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RWANDA

May 2024

THIRD REVIEWS UNDER THE POLICY COORDINATION INSTRUMENT AND THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND FIRST REVIEW UNDER THE STANDBY CREDIT FACILITY ARRANGEMENT—PRESS RELEASE; AND STAFF REPORT

In the context of the document title, the following documents have been released and are included in this package:

- A **Press Release** on the IMF Executive Board's conclusion of the third reviews under the Policy Coordination Instrument and the arrangement under the Resilience and Sustainability Facility, and the first review under the Standby Credit Facility arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 22, 2024, and approval on a lapse of time basis, following discussions that ended on March 22, 2024, with the officials of Rwanda on economic developments and policies underpinning the IMF arrangement under the Standby Credit Facility. Based on information available at the time of these discussions, the staff report was completed on May 6, 2024.
- A **Staff Supplement** updating information on recent developments.

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IMF Executive Board Concludes Reviews of Rwanda's Policy Coordination Instrument and Arrangement under Resilience and Sustainability Facility, and the Stand-by Credit Facility Arrangement

FOR IMMEDIATE RELEASE

- The IMF Executive Board today concluded the third reviews under the Policy Coordination Instrument and the arrangement under the Resilience and Sustainability Facility, and the first review under the Standby Credit Facility (SCF) arrangement. This allows for an immediate disbursement of about US$ 76.2 million (SDR 57.5 million) under the RSF and US$ 88.4 million (SDR 66.75 million) under the SCF.
- Despite challenging external conditions and ongoing fiscal consolidation, Rwanda's economy maintains robust growth. Going forward, the policy mix should prioritize macroeconomic and financial stability, fiscal sustainability, and the restoration of buffers.
- Program performance under the PCI/SCF has been strong, with successful implementation of reforms on social safety nets and spending rationalization. Progress on the climate agenda under the RSF also remains strong, bolstering Rwanda's resilience to climate shocks.

Washington, DC – **[May 22, 2024]:** The Executive Board of the International Monetary Fund (IMF) concluded the third reviews under the Policy Coordination Instrument (PCI) and the arrangement Under the Resilience and Sustainability Facility (RSF), and first review under the Standby Credit Facility (SCF) arrangement with Rwanda.[1] The Executive Board's decisions were taken without a meeting.[2] With this review, about US$ 76.2 million (SDR 57.5 million) under the RSF and US$ 88.4 million (SDR 66.75 million) under the SCF become available.

Despite challenging external conditions , Rwanda's economy maintains robust growth. Real GDP growth surpassed expectations in 2023 at 8.2 percent, with services, construction, and post-flood recovery in food crop production key contributors. While fiscal consolidation may temporarily dampen growth, a rebound to 7.3 percent is anticipated in the medium term. Inflation has declined steadily since January 2023 to 4.2 percent in March, thanks to a slowdown in food prices and core inflation. The current account deficit widened more than expected in 2023, but international reserves remain adequate at about 4.1 months of imports at end-2023.

Going forward, the policy mix should prioritize macroeconomic and financial stability, fiscal sustainability, and the restoration of buffers. A carefully planned fiscal stance is needed to

[1] The PCI and RSF arrangement were approved on December 12, 2022, the latter with a total amount of SDR 240.3 million (about US$ 321.66 million or 150 percent of quota), and the second reviews were completed on December 14, 2023. A 14-month SCF amounting to US$ 268.05 (SDR 200.25 million) was approved on December 14, 2023.

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

mitigate the impact of the 2023 floods while maintaining a credible and balanced fiscal consolidation over the medium term. Monetary policy should target inflation within the desired range, while maintaining exchange rate flexibility to manage external shocks. Furthermore, vigilant oversight of financial stability risks, particularly concerning large exposures and rapid credit growth, is important.

Program performance remains strong. Under the PCI/SCF, all quantitative targets were met, and reforms on the social safety net and spending rationalization were implemented. RSF measures to implement climate budget tagging, integrate climate risks into fiscal planning, and strengthen disaster risk management were also implemented, contributing to Rwanda’s resilience to climate shocks and positioning the country as a leader in regional climate initiatives.

Rwanda: Selected Economic Indicators, 2023-29

	2023 Act.	2024 Est.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
Output							
Real GDP growth (%)	8.2	6.6	6.5	6.8	7.2	7.3	7.3
Prices							
Inflation - average (%)	14.0	4.9	5.1	5.0	5.0	5.0	5.0
Central government finances (fiscal year)[1]							
Revenue (% GDP)[2]	22.6	22.3	22.2	23.6	23.8	23.4	23.4
Expense (% GDP)[2]	19.0	18.6	17.9	17.6	17.1	16.9	16.7
Fiscal balance (% GDP)[3]	-7.4	-6.7	-5.2	-3.4	-3.1	-3.1	-3.0
Public debt (% GDP)	73.5	80.0	80.0	77.5	74.6	71.0	66.2
External public debt (% GDP)	56.9	65.0	67.5	69.5	68.4	67.2	65.3
Money and credit							
Broad money (% change)	22.8	9.2	14.2	7.9	14.2	12.6	11.4
Credit to private sector (% change)	19.9	17.2	12.9	16.2	15.1	13.3	12.1
Policy Rate, end-of-period (%)	7.5	...	...	...	...	...	...
Balance of Payments							
Current account (% GDP)	-11.7	-12.1	-11.1	-10.0	-9.6	-8.6	-7.6
Reserves (in months of imports)	4.1	4.1	4.3	4.4	4.5	4.5	4.5
Exchange rate							
REER (% change)	-0.8	...	...	...	...	...	...

Sources: Rwandan authorities and IMF staff estimates.

[1] Based on fiscal year (i.e., 2023 represents 2022/23).

[2] Revenue and expenditure use GFSM 2014 presentation.

[3] For purposes of the PCI the overall balance (GFSM 1986 definition, incl. policy lending) is used for monitoring.

INTERNATIONAL MONETARY FUND

RWANDA

May 6, 2024

THIRD REVIEWS UNDER THE POLICY COORDINATION INSTRUMENT AND THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND FIRST REVIEW UNDER THE STAND-BY CREDIT FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

Context. The Rwandan economy continues its robust growth, notwithstanding the challenging external environment, repeated shocks, and ongoing fiscal consolidation. Headline inflation decelerated sharply in recent months owing to appropriately tight monetary policy stance and favorable developments in food prices. However, contractionary effects of the ongoing fiscal consolidation are still expected to materialize, and risks remain tilted to the downside. Policies supported by the PCI/SCF provide a valuable anchor for efforts to safeguard macroeconomic and external stability, address the short-run balance of payments needs arising from climate-related shocks, advance developmental objectives, and improve resilience. The ownership on the climate agenda under the RSF remains strong, with efforts to accelerate development of a credible pipeline of green projects bringing first results.

Policy recommendations. The overall policy mix should be guided by preserving macroeconomic and financial stability, ensuring fiscal sustainability, and rebuilding buffers. A carefully calibrated fiscal stance is necessary to cushion the effects of the 2023 May floods, while also supporting the credible and balanced fiscal consolidation over the medium term. Monetary policy should anchor inflation around the center of the target band, while continued exchange rate flexibility will help absorb external shocks and support current account adjustment. Sustained reform momentum under the RSF will enhance the economy's resilience to climate shocks, position Rwanda as a regional leader in climate initiatives, and help catalyze climate financing from development partners and the private sector.

Program performance. Performance under the PCI/SCF and the RSF continues to be strong. All quantitative targets under the PCI and quantitative performance criteria under the SCF arrangement were met. Reforms to advance expenditure rationalization and build resilience through social safety nets were implemented, while the reform to revise the official exchange rate calculation methodology remains firmly on track. The

authorities' commitment to implement climate-related reforms under the RSF arrangement continued to be strong, with measures to implement climate budget tagging, integrate climate risks into fiscal planning, and strengthen disaster risk management completed as planned.

Staff supports the completion of the third PCI/RSF reviews and the first SCF review. The authorities' strong commitment to reforms, supported by a credible fiscal consolidation to bring debt down and a decisive monetary action to curb inflationary pressures and rebuild external buffers, warrants continued Fund support.

Approved By
Catherine Pattillo (AFR) and Fabian Bornhorst (SPR)

The mission comprised Ruben Atoyan (Mission Chief), Shushanik Hakobyan, Irena Jankulov Suljagić, Marina Marinkov (all AFR), Karim Foda (SPR), Tumer Kapan (MCM), and Gabor Pula (Resident Representative in Kigali Office). Loy Nankunda (OEDAF) also attended mission meetings. The mission was facilitated by Patience Mugishakazi (staff of the Resident Representative's office in Kigali). Enrique Chueca Montuenga, Mireille Nsanzimana, and Fernando Morán Arce (AFR) assisted in the preparation of this report. Discussions were held virtually from March 5–7, and in Kigali from March 11–22, 2024. The team met with the Minister of Finance and Economic Planning, Dr. Uzziel Ndagijimana, Governor of the National Bank of Rwanda, John Rwangombwa, as well as other senior government officials. Staff also had productive discussions with Rwanda's Parliament Budget Committee, development partners, and heads of commercial banks.

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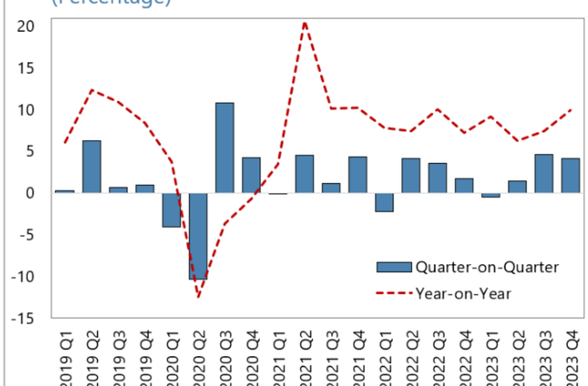
CONTEXT

1. **A 14-month Stand-by Credit Facility (SCF) arrangement, with access of 125 percent of quota, was approved in December 2023 to support the short-term BOP needs and recalibration of near-term policy adjustment in response to climate related shocks.** The SCF is being implemented concurrently with a 3-year Policy Coordination Instrument (PCI) and Resilience and Sustainability Facility (RSF) arrangement, the latter with access of 150 percent of quota ($320 million), that were approved in December 2022 to preserve macroeconomic stability, fiscal sustainability, and achieve greater resilience against future shocks, including climate shocks. The PCI program focuses on strengthening the fiscal and monetary frameworks and building socioeconomic resilience, while the RSF-supported program advances reform in green public financial management (PFM), climate-resilient public investment management (PIM), climate-related risk management for financial institutions, and disaster risk reduction and management. The current PCI continues to serve as the main policy framework to support the authorities' medium-term policy objectives.

RECENT DEVELOPMENTS AND PROGRAM PERFORMANCE

2. **The Rwandan economy continues its fast-paced growth (Figure 1, Table 1).** In 2023, GDP growth was stronger-than-expected at 8.2 percent year-on-year, driven by robust performances in services, construction, and transportation sectors, along with significant recovery in food crop production in the latter half of the year. Despite this, the unemployment rate stayed elevated at 16.8 percent, particularly affecting women and young individuals, with rates reaching 20.1 and 20.3 percent, respectively.

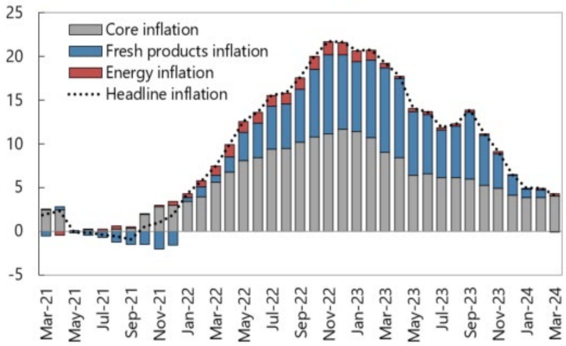
Rwanda: Real GDP Growth
(Percentage)



Sources: Rwandan Authorities and IMF staff calculations.

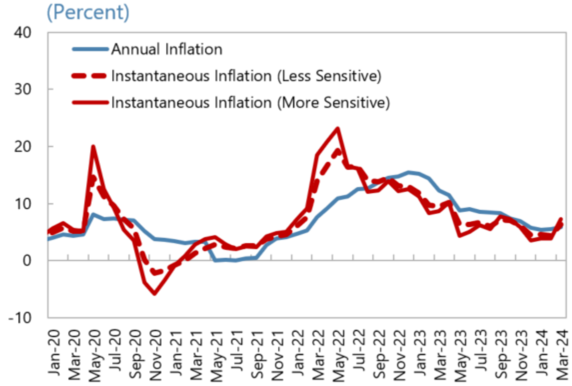
3. **Inflation decelerated sharply.** Headline inflation declined steadily since January 2023, reaching 4.2 percent in March 2024 (Figure 1). Core inflation inched up to 5.8 percent in March (from 5.5 percent in February) but remains contained. Instantaneous inflation—which gives more weight to recent months—of the headline CPI increased to 6.5 percent in March (from 2.8 percent in February), while the instantaneous core inflation increased to 7.3 percent (from 3.9 percent in February). Domestic food inflation decelerated from 27.8 percent in July 2023 to 2.5 percent in March 2024, as agricultural production rebounded after the unfavorable weather conditions in the first half of the year.

Rwanda: Drivers of Year-on-Year Headline Inflation
(Core vs. Fresh Products vs. Energy)



Sources: Rwandan Authorities and IMF staff calculations.

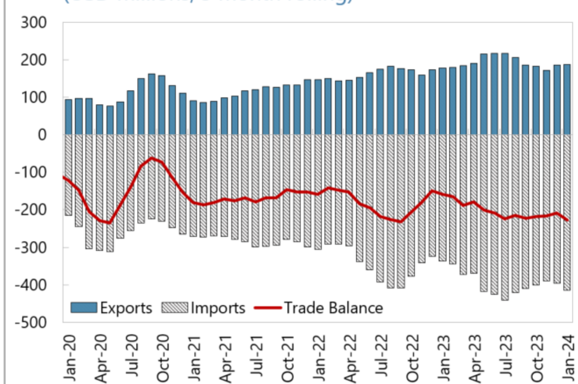
Rwanda: Core Inflation
(Percent)



Sources: Rwandan Authorities and IMF staff calculations.
Note: More sensitive instantaneous inflation places higher weight on recent months observations.

4. **The current account deficit is estimated to have widened on account of a slightly wider trade deficit led by higher intermediate and capital goods imports (Figure 4, Table 6).** The Rwandan franc depreciated by 18 percent, year-on-year against the US dollar at end-2023, somewhat more than envisaged. Despite the marginally wider current account deficit, international reserves increased to 4.1 months of prospective imports at end-2023. The overperformance in reserves is primarily due to earlier-than-expected disbursements in World Bank budget loans, along with other budget and project support disbursed in December 2023.

Rwanda: Goods Trade
(USD millions, 3 month rolling)



Sources: Rwandan Authorities and IMF staff calculations.

5. **The fiscal deficit in the first half of FY 23/24 was lower than anticipated at the time of the second review mainly due to lower expenditure.** Lower tax revenues (under all tax categories)[1] were offset by other revenues (higher PKO receipts), while grants remained roughly in line with expectations. On the other hand, lower spending on goods and services (partially due to rationalization measures to offset lower tax revenues) and lower interest payments both contributed to lower expenditure, resulting in net lending that is 0.3 percent of GDP lower than expected at the second review. Post-flood reconstruction spending amounted to RWF 36.8 billion (0.2 percent of 2023/24 GDP in H1 FY23/24).

[1] This underperformance was mainly due to: (i) temporary delays in the collection of income and profit taxes because the deadline for quarterly prepayment declarations and payments fell on a weekend (these were fully recovered in January); (ii) revenue losses from tax exemptions on imports of electric vehicles, agricultural imports from East African Community (EAC) members; and (iii) revenue losses from activities related to the Manufacture and Build to Recovery Program (MBRP), which will expire by end-December 2024.

Rwanda: Operations of the Central Government, H1 FY2023/24, GFSM 2014 [1]

(Percent of GDP)

	July-Dec 2023	
	H1 PCI/SCF 2nd Rev.	**Act.**
Revenue	**10.4**	**10.3**
Taxes	7.2	6.9
Taxes on income, profits, and capital gains	3.2	3.1
Taxes on property	0.1	0.0
Taxes on goods and services	3.3	3.2
Taxes on international trade and transactions	0.6	0.5
Grants	2.0	1.9
Other revenue	1.2	1.5
Expense	**8.4**	**8.2**
o/w Purchases of goods and services	2.2	2.1
o/w Subsidies	0.7	0.8
o/w Interest	1.2	1.1
o/w Grants	2.4	2.4
Net acquisition of nonfin. assets	**4.3**	**4.2**
Net lending (+) / borrowing (-)	**-2.3**	**-2.0**
Net acquisition of financial assets	**0.5**	**1.0**
Net incurrence of liabilities	**2.8**	**3.4**
Domestic	0.6	0.5
Foreign	2.2	3.0
Overall balance (GFSM 1986)	**-2.6**	**-2.4**
Debt-creating overall balance (excl. PKO, GFSM 1986) [2]	**-2.6**	**-2.4**

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

[2] Overall balance excluding Peacekeeping Operations (PKO) and spending on materialized contingent liabilities in the DSA.

Rwanda: Flood Response Financing, H1 FY2023/24

(RWF billions)

Reprioritization/ Government Financed [1]	**20.3**
Goods and Services	**0.0**
Transport	0.0
Environment and Natural Resources	0.0
Infrastructure/ Capital Development	**17.1**
Agriculture	2.9
Transport	13.6
Energy	0.0
Environment and Natural Resources	0.6
Social Benefits	**1.2**
Social Protection	1.2
Grants to Local Government	**1.9**
Agriculture	0.1
Transport	1.6
Environment and Natural Resources	0.2
External Support Financed	**16.5**
World Bank	**3.3**
IMF	**13.2**
Total	**36.8**

Source: MINECOFIN

[1] As agreed at the time of the second PCI/SCF review, by FY24/25, most flood expenditure will be accommodated by reprioritization within the existing expenditure envelope.

6. **The financial sector remained stable amid strong credit growth.** By Q4 2023, the banking sector remained profitable and well-capitalized, showing significant growth in deposits and loans, especially in household loans. The microfinance sector also reported strong profitability and robust capitalization rates, with significant loan growth that surpassed deposit growth. Both sectors exhibit moderate and generally stable non-performing loans (NPLs), following a spike during the COVID-19 period in 2020–21.

7. **Implementation under the PCI, and RSF and SCF arrangements is on track.**

- *PCI Quantitative Targets (QTs) and SCF Performance Criteria (PCs).* All end-December 2023 PCI quantitative targets / SCF performance criteria, all PCI continuous targets / SCF continuous performance criteria, and all standard continuous targets were met (MEFP, Table 1a). The 3-month average headline inflation of 8.9 percent came within the inner-bound values (6±3 percent) of the Monetary Policy Consultation Band for end-December 2023.

Rwanda: PCI Quantitative Targets and SCF Quantitative Performance Criteria 2022-2023

	2022 December [1]	2023 June [1]	2023 December [2]
Quantitative Targets			
Ceiling on the debt-creating overall balance, including grants	🟢	🔴	🟢
Floor on stock of Net Foreign Assets	🟢	🟢	🟢
Ceiling on net accumulation of domestic arrears	🟢	🟢	🟢
Continuous Targets			
Ceiling on stock of external payment arrears	🟢	🟢	🟢
Ceiling on PV of new public and publicly guaranteed external debt	🟢	🟢	🟢
Monetary Policy Consultation Band			
CPI inflation target	🟢	🔴	🟢
Memorandum items			
Total priority spending	🟢	🟢	🟢
Floor on domestic revenue collection	🟢	🟢	🟢
Stock of new external debt contracted or guaranteed by nonfinancial public enterprises	🟢	🟢	🟢

Sources: Rwandan authorities; and IMF staff calculations.

Symbols: 🟢 Met; 🔴 Not Met.

[1] Test date covers PCI.

[2] Test date covers PCI and SCF.

- *PCI Reform Targets (RTs) and SCF structural benchmarks (SBs).* Conditionality related to the spending rationalization strategy (**end-May 2024 RT/SB**) and the dynamic social registry (**end-May 2024 RT/SB**) were met as planned. The NBR is on track to revise its official exchange rate calculation methodology to better reflect the market conditions (**end-June 2024 RT/SB**).
- *RSF Reform Measures (RMs).* Climate change budget tagging was implemented as a prototype on development expenditure only, with first results published in a climate budget statement and how climate information has been used in decision making was identified in the Budget Framework Paper (BFP) (**third review RM6**). The quantitative climate risk analysis was expanded to include PPPs and SOEs that are vulnerable to climate-related risks **(third review RM7**). Individual risk analysis of SOEs and PPPs that are vulnerable to climate change risks was published (**third review RM14**). A financing mechanism was developed at the local level to enhance the ability of local governments to mobilize resources to finance the disaster risk reduction and management strategy (**third review RM13**).

OUTLOOK AND RISKS

8. The economic recovery is expected to moderate, partly on account of continued fiscal consolidation.

- *Real GDP growth* is expected to slow in the near term, partly reflecting contractionary effects of the ongoing fiscal consolidation. Thus, the macroeconomic baseline is more conservative relative to the second review, with growth projected to decelerate to 6.5 percent in 2025 before returning to 7.3 percent over the medium term.
- While food and energy *inflation* are expected to ease, core inflation is expected to remain elevated due to the continued exchange rate depreciation passthrough. Inflation is projected to stabilize at around 5 percent in 2024, the mid-point of the NBR's 2-8 percent target band.
- The *current account* deficit is expected to reach 12.1 percent of GDP in 2024 compared to 11.7 percent in 2023, mainly on account of lower grants and income balance offsetting an improvement in the trade balance. Though flood reconstruction efforts and Bugesera airport-related project activity will add to imports in 2024, the policy adjustment to moderate aggregate demand will reduce import growth and on balance help improve the trade deficit. Over the medium term, the current account is expected to steadily improve with higher domestic savings owing to fiscal consolidation. Supported by additional IFI financing and policy adjustment, reserves would rise to US$2.05 billion in 2024, equivalent to 4.1 months of prospective imports, and stabilize around 4.5 months of imports in the medium-term, excluding RSF disbursements. In the medium term, concessional financing is expected to decline, but will partially be offset by the increase in private flows, mainly FDI.

Rwanda: Revised Macroeconomic Framework, 2022–29[1]

	2022	2023		2024		2025		2026		2027		2028		2029
	Act.	2nd Review	Act.	2nd Review	Est.	2nd Review	Proj.	2nd Review	Proj.	2nd Review	Proj.	2nd Review	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)													
Output and prices														
Real GDP growth (percent)	8.2	6.2	8.2	6.6	6.6	7.0	6.5	7.3	6.8	7.3	7.2	7.3	7.3	7.3
CPI, period average (percent)	13.9	14.5	14.0	6.0	4.9	5.0	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI, end period (percent)	21.7	9.0	6.4	5.5	5.0	5.0	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Overall fiscal balance, incl. grants, policy lending (percent of GDP)[2]	-7.6	-7.3	-7.4	-6.8	-6.7	-5.3	-5.2	-3.4	-3.4	-3.0	-3.1	-3.0	-3.1	-3.0
Total public debt incl. guarantees (percent of GDP)	67.5	71.6	73.5	78.0	80.0	77.2	80.0	74.8	77.5	72.3	74.6	69.5	71.0	66.2
Current account balance, incl grants (percent of GDP)	-9.4	-11.5	-11.7	-11.8	-12.1	-10.2	-11.1	-10.0	-10.0	-9.1	-9.6	-7.7	-8.6	-7.6
Gross international reserves, excl. RSF (months of imports)[3]	4.2	3.7	4.1	4.0	4.1	4.4	4.3	4.4	4.4	4.5	4.5	4.5	4.5	4.5

Sources: Rwandan authorities and IMF staff estimates.

[1] From FY 21/22 (2022) to FY 28/29 (2029). Fiscal year runs from July to June. FY21/22 is actual.

[2] For purposes of the PCI the overall balance (GFSM 1986, incl. policy lending) is used for monitoring.

[3] Based on prospective import of goods (excluding gold) and services.

9. **The balance of risks to the outlook remains tilted to the downside (Annex I).** Global commodity price volatility, further deepening of geopolitical fragmentation, an abrupt decline in trading partners growth and weakening of external tourism demand, monetary policy miscalibration in advanced economies, and extreme weather events would all weigh on the outlook. The drought in Southern Africa and Red Sea trade disruptions could negatively impact Rwanda's economy through reduced and more costly commodity imports. Global financial market developments could adversely affect the availability of external financing. Furthermore, already committed grants from the UK under Migration and Economic Development Partnership (MEDP) (around GBP 50 million in FY 24/25 and 25/26) continue to face uncertainties and could result in some budget pressures and lower FX inflows if they do not materialize. On the other hand, the materialization of the migrant-related portion of the MEDP grant would result in higher financing than assumed under the baseline. Furthermore, larger-then-expected climate financing from donors present an upside risk to reserves and investments in climate resilience. Rwanda's dominantly rain-fed agriculture sector is highly exposed to climate variability. Fallout from the conflict with the Democratic Republic of Congo or border closures with Burundi affecting regional trade and aid flows adds to downside risks. While Rwanda's July 2024 elections are not expected to significantly affect policy priorities, reform momentum may slow down until the new Cabinet is in place. The authorities agreed with staff's assessment of the outlook and risks. They pointed out uncertainties to the inflation forecast in 2024, including due to ongoing geopolitical tensions affecting commodity import prices and unpredictable climate shocks affecting agricultural harvests. The authorities anticipate pressures on concessional financing to continue.

POLICY DISCUSSIONS

The overall policy mix is guided by preserving macroeconomic and financial stability, ensuring fiscal sustainability, and rebuilding buffers. The carefully calibrated fiscal stance under the program aims to continue supporting reconstruction efforts from the recent floods, while also supporting credible and balanced fiscal consolidation in the medium term to keep the debt trajectory firmly anchored.

Monetary policy should continue steering inflation towards the center of the target band, while a more flexible exchange rate will absorb external shocks and support current account adjustment. Given the balance of risks and uncertainty around the outlook, an overall tight policy stance remains appropriate to facilitate the adjustment and rebuild policy buffers.

A. Fiscal Policy

10. The near-term budget outlook remains consistent with the fiscal consolidation path agreed under the program. The FY23/24 deficit is projected at 6.7 percent of GDP, slightly lower than expected at the time of the second review. Tax revenues are expected to bounce back in H2 FY23/24 due to the recuperation of the delayed payments on income and profit taxes. Implementation of rationalization measures will slow down as revenues rebound, leading to an expected uptick in expenditure in H2 FY23/24. In the context of the MEDP agreement[2], Rwanda will receive an additional RWF 81 billion of budget support grants, which will be equally split on recurrent and capital expenditures.

11. The authorities proposed a slightly lower deficit for FY24/25 relative to the second review. The baseline projections now exclude the uncertain migrant-related portion of the MEDP grant, while retaining the budget support portion for which the UK government provided public assurances. Consequently, FY24/25 revenue projections are more conservative, but will be offset by reduced expenditures to yield a 5.2 percent of GDP overall fiscal deficit, compared to 5.3 percent expected at the time of the second review. In late April, the Safety of Rwanda Bill was adopted in the UK Parliament, potentially lowering the legal uncertainty related to the implementation of the program. Although the risks related to the MEDP grant are now more balanced, a contingency plan has been developed to address any potential shortfalls through a combination of additional expenditure envelope rationalization and new sources of grant and concessional financing.

12. Over the medium-term, the fiscal deficit trajectory remains unchanged with a view to support external adjustment and consistent with the fiscal consolidation path and debt anchor envisaged under the program. The medium-term budget framework envisages a gradual reduction of the fiscal deficit from 5.2 to 3.1 percent of GDP in FY2024/25–FY2026/27. The adjustment will require efforts to mobilize domestic revenues and considerable expenditure adjustment, which limits room for further cuts amid major development challenges. The authorities' medium-term contingency plans will involve spending reprioritization while safeguarding essential spending, in particular on investment and social assistance, and preventing budget overruns and debt risks. Potential measures could include curbing new hires, further reducing non-essential recurrent spending, and halting underperforming domestically financed projects. Reflecting a more conservative macroframework and the valuation effects of nominal depreciation, total public debt is now expected to peak at 80 percent of GDP in 2024, up from 78 percent at the time of the second reviews, before falling below the program debt anchor of 65 percent of GDP in 2030. Should shocks to concessional financing beyond the authorities' control materialize, fiscal policy will remain guided

[2] See UK National Audit Office's report on MEDP funding.

by the medium-term fiscal consolidation path and the program debt anchor of 65 percent of GDP to be achieved by 2031.

Rwanda: Fiscal Consolidation Path

(Percent of GDP)

	2023/24	2024/25	2025/26	2026/27	2027/28
3rd Reviews PCI/RSF, 1st Review SCF					
Overall balance [/1]	**-6.7**	**-5.2**	**-3.4**	**-3.1**	**-3.1**
Annual adjust. (+ = consolidation)	**0.7**	**1.5**	**1.7**	**0.3**	**0.0**
Total tax revenue	-0.1	0.6	1.1	0.9	0.6
Other revenue and grants	-0.3	-0.7	0.4	-0.8	-0.9
Total expense	0.4	0.8	0.2	0.5	0.2
Total capital expenditure and net lending	0.7	0.9	0.0	-0.4	0.2
Public Debt [/2]	**80.0**	**80.0**	**77.5**	**74.6**	**71.0**

Source: Rwandan authorities and IMF staff projections.

[1] For purposes of the PCI the overall balance (GFSM 1986 definition, incl. policy lending) is used for monitoring.

[2] Public debt produced from DSA is on CY basis while fiscal year runs from July-June.

13. Domestic revenue mobilization (DRM) coupled with expenditure rationalization is critical to ensuring that debt remains on a sustainable trajectory.

- **DRM.** The government is committed to the Medium-Term Revenue Strategy (MTRS), aiming to increase the tax-to-GDP ratio to 16.9 percent by FY25/26, with further increases planned for FY27/28. The MTRS involves tax policy reforms and improved tax administration, such as VAT on mobile phones, increases in fuel levy, gaming taxes, excise tax hikes, and improved customs controls. Future reforms will focus on broadening the tax base (including by streamlining tax holidays and expenditures), enhancing compliance, and reducing evasion, leading to a projected tax-to-GDP ratio of 18.3 percent by FY27/28. The authorities are working with support of IMF TA on developing these revenue administration and tax policy actions as policy priorities under the MTRS, including towards designing a comprehensive package of measures consistent with the program's revenue targets (**end-January 2025 RT**). Staff will support the authorities' efforts to (i) update the existing VAT and CIT tax expenditure models, (ii) identify measures for the comprehensive tax reform package and (iii) strengthen outreach to major stakeholders.

- **Expenditure rationalization.** Following the preparation of the outline of the spending rationalization policies for the FY24/25 Planning and Budget Outlook Paper, the authorities have completed the final spending rationalization strategy to include policy measures underpinning the medium-term projections of the fiscal consolidation path (**end-May 2024 RT/SB**). The measures for additional cost-savings and efficiency gains include rationalization of subsidies, particularly those related to export promotion, and digital delivery of public services, based on recommendations from the World Bank's Public Expenditure Review (PER) and the IMF's Public Investment Management Assessment (PIMA). PFM reforms to strengthen budget costing and prioritization should also continue. The authorities plan to develop a PFM digitalization and fiscal data strategy, which will outline action items to improve data quality, ensure fiscal transparency, and support data-driven policies.

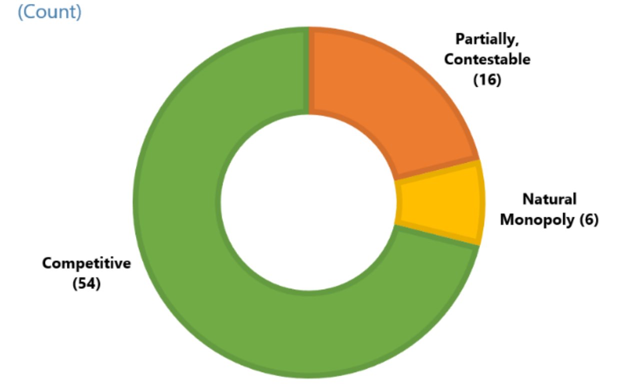
14. Efforts to strengthen fiscal risk management and fiscal transparency continue.

- **Review of the legal framework underpinning state-owned enterprises (SOE) management and oversight.** Following the incorporation of all key ownership principles in the revised National Investment Policy, the draft Privatization Law and Policy, supported by the World Bank, has been passed by Parliament and expected to be enacted by July 2024. The draft Presidential Order will determine the prerequisites for establishment of an SOE and the rules of its management. However, in its current form, it lacks provisions to clarify the governance framework for mixed ownership and holding companies.

- **SOE corporate governance reforms.** The authorities plan to strengthen SOE Board oversight functions by formalizing and enforcing the selection criteria, accountability frameworks, and remuneration for members of the Board, as well as strengthening internal audit functions, and introducing a better risk management framework. They also plan to leverage IMF TA to enhance SOE corporate governance, aligning state ownership frameworks with global standards.

- **Managing and mitigating SOE fiscal risks.** The authorities' decision to first create, then in less than 13 months to dissolve a Ministry of Public Investment and Privatization (MININVEST) had temporarily disrupted progress in strengthening the monitoring and oversight of SOEs—a major source of fiscal risk. The authorities remain committed to conducting SOE health-checks for all SOEs and stress tests for at least two high-risk SOEs every quarter. In this context, they completed the stress tests of Bella Flowers and King Faisal hospital by end-2023, and REG and WASAC by end-March 2024. They plan to accelerate the hiring of technical staff at the MINECOFIN's SOE department to strengthen its capacity to perform financial risk analysis. With IMF TA support, the authorities plan to train new staff on the health check and stress test tools. This will facilitate in-depth forward-looking financial assessments of at least five SOEs, including identification of credible mitigation measures to address any identified key vulnerabilities (**proposed new end-March 2025 RT**). IMF TA will also make recommendations on strengthening the legal and institutional framework to ensure that mitigation measures are enforced.

Rwanda, Enterprises with State Shareholding by Sector Typology
(Count)



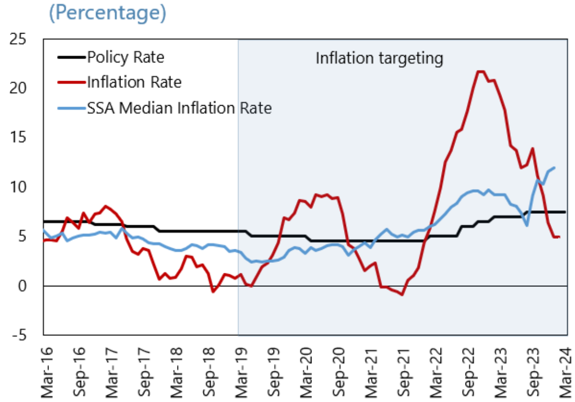
Source: World Bank

- **Triage.** The authorities conducted a triage exercise, aiming to scale down the size of their SOE portfolio, particularly in the more competitive sectors of the economy. Out of the 34 fully state-owned enterprises, 4 are to be privatized, 1 is to be liquidated, and 29 will be retained under state management, subject to Cabinet approval expected in April.

B. Monetary, Exchange Rate, and Financial Sector Policies

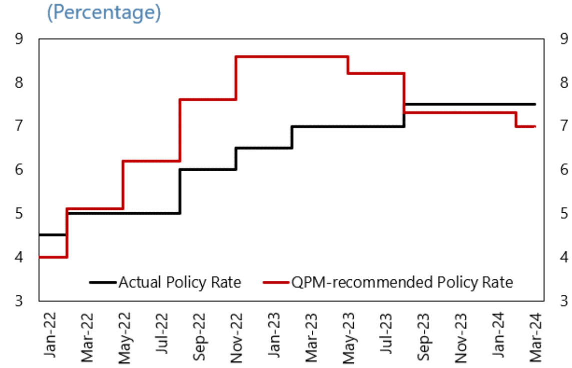
15. The proactive approach to monetary policy has yielded positive results, as evidenced by clear signs of easing inflation. Since February 2022, the National Bank of Rwanda (NBR) has increased its policy interest rate by a total of 300 bps, in line with the quarterly projection model (QPM) recommended policy rate by the end of 2023. During the last Monetary Policy Committee meeting in February, the NBR opted to maintain the Central Bank Rate at 7.5 percent, aligning with staff recommendations. This decision appropriately aimed to uphold the tight policy stance for external adjustment, before considering a gradual easing mid-year, considering data and uncertainties surrounding exchange rate pass-through and the inflationary impact of supply shocks related to geopolitical tensions and the drought in Southern Africa.

Rwanda: Policy Rate and Inflation
(Percentage)



Sources: SSA country authorities and IMF staff calculations.

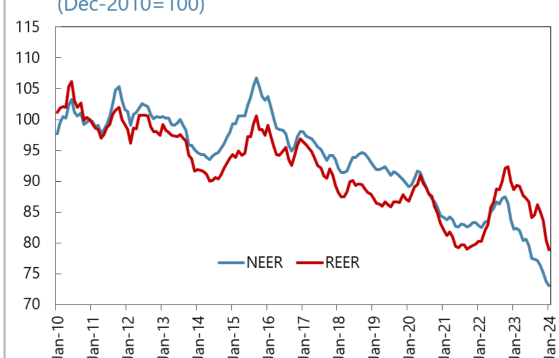
Rwanda: Actual vs. Recommended Policy Action
(Percentage)



Sources: Rwandan Authorities and IMF staff calculations.

16. The authorities continue to strengthen the implementation of the interest rate-based monetary policy framework. Supported by IMF TA, the NBR has continued strengthening their forecast and modelling capabilities and enhancing communication of data-driven monetary policy decisions. The authorities agree that greater exchange rate flexibility remains critical for price and external stability. With the assistance of the IFC, the authorities have identified and analyzed the legal gaps in the insolvency, payment system, and banking laws and formulated a roadmap endorsed by all stakeholders to implement for Global Master Repurchase Agreement (GMRA). The full GMRA rollout, including securing the signing of the GMRA by all banks, is on track for completion by end-December 2024 (**end-December 2024 RT/SB**).

Rwanda: Nominal and Real Effective Exchange Rates
(Dec-2010=100)



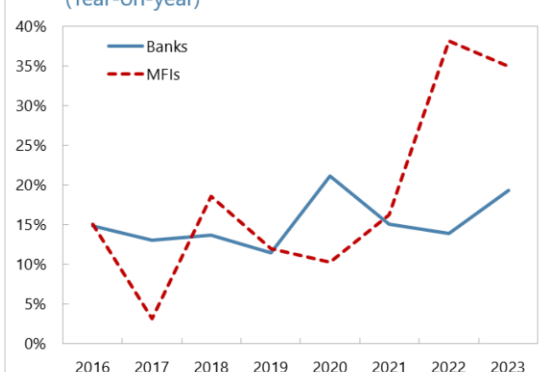
Sources: Rwandan Authorities and IMF Staff calculations.

17. More real effective exchange rate adjustment is needed to support deeper current account adjustment. The real effective exchange rate depreciation in 2023 was less than program expectations, notwithstanding deeper-than-expected franc nominal depreciation against the US dollar. Given that the near-term fiscal spending for reconstruction from floods would continue exerting pressures on imports, the program builds on a continued significant average nominal depreciation of the exchange rate in 2024. With the projected fall in the inflation differential, this would result in a significantly larger REER depreciation in 2024 than in the previous year, supporting external adjustment.

18. The foreign exchange interbank market liquidity remains limited and shallow. The authorities' diagnostic assessment of the FX market, supported by IMF TA, outlined plans to establish a formal framework to guide FX intervention policy. As the first step, the NBR is preparing revisions to its official exchange rate calculation methodology to allow for greater price discovery by better reflecting market conditions (**end-June 2024 RT/SB**); a timeline for gradual transition to the new methodology is yet to be agreed. The assessment further established that efficient functioning of the FX market is challenged by macroeconomic imbalances in that the financing sources of the current account deficit are insufficient to address the relative shortage of FX funding. Amid the FX backlog and continued, albeit smaller, NBR FX interventions, the interbank FX market could become illiquid and the NBR could face the situation of satisfying part of the marginal FX demand of the banking system. To support further development of the FX market, (i) FX interventions should be limited to preventing disorderly adjustments of the exchange rate and curbing excess volatility to strengthen monetary policy transmission; and (ii) encouraged transitioning from the NBR's current FX rationing operation to a competitive auction once the FX market equilibrium is restored and pressures on foreign reserves subsided.

19. The February 2024 safeguards assessment mission established that the NBR has a broadly sound safeguards framework and accountability mechanisms. It also confirmed that the NBR has maintained autonomy in practice. In addition, work is progressing to modernize systems, automate processes, and enhance controls. Nonetheless, further measures are needed to (i) ensure that the composition of the Board and its Audit and Risk Committee is fully conducive to independent oversight; (ii) the NBR Law is aligned with leading practices for central banks in the areas of mandate, financial and personal autonomy, and transparency and accountability; and (iii) strengthen the capacity of internal audit. Against this background, the authorities plan to submit to Cabinet draft amendments to the NBR Law to strengthen, in consultation with IMF staff, provisions for mandate, financial and personal autonomy, and transparency and accountability in line with safeguards assessment recommendations (**proposed new end-September 2025 RT**).

Rwanda: Loan Stock Growth
(Year-on-year)



Sources: Rwandan authorities and IMF staff calculations.

20. The financial sector remains stable amid accelerating credit growth, particularly for the household sector. Annual growth of the banking sector loan stock accelerated to more than 19 percent in 2023, from 14 percent in 2022, with consumer loans displaying the fastest growth. Loans from the microfinance sector, which focuses mostly on household loans, grew at 35 percent. While the stock of credit remains mainly concentrated in the corporate sector, the share of household credit is increasing as financial inclusion accelerates. As of end-2023, the banking sector continues to be profitable and well-capitalized (Figure 3), with bank loans and deposits growing at similar rates, contributing to the deepening of the financial sector. The microfinance sector also maintained strong profitability and robust capitalization rates in 2023 while experiencing significant loan growth, well exceeding its deposit growth. Both sectors display broadly stable NPL levels following the COVID—related spike in NPLs experienced during 2020–21.

21. Banks' large exposures remain significant, warranting close monitoring (Box 1). Based on a hypothetical scenario of defaults of largest exposures in each bank, implied losses from these exposures would result in a sizeable decline in the average Tier 1 capital ratio, possibly leading to some banks falling below the minimum capital requirement of 12.5 percent in more severe scenarios of multiple simultaneous defaults. As banks' large exposures derive from a wide range of sectors of the economy (e.g., construction, manufacturing, financial activities, transportation, and trade), a significant downturn in these sectors could pose significant risks to the system.

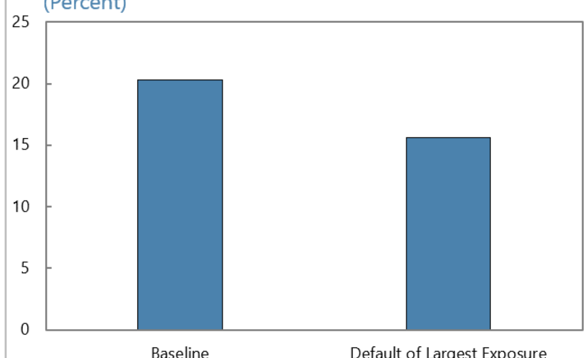
22. Financial stability risks need to be closely monitored, including through granular data collection, intensive supervision, and granular stress tests. Developments in household credit should be monitored more closely at a more granular level, including through granular data on underwriting standards, which will enable the authorities carry out forward-looking analysis of credit quality and detect any developments that can lead to deterioration in asset quality of lenders. The authorities should also explore the scope for active use of macroprudential policies, such as tightening of LTV limits or introduction of debt-service-to-income limits, to contain emerging risks from potential over-leverage in the household sector. As large exposures in the banking system remain elevated, gathering granular exposure data and conducting loan-level risks analysis should also be a priority. Tightening of the regulatory limits on large exposures and building additional capital buffers against large exposures would further increase the resilience of the banking sector.

Box 1. Large Exposures in Rwanda's Banking Sector

Rwandan banks carry significant large exposures in their loan portfolios, largely due to the high market concentration in the corporate sector in Rwanda. Banks' large exposures have broad coverage across the sectors of the economy, with sizeable exposures to construction, manufacturing, transportation, trade, and energy sectors. The regulatory limit for exposures to a single counterparty is 25 percent of Tier 1 capital, in line with the Basel supervisory framework for large exposures; however, banks are allowed to extend exposures up to 50 percent of Tier 1 capital if the exposures are adequately secured by high quality collateral, such as government securities, or by financial guarantees from multilateral development banks or other qualifying financial institutions. Use of guarantees and collateral is a common credit risk mitigation tools used by banks for managing concentration risks from their large exposures, with sovereign guarantees covering some of the largest exposures. While for individual banks such guarantees provide significant loss mitigation assurance in the case of default of borrowers, they also contribute to the bank-sovereign nexus at the system level. Additionally, the most common form of collateral consists of real estate and land, which are highly illiquid, which highlights the importance of adopting a conservative valuation approach for the collateral backing large exposures.

Staff tested concentration risk in banks' credit exposures by assessing the impact of the default of banks' largest net loan exposures after considering available guarantees and collateral. Staff assessed the potential impact of the hypothetical default of the largest net exposure by assuming a scenario of zero recovery on the unsecured part of the exposure and full recovery of the value of the collateral. Assuming the default of the largest net exposure in each bank, the average Tier 1 capital decline would be sizeable, at about 4.5 percentage points of Tier 1 capital ratio. Any decline in the recovered value of the collateral, which is likely given their illiquid nature, would further add to potential losses. Similarly, the default of multiple large exposures would significantly increase potential losses. The persistence of large exposures highlights the importance of continued close monitoring and stress testing of individual large exposures by the authorities, using a conservative valuation approach for any available collateral. Additionally, the sizeable estimates for potential losses from large exposures indicate that building additional capital buffers for banks, for example through Pillar 2 capital requirements, would further strengthen the resilience of the banking system.

Rwanda: Tier 1 Capital
(Percent)

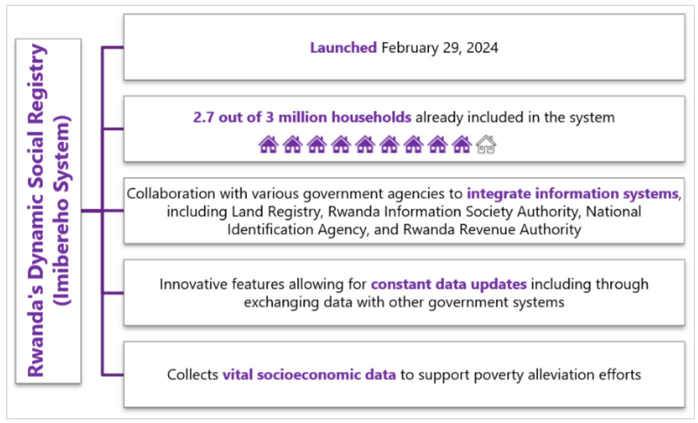


Source: Rwandan Authorities and IMF staff calculations.
Note: Data as of end-2023.

23. **NBR's guidelines on management of climate-related and environmental financial risks went into effect in late November 2023, with a phased-in implementation timeline.** The early stages of the implementation roadmap focus on capacity building, data collection, and initial self-assessment by financial institutions of their climate-related and environmental financial risks. Management of climate-related financial risks remains a nascent area for the financial sector and institutions are at the early stages of building internal capacity for monitoring and analysis of such risks.

C. Structural Policies

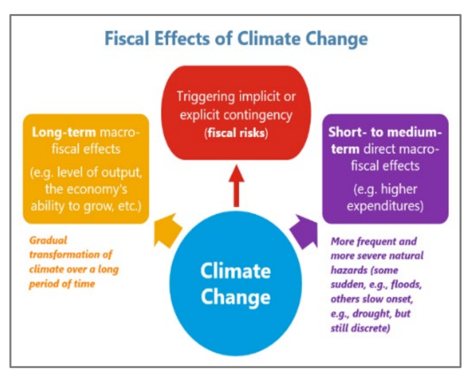
24. Leveraging on Rwanda's National Strategy for Transformation, the socioeconomic reforms focus on people-centric policies to support human capital development needs. The authorities have continued enhancing social protection programs in the context of the Vision 2020 Umurenge Program. A dynamic social registry to improve targeting and efficiency of Rwanda social sector programs was rolled out in February (**end-May 2024 RT/SB**). The registry is a dynamic gateway to support quality of data and information on household welfare that facilitates synergies across social programs.



25. Progress on RSF reforms continues to be strong with tangible results on implementation of climate budget tagging and climate risk analysis.

- *Monitoring and reporting of climate-related spending for decision making.* **Third review RM6** has been completed by (i) initiating climate change budget tagging on development expenditure and releasing a climate budget statement based on initial tagging results, and (ii) integrating climate information into the BFP. The authorities utilized the climate budget tagging prototype during the planning of the FY24/25 budget and plan to extend it to cover all expenditure. Tagging allows the government to review how activities are performing from a spending perspective and facilitates data-informed allocation decisions for new resources from the fiscal space where required. The data also permits the government to assess the need for a reallocation of resources from poorer performing or non-performing climate change activities to increase the allocate resources in other priority climate activities. Once fully implemented, this tagging system will enable monitoring of climate-related activities during both budget preparation and execution, enhancing transparency for the public and development partners supporting the climate agenda.

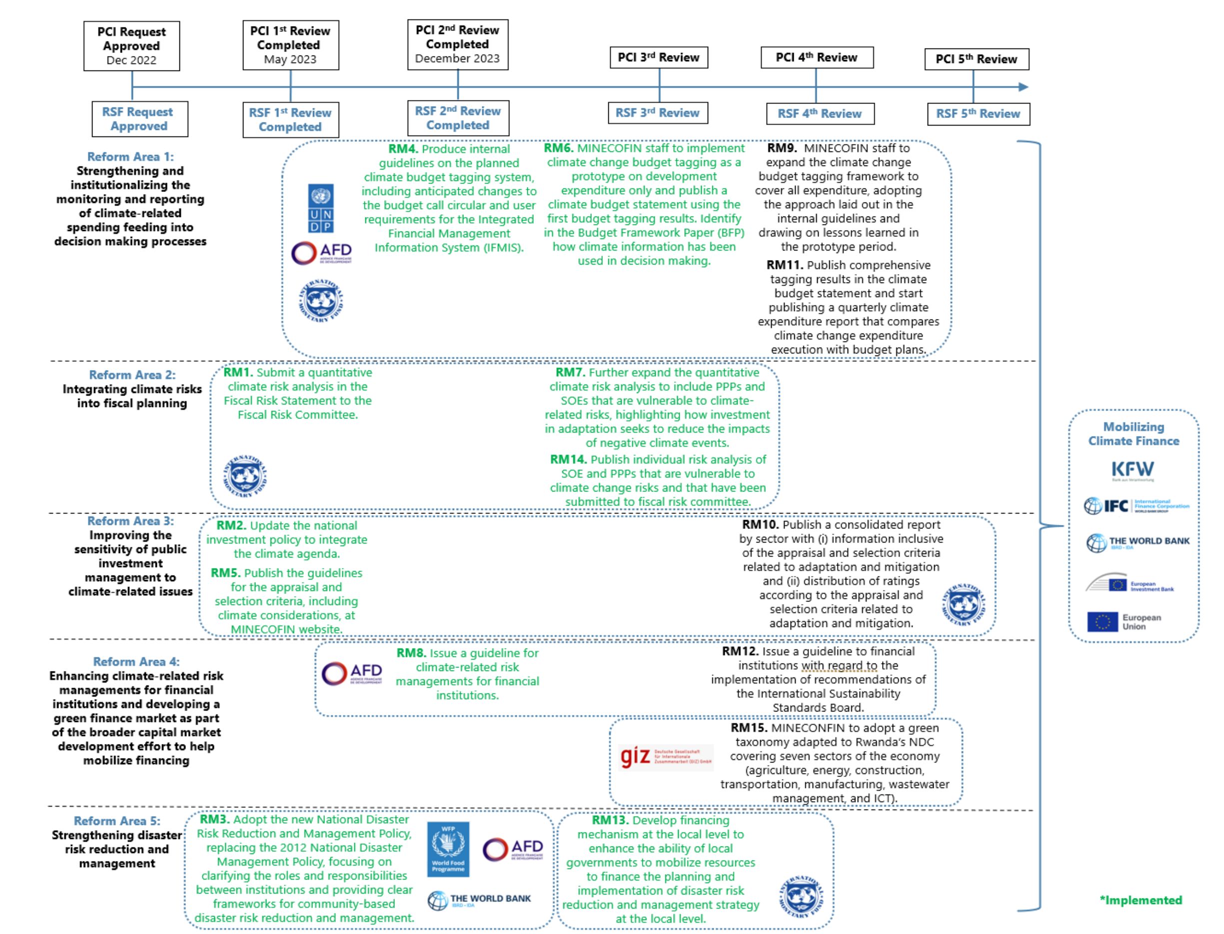
- *Integrating climate risks into financial planning.* Supported by IMF TA, work on further expanding the quantitative climate risk analysis to include PPPs and SOEs that are vulnerable to climate-related risk (**third review RM7**), including individual risk analysis (**third review RM14**), is completed. In this context, the Fiscal Risk Statement for FY 2024/25 includes a qualitative assessment of climate risk spillovers and possible mitigating measures for ten individual SOEs across the seven most climate vulnerable sectors (Box 2). For two of those SOEs (REG



and WASAC), a more in-depth quantitative assessment of possible climate impacts is also included. The FRS also discusses how investments road, bridge, energy, and water infrastructure help reduce the impacts of negative climate events.

- *Strengthening disaster reduction and management.* Developing a financing mechanism at the local level to enhance the ability of local governments to mobilize resources to finance and implement disaster risk reduction and management strategy at the local level (**third review RM13**) was completed. Specifically, with support from IMF TA, the authorities adopted an action plan to support the financing mechanism at the local level to enhance the ability of local governments to mobilize resources to finance the planning and implementation of disaster risk reduction and management strategy at the local level. The action plan focuses on two broad areas: (i) mobilizing additional resources, while respecting the need for fiscal sustainability; and (ii) freeing up resources by improving efficiency to create fiscal space for disaster risk response and management activities. Specific actions will entail mobilizing additional grant financing for adaptation projects, enhancing ownership, transparency, and objectivity of disaster expenditures, minimizing the cost of disasters, optimizing the efficiency of disaster response, and enhancing disaster risk management coordination and knowledge.

Rwanda: RSF Measures and Technical Assistance



Box 2. Climate Change Risk Exposures in Rwandan SOEs

Climate Impact	Sector/s	Exposed SOEs	Exposure	Likelihood	Fiscal Impact
Drought. Increasing prevalence of drought poses a significant risk to future water availability. Longer dry seasons are already impacting operations and raising the costs of water, including for irrigation purposes.		WASAC; Bella Flowers; Gabiro Agriculture Hub Ltd.	SOE assets: 2.1 percent of GDP SOE debt: 0.8 percent of GDP		
Epidemic. Vector-born diseases could become more prevalent due to climate change. Fiscal risk because services are provided at a loss.		King Faisal Hospital	SOE assets: 0.2 percent of GDP SOE debt: 0.2 percent of GDP		
Increasing temperature. Higher temperatures can reduce capacity for above-ground power lines to safely carry electricity.		REG	SOE assets: 5.5 percent of GDP SOE debt: 1.7 percent of GDP		
Flooding/ landslides. Floods and landslides damage roads, bridges, and infrastructure. Generation assets suffer impairment due to various climate-related factors, reducing power supply. Damages to dams, hydro plants, and transmission assets lead to power outages and higher operating costs. Severe flooding reduces hydro power output, impacting revenue for power generators and increasing expenses for imported electricity. Climate change indirectly affects agricultural output, posing fiscal risks. Floods have limited impact on tourism but could result in significant fiscal impacts due to guarantees.		REG; WASAC, Bella Flowers; Rwandair and ATL Bugasera Airport; Prime Holdings; RITCO; King Faisal Hospital; Ultimate Concept Ltd; Horizon Constuction.	SOE assets: 11.2 percent of GDP SOE debt: 7.9 percent of GDP		

Sources: Rwandan authorities and IMF staff.

Agriculture · Health · Transport · Construction · Energy · Tourism · Water

Low · Moderate · Medium · High

26. Leveraging the COP28 announcement of scaling up climate finance, the authorities are accelerating efforts to develop a credible pipeline of green projects. Rwanda's public and private climate investment facilities (Intego and Ireme Invest), which were launched at COP27, have completed the initial capitalization process and identification of project pipelines, and are ready to scale-up their lending activity (Box 3). Ireme Invest started its lending operations with two officially launched projects (e-mobility and green hostels). The total value of Ireme's green projects pipeline is currently estimated at US$55 million in FY24/25. The scaling up of the pipeline is challenging, however, as both the Rwanda Development Bank and businesses need time to strengthen their understanding of the technical requirements for green investments.

Box 3. Update on Rwanda's Climate Investment Facilities—Capitalization and Pipelines

Intego, which is managed by the Rwanda Green Fund (FONERWA), has a capitalization of EUR 46 million grant from KfW as part of the Rwandan-German Climate and Development Partnership. Following the conclusion of the appraisal and selection process, the Investment Committee submitted 14 projects, in the total value of US$66.8 million, for Board approval. Implementation is expected to start in FY24/25 and last over 3 years. For a project to be eligible, it needs to be submitted by public authority; match key NDC intervention areas; target high number of beneficiaries; promote gender and social inclusion; comply with FONERWA's Environmental and Social Management Framework, offer good value for money; and the implementing agencies should demonstrate strong capacity to implement the project. FONERWA already cleared an additional 20 projects with a total value of about US$100 million, the funding of which will require further capitalization.

Ireme Invest follows an integrated approach that enables private green entrepreneurs to move from feasibility to bankability. It has two facilities, the Project Preparatory Facility (PPF) managed by FONERWA, and the Credit Facility (CF) managed by the Rwanda Development Bank (BRD).

- **The PPF uses grants to provide technical assistance for green entrepreneurs to develop viable business models and bring their projects to bankability.** Its capitalization is projected at US$13.3 million in FY2024/25-FY2025/26, relying on grants from the UK and Danish development agencies, GiZ, the Global Climate Fund, and the Gates Foundation. The PPF launched its call for proposals in February and received over 400 project applications in one month.
- **The CF is a credit enhanced instrument that offers affordable loans for bankable projects.** Its capital consists of concessional and non-concessional credit lines and bank guarantees provided by the Government of Rwanda, the French development agency, EIB, the African Development Bank, the Global Climate Fund, and Swedish International Development Agency. Capitalization is projected at US$108.6 million in FY2024/25-FY2025/26. Loans are capped at 70 percent of the total project value requiring the companies to cover the remaining 30 percent using own resources. The total value of identified pipeline of green projects is estimated at US$156 million in FY2024/25-FY2025/26. Loans will support projects in five broad areas. Two loan agreements, for e-mobility and green hostels for Kigali Independent University, have already been signed in 2024Q1.

intego
RWANDA'S NDC FACILITY

Public Climate Investment Facility

Project pipeline: FY2024/25 – FY2026/27

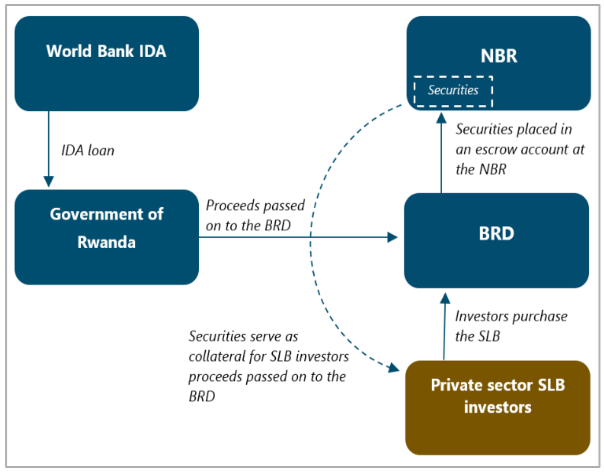
(US$ millions)	**Total**
	Grants
Catchment restoration	34.2
Climate-resilient infrastructure	5.0
Integrated water resources management	8.1
Wetland rehabilitation and biodiversity conservation	5.0
Renewable energy and energy efficiency	9.7
Weather and climate services	4.9
Total	**66.8**

Private Climate Investment Facility

Project pipeline: FY2024/25 – FY2025/26

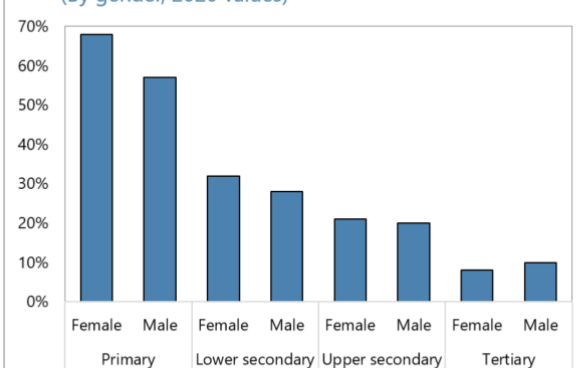
(US$ millions)	**PPF**	**CF**		**Total**
	Grants	*Loans*	*Private capital*	
Clean energy	2.2	38	17.0	57.2
Smart mobility	3.4	42	18.0	63.4
Sustainable cities	2.6	21	9.0	32.6
Climate smart agriculture	2.6	1.8	0.8	5.2
Waste and circular economy	2.5	5.8	2.6	10.9
Total	13.3	108.6	47.3	**169.2**

27. In October 2023, the BRD issued an innovative sustainability-linked bond (SLB) to support Rwanda's sustainable economic development objectives. The SLB was partially credit-enhanced via a US$10 million World Bank IDA loan, and the credit enhancement took the form of a collateralized guarantee. The Government of Rwanda passed on the proceeds of the concessional IDA loan to BRD by purchasing Rwanda government securities and placing them in an escrow account at the central bank as collateral. These securities were pledged to investors of the SLB for providing coverage for principal and accrued interest in the event of a default. This credit enhancement reduced the cost of BRD funding, allowing it to issue the debt at comparable yields to government securities. More importantly, the US$10 million collateral enabled BRD to raise close to US$25 million from capital markets, demonstrating how limited public funding can be used to leverage substantial private capital.



28. Rwanda has made progress in legal reforms that enabled the country to be ranked among the highest in global gender equality rankings. While gaps remain, including gender gaps in labor force participation, and occupational and industry segregation, Rwanda has made significant progress toward ensuring gender equality in school enrolment and completion over the past two decades. Completion rates of primary and secondary education are higher for females, while tertiary completion remains higher for males.[3] Nevertheless, gender gaps in the labor market and entrepreneurship persist. Women's labor market participation and employment is negatively associated with the presence of children, women's concentration in unpaid family work and the agricultural sector.[4] Women are also more prone to being impacted by climate change shocks than men.[5] The authorities recognize that climate and gender issues are both cross-cutting, trans-sectional, and multi-dimensional and should be reflected in all stages of national strategies. To this end, FONERWA published a Gender Mainstreaming Strategy and Gender Action Plan which addresses institutional gender mainstreaming, including in the FONERWA's project portfolio management.

Rwanda: Completion Rates
(By gender, 2020 values)



Source: Rwanda Authortities and IMF staff calculations.

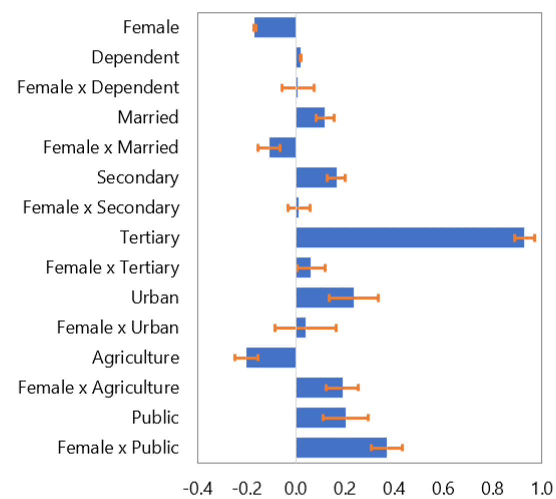
[3] World Inequality Database on Education - Rwanda (education-inequalities.org).

[4] Labor Force Survey 2020 Gender Report.

[5] Annex III of IMF staff report 2023/198.

29. Despite significant progress toward ensuring gender equality, there continue to be sizable gaps in labor market outcomes (Annex II). A higher proportion of women have caregiving responsibilities and are often employed in lower-paying sectors such as agriculture. Women's likelihood of labor force participation is lower than men's (by 8 percentage points), though this gap narrows with secondary or tertiary education (by 2 and 9 percentage points, respectively). In contrast, the likelihood of employment is 2.4 percentage points higher for women compared to men, but it decreases for those with caregiving responsibilities.[6] While women are paid less than men on average (by 17 percent), their wages are relatively higher compared with men in the public sector (by 37 percent) and in agriculture (by 19 percent). Higher levels of education (secondary and tertiary) are associated with higher wages, and while wages for women with secondary education are not statistically different from male wages, tertiary education is associated with a doubling of wages for female workers. A more comprehensive parental leave policy and flexible work arrangements, along with investments in education and training could increase female employment-to-population ratio—11 percentage points lower than male ratio by the end of 2023—and lessen the gender wage gap and foster higher growth.

Rwanda: Estimated Gender Gap in Wages



Sources: 2022 LFS and IMF staff calculations.
Notes: For Female, the figures present the sum of estimated coefficients on the respective individual characteristics and the interaction terms between those characteristics and female dummy variable. For Male, the figures show the estimated coefficients on individual characteristics.

PROGRAM MODALITIES

30. Program conditionality under the PCI/SCF is proposed, reflecting the macroeconomic framework and authorities' commitments to reforms (MEFP Tables 1-4).[7,8] The implementation will continue to be monitored on a semi-annual basis through QTs, PCs, RTs, standard continuous

[6] On aggregate level, gender differential for LFP rate is much higher at 15 percentage points, than for employment rate at 5 percentage points.

[7] Concurrent use of PCI and SCF is appropriate. The PCI remains the main policy framework to support the authorities' medium-term policy objectives and ensures the continuity of cooperation. The SCF arrangement remains appropriate to address the short-term BOP need and guide the needed recalibration of the policy adjustment in response to adverse shocks induced by climate change, while protecting priority spending. Staff assesses that Rwanda fully meets eligibility requirements for the SCF arrangement: (i) Rwanda does not have a protracted balance of payments problem and have an actual short-term BOP need that is expected to be resolved within two years; (ii) Rwanda's balance of payments difficulties are not predominantly caused by a withdrawal of financial support by donors; and (iii) Rwanda is implementing policies aimed at resolving the balance of payments difficulties it is encountering, and at achieving, maintaining or restoring a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction.

[8] Four-fifths of disbursement under the SCF arrangement will be disbursed as BOP support to cushion reserves, with the remaining one-fifth going towards budget support.

targets, and a Monetary Policy Consultation Clause (MPCC), with end-June and end-December test dates. Policy implementation will be evaluated through review-based monitoring, considering evolving circumstances and policy needs.

- New QTs and PCs have been set for end-June 2025, in line with program parameters.
- Three new RTs have been proposed: (i) conducting in-depth forward-looking financial assessments of at least five SOEs, including identification of credible mitigation measures to address any identified key vulnerabilities (**proposed new end-March 2025 RT**); (ii) expanding the coverage of Monetary and Financial Statistics to include, as part of Other Financial Corporations Survey, insurance companies, Rwanda Development Bank, and private pension institutions; and start publishing on quarterly basis (**proposed new end-March 2025 RT**); and (iii) submitting to Cabinet draft amendments to the NBR Law to strengthen, in consultation with IMF staff, provisions for mandate, financial and personal autonomy, and transparency and accountability in line with safeguards assessment recommendations (**proposed new end-September 2025 RT**).

31. The RSF disbursements will create fiscal space and strengthen the country's ability to face future climate-related shocks. The additional fiscal space will support, among other things, the authorities' climate adaptation and climate mitigation priorities. These priorities include supporting investments in areas of low-carbon transport networks, low carbon and climate-resilient infrastructure and energy access, resilient urban landscapes, and sustainable water systems, agriculture, forestry, and conservation. The RSF disbursements will also augment Rwanda's international reserves thus improving investor confidence and strengthening the country's ability to face future climate-change related shocks. Specifically, RSF disbursements are expected to help boost Rwanda's gross official reserves by an additional 0.7 month of imports cumulatively from the start of the RSF arrangement to end-2024, while the BOP financing gaps arising from the climate-related shocks are closed by the SCF financing and the agreed policy adjustment (Tables 6–7). The concurrent RSF-supported program will continue to be monitored by the agreed reform measures. The phasing of the RSF-supported reforms remains identical to the second RSF review (Table 10).

32. Rwanda's capacity to repay the Fund remains adequate. Rwanda's outstanding credit stands at 220.66 percent of quota (as of March 31, 2024) and will peak to 383.75 percent of quota in 2024 once the RSF and SCF arrangement are fully disbursed (Tables 8a and 8b). While the peak for credit outstanding is high (39.8 percent of gross international reserves, or 6.1 percent GDP), part of it is long-term due to RSF financing, and debt service remains modest at 0.7 percent of revenues excluding grants in 2029. Rwanda has a strong track record of repayments to the Fund, with external and overall risk of debt distress assessed to be moderate.[9]

33. While the outlook is subject to downside risks, the program is fully financed with firm commitments over the next 12 months with good prospects for financing for the remainder of the program. Financing assurances have been provided mostly in the form of concessional grants from the World Bank, UNICEF, Global Fund, and bilateral development partners and

[9] For more information see Debt Sustainability Analysis.

concessional loans from the World Bank, AfDB, and other multilateral and bilateral development partners. Staff encouraged the authorities to continue close engagement with donors and further leverage on the catalytic role of the RSF to secure additional climate related financing. While uncertainty and risks to program implementation remain, these are mitigated by the authorities' strong ownership of reforms under the program.

STAFF APPRAISAL

34. Despite difficult external conditions and ongoing fiscal consolidation, the Rwandan economy maintains robust growth. Real GDP growth in 2023 surpassed expectations, fueled by strong performances in services, construction, and post-flood recovery in food crop production. While the contractionary effects of fiscal consolidation may contribute to temporarily slowing growth in the near term, it is anticipated to recover over the medium term. The inflation outlook has improved due to a slowdown in food prices and core inflation. The current account deficit widened somewhat more than expected in 2023, but international reserves remain adequate, providing a cushion against external shocks.

35. Performance under the PCI/SCF continues to be strong. All end-December 2023 quantitative targets under the PCI and quantitative performance criteria under the SCF arrangement were met. A dynamic social registry was rolled out and will help improve targeting and efficiency of social assistance programs. The spending rationalization strategy was prepared as part of the FY24/25 budget, supporting the credibility of the agreed fiscal consolidation path. The authorities reaffirmed their commitment to structural reforms with new reforms aimed at containing fiscal risks from SOEs, expanding the coverage of monetary and financial statistics, and strengthening central bank independence.

36. The carefully-calibrated policy mix is producing results, but significant challenges remain. Rwanda's fiscal consolidation efforts are commendable. Nevertheless, an uptick in the public debt to GDP reflects a more conservative macroframework and the valuation effects of nominal depreciation, but debt remains on a downward trajectory. Further advancing the fiscal consolidation strategy—centered on domestic revenue mobilization, expenditure rationalization, and mitigating fiscal risks linked to SOEs—is crucial for maintaining sustained development and social spending without jeopardizing fiscal stability. Proactive, forward-looking, and data-driven monetary policy has helped bring inflation within the targeted band. A gradual easing of the monetary policy stance starting mid-year would be appropriate, contingent on data and evolution of risks, including from Red Sea disruptions, Southern African drought, and the delayed exchange rate pass-through. Although nominal depreciation in 2023 was larger than expected, it has not led to a sufficient adjustment in the real effective exchange rate. Lower inflation in 2024 and continued nominal depreciation should help accelerate adjustment so that external imbalances are addressed as envisaged in the program.

37. The authorities' approach to base their fiscal strategy on conservative grant financing assumptions is prudent given the significant uncertainty. Appropriate contingency plans have been developed to address any grant shortfalls through a combination of additional expenditure envelope rationalization and new sources of grant and concessional financing. Priority should be given to safeguarding essential spending, in particular on development investments and social assistance, and preventing budget overruns.

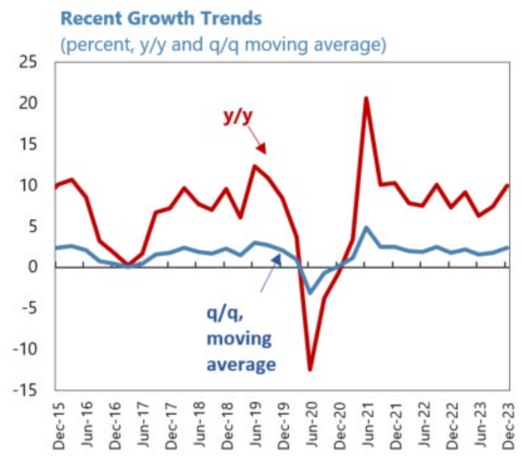
38. Vigilant oversight of financial stability risks, especially those related to large exposures and rapid credit growth, is critical. The prevalence of large exposures is a structural feature of Rwanda's banking system and is more pronounced than in other countries. While collateralization offers a buffer, monitoring by the NBR is important going forward. Moreover, the interconnection between banks and the government through guarantees creates a bank-sovereign nexus, potentially exposing the government's balance sheet to significant risks. To mitigate these risks, continuous stress-testing of large exposures is crucial. Additionally, building additional capital buffers for banks would further strengthen the resilience of the banking system. Finally, the rapid credit expansion, particularly in the household sector, has the potential to lead to deterioration in asset quality and consumer over-leveraging and warrants proactive measures, such as tightening of LTV limits or introduction of debt-service-to-income limits, from the regulator.

39. Sustained reform momentum under the RSF will continue enhancing the economy's resilience to climate shocks and position Rwanda as a regional leader in climate initiatives. The tagging of climate related capital expenditures was completed and the results published in the FY24/25 budget. The quantitative climate risk analysis was expanded to include PPPs and SOEs that are vulnerable to climate-related risk, including individual risk analysis. A financing mechanism was developed to enhance the ability of local governments to mobilize resources to finance and implement disaster risk reduction and management strategy. The authorities are also accelerating efforts to develop a credible pipeline of green projects demonstrating their unwavering commitment to the RSF-supported climate agenda and further capitalizing on the RSF catalytic effect.

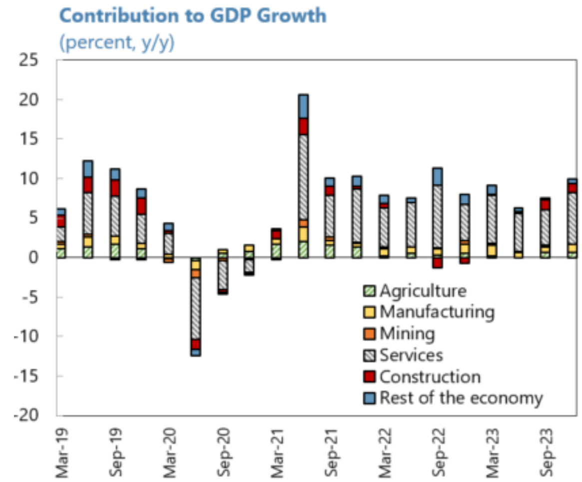
40. Staff supports the completion of the third PCI/RSF reviews and the first SCF review. The authorities' strong commitment to reforms, supported by a credible fiscal consolidation to bring debt down and a decisive monetary action to curb inflationary pressures and rebuild external buffers, warrants continued Fund support. Staff supports a disbursement totaling SDR 57.50116 million under the RSF and SDR 66.75 million under the SCF.

Figure 1. Rwanda: Overview of Recent Economic Developments

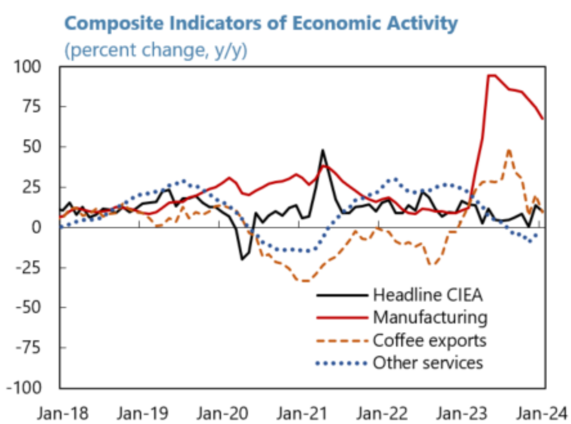
Economic activities remain strong in 2023…



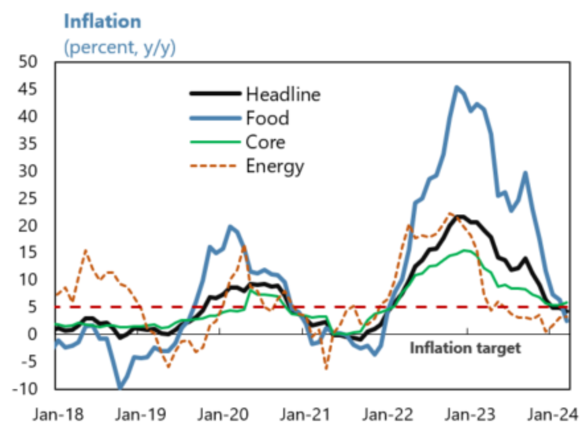
… due to strong performance in services, construction and transport sectors, and robust post-flood recovery in food crop production.



Some economic activities showed deceleration heading into the last months of 2023.



Inflation decelerated sharply, reaching the NBR's inflation target in January.

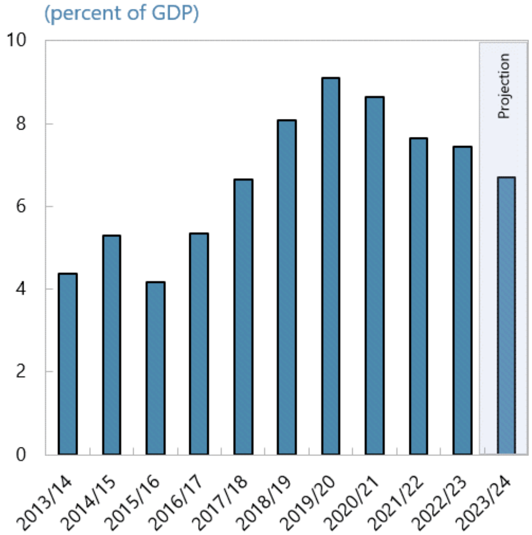


Sources: Rwandan Authorities and IMF staff estimates.

Figure 2. Rwanda: Fiscal Developments

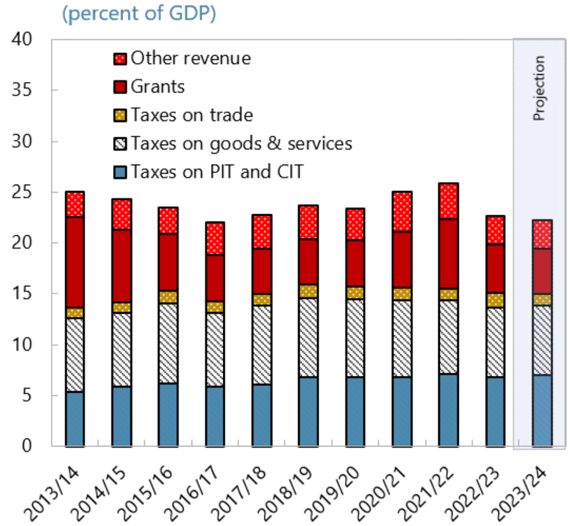
Deficit is coming down in recent years.

Overall Deficit
(percent of GDP)



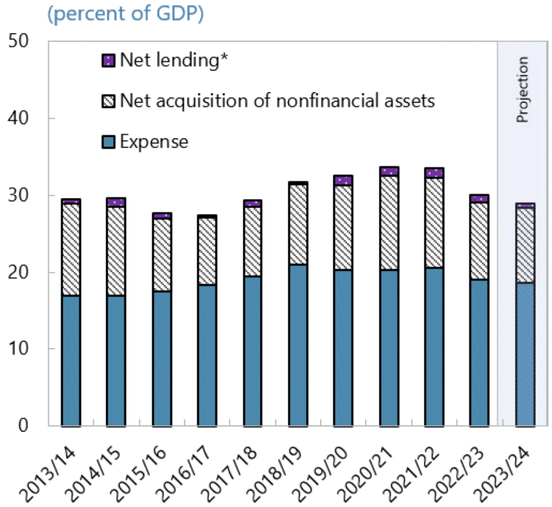
Total revenues have declined on the account of lower grants...

Total Revenue and Grants
(percent of GDP)



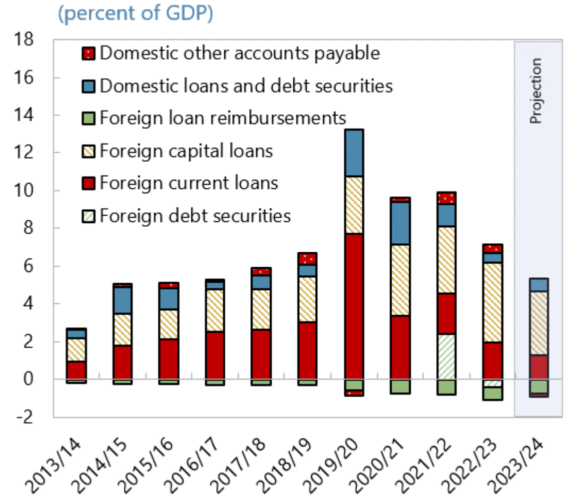
... while expenditures remain contained...

Total Expenditure
(percent of GDP)



... amid external funding squeezes.

Net Incurrence of Liabilities
(percent of GDP)

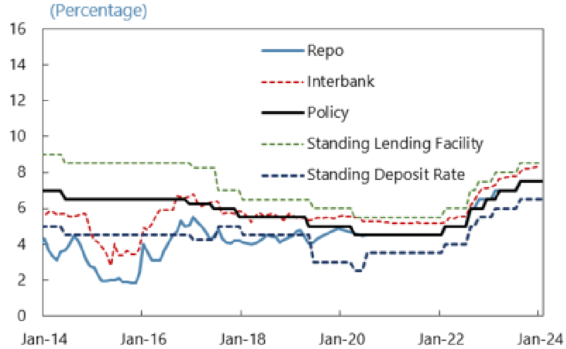


Sources: Rwandan Authorities and IMF staff estimates.
*Net lending is presented in the overall balance in accordance with the PCI definition.

Figure 3. Rwanda: Monetary and Financial Sector Developments

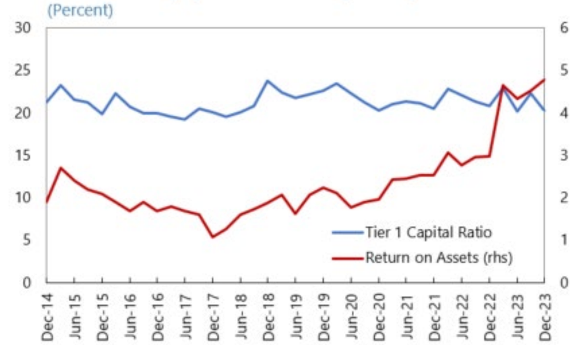
After a tightening cycle, rates have been on hold since August 2023

Policy and Short Term Rates
(Percentage)



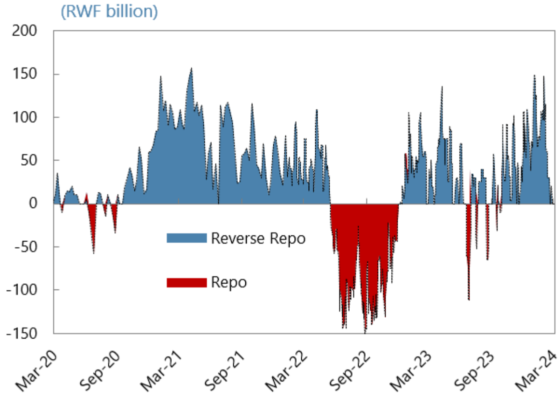
...yet real interest rates remain low, contributing to credit growth over the recent period.

Rwanda Banking System - Profitability and Capitalization
(Percent)



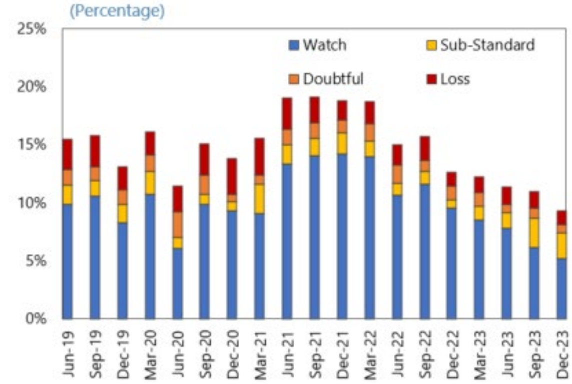
There is growing demand for reverse repos from the Central Bank.

Liquidity Management from Open Market Operations[1/]
(RWF billion)



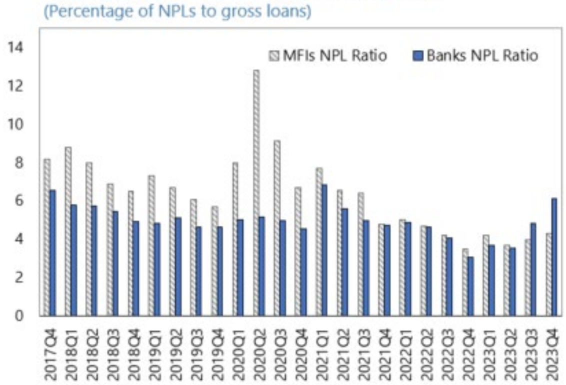
Loans under Watch category have continued to decline since the spike following COVID-19.

Risk Status of Loan Stock
(Percentage)



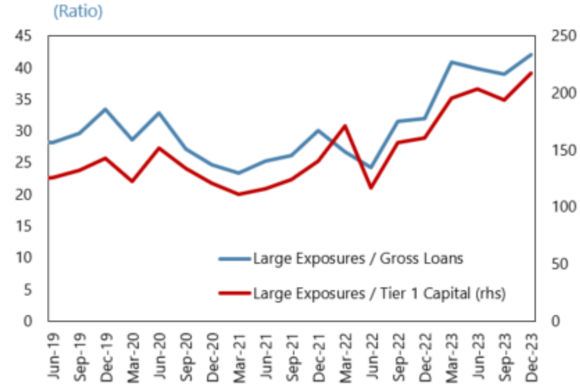
NPL levels remained broadly stable recently, following the COVID-related spike during 2020-2021.

Rwanda Banking System - Non-performing Loans
(Percentage of NPLs to gross loans)



But large exposures of banks have been growing in the past few years.

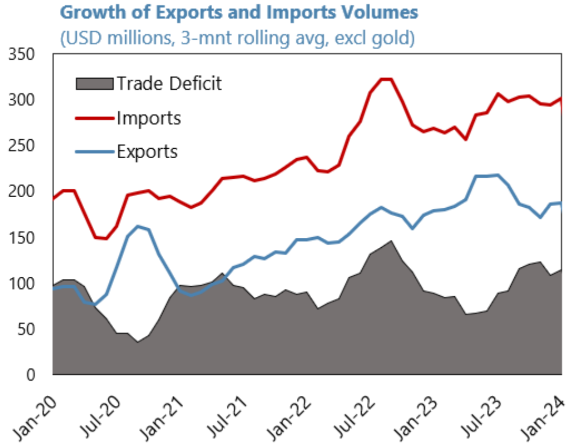
Rwanda Banking Sytem - Large Exposures
(Ratio)



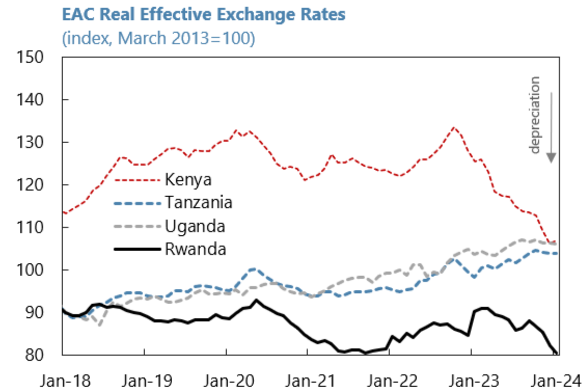
Sources: Rwandan authorities, and IMF staff estimates.
1/ Positive sign means net injection and negative sign means net absorption of liquidity.

Figure 4. Rwanda: External Developments

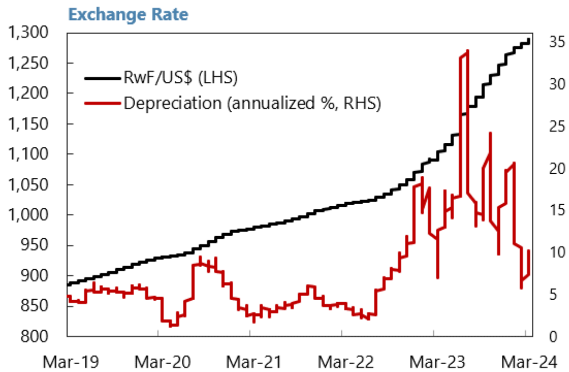
The trade deficit widened, reflecting strong demand for food and capital goods imports…



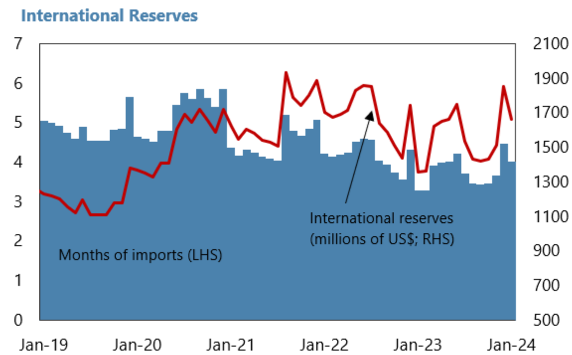
… as the REER appreciated on the back of depreciating NEER and lowering inflation towards end-2023.



FX market pressures drove the nominal exchange rate depreciation…

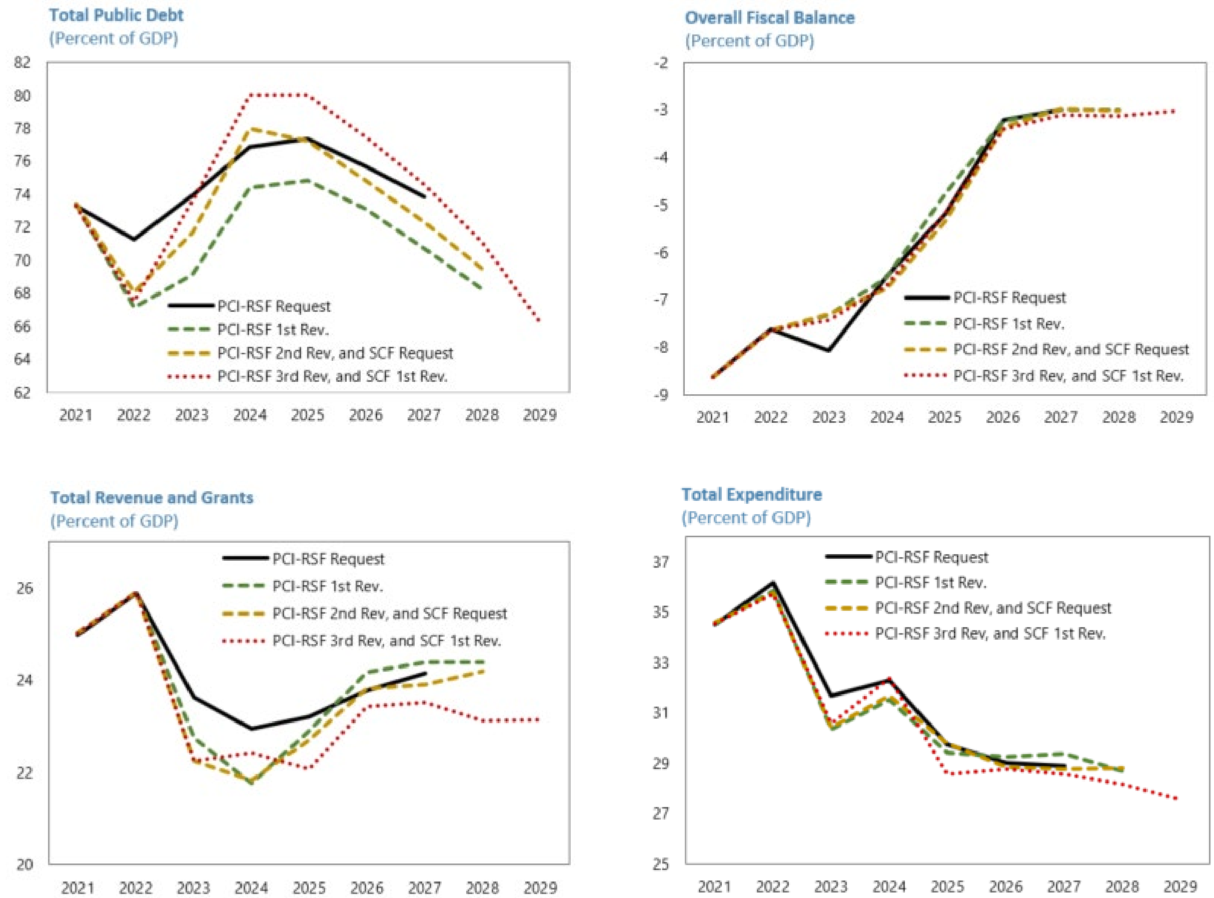


… while international reserves held steady following higher disbursements in official financing support later in 2023.



Sources: Rwandan authorities, and IMF staff estimates.

Figure 5. Rwanda: Selected Program Indicators



Sources: Rwandan authorities, and IMF staff estimates.
Note: Overall fiscal balance, total revenue and total expenditure are reported on a fiscal year basis. (e.g.: 2022=FY21/22).

Table 1. Rwanda: Selected Economic Indicators, 2022–29

	2022	2023		2024		2025		2026		2027		2028		2029
	Act.	2nd Review	Act.	2nd Review	Est.	2nd Review	Proj.	2nd Review	Proj.	2nd Review	Proj.	2nd Review	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)													
Output and prices														
Real GDP	8.2	6.2	8.2	6.6	6.6	7.0	6.5	7.3	6.8	7.3	7.2	7.3	7.3	7.3
GDP deflator	15.9	10.4	10.1	6.2	4.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI (period average)	13.9	14.5	14.0	6.0	4.9	5.0	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI (end period)	21.7	9.0	6.4	5.5	5.0	5.0	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (deterioration, -)	2.7	-1.9	-4.7	-3.3	1.8	-2.0	-3.1	-1.0	-0.8	-0.6	-2.3	-0.5	1.1	0.9
Exchange rate (Rwanda franc/US$) (e.o.p.)	1,071	1,253	1,264	--	--	--	--	--	--	--	--	--	--	--
Rwanda franc y/y depreciation rate (e.o.p.)	6.1	17.0	18.0	--	--	--	--	--	--	--	--	--	--	--
Exchange rate (Rwanda franc/US$) (p. avg.)	1,031	1,162	1,160	--	--	--	--	--	--	--	--	--	--	--
Rwanda franc y/y depreciation rate (p. avg.)	4.2	12.7	12.6	--	--	--	--	--	--	--	--	--	--	--
Real effective exchange rate (depreciation, -)(p.avg.)	8.0	-2.9	-0.8	--	--	--	--	--	--	--	--	--	--	--
Money and credit														
Broad money (M3)	22.5	5.7	22.8	15.1	9.2	16.9	14.2	18.9	7.9	16.0	14.2	12.7	12.6	11.4
Reserve money	29.0	-12.4	10.1	15.1	8.1	16.9	11.9	18.9	7.9	16.0	14.2	12.7	12.6	11.4
Credit to non-government sector	13.6	15.4	19.9	17.0	17.2	20.5	12.9	19.1	16.2	12.9	15.1	12.4	13.3	12.1
M3/GDP (percent)	29.2	26.3	30.0	26.7	29.5	27.8	30.1	29.3	29.0	30.2	29.4	30.2	29.4	29.1
	(Percent of GDP, unless otherwise indicated)													
Budgetary central government, FY basis [1]														
Revenue	25.9	22.2	22.6	21.8	22.3	22.7	22.2	23.8	23.6	23.9	23.8	24.2	23.4	23.4
Taxes	15.7	15.0	15.2	15.3	15.2	15.9	15.8	16.9	16.9	17.8	17.8	18.3	18.3	18.4
Grants	6.9	4.7	4.7	4.0	4.4	4.4	3.8	4.5	4.2	3.7	3.4	3.5	2.5	2.5
Other revenue	3.3	2.6	2.7	2.6	2.7	2.4	2.6	2.4	2.6	2.4	2.6	2.4	2.5	2.5
Expense	20.6	18.7	19.0	18.4	18.6	17.9	17.9	17.2	17.6	16.9	17.1	17.3	16.9	16.7
Net acquisition of nonfin. assets	11.6	9.9	10.1	9.5	9.7	9.5	8.9	9.4	9.0	9.5	9.5	9.5	9.3	9.5
Net lending (+) / borrowing (-) (NLB)	-6.3	-6.4	-6.5	-6.1	-6.1	-4.7	-4.6	-2.8	-3.0	-2.5	-2.8	-2.6	-2.8	-2.8
excluding grants	-13.2	-11.0	-11.2	-10.2	-10.5	-9.0	-8.4	-7.3	-7.1	-6.2	-6.2	-6.1	-5.3	-5.3
Net acquisition of financial assets	4.2	-0.5	-0.5	0.9	1.1	1.0	1.2	1.0	0.9	0.8	0.8	0.7	0.9	0.5
Currency and deposits	1.7	-0.5	-0.5	0.3	0.4	0.3	0.7	0.4	0.5	0.4	0.4	0.3	0.4	0.4
Loans	0.8	0.6	0.6	0.5	0.5	0.5	0.3	0.4	0.3	0.4	0.2	0.3	0.2	0.2
Equity and investment fund shares	0.5	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Net incurrence of liabilities	10.4	6.2	6.3	7.1	7.5	5.6	5.9	3.8	3.9	3.3	3.6	3.3	3.6	3.3
Domestic	1.8	0.9	0.9	0.0	0.5	0.1	0.0	0.2	-0.6	0.4	-0.2	-0.3	0.9	1.2
Foreign	8.6	5.3	5.4	7.0	7.0	5.5	5.9	3.5	4.6	2.9	3.8	3.6	2.7	2.1
Overall fiscal balance (incl. grants, policy lending)[2]	-7.6	-7.3	-7.4	-6.8	-6.7	-5.3	-5.2	-3.4	-3.4	-3.0	-3.1	-3.0	-3.1	-3.0
Debt-creating overall balance (excl. PKO)[3]	-7.4	-7.3	-7.4	-6.8	-6.7	-5.3	-5.2	-3.4	-3.4	-3.0	-3.1	-3.0	-3.1	-3.0
Primary balance (excl grants)	-12.7	-10.7	-10.9	-9.1	-9.0	-7.1	-6.8	-4.8	-4.6	-4.1	-4.2	-3.8	-4.0	-3.7
Public debt														
Total public debt incl. guarantees	67.5	71.6	73.5	78.0	80.0	77.2	80.0	74.8	77.5	72.3	74.6	69.5	71.0	66.2
of which: external public debt	48.3	54.7	56.9	63.6	65.0	67.1	67.5	67.4	69.5	65.6	68.4	62.7	67.2	65.3
Total public debt excluding guarantees	67.2	69.6	73.3	75.6	77.7	74.2	77.0	72.1	74.7	69.7	72.0	67.1	68.7	64.0
External public debt incl. guarantees, PV	28.4	31.2	26.0	37.9	32.3	41.4	35.2	41.9	37.0	40.5	36.7	39.2	36.7	36.1
Gross domestic debt	19.2	16.9	16.6	14.4	15.0	10.1	12.5	7.4	8.0	6.7	6.2	6.8	3.8	0.9
Total public debt incl. guarantees, PV	48.7	50.5	44.9	54.6	49.1	52.6	48.8	50.2	45.7	48.1	43.6	46.5	41.1	37.6
Investment and savings														
Investment	25.7	24.7	23.3	29.1	25.4	29.5	24.5	29.0	25.0	29.0	25.4	29.5	25.3	24.6
Government	12.1	11.4	11.1	12.0	12.3	10.6	9.5	10.8	10.7	10.9	10.9	11.7	10.8	10.2
Nongovernment	13.6	13.3	12.2	17.1	13.1	18.8	15.0	18.2	14.4	18.1	14.5	17.8	14.5	14.4
Savings (excl. grants)	12.0	11.0	9.8	14.9	11.1	15.4	10.4	15.6	11.5	17.5	13.8	19.5	15.2	14.5
Government	0.4	1.0	1.3	1.0	0.6	2.4	2.3	4.0	3.8	5.0	4.9	5.3	5.5	6.3
Nongovernment	11.6	10.0	8.6	13.9	10.6	13.1	8.1	11.6	7.7	12.5	8.8	14.3	9.8	8.2
External sector														
Exports (goods and services)	22.5	26.2	24.9	28.8	28.5	31.5	30.9	31.6	32.4	32.7	33.0	33.2	33.0	32.0
Imports (goods and services)	-37.4	-41.2	-41.0	-43.4	-43.6	-46.0	-45.2	-44.8	-45.4	-44.0	-44.7	-43.2	-43.4	-41.5
Current account balance (incl grants)	-9.4	-11.5	-11.7	-11.8	-12.1	-10.2	-11.1	-10.0	-10.0	-9.1	-9.6	-7.7	-8.6	-7.6
Gross official reserves														
In millions of US$	1,693	1,667	1,833	2,050	2,050	2,315	2,279	2,398	2,372	2,505	2,476	2,585	2,597	2,607
In months of next year's imports[4]	4.2	4.1	4.4	4.7	4.8	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
In millions of US$ (excl RSF)	1,693	1,518	1,684	1,728	1,728	1,993	1,957	2,076	2,050	2,183	2,154	2,263	2,275	2,285
In months of next year's imports[4] (excl RSF)	4.2	3.7	4.1	4.0	4.1	4.4	4.3	4.4	4.4	4.5	4.5	4.5	4.5	4.5
Memorandum items:														
GDP at current market prices														
Rwanda francs (billion), CY basis	13,720	16,086	16,355	18,222	18,181	20,475	20,340	23,065	22,811	25,969	25,676	29,256	28,915	32,587
nominal growth	25.4	17.3	19.2	13.3	11.2	12.4	11.9	12.7	12.2	12.6	12.6	12.7	12.6	12.7

Sources: Rwandan authorities and IMF staff estimates.

[1] From FY 21/22 (2022) to FY 28/29 (2029). Fiscal year runs from July to June. FY21/22 is actual.

[2] For purposes of the PCI the overall balance (GFSM 1986, incl. policy lending) is used for monitoring.

[3] Overall deficit excl. spending on materialized contingent liabilities and other items already incl. in the DSA.

[4] Based on prospective import of goods (excluding gold) and services.

Table 2a. Rwanda: Budgetary Central Government Flows, GFSM 2014 Presentation FY22/23–28/29[1]

(Billions of Rwandan francs)

	2022/23	2023/24		2024/25		2025/26		2026/27		2027/28		2028/29
	Act	2nd Review	Est.	2nd Review	Proj.	2nd Review	Proj.	2nd Review	Proj.	2nd Review	Proj.	Proj.
Revenue	**3,400**	**3,744**	**3,845**	**4,391**	**4,268**	**5,186**	**5,102**	**5,862**	**5,764**	**6,677**	**6,386**	**7,201**
Taxes	2,287	2,616	2,616	3,076	3,038	3,669	3,637	4,365	4,307	5,049	5,004	5,670
Taxes on income, profits, and capital gains	1,023	1,210	1,215	1,307	1,417	1,553	1,687	1,885	2,001	2,180	2,335	2,638
Taxes on property	23	32	33	48	38	54	44	64	51	74	59	64
Taxes on goods and services	1,030	1,178	1,182	1,402	1,373	1,656	1,665	1,942	1,967	2,246	2,276	2,584
Taxes on international trade and transactions	212	197	187	319	209	405	240	475	288	549	334	383
Grants	711	690	766	843	725	988	901	908	835	965	690	770
Other revenue	401	438	463	473	505	529	564	589	622	663	692	760
of which PKO	146	200	225	194	213	197	228	206	238	206	247	255
Expense	**2,857**	**3,164**	**3,215**	**3,456**	**3,440**	**3,739**	**3,801**	**4,135**	**4,141**	**4,777**	**4,613**	**5,128**
Compensation of employees	368	468	468	550	550	636	636	735	714	828	802	901
Use of goods and services	743	789	828	785	778	860	864	958	962	1,077	1,084	1,222
Interest	304	420	421	478	504	519	568	542	570	607	592	603
To nonresidents	101	184	184	207	242	240	265	272	288	305	305	326
To residents other than general government	203	236	236	272	262	279	303	270	282	302	287	277
Subsidies	299	308	308	325	323	314	350	351	390	387	439	495
Grants	970	991	1,002	1,090	1,075	1,179	1,159	1,287	1,264	1,463	1,423	1,602
To Local Government	917	921	932	1,002	987	1,081	1,061	1,179	1,155	1,340	1,329	1,508
Current	671	710	718	772	760	833	818	904	886	1,028	990	1,123
of which compensation of employees	410	503	503	571	571	653	647	736	727	809	819	922
Capital	246	211	214	230	226	248	243	274	269	302	339	385
Social benefits	46	50	50	71	65	72	71	87	73	166	82	92
Other expense	128	139	139	156	144	159	153	176	169	249	190	214
Net Operating Balance												
including grants	543	580	631	935	829	1,447	1,300	1,727	1,623	1,900	1,773	2,073
excluding grants	-168	-110	-135	93	104	459	399	819	788	935	1,083	1,303
Net acquisition of nonfin. assets	**1,518**	**1,632**	**1,676**	**1,838**	**1,721**	**2,051**	**1,941**	**2,337**	**2,297**	**2,623**	**2,530**	**2,935**
Foreign financed	771	1,012	1,017	1,022	1,014	1,289	1,150	1,389	1,289	1,574	1,268	1,388
of which: Flood spending	--	24	21	82	82	24	24	3	3	--	--	--
Domestically financed	747	619	660	816	707	762	792	947	1,008	1,049	1,262	1,548
of which: Flood spending	--	44	22	--	--	--	--	--	--	--	--	--
Net lending (+) / borrowing (-)												
including grants	**-976**	**-1051**	**-1046**	**-903**	**-893**	-604	**-641**	-609	**-673**	-723	**-756**	**-862**
Net acquisition of financial assets	**-73**	**160**	**185**	**186**	**235**	**215**	**203**	**195**	**202**	**193**	**236**	**157**
Domestic	-5	160	185	186	235	215	203	195	202	193	236	157
Currency and deposits	-78	51	74	58	135	88	108	74	121	83	136	92
Debt Securities	--	--	--	--	--	--	--	--	--	--	--	--
Loans	92	81	82	88	61	91	59	85	44	83	63	40
Equity and investment fund shares	49	27	30	40	40	36	36	36	36	28	36	25
Foreign	-68	--	--	--	--	--	--	--	--	--	--	--
Net incurrence of liabilities	**951**	**1,211**	**1,299**	**1,089**	**1,128**	**819**	**844**	**804**	**875**	**916**	**992**	**1,020**
Domestic	142	5	90.7	16	-1	52	-138	88	-37	-84	256	360
Debt securities	295	148	219	168	148	226	35	223	102	26	355	427
Held by Banks	42	5	-31	23	9	72	-118	108	-17	6	195	298
Held by Non-Banks	252	143	250	145	140	154	153	115	119	20	161	129
Loans (debt securitites repayments)	-222	-73	-105	-75	-70	-134	-133	-95	-99	-70	-140	-107
Other accounts payable[3]	70	-70	-23	-78	-80	-40	-40	-40	-40	-40	40	40
Foreign	809	1,206	1,208	1,073	1,129	767	982	716	912	1,001	736	660
Debt securities	-68	--	--	--	--	--	--	--	--	--	--	--
Loans	877	1,206	1,208.3	1,073	1,129	767	982	716	912	1,001	736	660
Disbursements	962	1,329	1,335	1,310	1,318	1,249	1,332	1,353	1,407	1,381	1,291	1,271
Current	535	772	776	584	726	365	622	400	599	324	439	369
o/w IMF RSF	106	158	158	135	135							
o/w IMF SCF	--	45	45	25	25							
Capital	426	557	559	727	592	884	710	953	808	950	852	902
Reimbursements	85	123	127	238	189	481	350	637	495	380	555	611
Statistical discrepancy	-48	--	-68	--	--	--	--	--	--	--	--	--
Memorandum items:												
Domestic revenue (incl. local government)	2,542	2,855	2,855	3,355	3,331	4,001	3,973	4,748	4,691	5,505	5,449	6,175
Wage bill (incl. local government)	805	1,005	1,005	1,155	1,155	1,324	1,318	1,509	1,480	1,682	1,656	1,858
Primary balance excl. grants	-1,525	-1,429	-1,502	-1,395	-1,214	-1,200	-1,069	-1,097	-1,019	-1,191	-953	-1,094
Domestic financing with RSF	147	-154	-94	-170	-237	-163	-341	-107	-239	-277	20	203
Domestic financing without RSF	253	3	64	-35	-102	-163	-341	-107	-239	-277	20	203
Overall fiscal balance (incl. grants, policy loans)[2]	-1,117	-1,159	-1,157	-1,030	-993	-731	-737	-731	-754	-834	-856	-927

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal year runs from July to June.

[2] For purposes of the PCI the overall balance (GFSM 1986 definition, incl. policy lending) is used for monitoring.

[3] Includes unpaid obligations under 90 days.

Table 2b. Rwanda: Budgetary Central Government Flows, GFSM 2014 Presentation FY22/23–28/29[1]

(Percent of GDP)

	2022/23	2023/24		2024/25		2025/26		2026/27		2027/28		2028/29
	Act.	2nd Review	Est.	2nd Review	Proj.	2nd Review	Proj.	2nd Review	Proj.	2nd Review	Proj.	Proj.
Revenue	**22.6**	**21.8**	**22.3**	**22.7**	**22.2**	**23.8**	**23.6**	**23.9**	**23.8**	**24.2**	**23.4**	**23.4**
Taxes	15.2	15.3	15.2	15.9	15.8	16.9	16.9	17.8	17.8	18.3	18.3	18.4
Taxes on income, profits, and capital gains	6.8	7.1	7.0	6.8	7.4	7.1	7.8	7.7	8.3	7.9	8.6	8.6
Taxes on property	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.2	0.2
Taxes on goods and services	6.9	6.9	6.8	7.2	7.1	7.6	7.7	7.9	8.1	8.1	8.3	8.4
Taxes on international trade and transactions	1.4	1.1	1.1	1.6	1.1	1.9	1.1	1.9	1.2	2.0	1.2	1.2
Grants	4.7	4.0	4.4	4.4	3.8	4.5	4.2	3.7	3.4	3.5	2.5	2.5
Other revenue	2.7	2.6	2.7	2.4	2.6	2.4	2.6	2.4	2.6	2.4	2.5	2.5
of which PKO	1.0	1.2	1.3	1.0	1.1	0.9	1.1	0.8	1.0	0.7	0.9	0.8
Expense	**19.0**	**18.4**	**18.6**	**17.9**	**17.9**	**17.2**	**17.6**	**16.9**	**17.1**	**17.3**	**16.9**	**16.7**
Compensation of employees	2.4	2.7	2.7	2.8	2.9	2.9	2.9	3.0	2.9	3.0	2.9	2.9
Use of goods and services	4.9	4.6	4.8	4.1	4.0	4.0	4.0	3.9	4.0	3.9	4.0	4.0
Interest	2.0	2.4	2.4	2.5	2.6	2.4	2.6	2.2	2.4	2.2	2.2	2.0
To nonresidents	0.7	1.1	1.1	1.1	1.3	1.1	1.2	1.1	1.2	1.1	1.1	1.1
To residents other than general government	1.3	1.4	1.4	1.4	1.4	1.3	1.4	1.1	1.2	1.1	1.1	0.9
Subsidies	2.0	1.8	1.8	1.7	1.7	1.4	1.6	1.4	1.6	1.4	1.6	1.6
Grants	6.5	5.8	5.8	5.6	5.6	5.4	5.4	5.3	5.2	5.3	5.2	5.2
To Local Government	6.1	5.4	5.4	5.2	5.1	5.0	4.9	4.8	4.8	4.9	4.9	4.9
Current	4.5	4.1	4.2	4.0	3.9	3.8	3.8	3.7	3.7	3.7	3.6	3.7
of which compensation of employees	2.7	2.9	2.9	2.9	3.0	3.0	3.0	3.0	3.0	2.9	3.0	3.0
Capital	1.6	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.2	1.3
Social benefits	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.4	0.3	0.6	0.3	0.3
Other expense	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.9	0.7	0.7
Net acquisition of nonfin. assets	**10.1**	**9.5**	**9.7**	**9.5**	**8.9**	**9.4**	**9.0**	**9.5**	**9.5**	**9.5**	**9.3**	**9.5**
Foreign financed	5.1	5.9	5.9	5.3	5.3	5.9	5.3	5.7	5.3	5.7	4.6	4.5
of which: Flood spending	--	0.1	0.1	0.4	0.4	0.1	0.1	--	--	--	--	--
Domestically financed	5.0	3.6	3.8	4.2	3.7	3.5	3.7	3.9	4.2	3.8	4.6	5.0
of which: Flood spending	--	0.3	0.1	--	--	--	--	--	--	--	--	--
Net lending (+) / borrowing (-)												
including grants	**-6.5**	**-6.1**	**-6.1**	**-4.7**	**-4.6**	**-2.8**	**-3.0**	**-2.5**	**-2.8**	**-2.6**	**-2.8**	**-2.8**
excluding grants	-11.2	-10.2	-10.5	-9.0	-8.4	-7.3	-7.1	-6.2	-6.2	-6.1	-5.3	-5.3
Net acquisition of financial assets	**-0.5**	**0.9**	**1.1**	**1.0**	**1.2**	**1.0**	**0.9**	**0.8**	**0.8**	**0.7**	**0.9**	**0.5**
Domestic	--	0.9	1.1	1.0	1.2	1.0	0.9	0.8	0.8	0.7	0.9	0.5
Currency and deposits	-0.5	0.3	0.4	0.3	0.7	0.4	0.5	0.3	0.5	0.3	0.5	0.3
Debt securities	--	--	--	--	--	--	--	--	--	--	--	--
Loans	0.6	0.5	0.5	0.5	0.3	0.4	0.3	0.3	0.2	0.3	0.2	0.1
Equity and investment fund shares	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Foreign	-0.5	--	--	--	--	--	--	--	--	--	--	--
Net incurrence of liabilities	**6.3**	**7.1**	**7.5**	**5.6**	**5.9**	**3.8**	**3.9**	**3.3**	**3.6**	**3.3**	**3.6**	**3.3**
Domestic	0.9	--	0.5	0.1	--	0.2	-0.6	0.4	-0.2	-0.3	0.9	1.2
Debt securities	2.0	0.9	1.3	0.9	0.8	1.0	0.2	0.9	0.4	0.1	1.3	1.4
Held by Banks	0.3	--	-0.2	0.1	--	0.3	-0.5	0.4	-0.1	--	0.7	1.0
Held by Non-Banks	1.7	0.8	1.5	0.7	0.7	0.7	0.7	0.5	0.5	0.1	0.6	0.4
T-bills	0.1	0.4	0.5	0.4	0.4	0.6	0.6	0.4	0.4	--	0.5	0.3
T-bonds	1.6	0.4	1.0	0.4	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Loans (debt securitites repayments)	-1.5	-0.4	-0.6	-0.4	-0.4	-0.6	-0.6	-0.4	-0.4	-0.3	-0.5	-0.3
Other accounts payable[4]	0.5	-0.4	-0.1	-0.4	-0.4	-0.2	-0.2	-0.2	-0.2	-0.1	0.1	0.1
Foreign	5.4	7.0	7.0	5.5	5.9	3.5	4.6	2.9	3.8	3.6	2.7	2.1
Special Drawing Rights (SDRs)	--	--	--	--	--	--	--	--	--	--	--	--
Debt securities	-0.5	--	--	--	--	--	--	--	--	--	--	--
Loans	5.8	7.0	7.0	5.5	5.9	3.5	4.6	2.9	3.8	3.6	2.7	2.1
Disbursements	6.4	7.7	7.7	6.8	6.8	5.7	6.2	5.5	5.8	5.0	4.7	4.1
Current	3.6	4.5	4.5	3.0	3.8	1.7	2.9	1.6	2.5	1.2	1.6	1.2
o/w IMF RSF	0.7	0.9	0.9	0.7	0.7	--	--	--	--	--	--	1.0
o/w IMF SCF		0.3	0.3	0.1	0.1							
Capital	2.8	3.2	3.2	3.8	3.1	4.1	3.3	3.9	3.3	3.4	3.1	2.9
Reimbursements	0.6	0.7	0.7	1.2	1.0	2.2	1.6	2.6	2.0	1.4	2.0	2.0
Statistical discrepancy	-0.3	--	-0.4	--	--	--	--	--	--	--	--	--
Memorandum item:												
Domestic revenue (incl. local government)	16.9	16.6	16.5	17.3	17.3	18.4	18.4	19.4	19.3	19.9	20.0	20.1
Wage bill (incl. local government)	5.4	5.9	5.8	6.0	6.0	6.1	6.1	6.2	6.1	6.1	6.1	6.0
Total expenditure	30.1	28.6	29.0	28.0	27.3	27.2	27.1	26.9	26.9	27.2	26.5	26.4
Primary balance excl. grants	-10.1	-8.3	-8.7	-7.2	-6.3	-5.5	-5.0	-4.5	-4.2	-4.3	-3.5	-3.6
Domestic financing with RSF	1.0	-0.9	-0.5	-0.9	-1.2	-0.8	-1.6	-0.4	-1.0	-1.0	0.1	0.7
Domestic financing without RSF	1.7	--	0.4	-0.2	-0.5	-0.8	-1.6	-0.4	-1.0	-1.0	0.1	0.7
Overall fiscal balance (incl. grants, policy loans)[2]	-7.4	-6.8	-6.7	-5.3	-5.2	-3.4	-3.4	-3.0	-3.1	-3.0	-3.1	-3.0
Debt creating overall bal. (excl. PKO, comm.)[3]	-7.4	-6.8	-6.7	-5.3	-5.2	-3.4	-3.4	-3.0	-3.1	-3.0	-3.1	-3.0
GDP (Billions of RwF), FY basis	15,024	17,154	17,268	19,349	19,261	21,770	21,576	24,517	24,244	27,612	27,296	30,751

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Fiscal years runs from July to June.

[2] For purposes of the PCI, the overall balance (GFSM 1986 definition, incl. policy lending) is used for monitoring.

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

[4] Includes unpaid obligations under 90 days.

Table 3. Rwanda: Decomposition of Public Debt and Debt Service by Creditor, 2023–25[1]

	Debt Stock (end of period)			Debt Service					
	2023			2023	2024	2025	2023	2024	2025
	(In US$ mn)	*(Percent total debt)*	*(Percent GDP)* [5]	*(In US$ mn)*			*(Percent GDP)*		
Total	9,511.6	100.0	73.5	1,106.7	1,013.1	579.8	7.9	7.5	4.2
External	7,362.5	77.4	56.9	267.0	267.7	307.7	1.9	2.0	2.2
Multilateral creditors[2]	5,627.3	59.2	43.5	123.4	175.4	213.6	0.9	1.3	1.5
IMF	718.1	7.5	5.5	8.0	35.5	51.7	0.1	0.3	0.4
World Bank	3,286.5	34.6	25.4	62.5	79.5	94.8	0.4	0.6	0.7
ADB/AfDB/IADB	1,174.6	12.3	9.1	33.3	40.1	47.3	0.2	0.3	0.3
Other Multilaterals	448.0	4.7	3.5	19.6	20.3	19.8	0.1	0.1	0.1
o/w: IFAD	192.2	2.0	1.5	5.6	6.0	6.0	0.0	0.0	0.0
BADEA	87.2	0.9	0.7	0.1	0.2	0.2	0.0	0.0	0.0
Bilateral Creditors	917.0	9.6	7.1	35.7	45.1	46.9	0.3	0.3	0.3
Paris Club	346.3	3.6	2.7	1.9	1.9	2.1	0.0	0.0	0.0
o/w: JICA	139.5	1.5	1.1	0.0	0.0	0.0	0.0	0.0	0.0
AFD	165.8	1.7	1.3	1.9	1.9	2.0	0.0	0.0	0.0
Non-Paris Club	570.7	6.0	4.4	33.7	43.1	44.9	0.2	0.3	0.3
o/w: EXIM-CHINA	347.1	3.6	2.7	17.2	26.9	26.5	0.1	0.2	0.2
SFD	78.1	0.8	0.6	5.2	4.5	4.8	0.0	0.0	0.0
Bonds	620.0	6.5	4.8	94.3	34.1	34.1	0.7	0.3	0.2
Commercial creditors	32.1	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Trade Development Bank	32.1	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0
o/w: EDC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other international creditors	166.1	1.7	1.3	13.6	13.1	13.1	0.1	0.1	0.1
Domestic	2,149.1	22.6	16.6	839.7	745.4	272.1	6.0	5.5	2.0
Held by residents, total	2,149.1	22.6	16.6	839.7	745.4	272.1	6.0	5.5	2.0
Held by non-residents, total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T-Bills	348.1	3.7	2.7	402.1	352.9	0.0	2.9	2.6	0.0
Bonds	1,213.5	12.8	9.4	226.6	226.0	166.5	1.6	1.7	1.2
Loans	587.5	6.2	4.5	211.1	166.6	105.6	1.5	1.2	0.8
Memo items:									
Collateralized debt[3]	0.0	0.0	0.0	…	…	…	…	…	…
Contingent liabilities[4]	0.0	0.0	0.0	…	…	…	…	…	…
Nominal GDP (US$ million)	…	…	…	14,097	13,583	13,941	…	…	…

[1]As reported by country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

[2]"Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

[3]Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

[4]Guaranteed debt is included in public debt.

[5]Data is reported by the authorities based on calculations in national currency, deviates from U.S. dollar-based calculations due to the difference between end-of-period exchange rate (applied for nominator) and period-average exchange rate (applied for denominator).

Table 4. Rwanda: Monetary Survey, 2022–29

(Billions of Rwandan francs, unless otherwise indicated)

	2022		2023				2024		2025		2026		2027		2028		2029
	Jun.	Dec.	Jun.		Dec		Dec		Dec		Dec		Dec		Dec		Dec
	Act.	Act.	2nd Review	Act.	2nd Review	Act.	2nd Review	Est.	2nd Review	Proj.	2nd Review	Proj.	2nd Review	Proj.	2nd Review	Proj.	Proj.
Monetary authorities survey[1]																	
Net Foreign Assets	1,221	1,183	1,179	1,179	800	1,265	879	1,136	1,242	1,473	1,389	1,649	1,575	1,847	1,778	2,118	2,261
Of which: Foreign assets	1,903	1,870	2,038	2,038	1,840	2,342	2,286	2,617	2,595	2,907	2,692	3,024	2,816	3,155	2,909	3,308	3,321
Foreign liabilities	681	687	860	860	1,040	1,077	1,407	1,481	1,353	1,434	1,303	1,376	1,241	1,308	1,131	1,190	1,060
Net domestic assets	-540	-263	-320	-320	6	-252	49	-41	-157	-248	-100	-326	-80	-336	-94	-417	-367
Domestic credit	-209	73	220	220	379	354	459	602	290	433	384	391	441	418	464	375	462
Other items (net; asset +)	-331	-336	-540	-540	-373	-606	-410	-643	-447	-680	-484	-717	-521	-754	-558	-791	-828
Reserve money	682	920	859	859	806	1,013	928	1,095	1,084	1,225	1,289	1,322	1,495	1,510	1,685	1,701	1,895
Commercial banks survey																	
Net foreign assets	127	81	294	294	294	421	294	421	294	421	294	421	294	421	294	421	421
Net domestic assets	3,247	3,606	3,717	3,717	3,661	4,156	4,259	4,580	5,027	5,300	6,034	5,754	7,046	6,633	7,976	7,524	8,430
Reserves	384	606	553	553	533	677	614	732	718	820	854	886	991	1,013	1,116	1,142	1,273
Net credit to NBR	34	-75	0	-46	-430	-150	-563	-383	-468	-373	-643	-446	-778	-602	-801	-673	-852
Domestic credit	4,016	4,420	4,595	4,641	4,965	5,140	5,678	5,892	6,308	6,599	7,417	7,161	8,490	8,168	9,379	9,072	10,097
Government (net)	927	1,149	1,056	1,056	1,163	1,161	1,255	1,262	1,008	1,397	1,132	1,143	1,412	1,268	1,440	1,282	1,386
Public enterprises	120	170	250	250	250	297	250	297	250	297	250	297	250	297	250	297	297
Private sector	2,969	3,101	3,290	3,335	3,552	3,682	4,173	4,333	5,050	4,905	6,035	5,721	6,827	6,603	7,689	7,494	8,414
Other items (net; asset +)	-1,186	-1,345	-1,430	-1,430	-1,407	-1,511	-1,469	-1,661	-1,532	-1,746	-1,594	-1,846	-1,656	-1,946	-1,718	-2,017	-2,088
Deposits	3,374	3,687	4,012	4,012	3,956	4,577	4,553	5,001	5,321	5,722	6,329	6,176	7,341	7,054	8,270	7,945	8,851
Monetary survey																	
Net foreign assets	1,348	1,264	1,473	1,473	1,094	1,686	1,174	1,557	1,536	1,894	1,683	2,070	1,870	2,268	2,073	2,539	2,682
Net domestic assets	2,324	2,736	2,845	2,845	3,135	3,227	3,694	3,807	4,152	4,232	5,081	4,542	5,976	5,284	6,766	5,966	6,790
Domestic credit	3,841	4,417	4,770	4,815	4,915	5,344	5,573	6,111	6,130	6,658	7,158	7,105	8,153	7,984	9,042	8,774	9,706
Government	683	1,081	1,128	1,128	1,011	1,250	1,048	1,366	728	1,341	771	972	973	969	1,000	868	881
Public enterprises	120	170	250	250	250	297	250	297	250	297	250	297	250	297	250	297	297
Private sector	3,037	3,167	3,392	3,438	3,654	3,797	4,275	4,448	5,152	5,020	6,137	5,836	6,930	6,718	7,791	7,609	8,529
Other items (net; asset +)	-1,517	-1,681	-1,970	-1,970	-1,780	-2,117	-1,879	-2,304	-1,979	-2,426	-2,078	-2,563	-2,177	-2,700	-2,276	-2,808	-2,916
Broad money	3,672	4,000	4,318	4,318	4,229	4,913	4,867	5,363	5,688	6,127	6,764	6,612	7,846	7,552	8,839	8,504	9,473
Year on Year Growth						(Percentage)											
Broad money	20.4	22.5	17.6	17.6	5.7	22.8	15.1	9.2	16.9	14.2	18.9	7.9	16.0	14.2	12.7	12.6	11.4
Reserve money	29.6	29.0	26.0	26.0	-12.4	10.1	15.1	8.1	16.9	11.9	18.9	7.9	16.0	14.2	12.7	12.6	11.4
Net credit to Government	29.2	100.0	65.0	65.0	-6.5	15.6	3.7	9.2	-30.5	-1.8	5.9	-27.5	26.2	-0.4	2.8	-10.4	1.5
Net foreign assets	21.6	2.7	9.3	9.3	-13.5	33.4	7.3	-7.7	30.9	21.7	9.6	9.3	11.1	9.6	10.9	11.9	5.7
Credit to non-government sector	16.6	13.6	11.7	13.2	15.4	19.9	17.0	17.2	20.5	12.9	19.1	16.2	12.9	15.1	12.4	13.3	12.1
Memorandum items:																	
Velocity (eop)	3.4	3.4	3.5	3.5	3.8	3.3	3.7	3.4	3.6	3.3	3.4	3.5	3.3	3.4	3.3	3.4	3.4
Money multiplier	5.4	4.3	5.5	5.0	5.2	4.9	5.2	4.9	5.2	5.0	5.2	5.0	5.2	5.0	5.2	5.0	5.0
Net Foreign Assets[2]	...	1,099	1,009	1,063	844	1,040	998	998	...	...	...	...	...	...	...	...	...

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

[1] The monetary table displays the monetary authorities accounts, and thus includes central banking functions (such as the holding of international reserves and the conducting of transactions with the IMF) performed by the central government.

[2] For program purposes NFA are shown at program exchange rates.

Table 5. Rwanda: Financial Soundness Indicators, March 2021 – December 2023
(Percent, unless otherwise indicated)

	2021				2022				2023			
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Capital Adequacy	(Percent)											
Core capital to risk-weighted assets	21.1	21.4	21.1	20.6	22.8	22.1	21.3	20.9	22.9	20.2	22.3	20.3
Regulatory capital to risk-weighted assets	22.3	22.5	22.2	21.5	23.9	23.1	22.3	21.7	23.8	21.1	23.2	21.5
Off balance sheet items/total qualifying capital	98.5	121.5	126.1	139.6	136.9	84.8	89.1	96.6	111.1	115.3	100.3	97.7
Insider loans/core capital	7.3	5.8	8.3	8.2	23.5	17.1	65.7	9.2	9.8	9.7	8.9	11.3
Large exposure/core capital	111.3	116.4	124.6	140.3	171.7	117.4	156.5	160.7	195.8	204.1	193.9	217.6
Asset Quality												
NPLs/gross loans	6.6	5.7	5.1	4.6	4.7	4.3	4.1	3.1	3.7	3.6	4.8	4.1
NPLs net of suspended interest/gross loans	5.9	5.1	4.7	4.3	4.3	3.8	3.6	2.8	3.4	3.2	4.5	3.8
Provisions/NPLs	79.9	99.0	106.0	119.8	108.1	114.4	112.9	141.9	115.4	120.9	92.0	99.1
Earning assets/total asset	80.4	85.0	85.3	83.5	85.5	85.1	77.8	81.1	80.1	79.8	80.2	78.9
Large exposures/gross loans	23.4	25.2	26.2	30.0	26.8	24.3	31.6	32.0	40.9	39.9	39.0	42.0
Profitability and Earnings												
Return on average assets	2.4	2.5	2.5	2.5	3.1	2.8	3.0	3.0	4.7	4.3	4.5	4.8
Return on average equity	14.5	14.4	14.8	15.0	17.0	16.5	18.0	17.8	19.2	19.0	19.7	20.7
Net interest margin (percentage points)	9.2	9.0	8.7	8.5	9.3	9.1	8.8	8.7	9.2	9.5	9.1	9.6
Cost of deposits	3.3	3.3	3.3	3.2	3.2	3.3	5.0	3.3	3.3	3.3	3.1	3.8
Cost to income	72.3	72.5	72.8	72.7	67.0	69.7	67.1	66.7	66.5	67.7	65.6	65.8
Overhead to income	35.2	34.5	36.5	36.7	36.8	37.5	37.0	37.8	37.3	38.7	36.1	36.6
Liquidity												
Liquidity coverage ratio	240.8	226.2	221.4	268.9	365.4	224.7	250.5	215.9	227.5	274.1	273.6	234.0
Net stable funding ratio	159.2	157.4	143.6	147.1	154.6	130.9	154.8	136.8	154.5	129.8	127.6	114.6
Liquid assets/total deposits	35.9	38.1	38.3	41.7	40.7	40.7	40.7	42.3	43.4	41.0	38.4	37.4
Interbank borrowings/total deposits	25.0	25.1	25.6	25.0	25.9	26.9	26.8	30.0	26.9	28.1	24.4	20.3
NBR borrowings/total deposits	0.9	0.5	0.5	0.7	0.5	0.5	0.6	0.6	1.0	1.9	0.8	0.6
Gross loans/total deposits	94.3	96.2	97.5	94.0	89.3	93.8	90.5	91.8	96.6	95.9	93.1	82.6
Liquid assets to short-term liability	113.2	113.7	101.4	132.9	144.8	128.7	130.4	119.2	123.0	97.8	…	…
Market Sensitivity												
Forex exposure/core capital	-3.2	-4.7	-5.3	-3.7	-1.8	-4.4	-4.4	-0.3	-4.5	-5.5	-1.5	1.0
Forex loans/Forex deposits	37.0	37.7	42.3	32.8	26.5	31.5	33.3	34.9	33.6	31.8	34.3	35.7
Forex assets/Forex liabilities	87.8	85.3	87.2	92.0	87.4	86.7	88.2	89.1	98.1	92.2	93.1	94.4

Source: National Bank of Rwanda.

Note: The FSIs cover the banking sector.

Table 6. Rwanda: Balance of Payments, 2022–29

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

	2022	2023		2024		2025		2026		2027		2028		2029
	Act.	2nd review	Act.	2nd review	Proj.	2nd review	Proj.	2nd review	Proj.	2nd review	Proj.	2nd review	Proj.	Proj.
Current account balance	**-1,246**	**-1,597**	**-1,654**	**-1,616**	**-1,642**	**-1,440**	**-1,542**	**-1,519**	**-1,442**	**-1,480**	**-1,482**	**-1,367**	**-1,427**	**-1,399**
Current account balance ex. Bugesera	*-1,172*	*-1,588*	*-1,643*	*-1,435*	*-1,462*	*-1,162*	*-1,264*	*-1,232*	*-1,155*	*-1,252*	*-1,254*	*-1,367*	*-1,427*	*-1,399*
Trade balance	-1,988	-2,135	-2,369	-2,033	-2,155	-2,125	-2,101	-2,143	-2,069	-2,056	-2,087	-1,992	-2,036	-2,007
Trade balance ex. Bugesera	*-1,930*	*-2,128*	*-2,362*	*-1,892*	*-2,014*	*-1,908*	*-1,884*	*-1,919*	*-1,845*	*-1,878*	*-1,909*	*-1,992*	*-2,036*	*-2,007*
Exports (f.o.b.)	2,112	2,594	2,466	2,881	2,781	3,295	3,156	3,543	3,553	4,028	3,988	4,548	4,421	4,644
Of which: gold	556	882	884	991	954	1,289	1,225	1,379	1,379	1,617	1,617	1,848	1,848	1,885
Exports (f.o.b.) excl. gold	1,556	1,711	1,582	1,891	1,827	2,006	1,931	2,164	2,175	2,411	2,371	2,700	2,572	2,758
Imports (f.o.b.)	4,100	4,729	4,835	4,914	4,936	5,420	5,257	5,686	5,622	6,084	6,075	6,540	6,457	6,650
Of which: gold	510	851	929	958	952	1,254	1,192	1,339	1,339	1,573	1,573	1,800	1,800	1,836
Imports (f.o.b.) excl. gold	3,590	3,878	3,905	3,956	3,985	4,167	4,066	4,348	4,284	4,511	4,502	4,740	4,657	4,815
Services (net)	4	68	95	37	111	74	104	135	135	210	210	216	216	192
Services ex. Bugesera	*20*	*70*	*98*	*77*	*150*	*134*	*165*	*198*	*198*	*260*	*260*	*216*	*216*	*192*
Credit	881	1,039	1,043	1,052	1,097	1,137	1,148	1,232	1,254	1,307	1,317	1,345	1,345	1,475
Of which: tourism receipts	400	472	564	521	615	576	645	635	657	693	703	755	755	838
Debit	878	971	948	1,015	986	1,063	1,043	1,097	1,119	1,097	1,107	1,129	1,129	1,283
Income	-242	-411	-278	-466	-435	-495	-482	-547	-510	-609	-552	-665	-589	-673
Of which: interest on public debt[1,2]	-112	-164	-66	-200	-175	-205	-183	-215	-191	-228	-195	-232	-195	-198
Current transfers (net)	981	881	898	845	837	1,106	937	1,037	1,003	975	947	1,073	983	1,089
Private	489	516	521	547	549	579	578	611	611	643	643	678	678	718
Of which: remittance inflows	461	481	505	504	525	529	549	556	556	584	584	611	611	650
Public	492	366	377	298	288	528	359	427	392	332	304	395	305	371
Capital and financial account balance	**1,058**	**1,365**	**1,461**	**1,684**	**1,540**	**1,751**	**1,809**	**1,645**	**1,581**	**1,640**	**1,638**	**1,542**	**1,642**	**1,512**
Capital account	322	398	398	348	383	256	291	313	313	313	313	294	306	374
Financial account	736	968	1,063	1,336	1,157	1,495	1,517	1,332	1,268	1,327	1,325	1,248	1,336	1,138
Direct investment	305	418	459	526	496	636	613	690	647	729	676	663	637	691
FDIs ex. Bugesera	...	*408*	*449*	*411*	*381*	*450*	*427*	*494*	*451*	*563*	*510*	*663*	*637*	*691*
Public sector capital	418	654	725	922	893	966	662	619	790	509	543	453	564	391
Long-term borrowing[2]	531	851	900	1,018	988	1,165	808	970	1,138	883	918	791	903	746
o/w budget financing and commercial loans	...	434	549	430	471	485	245	251	521	194	316	238	370	215
o/w project loans	...	417	411	504	434	562	445	601	499	607	519	552	533	531
Scheduled amortization, excl IMF	-113	-197	-175	-96	-95	-199	-146	-351	-348	-375	-375	-338	-338	-355
SDR allocation	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Other capital[3]	13	-105	-121	-111	-232	-108	243	23	-168	89	107	132	135	56
Net errors and omissions	**91**	**0**	**45**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-97**	**-232**	**-148**	**68**	**-102**	**311**	**267**	**127**	**139**	**160**	**157**	**174**	**215**	**113**
Financing	**97**	**232**	**148**	**-68**	**102**	**-311**	**-267**	**-127**	**-139**	**-160**	**-157**	**-174**	**-215**	**-113**
Reserve assets (increase -)	97	26	-107	-383	-217	-265	-229	-83	-93	-106	-103	-80	-121	-131
of which: SCF impact		-89	-116	-179	-178									
Net credit from the IMF	-11	206	226	315	319	-46	-38	-43	-46	-53	-53	-94	-93	-103
IMF disbursement (+)	0	238	237	352	352	0	0	0	0	0	0	0	0	0
of which: SCF impact		89	116	179	178									
of which: RSF impact	...	149	149	173	173			0	0	0	0	0	0	0
Repayments to IMF (-)	-11	-32	-11	-38	-32	-46	-38	-43	-46	-53	-53	-94	-93	-103
Memorandum items:														
Current account balance (percent of GDP)[4]	-9.4	-11.5	-11.7	-11.8	-12.1	-10.2	-11.1	-10.0	-9.7	-9.1	-9.2	-7.7	-8.2	-7.3
Current account excl. Bugesera (percent of GDP)	*-8.8*	*-11.5*	*-11.7*	*-10.5*	*-10.8*	*-8.2*	*-9.1*	*-8.1*	*-7.8*	*-7.7*	*-7.8*	*-7.7*	*-8.2*	*-7.3*
Trade balance (percent of GDP)	-14.9	-15.4	-16.8	-14.9	-15.9	-15.1	-15.1	-14.2	-13.9	-12.6	-13.0	-11.2	-11.6	-10.5
Trade balance excl. Bugesera (percent of GDP)	*-14.5*	*-15.4*	*-16.8*	*-13.9*	*-14.8*	*-13.5*	*-13.5*	*-12.7*	*-12.4*	*-11.5*	*-11.9*	*-11.2*	*-11.6*	*-10.5*
Foreign assets of monetary authorities	**1,747**	**1,720**	**1,853**	**2,104**	**2,070**	**2,369**	**2,300**	**2,452**	**2,393**	**2,559**	**2,497**	**2,639**	**2,618**	**2,628**
in months of prospective imports of G&S[5]	4.3	4.2	4.5	4.8	4.9	5.2	5.1	5.2	5.1	5.2	5.2	5.2	5.2	5.2
Of which: SCF		89.4	116	268	294	268	294							
Of which: RSF		149	149	322	322	322	322	322	322	322	322	322	322	322
Of which: excluding RSF	1,747	1,571.9	1,705	1,782	1,748	2,047	1,978	2,130	2,071	2,237	2,174	2,317	2,296	2,306
Of which: excluding RSF, in months of imports	4.3	3.8	4.1	4.1	4.1	4.5	4.4	4.6	4.4	4.6	4.5	4.6	4.5	4.5
Gross official reserves	**1,693**	**1,667**	**1,833**	**2,050**	**2,050**	**2,315**	**2,279**	**2,398**	**2,373**	**2,505**	**2,476**	**2,585**	**2,597**	**2,607**
in months of prospective imports of G&S[5]	4.2	4.0	4.4	4.7	4.8	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Of which: SCF		89.4	116	268	294	268	294	268	294	268	294	268	294	294
Of which: excluding RSF	1,693	1,518	1,684	1,728	1,728	1,993	1,957	2,076	2,051	2,183	2,154	2,263	2,275	2,285
Of which: excluding RSF, in months of imports	4.2	3.7	4.1	4.0	4.1	4.4	4.3	4.4	4.4	4.5	4.5	4.5	4.5	4.5

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

[4] Including official transfers.

[5] Based on the prospective imports of goods (excl. gold) and services in the next year.

Table 7. Rwanda: Gross External Financing Needs and Sources

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

	2021	2022	2023	2024	2025	2026	2027	2028
	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Gross external financing needs	**1,866**	**1,370**	**1,840**	**1,769**	**1,725**	**1,836**	**1,910**	**1,859**
Current account deficit	1,203	1,246	1,654	1,642	1,542	1,442	1,482	1,427
Public debt amortization (excl. IMF)	620	113	175	95	146	348	375	338
Repayments to IMF	42	11	11	32	38	46	53	93
External financing sources 1/	**2,040**	**1,279**	**1,678**	**1,591**	**1,725**	**1,836**	**1,910**	**1,859**
Capital transfers	380	322	398	383	291	313	313	306
Direct investment	233	305	459	496	613	647	676	637
Public sector borrowing	1,170	531	900	988	808	1,138	918	903
Other inflows 2/	412	24	-121	-232	243	-168	107	135
Reserve assets excl. RSF (increase -)	-155	97	42	-44	-229	-93	-103	-121
RSF	0	0	149	173	0	0	0	0
Reserve assets (increase -)	-155	97	-107	-217	-229	-93	-103	-121
Net errors and omissions	**-175**	**91**	**45**	**0**	**0**	**0**	**0**	**0**
BoP need	**0**	**0**	**116**	**178**	**0**	**0**	**0**	**0**
Memorandum items:								
SCF	0	0	116	178	0	0	0	0
Reserve assets (increase -)	-155	97	-107	-217	-229	-93	-103	-121

1/ Includes approved exceptional financing (CCRT debt relief).

2/ Reflects private capital inflows, 2021 SDR allocation, and CCRT debt relief.

Table 8a. Rwanda: Indicators of Capacity to Repay the Fund, 2023–43

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
IMF debt service based on existing credit (SDR millions)																					
Principal	8.0	24.0	28.0	34.0	39.5	46.9	46.9	30.9	14.8	0.0	3.7	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	7.4
Charges and interest	0.0	1.9	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.1	1.9	1.6	1.4	1.1	0.9	0.6	0.4	0.1
IMF debt service based on existing and prospective credit (SDR millions)																					
Principal	8.0	24.0	28.0	34.0	39.5	69.1	76.5	60.5	44.5	22.3	3.7	14.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	20.3
Charges and interest	0.0	2.5	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.3	4.9	4.4	3.8	3.3	2.7	2.2	1.7	1.1	0.6
IMF debt service based on existing and prospective credit (SDR millions)																					
In millions of SDRs	8.0	26.5	33.4	39.5	44.9	74.5	81.9	65.9	49.9	27.7	9.1	19.2	28.9	28.4	27.8	27.3	26.8	26.2	25.7	25.1	20.9
In millions of U.S. dollars	10.7	35.5	44.9	53.1	60.4	100.7	110.6	89.0	67.4	37.3	12.3	26.0	39.0	38.3	37.6	36.8	36.1	35.4	34.7	33.9	28.2
In percent of GDP	0.1	0.3	0.3	0.4	0.4	0.6	0.6	0.4	0.3	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
In percent of exports of goods and services	0.3	0.9	1.0	1.1	1.1	1.7	1.8	1.3	1.0	0.5	0.2	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2
In percent of government revenue (excl. grants	0.4	1.4	1.7	1.8	1.8	2.7	2.9	2.0	1.4	0.7	0.2	0.4	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.2	0.2
In percent of gross international reserves	0.6	1.7	2.0	2.2	2.4	3.8	4.2	2.6	1.8	1.0	0.3	0.6	0.8	0.7	0.7	0.6	0.5	0.5	0.4	0.4	0.3
In percent of PPG external debt service	3.8	18.4	18.3	18.0	15.3	23.4	23.4	17.5	5.7	6.9	2.1	4.0	5.3	4.9	4.5	4.1	3.8	3.5	3.2	2.9	2.3
In percent of IMF quota	5.0	16.6	20.9	24.6	28.0	46.5	51.2	41.2	31.2	17.3	5.7	12.0	18.1	17.7	17.4	17.0	16.7	16.4	16.0	15.7	13.0
IMF credit outstanding (end-of-period)																					
In millions of SDRs	375.9	614.8	586.7	552.7	513.2	444.1	367.6	307.1	262.6	240.3	236.6	222.6	198.6	174.6	150.5	126.5	102.5	78.5	54.4	30.4	10.1
In millions of U.S. dollars	501.4	823.2	788.4	743.6	692.5	599.6	496.0	414.3	354.3	324.2	319.3	300.4	268.0	235.6	203.1	170.7	138.3	105.9	73.4	41.0	13.6
In percent of GDP	3.6	6.1	5.7	5.0	4.3	3.4	2.6	2.0	1.6	1.3	1.2	1.0	0.8	0.7	0.5	0.4	0.3	0.2	0.1	0.1	0.0
In percent of exports of goods and services	14.3	21.2	18.3	15.5	13.1	10.4	8.1	6.3	5.0	4.3	3.9	3.4	2.9	2.3	1.9	1.4	1.1	0.8	0.5	0.2	0.1
In percent of government revenue (excl. grants	20.2	33.1	29.2	25.0	20.8	16.4	13.1	9.2	7.1	5.9	5.3	4.5	3.6	2.9	2.3	1.7	1.3	0.9	0.6	0.3	0.1
In percent of gross international reserves	27.1	39.8	34.3	31.1	27.7	22.9	18.9	12.2	9.5	8.3	7.7	6.6	5.5	4.5	3.5	2.7	2.0	1.4	0.9	0.5	0.1
In percent of PPG external debt	6.8	9.8	8.6	7.4	6.4	5.2	4.0	3.2	2.7	2.4	2.2	2.0	1.7	1.5	1.2	1.0	0.8	0.6	0.4	0.2	0.1
In percent of IMF quota	234.7	383.8	366.3	345.0	320.4	277.2	229.4	191.7	163.9	150.0	147.7	139.0	124.0	109.0	94.0	79.0	64.0	49.0	34.0	19.0	6.3
Net use of IMF credit (SDR millions)	102.9	238.8	-28.0	-34.0	-39.5	-69.1	-76.5	-60.5	-44.5	-22.3	-3.7	-14.0	-24.0	-24.0	-24.0	-24.0	-24.0	-24.0	-24.0	-24.0	-20.3
Disbursements	110.9	262.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	8.0	24.0	28.0	34.0	39.5	69.1	76.5	60.5	44.5	22.3	3.7	14.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	20.3
Memorandum items																					
Nominal GDP (USD millions)	14,097	13,583	13,941	14,846	16,060	17,485	19,131	20,908	22,847	24,946	27,219	29,706	32,381	35,272	38,376	41,715	45,302	49,198	53,428	58,022	63,011
Exports of goods and services (USD millions)	3,509	3,878	4,304	4,807	5,305	5,765	6,119	6,594	7,053	7,554	8,104	8,712	9,382	10,122	10,939	11,844	12,846	14,043	15,290	16,679	18,228
Government revenues excl. grants (USD million	2,484	2,490	2,700	2,971	3,323	3,666	3,775	4,495	4,968	5,487	6,056	6,686	7,372	8,123	8,941	9,832	10,801	11,866	13,037	14,323	15,736
Gross international reserves (USD millions)	1,853	2,070	2,300	2,393	2,496	2,617	2,628	3,404	3,718	3,924	4,151	4,527	4,906	5,270	5,731	6,322	6,801	7,460	8,149	8,944	9,759
PPG external debt (USD millions)	7,363	8,367	9,126	10,107	10,776	11,583	12,306	12,981	12,997	13,638	14,252	14,819	15,380	15,966	16,588	17,251	17,964	18,726	19,547	20,426	21,372
PPG external debt service (USD millions)	284.8	193.2	244.9	295.2	396.0	429.8	472.9	508.5	1,185.6	539.2	583.3	645.5	730.1	788.9	842.3	898.4	953.4	1,019.7	1,085.0	1,164.3	1,244.8
IMF quota (SDR millions)	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2	160.2

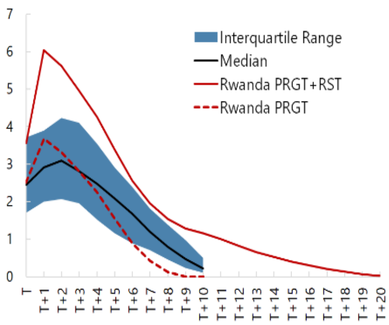
Source: Rwandan Authorties and IMF staff calculations.

Table 8b. Rwanda: Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries

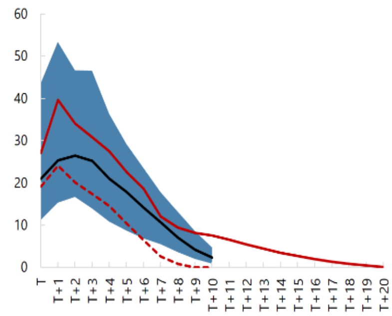
(In percent of the indicated variable)

A. Total Fund Credit Outstanding

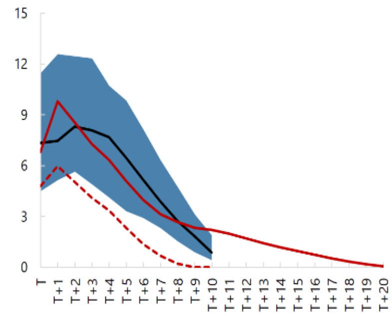
Percent of GDP



Percent of gross international reserves

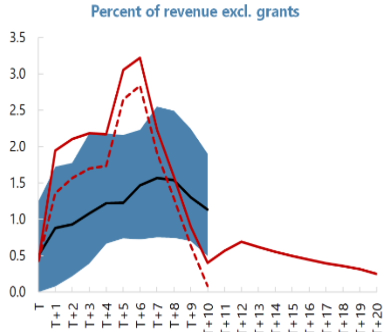


Percent of PPG external debt

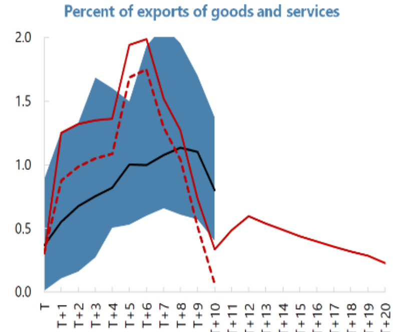


B. Total Debt Service to the Fund

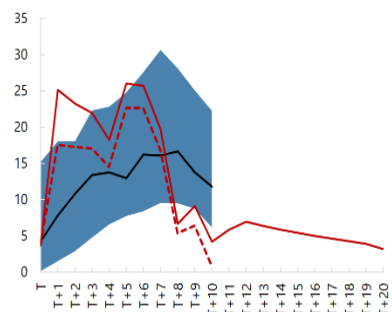
Percent of revenue excl. grants



Percent of exports of goods and services

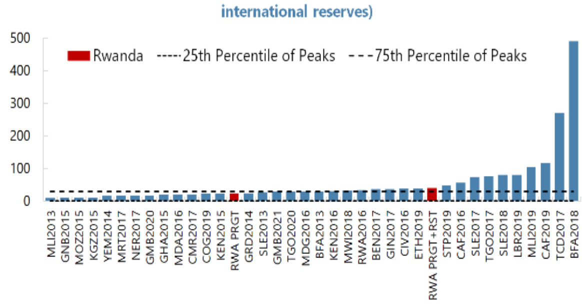


Percent of PPG external debt service

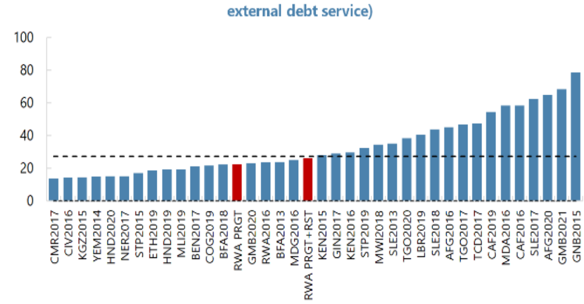


C. Largest Peaks

38 Largest Peaks for Fund Credit Outstanding (Percent of gross international reserves)



38 Largest Peaks for Total Debt Service to the Fund (Percent of PPG external debt service)



Notes:
1) T = date of arrangement approval. PPG = public and publicly guaranteed.
2) Red lines/bars indicate the CtR indicator for the arrangement of interest.
3) The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2013 and 2023.
4) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.
5) Comparator series is for PRGT arrangements only and runs up to T+10.
6) Debt service obligations to the Fund reflect prospective payments, including for the current year.
7) In the case of blenders, the red lines/ bars refer to PRGT+GRA. In the case of RST, the red lines/ bars refer to PRGT+GRA+RST.

Table 9. Rwanda: Review Schedule Under the PCI and SCF Arrangement

Program Review	Test Date	Review Date
Board discussion of a PCI request		December 12, 2022
First PCI Review	December 31, 2022	By May 15, 2023
Second PCI Review / SCF Approval	June 30, 2023	By November 15, 2023
Third PCI Review / First SCF Review	December 31, 2023	By May 15, 2024
Fourth PCI Review / Second SCF Review	June 30, 2024	By November 15, 2024
Fifth PCI Review	December 31, 2024	By May 15, 2025
Sixth PCI Review	June 30, 2025	By November 15, 2025

Source: IMF staff

Table 10. Rwanda: Schedule of Disbursements Under the Resilience and Sustainability Facility Arrangement

Availability Date	Millions of SDR	Percent of Quota	Conditions
May 1, 2023	18.48708	11.54	RM1 implementation review
May 1, 2023	18.48708	11.54	RM2 implementation review
May 1, 2023	18.48708	11.54	RM3 implementation review
May 1, 2023	18.48708	11.54	RM5 implementation review
November 1, 2023	18.48708	11.54	RM4 implementation review
November 1, 2023	18.48708	11.54	RM8 implementation review
May 1, 2024	14.37529	8.97	RM6 implementation review
May 1, 2024	14.37529	8.97	RM7 implementation review
May 1, 2024	14.37529	8.97	RM13 implementation review
May 1, 2024	14.37529	8.97	RM14 implementation review
November 1, 2024	14.37529	8.97	RM9 implementation review
November 1, 2024	14.37529	8.97	RM10 implementation review
November 1, 2024	14.37529	8.97	RM11 implementation review
November 1, 2024	14.37529	8.97	RM12 implementation review
November 1, 2024	14.37520	8.97	RM15 implementation review
Total	240.30000	150.00	
Memorandum item:			
Quota	160.20000		

Source: IMF staff calculations.

Table 11. Rwanda: Schedule of Disbursements Under the Stand-by Credit Facility Arrangement

Availability Date	Millions of SDR	Percent of Quota	Conditions
Date of approval of SCF arrangement	66.75000	41.67	Arrangement Approval
May 1, 2024	66.75000	41.67	Observance of end-December 2023 performance criteria and completion of the first review.
November 1, 2024	66.75000	41.67	Observance of end-June 2024 performance criteria and completion of the second review.
Total	200.25000	125.00	
Memorandum item:			
Quota	160.20000		

Source: IMF staff calculations.

Annex I. Risk Assessment Matrix[1/]

Sources of Risks	Relative Likelihood	Expected Impact if Realized	Policy Response
Intensification of regional conflict(s) and commodity price volatility. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, and payment systems.	High	High • Higher and volatile commodity prices due to uncertainty. • External balance worsens with higher import prices and lower export demand. • Shortages of intermediate and final consumer goods. • High fertilizer costs affect domestic food	• Targeted support to protect vulnerable population from rising food prices. • In the event of energy price hikes, fuel subsidies could be only a temporary solution as it is regressive and has adverse environmental effects. • Ensure strategic fuel and grain reserves are adequate.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation triggering sudden stops in EMDEs.	Medium	High • Lower global demand. Higher borrowing cost. Capital outflow and currency volatility.	• Strengthen data-driven monetary policy framework and MTRS. • Maintain exchange rate flexibility but avoid excess volatility. • Facilitate exports. • Strengthen debt management.
Monetary policy miscalibration. Amid high economic uncertainty, major central banks loosen policy stance prematurely, hindering disinflation, or keep it tight for longer than warranted, causing abrupt adjustments in financial markets and weakening the credibility of central banks.	Medium	High • Bouts of price and real sector volatility. • Loss of export competitiveness. • Financial conditions become tighter with higher country risk premia.	• Monetary policy should strike a balance between maintaining price stability and growth, with greater exchange rate flexibility playing larger role against external shocks. • Strengthen data-driven monetary policy framework.
Systemic financial instability. High interest rates and risk premia and asset repricing amid economic slowdowns and political uncertainty (e.g., from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.	Medium	Medium • Financial conditions become tighter with higher country risk premia. • Capital outflow due to risk aversion. • Lesser financial market accesss.	• Continue monitoring the financial sector to ensure risks remain contained. • Take appropriate and timely micro and macroprudential interventions to ensure the stability. • Deepen financial markets.
Deepening geo-economic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of	High	High • Adverse impact on international trade as the demand for exports falls, hurting domestic growth. • Concessional sources of financing temporarily diverted to attend geopolitical, rathern than economic, development objectives.	• Diversify the structure of the economy and export sources. • Strengthen regional security surveillance programs.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets ecosystems) or misuse of AI technologies trigger financial and economic instability.	Medium	Medium/Low Financial services interruption, data theft or deletion, loss of sensitive data or intellectual property.	• Ensure that financial service providers frequently upgrade their IT systems.
Extreme climate events. Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	Medium	Medium/High Reduced output in the agricultural sector, job loss, higher contingency spending to repair damages to infrastructure, and higher social spending to mitigate impact on vulnerable.	• Include contingency spending plans in fiscal framework and strengthen food security programs. • Fast-track efforts to build resilience to climate shocks.

1/ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

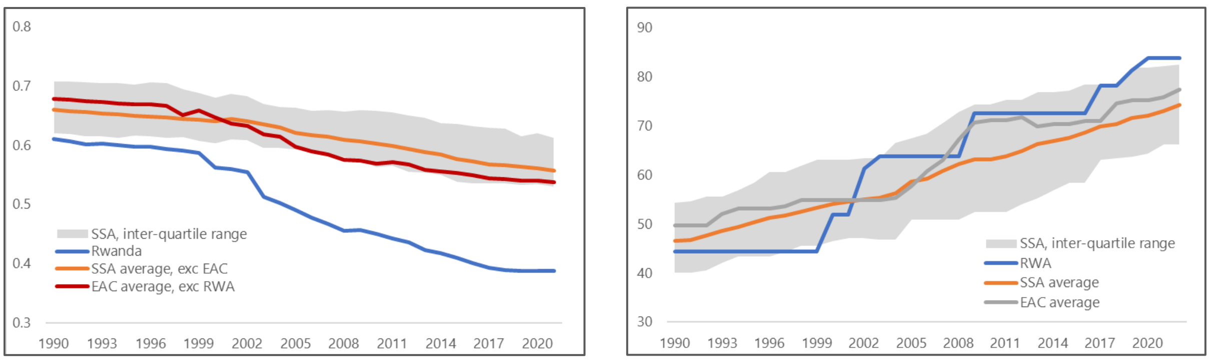
Annex II. Gender Gaps in Labor Market Outcomes in Rwanda[1]

A. Introduction

1. Rwanda has made significant progress in reducing gender inequality over the past two decades. Rwanda ranks lower than the East African Community (EAC) and the Sub-Saharan Africa (SSA) average in terms of gender inequality in outcomes (education, labor market, and political representation), and higher than EAC and SSA average in terms of gender equality in legislation (equal pay, equal rights in marriage and parenthood, ownership of assets, etc.). This progress was driven by closing the gap in terms of representation of women in parliament, reduction in maternal mortality rate and adolescent birth rate (Figure 1).

Figure 1. Rwanda: Gender Inequality in Outcomes and Gender Equality in Legislation

Panel A: Gender Inequality Index (GII) *Panel B: Gender Equality in Legislation (WBL Index)*



Sources: UNDP, World Bank Women, Business, and Law database, and IMF staff calculations.
Notes: Panel A shows the UNDP Gender Inequality Index (GII), a composite index for gender inequality in outcomes (school enrollment, share of seats held by women in parliament, labor force participation, adolescent fertility rate, maternal mortality rate), ranging from 0 to 1, with higher values representing higher gender inequality. Panel B depicts the World Bank's Women, Business, and Law (WBL) index, a composite index for gender equality in opportunities embedded in legislation (women's mobility, protection in the workplace, equal pay, equal rights as spouses in marriage, equal rights in parenthood, rights to become an entrepreneur, ownership of assets, and pension system), ranging from 0 to 100, with higher values representing higher gender equality. EAC includes Burundi, Kenya, Rwanda, Uganda, Tanzania and South Sudan. EAC = Eastern Economic Community, SSA = Sub-Saharan Africa.

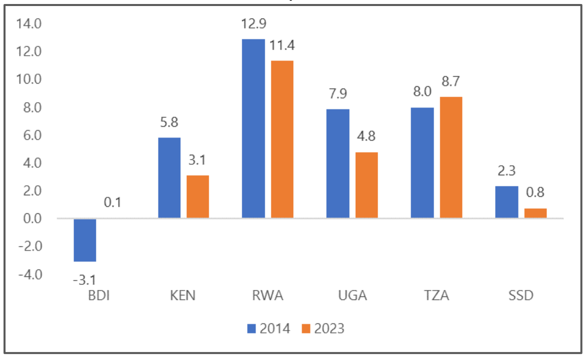
2. Nevertheless, Rwanda's labor market is characterized by sizable gender gaps in labor force participation, employment and wages. According to the National Institute of Statistics of Rwanda, labor force participation rate (LFPR) stood at 67.4 percent for men and 53.5 percent of women, employment-to-population ratio (EPR) at 57.6 percent for men and 46.5 percent for women in 2023Q4, and average weekly wages at RWF 6,533 for men and 2,640 for women in 2022. Only 42.8 percent of the working age population were either employed (29.7 percent) or actively looking for jobs (13.1 percent) in 2017. This compares unfavorably to the gender gaps in other EAC countries where LFPR and EPR gaps stand at 3.5 and 4.6 on average, compared to 11.4 for both in Rwanda

[1] Prepared by Shushanik Hakobyan.

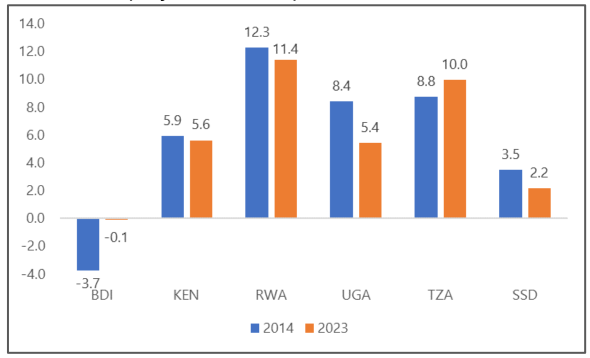
(Figure 2). Although the gender gaps in LFPR and EPR have declined since 2014, Rwanda still stands out in the region in terms of gender gaps in labor market outcomes.

Figure 2. Rwanda: Gender Gaps

Panel A: Labor Force Participation



Panel B: Employment-to-Population Ratio



Sources: World Bank World Development Indicators (WDI), and IMF staff calculations.
Notes: Includes 15+ population.

3. This annex examines the key factors behind the gender gaps in labor market outcomes in Rwanda, and the role of policies and institutions shaping individuals' decisions to participate in the labor market. A number of factors could explain the gender gaps in labor market outcomes. Women and men often work in different industries and occupations, with women being more likely to work in lower-paying sectors such as caregiving, education, and agriculture, while men dominate higher-paying fields such as engineering and technology. Women often bear a disproportionate burden of unpaid caregiving responsibilities for children, elderly family members, and household chores. Women who become mothers often experience negative repercussions in the labor market, including reduced wages and fewer job opportunities. Last but not least, women often have to balance work and family responsibilities which could further be exacerbated by limited access to flexible work arrangements and affordable childcare. Using the 2022 Labor Force Survey, this annex assesses the contribution of different factors to the gender gap in labor force participation, employment and wages.

B. Data and Methodology

4. The 2022 Labor Force Survey (LFS) is used to examine the determinants of gender gaps in labor market outcomes in Rwanda.[2] The LFS provides a rich set of individual characteristics that could explain the gender gaps, such as whether the individual is married, has secondary or tertiary education, cares for a child or elderly, employed in a given sector, or has a

[2] The LFS is a household-based sample survey conducted by the National Institute of Statistics of Rwanda. The annual sample is split into four rounds to provide estimates of main labor market indicators on quarterly basis at the national level. The 2022 LFS combines data from all four rounds for which the data collection was conducted in 2022, specifically in February, May, August and November, to provide 2022 annual estimates at national and district level. The sample design of the LFS is a two-stage stratified design, according to which at the first stage of sampling, a stratified sample of enumeration areas from the latest census is drawn with probabilities proportional to size measured in terms of number of households, and at the second stage of sampling, a fixed number of sample households is selected with equal probability within each sample enumeration area.

certain occupation. The sample is restricted to individuals between ages 15 and 65, which reduces the number of observations from 70,424 to 41,491, given the relatively high share of youth in Rwandan population. Of 41,491, about 60 percent report being employed during the last 7 days, of which only about half report receiving wages or salaries in cash or in kind.

5. **On average, women participate in the labor force and are employed at lower rates and earn lower wages than men.** For the surveyed population, 65 percent of men in working age male population participate in the labor force, while the corresponding number for women is 50 percent. 82 percent of men who report being in the labor force are employed, with the corresponding number for women is only 76 percent. Average weekly wages for women are almost 45 percent lower than that for men. These disparities in labor market outcomes are potentially due to differences in individual and workers' characteristics across occupations and sectors. Indeed, Table 1 shows that a higher proportion of women care for a dependent, are employed in agriculture, and hold elemental occupations.

Table 1. Rwanda: Summary Statistics

	Total			Male		Female	
	Mean	SD	N Obs	Mean	SD	Mean	SD
Labor Force	0.57	0.49	41,491	0.65	0.48	0.50	0.50
Employed	0.79	0.41	24,837	0.82	0.38	0.76	0.43
Weekly wage	14,881	43,830	13,030	18,445	52,785	10,361	28,062
Age	33	14	41,491	32	14	33	14
Dependent	0.27	0.44	41,491	0.13	0.34	0.40	0.49
Married	0.50	0.50	41,491	0.51	0.50	0.49	0.50
Secondary	0.28	0.45	41,491	0.27	0.44	0.29	0.45
Tertiary	0.06	0.23	41,491	0.07	0.25	0.05	0.21
Urban	0.21	0.41	41,491	0.21	0.41	0.20	0.40
Tenure	11	9	13,030	11	10	10	9
Public	0.02	0.13	13,030	0.02	0.15	0.01	0.10
Agriculture	0.57	0.49	13,030	0.48	0.50	0.69	0.46
Services	0.25	0.43	13,030	0.25	0.43	0.24	0.43
Industry	0.18	0.39	13,030	0.28	0.45	0.06	0.25
Elemental occupation	0.78	0.41	13,030	0.72	0.45	0.86	0.34

Source: 2022 Labor Force Survey and IMF staff calculations

Note: The summary statistics for individual characteristics is presented for the entire sample included in LFP and employment regressions, but for employment-related variables the sample is restricted to individuals reporting positive wages and included in wage regressions. Weekly wage includes all reported wages and salaries, including in kind. Annual, monthly and daily wages are converted to weekly by dividing by 52 and 4 and multiplying by 7, respectively. Sample weights are applied to obtain the summary statistics.

6. **First, the determinants of labor force participation and employment are explored.** The empirical analysis models the decision of an individual to participate in the labor force or be employed as a function of individual characteristics (age, age squared, gender, dependent, marital status, secondary or tertiary education, urban, and province). Linear probability model relates a binary outcome variable capturing whether an individual participates in the labor force or is employed to the above-mentioned determinants. Certain individual characteristics are interacted with a female dummy variable to gauge the differential impact gender lines.

7. Next, a standard Mincerian wage regression is used to gauge the average wage differential between men and women. The empirical specification is as follows:

$$ln(w_{ijop}) = \beta_0 Female_i + \beta_1 X_i + \beta_2 X_i \times Female_i + \gamma_j + \mu_o + \delta_p + \varepsilon_{ijop},$$

where $ln(w_{ijd})$ is the natural logarithm of wage of individual i employed in industry j, occupation o and residing in province p; $Female_i$ is a dummy that takes the value of 1 if individual i is female and zero otherwise; X_i is a set of individual characteristics, including age, age squared, tenure, dependent, marital status, urbanization, educational attainment (secondary, tertiary), and agriculture as a sector of employment; and γ_j, μ_o and δ_d are industry, occupation and province fixed effects, respectively. The coefficient of interest, β_2, measures the wage premium (if positive) or discount (if negative) for female workers.

C. Gender Gaps in Labor Market Outcomes

8. Women's likelihood of participating in the labor force and being employed is negatively affected by marriage, whereas their caregiving responsibilities and being highly educated lower their likelihood of employment even further. Single women with no dependents and with primary or no education living in rural areas are less likely to participate in the labor force, but more likely to be employed once in the labor force (Figure 3, Table 2). Caring for a dependent, having a secondary or tertiary education,[3] and living in urban areas increases women's likelihood of participating in the labor market. However, while married men are more likely to participate in the labor force (and be employed), the likelihood declines significantly for married women. Furthermore, the likelihood of employment is lower for women than men if they have a dependent and a secondary education.

9. A gender wage gap persists even after controlling for individual characteristics. On average, women are paid less than men (by 17 percent), with married women earning even less (additional 11 percentage points). Secondary and tertiary education is associated with much higher wages for both genders, with a slightly higher but statistically not significant wage premium for women. Furthermore, women are paid more than men in agriculture (by 19 percentage points) and public sector (37 percentage points). Caring for a dependent does not appear to be associated with lower female wages, which is likely due to the policy changes implemented in recent years to accommodate more flexible work arrangements and offer longer maternity leave.[4]

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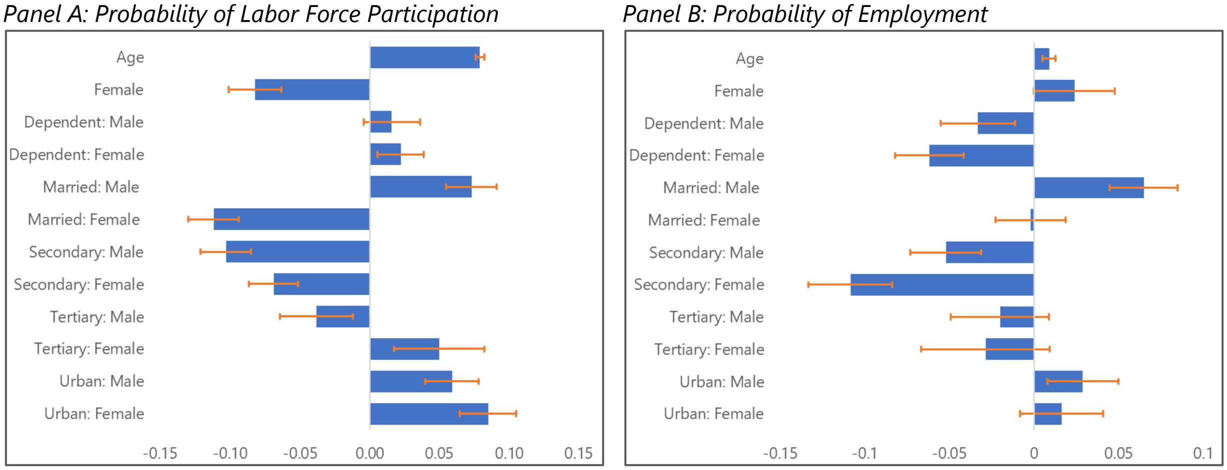
[3] Secondary education is associated with lower probability of labor force participation across both genders, but more so for men. Likewise, it is associated with lower probability of employment across both genders, however more so for women. This means that highly educated women are more motivated to participate in the labor market but have lower employment opportunities. This could potentially be explained by the lack of job opportunities for highly skilled individuals.

[4] For example, the Law regulating labor in Rwanda (N° 66/2018 of 30/08/2018) offers more generous maternity leave and flexible work hours for new mothers, aimed at retaining female employees in the formal sector jobs. There are other proposals currently under consideration to further enhance women's employment opportunities in the labor market.

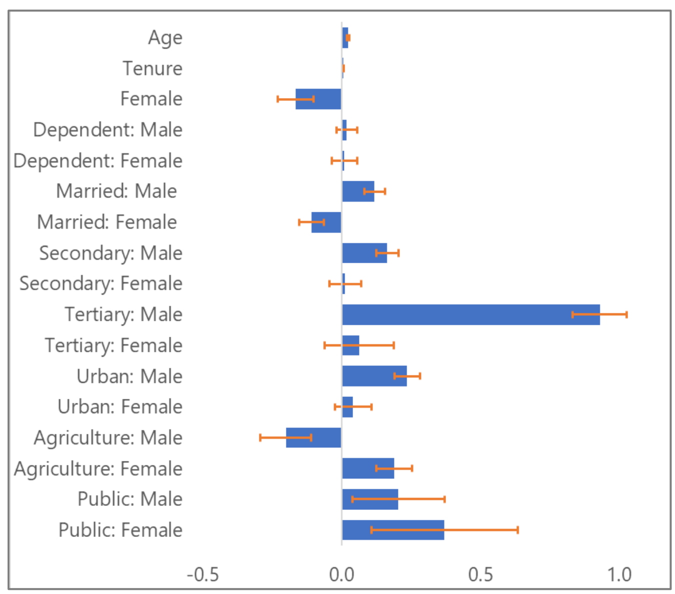
Figure 3. Rwanda: Estimates of Gender Gaps



Sources: 2022 LFS, and IMF staff calculations.
Notes: For Female, the figures present the sum of estimated coefficients on the respective individual characteristics and the interaction terms between those characteristics and female dummy variable. For Male, the figures show the estimated coefficients on individual characteristics. See Table 2.

10. Factors influencing the gender wage gap differ for younger population of workers. On average, younger women (under 30) are paid 10 percent less than men in the same age group, compared to 19 percent less for older women. Younger generation of female workers (under 30) face a smaller wage discount if they are married, receive a larger wage premium for working in the public sector or in urban areas, and receive no wage premium for working in the agriculture. Greater wage premium associated with higher levels of education for women than men discussed above is driven predominantly by older female workers who are paid 15-19 percentage points more than men for having a secondary and tertiary education. Younger female workers' wages are statistically indistinguishable—albeit slightly lower with secondary education—from male orkers' wages in the same age group.

Figure 4. Rwanda: Estimated Gender Gap in Wages



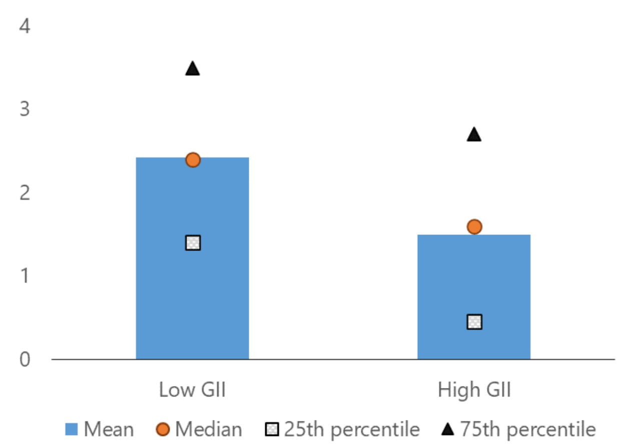
Sources: 2022 LFS, and IMF staff calculations.
Notes: For Female, the figures present the sum of estimated coefficients on the respective individual characteristics and the interaction terms between those characteristics and female dummy variable. For Male, the figures show the estimated coefficients on individual characteristics. See Table 3.

D. Policy Implications

11. Three key messages emerge from the analysis.[5] First, there continues to be a sizable gender gap in labor force participation, employment and wages in Rwanda, which appear to be closing for younger female workers. Second, marriage appears to be the most important factor influencing women's labor market decisions and wages. Third, investments in education and training appear to have paid off in terms of closing the wage disparities between men and women, but inequities in women's employment prospects remain.

12. The closing of gender gaps could have positive effects on growth. Ganum and Can (2024) show that countries with high gender inequality tend to have lower per capita growth rates (Figure 5). Family-friendly workplace policies—such as flexible working arrangements, teleworking options, compressed workweeks, parental leave, in addition to access to affordable childcare services and early education programs, and investments in education and training—should be tailored to Rwanda's circumstances and expanded. These initiatives have the potential to increase female employment-to-population ratio—11 percentage points lower than male ratio by the end of 2023—and lessen gender inequality and foster higher growth.

Figure 5. Rwanda: GDP Per Capita and Gender Inequality



Source: Ganum and Sever (forthcoming).
Notes: GII = Gender Inequality Index.

[5] While the regression analysis offers valuable insights into the gender gaps, caution is warranted when interpreting results due to limitations inherent in the LFS data. While the LFS is representative of the nation, and sample weights are applied in all regressions, its relatively small sample size can potentially skew results or render them statistically insignificant. While attempting to capture informal labor markets, the LFS could potentially omit significant segments of the workforce, such as those engaged in informal employment or family agriculture, where gender pay disparities may be more pronounced. Inherent biases within survey methodologies, such as self-reporting, may further distort the accuracy of wage differentials between genders.

Table 2. Rwanda: Labor Force Participation and Employment Regressions

	LFP		Employed	
	(1)	(2)	(3)	(4)
Age	0.079***		0.009***	
	(0.001)		(0.002)	
Age squared	-0.001***		-0.000***	
	(0.000)		(0.000)	
Female	-0.082***		0.024*	
	(0.010)		(0.012)	
Dependent	0.016		-0.033***	
	(0.010)		(0.011)	
Dependent x Female	0.006	0.022***	-0.029*	-0.062***
	(0.013)	(0.008)	(0.015)	(0.010)
Married	0.073***		0.065***	
	(0.009)		(0.011)	
Married x Female	-0.184***	-0.112***	-0.067***	-0.002
	(0.012)	(0.009)	(0.014)	(0.010)
Secondary	-0.103***		-0.052***	
	(0.009)		(0.011)	
Secondary x Female	0.034***	-0.069***	-0.056***	-0.108***
	(0.012)	(0.009)	(0.017)	(0.013)
Tertiary	-0.038***		-0.020	
	(0.013)		(0.015)	
Tertiary x Female	0.088***	0.050***	-0.008	-0.028
	(0.021)	(0.016)	(0.024)	(0.019)
Urban	0.059***		0.029***	
	(0.009)		(0.011)	
Urban x Female	0.026**	0.085***	-0.013	0.016
	(0.013)	(0.010)	(0.015)	(0.013)
Observations	41,491		24,837	
R-squared	0.214		0.029	

Sources: 2022 LFS, and IMF staff calculations.
Notes: Regressions include province fixed effects. Sample weights are applied. Robust standard errors are in the parentheses. *** p<0.01, ** p<0.05, * p<0.1. Columns (2) and (4) report the sum of estimated coefficients on the respective individual characteristics and the interaction terms between those characteristics and female dummy variable.

Table 3. Rwanda: Wage Regressions

	Log Wages		Ages 15-30		Ages 30-65	
	(1)	(2)	(3)	(4)	(5)	(6)
Age	0.022***		0.085***		0.024***	
	(0.003)		(0.023)		(0.008)	
Age squared	-0.000***		-0.002***		-0.000***	
	(0.000)		(0.000)		(0.000)	
Tenure	0.005***		0.006*		0.005***	
	(0.001)		(0.003)		(0.001)	
Female	-0.167***		-0.100**		-0.188***	
	(0.033)		(0.042)		(0.058)	
Dependent	0.018		0.014		0.022	
	(0.019)		(0.036)		(0.022)	
Dependent x Female	0.009	0.027*	0.022	0.037	-0.011	0.011
	(0.023)	(0.015)	(0.044)	(0.026)	(0.028)	(0.018)
Married	0.118***		0.042		0.196***	
	(0.019)		(0.028)		(0.035)	
Married x Female	-0.109***	0.009	-0.070*	-0.028	-0.180***	0.016
	(0.022)	(0.015)	(0.037)	(0.026)	(0.039)	(0.019)
Secondary	0.164***		0.135***		0.202***	
	(0.021)		(0.025)		(0.035)	
Secondary x Female	0.012	0.176***	-0.033	0.102***	0.146**	0.348***
	(0.029)	(0.022)	(0.035)	(0.024)	(0.057)	(0.050)
Tertiary	0.929***		0.809***		0.949***	
	(0.050)		(0.087)		(0.064)	
Tertiary x Female	0.062	0.991***	0.058	0.867***	0.194**	1.143***
	(0.064)	(0.062)	(0.113)	(0.101)	(0.079)	(0.080)
Urban	0.235***		0.139***		0.295***	
	(0.023)		(0.033)		(0.032)	
Urban x Female	0.040	0.274***	0.089*	0.228***	-0.011	0.284***
	(0.034)	(0.027)	(0.049)	(0.041)	(0.045)	(0.036)
Agriculture	-0.202***		-0.144**		-0.258***	
	(0.047)		(0.071)		(0.061)	
Agriculture x Female	0.189***	-0.013	0.068	-0.076	0.312***	0.053
	(0.032)	(0.048)	(0.047)	(0.069)	(0.047)	(0.065)
Public	0.204**		0.145		0.195**	
	(0.085)		(0.274)		(0.089)	
Public x Female	0.370***	0.574***	0.555*	0.700***	0.307**	0.502***
	(0.135)	(0.125)	(0.299)	(0.157)	(0.154)	(0.153)
Observations	13,030		5,312		7,718	
R-squared	0.680		0.568		0.727	

Sources: 2022 LFS, and IMF staff calculations.
Notes: Regressions include province, industry and occupation fixed effects. Sample weights are applied. Robust standard errors are in the parentheses. *** p<0.01, ** p<0.05, * p<0.1. Columns (3) restricts the sample to individuals below age 30, with column (5) reporting the results for individuals above age 30. Columns (2), (4) and (6) report the sum of estimated coefficients on the respective individual characteristics and the interaction terms between those characteristics and female dummy variable.

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Appendix I. Letter of Intent

Ms. Kristalina Georgieva   Kigali, May 6, 2024
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Ms. Georgieva:

Rwanda's policy space to advance important developmental objectives is constrained by eroded policy buffers due to overlapping shocks. Since 2015, public debt nearly doubled to 71 percent of GDP in 2023, on account of spending to support the development agenda and mitigating the impact of the pandemic. Headwinds from increasing geopolitical fragmentation, tightening of global financial conditions, and consecutive weak agricultural seasons have put pressure on the level of international reserves. The May 2023 devastating floods further amplified the underlying imbalances, while the reconstruction costs are projected to be substantial at about US$451 million (3 percent of GDP) over the next five years. Balance of payments pressures remain significant amid costs from flood-related reconstruction and large food imports.

The PCI remains the main policy framework to support our medium-term policy objectives. The SCF financing, coupled with support from the World Bank and the European Investment Bank, is helping to address Rwanda's short-term balance of payment needs and assists our reconstruction efforts.

Progress on the climate agenda under the Resilience and Sustainability Facility (RSF) remains very strong. RSF disbursements are helping increase medium-term policy space, including by building external buffers, which will enhance Rwanda's resilience against future climate-related risks and challenges. The reform measures due at the third RSF review were completed as planned.

We request the completion of the third review under the current Policy Coordination Instrument and the first review of the Stand-by Credit Facility arrangement. Program performance under the PCI continued to be strong. End-December 2023 quantitative targets under the PCI and quantitative performance criteria under the SCF arrangement on the floor on the stock of net foreign assets, the ceiling on net accumulation of domestic arrears, and the ceiling on debt creating overall balance; all continuous targets; and all standard continuous targets were met. The 3-month average headline inflation fell within the inner bound at end-December 2023. Both PCI reform targets for end-May 2024 were met on time.

We remain fully committed to meeting the objectives and the targets of the programs. We will consult with the IMF on the adoption of new measures and in advance of any revisions to policies included in this letter and the attached Memorandum of Economic and Financial Policies. Timely information needed to monitor the economic situation and implementation of policies relevant to the programs will be provided, as agreed, under the attached Technical Memorandum of Understanding, or at the IMF's request. In line with our commitment to transparency, we agree to the publication of this Letter of Intent and its attachments, as well as the related Staff Report, on the IMF's website.

Sincerely yours,

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

Attachments (2)

I. Memorandum of Economic and Financial Policies

II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies[1]

Kigali, Rwanda, May 6, 2024

I. CONTEXT

1. **This Memorandum of Economic and Financial Policies describes recent economic developments and our policy objectives and priorities under the Policy Coordination Instrument (PCI), the Resilience and Sustainability Facility (RSF), and the Stand-By Credit Facility (SCF).** The Rwandan economy is undergoing challenging times. Despite significant progress towards achieving our socio-economic objectives, development needs remain large. Overlapping shocks in recent years resulted in internal and external imbalances. The devastating floods of May 2023 amplified the underlying imbalances, resulting in significant infrastructural and other damages with substantial projected reconstruction costs. Against this backdrop, we requested an SCF arrangement in December 2023 to guide our efforts in facilitating adjustment and preserving macroeconomic and external sustainability in the near term. The 14-month SCF is concurrent with the 3-year PCI and RSF arrangement that were approved in December 2022. The SCF arrangement focuses on recalibration of the near-term policy mix. The PCI and SCF focus on strengthening the fiscal and monetary frameworks and building socio-economic resilience while the RSF aims at advancing reforms in green Public Financial Management (PFM), climate Public Investment Management (PIM), climate-related risk management for financial institutions, and disaster risk reduction and management.

II. RECENT DEVELOPMENTS

2. **Growth momentum remains strong, notwithstanding the challenging external environment.** The 2023 GDP growth remained robust at 8.2 percent year-on-year, on the back of strong performance in services, construction, and transport sectors, as well as robust recovery in food crop production in the second half of the year. The unemployment rate remained high at 16.8 percent, above pre-pandemic levels with especially high rates among the female and the young populations at 20.1 percent and 20.3 percent, respectively.[2] Our working age population continues to grow, and we are striving to ramp up our job creating opportunities and narrow the gender gap.

3. **Inflation decelerated sharply in recent months.** Headline inflation was 4.9 percent in February 2024 down from the peak of 21.7 percent in November 2022. The faster-than-expected decline in inflation reflects developments in food prices, especially fresh food, driven by the strong agricultural Season A that goes from September to February. The Monetary Policy Committee (MPC) maintained the policy interest rate at 7.5 percent in February 2024, owing to climate-related risks and geopolitical risks that may exert upward pressure on international commodity prices.

[1] Letter of Intent and Memorandum of Economic and Financial Policies are the "Program Statement" under the PCI.

[2] Based on the November 2023 Rwanda Labor Force Survey.

4. The fiscal deficit in the first half of FY23/24 was lower than anticipated mainly due to lower expenditures. Tax revenues fell short of projections, despite stronger-than-expected economic activity. This underperformance was mainly due to: (i) temporary delays in the collection of income and profit taxes because the deadline for quarterly prepayment declarations and payments fell on a weekend[3], and (ii) revenue losses from tax exemptions on imports of electric vehicles, agricultural imports from East African Community (EAC) members, and activities related to the Manufacture and Build to Recovery Program (MBRP). Grants remained roughly in line with expectations. Lower spending on goods and services (partially due to spending containment measures to offset lower tax revenues) and lower interest payments both contributed to lower expenditure. Higher net acquisition of financial assets in H1 FY23/24 reflects the build-up of currency and deposits, including due to sale of government shares in a bank. Higher net incurrence of liabilities is the result of the frontloaded disbursement from the World Bank. Post-flood reconstruction spending amounted to RWF 36.8 billion (0.2 percent of 2023/24 GDP in H1 FY23/24).

5. The financial sector remains stable amid strong credit growth in 2023. As of Q4 2023, the banking sector continues to be profitable and well-capitalized, with robust deposit and loan growth, particularly for household loans. The microfinance sector also maintained strong profitability and robust capitalization rates in 2023 while experiencing significant loan growth, well exceeding its deposit growth. Both sectors display moderate and broadly stable NPLs, following the COVID-related spike during 2020-21.

6. Our external position weakened further in 2023. The current account deficit has widened to 11.7 percent of GDP on account of a slightly wider trade deficit led by higher food and capital goods imports, along with lower-than-expected coffee exports in Q4. The Rwandan franc depreciated by 18 percent, year-on-year against the US dollar at end-2023. Despite the marginally wider-than-expected current account deficit, international reserves increased to 4.1 months of prospective imports at end-2023 (excluding RSF disbursements), mainly due to earlier-than-expected disbursements of the World Bank Development Policy Operation (DPO).

III. PERFORMANCE UNDER THE PCI, RSF AND SCF ARRANGEMENTS

7. Our program implementation under the PCI, RSF and SCF arrangements is on track.

- *PCI Quantitative Targets (QTs) and SCF Performance Criteria (PCs).* All end-December 2023 PCI quantitative targets/SCF performance criteria, all PCI continuous targets/SCF continuous performance criteria, and all standard continuous targets were met. The 3-month average headline inflation of 8.9 percent came within the inner-bound values (6±3 percent) of the Monetary Policy Consultation Band for end-December 2023, in line with the trajectory envisaged under the program.
- *PCI Reform Targets (RTs) and SCF structural benchmarks (SBs).* A spending rationalization strategy outlining policy measures underlying the medium-term projection of the fiscal consolidation path as an annex to the FY24/25 budget framework paper was submitted to

[3] These delayed payments were fully recovered in January.

Cabinet in May (**end-May 2024 RT/SB**). A dynamic social registry to all beneficiaries of social protection schemes under the Vision 2020 Umurenge Program (VUP) and beneficiaries of subsidized enrollment in the Community Based Health Insurance was rolled-out in February (**end-May 2024 RT/SB**). The NBR is on track to revise its official exchange rate calculation methodology to better reflect the market conditions by including the exchange rates from market transactions from the previous day (**end-June 2024 RT/SB**).

- *RSF Reform Measures (RMs).* We implemented climate change budget tagging as a prototype on development expenditure only, published a climate budget statement using the first results, and identified in the Budget Framework paper (BFP) how climate information has been used in decision making (**third review RM6**). We further expanded the quantitative climate risk analysis to include PPPs and SOEs that are vulnerable to climate-related risks, highlighting how investment in adaptation seeks to reduce the impacts of negative climate events **(third review RM7**), and published individual risk analysis of SOEs and PPPs that are vulnerable to climate change risks and that have been submitted to fiscal risk committee (**third review RM14**). We developed a financing mechanism at the local level to enhance the ability of local governments to mobilize resources to finance the planning and implementation of disaster risk reduction and management strategy (**third review RM13**).

IV. OUTLOOK AND POLICIES

A. Outlook

8. **We foresee a temporary softening of economic growth driven by recalibration of policies needed to preserve macroeconomic and financial stability, ensure fiscal sustainability, and rebuild buffers.** GDP growth is projected to decelerate from 8.2 percent in 2023 to 6.6 percent and 6.5 percent in 2024 and 2025, respectively. On the demand side, private consumption and investment are expected to be the main growth drivers in the medium term as fiscal consolidation ensues. Net exports will improve as a result of the real effective exchange rate depreciation. On the supply side, services sector will continue to expand robustly, coupled with a continued recovery in the agricultural sector.

9. **We expect inflation to stabilize at around 5 percent in 2024, the mid-point of the NBR's 2-8 percent target band.** This projection is conditional on the continued easing of food prices, the extent of the exchange rate depreciation passthrough, and no further escalation of global geopolitical risks.

10. **Our external sector position is projected to deteriorate slightly in 2024 and improve thereafter.** The current account deficit is expected to reach 12.1 percent of GDP in 2024 compared to 11.7 percent in 2023 with a pick-up in exports and moderating import growth. Flood reconstruction efforts and Bugesera-related project activity will add to imports in 2024, while the policy adjustment to moderate aggregate demand will reduce import growth. Over the medium term, the current account is expected to steadily improve with higher domestic savings owing to fiscal consolidation. Supported by additional IFI financing and policy adjustment, reserves would rebound to US$2.05

billion in 2024, equivalent to 4.1 months of prospective imports, and stabilize around 4.3 months of imports from 2025 onward, excluding RSF disbursements. In the medium term, we expect concessional financing to decline, which will partially be offset by the increase in private flows, mainly FDI.

11. We see our outlook clouded by several downside risks. A further deepening of geopolitical fragmentation, another spike in global energy, food, and fertilizer prices, or a steeper decline in trading partners growth would weigh on the outlook. Global financial market developments, including longer-than-expected tight global financial conditions, could adversely affect the availability and affordability of external financing. Furthermore, already committed grants from the UK under Migration and Economic Development Partnership (MEDP) continue to face legal uncertainties and could result in some budget pressures and lower FX inflows if they do not materialize. As demonstrated by the recent poor seasons, Rwanda's dominantly rain-fed agriculture sector is highly exposed to climate variability.

B. Fiscal Policies and Fiscal Structural Reforms

12. Reconstruction efforts following the May 2023 floods requires a carefully calibrated fiscal stance in both FY23/24 and FY24/25. Total reconstruction spending is anticipated to be around 3 percent of GDP over the next five years. To limit the fiscal impulse and preserve macroeconomic stability, we intend to meet two-thirds of flood related expenditure by reprioritizing spending within the existing fiscal envelope in FY24/25. Flood reconstruction spending will be financed predominantly by US$155 million World Bank project financing supported by repurposing of unused project allocations, Crisis Response Window, and accelerating the disaster risk management component of the Volcano Community Project. The portion of the SCF funds allocated for budget support also creates fiscal space to support reconstruction efforts. An expected US$150 million loan from the European Investment Bank would also add to medium-term financing of the disaster-resilient infrastructure investment. To ensure transparency on flood related expenditures, we have started reporting on projects to support the emergency response and reconstruction in the Budget Execution Report.

13. The near-term budget outlook remains consistent with the fiscal consolidation path agreed under the program. The FY23/24 deficit is projected at 6.7 percent of GDP, slightly lower than expected in December 2023. Tax revenues are expected to bounce back in the second half of FY23/24 due to the recuperation of the delayed payments on income and profit taxes. In the context of the MEDP agreement, Rwanda will receive an additional RWF 81 billion of UK grants, which will be equally split on recurrent and capital expenditures.

14. We remain fully committed to preserving fiscal sustainability. To this end, we plan to continue the needed fiscal consolidation supported by the implementation of domestic revenue mobilization (DRM) measures under the Medium-Term Revenue Strategy (MTRS), and spending rationalization measures. In addition, we will proceed with reforms aimed at improving the transparency and the efficiency of our public financial management and investment practices and enhancing the management of fiscal risks. Consistent with our fiscal consolidation efforts, the medium-term budget framework envisages a gradual reduction of the fiscal deficit from 5.3 to 3.0 percent of GDP in FY24/25–FY26/27.

15. We are committed to the objectives of the medium-term revenue strategy (MTRS), as approved by the Cabinet in May 2022. As MTRS reforms become effective, we expect to bring the tax-to-GDP ratio to 16.9 percent by the end of the first phase of the MTRS period in FY25/26. Through the support of our development partners, we will conduct a full evaluation of the MTRS implementation prior to its expiration. This will allow us to accelerate work on the MTRS successor reforms which will aim to raise the tax-to-GDP ratio by a further 1.3 percent by FY27/28.

- **MTRS-1**. To achieve revenue gains envisaged under the program, on November 29th, 2023, the Cabinet has approved a package of revenue generating and predominantly tax policy measures, supported by IMF technical advice, that ensures achievement of the MTRS domestic revenue targets. Specifically, these measures consist of a combination of tax policy reforms and improved tax administration. On the tax policy side measures included: (i) VAT on mobile phones and selected telecommunication equipment, (ii) increases in the fuel levy and registration fees for imported vehicles, (iii) gaming taxes, (iv) excise tax increases on beer, tobacco, and telecommunication services, and (v) and increased mineral taxation. These measures are currently being implemented. On the tax administration side measures included: (i) controls to stop customs over-valuation, (ii) introduction of custom scanners, and (iii) the integration of invoice systems of the hospitality sector with the RRA tax system.
- **MTRS successor.** To support a credible medium-term consolidation plan, we will develop MTRS-2 aiming to implement a comprehensive strategy to raise tax revenues (projected to reach tax-to-GDP ratio of 18.3 percent by FY27/28) by broadening the domestic tax base, improving tax compliance, and curbing tax evasion. To achieve the MTRS-2 objective, that will be developed jointly with the IMF, Cabinet will approve a comprehensive package of measures predominantly relying on broadening the tax base by streamlining tax holidays and tax expenditures (**end-January 2025 RT**). With support from IMF TA, we are updating the existing VAT and CIT tax expenditure models with a view to identify measures for the comprehensive tax reform package. We will aim to legislate any required changes within the program period.
- **Manufacture and Build to Recovery Program (MBRP).** We remain committed to not extending the MBRP beyond the end of December 2024. The MBRP will continue to provide tax incentives (import duty and VAT) for already approved projects to increase production in the agro-processing, construction materials, light manufacturing, and cross-cutting enablers such as paper packaging and plastic packaging. The program has attracted 138 projects with total investment of US$2.38 billion (55 projects in manufacturing; 49 projects in construction, including 46,000 housing units; and 34 projects in agro-processing) with the expected creation of over 44,000 jobs. 94 projects have already received tax incentives in the amount of RWF 23.7 billion. No new tax exemptions will be provided under the scheme beyond 2024.

- **Revenue administration.** The Rwanda Revenue Authority (RRA) has continued to implement MTRS reforms including (i) the New Operating Model (NOM), launched on January 1, 2023, with significant progress made on recruitments and matching staff skills and competencies to the job requirements to bring about efficiency; (ii) comprehensive Compliance Improvement Plans (CIPs), published online from 2022/23; (iii) digitalization of the tax system, including MyRRA online platform launched in December 2023, for enhanced controls to validate and ensure accurate reporting on both VAT and income tax; (iv) adoption of Common External Tariff (CET) version 2022 for customs; and (v) introduction of dynamic risk management to include the use of modern technologies in assessing risk. With a view to improve compliance, the RRA also published Ministerial Orders on voluntary disclosure and VAT rebates to support implementation of the new Tax Procedure and VAT laws. The RRA will continue to rely on the existing monitoring and enforcement framework to assess the implementation of these measures, while considering opportunities to further strengthen it.

16. We continue with our efforts to advance spending rationalization reforms. As a section to the FY24/25 Budget Framework Paper, we submitted to Cabinet a spending rationalization strategy that outlines policy measures underlying the medium-term projection of the fiscal consolidation path (**end-May 2024 RT/SB**). The strategy is built on a disaggregated costing of planned expenditure rationalization measures under the broad spending categories (wages and salaries, non-wage recurrent, and capital expenditures), and a timeline for their implementation. Under the spending rationalization strategy, we will (i) introduce a public wage freeze and phased recruitment plan (with an estimated overall saving of RWF 5.7 billion), (ii) reduce the cost of public travels, meetings and events and continue to digitalize public services (RWF 83.9 billion), and (iii) strengthen the management, oversight and monitoring of public investments, and rephase non-priority investment projects planned for FY24/25 (RWF 408.6 billion).

17. In line with our commitment under the RSF program to transition to a green economy, we will refrain from providing any subsidies on fuel prices going forward and, instead, will support poor and vulnerable households through other targeted measures as the need arises. In April 2023, we phased out a subsidy on diesel that was introduced in October 2022, and we have since allowed domestic prices to reflect the international market price of fuel. To recoup the losses from this temporary subsidy, we introduced a stabilization fee on petroleum prices. All losses from the previous policy have been recouped and the current prices are fully in line with market prices. On March 16, 2024, we also discontinued the pandemic-era subsidy on public transportation services.

18. Our fiscal path ensures convergence to our debt anchor keeping our debt sustainable. We will broadly maintain the fiscal consolidation path discussed at the time of the PCI approval with convergence to our 65 percent of GDP debt anchor achieved by 2031, backed by a credible medium-term fiscal consolidation, including domestic revenue mobilization and spending rationalization measures. This consolidation path will ensure that Rwanda remains at moderate risk of debt distress with sufficient buffers to absorb shocks.

19. Our medium-term fiscal framework has also identified a contingency plan. Should shocks to concessional financing beyond our control materialize, fiscal policy will remain guided by the medium-term fiscal consolidation path, and the program debt anchor of 65 percent of GDP will be achieved by 2031. This trajectory includes UK grants under the MEDP agreement, currently projected at GBP 50 million in each of FY24/25 and FY25/26. In the event of the delays or cancellation, we will seek alternative grant and concessional sources of financing. If, however, we are not successful, we would cut spending by the appropriate amount in both recurrent (goods and services and transfers to local governments) and capital spending.

20. Our fiscal consolidation will continue to be supported by a prudent debt management strategy that prioritizes concessional resources, including climate change related financing to support Rwanda's adaptation and mitigation efforts. We will continue to strengthen our debt management capacity, which should also benefit from our ongoing efforts to enhance fiscal risk monitoring, strengthen debt reporting, and develop domestic capital markets. To contain the debt service burden and solvency risks and prevent debt from deviating from the agreed debt path, should the opportunity to contract additional highly concessionally financed projects to finance our development priorities arise, this would be done by prioritizing the implementation of these projects over domestically or commercially financed projects.

Fiscal Structural Reforms

21. The implementation of our new Organic Budget Law (OBL) is on course. The Ministerial Order required for the full implementation of the OBL is expected to be vetted by the Law Reform Commission and approved by Cabinet by June 2024. The implementation of the OBL improves the budget and medium-term expenditure framework (MTEF), institutionalizes the fiscal risk management practices and structures, and helps the adoption of best practices in fiscal reporting. In the area of fiscal reporting, reporting periods for all public sector entities are now aligned to the fiscal year from calendar year. Data are being received in a timely manner.

22. We continued to strengthen our public financial management system (PFM).

- *Medium Term Expenditure Framework.* To instill greater prioritization and top-down orientation to our budget process, we have developed MTEF user manuals, which are being adopted. Looking ahead, we plan to integrate the budget costing framework into IFMIS in subsequent years and continue to improve the process for the FY24/25 planning cycle.
- *Accrual Accounting Migration.* We continued to expand the coverage of accrual financial reporting in the public sector. We are on track to have the valuation and recognition of non-financial government assets and liabilities to be completed by end-FY23/24. The valuation of government owned land across the country and buildings in Kigali has been completed. Data collection efforts are currently ongoing to expand the coverage of public assets to government buildings outside of Kigali, public road infrastructure, transport equipment, and other machinery. From June 2024, public debt will also be reported. Following an audit of the consolidated accounts, the consolidated financial statements containing values of non-financial public assets and liabilities will be published after April 2025. The production of a consolidated annual financial statement for the entire public sector, including SOEs, contingent liabilities, and PPPs, will be finalized by end-June 2025.

- *IFMIS Rollout*. Following the incorporation of central and local governments, and hospitals, we continued the IFMIS rollout to primary and secondary schools. Secondary schools are now integrated to IFMIS via the subsidiary accounting system named SDMS (Schools Data Management System). The IFMIS rollout to primary schools is expected to be finalized by end-2025.
- *Fiscal data digitalization*. While a substantial amount of fiscal data is housed in IFMIS, efforts are needed to utilize it effectively for data-driven fiscal policy operations. We requested IMF TA to develop a PFM digitalization and fiscal data strategy, which will outline action items to improve data quality, ensure fiscal transparency, and support data-driven policies.

23. We continue our efforts to strengthen the institutional framework and technical capacity to oversee and manage fiscal risks from SOEs.

- The new Organic Budget Law institutionalized the oversight and management of fiscal risks by clarifying the role of the Fiscal Risk Committee (FRC), mandating the Minister of Finance and Economic Planning (MINECOFIN) to appoint their members, and requiring the publication of an annual Fiscal Risk Statement (FRS) as part of the annual budget documents. The new Public Procurement law was gazetted in November 2022 and relevant Ministerial Orders establishing regulations governing public procurement were gazetted in October 2023. Specific provisions to strengthen procurements in SOEs are expected to be implemented by June-2024, following the approval of the Ministerial Order governing public procurement in SOEs.
- *Review of the SOE governance legal framework*. We are committed to continue the review of the legal framework underpinning SOE governance, which encompasses the following instruments: (i) the National Investment Policy, (ii) the Privatization Law, and (iii) the Privatization Policy. Following the incorporation of all key ownership principles in the revised National Investment Policy, the Privatization Law (supported by the World Bank) has been adopted by Parliament and expected to be enacted by July 2024. The draft Presidential Order, being prepared in consultation with the World Bank, will determine the prerequisites for establishment of an SOE and the rules of its management.
- *Triage*. We have conducted a triage exercise, with the aim of scaling down the size of our SOE portfolio, particularly in the more competitive sectors of the economy. Out of the 34 fully state-owned enterprises, 4 are to be privatized, 1 is to be liquidated and 29 will be retained under state management, subject to Cabinet approval.
- *SOE corporate governance reforms*. We plan to enhance SOE Board oversight functions by formalizing and enforcing the selection criteria, accountability frameworks, and remuneration for members of the Board. We will strengthen internal audit functions and introduce a better risk management framework. We will rely on IMF TA support in identifying further areas to improve the SOE corporate governance framework. This will include bringing institutional, legal, and regulatory arrangements for state ownership of SOEs, governance, and fiscal risk oversight in line with international standards and good practices.

- *Managing and mitigating SOE fiscal risk*. We continue to implement a multi-pronged strategy to strengthen the capacity of MINECOFIN's Portfolio Oversight Department to manage and mitigate SOE fiscal risks. In line with our commitment to conduct SOE health-checks for all SOEs and stress tests for at least two high-risk SOEs every quarter, we completed the stress tests of Bella Flowers and King Faisal hospital by end-2023, and REG and WASAC by end-March 2024. We will complete the hiring of five portfolio specialists to the Department. With support from IMF TA, we will train new staff on the health check and stress test tools. This will allow us to conduct in-depth forward-looking financial assessments of at least five SOEs, including identification of credible mitigation measures to address any identified key vulnerabilities (**proposed new end-March 2025 RT**). We will also explore if any strengthening of the institutional framework is needed to efficiently enforce the identified mitigation measures.

24. Strengthening transparency in fiscal reporting remains a key priority. To underscore the progress achieved since the 2019 Fiscal Transparency Evaluation (FTE), by the first half of 2025, we plan to conduct an FTE follow up mission. We remain committed to the expansion of the coverage of our fiscal reports in GFS 2014. In April 2023, we started publishing quarterly budget execution reports under GFS 2014 for the general government and have continued to do so 60 days after the end of each quarter.

25. We continue to enhance our public investment management practices. We published the 2022 PIMA in August 2023 and will continue to implement recommendations from the assessment. We are making progress towards publishing a pipeline of appraised major projects (over RWF 15 billion, as defined in Section 4.3 of the National Investment Policy), and project selection criteria annually alongside budget documentation, while redacting any commercially sensitive information (**end-October 2024 RT/SB).** We are also committed to continue implementing other recommendations from the PIMA that support further transparency and value for money in project selection including: (i) improving reporting of contingent liabilities from public corporations, PPPs, and districts; (ii) making all project appraisal documents public; (iii) publishing multi-year project costs using existing data stored in the IFMIS.

26. We remain committed to ensuring beneficial ownership transparency. Companies have begun to submit beneficial owner (BO) information since April 2023. Since then, we require that new companies are not registered until BO information is provided and failure to provide BO information for existing companies will result in sanctions. We will continue conducting supervision to ensure compliance with the BO obligations and will implement enforcement measures to increase the compliance level. We will keep the good practice of cross-checking company information with the tax and revenue authorities and removing dormant companies from our register, together with conducting on-site inspections to verify the information companies submit as part of their self-assessment. We will amend the definition of BO in the Public Procurement law with the provisions of the AML/CFT law to have one harmonized understanding of BO. The law governing companies currently grants competent authorities' access to BO information in the central register and Rwanda will work towards ensuring this access is direct and timely in practice.

C. Monetary, Exchange Rate, and Financial Sector Policies

27. We will continue to strengthen the implementation of our forward-looking monetary policy framework and reforms to promote the development, stability, and inclusion of financial market. We will pursue these objectives by continuing to (i) increase the reliance on data, analysis, and forecasts in informing monetary policy formulation and communication and (ii) strengthen monetary policy and exchange rate operations and further develop money, domestic debt, and foreign exchange markets.

Monetary Policy

28. Containing inflationary pressures remains a priority for our monetary policy. The 3-month average headline inflation of 8.9 percent fell within the program inner bound of 3–9 percent set for end-December 2023. This was attributed to a good agricultural harvest, the monetary policy tightening, other disinflationary measures implemented by the Government, and a declining trend in global commodity prices. In 2024, inflation is projected to remain close to 5 percent, the mid-point of the NBR's 5±3 percent target band. However, several potential risks could affect this outlook, including geopolitical tensions, such as the ongoing wars in Ukraine and the Middle East, disruptions in the Red Sea that may influence international commodity prices and shipping costs, and weather-related challenges that could affect future agriculture sector performance. Based on the inflation projection and the identified risks, at the last MPC meeting on February 22, 2024, the NBR decided to maintain its policy rate at 7.5 percent. The NBR remains committed to maintaining inflation within the target band and will continue to monitor macroeconomic developments. If future economic developments unfold as projected, the MPC might consider starting to reduce the rate gradually while ensuring that inflation stays within the target band.

29. We remain committed to strengthening monetary policy formulation, and communications, to ensure an effective implementation of the forward-looking interest-rate-based monetary policy framework.

- We have continued to develop the Forecasting Policy and Analysis System (FPAS), including steps to improve economic analysis, and forecasting capabilities at the NBR and better integrate it with monetary policy decision-making. Going forward, we will continue relying on the NBR's FPAS as the key input to guide monetary policy stance and steer inflation towards the NBR's inflation target. In addition, we are working on expanding our nowcasting and near-term forecasting tools to include weather risks in these forecasts.
- Additionally, we are developing a consumer price expectations survey to improve the quality of forecasts. Our plan is to launch this survey in 2024.

Monetary Policy Operations and Market Development

30. We continue to focus on developing money, bond, and foreign-exchange markets to strengthen our monetary policy transmission mechanism. With the assistance of the IFC, we have identified and analyzed the legal gaps in insolvency, payment system and banking laws and formulated a roadmap endorsed by all stakeholders to implement for Global Master Repurchase Agreement (GMRA). The NBR and Capital Market Authority (CMA) have been leading the legal review of relevant legislation. We envisage enacting the full GMRA rollout, including securing the signing of the GMRA by all banks, by end-December 2024 (**end-December 2024 RT**).

31. We remain committed to a flexible exchange rate and more proactive liquidity management to support our monetary policy framework and maintain external buffers. We consider the exchange rate our first line of defense against external shocks and will limit our interventions in the foreign exchange (FX) market to minimize excessive exchange rate volatility. Notwithstanding the increased import bill related to near-term fiscal spending for reconstruction from floods, we expect FX pressures to start moderating in 2024 and throughout the medium term as the policy adjustment takes place and external demand recovers. The reserve coverage is expected to exceed the minimum adequate level of 4 months of imports in 2025, excluding RSF disbursements. We plan to regularly assess and align our foreign exchange market for consistency with our monetary policy framework. In particular:

- Supported by the IMF TA mission, in November 2023, we finalized and adopted a diagnostic study of foreign exchange markets to further improve our FX market operations in line with the monetary policy framework.
- We remain committed to revising the NBR's official exchange rate calculation methodology to better reflect market conditions by including exchange rates from market transactions from the previous day (**end-June 2024 RT/SB**). We have adopted the methodology and started conducting parallel calculations based on the new methodology to understand the impact on the FX market. A progressive implementation is expected to start from July 2024.
- We are committed to strengthening the liquidity management component of the framework by exploring if a further excess liquidity reduction could improve transmission in implementing the interest rate based monetary policy.
- Based on IMF TA recommendations, we will continue regular, formal and transparent consultation with FX market participants as part of a communication strategy to facilitate market functioning and development.

32. We will continue with our efforts to strengthen the NBR's safeguards and accountability framework. We will submit to Cabinet draft amendments to the NBR Law to strengthen, in consultation with IMF staff, provisions for mandate, financial and personal autonomy, and transparency and accountability in line with safeguards assessment recommendations (**proposed new end-September 2025 RT**).

33. We will continue expanding the coverage of monetary and financial statistics (MFS). We have been publishing sectoral balance sheets for both the Central Bank (1SR) and Other Depository Corporations (2SR). However, we have recently started compiling the Sectoral Balance Sheet for Other Financial Corporations (4SR) in line with the expansion of its MFS coverage and commits to publishing them on quarterly basis. To this end, supported by the IMF TA, we will expand the coverage of Monetary and Financial Statistics to include, as part of Other Financial Corporations

Survey, insurance companies, Rwanda Development Bank, and private pension institutions; and start publishing on quarterly basis (**proposed new end-March 2025 RT**).

Financial Sector Policies

34. We will continue to fine-tune our standards and processes to maintain financial stability. Considering recent global banking developments, safeguarding the resilience of banking sector to shocks remains a top supervisory priority of the NBR. Onsite examinations will continue to focus on credit risks, adequate loan classification and provisioning, and scrutinize banks' assessment of borrowers. This will be complemented by the continued offsite surveillance to ensure the above key risks are managed and track any emerging risks. Further, we will continue to conduct credit surveys to the private sector to inform further policy measures to be taken. The NBR continues to conduct macro stress tests on a quarterly basis, and the banks will submit the third annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) by the end of April 2024 for review. The ICAAP includes banks' risk appetite and projected capital positions for the year 2024/25, while ILAAP provides for the contingency plans on liquidity. The NBR will focus its policy actions to ensure that supervised institutions adequately manage risks and comply with regulatory requirements. The NBR will also continue to monitor closely the implication of the global financial conditions on the domestic financial institutions and take appropriate macroprudential policies to contain potential risks.

35. Credit growth accelerated in 2023, particularly for the household sector. The combined loan portfolios of the banking and microfinance sectors grew at more than 20 percent annually, with the microfinance sector—focusing mostly on retail loans—growing particularly fast. While the stock of credit is mainly concentrated in the corporate sector, the share of household credit is increasing as financial inclusion accelerates. Most loans are collateralized, which lowers financial risks for banks, but also makes access to finance more costly for small businesses and households.

- We are committed to monitoring financial stability risks, including through monitoring of granular risk metrics, intensive supervision, quarterly stress tests, and quarterly Financial Stability Committee meetings. We continue monitoring supervised institutions with the view to ensure that risks are adequately managed and regulatory requirements are implemented.
- We are committed to enhancing the NBR's risk monitoring and stress testing capacity through more granular data collection, analysis, and developing stress test models with longer term horizons. Given the recent acceleration in household loans, especially in consumer loans, we will monitor the developments in household credit more closely at a more granular level and explore the scope for active use of macroprudential policies to contain emerging financial stability risks.
- We are committed to continue intensifying our monitoring of large exposures of banks, which have been growing in the past few years and could pose significant risks to the banking sector. Large exposures are monitored under Pillar II risks assessment and the related charges (capital add-ons) are required as per the bank exposures. Stress testing by BNR is done on micro and macro level on quarterly basis, to complement stress testing done by banks. These

are enhanced by surveys on corporate indebtedness, sectoral assessment, and credit survey. If associated risks increase, we are committed to tightening the regulatory limits on large exposures.

36. Expanding access to digital financial services remains instrumental to implement our financial inclusion strategy. Financial inclusion is one of the main priority areas in achieving Rwanda's National Strategy for Transformation. We consider financial inclusion as an integral enabler for achieving our development and poverty reduction objectives, and target achieving 90 percent of formal financial inclusion by end-2024. To this end, in 2023 the NBR prepared a new financial inclusion guideline that focus on measures to promote financial inclusion through greater digitalization and gender balance in accessing financial services.

- *Leveraging data.* The NBR's financial inclusion data dashboard is operational and enables the NBR to regularly monitor financial inclusion progress. Based on FinScope 2020 Survey, formal financial inclusion stands at 77 percent of adult population, with 74 percent for women, and 81 percent for men. The work has started on 2024 FinScope Survey and results are expected to be released in May 2024.
- *Digital financial services.* Digital financial services are fast-growing especially, with mobile payments that are more than quadrupled since the pre-COVID levels. Digital payments efficiency has been enhanced by expanding interbank settlement service to 24/7 basis and to microfinance institutions (MFIs). Multilateral interoperability for retail digital payments is operational to mobile money services providers, banks and MFIs.
- *Consumer protection/market conduct platforms.* The complaints handling system (INTUMWA Chatbot) and comparator website (Gereranya) are operational, supporting financial service consumers to lodge complaints and compare financial services and products, respectively.
- *Female access to finance.* The NBR, with support from the World Bank, Women World Banking Leadership and Diversity, and the Alliance for Financial Inclusion, developed guidelines for women's financial inclusion for the financial sector to move the financial system from a gender aware system to a gender transformative system. These guidelines were published in November 2023 with the aim to equip Rwanda's financial institutions with a toolkit to account for women's financial inclusion in their strategic targets and financial products. They provide four guiding pillars for enhancing financial services delivery to women in Rwanda: (i) integrating female financial inclusion in institutions' strategic plans, (ii) customizing products for women and mainstreaming gender within existing products, (iii) leveraging digital financial technology, and (iv) building female financial capabilities.

D. Structural Policies

37. We continue our efforts to make our economy and society more resilient. We have improved the design and delivery of our social safety nets, improving the access and quality of health and education among vulnerable groups, and promoting economic diversification.

- To offset the impact of high fuel and food prices, we have increased monthly cash transfer from RWF 7,500 to RWF 10,000 and from RWF 10,000 to RWF 15,000 for Nutrition Sensitive Direct Support (NSDS) and Expanded Public Works (ePW) beneficiaries, respectively. We have also expanded the NSDS from eighteen districts to twenty districts, representing a total of 164,434 beneficiaries that included 28,929 pregnant women and 146,171 children under 2 years of age, as well as adjusting the level of transfer to household level.
- We continued our efforts to enhance the existing social protection programs regarding coverage, benefits, shock-adaptability and targeting through the dynamic social registry rollout. Programs under the Vision 2020 Umurenge Program (VUP) safety nets continue to perform well. Since July 2022, 123,015 households (HHs) that include 34,106 (27.7 percent) HHs headed by males and 88,909 (72.3 percent) headed by females have received direct support (DS); 109,217 HHs that include 49,046 female-headed HHs and 60,171 male-headed HHs were employed in the classic and expanded public work (cPW); and 100,136 eligible HHs that include 70,168 HHs headed by females & 30,068 HHs headed by males benefited from ePW. The number of supported beneficiaries under NSDS program has reached 323,370 since it was started in 2019. About 51,741 microcredit loans were issued to 56,719 beneficiaries, including 29,335 females and 27,384 male beneficiaries, in order to support the poor people with financial services aiming at accelerating the graduation, and the repayment rate stands at 75 percent. In addition, 100,000 households have benefited from emergency cash transfers. We have also undertaken initiatives to reduce poverty and unemployment, targeting specific vulnerable groups. In the City of Kigali, unemployed women and single mothers, whose poor living conditions expose them and their children to many risks, are organized in the formal trading and provided with trainings/capacity building, financial education, and support through concessional micro loans.
- We have rolled out the dynamic social registry in February 2024 to all beneficiaries of social protection schemes under the Vision 2020 Umurenge Program (VUP) and beneficiaries of subsidized enrollment in the Community Based Health Insurance (CBHI) (**end-May 2024 RT/SB**). The registry, which covers about 90 percent of all households, is fully integrated with main government information systems, allowing for real-time updates of the database. We are improving our shock-adaptability by focusing on climate-sensitive projects (e.g., agricultural terracing) in areas more prone to disasters and increasing the coverage of emergency cash transfers.
- Following our response to the May 2023 floods, we developed guidelines and set up a central fund of RWF1.4 billion to mitigate the impact of future climate shocks by providing temporary shock-responsive cash transfers (SRCT). With the introduction of social protection instruments to vulnerable poor households, we have started providing agriculture inputs, insurance to agriculture products and livestock, and creating green jobs to address the issues of climate change. We have intensified sensitizing and mobilizing households to adopt a culture of savings to be able to withstand short-term shocks through a EjO HEZA saving scheme. To help mitigate food price pressures, we have stepped-up advocacy to increase cultivable land areas, including the areas previously under-utilized.

- We are also working to address learning losses accumulated during the COVID-19 pandemic. We introduced a subsidized national school feeding program which boosted school attendance. We will continue to improve its delivery and targeting system. We will increase access of the extremely poor households to complementary livelihoods enhancement services to strengthen their economic self-sufficiency. We have scaled up reducing stunting and promoting early childhood development through child sensitive Expanded Public Works and Nutrition Sensitive Direct Support co-responsibility cash transfer to boost human capital development.
- We continue our efforts to promote economic inclusiveness with special focus on traditionally excluded groups, including women. The gender gap in primary and secondary education has closed thanks to the effective implementation of national policies and strategies such as the Girls' Education Policy (2008), the establishment of the 12-year basic education system, and introduction of school feeding program. The gender gap at a higher tertiary education level is rapidly closing. More generous maternity leave and flexible work hours afforded by the Law regulating labour in Rwanda (N° 66/2018 of 30/08/2018) help retain female employees in the formal sector jobs. We will continue to strengthen women position in the labor market, especially in the private sector, by ensuring improvement of technical skills and increase opportunities to access and utilize formal financial schemes such as the Women's Guarantee Fund and the Agricultural Guarantee Fund.
- We continue to strengthen our economic resilience by adopting policies favorable to regional integration. As part of the ongoing trade integration policy reforms, we are reviewing the Industrial Policy, the National Trade Policy, and the National Export Strategy. We are also developing an e-Commerce Strategy. The new trade policy will seek to increase the contribution of manufactured value-added products and services, improve the domestic trade and investment environment, and strengthen the trade capacity of the private sector among other priorities. Similarly, the new industrial policy will target upgrading industrial capabilities in targeted subsectors, increase Made in Rwanda production and access to markets, and support environmental sustainability and green growth.
- The AfCFTA Implementation Strategy, adopted in June 2022, will fast-track the integration of competitive firms into commodity value chains, and prioritize support to competitive services hubs serving the continental market such as those in tourism, financial services, ICT, and logistics and distribution.
- To implement our trade-logistics strategy and attract private investments in trade logistics and export-oriented activities, we are prioritizing major projects such as Kigali Logistic Platform (a large-scale inland container depot) and the Bugesera International Airport. With support from the World Bank and development partners, we are working to reduce tariff and non-tariff barriers and seize opportunities for Rwandan exporting firms stemming from the AfCFTA preferential market access. We are also stepping up our efforts on building more skilled labor force.
- We continue our efforts to strengthen our capacities for pandemic preparedness and response. On February 13, 2023, the Government of Rwanda and the World Health

Organization (WHO) signed a collaboration agreement to implement three Emergency Preparedness and Response Flagship Initiatives, namely: (i) Strengthening and Utilizing Response Groups for Emergencies (SURGE), (ii) transforming African surveillance system (TASS), and (iii) Promoting Resilience of Systems for Emergencies (PROSE). The two-year project will strengthen epidemic intelligence, focusing on indicator-based, event-based, community-based, lab-based and One Health (OH) based surveillances. We remain on track with our initiative to construct the first African mRNA vaccine manufacturing facility to supply vaccines not only in Rwanda, but also in the region. Six mobile vaccine production units by German pharma company BioNTech arrived in Rwanda in April 2023.

E. Building Resilience to Climate Change

38. Our RSF-supported reforms have progressed significantly.

- *Progress on climate budget tagging:* We fulfilled the **third review RM6** to (i) implement climate change budget tagging as a prototype on development expenditure only and publish a climate budget statement using the first budget tagging results, and (ii) identify in the Budget Framework Paper (BFP) how climate information has been used in the decision making. We have used our climate budget tagging prototype at the planning of the FY24/25 budget. We will expand the climate change budget tagging framework to cover all expenditure. Once fully implemented, the budget tagging system will allow for the monitoring of climate related activities at both the budget preparation and execution phases. This will improve transparency for the public and development partners looking to further support the climate agenda.
- *Integrating climate risks into financial planning.* We completed the work on further expanding the quantitative climate risk analysis to include PPPs and SOEs that are vulnerable to climate-related risk highlighting how investment in adaptation seeks to reduce the impacts of negative climate event (**third review RM7**), including publishing individual risk analysis of SOEs and PPPs that are vulnerable to climate change risks and that have been submitted to fiscal risk committee (**third review RM14**). In this context, the Fiscal Risk Statement includes a qualitative assessment of climate risk spillovers and possible mitigating measures for ten individual SOEs across the five most climate vulnerable sectors.
- *Strengthening disaster reduction and management.* With IMF TA support, we developed financing mechanism at the local level to enhance the ability of local governments to mobilize resources to finance and implement disaster risk reduction and management strategy at the local level (**third review RM13**). We adopted an action plan to support the financing mechanism at the local level to enhance the ability of local governments to mobilize resources to finance the planning and implementation of disaster risk reduction and management strategy at the local level. The action plan focuses on two broad areas: (i) mobilizing additional resources, while respecting the need for fiscal sustainability; and (ii) freeing up resources by improving efficiency to create fiscal space for disaster risk response and management activities. Specific actions will entail mobilizing additional grant financing for adaptation projects, enhancing ownership, transparency, and objectivity of disaster

expenditures, minimizing the cost of disasters, optimizing the efficiency of disaster response, and enhancing disaster risk management coordination and knowledge.

39. We also enhanced our climate mitigation efforts. As part of our efforts to reduce CO2 emission in line with NDC objectives, we introduced new tax policy measures that will encourage higher fuel-efficiency of our economy through increase in fuel levy, higher registration fees for high-emission vehicles. This complements our existing policies to encourage e-mobility, including zero VAT rating on all e-vehicles and parts. These measures will help to better reflect the externalities of fossil fuel consumption and help us achieve our emission reduction goals.

40. We remain committed to continue to explore options, including with international partners, to scale up climate financing. Our near-term focus is to scale up Rwanda's already established Green Investment Facility ("Ireme Invest"). The scaling up will occur via a combination of blending non-concessional and concessional resources, and de-risking. At COP28, we presented details of, and asked for support for, three ambitious programs on landscape restoration, climate-smart agriculture, and sustainable urbanization that we plan to roll out using our innovative programmatic approach. We also announced our plans to introduce green taxonomy to help catalyze private financing to green projects. We are also committed to ensure that any fiscal risks stemming from government's financial exposure through equity contributions or guarantees are well-identified, transparently reported, and mitigated. Finally, in September 2023, Cabinet approved a carbon market framework, developed with the support of the World Bank and the UNDP that establishes a regulatory framework for accessing international carbon markets. MINECOFIN created a new climate finance department. The reform measure on green taxonomy is also expected to help mobilize further private climate financing.

41. We will continue developing bankable projects for green financing. Ireme Invest has started its lending operations with a total value of its green projects pipeline estimated at US$ 55 million over the 2024-25 period. The scaling up of the pipeline is challenging, as both the Rwanda Development Bank and businesses need time to strengthen their understanding of the technical requirements for green investments. To address this obstacle, Ireme Invest has established a project preparation facility managed by the Rwanda Green Fund ("FONERWA"). Rwanda's Public Green Investment Facility ("Intego") has identified 14 bankable public investment projects at the total value of US$ 49 million. Funding of these projects will start in FY24/25 and continue over a 3-year period.

V. PROGRAM MONITORING UNDER THE PCI, RSF, AND SCF

42. Policy Coordination Instrument. Progress in the implementation of the policies under this instrument will be monitored through quantitative targets, including a monetary policy consultation clause, standard continuous targets, and reform targets. These are detailed in Tables 1a–2, and 4, with definitions provided in the attached Technical Memorandum of Understanding.

43. Resilience and Sustainability Facility. Progress in the implementation of the policies under this arrangement will be monitored through reform measures. These are detailed in Table 3.

44. Under the SCF, the program will be subject to semi-annual reviews coinciding with the PCI, and will be monitored through quantitative performance criteria, continuous performance criteria and structural benchmarks (common with PCI quantitative targets, including a monetary policy consultation clause, standard continuous targets, and reform targets), as set out in Tables 1a–2, and 4, with definitions provided in the attached Technical Memorandum of Understanding.

Table 1a. Rwanda: PCI Quantitative Targets and SCF Performance Criteria (December 2023 – June 2025)

	2023					2024		2025
	end-December[7]					end-June[7]	end-December[6]	end-June[6]
	Prog. CR 23/422	Adjustors	Adj. Prog.	Actual	Status	Prog. CR 23/422	Prog. CR 23/422	Prop. Prog.
(Billions of Rwandan francs, unless otherwise indicated)								
PCI Quantitative Targets / SCF Arrangement Performance Criteria[1]								
1. Ceiling on the debt-creating overall balance, including grants[2]	-456	1	-457	-406	Met	-1,159	-698	-993
2. Floor on stock of Net Foreign Assets	844	-1	843	1,040	Met	923	998	1,163
3. Ceiling on net accumulation of domestic arrears	0			0	Met	0	0	0
PCI Continuous Targets / SCF Arrangement Continuous Performance Criteria								
4. Ceiling on stock of external payment arrears (US$ million)	0			0	Met	0	0	0
5. Ceiling on present value (PV) of new public and publicly guaranteed external debt (US$ million)[3]	1,047			716	Met	537	1,163	323
PCI / SCF Arrangement Monetary Policy Consultation Band[1, 4, 7]								
Inflation, upper bound, percent	10.0					9.0	9.0	9.0
Inflation, upper inner-bound, percent	9.0					8.0	8.0	8.0
CPI Inflation target	6.0			8.9	Met	5.0	5.0	5.0
Inflation, lower inner-bound, percent	3.0					2.0	2.0	2.0
Inflation, lower bound, percent	2.0					1.0	1.0	1.0
Memorandum items:								
Total priority spending[2]	800			805		1,700	850	1,750
Floor on domestic revenue collection[2, 5]	1,319			1,307		2,855	1,606	3,331
Stock of new external debt contracted or guaranteed by nonfinancial public enterprises (US$ million)[3]	28			32		23	17	13
Total budget support (US$ million) [2]	195			330		747	239	861
Budget support grants (US$ million)	94			93		161	157	238
Budget support loans (US$ million)	101			238		586	82	623
RSF Disbursements (US$ million)	50			49		77	96	0
RWF/US$ program exchange rate	1,071			1,071		1,165	1,165	1,165

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] All items including adjustors are defined in the Technical Memorandum of Understanding (TMU) for PCI/RSF second reviews and SCF approval (IMF CR 23/422)

[2] Numbers are cumulative from 1 July of the current year to 30 June of the following year.

[3] Ceiling is cumulative from the beginning of a calendar year.

[4] When the year-on-year inflation, averaged for the past 3-months, 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.

[6] Test date covers PCI.

[7] Test date covers PCI and SCF.

Table 1b. Rwanda: Standard Continuous Targets Under PCI and Performance Criteria Under SCF

- Not to impose or intensify restrictions on the making of payments and transfers for current international transactions.
- Not to introduce or modify multiple currency practices.
- Not to conclude bilateral payment agreements which are inconsistent with Article VIII.
- Not to impose or intensify import restrictions for balance of payment reasons.

Table 2. Rwanda: Reform Targets, and Structural Benchmarks Under the PCI/SCF (December 2023 – June 2025)

Actions	Target Date	Status	Objective
1) Fiscal Pillar			
Submit to Cabinet a spending rationalization strategy outlining policy measures underlying the medium-term projection of the fiscal consolidation path as an annex to the FY 24/25 budget framework paper.	end-May 2024[1]	Met	Improve credibility of fiscal consolidation
Publish a pipeline of appraised major projects (over RWF 15 billion, as defined in Section 4.3 of the National Investment Policy), and project selection criteria annually alongside budget documentation, while redacting any commercially sensitive information.	end-October 2024[1]		Strengthen expenditure efficiency
To achieve the MTRS-2 objective, that will be developed jointly with the IMF, Cabinet will approve a comprehensive package of measures predominantly relaying on broadening the tax base by streamlining tax holidays and tax expenditures.	end-January 2025		Improve DRM
Conduct in-depth forward-looking financial assessments of at least five SOEs, including identification of credible mitigation measures to address any identified key vulnerabilities.	end-March 2025	Proposed new RT	Contain fiscal risks
2) Monetary and Financial Pillar			
Revise the NBR's official exchange rate calculation methodology to better reflect market conditions by including exchange rates from market transactions from the previous day.	end-June 2024[1]		Strengthen monetary policy operations
Enact the full GMRA rollout, including the signing of the GMRA by all banks.	end-December 2024		Strengthen monetary policy operations
Expand the coverage of monetary and financial statistics to include, as part of other financial corporations survey, insurance companies, Rwanda Development Bank, and private pension institutions; and start publishing on quarterly basis.	end-March 2025	Proposed new RT	Broaden coverage of the monetary and financial statistics and improve transparency
Submit to Cabinet draft amendments to the NBR Law to strengthen, in consultation with IMF staff, provisions for mandate, financial and personal autonomy, and transparency and accountability in line with safeguards assessment recommendations.	end-September 2025	Proposed new RT	Strengthen central bank independence.
3) Resilience Pillar			
Finalize the roll-out of a dynamic social registry to all beneficiaries of social protection schemes under the Vision 2020 Umurenge Program (VUP) and beneficiaries of subsidized enrollment in the Community Based Health Insurance (CBHI).	end-May 2024[1]	Met	Build resilience through social safety nets

[1] Joint PCI reform target and SCF structural benchmark.

Table 3. Rwanda: Reform Measures Under RSF

Reform measure (RMs)		Review	Status
Reform Area 1. Strengthening and institutionalizing the **monitoring and reporting of climate-related spending** feeding into decision making processes.			
RM6	MINECOFIN staff to implement climate change budget tagging as a prototype on development expenditure only and publish a climate budget statement using the first budget tagging results. Identify in the Budget Framework Paper (BFP) how climate information has been used in decision making.	3rd Review	Met
RM9	MINECOFIN staff to expand the climate change budget tagging framework to cover all expenditure, adopting the approach laid out in the internal guidelines and drawing on lessons learned in the prototype period.	4th Review	
RM11	Publish comprehensive tagging results in the climate budget statement and start publishing a quarterly climate expenditure report that compares climate change expenditure execution with budget plans.	4th Review	
Reform Area 2. Integrating **climate risks** into fiscal planning.			
RM7	Further expand the quantitative climate risk analysis to include PPPs and SOEs that are vulnerable to climate-related risks, highlighting how investment in adaptation seeks to reduce the impacts of negative climate events.	3rd Review	Met
RM14	Publish individual risk analysis of SOEs and PPPs that are vulnerable to climate change risks and that have been submitted to fiscal risk committee.	3rd Review	Met
Reform Area 3. Improving the sensitivity of **PIM** to climate-related issues.			
RM10	Publish a consolidated report on major projects in the pipeline by sector with information inclusive of (i) the appraisal and selection criteria related to adaptation and mitigation and (ii) the distribution of ratings according to the appraisal and selection criteria related to adaptation and mitigation.	4th Review	
Reform Area 4. Enhancing **climate-related risk managements for financial institutions** and developing a green finance market as part of the broader capital market development effort to help mobilize financing.			
RM12	Issue a guideline to financial institutions with regard to the implementation of recommendations of the International Sustainability Standards Board (ISSB).	4th Review	
RM15	MINECONFIN to adopt a green taxonomy adapted to Rwanda's NDCs covering seven sectors of the economy (agriculture, energy, construction, transportation, manufacturing, waste water management, and ICT).	4th Review	
Reform Area 5. Strengthening **disaster risk reduction and management**.			
RM13	Develop financing mechanism at the local level to enhance the ability of local governments to mobilize resources to finance the planning and implementation of disaster risk reduction and management strategy at the local level.	3rd Review	Met

Table 4. Rwanda: Summary of the External Borrowing Program[1]

	January-December 2023		January-June 2024		January-December 2024		January-June 2025	
	Program		Program		Program		Program	
	Nominal	PV	Nominal	PV	Nominal	PV	Nominal	PV
(Millions of USD)								
By sources of debt financing	**1535**	**716**	**1160**	**537**	**1651**	**1163**	**768**	**323**
Concessional debt, of which [2]	**1439**	**630**	**925**	**340**	**1163**	**445**	**643**	**223**
Multilateral debt	972	412	735	277	973	382	0	0
Bilateral debt	467	218	190	64	190	64	643	223
Other	0	0	0	0	0	0	0	0
Non-concessional debt, of which	**96**	**86**	**235**	**197**	**488**	**718**	**125**	**100**
Semi-concessional [3]	96	86	235	197	488	418	125	100
Commercial terms [4]	0	0	0	0	0	300	0	0
By Creditor Type	**1535**	**716**	**1160**	**537**	**1651**	**1163**	**768**	**323**
Multilateral	1043	474	820	340	1311	666	0	0
Bilateral - Paris Club	375	172	340	197	340	197	768	323
Bilateral - Non-Paris Club	92	46	0	0	0	0	0	0
Other	25	24	0	0	0	300	0	0
Uses of debt financing	**1535**	**716**	**1160**	**537**	**1651**	**1163**	**768**	**323**
Infrastructure	1051	463	825	381	1281	697	114	91
Social Spending	86	34	150	70	185	79	250	80
Budget Financing	373	195	185	86	185	386	0	0
Other	25	24	0	0	0	0	404	152

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Contracting and guaranteeing of new debt. The present value of debt is calculated using the terms of individual loans and applying 5 percent program discount rate.

[2] Debt with a grant element that exceeds a minimum threshold of 35 percent.

[3] Debt with a positive grant element which does not meet the minimum grant element.

[4] Debt without a positive grant element.

Attachment II. Technical Memorandum of Understanding

Kigali, Rwanda, May 6, 2024

1. This memorandum defines the quantitative targets under the PCI and quantitative performance criteria under the SCF described in the Letter of Intent and the Memorandum of Economic and Financial Policies (LOI/MEFP) for the period: January 1, 2024—June 30, 2025, supported by the IMF Policy Coordination Instrument (PCI) and Stand-by Credit Facility (SCF) Arrangement, and sets out the data reporting requirements.[1]

2. Program exchange rates. For program purposes, the exchange rates for end-June 2023 in the IMF's International Financial Statistics database will apply (see Table 1 for major currencies).

Table 1. Program Exchange Rates from June 30, 2023
(US$ per Currency Unit, Unless Indicated Otherwise)

Rwanda Franc (per US$)	1,164.6
Euro	1.087
Japanese Yen (per US$)	144.9
SDR	1.330

A. PCI Quantitative Program Targets / SCF Performance Criteria

Ceiling on Debt-Creating Overall Fiscal Deficit

3. A ceiling applies to the debt-creating overall fiscal deficit of the budgetary central government, excluding Peace-Keeping Operations and including grants. The ceilings for December 31, 2023, and June 30, 2024 are cumulatively measured from July 1, 2023, and the ceilings for December 31, 2024, and June 30, 2025 are cumulatively measured from July 1, 2024.

4. Definition. For the program, the debt-creating overall fiscal deficit is defined by the overall fiscal deficit, 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 peace-keeping operations (PKO) and disbursed PKO financing. The overall fiscal deficit 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 based on payment orders accepted by the Treasury, as well as those executed with external resources. This QT/QPC is set as a ceiling on the debt-creating overall fiscal deficit as of the beginning of the fiscal year.

[1] References to quantitative targets (QTs) under the PCI also include quantitative performance criteria (QPCs) under the SCF arrangement, where applicable.

Adjustors to the Debt-Creating Overall Fiscal Deficit

- The ceiling on the debt-creating overall deficit will be adjusted upward:
  - by the amount of any shortfall between actual and programmed budgetary grants (as defined in Table 1a of the LOI/MEFP).
  - by the amount of unexpected budgetary central government expenditure on cereals imports in the case of a food emergency and in spending relative to the programmed amount on fertilizer subsidy in the case of significant increases in fertilizer import price.
- The ceiling on the debt-creating overall deficit will be adjusted upward to a maximum of 137 billion, representing the amount of foreign financed net acquisition of non-financial assets (foreign financed capital expenditure) financed with a drawdown of accumulated government deposits from previously disbursed capital grants and loans.

Floor on Net Foreign Assets of the National Bank of Rwanda (NBR)

5. A floor applies to the net foreign assets (NFA) of the NBR for June 30, 2024, December 31, 2024, and June 30, 2025.

6. Definition. NFA of the NBR in Rwandan francs is defined, consistent with the definition of the enhanced General Data Dissemination Standard (e-GDDS) 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 with resident and non-resident institutions with original maturity of one year or less) are excluded; such assets include, but are not limited to, reserve assets used as collateral or guarantee for third party external liabilities. Reserve assets corresponding to undisbursed project accounts are also considered encumbered assets and are excluded from the measurement of NFA. Holdings of Eurobonds issued by the Government of Rwanda are excluded from the measurement of NFA. 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 (by both the central government and the NBR). RSF disbursements are excluded from both the foreign assets and the foreign liabilities side.

Adjustors

- The floor on NFA will be adjusted downward by the amount of any shortfall between actual and programmed budgetary loans (excluding RSF disbursements) and grants per Table 1a of the LOI/MEFP.
- The floor on NFA will be adjusted downward by the amount of unexpected public expenditures on cereal imports in the case of a food emergency and/or on fertilizer imports in the case of significant fertilizer import price increases.

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 (considering 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 the net accumulation of domestic expenditure arrears of the budgetary central government.[2]

10. Definition. Domestic expenditure arrears are defined as unpaid claims that are overdue by more than 90 days. The accumulation of domestic expenditure arrears of more than 90 days is calculated as the 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.

Ceiling on the Present Value of New External Debt Contracted or Guaranteed by the Government

11. Definition. For program purposes, the definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014.

(a) For the purpose of this guideline, the term "debt" will be understood to mean a current, (i.e., not contingent) liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

i. Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of

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

assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

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

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

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

12. External debt is defined as debt contracted or serviced in a currency other than the Rwandan Franc.

13. A continuous ceiling is applied to the present value (PV) of all new external debt (concessional or non-concessional) contracted or guaranteed by the central government, including commitments contracted or guaranteed for which no value has been received. The ceilings for June 30, 2024, and December 31, 2024 are cumulative from January 1, 2024. The ceiling for June 30, 2025, is cumulative from January 1, 2025. This QT/QPC does not apply to:

- Normal import-related commercial debts having a maturity of less than one year;
- Rescheduling agreements;
- External borrowing which is for the sole purpose of refinancing existing public-sector external debt and which helps to improve the profile of the repayment schedule; and
- IMF disbursements.

14. For program monitoring purposes, a debt is considered contracted when all conditions for its entrance into effect have been met, including approval by the Government of Rwanda.

15. For program purposes, the value in U.S. dollars of new external debt is calculated using the program exchange rates.

16. The PV of new external debt is calculated by discounting all future debt service payments (principal and interest) based on a program discount rate of 5 percent and taking account of all loan conditions, including the maturity, grace period, payment schedule,

front-end fees and management fees. The PV is calculated using the IMF model for this type of calculation[3] based on the amount of the loan. A debt is considered concessional if on the date on which it is contracted the ratio of its present value to its face value is less than 65 percent (equivalent to a grant element of at least 35 percent). In the case of loans for which the grant element is zero or less than zero, the PV is set at an amount equal to the face value.

17. For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD LIBOR is 3.34 percent. The spread of six-month Euro LIBOR over six-month USD LIBOR is -150 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -350 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -250 basis points. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD LIBOR is -150 basis points. Where the variable rate is linked to a benchmark interest rate other than the six-month USD LIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 bps) will be added. The program reference rate and spreads will remain fixed for the duration of the program. Given the anticipated global transition away from LIBOR, this TMU can be updated to reflect the relevant benchmark replacements (U.S. Secured Overnight Financing Rate (SOFR); U.K. Sterling Overnight Index Average (SONIA); EURIBOR; and Tokyo Overnight Average Rate (TONAR)) prior to the complete phase out, once operationally feasible.

18. An adjustor of up to 5 percent of the external debt ceiling set in PV terms applies to this ceiling, in case deviations from the QT/QPC on the PV of new external debt are prompted by a change in the financing terms (interest, maturity, grace period, payment schedule, upfront commissions, management fees) of a debt or debts. The adjustor cannot be applied when deviations are prompted by an increase in the nominal amount of total debt contracted or guaranteed.

19. Reporting Requirement. The authorities will inform IMF staff of any planned external borrowing and the conditions on such borrowing before the loans are either contracted or guaranteed by the government.

Monetary Policy Consultation Clause (MPCC)

20. Definition. MPCC headline inflation is defined as the year-on-year rate of change in the monthly Consumer Price Index (CPI), averaged for the past 3-months, as measured by National Institute of Statistics of Rwanda (NISR).

- If the observed headline inflation falls outside the ±3 percentage point range around the mid-point of the target band value for end-June 2024, end-December 2024, and end-June

[3] http://www.imf.org/external/np/spr/2015/conc/index.htm.

2025 as specified in Table 1a in the LOI/MEFP, the authorities will conduct discussions with the Fund staff.

- If the observed headline inflation falls outside the ±4 percentage point range around mid-point of the target band value for end-June 2024, end-December 2024, and end-June 2025 test dates as specified in Table 1a in the LOI/MEFP, 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.

Memorandum Items and Data Reporting Requirements

21. For the purposes of program monitoring, the Government of Rwanda will provide the data listed below and in Table 2. 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.

22. 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 Rwanda's National Strategy for Transformation (NST-1). 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.

23. Detailed data on domestic revenues will be transmitted monthly. The domestic revenue is defined according to GFSM 2014 taxes and other revenues, 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.

24. 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 (RDB), which are assumed not to seek or be granted a government guarantee. The data also apply 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.

25. 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 with respect to continuous QTs. The authorities will furnish a description of program performance for the QTs/QPCs as well as reform targets/structural benchmarks within 8 weeks of a test date. The authorities commit to submit information to IMF staff with the frequency and submission time lag indicated in Table 2 of the TMU. The information should be mailed electronically to the Fund (email to the Resident Representative and the Mission Chief).

Table 2. 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 and reverse repo operations, standing lending facility, 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
Planned external borrowing and the conditions	SA	SA	SA
Stocks of public sector and public-Guaranteed Debt as compiled by MINECOFIN and NBR[7]	SA	SA	SA
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. Balances for project accounts and swaps with original maturity less than one year should be indicated.
[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] Excludes debts of the Bank of Kigali and Rwanda Development Bank (BRD). Also includes currency and maturity composition.
[8] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Semi-annually (SA); Irregular (I).

INTERNATIONAL MONETARY FUND

RWANDA

May 7, 2024

THIRD REVIEWS UNDER THE POLICY COORDINATION INSTRUMENT AND THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND FIRST REVIEW UNDER THE STAND-BY CREDIT FACILITY ARRANGEMENT—UPDATED WORLD BANK ASSESSMENT LETTER FOR THE RESILIENCE AND SUSTAINABILITY FACILITY

This letter updates the World Bank's assessment of Rwanda's climate policies and commitments provided in November 2022, highlighting relevant changes that have occurred since subsequent update to that assessment.[1]

A. Country Vulnerability to Climate Change Including Human, Social, and Economic Costs for the Country Arising from Climate Change Vulnerabilities

1. Climate change continues to pose substantial risks to growth and inclusive development in Rwanda. The impact of climate change and natural disasters seem to affect disproportionally the poorest and the most vulnerable communities. Extreme weather events in 2022 and 2023 (droughts and floods mentioned in the December 2023 Assessment) had significant impacts on Rwanda's production of key staples and have resulted in dramatic increases in domestic food prices of more than 65 percent at its peak in March 2023. This represents a major setback for the poorest people, who spend a larger share of their income on food. The rise in food prices also threatens food security and the development of human capital among Rwanda's most vulnerable communities, with high inflation widening the gap between geographical regions and hitting the poorest districts the hardest. Out of 19 Rwandan districts surveyed, 11 with poverty rates above the national average of 38.2 percent, experienced food inflation rates higher than the national average.

[1] World Bank Assessment Letter for the IMF Program under the Resilience and Sustainability Trust (RSF)—Rwanda Climate Change Policies, SecM2023-0090, November 28, 2022; World Bank Assessment Letter Update for the IMF Program under the Resilience and Sustainability Trust (RSF)—Rwanda Climate Change Policies, May 13, 2023; and World Bank Assessment Letter for the IMF Program under the Resilience and Sustainability Trust (RSF)—Rwanda Climate Change Policies, December 14, 2023.

B. Government Policies and Commitments in Terms of Climate Change Adaptation and Priority Areas to Strengthen Resilience

2. The ongoing efforts related to government policies are relevant for climate change adaptation: The Green Climate Fund approved two major climate resilience and green growth investments worth US$80 million in October 2023. The first project builds climate resilience in Rwanda's Congo Nile Divide through forest and landscape restoration (US$39.1 million) to be implemented in 10 districts. It aims to manage 278,000 hectares of forests and promote agroforestry techniques in 2,000 hectares of plantations. The second project provides an additional contribution to Ireme Invest (US$42.8 million). This will enable the fund to work with Rwanda's private sector by providing access to credit at a lower interest rate than at market rates. The goal is to invest in renewable energy, climate-smart agriculture, water-efficient systems, green buildings, and clean transportation.

3. The government, under the leadership of MINECOFIN, is developing an integrated Climate Finance Strategy designed to promote institutional coordination in scaling climate financing. The overall cost of implementing the NDCs in Rwanda is estimated at US$ 11 billion. According to the NDC implementation framework, financing has been secured to cover most implementation costs for the 2020–25 period, with the total secured finance amounting to US$4.5 billion. Looking ahead, the overall financing gap is estimated at US$ 6.5 billion for the entire 2020–30 period (IMF, 2023). The objective of the climate finance strategy is to align financing needs with financing instruments and mobilize private and public sector financing for adaptation and mitigation actions. The strategy will cover both private and public sector financing for climate actions and include an overview of roles and responsibilities as well as a work plan. It will also adopt international best practice on climate finance taxonomy, project selection processes, tracking and monitoring climate and environment financing for projects. It will also include a regulatory framework for climate-focused financial instruments.[2] The strategy is expected to be approved by the Cabinet by July 2024.

C. Government Policies and Commitments in Terms of Climate Change Mitigation and Priority Areas to Reduce Greenhouse Gas Emissions

4. In June 2023, Rwanda and development partners announced a cooperative approach to facilitate public-private partnership (PPP), scale-up climate finance, and crowd in private climate investment.[3] Rwanda aims to mobilize an additional €300 million to build climate resilience in Rwanda. AFD is providing €50 million programmatic budget support accompanied by a €3 million technical assistance grant. The International Finance Corporation, the Government of Rwanda, and the Rwanda

[2] This marks an important contribution to ongoing green and climate reforms and capital mobilization efforts, including the implementation of the National Fund for Environment (FONERWA), the Ireme Investment Facility and other government efforts led by MINECOFIN and other agencies. The Ireme Investment Facility, which was created with the Development Bank of Rwanda, has already secured commitments of US$104 million. In addition, various agencies and organizations in the country are working to test and mobilize new investments. For example, the Kigali International Financial Center (KIFC) has developed a Sustainable Finance Roadmap and is working with partners to deploy resources for green and resilient assets.

[3] The partners include: *Agence Française de Développement (*AFD), European Investment Bank (EIB), *Cassa Depositi e Prestit*i (CDP), and the International Finance Corporation (IFC),

Green Fund (FONERWA) will jointly develop long-term investment plans for climate-smart agriculture and sustainable urbanization to increase the role of the private sector in greening Rwanda's economy. Upgrading the PPP framework will be an important step to mobilize more private financing. The GoR should address gaps and inconsistencies in the legal and regulatory framework governing PPPs, recognizing PPPs within the Organic Budget Law and ensuring alignment between the PPP Act and PPP guidelines, and upgrading the PPP project cycle. In addition, Rwanda needs to issue new regulations introducing a new methodology for PPP projects selection including climate change considerations on the preparation of high-quality feasibility studies.

5. **Rwanda joined the Global Renewables and Energy Efficiency Pledge at the Climate Change Convention of the Parties (COP) 28.** This pledge calls for tripling the world's installed renewable energy generation capacity by 2030. This commitment is in line with the National Carbon Market Framework (NCMF), mentioned in the last update, and officially launched at COP28. The NCMF takes significant strides towards enabling Rwanda to achieve a greener and more sustainable future.

D. Any Other Challenges, Including Inter- or Cross-Sectoral, Policy Reversals or Institutional Capacity Issues, to be Addressed to Make Progress in Tackling Climate Risks and Any Ownership/Policy Related Issues

6. **Mobilizing financing for the proposed investments in Rwanda's 2020 NDC remains an important challenge.** Some of the efforts highlighted above are illustrations of the government's successful efforts in resource mobilization. As noted previously, the ongoing efforts to systematically assess fiscal risks from climate change and mainstream the appraisal of climate change projects into the public investment management system, supported by the RST, are also likely to support the achievement of Rwanda's climate commitments. While the latest Fiscal Risk Statement, published in April 2023, includes an assessment of the macroeconomic impact of climate change, it does not yet provide specific measures to mitigate their effects.

E. WB Engagement in the Area of Climate Change

7. **The World Bank has approved or is preparing the following operations.**

- The World Bank is currently providing technical assistance to Rwanda Development Board (RDB) and Rwanda Green Fund for a Wildlife Conservation Bond to support chimpanzee conservation in Rwanda (US$15+ million grant) This bond follows the South African "Rhino Bond" model, where the World Bank Treasury issues a bond that channels investor resources for conservation activities in the form of a grant to the government. For this structured bond, the conservation funding is provided by the bond investors in the form of a foregone coupon payment.
- In December 2023, the World Bank's Board of Executive Directors approved the First Private Sector Green Growth Development Policy Financing (P180196). This operation supports critical policy and institutional reforms that unlock climate finance and improve management of national parks, nature reserves and buffer zones.

- In November 2023, the World Bank approved the ASCENT Rwanda project (P180575), which consists of; US$300 million from IDA and US$100 million co-financing from AIIB. The objective is to increase access to sustainable and clean energy in the Republic of Rwanda. 68 percent of the financing are expected to generate climate co-benefits.
- In early April 2024, the conditions for the sale and purchase under the Emissions Reduction Purchase Agreement (ERPA) signed between the World Bank (representing Ci-Dev) and the Government of Rwanda were met. In parallel, Ci-Dev has helped build capacity at stakeholder agencies to implement Emission Reduction (ER) transactions following the Standardized Crediting Framework. The first such transaction, covering ERs and generated from World Bank projects on off-grid solar and clean cooking in Rwanda over 2021 and 2022, is expected to happen before June 2024. The verification for these ERs has been completed.

8. The World Bank has also continued its efforts to disseminate climate-related knowledge.

- In the forthcoming Country Economic Memorandum (CEM) several chapters reflect the importance of integrating climate considerations in the implementation of sector policies and investments. The CEM includes recommendations for policy reforms that can boost overall climate resilience with a special attention to resilience of Rwanda's natural and urban landscapes, and advancement of the country's low-carbon transition.
- The World Bank continues to support Rwanda in becoming a leader in Africa on Natural Capital Account (NCA) and integrating natural capital and climate considerations in its macro-modeling. Assistance on monitoring of the economy and improving the modeling of policy and climate shocks on the economy are also envisioned.
- As part of the preparation for the Rwanda Urban Mobility Improvement Project (P176885), the World Bank is carrying out an analytical work titled "Exploring Enabling Energy Frameworks for Battery Electric Buses in Rwanda," funded by Quality Infrastructure Investment Partnership (QII). This study aims to provide inputs to the Government of Rwanda (GoR) in developing enabling energy policies that facilitate the sustainable electrification of buses in the country. It would also assess the e-mobility readiness and highlight enabling energy frameworks for battery electric buses. In addition, GoR is preparing a study "Validation and Definition of an AssetCo Business Model for Electric Bus Provision in Kigali". The aim is to conduct a detailed techno-commercial feasibility study for the initial phase of e-bus deployment with a focus on developing the AssetCo model and its institutional and contractual frameworks.