

## 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 policies 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