INTERNATIONAL MONETARY FUND

IMF Country Report No. 15/141

RWANDA

June 2015

THIRD REVIEW UNDER THE POLICY SUPPORT INSTRUMENT— PRESS RELEASE; AND STAFF REPORT

In the context of the Third Review Under the Policy Support Instrument, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on April 3, 2015, with the officials of Rwanda on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 12, 2015.

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

Letter of Intent sent to the IMF by the authorities of Rwanda*
Memorandum of Economic and Financial Policies by the authorities of Rwanda*
Technical Memorandum of Understanding*
*Also included in Staff Report

The 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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May 29, 2015

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IMF Executive Board Completes Third PSI Review for Rwanda

The Executive Board of the International Monetary Fund (IMF) on May 29, 2015 completed the third review of Rwanda's economic performance under a three-year program supported by the IMF's Policy Support Instrument (PSI)[1]. The decision was taken without an Executive Board meeting[2].

The PSI for Rwanda was approved on December 2, 2013 (see Press Release No.13/483).

Rwanda's performance under the PSI has been satisfactory. The authorities are to be commended for meeting all quantitative assessment criteria. The performance on indicative targets and structural benchmarks was uneven and it will be important to maintain the momentum of reforms, including on revenue mobilization while strengthening project implementation.

Growth in 2015 is expected to remain strong, while the outlook is stable. The cautious fiscal stance and monetary policy are consistent with the need to preserve policy buffers.

The framework for the FY2015/16 budget is in line with PSI objectives. The budget prioritizes the public investment program in line with available resources, includes measures to improve domestic revenue mobilization, protects priority spending, and limits the crowding out of credit to the private sector. Recent efforts to adopt the electronic billing machines is yet to gain full traction and the agenda on agricultural and property taxation has yet to be carried out.

[1] The PSI is an instrument of the IMF designed for low-income countries that do not need or may not want balance of payments financial support. The PSI helps countries design effective economic programs that once approved by the IMF's Executive Board, signal to donors, multilateral development banks, and markets the Fund's endorsement of a member's policies (see http://www.imf.org/external/np/exr/facts/psi.htm). Details on Rwanda's current PSI are available at www.imf.org/rwanda.

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

Rwanda's infrastructure investment needs remain significant. The authorities have stepped up their efforts to strengthen project selection and prioritization to maintain debt sustainability.

The current monetary policy stance remains appropriate. The economy has been operating in a low inflationary environment, an amply liquid banking system, and ample credit to the private sector. Efforts to improve the regulatory framework have been advancing satisfactorily and the consolidation of the SACCOs into one cooperative will further improve the supervisory oversight.

INTERNATIONAL MONETARY FUND

RWANDA

May 12, 2015

THIRD REVIEW UNDER THE POLICY SUPPORT INSTRUMENT

KEY ISSUES

Main challenges: Rwanda continues to face the challenge of sustaining high growth in a context of uncertain donor flows, while avoiding the build-up of imbalances. Efforts to mobilize domestic revenue need to be reinvigorated, while judiciously using the limited borrowing space to finance priority projects and maintain debt sustainability.

Outlook and risks: Growth is projected to moderate to 6.5 percent in 2015, with inflation well contained on account of the lower food and oil prices. The overall outlook is stable, but downside risks emanate from shocks to agriculture, lower export growth, and delays in donor disbursements.

Policy discussions focused on the short and medium-term economic challenges:

- In the short term, fiscal policy will need to support growth and accelerate measures to mobilize domestic revenue. The tight monetary stance remains appropriate given risks to the inflation outlook and the balance of payments.

- In the medium term, the challenge remains that of continuing Rwanda's transition from a public sector-led, aid-dependent economy to a more private sector-led economy. Faced with large investment needs and limited debt space, policy priorities are mobilizing more revenue, accelerating export growth, and removing impediments to private sector development. Management of the public investment program needs to be strengthened at all stages to contain fiscal risks and safeguard debt sustainability.

Approved By
Roger Nord (AFR) and Dan Ghura (SPR)

Discussions were held in Kigali during March 23-April 2, 2015. The mission comprised Messrs. Drummond (head), Roch, Thomas, Thakoor (all AFR), and Anthony (SPR). Ms. Farahbaksh, resident representative, participated in the discussions and assisted the mission. The mission met with Minister of Finance and Economic Planning Gatete; National Bank of Rwanda Governor Rwangombwa; other senior officials; and representatives of the private sector and development partners.

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APPENDIX

RECENT DEVELOPMENTS

MEFP ¶ 1-9

1. **The Rwandan economy bounced back in 2014.** Real GDP grew by 7 percent, compared to 4.7 percent in 2013. The pick-up in growth was driven by construction and services, especially information and communication, real estate, wholesale and retail trade, and strong agricultural performance. High frequency coincident indicators suggest economic activity maintained its momentum in the first quarter of 2015 (figure 3).

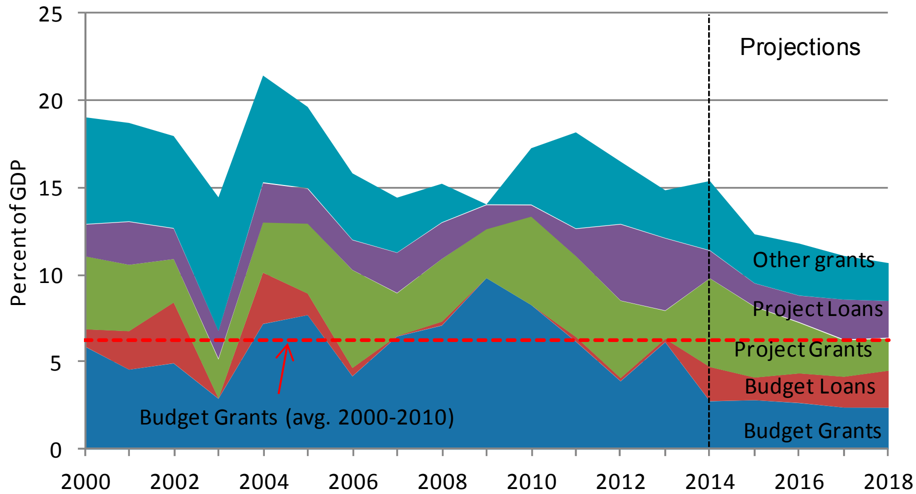
2. **The headline inflation rate declined as a result of falling food and oil prices**. Domestic fuel prices have declined by about 20 percent since end-June 2014. Year-on-year headline inflation stood at 2.1 percent in December, while core inflation (excluding fresh food and fuels) was also low (figure 5). Inflation remained subdued, at 0.8 percent, in March.

6. **The current account deficit widened in 2014, but import cover remained above four months** (figure 7). Imports increased sharply, driven by higher imports of capital, intermediate and consumer goods, which more than compensated for the reduced oil prices and lower energy bill. Meanwhile, exports grew modestly as weak prices resulted in declines in traditional exports of tea and minerals, only marginally offset by rising coffee and non-traditional exports.

7. **The fiscal deficit was smaller-than-expected in the first half of the fiscal year (second half of 2014) owing to lower capital expenditures and net lending.** Revenues were lower-than-expected on account of weaker VAT receipts associated with slower-than-expected usage of the electronic billing machines and lower budgetary grants. Current expenditures were in line with the budget. Capital expenditures were lower, associated with delays in implementing infrastructure projects in the energy sector. Net lending was also lower, largely reflecting continued delays with the convention center. The lower deficit resulted in a build-up of government deposits by end 2014. However, due to timing differences between expenditures and budgetary loans, delayed government payments (0.6 percent of GDP) were registered in the second half of 2014.

8. **The tax revenue ratio is expected to remain flat in FY14/15 due to three reinforcing tendencies.** First, PAYE (pay as you earn) payments have been considerably weaker than expected on account of weak employment developments. Second, the usage of electronic billing machines remains spotty and, up to now, stronger oversight has not made a large difference in collection efficiency. Third, the rising share of goods from EAC countries (not taxed) has dented receipts from international trade. The confluence of these factors resulted in the tax revenue ratio remaining at about 15 percent of GDP.

9. **Donor announcements suggest financial support (project and budgetary loans and grants) is expected to fall to its lowest level in a decade this year, slightly above 12 percent of GDP.** The decline is accompanied by a switch from grant to loan financing from the African Development Bank and World Bank in the context of Rwanda's low debt distress rating.



Source: IMF staff estimates.

10. The National Bank of Rwanda (NBR) has maintained the policy rate at 6.5 percent since June 2014 (figure 6). The NBR explained its unchanged policy stance in a context of muted inflationary pressures as a reflection of caution; with private sector credit growth seen as ample, further easing could boost demand for credit and create unwelcome pressures in the forex market given that reserve buffers are somewhat lower. Broad money growth remained robust at 19 percent in December, while reserve money evolved in line with the program. Credit to the private sector expanded by nearly 20 percent in 2014, after expanding by 11 percent in 2013. Real lending rates remained sticky at 16 percent. The Rwandan franc depreciated by 3½ percent against the dollar in 2014, after depreciating by a cumulative 12 percent in the previous two years.

11. Financial sector indicators, on aggregate, have continued to improve. After the deterioration in 2013 due to the economic slowdown and easing of lending standards, non-performing loans (NPLs) are back to 2012 levels and overall returns on equity have also improved. Profitability in Rwanda's banking system continues to be affected by high operational costs and inefficiency, with a resulting stickiness in lending rates.

PROGRAM PERFORMANCE

MEFP ¶ 10

12. Compliance with the end-December quantitative criteria and structural benchmarks was satisfactory. All QACs were met (MEFP Table 1). The indicative target on revenue mobilization was narrowly missed owing to weaker than expected usage of electronic billing machines for VAT collection. In response to delays in donor disbursements and delays in project implementation, the government consolidated its expenditure (resulting in lower priority spending) and some domestic payments were delayed, the clearance of which is well underway. Both structural benchmarks (SBs) were missed (MEFP Table 2). Publication of the quarterly fiscal execution report was delayed due to late data provision by the central bank, and preparation of the mining tax proposal remains at the technical level.

OUTLOOK AND RISKS

MEFP ¶ 11

13. The economic outlook is stable. The authorities and staff agreed on a central growth projection of 6.5 percent for 2015. Growth is expected to remain broad-based. The outlook reflects favorable terms of trade, while the agricultural sector is projected to continue its strong performance on account of favorable climatic conditions (which contributed to a strong yield for the first harvest this year (season A)) and productivity gains. Inflation is expected to remain subdued at 3.5 percent by December, lower than the NBR's medium-term target of 5 percent.

14. Risks linger mainly on the external front. The main risks include adverse weather conditions, lower than expected exports, and further delays in project implementation, which could all reduce the medium-term growth potential of 7.5 percent. The risk of export growth weakening relative to current projections would have adverse effects on financing for imports and curtail growth prospects (Box 2). Delays in donor disbursements also pose risks for growth, although the impact would be short-lived.

POLICY DISCUSSIONS

15. The discussions focused on the key policy challenges for the authorities, which remain those of supporting growth, while preventing the build-up of imbalances and strengthening the economy's resilience to shocks. Fiscal policy will aim to sustain efforts on revenue mobilization, adjust current spending to available resources, minimize domestic financing, and protect priority spending. Monetary policy will aim to minimize inflationary risks and prevent a build-up of pressures in the foreign exchange market. The authorities' medium-term investment program will be implemented in line with available financing, with the authorities committed to a prudent approach of fully exploring concessional financing and engaging the private sector and development partners.

A. Fiscal Policy

MEFP ¶ 12-16

16. The government is targeting an increase of 0.7 percent of GDP in the revenue ratio for the FY15/16 budget, to be achieved mostly through new tax measures:

- an increase in the road fund levy and the introduction of an excise tax on petroleum to fund a strategic oil reserve (about 0.2 percent of GDP);
- higher excise taxes on tobacco, the introduction of an import tax on imports sourced outside the EAC, and increased usage of the electronic billing machines through closer monitoring and increased tax audits (0.3 percent of GDP);
- increased local government fees (0.2 percent of GDP).

Text Table. Rwanda: Revenue Outcomes and Projections, Fiscal-Year Basis,[1] 2013/14–17/18

	2013/14	2014/15		2015/16		2016/17	2017/18
		Country Report 14/343	Proj.	Country Report 14/343	Proj.	Proj.	Proj.
	(Percent of fiscal year GDP)						
Revenue and grants	26.1	24.8	23.9	23.4	23.1	22.2	22.0
Total revenue	16.8	17.7	16.7	18.7	17.4	17.9	18.0
Tax revenue	14.8	15.9	14.9	16.8	15.4	15.9	16.0
Direct taxes	6.1	6.5	6.2	6.9	6.5	6.9	6.9
Of which: local government taxes	--	0.2	0.2	0.4	0.4	0.4	0.4
Taxes on goods and services	7.7	8.2	7.7	8.6	7.7	7.8	7.8
Taxes on international trade	1.1	1.2	1.0	1.4	1.2	1.2	1.2
Nontax revenue	2.0	1.8	1.8	1.9	2.0	1.9	1.9
Of which: payments for peacekeeping operations	1.6	1.1	1.1	1.0	1.1	1.0	1.0
Of which: local government fees			0.3	0.5	0.5	0.5	0.5

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

These efforts to mobilize more revenue will more than offset the prospective drop arising from a lower import base through falling import prices and a rising fraction of goods consumed from within the EAC that are not taxed (similar to the experience this year).

17. The overall fiscal deficit is projected to decline to 4.6 percent of GDP in FY 15/16. Rising revenue will help partly offset a large projected decline in grants (-1.5 percentage points of GDP) to the lowest level this decade. Faced with a reduced resource envelope (revenue and grants), the government is adjusting by containing spending in line with available resources, while trying to protect priority spending (figure 4).

18. Over the medium term, the overall deficit is projected to level off at about 4 percent of GDP, helping to stabilize the debt ratio close to current levels. While revenues are projected to continue to increase, the expected decline in grants will result in lower resources and force the containing of current spending within a tight envelope, which the government aims to achieve by sustaining efficiency gains. Net domestic financing is projected to level off, helping to ensure credit availability to the private sector. The authorities will continue to strengthen their public financial management framework, including by implementing the so-called "*imihigo*" (performance) contracts, to strengthen accountability and service delivery (Box 1).

Box 1. Performance Contracts in Rwanda

Performance contracts (Imihigo) are used as a means of planning, increasing accountability, and improving the speed and quality of execution of government programs, thus making public agencies more effective. Each year, the President of Rwanda signs binding performance contracts with the government institutions and the line ministries. These contracts are also prepared at Ministries, Districts, and sub-District levels. Program effectiveness is measured against an agreed set of governance, economic and social indicators known as performance indicators.

Contracts are focused on results, making them tools in the planning, accountability and monitoring and evaluation processes. Performance of government institutions and senior policymakers are debated at annual evaluation meetings chaired by the President. This approach is also used by the local government to set priorities and annual targets and to define activities that lead to achieving them. Best performers are recognized in a ceremony presided over by the President at the national level. Below average performers are provided remedial training. Consistently poor unjustified performance may have wider implications ranging from institutional reform to dismissal.

When elaborating its Imihigo, each local government administrative unit determines its own objectives taking into account national priorities highlighted in strategic documents such as the MDGs, Vision 2020, EDPRS, District Development Plans, and Sector Development Plans. The Imihigo, at both planning and reporting phases, are presented to the public for accountability and transparency. Where they do not have earmarked resources, line ministries must identify how the resources, whether financial or non-financial, can be mobilized. Central government consolidates the priorities paying special attention to areas of quick wins, synergy, and avoiding duplication.

Performance contracts are loosely linked to budgetary allocations where activities to be delivered have financial implications. However, targets set in contracts do not necessarily have direct links with the budget, such as mobilization of modern agriculture inputs through cooperatives.

The performance contract process has been very successful in increasing accountability. Nevertheless, some problems persist, including the monitoring of agreed indicators and the setting of targets that may be too ambitious, especially if they do not allow for adjustments in line with exogenous factors. Ensuring the contracts are properly inserted into Rwanda's wider planning and budgeting processes also remains a challenge.

B. Investment, Export Prospects, and Debt Sustainability

MEFP ¶ 17-20

19. The discussions focused on the pipeline of projects and the need for adequate phasing and implementation in line with available financing and capacity. Staff discussed the list of medium-term investment projects under consideration, including regional projects (the railway and the oil pipeline) and the new airport for which financing have not yet been identified and for which the authorities would like to maximize private sector participation. Given the limited debt space, staff reiterated the need for the authorities to proceed cautiously and to prioritize these medium-term projects so as to maintain Rwanda's low risk of external debt distress. Staff also emphasized, and the authorities concurred, that the finalization of key strategic projects already started, such as the convention center, need to be accelerated to facilitate the structural transformation of the economy. The government is exploring public-private partnerships in sanitation, water provision, and cement, in line with the prevailing institutional arrangements regarding the management of PPPs, as part of their overall financing strategy for infrastructure development.

20. The authorities are keen on expanding the narrow export base and promoting greater export diversification. Rwanda's export performance over the past five years has been strong. However, this is largely from a low base and it remains concentrated in commodities. Diversifying exports is needed to enhance the resilience of the economy, particularly in light of the volatility of commodity prices, and to help bring much-needed foreign exchange into the country (Box 2). The government strategy follows a multi-pronged approach that involves improving the receipts from traditional exports, tapping more business and tourism markets, and galvanizing production for regional markets.

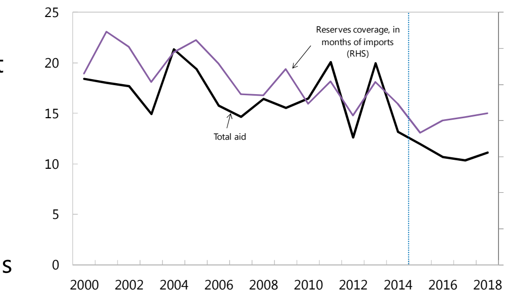
21. Rwanda remains at low risk of external debt distress. Consistent with the DSA analysis under the alternative scenario, which also shows Rwanda at low risk of debt distress, the non-concessional borrowing ceiling for end-June has been raised to US$500 million, to accommodate the financing of two new airplanes in addition to the US$250 million already identified as part of the previous review[1].

[1] The DSA baseline assumptions are consistent with the medium-term macroeconomic framework and the alternative scenario assumes additional non-concessional financing of US$250 million, consistent with the new non-concessional borrowing limit of US$500 million.

Box 2. Rwanda: Sensitivity of Growth to Changes in Export Performance

The ability to generate foreign exchange is a clear component of a developing country's growth strategy because of its ability to extend the production possibility frontier through new productive techniques and help unlock needed finance to pay for imports. The EAC countries are characterized by large import bills and small but growing export sectors, and financial support from abroad has proved critical to maintaining growth momentum. This is especially true for Rwanda but the situation is changing: the gradual decline in foreign aid has begun to put pressure on the import coverage of foreign exchange reserves. Over the medium term, aid is projected to continue to decline, while exports remain robust and help to stabilize reserves coverage at 4 months of imports.

Financial Support and Reserves Coverage
(in percent of GDP)

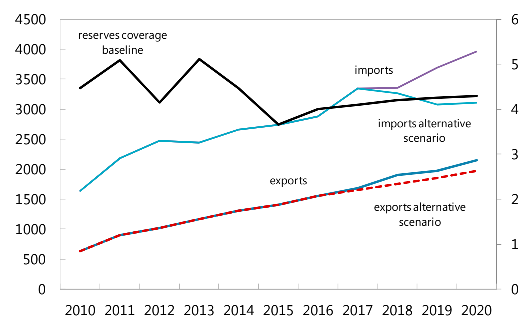


Sources: Rwanda authorities and IMF staff estimates.

Of course, the assumption about export growth may not materialize with consequences for growth. Annual export growth of 6 percent for 2017-20 compared to the current projection of 9 percent would lead to a fall in imports of goods and services, assuming the current reserves coverage target is maintained. This would limit finance for investment and have knock-on effects on the rest of the economy, including by lowering total factor productivity.

The reduction in imports associated with weaker export growth would likely contribute to a reduction in the economy-wide annual growth rate by up to 2 percentage points. This can be seen in two ways. First, it mirrors in some respects the growth response in 2013 following the reduction in aid resources. Second, it is consistent with factor use. Over the next few years, labor force growth is projected at 2.6 percent per annum while the real capita stock grows at 5 percent per annum. With factor content ratios of 0.6 and 0.4, respectively, and an import content of investment of 0.7, the growth rate from factor inputs would be 2 ½ percent, assuming full adjustment through imports. With an assumption of a 2½ percent per annum growth contribution from TFP, the economy would only grow at about 5 percent per annum.

Imports and Exports Scenarios
(Imports and Exports left scale (millions of US dollars); reserves coverage right scale (months of imports))



Sources: Rwanda authorities and IMF staff estimates

C. Monetary Policy, Exchange Rate, and the Financial Sector

MEFP ¶ 21-26

22. **In an environment of low inflation, the authorities and staff agreed that the current monetary stance was appropriate.** The 2015 monetary program targets broad money growth of 15.6 percent, while private sector credit growth is expected to remain broadly at 2014 levels. Continued exchange rate flexibility will help preserve policy buffers and support economic diversification. The authorities will monitor developments closely with a view to reassess policies should growth disappoint and inflation expectations remain benign.

23. **Measures to improve the transmission mechanism need to be strengthened**. While significant progress has been achieved under the PSI (see IMF SR14/343), there remains considerable scope for improvement, particularly as regard development of the interbank and secondary markets. Transaction levels have increased from a low base, but the value of the transactions continues to be low. A more fundamental issue remains that of bringing down inefficiencies at the level of commercial banks to tackle the rigidity in the lending rates. The NBR has increased the maturity of its bonds issuance, to both develop the financial sector and absorb excess liquidity. Policies aimed at bolstering financial inclusion are ongoing (Box 3).

24. **Efforts to bolster the legal and supervisory frameworks are underway**. The consolidation of the informal cooperatives (Umurenge SACCOs) into one cooperative bank has been initiated and is expected to be completed by end-2015. The NBR law, banking law, and the deposit insurance laws have already gone through Parliament. These laws will increase the supervisory oversight of the central bank to the non-banks and contribute to further bolster confidence in the financial system. The preparations of the insurance laws and pensions law remain in the initial stages.

D. Program Issues

MEFP ¶ 27

25. **The MEFP Table 1 contains revised end-June QACs and indicative targets and new QACs for end-December under the PSI.** The authorities propose, and the staff supports, modifications of end-June 2015 QACs. These are consistent with the macroeconomic framework described in the report and with understandings reached with Fund staff. The authorities' request, and staff supports, the modification of the ceiling on non-concessional borrowing to allow for the implementation of already identified projects. The introduction of a fixed asset tax has been redesigned into a land tax with specific benchmarks for property to facilitate implementation (MEFP Table 2).

26. **The authorities are seeking to strengthen the monitoring of donor-financed government projects** (Box 4)**.** The number of accounts for donor financed projects is very large. Efforts by the government to better track these flows in real time are important to help improve monitoring of budget financing, which should help the authorities to better track fiscal developments.

Box 3. Financial Inclusion in Rwanda

Fostering financial inclusion ranks high on the government's agenda. The main principles underlining the financial inclusion strategy are embodied in the EDPRS2 and the FSDP2. The main measures aim to enhance financial literacy while simultaneously improving access to services, increasing the number of products, and raising the quality of services for both households and firms, particularly small and medium enterprises. There has also been significant emphasis on ensuring financial inclusion does not lead to a significant increase in risk.

One of the main constraints to financial inclusion in Rwanda is the limited access to banking services, particularly since a large part of the economy remains informal. To bridge this gap, the government has put in place cooperatives and microfinance institutions (MFIs), particularly savings and credit cooperative (SACCOs). This has provided access to more than 1/3 of the population. There has also been significant emphasis on improving the quality of services provided by semi-formal providers such as Village Savings and Loan Associations (VSLA). The literacy program was expanded to provide training to cashiers, clerks and loans officers. To improve the overall soundness of the sector and improve regulatory and supervisory oversight, the Umurenge SACCOs will be consolidated into one bank.

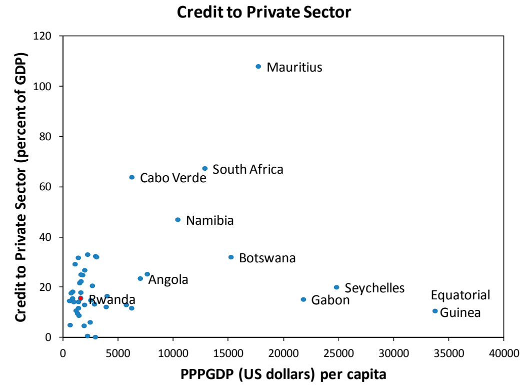
Efforts to improve the range of products and cost of access to financial services have been accelerated. A regulatory framework has been put in place to support the provision of these new services. This has allowed the emergence of new savings and deposit products for historically excluded clients; mobile money transfers (MMT), mobile and internet banking, agent banking, micro insurance and micro leasing. Much of the innovation has come from non-traditional players—mobile phone operators, or new entrants to the Rwandan banking market rolling out agency banking models. The authorities have revamped their supervisory framework to adjust to the new environment and ensure the push for greater financial access does not lead to higher risk undertakings and remains consistent with safeguarding financial stability.

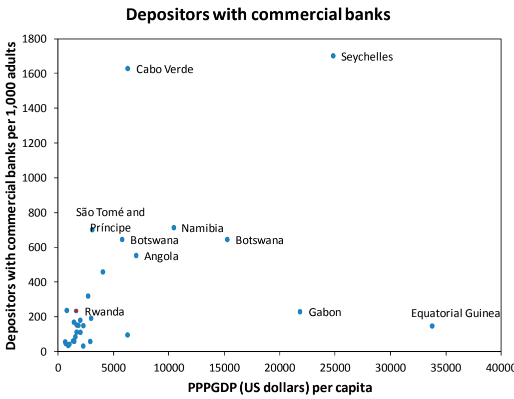
All these developments have contributed to Rwanda making significant advances as regards financial inclusion (Table 1). Relative to other countries at similar levels of development, Rwanda also compares favorably across a number of indicators (see Box Figures).

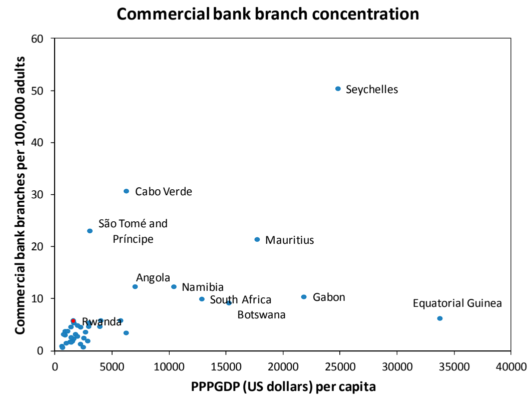
Box 3. Financial Inclusion in Rwanda (concluded)

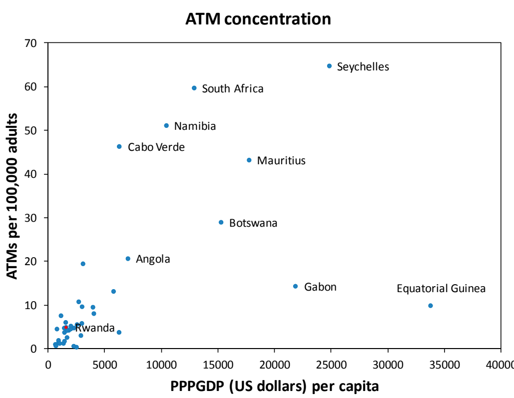
Table 1. Rwanda: Key Indicators of Financial Access

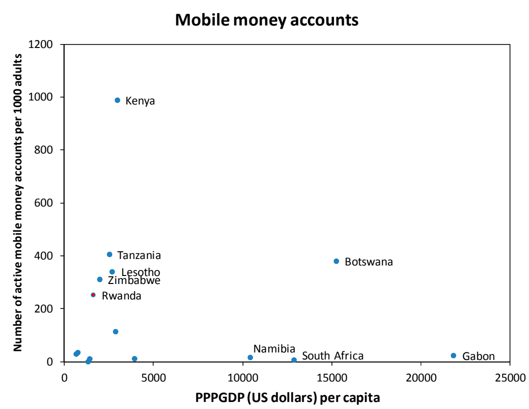
	2004	2013
Depositors with commercial banks per 1,000 adults	7.4	243.7
Outstanding deposits with commercial banks	12.2	19.8
ATMs per 100,000 adults	0	5.2
ATMs per 1,000 km^2	0.1	13.5
Commercial bank branches per 1,000 km^2	0.8	15.7
Commercial bank branches per 100,000 adults	0.4	6











Source: IMF, Financial Access Survey.

Box 4. Rwanda: Aid Effectiveness and the Use of National Systems

Rwanda is often perceived as a forerunner in aid effectiveness. This is partly due to the facilities it has put in place to effectively manage and coordinate the donor support it receives. These facilities include formalized regular interactions between donors and the government, the Donor Performance Assessment Framework (DPAF), the Development Assistance Database (DAD), and a clear division of labor among donors.

Rwanda's aid coordination and development partnership framework is guided by the key principle of national ownership and leadership. The formal aid coordination and development partnership framework/structure includes the quarterly meetings of the Development Partners Coordination Group (DPCG), chaired and co-chaired by the government and the Development Partners (DPs), respectively. The DPCG sets the framework for dialogue between the government and the DPs on matters relating to policies and procedures for increasing the effectiveness of aid. It allows the government to coordinate the development efforts, take ownership of the development process, and ensure that aid flows in accordance with government priorities to where the needs are greatest.

Launched in 2009, the DPAF forms a part of a mutual review process designed to strengthen mutual accountability. It reviews the performance of bilateral and multilateral donors against a set of established indicators on the quality and volume of development assistance. The 22 indicators are drawn from the Paris Declaration indicators on quality of aid– and indicators agreed on at country level. The DPAF is presented both in aggregate form (comprising all development assistance to Rwanda), and disaggregated by donor to allow for comparison, individual reflection on performance, accountability and peer pressure, which are recognized as key ingredients to the successful implementation of the global aid effectiveness agreements and Rwanda's aid policy.

The DPAF assessment is undertaken on the basis of data from the DAD. Launched in March 2006, DAD Rwanda was developed to enable the government to drive the processes of aid management by establishing a single repository for all official assistance. It allows the government to conduct "gaps analyses", and facilitate planning process and resource mobilization. DAD incorporates the DPAF indicators, and allows for tracking the flow of development assistance to Rwanda. It also allows sharing of information and reduction in transaction costs in the collection of information on official aid. Finally, DAD enables the government to plan, monitor, and account for the use of resources.

In September 2014, the DPAF indicators and targets underwent a light revision taking into account changes in aid modalities to Rwanda, namely the suspension in the provision of general budget support. As Rwanda moves away from donor aid toward increased trade, investment, and public-private partnerships, it plans to develop additional framework to enhance mutual accountability with the DPs.

STAFF APPRAISAL

27. Rwanda's performance under the PSI has been satisfactory. The authorities are to be commended for meeting all QACs. The performance on indicative targets and structural benchmarks was more uneven and it will be important to maintain the momentum of reforms, including on revenue mobilization while strengthening project implementation.

28. Growth in 2015 is expected to remain strong, while the outlook is stable. The cautious fiscal stance and monetary policy are consistent with the need to preserve policy buffers. Continued exchange rate flexibility will support these objectives and economic diversification.

29. The framework for the FY2015/16 budget is in line with PSI objectives. The budget prioritizes the public investment program in line with available resources, includes measures to improve domestic revenue mobilization, protects priority spending, and limits the crowding out of credit to the private sector.

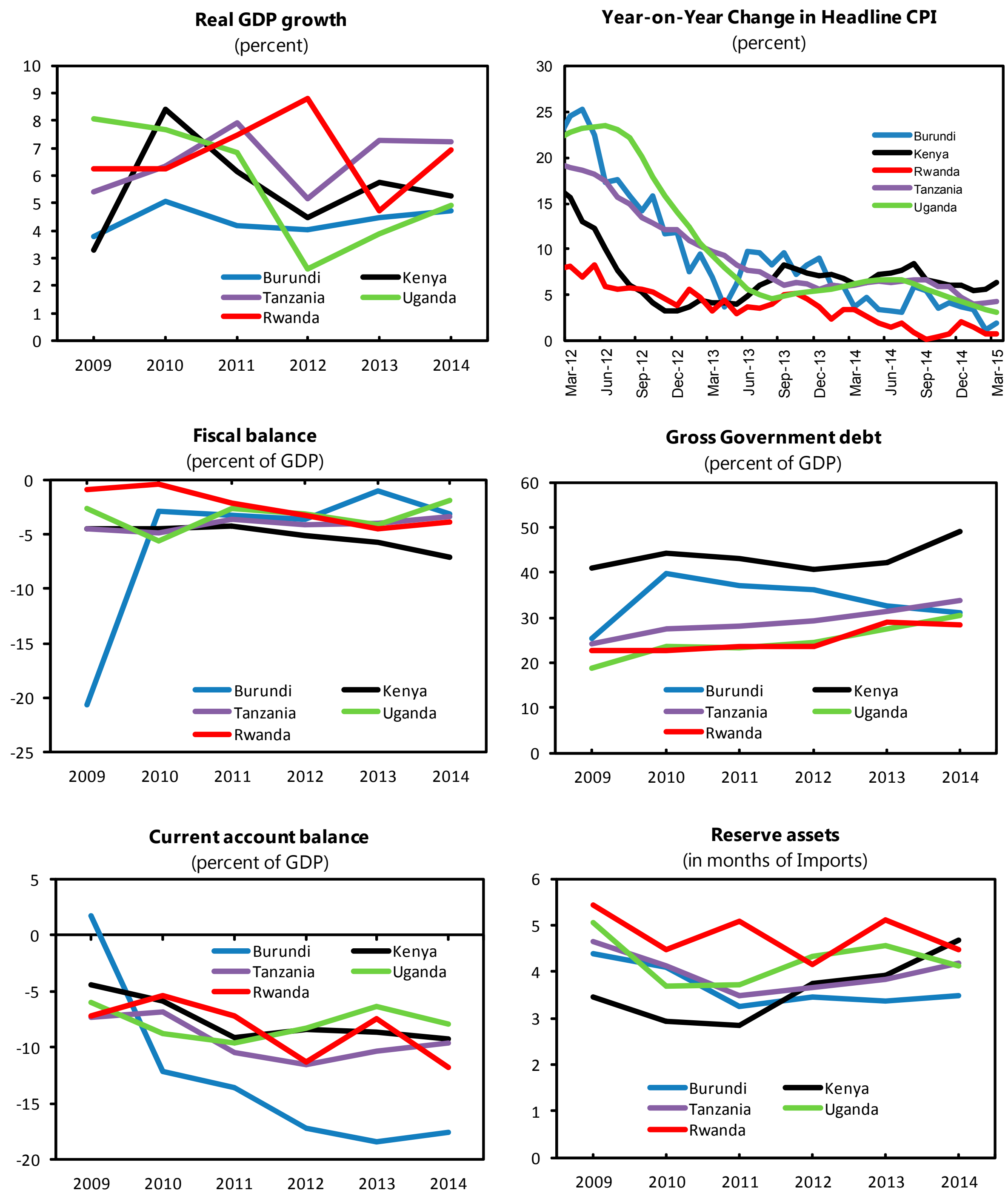
30. Sustaining progress on domestic revenue mobilization will be critical to sustaining investment. Recent efforts to adopt the electronic billing machines is yet to gain full traction and the agenda on agricultural and property taxation has yet be carried out. Accelerating efforts to broaden the tax base and strengthen tax administration and compliance remain key. The government's ability to mobilize more of Rwanda's own resources should help reduce reliance on donor resources, and coupled with rising exports, should help increase the resilience of the economy.

31. The current monetary policy stance remains appropriate. The economy has been operating in a low inflationary environment, an amply liquid banking system, and ample credit to the private sector. Efforts to improve the regulatory framework have been advancing satisfactorily and the consolidation of the SACCOs into one cooperative will further improve the supervisory oversight. The authorities are encouraged to balance measures aimed at fostering financial inclusion with financial stability.

32. Rwanda's infrastructure investment needs remain significant, and it will be critical to carefully select and prioritize investments in line with available resources to maintain debt sustainability. The authorities aim to safeguard their low risk of debt distress which requires appropriate phasing of investment projects in line with available resources and administrative capacity, especially with a view to prevent costly implementation delays. The pipeline of projects envisaged by the government should help foster structural transformation and remove impediments to private sector and export development, much needed in light of the projected gradual decline in donor resources inflows, already materializing this year.

33. Staff recommends the completion of the third review under the PSI. Staff supports the request for modification of the end-June QACs and setting of end-December 2015 QACs.

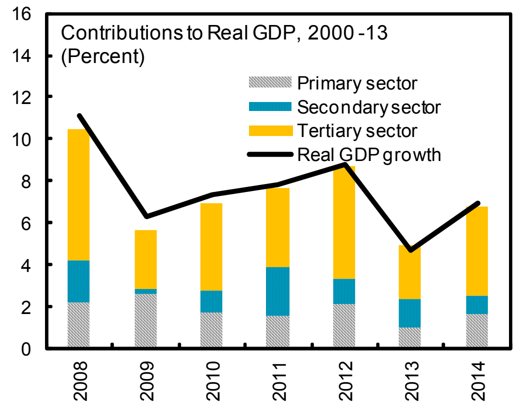
Figure 1. Rwanda: Economic Developments Across the EAC



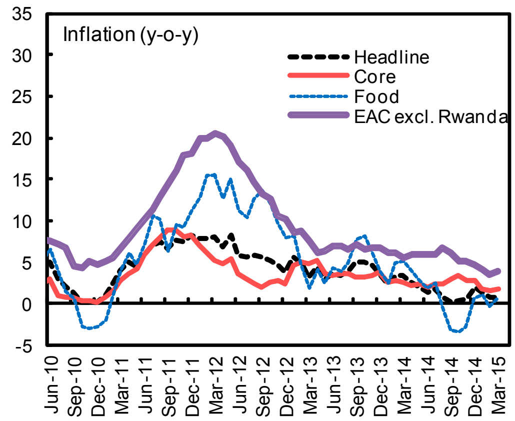
Source: IMF staff estimates.

Figure 2. Rwanda: Recent Performance

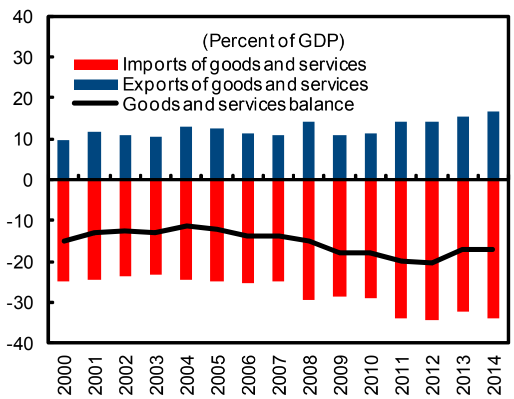
Growth bounced back in 2014...



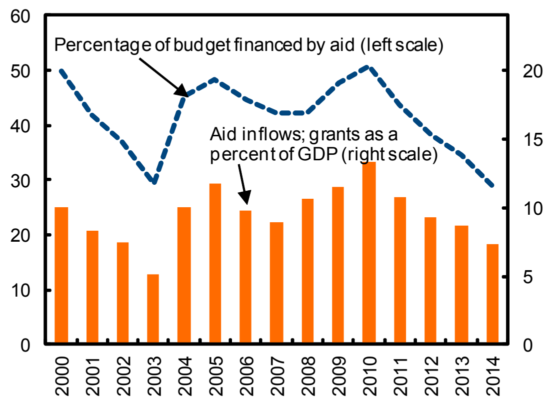
...while inflation continued to remain below that of other EAC countries.



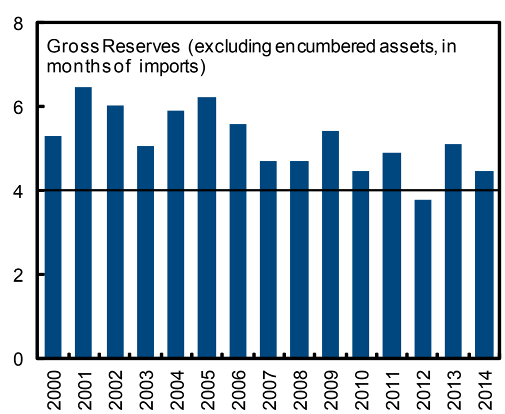
The trade deficit deteriorated in 2014 associated with higher imports...



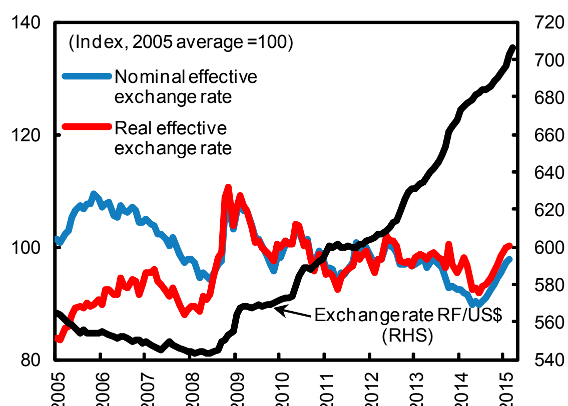
...and aid flows continued the projected decline.



International reserves remained adequate...

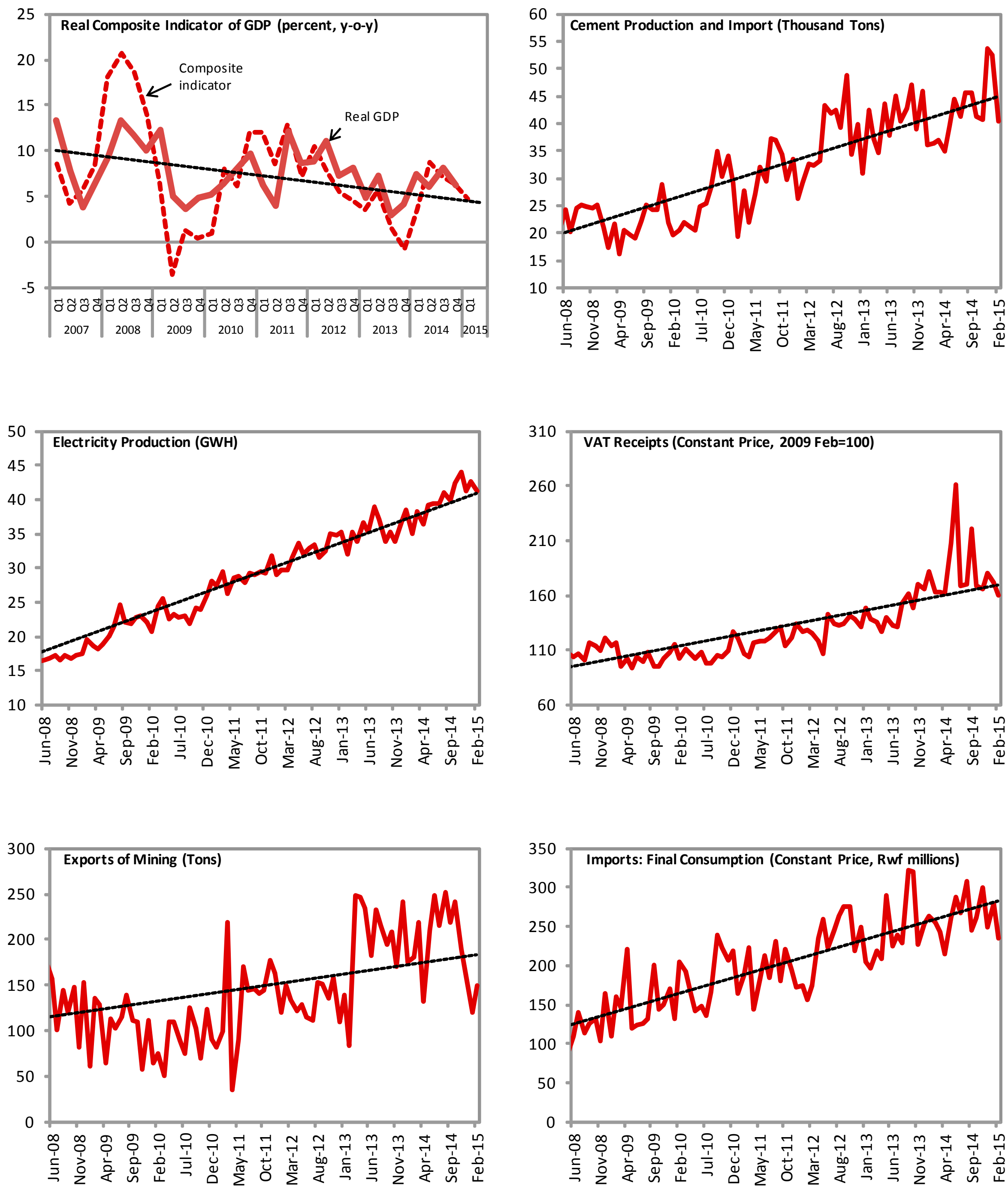


...while the Rwandan Franc continued to depreciate against the U.S. dollar.



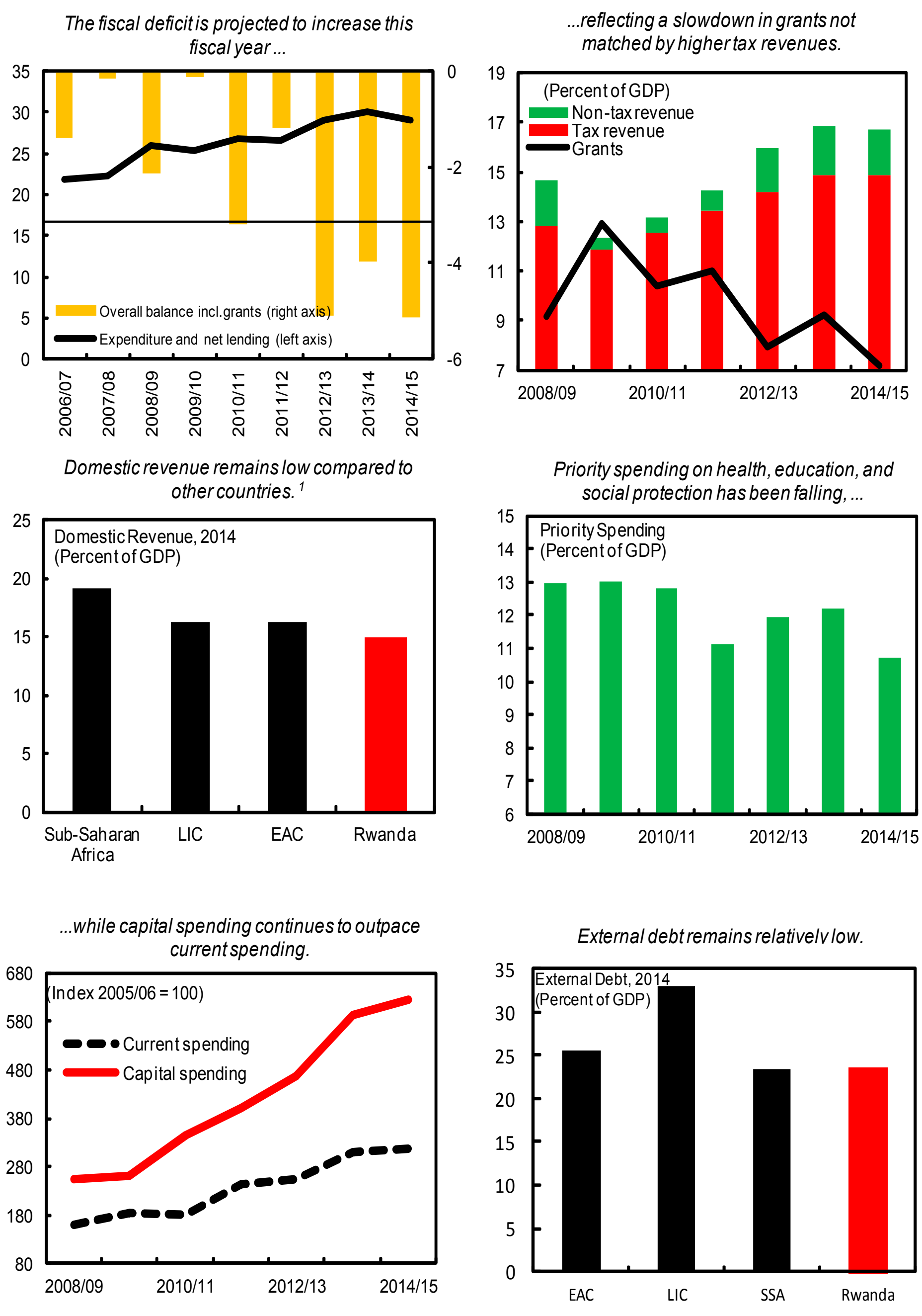
Sources: Rwandan authorities, IMF staff estimates, the IMF *World Economic Outlook*, and the African Department's *Regional Economic Outlook*.

Figure 3. Rwanda: Selected High Frequency Indicators of Economic Activity



Source: Rwandan authorities' estimates.

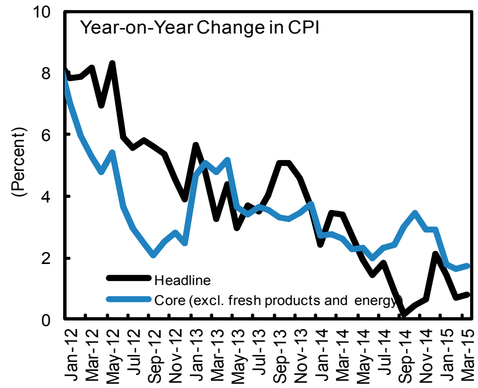
Figure 4. Rwanda: Fiscal Developments



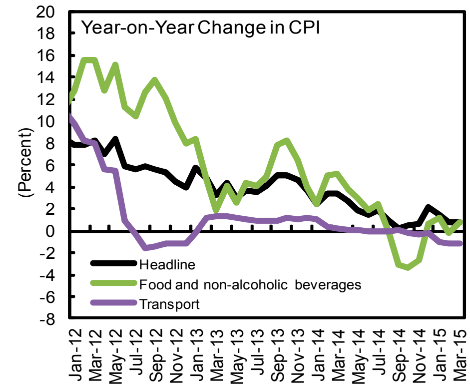
Sources: IMF staff and Rwandan authorities' estimates.
[1] Regional aggregates are calculated with the latest WEO data and reflect country weights (PPP GDP).

Figure 5. Rwanda: Inflation Developments

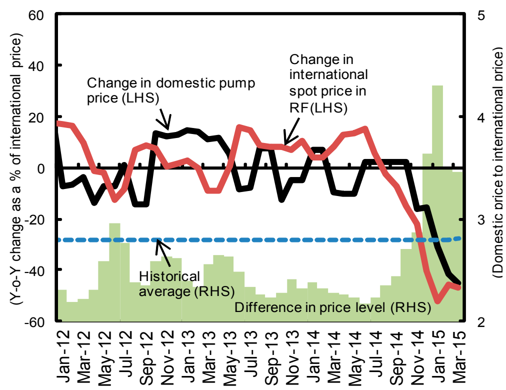
Headline inflation has continued to decline…



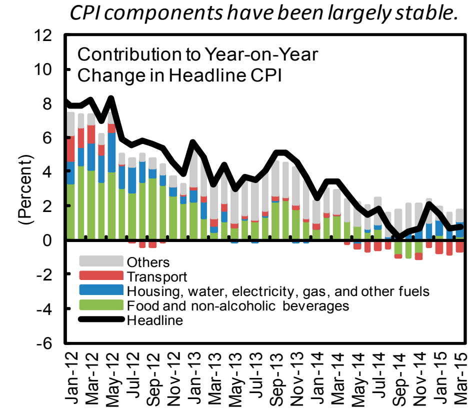
…driven by low food and fuel prices.



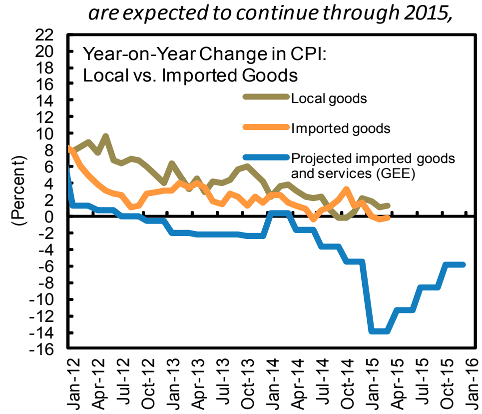
Domestic pump prices have followed the global downward trend, …



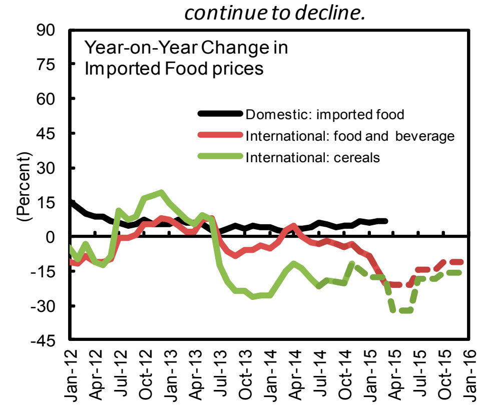
… while inflationary pressures from other CPI components have been largely stable.



Import prices have been declining, and are expected to continue through 2015,

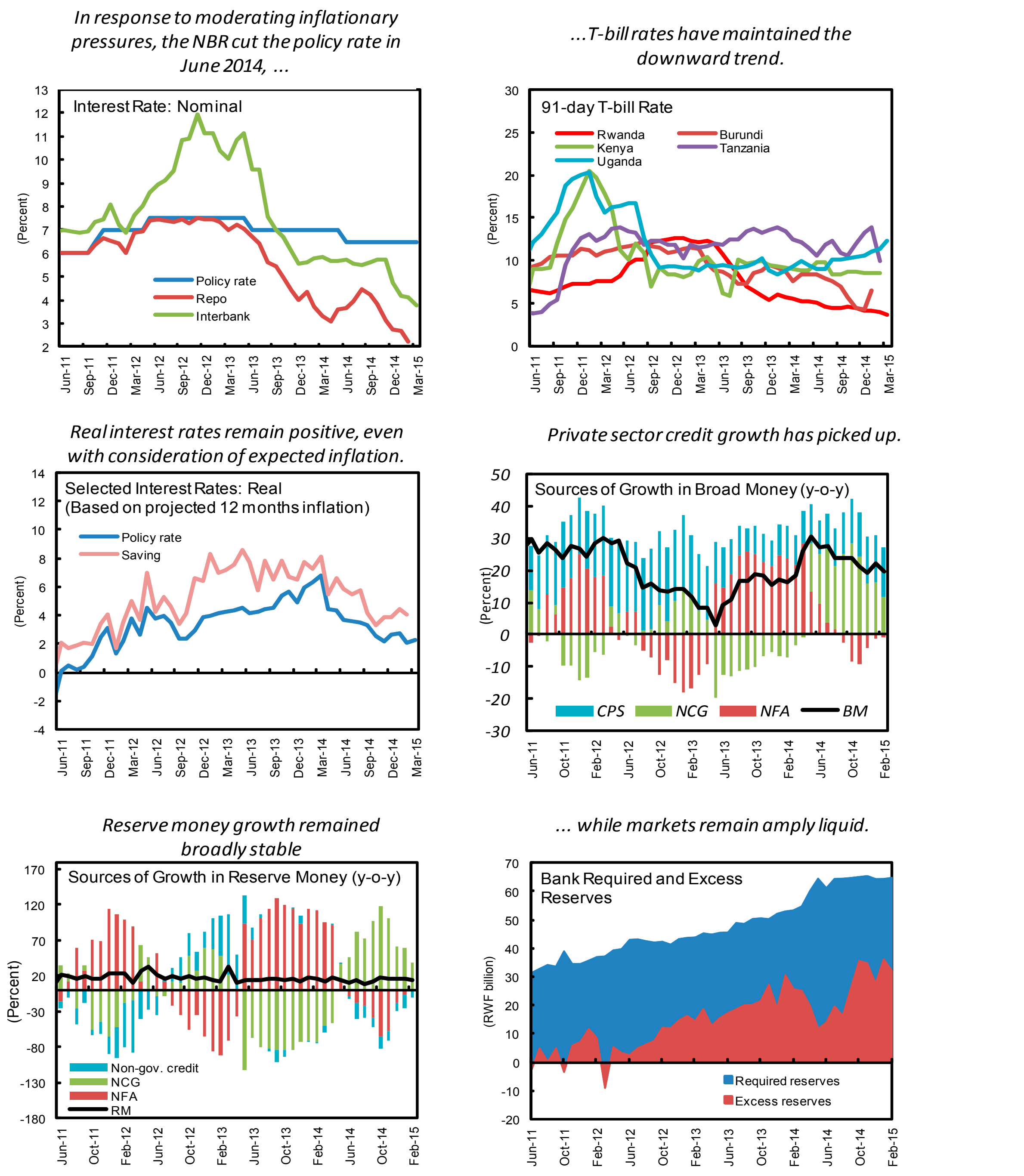


…as global food prices are expected to continue to decline.



Sources: IMF staff and Rwandan authorities' estimates.

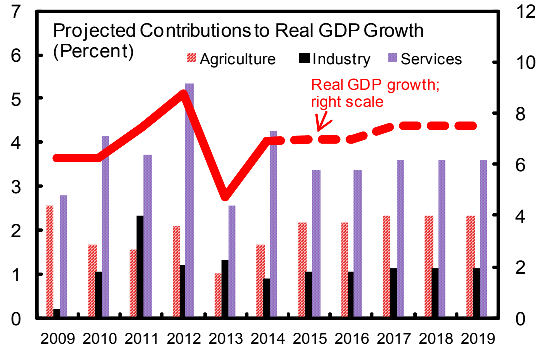
Figure 6. Rwanda: Monetary Developments



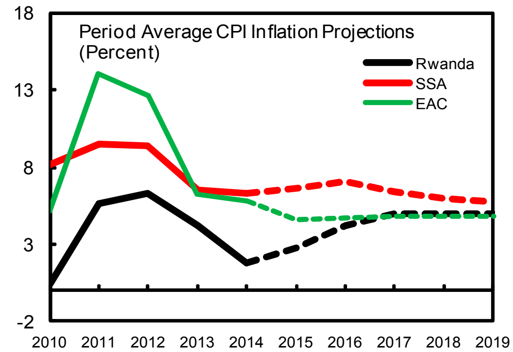
Sources: IMF staff and Rwandan authorities' estimates.

Figure 7. Rwanda: Medium-Term Outlook

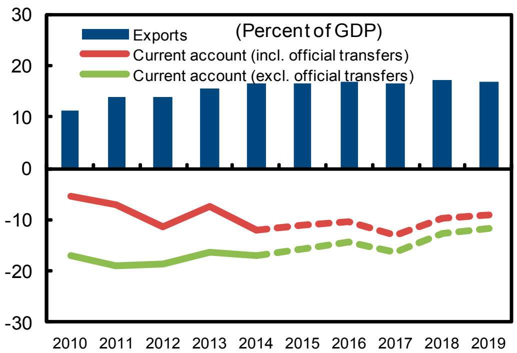
GDP growth is projected to return gradually to the trend growth,…



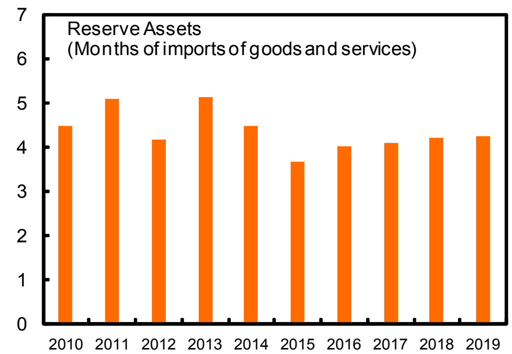
… with inflation expected to rise toward the authorities' target.



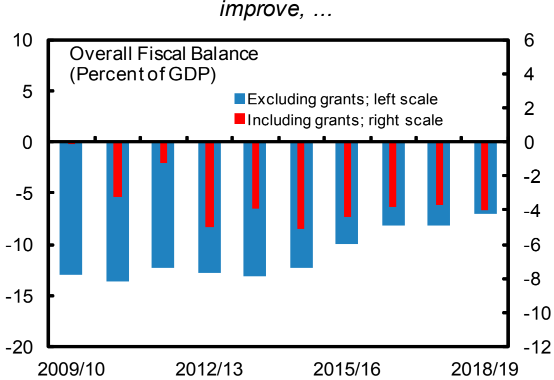
The current account is expected to improve as large investment projects are completed,…



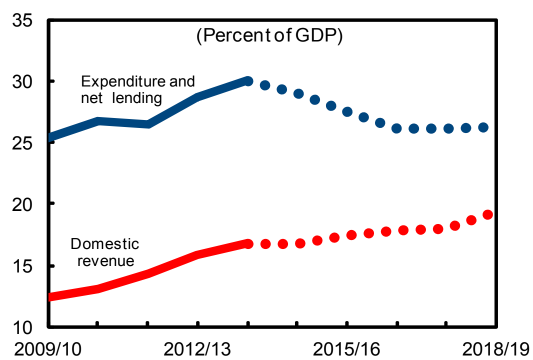
… and reserve coverage is expected to remain adequate.



The fiscal position is expected to improve, …



… due to enhanced revenue mobilization.



Sources: IMF staff and Rwandan authorities' estimates.

Table 1. Rwanda: Selected Economic and Financial Indicators, 2010–18

	2010	2011	2012	2013	2014	2015	2016	2017	2018
		Act.			Prel.		Proj.		
	(Annual percentage change, unless otherwise indicated)								
Output, prices, and exchange rate									
Real GDP	6.3	7.5	8.8	4.7	7.0	6.5	7.0	7.5	7.5
GDP deflator	3.6	7.7	6.1	4.7	3.6	4.1	4.8	4.8	5.4
CPI (period average)	0.4	5.7	6.3	4.2	1.8	2.8	4.3	5.0	5.0
CPI (end of period)	0.2	8.3	3.9	3.6	2.1	3.5	5.0	5.0	5.0
Core inflation (end of period) [1]	0.2	8.3	2.5	3.8	2.9	...	...	...	...
Terms of trade (deterioration, -)	16.0	0.3	-6.1	19.3	-3.4	2.0	2.5	1.6	4.7
Money and credit									
Broad money (M3)	16.9	26.7	14.0	15.5	19.0	15.9	13.1	13.7	14.3
Credit to non-government sector	9.9	27.6	35.0	11.1	19.6	19.7	14.0	22.4	15.7
Policy Rate (end of period)	6.0	7.0	7.5	7.0	6.5	6.5	...	...	...
M3/GDP (percent)	18.5	20.3	20.1	21.1	22.7	23.7	23.9	24.2	24.4
NPLs (percent of total loans)	10.7	8.0	6.0	6.9	6.7	...	...	...	...
	(Percent of GDP, unless otherwise indicated)								
General government budget									
Revenue and grants	26.3	24.6	24.2	25.1	25.2	22.5	21.0	22.2	22.1
of which : grants [2]	13.3	10.8	9.3	8.6	7.4	7.4	5.7	4.2	4.0
Expenditure	25.9	26.5	25.9	27.6	27.7	25.7	24.0	25.1	24.9
Current	15.1	14.3	14.1	14.5	15.1	13.5	12.9	13.3	13.0
Capital	10.7	12.2	11.8	13.1	12.6	12.2	11.2	11.8	11.9
Primary balance	0.0	-1.7	-2.6	-3.8	-3.0	-3.9	-3.9	-3.1	-3.0
Overall balance	-0.4	-2.1	-3.2	-4.5	-3.8	-4.6	-4.6	-4.0	-3.9
Excluding grants	-13.8	-12.9	-12.5	-13.1	-11.1	-12.0	-10.3	-8.2	-8.0
Public debt									
Public gross nominal debt	20.0	20.1	21.7	28.4	30.7	33.1	35.0	37.8	38.1
of which : external public debt	13.4	12.6	16.2	21.4	23.6	26.6	27.7	30.8	31.8
Investment and savings									
Investment	22.5	22.9	25.1	25.5	25.3	25.3	25.4	27.6	25.5
Savings [3]	5.7	4.0	6.3	9.3	8.3	9.8	11.0	11.4	12.8
External sector									
Exports (goods and services)	11.1	14.0	14.0	15.6	16.5	16.6	16.9	16.7	17.1
Imports (goods and services) [4]	28.8	34.1	34.3	32.5	33.7	32.3	31.2	33.2	30.2
Current account balance (including grants)	-5.4	-7.2	-11.3	-7.4	-11.9	-11.2	-10.4	-13.1	-9.7
Current account balance (excluding grants)	-16.8	-18.8	-18.7	-16.3	-17.0	-15.5	-14.4	-16.2	-12.7
Gross international reserves									
In billions of US$	0.8	1.1	0.8	1.1	1.0	0.9	1.2	1.1	1.3
In months of next year imports	4.5	5.1	4.1	5.1	4.5	3.7	4.0	4.1	4.2
Memorandum items:									
GDP at current market prices									
Rwanda francs (billion)	3323	3846	4437	4864	5389	5974	6697	7547	8551
US$ (billion)	5.7	6.4	7.2	7.5	7.9	...	...	...	...
GDP per capita (US$)	570	628	688	696	709	...	...	...	...
Population (million)	10.0	10.2	10.5	10.8	11.1	...	...	...	...

Sources: Rwandan authorities and IMF staff estimates.

[1] Defined as excluding food and fuel.

[2] From 2014 onward, there is a substantial change in the mix between grants and loans associated with Rwanda's low debt distress risk rating.

[3] The savings rate excludes grants.

[4] Imports for 2017 reflect purchases of two aircrafts.

Table 2. Rwanda: Balance of Payments, 2009–18

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

	2009	2010	2011	2012	2013	2014		2015	2016	2017	2018
	Est.	Est.	Est.	Est.	Est	IMF CR 14/343	Prel.	Proj.	Proj.	Proj.	Proj.
Exports (f.o.b.),[1]	235.0	322.4	464.2	590.8	703.0	710.8	722.7	741.6	829.8	923.7	1,030.2
Of which: coffee and tea	85.6	111.8	138.5	126.6	110.4	112.5	110.9	119.2	129.8	144.3	156.0
Minerals	55.4	67.9	151.4	136.1	225.7	218.2	203.3	210.5	248.1	281.4	320.9
Imports (f.o.b.)	999.2	1,084.0	1,565.8	1,967.0	1,851.5	2,089.8	1,995.4	2,031.3	2,154.2	2,436.8	2,468.8
Of which: capital goods	256.3	268.2	349.1	471.4	476.9	582.5	514.6	547.9	586.3	630.2	693.2
Energy goods	122.5	158.2	259.2	289.1	307.6	302.6	304.2	255.9	309.2	353.0	390.5
Trade balance	-764.2	-761.5	-1,101.6	-1,376.2	-1,148.4	-1,379.0	-1,272.7	-1,289.6	-1,324.4	-1,513.1	-1,438.6
Services (net)	-181.6	-246.2	-187.0	-85.2	-122.4	-136.4	-90.4	-44.5	-0.1	-152.1	-14.3
Of which: tourism receipts	174.5	201.6	251.8	281.8	293.6	317.2	303.7	317.8	347.8	417.4	500.8
Income	-36.9	-42.5	-51.8	-73.8	-135.3	-144.1	-156.6	-178.0	-193.3	-178.9	-180.9
Of which: interest on public debt[2]	-7.3	-7.8	-8.1	-9.2	-32.3	-38.7	-39.0	-47.7	-52.8	-87.7	-97.0
Current transfers (net)[3]	600.0	745.3	880.5	722.5	847.7	737.5	578.1	564.7	560.8	520.2	558.6
Private	79.7	90.7	133.3	183.0	181.4	190.4	179.9	194.1	186.4	204.1	225.0
Of which: remittance inflows	88.1	98.2	166.2	175.3	161.8	171.3	174.9	183.8	193.8	201.4	221.2
Public	520.3	654.6	747.2	539.5	666.4	547.1	398.2	370.5	374.5	316.0	333.6
Of which: HIPC grants	5.2	4.5	4.5	4.8	5.2	5.4	5.3	4.8	4.8	4.8	4.7
Current account balance (incl. official transfers)	-382.7	-305.0	-459.8	-812.8	-558.4	-921.9	-941.6	-947.4	-957.1	-1,323.9	-1,075.2
Current account balance (excl. official transfers)	-903.0	-959.6	-1,207.0	-1,352.3	-1,224.8	-1,469.0	-1,339.8	-1,318.0	-1,331.5	-1,640.0	-1,408.8
Capital account	200.0	197.6	196.7	171.2	234.5	330.0	337.1	300.1	202.4	206.4	220.4
Project grants	200.0	197.6	196.7	171.2	234.5	330.0	337.1	300.1	202.4	206.4	220.4
Financial account	327.5	213.7	485.8	411.2	660.5	343.3	587.8	507.8	1,026.2	1,116.7	968.8
Direct investment	118.7	42.3	106.2	159.8	257.6	159.0	267.7	281.3	297.0	350.9	409.2
Public sector capital	182.1	62.1	311.8	110.4	420.6	245.2	302.4	341.6	408.0	522.8	682.1
Long-term borrowing[4]	88.8	73.2	341.4	199.8	599.2	277.7	335.9	377.5	448.0	588.1	725.2
Scheduled amortization[5]	-7.5	-11.1	-29.6	-89.4	-178.7	-32.6	-33.5	-35.9	-40.0	-65.3	-43.1
SDR allocation	100.7										
Other capital[6]	26.8	109.3	67.9	141.0	-17.7	-60.8	17.7	-115.0	321.2	242.9	-122.4
Capital and financial account balance	527.5	411.4	682.5	582.5	895.0	673.4	924.9	808.0	1,228.6	1,323.1	1,189.2
Errors and omissions	0.0	-35.2	14.7	24.8	-42.8	0.0	-94.7	0.0	0.0	0.0	0.0
Overall balance	144.8	71.2	237.4	-205.5	293.8	-248.6	-111.3	-139.4	271.5	-0.9	114.1
Financing	-144.8	-71.2	-237.4	205.5	-293.8	248.6	111.3	139.4	-271.5	0.9	-114.1
Change in net foreign assets of NBR (increase -)	-144.8	-71.2	-237.4	205.5	-293.8	248.6	111.3	139.4	-271.5	0.9	-114.1
Net credit from the IMF	3.6	-0.1	-0.6	-1.0	-1.7	-2.5	-2.4	-2.7	-2.2	-1.8	-1.2
Disbursements/purchases	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments/repurchases	0.0	-0.1	-0.6	-1.0	-1.7	-2.5	-2.4	-2.7	-2.2	-1.8	-1.2
Change in other gross official reserves (increase -)	-145.8	-71.0	-236.7	206.6	-292.1	251.0	113.8	142.1	-269.3	2.7	-112.9
Change in other foreign liabilities (increase +)	-2.6	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears (decrease -)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing need	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Identified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Current account deficit (percent of GDP)											
Excluding official transfers	-17.0	-16.8	-18.8	-18.7	-16.3	-18.8	-17.0	-15.5	-14.4	-16.2	-12.7
Including official transfers	-7.2	-5.4	-7.2	-11.3	-7.4	-11.8	-11.9	-11.2	-10.4	-13.1	-9.7
Gross official reserves (including SDR allocation)	742.2	813.3	1,050.0	843.5	1,135.5	884.5	1,021.8	879.7	1,149.0	1,146.3	1,259.2
Gross official reserves (months of prospective imports of G&S)	5.4	4.5	5.1	4.1	5.1	3.9	4.5	3.7	4.0	4.1	4.2
Using imports of goods c.i.f. less adjustments (authorities' definition)[7]	6.4	5.2	5.7	4.5	5.7	4.2	5.1	4.1	4.9	4.6	4.7
Overall balance (percent of GDP)	2.7	1.3	3.7	-2.8	3.9	-3.2	-1.4	-1.6	2.9	0.0	1.0
Total Public Transfers (budget and capital) (US$ million)[8]	720.3	852.3	943.9	710.7	900.9	877.1	735.3	670.7	576.9	522.4	554.1
Total Public Transfers (percent of GDP)	13.6	15.0	9.8	9.8	12.0	11.2	9.3	7.9	6.3	5.2	5.0

Sources: Rwandan authorities and IMF staff estimates and projections.

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

[2] Including interest due to the IMF.

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

[4] Includes project and budgetary loans.

[5] Excluding payments to the IMF.

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

[7] The BNR measures reserve adequacy using imports of goods c.i.f. excluding imports incurred from informal cross-border trade and other items not captured in customs data.

[8] Government official transfers comprises budgetary grants and capital grants. Official transfers in the BOP includes grants and non-grant elements (e.g., transfers to the private sector and humanitarian assistance). Given its current low risk rating Rwanda receives only concessional loans, and no grants from IDA and AfDB from 2014.

Table 3. Rwanda: Operations of the Central Government, Fiscal-Year Basis,[1] 2011/12–2017/18

	2011/12	2012/13	2013/14	2014/15		2015/16		2016/17	2017/18
				IMF CR 14/343	Proj.	IMF CR 14/343	Proj.	Proj.	Proj.
	(Billions of Rwanda francs)								
Revenue and grants	1,049.1	1,101.3	1,336.4	1,394.7	1,355.5	1,483.3	1,462.5	1,578.3	1,774.4
Total revenue	591.7	736.4	862.1	997.4	948.5	1,186.4	1,104.2	1,271.4	1,444.9
Tax revenue	557.0	651.9	761.0	894.6	845.6	1,064.8	975.3	1,133.0	1,288.5
Direct taxes	228.5	282.0	311.1	364.0	351.8	435.4	413.7	490.0	557.8
Of which: local government taxes	…	…	--	13.5	13.5	26.1	26.1	29.3	33.1
Taxes on goods and services	282.6	315.1	394.1	461.5	435.9	543.3	486.4	555.0	631.3
Taxes on international trade	45.9	54.8	55.9	69.1	57.9	86.1	75.2	88.0	99.5
Non-tax revenue	34.7	84.5	101.0	102.9	102.9	121.6	128.9	138.4	156.4
Of which: payments for peacekeeping operations		61.9	81.5	62.3	62.3	63.5	70.8	72.9	82.4
Of which: local government fees	…			15.2	15.2	29.4	29.4	33.6	38.0
Grants	457.4	364.9	474.3	397.3	407.0	296.9	358.3	306.9	329.5
Budgetary grants	265.7	190.0	171.0	95.6	166.0	150.2	189.9	162.0	165.7
Of which: Global Fund				--					
Capital grants	191.7	174.9	303.3	301.7	241.0	146.7	168.4	144.9	163.8
Of which: Global Fund	78.0	64.3	92.7	63.4	2.9	--	--	--	--
Total expenditure and net lending	1,098.1	1,335.6	1,538.9	1,680.4	1,647.0	1,698.2	1,741.1	1,856.9	2,099.7
Current expenditure	614.1	633.9	776.7	794.4	794.4	848.6	865.5	946.7	1,058.2
Of which: contingency	…	--	--	--	--	--	--	--	--
Of which: priority	350.8	367.4	430.6	…	…	…	…	…	…
Wages and salaries	144.8	168.9	187.9	207.0	207.0	231.5	222.0	248.1	279.5
Purchases of goods and services	149.5	123.1	142.5	151.2	151.2	150.3	159.8	170.1	191.6
Interest payments	18.4	30.7	40.4	42.9	42.9	46.6	54.3	60.7	70.0
Domestic debt	13.2	15.7	14.8	15.6	15.6	16.0	24.6	28.3	30.1
External debt	5.2	15.0	25.6	27.3	27.3	30.6	29.7	32.4	39.9
Of which: sovereign bond	…	5.0	25.6	27.3	--	30.6	29.7	19.4	19.9
Transfers	225.6	230.8	286.8	301.0	301.0	328.7	328.7	361.5	407.2
Exceptional expenditure	75.8	80.4	119.1	92.3	92.3	91.5	100.8	106.3	109.9
Capital expenditure	482.9	564.5	712.0	767.2	749.9	791.7	747.3	828.5	957.8
Of which: priority	175.7	183.3	195.9	…	…	…	…	…	…
Domestic	231.6	239.4	320.2	423.3	400.2	465.6	467.1	508.3	539.8
Foreign	251.3	325.1	391.9	343.9	349.7	326.1	280.2	320.2	418.0
Net lending and privatization receipts	1.1	137.2	50.2	118.8	79.7	57.9	128.3	81.7	83.7
Priority spending	--	…	…	…	…	…	…	…	…
Of which: Kigali Convention Center	…	63.1	49.7	--	--	--	--	--	--
Of which: RwandAir	34.5	27.0	31.4	--	--	--	--	--	--
Of which: Privatization receipts	-28.0	-5.1	--	--	--	--	--	--	--
Of which: Export promotion	…	…	--	15.0	29.4	18.0	29.4	22.0	24.9
Agaciro Development Fund[6]					23.0				
Primary balance[2]	-30.6	-203.6	-162.2	-242.7	-248.5	-168.3	-224.4	-217.9	-255.3
Domestic fiscal balance[3]	-249.9	-259.1	-259.4	-311.8	-298.5	-155.1	-327.1	-232.9	-196.9
Overall deficit (payment order)									
After grants	-49.0	-234.3	-202.6	-285.6	-291.5	-214.9	-278.7	-278.6	-325.3
Before grants	-506.4	-599.2	-676.9	-683.0	-698.5	-511.8	-637.0	-585.5	-654.8
Change in arrears[4]	-13.7	-9.1	-16.1	-10.0	-10.0	-11.4	-11.4	-13.0	-13.2
Overall deficit (incl. grants, cash basis)	-62.7	-243.4	-218.7	-295.6	-301.5	-226.3	-290.1	-291.6	-338.5
Financing	62.6	243.4	224.6	295.6	301.5	226.3	290.1	291.6	338.5
Foreign financing (net)	95.0	338.6	104.7	197.5	183.1	280.1	215.2	251.6	318.4
Drawings	104.7	354.1	115.8	212.6	197.7	298.9	233.2	271.7	340.4
Budgetary loans		16.2	49.5	107.1	104.9	119.6	121.4	95.0	170.2
Project loans	51.3	337.9	66.3	105.5	92.8	179.4	111.8	176.7	170.2
Of which: sovereign bond	…	255.6	--	--	--	--	--	--	--
Amortization	-9.7	-15.5	-11.0	-15.2	-14.6	-18.9	-18.0	-20.1	-22.0
Net domestic financing	-32.4	-95.2	119.9	98.2	118.4	-53.8	74.9	40.0	20.1
Net credit from banking system	-15.4	-144.3	150.6	101.2	136.3	-43.1	94.0	61.1	44.1
Of which: sovereign bond	…	-141.3	--	--	--	--	--	--	--
Of which: Rwandair loan	…	…	--	--	--	--	--	--	--
Nonbank sector	-22.8	24.3	-30.8	-3.0	--	-10.6	--	--	--
Import levy/strategic reserve							-19.2	-21.1	-24.0
Errors and omissions[5]	-0.1	--	5.9	--	-17.9		--	--	--
Memorandum items:									
Priority spending	526.5	550.7	626.5	739.1	607.6		673.4		

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

[2] Total revenue minus noninterest expenditure.

[3] Total revenue minus current expenditure (excluding interest on external debt), domestically financed capital expenditure,

[4] A negative sign indicates a reduction.

[5] A negative number implies an underestimate of financing. The figure nets out about RWF 18 billion in PKO funds that do not transfer through the Budget

[6] Agaciro Development Fund expenditure reflects the transfer of the Fund to a private agency.

Table 3. Rwanda: Operations of the Central Government, Fiscal-Year Basis,[1] 2011/12–2017/18

(Concluded)

	2011/12	2012/13	2013/14	2014/15 IMF CR 14/343	2014/15 Proj.	2015/16 IMF CR 14/343	2015/16 Proj.	2016/17 Proj.	2017/18 Proj.
	(Percent of fiscal year GDP)								
Revenue and grants	25.3	23.7	26.1	24.8	23.9	23.4	23.1	22.2	22.0
Total revenue	14.3	15.8	16.8	17.7	16.7	18.7	17.4	17.9	18.0
Tax revenue	13.4	14.0	14.8	15.9	14.9	16.8	15.4	15.9	16.0
Direct taxes	5.5	6.1	6.1	6.5	6.2	6.9	6.5	6.9	6.9
Of which: local government taxes	…	…	--	0.2	0.2	0.4	0.4	0.4	0.4
Taxes on goods and services	6.8	6.8	7.7	8.2	7.7	8.6	7.7	7.8	7.8
Taxes on international trade	1.1	1.2	1.1	1.2	1.0	1.4	1.2	1.2	1.2
Nontax revenue	0.8	1.8	2.0	1.8	1.8	1.9	2.0	1.9	1.9
Of which: payments for peacekeeping operations		1.3	1.6	1.1	1.1	0.5	1.1	1.0	1.0
Of which: local government fees	…				0.3	0.5	0.5	0.5	0.5
Grants	11.0	7.8	9.3	7.1	7.2	4.7	5.7	4.3	4.1
Budgetary grants	6.4	4.1	3.3	1.7	2.9	2.4	3.0	2.3	2.1
Capital grants	4.6	3.8	5.9	5.4	4.2	2.3	2.7	2.0	2.0
Of which: Global Fund	1.9	1.4	1.8	1.1	0.1	--	--	--	--
Total expenditure and net lending	26.5	28.7	30.0	29.8	29.0	26.8	27.5	26.1	26.1
Current expenditure	14.8	13.6	15.2	14.1	14.0	13.4	13.7	13.3	13.1
Wages and salaries	3.5	3.6	3.7	3.7	3.6	3.7	3.5	3.5	3.5
Purchases of goods and services	3.6	2.6	2.8	2.7	2.7	2.4	2.5	2.4	2.4
Interest payments	0.4	0.7	0.8	0.8	0.8	0.7	0.9	0.9	0.9
Domestic debt	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4
External debt	0.1	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Of which: sovereign bond	…	0.1	0.5	0.5	--	0.5	0.5	0.3	0.2
Transfers	5.4	5.0	5.6	5.3	5.3	5.2	5.2	5.1	5.1
Exceptional expenditure	1.8	1.7	2.3	1.6	1.6	1.4	1.6	1.5	1.4
Capital expenditure	11.7	12.1	13.9	13.6	13.2	12.5	11.8	11.6	11.9
Domestic	5.6	5.1	6.2	7.5	7.0	7.3	7.4	7.1	6.7
Foreign	6.1	7.0	7.6	6.1	6.2	5.1	4.4	4.5	5.2
Net lending and privatization receipts	--	3.0	1.0	2.1	1.4	0.9	2.0	1.1	1.0
Of which: Kigali Convention Center	…	1.4	1.0	--	--		--	--	--
Of which: RwandAir	0.8	0.6	0.6	--	--	--	--	--	--
Of which: Privatization receipts	-0.7	-0.1	--	--	--	--	--	--	--
Agaciro Development Fund					0.4				
Primary balance[2]	-0.7	-4.4	-3.2	-4.3	-4.4	--	-3.5	-3.1	-3.2
Primary balance[2]	-0.7	-4.4	-3.2	-4.3	-4.4	-2.7	-3.5	-3.1	-3.2
Domestic fiscal balance[3]	-6.0	-5.6	-5.1	-5.5	-5.3	-2.4	-5.2	-3.3	-2.4
Overall deficit (payment order)									
After grants	-1.2	-5.0	-4.0	-5.1	-5.1	-3.4	-4.4	-3.9	-4.0
Before grants	-12.2	-12.9	-13.2	-12.1	-12.3	-8.1	-10.1	-8.2	-8.1
Change in arrears[4]	-0.3	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Overall deficit (incl. grants, cash basis)	-1.5	-5.2	-4.3	-5.2	-5.3	-3.6	-4.6	-4.1	-4.2
Financing	1.5	5.2	4.4	5.2	5.3	3.6	4.6	4.1	4.2
Foreign financing (net)	2.3	7.3	2.0	3.5	3.2	4.4	3.4	3.5	4.0
Drawings	2.5	7.6	2.3	3.8	3.5	4.7	3.7	3.8	4.2
Budgetary loans		0.3	1.0	1.9	1.8	1.9	1.9	1.3	2.1
Project loans	1.2	7.3	1.3	1.9	1.6	2.8	1.8	2.5	2.1
Of which: sovereign bond	…	5.5	--	--	--	--	--	--	--
Amortization	-0.2	-0.3	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Net domestic financing	-0.8	-2.0	2.3	1.7	2.1	-0.8	1.2	0.6	0.2
Net credit from banking system	-0.4	-3.1	2.9	1.8	2.4	-0.7	1.5	0.9	0.5
Nonbank sector	-0.6	--	-0.6	--	--		--	--	--
Import levy/strategic reserve							-0.3		
Errors and omissions[5]	--	--	0.1	--	-0.3		--	--	--
Memorandum items:									
Priority spending	12.7	11.8	12.2	13.1	10.7		10.6	…	…
GDP (Billions of RwF), FY basis	4,141	4,651	5,127	5,634	5,682		6,336	7,122	8,049

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

[2] Total revenue minus noninterest expenditure.

[3] Total revenue minus current expenditure (excluding interest on external debt) , domestically financed capital expenditure,

[4] A negative sign indicates a reduction.

[5] A negative number implies an underestimate of financing. The figure nets out about RWF 18 billion in PKO funds that do not transfer through the Budget

[6] Agaciro Development Fund expenditure reflects the transfer of the Fund to a private agency.

Table 4. Rwanda: Monetary Survey, 2012–15

	2012	2013	2014		2015			
	Dec	Dec		Dec		June		Dec
	Est	Est	IMF CR 14/343	Prel Est.	IMF CR 14/343	Revised Proj	IMF CR 14/343	Revised Proj
Monetary authorities								
Net Foreign Assets[1]	457.1	634.3	508.9	597.9	453.5	512.9	495.5	524.0
Net domestic assets	-267.7	-421.1	-265.2	-351.0	-191.7	-244.4	-220.6	-233.3
Domestic credit	-218.6	-339.3	-166.7	-232.8	-93.2	-126.3	-122.1	-115.1
Government (net)	-165.4	-303.7	-106.0	-171.9	-39.9	-60.4	-106.0	-3.8
Public nongovernment deposits (-)	-2.3	-4.7	-1.0	-4.7	-1.0	-4.7	-1.0	-4.7
Nongovernment credit	-51.0	-31.2	-59.7	-56.2	-52.3	-61.1	-15.1	-106.5
Other items (net; asset +)	-49.1	-81.8	-98.5	-118.2	-98.5	-118.2	-98.5	-118.2
Reserve money[2]	189.3	213.2	243.7	246.9	261.8	268.5	275.0	290.7
Commercial banks								
Net foreign assets	98.8	109.6	109.6	104.6	110.8	105.5	110.8	100.3
Reserves	80.5	95.6	115.5	127.6	117.6	138.5	122.1	148.7
NBR deposits	58.2	71.3	82.3	92.2	88.4	100.3	92.9	108.7
Required reserves	43.4	52.3	59.5	64.5	62.7	68.0	65.5	72.5
Excess reserves	14.8	19.0	22.8	27.7	25.7	32.3	27.3	36.2
Cash in vault	22.3	24.3	33.2	35.4	29.2	38.2	29.2	40.0
Net credit from NBR (rediscount; liability -)	58.5	40.6	73.3	66.2	64.4	73.4	27.1	121.8
Domestic credit	704.3	866.1	994.0	1,047.8	1,077.1	1,170.8	1,140.1	1,220.7
Government (net)	28.2	116.3	126.7	145.6	130.8	195.7	130.8	145.6
Public enterprises	1.0	1.3	0.8	5.8	0.8	5.8	0.8	5.8
Private sector	675.1	748.6	866.6	896.4	945.6	969.2	1,008.6	1,069.2
Other items (net; asset +)	-161.0	-201.4	-251.0	-241.6	-251.0	-286.9	-225.0	-313.8
Deposits	781.1	910.6	1,041.4	1,104.6	1,118.9	1,201.3	1,175.1	1,277.7
Monetary survey								
Net foreign assets[1]	555.8	744.0	618.6	702.5	564.3	618.5	606.3	624.4
Net domestic assets	334.1	284.2	556.5	521.3	698.2	712.5	719.6	793.7
Domestic credit	542.6	565.9	899.0	879.9	1,048.3	1,116.6	1,045.2	1,226.1
Government (net)	-137.2	-187.4	20.7	-26.2	90.9	135.3	24.8	141.8
Public nongovernment deposits (-)	-2.3	-4.7	-1.0	-4.7	-1.0	-4.7	-1.0	-4.7
Public enterprises	1.0	1.3	0.8	5.8	0.8	5.8	0.8	5.8
Private sector	681.0	756.8	878.6	905.0	957.6	980.2	1,020.6	1,083.2
Other items (net; asset +)	-210.1	-283.2	-349.5	-359.8	-349.5	-405.1	-323.5	-432.0
Broad money	889.9	1,028.2	1,175.1	1,223.9	1,262.5	1,330.9	1,325.8	1,418.0
Currency in circulation	107.0	116.6	133.3	118.5	143.2	128.9	150.4	139.6
Deposits	782.9	911.6	1,041.9	1,105.3	1,119.3	1,202.0	1,175.5	1,278.4
Of which: foreign currency deposits	164.6	194.2	186.9	241.8	200.7	262.9	210.8	279.6
Contribution to broad money growth								
Net foreign assets	-15.0	21.1	-12.2	-4.0	-15.6	-9.4	-1.1	-6.4
Net domestic assets	29.1	-5.6	25.9	23.1	24.3	18.1	14.4	22.4
Domestic credit	32.6	2.6	32.4	30.5	26.7	25.8	12.2	28.3
Government (net)	10.4	-5.6	20.2	15.7	14.8	12.1	--	13.7
Economy	22.2	8.3	12.2	14.9	12.0	13.7	12.2	14.6
Other items (net; asset +)	-3.5	-8.2	-6.4	-7.5	-2.4	-7.7	2.2	-5.9
Broad money	14.0	15.5	14.3	19.0	8.6	8.7	12.8	15.9
Annual growth								
Net foreign assets	-17.4	33.9	-16.9	-5.6	-24.3	-15.6	-2.2	-11.1
Net domestic assets	211.1	-14.9	95.8	83.4	67.4	45.1	29.6	52.2
Domestic credit	88.4	4.3	58.9	55.5	42.1	39.5	15.9	39.3
Credit to the private sector	35.0	11.1	16.1	19.6	16.7	20.0	16.3	19.7
Memorandum items:								
Currency/broad money ratio	12.0	11.3	11.3	9.7	11.3	9.7	11.3	9.8
Reserve money annual growth	17.2	12.6	14.3	15.8	20.2	19.9	12.8	17.8
Reserves/deposits	24.2	23.4	23.4	22.4	23.4	22.3	23.4	22.8
Money multiplier	4.7	4.8	4.8	5.0	4.8	5.0	4.8	4.9
Velocity of broad money (end of period)	5.0	4.7	4.5	4.4	4.8	4.5	4.6	4.2
Velocity of broad money (average of period)	5.3	5.1	4.8	4.8	5.0	4.7	4.9	4.5
Net open position of the NBR (RWF billions)	449.7	625.8	499.1	587.5	443.0	501.6	484.5	512.0
Net open position of commercial banks (RWF billions)	-40.8	-53.1	-76.5	-92.8	-89.2	-109.1	-99.2	-128.0
Nominal GDP (RWF billions)	4,437	4,864	5,449	5,389	6,094	5,974	6,094	5,974

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

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

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

Table 5. Rwanda: Financial Soundness Indicators for Banking Sector, 2009–14

	2009	2010	2011	2012	2013	2014
			(Percent)			
Capital adequacy						
Regulatory capital to risk-weighted assets	19.0	21.6	23.8	21.4	20.8	21.4
Capital to assets	13.0	11.4	14.5	23.9	23.1	24.2
Off balance sheet items/total qualifying capital	184.1	206.1	216.9	233.3	405.3	327.5
Insider loans/core capital	19.7	5.9	3.2	3.6	4.2	3.4
Large exposure/core capital	65.1	72.5	42.3	41.0	56.9	83.6
Asset quality						
NPLs/gross Loans	13.1	11.3	8.2	6.0	7.0	6.0
NPLs net/gross loans	11.4	9.7	7.4	5.4	6.1	5.1
Provisions/NPLs	55.2	53.1	49.0	53.7	53.0	56.8
Earning assets/total asset	81.7	78.1	75.9	79.9	78.6	93.1
Large exposures/gross loans	13.9	15.1	11.2	9.1	11.9	17.7
Profitability and earnings						
Return on average assets	0.7	1.9	1.9	2.2	1.5	1.9
Return on average equity	5.0	13.7	10.8	10.4	7.3	10.8
Net interest margin	9.1	8.7	9.5	9.7	9.5	7.9
Cost of deposits	2.4	2.5	2.2	2.9	3.8	3.4
Cost to income	91.0	83.2	82.8	81.0	85.3	82.1
Overhead to income	54.9	55.2	55.5	54.7	52.5	49.4
Liquidity						
Short term gap	20.0	18.5	22.5	12.1	14.8	5.3
Liquid assets/total deposits	65.3	57.8	46.3	41.2	49.4	51.7
Interbank borrowings/total deposits	9.8	8.5	6.4	9.2	11.3	11.6
BNR borrowings/total deposits	0.8	--	0.1	0.1	--	6.1
Gross loans/total deposits	73.9	67.0	67.6	91.9	86.4	90.4
Market sensitivity						
Forex exposure/core capital[1]	1.9	6.8	6.9	-0.6	-2.2	-2.2
Forex loans/Forex deposits	2.8	0.4	5.3	4.4	8.3	29.5
Forex assets/Forex liabilities	103.6	106.0	114.8	78.9	87.3	84.7

Source: National Bank of Rw anda.

Table 6. Rwanda: Millennium Development Goals

	1990	1995	2000	2005	2010
Goal 1: Eradicate extreme poverty and hunger					
Employment to population ratio, 15+, total (%)	*88*	87	85	84	85
Employment to population ratio, ages 15-24, total (%)	*80*	79	75	73	73
Income share held by lowest 20%	-	-	5	-	-
Malnutrition prevalence, weight for age (% of children under 5)	-	*24*	20	18	12
Poverty gap at $1.25 a day (PPP) (%)	-	-	37	-	-
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	-	-	75	-	-
Goal 2: Achieve universal primary education					
Literacy rate, youth female (% of females ages 15-24)	-	-	77	-	78
Literacy rate, youth male (% of males ages 15-24)	-	-	79	-	77
Primary completion rate, total (% of relevant age group)	45	-	23	*40*	70
Total enrollment, primary (% net)	-	-	*78*	*80*	99
Goal 3: Promote gender equality and empower women					
Proportion of seats held by women in national parliaments (%)	17	-	26	49	56
Ratio of female to male primary enrollment (%)	98	-	97	103	102
Ratio of female to male secondary enrollment (%)	81	-	95	88	102
Ratio of female to male tertiary enrollment (%)	23	-	-	-	77
Goal 4: Reduce child mortality					
Immunization, measles (% of children ages 12-23 months)	83	84	74	89	95
Mortality rate, infant (per 1,000 live births)	95	139	109	68	42
Mortality rate, under-5 (per 1,000)	156	275	183	108	60
Goal 5: Improve maternal health					
Births attended by skilled health staff (% of total)	-	-	31	39	69
Contraceptive prevalence (% of women ages 15-49)	-	*14*	13	17	52
Maternal mortality ratio (modeled estimate, per 100,000 live births)	910	1000	840	550	340
Pregnant women receiving prenatal care (%)	-	-	92	94	98
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	-	-	13	12	11
Incidence of tuberculosis (per 100,000 people)	291	514	326	181	106
Prevalence of HIV, total (% of population ages 15-49)	6	5	4	3	3
Tuberculosis case detection rate (%, all forms)	31	11	23	43	60
Goal 7: Ensure environmental sustainability					
Forest area (% of land area)	13	-	14	16	18
Improved sanitation facilities (% of population with access)	32	39	47	54	60
Improved water source (% of population with access)	62	64	66	68	69
Terrestrial protected areas (% of total surface area)	10	10	10	10	10
Goal 8: Develop a global partnership for development					
Net ODA received per capita (current US$)	40	123	38	61	95
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	11	20	25	4	3
Internet users (per 100 people)	0	*0*	0	1	8
Mobile cellular subscriptions (per 100 people)	0	0	0	2	33
Other					
Fertility rate, total (births per woman)	7	6	6	5	5
GNI per capita, Atlas method (current US$)	350	220	230	260	510
GNI, Atlas method (current billion US$)	3	1	2	2	6
Life expectancy at birth, total (years)	33	30	47	52	55
Literacy rate, adult total (% of people ages 15 and above)	-	-	65	-	71
Trade (% of GDP)	20	31	31	37	41

Source: World Development Indicators.

Table 7. Rwanda: Indicators of Public and Publicly Guaranteed External Debt under Baseline Scenario, 2014–34[1]

(In percent of GDP, unless otherwise indicated)

	Actual			Historical [6/]	Standard [6/]	Projections									
				Average	Deviation							2014-2019			2020-2034
	2011	2012	2013			2014	2015	2016	2017	2018	2019	Average	2024	2034	Average
External debt (nominal) 1/	**16.1**	**20.8**	**26.1**			**27.9**	**30.4**	**31.0**	**33.6**	**34.2**	**33.3**		**25.3**	**13.4**	
of which: public and publicly guaranteed (PPG)	12.6	16.2	21.4			23.6	26.6	27.7	30.8	31.8	31.3		23.5	10.5	
Change in external debt	-0.4	4.7	5.4			1.7	2.5	0.6	2.6	0.6	-0.9		-1.6	-1.1	
Identified net debt-creating flows	4.7	8.0	3.2			6.5	5.9	4.9	8.2	4.7	3.7		2.2	1.1	
Non-interest current account deficit	**6.8**	**10.8**	**6.7**	**4.1**	**4.3**	**10.9**	**9.9**	**9.1**	**12.9**	**9.7**	**9.0**		**8.0**	**6.6**	7.5
Deficit in balance of goods and services	20.1	20.2	16.9			17.0	15.4	14.0	16.2	12.9	12.9		11.3	10.5	
Exports	14.0	14.0	15.6			16.8	16.8	17.2	16.9	17.4	17.2		18.5	19.2	
Imports	34.1	34.3	32.5			33.7	32.3	31.2	33.1	30.3	30.2		29.8	29.7	
Net current transfers (negative = inflow)	-13.7	-10.0	-11.3	-12.2	1.7	-7.3	-6.7	-6.1	-4.2	-3.9	-3.8		-3.3	-2.6	-3.1
of which: official	-11.3	-7.5	-8.9			-4.2	-4.3	-4.1	-2.2	-1.9	-1.7		-1.2	-0.6	
Other current account flows (negative = net inflow)	0.5	0.6	1.1			1.3	1.1	1.2	0.9	0.7	-0.2		0.0	-1.3	
Net FDI (negative = inflow)	**-0.7**	**-1.5**	**-3.4**	**-1.3**	**1.0**	**-3.4**	**-3.3**	**-3.2**	**-3.5**	**-3.7**	**-3.9**		**-4.4**	**-4.9**	-4.6
Endogenous debt dynamics 2/	**-1.5**	**-1.4**	**-0.1**			**-1.0**	**-0.7**	**-1.0**	**-1.2**	**-1.3**	**-1.4**		**-1.4**	**-0.5**	
Contribution from nominal interest rate	0.4	0.4	0.7			0.7	1.0	0.9	0.9	1.0	1.0		0.4	0.5	
Contribution from real GDP growth	-1.1	-1.3	-0.9			-1.7	-1.7	-2.0	-2.1	-2.3	-2.3		-1.8	-1.0	
Contribution from price and exchange rate changes	-0.7	-0.6	0.1			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-5.1**	**-3.3**	**2.2**			**-4.8**	**-3.4**	**-4.3**	**-5.6**	**-4.1**	**-4.5**		**-3.9**	**-2.2**	
of which: exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	21.3			22.4	23.8	23.4	25.1	24.8	23.9		18.3	11.1	
In percent of exports	...	...	136.6			133.4	141.2	136.3	148.3	142.7	138.4		99.2	58.1	
PV of PPG external debt	**...**	**...**	**16.5**			**18.1**	**19.9**	**20.1**	**22.3**	**22.4**	**21.8**		**16.5**	**8.2**	
In percent of exports	**...**	**...**	**106.3**			**107.7**	**118.5**	**117.1**	**131.7**	**128.9**	**126.3**		**89.5**	**42.7**	
In percent of government revenues	**...**	**...**	**83.8**			**94.4**	**112.9**	**113.5**	**110.8**	**110.8**	**107.3**		**80.1**	**38.5**	
Debt service-to-exports ratio (in percent)	**3.7**	**6.1**	**8.4**			**8.4**	**10.5**	**11.1**	**11.7**	**11.7**	**13.2**		**11.3**	**14.9**	
PPG debt service-to-exports ratio (in percent)	**3.2**	**3.6**	**5.3**			**5.5**	**7.6**	**8.0**	**8.5**	**8.6**	**9.9**		**6.9**	**4.7**	
PPG debt service-to-revenue ratio (in percent)	**2.2**	**2.6**	**4.2**			**4.9**	**7.2**	**7.8**	**7.2**	**7.4**	**8.4**		**6.1**	**4.3**	
Total gross financing need (Billions of U.S. dollars)	0.4	0.8	0.4			0.7	0.7	0.8	1.2	0.9	1.0		1.3	3.2	
Non-interest current account deficit that stabilizes debt ratio	7.2	6.2	1.3			9.2	7.4	8.6	10.2	9.1	9.8		9.7	7.7	
Key macroeconomic assumptions															
Real GDP growth (in percent)	7.5	8.8	4.7	7.5	2.1	6.9	6.5	7.0	7.5	7.5	7.5	7.2	7.5	7.5	7.5
GDP deflator in US dollar terms (change in percent)	4.6	3.6	-0.5	5.7	5.7	-1.8	0.8	1.7	1.8	2.3	1.6	1.1	2.0	2.0	2.0
Effective interest rate (percent) 5/	2.4	3.0	3.6	2.1	1.4	2.8	3.9	3.4	3.2	3.1	3.1	3.3	1.8	3.6	2.4
Growth of exports of G&S (US dollar terms, in percent)	41.5	13.2	15.5	21.8	22.8	13.3	7.5	11.0	7.9	13.0	8.4	10.2	10.9	9.7	10.4
Growth of imports of G&S (US dollar terms, in percent)	33.1	13.3	-1.4	19.6	14.0	9.2	2.6	5.2	16.2	0.5	8.9	7.1	9.7	9.4	9.5
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	25.8	33.3	42.9	27.9	42.3	38.6	35.1	28.6	-12.7	19.6
Government revenues (excluding grants, in percent of GDP)	19.6	19.7	19.7			19.1	17.7	17.7	20.1	20.2	20.3		20.7	21.3	20.8
Aid flows (in Billions of US dollars) 7/	0.3	0.7	0.8			0.5	0.7	0.6	0.5	0.6	0.5		0.4	0.4	
of which: Grants	0.3	0.3	0.4			0.4	0.4	0.3	0.2	0.2	0.3		0.3	0.4	
of which: Concessional loans	0.0	0.4	0.4			0.2	0.2	0.3	0.3	0.3	0.2		0.1	0.0	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			6.0	6.5	4.9	4.0	4.1	3.2		2.0	0.8	1.7
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			65.7	65.7	69.4	47.6	61.5	63.9		66.1	68.1	62.2
Memorandum items:															
Nominal GDP (Billions of US dollars)	6.4	7.2	7.5			7.9	8.5	9.2	10.1	11.1	12.1		19.2	48.3	
Nominal dollar GDP growth	12.4	12.7	4.1			5.0	7.3	8.8	9.4	10.0	9.2	8.3	9.7	9.7	9.7
PV of PPG external debt (in Billions of US dollars)			1.2			1.4	1.7	1.8	2.2	2.5	2.6		3.1	3.9	
(PVt-PVt-1)/GDPt-1 (in percent)						2.7	3.3	5.1	4.2	2.3	1.4	3.2	0.5	-0.1	0.5
Gross workers' remittances (Billions of US dollars)	0.2	0.2	0.2			0.2	0.2	0.2	0.2	0.2	0.2		0.4	0.7	
PV of PPG external debt (in percent of GDP + remittances)	...	...	16.2			17.7	19.5	19.7	21.9	22.0	21.4		16.2	8.1	
PV of PPG external debt (in percent of exports + remittances)	...	...	93.4			95.1	105.0	104.3	117.8	115.6	113.2		80.6	39.7	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	4.6			4.9	6.7	7.2	7.6	7.7	8.8		6.2	4.4	

Sources: Rwandan authorities and IMF staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

Table 8. Rwanda: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenario, 2014–34[1]

(In percent of GDP, unless otherwise indicated)

	Actual			Historical 6/	Standard 6/	Projections										
				Average	Deviation							2014-2019			2020-2034	
	2011	2012	2013			2014	2015	2016	2017	2018	2019	Average	2024	2034	Average	
External debt (nominal) 1/	**16.1**	**20.8**	**26.1**			**27.9**	**33.4**	**33.7**	**36.1**	**36.5**	**35.4**		**28.4**	**14.4**		
of which: public and publicly guaranteed (PPG)	12.6	16.2	21.4			23.6	29.6	30.4	33.3	34.1	33.3		26.6	11.4		
Change in external debt	-0.4	4.7	5.4			1.7	5.5	0.3	2.4	0.4	-1.0		-0.4	-1.2		
Identified net debt-creating flows	4.7	8.0	3.2			6.5	5.9	4.7	8.0	4.5	3.5		2.1	1.1		
Non-interest current account deficit	**6.8**	**10.8**	**6.7**	**4.1**	**4.3**	**10.9**	**9.9**	**9.1**	**12.9**	**9.7**	**9.0**		**8.0**	**6.5**	7.5	
Deficit in balance of goods and services	20.1	20.2	16.9			17.0	15.4	14.0	16.2	12.9	12.9		11.3	10.5		
Exports	14.0	14.0	15.6			16.8	16.8	17.2	16.9	17.4	17.2		18.5	19.2		
Imports	34.1	34.3	32.5			33.7	32.3	31.2	33.1	30.3	30.2		29.8	29.7		
Net current transfers (negative = inflow)	-13.7	-10.0	-11.3	-12.2	1.7	-7.3	-6.7	-6.1	-4.2	-3.9	-3.8		-3.3	-2.6	-3.1	
of which: official	-11.3	-7.5	-8.9			-4.2	-4.3	-4.1	-2.2	-1.9	-1.7		-1.2	-0.6		
Other current account flows (negative = net inflow)	0.5	0.6	1.1			1.3	1.1	1.2	0.9	0.7	-0.2		-0.1	-1.4		
Net FDI (negative = inflow)	**-0.7**	**-1.5**	**-3.4**	**-1.3**	**1.0**	**-3.4**	**-3.3**	**-3.2**	**-3.5**	**-3.7**	**-3.9**		**-4.4**	**-4.9**	-4.6	
Endogenous debt dynamics 2/	**-1.5**	**-1.4**	**-0.1**			**-1.0**	**-0.7**	**-1.2**	**-1.4**	**-1.5**	**-1.5**		**-1.5**	**-0.6**		
Contribution from nominal interest rate	0.4	0.4	0.7			0.7	1.0	0.9	0.9	1.0	1.0		0.5	0.5		
Contribution from real GDP growth	-1.1	-1.3	-0.9			-1.7	-1.7	-2.1	-2.3	-2.5	-2.5		-2.0	-1.1		
Contribution from price and exchange rate changes	-0.7	-0.6	0.1			...	...	...	...	...	...		...	...		
Residual (3-4) 3/	**-5.1**	**-3.3**	**2.2**			**-4.8**	**-0.4**	**-4.4**	**-5.6**	**-4.1**	**-4.6**		**-2.5**	**-2.3**		
of which: exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0		
PV of external debt 4/	...	...	21.3			22.4	27.0	26.4	27.8	27.2	26.0		20.8	11.9		
In percent of exports	...	...	136.6			133.4	160.7	153.6	164.2	156.5	151.0		112.8	61.8		
PV of PPG external debt	**...**	**...**	**16.5**			**18.1**	**23.2**	**23.1**	**25.0**	**24.8**	**23.9**		**19.0**	**8.9**		
In percent of exports	**...**	**...**	**106.3**			**107.7**	**138.0**	**134.4**	**147.5**	**142.7**	**138.8**		**103.0**	**46.5**		
In percent of government revenues	**...**	**...**	**83.8**			**94.4**	**131.5**	**130.3**	**124.2**	**122.7**	**117.9**		**92.2**	**41.9**		
Debt service-to-exports ratio (in percent)	**3.7**	**6.1**	**8.4**			**8.4**	**10.5**	**11.1**	**11.7**	**11.7**	**13.2**		**11.7**	**15.3**		
PPG debt service-to-exports ratio (in percent)	**3.2**	**3.6**	**5.3**			**5.5**	**7.6**	**8.0**	**8.5**	**8.6**	**9.9**		**7.3**	**5.1**		
PPG debt service-to-revenue ratio (in percent)	**2.2**	**2.6**	**4.2**			**4.9**	**7.2**	**7.8**	**7.2**	**7.4**	**8.4**		**6.6**	**4.6**		
Total gross financing need (Billions of U.S. dollars)	0.4	0.8	0.4			0.7	0.7	0.8	1.2	0.9	1.0		1.3	3.3		
Non-interest current account deficit that stabilizes debt ratio	7.2	6.2	1.3			9.2	4.4	8.8	10.5	9.3	10.0		8.3	7.8		
Key macroeconomic assumptions																
Real GDP growth (in percent)	7.5	8.8	4.7	7.5	2.1	6.9	6.5	7.0	7.5	7.5	7.5	7.2	7.5	7.5	7.5	
GDP deflator in US dollar terms (change in percent)	4.6	3.6	-0.5	5.7	5.7	-1.8	0.8	1.7	1.8	2.3	1.6	1.1	2.0	2.0	2.0	
Effective interest rate (percent) 5/	2.4	3.0	3.6	2.1	1.4	2.8	3.9	3.1	3.0	2.9	2.9	3.1	2.0	3.5	2.4	
Growth of exports of G&S (US dollar terms, in percent)	41.5	13.2	15.5	21.8	22.8	13.3	7.5	11.0	7.9	13.0	8.4	10.2	10.9	9.7	10.4	
Growth of imports of G&S (US dollar terms, in percent)	33.1	13.3	-1.4	19.6	14.0	9.2	2.6	5.2	16.2	0.5	8.9	7.1	9.7	9.4	9.5	
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	25.8	16.2	42.9	27.9	42.3	38.6	32.3	28.6	-12.7	19.6	
Government revenues (excluding grants, in percent of GDP)	19.6	19.7	19.7			19.1	17.7	17.7	20.1	20.2	20.3		20.7	21.3	20.8	
Aid flows (in Billions of US dollars) 7/	0.3	0.7	0.8			0.5	0.7	0.6	0.5	0.6	0.5		0.6	0.4		
of which: Grants	0.3	0.3	0.4			0.4	0.4	0.3	0.2	0.2	0.3		0.3	0.4		
of which: Concessional loans	0.0	0.4	0.4			0.2	0.2	0.3	0.3	0.3	0.2		0.3	0.0		
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			6.0	6.1	4.9	4.0	4.1	3.2		2.4	0.8	1.8	
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			65.7	47.6	69.4	47.6	61.5	63.9		54.3	66.5	59.9	
Memorandum items:																
Nominal GDP (Billions of US dollars)	6.4	7.2	7.5			7.9	8.5	9.2	10.1	11.1	12.1		19.2	48.3		
Nominal dollar GDP growth	12.4	12.7	4.1			5.0	7.3	8.8	9.4	10.0	9.2	8.3	9.7	9.7	9.7	
PV of PPG external debt (in Billions of US dollars)			1.2			1.4	1.9	2.1	2.5	2.7	2.9		3.6	4.2		
(PVt-PVt-1)/GDPt-1 (in percent)						2.7	6.8	5.1	4.2	2.3	1.3	3.7	1.5	-0.1	0.5	
Gross workers' remittances (Billions of US dollars)	0.2	0.2	0.2			0.2	0.2	0.2	0.2	0.2	0.2		0.4	0.7		
PV of PPG external debt (in percent of GDP + remittances)	...	...	16.2			17.7	22.7	22.6	24.5	24.3	23.5		18.7	8.8		
PV of PPG external debt (in percent of exports + remittances)	...	...	93.4			95.1	122.3	119.8	132.0	128.0	124.4		92.8	43.2		
Debt service of PPG external debt (in percent of exports + remittances)	...	...	4.6			4.9	6.7	7.2	7.6	7.7	8.8		6.6	4.8		

Sources: Rwandan authorities and IMF staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

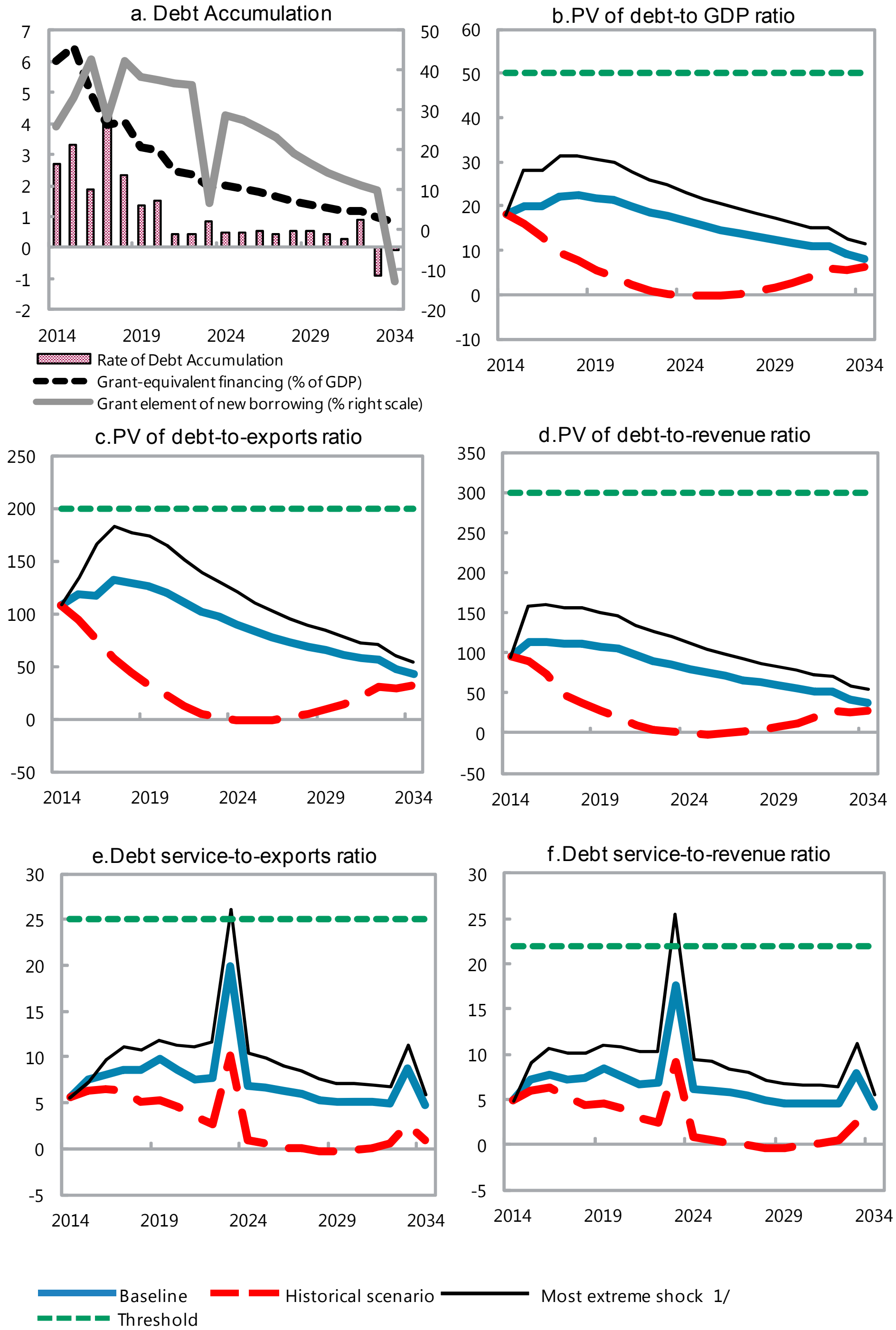
5/ Current-year interest payments divided by previous period debt stock.

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

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

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

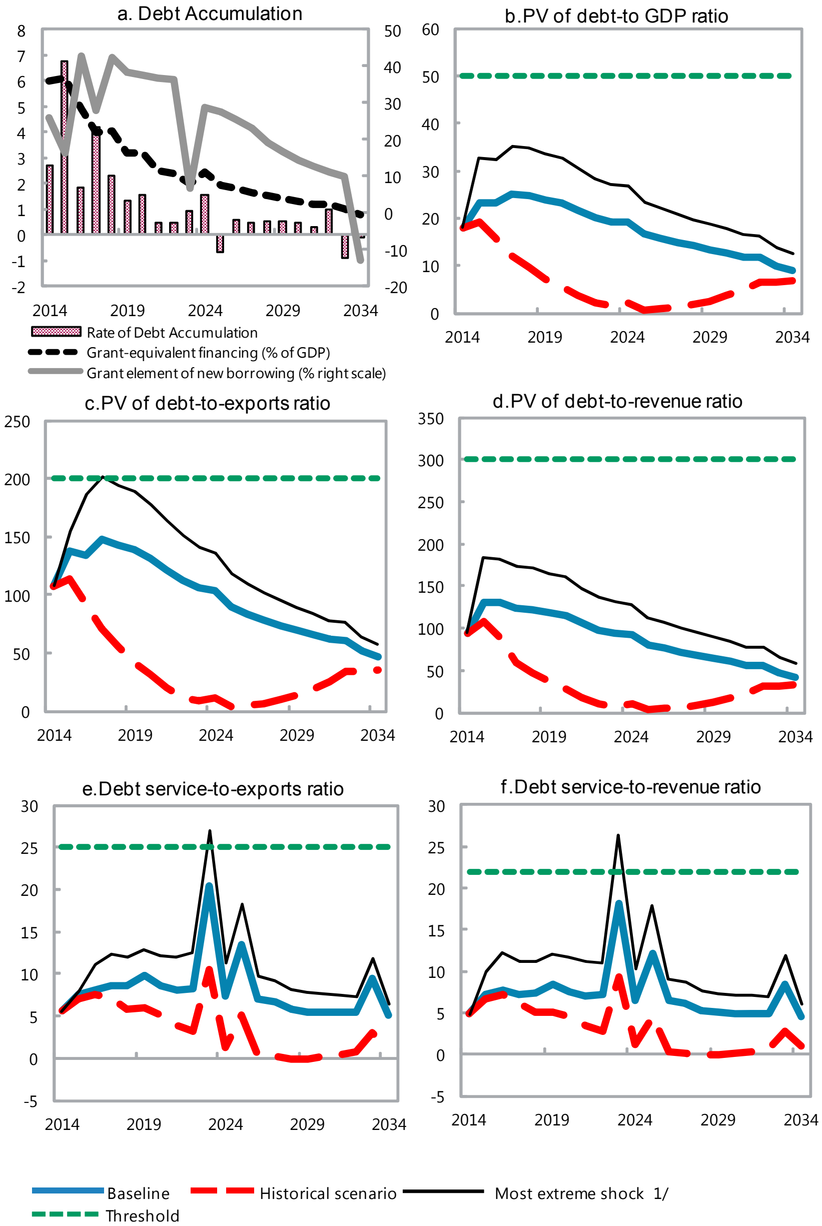
Figure 8. Rwanda: Indicators of Public and Publicly Guaranteed External Debt under Baseline Scenario, 2014–34



Sources: Rwandan authorities and IMF staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024. In figure b. it corresponds to a One-time depreciation shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 9. Rwanda: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenario, 2014–34



Sources: Rwandan authorities and IMF staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024. In figure b. it corresponds to a One-time depreciation shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Appendix I. Letter of Intent

Kigali, Rwanda April 30, 2015

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

Dear Ms. Lagarde,

The attached memorandum of economic and financial policies (MEFP) is an update of the November 2014 MEFP and sets out the macroeconomic policies of the Rwandan government for the remainder of fiscal year 2014/15 and the medium term.

Rwanda's core performance under the PSI has remained strong. As described in the MEFP, all end-December 2014 quantitative assessment criteria (QAC) were met. However, three of the four indicative targets were not met. Domestic revenue collection was two percent off-target (under by RWF 17 billion) due to weaker than expected VAT receipts. A larger amount of arrears was accumulated at end December 2014 due to delays in donor disbursements as the funds accrued at the very end of December. These arrears were cleared in January 2015. The delayed disbursement of donor funds also slowed down some priority spending notably in agriculture and in energy. In the case of the energy sector, spending was hampered by the ongoing restructuring of the Rwanda Energy Group. The combination of these factors meant that priority spending reached only 95 percent of its target.

The structural benchmarks relating to revenue mobilization made reasonable progress, given their ambitious scope. The introduction of a fixed asset tax has been redesigned into a property tax, as implementation will be simpler and yields will be higher. Legislation on agriculture taxation is dependent on a comprehensive expert survey of the topic; the search for this expertise is ongoing. The benchmark on mining legislation was not met due to other legislative priorities of the Government, such as the restructuring of the income and withholding tax laws (which nevertheless contain measures relevant for the mining sector). The quarterly budget execution report (continuous benchmark) could not be published within the agreed timeframe due to ongoing technological issues at BNR.

Despite some setbacks, the government believes its performance continues to reflect its commitment to sound policies, and it thereby requests the completion of the third review under the PSI. Based on the revised macroeconomic framework, the government also requests modification of the assessment criteria for end-June 2015. The government also requests rephasing the benchmark on agriculture scheduled for end-December 2015, into two separate benchmarks. This would allow the government time to hire the consultant and proceed with the legislative measures.

The government believes that the policies and measures set forth in the MEFP will deliver the objectives of the PSI-supported program but we will take any further measures that may become appropriate for this purpose. The Government will consult with the IMF—at its own initiative or whenever the Managing Director of the IMF requests such a consultation—before the adoption of any such measures or changes to the policies described in the attached MEFP.

The government will provide the IMF with such information as the IMF may request in connection with the progress made in implementing the economic and financial policies and achieving the objectives of the program. The fourth review will take place before end-December 2015.

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

Sincerely yours,

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

Attachment I. Memorandum of Economic and Financial Policies—Update

April 30, 2015

This MEFP update reviews performance under the PSI-supported program through end-December 2014 and discusses the macroeconomic outlook and policies for the remainder of FY2014/15. It also describes quantitative and structural targets for end-June 2015 and end-December 2015. As in the November 2014 MEFP, policy formulation in all areas will take into account Rwanda's commitments to the East African Community.

Recent Economic and Policy Performance

1. Introduction. The Rwandan economy grew by 7 percent in 2014, in line with average growth over the last five years, and well above 2013 growth of 4.7 percent. The recent improvement in performance was especially notable in services, which grew by 9 percent compared to 5 percent in 2013. Strong growth in agriculture of 5 percent reflecting the on-going investments in crops cultivation and animal husbandry supported this improved performance. The good performance in agriculture was largely responsible for the low inflation environment experienced throughout the year. Together with favorable energy prices, lower food inflation reduced average inflation to 1.8 percent in 2014. Domestic demand thus made a very strong recovery during the year while external demand negatively affected growth due to the weak performance of exports. Although the external environment was not favorable to Rwanda's main exports and fiscal performance was weak due to donor disbursement delays, the economy (in particular the private sector) showed some resilience. This is partly due to a bounce back from the below average performance in 2013 and to the increased confidence in the domestic economic environment and increased private sector credit.

2. Growth. Despite the weak performance of exports and lower public spending in the second half of 2014 on account of delayed donor budget support funds, the economy performed well and growth was evenly spread throughout the year. Growth in the service sub-sectors was higher than in 2013 with wholesale and retail trade being the largest contributor to overall GDP growth (1.2 percentage points). Both government-led and private sector-led services performed reasonably well. Construction grew by 8 percent and added over half a percentage point to GDP growth. These sectoral trends reflected a strengthening of the private sector supported by an increase in private sector credit growth of 19.6 percent in 2014. Manufacturing recorded a mediocre annual growth of 1 percent due to the impact of unilateral tariffs in the DRC market during the year. From the demand-side, final consumption and investment grew by 7 percent and 10 percent, respectively, close to their five-year averages. Investment was boosted by ongoing projects in ICT, such as Korea Telecom's 4G LTE and online services projects, and the completion of Gigawatt and Nyabarongo energy plants.

3. Inflation. Inflation, both headline and core, was firmly contained with the former standing at 2.1 percent year-on-year in December 2014 and the latter at 2.9 percent. This reflected a combination of low food prices, lower imported inflation from the region, and declining fuel prices in the latter part of the year. Average headline inflation of 1.8 percent for the year is the lowest in the last decade, reflecting the benign supply-side environment and effective coordination of fiscal and monetary policies.

4. External balance. The external trade balance in merchandise goods deteriorated in 2014. An acceleration of imported capital and intermediate goods, reflecting faster implementation of public investment projects in the first half of 2014 and a rebounding private sector, combined with weak export growth in value terms of 3 percent, resulted in a trade deficit of about US$1.3 billion in 2014, or 16 percent of GDP. Within exports, traditional tea and mineral exports were adversely affected by weaker prices (although coffee's performance benefited from increasing prices caused by a global supply shortage). Re-exports continued their recent trend of strong growth and non-traditional exports posted a strong year, particularly for milling products (its rapid expansion of 46 percent contributed 1.4 percentage points to total export growth). Informal export growth was constrained in 2014 due to the imposition of non-tariff barriers by DRC. However, these were removed through negotiations in the CEPGL regional bloc. Total imports (cif) grew by 8 percent compared to 2 percent in 2013. Reserve coverage remained very similar to 2013, at about 5 months of imports at end-2014, reflecting both the weaker current account outturn and the delayed use of the Eurobond proceeds for the Kigali Convention Center.

5. Fiscal developments. Fiscal implementation in the first half of FY 2014/15 was affected by lower revenue collections mainly of indirect taxes, late donor disbursements, and slow implementation of infrastructure projects. Current expenditure was broadly on target but both capital expenditure and net lending particularly the implementation of the KCC project were lower than projected. Regarding the energy sector, the ongoing restructuring of the Rwanda Energy Group (REG) slowed spending. As a result of the lower capital spending and expenditure under net lending, fiscal operations in the July-December 2014 period closed with an overall deficit of RWF 67.9 billion, RWF 62.5 billion lower than the RWF 130.4 billion projected. The delays in donor disbursements also led to a slow-down in cash payments resulting in a carry-over of a slightly higher "float" amounting to RWF 41.7 billion into 2015. These payment orders have since been cleared. For the remainder of FY2014/15, fiscal operations have been revised to reflect the expected shortfall in tax revenue on account of delayed implementation of some measures and the associated reduction in spending to take into account the expected shortfall in resources as well as delays in implementing some infrastructure projects including the KCC project. Total revenue and grants are now projected at RWF 1,355.5 billion whilst total expenditure and net lending is now estimated at RWF 1,647 billion. The overall deficit is now projected at RWF 301.5 billion, RWF 5.9 billion higher than the RWF 295.6 billion originally projected. Net domestic financing is now estimated at RWF 118.3 billion, RWF 20.1 billion higher than the RWF 98.2 billion in the original projection.

6. Debt developments. Rwanda continues to be at low risk of external debt distress and its long-term foreign and local currency sovereign credit ratings was raised to 'B+' from 'B' by Standard & Poor's in March 2015 as a result of increased confidence by investors in the country's broad macroeconomic management. Total Public and Publicly guaranteed debt stood at 30.4 percent of

GDP as of end December 2014 including 23.2 percent of external debt and 7.1 percent of domestic debt. External concessional debt represented 56.7 percent of total debt while commercial and guaranteed debt represented 16.7 percent and 3.1 percent respectively. Guarantees were mainly debt owed by RwandAir and Rwanda Energy Group.

7. Monetary and exchange rate developments. The NBR has continued to focus on limiting the risks from monetary inflation and anchoring inflationary expectations, while containing pressures on the exchange rate. The key policy rate was reduced by 50 basis points to 6.5 percent in June 2014. Reflecting NBR's accommodative monetary policy, money market rates (repo, T-bills and interbank rates) declined and stood at 2.8 percent, 4.9 percent, and 4.7 percent, at end-December 2014 from 4.0 percent, 5.6 percent, and 5.6 percent, respectively, at end-December 2013. Similarly, the deposit interest rates, fell to 8.2 percent in 2014, from 9.9 percent in 2013, while lending rates remained a similar level to 2013 (17.2 percent compared to 17.3 percent). The weak response of the lending rate to the decline of the central bank rate is due to high operating costs in the banking sector as well as high provisions for bad loans, despite a declining NPL ratio. In addition, behavior of borrowers such as lack of information on loan conditions and a culture of not bargaining with banks have contributed to the rigidities in the lending rate charged by banks

8. Regarding the monetary aggregates, broad money increased by 19 percent as of end-December 2014, compared to an initial projection of 14.3 percent. This performance was due to a higher than expected increase in private sector credit. Credit to the private sector grew by 19.6 percent in 2014, compared to 11.1 percent in 2013, reflecting the increase in economic activities. In addition, new authorized loans rose by 38.2 percent in 2014 against a decline of 5.3 percent in 2013, amounting to RWF 652.9 billion from RWF 472.5 billion recorded in 2013. The exchange rate remained largely market driven and the Rwandan Franc depreciated by 3.5 percent in 2014, compared to 6.1 percent for 2013. In 2014, the banking system recorded an increase of 10 percent in foreign resources and 8 percent in expenditures compared to 2013, leading to excess liquidity of US$ 12.7 million in commercial banks. These developments contributed to the stability of RWF in commercial banks and forex bureaux and created room for the BNR to reduce its foreign exchange sales to banks. Net foreign assets declined by 5.6 percent, which was lower than projected. In collaboration with MINECOFIN, BNR initiated a regular bond issuance program in 2014. Three bonds were issued, with increased institutional and foreign participation at each issuance. In a bid to promote corporate bonds, the International Finance Corporation (IFC) under their Pan African Bond program successfully issued an UMUGANDA Bond in 2014 worth US$ 22 million for five years.

9. The efforts of financial sector policies improved financial inclusion in 2014. Under the Financial Sector Development Program (FSDP2), mobile technology continued to play a big role to enhance electronic payments and promote the access and usage of financial services and products by increasing the usage of mobile financial services and e- banking products. Between 2013 and 2014 the number of payments through mobile banking increased by 155 percent whereas subscribers on mobile bank and internet banking increased by 60 percent and 369 percent respectively. The trend is expected to continue as a new entrants come in the market. The banks and Mobile Network Operators are linking to allow money transfers between bank accounts and mobile money accounts. Payment system development in Rwanda has significantly increased the access and the usage of financial services and products. Out of 7.7 million mobile phone users in December 2014, 6.5 million or 84 percent are mobile money subscribers.

10. Program performance. Program performance under the new PSI has been reasonable. All end-December 2014 quantitative assessment criteria (QAC) were met. However, three of the four indicative targets were not met. Domestic revenue collection was two percent off-target (lower by RWF 17 billion) due to weaker than expected VAT receipts. A larger amount of arrears amounting to RWF 41.7 billion also accumulated at end December 2014 due to delays in donor disbursements as the funds accrued at the very end of December. The payment of these arrears was effected in January 2015 using the funds that accrued at end of 2014. The delayed disbursement of donor funds also slowed down some priority spending notably in agriculture and in energy. In the case of the energy sector spending was hampered by the ongoing restructuring of Rwanda Energy Group. The combination of these factors meant that priority spending reached only 95 percent of its target. However, the indicative target on the domestic debt stock was met as the Government reduced its reliance on the overdraft facility at the central bank.

Macroeconomic Outlook and Policy for FY2014/15 and the medium term

11. The outlook for 2015 is positive. Economic growth is likely to expand at a broadly similar rate to 2014 and inflation will remain contained. Falling oil prices will help domestic demand and improvements in electricity supply together with the fiscal impulse from the budget and the availability of adequate private sector credit will support the economic expansion. Although the delay in rainfall experienced at the beginning of 2015 may impact the second agricultural season, the overall impact is expected to be small. The government currently expects growth to be 6.5 percent in 2015 with improved growth prospects in outer years. All the main sectors are expected to contribute to this broad based growth in 2015; growth in agriculture (estimated at 5.2 percent) is led by an increase in food crops reflecting an expansion in the area under cultivation; growth in industry of 8.4 percent is led by major contributions from manufacturing especially of food, beverages and tobacco (+5 percent), electricity particularly due to extension of the electricity grid in late-2014 which will increase supply for economic activity (+6 percent) and construction supported by the significant increase in domestic cement production together with the expected increase in import of capital and intermediate goods (+8 percent). The contribution from the services sector (+7.2 percent) is attributable mainly to trade and transport (+7.4 percent) due to solid growth in agriculture and other related activities including imports, as well as other services (+7.1 percent) led by hotels and restaurants due to higher tourist arrivals, information and communication, public administration and financial services reflecting the expansion of services and value addition in the financial sector. Inflation will remain contained at 3.5 percent by the end of the year. This reflects both a combination of subdued inflationary pressures and the monetary policy stance. In the medium term inflation will be kept below 5 percent.

12. The fiscal framework for 2015/16 and the medium term continues to reflect the Government's medium term objectives of fiscal consolidation through aggressive domestic resource mobilization and expenditure prioritization to reduce the fiscal gap thereby reducing the reliance on external donor support. Consistent with these objectives, total revenue and grants in the 2015/16 fiscal year have been projected at RWF 1,462.5 billion (23.1 percent of GDP) whilst total expenditure and Net Lending has been estimated at RWF 1,741.1 billion (27.5 percent of GDP). The overall deficit for the fiscal year has been projected at RWF 290.1 billion (4.6 percent of GDP) to be financed with net foreign loans of RWF 215.2 billion (3.4 percent of GDP) and net domestic finance of RWF 74.9 billion (1.25 of GDP).

13. In the medium term total revenue and grants are projected to rise in nominal terms from RWF 1,462.5 billion (23.1 percent of GDP) in 2015/16 to RWF 1,578.3 billion in 2016/17 and to RWF 1,774.4 billion in 2017/18. On the expenditure side total expenditure and Net Lending which has been projected at RWF 1,741.1 billion (27.5 percent of GDP) in 2015/16 is programmed to rise in nominal terms to RWF 1,856.9 billion (26.2 percent of GDP) in 2016/17 and to RWF 2,099.7 billion (26.3 percent of GDP) in 2017/18. Consistent with the policy to narrow the fiscal gap, the overall deficit is projected to decline from 4.6 percent of GDP in 2015/16 to 4.1 percent of GDP in 2016/17 and reach 4.2 percent of GDP in 2017/18. Reflecting the policy to reduce the reliance on donor budget support, total grants are projected to decline from 5.7 percent of GDP in 2015/16 to 4.6 percent of GDP in 2016/17 and to 4.4 percent of GDP in 2017/18.

14. In support of the policy to aggressively increase domestic revenue mobilization, the medium term fiscal framework envisages strong increases in tax revenue in the medium term. Accordingly tax revenue collections which reached 14.9 percent of GDP in 2014/15 are projected to increase by 0.5 percent of GDP to 15.4 percent of GDP in 2015/16 with further increases to reach 16 percent of GDP by 2017/18. The Government is committed to implementing the domestic revenue mobilization strategy agreed under the PSI program. The implementation of this strategy will allow these revenue targets to be achieved. Some of the ongoing as well as new important measures for 2015/16 are outlined below.

15. Structural measures aimed at supporting the domestic revenue mobilization strategy will be accelerated**.** These include:

- Increased levy on fuel for Road Maintenance Fund: RWF 5.2 billion
- Introduction of a Levy on Fuel for Strategic Oil Reserves: RWF 8.6 billion
- Changing the Excise Tax for Tobacco: RWF 5 billion
- Introduction of the Infrastructure Levy on Imports: RWF 10.6 billion
- RRA will continue to enforce compliance, in particular with regard to VAT, including the proper use of EBMs as well as a program on voluntary disclosure. The latter is also expected to help widening the tax base. These administrative measures are estimated to yield an additional RWF 11.5 billion.

– Revision of the Property Tax Regime: to reflect an increase of the taxation rate, especially for urban land, with the objective of making it progressive. The increased rate is better aligned to our urbanization policy for improved land management purposes. This will further support the expected increase in the collection of LGTR from 13.5 billion in FY2014/15 to RWF 26.1 billion in FY 2015/16.

Rationale for changing Property Tax Regime:

The current property tax regime is based on land tenure system whereby, land ownership determines whether you pay a Fixed Asset Tax (for those holding a title deed) or a Land Lease Fees (for those without a title deed). The FAT is assessed based on property market value, while Land Lease Fee is based on a fixed fee per square meter of land as determined by district council. There is inequity in applying the above two regimes where two identical properties are currently paying significantly different amounts based on whether a property is under the Fixed Asset Tax (FAT) regime or land lease regime which erodes the tax base because all buildings and structures on a leased land do not pay any fixed asset tax.

New Proposed regime: Focusing on property value, rather than on lease or title issues, makes the tax system fairer and simpler, as well as resulting in higher revenue collection

It is therefore being proposed that Land Lease Fees be abolished, and all properties and land be taxed under Fixed Assets Tax. The proposal is that: building and other structures will be taxed separately from the land on which they stand. Building and other structures will pay 0.2 percent of their estimated market value, and the land will be taxed at a specific tax rate /per square meter between 50-80 RWF depending on the market value of the land, location and infrastructure development and land use master plans in that particular area. The Fixed Land Tax rate shall be increased by 50% for every square meter of land excess of the allowable standard size (e.g. excess of the standard size of plot for a residential house). The 50 percent extra will also apply to undeveloped land.

A residential house of a market value equal or less than RWF 30 million will be exempted from property tax on structure; however, the land on which the exempted residential house is seated will pay a land fixed tax per square meter as determined by the district council. Because of the change in the approach mentioned above, the structural benchmark on fully migration of one district in Kigali from Land lease fee to fixed asset tax has been canceled.

Others measures under implementation:

– Mining taxation: provisions on mining taxation are being incorporated in the Income tax law under revision. This is the case of:
    a. the provision for ring-fencing by mining license area;
    b. the regulations to support implementation of transfer pricing provisions;

c. the requirement of companies to disclose related party transactions on a schedule attached to their tax returns and to document how transfer prices are established for transactions in excess of US$1 million.

– Agriculture taxation: the government is committed to proposing legislation on this but – given its significant impact on the majority of Rwandans – we believe further expert advice is still required for the scoping stage. The search for this expertise is ongoing.

16. A number of measures are being introduced to further strengthen public financial management. In a bid to accelerate the public financial management reforms agenda, the government is implementing the following measures:

- *IFMIS roll out and upgrading:* Given the importance IFMIS occupies by being at the core of all government PFM activities, it is a major preoccupation at the moment and will continue to be at least for the foreseeable future. As part of the plan to upgrade the IFMIS to meet the government's future financial information needs, a QAG is schedule to provide the guidance on how to sequence the key activities that will lead to the redevelopment of the current system to fit the identified functional and technical specifications that have been developed.

- ***Roll out of Subsidiary Entities Accounting and Reporting System (SEAS):*** This initiative started last year and will be further rolled out to other remaining sectors as part of the first phase of covering all sectors in the country and then gradually to schools, health centers, pharmacies etc over the medium term. As of mid-February 2015 SEAS had been rolled out to 72 percent (300/416) of the sectors. The project aims at Strengthening PFM systems and capacities at Sub National levels.

- ***Implementation of E-Procurement:*** After a careful consideration of the findings of a feasibility study of the implementation of an e-procurement system in Rwanda which concluded that e-procurement has huge potential for increasing efficiency, transparency and compliance. The government has made this one of the top most priorities in the PFM reform agenda for the medium term. The government has signed a contract with the vendor and is currently working on the recruitment of the counterpart team that will work with the vendor to develop and rollout the system across government. It is also anticipated that the implementation of this system will bring about significant cost savings in form of time saving, lower transaction costs and it is expected that it will reduce on the use of paper and travel among others.

- ***Enhanced training, professionalization and capacity building across all PFM disciplines***: PFM Capacity building is a cross cutting issue that was carried out from the previous years and will continue to be a priority throughout the remainder of the PFM SSP period. A PFM learning and development strategy is envisaged to help provide a more coordinated and thought through approach to capacity building through exploring other alternative ways of building capacity for PFM. This assignment is expected to be undertaken later this year.

- ***Light update of the PFM Sector Strategic Plan (SSP):*** Rwanda's Public Financial Management (PFM) reforms are guided by the PFM SSP for FY2013/14-17/18 formulated in July 2013. Since the formulation of PFM SSP, PFM reforms have progressed faster than originally envisaged and new issues not included in PFM SSP such as e-Procurement have emerged. Support from development partners has been intensified. DFID formulated the business case, KfW carried out an institutional review of RRA and the World Bank approved a Public Sector Governance Program for Results[1]. MINECOFIN has finalized the action plan for FY2014/15[2]. On this basis, the PFM Coordination Forum held in December 2014 decided to establish a joint task force composed of Government staff and representative from development partners to review and update the PFM SSP and its monitoring framework. This will help to reflect developments in PFM sector in 2013 and 2014 as well as to reprioritize PFM reforms under new environment.

- ***Central and local government PEFA Assessment***: The government is planning to undertake a PEFA assessment by the end of the current fiscal year to assess the progress that has been made since 2010 when the previous one was carried out. The envisaged PEFA Assessment will cover both the central and local government. Rwanda has also volunteered to be one of the pilot countries for the new 2015 methodology that will replace the existing one developed in 2011.

17. There was an increased linkage of plans and budgets through the Medium Term Expenditure Framework and the Public Investment Program (PIP) this year. The PIP was able to make a more substantial linkage between priorities discussed at the planning consultations and the budget consultations for FY 2015/16. It ensured more thorough preparedness of projects entering the investment program by emphasizing the importance of coordination, leveraging private sector involvement and conducting feasibility studies. It successfully addressed challenges with many ongoing domestically financed projects, particularly in the agriculture sector, that have now undertaken proper feasibility studies and project appraisal. This will facilitate improved prioritization and linkages to outcomes in future. A lot of emphasis going forward with the PIP is to address implementation bottlenecks, particularly through improving regular monitoring, strengthening project implementation units, and the roll out of IFMIS to include all externally financed projects.

18. The Public Investment Committee (PIC) facilitated increased prioritization of spending within an envelope that has remained constrained. For example, spending in water and energy are becoming more oriented towards facilitating private sector investments in the pipeline. The 2015/16 PIC was also extended to districts this year to consider complementarity of projects in central and local government, and coordination for delivery on the major priorities of the country. There are considerable financing needs ahead with major projects on the horizon. The authorities clearly recognize the importance of finalizing the ongoing work on prioritization, targeting investments to leverage private sector investment and ensuring the proper functionality of project implementation units to improve delivery in line ministries.

[1] http://www.worldbank.org/projects/P149095?lang=en

[2] http://www.minecofin.gov.rw/fileadmin/documents/Minecofin_Action_Plan_2014-2015.pdf

19. Regarding the external sector, the 2015 current account deficit will fall to 11 percent of GDP, before improving further in the medium term. Although falling oil prices will improve the terms of trade this year, the outlook for export prices is weak. However total receipts from exports are projected to increase by 5.7 percent in 2015, better than 2.9 percent recorded in 2014. This reflects an improved productivity outlook for tea and coffee along with expansion in mines. Total merchandise imports are expected to grow in value by 7 percent compared to 8 percent in 2014. Import growth is largely muted by the impact of oil prices on energy products as well as reduced demand for diesel from Rwanda Energy Group. This is due to the completion of the Nyabarongo hydro plant in late 2014. Foreign reserves coverage at end-2014 will cover around 4.7 months of imports in 2015.

20. Debt Management. Going forward, the challenge will be to ensure that Rwanda's debt remains sustainable, while keeping a low risk of debt distress in the context of the new IMF debt limit policy. This will require that projects are identified by the government under a clear prioritization process which includes the economic impact of the project, its need, its contribution to forex receipts, etc. Furthermore, the financing for implementation of those projects will need to be secured on the most favorable terms in order to ensure adequate balance of cost and risk of total debt.

21. The NBR will maintain its prudent monetary policy stance during 2015 in a bid to anchor inflationary expectations while supporting growth and containing pressures on the currency. Private sector credit is expected to grow by 20 percent in 2015. The exchange rate will remain market driven and NBR will continue to allow greater exchange rate flexibility and ensure reserve levels remain comfortable (at a minimum level of 4 months of prospective imports (CIF)). The NBR will continue to carefully assess developments and adapt the stance to the changing circumstances with the aim of maintaining inflation within its target.

22. The NBR will continue to work on strengthening its monetary policy framework and improving the transmission mechanism. The monetary transmission mechanism is gradually improving as interbank market interest rates are becoming responsive to NBR's monetary policy stance. Interest rates on government securities have also followed the policy rate but lending rates have responded more slowly in part reflecting high overhead costs and provisioning for nonperforming loans. In addition, in a bid to promote capital market development and support the transmission mechanism, the NBR in collaboration with MINECOFIN, is committed to continue issuing on quarterly basis Treasury Bonds and extend the maturity.

23. The regular issuance of T-bonds and the use of T-bills for monetary purposes are expected to reduce the short term banking liquidity and make the secondary market more active. This will progressively improve the interest rate pass-through in Rwanda, the foundation for the use of price-based monetary policy. In a bid to develop the local bond market, the Ministry of Finance and Economic Planning in collaboration with the Central Bank have taken a firm commitment to plan regular issuance and extend the yield curve to longer maturities. Therefore, a 10 year bond is scheduled in May 2015 while a 15 year bond will come in the course of fiscal year 2016/2017. The benchmark rates for longer maturities will contribute to promote the corporate bonds. In addition, in a bid to boost trading on secondary markets, NBR is planning to introduce market makers for Government Debt Securities. Their primary role will be to price outstanding bonds on a daily basis, to actively participate on the primary market and to sell on the secondary market. Widening the investor base by increasing the participation of institutional and foreign investors will continue to be a focus in order to support the activities on the bond market. However, the main challenge is expected to come from the external sector, if commodity prices of Rwanda's main export will continue to decrease in 2015. This may exert more pressures on RWF exchange rate, leading to RWF depreciation and increase the exchange rate pass through to domestic prices.

24. Financial sector policies will remain geared toward fostering financial inclusion and sustaining financial stability. Ongoing efforts to increase financial inclusion and deepening would also be sustained, particularly through the implementation of the Financial Sector Development Plan (FSDP2). In line with strengthening UMURENGE SACCO Program and sustaining its impact on financial inclusion and welfare of the population previously unbanked, the consolidation of SACCOs into an APEX organization (Cooperative Bank) is underway: UMURENGE SACCOs harmonized internal policies and procedures were elaborated and disseminated; the automation of their operations is at the level of selecting the software provider whereas the formation of the Cooperative is expected by end-2015.

25. The legal and regulatory framework will continue to be bolstered. The NBR law and Banking law were submitted to Rwanda Law Reform Commission for final legal review before its presentation to the Cabinet. These laws will be implemented as soon as they are published in the Official Gazette. The drafting of the implementing regulatory framework is ongoing since December 2014 with the Technical Assistance of the World Bank. The deposit insurance law was approved by the Parliament and awaits gazetting process. NBR has put in place a steering committee in charge of development of Basel II/III framework. A draft regulation on capital requirements was developed and is being reviewed before its approval by the Steering Committee. The draft insurance law was approved by NBR Board of March 2015 and is being translated before its submission to MINECOFIN. The road map to draft its implementing regulations is in place. The pension law was adopted by the Senate and is in the process of its signature and publication in the Official Gazette. The development of pension regulations is ongoing.

26. The NBR will continue to conduct off-site surveillance and on-site examinations under risk-based supervision and capacity building efforts for bank supervisors will be sustained. Additionally, given the increasing importance of cross-border banks, the NBR will increase its participation in supervisory colleges to conduct joint on-site inspection of cross-border banks. The National Bank of Rwanda participates in Supervisory Colleges organized by Central Bank of Kenya; EAC Central Banks have established a Working Group (within Monetary Affairs Committee) on Crisis Management to review the resolutions regimes. Non-performing loans have continued to decline following the increase during the crisis and commercial banks are complying with the new NPL guidelines.

27. Program issues. Table 1 contains end-December 2014 and modified end-June 2015 QACs for the third and fourth reviews under the PSI and new QACs for end-December 2015 for the fifth review. These QACs are consistent with the understandings reached with IMF staff on the macroeconomic framework. The assessment of the end-June 2015 targets is expected to be completed by end-December 2015, at the time of the fourth review. The fifth review is expected to be completed by end-June 2016. Table 2 includes the structural benchmarks under the PSI.

Table 1. Quantitative Assessment Criteria and Indicative Targets[1]

(Billions of Rwandan francs, unless otherwise indicated)

	Dec 2014 Program	Dec 2014 Adj. Program	Dec 2014 Actual	Dec 2014 Status	Jun 2015 IMF 14/343	Jun 2015 Modifed Program	Dec 2015 Program
Assessment criteria [2]							
Net foreign assets of the NBR at program exchange rate (floor on stock) [3, 4]	508.9	513.7	577.0	Met	453.5	512.9	524.0
Reserve money (ceiling on stock) (upper bound) [5]	243.9		243.9	Met	273.9	273.6	290.9
Reserve money (ceiling on stock) [5]	239.1		240.8		268.5	268.2	285.2
Reserve money (ceiling on stock) (lower bound) [5]	234.3		234.3		263.2	262.8	279.5
Net domestic financing (ceiling on flow) [4, 6]	180.8	176.0	119.4	Met	66.1	153.9	151.0
New nonconcessional external debt contracted or guaranteed by the public sector (US$ millions) (ceiling on stock) [9]	250.0		20.0	Met	250.0	500.0	500.0
External payment arrears (US$ millions) (ceiling on stock)	0.0		0.0		0.0	0.0	0.0
Indicative targets							
Domestic revenue collection (floor on flow) [6]	839.9		822.8	Not met	506.1	467.9	951.7
Net accumulation of domestic arrears (ceiling on flow) [6]	-17.0		34.0	Not met	-0.7	-26.7	-2.5
Consolidated domestic debt of public sector (ceiling on stock, eop) [4, 7]	402.5		390.2	Met	436.5	481.5	456.1
Total priority spending (floor on flow) [6]	659.9		628.5	Not met	431.4	331.2	640.8
Memorandum items:							
Total budget support (US$ millions) [6, 8]	447.3		429.0		117.8	139.2	400.2
Budget support grants (US$ millions)	289.1		274.6		47.8	69.2	239.1
Budget support loans (US$ millions)	158.2		154.4		70.0	70.0	161.2
Euro bond (US$ millions)	400.0		400.0		400.0	400.0	400.0
Unused euro bond proceeds (US$ millions)	76.7		102.2		0.0	75.8	18.8

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] All items including adjusters are defined in the Technical Memorandum of Understanding (TMU).
[2] Assessment criteria for NFA, RM, NDF are for end-Jun 2015 and end-Dec 2015 but are continuous for NCB and EA.
[3] Dec 2014 numbers are at the exchange rate of RWF670.1 per US dollar. 2015 program numbers are at the revised program exchange rate of RWF694.4.
[4] Subject to adjustors. See TMU for details.
[5] Targets are calculated as an arithmetic average of the stock of reserve money for the three months in the quarter. AC applies to upper bound only. See TMU for details.
[6] Numbers for 2014 are cumulative from 12/31/2013, and those for 2015 are cumulative from 12/31/2014. The figure excludes revenues associated with demobilization and AU peace keeping operations.
[7] Excluding NBR's debt issued for monetary policy purposes. See TMU for details.
[8] Excluding demobilization and African Union peace keeping operations, HIPC grant, and COMESA compensation grant.
[9] All QAC target dates are cumulative from end-Dec 2013 for Dec 2014 QACs and end-Dec 2014 for end-Jun and end-Dec 2015.
[10] This target will be adjusted depending on the large foreign investments that will be financed during the year consistent with maintaining a low debt distress rating.

Table 2. Status of Structural Benchmarks for PSI (Third Review)

Policy Measure	Target Date	Macroeconomic rationale	Status
Revenue Mobilization			
Revise law on Decentralized Local government taxes to enable the migration from Land Lease Fees to Fixed Asset Tax	End-June 2015		The rationale is now to raise the property tax rate to 0.2 percent
Fully migrate one district in Kigali from Land Lease Fee to Fixed Asset Tax	End-Dec 2015	To enhance revenue mobilization.	Modified. Property tax legislation will apply countrywide immediately
Prepare legislative proposal for new tax regime for agriculture.	End-Dec 2015	To enhance revenue mobilization.	Split into two benchmarks below
Prepare study on new tax regime for agriculture.	End-Dec 2015		*New proposed*
Prepare legislative proposal for new tax regime for agriculture.	End-June 2016		*New proposed - To replace SB for end-Dec 2015.*
Prepare legislative proposal for new tax regime for mining.	End-Jan 2015	To enhance revenue mobilization.	Not met. Date changed to end September 2015 as part of the proposed Income Tax Law
Public Financial Management			
Sub-national entities (416) to produce monthly, quarterly, and annual financial reports using a uniform template.	End-Dec. 2015	To improve comprehensiveness and transparency of intergovernmental fiscal transfers.	
MINECOFIN to publish (and put on its website) quarterly reports of budget execution against annual fiscal policy objectives, within 45 days of end of each quarter.	Continuous, starting mid-May 2014	To improve fiscal transparency.	Not met, report published with delay
Monetary and Exchange Rate Policy			
Start issuing government bonds with maturities of 7 and 10 years	End-June 2015	To develop money market instruments.	

Sources: Rwandan authorities and IMF staff.

Attachment II. Technical Memorandum of Understanding

April 30, 2015

1. This memorandum defines the quantitative targets described in the memorandum of economic and financial policies (MEFP) for the period December 2, 2013–November 30, 2016 supported by the IMF Policy Support Instrument (PSI), and sets out the data reporting requirements. This technical memorandum of understanding (TMU) supersedes the TMU issued in Country Report No. 14/343.

I. QUANTITATIVE PROGRAM TARGETS

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

3. AC will apply to the following indicators for June 30, 2015 and December 31, 2015 (the test dates) throughout the program period:

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

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

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

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

6. **Program exchange rates**. For accounting purposes, the following program exchange rates, which are end-December 2014 rates, apply for 2015:

Program Exchange Rates (US$ per currency unit, unless indicated otherwise)	
	2014
Rwanda Franc (per US$)	694.374186
Euro	1.2141
British Pound	1.5608
Japanese Yen (per US$)	120.64
SDR	1.44881

A. Institutional Coverage of the Fiscal Sector

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

B. Targets Related to the Execution of the Fiscal Program

Ceiling on net domestic financing of the government (AC)

8. **A ceiling applies to NDF**. The ceiling for June 30, 2015 is cumulatively measured from December 31, 2014, and for December 31, 2015 cumulatively from December 31, 2014.

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

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

- Consolidated credit to the government from the banking system (NBR and commercial banks, as recorded in the monetary survey), including credit to the government, provinces and districts. The outstanding consolidated government debt held by the banking system,[1] includes government debt to the NBR amounting to RWF 38.6 billion incurred as a result the overdraft to the pre-war government and the 1995 devaluation [2], as well as the current overdraft with the NBR. Credit to the government will exclude treasury bills issued by the NBR for monetary policy purposes, the proceeds of which are sterilized in deposits held as other NBR liabilities.

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

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

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

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

Adjusters to NDF:

- The ceiling on NDF will be adjusted *upward* by the amount of any shortfall between actual and programmed budgetary loans and grants[3] (defined in Table 1. Quantitative Assessment Criteria and Indicative Targets of the MEFP), up to a maximum of US$80 million, evaluated in Rwandan francs at the program exchange rate.

- The ceiling on NDF will be adjusted upward/*downward* by the extent to which in Rwandan francs at the program exchange rate the unused proceeds of the US$400 million euro bond issued in April 2013 is lower than/exceed US$75.8 million by end-June 2015 and is lower than/exceed US$18.8 million by end-December 2015.

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

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

[3] Budgetary grants exclude COMESA and HIPC grants, but include Global Fund.

Floor on flow of domestic revenues (IT)

13. A floor applies to domestic revenue. The floor for June 30, 2015 is cumulatively measured from December 31, 2014, and for December 31, 2015 cumulatively from December 31, 2014.

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

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

Floor on priority expenditure (IT)

16. The floor applies to priority spending of the government. The floor for June 30, 2015 is cumulatively measured from December 31, 2014, and for December 31, 2015 from December 31, 2014.

17. Definition. Priority expenditure is defined as the sum of **those recur**rent expenditures, domestically-financed capital expenditures, and net lending that the government has identified as priority in line with the EDPRS2. Priority expenditure is monitored through the computerized SIBET expenditure management system which tracks priority spending of the annual budget at the program level.

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

Net accumulation of domestic arrears of the government (IT)

19. A ceiling applies to net accumulation of domestic arrears of the government.[4] The ceiling for June 30, 2015 is cumulatively measured from December 31, 2014, and for December 31, 2015 cumulatively from December 31, 2014.

20. Definition. The net accumulation of arrears is defined as the difference between the gross accumulation of new domestic arrears (measured as the difference between payment orders and actual payments related to payment orders issued) that are overdue by more than [90] days and gross repayment of any arrears outstanding at the beginning of the year under review (including repayment of float during the review year and the repayment of older arrears).

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

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

C. Limits on External Debt

Limit on new non-concessional external debt of the public sector (AC)

22. A ceiling applies to the contracting and guaranteeing by the public sector of new non-concessional borrowing with non-residents (see below for the definition of the public sector, concessionality and debt). The ceiling is given in Table 1. Quantitative Assessment Criteria and Indicative Targets of the MEFP which applies continuously from December 2, 2013 to end June 2015. The ceiling also excludes non-concessional borrowing by one state-owned bank, the Bank of Kigali, which is assumed not to seek or be granted a government guarantee. The ceiling also applies to private debt for which official guarantees have been extended, including future swaps involving foreign currency loans guaranteed by the public sector (see below for swaps), and which, therefore, constitute a contingent liability of the public sector.

23. The public sector comprises the general government (central government, NBR, local governments) and entities in which the government holds a controlling stake (owning more than 50 percent of shares) This definition of the public sector excludes the Bank of Kigali. For program purposes, the guarantee of a debt arises from any *explicit* legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind), or from any *implicit* legal or contractual obligation of the public sector to finance partially or in full any shortfall incurred by the debtor.

24. Definition of concessionality. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[5] The discount rate used for this purpose is 5 percent.

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

> (a) The term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future

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

point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

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

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

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lesser retains the title to the property. The debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

(b) Under the definition of debt set out in point 9(a) above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

Limit on the stock of external payment arrears (AC)

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

Consolidated Domestic Debt of the Public Sector (IT)

27. For program purposes, domestic debt (DD) excludes treasury bills issued by the NBR for monetary policy purposes. The ceiling on DD applies to domestic commitments contracted or guaranteed by the public sector. This also applies to private debt for which official guarantees have been extended either implicitly or explicitly. The authorities would inform Fund staff of any changes in debt position of public sector entities.

Adjusters:

- In the case of a shortfall in programmed budgetary loans and grants (per paragraph 11), the ceiling on consolidated domestic debt of public sector will be adjusted *upward* by the same amount as the increase in the ceiling in the NDF, but capped per paragraph 11.
- The ceiling on the DD will be adjus*ted upward* by the amount of expenditure for food imports in the case of a food emergency.

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

D. Targets for Monetary Aggregates

Net foreign assets of the National Bank of Rwanda (AC)

29. A floor applies to the net foreign assets (NFA) of the NBR for June 30, 2015 and December 31, 2015

30. Definition. NFA of the NBR in Rwandan francs is defined, consistent with the definition of the Special Data Dissemination Standard (SDDS) template, as external assets readily available to, or controlled by, the NBR net of its external liabilities. Pledged or otherwise encumbered reserve assets (including swaps) are excluded; such assets include, but are not limited to, reserve assets used as collateral or guarantee for third party external liabilities. Foreign assets and foreign liabilities in U.S. dollars are converted to Rwandan francs by using the U.S. dollar/Rwanda franc program exchange rate. Foreign assets and liabilities in other currencies are converted to U.S. dollars by using the actual end-of-period U.S. dollar/currency exchange rate. Foreign liabilities include, inter alia, use of IMF resources (CCFF and post-conflict emergency assistance purchases and SAF/ESAF/ECF disbursements).

Adjusters:

- The floor on NFA will be adjusted *downward* by the amount of any shortfall between actual and programmed budgetary loans and grants per Table 1. Quantitative Assessment Criteria and Indicative Targets of the MEFP. This adjustment will be capped at the equivalent of US$80 million, evaluated in Rwanda francs at the program exchange rate.
- The floor on NFA will be adjusted *upward/downward* by the extent to which in Rwandan francs at the program exchange rate unused proceeds of the US$400 million euro bond issued in April 2013 is lower than/exceed US$75.8 million by end-June 2015 and is lower than/exceed US$18.8 million by end-December 2015.
- The floor on NFA will be adjusted *downward* by the amount of expenditure for food imports in the case of a food emergency, evaluated in Rwanda francs at the program exchange rate.

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

Reserve money (AC)

32. A ceiling applies to the stock of reserve money for June 30, 2015 and December 31, 2015 as indicated in Table 1. Quantitative Assessment Criteria and Indicative Targets of the MEFP. The ceiling is the upper bound of a reserve money band (set at+/- 2 percent) around a central reserve money target).

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

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

Adjuster:

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

35. Reporting requirement. Data on reserve money will be transmitted on a weekly basis within seven days of the end of each week. This transmission will include a daily and a weekly balance sheet of the NBR which will show all items listed above in the definitions of reserve money.

II. OTHER DATA REPORTING REQUIREMENTS

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

37. The authorities will inform the IMF staff in writing at least ten business days (excluding legal holidays in Rwanda or in the United States) prior to making any changes in economic and financial policies that could affect the outcome of the financial program. Such policies include but are not limited to customs and tax laws (including tax rates, exemptions, allowances, and thresholds), wage policy, and financial support to public and private enterprises. The authorities will similarly inform the IMF staff of any non-concessional external debt contracted or guaranteed by the government, the NBR, or any statutory bodies, and any accumulation of new external payments arrears on the debt contracted or guaranteed by these entities. The authorities will furnish an official communication to the IMF describing program performance of quantitative and structural assessment criteria and benchmarks within 8 weeks of a test date. The authorities will on a regular basis submit information to IMF staff with the frequency and submission time lag as indicated in TMU Table 1. The information should be mailed electronically to the Fund (email: afrrwa@imf.org).

TMU Table 1. Summary of Reporting Requirements

	Frequency of Data[10]	Frequency of Reporting[10]	Frequency of Publication[10]
Exchange Rates[1]	D	W	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[2]	W	W	M
Reserve/Base Money	W	W	M
Broad Money	M	M	M
Central Bank Balance Sheet	W	W	M
Consolidated Balance Sheet of the Banking System	M	M	M
Interest Rates[3]	M	M	M
Volume of transactions in the interbank money market and foreign exchange markets and sales of foreign currencies by NBR to commercial banks	D	W	W
Liquidity Forecast Report[4]	W	W	W
Consumer Price Index[5]	M	M	M
Composite Index of Economic Activity (CIEA) and sub-components compiled by the NBR	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[6] – General Government[7]	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[6]– Central Government	M	M	M
Comprehensive list of tax and non tax revenues[8]	M	M	M
Comprehensive list of domestic arrears of the government	M	M	M
The ten (10) largest components of transfers in the fiscal table	M	M	M
Social security contributions (RAMA and CSR)	M	M	M
Stocks of public sector and public-Guaranteed Debt as compiled by MINECOFIN and NBR[9]	A	A	A
Privatization receipts	M	M	M
External Current Account Balance	A	SA	A

TMU Table 1. Summary of Reporting Requirements (concluded)

	Frequency of Data[10]	Frequency of Reporting[10]	Frequency of Publication[10]
Exports and Imports of Goods and subcomponents.	M	M	Q
Exports and Imports of Goods and Services and subcomponents	A	A	A
GDP/GNP	A, Q	Q, SA	Q

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