INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/115

RWANDA

April 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR RWANDA

In the context of the Request for Disbursement Under the Rapid Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on April 2, 2020, following discussions that ended on March 2, 2020, with the officials of Rwanda on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on March 27, 2020.
- A **Statement by the Executive Director** for Rwanda.

The documents listed below have been or will be separately released:

Letter of Intent sent to the IMF by the authorities of Rwanda*

*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

IMF Executive Board Approves a US$109.4 Million Disbursement to Rwanda to address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- The IMF approved the disbursement of US$109.4 million to be drawn under the Rapid Credit Facility.
- The economic impact of the COVID-19 pandemic is rapidly unfolding, with the near-term outlook deteriorating quickly.
- The authorities have acted fast by putting in place measures to help contain and mitigate the spread of the disease.

Washington, DC – April 2, 2020. The Executive Board of the International Monetary Fund (IMF) today approved the disbursement of SDR80.1 million (about US$109.4 million) to be drawn under the Rapid Credit Facility (RCF). This will serve to meet Rwanda's urgent balance of payment needs stemming from the outbreak of the COVID-19 pandemic.

The economic impact of the COVID-19 pandemic is rapidly unfolding, with the near-term outlook deteriorating quickly. This has given a rise to significant fiscal and external financing needs. The authorities have acted fast by putting in place measures to help contain and mitigate the spread of the disease.

The RCF funds will support the authorities' efforts by backstopping the decline in international reserves and providing financing to the budget for increased spending aimed at containing the epidemic and mitigating its economic impact. This additional IMF financing also ought to help catalyze further assistance from the international community, preferably in the form of grants.

The IMF continues to monitor Rwanda's situation closely and stands ready to provide policy advice and further support as needed.

Following the Executive Board's discussion of Rwanda, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, issued the following statement:

"The COVID-19 Pandemic has ground Rwanda's economy to a halt, creating an urgent balance of payments need. To contain and mitigate the spread of the virus, the government swiftly implemented measures that have affected all sectors of the economy. With uncertainties surrounding the duration and spread of the pandemic, the economic fallout could intensify further.

"The IMF emergency support under the Rapid Credit Facility will help with COVID19-related pressures on trade, tourism and foreign exchange reserves, and will provide much-needed resources for health expenditure and for households and firms affected by the crisis. It should also help to catalyze donor support.

“A temporary widening of the budget deficit is appropriate to mitigate the health and economic impact of the pandemic. Spending should be well-targeted and cost-effective to not crowd-out other priority areas. Once the crisis abates, the fiscal adjustment path should be adjusted to preserve debt sustainability in the medium-term. Contingency plans should be prepared given the uncertain outlook.

“Monetary policy needs to be data-driven and the central bank should stand ready to provide additional liquidity support if warranted. A flexible exchange rate should be maintained as a shock absorber. The National Bank of Rwanda has taken various measures to help maintain the health of the financial sector and should continue to show flexibility, while encouraging prudent loan restructuring and stepping up reporting requirements.

“Additional donor support is critical to close the remaining financing gap, ease the adjustment burden, and preserve Rwanda’s development gains over the last two decades.”

Table 1. Rwanda: Selected Economic Indicators, 2018–22

	2018	2019	2020	2021	2022
	Prel.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)				
Output and prices					
Real GDP	8.6	10.1	5.1	6.7	8.0
GDP deflator	-0.8	1.2	6.5	5.4	5.0
CPI (period average)	1.4	2.4	6.9	5.4	5.0
CPI (end period)	1.1	6.7	5.0	5.0	5.0
Terms of trade (deterioration, -)	-0.7	-1.8	0.9	-0.6	0.0
Money and credit					
Broad money (M3)	15.6	15.4	11.0	18.6	13.4
Reserve money	16.1	17.2	10.9	18.6	17.6
Credit to non-government sector	10.8	12.6	9.1	11.4	13.4
M3/GDP (percent)	25.3	26.2	26.0	27.4	27.4
NPLs (percent of total gross loans)	6.4	…	…		…
Budgetary central government	(Percent of GDP, unless otherwise indicated)				
Total revenue and grants	24.1	23.6	21.3	23.3	23.0
of which: tax revenue	16.2	16.7	14.9	16.8	17.0
of which: grants	4.9	4.2	4.4	4.3	4.1
Expenditure	28.8	31.7	31.9	29.7	27.8
Current	15.3	15.6	16.1	14.9	13.3
Capital	11.5	13.2	13.0	12.9	12.7
Primary balance	-3.5	-6.8	-8.9	-5.0	-3.3
Overall balance	-4.7	-8.1	-10.6	-6.5	-4.8
excluding grants	-9.6	-12.3	-15.0	-10.8	-8.9
Debt-creating overall bal. (exc. PKO)1/		-6.6	-10.4	-6.5	-5.3
Net domestic borrowing	0.0	0.8	2.8	2.0	-0.8
Public debt					
Total public debt incl. guarantees	53.1	58.4	64.5	66.4	65.7
of which: external public debt	41.6	46.2	48.0	48.7	49.1
PV of total public debt incl. guarantees	40.9	42.6	47.5	48.4	47.5
Investment and savings					
Investment	24.4	28.9	23.6	25.0	27.7
Government	11.5	13.2	13.0	12.9	12.7
Nongovernment	12.9	15.7	10.6	12.1	15.1
Savings	12.8	17.1	5.7	12.2	15.1
Government	4.0	3.8	0.8	4.0	5.6
Nongovernment	8.8	13.3	4.9	8.2	9.5
External sector					
Exports (goods and services)	21.5	21.3	13.6	22.9	24.6
Imports (goods and services)	33.1	33.1	29.4	35.1	36.5
Current account balance (incl grants)	-8.0	-9.2	-16.0	-10.2	-9.8
Current account balance (excl grants)	-11.6	-11.7	-18.0	-12.8	-12.6
Current account balance (excl. large projects)	-7.6	-9.0	-15.0	-9.4	-7.7
Gross international reserves					
In millions of US$	1,319	1440	1,000	1,160	1,330
In months of next year's imports	4.7	5.4	2.9	3.0	3.3
Memorandum items:					
GDP at current market prices					
Rwanda francs (billion)	8,189	9,121	10,210	11,476	13,012
Population (million)	12.1	12.4	12.7	13.0	13.3

Sources: Rwandan authorities and IMF staff estimates.
1/ Overall deficit excl. spending on materialized contingent liabilities and other items already included in the DSA.

INTERNATIONAL MONETARY FUND

RWANDA

March 27, 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

Context. Rwanda is suffering from the impact of the COVID-19 Pandemic. The economic impact was being felt even before the first confirmed case was reported on March 14. The authorities' policy response to the pandemic has been timely, scaling up health care spending and putting in place measures to help contain and mitigate the spread of the disease. This is compounding the difficulties from disaster management outlays already underway to address the damage caused by the heavy rains in the beginning of the year. The pandemic is also dampening domestic revenue mobilization and putting significant pressures on foreign exchange reserves.

Request for Fund support. Cognizant of the large budgetary and external financing gaps arising from the economic impact and mitigation efforts of the COVID-19 Pandemic, the authorities are seeking financial assistance under the Rapid Credit Facility (RCF) to address the urgent balance of payments needs, to be disbursed as direct budget support. In the attached letter, the authorities request a disbursement of SDR80.1 million, equivalent to 50 percent of quota, with the full amount to become available upon Board approval of the request. Staff supports the request. The authorities are also seeking additional financing from multilateral and bilateral donors to cover the remaining financing needs.

Policy recommendations. The fiscal deficit should accommodate the impact of the COVID-19 Pandemic, provided enough financing is mobilized; ensure COVID-19 related spending is well-targeted, cost-effective, and does not crowd-out other priority areas; closely monitor and manage existing fiscal risks; revise the fiscal rule on the deficit to allow flexibility in addressing future exogenous shocks and adopt the appropriate fiscal adjustment path once the crisis abates; stand ready to provide additional liquidity to the financial system; keep monetary policy data-dependent given the significant uncertainties; encourage prudent renegotiation of loan terms for impacted borrowers without lowering loan classification and provisioning standards; allow flexibility of the exchange rate.

Approved By
Zeine Zeidane (AFR) and Zuzana Murgasova (SPR)

Discussions were held via Teleconference on March 20 and March 25, 2020. Staff Representatives comprised H. Teferra (head), V. Lledo, M. Woldemichael, K. Gyesaw (all AFR), S. Kaihatsu (SPR), and S. Mbaye (IMF Resident Representative in Kigali office) assisted by L. Nankunda (OED) who also attended the meetings. T. Gursoy and F. Morán Arce also contributed to the Report.

CONTENTS

CONTEXT

1. **Rwanda was in the midst of an economic boom prior the COVID-19 Pandemic.** GDP grew in double digits over the first three quarters of 2019 and was expected to continue expanding at a high pace over the medium term in the period prior to the COVID-19 Pandemic—hereafter referred to as the "Pandemic". Headline inflation was within authorities' band but trending up, fueled by a shortage in food supply and stronger domestic demand. The level of foreign exchange reserves remained adequate, despite a widening of the current account deficit, reflecting adverse terms of trade and stronger demand for capital goods.[1]

2. **Budget pressures were mounting, partly to address damages caused by the recent heavy rains.** The Pandemic came at a time when Rwanda was already coping with unusually heavy rains. To address the related damage, Parliament approved in February a revised budget that increased the headline deficit among other things to appropriate disaster-management outlays. The current budget was also revised to accommodate additional capital spending, reflecting the accelerated implementation of foreign-financed infrastructure projects.

3. **Performance under the PCI-supported program has been strong.** Preliminary data shows progress towards meeting the end-December 2019 targets for the second review. Going forward, the authorities' macroeconomic policies remain guided by the objectives of the PCI-supported program.

IMPACT OF THE PANDEMIC AND OUTLOOK

A. Initial Impact and Response

4. **The economic impact of the Pandemic is rapidly unfolding (Box 1).** As of March 26, Rwanda has reported 50 cases of COVID-19 infection. The global outbreak has disrupted trade which has significant spillovers to import-dependent local activities. Exports are also taking a strong hit amid weaker global demand, with sectors dependent on tourism and business travel counting losses owing to the suspension of flights and subsequent closure of Kigali International Airport, and the cancellation of hotel and conference bookings. Loss of foreign exchange reserves has accelerated, putting pressure on the exchange rate.

5. **Government response to the Pandemic has been swift.** Based on a national contingency health plan, early measures emphasized containment and preparedness, with the government rolling out a communication campaign to sensitize the population, instituting systematic screening at all border entry points, and suspending flights to China and other selected destinations. Intensive care units were upgraded. Social distancing measures such as closure of schools and places of worship, nation-wide cancelation of public gatherings, teleworking and domestic movement restrictions were adopted following the confirmation of the first case on March 14. As the cases

[1] See Country Report No 20/9.

count continued to climb, a full lockdown of the country was recently enacted, with all borders closed including the Kigali airport, strict restrictions put on "unnecessary" movements within communities and between cities, all employees (public or private) instructed to work from home, and markets, shops, and bars closed for a period of two weeks.

Box 1. The Economic Impact of the COVID-19 Pandemic on Rwanda

Trade and tourism have been strongly impacted. Since early February**,** Rwanda has been experiencing trade and supply chain disruptions following factory shutdowns in China, where more than 20 percent of Rwandan imports are sourced. Tourism was also hit hard when Rwandair suspended flights to China on January 31, followed by flights to Mumbai and Tel-Aviv. Cancellation of hotel bookings and conferences ensued immediately, including at the partially government-owned Kigali Convention Center. With suspension of all passenger flights for thirty days starting March 20, export earnings from tourism and business travel are expected to fall signifcantly in 2020. The hospitality industry has reportedly approached the government for a bailout.

Spillovers to other sectors have been noticeable. Businesses have reported delayed delivery and shortages of imported inputs and capital goods, which are creating price pressures and undermining retail, transport, manufacturing, and construction activities.

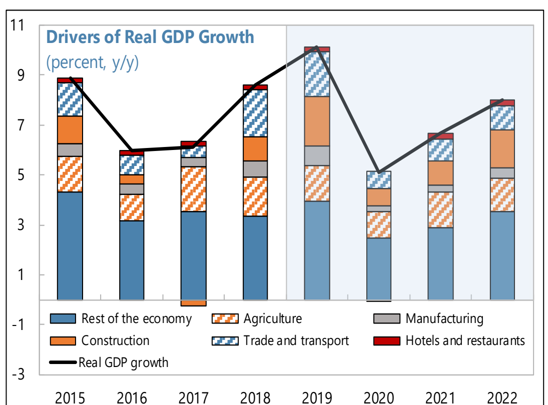
Public finances have been strained. Authorities reported lower-than-expected revenues from international trade taxes and VAT as early as January owing to trade disruptions. Non-tax revenues such as fees from national parks have also declined. Health spending pressures to contain and mitigate the Coronavirus spread are mounting.

The banking sector has been resilient so far. However, given its elevated exposure to hotels and import-dependent sectors, the banking sector could witness a deterioration of asset quality and profitability, with negative ramifications for private credit growth.

6. The international community has pledged support to Rwanda. The World Bank is expected to provide budget support of around USD 59 million and health project financing of USD 14.25 million by end-April. Other development partners are expected to provide support.

B. Outlook and Risks

7. The economic impact of the Pandemic is projected to be large but temporary (Table 1). Growth is expected to be reduced significantly in 2020. All sectors will be affected, but the brunt of the Pandemic will be felt in services, notably tourism, given the travel disruptions and weaker global demand. Growth is expected to slowly accelerate from 2021, as the spread of the Pandemic is still at early stages in Rwanda. Reflecting that, growth is projected to decline by 50 percent in 2020 compared to 2019, returning to pre-Pandemic levels only in 2022. The



Source: Rwandan Authorities, and IMF staff calculations.

recovery is also predicated on the sustained implementation of public and private investment projects and the timely start of the construction of a new international airport.[2]

Revised Macroeconomic Framework	2019	2020		2021		2022
		1st Rev.	Proj.	1st Rev.	Proj.	Proj.
Real GDP (percent change)	10.1	8.0	5.1	8.0	6.7	8.0
GDP deflator (percent change)	1.2	5.6	6.5	5.0	5.4	5.0
CPI inflation, average (percent)	2.4	5.4	6.9	5.0	5.4	5.0
CPI inflation, eop (percent)	6.7	5.0	5.0	5.0	5.0	5.0
Current account deficit (% GDP)	9.2	9.9	16.0	9.1	10.2	9.8
Gross international reserves (months of imports)	5.4	4.6	2.9	4.6	3.0	3.3
Sources: Rwandan Authorities, and IMF staff estimates and projections.						

8. The fiscal deficit is expected to deteriorate considerably (**Table 2a–b).** The significant, but temporary increase in the fiscal deficit under the program—the debt-creating fiscal deficit, excluding peace-keeping operations (PKO)—is driven by revenue losses and health-related expenses.[3] Its impact will be felt and fully accommodated in the current fiscal year ending in June and the next. The headline and debt-creating budget balance are only expected to conform to the current fiscal rule by FY 21/22, and the end-June deficit target under the program is expected to be missed by a large margin. Debt is projected to remain at above 60 percent of GDP through 2021 and to decline afterwards. The severity of the adverse shock will require a recalibration of the PCI-supported program.

9. The external accounts will deteriorate markedly (Table 3). Notwithstanding the significant increase in health-related import goods and services to combat the Pandemic, total imports are projected to decline, driven by lower import prices, particularly of fuel, and a disruption in global trade. The decline in imports is expected to be more than outweighed by a severe slump on services receipts, especially tourism receipts on the back of the travel bans, and a marked decline in traditional exports (tea, coffee, and minerals) and remittances owing to the weak global economy. Depressed investment sentiment is expected to temporarily halt FDI and other capital inflows.

10. Downside risks dominate. In the current environment, projections are subject to high uncertainty given the fluid and rapidly evolving situation. The economic outlook is grounded on the temporary nature of the Pandemic and the normalization of the global economic outlook by the second half of 2020. A more protracted or recurrent pattern of the Pandemic at the global or regional level will further deepen and delay the economic recovery with negative implications for

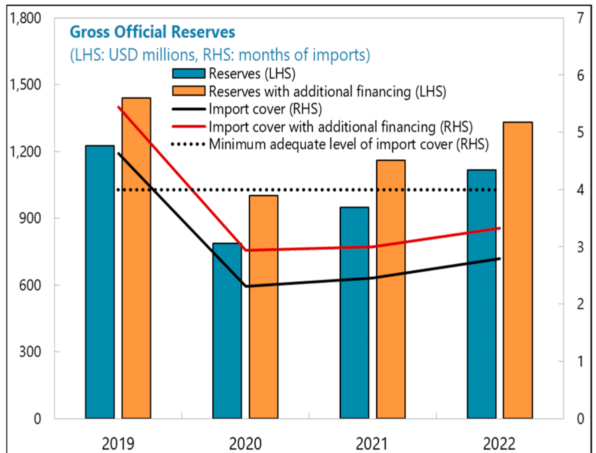
[2] In December 2019, the Government of Rwanda and Qatar Airways signed agreements to build, own, and operate the new international airport currently being constructed in the Bugesera District. Construction was to take place from 2020–24 at a cost of US$ 1.3 billion, almost twice the size of the original project, and was expected to contribute to growth by at least 2 percentage points.

[3] The headline deficit in FY 19/20 had already increased by 1 ppt under a recently approved revised budget to accommodate additional foreign-financed capital spending (0.8 ppt) owing to the accelerated implementation of projects and appropriate domestically-financed disaster management outlays (0.3 ppt) to address the damage caused by the heavy rains in the beginning of the year.

growth, the external sector and government finances. Domestically, key downside risks are related to the speed of the recovery (or lack thereof), especially of the emerging business tourism sector, the realization of government guarantees in this and other sectors, the spending pressures associated with a more protracted recovery, the cancellation of the Bugesera airport project, the continuation of unpredictable weather patterns, and the regional locust invasion. Upside risks include the quick resumption of public and private investments, and the timely start of the new airport construction.

POLICY ISSUES AND DISCUSSIONS

11. The Pandemic creates an urgent balance of payments need. Without the mobilization of substantial financing, the deterioration in the external current account would cause the central bank's foreign reserves to fall below 3 months of prospective imports cover in 2020. This is well below Rwanda's adequate level of reserves at 4–5 months of imports cover.[4] It is envisaged that with concerted support from the IMF, the World Bank and other development partners, Rwanda's official reserves could be maintained at about 3.5 months of prospective imports over the next few years. The government also faces the difficult and costly task of mitigating the health impact of the Pandemic, and supporting affected communities and local businesses, while sustaining its public investment and SDG-spending. Not addressing the balance of payments need could hamper public health response, jeopardize the recovery, and severely undermine the formidable development gains over the last two decades.



Sources: Rwandan authorities, and IMF staff calculations.

A. Fiscal Policy

12. The authorities intend to allow the fiscal deficit to increase to accommodate the impact of the Pandemic. Based on preliminary information, staff and the authorities project the total cost of the Pandemic to amount to 3.4 percent of GDP over the next two years, including both revenue losses and increases in public spending—1.9 and 1.5 percent of GDP, respectively. Public spending is expected to be equally allocated between measures to mitigate the health and economic impact of the Pandemic. As a result, the debt-creating fiscal deficit, excluding PKO would

[4] Country Report No. 19/211.

increase relative to program targets by 2.2 and 1.5 ppts of GDP in FY 19/20 and FY 20/21.[5] Authorities intend to revert to the program fiscal rule once the fallout from the Pandemic subsides.

Rwanda: Covid-19 Fiscal Impact and Financing Gap, FY 2019/20-2020/21[1]

(Percent of GDP)

	2019/20			2020/21	
	1st Review	Rev. Budget	Proj.	1st Review	Proj.
Revenue and grants	**23.3**	**23.5**	**22.1**	**23.2**	**22.7**
Total revenue	19.1	19.3	18.0	18.8	18.2
Tax revenue	16.4	16.5	15.2	16.6	16.2
Nontax revenue	2.6	2.8	2.8	2.2	2.1
Total expenditure and net lending	**30.4**	**31.7**	**32.5**	**28.8**	**29.9**
Current expenditure	15.0	15.5	16.0	14.8	15.4
of which: Coronavirus-related spending	0.0	0.0	0.5	0.0	0.4
Capital expenditure	12.0	12.8	13.1	12.0	12.4
of which: Coronavirus-related spending	0.0	0.0	0.3	0.0	0.2
Overall balance (incl. grants, commitment basis)	**-7.1**	**-8.2**	**-10.4**	**-5.6**	**-7.2**
***of which:* Debt-creating overall bal.(exc. PKO)[2]**	**-6.2**	**-7.2**	**-9.4**	**-5.7**	**-7.2**
of which Debt-creating overall balance (excl. PKO, shocks)[3]	**-5.2**	**-6.9**	**-8.6**	**-5.7**	**-6.8**
Change in float/arrears[4]	-0.6	-0.6	-0.6	-0.3	-0.3
Overall balance (incl. grants, cash basis)	**-7.7**	**-8.8**	**-11.0**	**-5.9**	**-7.5**
Financing	**7.7**	**8.8**	**8.8**	**5.9**	**6.0**
Financing Gap	--	--	2.2	--	1.5
Prospective RCF	--	--	1.0	--	0.0
Prospective financing from World Bank	--	--	0.7	--	0.0
Residual financing gap	--	--	0.5	--	1.5
Memorandum items:	--	--			
Debt-creating ov. balance (exc. PKO, 5-yr avg, com.basis)	**-5.5**	**-5.5**	**-6.8**	**-5.5**	**-6.7**

Sources: Rwandan authorities and IMF staff estimates and projections.
[1] Fiscal year runs from July to June.
[2] Overall deficit excluding spending on materialized contigent liabilities and other items already included in the DSA.
[3] Debt creating overall balance as previously defined excluding revenue losses and spending related to natural disasters and the Coronavirus outbreak.
[4] A negative sign indicates a reduction.

13. Preliminary analysis indicates a fiscal financing gap of about 3.7 percent of GDP over the current fiscal year and the next. Absent additional financing, the impact of the Pandemic on revenues and the response it necessitates would create a fiscal financing gap. RCF financing would help reduce the FY 19/20 gap by 1 percent of GDP and prospective World Bank financing by 0.7 percent of GDP leaving residual gaps for FY 19/20 and FY 20/21 of 0.5 and 1.5 percent of GDP, respectively.

14. The authorities are working on a plan to support affected households and firms. Public health and social spending initiatives will be further prioritized in the current and FY 20/21 budget.

[5] There are no differences between the increase in the debt-creating fiscal deficit and the total cost of the Pandemic for FY 19/20 and FY 20/21 in nominal terms. The observed difference in percent of GDP is the result of the projected decline in nominal GDP relative to pre-pandemic projections at the time of the first PCI review.

Financial support in the form of subsidized loans and debt restructuring to the hospitality and other hard-hit sectors, small and medium enterprises (SMEs), and individuals are currently under consideration.

15. Staff supports the authorities' decision to accommodate the impact of the Pandemic on the budget. Given the extraordinary nature of the Pandemic and in order to timely address the impending health crisis and mitigate its severe economic impact, staff supports the relaxation of the fiscal stance and the temporary suspension of the program fiscal rule. If the crisis and its economic fallout worsen further, additional relaxation could be envisaged provided the availability of financing. Authorities' initial commitments to prioritize health initiatives and support vulnerable sectors and firms are encouraging. Staff plans to continue discussions with the authorities on how to support affected households and firms to ensure that they are well-targeted, cost-effective, and do not crowd-out other priority areas, as well as to advise them on the preparation of a contingency plan if the situation deteriorates further. Staff will work with the authorities to identify a timeline for the appropriate fiscal adjustment path and on how to refine the program fiscal rule through the introduction of an escape clause to address specific shocks in the context of the forthcoming PCI review. Staff highlighted the need to closely monitor and manage existing fiscal risks, and the materialization of existing government guarantees.

16. Rwanda's debt is assessed to remain sustainable with a low risk of debt distress under the Pandemic shock (Annex I). The previous Debt Sustainability Analysis (DSA), which was updated in June 2019 jointly with the World Bank, suggests a continued low risk of debt distress regarding both external and overall public debt. A customized stress test to the most recent DSA, to approximate the impact of the Pandemic on Rwanda's economy, indicates that Rwanda remains at a low risk of debt distress even under the significantly negative outlook. The negative shock to exports associated with the Pandemic cause a one-off breach to the PV of debt-to-export ratio in 2020, which is assumed not to affect the risk rating according to the LIC-DSF guidance note since it is lasting only one year in the current outlook.[6]

B. Monetary, Financial and Exchange Rate Policies

17. The National Bank of Rwanda (BNR) has announced liquidity support measures aimed at mitigating the economic impact of the Pandemic. BNR has created an extended lending facility worth RWF 50 billion available to liquidity-constrained banks for the next six months, starting March 18. Under this facility, banks can borrow at the policy rate and benefit from longer maturity periods. BNR will also engage in Treasury bond purchases through the rediscount window for the next six months. Additionally, the reserve requirement ratio will be lowered by 100 basis points, from 5 to 4 percent, effective from April 1. BNR stands ready to extend the liquidity support period if warranted by the evolving situation. BNR is also in close discussions with the Ministry of Finance and Economic Planning on how to support microfinance institutions and their clients.

[6] See the previous DSA in the Staff Report for the 2019 Article IV Consultation and Request for a Three-year Policy Coordination Instrument for the analysis of other standardized stress tests (Country Report No. 19/211).

18. Staff welcomes BNR's steps in response to the unfolding crisis and recommends monetary policy to be data-driven. Staff notes that the central bank is operating in an environment where annual average inflation, while still within BNR's bands, was starting to rise. Headline inflation has been picking up since 2019Q4, reaching 8.7 percent y/y as of February, partly due to supply shocks amid negative weather conditions. Following the Pandemic, shortages of imported goods are expected to fuel more inflation. Exchange rate pressures and the fiscal loosening in response to the Pandemic could also exert upward pressure on prices. Conversely, lower oil prices could be disinflationary, while the economic slowdown could alleviate demand pressures on prices. In these circumstances, BNR should continue to closely monitor price developments and stand ready to act as needed.

19. While the financial system is broadly healthy, the Pandemic threatens its soundness (Table 5). Bank lending is concentrated in real estate, trade, manufacturing, and transport sectors which are experiencing supply chain and business disruptions. Banks' earnings and asset quality could be undermined if the Pandemic impairs borrowers' capacity to service loans. Banks with elevated credit concentration risk for single obligor could be more vulnerable to the Pandemic shock. Counterparty risk from off-balance sheet guarantees, which are sizeable in Rwanda's banking system, could materialize and put a strain on domestic systemic banks. These include unused lines of credit and overdraft facilities that could be called on by distressed clients, or performance bonds majorly used to support construction projects.

20. BNR also has decided to exceptionally allow banks to restructure outstanding loans of affected borrowers. Staff welcomes BNR's decision to ease loan repayment conditions for borrowers facing cash flow challenges but urges BNR to encourage prudent renegotiation of loan terms without lowering loan classification and provisioning standards. Staff also recommends BNR to introduce strict criteria for acceptable loan restructuring, step up reporting requirements for affected loans, and encourage banks to regularly conduct portfolio reviews and risk assessments to measure the impact of the Pandemic on their financial conditions.

21. BNR has also announced measures to promote the use of digital channels and mobile payments with a view to containing the transmission of the virus. Charges on electronic money transactions will be waived for three months, effective from March 19. These include the cost of transfers between bank accounts and mobile wallets, the cost of mobile money transfers, and merchant fees on digital transactions. Limits on individual transfers using mobile money wallets will also be raised.

22. Given the heightened uncertainty and pressure on the exchange rate, maintaining exchange rate flexibility as a shock absorber and preserving an adequate international reserve cover are key. The authorities agreed that foreign exchange market interventions should be limited to avoiding excessive exchange rate volatility. Exchange rate flexibility would also be supportive of the nascent interest rate-based monetary policy framework.

Authorities' Views

23. The authorities agreed that the Pandemic is taking a severe toll on the Rwandan economy and that downside risks to growth are likely to be more substantial than initially envisaged. While quantifying the full extent of the economic impact is challenging amid the rapidly evolving situation, the authorities stressed that real GDP growth projections are likely to be revised downward should the confinement period be prolonged, and the recovery delayed. They also agreed with the assessment of debt sustainability based on a customized stress test approximating the impact of the Pandemic.

24. The authorities reiterated their commitment to supporting the economy. The Ministry of Finance and Economic Planning and BNR are working closely to devise measures to mitigate the impact of the Pandemic on SMEs and the financial sector. Disbursement under the RCF would provide much needed support as the authorities step up efforts to mobilize resources from the international community.

ACCESS AND CAPACITY TO REPAY

A. Access Level and Modalities

25. The authorities are requesting a disbursement under the RCF "exogenous shock" window equivalent to 50 percent of quota (SDR 80.1 million or US$ 109.4 million). The authorities are also requesting that this financing be made available in its entirety as budget support. The disbursement would provide timely support to address the urgent fiscal needs emerging from efforts to address the impact of the Pandemic and provide additional foreign exchange to avoid a sharp drop in international reserves (Table 6). The balance of payments difficulties that necessitated the RCF request are caused primarily by a sudden exogenous shock and not by a withdrawal of financial support by donors. The balance of payments' difficulties are expected to be resolved within the next 12 months without major policy adjustments.

B. Capacity to Repay and Safeguards Assessment

26. Rwanda's capacity to repay its obligations to the Fund is adequate (Table 7). The total amount of outstanding credit from the Fund, once the RCF is disbursed, will amount to 130 percent of quota. The associated servicing risks are mitigated by the country's low indebtedness and the availability of concessional financing. Given that the financing under the RCF will be used in its entirety to provide budget support, the authorities have signed a framework agreement between the government of Rwanda and BNR on their respective roles and responsibilities for servicing financial obligations to the Fund. Total obligations to the Fund would remain below 1.5 percent of exports of goods and services, 1.9 percent of government revenue, and up to 3.4 percent of gross international reserves.

27. The authorities are committed to undertaking an update of the safeguards assessment before Board approval of any subsequent arrangement to which the safeguards policy applies. This would include an authorization for Fund staff to hold discussions with the central bank's external auditors, and to have access to the central bank's most recent external audit reports. The last safeguards assessment was undertaken in 2016 and since, authorities have implemented all safeguards recommendations and BNR continues to publish its audited financial statements.

STAFF APPRAISAL

28. Rwanda is feeling the brunt of the Coronavirus Pandemic. The short-term economic outlook has deteriorated quickly owing to the slowdown in economic activity following the authorities' decision to deploy a series of containment and mitigation measures.

29. Staff welcomes the authorities' swift response to contain and mitigate the spread and impact of the virus. Staff supports the authorities' timely policy response, including a temporary suspension of the fiscal rule to allow the fiscal deficit to increase due to the scaling up of health care spending and to provide targeted support to families and firms affected by the outbreak. Staff also supports the temporary measures announced by BNR to provide additional liquidity support beyond existing central bank facilities, easing of loan repayment conditions and elimination of charges related to the use of digital channels and mobile payments.

30. The authorities remain committed to medium term fiscal and debt sustainability. The authorities are seeking concessional resources from development partners to address the fiscal pressures from health spending and to safeguard debt sustainability. A stress test to approximate the impact of the Pandemic on Rwanda's economy assures debt sustainability even under the significantly negative outlook.

31. Monetary policy should continue to be data-driven and exchange rate flexibility is key as a shock absorber. This would support strengthening of the nascent interest rate-based monetary policy framework. Foreign exchange market interventions should be limited to avoiding excessive exchange rate volatility.

32. Against this background, staff supports the authorities' request for a disbursement under the Rapid Credit Facility in the amount of SDR80.1million (50 percent of quota). Staff support is based on the severity of the impact from the Pandemic, the authorities' existing and prospective policies to address this external shock, the urgent balance of payments need, and the authorities' policy commitments to fiscal prudence along with their strong track record which will mitigate any risks for the Fund.

Table 1. Rwanda: Selected Economic Indicators, 2018–22

	2018	2019		2020		2021		2022
	Prel.	1st Rev.	Proj.	1st Rev.	Proj.	1st Rev.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)							
Output and prices								
Real GDP	8.6	8.5	10.1	8.0	5.1	8.0	6.7	8.0
GDP deflator	-0.8	1.8	1.2	5.6	6.5	5.0	5.4	5.0
CPI (period average)	1.4	2.3	2.4	5.4	6.9	5.0	5.4	5.0
CPI (end period)	1.1	5.7	6.7	5.0	5.0	5.0	5.0	5.0
Terms of trade (deterioration, -)	-0.7	-1.8	-1.8	-0.1	0.9	0.0	-0.6	0.0
Money and credit								
Broad money (M3)	15.6	21.8	15.4	21.9	11.0	17.4	18.6	13.4
Reserve money	16.1	21.5	17.2	22.1	10.9	17.8	18.6	17.6
Credit to non-government sector	10.8	17.6	12.6	14.8	9.1	7.9	11.4	13.4
M3/GDP (percent)	25.3	27.9	26.2	29.8	26.0	30.9	27.4	27.4
NPLs (percent of total gross loans)	6.4	…	…	…	…	…	…	…
	(Percent of GDP, unless otherwise indicated)							
Budgetary central government								
Total revenue and grants	24.1	23.6	23.6	23.1	21.3	22.9	23.3	23.0
of which : tax revenue	16.2	16.6	16.7	16.9	14.9	16.5	16.8	17.0
of which : grants	4.9	4.5	4.2	4.1	4.4	4.3	4.3	4.1
Expenditure	28.8	31.9	31.7	29.0	31.9	29.2	29.7	27.8
Current	15.3	15.9	15.6	14.5	16.1	14.6	14.9	13.3
Capital	11.5	12.7	13.2	12.1	13.0	12.7	12.9	12.7
Primary balance	-3.5	-6.9	-6.8	-4.2	-8.9	-4.9	-5.0	-3.3
Overall balance	-4.7	-8.2	-8.1	-5.9	-10.6	-6.3	-6.5	-4.8
excluding grants	-9.6	-12.7	-12.3	-10.0	-15.0	-10.6	-10.8	-8.9
Debt-creating overall bal. (excl. PKO) [1]		-6.7	-6.6	-5.7	-10.4	-6.4	-6.5	-5.3
Net domestic borrowing	0.0	2.7	0.8	0.7	2.8	2.0	2.0	-0.8
Public debt								
Total public debt incl. guarantees	53.1	59.0	58.4	58.9	64.5	59.8	66.4	65.7
of which : external public debt	41.6	46.0	46.2	48.1	48.0	49.8	48.7	49.1
PV of total public debt incl. guarantees	40.9	44.5	42.6	43.1	47.5	42.9	48.4	47.5
Investment and savings								
Investment	24.4	28.4	28.9	28.2	23.6	28.8	25.0	27.7
Government	11.5	12.7	13.2	12.1	13.0	12.7	12.9	12.7
Nongovernment	12.9	15.7	15.7	16.1	10.6	16.1	12.1	15.1
Savings	12.8	14.6	17.1	15.5	5.7	16.6	12.2	15.1
Government	4.0	3.3	3.8	4.5	0.8	4.0	4.0	5.6
Nongovernment	8.8	11.2	13.3	11.1	4.9	12.6	8.2	9.5
External sector								
Exports (goods and services)	21.5	21.5	21.3	21.8	13.6	22.6	22.9	24.6
Imports (goods and services)	33.1	34.9	33.1	34.1	29.4	34.3	35.1	36.5
Current account balance (incl grants)	-8.0	-10.6	-9.2	-9.9	-16.0	-9.1	-10.2	-9.8
Current account balance (excl grants)	-11.6	-13.9	-11.7	-12.7	-18.0	-12.2	-12.8	-12.6
Current account balance (excl. large proj.)	-7.6	-10.4	-9.0	-8.9	-15.0	-8.2	-9.4	-7.7
Gross international reserves								
In millions of US$	1,319	1,367	1,440	1,553	1,000	1,654	1,160	1,330
In months of next year's imports	4.7	4.4	5.4	4.6	2.9	4.6	3.0	3.3
Memorandum items:								
GDP at current market prices								
Rwanda francs (billion)	8,189	9,045	9,121	10,313	10,210	11,688	11,476	13,012
Population (million)	12.1	12.4	12.4	12.7	12.7	13.0	13.0	13.3

Sources: Rwandan authorities and IMF staff estimates.

[1] Overall deficit excl. spending on materialized contigent liabilties and other items already incl. in the DSA.

Table 2a. Rwanda: Budgetary Central Government Flows, GFSM 1986 Presentation, FY17/18–21/22[1]

(Billions of Rwandan francs)

	2017/18	2018/19	2019/20			2020/21		2021/22	
	Act.	Act.	1st Review	Rev. Budget	Proj.	1st Review	Proj.	1st Review	Proj.
Revenue and grants	**1,820**	**2,065**	**2,250**	**2,272**	**2,139**	**2,551**	**2,463**	**2,848**	**2,848**
Total revenue	1,462	1,670	1,847	1,869	1,736	2,065	1,977	2,342	2,342
Tax revenue	1,253	1,419	1,591	1,601	1,468	1,828	1,752	2,090	2,090
Direct taxes	539	617	698	703	637	767	730	915	915
Taxes on goods and services	616	690	771	776	723	906	874	1,015	1,015
Taxes on international trade	98	112	122	122	108	155	148	161	161
Non-tax revenue	209	251	256	268	268	237	225	252	252
of which : PKO	150	151	169	169	169	142	142	143	143
Grants	359	395	403	403	403	486	486	506	506
Budget grants	190	162	143	143	143	197	197	234	234
Project grants	169	233	260	260	260	289	289	272	272
Total expenditure and net lending	**2,188**	**2,611**	**2,942**	**3,065**	**3,145**	**3,169**	**3,239**	**3,516**	**3,516**
Current expenditure	1,177	1,343	1,455	1,498	1,548	1,626	1,670	1,793	1,793
Wages and salaries	324	366	423	423	423	491	491	552	552
Purchases of goods and services	216	230	235	268	318	312	356	355	355
of which: Coronavirus-related spending			--	--	50	--	44	--	--
of which: Disaster-Management spending			--	33	33	--	--	--	--
Interest payments	92	102	156	156	156	165	165	185	185
Domestic debt	49	55	101	101	101	99	99	105	105
External debt	43	48	54	54	54	66	66	79	79
Transfers	363	407	411	420	420	473	473	513	513
Local government taxes	34	61	67	67	67	85	85	99	99
PKO and demobilization	182	238	230	230	230	185	185	189	189
of which: PKO	146	213	184	184	184	136	136	132	132
Capital expenditure	850	1,072	1,160	1,236	1,266	1,322	1,348	1,492	1,492
Domestic	463	624	702	702	732	785	811	925	925
of which: Coronavirus-related spending			--	--	30	--	26	--	
Foreign	387	448	458	534	534	537	537	567	567
Net lending and privatization receipts	160	196	326	331	331	221	221	231	231
of which : Export promotion	35	40	99	104	104	79	79	72	72
of which : Assumption of loan guarantee	--	--	80	80	80	--	--	--	--
Overall balance (incl. grants, commitment basis)	**-367**	**-546**	**-691**	**-792**	**-1,006**	**-618**	**-777**	**-668**	**-668**
of which Debt-creating overall balance (excl. PKO)[2]	**-371**	**-485**	**-596**	**-697**	**-911**	**-624**	**-783**	**-679**	**-679**
of which Debt-creating overall balance (excl. PKO, shocks)[3]	-371	-485	-596	-664	-827	-624	-739	-679	-679
Change in float/arrears[4]	-25	55	-55	-55	-55	-35	-35	-40	-40
Overall balance (incl. grants, cash basis)	**-392**	**-491**	**-746**	**-848**	**-1,061**	**-653**	**-812**	**-708**	**-708**
Financing	**392**	**491**	**746**	**848**	**848**	**653**	**653**	**708**	**708**
Foreign financing (net)	356	448	571	647	647	547	547	516	516
Drawings	382	477	628	703	703	624	624	611	611
Budgetary loans	211	262	429	429	429	377	377	317	317
Required Loans	--	--	--	--	--	94	94	101	101
Assumption of loan guarantee	--	--	54	54	54	--	--	--	--
Additional financing to be determined[5]	--	--	55	55	55	--	--	--	--
Project loans	170	215	198	274	274	247	247	295	295
Amortization	-26	-29	-56	-56	-56	-77	-77	-95	-95
Net domestic financing	43	54	175	201	201	106	106	192	192
Net credit from banking system	49	-13	175	201	201	106	106	192	192
Amortization of loan guarantee	--	--	-7	-7	-8	-8	-8	-10	-10
Assumption of loan guarantee	--	--	26	26	26	--	--	--	--
Nonbank sector	-6	67	--	--	--	--	--	--	--
Errors and omissions[6]	-7	-11	--	--	--	--	--	--	--
Financing Gap	--	--	--	--	213	--	158	--	--
Prospective RCF	--	--	--	--	101	--	--	--	--
Prospective financing from World Bank	--	--	--	--	68	--	--	--	--
Budget Support	--	--	--	--	54	--	--	--	--
Project Financing	--	--	--	--	13	--	--	--	--
Residual financing gap	--	--	--	--	45	--	158	--	--

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

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

[3] Debt creating overall balance as previously defined excluding revenue losses and spending related to natural disasters and Coronavirus outbreak.

[4] A negative sign indicates a reduction.

[5] Commercial borrowing to finance budget.

[6] A negative number implies an overestimate of financing.

Table 2b. Rwanda: Budgetary Central Government Flows, GFSM 1986 Presentation, FY17/18–21/22[1]

(Percent of GDP)

	2017/18	2018/19	2019/20			2020/21		2021/22	
	Act.	Act.	1st Review	Rev. Budget	Proj.	1st Review	Proj.	1st Review	Proj.
Revenue and grants	**23.1**	**23.9**	**23.3**	**23.5**	**22.1**	**23.2**	**22.7**	**22.8**	**23.3**
Total revenue	18.5	19.3	19.1	19.3	18.0	18.8	18.2	18.8	19.1
Tax revenue	15.9	16.4	16.4	16.5	15.2	16.6	16.2	16.8	17.1
Direct taxes	6.8	7.1	7.2	7.3	6.6	7.0	6.7	7.3	7.5
Taxes on goods and services	7.8	8.0	8.0	8.0	7.5	8.2	8.1	8.1	8.3
Taxes on international trade	1.2	1.3	1.3	1.3	1.1	1.4	1.4	1.3	1.3
Nontax revenue	2.6	2.9	2.6	2.8	2.8	2.2	2.1	2.0	2.1
of which : PKO	1.9	1.7	1.7	1.7	1.8	1.3	1.3	1.1	1.2
Grants	4.5	4.6	4.2	4.2	4.2	4.4	4.5	4.1	4.1
Budget grants	2.4	1.9	1.5	1.5	1.5	1.8	1.8	1.9	1.9
Project grants	2.1	2.7	2.7	2.7	2.7	2.6	2.7	2.2	2.2
Total expenditure and net lending	**27.7**	**30.2**	**30.4**	**31.7**	**32.5**	**28.8**	**29.9**	**28.2**	**28.7**
Current expenditure	14.9	15.5	15.0	15.5	16.0	14.8	15.4	14.4	14.6
Wages and salaries	4.1	4.2	4.4	4.4	4.4	4.5	4.5	4.4	4.5
Purchases of goods and services	2.7	2.7	2.4	2.8	3.3	2.8	3.3	2.8	2.9
of which: Coronavirus-related spending	0.0	0.0	0.0	0.0	0.5	0.0	0.4	2.8	0.0
of which: Disaster-Management spending	0.0	0.0	0.0	0.3	0.3	0.0	0.0	2.8	0.0
Interest payments	1.2	1.2	1.6	1.6	1.6	1.5	1.5	1.5	1.5
Domestic debt	0.6	0.6	1.0	1.0	1.0	0.9	0.9	0.8	0.9
External debt	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Transfers	4.6	4.7	4.2	4.3	4.4	4.3	4.4	4.1	4.2
PKO and demobilization	2.3	2.7	1.9	1.9	1.9	1.7	1.7	1.5	1.5
of which: PKO	1.8	2.5	1.9	1.9	1.9	1.2	1.3	1.1	1.1
Capital expenditure	10.8	12.4	12.0	12.8	13.1	12.0	12.4	12.0	12.2
Domestic	5.9	7.2	7.3	7.3	7.6	7.1	7.5	7.4	7.6
of which: Coronavirus-related spending	0.0	0.0	0.0	0.0	0.3	0.0	0.2	0.0	0.0
Foreign	4.9	5.2	4.7	5.5	5.5	4.9	4.9	4.5	4.6
Net lending and privatization receipts	2.0	2.3	3.4	3.4	3.4	2.0	2.0	1.8	1.9
Of which : Assumption of loan guarantee	0.0	0.0	0.8	0.8	0.8	0.0	0.0	0.0	0.0
Overall balance (incl. grants, commitment basis)	**-4.7**	**-6.3**	**-7.1**	**-8.2**	**-10.4**	**-5.6**	**-7.2**	**-5.4**	**-5.5**
***of which:* Debt-creating overall bal.(exc. PKO)[2]**	**-4.7**	**-5.6**	**-6.2**	**-7.2**	**-9.4**	**-5.7**	**-7.2**	**-5.4**	**-5.5**
of which Debt-creating overall balance (excl. PKO, shocks) [3]	**-4.7**	**-5.6**	**-5.2**	**-6.9**	**-8.6**	**-5.7**	**-6.8**	**-5.4**	**-5.5**
Change in float/arrears[4]	-0.3	0.6	-0.6	-0.6	-0.6	-0.3	-0.3	-0.3	-0.3
Overall balance (incl. grants, cash basis)	**-5.0**	**-5.7**	**-7.7**	**-8.8**	**-11.0**	**-5.9**	**-7.5**	**-5.7**	**-5.8**
Financing	**5.0**	**5.7**	**7.7**	**8.8**	**8.8**	**5.9**	**6.0**	**5.7**	**5.8**
Foreign financing (net)	4.5	5.2	5.9	6.7	6.7	5.0	5.0	4.1	4.2
Drawings	4.8	5.5	6.5	7.3	7.3	5.7	5.8	4.9	5.0
Budgetary loans	2.7	3.0	4.4	4.4	4.4	3.4	3.5	2.5	2.6
Required Loans	0.0	0.0	0.0	0.0	0.0	0.9	0.9	0.8	0.8
Assumption of loan guarantee	0.0	0.0	0.6	0.6	0.6	0.0	0.0	0.0	0.0
Additional financing to be determined [5]	0.0	0.0	0.6	0.6	0.6	0.0	0.0	0.0	0.0
Project loans	2.2	2.5	2.0	2.8	2.8	2.2	2.3	2.4	2.4
Amortization	-0.3	-0.3	-0.6	-0.6	-0.6	-0.7	-0.7	-0.8	-0.8
Net domestic financing	0.5	0.6	1.8	2.1	2.1	1.0	1.0	1.5	1.6
Net credit from banking system	0.6	-0.1	1.8	2.1	2.1	1.0	1.0	1.5	1.6
Amortization loan guarantee	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Assumption of loan guarantee	0.0	0.0	0.3	0.3	0.3	0.0	0.0	0.0	0.0
Nonbank sector	-0.1	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions[6]	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap	--	--	--	--	2.2	--	1.5	--	--
Prospective RCF	--	--	--	--	1.0	--	0.0	--	--
Prospective financing from World Bank	--	--	--	--	0.7	--	0.0	--	--
Budget Support	--	--	--	--	0.6	--	0.0	--	--
Project Financing	--	--	--	--	0.1	--	0.0	--	--
Residual financing gap	--	--	--	--	0.5	--	1.5	--	--
Memorandum items:	--	--	--	--				--	--
Debt-creating ov. balance (exc. PKO, 5-yr avg, com.basis)	**-5.5**	**-6.3**	**-5.5**	**-5.5**	**-6.8**	**-5.5**	**-6.7**	**-5.3**	**-6.7**
GDP (Billions of RwF), FY basis	7,895	8,655	9,679	9,679	9,665	11,001	10,843	12,471	12,244

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

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

[3] Debt creating overall balance as previously defined excluding revenue losses and spending related to natural disasters and Coronavirus outbreak.

[4] A negative sign indicates a reduction.

[5] Commercial borrowing to finance the budget.

[6] A negative number implies an overestimate of financing.

Table 3. Rwanda: Balance of Payments, 2018–22

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

	2018	2019		2020		2021		2022
	Act.	1st Review	Act.	1st Review	Proj.	1st Review	Proj.	Proj.
Current account balance (incl. official transfers)	**-756**	**-1,068**	**-935**	**-1,077**	**-1,728**	**-1,077**	**-1,191**	**-1,243**
Trade balance	-915	-1,154	-1,072	-1,202	-1,165	-1,286	-1,359	-1,479
Exports (f.o.b.)	1,126	1,171	1,167	1,298	1,028	1,458	1,370	1,645
Of which: coffee and tea	159	152	156	163	140	196	198	229
Of which: minerals	142	103	98	122	60	144	115	129
Imports (f.o.b.)	2,041	2,325	2,239	2,499	2,193	2,744	2,728	3,124
Of which: capital goods	548	678	645	695	432	796	929	1,113
Of which : Energy goods	246	257	254	277	174	294	196	238
Services (net)	-186	-187	-123	-141	-538	-94	-59	-31
Credit	917	992	993	1,086	443	1,223	1,293	1,482
Of which: tourism receipts	375	405	411	445	82	512	509	535
Debit	1,103	1,180	1,115	1,227	981	1,317	1,353	1,513
Income	-312	-368	-325	-397	-347	-438	-404	-454
Of which: interest on public debt[1,2]	89	-92	-92	-100	-96	-113	-87	-86
Current transfers (net)	657	642	585	663	322	741	631	721
Private	311	320	331	354	109	376	328	363
Public	346	322	254	309	214	364	303	358
Capital and financial account balance	**891**	**1,116**	**1,232**	**1,286**	**1,097**	**1,214**	**1,387**	**1,458**
Capital account	245	260	260	285	285	291	290	286
Financial account	647	856	972	1,001	813	923	1,097	1,172
Direct investment	284	300	331	367	186	368	518	425
Public sector capital[3]	482	527	599	609	638	542	559	672
Long-term borrowing[2]	550	597	669	862	890	701	704	794
Scheduled amortization, excl IMF	-68	-70	-70	-252	-252	-159	-146	-122
Other capital[4]	-119	29	42	25	-11	13	20	75
Of which: commercial banks NFA (increase -)	-126	104	123	0	0	0	0	0
Net errors and omissions	**-2**	0	**-178**	0	**0**	0	**0**	**0**
Overall balance	**133**	48	**120**	209	**-630**	138	**197**	**214**
Financing	**-133**	-48	**-120**	-209	**417**	-138	**-197**	**-214**
Reserve assets (increase -)	-158	-48	-120	-186	439	-101	-160	-170
Net credit from the IMF	24	0	0	-23	-22	-37	-36	-45
Financing gap	…	…	…	…	**213**	…	0	0
in percent of GDP	…	…	…	…	2.0	…	0.0	0.0
Prospective RCF from the IMF	…	…	…	…	109	…	0	0
Prospective financing from the World Bank	…	…	…	…	73	…	0	0
Residual financing gap	…	…	…	…	31	…	0	0
Memorandum items:								
Current account deficit (percent of GDP)[5]	-8.0	-10.6	-9.2	-9.9	-16.0	-9.1	-10.2	-9.8
Trade balance (percent of GDP)	-9.6	-11.5	-10.6	-11.0	-10.8	-10.8	-11.7	-11.6
Gross official reserves	**1,319**	1,367	**1,440**	1,553	**1,000**	1,654	**1,160**	**1,330**
in months of prospective imports of G&S	4.7	4.4	5.4	4.6	2.9	4.6	3.0	3.3
Financing gap (for adequate reserves)[6]	…	…	…	…	360	…	385	268
in percent of GDP	…	…	…	…	3.3	…	3.3	2.1

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] Including official transfers.

[6] The amount of additional reserves needed to bring import cover to 4 months, which is a minimum level of reserves to be adequate. See Country Report No. 19/211.

Table 4. Rwanda: Monetary Survey, 2018–22

(Billions of Rwandan francs, unless otherwise indicated)

	2018	2019			2020				2021			2022
	Dec.	Jun.	Dec.		Jun.		Dec.		Jun.	Dec.		Dec.
	Act.	Act.	1st Review	Act.	1st Review	Proj.	1st Review	Proj.	Proj.	1st Review	Proj.	Proj.
Monetary authorities												
Net Foreign Assets[1]	902	843	972	1,041	910	848	1,164	655	746	1,291	837	1,035
Of which: Foreign assets	1,160	1,126	1,262	1,329	1,190	1,126	1,434	923	997	1,527	1,071	1,228
Foreign liabilities	258	283	290	288	280	278	269	268	251	236	234	193
Net domestic assets	-519	-413	-508	-593	-394	-377	-597	-158	-209	-623	-248	-342
Domestic credit	-326	-199	-268	-372	-156	-152	-362	71	14	-396	-31	-146
Other items (net; asset +)	-194	-214	-240	-220	-238	-225	-236	-229	-223	-227	-217	-195
Reserve money[2]	382	429	465	448	516	471	567	497	537	668	589	693
Commercial banks												
Net foreign assets	167	81	79	121	79	121	79	121	121	79	121	121
Reserves	197	216	233	218	256	231	279	244	265	322	292	346
Net credit to BNR	56	8	123	2	204	124	291	107	162	265	280	301
Domestic credit	1,984	2,249	2,360	2,371	2,432	2,347	2,639	2,480	2,550	3,097	2,708	3,006
Government (net)	290	393	374	440	291	450	376	450	450	667	450	450
Public enterprises	95	126	90	129	88	62	85	62	62	80	62	62
Private sector	1,599	1,730	1,895	1,802	2,053	1,835	2,177	1,968	2,038	2,350	2,196	2,494
Other items (net; asset +)	-518	-548	-503	-551	-503	-551	-503	-551	-551	-503	-551	-551
Deposits	1,886	2,006	2,292	2,162	2,469	2,272	2,785	2,401	2,547	3,260	2,850	3,223
Monetary survey												
Net foreign assets	1,069	923	1,052	1,162	989	969	1,244	777	867	1,371	958	1,156
Net domestic assets	1,003	1,296	1,471	1,229	1,739	1,543	1,831	1,877	1,951	2,237	2,189	2,414
Domestic credit	1,714	2,058	2,214	2,001	2,506	2,299	2,567	2,405	2,609	2,964	2,867	3,128
Government	-2.9	178	216	46	353	378	292	351	484	521	584	548
Public enterprises	95	126	90	129	88	62	85	62	62	80	62	62
Private sector	1,622	1,754	1,907	1,826	2,065	1,859	2,189	1,992	2,062	2,362	2,220	2,518
Other items (net; asset +)	-711	-762	-743	-772	-741	-776	-738	-781	-774	-730	-768	-747
Broad money	2,072	2,220	2,523	2,391	2,729	2,512	3,074	2,654	2,819	3,608	3,147	3,570
Year on Year Growth						(Percent)						
Broad money	15.6	14.3	21.8	15.4	22.9	13.2	21.9	11.0	12.2	17.4	18.6	13.4
Reserve money	16.1	15.3	21.5	17.2	20.2	9.7	22.1	10.9	13.9	17.8	18.6	17.6
Net foreign assets	33.0	15.3	-1.6	8.7	7.1	5.0	18.3	-33.2	-10.5	10.2	23.4	20.7
Credit to the private sector	10.8	17.6	17.6	12.6	17.7	5.9	14.8	9.1	10.9	7.9	11.4	13.4
Memorandum items:												
Velocity (eop)	4.0	3.9	3.6	3.8	3.5	3.8	3.4	3.8	3.8	3.2	3.6	3.6
Money multiplier	5.4	5.2	5.4	5.3	5.5	5.3	5.4	5.3	5.3	5.4	5.3	5.2

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

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

[2] Reserve money as an assessment criteria is measured as the average of the months in the quarter. The actual reserve money is measured as the daily average of the three months in the quarter.

Table 5. Rwanda: Financial Soundness Indicators, September 2017–September 2019

	2017		2018				2019		
	Sep	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
					(Percent)				
Capital adequacy									
Regulatory capital to risk-weighted assets	20.5	20.0	19.5	20.1	20.8	23.8	22.4	21.8	22.2
Capital to assets	22.3	21.4	21.1	21.9	22.6	25.5	24.1	23.3	23.7
Off balance sheet items/total qualifying capital	290.4	298.7	309.7	290.9	276.1	315.7	336.8	329.5	341.2
Insider loans/core capital	5.2	6.0	6.0	5.9	5.7	5.6	3.9	4.4	4.5
Large exposure/core capital	153.5	169.6	168.7	169.4	136.1	134.8	124.3	126.2	132.4
Asset quality									
NPLs/gross Loans	7.7	7.6	6.8	6.9	7.2	6.4	6.3	5.6	5.3
NPLs net/gross loans	6.6	6.6	5.5	5.2	6.1	5.5	5.6	5.6	4.8
Provisions/NPLs	43.8	46.7	59.2	67.4	64.2	68.2	71.1	80.2	85.4
Earning assets/total asset	81.8	83.0	78.9	80.8	84.6	84.8	83.6	82.3	84.1
Large exposures/gross loans	31.7	33.6	34.2	34.5	29.6	32.0	28.5	28.1	29.7
Profitability and earnings									
Return on average assets	1.6	1.1	1.3	1.6	1.7	1.9	2.1	1.6	2.1
Return on average equity	8.9	6.2	7.5	9.5	10.2	11.2	12.0	9.3	11.7
Net interest margin	9.5	8.8	9.8	9.7	9.5	9.0	9.2	8.8	9.0
Cost of deposits	3.3	3.4	3.5	3.5	3.5	3.4	3.2	3.3	3.4
Cost to income	81.5	85.1	82.5	81.1	79.7	78.4	77.7	81.1	78.4
Overhead to income	48.5	48.4	45.3	45.6	45.6	45.0	42.5	42.9	41.7
Liquidity									
Short term gap	5.5	5.9	4.9	6.6	4.3	3.6	7.1	8.9	7.6
Liquid assets/total deposits	43.7	46.7	49.4	32.7	33.5	35.3	35.4	36.3	33.7
Interbank borrowings/total deposits	23.0	23.0	23.6	21.9	22.3	21.5	20.3	21.3	20.7
BNR borrowings/total deposits	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Gross loans/total deposits	108.7	108.9	106.5	109.0	106.3	107.2	105.7	108.0	108.8
Market sensitivity									
Forex exposure/core capital	-7.2	-7.8	-4.5	-6.1	-10.1	-5.6	-7.1	-8.6	-5.3
Forex loans/Forex deposits	44.1	46.7	49.4	45.4	38.4	39.5	41.0	46.5	51.3
Forex assets/Forex liabilities	79.8	80.4	76.5	82.0	88.1	91.2	91.0	91.0	83.6

Source: National Bank of Rwanda.

Table 6. Rwanda: External Financing Requirements and Sources, 2018–22

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

	2018	2019	2020	2021	2022
	Act.	Act.	Proj.	Proj.	Proj.
Financing needs	**890**	**1,054**	**1,311**	**1,387**	**1,458**
Current account deficit	756	935	1,728	1,191	1,243
Net payment to the IMF	-24	0	22	36	45
Reserve accumulation (+=increase)	158	120	-439	160	170
Financing sources[1]	**891**	**1,232**	**1,097**	**1,387**	**1,458**
Capital account	245	260	285	290	286
Financial account	647	972	813	1,097	1,172
Net errors and omissions	**-2**	**-178**	**0**	**0**	**0**
Financing gap	**0**	**0**	**213**	**0**	**0**
Additional financing sources	**0**	**0**	**183**	**0**	**0**
Financing from the IMF (RCF)[2]	0	0	109	0	0
Financing from the World Bank	0	0	73	0	0
Remaining financing gap	**0**	**0**	**31**	**0**	**0**

Source: Rwandan authorities, and IMF staff estimates and projections.

1/ Excluding changes in public and private transfers related to the COVID-19 pandemic.

2/ Assumes access of 50.0 percent of the quota in April 2020 as one-time disbursement.

Table 7. Rwanda: Indicators of Capacity to Repay the Fund, 2020–30[1]

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
IMF obligations based on existing credit (in millions of SDRs)												
Principal	Projected	16.0	26.0	32.0	32.0	24.0	12.0	2.0	0.0	0.0	0.0	0.0
Charges and interest	Projected	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
IMF obligations based on existing and prospective credit (in millions of SDRs)												
Principal	Projected	16.0	26.0	32.0	32.0	24.0	20.0	18.0	16.0	16.0	16.0	8.0
Charges and interest	Projected	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total IMF obligations based on existing and prospective credit												
In millions of SDRs	Projected	16.2	26.2	32.2	32.2	24.2	20.2	18.2	16.2	16.2	16.2	8.2
In millions of U.S. dollars	Projected	22.3	36.4	44.8	45.0	33.9	28.4	25.6	22.7	22.7	22.7	11.5
In percent of GDP	Projected	0.2	0.3	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.0
In percent of exports of goods and services	Projected	1.5	1.4	1.4	1.4	0.9	0.7	0.6	0.4	0.4	0.4	0.2
In percent of government revenue	Projected	1.2	1.7	1.9	1.7	1.2	0.9	0.7	0.6	0.5	0.5	0.2
In percent of gross international reserves	Projected	2.2	3.1	3.4	3.1	1.6	1.2	0.9	0.7	0.7	0.6	0.3
In percent of IMF quota	Projected	10.1	16.4	20.1	20.1	15.1	12.6	11.4	10.1	10.1	10.1	5.1
IMF credit outstanding (end-of-period)												
In millions of SDRs	Projected	208.3	182.2	150.2	118.2	94.1	74.1	56.1	40.1	24.0	8.0	0.0
In millions of U.S. dollars	Projected	288.4	253.2	209.4	165.1	132.0	104.3	78.9	56.4	33.8	11.3	0.0
In percent of GDP	Projected	2.7	2.2	1.6	1.2	0.9	0.6	0.4	0.3	0.2	0.0	0.0
In percent of exports of goods and services	Projected	19.6	9.5	6.7	5.1	3.7	2.6	1.7	1.1	0.6	0.2	0.0
In percent of government revenue	Projected	15.7	11.5	8.7	6.2	4.5	3.2	2.2	1.5	0.8	0.2	0.0
In percent of gross international reserves	Projected	28.8	21.8	15.7	11.4	6.1	4.3	2.9	1.8	1.0	0.3	0.0
In percent of IMF quota	Projected	130.0	113.8	93.8	73.8	58.8	46.2	35.0	25.0	15.0	5.0	0.0
Memorandum items												
Nominal GDP (in millions of U.S. dollars)	Projected	10,815	11,633	12,717	14,083	15,383	16,626	17,976	19,466	21,224	23,212	25,384
Exports of goods and services (in millions of U.S. dollars)	Projected	1,471	2,663	3,127	3,239	3,581	4,021	4,538	5,121	5,747	6,443	7,198
Government revenue (in millions of U.S. dollars)	Projected	1,831	2,201	2,406	2,668	2,945	3,217	3,513	3,842	4,230	4,671	5,157
Gross international reserves (in millions of U.S. dollars)	Projected	1,000	1,160	1,330	1,445	2,175	2,442	2,737	3,071	3,401	3,767	4,154
IMF quota (in millions of SDRs)	Projected	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2
SDRs per U.S. dollars	Projected	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7

Source: Rwandan authorities, and IMF staff estimates and projections.

1/ Assumes access of 50.0 percent of the quota in April 2020 as one-time disbursement.

Annex I. Debt Sustainability Analysis Update[1]

Rwanda: Risk Rating Summary

Joint Bank-Fund Debt Sustainability Analysis

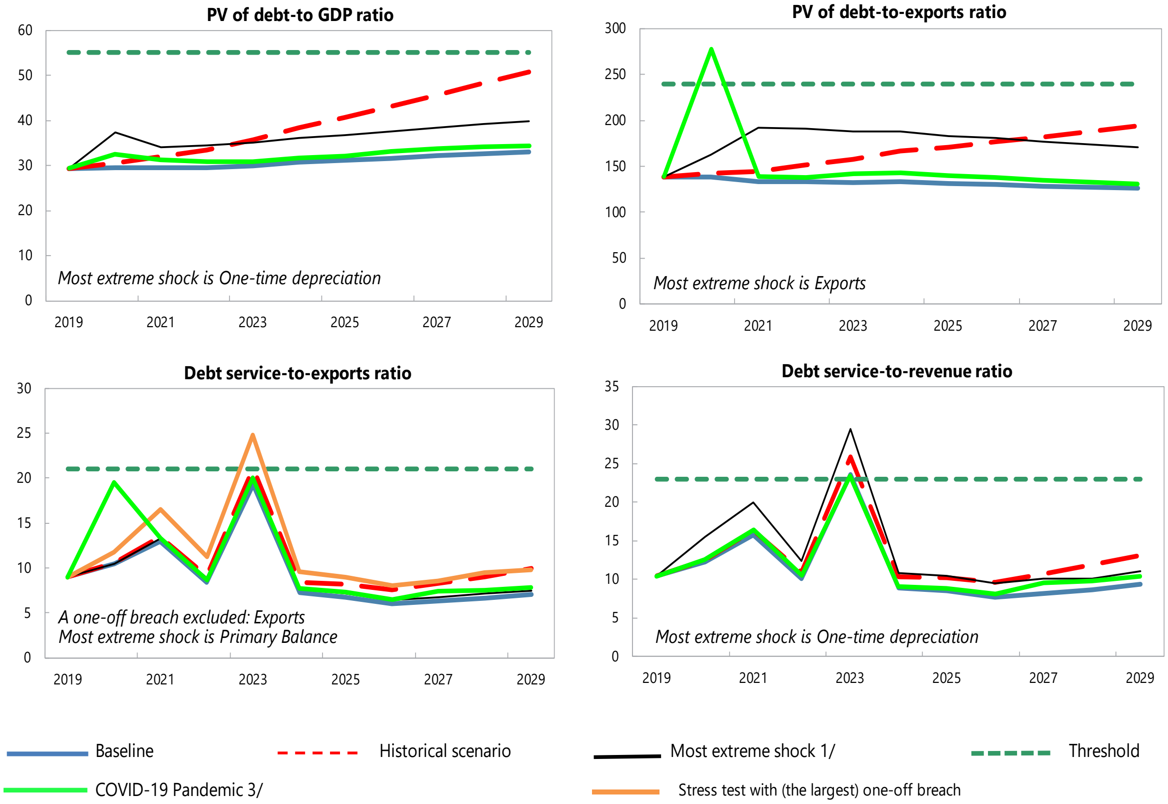
Risk of external debt distress	*Low*
Overall risk of debt distress	*Low*
Application of judgment	No

Rwanda's public debt is sustainable and remains at a low risk of external and overall debt distress. The DSA covers the central government as well as guarantees and debt held by all state-owned enterprises. This DSA is based on the baseline of the most recent DSA, published in July 2019, which will be updated in the next full DSA. A customized stress test to the most recent DSA is introduced to approximate the impact of the COVID-19 Pandemic on Rwanda's economy.[2] In this scenario, main macro variables such as real GDP growth and the primary balance in percent of GDP are shocked by -2.6 and -3.2 percentage points in 2020, respectively, compared to the baseline in the previous DSA. Exports are shocked by a significantly larger magnitude of -9.7 percentage points, to reflect lower receipts from tourism and goods exports due to weakening global demand. This produces a one-off breach to the PV of debt-to-exports ratio in 2020. All other external and public debt burden indicators remain under their respective thresholds under the baseline and stress tests, except for one-off breaches in the external debt service indicators in 2023 when the Eurobond issued in 2013 matures. These single one-year breaches are automatically discounted from the analysis according to the LIC-DSF guidance note. The current macroeconomic framework reflects currently available information. However, updates with respect to the economic impact and policy response to the COVID-19 crisis are rapidly evolving and risks are heavily tilted to the downside.

[1] Based on the previous DSA in the Staff Report for the 2019 Article IV Consultation and Request for a Three-Year Policy Coordination Instrument (Country Report No. 19/211).

[2] The COVID-19 Pandemic scenario is based on the projection described in the Staff Report, while other scenarios, including the baseline in this Annex, are based on the previous DSA.

Annex Figure 1. Rwanda: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2019–29 1/ 2/



Customization of Default Settings		
	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices 2/	n.a.	n.a.
Market Financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	1.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	6	6

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

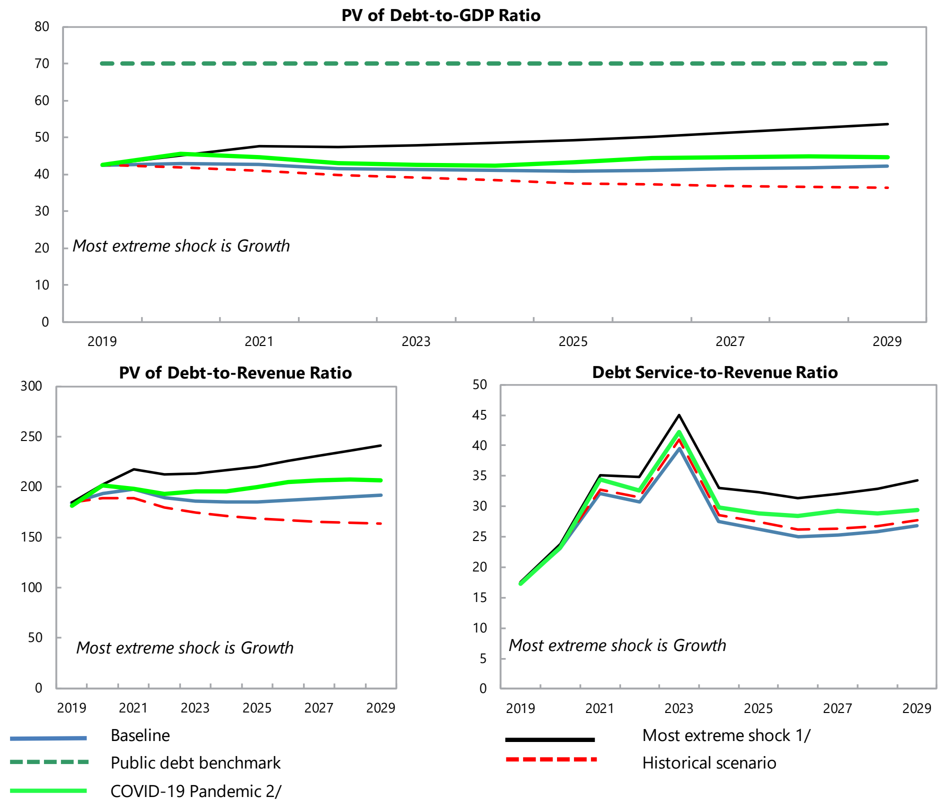
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

3/ COVID-19 Pandemic scenario is the customized shocks approximating the stress event and their impact captured in the Staff Report, while other scenarios are based on the baseline in the previous DSA (Country Report No. 19/211).

Annex Figure 2. Rwanda: Indicators of Public Debt Under Alternative Scenarios, 2019–29 1/



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	58%	58%
Domestic medium and long-term	15%	15%
Domestic short-term	27%	27%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	1.8%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.5%	5.5%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	1%	1.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

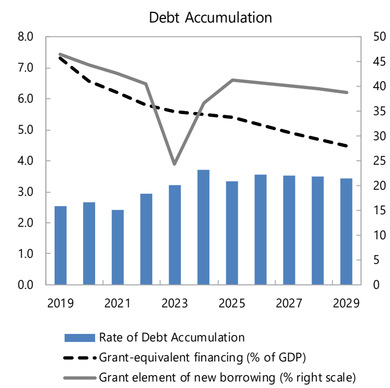
2/ COVID-19 Pandemic scenario is the customized shocks approximating the stress event and their impact captured in the Staff Report, while other scenarios are based on the baseline in the previous DSA (Country Report No. 19/211).

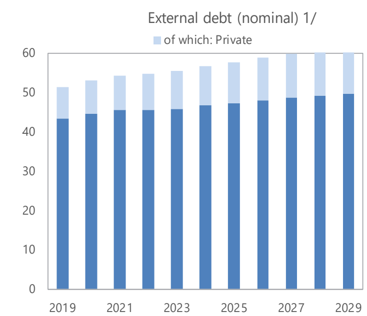
Annex Table 1. Rwanda: External Debt Sustainability Framework, Baseline Scenario, 2016–39

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	**43.8**	**46.4**	**50.0**	**51.3**	**53.0**	**54.3**	**54.8**	**55.3**	**56.6**	**61.8**	**69.9**	**29.6**	**56.7**
of which: public and publicly guaranteed (PPG)	**35.0**	**37.9**	**41.6**	**43.4**	**44.6**	**45.5**	**45.6**	**45.8**	**46.7**	**49.6**	**50.7**	**24.7**	**46.8**
Change in external debt	14.0	2.6	3.6	1.3	1.7	1.3	0.5	0.6	1.2	0.9	1.0		
Identified net debt-creating flows	**12.7**	**1.8**	**3.0**	**3.0**	**2.7**	**1.8**	**2.3**	**1.8**	**1.5**	**0.2**	**-1.6**	**5.5**	**1.6**
Non-interest current account deficit	**14.6**	**6.4**	**6.4**	**8.1**	**8.0**	**6.6**	**6.7**	**6.1**	**6.0**	**5.9**	**4.8**	**8.8**	**6.5**
Deficit in balance of goods and services	18.5	10.8	11.2	12.4	11.4	9.6	9.8	9.1	8.7	7.3	5.4	**16.0**	**9.2**
Exports	18.1	21.7	21.4	21.2	21.4	22.1	22.1	22.7	23.0	26.1	32.6		
Imports	36.6	32.5	32.7	33.6	32.8	31.8	32.0	31.7	31.7	33.4	38.0		
Net current transfers (negative = inflow)	-6.2	-6.5	-6.9	-6.7	-5.7	-5.3	-5.2	-4.8	-4.6	-3.8	-3.1	**-8.4**	**-4.8**
of which: official	-6.6	-6.6	-6.6	-6.5	-5.6	-5.0	-5.0	-4.5	-4.1	-2.6	-1.1		
Other current account flows (negative = net inflow)	2.3	2.1	2.1	2.3	2.3	2.2	2.1	1.8	1.9	2.4	2.6	**1.3**	**2.1**
Net FDI (negative = inflow)	**-2.6**	**-2.8**	**-3.0**	**-2.9**	**-2.8**	**-2.1**	**-1.8**	**-1.9**	**-2.1**	**-3.2**	**-4.5**	**-2.6**	**-2.5**
Endogenous debt dynamics 2/	**0.7**	**-1.8**	**-0.3**	**-2.2**	**-2.4**	**-2.6**	**-2.6**	**-2.5**	**-2.4**	**-2.4**	**-1.9**		
Contribution from nominal interest rate	1.3	1.4	1.5	1.4	1.4	1.4	1.4	1.3	1.4	1.6	2.2		
Contribution from real GDP growth	-1.7	-2.5	-3.8	-3.6	-3.8	-4.0	-4.0	-3.7	-3.8	-4.0	-4.1		
Contribution from price and exchange rate changes	1.1	-0.7	2.0	...	...	...	...	...	...	...	...		
Residual 3/	**1.3**	**0.8**	**0.6**	**-1.7**	**-1.1**	**-0.5**	**-1.8**	**-1.2**	**-0.3**	**0.7**	**2.6**	**-2.0**	**-0.5**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**29.0**	**29.4**	**29.6**	**29.4**	**29.6**	**29.9**	**30.7**	**33.0**	**34.6**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**135.2**	**138.4**	**138.0**	**132.9**	**133.6**	**132.1**	**133.4**	**126.2**	**106.1**		
PPG debt service-to-exports ratio	**6.3**	**7.2**	**7.8**	**9.0**	**10.5**	**13.0**	**8.4**	**19.3**	**7.2**	**7.0**	**11.3**		
PPG debt service-to-revenue ratio	**6.2**	**8.6**	**8.6**	**10.5**	**12.3**	**15.8**	**10.1**	**23.6**	**8.9**	**9.3**	**16.6**		
Gross external financing need (Billion of U.S. dollars)	1.2	0.6	0.6	0.9	1.0	1.1	1.1	1.5	1.2	1.7	4.4		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.0	6.1	8.6	7.8	8.1	8.2	8.0	7.5	7.5	7.2	6.5	**7.1**	**7.6**
GDP deflator in US dollar terms (change in percent)	-3.6	1.6	-4.2	-0.4	0.2	0.5	1.3	2.0	2.0	2.0	2.0	**-0.2**	**1.4**
Effective interest rate (percent) 4/	4.5	3.4	3.3	3.1	2.9	2.8	2.8	2.6	2.8	2.9	3.5	**3.1**	**2.8**
Growth of exports of G&S (US dollar terms, in percent)	4.4	29.0	3.0	6.2	9.3	12.4	9.3	12.3	11.3	11.6	11.6	**14.0**	**11.1**
Growth of imports of G&S (US dollar terms, in percent)	2.4	-4.4	4.8	10.5	5.6	5.4	10.0	8.8	9.4	9.9	10.7	**9.3**	**9.3**
Grant element of new public sector borrowing (in percent)	...	...	...	46.4	44.4	42.7	40.4	24.3	36.7	38.7	28.9	**...**	**39.6**
Government revenues (excluding grants, in percent of GDP)	18.4	18.1	19.3	18.3	18.2	18.2	18.4	18.6	18.8	19.7	22.3	**16.1**	**18.8**
Aid flows (in Billion of US dollars) 5/	0.7	0.8	1.1	0.9	0.8	0.9	0.8	0.8	0.9	1.3	2.1		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	7.3	6.6	6.2	5.8	5.6	5.5	4.5	3.1	**...**	**5.6**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	71.4	66.4	62.3	64.5	48.3	60.2	56.5	38.6	**...**	**61.0**
Nominal GDP (Billion of US dollars)	8	9	10	10	11	12	13	14	16	25	59		
Nominal dollar GDP growth	2.2	7.8	4.1	7.4	8.3	8.7	9.4	9.6	9.6	9.3	8.6	**6.9**	**9.1**
Memorandum items:													
PV of external debt 7/	...	...	37.4	37.3	37.9	38.2	38.7	39.4	40.6	45.2	53.8		
In percent of exports	...	...	174.2	175.9	177.1	172.5	175.0	174.1	176.4	173.0	165.1		
Total external debt service-to-exports ratio	12.7	13.2	15.4	16.6	17.5	20.1	15.9	26.9	15.0	15.4	21.9		
PV of PPG external debt (in Billion of US dollars)			2.8	3.0	3.3	3.5	3.9	4.3	4.9	8.2	20.3		
(PVt-PVt-1)/GDPt-1 (in percent)				2.5	2.7	2.4	2.9	3.2	3.7	3.4	3.1		
Non-interest current account deficit that stabilizes debt ratio	0.6	3.8	2.8	6.8	6.3	5.3	6.2	5.6	4.7	4.9	3.8		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

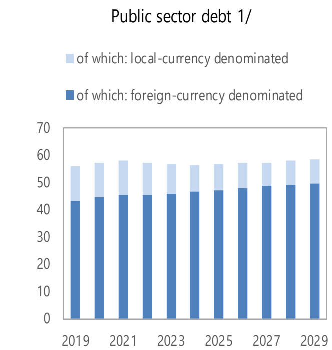
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

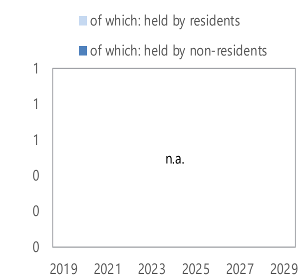
Annex Table 2. Rwanda: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016–39

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	44.2	48.9	53.1	55.8	57.3	58.2	57.2	56.7	56.5	58.4	62.8	32.4	57.2
of which: external debt	35.0	37.9	41.6	43.4	44.6	45.5	45.6	45.8	46.7	49.6	50.7	24.7	46.8
Change in public sector debt	8.8	4.6	4.2	2.7	1.5	0.9	-0.9	-0.6	-0.1	0.5	0.4		
Identified debt-creating flows	2.3	0.4	2.9	2.7	1.6	1.1	-0.6	-0.4	0.0	0.4	0.4	1.3	0.6
Primary deficit	2.7	3.6	3.5	4.9	5.0	4.8	3.6	3.6	4.1	4.3	3.8	2.6	4.3
Revenue and grants	23.5	22.9	24.1	23.1	22.2	21.6	22.0	22.2	22.1	22.0	23.4	24.0	22.1
of which: grants	5.1	4.7	4.9	4.8	3.9	3.4	3.6	3.7	3.4	2.3	1.1		
Primary (noninterest) expenditure	26.2	26.5	27.6	28.0	27.2	26.4	25.6	25.8	26.3	26.3	27.2	26.6	26.5
Automatic debt dynamics	-0.4	-3.1	-0.6	-2.3	-3.4	-3.7	-4.3	-4.0	-3.9	-3.8	-3.4		
Contribution from interest rate/growth differential	-1.7	-2.2	-3.0	-3.5	-4.1	-4.2	-4.2	-4.0	-3.9	-3.8	-3.5		
of which: contribution from average real interest rate	0.3	0.4	0.8	0.4	0.1	0.1	0.1	0.0	0.1	0.0	0.4		
of which: contribution from real GDP growth	-2.0	-2.6	-3.9	-3.8	-4.2	-4.3	-4.3	-4.0	-4.0	-3.9	-3.8		
Contribution from real exchange rate depreciation	1.3	-1.0	2.4	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	0.0	-0.1	-0.1
Privatization receipts (negative)	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (use of earmarked fund)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	0.0		
Residual	6.4	4.2	1.3	1.3	0.6	0.3	-0.3	-0.2	-0.2	0.1	0.1	2.1	0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	41.1	42.5	42.9	42.7	41.6	41.2	41.0	42.2	47.2		
PV of public debt-to-revenue and grants ratio	...	...	170.2	184.3	193.7	197.6	189.0	185.4	185.0	191.6	201.8		
Debt service-to-revenue and grants ratio 3/	28.6	29.3	29.5	17.5	23.1	32.1	30.7	39.5	27.5	26.8	34.1		
Gross financing need 4/	8.4	9.0	10.6	9.0	10.1	11.7	10.4	12.4	10.0	10.2	11.8		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.0	6.1	8.6	7.8	8.1	8.2	8.0	7.5	7.5	7.2	6.5	7.1	7.6
Average nominal interest rate on external debt (in percent)	2.2	2.5	2.3	2.2	2.1	1.9	1.8	1.5	1.7	1.7	1.8	1.8	1.8
Average real interest rate on domestic debt (in percent)	0.4	-0.8	7.2	4.2	0.9	1.0	1.1	1.7	1.7	2.3	3.9	1.6	2.0
Real exchange rate depreciation (in percent, + indicates depreciation)	5.1	-2.9	6.9	...	...	...	...	...	...	...	...	1.9	...
Inflation rate (GDP deflator, in percent)	5.5	7.3	-0.8	4.2	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.4	5.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-2.1	7.3	13.2	9.3	5.0	5.2	4.7	8.4	9.2	7.4	7.2	8.9	7.1
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-6.0	-1.0	-0.7	2.2	3.5	3.9	4.6	4.2	4.3	3.8	3.4	-2.6	3.8
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**No**





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security and extra budgetary funds, central bank, government-guaranteed debt, non-guaranteed SOE debt. Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Annex Table 3. Rwanda: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019–29

(In percent)

	Projections										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	**29.4**	**29.6**	**29.4**	**29.6**	**29.9**	**30.7**	**31.1**	**31.6**	**32.1**	**32.6**	**33.0**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	29.4	30.6	31.9	33.5	35.6	38.4	40.5	43.0	45.6	48.2	50.8
A2. Alternative Scenario :[COVID-19 pandemic] 3/	29.4	32.5	31.3	30.8	30.8	31.6	32.1	33.1	33.7	34.1	34.4
B. Bound Tests											
B1. Real GDP growth	29.4	30.7	31.8	31.9	32.3	33.1	33.6	34.2	34.7	35.2	35.6
B2. Primary balance	29.4	30.2	31.6	31.9	32.2	33.0	33.3	33.8	34.2	34.5	34.8
B3. Exports	29.4	31.2	33.8	33.8	33.9	34.5	34.7	35.1	35.4	35.5	35.6
B4. Other flows 2/	29.4	31.6	32.9	32.9	33.1	33.7	33.9	34.4	34.7	34.9	35.0
B6. One-time 30 percent nominal depreciation	29.4	37.4	34.0	34.4	35.0	36.1	36.7	37.6	38.3	39.1	39.8
B6. Combination of B1-B5	29.4	33.5	34.0	34.0	34.3	35.1	35.4	36.0	36.4	36.7	37.0
C. Tailored Tests											
C1. Combined contingent liabilities	29.4	31.4	31.7	31.9	32.4	33.1	33.4	33.9	34.4	34.7	35.0
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	29.4	33.0	32.9	33.0	33.4	34.3	34.7	35.3	35.9	36.4	36.8
Threshold	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**
PV of debt-to-exports ratio											
Baseline	**138.5**	**138.1**	**132.9**	**133.7**	**132.1**	**133.4**	**131.1**	**129.8**	**128.4**	**127.5**	**126.2**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	138.5	142.8	144.4	151.3	157.2	166.7	170.9	176.7	182.3	188.4	194.5
A2. Alternative Scenario :[COVID-19 pandemic] 3/	138.6	277.9	138.6	138.0	141.8	143.1	140.3	138.1	135.2	133.0	130.8
B. Bound Tests											
B1. Real GDP growth	138.5	138.1	132.9	133.7	132.1	133.4	131.1	129.8	128.4	127.5	126.2
B2. Primary balance	138.5	140.8	143.0	144.0	142.2	143.3	140.4	138.5	136.5	134.9	133.1
B3. Exports	138.5	163.0	191.6	191.4	187.7	187.9	183.4	180.5	177.2	174.1	171.0
B4. Other flows 2/	138.5	147.5	148.8	148.8	146.1	146.5	143.1	141.0	138.5	136.3	134.1
B6. One-time 30 percent nominal depreciation	138.5	138.1	121.5	122.8	122.0	124.0	122.4	121.8	121.0	120.9	120.5
B6. Combination of B1-B5	138.5	156.3	140.6	157.6	155.3	156.2	153.1	151.2	148.8	147.1	145.2
C. Tailored Tests											
C1. Combined contingent liabilities	138.5	146.7	143.1	144.0	142.8	144.0	141.1	139.3	137.3	135.9	134.1
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	138.5	138.1	132.9	133.7	132.1	133.4	131.1	129.8	128.4	127.5	126.2
Threshold	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**
Debt service-to-exports ratio											
Baseline	**9.0**	**10.5**	**13.0**	**8.4**	**19.3**	**7.2**	**6.8**	**6.1**	**6.3**	**6.6**	**7.0**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	9.0	10.6	13.5	9.1	21.2	8.4	8.2	7.6	8.3	9.1	9.9
A2. Alternative Scenario :[COVID-19 pandemic] 3/	9.0	19.5	13.3	8.7	20.0	7.7	7.3	6.5	7.4	7.5	**7.8**
B. Bound Tests											
B1. Real GDP growth	9.0	10.5	13.0	8.4	19.3	7.2	6.8	6.1	6.3	6.6	7.0
B2. Primary balance	9.0	10.5	13.2	8.9	19.8	7.7	7.2	6.4	6.7	7.1	7.5
B3. Exports	9.0	11.8	16.6	11.2	24.8	9.6	9.0	8.0	8.6	9.4	9.9
B4. Other flows 2/	9.0	10.5	13.2	8.8	19.7	7.6	7.1	6.3	6.9	7.3	7.7
B6. One-time 30 percent nominal depreciation	9.0	10.5	13.0	8.1	19.1	7.0	6.6	5.9	6.1	6.1	6.6
B6. Combination of B1-B5	9.0	11.1	14.8	9.6	21.8	8.3	7.8	6.9	7.5	7.8	8.2
C. Tailored Tests											
C1. Combined contingent liabilities	9.0	10.5	13.2	8.7	19.6	7.5	7.0	6.3	6.5	6.8	7.2
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	9.0	10.5	13.0	8.4	19.3	7.2	6.8	6.1	6.3	6.6	7.0
Threshold	**21**	**21**	**21**	**21**	**21**	**21**	**21**	**21**	**21**	**21**	**21**
Debt service-to-revenue ratio											
Baseline	**10.5**	**12.3**	**15.8**	**10.2**	**23.6**	**8.9**	**8.5**	**7.7**	**8.2**	**8.7**	**9.3**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	10.5	12.5	16.4	10.9	25.8	10.3	10.2	9.6	10.7	11.9	13.2
A2. Alternative Scenario :[COVID-19 pandemic] 3/	10.4	12.5	16.5	10.5	23.4	9.1	8.8	8.1	9.5	9.8	**10.4**
B. Bound Tests	10.4	12.5	16.5	10.5	23.4	9.1	8.8	8.1	9.5	9.8	**10.4**
B1. Real GDP growth	10.5	12.8	17.1	11.0	25.5	9.6	9.2	8.3	8.8	9.4	10.1
B2. Primary balance	10.5	12.3	16.1	10.7	24.1	9.4	9.0	8.2	8.7	9.3	9.9
B3. Exports	10.5	12.3	16.1	10.8	24.2	9.4	9.0	8.1	8.9	9.9	10.4
B4. Other flows 2/	10.5	12.3	16.1	10.6	24.0	9.3	8.9	8.0	8.9	9.6	10.2
B6. One-time 30 percent nominal depreciation	10.5	15.6	20.0	12.4	29.4	10.8	10.4	9.4	10.1	10.1	11.0
B6. Combination of B1-B5	10.5	13.0	17.5	11.3	26.0	9.9	9.5	8.6	9.5	10.0	10.6
C. Tailored Tests											
C1. Combined contingent liabilities	10.5	12.3	16.1	10.5	23.9	9.2	8.8	8.0	8.4	8.9	9.6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	10.5	12.3	15.8	10.2	23.6	8.9	8.5	7.7	8.2	8.7	9.3
Threshold	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Includes official and private transfers and FDI.

3/ COVID-19 Pandemic scenario is the customized shocks approximating the stress event and their impact captured in the Staff Report, while other scenarios are based on the baseline in the previous DSA (Country Report No. 19/211).

Annex Table 4. Rwanda: Sensitivity Analysis for Key Indicators of Public Debt, 2019–29
(In percent)

	Projections										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	**42.5**	**42.9**	**42.7**	**41.6**	**41.2**	**41.0**	**40.9**	**41.2**	**41.4**	**41.8**	**42.2**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	43	42	41	40	39	38	38	37	37	37	36
A2. Alternative Scenario :[COVID-19 pandemic] 3/	43	45	45	43	42	42	43	44	45	45	45
B. Bound Tests											
B1. Real GDP growth	43	45	48	47	48	49	49	50	51	52	54
B2. Primary balance	43	44	46	45	44	44	43	43	44	44	44
B3. Exports	43	44	47	46	45	45	44	45	45	45	45
B4. Other flows 2/	43	45	46	45	44	44	44	44	44	44	44
B6. One-time 30 percent nominal depreciation	43	48	45	42	40	38	37	36	35	35	34
B6. Combination of B1-B5	43	42	44	42	42	42	41	41	42	42	42
C. Tailored Tests											
C1. Combined contingent liabilities	43	47	46	45	44	44	43	44	44	44	44
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	43	43	43	42	41	41	41	41	41	42	42
Public debt benchmark	**70**	**70**	**70**	**70**	**70**	**70**	**70**	**70**	**70**	**70**	**70**
PV of Debt-to-Revenue Ratio											
Baseline	**184.3**	**193.7**	**197.6**	**189.0**	**185.5**	**185.0**	**185.2**	**186.6**	**188.0**	**189.7**	**191.6**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	184	189	189	179	175	171	168	167	165	164	163
A2. Alternative Scenario :[COVID-19 pandemic] 3/	181	201	198	193	195	196	200	205	207	207	207
B. Bound Tests											
B1. Real GDP growth	184	202	218	213	213	216	220	225	231	236	241
B2. Primary balance	184	199	213	203	198	197	196	197	198	199	200
B3. Exports	184	201	218	208	203	202	201	202	202	203	203
B4. Other flows 2/	184	203	214	204	200	199	198	199	200	200	201
B6. One-time 30 percent nominal depreciation	184	218	211	195	182	176	170	166	162	159	157
B6. Combination of B1-B5	184	192	202	193	189	188	187	188	189	190	192
C. Tailored Tests											
C1. Combined contingent liabilities	184	211	214	204	199	197	197	197	198	199	201
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	184	194	198	189	185	185	185	187	188	190	192
Debt Service-to-Revenue Ratio											
Baseline	**17.5**	**23.1**	**32.1**	**30.7**	**39.5**	**27.5**	**26.3**	**25.0**	**25.3**	**25.8**	**26.8**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	18	23	33	32	41	29	27	26	26	27	28
A2. Alternative Scenario :[COVID-19 pandemic] 3/	17	23	34	33	42	30	29	28	29	29	29
B. Bound Tests											
B1. Real GDP growth	18	24	35	35	45	33	32	31	32	33	34
B2. Primary balance	18	23	34	34	42	30	28	26	26	27	28
B3. Exports	18	23	32	31	40	28	27	25	26	27	28
B4. Other flows 2/	18	23	32	31	40	28	27	25	26	27	28
B6. One-time 30 percent nominal depreciation	18	23	34	31	43	28	27	25	25	26	27
B6. Combination of B1-B5	18	23	32	32	40	28	27	25	26	26	27
C. Tailored Tests											
C1. Combined contingent liabilities	18	23	38	33	43	29	27	26	26	26	27
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	18	23	32	31	39	28	26	25	25	26	27

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

2/ Includes official and private transfers and FDI.

3/ COVID-19 Pandemic scenario is the customized shocks approximating the stress event and their impact captured in the Staff Report, while other scenarios are based on the baseline in the previous DSA (Country Report No. 19/211).

Appendix I. Letter of Intent

Kigali, March 26, 2020

Ms. Kristalina Georgieva
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
USA
Managing Director

Dear Managing Director:

The COVID-19 Pandemic is causing a significant impact on Rwanda's economy, potentially undoing hard-won macroeconomic gains and endangering our development agenda. The economy was performing well before the outbreak as CY 2019 is expecting to register a double-digit GDP growth and the growth momentum was projected to continue in 2020. However, the spread of the virus in all continents has prompted sharp declines in travel and tourism-related events in the country and businesses are being disrupted. The economic impact was being felt even before the first confirmed case was reported on March 14 when trade with China, one of Rwanda's largest partners, was disrupted and key sectors such as tourism have come to a grinding halt following the cancellation of flights and large conferences in the capital Kigali. Since then, the impact from the Pandemic has accelerated as the number of cases started to climb, and to contain and mitigate the spread of the disease, the country is now in lockdown measures, since March 21, that have included, closing our international airport, borders and schools, and limiting unnecessary movements outside the home. We have also started to respond to the needs arising from the Pandemic timely, scaling up health care spending. The Pandemic comes on the back of disaster management outlays already underway to address the damage caused by the torrential rains at the beginning of this year.

The full impact of the lockdown response on the economy is yet to be seen, a ministerial task force has been established to track the economic impact and to come up with policy measures. Our preliminary projections suggest that real GDP growth could decline from 10.1 percent in 2019 to 5.1 percent in 2020—down from a pre-pandemic projection of 8 percent at the time of the first review of the PCI arrangement—owing to headwinds faced by the external sector and disruptions to tourism, trade, transport, communications and industry sectors. GDP growth projection for 2020 is surrounded with uncertainty due to the nature of the crisis the world is dealing with. If containment measures are extended in the country and outside, then GDP growth for this year would contract further. But due to the uncertainty surrounding these projections with events changing rapidly, we will revisit them in one-month time to take into account new developments. Inflation is expected to average 6.9 percent in 2020 compared to 2.4 percent in 2019 due to adverse shocks to food supply moderated by dampening demand factors.

The Pandemic is having a substantial impact on the budget. Tax revenue have started to decline, reflecting especially the impact of the Pandemic on the trade and services sectors, while the unprecedented spending pressures are depleting our fiscal buffers. We are projecting a shortfall of 1.3 percent of GDP in revenues this FY 2019/20 and 0.5 percent of GDP in the next FY 2020/21 as economic activity is expected to return to normal slowly after the crisis. On the spending side, the uncertainties about the duration and potential spread of the Pandemic are complicating a full assessment of the impact and its cost to the budget. Currently, the estimated total cost of our emergency response plan, including COVID-19 health-related spending, is estimated at RWF150 billion over two years (or 0.8 percent of GDP in FY2019/20 and 0.6 percent of GDP in FY 2020/21). Moreover, the government is working on a countercyclical fiscal policy package that may include targeted tax relief measures for firms affected by the crisis and fiscal support necessary to avoid sharp increases in unemployment and bankruptcies that could cause more lasting damage to the economy. More financing will be required to implement these policies and additional fiscal stimulus package to help the economy bounce back.

Our external account is expected to worsen. The current account deficit is projected to widen by 16 percent of GDP compared to 9.9 percent of GDP projected at the time of the first review of the PCI, reflecting lower exports of agricultural products and a decline in tourism receipts. Inflows related to expatriate workers and business travelers for conferences in Kigali are also projected to be lower. Moreover, indications are that FDI inflows are impacted. Pressure on the exchange rate has increased and the projections show an external financing gap of US$213 million due to the Pandemic.

The National Bank of Rwanda (BNR, Rwanda's central bank) on its part is responding by announcing measures to help buttress the economy from tightening financial conditions and the Pandemic's impact on the financial sector. These measures include, easing of loan repayment conditions to borrowers affected by the COVID-19 Pandemic; additional liquidity support beyond existing central bank facilities, such as, new extended lending facility to banks, modified existing Treasury bonds rediscounting window, reduced reserve requirement ratio; and the temporary elimination of charges related to the use of digital channels and mobile payments agreed with mobile network operators and banks. BNR will continue to monitor price developments and stands ready to act as needed. Given pressure on the exchange rate and the heightened uncertainty, BNR remains committed to maintaining exchange rate flexibility as a shock absorber and preserving an adequate international reserve cover. BNR intervention will be limited to avoid excessive exchange rate volatility.

Against this background, and in the face of the urgent BOP need arising from the Pandemic, the Government of Rwanda requests emergency financing from the IMF under the Rapid Credit Facility (RCF) in the amount of SDR80.1 million, equivalent to 50 percent of our quota, to ease the pressure on our fiscal resources and official foreign reserves. We would request that the funds be disbursed as direct budget support to the Ministry of Finance and Economic Planning's account at BNR. In view of this, a memorandum of understanding has been signed between the Government of Rwanda and BNR on their respective responsibilities for servicing financial obligations to the IMF. Coupled with the support from other development partners, including the World Bank, this disbursement will help fill the projected fiscal gap and cushion our foreign exchange reserves in 2020. Also, we are confident that IMF involvement in the international effort to assist Rwanda in dealing with the economic fallout from the Pandemic will play a catalytic role in securing additional financing from our development partners.

The government of Rwanda remains fully committed to meeting the objectives of the PCI-supported program. We value our cooperation with the IMF and do not intend to introduce measures or policies that would exacerbate balance of payments difficulties. We have met all December 2019 quantitative targets and made substantial progress in achieving the reform targets under the program. However, significant uncertainty about the economic outlook due to the evolving nature of the Pandemic makes completing the second review of the PCI arrangement difficult at this time. Even as we contemplate an increase in public spending to carry out emergency response, we are aware of the need to ensure that this would not jeopardize macroeconomic stability and ensure that public debt-to-GDP ratios remain sustainable. Once the crisis subsides, we will stand ready to undertake fiscal consolidation over the medium-term to achieve the PCI objectives. The fiscal cost associated with the Pandemic and torrential rains has also prompted a discussion in the government on the need for an escape clause in our fiscal rule to allow for emergency spending associate with such catastrophic events, which we plan to discuss with IMF staff in the context of the next PCI review.

In line with IMF safeguards policy, we commit to undergo an update of the 2016 safeguards assessment before IMF Board approval of any subsequent arrangement to which the safeguards policy applies, provide IMF staff with the central bank's most recently completed external audit reports, and authorize our external auditors to hold discussions with IMF staff. We are happy to report that we have implemented all safeguards recommendations from the 2016 assessment and the BNR continues to publish its audited financial statements.

We authorize the IMF to publish this Letter and the staff report for the request for disbursement under the RCF.

Sincerely yours,

/s/

The Hon. Uzziel Ndagijimana
Minister of Finance and Economic Planning

/s/

John Rwangombwa
Governor, National Bank of Rwanda

Statement by the Executive Director, Mohamed-Lemine Raghani,
the Senior Advisor of the Executive Director, Mr. Marcellin Koffi Alle, and
the Advisor of the Executive Director, Ms. Loy Nankunda on Rwanda
April 2, 2020

On behalf of our Rwandan authorities, we would like to thank the Board, Management, and Staff for the Fund's continued support. The authorities particularly appreciate staff work under these difficult circumstances and Management's swift response to their request for an emergency assistance. A disbursement under the Rapid Credit Facility (RCF) would be instrumental in supporting their policy response to the socio-economic fallout from the COVID-19 pandemic. They broadly share the staff report as a fair account of their recent discussions.

The Rwandan economy was continuing its pace of high growth and macroeconomic stability in 2019. The performance under the Policy Coordination Instrument-supported program was strong as evidenced by the end-2019 preliminary data pertained to the second review of the arrangement. In early 2020, heavy rains and subsequent floods hit Rwanda, causing fatalities, sweeping away homes and destroying farms. The government was still coping with the budgetary pressures related to the outlays to address the flood-caused damages when the COVID-19 pandemic hit. The already stretched budget had to accommodate additional spending stemming from the government's early response to the pandemic and its economic fallout. Our authorities are requesting an assistance under the RCF in the amount of SDR 80.1 million, equivalent to 50 percent of Rwanda's quota. They are convinced that the Fund assistance will help support the budget, enhance international reserves and hence pave the way for a quick economic recovery when the pandemic fades out. This will also help maintain the overall macroeconomic stability and facilitate a recalibration of the PCI-supported program in due course.

1. The Economic Impact of the COVID-19 Pandemic

Rwanda reported its first case of COVID-19 infection on March 14; as of March 29, it has climbed to 70 cases. The Government's early response to the Pandemic was based on a national contingency health plan and emphasized containment, preparedness, suspension of flights to selected destinations, and a communication campaign to enhance awareness while intensive care units were being upgraded. Social distancing measures were added to the set when the first case was reported, including teleworking, closure of schools and places of worship, and cancelation of public gatherings including big conferences. The authorities recently enacted more stringent measures as the number of infections increased. The country is now on lockdown: all borders are now closed including the Kigali airport, working from home has been generalized and movements of people strictly restricted.

The global developments of the pandemic have had a severe impact on Rwanda's economy even before the country reported its first case. The main channels through which the economy is being affected are trade and tourism, but spillovers to all other sectors are noticeable. The disruptions of trade, mainly with China, source of more than 20 percent of Rwanda's imports, have had an adverse impact on local activities. Exports have been affected as well. The restrictions on travels, followed by the closure of the Kigali airport, have also hit hard the business tourism industry.

As a result of these adverse developments, the once strong macroeconomic figures are projected downward and risks are also tilting to the downside. Real GDP growth is projected to halve in 2020, standing at 5.1 percent against 10.1 in 2019. Public finances are under mounting pressures as revenue falls and spending increases. Trade disruptions translated into lower-than-expected revenue from international trade taxes and VAT, while non-tax revenue, including in the tourism industry was declining. On the spending side, disaster-management outlays are now compounded by manifold spending sources to take care of infected people and contain the spread of the pandemic. The overall impact of falling revenue and increasing spending is the widening of the fiscal deficit.

On the external front, the pandemic has created an urgent balance of payments need, which requires support from international partners to be fixed. The combination of the fall in tourism receipts, a significant decline in traditional exports (tea, coffee, and minerals), decreased FDI and capital flows and lower remittances, led foreign exchange reserves to dwindle. Absent support to address the widening pace of the current account deficit, reserves of the National Bank of Rwanda (BNR, Rwanda's central bank) are projected to fall below 3 months of prospective imports cover in 2020, well below the country's adequate level of 4–5 months.

2. The Government's Policy Response to the Pandemic

Besides health measures implemented by our authorities to contain the spread of the COVID-19, they have also put in place fiscal and monetary, financial and exchange rate policies to respond to the economic fallout from the pandemic.

Fiscal Policy

The authorities' main fiscal response to the COVID-19 consists of increasing the fiscal deficit to accommodate the impact of the pandemic. Over the next two years, public finances should bear an estimated total cost of 3.4 percent of GDP including both revenue losses and increases in public spending. This would add respectively 2.2 and 1.5 ppts of GDP in FY 19/20 and FY 20/21 to the programmed debt-creating fiscal deficits, excluding Peace Keeping Operations. The assistance from the Fund, the World Bank and other partners should help ease the pressures on the budget. Going forward, our authorities are committed to reverting to the program fiscal rule once the pandemic subsides and the economy gets back on track.

The authorities are also working on a plan for a direct support to affected businesses and households. In this regard, the FY 20/21 budget will prioritize public health and social spending. Furthermore, the government is contemplating forms of financial support to hard-hit sectors, small and medium-sized enterprises (SMEs) and individuals, and targeted tax relief measures for affected firms. Meanwhile, a program of door-to-door food distribution to vulnerable people affected by the government lockdown has already started.

Monetary, Financial, and Exchange-Rate Policies

To limit the negative effects of the pandemic, our authorities are cognizant that the coordination between monetary and fiscal policies has become more relevant than ever before to keep aggregate demand afloat, while containing potential inflationary pressures stemming from inbound supply disruptions. Thus, the BNR is implementing liquidity support measures to limit the economic impact of the pandemic on the banking system. These measures include: (i) creating an extended lending facility worth RWF 50 billion available to banks in need, which can borrow at policy rate, for the next six months; (ii) purchasing Treasury bonds through the rediscount window for the next six months and; (iii) lowering the reserve requirement ratio by 100 basis points, from 5 to 4 percent, effective from April 1. The authorities are also discussing measures to support microfinance institutions and their clients.

The BNR is committed to pursuing a data-driven monetary policy. In this regard, it is monitoring inflation developments. Even though the authorities expect current supply shock inflationary pressures to be partially offset by lower aggregate demand, they stand ready to act appropriately if warranted.

The central bank has also taken measures to help maintain the financial health of the banking sector in view of risks presented by borrowers affected by the impact of the pandemic. In this regard, it has exceptionally allowed banks to prudently restructure outstanding loans of affected borrowers. The BNR's detailed recommendations for these operations should help preserve loan classification and provisioning standards. Charge-free digital procedures and mobile payments are also being promoted to contain the transmission of the virus through bank notes.

Our authorities are committed to maintaining exchange rate flexibility as a shock absorber, especially at this moment of heightened uncertainty. Likewise, they agree to limiting foreign exchange market interventions at this juncture, to avoid excessive exchange rate volatility. They are also hopeful that their initiatives to seek support from the Fund and their development partners will bear fruits and help preserve an adequate international reserve cover.

Conclusion

Rwanda's economy was growing at a strong pace when it was hit by the effects of the global COVID-19 pandemic. The disruptions of trade and international value chains have had an adverse impact on the country's revenue and foreign exchange reserves. The health crisis that is generating spending pressures and consuming resources was compounded by an economic crisis causing revenue fall. Our authorities have responded swiftly to both crises, stepping up measures to contain the spread of the pandemic and pursuing a policy mix to dampen the associated economic fallout.

In view of the sizeable fiscal financing gap and balance of payment needs, and the authorities' commitment to pursue the appropriate policies to mitigate the impact of the pandemic and help for a quick recovery, we would appreciate Executive Directors' support for a disbursement under the Rapid Credit Facility.