June 2012
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**Rwanda: Fourth Review Under the Policy Support Instrument and Request for Modification of Assessment Criteria—Staff Report; Press Release**

In the context of the fourth review under the Policy Support Instrument and request for modification of assessment criteria, the following documents have been released and are included in this package:

- The staff report for the fourth review under the Policy Support Instrument and request for modification of assessment criteria, prepared by a staff team of the IMF, following discussions that ended on March 28, 2012, with the officials of Rwanda on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 22, 2012. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A Press Release dated June 8, 2012.

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

Letter of Intent sent to the IMF by the authorities of Rwanda*
Memorandum of Economic and Financial Policies by the authorities of Rwanda*
Technical Memorandum of Understanding*

*Also included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

# RWANDA

## FOURTH REVIEW UNDER THE POLICY SUPPORT INSTRUMENT AND REQUEST FOR MODIFICATION OF ASSESSMENT CRITERIA

May 22, 2012

## KEY ISSUES

**Background:** The Rwandan economy continued to grow strongly in 2011, and significant progress in poverty reduction has been achieved. As in recent years, economic activity was driven by a large increase in agricultural output, robust exports, and strong domestic demand, because Rwanda has remained relatively insulated from the slowdown in the advanced economies. Inflation rose sharply in 2011, but remained in single digits and was the lowest in the region. Growth is expected to remain high in 2012 and inflation relatively modest, although risks from the global economy remain.

**Program:** The Executive Board completed the third review under the Policy Support Instrument (PSI) on January 9, 2012. For the fourth review, all quantitative assessment criteria for end-December 2011 were met. Most structural benchmarks were met, although some delays have continued. Considerable progress was made on one structural benchmark that remains outstanding since the third PSI review—following a number of important refinements, the authorities plan to submit their medium-term debt strategy (MTDS) to the cabinet in May 2012 and ultimately to parliament along with the Budget Framework paper.

**Staff Views:** Staff recommends the completion of the fourth review under the PSI, modification of end-June 2012 assessment criteria, setting of end-December 2012 assessment criteria, and approval of additional structural benchmarks for the rest of the PSI. The authorities have consented to publication of this report following the completion of the review.

Approved By
**Roger Nord (AFR) and Christian Mumssen (SPR)**

Discussions were held in Kigali March 15–28, 2012. The mission comprised Ms. McAuliffe (head), Messrs. Arnason, Ben Ltaifa, Yabara (all AFR), and Raman (SPR). Mr. Gershenson, resident representative, assisted the mission. The mission met with Minister of Finance and Economic Planning Rwangombwa; Governor Gatete of the national bank; heads of key government agencies and other officials; and representatives of the private sector, commercial banks, and development partners.

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# RECENT DEVELOPMENTS AND PROGRAM PERFORMANCE

1. **The Rwandan economy grew strongly in 2011**. Real GDP growth is estimated at 8.6 percent, driven by a large increase in agricultural output in the second half of the year, robust exports, and strong domestic demand, especially from construction and public expenditure (Table 1 and Figures 1 and 2). The latest household expenditure survey reveals that Rwanda has achieved significant progress in poverty reduction during the last five years (Box 1).

2. **Inflation rose sharply in 2011, but stayed in single digits and was the lowest in the region**. Headline inflation reached 8.3 percent (year-on-year) at end-2011, up from 0.2 percent a year earlier, mainly driven by rising food and fuel prices but also an accommodative monetary policy. Inflation stood at 8.2 percent in March 2012, after a dip in January–February, reflecting the second phase of the planned reduction in fuel taxes. Core inflation (headline inflation excluding fresh products and energy) followed the same path as headline inflation in 2011 but has declined in the first months of 2012, to 5.3 percent in March 2012.

3. **The balance of payments recorded a sizable surplus in 2011**. Exports (mainly coffee, tea, minerals) were stronger-than-expected —thanks to high commodity prices—but import growth was also strong—buoyed by strong domestic demand—contributing to a worsening of the current account deficit (including grants) to 7.3 percent of GDP (Table 2). Continued strong inflows to finance large public and private investment projects, however, contributed to a larger-than-expected balance of payments surplus and an increase in gross (unencumbered) reserves to almost five months of imports at end-2011. The exchange rate remained stable in 2011.

MEFP ¶7–12

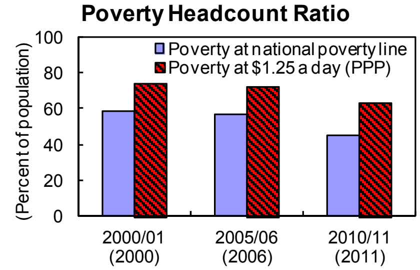
4. **The fiscal deficit for the first half of FY 2011/12 (July–December) was smaller than projected**. Total revenue was in line with projections, with excess tax revenue—owing to the buoyant economy—offsetting a shortfall in non-tax revenue due to lower than expected collections of dividends and administrative fees and charges. Budget support grants were marginally higher than anticipated. Spending, mainly on investment, was lower than planned, largely because of delays in the implementation of domestically financed capital projects. All in all, the fiscal deficit for the July-December 2011 was about 1 percent of GDP lower than programmed.

5. **For FY 2011/12 as a whole, the program is on track to achieve the targeted reduction in the fiscal deficit to just below 2 percent of GDP** (from 3.4 percent in FY 2010/11) (Table 3 and Figure 3). A projected slight shortfall in revenue-to-GDP is expected to be offset by higher-than-projected grants. Capital project implementation is expected to accelerate in the second half of the fiscal year, leaving total spending and the overall budget deficit for the fiscal year as a whole largely in line with the original budget.

**Box 1. Accelerated Poverty Reduction in Rwanda**

Results from the latest household expenditure survey (EICV3)—released in February 2012—showed that robust economic growth and government policies in the past five years contributed to inclusive growth in Rwanda in a number of respects.

**Significant poverty reduction.** The poverty headcount ratio declined from 56.7 percent in 2005/06 to 44.9 percent in 2010/11, measured by the national poverty line, and from 72.1 percent in 2006 to 63.2 percent in 2011, measured by an internationally comparable threshold ($1.25 purchasing power parity (PPP) a day). This marks a clear contrast with limited poverty reduction in the previous five-year period. Poverty reduction was seen in all provinces, in particular outside the capital Kigali.



Source: EICV3; and World Development Indicators.
Note: Poverty at national poverty line from EICV3 is on a fiscal year basis, whereas poverty at $1.25 a day (PPP) from WDI is on a calendar year basis.

**Improved agricultural income and job creation.** The reduction in poverty is supported by enhanced productivity and commercialization of the agricultural sector, which covers more than 70 percent of employment. Use of fertilizers more than doubled from 18 percent in 2005/06 to 38.3 percent in 2010/11, whereas the share of marketed agricultural output increased from 21.5 percent to 26.9 percent. The number of non-farm jobs also increased by 60 percent.

**Enhanced health and education.** Access to clean drinking water and sanitation increased in all provinces (except Kigali in the case of drinking water), from 70.3 percent to 74.2 percent and from 58.5 percent to 74.5 percent, respectively, during the past five years. Access to medical services also improved. More children attend schools across the country, with net attendance rates increasing from 86.6 percent to 91.7 percent for primary school and from 10.4 percent to 20.9 percent for secondary school.

**Improved access to electricity and credit.** Electrification is still largely limited to urban areas; 46 percent of urban and 4.7 percent of rural households use electricity to light their homes, compared with 23.1 percent and 0.7 percent, respectively, five years ago. The share of households with access to credit increased from 57.8 percent to 73.7 percent, whereas the share of individuals with a savings account rose from 9.2 percent to 20.6 percent in the past five years. All the provinces across Rwanda benefited from improved access to credit and savings.

**Declining inequality.** Improved living conditions across income levels resulted in reduced inequality: the Gini coefficient declined from 0.52 in 2005/06 to 0.49 in 2010/11, below the level in 2000/01 (0.51). The ratio of the 90$^{th}$ percentile of consumption to the 10$^{th}$ fell from 7.1 to 6.4 during the past five years.

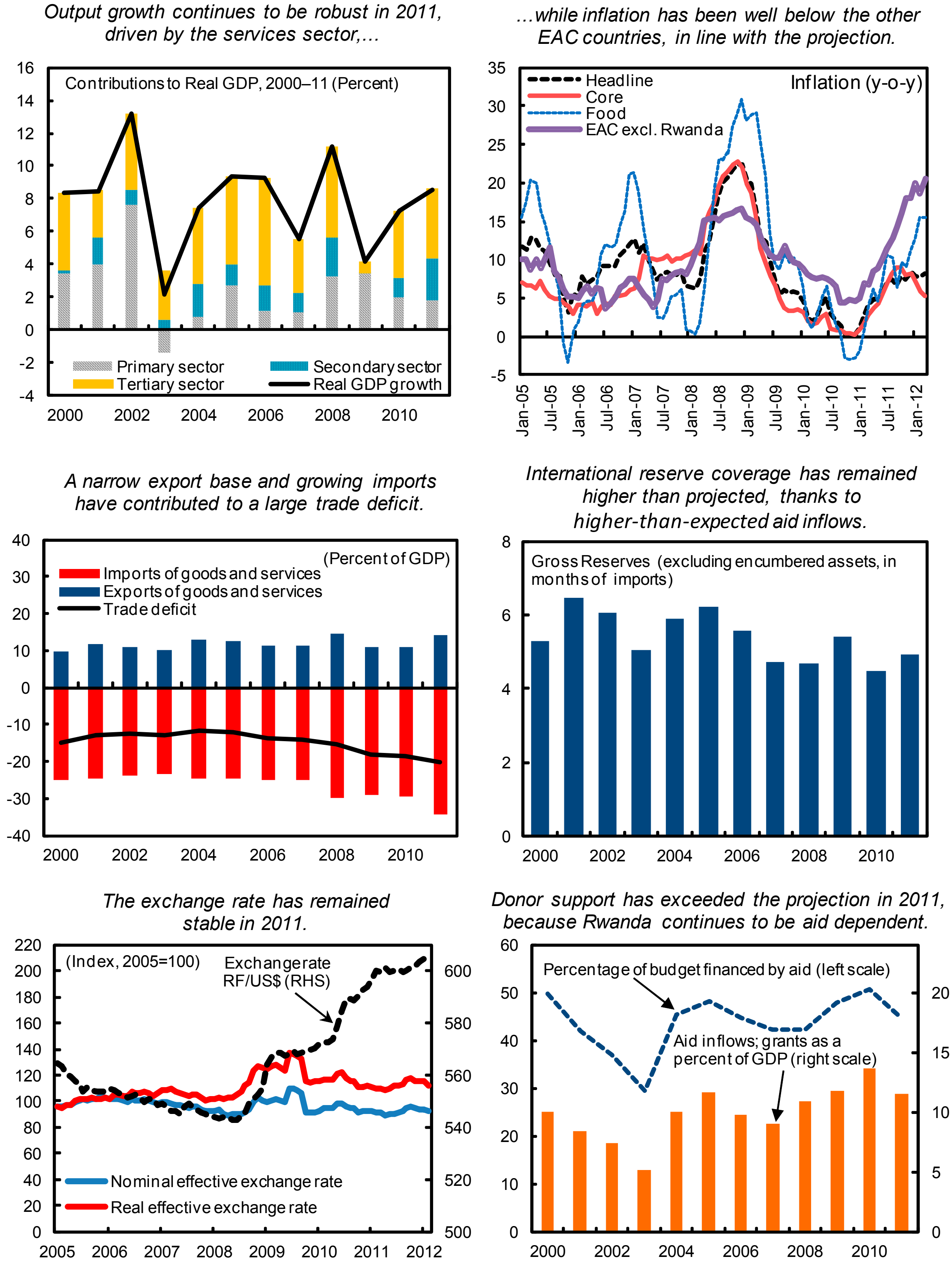
6. **Monetary policy remained somewhat accommodative during the second half of 2011 (Figure 4)**. Despite two successive increases in the key repo rate (policy rate) by a cumulative 100 basis points in October and November 2011—the policy rate has since been raised by a further 50 basis points to 7.5 percent in May 2012—the repo rate has stayed negative in real terms. As a result, broad money growth was higher than programmed—fueled mainly by a rapid growth in credit to the private sector (Table 4).

7. **Financial sector soundness indicators have continued to improve.** The ratio of capital to risk-weighted assets rose to 23.8 percent at end-2011, from 21.6 percent a year earlier, while the ratio of non-performing loans declined from 11.3 percent to 8.2 percent in the same period (Figure 4 and Table 5). Profits also increased between 2010 and 2011. In an attempt to improve financial intermediation in rural areas, all 416 of the recently established Savings and Credit Cooperatives (SACCOs) have been authorized to grant loans—with most licensed to grant 40 percent of their deposits as loans and the rest 20 percent.

MEFP ¶20

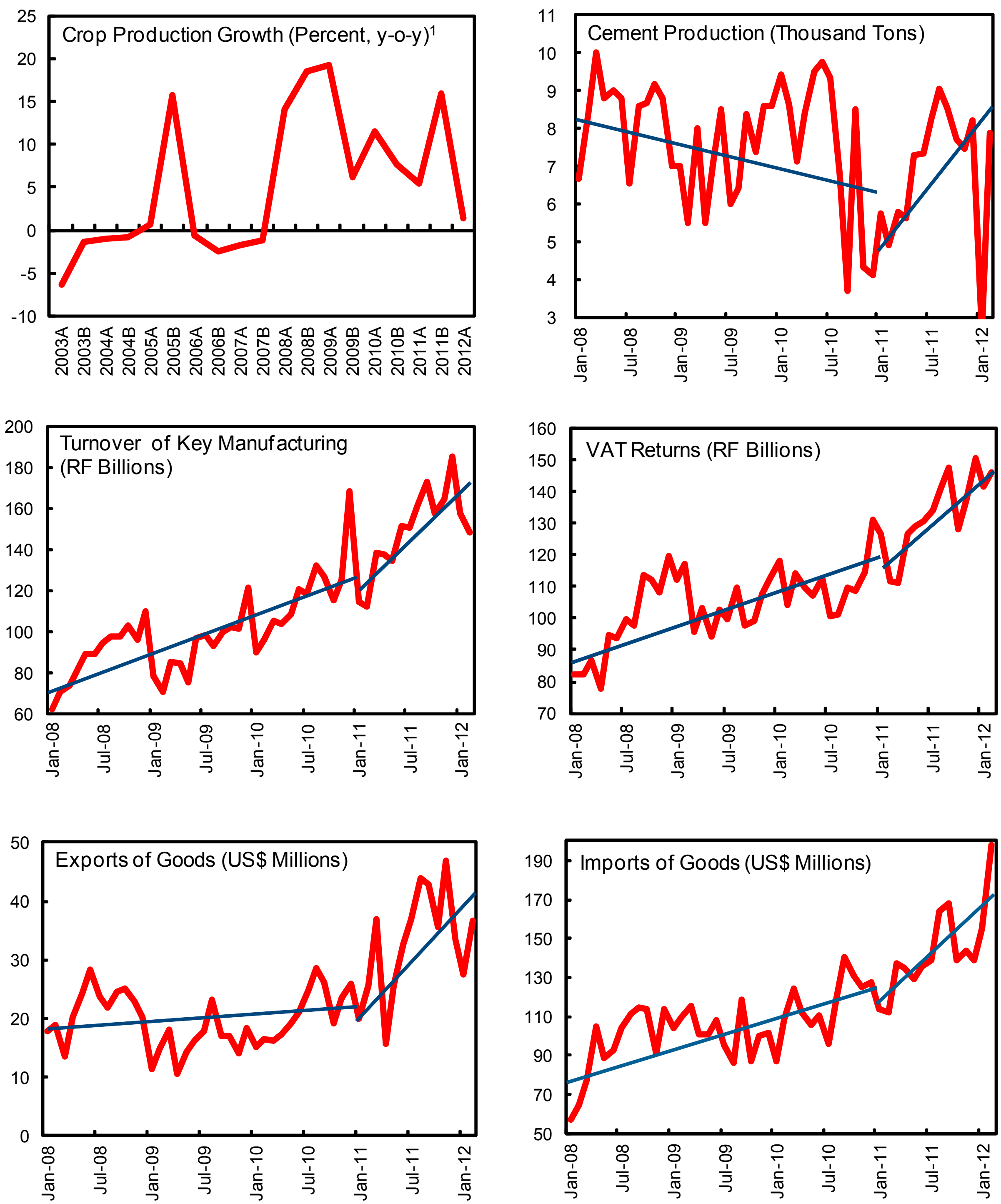
8. **Performance under the PSI remains satisfactory.** All quantitative assessment criteria for end-December 2011 were met (MEFP Table 1). There were some delays in the implementation of structural benchmarks, but these have either been rectified (the structural benchmarks on the publication of budget execution reports and the transfer of collection and auditing of social security contributions were completed in March and May 2012, respectively) or are expected to be met shortly (the structural benchmarks on the introduction of electronic registries and the preparation of own debt sustainability analysis (DSA) are expected to be completed by end-May and end-July, respectively) (MEFP Table 2). Notably, the authorities have developed a medium-term debt strategy (MTDS), but the submission to the cabinet has been delayed while the strategy is being refined. The authorities plan to submit the MTDS to the cabinet in May 2012 and ultimately to parliament along with the Budget Framework paper (structural benchmark for end-June 2012).

## Figure 1. Rwanda: Recent Performance




Sources: Rwandan authorities, IMF staff estimates, the IMF *World Economic Outlook*, and AFR's *Regional Economic Outlook*.

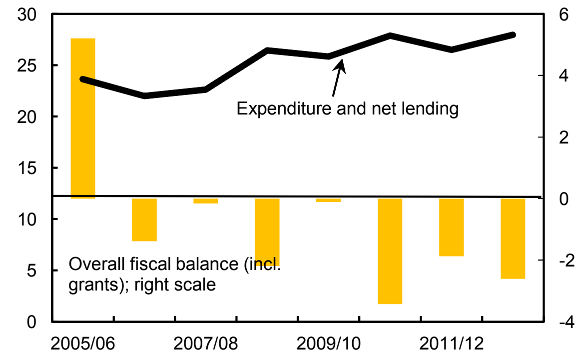
**Figure 2. Selected High-Frequency Indicators of Economic Activity, Jan 2008–Feb 2012**



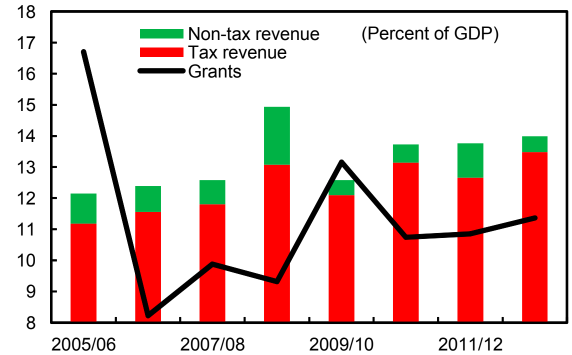

Sources: IMF staff and Rwandan authorities estimates.
[1] A denotes Season A (Sep–Jan/Feb) and B denotes Season B (Mar–Jun/Jul).

## Figure 3. Rwanda: Fiscal Developments, 2005/06–2012/13

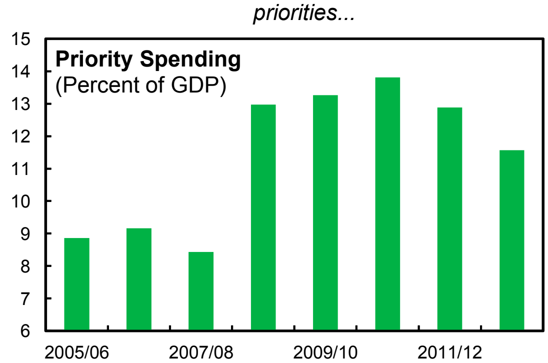
*The fiscal deficit narrowed in 2011/12 but will widen in 2012/13...*



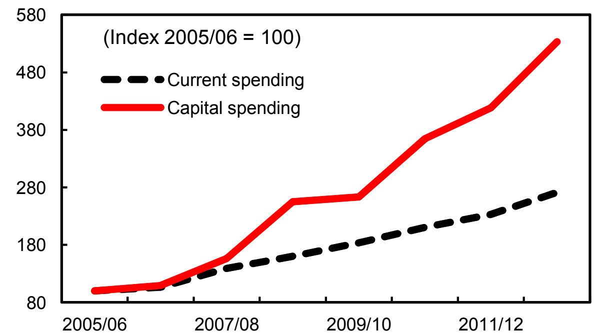

*...accompanied by a slight increase in revenue.*



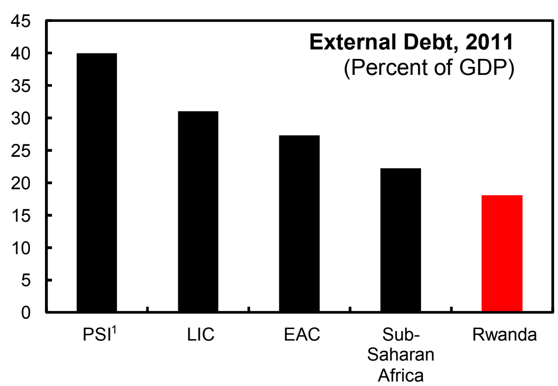

*Priority spending on health, education, and social protection remains at a high level in line with EDPRS priorities...*



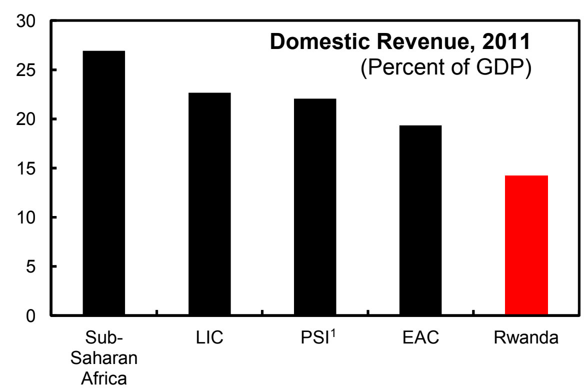

*...while capital spending has continued to outpace current spending by significant margins.*




*External debt remains low, thanks to substantial debt relief, ...*

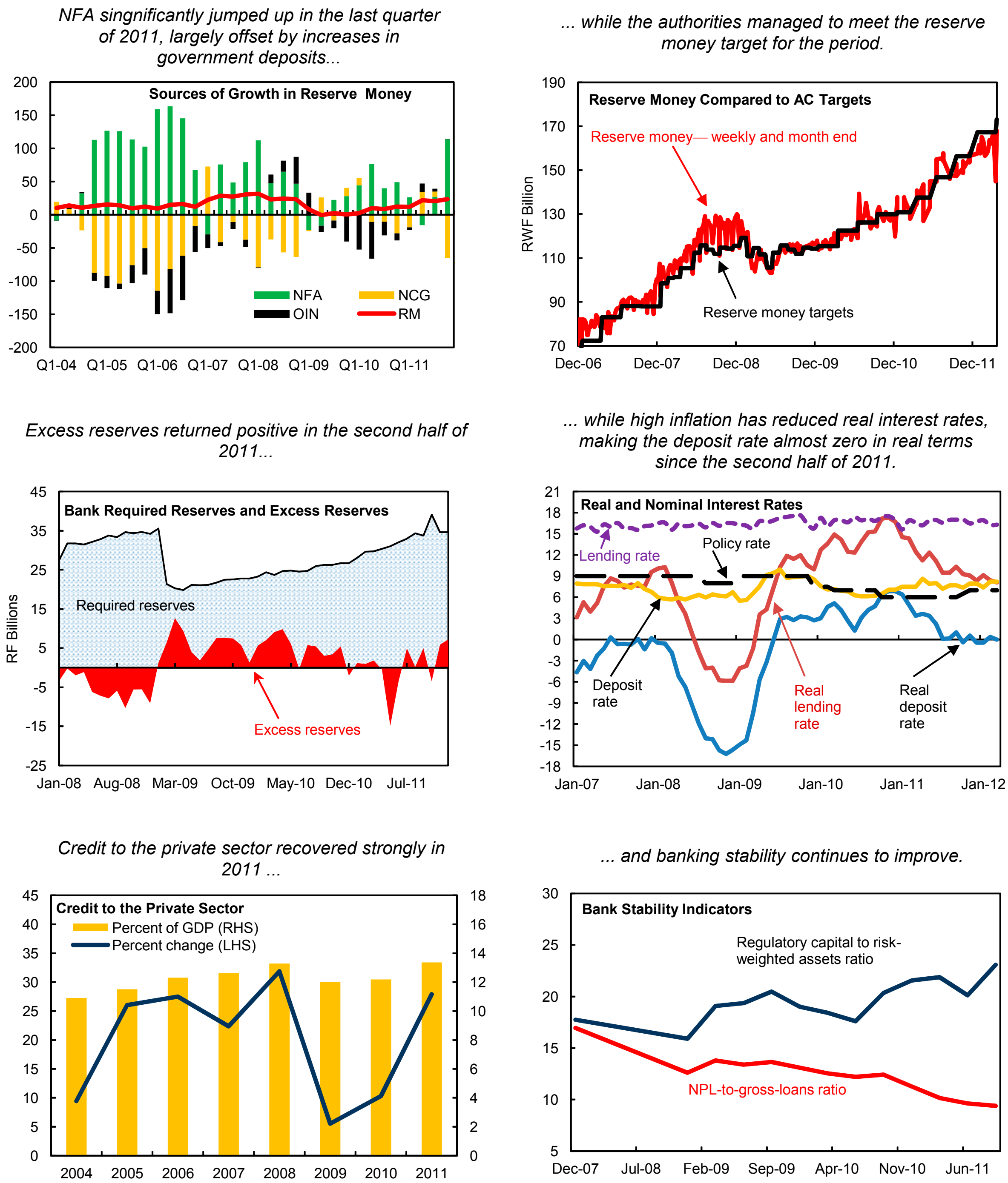



*... while low domestic revenue remains a source of vulnerability, despite recent efforts.*




[1] PSI countries are Cape Verde, Mozambique, Senegal, Tanzania, and Uganda.
Sources: IMF staff and Rwandan authorities estimates.

## Figure 4. Rwanda: Monetary and Financial Developments




Sources: Rwandan authorities and IMF staff estimates.

# POLICY DISCUSSIONS

## A. Outlook and Risks

9. **Program discussions centered on preserving macroeconomic stability in the short term in the face of the fragile global environment and sustainable acceleration of exports and growth over the medium term.** The authorities remain committed to the PSI objectives. They also reiterated their strong commitment to their export diversification strategy and to accelerating growth to meet their poverty reduction objectives. In this vein, the medium-term macroeconomic program has been revised to reflect higher foreign-financed capital expenditures resulting in higher fiscal and current account deficits—while staying consistent with medium-term macroeconomic stability. The mission, although remaining optimistic, cautioned the authorities against both growth and inflation risks stemming from the uncertain global environment and emphasized the need to remain realistic and vigilant, to preserve hard-won macroeconomic stability gains.

10. **The macroeconomic outlook remains generally favorable**. Output growth is expected to ease somewhat, to 7.7 percent in 2012—as it reverts toward trend—and stabilize thereafter around 7 percent (Text Table 1 and Figure 5).

11. **The main drivers of growth will continue to be agriculture, exports, and domestic demand.** Inflation is projected to decline to about 7.5 percent by end-2012, underpinned by some tightening of monetary policy, and converge on the authorities' inflation objective of 5 percent in the medium term. Following the large surplus in 2011, the balance of payments is expected to record a small deficit in 2012. A higher current account deficit (including grants)—driven by higher investment-related imports—is expected to be offset in part by continued strong private and official capital inflows[1]. International reserves are expected to decline gradually to about four months of imports by 2016 but remain at comfortable levels (Box 2).

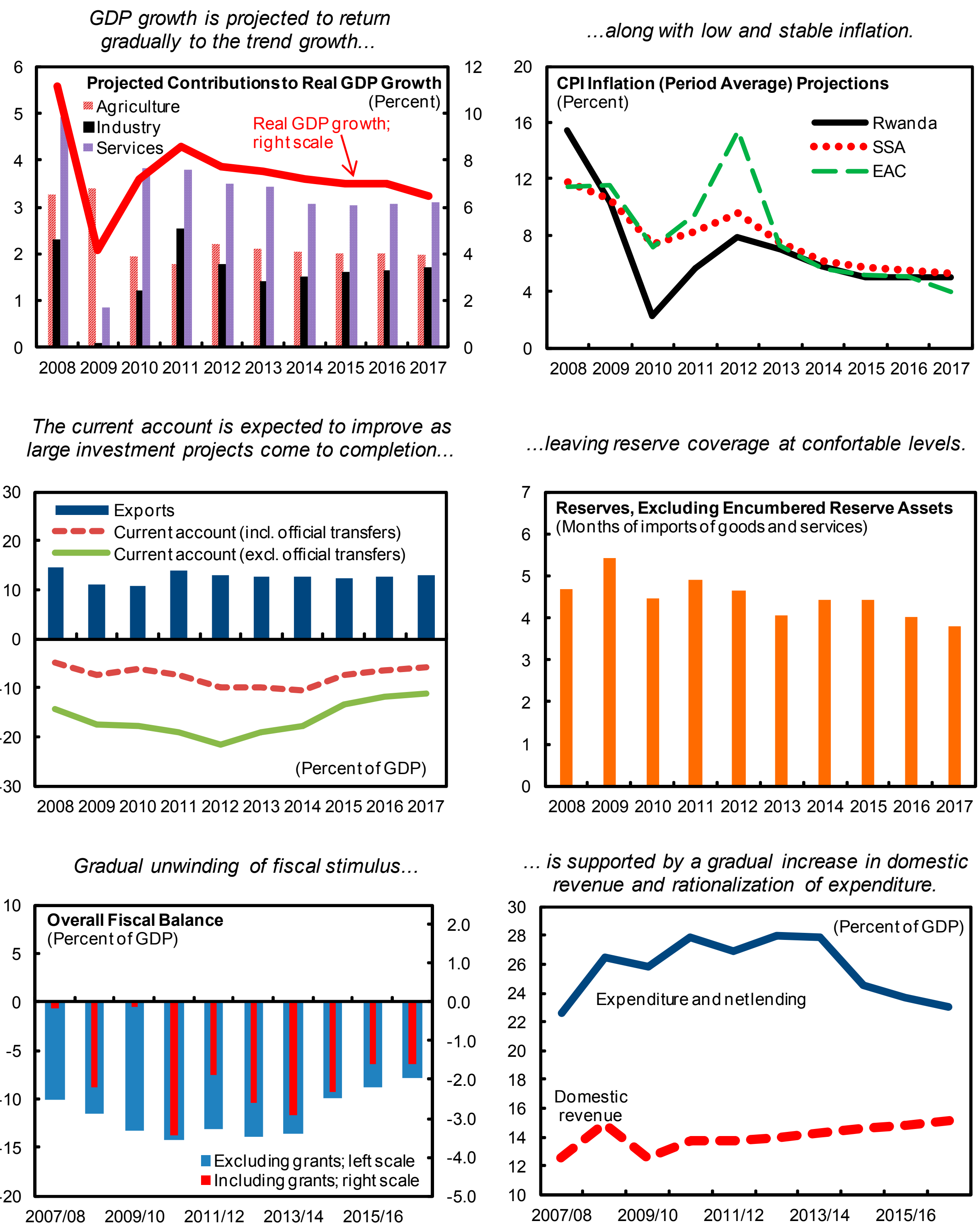
[1] Based on latest information on donor commitments, inflows of official capital are now expected to be somewhat lower in 2012. The lower inflows of other capital (including private flows) reflect the higher-than-programmed inflows in 2011, and hence the need for a smaller build-up of foreign assets by domestic banks.

Text Table 1. Rwanda: Medium-Term Framework, 2008–17

| | 2008 | 2009 | 2010 | 2011 Country Report No. 12/15 | 2011 Est. | 2012 Country Report No. 12/15 | 2012 Proj. | 2013 Proj. | 2014 Proj. | 2015 Proj. | 2016 Proj. | 2017 Proj. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (Annual percent changes) | | | | | | | | | | | | |
| Real GDP | 11.2 | 4.1 | 7.2 | 8.8 | 8.6 | 7.6 | 7.7 | 7.5 | 7.2 | 7.0 | 7.0 | 6.5 |
| Consumer prices (end of period) | 22.3 | 5.7 | 0.2 | 8.7 | 8.3 | 7.5 | 7.5 | 6.5 | 5.0 | 5.0 | 5.0 | 5.0 |
| (Percent of GDP, unless otherwise indicated) | | | | | | | | | | | | |
| Revenue[1] | 12.6 | 14.9 | 12.6 | 13.9 | 13.7 | 14.1 | 13.8 | 14.0 | 14.3 | 14.6 | 14.9 | 15.2 |
| Grants[1] | 9.9 | 9.3 | 13.2 | 10.9 | 10.7 | 11.1 | 11.3 | 11.4 | 10.6 | 7.6 | 7.2 | 6.2 |
| Government expenditure and net lending[1] | 22.6 | 26.4 | 25.9 | 28.3 | 27.9 | 27.2 | 26.9 | 28.0 | 27.8 | 24.5 | 23.7 | 23.0 |
| Overall fiscal balance (incl. grants)[1] | -0.2 | -2.2 | -0.1 | -3.5 | -3.4 | -1.9 | -1.9 | -2.6 | -2.9 | -2.3 | -1.6 | -1.6 |
| Overall fiscal balance (excl. grants) | -10.0 | -11.5 | -13.3 | -14.4 | -14.2 | -13.0 | -13.2 | -14.0 | -13.5 | -10.0 | -8.8 | -7.8 |
| Current account balance (incl. official transfers) | -4.9 | -7.3 | -5.9 | -10.6 | -7.3 | -12.7 | -10.0 | -9.7 | -10.4 | -7.2 | -6.3 | -5.9 |
| Gross official reserves (months of imports of G&S) | 4.7 | 5.4 | 4.5 | 4.6 | 5.1 | 4.2 | 5.0 | 4.4 | 4.4 | 4.4 | 4.0 | 3.8 |
| Gross reserves excluding encumbered assets (Months of imports of G&S) | 4.7 | 5.4 | 4.5 | 4.3 | 4.9 | 3.7 | 4.7 | 4.1 | 4.4 | 4.4 | 4.0 | 3.8 |

[1] On a fiscal-year basis (July–June). For example, the column ending in 2011 refers to FY2010/11 fiscal data. Other data are on a calendar-year basis.
Sources: Rwandan authorities and IMF staff estimates and projections.

## Figure 5. Rwanda: Medium-Term Outlook, 2008–17



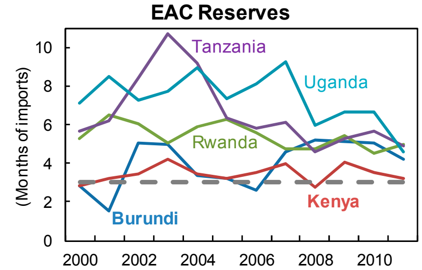

Sources: IMF staff and Rwandan authorities estimates.

## Box 2. Optimal Level of Reserves for EAC Countries

**This box assesses optimal reserve levels for the East African Community (EAC) countries**, using the approach for low-income countries (LICs) discussed by the IMF Executive Board in March 2011.[1] Although international reserves play critical roles for LICs, including fulfilling transaction needs and self-insuring against shocks, there is no agreed methodological framework for assessing reserve adequacy in LICs. This approach seeks to fill the gap by focusing on the role of reserves as precautionary liquidity buffers. Assessing reserve adequacy is an ongoing exercise—Executive Directors encouraged further analysis and refinement of the methodology to enable a more comprehensive assessment.

**Reserve coverage in the EAC countries has converged around five months of imports in the past few years, except in Kenya.** This has been facilitated by robust capital inflows, especially official transfers, and is in line with the EAC convergence criterion that requires member countries to maintain reserve coverage of more than six months of imports. This raises one question: is the optimal level of reserves the same for all five EAC members?

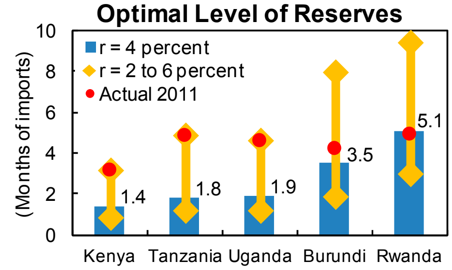
**EAC Reserves**




Source: IMF, *World Economic Outlook*.

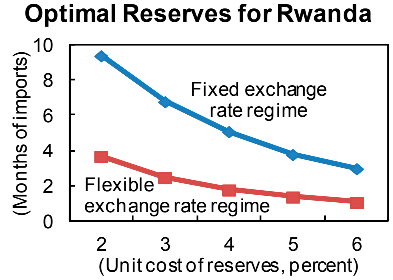
**Optimal reserves could be significantly different across the EAC, depending on country-specific characteristics.** The approach adopted here is to maximize the net benefit—benefit minus cost—of holding reserves. The benefit is measured by a decline in the probability and cost of a crisis, given country-specific fundamentals and shocks. The cost is gauged using a range of 2–6 percent for the unit cost of holding reserves (*r*).[2] The results suggest optimal reserve levels could be considerably different among the members, from 1.4 months of imports for Kenya to 5.1 months for Rwanda, assuming a 4 percent unit cost of reserves. It should be noted, however, that the result is highly sensitive to assumptions: for instance, the optimal reserve level for Rwanda ranges from 3 months to 9.4 months of imports, depending on the assumed unit cost of reserves. In addition, these estimates constitute a lower bound on the appropriate reserve levels because the methodology assumes risk neutrality.

**Optimal Level of Reserves**




**A more flexible exchange rate and greater resilience to shocks could lower the optimal reserve level for Rwanda.** The *de facto* fixed exchange rate regime of Rwanda is one of the two factors contributing to the relatively high optimal reserve level. Empirical analyses indicate that a flexible exchange rate could considerably reduce the probability and cost of a crisis by facilitating the adjustment of domestic absorption to an external shock. The figure shows that shifting to a flexible exchange rate regime would significantly lower the optimal reserve level for Rwanda. The other factor is vulnerability to exogenous shocks. Rwanda has suffered from relatively large shocks to the terms of trade and aid in the past decade. Thus diversifying exports and reducing aid dependency over the medium term also would lower the optimal reserve level for Rwanda.

**Optimal Reserves for Rwanda**

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[1] IMF, 2011, Assessing Reserve Adequacy. The approach for LICs is further documented in a 2011 IMF working paper by Era Dabla-Norris, Jun Il Kim, and Kazuko Shirono, "Optimal Precautionary Reserves for Low-Income Countries: A Cost-Benefit Analysis."

[2] For details of the methodology, see the above-mentioned working paper.

12. **Downside risks to the outlook are mainly related to the external environment.** The mission cautioned the authorities that the global economy could take a turn for the worse if, for example, the debt crises in Europe were to intensify or world oil prices were to rise sharply (Box 3). The mission underscored that it would be prudent to prepare for such an eventuality and the possible impact this would have on the Rwandan economy, notably revenue collection and inflation. The authorities noted that Rwanda has been largely insulated from the recent global downturn. They expressed confidence that their export development strategy—which entails a scaling-up of yet-to-be identified and financed investments—will reinforce competitiveness and growth. They also emphasized that they stand ready to take whatever action is necessary to respond to adverse external shocks.

## Box 3. A Downside Scenario

**Although Rwanda has been relatively immune to the global economic turmoil, there are clear downside risks to the outlook**. These could arise from three channels: (i) weaker global demand, which could have a negative impact on exports of goods and services; (ii) higher-than-expected international fuel and food prices, which could raise the import bill and add to inflationary pressures; and (iii) a shortfall in foreign financing including aid inflows and difficulties securing financing for key public investments, which could jeopardize growth prospects. Any combination of these channels could, of course, be at work at the same time.

**A short-fall in export and tourism receipts would have a fairly muted impact**. A negative shock to exports and tourism receipts relative to the baseline of 10 percent in 2012 and 5 percent in 2013—similar in magnitude to that which occurred in the wake of the 2008 financial crisis—would weaken the trade balance and growth even if some contraction in imports is assumed. However, because of the small size of the export sector, the effects on growth, revenue, and reserve coverage are estimated to be relatively small (box table).

**Impacts of the Downside Scenario**

| | 2012 | 2013 |
|---|---|---|
| Impact on output growth (percentage point) | -0.9 | -0.2 |
| Impact on domestic revenue (percent of fiscal-year GDP)[1] | ... | -0.1 |
| Impact on reserve coverage (months of imports) | -0.3 | -0.1 |

Note: the scenario assumes exports fall short by 10 percent and 5 percent below the baseline in 2012 and 2013, while imports fall short by one-third of the export reduction.

[1] On a fiscal-year basis: the column 2013 refers to FY 2012/13.

**The impact of higher international prices of oil and food would depend on the size and pace of the monetary response**. In particular, an increase in the fuel bill would worsen the trade balance and have some adverse impact on real activity, but the fiscal impact would be small. However, the impact on inflation could be significant. Headline inflation would, of course, rise, but the impact on core inflation would largely depend on the extent and speed of the monetary policy response; this should anticipate the ensuing inflationary pressures and be adjusted to allow first round effects while preventing second-round effects from taking hold.

**The impact of a shortfall in foreign aid would be significant but this seems unlikely in the near term**. In view of Rwanda's aid dependence, any significant drop in aid inflows would have an immediate and large impact on growth and public finances, which would in turn require a radical adjustment of macroeconomic policies. All indications are, however, that this is a very unlikely eventuality. Likewise, difficulties securing financing would also impact public finances for investment projects and result in scaling-back of needed investments.

**Contingency measures were discussed with the authorities**. On the fiscal side, the authorities committed to restraining non-priority spending should there be a shortfall in revenue relative to target—owing to a weakening in exports and growth—to avoid additional recourse to domestic financing, but—conditions permitting—some easing of monetary policy could be considered to stimulate economic activity. However, in an international price shock, the monetary authorities have indicated that they stand ready to tighten monetary policy further subject to accommodating the first-round effects of the external price shock while minimizing the second-round effects. Further the authorities and staff agreed that export diversification and lower dependence on aid would reduce Rwanda's vulnerability over the medium-to-long term.

## B. Increasing Investment While Containing Domestic Financing

13. **The fiscal program for FY 2012/13 is broadly in line with the PSI pillars**. Tax revenue is expected to increase as a share of GDP—a key objective of the PSI—from 12.7 percent of GDP in FY 2011/12 to 13.5 percent because of implementation of previously agreed on tax policy measures (introducing a gaming tax, increasing the tax rate on imported construction materials, streamlining exemptions in the investment code (end-June 2012 structural benchmark)) and revenue administration enhancements (installation of electronic registers (end-January 2012 structural benchmark)).[2] The authorities are also implementing a new tax regime for small and medium-sized enterprises; this change—which affects about 0.6 percent of total tax revenue—is expected to be at least revenue neutral. The increase in tax revenue will be partly offset by further—and permanent—losses of non-tax revenue (mainly dividends), leaving the revenue-to-GDP ratio at 14 percent in FY2012/13, up from 13.8 percent in FY 2011/12, broadly in line with the program.

MEFP ¶34–36

14. **The authorities are keen to raise investment to spur higher economic growth.** For the 2012/13 fiscal year, they have secured additional external concessional financing to scale up investment in energy, transportation, and irrigation, as well as in the construction of schools and health facilities. These investments are mostly unrelated to the large strategic investment projects, which are largely off-budget although provided with some government guarantees for non-concessional borrowing. To make room for planned wage increases in the public sector in FY 2012/13—civil service salaries have been frozen since 2006—the authorities will reduce purchases of goods and services. The authorities are also planning a small increase in domestic borrowing to finance investment, still leaving ample scope for expansion of credit to the private sector.

15. Owing to the additional foreign and domestic financing, the overall fiscal deficit is in FY 2012/13 is now projected to be somewhat larger (by 1.5 percent of GDP) than at the time of the previous review. The authorities indicated that, if downside risks materialize and revenue collections fall short of targets, they would delay non-priority spending rather than resort to domestic financing. Notwithstanding its procyclicality, the staff, on balance, agreed with this approach considering the importance of maintaining adequate scope for private sector credit growth. Beyond FY 2012/13, the authorities have also raised their foreign-financed investment projections—with corresponding higher fiscal deficits. However, if external (concessional) financing is not secured, these investment plans will need to be scaled back.

[2] The authorities are evaluating a study of the feasibility of replacing the current system of direct taxes with a flat tax (end-December 2011 structural benchmark). However, any change in the tax system will not be implemented before FY 2013/14 at the earliest. Moreover, the government is committed to ensuring that an overhaul of the system of direct taxes will be at least revenue neutral.

## C. Enhancing the Monetary Policy Framework

MEFP ¶53

16. **A gradual tightening of the monetary stance will aim to keep inflation well within the single-digit range in 2012**. Although fully committed to preserving single-digit inflation, the National Bank of Rwanda (NBR) is carefully managing the key repo rate not to jeopardize private sector credit and real GDP growth. The program for 2012 targets a reduction in the growth rates of broad and base money (to 17 percent), consistent with a marginal decline in inflation (to 7.5 percent at the end of the year). The NBR indicated that it stands ready to further tighten the monetary stance—including by raising the key repo rate—should inflationary pressures emerge. The mission argued that the NBR should seek to proactively anticipate inflationary pressures and adjust the monetary stance in a timely fashion to avoid unnecessary buildup in demand pressures and/or second-round effects from international petroleum or food price shocks.

17. **The NBR is taking steps to further strengthen its liquidity management framework**. To enhance the effectiveness of monetary policy, the NBR extended the liquidity forecasting framework from one week to six months. In addition, in February 2012, the NBR strengthened its repo operations framework by limiting its repo/reverse repo interventions to the seven-day maturity (both are end-February 2012 structural benchmarks). Further reforms planned for 2012 include improving the implementation of the required reserve ratio and the introduction of a new standing lending facility (end-June 2012 structural benchmark); the latter is expected to help improve liquidity management by banks, thereby enhancing banking system efficiency and reducing risks. The authorities are also considering converting existing NBR consolidated claims on the government into marketable securities to help deepen the domestic money market.

MEFP ¶55

18. **Additional reforms, however, are needed to improve the functioning of the money market and the foreign exchange market**. The mission reiterated an earlier recommendation that the NBR be more responsive to domestic market/liquidity developments and accept repo bids at higher rates than the key repo rate to encourage greater competition and improve response to market fundamentals. The mission also recommended that the NBR, as the main supplier of foreign exchange to the market, adhere to a predetermined intervention schedule, based on its monetary program, and allow the foreign exchange rate to be more responsive to market pressures. At the same time, the NBR should continue the policy of smoothing exchange rate movements and intervene proactively in times of high volatility.

## D. Securing Financing to Scale Up Investments

19. **The authorities have requested an untied non-concessional borrowing (NCB) ceiling of $255 million for the rest of the PSI period**, compared with the current ceiling of $240 million tied to two projects, the Kigali Convention Center and Rwandair. To date, the authorities have used $180 million of the current ceiling, and plan to borrow an additional $44 million for Rwandair in 2012. They would also like to accommodate a non-concessional line of credit for the state-owned development bank Banque Rwandaise de Développement (BRD), which is not included in the current ceiling. Based on the DSA update, additional borrowing of this magnitude has no material impact on Rwanda's debt sustainability outlook (Box 4).

20. **The authorities are in the process of finalizing financing plans for other strategic investment projects** (including energy, a new international airport near the capital, and a regional railway). The authorities plan to request a higher NCB ceiling to accommodate these projects in the fifth PSI review. They also are building capacity to move—as early as the fifth PSI review—to a framework of monitoring external debt in the context of "average concessionality" in line with the greater flexibility afforded by their recent upgrade to "higher" capacity for NCB under the IMF's debt limits policy. In the meantime, the authorities have prepared a well-crafted MTDS[3] and are readying themselves to conduct their own DSA.

[3] The MTDS identifies debt strategies to meet financing needs for the period from FY 2011/12 to 2013/14, while minimizing the cost, ensuring debt sustainability, and taking account of vulnerabilities and structural constraints in Rwanda's debt management. It considers four debt strategies, each of which is accompanied by stress testing. The result indicates that a baseline strategy assuming the current composition of the debt portfolio is the most cost-
(continued)
effective and the least risky, while the second-best strategy, lengthening the maturity of government securities, could facilitate the development of domestic financial markets.

## E. Strengthening the Financial Sector

21. **Financial sector reforms will continue to focus on** (i) strengthening the framework for the supervision and consolidation of the SACCOs; and (ii) creating an action plan to implement the recommendations of the 2011 FSAP update. The authorities intend to consolidate the SACCOs into one large cooperative bank by end-2014—maintaining the extended reach to the rural areas of the country. The consolidation process is to be achieved in two phases. In the first phase the individual SACCOs will be merged into 60 district SACCOs (2013) and one year later into a cooperative bank. Immediate reforms are geared toward harmonizing the accounting and reporting frameworks of individual SACCOs (end-September 2012 structural benchmark) in line with a recently prepared action plan, which was approved by the High Level Steering Committee (HLSC) in March 2012 (structural benchmark). Supervision of SACCOs is currently carried out by the 60 inspectors recently recruited by the authorities. The number of inspectors will later be reduced as the consolidation of the SACCOs proceeds. In other areas, the NBR is planning to implement the recommendations of the FSAP update with support from the World Bank's Financial Sector Reform and Strengthening Initiative (First).

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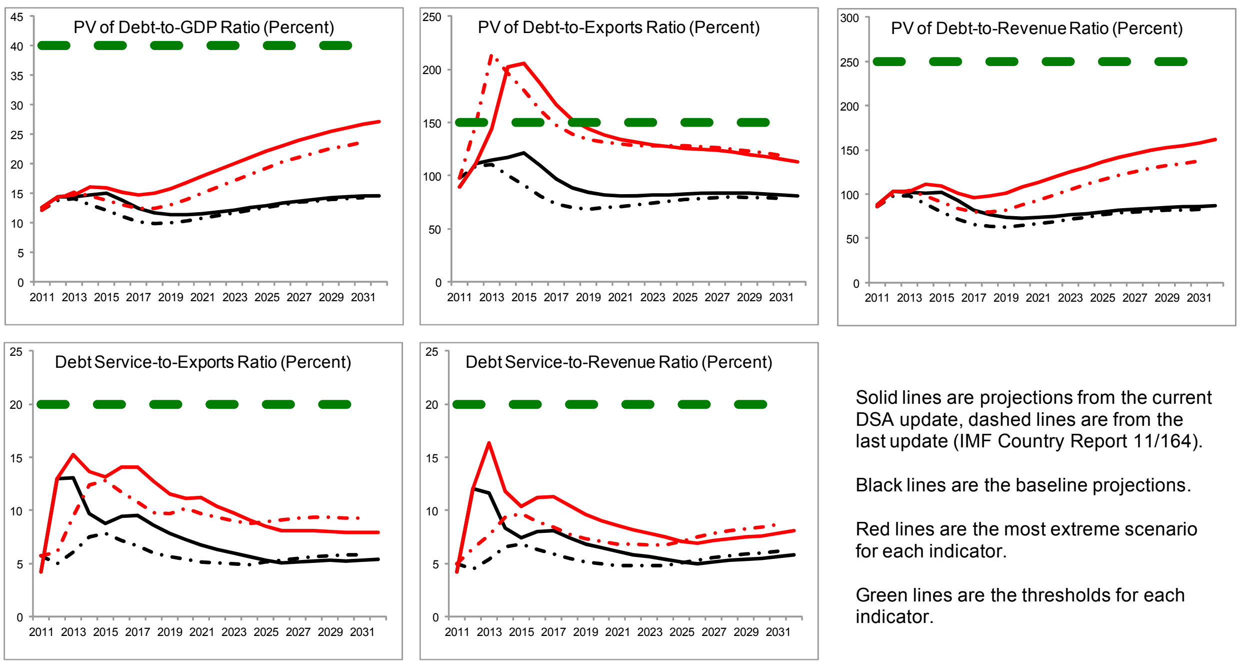
## F. Advancing Structural Reforms

22. **Structural reforms continue across a range of macrocritical areas**. Public financial management, revenue administration, and statistics are core areas for reform. Progress continues in strengthening budget preparation and execution and in rolling out the Integrated Financial Management Information System (IFMIS). A variety of measures are being implemented to enhance revenue administration and ease tax compliance. The capacity of the National Institute of Statistics of Rwanda (NISR) is being strengthened; and particular emphasis is being placed on improving the quality of agricultural statistics (end-March 2012 structural benchmark) and strengthening national accounts, including an upcoming Integrated Enterprise Survey (end-October 2012 structural benchmark) to develop robust benchmarks for rebasing GDP estimates—expected to be finished by end-2013. To support the work plan, human capacity of the NISR is being strengthened, with particular emphasis placed on the economic statistics department.

## Box 4. DSA Update[1]

**Rwanda continues to be assessed at moderate risk of external debt distress**—unchanged from the last debt sustainability analysis (DSA) (IMF Country Report no. 11/164). As in the previous assessment, the moderate rating is due to Rwanda's continuing vulnerability to adverse shocks to exports, underscoring the need to fully implement the authorities' National Export Strategy, which aims to expand the export base. The last DSA provides a more detailed background on this point. The analysis also underscores that there is room to access some additional non-concessional borrowing, as proposed by the authorities, without unduly affecting debt sustainability.

**External DSA: Comparison with Last DSA**




Solid lines are projections from the current DSA update, dashed lines are from the last update (IMF Country Report 11/164).

Black lines are the baseline projections.

Red lines are the most extreme scenario for each indicator.

Green lines are the thresholds for each indicator.

Source: Country authorities and IMF staff projections and estimates.

**Rwanda's external debt stood at US$1.1 billion at end-2011 (18 percent of GDP), up from US$0.8 billion (14.6 percent of GDP) at end-2010 in the previous DSA update.** Domestic debt has declined slightly as a share of GDP at end-2011. The underlying macroeconomic framework is consistent with the PSI-supported program, and the assumptions are broadly unchanged from the last DSA., Despite an increase in Rwanda's Country Policy and Institutional Assessment (CPIA) score since the last update, the three-year moving average suggests that it continues to warrant a "medium" rating, and hence unchanged debt thresholds.

[1] Joint IMF-World Bank DSA.

## Box 4. DSA Update (continued)

### Rwanda: Composition of Public Debt, End–2011

| | Millions of US$ | Percent of Total | Percent of GDP |
|---|---|---|---|
| **Total (external + domestic)** | **1,597** | **100** | **25.3** |
| **External debt** | **1,135** | **71** | **18.0** |
| Central government | 1,007 | 63 | 16.0 |
| Multilateral | 830 | 52 | 13.2 |
| IMF | 14 | 1 | 0.2 |
| IDA | 394 | 25 | 6.3 |
| AfDB | 218 | 14 | 3.5 |
| Other multilateral | 203 | 13 | 3.2 |
| Official bilateral | 177 | 11 | 2.8 |
| Paris Club | 28 | 2 | 0.4 |
| Non-Paris Club | 149 | 9 | 2.4 |
| Guaranteed by the central government | 128 | 8 | 2.0 |
| **Domestic debt** | **462** | **29** | **7.3** |
| Billion RF | 279 | 29 | 7.3 |
| *Of which:* Short-term government and central bank | 175 | 18 | 4.6 |

Source: Country authorities, IMF and World Bank staff calculations.

**The results of the external DSA confirm that Rwanda's debt dynamics are sustainable**. The stress tests confirm that Rwanda continues to have vulnerabilities owing to its low export base, similar to previous DSA assessments. The main change to the baseline compared to the previous DSA reflects higher present value (PV) of debt, higher upfront debt service payments, and, to a lesser extent, higher GDP, exports, and domestic revenue. The higher PV of debt reflects higher concessional resources—mainly International Development Association (IDA) project loans starting in 2011 and higher assumed commercial borrowing required to fill the financing gap of the authorities' proposed investment plan. On a PV basis, the peak level of indebtedness is also now assumed to occur slightly later than in the previous DSA. A large part of the non-concessional funding for the Kigali Convention Centre—which had earlier been expected to be disbursed in 2011—is now expected to occur mainly in 2012–13. Other financing, including for the purchase of new planes, has also been pushed back and is now expected in 2012. These changes result mainly in a change in the profile of the PV of external debt to exports, with the peak shifted out to around 2014. Debt service payments increase temporarily in 2013 and 2014, compared to the previous DSA, but remain below the thresholds under the baseline and stress tests. The higher debt service reflects repayment on a short-term bridge loan contracted from Citibank to finance Kigali Convention Center (KCC), one of the large strategic investments.[2] The baseline in the last DSA assumed long-term loan financing for this project. The authorities continue to seek longer-term funding to replace the bridge loan.[3] All other baseline assumptions remain the same as in the previous DSA.

**The conclusions of the fiscal DSA parallel those from the exercise for foreign debt.** Domestic public debt is expected to increase gradually over the projection period. Nevertheless, the present value of the debt is expected to remain at only around 20 percent of GDP. The most extreme outcome from the stress tests sees this increasing only to around 31 percent of GDP.

**The details of the baseline and sensitivity analysis are in the Appendix.**

[2] The loan from Citibank was contracted in August 2011 for $100 million as a one-year renewable bridge loan (see IMF Country Report No. 12/15). The authorities have drawn $40 million in 2011. The DSA assumes a drawdown of subsequent tranches, and roll over of current disbursements, over the course of 2012-14, in line with the authorities' assumptions.

[3] In the DSA update, this is assumed to be secured in 2014.

# PROGRAM ISSUES

23. **The authorities propose, and the staff supports, modifications of end-June 2012 quantitative assessment criteria and the setting of such criteria for end-December 2012**, reflecting the budget program for the next fiscal year and the revised monetary program. Specifically, (i) net foreign assets (NFA) of the central bank will be revised upward mainly to reflect the impact of higher build up in reserves in 2011 on account of larger donor inflows; (ii) reserve money will be revised slightly upward to accommodate higher demand for liquidity on account of somewhat higher nominal GDP in the period combined with continued increased financial deepening; (iii) NDF will be revised downward to account for changes in timing of donor inflows; and (iv) the ceiling on NCB will be revised from US$240 million to US$255 million—and the ceiling is modified to untied—to accommodate a non-concessional line of credit for the BRD. In addition, indicative targets for domestic revenue, priority expenditure, and consolidated domestic debt will be adjusted to reflect revised assumptions and projections.[4]

24. **Structural conditionality under the PSI intends to support capacity building in key areas.** In addition to previously agreed on structural benchmarks, the authorities and the mission agreed to additional measures for public financial management, monetary policy, and the financial and external sectors (Text Table 2).

[4] In particular, the indicative target for priority spending has been lowered. While total spending by priority sector remains unchanged, there is a reallocation of spending from purchases of goods and services (the base for defining the target) to wages and salaries. Transfers have also been separated into wage and subsidy components.

Text Table 2. Rwanda: Additional Structural Benchmarks for 2012

| Policy Measure | Target Date | Macroeconomic rationale |
|---|---|---|
| **Public financial management** | | |
| 1. Complete the determination of the detailed system and technical requirements for the Integrated Financial Management Information System | End-September 2012 | To improve budget preparation, implementation, and reporting. |
| **Monetary policy** | | |
| 2. Introduce a (fully collaterized) standing short-term lending facility with related interest rate set at a margin above the key repo rate | End-June 2012 | To improve the implementation of monetary policy. |
| **External sector** | | |
| 3. Complete (by NBR) a study to assess exchange rate developments and identify the main determinants of the exchange rate with a view of supporting the implementation of the exchange rate policy and maintaining export competitiveness | End-September 2012 | To improve the implementation of exchange rate policy. |
| 4. Submit to the Industrial Development and Export Council a financing plan for the National Export Strategy | End-December 2012 | To widen the export base of Rwanda. |
| **Financial sector** | | |
| 5. Adopt (by NBR) a harmonized credit policy for SACCOs | End-September 2012 | To expedite supervision of the Umurenge SACCOs. |
| 6. Complete the rating of SACCOs and selection of those that qualify for consolidation at district level | End-December 2012 | To expedite supervision of the Umurenge SACCOs. |

Source: IMF staff and Rwandan authorities.

# STAFF APPRAISAL

25. **The authorities are to be commended for their strong performance under the PSI-supported program**. All quantitative assessment criteria for end-December 2011 were met. Most structural benchmarks were met, albeit some with delays. Staff encourages the authorities to step up efforts to implement structural measures in a timely manner. The authorities should strive to avoid any further delays in the submission of the MTDS to the cabinet.

26. **The outlook for 2012 is generally positive, but not without risk**. Growth is expected to remain high—spurred by agriculture, exports, and domestic demand—and inflation relatively modest. While Rwanda has remained relatively insulated from the slowdown in the advanced economies, further global setbacks, including contraction in demand and higher world fuel prices, could threaten growth, revenue, and inflation objectives.

27. **The fiscal framework for 2012/13 is in line with the main objectives of the PSI**. Tax revenue is projected to increase as a share of GDP but will be partly offset by a shortfall in non-tax revenue. Budget grants are expected to remain broadly unchanged and to continue to account for around 40 percent of resources available to the government, underlining Rwanda's aid dependence. The temporary increase in spending as a share of GDP is for strategic investment intended to foster medium-term growth. A planned increase in civil service salaries is appropriate given that civil service salaries have been frozen since 2006 and that the government needs to recruit and retain staff. The authorities should avoid cuts in purchases of goods and services in priority sectors that could hamper operations and maintenance.

28. **Staff welcomes the authorities' commitment to delay non-priority spending rather than resort to additional domestic financing if downside risks materialize and revenue collections fall short of target**. The alternative would be to jeopardize recent fiscal consolidation gains and crowd out private sector credit.

29. **A slight tightening of the monetary policy stance is aimed at maintaining inflation in the single digits**. However, the NBR needs to be more proactive in its implementation of monetary policy to respond in a timely fashion to any signs of inflationary pressures.

30. **Staff welcomes ongoing reforms of the liquidity management framework**, including extending the liquidity forecasting framework to six months and limiting its repo/reverse repo interventions to the seven-day maturity. Planned future reforms include improving the implementation of the required reserve ratio and the introduction of a new standing lending facility.

31. **Additional reforms are needed to improve the functioning of the money market and the foreign exchange market**. The NBR needs to be more responsive to market/liquidity developments and accept repo bids at higher rates than the key repo rate. As the main supplier of foreign exchange to the market, the NBR should allow the foreign exchange rate to be more responsive to market pressures.

32. **The authorities should carefully move forward their plans to enhance financial access**. In particular, SACCOs need to be well supervised and in good financial standing before going ahead with their consolidation into a large cooperative bank.

33. **Staff recommends the completion of the fourth review, the modification of assessment criteria for end-June 2012, the setting of end-December 2012 assessment criteria, and the approval of additional structural benchmarks for 2012 under the PSI-supported program based on Rwanda's continued strong performance under and commitment to the program**.

## Table 1. Rwanda: Selected Economic and Financial Indicators, 2008–17

| | 2008 | 2009 | 2010 | Country Report No. 12/15 2011 | Est. 2011 | Country Report No. 12/15 2012 | Proj. 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Percent changes; unless otherwise indicated) | | | | | | | | | | | |
| Output and prices | | | | | | | | | | | | |
| Real GDP growth | 11.2 | 4.1 | 7.2 | 8.8 | 8.6 | 7.6 | 7.7 | 7.5 | 7.2 | 7.0 | 7.0 | 6.5 |
| Real GDP (per capita) | 8.9 | 2.0 | 5.0 | 6.6 | 6.3 | 5.4 | 5.5 | 5.3 | 5.0 | 4.8 | 4.8 | 4.3 |
| GDP deflator | 12.6 | 11.0 | 2.5 | 4.8 | 7.5 | 7.7 | 7.7 | 7.8 | 6.4 | 5.3 | 5.5 | 5.5 |
| Consumer prices (period average) | 15.4 | 10.3 | 2.3 | 6.0 | 5.7 | 8.1 | 7.9 | 7.0 | 5.8 | 5.0 | 5.0 | 5.0 |
| Consumer prices (end of period) | 22.3 | 5.7 | 0.2 | 8.7 | 8.3 | 7.5 | 7.5 | 6.5 | 5.0 | 5.0 | 5.0 | 5.0 |
| External sector | | | | | | | | | | | | |
| Export of goods, f.o.b (U.S. dollars) | 51.4 | -12.2 | 26.5 | 36.1 | 56.2 | 4.2 | 0.6 | 5.6 | 5.0 | 1.8 | 8.1 | 9.8 |
| Imports of goods, f.o.b (U.S. dollars) | 51.5 | 13.5 | 8.5 | 45.4 | 44.3 | 4.9 | 13.7 | -0.4 | 3.9 | -11.7 | 5.0 | 6.9 |
| Export volume | 21.8 | -20.0 | 11.6 | 9.2 | 20.0 | 9.0 | 12.3 | 6.2 | 4.7 | 7.9 | 9.4 | 7.6 |
| Import volume | 6.4 | 7.4 | 3.8 | 32.0 | 18.3 | 4.8 | 18.8 | -0.6 | 3.3 | -6.9 | 5.5 | 6.9 |
| Terms of trade (deterioration = -) | -12.8 | 3.8 | 8.5 | 13.1 | 6.6 | -4.5 | -6.5 | -0.8 | -0.3 | -0.5 | -0.7 | 2.0 |
| Money and credit[1] | | | | | | | | | | | | |
| Net domestic assets[2] | 10.3 | 4.9 | 2.2 | 11.4 | 1.9 | 25.7 | 18.3 | 19.6 | 18.0 | 11.3 | 15.0 | 12.1 |
| Domestic credit[2] | 20.5 | 3.8 | 9.4 | 10.8 | 3.2 | 24.1 | 18.5 | 19.6 | 18.5 | 11.7 | 15.3 | 12.4 |
| Government[2] | -18.1 | 0.2 | 2.4 | -8.9 | -15.0 | 12.5 | 6.7 | 3.3 | 1.8 | 1.9 | 1.8 | 0.0 |
| Economy[2] | 38.6 | 3.6 | 7.0 | 19.7 | 18.2 | 11.6 | 11.8 | 16.3 | 16.6 | 9.9 | 13.5 | 12.4 |
| Broad money (M2) | 24.2 | 13.1 | 16.9 | 19.6 | 26.8 | 17.0 | 17.0 | 16.9 | 15.6 | 13.7 | 13.9 | 13.3 |
| Reserve money | 23.5 | 0.3 | 12.5 | 19.6 | 23.4 | 17.0 | 17.0 | 16.9 | 15.6 | 13.7 | 13.9 | 13.3 |
| Velocity (GDP/M2; end of period) | 5.5 | 5.6 | 5.3 | 5.0 | 4.8 | 5.0 | 4.8 | 4.8 | 4.7 | 4.7 | 4.6 | 4.6 |
| | (Percent of GDP) | | | | | | | | | | | |
| National income accounts | | | | | | | | | | | | |
| National savings | 9.1 | 5.0 | 4.1 | 3.8 | 3.0 | 4.3 | 2.2 | 4.1 | 3.9 | 6.5 | 7.7 | 8.4 |
| Gross investment | 23.5 | 22.4 | 21.7 | 25.3 | 22.1 | 25.1 | 23.8 | 23.0 | 21.5 | 20.0 | 19.7 | 19.4 |
| *Of which:* private (including public enterprises) | 13.1 | 12.4 | 10.8 | 12.0 | 9.2 | 13.6 | 9.5 | 9.8 | 10.1 | 10.4 | 10.7 | 11.0 |
| Government finance[3] | | | | | | | | | | | | |
| Total revenue (excl. grants) | 12.6 | 14.9 | 12.6 | 13.9 | 13.7 | 14.1 | 13.8 | 14.0 | 14.3 | 14.6 | 14.9 | 15.2 |
| Total expenditure and net lending | 22.6 | 26.4 | 25.9 | 28.3 | 27.9 | 27.2 | 26.9 | 28.0 | 27.8 | 24.5 | 23.7 | 23.0 |
| Capital expenditure | 8.2 | 11.1 | 10.2 | 12.6 | 12.4 | 12.6 | 12.4 | 13.5 | 13.1 | 10.1 | 9.4 | 9.0 |
| Current expenditure | 15.1 | 14.5 | 14.8 | 15.1 | 14.9 | 14.6 | 14.5 | 14.3 | 14.3 | 13.8 | 13.7 | 13.4 |
| Primary fiscal balance[4] | -3.3 | -2.2 | -5.2 | -5.1 | -5.0 | -4.4 | -4.6 | -3.8 | -3.4 | -2.7 | -2.2 | -1.6 |
| Domestic fiscal balance[5] | -5.6 | -5.3 | -8.1 | -7.9 | -7.8 | -6.4 | -6.7 | -6.0 | -5.7 | -5.2 | -4.6 | -3.7 |
| Overall fiscal balance (payment order) | | | | | | | | | | | | |
| After grants | -0.2 | -2.2 | -0.1 | -3.5 | -3.4 | -1.9 | -1.9 | -2.6 | -2.9 | -2.3 | -1.6 | -1.6 |
| Before grants | -10.0 | -11.5 | -13.3 | -14.4 | -14.2 | -13.0 | -13.2 | -14.0 | -13.5 | -10.0 | -8.8 | -7.8 |
| External sector | | | | | | | | | | | | |
| External current account balance | | | | | | | | | | | | |
| Including official transfers | -4.9 | -7.3 | -5.9 | -10.6 | -7.3 | -12.7 | -10.0 | -9.7 | -10.4 | -7.2 | -6.3 | -5.9 |
| Excluding official transfers | -14.4 | -17.3 | -17.7 | -21.7 | -19.1 | -21.4 | -21.5 | -19.0 | -17.7 | -13.5 | -11.9 | -11.0 |
| External debt (end of period) | 14.8 | 14.5 | 14.6 | 18.5 | 18.0 | 19.1 | 18.7 | 19.1 | 19.1 | 19.3 | 18.1 | 16.6 |
| Net present value of external debt | | | | | | | | | | | | |
| (Percent of exports of goods and services) | … | … | 86.9 | 100.5 | 88.9 | 118.9 | 111.2 | 114.8 | 117.0 | 121.0 | 109.4 | 96.7 |
| Scheduled debt service ratio | | | | | | | | | | | | |
| (Percent of exports of goods and services) | 2.1 | 2.1 | 2.2 | 5.6 | 4.2 | 5.7 | 13.0 | 13.1 | 9.6 | 8.7 | 9.4 | 9.5 |
| Gross reserves (months of imports of goods and services)[6] | 4.7 | 5.4 | 4.5 | 4.6 | 5.1 | 4.2 | 5.0 | 4.4 | 4.4 | 4.4 | 4.0 | 3.8 |
| Gross reserves excluding encumbered assets | | | | | | | | | | | | |
| (Months of imports of goods and services)[6] | | | | 4.3 | 4.9 | 3.7 | 4.7 | 4.1 | 4.4 | 4.4 | 4.0 | 3.8 |
| | (Millions of U.S. Dollars) | | | | | | | | | | | |
| Gross reserves | 596.4 | 742.2 | 814.2 | 894.2 | 1051.2 | 786.6 | 1042.0 | 950.4 | 895.4 | 940.1 | 912.0 | 943.4 |
| *Memorandum item:* | | | | | | | | | | | | |
| Nominal GDP (billions of Rwanda francs) | 2,565 | 2,964 | 3,257 | 3,709 | 3,801 | 4,300 | 4,409 | 5,109 | 5,828 | 6,567 | 7,412 | 8,325 |

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Projections are based on the program exchange rate of RF per U.S. dollar of RWF571.24 for 2010 and RWF594.45 thereafter.

[2] As a percent of the beginning-of-period stock of broad money.

[3] On a fiscal-year basis (July–June). For example, the column ending in 2011 refers to FY2010/11.

[4] Revenue excluding grants minus current expenditure except interest due and exceptional expenditure (AU peacekeeping expenditures and spending on demobilizing and integrating militia groups) minus domestically financed capital expenditure.

[5] Revenue excluding grants minus current expenditure (excluding external interest) minus domestically financed capital expenditure and net lending.

[6] Data from 2009 onward includes SDR allocation.

# Table 2. Balance of Payments, 2008–17

| | 2008 | 2009 | 2010 | 2011 | | 2012 | | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Est. | Est. | Est. | Country Report No. 12/15 | Est. | Country Report No. 12/15 | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| Exports (f.o.b.),[1] | 267.7 | 235.0 | 297.3 | 404.4 | 464.2 | 421.4 | 467.0 | 492.9 | 517.7 | 527.1 | 570.0 | 625.8 |
| *Of which:* Coffee and tea | 92.0 | 85.6 | 111.8 | 137.0 | 138.5 | 149.0 | 141.8 | 152.6 | 163.9 | 152.3 | 165.1 | 189.3 |
| Minerals | 91.7 | 55.4 | 67.9 | 117.6 | 151.4 | 118.4 | 141.9 | 147.3 | 149.2 | 151.9 | 161.3 | 171.3 |
| Imports (f.o.b.) | 880.7 | 999.2 | 1,084.0 | 1,575.7 | 1,563.8 | 1,653.6 | 1,778.4 | 1,771.9 | 1,841.4 | 1,626.5 | 1,707.1 | 1,824.1 |
| *Of which:* Capital goods | 245.0 | 256.3 | 243.1 | 477.8 | 324.7 | 499.4 | 519.9 | 501.7 | 545.2 | 407.8 | 429.0 | 475.7 |
| Energy goods | 107.7 | 122.5 | 143.3 | 234.1 | 241.1 | 244.0 | 276.0 | 284.9 | 288.1 | 321.3 | 330.3 | 342.9 |
| Trade balance | -613.0 | -764.2 | -786.7 | -1,171.3 | -1,099.6 | -1,232.2 | -1,311.4 | -1,278.9 | -1,323.7 | -1,099.3 | -1,137.1 | -1,198.3 |
| Services (net)[2] | -100.6 | -181.6 | -246.2 | -209.7 | -189.4 | -265.1 | -252.8 | -247.1 | -218.2 | -188.4 | -138.5 | -102.2 |
| *Of which:* tourism receipts | 186.0 | 174.5 | 201.6 | 251.0 | 251.8 | 276.1 | 276.0 | 317.5 | 365.0 | 419.8 | 482.7 | 555.1 |
| Income | -35.1 | -36.9 | -44.2 | -50.1 | -54.6 | -62.0 | -70.1 | -82.1 | -96.2 | -113.0 | -101.6 | -95.3 |
| *Of which:* interest on public debt[3] | -6.9 | -7.3 | -7.8 | -12.0 | -8.1 | -16.0 | -13.3 | -16.5 | -27.0 | -35.5 | -26.7 | -24.2 |
| Current transfers (net)[4] | 518.6 | 600.0 | 745.4 | 789.7 | 880.6 | 723.5 | 939.3 | 853.4 | 761.1 | 735.8 | 743.7 | 747.3 |
| Private | 72.6 | 79.7 | 90.7 | 120.4 | 133.3 | 142.7 | 134.9 | 137.7 | 142.1 | 154.5 | 170.2 | 174.6 |
| *Of which:* remittance inflows | 63.3 | 88.1 | 98.2 | 140.3 | 166.2 | 145.9 | 171.7 | 178.4 | 185.3 | 202.5 | 221.9 | 229.9 |
| Public | 446.0 | 520.3 | 654.7 | 669.3 | 747.3 | 580.8 | 804.4 | 715.7 | 619.0 | 581.3 | 573.5 | 572.7 |
| *Of which:* HIPC grants | 5.6 | 5.2 | 4.5 | 4.6 | 4.5 | 5.0 | 4.9 | 4.9 | 4.9 | 5.3 | 5.2 | 5.2 |
| Current account balance (incl. official transfers) | -230.1 | -382.7 | -331.7 | -641.4 | -463.0 | -835.8 | -694.9 | -754.8 | -877.0 | -665.0 | -633.5 | -648.5 |
| Current account balance (excl. official transfers) | -676.1 | -903.0 | -986.4 | -1,310.7 | -1,210.3 | -1,416.6 | -1,499.4 | -1,470.5 | -1,496.1 | -1,246.3 | -1,207.0 | -1,221.2 |
| Capital account | 210.1 | 200.0 | 197.6 | 174.1 | 78.4 | 189.1 | 206.3 | 251.1 | 230.6 | 287.5 | 279.1 | 271.0 |
| Project grants | 210.1 | 200.0 | 197.6 | 174.1 | 78.4 | 189.1 | 206.3 | 251.1 | 230.6 | 287.5 | 279.1 | 271.0 |
| Financial account | 106.1 | 327.5 | 246.3 | 547.9 | 511.2 | 540.2 | 480.4 | 413.8 | 593.8 | 425.1 | 328.6 | 410.9 |
| Direct investment | 103.4 | 118.7 | 42.3 | 60.0 | 106.2 | 150.0 | 171.9 | 120.8 | 150.0 | 180.3 | 207.5 | 237.5 |
| Public sector capital | 104.8 | 182.1 | 99.0 | 419.3 | 309.6 | 279.4 | 188.6 | 318.0 | 320.4 | 14.8 | 40.2 | 99.5 |
| Long-term borrowing[5] | 112.2 | 88.8 | 110.1 | 450.2 | 339.9 | 325.2 | 283.2 | 384.3 | 366.8 | 160.4 | 105.3 | 166.5 |
| Scheduled amortization[6] | -7.5 | -7.5 | -11.1 | -31.0 | -30.2 | -45.8 | -94.6 | -66.3 | -46.3 | -145.6 | -65.1 | -67.0 |
| SDR allocation | | 100.7 | | | | | | | | | | |
| Other capital[7] | -102.0 | 26.8 | 104.9 | 68.7 | 95.3 | 110.8 | 120.0 | -25.0 | 123.4 | 230.0 | 81.0 | 73.8 |
| Capital and financial account balance | 316.1 | 527.5 | 443.9 | 722.1 | 589.6 | 729.3 | 686.8 | 664.9 | 824.5 | 712.6 | 607.8 | 681.9 |
| Errors and omissions | -21.3 | 0.0 | -40.1 | 0.0 | 111.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance | 64.7 | 144.8 | 72.0 | 80.7 | 237.7 | -106.5 | -8.1 | -89.8 | -52.6 | 47.6 | -25.8 | 33.4 |
| Financing | -64.7 | -144.8 | -72.0 | -80.7 | -237.7 | 106.5 | 8.1 | 89.8 | 52.6 | -47.6 | 25.8 | -33.4 |
| Change in net foreign assets of NBR (increase -) | -64.7 | -144.8 | -72.0 | -80.7 | -237.7 | 106.5 | 8.1 | 89.8 | 52.6 | -47.6 | 25.8 | -33.4 |
| Net credit from the Fund | 3.6 | 3.6 | -0.1 | -0.6 | -0.6 | -1.1 | -1.1 | -1.8 | -2.5 | -2.9 | -2.4 | -1.9 |
| Disbursements/purchases | 3.6 | 3.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Repayments/repurchases | 0.0 | 0.0 | -0.1 | -0.6 | -0.6 | -1.1 | -1.1 | -1.8 | -2.5 | -2.9 | -2.4 | -1.9 |
| Change in other gross official reserves (increase -) | -44.1 | -145.8 | -71.9 | -80.0 | -237.0 | 107.6 | 9.2 | 91.6 | 55.0 | -44.7 | 28.2 | -31.4 |
| Change in other foreign liabilities (increase +) | -24.2 | -2.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in arrears (decrease -) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Exceptional financing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing need | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Identified financing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing gap | 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 deficit (percent of GDP) | | | | | | | | | | | | |
| Excluding official transfers | -14.4 | -17.3 | -17.7 | -21.6 | -19.1 | -20.9 | -21.5 | -19.0 | -17.7 | -13.5 | -11.9 | -11.0 |
| Including official transfers | -4.9 | -7.3 | -5.9 | -10.6 | -7.3 | -12.3 | -10.0 | -9.7 | -10.4 | -7.2 | -6.3 | -5.9 |
| Gross official reserves (including SDR allocation) | 596.4 | 742.2 | 814.2 | 894.2 | 1,051.2 | 786.6 | 1,042.0 | 950.4 | 895.4 | 940.1 | 912.0 | 943.4 |
| Gross official reserves (months of prospective imports of G&S) | 4.7 | 5.4 | 4.5 | 4.6 | 5.1 | 4.2 | 5.0 | 4.4 | 4.4 | 4.4 | 4.0 | 3.8 |
| Excluding encumbered assets | 4.7 | 5.4 | 4.5 | 4.3 | 4.9 | 3.7 | 4.7 | 4.1 | 4.4 | 4.4 | 4.0 | 3.8 |
| Overall balance (percent of GDP) | 1.4 | 2.8 | 1.3 | 1.3 | 3.8 | -1.6 | -0.1 | -1.2 | -0.6 | 0.5 | -0.3 | 0.3 |

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] From 2010 onward includes the results of the informal cross-border trade survey.

[2] Revision of methodology resulted in a sharp increase of tourism revenues from 2008, thus increasing export of services.

[3] Including interest due to the IMF.

[4] Current transfers include disbursed budgetary and HIPC grants and humanitarian and technical assistance.

[5] Includes project and budgetary loans.

[6] Excluding payments to the IMF.

[7] Other capital includes long-term private capital, commercial credit, change in the net foreign assets of commercial banks, and unrecorded imports.

## Table 3. Rwanda: Operations of Central Government, Fiscal-Year Basis, 2008/09–16/17

| | 2008/09 | 2009/10 | 2010/11 Prel. | 2011/12 Country Report No. 12/15 | 2011/12 Rev. Proj | 2012/13 Country Report No. 12/15 | 2012/13 Rev. Proj | 2013/14 Proj. | 2014/15 Proj. | 2015/16 Proj. | 2016/17 Proj. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Billions of Rwanda francs) | | | | | | | | | | |
| Revenue and grants | 670.7 | 800.7 | 863.4 | 1,010.6 | 1,028.6 | 1,122.5 | 1,206.7 | 1,360.8 | 1,376.0 | 1,541.0 | 1,682.8 |
| Total revenue | 413.0 | 391.4 | 484.4 | 565.1 | 565.1 | 651.5 | 665.8 | 781.0 | 903.5 | 1,039.6 | 1,195.6 |
| Tax revenue | 361.4 | 376.4 | 463.8 | 519.7 | 519.7 | 619.4 | 641.3 | 754.8 | 874.0 | 1,006.6 | 1,158.3 |
| Direct taxes | 130.1 | 148.8 | 180.9 | 207.3 | 207.3 | 251.0 | 258.9 | 306.3 | 353.3 | 405.4 | 481.5 |
| Taxes on goods and services | 179.3 | 195.0 | 245.1 | 271.4 | 271.4 | 325.8 | 339.9 | 399.3 | 464.9 | 538.3 | 606.0 |
| Taxes on international trade | 52.0 | 32.6 | 37.8 | 41.0 | 41.0 | 42.5 | 42.5 | 49.2 | 55.8 | 62.9 | 70.8 |
| Nontax revenue | 51.7 | 15.0 | 20.6 | 45.4 | 45.4 | 32.1 | 24.5 | 26.2 | 29.5 | 33.0 | 37.3 |
| Grants | 257.7 | 409.3 | 379.0 | 445.5 | 463.5 | 471.0 | 540.9 | 579.8 | 472.5 | 501.4 | 487.2 |
| Budgetary grants | 167.0 | 283.0 | 215.0 | 261.2 | 279.1 | 287.6 | 297.0 | 317.3 | 253.9 | 251.4 | 243.0 |
| Capital grants | 90.7 | 126.3 | 164.0 | 184.3 | 184.3 | 183.4 | 243.9 | 262.6 | 218.6 | 250.0 | 244.1 |
| *Of which:* Global Fund | ... | ... | 0.0 | 70.7 | 70.7 | 65.9 | 96.2 | 79.4 | 11.2 | 0.0 | 0.0 |
| Total expenditure and net lending | 731.2 | 804.2 | 984.3 | 1,087.6 | 1,105.6 | 1,171.4 | 1,331.0 | 1,521.4 | 1,520.5 | 1,654.1 | 1,809.0 |
| Current expenditure | 401.7 | 459.2 | 527.0 | 583.7 | 596.3 | 657.0 | 679.9 | 782.0 | 857.8 | 956.6 | 1,053.8 |
| *Of which:* priority | 232.2 | 280.4 | 310.8 | 350.8 | 350.8 | ... | 344.5 | ... | ... | ... | ... |
| Wages and salaries | 90.8 | 106.9 | 122.0 | 131.2 | 131.2 | 146.9 | 186.6 | 201.5 | 211.6 | 222.2 | 250.2 |
| Civil | 66.1 | 77.5 | 91.4 | 99.2 | 99.2 | 105.6 | 148.6 | 159.8 | 165.7 | 176.3 | 198.5 |
| Defense | 24.7 | 29.4 | 30.6 | 32.0 | 32.0 | 41.3 | 38.0 | 41.7 | 45.9 | 45.9 | 51.7 |
| Purchases of goods and services | 103.2 | 106.3 | 124.1 | 144.5 | 148.3 | 160.6 | 125.4 | 153.1 | 173.6 | 202.7 | 228.2 |
| Civil | 82.9 | 94.3 | 109.5 | 129.5 | 133.3 | 142.3 | 106.3 | 131.3 | 148.8 | 174.8 | 196.8 |
| Defense | 20.2 | 12.0 | 14.6 | 15.0 | 15.0 | 18.4 | 19.0 | 21.9 | 24.8 | 28.0 | 31.5 |
| Interest payments | 11.4 | 14.7 | 15.6 | 16.0 | 16.0 | 19.1 | 18.2 | 17.1 | 19.2 | 21.0 | 23.6 |
| Domestic debt | 7.4 | 10.1 | 10.9 | 10.1 | 10.1 | 8.8 | 8.2 | 5.5 | 6.2 | 7.0 | 7.9 |
| External debt | 4.0 | 4.6 | 4.7 | 5.9 | 5.9 | 10.3 | 10.0 | 11.7 | 13.0 | 14.0 | 15.7 |
| Transfers | 141.6 | 179.6 | 197.2 | 223.9 | 223.9 | 261.6 | 264.1 | 308.8 | 345.6 | 392.6 | 442.0 |
| Exceptional expenditure | 54.7 | 51.6 | 68.1 | 68.1 | 76.9 | 68.8 | 85.7 | 101.4 | 107.8 | 118.1 | 109.8 |
| Capital expenditure | 306.6 | 316.7 | 438.6 | 503.2 | 508.6 | 492.3 | 641.3 | 715.4 | 625.0 | 655.5 | 708.0 |
| *Of which:* priority | 124.4 | 129.2 | 176.6 | 175.7 | 175.7 | ... | 206.1 | ... | ... | ... | ... |
| Domestic | 139.7 | 159.3 | 218.9 | 243.6 | 248.9 | 247.8 | 271.0 | 300.8 | 340.9 | 377.5 | 405.0 |
| Foreign | 167.0 | 157.4 | 219.7 | 259.6 | 259.7 | 244.5 | 370.3 | 414.6 | 284.1 | 278.0 | 303.0 |
| *Of which:* Global Fund | ... | ... | 47.8 | 70.4 | 70.7 | 0.0 | 96.2 | 79.4 | 11.2 | 0.0 | 0.0 |
| Net lending and privatization receipts | 22.9 | 28.2 | 18.7 | 0.7 | 0.7 | 22.0 | 9.8 | 24.0 | 37.7 | 41.9 | 47.2 |
| Primary balance[2] | -62.2 | -160.8 | -177.8 | -178.1 | -187.2 | -165.4 | -181.3 | -183.3 | -168.2 | -155.4 | -129.8 |
| Domestic fiscal balance[3] | -147.2 | -250.7 | -275.5 | -257.0 | -274.9 | -265.0 | -284.9 | -314.2 | -319.9 | -322.4 | -294.7 |
| Excluding demobilization and peacekeeping expenditure | -121.8 | -224.3 | -238.7 | -215.9 | -233.8 | -265.0 | -222.1 | -239.6 | -242.5 | -238.6 | -223.4 |
| Overall deficit (payment order) | | | | | | | | | | | |
| After grants | -60.5 | -3.5 | -120.9 | -77.0 | -77.0 | -48.8 | -124.3 | -160.6 | -144.5 | -113.0 | -126.2 |
| Before grants | -318.1 | -412.8 | -499.9 | -522.5 | -540.5 | -519.9 | -665.2 | -740.4 | -617.1 | -614.4 | -613.4 |
| Change in arrears[4] | -9.0 | -11.2 | -11.9 | -11.7 | -11.7 | -8.0 | -8.0 | -8.0 | -7.0 | -7.0 | -7.0 |
| Overall deficit (incl. grants, cash basis) | -69.4 | -14.7 | -132.8 | -88.7 | -88.7 | -56.8 | -132.3 | -168.6 | -151.5 | -120.0 | -133.2 |
| Financing | 69.4 | 14.7 | 132.8 | 88.7 | 88.7 | 56.8 | 132.3 | 168.6 | 151.5 | 120.0 | 133.2 |
| Foreign financing (net) | 72.5 | 26.1 | 68.6 | 116.7 | 116.7 | 56.8 | 119.6 | 168.6 | 151.5 | 120.0 | 133.2 |
| Drawings | 77.0 | 31.1 | 76.5 | 127.6 | 127.6 | 70.0 | 134.9 | 186.2 | 173.5 | 148.0 | 151.4 |
| Budgetary loans | 0.7 | 0.0 | 21.4 | 52.2 | 52.2 | 8.9 | 8.6 | 34.1 | 35.1 | 0.0 | 0.0 |
| Project loans | 76.3 | 31.1 | 55.1 | 75.4 | 75.4 | 61.1 | 126.4 | 152.1 | 138.4 | 148.0 | 151.4 |
| Amortization | -4.4 | -5.0 | -7.9 | -10.9 | -10.9 | -13.2 | -15.3 | -17.6 | -22.0 | -28.0 | -18.3 |
| Net domestic financing | -3.1 | -11.4 | 64.2 | -28.0 | -28.0 | 0.0 | 12.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net credit from banking system | 18.0 | 8.4 | 77.8 | -28.0 | -28.0 | 0.0 | 12.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Nonbank sector | -21.2 | -18.1 | -19.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Errors and omissions[5] | 0.0 | -1.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Memorandum item:* | | | | | | | | | | | |
| Priority spending | 358.7 | 412.5 | 487.4 | 528.9 | 528.9 | ... | 550.7 | ... | ... | ... | ... |

Sources: Rwandan authorities and IMF staff estimates and projections. (continued)

1 Fiscal year runs from July to June.

2 Total revenue minus noninterest current expenditure (excluding exceptional expenditure) minus domestically financed capital investment.

3 Total revenue minus current expenditure (excluding interest on external debt) , domestically financed capital expenditure, and net lending.

4 A negative sign indicates a reduction.

5 A negative number implies an underestimate of financing.

## Table 3. Rwanda: Operations of Central Government, Fiscal Year Basis, 2008/09–16/17 (concluded)

| | 2008/09 | 2009/10 | 2010/11 Prel. | 2011/12 Country Report No. 12/15 | 2011/12 Rev. Proj | 2012/13 Country Report No. 12/15 | 2012/13 Rev. Proj | 2013/14 Proj. | 2014/15 Proj. | 2015/16 Proj. | 2016/17 Proj. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Percent of fiscal year GDP) | | | | | | | | | | |
| Revenue and grants | 24.3 | 25.7 | 24.5 | 25.2 | 25.1 | 24.5 | 25.4 | 24.9 | 22.2 | 22.0 | 21.4 |
| Total revenue | 14.9 | 12.6 | 13.7 | 14.1 | 13.8 | 14.2 | 14.0 | 14.3 | 14.6 | 14.9 | 15.2 |
| Tax revenue | 13.1 | 12.1 | 13.1 | 13.0 | 12.7 | 13.5 | 13.5 | 13.8 | 14.1 | 14.4 | 14.7 |
| Direct taxes | 4.7 | 4.8 | 5.1 | 5.2 | 5.0 | 5.5 | 5.4 | 5.6 | 5.7 | 5.8 | 6.1 |
| Taxes on goods and services | 6.5 | 6.3 | 6.9 | 6.8 | 6.6 | 7.1 | 7.1 | 7.3 | 7.5 | 7.7 | 7.7 |
| Taxes on international trade | 1.9 | 1.0 | 1.1 | 1.0 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Nontax revenue | 1.9 | 0.5 | 0.6 | 1.1 | 1.1 | 0.7 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Grants | 9.3 | 13.2 | 10.7 | 11.1 | 11.3 | 10.3 | 11.4 | 10.6 | 7.6 | 7.2 | 6.2 |
| Budgetary grants | 6.0 | 9.1 | 6.1 | 6.5 | 6.8 | 6.3 | 6.2 | 5.8 | 4.1 | 3.6 | 3.1 |
| Capital grants | 3.3 | 4.1 | 4.6 | 4.6 | 4.5 | 4.0 | 5.1 | 4.8 | 3.5 | 3.6 | 3.1 |
| *Of which:* Global Fund | ... | ... | 0.0 | 1.8 | 1.7 | 1.4 | 2.0 | 1.5 | 0.2 | 0.0 | 0.0 |
| Total expenditure and net lending | 26.4 | 25.9 | 27.9 | 27.2 | 26.9 | 25.5 | 28.0 | 27.8 | 24.5 | 23.7 | 23.0 |
| Current expenditure | 14.5 | 14.8 | 14.9 | 14.6 | 14.5 | 14.3 | 14.3 | 14.3 | 13.8 | 13.7 | 13.4 |
| *Of which:* priority | 8.4 | 9.0 | 8.8 | 8.8 | 8.5 | ... | 7.2 | ... | ... | ... | ... |
| Wages and salaries | 3.3 | 3.4 | 3.5 | 3.3 | 3.2 | 3.2 | 3.9 | 3.7 | 3.4 | 3.2 | 3.2 |
| Civil | 2.4 | 2.5 | 2.6 | 2.5 | 2.4 | 2.3 | 3.1 | 2.9 | 2.7 | 2.5 | 2.5 |
| Defense | 0.9 | 0.9 | 0.9 | 0.8 | 0.8 | 0.9 | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 |
| Purchases of goods and services | 3.7 | 3.4 | 3.5 | 3.6 | 3.6 | 3.5 | 2.6 | 2.8 | 2.8 | 2.9 | 2.9 |
| Civil | 3.0 | 3.0 | 3.1 | 3.2 | 3.2 | 3.1 | 2.2 | 2.4 | 2.4 | 2.5 | 2.5 |
| Defense | 0.7 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Interest payments | 0.4 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 |
| Domestic debt | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| External debt | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Transfers | 5.1 | 5.8 | 5.6 | 5.6 | 5.5 | 5.7 | 5.5 | 5.6 | 5.6 | 5.6 | 5.6 |
| Exceptional expenditure | 2.0 | 1.7 | 1.9 | 1.7 | 1.9 | 1.5 | 1.8 | 1.9 | 1.7 | 1.7 | 1.4 |
| Capital expenditure | 11.1 | 10.2 | 12.4 | 12.6 | 12.4 | 10.7 | 13.5 | 13.1 | 10.1 | 9.4 | 9.0 |
| *Of which:* priority | 4.5 | 4.2 | 5.0 | 4.4 | 4.3 | ... | 4.3 | ... | ... | ... | ... |
| Domestic | 5.1 | 5.1 | 6.2 | 6.1 | 6.1 | 5.4 | 5.7 | 5.5 | 5.5 | 5.4 | 5.1 |
| Foreign | 6.0 | 5.1 | 6.2 | 6.5 | 6.3 | 5.3 | 7.8 | 7.6 | 4.6 | 4.0 | 3.9 |
| *Of which:* Global Fund | ... | ... | 1.4 | 1.8 | 1.7 | 0.0 | 2.0 | 1.5 | 0.2 | 0.0 | 0.0 |
| Net lending and privatization receipts | 0.8 | 0.9 | 0.5 | 0.0 | 0.0 | 0.5 | 0.2 | 0.4 | 0.6 | 0.6 | 0.6 |
| *Of which:* | | | | | | | | | | | |
| Primary balance[2] | -2.2 | -5.2 | -5.0 | -4.4 | -4.6 | -3.6 | -3.8 | -3.4 | -2.7 | -2.2 | -1.6 |
| Domestic fiscal balance[3] | -5.3 | -8.1 | -7.8 | -6.4 | -6.7 | -5.8 | -6.0 | -5.7 | -5.2 | -4.6 | -3.7 |
| Excluding demobilization and peacekeeping expenditure | -4.4 | -7.2 | -6.8 | -5.4 | -5.7 | -5.8 | -4.7 | -4.4 | -3.9 | -3.4 | -2.8 |
| Overall deficit (payment order) | | | | | | | | | | | |
| After grants | -2.2 | -0.1 | -3.4 | -1.9 | -1.9 | -1.1 | -2.6 | -2.9 | -2.3 | -1.6 | -1.6 |
| Before grants | -11.5 | -13.3 | -14.2 | -13.0 | -13.2 | -11.3 | -14.0 | -13.5 | -10.0 | -8.8 | -7.8 |
| Change in arrears[4] | -0.3 | -0.4 | -0.3 | -0.3 | -0.3 | -0.2 | -0.2 | -0.1 | -0.1 | -0.1 | -0.1 |
| Overall deficit (incl. grants, cash basis) | -2.5 | -0.5 | -3.8 | -2.2 | -2.2 | -1.2 | -2.8 | -3.1 | -2.4 | -1.7 | -1.7 |
| Financing | 2.5 | 0.5 | 3.8 | 2.2 | 2.2 | 1.2 | 2.8 | 3.1 | 2.4 | 1.7 | 1.7 |
| Foreign financing (net) | 2.6 | 0.8 | 1.9 | 2.9 | 2.8 | 1.2 | 2.5 | 3.1 | 2.4 | 1.7 | 1.7 |
| Drawings | 2.8 | 1.0 | 2.2 | 3.2 | 3.1 | 1.5 | 2.8 | 3.4 | 2.8 | 2.1 | 1.9 |
| Budgetary loans | 0.0 | 0.0 | 0.6 | 1.3 | 1.3 | 0.2 | 0.2 | 0.6 | 0.6 | 0.0 | 0.0 |
| Project loans | 2.8 | 1.0 | 1.6 | 1.9 | 1.8 | 1.3 | 2.7 | 2.8 | 2.2 | 2.1 | 1.9 |
| Amortization | -0.2 | -0.2 | -0.2 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.4 | -0.4 | -0.2 |
| Net domestic financing | -0.1 | -0.4 | 1.8 | -0.7 | -0.7 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net credit from banking system | 0.7 | 0.3 | 2.2 | -0.7 | -0.7 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Nonbank sector | -0.8 | -0.6 | -0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Errors and omissions[5] | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Memorandum items:* | | | | | | | | | | | |
| Priority spending | 13.0 | 13.3 | 13.8 | 13.2 | 12.9 | ... | 11.6 | ... | ... | ... | ... |
| GDP (Billions of RwF ), FY basis | 2,765 | 3,111 | 3,529 | 4,005 | 4,105 | 4,589 | 4,759 | 5,469 | 6,197 | 6,990 | 7,869 |

Sources: Rwandan authorities and IMF staff estimates and projections.

1 Fiscal year runs from July to June.

2 Total revenue minus noninterest current expenditure (excluding exceptional expenditure) minus domestically financed capital investment.

3 Total revenue minus current expenditure (excluding interest on external debt) , domestically financed capital expenditure, and net lending.

4 A negative sign indicates a reduction.

5 A negative number implies an underestimate of financing.

# Table 4. Rwanda: Monetary Survey, 2009–13

| | 2009 | 2010 | 2011 | | | | | | 2012 | | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | March | June | Sept | Sept | Dec | Dec | March | June | Sept | Dec | Dec | March | June | Sept | Dec |
| | | Est | Est | Est | Prog | Est | Prog | Est | Prog | Prog | Proj | Prog | Rev. Prog | Proj | Proj | Proj | Proj |
| | (Billions of Rwanda francs) | | | | | | | | | | | | | | | | |
| Monetary authorities | | | | | | | | | | | | | | | | | |
| Net Foreign Assets[2] | 358.0 | 414.9 | 353.5 | 377.6 | 424.1 | 424.1 | 460.2 | 563.9 | 491.8 | 445.5 | 539.9 | 396.3 | 555.9 | 502.8 | 409.6 | 560.5 | 500.5 |
| Foreign assets | 424.0 | 483.5 | 424.5 | 450.9 | 495.7 | 495.7 | 531.6 | 634.4 | 565.5 | 519.1 | 613.6 | 467.6 | 629.5 | 576.5 | 483.3 | 634.1 | 574.2 |
| *Of which:* encumbered assets[6] | | | | | 16.1 | 18.1 | 42.3 | 24.2 | 24.2 | 24.2 | 42.9 | 59.4 | 42.9 | … | … | … | … |
| Foreign liabilities[3] | 66.0 | 68.6 | 71.1 | 73.4 | 71.6 | 71.6 | 71.3 | 70.4 | 73.7 | 73.7 | 73.7 | 71.3 | 73.7 | 73.7 | 73.7 | 73.7 | 73.7 |
| Net domestic assets | -241.6 | -283.9 | -222.9 | -232.7 | -273.4 | -273.4 | -303.7 | -402.3 | -323.3 | -268.2 | -358.0 | -213.0 | -366.8 | -305.7 | -202.4 | -347.8 | -279.6 |
| Domestic credit | -201.5 | -231.2 | -167.8 | -178.9 | -221.5 | -221.5 | -251.0 | -350.2 | -271.0 | -215.9 | -305.7 | -160.4 | -314.5 | -253.4 | -150.0 | -295.5 | -227.3 |
| Government (net) | -143.5 | -176.3 | -132.3 | -102.8 | -153.2 | -148.0 | -161.6 | -261.6 | -161.8 | -131.5 | -191.4 | -126.8 | -157.5 | -106.3 | -8.6 | -66.5 | -145.0 |
| Claims | 50.2 | 57.9 | 71.9 | 72.2 | 45.5 | 45.5 | 38.7 | 38.7 | 38.7 | 38.7 | 38.7 | 38.7 | 38.7 | 38.7 | 38.7 | 38.7 | 38.7 |
| Deposits (excluding autonomous bodies)[3] | 193.7 | 234.2 | 204.2 | 174.9 | 198.7 | 193.5 | 200.3 | 300.4 | 200.5 | 170.2 | 230.1 | 165.5 | 196.2 | 145.0 | 47.3 | 105.2 | 183.7 |
| Public nongovernment deposits (-) | -1.9 | -0.8 | -0.6 | -0.6 | -0.8 | -0.8 | -0.8 | -1.0 | -0.8 | -0.8 | -0.8 | -0.8 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 |
| Nongovernment credit | -56.6 | -54.1 | -35.0 | -75.6 | -67.6 | -72.7 | -88.6 | -87.5 | -108.4 | -83.5 | -113.5 | -32.9 | -156.0 | -146.1 | -140.4 | -228.0 | -81.3 |
| Private sector | 7.9 | 4.8 | 5.2 | 5.2 | 6.0 | 5.6 | 6.5 | 5.6 | 5.8 | 6.0 | 6.3 | 6.5 | 6.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| Public enterprises | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Commercial banks | -64.0 | -60.6 | -41.8 | -82.4 | -73.6 | -80.2 | -95.1 | -94.9 | -114.2 | -89.6 | -119.7 | -39.4 | -162.5 | -153.6 | -147.9 | -235.5 | -88.7 |
| Discount window | 9.6 | 8.7 | 6.3 | 6.4 | 2.9 | 1.4 | 2.9 | 1.2 | 1.2 | 1.2 | 1.2 | 3.0 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Money market (- = absorption) | -73.5 | -69.3 | -48.1 | -88.7 | -76.4 | -81.6 | -98.0 | -96.1 | -115.4 | -90.8 | -120.9 | -42.4 | -163.7 | -154.8 | -149.1 | -236.7 | -89.9 |
| Other items (net; asset +) | -40.2 | -52.7 | -55.1 | -53.9 | -51.9 | -51.9 | -52.7 | -52.3 | -52.3 | -52.3 | -52.3 | -52.6 | -52.3 | -52.3 | -52.3 | -52.3 | -52.3 |
| Reserve money[4] | 116.4 | 130.9 | 130.6 | 144.8 | 150.7 | 150.7 | 156.6 | 161.6 | 168.5 | 177.3 | 181.9 | 183.2 | 189.0 | 197.1 | 207.3 | 212.6 | 220.9 |
| Currency in circulation | 77.0 | 104.1 | 98.1 | 115.1 | 110.2 | 110.2 | 117.6 | 117.9 | 125.3 | 134.0 | 137.0 | 139.6 | 143.9 | 163.0 | 190.6 | 213.8 | 163.0 |
| Commercial bank reserves | 24.1 | 24.7 | 31.6 | 28.6 | 38.8 | 38.7 | 38.6 | 41.9 | 42.8 | 42.9 | 44.5 | 43.2 | 44.7 | 45.7 | 49.2 | 52.3 | 57.4 |
| Nonbank deposits | 6.1 | 2.1 | 1.0 | 1.2 | 1.7 | 1.7 | 0.4 | 1.7 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| *Of which:* autonomous public agencies | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Commercial banks | | | | | | | | | | | | | | | | | |
| Net foreign assets | 83.7 | 104.0 | 110.9 | 107.7 | 87.0 | 95.8 | 109.1 | 107.8 | 107.4 | 106.9 | 106.4 | 109.1 | 105.9 | 113.4 | 120.9 | 128.4 | 135.9 |
| Foreign assets | 107.5 | 146.8 | 131.7 | 134.1 | 113.0 | 128.3 | 132.9 | 155.2 | 148.9 | 142.6 | 136.3 | 133.1 | 130.0 | 137.5 | 145.0 | 152.5 | 160.0 |
| Foreign liabilities | 23.8 | 42.7 | 20.7 | 26.4 | 26.0 | 32.5 | 23.8 | 47.3 | 41.5 | 35.7 | 29.9 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 |
| Reserves | 33.7 | 38.3 | 45.7 | 42.1 | 52.8 | 55.5 | 54.6 | 57.1 | 59.4 | 63.4 | 66.5 | 66.8 | 68.3 | 69.5 | 74.1 | 77.8 | 83.3 |
| NBR deposits | 24.1 | 24.7 | 31.6 | 28.6 | 38.8 | 38.7 | 38.6 | 41.9 | 42.8 | 42.9 | 44.5 | 43.2 | 44.7 | 45.7 | 49.2 | 52.3 | 57.4 |
| Required reserves | 22.8 | 26.7 | 29.8 | 32.1 | 35.3 | 33.8 | 36.0 | 34.7 | 40.1 | 40.5 | 42.6 | 40.8 | 42.0 | 44.5 | 45.6 | 48.8 | 49.0 |
| Excess reserves | 1.3 | -2.0 | 1.8 | -3.5 | 3.5 | 5.0 | 2.5 | 7.2 | 2.7 | 2.5 | 1.9 | 2.5 | 2.7 | 1.2 | 3.6 | 3.5 | 8.4 |
| Cash in vault | 9.5 | 13.7 | 14.1 | 13.5 | 14.0 | 16.8 | 16.0 | 15.2 | 16.6 | 20.5 | 22.0 | 23.6 | 23.6 | 23.8 | 25.0 | 25.4 | 25.9 |
| Net credit from NBR (rediscount; liability -) | 64.0 | 60.6 | 41.8 | 82.4 | 73.6 | 80.2 | 95.1 | 94.9 | 114.2 | 89.6 | 119.7 | 39.4 | 162.5 | 153.6 | 147.9 | 235.5 | 88.7 |
| Domestic credit | 354.6 | 438.8 | 449.4 | 497.4 | 537.3 | 520.6 | 488.9 | 543.2 | 564.7 | 604.4 | 627.0 | 631.6 | 582.7 | 631.0 | 646.1 | 611.8 | 748.6 |
| Government (net) | -0.4 | 45.0 | 33.7 | 54.6 | 40.2 | 33.4 | -24.8 | 38.0 | 11.9 | 55.3 | 34.7 | 32.1 | -14.0 | -27.1 | -54.9 | -35.7 | 4.0 |
| Credit | 31.6 | 86.1 | 85.1 | 103.1 | 87.0 | 83.7 | 37.2 | 85.7 | 53.7 | 91.3 | 64.8 | 78.1 | 10.2 | -1.9 | -29.4 | -10.0 | 30.0 |
| Deposits | 32.0 | 41.0 | 51.3 | 48.6 | 46.8 | 50.3 | 62.0 | 47.7 | 41.8 | 36.0 | 30.1 | 46.0 | 24.2 | 25.2 | 25.4 | 25.7 | 26.0 |
| Public enterprises | 3.0 | 3.2 | 1.1 | 2.6 | 3.0 | 4.4 | 3.0 | 2.8 | 2.5 | 2.3 | 2.0 | 3.0 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| Private sector | 352.0 | 390.6 | 414.6 | 440.2 | 494.1 | 482.7 | 510.7 | 502.4 | 550.3 | 546.8 | 590.3 | 596.5 | 595.0 | 656.4 | 699.3 | 645.8 | 742.9 |
| Other items (net; asset +) | -92.0 | -118.5 | -106.3 | -119.7 | -116.8 | -125.6 | -113.2 | -126.7 | -126.7 | -126.7 | -126.7 | -101.4 | -126.7 | -126.7 | -126.7 | -126.7 | -126.7 |
| Deposits | 444.0 | 523.3 | 541.6 | 609.9 | 633.8 | 626.6 | 634.4 | 676.3 | 719.0 | 737.5 | 793.0 | 745.4 | 792.7 | 840.8 | 862.3 | 926.7 | 929.9 |
| Private | 383.2 | 453.9 | 471.2 | 527.8 | 551.7 | 533.2 | 551.4 | 576.2 | 636.9 | 652.5 | 706.0 | 656.4 | 672.6 | 720.7 | 742.2 | 806.6 | 809.8 |
| Public (nongovernment) | 60.8 | 69.4 | 70.4 | 82.1 | 82.1 | 93.5 | 83.0 | 100.1 | 82.1 | 85.0 | 87.0 | 89.0 | 120.1 | 120.1 | 120.1 | 120.1 | 120.1 |

(continued)

# Table 4. Rwanda: Monetary Survey, 2009–13 (concluded)

| | 2009 | 2010 | 2011 | | | | | | 2012 | | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | March | June | Sept | Sept | Dec | Dec | March | June | Sept | Dec | Dec | March | June | Sept | Dec |
| | | Est | Est | Est | Prog | Est | Prog | Est | Prog | Prog | Proj | Prog | Rev. Proj | Proj | Proj | Proj | Proj |
| | | | | | | | | (Billions of Rwanda francs) | | | | | | | | | |
| Net Foreign Assets[2] | 441.8 | 519.0 | 464.4 | 485.3 | 511.1 | 520.0 | 569.3 | 671.8 | 599.2 | 552.4 | 646.3 | 505.4 | 661.8 | 616.2 | 530.6 | 688.9 | 636.5 |
| Net domestic assets | 85.3 | 96.9 | 162.0 | 227.3 | 220.6 | 201.8 | 167.1 | 108.9 | 228.9 | 299.0 | 262.0 | 356.5 | 251.6 | 352.1 | 464.9 | 372.7 | 431.0 |
| Domestic credit | 217.1 | 268.2 | 323.4 | 400.9 | 389.3 | 379.3 | 333.0 | 286.1 | 407.9 | 478.1 | 441.1 | 510.5 | 430.7 | 531.2 | 644.0 | 551.7 | 610.1 |
| Government (net) | -143.9 | -131.3 | -98.6 | -48.2 | -113.0 | -114.6 | -186.4 | -223.6 | -149.9 | -76.2 | -156.7 | -94.7 | -171.5 | -133.4 | -63.5 | -102.2 | -141.0 |
| Public nongovernment deposits (-) | -1.9 | -0.8 | -0.6 | -0.6 | -0.8 | -0.8 | -0.8 | -1.0 | -0.8 | -0.8 | -0.8 | -0.8 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 |
| Public enterprises | 3.0 | 3.2 | 1.1 | 2.6 | 3.0 | 4.4 | 3.0 | 2.8 | 2.5 | 2.3 | 2.0 | 3.0 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| Private sector | 357.3 | 397.1 | 421.4 | 447.0 | 500.1 | 490.3 | 517.2 | 507.9 | 556.1 | 552.9 | 596.6 | 603.0 | 601.5 | 663.9 | 706.8 | 653.3 | 750.4 |
| Other items (net; asset +) | -132.2 | -169.5 | -161.4 | -173.5 | -168.7 | -177.5 | -165.9 | -178.5 | -179.1 | -179.1 | -179.1 | -154.0 | -179.1 | -179.1 | -179.1 | -179.1 | -179.1 |
| Broad money[5] | 527.1 | 615.9 | 626.5 | 712.7 | 731.7 | 721.8 | 736.4 | 780.7 | 828.1 | 851.4 | 908.3 | 861.8 | 913.4 | 968.4 | 995.5 | 1,061.6 | 1,067.5 |
| Currency in circulation | 77.0 | 90.5 | 83.9 | 101.5 | 96.2 | 93.4 | 101.6 | 102.8 | 108.7 | 113.5 | 115.0 | 116.0 | 120.3 | 127.1 | 132.7 | 134.4 | 137.1 |
| Deposits | 450.1 | 525.4 | 542.5 | 611.1 | 635.5 | 628.4 | 634.8 | 678.0 | 719.4 | 737.9 | 793.4 | 745.8 | 793.1 | 841.3 | 862.8 | 927.2 | 930.4 |
| *Of which:* foreign currency deposits | 83.5 | 99.2 | 115.8 | 112.3 | 117.6 | 117.6 | 118.0 | 135.6 | 134.3 | 130.2 | 136.4 | 136.4 | 156.2 | 155.7 | 150.9 | 158.0 | 180.5 |
| | | | | | | | | (Annual changes in percent of beginning-of-period broad money) | | | | | | | | | |
| Net foreign assets | 9.7 | 14.6 | 11.2 | 1.9 | 4.6 | 6.2 | 8.2 | 24.8 | 21.5 | 9.4 | 17.5 | -8.7 | -1.3 | 2.1 | -2.6 | 4.7 | -2.8 |
| Net domestic assets | 23.4 | 2.2 | 13.0 | 26.1 | 23.3 | 20.0 | 11.4 | 1.9 | 10.7 | 10.1 | 8.3 | 25.7 | 18.3 | 14.9 | 19.5 | 12.2 | 19.6 |
| Domestic credit | 28.4 | 9.7 | 15.2 | 28.4 | 25.5 | 23.7 | 10.5 | 2.9 | 13.5 | 10.8 | 8.6 | 24.1 | 18.5 | 14.9 | 19.5 | 12.2 | 19.6 |
| Government (net) | -0.3 | 2.4 | 4.2 | 13.9 | 3.4 | 3.1 | -8.9 | -15.0 | -8.2 | -3.9 | -5.8 | 12.5 | 6.7 | 2.0 | 1.5 | 6.0 | 3.3 |
| Economy | 28.0 | 7.8 | 10.9 | 14.2 | 22.0 | 20.6 | 19.5 | 17.9 | 21.7 | 14.8 | 14.4 | 11.6 | 11.8 | 12.9 | 18.0 | 6.2 | 16.3 |
| Other items (net; asset +) | -5.0 | -7.1 | -2.2 | -2.3 | -2.2 | -3.7 | 0.6 | -1.5 | -2.8 | -0.8 | -0.2 | 1.6 | -0.1 | -- | -- | -- | -- |
| Broad money | 33.2 | 16.8 | 24.2 | 28.1 | 28.1 | 26.4 | 19.6 | 26.8 | 32.2 | 19.5 | 25.8 | 17.0 | 17.0 | 16.9 | 16.9 | 16.9 | 16.9 |
| | | | | | | | | (Annual percent changes) | | | | | | | | | |
| Net foreign assets | 9.4 | 17.5 | 13.9 | 2.3 | 5.4 | 7.2 | 9.7 | 29.4 | 29.0 | 13.8 | 24.3 | -11.2 | -1.5 | 2.8 | -3.9 | 6.6 | -3.8 |
| Net domestic assets | 36.9 | 13.6 | 67.7 | 176.9 | 151.6 | 130.2 | 72.3 | 12.3 | 41.3 | 31.5 | 29.8 | 113.4 | 131.1 | 53.9 | 55.5 | 42.2 | 71.3 |
| Domestic credit | 8.9 | 23.5 | 31.0 | 65.0 | 59.6 | 55.5 | 24.2 | 6.7 | 26.1 | 19.3 | 16.3 | 53.3 | 50.5 | 30.2 | 34.7 | 25.1 | 41.7 |
| Government (net) | 1.1 | -8.7 | -17.8 | -61.7 | -14.7 | -13.5 | 41.9 | 70.3 | 52.1 | 58.2 | 36.8 | -49.2 | -23.3 | -11.0 | -16.7 | -34.8 | -17.8 |
| Economy | 44.7 | 11.5 | 15.1 | 21.4 | 33.4 | 31.2 | 30.0 | 27.6 | 32.2 | 23.4 | 21.0 | 16.5 | 18.1 | 19.1 | 27.6 | 9.4 | 24.7 |
| Credit to the private sector | 4.9 | 11.1 | 15.2 | 20.4 | 32.3 | 29.7 | 30.2 | 27.9 | 32.0 | 23.7 | 19.3 | 16.6 | 18.4 | 19.4 | 27.8 | 9.5 | 24.8 |
| Other items (net; asset +) | 6.8 | 28.2 | 7.4 | 7.9 | 8.0 | 13.5 | -2.1 | 5.3 | 11.0 | 3.2 | 0.9 | -7.2 | 0.3 | -- | -- | -- | -- |
| | | | | | | | | (Percent, unless otherwise indicated) | | | | | | | | | |
| *Memorandum items:* | | | | | | | | | | | | | | | | | |
| Currency/broad money ratio | 14.6 | 14.7 | 13.4 | 14.2 | 13.1 | 12.9 | 13.8 | 13.2 | 13.1 | 13.3 | 12.7 | 13.5 | 13.2 | 13.1 | 13.3 | 12.7 | 12.8 |
| Reserve money annual growth | 0.3 | 12.5 | 12.1 | 21.8 | 20.6 | 20.6 | 19.6 | 23.4 | 29.0 | 22.4 | 20.7 | 17.0 | 17.0 | 17.0 | 16.9 | 16.9 | 16.9 |
| Broad money annual growth | 13.1 | 16.8 | 24.2 | 28.1 | 28.1 | 26.4 | 19.6 | 26.8 | 32.2 | 19.5 | 25.8 | 17.0 | 17.0 | 16.9 | 16.9 | 16.9 | 16.9 |
| Reserves/deposits | 26.2 | 25.0 | 24.1 | 23.7 | 23.8 | 24.0 | 24.7 | 23.9 | 23.4 | 24.0 | 22.9 | 24.6 | 23.8 | 23.4 | 24.0 | 22.9 | 23.8 |
| Money multiplier | 4.5 | 4.7 | 4.8 | 4.9 | 4.9 | 4.8 | 4.7 | 4.8 | 4.9 | 4.8 | 5.0 | 4.7 | 4.8 | 4.9 | 4.8 | 5.0 | 4.8 |
| Velocity of broad money (end of period) | 5.6 | 5.3 | 6.1 | 5.3 | 5.1 | 5.3 | 5.0 | 4.9 | 5.3 | 5.2 | 4.9 | 5.0 | 4.8 | 5.3 | 5.1 | 4.8 | 4.8 |
| Velocity of broad money (average of period) | 6.0 | 6.2 | 6.7 | 6.0 | 5.7 | 5.9 | 5.5 | 5.4 | 6.1 | 5.6 | 5.4 | 5.4 | 5.2 | 5.7 | 5.5 | 5.2 | 5.2 |
| Net open position of the NBR (RF billion) | 352.7 | 408.9 | 347.1 | 371.2 | 418.7 | 424.2 | 455.1 | 563.9 | 486.4 | 439.7 | 534.4 | 390.8 | 549.6 | 496.5 | 403.0 | 554.1 | 493.2 |
| Net open position of commercial banks (RF billion) | 5.4 | 10.8 | 1.4 | 1.8 | -16.4 | -20.0 | 11.1 | -17.1 | 3.5 | -2.6 | 2.4 | 5.0 | -13.5 | -6.9 | -5.9 | 7.9 | -2.5 |
| Nominal GDP (RF billion) | 2,964 | 3,257 | 3,801 | 3,801 | 3,709 | 3,801 | 3,709 | 3,801 | 4,409 | 4,409 | 4,409 | 4,300 | 4,409 | 5,109 | 5,109 | 5,109 | 5,109 |

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

[1] Reflects the operations of the Union Banques Populaires du Rwanda (UBPR)—a large microfinance network— which was transformed into a commercial bank in February 2008.

[2] For program purposes NFA from December 2011 onward are at program exchange rates.

[3] The IMF's MDRI reduced foreign liabilities at the NBR by RF42.4 million with a counter entry in government deposits (in January 2006).

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

[5] End-2006 broad money includes a RF5 billion temporary buildup of local government deposits, which were unwound by February 2007.

[6] Projected escrow amount with Citibank based on projected disbursements of Citibank loan for the KCC project.

## Table 5. Financial Soundness Indicators for Banking Sector, 2006–11

| | 2006 Dec | 2007 Dec | 2008 Dec | 2009 Mar | 2009 Jun | 2009 Sep | 2009 Dec | 2010 Mar | 2010 Jun | 2010 Sep | 2010 Dec | 2011 Mar | 2011 Jun | 2011 Sep | 2011 Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | (Percent) | | | | | | | |
| Capital adequacy | | | | | | | | | | | | | | | |
| Regulatory capital to risk-weighted assets | 14.0 | 17.8 | 15.9 | 19.1 | 19.4 | 20.5 | 19.0 | 18.4 | 17.6 | 20.3 | 21.6 | 21.9 | 20.1 | 23.1 | 23.8 |
| Capital to assets | 9.8 | 10.4 | 12.5 | 14.3 | 14.1 | 14.2 | 13.0 | 12.1 | 11.9 | 12.8 | 11.4 | 12.2 | 11.6 | 14.5 | 14.5 |
| Off balance sheet items/total qualifying capital | 331.9 | 312.6 | 210.2 | 182.5 | 160.7 | 167.8 | 184.1 | 197.6 | 224.4 | 203.1 | 206.1 | 209.7 | 246.1 | 211.6 | 216.9 |
| Insider loans/core capital | 42.1 | 50.0 | 16.7 | 9.2 | 17.0 | 7.3 | 19.7 | 15.7 | 13.5 | 8.7 | 5.9 | 6.7 | 5.7 | 4.8 | 3.2 |
| Large exposure/core capital | 146.2 | 93.5 | 103.1 | 92.7 | 84.4 | 72.9 | 65.1 | 93.9 | 103.0 | 80.0 | 72.5 | 78.5 | 59.9 | 51.9 | 42.3 |
| Asset quality | | | | | | | | | | | | | | | |
| NPLs/gross Loans | 23.4 | 16.9 | 12.6 | 13.8 | 13.4 | 13.6 | 13.1 | 12.5 | 12.2 | 12.4 | 11.3 | 10.2 | 9.6 | 9.4 | 8.2 |
| NPLs net/gross loans | 14.8 | 11.5 | 10.3 | 11.0 | 11.1 | 11.6 | 11.4 | 11.0 | 10.4 | 10.7 | 9.7 | 8.7 | 8.0 | 7.4 | 6.4 |
| Provisions/NPLs | 89.0 | 88.6 | 66.3 | 67.6 | 70.9 | 66.0 | 55.2 | 57.2 | 56.8 | 57.0 | 53.1 | 50.5 | 49.7 | 49.2 | 49.0 |
| Earning assets/total asset | 81.3 | 80.6 | 81.3 | 78.4 | 77.3 | 77.1 | 81.7 | 78.2 | 81.1 | 77.6 | 78.1 | 79.2 | 80.1 | 68.4 | 75.9 |
| Large exposures/gross loans | 24.2 | 16.9 | 17.4 | 18.4 | 17.8 | 16.9 | 13.9 | 18.5 | 20.4 | 17.4 | 15.1 | 17.8 | 13.5 | 13.2 | 11.2 |
| Profitability and earnings | | | | | | | | | | | | | | | |
| Return on average assets | 2.3 | 1.4 | 2.5 | 1.6 | 0.9 | 0.9 | 0.7 | -0.2 | 1.3 | 1.6 | 1.9 | 2.5 | 2.4 | 2.0 | 2.5 |
| Return on average equity | 25.8 | 13.6 | 20.9 | 11.4 | 6.4 | 6.4 | 5.0 | -1.4 | 10.3 | 12.2 | 13.7 | 17.2 | 16.6 | 12.8 | 14.3 |
| Net interest margin | 7.3 | 7.3 | 10.2 | 10.3 | 10.2 | 9.9 | 9.1 | 9.6 | 8.8 | 8.8 | 8.7 | 8.6 | 8.6 | 9.2 | 12.6 |
| Cost of deposits | 2.6 | 2.6 | 1.9 | 1.7 | 2.1 | 2.3 | 2.4 | 2.8 | 2.7 | 2.6 | 2.5 | 2.3 | 2.2 | 2.2 | 3.0 |
| Cost to income | 74.0 | 80.0 | 77.8 | 83.7 | 89.8 | 89.9 | 91.0 | 98.6 | 89.3 | 86.2 | 83.2 | 79.1 | 77.5 | 81.6 | 82.8 |
| Overhead to income | 51.2 | 45.7 | 48.8 | 52.2 | 53.4 | 55.9 | 54.9 | 57.5 | 54.0 | 53.8 | 55.2 | 61.4 | 56.0 | 58.5 | 55.5 |
| Liquidity | | | | | | | | | | | | | | | |
| Short term gap | 9.3 | 22.3 | 21.3 | 17.2 | 20.1 | 20.1 | 20.0 | 16.8 | 21.2 | 17.4 | 18.5 | 14.5 | 29.9 | 26.8 | 22.5 |
| Liquid assets/total deposits | 62.4 | 68.9 | 61.1 | 65.4 | 59.3 | 61.7 | 65.3 | 51.7 | 58.4 | 47.9 | 57.8 | 52.1 | 56.0 | 50.3 | 46.3 |
| Interbank borrowings/total deposits | 11.4 | 9.9 | 4.3 | 9.3 | 9.1 | 8.2 | 9.8 | 7.3 | 10.3 | 9.0 | 8.5 | 8.7 | 6.8 | 6.6 | 6.4 |
| BNR borrowings/total deposits | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.4 | 0.8 | 0.8 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.4 | 0.1 |
| Gross loans/total deposits | 69.5 | 63.4 | 87.8 | 88.6 | 82.8 | 76.1 | 73.9 | 74.0 | 71.6 | 69.3 | 67.0 | 68.7 | 65.6 | 71.3 | 67.6 |
| Market sensitivity | | | | | | | | | | | | | | | |
| Forex exposure/core capital | 0.9 | 81.5 | 2.2 | 0.6 | 5.9 | 0.8 | 1.9 | 4.9 | 1.5 | 2.4 | 6.8 | 7.2 | 7.0 | 3.8 | 6.9 |
| Forex loans/Forex deposits | 0.8 | 1.1 | 0.5 | 0.4 | 0.6 | 0.5 | 2.8 | 2.6 | 4.2 | 2.1 | 0.4 | 1.0 | 5.5 | 7.4 | 5.3 |
| Forex assets/Forex liabilities | 120.1 | 102.3 | 102.6 | 93.5 | 107.7 | 102.8 | 103.6 | 105.8 | 101.0 | 103.9 | 106.0 | 106.7 | 112.8 | 101.1 | 114.8 |

Source: National Bank of Rwanda.

## APPENDIX I: DEBT SUSTAINABILITY UPDATE: TABLES AND CHARTS

### Appendix Table 1. DSA Update: Key Variables

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2022 | 2027 | 2032 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Percent of GDP, unless otherwise indicated) | | | | | | | | | | | |
| Nominal GDP (RF billions) | 2,964 | 3,257 | 3,801 | 4,409 | 5,109 | 5,828 | 6,567 | 7,412 | 8,325 | 14,558 | 25,456 | 44,514 |
| Real GDP (percentage change) | 4.1 | 7.2 | 8.6 | 7.7 | 7.5 | 7.2 | 7.0 | 7.0 | 6.5 | 6.5 | 6.5 | 6.5 |
| GDP deflator (percentage change) | 11.0 | 2.5 | 7.5 | 7.7 | 7.8 | 6.4 | 5.3 | 5.5 | 5.5 | 5.0 | 5.0 | 5.0 |
| **Fiscal (central government)** | | | | | | | | | | | | |
| External grants (incl. HIPC relief) | 11.7 | 13.6 | 11.6 | 12.0 | 10.2 | 8.2 | 8.1 | 7.0 | 6.2 | 4.4 | 4.0 | 3.9 |
| Revenue (excl. external grants) | 12.8 | 13.2 | 14.2 | 13.9 | 14.2 | 14.5 | 14.7 | 14.9 | 15.2 | 15.8 | 16.5 | 16.8 |
| Revenue (incl. external grants) | 24.6 | 26.8 | 25.8 | 25.9 | 24.4 | 22.7 | 22.7 | 21.9 | 21.4 | 20.2 | 20.5 | 20.7 |
| Primary expenditures | 25.1 | 26.8 | 25.5 | 28.9 | 27.6 | 25.8 | 23.8 | 22.9 | 22.2 | 22.4 | 22.4 | 22.4 |
| Primary current expenditures | 13.9 | 15.0 | 14.2 | 14.1 | 14.0 | 13.8 | 14.0 | 13.7 | 13.6 | 13.9 | 13.9 | 13.9 |
| Capital expenditure and net lending | 11.1 | 11.8 | 11.3 | 14.8 | 13.6 | 12.0 | 9.8 | 9.1 | 8.6 | 8.6 | 8.6 | 8.6 |
| Primary balance, incl. external grants | -0.5 | 0.0 | 0.3 | -3.0 | -3.2 | -3.1 | -1.0 | -0.9 | -0.8 | -2.2 | -2.0 | -1.8 |
| Primary balance, excl. external grants | -12.2 | -13.6 | -11.3 | -15.0 | -13.4 | -11.3 | -9.1 | -7.9 | -7.0 | -6.6 | -6.0 | -5.6 |
| Net domestic financing | -0.8 | 0.1 | -1.9 | 1.3 | 0.6 | 0.0 | 0.0 | 0.0 | 0.3 | 0.3 | 0.3 | 0.3 |
| Interest rate (percent) | | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| New external borrowing[1] | | 0.0 | 3.3 | 3.1 | 2.6 | 2.7 | 1.4 | 0.9 | 1.5 | 2.8 | 2.7 | 2.6 |
| Grant element of new external borrowing (percent) | | | 18.3 | 15.1 | 3.4 | 14.9 | 37.4 | 35.6 | 34.7 | 33.9 | 31.3 | 29.7 |
| **Balance of payments** | | | | | | | | | | | | |
| Exports of goods and services | 11.0 | 10.9 | 14.1 | 12.9 | 12.6 | 12.5 | 12.4 | 12.6 | 12.9 | 14.7 | 16.4 | 18.2 |
| Imports of goods and services | 29.2 | 29.4 | 34.5 | 35.4 | 32.2 | 30.8 | 26.3 | 25.2 | 24.7 | 24.4 | 24.2 | 23.9 |
| Current account, incl. official transfers | -7.3 | -5.9 | -7.3 | -10.0 | -9.7 | -10.4 | -7.2 | -6.3 | -5.9 | -5.2 | -3.2 | -0.9 |
| Foreign Direct Investment | 2.3 | 0.8 | 1.7 | 2.5 | 1.6 | 1.8 | 1.9 | 2.0 | 2.1 | 2.4 | 2.4 | 2.4 |
| Gross official reserves (months of imports of G&S) | 5.4 | 4.5 | 5.1 | 5.0 | 4.4 | 4.4 | 4.4 | 4.0 | 3.8 | 3.8 | 3.8 | 3.8 |

Source: Country authorities, IMF, and World Bank.

[1] Includes publicly guaranteed external borrowing.

## Appendix Table 2. Baseline External DSA Compared to Previous DSA, 2012–14

| | Previous DSA[1] | | | DSA Update | | |
|---|---|---|---|---|---|---|
| | 2012 Proj. | 2013 Proj. | 2014 Proj. | 2012 Proj. | 2013 Proj. | 2014 Proj. |
| Stock of public and publicly-guaranteed (PPG) external debt | | | | | | |
| Millions of U.S. dollars | 1,221 | 1,326 | 1,345 | 1,287 | 1,443 | 1,588 |
| Percent of GDP | 19.2 | 19.0 | 17.7 | 18.7 | 19.1 | 19.1 |
| Present value (PV) of PPG external debt | | | | | | |
| Millions of U.S. dollars | 880 | 986 | 993 | 990 | 1,088 | 1,223 |
| Percent of GDP | 13.8 | 14.2 | 13.1 | 14.4 | 14.4 | 14.7 |
| PV of PPG external debt to revenues (percent) | 97.8 | 97.7 | 88.7 | 103.2 | 102.0 | 101.5 |
| PV of PPG external debt to exports (percent) | 108.7 | 110.7 | 100.3 | 111.2 | 114.8 | 117.0 |
| PPG external debt service to revenues (percent) | 4.5 | 5.4 | 6.6 | 12.0 | 11.6 | 8.4 |
| PPG external debt service to exports (percent) | 5.0 | 6.1 | 7.5 | 13.0 | 13.1 | 9.6 |
| Discount rate (percent) | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| | (Percent of GDP, unless indicated otherwise) | | | | | |
| Nominal GDP (RF billions) | 4,128 | 4,652 | 5,224 | 4,409 | 5,109 | 5,828 |
| Real GDP (percentage change) | 6.8 | 7.0 | 6.8 | 7.7 | 7.5 | 7.2 |
| GDP Deflator (percentage change) | 6.1 | 5.3 | 5.2 | 7.7 | 7.8 | 6.4 |
| **Fiscal** | | | | | | |
| External grants (incl. HIPC relief) | 8.5 | 10.0 | 8.9 | 12.0 | 10.2 | 8.2 |
| Revenue (excl. external grants) | 14.1 | 14.5 | 14.7 | 13.9 | 14.2 | 14.5 |
| Primary expenditures | 25.9 | 24.7 | 23.6 | 28.9 | 27.6 | 25.8 |
| Primary balance, incl. external grants | -3.3 | -0.2 | 0.1 | -3.0 | -3.2 | -3.1 |
| Primary balance, excl. external grants | -11.8 | -10.2 | -8.8 | -15.0 | -13.4 | -11.3 |
| Grant element of new external borrowing (percent)[2] | 14.9 | 11.8 | 42.3 | 15.1 | 3.4 | 14.9 |
| **Balance of payments** | | | | | | |
| Exports of goods and services | 12.7 | 12.8 | 13.0 | 12.9 | 12.6 | 12.5 |
| Millions of U.S. dollars | 823 | 904 | 1,005 | 900 | 975 | 1,061 |
| Imports of goods and services | 29.1 | 26.9 | 26.1 | 35.4 | 32.2 | 30.8 |
| Millions of U.S. dollars | 1,883 | 1,903 | 2,009 | 2,464 | 2,501 | 2,603 |
| Current account, incl. official transfers | -9.1 | -5.5 | -4.4 | -10.0 | -9.7 | -10.4 |

Source: Country authorities, IMF, and World Bank.

[1] Conducted at the time of the second review of the PSI; see IMF Country Report No. 11/164, July 2011.

[2] Includes publicly-guaranteed external borrowing.

## Appendix Table 3. External Debt Sustainability Framework Baseline Scenario, 2009–32

| | Actual | | | Historical Average[6] | Standard Deviation[6] | Projections | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2012–2017 Average | 2022 | 2032 | 2018–2032 Average |
| | | | | | | (Percent of GDP, unless otherwise indicated) | | | | | | | | | | |
| **External debt (nominal)[1]** | **14.5** | **17.7** | **21.6** | | | **23.5** | **23.7** | **23.1** | **22.8** | **21.1** | **19.2** | **18.1** | | **19.1** | **23.8** | |
| *Of which:* public and publicly guaranteed (PPG) | 14.5 | 14.6 | 18.0 | | | 18.7 | 19.1 | 19.1 | 19.3 | 18.1 | 16.6 | 15.9 | | 17.4 | 21.1 | |
| Change in external debt | -0.3 | 3.2 | 3.9 | | | 1.9 | 0.3 | -0.6 | -0.3 | -1.7 | -1.9 | -1.1 | | 0.6 | 0.3 | |
| Identified net debt-creating flows | 3.6 | 4.2 | 3.6 | | | 6.0 | 6.6 | 7.1 | 3.8 | 2.8 | 2.5 | 3.1 | | 1.7 | -2.9 | |
| **Non-interest current account deficit** | **7.2** | **5.8** | **7.1** | **2.9** | **3.5** | **9.5** | **8.7** | **9.7** | **6.6** | **5.7** | **5.4** | **6.0** | | **4.9** | **0.5** | 3.5 |
| Deficit in balance of goods and services | 18.1 | 18.5 | 20.4 | | | 22.5 | 19.7 | 18.2 | 13.9 | 12.6 | 11.8 | 11.4 | | 9.8 | 5.8 | |
| Exports | 11.0 | 10.9 | 14.1 | | | 12.9 | 12.6 | 12.5 | 12.4 | 12.6 | 12.9 | 13.3 | | 14.7 | 18.2 | |
| Imports | 29.2 | 29.4 | 34.5 | | | 35.4 | 32.2 | 30.8 | 26.3 | 25.2 | 24.7 | 24.6 | | 24.4 | 23.9 | |
| Net current transfers (negative = inflow) | -11.5 | -13.3 | -13.9 | -12.6 | 1.5 | -13.5 | -11.0 | -9.0 | -8.0 | -7.3 | -6.8 | -5.7 | | -5.4 | -5.8 | -5.5 |
| *Of which:* official | -10.0 | -11.7 | -11.5 | | | -11.6 | -9.2 | -7.3 | -6.3 | -5.7 | -5.2 | -4.2 | | -3.8 | -4.2 | |
| Other current account flows (negative = net inflow) | 0.6 | 0.6 | 0.7 | | | 0.5 | 0.1 | 0.4 | 0.6 | 0.5 | 0.4 | 0.4 | | 0.5 | 0.5 | |
| **Net FDI (negative = inflow)** | **-2.3** | **-0.8** | **-1.7** | **-1.1** | **0.9** | **-2.5** | **-1.6** | **-1.8** | **-1.9** | **-2.0** | **-2.1** | **-2.2** | | **-2.4** | **-2.4** | -2.4 |
| **Endogenous debt dynamics[2]** | **-1.3** | **-0.8** | **-1.9** | | | **-1.0** | **-0.6** | **-0.8** | **-0.9** | **-0.8** | **-0.7** | **-0.7** | | **-0.7** | **-0.9** | |
| Contribution from nominal interest rate | 0.1 | 0.2 | 0.2 | | | 0.5 | 1.0 | 0.8 | 0.6 | 0.6 | 0.6 | 0.5 | | 0.4 | 0.5 | |
| Contribution from real GDP growth | -0.5 | -1.0 | -1.3 | | | -1.5 | -1.6 | -1.6 | -1.5 | -1.5 | -1.3 | -1.1 | | -1.1 | -1.4 | |
| Contribution from price and exchange rate changes | -0.9 | 0.0 | -0.7 | | | … | … | … | … | … | … | … | | … | … | |
| **Residual (3-4)[3]** | **-3.9** | **-1.0** | **0.4** | | | **-4.2** | **-6.4** | **-7.7** | **-4.1** | **-4.5** | **-4.4** | **-4.2** | | **-1.1** | **3.2** | |
| *Of which:* exceptional financing | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| PV of external debt[4] | ... | 19.0 | 16.1 | | | 19.1 | 19.0 | 18.7 | 18.5 | 16.8 | 15.0 | 13.9 | | 13.6 | 17.3 | |
| Percent of exports | ... | ... | 114.3 | | | 148.1 | 151.3 | 149.2 | 149.2 | 133.1 | 116.6 | 105.1 | | 92.5 | 95.4 | |
| **PV of PPG external debt** | **...** | **15.9** | **12.5** | | | **14.4** | **14.4** | **14.7** | **15.0** | **13.8** | **12.5** | **11.7** | | **11.9** | **14.6** | |
| **Percent of exports** | **...** | **...** | **88.9** | | | **111.2** | **114.8** | **117.0** | **121.0** | **109.4** | **96.7** | **88.4** | | **81.0** | **80.5** | |
| **Percent of government revenues** | **...** | **...** | **88.0** | | | **103.2** | **102.0** | **101.5** | **102.3** | **92.5** | **82.0** | **76.3** | | **75.0** | **86.7** | |
| **Debt service-to-exports ratio (Percent)** | **2.1** | **2.6** | **6.5** | | | **16.2** | **16.9** | **13.6** | **13.0** | **13.7** | **13.8** | **13.0** | | **11.7** | **16.6** | |
| **PPG debt service-to-exports ratio (Percent)** | **2.1** | **2.2** | **4.2** | | | **13.0** | **13.1** | **9.6** | **8.7** | **9.4** | **9.5** | **8.6** | | **6.3** | **5.4** | |
| **PPG debt service-to-revenue ratio (Percent)** | **1.8** | **1.8** | **4.2** | | | **12.0** | **11.6** | **8.4** | **7.4** | **8.0** | **8.0** | **7.4** | | **5.8** | **5.8** | |
| Total gross financing need (Billions of U.S. dollars) | 0.3 | 0.3 | 0.4 | | | 0.7 | 0.7 | 0.8 | 0.6 | 0.6 | 0.6 | 0.7 | | 0.8 | 1.1 | |
| Non-interest current account deficit that stabilizes debt ratio | 7.5 | 2.6 | 3.2 | | | 7.6 | 8.5 | 10.3 | 6.9 | 7.4 | 7.3 | 7.1 | | 4.3 | 0.2 | |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | | | | |
| Real GDP growth (Percent) | 4.1 | 7.2 | 8.6 | 7.8 | 3.3 | 7.7 | 7.5 | 7.2 | 7.0 | 7.0 | 6.5 | 6.5 | 7.1 | 6.5 | 6.5 | 6.5 |
| GDP deflator in U.S. dollar terms (change, percent) | 6.7 | -0.1 | 4.4 | 6.3 | 7.7 | 2.1 | 3.6 | 1.8 | 2.1 | 2.4 | 2.4 | 2.0 | 2.4 | 2.0 | 2.0 | 2.0 |
| Effective interest rate (percent)[5] | 1.1 | 1.4 | 1.3 | 1.1 | 0.2 | 2.5 | 4.9 | 3.5 | 2.8 | 3.0 | 2.9 | 2.7 | 3.3 | 2.1 | 2.3 | 2.2 |
| Growth of exports of G&S (U.S. dollar terms, percent) | -16.2 | 5.5 | 47.0 | 18.7 | 25.8 | 0.7 | 8.3 | 8.9 | 8.0 | 11.7 | 11.4 | 11.6 | 8.2 | 11.3 | 10.8 | 11.1 |
| Growth of imports of G&S (U.S. dollar terms, percent) | 8.6 | 7.8 | 33.0 | 18.9 | 14.7 | 12.9 | 1.5 | 4.1 | -6.5 | 5.0 | 6.7 | 8.4 | 3.9 | 8.4 | 8.4 | 8.4 |
| Grant element of new public sector borrowing (Percent) | ... | ... | ... | ... | ... | 18.3 | 15.1 | 3.4 | 14.9 | 37.4 | 35.6 | 34.7 | 20.8 | 34.4 | 29.7 | 32.7 |
| Government revenues (excluding grants, Percent of GDP) | 12.8 | 13.2 | 14.2 | | | 13.9 | 14.2 | 14.5 | 14.7 | 14.9 | 15.2 | 15.3 | | 15.8 | 16.8 | 16.2 |
| Aid flows (Billions of U.S. dollars)[7] | 0.7 | 0.8 | 0.8 | | | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | | 1.0 | 1.5 | |
| *Of which:* Grants | 0.6 | 0.8 | 0.7 | | | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | | 0.7 | 1.5 | |
| *Of which:* Concessional loans | 0.1 | 0.1 | 0.1 | | | 0.1 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | | 0.3 | 0.0 | |
| Grant-equivalent financing (Percent of GDP)[8] | ... | ... | ... | | | 12.4 | 10.3 | 8.6 | 8.5 | 7.3 | 6.6 | 6.3 | | 5.4 | 4.6 | 5.2 |
| Grant-equivalent financing (Percent of external financing)[8] | ... | ... | ... | | | 82.3 | 80.5 | 78.9 | 90.9 | 92.6 | 87.1 | 82.1 | | 74.2 | 71.4 | 73.9 |
| *Memorandum items:* | | | | | | | | | | | | | | | | |
| Nominal GDP (Billions of U.S. dollars) | 5.2 | 5.6 | 6.3 | | | 7.0 | 7.8 | 8.5 | 9.2 | 10.1 | 11.1 | 12.0 | | 16.7 | 38.3 | |
| Nominal dollar GDP growth | 11.1 | 7.1 | 13.4 | | | 10.0 | 11.4 | 9.1 | 9.3 | 9.6 | 9.0 | 8.6 | 9.7 | 8.6 | 8.6 | 8.6 |
| PV of PPG external debt (Billions of U.S. dollars) | | | 0.8 | | | 1.0 | 1.1 | 1.2 | 1.4 | 1.4 | 1.4 | 1.4 | | 2.0 | 5.5 | |
| (PVt-PVt-1)/GDPt-1 (Percent) | | | | | | 3.2 | 1.4 | 1.7 | 1.7 | 0.1 | -0.2 | 0.2 | 1.3 | 1.3 | 1.3 | 1.2 |
| Gross workers' remittances (Billions of U.S. dollars) | 0.1 | 0.1 | 0.1 | | | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | | 0.4 | 0.9 | |
| PV of PPG external debt (Percent of GDP + remittances) | ... | 19.0 | 12.3 | | | 14.0 | 14.1 | 14.3 | 14.6 | 13.5 | 12.2 | 11.4 | | 11.6 | 14.3 | |
| PV of PPG external debt (Percent of exports + remittances) | ... | ... | 77.3 | | | 91.2 | 95.0 | 97.5 | 101.4 | 92.1 | 81.6 | 75.3 | | 70.1 | 71.5 | |
| Debt service of PPG external debt (Percent of exports + remittances) | ... | 15.9 | 3.7 | | | 10.6 | 10.8 | 8.0 | 7.3 | 7.9 | 8.0 | 7.3 | | 5.5 | 4.8 | |

Sources: Country authorities and IMF 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]Assumes that PV of private sector debt is equivalent to its face value.

[5]Current-year interest payments divided by previous period debt stock.

[6]Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

[7]Defined as grants, concessional loans, and debt relief.

[8]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).

## Appendix Table 4. Sensitivity Analysis for Key Indicators of Public and Guaranteed External Debt, 2009–32

| | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | **2022** | 2032 |
| | (Percent) | | | | | | | |
| **PV of debt-to GDP ratio** | | | | | | | | |
| **Baseline** | 14 | 14 | 15 | 15 | 14 | 12 | **12** | 15 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2012–2032[1] | 14 | 9 | 5 | 3 | 1 | -1 | **-2** | 19 |
| A2. New public sector loans on less favorable terms in 2012–2032[2] | 14 | 15 | 16 | 16 | 15 | 15 | **19** | 27 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2012–2013 | 14 | 14 | 15 | 16 | 14 | 13 | **12** | 15 |
| B2. Export value growth at historical average minus one standard deviation in 2012–2013[3] | 14 | 15 | 19 | 19 | 17 | 16 | **14** | 15 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2012–2013 | 14 | 15 | 16 | 16 | 15 | 13 | **13** | 15 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2012–2013[4] | 14 | 15 | 15 | 15 | 14 | 13 | **12** | 14 |
| B5. Combination of B1–B4 using one-half standard deviation shocks | 14 | 15 | 15 | 15 | 14 | 12 | **12** | 14 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2013[5] | 14 | 20 | 20 | 21 | 19 | 17 | **16** | 20 |
| **PV of debt-to-exports ratio** | | | | | | | | |
| **Baseline** | 111 | 115 | 117 | 121 | 109 | 97 | **81** | 80 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2012–2032[1] | 111 | 74 | 36 | 23 | 6 | -9 | **-14** | 107 |
| A2. New public sector loans on less favorable terms in 2012–2032[2] | 111 | 116 | 128 | 129 | 119 | 114 | **129** | 150 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2012–2013 | 111 | 112 | 115 | 119 | 107 | 95 | **79** | 78 |
| B2. Export value growth at historical average minus one standard deviation in 2012–2013[3] | 111 | 144 | 202 | 206 | 187 | 167 | **131** | 113 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2012–2013 | 111 | 112 | 115 | 119 | 107 | 95 | **79** | 78 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2012–2013[4] | 111 | 119 | 119 | 122 | 111 | 98 | **81** | 78 |
| B5. Combination of B1–B4 using one-half standard deviation shocks | 111 | 118 | 120 | 124 | 112 | 99 | **83** | 82 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2013[5] | 111 | 112 | 115 | 119 | 107 | 95 | **79** | 78 |
| **PV of debt-to-revenue ratio** | | | | | | | | |
| **Baseline** | 103 | 102 | 102 | 102 | 93 | 82 | **75** | 87 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2012–2032[1] | 103 | 66 | 31 | 19 | 5 | -8 | **-13** | 115 |
| A2. New public sector loans on less favorable terms in 2012–2032[2] | 103 | 103 | 111 | 109 | 101 | 96 | **119** | 162 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2012–2013 | 103 | 102 | 105 | 106 | 96 | 85 | **77** | 88 |
| B2. Export value growth at historical average minus one standard deviation in 2012–2013[3] | 103 | 109 | 128 | 127 | 115 | 103 | **89** | 89 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2012–2013 | 103 | 104 | 108 | 109 | 99 | 87 | **79** | 91 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2012–2013[4] | 103 | 106 | 103 | 103 | 94 | 83 | **75** | 84 |
| B5. Combination of B1–B4 using one-half standard deviation shocks | 103 | 105 | 102 | 102 | 93 | 82 | **75** | 86 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2013[5] | 103 | 139 | 140 | 141 | 128 | 113 | **103** | 118 |

## Appendix Table 4. Sensitivity Analysis for Key Indicators of Public and Guaranteed External Debt, 2009–32 (continued)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Debt service-to-exports ratio** | | | | | | | | |
| **Baseline** | 13 | 13 | 10 | 9 | 9 | 9 | **6** | 5 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2012–2032[1] | 13 | 13 | 8 | 6 | 6 | 5 | **1** | 3 |
| A2. New public sector loans on less favorable terms in 2012–2032[2] | 13 | 13 | 13 | 11 | 11 | 10 | **9** | 10 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2012–2013 | 13 | 13 | 10 | 9 | 9 | 9 | **6** | 5 |
| B2. Export value growth at historical average minus one standard deviation in 2012–2013[3] | 13 | 15 | 14 | 13 | 14 | 14 | **10** | 8 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2012–2013 | 13 | 13 | 10 | 9 | 9 | 9 | **6** | 5 |
| B4. Net non-debt creating flow s at historical average minus one standard deviation in 2012–2013[4] | 13 | 13 | 10 | 9 | 10 | 10 | **6** | 5 |
| B5. Combination of B1–B4 using one-half standard deviation shocks | 13 | 13 | 10 | 9 | 10 | 10 | **7** | 6 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2013[5] | 13 | 13 | 10 | 9 | 9 | 9 | **6** | 5 |
| **Debt service-to-revenue ratio** | | | | | | | | |
| **Baseline** | 12 | 12 | 8 | 7 | 8 | 8 | **6** | 6 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2012–2032[1] | 12 | 11 | 7 | 5 | 5 | 5 | **1** | 3 |
| A2. New public sector loans on less favorable terms in 2012–2032[2] | 12 | 12 | 11 | 9 | 9 | 9 | **8** | 10 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2012–2013 | 12 | 12 | 9 | 8 | 8 | 8 | **6** | 6 |
| B2. Export value growth at historical average minus one standard deviation in 2012–2013[3] | 12 | 12 | 9 | 8 | 9 | 9 | **7** | 6 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2012–2013 | 12 | 12 | 9 | 8 | 9 | 9 | **6** | 6 |
| B4. Net non-debt creating flow s at historical average minus one standard deviation in 2012–2013[4] | 12 | 12 | 9 | 7 | 8 | 8 | **6** | 6 |
| B5. Combination of B1–B4 using one-half standard deviation shocks | 12 | 12 | 9 | 8 | 8 | 8 | **6** | 6 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2013[5] | 12 | 16 | 12 | 10 | 11 | 11 | **8** | 8 |
| *Memorandum item:* | | | | | | | | |
| Grant element assumed on residual financing (i.e., financing required above baseline)[6] | 19 | 19 | 19 | 19 | 19 | 19 | **19** | 19 |

Sources: Country authorities and IMF staff estimates and projections.

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

[2] Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.

[3] Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

[4] Includes official and private transfers and FDI.

[5] Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

[6] Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

## Appendix Table 5. Public Sector Debt Sustainability Framework, Baseline Scenario, 2009–32

| | Actual | | | | | Estimate | | | | | | | Projections | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | Average[5] | Standard Deviation[5] | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2012-17 Average | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2018– 32 Average |
| | | | | | | | | | | | (Percent of GDP, unless otherwise indicated) | | | | | | | | | | | | | |
| **Public sector debt**[1] | 23.0 | 23.4 | 25.9 | | | 25.2 | 24.9 | 23.6 | 22.4 | 20.9 | 19.4 | | 20.0 | 20.5 | 21.1 | 21.7 | 22.2 | 22.7 | 23.0 | 23.2 | 23.4 | 23.5 | 23.6 | |
| *Of which:* foreign-currency denominated | 14.5 | 14.6 | 18.0 | | | 18.7 | 19.1 | 19.1 | 19.3 | 18.1 | 16.6 | | 17.4 | 18.0 | 18.6 | 19.2 | 19.7 | 20.2 | 20.5 | 20.8 | 21.0 | 21.0 | 21.1 | |
| Change in public sector debt | 1.7 | 0.4 | 2.4 | | | -0.7 | -0.3 | -1.2 | -1.2 | -1.5 | -1.5 | | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.4 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | |
| Identified debt-creating flows | -1.3 | -0.7 | -3.9 | | | 0.7 | 1.1 | 0.6 | -0.8 | -0.8 | -0.6 | | 1.0 | 0.9 | 0.8 | 0.8 | 0.7 | 0.6 | 0.5 | 0.4 | 0.3 | 0.3 | 0.3 | |
| Primary deficit | 0.6 | 0.0 | -0.3 | 0.8 | 1.2 | 2.9 | 2.5 | 2.3 | 0.8 | 0.7 | 0.7 | 1.7 | 2.2 | 2.2 | 2.1 | 2.1 | 2.1 | 2.0 | 1.9 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| Revenue and grants | 24.4 | 26.8 | 25.8 | | | 25.8 | 24.3 | 22.7 | 22.7 | 21.9 | 21.3 | | 20.2 | 20.3 | 20.3 | 20.3 | 20.4 | 20.5 | 20.5 | 20.6 | 20.7 | 20.7 | 20.7 | |
| *Of which:* grants | 11.6 | 13.6 | 11.6 | | | 11.9 | 10.2 | 8.2 | 8.0 | 7.0 | 6.1 | | 4.4 | 4.3 | 4.2 | 4.1 | 4.1 | 4.0 | 4.0 | 3.9 | 3.9 | 3.9 | 3.9 | |
| Primary (noninterest) expenditure | 25.1 | 26.8 | 25.5 | | | 28.7 | 26.9 | 25.0 | 23.5 | 22.6 | 22.0 | | 22.4 | 22.4 | 22.4 | 22.4 | 22.4 | 22.4 | 22.4 | 22.4 | 22.4 | 22.4 | 22.4 | |
| Automatic debt dynamics | -2.2 | -1.1 | -2.8 | | | -2.1 | -1.5 | -1.8 | -1.6 | -1.4 | -1.2 | | -1.2 | -1.3 | -1.3 | -1.3 | -1.4 | -1.4 | -1.4 | -1.4 | -1.4 | -1.5 | -1.5 | |
| Contribution from interest rate/growth differential | -1.2 | -1.5 | -2.3 | | | -2.0 | -1.4 | -1.4 | -1.4 | -1.2 | -1.2 | | -1.2 | -1.3 | -1.3 | -1.3 | -1.4 | -1.4 | -1.4 | -1.4 | -1.4 | -1.5 | -1.5 | |
| *Of which:* contribution from average real interest rate | -0.4 | 0.1 | -0.4 | | | -0.2 | 0.4 | 0.2 | 0.2 | 0.2 | 0.1 | | 0.0 | 0.0 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| *Of which:* contribution from real GDP growth | -0.8 | -1.5 | -1.9 | | | -1.8 | -1.8 | -1.7 | -1.5 | -1.5 | -1.3 | | -1.2 | -1.2 | -1.3 | -1.3 | -1.3 | -1.4 | -1.4 | -1.4 | -1.4 | -1.4 | -1.4 | |
| Contribution from real exchange rate depreciation | -1.0 | 0.3 | -0.5 | | | -0.1 | -0.1 | -0.4 | -0.2 | -0.2 | -0.1 | | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | |
| Other identified debt-creating flows | 0.3 | 0.4 | -0.9 | | | 0.0 | 0.1 | 0.1 | -0.1 | -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 | |
| Privatization receipts (negative) | 0.0 | 0.0 | -1.2 | | | 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 | |
| Recognition of implicit or contingent liabilities | 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 | |
| Debt relief (HIPC and other) | -0.1 | 0.0 | 0.0 | | | -0.1 | -0.1 | 0.0 | -0.1 | -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 | |
| Other (specify, e.g. bank recapitalization) | 0.4 | 0.4 | 0.3 | | | 0.0 | 0.2 | 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 | 0.0 | 0.0 | |
| Residual, including asset changes | 3.0 | 1.1 | 6.3 | | | -1.4 | -1.4 | -1.8 | -0.4 | -0.8 | -1.0 | | -0.4 | -0.3 | -0.3 | -0.2 | -0.1 | -0.2 | -0.2 | -0.1 | -0.1 | -0.2 | -0.2 | |
| **Other Sustainability Indicators** | | | | | | | | | | | | | | | | | | | | | | | | |
| **PV of public sector debt** | ... | ... | 24.7 | | | 20.4 | 20.8 | 20.2 | 19.2 | 18.2 | 16.6 | 19.2 | 14.5 | 14.8 | 15.1 | 15.5 | 15.9 | 16.2 | 16.5 | 16.7 | 16.8 | 16.9 | 17.0 | |
| *Of which:* foreign-currency denominated | ... | ... | 15.9 | | | 12.5 | 14.4 | 14.4 | 14.7 | 15.0 | 13.8 | | 11.9 | 12.2 | 12.6 | 13.0 | 13.4 | 13.7 | 14.0 | 14.2 | 14.4 | 14.5 | 14.6 | |
| *Of which:* external | ... | ... | 15.9 | | | 12.5 | 14.4 | 14.4 | 14.7 | 15.0 | 13.8 | | 11.9 | 12.2 | 12.6 | 13.0 | 13.4 | 13.7 | 14.0 | 14.2 | 14.4 | 14.5 | 14.6 | |
| PV of contingent liabilities (not included in public sector debt) | ... | ... | ... | | | ... | ... | ... | ... | ... | ... | | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | |
| Gross financing need[2] | -0.1 | 1.1 | 3.5 | | | 4.2 | 8.2 | 7.2 | 6.5 | 4.3 | 3.4 | | 4.9 | 4.9 | 4.9 | 4.9 | 4.9 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.9 | |
| PV of public sector debt-to-revenue and grants ratio (Percent) | … | … | 95.8 | | | 78.8 | 85.6 | 88.8 | 84.8 | 82.9 | 77.9 | | 71.4 | 72.8 | 74.4 | 76.2 | 77.9 | 79.1 | 80.1 | 80.8 | 81.4 | 81.9 | 82.3 | |
| PV of public sector debt-to-revenue ratio (Percent) | … | … | 173.5 | | | 146.3 | 147.2 | 139.5 | 131.1 | 121.6 | 109.2 | | 91.2 | 92.4 | 93.8 | 95.4 | 97.2 | 98.4 | 99.2 | 99.7 | 100.0 | 100.6 | 101.2 | |
| *Of which:* external[3] | … | … | 111.4 | | | 90.1 | 101.5 | 99.9 | 100.1 | 100.5 | 90.8 | | 75.0 | 76.4 | 78.0 | 79.9 | 81.9 | 83.3 | 84.3 | 85.0 | 85.4 | 86.1 | 86.7 | |
| Debt service-to-revenue and grants ratio (Percent)[4] | 2.5 | 2.2 | 2.4 | | | 3.4 | 7.1 | 7.3 | 6.0 | 5.5 | 6.2 | | 5.2 | 5.1 | 4.9 | 4.8 | 4.7 | 4.8 | 5.0 | 5.1 | 5.2 | 5.4 | 5.5 | |
| Debt service-to-revenue ratio (Percent)[4] | 4.4 | 4.1 | 4.8 | | | 6.1 | 13.2 | 12.6 | 9.4 | 8.5 | 9.1 | | 6.6 | 6.4 | 6.2 | 6.0 | 5.8 | 6.0 | 6.2 | 6.3 | 6.4 | 6.6 | 6.8 | |
| Primary deficit that stabilizes the debt-to-GDP ratio | -1.0 | -0.4 | -2.7 | | | 3.6 | 2.8 | 3.6 | 2.0 | 2.2 | 2.3 | | 1.6 | 1.6 | 1.6 | 1.6 | 1.5 | 1.6 | 1.6 | 1.6 | 1.6 | 1.7 | 1.7 | |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | | | | | | | | | | | | |
| Real GDP growth (Percent) | 11.2 | 4.1 | 7.2 | 7.8 | 3.3 | 8.6 | 7.7 | 7.5 | 7.2 | 7.0 | 7.0 | 7.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| Average nominal interest rate on forex debt (Percent) | 1.2 | 1.1 | 1.0 | 1.1 | 0.2 | 1.0 | 2.1 | 4.9 | 3.3 | 2.5 | 2.7 | 2.7 | 1.7 | 1.6 | 1.6 | 1.5 | 1.5 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.8 |
| Average real interest rate on domestic debt (Percent) | -7.3 | -6.4 | 1.1 | -4.8 | 3.6 | -4.7 | -4.9 | -4.4 | -2.4 | 0.4 | 1.0 | -2.5 | -0.1 | 0.3 | 0.6 | 0.8 | 1.1 | 1.3 | 1.5 | 1.7 | 1.9 | 2.0 | 2.2 | 0.8 |
| Real exchange rate depreciation (Percent, + indicates depreciation) | -6.8 | -6.9 | 2.6 | -2.4 | 9.6 | -3.4 | -0.6 | -0.8 | -2.1 | -1.0 | -0.9 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Inflation rate (GDP deflator, Percent) | 12.6 | 10.9 | 2.5 | 8.8 | 7.6 | 7.5 | 7.7 | 7.8 | 6.4 | 5.3 | 5.5 | 6.7 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Growth of real primary spending (deflated by GDP deflator, percent) | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Grant element of new external borrowing (Percent) | ... | ... | ... | … | … | 18.3 | 15.1 | 3.4 | 14.9 | 37.4 | 35.6 | 20.8 | 33.9 | 33.3 | 32.8 | 32.3 | 31.8 | 31.3 | 30.7 | 30.2 | 29.7 | 29.7 | 29.7 | ... |

Sources: Country authorities and IMF staff estimates and projections.

[1]Covers public and publicly-guaranteed debt of the central government and the central bank.

[2]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.

[3]Revenues excluding grants.

[4]Debt service is defined as the sum of interest and amortization of medium and long-term debt.

[5]Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

## Appendix Table 6. Rwanda: Sensitivity Analysis for Key Indicators of Public Debt, 2012–32

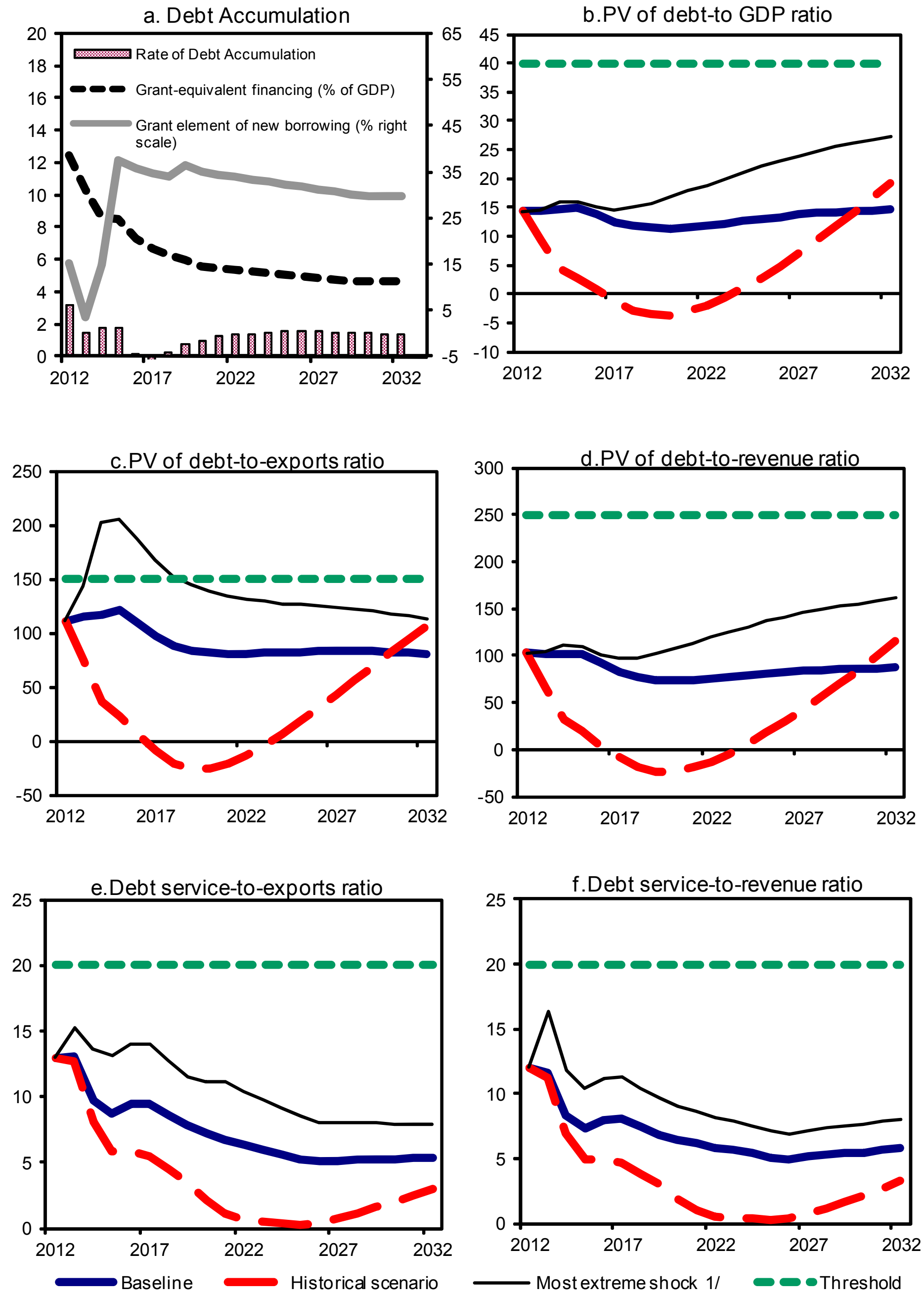
| | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2022 | 2032 |
| | (Percent) | | | | | | | |
| **PV of Debt-to-GDP Ratio** | | | | | | | | |
| **Baseline** | 20 | 21 | 20 | 19 | 18 | 17 | 14 | 17 |
| **A. Alternative scenarios** | | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 19 | 17 | 14 | 13 | 12 | 10 | 5 | 3 |
| A2. Primary balance is unchanged from 2011 | 18 | 16 | 13 | 11 | 9 | 7 | 0 | -6 |
| A3. Permanently lower GDP growth[1] | 21 | 21 | 20 | 19 | 18 | 17 | 20 | 36 |
| **B. Bound tests** | | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2012–2013 | 22 | 22 | 22 | 21 | 20 | 20 | 21 | 28 |
| B2. Primary balance is at historical average minus one standard deviations in 2012–2013 | 20 | 19 | 18 | 17 | 15 | 14 | 14 | 17 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 20 | 18 | 18 | 17 | 16 | 15 | 16 | 22 |
| B4. One-time 30 percent real depreciation in 2012 | 27 | 25 | 24 | 23 | 21 | 19 | 17 | 19 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2012 | 29 | 28 | 26 | 25 | 23 | 21 | 19 | 20 |
| **PV of Debt-to-Revenue Ratio[2]** | | | | | | | | |
| **Baseline** | 79 | 86 | 89 | 85 | 83 | 78 | 71 | 82 |
| **A. Alternative scenarios** | | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 73 | 69 | 64 | 59 | 54 | 49 | 27 | 14 |
| A2. Primary balance is unchanged from 2011 | 71 | 64 | 56 | 49 | 42 | 35 | 1 | -27 |
| A3. Permanently lower GDP growth[1] | 81 | 84 | 88 | 85 | 83 | 81 | 99 | 168 |
| **B. Bound tests** | | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2012–2013 | 83 | 90 | 95 | 93 | 92 | 90 | 104 | 134 |
| B2. Primary balance is at historical average minus one standard deviations in 2012–2013 | 77 | 77 | 79 | 74 | 70 | 66 | 67 | 80 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 76 | 74 | 77 | 74 | 72 | 69 | 77 | 104 |
| B4. One-time 30 percent real depreciation in 2012 | 103 | 105 | 107 | 101 | 96 | 91 | 84 | 92 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2012 | 112 | 114 | 116 | 110 | 105 | 100 | 95 | 95 |
| **Debt Service-to-Revenue Ratio[2]** | | | | | | | | |
| **Baseline** | 7 | 7 | 6 | 5 | 6 | 7 | 5 | 5 |
| **A. Alternative scenarios** | | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 7 | 7 | 5 | 5 | 5 | 6 | 3 | 2 |
| A2. Primary balance is unchanged from 2011 | 7 | 7 | 5 | 5 | 5 | 6 | 2 | 0 |
| A3. Permanently lower GDP growth[1] | 7 | 7 | 6 | 6 | 6 | 7 | 6 | 9 |
| **B. Bound tests** | | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2012–2013 | 7 | 8 | 6 | 6 | 7 | 7 | 6 | 8 |
| B2. Primary balance is at historical average minus one standard deviations in 2012–2013 | 7 | 7 | 6 | 5 | 6 | 6 | 5 | 5 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 7 | 7 | 6 | 5 | 6 | 6 | 5 | 6 |
| B4. One-time 30 percent real depreciation in 2012 | 9 | 10 | 9 | 8 | 9 | 9 | 8 | 9 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2012 | 7 | 8 | 7 | 6 | 7 | 7 | 7 | 7 |

Sources: Country authorities and IMF staff estimates and projections.

[1]Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

[2]Revenues are defined inclusive of grants.

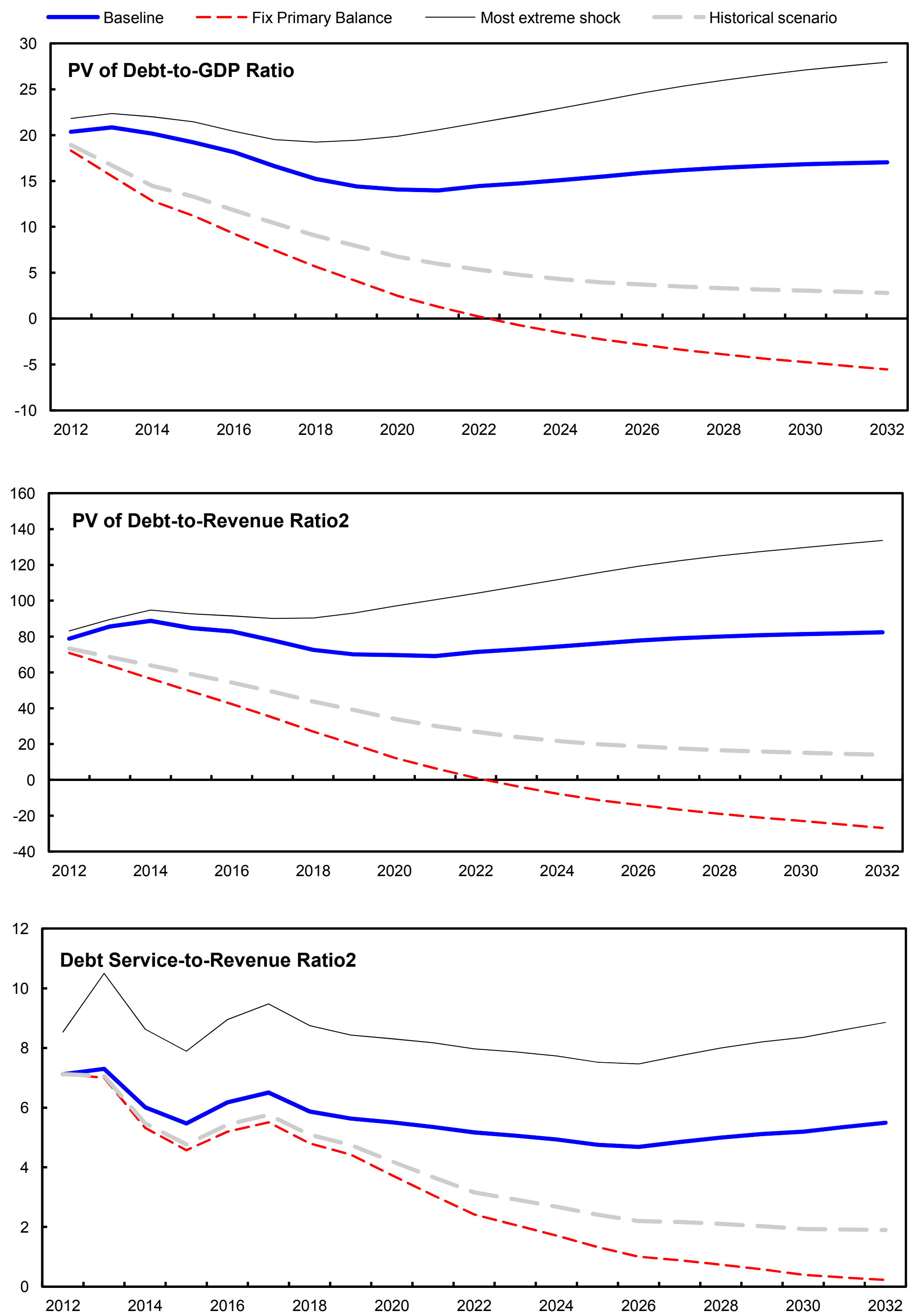
## Appendix Figure 1. Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2012–32




Sources: Country authorities and IMF staff estimates and projections.

[1] The most extreme stress test is the test that yields the highest ratio in 2017. In figure b. it corresponds to public sector borrowing on less favorable terms; in c. to a Exports shock; in d. to a future public sector borrowing on less favorable terms; in e. to a Exports shock and in figure f. to a One-time depreciation shock

**Appendix Figure 2. Indicators of Public Debt Under Alternative Scenarios, 2012–32**




Sources: Country authorities and IMF staff estimates and projections.

[1] The most extreme stress test is the test that yields the highest ratio in 2022. In the top panel, this corresponds to permanent lower growth (A3); in the middle panel to a 1-standard deviation growth shock in 2012 (B1); and in the bottom panel to a one-time 30 percent real depreciation in 2012 (B4).

[2] Revenues are defined inclusive of grants.

## APPENDIX II. LETTER OF INTENT

Kigali, Rwanda
May 15, 2012

Ms. Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C., 20431

Dear Ms. Lagarde,

The attached Memorandum on Economic and Financial Policies (MEFP) reviews recent economic developments in Rwanda and implementation of Rwanda's economic program under the three-year Policy Support Instrument (PSI), which was approved by the IMF Executive Board on June 16, 2010. The attached MEFP is an update of the previous MEFP and sets out policies and programs the Rwandan Government intends to implement for the fiscal year 2012/13 and the medium term. The PSI is set to expire on June 29, 2013.

We continue to make progress with our economic program. Growth is robust and inflation remains in the single digits. All end-December 2011 quantitative assessment criteria and continuous assessment criteria were met. Structural reforms are proceeding, with eight structural benchmarks met in the period since the last review. One additional benchmark (publication of budget execution reports) was met with delay, and four (transfer of the collection and auditing of social security contributions to the Rwanda Revenue Authority, medium-term debt strategy, electronic tax registry, and debt sustainability analysis) have taken longer than initially envisaged; they will be completed in the coming months.

In light of the satisfactory performance outlined in the attached MEFP, the Government requests completion of the fourth review under the PSI. The Government also requests approval of the modification of the assessment criteria for end-June 2012 with respect to (i) NFA of the central bank to reflect higher-than-programmed donor inflows; (ii) reserve money to accommodate higher demand for liquidity on account of higher nominal GDP and increased financial deepening; and (iii) NDF to reflect changes in timing of donor disbursements. Furthermore, the Government requests the ceiling on the continuous assessment criteria on nonconcessional borrowing be raised from US$240 million to US$255 million and untied from specified projects in order to allow additional borrowing for priority projects. It does not materially affect debt sustainability, as shown by the DSA Update. The Government also requests approval of end-December 2012 assessment criteria and structural benchmarks for 2012.

The Government is confident that the policies and measures set forth in the attached Memorandum will deliver the objectives of the program. We stand ready to take any further measures that may become appropriate for this purpose. The Government will consult with the IMF—at its own initiative or whenever the Managing Director of the IMF requests such a consultation—before the adoption of any such measures or changes to the policies described in the attached Memorandum.

The Government will provide the Fund with such information as the Fund may request in connection with the progress made in implementing the economic and financial policies and achieving the objectives of the program. It is expected that the fifth review will take place before end-December 2012, and the sixth and final review before June 29, 2013.

The Government of Rwanda authorizes the publication and distribution of this letter, its attachments, and all reports prepared by the Fund staff.

Sincerely yours,

| | |
|---|---|
| /s/ | /s/ |
| John Rwangombwa | Claver Gatete |
| Minister of Finance and Economic Planning | Governor, National Bank of Rwanda |

# Attachment I. Rwanda: Memorandum of Economic and Financial Policies

## May 15, 2012

## UPDATE

1. In this updated Memorandum of Economic and Financial Policies (MEFP), **the Government of Rwanda reiterates its commitment to achieving sustained economic growth and poverty reduction**. The strategies to achieve these goals are set out in the Economic Development and Poverty Reduction Strategy (EDPRS) for 2008–12[1] and Rwanda's Vision 2020. To this end, the Government and the International Monetary Fund (IMF) are cooperating on a three-year Policy Support Instrument (PSI) to support macroeconomic policies and structural reforms that underlie strategies in the EDPRS.

2. This MEFP reviews performance through end-December 2011 and describes policies and targets for end-June 2012 and end-December 2012, the 2012/13 fiscal year and the medium term.

### I. Performance under the PSI

3. **As of end-December 2011, all quantitative assessment criteria were met and structural benchmarks were broadly met (Tables 1 and 2)**. The submission to cabinet of the public debt policy and medium-term debt strategy (MTDS), planned for end-October 2011, remains outstanding. A first draft of the MTDS was discussed with key stakeholders (the Ministry of Finance and the Central Bank) and a revised draft incorporating comments that involved broadening the scope of the strategy is now planned for submission to the cabinet in May 2012 along with FY 2012/13 Budget. Further, while the authorities published on their website the first quarterly budget execution report in November 2011—a delay in the implementation of the continuous structural benchmark that was planned to start in May 2011—the report for the quarter ending in December 2011 was delayed but has been since published at end-March 2012. The benchmark on submitting to Cabinet for approval draft legislation to transfer collection and audit functions of social security contributions to the Rwanda Revenue Authority (RRA) has been changed into a MOU between the two parties as it is more about delegation of operation and not a change of the mandate of the Rwanda Social Security Board (RSSB). The MOU was signed by RRA and RSSB in May 2012.

[1] Rwanda's latest EDPRS (IMF Country Report No. 08/90) and Joint Staff Advisory Note (IMF Country Report No. 08/91) were issued to the Executive Board on February 14, 2008. A progress report was issued to the IMF Board on June 23 2011 (IMF Country Report No. 11/154).

4. **More recently, most structural benchmarks through end-March 2012 were met** with the exception of electronic tax registry which has been delayed until May 2012 (see below) and conducting DSA which has been delayed until July 2012 (see below).

**Growth**

5. Real GDP growth is estimated to have reached 8.6 percent in 2011, in line with program projections, driven mainly by a good harvest, and strong domestic demand, especially for construction (Table 1).

**Inflation**

6. Inflation rose sharply in 2011, but remained in single digits—and the lowest in the East African Community (EAC). Headline inflation reached 8.3 percent (y-o-y) at end-2011 (up from 0.2 percent a year earlier) and remains at 8.2 percent in March 2012, followed by temporary declines in January and February reflecting the second phase of the planned reduction in fuel taxes in the period. In the meanwhile, core inflation declined from 8.3 percent in December 2011 to 5.3 percent in March 2012.

**Fiscal Performance**

7. The fiscal deficit for the first half of FY 2011/12 (July-December) was smaller than projected (by about 1 percent of GDP), mainly reflecting delays in implementing domestically-financed capital projects.

8. **Tax revenue exceeded the target in the first half of FY 2011/12,** despite the permanent loss of 0.2 percent of GDP of revenue resulting from the reduction in fuel taxes (that aims at starting the harmonization of fuel taxes in Rwanda with EAC levels as well as containing, the impact of transport costs on inflation in 2011). Domestic revenue collections to end December 2011 amounted to RWF 284.2 billion (of which tax revenue of RWF 258.6 billion and non-tax revenue of RWF 25.6 billion). Tax revenue collection was RWF 5.6 billion higher than the target of RWF 252.6 billion by the end of December 2011, driven mainly by higher direct taxes and taxes on goods and services. However, a shortfall of RWF 5.8 billion in non-tax revenue was due to lower collections from administrative fees and charges, as well as dividends.

9. Budget support grants that accrued to the budget up to December 2011 amounted to RWF 210.9 billion compared to RWF 209.6 billion expected for July – December 2011.

10. Budgetary loans that accrued to the budget up to December 2011 amounted to RWF 53.4 billion, RWF 1.2 billion higher than 52.2 expected.

11. By end December 2011, total provisional spending for the FY 2011/12 had reached RWF 480.4 billion of the total spending of RWF 524.2 billion expected for the first half of this fiscal

year (lower spending on account of delays in completing all tender documentations for some capital projects on time and delays in disbursement of some external project loans).

12. Despite the lower spending the priority expenditure target was met. As a result of the disbursement of about RWF 51 billion by the Global Fund which accumulated as deposits and lower spending as mentioned above, there was a larger build up of deposits under net domestic financing. Net domestic financing in terms of government deposit buildup reached RWF 173.6 billion at end-December 2011, higher than RWF 138.4 billion projected.

13. Expenditures since January 2012 have picked up, especially domestically-financed capital expenditures, as the reasons for the under-spending in the first half of the fiscal year have been resolved. Accordingly total expenditure and net lending at RWF 596.4 billion in the January-June 2012 period will not exceed the target. Domestic revenue collections for the January-June period will also reach RWF 280.9 billion allowing the 2011/2012 revised domestic revenue mobilization target of RWF565.1 billion (13.8 percent of GDP) to be reached. Consistent with fiscal policy implementation in the January-June 2012 period the net domestic debt retirement goal of RWF 28 billion (0.7 percent of GDP) will also be met.

14. **Progress towards revenue administration measures in 2011/12 approved budget**

a) Introduce Electronic Sales Register (ESR) for recording taxpayers' transactions and limit VAT evasion and help track potential taxpayers (Structural benchmark for end-January 2012): there were delays in the procurement process and publication of the law. Consultants to develop software for managing the machines (Sales Data Control) have been sourced and contracts were signed as at end January 2012. Procurement and distribution of 500 machines has been completed and the pilot phase is expected to start in May 2012.

b) Conduct a study to identify potential areas to widen the tax base and estimate the tax gap (structural benchmark for end-December 2011); the study by the International Growth Center (IGC) on a flat tax regime has been completed. The Government is considering the conclusions of the study and in any case, it is intent that any reform of direct taxes will be at least revenue neutral.

c) Introduce e-filing and e-payment systems to reduce the time spent serving taxpayers, compliance costs incurred by taxpayers, and improve service delivery: the implementation of the system started with a pilot phase in November 2011 for Pay-As-You-Earn (PAYE) and VAT (Value Added Tax). E-filing is currently being done by some taxpayers for VAT, PAYE, and Withholding tax (WHT). The development of the module to allow e-filing and e-payment of additional tax types is ongoing.

d) Conduct a customer satisfaction survey to inform the next areas of focus for strategic planning purposes: the final report was produced in December 2011. A note on the key findings and recommendations was prepared and focus areas identified for actions by the concerned departments.

e) Introduce new tax compliance risk assessment system in the Domestic Taxes Department (DTD) that will orient audit function to high risk taxpayers: a number-of risk management tools were developed and are being used by DTD in the data matching exercise that orients audit plans. Furthermore, a plan was laid_down to put in place a data warehouse and acquire advanced risk management tools in order to improve analysis and data matching for audit planning.

f) Implement electronic single window (ESW) system at customs that will allow parties involved in trade and transport to lodge standardized information and documents using a single point: the development of the ESW between the RRA and four other government agencies (Magerwa, Rwanda Development Board (RDB), Rwanda Bureau of Standards (RBS) and Ministry of Health) was finalized. The pilot phase of the ESW system was launched in Feb 2012. Communication and awareness campaigns are being done through the web and local media since February 2012. Roll out of the system to other customs offices (in Kigali) is expected to start in April 2012. Connecting other agencies to ESW is planned for July 2012.

g) Establish a One-Stop-Border Post (OSBP) at Kagitumba and Rusumo border posts with 24 hour operations to facilitate cross border trade: for Kagitumba, the Environment Impact Assessment certificate was obtained and the tender for construction will be published in April 2012. For Rusumo, the Environmental Impact Assessment was conducted and the report was approved by the Joint Technical Committee and submitted to the EAC Secretariat for approval. The evaluation of bids took place in February 2012 and the contracts have been signed. The major challenge in the implementation of OSBP at Kagitumba and Rusumo is that the operationalization of OSBP is a cross cutting project between bordering countries. The priority given to such projects differs and decision making took longer hence affecting the preliminary implementation processes. Also, the OSBP project is externally funded with direct payment and control over any delays in the procurement processes or delays caused by the contractors is limited.

h) Operate electronic cargo tracking equipment to ensure the protection of cargo from source to destination: this project is managed by Ministry of Infrastructure (MININFRA). Six firms bid for the tender and opening of bids was jointly done by the Rwanda Transport Development Agency (RTDA) and RRA teams. Evaluation of bids was done in February 2012 and the evaluation report was submitted to the World Bank for non-objection.

i) Fully automate collection of pension funds and health insurance contributions and bring those out of the PAYE net into the system; the funder for this project (Investment Climate Facility) issued non-objection for CMC TATA to develop this module. Development has started for return processing (i.e. collection).

**External Sector**

15. A larger-than-expected balance of payments surplus in 2011 resulted from strong export performance, as well as a large increase in official and private sector capital inflows. The services and income balances improved, mainly from an increase in tourism services receipts and the AirTel (telecom) license fee. Current transfers, including from the Global Fund, also increased sharply. Both public and private borrowings increased in 2011, reflecting ongoing implementation of some public strategic investment projects as well as private sector projects in the transportation, communication, real estate and coffee sectors. Gross international reserves reached about 5 months of imports.

**Monetary and Exchange rate Developments**

16. Broad money supply recorded an annual increase of 26.8 percent at end-2011, driven mainly by the growth of credit to the private sector (27.9 percent). The increase in monetary aggregates has been in line with the nominal GDP growth of 16.7 percent and the monetization of the economy. In the monetary programme implementation, following the upward targets review made in November 2011 with the IMF mission to take into account the more-than-projected economic performance, the National Bank of Rwanda (NBR) has achieved end December 2011 net foreign assets and reserve money targets.

17. The monetary programme remains on track in the first quarter 2012 as a result of improved money demand projection. In line with the PSI structural benchmark of end February 2012, the NBR has developed a new liquidity forecasting framework with an extended horizon from 1 week to 6 months. This framework implemented since 1st March 2012 integrates forecasted changes in the autonomous factors of the banking system liquidity on a longer period, with focus on Government operations, currency in circulation and cash in vault held by banks. The new framework allows the central bank to predict its policy interventions for controlling the money supply.

18. Within the framework of supporting the development of the interbank market, the NBR adopted an action plan which will enhance the deepening of the interbank market and achieve the monetary policy objectives. On February 29, NBR fixed its REPO and reverse REPO operations to the maturity of seven days. The NBR will continue to use the Key REPO Rate as the maximum rate at which mop up liquidity will be effected and the minimum rate at which liquidity will be injected into the banking system for seven-day maturity operations. The bank might in exceptional cases, make use of other maturities only when there is need to mop more from the system. This additional facility is for only fine-tuning purpose.

19. Money market interest rates have increased from 7% in June to 8.1% in December in line with the change in the banking system liquidity and significantly influenced by the level of the central bank policy rate and the level of the reserve money targets. Recent successive increase in central bank policy rate from 6.0 percent to 6.5 percent in October and 7.0 percent in November allowed the Central Bank to continue limiting risks of monetary inflation. As a result, contrary to other EAC member countries where inflation remains at double digit level, Rwanda managed to maintain inflation at one digit level, at 8.2 percent in March 2012 from 8.3 percent in December 2011.

**Financial sector**

20. The banking system continues to be highly liquid and profitable with the overall nonperforming loans ratio declining from 11.3% at end-2010 to 8.2% at end-2011. The National Bank of Rwanda hired 60 inspectors to supervise the Savings and Credit Cooperative Organizations (SACCOs) at district level. The inspectors are receiving training in fields relating to their mission and were provided with necessary equipment to facilitate them in the monitoring and supervision of these SACCOs. At end March 2012, all the 416 SACCOs are authorized to grant loans including 273 fully licensed (up to 40% of their deposit) and the remaining (up to 20%) of their deposits. All SACCOs received a computer and a printer from Rwanda Cooperative Agency (RCA).

21. Regarding the regulatory framework, the NBR Board approved two banking regulations; one on Reporting requirements and another one on Risk Management in December 2011.

22. Actions have been taken in response to the 2011 FSAP update regarding the Financial Sector Development Plan (FSDP). The NBR received Technical Assistance (TA) from the World Bank (First Initiative) to elaborate an action plan to implement all recommendations of 2011 FSAP update. The team carried out a scoping mission for the new FSDP and met various financial sector stakeholders from March 5 to 30, 2012. The team is expected to come back in June 2012 to carry out the work and the FSDP report is expected to have been finalized by September 2012.

23. The NBR continued to accommodate new market developments and network expansion aiming at increasing competition and widen financial access. One new regional bank (Equity Bank) started its operation in the third quarter of 2011 while three MFIs have been upgraded to Microfinance Banks. In addition, three banks have been licensed to offer agent banking, while almost all banks do mobile banking. In 2011, the number of bank branches and outlets networks was 448 countrywide against 333 in 2010.

24. Actions were taken to strengthen the capacity for banks supervision by recruiting 5 new inspectors. Currently, the Bank supervision Department comprises 18 Inspectors. Aiming to improve the compensation scheme and professional development, Inspectors start up with one step ahead others staff.

25. In the year 2011, the NBR continued to improve its supervisory roles by conducting off site surveillance and onsite inspection. During the year 2011, nine onsite inspections were conducted against seven carried out in 2010.

**Poverty Reduction**

26. Data collected during the third integrated household living conditions survey include demography, education, health, housing, economic activity, agriculture, remittances and asset ownership. The unprecedented large sample size of 14,310 household selected for permits production of estimates at district level in the form of district profiles which shall inform local governments' development planning frameworks.

27. The results show a reduction in poverty at the national level by 12 percentage points between 2005/06 and 2010/11. Poverty is estimated to be 44.9 % nationally, with 22.1% poor in urban areas and 48.8% poor in rural areas. Extreme poor fell from 40% in 2000/01; to 36% in 2005/06; and to 24% in 2010/11.

28. As far as agricultural activities are concerned, the share of marketed output (livestock as well as crop activities) increased strongly between 2005/06 and 2010/11, from 22% to 27% respectively. Ownership of live stock has also increased, from 34% to 47% nationally from 2005/06 to 2010/11, etc.

**Statistical Issues**

29. Efforts to improve the quality of national accounts are continuing. In order to compile a high quality Supply and Use Table (SUT) and to produce robust benchmarks for the rebasing of Gross Domestic Product (GDP), National Institute of Statistics of Rwanda (NISR) is planning to conduct an Integrated Enterprise Survey (IES) for reference year 2011. The 2011 IES will collect benchmark data on non-agriculture non-household sector economic activities using the 2011 Establishment Census (2011 EC). Data collection is expected to start from May 2012 and results are expected by end December 2012.

30. To support these ambitious work targets, the NISR is strengthening its human capacity. NISR has recruited 47 new staff including economists and strengthened the Economic Statistics Department, which now a director and four Principal Statisticians in charge of national accounts, trade and services, prices and agricultural/industrial statistics.

31. Significant progress has also been made in respect of agricultural statistics. The recruitment of the key consultants has been completed, and the first mission was undertaken by the two senior advisers of Agricultural Assessments International Corporation (AAIC) in February. They prepared a paper that comprises an assessment of the current situation; recommendations for action and next steps. The finalized paper was published at end-March 2012 (structural benchmark)

32. In addition, NISR is planning to hire international experts with the help of NISR Basket fund in relation to the development of the national accounts. The objective is to support further improvements in the quality of the accounts, with particular reference to the statistics relating to the balance of payments, government financial statistics, the supply and use table (for 2011). The TA will also support capacity building across the entire range of economic statistics produced by NISR.

## II. Objectives and Policies Looking Forward

33. **The outlook for the 2012/13 fiscal year is in line with the Medium Term Macroeconomic Framework and program objectives set out in the initial MEFP for the PSI.** In 2012, domestic economic activity is expected to expand at a commendable pace, though lower output growth projected at 7.7 percent on account of the looming global recession risks. This growth rate will be led by agriculture, construction and services. Inflation is targeted at 7.5 percent for end-2012 and at 6.5 percent for end- 2013 before stabilizing at 5 percent over the medium-term.

34. Fiscal consolidation through increased domestic revenue mobilization and expenditure prioritization to close the fiscal gap remain the key components of Government's medium – term strategy. Accordingly domestic revenue is projected to rise from 13.8 percent of GDP in 2011/12 to 14 percent of GDP in 2012/2013 and to 14.3 percent of GDP in 2013/2014. Over the medium term domestic revenue will be expected to rise on average by 0.3 percent of GDP per annum and reach 14.9 percent of GDP by 2015/2016. In line with the expenditure prioritization policy total outlays which will rise to 28 percent of GDP in 2012/2013 to accommodate the wage increases in the public sector as well as in domestically financed capital budget are projected to decline steadily to 23.7 percent of GDP by 2015/2016. Mirroring these projections the overall deficit (including grants) is projected to decline from 2.6 percent of GDP in 2012/2013 to 1.6 percent of GDP in 2015/2016.

### Fiscal Policy

35. The budget for fiscal year 2012/2013 will deepen the fiscal consolidation strategy. The main objectives are to increase revenue mobilization as well as allocate additional resources for the needed wage increases in the public sector under the Pay and Retention policy and for domestically financed capital projects to reduce poverty. The objective of the Pay And Retention Policy, is to enable Government enhance its capacity to attract, retain and adequately motivate personnel with requisite skills to the public sector with a view to improve service delivery at the national and local levels. To ensure sustainability of the pay and retention policy in the medium term will be limited to a level consistent with maintenance of macroeconomic stability.

36. To partially finance the needed increases in the wage bill and the domestically funded capital expenditures in fiscal year 2012/2013, allocations for the purchase of non priority goods and services have been reduced. However to ensure that there are sufficient resources for the

purchase of goods and services to promote efficient service delivery, the allocations will be augmented on average by 0.2 percent per annum in the medium term with savings of equal amount from the domestically financed expenditures:

– Total domestic revenue collections for fiscal year 2012/2013 are projected at 14 percent of GDP. Tax revenue contributes 13.5 percent of GDP whilst the portion for non tax revenue is estimated at 0.5 percent of GDP. Over the medium term, the contribution from non tax revenue is not expected to rise as a result of the permanent loss of dividends in the face of increasing privatization of public enterprises.

– Total expenditure and net lending is estimated at 28 percent of GDP. This sharp increase from 26.9 percent in FY 2011/12 outlays reflect the increases needed to finance additional expenditure under domestic capital spending to reduce poverty (4.9 percent of GDP) and the wage bills of the public sector workers (from 4.2 percent of GDP to 4.9 percent). With regards to the wage increases, the largest share of the increase (0.5 percent of GDP) will go to increase the minimum wages of the lowest paid workers particularly the teachers as well as reduce the relativities between the lowest paid and the highly paid public servants. The remaining share of the increase (0.2 percent of GDP) is to be used to cater for late promotions and new recruitments.

– Net domestic financing: the budget for fiscal year 2012/2013 closes with net domestic finance equivalent to 0.3 percent of GDP.

– Donor commitments and uncertainty in outer two years of the medium term: since fiscal year 2011/2012, Government started broadening the coverage of project grants in fiscal operations to include funds that hitherto have been outside these operations but whose projects are implemented by sector ministries. Accordingly total budgetary grants for 2012/2013 are projected at 11.4 percent of GDP. However in view of the fact that Rwanda is no longer classified as a grants only country but a mixed country eligible for budget loans, total grants support in the medium term is projected to decline slightly and reach 7.2 percent of GDP by 2015/16. This shortfall will be partly offset with budgetary loans which are expected to rise from 0.2 percent of GDP in 2012/2013 to 2.8 percent of GDP by 2014/2015.

**Revenue administration measures for 2012/13**

37. All the revenue administration measures mentioned in paragraph 6 above are still ongoing and are expected to continue into 2012/13 except for conducting a customer satisfaction survey, which was completed.

**Tax policy measures for 2012/13**

The 2012/13 budget envisages the following tax policy measures. No additional tax policy changes are envisioned for 2012/13.

1) Increase in tax rates, starting July 2012, for imported construction materials by 5 percent on average on import duties, VAT and excise duties. (Rwf 1 billion)

2) Revision of the investment code, by June 2012 (structural benchmark) — yielding revenue of 0.1 percent of GDP

3) Introduce Gaming tax (Rwf 1 billion).

4) Introduce Electronic Sales Register (ERS) for recording taxpayers' transactions and limit VAT evasion and help track potential taxpayers yielding revenue of 0.2 percent of GDP;

In addition, PAYE from increase in salaries of civil and public servants will yield 0.2 percent of GDP.

38. To promote Small and Medium Enterprise (SME) development through simplification of the tax law in order to lower administrative costs whilst increasing compliance, the SME tax regime is being changed. All SMEs have now been grouped into two categories with new tax rates as follows: small and medium enterprises with a turnover of RWF 12 million to RWF 50 million will now pay a rate of 3 percent instead of 4 percent per annum; and Micro enterprises with a turnover of RWF 2 million to RWF 12 million are now grouped in four bands with flat tax amounts ranging from RWF 60,000 to RWF 300,000 per annum. The new SME tax policy is revenue neutral and will not lose revenue to Government.

39. In line with the Organic Budget Law provisions, quarterly budget execution reports will be prepared and these will be published on the website, within 45 days from the end of each quarter (continuous structural benchmark).

40. There are risks to the fiscal outlook for 2012/13 owing to shortfall in revenue and grants, the Government stands ready to delay some non priority spending to ensure no additional domestic borrowing is needed.

**Public Financial Management**

41. The PFM reform agenda is firmly on track as has been noted in the various reviews that have been undertaken in the previous years. The major objectives of the government is to address the key existing challenges that include among others: addressing the apparent disconnect between planning and budgeting, difficulties in automating public financial management operations, creating a critical mass of professionals across the key PFM functional

areas and building PFM capacity at decentralized level. Below is a set of priority measures that has been drawn to help address the existing challenges in the PFM area.

**Priority measures for 2012/13.**

The key priorities for the 2012/13 are as follows:

i. Complete the design of the detailed system and technical requirements of the Integrated Financial Management Information System (IFMIS) including functional, technical requirements documents and quality review by end December 2012 (structural benchmark) (Table 3).

ii. Elaboration of EDPRS II 2013- 2018 and pertinent sector and district strategic plans. The EDPRS I is coming to an end by 30th June 2013 and we have now embarked on the elaboration of the terms of reference for the EDPRS II.

iii. Review the program structure of the budget and revamp Medium Term Expenditure Framework (MTEF). This assignment will help in aligning the strategic plans of MDAs to the program structure of the budget as it has been to be a key weakness by numerous PFM diagnostic studies that have been carried out.

iv. Support implementation of the Fiscal Decentralization Strategy (FDS). This was approved by Cabinet last year and full scale implementation is set to be a major focus this fiscal year.

v. Continue with phase two of the Implementation of the Electronic Tax Registers to efficiently collect VAT. This project is expected to assist RRA expand the tax base and/or avoid any potential tax leakages so as to finance the country's national needs.

vi. With the support of IMF East Afritac the GoR has finalized updating the law on state finances and property. It is expected that the law will be finalized in the next fiscal year there by paving the way for sensitizing GoR officials on the new law.

vii. As part of the national plan of building a strong accountancy professional, the Government will continue to support the Institute of Certified Public Accountants of Rwanda (ICPAR) so that it may be in position to launch its first ever professional accountancy qualification (CPA-Rwanda) and help in building a the required critical mass of certified accountants.

  Stabilize the current IFMIS as we are laying the ground for the future IFMIS. An IFMIS Road map towards the implementation of the long term IFMIS solution has been developed. The Government is committed to ensure IFMIS design and implementation best practices are used throughout the implementation. The roadmap implementation will be concurrent with the stabilization of the current IFMIS solution to enhance its capacity, deepen its coverage, reduce the required support and permit the involvement of the existing IFMIS resources in the implementation of the future IFMIS.

viii. Public procurement is one of the critical pillars in the public financial management reform agenda. Upon realizing that there is an urgent need to create a critical mass of procurement professionals. MINECOFIN has helped School of Finance and Banking (SFB) secure the services of ITC-ILO (The International Training Centre of the ILO) as part of the twinning arrangement to develop capacity at SFB to meet Rwanda's training needs in procurement. The first phase has been completed and the second phase in currently ongoing with short term courses having commenced.

ix. The basic structure for a professional internal audit cadre is already in place and this is being complemented by automating all internal audit processes by using electronic working papers software. The ultimate objective is to increase efficiency.

x. The current Public Financial Management Reform Strategy is set to expire on 30th June 2013. In order for the government to build on the momentum that has already been created, the key priority forward is to elaborate the second generation of PFM Reforms and the pertinent Financing mechanism.

**Medium Term Debt Strategy-2011/12**

42. With regards to domestic borrowing to finance the budget in the medium term, Government intends to limit the size to a level that leaves ample scope for the expansion of credit to the private sector in the context of maintaining macroeconomic stability

43. In the case of external borrowing, given the importance going forward of public corporations borrowing, authorities have broadened the scope of the MTDS that only included central government borrowing initially. The revised strategy that reflects authorities' debt portfolio preference over the medium term will be submitted for cabinet consideration in May 2012 along the FY 2012/13 Budget Framework Paper. Annual updates of the strategy are expected, to incorporate new debt developments and any shift in debt portfolio preference depending on prevailing conditions.

**External Sector Policies**

44. Weak global demand, low commodity prices and high oil prices are expected to impact negatively on external sector performance in 2012. The value of exports is projected to increase only by 1 percent despite significant increase in volume of exports products (coffee, tea and minerals). Responding to the investment needs of the country and reflecting the expected increase in oil prices, imports are projected to rise in value terms by 14 percent in 2012. Even with the projected increase in current transfers (Global Fund), the current account balance is

expected to worsen slightly in 2012. Net capital flows including public and private borrowings to finance ongoing public and private investments projects allow a small overall balance of payments deficit. Gross reserves at end 2012 are projected at comfortable level of 4.7 months of imports (excluding the encumbered assets).

45. In the medium term exports in value terms are projected to increase on average by 5 percent per annum to reflect the implementation of the comprehensive national export strategy. Responding to the investment requirements of the country imports in value terms are also projected to rise on average by 20 percent per annum over the medium term. Mirroring the projected decline in budgetary grants, the current account balance will be expected to deteriorate slightly in the medium term.

46. Public and private capital flows are projected to increase to partly offset the decline in grants and also to respond to the expected rise in FDIs for private sector projects. The balance of payments in 2013 and 2014 are projected to show deficits resulting in draw down of reserves. Despite the projected draw-downs, official reserves will be expected to remain at comfortable levels covering 4 to 5 months of imports of goods and services.

47. In the area of external debt, we will explore all avenues for concessional financing. However given the large requirement of resources for the financing of our development agenda, some non concessional financing will be necessary. We have already agreed to a ceiling of US$240 million of non concessional borrowing during the PSI period for RwandAir and the Kigali Conference Center (KCC). We have requested that the current ceiling be raised to $255 million, and untied from the two previously identified projects, to accommodate non-concessional borrowing of up to US$15 million by the Rwandan Development Bank (BRD).

48. We are in the process of finalizing financing plans and options for other strategic investment projects (energy, international airport and the regional railway). In the context of the fifth PSI review we will request a review of the current ceilings.

49. As part of furthering our debt capacity building, we plan to conduct our first full DSA in July 2012 and are receiving training to do so in June 2012 in Tunis. The Macroeconomic Policy unit at MINECOFIN will coordinate the work to prepare the DSA. The unit will set up the macroeconomic framework (and prepare the debt data) needed to integrate the DSA with internally consistent macroeconomic projections

**National Exports Strategy implementation**

50. With regards to the implementation of national exports strategy (NES), Rwanda Development Board (RDB), responsible for the implementation of the strategy, has started to produce a semi-annual implementation report of the NES action plan and submit it to the Industrial Development and Export Council (IDEC) for policy guidance. The first report will be

ready by July 2012. The report will review and assess NES performance of both cross cutting and sector activities against agreed NES targets.

51. Financing of the NES is still a challenge as not all activities planned have been allocated budgetary resources. RDB is, therefore, preparing a NES financing strategy concept note to be submitted to the IDEC for approval by June 2012 which will determine the financing gap/needs and provide recommendations and strategies on how to close the gap. Following consultations with all stakeholders, a NES financing strategy will be developed and submitted to IDEC by December 2012 (structural benchmark).

52. NBR to complete by end-September 2012 a study to assess exchange rate developments, identify the main determinants of the exchange rate and review exchange rate policy with a view of maintaining export competitiveness.

**Monetary and Exchange Rate Policies**

53. NBR aims at tightening monetary policy in 2012. Inflation is targeted at 7.5 percent in 2012 (end period), with the aim of gradually reducing it to 6.5 percent in 2013, 5.5 percent 2014 and to return to 5 percent in the medium term. Broad money and Reserve Money growth is projected to slow down from 26.8 percent and 23.4 percent respectively in 2011 to 17 percent both in 2012. Similarly, the credit to the private sector growth is projected at 18.4 percent in 2012, from 27.9 percent in 2011. However, the risks of higher inflation remain due to uncertainties related to exogenous shocks, including food and fuel prices. NBR is committed to further tighten its monetary policy as needed to achieve its program objectives. Regarding the exchange rate policy, the NBR is committed to keep the exchange rate market driven. It will continue to intervene on the domestic foreign exchange market only to smoothen the exchange rate volatility.

54. NBR will continue to strengthen its capacity in economic analysis. In partnership with International Growth Centre, NBR is building a small macro-economic model that will help in monetary policy analysis and policy simulation. It is also expected to be used in the forecasting of economic variables; like inflation, exchange rate and Money supply.

55. NBR will continue to undertake measures aimed at further developing the Inter-bank market. These include the analysis of the use of Reserve Requirement as monetary policy instrument, shortening the lag between the base and the maintenance period as well as extending the maintenance period to at least two weeks. The NBR will introduce reform of the reserve requirements system to shorten the lag between the base and the maintenance period, extend the maintenance period to at least two weeks, and allow banks to take advantage of averaging provision. These reforms should be completed before end-June 2012. In the meantime, commercial banks have already started to submit monthly financial statements within 10 days of the end of each month. The NBR will introduce, by end-June 2012, a fully

collateralised standing short term lending facility (separate from the discount facility) with related interest rate set at a margin above the Key REPO Rate. The NBR will also consult MINECOFIN by September 2012 on a plan to convert existing NBR consolidated claims on government into marketable securities to help deepen domestic money market.

**Financial Sector Reforms**

56. The SACCO supervision structure was developed and approved by the High Level Steering Committee in March 2012. The action plan of the SACCO structure was drafted and approved by the High Level Steering Committee (HLSC) also in March 2012.

57. The retained functioning model for SACCOs will be a Cooperative Bank resulting from a consolidation process. The consolidation process of SACCOs will be carried out in 2 phases. NBR plans to have a harmonized credit policy for SACCOs by end September 2012. In addition, an exercise of rating SACCOs to determine those that qualify for consolidation at district level will be performed by end December 2012 (structural benchmark)

- Phase I: Formation of district SACCOs: by end 2013, district SACCO is formed at each district for which all the current SACCOs in a Sector are members. Tasks to be done, activities to be undertaken along the process and other accompanying measures are defined in the action plan. The High Level Steering Committee (HLSC) in charge of approving the action plan and monitoring its implementation is in place.

- Phase II: Unify all district SACCOs at National level: Districts SACCOs formed in phase I are unified to form a cooperative bank. An expert who will conduct a study of the Business Model, ownership and interface option of the cooperative bank will be hired. The cooperative bank will be established by 2014. Actions to be undertaken in phase II are also detailed in the action plan.

58. The SACCO supervisory Model in Phase I is to maintain all the 60 inspectors at district level, while in Phase II, an adequate number of inspectors will be determined by the consultant working on the Business Model of the Cooperative Bank.

**Statistics**

59. The NISR will continue to improve the quality of its economic statistics in general and the national accounts in accordance with the improvement action plan of the national accounts. The NISR has completed the recruitment of the key consultants in Agriculture statistics, and they have already undertaken their first two weeks mission to assess the current situation and have reviewed agricultural statistics including sampling methodology. For the period April to October 2012, the experts will help NISR to prepare the agriculture survey using the new methodology and will train survey supervisors, controllers and enumerators.

60. The results of the recently completed Establishment Census 2011 have been used to select a sample of 950 establishments for the planned 2011 Business Survey and Non Profit Institutions Survey to be completed by end-October 2012 (structural benchmark).

61. The data from these benchmark surveys, combined with other source data, will be used to develop detailed input-output (I-O) and supply-use tables (SUT) and to rebase the GDP estimates in 2011 constant prices.

62. With the help of IMF EastAFRITAC, NISR will rebase the CPI statistics using the results of the EICV3 by end of June 2013. The rebasing of the GDP estimates using 2011 constant prices is expected to be finished by end of December 2013.

Table 1. Quantitative Assessment Criteria and Indicative Targets for 2010/11 and 2011/12[1]
(Billions of Rwandan francs, unless otherwise indicated)

| | 2010 | | | | 2011 | | | | | | | | 2012 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jun | | Dec | | Jun | | Sep | | | Dec | | | Mar | | Jun | | Sep | Dec |
| | Adj Prog | Est | Adj Prog | Est | Adj Prog | Est | Prog | Adj Prog | Est | Prog | Adj Prog | Est | Prog | Adj Prog | Prog | Adj Prog | Prog | Prog |
| **Assessment Criteria** [2] | | | | | | | | | | | | | | | | | | |
| Net foreign assets of the NBR at program exchange rate (floor on stock) [3, 4] | 368.1 | 384.7 | 338.9 | 398.7 | 343.6 | 372.6 | 409.5 | 360.1 | 402.3 | 417.9 | 453.8 | 530.9 | 389.5 | 467.7 | 312.5 | 421.3 | 497.0 | 513.0 |
| Reserve money (ceiling on stock) [5] | 122.5 | 121.7 | 129.9 | 129.4 | 137.5 | 137.3 | 146.8 | 146.8 | 150.9 | 156.3 | 156.3 | 152.0 | 161.0 | 167.2 | 166.4 | 173.1 | 183.2 | 185.4 |
| Net domestic financing (ceiling on flow) [4, 6] | -6.3 | -11.2 | 36.5 | 35.2 | 97.7 | 66.3 | 28.0 | 75.6 | -15.9 | -64.4 | -81.8 | -107.3 | 54.6 | 52.9 | 110.5 | 106.8 | 26.3 | 11.5 |
| New nonconcessional and government guaranteed external debt (US$ Millions) (ceiling on stock) [7, 8] | 240.0 | 0.0 | 240.0 | 20.0 | 240.0 | 80.0 | 240.0 | 240.0 | 180.0 | 240.0 | 240.0 | 180.0 | 240.0 | 240.0 | 240.0 | 255.0 | 255.0 | 255.0 |
| External payment arrears (US$ Millions) (ceiling on stock) [8] | 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 |
| **Indicative Targets** | | | | | | | | | | | | | | | | | | |
| Domestic revenue collection (floor on flow) [6] | 197.9 | 204.3 | 424.0 | 430.9 | 245.2 | 257.5 | 379.8 | 379.8 | 402.5 | 541.5 | 541.5 | 541.7 | 141.4 | 143.1 | 281.1 | 284.7 | 451.4 | 617.7 |
| Net accumulation of domestic arrears (ceiling on flow) [6] | -3.0 | -6.1 | -13.1 | -13.3 | -4.0 | -4.7 | -6.0 | -6.0 | 5.0 | -11.7 | -11.7 | -12.6 | -2.0 | -2.0 | -4.0 | -4.0 | -6.0 | -8.0 |
| Consolidated domestic debt of public sector (ceiling on stock, eop) [4,9] | 212.3 | 264.8 | 232.7 | 218.9 | 291.7 | 245.8 | 264.9 | 264.9 | 194.3 | 192.0 | 192.0 | 182.4 | 222.1 | 255.0 | 245.4 | 327.6 | 247.2 | 232.3 |
| Total priority spending (floor on flow) [6] | 212.0 | 228.7 | 458.7 | 472.4 | 230.1 | 259.2 | 352.6 | 352.6 | 385.3 | 517.5 | 517.5 | 531.6 | 135.6 | 123.6 | 274.0 | 247.2 | 380.9 | 516.9 |
| ***Memorandum items:*** | | | | | | | | | | | | | | | | | | |
| General budget support (US$ Millions) [6,10] | 218.2 | 216.1 | 418.0 | 394.0 | 123.7 | 83.9 | 393.0 | 393.0 | 264.7 | 463.5 | 463.5 | 519.8 | 95.5 | 13.6 | 135.5 | 53.6 | 242.5 | 410.0 |
| Encumbered reserve assets (US$ Millions) | | | | | | | 26.9 | 26.9 | 30.0 | 71.2 | 71.2 | 40.0 | 85.8 | 40.0 | 100.0 | 40.0 | 71.0 | 71.0 |

Sources: Rwandan authorities and IMF staff estimates and projections.

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

[2] Test dates for assessment criteria are for end-June and end-December, otherwise indicative targets.

[3] Numbers for 2010, 2011, and 2012 are at program exchange rates of RWF 571.24, RWF594.45, RWF604.14 per US dollar, respectively.

[4] Subject to adjustors. See TMU for details.

[5] Targets are calculated as an arithmetic average of the stock of reserve money for the three months in the quarter. See TMU for details.

[6] Numbers for 2010 are cumulative from December 31, 2009; numbers for 2011 are cumulative from December 31, 2010; and numbers for 2012 are cumulative from December 31, 2011.

[7] Cumulative from end-June 2010. The ceiling applies to the duration of the three-year PSI, and excludes the IFC SWAP agreement of US$50 million as well as US$13.1 million for purchase of two small airplanes both of which were contracted in 2009. It also excludes external borrowing by the Bank of Kigali and Euro 8 million for loan contracted by the BRD from the European Investment Bank in September 2011. Effective from the date the Executive Board completes the fourth review under the PSI, the ceiling is no longer tied to specific projects.

[8] This is a continuous assessment criterion.

[9] Excluding NBR's debt issued for monetary policy purposes, starting on September 2010. See TMU for details.

[10] Excluding demobilization and AU peace keeping operations, HIPC grant and COMESA compensation grant.

Table 2. Rwanda: Status of the Structural Benchmarks for 2011–12

| Policy Measure | Target Date | Macroeconomic rationale | Status |
|---|---|---|---|
| **PFM** | | | |
| 1. Submit to Cabinet for approval a revised public debt policy and MTDS | End-October 2011 | To assess costs and benefits of scaled-up nonconcessional financing and analyze fiscal risks associated with PPPs. | Not met. Ongoing with revised completion expected at end-June 2012. |
| 2. Complete pilot project for integrating donor project accounts into the TSA | End-December 2011 | To improve the coverage of fiscal operations and fiscal management of the central government. | Met |
| 3. Develop and adopt a blueprint for the future development of the IFMIS | End-December 2011 | To improve budget preparation, implementation, and reporting. | Met |
| 4. Complete the road map for implementation of the IFMIS for a full set of fiscal accounts | End-March 2012 | To improve budget preparation, implementation, and reporting. | Met |
| **Fiscal performance** | | | |
| 5. MINECOFIN to publish (and put on its website) quarterly reports of budget execution against annual fiscal policy objectives, within 45 days of end of each quarter. Initially, the quarterly budget execution reports may exclude foreign-financed projects. | Continuous, starting mid-May 2011 | To improve communication of fiscal performance to stakeholders. | Met with delay. The report for 2011Q4 was published at end-March 2012. |
| **Revenue measures** | | | |
| 6. Submit to Cabinet for approval draft legislation to transfer collection and audit functions of social security contributions (pension and RAMA) to RRA | End-September 2011 | To improve compliance and widen the tax base. | Met with delay. An MoU was signed in May 2012, in place of the legistlation. |
| 7. Complete study on widening the tax base and estimate the potential revenue gap | End-December 2011 | To improve revenue performance. | Met. Study is under discussion. |
| 8. Introduce electronic tax registry to improve issuance of VAT invoices by taxpayers | End-January 2012 | To improve VAT buoyancy. | Not met due to delay in procurement. Expected to be completed by end-May 2012. |
| 9. Submit to Cabinet revised investment code with a view to streamlining exemptions | End-June 2012 | To improve revenue performance. | On track. Currently under internal discussion. |
| **Monetary and financial sector** | | | |
| 10. Approve investment guidelines by the board of CSR/RAMA | End-June 2012 | To improve the corporate governance of CSR/RAMA and contain potential fiscal liabilities. | On track. Currently under internal discussion. |
| 11. Put in place a consistent framework to forecast the main components of domestic liquidity (including currency outside banks, cash in vault, and bank reserves) and extend the forecasting horizon to 2–4 weeks (to be updated weekly) and 3–6 months (to be updated monthly) | End-February 2012 | To improve the implementation of monetary policy. | Met |
| 12. Finalize a detailed time-bound action plan to further develop the interbank money market, including enhancing repo operations and allowing fully market-determined interest rates | End-February 2012 | To allow fully market-determined interest rates and strengthen the signaling role of the policy rate (Key Repo Rate). | Met |
| 13. Agree on the action plan for overall structure of the SACCOs and their supervision | End-March 2012 | To expedite supervision of the Umurenge SACCOs. | Met |
| **External sector** | | | |
| 14. Conduct own DSA using the World Bank/IMF Debt Sustainability Framework as input for the annual budget framework paper | Continuous from end-March 2012 | To enhance ability to monitor debt sustainability. | Not met. Compeletion expected at end-July 2012. |
| **Statistics** | | | |
| 15. Complete and publish review of agricultural statistics, including sampling methodology | End-March 2012 | To improve measurement of GDP. | Met |
| 16. Complete the Enterprise Survey | End-October 2012 | To improve measurement of GDP. | Progress to be reviewed |

Source: IMF staff and Rwandan authorities.

Table 3. Rwanda: Additional Structural Benchmarks for 2012

| Policy Measure | Target Date | Macroeconomic rationale |
|---|---|---|
| **Public financial management** | | |
| 1. Complete the determination of the detailed system and technical requirements for the Integrated Financial Management Information System | End-September 2012 | To improve budget preparation, implementation, and reporting. |
| **Monetary policy** | | |
| 2. Introduce a (fully collaterized) standing short-term lending facility with related interest rate set at a margin above the key repo rate | End-June 2012 | To improve the implementation of monetary policy. |
| **External sector** | | |
| 3. Complete (by NBR) a study to assess exchange rate developments and identify the main determinants of the exchange rate with a view of supporting the implementation of the exchange rate policy and maintaining export competitiveness | End-September 2012 | To improve the implementation of exchange rate policy. |
| 4. Submit to the Industrial Development and Export Council a financing plan for the National Export Strategy | End-December 2012 | To widen the export base of Rwanda. |
| **Financial sector** | | |
| 5. Adopt (by NBR) a harmonized credit policy for SACCOs | End-September 2012 | To expedite supervision of the Umurenge SACCOs. |
| 6. Complete the rating of SACCOs and selection of those that qualify for consolidation at district level | End-December 2012 | To expedite supervision of the Umurenge SACCOs. |

Source: IMF staff and Rwandan authorities.

# Attachment II. Technical Memorandum of Understanding

## May 15, 2012

1. This memorandum defines the quantitative targets described in the memorandum of economic and financial policies (MEFP) for the period June 30, 2010–June 29, 2013 supported by the IMF Policy Support Instrument (PSI), and sets out the data reporting requirements. This Technical memorandum of understanding (TMU) supersedes the TMU issued in Country Report No. 12/15.

### I. Quantitative Program Targets

2. The quantitative program will be assessed through assessment criteria (AC) and indicative targets (IT) for the duration of the program.

3. AC will apply to the following indicators for end-June and end-December 2012 (the test dates) throughout the program period; other dates are IT:

- Floor on stock of net foreign assets (NFA) of the National Bank of Rwanda (NBR);
- Ceiling on stock of reserve money;
- Ceiling on flow net domestic financing (NDF) of the central government;
- Ceiling on contracting or guaranteeing of new nonconcessional external debt by the public sector; and
- Ceiling on stock of external payment arrears of the public sector.

4. IT targets apply to the following indicators throughout the program period:

- Floor on flow domestic revenue collection of the central government;
- Ceiling on flow net accumulation of domestic arrears of the central government;
- Ceiling on stock of consolidated domestic debt of the public sector; and
- Floor on flow priority spending.

5. Assessment criteria on contracting or guaranteeing of new nonconcessional external debt by the public sector and stock of external payment arrears of the public sector are applicable on a continuous basis for the duration of the program.

6. **Program exchange rates**. For accounting purposes, the following program exchange rates, which are end-December 2011 rates, apply for 2012 and 2013:

| Program Exchange Rates (US$ per currency unit, unless indicated otherwise) | |
|---|---|
| | **2012-13** |
| Rwanda Franc (per US$) | 604.1410 |
| Euro | 1.2866 |
| British Pound | 1.5371 |
| Japanese Yen (per US$) | 77.7899 |
| SDR | 1.5348 |

### A. Institutional Coverage of the Fiscal Sector

7. The **central government** fiscal operation table comprises the treasury and line ministries, hereafter referred to as the government unless specified otherwise.

### B. Targets related to the Execution of the Fiscal Program

#### Ceiling on net domestic financing of the government

8. A ceiling applies to NDF. The ceilings for June and for December 31, 2012 are cumulatively measured from December 31, 2011. Other dates are indicative targets.

9. **Definition**. NDF of the government is defined as *change* in the sum of (i) net banking sector credit to the government and (ii) non-bank holdings of the government domestic debt.

10. Net banking sector credit to the government is defined as

- credit to the government from the banking system (as recorded in the monetary survey), including credit to the government, provinces and districts, outstanding consolidated government debt held by the banking system,[1] government debt to the NBR incurred as

[1] Consisting of bank holdings of treasury bills, bonds (domestic), old development bonds (pre-1994 debt), new development bonds (including those used for recapitalization of banks), and other accounts receivables.

a result of the 1995 devaluation (Rwf 9 billion), the overdraft to the prewar government (Rwf 2 billion)[2], and overdraft with the NBR. Credit to the government will exclude treasury bills issued for monetary policy purposes by the NBR, and the proceeds of which are sterilized in deposits held as other NBR liabilities.

- minus total government deposits with the banking system (as recorded in the monetary survey), including the main treasury account, line ministries, the fund for assistance to genocide survivors, the Rwanda Revenue Authority, the electoral commission, the demobilization commission, fonds routier, privatization account, and any other autonomous public enterprises and public agencies over which the government has direct control over their deposits. Thus, this definition excludes any government deposits, over which the central government does not have any direct control (i.e., for project accounts, Global Funds money meant for private sector, counterpart funds and *fonds publics affectés*).

11. Non-bank holdings of the government domestic debt consists of non-bank holdings of treasury bills, bonds (domestic and nonresident), old development bonds (pre-1994 debt), new development bonds (including those used for recapitalization of banks), and other accounts receivables.

12. Grants extended by the Global Fund that are under the control of the central government are programmed at US$198.2 million for 2012, corresponding to RWF 119.7 billion as shown in the Fiscal table for the central government under capital grants. [3]

**Adjusters to the NDF:**

- The ceiling on NDF will be adjusted *upward* by the amount of any shortfall between actual and programmed budgetary loans and grants[4] (defined in Table 1 of Quantitative AC and IT), up to a maximum adjustment of US$80 million, evaluated in Rwanda francs at the program exchange rate. The ceiling will be adjusted *downward* by the amount of any excess of actual over programmed budgetary loans and grants above US$24 million, evaluated in Rwanda francs at the program exchange rate.

- The ceiling on NDF will be adjusted *upward* by the amount of expenditure for food imports in the case of a food emergency.

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[2] The authorities will inform Fund staff of any substantive changes in government accounts with the banking system, which may affect the calculation of net bank claims.

[3] Quarterly distributions are as follows: US$0 (Jan–March 2012), US$86.3 million (Apr–June 2012), US$198.2 million (July–Sep 2012), and US$198.2 million (Oct–Dec 2012).

[4] Budgetary grants exclude COMESA grants, HIPC grants, and peacekeeping operations, but include Global Fund.

13. **Reporting requirement**. Data on NDF (showing separately treasury bills and government bonds outstanding, other government debt, and central government deposits), each type of debt to be shown by debt holder, and its adjusters will be transmitted on a monthly basis within five weeks from the end of each month. Deposits of the government with the NBR and with the commercial banks will be separated from the deposits of the public enterprises and autonomous public agencies and agencies that the government does not have any direct control over.

**Floor on flow of domestic revenues**

14. A floor applies to domestic revenue. The floors for June 30, 2012 and for December 31, 2012 are cumulatively measured from December 31, 2011. Other dates are indicative targets.

15. **Definition**. The floor on domestic government revenue is defined as total government revenue (tax and non-tax revenues), per the central government fiscal operation table, but excluding external grants, and privatization receipts.

16. **Reporting requirement.** Detailed data on domestic revenues will be transmitted on a monthly basis within five weeks of the end of each month.

**Floor on priority expenditure**

17. The floor applies to priority spending of the government. The floors for June 30, 2012 and for December 31, 2012 are cumulatively measured from December 31, 2011. Other dates are indicative targets.

18. **Definition.** Priority spending is defined as the sum of those recurrent expenditures, domestically-financed capital expenditures, and net lending that the government has identified as priority in line with the EDPRS. Priority expenditures are monitored through the computerized SIBET expenditure management system which tracks priority spending of the annual budget at the program level.

19. **Reporting requirement.** Data on priority expenditure will be transmitted on a monthly basis within five weeks of the end of each month.

**Net accumulation of domestic arrears of the government**

20. A ceiling applies to net accumulation of domestic arrears of the government.[5] The ceilings for June 30, 2012 and for December 31, 2012 are cumulatively measured from December 31, 2011. Other dates are indicative targets.

21. **Definition.** The net accumulation of arrears is defined as the difference between the gross accumulation of new domestic arrears (measured as the difference between payment orders and actual payments related to payment orders issued) and gross repayment of any arrears outstanding since the beginning of the year under review (including repayment of float during the review year and the repayment of older arrears).

22. **Reporting requirement.** Data on repayment of domestic arrears and the remaining previous-year stock of arrears will be transmitted on a monthly basis within five weeks of the end of each month.

## C. Limits on External Debt

**Limit on New Nonconcessional External Debt of the Public Sector**

23. A ceiling applies to the contracting and guaranteeing by the public sector of new nonconcessional borrowing debt with nonresidents (see below for the definition of the public sector, concessionality and debt). The ceiling is given in Table 1 of the MEFP which applies continuously from end-June 2010 to end-June 2013; it excludes the swap agreement of US$50 million signed in November 2009 between the NBR, the IFC and US$13.1 million for purchase of two air planes in 2009, and Euro 8 million for loan contracted by the BRD from the European Investment Bank in September 2011. The ceiling also excludes non concessional borrowing by one state-owned bank, the Bank of Kigali, which is assumed not to seek or be granted a government guarantee. The ceiling also applies to private debt for which official guarantees have been extended, including future swaps involving foreign currency loans guaranteed by the public sector (see below for swaps), and which, therefore, constitute a contingent liability of the public sector. Effective from the date the Executive Board completes the fourth review under the PSI, the ceiling is no longer tied to specific projects.

24. **Definition of the public sector**. The public sector comprises the general government (the central government, the NBR, local governments which include provinces and districts) and entities in which the government holds a controlling stake—owning more than 50 percent of the

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

shares or the ability to determine general corporate policy.[6] This definition of public sector excludes the Bank of Kigali.

25. For program purposes, the guarantee of a debt arises from any *explicit* legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind), or from any *implicit* legal or contractual obligation of the public sector to finance partially or in full any shortfall incurred by the debtor.

26. **Definition of concessionality** For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[7] The discount rates used for this purpose are the currency specific commercial interest reference rates (CIRRs), published by the Organization for Economic Cooperation Development (OECD). For debt with a maturity of at least 15 years, the ten-year-average CIRR will be used to calculate the PV of debt and, hence, its grant element. For debt with a maturity of less than 15 years, the six-month average CIRR will be used. To both the ten-year and six-month averages, the same margins for differing repayment periods as those used by the OECD need to be added (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more).

27. **The definition of debt,** for the purposes of the limit in the AC, is set out in point 9 of the Guidelines on Performance Criteria with Respect to External Debt, effective December 1, 2009). It not only applies to the debt as defined in Point 9 of the Executive Board decision, but also to commitments contracted or guaranteed for which value has not been received. The definition of debt set forth in No. 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements reads as follows:

> (a) 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

[6] Government control of an entity can be established based on the following criteria: (i) ownership of the majority of the voting interest; (ii) control of the board or other governing body; (iii) control of the appointment and removal of key personnel; (iv) control of key committees of the entity; (v) golden shares and options; (vi) regulation and control; (vii) control by a dominant public sector customer or group of public sector customers; and (viii) control attached to borrowing from the government.

[7] The calculation of concessionality will take into account all aspects of the loan agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

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 lesser retains the title to the property. The debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

(b) Under the definition of debt set out in point 9(a) above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes 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.

**Limit on the stock of external payment arrears**

28. A continuous assessment criterion applies to the non-accumulation of payment arrears on external debt contracted or guaranteed by the public sector. External payment arrears consist of external debt service obligations (principal and interest) that have not been paid at the time they are due, as specified in the contractual agreements, but shall exclude arrears on obligations that are subject to rescheduling.

**Consolidated Domestic Debt of the Public Sector (DD)**

29. For program purposes, DD excludes treasury bills issued by the NBR for monetary policy purposes. The ceiling on DD applies to domestic commitments contracted or guaranteed by the public sector. This also applies to private debt for which official guarantees have been extended

either implicitly or explicitly. The authorities would inform Fund staff of any changes in debt position of public sector entities.

**Adjusters:**

- In the case of a shortfall in programmed budgetary loans and grants (per paragraph 12), the ceiling on consolidated domestic debt of public sector will be adjusted *upward* by the same amount as the increase in the ceiling in the NDF, but capped per paragraph 12.

- The ceiling on the DD will be *adjusted upward* by the amount of expenditure for food imports in the case of a food emergency.

30. **Reporting requirement.** Data on domestic debt of the public sector, including treasury bills issued by the NBR for monetary policy purposes, will be transmitted on a monthly basis within five weeks of the end of each month.

## D. Targets for Monetary Aggregates

**Net foreign assets of the National Bank of Rwanda (NFA)**

31. A floor applies to the NFA of the NBR for June 30, 2012 and December 31, 2012 targets.

**Definition.** NFA of the NBR in Rwanda francs are defined, consistent with the definition of the Special Data Dissemination Standard (SDDS) 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) are to be excluded; such assets include, but are not limited to, reserve assets used as collateral or guarantee for third party external liabilities. Foreign assets and foreign liabilities in U.S. dollars are converted to Rwanda 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 (CCFF and post-conflict emergency assistance purchases and SAF/ESAF/ECF disbursements).

**Adjusters:**

- The floor on NFA will be adjusted *downward* by the amount of any shortfall between actual and programmed budgetary loans and grants (per footnote 4). This adjustment will be capped at the equivalent of US$80 million, evaluated in Rwanda francs at the program exchange rate. In the case of excess of actual over programmed budgetary loans and grants, the floor of the NFA remains unchanged for the first US$24 million. Subsequently, the floor will be adjusted upwards by any amount in excess of US$24 million, evaluated in RWF at the program exchange rate.

- The floor on NFA will also be *adjusted upward (downward)* by the amount of shortfall (excess) between actual and programmed encumbered reserve assets, evaluated in Rwanda francs at the program exchange rate.[8]

- The floor on NFA will be *adjusted downward* by the amount of expenditure for food imports in the case of a food emergency, evaluated in Rwanda francs at the program exchange rate.

33. **Reporting requirement.** Data on foreign assets and foreign liabilities of the NBR will be transmitted on a weekly basis within seven days of the end of each week, including breakdown of assets that are pledged or encumbered. This transmission will include daily and weekly data on the NBR's foreign exchange liabilities to commercial banks (including required reserves with the NBR) and the exchange rate used for their conversion into Rwanda francs will be shown separately.

**Reserve money**

34. A ceiling applies to the stock of reserve money for the June 30, 2012 and December 31, 2012 targets.

35. The stock of reserve money target for a given quarter will be calculated as the arithmetic average of the stock of reserve money at the end of each calendar month in the quarter. Daily average of all the three months in the quarter will constitute the actual reserve money to be compared with the target.

36. **Reserve money** is defined as the sum of currency in circulation, commercial banks' reserves, and other nonbank deposits at the NBR.

**Adjuster:**

- The ceiling on the stock of reserve money will be adjusted symmetrically for a change in the required reserve ratio of commercial banks. The adjustor will be calculated as (new reserve ratio minus program baseline reserve ratio) multiplied by actual amount of liabilities (Rwanda Franc plus foreign-currency denominated) in commercial banks.

37. **Reporting requirement.** Data on reserve money will be transmitted on a weekly basis within seven days of the end of each week. This transmission will include a daily and a weekly

[8] The programmed amounts of encumbered reserve assets, on a cumulative quarterly basis, stand at: US$40.0 million (March 2012); and US$40 million (June 2012), US$71 million (September 2012); and US$71 million (December 2012).

balance sheet of the NBR which will show all items listed above in the definitions of reserve money.

## II. Other Data Reporting Requirements

38. For the purposes of program monitoring, the Government of Rwanda will provide the data listed in Table 1 below, weekly data within seven days of the end of each week; monthly data within five weeks of the end of each month; annual data as available.

39. The authorities will inform the IMF staff in writing at least ten business days (excluding legal holidays in Rwanda or in the United States) 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 (including tax rates, exemptions, allowances, and thresholds), wage policy, and financial support to public and private enterprises. The authorities will similarly inform the IMF staff of any nonconcessional external debt contracted or guaranteed by the government, the NBR, or any statutory bodies, and any accumulation of new external payments arrears on the debt contracted or guaranteed by these entities. The authorities will furnish an official communication to the IMF describing program performance of quantitative and structural assessment criteria and benchmarks within 8 weeks of a test date. The authorities will on a regular basis submit information to IMF staff with the frequency and submission time lag as indicated in Table 1. The information should be mailed electronically to the Fund (email: afrrwa@imf.org).

Table 1. Summary of Reporting Requirements

| | Frequency of Data[10] | Frequency of Reporting[10] | Frequency of Publication[10] |
|---|---|---|---|
| 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 and foreign exchange markets and sales of foreign currencies by NBR to commercial banks | D | W | W |
| Liquidity Forecast Report[4] | W | W | -W- |
| Consumer Price Index[5] | M | M | M |
| Composite Index of Economic Activity (CIEA) and sub-components compiled by the NBR | M | M | M |
| Revenue, Expenditure, Balance and Composition of Financing[6] – General Government[7] | M | M | M |
| Revenue, Expenditure, Balance and Composition of Financing[6]– Central Government | M | M | M |
| Comprehensive list of tax and non tax revenues[8] | M | M | M |
| Comprehensive list of domestic arrears of the government | M | M | M |
| The ten (10) largest components of transfers in the fiscal table | M | M | M |
| Social security contributions (RAMA and CSR) | M | M | M |
| Stocks of public sector and public-Guaranteed Debt as compiled by MINECOFIN and NBR[9] | A | A | A |
| Privatization receipts | M | M | M |
| 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 |
| GDP/GNP | A, Q | Q, SA | Q |

[1] Includes the official rate; Forex 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.
[3] Both market-based and officially-determined, including discount rates, money market rates, interbank money market rate, rates on treasury bills, notes and bonds.
[4] One-week ahead forecasts of liquidity submitted on weekly basis. For example, in reporting data as of the last week of April, liquidity forecasts for the first week of May should be reported. The forecasted liquidity should be classified by net foreign assets, net credit to government, nongovernment credit, reserve money, currency in circulation, net credit to commercial banks broken down into discount window and money market (absorption or injection), and other item net.
[5] Includes General Index; Local Goods Index; Imported Goods Index; Fresh Products Index; Energy Index; General Index excluding Fresh Products and Energy; and their breakdowns as published by the NISR.
[6] Foreign, domestic bank, and domestic nonbank financing.
[7] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[8] Includes proceeds from privatization, accompanied by information on entities privatized, date of privatization, numbers and prices of equities sold to the private sector.
[9] Includes debts of the Bank of Kigali. Also includes currency and maturity composition.
[10] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Semi-annually (SA); Irregular (I).

INTERNATIONAL MONETARY FUND

# RWANDA

## FOURTH REVIEW UNDER THE POLICY SUPPORT INSTRUMENT AND REQUEST FOR MODIFICATION OF ASSESSMENT CRITERIA—INFORMATIONAL ANNEX

May 22, 2012

Prepared By The African Department

## CONTENTS

# RELATIONS WITH THE FUND

**I. Membership Status:** Joined: September 30, 1963; Article VIII

| **II. General Resources Account:** | **SDR Million** | **%Quota** |
|---|---|---|
| Quota | 80.10 | 100.00 |
| Fund holdings of currency | 80.11 | 100.02 |
| Reserve Tranche Position | 0.00 | 0.00 |

| **III. SDR Department:** | **SDR Million** | **%Allocation** |
|---|---|---|
| Net cumulative allocation | 76.82 | 100.00 |
| Holdings | 83.04 | 108.10 |

| **IV. Outstanding Purchases and Loans:** | **SDR Million** | **%Quota** |
|---|---|---|
| PRGF Arrangements[1] | 9.21 | 11.50 |

**V. Latest Financial Arrangements:**

| Type | Date of Arrangement | Expiration Date | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| PRGF | June 12, 2006 | August 07, 2009[2] | 8.01 | 8.01 |
| PRGF | August 12, 2002 | June 11, 2006 | 4.00 | 4.00 |
| PRGF | June 24, 1998 | April 30, 2002 | 71.40 | 61.88 |

**VI. Projected Payments to Fund[3]**

**(SDR Million; based on existing use of resources and present holdings of SDRs):**

| | Forthcoming | | | | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Principal | 0.63 | 1.14 | 1.60 | 1.89 | 1.55 |
| Charges/Interest | 0.00 | 0.00 | 0.02 | 0.01 | 0.01 |
| **Total** | 0.63 | 1.14 | 1.61 | 1.90 | 1.55 |

[1] Now known as Extended Credit Facility (ECF).

[2] On June 4, the PRGF was extended from June 11, 2009 to August 14, 2009, to allow time for the completion of the sixth and final review, and for making the final disbursement under the PRGT arrangement.

[3] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

**VII. Implementation of HIPC Initiative**: Enhanced framework

| | |
|---|---|
| I. Commitment of HIPC assistance | |
| Decision point date | December 2000 |
| Assistance committed by all creditors (US$ million) [4] | 695.50 |
| *Of which*: IMF assistance (US$ million) | 63.40 |
| (SDR equivalent in millions) | 46.79 |
| Completion point date | April 2005 |
| II. Disbursement of IMF assistance (SDR million) | |
| Assistance disbursed | 46.79 |
| Interim assistance | 14.45 |
| Completion point balance | 32.34 |
| Additional disbursement of interest income[5] | 3.77 |
| **Total disbursements** | 50.56 |

**Decision point—**point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

**Interim assistance**—amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

**Completion point—**point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 4 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

[4] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

[5] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

## VIII. Implementation of Multilateral Debt Relief Initiative (MDRI)

| | |
|---|---|
| I. MDRI -eligible debt (SDR Million) [6] | 52.74 |
| Financed by: MDRI Trust | 20.19 |
| Remaining HIPC resources | 32.55 |

II. Debt Relief by Facility (SDR million)

| Delivery Date | GRA | PRGT | Total |
|---|---|---|---|
| January 2006 | N/A | 52.74 | 52.74 |

## IX. Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable

## X. Safeguards Assessments:

The 2007 safeguards update assessment noted that since 2003, the National Bank of Rwanda (NBR) strengthened its own safeguards: External audits were completed on time, the Committee of Auditors became operational, and the Internal Audit Department helped in the strengthening of controls over monetary program data. The update assessment's priority recommendations concerned timely publication of the audited financial statements, further improving external audit arrangements, and conformity with of IFRS. Safeguards policy does not require an update safeguards assessment in the case of the non-financial arrangement with the Fund. However, such assessment may be voluntary requested by the country, and the NBR has made a formal request for the update assessment.

## XI. Exchange System:

The currency of Rwanda is the Rwandan franc. On December 1998, Rwanda accepted the obligations under Article VIII, Sections 2, 3 and 4 of the IMF and maintains a system free of restrictions on the making of payments and transfers for current international transactions. As of March 30, 2012, the official exchange rate was RWF 606.83 per U.S. dollar. The exchange rate has remained stable in the past year. Under the revised classification of the exchange rate arrangements, effective May 1, 2011, the *de facto* exchange rate arrangement has been reclassified to a stabilized arrangement from a crawl-like arrangement. The *de jure* exchange rate arrangement is classified as floating. With effect

[6] The Multilateral Debt Relief Initiative (MDRI) provides 100 percent debt relief to eligible member countries that are qualified for the assistance. The debt relief covers the full stock of debt owed to the Fund as of end-2004 which remains outstanding at the time the member qualifies for such debt relief. The MDRI is financed by bilateral contributions and the Fund's own resources, as well as the resources already disbursed to the member under the HIPC Initiative (see Section VII above).

from December 27, 2010, the official exchange rate is the weighted average computed from a previous foreign exchange interbank market transaction and an intervention transaction by the National Bank of Rwanda (NBR). The Average Reference Rate, formerly used for the official exchange rate, was eliminated. The NBR applies a margin of +/-0.8 percent to the official rate to derive a customer rate. With a view to introducing more flexibility in its exchange rate policy, since March 24, 2010, NBR introduced an exchange rate corridor framework.

**XII. Article IV Consultation:**

Rwanda is on the revised 24-month consultation cycle. The Executive Board discussed the staff report for the 2010 Article IV consultation (IMF Country Report No. 11/19) on December 20, 2010.

**XIII. FSAP Participation, ROSCs, and OFC Assessments:**

A Report on Observance of Standards and Codes on Fiscal Transparency (ROSC) was issued in July 2003. A Financial Sector Assessment Program (FSAP) took place in February 2005, and a FSAP update was completed in June 2011. Rwanda has not had an Offshore Financial Center (OFC) assessment.

**XIV. Policy Support Instrument (PSI):**

A three-year PSI program was approved on June 16, 2010, with an effective date of June 30, 2010. The second review and the third review under the PSI were completed on June 23, 2011 and January 9, 2012, respectively.

**XV. Technical Assistance and Future Priorities:**

**List of Technical Assistance Missions (2011–)**

2011 STA/AFRITAC East mission on national accounts statistics.
2011 MCM mission on payment systems oversight.
2011 STA mission on improving quality of fiscal data.
2011 FAD mission on improving customs administrative efficiency
2011 FAD mission on financial manual-legal requirements alignment
2011 STA mission on national accounts statistics
2011 MCM mission on strengthening regulatory framework
2011 FAD mission on strengthening HQ functions and customs risks management
2011 FAD mission on improving consistency of microeconomic databases
2011 FAD mission on tax administrative reform priorities for tax compliance

2011 FAD mission on regional workshop on strengthening systems and structures
2011 FAD mission on gaps and options of public financial aid
2011 FAD mission on tax administration capacity for auditing
2011 FAC mission on TSA project
2011 MCM mission on developing a medium term debt management strategy
2011 MCM mission on enhancing monetary operations, foreign exchange operations and markets, and banking supervision
2011 FAD mission on review of Organic Budget Law
2012 STA mission on trade price indices
2012 MCM mission on developing AML/CFT offsite tools
2012 STA mission on quarterly national accounts
2012 FAD mission on TSA project follow-up
2012 STA mission on developing a framework for market risk
2012 FAD mission on development of TSA project
2012 STA mission on balance of payment statistics follow-up
2012 FAD mission on program budgeting
2012 FAD mission on establishment of tax administration reform priorities
2012 FAD mission on smart IFMIS follow-up
2012 FAD mission on macroeconomic framework capacity
2012 mission on development of reporting guidelines for annual reports

**Future priorities**

The priorities for the Fund's technical assistance will remain in the area of monetary and exchange rate management, supervision of bank and nonbank financial institutions, public finance management, tax policy and administration, and compilation of national account statistics.

**XVI. Resident Representative:**

Mr. Dmitry Gershenson assumed his duties as Resident Representative in February 2009.

**XVII. Management Visit:**

The Deputy Managing Director, Mr. Portugal, visited Rwanda during May 3–5, 2007.

# RWANDA: JOINT BANK-FUND WORK PROGRAM

| Title | Products/Activity | Timing of mission (if relevant) | Expected delivery date |
|---|---|---|---|
| | **I. Mutual Information on Relevant Work Program** | | |
| **Bank Work Program** | A. Strategy and Analytical Work | | |
| | Rwanda Economic Updates | | Ongoing |
| | Employment and Growth Policy | | Ongoing |
| | Rwanda Insolvency Assessment ROSC | | Ongoing |
| | Rwanda Land Sector Study | | May 2012 |
| | B. Ongoing and New Projects | | |
| | Poverty Reduction Support Financing –IX | | July 2012 |
| | Support to Social Protection Systems | | Ongoing |
| | Third Rural Sector Support Project | | Ongoing |
| | Statistics for Results Project | | Ongoing |
| | Governance and Competitiveness TA Project | | Ongoing |
| | Economic Empowerment of Young Women | | Ongoing |
| | Skills Development Project | | Ongoing |
| | Second Rural Sector Support Project | | Ongoing |
| | Second Emergency Demobilization and Reintegration Project | | Ongoing |
| | Land Husbandry, Water harvesting and Hillside Irrigation | | Ongoing |
| | Rwanda Electricity Access Scale-up and Sector-wide approach Project | | Ongoing |
| | Sustainable Energy Development Project (GEF) | | Ongoing |
| | Transport Sector Development Project | | Ongoing |
| | L. Victoria Environment Management Project (Ph. 2) | | Ongoing |
| | EAC Financial Sector Development and Regionalization Project | | Ongoing |
| | | | Ongoing |

| Title | Products/Activity | Timing of mission (if relevant) | Expected delivery date |
|---|---|---|---|
| | East Africa Public Health Laboratories Networking Project | | Ongoing |
| | Regional Communications Infrastructure Project | | Ongoing |
| | East Africa Trade and Transport Facilitation Project | | |
| **IMF Work Program** | | A. Missions | |
| | Fourth Review Under the Policy Support Instrument | March 2012 | June 2012 |
| | Fifth Review Under the Policy Support Instrument | October 2012 | December 2012 |
| | | B. Analytical Work | |
| | Understanding the Exchange Rate Pass-Through to Domestic Prices in the EAC Region: Implications for Prospects of Monetary Integration | | June 2012 |
| | Estimating the Behavioral Equilibrium Exchange Rate for the EAC Countries | | June 2012 |
| | Monetary Policy Transmission in EAC Countries | | June 2012 |
| | | C. Technical Assistance | |
| | *Fiscal:* Tax policies; tax and customs administration; planning and budget practices; legal and regulatory frameworks | | Ongoing |
| | *Monetary:* Monetary policy operations; bank liquidity; interbank markets in local currency and foreign exchange | | Ongoing |
| | *Financial:* Bank supervision | | Ongoing |
| | *Statistics:* National accounts and price indexes | | Ongoing |

| Title | Products/Activity | Timing of mission (if relevant) | Expected delivery date |
|---|---|---|---|
| | **II. Request for Work Program Inputs** | | |
| **Bank Request to Fund** | Impact of the global economic crisis on key macro indicators and growth in Rwanda | | Ongoing |
| | Sharing macro-framework updates | | As needed |
| **Fund Request to Bank** | Assessment of key infrastructure projects undertaken by the government. | | As needed |
| | Assessment of the PFM and public service reform program. | | As needed |
| | **III. Agreement on Joint Products** | | |
| **Joint products** | Public and External Debt Sustainability Analysis. | | June 2012 |
| | Collaborate together with other development partners on the annual review of general budget support. | | Ongoing |
| | Collaborate on PFM reform program. | | Ongoing |
| | Collaborate on financial sector reform program. | | Ongoing |

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

Press Release No. 12/209
FOR IMMEDIATE RELEASE
June 8, 2012

International Monetary Fund
Washington, D.C. 20431 USA

**IMF Executive Board Completes Fourth Review Under the Policy Support Instrument for Rwanda**

The Executive Board of the International Monetary Fund (IMF) has completed on June 7, 2012, the fourth review under a three-year Policy Support Instrument (PSI) for Rwanda.[1] The Executive Board's decision was taken on a lapse of time basis.[2]

The Rwandan economy continued to grow strongly, and its economic program supported under the PSI remains on track. Real GDP growth is estimated at 8.6 percent for 2011, driven by agricultural output, exports, and domestic demand. Inflation rose sharply—mainly due to rising food and fuel prices but also an accommodative monetary policy—but stayed in single digits (8.3 percent in March 2012) and was the lowest in the region. All quantitative assessment criteria for end-December 2011 including fiscal and monetary targets were met. Most structural benchmarks were also met, albeit some with delays. In completing the review, the Executive Board approved the modification of the end-June 2012 assessment criteria. Rwanda continues to be assessed at moderate risk of external debt distress.

Growth is expected to remain high in 2012, but risks remain—a renewed global slowdown or sharply higher world fuel prices could threaten growth, revenue, and inflation objectives. The fiscal framework for 2012/13 is in line with the main objectives of the PSI, and the authorities committed to delay non-priority spending rather than resort to additional domestic financing if revenue collections fall short of target. Efforts are ongoing to further strengthen public financial management and enhance revenue administration. Monetary policy is aimed at maintaining

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[1] The IMF's framework for PSIs is designed for low-income countries that may not need IMF financial assistance, but still seek close cooperation with the IMF in preparation and endorsement of their policy frameworks. PSI-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners. A country's performance under a PSI is normally reviewed bi-annually.

[2] The Executive Board takes decisions under its lapse of time procedures when it is agreed by the Board that a proposal can be considered without convening formal discussions.

inflation in single digits, and efforts are continuing to improve the liquidity management framework. To that end, it will be important to be proactive in monetary policy and improve the functioning of the money and foreign exchange markets. Improving access to financial services while safeguarding financial stability remains a key objective for Rwanda. Careful management of the consolidation of Savings and Credit Cooperatives will be very important in that regard.

The Executive Board approved a three-year PSI for Rwanda on June 16, 2010 (see Press Release No. 10/247).