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RWANDA

December 2024

FOURTH REVIEW UNDER THE POLICY COORDINATION INSTRUMENT, SECOND AND FINAL REVIEW UNDER THE STAND-BY CREDIT FACILITY ARRANGEMENT, FOURTH AND FINAL REVIEW UNDER THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND REQUEST FOR THE MODIFICATION OF END-JUNE 2025 QUANTITATIVE TARGET FOR THE POLICY COORDINATION INSTRUMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR RWANDA

In the context of the Fourth Review Under the Policy Coordination Instrument, Second and Final Review Under the Stand-By Credit Facility Arrangement, Fourth and Final Review Under the Arrangement Under the Resilience and Sustainability Facility, and Request for the Modification of End-June 2025 Quantitative Target for the Policy Coordination Instrument, 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 December 13, 2024, following discussions that ended on October 22, 2024, with the officials of Rwanda on economic developments and policies underpinning the IMF arrangement under the Policy Coordination Instrument, the Stand-By Credit Facility Arrangement, and the Resilience and Sustainability Facility. Based on information available at the time of these discussions, the staff report was completed on November 25, 2024.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the World Bank.
- A **World Bank Assessment Letter Update** for the Resilience and Sustainability Facility
- A **Statement** by the Executive Director for Rwanda.

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PRESS RELEASE

PR 24/469

IMF Executive Board Concludes the Fourth Reviews under the Policy Coordination Instrument and the Resilience and Sustainability Facility, and the Second Review under the Stand-by Credit Facility for Rwanda

FOR IMMEDIATE RELEASE

- The IMF Executive Board today concluded the fourth review under the Policy Coordination Instrument (PCI), the fourth and final review of the arrangement under the Resilience and Sustainability Facility (RSF), and the second and final review under the Standby Credit Facility (SCF). This allows for an immediate disbursement of about US$ 94.23 million (SDR 71.87636 million) under the RSF and US$ 87.51 million (SDR 66.75 million) under the SCF.
- Notwithstanding the challenging policy environment, Rwanda's economic growth continues to be among the strongest in the Sub-Saharan African region, but fiscal and external vulnerabilities remain high. To facilitate adjustment and rebuild policy buffers fiscal consolidation needs to accelerate, with a stronger focus on domestic revenue mobilization.
- Program performance under the PCI/SCF has been strong, with successful reforms enhancing public investment transparency and FX market functioning. The RSF has been successfully completed ahead of schedule, with all reform measures implemented six months early. Rwanda continues to lead in climate initiatives, driving institutional reforms and innovative climate finance mobilization.

Washington, DC – **December 13, 2024:** The Executive Board of the International Monetary Fund (IMF) concluded the fourth reviews under the Policy Coordination Instrument and the arrangement Under the Resilience and Sustainability Facility, and second review under the Standby Credit Facility arrangement for Rwanda.[1] With the completion of these reviews, about US$ 94.23 million (SDR 71.87636 million) under the RSF and US$ 87.51 million (SDR 66.75 million) under the SCF become available.

Despite a challenging external environment, Rwanda's economy has maintained robust growth, driven by strong performance of the services and construction sectors, and a recovery in food crop production. While fiscal consolidation may moderately dampen the near-term growth, a rebound is anticipated in the medium term. Since the beginning of the year, inflation has stabilized at around 5 percent, the mid-point of the central bank's target range, owing to appropriately tight monetary policy and favorable developments in food prices. The current account deficit widened more than expected in 2024 due to strong capital goods imports, but international reserves are projected to remain adequate at about 4.5 months of imports at end-2024, including RSF disbursements.

[1] The PCI and RSF arrangement were approved on December 12, 2022, the latter with a total amount of SDR 240.3 million (about US$ 321.66 million or 150 percent of quota), and the second reviews were completed on December 14, 2023. A 14-month SCF amounting to US$ 268.05 (SDR 200.25 million) was approved on December 14, 2023.

To ensure Rwanda's economic stability and growth, policies should focus on maintaining macroeconomic and financial stability, ensuring fiscal sustainability, and rebuilding policy buffers. Accelerating domestic revenue mobilization will be critical to restore Rwanda's policy space for responding to shocks and achieving its development objectives. Continued progress on expenditure rationalization and mitigating fiscal risks from SOEs is also needed. Monetary policy should aim to control inflation and maintain exchange rate flexibility to handle external shocks. Additionally, vigilant oversight of financial stability, especially regarding large exposures and rapid credit growth, is crucial.

Program performance remains strong with these reviews concluding the SCF and RSF arrangements. Under the PCI/SCF, all quantitative targets/performance criteria were met, and reforms that enhance the transparency of public investments and strengthen FX market functioning were implemented. With the completion of the RSF, the authorities have made significant progress in integrating climate considerations into their macroeconomic policies, establishing frameworks to address investors' concerns regarding developing innovative financing instruments that can make climate resources affordable. Together with the implemented institutional reforms, development of a strong green project pipeline will help catalyze additional climate financing, enhancing the RSF's impact.

At the conclusion of the Executive Board's discussion, Mr. Bo Li, Deputy Managing Director, and Acting Chair, made the following statement:

"Rwanda's economy has shown resilience, supported by robust growth in key sectors and a recovery in agricultural production. Inflation has remained stable within the central bank's target range, reflecting effective monetary policy actions. However, the economy continues to face external vulnerabilities, including a widening current account deficit and exchange rate pressures. The recent Marburg virus outbreak highlighted Rwanda's health vulnerabilities but also its swift and effective response.

"Fiscal consolidation remains essential to preserving macroeconomic stability and rebuilding buffers. Efforts to enhance domestic revenue mobilization should focus on broadening the tax base, streamlining exemptions, and improving compliance. Rationalizing expenditures and increasing the efficiency of public investments are also important for creating fiscal space while addressing fiscal risks, particularly from state-owned enterprises.

"Monetary and financial policies remain focused on maintaining stability. The forward-looking and data-driven monetary policy framework needs to keep inflation within the target range, while greater exchange rate flexibility is critical for managing external shocks and supporting the current account adjustment. Strengthened oversight, enhanced risk monitoring, and additional capital buffers are necessary to mitigate financial sector vulnerabilities, including large exposures and rapid credit growth, and to safeguard financial stability.

"Rwanda is advancing structural reforms focused on macroeconomic stability, as well as fiscal and monetary policies. Recent reforms to enhance the transparency of public investments and strengthen the functioning of the foreign exchange market mark notable progress. Looking ahead, priorities include domestic revenue mobilization, improved governance of state-owned enterprises, public finance management digitization, and further strengthening monetary policy operations and central bank independence.

“Rwanda has made significant progress in integrating climate considerations into its macroeconomic policies. The early completion of reforms under the RSF reflects strong climate agenda ownership, which is crucial for ongoing efforts to mobilize climate financing. These reforms are enhancing the country’s capacity to address climate-related challenges while creating opportunities for sustainable investment. Continued collaboration with development partners will be key to advancing Rwanda’s climate goals.”

Rwanda: Selected Economic Indicators, 2023-29

	2023 Act.	2024 Est.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
Output							
Real GDP growth (%)	8.2	8.3	7.0	7.0	7.2	7.3	7.3
Prices							
Inflation - average (%)	14.0	5.0	5.0	5.0	5.0	5.0	5.0
Central government finances (fiscal year)[1]							
Revenue (% GDP)[2]	22.2	21.5	21.3	22.5	23.3	23.0	23.3
Expense (% GDP)[2]	18.7	17.9	17.5	16.8	16.7	16.5	16.3
Fiscal balance (% GDP)[3]	-7.3	-6.9	-5.6	-3.3	-3.1	-3.0	-3.0
Public debt (% GDP)	73.5	77.5	80.0	78.9	77.1	74.9	71.7
External public debt (% GDP)	56.9	65.4	67.5	70.2	70.4	70.0	67.3
Money and credit							
Broad money (% change)	22.8	11.1	13.8	9.2	13.9	12.7	12.6
Credit to private sector (% change)	19.9	16.3	12.1	10.4	12.0	9.7	10.9
Policy Rate, end-of-period (%)	7.5	...	...	...	...	...	...
Balance of Payments							
Current account (% GDP)	-11.7	-13.1	-12.1	-11.2	-10.5	-9.7	-8.2
Reserves (in months of imports)	4.0	4.3	4.0	4.1	4.1	4.2	4.3
Exchange rate							
REER (% change)	-0.8	...	...	...	...	...	...

Sources: Rwandan authorities and IMF staff estimates.

[1] Based on fiscal year (i.e., 2023 represents 2022/23).

[2] Revenue and expenditure use GFSM 2014 presentation.

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

INTERNATIONAL MONETARY FUND

RWANDA

November 25, 2024

FOURTH REVIEW UNDER THE POLICY COORDINATION INSTRUMENT, SECOND AND FINAL REVIEW UNDER THE STAND-BY CREDIT FACILITY ARRANGEMENT, FOURTH AND FINAL REVIEW UNDER THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND REQUEST FOR THE MODIFICATION OF END-JUNE 2025 QUANTITATIVE TARGET FOR THE POLICY COORDINATION INSTRUMENT

EXECUTIVE SUMMARY

Context. Economic growth remains robust, with inflation stable at the midpoint of the target range. Supported by the Policy Coordination Instrument (PCI), Resilience and Sustainability Facility (RSF), and the Stand-by Credit Facility (SCF) Rwanda is advancing its structural reforms focused on macroeconomic stability, fiscal and monetary policy, and climate resilience. The recent Marburg virus disease outbreak highlighted Rwanda's vulnerability to diseases, but also demonstrated the country's strong capacity to respond to such events. The authorities remain committed to advancing their reform agenda.

Policy recommendations. The overall policy mix should be guided by preserving macroeconomic and financial stability, ensuring fiscal sustainability, rebuilding buffers, and advancing the socio-economic resilience agenda. Given the balance of risks and uncertainty around the outlook, an overall tight policy stance to facilitate adjustment and rebuild policy buffers is warranted. To sustain progress, it is essential to advance the fiscal consolidation strategy, with a stronger focus on domestic revenue mobilization.

Program performance. Performance under the PCI, RSF, and SCF continues to be strong, with this review concluding SCF and RSF arrangements. All quantitative targets under the PCI, quantitative performance criteria under the SCF arrangement, and standard continuous targets were met. Rwanda has successfully completed all RSF commitments, six-months ahead of its initial timeline. Rwanda remains a forerunner on climate initiatives, spearheading both institutional reforms and innovation in mobilizing climate finance.

Staff supports the completion of the fourth PCI/RSF reviews and the second SCF review. Staff supports the authorities' request under the PCI to modify the end-June 2025 quantitative target on the ceiling on the debt-creating overall deficit. The authorities' strong commitment to reforms—including maintaining fiscal and external sustainability while rebuilding external buffers and advancing climate-related reforms—warrants continued Fund support.

Approved By

Catherine Pattillo (AFR) and Fabian Bornhorst (SPR)

The mission comprised Ruben Atoyan (Mission Chief), Maria Gelrud, Irena Jankulov Suljagić, Marina Marinkov (all AFR), Karim Foda (SPR), Tumer Kapan (MCM), and Gabor Pula (Resident Representative in Kigali Office). Loy Nankunda (OEDAF) also attended mission meetings. The mission was facilitated by Patience Mugishakazi (staff of the resident representative's office in Kigali). Enrique Chueca Montuenga and Mireille Nsanzimana (AFR) assisted in the preparation of this report. Discussions were held in a hybrid mode in Kigali, Rwanda and Washington, DC from October 9-22, 2024. The team met with the Minister of Finance and Economic Planning, Yusuf Murangwa, Governor of the National Bank of Rwanda, John Rwangombwa, as well as other senior government officials. Staff also had productive discussions with development partners and heads of commercial banks.

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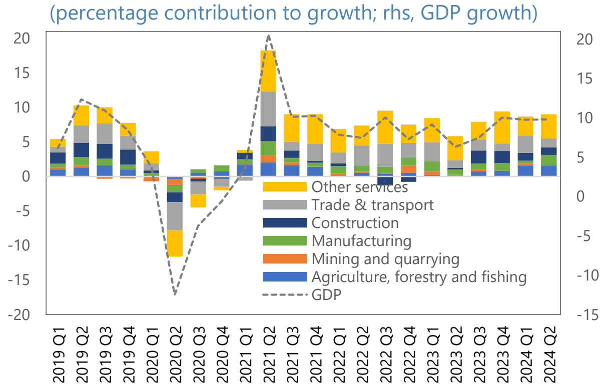
CONTEXT AND RECENT DEVELOPMENTS

1. **These reviews mark the successful conclusion of ambitious, multi-dimensional Resilience and Sustainability Facility (RSF) and Stand-by Credit Facility (SCF) arrangements supported by Fund resources.** Rwanda became the first African country to receive an RSF in 2022, aimed at enhancing resilience to climate change, alongside the Policy Coordination Instrument (PCI) to bolster macroeconomic policies and reforms. Rwanda's vulnerability to climate change shocks and the 2023 floods prompted the request for the SCF to recalibrate its near-term policy mix. Under the three programs, the authorities have demonstrated strong commitment to a comprehensive homegrown reform agenda to help reshape the Rwandan economy and increase resilience to climate-induced shocks. Going forward, the PCI will continue to serve as the main policy framework to support the authorities' medium-term policy objectives.

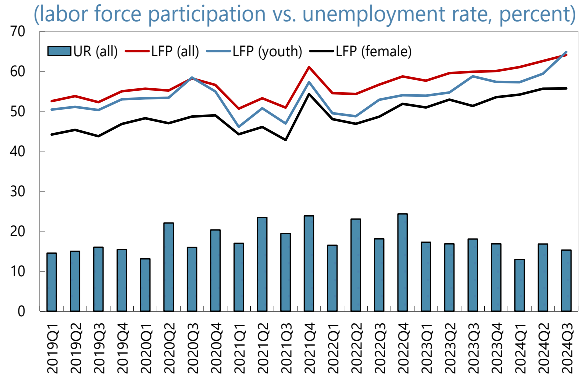
2. **Rwanda's economic growth momentum remains robust.** Real GDP grew by 9.7 and 9.8 percent year-on-year in 2024Q1 and 2024Q2, respectively. The agricultural sector recovered, with gains in food crop production. Industry saw solid growth, particularly in construction (Figure 1). The services sector benefited from robust trade, transport, and telecommunications activities. Despite a notable increase in labor force participation, the unemployment rate remains elevated at 15.3 percent in 2024Q3, exceeding pre-pandemic levels, particularly among women and youth. There was a notable surge in the participation of youth due to more students entering the labor force.

Rwanda: Sectoral Contributions to GDP Growth
(percentage contribution to growth; rhs, GDP growth)



Source: Rwandan Authorities and IMF staff calculations.

Rwanda: Labor Dynamics
(labor force participation vs. unemployment rate, percent)

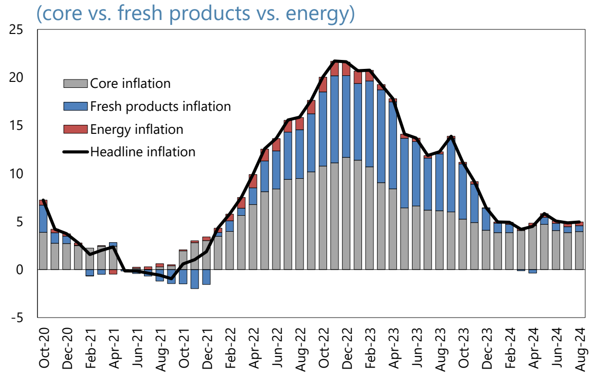


Source: Rwandan Authorities and IMF staff calculations.

3. **Inflation stabilized near the midpoint of the 2-8 percent target band**. Inflation edged up in April, primarily due to rising transportation costs after the government removed pandemic-related transport subsidies. Since then, both headline and core inflation have stabilized as food price pressures eased due to a good agricultural season, at 5 and 5.6 percent (y/y), respectively, in August (Figure 1). In October, headline inflation fell to 3.8 percent driven by a drop in fresh food inflation, while core inflation decreased to 5.2 percent (y/y). Instantaneous headline inflation—which

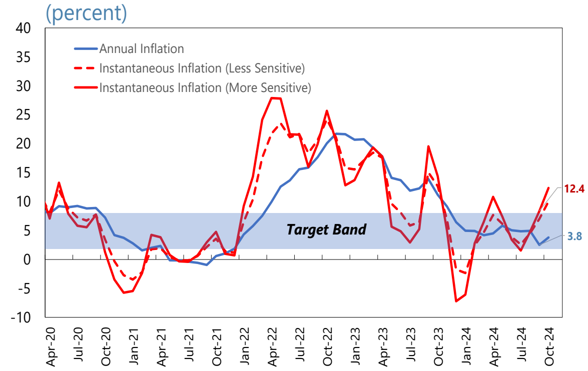
weights recent months more heavily— increased to 12.4 percent in October (from 10.8 percent in April), while the instantaneous core inflation decreased to 5.6 percent (from 12.7 percent in April). The Monetary Policy Committee (MPC) lowered the policy interest rate in two subsequent phases, bringing it down to 7 percent in May and 6.5 percent in August.

Rwanda: Contributions to Headline Inflation
(core vs. fresh products vs. energy)



Source: Rwandan Authorities and IMF staff calculations.

Rwanda: Headline Inflation
(percent)



Sources: IMF Staff Estimates
Note: More sensitive instantaneous inflation places higher weight on recent months observations.

4. The fiscal deficit in FY23/24 was higher than expected, primarily due to accelerated externally financed capital spending. Despite strong economic activity, tax revenues fell short of projections, reducing the tax-to-GDP ratio from 15 percent in FY22/23 to 14.6 percent in FY23/24. This was attributed to higher inflation and operational costs reducing corporate income taxes, changes in income tax brackets, and lower collections from the construction sector. While reduced spending on goods and services offset the revenue shortfall, the net acquisition of nonfinancial assets exceeded the budget by 0.44 percent of GDP due to the faster-than-expected execution of foreign-financed development projects. Consequently, the deficit reached 6.9 percent of GDP, slowing fiscal consolidation. Post-flood reconstruction spending was about 0.6 percent of GDP.

Rwanda: Operations of the Central Government, FY23/24, GFSM 2014[1,2]
(Percent of GDP)

	PCI/SCF 3rd Rev.	Act.
Revenue	**21.7**	**21.5**
Taxes	14.7	14.6
Taxes on income, profits, and capital gains	6.8	6.6
Taxes on property	0.2	0.2
Taxes on goods and services	6.7	6.7
Taxes on international trade and transactions	1.1	1.1
Grants	4.3	4.3
Other revenue	2.6	2.6
Expense	**18.1**	**17.9**
o/w Purchases of goods and services	4.7	4.5
o/w Subsidies	1.7	1.7
o/w Interest	2.4	2.4
o/w Grants	5.6	5.6
Net acquisition of nonfin. assets	**9.4**	**9.9**
Net lending (+) / borrowing (-)	**-5.9**	**-6.3**
Net acquisition of financial assets	**1.0**	**0.5**
Net incurrence of liabilities	**7.3**	**7.2**
Domestic	0.5	-0.1
Foreign	6.8	7.4
Overall balance (GFSM 1986)[3]	**-6.5**	**-6.9**
Debt-creating overall balance (excl. PKO, GFSM 1986)	**-6.5**	**-6.9**

Source: MINECOFIN.

[1] Fiscal year runs from July to June.

[2] The gray column expresses the nominal amounts in terms of actual GDP for FY23/24, which is different from the third review GDP. Hence the numbers in this column are different from the numbers reported in the columns for the third review in Text Table 1 and Table 2b.

[3] Overall balance excluding Peacekeeping Operations (PKO) and spending on materialized contingent liabilities in the DSA.

Rwanda: Flood Response Financing, FY23/24

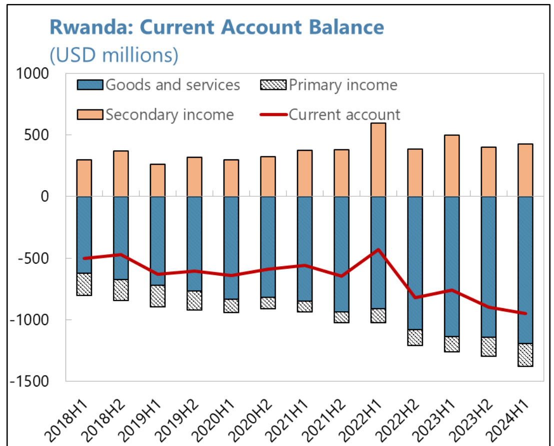
	RWF billion	Percent of GDP
Reprioritization/ Government Financed[1]	**20.3**	**0.1**
Goods and Services	**0.0**	**0.0**
Transport	0.0	0.0
Environment and Natural Resources	0.0	0.0
Infrastructure/ Capital Development	**17.1**	**0.1**
Agriculture	2.9	0.0
Transport	13.6	0.1
Energy	0.0	0.0
Environment and Natural Resources	0.6	0.0
Social Benefits	**1.2**	**0.0**
Social Protection	1.2	0.0
Grants to Local Government	**1.9**	**0.0**
Agriculture	0.1	0.0
Transport	1.6	0.0
Environment and Natural Resources	0.2	0.0
External Support Financed	**84.1**	**0.5**
World Bank	**39.1**	**0.2**
IMF	**45.0**	**0.3**
Total	**104.4**	**0.6**

Source: MINECOFIN.

[1] As set at the time of the second PCI/SCF review, by FY24/25, most flood expenditure will be accommodated by reprioritization within the existing expenditure envelope.

5. **The financial sector remains stable alongside continuing fast credit growth.** As of Q2 2024, the banking sector remains profitable with regulatory capital levels significantly above the minimum requirements. The microfinance sector, which largely focuses on household loans and loans to small businesses, continues to expand rapidly with a loan stock increasing by 26 percent, albeit from a low base and while maintaining strong capitalization rates. Combined loans from banks and microfinance institutions (MFIs) grew by 18.4 percent year-over-year, largely driven by a rise in loans to trade, construction, and manufacturing sectors, and mortgages. Non-performing loans (NPLs) in the MFIs remained stable, whereas the NPL ratio in the banking sector rose from 3.6 to 5 percent over the past twelve months, primarily due to a few large non-performing exposures.

6. The external position remains under pressure, with the current account deficit widening in the first half of 2024. Continued pressure on the trade deficit—primarily from capital and consumption goods imports—is aligned with robust industrial output data. The recovery in agricultural output provided some relief for food imports early in 2024. The Rwandan franc depreciated against the US dollar by 7.7 percent from January to October, compared to about 15 percent over the same period last year. (Figure 4). International reserves excluding RSF disbursements reached 4.0 months of prospective imports as of end-June 2024.



Sources: Rwandan Authorities and IMF staff calculations.

7. A rapid and coordinated response by the authorities helped contain the Marburg virus disease (MVD) outbreak within the initial cluster. The outbreak, declared on September 27, 2024, saw initial cases among healthcare workers in Kigali. As of November 1, 66 cases have been confirmed, including 15 fatalities, with the majority of infections concentrated in Kigali's healthcare facilities. Supported by the WHO and other partners, Rwanda's Ministry of Health has implemented crucial measures like contact tracing, isolating confirmed cases, and raising public awareness. Alongside these, vaccination trials have been introduced to protect frontline workers, all contributing to Rwanda's efforts to contain the MVD outbreak and prevent further spread.

PROGRAM PERFORMANCE

8. Implementation of PCI, RSF, and SCF programs is on track.

- *PCI Quantitative targets (QTs) and SCF Performance Criteria (PCs).* All end-June 2024 PCI QTs/SCF PCs, all PCI continuous targets/SCF continuous performance criteria, and all standard continuous targets were met (MEFP, Table 1a/1b). Although the headline deficit for FY23/24 was higher than projected due to faster implementation of foreign-financed capital expenditure, the adjusted quantitative target for the debt-creating overall fiscal deficit was met after accounting for the fiscal adjustor on foreign financed net acquisition of non-financial assets financed by the drawdown of accumulated government deposits from previously disbursed capital grants and loans. The 3-month average headline inflation of 5.1 percent came

Rwanda: PCI Quantitative Targets and SCF Quantitative Performance Criteria, 2022-2024

	2022	2023		2024
	Dec [1]	June [1]	Dec [2]	June [2]
Quantitative Targets				
Ceiling on the debt-creating overall balance, including grants	🟢	🔴	🟢	🟢
Floor on stock of Net Foreign Assets	🟢	🟢	🟢	🟢
Ceiling on net accumulation of domestic arrears	🟢	🟢	🟢	🟢
Continuous Targets				
Ceiling on stock of external payment arrears	🟢	🟢	🟢	🟢
Ceiling on PV of new public and publicly guaranteed external debt	🟢	🟢	🟢	🟢
Monetary Policy Consultation Band				
CPI inflation target	🟢	🔴	🟢	🟢
Memorandum items				
Total priority spending	🟢	🟢	🟢	🟢
Floor on domestic revenue collection	🟢	🟢	🟢	🔴
Stock of new external debt contracted or guaranteed by nonfinancial public enterprises	🟢	🟢	🟢	🟢

Sources: Rwandan authorities; and IMF staff calculations.
Symbols: 🟢 Met; 🔴 Not Met.
[1] Test date covers PCI.
[2] Test date covers PCI and SCF.

within the inner-bound values (5±3 percent) of the Monetary Policy Consultation Band for end-June 2024.

- *PCI reform targets (RTs) and SCF structural benchmarks (SBs)* (MEFP, Table 2). Conditionality related to revising the official exchange rate calculation methodology (**end-June 2024 RT/SB**) and publishing a pipeline of appraised major projects and project selection criteria (**end-October 2024 RT/SB**) were met as planned.

- *RSF supported reform measures (RMs)* (MEFP, Table 4). All remaining RSF RMs were successfully completed: (i) expansion of the climate change budget tagging framework to cover all expenditure (**fourth review RM9**); (ii) publication of comprehensive tagging results in the climate budget statement and a quarterly climate expenditure report that compares climate change expenditure execution with budget plans (**fourth review RM11**); (iii) publication of a consolidated report on major projects in the pipeline by sector with information on appraisal and selection criteria related to adaptation and mitigation (**fourth review RM10**); (iv) issuance of a guideline to financial institutions with regard to the implementation of recommendations of the International Sustainability Standards Board (ISSB) (**fourth review RM12**); and (v) adoption of a green taxonomy adapted to Rwanda's NDC (**fourth review RM15**).

OUTLOOK AND RISKS

9. The growth outlook for 2024 is revised upward, notwithstanding the challenging external environment and the recent the MVD outbreak. Real GDP growth is expected to increase to 8.3 percent, up from previously projected 6.6 percent, reflecting continued recovery in the agricultural and service sectors and continued construction activity. Growth is projected to ease to 7 percent in 2025 due to the contractionary effects of ongoing fiscal consolidation, alongside the normalization in the agriculture and service sectors, before rebounding to 7.3 percent over the medium term. Inflation is expected to come down to 4.6 percent by December 2024 before stabilizing around 5 percent in the medium term, the mid-point of the NBR's target band. The current account deficit is projected to widen slightly to 13.1 percent of GDP in 2024, mainly due to increased imports. Additional exchange rate depreciation pressures could come from more rapid growth of credit to private sector, a larger-than-expected current account deficit, and continued strength of the U.S. dollar. However, medium-term projections show a gradual improvement in the current account, supported by the continued fiscal consolidation and increased private inflows, and reserves are expected to increase up to 4.3 months of imports, excluding RSF.

Text Table 1. Rwanda: Revised Macroeconomic Framework, 2022-29[1]

	2022	2023		2024		2025		2026		2027		2028		2029
	Act.	3rd Review	Act.	3rd Review	Est.	3rd Review	Proj.	3rd Review	Proj.	3rd Review	Proj.	3rd Review	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)													
Output and prices														
Real GDP growth (percent)	8.2	8.2	8.2	6.6	8.3	6.5	7.0	6.8	7.0	7.2	7.2	7.3	7.3	7.3
CPI, period average (percent)	13.9	14.0	14.0	4.9	5.0	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI, end period (percent)	21.7	6.4	6.4	5.0	4.6	5.1	4.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Overall fiscal balance, incl. grants, policy lending (percent of GDP)[2,3]	-7.6	-7.4	-7.3	-6.7	-6.9	-5.2	-5.6	-3.4	-3.3	-3.1	-3.1	-3.1	-3.0	-3.0
Total public debt incl. guarantees (percent of GDP)	67.5	73.5	73.5	80.0	77.5	80.0	80.0	77.5	78.9	74.6	77.1	71.0	74.9	71.7
Current account balance, incl grants (percent of GDP)	-9.4	-11.7	-11.7	-12.1	-13.1	-11.1	-12.1	-10.0	-11.2	-9.6	-10.5	-8.6	-9.7	-8.2
Gross international reserves, excl. RSF (months of imports)[4]	4.2	4.1	4.0	4.1	4.3	4.3	4.0	4.4	4.1	4.5	4.1	4.5	4.2	4.3

Sources: Rwandan authorities and IMF staff estimates.

[1] From FY 21/22 (2022) to FY 28/29 (2029). Fiscal year runs from July to June. FY21/22 and FY22/23 are actual.

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

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

[4] Based on prospective import of goods (excluding gold) and services.

10. The balance of risks to the outlook remains tilted to the downside (Annex I). While upside risks to growth stem from the authorities' ability to attract external concessional financing and expedite development spending, downside risks could pose significant challenges to maintain Rwanda's macroeconomic stability and will need to be met with a credible policy response. Several downside risks, including global commodity price volatility, further deepening of geopolitical fragmentation, an abrupt decline in trading partners' growth and weakening of external tourism demand, and extreme weather events would all weigh on the outlook. Global financial market developments could adversely affect the availability of external financing. Domestically, challenges like MVD outbreak, intensification of regional conflicts, or another climate-related shock to Rwanda's dominantly rain-fed agriculture sector may hinder economic activity and further strain the fiscal space. Slower progress on domestic resource mobilization and the external adjustment could undermine the debt path and raise debt service pressures amidst declining concessional financing over the medium-term. The authorities agreed with staff's assessment of the outlook and risks. They pointed out uncertainties to the growth forecast in 2024, including due to ongoing MVD affecting tourism sector and unpredictable climate shocks affecting agricultural harvests.

POLICY DISCUSSIONS

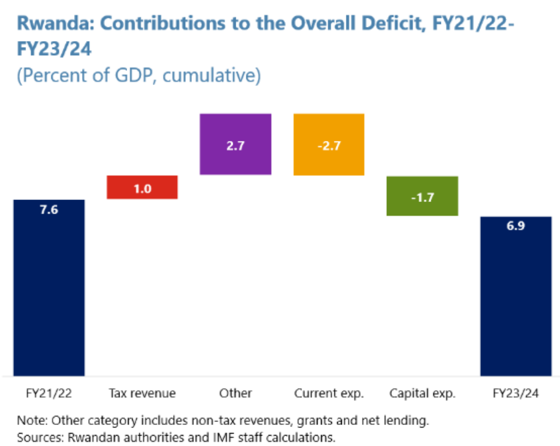
The overall policy mix is yielding positive results, but challenges remain complicating efforts to rebuild policy buffers. Rwanda's fiscal consolidation efforts are gradually progressing but have yet to stabilize the continued increase in the public debt-to-GDP ratio. To sustain progress, it is essential to advance the fiscal consolidation strategy, focusing on domestic revenue mobilization, expenditure rationalization, and mitigating fiscal risks from state-owned enterprises (SOEs). As monetary policy has effectively contained inflation, a gradual easing of the stance could be warranted, contingent on evolving risks and early signs of inflationary pressures. Continued efforts are crucial to rebuilding fiscal and reserve buffers and addressing external imbalances, particularly through adjustments in the real effective exchange rate.

A. Fiscal Policy

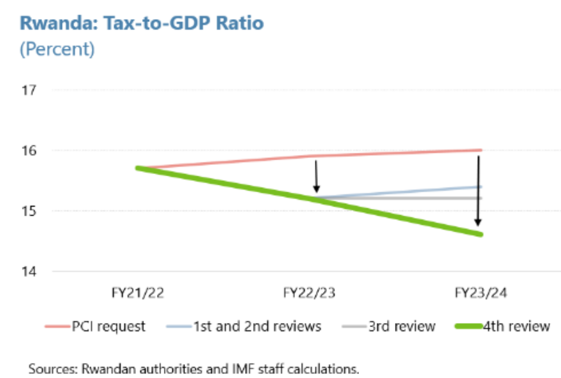
11. Recurrent shocks in recent years complicated efforts to rebuild fiscal buffers, while delivering on domestic revenue mobilization objectives is yet to be demonstrated. Fiscal consolidation has been slower than envisaged under the program, failing to halt the continued increase in the public debt-to-GDP ratio, projected to reach 80 percent of GDP in 2025. Tax revenues are not keeping pace with robust economic growth, with the revenue shortfall further exacerbated by widespread tax exemptions (Text Figure 1). While increased access to concessional financing is welcome as it provides an opportunity to implement critical reforms and development projects, its sustainability remains uncertain. This should not divert the authorities' focus from the urgent need for strong domestic revenue mobilization efforts. The implementation of tax measures approved by the Cabinet last December, to compensate for the non-approval of the revenue enhancing components of the CIT reform, is lagging, with only provisions for mineral taxation enacted so far (MEFP ¶14, first bullet).

Text Figure 1. Rwanda: Balancing Fiscal Consolidation in Rwanda: Challenges in Revenue Mobilization

Since the start of the program, fiscal consolidation has leaned heavily on expenditure cuts, though a more balanced contribution from both revenue and spending was initially planned.



Tax-to GDP ratio has consistently underperformed, falling below 15 percent in FY23/24.



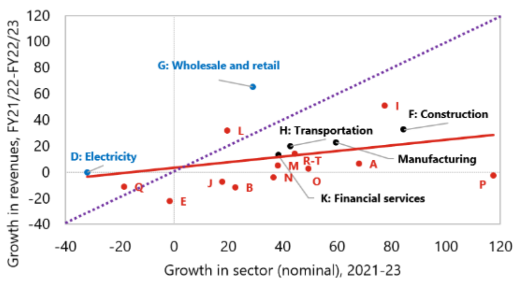
Tax revenue growth remains uneven, as rapidly growing sectors pay minimal taxes…

… while receiving the highest VAT and income tax exemptions.[1]

[1]Total tax expenditures in FY22/23 amounted to about 3.8 percent of GDP, with VAT-related expenditures at about 1.6 percent of GDP, income tax expenditures at 0.5 percent, and import duty expenditures at 1.7 percent. See Tax Expenditure Report for 2022/23.

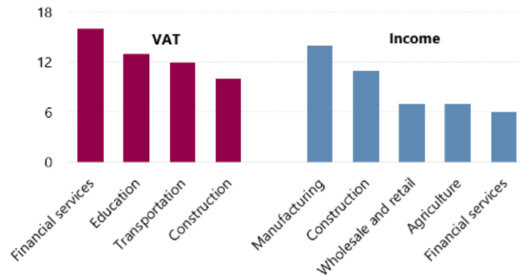
Text Figure 1. Rwanda: Balancing Fiscal Consolidation in Rwanda: Challenges in Revenue Mobilization (concluded)

Rwanda: Fiscal Revenues and Growth
(By sector, percent)



Sources: National Institute of Statistics Rwanda; Rwanda Revenue Authority; and IMF staff calculations.
Note: A: Agriculture, forestry and fishing; B: Mining and quarrying; E: Water; I: Accommodation and food services; J: Informaton and communication; L: Real estate; M: Professional, scientific, and technical activities; N: Administrative and support services; O: Public administration, defense, and social security; P: Education; Q: Health; R-T: Cultural, domestic, and other services.

Rwanda: Sectors Benefitting Most from VAT and Income Tax Exemptions
(Percent of total exemptions, FY22/23)



Source: Rwanda's Ministry of Finance and Economic Planning.

12. The authorities will need to adopt additional policy measures to meet their ambitious revenue targets. In response to revenue underperformance, a comprehensive package, primarily focusing on broadening the tax base by streamlining tax holidays and tax expenditures (**end-January 2025 RT**) is under development. A recent IMF technical assistance (TA) mission recommended that new measures should be guided by four key objectives: (i) reducing tax relief for unregistered, exempt, and informal businesses while enhancing the competitiveness of registered businesses; (ii) addressing the VAT system's regressivity by repealing exemptions and zero-ratings that disproportionately benefit higher-income households; (iii) rationalizing income tax incentives and positioning Rwanda as a competitive destination for business investment; and (iv), implementing environmental sustainability measures through comprehensive fossil fuel taxation to address greenhouse gas emissions and improve local air quality.

13. The FY24/25 fiscal deficit will be higher than programmed to address the MVD outbreak. Baseline projections include an emergency health response plan for the MVD outbreak, developed in collaboration with the WHO and CDC Africa, amounting to around 0.5 percent of GDP over the coming months. The FY24/25 fiscal deficit will be revised from 5.2 (third review) to 5.6 percent of GDP to cover the MVD response costs, and also to reflects the exclusion of the budget support portion of UK

Rwanda: Operations of the Central Government, FY24/25, GFSM 2014[1]
(Percent of GDP)

	PCI/SCF 3rd Rev.	Proj.
Revenue	**22.2**	**21.3**
Taxes	15.8	15.4
Taxes on income, profits, and capital gains	7.4	7.1
Taxes on property	0.2	0.2
Taxes on goods and services	7.1	7.0
Taxes on international trade and transactions	1.1	1.1
Grants	3.8	3.2
Other revenue	2.6	2.8
Expense	**17.9**	**17.5**
o/w Purchases of goods and services	4.0	4.2
o/w Subsidies	1.7	1.6
o/w Interest	2.6	2.5
o/w Grants	5.6	5.2
Net acquisition of nonfin. assets	**8.9**	**8.8**
Net lending (+) / borrowing (-)	**-4.6**	**-4.9**
Net acquisition of financial assets	**1.2**	**1.5**
Net incurrence of liabilities	**5.9**	**6.5**
Domestic	0.0	-0.2
Foreign	5.9	6.7
Overall balance (GFSM 1986)[2]	**-5.2**	**-5.6**
Debt-creating overall balance (excl. PKO, GFSM 1986)	**-5.2**	**-5.6**

Source: MINECOFIN.
[1] Fiscal year runs from July to June.
[2] Overall balance excluding Peacekeeping Operations (PKO) and spending on materialized contingent liabilities in the DSA.

grants under the Migration and Economic Development Partnership. The relaxation of the deficit will be fully financed by the WB's recently announced increase in DPO funding, with the authorities actively seeking additional grant and in-kind contributions. Development spending will remain broadly in line with the third review projections, but non-MVD recurrent spending will face further constraints.[1] To support FY24/25 revenues, the authorities plan to implement remaining compensatory tax measures in 2025H1, though lagging implementation will reduce their expected yield. The factors behind FY23/24 revenue underperformance are not expected to persist in FY24/25, given low inflation and the winding down of the Manufacture and Build to Recovery Program (MEFP ¶14, third bullet).

14. Over the medium-term, the fiscal deficit trajectory remains unchanged to support external adjustment and consistent with the fiscal consolidation path and debt anchor envisaged under the program. The medium-term budget framework aims to reduce the fiscal deficit from 5.6 to 3 percent of GDP in FY24/25–FY27/28, necessitating stronger efforts to mobilize domestic revenues, given limited scope for further expenditure cuts amid major development challenges. The authorities' medium-term contingency plans involve spending rationalization[2] while safeguarding essential spending, in particular on investment and social assistance, and preventing budget overruns and debt risks. Potential measures include limiting new hires, further reducing non-essential recurrent spending, and halting underperforming domestically financed projects. Total public debt is expected to fall below 65 percent of GDP in 2031—consistent with the program debt anchor, albeit now a year later than projected in the third review.

15. The updated DSA assesses that Rwanda remains at moderate risk of debt distress (see DSA supplement). The PV of PPG debt peaks at 57 percent of GDP in 2025 and declines to 43.7 percent in 2030. Rwanda benefits from a high degree of external concessional financing in support of its economic adjustment program and investments under its national development strategy, including long-term climate-related investment. Near-term pressures from larger-than-expected concessional borrowing and real exchange rate depreciation have been pushing up near-term projections and are currently expected to drive up nominal overall public debt to 80 percent of GDP in 2025. Conditional on achieving the authorities' revenue goals, favorable debt dynamics should place debt on a downward path over the medium-term, reaching the authorities debt anchor of 65 percent of GDP in 2031. Uncertainty around key risks to domestic resource mobilization and a decline in concessional financing globally could generate liquidity pressures over the medium-term. Commitment to ongoing policy efforts that mobilize domestic resources and adapt to climate-related risks are important to enable greater financing for development objectives while safeguarding debt sustainability. An illustrative scenario with higher climate adaptation investments and strong policy reform implementation, including those building

[1] The program will include an adjustor for any deviations from the planned MVD-related spending, with a cap on overspending of up to 0.2 percent of GDP and transparent reporting of qualified expenditures. The adjustor will also reduce the fiscal deficit target if actual MVD-related spending falls short of the planned amount included in the baseline. See TMU ¶4.

[2] The authorities have outlined the comprehensive elements of their spending rationalization strategy in the Planning and Budget Outlook Paper for FY2023/24–FY2025/26.

on the progress achieved under the RSF, would strengthen resilience of growth and help mitigate the impact of climate-related shocks on debt sustainability risks.

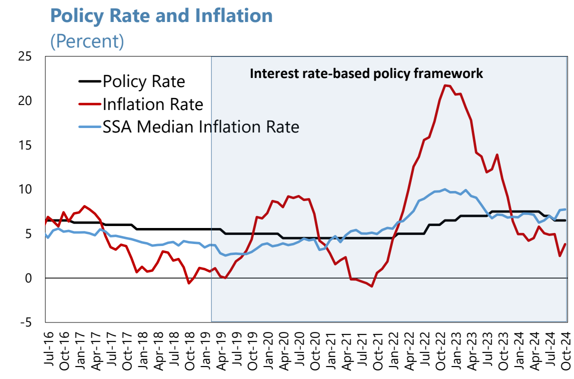
16. Efforts to strengthen fiscal risk management, fiscal transparency, and public financial management (PFM) continue.

- *SOE legal framework.* The authorities have continued the review of the legal framework underpinning state-owned enterprises (SOE) management and oversight. In June 2024 the Cabinet approved the Presidential Order (PO)—prepared in consultation with the World Bank—determining the prerequisites for establishment of an SOE, the rules of its management, and key SOE Board oversight functions. Building on this reform and with the IFC support, MINECOFIN will approve the SOE corporate governance code and its implementation plan, consistent with the 2024 OECD Guidelines on Corporate Governance of State-Owned Enterprises to ensure SOE operational independence, external audits, and the management of environmental and social risks (**proposed end-March 2025 RT**). With support from the IFC and AfDB, the authorities are establishing a framework for selecting qualified Board members. In addition, the current operationalization of the Presidential Order is expected to be followed by an enhancement of the SOE governance legal framework, to include mixed ownership, holding companies, and essential governance elements such as state ownership arrangements, performance monitoring, financial discipline, and transparency.
- *Managing and mitigating SOE fiscal risks.* The authorities remain committed to conducting SOE health-checks for all SOEs and stress tests for at least two high-risk SOEs every quarter. In this context, since end-2023 they completed the stress tests of 8 out of 34 fully state-owned enterprises (MEFP ¶22). The authorities plan to accelerate the hiring of technical staff at the MINECOFIN's Portfolio Oversight Unit to strengthen its capacity to perform financial risk analysis. With IMF TA support, the authorities will train new staff on the health check and stress test tools. This will facilitate in-depth forward-looking financial assessments of at least five SOEs, including identification of credible mitigation measures to address any identified key vulnerabilities (**end-March 2025 RT**). IMF TA will also make recommendations on strengthening the legal and institutional framework aimed at ensuring effective management of fiscal risks.
- *Fiscal data digitalization*. Leveraging on IMF TA and to complement ongoing PFM reform efforts, the authorities plan to develop a PFM digitalization and fiscal data strategy, (**proposed end-April 2025 RT**). The strategy will outline actions to support data-driven fiscal policies by improving data quality, ensuring fiscal transparency, and utilizing fiscal data already housed in IFMIS.

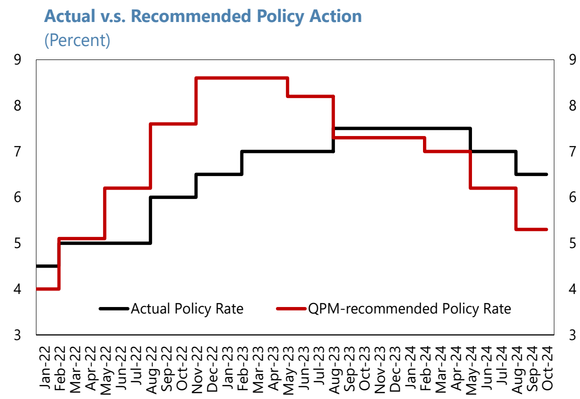
17. Rwanda's ratings in its July 2024 Mutual Evaluation Report (MER) by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) highlight the need for substantial improvements to its AML/CFT framework. Among the priority actions that Rwanda needs to address are beneficial ownership (BO) transparency reforms. Such actions should be complemented with harmonizing the definition of a BO in the Public Procurement law and ensuring direct and timely access to BO information by competent authorities (MEFP ¶25). Since April 2023, new company registrations require BO information, and existing companies face sanctions for non-compliance. Continuous compliance efforts will include cross-checking data with tax authorities, removing dormant companies, and conducting inspections.

B. Monetary, Exchange Rate, and Financial Sector Policies

18. Managing inflationary pressures continues to be a key focus of monetary policy. The 3-month moving average headline inflation hit 5.1 percent in June 2024, remaining within the Monetary Policy Consultation Clause (MPCC) inner bound of 5±3 percent, and further decreased to 4.1 percent by September 2024. In the most recent monetary policy meeting on August 21, 2024, the NBR reduced the key interest rate by 50 basis points to 6.5 percent. This marks the second consecutive rate cut by the NBR, currently 125 basis points above the QPM recommended rate, appropriately balancing its forward-looking and data-driven monetary policy approach with the assessment of exchange rate passthrough and slower pace of fiscal consolidation. As monetary policy actions supported containing the inflation, a gradual easing of the stance could be warranted, contingent on evolving risks and diligent monitoring of early signs of future inflationary pressures that could be manifested by stronger-than-expected cyclical conditions and accelerating private credit growth.



Source: SSA country authorities and IMF staff calculations.



Source Rwanda Authorities and IMF staff calculations.

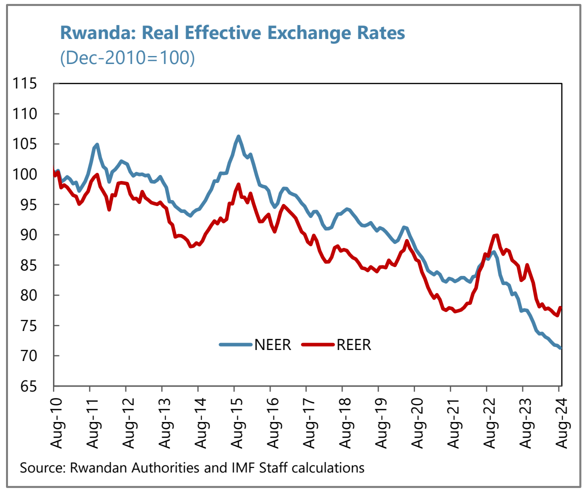
19. As inflation stabilizes, enhancing implementation of the interest-rate based monetary policy framework and fostering the development of financial markets become a priority.

- Supported by IMF TA, the authorities have continued strengthening their forecast and modelling capabilities and enhancing communication of data-driven monetary policy decisions. While short-term rates broadly track the policy rate and the interest rate channel is generally operational, frictions in the banking system impede the passthrough to the lending rates. Greater exchange rate flexibility remains critical for price and external stability.

- *With the IFC assistance, the authorities have identified and analyzed the legal gaps in the insolvency, payment system, and banking laws and formulated a roadmap to implement for Global Master Repurchase Agreement (GMRA). The draft Central Securities Depository law, necessary for the GMRA rollout, was approved by the Directors of the Capital Market Authority in*

August and is pending legislation by Parliament. The full GMRA rollout (end-December 2024 RT), including securing the signing of the GMRA by all banks, is advancing. This standardized framework for repurchase agreements should enhance liquidity management and help strengthen the transmission of monetary policy changes through the banking system (MEFP, ¶29).

20. More real effective exchange rate adjustment is needed to support external adjustment. The real effective exchange rate depreciation in 2023 was less than expected, notwithstanding the deeper-than-projected nominal depreciation of the Rwandan franc against the US dollar. Given the near-term pressures from slower fiscal consolidation and the limited effectiveness of monetary policy transmission, a significant average nominal depreciation of the exchange rate through 2024 and continued adjustment over the medium-term, facilitated by greater exchange rate flexibility and price discovery, is warranted (see ¶14-15). Coupled with a projected fall in the average inflation differential by year-end, this would result in a significantly larger REER depreciation in 2024 than in the previous year, supporting external adjustment.



21. The foreign exchange interbank market liquidity remains limited and shallow. The authorities' diagnostic assessment of the FX market, supported by IMFTA, outlined plans to establish a formal framework to guide FX intervention policy. As the first step, the NBR adopted revisions to its official exchange rate calculation methodology to allow for greater price discovery by better reflecting market conditions (**end-June 2024 RT/SB**). Following a carefully calibrated gradual transition period, the official exchange rate would be fully reflecting the simple average rate between buying and selling rates. The assessment further established that efficient functioning of the FX market is challenged by macroeconomic imbalances as the financing sources of the current account deficit are inadequate to meet the relative shortage of FX funding (MEFP, ¶30, first bullet).

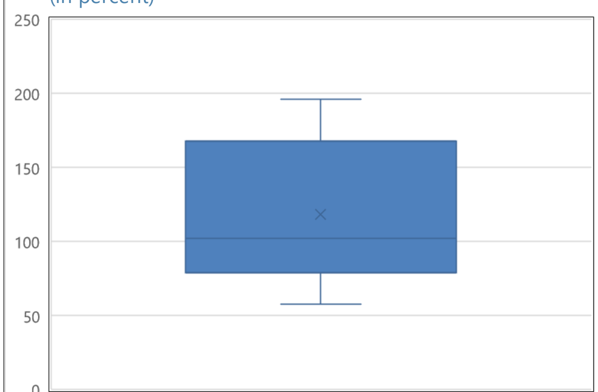
22. Competitive FX auctions could ensure more transparent and effective price discovery, helping re-align the NBR's FXI strategy with market principles. Currently, the NBR conducts foreign exchange interventions (FXI) by selling USD to domestic banks through regular bilateral transactions. This approach, which controls both the quantity and price of USD, is inconsistent with a market-determined exchange rate framework. Prices are set marginally above the official exchange rate, based on the NBR's USD supply and the banks' reported needs, and allocated according to their foreign exchange net open positions and balance sheet sizes. As part of a commitment to strengthen the FX intervention framework, the NBR will conduct a supplementary, smaller-scale competitive auction to offer banks an additional mechanism for sourcing foreign exchange (**proposed end-September 2025 RT**). This competitive auction, with fixed preannounced amounts, variable rates, and bid caps to prevent market manipulation by dominant players, will help foster robust price discovery. Going forward, it will be critical to allow such competitive auctions to play an increasing role in the NBR's FXI framework (MEFP, ¶30, third bullet).

23. Banks' large exposures remain significant (Box 1). The persistence of large exposures highlights the need for continuous close monitoring and stress testing of large exposures by the authorities at the loan level.[3] The potential for significant losses indicates that additional capital buffers, including those required under Pillar 2, would strengthen the resilience of the banking system. The Rwandan banking sector also has large exposures to SOEs, key borrowers in critical sectors like transportation, construction, energy, and public administration, which are crucial to Rwanda's development strategy.

Box 1. Large Exposures and Bank-Sovereign Nexus

Rwandan banks continue to carry significant large exposures in their credit portfolios, largely due to the high market concentration in the corporate sector in Rwanda. While there is significant variation across banks, the ratio of sum of top five exposures to Tier 1 capital for the median bank is high, at slightly over 100 percent as of 2024Q2 (see chart). To reduce their credit risk, banks often use risk mitigants such as collateral—in the form of cash and securities—and government guarantees to SOEs. The ratio of total guarantees and collateral against the top five exposures is approximately 106 percent for the median bank, suggesting that banks have significant loss mitigation assurance in the case of default of large borrowers. At the same time, there is still potential for bank losses, as some exposures are over-collateralized while some others are not fully covered by guarantees and collateral.

Rwanda: Top 5 Exposures to Tier 1 Capital Across Banks
(in percent)



Source: Rwandan Authorities and IMF staff calculations.

SOEs account for a significant share of banks' largest exposures, establishing a considerable bank-sovereign nexus. At the banking system level, approximately 56 percent of total top five exposures are to SOEs. At the system level, about a quarter of the risk mitigants for top five exposures take the form of sovereign guarantees while another 73 percent are (mostly government) securities. In the case of default of an SOE, sovereign guarantees and government securities used as collateral would result in direct exposures of the banking system to the sovereign. Moreover, according to estimates based on banking system data, these sovereign guarantees for the SOEs—which in 2024Q2 accounted for 2.2 percent of GDP and 3.4 percent of GDP among the top five and twenty exposures, respectively—could present significant fiscal and debt sustainability risks.

24. Financial stability risks need to be closely monitored. Continued fast credit growth, particularly in the microfinance sector, warrants close monitoring of household and small business credit, including through granular data on underwriting standards. Such monitoring would enable the authorities to carry out forward-looking analyses of credit quality and detect any developments that can lead to the deterioration in lender asset quality. Additionally, categorizing banks credit

[3] See Box 1 in CR 24/141.

exposures more closely aligned with the standard Basel credit categories (corporates, retail products, residential mortgages, etc.) would improve the risk monitoring and stress testing capabilities of the NBR. The authorities should also **more** actively use macroprudential policies, such as tightening of the loan-to-value limits and introducing debt-service-to-income limits, to contain emerging risks from potential excess leverage of households.[4]

25. The NBR remains committed to broadening the coverage of the monetary and financial statistics and improving transparency. To provide comprehensive coverage of the industry and to create standard report forms in accordance with the IMF's 2016 Monetary and Financial Statistics Manual and Compilation Guide, balance sheet data on the various Other Financial Corporations were prepared. With this, the NBR remains on track to expand coverage of Monetary and Financial Statistics to include, as part of Other Financial Corporations Survey, insurance companies, Rwanda Development Bank, and private pension institutions; and start publishing on quarterly basis (**end-March 2025 RT**).

26. The NBR's guidelines on management of climate-related and environmental financial risks went into effect in late November 2023, with a phased-in implementation timeline. The financial institutions (FIs) are at the early stages of the capacity building and data collection, with banks setting up units in charge of monitoring climate-related and environmental financial risks while other FIs are progressing more gradually. The Tier 1 FIs are on track to submit their initial self-assessments of their risks by 2024Q4, which will inform NBR's initial assessment of the banks' risks. The initial self-assessments are expected to focus on exposures to relevant risks (physical, transitional, and liability), materiality assessment, mitigating controls, and identifying the data needed for monitoring and managing risks.

27. An update safeguards assessment of the NBR was completed in April 2024. It found generally sound internal controls, and external audit and financial reporting practices that are broadly in line with international standards. Legal reform to align the NBR Law with leading central banks practices particularly for the mandate, financial and personal autonomy, and transparency and accountability is needed and the authorities plan to submit to Cabinet draft amendments to strengthen these areas, in consultation with IMF staff (**end-September 2025 RT**). The NBR is also making progress on strengthening its internal audit function, in line with safeguards assessment recommendations.

[4] Rwanda has achieved an impressive 96 percent financial inclusion rate, with formal inclusion at 92 percent, surpassing the National Strategy for Transformation target of 90 percent by 2024. The upcoming focus will be on financial deepening, potentially increasing households' access to formal financial services and bank products.

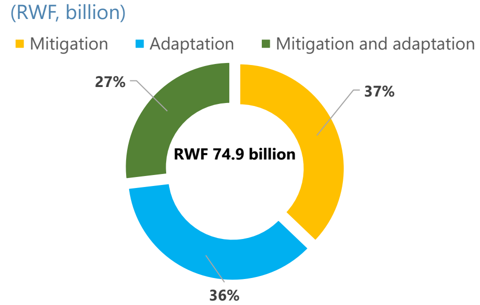
C. Advancing Structural Reforms and Policy Priorities

28. The Government of Rwanda has made a notable progress in its development agenda with the Cabinet approval of the Second National Strategy for Transformation (NST-2) in August 2024. This five-year plan builds on the achievements of NST-1, emphasizing job creation, export growth, education quality, public service delivery, and the reduction of stunting and malnutrition. NST-2 aims to strengthen the foundation for sustained economic growth, moving Rwanda closer to its goal of higher living standards for all.

29. Climate policies and RSF-supported reforms have been implemented ahead of the initial RSF schedule. The remaining RSF supported reforms under the current program review advanced climate budget tagging (CBT), as well as climate-related PIM and risk management for financial institutions.

- *Monitoring and reporting of climate-related spending for decision making.* While recognizing technical and capacity challenges in expanding the CBT to cover all budgetary expenditure outside of the standard budget cycle, the authorities were able to expand and publish the first comprehensive climate budget tagging results and the first quarterly climate expenditure report (**RM9** and **RM11**).[5,6] The CBT enables the government to evaluate the performance of activities from a spending perspective and supports data-driven allocation decisions for new resources (MEFP, ¶38, first bullet). The data also permits the government to determine if reallocating resources from underperforming or non-performing climate change activities is necessary to allocate funding for other priority climate activities. The CBT will facilitate the monitoring of climate-related activities throughout both budget preparation and execution, enhancing transparency for the public and development partners supporting the climate agenda. The FY24/25 budget for climate-related investments is RWF 399.8 billion, of which RWF 74.9 billion (18.7 percent of total climate spending) was spent in the first three months.

Rwanda: Spending on Climate-Related Investments, FY24/25 Q1
(RWF, billion)



Source: Rwandan Authorities and IMF staff claculations.

- *Improving the sensitivity of PIM to climate-related issues.* The authorities published a consolidated report on major projects in the pipeline related to adaptation and mitigation (**RM10**)[7] by sector including (i) the appraisal and selection criteria and (ii) the distribution of ratings according to the appraisal and selection criteria (MEFP, ¶30, second bullet). The analysis covers 27 projects across various industries, including agriculture, transportation, water, education, environment, and urbanization. Of these, 20 projects with the total capital value of RWF 1,056 billion (5.7 percent of 2024 GDP) passed the quality checks and

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[5] Revised climate budget statement including tagging of all expenditures (RM9).

[6] Quarterly climate expenditure report (RM11) was published along with the FY24/25Q1 Budget Execution Reports.

[7] Consolidated report on climate sensitivity for major projects in the pipeline by sector (RM10).

were assessed as acceptable. Of these 20 projects, larger projects will undergo feasibility studies before becoming eligible for funding, while smaller projects will advance to final design and placement in the project pipeline. Selection is based on nine criteria, ranging from project efficiency and effects on climate (large weight), to the degree of gender balance and number of jobs created (low weight).

- *Enhancing climate-related risk management for financial institutions.* The authorities published guidelines on the implementation of disclosure recommendations of the International Sustainability Standards Board (ISSB) (**RM12**), and adopted a green taxonomy (**RM15**) in November 2024 (MEFP, ¶30, third bullet). The disclosure requirements will be implemented with a phased-in timeline with the requirements for Tier 1 institutions taking effect from 2025, with the first reports to be published in early 2026. Rwanda is only the second country in Africa to implement a green taxonomy, and the first African country to include the agricultural sector. Developing a green taxonomy is a crucial step toward green transformation, fostering the growth of new industries and strengthening the financial sector. The first phase of the taxonomy included four key economic sectors (agriculture, construction, energy, and transport), focusing primarily on the mitigation objective. The second phase of the taxonomy, which was adopted in November, included additional economic sectors with a special focus on adaptation.
- *Strengthening disaster reduction and management.* Supported by IMF TA, an action plan has been adopted to develop a financing mechanism at the local level enhancing local governments' ability to mobilize resources for financing and implementing disaster risk reduction and management (DRRM) strategy (third review RM). The authorities have progressed the first two steps of this action plan aimed at creating a robust framework for DRRM: (i) the National DRF Strategy, essential for managing financial risks from disasters by providing structured resource mobilization and tailored tools to strengthen district resilience; and (ii) the emergency procurement order, which ensures rapid, flexible processes and enables the timely delivery of essential goods and services during disasters (Text Figure 2).

Text Figure 2. Rwanda: Action Plan for DRRM at the Local Level

Reform	Activities	2024 Jun-24	2024 Aug-24	2024 Sep-24	2024 Dec-24	2025 Jun-25	2025 Dec-25	2026 Dec-26
Adopt a National DRF Strategy with specific targets on strengthening district resilience	Conduct DRF Diagnostic							
	Identification of district bottlenecks for financial resilience			*In progress*				
	Adoption of National DRF Strategy with District Resilience Actions							
Finalize development and approval of the Ministerial Order on Emergency Procurement tailored specifically for disaster response scenarios	Identify scenario-based emergency procurement needs with concerned institutions							
	Develop the Ministerial Order for Emergency Procurement							
	Adopt and approve the Order							
Disaster Risk Management and Response Capacity Development Program for Districts	Conduct DRM capacity needs diagnostic for Districts							
	Develop and implement DRM capacity development tools for district capacity building programs							
Develop, review and implement Sector based mitigation plans and District Disaster Management Plans (DDMPs)	Develop Sector based mitigation plans basing on risk governance assessment findings							
	Review District Disaster Management basing on Sector Mitigation plans							
	Monitor the implementation of sector mitigation plans and DDMPs and determine progress for risk governance	Continuous *The process of developing Sector-based Mitigation plans has started; ToRs and Concept Note approved*						
Introduce a programmatic approach for mobilizing and managing green grant financing to support green government policy priorities, including related to DRRM	Identify relevant investment programs according to NST2, Sector mitigation plans and DDMPs							
	Design the programmatic investment portfolio to be supported by a green facility							
	Package projects that are alike to create economies of scale in their management and to address risk resilience priorities	Continuous *Rwanda's Green Fund FONERWA launched the Rwanda Sustainable Landscape Management Investment Framework with 126 projects*						
	Monitor and support the implementation of the projects	Continuous						
Upgrade and put in place a comprehensive National and Local Early Warning System	Strengthen risk monitoring and warning services							
	Review and Upgrade the National Risk Atlas to harmonize and ensure effective risk knowledge							
	Improve Response capabilities at both national, district and community levels	Continuous *Response capabilities in place at national and district levels*						
Improve Disaster risk governance across development sectors and districts	Develop guidelines for effective risk governance across Sectors and Districts							
	Put in place mechanisms to track risk governance weaknesses and to apply reversing solutions through planning and budgeting processes at national and district levels							
Upgrade national and district response and recovery mechanisms	Develop Framework for implementation Anticipatory Action							
	Improve development and implementation of response and recovery plans	Continuous *Multi-sectoral technical working group for anticipatory action put in place; ToRs and Concept Note to develop triggers approved*						
	Develop ToR for Disaster response and recovery expenditure analysis.							

* Green cells (text) indicate completed activities (steps that are part of the activities).

30. The authorities are accelerating efforts to develop a credible pipeline of green projects. Rwanda's public and private climate investment facilities (Intego and Ireme Invest)—launched at COP27—have completed the initial capitalization process and identification of project pipelines and started lending (Text Figure 3). Furthermore, progress is being made on COP28 commitments regarding the three programs on landscape restoration, climate-smart agriculture, and sustainable urbanization, all set to be implemented through an innovative programmatic approach. Currently, the total value of Ireme's green projects pipeline is estimated at US$37 million till end of 2025, with approximately US$3 million disbursed as of end-October, primarily focusing on clean energy, e-mobility, green buildings, and waste and circular economy. However, the scaling up of the pipeline remains challenging, as both the Rwanda Development Bank (BRD) and businesses need time to strengthen their understanding of the technical requirements for green investments.

31. Rwanda is gaining experience with initial issuances of market-based climate finance instruments. In October 2024, the BRD issued the second tranche of its sustainability-linked bond (SLB) to support Rwanda's sustainable economic development objectives. Following the SLB issuances by the BRD, Rwanda also saw its first corporate green bond issuance in October, with an energy firm raising RWF9.6 billion (about US$7 million) to finance its investments in renewable energy.

Text Figure 3. Rwanda: Public and Private Investment Facilities

intego
RWANDA'S NDC FACILITY

Public Climate Investment Facility

Project pipeline: FY2024/25 – FY2026/27
(US$ millions)

	Total	
	Planned in May 2024[1]	Approved for FY24/25
	Grants	*Grants*
Catchment restoration	34.2	19.3
Climate-resilient infrastructure	5.0	3.6
Integrated water resources management	8.1	–
Wetland rehabilitation and biodiversity conservation	5.0	3.7
Renewable energy and energy efficiency	9.7	5.4
Weather and climate services	4.9	–
Total	**66.8**	**31.9**

Ireme Invest

Private Climate Investment Facility

Project pipeline: CY 2024 – 2027
(US$ millions)

	PPF		CF				Total	
	CY24-27 (expected)	2024 (approved)	CY24-27 (expected)		2024 (disbursed)		CY24-27 (expected)	2024
	Grants	*Grants*	*Loans*	*Private capital*[2]	*Loans*	*Private capital*		
Clean energy	2.2	–	38.0	16.3	–	–	56.5	–
Smart mobility	3.4	1.1	42.0	18.0	2.1	0.9	63.4	4.1
Sustainable cities	2.6	0.5	21.0	9.0	6.0	2.6	32.6	9.1
Climate smart agriculture	2.6	0.1	1.8	0.8	–	–	5.2	–
Waste and circular economy	2.5	0.2	5.8	2.5	–	–	10.8	–
Total	13.3	2.0	108.6	46.5	8.1	3.5	**168.4**	**13.2**

[1]This includes all projects planned as of May 2024. However, since then the pipeline has been altered as some projects did not meet the required criteria, some got postponed, etc.
[2]Private capital is assumed to take up 30% of the total value of credit facility (CF).

32. Rwanda's climate reforms have strengthened resilience, positioning the country as a regional leader (Annex II). Key achievements include improved tracking of climate spending, integration of climate risks into fiscal planning, and progress toward a green finance market. These reforms, supported by the RSF and initiatives like the Rwanda Climate Finance Partnership, have helped mobilize EUR300 million (about US$320 million) in concessional and private financing, supplementing the US$319 million from the RSF. The development partners (European Investment Bank, Agence Française de Développement, Cassa depositi e Prestiti S.p.A., and Danish International Development Agency) have already committed more than EUR200 million in the form of concessional budget support and grants for climate initiatives. Additionally, as the Ireme Invest project pipeline scales up, it is expected to bring more than EUR100 million in private sector equity investments in climate projects. Lessons show the need for deep climate diagnostics, strong stakeholder engagement, and capacity building. Continued progress will require coordinated support from development partners and significant additional financing to meet Rwanda's 2030 climate targets. The launch of the Climate and Nature Finance Strategy in October introduces a coordinated approach to advance Rwanda's climate agenda.

PROGRAM MODALITIES

33. Program conditionality under the PCI is proposed to be updated, reflecting the macroeconomic framework and the authorities' commitments to reforms (MEFP Tables 1–4).[8,9] The implementation will continue to be monitored on a semi-annual basis through QTs, RTs, standard continuous targets, and a Monetary Policy Consultation Clause (MPCC), with end-June and end-December test dates.

- End-June 2025 QT on ceiling on the debt-creating overall deficit is proposed to be revised to account for the MVD response costs and a new adjustor on MVD-related spending to be introduced.
- End-January 2025 reform target on Cabinet approval of the comprehensive tax package was amended by removing from the reform target the reference to the MTRS-2 objective.
- Three new RTs are proposed: (i) approving the SOE corporate governance code and its implementation plan, consistent with the 2024 OECD Guidelines on Corporate Governance of State-Owned Enterprises to ensure SOE operational independence, external audits, and the management of environmental and social risks (**proposed end-March 2025 RT**); (ii) developing a PFM digitalization and fiscal data strategy (**proposed end-April 2025 RT**); and (iii) conducting a supplementary, smaller-scale competitive auction to offer banks an additional mechanism for sourcing foreign exchange (**proposed end-September 2025 RT**).

34. The RSF disbursements will create fiscal space and strengthen the country's ability to face future climate-related shocks. The additional fiscal space will support, among other things, the authorities' climate adaptation and climate mitigation priorities. These priorities include supporting investments in areas of low-carbon transport networks, low carbon and climate-resilient infrastructure and energy access, resilient urban landscapes, and sustainable water systems, agriculture, forestry, and conservation. The RSF disbursements will also augment Rwanda's international reserves thus improving investor confidence and strengthening the country's ability to face future climate-change related shocks. Specifically, RSF disbursements are expected to help boost Rwanda's gross official reserves by an additional 0.7 months of imports cumulatively from the

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[8] Concurrent use of PCI and SCF is appropriate. The PCI remains the main policy framework to support the authorities' medium-term policy objectives and ensures the continuity of cooperation. The SCF arrangement remains appropriate to address the short-term BOP need and guide the needed recalibration of the policy adjustment in response to adverse shocks induced by climate change, while protecting priority spending. Staff assesses that Rwanda fully meets eligibility requirements for the SCF arrangement: (i) Rwanda does not have a protracted balance of payments problem and have an actual short-term BOP need that is expected to be resolved within two years; (ii) Rwanda's balance of payments difficulties are not predominantly caused by a withdrawal of financial support by donors; and (iii) Rwanda is implementing policies aimed at resolving the balance of payments difficulties it is encountering, and at achieving, maintaining or restoring a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction.

[9] Four-fifths of disbursement under the SCF arrangement will be disbursed as BOP support to cushion reserves, with the remaining one-fifth going towards budget support.

start of the RSF arrangement to end-2024, while the SCF financing and the agreed policy adjustment has supported closing the BOP financing gaps arising from the climate-related shocks (Tables 5–6).

35. Capacity to Repay. Rwanda's capacity to repay the Fund remains adequate. Rwanda's outstanding credit stands at 297.22 percent of quota (as of October 31, 2024) and will peak to 383.75 percent of quota in 2024 once the RSF and SCF arrangement are fully disbursed (Table 7). While peak for credit outstanding is high (36.7 percent of gross international reserves, or 5.8 percent GDP), part of it is very long-term due to RSF financing, and debt service remains modest at 2.9 percent of revenues excluding grants in 2029. Rwanda has a strong track record of repayments to the Fund, with external and overall risk of debt distress assessed to be moderate (see DSA supplement).

36. Financing assurances and risks to program implementation. The program remains fully financed with firm commitments over the next 12 months and good prospects for financing for the remainder of the program. Financing assurances have been provided mostly in the form of grants from the World Bank, UNICEF, Global Fund, and bilateral development partners and concessional loans from the World Bank, AfDB, and other multilateral and bilateral development partners. The authorities need to continue close engagement with donors and further leverage on the catalytic role of the RSF to secure additional climate related financing. While uncertainty and risks to program implementation remain, these are mitigated by the authorities' strong ownership of reforms under the program.

STAFF APPRAISAL

37. Rwanda's growth momentum remains strong despite a challenging external environment and the recent Marburg virus disease outbreak. Real GDP is projected to grow by 8.3 percent in 2024, driven by robust activity in the services and construction sectors alongside a recovery in food crop production. Inflation is stable within the central bank's target band due to favorable domestic food prices and monetary policy actions. However, external vulnerabilities remain significant with the current account deficit widening mainly due to high capital goods imports. Further depreciation of the Rwandan franc against the US dollar will help facilitate the necessary external adjustment. Gross international reserves (including RSF disbursements) cover 4.5 months of imports as of mid-2024, providing a necessary buffer against external shocks.

38. Macroeconomic policy performance under the PCI/SCF through June 2024 was fully in line with program objectives. All quantitative targets under the PCI and quantitative performance criteria under the SCF arrangement were met. Structural commitments to improve the transparency of public investments and strengthen functioning of the foreign exchange market were also implemented on time. Three new reform targets have been agreed upon to guide the authorities' efforts in enhancing SOE governance, public finance management digitalization, and the FX intervention framework.

39. Repeated shocks have hampered efforts to restore policy buffers, and domestic revenue mobilization has yet to yield results. Fiscal consolidation is progressing slower than expected, with the public debt-to-GDP ratio projected to reach 80 percent by 2025. Despite robust economic growth, the revenue shortfall is accelerating largely due to widespread tax exemptions. Improved access to concessional financing is welcomed as it enables implementation of critical reforms and development projects but should not be seen as a substitute for domestic revenue mobilization. Accelerating domestic revenue mobilization, expenditure rationalization, and mitigating fiscal risks from SOEs will be critical to preserve Rwanda’s policy space for responding to shocks and achieving its development objectives. In this context, delivering a comprehensive tax package, focused on streamlining tax holidays and tax exemptions, is a critical reform commitment for the next PCI review.

40. Monetary policy should remain forward-looking and data-driven, aimed at keeping inflation stable within the target band. The widening current account deficit requires policies that are mutually reinforcing to reduce fiscal and external imbalances. In this context, a carefully calibrated relaxation of the monetary policy stance could be warranted subject to the favorable inflation outlook, the extent of the exchange rate passthrough, and the pace of the ongoing fiscal consolidation. Clear communication is essential to anchor expectations. Greater exchange rate flexibility will help absorb external shocks and support current account adjustments. Further strengthening the FX intervention framework is necessary to enhance the functioning of the FX market and improve monetary policy effectiveness.

41. Vigilant oversight of financial stability risks, particularly concerning large exposures and rapid credit growth, is essential. Large exposures are a structural feature of Rwanda’s banking system, with collateralization and government guarantees providing an important buffer against shocks. However, granular monitoring of risks by the supervisory authorities and additional capital buffers are vital to further strengthen the banking system’s resilience. The nexus between banks, SOEs, and the government through guarantees poses risks to the government's balance sheet and public debt sustainability. Rapid credit expansion in the household sector could lead to asset quality deterioration and consumer over-leveraging, warranting proactive tightening of macroprudential policies.

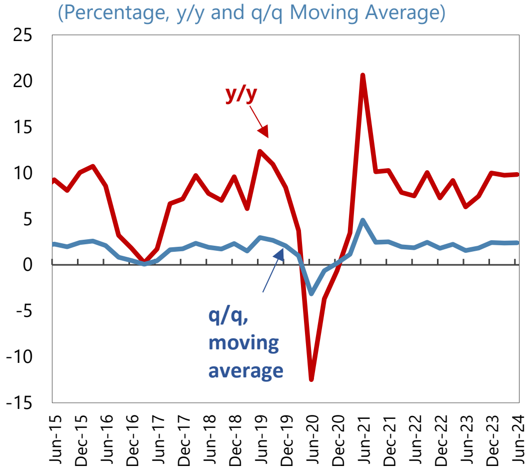
42. RSF reforms have strengthened resilience to climate shocks, positioning Rwanda as a regional leader, though sustained engagement is essential to maintain this positive momentum. Building climate resilience and supporting the green transition is an ongoing process, requiring continuous commitment to fully embed and mainstream reforms into future plans. Rwanda faces considerable climate vulnerability due to its reliance on rain-fed agriculture and challenging topography. The RSF has focused on improving climate-related investment efficiency and mobilizing additional climate finance through improved public finance management, including climate budget tagging and disaster risk management frameworks. Key outcomes of the RSF-supported reforms include improved monitoring of climate spending, integration of climate risks into fiscal planning, strengthened climate risk management by the financial sector, and setting up foundations for developing a green finance market. Key lessons learned emphasize that the success of RSF reforms hinges on comprehensive climate diagnostics, continuous stakeholder engagement, and substantial capacity building. Through the Rwanda Climate Finance Partnership, Rwanda effectively leveraged the RSF's catalytic role to foster public-private cooperation and attract private investment. As a result, Rwanda mobilized EUR300 million (US$320 million) in climate financing from concessional and private sources, in addition to the US$319 million provided under the RSF, channeling these resources into innovative investment facilities. However, achieving Rwanda's Nationally Determined Contributions strategy from 2020 to 2030 will require an estimated US$11 billion investment. Successful implementation of Rwanda's new Climate and Nature Finance Strategy, aimed at advancing its climate agenda and sustaining the RSF-supported reform momentum, will depend on coordinated support from development partners and access to substantial additional concessional financing.

43. Staff supports the completion of the fourth PCI/RSF reviews and the second SCF review. The authorities' strong commitment to reforms, supported by a credible fiscal consolidation to bring debt down and a decisive monetary action to control inflationary pressures and rebuild external buffers, warrants continued Fund support. To accommodate the anticipated Marburg virus response spending, staff supports the modification of the end-June 2025 quantitative targets on the ceiling on the debt-creating overall deficit. Staff also supports amending the end-January 2025 reform target on Cabinet approval of the comprehensive tax package by removing the reference to the MTRS-2 objective. Staff supports a disbursement totaling SDR 71.87636 million (equivalent to about US$ 95.9 million) under the RSF and SDR 66.75 million (equivalent to about US$ 89.0 million) under the SCF.

Figure 1. Rwanda: Overview of Recent Economic Developments

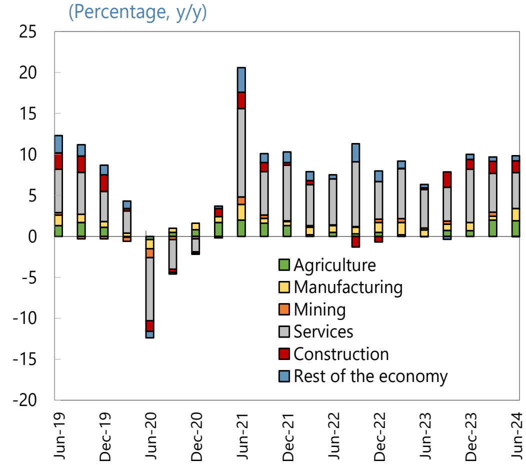
Economic activities remain strong in the first half of 2024…

Recent Growth Trends
(Percentage, y/y and q/q Moving Average)



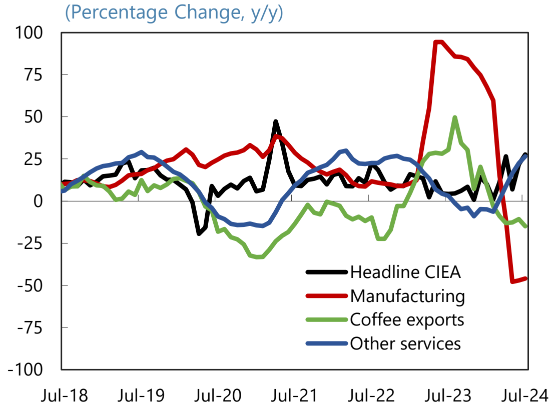
… due to strong performance in services, construction and agriculture.

Contribution to GDP Growth
(Percentage, y/y)



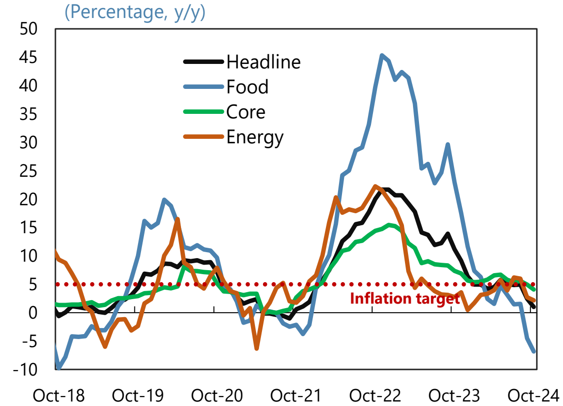
Manufacturing and coffee exports were subdued in 2024.

Composite Indicators of Economic Activity
(Percentage Change, y/y)



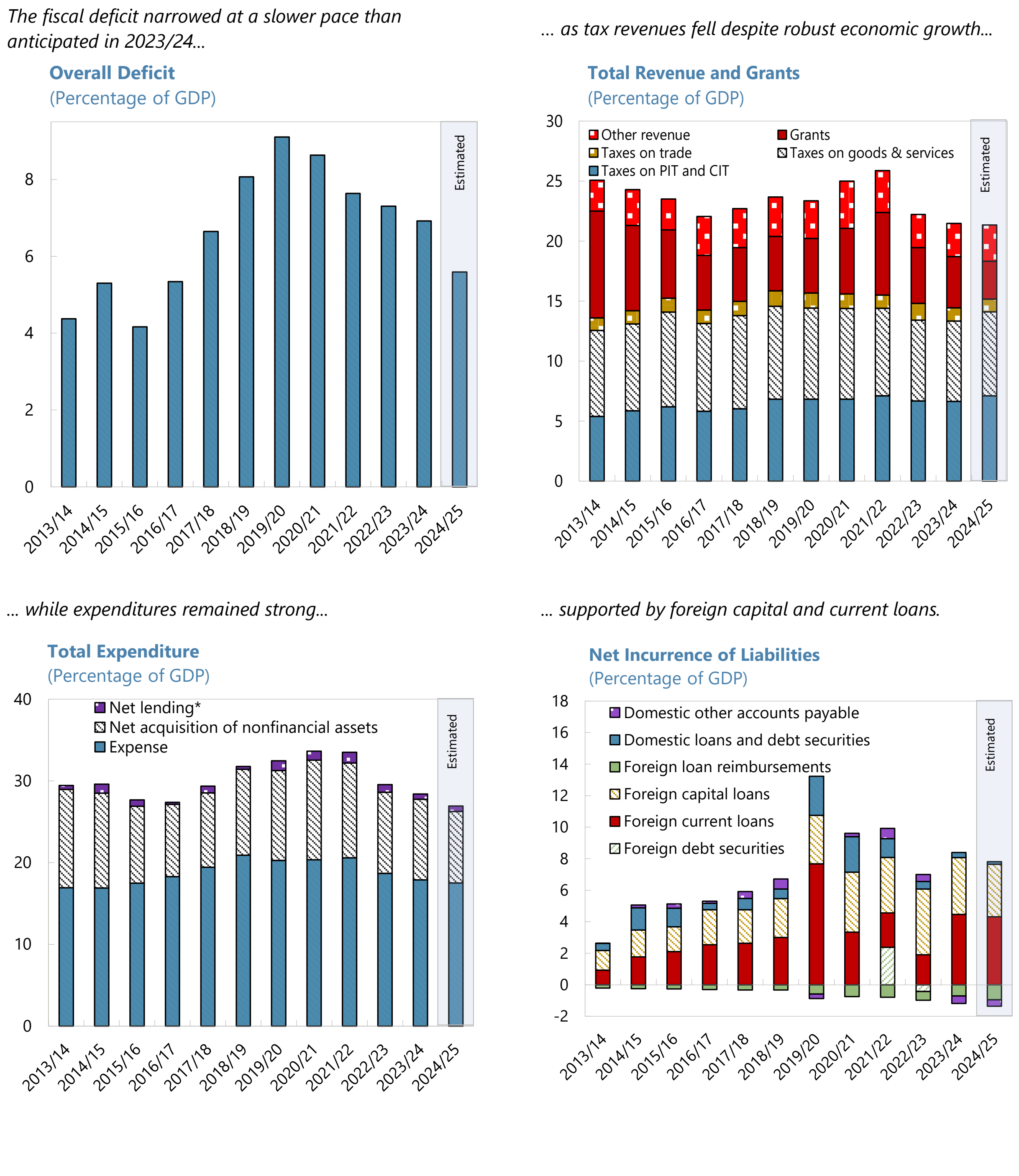
As of October, inflation remains stable at the midpoint of the NBR's inflation target range.

Inflation
(Percentage, y/y)



Sources: Rwandan Authorities and IMF staff estimates.

Figure 2. Rwanda: Fiscal Developments

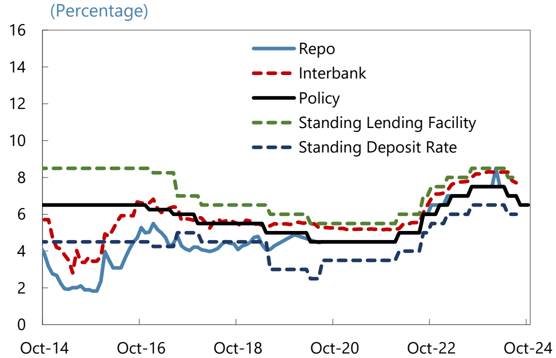


Sources: Rwandan Authorities and IMF staff estimates.
*Net lending is presented in the overall balance in accordance with the PCI definition.

Figure 3. Rwanda: Monetary and Financial Sector Developments

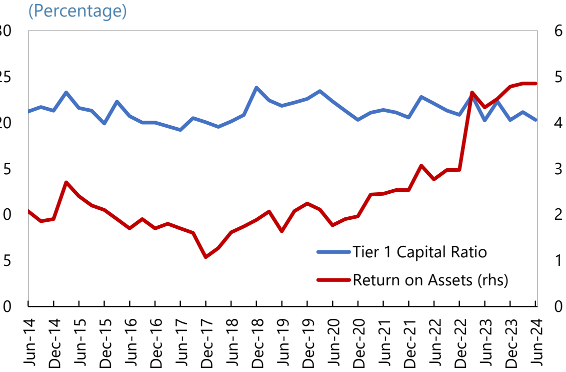
The NBR started to loosen the monetary stance in May 2024.

Policy and Short Term Rates
(Percentage)



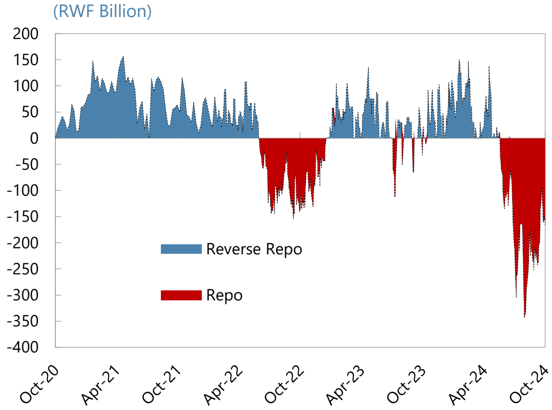
The banking sector continues to be profitable and regulatory capital is well above minimum requirements.

Rwanda Banking System - Profitability and Capitalization
(Percentage)



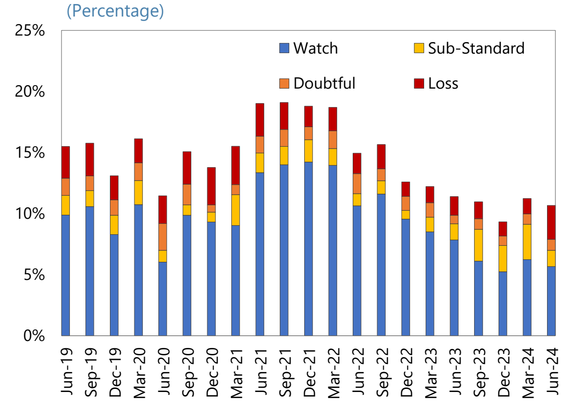
There is growing demand for repos from the NBR.

Liquidity Management from Open Market Operations[1,2]
(RWF Billion)



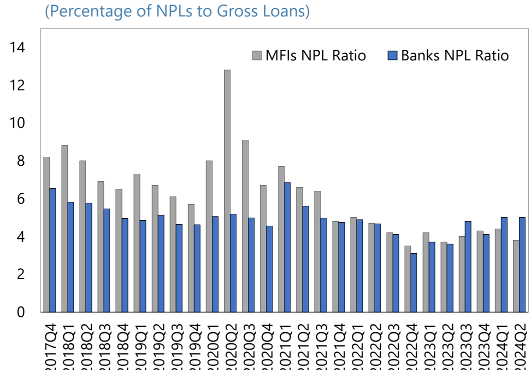
Loans under Watch category have continued to decline, while losses increased in 2024.

Risk Status of Loan Stock
(Percentage)



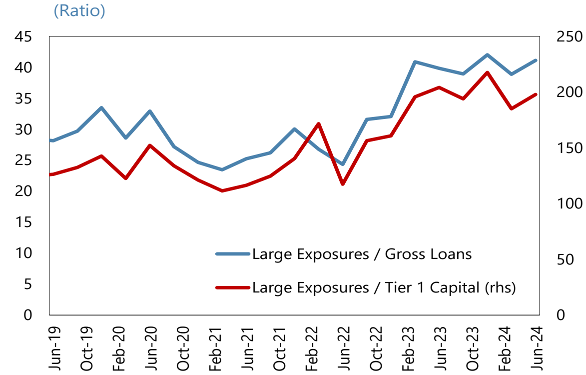
NPL levels remained broadly stable recently, following the COVID-related spike during 2020-2021.

Rwanda Banking System - Non-performing Loans
(Percentage of NPLs to Gross Loans)



But large exposures of banks have been growing in the past few years.

Rwanda Banking Sytem - Large Exposures
(Ratio)

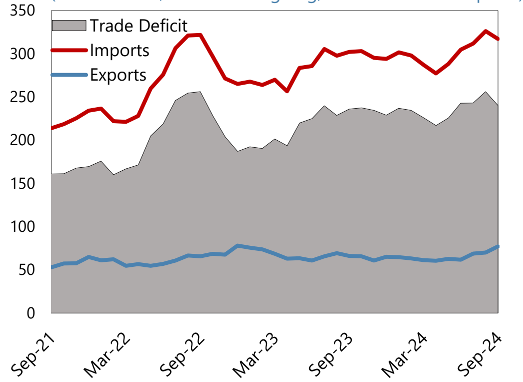


Sources: Rwandan authorities, and IMF staff estimates.
[1]Positive sign means net injection and negative sign means net absorption of liquidity.

Figure 4. Rwanda: External Developments

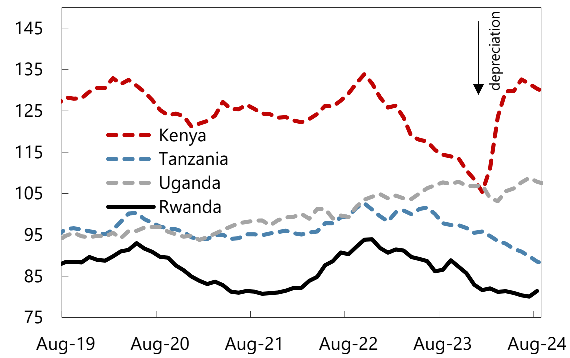
The trade deficit widened, reflecting strong demand for food and capital goods imports.

Growth of Exports and Imports Volumes
(USD Millions, 3-Mnt Rolling Avg, Excl. Gold & Re-Exports)



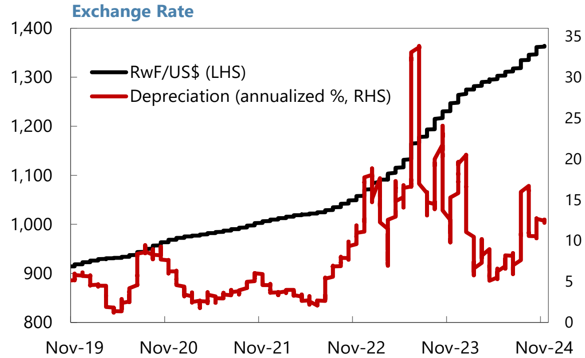
The REER depreciated…

EAC Real Effective Exchange Rates
(Index, March 2013=100)



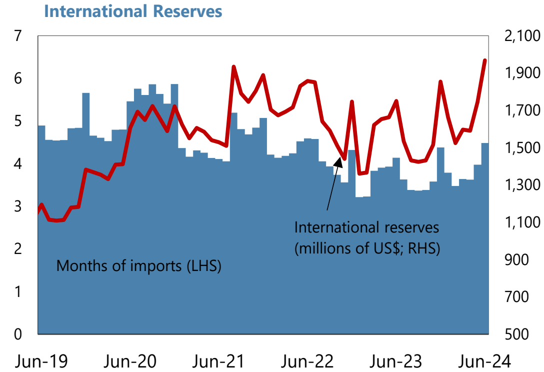
… as FX market pressures drove the nominal exchange rate depreciation…

Exchange Rate



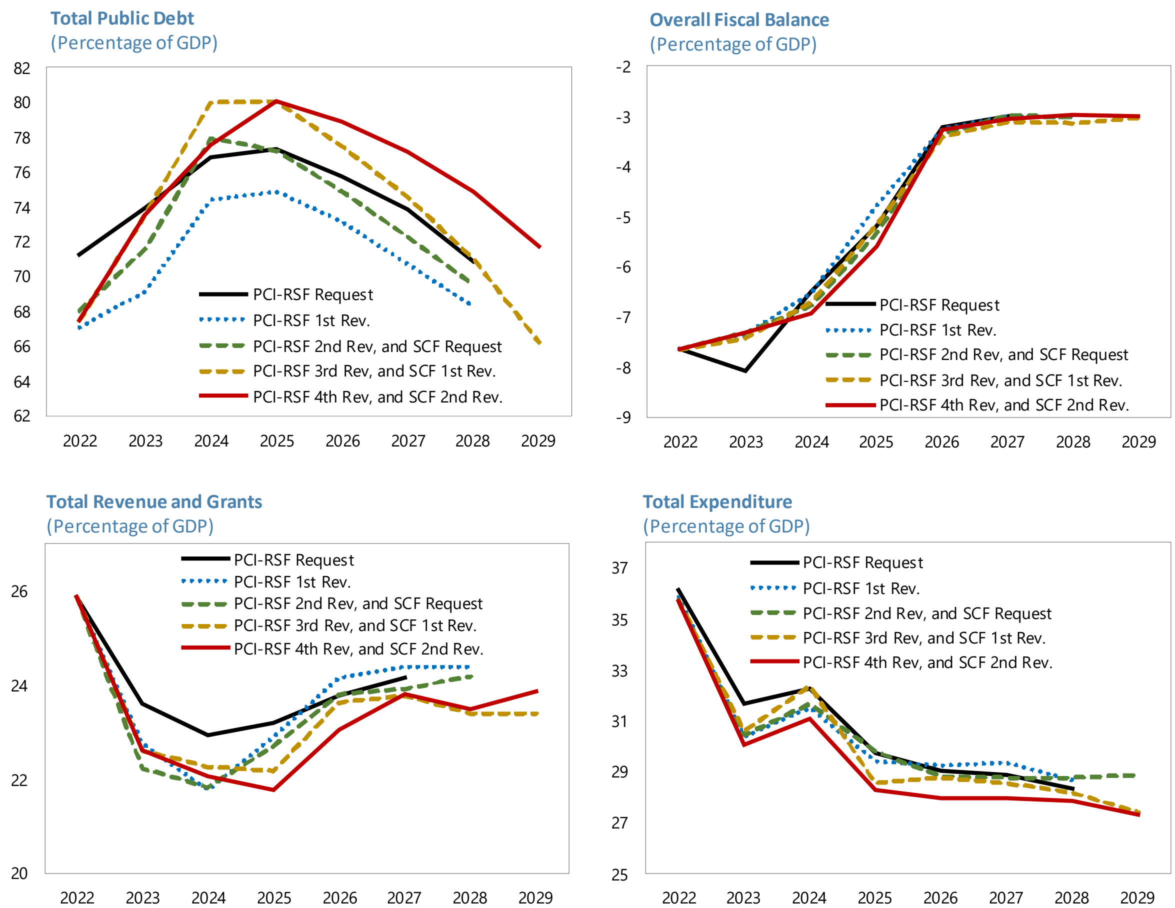
… while international reserves held steady following higher disbursements in official financing support.

International Reserves



Sources: Rwandan authorities, and IMF staff estimates.

Figure 5. Rwanda: Selected Program Indicators



Sources: Rwandan authorities, and IMF staff estimates
Note: Overall fiscal balance, total revenue and total expenditure are reported on a fiscal year basis. (e.g: 2022=FY21/22)

Table 1. Rwanda: Selected Economic Indicators, 2022–29

	2022	2023		2024		2025		2026		2027		2028		2029
	Act.	3rd Review	Act.	3rd Review	Est.	3rd Review	Proj.	3rd Review	Proj.	3rd Review	Proj.	3rd Review	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)													
Output and prices														
Real GDP	8.2	8.2	8.2	6.6	8.3	6.5	7.0	6.8	7.0	7.2	7.2	7.3	7.3	7.3
GDP deflator	15.9	10.1	10.1	4.3	4.5	5.0	4.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI (period average)	13.9	14.0	14.0	4.9	5.0	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI (end period)	21.7	6.4	6.4	5.0	4.6	5.1	4.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (deterioration, -)	2.7	-4.7	-4.7	1.8	-9.0	-3.1	-2.4	-0.8	-0.4	-2.3	-0.4	1.1	1.0	-1.0
Exchange rate (Rwanda franc/US$) (e.o.p.)	1,071	1,264	1,264	...	...	...	...	...	...	...	...	...	...	...
Rwanda franc y/y depreciation rate (e.o.p.)	6.1	18.0	18.0	...	...	...	...	...	...	...	...	...	...	...
Exchange rate (Rwanda franc/US$) (p. avg.)	1,031	1,160	1,160	...	...	...	...	...	...	...	...	...	...	...
Rwanda franc y/y depreciation rate (p. avg.)	4.2	12.6	12.6	...	...	...	...	...	...	...	...	...	...	...
Real effective exchange rate (depreciation, -)(p.avg.)	8.0	-0.8	-0.8	...	...	...	...	...	...	...	...	...	...	...
Money and credit														
Broad money (M3)	22.5	22.8	22.8	9.2	11.1	14.2	13.8	7.9	9.2	14.2	13.9	12.6	12.7	12.6
Reserve money	29.0	10.1	10.1	8.1	9.0	11.9	9.3	7.9	10.9	14.2	13.2	12.6	10.5	12.6
Credit to non-government sector	13.6	19.9	19.9	17.2	16.3	12.9	12.1	16.2	10.4	15.1	12.0	13.3	9.7	10.9
M3/GDP (percent)	29.2	30.0	30.0	29.5	29.5	30.1	29.9	29.0	29.1	29.4	29.4	29.4	29.4	29.4
Budgetary central government, FY basis [1]														
Revenue	25.9	22.6	22.2	22.3	21.5	22.2	21.3	23.6	22.5	23.8	23.3	23.4	23.0	23.3
Taxes	15.7	15.2	15.0	15.2	14.6	15.8	15.4	16.9	16.4	17.8	17.4	18.3	17.9	18.4
Grants	6.9	4.7	4.7	4.4	4.3	3.8	3.2	4.2	3.6	3.4	3.4	2.5	2.5	2.5
Other revenue	3.3	2.7	2.6	2.7	2.6	2.6	2.8	2.6	2.5	2.6	2.5	2.5	2.5	2.5
Expense	20.6	19.0	18.7	18.6	17.9	17.9	17.5	17.6	16.8	17.1	16.7	16.9	16.5	16.3
Net acquisition of nonfin. assets	11.6	10.1	9.9	9.7	9.9	8.9	8.8	9.0	8.6	9.5	9.3	9.3	9.1	9.8
Net lending (+) / borrowing (-) (NLB)	-6.3	-6.5	-6.4	-6.1	-6.3	-4.6	-4.9	-3.0	-2.9	-2.8	-2.7	-2.8	-2.7	-2.8
excluding grants	-13.2	-11.2	-11.0	-10.5	-10.6	-8.4	-8.1	-7.1	-6.5	-6.2	-6.1	-5.3	-5.2	-5.2
Net acquisition of financial assets	4.2	-0.5	-0.5	1.1	0.5	1.2	1.5	0.9	0.9	0.8	0.8	0.9	0.8	0.5
Currency and deposits	1.7	-0.5	-0.5	0.4	-0.2	0.7	0.9	0.5	0.5	0.4	0.4	0.4	0.4	0.4
Loans	0.8	0.6	0.6	0.5	0.5	0.3	0.5	0.3	0.2	0.2	0.2	0.2	0.2	0.1
Equity and investment fund shares	0.5	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1
Net incurrence of liabilities	10.4	6.3	6.2	7.5	7.2	5.9	6.5	3.9	3.8	3.6	3.6	3.6	3.5	3.3
Domestic	1.8	0.9	0.9	0.5	-0.1	0.0	-0.2	-0.6	-1.0	-0.2	-0.4	0.9	0.8	-0.2
Foreign	8.6	5.4	5.3	7.0	7.4	5.9	6.7	4.6	4.8	3.8	4.0	2.7	2.7	3.5
Overall fiscal balance (incl. grants, policy lending)[2]	-7.6	-7.4	-7.3	-6.7	-6.9	-5.2	-5.6	-3.4	-3.3	-3.1	-3.1	-3.1	-3.0	-3.0
Debt-creating overall balance (excl. PKO)[3]	-7.4	-7.4	-7.3	-6.7	-6.9	-5.2	-5.6	-3.4	-3.3	-3.1	-3.1	-3.1	-3.0	-3.0
Primary balance (excl grants)	-12.7	-10.9	-10.7	-9.0	-9.2	-6.8	-7.2	-4.6	-4.5	-4.2	-4.1	-4.0	-3.8	-3.7
Public debt														
Total public debt incl. guarantees	67.5	73.5	73.5	80.0	77.5	80.0	80.0	77.5	78.9	74.6	77.1	71.0	74.9	71.7
of which: external public debt	48.3	56.9	56.9	65.0	65.4	67.5	67.5	69.5	70.2	68.4	70.4	67.2	70.0	67.3
Total public debt excluding guarantees	67.2	73.3	73.3	77.7	75.2	77.0	77.1	74.7	76.1	72.0	74.5	68.7	72.5	69.5
External public debt incl. guarantees, PV	28.4	26.0	35.4	32.3	41.3	35.2	42.9	37.0	44.4	36.7	44.3	36.7	43.6	41.3
Gross domestic debt	19.2	16.6	16.6	15.0	12.1	12.5	12.5	8.0	8.7	6.2	6.8	3.8	4.9	4.4
Total public debt incl. guarantees, PV	48.7	44.9	55.2	49.1	55.2	48.8	57.0	45.7	54.5	43.6	52.4	41.1	49.5	46.6
Investment and savings														
Investment	25.7	23.3	23.3	25.4	26.4	24.5	27.0	25.0	26.9	25.4	27.4	25.3	27.5	27.5
Government	12.1	11.1	11.1	12.3	11.7	9.5	9.9	10.7	10.4	10.9	10.7	10.8	10.9	11.0
Nongovernment	13.6	12.2	12.2	13.1	14.7	15.0	17.1	14.4	16.5	14.5	16.7	14.5	16.6	16.5
Savings (excl. grants)	12.0	9.8	9.8	11.1	12.4	10.4	13.2	11.5	13.7	13.8	16.0	15.2	17.6	17.6
Government	0.4	1.3	1.3	0.6	0.7	2.3	2.5	3.8	3.8	4.9	4.9	5.5	5.5	5.9
Nongovernment	11.6	8.6	8.6	10.6	11.7	8.1	10.8	7.7	9.8	8.8	11.2	9.8	12.1	11.7
External sector														
Exports (goods and services)	22.5	24.9	24.9	28.5	29.3	30.9	33.5	32.4	36.5	33.0	39.0	33.0	40.8	42.0
Imports (goods and services)	-37.4	-41.0	-41.0	-43.6	-45.6	-45.2	-48.7	-45.4	-50.9	-44.7	-52.3	-43.4	-52.9	-52.3
Current account balance (incl grants)	-9.4	-11.7	-11.7	-12.1	-13.1	-11.1	-12.1	-10.0	-11.2	-9.6	-10.5	-8.6	-9.7	-8.2
Gross official reserves														
In millions of US$	1,693	1,833	1,833	2,050	2,200	2,279	2,150	2,372	2,278	2,476	2,370	2,597	2,503	2,563
In months of next year's imports[4]	4.2	4.4	4.3	4.8	5.0	5.1	4.7	5.1	4.7	5.1	4.7	5.1	4.9	5.0
In millions of US$ (excl RSF)	1,693	1,684	1,684	1,728	1,878	1,957	1,828	2,050	1,956	2,154	2,048	2,275	2,181	2,241
In months of next year's imports[4] (excl RSF)	4.2	4.1	4.0	4.1	4.3	4.3	4.0	4.4	4.1	4.5	4.1	4.5	4.2	4.3
Memorandum items:														
GDP at current market prices														
Rwanda francs (billion), CY basis	13,720	16,355	16,355	18,181	18,508	20,340	20,776	22,811	23,343	25,676	26,272	28,915	29,604	33,325
nominal growth	25.4	19.2	19.2	11.2	13.2	11.9	12.3	12.2	12.4	12.6	12.5	12.6	12.7	12.6
Rwanda francs (billion), FY basis [1]	11,988	15,024	15,291	17,268	17,747	19,261	19,642	21,576	22,060	24,244	24,808	27,296	27,938	31,465
Population (million)	13.2	13.5	13.5	13.9	13.9	14.2	14.2	14.5	14.5	14.8	14.8	15.1	15.1	15.3

Sources: Rwandan authorities and IMF staff estimates.

[1] From FY 21/22 (2022) to FY 28/29 (2029). Fiscal year runs from July to June. FY21/22 and FY22/23 are actual.

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

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

[4] Based on prospective import of goods (excluding gold) and services.

Table 2a. Rwanda: Budgetary Central Government Flows, GFSM 2014 Presentation FY21/22–28/29[1]

(Billions of Rwandan francs)

	2021/22	2022/23	2023/24		2024/25		2025/26		2026/27		2027/28		2028/29	
	Act.	Act	3rd Review	Act.	3rd Review	Proj.	3rd Review	Proj.	3rd Review	Proj.	3rd Review	Proj.	3rd Review	Proj.
Revenue	**3,103**	**3,400**	**3,845**	**3,811**	**4,268**	**4,193**	**5,102**	**4,973**	**5,764**	**5,774**	**6,386**	**6,413**	**7,201**	**7,335**
Taxes	1,877	2,287	2,616	2,593	3,038	3,018	3,637	3,621	4,307	4,307	5,004	5,004	5,670	5,791
Taxes on income, profits, and capital gains	854	1,023	1,215	1,179	1,417	1,397	1,687	1,671	2,001	2,001	2,335	2,335	2,638	2,726
Taxes on property	17	23	33	31	38	38	44	44	51	51	59	59	64	64
Taxes on goods and services	873	1,030	1,182	1,190	1,373	1,373	1,665	1,665	1,967	1,967	2,276	2,276	2,584	2,617
Taxes on international trade and transactions	133	212	187	194	209	209	240	240	288	288	334	334	383	383
Grants	824	711	766	758	725	621	901	790	835	842	690	710	770	772
Other revenue	402	401	463	460	505	554	564	561	622	624	692	699	760	772
of which: PKO	144	146	225	210	213	209	228	225	238	240	247	254	255	267
Expense	**2,468**	**2,857**	**3,215**	**3,173**	**3,440**	**3,441**	**3,801**	**3,707**	**4,141**	**4,141**	**4,613**	**4,602**	**5,128**	**5,137**
Compensation of employees	318	368	468	467	550	550	636	636	714	714	802	802	901	901
Use of goods and services	688	743	828	799	778	831	864	833	962	974	1,084	1,084	1,222	1,240
of which: Marburg virus response	--	--	--	--	--	83	--	--	--	--	--	--	--	--
Interest	220	304	421	418	504	500	568	559	570	572	592	597	603	610
To nonresidents	70	101	184	183	242	238	265	258	288	284	305	309	326	330
To residents other than general government	150	203	236	234	262	262	303	301	282	288	287	288	277	280
Subsidies	382	299	308	307	323	323	350	350	390	390	439	439	495	495
Grants	656	970	1,002	994	1,075	1,026	1,159	1,103	1,264	1,248	1,423	1,406	1,602	1,584
To Local Government	624	917	932	925	987	938	1,061	1,006	1,155	1,139	1,329	1,312	1,508	1,490
Current	488	671	718	704	760	728	818	775	886	874	990	978	1,123	1,110
of which: Compensation of employees	308	410	503	503	571	561	647	662	727	744	819	838	922	944
Capital	135	246	214	221	226	209	243	231	269	265	339	335	385	380
Social benefits	57	46	50	49	65	66	71	73	73	74	82	84	92	94
Other expense	147	128	139	139	144	144	153	153	169	169	190	190	214	214
Net Operating Balance														
including grants	635	543	631	638	829	752	1,300	1,266	1,623	1,633	1,773	1,811	2,073	2,198
excluding grants	-190	-168	-135	-120	104	131	399	476	788	791	1,083	1,101	1,303	1,426
Net acquisition of nonfin. assets	**1,393**	**1,518**	**1,676**	**1,755**	**1,721**	**1,719**	**1,941**	**1,901**	**2,297**	**2,309**	**2,530**	**2,554**	**2,935**	**3,075**
Foreign financed	589	771	1,017	1,098	1,014	1,076	1,150	1,202	1,289	1,328	1,268	1,346	1,388	1,564
of which: Flood spending	--	--	21	24	82	80	24	24	3	3	--	--	--	--
Domestically financed	804	747	660	657	707	644	792	700	1,008	980	1,262	1,208	1,548	1,511
of which: Flood spending	--	--	22	44	--	--	--	--	--	--	--	--	--	--
of which: Marburg virus response	--	--	--	--	--	20	--	--	--	--	--	--	--	--
Net lending (+) / borrowing (-)														
including grants	**-758.3**	**-976**	**-1046**	**-1117**	**-893**	**-967**	**-641**	**-635**	**-673**	**-676**	**-756**	**-743**	**-877**	**-877**
excluding grants	-1,583	-1,687	-1,812	-1,875	-1,618	-1,588	-1,542	-1,426	-1,509	-1,518	-1,446	-1,453	-1,632	-1,649
Net acquisition of financial assets	**502**	**-73**	**185**	**81**	**235**	**301**	**203**	**196**	**202**	**206**	**236**	**225**	**157**	**161**
Domestic	434	-5	185	81	235	301	203	196	202	206	236	225	157	161
Currency and deposits	209	-78	74	-30	135	170	108	110	121	124	136	140	92	94
Debt Securities	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Loans	94	92	82	83	61	91	59	47	44	46	63	49	40	30
Equity and investment fund shares	62	49	30	29	40	40	36	38	36	36	36	36	25	36
Foreign	68	-68	--	--	--	--	--	--	--	--	--	--	--	--
Net incurrence of liabilities	**1,252**	**951**	**1,299**	**1,282**	**1,128**	**1,268**	**844**	**831**	**875**	**882**	**992**	**967**	**1,020**	**1,038**
Domestic	221	142	91	-26	-1	-49	-138	-226	-37	-110	256	221	360	-72
Debt securities	224	295	219	154	148	110	35	-55	102	30	355	351	427	-5
Held by Banks	196	42	-31	36	9	-39	-118	-206	-17	-90	195	160	298	-134
Held by Non-Banks	27	252	250	119	140	149	153	151	119	119	161	191	129	129
Loans (debt securitites repayments)	-81	-222	-105	-96	-70	-79	-133	-131	-99	-99	-140	-170	-107	-107
Other accounts payable[3]	78	70	-23	-84	-80	-80	-40	-40	-40	-40	40	40	40	40
Foreign	1,032	809	1,208	1,307	1,129	1,316	982	1,057	912	991	736	746	660	1,110
Debt securities	275	-68	--	--	--	--	--	--	--	--	--	--	--	--
Loans	535	877	1,208	1,307.2	1,129	1,316	982	1,057	912	991	736	746	660	1,110
Disbursements	630	962	1,335	1,432	1,318	1,503	1,332	1,403	1,407	1,480	1,291	1,313	1,271	1,770
Current	218	535	776	792	726	847	622	648	599	636	439	410	369	732
of which: IMF RSF	--	106	158	157	135	133								
of which: IMF SCF	--	--	45	44	25	25								
Capital	412	426	559	640	592	656	710	755	808	845	852	903	902	1,038
Reimbursements	95	85	127	125	189	187	350	346	495	489	555	567	611	660
Statistical discrepancy	8	-48	-68	-83	--	--	--	--	--	--	--	--	--	--
Memorandum items:														
Domestic revenue (incl. local government)	2,135	2,542	2,855	2,844	3,331	3,363	3,973	3,957	4,691	4,691	5,449	5,449	6,175	6,296
Wage bill (incl. local government)	770	805	1,005	1,005	1,155	1,145	1,318	1,332	1,480	1,497	1,656	1,675	1,858	1,879
Primary balance excl. grants	-1,519	-1,525	-1,502	-1,568	-1,214	-1,219	-1,069	-953	-1,019	-1,028	-953	-941	-1,094	-1,105
Domestic financing with RSF	-213	147	-94	-107	-237	-349	-341	-422	-239	-316	20	-3	203	-233
Domestic financing without RSF	-213	253	64	50	-102	-216	-341	-422	-239	-316	20	-3	203	-233
Overall fiscal balance (incl. grants, policy loans)[2]	-915.3	-1,117	-1,157	-1,228	-993	-1,098	-737	-721	-754	-758	-856	-828	-927	-944
Debt creating overall bal. (excl. PKO)[3]	-1,059	-1,117	-1,157	-1,228	-993	-1,098	-737	-721	-754	-758	-856	-828	-927	-944

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

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

[3] Includes unpaid obligations under 90 days.

Table 2b. Rwanda: Budgetary Central Government Flows, GFSM 2014 Presentation FY21/22–28/29[1]

(Percent of GDP)

	2021/22	2022/23	2023/24		2024/25		2025/26		2026/27		2027/28		2028/29	
	Act.	Act.	3rd Review	Act.	3rd Review	Proj.	3rd Review	Proj.	3rd Review	Proj.	3rd Review	Proj.	3rd Review	Proj.
Revenue	**25.9**	**22.2**	**22.3**	**21.5**	**22.2**	**21.3**	**23.6**	**22.5**	**23.8**	**23.3**	**23.4**	**23.0**	**23.4**	**23.3**
Taxes	15.7	15.0	15.2	14.6	15.8	15.4	16.9	16.4	17.8	17.4	18.3	17.9	18.4	18.4
Taxes on income, profits, and capital gains	7.1	6.7	7.0	6.6	7.4	7.1	7.8	7.6	8.3	8.1	8.6	8.4	8.6	8.7
Taxes on property	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Taxes on goods and services	7.3	6.7	6.8	6.7	7.1	7.0	7.7	7.5	8.1	7.9	8.3	8.1	8.4	8.3
Taxes on international trade and transactions	1.1	1.4	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2
Grants	6.9	4.7	4.4	4.3	3.8	3.2	4.2	3.6	3.4	3.4	2.5	2.5	2.5	2.5
Other revenue	3.3	2.6	2.7	2.6	2.6	2.8	2.6	2.5	2.6	2.5	2.5	2.5	2.5	2.5
of which: PKO	1.2	1.0	1.3	1.2	1.1	1.1	1.1	1.0	1.0	1.0	0.9	0.9	0.8	0.8
Expense	**20.6**	**18.7**	**18.6**	**17.9**	**17.9**	**17.5**	**17.6**	**16.8**	**17.1**	**16.7**	**16.9**	**16.5**	**16.7**	**16.3**
Compensation of employees	2.7	2.4	2.7	2.6	2.9	2.8	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Use of goods and services	5.7	4.9	4.8	4.5	4.0	4.2	4.0	3.8	4.0	3.9	4.0	3.9	4.0	3.9
of which: Marburg virus response	--	--	--	--	--	0.4	--	--	--	--	--	--	--	--
Interest	1.8	2.0	2.4	2.4	2.6	2.5	2.6	2.5	2.4	2.3	2.2	2.1	2.0	1.9
To nonresidents	0.6	0.7	1.1	1.0	1.3	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.1
To residents other than general government	1.3	1.3	1.4	1.3	1.4	1.3	1.4	1.4	1.2	1.2	1.1	1.0	0.9	0.9
Subsidies	3.2	2.0	1.8	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Grants	5.5	6.3	5.8	5.6	5.6	5.2	5.4	5.0	5.2	5.0	5.2	5.0	5.2	5.0
To Local Government	5.2	6.0	5.4	5.2	5.1	4.8	4.9	4.6	4.8	4.6	4.9	4.7	4.9	4.7
Current	4.1	4.4	4.2	4.0	3.9	3.7	3.8	3.5	3.7	3.5	3.6	3.5	3.7	3.5
of which: Compensation of employees	2.6	2.7	2.9	2.8	3.0	2.9	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Capital	1.1	1.6	1.2	1.2	1.2	1.1	1.1	1.0	1.1	1.1	1.2	1.2	1.3	1.2
Social benefits	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other expense	1.2	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Net acquisition of nonfin. assets	**11.6**	**9.9**	**9.7**	**9.9**	**8.9**	**8.8**	**9.0**	**8.6**	**9.5**	**9.3**	**9.3**	**9.1**	**9.5**	**9.8**
Foreign financed	4.9	5.0	5.9	6.2	5.3	5.5	5.3	5.4	5.3	5.4	4.6	4.8	4.5	5.0
of which: Flood spending	--	--	0.1	0.1	0.4	0.4	0.1	0.1	--	--	--	--	--	--
Domestically financed	6.7	4.9	3.8	3.7	3.7	3.3	3.7	3.2	4.2	4.0	4.6	4.3	5.0	4.8
of which: Flood spending	--	--	0.1	0.2	--	--	--	--	--	--	--	--	--	--
of which: Marburg virus response	--	--	--	--	--	0.1	--	--	--	--	--	--	--	--
Net lending (+) / borrowing (-)														
including grants	**-6.3**	**-6.4**	**-6.1**	**-6.3**	**-4.6**	**-4.9**	**-3.0**	**-2.9**	**-2.8**	**-2.7**	**-2.8**	**-2.7**	**-2.8**	**-2.8**
excluding grants	--	-11.0	-10.5	-10.6	-8.4	-8.1	-7.1	-6.5	-6.2	-6.1	-5.3	-5.2	-5.3	-5.2
Net acquisition of financial assets	**4.2**	**-0.5**	**1.1**	**0.5**	**1.2**	**1.5**	**0.9**	**0.9**	**0.8**	**0.8**	**0.9**	**0.8**	**0.5**	**0.5**
Domestic	3.6	--	1.1	0.5	1.2	1.5	0.9	0.9	0.8	0.8	0.9	0.8	0.5	0.5
Currency and deposits	1.7	-0.5	0.4	-0.2	0.7	0.9	0.5	0.5	0.5	0.5	0.5	0.5	0.3	0.3
Debt securities	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Loans	0.8	0.6	0.5	0.5	0.3	0.5	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Equity and investment fund shares	0.5	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Foreign	0.6	-0.4	--	--	--	--	--	--	--	--	--	--	--	--
Net incurrence of liabilities	**10.4**	**6.2**	**7.5**	**7.2**	**5.9**	**6.5**	**3.9**	**3.8**	**3.6**	**3.6**	**3.6**	**3.5**	**3.3**	**3.3**
Domestic	1.8	0.9	0.5	-0.1	0.0	-0.2	-0.6	-1.0	-0.2	-0.4	0.9	0.8	1.2	-0.2
Debt securities	1.9	1.9	1.3	0.9	0.8	0.6	0.2	-0.2	0.4	0.1	1.3	1.3	1.4	--
Held by Banks	1.6	0.3	-0.2	0.2	0.0	-0.2	-0.5	-0.9	-0.1	-0.4	0.7	0.6	1.0	-0.4
Held by Non-Banks	0.2	1.7	1.5	0.7	0.7	0.8	0.7	0.7	0.5	0.5	0.6	0.7	0.4	0.4
T-bills	-0.2	0.1	0.5	0.1	0.4	0.4	0.6	0.6	0.4	0.4	0.5	0.6	0.3	0.3
T-bonds	0.5	1.6	1.0	0.5	0.4	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Loans (debt securitites repayments)	-0.7	-1.5	-0.6	-0.5	-0.4	-0.4	-0.6	-0.6	-0.4	-0.4	-0.5	-0.6	-0.3	-0.3
Other accounts payable[4]	0.7	0.5	-0.1	-0.5	-0.4	-0.4	-0.2	-0.2	-0.2	-0.2	0.1	0.1	0.1	0.1
Foreign	8.6	5.3	7.0	7.4	5.9	6.7	4.6	4.8	3.8	4.0	2.7	2.7	2.1	3.5
Special Drawing Rights (SDRs)	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Debt securities	2.3	-0.4	--	--	--	--	--	--	--	--	--	--	--	--
Loans	4.5	5.7	7.0	7.4	5.9	6.7	4.6	4.8	3.8	4.0	2.7	2.7	2.1	3.5
Disbursements	5.3	6.3	7.7	8.1	6.8	7.7	6.2	6.4	5.8	6.0	4.7	4.7	4.1	5.6
Current	1.8	3.5	4.5	4.5	3.8	4.3	2.9	2.9	2.5	2.6	1.6	1.5	1.2	2.3
of which: IMF RSF	--	0.7	0.9	0.9	0.7	0.7	--	--	--	--	--	--	1.0	1.0
of which: IMF SCF			0.3	0.3	0.1	0.1								
Capital	3.4	2.8	3.2	3.6	3.1	3.3	3.3	3.4	3.3	3.4	3.1	3.2	2.9	3.3
Reimbursements	0.8	0.6	0.7	0.7	1.0	1.0	1.6	1.6	2.0	2.0	2.0	2.0	2.0	2.1
Statistical discrepancy	0.1	-0.3	-0.4	-0.5	--	--	--	--	--	--	--	--	--	--
Memorandum item:														
Domestic revenue (incl. local government)	17.8	16.6	16.5	16.0	17.3	17.1	18.4	17.9	19.3	18.9	20.0	19.5	20.1	20.0
Wage bill (incl. local government)	6.4	5.3	5.8	5.7	6.0	5.8	6.1	6.0	6.1	6.0	6.1	6.0	6.0	6.0
Total expenditure	33.5	29.5	29.0	28.4	27.3	26.9	27.1	25.8	26.9	26.3	26.5	25.9	26.4	26.3
Primary balance excl. grants	-12.7	-10.0	-8.7	-8.8	-6.3	-6.2	-5.0	-4.3	-4.2	-4.1	-3.5	-3.4	-3.6	-3.5
Domestic financing with RSF	-1.8	1.0	-0.5	-0.6	-1.2	-1.8	-1.6	-1.9	-1.0	-1.3	0.1	--	0.7	-0.7
Domestic financing without RSF	-1.8	1.7	0.4	0.3	-0.5	-1.1	-1.6	-1.9	-1.0	-1.3	0.1	--	0.7	-0.7
Overall fiscal balance (incl. grants, policy loans)[2]	-7.6	-7.3	-6.7	-6.9	-5.2	-5.6	-3.4	-3.3	-3.1	-3.1	-3.1	-3.0	-3.0	-3.0
Debt creating overall bal. (excl. PKO, comm.)[3]	-8.8	-7.3	-6.7	-6.9	-5.2	-5.6	-3.4	-3.3	-3.1	-3.1	-3.1	-3.0	-3.0	-3.0
GDP (Billions of RwF), FY basis	11,988	15,291	17,268	17,747	19,261	19,642	21,576	22,060	24,244	24,808	27,296	27,938	30,751	31,465

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal years runs from July to June.

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

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

[4] Includes unpaid obligations under 90 days.

Table 3. Rwanda: Monetary Survey, 2023–29

(Billions of Rwandan francs, unless otherwise indicated)

	2023	2024		2025		2026		2027		2028		2029	
	Dec	Dec		Dec		Dec		Dec		Dec		Dec	
	Act.	3rd Review	Est.	3rd Review	Proj.	3rd Review	Proj.	3rd Review	Proj.	3rd Review	Proj.	3rd Review	Proj.
Monetary authorities survey[1]													
Net Foreign Assets	1,265	1,136	1,446	1,473	1,543	1,649	1,917	1,847	2,276	2,118	2,787	2,261	3,211
Foreign assets	2,342	2,617	3,054	2,907	3,224	3,024	3,635	3,155	4,009	3,308	4,443	3,321	4,753
Foreign liabilities	1,077	1,481	1,607	1,434	1,681	1,376	1,718	1,308	1,733	1,190	1,657	1,060	1,542
Net domestic assets	-252	-41	-342	-248	-337	-326	-579	-336	-761	-417	-1,112	-367	-1,326
Domestic credit	354	602	264	433	270	391	28	418	-104	375	-406	462	-569
Other items (net; asset +)	-606	-643	-606	-680	-606	-717	-606	-754	-656	-791	-706	-828	-756
Reserve money	1,013	1,095	1,104	1,225	1,206	1,322	1,338	1,510	1,515	1,701	1,674	1,895	1,885
Commercial banks survey													
Net foreign assets	421	421	388	421	388	421	388	421	388	421	388	421	388
Net domestic assets	4,156	4,580	4,686	5,300	5,439	5,754	6,012	6,633	6,953	7,524	7,933	8,430	9,027
Reserves	677	732	718	820	820	886	952	1,013	1,129	1,142	1,288	1,273	1,499
Net credit to NBR	-150	-383	21	-373	-125	-446	0	-602	153	-673	454	-852	617
Domestic credit	5,140	5,892	5,458	6,599	6,254	7,161	6,620	8,168	7,282	9,072	7,851	10,097	8,622
Government (net)	1,161	1,262	862	1,397	1,123	1,143	973	1,268	979	1,282	951	1,386	988
Public enterprises	297	297	297	297	297	297	297	297	297	297	297	297	297
Private sector	3,682	4,333	4,299	4,905	4,834	5,721	5,351	6,603	6,007	7,494	6,603	8,414	7,337
Other items (net; asset +)	-1,511	-1,661	-1,511	-1,746	-1,511	-1,846	-1,561	-1,946	-1,611	-2,017	-1,661	-2,088	-1,711
Deposits	4,577	5,001	5,074	5,722	5,827	6,176	6,400	7,054	7,341	7,945	8,321	8,851	9,415
Monetary survey													
Net foreign assets	1,686	1,557	1,834	1,894	1,931	2,070	2,305	2,268	2,664	2,539	3,175	2,682	3,599
Net domestic assets	3,227	3,807	3,625	4,232	4,282	4,542	4,481	5,284	5,063	5,966	5,532	6,790	6,203
Domestic credit	5,344	6,111	5,873	6,658	6,536	7,105	6,785	7,984	7,315	8,774	7,767	9,706	8,437
Government	1,250	1,366	1,161	1,341	1,290	972	1,022	969	896	868	752	881	689
Public enterprises	297	297	297	297	297	297	297	297	297	297	297	297	297
Private sector	3,797	4,448	4,414	5,020	4,949	5,836	5,466	6,718	6,122	7,609	6,718	8,529	7,452
Other items (net; asset +)	-2,117	-2,304	-2,117	-2,426	-2,117	-2,563	-2,167	-2,700	-2,267	-2,808	-2,367	-2,916	-2,467
Broad money	4,913	5,363	5,460	6,127	6,213	6,612	6,786	7,552	7,727	8,504	8,707	9,473	9,801
Year on Year Growth						(Percentage change)							
Broad money	22.8	9.2	11.1	14.2	13.8	7.9	9.2	14.2	13.9	12.6	12.7	25.4	12.6
Reserve money	10.1	8.1	9.0	11.9	9.3	7.9	10.9	14.2	13.2	12.6	10.5	25.4	12.6
Net credit to Government	15.6	9.2	-7.1	-1.8	11.1	-27.5	-20.8	-0.4	-12.3	-10.4	-16.1	-9.1	-8.4
Net foreign assets	33.4	-7.7	8.8	21.7	5.3	9.3	19.4	9.6	15.6	11.9	19.2	18.3	13.4
Credit to non-government sector	19.9	17.2	16.3	12.9	12.1	16.2	10.4	15.1	12.0	13.3	9.7	27.0	10.9
Memorandum items:													
Velocity (eop)	3.3	3.4	3.4	3.3	3.3	3.5	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Money multiplier	4.9	4.9	4.9	5.0	5.2	5.0	5.1	5.0	5.1	5.0	5.2	5.0	5.2
Net Foreign Assets[2]	1,040	998	…	…	…	…	…	…	…	…	…	…	…

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

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

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

Table 4. Rwanda: Financial Soundness Indicators, March 2021 – June 2024[1]

(Percent, unless otherwise indicated)

	2021				2022				2023				2024	
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.
Capital Adequacy														
Core capital to risk-weighted assets	21.1	21.4	21.1	20.6	22.8	22.1	21.3	20.9	22.9	20.2	22.3	20.3	21.1	20.3
Regulatory capital to risk-weighted assets	22.3	22.5	22.2	21.5	23.9	23.1	22.3	21.7	23.8	21.1	23.2	21.5	22.3	21.5
Off balance sheet items/total qualifying capital	98.5	121.5	126.1	139.6	136.9	84.8	89.1	96.6	111.1	115.3	100.3	97.7	100.6	96.6
Insider loans/core capital	7.3	5.8	8.3	8.2	23.5	17.1	65.7	9.2	9.8	9.7	8.9	11.3	11.2	7.0
Large exposure/core capital	111.3	116.4	124.6	140.3	171.7	117.4	156.5	160.7	195.8	204.1	193.9	217.6	185.1	197.9
Asset Quality														
NPLs/gross loans	6.6	5.7	5.1	4.6	4.7	4.3	4.1	3.1	3.7	3.6	4.8	4.1	5.0	5.0
Provisions/NPLs	79.9	99.0	106.0	119.8	108.1	114.4	112.9	141.9	115.4	120.9	92.0	99.1	89.3	90.6
Earning assets/total asset	80.4	85.0	85.3	83.5	85.5	85.1	77.8	81.1	80.1	79.8	80.2	78.9	77.5	79.8
Large exposures/gross loans	23.4	25.2	26.2	30.0	26.8	24.3	31.6	32.0	40.9	39.9	39.0	42.0	38.9	41.1
Profitability and Earnings														
Return on average assets	2.4	2.5	2.5	2.5	3.1	2.8	3.0	3.0	4.7	4.3	4.5	4.8	4.9	4.9
Return on average equity	14.5	14.4	14.8	15.0	17.0	16.5	18.0	17.8	19.2	19.0	19.7	20.7	22.1	...
Net interest margin (percentage points)	9.2	9.0	8.7	8.5	9.3	9.1	8.8	8.7	9.2	9.5	9.1	9.6	9.4	9.3
Cost of deposits	3.3	3.3	3.3	3.2	3.2	3.3	5.0	3.3	3.3	3.3	3.1	3.8	3.6	3.2
Cost to income	72.3	72.5	72.8	72.7	67.0	69.7	67.1	66.7	66.5	67.7	65.6	65.8	62.5	63.4
Overhead to income	35.2	34.5	36.5	36.7	36.8	37.5	37.0	37.8	37.3	38.7	36.1	36.6	30.1	33.4
Liquidity														
Liquidity coverage ratio	240.8	226.2	221.4	268.9	365.4	224.7	250.5	215.9	227.5	274.1	273.6	234.0	290.5	305.9
Net stable funding ratio	159.2	157.4	143.6	147.1	154.6	130.9	154.8	136.8	154.5	129.8	127.6	114.6	136.3	135.6
Liquid assets/total deposits	35.9	38.1	38.3	41.7	40.7	40.7	40.7	42.3	43.4	41.0	38.4	37.4	37.7	38.7
Interbank borrowings/total deposits	25.0	25.1	25.6	25.0	25.9	26.9	26.8	30.0	26.9	28.1	24.4	20.3	20.1	28.0
NBR borrowings/total deposits	0.9	0.5	0.5	0.7	0.5	0.5	0.6	0.6	1.0	1.9	0.8	0.6	0.7	1.0
Gross loans/total deposits	94.3	96.2	97.5	94.0	89.3	93.8	90.5	91.8	96.6	95.9	93.1	82.6	83.5	89.8
Liquid assets to short-term liability	113.2	113.7	101.4	132.9	144.8	128.7	130.4	119.2	123.0	97.8	...	...	...	...
Market Sensitivity														
Forex exposure/core capital	-3.2	-4.7	-5.3	-3.7	-1.8	-4.4	-4.4	-0.6	-4.5	-5.5	-1.5	1.0	-0.1	1.6
Forex loans/Forex deposits	37.0	37.7	42.3	32.8	26.5	31.5	33.3	34.9	33.6	31.8	34.3	35.7	62.8	60.5
Forex assets/Forex liabilities	87.8	85.3	87.2	92.0	87.4	86.7	88.2	89.1	98.1	92.2	93.1	94.4	92.2	95.9
Memorandum items:														
NPLs / On balance sheet gross loans	...	...	...	...	...	...	...	...	...	...	...	5.2	6.1	5.9

Source: National Bank of Rwanda.

[1] The FSIs cover the banking sector.

Table 5a. Rwanda: Balance of Payments, 2022–29

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

	2022	2023	2024		2025		2026		2027		2028		2029	
	Act.	Act.	3rd review	Proj.	3rd review	Proj.	3rd review	Proj.	3rd review	Proj.	3rd review	Proj.	3rd review	Proj.
Current account balance	**-1,246**	**-1,654**	**-1,642**	**-1,831**	**-1,542**	**-1,759**	**-1,442**	**-1,707**	**-1,482**	**-1,689**	**-1,427**	**-1,667**	**-1,399**	**-1,516**
Current account balance ex. Bugesera	*-1,172*	*-1,427*	*-1,462*	*-1,780*	*-1,264*	*-1,587*	*-1,155*	*-1,541*	*-1,254*	*-1,507*	*-1,427*	*-1,507*	*-1,399*	*-1,516*
Trade balance	-1,988	-2,369	-2,155	-2,408	-2,101	-2,342	-2,069	-2,326	-2,087	-2,310	-2,036	-2,281	-2,007	-2,165
Trade balance ex. Bugesera	*-1,930*	*-2,146*	*-2,014*	*-2,363*	*-1,884*	*-2,218*	*-1,845*	*-2,206*	*-1,909*	*-2,180*	*-2,036*	*-2,156*	*-2,007*	*-2,165*
Exports (f.o.b.)	2,112	2,466	2,781	3,034	3,156	3,721	3,553	4,324	3,988	4,960	4,421	5,606	4,644	6,263
Of which: gold	556	884	954	1,355	1,225	1,857	1,379	2,286	1,617	2,719	1,848	3,127	1,885	3,541
Exports (f.o.b.) excl. gold	1,556	1,582	1,827	1,679	1,931	1,864	2,175	2,038	2,371	2,241	2,572	2,480	2,758	2,723
Imports (f.o.b.)	4,100	4,835	4,936	5,442	5,257	6,063	5,622	6,650	6,075	7,270	6,457	7,887	6,650	8,428
Of which: gold	510	929	952	1,318	1,192	1,815	1,339	2,243	1,573	2,674	1,800	3,082	1,836	3,495
Imports (f.o.b.) excl. gold	3,590	3,905	3,985	4,125	4,066	4,247	4,284	4,407	4,502	4,596	4,657	4,806	4,815	4,933
Services (net)	4	95	111	124	104	136	135	139	210	166	216	195	192	256
Services ex. Bugesera	*20*	*98*	*150*	*129*	*165*	*184*	*198*	*185*	*260*	*218*	*216*	*231*	*192*	*256*
Credit	881	1,043	1,097	1,076	1,148	1,153	1,254	1,236	1,317	1,327	1,345	1,424	1,475	1,508
Of which: tourism receipts	400	564	615	612	645	673	657	740	703	814	755	896	838	967
Debit	878	948	986	952	1,043	1,017	1,119	1,097	1,107	1,160	1,129	1,229	1,283	1,252
Income	-242	-278	-435	-367	-482	-413	-510	-447	-552	-481	-589	-522	-673	-565
Of which: interest on public debt[1,2]	-112	-66	-175	-167	-183	-187	-191	-197	-195	-202	-195	-213	-198	-222
Current transfers (net)	981	898	837	820	937	860	1,003	927	947	936	983	941	1,089	958
Private	489	521	549	543	578	572	611	602	643	631	678	658	718	686
Of which: remittance inflows	461	505	525	523	549	548	556	574	584	601	611	626	650	652
Public	492	377	288	277	359	289	392	326	304	305	305	283	371	272
Capital and financial account balance	**1,058**	**1,461**	**1,540**	**1,882**	**1,809**	**1,746**	**1,581**	**1,880**	**1,638**	**1,834**	**1,642**	**1,893**	**1,512**	**1,678**
Capital account	322	398	383	383	291	291	313	313	313	313	306	306	374	311
Financial account	736	1,063	1,157	1,499	1,517	1,455	1,268	1,567	1,325	1,521	1,336	1,587	1,138	1,368
Direct investment	305	459	496	488	613	713	647	817	676	836	637	838	691	697
FDIs ex. Bugesera	…	*222*	*381*	*399*	*427*	*579*	*451*	*677*	*510*	*683*	*637*	*691*	*691*	*697*
o/w Bugesera		237	115	89	186	134	196	140	166	153	0	147	0	0
Public sector capital	418	725	893	1,118	662	647	790	835	543	688	564	774	391	486
Long-term borrowing[2]	531	900	988	1,216	808	796	1,138	1,071	918	984	903	1,071	746	939
o/w budget financing and commercial loans	…	549	471	698	245	193	521	441	316	331	370	395	215	322
o/w project loans	…	411	434	517	445	495	499	537	519	550	533	578	531	617
Scheduled amortization, excl IMF	-113	-175	-95	-98	-146	-149	-348	-236	-375	-296	-338	-296	-355	-453
SDR allocation	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Other capital[3]	13	-121	-232	-108	243	94	-168	-85	107	-3	135	-25	56	186
Net errors and omissions	**91**	**45**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-97**	**-148**	**-102**	**51**	**267**	**-13**	**139**	**173**	**157**	**145**	**215**	**226**	**113**	**162**
Financing	**97**	**148**	**102**	**-51**	**-267**	**13**	**-139**	**-173**	**-157**	**-145**	**-215**	**-226**	**-113**	**-162**
Reserve assets (increase -)	129	-107	-217	-367	-229	50	-93	-128	-103	-93	-121	-133	-131	-193
of which: SCF impact		-148	-178	-175										
Net credit from the IMF	-43	194	319	316	-38	-37	-46	-45	-53	-53	-93	-93	-103	-103
IMF disbursement (+)	0	237	352	348	0.0	0	0	0	0	0	0	0	0	0
of which: SCF impact		148	178	175										
of which: RSF impact	…	149	173	173			0	0	0	0	0.0	0	0.0	0
Repayments to IMF (-)	-43	-43	-32	-32	-38	-37	-46	-45	-53	-53	-93	-93	-103	-103
Memorandum items:														
Current account balance (percent of GDP)[4]	-9.4	-11.7	-12.1	-13.1	-11.1	-12.1	-9.7	-11.2	-9.2	-10.5	-8.2	-9.7	-7.3	-8.2
Current account excl. Bugesera (percent of GDP)	*-8.8*	*-10.1*	*-10.8*	*-12.7*	*-9.1*	*-10.9*	*-7.8*	*-10.1*	*-7.8*	*-9.3*	*-8.2*	*-8.7*	*-7.3*	*-8.2*
Trade balance (percent of GDP)	-14.9	-16.8	-15.9	-17.2	-15.1	-16.1	-13.9	-15.3	-13.0	-14.3	-11.6	-13.2	-10.5	-11.7
Trade balance excl. Bugesera (percent of GDP)	*-14.5*	*-15.2*	*-14.8*	*-16.8*	*-13.5*	*-15.3*	*-12.4*	*-14.5*	*-11.9*	*-13.5*	*-11.6*	*-12.5*	*-10.5*	*-11.7*
Foreign assets of monetary authorities	**1,747**	**1,853**	**2,070**	**2,220**	**2,300**	**2,171**	**2,393**	**2,298**	**2,497**	**2,391**	**2,618**	**2,524**	**2,628**	**2,583**
in months of prospective imports of G&S[5]	4.3	4.4	4.9	5.1	5.1	4.7	5.1	4.8	5.2	4.8	5.2	4.9	5.2	5.0
Of which : SCF		148	294.4	323	294.4	323								
Of which : RSF		149	322	322	322	322	322	322	322	322	322	322	322	322
Of which : excluding RSF	1,747	1,705	1,748	1,898	1,978	1,849	2,071	1,976	2,174	2,069	2,296	2,202	2,306	2,261
Of which : excluding RSF, in months of imports	4.3	4.0	4.1	4.3	4.4	4.0	4.4	4.1	4.5	4.1	4.5	4.3	4.5	4.4
Gross official reserves	**1,693**	**1,833**	**2,050**	**2,200**	**2,279**	**2,150**	**2,373**	**2,278**	**2,476**	**2,370**	**2,597**	**2,503**	**2,607**	**2,563**
in months of prospective imports of G&S[5]	4.2	4.3	4.8	5.0	5.1	4.7	5.1	4.7	5.1	4.7	5.1	4.9	5.1	5.0
Of which : SCF		148	294	323	294	323	294	323	294	323	294	323	294	323
Of which : excluding RSF	1,693	1,684	1,728	1,878	1,957	1,828	2,051	1,956	2,154	2,048	2,275	2,181	2,285	2,241
Of which : excluding RSF, in months of imports	4.2	4.0	4.1	4.3	4.3	4.0	4.4	4.1	4.5	4.1	4.5	4.2	4.5	4.3

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

[4] Including official transfers.

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

Table 5b. Rwanda: Balance of Payments, 2022–29

(Percent of GDP, unless otherwise indicated)

	2022	2023	2024		2025		2026		2027		2028		2029
	Act.	Act.	3rd review	Proj.	3rd review	Proj.	3rd review	Proj.	3rd review	Proj.	3rd review	Proj.	Proj.
Current account balance	**-9.4**	**-11.7**	**-12.1**	**-13.1**	**-11.1**	**-12.1**	**-9.7**	**-11.2**	**-9.2**	**-10.5**	**-8.2**	**-9.7**	**-8.2**
Current account balance ex. Bugesera	-8.8	-10.1	-10.8	-12.7	-9.1	-10.9	-7.8	-10.1	-7.8	-9.3	-8.2	-8.7	-8.2
Trade balance	-14.9	-16.8	-15.9	-17.2	-15.1	-16.1	-13.9	-15.3	-13.0	-14.3	-11.6	-13.2	-11.7
Trade balance ex. Bugesera	-14.5	-15.2	-14.8	-16.8	-13.5	-15.3	-12.4	-14.5	-11.9	-13.5	-11.6	-12.5	-11.7
Exports (f.o.b.)	15.9	17.5	20.5	21.6	22.6	25.6	23.9	28.4	24.8	30.8	25.3	32.5	33.8
Of which: gold	4.2	6.3	7.0	9.7	8.8	12.8	9.3	15.0	10.1	16.9	10.6	18.2	19.1
Exports (f.o.b.) excl. gold	11.7	11.2	13.5	12.0	13.9	12.8	14.6	13.4	14.8	13.9	14.7	14.4	14.7
Imports (f.o.b.)	30.8	34.3	36.3	38.8	37.7	41.7	37.9	43.7	37.8	45.1	36.9	45.8	45.5
Of which: gold	3.8	6.6	7.0	9.4	8.5	12.5	9.0	14.7	9.8	16.6	10.3	17.9	18.9
Imports (f.o.b.) excl. gold	27.0	27.7	29.3	29.4	29.2	29.2	28.9	28.9	28.0	28.5	26.6	27.9	26.6
Services (net)	0.0	0.7	0.8	0.9	0.7	0.9	0.9	0.9	1.3	1.0	1.2	1.1	1.4
Services ex. Bugesera	0.2	0.7	1.1	0.9	1.2	1.3	1.3	1.2	1.6	1.3	1.2	1.3	1.4
Credit	6.6	7.4	8.1	7.7	8.2	7.9	8.4	8.1	8.2	8.2	7.7	8.3	8.1
Of which: tourism receipts	3.0	4.0	4.5	4.4	4.6	4.6	4.4	4.9	4.4	5.0	4.3	5.2	5.2
Debit	6.6	6.7	7.3	6.8	7.5	7.0	7.5	7.2	6.9	7.2	6.5	7.1	6.8
Income	-1.8	-2.0	-3.2	-2.6	-3.5	-2.8	-3.4	-2.9	-3.4	-3.0	-3.4	-3.0	-3.0
Of which: interest on public debt[1,2]	-0.8	-0.5	-1.3	-1.2	-1.3	-1.3	-1.3	-1.3	-1.2	-1.3	-1.1	-1.2	-1.2
Of which: RSF debt service	…	…	-0.1	0.0	-0.1	0.0	-0.1	0.0	-0.1	0.0	-0.1	0.0	0.0
Current transfers (net)	7.4	6.4	6.2	5.8	6.7	5.9	6.8	6.1	5.9	5.8	5.6	5.5	5.2
Private	3.7	3.7	4.0	3.9	4.1	3.9	4.1	4.0	4.0	3.9	3.9	3.8	3.7
Of which: remittance inflows	3.5	3.6	3.9	3.7	3.9	3.8	3.7	3.8	3.6	3.7	3.5	3.6	3.5
Public	3.7	2.7	2.1	2.0	2.6	2.0	2.6	2.1	1.9	1.9	1.7	1.6	1.5
Capital and financial account balance	**7.9**	**10.4**	**11.3**	**13.4**	**13.0**	**12.0**	**10.6**	**12.3**	**10.2**	**11.4**	**9.4**	**11.0**	**9.1**
Capital account	2.4	2.8	2.8	2.7	2.1	2.0	2.1	2.1	1.9	1.9	1.7	1.8	1.7
Financial account	5.5	7.5	8.5	10.7	10.9	10.0	8.5	10.3	8.3	9.4	7.6	9.2	7.4
Direct investment	2.3	3.3	3.6	3.5	4.4	4.9	4.4	5.4	4.2	5.2	3.6	4.9	3.8
FDIs ex. Bugesera	…	1.6	2.8	2.8	3.1	4.0	3.0	4.4	3.2	4.2	3.6	4.0	3.8
Public sector capital	3.1	5.1	6.6	8.0	4.8	4.5	5.3	5.5	3.4	4.3	3.2	4.5	2.6
Long-term borrowing[2]	4.0	6.4	7.3	8.7	5.8	5.5	7.7	7.0	5.7	6.1	5.2	6.2	5.1
o/w budget financing and commercial loans	…	3.9	3.5	5.0	1.8	1.3	3.5	2.9	2.0	2.1	2.1	2.3	1.7
o/w project loans	…	2.9	3.2	3.7	3.2	3.4	3.4	3.5	3.2	3.4	3.0	3.4	3.3
Scheduled amortization, excl IMF	-0.8	-1.2	-0.7	-0.7	-1.0	-1.0	-2.3	-1.6	-2.3	-1.8	-1.9	-1.7	-2.4
SDR allocation	…	…	…	…	…	…	…	…	…	…	…	…	…
Other capital[3]	0.1	-0.9	-1.7	-0.8	1.7	0.6	-1.1	-0.6	0.7	0.0	0.8	-0.1	1.0
Net errors and omissions	**0.7**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-0.7**	**-1.0**	**-0.8**	**0.4**	**1.9**	**-0.1**	**0.9**	**1.1**	**1.0**	**0.9**	**1.2**	**1.3**	**0.9**
Financing	**0.7**	**1.0**	**0.8**	**-0.4**	**-1.9**	**0.1**	**-0.9**	**-1.1**	**-1.0**	**-0.9**	**-1.2**	**-1.3**	**-0.9**
Reserve assets (increase -)	1.0	-0.8	-1.6	-2.6	-1.6	0.3	-0.6	-0.8	-0.6	-0.6	-0.7	-0.8	-1.0
of which: RSF impact	…	-1.1	-1.3	-1.2	0.0	0.0	…	…	…	…	…	…	…
Net credit from the IMF	-0.3	1.4	2.4	2.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.5	-0.5	-0.6
IMF disbursement (+)	0.0	1.7	2.6	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which : RSF	…	1.1	1.3	1.2	0.0	0.0	…	…	…	…	…	…	…
Repayments to IMF (-)	-0.3	-0.3	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.5	-0.5	-0.6
Exceptional financing	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grant for debt relief under CCRT	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:													
Current account balance [4]	-9.4	-11.7	-12.1	-13.1	-11.1	-12.1	-9.7	-11.2	-9.2	-10.5	-8.2	-9.7	-8.2
Current account excl. Bugesera	-8.8	-10.1	-10.8	-12.7	-9.1	-10.9	-7.8	-10.1	-7.8	-9.3	-8.2	-8.7	-8.2
Trade balance	-14.9	-16.8	-15.9	-17.2	-15.1	-16.1	-13.9	-15.3	-13.0	-14.3	-11.6	-13.2	-11.7
Trade balance excl. Bugesera	-14.5	-15.2	-14.8	-16.8	-13.5	-15.3	-12.4	-14.5	-11.9	-13.5	-11.6	-12.5	-11.7
Foreign assets of monetary authorities	**13.1**	**13.1**	**15.2**	**15.8**	**16.5**	**14.9**	**16.1**	**15.1**	**15.5**	**14.8**	**15.0**	**14.7**	**14.0**
in months of prospective imports of G&S[5]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which : RSF	…	1.1	2.4	2.3	2.3	2.2	2.2	2.1	2.0	2.0	1.8	1.9	1.7
Of which : excluding RSF	13.1	12.1	12.9	13.5	14.2	12.7	14.0	13.0	13.5	12.8	13.1	12.8	12.2
Of which : excluding RSF, in months of imports	4.3	4.0	4.1	4.3	4.4	4.0	4.4	4.1	4.5	4.1	4.5	4.3	4.4
Gross official reserves	**12.7**	**13.0**	**15.1**	**15.7**	**16.3**	**14.8**	**16.0**	**15.0**	**15.4**	**14.7**	**14.9**	**14.5**	**13.8**
in months of prospective imports of G&S[5]	4.2	4.3	4.8	5.0	5.1	4.7	5.1	4.7	5.1	4.7	5.1	4.9	5.0
Of which : RSF	0.0	1.1	2.4	2.3	2.3	2.2	2.2	2.1	2.0	2.0	1.8	1.9	1.7
Of which : excluding RSF	12.7	11.9	12.7	13.4	14.0	12.6	13.8	12.8	13.4	12.7	13.0	12.7	12.1
Of which : excluding RSF, in months of imports	4.2	4.0	4.1	4.3	4.3	4.0	4.4	4.1	4.5	4.1	4.5	4.2	4.3

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

[4] Including official transfers.

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

Table 6: Rwanda: Gross External Financing Needs and Sources
(Millions of U.S. Dollars, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Gross external financing needs	**1,866**	**1,402**	**1,872**	**1,960**	**1,945**	**1,988**	**2,037**	**2,056**	**2,072**
Current account deficit	1,203	1,246	1,654	1,831	1,759	1,707	1,689	1,667	1,516
of which: RSF reform costs	0	0	0	0	0	0	0	0	0
Public debt amortization (excl. IMF)	620	113	175	98	149	236	296	296	453
Repayments to IMF	42	43	43	32	37	45	53	93	103
External financing sources 1/	**2,040**	**1,311**	**1,678**	**1,785**	**1,945**	**1,988**	**2,037**	**2,056**	**2,072**
Capital transfers	380	322	398	383	291	313	313	306	311
Direct investment	233	305	459	488	713	817	836	838	697
Public sector borrowing	1,170	531	900	1,216	796	1,071	984	1,071	939
Other inflows 2/	412	24	-121	-108	94	-85	-3	-25	186
Reserve assets excl. RSF (increase -)	-155	129	42	-194	50	-128	-93	-133	-60
Net errors and omissions	**-175**	**91**	**45**	**0**	**0**	**0**	**0**	**0**	**0**
BoP gap	**0**	**0**	**-148**	**-175**	**0**	**0**	**0**	**0**	**0**
SCF financing	**0**	**0**	**148**	**175**	**0**	**0**	**0**	**0**	**0**
Residual Gap	0	0	0	0	0	0	0	0	0
RSF disbursements (not linked to RM costs)	0	0	149	173	0	0	0	0	0
Reserve assets, incl. RSF (increase -)	-155	129	-107	-367	50	-128	-93	-133	-60

[1] Includes approved exceptional financing (CCRT debt relief).

[2] Reflects private capital inflows, 2021 SDR allocation, and CCRT debt relief.

Table 7. Rwanda: Indicators of Capacity to Repay the Fund, 2023–44

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
IMF debt service based on existing credit (SDR millions)																						
Principal	32.0	24.0	28.0	34.0	39.5	61.7	61.7	45.7	29.7	7.4	3.7	14.0	16.8	16.8	16.8	16.8	16.8	16.8	16.8	16.8	13.1	2.9
Charges and interest	0.0	0.0	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.7	3.3	2.9	2.6	2.2	1.8	1.4	1.1	0.7	0.3	0.0
IMF debt service based on existing and prospective credit (SDR millions)																						
Principal	32.0	24.0	28.0	34.0	39.5	69.1	76.5	60.5	44.5	22.3	3.7	14.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	20.3	10.1
Charges and interest	0.0	0.0	5.2	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.3	4.9	4.4	3.8	3.3	2.8	2.2	1.7	1.1	0.6	0.2
IMF debt service based on existing and prospective credit (SDR millions)																						
In millions of SDRs	32.0	24.0	33.3	39.5	44.9	74.5	81.9	65.9	49.9	27.7	9.1	19.2	28.9	28.4	27.9	27.3	26.8	26.2	25.7	25.2	20.9	10.2
In millions of U.S. dollars	42.7	31.8	44.1	52.6	59.9	99.8	110.0	88.5	67.0	37.1	12.2	25.8	38.8	38.1	37.4	36.7	35.9	35.2	34.5	33.8	28.1	13.8
In percent of GDP	0.3	0.2	0.3	0.3	0.4	0.6	0.6	0.4	0.3	0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
In percent of exports of goods and services	1.2	0.8	0.9	0.9	1.0	1.4	1.4	1.1	0.8	0.4	0.1	0.3	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1
In percent of government revenue (excl. grants)	1.7	1.3	1.6	1.8	1.8	2.8	2.9	2.1	1.4	0.7	0.2	0.4	0.6	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.1
In percent of gross international reserves	2.3	1.4	2.0	2.3	2.5	4.0	4.3	3.7	3.1	1.9	0.7	1.6	3.2	6.2	-116.7	-5.2	-2.2	-1.3	-0.9	-0.7	-0.4	-0.2
In percent of PPG external debt service	15.0	10.1	12.8	12.5	11.3	16.7	16.2	13.0	5.2	6.2	2.2	4.0	5.1	4.6	4.0	3.7	3.5	3.2	2.0	2.9	2.3	1.0
In percent of IMF quota	20.0	15.0	20.8	24.6	28.0	46.5	51.2	41.2	31.2	17.3	5.7	12.0	18.1	17.7	17.4	17.1	16.7	16.4	16.0	15.7	13.1	6.4
IMF credit outstanding (end-of-period)																						
In millions of SDRs	375.9	614.8	586.7	552.7	513.2	444.1	367.6	307.1	262.6	240.3	236.6	222.6	198.6	174.6	150.5	126.5	102.5	78.5	54.4	30.4	10.1	0.0
In millions of U.S. dollars	501.4	814.4	780.9	737.2	686.5	595.3	493.7	412.4	352.6	322.7	317.8	299.0	266.7	234.5	202.2	169.9	137.6	105.4	73.1	40.8	13.5	0.0
In percent of GDP	3.6	5.8	5.4	4.8	4.3	3.5	2.7	2.0	1.6	1.3	1.2	1.0	0.9	0.7	0.5	0.4	0.3	0.2	0.1	0.1	0.0	0.0
In percent of exports of goods and services	14.3	19.8	16.0	13.3	10.9	8.5	6.4	5.2	4.2	3.6	3.4	3.0	2.5	2.1	1.7	1.3	1.0	0.7	0.5	0.2	0.1	0.0
In percent of government revenue (excl. grants)	20.2	32.1	28.5	24.8	21.0	16.7	12.8	9.6	7.4	6.2	5.5	4.7	3.8	3.0	2.4	1.8	1.3	0.9	0.6	0.3	0.1	0.0
In percent of gross international reserves	27.1	36.7	36.0	32.1	28.7	23.6	19.1	17.4	16.3	16.8	18.0	18.1	22.2	37.8	-630.9	-24.0	-8.3	-4.0	-1.9	-0.8	-0.2	0.0
In percent of PPG external debt	6.8	9.3	8.3	7.1	6.2	5.1	4.0	3.3	2.7	2.4	2.2	2.0	1.7	1.5	1.2	1.0	0.8	0.6	0.4	0.2	0.1	0.0
In percent of IMF quota	234.7	383.8	366.3	345.0	320.4	277.2	229.4	191.7	163.9	150.0	147.7	139.0	124.0	109.0	94.0	79.0	64.0	49.0	34.0	19.0	6.3	0.0
Net use of IMF credit (SDR millions)	145.6	238.8	-28.0	-34.0	-39.5	-69.1	-76.5	-60.5	-44.5	-22.3	-3.7	-14.0	-24.0	-24.0	-24.0	-24.0	-24.0	-24.0	-24.0	-24.0	-20.3	-10.1
Disbursements	177.7	262.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	32.0	24.0	28.0	34.0	39.5	69.1	76.5	60.5	44.5	22.3	3.7	14.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	20.3	10.1
Memorandum items																						
Nominal GDP (USD millions)	14,097	14,026	14,527	15,223	16,126	17,227	18,513	20,233	22,109	24,141	26,341	28,747	31,336	34,133	37,138	40,369	43,840	47,610	51,703	56,149	60,977	66,220
Exports of goods and services (USD millions)	3,509	4,110	4,874	5,561	6,286	7,030	7,771	7,910	8,407	8,913	9,447	10,021	10,642	11,317	12,053	12,858	13,739	14,696	15,772	16,959	18,271	19,723
Government revenues excl. grants (USD millions)	2,484	2,535	2,742	2,972	3,264	3,569	3,855	4,289	4,741	5,236	5,779	6,379	7,034	7,751	8,530	9,380	10,232	11,161	12,132	13,187	14,334	15,580
Gross international reserves (USD millions)	1,853	2,220	2,171	2,298	2,391	2,524	2,583	2,370	2,160	1,925	1,765	1,649	1,203	620	-32	-708	-1,657	-2,631	-3,782	-5,072	-6,636	-8,587
PPG external debt (USD millions)	7,363	8,800	9,449	10,358	11,028	11,774	12,193	12,687	13,185	13,733	14,325	14,872	15,425	15,951	16,474	17,028	17,628	18,275	18,369	19,142	19,989	20,902
PPG external debt service (USD millions)	284.8	314.0	344.1	420.0	531.9	596.3	678.3	682.8	1,286.0	597.9	567.4	644.3	754.5	834.8	925.2	985.0	1,036.0	1,098.1	1,767.6	1,182.7	1,245.3	1,319.8
IMF quota (SDR millions)	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2

Source: Rwandan Authorties and IMF staff calculations.

Table 8. Rwanda: Review Schedule under the PCI and SCF Arrangement

Program Review	Test Date	Review Date
Board discussion of a PCI request		December 12, 2022
First PCI Review	December 31, 2022	By May 15, 2023
Second PCI Review / SCF Approval	June 30, 2023	By November 15, 2023
Third PCI Review / First SCF Review	December 31, 2023	By May 15, 2024
Fourth PCI Review / Second SCF Review	June 30, 2024	By November 15, 2024
Fifth PCI Review	December 31, 2024	By May 15, 2025
Sixth PCI Review	June 30, 2025	By November 15, 2025

Source: IMF staff.

Table 9. Rwanda: Schedule of Disbursements Under the Resilience and Sustainability Facility Arrangement

Availability Date	Millions of SDR	Percent of Quota	Conditions
May 1, 2023	18.48708	11.54	RM1 implementation review
May 1, 2023	18.48708	11.54	RM2 implementation review
May 1, 2023	18.48708	11.54	RM3 implementation review
May 1, 2023	18.48708	11.54	RM5 implementation review
November 1, 2023	18.48708	11.54	RM4 implementation review
November 1, 2023	18.48708	11.54	RM8 implementation review
May 1, 2024	14.37529	8.97	RM6 implementation review
May 1, 2024	14.37529	8.97	RM7 implementation review
May 1, 2024	14.37529	8.97	RM13 implementation review
May 1, 2024	14.37529	8.97	RM14 implementation review
November 1, 2024	14.37529	8.97	RM9 implementation review
November 1, 2024	14.37529	8.97	RM10 implementation review
November 1, 2024	14.37529	8.97	RM11 implementation review
November 1, 2024	14.37529	8.97	RM12 implementation review
November 1, 2024	14.37520	8.97	RM15 implementation review
Total	240.30000	150.00	
Memorandum item:			
Quota	160.20000		

Source: IMF staff calculations.

Table 10. Rwanda: Schedule of Disbursements Under the Stand-by Credit Facility Arrangement

Availability Date	Millions of SDR	Percent of Quota	Conditions
Date of approval of SCF arrangement	66.75000	41.67	Arrangement Approval
May 1, 2024	66.75000	41.67	Observance of end-December 2023 performance criteria and completion of the first review.
November 1, 2024	66.75000	41.67	Observance of end-June 2024 performance criteria and completion of the second review.
Total	200.25000	125.00	
Memorandum item:			
Quota	160.20000		

Source: IMF staff calculations.

Annex I. Risk Assessment Matrix[1]

Sources of Risks	Relative Likelihood	Expected Impact if Realized	Policy Response
Intensification of regional conflicts and commodity price volatility. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, and payment systems. Potential fallout from conflict with the Democratic Republic of Congo or border closures with Burundi could lead to disruptions in regional trade.	High Medium	High Higher and volatile commodity prices due to uncertainty. External balance worsens with higher import prices and lower export demand. Shortages of intermediate and final consumer goods. High fertilizer costs affect domestic food production.	**Targeted support to protect vulnerable population from rising food prices.** In the event of energy price hikes, fuel subsidies could be only a temporary solution as it is regressive and has adverse environmental effects. Ensure strategic fuel and grain reserves are adequate.
Global growth surprises: **Slowdown.** Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs. **Acceleration.** Positive supply-side surprises, monetary easing, productivity gains from AI, and/or stronger EMDE performance raise global demand and trade, and ease global financing conditions.	Medium Low	High Lower global demand. Higher borrowing cost. Capital outflow and currency volatility. Higher global demand. Lower borrowing cost. Capital inflow.	Strengthen data-driven monetary policy framework and MTRS. Maintain exchange rate flexibility but avoid excess volatility. Facilitate exports. Strengthen debt management.
Monetary policy calibration. Amid high uncertainty and data surprises, major central banks' stances turn out to be too loose, hindering disinflation, or too tight for longer than warranted, which stifles growth and triggers increased capital-flow and exchange-rate volatility in EMDEs.	Medium	High Bouts of price and real sector volatility. Loss of export competitiveness. Financial conditions become tighter with higher country risk premia.	Monetary policy should strike a balance between maintaining price stability and growth, with exchange rate flexibility playing larger role against external shocks. Strengthen data-driven monetary policy framework.
Systemic financial instability. High interest rates and risk premia and asset repricing amid economic slowdowns and elevated policy uncertainty (including from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.	Medium	Medium Financial conditions become tighter with higher country risk premia. Capital outflow due to risk aversion. Lesser financial market accesss.	Continue monitoring the financial sector to ensure risks remain contained. Take appropriate and timely micro and macroprudential interventions to ensure the stability. Deepen financial markets.
Deepening geoeconomic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.	High	High Adverse impact on international trade as the demand for exports falls, hurting domestic growth. Concessional sources of financing temporarily diverted to attend geopolitical, rathern than economic, development objectives.	Diversify the structure of the economy and export sources. Strengthen regional security surveillance programs.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	High	Medium/Low Financial services interruption, data theft or deletion, loss of sensitive data or intellectual property.	Ensure that financial service providers frequently upgrade their IT systems.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.	Medium	Medium/High Reduced output in the agricultural sector, job loss, higher contingency spending to repair damages to infrastructure, and higher social spending to mitigate impact on vulnerable.	Include contingency spending plans in fiscal framework and strengthen food security programs. Fast-track efforts to build resilience to climate shocks.

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

Annex II. RSF Reforms – Objectives, Outcomes and Lessons Learnt

A. Background

1. **Due to its heavy dependance on rain-fed agriculture and its mountainous topography, Rwanda is highly vulnerable to climate shocks, mainly droughts, floods, and landslides.** The overall cost of implementing Rwanda's ambitious Nationally Determined Contributions (NDCs) strategy is estimated at US$11 billion, which would imply investments amounting to 7 percent of GDP in each year during the 2020-30 period. Given its limited fiscal space, Rwanda needs to rely on concessional and private climate financing to implement its ambitious climate agenda. However, private climate inflows, in particular, have been constrained by low risk-adjusted returns, persisting information asymmetries, and market size disadvantage. To overcome these obstacles and establish incentives for private capital, credible climate policies are required. These policies should include strong legal frameworks, governance, transparency, and data disclosure standards, which could be further re-enforced by public or donor financial support. The World Bank's 2022 Country Climate and Development Report (CCDR) also pointed out that Rwanda needed to strengthen the transparency and accountability in the planning, execution, reporting, and oversight of budget funds dedicated to addressing climate change and that the financial sector needed to reinforce its climate risk management frameworks and practices.

B. RSF Objectives and Outcomes

2. **Rwanda's RSF-supported reforms had two objectives: make climate related investment more efficient and to mobilize additional climate finance.** Green public finance management (PFM) measures, such as climate budget tagging, integration of climate risks into fiscal planning, better selection and appraisal of green public investment projects, and strengthening the disaster risk management framework were aimed at improving the transparency and accountability of climate-related public spending, thereby facilitating concessional inflows from development partners. Measures under the sustainable finance pillar of the RSF program, such as introducing a regulatory framework for banks to establish climate risk management practices, implementation of sustainability disclosure standards, and adoption of a green taxonomy, were aimed at enhancing transparency of climate impact of investments and developing markets for sustainable finance products thereby help attract private climate investment.

3. **The RSF related reforms achieved the following outcomes:**

- *Reform Area 1: Strengthening and institutionalizing the monitoring and reporting of climate-related spending feeding into decision making processes.* To monitor public spending to achieve NDC objectives and assess their effectiveness, the authorities operationalized a budget tagging system and integrated it into decision-making, including by publishing key climate information in the budget. All current and capital expenditure items were climate tagged in the FY24/25 budget. The authorities published a climate budget statement to describe the planned climate-related expenditures in detail and how climate information has been used in decision making. They also started to regularly publish quarterly climate expenditure reports that compare planned climate resource allocations with actual realizations. While currently the climate budget tagging is executed using binary (climate/non-climate) weighting at activity levels, the authorities are committed to improve the granularity of the weighting scheme to bring it in line with best international practice.

- *Reform Area 2: Integrating climate risks into fiscal planning.* A quantitative climate risk analysis is now being reported in the Fiscal Risk Statement, also including assessment of PPPs and SOEs that are vulnerable to climate-related risks and highlighting how investment in adaptation by these entities seeks to reduce the impacts of negative climate events. The climate risk analysis will help the authorities to better manage and mitigate climate related fiscal risks.
- *Reform Area 3: Improving the sensitivity of PIM to climate-related issues.* Building more climate resilient infrastructure is a key strategy for Rwanda. To enhance the transparency of selection and appraisal of climate public investments, which was a 2022 C-PIMA recommendation, the authorities started the regular publication of a consolidated report on major public investment projects in the pipeline by sector, including the appraisal and selection criteria and the distribution of ratings according to these criteria.
- *Reform Area 4: Enhancing climate-related risk management for financial institutions and developing a green finance market.* Climate change poses risks to Rwanda's financial sector, primarily through the banks' exposure to disasters linked to natural hazards. This called for reforms to enhance climate-related risk management for financial institutions. The authorities issued mandatory guidelines for financial institutions on climate-related risk management, and the implementation of these guidelines is ongoing. Guidelines for the implementation of the ISSB sustainability disclosure standards were also issued and a green taxonomy, which covers seven major sectors and both mitigation and adaptation activities, has been established. The implementation of the ISSB guidelines and the green taxonomy will start and progress gradually in the coming months. These reforms will help overcome information asymmetry associated with concerns of greenwashing, thereby mitigating one important impediment to private climate investments, while facilitating the development of a climate finance market.
- *Reform Area 5: Strengthening disaster risk reduction and management (DRRM).* The authorities are implementing wide-ranging reforms under their DRRM action plan. Reforms are on track to: adopt a national disaster risk financing strategy and emergency procurement framework (by end-December 2024); establish a disaster risk management and response capacity program (diagnostic by end-2024, capacity development at the district level in 2025); develop sector based mitigation plans (by December 2025); introduce programmatic approach to mobilize climate financing; upgrade the national and local early warning system (by end-2025); improve disaster risk governance across sectors and districts (by end-December 2025); and strengthen the disaster response and recovery expenditure analysis (by end-December 2024). Reform measures (RMs) under this area will help free up resources by improving DRRM efficiency to create additional fiscal space which could be utilized for additional disaster risk management activities.

C. The RSF's Catalytic Role

4. Rwanda also successfully leveraged the RSF's catalytic role. The Rwanda Climate Finance Partnership, which is supported by the IMF's convening role to bring all major stakeholders together, is a cooperative approach to facilitate public-private partnership that helped scale-up climate finance and crowd in private climate investment. Relying on this initiative and supported by safeguards provided by the underlying PCI arrangement, Rwanda managed to mobilize EUR300 million climate financing from both concessional/donor and private sources[1] on top of the US$319 million financial support provided under the RSF. These additional resources were channeled into Rwanda's groundbreaking private and public investment facilities (Ireme Invest and Intego). Ireme Invest has started its lending operations with a total value of its green projects pipeline estimated at about US$30 million over the 2024-25 period. The scaling up of the pipeline is challenging, as both the Rwanda Development Bank and businesses need time to strengthen their understanding of the technical requirements for green investments. To address this obstacle, Ireme Invest has established a project preparation facility managed by the Rwanda Green Fund ("FONERWA"). Rwanda's Public Green Investment Facility ("Intego") has identified 10 bankable public investment projects at the total value of US$34 million.

D. Lessons Learnt

5. The success of the RSF was critically dependent on the availability of important climate diagnostics that helped develop a targeted reform agenda. The design of Rwanda's RSF was fully informed by the World Bank's PER and CCDR and the IMF's C-PIMA recommendations. Rwanda's RSF predominantly focused on areas of green PFM, PIM, and financial sector, where in-house expertise at the time was the strongest.

6. Identifying and engaging key counterparts for RM implementation was essential. The program covered reform areas that fell under the authority of traditional counterparts—MINECOFIN and NBR—which reduced coordination challenges and enhanced program ownership.

7. The RSF's catalytic effect helped bolster the authorities' buy-in. The financial pledges made by the Rwanda Climate Finance Partnership[2] at the Paris Summit for a New Global Financing Pact in June 2023 and renewed at COP28, strengthened the authorities' commitment to the RSF-supported reforms. Building on valuable hands-on experience gained during the first year of

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[1] Rwanda, Team Europe and partners pioneer an additional EUR 300 million financing to crowd in private investment and build climate resilience following Resilience and Sustainability Facility arrangement with the International Monetary Fund; Rwanda Climate Finance Partnership Powers Innovative Climate Action.

[2] The Rwanda Climate Finance Partnership, which was launched at the Paris Summit for a New Global Financing Pact, will further power innovative climate action thanks to additional contributions from the Government of Rwanda. The partnership is supported by *Agence Française de Développement* (AFD), the European Union and Team Europe, the European Investment Bank (EIB), the International Finance Corporation (IFC), German Cooperation via KfW Development Bank, and the Italian Cooperation system with the support of *Cassa Depositi e Prestiti* (CDP); and it complements existing partnerships, including the Rwandan-German Climate and Development Partnership and ongoing initiatives with the World Bank.

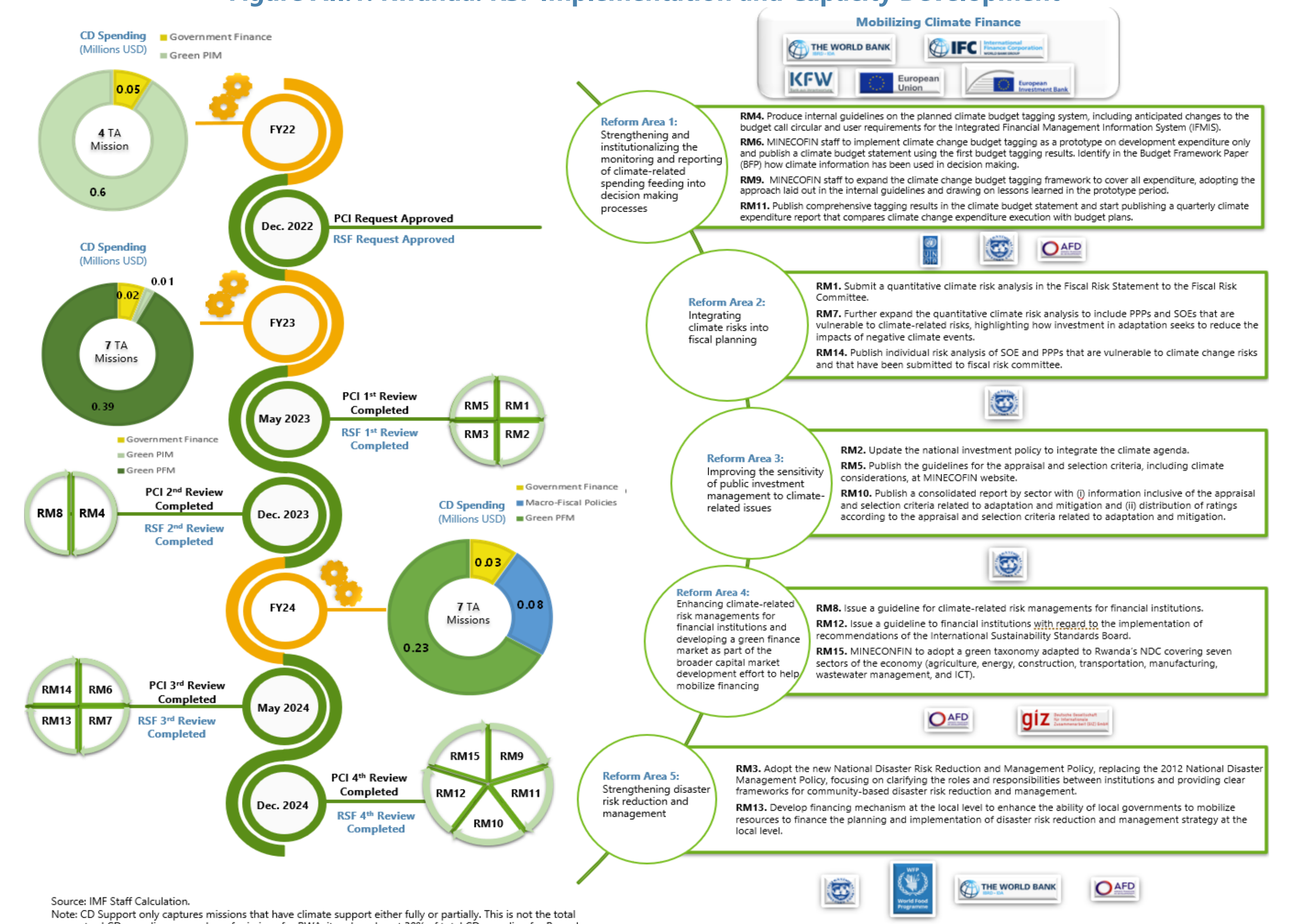
implementing the RSF, in December 2023, the authorities requested an acceleration of the initial RSF program timeline and the inclusion of two new RMs to the program, further fortifying Rwanda's position as a forerunner of climate reforms and thereby catalyzing additional climate finance resources.

8. **The RSF is resource intensive and technical assistance (TA) support needs to be fully integrated in the program design.** The implementation of RSF reforms requires significant efforts for building capacity at national and local levels due to the limited climate policy expertise, the complexity of assessing climate-related risks, and the high level of exposure of economic activities to climate risks. Rwanda's RSF was supported by 18 IMF TA missions with the total cost of US$1.4 million (Figure II.1). Overall, RSF-related TA accounted for about 30 percent of total CD budget costs for Rwanda in 2022-24 period. Careful planning of TA activities is critical to accommodate both the capacity constraints of the TA-providing departments and the absorption constraints of the receiving authorities. In Rwanda's case, FAD's green PFM experts were involved in the design of the RSF program from an early stage, which helped better understand existing capacity development gaps and secure continued TA support at operational stages of the engagement.

9. **Early engagement can catalyze financial and TA by development partners (DPs).** Besides their broad support to Rwanda's climate agenda, a number of DPs actively supported the implementation of RSF reforms. Agence Française de Développement (AFD) and *Cassa depositi e Prestiti* S.p.A. (CDP) each launched EUR50 million budget support arrangements, to facilitate the authorities' climate agenda, with disbursements explicitly conditional on successful RSF reforms' implementation. AFD also provided TA in the amount of EUR3 million to support RSF related objectives, such as the diagnostic study on banks' climate risk management frameworks (input to RM8), tagging of negative climate activities (expansion of RM9 and RM11), public climate investment feasibility studies (extension to RM10). *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GiZ) provided critical TA to develop the green taxonomy (RM15) and the guideline to financial institutions to implement the ISSB recommendations (RM13). Early engagement with these DPs ensured that their expertise could be utilized fully in support of the RSF implementation.

10. **Developing bankable projects for green financing is a major challenge to scaling up climate finance.** Rwanda's experience shows that securing pledges for additional public and private climate financing, while difficult, is only the first step. Building a pipeline of green projects takes longer as banks and companies need time to strengthen their expertise in and understanding of the technical requirements for green investments.

Figure AII.1. Rwanda: RSF Implementation and Capacity Development



Source: IMF Staff Calculation.
Note: CD Support only captures missions that have climate support either fully or partially. This is not the total amount od CD spending or number of missions for RWA, it makes almost 30% of total CD spending for Rwanda. This is single country CD spending and missions. CD fiscal years start on May 1st and end on April 30th.

11. Continued efforts are necessary to ensure that RSF-related institutional improvements are durable and well-integrated in decision making. While advanced frameworks and practices to enhance the transparency and accountability in the planning, execution, reporting of climate investments are now mostly established, they are still only used on an experimental basis. On some areas, the authorities still need to see through the full implementation of established guidelines (RM8, RM12) and action plans (RM13). The climate budget tagging framework could be improved by increasing the granularity of the weighting scheme, while the green taxonomy needs to be fully rolled out to all sectors of the economy. These two frameworks need to be fully harmonized with each other. Green PFM frameworks will need to be fully embedded in decision-making processes. These steps require further capacity building in the form of the continued engagement with the Fund and other DPs.

12. The authorities' new Climate and Nature Finance Strategy (CNFS), launched in October, introduces a coordinated approach to advance the authorities climate agenda (Figure II.2). Although the strategy lays out a number of ambitious objectives to be achieved by 2030, such as introducing incentives and mechanisms to encourage private sector investment in climate projects and the introduction of innovative financial instruments to support these investments, the short-term objectives are concrete and focus on developing the pipeline of projects, their financing, and monitoring and reporting. The strategy will further improve RSF-related institutional enhancements, such as the operationalization of green taxonomy and climate budget tagging system, and integrated monitoring systems.

13. The authorities expressed a strong interest in a follow-up RSF. However, Rwanda has already reached the maximum access limit. The availability of additional RST resources depends on (i) a review of access limits as part of the comprehensive RST review scheduled for 2026, (ii) an assessment of the Trust's resource adequacy, and (iii) accounting for evenhandedness due to demand from countries seeking their first access under the RSF. IMF staff will work jointly with the authorities on identifying best operational modalities to continue supporting Rwanda in implementing its ambitious climate agenda.

Figure AII.2. Rwanda: National Climate and Nature Finance Strategy

Project life-cycle	National Climate and Nature Finance Strategy[1] priorities	IMF's Resilience and Sustainability Facility (RSF)	Support of other partners
0 Set up governing body	• Establish the **Task Force on Climate and Nature Finance** and strengthen the roles of key actors within the climate and nature finance landscape. • Establish a **Climate Finance Department** within MINECOFIN. Implementing agencies:		
1 Identifying projects' pipeline	• Ensure the **alignment of climate and nature-finance-related policies and strategies**, including the National Strategy for Transformation, the Disaster Risk Financing Strategy and others, acknowledging the intersectionality of climate and nature-related risks, opportunities and investments. • Implement an integrated **portfolio approach to investment planning**, aligned with GGCRS, across line Ministries and agencies engaged in climate and nature finance management, and develop **criteria for project selection to prioritize climate and nature.** • Based on the Strategic Priorities and Action Areas of CNFS, develop a **set of priority activities specific to line Ministries and their mandated sectors**. • **Operationalize the Green Taxonomy** with the relevant and coordinated capacity-building programs targeting commercial banking and other private sectors. • Implement guidance and ultimately regulation to **increase and then enforce compliance with ESG requirements** aligned with the Green Taxonomy. • Allocate **adequate resources to sustain natural assets and catalyze bioeconomy.** Implementing agencies:	• Green taxonomy • Public investment selection & prioritization • Climate budget tagging • Disaster risk reduction and management (DRRM)	• Green taxonomy • Programmatic approach • Climate finance dashboard
2 Financing — Sources of financing	• Conduct **mapping of key philanthropies active in climate and nature space** and develop targeted programs aimed to market Rwanda's climate change and green growth objectives. • **Access international grant and concessional finance** to support suitable private sector climate and nature finance projects that require de-risking. Co-financing needs and requirements will be considered. The design and launch of innovative outcome-based financing mechanisms will be prioritized. • Building on IREME Invest, design and implement **blended finance initiatives** that combine different types of funding, including grants and loans (and possibly) equity. • **Position and advocate Rwanda's climate change and green growth progress** and objectives to **regional investors** and the market as a **regional access hub**.		• Rwanda Climate Finance Partnership
2 Financing — Facilitation of financing	• **Provide capacity building and financial de-risking** support to RDB, BNR, Bank of Kigali, and other commercial banks that are implementing innovative financing instruments. • **Introduce incentives for the financial sector and private sector** to green the financial instruments, services and products (e.g., taxation, insurance, etc.) • Promote **fiscal allocations to investments** that are **low carbon**, **climate resilient**, and **nature-positive**. • Develop **innovative debt and equity mechanisms for private sector investments**, backed by grant and concessional funds. • Mobilize climate and nature financing through the **progressive adoption of innovative instruments**: facilitate financing windows for green private sector investment, adopt appropriate debt financing instruments, operationalize/expand access to carbon and biodiversity markets Implementing agencies:		• Sustainability Linked Bonds
3 Monitoring & reporting	• Design and introduce **digital integrated climate and nature finance monitoring and evaluation mechanisms.** • **Integrate Climate Budget Tagging into the Public Finance Management processes**, to identify investments that can be greener and climate-sensitive. • Further develop **nature capital accounting and monitoring systems** to enable greater responsiveness to future financing opportunities. • Identify and introduce **innovative technologies** for climate and nature finance-related **monitoring**, **evaluation** and **learning**. Implementing agencies:	• Climate budget tagging • ISSB sustainability reporting	• Climate finance dashboard • ISSB sustainability reporting

[1]https://www.minecofin.gov.rw/index.php?eID=dumpFile&t=f&f=108501&token=a5eaa56d1b061dbef3c1a06b5ea1559fe82c53f7

Appendix I. Letter of Intent

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

Kigali, November 25, 2024

Dear Ms. Georgieva:

Rwanda's economy continues to show remarkable strength and resilience. The outlook remains positive even though there are some risks. Rwanda's policy space to advance important developmental objectives is constrained by eroded policy buffers due to recurrent and overlapping shocks. Since 2015, public debt nearly doubled to 73.5 percent of GDP in 2023, on account of spending to support the development agenda and mitigating the impact of the pandemic and May 2023 floods. Headwinds from increasing geopolitical fragmentation, tightening of global financial conditions, and consecutive weak agricultural seasons mainly on account of adverse climate conditions have put pressure on the level of international reserves. The May 2023 devastating floods further amplified the underlying imbalances, with reconstruction costs projected at about US$451 million (3 percent of GDP) over the 2023-2028 period. The recent Marburg virus disease (MVD) outbreak will put further strain on fiscal balances and our health system, as we rapidly implement emergency measures to contain the spread of the virus. Balance of payments pressures remain significant amid prolonged weakness in export performance and high capital and consumer goods imports, including for flood-related reconstruction efforts.

We remain committed to rebuilding policy buffers to reduce the vulnerability of our economy to shocks in an increasingly volatile environment. Our near-term fiscal consolidation path needs to be recalibrated to carefully balance our efforts to address the MVD outbreak and accelerate donor-financed development spending, while preserving fiscal and external sustainability. The Policy Coordination Instrument (PCI) remains the main policy framework to support our policy objectives.

These program reviews will conclude our Stand-by Credit Facility (SCF) and Resilience and Sustainability Facility (RSF) arrangements. The SCF financing, coupled with support from the World Bank and the European Investment Bank, helped to address Rwanda's short-term balance of payment needs and assisted our flood reconstruction efforts.

The arrangement under the RSF, which we will successfully complete six months ahead of the initial timeline, has supported our ambitious climate change agenda by incorporating climate-related considerations into our public financial management, disaster risk reduction and management, and financial sector supervision frameworks. It increased medium-term policy space, including by building external buffers, and enhanced Rwanda's resilience against future climate-related risks and challenges. The RSF arrangement was also successful in catalyzing additional climate financing from other sources.

We request the completion of the fourth review under the PCI and the second review of the SCF arrangement, with disbursement of the related SDR 66.75 million. Program performance under the PCI/SCF continued to be strong. End-June 2024 quantitative targets under the PCI and quantitative performance criteria under the SCF arrangement on the floor on the stock of net foreign assets, the ceiling on net accumulation of domestic arrears; all continuous targets; and all standard continuous targets were met. The headline deficit for FY23/24 was higher than projected at the time of the third review due to higher-than-expected foreign-financed project implementation for development spending. Nevertheless, the adjusted quantitative target/performance criteria for the ceiling on the debt-creating overall deficit was met with the application of the adjustor on drawdown of accumulated government deposits. The 3-month average headline inflation of 5.1 percent fell within the inner bound at end-June 2024. The two joint PCI reform targets and SCF structural benchmarks—on the publication of the pipeline of major public investment projects and selection criteria and on the implementation of the new official exchange rate methodology—were met on time.

We request the completion of the fourth review under the RSF arrangement and the disbursement of SDR 71.88 million. All the remaining reform measures due at the last RSF review were completed as intended. We have expanded the climate change budget tagging framework to cover all expenditure and published an updated climate budget statement; published a quarterly climate expenditure report comparing climate change expenditure execution with budget plans; published a consolidated report on major projects in the pipeline by sector with information on appraisal and selection criteria related to climate adaptation and mitigation; issued a guideline to financial institutions with regard to the implementation of the ISSB sustainability disclosure standards; and adopted a green taxonomy.

To better reflect the recent pressures relating to Rwanda's rapid response to contain the MVD outbreak we request to modify the end-June 2025 quantitative target on the ceiling on the debt-creating overall deficit, and introduce a symmetric adjustor on qualified MVD spending, while maintaining the program's debt anchor of 65 percent of GDP by 2031.

We request to amend the end-January 2025 reform target on Cabinet approval of the comprehensive tax package by removing from the reform target the reference to the MTRS-2 objective.

We believe that the policies and measures set forth in the attached Memorandum of Economic and Financial Policies (MEFP) are appropriate for achieving the objectives of the PCI and we remain fully committed to meeting these objectives and the related targets. We will consult with the IMF on the adoption of new measures and in advance of any revisions to policies included in this letter and the attached MEFP and will promptly take any additional measures needed to achieve the program objectives. Timely information needed to monitor the economic situation and implementation of policies relevant to the programs will be provided, as set out in the attached Technical

Memorandum of Understanding, or at the IMF's request. We will adhere to the Memorandum of Understanding between the NBR and MINECOFIN that clarifies the responsibilities for timely servicing of the financial commitments to the IMF in relation to the RSF and SCF arrangements. In line with our commitment to transparency, we agree to the publication of this Letter of Intent and its attachments, as well as the related Staff Report, on the IMF's website.

Sincerely yours,

/s/	/s/
Murangwa, Yusuf	Rwangombwa, John
Minister of Finance and Economic Planning	Governor, National Bank of Rwanda

Attachments (2)

I. Memorandum of Economic and Financial Policies

II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies[1]

Kigali, Rwanda, November 25, 2024

CONTEXT

1. **This Memorandum of Economic and Financial Policies describes recent economic developments and our policy objectives and priorities under the Policy Coordination Instrument (PCI), the Resilience and Sustainability Facility (RSF), and the Stand-By Credit Facility (SCF).** The Rwandan economy is undergoing challenging times. Despite significant progress towards achieving our socio-economic objectives, development needs remain large. Recurrent and overlapping shocks in recent years resulted in internal and external imbalances and weakened our capacity to rebuild policy buffers. The devastating floods of May 2023 amplified the underlying imbalances, resulting in significant infrastructural and other damages with substantial projected reconstruction costs. Against this backdrop, we requested an SCF arrangement in December 2023 to guide our efforts in facilitating adjustment and preserving macroeconomic and external sustainability in the near term. The 14-month SCF is concurrent with the 3-year PCI and RSF arrangement that were approved in December 2022. The SCF arrangement focuses on recalibration of the near-term policy mix. The PCI and SCF focus on strengthening the fiscal and monetary frameworks and building socio-economic resilience, while the RSF aims at advancing reforms in green Public Financial Management (PFM), climate Public Investment Management (PIM), climate-related risk management for financial institutions, and disaster risk reduction and management.

RECENT DEVELOPMENTS

2. **Growth momentum remained strong, notwithstanding the challenging external environment.** Real GDP grew by 9.7 and 9.8 percent year-on-year in 2024Q1 and 2024Q2, respectively. The agricultural sector recovered, with gains in food crop production. Industry saw strong growth, particularly in construction. The services sector also performed well, driven by trade, transport, and telecommunications. Against the backdrop of significant increase in labor force participation, the unemployment rate remained high at 16.8 percent, above pre-pandemic levels with especially high rates among the female and the young populations at 19.8 percent and 20.5 percent, respectively.[2] Our working age population continues to grow, and we are striving to ramp up our job creating opportunities and narrow the gender gap.

3. **Inflation has stabilized within the target range.** Inflation edged up in April by 0.3 percentage points compared to March, to 4.5 percent, driven primarily by a spike in transportation costs following the government's decision to remove transport subsidies introduced during the pandemic. Headline and core inflation have stabilized since April as food price pressures

[1] Letter of Intent and Memorandum of Economic and Financial Policies are the "Program Statement" under the PCI.

[2] Based on the May 2024 Rwanda Labor Force Survey.

subsided due to strong agricultural output, reaching 5 and 5.6 percent, respectively, in August. In September, headline CPI inflation dropped to 2.5 percent on the account of sizeable decline in the prices of vegetables (-13.9 percent), while core inflation remained at 5 percent. The Monetary Policy Committee (MPC) lowered the policy interest rate in two subsequent steps in May and August to 7 and 6.5 percent, respectively.

4. **The fiscal deficit in FY23/24 was higher than anticipated mainly due to acceleration of externally financed public investments.** Tax revenues fell short of projections, despite stronger-than-expected economic activity, leading to a decline in the tax-to-GDP ratio, from 15.0 percent in FY 2022/23 to 14.6 percent in FY2023/24. This underperformance was mainly due to: (i) higher inflation and increased operational costs led to losses in many companies and lower CIT payments; (ii) changes in income tax brackets and the absence of year-end bonuses in some government institutions and banks impacted PAYE collections; (iii) lower withholding tax collections from the construction sector affected profit taxes; and (iv) revenue losses from tax exemptions on imports of electric vehicles and agricultural imports from East African Community (EAC) members. The shortfall in tax revenues from taxes was more than offset by lower spending on goods and services and grants. However, the net acquisition of nonfinancial assets exceeded the budget by 0.4 percentage points of GDP due to faster-than-expected foreign-financed project execution, including for projects in social protection, education, and energy. The resulting deficit of 6.9 percent of GDP implies a slower-than-envisaged consolidation of 0.4 percentage points of GDP relative to FY2022/23. Post-flood reconstruction spending in FY2023/24 amounted to RWF 104.4 billion, or 0.6 percent of GDP.

5. **The financial sector remains stable amid strong credit growth.** As of Q2 2024, the banking sector continues to report strong profitability, and the regulatory capital is well above minimum requirements. The microfinance sector continued to expand rapidly, with loan stock rising by 26 percent—albeit still from a low base—while maintaining robust capitalization rates. The combined loans of banks and MFIs grew by 18.4 percent in Q2 2024, compared to same period last year. Non-performing loans (NPLs) in the MFIs remained broadly stable, while the NPL ratio in the banking sector increased from 3.6 percent to 5 percent during the last twelve months, mainly driven by a few non-performing large exposures.

6. **Our external position remains under pressure.** The current account deficit widened over the first half of 2024 due to a growing trade deficit primarily from capital and intermediate goods imports, consistent with strong industrial output growth. Enhanced agricultural output provided some offset in food imports early in 2024. The Rwandan franc continued to depreciate against the US dollar this year, by 6.6 percent through the beginning of October, compared to about 14 percent over the same period last year. International reserves stood at 4.0 months of prospective imports as of end-June 2024 (excluding RSF disbursements).

PERFORMANCE UNDER THE PCI, RSF AND SCF ARRANGEMENTS

7. **Our program implementation under the PCI, RSF and SCF arrangements is on track.**

- *PCI Quantitative Targets (QTs) and SCF Performance Criteria (PCs).* All end-June 2024 PCI quantitative targets / SCF performance criteria, all PCI continuous targets / SCF continuous performance criteria, and all standard continuous targets were met. While the headline deficit for FY23/24 was higher than projected at the time of the third review due to faster-than-expected implementation of foreign-financed development projects, the adjusted quantitative target for the ceiling on the debt-creating overall deficit was met with the application of the adjustor on drawdown of accumulated government deposits. The 3-month average headline inflation of 5.1 percent came within the inner-bound values (5±3 percent) of the Monetary Policy Consultation Band for end-June 2024, in line with the trajectory envisaged under the program.
- *PCI Reform Targets (RTs) and SCF structural benchmarks (SBs).* National Bank of Rwanda's (NBR) official exchange rate calculation methodology was revised to better reflect market conditions by including exchange rates from market transactions from the previous day (**end-June 2024 RT/SB, met**). Publication of the pipeline of appraised major projects and project selection criteria alongside budget documentation (**end-October 2024 RT/SB**) was met.
- *RSF Reform Measures (RMs).* We implemented all remaining reform measures (RMs) envisaged for the fourth RSF review, ensuring its successful completion. These reform measures included (i) expansion of the climate change budget tagging framework to cover all expenditure and publication of the updated climate budget statement (**RM9**); (ii) publication of comprehensive tagging results in the climate budget statement and a quarterly climate expenditure report that compares climate change expenditure execution with budget plans (**RM11**); (iii) publication of a consolidated report on major projects in the pipeline by sector with information on appraisal and selection criteria related to adaptation and mitigation (**RM10**); (iv) issuance of a guideline to financial institutions with regard to the implementation of recommendations of the International Sustainability Standards Board (ISSB) (**RM12**); and (v) adoption of a green taxonomy adapted to Rwanda's NDC (**RM15**).

OUTLOOK AND POLICIES

A. Outlook

8. **Economic growth will soften gradually in the medium term driven by recalibration of policies needed to preserve macroeconomic and financial stability, ensure fiscal sustainability, and rebuild buffers.** Real GDP growth is projected to reach 8.3 percent in 2024, despite an anticipated slowdown in the last quarter of the year due to the Marburg virus disease (MVD) outbreak. Economic growth is projected to slow to 7.0 percent both in 2025 and 2026, before rebounding to 7.3 percent in the following years. On the demand side, private consumption and investment are expected to be the main growth drivers in the medium term as fiscal consolidation ensues. Net exports will improve gradually, supported by real effective exchange rate depreciation. On the supply side, services sector will continue to expand robustly, coupled with a continued steady growth in the agricultural sector.

9. We expect inflation to remain at around 5 percent in the medium term, the mid-point of the NBR's 2-8 percent target band. This projection is conditional on the extent of the exchange rate depreciation passthrough, continued favorable outlook for food prices, and no heightened volatility of commodity prices in case global geopolitical risks escalate.

10. Our external sector position is projected to deteriorate slightly in 2024 and improve thereafter. Despite strong recovery in domestic agricultural production, the current account deficit is expected to reach 13.1 percent of GDP in 2024 compared to 11.7 percent in 2023, led by higher capital goods and processed food imports. Over the medium term, the current account is expected to steadily improve with higher domestic savings owing to fiscal consolidation. Supported by additional IFI financing and policy adjustment, reserves would rebound to US$2.2 billion in 2024, equivalent to 4.3 months of prospective imports, and stabilize around 4.1 months of imports from 2025 onward, excluding RSF disbursements. In the medium term, we expect concessional financing to decline, which will partially be offset by the increase in private flows, mainly FDI.

11. We see our outlook clouded by several downside risks. A further deepening of geopolitical fragmentation, another spike in global energy, food, and fertilizer prices, or a steeper decline in trading partners growth would weigh on the outlook. Global financial market developments, including longer-than-expected tight global financial conditions, could adversely affect the availability and affordability of external financing. Domestically, the escalation in the MVD outbreak could weigh on economic activity and foreign exchange inflows especially tourism receipts. Slower progress on domestic revenue mobilization and the external adjustment could undermine the debt path and raise debt service pressures amidst declining concessional financing over the medium-term. As demonstrated by the recent poor seasons, Rwanda's dominantly rain-fed agriculture sector is highly exposed to climate variability. Upside risks to growth stem from our ability to attract external concessional financing and expedite associated development spending.

B. Fiscal Policies and Fiscal Structural Reforms

12. Response to the MVD outbreak and better access to external concessional financing requires recalibration of the fiscal stance in both FY24/25 and FY25/26. Emergency measures to contain the MVD outbreak, with an estimated cost of RWF 103 billion, will increase spending pressures in FY24/25. At the same time, our efforts to accelerate foreign-financed project execution for development will come with more frontloaded concessional disbursements. In FY24/25, the World Banks' DPO will be equal to US$255 million, more than doubling from the previously expected amount. Given these considerations, as well as the large developmental needs and the relatively low sensitivity of the debt service and present value of public debt to highly concessional financing, we propose to change the fiscal deficit target for FY24/25 (from 5.2 to 5.6 percent) and the objective for FY25/26 (from 3.4 to 3.3 percent) and align with the medium-term fiscal consolidation trajectory thereafter. The increase in the deficit is intended exclusively to accommodate the additional spending needs related to the MVD response (in FY24/25) and acceleration of development spending financed through concessional means (in FY25/26). To ensure transparency on expenditures related to the relaxation of the fiscal consolidation trajectory, we will be reporting on projects to support the MVD emergency response in the Budget Execution Report.

13. We remain fully committed to preserving fiscal sustainability. To this end, we plan to continue the needed fiscal consolidation supported by the implementation of domestic revenue mobilization (DRM) measures under the Medium-Term Revenue Strategy (MTRS), and spending rationalization measures. In addition, we will proceed with reforms aimed at improving the transparency and the efficiency of our public financial management and investment practices and enhancing the management of fiscal risks. Consistent with our fiscal consolidation efforts, the medium-term budget framework envisages a gradual reduction of the fiscal deficit from 5.6 to 3.1 percent of GDP in FY24/25–FY26/27.

14. We remain committed to the objectives of the medium-term revenue strategy (MTRS), as approved by the Cabinet in May 2022, notwithstanding continued underperformance of revenues. As MTRS reforms become effective, we expect to bring the tax-to-GDP ratio to 16.4 percent by the end of the first phase of the MTRS period in FY25/26. Through the support of our development partners, we will conduct a full evaluation of the MTRS implementation prior to its expiration. This will allow us to accelerate work on the MTRS successor reforms which will aim to raise the tax-to-GDP ratio by a further 1.5 percent by FY27/28.

- **MTRS-1**. To achieve revenue gains envisaged under the program, on November 29th, 2023, the Cabinet has approved a package of revenue generating and predominantly tax policy measures, supported by IMF technical advice, that ensures achievement of the MTRS domestic revenue targets. Specifically, these measures consist of a combination of tax policy reforms and improved tax administration. On the tax policy side measures included: (i) VAT on mobile phones and selected telecommunication equipment, (ii) increases in the fuel levy and registration fees for imported vehicles, (iii) gaming taxes, (iv) excise tax increases on beer, tobacco, and telecommunication services, and (v) increased mineral taxation. On the tax administration side measures included: (i) controls to stop customs over-valuation, (ii) introduction of custom scanners, and (iii) the integration of invoice systems of the hospitality sector with the RRA tax system. Provisions for increased mineral taxation were enacted in June 2024 (Law on Minerals 056/2024). Delayed provisions for components of the package initially planned to be implemented in FY24/25 will be in effect from January 1st, 2025, while the remaining components will be implemented in FY25/26, as planned.
- **MTRS successor.** To support a credible medium-term consolidation plan, we will jointly with the IMF develop MTRS-2 aiming to implement a comprehensive strategy to raise tax revenues by broadening the domestic tax base, improving tax compliance, and curbing tax evasion. Towards this objective, Cabinet will approve a comprehensive package of measures predominantly relying on broadening the tax base by streamlining tax holidays and tax expenditures (**end-January 2025 RT**). With support from IMF TA, we have updated the existing VAT and CIT tax expenditure models and identified measures for the comprehensive tax reform package. We will aim to legislate any required changes within the program period.
- **Manufacture and Build to Recovery Program.** We remain committed to not extending the MBRP beyond the end of December 2024. The MBRP will continue to provide tax incentives (import duty and VAT) for already approved projects to increase production in the agro-processing, construction materials, light manufacturing, and cross-cutting enablers such as

paper packaging and plastic packaging. The program has attracted 143 projects with total investment of US$2.4 billion (59 projects in manufacturing; 50 projects in construction, including 46,000 housing units; and 34 projects in agro-processing) with the expected creation of over 45,048 jobs. 89 projects have already received tax incentives in the amount of RWF 19.8 billion. No new tax exemptions will be provided under this scheme beyond 2024.

- **Revenue administration.** The Rwanda Revenue Authority (RRA) has continued to implement MTRS reforms including (i) the New Operating Model (NOM), launched on January 1, 2023, with significant progress made on recruitments and matching staff skills and competencies to the job requirements to bring about efficiency; (ii) comprehensive Compliance Improvement Plans (CIPs), published online from 2022/23; (iii) digitalization of the tax system, including MyRRA online platform launched in December 2023, for enhanced controls to validate and ensure accurate reporting on both VAT and income tax; (iv) adoption of Common External Tariff (CET) version 2022 for customs; and (v) introduction of dynamic risk management to include the use of modern technologies in assessing risk. With a view to improve compliance, the RRA also published Ministerial Orders on voluntary disclosure and VAT rebates to support implementation of the new Tax Procedure and VAT laws. The RRA will continue to rely on the existing monitoring and enforcement framework to assess the implementation of these measures, while considering opportunities to further strengthen it.

15. We continue with our efforts to advance spending rationalization reforms. As a section to the FY24/25 Budget Framework Paper, in May, the Cabinet approved a spending rationalization strategy that outlines policy measures underlying the medium-term projection of the fiscal consolidation path. The strategy is built on a disaggregated costing of planned expenditure rationalization measures under the broad spending categories (wages and salaries, non-wage recurrent, and capital expenditures), and a timeline for their implementation. Under the spending rationalization strategy, we have (i) introduced a public wage freeze and phased recruitment plan (with an estimated overall saving of RWF 5.7 billion), (ii) reduced the cost of public travels, meetings and events and continue to digitalize public services (RWF 83.9 billion), and (iii) strengthened the management, oversight and monitoring of public investments, and rephased non-priority investment projects planned for FY24/25 (RWF 408.6 billion).

16. In line with our commitment under the RSF program to transition to a green economy, we will refrain from providing any subsidies on fossil fuels going forward and, instead, will support poor and vulnerable households through other targeted measures as the need arises. In April 2023, we phased out a subsidy on diesel that was introduced in October 2022, and we have since allowed domestic prices to reflect the international market price of fuel. On March 16, 2024, we also discontinued the pandemic-era subsidy on public transportation services.

17. Our fiscal path ensures convergence to our debt anchor keeping our debt sustainable. We will broadly maintain the fiscal consolidation path discussed at the time of the PCI approval with convergence to our 65 percent of GDP debt anchor achieved by 2031, backed by a credible medium-term fiscal consolidation, including domestic revenue mobilization and spending rationalization measures. This consolidation path will ensure that Rwanda remains at moderate risk of debt distress with sufficient buffers to absorb shocks.

18. Our medium-term fiscal framework has also identified a contingency plan. In case of a shortfall of grant financing, we will seek alternative grant and concessional sources of financing. If, however, we are not successful, we would cut spending by the appropriate amount in both recurrent (goods and services and transfers to local governments) and capital spending.

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

Fiscal Structural Reforms

20. The implementation of our new Organic Budget Law (OBL) is on course. The Ministerial Order required for the full implementation of the OBL has been cleared by the Legal Council, but remain to be approved by Cabinet after the review from National Law reform Commission. The implementation of the OBL improves the budget and medium-term expenditure framework (MTEF), institutionalizes the fiscal risk management practices and structures, and helps the adoption of best practices in fiscal reporting. In the area of fiscal reporting, reporting periods for all public sector entities are now aligned to the fiscal year from calendar year. Data are being received in a timely manner.

21. We continued to strengthen our public financial management system (PFM).

- *Medium Term Expenditure Framework*. To instill greater prioritization and top-down orientation to our budget process, we have adopted the MTEF user manuals and published them on the MINECOFIN's website. We continue to integrate the budget costing framework into IFMIS and improve the process for the FY25/26 planning cycle. To further improve our performance-based budgeting (PBB) framework, we will continue to work on aligning the NST-2 objectives, the sector strategic plans (SSPs) and the MTEF. Following the costing of NST-2, MINECOFIN will finalize the vetting of the costing of NST-2 and SSPs and assess affordability gaps vis-à-vis the MTEF expenditure ceilings.
- *Accrual Accounting Migration*. We continued to expand the coverage of accrual financial reporting in the public sector. The valuation and recognition of non-financial government assets and liabilities are progressing well. The valuation of government owned land, public road infrastructure, transport equipment, and other machinery across the country has been completed. From June 2024, public debt is also included in the government balance sheet.

Following an audit of the consolidated accounts, the consolidated financial statements containing values of non-financial public assets and liabilities will be published after April 2025. The production of a consolidated annual financial statement for the entire public sector, including SOEs, contingent liabilities, and PPPs, will be finalized by end-June 2025 and expected to be published in May 2026.

- *IFMIS Rollout.* Following the incorporation of central and local governments, and hospitals, we continued the IFMIS rollout to primary and secondary schools. Secondary schools are now integrated to IFMIS via the subsidiary accounting system named SDMS (Schools Data Management System). The IFMIS rollout to primary schools is expected to be finalized by end-2025.
- *Fiscal data digitalization*. While a substantial amount of fiscal data is housed in IFMIS, efforts are needed to utilize it effectively for data-driven fiscal policy operations. With support from IMF TA, we will develop and approve a PFM digitalization strategy to support data-driven PFM, including by the adoption of Artificial Intelligence (**new proposed end-April 2025 RT**).

22. We continue our efforts to strengthen the institutional framework and technical capacity to oversee and manage fiscal risks from SOEs and strengthen SOE corporate governance.

- The new Organic Budget Law institutionalized the oversight and management of fiscal risks by clarifying the role of the Fiscal Risk Committee (FRC), mandating MINECOFIN to appoint their members, and requiring the publication of an annual Fiscal Risk Statement (FRS) as part of the annual budget documents. The new Public Procurement law was gazetted in November 2022 and relevant Ministerial Orders establishing regulations governing public procurement were gazetted in October 2023. Draft provisions aimed at strengthening the procurement process in state-owned enterprises are currently under development, with the implementation anticipated by early 2025, following the approval of the Ministerial Order governing public procurement in SOEs.
- *Review of the SOE governance legal framework.* The Presidential Order (PO), prepared in consultation with the World Bank, and which determines the prerequisites for establishment of an SOE, the rules of its management, and key SOE Board oversight functions, was gazetted on 28 August 2024. The operationalization of the PO is ongoing. To this end, with support from the IFC, MINECOFIN will approve the SOE corporate governance code and its implementation plan, consistent with the 2024 OECD Guidelines on Corporate Governance of State-Owned Enterprises to ensure SOE operational independence, external audits, and the management of environmental and social risks (**proposed new end-March 2025 RT**). Additionally, with the assistance of both the IFC and the AfDB, a framework for selecting Board members with the necessary experience and qualifications is being established. We will also work towards enhancing the coverage of the SOE governance legal framework to include mixed ownership and holding companies and all key elements of sound SOE governance (i.e., state ownership arrangements, performance monitoring, financial and fiscal discipline, and transparency and disclosure).

- *Triage*. We have conducted a triage exercise, with the aim of scaling down the size of our SOE portfolio, particularly in the more competitive sectors of the economy. Out of the 34 state-owned companies, 4 were fully privatized and 29 will be retained under state management once approved by Cabinet.
- *Managing and mitigating SOE fiscal risk.* In 2022, government subsidies to REG, WASAC and RwandAir amounted to 1.5 percent of GDP, and the guaranteed loans in RwandAir, Bugesera Airport Company, REG, WASAC, and (Ultimate Concepts Ltd.) ULC were about 3.4 percent of GDP. We continue to implement a multi-pronged strategy to strengthen the capacity of MINECOFIN's Portfolio Oversight Department to manage and mitigate SOE fiscal risks. In line with our commitment to conduct SOE health-checks for all SOEs and stress tests for at least two high-risk SOEs every quarter, we completed the stress tests of Bella Flowers and King Faisal hospital by end-2023, REG and WASAC by end-March 2024, RMS and Afriprecast by end-June 2024, and Kivu Marina Bay and Horizon Construction by end-September 2024. We will complete the hiring of five portfolio specialists to the Department. With support from IMF TA, we will train new staff on the health check and stress test tools. This will allow us to conduct in-depth forward-looking financial assessments of at least five SOEs, including identification of credible mitigation measures to address any identified key vulnerabilities (**end-March 2025 RT**). We will also explore if any strengthening of the institutional framework is needed to efficiently enforce the identified mitigation measures.

23. Strengthening transparency in fiscal reporting remains a key priority. To underscore the progress achieved since the 2019 Fiscal Transparency Evaluation (FTE), we requested an FTE follow up assessment planned for August 2025. We remain committed to the expansion of the coverage of our fiscal reports in GFS 2014. In April 2023, we started publishing quarterly budget execution reports under GFS 2014 for the general government and we will continue to do so 60 days after the end of each quarter.

24. We continue to enhance our public investment management practices. We published the 2022 PIMA in August 2023 and continue to implement recommendations from the assessment. We published a pipeline of appraised major projects (over RWF 15 billion, as defined in Section 4.3 of the National Investment Policy), and project selection criteria annually alongside budget documentation, while redacting any commercially sensitive information (**end-October 2024 RT/SB).** We are also committed to continue implementing other recommendations from the PIMA that support further transparency and value for money in project selection including: (i) improving reporting of contingent liabilities from public corporations, PPPs, and districts; (ii) making all project appraisal documents public; (iii) publishing multi-year project costs using existing data stored in the IFMIS.

25. We remain committed to ensuring beneficial ownership transparency. While companies have started to submit beneficial owner (BO) information in April 2023, further efforts are needed to accelerate the collection of BO information. New companies cannot be registered unless BO information is provided, and failure to provide BO information for existing companies will result in sanctions. We will continue our efforts to ensure compliance with the requirements to hold accurate, adequate, and up-to-date BO information and will take action to apply proportionate and dissuasive sanctions for non-compliance while also conducting awareness-raising activities. We will keep the good practice of cross-checking company information with the tax and revenue authorities and removing dormant companies from our register, together with conducting on-site inspections to verify the information companies submit as part of their self-assessment. We will amend the definition of BO in the Public Procurement law with the provisions of the AML/CFT law to have one harmonized understanding of BO. The law governing companies currently grants competent authorities' access to BO information in the central register and Rwanda will work towards ensuring this access is direct and timely in practice. We will also work on implementing the priority actions from the July 2024 Mutual Evaluation Report by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). This includes improving money-laundering / terrorist financing (ML/TF) risk understanding by supervisors, financial institutions, and designated non-financial businesses and professions, undertaking sectoral risk assessments for virtual assets / virtual asset service providers (VA/VASPs), legal persons and non-profit organizations, and improving risk-based supervision.

C. Monetary, Exchange Rate, and Financial Sector Policies

26. We will continue to strengthen the implementation of our forward-looking monetary policy framework and reforms to promote the development, stability, and inclusion of financial market. We will pursue these objectives by continuing to (i) increase the reliance on data, analysis, and forecasts in informing monetary policy formulation and communication and (ii) strengthen monetary policy and exchange rate operations and further develop money, domestic debt, and foreign exchange markets.

Monetary Policy

27. Containing inflationary pressures remains a priority for our monetary policy. The 3-month moving average reached 5.1 percent in June 2024, within the MPCC inner bound of 5±3 percent and continued its deceleration momentum coming down to 4.1 percent in September 2024. The most recent monetary policy meeting of the NBR was held on August 21, 2024, when the key interest rate was cut by 50 basis points, bringing it down to 6.5 percent. This monetary policy stance reflects NBR's assessment that inflation is expected to remain within the target range of around 5 percent and takes into account significant risks to the outlook. These include geopolitical tensions, such as the ongoing wars in Ukraine and the Middle East, that may influence international commodity prices, and weather-related challenges that could affect future agriculture sector performance.

28. We remain committed to strengthening monetary policy formulation, and communications, to ensure an effective implementation of the forward-looking interest-rate-based monetary policy framework.

- We have continued to develop the Forecasting Policy and Analysis System (FPAS), including steps to improve economic analysis, and forecasting capabilities at the NBR and better integrate it with monetary policy decision-making. Going forward, we will continue relying on the NBR's FPAS as the key input to guide monetary policy stance and steer inflation towards the NBR's inflation target. In addition, we are working on strengthening our nowcasting and near-term forecasting tools to include weather risks in these forecasts.

- Additionally, we are developing a consumer price expectations survey to improve the quality of forecasts. Our plan is to launch this survey by June 2025.

Monetary Policy Operations and Market Development

29. We continue to focus on developing money, bond, and foreign-exchange markets to strengthen our monetary policy transmission mechanism. With the assistance of the IFC, we have identified and analyzed the legal gaps in insolvency, payment system and banking laws and formulated a roadmap endorsed by all stakeholders to implement for Global Master Repurchase Agreement (GMRA). The draft Central Securities Depository (CSD) law, which will trigger the rollout of the GMRA, was approved by the Directors of the Capital Market Authority in August 2024 and is being prepared for Parliament submission by December 2024. We envisage enacting the full GMRA rollout, including securing the signing of the GMRA by all banks, by end-December 2024 (**end-December 2024 RT**).

30. We remain committed to a flexible exchange rate and more proactive liquidity management to support our monetary policy framework and maintain external buffers. We consider the exchange rate our first line of defense against external shocks and will limit our interventions in the foreign exchange (FX) market to minimize excessive exchange rate volatility. Notwithstanding the increased import bill related to near-term fiscal spending for reconstruction from floods and MVD rapid response, FX pressures moderated in 2024 and are expected to continue easing throughout the medium term as the policy adjustment takes place and external demand recovers. The reserve coverage is expected to exceed the minimum adequate level of 4 months of imports in 2025, excluding RSF disbursements. We plan to regularly assess and align our foreign exchange market for consistency with our monetary policy framework. In particular:

- Supported by the IMF TA mission, in November 2023, we finalized and adopted a *diagnostic study of foreign exchange markets* to further improve our FX market operations in line with the monetary policy framework.
- The NBR adopted *revisions to its official exchange rate calculation methodology* to allow for greater price discovery by better reflecting market conditions (**end-June 2024 RT/SB**). The gradual transition to the new methodology has commenced in July, with an expectation that the official selling rate would be fully reflecting the simple average rate between buying and selling rate from market transactions of the previous day starting November 1, 2025.
- We are committed to strengthening our FX intervention framework by gradually introducing *competitive FX auctions*. We will conduct a supplementary, smaller-scale competitive auction to offer banks an additional mechanism for sourcing foreign exchange (**proposed new end-September 2025 RT**). This competitive auction, with bid caps in place to prevent market abuse by dominant banks, will be conducted with fixed preannounced amounts and variable

rates to promote robust price discovery. Based on this experience, we will assess a path forward to augment the existing bilateral FXI framework to allow competitive auctions to play an increasing role.

- We are committed to *strengthening the liquidity management component of the framework* to improve the transmission mechanism and the implementation of the interest rate based monetary policy.
- Based on IMF TA recommendations, we will continue regular, formal, and transparent *consultation with FX market participants* as part of a communication strategy to facilitate market functioning and development.

31. We will continue with our efforts to strengthen the NBR's safeguards and accountability framework. We will submit to Cabinet draft amendments to the NBR Law to strengthen, in consultation with IMF staff, provisions for mandate, financial and personal autonomy, and transparency and accountability in line with safeguards assessment recommendations (**end-September 2025 RT**).

32. We will continue expanding the coverage of monetary and financial statistics (MFS). The National Bank of Rwanda has been publishing sectoral balance sheets for both the Central Bank (1SR) and Other Depository Corporations (2SR). However, the NBR has recently started compiling the Sectoral Balance Sheet for Other Financial Corporations (4SR) in line with the expansion of its MFS coverage and commits to publishing them on quarterly basis. To this end, supported by the IMF TA, we will expand the coverage of Monetary and Financial Statistics to include, as part of Other Financial Corporations Survey, insurance companies, Rwanda Development Bank, and private pension institutions; and start publishing on quarterly basis (**end-March 2025 RT**).

Financial Sector Policies

33. We will continue to fine-tune our standards and processes to maintain financial stability. Considering recent global banking developments, safeguarding the resilience of banking sector to shocks remains a top supervisory priority of the NBR. Onsite examinations will continue to focus on credit risks, large exposures, adequate loan classification and provisioning, and scrutinize banks' assessment of borrowers. This will be complemented by the continued offsite surveillance to ensure the above key risks are managed and track any emerging risks. Further, we will continue to conduct credit surveys to the private sector to inform further policy measures to be taken. The NBR continues to conduct macro stress tests on a quarterly basis, and the banks submitted the third annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) in May 2024. The ICAAP includes banks' risk appetite and projected capital positions for the year 2024/25, while ILAAP provides for the contingency plans on liquidity. The NBR will focus its policy actions to ensure that supervised institutions adequately manage risks and comply with regulatory requirements. The NBR will also continue to monitor closely the implication of the global financial conditions on the domestic financial institutions and take appropriate macroprudential policies to contain potential risks.

34. The financial sector remains stable amid continued strong credit growth. Private credit continued to display strong growth in H1 2024, supporting robust economic momentum. As of Q2 2024, the banking sector continues to be profitable, and the regulatory capital is above minimum requirements. The microfinance sector continued to expand rapidly in H1 2024. Non-performing loans (NPLs) in the MFIs remained broadly stable, while the NPL ratio in the banking sector increased mainly driven by a few non-performing large exposures.

- We are committed to monitoring financial stability risks, including through monitoring of granular risk metrics, intensive supervision, quarterly stress tests, and quarterly Financial Stability Committee meetings. We continue monitoring supervised institutions with the view to ensure that risks are adequately managed and regulatory requirements are implemented.
- We are committed to enhancing the NBR's risk monitoring and stress testing capacity through more granular data collection, analysis, and developing stress test models with longer term horizons. Given the recent acceleration in household loans, especially in consumer loans, we will monitor the developments in household credit more closely to explore the scope for active use of macroprudential policies to contain emerging financial stability risks.
- In light of the recent non-performance of few large exposures, we are committed to continue intensifying our monitoring of large exposures of banks, which have been growing in the past few years and could pose significant risks to the banking sector. Large exposures are monitored under Pillar II risks assessment and the related capital add-ons are required as per the bank exposures. Stress testing by the NBR is done on micro and macro level on quarterly basis, to complement stress testing done by banks. These are enhanced by surveys on corporate indebtedness, sectoral assessment, and credit survey. If associated risks increase, we are committed to tightening the regulatory limits on large exposures.

35. Expanding access to digital financial services remains instrumental to implement our financial inclusion strategy. Financial inclusion is one of the main priority areas in achieving Rwanda's National Strategy for Transformation. We consider financial inclusion as an integral enabler for achieving our development and poverty reduction objectives.

- Leveraging data. The NBR's financial inclusion data dashboard is operational and enables the NBR to regularly monitor financial inclusion progress. Based on FinScope 2024 Survey, formal financial inclusion (defined as share of population that has access to any formal financial products, including mobile money) stands at 92 percent of adult population, with 90 percent for women, and 94 percent for men. This was achieved largely through greater digitalization in accessing financial services.
- Digital financial services. Digital financial services are fast-growing especially, with mobile payments that are more than quadrupled since the pre-COVID levels. Digital payments efficiency has been enhanced by expanding interbank settlement service to 24/7 basis and to microfinance institutions (MFIs). Multilateral interoperability for retail digital payments is operational to mobile money services providers, banks, and MFIs.

- Consumer protection/market conduct platforms. The complaints handling system (INTUMWA Chatbot) and comparator website (Gereranya) are operational, supporting financial service consumers to lodge complaints and compare financial services and products, respectively.
- Female access to finance. The NBR, with support from the World Bank, Women World Banking Leadership and Diversity, and the Alliance for Financial Inclusion, developed guidelines for women's financial inclusion for the financial sector to move the financial system from a gender aware system to a gender transformative system. These guidelines were published in November 2023 with the aim to equip Rwanda's financial institutions with a toolkit to account for women's financial inclusion in their strategic targets and financial products. They provide four guiding pillars for enhancing financial services delivery to women in Rwanda: (i) integrating female financial inclusion in institutions' strategic plans, (ii) customizing products for women and mainstreaming gender within existing products, (iii) leveraging digital financial technology, and (iv) building female financial capabilities.

D. Structural Policies

36. We continue our efforts to make our economy and society more resilient. We have improved the design and delivery of our social safety nets, improving the access and quality of health and education among vulnerable groups, and promoting economic diversification.

- The dynamic social registry (Imibereho) was rolled out in February 2024 and currently the system has 3,291,268 million households registered. The Imibereho system has undergone nationwide data analysis, producing provisional targeting lists for Vision 2020 Umurenge Programme (VUP) and Community Based Health Insurance (CBHI). About 146,000 households were deemed eligible for the CBHI subsidy through the social registry. However, data analysis by MINALOC and LODA revealed an 80% mismatch for the VUP Direct Support component. Based on this, a review and recalibration of the proxy-means testing (PMT) targeting methodology will be conducted using data from the forthcoming Integrated Household Living Conditions Survey (EICV7). The Imibereho system interoperability aspects now reach more than ten other administrative systems. There is increased focus on improving shock-adaptability especially in implementation of climate-smart public works (Radical terraces, progressive terraces and tree plantation related activities) in areas more prone to disasters and increasing the coverage of emergency cash transfers.
- Following the disasters of May 2023, guidelines were developed and a responsive fund of RWF1.4 billion was secured to mitigate the impact of future climate shocks by providing temporary shock-responsive cash transfers (SRCT). With the introduction of social protection instruments to vulnerable poor households, in collaboration with the agriculture sector, inputs were provided to poor households and insurance to agriculture products and livestock were introduced. There has also been intensified mobilization of households to adopt a culture of savings to be able to withstand short-term shocks through the EjO HEZA saving scheme. Working with the Ministry of Agriculture as a response strategy to mitigate food price pressures, there is increased advocacy to increase cultivable land areas, including the areas previously under-utilized.

- We are also working to address learning losses accumulated during the COVID-19 pandemic. We introduced a subsidized national school feeding program which boosted school attendance. We will continue to improve its delivery and targeting system. We will increase access of the extremely poor households to complementary livelihoods enhancement services to strengthen their economic self-sufficiency. We have scaled up reducing stunting and promoting early childhood development through child sensitive Expanded Public Works and Nutrition Sensitive Direct Support co-responsibility cash transfer to boost human capital development.
- We continue to strengthen our economic resilience by adopting policies favorable to regional integration. To implement our trade-logistics strategy and attract private investments in trade logistics and export-oriented activities, we are prioritizing major projects such as Kigali Logistic Platform (a large-scale inland container depot) and the Bugesera International Airport. With support from the World Bank and development partners, we are working to reduce tariff and non-tariff barriers and seize opportunities for Rwandan exporting firms stemming from the AfCFTA preferential market access. We are also stepping up our efforts on building more skilled labor force.
- We continue our efforts to strengthen our capacities for pandemic preparedness and response. On February 13, 2023, the Government of Rwanda and the World Health Organization (WHO) signed a collaboration agreement to implement three Emergency Preparedness and Response Flagship Initiatives, namely: (i) Strengthening and Utilizing Response Groups for Emergencies (SURGE), (ii) transforming African surveillance system (TASS), and (iii) Promoting Resilience of Systems for Emergencies (PROSE). The two-year project will strengthen epidemic intelligence, focusing on indicator-based, event-based, community-based, lab-based and One Health (OH) based surveillances. We remain on track with our initiative to construct the first African mRNA vaccine manufacturing facility to supply vaccines not only in Rwanda, but also in the region. Six mobile vaccine production units by German pharma company BioNTech arrived in Rwanda in April 2023. Since the declaration of the MVD outbreak on September 27, 2024, Rwanda has mobilized a comprehensive, coordinated response. A National Command Post and District Command Posts have been established, with multidisciplinary teams working actively to control the virus's spread. Led by the Ministry of Health, the response strategy focuses on rapid containment through coordinated actions across critical areas, including epidemiological surveillance, laboratory diagnostics, infection control, community engagement, and psychosocial support. The Ministry of Finance and economic planning has committed essential resources equivalent to 0.5% of GDP during first half of 24/25, to equip healthcare facilities, deploy rapid response teams, and provide financial aid to families in MVD-affected regions. To curb the virus's spread while protecting economic stability, the government is actively collaborating with private sector partners to ensure trade and essential services continue uninterrupted. Public awareness campaigns are engaging communities in prevention efforts, while ongoing monitoring and evaluation support transparency and effectiveness in containing the virus.

37. The Government of Rwanda has taken a significant step forward in its development agenda with the Cabinet approval of the high-level objectives of the Second National Strategy for Transformation (NST-2) in August 2024. This five-year plan builds on the achievements of NST-1, focusing on key areas such as job creation, export growth, education quality, public service delivery, and the reduction of stunting and malnutrition. NST-2 is designed to solidify the foundation for sustained economic growth, moving Rwanda closer to its goal of higher living standards for all.

E. Building Resilience to Climate Change

38. We successfully completed all our RSF commitments, six-month ahead of the initial timeline.

- *Progress on climate budget tagging:* We expanded the climate change budget tagging framework to cover all expenditures, adopting the approach laid out in the internal guidelines and drawing on lessons learned in the prototype period (**fourth review RM9)**. We published comprehensive tagging results in the climate budget statement and start publishing a quarterly climate expenditure report that compares climate change expenditure execution with budget plans (**fourth review RM11**). Once fully implemented, the budget tagging system will allow for the monitoring of climate related activities at both the budget preparation and execution phases and the facilitation of data-informed resource allocation decisions. This will improve transparency for the public and development partners looking to further support the climate agenda.
- *Improving the sensitivity of PIM to climate-related issues*. We published a consolidated report on major projects in the pipeline by sector with information inclusive of (i) the appraisal and selection criteria related to adaptation and mitigation and (ii) the distribution of ratings according to the appraisal and selection criteria related to adaptation and mitigation (**fourth review RM10**).
- *Enhancing climate-related risk management for financial institutions*. We issued a guideline for financial institutions with regard to the implementation of recommendations of the International Sustainability Standards Board (ISSB) (**fourth review RM12**). We adopted a green taxonomy adapted to Rwanda's NDCs covering seven sectors of the economy (agriculture, energy, construction, transportation, manufacturing, waste-water management, and ICT) (**fourth review RM15**).
- *Strengthening disaster reduction and management.* In May, we have adopted an action plan to develop a financing mechanism at the local level to enhance the ability of local governments to mobilize resources to finance and implement disaster risk reduction management (DRRM) strategy at the local level. To date, we have implemented the following steps in the action plan aimed at creating a robust framework for DRRM: (i) the National DRF Strategy, essential for managing financial risks from disasters by providing structured resource mobilization and tailored tools to strengthen district resilience; and (ii) the emergency procurement order, which ensures rapid, flexible processes and enables the timely delivery of essential goods and services during disasters.

39. We also enhanced our climate mitigation efforts. As part of our efforts to reduce CO2 emissions in line with NDC objectives, we introduced an increase in the fuel levy and higher registration fees for high-emission vehicles. This complements our existing policies to encourage e-mobility, including zero VAT rating on all e-vehicles and parts. These measures will help better reflect the externalities of fossil fuel consumption and help us achieve our emission reduction goals.

40. We remain committed to continue to explore options, including with international partners, to scale up climate financing. Our near-term focus is to scale up Rwanda's already established Green Investment Facility ("Ireme Invest"). The scaling up will occur via a combination of blending non-concessional and concessional resources, and de-risking. The Government of Rwanda also committed to contribute US$ 40 million to support Ireme Invest. Work is well underway on our commitments at COP28 regarding the three programs on landscape restoration, climate-smart agriculture, and sustainable urbanization, which we plan to roll out using our innovative programmatic approach. We are also committed to ensure that any fiscal risks stemming from government's financial exposure through equity contributions or guarantees are well-identified, transparently reported, and mitigated. In September 2023, Cabinet approved a carbon market framework, developed with the support of the World Bank and the UNDP that establishes a regulatory framework for accessing international carbon markets. MINECOFIN created a new climate finance department. The reform measure on green taxonomy is also expected to help mobilize further private climate financing. The new Climate and Nature Finance Strategy (CNFS) was approved by Cabinet in August and officially launched in October. Implementation of the strategy will start in the coming months.

41. We will continue developing bankable projects for green financing. Ireme Invest has started its lending operations with a total value of its green projects pipeline estimated at about US$30 million over the 2024-25 period, with the total disbursement remaining at US$ 3 million until October. The scaling up of the pipeline is challenging, as both the Rwanda Development Bank and businesses need time to strengthen their understanding of the technical requirements for green investments. To address this obstacle, Ireme Invest has established a project preparation facility managed by the Rwanda Green Fund ("FONERWA"). Rwanda's Public Green Investment Facility ("Intego") has identified 10 bankable public investment projects at the total value of US$ 34 million. Implementation is planned to start in Q3 FY24/25 and continue over a 3-year period.

PROGRAM MONITORING UNDER THE PCI

42. Policy Coordination Instrument. Progress in the implementation of the policies under this instrument will be monitored through quantitative targets, including a monetary policy consultation clause, standard continuous targets, and reform targets. These are detailed in Tables 1a–2, and 4, with definitions provided in the attached Technical Memorandum of Understanding.

43. Under the PCI, the program is subject to semi-annual reviews and monitored through quantitative targets, including a monetary policy consultation clause, standard continuous targets, and reform targets, as set out in Tables 1a–2, and 4, with definitions provided in the attached Technical Memorandum of Understanding.

44. The fifth review under the PCI is scheduled to be completed by May 15, 2025, and the sixth review under the PCI by November 15, 2025, based on respectively December 31, 2024, and June 30, 2025 test dates.

Table 1a. Rwanda: PCI Quantitative Targets and SCF Performance Criteria (June 2024 - June 2025)

	2024							2025	
	end-June[7]					end-December[6]		end-June[6]	
	Prog. CR 24/141	Adjustors	Adj. Prog.	Actual.	Status	Prog. CR 24/141	Rev. Prog.	Prog. CR 24/141	Rev. Prog.
(Billions of Rwandan francs, unless otherwise indicated)									
PCI Quantitative Targets / SCF Arrangement Performance Criteria[1]									
1. Ceiling on the debt-creating overall deficit, including grants[2]	1,159	81	1,241	1,228	Met	698	698	993	1,098
2. Floor on stock of Net Foreign Assets	923	0	923	1,136	Met	998	998	1,163	1,163
3. Ceiling on net accumulation of domestic arrears	0	...	...	0	Met	0	0	0	0
PCI Continuous Targets / SCF Arrangement Continuous Performance Criteria									
4. Ceiling on stock of external payment arrears (US$ million)	0	...	...	0	Met	0	0	0	0
5. Ceiling on present value (PV) of new public and publicly guaranteed external debt (US$ million)[3]	537	...	...	521	Met	1,163	1,163	323	323
PCI / SCF Arrangement Monetary Policy Consultation Band[1, 4, 7]									
Inflation, upper bound, percent	9.0	...	...	...		9.0	9.0	9.0	9.0
Inflation, upper inner-bound, percent	8.0	...	...	...		8.0	8.0	8.0	8.0
CPI Inflation target	5.0	...	...	5.1	Met	5.0	5.0	5.0	5.0
Inflation, lower inner-bound, percent	2.0	...	...	...		2.0	2.0	2.0	2.0
Inflation, lower bound, percent	1.0	...	...	...		1.0	1.0	1.0	1.0
Memorandum items:									
Total priority spending[2]	1,700	...	...	1,710		850	850	1,750	1,750
Floor on domestic revenue collection[2, 5]	2,855	...	...	2,844		1,606	1,606	3,331	3,363
Stock of new external debt contracted or guaranteed by nonfinancial public enterprises (US$	23	...	...	23		17	17	13	13
Total budget support (US$ million) [2]	747	...	...	821		239	604	861	786
Budget support grants (US$ million)	161	...	...	218		157	67	238	155
Budget support loans (US$ million)	586	...	...	603		82	536	623	631
Foreign financed net acquisition of non financial assets financed by the drawdown of accumulated government deposits	559	81	640	640		...	542	...	1,076
RSF Disbursements (US$ million)	77	...	...	77		96	96	0	0
RWF/US$ program exchange rate	1,165	...	...	1,165		1,165	1,165	1,165	1,165

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] All items including adjustors are defined in the Technical Memorandum of Understanding (TMU) for PCI/RSF third reviews and SCF first review (IMF CR 24/141)

[2] Numbers are cumulative from 1 July of the current year to 30 June of the following year.

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

[4] When the year-on-year inflation, averaged for the past 3-months, is above/below the outer band of the upper/lower bound, a formal

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

[6] Test date covers PCI.

[7] Test date covers PCI and SCF.

Table 1b. Rwanda: Standard Continuous Targets Under PCI and Performance Criteria Under SCF

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

Table 2. Rwanda: Reform Targets, and Structural Benchmarks Under the PCI/SCF (December 2023-June 2025)

Actions	Target Date	Status	Objective
1) Fiscal Pillar			
Publish a pipeline of appraised major projects (over RWF 15 billion, as defined in Section 4.3 of the National Investment Policy), and project selection criteria annually alongside budget documentation, while redacting any commercially sensitive information.	end-October 2024[1]	Met	Strengthen expenditure efficiency
Cabinet will approve a comprehensive package of measures predominantly relying on broadening the tax base by streamlining tax holidays and tax expenditures.	end-January 2025		Improve DRM
Conduct in-depth forward-looking financial assessments of at least five SOEs, including identification of credible mitigation measures to address any identified key vulnerabilities.	end-March 2025		Contain fiscal risks
MINECOFIN will approve the SOE corporate governance code and its implementation plan, consistent with the 2024 OECD Guidelines on Corporate Governance of State-Owned Enterprises to ensure SOE operational independence, external audits, and the management of environmental and social risks.	end-March 2025	Proposed new RT	Contain fiscal risks
Develop and approve a PFM digitalization strategy to support data-driven PFM, including by the adoption of Artificial Intelligence.	end-April 2025	Proposed new RT	Improve PFM
2) Monetary and Financial Pillar			
Revise the NBR's official exchange rate calculation methodology to better reflect market conditions by including exchange rates from market transactions from the previous day.	end-June 2024[1]	Met	Strengthen monetary policy operations
Enact the full GMRA rollout, including the signing of the GMRA by all banks.	end-December 2024		Strengthen monetary policy operations
Expand the coverage of Monetary and Financial Statistics to include, as part of Other Financial Corporations Survey, insurance companies, Rwanda Development Bank, and private pension institutions; and start publishing on quarterly basis.	end-March 2025		Broaden coverage of the monetary and financial statistics and improve transparency
Submit to Cabinet draft amendments to the NBR Law to strengthen, in consultation with IMF staff, provisions for mandate, financial and personal autonomy, and transparency and accountability in line with safeguards assessment recommendations.	end-September 2025		Strengthen central bank independence
Conduct a supplementary, smaller-scale competitive auction to offer banks an additional mechanism for sourcing foreign exchange.	end-September 2025	Proposed new RT	Improve functioning of the FX market

[1] Joint PCI reform target and SCF structural benchmark.

Table 3. Rwanda: Reform Measures Under RSF

Reform measure (RMs)		Review	Status
Reform Area 1. Strengthening and institutionalizing the **monitoring and reporting of climate-related spending** feeding into decision making processes.			
RM9	MINECOFIN staff to expand the climate change budget tagging framework to cover all expenditure, adopting the approach laid out in the internal guidelines and drawing on lessons learned in the prototype period.	4th Review	Met
RM11	Publish comprehensive tagging results in the climate budget statement and start publishing a quarterly climate expenditure report that compares climate change expenditure execution with budget plans.	4th Review	Met
Reform Area 3. Improving the sensitivity of **PIM** to climate-related issues.			
RM10	Publish a consolidated report on major projects in the pipeline by sector with information inclusive of (i) the appraisal and selection criteria related to adaptation and mitigation and (ii) the distribution of ratings according to the appraisal and selection criteria related to adaptation and mitigation.	4th Review	Met
Reform Area 4. Enhancing **climate-related risk managements for financial institutions** and developing a green finance market as part of the broader capital market development effort to help mobilize financing.			
RM12	Issue a guideline to financial institutions with regard to the implementation of recommendations of the International Sustainability Standards Board (ISSB).	4th Review	Met
RM15	MINECONFIN to adopt a green taxonomy adapted to Rwanda's NDCs covering seven sectors of the economy (agriculture, energy, construction, transportation, manufacturing, waste water management, and ICT).	4th Review	Met

Table 4. Rwanda: Summary of the External Borrowing Program[1]

	Jan-June 2024				Jan-Dec 2024		Jan-June 2025	
	Program		Actual		Program		Program	
	Nominal	PV	Nominal	PV	Nominal	PV	Nominal	PV
(Millions of USD)								
By sources of debt financing	**1160**	**537**	**987**	**521**	**1651**	**1163**	**768**	**323**
Concessional debt, of which [2]	**925**	**340**	**529**	**156**	**1163**	**445**	**643**	**223**
Multilateral debt	735	277	262	70	973	382	0	0
Bilateral debt	190	64	267	85	190	64	643	223
Other	0	0	0	0	0	0	0	0
Non-concessional debt, of which	**235**	**197**	**458**	**365**	**488**	**718**	**125**	**100**
Semi-concessional [3]	235	197	458	365	488	418	125	100
Commercial terms [4]	0	0	0	0	0	300	0	0
By Creditor Type	**1160**	**537**	**987**	**521**	**1651**	**1163**	**768**	**323**
Multilateral	820	340	448	200	1311	666	0	0
Bilateral - Paris Club	340	197	301	111	340	197	768	323
Bilateral - Non-Paris Club	0	0	20	13	0	0	0	0
Other	0	0	217	197	0	300	0	0
Uses of debt financing	**1160**	**537**	**987**	**521**	**1651**	**1163**	**768**	**323**
Infrastructure	825	381	478	212	1281	697	114	91
Social Spending	150	70	0	0	185	79	250	80
Budget Financing	185	86	368	267	185	386	0	0
Other	0	0	141	42	0	0	404	152

Sources: Rwandan authorities and IMF staff estimates and p

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

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

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

[4] Debt without a positive grant element.

Attachment II. Technical Memorandum of Understanding

Kigali, Rwanda, November 25, 2024

1. This memorandum defines the quantitative targets under the PCI described in the Letter of Intent and the Memorandum of Economic and Financial Policies (LOI/MEFP) for the period: January 1, 2024—June 30, 2025, supported by the IMF Policy Coordination Instrument (PCI) and sets out the data reporting requirements[1]

2. Program exchange rates. For program purposes, the exchange rates for end-June 2023 in the IMF's International Financial Statistics database will apply (see Table 1 for major currencies).

Table 1. Program Exchange Rates from June 30, 2023
(US$ per Currency Unit, Unless Indicated Otherwise)

Rwanda Franc (per US$)	1,164.6
Euro	1.087
Japanese Yen (per US$)	144.9
SDR	1.330

PCI Quantitative Program Targets / SCF Performance Criteria

Ceiling on Debt-Creating Overall Fiscal Deficit

3. A ceiling applies to the debt-creating overall fiscal deficit of the budgetary central government, excluding Peace-Keeping Operations and including grants. The ceiling for June 30, 2024 is cumulatively measured from July 1, 2023, and the ceilings for December 31, 2024, and June 30, 2025 are cumulatively measured from July 1, 2024.

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

[1] References to quantitative targets (QTs) under the PCI also include quantitative performance criteria (QPCs) under the SCF arrangement, where applicable.

Qualified MVD expenditures related to managing the Marburg virus outbreak are divided into two main categories: current and capital. Current expenditures cover operational costs for activities such as leadership and coordination, epidemiology and surveillance, laboratory and diagnostic services, case management, infection control, risk communication and community engagement, psychosocial care, and operational support. Capital expenditures involve investments in assets, infrastructure, or essential resources to support these health initiatives.

Adjustors to the Debt-Creating Overall Fiscal Deficit

- The ceiling on the debt-creating overall deficit will be adjusted upward:
  - by the amount of any shortfall between actual and programmed budgetary grants (as defined in Table 1a of the LOI/MEFP) evaluated at program exchange rate.
  - by the amount of unexpected budgetary central government expenditure on cereals imports in the case of a food emergency and in spending relative to the programmed amount on fertilizer subsidy in the case of significant increases in fertilizer import price.
- The ceiling on the debt-creating overall deficit will be adjusted upward to a maximum of RWF 137 billion, representing the amount of foreign financed net acquisition of non-financial assets (foreign financed capital expenditure) financed with a drawdown of accumulated government deposits from previously disbursed capital grants and loans (as defined in Table 1a of the LOI/MEFP).
- The ceiling on the debt-creating overall deficit will be adjusted downward / upward by the amount of any shortfall / excess between actual and programmed qualified spending (i) directly related to the cost of Marburg Virus Disease (MVD) pandemic rapid response; and (ii) not financed by earmarked budget grants / in kind contributions dedicated to MVD pandemic rapid response. The upward adjustment will be up to a maximum of RWF 39 billion.

Foreign Financed Capital Expenditure Adjustor[1]
(Billions of Rwandan francs)

	Jun-24			Dec-24	Jun-25
	Program	Actual	Adjustor	Program	Program
Net acquisition of non financial assets					
Foreign financed	1,017	1,098	81	583	1,165
Memorandum items					
Net incurrence of liabilities					
Foreign loans: capital disbursements	559	640	81	416	832
Improve energy access	14	31	17	…	…
Energy access and quality improvement	14	21	7	…	…
Social protection transformation II	6	64	58	…	…
Basic education human capital	17	31	15	…	…
Other foreign financed projects	508	493	-15	…	…

Source: Rwandan authorities
[1] Numbers are cumulative from 1 July of the current year to 30 June of the following year.

Marburg Virus Disease Adjustor[1]
(Billions of Rwandan francs)

	Dec-24	Jun-25
	Program	Program
Use of goods and services		
MVD response	83	83
Net acquisition of nonfinancial assets		
MVD response	20	20

Source: Rwandan authorities
[1] Numbers are cumulative from 1 July of the current year to 30 June of the following year.

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

5. A floor applies to the net foreign assets (NFA) of the NBR for June 30, 2024, December 31, 2024, and June 30, 2025.

6. Definition. NFA of the NBR in Rwandan francs is defined, consistent with the definition of the enhanced General Data Dissemination Standard (e-GDDS) template, as external assets readily available to, or controlled by, the NBR net of its external liabilities. Pledged or otherwise encumbered reserve assets (including swaps with resident and non-resident institutions with original maturity of one year or less) are excluded; such assets include, but are not limited to, reserve assets used as collateral or guarantee for third party external liabilities. Reserve assets corresponding to undisbursed project accounts are also considered encumbered assets and are excluded from the measurement of NFA. Holdings of Eurobonds issued by the Government of Rwanda are excluded from the measurement of NFA. Foreign assets and foreign liabilities in U.S. dollars are converted to Rwandan francs by using the U.S. dollar/Rwanda franc program exchange rate. Foreign assets and liabilities in other currencies are converted to U.S. dollars by using the actual end-of-period U.S. dollar/currency exchange rate. Foreign liabilities include, inter alia, use of IMF resources (by both the central government and the NBR). RSF disbursements are excluded from both the foreign assets and the foreign liabilities side.

Adjustors

- The floor on NFA will be adjusted downward by the amount of any shortfall between actual and programmed budgetary loans (excluding RSF disbursements) and grants per Table 1a of the LOI/MEFP.
- The floor on NFA will be adjusted downward by the amount of unexpected public expenditures on cereal imports in the case of a food emergency and/or on fertilizer imports in the case of significant fertilizer import price increases.

Ceiling on the Stock of External Payment Arrears

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

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

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

9. A ceiling applies to the net accumulation of domestic expenditure arrears of the budgetary central government.[2]

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

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

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

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

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

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

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

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

agreement excluding those payments that cover the operation, repair or maintenance of the property.

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

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

13. A continuous ceiling is applied to the present value (PV) of all new external debt (concessional or non-concessional) contracted or guaranteed by the central government, including commitments contracted or guaranteed for which no value has been received. The ceilings for June 30, 2024, and December 31, 2024 are cumulative from January 1, 2024. The ceiling for June 30, 2025, is cumulative from January 1, 2025. This QT/QPC does not apply to:

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

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

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

16. The PV of new external debt is calculated by discounting all future debt service payments (principal and interest) based on a program discount rate of 5 percent and taking account of all loan conditions, including the maturity, grace period, payment schedule, front-end fees and management fees. The PV is calculated using the IMF model for this type of calculation[3] based on the amount of the loan. A debt is considered concessional if on the date on which it is contracted the ratio of its present value to its face value is less than 65 percent (equivalent to a grant element of at least 35 percent). In the case of loans for which the grant element is zero or less than zero, the PV is set at an amount equal to the face value.

17. For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for

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

the six-month USD LIBOR is 3.34 percent. The spread of six-month Euro LIBOR over six-month USD LIBOR is -150 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -350 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -250 basis points. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD LIBOR is -150 basis points. Where the variable rate is linked to a benchmark interest rate other than the six-month USD LIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 bps) will be added. The program reference rate and spreads will remain fixed for the duration of the program. Given the anticipated global transition away from LIBOR, this TMU can be updated to reflect the relevant benchmark replacements (U.S. Secured Overnight Financing Rate (SOFR); U.K. Sterling Overnight Index Average (SONIA); EURIBOR; and Tokyo Overnight Average Rate (TONAR)) prior to the complete phase out, once operationally feasible.

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

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

Monetary Policy Consultation Clause (MPCC)

20. Definition. MPCC headline inflation is defined as the year-on-year rate of change in the monthly Consumer Price Index (CPI), averaged for the past 3-months, as measured by National Institute of Statistics of Rwanda (NISR).

- If the observed headline inflation falls outside the ±3 percentage point range around the mid-point of the target band value for end-June 2024, end-December 2024, and end-June 2025 as specified in Table 1a in the LOI/MEFP, the authorities will conduct discussions with the Fund staff.
- If the observed headline inflation falls outside the ±4 percentage point range around mid-point of the target band value for end-June 2024, end-December 2024, and end-June 2025 test dates as specified in Table 1a in the LOI/MEFP, the authorities will complete a consultation with the Executive Board which would focus on: (i) the stance of monetary policy and whether the Fund-supported program remains on track; (ii) the reasons for program deviation, taking into account compensating factors; and (iii) proposed remedial actions if deemed necessary.

Memorandum Items and Data Reporting Requirements

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

22. Data on priority expenditure will be transmitted on a quarterly basis. Priority expenditure is defined as the sum of those recurrent expenditures, domestically financed capital expenditures, and policy lending that the government has identified as priority in line with Rwanda's National Strategy for Transformation (NST-1). Priority expenditure is monitored through the Integrated Financial Management System (IFMS) which tracks priority spending of the annual budget at the program level of the end of each quarter.

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

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

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

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

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

RWANDA

November 25, 2024

FOURTH REVIEW UNDER THE POLICY COORDINATION INSTRUMENT, SECOND AND FINAL REVIEW UNDER THE STAND-BY CREDIT FACILITY ARRANGEMENT, FOURTH AND FINAL REVIEW UNDER THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND REQUEST FOR THE MODIFICATION OF END-JUNE 2025 QUANTITATIVE TARGET FOR THE POLICY COORDINATION INSTRUMENT—DEBT SUSTAINABILITY ANALYSIS[1]

Approved By
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The Debt Sustainability Analysis was prepared jointly by the staff of the International Monetary Fund and the International Development Association.

Rwanda: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*Moderate*
Overall risk of debt distress	*Moderate*
Granularity in the risk rating	*Limited space to absorb shocks*
Application of judgment	*No*

The updated Bank/Fund debt sustainability analysis (DSA) for Rwanda continues to indicate a moderate risk of external and overall public debt distress. The current debt-carrying capacity is consistent with a classification of 'strong'.[2] The baseline scenario is based on the macroeconomic projections presented in the accompanying staff report for the fourth PCI/RSF review and second SCF review. Rwanda's financing strategy assumes continued support from official development partners over the medium term, with highly concessional loans for new external borrowing under IDA20 and an increasing share of domestic financing in the long term. Debt indicators and standard stress tests classify debt sustainability risks as moderate with limited space to absorb shocks, with near-term breaches of the benchmark for PV of public debt to GDP and the threshold for PV external debt-to-GDP highlighting vulnerability to external and climate shocks. Heightened uncertainty around key external risks to concessional financing over the medium-term, baseline risks to domestic resource mobilization, and sustained exchange rate pressures could intensify debt sustainability risks over the medium-term. The authorities are encouraged to progress on fiscal consolidation, support the external adjustment with real effective exchange rate adjustment, and implement RSF reform measures in support of their climate agenda.

[1] This debt sustainability analysis was conducted using the Joint Bank-Fund Debt Sustainability Framework for Low-Income Countries (LIC-DSF) that was approved in 2017. The fiscal year for Rwanda is from July to June; however, this DSA is prepared on a calendar year basis.

[2] Rwanda has a debt carrying capacity indicator score of 3.17. This implies a classification of strong debt carrying capacity, which is the same classification as under the previous DSA.

BACKGROUND ON DEBT

1. The DSA covers the central government, guarantees, and state-owned enterprises (Text Table 1). The Ministry of Finance and Economic Planning (MINECOFIN) publishes annual debt data in a semi-annual statistical bulletin, covering domestic and external debt of the central government, broken down by multilateral, bilateral and commercial debt, as well as information on guaranteed and non-guaranteed debt held by all state-owned enterprises (SOEs).[3] Public guarantees are only extended to SOEs. There is no debt stemming from extra budgetary funds, long term central bank financing of the government, nor the state-owned social security fund. The local government debt is also covered but the existing stock to date is marginal,[4] and its contracting is subject to approval by MINECOFIN. The contingent liabilities shock (6.5 percent of GDP) accounts for potential fiscal costs associated with a theoretical banking crisis, and fiscal risks of existing public-private partnerships (PPPs). All SOE guaranteed and non-guaranteed debt is included in the baseline.

Text Table 1. Rwanda: Coverage of Public and Publicly-Guaranteed Debt and Parameters for Contingent Liability Shocks for the Tailored Stress Test

	Subsectors of the public sector	Check box
1	Central government	X
2	State and local government	
3	Other elements in the general government	X
4	o/w: Social security fund	X
5	o/w: Extra budgetary funds (EBFs)	X
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	X

1	The country's coverage of public debt	The central government plus social security and extra budgetary funds, central bank, government-guaranteed debt, non-guaranteed SOE debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	0	SOE debt is covered in PPG debt
4	PPP 2/	35 percent of PPP stock	1.5	default, i.e. 35 percent of PPP stock
5	Financial market (the default value of 5 percent of GDP is the minimum valu	5 percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)		6.5	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.
2/ When PPP stock is less than 3 percent of GDP, as reflected in the World Bank's database, then test is set to zero.

2. Rwanda's public and publicly-guaranteed (PPG) external debt-to-GDP ratio increased by 45.9 percentage points over the last decade, driven by loans to meet the development needs envisaged in the National Strategy for Transformation (NST), but also to respond to the fallout from the COVID-19 pandemic. The development needs have been supported by a comprehensive public investment strategy, including three large projects to support trade and tourism through a series of public-private partnerships and external guarantees outside the budgetary central government (construction of the Kigali Convention Center completed in 2016, the expansion of the national airline RwandAir, and the ongoing construction of the Bugesera International Airport). These developments contributed to an increase in PPG external debt by 22.3 percentage points in the five years preceding the

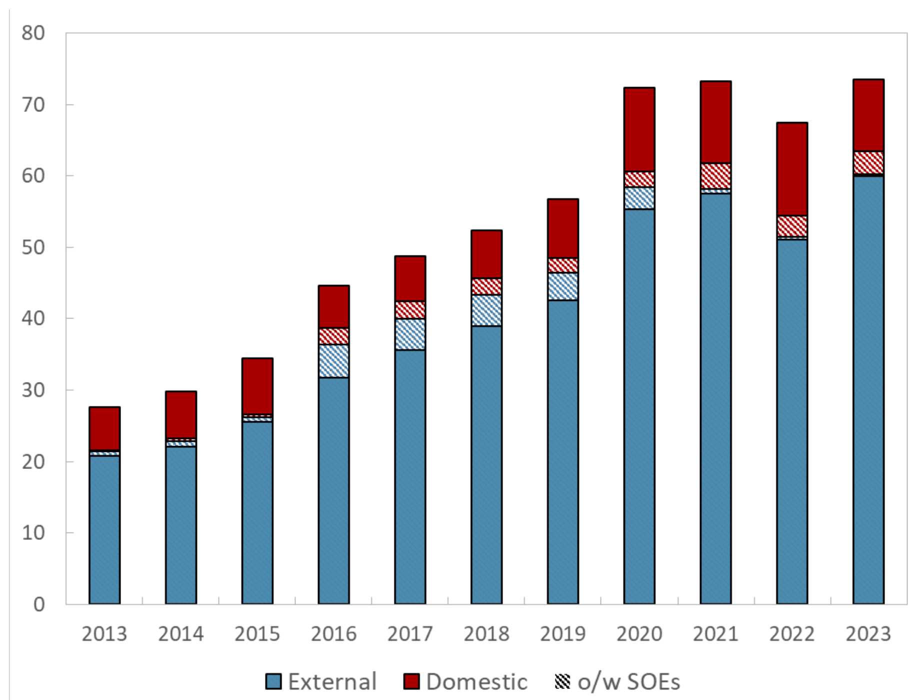
[3] Operational leases on RwandAir (SOE) aircrafts and existing public-private partnerships (power purchase agreements, water purchase agreements, etc.) are not part of the PPG debt.

[4] Local government debt stood at RWF 29 bn or 0.18 percent GDP at end-2023.

COVID-19 shock. At the same time, the increase in the fiscal deficit due to revenue shortfalls and a scaling up in spending to address the COVID-19 crisis led to a sharp debt increase by an additional 15.6 percentage points in 2020. Following the economic recovery, external and domestic inflationary pressures helped reduced the nominal PPG debt ratio in 2022. Weather-related shocks in 2023, including devastating floods, led to increased borrowing to meet reconstruction needs. Together with nominal exchange rate pressures from higher imports, PPG debt rose again in 2023 to 73.5 percent of GDP (Text Figure 1).

Text Figure 1. Rwanda: Total PPG Debt

(Percent of GDP)



Sources: Rwandan authorities and IMF Staff Calculations

3. Rwanda benefits from a high share of concessional external debt, mostly to official multilateral creditors (Text Table 2). Over 77 percent of Rwanda's total PPG debt is owed to external creditors, three-quarters of which is to multilateral creditors, with highly concessional World Bank financing accounting for the majority. Rwanda issued a USD 620mn Eurobond in 2021 with a 10-year maturity, its second issuance on external markets since its debut issuance in 2013 (a USD 400mn 10-year bond that matured in 2023). Over 2021-22, the government facilitated SOE's buyout of USD 104 mn in external debt with domestic debt financed with domestic bank loans.

Text Table 2. Rwanda: Decomposition of Public and Publicly-Guaranteed Debt and Debt Service by Creditor, 2023–25[1]

	Debt Stock (end of period)			Debt Service					
	2023			2023	2024	2025	2023	2024	2025
	(In US$ mn)	*(Percent total debt)*	*(Percent GDP)* [5]	*(In US$ mn)*			*(Percent GDP)*		
Total	9,511.6	100.0	73.5	1,106.7	1,013.1	579.8	7.9	7.5	4.2
External	7,362.5	77.4	56.9	267.0	267.7	307.7	1.9	2.0	2.2
Multilateral creditors[2]	5,627.3	59.2	43.5	123.4	175.4	213.6	0.9	1.3	1.5
IMF	718.1	7.5	5.5	8.0	35.5	51.7	0.1	0.3	0.4
World Bank	3,286.5	34.6	25.4	62.5	79.5	94.8	0.4	0.6	0.7
ADB/AfDB/IADB	1,174.6	12.3	9.1	33.3	40.1	47.3	0.2	0.3	0.3
Other Multilaterals	448.0	4.7	3.5	19.6	20.3	19.8	0.1	0.1	0.1
o/w: IFAD	192.2	2.0	1.5	5.6	6.0	6.0	0.0	0.0	0.0
BADEA	87.2	0.9	0.7	0.1	0.2	0.2	0.0	0.0	0.0
Bilateral Creditors	917.0	9.6	7.1	35.7	45.1	46.9	0.3	0.3	0.3
Paris Club	346.3	3.6	2.7	1.9	1.9	2.1	0.0	0.0	0.0
o/w: JICA	139.5	1.5	1.1	0.0	0.0	0.0	0.0	0.0	0.0
AFD	165.8	1.7	1.3	1.9	1.9	2.0	0.0	0.0	0.0
Non-Paris Club	570.7	6.0	4.4	33.7	43.1	44.9	0.2	0.3	0.3
o/w: EXIM-CHINA	347.1	3.6	2.7	17.2	26.9	26.5	0.1	0.2	0.2
SFD	78.1	0.8	0.6	5.2	4.5	4.8	0.0	0.0	0.0
Bonds	620.0	6.5	4.8	94.3	34.1	34.1	0.7	0.3	0.2
Commercial creditors	32.1	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Trade Development Bank	32.1	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0
o/w: EDC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other international creditors	166.1	1.7	1.3	13.6	13.1	13.1	0.1	0.1	0.1
Domestic	2,149.1	22.6	16.6	839.7	745.4	272.1	6.0	5.5	2.0
Held by residents, total	2,149.1	22.6	16.6	839.7	745.4	272.1	6.0	5.5	2.0
Held by non-residents, total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T-Bills	348.1	3.7	2.7	402.1	352.9	0.0	2.9	2.6	0.0
Bonds	1,213.5	12.8	9.4	226.6	226.0	166.5	1.6	1.7	1.2
Loans	587.5	6.2	4.5	211.1	166.6	105.6	1.5	1.2	0.8
Memo items:									
Collateralized debt[3]	0.0	0.0	0.0	…	…	…	…	…	…
Contingent liabilities[4]	0.0	0.0	0.0	…	…	…	…	…	…
Nominal GDP (US$ million)	…	…	…	14,097	13,583	13,941	…	…	…

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

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

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

[4]Guaranteed debt is included in public debt.

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

Sources: Rwandan authorities and IMF Staff Calculations.

4. **The depth and capacity of the domestic market has grown in recent years.** The authorities' primary financing strategy is to maximize external concessional financing before turning to non-concessional or domestic financing. In response to heightened spending needs due to the shock from the pandemic and limited external financing, domestic PPG debt jumped by about 6 percent of GDP between 2019 and 2021 and is expected to revert in the medium-term as external financing recovers. The main domestic creditors are banks and a pension fund providing financing through loans and Treasuries. The domestic bond market has been growing, from about RWF 60bn to RWF 300bn annually in recent years, reflecting heightened financing needs from the pandemic shock and increased bank holdings of T-bonds as collateral. While issuances are predominantly short-term T-bills, the government is shifting

towards T-bonds and has extended maturities to 20-year bonds. In 2019, the government began implementing a bond "re-opening" strategy which aims to identify benchmark market rates by re-issuing previously issued bonds to determine market pricing for remaining maturities. This strategy helps to develop a market yield curve and lower domestic portfolio refinancing risks by increasing average maturities. In 2023, the Development Bank of Rwanda (BRD) successfully issued its first Sustainability Linked Bond (SLB) for RwF 30bn (0.18 percent of GDP) with support from the World Bank. It issued a second SLB in October 2024 for RwF 33.5bn (0.20 percent of GDP).[5] Both SLB's have a seven-year maturity with an annual coupon rate of around 12.9 percent. As of September 2024, average T-bill rates stood at 6.8 percent, 5-year T-bonds at 11.8 percent, and 15–20 year T-bonds around 13.2 percent.

UNDERLYING ASSUMPTIONS

5. The macroeconomic assumptions underlying the baseline scenario reflect recent economic developments and policies (Text Table 3). The devastating floods in May 2023 amplified the underlying imbalances, leading to significant reconstruction costs, estimated at around 3 percent of GDP over the next five years. The authorities have reported that post-flood reconstruction spending for FY2023/24 has already reached approximately 0.6 percent of GDP. Compared to the previous DSA, the outturn for 2023 growth was much better than anticipated (8.2 percent vs. 6.2 percent).

- *Growth:* Growth in 2024 has been more robust than previously envisaged and is expected to reach 8.3 percent compared to 6.6 percent in the previous DSA, reflecting continued recovery in agriculture and services, and strong construction activity. Growth is expected to soften to 7.0 percent in 2025 due to the contractionary effects of the projected fiscal consolidation. Over the medium term, growth projections remain unchanged and economic activity is expected to be buoyed by private sector-led economic diversification, the pickup in construction of the new airport, and the subsequent boost to the services sector. Private consumption and investment are the main growth drivers in the medium term as fiscal consolidation proceeds. Headline inflation is expected to decline to 5.0 percent in 2024, lower than the previous DSA forecast of 6.0 percent, reflecting easing food inflation. Over the long term (Box 1), growth from the supply-side is expected to be supported by a dynamic service sector, gradual industrialization, and continued significant contributions from agriculture for some period. On the demand side, robust and steady private consumption and investment will support the rebalancing of the economy from public sector-led towards private sector-led growth.
- *Fiscal:* Rwanda's fiscal consolidation efforts have slowed, but the medium-term fiscal path remains ambitious. The general government fiscal deficit for FY2023/24 is estimated at 6.9 percent of GDP, slightly higher than in the previous DSA's macroframework. This increase is attributed to capital spending on road, education, and energy projects, financed by higher-than-expected foreign project loan disbursements from development partners. The medium-term budget framework envisages a reduction of the fiscal deficit from 5.6 to 3.1 percent of GDP over the FY2024/25–FY2026/27 period. The adjustment will require efforts to mobilize domestic

[5] As a state-owned bank, BRD is not included in the DSA perimeter. For each SLB issuance, the government received a USD 10mn loan from the World Bank (included in DSA perimeter), that was on-lent to BRD which used the funds to purchase Treasuries that served as a credit enhancement for the SLB issuance.

revenues and considerable expenditure adjustment, which limits room for further cuts amid substantial development challenges. A comprehensive package, primarily focusing on broadening the tax base by streamlining tax holidays and tax expenditures is under development. Recent IMF technical assistance has recommended that new measures be guided by key objectives to reduce tax relief to the informal sector and support registered businesses, address the VAT system's regressivity by repealing regressive exemptions, rationalize income tax incentives, and implement environmental sustainability measures through comprehensive fossil fuel taxation. Medium-term contingency plans will involve spending reprioritization while safeguarding essential spending, in particular on investment and social assistance, and preventing budget overruns and financing risks. Potential measures include curbing new hires, further reducing non-essential recurrent spending, and halting underperforming domestically financed projects. Overall, the projections continue to assume strong fiscal policy consolidation that is aligned with the diversifying, private-sector led drivers of growth, builds buffers, and ensures convergence to the nominal debt anchor of 65 percent of GDP by 2031.

- *External:* Relative to the previous DSA, the current account deficit is projected to widen to 13.1 percent of GDP in 2024, mainly due to lower grants and stronger import growth reflecting robust domestic demand, and a weakening exchange rate. The policy-mix underpinning the PCI and SCF assumes greater real effective exchange rate depreciation.[6] Over the medium term, the trade balance and current account deficit are projected to gradually improve, underpinned by further real effective exchange rate adjustment, higher domestic savings from fiscal consolidation efforts and improving exports from higher FDI.

6. Rwanda has identified a pipeline of climate-related investment projects for 2020-25, which supports its Nationally Determined Contribution (NDC) implementation strategy. According to authorities' NDC implementation framework, the value of ongoing and planned projects over this period is USD 5.9 billion[7]. Despite ambitious goals, actual investment has lagged, with only 12 percent of planned spending for the largest of these projects realized in the first three years. Rwanda aims to help bridge this gap through new projects and private sector involvement via Ireme Invest, its green investment facility over time. Ireme has completed the initial capitalization process and identification of project pipelines and has started lending. The total value of Ireme's green projects pipeline is currently estimated at US$37 million in 2025, of which around US$4 million has been disbursed, mainly in the areas of e-mobility, green buildings, and waste and circular economy. The scaling up of the pipeline remains challenging, as both the Rwanda Development Bank (BRD) (which manages Ireme's credit facility) and businesses need time to strengthen their understanding of the technical requirements for green investments.

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[6] Exchange rate depreciation is expected to have a greater net effect on import prices, contributing partially to a decline in USD GDP deflator in 2024. Higher overall price levels have pushed up deflator levels.

[7] See Selected Issues Paper, IMF Country Report No. 23/423.

Text Table 3. Rwanda: Key Macroeconomic and Debt Assumptions—Comparison with the Previous Debt Sustainability Analysis

Calendar year	2023	2024	2029	2034	2039	2043	2030-43
	Actual	Projections					
Selected indicators from the macro-framework and debt data							
(Percent, unless otherwise indicated)							
PV of PPG External Debt to GDP Ratio							
2023 DSA (previous)	31.2	37.9	37.5	31.4	25.5	21.1	28.4
2024 DSA (current)	35.4	41.3	41.3	33.1	26.4	21.5	29.7
PV of Public Debt to GDP Ratio							
2023 DSA (previous)	50.5	54.6	45.3	44.4	46.0	47.8	45.4
2024 DSA (current)	55.2	55.2	46.6	39.9	39.9	41.6	40.6
Grant Element of New External Borrowing							
2023 DSA (previous)	39.6	32.8	41.6	36.9	35.3	33.6	35.9
2024 DSA (current)	…	36.6	47.3	37.5	35.7	34.0	35.6
Real GDP Growth (annual percent change)							
2023 DSA (previous)	6.2	6.6	7.3	7.0	6.5	6.5	6.8
2024 DSA (current)	8.2	8.3	7.3	7.0	6.5	6.5	6.8
Current Account Balance (percent of GDP)							
2023 DSA (previous)	-11.5	-11.8	-7.6	-8.4	-7.7	-6.6	-7.9
2024 DSA (current)	-11.7	-13.1	-8.2	-10.2	-10.9	-10.5	-10.6
Exports of goods and services (percent of GDP)							
2023 DSA (previous)	26.2	28.8	32.1	29.3	28.4	29.0	29.3
2024 DSA (current)	24.9	29.3	42.0	34.9	31.3	30.0	33.5
Fiscal balance (percent of GDP)							
2023 DSA (previous)	-6.2	-7.8	-3.5	-4.0	-3.7	-3.8	-3.9
2024 DSA (current)	-5.8	-7.8	-2.7	-3.2	-3.4	-3.6	-3.3
CPI, period average (percent)							
2023 DSA (previous)	14.5	6.0	5.0	5.0	5.0	5.0	5.0
2024 DSA (current)	14.0	5.0	5.0	5.0	5.0	5.0	5.0

Note: Previous full DSA was completed in November 2023.
Sources: Rwandan authorities; IMF and World Bank staff estimates and projections.

7. Baseline financing assumptions reflect Rwanda's financing strategy, which assumes continued support from official development partners over the medium-term (Table 5). Gross financing needs are expected to continue declining over the medium-term in the context of fiscal consolidation and growth-promoting structural reforms supported by the PCI, RSF, and World Bank development policy financing.

- *External official financing*. Besides financing from the World Bank and the IMF, the projection assumes disbursements of external financing from the African Development Bank and several other multilateral and official bilateral partners.[8] Under the IDA20 financing terms, the volume of loans is projected to increase given the shift from 50-50 grant-loan financing under IDA19 to 100 percent loans, hence, the fiscal deficit and the nominal debt will increase as well, but given the higher concessional terms of IDA20 loans, the expected impact on the present value of debt

[8] Including expanded World Bank DPO from previously projected USD 125mn to USD 255mn for 2024.

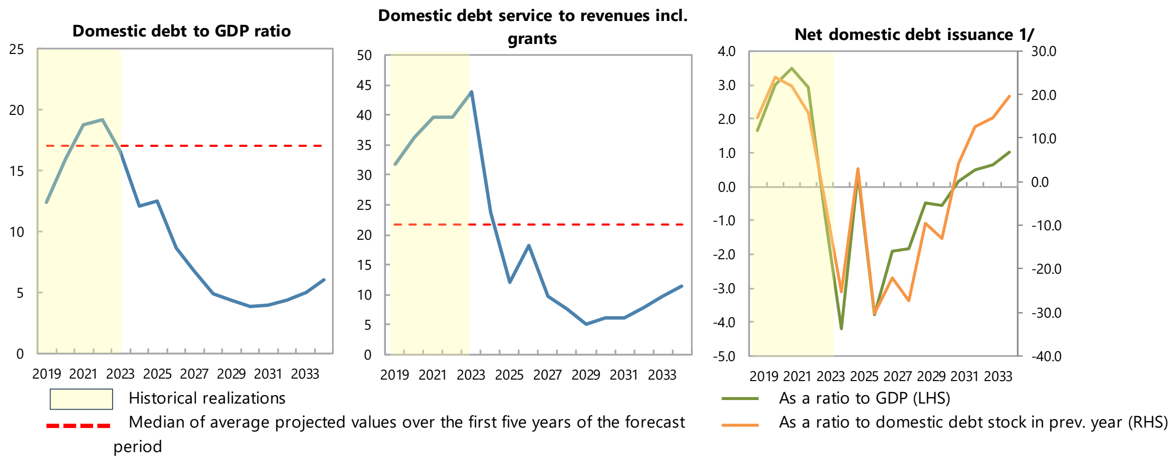
is marginal.[9] IDA financing signed after 2024 is assumed to be in the form of 100 percent credit on regular IDA terms.

- *External market financing*. The share of market-based external financing is projected to increase starting 2030, although slowly under the baseline. The USD 620 million Eurobond is projected to roll-over in 2031. Against the broader trend of declining concessional financing over the medium-term, coupled with the authorities' development spending needs and prospects for scaling up market-based climate- and development spending, risks are such that the share of market-based external financing may need to increase faster than envisaged.
- *Domestic financing*. With declining financing needs under the baseline led by fiscal consolidation and negotiated new external resources, the share of domestic financing is projected to remain low until 2030 and pick up thereafter. Gross issuances will continue to support the domestic demand and smoothen the government's liquidity needs, while net issuances are projected to be negative in the medium-term as the build-up in domestic debt from pandemic-related borrowing unwinds and drives down domestic debt-to-GDP and debt service levels back towards low levels compared to median values of other peer countries (see Text Figure 2). Without information on SOE borrowing plans, domestic financing needs are modestly underestimated. Risks are broadly balanced given relatively low debt levels and steady demand from banks who hold Treasuries as collateral. Key downside risks emanate from fiscal exposures to large development projects, including construction of Bugesera Airport which is included in the baseline, and concentrated banking sector exposures to rapidly growing mortgage- and construction-related activities.

[9] 50-year loans under IDA20 have grant element of about 74 percent, while 50-50 grant-loan financing that prevailed under IDA19 has grant element of about 77 percent. With 3 percentage points difference, if cumulative disbursements under IDA20 reach 3.2 percent GDP, the effect on PV of external debt would increase by about 0.1 percent GDP.

Text Figure 2. Rwanda: Indicators of Public Domestic Debt 2024-2034

(Percent)



Borrowing Assumptions (average over 10-year	Value
Shares in new domestic debt issuance	
Medium and long-term	35%
Short-term	65%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	8.6%
Avg. maturity (incl. grace period)	3
Avg. grace period	2
Domestic short-term debt	
Avg. real interest rate	5.2%

Sources: Rwandan authorities and staff estimates and projections.

Note: 1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

8. **Realism tools indicate that the planned fiscal adjustment is ambitious (Figure 4).** A 3-year fiscal consolidation in the primary balance is expected to peak at 3.9 percentage points of GDP from 2024 to 2027. Such adjustment lies in the top quartile of the distribution of past adjustments for a sample of low-income countries (LICs), signaling that the envisaged fiscal adjustment in the baseline scenario is ambitious based on past experiences in LICs. The ambitious adjustment depends on successful progress on domestic revenue mobilization covered under the PCI, and building on spending rationalization achieved under the PCI approved in 2022 and the SCF approved in 2023. Underperformance in domestic resource mobilization could be offset by further spending rationalization and preserve the planned fiscal adjustment, although with downside risks to growth and underlying debt dynamics. Other realism tools suggest that projections are broadly in line with historical debt drivers, with some improvements reflecting a tighter yet growth-friendly policy mix to reign in domestic and external imbalances.

9. **In the past, PPG debt dynamics have been strongly affected by the materialization of fiscal risks (Figure 3).** Changes in total public debt over the past five years have been driven by higher-than-anticipated primary deficits due to the pandemic response and unanticipated developments of the debt outside the budgetary central government, leading to a higher-than-expected debt accumulation of over 20 percentage points of GDP—well in excess of the 75 percent quartile of other LICs.

The ongoing efforts to mitigate unanticipated fiscal developments outside the central government, supported by IMF TA, remain a key pillar of the PCI. Going forward, the evolution of public debt will continue to be dominated by the path of the primary fiscal deficit, real GDP growth, real effective exchange rate adjustment, and the availability of concessional financing.

Box 1. Rwanda: Long-Term Macroeconomic Assumptions [1/]

Growth. According to World Bank analysis, long term growth projections of 6.5–7 percent are driven by four broad group of fundamentals: investment (public and private), human capital, total factor productivity (TFP) and demographics. The baseline assumptions for each growth driver are designed to capture a plausible path for the variable if present trends continue, taking into account both Rwanda's own history, as well as reasonable values among other peer countries. Given the government's strong historical record on implementing reforms, the baseline also includes "typical" levels of reforms that might be achieved by a typical country in Rwanda's situation. Thus, the baseline assumes that TFP growth in the long run is 1.8 percent, which is between the averages 2000-19 and 2000–14 averages. The productivity projection is based on assumption of continued increase in FDI and trade openness. The baseline also assumes the government will continue its reform efforts to improve human capital indicators. To calculate this human capital path, the analysis identifies 12 countries that in 1980 had the same years of schooling of 20–24-year-olds as Rwanda in 2020 (6.5 years ± 0.5 years)—Rwanda's "schooling peers"—and then trace out the gains in education of the schooling peers over the next 10 years. In terms of investments, the baseline assumption is that investment continues at 28 percent of GDP for the whole projection period. While this represents a slowing of the increase in the 2000s, and a less optimistic assumption than in Rwanda's Vision 2050 document, sustaining investment at or above 30 percent of GDP is very difficult among peer countries or even among growth miracle economies. Finally, the population growth is projected to slow from around 2.3 percent currently to about 1.4 percent over the next 30 years, as Rwanda goes through a "demographic transition" with lower fertility rates. Other things equal, the around1ppt slowdown in population growth will slow GDP growth by around half a percentage point in the medium term but boost GDP per capita slightly.

Exports. There is potential for Rwandan exports to increase substantially in medium to long term. First, regional integration via AfCFTA presents an enormous opportunity to boost exports in coming years. To capture this benefit, Rwanda has been a leader driving negotiations of a series of protocols to the AfCFTA Treaty with clear, ambitious, and enforceable rules and disciplines, adopting legislative changes, and building implementation and enforcement capacity. Second, Rwanda has achieved considerable growth in exports of minerals and metals (minerals exports increased more than 10 times from 2010 to 2020), and further growth is expected with recent investments in the sector. Rwanda's low labor cost could help achieve further increases in exports of textiles and clothing, supported by investments made in recent years. The potential for increasing services exports also is significant. Rwanda has revealed comparative advantage indices of greater than one for government goods and services, construction, travel and transport services. Construction companies in Rwanda have the skills required to operate in other regional countries, for example in building and operating power plants. Rwanda's booming tourism sector have already recovered from the decline during the pandemic and is expected continue its expansion, as the country maintains a strong focus on the MICE strategy.

[1/] Based on World Bank analysis from the ongoing Rwanda Country Economic Memorandum

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

10. **Rwanda's debt-carrying capacity continues to be assessed as "strong", unchanged from the previous DSA (Text Tables 4a and 4b).** The composite index (CI) for Rwanda, which measures the debt-carrying capacity in the new LIC-DSF, stands at 3.17, based on macroeconomic data from the April 2024 World Economic Outlook and from the 2022 Country Policy and Institutional Assessment (CPIA) of the World Bank. This score is above the cut-off value of 3.05 for strong capacity countries.

Text Table 4a. Rwanda: Debt-Carrying Capacity

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	4.062	1.56	49%
Real growth rate (in percent)	2.719	6.783	0.18	6%
Import coverage of reserves (in percent)	4.052	37.849	1.53	48%
Import coverage of reserves^2 (in percent)	-3.990	14.325	-0.57	-18%
Remittances (in percent)	2.022	3.117	0.06	2%
World economic growth (in percent)	13.520	2.909	0.39	12%
CI Score			3.17	100%
CI rating			Strong	

New framework	Cut-off values		
Weak	CI <	2.69	
Medium	2.69	≤ CI ≤	3.05
Strong	CI >	3.05	

Text Table 4b. Rwanda: Applicable Thresholds and Benchmarks

Reference: Thresholds by Classiciation

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23

TOTAL public debt benchmark	Weak	Medium	Strong
PV of total public debt in percent of GDP	35	55	70

11. **The full range of standard stress tests are conducted in additional to tailored natural disaster and contingent liability stress tests.** Standard stress tests on real GDP growth, the primary balance, current transfers, foreign exchange depreciation, and the combination are conducted at their default settings. The contingent liability stress test assumes the materialization of liabilities in Text Table 2. In line the previous DSA, the natural disaster stress test is informed by the once-in-100-years flooding scenario discussed in the World Bank's (2022) Country Climate and Development Report and significantly more severe by recent flooding events in the second quarter of 2023. Damages are assumed to reach 11.2 percent of the physical capital, requiring 17.9 percent of GDP in external financing to be replaced (with capital-to-GDP estimation at 1.6 based on the perpetual inventory method). GDP and exports would each be expected to decline by 4.4 percent. Given Rwanda's Eurobond, the default market-financing stress test was applied, indicating significant gross financing needs risks and risks from higher sovereign spreads globally compared to when Rwanda accessed markets in 2021.

DEBT SUSTAINABILITY ANALYSIS

External Debt

12. External debt indicators under the baseline remain below their respective thresholds, yet with breaches under stress test scenarios (Tables 1 and 3; Figure 1). Solvency indicators, PV of external debt-to-GDP ratio and of external debt-to-export ratio, remain below their indicative thresholds under the baseline scenario. Breaches of the threshold for PV of external debt-to-GDP under export and combination shock scenarios in the near-term and natural disaster shock scenario over the near- and medium-terms (Table 3) highlight Rwanda's vulnerabilities to external and climate shocks. Liquidity indicators show that liquidity risks are muted, as the authorities' debt management strategy to smooth out the debt servicing profile and the financing strategy that relies on concessional financing helped to mitigate the liquidity risks. Though, debt service-to-exports and debt service-to-revenue ratios remain below their thresholds until 2030, the debt service-to-revenue ratio approaches its threshold in the medium-term under an exchange rate depreciation scenario (Figure 1). One-time breaches of liquidity indicators in 2031 reflect the repayment of the existing Eurobond at maturity and underscore that a prudent debt management strategy is still needed to mitigate the repayment risks.

13. A customized alternative scenario illustrates risks to external debt distress stemming from the current uncertain and difficult external environment for Rwanda and key baseline risks not fully captured in standard stress tests, with external debt service-to-revenue reaching and breaching its threshold in the medium- and long-term (Figure 1, Table 1). Key baseline risks for Rwanda include, among others: a decline in the availability of concessional financing over the medium-term, slow progress on crucial domestic revenue mobilization efforts over the coming years, and sustained pressure on the exchange rate as a result of imbalances and resultant risks to the credibility of the nominal debt anchor of 65 percent of GDP. The alternative scenario illustrates the combined risk of not mobilizing revenues to the extent envisaged and relying on external borrowing with increasingly non-concessional terms over the medium-term, which in turn would be at less favorable terms in light of higher elevated public financing needs. In the scenario, the wider fiscal deficit is financed with more expensive external borrowing and less grant support over the medium-term, reflecting the risks around availability of concessional financing. The impulse from the wider deficit and sustained investment spending needs adds to external pressures through higher imports, pressure on reserves, and more sustained exchange rate depreciation. Under this alternative scenario, the external debt service ratios steadily rise, with external debt service-to-revenue reaching its threshold by 2032 (controlling for the 2031 Eurobond repayment).

14. The PV of external debt-to-GDP ratio increases steadily under the historical scenario since the latter assumes large external shock and imbalance reflecting averages of several large shocks and imbalances observed in the past (Table 3 and Figure 1). This is primarily due to the large current account deficit and negative USD GDP deflator calibrated using historical averages, which covered a period including several large shocks (commodity prices and drought) and large external imbalances corrected over 2015–17. Thus, policy adjustment to ensure a steady narrowing of the current account deficit, as envisaged under the baseline scenario (Text Table 3), is key to strengthen robustness of the debt dynamics.

Public Debt

15. Under the baseline scenario, the PPG debt is expected to return to the program debt anchor under the PCI of 65 percent of GDP by 2031, supported by a large, but growth-friendly fiscal consolidation and strong economic activity (Table 2). The nominal PPG debt is projected to peak at 80.0 percent GDP in 2025 then gradually converge to the debt anchor of 65 percent GDP by 2031.[10] The present value (PV) of PPG debt is projected to remain above the East African Community debt convergence criterion of 50 percent until 2028.

16. Contingent on the projected growth trajectory and ambitious fiscal consolidation, the PV of PPG debt stays well below the indicative benchmark of 70 percent of GDP but would breach the benchmark under the natural disaster shock scenario in the near-term (Tables 2 and 4; Figure 2). In the baseline scenario, the PV of PPG debt peaks at 57 percent in 2025 and declines to a low of 39.5 percent in 2036 before rising again as domestic financing assumes a larger role in the authorities' long-run financing strategy. In the most severe scenario—the natural disaster shock—the PV of PPG debt breaches the 70 percent benchmark over 2025-26, peaking at 73 percent before baseline debt dynamics place it on a declining path. The authorities' climate-related reform measures, including under the RSF, and priorities in climate-related investment should help reduce variability to climate shocks and strengthen resilience (see illustrative climate scenario below).

Climate-Related Risks

17. Rwanda is vulnerable to the consequences of climate change through various channels, which might affect the debt dynamics. World Bank's (2022) Country Climate and Development Report (CCDR) for Rwanda identified that climate change might increase variability of crop yields, reduce labor productivity, and affect tourism through changing patterns of rainfall, extreme heat, increased incidents of illnesses, while extreme flooding events might become more frequent and damaging. This might reduce the long-term growth, affecting debt sustainability indicators in the long run, and increase risks of damage to infrastructure and other built-up capital requiring strong fiscal response.

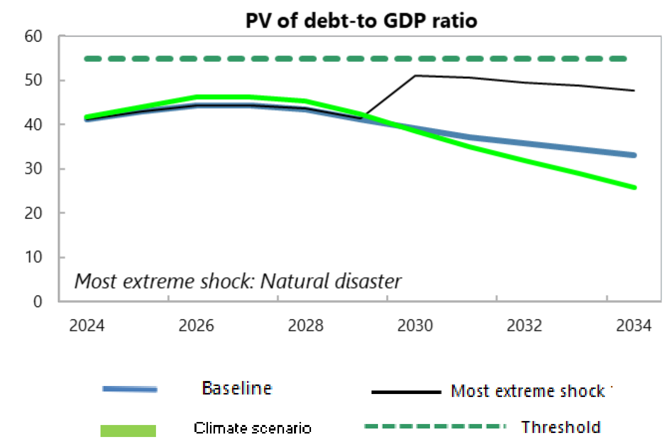
18. In a scenario with higher adaptation investment in line with Rwanda's NDCs, full RSF implementation, and policy adjustments, Rwanda could substantially improve its resilience to climate-related shocks and safeguard debt sustainability. As outlined in IMF Country Report No. 23/423, full RSF implementation would result in positive macroeconomic outcomes because of higher public spending efficiency and mobilization of more private resources. [11] In this scenario, the natural disaster stress test (calibrated based on the World Bank's CCDR, as described above) is triggered in projection year 6, following five years of adaptation investments of over 2 percent of GDP per year, in line with Rwanda's NDCs. Due to a global funding squeeze, external financing is only available to meet half of financing needs. The other half is raised through implementation of domestic resource mobilization-related

[10] For discussion of the debt anchor see Country Report No. 2021/1 and the accompanying staff report for new PCI and RSF request (EBM/22).

[11] See pages 31-33 and Figure 7 (page 11), describing the design and output of the "funding squeeze with policy adjustment and full RSF implementation" simulation. Other scenarios simulate more adverse outcomes as a result of incomplete policy adjustment or RSF implementation, and as a result higher funding costs.

reforms, spending rationalization, enhanced public investment efficiency, and greater grants catalyzed by full RSF implementation and policy adjustments. DIGNAD (Debt, Investment, Growth, and Natural Disasters) model simulations illustrate a build-up of debt with increased adaptation investment spending and a related growth impulse, then a substantial resilience to the natural disaster shock which mitigates additional financing needs and impact on debt. Text Figure 3 illustrates the impact of the natural disaster shock with and without the preceding adaptation investments and ongoing reform implementation.

Text Figure 3: Rwanda: PV of External Debt-to-GDP in Illustrative Climate Scenario



Source: Staff estimates and projections.

ASSESSMENT

19. Rwanda's debt is assessed to be sustainable with a moderate risk of external and public debt distress, which is in line with the previous DSA assessment. Mechanical external and overall risk signals suggest moderate risk of debt distress with limited space to absorb shocks. At the same time, these shock scenarios do not fully capture the current uncertain external environment and key baseline risks, as illustrated by the customized alternative scenario and reinforced by the uncertainty around domestic resource mobilization and the outlook for sustainable investment in long-run growth potential and social spending needs. Given this assessment of moderate risk of debt distress, the limit on the stock of new external PPG debt will continue to be monitored under the PCI.

Authorities' Views

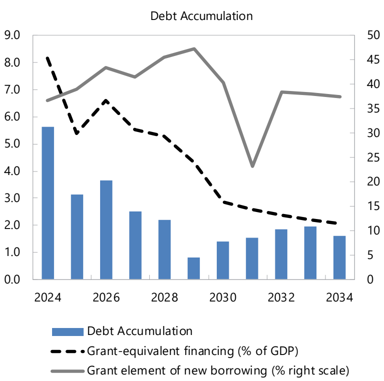
20. The authorities broadly agree with the results of the DSA and the overall assessment of a moderate risk of external and overall debt distress. The authorities' debt management strategy will continue to focus on maximizing opportunities for concessional financing. They aim to leverage their Environmental, Social, Governance (ESG) Framework (which obtained an S&P Global Ratings Second Party Opinion) and National Climate and Nature Finance Strategy to mobilize blended innovative and sustainable financing solutions. The authorities will continue efforts to deepen the domestic debt market by issuing longer dated securities. They remain committed to safeguarding debt sustainability and building their sustainability and climate resilience agenda in support of climate adaptation and mitigation measures. They also remain committed to ongoing implementation of fiscal consolidation measures (improve revenues mobilization, prudent spending rationalization and fiscal risk mitigation) to avoid higher debt accumulation and reach their target to bring debt to the anchor of 65 percent of GDP by 2031.

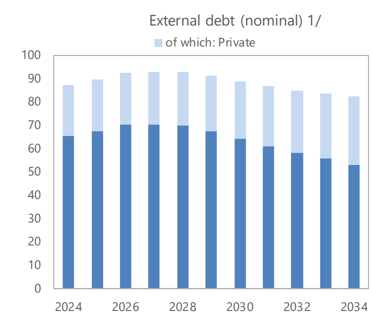
Table 1. Rwanda: External Debt Sustainability Framework, Baseline Scenario, 2023–44

(In percent of GDP, Unless Otherwise Indicated)

	Actual	Projections								Average 8/	
	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/	**77.6**	**87.0**	**89.6**	**92.5**	**92.9**	**92.6**	**91.2**	**82.4**	**69.1**	**58.4**	**88.4**
of which: public and publicly guaranteed (PPG)	**56.9**	**65.4**	**67.5**	**70.2**	**70.4**	**70.0**	**67.3**	**52.9**	**32.3**	**42.2**	**63.9**
Change in external debt	10.1	9.4	2.6	2.9	0.3	-0.2	-1.4	-1.0	-1.9		
Identified net debt-creating flows	**4.7**	**3.1**	**1.3**	**-0.1**	**-1.0**	**-1.6**	**-1.8**	**0.3**	**1.4**	**5.4**	**0.0**
Non-interest current account deficit	**10.2**	**10.9**	**9.7**	**8.7**	**7.9**	**7.0**	**5.6**	**8.1**	**8.4**	**10.2**	**8.2**
Deficit in balance of goods and services	16.1	16.3	15.2	14.4	13.3	12.1	10.3	9.8	9.0	**15.5**	**12.0**
Exports	24.9	29.3	33.5	36.5	39.0	40.8	42.0	34.9	29.8		
Imports	41.0	45.6	48.7	50.9	52.3	52.9	52.3	44.7	38.8		
Net current transfers (negative = inflow)	-6.4	-5.8	-5.9	-6.1	-5.8	-5.5	-5.2	-4.0	-2.8	**-6.5**	**-5.1**
of which: official	-5.6	-4.8	-4.1	-4.3	-3.9	-3.5	-3.2	-1.4	-0.8		
Other current account flows (negative = net inflow)	0.4	0.4	0.5	0.5	0.5	0.4	0.5	2.3	2.1	**1.1**	**1.3**
Net FDI (negative = inflow)	**-3.3**	**-3.5**	**-4.9**	**-5.4**	**-5.2**	**-4.9**	**-3.8**	**-4.6**	**-5.0**	**-2.6**	**-4.5**
Endogenous debt dynamics 2/	**-2.2**	**-4.3**	**-3.5**	**-3.5**	**-3.7**	**-3.7**	**-3.7**	**-3.2**	**-2.0**		
Contribution from nominal interest rate	1.5	2.2	2.4	2.5	2.5	2.6	2.6	2.1	2.3		
Contribution from real GDP growth	-5.3	-6.5	-5.8	-6.0	-6.3	-6.4	-6.3	-5.4	-4.2		
Contribution from price and exchange rate changes	1.5	...	...	...	...	...	...	...	...		
Residual 3/	**5.3**	**6.3**	**1.2**	**3.1**	**1.3**	**1.3**	**0.4**	**-1.3**	**-3.3**	**-0.2**	**0.4**
of which: exceptional financing	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	**35.4**	**41.3**	**42.9**	**44.4**	**44.3**	**43.6**	**41.3**	**33.1**	**20.8**		
PV of PPG external debt-to-exports ratio	**142.4**	**140.9**	**127.9**	**121.6**	**113.7**	**106.7**	**98.3**	**95.0**	**69.8**		
PPG debt service-to-exports ratio	**8.1**	**7.6**	**7.1**	**7.6**	**8.5**	**8.5**	**8.7**	**6.4**	**6.7**		
PPG debt service-to-revenue ratio	**11.5**	**12.4**	**12.5**	**14.1**	**16.3**	**16.7**	**17.6**	**10.1**	**8.5**		
Gross external financing need (Billion of U.S. dollars)	1.6	1.8	1.5	1.4	1.5	1.6	1.7	3.1	8.4		
Key macroeconomic assumptions											
Real GDP growth (in percent)	8.2	8.3	7.0	7.0	7.2	7.3	7.3	7.0	6.5	**6.7**	**7.2**
GDP deflator in US dollar terms (change in percent)	-2.2	-8.1	-3.2	-2.1	-1.2	-0.5	0.2	2.0	2.0	**-0.4**	**-0.5**
Effective interest rate (percent) 4/	2.4	2.8	2.8	2.9	2.9	3.0	3.0	2.8	3.5	**3.0**	**2.8**
Growth of exports of G&S (US dollar terms, in percent)	17.2	17.1	18.6	14.1	13.1	11.8	10.5	6.1	7.9	**11.3**	**10.1**
Growth of imports of G&S (US dollar terms, in percent)	16.2	10.6	10.7	9.4	8.8	8.1	6.2	6.3	8.3	**9.3**	**7.5**
Grant element of new public sector borrowing (in percent)	...	36.6	38.9	43.5	41.6	45.5	47.3	37.5	33.6	**...**	**39.2**
Government revenues (excluding grants, in percent of GDP)	17.6	18.1	18.9	19.5	20.2	20.7	20.8	22.2	23.5	**18.1**	**20.6**
Aid flows (in Billion of US dollars) 5/	0.7	1.4	0.9	1.2	1.1	1.1	0.9	0.7	1.2		
Grant-equivalent financing (in percent of GDP) 6/	...	8.2	5.4	6.6	5.5	5.3	4.3	2.0	1.4	**...**	**4.3**
Grant-equivalent financing (in percent of external financing) 6/	...	53.1	61.6	61.5	61.2	60.9	64.9	49.9	43.3	**...**	**54.2**
Nominal GDP (Billion of US dollars)	14	...	...	...	...	...	...	... ...	...		
Nominal dollar GDP growth	5.9	-0.5	3.6	4.8	5.9	6.8	7.5	9.1	8.6	**6.2**	**6.7**
Memorandum items:											
PV of external debt 7/	56.2	62.9	65.0	66.8	66.8	66.2	65.2	62.7	57.7		
In percent of exports	225.6	214.7	193.6	182.8	171.4	162.2	155.3	179.8	193.6		
Total external debt service-to-exports ratio	17.8	19.1	16.4	16.5	17.1	17.0	17.3	20.6	31.4		
PV of PPG external debt (in Billion of US dollars)	5.0	5.8	6.2	6.8	7.1	7.5	7.6	9.5	13.8		
(PVt-PVt-1)/GDPt-1 (in percent)		5.6	3.1	3.7	2.5	2.2	0.8	1.6	1.1		
Non-interest current account deficit that stabilizes debt ratio	0.1	1.5	7.1	5.8	7.6	7.3	7.1	9.1	10.2		

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.

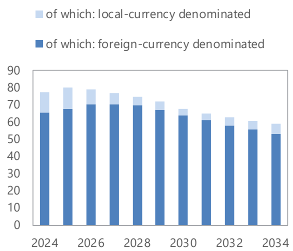
Table 2. Rwanda: Public Sector Debt Sustainability Framework, Baseline Scenario, 2023–44

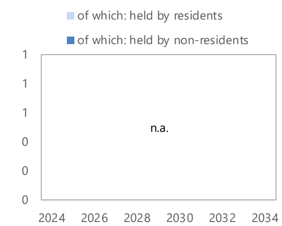
(In percent of GDP, Unless Otherwise Indicated)

	Actual	Projections								Average 6/	
	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	73.5	77.5	80.0	78.9	77.1	74.9	71.7	58.9	54.0	55.4	70.5
of which: external debt	56.9	65.4	67.5	70.2	70.4	70.0	67.3	52.9	32.3	42.2	63.9
Change in public sector debt	6.0	4.0	2.5	-1.2	-1.7	-2.2	-3.2	-1.7	0.8		
Identified debt-creating flows	2.3	0.5	-1.3	-2.7	-3.1	-3.0	-3.7	-1.7	0.8	-13.7	-2.2
Primary deficit	3.6	5.3	2.7	1.5	1.3	1.4	0.8	2.1	2.7	-11.6	2.1
Revenue and grants	22.3	22.1	22.1	22.9	23.3	23.2	23.0	23.0	24.0	23.4	22.7
of which: grants	4.7	4.0	3.2	3.4	3.0	2.4	2.2	0.8	0.5		
Primary (noninterest) expenditure	26.0	27.3	24.8	24.5	24.6	24.6	23.8	25.1	26.7	11.9	24.8
Automatic debt dynamics	-1.3	-4.8	-4.0	-4.2	-4.4	-4.4	-4.4	-3.8	-1.9		
Contribution from interest rate/growth differential	-6.2	-4.8	-4.0	-4.2	-4.4	-4.4	-4.4	-3.8	-1.9		
of which: contribution from average real interest rate	-1.0	0.9	1.1	1.1	0.8	0.8	0.6	0.2	1.4		
of which: contribution from real GDP growth	-5.1	-5.6	-5.0	-5.2	-5.3	-5.3	-5.1	-4.0	-3.2		
Contribution from real exchange rate depreciation	4.9	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	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		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	3.7	3.5	3.9	1.5	1.4	0.8	0.5	-0.1	0.0	18.3	0.9
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	55.2	55.2	57.0	54.5	52.4	49.5	46.6	39.9	43.0		
PV of public debt-to-revenue and grants ratio	247.1	249.9	257.9	237.7	224.9	213.7	202.2	173.4	179.0		
Debt service-to-revenue and grants ratio 3/	52.8	33.9	22.7	30.3	24.0	22.6	21.0	21.2	42.2		
Gross financing need 4/	15.4	12.7	7.7	8.4	6.9	6.6	5.6	7.0	12.8		
Key macroeconomic and fiscal assumptions											
Real GDP growth (in percent)	8.2	8.3	7.0	7.0	7.2	7.3	7.3	7.0	6.5	6.7	7.2
Average nominal interest rate on external debt (in percent)	1.9	2.2	2.2	2.3	2.3	2.5	2.4	1.7	1.8	2.2	2.1
Average real interest rate on domestic debt (in percent)	-1.5	6.4	7.0	6.9	7.2	7.1	7.3	6.5	7.9	1.4	6.7
Real exchange rate depreciation (in percent, + indicates depreciation)	11.1	...	...	...	...	...	...	...	...	3.7	...
Inflation rate (GDP deflator, in percent)	10.1	4.5	4.9	5.0	5.0	5.0	5.0	5.0	5.0	5.6	5.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-4.3	14.0	-3.0	5.6	7.9	7.2	3.9	8.0	9.0	1.0	7.0
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.4	1.3	0.1	2.7	3.1	3.7	3.9	3.9	1.8	4.7	3.4
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		

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

Public sector debt 1/





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 exchanges rates projections.

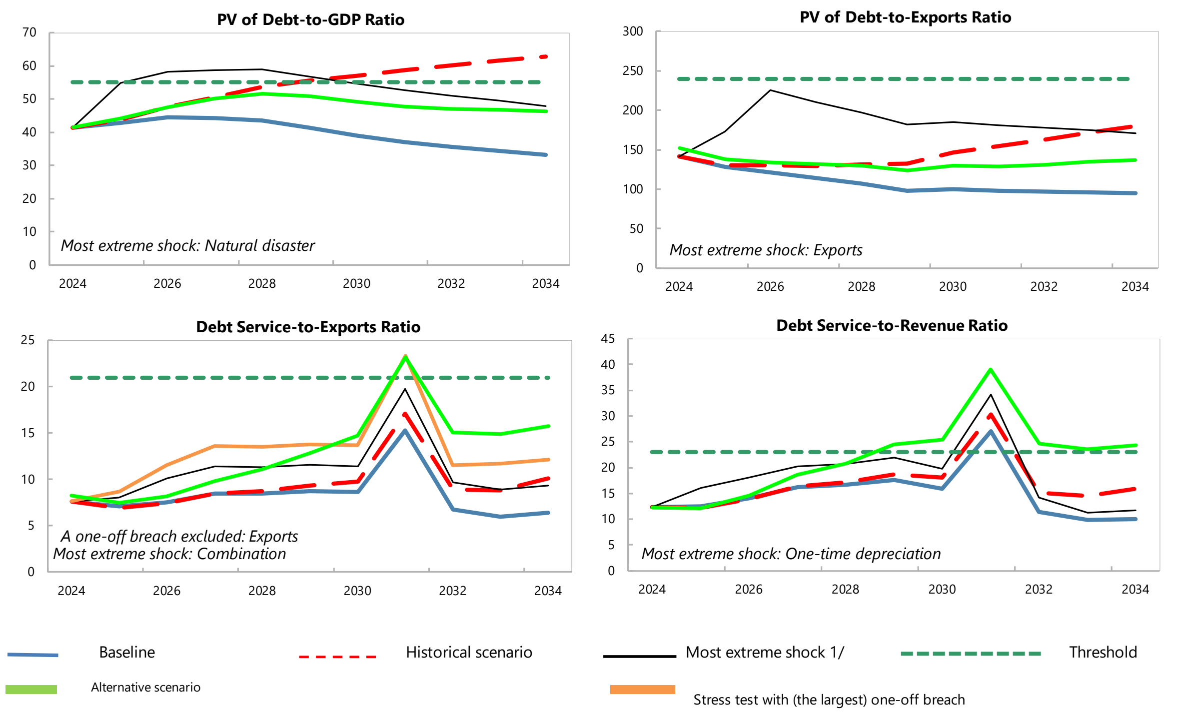
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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.

Figure 1. Rwanda: Indicators of Public and Publicly-Guaranteed External Debt Under Alternative Scenarios, 2024–34 1/ 2/



Customization of Default Settings

Tailored Stress	Size	Interactions
Combined CL	Yes	
Natural disaster	Yes	Yes
Commodity price	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 on additional financing needs resulting from the 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	2.1%	2.1%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	6	6

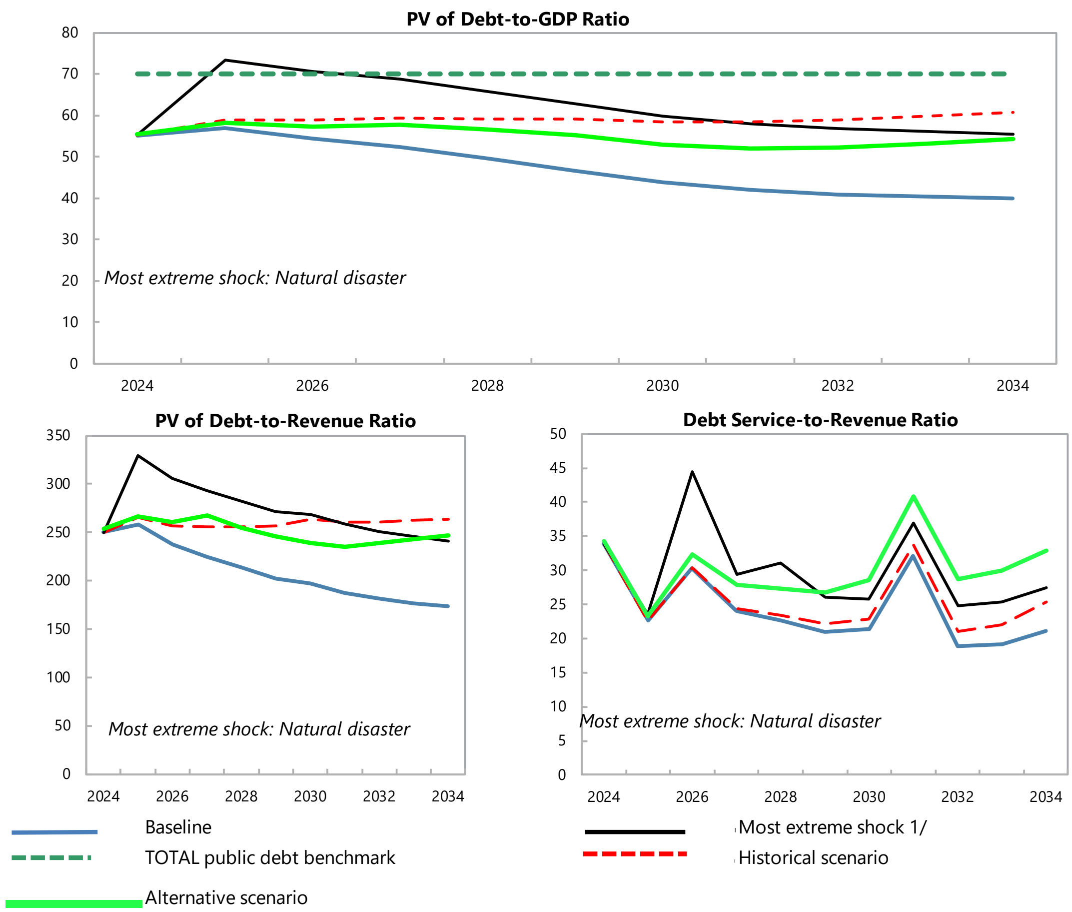
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2034. 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/ 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.

Figure 2. Rwanda: Indicators of Public Debt Under Alternative Scenarios, 2024–34 1/



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	79%	79%
Domestic medium and long-term	7%	7%
Domestic short-term	14%	14%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.1%	2.1%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	8.6%	8.6%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	5.2%	5.2%

* 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 2034. 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.

Table 3. Rwanda: Sensitivity Analysis for Key Indicators of Public and Publicly-Guaranteed External Debt, 2024–34
(In Percent)

	Projections 1/										
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
	PV of debt-to GDP ratio										
Baseline	41	43	44	44	44	41	39	37	36	35	33
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	41	44	48	51	54	**56**	**57**	**59**	**60**	**62**	**63**
Alternative scenario	42	44	48	50	52	51	49	48	47	47	46
B. Bound Tests											
B1. Real GDP growth	41	46	51	51	50	47	45	43	41	40	38
B2. Primary balance	41	45	54	54	54	51	48	46	44	42	41
B3. Exports	41	48	**57**	**57**	**56**	53	51	48	46	44	42
B4. Other flows 3/	41	45	50	49	49	46	44	42	40	38	36
B5. Depreciation	41	55	52	52	51	49	46	44	42	41	39
B6. Combination of B1-B5	41	51	**56**	**56**	55	52	49	47	45	43	41
C. Tailored Tests											
C1. Combined contingent liabilities	41	46	48	48	48	45	43	41	39	38	36
C2. Natural disaster	41	55	**58**	**59**	**59**	**57**	55	53	51	50	48
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	41	48	50	50	49	46	44	42	40	39	37
Threshold	55	55	55	55	55	55	55	55	55	55	55
	PV of debt-to-exports ratio										
Baseline	141	128	122	114	107	98	100	98	97	96	95
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	141	130	130	130	131	132	146	154	163	172	180
Alternative scenario	152	138	134	132	130	124	129	129	131	134	137
B. Bound Tests											
B1. Real GDP growth	141	128	122	114	107	98	100	98	97	96	95
B2. Primary balance	141	135	148	139	131	122	124	121	120	118	116
B3. Exports	141	173	225	210	197	182	185	181	178	175	171
B4. Other flows 3/	141	135	136	127	119	110	112	109	108	106	104
B5. Depreciation	141	128	112	105	99	91	92	90	89	89	89
B6. Combination of B1-B5	141	164	139	163	153	141	144	140	138	136	134
C. Tailored Tests											
C1. Combined contingent liabilities	141	138	132	124	116	108	110	107	106	105	104
C2. Natural disaster	141	163	159	150	144	135	139	138	137	137	137
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	141	128	122	114	107	98	100	97	96	96	95
Threshold	240	240	240	240	240	240	240	240	240	240	240
	Debt service-to-exports ratio										
Baseline	8	7	8	8	8	9	9	15	7	6	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	8	7	7	8	9	9	10	17	9	9	10
Alternative scenario	8	7	8	10	11	13	15	**23**	15	15	16
B. Bound Tests											
B1. Real GDP growth	8	7	8	8	8	9	9	15	7	6	6
B2. Primary balance	8	7	8	10	10	10	10	16	8	8	8
B3. Exports	8	9	11	14	14	14	14	**23**	11	12	12
B4. Other flows 3/	8	7	8	9	9	9	9	16	7	7	7
B5. Depreciation	8	7	8	8	8	9	8	15	7	5	6
B6. Combination of B1-B5	8	8	10	11	11	12	11	20	10	9	9
C. Tailored Tests											
C1. Combined contingent liabilities	8	7	8	9	9	9	9	16	7	7	7
C2. Natural disaster	8	7	9	10	10	10	10	17	9	9	9
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	8	7	8	9	10	10	9	15	7	6	6
Threshold	21	21	21	21	21	21	21	21	21	21	21
	Debt service-to-revenue ratio										
Baseline	12	13	14	16	17	18	16	**27**	11	10	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	12	12	14	16	17	19	18	**30**	15	14	16
Alternative scenario	12	12	15	19	21	**24**	**25**	**39**	**25**	**24**	**24**
B. Bound Tests											
B1. Real GDP growth	12	13	16	19	19	20	18	**31**	13	11	12
B2. Primary balance	12	13	15	19	19	20	18	**29**	14	12	13
B3. Exports	12	13	15	18	19	19	18	**29**	14	13	13
B4. Other flows 3/	12	13	15	17	17	18	17	**28**	12	11	11
B5. Depreciation	12	16	18	20	21	22	20	**34**	14	11	12
B6. Combination of B1-B5	12	13	17	19	20	20	18	**31**	14	13	13
C. Tailored Tests											
C1. Combined contingent liabilities	12	13	15	17	17	18	16	**28**	12	11	11
C2. Natural disaster	12	13	16	19	19	20	18	**30**	16	14	14
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	12	13	14	17	19	19	17	**27**	11	10	10
Threshold	23	23	23	23	23	23	23	23	23	23	23

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ 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.
3/ Includes official and private transfers and FDI.

Table 4. Rwanda: Sensitivity Analysis for Key Indicators of Public Debt, 2024–34

(In Percent)

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of Debt-to-GDP Ratio											
Baseline	55	57	55	52	49	47	44	42	41	40	40
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	55	59	59	59	59	59	59	58	59	60	61
Alternative scenario	55	58	57	58	57	55	53	52	52	53	54
B. Bound Tests											
B1. Real GDP growth	55	62	65	65	64	62	61	60	61	62	63
B2. Primary balance	55	60	66	63	60	57	53	51	50	48	48
B3. Exports	55	62	67	65	61	58	55	52	51	49	48
B4. Other flows 3/	55	60	60	58	55	52	48	46	45	44	43
B5. Depreciation	55	64	60	56	51	47	42	39	37	35	34
B6. Combination of B1-B5	55	58	61	59	56	53	50	48	47	47	46
C. Tailored Tests											
C1. Combined contingent liabilities	55	62	59	57	54	51	47	45	44	44	43
C2. Natural disaster	55	**73**	**71**	69	66	63	60	58	57	56	56
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	55	57	55	53	50	47	44	42	41	40	40
TOTAL public debt benchmark	70	70	70	70	70	70	70	70	70	70	70
PV of Debt-to-Revenue Ratio											
Baseline	250	258	238	225	214	202	197	187	181	177	173
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	250	266	257	255	255	257	264	261	261	262	264
Alternative scenario	253	266	261	267	255	245	238	235	239	243	247
B. Bound Tests											
B1. Real GDP growth	250	277	279	274	270	266	271	267	267	269	270
B2. Primary balance	250	273	288	273	260	246	240	228	219	213	207
B3. Exports	250	278	292	278	265	252	246	234	224	216	208
B4. Other flows 3/	250	269	261	247	236	223	218	207	199	193	188
B5. Depreciation	250	293	263	242	222	204	192	174	164	155	148
B6. Combination of B1-B5	250	265	266	253	242	231	227	216	209	204	199
C. Tailored Tests											
C1. Combined contingent liabilities	250	279	257	243	231	219	214	203	196	191	186
C2. Natural disaster	250	330	306	293	282	271	269	258	251	246	241
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	250	258	238	226	214	202	196	187	181	177	173
Debt Service-to-Revenue Ratio											
Baseline	34	23	30	24	23	21	21	32	19	19	21
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	34	23	30	24	23	22	23	34	21	22	25
Alternative scenario	34	23	32	28	27	27	29	41	29	30	33
B. Bound Tests											
B1. Real GDP growth	34	24	35	29	29	28	29	41	27	28	30
B2. Primary balance	34	23	34	31	27	26	25	35	22	23	24
B3. Exports	34	23	31	26	24	22	23	33	21	22	24
B4. Other flows 3/	34	23	31	25	23	22	22	33	20	21	22
B5. Depreciation	34	23	32	26	25	24	24	37	20	20	22
B6. Combination of B1-B5	34	22	32	30	26	25	24	35	22	22	24
C. Tailored Tests											
C1. Combined contingent liabilities	34	23	35	25	25	22	22	33	20	20	22
C2. Natural disaster	34	24	44	29	31	26	26	37	25	25	27
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	34	23	30	25	24	23	22	32	19	19	21

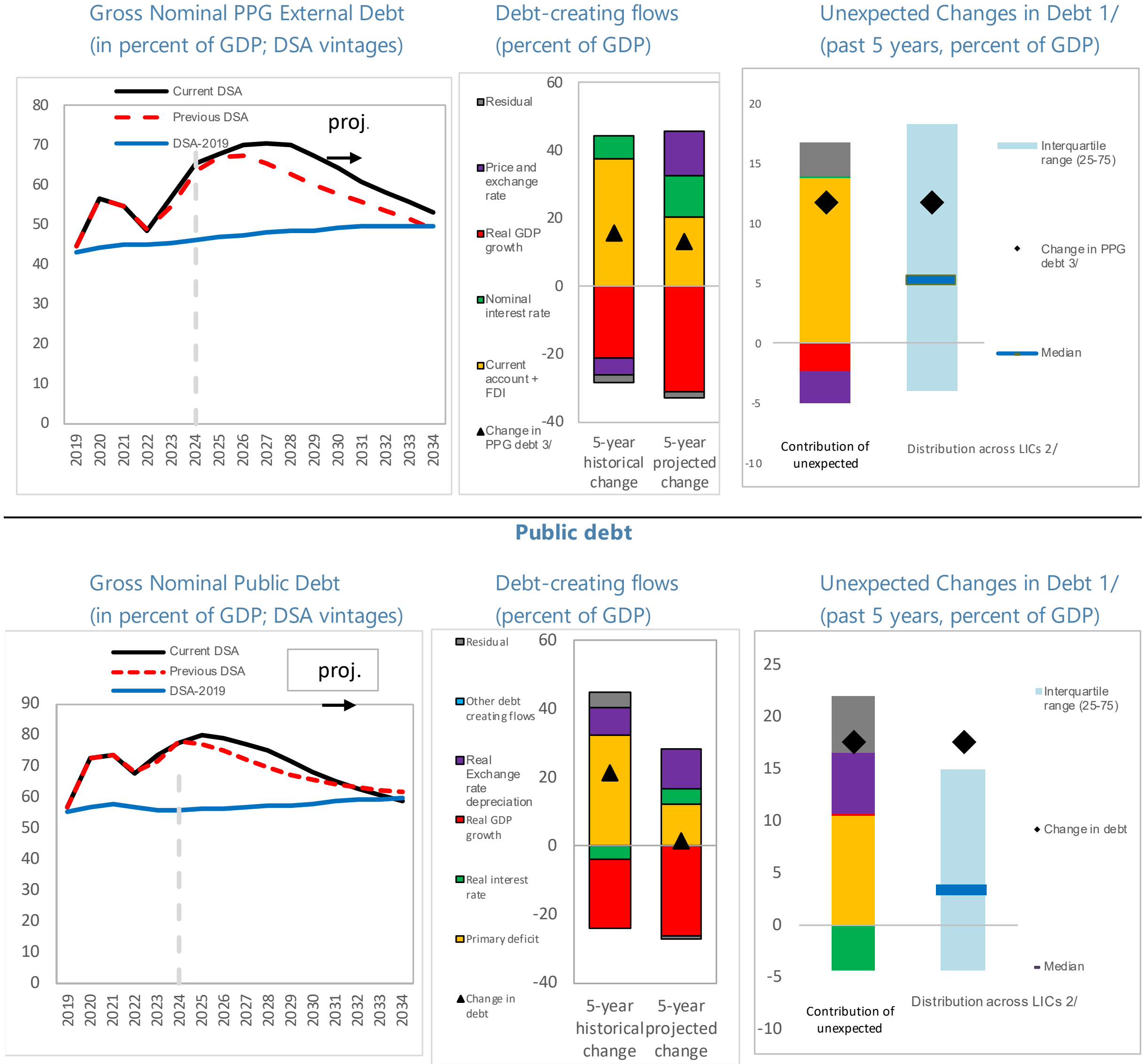
Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

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

3/ Includes official and private transfers and FDI.

Figure 3. Rwanda: Drivers of Debt Dynamics—Baseline Scenario[1/]



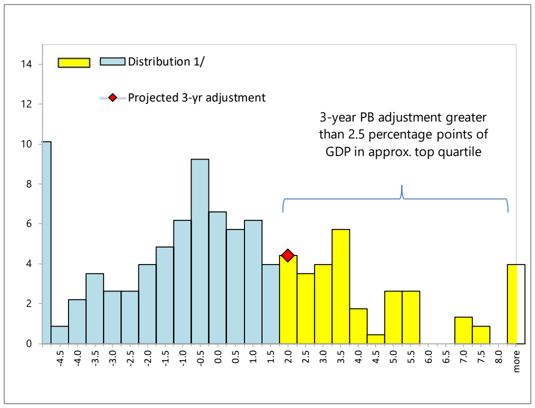
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

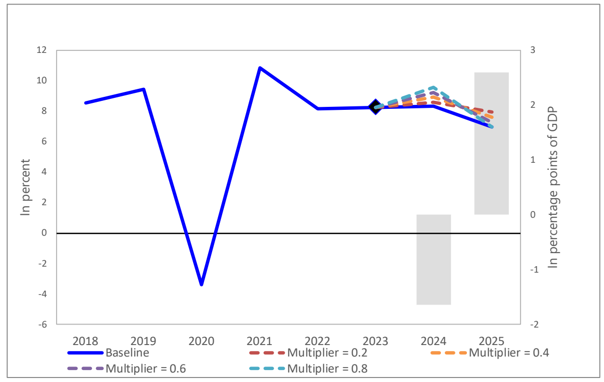
Figure 4. Rwanda: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



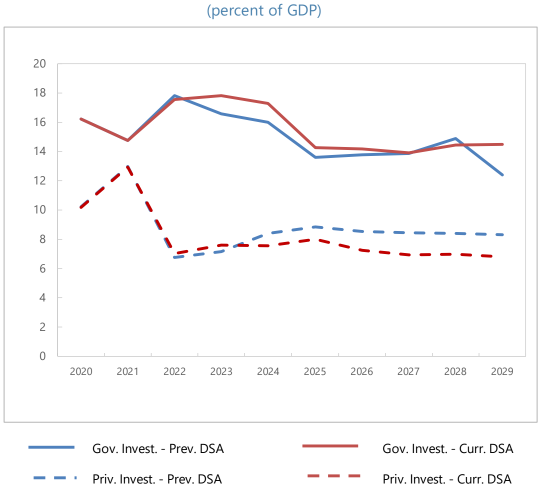
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

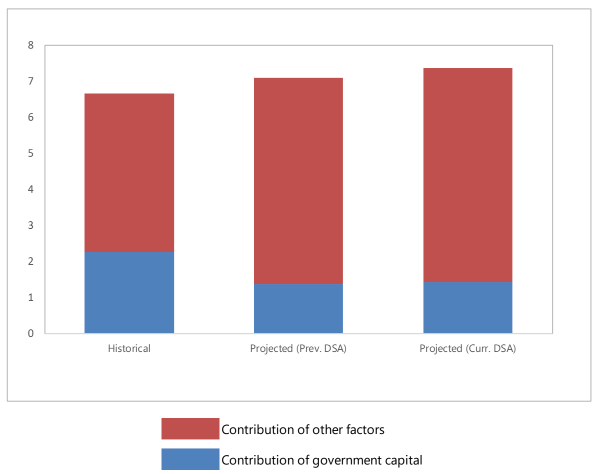
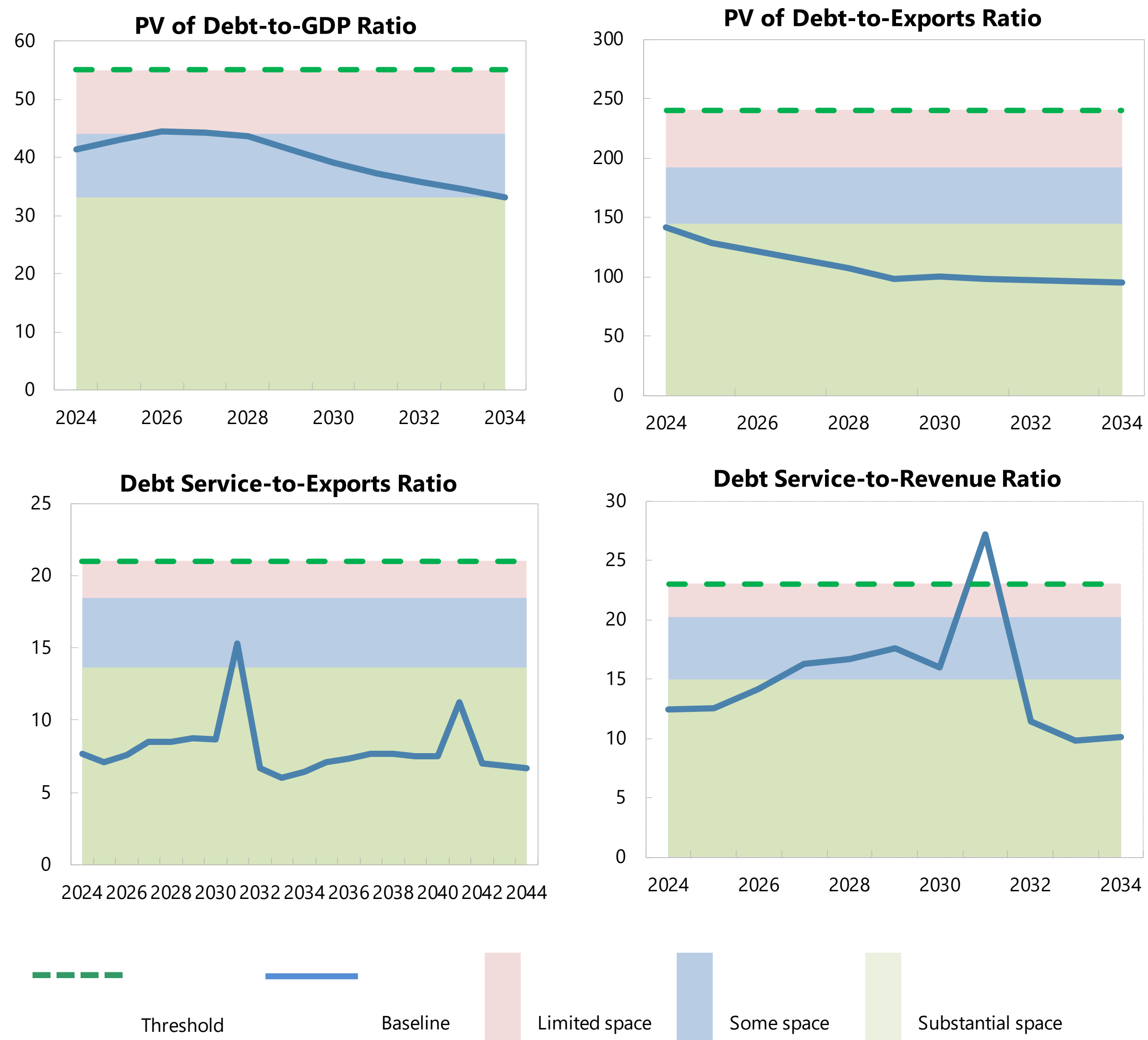


Figure 5. Rwanda: Qualification of the Moderate Category, 2024-2034 1/



Sources: Country authorities; and staff estimates and projections.

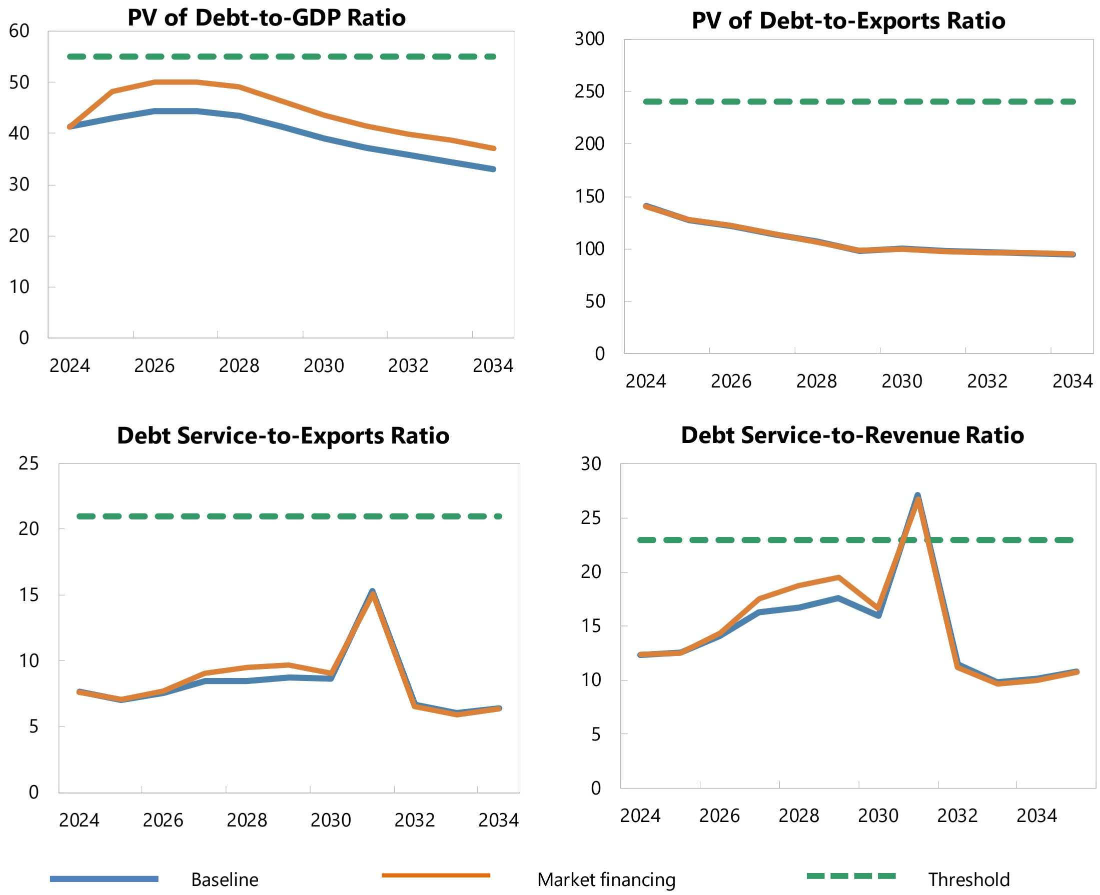
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Figure 6. Rwanda: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	13	509
Breach of benchmark	No	No
Potential heightened liquidity needs	Low	

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.

2/ EMBI spreads correspond to the latest available data.



Sources: Country authorities; and staff estimates and projections.

Table 5. Rwanda: Public Debt Decomposition, 2023–44

	Actual	Projections																				
Creditor profile	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Total, US$ mn	**9,303**	**10,259**	**11,024**	**11,467**	**11,914**	**12,425**	**12,823**	**13,274**	**13,871**	**14,609**	**15,457**	**16,399**	**17,452**	**18,654**	**19,990**	**21,475**	**23,086**	**24,866**	**26,821**	**29,135**	**31,710**	**34,993**
External, US$ mn	**7,154**	**8,629**	**9,277**	**10,187**	**10,856**	**11,603**	**12,022**	**12,516**	**13,013**	**13,562**	**14,153**	**14,701**	**15,271**	**15,814**	**16,354**	**16,925**	**17,543**	**18,206**	**18,317**	**19,108**	**19,972**	**20,902**
Multilateral creditors	*5,301*	*6,673*	*7,038*	*7,652*	*8,143*	*8,737*	*9,039*	*10,008*	*9,697*	*9,984*	*10,315*	*10,614*	*10,924*	*11,244*	*11,577*	*11,913*	*12,270*	*12,640*	*13,039*	*13,467*	*13,942*	*14,456*
IMF	501	814	781	737	686	595	494	412	353	323	318	299	267	234	202	170	138	105	73	41	14	0
World Bank	3,796	3,745	3,835	4,184	4,436	4,789	4,905	5,121	5,305	5,474	5,621	5,755	5,897	6,050	6,213	6,387	6,573	6,777	6,998	7,238	7,496	7,775
AfDB	1,256	1,248	1,412	1,581	1,747	1,927	2,075	2,192	2,303	2,412	2,515	2,611	2,707	2,799	2,894	2,987	3,080	3,178	3,282	3,403	3,537	3,678
Other Multilaterals	-401	689	834	974	1,096	1,240	1,402	2,144	1,622	1,686	1,772	1,859	1,954	2,051	2,150	2,242	2,341	2,432	2,529	2,619	2,719	2,817
Bilateral Creditors	*1,033*	*1,102*	*1,271*	*1,479*	*1,625*	*1,775*	*2,014*	*2,167*	*2,308*	*2,446*	*2,571*	*2,683*	*2,800*	*2,926*	*3,054*	*3,195*	*3,343*	*3,504*	*3,676*	*3,860*	*4,052*	*4,250*
Paris Club	324	515	670	837	971	1,084	1,237	1,322	1,397	1,466	1,525	1,575	1,627	1,681	1,739	1,799	1,865	1,940	2,020	2,105	2,193	2,283
Non-Paris Club	710	587	601	642	654	690	777	845	911	980	1,045	1,108	1,173	1,244	1,315	1,396	1,478	1,564	1,656	1,756	1,860	1,967
Private Creditors	*819*	*854*	*968*	*1,056*	*1,089*	*1,091*	*969*	*341*	*1,009*	*1,132*	*1,267*	*1,404*	*1,547*	*1,645*	*1,723*	*1,816*	*1,929*	*2,062*	*1,602*	*1,780*	*1,978*	*2,196*
Bonds	620	620	620	620	620	620	620	0	620	620	620	620	620	620	620	620	620	620	0	0	0	0
Loans	199	234	348	436	469	471	349	341	389	512	647	784	927	1,025	1,103	1,196	1,309	1,442	1,602	1,780	1,978	2,196
Domestic, US$ mn	**2,149**	**1,630**	**1,747**	**1,280**	**1,058**	**822**	**801**	**758**	**857**	**1,047**	**1,304**	**1,698**	**2,181**	**2,840**	**3,636**	**4,550**	**5,543**	**6,660**	**8,504**	**10,027**	**11,738**	**14,091**
Memo items:																						
Collateralized debt (US$ million)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral and collateralized debt																						
Multilateral debt, US$ mn	**5,301**	**6,673**	**7,038**	**7,652**	**8,143**	**8,737**	**9,039**	**10,008**	**9,697**	**9,984**	**10,315**	**10,614**	**10,924**	**11,244**	**11,577**	**11,913**	**12,270**	**12,640**	**13,039**	**13,467**	**13,942**	**14,456**
percent of external debt	74.1	77.3	75.9	75.1	75.0	75.3	75.2	80.0	74.5	73.6	72.9	72.2	71.5	71.1	70.8	70.4	69.9	69.4	71.2	70.5	69.8	69.2
percent of GDP[1]	41.0	49.6	50.3	51.9	52.0	52.0	49.9	50.5	44.8	42.3	40.0	37.7	35.6	33.7	31.9	30.2	28.6	27.1	25.8	24.5	23.4	22.3
IMF and World Bank	*4,298*	*4,559*	*4,615*	*4,921*	*5,123*	*5,384*	*5,399*	*5,533*	*5,657*	*5,796*	*5,939*	*6,054*	*6,164*	*6,285*	*6,415*	*6,557*	*6,711*	*6,883*	*7,071*	*7,278*	*7,509*	*7,775*
percent of external debt	60.1	52.8	49.8	48.3	47.2	46.4	44.9	44.2	43.5	42.7	42.0	41.2	40.4	39.7	39.2	38.7	38.3	37.8	38.6	38.1	37.6	37.2
percent of GDP[1]	33.2	33.9	33.0	33.3	32.7	32.0	29.8	27.9	26.2	24.5	23.0	21.5	20.1	18.8	17.7	16.6	15.6	14.8	14.0	13.2	12.6	12.0
AfDB	*1,256*	*1,248*	*1,412*	*1,581*	*1,747*	*1,927*	*2,075*	*2,192*	*2,303*	*2,412*	*2,515*	*2,611*	*2,707*	*2,799*	*2,894*	*2,987*	*3,080*	*3,178*	*3,282*	*3,403*	*3,537*	*3,678*
percent of external debt	17.6	14.5	15.2	15.5	16.1	16.6	17.3	17.5	17.7	17.8	17.8	17.8	17.7	17.7	17.7	17.6	17.6	17.5	17.9	17.8	17.7	17.6
percent of GDP[1]	9.7	9.3	10.1	10.7	11.2	11.5	11.5	11.1	10.6	10.2	9.8	9.3	8.8	8.4	8.0	7.6	7.2	6.8	6.5	6.2	5.9	5.7
Other Multilateral	*-401*	*689*	*834*	*974*	*1,096*	*1,240*	*1,402*	*2,144*	*1,622*	*1,686*	*1,772*	*1,859*	*1,954*	*2,051*	*2,150*	*2,242*	*2,341*	*2,432*	*2,529*	*2,619*	*2,719*	*2,817*
percent of external debt	-5.6	8.0	9.0	9.6	10.1	10.7	11.7	17.1	12.5	12.4	12.5	12.6	12.8	13.0	13.1	13.2	13.3	13.4	13.8	13.7	13.6	13.5
percent of GDP[1]	-3.1	5.1	6.0	6.6	7.0	7.4	7.7	10.8	7.5	7.1	6.9	6.6	6.4	6.1	5.9	5.7	5.5	5.2	5.0	4.8	4.6	4.3
Collateralized debt, US$ mn	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*

1/ debt as percent of GDP is calculated by authorities based on debt and GDP values in RwF

INTERNATIONAL MONETARY FUND

RWANDA

November 25, 2024

FOURTH REVIEW UNDER THE POLICY COORDINATION INSTRUMENT, SECOND AND FINAL REVIEW UNDER THE STAND-BY CREDIT FACILITY ARRANGEMENT, FOURTH AND FINAL REVIEW UNDER THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND REQUEST FOR THE MODIFICATION OF END-JUNE 2025 QUANTITATIVE TARGET FOR THE POLICY COORDINATION INSTRUMENT—UPDATED WORLD BANK ASSESSMENT LETTER FOR THE RESILIENCE AND SUSTAINABILITY TRUST

This fourth update to the RSF Assessment Letter—Rwanda (dated November 28, 2022) highlights relevant changes that have occurred since the RSF Assessment Letter issuance.

Background. The IMF and the Rwandan authorities reached a staff-level agreement on a 36-month Policy Coordination Instrument (PCI) and Resilience and Sustainability Facility (RSF) on October 2, 2022. Upon approval by the IMF Executive Board, Rwanda will have access to 150 percent of quota which is equivalent to SDR 240.3 million (about US$310 million) under the Resilience and Sustainability Trust. The RSF-supported reforms are structured around five main areas: i) strengthening and institutionalizing the monitoring and reporting of climate-related spending feeding into decision making processes; ii) integrating climate risks into fiscal planning; iii) improving the sensitivity of public investment management to climate-related issues; iv) enhancing climate-related risk management for financial institutions and developing a green finance market as part of the broader capital market development effort to help mobilize financing; and v) strengthening disaster risk reduction and management. In developing the RSF's focus areas, the IMF team drew extensively from the Rwanda Country Climate and Development Report and discussions with World Bank technical specialists during their mission to Kigali.

This letter is the fourth update to the World Bank's assessment of Rwanda's climate policies and commitments provided in November 2022, highlighting relevant changes that have occurred since subsequent updates to that assessment.[1]

[1] World Bank Assessment Letter for the IMF Program under the Resilience and Sustainability Trust (RSF) -- Rwanda Climate Change Policies, SecM2023-0090, November 28, 2022. World Bank Assessment Letter Update for the IMF Program under the Resilience and Sustainability Trust (RSF) -- Rwanda Climate Change Policies, May 13, 2023. World Bank Assessment Letter Update for the IMF Program under the Resilience and Sustainability Trust (RSF) -- Rwanda Climate Change Policies, December 14, 2023. World Bank Assessment Letter Update for the IMF Program under the Resilience and Sustainability Trust (RSF) -- Rwanda Climate Change Policies, May 7, 2024.

A. Country Vulnerability to Climate Change Including Human, Social, and Economic Costs

1. **Climate change continues to pose substantial risks to growth and inclusive development in Rwanda.** The impacts of climate change and natural disasters seem to affect disproportionally the poorest and the most vulnerable communities. Extreme weather events in 2022 and 2023 (droughts and floods mentioned in the December 2023 Assessment) had significant impacts on Rwanda's production of key staples and have resulted in dramatic increase in domestic food prices of more than 65 percent at its peak in March 2023. The rise in food prices is a major setback for the poorest people, who spend a larger share of their income on food. It also threatens food security and the development of human capital among Rwanda's most vulnerable communities, with high inflation widening the gap between geographical regions and hitting the poorest districts the hardest. Out of 19 Rwandan districts surveyed, 11 with poverty rates above the national average of 38.2 percent experienced food inflation rates higher than the national average. However, improvements in domestic food production, due to favorable weather, and lower commodity prices, have contributed to contain food prices in recent months. Food and non-alcoholic beverages prices decreased by 1.0 percent on annual basis in October 2024, after 20 months of the highest monthly food inflation in the last 15 years starting in May 2022. Lower food inflation eased the pressure on household budgets, especially the poor.

B. Government Policies and Commitments in Terms of Climate Change Adaptation and Priority Areas to Strengthen Resilience

2. **The ongoing efforts related to government policies are relevant for climate change adaptation.** The Green Climate Fund approved two major climate resilience and green growth investment projects worth US$80 million in October 2023. The first project builds climate resilience in Rwanda's Congo Nile Divide through forest and landscape restoration (US$39.1 million) to be implemented in 10 districts. It aims to manage sustainably 278,000 hectares of forests and promote agroforestry techniques in 2,000 hectares of plantations. The second project provides an additional contribution to Ireme Invest (US$42.8 million). This will enable the fund to work with Rwanda's private sector by providing access to credit at a lower interest rate than market rates. The goal is to invest in renewable energy, climate-smart agriculture, water-efficient systems, green buildings, and clean transportation.

3. **The government, under the leadership of Ministry of Finance and Economic Planning (MINECOFIN), has developed a whole-of-government Climate and Nature Finance Strategy designed to promote institutional coordination in scaling climate financing.** The overall cost of implementing the Nationally Determined Contributions (NDCs) in Rwanda is estimated at US$11 billion. According to the NDC implementation framework, financing has been secured to cover most implementation costs for the 2020–25 period, with the total secured finance amounting to US$4.5 billion. Looking ahead, the overall financing gap is estimated at US$ 6.5 billion for the entire 2020–30 period (IMF, 2023). The objective of the Climate and Nature Finance Strategy is to align financing needs with financing instruments and mobilize private and public sector financing for adaptation and mitigation actions. The strategy covers both private and public sector financing for climate and nature actions and includes an overview of roles and responsibilities as well as a work plan. It also promotes the adoption of international best practice on green taxonomy work already underway, project selection processes, tracking and

monitoring climate and environment financing for projects. The strategy was approved by the Cabinet and launched in October 2024.

4. The government, under the leadership of MINECOFIN, has provided cabinet approval for a suite of ministerial orders that allow for private sector to be involved in the management of nature reserves and creation of private buffer zones. The procedural transparency and clarity for private sector engagement are expected to catalyze greater private engagement (including financing) in managing landscapes that also offer opportunities for nature-based tourism, increasing both climate resilience and opportunities for economic activities and job creation in these areas.

C. Government Policies and Commitments in Terms of Climate Change Mitigation and Priority Areas to Reduce Greenhouse Gas Emissions

5. In June 2023, Rwanda and development partners announced a cooperative approach to facilitate public-private partnership (PPP), scale up climate finance, and crowd in private climate investment.[2] Rwanda aims to mobilize an additional €300 million to build climate resilience in the country. Agence Française de Développement (AFD) is providing €50 million programmatic budget support accompanied by a €3 million technical assistance grant. The International Finance Corporation, the Government of Rwanda, and the Rwanda Green Fund (FONERWA) will jointly develop long-term investment plans for climate-smart agriculture and sustainable urbanization to increase the role of the private sector in greening Rwanda's economy. Upgrading the PPP framework will be an important step to mobilize more private financing. The Government will need to address gaps and inconsistencies in the legal and regulatory framework governing PPPs, recognizing PPPs within the Organic Budget Law and ensuring alignment between the PPP Act and PPP guidelines, and upgrading the PPP project cycle. In addition, Rwanda needs to issue new regulations introducing a new methodology for PPP project selection including climate change considerations on the preparation of high-quality feasibility studies.

6. Rwanda joined the Global Renewables and Energy Efficiency Pledge at the Climate Change Convention of the Parties (COP) 28. This pledge calls for tripling the world's installed renewable energy generation capacity by 2030. This commitment is in line with the National Carbon Market Framework (NCMF), mentioned in the last update, and officially launched at COP28. The NCMF takes significant strides towards enabling Rwanda to achieve a greener and more sustainable future.

D. Any Other challenges, Including Inter- or Cross-Sectoral, Policy Reversals or Institutional Capacity Issues, to be Addressed to Make Progress in Tackling Climate Risks and any Ownership/Policy Related Issues

7. Mobilizing financing for the proposed investments in Rwanda's 2020 NDC remains an important challenge. Some of the efforts highlighted above are illustrations of the government's successful efforts in resource mobilization and expanding the role of private sector. As noted previously, ongoing efforts to systematically assess fiscal risks from climate change and mainstream the appraisal of

[2] The partners include: Agence Française de Développement (AFD), European Investment Bank (EIB), Cassa Depositi e Prestiti (CDP), and the International Finance Corporation (IFC).

climate change projects into the public investment management system, supported by the Resilience and Sustainability Trust (RST), are also likely to support the achievement of Rwanda's climate commitments. While the latest Fiscal Risk Statement, published in April 2023, includes an assessment of the macroeconomic impact of climate change, it does not yet provide specific measures to mitigate their effects.

E. WB Engagement in the Area of Climate Change

8. World Bank financial operations (approved and in preparation). The World Bank engagements mentioned in the May 2024 Assessment Letter are still ongoing. In addition, the World Bank has approved or is preparing the following operations.

- The World Bank is currently providing technical assistance to government to augment its climate ambition in the third generation of its Nationally Determined Contribution (NDC 3.0). The NDC 3.0 will integrate findings from the Global Stocktake and align with GoR's Vision 2050 and the National Strategy for Transformation (NST2). The World Bank technical assistance, financed by a Climate Support Facility (CSF) grant, aims to update Rwanda's greenhouse gas (GHG) inventory, develop updated Business-As-Usual (BAU) emission scenarios, and include comprehensive mitigation and adaptation measures. The technical assistance will also develop a robust implementation and monitoring framework, conduct stakeholder consultations, and help inform efforts to mobilize finance for climate action.
- In April 2024, the World Bank approved the Rwanda Emergency Connectivity Restoration Project (P504023) in the amount of US$93.68 million to restore the connectivity in areas of Rwanda affected by floods and landslides resulting from heavy rains of early May 2023. Key project activities include the rehabilitation and repair of road sections and bridges in the affected districts to climate resilient standards.
- The World Bank is preparing the Rwanda Disaster Risk Management Development Policy Operation with a Catastrophe Deferred Drawdown Option that aims to improve the country's capacity to reduce climate and disaster risk, including health-related emergencies. The operation seeks to integrate disaster, climate and public health risk management as central elements of public policies and is scheduled for FY25 delivery.
- With the support of Compact with Africa and CSF seed funding, the World Bank is helping the Development Bank of Rwanda (BRD) pilot carbon market transactions based on projects from BRD's lending portfolio. The objectives of the project are to facilitate learning-by-doing and explore the use of carbon markets to incentivize practice change among financial institutions towards climate mitigation projects.
- IFC has expanded its climate actions in Rwanda recently. IFC has been working with the Rwanda Capital Market Authority, the National Bank of Rwanda and other key stakeholders for the past four years, on increasing secondary market liquidity in the government bond market; increasing the supply and issuance of non-government bonds; and developing a more diversified, professional investor base. IFC is also actively supporting the Government of Rwanda and financial sector actors on integrated ESG strengthening government's capacity to raise

sustainability-linked bonds. This support culminated in recent listing of Prime Energy Plc's inaugural green bond on the Rwanda Stock Exchange (RSE), in November 2024, a first for the country which raised RWF9.58bn ($6.97mn) to fund renewable energy projects aimed at increasing access to affordable electricity in Rwanda.

9. World Bank knowledge support. The World Bank has also continued its efforts to disseminate climate-related knowledge.

- In the Country Economic Memorandum (CEM), launched in November 2024, several chapters reflect the importance of integrating climate considerations in the implementation of sector policies and investments. The CEM includes recommendations for policy reforms that can boost overall climate resilience with a special attention to resilience of Rwanda's natural and urban landscapes, and advancement of the country's low-carbon transition.
- The World Bank continues to support Rwanda in becoming a leader in Africa on Natural Capital Accounting (NCA) and integrating natural capital and climate considerations in its macro-modeling. Assistance on monitoring of the economy and improving the modeling of policy and climate shocks on the economy are also envisioned.
- As part of the preparation for the Rwanda Urban Mobility Improvement Project (P176885), the World Bank is carrying out analytical work titled "Exploring Enabling Energy Frameworks for Battery Electric Buses in Rwanda," funded by the Quality Infrastructure Investment Partnership (QII). This study aims to provide inputs to the GoR in developing enabling energy policies that facilitate the sustainable electrification of buses in the country. It would also assess the e-mobility readiness and highlight enabling energy frameworks for battery electric buses. In addition, GoR is conducting a detailed techno-commercial feasibility study for the initial phase of e-bus deployment.

Annex I. RSF Assessment Letter Update – Rwanda – May 4, 2024

This letter updates the World Bank's assessment of Rwanda's climate policies and commitments provided in November 2022, highlighting relevant changes that have occurred since subsequent update to that assessment.[1]

A. Country Vulnerability to Climate Change Including Human, Social, and Economic Costs for the Country Arising from Climate Change Vulnerabilities

1. **Climate change continues to pose substantial risks to growth and inclusive development in Rwanda.** The impact of climate change and natural disasters seem to affect disproportionally the poorest and the most vulnerable communities. Extreme weather events in 2022 and 2023 (droughts and floods mentioned in the December 2023 Assessment) had significant impacts on Rwanda's production of key staples and have resulted in dramatic increases in domestic food prices of more than 65 percent at its peak in March 2023. This represents a major setback for the poorest people, who spend a larger share of their income on food. The rise in food prices also threatens food security and the development of human capital among Rwanda's most vulnerable communities, with high inflation widening the gap between geographical regions and hitting the poorest districts the hardest. Out of 19 Rwandan districts surveyed, 11 with poverty rates above the national average of 38.2 percent, experienced food inflation rates higher than the national average.

B. Government Policies and Commitments in Terms of Climate Change Adaptation and Priority Areas to Strengthen Resilience

2. **The ongoing efforts related to government policies are relevant for climate change adaptation.** The Green Climate Fund approved two major climate resilience and green growth investments worth US$80 million in October 2023. The first project builds climate resilience in Rwanda's Congo Nile Divide through forest and landscape restoration (US$39.1 million) to be implemented in 10 districts. It aims to manage 278,000 hectares of forests and promote agroforestry techniques in 2,000 hectares of plantations. The second project provides an additional contribution to Ireme Invest (US$42.8 million). This will enable the fund to work with Rwanda's private sector by providing access to credit at a lower interest rate than at market rates. The goal is to invest in renewable energy, climate-smart agriculture, water-efficient systems, green buildings, and clean transportation.

3. **The government, under the leadership of MINECOFIN, is developing an integrated Climate Finance Strategy designed to promote institutional coordination in scaling climate financing.** The overall cost of implementing the NDCs in Rwanda is estimated at USD 11 billion. According to the NDC implementation framework, financing has been secured to cover most implementation costs for the 2020–25 period, with the total secured finance amounting to US$4.5 billion. Looking ahead, the overall financing

[1] World Bank Assessment Letter for the IMF Program under the Resilience and Sustainability Trust (RSF) -- Rwanda Climate Change Policies, SecM2023-0090, November 28, 2022. World Bank Assessment Letter for the IMF Program under the Resilience and Sustainability Trust (RSF) -- Rwanda Climate Change Policies, November 13, 2023. World Bank Assessment Letter for the IMF Program under the Resilience and Sustainability Trust (RSF) -- Rwanda Climate Change Policies, December 14, 2023.

gap is estimated at USD6.5 billion for the entire 2020–30 period (IMF, 2023). The objective of the climate finance strategy is to align financing needs with financing instruments and mobilize private and public sector financing for adaptation and mitigation actions. The strategy will cover both private and public sector financing for climate actions and include an overview of roles and responsibilities as well as a work plan. It will also adopt international best practice on climate finance taxonomy, project selection processes, tracking and monitoring climate and environment financing for projects. It will also include a regulatory framework for climate-focused financial instruments.[2] The strategy is expected to be approved by the Cabinet by July 2024.

C. Government Policies and Commitments in Terms of Climate Change Mitigation and Priority Areas to Reduce Greenhouse Gas Emissions

4. In June 2023, Rwanda and development partners announced a cooperative approach to facilitate public-private partnership (PPP), scale-up climate finance, and crowd in private climate investment.[3] Rwanda aims to mobilize an additional €300 million to build climate resilience in Rwanda. AFD is providing €50 million programmatic budget support accompanied by a €3 million technical assistance grant. The International Finance Corporation, the Government of Rwanda, and the Rwanda Green Fund (FONERWA) will jointly develop long-term investment plans for climate-smart agriculture and sustainable urbanization to increase the role of the private sector in greening Rwanda's economy. Upgrading the PPP framework will be an important step to mobilize more private financing. The GoR should address gaps and inconsistencies in the legal and regulatory framework governing PPPs, recognizing PPPs within the Organic Budget Law and ensuring alignment between the PPP Act and PPP guidelines, and upgrading the PPP project cycle. In addition, Rwanda needs to issue new regulations introducing a new methodology for PPP projects selection including climate change considerations on the preparation of high-quality feasibility studies.

5. Rwanda joined the Global Renewables and Energy Efficiency Pledge at the Climate Change Convention of the Parties (COP) 28. This pledge calls for tripling the world's installed renewable energy generation capacity by 2030. This commitment is in line with the National Carbon Market Framework (NCMF), mentioned in the last update, and officially launched at COP28. The NCMF takes significant strides towards enabling Rwanda to achieve a greener and more sustainable future.

[2] This marks an important contribution to ongoing green and climate reforms and capital mobilization efforts, including the implementation of the National Fund for Environment (FONERWA), the Ireme Investment Facility and other government efforts led by MINECOFIN and other agencies. The Ireme Investment Facility, which was created with the Development Bank of Rwanda, has already secured commitments of US$104 million. In addition, various agencies and organizations in the country are working to test and mobilize new investments. For example, the Kigali International Financial Center (KIFC) has developed a Sustainable Finance Roadmap and is working with partners to deploy resources for green and resilient assets.

[3] The partners include: Agence Française de Développement (AFD), European Investment Bank (EIB), Cassa Depositi e Prestiti (CDP), and the International Finance Corporation (IFC).

D. Any Other Challenges, Including Inter- or Cross-sectoral, Policy Reversals or Institutional Capacity Issues, to be Addressed to Make Progress in Tackling Climate Risks and any Ownership/Policy Related Issues

6. **Mobilizing financing for the proposed investments in Rwanda's 2020 NDC remains an important challenge.** Some of the efforts highlighted above are illustrations of the government's successful efforts in resource mobilization. As noted previously, the ongoing efforts to systematically assess fiscal risks from climate change and mainstream the appraisal of climate change projects into the public investment management system, supported by the RST, are also likely to support the achievement of Rwanda's climate commitments. While the latest Fiscal Risk Statement, published in April 2023, includes an assessment of the macroeconomic impact of climate change, it does not yet provide specific measures to mitigate their effects.

E. WB Engagement in the Area of Climate Change

7. **The World Bank has approved or is preparing the following operations.**

- The World Bank is currently providing technical assistance to Rwanda Development Board (RDB) and Rwanda Green Fund for a Wildlife Conservation Bond to support chimpanzee conservation in Rwanda (US$15+ million grant). This bond follows the South African "Rhino Bond" model, where the World Bank Treasury issues a bond that channels investor resources for conservation activities in the form of a grant to the government. For this structured bond, the conservation funding is provided by the bond investors in the form of a foregone coupon payment.
- In December 2023, the World Bank's Board of Executive Directors approved the First Private Sector Green Growth Development Policy Financing (P180196). This operation supports critical policy and institutional reforms that unlock climate finance and improve management of national parks, nature reserves and buffer zones.
- In November 2023, the World Bank approved the ASCENT Rwanda project (P180575), which consists of; US$300 million from IDA and US$100 million co-financing from AIIB. The objective is to increase access to sustainable and clean energy in the Republic of Rwanda. 68 percent of the financing are expected to generate climate co-benefits.
- In early April 2024, the conditions for the sale and purchase under the Emissions Reduction Purchase Agreement (ERPA) signed between the World Bank (representing Ci-Dev) and the Government of Rwanda were met. In parallel, Ci-Dev has helped build capacity at stakeholder agencies to implement Emission Reduction (ER) transactions following the Standardized Crediting Framework. The first such transaction, covering ERs and generated from World Bank projects on off-grid solar and clean cooking in Rwanda over 2021 and 2022, is expected to happen before June 2024. The verification for these ERs has been completed.

8. **The World Bank has also continued its efforts to disseminate climate-related knowledge.**

- In the forthcoming Country Economic Memorandum (CEM) several chapters reflect the importance of integrating climate considerations in the implementation of sector policies and investments. The CEM includes recommendations for policy reforms that can boost overall climate resilience with a special attention to resilience of Rwanda's natural and urban landscapes, and advancement of the country's low-carbon transition.
- The World Bank continues to support Rwanda in becoming a leader in Africa on Natural Capital Account (NCA) and integrating natural capital and climate considerations in its macro-modeling. Assistance on monitoring of the economy and improving the modeling of policy and climate shocks on the economy are also envisioned.
- As part of the preparation for the Rwanda Urban Mobility Improvement Project (P176885), the World Bank is carrying out an analytical work titled "Exploring Enabling Energy Frameworks for Battery Electric Buses in Rwanda," funded by Quality Infrastructure Investment Partnership (QII). This study aims to provide inputs to the Government of Rwanda (GoR) in developing enabling energy policies that facilitate the sustainable electrification of buses in the country. It would also assess the e-mobility readiness and highlight enabling energy frameworks for battery electric buses. In addition, GoR is preparing a study "Validation and Definition of an AssetCo Business Model for Electric Bus Provision in Kigali". The aim is to conduct a detailed techno-commercial feasibility study for the initial phase of e-bus deployment with a focus on developing the AssetCo model and its institutional and contractual frameworks.

Statement by the Executive Director, Mr. Regis O. N'Sonde, and by the Senior Advisor of the Executive Director, Ms. Loy Nankunda

1. INTRODUCTION

Our Rwandan authorities would like to thank the Board and Management for the Fund's continued support and staff for the productive discussions held in the context of the fourth reviews under the Policy Coordination Instrument (PCI) and the Resilience and Sustainability Facility (RSF) and second review under the Standby Credit Facility (SCF) Arrangement. The latter arrangement has been critical in helping address the short-term challenges brought about by the 2023 floods and the recent Marburg Virus Disease (MVD) outbreak. The authorities also appreciate Management's constructive engagement and strong involvement in supporting the country's leadership on macroeconomic and climate issues. They broadly concur with the staff report, which they view as a fair account of their recent discussions with the IMF Rwanda team in Kigali and Washington, DC.

2. RECENT DEVELOPMENTS, PROGRAM PERFORMANCE, AND OUTLOOK

Rwanda's economy continues to show remarkable strength and resilience despite recurrent and overlapping shocks in recent years that have resulted in notable internal and external imbalances. The COVID pandemic severely strained Rwanda's economy, exacerbated by heavy floods in May 2023, which caused widespread destruction, including fatalities, displacement, and significant infrastructural damage. Despite these challenges, economic growth rebounded strongly, with real GDP growing by 9.7 percent and 9.8 percent year-on-year in the first two quarters of 2024. This recovery was supported by agricultural gains, particularly in food crop production, robust industrial activity—notably in construction—and an expanding services sector led by trade, transport, and telecommunications.

Inflation trends have been broadly stable. By October 2024, headline inflation had dropped to 3.8 percent (y-o-y), primarily driven by easing fresh food inflation while core inflation decreased to 5.2 percent (y-o-y). Consistent with these developments, the National Bank of Rwanda (BNR) in August 2024 lowered the policy rate to 6.5 percent from 7 percent aiming to support economic recovery while maintaining inflation within target range.

On the external sector, the balance of payments remains under pressure. A widening trade deficit driven by high capital and intermediate goods imports has strained international reserves—which fell to 4.0 months of prospective import cover by mid-2024—and deteriorated the current account deficit. In October 2024, the Rwandan franc depreciated by 6.6 percent against the U.S. dollar, reflecting ongoing external challenges.

Nevertheless, the government's commitment to rebuilding external buffers and improving export performance, particularly in traditional sectors like tea and coffee, is expected to stabilize the external position over the medium term.

Fiscal deficit at 6.9% of GDP in FY 2023/24, exceeded projections, primarily due to accelerated externally financed public investments in critical sectors such as social protection, energy, and education. Tax revenue performance was below expectations, partly due to pandemic-related measures, economic disruptions, and tax policy adjustments. However, disciplined expenditure management, grants, and concessional financing have helped mitigate fiscal risks.

Against this backdrop, program performance remains strong under the PCI, RSF, and SCF. All quantitative targets under the PCI, quantitative performance criteria under the SCF arrangement, and standard continuous targets were met. The authorities have completed all RSF commitments, six-months ahead of the initial timeline. The complete and successful implementation of the RSF- and SCF-supported programs which are expiring, demonstrates the authorities' strong ownership of their policy and reform agendas, further strengthening their track record in program implementation. Based on the strong performance under the current reviews, the authorities are requesting their completion and the modification of the end-June 2025 quantitative target on the ceiling on the debt-creating overall deficit to reflect recent pressures relating to the MVD outbreak.

Looking forward, economic growth is expected to soften gradually in the medium term, driven by the recalibration of policies needed to preserve macroeconomic and financial stability, ensure fiscal sustainability, and build buffers. Real GDP growth is projected to reach 8.3 percent in 2024—despite an anticipated deceleration in the last quarter of the year due to the MVD outbreak—and should slow down the following years before stabilizing around 7.3 percent by 2028. Inflation is expected to remain within the central bank band in the medium term. Whereas the current account deficit is anticipated to widen slightly in 2024, led by higher capital goods and processed food imports, it should steadily improve with higher domestic savings owing to fiscal consolidation.

3. ECONOMIC POLICIES AND REFORMS FOR 2024 AND BEYOND

Fiscal Policy and Debt Management

Rwanda's fiscal policy for FY24/25 and FY 25/26 has been designed to address pressing development needs following recent shocks while maintaining a long-term commitment to budget prudence and sustainability. Accordingly, the authorities will implement domestic revenue mobilization (DRM) measures under their revised Medium-Term Revenue Strategy (MTRS), which focuses on broadening the domestic tax base, streamlining tax expenditures, digitizing tax systems, and enhancing organizational efficiency. New policy measures will also target rationalizing VAT exemptions and introducing environmental taxes to align with Rwanda's climate goals. These steps are expected to yield tangible improvements in revenue collection over the medium term. Recognizing the limited scope for further expenditure cuts, the authorities aim to optimize spending through better prioritization and management by rationalizing recurrent spending while safeguarding capital and social spending. Fiscal gains will also continue to be made from further enhancing public financial management (PFM) and addressing fiscal risks from state-owned enterprises (SOEs).

On debt, the authorities welcome the conclusion of the Debt Sustainability Analysis that Rwanda maintains a moderate risk of external and overall public debt distress in such challenging global financing environment. Going forward, they aim at maintaining the country at moderate risk and continue to prioritize concessional financing to the extent possible by leveraging grants and low-interest loans for climate-related initiatives and infrastructure development to minimize debt servicing costs. The authorities are keen to adhering to the agreed debt anchor by gradually reducing the debt-to-GDP ratio to 65 percent by 2031 through fiscal consolidation and economic growth. In this perspective, they remain steadfast in implementing a prudent debt management policy and are committed to strengthening their debt management frameworks, notably by enhancing transparency and accountability in public borrowing, including through better alignment with the medium-term fiscal framework.

The authorities are also putting in place critical measures to mitigate external vulnerabilities. They aim to buildup international reserves to cover at least 4.3 months of imports, excluding RSF disbursements, and adopt a more flexible exchange rate policy to address external imbalances.

Monetary and Financial Sector Policies

The National Bank of Rwanda (BNR) continues to prioritize containing inflationary pressures and stabilizing inflation within its 2-8 percent target range over the medium term. Monetary policy actions, including apt management of the policy rate, have successfully stabilized headline inflation, which is projected to fall to 4.6 percent by the end of 2024. Nevertheless, inflation risks remain due to elevated food prices and potential exchange rate depreciation effects. The NBR remains vigilant and is prepared to adjust its policy stance should inflationary pressures exceed expectations. On the other hand, a gradual easing of the stance could be warranted, contingent on evolving risks and diligent monitoring of early signs of future inflationary pressures that could be manifested by stronger-than-expected cyclical conditions and accelerating private credit growth.

The financial sector remains resilient, with strong capital buffers. However, large exposures to SOEs highlight the need for continued monitoring and stress testing. The authorities will enhance macroprudential analysis and strengthen oversight, supported by a phased implementation of climate-related financial risk guidelines. The authorities are also taking steps to deepen financial inclusion, leveraging digital technologies to expand access to formal financial services. Rwanda's financial inclusion rate has reached 96 percent, with formal financial inclusion at 92 percent. Rwanda has made significant progress in addressing anti-money laundering and combating the financing of terrorism (AML/CFT)-related risks. The recently approved AML/CFT strategy focuses on closing regulatory gaps, strengthening enforcement mechanisms, and improving compliance with international standards. Efforts to enhance beneficial ownership transparency and align legal definitions are ongoing, ensuring the financial system's integrity and resilience.

Structural Reforms

The Rwandan authorities have made commendable progress in advancing their development agenda. In August 2024, the Cabinet approved the Second National Strategy for Transformation (NST-2), which builds on the achievements of NST-1. The policy document emphasizes job creation, export growth, education quality, public service delivery, and the reduction of malnutrition.

The authorities remain dedicated to advancing transformative structural reforms and policies. Beside reinforcing PFM, these include determined actions to promote sustainable investments and address vulnerabilities in governance frameworks for SOEs. Recent reforms have introduced climate budget tagging and enhanced transparency and accountability in climate-related spending. Additionally, reforms to align with international sustainability standards have been implemented, including adopting a green taxonomy and improving risk management for financial institutions.

4. CLIMATE AGENDA AND RSF-RELATED REFORMS

Progress on the climate agenda remains strong. All RSF-supported reforms, including climate budget tagging and green taxonomy adoption, have been implemented ahead of schedule. The authorities have also committed to further integrating climate risks into fiscal planning The authorities propose accelerating additional measures, such as analyzing SOE and PPP vulnerabilities to climate risks and refining disaster risk reduction frameworks. They are also advancing efforts to operationalize Rwanda's participation in carbon markets through institutional and technical frameworks.

Actions to strengthen resilience to climate shocks also include developing green finance markets and public-private partnerships. Initiatives under the RSF have led to significant achievements, such as mobilizing over $320 million in concessional and private financing. The authorities will also implement a national strategy for disaster risk financing.

5. CONCLUSION

The Rwandan authorities have demonstrated a strong commitment to achieving the objectives under the PCI, SCF, and RSF arrangements despite strong external headwinds, such as high energy prices, climate-induced disruptions, and the recent Marburg virus disease outbreak. The country's robust economic recovery, progress on climate reforms, and macroeconomic stability provide a foundation for sustained growth and resilience.

It is against this backdrop that the authorities seek the Executive Directors' support for completing the reviews under the three arrangements. We would appreciate Executive Directors' favorable consideration of their request.