutti, (SPR)

A hybrid mission comprised H. Teferra (head), V. Duarte Lledo, S. Choi, G. Pula, and C. Aoyagi (all AFR); A. Ceber (FAD); S. Mulema (MCM); and A. Miksjuk (SPR). L. Nankunda (OED) also joined the mission in person. The mission was assisted by P. Rutabuzwa and J. Kayemba (staff of the resident representative's office in Kigali). Y. Hul, and I. Miller (ICD) provided remote support on the Quarterly Projection Model for monetary policy analysis. E. Chueca Montuenga and F. Morán Arce (AFR) assisted in the preparation of this report. Discussions were held in Kigali during March 21–April 6, 2022, while part of the team joined remotely from Washington, D.C. The team met with the Minister of Finance and Economic Planning, Dr. Uzziel Ndagijimana, Governor of the National Bank of Rwanda, John Rwangombwa, as well as, the Ministers of Agriculture, Local Government, Infrastructure, and Trade, and Permanent Secretaries for Ministries of Health and Environment. The mission also held discussions with the Parliament Budget Committee, development partners, and private sector stakeholders.

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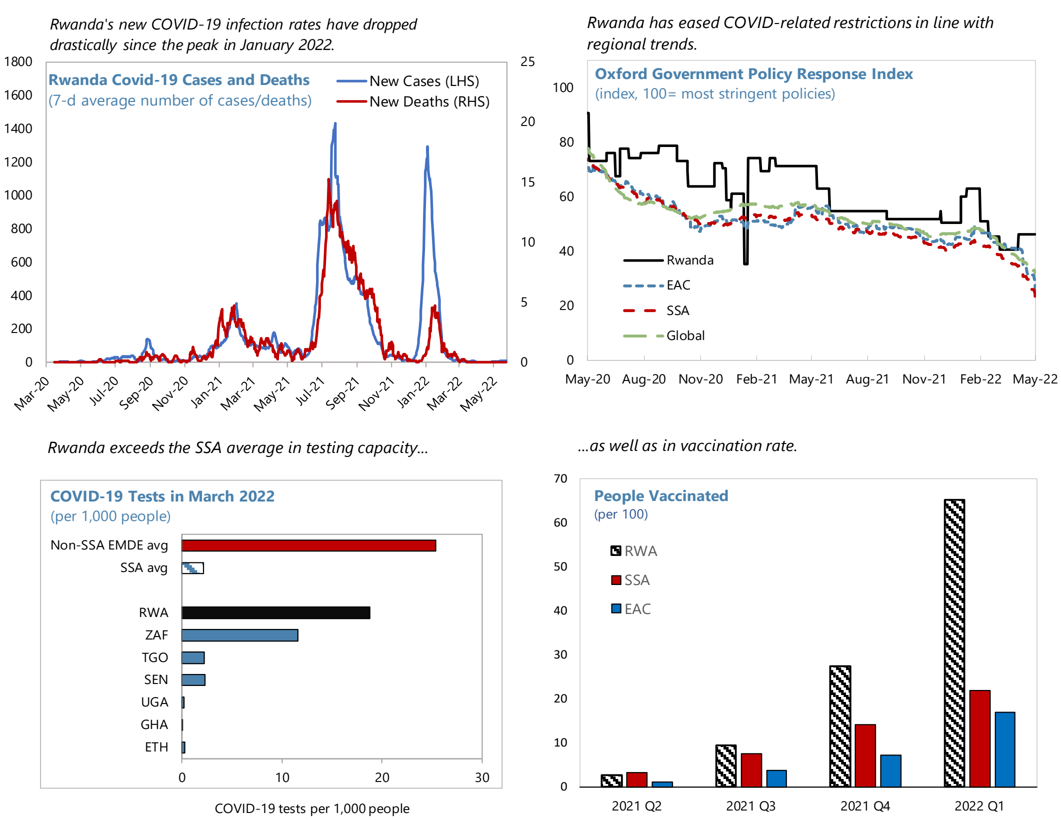
CONTEXT

1. COVID-19 cases have been on a steady decline after peaking in January 2022, but the pandemic risks reversing hard-won social gains and reducing Rwanda's growth potential (Figure 1). As of June 1, about 66.0 percent of the population was fully vaccinated, ensuring the plan to vaccinate 70 percent by end-2022 is within reach and allowing most COVID-related restrictions to be lifted. Despite expanded social safety nets to cushion households under the Economic Recovery Plan (ERP) and deployment of financial support to hard-hit firms under a revamped ERF (ERF-2), the pandemic severely impacted employment (¶4) and human capital formation, especially among women (IMF Country Report 22/7).

2. The spillovers from the war in Ukraine are compounding the policy challenges brought by the pandemic. The surge in global food and energy prices, exacerbated by the war in Ukraine, is putting pressures on headline inflation, depressing consumption and investment, and worsening terms of trade. Furthermore, as the war disrupts global economic activity, external demand for Rwanda's goods and services would decline, potentially widening Rwanda's trade deficit. Spillovers from the war are exacerbating social needs, with rising fertilizer cost, adversely impacting food security and straining the fiscal balance.

Figure 1. Rwanda: Pandemic Overview



Sources: National Institute of Statistics Rwanda (NISR), Johns Hopkins CSSE, Our World in Data (OWiD), and IMF staff calculations.

RECENT DEVELOPMENTS AND PROGRAM PERFORMANCE

PS ¶ 2–4, 9

3. **Rwanda's economy rebounded strongly, with 2021 growth registering 10.9 percent (Figure 3, Table 1).** The rebound was supported by accelerated vaccination, a gradual lifting of restrictions, recovery in external demand, and accommodative policies. Headline inflation, which was in a negative territory during May–September 2021, has picked up. With a rebound in growth and rising inflation, NBR raised its policy rate by 50 basis points to 5 percent in February 2022 (Figure 5). Inflation reached 9.9 percent (y-o-y) in April owing to marked increases in food, transport, and utility prices, despite reduction in the fuel levy to moderate the pass-through of higher global energy prices. The 12-month average inflation has been on the rise since January, reaching 2.4 percent in April. NBR decided to keep the policy rate unchanged in May 2022, despite projecting inflation to exceed its upper tolerance band (8 percent) in 2022, weighing more heavily towards the need to contain the negative impact of the spillovers from war in Ukraine on economic activity (¶19).

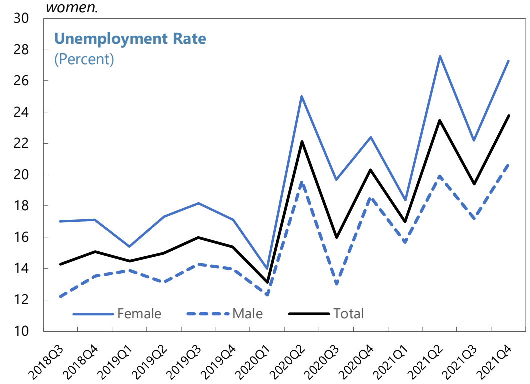
4. **Unemployment remains high, while food insecurity concerns could intensify (Figure 2).** The unemployment rate is 24 percent as of Q4 2021, relative to the pre-COVID level of around 15 percent, with female unemployment rate about 7 percentage points higher than that for males. Amid persistent pandemic uncertainties, greater reliance on short-term contracts is amplifying employment fluctuations. With 35 percent of population under-nourished, against the sub-Saharan average of 20 percent, food insecurity concerns, due to COVID-19 and high exposure to droughts, have risen as increases in fertilizer and transportation prices are constraining food supply, the bulk of which is domestically produced.

PS ¶ 8

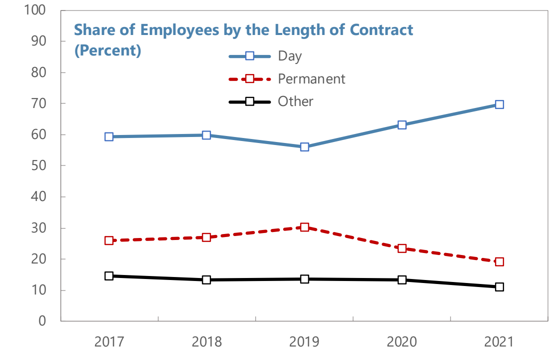
5. **The external position improved in 2021 due to improvement in the trade balance and an increase in grants and remittances (Figure 6, Table 6).** The trade deficit narrowed to 15 percent of GDP in 2021; but remained stable in nominal terms as the increase in imports was offset by a similar increase in exports (driven by external demand recovery and strong agriculture exports). The Rwandan franc depreciated by 3.9 percent, year-on-year, against the US dollar at end-April 2022. Following the 2021 Special Drawing Rights (SDR) allocation and Eurobond issuance in August 2021, international reserves increased at end-2021, but since then declined to 4.2 months of imports at end-April 2022 as projects financed by the Eurobond and SDR allocation started to be implemented.

Figure 2. Rwanda: Employment

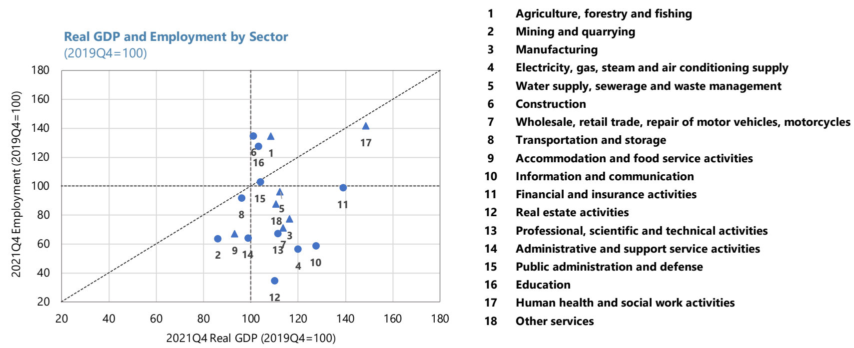
Unemployment remains high, particularly among women.



Pandemic uncertainties increased the share of day labors, amplifying employment fluctuations.



Female-dominated hospitality sectors still remain below pre-pandemic levels, while policies helped to accelerate growth and employment in other sectors.



Sources: Rwanda Labor Force Survey
Notes: Triangle shapes indicate sectors with a female employment share of above 44% (i.e. total female employment share in Rwanda) in 2019 Q4. Accommodation/ food service activities (9) and Whole sale/retail trade sectors (7) alone account for over 40 percent of non-agricultural female employment.

Text Table. Rwanda: Trade Balance (January–December 2021)

(Percent change over the same period of the previous year)

	Exports			Imports		Trade deficit (US$ millions)	
	Value	Volume		Value	Volume	Jan-Dec 2021	Jan-Dec 2020
Total	**4.9**		**Total**	**5.3**		**-1,779.3**	**-1,684.4**
Total excl. gold and reexports	**47.8**		**Total excl. gold and imports for reexports**	**14.6**		**-1,944.7**	**-1,816.1**
Tea & coffee	21.5	8.4	Consumer goods	13.8	-2.3		
Trad. mining	79.7	23.9	Capital goods	12.6	21.5		
Other exports	56.7	49.4	Intermediate goods	17.1	-5.6		
Reexports	49.2	28.5	Energy and lubricants	15.0	-1.7		
Gold	-43.8	-44.5	Gold	-41.7	-45.8		

Sources: National Bank of Rwanda, National Institute of Statistics of Rwanda, and IMF staff calculations

6. The fiscal deficit in H1 FY21/22 was lower than anticipated owing to weak expenditure execution (Figure 4, Tables 2a–b). Lower grants, due to delays in meeting World Bank's disbursement conditions, with substantially higher vaccine spending due to accelerated vaccination, were more than offset by lower-than-expected goods and services and capital expenses, reflecting (i) delays in approval and execution of the earmarked SDR spending in the revised budget law; (ii) slower-than-anticipated project implementation; and (iii) lower-than-anticipated take-up of export-promotion subsidies.

PS ¶ 5

Rwanda: Operations of the Central Government, H1:FY21/22, GFSM 2014[1]
(percent of GDP)

	July-Dec 2021	
	5th rev.	**Act.**
Revenue	12.4	11.4
Taxes	7.4	7.2
Grants	3.2	2.5
of which vaccine	0.4	0.9
Other revenue	1.6	1.7
Expense	**11.4**	**9.7**
of which purchases of goods and services	3.0	2.4
of which subsides	2.3	1.7
of which grants	2.9	2.5
Net acquisition of nonfin. assets	**6.1**	**5.6**
Net lending (+) / borrowing (-)	**-5.1**	**-3.9**
Net acquisition of financial assets	2.3	**3.4**
Net incurrence of liabilities	7.3	**7.6**
Domestic	-0.1	1.2
o/w Accounts payable (arrears)[2]	-0.2	1.2
Foreign	7.4	6.4
Total Covid-19 spending	1.1	2.1
Overall balance (GFSM 1986)	**-5.6**	**-4.2**
Debt-creating overall balance (excl. PKO, GFSM 1986)[3]	**-5.5**	**-4.1**

Sources: Rwandan authorities and IMF staff estimates and projections.
[1] Fiscal year runs from July to June.
[2] Positive sign indicates an increase in liabilities (or arrears)
[3] Overall balance excluding PKO operations and spending on materialized contingent liabilities in the DSA.

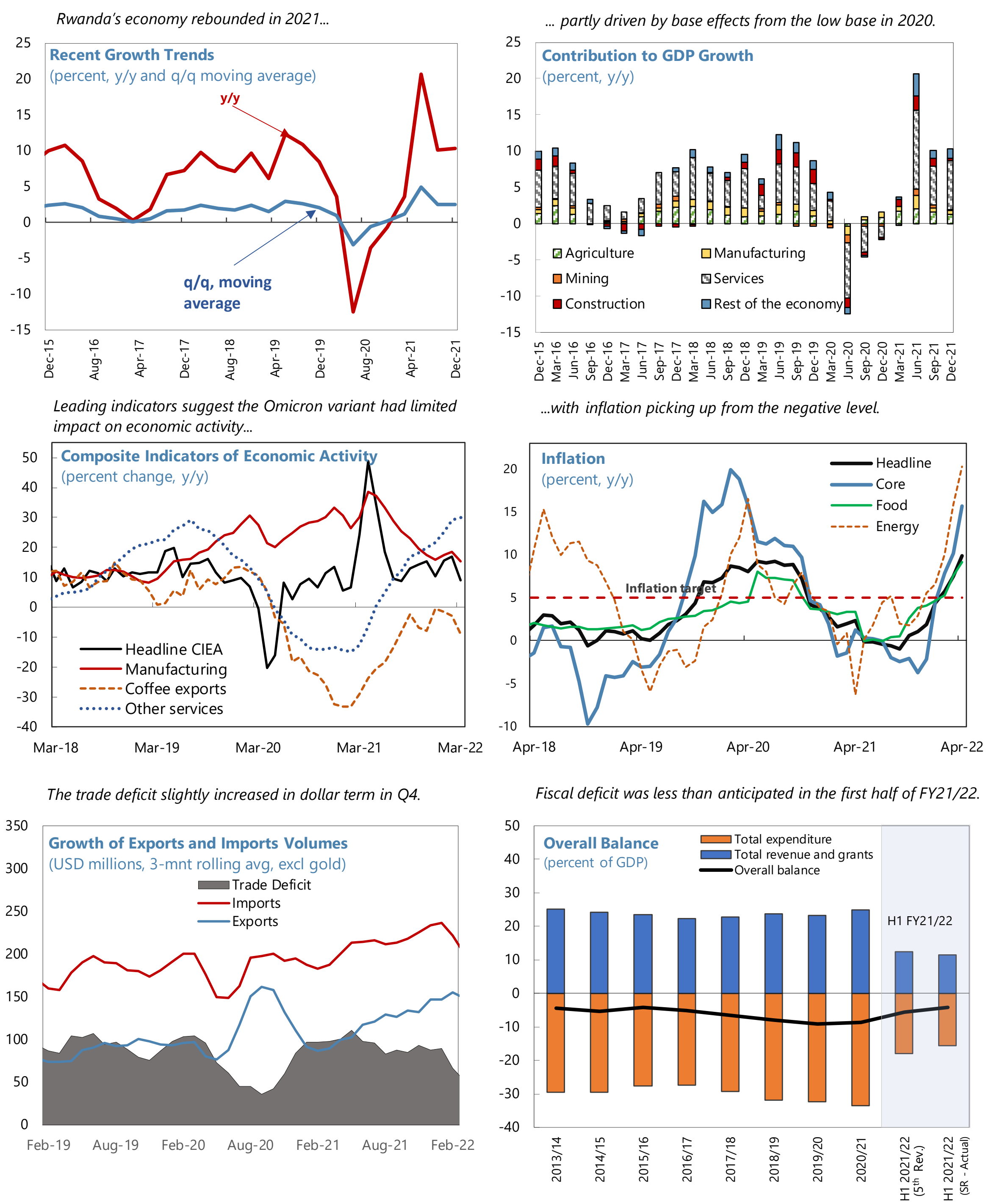
7. Spending on SDR-related priority projects has begun. A Memorandum of Understanding (MoU) specifying the use and treatment of the 2021 SDR allocation was signed between the NBR and the Ministry of Finance and Economic Planning (MINECOFIN) in February 2022. The revised FY21/22 budget approved in February allocated about 70 percent of the SDR allocation (1.3 percent of GDP) to urgent pandemic needs, consistent with the projections at the 5th Review.

PS ¶ 6

8. The financial sector remains resilient amid elevated vulnerabilities (Figure 5, Table 5). The banking sector continues to be profitable, well-capitalized, and liquid, as of end-March 2022, even after an increase in loan write-offs following the expiry of forbearance measures. The nonperforming-loan ratio, 4.7 percent, remains below NBR's benchmark of 5 percent, benefiting from growth in new loans following the economic recovery and higher loan write-offs. Credit risks remain elevated as loans under "Watch" have increased since September 2021, due to the reclassification of COVID-19-related restructured loans and more loans under moratorium came due, but remain stable compared to Q4 2021. Banks have correspondingly increased provisioning levels.

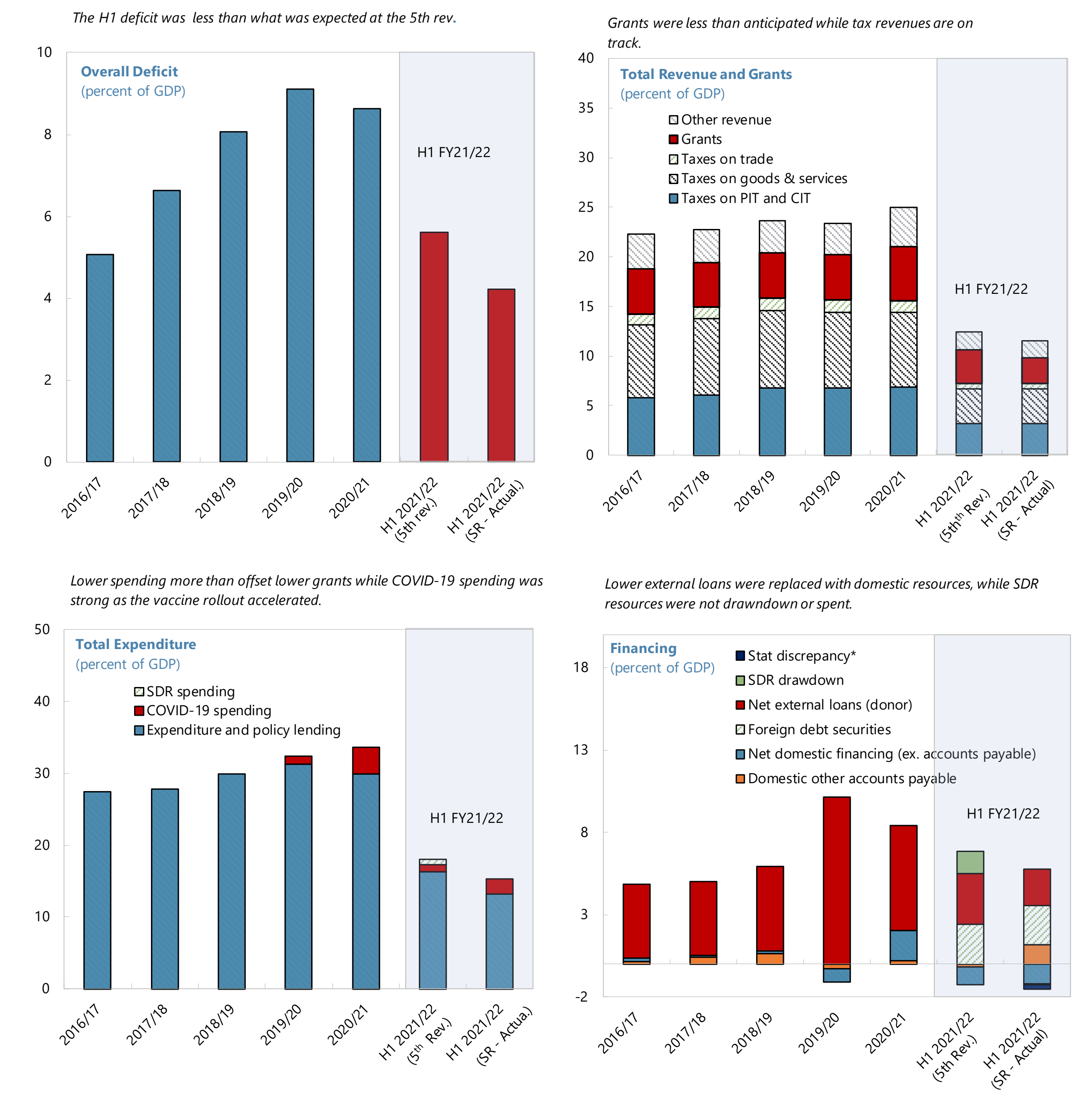
PS ¶ 7

Figure 3. Rwanda: Overview of Recent Economic Developments



Sources: Rwandan authorities, and IMF staff estimates.

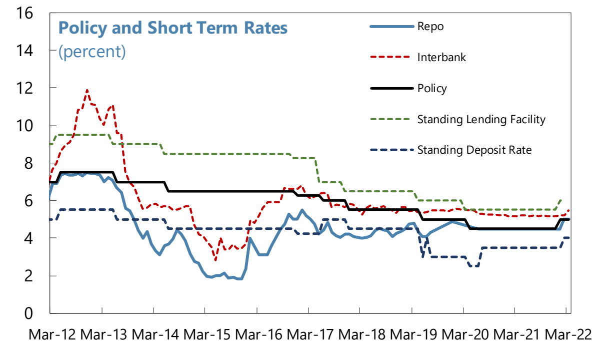
Figure 4. Rwanda: Fiscal Developments



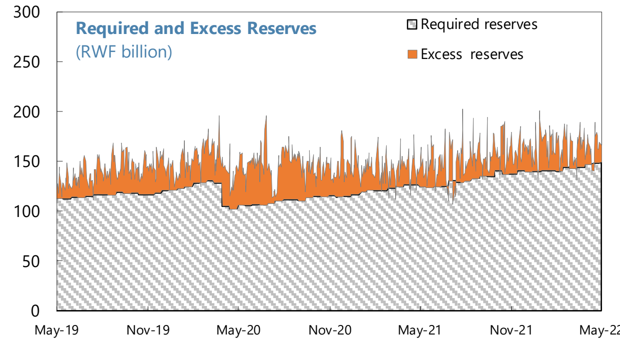
Sources: Rwandan Authorities, WEO July 2021 and IMF staff estimates.
*Without the discrepancy the sum of the categories does not add up to the deficit.

Figure 5. Rwanda: Monetary and Financial Sector Developments

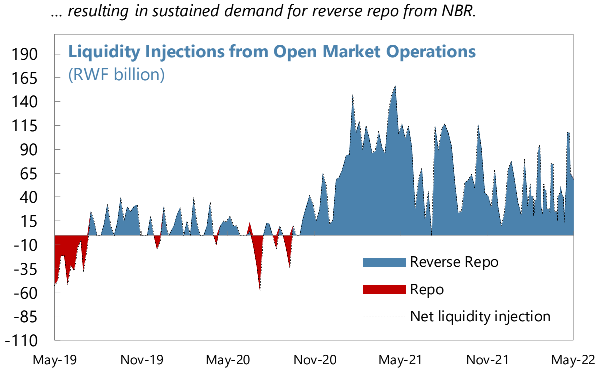
NBR raised the policy rate by 50 basis points in February 2022.



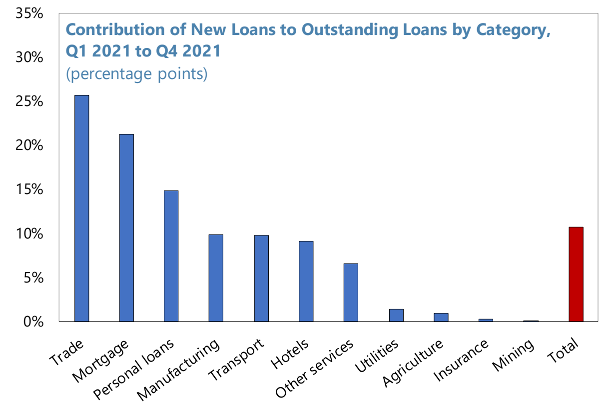
Demand for reserves continues to grow leading to lower excess reserves…



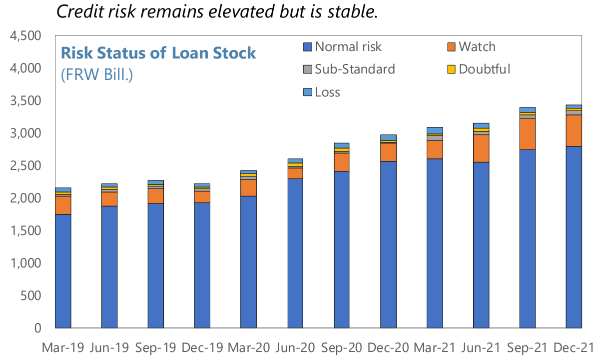
… resulting in sustained demand for reverse repo from NBR.



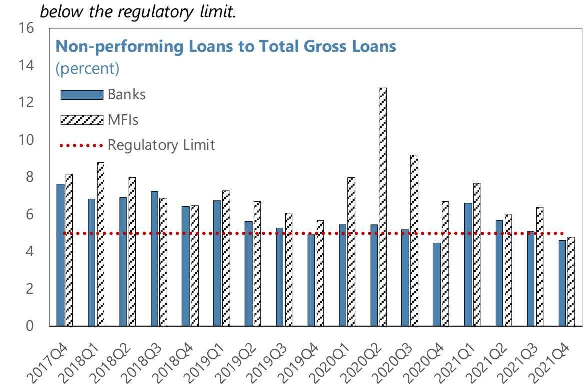
New loans have been concentrated on the trade, mortgage and personal loans categories.



Credit risk remains elevated but is stable.

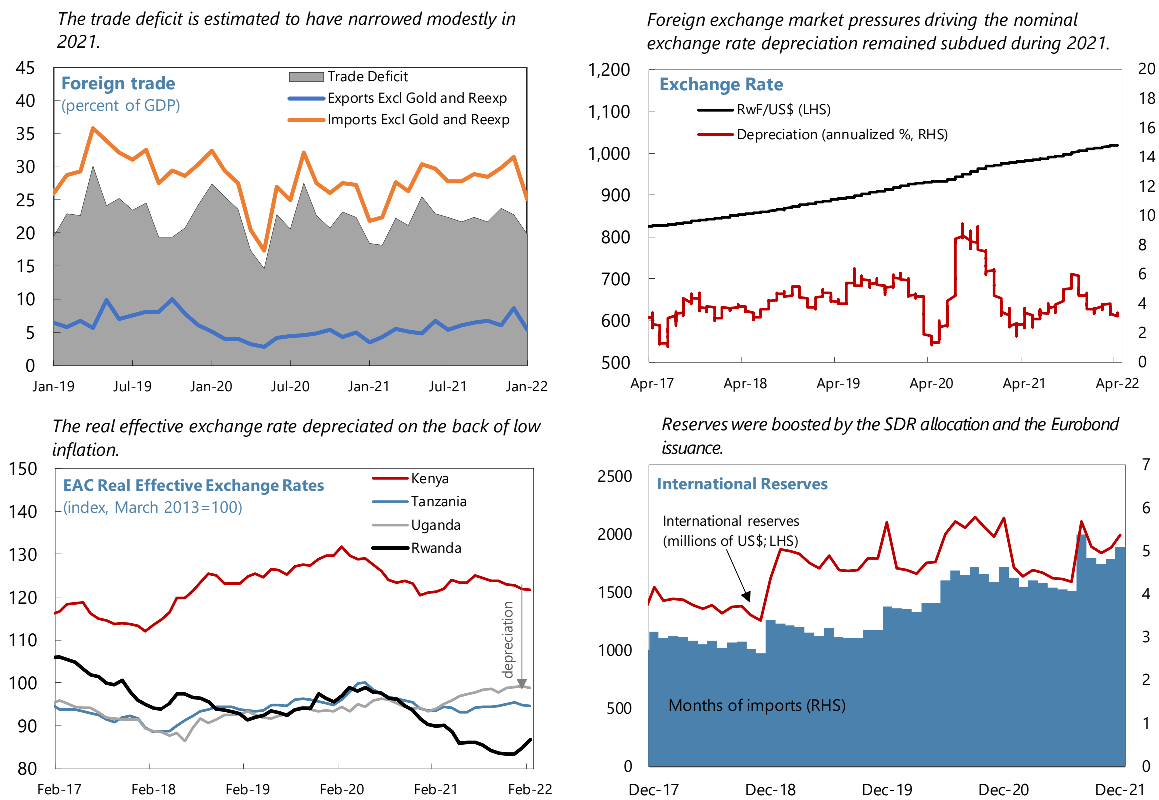


NPL ratios have fallen due to growth in new loans and are now below the regulatory limit.



Sources: Rwandan authorities, and IMF staff estimates.

Figure 6. Rwanda: External Developments



Sources: Rwandan authorities, and IMF staff estimates

Note: For the Foreign Trade chart, yearly GDP has been divided by 12 and used as denominator for monthly data on exports and imports.

PS ¶ 10

9. All quantitative and standard continuous targets through end-December 2021 were met except for inflation and all reform targets (RTs) through end-April were completed, most with a delay (Tables 7–8). The 12-month headline inflation average fell below the outer lower bound, triggering the monetary policy consultation clause (MPCC). All six RTs through end-April 2022 were completed, but only two were met in a timely fashion. The RT on the fiscal risk assessment of public-private partnerships and on the legal assessment to identify gaps in the Global Master Repurchase Agreement (GMRA) were met on time. The publication of the consolidated fiscal statistics was completed in March. The selection of an advisory firm for the Rwanda's Social Security Board (RSSB) asset allocation review was done in April. The study on consumer payment behavior and approval of the MTRS by Cabinet were completed in May.

OUTLOOK AND RISKS

PS ¶ 11–13

10. Rwanda's near-term growth will be adversely impacted by spillovers from the war in Ukraine (Tables 1–6).

- **Growth is projected to decline to 6.0 percent in 2022.** Rwanda's recovery in 2022 is expected to weaken from the headwinds from the war in Ukraine, particularly due to weak external demand and higher commodity prices. In 2023, economic activity is expected to regain momentum if the situation normalizes, although some scarring is likely. The output gap is projected to close in mid-2023. With fiscal consolidation measures implemented, private consumption and investment would be the main growth drivers in the medium term.
- **Headline inflation is projected to rise from 0.8 percent in 2021 to 9.5 percent in 2022, exceeding the NBR's benchmark level (5 percent), driven by the pickup in domestic activity and the pass-through from rising commodity prices.** Core inflation rose to 9.1 percent in April, suggesting the second-round effects of the energy and food prices are likely impacting inflation expectations. Inflation is projected to moderate to 8.0 percent in 2023, provided monetary policy is tightened to fend second-round effects.
- **The fiscal deficit for FY21/22 is expected to be 8.7 percent of GDP, 0.4 percentage below the program target.** This is due to stronger tax revenues and grants, projected to dominate a further reduction in the fuel levy and higher-than-projected capital expenditure.
- **The current account deficit is projected to widen to 12.6 percent of GDP in 2022; but start narrowing thereafter.** Projected higher oil prices are worsening Rwanda's terms of trade and trade deficit. The trade deficit also reflects the pickup in capital goods imports, mitigated by slower domestic activity and faster real exchange rate depreciation. Over the medium term, the current account would improve through higher domestic savings (from the fiscal consolidation) and productivity growth (from ongoing structural reforms). Despite FDI inflows recovering to pre-pandemic levels, financial inflows as percent of GDP are projected to start declining from 2022 onwards, largely reflecting a decline in public sector borrowing given the envisaged fiscal consolidation. Gross official reserves are expected to remain adequate above 4 months of prospective imports.

Text Table. Rwanda: Revised Macroeconomic Framework, 2019–27

	2019	2020	2021		2022		2023		2024		2025		2026		2027
	Act.	Act.	5th Review	Act.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	Proj.
Real GDP growth (percent)	9.5	-3.4	10.2	10.9	7.2	6.0	7.9	6.7	7.5	7.0	7.5	7.5	6.1	6.1	6.1
CPI inflation, average (percent)	2.4	7.7	0.7	0.8	5.7	9.5	6.8	8.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI inflation, eop (percent)	6.7	3.7	1.9	1.9	8.1	8.8	6.8	6.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Overall fiscal balance (% of GDP), FY Basis[1]	-8.1	-9.1	-8.6	-8.6	-9.1	-8.7	-7.5	-6.9	-5.0	-6.1	-4.0	-4.9	-3.0	-3.6	-3.4
Total public debt incl. guarantees	56.8	72.4	74.6	73.3	77.2	73.1	77.9	75.2	75.7	75.9	73.1	74.2	71.1	73.6	71.7
Current account balance (% of GDP)	-11.9	-12.1	-11.0	-10.9	-11.5	-12.6	-10.3	-11.7	-9.0	-10.3	-8.0	-8.9	-5.7	-7.8	-7.3
Gross international reserves (months of imports)	5.6	5.9	5.2	5.0	4.6	4.6	4.3	4.4	4.3	4.5	4.4	4.3	4.4	4.2	4.1

Sources: Rwandan authorities and IMF staff estimates.

[1] For purposes of the PCI the overall balance (GFSM 1986, incl. policy lending) is used for monitoring

11. The outlook remains uncertain and subject to elevated geopolitical risks (Annex I). While the full extent of exposures to the war in Ukraine is uncertain, the main risks arise from a prolonged war, including higher energy and food prices, exacerbating food insecurity, extended supply chain disruptions, lower availability of concessional resources, and lower external demand. Subdued external demand, possibly fueled by monetary tightening in advanced economies, and new COVID waves add to downside risks. On the upside, mineral export receipts may increase as Russia's mineral exports decline given sanctions.

POLICY DISCUSSIONS

Policy discussions focused on: (i) assessing near-term policy responses to the combined shocks; (ii) implementing measures to support fiscal consolidation to reduce debt vulnerabilities and promote external stability, while preserving policy space to respond to shocks; (iii) containing inflationary pressures, modernizing the monetary policy framework, and safeguarding financial stability; and (iv) supporting policies to foster inclusive, sustainable, and resilient growth[1] *(Letter of Intent (LOI) and Program Statement (PS); Tables 1–2).*

A. Fiscal Policy

Fiscal Stance

PS ¶ 14

12. The FY21/22 fiscal position is expected to be better than anticipated at the 5th Review (Box 1). Tax revenues are projected to be higher due to delayed take-up of exemptions previously announced to support the recovery and a lower-than-anticipated impact of the African Continental Free Trade Agreement (AfCFTA). Externally financed capital projects, financed by higher grants, are expected to be higher. Interest payments are projected to be lower due to lower domestic financing.

PS ¶ 14

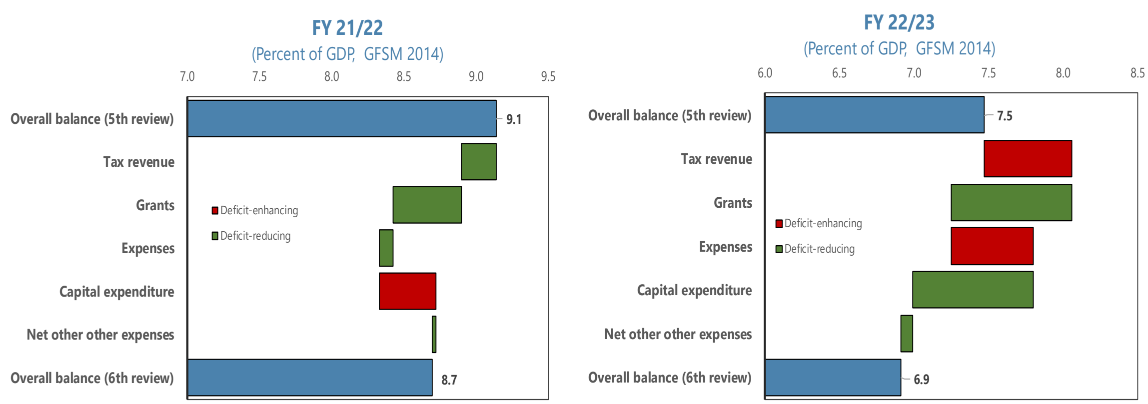
13. The fiscal deficit is anticipated to decline in FY22/23 to 6.9 percent of GDP, 0.6 percentage point lower than envisaged at the 5th Review. This is primarily due to higher budget grants from the UK for the Migration and Economic Development Partnership (MEDP), and lower capital and interest expenses, partly offset by lower tax revenues, higher recurrent expenses, and the change in World Bank's financing terms under the 20th replenishment process of the International Development Association (IDA20) (lowering World Bank's grants by 0.7 percent of GDP).[2] The lower tax revenues reflect exemptions from FY21/22 taking effect later than anticipated, delays to the MTRS implementation (¶15), and a further reduction in the fuel levy. Recurrent expenditure is projected to be higher due to MEDP-related

[1] The four pillars of the PCI remain as follows: (i) a fiscal stance that is supportive of the National Strategy for Transformation (NST), while safeguarding debt sustainability; (ii) DRM; (iii) fiscal transparency, including containing fiscal risks; and (iv) support to the new interest rate-based monetary policy framework.

[2] Under IDA20, countries at moderate risk of debt distress will see future support shift from grants to loans. For Rwanda, the composition of concessional financing by the World Bank would move from a 50-50 split between grants and loans to 100 percent loans.

spending and revisions to previously underestimated transfers to local governments. With lower domestic financing, interest expenses are expected to be lower despite slightly higher assumed interest rates. Capital expenditure is also projected to be lower in FY22/23, reflecting the need for additional fiscal space to respond to the combined shocks. The authorities used fuel, fertilizer, and public transport subsidies and social protection interventions to mitigate the impact of rising commodity prices (Box 1). Additional spending not envisaged in the FY22/23 budget to mitigate further rises in commodity prices, pandemic needs, as well as any unanticipated resource shortfalls will be accommodated by slowing the execution of non-wage current spending and domestic capital spending, while protecting priority spending items.

Text Figure. Rwanda: Overall Balance[1]—Deviations from 5th PCI Review



Source: Rwanda Authorities and IMF estimates

[1] GFSM 2014 financial assets loans and equity included for comparison to PCI definition (GFSM 1986)

Box 1. Rwanda's Fiscal Responses to Rising Energy and Food Prices

Fuel subsidies. The pass-through of international fuel prices to domestic prices has been moderated since May 2021 through reductions in the fuel levy. Domestic prices are usually adjusted every two months by the Rwanda Utilities Regulatory Authority. In April 2022, the fuel levy was eliminated while allowing for some pass-through. Domestic prices have increased by around 20 percent since May 2021. The authorities plan to gradually adjust domestic prices upward to eliminate the subsidy by end-June 2023. The subsidy is estimated to reduce tax revenues by 0.2 and 0.3 percent of GDP in FY21/22 and FY22/23, respectively.

Subsidies for agricultural inputs. Orders for agricultural inputs, including fertilizers and quality seeds, are placed in the Smart Nkunganire System––a technology-based agricultural input subsidy system––and matched by private sector traders. The government provides subsidies if international prices are too high so that orders are cleared. International prices almost doubled from a year before and the subsidies were set to absorb about 60 percent of this increase. The FY22/23 budget envisages an increase of 0.1 percent of GDP for this scheme.

Public transport subsidies. Public transport fares are adjusted considering private operators' profits and the affordability to end-users. At the onset of COVID-19, public transport subsidies were introduced to offset the losses from reductions in passenger capacity to allow social distancing. Fares also benefitted from reductions in excise taxes. The FY22/23 budget maintains the level of the subsidies amounting to 0.1 percent of GDP.

Social protection programs. Established in early 2000s, Rwanda's social protection programs include Vision 2020 Umurenge Program (including cash transfers, public works, and economic empowerment), Girinka ("one cow per poor family"), and Ubudehe (community projects). These have been significantly scaled up during the pandemic.[1] Spending under these programs is projected at 0.9 percent of GDP in FY22/23, an increase by 0.1 percent of GDP from FY21/22.

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1/ IMF Country Report No. 20/207.

Fiscal Consolidation

PS ¶ 15–16

14. The fiscal consolidation path agreed during the 5th Review will be broadly maintained. The cumulative reduction in the overall deficit is now estimated to be 5.1 percent of GDP during FY22/23–FY25/26. The lower deficits in FY21/22 and FY22/23, by 0.4 and 0.6 percent of GDP, respectively, are expected to moderate the impact from changes in the World Bank's financing terms under IDA20. The impact of these changes on the present value of the debt path is expected to be marginal, despite the resulting higher volume of concessional IDA20 loans, given the significantly higher grant element of these loans. The MTRS goal of domestic revenue mobilization (DRM) to increase the tax-revenue-to-GDP ratio by 1 percentage point is now expected to be achieved in FY25/26, two years later than anticipated at the 5th Review. Adjusting for the impact of changes in IDA financing terms, the path for the debt-to-GDP ratio is expected to be broadly similar to the 5th Review, with convergence to the anchor of 65 percent reached one year later by FY28/29 (Text Table). The authorities reaffirmed their commitment to seek concessional resources to finance development projects while ensuring the present value (PV) of public and publicly guaranteed debt does not deviate from the agreed path.

Text Table. Rwanda: Fiscal Consolidation Path
(Percent of GDP)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
5th PCI Review Fiscal Path											
Overall deficit[1]	-8.6	-9.1	-7.5	-5.0	-4.0	-3.0	-3.0	-3.0	-3.0	-3.5	-4.0
Public debt[2]	74.6	77.2	77.9	75.7	73.1	71.1	68.2	65.0	62.1	60.5	59.1
6th PCI Review Fiscal Path											
Overall deficit	**-8.6**	**-8.7**	**-6.9**	**-6.1**	**-4.9**	**-3.6**	**-3.4**	**-3.6**	**-3.8**	**-4.5**	**-5.0**
Assumed annual impact of IDA20 change on deficit			0.7	0.6	0.4	0.4	0.5	0.7	1.0	1.2	1.1
Public Debt	**73.3**	**73.1**	**75.2**	**75.9**	**74.2**	**73.6**	**71.7**	**69.4**	**67.5**	**66.9**	**66.3**
Assumed debt path without WB IDA20 changes*	**73.3**	**73.1**	**74.5**	**74.5**	**72.4**	**71.4**	**69.1**	**66.0**	**63.2**	**61.5**	**59.7**

Source: Rwanda Authorities and IMF staff estimates.
[1] For purposes of the PCI the overall balance (GFSM 1986 definition, incl. policy lending) is used for monitoring.
[2] Public debt produced from DSA is on CY basis while fiscal year runs from July-June.
*Public debt path from DSA adjusted by accumulated impact of grants that shifted to loans under new IDA20 lending conditions for countries in moderate risk of debt distress

15. The fiscal consolidation strategy remains predicated on a mix of DRM and spending rationalization measures. The MTRS was approved by Cabinet in May 2022.

PS ¶ 17–18

- **DRM is gaining steam as the MTRS starts to be implemented.** Tax administration measures are already effective in FY21–22. Tax policy measures will start in FY22/23. Draft laws proposing revisions envisaged under the MTRS in the personal income and value-added taxes (PIT and VAT) were submitted to Parliament. Draft laws proposing revisions in excise and corporate income taxes (CIT) are planned to be submitted to Cabinet by end-July 2022 and end-January 2023, respectively (proposed new RTs). To better use the limited resources to support MTRS implementation, the authorities requested to replace the RT on the MTRS review (end-December 2022 RT) by the two new RTs mentioned above. A full MTRS evaluation is still expected prior to its expiration to identify additional DRM measures (Text Table).

Text Table. Rwanda: Domestic Revenue Mobilization
(Percentage points of GDP from the previous fiscal year)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Total tax revenue (+ = consolidation)	**-0.1**	**-0.2**	**0.5**	**0.5**	**0.8**	**0.3**
Medium-term revenue strategy	0.1	0.1	0.0	0.5	0.5	0.1
Policy measures for MTRS-1	0.0	-0.2	-0.2	0.4	0.4	0.0
Administration measures for MTRS-1	0.1	0.3	0.2	0.0	0.0	0.0
Additional policy measures (MTRS-2)	0.0	0.0	0.0	0.1	0.1	0.1
Fuel levy impact	-0.2	-0.1	0.3	0.0	0.0	0.0
Manufacturing Build to Recover Exemptions	0.0	-0.2	0.2	0.0	0.0	0.0
African Continental Free Trade Agreement	0.0	-0.2	-0.1	0.0	0.0	0.0
Other (buoyancy impact and judgement)	0.0	0.2	0.1	0.0	0.3	0.2

Source: Rwanda Authorities and IMF staff estimates.

- **Spending rationalization focuses on improving the efficiency of government services and reducing capital expenditure to below pre-COVID-19 levels.** The FY22/23 budget outlined some broad areas of consolidation. Capital expenditures would decline over the medium-term as Eurobond and SDR-financed projects are completed and COVID-19 spending is phased off. Efficiency improvements related to the digitalization of government

services will assist in reducing recurrent expenditures on goods and services. Improved oversight and governance of state-owned enterprises (SOEs) should limit fiscal risks materializing and help reduce subsidies. Fiscal consolidation is also assisted by other ongoing PFM reforms (next section).

Text Table. Rwanda: Reduction in Total Expenditure

(Percentage points of GDP from the previous fiscal year)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Total expenditure adjustment (+ = consolidation)	**-0.4**	**2.5**	**2.5**	**0.9**	**0.5**	**0.0**
One-off spending	**-0.5**	**3.2**	**0.9**	**0.0**	**0.0**	**0.0**
COVID-19 spending phase-off	0.8	1.9	0.9	0.0	0.0	0.0
SDR use and phase off	-1.3	1.3	0.0	0.0	0.0	0.0
Total expenses (excl. COVID-19 and SDR)*	**1.0**	**-0.7**	**1.1**	**-0.3**	**0.4**	**0.0**
Compensation of employees (excl. Covid)	0.0	0.0	-0.1	-0.1	-0.1	0.0
Goods and services (excl. COVID, excl. SDR)	2.1	-1.5	0.5	0.0	0.0	0.0
Interest	-0.3	-0.1	0.0	0.0	0.1	0.0
Subsidies (excl. COVID)	-0.8	1.0	0.4	0.1	0.2	0.0
Grants (to LG/EBU)	-0.2	-0.3	0.3	0.1	0.0	0.1
Social benefits	-0.1	0.2	0.0	-0.1	0.1	0.0
Other expense	0.3	0.1	0.0	-0.2	0.1	0.0
Capital expenditure and policy lending (excl. COVID and SDR)*	**-0.9**	**0.0**	**0.4**	**1.1**	**0.1**	**0.0**

Source: Rwanda Authorities and IMF staff estimates.

* The one off impacts of the spending related to COVID-19 and SDR use has been removed

Fiscal Risks, Transparency, and Governance

16. The management of fiscal risks continues to be strengthened, especially for SOEs. PS ¶ 19–20

- **Institutions.** The Organic Budget Law (OBL), approved by Cabinet in April, is expected to be approved by Parliament by end-May. The OBL defines the role of the Fiscal Risk Committee (FRC), empowers the Minister of Finance and Economic Planning to appoint their members, and mandates the publication of the Fiscal Risk Statement (FRS) as part of the budget. With the OBL, a Presidential Order, expected to be issued by June 2022, will help strengthen the monitoring and oversight of SOEs, harmonize financial reporting for public institutions including SOEs to fiscal years, establish deadlines for the publication of financial statements, and introduce sanctions for non-compliance.

- **Analytical Capacity.** SOE health-check assessments have been integrated to IFMIS and are now fully automated. With Fund TA support, stress tests started to be conducted quarterly in high-risk SOEs informed by SOE "health-checks". Fund TA also supported the first fiscal risk assessment of public-private partnerships (PPP) conducted and submitted to the FRC in April, informed by the Public Fiscal Risk Assessment Model (end-April 2022 RT). A summary of both exercises with recommended mitigation measures was included in the FY22/23 FRS and published as a budget annex. The analytical scope of the FRS will be expanded for the FY22/23 with the inclusion of a long-term fiscal sustainability analysis (new RT).

17. Reforms to increase transparency in fiscal reporting and RSSB finances are progressing despite some delays. PS ¶ 21 Consolidated historical fiscal statistics for public corporations, the general government, and the non-financial public sector (end-December

2021 RT) were published with a three-month delay. Under the new OBL, financial reports across all public entities will be aligned to the budgetary fiscal year helping expedite the submission of public entities previously reporting on calendar year basis. This will be the case of RSSB, which is expected to start submitting quarterly financial statements from Q1 FY22/23 (end-March 2023 RT). As the RSSB was only able to select a firm to review its asset allocation in April (end-January 2022 RT) due to procurement delays, this review is now expected to be completed by end-September (revised RT).

PS ¶ 22

18. The authorities continue to take steps to strengthen transparency in the use of public resources. A draft law on public procurement prepared by the Rwanda Public Procurement Authority has been submitted for Cabinet approval. The law envisages the beneficial ownership (BO) disclosure of tenders. The authorities are also amending the Laws governing Companies and Partnerships to capture BO information and developing an electronic reporting portal for BO disclosure to the Registrar General. The Office of the Auditor General (OAG) published in May 2022 its annual independent audit report on all government expenditures and procurement tenders, including those on COVID-related spending, for FY20/21. Next years' OAG audit is expected to cover all SDR-financed government spending in FY21/22.

B. Monetary, Financial Sector, and External Sector Policies

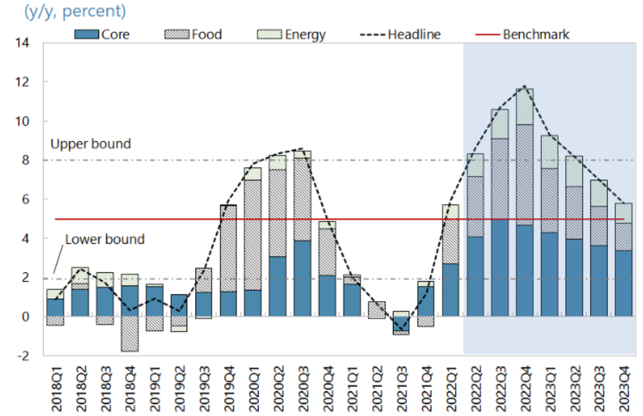
Monetary Policy

PS ¶ 23

19. NBR kept the policy rate unchanged at the May meeting, but additional tightening would have been warranted given rising inflationary pressures. NBR's quarterly inflation forecast in May projected headline inflation to peak at 11.8 percent in Q4 2022, remains above the upper bound of 8 percent until Q3 2023, and decline gradually to the benchmark of 5 percent in Q1 2024 (even with predicted monetary tightening up to Q1 2023). The monetary policy decision seems to have weighed more heavily towards the need to avoid stalling the recovery, given NBR's expectation that economic activity will be under pressure by higher commodity prices and lower global demand due to the war in Ukraine. Also, NBR's view is that inflationary pressures are arising largely from temporary domestic supply side factors from unfavorable weather conditions while the second-round effect from higher commodity prices has been limited. However, given the projected higher inflationary path and the risks to second-round effects, in staff's view, more aggressive tightening may be required going forward to better anchor inflation expectations and mitigate second-round effects. NBR's communications should also be strengthened to better guide inflation expectations.

Rwanda: Quarterly Projection Model for Inflation

(y/y, percent)



Sources: IMF staff estimates.

20. Support for the interest-rate-based monetary policy framework continues through reforms to deepen money and government securities markets. Recent TA on Forecasting Policy and Analysis System (FPAS) assisted NBR with developing a forecasting framework based on the Quarterly Projection Model, improving nowcasting, analyzing the transmission mechanism, and conducting ex-post forecast evaluation. Interbank market pricing continues to be aligned with NBR's policy rate and NBR continues to use reverse repos to meet banks' liquidity demands.[3] Further progress in interbank liquidity and government securities trading, is expected when banks sign the Global Master Repurchase Agreement (GMRA) and when the diagnostic for money and government debt market development is completed. The RTs related to the rollout of the GMRA are on track for completion by December 2022.

PS ¶ 24–25

21. Greater exchange rate flexibility remains key to ensuring external sustainability and for an effective interest-rate-based monetary policy framework. Exchange rate pressures have increased, reflecting a stronger pickup in imports and higher commodity prices. Recognizing that the exchange rate is the first line of defense against external shocks, NBR reiterated its commitment to limiting foreign exchange market interventions to minimizing excessive volatility and maintaining adequate reserve levels. Staff encouraged the authorities to seek Fund TA to support NBR in reviewing the functioning of foreign exchange markets for alignment with the price-based monetary policy framework.

PS ¶ 26

Financial Stability and Inclusion

22. The authorities maintain intensive supervisory oversight since COVID-19 relief measures expired at end-September 2021. Loan classification and provisioning returned to pre-COVID standards. With TA support, NBR will continue to enhance the Supervisory Review and Evaluation Process (SREP) to improve their review expertise of Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Assessment Process (ILAAP) reports. These reviews, with periodic stress tests, should inform decisions to provide targeted support, if required, and identify recapitalization needs. Staff advised NBR to (i) ensure that banks maintain regulatory limits and prudential standards; (ii) prepare to deploy targeted and time-bound interventions, if needed, to contain any imminent materialization of credit risks; (iii) monitor risks of excessive leverage in specific sectors; and (iv) maintain supervisory and reporting efforts.

PS ¶ 27–28

23. Digitalization remains critical for advancing financial inclusion. Value and volume of mobile payment grew by 45 and 31 percent, respectively, in 2021. The authorities aim at further scaling up digital financial services by upgrading the payment systems for MFIs and Savings and Credit Cooperatives (SACCOs), improving the interoperability of instant payments, strengthening security regulations and the Business Continuity Plan, and digitalizing complaints handling. The study on consumer payment behavior and the pricing of digital payment was only completed in May due to delays associated with the pandemic and data collection (end-December 2021 RT).

PS ¶ 10, 29

[3] Reverse Repos in this case refer to the central bank injecting liquidity into the banking system.

C. Structural Policies

24. High and inclusive longer-term growth demands decisive structural policies. Policies should aim at reversing the learning and earning losses caused by the pandemic, especially for women, and stepping up efforts to accelerate human capital accumulation. Greater emphasis should be placed on improving health and early childhood development services; boosting female employment and entrepreneurship; and narrowing the digital gap. Regional integration, including through the construction of the Bugesera International Airport, will also address the challenges of Rwanda's land-locked and small market size and attract private investment. Achieving the Sustainable Development Goals would demand more cost-effective interventions to attract private financing.

PS ¶ 30

25. The authorities are strengthening efforts to adapt to and mitigate climate change (Box 2). Reducing exposure to seasonal weather patterns and climate change will lead to more resilient growth by containing output volatility and lowering infrastructure and property damage. Adaptation measures include boosting agricultural productivity through improvement in irrigation coverage and soil quality, while mitigation will be achieved among other things, through greater reliance on renewable sources.

PS ¶ 31

Box 2. Recent Steps on Climate Agenda

Rwanda is working on reforms to adapt to and mitigate climate change as part of National Strategy for Transformation (2017–24) (IMF Country Report No 22/7, Box 1 and Annex VI).

- **Public Investment Management:** With the support from the TA on Climate Public Investment Management Assessment (C-PIMA) (April 2022), climate issues are expected to be more deeply integrated into public investment management practices. Rwanda continues to work to incorporate mitigation and adaptation criteria in project appraisal and selection processes.
- **Public Financial Management:** As requested in the planning and budget call circular for the FY22/23 budget, institutions submitted their plans indicating key environment and climate change interventions and their respective budget. Based on these, MINECOFIN has prioritized and implemented climate-resilient initiatives into the budget. MINECOFIN plans to introduce an Environment and Climate Change Monitoring Statement to be published as an Annex to the budget. MINECOFIN is also looking to introduce a climate budget tagging system to improve allocation and monitoring of climate-related expenditure.
- **Climate finance:** The Rwanda Green Fund, which provides green investment funding and training to public and private sectors, has funded 44 projects (including 8 private sector projects) by April 2022.
- **CCDR:** The Government has been conducting a joint Climate Change Diagnostic Report (CCDR) with the World Bank.

PROGRAM MODALITIES AND CAPACITY DEVELOPMENT

26. Quantitative and reform targets. The program will continue to be monitored on a semi-annual basis through QTs, RTs, standard continuous targets, and an MPCC (PS Tables 1 and 2). Policy implementation will be evaluated through review-based monitoring, considering evolving circumstances and policy needs.

27. Staff is proposing an adjustor on the debt-creating overall balance to accommodate projects financed by concessional loans. For close coordination with the World Bank and other development partners in IMF-supported programs and to avoid the crowding out of project lending by the World Bank and other development partners on highly concessional terms, staff and authorities agreed to introduce an adjustor on program QTs (debt-creating overall fiscal balance) to flexibly accommodate concessional project loans, provided the PV of debt path is broadly maintained.[4] The adjustor would apply to such financing of projects that feature in the authorities' borrowing plan and are expected to be contracted through end-December 2022 (TMU ¶4, third bullet). The need for maintaining this adjustor will be assessed during the 7th PCI review.

28. Program conditionality is proposed to be updated reflecting the macroeconomic framework, new IDA terms, and the authorities' commitments to reforms (PS Tables 1a–2):

- End-June 2022 targets were set at the time of the 5th PCI and will be maintained.
- Adjustors related to COVID-19 vaccines and to projects financed by the SDR allocation and Eurobond proceeds are proposed to be maintained given that these projects are still ongoing, and the authorities still have not yet achieved their vaccination target of 70 percent.
- New end-December 2022 QTs and adjustors have been proposed in line with the updated macroeconomic framework and new IDA terms.
- Staff is also proposing to:
    - Reset the RT on conducting an asset allocation review for RSSB from end-June 2022 to end-September 2022 to accommodate delays to procuring the firm necessary to prepare this review.
    - Replace the RT on conducting the first review of the MTRS implementation by end-December 2022 with two new RTs on submitting to Cabinet revisions to the excise tax and CIT laws envisaged under the MTRS by end-July 2022 and end-January 2023, respectively, to sustain and focus DRM efforts on the MTRS implementation.
    - Introduce a new RT on incorporating a fiscal sustainability analysis into the fiscal risk assessment for end-April 2023, to strengthen further the identification and management of fiscal risks.

[4] The amount of World Bank grants that is now considered credit under IDA20 amounts 0.7 percent of GDP in FY22/23.

29. Program financing and risks. Rwanda is not seeking financial assistance from the Fund and the program is fully financed, with firm commitments of financing over the next 12 months and good financing prospects for the remainder of the program. While uncertainty and risks to program implementation remain, they are mitigated by the authorities' robust public health and economic response to the pandemic, commitment to targeted and transparent supports, contingency planning, oversight, and strong track record in implementing Fund-supported programs.

30. CD activities remain closely linked to program priorities (Annex II), focusing, inter alia, on fiscal transparency, DRM, implementation of the forward-looking monetary policy framework, and financial stability**.** The authorities are committed to strengthening BOP and monetary statistics. Going forward, CD activities are expected to focus on strengthen performance budgeting, fiscal reporting, macro-fiscal capacity, and implementing FSSR recommendations.

31. Safeguards Assessment. NBR's safeguards assessment was formally concluded in January 2022. The assessment found a well-established governance and control framework with audit and reporting practices aligned with international standards. NBR is making progress on the report's recommendations, including on the need to clarify some aspects of its the reserves management policy.

STAFF APPRAISAL

32. Rwanda is facing new challenges from increases in food and fuel prices, compounded by spillovers from the war in Ukraine, while also grappling with pandemic scars. Despite a swift and strong economic rebound, Rwanda has been left with pandemic scars manifested in high unemployment, rising poverty, and learning losses, that risk reversing hard-won social gains and reducing growth potential. This is compounded by the spillovers from the war in Ukraine, including additional inflationary pressures, weaker external conditions, and increased social needs which put pressure on food security and fiscal balance and limit the policy space to confront emerging challenges.

33. Immediate policy priorities are to respond to the impact from the war in Ukraine with more targeted fiscal measures. The authorities' plan to use the existing social safety nets––which have been already revamped during the COVID-19 pandemic––as the basis to respond to economic fallouts from the war in Ukraine is broadly appropriate. The authorities should phase out fuel subsidies by end-FY22/23 as planned and consider a more targeted approach focused on increasing the coverage and benefits of existing social protection programs.

34. In view of rising inflation, it would be critical for NBR to stand ready to tighten monetary policy to bring inflation back to the target by end-2023. The authorities should keep monetary policy data-dependent, contain inflationary pressures more aggressively going forward, and strengthen communication to anchor inflation expectations.

35. Anchoring medium-term fiscal discipline through a credible fiscal consolidation plan should be fast-tracked. Revisions to the excise and CIT laws, including those aimed at broadening the tax base and phasing-off tax exemptions, envisaged under the MTRS, together with tax administration measures to enhance compliance, should be timely approved to achieve the DRM goal of increasing the tax-revenue-to-GDP ratio by 1 percentage point. Authorities should step up their efforts to identify and cost medium-term spending rationalization measures by exploring additional cost-savings and efficiency gains through digitalization in the delivery of public goods and services and improvements in the selection and prioritization of public investments. Steadfast adoption of on-going PFM reforms to strengthen budget costing and prioritization will further support their implementation.

36. Given the limited fiscal space and the uncertain outlook, the authorities should continue to step up efforts to contain fiscal and financial sector risks. The adoption of the new OBL as well as the upgrade in analytical capacity are welcome developments. Reforms should continue to increase transparency in fiscal reporting, RSSB finances and beneficial ownership in public procurement, and to align the AML/CFT legal framework with the Financial Action Task Force (FATF) standards. Implementation of the interest-rate-based monetary policy framework, alongside the reforms to deepen money and government securities markets, should continue. Greater exchange rate flexibility remains key to ensuring external sustainability and for an effective interest-rate-based monetary policy framework.

37. The authorities' commitment to structural reforms, including to build resilience to climate shocks, should be sustained. Staff welcome the authorities' efforts to minimize pandemic scaring. More cost-effective interventions to attract private financing and pursuing the transition to greener growth should be vital overarching priorities.

38. Staff supports the completion of the Sixth Review based on the authorities' commitment to reforms and to implementing a credible fiscal path to bring debt down.

Table 1. Rwanda: Selected Economic Indicators, 2019–27

	2019	2020	2021		2022		2023		2024		2025		2026		2027
	Act.	Act.	5th Review	Act.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)														
Output and prices															
Real GDP	9.5	-3.4	10.2	10.9	7.2	6.0	7.9	6.7	7.5	7.0	7.5	7.5	6.1	6.1	6.1
GDP deflator	2.5	6.7	2.3	2.7	5.3	9.3	7.1	8.7	5.5	5.5	5.3	5.4	5.0	5.0	5.0
CPI (period average)	2.4	7.7	0.7	0.8	5.7	9.5	6.8	8.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI (end period)	6.7	3.7	1.9	1.9	8.1	8.8	6.8	6.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (deterioration, -)	-1.8	-0.9	0.1	2.5	1.9	7.5	-0.5	-2.9	-0.8	-0.9	-0.5	0.3	-0.8	0.7	0.2
Money and credit															
Broad money (M3)	15.4	18.0	14.2	17.8	15.1	15.8	18.2	14.2	15.7	15.0	13.2	15.8	11.3	11.4	11.4
Reserve money	16.0	21.7	14.7	30.7	15.1	4.8	16.1	12.2	15.7	15.0	13.2	15.8	11.3	11.4	11.4
Credit to non-government sector	12.6	21.8	15.8	14.7	16.1	11.0	14.8	11.5	18.0	21.3	12.3	19.4	7.6	10.7	14.5
M3/GDP (percent)	25.7	29.4	29.3	30.4	29.9	30.4	30.6	29.9	31.2	30.5	31.2	31.2	31.3	31.2	31.2
	(Percent of GDP, unless otherwise indicated)														
Budgetary central government, FY basis [1]															
Revenue	23.1	23.3	25.0	25.0	24.6	25.3	24.4	24.6	24.8	22.9	24.3	23.2	24.5	24.1	24.2
Taxes	16.0	15.7	15.8	15.8	15.4	15.7	16.0	15.4	16.4	15.9	16.7	16.5	17.0	17.3	17.5
Grants	3.0	4.6	5.5	5.5	5.5	5.9	5.8	6.6	5.9	4.4	5.1	4.1	5.0	4.0	3.9
Other revenue	3.0	3.1	3.7	3.7	3.7	3.7	2.5	2.5	2.5	2.6	2.5	2.7	2.5	2.8	2.8
Expense	20.5	20.2	20.3	20.3	20.6	20.6	18.8	19.3	18.0	18.2	17.8	18.4	17.1	18.1	18.0
Net acquisition of nonfin. assets	11.2	11.0	12.2	12.2	12.0	12.4	11.8	11.0	10.5	9.6	10.5	9.5	10.5	9.6	9.6
Net lending (+) / borrowing (-) (NLB)	-8.6	-7.9	-7.5	-7.5	-8.0	-7.6	-6.2	-5.7	-3.7	-4.9	-4.0	-4.7	-3.0	-3.6	-3.4
excluding grants	-11.6	-12.4	-13.0	-13.0	-13.5	-13.5	-12.0	-12.4	-9.6	-9.3	-9.0	-8.8	-8.0	-7.6	-7.3
Net acquisition of financial assets	0.8	4.5	1.5	1.5	1.1	1.1	1.0	1.3	1.7	1.5	0.3	0.5	0.3	0.3	1.4
Net incurrence of liabilities	6.4	12.3	8.9	8.9	9.2	9.0	7.3	7.0	5.3	6.4	4.3	5.2	3.3	3.9	4.8
Domestic	1.2	2.2	2.5	2.5	-0.2	-0.5	1.6	0.7	0.9	1.2	0.8	1.4	0.2	0.2	1.7
Foreign	5.1	10.2	6.4	6.4	9.4	9.5	5.7	6.3	4.4	5.2	3.4	3.9	3.2	3.6	3.2
Overall fiscal balance (incl. grants, policy lending)[2]	-8.1	-9.1	-8.6	-8.6	-9.1	-8.7	-7.5	-6.9	-5.0	-6.1	-4.0	-4.9	-3.0	-3.6	-3.4
Debt-creating overall balance (excl. PKO)[3]	-5.5	-7.8	-8.2	-8.2	-9.1	-8.7	-7.4	-6.9	-5.0	-6.1	-4.0	-4.9	-3.0	-3.6	-3.4
Public debt															
Total public debt incl. guarantees	56.8	72.4	74.6	73.3	77.2	73.1	77.9	75.2	75.7	75.9	73.1	74.2	71.1	73.6	71.7
of which : external public debt	44.3	56.4	58.6	54.5	62.4	57.6	63.9	58.0	64.7	60.8	63.5	60.1	62.2	59.1	56.8
Total public debt excluding guarantees	53.0	69.3	73.7	72.6	75.4	71.8	74.5	73.1	72.2	73.6	69.9	71.4	68.2	71.0	69.4
External public debt incl. guarantees, PV	29.7	34.0	36.1	34.9	39.2	36.1	40.9	38.2	40.9	39.2	40.4	38.7	38.8	37.6	35.7
Gross domestic debt	12.4	16.0	16.1	18.8	14.8	15.5	14.0	17.1	10.8	15.1	9.9	14.2	9.4	14.5	15.0
Total public debt incl. guarantees, PV	42.9	51.1	52.9	54.4	55.3	53.0	56.1	56.6	53.5	55.3	51.4	53.7	50.0	52.9	51.3
Investment and savings															
Investment	23.5	25.1	21.0	26.3	26.9	25.8	29.1	28.4	29.7	29.4	30.0	28.6	27.3	28.4	28.2
Government	12.9	14.2	13.3	13.0	13.4	13.2	12.3	11.8	11.8	11.1	12.3	10.8	10.2	11.2	11.0
Nongovernment	10.6	11.0	7.7	13.3	13.6	12.6	16.8	16.5	17.9	18.3	17.7	17.8	17.1	17.2	17.2
Savings (excl. grants)	9.0	10.2	5.8	12.3	11.3	8.6	15.4	13.7	16.2	16.3	18.0	16.9	17.7	17.8	18.1
Government	3.7	-0.5	-1.6	0.2	1.4	-0.2	1.8	0.8	2.6	1.5	3.5	2.8	1.8	3.4	3.6
Nongovernment	5.3	10.7	7.4	12.1	9.9	8.9	13.6	12.9	13.7	14.9	14.5	14.1	15.9	14.4	14.5
External sector															
Exports (goods and services)	21.8	18.9	18.9	19.1	24.4	23.4	26.7	25.3	27.7	27.1	31.5	28.5	33.3	28.8	29.2
Imports (goods and services)	36.1	35.1	35.6	34.8	40.9	41.7	41.2	41.2	41.7	40.8	44.0	40.9	43.5	40.2	40.1
Current account balance (incl grants)	-11.9	-12.1	-11.0	-10.9	-11.5	-12.6	-10.3	-11.7	-9.0	-10.3	-8.0	-8.9	-5.7	-7.8	-7.3
Current account balance (excl grants)	-14.5	-14.9	-15.2	-14.0	-15.5	-17.1	-13.7	-14.7	-13.5	-13.1	-12.0	-11.7	-9.6	-10.6	-10.1
Current account balance (excl. large proj.)	-10.6	-12.0	-10.0	-10.8	-9.3	-10.5	-7.9	-9.3	-7.0	-8.4	-6.7	-7.7	-5.7	-7.8	-7.3
Gross international reserves															
In millions of US$	1,382	1,722	1,829	1,889	1,775	1,868	1,783	1,869	2,021	2,063	2,130	2,093	2,253	2,229	2351
In months of next year's imports[4]	5.6	5.9	5.2	5.0	4.6	4.6	4.3	4.4	4.3	4.5	4.4	4.3	4.4	4.2	4.1
Memorandum items:															
GDP at current market prices															
Rwanda francs (billion), CY basis	9,314	9,607	10,986	10,944	12,395	12,672	14,311	14,698	16,232	16,585	18,378	18,800	20,460	20,942	23,340
nominal growth	12.2	4.6	12.7	13.9	12.8	15.8	15.5	16.0	13.4	12.8	13.2	13.4	11.3	11.4	11.4
Population (million)	12.4	12.7	13.0	13.0	13.3	13.3	13.6	13.6	13.9	13.9	14.2	14.2	14.2	14.5	14.8

Sources: Rwandan authorities and IMF staff estimates.

[1] From FY 19/20 (2020) to FY 26/27 (2027). Fiscal year runs from July to June. FY19/20 and FY20/21 are actuals.

[2] For purposes of the PCI the overall balance (GFSM 1986, incl. policy lending) is used for monitoring.

[3] Overall deficit excl. spending on materialized contingent liabilities and other items already incl. in the DSA.

[4] Based on prospective import of goods (excluding gold) and services. SDR allocation included in 2021.

Table 2a. Rwanda: Budgetary Central Government Flows, GFSM 2014 Presentation FY20/21–26/27[1]

(Billions of Rwandan francs)

	2020/21	2021/22		2022/23		2023/24		2024/25		2025/26		2026/27
	Prel.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	Proj.
Revenue	**2,605**	**2,874**	**2,992**	**3,252**	**3,365**	**3,788**	**3,582.7**	**4,209**	**4,111**	**4,763**	**4,784**	**5,363**
Taxes	1,659	1,803	1,849	2,138	2,110	2,501	2,492	2,896	2,913	3,295	3,434	3,883
Taxes on income, profits, and capital gains	703	807	828	929	917	1,073	1,069	1,231	1,237	1,396	1,454	1,677
Taxes on property	19	27	28	34	34	42	41	45	46	49	51	57
Taxes on goods and services	776	839	860	993	981	1,144	1,140	1,320	1,328	1,487	1,550	1,727
o/w Fuel levy	37	--	17	--	9	--	50	--	53	--	60	60
Taxes on international trade and transactions	124	129	133	182	179	242	241	300	302	363	379	422
Grants	561	638	700	777	907	903	687	876	725	974	804	870
Current	266	304	323	410	499	449	224	512	421	586	411	455
Capital	295	333	377	368	408	454	464	363	303	387	393	414
of which Vaccine	3	58	102	0	--	0	--	0	--	0	--	--
Other revenue	385	433	443	337	348	384	404	437	474	494	547	610
Expense	**2,089**	**2,414**	**2,427**	**2,507**	**2,644**	**2,751**	**2,845**	**3,077**	**3,264**	**3,320**	**3,588**	**3,994**
Compensation of employees	302	313	313	366	366	423	431	494	507	555	586	661
Use of goods and services	624	644	663	690	714	750	738	840	834	906	936	1,043
of which: Covid-19 spending	28	120	175	0	--	0	--	0	--	0	--	--
of which: SDR allocation (2021)		51	51									
Interest	181	253	241	301	296	333	340	346	382	356	411	458
To nonresidents	67	85	84	103	110	110	132	123	146	138	162	175
of which: SDR allocation (2021)	--	1	1.1	1	0.0	2	0.0	2	0.0	2	0.0	0.0
To residents other than general government	114	168	157	198	187	223	208	223	236	218	249	283
Subsidies	260	376	382	325	299	309	284	330	304	320	294	328
of which: Rwandair (working capital)	146	162	164	173	175	173	170	160	162	152	154	171
Grants	549	652	651.6	628	797	715	864	812	967	892	1,086	1,195
Social benefits	41	59	59	53	45	61	47	69	74	76	74	89
Other expense	132	117	116	144	126	159	140	186	195	215	200	221
Net acquisition of nonfin. assets	1,252	1,401	1,461.2	1,576	1,505	1,596	1,504	1,818	1,683	2,033	1,908	2,120
Foreign financed	682	667	691	919	807	888	886	904	759	1,069	1,006	1,032
of which: Covid-19 spending	95	0	30	0	30	0	--	0	--	0	--	--
Domestically financed	570	734	770	657	698	708	618	914	923	964	902	1,088
of which: Covid-19 spending	123	100	100	100	100	0	--	0	--	0	--	--
of which: projects financed by EURO Bond	0	65	65	18	18	0	0	0	0	0	5	5
of which: projects financed by SDR allocation	--	103	103	0	--	--	--	--	--	--	--	--
Net lending (+) / borrowing (-)												
including grants	**-736**	**-941**	**-896.1**	**-831**	**-784**	**-559**	**-766**	**-686**	**-835**	-589	**-711**	**-751**
excluding grants	-1297	-1578	-1596	-1608	-1690	-1462	-1453	-1562	-1560	-1563	-1515	-1621
Net acquisition of financial assets	**157**	**132**	**135**	**138**	**178**	**257**	**239**	**52**	**92**	**58**	**60**	**319**
Currency and deposits	43	-65	-65	40	84	46	47	52	53	58	60	319
Loans	108	64	67	122	118	186	167	0	35	0	--	--
of which ERF-1 and ERF-2	89	31	34	86	82	148	132	0	--	0	--	--
Equity and investment fund shares	6	64	64	44	44	25	25	0	4	0	--	--
Foreign	--	68	69	-68	-68	0	--	0	--	**0**	--	--
Special Drawing Rights (SDRs)		68	69	-68	-68							
Net incurrence of liabilities	**911**	**1,072**	**1,064**	**969**	**962**	**816**	**1,005**	**738**	**927**	648	**771**	**1,070**
Domestic	253	-21	-62	207	101	145	189	144	243	32	48	370
Currency and deposits	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities	277	87	122	382	285	186	301	206	355	173	189	459
Loans	-47	-68	-144	-135	-139	-1	-66	-22	-67	-101	-101	-49
Other accounts payable	23	-40	-40	-40	-45	-40	-45	-40	-45	-40	-40	-40
Foreign	657	1,093	1,126	762	861	671	816	594	684	615	723	700
Special Drawing Rights (SDRs)	--	222	222	0	--	--	--	--	--	--	--	--
Debt securities	--	286	286	-65	151	--	--	--	--	--	--	--
Disbursements	--	633	632	--	217	--	--	--	--	--	--	--
Redemptions	--	346	346	65	65	--	--	--	--	--	--	--
Loans	657	585	618	827	710	671	816	594	684	615	723	700
Memorandum items:												
Domestic revenue (incl. local government)	1,835	2,061	2,117	2,294	2,273	2,690	2,698	3,129	3,179	3,576	3,764	4,267
Wage bill	551	639	639	716	765	789	850	877	946	955	1,045	1,145
Total Covid-19 spending (excl. ERF 2 from FY24)[4]	374	250	338	186	130	148	0	0	--	0	--	--
Overall fiscal balance (incl. grants, policy loans)[2]	-850	-1,069	-1,027	-997	-946	-770	-958	-686	-874	-589	-711	-751
Debt creating overall bal. (excl. PKO)[3]	-810	-1,069	-1,027	-994	-946	-770	-958	-686	-874	-589	-711	-751

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

[2] For purposes of the PCI the overall balance (GFSM 1986 definition, incl. policy lending) is used for monitoring.

[3] Overall deficit excluding spending on materialized contingent liabilities and other items already included in the DSA.

[4] ERF-1/ ERF-2 were labelled COVID-19 spending in the 5th review. For FY24 onwards this will no longer be labeled as COVID-19 support, rather ERF-2.

Table 2b. Rwanda: Budgetary Central Government Flows, GFSM 2014 Presentation FY20/21–26/27[1]

(Percent of GDP)

	2020/21	2021/22		2022/23		2023/24		2024/25		2025/26		2026/27
	Prel.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	Proj.
Revenue	**25.3**	**24.6**	**25.3**	**24.4**	**24.6**	**24.8**	**22.9**	**24.3**	**23.2**	**24.5**	**24.1**	**24.2**
Taxes	16.1	15.4	15.7	16.0	15.4	16.4	15.9	16.7	16.5	17.0	17.3	17.5
Taxes on income, profits, and capital gains	6.8	6.9	7.0	7.0	6.7	7.0	6.8	7.1	7.0	7.2	7.3	7.6
Taxes on property	0.2	0.2	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Taxes on goods and services	7.5	7.2	7.3	7.4	7.2	7.5	7.3	7.6	7.5	7.7	7.8	7.8
o/w Fuel levy	0.4	--	0.1	--	0.1	--	0.3	--	0.3	--	0.3	0.3
Taxes on international trade and transactions	1.2	1.1	1.1	1.4	1.3	1.6	1.5	1.7	1.7	1.9	1.9	1.9
Grants	5.5	5.5	5.9	5.8	6.6	5.9	4.4	5.1	4.1	5.0	4.0	3.9
Current	2.6	2.6	2.7	3.1	3.6	2.9	1.4	3.0	2.4	3.0	2.1	2.1
Capital	2.9	2.9	3.2	2.8	3.0	3.0	3.0	2.1	1.7	2.0	2.0	1.9
of which Vaccine	--	0.5	0.9	0.0	--	0.0	--	0.0	--	0.0	--	--
Other revenue	3.7	3.7	3.7	2.5	2.5	2.5	2.6	2.5	2.7	2.5	2.8	2.8
of which CCRT	0.3	0.3	0.3	--	--	--	--	--	--	--	--	--
Expense	**20.3**	**20.6**	**20.6**	**18.8**	**19.3**	**18.0**	**18.2**	**17.8**	**18.4**	**17.1**	**18.1**	**18.0**
Compensation of employees	2.9	2.7	2.7	2.7	2.7	2.8	2.8	2.9	2.9	2.9	2.9	3.0
Use of goods and services	6.1	5.5	5.6	5.2	5.2	4.9	4.7	4.9	4.7	4.7	4.7	4.7
of which: Covid-19 spending	0.3	1.0	1.5	--	--	--	--	--	--	0.0	0.0	0.0
of which: Vaccine	0.0	0.8	1.2	--	--	--	--	--	--	0.0	0.0	0.0
of which: SDR allocation (2021)	--	0.4	0.4									
Interest	1.8	2.2	2.0	2.3	2.2	2.2	2.2	2.0	2.2	1.8	2.1	2.1
To nonresidents	0.7	0.7	0.7	0.8	0.8	0.7	0.8	0.7	0.8	0.7	0.8	0.8
of which: SDR allocation (2021)	0.0	--	0.0	--	0.0	--	0.0	--	0.0	--	0.0	0.0
To residents other than general government	1.1	1.4	1.3	1.5	1.4	1.46	1.33	1.29	1.33	1.1	1.3	1.3
Subsidies	2.5	3.2	3.2	2.4	2.2	2.0	1.8	1.9	1.7	1.6	1.5	1.5
of which: Rwandair (working capital)	1.4	1.4	1.39	1.3	1.3	1.1	1.1	0.9	0.9	0.8	0.8	0.8
Grants	5.3	5.6	5.52	4.7	5.8	4.7	5.5	4.7	5.5	4.6	5.5	5.4
To EBUs	0.3	0.3	0.31	0.5	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.5
Current	0.2	0.3	0.25	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
of which compensation of employees	0.2	0.2	0.21	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Capital	0.1	0.1	0.06	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
To Local Government	5.1	5.3	5.21	4.2	5.4	4.2	5.1	4.2	5.0	4.1	5.0	4.9
Current	3.3	4.1	4.06	3.2	4.0	3.0	3.9	3.0	3.8	2.9	3.8	3.8
of which compensation of employees	2.3	2.6	2.55	2.4	2.7	2.2	2.5	2.0	2.3	1.9	2.1	2.0
Capital	1.7	1.2	1.15	1.0	1.4	1.2	1.2	1.2	1.1	1.2	1.1	1.1
of which: Covid-19 spending	--	--	0.00	--	--	--	--	--	--	--	--	--
of which: SDR financed	--	--	--	--	--	--	--	--	--	--	--	--
Social benefits	0.4	0.5	0.50	0.4	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.4
Other expense	1.3	1.0	0.99	1.1	0.9	1.0	0.9	1.1	1.1	1.1	1.0	1.0
Net acquisition of nonfin. Assets	**12.2**	**12.0**	**12.4**	**11.8**	**11.0**	**10.5**	**9.6**	**10.5**	**9.5**	**10.5**	**9.6**	**9.6**
Foreign financed	6.6	5.7	5.9	6.9	5.9	5.8	5.7	5.2	4.3	5.5	5.1	4.7
of which: Covid-19 spending	0.9	0.0	0.3	0.0	0	0.0	--	0.0	--	0.0	--	--
Domestically financed	5.5	6.3	6.5	4.9	5.1	4.6	3.9	5.3	5.2	5.0	4.5	4.9
of which: Covid-19 spending	1.2	0.9	0.8	0.7	0.7	0.0	--	0.0	--	--	--	--
of which: projects financed by SDR allocation	--	0.9	0.9	--	--	--	--	--	--	--	--	--
Net lending (+) / borrowing (-)												
including grants	**-7.2**	**-8.0**	**-7.6**	**-6.2**	**-5.7**	**-3.7**	**-4.9**	**-4.0**	**-4.7**	**-3.0**	**-3.6**	**-3.4**
excluding grants	-12.6	-13.5	-13.5	-12.0	-12.4	-9.6	-9.3	-9.0	-8.8	-8.0	-7.6	-7.3
Net acquisition of financial assets	**1.5**	**1.1**	**1.1**	**1.0**	**1.3**	**1.7**	**1.5**	**0.3**	0.5	**0.3**	**0.3**	**1.4**
Domestic	1.5	0.5	0.6	1.5	1.8	1.7	1.5	0.3	0.5	0.3	0.3	1.4
Currency and deposits	0.4	-0.6	-0.5	0.3	0.6	0.3	0.3	0.3	0.3	0.3	0.3	1.4
Loans	1.0	0.5	0.6	0.9	0.9	1.2	1.1	0.0	0	0.0	--	--
of which ERF-1 and ERF-2	0.9	0.3	0.3	0.6	0.6	1.0	0.8	0.0	--	0.0	--	--
Equity and investment fund shares	0.1	0.5	0.5	0.3	0.3	0.2	0.2	0.0	--	0.0	--	--
Foreign	0.0	0.6	0.6	-0.5	-0.5	0.0	0.0	0.0	--	0.0	0.0	0.0
Special Drawing Rights (SDRs)	0.0	0.6	0.6	-0.5	-0.5	0.0	0.0			0.0	0.0	0.0
Net incurrence of liabilities	**8.9**	**9.2**	**9.0**	**7.3**	**7.0**	**5.3**	**6.4**	**4.3**	**5.2**	**3.3**	**3.9**	**4.8**
Domestic	2.5	-0.2	-0.5	1.6	0.7	0.9	1.2	0.8	1.4	0.2	0.2	1.7
Currency and deposits	--	0.0	--	0.0	--	0.0	--	0.0	--	0.0	--	--
Debt securities	2.7	0.7	1.0	2.9	2.1	1.2	1.9	1.2	2.0	0.9	1.0	2.1
Held by Banks	1.2	0.7	1.0	1.1	0.5	0.8	1.1	0.7	1.2	0.3	0.3	1.8
Held by Non-Banks	1.5	0.0	0.0	1.8	1.6	0.5	0.9	0.5	0.8	0.6	0.6	0.3
Loans	-0.5	-0.6	-1.2	-1.0	-1.0	0.0	-0.4	-0.1	-0.4	-0.5	-0.5	-0.2
Other accounts payable	0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2	-0.3	-0.2	-0.2	-0.2
Foreign	6.4	9.4	9.5	5.7	6.3	4.4	5.2	3.4	3.9	3.2	3.6	3.2
Special Drawing Rights (SDRs)	--	1.9	1.9	--	--	--	--	--	--	--	--	--
Debt securities	0.0	2.4	2.4	-0.5	1.1	--	--	--	--	--	--	--
Disbursements	0.0	5.4	5.3	0.0	1.6	--	0.0	--	0.0	--	0.0	0.0
Redemptions	0.0	3.0	2.9	0.5	0.5	--	0.0	--	0.0	--	0.0	0.0
Loans	6.4	5.0	5.2	6.2	5.2	4.4	5.2	3.4	3.9	3.2	3.6	3.2
Disbursements	7.1	5.8	6.1	7.0	5.9	5.3	6.1	4.5	4.9	4.6	5.1	4.7
Current	3.3	2.2	2.3	2.2	2.4	1.5	2.5	1.4	2.3	1.1	2.0	1.9
Required	0.0	0.0	0.0	0.6	0.0	0.3	0.0	0.3	0.3	0.1	0.1	0.1
Capital	3.8	3.6	3.8	4.8	3.5	3.8	3.5	3.1	2.6	3.5	3.1	2.8
Reimbursements	0.7	0.8	0.8	0.8	0.7	0.9	0.9	1.1	1.0	1.5	1.5	1.6
Statistical discrepancy	-0.2	0.0	-0	0.0	--	0.0	--	0.0	--	0.0	--	--
Memorandum items:												
Domestic revenue (incl. local government)	17.9	17.6	17.9	17.2	16.6	17.6	17.3	18.1	18.0	18.4	18.9	19.3
Wage bill	5.4	5.5	5.4	5.4	5.6	5.2	5.4	5.1	5.3	4.9	5.3	5.2
Total Covid-19 spending (excl. ERF 2 from FY24)[4]	3.6	2.1	2.9	1.4	0.9	1.0	--	--	--	0.0	--	--
Overall fiscal balance (incl. grants, policy loans)[2]	-8.3	-9.1	-8.7	-7.5	-6.9	-5.0	-6.1	-4.0	-4.9	-3.0	-3.6	-3.4
Debt creating overall bal. (excl. PKO, comm.)[3]	-7.9	-9.1	-8.7	-7.4	-6.9	-5.0	-6.1	-4.0	-4.9	-3.0	-3.6	-3.4
GDP (Billions of RwF), FY basis	10,280	11,691	11,808	13,353	13,685	15,272	15,642	17,305	17,693	19,419	19,871	22,141

Sources: Rwandan authorities and IMF staff estimates and projections.

[1]Fiscal years runs from July to June.

[2] For purposes of the PCI the overall balance (GFSM 1986 definition, incl. policy lending) is used for monitoring.

[3] Overall deficit excluding spending on materialized contingent liabilities and other items already included in the DSA.

[4] ERF-1/ ERF-2 were labelled COVID-19 spending in the 5th review. For FY24 onwards this will no longer be labeled as COVID-19 support, rather ERF-2.

Table 3. Rwanda: Decomposition of Public Debt and Debt Service by Creditor, 2021–23[1]

(Millions of U.S. Dollars, unless otherwise indicated)

	Debt Stock (end of period)			Debt Service					
	2021			2021	2022	2023	2021	2022	2023
	(In US$ mn)	*(Percent total debt)*	*(Percent GDP)* [6]	*(In US$ mn)*			*(Percent GDP)*		
Total	7,944.8	100.0	73.3	976.3	884.7	561.0	8.8	7.3	4.3
External	5,910.0	74.4	54.5	720.0	195.7	251.3	6.5	1.6	1.9
Multilateral creditors[2]	4,331.6	54.5	40.0	69.6	91.4	104.7	0.6	0.8	0.8
IMF	364.3	4.6	3.4	0.0	45.0	33.7	0.0	0.4	0.3
World Bank	2,583.1	32.5	23.8	38.7	49.3	59.0	0.3	0.4	0.4
ADB/AfDB/IADB	1,045.0	13.2	9.6	15.6	16.3	17.8	0.1	0.1	0.1
Other Multilaterals	339.2	4.3	3.1	15.4	15.1	15.6	0.1	0.1	0.1
o/w: IFAD	171.7	2.2	1.6						
BADEA	77.8	1.0	0.7						
Bilateral Creditors	813.4	10.2	7.5	37.9	33.0	33.1	0.3	0.3	0.3
Paris Club	328.9	4.1	3.0	14.1	7.3	7.3	0.1	0.1	0.1
o/w: JICA	142.4	1.8	1.3						
AFD	101.9	1.3	0.9						
Non-Paris Club	484.5	6.1	4.5	23.8	25.7	25.8	0.2	0.2	0.2
o/w: EXIM-CHINA	333.3	4.2	3.1						
SFD	77.7	1.0	0.7						
Bonds	680.6	8.6	6.3	360.6	38.1	96.7	3.3	0.3	0.7
Commercial creditors[3]	84.3	1.1	0.8	251.8	33.1	16.8	2.3	0.3	0.1
Other international creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	2,034.8	25.6	18.8	256.3	689.0	309.8	2.3	5.7	2.4
Held by residents, total	2,034.8	25.6	18.8	256.3	689.0	309.8	2.3	5.7	2.4
Held by non-residents, total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T-Bills	420.7	5.3	3.9	38.7	405.5	24.6	0.3	3.3	0.2
Bonds	935.3	11.8	8.6	156.6	155.8	177.0	1.4	1.3	1.3
Loans	678.8	8.5	6.3	61.0	127.7	108.2	0.6	1.1	0.8
Memo items:									
Collateralized debt[4,6]	0.0	0.0	0.0						
Contingent liabilities[5,6]	0.0	0.0	0.0						
Nominal GDP (US$ million)				10,944	12,679	14,709			

1/As reported by country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/"Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

3/A breakdown by creditor is not available due to capacity constraints.

4/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

5/Guaranteed debt is included in public debt.

6/Data is reported by the authorities based on calculations in national currency, deviates from U.S. dollar-based calculations due to the difference between end-of-period exchange rate (applied for nominator) and period-average exchange rate (applied for denominator).

Table 4. Rwanda: Monetary Survey, 2020–27
(Billions of Rwandan francs, unless otherwise indicated)

	2020		2021			2022				2023		2024		2025		2026		2027
	Jun.	Dec.	Jun.	Dec.		Jun.		Dec.		Dec		Dec		Dec		Dec		Dec
	Act.	Act.	Act.	5th Review	Act.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	Proj.
Monetary authorities survey[1]																		
Net Foreign Assets[2]	992	1,157	1,016	1,080	1,191	1,070	1,207	1,065	1,223	1,118	1,269	1,385	1,498	1,532	1,568	1,699	1,752	1,919
Of which: Foreign assets	1,504	1,675	1,509	1,780	1,907	1,753	1,897	1,726	1,886	1,735	1,887	1,970	2,083	2,077	2,113	2,198	2,251	2,374
Foreign liabilities	512	517	494	700	716	683	690	662	664	617	619	584	585	545	545	500	499	455
Net domestic assets	-500	-612	-489	-455	-478	-375	-504	-345	-476	-282	-431	-419	-534	-437	-452	-480	-508	-533
Domestic credit	-234	-332	-173	-147	-156	-57	-163	-17	-116	56	-34	-82	-100	-110	19	-180	0	11
Other items (net; asset +)	-266	-280	-317	-308	-323	-318	-341	-328	-360	-338	-397	-337	-434	-328	-471	-300	-508	-545
Reserve money	492	545	526	625	713	696	703	720	747	835	838	967	964	1,095	1,116	1,219	1,244	1,386
Commercial banks survey																		
Net foreign assets	49	97	107	107	47	107	47	107	47	107	47	107	47	107	47	107	47	47
Net domestic assets	2,343	2,471	2,730	2,828	2,995	3,148	3,239	3,273	3,506	3,896	4,020	4,527	4,631	5,140	5,373	5,736	5,992	6,684
Reserves	243	292	266	339	431	353	356	392	452	456	509	528	586	599	680	668	758	846
Net credit to NBR	32	-103	-45	-143	-117	-60	50	-94	7	-210	-140	-121	-123	-148	-299	-78	-469	-481
Domestic credit	2,714	2,964	3,253	3,405	3,480	3,682	3,663	3,854	3,908	4,602	4,575	5,096	5,154	5,678	6,040	6,143	6,812	7,490
Government (net)	594	641	775	746	852	854	902	775	1,000	1,080	1,343	957	1,250	1,040	1,392	1,161	1,674	1,617
Public enterprises	143	140	130	130	121	130	121	130	121	130	121	130	121	130	121	130	121	121
Private sector	1,977	2,183	2,348	2,529	2,507	2,699	2,641	2,949	2,787	3,392	3,111	4,009	3,784	4,508	4,528	4,852	5,017	5,753
Other items (net; asset +)	-646	-682	-744	-773	-799	-828	-830	-879	-861	-951	-923	-976	-985	-988	-1,048	-997	-1,110	-1,172
Deposits	2,391	2,568	2,837	2,936	3,042	3,255	3,286	3,380	3,554	4,003	4,067	4,634	4,679	5,248	5,420	5,843	6,039	6,731
Monetary survey																		
Net foreign assets	1,041	1,254	1,123	1,188	1,239	1,177	1,254	1,172	1,270	1,225	1,316	1,493	1,545	1,639	1,615	1,806	1,799	1,967
Net domestic assets	1,600	1,566	1,975	2,034	2,085	2,420	2,379	2,536	2,578	3,158	3,081	3,580	3,511	4,104	4,241	4,588	4,725	5,304
Domestic credit	2,512	2,529	3,035	3,115	3,207	3,565	3,550	3,742	3,799	4,447	4,401	4,893	4,930	5,420	5,760	5,885	6,342	7,021
Government	362	164	515	414	535	695	745	622	848	884	1,125	712	982	739	1,067	861	1,161	1,103
Public enterprises	143	140	130	130	121	130	121	130	121	130	121	130	121	130	121	130	121	121
Private sector	2,007	2,224	2,390	2,571	2,551	2,741	2,685	2,991	2,831	3,434	3,155	4,051	3,828	4,550	4,572	4,894	5,061	5,797
Other items (net; asset +)	-912	-962	-1,061	-1,081	-1,122	-1,146	-1,171	-1,207	-1,221	-1,289	-1,320	-1,313	-1,419	-1,316	-1,518	-1,297	-1,617	-1,716
Broad money	2,640	2,821	3,098	3,222	3,324	3,597	3,633	3,708	3,848	4,383	4,397	5,073	5,056	5,743	5,857	6,394	6,524	7,271
Year on Year Growth								(Percent)										
Broad money	18.9	18.0	17.3	14.2	17.8	16.1	17.3	15.1	15.8	18.2	14.2	15.7	15.0	13.2	15.8	11.3	11.4	11.4
Reserve money	14.6	21.7	6.9	14.7	30.7	32.2	33.5	15.1	4.8	16.1	12.2	15.7	15.0	13.2	15.8	11.3	11.4	11.4
Net credit to Government	42.8	33.1	42.4	226.2	225.4	-18.6	-12.8	50.4	58.5	42.1	32.7	-19.5	-12.7	3.9	8.7	16.4	8.8	-4.9
Net foreign assets	22.8	15.7	7.9	-5.3	-1.3	4.8	11.7	-0.9	2.5	4.5	3.6	21.9	17.4	9.8	4.5	10.2	11.4	9.3
Credit to the private sector	14.4	21.8	19.1	15.6	14.7	14.7	12.3	16.1	11.0	14.8	11.5	18.0	21.3	12.3	19.4	7.6	10.7	14.5
Memorandum items:																		
Velocity (eop)	3.6	3.4	3.3	3.4	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.2	3.3	3.2	3.2	3.2	3.2	3.2
Money multiplier	5.4	5.2	5.9	5.2	4.7	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2

Sources: National Bank of Rwanda (NBR) and IMF staff estimates and projections.

[1] The monetary table displays the monetary authorities accounts, and thus includes central banking functions (such as the holding of international reserves and the conducting of transactions with the IMF) performed by the central government.

[2] For program purposes NFA are shown at program exchange rates.

Table 5. Rwanda: Financial Soundness Indicators, March 2018–December 2021

(Billions of Rwandan francs, unless otherwise indicated)

	2018				2019				2020				2021			
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
							(Percent)									
Capital adequacy																
Core capital to risk-weighted assets	19.5	20.1	20.8	23.8	22.4	21.8	22.2	22.6	23.4	22.3	21.3	20.3	21.1	21.4	21.1	20.6
Regulatory capital to risk-weighted assets	21.1	21.9	22.6	25.5	24.1	23.3	23.7	24.1	24.9	23.6	22.6	21.5	22.3	22.5	22.2	21.5
Off balance sheet items/total qualifying capital	86.2	79.6	85.4	152.5	82.2	76.2	81.5	90.7	91.5	98.2	107.3	109.3	98.5	121.5	126.1	139.6
Insider loans/core capital	6.0	5.9	5.7	5.6	3.9	4.4	4.5	11.6	10.4	7.5	12.4	14.2	7.3	5.8	8.3	8.2
Large exposure/core capital	168.7	169.4	136.1	134.8	124.3	126.2	132.4	142.6	122.5	152.3	133.8	121.1	111.3	116.4	124.6	140.3
Asset quality																
NPLs/gross loans	6.8	6.9	7.2	6.4	6.3	5.6	5.3	4.9	5.5	5.5	5.2	4.5	6.6	5.7	5.1	4.6
NPLs net of suspended interest/gross loans	5.5	5.2	6.1	5.5	5.6	5.6	4.8	4.7	3.1	4.9	4.7	4.0	5.9	5.1	4.7	4.3
Provisions/NPLs	59.2	67.4	64.2	68.2	71.1	80.2	85.4	81.5	76.7	82.6	88.3	106.3	79.9	99.0	106.0	119.8
Earning assets/total asset	78.9	80.8	84.6	84.8	83.6	82.3	84.1	84.4	84.8	84.4	86.8	85.0	80.4	85.0	85.3	83.5
Large exposures/gross loans	34.2	34.5	29.6	32.0	28.5	28.1	29.7	33.5	28.6	32.9	27.2	24.7	23.4	25.2	26.2	30.0
Profitability and earnings																
Return on average assets	1.3	1.6	1.7	1.9	2.1	1.6	2.1	2.2	2.1	1.8	1.9	2.0	2.4	2.5	2.5	2.5
Return on average equity	7.5	9.5	10.2	11.2	12.0	9.3	11.7	12.5	11.8	9.9	11.0	11.8	14.5	14.4	14.8	15.0
Net interest margin	9.8	9.7	9.5	9.0	9.2	8.8	9.0	8.9	9.9	8.8	8.6	8.3	9.2	9.0	8.7	8.5
Cost of deposits	3.5	3.5	3.5	3.4	3.2	3.3	3.4	3.4	3.6	3.6	3.4	3.3	3.3	3.3	3.3	3.2
Cost to income	82.5	81.1	79.7	78.4	77.7	81.1	78.4	77.1	76.7	79.7	78.2	77.7	72.3	72.5	72.8	72.7
Overhead to income	45.3	45.6	45.6	45.0	42.5	42.9	41.7	41.2	42.6	40.6	39.2	39.5	35.2	34.5	36.5	36.7
Liquidity																
Liquidity coverage ratio	...	299.5	317.5	637.0	215.2	180.5	193.0	191.8	202.1	252.8	254.0	254.7	240.8	226.2	221.4	268.9
Net stable funding ratio	...	224.7	219.9	222.0	174.0	164.3	146.3	129.3	134.7	175.5	159.1	161.4	159.2	157.4	143.6	147.1
Short term gap	4.9	6.6	4.3	3.6	7.1	8.9	7.6	4.0	3.0	5.3	6.4	2.4	-0.7	2.8	0.6	0.2
Liquid assets/total deposits	49.4	32.7	33.5	35.3	35.4	36.3	33.7	35.4	37.9	36.4	34.1	39.5	35.9	38.1	38.3	41.7
Interbank borrowings/total deposits	23.6	21.9	22.3	21.5	20.3	21.3	20.7	20.4	24.5	23.6	24.7	26.7	25.0	25.1	25.6	25.0
NBR borrowings/total deposits	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.9	0.5	0.5	0.7
Gross loans/total deposits	92.3	94.0	92.9	95.2	93.9	96.9	99.0	95.2	94.1	94.3	95.3	95.4	94.3	96.2	97.5	94.0
Market sensitivity																
Forex exposure/core capital	-4.5	-6.1	-10.1	-5.6	-7.1	-8.6	-5.3	-4.8	-3.4	-6.6	-7.3	-4.4	-3.2	-4.7	-5.3	-3.7
Forex loans/Forex deposits	49.4	45.4	38.4	39.5	41.0	46.5	51.3	45.2	43.6	46.8	44.3	41.8	37.0	37.7	42.3	32.8
Forex assets/Forex liabilities	76.5	82.0	88.1	91.2	91.0	91.0	83.6	81.8	84.4	83.0	83.2	88.5	87.8	85.3	87.2	92.0

Source: National Bank of Rwanda.

Table 6. Rwanda: Balance of Payments, 2021–27
(Millions of U.S. Dollars, unless otherwise indicated)

	2021	2022		2023		2024		2025		2026		2027
	Act.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	5th Review	Proj.	Proj.
Current account balance (incl. official transfers)	**-1,209**	**-1,359**	**-1,528**	**-1,334**	**-1,533**	**-1,247**	**-1,446**	**-1,201**	**-1,350**	**-908**	**-1,271**	**-1,275**
Trade balance	-1,659	-1,929	-2,059	-1,876	-2,044	-1,967	-1,965	-1,972	-1,995	-1,812	-1,959	-2,012
Exports (f.o.b.)	1,531	2,092	2,109	2,472	2,433	2,794	2,742	3,376	3,112	3,871	3,398	3,736
Of which: gold	363	680	547	788	655	867	706	1,091	763	1,272	753	753
Exports (f.o.b.) excl. gold	1,168	1,412	1,562	1,684	1,777	1,927	2,036	2,285	2,348	2,599	2,645	2,983
Of which: coffee and tea	175	185	223	209	238	216	259	251	284	262	313	344
Of which: minerals	149	249	238	291	300	332	363	388	432	438	515	615
Imports (f.o.b.)	3,190	4,021	4,168	4,348	4,476	4,761	4,708	5,348	5,106	5,683	5,357	5,749
Of which: gold	368	625	485	725	562	853	611	1,004	664	1,170	656	656
Imports (f.o.b.) excl. gold	2,821	3,396	3,683	3,623	3,914	3,908	4,097	4,344	4,442	4,513	4,702	5,093
Of which : Energy goods	350	387	556	388	515	388	510	429	540	502	597	618
Services (net)	-87	-24	-155	13	-33	19	42	98	107	181	113	100
Credit	579	799	726	973	891	1,058	1,047	1,355	1,204	1,478	1,264	1,376
Of which: tourism receipts	150	228	240	341	348	407	487	602	562	679	601	667
Debit	666	823	882	960	923	1,040	1,005	1,257	1,096	1,297	1,152	1,276
Income	-220	-271	-298	-313	-333	-371	-407	-410	-445	-424	-463	-510
Of which: interest on public debt[1,2]	-57	-65	-65	-66	-81	-79	-101	-92	-108	-78	-96	-111
Current transfers (net)	756	865	985	842	876	1,073	884	1,083	982	1,147	1,039	1,147
Private	413	385	441	415	479	447	501	482	556	520	599	647
Of which: remittance inflows	379	310	392	329	426	350	444	371	501	394	542	590
Public	343	480	544	427	397	625	383	601	427	627	441	500
Capital and financial account balance	**1,339**	**1,340**	**1,543**	**1,390**	**1,581**	**1,520**	**1,675**	**1,351**	**1,421**	**1,078**	**1,454**	**1,441**
Capital account	338	348	322	363	398	320	348	307	256	313	313	313
Financial account	1,001	991	1,221	1,026	1,184	1,200	1,327	1,044	1,165	765	1,141	1,128
Direct investment	212	376	362	457	420	503	405	535	458	439	373	418
Public sector capital[3]	697	580	819	471	689	651	926	463	578	216	541	454
Long-term borrowing[2]	1,170	717	932	677	872	835	1,115	724	874	515	811	764
Scheduled amortization, excl IMF	-692	-137	-113	-206	-183	-184	-188	-260	-296	-299	-269	-311
SDR allocation	219											
Other capital[4]	93	35	40	98	75	46	-4	45	129	110	226	257
Net errors and omissions	**24**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**154**	**-19**	**15**	**56**	**48**	**273**	**229**	**150**	**71**	**170**	**183**	**166**
Financing	**-154**	**19**	**-15**	**-56**	**-48**	**-273**	**-229**	**-150**	**-71**	**-170**	**-183**	**-166**
Reserve assets (increase -)	-154	55	20	-9	-1	-238	-194	-109	-30	-123	-136	-122
Net credit from the IMF	-42	-47	-47	-47	-47	-35	-35	-41	-41	-47	-47	-44
IMF disbursement (+)[6]	0	0	0	0	0	0.0	0	0.0	0	0.0	0	0
Repayments to IMF (-)	-42	-47	-47	-47	-47	-35	-35	-41	-41	-47	-47	-44
Exceptional financing	42	12	12	0	0	0	0	0	0	0	0	0
Grant for debt relief under CCRT	42	12	12	0	0	0	0	0	0	0	0	0
Memorandum items:												
Current account balance (percent of GDP)[7]	-10.9	-11.5	-12.6	-10.3	-11.7	-9.0	-10.3	-8.0	-8.9	-5.7	-7.8	-7.3
Trade balance (percent of GDP)	-15.0	-16.3	-17.0	-14.6	-15.6	-14.2	-14.0	-13.1	-13.2	-11.3	-12.1	-11.5
Gross official reserves	**1,889**	**1,775**	**1,868**	**1,783**	**1,869**	**2,021**	**2,063**	**2,130**	**2,093**	**2,253**	**2,229**	**2,351**
in months of prospective imports of G&S[8]	5.0	4.6	4.6	4.3	4.4	4.3	4.5	4.4	4.3	4.4	4.2	4.1

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Including interest due to the IMF.

[2] Includes central government project and budget loans, and borrowing by KCC, RwandAir, and Bugesera.

[3] Financial account excludes debt assumption for Marriott included in the fiscal sector.

[4] Other capital includes long-term private capital, commercial credit, change in NFA of commercial banks, and unrecorded imports.

[5] SDR allocation minus imports impact and net SDR interest payments. Imports Impact estimated at US$ 107 million, including effects from investment projects and domestic spending.

[6] The amount in 2020 corresponds to the RCF disbursements that are transferred to the budget.

[7] Including official transfers.

[8] Based on the prospective imports of goods (excl. gold) and services in the next year.

Table 7. Rwanda: Quantitative Program Targets (December 2021)

	end-Dec 2021					
	Prog.	Rev. Prog.	Adjustors	Rev. Prog. Adjusted	Prelim	Status
(Billions of Rwandan francs, unless otherwise indicated)						
Half-yearly Quantitative Targets[1]						
1. Ceiling on the debt-creating overall balance, including grants[2]	-506	-648	118	-765	-480	Met
2. Floor on stock of Net Foreign Assets	835	802	-111	691	1,125	Met
3. Ceiling on net accumulation of domestic arrears	0	0			-0.1	Met
Continuous Targets						
4. Ceiling on stock of external payment arrears (US$ million)	0	0			0	Met
5. Ceiling on present value (PV) of new public and publicly guaranteed external debt (US$ million)[3]	1,149	863			860	Met
Monetary Policy Consultation Band[1,4]						
CPI Inflation target	5.0	5.0			0.8	Not Met
Inflation, upper inner-bound, percent	8.0	8.0				
Inflation, lower inner-bound, percent	2.0	2.0				
Inflation, upper bound, percent	9.0	9.0				
Inflation, lower bound, percent	1.0	1.0				
Memorandum items:						
Total priority spending[2]	740	800			748	Not Met
Floor on domestic revenue collection[2,5]	914	964			969	Met
Stock of new external debt contracted or guaranteed by nonfinancial public enterprises (US$ million)[3]	700	700			0	Met
Total budget support (US$ million) [2]	370	414			193	
Budget support grants (US$ million)	174	216			117	
Budget support loans (US$ million)	196	198			76	
PV of budget and project loans dedicated to COVID-19 vaccine interventions (US$ million)[2,6,7]	30	30			30	
Budget and project grants dedicated to COVID-19 vaccine interventions (US$ million)[2,6]	42	41			103	
Total spending dedicated to COVID-19 vaccine interventions[6]	65	54			127	
Total spending on projects financed by the SDR allocation [2]	0	53.4			0	
Total spending on Eurobond-financed projects [2]	0	33.4			34	
RWF/US$ program exchange rate	972	987			987	

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] All items, including adjusters, are defined in the Technical Memorandum of Understanding (TMU).

[2] Numbers are cumulative from June 30, 2021. Targets for priority spending were inadvertently not cumulative and were corrected to include priority spending until end-December 2020.

[3] Ceiling is cumulative from the beginning of calendar year 2021.

[4] When the end-of period year-on-year average inflation is above/below the outer band of the upper/lower bound, a formal consultation with the Executive Board would be triggered.

[5] Floor is adjusted to exclude UN peace keeping operations, in line with the TMU.

[6] COVID-19 vaccine interventions are measures associated with the COVID-19 vaccination campaign (e.g. vaccine procurement and distribution) as defined in the TMU.

[7] This includes USD 34 million of budget loan from AFD with a grant element of 33 percent and USD 15 million of project loan from the World Bank/IDA with a grant element of 53 percent.

Table 8. Rwanda: Reform Targets (June 2019–May 2022)

Actions	Target Date	Status	Remark	Objective
Fiscal				
Produce annual tax expenditure report with updated methodology, and a description of broad categories of beneficiaries	end-Jun. 2019	Met		Improve DRM
Procure an IT system that will capture all RSSB processes	end-Jun. 2019	Met		Improve resource efficiency
Produce a report outlining detailed options for improving functioning of VAT, including measures that could be implemented in FY20/21.	end-Dec. 2019	Met		Improve DRM
Automating the risk-based verification process for refund claims.	end-Dec. 2019	Not Met		Improve DRM
Begin producing quarterly budget execution reports in GFS 2014 format.	end-Dec. 2019	Met		Improve fiscal transparency
Produce a comprehensive fiscal risk analysis statement.	end-Jun. 2020	Met		Mitigate fiscal risks
Contract a diagnostic study on optimal RSSB asset allocation.	end-Jun. 2020	Not Met		Improve resource efficiency
Expand coverage in fiscal reporting in GFS 2014 from budgetary central govt to central govt (i.e. including extrabudgetary entities) and local governments.	end-Dec. 2020	Met		Improve fiscal transparency/ PFM
Automating the risk-based verification process for refund claims.	end-Dec. 2020	Not Met		Improve DRM
Produce financial and management reports from the IT system for all schemes managed by RSSB.	end-Dec. 2020	Met		Improve fiscal transparency and strengthen management and sustainability of all schemes managed by RSSB
Conduct a "health-check" assessment of fiscal risks from SOEs using available data and submit the outcome and mitigation options to the fiscal risk committee.	end-May 2021	Met		Mitigate fiscal risks
Select advisory firm to conduct a review of RSSB asset allocation	end-Jun 2021	Not Met		Improve resource efficiency
Automating the risk-based verification process for refund claims.	end-Oct. 2021	Not Met		Improve DRM
Publish consolidated fiscal statistics for public corporations, the general government, and the non-financial public sector for FY 16/17 through FY 19/20	end-Dec. 2021	Not Met	Completed in Mar. 2022	Improve fiscal transparency/PFM
Select advisory firm to conduct a review of the RSSB asset allocation	end-Jan. 2022	Not Met	Completed in Apr. 2022	Improve resource efficiency
Approval of a Medium-Term Revenue Strategy for FY 21/22-23/24 by Cabinet	end-Jan. 2022	Not Met	Completed in May 2022	Improve DRM
Conduct a fiscal risk assessment of public-private partnerships and submit the outcome and mitigation options to the fiscal risk committee.	end-Apr. 2022	Met		Improve fiscal transparency/PFM
Monetary and Financial				
Improve communication for monetary policy by organizing quarterly outreach after each MPC meeting, including roundtable discussions with CEOs of commercial banks and other financial institutions, as well as other interested stakeholders.	end-Dec. 2019	Met		Support new monetary policy framework
Publish macro projections for MPC decision making in quarterly inflation reports, according to best practices established by other central banks.	end-Jun. 2020	Met		Support new monetary policy framework
Introduce a platform for issuing government securities using mobile phones.	end-Jun. 2020	Not Met		Deepen financial markets
Expand industrial and market expectation surveys that feed into macro forecasting, begin collecting data to construct a purchasing manager's index, and accelerate publication of foreign private capital survey.	end-Dec. 2020	Met		Support new monetary policy framework
Introduce a platform for issuing government securities using mobile phones.	end-Jun. 2021	Met		Deepen financial markets
Conduct a legal assessment to identify gaps in the regulatory framework for true repo ahead of Global Master Repurchase Agreement (GMRA) rollout.	end-Nov. 2021	Not Met		Support new monetary policy framework
Produce a study on consumer and merchant payment behavior and the pricing of digital payment services leveraging micro-data.	end-Dec. 2021	Not Met	Completed in May 2022	Deepen financial markets
Conduct a legal assessment to identify gaps in the regulatory framework for true repo ahead of the Global Master Repurchase Agreement (GMRA) rollout.	end-Mar. 2022	Met		Support new monetary policy framework

Table 9. Rwanda: Review Schedule Under the PCI Arrangement

Program Review	Test Date	Review Date
Board discussion of a PCI request		June 28, 2019
First Review	June 30, 2019	December 15, 2019
Second Review	December 31, 2019	June 15, 2020
Third Review	June 30, 2020	December 15, 2020
Fourth Review	December 31, 2020	June 15, 2021
Fifth Review	June 30, 2021	December 15, 2021
Sixth Review	December 31, 2021	June 15, 2022
Seventh Review	June 30, 2022	December 15, 2022
Eight Review	December 31, 2022	June 15, 2023

Source: IMF staff.

Annex I. Risk Assessment Matrix[1]

Sources of Risks	Relative Likelihood	Expected Impact if Realized	Policy Response
Russia's invasion of Ukraine leads to escalation of sanctions and other disruptions. Sanctions on Russia are broadened to include oil, gas, and food sectors. Russia is disconnected almost completely from the global financial system and large parts of the trading system. This, combined with Russian countersanctions and secondary sanctions on countries and companies that continue business with Russia, leads to even higher commodity prices, refugee migration, tighter financial conditions, and other adverse spillovers, which particularly affect LICs and commodity-importing EMs.	High	High • Higher and volatile commodity prices due to uncertainty. • External balance worsens with higher import prices and lower export demand. • Economic activities negatively impacted by the worsening of terms of trade and lower global demand. • Financial conditions become tighter with higher country risk premia. • Refugees flow from the affected countries.	• Targeted support to protect vulnerable population from rising food prices. • Fuel subsidies should be a temporary solution as it is regressive and has adverse environmental effects. • Monetary policy should strike a balance between maintaining price stability and growth, with exchange rate flexibility playing larger role against external shocks.
Rising and volatile food and energy prices. Commodity prices are volatile and trend up amid supply constraints, war in Ukraine, export restrictions, and currency depreciations. This leads to short-run disruptions in the green transition, bouts of price and real sector volatility, food insecurity, social unrest, and acute food and energy crises (especially in EMDEs with lack of fiscal space).	High	High • Bouts of price and real sector volatility. • Shortages of intermediate and final consumer goods. • High fertilizer costs affect domestic food production.	• Ensure strategic fuel and grain reserves are adequate. • Secure social protection for vulnerable households.
Outbreaks of lethal and highly contagious Covid-19 variants. Rapidly increasing hospitalizations and deaths due to low vaccine protection or vaccine-resistant variants force more social distancing and/or new lockdowns. This results in extended supply chain disruptions and a reassessment of growth prospects, triggering capital outflows, financial tightening, currency depreciations, and debt distress in some EMDEs.	Medium	High • Collapse in Rwanda's tourism receipts and other key exports. • Slowdown in inflow of remittances largely due to a fall in the wages and employment of migrant workers abroad. • Key domestic businesses offering services in tourism and related industries, construction and manufacturing face solvency problems. • A reassessment of growth prospects triggers capital outflow, financial tightening, currency depreciation, and debt distress.	• Continue to provide targeted government fiscal and financial interventions to support domestic businesses (stimulus and safety nets) and the health response to pandemic in line with the Economic Recovery Plan (ERP). • Prioritize public infrastructure projects with high fiscal multipliers and value-for-money. • Strengthen coordination efforts at regional level, particularly at the land borders. • Continue mobilizing the international community to provide support.
Monetary policy tightening in AEs. Causes tightening of external financial conditions and higher risk premia.	High	Medium Lower global demand. Higher borrowing cost. Capital outflow and currency depreciation.	• Strengthen data-driven monetary policy framework and MTRS. • Maintain exchange rate flexibility. • Facilitate exports. • Strengthen debt management.
Geopolitical tensions and deglobalization. Intensified geopolitical tensions, security risks, conflicts, and wars cause economic and political disruptions, fragmentation of the international monetary system, production reshoring, a decline in global trade, and lower investor confidence.	High	High Adverse impact on international trade as the demand for exports falls, hurting domestic growth.	• Diversify the structure of the economy and export sources. • Strengthen regional security surveillance programs.
Cyberthreats. Cyberattacks on critical physical or digital infrastructure (including digital currency platforms) trigger financial instability or widespread disruptions in socio-economic activities.	Medium/Low	Medium/Low Financial services interruption, data theft or deletion, loss of sensitive data or intellectual property.	• Ensure that financial service providers frequently upgrade their IT systems.
Natural disasters related to climate change. Higher frequency of natural disasters cause severe economic damage to smaller vulnerable economies and accelerate emigration. Severe events in large economies hitting key infrastructure reduce global GDP, cause further supply chain disruptions and inflationary pressures, and prompt a recalculation of risk and growth prospects.	Medium	Medium/High Reduced output in the agricultural sector, job loss, higher contingency spending to repair damages to infrastructure, and higher social spending to mitigate impact on vulnerable.	• Include contingency spending plans in fiscal framework and strengthen food security programs. • Fast-track efforts to build resilience to climate shocks.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon. Please consult the G-RAM operational guidance on the SPR Risk Unit website.

Annex II. Capacity Development Strategy for FY22/23

Rwanda is a high-intensity technical assistance (TA) user. With relatively strong institutional capacity, Rwanda has a good track record of implementing TA recommendations. Capacity development efforts reflect the Fund's policy engagement with Rwanda, namely, the support for implementation of the country's National Strategy for Transformation, while also ensuring macro stability. TA focuses on the main areas of fiscal transparency, DRM, implementation of the new forward-looking monetary policy framework, and financial stability.

Key Overall CD Priorities Going Forward	
Priorities	**Objectives**
Public Financial Management	Continue to improve fiscal transparency through an expanded fiscal risk statement encompassing risks from SOEs and PPPs. Improve the budget process through performance-based budgeting and a more strategic budget calendar. Assist the authorities with implementation recommendations of recent PIMA and C-PIMA. Assist the authorities with green PFM and long-term fiscal sustainability analysis (particularly as it relates to climate change).
Government Finance Statistics	Continue the transition to GFSM 2014 including expanding the coverage of the public sector and reduce the lag to publish general government statistics.
Tax Policy and Revenue Administration	Assist with the implementation of the MTRS announced by the authorities in May 2022, informed by the latest TADAT; VAT gap analysis; assessment of tax expenditures; and an overall diagnostic of the policy and legislative framework.
Monetary Policy	Provide TA on FPAS to support the move to an interest rate-based monetary framework. Complete the ongoing forecast evaluation project; complete the build-up of the nowcasting framework; strengthen the framework for analyzing and forecasting the external assumptions; and strengthen the monetary policy process and the engagement with policy makers and building policy maker capacity for FPAS.
Financial Supervision and Regulation	Build on the FSSR to strengthen risk-based supervision and stress-testing. Strengthen regulation and supervisory frameworks in risk management and governance. Increase capacity in evaluating ICAAP reports to set different capital charges on top of the minimum requirements.
Financial Stability	Build on the FSSR to strengthen the financial safety net, crisis preparedness and management, resolution frameworks, financial market infrastructure, and government debt and money markets.

Appendix I. Letter of Intent

Ms. Kristalina Georgieva Kigali, June 3, 2022
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Ms. Georgieva:

The Rwandan economy, which has suffered immensely over the last two years due to the COVID-19 pandemic, was showing signs of a strong recovery by the end of last year. Our output contracted by 3.4 percent in 2020 due to the strict COVID-19 containment measures that we had to put in place to protect our population. With a strong pickup in our vaccination rate that supported the lifting of restrictions and continued government support to hard-hit businesses and vulnerable households, real GDP strongly rebounded by 10.9 percent in 2021. Financial sector stability has been maintained.

However, the uncertainty about the economic outlook has increased significantly amid the spillovers from the war in Ukraine through rising global food and energy prices and weakening external demand. As a result, our headline inflation has picked up to 9.9 percent in April 2022. As such, our immediate policy focus has shifted to managing these spillovers, which, by continuing to add to inflationary pressures, raise food security concerns, stall our economic recovery, and weigh on our external accounts. These spillovers are also making an already challenging fiscal and debt outlook on the back of high spending needs to cushion the economic and social impact of the pandemic even more concerning.

Our economic program, supported by a Policy Coordination Instrument (PCI), aims at responding to these emerging issues while continuing to advance an ambitious reform agenda necessary to put Rwanda on a faster and more sustainable recovery path. Program implementation has been broadly on track. All end-December quantitative program targets (QTs) and standard continuous targets were met. However, low inflation triggered the monetary policy consultation clause under the program. Accordingly, we have included a monetary policy consultation statement to inform the IMF Executive Board on the causes of this deviation and the remedial measures undertaken to keep inflation objectives in check. We have also delivered on our commitments under the structural reform agenda, though with some delays given the challenging COVID-19 environment.

Notwithstanding these new challenges, we remain committed to the policies and reforms to meet the objectives of the PCI. The Program Statement attached to this Letter of Intent describes progress made so far and sets out the economic policies that the Government and the National Bank of Rwanda intend to implement for the remainder of the PCI to meet the program's objectives. It includes policies to (i) help us confront the new challenges brought by the escalation of the Ukraine-

Russia conflict while exiting the pandemic, (ii) minimize the scars from the pandemic, and (iii) put public finances on a sustainable footing through a growth-friendly fiscal consolidation strategy grounded in high-quality measures.

The implementation of our program will continue to be monitored through quantitative, standard continuous, and reform targets, and a monetary policy consultation clause, as described in the attached Program Statement and Technical Memorandum of Understanding (TMU). PCI reviews will continue to be completed on a semi-annual basis to assess progress in program implementation and reach understandings on additional measures needed to achieve its objectives. We will consult with the IMF on the adoption of such measures and in advance of any revisions to policies included in this Program Statement in accordance with the IMF's policies on consultations. Given the change in the World Bank financing terms under IDA20, we will consult with the IMF on how best the program can accommodate this change. Timely information needed to monitor the economic situation and implementation of policies relevant to the program will be provided, as agreed, under the attached TMU, or at the IMF's request.

In line with our commitment to transparency, we agree to the publication of this Letter of Intent and its attachments, as well as the related Staff Report, on the IMF's website.

Sincerely yours,

/s/	/s/
________________	________________
Ndagijimana, Uzziel	Rwangombwa, John
Minister of Finance and Economic Planning	Governor, National Bank of Rwanda

Attachments (2)

I. Program Statement

II. Technical Memorandum of Understanding

Attachment I. Program Statement

Kigali, Rwanda, June 3, 2022

I. CONTEXT

1. This Program Statement describes the recent economic developments as well as our policy objectives and priorities in the context of the Policy Coordination Instrument (PCI). Our program continues to aim at maintaining macroeconomic stability and advancing our reform agenda. With the pandemic still lingering and the spillovers from the war in Ukraine already being felt, we remain focused in supporting the economy to mitigate these multiple external shocks, protecting vulnerable groups, and managing emerging risks, while safeguarding macroeconomic and financial stability.

II. RECENT DEVELOPMENTS

2. With accelerated vaccination and low infection rates, we were able to lift most COVID-19-related restrictions, further supporting resumption of economic activity. COVID-19 cases are on a steady decline after peaking in February 2022 due to the Omicron variant. Rwanda's vaccination rate remains above that of regional peers: as of June 1, 66.0 percent of the population was vaccinated with two doses and 36.3 percent was boosted.

3. The economic recovery remained strong in Q1 2022 with limited signs of impact from the war in Ukraine. After contracting by 3.4 percent in 2020, real GDP strongly rebounded to 10.9 percent in 2021, supported by good agricultural seasons and a strong rebound in industry and services. High-frequency indicators also suggest strong economic activity in the first quarter of 2022 with no major economic disruption from the war in Ukraine.

4. Headline inflation continued to accelerate as a surge in global commodity prices added to already existing inflationary pressures. After dropping below the NBR's lower bound in 2021, CPI inflation has been rising in recent months and reached 9.9 percent y/y in April driven by increases in food, hospitality services, and utility prices. The imported and local goods indices increased by 13.5 and 8.8 percent y/y, respectively. Underlying price pressures remained strong as core inflation accelerated to 9.1 percent y/y.

5. The fiscal deficit in H1 FY21/22 was lower than anticipated owing to weak expenditure execution more than offsetting the revenue underperformance. Revenues underperformed as conditions for grants disbursements by the World Bank were not met on time. However, the impact of this shortfall in revenues combined with the higher vaccine-related spending as a result of an accelerated vaccine rollout were more than offset by the lower-than-expected goods and services and capital expenditures due to delays in putting in place the legal arrangement for the budget use of the 2021 SDR allocation (see below), the slower than anticipated project implementation and the limited take-up of export-promotion subsidies. Despite the resulting lower deficit, domestic financing and accounts payable increased owing to delayed disbursement of budget support loans.

6. We are moving ahead with our plans to use the 2021 SDR allocation for budget financing. A Memorandum of Understanding (MoU) specifying the institutional arrangement governing the use and treatment of the 2021 SDR allocation has been signed between the NBR and the Ministry of Finance and Economic Planning (MINECOFIN). The revised FY 21/22 budget is in line with our initial plan to use about 70 percent of the SDR allocation in FY21/22 to (i) temporarily increase recurrent spending on social protection and in retrofitting public offices to prevent the spread of the virus as civil servants return to in-person work and (ii) raise capital spending to execute delayed high-quality investment projects in targeted social sectors and to repair infrastructure damages by a recent volcanic eruption near the border with the Democratic Republic of the Congo. We will retain the remainder 30 percent of the allocation (0.6 percent of GDP) as reserves to be used in retiring the remaining 2013 Eurobond amount at maturity in 2023.

7. The financial sector remains resilient but exposed to prolonged pandemic and geopolitical risks. Our banking sector continues to hold capital and liquidity buffers well above the minimum regulatory requirements and is increasingly profitable. As of end-March 2022, the total Capital Adequacy Ratio (CAR) stood at 23.9 percent, while the Liquidity Coverage Ratio (LCR) at 365 percent was well above the minimum prudential requirements of 15 and 100 percent, respectively. Bank profitability in 2021 increased by 54 percent due to high recoveries and repayments from previously downgraded assets following the reopening of the economy. Similarly, the microfinance sub-sector's CAR and LCR stood at 34.7 and 110.7 percent, respectively and above minimum regulatory requirements (15 and 30 percent, respectively.) Private insurers' solvency ratio stood at 142 percent at end-December 2021 compared to 114 percent in December 2020 and above the regulatory minimum of 100 percent. Resumption of economic activity has resulted in a drop in NPLs to 4.7 percent in March 2022 against 6.5 percent in March 2021. The steady improvement in the performance of loans restructured in response to the pandemic continued with COVID-19 restructured loans still under moratorium amounting to 2.3 percent of the total portfolio down from 11.8 percent in the March 2021. Macroprudential policies that cap loan-to-value ratios for residential and commercial real estate have mitigated the risks to the sector.

8. The current account deficit improved in 2021. Merchandise exports (i.e., exports, excluding gold) recovered strongly, rising by 53.4 percent owing to improved external demand and domestic manufacturing and agriculture activities. Merchandise imports rose by 16.5 percent in 2021 on the back of a rebound of domestic economic activities as well as from an increase of international food and oil prices. Overall, the moderate narrowing of the trade deficit was reinforced by rising transfer inflows from remittances and government grants, helping to reduce the current account deficit to 10.9 percent of GDP in 2021 from 12.1 percent of GDP in 2020. The Rwandan franc depreciated against the US dollar by 1.1 percent as of end-April 2022 since the beginning of the year. Foreign exchange reserves stood at 4.4 months of import cover as of end-April.

9. We remain resolute in supporting the recovery and minimizing scarring from COVID-19 pandemic.

- **Vaccination.** Our target to vaccinate 70 percent of the population by end-2022 remains close to being achieved. Children aged 5–11 years will start to be vaccinated in September.

With vaccine manufacturing facilities currently under construction, production of COVID-19 vaccine is expected to start in 2023.

- **Families.** In the context of the Vision 2020 Umenge Program (VUP), we scaled up social spending, including emergency cash transfers, food distribution, expanded public works (ePW) program, and direct support to protect the most vulnerable population. The ePW supports households, particularly women, with caring responsibilities through flexible temporary employment opportunities, including by incentivizing their participation in home-based early childhood development (ECD) for children up to the age of five. The Nutrition Sensitive Direct Support (NSDS) provides incentives to families with pregnant women and young children to take up health and nutrition services. With the support of the World Bank, a dynamic social registry is being developed which shall serve as the backbone of our targeting for social protection programs. To limit the impact of rising international oil prices on domestic pump prices largely driven by the on-going war in Ukraine on the purchasing power of many Rwandans and on our production capacity, we have temporarily eliminated the fuel levy on April 3 to partially offset the pass-through of higher import costs to the domestic pump prices. We plan to reassess this measure in June with the aim to gradually increase the levy and restore it fully by end-June 2023. We have also increased fertilizer subsidies and loans to small farmers as part of our efforts to ensure food security.
- **Firms.** The Economic Recovery Fund (ERF) has been the cornerstone of the government's support to private economic activities in the last two years during the pandemic. The second phase of the ERF (ERF-2) plan will inject US$ 250 million in fresh capital over the next three years to support private investment. In addition to the ERF, we fast-tracked a US$250 million package––through the Manufacture and Build to Recover Program (MBRP)––to support private investments in manufacturing and construction. MBRP provides tax incentives linked to key performance indicators and is set to expire in June 2023. So far, 76 companies were approved under the program with a potential to create 28,000 jobs.

Program Performance

10. All quantitative and continuous targets through end-December 2021 have been met. Average inflation in 2021 fell below the outer lower bound, triggering the monetary policy consultation clause (MPCC). Of the six-reform targets due through end-April 2022, two were met on time and four were implemented with delay. The MPCC was not observed as the 12-month headline inflation average fell below the MPCC lower bound due to an unanticipated persistence of disinflationary pressures in food prices (see ¶35). As for reform targets (RTs):

- The legal assessment to identify gaps in the regulatory framework ahead of the GMRA rollout was completed on time by end-March;
- the fiscal risk assessment of PPPs was submitted to the fiscal risk committee on time before end-April;
- the publication of the consolidated fiscal statistics due by end-December 2021 was completed in March;

- the selection of an advisory firm for the RSSB asset allocation due by end-January 2022 was competed in April;
- the Cabinet approval of the MTRS due by end-January 2022, was completed in May; and
- a study on consumer payment behavior to be produced by end-Dec 2021 was submitted to NBR in May 2022 due to mobility restrictions during the pandemic and as data collection and cleaning activities took longer than expected.

III. OUTLOOK AND POLICIES

A. Outlook

11. We expect spillovers from the war in Ukraine will weigh on Rwanda's economic recovery. Real GDP growth is projected at 6.0 percent y/y in 2022 as weaker global growth is expected to undermine exports and the deteriorating terms of trade will reduce households' and corporates' incomes and weaken private consumption and investment. Uncertainties related to the escalation and duration of the Russia-Ukraine conflict could exacerbate the outlook. Despite the uncertainties, we remain committed to ensuring sustainability of public finances and debt and advancing structural reforms.

12. We expect inflationary pressures to increase in 2022. Despite NBR's commitment to containing second-round effects, average headline inflation y/y is projected to increase to 9.5 percent driven by high imported costs on the back of the surge in international food and oil prices following the war in Ukraine adding to persisting pressures recorded since 2021. Mild pressures on core inflation are expected to come from increasing domestic costs as the economic recovery moves close to potential. The 12-month headline inflation average will likely be above NBR's tolerance benchmark band in 2022, before returning within the band in 2023.

13. We expect the current account balance to worsen temporarily in 2022 and 2023 due to higher global fuel prices and improve thereafter. The current account deficit (CAD) is projected to widen to 12.6 percent of GDP in 2022, up from the 10.9 percent in 2021 mainly driven by higher international oil prices and lower external demand. The CAD is projected to narrow in the medium term on the back of real exchange rate depreciation, domestic savings from the envisaged fiscal consolidation, and competitiveness-enhancing structural reforms. The deficit will be financed mainly through foreign direct investment (FDI) and concessional loans to the government. FDI is projected to grow at faster pace and increase its share in the financial account balance. We expect reserves to remain above 4 months of imports in 2022 and in the medium term.

B. Fiscal Policies

14. Our near-term fiscal strategy aims to mitigate the impact of the ongoing external shocks on the most vulnerable, while preserving fiscal sustainability. The fiscal deficit for FY 21/22 is projected at 8.7 percent of GDP (against 9.1 percent program target), primarily due to higher tax revenues. The FY22/23 deficit is projected at 6.9 percent of GDP. The FY22/23 budget

reflects the impact of the temporary elimination of fuel levy (see ¶9) amounting to 0.3 percent of GDP and an increase in fertilizers subsidies by 65 percent relative to the previous fiscal year, amounting to 0.1 of GDP to support domestic agriculture production and cushion against rising food prices to address any food security concerns. It will also continue to make public transport affordable by maintaining the current subsidy to private transport operators amounting to 0.1 percent of GDP and increase some social protection programs (e.g. home-based early childhood development, public works, skills development, and asset transfer) and prioritize some key interventions under the Economic Recovery Plan (ERP) that have shown good results in building resilience and enabling recovery (e.g. infrastructure projects that can embed a large number of jobs while addressing today's most urgent needs like in health, education, combating flooding and landslide, enabling regional trade, and improving agriculture production). Should the war in Ukraine escalate or protract, economic disruptions from the pandemic persist, and envisaged domestic and external resources fail to materialize we stand ready to support the affected groups or activities. In doing so, we will ensure that such support is temporary, targeted, and transparent and accommodated in line with our contingent plans by protecting priority spending and reprioritizing non-wage current and domestic capital spending to avoid significant budget slippages and preserve debt sustainability.

15. The previously agreed fiscal consolidation path will be broadly maintained. Despite the additional spending pressures highlighted above, we continue to project a fiscal consolidation path consistent with that agreed under the 5th PCI review given the one-off nature of this additional spending, including those related to the use of the 2021 SDR allocation and the remaining COVID-19-related spending being gradually phased-off over the FY 21/22–FY 23/24 period. The deficit path also reflects the changes in the World Bank financing terms under IDA20 that favors budget loans over budget grants.[1] The corresponding adjusted debt-to-GDP ratio path is expected to be broadly similar to the 5th PCI review, with convergence to the anchor of 65 percent reached one year later by FY28/29.

16. Our fiscal consolidation will continue to be supported by a prudent debt management strategy that prioritizes concessional resources. We will continue to strengthen our debt management capacity, which should also benefit from our ongoing efforts to enhance fiscal risk monitoring, strengthen debt reporting, and develop domestic bond markets. To contain the debt service burden and solvency risks and prevent debt from deviating from the agreed debt path, should the opportunity to contract additional highly concessionally financed projects to finance our development priorities arise, this would be done by prioritizing the implementation of these projects over domestically or commercially-financed projects.

17. Domestic revenue mobilization remains an important pillar for our fiscal consolidation strategy and the PCI. Cabinet approved in May a Medium-Term Revenue Strategy (MTRS) that will be implemented over the period from FY 21/22 to FY 23/24. This strategy will be supported by a Tax Policy Directorate created last year and that is being staffed. Tax administration measures under the

[1] For Rwanda, the change in the composition of concessional financing by the World Bank under IDA 20 would result in a move from a 50-50 split between budget grants and budget loans to 100 percent loans.

MTRS have started to become effective this fiscal year and tax policy measures will start to become effective in FY 22/23 and are expected to permanently yield 1 percent of GDP in additional revenues from FY 25/26 when all measures become effective. In particular,

- **Tax policy.** Draft laws proposing revisions envisaged under the MTRS in the personal income and value-added taxes (PIT and VAT) have been submitted to Parliament. A draft law proposing revisions in excise taxes will be submitted to Cabinet by end-July 2022 (proposed new RT). Revisions include (i) periodically aligning the excise rate with inflation; (ii) replacing ad valorem taxes on beer, wine, and spirits with a specific excise tax, (iii) increasing the share of specific taxes on cigarettes, (iv) imposing excises levied on sugar content, and (iv) increasing the excise tax on older vehicles to incentivize the upgrading of Rwanda's fleet. The law is expected to become effective in FY 22/23. A draft law proposing revisions in the corporate income tax envisaged under the MTRS will be submitted to Cabinet by end-January 2023 (proposed new RT). Revisions, which are expected to be approved as a package, include (i) lowering the statutory CIT rate, (ii) introducing a gross turnover-based MAT, (iii) broadening the business tax base, (iv) introducing full expensing of capital expenditures, and (v) allowing indefinite carry forward of business losses. They are expected to become effective in FY 23/24 and start to yield revenues in FY 24/25.
- **Tax administration.** Rwanda's Revenue Authority (RRA) has started to implement MTRS measures aimed at (i) taxing the shadow economy, (ii) improving voluntary compliance through better taxpayer services, and (iii) promoting compliance improvement plans (CIPs) targeted at the manufacturing sector, large businesses, customs, and to combat aggressive tax planning by individuals. Consistent with the MTRS, implementation and revenue mobilization has taken place in FY 21/22 mainly through measures to improve taxpayer voluntary compliance though greater digitalization of tax filing, payment, and services. On the other hand, measures to tax the shadow economy have been delayed until FY 22/23 pending the approval of the VAT law, which would allow for the introduction of VAT rebates through electronic billing machines (EBM). All measures envisaged for the coming fiscal year have already been included in the RRA FY 22/23 action plan. Highlights include enhancing e-service design to improve taxpayers' timeliness for filing and payment; simplifying the registration process of small and medium enterprises; greater reliance on data science to improve service delivery; and combating tax evasion by developing risk-rules for VATs through EBMs and manufacturing firms.
- **MTRS implementation.** With the adoption of our MTRS, we will step up our outreach and communication efforts to all stakeholders to ensure the MTRS timely implementation. RRA will continue to work on further aligning its RRA's strategic plan with the MTRS based on recommendations from a hired consultant. Given the delays in approving the MTRS, an MTRS review by end-December 2022 (RT) would be premature and divert limited resources needed for implementation. We would, therefore, request to replace it by the two new RTs proposed above focused on the adoption of legal reforms envisaged under the MTRS. We remain committed to conduct a full evaluation of the MTRS implementation prior to its expiration as well as to identify additional domestic revenue mobilization (DRM) measures to be implemented in the subsequent period.

18. Our fiscal consolidation strategy is also predicated on spending rationalization measures that will start to be spelled out in the FY 22/23 budget. Our FY 22/23 budget will mark the beginning of the normalization of fiscal policies as COVID-19 support measures will be scaled down, while preserving needed space to implement development priorities under our National Strategy for Transformation (NST) such as the need to hire new teachers due to newly constructed classrooms all over the country and health workers due to newly constructed and established hospitals as well as to build critical infrastructure projects. Through our national planning and budget consultation processes and public investment committee (PIC), we have identified spending rationalization and prioritization measures to be carried out on both recurrent non-wage and capital categories to be implemented starting in FY 22/23 and reported in our FY 22/23 Budget Framework Paper. In FY 22/23 the bulk of our adjustment will be driven by the phasing-off of COVID-related spending amounting to 1.9 percent of GDP. Beyond that, measures initially envisaged will include (i) reductions in recurrent expenses with official travels, in-person workshops and meetings by increasing reliance on virtual meetings and remote working practices established during the pandemic; and (ii) reductions in capital expenses by discontinuing underperforming domestic projects and phasing-off Eurobond and SDR-financed projects. We plan to further refine these measures informed by reports soon to be finalized on the Public Expenditure Review conducted by the World Bank and the Public Investment Management Assessment conducted by the IMF and explore the potential for additional cost-savings and efficiency gains through (a) the digitalization in the delivery of public goods and services, (b) strengthening the oversight and governance of state-owned enterprises (SOEs) with a view to gradually reduce subsidies and budget support, and (c) improvements in the selection and prioritization of public investments to achieve greater value-for-money and leverage private sector involvement

C. Fiscal Structural Reforms

19. Our new Organic Budget Law represents a milestone in our PFM reform strategy and will be critical to support the implementation and strengthen the credibility of our fiscal consolidation strategy. A new Organic Budget Law (OBL) was approved by Cabinet in May 2022. It is expected to be approved by Parliament by June 2022 and become effective in FY 22/23. The new OBL will strengthen our public financial management (PFM) system in several areas of which three are particularly worth noting. The first is to allow for improvements in the budget/medium-term expenditure framework (MTEF). The other two areas, involve changes in fiscal risk management and transparency, namely (i) the institutionalization of fiscal risk management practices and structures already adopted under our commitment in the context of the PCI, and (ii) the harmonization of financial reporting calendars from all public entities, including SOEs with the government's fiscal year thus facilitating the timely submission of fiscal reporting beyond the central government (see ¶20 and 21). Full implementation of the OBL will require the timely issuance of Ministerial Orders and other financial regulations by MINECOFIN to which we are fully committed. Progress in other PFM areas, namely (i) the migration to accrual accounting using IPSAS, (ii) the roll out of the Integrated Financial Management Information System (IFMIS), and (iii) the implementation of performance-based budgeting has also continued other PFM areas has also continued. In particular,

- **Budget and MTEF planning and costing.** To align with international best-practices and the new OBL, the setting of expenditure ceilings for line ministries and other government budgetary agencies for the next fiscal year will continue to be informed by a budget outlook paper, which will ensure the early setting of expenditure ceilings properly and that will accurately reflect the cost of policies and the overall fiscal objective envisaged under the forthcoming budget/MTEF. Such changes will lead to stronger focus on expenditure prioritization and instill a top-down orientation in the budget/METF planning process, which will be critical to support the implementation and credibility of our fiscal consolidation. We have started to develop all supporting documentation (financial regulations, budget call circulars and MTEF user manual) and the budget costing framework to effectively implement the changes in the new OBL in time for the FY 23/24 budget/MTEF planning cycle.
- **Other PFM reforms.** The migration of accrual accounting under IPSAS is on track to its implementation by FY 23/24. The IFMIS roll-out has continued with some important near-term actions, including the integration into IFMIS of the budget costing framework and public schools. Regarding PBB, in addition to the advances in budget planning and costing described above, we are also working on identifying and tracking climate and environment spending as part of a broader set of green PFM initiatives (see ¶31).

20. We have stayed the course on strengthening the quantification and management of fiscal risks at an institutional and technical level.

- **Institutions.** Our soon to be enacted OBL will also institutionalize the management of fiscal risks by clarifying the role of the Fiscal Risk Committee (FRC), mandating the Minister of Finance and Economic Planning to appoint their members, and requiring the publication of an annual Fiscal Risk Statement (FRS) as part of the annual budget documents. The OBL in conjunction with a Presidential Order that is expected to be issued by end-June 2022 will also reinforce the legal framework for the monitoring and oversight of SOEs by harmonizing financial reporting for all public institutions, including SOEs, to the fiscal year, and establishing deadlines for the publication of financial statements and sanctions for non-compliance. They will be complemented by a National Investment Policy expected to be enacted in FY 23/24, which will include guidelines for SOEs on investment decisions, financial management, human resources, procurement, and capacity building.
- **Capacity Development.** We have also continued to strengthen our technical capacity to identify, quantify, and manage fiscal risks. We have integrated the SOE health-check assessment to our IFMIS thus allowing for the automatic production of the standard ratios in this assessment for each SOEs. Informed by a first batch of SOE health-check assessment in May 2021, we have conducted stress tests in four high-risk SOEs in March 2022. A summary of the assessment and mitigation recommendations was included in the FRS under the FY 22/23 budget. Following the automation of the SOE health-check assessment, we plan to conduct stress tests on a quarterly basis on at least one high-risk SOEs or SOE subsidiaries starting from end-December 2022. With IMF TA support, we have prepared an assessment of fiscal risks from public-private partnerships, which was submitted along with mitigation

options to the Fiscal Risk Committee in end-April 2022 (RT) and included in the FY 22/23 FRS. We plan to continue expanding the scope of our FRS by including a long-term fiscal sustainability analysis as part of the FRS in the FY 23/24 budget by end-April 2023 (proposed new RT).

21. We are progressing in making fiscal reporting and RSSB finances more transparent. We have completed the publication of the consolidated historical fiscal statistics for public corporations, the general government, and the non-financial public sector due by end-December 2021 in March 2022 due to additional Fund capacity development that was provided in January 2022. RSSB is expected to start submitting quarterly financial statements (income statement, cash flow statement, and financial position) to MINECOFIN starting on the first quarter of FY 22/23, 60 days after the end of the first quarter by end-December 2022. This will allow us to publish quarterly budget execution reports under GFS 2014 for the whole general government, including RSSB, by end-March 2023 (RT), starting with the report for Q1 FY 22/23. After some additional delays due to the legal procurement requirements, RSSB has selected a firm to conduct a review of its asset allocation in April 2022 (RT). Given these delays, RSSB now expects the selected firm to conduct the asset allocation review and submit the associated report to RSSB management—originally due by end-June 2022 (RT)—by end-September 2022 in time to be approved by the RSSB Board together with RSSB's strategic plan. We would therefore like to propose to reset this RT accordingly.

22. We remain determined to use of public resources transparently. Based on regular practices under the OBL, the Office of the Auditor General, whose independence is enshrined in the Constitution and law, has audited all government expenditures and procurement tenders, including those linked to the pandemic, for FY 20/21. The results from the audit were submitted to Parliament on April 28 and made public mid-May. An independent audit of government expenditures financed by the new SDR allocation is expected to be published by end-April 2023 as part of a full audit of all government expenditures and procurement tenders for FY 21/22. We also recognize the need for strengthening the transparency in beneficial ownership (BO) of companies awarded public contracts to combat corruption, money laundering, and illicit financial flows. As such, a draft law governing public procurement prepared by the Rwanda Public Procurement Authority (RPPA) has been finalized and submitted for Cabinet approval. The law envisages the disclosure of BO in tender documents to allow a fair competition among those who may wish to submit bids. Consistent with our international commitments in terms of exchange of financial information in tax matters and anti-money laundering/countering the financing of terrorism (AML/CFT), and to support the envisaged work of the Kigali International Financial Centre (KIFC), we are undertaking the following actions:

- We are developing an electronic reporting portal for BO disclosure to the Registrar General.
- We are amending the Company and Partnerships law to capture BO information.
- We plan to conduct inspections and audits on obligations of entities to keep accurate and up-to-date BO information and reliable accounting records
- We will apply sanctions for non-compliance with BO and accounting obligations.

D. Monetary and Exchange Rate Policies

23. Our monetary policy will strike a balance between containing inflationary pressures and supporting the economic recovery. With a strong rebound in growth and heightened pressures from global commodity prices due to the pandemic induced supply-demand mismatch as well from domestic food production over the policy horizon, the Monetary Policy Committee (MPC) of the National Bank of Rwanda (NBR) raised its policy interest rate by 50 basis points to 5 percent in February 2022. While the war in Ukraine further exacerbated external inflationary pressures from rising energy and food prices since then, NBR refrained from additional increases in its policy rate at its May 2022 MPC as it expected the pickup in domestic prices observed since February to largely reflect: (i) a negative and temporary shock in agricultural production driven by unfavorable weather conditions in the beginning of the year that are no longer present; and (ii) expectations of a more limited pass-through of external to domestic inflation given upward revisions in domestic agriculture production. MPC's decision to keep policy rates unchanged was also informed by downward revisions in domestic demand on the back of a tighter fiscal stance and weakening global demand than projected in the February MPC. As the war in Ukraine continues and global supply-chain disruptions have been renewed by lockdowns in China, inflationary pressures from imported costs are likely to continue this year. NBR will continue to monitor the situation very closely and stands ready to take appropriate actions to contain inflation should second round effects from higher imported prices risk de-anchoring inflation expectations and lead to sustained increases in core inflation.

24. We continue to strengthen our Forecasting and Policy Analysis System (FPAS) capacity to support monetary policy formulation under our price-based framework. Since the adoption of the price-based monetary policy framework in 2019, the Forecasting and Policy Analysis System (FPAS) is the main framework of monetary policy formulation and communication at NBR. With support from the IMF's AFRITAC East (AFE), we have been building the necessary analytical capacity to operationalize our core quarterly projection model (QPM) and building frameworks for nowcasting CPI and GDP, analyze the monetary policy transmission mechanisms and inflation outcome at a more disaggregated level, ex-post inflation forecast evaluation, and to develop a new framework to incorporate external assumptions. These efforts have allowed us to integrate the FPAS into NBR's monetary policy decision-making. Going forward, we will continue developing sectoral expertise and scenario design analysis and documenting near-term forecasting and other toolkits. We also plan to integrate labor and financial markets analyses into our QPM and enhance our monetary policy communication. In addition, with Fund TA support we have strengthened and remain committed to continue to strengthen our capacity to compile real, monetary, and balance of payment statistics.

25. We continue to make progress towards financial market deepening. We have taken steps to develop financial markets and thereby strengthen the monetary policy transmission mechanism. Since November 2020, we have upgraded the Real Time Gross Settlement and Central Securities Depository infrastructure to accommodate repo transactions. Measures to roll out the Global Master Repurchase Agreement (GMRA) are ongoing. A review of the legal and regulatory

framework was conducted, and the draft report was available in March 2022 (RT). The assessment aimed to review the national laws and identify gaps to be addressed from the perspective of the GMRA. The final report was finalized in May 2022. In addition, with support from the World Bank and the International Finance Corporation, a diagnostic of the money market and market-making framework for government debt securities is at the final stage. As a result, both RTs related to the rollout of GMRA are on track for completion in June and December 2022.

26. We remain committed to exchange rate flexibility critical to support our monetary policy framework and maintain external buffers. We consider the exchange rate our first line of defense against external shocks and will limit our interventions in the foreign exchange (FX) market to minimize excessive exchange rate volatility. Exchange rate pressures have increased somewhat due to rising imported fuel and food prices. We expect slightly higher FX pressures in the remainder of 2022 driven by increases in the import bill due to domestic demand for imports as economic activity recovers from Covid-19 pandemic together with impact of the war in Ukraine on commodity prices. We expect exchange rate pressures to ease over the medium term as supply chain disruptions end and external demand recovers, particularly in the tourism sector and the reserve coverage to remain above the adequate level of 4 months of imports cover. We plan to regularly assess our foreign exchange market for consistency with our monetary policy framework. To assess and further strengthen the functioning of foreign exchange markets in the context of our new monetary policy framework, we plan to request IMF TA.

E. Financial Sector Policies

27. We remain vigilant of credit risk to ensure financial stability. Onsite examinations will continue to focus on credit risk to scrutinize banks' assessment of borrowers' likeliness to pay and ensure adequate loan classification and provisioning. Banks have submitted annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) by end March 2022 and end April 2022 for the subsidiaries in the banking groups These will be subjected to the routine Supervisory Review and Evaluation Process (SREP) to obtain assurances that banks have adequate strategies, processes, capital, and liquidity in line with the risks they exposed to. NBR will also conduct stress tests every quarter to assess the ability of banks to withstand market risks as well as systemic and sector specific shocks.

28. In the near term, our supervisory priority is to mitigate credit risks following the unwinding of relief measures. Policy measures requiring banks to increase provisions in line with restructured loans has paid off as banks continue to hold adequate capital despite the elevated credit risks and write-offs. Sectors such as hotels, real estate, transport, and services have not yet recovered and have loans under moratorium. In addition to ensuring proper loan classification and provisioning, we will continue to explore targeted measures to support these sectors, including through the ERF-2.

29. We continue to support financial inclusion with actions to expand access to digital financial services playing a key role. Total bank accounts increased by 21 percent to near 5½ million in December 2021 relative to the previous year largely reflecting the uptake of digital

accounts. During the same period, the number of active mobile money subscribers increased by 11.3 to near 5 million, while the value of mobile merchant transactions increased by 86 percent to RWF 1,570 billion. The re-introduction of merchant fees of 0.5 percent on mobile payments has impacted person to business value of transactions falling by 50 percent. We continue to actively improve the payment system interoperability and infrastructure as well as the automation of Savings and Credit Cooperatives (SACCOS) to support cashless transactions. We remain on target to increase formal financial inclusion from 77 percent in 2020 to 90 percent by 2024.

F. Structural Policies

30. We are stepping up our efforts to achieve more inclusive growth. We are doing that through a number of initiatives to reduce unemployment, especially among women, and gender inequalities; to contain pandemic scars in human capital (by recuperating learning losses); and to improve access and coverage in health and education, and the targeting of social protection.

31. We have an ambitious climate agenda. We are committed to ensuring climate change features prominently in the national development planning. Rwanda's NST from 2017–24 has natural resource and environment management as one of its priorities. Jointly with the World Bank, the Government has been conducting a joint Climate Change Diagnostic Report (CCDR) expected to be finalized by June 2022.

- **Adaptation.** Due to the reliance on rain-fed agricultural and livestock production, Rwanda is highly exposed to seasonal weather patterns and climate change. Rapid urbanization and depletion of forest and water resources in recent years led to increased vulnerability to flood risks, land degradation, and biodiversity loss. Reducing this exposure will lead to more resilient growth by containing output volatility and lowering infrastructure and property damage. Our adaptation measures include boosting agricultural productivity through an improvement of productive inputs use, irrigation coverage, and soil quality. Enhancing resilience has been also identified in forestry, human settlement, transport, health, and mining. To overcome the constraints in credit to agriculture and the penetration of insurance, we have developed the Rwanda Agriculture De-Risking and Financing Facility with support from the World Bank, USAID, and AfDB. Enacting the National Environment and Climate Change Policy (adopted in 2019) and NDC goals (introduced in 2020) and revising the Green Growth and Climate Resilience Strategy are critical steps to achieving our climate resilience.
- **Mitigation.** We have committed to a 38 percent reduction of greenhouse gas emissions compared to "business as usual" by 2030. Planned mitigation measures include use of hydroelectric generation, use of energy efficient cooktops, proliferation of electric vehicles, greater use of solar, improved livestock feed, prevention of soil erosion, and improved livestock management.
- **Climate financing.** Our climate measures will require approximately US$11 billion by 2030, made up of US$5.7 billion for mitigation and US$5.3 billion for adaptation, expected to come from both domestic and external sources. Our Ministry of Environment has been

accredited to the Green Climate Fund (GCF) and the Adaptation Fund. We are also working to help a private agribusiness venture to get GCF-accredited. The Rwanda Green Fund (FONERWA) has been set up to provide green investment funding and training to both the public and private sector. FONERWA has to date funded 44 projects across government and is setting up a Green Investment Facility in collaboration with the Rwanda Development Bank to meet the present and growing private sector needs for climate finance. FONERWA plans to issue green bonds in 2022.

- **Green PFM initiatives.** We took steps to adopt the IMF's Green Public Financial Management (PFM) approach (to integrate climate agenda into budget preparation, budget execution, public investment management, control and audit, and legal frameworks). In addition, we undertook an IMF-led Climate Public Investment Management Assessment (C-PIMA) to better integrate climate issues into public investment systems. As requested in the first planning and budget call circular for the FY 22/23 budget, institutions submitted their plans indicating key environment and climate change interventions and their respective budget. Based on these, MINECOFIN is prioritizing and implementing climate-resilient initiatives through an Environment and Climate Change Monitoring Statement to be published as an Annex to the budget. MINECOFIN is also looking to introduce a climate budget tagging system that plans to better identify climate or environmental spending (with the timeline to be specified). NBR's newly created Policy and Regulation Department is responsible for developing financial sector policies and will work on issues related to climate risks.

IV. PROGRAM MONITORING

32. **Progress in the implementation of the policies under this program will be monitored through QTs, including an MPCC, continuous targets, and RTs.** These are detailed in Tables 1a–2, with definitions provided in the attached Technical Memorandum of Understanding.

V. MONETARY POLICY CONSULTATION WITH THE IMF EXECUTIVE BOARD

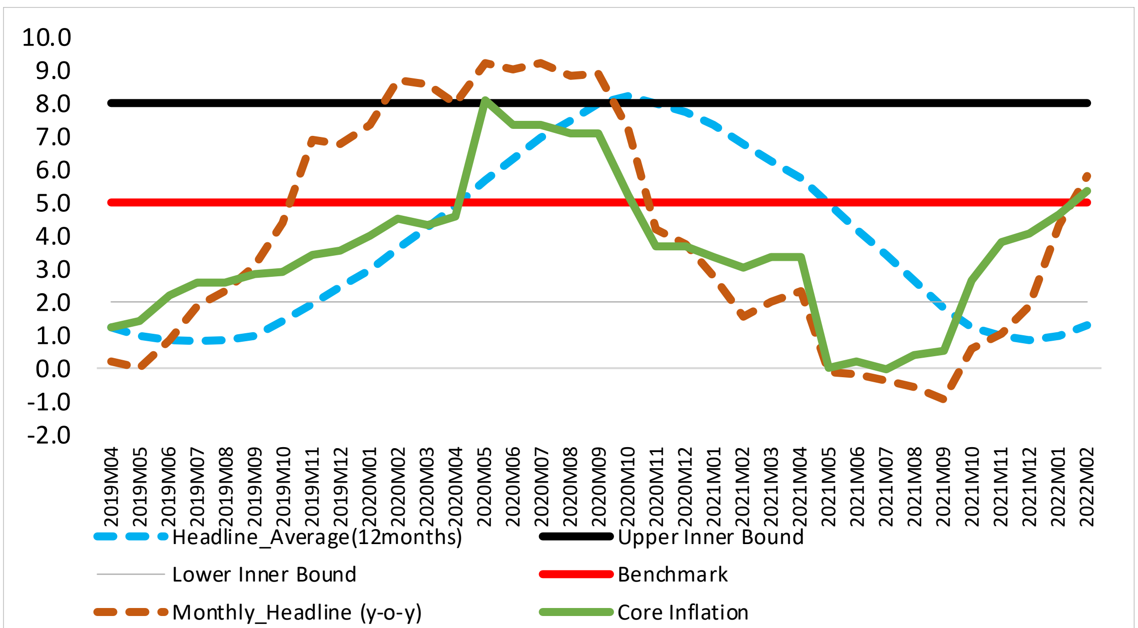
33. **In January 2019, NBR adopted a price-based monetary policy framework.** Based on positive developments in domestic financial systems and improved analytical capacity of staff to perform economic analysis and forecasting, the adoption of a forward-looking approach was meant to enhance the effectiveness and efficiency of monetary policy in Rwanda in order to maintain low and stable inflation. With the improved operational framework, NBR committed to an explicit objective of maintaining inflation within a benchmark band of 5±3 percent.

34. **Under the current PCI, NBR's inflation benchmark is to be monitored under a Monetary Policy Consultation Clause (MPCC).** Consultation with IMF staff follows NBR inflation band of 5±3 percent, while consultation with IMF Executive Board is based on a wider band (5±4 percent).

35. In December 2021, the twelve-month average CPI inflation fell to 0.8 percent, below the lower bound of the inflation consultation band of 1.0 percent, agreed under the PCI. This MPCC report (i) explains why inflation has breached the lower limit of the inflation consultation band and (ii) discusses the policy response; and (c) the inflation outlook.

36. Since 2020Q4, headline inflation had been on a decreasing trend, from 8.9 percent in September 2020 to -0.9 percent in September 2021. During this period, the twelve-month average CPI inflation went from 8.2 percent to 1.8 percent. In the subsequent months, despite a sharp uptick in headline inflation, the twelve-month average CPI inflation remained on a downward path. It reached 0.8 percent (i.e., 0.2 percentage points below the lower bound) in December 2021 (its lowest point since August 2019) before tilting back to 1.0 percent in January 2022.

Figure 1. Rwanda: Inflation Developments



37. The fall of 12-month average CPI inflation below the lower bound resulted from an unanticipated deflationary pressure in food prices and the fading of high transport fares that had resulted from COVID-19 related measures in 2020. Food inflation averaged 0.3 percent in 2021, as opposed to the 1.8 and 2.4 percent projected during the February 2021 and May 2021 policy rounds, respectively. This lower outturn of food inflation (despite higher-than-expected international food commodity prices) was mainly on account of ample domestic food supply, as the performance of agricultural production in Seasons A, B and C of 2021, as well as Season A 2022 turned out to be better than projected. Another factor that weighed on headline inflation levels was transport services inflation that reduced to -12.4 percent in 2021 from 17.5 percent recorded in 2020. The deflation recorded in transport services in 2021 reflected base effects from a government decision in May 2020 to limit carriage capacity of buses to contain the spread of COVID-19 through social distancing and that was followed by a temporary increase in regulated public transport fares

per passenger and its subsequent reversal in October 2020 to pre-pandemic levels after the government ultimately decided to subsidize the sector.

38. In April 2020, NBR had already anticipated low inflation in 2021 and proactively decided to reduce the Central Bank Rate from 5.0 percent to 4.5 percent. Nevertheless, despite the monetary policy stance that remained accommodative since then, inflation turned out to be below the lower bound mainly due to the better-than-expected domestic food supply and the base effects from regulated transport fares. The perceived temporary nature of both factors refrained NBR from further reducing policy rates to mitigate their impact. However, the deflationary impact of the food supply shock was larger than anticipated and so was the duration of public transport subsidies and the government decision to keep public transport fares at pre-pandemic level given the uncertain and more protracted nature of the pandemic globally and in Rwanda.

39. Monetary authorities remain committed to the MPCC. MPC members continued to monitor new developments in macroeconomic conditions and outlooks on both the domestic and global fronts closely since then, including by raising policy rates in February 2022 to hasten rising inflationary pressures coming from rising global commodity prices due to the pandemic induced supply-demand mismatch (see ¶23). Our vigilance has been stepped up following the war in Ukraine and the ensuing rising global commodity prices. Should inflation forecasts deviate from the medium-term inflation benchmark on a sustained basis, the Committee will stand ready to take appropriate monetary policy measures to ensure that inflation converges to the benchmark in the medium term.

40. Progress with modeling under FPAS as well as implementation of market development measures will enhance the forecasting and policy making as well as the transmission. Continuous upgrades in nowcasting of CPI and GDP, development of sectoral expertise and scenario analysis as well as incorporating financial analysis into the QPM is priority for policy making.

Table 1a. Rwanda: Quantitative Targets, June and December 2022

	end-Jun. 2022	end-Dec 2022
	Prog.	Prog
(Billions of Rwandan francs, unless otherwise indicated)		
Half-yearly Quantitative Targets[1]		
1. Ceiling on the debt-creating overall balance, including grants[2]	-1,068	-449
2. Floor on stock of Net Foreign Assets	838	1,010
3. Ceiling on flow of net accumulation of domestic arrears	0	0
Continuous Targets		
4. Ceiling on stock of external payment arrears (US$ million)	0	0
5. Ceiling on present value (PV) of new public and publicly guaranteed external debt[3] (US$ million)	651	1,269
Monetary Policy Consultation Band[1,4]		
CPI Inflation target	5.0	5.0
Inflation, upper inner-bound, percent	8.0	8.0
Inflation, lower inner-bound, percent	2.0	2.0
Inflation, upper bound, percent	9.0	9.0
Inflation, lower bound, percent	1.0	1.0
Memorandum items:		
Total priority spending[2]	1,560	760
Floor on domestic revenue collection[2,5]	2,061	1,088
Stock of new external debt contracted or guaranteed by nonfinancial public enterprises (US$ million)[3]	700	700
Total budget support (US$ million) [2]	554	495
Budget support grants (US$ million)	298	260
Budget support loans (US$ million)	256	235
Project loans (US$ million)	…	186
PV of budget and project loans dedicated to COVID-19 vaccine interventions (US$ million)[2,6]	30	0
Budget and project grants dedicated to COVID-19 vaccine interventions (US$ million)[2,6]	56	0
Total spending dedicated to COVID-19 vaccine interventions[2,6]	97	0
Total spending on projects financed by the SDR allocation [2]	103.1	0
Total spending on Eurobond-financed projects [2]	64.5	8.2
RWF/US$ program exchange rate	987	1,010

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] End-June 2022 targets and memorandum items were set at the time of the 5th PCI Review. Assessment of end-June 2022 targets will be guided by TMU in the 5th PCI review staff report. End-December 2022 targets and memorandum items are defined and assessed under this TMU.

[2] End-June 2022 number is cumulative from June 30, 2021. End-December 2022 number is cumulative from June 30, 2022.

[3] Numbers are cumulative from the beginning of calendar year 2022.

[4] When the end-of period year-on-year average inflation is above/below the outer band of the upper/lower bound, a formal consultation with the Executive Board would be triggered.

[5] Floor is adjusted to exclude UN peace keeping operations, in line with the TMU.

[6] COVID-19 vaccine interventions are measures associated with the COVID-19 vaccination campaign (e.g. vaccine procurement and distribution) as defined in the TMU.

Table 1b. Rwanda: Standard Continuous Targets

- Not to impose or intensify restrictions on the making of payments and transfers for current international transactions.
- Not to introduce or modify multiple currency practices.
- Not to conclude bilateral payment agreements which are inconsistent with Article VIII.
- Not to impose or intensify import restrictions for balance of payment reasons.

Table 2. Rwanda: Reform Targets, June 2022 –April 2023

Actions	Target Date	Objective	Comments
Fiscal			
Submit revisions to the excise tax law to Cabinet	end-July 2022	Improve DRM	Proposed new RT
Conduct a review of RSSB asset allocation and submit the associated report to RSSB management.	end-September 2022	Improve resource efficiency	Proposed to be reset from end-June 2022
Conduct a review of the Medium-Term Revenue Strategy for FY 21/22-23/24	end-December 2022	Improve DRM	Proposed to be removed
Submit revisions to the corporate income tax law to Cabinet	end-January 2023	Improve DRM	Proposed new RT
Expand the coverage in quarterly fiscal reporting in GFS 2014 to include the whole general government (i.e. including RSSB).	end-March 2023	Improve fiscal transparency/PFM	On track
Expanding the fiscal risk statement to incorporate a long-term fiscal sustainability analysis	end-April 2023	Mitigate fiscal risks	Proposed new RT
Monetary and Financial			
Conduct a study on the regulatory aspects and feasibility of extending true repo to non-bank financial institutions ahead of the GMRA rollout.	end-June 2022	Support new monetary policy framework	
Provide capacity building on all aspects of the GMRA terms to market participants and secure the signing of the GMRA by all banks as a final step in the operationalization of the GMRA	end-December 2022	Support new monetary policy framework	

Table 3. Rwanda: Summary of the External Borrowing Program[1]

	January-June 2022		July-December 2022	
	Program		Program	
	Nominal	PV	Nominal	PV
(Millions of USD)				
By sources of debt financing	**1077**	**627**	**1531**	**642**
Concessional debt, of which [2]	**526**	**247**	**1237**	**440**
Multilateral debt	478	222	931	301
Bilateral debt	48	25	306	140
Other	0	0	0	0
Non-concessional debt, of which	**551**	**380**	**294**	**201**
Semi-concessional [3]	551	380	294	201
Commercial terms [4]	0	0	0	0
By Creditor Type	**1077**	**627**	**1531**	**642**
Multilateral	999	581	1091	409
Bilateral - Paris Club	0	0	328	172
Bilateral - Non-Paris Club	78	46	112	60
Other	0	0	0	0
Uses of debt financing	**1077**	**627**	**1531**	**642**
Infrastructure	321	198	998	466
Social Spending	106	56	304	107
Budget Financing	200	93	130	42
Other	450	279	100	27

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Contracting and guaranteeing of new debt. The present value of debt is calculated using the terms of individual loans and applying 5 percent program discount rate.

[2] Debt with a grant element that exceeds a minimum threashold of 35 percent.

[3] Debt with a positive grant element which does not meet the minimum grant element.

[4] Debt without a positive grant element.

Attachment II. Technical Memorandum of Understanding

Kigali, Rwanda, June 3, 2022

1. This memorandum defines the quantitative targets described in the Program Statement (PS) for the period: December 31, 2021–December 31, 2022, supported by the IMF Policy Coordination Instrument (PCI), and sets out the data reporting requirements.

2. Program exchange rates. For program purposes, the exchange rates for end-December 2021 in the IMF's International Financial Statistics database will apply (see Table 1 for major currencies).

Table 1. Program Exchange Rates from December 31, 2021

(US$ per currency unit, unless indicated otherwise)

Rwanda Franc (per US$)	1,009.6
Euro	1.133
British Pound	1.343
Japanese Yen (per US$)	114.2
SDR	1.400

A. Quantitative Program Targets

Ceiling on Debt-Creating Overall Fiscal Balance

3. A ceiling applies to the debt-creating overall fiscal balance of the budgetary central government, excluding Peace-Keeping Operations and including grants. The ceiling for June 30, 2022, is cumulatively measured from June 30, 2021, and the ceiling for December 31, 2022, is cumulatively measured from June 30, 2022.

4. Definition. For the program, the debt-creating overall fiscal balance is defined by the overall fiscal balance, valued on a commitment basis including grants and excluding the following items: (i) any transaction in expense and/or financial assets added to the budgetary central government arising from debt assumption of called loan guarantees for which the corresponding guaranteed loan had already been included in the Debt Sustainability Analysis of the IMF and World Bank (DSA); and (ii) all expenses in UN peace-keeping operations (PKO) and disbursed PKO financing. The overall fiscal balance is defined according to the GFSM 2014 as net lending/net borrowing after transactions in assets and liabilities are adjusted for transactions deemed to be for public policy purposes (policy lending). Budgetary central government expenditure (i.e., expenses plus net acquisition of non-financial assets) is defined based on payment orders accepted by the Treasury, as well as those executed with external resources. This quantitative target is set as a ceiling on the debt-creating overall fiscal balance as of the beginning of the fiscal year.

Adjustors to the Debt-Creating Overall Fiscal Balance

- The ceiling on the debt-creating overall balance will be adjusted upward by the amount of any shortfall between actual and programmed budgetary grants (as defined in Table 1a of

the PS) not related to COVID-19 vaccine interventions, up to a maximum of RWF 136 billion. COVID-19 vaccine interventions are measures associated with the COVID-19 vaccination campaign. These interventions pertain to securing human and material resources for vaccination and procuring and distributing vaccines.

- The ceiling on the debt-creating overall balance will be adjusted upward, up to a maximum of RWF 136 billion, representing the amount of *foreign financed net acquisition of non-financial assets* (*foreign financed capital expenditure*) financed with a drawdown of accumulated government deposits.
- The ceiling on the debt-creating overall balance will be adjusted upward by the excess in concessional project loans (grant element of 35 percent or more) disbursed relative to the programmed project loans amounts (in Table 1a) up to a maximum of US$ 30 million. The need for this adjustment will be assessed in the context of the 7th review of the PCI.
- The ceiling on the debt-creating overall balance will be adjusted upward by the amount of unexpected public expenditures (expenses, and/or *net acquisition of non-financial assets*) on food imports in the case of a food emergency.
- The ceiling on the debt-creating overall balance will be adjusted upward by the amount of any shortfall between actual and programmed grants dedicated to COVID-19 vaccine interventions or by the amount of unbudgeted spending directly related to the cost of COVID-19 vaccine interventions not financed by unbudgeted grants dedicated to COVID-19 vaccine interventions. The need for this adjustment will be assessed in the context of the 7th review of the PCI.
- The ceiling on the debt-creating overall balance will be adjusted upward (downward) by the amount of any acceleration (delays) in spending relative to the programmed amount on projects that are identified as COVID-19-related and financed by the 2021 general allocation of Special Drawing Rights (SDRs), up to a maximum of RWF 103 billion. The need for this adjustment will be assessed in the context of the 7th review of the PCI.
- The ceiling on the debt-creating overall balance will be adjusted upward (downward) by the amount of any acceleration (delays) in spending relative to the programmed amount on projects that are programmed to be financed by 2021 Eurobond proceeds amounting to RWF 83 billion. The need for this adjustment will be assessed in the context of the 7th review of the PCI.

Floor on Net Foreign Assets of the National Bank of Rwanda (NBR)

5. A floor applies to the net foreign assets (NFA) of the NBR for June 30, 2022, and December 31, 2022.

6. Definition. NFA of the NBR in Rwandan francs is defined, consistent with the definition of the enhanced General Data Dissemination Standard (e-GDDS) template, as external assets readily available to, or controlled by, the NBR net of its external liabilities. Pledged or otherwise encumbered reserve assets (including swaps with resident institutions with original maturity of one

year or less, and with non-resident institutions) are excluded; such assets include, but are not limited to, reserve assets used as collateral or guarantee for third party external liabilities. Reserve's assets corresponding to undisbursed project accounts are also considered encumbered assets and are excluded from the measurement of NFA. Holdings of Eurobonds issued by the Government of Rwanda are excluded from the measurement of NFA. Foreign assets and foreign liabilities in U.S. dollars are converted to Rwandan francs by using the U.S. dollar/Rwanda franc program exchange rate. Foreign assets and liabilities in other currencies are converted to U.S. dollars by using the actual end-of-period U.S. dollar/currency exchange rate. Foreign liabilities include, inter alia, use of IMF resources.

Adjustors

- The floor on NFA will be adjusted downward by the amount of any shortfall between actual and programmed budgetary loans and grants per Table 1a of the PS, capped at RWF 136 billion.
- The floor on NFA will be adjusted downward (upward) by the surplus (shortfall) of cash external debt service payments compared to originally scheduled payments.
- The floor on NFA will be adjusted downward by the amount of unexpected public expenditures on food imports in the case of a food emergency.

Ceiling on the Stock of External Payment Arrears

7. A continuous ceiling applies to the non-accumulation of payment arrears on external debt contracted or guaranteed by the budgetary central government and entities that form part of the budgetary process.

8. **Definition.** External payment arrears are defined as the amount of overdue external debt service obligations (principal and interest) arising in respect of obligations incurred directly or guaranteed by the budgetary central government and entities that form part of the budgetary process. A payment is overdue when it has not been paid in accordance with the contractual date (taking into account any contractual grace periods). Arrears resulting from the nonpayment of debt service for which a clearance framework has been agreed or a rescheduling agreement is sought are excluded from this definition.

Ceiling on Net Accumulation of Domestic Expenditure Arrears of the Budgetary Central Government

9. **A ceiling applies to the net accumulation of domestic expenditure arrears of the budgetary central government.**[1] The ceiling for June 30, 2022, is cumulatively measured from June 30, 2021, and the ceiling for December 31, 2022, is cumulatively measured from June 30, 2022.

[1] A negative target thus represents a floor on net repayment.

10. Definition. Domestic expenditure arrears are defined as unpaid claims that are overdue by more than 90 days. The accumulation of domestic expenditure arrears of more than 90 days is calculated as the cumulative change in the stock of expenditure arrears of more than 90 days at each test date from the stock at the end of the previous fiscal year (June 30). Arrears related to claims preceding 1994 will not be counted in the calculation.

Ceiling on the Present Value of New External Debt Contracted or Guaranteed by the Government

11. Definition. For program purposes, the definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014.

(a) For the purpose of this guideline, the term "debt" will be understood to mean a current, (i.e., not contingent) liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

i. Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

(b) Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

12. External debt is defined as debt contracted or serviced in a currency other than the Rwanda Franc.

13. A continuous ceiling is applied to the present value (PV) of all new external debt (concessional or non-concessional) contracted or guaranteed by the central government, including commitments contracted or guaranteed for which no value has been received. The ceiling for June 30, 2022, is cumulative from January 1, 2022, and the ceiling for December 31, 2022, are cumulative from January 1, 2022. This quantitative target does not apply to:

- Normal import-related commercial debts having a maturity of less than one year;
- Rescheduling agreements;
- External borrowing which is for the sole purpose of refinancing existing public-sector external debt and which helps to improve the profile of the repayment schedule; and
- IMF disbursements.

14. For program monitoring purposes, a debt is considered contracted when all conditions for its entrance into effect have been met, including approval by the Government of Rwanda.

15. For program purposes, the value in U.S. dollars of new external debt is calculated using the program exchange rates.

16. The PV of new external debt is calculated by discounting all future debt service payments (principal and interest) on the basis of a program discount rate of 5 percent and taking account of all loan conditions, including the maturity, grace period, payment schedule, front-end fees and management fees. The PV is calculated using the IMF model for this type of calculation[2] based on the amount of the loan. A debt is considered concessional if on the date on which it is contracted the ratio of its present value to its face value is less than 65 percent (equivalent to a grant element of at least 35 percent). In the case of loans for which the grant element is zero or less than zero, the PV is set at an amount equal to the face value.

17. For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD LIBOR is 0.46 percent and will remain fixed for the duration of the program. The spread of six-month Euro LIBOR over six-month USD LIBOR is -100 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -50 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -50 basis points. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD LIBOR is -50 basis points. Where the variable rate is linked to a benchmark interest rate other than the six-month USD LIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 bps) will be

[2] http://www.imf.org/external/np/spr/2015/conc/index.htm

added. These rates will remain fixed and will not be revised until every Fall edition of the World Economic Outlook (WEO).

18. An adjustor of up to 5 percent of the external debt ceiling set in PV terms applies to this ceiling, in case deviations from the performance criterion on the PV of new external debt are prompted by a change in the financing terms (interest, maturity, grace period, payment schedule, upfront commissions, management fees) of a debt or debts. The adjustor cannot be applied when deviations are prompted by an increase in the nominal amount of total debt contracted or guaranteed.

19. The ceiling on the PV of new external debt contracted or guaranteed by the central government will be adjusted upward for the full amount of any unbudgeted external loan financing dedicated to COVID-19 vaccine interventions. The authorities will consult with IMF staff on any planned external borrowing for this purpose and the conditions on such borrowing before the loans are either contracted or guaranteed by the government. The need for this adjustment will be reassessed in the context of the 7th review of the PCI.

20. Reporting Requirement. The authorities will inform IMF staff of any planned external borrowing and the conditions on such borrowing before the loans are either contracted or guaranteed by the government.

B. Monetary Policy Consultation Clause (MPCC)

21. Definition. MPCC headline inflation is defined as the year-on-year rate of change of monthly Consumer Price Index (CPI), averaged for the past 12-months, as measured by National Institute of Statistics of Rwanda (NISR).

- If the observed headline inflation falls outside the ±3 percentage point range around the mid-point of target band value for end-June 2022 and end-December 2022, the authorities will conduct discussions with the Fund staff.
- If the observed headline inflation falls outside the ±4 percentage point range around 5 percent for end-June 2022 and end-December 2022 test dates as specified in Table 1a in the PS, the authorities will complete a consultation with the Executive Board which would focus on: (i) the stance of monetary policy and whether the Fund-supported program remains on track; (ii) the reasons for program deviation, taking into account compensating factors; and (iii) proposed remedial actions if deemed necessary.

C. Memorandum Items and Data Reporting Requirements

22. For the purposes of program monitoring, the Government of Rwanda will provide the data listed below and in Table 2. Unless specified otherwise, weekly data will be provided within seven days of the end of each week; monthly data within five weeks of the end of each month; quarterly data within eight weeks.

23. Data on **priority expenditure** will be transmitted on a quarterly basis. Priority expenditure is defined as the sum of those recurrent expenditures, domestically financed capital expenditures, and policy lending that the government has identified as priority in line with the NTS. Priority expenditure is monitored through the Integrated Financial Management System (IFMS) which tracks priority spending of the annual budget at the program level of the end of each quarter.

24. Detailed data on **domestic revenues** will be transmitted on a monthly basis. The domestic revenue is defined according to GFSM 2014 taxes and other revenues, per the budgetary central government statement of operations table, but including: (a) local government taxes (comprised of business licenses, property tax, and rental income tax); and (b) local government fees; and excluding and receipts from Peace Keeping Operations.

25. Data on **the contracting and guaranteeing of new non-concessional external borrowing with non-residents** will be transmitted on test dates. The data excludes external borrowing by two state-owned banks, the Bank of Kigali and Rwanda Development Bank (RDB), which are assumed not to seek or be granted a government guarantee. The data also apply to private debt for which official guarantees have been extended, including future swaps involving foreign currency loans guaranteed by the public sector, and which, therefore, constitute a contingent liability of the public sector. The data will exclude external borrowing which is for the sole purpose of refinancing existing public-sector debt and which helps to improve the profile of public sector debt. The data will also exclude on-lending agreement between Government of Rwanda and public-sector enterprises.

26. The authorities will inform the IMF staff in writing prior to making any changes in economic and financial policies that could affect the outcome of the financial program. Such policies include, but are not limited to, customs and tax laws, wage policy, and financial support to public and private enterprises. The authorities will inform the IMF staff of changes affecting respect of continuous QTs. The authorities will furnish a description of program performance according to QTs as well as reform targets within 8 weeks of a test date. The authorities engage to submit information to IMF staff with the frequency and submission time lag indicated in Table 2 of the TMU. The information should be mailed electronically to the Fund (email to the Resident Representative and the Mission Chief).

Table 2. Rwanda: Summary of Reporting Requirements

	Frequency of Data[8]	Frequency of Reporting[8]	Frequency of Publication[8]
Exchange Rates[1]	D	W	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[2]	W	W	M
Reserve/Base Money	W	W	M
Broad Money	M	M	M
Central Bank Balance Sheet	W	W	M
Consolidated Balance Sheet of the Banking System	M	M	M
Interest Rates[3]	M	M	M
Volume of transactions in the interbank money market, repo operations, and foreign exchange markets, sales of foreign currencies by NBR to commercial banks and other foreign currency interventions by NBR.	D	W	W
Composite Index of Economic Activity (CIEA) and sub-components compiled by the NBR	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[4]–– General Government[5]	A	A	A
Revenue, Expenditure, Balance and Composition of Financing[4]–– Budgetary Central Government	Q	Q	Q
Financial balance sheet – Budgetary Central Government	A	A	A
Comprehensive list of tax and other revenues[6]	M	M	M
Budget tables	Submitted to Parliament		
Revised budget tables	Submitted to Parliament		
Disposal of non-financial assets and policy lending[6]	Q	Q	Q
Comprehensive list of domestic arrears of the government	SA	SA	SA
Planned external borrowing and the conditions	SA	SA	SA
Stocks of public sector and public-Guaranteed Debt as compiled by MINECOFIN and NBR[7]	SA	SA	SA
External Current Account Balance	A	SA	A
Exports and Imports of Goods and subcomponents.	M	M	Q
Exports and Imports of Goods and Services and subcomponents	A	A	A

[1] Includes the official rate; Foreign Exchange Bureau Associations rate; weighted average of the interbank money market rates; and weighted average of the intervention rate by the NBR.
[2] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions. Balances for project accounts and swaps with original maturity less than one year should be indicated.
[3] Both market-based and officially determined, including discount rates, money market rates, key repo rate (KRR), rates for standing facilities, rates in repo transactions of the NBR with banks, interbank money market rate, rates on treasury bills, notes and bonds.
[4] Foreign, domestic bank, and domestic nonbank financing.
[5] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[6] Includes proceeds from privatization, accompanied by information on entities privatized, date of privatization, numbers and prices of equities sold to the private sector.
[7] Excludes debts of the Bank of Kigali and Rwanda Development Bank (BRD). Also includes currency and maturity composition.
[8] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Semi-annually (SA); Irregular (I).

Statement by the Executive Director, Mr. Aivo Andrianarivelo, by the Alternate Executive Director, Mr. Regis O. N'Sonde, and by the Advisors of the Executive Director, Mrs. Esso Solim Boukpessi and Ms. Loy Nankunda
June 22, 2022

I. Introduction

1. Our Rwandan authorities thank the IMF's Executive Board, Management, and staff for the continued support to their policy and reform agenda. They value the close cooperation with the Fund and appreciate the constructive discussions held with staff in Kigali and virtually in the context of the sixth review under the Policy Coordination Instrument (PCI) and Monetary Policy Consultation Clause.

2. Rwanda's economy has significantly rebounded in 2021 from the Covid-19 pandemic, and the recovery is expected to continue in 2022, on the back of stepped-up vaccination efforts, a rise in external demand, and accommodative macroeconomic policies. However, the economy remains highly vulnerable to external shocks and is faced by immediate new challenges stemming from the global higher food and energy prices, the adverse spillovers from the Ukraine-Russia conflict, along with the scarring effects of the Covid-19 pandemic. Possible new outbreaks and variants, high unemployment, rising social needs, food insecurity add to the significant challenges facing the country.

3. Going forward, the authorities will pursue the implementation of their economic program supported by the PCI with the view to tackle these new challenges while pressing ahead with their wide-ranging reform agenda, key to ensure a sustainable recovery and a long-term growth.

II. Recent Economic Developments and Program Performance Under the PCI

Recent Economic Developments

4. Real GDP reached 10.9 percent in 2021 after a 3.4 percent contraction, on the back of the authorities' swift and comprehensive policy response to the pandemic, with an accelerated and effective vaccination rollout; Rwanda's vaccination rate standing above that of regional peers with 66.0 percent of the population fully vaccinated and 36.3 percent boosted as of June 1, 2022.The improved Covid-19 situation has resulted in the gradual lifting of restrictions and the resumption of economic activities. A pick-up in external demand also adds to the strong growth. Average inflation in 2021 fell below the outer lower bound triggering the monetary policy consultation clause (MPCC) while year on year inflation picked up at 9.9 percent in April 2022, on the grounds of increased food, transport, and utility prices. After increasing its policy rate in February 2022 in anticipation of higher prices and heightened uncertainties on global situation, the National Bank of Rwanda (NBR) has decided to keep the policy rate unchanged in May 2022.

5. The fiscal deficit in the first half of FY21/22 turned lower than anticipated at the time of the 5th PCI review whereas revenue underperformed on the back of delay in World bank disbursement. In addition, delays in the legal arrangement for the budget use of the 2021 Special Drawing Rights (SDR) allocation has contributed to lesser spending execution especially for goods, services and capital expenditures that has offset lower grants.

6. The current account deficit narrowed in 2021 thanks to an improved trade balance and higher grants and remittances flows. While the Rwandan franc depreciated against the US dollar by 1.1 percent as of end-April 2022, gross international reserves remain comfortable at above 4 months of prospective imports cover as of end-April 2022, slightly lower than the 5 months coverage at end December 2021 as the implementation of projects financed by the 2021 SDR allocation and Eurobond issuance has started. The financial sector has remained resilient despite the protracted pandemic and geopolitical tensions.

Program Performance Under The PCI

7. Program performance under the PCI remains strong. For the period under review, all end-December 2021 quantitative program targets and standard continuous targets have been met except for inflation. The MPCC under the program was triggered as the average 12-month headline inflation for 2021 fell to 0.8 percent, below the lower outer bound of the NBR's inflation consultation benchmark of 1 percent agreed under the PCI. This was explained by the unexpected deflationary pressures in food prices and the declining of high transport fares that had had resulted from the 2020 COVID-19 related measures. Corrective actions were undertaken with the aim to keeping inflation objectives under control.

8. On the structural reform agenda, despite the challenging environment, all reform targets through end-April 2022 were implemented–albeit some with delay. Reforms include the conduct of the legal assessment to detect gaps in the Global Master Repurchase Agreement (GMRA); the selection of an advisory firm for the Rwanda's Social Security Board (RSSB); as well as the approval by the Cabinet of the study on consumer payment behavior and the Medium-Term Revenue Strategy (MTRS).

III. Outlook and Risks

9. Albeit favorable, Rwanda's medium-term outlook is clouded by the heightened uncertainty surrounding the global outlook, particularly the adverse spillovers from the Ukraine-Russia conflict that will likely impact the country's economic recovery. Growth is projected to stand around 6 percent of GDP in 2022 and to remain around 7.5 percent of GDP by 2025. Inflationary pressures will continue to increase in 2022 and average headline inflation y/y is projected at 9.5 percent due to elevated imported prices from the surge in global food and fuel prices. The 12-month headline inflation average is expected to be above NBR's tolerance benchmark band in 2022 and to return within the band in 2023. The current account deficit would rise to 12.6 percent in 2022 and 2023 and decline thereafter, reflecting the real exchange rate depreciation, savings from the planned fiscal consolidation, and bold structural reforms.

IV. Macroeconomic Policies and Structural Reforms for the Remainder of 2022 and Beyond

10. The Rwandan authorities remain committed to the policies and reforms consistent with the objectives of the PCI. Policy and reform priorities will aim at (i) mitigating the compounded shocks rising from the Ukraine-Russia conflict along with the continued mitigation of the impact of the protracted Covid-19 pandemic while preserving fiscal sustainability and; (ii) keeping inflation pressures in check while making further progress in the modernization of the monetary policy framework; (iii) continue maintaining exchange rate flexibility and financial sector stability; and (iv) addressing pandemic scaring and promoting inclusive growth.

Fiscal Policy and Reforms, and Debt Sustainability

11. The authorities near term's policy priorities will continue to support the ongoing recovery, contain the impact of the external shocks on the most vulnerable while safeguarding fiscal sustainability. As part of measures to support the most vulnerable, the authorities have temporarily eliminated fuel levy in April 2022 in a tentative to somewhat offset the pass-through of higher import costs to the domestic pump prices. They have also increased fertilizer subsidies to support domestic agriculture production and cushion against rising food prices to address any food insecurity as well as social protection programs. Despite the pressure of additional spending, our authorities are broadly committed to maintaining the fiscal consolidation path that was agreed in the context of the 5th PCI review.

12. The fiscal deficit in FY21/22 is expected to be lower than anticipated. The FY22/23 budget would see the deficit declining further to 6.9 percent of GDP facilitated by higher grants, despite changes in the World Bank IDA terms under IDA20 which will see financing at 100 percent credit, rather than the current 50-50 grant-loan mix.

13. Prioritizing social and investment spending while safeguarding fiscal sustainability and containing debt vulnerabilities will remain key. The authorities are putting their utmost efforts to ensure that expenditure is well-targeted and cost-effective. They are steadfastly implementing measures to mobilize more domestic revenues, streamline spending and secure concessional financing. The newly approved medium-term revenue strategy together with the recent Tax Policy Directorate will underpin the fiscal consolidation efforts. Outreach and communication efforts to all stakeholders to ensure the MTRS's timely implementation will be stepped up.

14. While the change in World Bank financing terms under IDA20 will increase the volume of loans and therefore the debt-to-GDP ratio, Rwanda's debt remains sustainable with a moderate risk of debt distress, given that the expected impact on the path of present value of debt would be marginal thanks to the high concessionality of the loans. The authorities are strongly strengthening debt management capacity, including to enhance fiscal risk monitoring, strengthen debt reporting, develop domestic bond markets, and improve the quality of investment spending.

15. Fiscal consolidation strategy is also supported by other ongoing PFM reforms, including the new Organic Budget Law (OBL) approved by Cabinet in May 2022. This will allow (i) to further improve the budget/medium-term expenditure framework (MTEF); bring changes in fiscal risk management and transparency, (ii) the institutionalization of fiscal risk management practices and structures; and (iii) the harmonization of financial reporting calendars from all public entities, including state-owned enterprises (SOEs), with the government's fiscal year thus facilitating the timely submission of fiscal reporting beyond the central government. The improved oversight and governance of SOEs and PPPs are closely monitored to mitigate fiscal risks materializing while helping to reduce subsidies. Contingent measures will also be reinforced to prepare for any worsening of the external environment.

Monetary and Financial Sector Policies

16. Striking the right balance between containing inflationary pressures and supporting the economic recovery ranks high on the monetary authorities' agenda. They intend to continue to closely monitor inflation developments to inform the need for adjustment of the policy rate and

further entrench the interest-rate-based framework. In case inflation forecasts deviate from the medium-term inflation benchmark on a sustained manner the Committee will stand ready to take appropriate monetary policy measures to ensure that inflation converges to the benchmark.

17. The authorities reiterate their commitment to exchange rate flexibility as their first line of defense against external shocks and they will limit their interventions in the foreign exchange (FX) market to minimize excessive exchange rate volatility. They have indicated planning to seek IMF TA to help them further strengthen the functioning of FX markets in line with their new monetary policy framework.

18. The financial sector remains resilient and stable although still exposed to prolonged pandemic and geopolitical uncertainties. The banking sector continues to be well capitalized and liquidity buffers well above the minimum regulatory requirements while profits increased. The authorities are determined to adopt international best practices to ensure financial system stability. They will continue to strongly monitor credit risks and pursue prudent loan classification and provisioning. The authorities have provided assurances on their continuous supervision of banks and committed to exchange financial information in tax matters and anti-money countering the financing of terrorism (AML/CFT) and improving compliance with the FATF standards to reduce financial sector risks.

Structural Reforms

19. The Rwandan authorities are committed to structural reforms, including sustaining their efforts to build resilience to climate shocks. They continue their efforts in implementing more cost-effective interventions to attract private financing and pursuing the transition to greener growth and look forward to the joint World Bank's Country Climate and Development Report (CCDR) to inform their policies geared toward addressing climate change and building resilience. Climate issues are also expected to be more deeply integrated into public investment management practices following the support from IMF TA on Climate Public Investment Management Assessment (C-PIMA) which was conducted recently.

20. On Climate finance, Rwanda continues to work to incorporate mitigation and adaptation criteria in project appraisal and selection processes. The Rwanda Green Fund, which provides green investment funding and training to public and private sectors, has funded 44 projects.

21. On the pandemic scars, reforms will be crucial to mitigate long-term individual earnings losses and reduce damages to aggregate productivity. Our authorities will continue to put emphasis on promoting gender equity. They are also cognizant of the need to focus on measures to deepen financial markets, sustain the expansion of digital payments, and increase financial inclusion to help mobilize domestic savings. The authorities will continue to monitor social programs and sustain human capital investments, to limit scarring and foster an inclusive and resilient growth.

22. The authorities are confident that their comprehensive policies in this regard will contribute to boosting private investment and supporting the development of the private sector. Improvements in the selection and prioritization of public investments to achieve greater value-for-money and leveraging private sector involvement are at the center of the authorities' agenda. In this context, the country is mostly targeting private investments and improving private sector while encouraging business competition with the support of development partners.

23. They remain determined to promote transparent use of public resources. In that regard, increasing transparency of procurement practices remain critical and the Office of the Auditor General, has audited all government expenditures and procurement tenders, including those related to the pandemic, and will address the publication of beneficial ownership.

V. Conclusion

24. The Rwandan authorities remain committed to the program supported by the PCI. They will pursue the implementation of policies and reforms to preserve macroeconomic and external stability, safeguard financial stability and achieve a robust and inclusive growth. Considering this strong agenda, we would appreciate Executive Directors' support for the completion of the Sixth Review under the PCI and Monetary Policy Consultation Clause.