INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/9

RWANDA

January 2020

FIRST REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND MONETARY POLICY CONSULTATION—PRESS RELEASE; AND STAFF REPORT

In the context of the First Review Under the Policy Coordination Instrument Program, 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 November 13, 2019, with the officials of Rwanda on economic developments and policies underpinning the IMF arrangement under the Policy Coordination Instrument Program. Based on information available at the time of these discussions, the staff report was completed on December 20, 2019.

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

Letter of Intent sent to the IMF by the authorities of Rwanda*
Program Statement 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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INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

Press Release No. 20/13
FOR IMMEDIATE RELEASE
January 17, 2020

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes First Review Under the Policy Coordination Instrument (PCI) and Monetary Policy Consultation for Rwanda

- Rwanda's macroeconomic performance under the program remains strong.
- The PCI-supported program focuses on creating budget space for the implementation of Rwanda's National Strategy for Transformation.
- The program also calls for improving fiscal transparency, boosting revenue, and supporting the implementation of the new interest rate-based monetary policy framework.

On January 9, 2020, the Executive Board of the International Monetary Fund (IMF) concluded the first review of Rwanda's program supported by the IMF's Policy Consultation Instrument (PCI). The decision was taken without an Executive Board meeting.[1]

Rwanda's PCI-supported program was approved on June 28, 2019 (Press Release No.19/258) to support the implementation of Rwanda's National Strategy for Transformation (NST). Program modalities focuses on four main pillars: (i) creating budget space for the implementation of the NST while preserving fiscal and debt sustainability; (ii) improving fiscal transparency, including the identification and management of potential government liabilities, (iii) regaining momentum on domestic revenue mobilization; and (iv) supporting the implementation of the National Bank of Rwanda (BNR)'s new interest rate-based monetary policy framework.

Rwanda's macroeconomic performance under the program remains strong. Growth continues to beat expectations, averaging 10.3 percent in the first half of 2019, on the back of a booming construction sector, robust activity in services, and a healthy agricultural output. As a result, the 2019 growth projection has been revised up from 7.8 to 8.5 percent, with strong upside risk—especially given the recently released GDP figures suggesting that the economy grew in double digits in Q3 2019. The fiscal deficit in 2018/19 was higher-than-expected due to accelerated implementation of investment spending; but remained within the program

[1] 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.

limits. This, combined with stronger demand for the capital-goods imports needed for construction, has led to a widening of the current account deficit. Growth should remain strong, at around 8 percent, over the next 2–3 years.

After a period of subdued price pressure, inflation has come back within the BNR's and the PCI's Monetary Policy Consultation Clause (MPCC) targeted range partly reflecting stronger domestic demand and dissipating base effects.[2] BNR has appropriately set the monetary stance by reducing interest rates at the trough of the inflation cycle in May and has since refrained from further easing as price dynamics reversed. Headline inflation is expected to peak in end-2019/early-2020 and should subsequently ease toward the mid-point of the authorities' target band. The BNR remains committed to take action should trends deviate from expectations.

Looking ahead, the fiscal deficit path is forecasted to adhere to the fiscal rule under the program, which provides space for the implementation of the NST while safeguarding debt sustainability.[3] The government plans to finance the NST partly through public borrowing, which should continue to be supported by careful debt management. There are a number of plans underway to increase domestic revenues by boosting the registration of new taxpayers as well as through innovative schemes and greater use of technology to strengthen tax compliance. Further progress on identifying and managing potential government liabilities—so called fiscal risks—will be important to ensure that public resources are well protected for use on priority spending.

The BNR continues to make progress in implementing its new interest-based monetary policy framework. Domestic liquidity pressures over the summer were met through increased activity on the interbank market and use of the BNR's reverse repo facility. There are signs that interest rate channels are strengthening, with shorter term interest rates converging and longer-term interest rates declining slightly. Further steps to develop money markets will be needed to strengthen the new framework, along with stronger forecasting capacity and an upgraded communication strategy.

The government continues to promote private sector activity and boost productivity with encouraging results so far. A successful transition to a private sector-led growth and higher

[2] The BNR's targeted range corresponds to ± 3 percentage point range around the BNR's 5 percent target for the headline inflation averaged for the past 12-month. Under the PCI's MPCC, a consultation with the Executive Board is required if headline inflation, as previously defined, falls outside ± 4 percentage point around the BNR's target for given test dates. This consultation focuses on (i) the appropriateness of the monetary stance and whether the Fund-supported program remains on track, (ii) the reasons for program deviation, and (iii) proposed remedial actions, if deemed necessary. Headline inflation was below the lower bounds of both the BNR's target band the PCI's MPCC at end-June 2019, one of the program test dates.

[3] The fiscal rule under the program corresponds to a fiscal deficit limit of 5.5 percent on average over a rolling 5-year window.

productivity will be important for sustaining Rwanda’s high growth while maintaining macroeconomic balances.

Table 1. Rwanda: Selected Economic Indicators, 2018–21

	2018	2019		2020		2021	
	Prel.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
	(Annual percentage change, unless otherwise indicated)						
Output and prices							
Real GDP	8.6	7.8	8.5	8.1	8.0	8.2	8.0
GDP deflator	-0.8	4.2	1.8	5.0	5.6	5.0	5.0
CPI (period average)	1.4	3.5	2.3	5.0	5.4	5.0	5.0
CPI (end period)	1.1	5.0	5.7	5.0	5.0	5.0	5.0
Terms of trade (deterioration, -)	-0.7	0.7	-1.8	0.1	-0.1	0.2	0.0
Money and credit							
Broad money (M3)	15.6	19.8	21.8	20.0	21.9	17.7	17.4
Reserve money	16.1	17.2	21.5	17.9	22.1	15.7	17.8
Credit to non-government sector	10.8	12.8	17.6	14.3	14.8	13.9	7.9
M3/GDP (percent)	25.3	27.0	27.9	28.5	29.8	29.5	30.9
NPLs (percent of total gross loans)	6.4	…	…	…	…	…	…
Budgetary central government	(Percent of GDP, unless otherwise indicated)						
Total revenue and grants	24.1	23.1	23.6	22.2	23.1	21.6	22.9
of which: tax revenue	16.2	16.1	16.6	16.3	16.9	16.1	16.5
of which: grants	4.9	4.8	4.5	3.9	4.1	3.4	4.3
Expenditure	28.8	29.2	31.9	28.6	29.0	27.8	29.2
Current	15.3	14.7	15.9	13.9	14.5	13.7	14.6
Capital	11.5	12.0	12.7	12.3	12.1	12.1	12.7
Primary balance	-3.5	-4.9	-6.9	-5.0	-4.2	-4.8	-4.9
Overall balance	-4.7	-6.1	-8.2	-6.4	-5.9	-6.2	-6.3
excluding grants	-9.6	-10.9	-12.7	-10.4	-10.0	-9.6	-10.6
Debt-creating overall bal.(exc. PKO)[1]	-5.0	-6.0	-6.7	-6.3	-5.7	-6.4	-6.4
Net domestic borrowing	0.0	2.0	2.7	0.8	0.7	1.1	2.0
Public debt							
Total public debt incl. guarantees	53.1	55.8	59.0	57.3	58.9	58.2	59.8
of which: external public debt	41.6	43.4	46.0	44.6	48.1	45.5	49.8
PV of total public debt incl. guarantees	40.9	42.5	44.5	42.9	43.1	42.7	42.9
Investment and savings							
Investment	24.4	27.7	28.4	28.4	28.2	28.2	28.8
Government	11.5	12.0	12.7	12.3	12.1	12.1	12.7
Nongovernment	12.9	15.7	15.7	16.1	16.1	16.1	16.1
Savings	12.9	14.6	14.6	16.4	15.5	18.0	16.6
Government	4.0	3.6	3.3	4.3	4.5	4.5	4.0
Nongovernment	8.9	11.1	11.2	12.1	11.1	13.5	12.6
External sector							
Exports (goods and services)	21.5	21.2	21.5	21.4	21.8	22.1	22.6
Imports (goods and services)	33.1	33.6	34.9	32.8	34.1	31.8	34.3
Current account balance (incl grants)	-7.9	-9.6	-10.6	-9.4	-9.9	-7.9	-9.1
Current account balance (excl grants)	-11.5	-13.1	-13.9	-12.0	-12.7	-10.2	-12.2
Current account balance (excl. large projects)	-7.4	-9.0	-10.4	-8.3	-8.9	-7.4	-8.2
Gross international reserves							
In millions of US$	1,319	1,428	1,367	1,566	1.553	1,637	1,654
In months of next year's imports	4.5	4.7	4.4	4.9	4.6	4.7	4.6
Memorandum items:							
GDP at current market prices							
Rwanda francs (billion)	8,189	9,199	9,045	10,442	10,313	11,866	11,688
Population (million)	12.1	12.4	12.4	12.7	12.7	13.0	13.0

Sources: Rwandan authorities and IMF staff estimates.

1/ Overall deficit excl. spending on materialized contingent liabilities and other items already included in the DSA.

INTERNATIONAL MONETARY FUND

RWANDA

December 20, 2019

FIRST REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND MONETARY POLICY CONSULTATION

KEY ISSUES

Growth continues to outpace expectations. 2019 H1 growth was 10.3 percent y/y, fueled by private and public construction. Inflation rose at a slightly slower pace than anticipated in the first half of 2019, and 12-month average inflation was below the MPCC band from June-August this year. Lower-than-anticipated donor disbursements and higher execution of externally-financed deficit spending resulted in a higher-than-expected FY18/19 fiscal deficit, financed by a higher float and spending adjustment. Strong uptake of longer-term sovereign bond and an increased float led to domestic liquidity pressures in July-September, prompting greater activity on the interbank market and liquidity injections by the central bank. The trade deficit increased slightly more than expected in the first three quarters of 2019, due to adverse terms of trade and strong capital imports. This was largely offset by an improvement in services, largely reflecting strong performance of RwandAir. The RWF had depreciated by 4.7 percent at end-October y/y, and international reserves remain adequate.

Program performance remains satisfactory. All but one quantitative and structural reform targets were met. Inflation was below the lower MPCC bound in June, triggering the requirement for a formal consultation with the Executive Board.

The program fiscal rule remains unchanged but could be revisited following further progress in identifying, assessing, and managing fiscal risks. The current program fiscal rule maintains a neutral fiscal stance over the medium-term to support spending for Rwanda's National Strategy for Transformation (NST), while also safeguarding debt sustainability. The rule embeds a substantial buffer to guard against emergence of fiscal risks, which can be mitigated by ongoing reforms to enhance transparency and manage risks. Fiscal space will also be created by continued efforts to increase tax revenues.

Despite low inflation triggering the MPCC, the current monetary stance should be maintained in light of current conditions. Given high growth, an expansionary fiscal stance, and inflation having risen to within the target band, further monetary easing appears unnecessary at this time. Domestic liquidity pressures highlighted nascent transmission that could be further strengthened by reducing structural excess reserves.

Staff supports completion of the first review of Rwanda's PCI-supported program.

Approved By
Zeine Zeidane (AFR) and Yan Sun (SPR)

Discussions were held in Kigali during October 31–November 13, 2019. The mission comprised L. Redifer (head), V. Duarte Lledo, J. Weiss, S. Mbaye (all AFR), S. Kaihatsu (SPR), C. Ncuti (STA). V. Gaspar (FAD), H. Joly (AFR), and L. Nankunda (OED) also attended mission meetings, and the mission was facilitated by the staff of the resident representative's office. T. Gursoy and F. Morán Arce (AFR) also contributed to this report.

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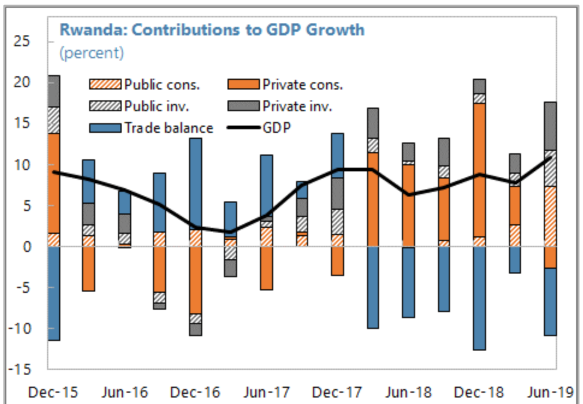
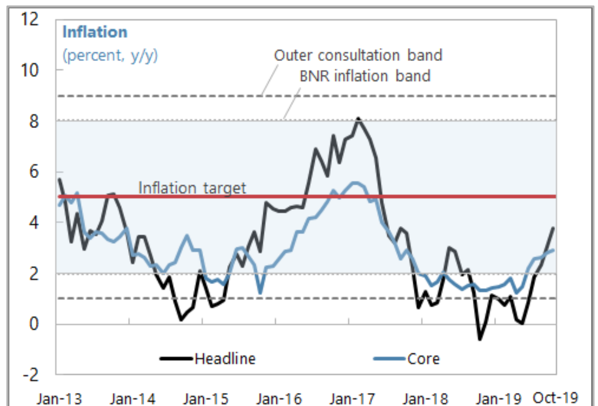
APPENDIX

RECENT DEVELOPMENTS

1. **Growth has outpaced expectations, while inflation is picking up (Figure 1, Table 1).** Real GDP rose by 10.3 percent y/y in the first half of 2019, with a pronounced increase in services and construction, the latter reflecting large public infrastructure projects and private residential and commercial projects. In addition to accelerated public investment in roads, electricity, and water, growth was stimulated by renovation of a sports/concert arena in Kigali. Leading indicators suggest strong growth will continue. Headline inflation continued to rise as projected, settling at 4.4 percent y/y in October. The increase reflects base effects for food and stronger demand operating on core inflation (2.8 percent in October).



Source: Rwandan Authorities. Annual share of public investment applied to quarters.



Source: Rwandan Authorities, and IMF staff calculations.

2. **The FY 18/19 deficit was higher than expected but remained within the adjusted program ceiling (Figure 2, Tables 2a–b, 2c–d).** The fiscal deficit (commitment basis) was higher than programmed, mainly due to higher externally-financed investment spending execution, lower-than-expected budgetary grants, and higher net outlays for UN peacekeeping operations (PKO). This was partly compensated for by overperforming domestic revenues and lower net lending. Despite the increase in foreign-financed investment, unearmarked grants and concessional financing were lower than expected due to technical reasons and some delays in meeting conditionality.[1] This became evident late in the fiscal year, creating shortfalls against spending commitments. Due to concerns about crowding out the private sector, the temporary solution was to allow an increase in

Rwanda: Operations of the Central Government, GFSM86[1]

(percent of GDP)

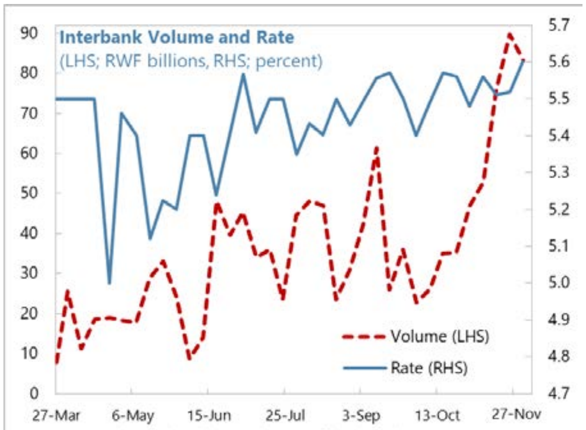
	2018/19	
	Prog.	Actual
Revenue and grants	**23.9**	**24.0**
Total revenue	19.0	19.4
Tax revenue	16.1	16.5
Nontax revenue	2.8	2.9
Of which : PKO	1.9	1.8
Grants	4.9	4.6
Total expenditure and net lending	**29.3**	**30.3**
Current expenditure	15.0	15.6
Transfers	4.6	4.7
of which: PKO	1.8	2.5
Capital expenditure	12.0	12.4
Net lending and privatization receipts	2.4	2.3
Overall balance (incl. grants, commitment basis)	**-5.5**	**-6.3**
Change in float/arrears[3]	-0.3	0.6
Overall balance (incl. grants, cash basis)	**-5.8**	**-5.7**
Financing	5.8	**5.7**
Foreign financing (net)	5.0	5.2
Net domestic financing	0.8	0.6

Source: Rwandan authorities and IMF staff estimates and projections.
[1/] Fiscal year runs from July to June.

[1] This largely related to a new multi-donor construct that took more time than expected to establish and requires an auditing process to verify "disbursement-linked indicators."

accounts payable (float) by 0.9 ppts of GDP.[2] About one-third of the float was cleared by the arrival of the previously-anticipated disbursements early in FY19/20.

3. Domestic liquidity pressures accelerated an increase in interbank market activity (Figure 3, Table 3). Domestic liquidity pressures emerged as a result of shifting portfolios away toward longer term securities (including a 20 year infrastructure bond in August that was far oversubscribed) and the increase in the float. As liquidity conditions tightened, the volume of interbank transactions increased and the interbank rate rose above the policy rate. The central bank also engaged in reverse repurchase operations for the first time in several years to meet increased bank demand for liquidity.



Source: Rwandan Authorities, and IMF Staff calculations.

4. After easing in May, the MPC kept the policy rate unchanged in August and November. After a 50 basis point reduction in May to help bring inflation within its targeted band of 2–8 percent, the MPC chose to leave the policy rate unchanged in August and November. The MPC noted that headline inflation was picking up as projected and private sector credit growth was growing rapidly (20.1 percent y/y as of September). The MPC also noted an increase in domestic demand, which it expects to continue through 2020.

5. The financial system remains healthy amid strong credit growth (Table 5). Banks are well-capitalized and profitable. Liquidity ratios declined this year amid the pressures mentioned above, stonger lending, and a shift into longer-term government securities, but remain well above the regulatory minima. The banking system's aggregate NPL ratio fell to 5.6 percent this year, although large exposures and continued strong lending to the construction sector, have prompted closer supervision by the BNR, which has introduced loan-to-value limits. Microfinance asset quality has improved, although lending has also been rapid. The insurance sector is solvent and gradually becoming more profitable, although costs remain high and penetration remains low.

6. Current account deterioration has been somewhat greater than expected in 2019 (Figure 4, Table 4). The trade deficit increased slightly more than expected, by 30 percent in the first three quarters of 2019, reflecting adverse terms of trade and large capital imports. Export growth was affected by price declines in traditional exports (tea, coffee, minerals), partly offset by increases in non-traditional exports. Notably, the trade balance with EAC countries improved significantly, reflecting the competitiveness of the Rwandan franc, which had depreciated against the US$ by 4.7 percent y/y at end-October (1.2 percent in REER terms). At the same time, the services balance was stronger than projected, reflecting strong demand for cargo and passenger services with

[2] After accounting for a planned repayment of pre-1994 arrears of 0.3 percent of GDP.

RwandAir's new routes. International reserves remained at 4 months of prospective imports as of end-October.

Rwanda: Trade Balance (from January 2019 Through September 2019)
(percent change over the same period of the previous year)

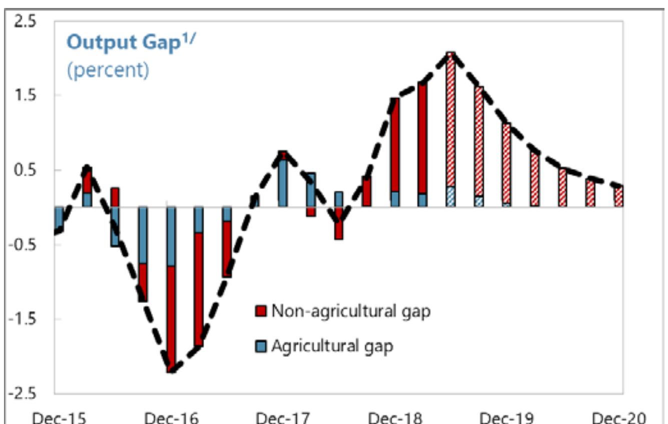
	Exports			Imports		Trade Deficit
	Volume (kgs)	Value (US$)		Volume (kgs)	Value (US$)	Value (US$)
Total		**3.1**	**Total**		**14.1**	**28.6**
Tea & Coffee	4.8	-5.7	Capital Goods	31.3	23.6	
Trad. Mining	-17.3	-30.6	Consumer Goods	-20.3	5.2	
Other Exports	84.8	17.2	Intermediate Goods	14.3	22.3	
Reexports	30.0	22.6	Energy Products	13.3	6.7	

Source: National Bank of Rwanda

7. Program performance for the first PCI review remained strong (Tables 6–7). All but one end-June and continuous quantitative and structural reform targets were met. The 12-month average for y/y headline inflation was below the lower bound of the MPCC in June, triggering a required consultation with the IMF Executive Board.

OUTLOOK AND RISKS

8. Projected growth has been revised up from 7.8 to 8.5 percent for 2019, with strong upside risk. Growth has been revised up on the basis of stronger-than-expected H1 activity and leading indicators in H2 that are stronger than staff's previous projection. Despite the higher base for 2019, the 8.0 percent growth projection for 2020 is maintained, consistent with staff's quarterly projection model and projected conference activity, notably Rwanda's hosting of the Commonwealth Heads of State Summit, as well as continued strong public infrastructure investment. Despite an uptick of inflation at the end of 2019, average inflation for the year has been revised downward, along with the terms of trade and the GDP deflator.



1/Positive output gap is defined as the output above the historical average.
Source: IMF Staff estimates and projections.

Rwanda: Revised Macroeconomic Framework

	2018	2019		2020	
	Prelim.	Prog.	Proj.	Prog.	Proj.
Real GDP (percent change)	8.6	7.8	8.5	8.1	8.0
GDP deflator (percent change)	-0.8	4.2	1.8	5.0	5.6
CPI inflation, average (percent)	1.4	3.5	2.3	5.0	5.4
CPI inflation, eop (percent)	1.1	5.0	5.7	5.0	5.0
Current account deficit (% GDP)	7.9	9.6	10.6	9.4	9.9
Gross international reserves (months of imports)	4.5	4.7	4.4	4.9	4.6

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

9. **Risks to the medium-term forecast are balanced.** Downside risks relate to fuel prices, regional issues, and unpredictable weather. Upside risks are a continuation of strong private investment, more regional trade, and growth payoffs from large public investment projects.

PROGRAM DISCUSSIONS

10. **Forward-looking discussions focused on program pillars.** The four program pillars are: (1) a neutral medium-term fiscal policy stance providing space to implement the National Strategy for Transformation (NST) while safeguarding debt sustainability; (2) regaining momentum of domestic revenue mobilization; (3) improving fiscal transparency, including through systematic identification, assessment, and management of potential fiscal risks; and (4) supporting the BNR's new interest rate-based monetary policy framework. Discussions also focused on financing for the NST/SDGs.

A. Fiscal Policy: Supporting NST While Maintaining Sustainability

Fiscal Policy Stance

PS ¶12,17

11. **The government plans to reduce the float accrued in FY18/19 in the second half of FY19/20.** FY19/20 budget resources are being used to avoid extensive arrears accrual, but this will ultimately leave a financing gap for FY19/20. Staff agreed with the authorities' proposal to clear the remaining overhang with new external borrowing (up to 0.6 ppt of GDP), thereby avoiding crowding out the private sector. Given the unusual deviation of actual and planned disbursements in FY18/19, the authorities preferred to maintain conservative assumptions about projected disbursements in FY19/20 but have strengthened internal communication mechanisms for updating information. The authorities concurred with staff's recommendation that, if higher-than-expected concessional disbursements materialize later in FY19/20, existing debt will be refinanced to keep the agreed FY19/20 deficit unchanged. To avoid similar problems going forward, the government will require more planning for specific types of conditionality at the line ministry level and has instituted ongoing monitoring by donor coordination bodies to assess progress within the fiscal year.

12. The programmed FY19/20 deficit will increase from 5.7 to 6.2 percent of GDP.[3] This reflects modest additional spending for domestic interest payments (0.3 ppt of GDP), about one-third to service the called guarantee, and additional domestically-financed investment spending and net lending (0.4 ppt of GDP), combined with lower projected nominal GDP. This is partially offset by higher projected tax revenues (0.4 ppt of GDP) related to stronger growth and administrative gains. To maintain consistency with the program fiscal rule, a 5-year average program deficit ceiling of 5.5 percent of GDP, the program foresees modest fiscal consolidation in the outer years.

Rwanda: Revisions in FY 2019/20 Budget
(percent of GDP)

	2019/20	
	Prog.	Proj.
Revenue and grants	**22.5**	**23.3**
Total revenue	18.3	19.1
Tax revenue	16.0	16.4
Nontax revenue excl. PKO	0.9	0.9
PKO revenues	1.4	1.7
Total expenditure and net lending	**28.5**	**30.4**
Current expenditure excl. PKO	12.7	13.1
Interest payments	1.3	1.6
Loan guarantee debt service	0.0	0.1
PKO spending	1.7	1.9
Capital expenditure	11.7	12.0
Net lending excl. loan guarantee assumption	2.4	2.5
Debt-creating overall balance (incl, grants, com. basis) [1]	**-5.7**	**-6.2**
Loan guarantee stock assumption	0.0	0.8
Net PKO (PKO spending minus revenues)	0.3	0.2
Overall balance (incl. grants, commitment basis) [2]	**-6.0**	**-7.1**
Memorandum items:		
Debt-creating overall balance (5-year avg) [3]	**-5.4**	**-5.5**
GDP (Billions of RwF), FY basis	9,821	9,679

Source: Rwandan authorities and IMF staff estimates and projections.
[1] Overall balance excluding loan guarantee and net UN PKO operations.
[2] Overall balance including loan guarantee and net UN PKO operations.
[3] Debt-creating overall balance, 5-year rolling average.

13. The authorities and staff agreed that the program fiscal rule could be revisited following progress in systematically identifying, assessing, and managing fiscal risks. The authorities felt strongly that the current fiscal rule of 5.5 percent of GDP, which adds a buffer to the debt-stabilizing deficit calculated at 6.7 percent of GDP, unduly constrains the envisaged frontloading of public investment under the NST. They preferred increasing the ceiling to 6 percent, which they felt left adequate buffer for risks while better supporting NST implementation.[4] Staff agreed the medium-term fiscal stance should balance risks and opportunities, and that an overly conservative fiscal stance would be a missed opportunity for critical development spending. However, given preliminary recommendations of the recent FTE for more systematic identification and management of potential fiscal risks, staff encouraged the authorities to maintain the higher precautionary buffer for the time being to absorb potential risks, pending additional analysis on the number, magnitude and probability of contingent liabilities, which would be necessary to ascertain if there is space to loosen the fiscal rule.

PS ¶19

14. The authorities asked staff to recommend specific actions that would be important for reconsidering the fiscal rule at the next program review. Staff suggested that important considerations would include: an updated DSA with continued low risk of debt distress; the results of a draft fiscal risk statement; commencement of a

[3] Staff proposes to modify the definition of the program deficit and the fiscal rule to account for differences in the coverage of the budget and DSA. A government guarantee of 0.8 percent of GDP was triggered due to the delay in selling an underlying asset. According to GFSM 2014, the entire stock operation must be reflected in the FY19/20 deficit (despite anticipated future reimbursement). Since the guarantee was already reflected in the DSA, its inclusion in the deficit would "double-count" new debt creation for the purposes of the fiscal rule. To correct this, staff propose using a "debt-creating overall balance," excluding liabilities included in the DSA that are moved to the budget. However, additional debt service obligations would continue to be included in the debt-creating deficit. This deficit would also exclude net UN PKO operations, which should be budget neutral over time.

[4] The authorities explained ambiguity in internal EAC discussions about whether the debt convergence criterion covers all public debt or only external debt. Staff noted that the current official formulation covers all public debt.

fiscal risk registry; and longer-term commitments under the program for an annual fiscal risk statement submitted to parliament and a consolidated financial balance sheet of the non-financial public sector.

Domestic Revenue Mobilization

PS ¶22

15. Additional measures are underway to support program commitments to increase tax revenues by 0.2 ppt of GDP annually. The authorities are working on various tax policy and tax administration measures, guided by IMF TA recommendations (Box 1). They have also requested TA to develop a Medium-Term Revenue Strategy (MTRS) to help finance public expenditure needs in the NST.

Box 1. Domestic Revenue Mobilization

Costing and streamlining tax incentives. The authorities produced a new tax expenditure report according to an upgraded methodology and published it as part of the FY19/20 budget (end-June 2019 RT). The report revealed total tax expenditures in FY 17/18 at about 2.5 percent of GDP, broken down by tax exemption provisions (with VAT exemptions accounting for about 60 percent of the total). Drawing from the report, authorities are evaluating options for targeting existing incentive schemes better.

Improving tax compliance. The Rwandan Revenue Authority (RRA) is implementing several measures to improve tax compliance, including recommendations from a second TADAT requested in 2019, and is on track to meet end-December reform targets to produce a report outlining options for VAT compliance and automating the risk-based verification process for refund claims. Recent measures include:

- **Boosting registration** by using information from other government databases to identify and register potential taxpayers, with an increase in the number of taxpayers by 12 percent in FY18/19.
- **More use of technology,** e.g. by expanding the use of electronic billing machine (EBM) software to provide real time information to RRA on VAT transactions; using SMS messages to send reminders on filing and payment obligations; and linking EBM and customs declarations to E-tax systems to detect underreporting.
- **Promoting voluntary compliance** for VAT payments through increasing the number of "lottery" schemes to incentivize customers to request invoices.

Developing a Medium-Term Revenue Strategy (MTRS). The authorities have expressed interest in ongoing TA to develop a strategy, taking into account capacity constraints and timing.

Fiscal Transparency and Fiscal Risks

16. The government has made steady progress in improving fiscal transparency. This includes moving toward fiscal reporting in the GFSM 2014 format, expanding coverage beyond the budgetary central government, and initial steps to compile a financial balance sheet of the (non-financial) public sector (Box 2). Staff recommended that transitioning forecasting to the new format could require additional resources.

Box 2. Fiscal Transparency

Migration to the *GFSM 2014* framework for quarterly reporting is on track. A budget execution report for the first quarter of FY19/20 is expected to be produced by end-December using GFSM 2014 (end-December 2019 RT), after mapping RRA's reporting into GFSM categories.

Expanding the coverage of GFSM 2014 reporting (end-December 2020 RT). The government plans to include local government revenues into the current IFMIS to improve the timeliness of reporting. Ultimately, extra budgetary units can be included, although this requires dealing with spending from own revenues in IFMIS. Nevertheless, the government plans to collect information needed for quarterly reporting of general government activities (excluding RSSB), starting in FY20/21.

Publish audit opinions. In line with FTE recommendations, the authorities have also committed to publish audit opinions of the financial statements of the budgetary central and local governments, starting with FY18/19.

Compilation of a financial balance sheet for the nonfinancial public sector. The annual consolidated financial statement currently includes stocks of cash and cash equivalents, account payables, and receivables. This will be broadened to include equity and loan assets and debt and loan liabilities. Once quarterly information on general government is available, a comprehensive financial balance sheet can be compiled.

17. A roadmap was agreed for identifying, assessing, and managing existing fiscal risks, while avoiding any new risks for the government balance sheet. In line with FTE recommendations, the authorities have produced a preliminary fiscal risk statement, with support by AFRITAC East TA. By spring, the government hopes to set up a fiscal risk committee to review the statement and start compiling a registry. This can be used to produce an annual fiscal risk statement. This, plus the consolidated balance sheet, could then be included as longer-term program commitments. To avoid taking new financial risks on the public balance sheet, the government is proactively engaged in using de-risking mechanisms to leverage more private finance for targeted priority investments, such as affordable housing and water.

PS ¶19

18. The Rwanda Social Security Board (RSSB) is implementing reforms to modernize and put financing on a sustainable basis. RSSB is the largest financial entity in the country and it runs six insurance schemes. While fully government-owned, it is run as an off-budget entity, although it does receive earmarked donor support for health insurance costs. RSSB currently faces three main challenges:

PS ¶15

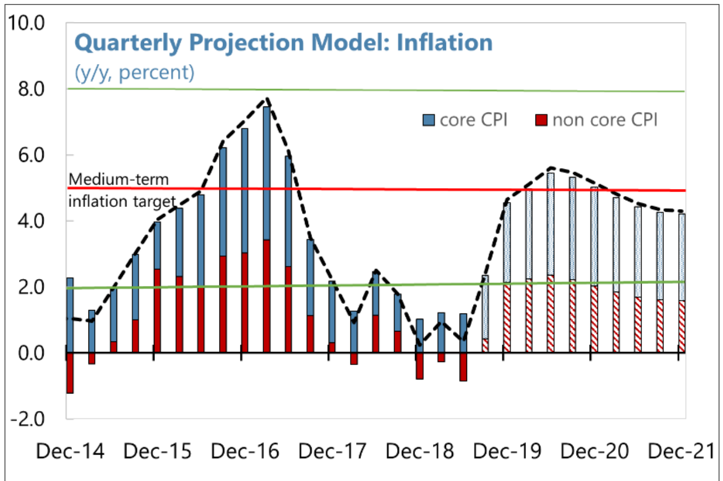
- **IT modernization.** An IT system has been procured (end-June 2019 RT) to update inefficient paper-based systems and improve reporting, transparency, and fraud detection.
- **Addressing potential financial pressures caused by expiring official grants.** The RSSB is recommending numerous measures to improve cost efficiency of services and administrative efficiency of operations and increase burden-sharing by beneficiaries.
- **Make each insurance scheme self-sustaining.** RSSB intends to ring-fence the schemes for self-sustainability. This will entail improving asset allocation, particularly for the pension scheme (end-June 2020 RT).

B. Monetary Policy: Supporting the Interest Rate-Based Operational Framework

Monetary Policy Stance

PS ¶30–38

19. Staff and the authorities agreed that the BNR's monetary policy stance is appropriate. Headline inflation was below the lower bounds of both the BNR's target band and the PCI's Monetary Policy Consultation Clause (MPCC) in late 2018 and H1 2019. As noted in the authorities' MPCC (included as part of the program statement), low inflation was supply-driven and largely centered on food and energy prices amid positive weather conditions and external prices, as well as base effects. This may partially explain the co-existence of low inflation and strong growth in Rwanda (Box 3). The BNR managed this period of low inflation well, cutting rates at the cycle's trough in May and keeping rates on hold in August as inflation began to rise toward the BNR's target (5.0 percent). Based on quarterly models, staff and the authorities expect inflation to rise modestly above the target in 2020 before falling back toward the target. The BNR should continue to closely monitor price developments amid continued strong economic growth and bank lending and stand ready to take action should inflation trends deviate from expectations.



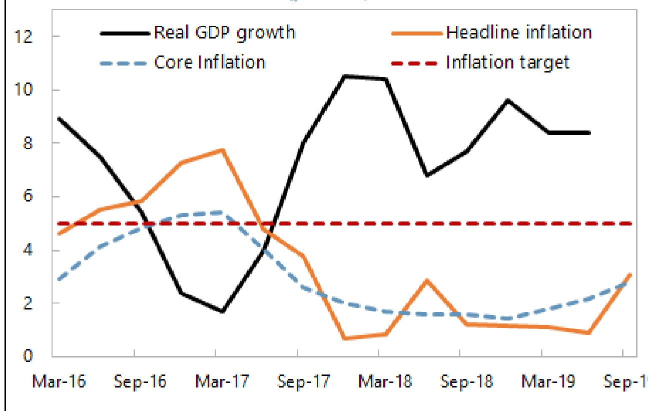
Source: IMF Staff estimates.

PS ¶27.28

20. The BNR is making progress in its transition toward an interest rate-based monetary policy framework. The BNR's efforts in the first half of 2019 to reduce excess bank reserves; an accompanying increase in banks' use of the interbank market; and the BNR's demonstrated readiness to meet banks' liquidity shortfalls with injections amid pressures in the second half of 2019 are important steps in implementing the interest rate-based framework. Nascent progress has been made in strengthening the transmission mechanism, with lending rates beginning to roughly track the policy rate since late 2018. However, banks' continued preference to hold precautionary reserve buffers suggests the need for further financial market refinements (Box 4). The BNR's current steps, aided by TA from a bilateral development partner, to upgrade its post-MPC meeting communications strategy (end-December 2019 RT) will help in this regard.

Box 3. Growth and Inflation in Rwanda

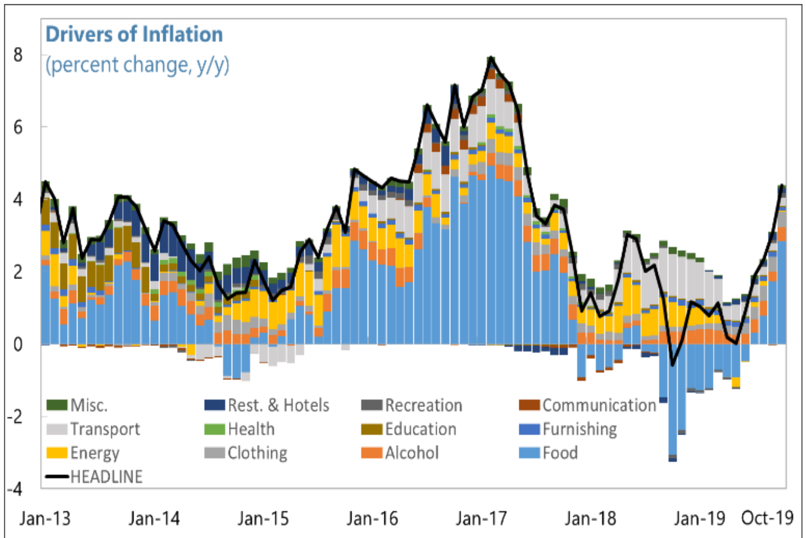
Strong growth has coexisted with low inflation for almost two years. Headline inflation was below the BNR's target between June 2017 and June 2019, averaging 1.9 percent y/y over this period, with core inflation averaging 2.8 percent y/y. At the same time, quarterly real GDP growth has averaged 8.0 percent since 2017.



Source: Rwandan Authorities, and IMF Staff estimates.

Low headline inflation since mid-2017 has largely been driven by food supply shocks. Food items comprise more than a quarter of the CPI basket. The decline in prices was a result of the base effect of high (drought-related) food prices in 2016 through early 2017, and was compounded by a positive food supply shock in 2018.

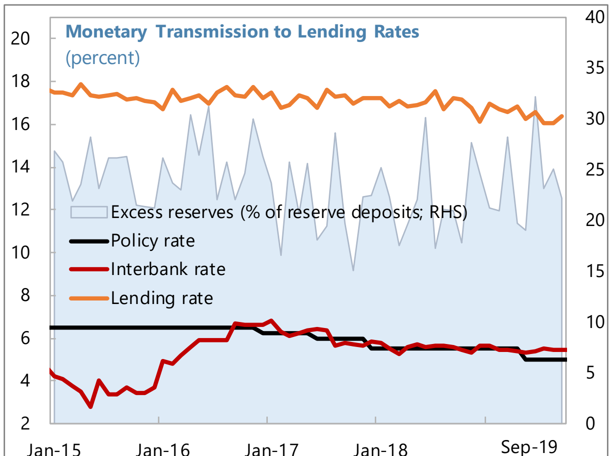
The disconnect between core inflation and strong growth over an extended period possibly reflects specific growth patterns in Rwanda. Core inflation has been slow to respond to this year's particularly strong growth-and-lending episode, averaging 2.9 percent y/y in H1 2019. This appears to be related to growth's concentration in the construction sector (which also receives a large share of bank credit). The construction sector in Rwanda remains largely reliant on imported materials, equipment, and services and so would be expected to have less impact on domestic demand and consumer prices. Moreover, much of the construction takes place in a seemingly bifurcated market where excess domestic demand exists only for less expensive residential and commercial construction. Another reason for the apparent disconnect between growth and core inflation could be that recent productivity gains in agriculture and potential growth are greater than suggested by historical averages.



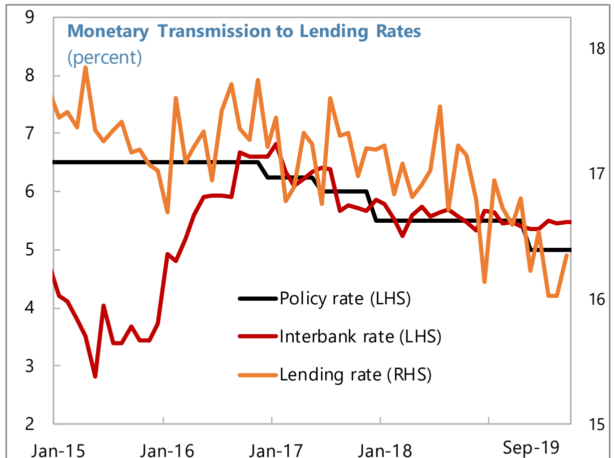
Source: Rwandan Authorities.

Box 4. Liquidity Management and Monetary Policy Implementation

Developing a monetary transmission mechanism requires progress in developing short-term money markets. An interbank market exists but has historically not been relied upon by banks for their liquidity demands. Instead, banks have preferred to hold excess reserves at the BNR for precautionary purposes due to shallow interbank market depth, relatively short-term deposit bases, and, in some cases, storage of liquidity for big-ticket loans. There has also been stigma attached to borrowing in the interbank market. As such, interbank rate activity has been shallow and although short-term rates have been aligned with the policy rate, excess liquidity remains and policy transmission up the yield curve, while improving, is incomplete.

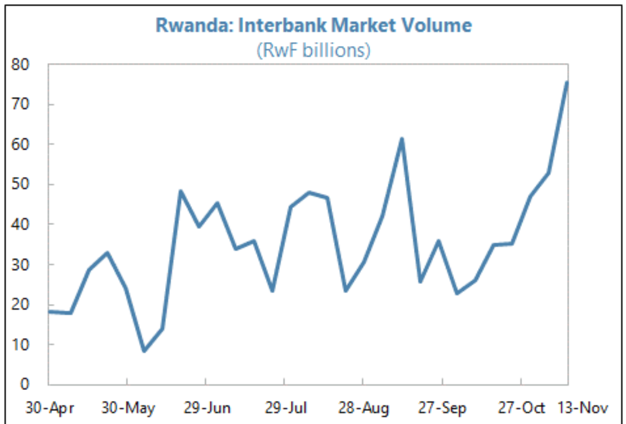


Source: Rwandan Authorities, and IMF Staff estimates.



Source: Rwandan Authorities.

There has been some deepening of money markets in the past year. Volumes in the interbank market began to rise in early 2019 (albeit from a low base) following steps by the authorities to enhance the repo framework and continued draining of some excess reserves by the BNR before July. Bank demand for excess reserves also appears to have eased somewhat in the first half of 2019 as banks used some of their excess liquidity to shift into longer-dated government securities and increase lending. The BNR's novel use of reverse repos to meet banks' liquidity demands when they could not be met in the interbank market amid pressures over July-September 2019 signaled another source of available liquidity for banks and boosted banks' confidence. However, banks' consistent demand for liquidity during this later period—met by BNR liquidity injections from July onward, which allowed banks to maintain excess reserves at a still-substantial level—highlighted banks' continued preference for precautionary buffers.



Source: Rwandan Authorities, and IMF Staff estimates.

Box 4. Liquidity Management and Monetary Policy Implementation (concluded)

The authorities are taking steps to further develop the interbank market and enhance banks' ability to manage their liquidity. The authorities are upgrading repo market infrastructure to allow for change of ownership during repo transactions (they are currently collateralized with a pledge), which should encourage more confidence. Legal provisions allowing for netting repos in the event of bank insolvency could give further reassurance. The authorities also aim to deepen the secondary market for securities trading (by introducing a primary dealer system in Rwanda and increasing opportunities for retail investors), which would allow for more reliable liquidation of assets. Efforts by the authorities to lengthen bank deposit tenors—such as tax incentives for longer-term deposits—could, if successful, disincentivize excess reserve holdings. Greater bank use of a new electronic interbank trading platform (to enhance market transparency and price discovery) and an extension of banks' reserve maintenance period from two weeks to four or five weeks (to make liquidity flows easier to manage) would be positive additional steps.

Exchange Rate Policy

21. A market-determined exchange rate is another important element of an effective interest rate-based monetary framework and is also important for external sustainability. The authorities agreed that, under a credible interest rate-based monetary framework, FX market interventions should only take place to minimize excessive exchange rate volatility. However, they also noted that the BNR continues to have a role in intermediating FX, given still-significant ODA flows, the lack of a well-developed private market, and allocation inefficiency. Exchange rate flexibility and maintenance of external buffers is particularly important to an economy such as Rwanda, for which declining global prices for agricultural commodity exports is a risk. The current level of FX reserve coverage, at 4.0 months of next year's imports, is adequate.

PS ¶25

Financial Stability and Development

22. Maintenance of financial sector stability will also support the new monetary policy framework. The recent introduction of Basel II/III capital requirements and the start of IFRS 9 implementation does not appear to have materially impacted intermediation, given the strong levels of bank credit growth in 2019 (20 percent y/y as of September). The authorities' recent introduction of loan-to-value ratios for real estate lending is welcome given the significant presence of such loans on banks' balance sheets, as are steps toward establishing a capital framework for domestic systemically-important banks (D-SIBs) and new investment and governance guidelines for banks.

PS ¶26-28

23. The BNR and government are working on an extensive program for financial development and inclusion. This includes long term savings schemes, domestic de-risking schemes and technology to improve financial services for agriculture and moving to a "cashless" economy via mobile technology. To help bolster financial inclusion through fintech development, BNR recently established a "regulatory sandbox" for new products, to provide a testing ground while maintaining supervisory engagement.

C. Structural Policies: NST and Made in Rwanda

National Strategy for Transformation and Achieving the Sustainable Development Goals

24. The National Strategy for Transformation lays out a rich structural agenda aimed to meet the Sustainable Development Goals, but financing will be challenging. At current income levels, Rwanda has limited scope for additional domestic revenue mobilization, perhaps 2–3 ppt of GDP. There is some scope for additional borrowing and increased spending efficiency through the use of technology, but these are also inadequate to meet total spending needs, which staff estimates to rise to as much as 20 ppts of 2030 GDP.[5] ODA has continued to trend downward. Thus, the contribution of private financing will be critical. The government is seeking to attract private investment and, as mentioned, using de-risking instruments to attract private investment toward key priority areas for development needs, such as affordable housing (Box 5). Staff are currently engaged in an interdepartmental exploration of how-to better support LIC member countries in mobilizing SDG financing, using the Rwanda case study as an example.

Policies to Create Jobs, Diversify Exports, and Attract Private Investment

25. Government interventions focus on improving productivity and diversity in local production to stimulate exports and create jobs. These include consolidating the production of artisanal miners, training agricultural workers in export sectors to improve productivity; marketing of Rwandan products externally; upgrading technology and processes in simple manufacturing, enhancing food quality standards and enforcement, and additional private and public investment in adding value to process minerals. Significant effort is spent towards fostering innovation and digital literacy, including more R&D, deployment of training for rural areas, and innovative electronic platforms for basic government services. A new mobile money platform is being piloted among rural farmers, to help ease access to financing.

26. Public investment importantly aims at reducing high transport costs. This includes investment in a new large-scale inland cargo handling facility (or "dry port") in Kigali to facilitate trade between Rwanda and neighboring countries. Container turnaround and overall transport and storage costs have shown a significant decline since operations began. Concurrently, RwandAir has expanded its cargo activities to help meet strong demand from exporters.

27. The government's efforts to attract private investment, including through its participation in the Compact with Africa are paying off. The Rwandan Development Board reports substantial new FDI in areas such as tourism, construction materials, irrigation, and light manufacturing. Staff visited a few large investors: the VW Rwanda assembly plant, which recently joined with Siemens to launch electric cars; Mara Phones, the first producer of affordable smart phones in SSA; and the Sorwathe Tea plantation, which is upgrading its operations.

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[5] See IMF Country Report No. 19/211

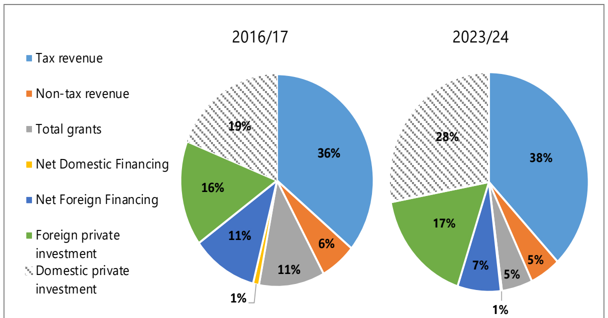
Box 5. The National Strategy for Transformation Phase 1: Objectives and Financing

The National Strategy for Transformation Phase I (NST1) outlines Rwanda's development strategy for the next 7 years. It succeeds Vision 2020, and integrates existing long-term plans such as Vision 2050, 2030 SDG goals, the EAC's Vision 2050, and the COP21 Paris agreement on climate change.

It is built around three pillars—economic transformation, social transformation, and transformational governance—each laying out a blueprint for 2017–24. The economic transformation pillar ascribes a leading role to the private sector as an engine of growth and outlines policies for encouraging a knowledge-based economy driven by innovation and higher value-added activities. The social transformation pillar aims to "go beyond GDP per capita" through quality education, health, poverty reduction, and gender equality. Finally, the transformational governance pillar aims at consolidating good governance by, inter alia, fostering unity among Rwandans and strengthening public institutions.

These broad pillars are sequentially mapped onto sectoral strategies with specific targets. For instance, one of the targets under the economic pillar is doubling the number of jobs create annually through, for example, supporting sectors with high growth and employment potential and more relevant vocational training. Other headline targets include: eradicating extreme poverty and malnutrition; doubling agriculture productivity for key products; 100 percent access to water, electricity, and broadband, and targeting pre-primary net enrollment.

At US$39.2 billion, the cost of NST1 is expected to be shared at 59:41 percent, respectively, between the government and the private sector. The government designed a full costing exercise through 2024 to support the NST1 planning and implementation. Public resources should mainly come from improved revenue collection, combined with around RWF3.7 trillion of external financing (mainly loans). FDI should account for about half of private resources. To seek the remainder of private resources, which should be directed toward priority investments with longer-term payoffs, authorities are actively working to use "de-risking" ODA to leverage private resources. Their main objective in this respect is to avoid assuming further financial risks on the government balance sheet.



Source: Rwandan Authorities, and IMF staff estimates.

PROGRAM MODALITIES AND CAPACITY DEVELOPMENT

28. Quantitative and reform targets. Staff proposes modest changes in the end-December 2019 and end-June 2020 fiscal deficit and NFA targets (PS, Table1), reflecting revised timing of ODA flows. The definition of the deficit target will be modified, to align with the fiscal rule concept of a non-debt creating deficit, as explained in Footnotes 3 and 4.

29. Debt Sustainability Analysis (DSA). The DSA has not been updated since the PCI program request in June 2019, at which time the risk of debt distress was assessed to be low. [6] Bank and Fund staffs have agreed to undertake a DSA update prior to the next program review.

30. Capacity Development. Rwanda is an intensive consumer of IMF TA and has a strong track record of implementation, resulting in consistent, tangible progress in building capacity. Beyond TA for PFM, inflation forecasting, debt sustainability, tax policy and administration, national accounts, and financial stability, noteworthy achievements include Rwanda's transition to SDDS by end-2019 and its work with AFRITAC East to develop self-administered courses in financial programming.

STAFF APPRAISAL

31. Rwanda continues to show strong commitment to development priorities and maintaining macroeconomic stability. Deviations between realized and planned ODA flows exposed vulnerabilities and the triggering of a large guarantee reveals the importance of more actively managing existing fiscal risks. The government has accepted these challenges and is working to mitigate vulnerabilities going forward, including by enhancing fiscal transparency and better identifying, assessing, and managing fiscal risks.

32. The current program fiscal rule provides a substantial buffer, specifically designed to guard against the emergence of fiscal risks. Additional progress in systematically identifying, assessing, and managing fiscal risks would provide critical information on the magnitude of potential risks and enable an assessment of the scope to reduce the buffer in the fiscal rule. Staff and the authorities are together crafting a balanced policy stance that maximizes opportunities to implement the NST/SDGs, while safeguarding fiscal and debt sustainability. Continued efforts to increase tax revenue will also provide additional space.

33. Despite the MPCC trigger, implementation of the new monetary policy operational framework is proceeding well, and the current monetary stance is appropriate. Based on inflation projections and other indicators, staff agrees with the MPC's decision not to loosen the policy rate further after May. However, staff welcomes the BNR's commitment to take further action should trends deviate from expectations. Responses to domestic liquidity pressures strengthened the credibility of the interbank market and BNR tools: this should reduce banks' reliance on excess reserves and strengthen transmission to lending rates. Extensive work on financial stability and inclusion, including with non-bank financial institutions, is also strengthening the role of the financial sector in supporting development.

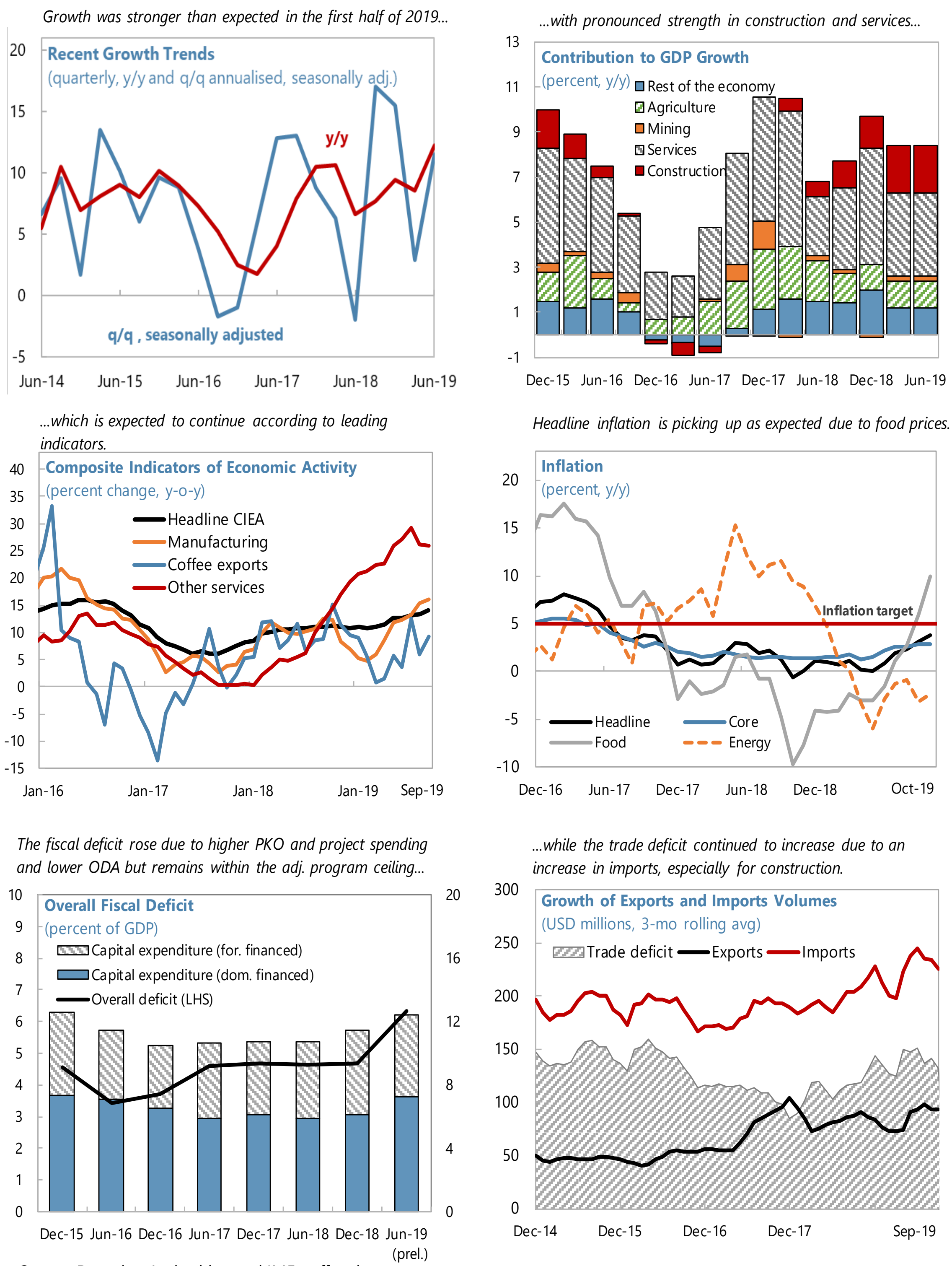
34. In light of limited scope to raise domestic resources, meeting the NST/SDGs will require new approaches. The authorities have actively sought new FDI, including via the CWA, supporting growth, employment, and domestic revenues. However, directing private resources into priority areas with longer-term payoffs, such as affordable housing, infrastructure, education, and

[6] External borrowing referred to in ¶11 would have a maximum impact on the debt stock of 0.6 percent of GDP, therefore a minimal impact on the DSA would be expected.

health, is more challenging. Staff welcomes the government's persistent efforts to find creative solutions, including leveraging scarce ODA by de-risking private financial inflows, while avoiding assuming new financial risks on the government balance sheet.

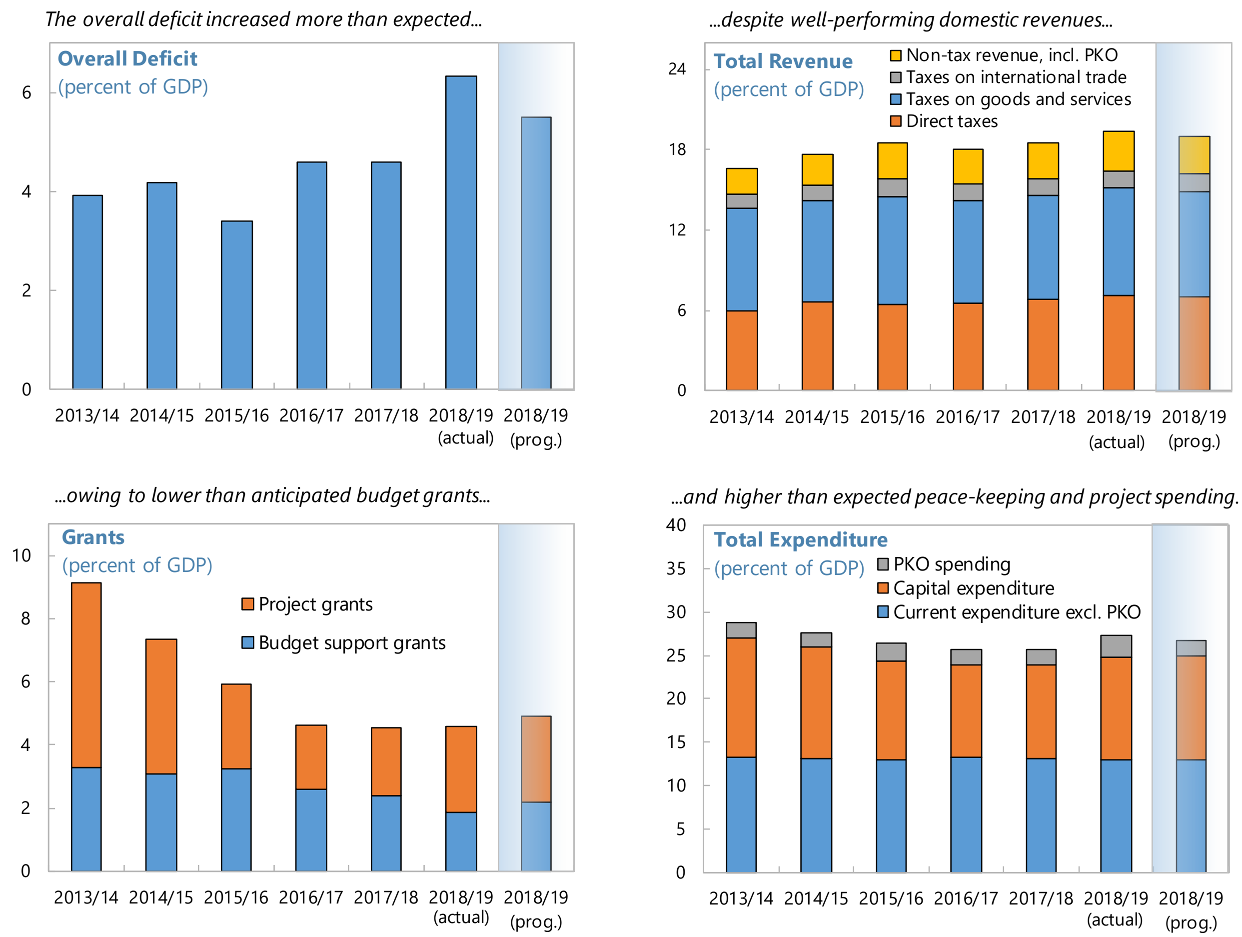
35. Staff supports the completion of the first review under the PCI.

Figure 1. Rwanda: Overview of Recent Economic Developments



Source: Rwandan Authorities, and IMF staff estimates.

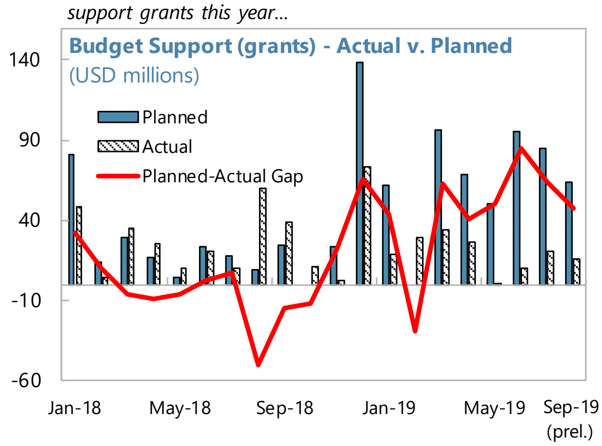
Figure 2. Rwanda: Fiscal Developments



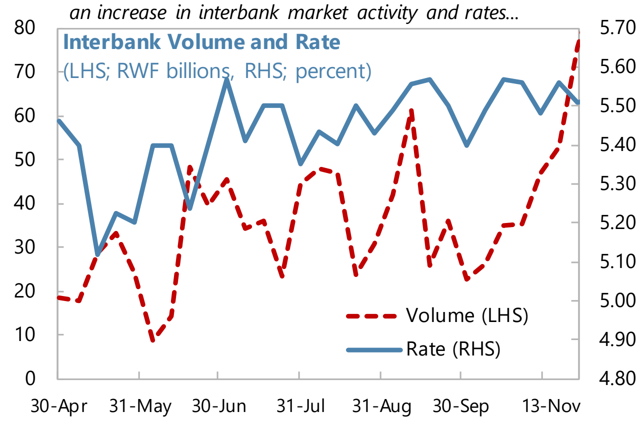
Source: Rwandan Authorities, and IMF staff estimates.

Figure 3. Rwanda: Monetary Developments

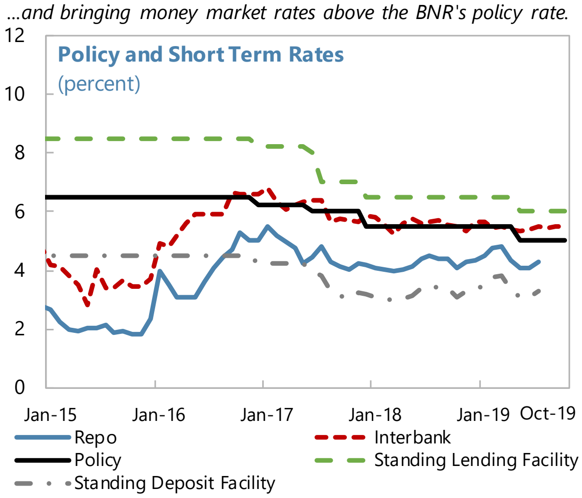
Rwanda has experienced a sizeable shortfall in budget support grants this year…



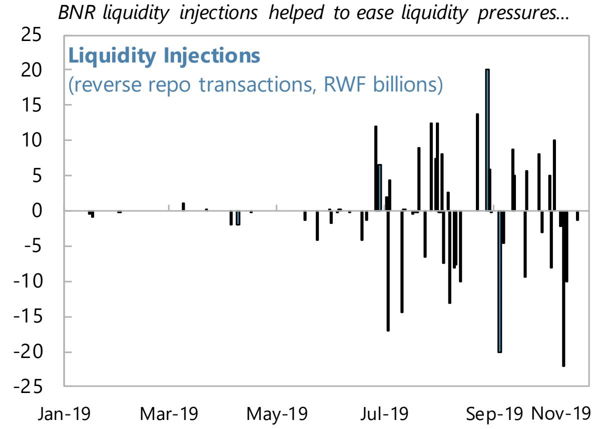
…exacerbating domestic liquidity pressures and spurring an increase in interbank market activity and rates…



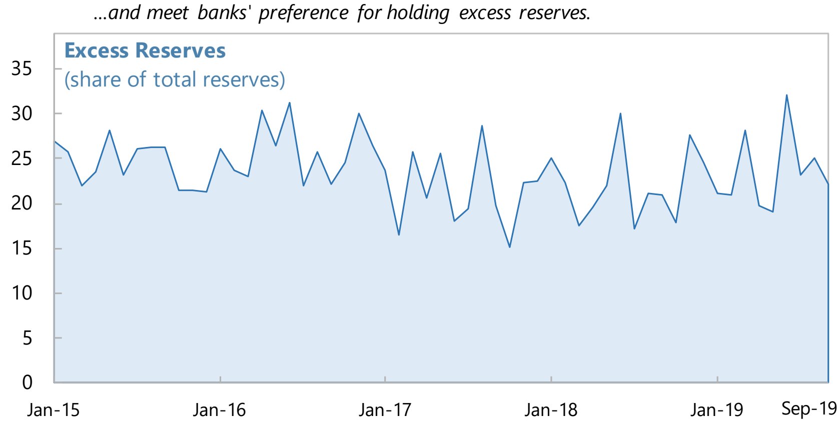
…and bringing money market rates above the BNR's policy rate.



BNR liquidity injections helped to ease liquidity pressures…

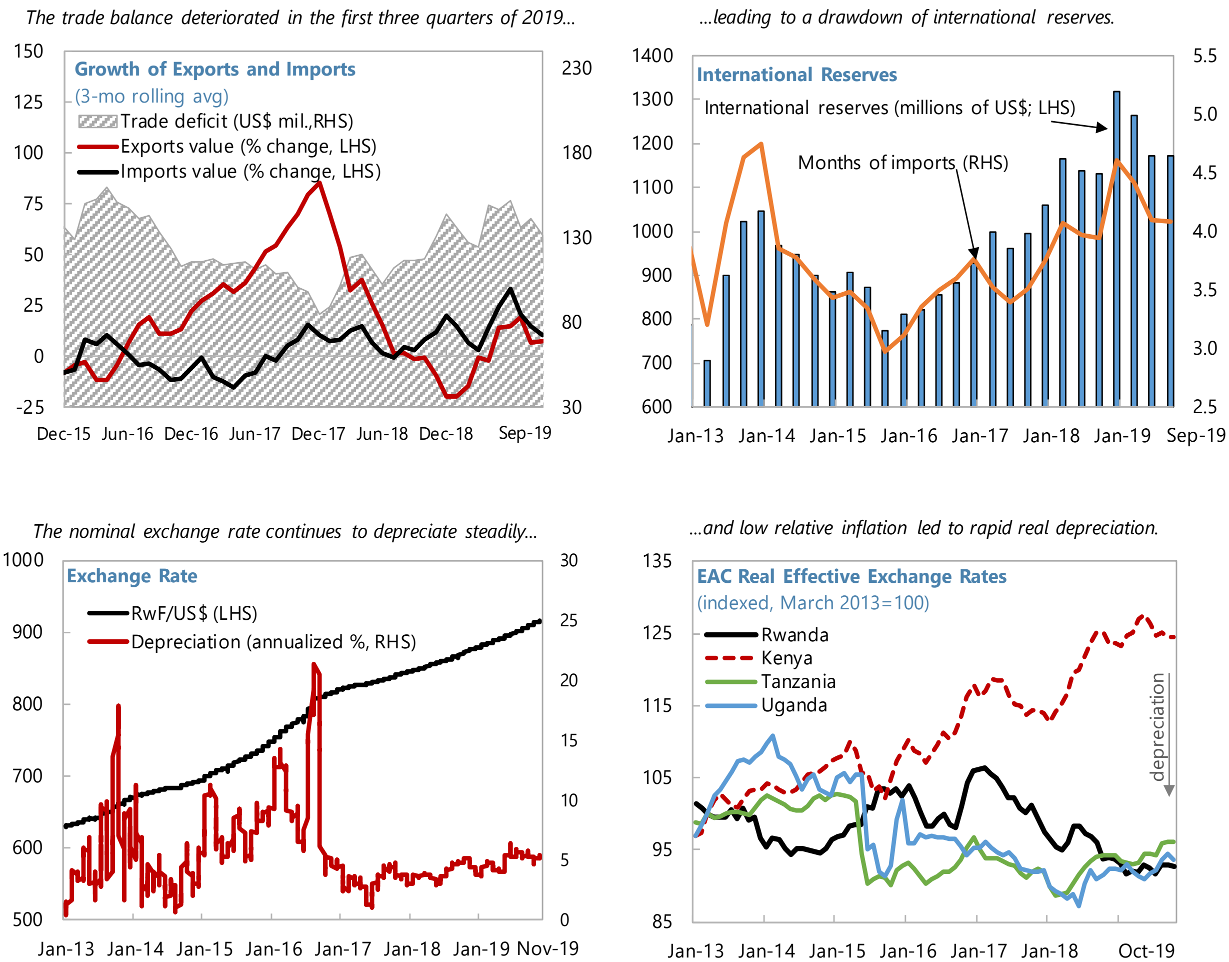


…and meet banks' preference for holding excess reserves.



Source: Rwandan Authorities, and IMF staff estimates.

Figure 4. Rwanda: External Developments



Source: Rwandan Authorities, and IMF staff estimates.

Table 1. Rwanda: Selected Economic Indicators, 2018–21

	2018	2019		2020		2021	
	Prel.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
	(Annual percentage change, unless otherwise indicated)						
Output and prices							
Real GDP	8.6	7.8	8.5	8.1	8.0	8.2	8.0
GDP deflator	-0.8	4.2	1.8	5.0	5.6	5.0	5.0
CPI (period average)	1.4	3.5	2.3	5.0	5.4	5.0	5.0
CPI (end period)	1.1	5.0	5.7	5.0	5.0	5.0	5.0
Terms of trade (deterioration, -)	-0.7	0.7	-1.8	0.1	-0.1	0.2	0.0
Money and credit							
Broad money (M3)	15.6	19.8	21.8	20.0	21.9	17.7	17.4
Reserve money	16.1	17.2	21.5	17.9	22.1	15.7	17.8
Credit to non-government sector	10.8	12.8	17.6	14.3	14.8	13.9	7.9
M3/GDP (percent)	25.3	27.0	27.9	28.5	29.8	29.5	30.9
NPLs (percent of total gross loans)	6.4	…	…	…	…	…	…
	(Percent of GDP, unless otherwise indicated)						
Budgetary central government							
Total revenue and grants	24.1	23.1	23.6	22.2	23.1	21.6	22.9
of which: tax revenue	16.2	16.1	16.6	16.3	16.9	16.1	16.5
of which: grants	4.9	4.8	4.5	3.9	4.1	3.4	4.3
Expenditure	28.8	29.2	31.9	28.6	29.0	27.8	29.2
Current	15.3	14.7	15.9	13.9	14.5	13.7	14.6
Capital	11.5	12.0	12.7	12.3	12.1	12.1	12.7
Primary balance	-3.5	-4.9	-6.9	-5.0	-4.2	-4.8	-4.9
Overall balance	-4.7	-6.1	-8.2	-6.4	-5.9	-6.2	-6.3
excluding grants	-9.6	-10.9	-12.7	-10.4	-10.0	-9.6	-10.6
Debt-creating overall bal. (exc. PKO)[1]	-5.0	-6.0	-6.7	-6.3	-5.7	-6.4	-6.4
Net domestic borrowing	0.0	2.0	2.7	0.8	0.7	1.1	2.0
Public debt							
Total public debt incl. guarantees	53.1	55.8	59.0	57.3	58.9	58.2	59.8
of which: external public debt	41.6	43.4	46.0	44.6	48.1	45.5	49.8
PV of total public debt incl. guarantees	40.9	42.5	44.5	42.9	43.1	42.7	42.9
Investment and savings							
Investment	24.4	27.7	28.4	28.4	28.2	28.2	28.8
Government	11.5	12.0	12.7	12.3	12.1	12.1	12.7
Nongovernment	12.9	15.7	15.7	16.1	16.1	16.1	16.1
Savings	12.9	14.6	14.6	16.4	15.5	18.0	16.6
Government	4.0	3.6	3.3	4.3	4.5	4.5	4.0
Nongovernment	8.9	11.1	11.2	12.1	11.1	13.5	12.6
External sector							
Exports (goods and services)	21.5	21.2	21.5	21.4	21.8	22.1	22.6
Imports (goods and services)	33.1	33.6	34.9	32.8	34.1	31.8	34.3
Current account balance (incl grants)	-7.9	-9.6	-10.6	-9.4	-9.9	-7.9	-9.1
Current account balance (excl grants)	-11.5	-13.1	-13.9	-12.0	-12.7	-10.2	-12.2
Current account balance (excl. large proj.)	-7.4	-9.0	-10.4	-8.3	-8.9	-7.4	-8.2
Gross international reserves							
In millions of US$	1,319	1,428	1,367	1,566	1,553	1,637	1,654
In months of next year's imports	4.5	4.7	4.4	4.9	4.6	4.7	4.6
Memorandum items:							
GDP at current market prices							
Rwanda francs (billion)	8,189	9,199	9,045	10,442	10,313	11,866	11,688
Population (million)	12.1	12.4	12.4	12.7	12.7	13.0	13.0

Sources: Rwandan authorities and IMF staff estimates.

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

Table 2a. Rwanda: Budgetary Central Government Flows, GFSM 2014 Presentation, FY17/18–21/22[1]

(billions of Rwandan Francs)

	2017/18	2018/19		2019/20		2020/21		2021/22	
	Act.	Prog.	Act.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
Revenue	**1,820**	**2,010**	**2,065**	**2,136**	**2,250**	**2,416**	**2,551**	**2,680**	**2,848**
Taxes	1,201	1,310	1,379	1,460	1,553	1,677	1,786	1,925	2,040
Taxes on income, profits, and capital gains	484.0	554.3	588.8	618.9	659.0	709.6	724.7	816.1	864.3
Taxes on property	1.1	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services	621.3	644.7	677.7	718.1	771.5	830.3	906.1	955.5	1,014.7
Taxes on international trade and transactions	95.0	111.4	111.9	122.5	122.2	137.5	155.1	153.1	160.7
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	358.9	425.4	394.8	409.8	403.0	459.6	485.8	477.1	506.1
Current	190.2	192.3	161.7	150.0	143.2	170.5	196.6	204.7	233.7
Capital	168.7	233.1	233.1	259.8	259.8	289.1	289.1	272.4	272.4
Other revenue	260.1	273.9	291.5	266.7	294.6	278.8	279.3	278.1	302.0
Expense (Current exp.)	**1,437**	**1,586**	**1,667**	**1,777**	**1,854**	**2,081**	**2,033**	**2,265**	**2,251**
Compensation of employees	251.7	285.3	241.9	374.8	300.8	404.0	352.8	453.1	410.4
Use of goods and services	442.5	468.9	482.1	488.0	507.8	629.4	548.6	621.9	599.9
Interest	91.6	103.0	102.5	128.5	155.6	155.8	164.7	177.4	184.6
To nonresidents	36.9	47.6	47.9	53.7	54.1	63.1	66.2	74.6	79.4
To residents other than general government	35.3	55.4	54.6	74.8	101.4	92.7	98.5	102.9	105.2
Subsidies	99.5	182.9	172.0	209.2	222.2	237.6	201.8	269.7	217.2
Grants	418.7	399.8	471.9	411.0	496.7	466.8	571.1	529.9	619.3
To EBUs	35.6	39.1	29.8	47.7	34.1	54.2	39.2	61.5	42.5
Current	23.9	26.2	19.1	23.7	22.1	26.9	25.8	27.0	26.7
of which compensation of employees	17.2	23.0	12.7	18.1	16.9	20.5	19.4	23.3	21.1
Capital	11.8	21.7	10.7	24.0	12.0	27.3	13.4	30.9	15.8
To Local Government	383.1	354.8	442.1	363.2	462.6	412.6	531.8	468.4	576.7
Current	274.3	241.3	235.4	251.4	298.0	285.5	347.8	286.1	360.0
of which compensation of employees	170.6	194.1	184.2	207.6	202.1	235.8	232.4	267.8	252.0
Capital	108.7	113.4	146.1	111.9	164.5	127.1	184.0	144.2	216.8
Social benefits	25.2	27.7	25.8	31.3	29.0	35.6	33.0	40.4	37.4
Other expense	107.8	118.7	170.6	134.1	141.6	152.3	161.0	172.9	182.5
Gross Operating Balance (Current balance)									
including grants	**383.5**	**423.2**	**398.2**	**359.1**	**396.6**	**334.4**	**518.0**	**414.7**	**596.4**
excluding grants	24.6	-2.2	3.4	-50.7	-6.4	-125.3	32.2	-62.4	90.4
Net acquisition of nonfin. assets (Capital exp.)	728.8	899.5	914.7	947.2	983.8	946.9	1,124	1,073	1,260
Foreign financed	387.1	402.3	448.0	458.2	458.2	536.5	536.5	567.2	567.1
Domestically financed	341.7	497.2	466.7	489.1	525.6	410.4	587.7	505.9	692.5
Net lending (+) / borrowing (-) (Overall balance)									
including grants	**-345.3**	**-476.2**	**-516.5**	**-588.1**	**-587.1**	**-612.6**	**-606.3**	**-658.3**	**-663.2**
excluding grants	-704.2	-901.6	-911.3	-997.9	-990.1	-1,072	-1,092	-1,135	-1,169
Net acquisition of financial assets	**114.9**	-20.6	**83.2**	-162.2	**-71.1**	-32.1	**-94.1**	-40.7	**-187.0**
Currency and deposits	48.3	-20.6	53.3	-162.2	-175.1	-33.1	-106.1	-42.7	-192.0
Equity and investment fund shares	9.6	0.0	0.0	0.0	10.0	0.0	6.5	0.0	5.0
Loans	57.0	0.0	30.0	0.0	94.0	0.0	5.4	0.0	0.0
Foreign	0.0	0.0	0.0	0.0	0.0	1.0	0.0	2.0	0.0
Net incurrence of liabilities	**448.3**	**455.7**	**556.3**	**425.9**	**516.1**	**580.5**	**512.2**	**617.7**	**476.2**
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	86.5	87.9	205.5	49.8	49.8	57.3	57.3	65.5	65.5
Loans	326.9	395.0	295.6	406.7	521.4	558.4	490.1	592.4	450.9
Other accounts payable	34.9	-27.2	55.1	-30.6	-55.1	-35.2	-35.2	-40.2	-40.2
Statistical discrepancy	11.9	0.0	43.5	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Domestic revenue (incl. Local government)	1,201	1,649	1,379	1,799	1,553	2,053	1,786	2,315	2,040
Wage bill	439.5	502.4	438.8	600.5	519.8	660.3	604.6	744.2	683.4
Overall fiscal balance (incl. grants, comm. basis)	-411.9	-476.2	-546.5	-588.1	-691.2	-612.6	-618.2	-658.3	-668.2
Debt creating overall bal. (excl. PKO, comm.)	-416.2	--	-484.9	--	-596.2	--	-624.4	--	-678.7

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

Table 2b. Rwanda: Budgetary Central Government Flows, GFSM 2014 Presentation, FY17/18–21/22[1]

(percent of GDP)

	2017/18	2018/19		2019/20		2020/21		2021/22	
	Act.	Prog.	Act.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
Revenue	**23.1**	**23.1**	**24.0**	**21.8**	**23.3**	**21.7**	**23.2**	**21.2**	**22.8**
Taxes	15.2	15.1	16.0	14.9	16.0	15.0	16.2	15.2	16.4
Taxes on income, profits, and capital gains	6.1	6.4	6.8	6.3	6.8	6.4	6.6	6.4	6.9
Taxes on property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services	7.9	7.4	7.9	7.3	8.0	7.4	8.2	7.5	8.1
Taxes on international trade and transactions	1.2	1.3	1.3	1.2	1.3	1.2	1.4	1.2	1.3
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social contributions	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**
Grants	4.5	4.9	4.6	4.2	4.2	4.1	4.4	3.8	4.1
Current	2.4	2.2	1.9	1.5	1.5	1.5	1.8	1.6	1.9
Capital	2.1	2.7	2.7	2.6	2.7	2.6	2.6	2.2	2.2
Other revenue	3.3	3.2	3.4	2.7	3.0	2.5	2.5	2.2	2.4
Expense (Current exp.)	**18.2**	**18.2**	**19.3**	**18.1**	**19.2**	**18.7**	**18.5**	**17.9**	**18.1**
Compensation of employees	3.2	3.3	2.8	3.8	3.1	3.6	3.2	3.6	3.3
Use of goods and services	5.6	5.4	5.6	5.0	5.2	5.6	5.0	4.9	4.8
Interest	1.2	1.2	1.2	1.3	1.6	1.4	1.5	1.4	1.5
To nonresidents	0.5	0.5	0.6	0.5	0.6	0.6	0.6	0.6	0.6
To residents other than general government	0.4	0.6	0.6	0.8	1.0	0.8	0.9	0.8	0.8
Subsidies	1.3	2.1	2.0	2.1	2.3	2.1	1.8	2.1	1.7
Grants	5.3	4.6	5.5	4.2	5.1	4.2	5.2	4.2	5.0
To EBUs	0.5	0.4	0.3	0.5	0.4	0.5	0.4	0.5	0.3
To Local Government	4.9	4.1	5.1	3.7	4.8	3.7	4.8	3.7	4.6
Social benefits	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other expense	1.4	1.4	2.0	1.4	1.5	1.4	1.5	1.4	1.5
Net Operating Balance (Current balance)									
including grants	**4.9**	**4.9**	**4.6**	**3.7**	**4.1**	**3.0**	**4.7**	**3.3**	**4.8**
excluding grants	0.3	0.0	0.0	-0.5	-0.1	-1.1	0.3	-0.5	0.7
Net acquisition of nonfin. assets (Capital exp.)	**9.2**	**10.3**	**10.6**	**9.6**	**10.2**	**8.5**	**10.2**	**8.5**	**10.1**
Foreign financed	4.9	4.6	5.2	4.7	4.7	4.8	4.9	4.5	4.5
Domestically financed	4.3	5.7	5.4	5.0	5.4	3.7	5.3	4.0	5.6
Net lending (+) / borrowing (-) (Overall balance)									
including grants	**-4.4**	**-5.5**	**-6.0**	**-6.0**	**-6.1**	**-5.5**	**-5.5**	**-5.2**	**-5.3**
excluding grants	-8.9	-10.4	-10.6	-10.2	-10.2	-9.6	-9.9	-9.0	-9.4
Net acquisition of financial assets	**1.5**	**-0.2**	**1.0**	**-1.7**	**-0.7**	**-0.3**	**-0.9**	**-0.3**	**-1.5**
Currency and deposits	0.6	-0.2	0.6	-1.7	-1.8	-0.3	-1.0	-0.3	-1.5
Equity and investment fund shares	0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0
Loans	0.7	0.0	0.3	0.0	1.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	**5.7**	5.2	**6.5**	4.3	**5.3**	5.2	**4.7**	4.9	**3.8**
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	1.1	1.0	2.4	0.5	0.5	0.5	0.5	0.5	0.5
Loans	4.1	4.5	3.4	4.1	5.4	5.0	4.5	4.7	3.6
Other accounts payable	0.4	-0.3	0.6	-0.3	-0.6	-0.3	-0.3	-0.3	-0.3
Statistical discrepancy	0.2	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Domestic revenue (incl. Local government)	15.2	19.0	16.0	18.3	16.0	18.4	16.2	18.3	16.4
Wage bill	5.6	5.8	5.1	6.1	5.4	5.9	5.5	5.9	5.5
Overall fiscal balance (incl. grants, comm. basis)	-5.2	-5.5	-6.3	-6.0	-7.1	-5.5	-5.6	-5.2	-5.4
Debt creating overall bal. (excl. PKO, comm.)	-5.3	--	-5.6	--	-6.2	--	-5.7	--	-5.4
Debt-creating ov. bal.(excl. PKO, 5-yr avg, com.basis)	**-4.9**	**-5.3**	**-5.4**	**-5.4**	**-5.5**	**-5.4**	**-5.5**	**-5.5**	**-5.3**
GDP (Billions of RwF), FY basis	7,895	8,694	8,617	9,821	9,679	11,154	11,001	12,663	12,471

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

Table 2c. Rwanda: Budgetary Central Government Flows, FY17/18–21/22[1]

(billions of Rwandan Francs)

	2017/18	2018/19		2019/20		2020/21		2021/22	
	Act.	Prog.	Act.	Prog.	Proj.	Prog.	Proj.	Prog	Proj.
Revenue and grants	**1,820**	**2,074**	**2,065**	**2,209**	**2,250**	**2,512**	**2,551**	**2,792**	**2,848**
Total revenue	1,462	1,649	1,670	1,799	1,847	2,053	2,065	2,315	2,342
Tax revenue	1,253	1,403	1,419	1,572	1,591	1,807	1,828	2,074	2,090
Direct taxes	539	608	617	688	698	789	767	908	915
Of which: Local government taxes	19	24	19	36	32	43	43	51	51
Taxes on goods and services	616	684	690	761	771	880	906	1,013	1,015
Taxes on international trade	98	111	112	123	122	137	155	153	161
Of which: taxes on project spending	...	...	...	...	...	...	...	...	...
Non-tax revenue	209	246	251	227	256	246	237	241	252
of which : PKO	150	167	151	139	169	150	142	133	143
Grants	359	425	395	410	403	460	486	477	506
Budget grants	190	192	162	150	143	171	197	205	234
Project grants	169	233	233	260	260	289	289	272	272
Total expenditure and net lending	**2,188**	**2,550**	**2,611**	**2,797**	**2,942**	**3,126**	**3,169**	**3,453**	**3,516**
Current expenditure	1,177	1,301	1,343	1,407	1,455	1,560	1,626	1,697	1,793
Wages and salaries	324	368	366	423	423	469	491	526	552
Purchases of goods and services	216	231	230	235	235	303	312	334	355
Interest payments	92	103	102	129	156	156	165	177	185
Domestic debt	49	55	55	75	101	93	99	103	105
External debt	43	48	48	54	54	63	66	75	79
Transfers	363	399	407	410	411	457	473	470	513
Of which : transfers of local government taxes	34	64	61	73	67	85	85	99	99
PKO and demobilization	182	201	238	210	230	174	185	189	189
of which: PKO	146	161	213	164	184	125	136	132	132
Capital expenditure	850	1,041	1,072	1,152	1,160	1,322	1,322	1,517	1,492
Domestic	463	638	624	694	702	785	785	950	925
Foreign	387	402	448	458	458	537	537	567	567
Net lending and privatization receipts	160	208	196	238	326	245	221	239	231
of which : Assumption of loan guarantee	--	--	--	--	80	--	--	--	--
Overall balance (incl. grants, commitment basis)	**-367**	**-476**	**-546**	**-588**	**-691**	**-614**	**-618**	**-660**	**-668**
of which Debt-creating overall balance (excl. PKO)[2]	**-371**	**-483**	**-485**	**-563**	**-596**	**-639**	**-624**	**-660**	**-679**
Change in float/arrears [3]	-25	-27	55	-31	-55	-35	-35	-40	-40
Overall balance (incl. grants, cash basis)	**-392**	**-504**	**-491**	**-619**	**-746**	**-649**	**-653**	**-701**	**-708**
Financing	**392**	**504**	**491**	**619**	**746**	**649**	**653**	**701**	**708**
Foreign financing (net)	356	437	448	456	571	616	547	658	516
Drawings	382	465	477	497	628	674	624	733	611
Budgetary loans	211	296	262	299	429	427	377	439	317
Required Loans	--	--	--	--	--	--	94	--	101
Assumption of loan guarantee					54		--		--
Additional financing to be determined [4]	--	--	--	--	55	--	--	--	--
Project loans	170	169	215	198	198	247	247	295	295
Amortization	-26	-29	-29	-40	-56	-59	-77	-76	-95
Net domestic financing	43	67	54	162	175	33	106	43	192
Net credit from banking system	49	21	-13	162	175	33	106	43	192
Amortization of loan guarantee	--		--	--	-7	--	-8	--	-10
Assumption of loan guarantee	--		--	--	26	--	--	--	--
Nonbank sector	-6	46	67	--	--	--	--	--	--
Errors and omissions [5]	-7	--	-11	--	--	--	--	--	--

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

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

[3] A negative sign indicates a reduction.

[4] Commercial borrowing to finance budget.

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

Table 2d. Rwanda: Budgetary Central Government Flows, FY17/18–21/22[1]

(percent of GDP)

	2017/18	2018/19		2019/20		2020/21		2021/22	
	Act.	Prog.	Actual	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
Revenue and grants	**23.1**	**23.9**	**24.0**	**22.5**	**23.3**	**22.5**	**23.2**	**22.1**	**22.8**
Total revenue	18.5	19.0	19.4	18.3	19.1	18.4	18.8	18.3	18.8
Tax revenue	15.9	16.1	16.5	16.0	16.4	16.2	16.6	16.4	16.8
Direct taxes	6.8	7.0	7.2	7.0	7.2	7.1	7.0	7.2	7.3
Taxes on goods and services	7.8	7.9	8.0	7.8	8.0	7.9	8.2	8.0	8.1
Taxes on international trade	1.2	1.3	1.3	1.2	1.3	1.2	1.4	1.2	1.3
Nontax revenue	2.6	2.8	2.9	2.3	2.6	2.2	2.2	1.9	2.0
of which : PKO	1.9	1.9	1.8	1.4	1.7	1.3	1.3	1.0	1.1
Grants	4.5	4.9	4.6	4.2	4.2	4.1	4.4	3.8	4.1
Budget grants	2.4	2.2	1.9	1.5	1.5	1.5	1.8	1.6	1.9
Project grants	2.1	2.7	2.7	2.6	2.7	2.6	2.6	2.2	2.2
Total expenditure and net lending	**27.7**	**29.3**	**30.3**	**28.5**	**30.4**	**28.0**	**28.8**	**27.3**	**28.2**
Current expenditure	14.9	15.0	15.6	14.3	15.0	14.0	14.8	13.4	14.4
Wages and salaries	4.1	4.2	4.2	4.3	4.4	4.2	4.5	4.2	4.4
Purchases of goods and services	2.7	2.7	2.7	2.4	2.4	2.7	2.8	2.6	2.8
Interest payments	1.2	1.2	1.2	1.3	1.6	1.4	1.5	1.4	1.5
Domestic debt	0.6	0.6	0.6	0.8	1.0	0.8	0.9	0.8	0.8
External debt	0.5	0.5	0.6	0.5	0.6	0.6	0.6	0.6	0.6
Transfers	4.6	4.6	4.7	4.2	4.2	4.1	4.3	3.7	4.1
PKO and demobilization	2.3	2.3	2.8	2.1	1.9	1.6	1.7	1.5	1.5
of which: PKO	1.8	1.8	2.5	1.7	1.9	1.1	1.2	1.0	1.1
Capital expenditure	10.8	12.0	12.4	11.7	12.0	11.8	12.0	12.0	12.0
Domestic	5.9	7.3	7.2	7.1	7.3	7.0	7.1	7.5	7.4
Foreign	4.9	4.6	5.2	4.7	4.7	4.8	4.9	4.5	4.5
Net lending and privatization receipts	2.0	2.4	2.3	2.4	3.4	2.2	2.0	1.9	1.8
Of which : Assumption of loan guarantee	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0
Overall balance (incl. grants, commitment basis)	**-4.7**	**-5.5**	**-6.3**	**-6.0**	**-7.1**	**-5.5**	**-5.6**	**-5.2**	**-5.4**
***of which:* Debt-creating overall bal.(exc. PKO)[2]**	**-4.7**	**-5.6**	**-5.6**	**-5.7**	**-6.2**	**-5.7**	**-5.7**	**-5.2**	**-5.4**
Change in float/arrears[3]	-0.3	-0.3	0.6	-0.3	-0.6	-0.3	-0.3	-0.3	-0.3
Overall balance (incl. grants, cash basis)	**-5.0**	**-5.8**	**-5.7**	**-6.3**	**-7.7**	**-5.8**	**-5.9**	**-5.5**	**-5.7**
Financing	**5.0**	5.8	**5.7**	6.3	**7.7**	5.8	**5.9**	5.5	**5.7**
Foreign financing (net)	4.5	5.0	5.2	4.6	5.9	5.5	5.0	5.2	4.1
Drawings	4.8	5.4	5.5	5.1	6.5	6.0	5.7	5.8	4.9
Budgetary loans	2.7	3.4	3.0	3.0	4.4	3.8	3.4	3.5	2.5
Required Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.8
Assumption of loan guarantee	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0
Additional financing to be determined[4]	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0
Project loans	2.2	1.9	2.5	2.0	2.0	2.2	2.2	2.3	2.4
Amortization	-0.3	-0.3	-0.3	-0.4	-0.6	-0.5	-0.7	-0.6	-0.8
Net domestic financing	0.5	0.8	0.6	1.7	1.8	0.3	1.0	0.3	1.5
Net credit from banking system	0.6	0.2	-0.1	1.7	1.8	0.3	1.0	0.3	1.5
Amortization loan guarantee	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0	-0.1
Assumption of loan guarantee	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Nonbank sector	-0.1	0.5	0.8	0.5	0.0	0.5	0.0	0.5	0.0
Errors and omissions[5]	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Debt-creating ov. balance (exc. PKO, 5-yr avg, com.basis)	**-4.9**	**-5.3**	**-5.4**	**-5.4**	**-5.5**	**-5.4**	**-5.5**	**-5.5**	**-5.3**
GDP (Billions of RwF), FY basis	7,895	8,694	8,617	9,821	9,679	11,154	11,001	12,663	12,471

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

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

[3] A negative sign indicates a reduction.

[4] Commercial borrowing to finance the budget.

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

Table 3. Monetary Survey, 2018–21
(billions of Rwandan francs, unless otherwise indicated)

	2018		2019				2020				2021	
	Jun.	Dec.	Jun.		Dec.		Jun.		Dec.		Dec.	
	Act.	Act.	Prog.	Act.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
Monetary authorities												
Net Foreign Assets[1]	719	902	843	843	980	972	871	910	1,121	1,164	1,216	1,291
Of which: Foreign assets		1,160	1,126	1,126	…	1,262	…	1,190	…	1,434	…	1,527
Foreign liabilities		258	283	283	…	290	…	280	…	269	…	236
Net domestic assets	-346	-519	-413	-413	-532	-508	-383	-394	-593	-597	-604	-623
Domestic credit	-160	-326	-199	-199	-340	-268	-197	-156	-412	-362	-435	-396
Other items (net; asset +)	-186	-194	-214	-214	-191	-240	-186	-238	-181	-236	-169	-227
Reserve money[2]	373	382	429	429	448	465	488	516	528	567	611	668
Commercial banks												
Net foreign assets	82	167	81	81	110	79	110	79	110	79	110	79
Reserves	185	197	216	216	231	233	252	256	273	279	316	322
Net credit from BNR	65	56	8	8	213	123	86	204	318	291	290	265
Domestic credit	1,862	1,984	2,249	2,249	2,227	2,360	2,562	2,432	2,539	2,639	3,010	3,097
Government (net)	309	290	393	393	318	374	475.6	291	374	376	561	667
Public enterprises	85	95	126	126	90	90	88	88	85	85	80	80
Private sector	1,468	1,599	1,730	1,730	1,818	1,895	1,999	2,053	2,080	2,177	2,370	2,350
Other items (net; asset +)	-440	-518	-548	-548	-517	-503	-517	-503	-517	-503	-517	-503
Deposits	1,755	1,886	2,006	2,006	2,263	2,292	2,493	2,469	2,723	2,785	3,210	3,260
Monetary survey												
Net foreign assets	801	1,069	923	923	1,090	1,052	981	989	1,231	1,244	1,325	1,371
Net domestic assets	1,141	1,003	1,296	1,296	1,391	1,471	1,748	1,739	1,747	1,831	2,180	2,237
Domestic credit	1,768	1,714	2,058	2,058	2,099	2,214	2,451	2,506	2,444	2,567	2,866	2,964
Government	191	-3	178	178	179	216	353	353	268	292	404	521
Public enterprises	85	95	126	126	90	90	88	88	85	85	80	80
Private sector	1,492	1,622	1,754	1,754	1,830	1,907	2,011	2,065	2,092	2,189	2,382	2,362
Other items (net; asset +)	-626	-711	-762	-762	-708	-743	-703	-741	-697	-738	-686	-730
Broad money	1,942	2,072	2,220	2,220	2,481	2,523	2,729	2,729	2,978	3,074	3,505	3,608
Year on Year Growth					(Percent)							
Broad money	9.6	15.6	14.3	14.3	19.8	21.8	19.9	22.9	20.0	21.9	17.7	17.4
Reserve money	21.2	16.1	15.3	15.3	17.2	21.5	17.6	20.2	17.9	22.1	15.7	17.8
Net foreign assets	9.4	33.0	15.3	15.3	2.0	-1.6	-2.0	7.1	13.0	18.3	7.7	10.2
Credit to the private sector	7.3	10.8	17.6	17.6	12.8	17.6	18.1	17.7	14.3	14.8	13.9	7.9
Memorandum items:												
Velocity (eop)	4.1	4.0	3.9	3.9	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.2
Money multiplier	5.2	5.4	5.5	5.2	5.5	5.4	5.6	5.5	5.6	5.4	5.7	5.4

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

[1] For program purposes NFA are shown 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 4. Rwanda: Balance of Payments, 2018–21

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

	2018	2019		2020		2021	
	Act.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
Current account balance (incl. official transfers)	**-746**	**-975**	**-1,068**	**-1,038**	**-1,077**	**-956**	**-1,077**
Trade balance	-915	-1,044	-1,154	-1,031	-1,202	-997	-1,286
Exports (f.o.b.)	1,126	1,218	1,171	1,327	1,298	1,481	1,458
Of which: coffee and tea	159.2	162.0	151.5	175.7	162.7	197.6	195.8
Of which: minerals	142.2	170.2	102.8	194.1	122.1	226.4	143.6
Imports (f.o.b.)	2,041	2,261	2,325	2,357	2,499	2,478	2,744
Of which: capital goods	547.6	613.2	678.0	613.9	694.8	661.9	796.0
Of which: Energy goods	246.2	229.8	256.8	247.8	276.8	264.2	294.3
Services (net)	-185.8	-225.5	-187.5	-229.0	-140.6	-162.9	-94.1
Credit	916.8	947.8	992.4	1,041	1,086	1,181	1,223
Of which: tourism receipts	374.9	404.0	404.9	444.4	445.4	511.0	512.2
Debit	1,103	1,173	1,180	1,270	1,227	1,344	1,317
Income	-301.9	-385.6	-368.1	-412.0	-397.4	-428.5	-437.6
Of which: interest on public debt[1,2]	-79.1	-83.4	-92.2	-97.0	-99.5	-97.0	-112.7
Current transfers (net)	657.0	679.3	641.9	633.6	662.5	632.3	740.7
Private	311.1	318.6	319.6	341.0	354.0	362.5	376.5
Public	346.0	360.7	322.3	292.5	308.5	269.8	364.2
Capital and financial account balance	**891**	**1,085**	**1,116**	**1,199**	**1,286**	**1,063**	**1,214**
Capital account	244.5	260.2	260.2	284.6	284.6	290.8	290.8
Financial account	646.8	824.5	856.1	914.3	1,001.2	772.5	923.4
Direct investment	283.6	298.5	299.6	310.9	366.5	258.0	368.2
Public sector capital[3]	482.1	437.5	527.1	632.9	609.2	510.4	541.9
Long-term borrowing[2]	550.4	500.3	596.8	768.7	861.7	740.9	701.2
Scheduled amortization, excl IMF	-68.3	-62.8	-69.7	-135.8	-252.5	-230.5	-159.3
Other capital[4]	-118.9	88.6	29.4	-29.5	25.5	4.1	13.4
Of which: commercial banks NFA (increase -)	-126.1	65.0	104.1	0.0	0.0	0.0	0.0
Net errors and omissions	**-12.2**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**
Overall balance	**133.3**	109.3	**48.3**	160.9	**208.6**	107.4	**137.6**
Financing	**-133.3**	-109.3	**-48.3**	-160.9	**-208.6**	-107.4	**-137.6**
Reserve assets (increase -)	-153.5	-109.3	-48.3	-138.1	-186.0	-70.1	-100.9
Net credit from the IMF	24.3	0.0	0.0	-22.9	-22.7	-37.3	-36.6
Memorandum items:							
Current account deficit (percent of GDP)[5]	-7.9	-9.6	-10.6	-9.4	-9.9	-7.9	-9.1
Trade balance (percent of GDP)	-9.6	-10.2	-11.5	-9.3	-11.0	-8.3	-10.8
Gross official reserves	**1,319**	1,428	**1,367**	1,566	**1,553**	1,637	**1,654**
in months of prospective imports of G&S	4.5	4.7	4.4	4.9	4.6	4.7	4.6

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Including interest due to the IMF.

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

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

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

[5] Including official transfers.

Table 5. Rwanda: Financial Soundness Indicators: September 2017 – June 2019

	2017		2018				2019	
	Sep	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.
				(Percent)				
Capital adequacy								
Regulatory capital to risk-weighted assets	20.5	20.0	19.5	20.1	20.8	23.8	22.4	21.8
Capital to assets	22.3	21.4	21.1	21.9	22.6	25.5	24.1	23.3
Off balance sheet items/total qualifying capital	290.4	298.7	309.7	290.9	276.1	315.7	336.8	329.5
Insider loans/core capital	5.2	6.0	6.0	5.9	5.7	5.6	3.9	4.4
Large exposure/core capital	153.5	169.6	168.7	169.4	136.1	134.8	124.3	126.2
Asset quality								
NPLs/gross Loans	7.7	7.6	6.8	6.9	7.2	6.4	6.3	5.6
NPLs net/gross loans	6.6	6.6	5.5	5.2	6.1	5.5	5.6	5.6
Provisions/NPLs	43.8	46.7	59.2	67.4	64.2	68.2	71.1	80.2
Earning assets/total asset	81.8	83.0	78.9	80.8	84.6	84.8	83.6	82.3
Large exposures/gross loans	31.7	33.6	34.2	34.5	29.6	32.0	28.5	28.1
Profitability and earnings								
Return on average assets	1.6	1.1	1.3	1.6	1.7	1.9	2.1	1.6
Return on average equity	8.9	6.2	7.5	9.5	10.2	11.2	12.0	9.3
Net interest margin	9.5	8.8	9.8	9.7	9.5	9.0	9.2	8.8
Cost of deposits	3.3	3.4	3.5	3.5	3.5	3.4	3.2	3.3
Cost to income	81.5	85.1	82.5	81.1	79.7	78.4	77.7	81.1
Overhead to income	48.5	48.4	45.3	45.6	45.6	45.0	42.5	42.9
Liquidity								
Short term gap	5.5	5.9	4.9	6.6	4.3	3.6	7.1	8.9
Liquid assets/total deposits	43.7	46.7	49.4					
Interbank borrowings/total deposits	23.0	23.0	23.6	21.9	22.3	21.5	20.3	21.3
BNR borrowings/total deposits	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Gross loans/total deposits	108.7	108.9	106.5	109.0	106.3	107.2	105.7	108.0
Market sensitivity								
Forex exposure/core capital1	-7.2	-7.8	-4.5	-6.1	-10.1	-5.6	-7.1	-8.6
Forex loans/Forex deposits	44.1	46.7	49.4	45.4	38.4	39.5	41.0	46.5
Forex assets/Forex liabilities	79.8	80.4	76.5	82.0	88.1	91.2	91.0	91.0

Source: National Bank of Rwanda.

Table 6. Rwanda: Quantitative Program Targets under PCI-Supported Program as of End-June 2019[1]

	end-June 2019				
	Program	Adjustors	Program Adjusted	Prelim.	Status
(Billions of Rwandan francs, unless otherwise indicated)					
Half-yearly Quantitative Targets[1]					
1. Ceiling on the overall deficit, including grants[2]	477	78	555	546	Met
2. Floor on stock of Net Foreign Assets	850	-90	760	825	Met
3. Ceiling on net accumulation of domestic arrears	0			-2.7	Met
Continuous Targets					
4. Ceiling on stock of external payment arrears (US$ millions)[3]	0		…	0	Met
Monetary Policy Consultation Band[1,4]					
CPI Inflation target	5.0			0.8	Not Met
Inflation, upper inner-bound, percent	8.0				
Inflation, lower inner-bound, percent	2.0				
Inflation, upper bound, percent	9.0				
Inflation, lower bound, percent	1.0				
Memorandum items:					
Total priority spending[2]	812			827	Met
Floor on domestic revenue collection[2,5]	1,584			1,519	Not Met[5]
Stock of new external debt contracted or guaranteed by nonfinancial public enterprises (US$ millions)[3]	700			475	Met
Total budget support (US$ millions) [2]	664			566	
Budget support grants (US$ millions)	365			295	
Budget support loans (US$ millions)	299			271	
RWF/US$ program exchange rate	879			879	

Sources: Rwandan authorities and IMF staff estimates and projections.

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

[2] Numbers for June 2019 are cumulative from 6/30/2018.

[3] Continuous targets.

[4] When the end-of period year-on-year average inflation is above/below the outer band of the upper/lower bound, a formal consultation with the Executive Board would be triggered.

[5] The target inadvertently and incorrectly included PKO reimbursements. Had the target floor excluded PKO reimbursements, in line with the TMU, it would have been met.

Table 7. Rwanda: Reform Targets Under PCI-Supported Program as of End-June 2019

Actions	Target Date	Status
Fiscal		
Produce annual tax expenditure report with updated methodology, and a description of broad categories of beneficiaries.	end-June 2019	Met
Procure an IT system that will capture all RSSB processes	end-June 2019	Met

Source: Rwandan authorities.

Appendix I. Letter of Intent

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

Kigali, December 20, 2019

Dear Ms. Georgieva:

We are committed to preserve macroeconomic and financial stability, as pre-requisites for sustainable and more inclusive economic growth. Estimates indicate that, economic growth averaged 10.3 percent during the first half of 2019 mainly led by improved performance in construction activities and services. Strong import growth fueled by domestic demand and declining commodity prices of our main exports widen the trade deficit in 2019H1 despite an increase in volume and more diversification of exports products. The central bank continues to strengthen the monetary policy framework.

Lower-than-expected grants and loans disbursements combined with a higher-than-expected projects spending have resulted in a higher fiscal deficit through end June 2019 and a revision of the FY2019/20 fiscal stance is proposed in the program statement to accommodate repayment of a float caused by the shortfall in resources mentioned above.

Consistent with our program commitment to maintain our debt anchored at safe levels over the medium term, we are preparing a preliminary fiscal risks statement, with the assistance of IMF, to estimate plausible fiscal costs associated in anticipation of risks that could materialize in the medium term and we will prudently consider fiscal measures to build precautionary buffers. This is also necessary to preserve and create fiscal space for more financing of our government strategic plan, the NST1, in which SDG objectives are imbedded.

The Government remains fully committed to meeting the objectives of the program, as well as its specific targets. Attachment to this letter is the program statement, presenting performance under the program, and updating the specific policies to meet the program's objectives, including the associated quantitative targets and structural benchmarks. We will monitor progress continuously in consultation with the IMF, and we stand ready to take further measures if needed to reach our objectives. We will continue to consult with the IMF on the adoption of measures, and in advance of any revisions to policies included in this Program Statement in accordance with the IMF's policies on such consultations.

We will also provide the IMF with the information it requests for monitoring program implementation. We authorize the IMF to publish this Letter of Intent and its attachments, as well as the related Staff Report.

Sincerely,

/ s /	/s/
Ndagijimana, Uzziel	Rwangombwa, John
Minister of Finance and Economic Planning	Governor, National Bank of Rwanda

Attachments (2)

I. Program Statement (PS)

II. Technical Memorandum of Understanding (TMU)

Attachment I. Program Statement

I. RECENT DEVELOPMENTS AND PROGRAM PERFORMANCE

1. **Strong economic growth persists.** Economic growth reached an exceptional 12.2 percent in the second quarter of 2019, averaging 10.3 percent in the first half of 2019. This good performance was mainly driven by industry especially construction and manufacturing, as well as services, particularly trade and transport. The services sector's growth was the result of the good performance of trade and transport, where wholesale and retail trade grew by 23 percent and transport grew by 17 percent, boosted by air transport mainly from Rwandair. On the demand side, investment, was the main driver of this growth, growing at 40 percent in the first half of 2019.

2. **Fiscal performance for the fiscal year 2018/19 showed improved execution of projects financed by external loans, while budget grants and loans recorded a shortfall compared to projections.** On the revenue side, domestic revenue collections were better than anticipated and reflected the strong economic growth registered during the year. In the area of external resources, both grant and loan disbursements were lower than projected on account of delayed/cancelled funds. Consistent with the recently observed trend in higher execution of projects funded with external loans, foreign financed capital expenditure was also higher. This led to a deficit on commitment basis estimated at 6.4 percent of GDP. However, on cash basis, the deficit was lower than projected, explained by the delayed/cancelled disbursement of donor budget support funds. Some of the commitments of suppliers and contractors could not be paid before the close of the fiscal year. The Government attempted to solve the cash shortfall with an increase in the sale of government securities to the non- bank sector of the economy, but a gap remained and was carried forward to FY 2019/20.

3. **In May 2019, the twelve-month average CPI inflation went below 1 percent, the lower bound under the Monetary Policy Consultation Clause (MPCC).** Headline inflation had been on a decreasing trend since July 2018, mainly dragged down by deflationary pressures in domestic food and energy (charcoal and firewood) prices as well as imported food inflation. Fresh food inflation decelerated on the back of good weather conditions. Good/humid weather conditions further led to an increase in issuance of forest extraction and burning permits, resulting into increased supply and decreased prices of charcoal and firewood on the market. Imported food inflation followed consistent decreases in international food and oil prices. Cognizant of these developments, the monetary policy committee (MPC) decided in May to cut the central bank rate to an all-time low of 5 percent. Since June 2019, core inflation started to pick up; mainly driven by easy monetary conditions and subdued deflationary pressures in imported and domestic (fresh) food prices.

4. **As of June 2019, the growth of the most liquid assets in Rwandan francs reduced by 1.8 percent (y-o-y),** compared to the growth of 22.8 percent recorded during the same period of the previous year. This was due to preferences of banks to invest more in long-term government securities bearing in mind that the relatively growing interbank market and the Central Bank reverse

repo operations can help to smoothen any temporal liquidity need. As results, excess reserves for precautionary purposes reduced and money market interest rates continued to stabilize around the central bank rate.

5. **In January 2019, the NBR adopted a price-based monetary policy framework.** The move required strengthened analytical capacity to support forward-looking decision-making, a developed financial market, enhanced communication and modernized monetary policy processes, among other things. In the transition period, the NBR also continued to collaborate with IMF in building the capacity of its staff, especially in the areas of Forecasting and Policy Analysis Systems (FPAS). To support the FPAS, NBR introduced Price Expectations Surveys (PES) to continue supporting evidence-based analysis and forecasting of inflation.

6. **Moreover, the NBR has put in place a communication strategy, to support the new price-based monetary policy framework.** To anchor price expectations, the NBR regularly communicates to the public its policies and decisions, the rationale behind its policy decisions, the anticipated impacts of the decisions, and key macroeconomic trends through press conferences, press releases, targeted outreach, and different publications. The target groups include the public, financial sector players, think tanks, media, youths, academia, policy makers and international organizations.

7. **With the perspective of boosting interbank market activities and therefore improving the monetary policy transmission mechanism, the NBR established a Financial Markets Operations Committee (FMOC)** to improve daily liquidity management and guide NBR interventions on money market. In addition, the NBR introduced the bond reopening and the true repo mechanism to increase the trust of players on interbank market as all transactions are collateralized and ownership of security holders is fully transferred during the borrowing period.

8. **Broad money (M3) picked up by 14.0 percent in the year ending June 2019, from 9.6 percent recorded end June 2018, attributed to an increase in net domestic assets by 13 percent and an expansion of 15 percent in net foreign assets.** The rise in net domestic assets was explained by a year on year growth in the outstanding credit to the private sector by 18 percent end June 2019, compared to 7 percent recorded end June 2018. On money demand side, the currency in circulation increased by 11 percent, reflecting the booming economic activities and the continuing improvement in the monetization of economy. The currency in circulation to broad money ratio remains low and stable, standing at around 9 percent on average, for the last three consecutive years, ending June 2019. As result of continuing good economic conditions, the total deposits in the banking system picked up by 14 percent as of June 2019, from a growth of 9 percent recorded end June 2019, mainly driven by demand deposits which surged by 18 percent from 3 percent during the same period.

9. **Banking sector lending picked-up in the first nine months of 2019 on the back of increased demand for credit.** The outstanding loans of the banking sector increased by 18.4 percent (year-on-year) in September 2019, compared to a 9 percent growth registered in

September 2018. Demand for loans particularly increased in the first half of 2019, compared to last year, enabling banks to lend. All banks maintain capital and liquidity buffers above the minimum prudential requirements. The banking sector total Capital Adequacy Ratio (CAR) stood at 23.7 percent as at September 2019, above the 15 percent minimum prudential requirement. Banks also maintained high quality capital by holding a high proportion of Common Equity Tier 1 (CET1) in their capital stock. Banks also hold enough liquidity as the Liquidity Coverage Ratio (LCR) that indicates the proportion of Banks' liquid assets to their short-term obligations stood at 193 percent as at end September 2019, against 100 percent minimum prudential requirement. The capital and liquidity buffers indicate the level of resilience and ability to withstand adverse shocks.

10. Non-performing loans of banks declined and profits picked up. The Non-Performing Loans (NPLs) ratio of banks, reflecting the size of non-performing loans to gross loans, reduced from 7.2 percent in September 2018 to 5.3 percent in September 2019. The drop in NPLs ratio largely reflects the positive effects of the stronger economic performance in 2019, as well as write-offs of overdue NPLs. The banking sector profits also picked up in the first 9 months of 2019, which largely reflects the high growth of loans and recoveries.

11. Private insurers continue to recover from the underperformance registered in 2016. Private Insurers solvency level, a measure of the strength of Insurers' capital buffers held to cover all liabilities, improved from -53 percent in June 2016 to 188 percent in September 2019, compared to 100 percent prudential minimum. This was achieved through capital injections and revised premia for motor insurance. Despite this improvement, insurers still register underwriting losses, largely because of competition for few products (Motor) and related under-pricing of policies. Low insurance penetration, limited product differentiation, price undercutting, high operating costs are some of the key challenges facing the insurance sector. The NBR will continue working with the industryto address these challenges.

12. The microfinance sector holds adequate capital and liquidity. As of September 2019, the MFI sector Capital Adequacy Ratio (CAR), the measure of solvency, stood at 35.3 percent, well above the minimum regulatory requirement of 15 percent. The MFIs sector hold sufficient liquid assets and liquidity risks are very minimal. The liquidity ratio of the MFI sector stood at 87.8 percent at end September 2019, significantly above the prudential limit of 30 percent. The overly high liquidity position of MFIs relates to the still-limited investment opportunities of these institutions.

13. Rwanda's exports of goods and services continue to perform well; rising by 8 percent year-on-year in 2019 H1, driven by improved receipts from services (+15 percent) and merchandise trade (+3 percent). The developments in exports of goods and services reflect the government's policy plans to diversify its exports base to mitigate risks associated with high reliance on receipts from traditional exports. In addition, exports of services from air transport and tourism, following investment in these sectors, have been playing a pivotal role in diversifying the country's exports earnings. However, imports of goods and services also continued to rise, driven by high domestic demand of capital goods and intermediary goods to support the growing economic growth, widening the trade deficit.

14. The current account deficit was financed by rising Foreign Direct Investment (FDI) inflows and reduction in assets. Total net foreign liabilities (FDI, portfolio investment and other investments) decreased by 26 percent in 2019H1, largely attributed to delayed disbursement of public borrowings. As a result, Rwanda BOP recorded a deficit of USD 70 million, slightly decreasing the level of reserves in months of imports from 4.5 months recorded in 2018 to 4.3 months.

15. All but one of end-June program quantitative targets and structural reform targets were met. The fiscal deficit and net foreign assets quantitative targets for end June 2019 were met. On the end June 2019 reform targets, the government published a tax expenditure report following an updated methodology on the website of MINECOFIN; and procured an IT system that will capture all RSSB processes in an effort to strengthen management and sustainability of all schemes managed by RSSB.

II. OUTLOOK AND POLICIES

A. Fiscal Policies

16. In line with the trend observed in the first half of 2019, GDP growth forecast has been revised upward from 7.8 to 8.5 percent in 2019. The main drivers remain the same as for the first half, namely construction and manufacturing reflecting ongoing construction projects and Made in Rwanda policy; as well as trade and transport services following import growth. Growth is projected to remain strong in the medium term at 8 percent.

17. Revision of the fiscal projections for 2019/20 reflect some additional spending and repayment of debt, both domestic and external, as well as some additional external borrowing to clear the float of FY 2018/19. The payment by Government of a particular bank loan enters for the first time the fiscal accounts because a call was made on a Government guarantee. However, this loan was already part of our Debt Sustainability Analysis. In order to only consider debt creating flows for the deficit, this loan as well as the Peace keeping Operations (neutral over the years but sometimes pre-financed) have been excluded from the deficit definition to be considered under the program. In addition, Government is in the process of procuring additional resources including some external funding to close the financing gap arising from the delayed/cancelled external donor budget support funds in FY 18/19, to be used in clearing the 'float'. However, Government is committed to respect the agreed deficit in line with the resource envelope planned.

18. Government of Rwanda is strengthening disbursement monitoring by regularly engaging with implementing agencies and development partners and is committed to improve fiscal transparency. Projections of grants and loans for the fiscal year 2019/20 are based on prior actions that are certain to be achieved as to ensure that projections match achievements. During planning consultations, we will ensure that the specific disbursement linked indicators (DLIs), triggers and policy actions are reflected in the plans and subsequent budgets of the responsible line ministries and agencies. Further, to ensure strong monitoring within the fiscal year, the economic and social clusters, made of the relevant ministers and heads of agencies, will have ongoing discussions of any issues related to the progress of DLIs, triggers and policy actions. In addition, in line with its efforts to improve fiscal transparency, Government is committed to publish audit opinion of the consolidated financial statements of general government starting with FY 19/20.

19. We will continue to maintain prudent debt levels to guarantee fiscal sustainability. While the implementation of the NST1 and SDGs require more financing, we recognize that a deficit that translates into higher debt will increase vulnerability to shocks and lead to fiscal distress. Therefore, a fiscal anchor of a 5.5 percent of GDP as an overall deficit on a 5-year rolling average basis with a larger safety margin was set under the PCI program to preserve the country's fiscal position. But to be able to honor our commitments to invest more in both infrastructure and in human capital, and to deal with foreseeable fiscal risks, we would like to make a request to the Fund for a relaxation of the 5 years rolling average fiscal deficit target to 6 percent of GDP during the next review instead of 5.5 currently. We are strengthening our scenario analysis to estimate plausible fiscal risks in the medium term to be able to set a precautionary fiscal buffer that can absorb them when they materialize. The fiscal rule ceiling shall be revisited at the next review and considerations for increasing the ceiling on the fiscal rule should include:

- An updated DSA showing Rwanda remains at low risk of debt distress;
- A draft fiscal risk statement that has been considered by a fiscal risk committee;
- Commencing work on a fiscal risk registry;
- Longer-term commitments in the program for an annual fiscal risk statement submitted to parliament and producing a non-financial public sector balance sheet.

20. Our medium-term fiscal policies will continue to reflect fiscal consolidation and prudent borrowing to keep debt and external balances sustainable. Domestic revenue will remain a key source of funding for our future spending as ongoing tax policy and tax administration measures are expected to produce results. Tax-to-GDP ratio estimated at 16.4 percent of GDP in 2019/20, is expected to increase by 0.2 percent of GDP every year over the medium term. Regarding expenditures, current expenditure will remain contained at 15 percent of GDP and below in the medium-term as priority is given to capital expenditure maintained at 12 percent of GDP over the medium-term to implement our NST 1 priority projects. As a result, the non-debt creating fiscal deficit is currently projected at 5.5 percent of GDP in 2019/20 and 2020/21, declining to 5.3 percent of GDP in 2021/22, thus respecting the current fiscal rule under the program.

21. Rwanda's public and publicly guaranteed debt remains carefully managed. The latest Fund and Bank joint Debt Sustainability Analysis as of March 2019 assessed Rwanda's external debt position as having a low risk of debt distress with present value of 29 Per cent of GDP (against threshold of 55 Percent of GDP) at end 2018 higher than the 27.9 Per cent of GDP recorded in 2017. Rwanda's total public and publicly guaranteed debt stock in nominal terms amounted 55.3 percent of GDP as of end June 2019 compared to 53.1 percent of GDP at end December 2018. However, the debt portfolio is still dominated by external concessional loans with 63 percent of total debt. Going forward, the government's medium-term debt strategy aims to: maintain the low risk status while financing development projects through prioritizing concessional debt; support domestic market development with issuance of long-term debt securities in replacement of short-term debt securities; and mitigate risks associated with contingent liabilities. This debt strategy will help finance public investment that will translate into economic growth, increased domestic revenues, enhanced export performance, and build-up of international reserves, which in return will enhance the country's capacity to service and repay its debt. Government is regularly conducting DSAs to gauge its debt trends.

22. We will continue to strengthen our revenue administration to secure full compliance by all taxpayers and improve taxpayer services. Following several assessments of our tax system, including the TADAT (the Tax Administration Diagnostic Assessment) and technical assistances in different areas:

At the administration level:

- **RRA started using third party information** by interfacing and crosschecking with other sectors (Rwanda Development Board, Private Sector Federation, Rwanda Government Board, Rwanda Public Procurement Authority etc.) and through internal IT systems, doing data matching to identified potential taxpayers to be registered for income tax and VAT. As a result of the above, the number of registered taxpayers during 2018/19 fiscal year increased by 12 percent.
- **Electronic Billing Machines**: RRA had a total of 24,022 VAT registered taxpayers as of end June 2019, of which 22,247 were expected to have EBM, out of which 20,987 taxpayers had acquired EBM, making an acquisition ratio of 94.3 percent. This means there are still some VAT registered taxpayers (1,260; equivalent to 5.7 percent) who are operating without having EBMs while they are supposed to have them.
- **IT systems helped improve capacity to detect tax evasion and increase compliance**
    - E-Tax and EBM VAT output validation controls to detect and prevent possible under reporting of VAT output are implemented since December 2018. The VAT output control is a mechanism by which RRA systems validate the amount of sales appearing in tax returns against the amount that was reported by the EBM machines of the taxpayers (Note: All sales through EBM are reported directly to RRA). In case the amount of sales appearing on a taxpayer's return is less than the amount reported by the EBM, the system will notify the taxpayer (through SMS) of this difference and ask them to rectify before finalizing the declaration. Else, it will capture the higher of the two amounts unless the taxpayer has tangible justifications.
    - The system controls to pre-fill the income tax quarterly prepayments of declaration form were implemented to prevent taxpayers from claiming wrong income tax advances. The Income tax Quarterly Prepayments (IQP) are advance quarterly payments of Corporate Income Tax (CIT) based on the CIT declared and paid the previous year. Therefore, instead of the taxpayer having to enter the prepayments

expected every quarter, the system will automatically pre-fill the amounts for which the taxpayer will only validate at the point of declaration.

- o Interface between Domestic tax system (E-Tax) and Customs system (Electronic single window) was developed to provide both quick service delivery at the time of importing goods as well as safeguard revenue leakages. All checks (domestic and customs) are now done simultaneously which speeds up release of goods. To safeguard revenues, the system is able to detect regular importers who are not registered for domestic taxes including those whose annual import values (CIF) are above the VAT threshold but not registered for VAT. The system is constantly checked to ensure there is no compromise in system performances for both Domestic taxes and customs.

And at policy level, we are initiating development of a Medium-Term Revenue Strategy (MTRS) with the support of the IMF and other development partners. The objective is to identify key policies that will boost our tax collection. Our current work on tax expenditure and other analytical work will serve to inform this strategy. It is expected that the administrative measures mentioned above will yield more results as they are rolled over and gain amplitude in the medium term. We will further identify and/or adjust policies as needed to achieve the commitment of increasing tax revenues by 0.2 percentage points every year.

B. Monetary and Exchange Rate Policies

23. Inflation forecasts show that the 12-month average CPI inflation would evolve to around 2.2 by end of 2019. Forecast over the policy horizon indicates an increase in headline inflation, that will remain with the band. Based on this, MPC decided to maintain the policy rate at 5.0 percent in August 2019. Should any of the forecast assumptions deviate from its projections, the Committee will stand ready to take appropriate monetary policy measures (including adjusting the policy rate) to ensure that inflation remains within the benchmark band.

24. On the external side, the Current Account Deficit is projected to be 10.6 percent of GDP in 2019 (representing a 1.0 percentage point upward revision from the last projections), falling to 9.9 percent and 9.1 percent in 2020 and 2021, respectively. The projected positive external outlook in the medium term will benefit from a rebound of receipts from traditional exports as global demand weakness fade out coupled with the continued strong regional demand of non-traditional exports and re-exports as well as decreasing deficit from services. This CAD will be financed by continued steady capital inflows to Rwanda, thanks to pull factors including stable macro-economic environment, political stability and business enablement. As a result, Rwanda will continue to build up its buffers against external shocks, with the official reserves in months of imports of goods & services remaining stable, averaging 4.5 months over 2019–21.

25. BNR is committed to maintain a market driven exchange rate regime in line with the monetary policy framework. As the exchange rate is the first line of defense against external shocks, given the structural trade balance deficit for Rwanda, and considering that Rwanda is importing capital and intermediary goods in line with its NST, BNR will continue supplying foreign exchange to the market to satisfy foreign exchange demand, reflecting mostly execution of infrastructure capital projects. However, these sales are not affected to control the value of the exchange rate.

C. Financial Sector Policies

26. **The NBR continued to make progress on a wide range of regulatory policies deemed important for a sound and stable financial system.** In this respect, the Bank reviewed and enhanced the already existing legal instruments, but also established new ones. In establishing these legal instruments, the NBR was guided by international standards as well as market developments. Below are legal instruments gazetted since March 2019, as well as other initiatives:

- i. Directive on Loan to Value Ratio;
- ii. Regulation Governing the Shareholding, Acquisition and Amalgamation of Banks;
- iii. Regulation on Major Investment and Placements of Banks;
- iv. Insurance Sector Anti-fraud and Related Financial Crimes Forum;
- v. Regulation on Minimum Internal Control and Audit for Banks;
- vi. Law Governing Credit Reporting System;
- vii. Law on Prevention and Punishment of Money Laundering and Terrorism Financing (AML/CFT Law);
- viii. Regulation Governing Non-Deposit Taking Financial Institutions (NDFIS);
- ix. Domestically Systemically Important Banks (DSIBs) Framework;
- x. Regulation on Licensing Conditions for Banks and Insurers;
- xi. Regulation Governing the Micro-Insurance Organization;
- xii. The Directive on Risk Based Capital (RBC) Requirements.

27. **NBR is committed to continue deepening financial markets, to further strengthen monetary policy transmission mechanism.** In addition to regular quarterly issuance of Government bond, in June 2018 BNR started reopening mechanism with purpose of price discovery on secondary market and avail liquidity on that market. In line with capital market development and help people to save their money by investing in Government securities, BNR has successfully issued the 20 years bond in August 2019. All those initiatives have contributed to the development of bond market whereby volume and number of transactions on secondary market at stock exchange have increased significantly.

28. **In addition, BNR is taking steps to implement true repo, which will contribute to the development of interbank market.** This new framework consists of enhancing the existing interbank market whereby banks will be able to engage in safe and collateralized borrowing and lending activities with each other. Unlike the current forms of pledging securities, lending bank will be able to take full ownership of the collateral until the loan matures. This will reduce both the risk as well as the cost of engaging in short term transactions. This initiative will be supplemented by the rollout of Global Master Repurchase Agreement (GMRA).

D. Program Monitoring

29. Progress in the implementation of the policies under this program will be monitored through quantitative targets (QTs), including an inflation consultation clause, continuous targets (CTs) and reform targets (RTs). These are detailed in Tables 1 and 2, with definitions provided in the attached Technical Memorandum of Understanding.

III. MONETARY POLICY CONSULTATION WITH THE IMF EXECUTIVE BOARD

30. In January 2019, BNR adopted a price-based monetary policy framework. Based on positive developments in domestic financial systems and improved analytical capacity of staff to perform economic analysis and forecasting, the adoption of a forward-looking approach was meant to enhance the effectiveness and efficiency of monetary policy in Rwanda in order to maintain a stable inflation. With the improved operational framework, BNR committed to an explicit objective of maintaining inflation within a benchmark band of 5±3 percent.

31. In March 2019, Rwanda requested for a three-year Policy Coordination Instrument (PCI). Under the PCI program, inflation benchmark for June 2019 was to be monitored under a Monetary Policy Consultation Clause (MPCC). Consultation with IMF staff follows BNR inflation band of 5±3 percent, while consultation with IMF Executive Board is based on a wider band (5±4 percent).

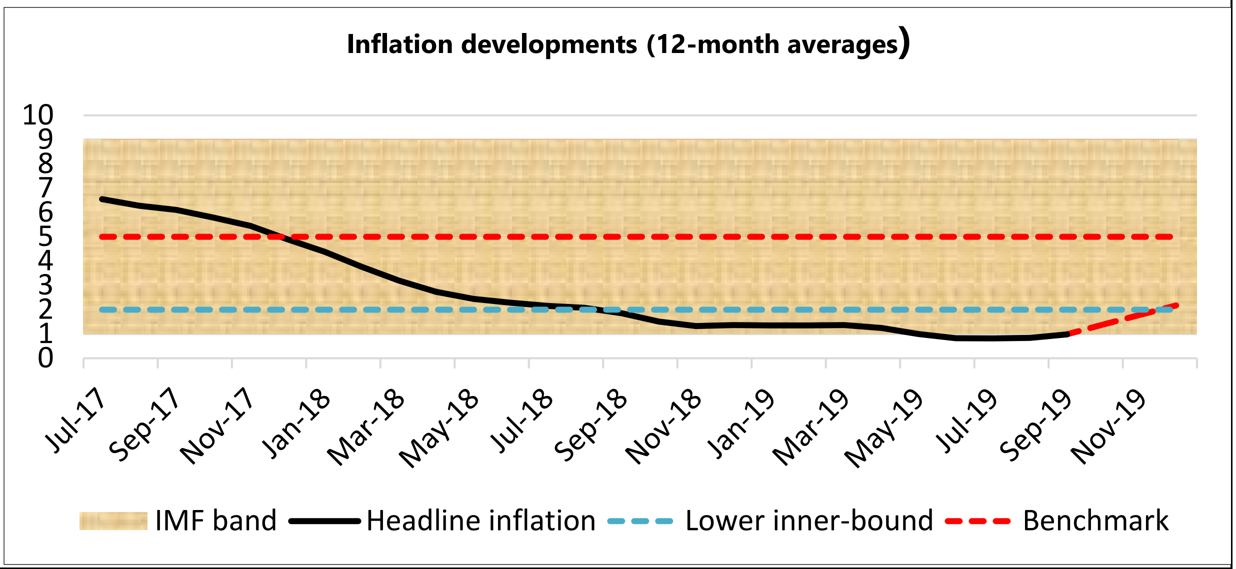
32. In February 2019, BNR staff projections suggested continued low inflationary environment over the near term, with CPI inflation slowing down to 1.0 percent 2019Q1 and 0.8 percent in 2019Q2, which would bring the 12-month average CPI inflation to about 1.0 by 2019Q2. The projections assumed, among other things, an uptick in domestic and international food prices over the 2019Q1–2019Q2 period.

Table 1. Rwanda: Inflation Projections

	Feb 2019 MPC	*May 2019 MPC*	*Aug 2019 MPC*
2019Q1	0.8		
2019Q2	0.7	0.4	
2019Q3	3.3	2.7	2.4
2019Q4	6.2	5.7	5
2020Q1	7.1	6.7	6
2020Q2	7.5	7.8	7.1
2020Q3	7.5	8.1	7.5
2020Q4	7.2	7.8	7.5
2021Q1		7.1	7.1
2021Q2			6.6

33. However, In June 2019, the twelve-month average CPI inflation went slightly below 1 percent, the outer bound under the MPCC, which requires consultation with IMF Board on the reasons for deviation and proposed monetary policy response. Since 2018Q3, headline inflation had been on a decreasing trend, from 2.9 percent in June 2018 to 0.0 percent in May 2019. During this period, the twelve-month average CPI inflation went from 2.3 percent to just 1.0 percent. From June to August 2019, the 12-month average CPI inflation remained at 0.8 percent (i.e. 0.2 percentage points below the lower bound), before up-ticking back to 1.0 percent in September 2018.

Figure 1. Rwanda: Inflation Developments, Near-Term Projections, and MPCC/IMF Band

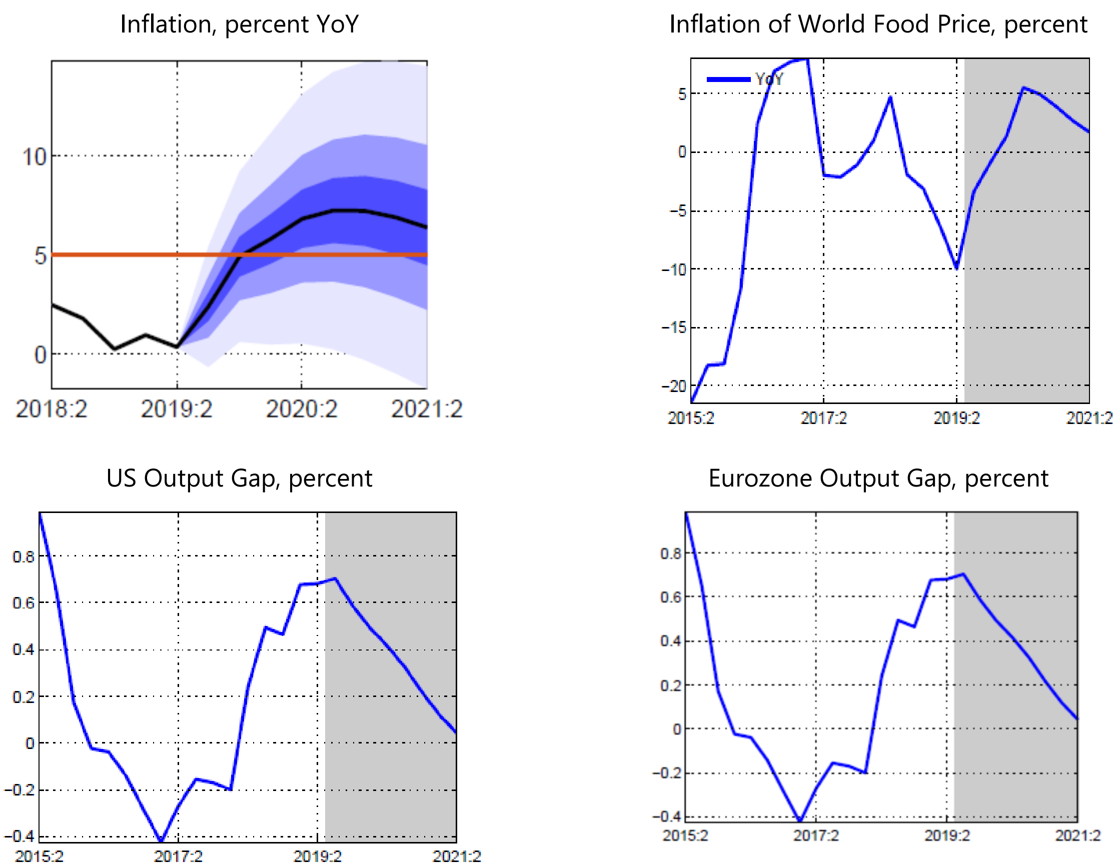


34. The fall of 12-month average CPI inflation below the lower bound (hence the breaching of MPCC target) was a result of unanticipated persistence of deflationary pressures in domestic and imported food prices. In 2018H2, domestic food inflation decelerated from -0.7 percent in July 2018 to -4.1 percent in December 2018. While domestic food prices were expected to pick up in 2019H1 (on account of decreased agricultural production in Season B), food CPI remained in deflationary zone, from -4.3 in January 2019 to -1.6 in June 2019. The persistence in food deflation mainly owed to good harvests of vegetables in Season B 2019. Based on FAO food price index, world food inflation was assumed to pick up to around 0.0 percent in 2019H1, from a deflation of around -5.0 percent in 2018Q4. However, by 2019Q1, world food deflation had actually slipped to below -5.0 percent. The deflation was mainly reflected in key food imports such as rice, sugar and cooking oils. The deceleration in imported food inflation, together with decrease in crude oil prices, indirectly contributed to a decrease in core inflation.

35. Cognizant of the new developments in domestic and imported food inflations, and in anticipation of subdued pressures from the external and weather outlook over the medium term, the monetary policy committee (MPC) meeting held in May 2019 decided to cut the central bank rate to an all-time low of 5 percent. With the policy rate cut, baseline inflation forecasts suggested 12-month average CPI inflation hovering around 2.45 by end of 2019 and 7.6 by end of 2020. Since June 2019, inflation started to pick up, mainly driven by easy monetary conditions and subdued deflationary pressures in domestic (fresh) and imported food prices.

36. Based on the new developments, inflation forecasts presented during August 2019 MPC meeting showed that, holding constant the prevailing monetary policy conditions, 12-month average CPI inflation would evolve to around 2.35 percent by end of 2019 and 7.7 by end of 2020. Staff projections assumed no major changes in assumptions from the previous forecasting round, including pick-ups in imported inflation, domestic food inflation and global economic slowdown (and concomitant decrease oil prices) over the policy horizon. Based on the forecasts and MPC members' assessments, MPC meeting decided to maintain the policy rate at 5.0 percent.

Figure 2. Inflation Forecasts and Assumptions (August 2019)



37. Recent developments are in line with past projections. As of September 2019, the 12-month average headline inflation had leaped over the 1 percent bound, mainly as a result of recent upward pressures in domestic and imported food prices, as well as domestic costs. The pickup in food inflation resulted from a base effect of last-year's drop-in food prices. Domestic cost pressures were consistent with the positive non-agricultural output gap, which was mainly driven by easy monetary conditions.

38. Despite the observed short-lived deviations from the consultation band, monetary authorities remain committed to the MPCC. MPC members continue to follow closely new developments in macroeconomic conditions and outlooks of external sector. Should any of the forecast assumptions deviate from its projections, the Committee will stand ready to take appropriate monetary policy measures (including adjusting the policy rate) to ensure that inflation remains within the benchmark band.

Table 1. Rwanda: Quantitative Targets (QTs), December 2019 – June 2020

	end-Dec 2019		end-Jun 2020	
	Prog.	Rev. Prog	Prog.	Rev. Prog
(Billions of Rwandan francs, unless otherwise indicated)				
Half-yearly Quantitative Targets[1]				
1. Ceiling on the debt-creating overall balance, including grants[2]	-276	-320	-589	-600
2. Floor on stock of Net Foreign Assets	980	972	858	910
3. Ceiling on flow of net accumulation of domestic arrears	0	0	0	0
Continuous Targets				
4. Ceiling on stock of external payment arrears (US$ millions)[3]	0	0	0	0
Monetary Policy Consultation Band[1,4]				
CPI Inflation target	5.0	5.0	5.0	5.0
Inflation, upper inner-bound, percent	8.0	8.0	8.0	8.0
Inflation, lower inner-bound, percent	2.0	2.0	2.0	2.0
Inflation, upper bound, percent	9.0	9.0	9.0	9.0
Inflation, lower bound, percent	1.0	1.0	1.0	1.0
Memorandum items:				
Total priority spending[2]	411	411	885	885
Flow of domestic revenue collection[2,5]	823	779	1726	1678
Stock of new external nonconcessional debt	700	700	700	700
Total budget support (US$ millions) [2]	439	477	617	742
Budget support grants (US$ millions)	196	222	293	339
Budget support loans (US$ millions)	243	255	324	403
RWF/US$ program exchange rate	879	923	879	923

Sources: Rwandan authorities and IMF staff estimates and projections.

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

[2] Numbers are cummulative from June 30, 2019.

[3] Continuous targets.

[4] When the end-of period year-on-year average inflation is above/below the outer band of the upper/lower bound, a formal consultation with the Executive Board would be triggered.

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

Table 2. Rwanda: Forward-Looking Reform Targets

Actions	Target Date
Fiscal	
Produce a report outlining detailed options for improving functioning of VAT, including measures that could be implemented in FY20/21.	end-Dec 2019
Automating the risk based verification process for refund claims.	end-Dec 2019
Begin producing quarterly budget execution reports in GFS 2014 format.	end-Dec 2019
Produce a comprehensive fiscal risk analysis statement.	end-Jun 2020
Contract a diagnostic study on optimal RSSB asset allocation.	end-Jun 2020
Expand coverage in fiscal reporting in GFS 2014 from budgetary central govt to central govt (i.e. including extrabudgetary entities) and local governments.	end-Dec 2020
Produce financial and management reports from the IT system for all schemes managed by RSSB.	end-Dec 2020
Monetary and Financial	
Improve communication for monetary policy by organizing quarterly outreach after each MPC meeting, including roundtable discussions with CEOs of commercial banks and other financial institutions, as well as other interested stakeholders.	end-Dec 2019
Publish macro projections for MPC decision making in quarterly inflation reports, according to best practices established by other central banks.	end-Jun 2020
Introduce a platform for issuing government securities using mobile phones.	end-Jun 2020
Produce a study on consumer payment behavor analyzing micro-level data on consumer payment choices.	end-Dec 2020
Expand industrial and market expectation surveys that feed into macro forecasting, begin collecting data to construct a purchasing manager's index, and accelerate publication of foreign private capital survey.	end-Dec 2020
Update the regulatory framework on true repo to rollout Global Master Repurchase Agreement (GMRA).	end-Jun 2021

Attachment II. Technical Memorandum of Understanding

1. This memorandum defines the quantitative targets described in the Program Statement (PS) for the period: July 1, 2019 – June 30, 2020 supported by the IMF Policy Coordination Instrument (PCI), and sets out the data reporting requirements.

2. Program exchange rates. For accounting purposes, the program exchange rates in Text Table 1 will apply.

Text Table 1. Program Exchange Rates from December 31, 2019 (US$ per currency unit, unless indicated otherwise)	
Rwanda Franc (per US$)	923.1
Euro	1,024.6
British Pound	1,190.8
Japanese Yen (per US$)	107.0
SDR	1,273.9

A. Quantitative Program Targets

Ceiling on Debt-Creating Overall Fiscal Balance

3. A ceiling applies to the debt-creating overall fiscal balance of the budgetary central government, excluding Peace-Keeping Operations and including grants. The ceilings for December 31, 2019 and June 30, 2020 are cumulatively measured from June 30, 2019.

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

Adjusters to the Debt-Creating Overall Fiscal Balance:

- The ceiling on the debt-creating overall balance will be adjusted upward by the amount of any shortfall between actual and programmed budgetary grants (as defined in Table 1a of the PS), up to a maximum of RWF 97 billion.

- The ceiling on the debt-creating overall balance will be adjusted upward, up to a maximum of RWF97 billion, representing the amount of *foreign financed net acquisition of non-financial assets* (*foreign financed capital expenditure*) financed with drawdown of accumulated government deposits.
- The ceiling on the debt-creating overall balance will be adjusted upward by the amount of unexpected public expenditures (expenses, and/or *net acquisition of non-financial assets*) on food imports in the case of a food emergency.

Floor on Net Foreign Assets of the National Bank of Rwanda

5. A floor applies to the net foreign assets (NFA) of the NBR for December 31, 2019 and June 30, 2020.

6. 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. Reserves assets corresponding to undisbursed project accounts are also considered encumbered assets and are excluded from the measurement of NFA for program purposes. 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.

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 of the PS, capped at RWF 97 billion.
- The floor on NFA will be adjusted downward (upward) by the surplus (shortfall) of cash external debt service payments compared to originally-scheduled payments.
- The floor on NFA will be adjusted downward by the amount of unexpected public expenditures on food imports in the case of a food emergency.

Ceiling on the Stock of External Payment Arrears

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

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

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

9. A ceiling applies to net accumulation of domestic expenditure arrears of the budgetary central government.[1] The ceilings for June 30, 2019 is cumulatively measured from June 30, 2018. The ceilings for December 31, 2019 and June 30, 2020 are cumulatively measured from June 30, 2019.

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

B. Monetary Policy Consultation Clause (MPCC)

11. Definition. MPCC headline inflation is defined as the year-on-year rate of change of monthly Consumer Price Index (CPI), averaged for the past 12-months, as measured by National Institute of Statistics Rwanda (NISR).

- If the observed headline inflation falls outside the ±3 percentage point range around the mid-point of target band value for end-June 2019, end-December 2019, and end-June 2020 test dates, the authorities will conduct discussions with the Fund staff.
- If the observed headline inflation falls outside the ±4 percentage point range around 5 percent for end-June and end-December 2019, and end-June 2020 test dates as specified in Table 1a in the PS, the authorities will complete a consultation with the Executive Board which would focus on: (i) the stance of monetary policy and whether the Fund-supported program remains on track; (ii) the reasons for program deviation, taking into account compensating factors; and (iii) proposed remedial actions if deemed necessary.

C. Memorandum Items and Data Reporting Requirements

12. For the purposes of program monitoring, the Government of Rwanda will provide the data listed below and in Table 1. Unless specified otherwise, weekly data will be provided within seven days of the end of each week; monthly data within five weeks of the end of each month; quarterly data within eight weeks.

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

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

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

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

16. The authorities will inform the IMF staff in writing prior to making any changes in economic and financial policies that could affect the outcome of the financial program. Such policies include, but are not limited to, customs and tax laws, wage policy, and financial support to public and private enterprises. The authorities will inform the IMF staff of changes affecting respect of continuous QTs. The authorities will furnish a description of program performance according to QTs as well as reform targets within 8 weeks of a test date. The authorities engage to submit information to IMF staff with the frequency and submission time lag indicated in TMU Table 1. The information should be mailed electronically to the Fund. (email to the ResRep and the mission chief).

Table 1. Rwanda: Summary of Reporting Requirements

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

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