INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/207

RWANDA

June 2020

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

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

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 11, 2020, following discussions that ended on May 29, 2020, with the officials of Rwanda on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 4, 2020.
- A **Debt Sustainability Analysis** prepared by the Staffs of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for Rwanda.

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

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

*Also included in Staff Report

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

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PRESS RELEASE

PR 20/242

IMF Executive Board Approves an Additional US$111.06 Million Disbursement to Rwanda to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- The IMF approved US$111.06 million (SDR80.1 million), a second disbursement under the Rapid Credit Facility (RCF) bringing the total IMF COVID-19 emergency support to Rwanda to US$ 220.46 million to help urgent balance of payment needs stemming from the pandemic.
- Rwanda's economy has been severely impacted by the COVID-19 pandemic with weaker domestic demand losses of revenue, and a sharp decline in exports and remittances.
- The additional resources under the RCF will help alleviate pressing financing needs, including for health, social protection, and supporting the most impacted sectors and vulnerable groups.

Washington, DC – June 11, 2020 The Executive Board of the International Monetary Fund (IMF) today approved the disbursement of $111.06 million (SDR80.1 million) to Rwanda under the Rapid Credit Facility (RCF). This is the second emergency disbursement since the onset of the pandemic and will help finance the country's urgent balance of payments (BOP) and budget needs. It follows from the Executive Board's decision on April 9, 2020 to double the annual access limit under the RCF to 100 percent of quota (see IMF Policy Paper No. 20/018) and brings the total IMF COVID-19 support to Rwanda to $ 220.46 million.

Rwanda's economic outlook has worsened since the approval of the first RCF request on April 2, 2020, leading to a further downward revision in the 2020 GDP growth forecast from 5.1 to 2.0 percent due to deepening of the COVID-19 impact. The unprecedented spending needs generated by the pandemic, combined with losses of revenues, are putting significant pressures on public finances and compounding the impact of sharp declines of exports and remittances on the balance of payments. The additional disbursement under the RCF will provide much needed support for critical COVID-related spending under the government's Economic Recovery Plan, but further support will be needed from the international community. The authorities have committed to transparency and accountability to ensure the appropriate use of emergency financing, building on their strong public financial management framework.

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

"The COVID-19 pandemic continues to severely impact the Rwandan economy. The global and domestic macroeconomic outlook has further deteriorated. Growth projections have been revised down, and revenue losses and spending needs are more than twice the size estimated at the time of the first RCF request.

“The policy measures deployed by the authorities to respond to the pandemic and accelerate economic recovery are appropriate. The additional fiscal spending should help mitigate the impact of the pandemic while ensuring that spending is well-targeted and cost-effective so as not to crowd-out other priority areas. Additional financing from the international community remains critical to ease the adjustment burden. The authorities’ commitment to high standards of transparency and accountability in the management of emergency financial assistance is welcome.

“It will also be important to maintain data-driven monetary policy and continue to provide liquidity support to cushion the impact of the pandemic as well as step up supervision to safeguard financial stability.

“Once the crisis abates, it will be critical to adopt a credible fiscal adjustment path to maintain debt sustainability in the medium-term and preserve Rwanda’s development gains over the last two decades.”

INTERNATIONAL MONETARY FUND

RWANDA

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

June 4, 2020

EXECUTIVE SUMMARY

Context. As explained in IMF Country Report No. 20/115, COVID-19 has had a severe economic impact on Rwanda through the implementation of strict domestic measures to contain the spread of the virus and related global spillovers. The authorities have responded by deploying health and economic measures totaling USD 311 million (3.3 percent of GDP). They have also set up an economic recovery fund to support firms affected by the pandemic. To help address the urgent balance of payments (BOP) need arising from the pandemic, currently estimated at about USD 433 million, the authorities request an additional disbursement under the Rapid Credit Facility (RCF) of 50 percent of quota (SDR 80.1 million) under the "exogenous shock" window of the RCF. This follows the Executive Board's approval on April 2, 2020 of the authorities' earlier request for the same amount, before the doubling of the annual access limit of emergency financing under the "exogenous shock" window of the RCF to 100 percent of quota on April 9, 2020. This additional request will bring the total disbursement under the RCF to 100 percent of quota.

Policy recommendations. In their attached Letter of Intent (LOI), the authorities affirm their commitment to the policies discussed in IMF Country Report no. 20/115. The fiscal deficit should accommodate the impact of the COVID-19 pandemic, provided enough financing continues to be mobilized and a credible adjustment path identified; ensure COVID-19-related spending needs are well-targeted, cost-effective, do not crowd out other priority areas and are closely monitored; tax relief measures should be temporary, targeted and closely tracked; new fiscal risks should be managed, and reported; contingent measures need to be identified; the program fiscal rule should be revised to keep debt at prudent levels and allow flexibility in addressing future exogenous shocks; stand ready to provide additional liquidity to the financial system; rely on and continue to strengthen public financial management systems to ensure effective and transparent use of public funds; keep monetary policy data-dependent; encourage prudent renegotiation of loan terms for impacted borrowers without lowering loan classification and provisioning standards; and allow flexibility of the exchange rate.

Risks of external and overall public debt distress are moderate.

Capacity to repay the Fund is adequate.

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

Staff Representatives comprised H. Teferra (head), V. Duarte Lledo, K. Gyesaw, M. Woldemichael, (all AFR), S. Kaihatsu (SPR), and S. Mbaye (IMF Resident Representative in Kigali office) assisted by L. Nankunda (OED) held discussions with the Rwandan authorities by teleconferences led by Minister of Finance and Economic Planning, Uzziel Ndagijimana, Governor of the National Bank of Rwanda, John Rwangombwa, and other senior government officials on May 27 and 29, 2020.

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RECENT ECONOMIC DEVELOPMENTS, OUTLOOK, AND RISKS

1. **The pandemic continues to severely impact the economy.** As of May 30, Rwanda has confirmed 359 cases of COVID-19 infection with one death reported so far. Weak global demand, supply chain disruptions and a strict economic lockdown affected all sectors of the economy. The impact has been particularly severe in industry and services, where weekly business turnover contracted on average in the year to April by 45 and 60 percent, respectively. Tax revenues were 9.7 percent below target in the first quarter of the year driven by weaker corporate income tax (CIT) collection. Inflation, albeit 0.5 percentage points lower than March, remained high at 8 percent y/y in April, largely due to food prices. Export growth sharply declined from 49 percent in January to 4 percent in March y/y, while import growth also moderated from 42 percent in January to 14 percent in March. The Rwandan franc depreciated against the dollar by 4.5 percent y/y at end-April.

2. **The authorities continue to roll out measures to contain the spread of the virus.** Mass screening and testing have been accelerated since the first Rapid Credit Facility (RCF) disbursement, facilitated by digital tools for contact tracing. Mandatory wearing of face masks in public was instituted, and domestic firms encouraged to step up production of protective gear. Revenue authorities took steps to promote social distancing by halting on-site tax audits, expanding the use of online services for taxpayers, and extending the deadline for certifying financial statements. Following the National Bank of Rwanda (BNR)'s measures to promote the use of digital channels and mobile payments to contain the spread of virus, cash-in and cash-out transactions dropped significantly while mobile money transactions increased rapidly. A gradual easing of lockdown measures was introduced on May 4, with selected businesses allowed to resume operations while adhering to health guidelines. Domestic movement restrictions were partially relaxed but strict physical distancing measures mandated in public buses. Borders, schools, places of worship, recreation centers and bars remain closed, and travel across provinces continues to be prohibited through June 1.

3. **The authorities have also been implementing tax deferral and relief measures to address the economic impact of the pandemic.** Early measures included the suspension of down payments on outstanding tax for amicable settlement, the softening of enforcement for tax arrears collection and the extension of the deadline for filing and paying CIT. VAT refunds to small and medium enterprises (SMEs) were fast-tracked to support cash-strapped businesses. More recently, the government announced that CIT and personal income tax (PIT) payments will be based on current year transactions. Private school teachers and tourism and hotel employees earning less than RWF 150,000 per month will benefit from PIT exemption for 6 and 3 months, respectively. Locally produced masks are exempt from VAT.

4. Economic and social measures to support households and firms during and beyond the lockdown period were also adopted under the Economic Recovery Plan. In addition to the measures discussed in the staff report for the first RCF request (RCF-1) (Country Report no. 20/115), the authorities have taken steps to support households affected by the pandemic, including by rolling out a food distribution program, cash transfers to casual workers, subsidized access to agricultural inputs, and measures to ensure poor households' access to basic health and education (Box 1). Such measures are articulated as part of a broad government strategy in the recently announced Economic Recovery Plan (ERP). The ERP includes allocating public resources through the Economic Recovery Fund (ERF) to support firms in the sectors hardest hit by the pandemic by providing subsidized loans to eligible businesses through banks and microfinance institutions (MFIs), with USD 50 million dedicated to the tourism sector alone. Credit guarantees will also be extended to SMEs and micro businesses in the informal sector to help them sustain operations and safeguard jobs. The national airline company is also expected to benefit from direct government assistance. The total cost of the government response in the plan stands at about USD 311 million or 3.3 percent of GDP over the current fiscal year and the next.

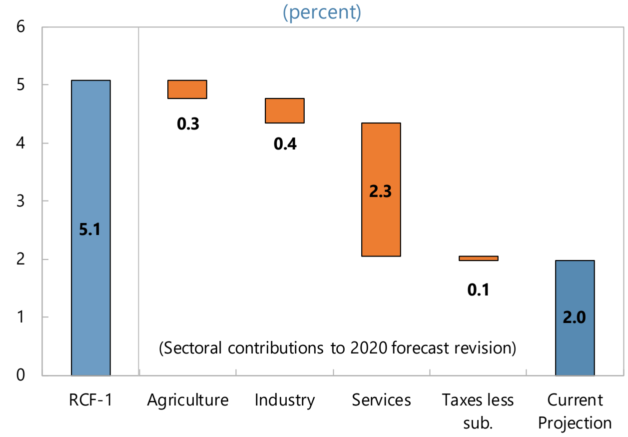
Rwanda: COVID-19-Related Spending
(percent of GDP)

	2019/20		2020/21		Total	
	RCF-1	Proj.	RCF-1	Proj.	RCF-1	Proj.
Total Covid-19 Spending	**0.8**	**1.8**	**0.7**	**1.5**	**1.5**	**3.3**
Health	**0.4**	**0.7**	**0.4**	**0.4**	**0.8**	**1.1**
Current spending	0.3	0.3	0.2	0.1	0.5	0.5
Drugs	..	0.1	..	0.1	..	0.2
PPEs	..	0.2	..	0.1	..	0.2
Temporary staff	..	0.1	..	0.0	..	0.1
Capital spending	0.2	0.4	0.2	0.2	0.3	0.6
Facilities for quarantine	..	0.1	..	0.1	..	0.2
Equipment & accessories	..	0.3	..	0.2	..	0.4
Non-Health	**0.4**	**1.1**	**0.4**	**1.1**	**0.8**	**2.3**
Current spending	0.3	0.3	0.2	0.4	0.5	0.8
Food distribution	..	0.1	..	0.3	..	0.4
Cash transfers to casual workers & support for agricultural input purchases	..	0.2	..	0.2	..	0.4
Capital spending	0.2	0.05	0.2	0.2	0.3	0.2
Public works	..	0.0	..	0.1	..	0.1
Construction of shelters & sanitation facilities	..	0.0	..	0.1	..	0.1
Net Lending	0.0	0.8	0.0	0.5	0.0	1.3
Economic Recovery Fund	..	0.6	..	0.4	..	1.0
RwandaAir	..	0.2	..	0.1	..	0.3

Sources: Rwandan authorities and IMF staff estimates.

5. The pandemic has weakened the macroeconomic outlook further and its impact is projected to be large but temporary (Table 2). Real GDP growth has been revised significantly in 2020 to 2 from 5.1 percent at the time of RCF-1, mainly driven by a further deterioration of the outlook for the services sector. The economy is expected to rebound in 2021 supported by the announced fiscal stimulus, with growth reaching 6.3 percent but output still below pre-pandemic levels. Average headline inflation is expected to reach 6.9 percent in 2020 given the low base and the high food inflation in the first half of the year on the back of damages to food crops caused by heavy rains. Inflation is projected to drop from the second half of 2020 due to weak demand and reach 1 percent in 2021 owing to the base effect despite a gradual economic recovery.

Rwanda: Decomposing Revisions to 2020 Growth Forecasts
(percent)



Sources: Rwandan authorities and IMF staff estimates.

Rwanda: Revised Macroeconomic Framework, 2018-22

	2018	2019		2020		2021		2022	
	Act.	RCF-1	Prel.	RCF-1	Proj.	RCF-1	Proj.	RCF-1	Proj.
	(Annual percentage change, unless otherwise indicated)								
Output and prices									
Real GDP	8.6	10.1	9.4	5.1	2.0	6.7	6.3	8.0	8.0
GDP deflator	-0.8	1.2	0.4	6.5	6.5	5.4	1.0	5.0	5.0
CPI (period average)	1.4	2.4	2.4	6.9	6.9	5.4	1.0	5.0	5.0
CPI (end period)	1.1	6.7	6.7	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (deterioration, -)	0.1	-1.8	-1.8	0.9	-3.4	-0.6	-0.4	0.0	0.7
Memorandum items:									
GDP at current market prices									
Rwanda francs (billion)	8,291	9,121	9,105	10,210	9,894	11,476	10,629	13,012	12,043

Sources: Rwandan authorities and IMF staff estimates.

Box 1. Social Protection Amid COVID-19

Rwanda ran an effective social protection program pre-COVID-19, giving it a solid base to build its policy response to the pandemic. Several social protection programs were put in place since the early 2000s, including the flagship *Vision 2020 Umurenge Program* or VUP (cash transfers, public works and economic empowerment), *Girinka* (one cow per poor family), and *Ubudehe* (community projects). An advanced social data collection and targeting system was also already in place pre-COVID-19, based on a mix of community-based identification and survey information, which considerably eased the identification of populations affected by the pandemic.

Building on the existing framework, the government's response plan – the national Social Protection Response and Recovery Plan (SP-RRP) – aims at providing emergency relief and supporting the economic recovery, while ensuring access to basic services for populations affected by COVID-19.

(a) **Emergency relief response.** The authorities have been providing door-to-door food distribution to vulnerable households whose activities have been halted by lockdown restrictions. They have also increased the coverage and amount of support under existing schemes. Additional eligible households are identified based on existing social protection databases, civil registers, and grassroot organizations at the village level.

(b) **Support for economic recovery.** Eligible households will benefit from casual employment opportunities in labor-intensive projects (e.g. road rehabilitation programs), subsidized access to agricultural inputs (e.g. fertilizers and seeds), pro-poor credit schemes for investing in income-generating activities, and basic equipment to start new businesses with a view to restoring livelihoods disrupted by the pandemic.

(c) **Access to basic services.** Measures to ensure poor households' access to basic health and education amid COVID-19 include a reduction of contributions to the community-based health system, subsidized tuition fees and school material for children, and the construction of shelters and sanitation facilities.

The total cost of scaling up existing social safety net programs under the SP-RRP is estimated at RWF 133.6 billion (1.4 percent of GDP) over the next 18 months. The government aims at raising the share of beneficiary households from 26 percent in March 2020 to 70 percent by December 2020, with the proportion of the poorest households covered by the VUP income support programs increasing from 64 to 90 percent.

6. The fiscal deficit is expected to deteriorate further (Table 3). Relative to RCF-1 and consistent with the authorities' updated medium-term fiscal framework, headline and debt-creating budget balances, excluding peace-keeping operations (PKO), are projected to deteriorate by an additional 4.2 ppts of GDP over this and the next fiscal year combined, driven mainly by additional COVID-19-related spending in the current fiscal year and larger-than-anticipated revenue losses in FY 20/21. Debt is now expected to rise above 75 percent of GDP from 2021.

7. The external accounts are expected to worsen (Table 4). The current account deficit is projected to widen to 16.7 percent of GDP from the 16.0 percent of GDP envisaged in RCF-1 due to a further decline in exports, remittances, and non-budgetary grants outweighing the lower imports due to weaker domestic economic activity and lower oil prices. More depressed investor sentiments are expected to reduce FDI inflows further.

Rwanda: External Financing in 2020
(In millions of U.S. dollars)

	2020	
	RCF-1[1]	Proj.[2]
Financing gap	573	433
Identified financing source	183	395
IMF	109	110
RCF disbursement	109	110
World Bank	73	100
African Development Bank	0	100
Arab Bank for Economic Development in Africa	0	20
French Development Agency	0	45
OPEC Fund for International Development	0	20
Unidentified financing source	391	38

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

1/ Initial projection at the time of the first RCF request and includes the additional reserves needed to bring import cover to 4 months, which is a minimum level of reserves to be adequate (IMF Country Report No. 20/115).

2/ The financing gap after accounting for RCF-1 disbursement of US$109.4 million and CCRT grant of US$ 22 million.

8. Fund emergency financing has been followed by additional support from other development partners. Since RCF-1, the authorities were able to secure additional financing in the amount of USD 285 million to be disbursed by end-2020. They are continuing their efforts to mobilize concessional resources and are assessing their options, including participation in the G-20 Debt Service Suspension Initiative, which could amount up to USD 17.4 million.

9. The impact of the pandemic on the economy is subject to a considerable margin of uncertainty and could be worse than currently estimated. A more protracted or recurrent pattern of the pandemic at the global or regional level will further deepen and delay the economic recovery with further negative implications for growth, the external and financial sectors and government finances. Risks are compounded by the impact that heavy rains in the first half of the year could have on growth and inflation.

POLICY ISSUES AND DISCUSSIONS

10. Rwanda continues to face an urgent balance of payments need and a fiscal financing gap. As discussed in the RCF-1 staff report, the deterioration in the external current account would cause the central bank's foreign reserves to fall below adequate levels. The initial support from the RCF-1 disbursement and other development partners has helped in reducing the external financing gap in 2020, which however remains sizeable at USD 433 million (4.1 percent of GDP) (Table 4). The strict lockdown and the deterioration of the global and domestic outlook since RCF-1 have heightened budget pressures further. The total cost of the pandemic now stands at 7.3 percent of GDP over the next two fiscal years, more than twice the amount estimated at the time of RCF-1, reflecting upward revisions of similar magnitude in revenue losses (4 percent of GDP) and increases in public spending (3.3 percent of GDP).[1] At 5.6 percent of GDP, the fiscal financing gap over FY 19/20 and 20/21 is about 2 ppts of GDP larger than the estimate at the time of RCF-1. Additional RCF financing and prospective financing from development partners are expected to reduce it by 1.1 and 2.8 percent of GDP, respectively, leaving a residual financing gap of 1.7 percent of GDP in FY 20/21.

Table 1. Rwanda: COVID-19 Fiscal Impact and Financing Gap, 2019/20–2020/21[1]

	2019/20			2020/21		
	1st Review	RCF-1	Proj.	1st Review	RCF-1	Proj.
Revenue and grants	**23.3**	**22.1**	**21.9**	**23.2**	**22.7**	**20.6**
Total revenue	19.1	18.0	17.5	18.8	18.2	16.4
Tax revenue	16.4	15.2	14.8	16.6	16.2	14.2
Nontax revenue	2.6	2.8	2.7	2.2	2.1	2.1
Total expenditure and net lending	**30.4**	**32.5**	**34.3**	**28.8**	**29.9**	**30.1**
Current expenditure	15.0	16.0	16.4	14.8	15.4	16.0
of which: Covid-19 spending	0.0	0.5	0.6	0.0	0.4	0.6
of which: Disaster-management spending	0.0	0.3	0.4	--	--	--
Capital expenditure	12.0	13.1	13.6	12.0	12.4	11.1
of which : Covid-19 spending	--	0.3	0.4	--	0.2	0.4
Net lending and privatization receipts	3.4	3.4	4.2	2.0	2.0	2.9
of which: Covid-19 spending [2]		--	0.8		--	0.5
Overall balance (incl. grants, commitment basis)	**-7.1**	**-10.4**	**-12.3**	**-5.6**	**-7.2**	**-9.5**
of which: Debt-creating overall bal.(exc. PKO)[3]	-6.2	-9.4	-11.3	-5.7	-7.2	-9.5
of which Debt-creating overall balance (excl. PKO, shocks)[4]	-5.2	-8.6	-9.1	-5.7	-6.8	-8.0
Overall balance (incl. grants, cash basis)	**-7.7**	**-11.0**	**-12.9**	**-5.9**	**-7.5**	**-9.8**
Financing	**7.7**	**8.8**	**9.5**	**5.9**	**6.0**	**7.7**
Financing Gap	--	2.2	3.5	--	1.5	2.1
Prospective RCF	--	1.0	1.1	--	--	--
Prospective financing from World Bank	--	0.7	1.0	--	--	--
Prospective financing other development partners	--	--	1.4	--	--	0.4
Residual financing gap	--	0.5	--	--	--	1.7
Memorandum items:						
Debt-creating ov. balance (exc. PKO, 5-yr avg, com.basis)	**-5.5**	**-6.8**	**-7.8**	**-5.5**	**-6.7**	**-8.4**

Sources: Rwandan authorities and IMF staff estimates and projections.
[1] Fiscal year runs from July to June.
[2] Economic Recovery Fund and additional support to Rwandair.
[3] Overall deficit excluding spending on materialized contigent liabilities and other items already included in the DSA.
[4] Debt creating overall balance as previously defined excluding spending related to natural disasters and Coronavirus outbreak.

[1] The cost is defined as the difference between current and pre-pandemic revenue and spending projections at the time of the first review of the PCI arrangement.

11. Staff deems the additional fiscal relaxation appropriate provided remaining financing gaps are closed and a credible adjustment path identified. The authorities' decision to further relax the fiscal stance is warranted given the deteriorated economic outlook and their successful efforts in mobilizing concessional financing. Efforts to mobilize concessional resources to close the remaining financing gaps need to continue as the alternative, domestic financing, will be costly and would crowd out credit to the private sector. The identification of a credible adjustment path to bring public debt to prudent levels should start without delay. To be credible, this path should be designed now and implemented soon after the crisis abates. It should include measures to step up revenue mobilization efforts and to better prioritize public investment, also critical for contingency planning (see below). Staff will work with the authorities on these issues in the context of the PCI review, including revising the program fiscal rule to tighten its link with the East African Monetary Union (EAMU) convergence criteria for public debt, while allowing flexibility in addressing future exogenous shocks.[2]

12. Announced fiscal measures have been timely and well-articulated but warrant further clarifications. Initial measures to support the health sector and vulnerable households have been timely. The ERP provides a comprehensive and articulated set of fiscal measures to address the health and economic crisis. The plan could clarify some aspects of the targeting and adequacy of the proposed social protection programs, and of the economic impact and efficiency of the proposed infrastructure spending. The authorities should ensure the ERF is well-targeted, and its risks appropriately assessed, managed, and reported. Tax relief measures need to be temporary, costed, and closely monitored. The ERP and ERF would be subject to an audit to be submitted to Parliament. Staff provided an initial assessment of the ERP and ERF and stands ready to provide remote technical assistance to strengthen their design and implementation.

13. The authorities' recovery plan would benefit from a deeper discussion of contingency measures. The ERP would benefit from the identification of contingent measures to mobilize additional financing and protect priority spending given the substantial uncertainties surrounding the COVID-19 shock, its spillovers, and the associated fiscal risks. Staff impressed on the authorities the need to identify alternative sources of financing by assessing (i) the scope for repurposing existing donor's funds, and (ii) the potential to increase domestic borrowing without crowding out the private sector.

14. The authorities recognize the importance of effective and transparent use of public funds. Over the years, Rwanda has strengthened the Public Financial Management (PFM) institutional and legal frameworks, including internal and external audits and use of the e-Procurement system covering most public entities (Box 2). Provisions relating to budget reallocation and emergency budget reserve have helped with smooth budget execution and prioritization of COVID-19-related expenditures. The authorities are committed to transparency as required by the

[2] Under the PCI arrangement, the debt-creating deficit of the central government, defined as the overall balance excluding spending on materialized contingent liabilities already included in the DSA and UN peace-keeping operations, cannot be above 5.5 percent of GDP on a five-year (rolling) average basis. This rule is not legally binding.

Organic Budget Law and to report all COVID-19-related expenditures. Proper monitoring of expenditures will be ensured through the creation of the financing item "COVID-19 response" under the chart of accounts. A separate bank account under the treasury single account system has also been created to receive all contributions related to the pandemic. Information on all awarded government contracts—including the name of competing companies, each initial bid, the company name and price of the winning bid, and the total contract amount—is publicly available from the government's e-Procurement system.[3] Moreover, pandemic-related expenditures, along with other government spending, will be audited by the Office of the Auditor General whose independence is granted by the constitution and the outcome made publicly available.

Box 2. PFM Systems and Reforms

Recent and robust legal and institutional framework. Organic Law on State Finances and Property (2013); Law on Public Procurement (2018); Ministerial Order on Financial Regulations (2016); and PFM Policies and Procedures Manual (2019).

Cohesive planning framework. Budget and sectoral plans informed by long and medium-term strategies (Vision 2020/50 and National Strategy for Transformation, respectively).

Good donor coordination and reliance on national systems. Clear framework for division of labor among donors with financial support channeled through national PFM systems.

Integrated Financial Management and Information Systems (IFMIS). Continuous roll-out of in-house web-based IFMIS covering most stages of the PFM cycle, central and local governments, district hospitals, health centers, and schools (under a bridged version). The system is already connected with the Integrated Personnel and Payroll System and BNR's internet banking system, allowing it for the timely payment to service providers.

Advanced level in automation of revenue collection processes. Up-to-date taxpayer database and fast-growing reliance on electronic billing machines and e-Tax systems.

Automated and transparent procurement systems. On-line, transparent, and competitive procurement processes across all public entities (E-Procurement). Publicly available information on all government contracts including competing companies and bids, company name and price of the winning bid, and total contract value.

IPSAS implementation. On-going migration to accrual basis of accounting using the International Public Sector Accounting Standards (IPSAS) to enhance disclosure and transparency.

Well-functioning audits and external oversight. Internal and external audit systems and external oversight broadly adhere to international best-practices.

15. Rwanda's debt is assessed to remain sustainable but the risk of debt distress shifts to moderate from low due to the pandemic (Annex I). Incorporating the impact of COVID-19 in Rwanda's Debt Sustainability Analysis (DSA) baseline results in a shift in the assessment from low to moderate risk of debt distress compared to the 2019 DSA update and the expedited DSA under RCF-1. The pandemic impact, coupled with higher concessional loans from multilateral and bilateral donors and a larger external borrowing related to the scaling-up of the new international airport

[3] See Rwanda E-procurement system.

project is expected to entail a higher pace of accumulation of public and publicly guaranteed (PPG) external debt over time, with the present value (PV) of debt reaching 50.2 percent of GDP in 2030. The sharp decline in exports due to the pandemic leads to one-off breaches to the PV of debt-to-exports ratio and of debt service-to-exports ratio thresholds in 2020 under the baseline scenario, and multiple breaches to these indicators under the most extreme shock. As in the 2019 DSA, the rolling over of the 10-year Eurobond issued in 2013 also leads to a one-off breach of the debt-service-to-revenue ratio under the baseline scenario in 2023. The timely return to a credible fiscal consolidation path after the current COVID-19 crisis abates and revisions in the debt management strategy to increase liquidity buffers and smooth out debt service will be critical to reducing debt-related risks.

16. BNR's decision to maintain an accommodative monetary stance should cushion the impact of the pandemic and support economic recovery. The move to cut the policy rate at the April MPC meeting by 50 basis points to 4.5 percent was prompted by the projected deceleration of inflation in the second half of the year owing to a drop in aggregate demand. Staff supports BNR's decision and encourages the central bank to keep monetary policy data dependent, continue to closely monitor price developments and stand ready to act as needed.

17. BNR is committed to ensuring sufficient liquidity in the financial system. The reduction of banks' reserve requirement ratio from 5 to 4 percent on April 1 provided a RWF 23.4 billion (0.2 percent of GDP) liquidity boost to the financial sector. The recent policy rate cut reflects BNR's commitment to further ease liquidity conditions in the banking sector and prop up the economy. While the extended credit facility remains untapped to date, banks are expected to increasingly make use of BNR's special facility as the gradual easing of domestic restrictions leads to more businesses resuming operations. Staff supports BNR's decision to temporarily suspend dividend payouts by banks and insurers to preserve capital and liquidity positions amid COVID-19. Other measures issued to insurers include the payment of premium in instalment or deferred payment, and the temporary adjustment of solvency calculations. However, measures to support MFIs, which lend to micro and small businesses in the informal sector, are yet to be articulated.

18. BNR has stepped up supervision following its decision to allow banks to ease loan repayment conditions for cash-strapped borrowers. As at April 10, banks had received several applications for restructuring accounting for 25.5 percent of the total loan portfolio. 92 percent of these loans (worth RWF 255 billion or 2.6 percent of GDP) have been restructured, by providing principal and/or interest payment moratoria for at least 3 months and waiving late payment penalties and loan restructuring fees. In line with staff recommendation at the time of RCF-1, BNR has instituted monthly reporting and monitoring requirements for restructured loans to safeguard financial stability. Staff further encourages BNR to accelerate the issuance of detailed guidance to banks and MFIs on the management of restructured loans, including their prudent classification and provisioning taking into account relief measures. Staff stands ready to support BNR in line with the ongoing technical assistance engagement on financial stability issues.

19. The authorities continue to leverage digital technologies to contain the spread of the virus and support economic recovery. In addition to measures reported in RCF-1 to promote cashless payments, digital tools are used to facilitate contact tracing, robots are deployed to monitor patients while minimizing infection risks, drones fitted with automated megaphones are used to raise awareness about COVID-19, and an online platform was launched for requesting clearance passes for domestic movements. E-learning tools are being leveraged for education from home, and the judiciary is increasingly using Skype and videoconferencing for court proceedings. The government is also turning to ICT-based system to manage efficiently food donation and distribution. In a bid to support SMEs' recovery, a digital platform was launched by the private sector federation to ease SMEs' access to information related to financial advisory services, access to finance, access to business training and policies related to doing business.

Authorities' Views

20. The authorities broadly agreed with staff on the economic outlook, which remains subject to significant downside risks and uncertainty. They foresee a sharp decline in economic activity in 2020, particularly in industry and service sectors, due to weak global demand and the domestic lockdown. They expect the pace of the recovery to depend on how fast the economy reopens fully and services and tourism demand resumes.

21. The authorities expect the pandemic to have a dire impact on public finances, including through an unprecedented loss in revenues. The authorities highlighted the severe revenue shortfalls they are experiencing which, together with the measures taken to save lives and livelihoods, will significantly increase budget deficits this fiscal year and the next leading to a significant build-up in public debt. Given the urgent needs, they consider the disbursement under the RCF timely in providing much needed support. They noted that, while domestic bank financing is feasible to close the residual financing gap for FY20/21, they will continue to seek concessional financing to avoid crowding out credit to the private sector. They also reiterated their plans to reprioritize spending to meet additional needs should the pandemic impact turn out to be larger than estimated.

22. The authorities shared staff's views on the importance of ensuring that COVID-19 related spending is well-targeted, cost-effective, transparent and does not crowd out other priority areas while safeguarding debt sustainability. They noted that, the ERP is formulated with these objectives in mind and reiterated their commitment to ensuring transparency and accountability as outlined in the attached LOI. They are also committed to a growth-friendly fiscal consolidation as soon as the COVID-19 crisis abates to keep debt sustainable, and to assess and mitigate emerging fiscal risks. To this end, they plan to formulate and discuss the desirable polices in the context of the next PCI review.

23. The authorities view the monetary and financial measures implemented so far as appropriate to cushion the impact of the pandemic. BNR is committed to keeping monetary policy data-driven and safeguarding financial stability. For this purpose, the central bank is assessing credit and liquidity risks in the financial system, gauging financial institutions' operational resilience, and expediting the issuance of detailed guidance to banks and MFIs on loan restructuring, including their prudent classification and provisioning.

ACCESS AND CAPACITY TO REPAY

24. The authorities are requesting a disbursement under the RCF "exogenous shock" window equivalent to 50 percent of quota (SDR 80.1 million). The authorities are also requesting that this financing, as in RCF-1, be made available in its entirety as budget support. The disbursement would be used to address the urgent fiscal needs emerging from efforts to address the impact of the pandemic and avoid a sharp drop in international reserves. The balance of payments difficulties that necessitated the RCF request are caused primarily by a sudden exogenous shock and not by a withdrawal of financial support.

25. Rwanda's capacity to repay its obligations to the Fund remains adequate (Table 7). The total amount of outstanding credit from the Fund, once the second RCF is disbursed, will amount to 180 percent of quota. Rwanda's debt remains sustainable with moderate risks of external and overall public debt distress. Total obligations to the Fund would remain below 1.7 percent of exports of goods and services, 2.3 percent of government revenue, and up to 2.7 percent of gross international reserves. The associated servicing risks are mitigated by the country's low indebtedness to the Fund and the availability of concessional financing. Given that the financing under the RCF will be used in its entirety to provide budget support, the authorities have signed a framework agreement between the government of Rwanda and BNR on their respective roles and responsibilities for servicing financial obligations to the Fund.

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

STAFF APPRAISAL

27. The pandemic continues to severely impact the economy. Weak global demand and supply chain disruptions coupled with domestic containment measures, including the economic lockdown, have affected all sectors of the economy. This is expected to reduce growth from 9.4 in 2019 to 2 percent in 2020, putting pressures on public finances and the balance of payments. The economic outlook remains highly uncertain with risks tilted to the downside.

28. The authorities' continued response to the pandemic is appropriate. Staff supports the authorities' decision to further relax the fiscal stance provided the remaining financing gaps are closed and a credible adjustment path is identified. Staff also supports authorities' decision to reduce the policy rate given the deteriorated economic outlook, and to properly monitor and report the use of public funds to support the economic recovery. Staff also welcomes BNR's effort to strengthen supervision and encourages the central bank to promptly issue guidance to banks and

MFIs on the management of restructured loans. Staff welcomes the authorities' commitment to fiscal consolidation once the crisis abates to preserve fiscal sustainability and reduce debt-related risks, and to maintain monetary policy data-driven.

29. Staff supports Rwanda's request for a disbursement under the Rapid Credit Facility in the amount of SDR 80.1 million (50 percent of quota), which would bring total disbursements under the RCF to 100 percent of quota to address the shock from the pandemic. Staff support is on account of the urgent balance of payments needs, the severity of the economic impact from the pandemic, the authorities' existing and prospective policies to address this external shock, and their commitment to fiscal prudence along with their strong track record which will mitigate any risks for the Fund. Staff assesses Rwanda's debt to remain sustainable with external and overall public debt at a moderate risk of debt distress.

Table 2. Rwanda: Selected Economic Indicators, 2018–22[1]

	2018	2019		2020		2021		2022	
	Act.	RCF-1	Prel.	RCF-1	Proj.	RCF-1	Proj.	RCF-1	Proj.
	(Annual percentage change, unless otherwise indicated)								
Output and prices									
Real GDP	8.6	10.1	9.4	5.1	2.0	6.7	6.3	8.0	8.0
GDP deflator	-0.8	1.2	0.4	6.5	6.5	5.4	1.0	5.0	5.0
CPI (period average)	1.4	2.4	2.4	6.9	6.9	5.4	1.0	5.0	5.0
CPI (end period)	1.1	6.7	6.7	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (deterioration, -)	0.1	-1.8	-1.8	0.9	-3.3	-0.6	-0.4	0.0	0.7
Money and credit									
Broad money (M3)	15.6	15.4	15.4	11.0	5.1	18.6	22.3	13.4	16.1
Reserve money	16.1	17.2	17.2	10.9	5.8	18.6	21.4	17.6	20.3
Credit to non-government sector	10.8	12.6	12.6	9.1	10.2	11.4	10.3	13.4	11.4
M3/GDP (percent)	25.0	26.2	26.3	26.0	25.4	27.4	28.9	27.4	29.6
	(Percent of GDP, unless otherwise indicated)								
Budgetary central government									
Total revenue and grants	23.8	23.6	23.6	21.3	20.1	23.3	20.7	23.0	20.6
of which: tax revenue	16.0	16.7	16.7	14.9	13.5	16.8	14.3	17.0	14.9
of which: grants	4.8	4.2	4.2	4.4	4.6	4.3	4.1	4.1	3.6
Expenditure	28.5	31.7	31.8	31.9	31.7	29.7	30.1	27.8	27.2
Current	15.1	15.6	15.6	16.1	15.7	14.9	15.8	13.3	13.5
Capital	11.3	13.2	13.2	13.0	12.1	12.9	11.9	12.7	11.3
Primary balance	-3.5	-6.8	-6.8	-8.9	-9.9	-5.0	-7.7	-3.3	-4.9
Overall balance	-4.6	-8.1	-8.1	-10.6	-11.6	-6.5	-9.4	-4.8	-6.6
excluding grants	-9.4	-12.3	-12.3	-15.0	-16.2	-10.8	-13.6	-8.9	-10.2
Debt-creating overall bal. (excl. PKO) [2]		-6.6	-6.6	-10.4	-11.3	-6.5	-9.6	-5.3	-7.1
Net domestic borrowing	0.0	0.8	0.9	2.8	2.5	2.0	1.4	-0.8	0.4
Public debt									
Total public debt incl. guarantees	52.4	58.4	58.5	64.5	68.1	66.4	75.7	65.7	76.3
of which: external public debt	41.1	46.2	45.6	48.0	55.0	48.7	61.9	49.1	63.0
PV of total public debt incl. guarantees	40.9	42.6	42.8	47.5	48.2	48.4	52.5	47.5	52.5
Investment and savings									
Investment	21.5	28.9	26.2	23.6	20.9	25.0	22.2	27.7	24.7
Government	11.3	13.2	13.2	13.0	12.1	12.9	11.9	12.7	11.3
Nongovernment	10.2	15.7	13.0	10.6	8.8	12.1	10.3	15.1	13.3
Savings	9.9	17.1	14.5	5.7	2.4	12.2	9.5	15.1	12.4
Government	4.0	3.8	3.8	0.8	-0.2	4.0	0.7	5.6	3.5
Nongovernment	6.0	13.3	10.6	4.9	2.6	8.2	8.8	9.5	8.9
External sector									
Exports (goods and services)	21.2	21.3	21.3	13.6	13.1	22.9	21.2	24.6	22.6
Imports (goods and services)	32.6	33.1	33.1	29.4	29.3	35.1	33.8	36.5	35.2
Current account balance (incl grants)	-8.0	-9.2	-9.2	-16.0	-16.7	-10.2	-10.5	-9.8	-10.0
Current account balance (excl grants)	-11.6	-11.7	-11.7	-18.0	-18.5	-12.8	-12.7	-12.6	-12.3
Current account balance (excl. large proj.)	-7.6	-9.0	-9.0	-15.0	-15.7	-9.4	-9.5	-7.7	-8.8
Gross international reserves									
In millions of US$	1,319	1,440	1,440	1,360	1,207	1,520	1,461	1,690	1,598
In months of next year's imports	4.7	5.4	5.7	4.0	4.0	3.9	4.3	4.2	4.4
Memorandum items:									
GDP at current market prices									
Rwanda francs (billion) [3]	8,291	9,121	9,105	10,210	9,894	11,476	10,629	13,012	12,043
Population (million)	12.1	12.4	12.4	12.7	12.7	13.0	13.0	13.3	13.3

Sources: Rwandan authorities and IMF staff estimates.

[1] The source of the projections is the recent RCF with small updates.

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

[3] Reflects new rebased GDP series released by the Rwanda's National Institute of Statistics.

Table 3a. Rwanda: Budgetary Central Government Flows, GFSM 1986 Presentation, FY18/19–21/22[1]

(Billions of Rwandan francs)

	2018/19	2019/20		2020/21		2021/22	
	Act.	RCF-1	Proj.	RCF-1	Proj.	RCF-1	Proj.
Revenue and grants	**2,065**	**2,139**	**2,082**	**2,463**	**2,116**	**2,848**	**2,386**
Total revenue	1,670	1,736	1,660	1,977	1,679	2,342	1,862
Tax revenue	1,419	1,468	1,408	1,752	1,460	2,090	1,609
Direct taxes	617	637	621	730	651	915	690
Taxes on goods and services	690	723	679	874	701	1,015	798
Taxes on international trade	112	108	108	148	108	161	121
Non-tax revenue	251	268	252	225	219	252	253
of which: CCRT		--	10	--	--	--	--
of which: PKO	151	169	169	142	142	143	145
Grants	395	403	422	486	437	506	524
Budget grants	162	143	162	197	148	234	247
Project grants	233	260	260	289	289	272	277
Total expenditure and net lending	**2,611**	**3,145**	**3,254**	**3,239**	**3,088**	**3,516**	**3,259**
Current expenditure	1,343	1,548	1,558	1,670	1,645	1,793	1,779
Wages and salaries	366	423	423	491	492	552	552
Purchases of goods and services	230	318	329	356	343	355	342
of which: Covid-19 spending		50	60	44	60	--	--
of which: Disaster-management spending		33	33	--	--	--	--
Interest payments	102	156	152	165	168	185	211
Domestic debt	55	101	101	99	109	105	145
External debt	48	54	50	66	59	79	66
Transfers	407	420	424	473	457	513	486
PKO and demobilization	238	230	230	185	185	189	189
of which: PKO	213	184	184	136	136	132	132
Capital expenditure	1,072	1,266	1,295	1,348	1,144	1,492	1,237
Domestic	624	732	747	811	545	925	606
Foreign	448	534	548	537	598	567	631
Net lending and privatization receipts	196	331	400	221	300	231	243
of which: Covid-19 spending [2]		--	74		53	--	--
Overall balance (incl. grants, commitment basis)	**-546**	**-1,006**	**-1,172**	**-777**	**-972**	**-668**	**-872**
of which Debt-creating overall balance (excl. PKO)[3]	**-485**	**-911**	**-1,077**	**-783**	**-979**	**-679**	**-885**
of which Debt-creating overall balance (excl. PKO, shocks)[4]	-485	-827	-869	-739	-825	-679	-885
Change in float/arrears [5]	55	-55	-55	-35	-35	-40	-40
Overall balance (incl. grants, cash basis)	**-491**	**-1,061**	**-1,227**	**-812**	**-1,008**	**-708**	**-912**
Financing	**491**	**848**	**899**	**653**	**790**	**708**	**912**
Foreign financing (net)	448	647	812	547	610	516	710
Drawings	477	703	869	624	685	611	807
Budgetary loans	262	429	580	377	375	317	454
of which: RCF	--	--	101	--	--	--	--
Project loans	215	274	289	247	309	295	353
Amortization	-29	-56	-56	-77	-75	-95	-97
Net domestic financing	54	201	87	106	181	192	202
Net credit from banking system	-13	201	87	106	181	192	202
Nonbank sector	67	--	--	--	--	--	--
Errors and omissions [6]	-11	--	--	--	--	--	--
Financing Gap	--	213	328	158	217	--	--
Prospective RCF	--	101	101	--	--	--	--
Prospective financing from World Bank	--	68	92	--	--	--	--
Prospective financing other development partners	--	--	134	--	39	--	--
Residual financing gap	--	45	--	158	178	--	--

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

[2] Economic Recovery Fund and additional support to Rwandair.

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

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

[5] A negative sign indicates a reduction.

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

Table 3b. Rwanda: Budgetary Central Government Flows, GFSM 1986 Presentation, FY18/19–21/22[1]

(Percent of GDP)

	2018/19	2019/20		2020/21		2021/22	
	Act.	RCF-1	Proj.	RCF-1	Proj.	RCF-1	Proj.
Revenue and grants	**23.7**	**22.1**	**21.9**	**22.7**	**20.6**	**23.3**	**21.1**
Total revenue	19.2	18.0	17.5	18.2	16.4	19.1	16.4
Tax revenue	16.3	15.2	14.8	16.2	14.2	17.1	14.2
Direct taxes	7.1	6.6	6.5	6.7	6.3	7.5	6.1
Taxes on goods and services	7.9	7.5	7.2	8.1	6.8	8.3	7.0
Taxes on international trade	1.3	1.1	1.1	1.4	1.1	1.3	1.1
Nontax revenue	2.9	2.8	2.7	2.1	2.1	2.1	2.2
of which : CCRT	--	--	0.1	--	--	--	--
of which : PKO	1.7	1.8	1.8	1.3	1.4	1.2	1.3
Grants	4.5	4.2	4.4	4.5	4.3	4.1	4.6
Budget grants	1.9	1.5	1.7	1.8	1.4	1.9	2.2
Project grants	2.7	2.7	2.7	2.7	2.8	2.2	2.4
Total expenditure and net lending	**30.0**	**32.5**	**34.3**	**29.9**	**30.1**	**28.7**	**28.7**
Current expenditure	15.4	16.0	16.4	15.4	16.0	14.6	15.7
Wages and salaries	4.2	4.4	4.5	4.5	4.8	4.5	4.9
Purchases of goods and services	2.6	3.3	3.5	3.3	3.3	2.9	3.0
of which: Covid-19 spending	0.0	0.5	0.6	0.4	0.6	--	--
of which: Disaster-management spending	0.0	0.3	0.4	0.0	0.0	--	0.0
Interest payments	1.2	1.6	1.6	1.5	1.6	1.5	1.9
Domestic debt	0.6	1.0	1.1	0.9	1.1	0.9	1.3
External debt	0.6	0.6	0.5	0.6	0.6	0.6	0.6
Transfers	4.7	4.4	4.5	4.4	4.5	4.2	4.3
of which: PKO	2.4	1.9	1.9	1.3	1.3	1.1	1.2
Capital expenditure	12.3	13.1	13.6	12.4	11.1	12.2	10.9
Domestic	7.2	7.6	7.9	7.5	5.3	7.6	5.3
of which : Covid-19 spending	--	0.3	0.4	0.2	0.4	--	--
Foreign	5.2	5.5	5.8	4.9	5.8	4.6	5.6
Net lending and privatization receipts	2.3	3.4	4.2	2.0	2.9	1.9	2.1
of which: Covid-19 spending [2]	--	--	0.8	--	0.5	--	--
Overall balance (incl. grants, commitment basis)	**-6.3**	**-10.4**	**-12.3**	**-7.2**	**-9.5**	**-5.5**	**-7.7**
***of which:* Debt-creating overall bal.(exc. PKO)[3]**	**-5.6**	**-9.4**	**-11.3**	**-7.2**	**-9.5**	**-5.5**	**-7.8**
of which Debt-creating overall balance (excl. PKO, shocks)[4]	**-5.6**	**-8.6**	**-9.1**	**-6.8**	**-8.0**	**-5.5**	**-7.8**
Change in float/arrears[5]	0.6	-0.6	-0.6	-0.3	-0.3	-0.3	-0.4
Overall balance (incl. grants, cash basis)	**-5.6**	**-11.0**	**-12.9**	**-7.5**	**-9.8**	**-5.8**	**-8.0**
Financing	**5.6**	**8.8**	**9.5**	**6.0**	**7.7**	**5.8**	**8.0**
Foreign financing (net)	5.2	6.7	8.5	5.0	5.9	4.2	6.3
Drawings	5.5	7.3	9.1	5.8	6.7	5.0	7.1
Budgetary loans	3.0	4.4	6.1	3.5	3.7	2.6	4.0
of which: RCF	0.0	--	1.1	--	--	--	--
Project loans	2.5	2.8	3.0	2.3	3.0	2.4	3.1
Amortization	-0.3	-0.6	-0.6	-0.7	-0.7	-0.8	-0.9
Net domestic financing	0.6	2.1	0.9	1.0	1.8	1.6	1.8
Net credit from banking system	-0.1	2.1	0.9	1.0	1.8	1.6	1.8
Nonbank sector	0.8	--	0.0	0.0	0.0	--	--
Errors and omissions [6]	-0.1	--	0.0	0.0	0.0	--	--
Financing Gap	--	2.2	3.5	1.5	2.1	--	--
Prospective RCF	--	1.0	1.1	--	0.0	--	--
Prospective financing from World Bank	--	0.7	1.0	--	--	--	--
Prospective financing other development partners	--	--	1.4	--	0.4	--	--
Residual financing gap	--	0.5	--	--	1.7	--	--
Memorandum items:							
Debt-creating ov. balance (exc. PKO, 5-yr avg, com.basis)	**-7.1**	**-6.8**	**-7.8**	**-6.7**	**-8.3**	**-6.7**	**-8.4**
GDP (Billions of RwF), FY basis	8,698	9,665	9,499	10,843	10,261	12,244	11,336

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

[2] Economic Recovery Fund and additional support to Rwandair.

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

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

[5] A negative sign indicates a reduction.

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

Table 4. Rwanda: Balance of Payments, 2018–22

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

	2018	2019		2020		2021		2022	
	Act.	RCF-1	Act.	RCF-1	Proj.	RCF-1	Proj.	RCF-1	Proj.
Current account balance (incl. official transfers)	**-756**	**-935**	**-935**	**-1,728**	**-1,745**	**-1,191**	**-1,116**	**-1,243**	**-1,148**
Trade balance	-915	-1,072	-1,072	-1,165	-1,144	-1,359	-1,122	-1,479	-1,319
Exports (f.o.b.)	1,126	1,167	1,167	1,028	945	1,370	1,351	1,645	1,487
Of which: coffee and tea	159	156	156	140	133	198	201	229	233
Of which: minerals	142	98	98	60	55	115	110	129	123
Imports (f.o.b.)	2,041	2,239	2,239	2,193	2,089	2,728	2,473	3,124	2,806
Of which: capital goods	548	645	645	432	335	929	684	1,113	827
Of which : Energy goods	246	254	254	174	156	196	169	238	198
Services (net)	-186	-123	-123	-538	-543	-59.3	-216	-31.3	-133
Credit	917	993	993	443	424	1,293	902	1,482	1,100
Of which: tourism receipts	375	411	411	82	82	509	329	535	427
Debit	1,103	1,115	1,115	981	967	1,353	1,117	1,513	1,233
Income	-312	-325	-325	-347	-349	-404	-353	-454	-393
Of which: interest on public debt[1,2]	-89	-92	-92	-96	-85	-87	-87	-86	-86
Current transfers (net)	657	585	585	322	291	631	574	721	698
Private	311	331	331	109	108	328	343	363	436
Of which: remittance inflows	253	252	252	117	75	244	239	308	277
Public	346	254	254	214	183	303	231	358	262
Capital and financial account balance	**891**	**1,232**	**1,232**	**1,097**	**969**	**1,387**	**1,371**	**1,458**	**1,318**
Capital account	245	260	260	285	285	290	291	286	251
Financial account	647	972	972	813	685	1,097	1,080	1,172	1,067
Direct investment	284	331	331	186	126	518	257	425	352
Public sector capital[3]	482	599	599	638	587	559	877	672	701
Long-term borrowing[2]	550	669	669	890	839	704	1,023	794	823
Scheduled amortization, excl IMF	-68	-70	-70	-252	-252	-146	-146	-122	-122
Other capital[4]	-119	42	42	-11	-28	20	-54	75	13
Of which: commercial banks NFA (increase -)	-126	123	123	0	0	0	0	0	0
Net errors and omissions	**-2**	**-178**	**-178**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**133**	**120**	**120**	**-630**	**-776**	**197**	**255**	**214**	**170**
Financing	**-133**	**-120**	**-120**	**57**	**343**	**-197**	**-255**	**-214**	**-170**
Reserve assets (increase -)	-158	-120	-120	79	234	-160	-255	-170	-137
Net credit from the IMF	24	0	0	-22	87	-36	-36	-45	-45
IMF disbursement (+)[5]	25	0	0	0	109	0	0	0	0
Repayments to IMF (-)	-1	0	0	-22	-22	-36	-36	-45	-45
Exceptional financing	0	0	0	0	22	0	36	0	11
Grant for debt relief under CCRT[6]	...	...	...	...	22	...	36	...	11
Financing gap	...	...	...	**573** [7]	**433**	**0**	**0**	**0**	**0**
in percent of GDP	...	...	...	5.3	4.1	0.0	0.0	0.0	0.0
Prospective RCF from the IMF	...	...	...	109	110	...	0	...	0
Prospective financing from the World Bank	...	...	...	73	100	...	0	...	0
Prospective financing from other development partners	...	...	...	...	185	...	0	...	0
Residual financing gap	...	...	...	391	38	...	0	...	0
Memorandum items:									
Current account deficit (percent of GDP)[8]	-8.0	-9.2	-9.2	-16.0	-16.7	-10.2	-10.5	-9.8	-10.0
Trade balance (percent of GDP)	-9.6	-10.6	-10.6	-10.8	-11.0	-11.7	-10.6	-11.6	-11.5
Gross official reserves	**1,319**	**1,440**	**1,440**	**1,360** [7]	**1,207**	**1,520**	**1,461**	**1,690**	**1,598**
in months of prospective imports of G&S	4.7	5.4	5.7	4.0	4.0	3.9	4.3	4.2	4.4

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Including interest due to the IMF.

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

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

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

[5] The amount in 2020 corresponds to the RCF disbursement that is transferred to the budget.

[6] The grant for the debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

[7] The sum of the financing gap reported in the RCF-1 plus the additional reserves needed to bring import cover to 4 months, which is a minimum level of reserves to be adequate. See Country Report No. 20/115. Similarly, gross official reserves include the additional reserves required to bring it to 4 months import cover.

[8] Including official transfers.

Table 5. Rwanda: Monetary Survey, 2018–22

(Billions of Rwandan francs, unless otherwise indicated)

	2018	2019		2020				2021				2022	
	Dec.	Jun.	Dec.	Jun.		Dec.		Jun.		Dec.		Dec.	
	Act.	Act.	Act.	RCF-1	Proj.	RCF-1	Proj.	RCF-1	Proj.	RCF-1	Proj.	RCF-1	Proj.
Monetary authorities													
Net Foreign Assets[1]	902	843	1,041	848	861	655	682	746	848	837	1,015	1,035	1,261
Of which: Foreign assets	1,160	1,126	1,329	1,126	1,254	923	1,180	997	1,340	1,071	1,500	1,228	1,723
Foreign liabilities	258	283	288	278	393	268	498	251	492	234	486	193	462
Net domestic assets	-519	-413	-593	-377	-404	-158	-208	-209	-314	-248	-439	-342	-568
Domestic credit	-326	-199	-372	-152	-216	71	-52	14	-125	-31	-216	-146	-344
Other items (net; asset +)	-194	-214	-220	-225	-188	-229	-156	-223	-189	-217	-223	-195	-224
Reserve money	382	429	448	471	457	497	474	537	534	589	575	693	692
Commercial banks													
Net foreign assets	167	81	121	121	121	121	121	121	121	121	121	121	121
Reserves	197	216	218	231	223	244	232	265	263	292	285	346	346
Net credit to BNR	56	8	2	124	15	107	-122	162	65	280	103	301	199
Domestic credit	1,984	2,249	2,371	2,347	2,395	2,480	2,545	2,550	2,611	2,708	2,837	3,006	3,176
Government (net)	290	393	440	450	489	450	494	450	529	450	579	450	665
Public enterprises	95	126	129	62	62	62	62	62	62	62	62	62	62
Private sector	1,599	1,730	1,802	1,835	1,844	1,968	1,989	2,038	2,020	2,196	2,197	2,494	2,450
Other items (net; asset +)	-518	-548	-551	-551	-551	-551	-506	-551	-526	-551	-563	-551	-621
Deposits	1,886	2,006	2,162	2,272	2,204	2,401	2,270	2,547	2,534	2,850	2,783	3,223	3,221
Monetary survey													
Net foreign assets	1,069	923	1,162	969	983	777	803	867	970	958	1,136	1,156	1,382
Net domestic assets	1,003	1,296	1,229	1,543	1,455	1,877	1,709	1,951	1,836	2,189	1,938	2,414	2,185
Domestic credit	1,714	2,058	2,001	2,299	2,194	2,405	2,371	2,609	2,551	2,867	2,724	3,128	3,031
Government	-2.9	178	46	378	264	351	296	484	445	584	442	548	495
Public enterprises	95	126	129	62	62	62	62	62	62	62	62	62	62
Private sector	1,622	1,754	1,826	1,859	1,868	1,992	2,013	2,062	2,044	2,220	2,221	2,518	2,474
Other items (net; asset +)	-711	-762	-772	-776	-717	-781	-662	-774	-716	-768	-787	-747	-845
Broad money	2,072	2,220	2,391	2,512	2,438	2,654	2,512	2,819	2,805	3,147	3,074	3,570	3,567
Year on Year Growth						(Percent)							
Broad money	15.6	14.3	15.4	13.2	9.8	11.0	5.1	12.2	15.1	18.6	22.3	13.4	16.1
Reserve money	16.1	15.3	17.2	9.7	6.5	10.9	5.8	13.9	16.8	18.6	21.4	17.6	20.3
Net foreign assets	33.0	15.3	8.7	5.0	6.4	-33.2	-30.9	-10.5	-1.3	23.4	41.4	20.7	21.7
Credit to the private sector	10.8	17.6	12.6	5.9	6.5	9.1	10.2	10.9	9.4	11.4	10.3	13.4	11.4
Memorandum items:													
Velocity (eop)	4.0	3.9	3.8	3.8	3.9	3.8	3.9	3.8	3.7	3.6	3.5	3.6	3.4
Money multiplier	5.4	5.2	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.2	5.2

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

[1] NFA are shown at end-of-period exchange rates.

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

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

	2018	2019	2020	2021	2022
	Act.	Act.	Proj.	Proj.	Proj.
Financing needs	**826**	**1,004**	**2,020**	**1,298**	**1,314**
Current account deficit	756	935	1,745	1,116	1,148
Public debt amortization (excl. IMF)	68	70	252	146	122
Repayment to the IMF	1	0	22	36	45
Financing sources[1]	**827**	**1,182**	**1,587**	**1,298**	**1,314**
Capital account	245	260	285	291	251
Financial account	715	1,042	937	1,226	1,189
IMF disbursement	25	0	109	0	0
Grant for debt relief under CCRT	0	0	22	36	11
Reserve accumulation (- increase)	-158	-120	234	-255	-137
Net errors and omissions	**-2**	**-178**	**0**	**0**	**0**
Financing gap	**0**	**0**	**433**	**0**	**0**
Additional financing sources	**0**	**0**	**395**	**0**	**0**
Financing from the IMF (RCF)[2]	0	0	110	0	0
Financing from the World Bank	0	0	100	0	0
Financing from other donors	0	0	185	0	0
Remaining financing gap	**0**	**0**	**38**	**0**	**0**

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

1/ Including the approved RCF disbursement in April 2020, but excluding other changes in public and private transfers related to the COVID-19 pandemic and public debt amortization.

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

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

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
IMF obligations based on existing credit (in millions of SDRs)[1]											
Principal	8.0	26.0	32.0	32.0	24.0	20.0	18.0	16.0	16.0	16.0	8.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF obligations based on existing and prospective credit (in millions of SDRs)[1,2]											
Principal	8.0	26.0	32.0	32.0	24.0	28.0	34.0	32.0	32.0	32.0	16.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total IMF obligations based on existing and prospective credit[1,2]											
In millions of SDRs	8.0	26.0	32.1	32.1	24.0	28.1	34.1	32.1	32.1	32.1	16.0
In millions of U.S. dollars	11.0	35.6	43.9	44.0	33.0	38.7	46.9	44.2	44.2	44.2	22.1
In percent of GDP	0.1	0.3	0.4	0.3	0.2	0.3	0.3	0.3	0.2	0.2	0.1
In percent of exports of goods and services	0.8	1.6	1.7	1.3	0.9	1.0	1.1	0.9	0.8	0.7	0.3
In percent of government revenue	0.7	2.0	2.3	2.0	1.3	1.4	1.5	1.3	1.2	1.1	0.5
In percent of gross international reserves	0.9	2.4	2.7	2.5	1.7	1.8	2.0	1.7	1.6	1.4	0.6
In percent of IMF quota	5.0	16.3	20.0	20.0	15.0	17.5	21.3	20.0	20.0	20.0	10.0
IMF credit outstanding (end-of-period)[1,2]											
In millions of SDRs	288.4	262.3	230.3	198.3	174.2	146.2	112.1	80.1	48.1	16.0	0.0
In millions of U.S. dollars	394.0	359.3	315.8	272.2	239.8	201.7	154.7	110.5	66.3	22.1	0.0
In percent of GDP	3.8	3.4	2.8	2.1	1.7	1.3	1.0	0.6	0.3	0.1	0.0
In percent of exports of goods and services	28.8	16.0	12.2	8.0	6.8	5.3	3.7	2.2	1.2	0.3	0.0
In percent of government revenue	24.4	20.5	16.2	12.3	9.6	7.3	5.0	3.3	1.8	0.5	0.0
In percent of gross international reserves	32.7	24.6	19.8	15.2	12.4	9.5	6.6	4.3	2.3	0.7	0.0
In percent of IMF quota	180.0	163.8	143.8	123.8	108.8	91.2	70.0	50.0	30.0	10.0	0.0
Net use of IMF credit (in millions of SDRs)	152.2	-26.0	-32.0	-32.0	-24.0	-28.0	-34.0	-32.0	-32.0	-32.0	-16.0
Disbursements	160.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	8.0	26.0	32.0	32.0	24.0	28.0	34.0	32.0	32.0	32.0	16.0
Memorandum items											
Nominal GDP (in millions of U.S. dollars)	10,428	10,621	11,460	12,685	13,847	14,973	16,193	17,548	19,144	20,941	22,886
Exports of goods and services (in millions of U.S. dollars)	1,369	2,253	2,586	3,395	3,512	3,829	4,221	5,121	5,747	6,443	7,198
Government revenue (in millions of U.S. dollars)	1,615	1,755	1,950	2,222	2,495	2,774	3,066	3,359	3,702	4,090	4,515
Gross international reserves (in millions of U.S. dollars)	1,207	1,461	1,598	1,792	1,937	2,129	2,339	2,578	2,830	3,121	3,417
IMF quota (in millions of SDRs)	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2
SDRs per U.S. dollars	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7

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

1/ Including the approved RCF disbursement of 50.0 percent of the quota in April 2020.

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

Appendix I. Letter of Intent

Kigali, June 4, 2020

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

Dear Ms. Georgieva,

We would like to express our appreciation for the Fund's quick response to our first request for emergency financing under the Rapid Credit Facility (RCF) which was approved by the IMF Executive Board on April 2, 2020. As detailed in our recent Letter of Intent (LOI), dated March 26, 2020, attached to the staff report for our aforementioned RCF request, Rwanda continues to experience an urgent balance of payments (BOP) need arising from the COVID-19 pandemic.

Since the approval of our RCF request on April 2, 2020, Rwanda's economic outlook has deteriorated. Preliminary indicators suggest that all sectors of our economy have been affected by the pandemic and the needed lockdown, leading to a downward revision in our 2020 GDP forecast from 5.1 to 2.0 percent. This, combined with updated information on the expected revenue losses and spending costs associated with our health and economic response plans, has led to an urgent BOP financing need and a fiscal financing gap of USD 433 million and RWF 545 billion respectively (after accounting for the April 2 RCF disbursement).

Against this background, we would like to request additional emergency financing from the IMF under the RCF's "exogenous shock" window in the amount of SDR 80.1 million, equivalent to 50 percent of our quota to support our efforts to respond to the pandemic timely. We request the funds to be disbursed as direct budget support to the Ministry of Finance and Economic Planning's account at the National Bank of Rwanda (NBR). In view of this, a memorandum of understanding has been signed between the Government of Rwanda and NBR on their respective responsibilities for servicing financial obligations to the IMF.

We remain committed to the health and economic policies outlined in our LOI dated March 26, including keeping monetary policy data dependent, maintaining exchange rate flexibility, and cushioning the financial system through liquidity support measures. In addition, we have rolled out further support to Rwandan households affected by the pandemic, including a food distribution program and various tax deferral and relief measures. We have developed a comprehensive and multi-sectoral economic recovery plan and an economic recovery fund to support firms affected by the pandemic. We are also committed to a growth-friendly fiscal consolidation as soon as the COVID-19 crisis abates to keep debt sustainable, and to assess and mitigate emerging fiscal risks. To this end, we plan to formulate and discuss the desirable polices in the context of the next PCI review.

We are also committed to effective and transparent use of public funds, including funds from the RCF. We will carry out transparency of procurement in accordance with the Law Governing Public Procurement and our E-procurement system. The E-Procurement system provides publicly available information on all awarded government contracts, including the name of companies that participated in the tender, each initial bid, the name and price of the winning bid, the total amount of the contract, and the delivery period. Moreover, following our Law on State Finances and Property 2013 (Organic Budget Law), the Office of the Auditor General, whose independence is enshrined in the constitution and law, will audit all government expenditures and procurement tenders, including those linked to the pandemic, and publish the outcome.

The approval of the April 2nd RCF request has played a catalytic role in securing additional financing in the amount of USD 245 million from our development partners to be disbursed before end June 2020. We are confident that the approval of the present request will produce the same effect especially in closing our financing gap in fiscal year 2020/21.

The Government commends the initiative of the G-20 and Paris Club aiming at increasing the fiscal space for vulnerable countries. In view of the needs for response to COVID-19 and economic recovery, we are considering mobilizing additional resources from willing development partners.

We reiterate our intentions not to introduce policies that would exacerbate BOP difficulties and remain committed to the objective of our PCI-supported program. In line with IMF safeguards policy, we reiterate our commitment to undergo an update of the 2016 safeguards assessment before IMF Board approval of any subsequent arrangement to which the safeguards policy applies, provide IMF staff with the central bank's most recently completed external audit reports, and authorize our external auditors to hold discussions with IMF staff.

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

Sincerely yours,

/s/
The Hon. Uzziel Ndagijimana
Minister of Finance and Economic Planning

/s/
John Rwangombwa
Governor, National Bank of Rwanda

RWANDA

June 4, 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS[1]

Approved By
Zeine Zeidane and Zuzana Murgasova (IMF), and Marcello Estevão (IDA)

The Debt Sustainability Analysis (DSA) was prepared jointly by the staffs of the International Monetary Fund and the International Development Association.

Risk of external debt distress	Moderate[2]
Overall risk of debt distress	Moderate
Granularity in the risk rating	Limited space to absorb shocks
Application of judgment	No
Macroeconomic projections	The DSA incorporates the expected impacts of the COVID-19 pandemic, with a sharp decline in real GDP growth (down by 6 percentage points relative to the pre-pandemic projection), exports of goods and services (40 percent decline), tax revenues (20 percent decline), and a significant widening of the fiscal deficit (up by about 6 percentage points of GDP).
Financing strategy	The DSA incorporates a proposed RCF disbursement equivalent to 50 percent of quota, together with prospective concessional financing from other development partners, including the World Bank's COVID-19 Emergency Response Project.
Realism tools flagged	No
Mechanical risk rating under the external DSA	Moderate
Mechanical risk rating under the public DSA	Moderate

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

[2] Rwanda's debt-carrying capacity remains strong as its Composite Indicator (CI) score of 3.26 remains above the upper threshold of 3.05. This is based on the October 2019 WEO and CPIA 2018. There has been no change in debt coverage since the last DSA (July 2019, IMF CR 19/211), which covers the central government and state-owned enterprises (SOEs).

While Rwanda's debt remains sustainable, the risk of external and overall debt distress has moved to moderate from low relative to the previous DSA in April 2020 due to the impact of the global COVID-19 crisis. The baseline macroeconomic scenario reflects negative effects of the COVID-19 shock on growth, exports, and revenues, which sharply raise external and domestic financing needs in 2020.[3] This DSA assumes that the Rapid Credit Facility (RCF), debt service relief under the IMF's Catastrophe Containment and Relief Trust (CCRT), World Bank financial support,[4] and prospective concessional financing from other development partners fill the external financing gap created by the shock. The authorities have not yet requested debt service suspension from official bilateral creditors as envisaged under the Debt Service Suspension Initiative (DSSI), supported by the G-20 and Paris Club.[5] Compared to the previous DSA, the pandemic impact coupled with higher concessional loans from multilateral and bilateral donors and larger external borrowing related to an scaling up of the new international airport project is expected to entail a higher pace of accumulation of public and publicly guaranteed (PPG) external debt in the medium term, leading to a present value (PV) of total public debt peaking at 53 percent of GDP in 2025.[6]

The stress tests highlight that Rwanda is more susceptible to external shocks when compared to the pre-pandemic period even after the initial impact of the COVID-19 shock dissipates, and, as a result, indicate the moderate risk of debt distress (Figure 1 and 2).[7] Solvency indicators for the PV of external debt-to-GDP ratio and the PV of total public debt-to-GDP ratio are below the indicative threshold/benchmark under both the baseline scenario and the most extreme risk shock. However, the sharp decline in exports due to the COVID-19 shock makes one solvency indictor (the PV of external debt-to-export ratio) and one liquidity indicator (the external debt service-to-exports ratio) temporarily breach their relevant thresholds in 2020 under the baseline scenario. This risk is, however, mitigated by adequate reserves and external financing that had already been lined up. There are also multiple breaches to these indicators under the most extreme shock through heightened uncertainty surrounding exports. The servicing spike in external debt service in 2023 (due to the rollover of the 10-year Eurobond issued in 2013) causes a one-off breach to the other liquidity indicator of debt service-to-revenue ratio under the baseline scenario. This indicator also shows another one-off breach in 2028 under the most extreme shock, which is caused by the market financing shock halving the maturity of the 10-year Eurobond expected to be issued in 2023. In order to reduce the rollover risks, the authorities

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[3] The DSA incorporates the expected impacts of the COVID-19 pandemic, with a sharp decline in real GDP growth (down by 6 percentage points relative to the pre-pandemic projection), exports of goods and services (40 percent decline), tax revenues (20 percent decline), and a significant widening of the fiscal deficit (up by about 6 percentage points of GDP). Following the COVID-19 shock in 2020, it assumes economic recovery from 2021, with the economy gradually reverting to its pre-pandemic trend in the medium term.

[4] To support the Government of Rwanda in the implementation of the COVID-19 National Preparedness and Response Plan the World Bank has prepared a US$14.25 million COVID-19 Emergency Response Project. In addition, as part of its support to Rwanda's anti-crisis resource mobilization, the World Bank prepared and delivered a supplemental DPO based on the series of Rwanda Energy DPOs in an amount of US$100 million.

[5] Participation in the DSSI, which provides a time-bound suspension of official bilateral debt service payments to IDA-eligible and least developed countries as defined by the UN, would free up additional resources in the near term.

[6] On the financing of the new Bugesera international airport project, it's assumed that the government will take on 40 percent of the total cost of US$1.3 billion as guaranteed debt under commercial loan financing conditions, while Qatar Airways will take on 60 percent as FDI.

[7] In the historical scenario, the PV of external debt-to-GDP ratio increases sharply since it assumes the recurrence of several large past external shocks (donor withdrawal, commodity prices, and drought) as well as large external imbalances, which were corrected over 2015–17, primarily through a large exchange rate adjustment, as envisaged under the PSI/SCF-supported program.

should pursue a proper debt management strategy, such as holding enough liquidity buffers for the crisis and smoothing out the debt servicing profile. A breach of the market-financing risk indicator also signals market financing pressures, which means that Rwanda may face liquidity pressures due to deteriorating market sentiment (Figure 6). Overall, while every solvency and liquidity indicator has at most only one short-lived breach under the baseline scenario, some indicators have multiple breaches under the most extreme shock, which indicates a moderate risk of debt distress. The government needs to adopt a credible fiscal consolidation path as soon as the COVID-19 crisis abates.

The evolution of public debt going forward is dominated by developments in the primary fiscal deficit and real GDP growth as in the past (Figure 3). Compared to the past five years, higher primary deficit due to the COVID-19 shock is expected to raise public debt despite higher GDP growth (Figure 4). Realism tools also illustrate that the baseline growth path is relatively conservative considering the envisaged fiscal consolidation by cutting domestically financed public investment and other expenditures. Furthermore, a granular assessment of the moderate risk rating shows that Rwanda has limited space to absorb shocks (Figure 5).

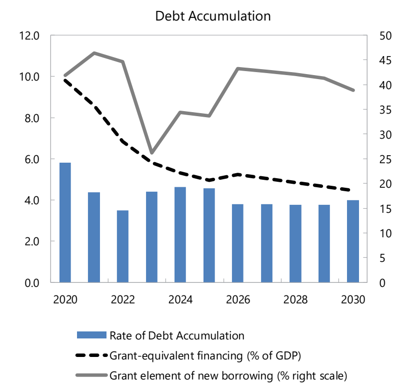
The current macroeconomic framework, which underpins this DSA, reflects currently available information. However, updates with respect to the economic impact and policy response to the COVID-19 crisis are rapidly evolving and risks to the debt outlook and sustainability are heavily tilted to the downside considering the potential of a more prolonged and deeper pandemic shock.

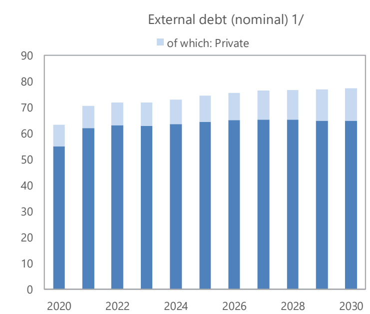
Table 1. Rwanda: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	45.8	49.4	53.9	63.1	70.4	71.8	71.8	72.8	74.3	77.2	76.5	32.7	73.3
of which: public and publicly guaranteed (PPG)	37.4	41.1	45.6	55.0	61.9	63.0	62.8	63.4	64.3	64.7	56.6	27.3	63.2
Change in external debt	3.3	3.6	4.5	9.2	7.2	1.4	0.0	1.0	1.4	0.4	-0.3		
Identified net debt-creating flows	2.3	3.1	3.5	14.5	4.2	1.8	0.0	1.0	0.6	-1.5	-2.2	5.5	1.6
Non-interest current account deficit	6.2	6.4	7.7	15.3	9.0	8.5	7.4	7.5	6.6	5.8	4.6	8.7	7.6
Deficit in balance of goods and services	10.7	11.4	11.8	16.2	12.6	12.7	7.5	8.4	7.5	6.3	5.1	15.1	8.9
Exports	21.4	21.2	21.3	13.1	21.2	22.6	26.8	25.4	25.6	27.7	32.5		
Imports	32.1	32.6	33.1	29.3	33.8	35.2	34.2	33.8	33.0	34.1	37.6		
Net current transfers (negative = inflow)	-6.4	-6.8	-5.8	-2.8	-5.4	-6.1	-3.2	-3.5	-3.5	-3.2	-3.0	-7.7	-3.7
of which: official	-6.5	-6.5	-5.5	-4.9	-5.3	-4.9	-3.3	-3.1	-2.8	-1.9	-0.8		
Other current account flows (negative = net inflow)	2.0	1.8	1.7	2.0	1.8	1.9	3.1	2.6	2.6	2.6	2.4	1.4	2.5
Net FDI (negative = inflow)	-2.7	-2.9	-3.3	-1.2	-2.4	-3.1	-3.2	-3.4	-3.6	-4.0	-4.6	-2.7	-3.3
Endogenous debt dynamics 2/	-1.2	-0.3	-0.9	0.3	-2.4	-3.7	-4.2	-3.1	-2.4	-3.2	-2.3		
Contribution from nominal interest rate	1.2	1.5	1.5	1.4	1.5	1.5	1.4	1.6	1.7	1.9	2.3		
Contribution from real GDP growth	-1.6	-3.8	-4.4	-1.0	-3.9	-5.2	-5.6	-4.7	-4.1	-5.0	-4.6		
Contribution from price and exchange rate changes	-0.8	2.0	2.0	...	...	...	...	...	...	...	...		
Residual 3/	1.0	0.4	1.0	-5.3	3.1	-0.3	0.1	0.0	0.8	1.9	1.9	-1.6	0.5
of which: exceptional financing	0.0	0.0	0.0	-0.2	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	29.3	34.0	37.7	38.2	38.5	39.5	40.8	41.5	37.5		
PV of PPG external debt-to-exports ratio	...	...	137.1	259.3	177.9	169.2	143.9	155.7	159.4	149.7	115.4		
PPG debt service-to-exports ratio	6.5	7.8	7.5	22.6	12.0	11.2	20.3	9.2	8.7	9.1	13.2		
PPG debt service-to-revenue ratio	7.8	8.7	8.2	19.2	15.3	14.9	31.0	13.0	12.0	12.8	18.6		
Gross external financing need (Billion of U.S. dollars)	0.6	0.6	0.8	2.0	1.1	1.1	1.4	1.1	1.1	1.5	4.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.0	8.6	9.4	2.0	6.3	8.0	8.6	7.1	6.1	7.2	6.5	7.2	6.5
GDP deflator in US dollar terms (change in percent)	1.9	-4.2	-3.9	1.0	-4.2	0.0	1.9	1.9	1.9	2.0	2.0	-1.1	1.1
Effective interest rate (percent) 4/	3.0	3.3	3.2	2.7	2.5	2.3	2.2	2.4	2.5	2.7	3.3	3.3	2.5
Growth of exports of G&S (US dollar terms, in percent)	29.1	3.1	5.7	-36.6	64.5	14.8	31.2	3.5	9.0	10.5	11.1	14.5	12.7
Growth of imports of G&S (US dollar terms, in percent)	-4.3	5.9	6.7	-8.9	17.5	12.5	7.5	7.7	5.8	10.3	10.4	8.8	8.2
Grant element of new public sector borrowing (in percent)	...	...	...	41.8	46.4	44.6	26.1	34.4	33.7	38.9	28.7	...	39.6
Government revenues (excluding grants, in percent of GDP)	17.9	19.0	19.5	15.5	16.5	17.0	17.5	18.0	18.5	19.7	23.1	16.4	18.2
Aid flows (in Billion of US dollars) 5/	0.4	0.5	0.4	1.1	1.1	0.9	0.8	0.8	0.8	1.2	1.8		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	9.8	8.6	6.8	5.8	5.3	5.0	4.5	2.8	...	6.0
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	57.6	62.6	63.2	43.2	53.3	52.5	51.7	36.9	...	55.6
Nominal GDP (Billion of US dollars)	9	10	10	10	11	11	13	14	15	23	54		
Nominal dollar GDP growth	5.9	4.1	5.1	3.0	1.8	7.9	10.7	9.2	8.1	9.3	8.6	6.0	7.7
Memorandum items:													
PV of external debt 7/	...	...	37.5	42.2	46.2	46.9	47.5	48.9	50.7	54.1	57.3		
In percent of exports	...	...	175.9	321.2	217.9	208.0	177.5	192.8	198.2	194.9	176.6		
Total external debt service-to-exports ratio	12.5	15.4	15.1	35.1	19.7	18.4	26.4	15.9	15.7	17.2	24.2		
PV of PPG external debt (in Billion of US dollars)			3.0	3.6	4.0	4.4	4.9	5.5	6.1	9.5	20.2		
(PVt-PVt-1)/GDPt-1 (in percent)				5.8	4.4	3.5	4.4	4.6	4.6	4.0	2.5		
Non-interest current account deficit that stabilizes debt ratio	2.9	2.8	3.2	6.1	1.7	7.1	7.3	6.5	5.1	5.3	4.9		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

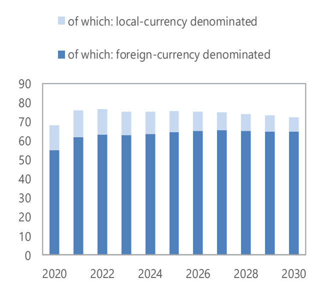
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

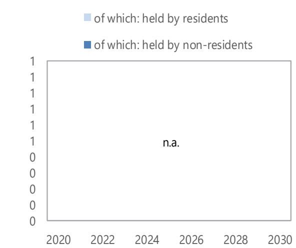
Table 2. Rwanda: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	48.7	52.4	58.5	68.1	75.7	76.3	75.3	75.2	75.5	72.3	68.2	35.6	74.1
of which: external debt	37.4	41.1	45.6	55.0	61.9	63.0	62.8	63.4	64.3	64.7	56.6	27.3	63.2
Change in public sector debt	4.3	3.7	6.1	9.6	7.6	0.6	-1.1	0.0	0.3	-0.7	-0.5		
Identified debt-creating flows	0.8	2.8	5.5	9.5	7.8	0.9	-0.8	0.1	0.3	-0.6	-0.6	2.0	1.4
Primary deficit	3.6	3.5	6.8	10.2	8.0	5.2	5.1	5.1	4.5	4.2	3.3	3.1	5.3
Revenue and grants	22.6	23.8	23.6	20.1	20.7	20.6	20.6	20.9	21.2	21.5	23.9	23.4	21.0
of which: grants	4.7	4.8	4.2	4.6	4.1	3.6	3.1	2.9	2.7	1.8	0.9		
Primary (noninterest) expenditure	26.2	27.3	30.5	30.3	28.7	25.8	25.8	26.0	25.7	25.7	27.2	26.5	26.4
Automatic debt dynamics	-2.6	-0.6	-1.4	-0.7	-0.2	-4.2	-5.9	-4.7	-4.0	-4.8	-3.8		
Contribution from interest rate/growth differential	-1.6	-2.7	-3.8	-1.5	-3.4	-5.4	-5.9	-4.7	-4.0	-4.8	-3.9		
of which: contribution from average real interest rate	0.1	1.1	0.7	-0.3	0.6	0.2	0.1	0.3	0.3	0.1	0.3		
of which: contribution from real GDP growth	-1.7	-3.8	-4.5	-1.1	-4.0	-5.6	-6.0	-5.0	-4.3	-4.9	-4.2		
Contribution from real exchange rate depreciation	-1.0	2.1	2.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.2	0.0	0.0	-0.1	-0.1
Privatization receipts (negative)	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (use of earmarked fund)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.2	0.0	0.0		
Residual	3.4	0.9	0.6	0.9	3.0	0.8	-0.3	-0.2	0.0	-0.1	0.1	2.0	0.3
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	42.8	48.2	52.5	52.5	51.9	52.4	53.0	50.2	50.0		
PV of public debt-to-revenue and grants ratio	...	...	181.1	239.7	254.1	254.1	251.8	250.5	250.0	233.4	209.0		
Debt service-to-revenue and grants ratio 3/	26.5	29.3	27.0	40.2	41.4	42.5	54.5	39.7	37.1	31.3	34.7		
Gross financing need 4/	8.4	9.0	13.2	18.3	16.5	13.9	16.4	13.1	12.2	10.9	11.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.0	8.6	9.4	2.0	6.3	8.0	8.6	7.1	6.1	7.2	6.5	7.2	6.5
Average nominal interest rate on external debt (in percent)	2.0	2.3	2.3	1.7	1.7	1.6	1.4	1.7	1.7	1.7	1.8	1.9	1.7
Average real interest rate on domestic debt (in percent)	-1.9	6.9	5.2	-0.7	7.0	3.0	3.3	3.3	3.5	3.6	4.2	2.4	3.4
Real exchange rate depreciation (in percent, + indicates depreciation)	-3.2	6.0	6.5	...	...	...	...	...	...	...	...	3.0	...
Inflation rate (GDP deflator, in percent)	7.6	-0.8	0.4	6.5	1.0	5.0	5.0	5.0	5.0	5.0	5.0	3.5	4.8
Growth of real primary spending (deflated by GDP deflator, in percent)	7.1	13.2	22.2	1.4	0.5	-2.8	8.4	8.2	4.7	7.5	7.6	10.4	4.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-0.7	-0.2	0.8	0.6	0.4	4.5	6.2	5.2	4.3	4.9	3.8	0.0	4.1
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

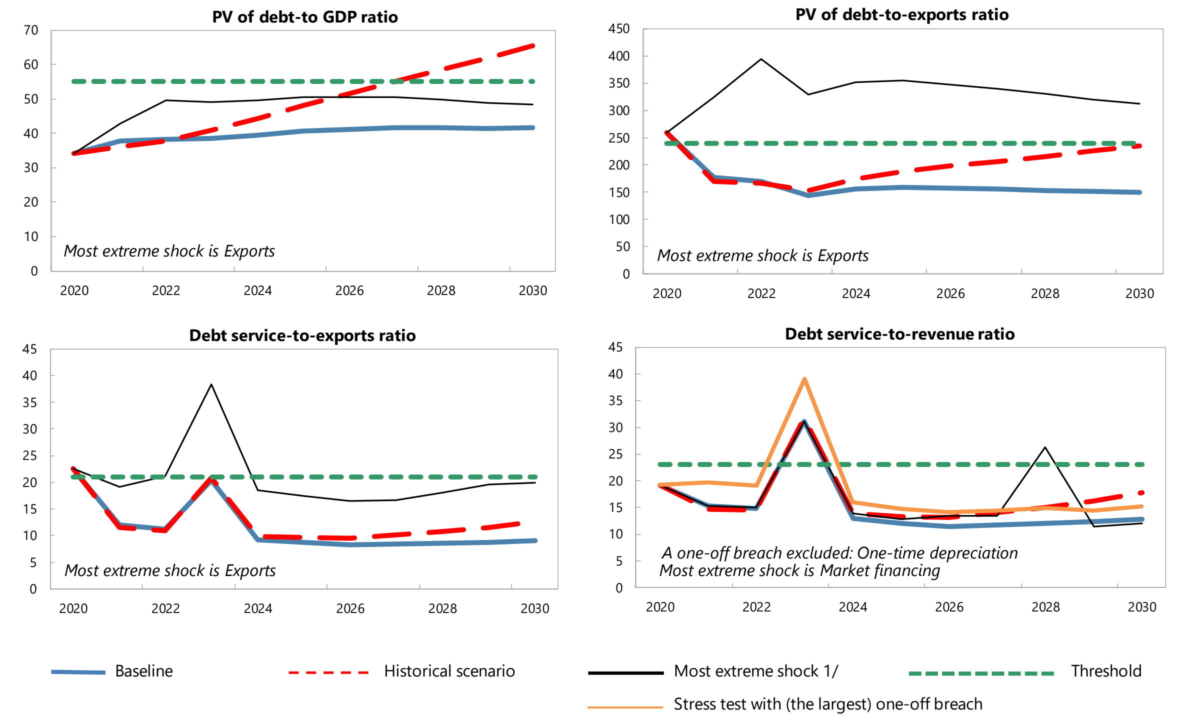
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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

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

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

Figure 1. Rwanda: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2020–30 1/ 2/



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

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

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.0%	2.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	6	6

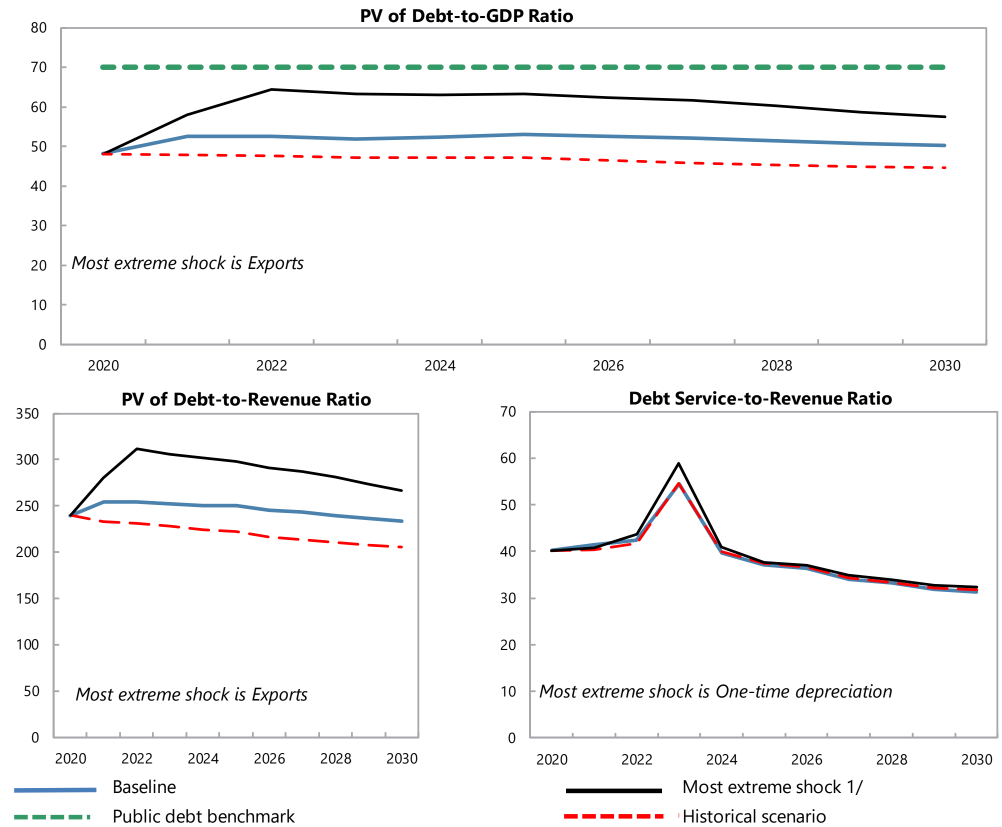
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Rwanda: Indicators of Public Debt Under Alternative Scenarios, 2020–30 1/



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	60%	60%
Domestic medium and long-term	14%	14%
Domestic short-term	26%	26%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.0%	2.0%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.6%	5.6%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	1%	1.0%

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

Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Rwanda: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–30

(In percent)

	Projections										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	**34.0**	**37.7**	**38.2**	**38.5**	**39.5**	**40.8**	**41.2**	**41.5**	**41.5**	**41.4**	**41.5**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	34.0	36.1	37.7	40.9	44.2	48.1	51.5	55.0	58.4	61.8	65.3
B. Bound Tests											
B1. Real GDP growth	34.0	38.9	40.5	40.8	41.9	43.2	43.7	44.0	44.0	43.9	44.0
B2. Primary balance	34.0	38.5	41.0	41.3	42.3	43.6	44.0	44.2	44.1	43.9	43.9
B3. Exports	34.0	42.9	49.5	49.1	49.6	50.5	50.5	50.5	49.9	48.9	48.3
B4. Other flows 2/	34.0	39.6	41.8	41.9	42.8	43.9	44.2	44.4	44.2	43.9	43.7
B6. One-time 30 percent nominal depreciation	34.0	48.3	44.5	45.2	46.6	48.4	49.1	49.7	49.8	50.0	50.5
B6. Combination of B1-B5	34.0	45.7	46.2	46.2	47.0	48.2	48.4	48.6	48.2	47.7	47.4
C. Tailored Tests											
C1. Combined contingent liabilities	34.0	40.5	41.6	41.9	43.1	44.4	44.7	45.0	44.9	44.6	44.6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	34.0	42.4	42.9	43.3	44.5	46.0	46.5	46.9	45.9	45.7	45.8
Threshold	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**
PV of debt-to-exports ratio											
Baseline	**259.3**	**177.9**	**169.2**	**143.9**	**155.7**	**159.4**	**158.1**	**155.7**	**153.1**	**150.9**	**149.7**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	259.3	170.2	167.1	152.7	174.2	188.0	197.7	206.2	215.4	225.3	235.5
B. Bound Tests											
B1. Real GDP growth	259.3	177.9	169.2	143.9	155.7	159.4	158.1	155.7	153.1	150.9	149.7
B2. Primary balance	259.3	181.4	181.6	154.5	166.9	170.6	168.8	165.9	162.7	159.8	158.1
B3. Exports	259.3	324.0	393.8	329.4	351.0	354.2	347.9	339.7	330.0	319.9	312.5
B4. Other flows 2/	259.3	186.6	185.4	156.6	168.6	171.7	169.6	166.6	163.1	159.7	157.7
B6. One-time 30 percent nominal depreciation	259.3	177.9	154.0	131.8	143.6	147.8	147.2	145.5	143.5	142.3	142.1
B6. Combination of B1-B5	259.3	311.2	192.7	259.8	279.0	283.5	279.8	274.4	267.5	261.4	257.5
C. Tailored Tests											
C1. Combined contingent liabilities	259.3	190.9	184.1	156.4	169.8	173.5	171.7	168.8	165.6	162.7	160.9
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	259.3	177.9	169.3	144.0	156.3	160.3	159.0	156.6	150.8	148.3	147.1
Threshold	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**	**240**
Debt service-to-exports ratio											
Baseline	**22.6**	**12.0**	**11.2**	**20.3**	**9.2**	**8.7**	**8.3**	**8.4**	**8.6**	**8.7**	**9.1**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	22.6	11.5	11.0	20.8	9.9	9.6	9.5	10.1	10.7	11.5	12.6
B. Bound Tests											
B1. Real GDP growth	22.6	12.0	11.2	20.3	9.2	8.7	8.3	8.4	8.6	8.7	9.1
B2. Primary balance	22.6	12.0	11.5	20.8	9.7	9.2	8.7	8.8	9.1	9.3	9.6
B3. Exports	22.6	19.1	21.2	38.3	18.5	17.4	16.5	16.6	18.0	19.7	19.9
B4. Other flows 2/	22.6	12.0	11.4	20.7	9.6	9.0	8.6	8.7	9.1	9.5	9.7
B6. One-time 30 percent nominal depreciation	22.6	12.0	11.2	20.0	8.9	8.4	8.0	8.1	8.3	8.1	8.5
B6. Combination of B1-B5	22.6	18.1	19.1	33.3	15.6	14.7	14.0	14.1	15.6	15.6	16.0
C. Tailored Tests											
C1. Combined contingent liabilities	22.6	12.0	11.6	20.6	9.6	9.0	8.6	8.7	8.9	9.0	9.4
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	22.6	12.0	11.3	20.4	9.9	9.3	9.7	9.7	18.8	8.2	8.6
Threshold	**21**	**21**	**21**	**21**	**21**	**21**	**21**	**21**	**21**	**21**	**21**
Debt service-to-revenue ratio											
Baseline	**19.2**	**15.3**	**14.9**	**31.0**	**13.0**	**12.0**	**11.4**	**11.7**	**12.0**	**12.3**	**12.8**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	19.2	14.7	14.5	31.8	13.9	13.2	13.1	14.0	15.0	16.2	17.7
B. Bound Tests											
B1. Real GDP growth	19.2	15.8	15.8	32.9	13.7	12.7	12.1	12.4	12.7	13.0	13.5
B2. Primary balance	19.2	15.3	15.3	31.8	13.7	12.7	12.0	12.3	12.7	13.1	13.6
B3. Exports	19.2	15.3	15.7	32.6	14.5	13.4	12.7	12.9	14.1	15.4	15.6
B4. Other flows 2/	19.2	15.3	15.2	31.6	13.5	12.4	11.8	12.1	12.7	13.3	13.7
B6. One-time 30 percent nominal depreciation	19.2	19.6	19.1	39.1	16.0	14.8	14.1	14.5	14.9	14.5	15.2
B6. Combination of B1-B5	19.2	16.1	16.8	33.8	14.6	13.5	12.8	13.1	14.5	14.6	15.0
C. Tailored Tests											
C1. Combined contingent liabilities	19.2	15.3	15.3	31.5	13.5	12.5	11.9	12.2	12.5	12.7	13.2
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	19.2	15.3	15.0	31.2	13.9	12.8	13.4	13.4	26.3	11.5	12.0
Threshold	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**

Sources: Country authorities; and staff estimates and projections.

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

2/ Includes official and private transfers and FDI.

Table 4. Rwanda: Sensitivity Analysis for Key Indicators of Public Debt, 2020–30
(In percent)

	Projections										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	**48.2**	**52.5**	**52.5**	**51.9**	**52.4**	**53.0**	**52.5**	**52.1**	**51.4**	**50.7**	**50.2**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	48	48	48	47	47	47	46	46	45	45	45
B. Bound Tests											
B1. Real GDP growth	48	54	57	57	58	59	59	60	59	59	59
B2. Primary balance	48	54	56	56	56	56	56	55	54	53	53
B3. Exports	48	58	64	63	63	63	62	62	60	59	57
B4. Other flows 2/	48	54	56	55	56	56	56	55	54	53	53
B6. One-time 30 percent nominal depreciation	48	58	56	53	51	51	49	47	45	44	42
B6. Combination of B1-B5	48	51	53	52	52	53	52	51	51	50	49
C. Tailored Tests											
C1. Combined contingent liabilities	48	58	57	57	57	57	56	56	55	54	53
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	48	52	52	52	53	53	53	52	51	50	50
Public debt benchmark	**70**	**70**	**70**	**70**	**70**	**70**	**70**	**70**	**70**	**70**	**70**
PV of Debt-to-Revenue Ratio											
Baseline	**239.7**	**254.1**	**254.1**	**251.8**	**250.5**	**250.0**	**245.2**	**242.9**	**239.7**	**236.2**	**233.4**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	240	233	231	229	225	222	216	213	210	208	206
B. Bound Tests											
B1. Real GDP growth	240	262	272	273	275	278	276	276	276	275	274
B2. Primary balance	240	261	274	270	267	265	259	256	252	248	245
B3. Exports	240	280	312	306	302	298	291	287	281	273	267
B4. Other flows 2/	240	263	272	269	266	265	260	257	253	248	244
B6. One-time 30 percent nominal depreciation	240	285	273	258	248	241	230	222	213	205	197
B6. Combination of B1-B5	240	251	258	254	251	250	244	240	236	231	228
C. Tailored Tests											
C1. Combined contingent liabilities	240	281	278	274	271	269	263	260	256	252	248
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	240	254	254	252	251	251	246	244	237	233	230
Debt Service-to-Revenue Ratio											
Baseline	**40.2**	**41.4**	**42.5**	**54.5**	**39.7**	**37.1**	**36.4**	**34.0**	**33.2**	**32.0**	**31.3**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 1/	40	40	42	55	40	37	37	34	33	32	32
B. Bound Tests											
B1. Real GDP growth	40	42	45	59	44	42	41	39	39	38	37
B2. Primary balance	40	41	45	58	42	40	38	35	35	33	33
B3. Exports	40	41	43	56	41	38	38	35	35	35	34
B4. Other flows 2/	40	41	43	55	40	38	37	34	34	33	32
B6. One-time 30 percent nominal depreciation	40	41	44	59	41	38	37	35	34	33	32
B6. Combination of B1-B5	40	40	43	57	41	38	37	34	33	32	31
C. Tailored Tests											
C1. Combined contingent liabilities	40	41	52	58	45	40	38	35	34	33	32
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	40	41	43	55	40	38	38	36	46	31	31

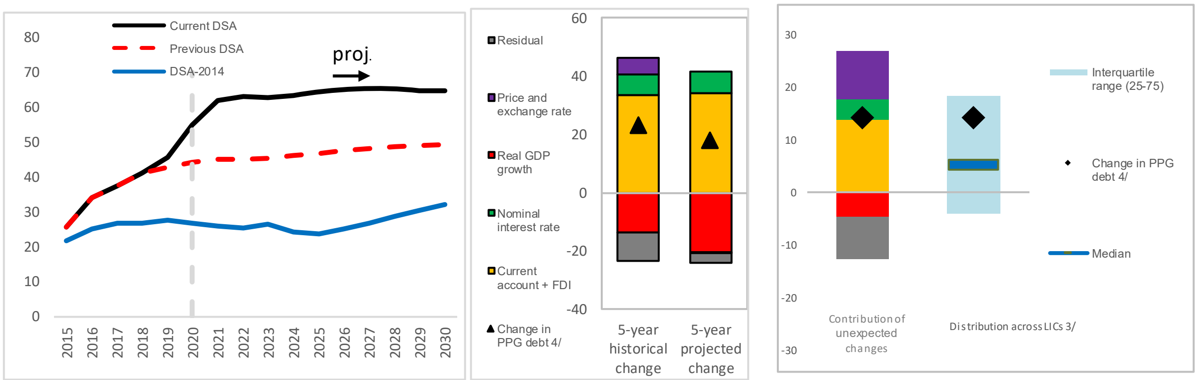
Sources: Country authorities; and staff estimates and projections.

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

2/ Includes official and private transfers and FDI.

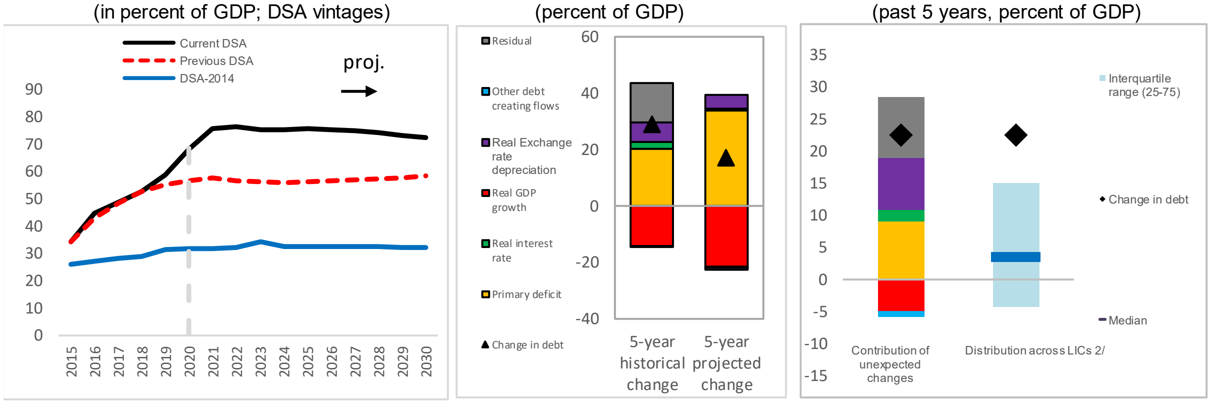
Figure 3. Rwanda: Drivers of Debt Dynamics—Baseline Scenario[1/]

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 2/ (past 5 years, percent of GDP)



Public debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



1/ Compared to 2014 DSA scaling up scenario

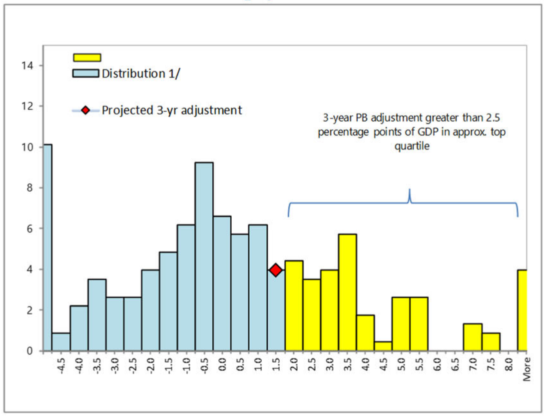
2/ Difference between anticipated and actual contributions on debt ratios.

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

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

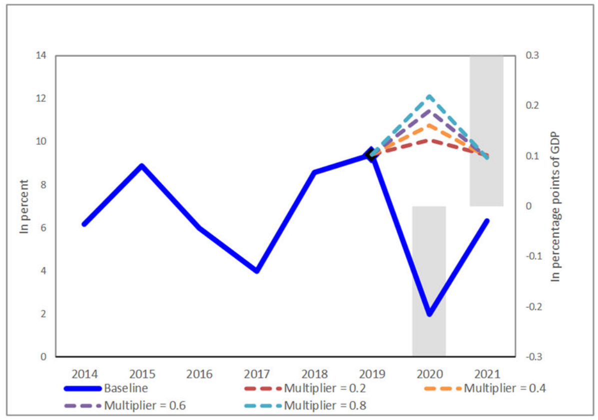
Figure 4. Rwanda: Realism Tools

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



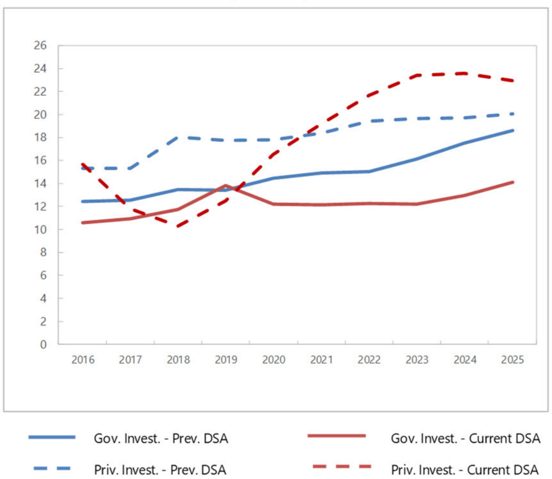
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates 1/
(% of GDP)



1/ Private investment includes the Bugesera airport project.

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

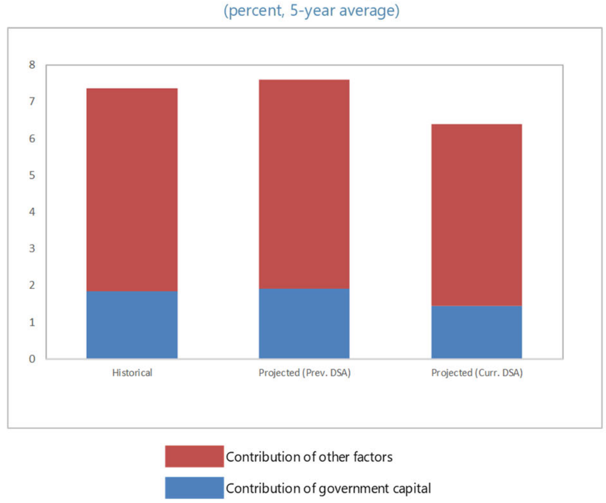


Figure 5. Rwanda: Qualification of the Moderate Category, 2020–2030[1/]

Sources: Country authorities; and staff estimates and projections.

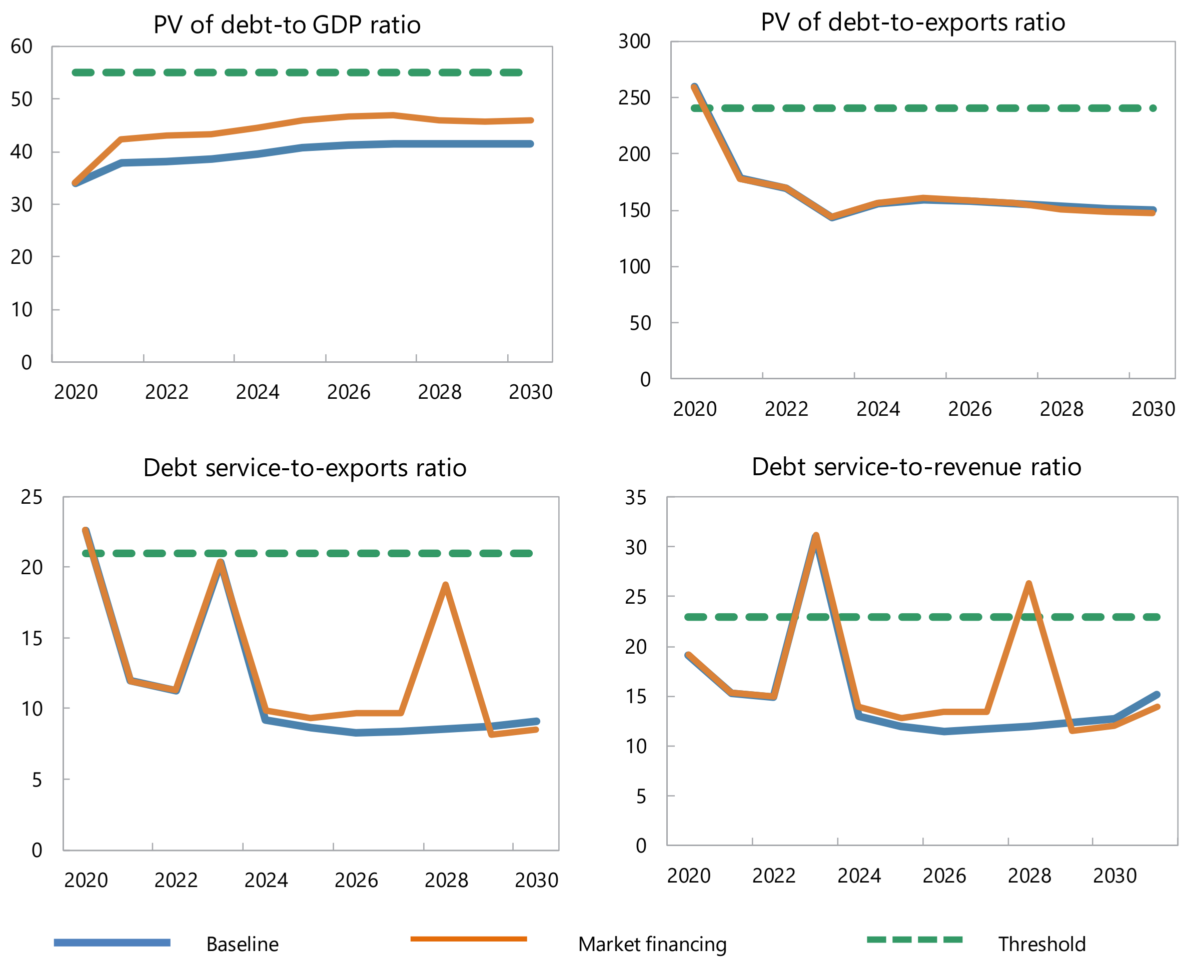
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Figure 6. Rwanda: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	18	n.a.
Breach of benchmark	Yes	n.a.
Potential heightened liquidity needs	High	

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

2/ EMBI spreads correspond to the latest available data.



Sources: Country authorities; and staff estimates and projections.

Statement by the Executive Director, Mr. Mohamed-Lemine Raghani, and the Advisor of the Executive Director, Ms. Loy Nankunda, on Rwanda
June 11, 2020

1. Our Rwandan authorities thank staff for the constructive discussions and express their gratitude to the IMF for the timely and highly valued first disbursement under the Rapid Credit Facility (RCF-1) on April 2, 2020. This swift emergency financing was instrumental in helping the authorities' early response to the COVID-19 crisis. As the pandemic takes a heavier toll on the country's economy, an additional disbursement under the RCF would help address the urgent balance of payments needs and contribute to close the financing gap.

2. As presented in our statement during the Board discussion for RCF-1, Rwanda's economy has been hit hard by the COVID-19 crisis. The direct effects of the slowing global demand and the impact of domestic containment measures have resulted in depressing activity in most sectors. The cost of the government's response has been increasing with the severity of the crisis, well beyond early projections. As a result, though the Fund's disbursement under RCF-1 has helped catalyze additional donor support, the BOP needs and financial gap are still large. In this context, our authorities welcome the Fund's decision to increase the annual access limit under the RCF's exogenous shock window from 50 percent of quota to 100 percent of quota. They would like to seize this opportunity to request an additional assistance under the RCF in the amount of SDR 80.1 million, equivalent to 50 percent of Rwanda's quota. This assistance would help the government further support the economy and mitigate the overall impact of the pandemic.

A More Severe Economic and Social Impact of the COVID-19 Pandemic

3. Compared to early projections, the COVID-19 crisis has had a more severe economic and social impact in Rwanda. Though the infection rate has been kept relatively low, the confirmed cases has risen to 431 with two casualties reported as of June 6––compared to 70 cases as of March 29. Rwanda's sanitary response is viewed as a success in Africa based on the small number of cases. In this context, stringent lockdown and containment measures are being eased gradually since early May, though other measures continue to be rolled out to contain the spread of the virus. Revenue authorities stepped up the use of online services for taxpayers and halted on-site operations. Likewise, mobile money transactions increased significantly as promoted by the *Banque Nationale du Rwanda* (BNR) to stop the spread of the virus through bank notes. While being subject to health and social distancing guidelines, some businesses are allowed to reopen, and domestic movements restrictions are being relaxed. This partial reopening is occurring alongside the acceleration of mass screening, testing, digital contact tracing and the mandatory wearing of face masks. Schools, bars and other places of public gatherings are still closed.

4. The prolonged pandemic at the global level and the domestic containment measures are taking a more severe toll on Rwanda's economy than previously anticipated. All sectors are affected with the industry and service sectors being the most

impacted. The macroeconomic outlook is expected to weaken further. Real GDP growth in 2020, which was projected at 5.1 percent at the time of RCF-1––from 10.1 percent in 2019––has now been revised significantly to 2 percent. Inflation is expected to rise to 6.9 percent in 2020, driven by high food prices in the first half of the year caused by rain-damaged food crops. The slow activity was reflected in public finances. Weak corporate income tax collection caused tax revenue to underperform, 9.7 percent below target in the first quarter of the year. The fiscal deficit for the 2020–21 period is expected to deteriorate further relative to RCF-1, as a result of higher COVID-19-related spending in the current fiscal year and larger-than-anticipated revenue losses in FY 20/21.

5. The external position is also expected to worsen as exports and imports growths suffer global trade disruptions. Exports grew from 49 percent y-o-y in January to only 4 percent y-o-y in March, while imports growth dropped from 42 percent to 14 percent over the same period. But, the decline in exports, remittances, and non-budgetary grants outweighed lower imports. Consequently, the current account deficit is projected to widen to 16.7 percent of GDP from the 16.0 percent of GDP envisaged in RCF-1. In the same vein, a more depressed investor sentiment is expected to negatively impact FDI inflows further.

6. Going forward, our authorities are confident that their Economic Recovery Plan (ERP) will limit the impact of the pandemic and that their planned fiscal stimulus will support an economic rebound of 6.3 percent in 2021. At the same time, inflation is expected to fall starting in the second half of 2020 as food price pressures abate. Still, our authorities are cognizant of the risks and uncertainty surrounding the duration of the pandemic and associated impact on the economy. A more protracted pandemic at the global and regional level may delay the recovery and have further negative implications for growth and government finances.

The Government's Continued Policy Response to the Pandemic

7. Following the early measures taken to dampen the impact of the pandemic, the authorities have finalized a full-fledged Economic Recovery Plan (ERP) containing economic and social measures to support activity and households. Under this plan, the government's response costs about USD 311 million (3.3 percent of GDP over the current fiscal year and the next) and consists of two pillars: an Economic Recovery Fund (ERF) which allocates public funds to subsidize loans to firms in hardest-hit sectors and support programs for affected households. Support under the ERF includes credit guarantees to SMEs and micro businesses in the informal sector to safeguard jobs and a direct assistance to the national airline company. Programs for households include cash transfers to casual workers, food distribution, subsidized access to agricultural inputs, and measures to ensure poor households' access to basic health and education.

8. The government has also continued to implement its fiscal and monetary measures to respond to the pandemic.

Fiscal Policy and Debt Sustainability

9. The authorities will continue to relax the fiscal stance to accommodate the impact of the pandemic which turned out to be larger than anticipated. The fiscal deficit will increase further in the face of an unprecedented loss of revenue. The authorities intend to seek concessional financing to close the residual financing gap. On the expenditure side, the authorities will strive to ensure that COVID-19 related spending is well-targeted, cost-effective, transparent and does not crowd out other priority areas. As well, they are committed to ensuring transparency and accountability in the use of public funds, including RCF resources.

10. Going forward, the authorities intend to embark on a growth-friendly fiscal consolidation when the pandemic recedes, with the view to preserving debt sustainability. They take note of staff assessment that Rwanda's debt remains sustainable, though the risk of external and overall debt distress has moved from low in the April 2020 DSA to moderate. The authorities also understand that this change is explained by the impact of the global COVID-19 crisis. They are committed to taking the necessary actions to preserve debt sustainability and possibly improve the debt ranking as the temporary crisis abates.

Monetary, Financial, and Exchange Rate Policies

11. The BNR continues to supplement fiscal measures with an accommodative monetary stance to mitigate the impact of the pandemic and support economic recovery. To this end, it has cut the policy rate at the April Monetary Policy Committee meeting by 50 basis points to 4.5 percent. The central bank has also lowered banks' reserve requirement ratio from 5 to 4 percent on April 1, thus boosting liquidity to the financial sector by 0.2 percent of GDP. Steps will also be taken for an effective support to microfinance institutions to enhance lending to micro and small businesses in the informal sector. Going forward, BNR will continue to keep monetary policy data-dependent, and to closely monitor price developments for any further action.

12. BNR is taking measures to step up supervision following its decision to allow banks to ease loan repayment conditions for affected borrowers. Many of them have benefited from favorable restructuring terms, including principal and/or interest payment moratoria for at least 3 months and waivers for late payment penalties and loan restructuring fees. The BNR has introduced monthly reporting and monitoring requirements for those restructured loans to safeguard financial stability. Charge-free digital procedures and mobile payments continue to being promoted to contain the transmission of the virus through bank notes.

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

Conclusion

14. The global COVID-19 pandemic and the subsequent domestic containment measures have taken a heavier toll on the Rwandan economy. The Fund's early emergency assistance has helped catalyze additional support from development partners. In the face of the severity of the crisis and the uncertainty surrounding its duration, an additional assistance would be instrumental in the authorities' response going forward.

15. In view of the urgent BOP needs and large financing gap, we would appreciate Executive Directors' support for an additional disbursement under the Rapid Credit Facility.