INTERNATIONAL MONETARY FUND

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RWANDA

June 2025

FIFTH REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR THE MODIFICATION OF END-JUNE 2025 QUANTITATIVE TARGET—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR RWANDA

In the context of the Fifth Review Under the Policy Coordination Instrument and Request for the Modification of End-June 2025 Quantitative Target, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 4, 2025, following discussions that ended on April 4, 2025, with the officials of Rwanda on economic developments and policies underpinning the IMF arrangement under the Policy Coordination Instrument. Based on information available at the time of these discussions, the staff report was completed on May 19, 2025.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Rwanda.

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

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PRESS RELEASE

PR 25/178

IMF Executive Board Concludes the Fifth Review under the Policy Coordination Instrument for Rwanda

FOR IMMEDIATE RELEASE

- The IMF Executive Board today concluded the fifth review under the Policy Coordination Instrument (PCI). The PCI continues to support Rwanda's reform agenda aimed at maintaining macroeconomic stability, promoting sustainable and inclusive growth, and advancing climate-resilient development.
- Rwanda's economic growth remains among the strongest in sub-Saharan Africa, despite rising fiscal and external pressures linked to large investment projects and reduced concessional financing. Continued fiscal consolidation, supported by stronger domestic revenue mobilization and spending efficiency, is essential to safeguard macroeconomic stability and debt sustainability.
- Program performance under the PCI has been strong. All quantitative targets were met, and most reform commitments were implemented, including in SOE governance, monetary statistics, and digital public financial management. The approval of the comprehensive tax policy package and the rollout of the Global Master Repurchase Agreement were implemented with a delay. Rwanda continues to demonstrate leadership in integrating climate considerations into macroeconomic policy and leveraging institutional reforms to mobilize climate finance.

Washington, DC – June 4, 2025: The Executive Board of the International Monetary Fund (IMF) concluded the fifth review under the Policy Coordination Instrument (PCI) for Rwanda.[1]

Rwanda's economy expanded by 8.9 percent in 2024, driven by a rebound in agriculture and continued strength in the services and construction sectors. Inflation remained within the National Bank of Rwanda's 2–8 percent target band, reflecting tight monetary policy and improved domestic food supply. The current account deficit widened in 2024 due to strong consumer and capital goods imports, but reserves remained adequate at 4.7 months of imports as of end-year.

Going forward, the fiscal position will be under pressure from the large infrastructure investment in the New Kigali International Airport and the expansion of RwandAir, as well as the recent pension reform. Public debt is expected to peak in FY2025/26, with the PCI debt anchor now projected to be reached in 2033. Accelerating domestic revenue mobilization and maintaining a credible fiscal consolidation path are crucial to restoring policy space and ensuring long-term fiscal sustainability. Continued vigilance is also needed to manage risks from SOEs, rising debt service costs, and constrained access to concessional financing.

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[1] The PCI arrangement was approved on December 12, 2022.

Monetary policy should remain data-driven to contain inflation and support external adjustment. Exchange rate flexibility will be essential to absorb shocks, while reforms to strengthen FX market functioning should continue. Close oversight of credit expansion—including in the microfinance sector—and improved monitoring of large exposures are important to safeguard financial stability.

Program implementation under the PCI remains strong. All quantitative targets were met and most structural benchmarks for this review were completed, including those on SOE governance, PFM digitalization, and monetary statistics expansion. The remaining two structural benchmarks on the Cabinet approval of the comprehensive tax policy package and the rollout of the Global Master Repurchase Agreement were implemented with a delay. The authorities continue to build on the strong foundation established under the now-completed RSF. Progress on climate-related reforms has remained strong, including efforts to implement a climate budget tagging system, develop green taxonomies, and advance the climate finance agenda. Developing a pipeline of viable, bankable green projects will be essential to fully leverage available resources and sustain momentum.

At the conclusion of the Executive Board’s discussion, Mr. Bo Li, Deputy Managing Director, and Acting Chair, made the following statement:

“Rwanda’s economy has demonstrated impressive resilience, recording strong growth supported by robust activity in the services, construction, and agriculture sectors. Inflation has remained within the NBR target range, aided by prudent monetary policy and improved domestic food supply. However, the macroeconomic environment has become more complex due to a need to implement difficult reforms against the background of worsening external conditions, including aid withdrawals and regional tensions.

“Sustaining fiscal consolidation remains vital to preserving macroeconomic stability and ensuring debt sustainability. The recently adopted tax reform package is a welcome step toward broadening the tax base and enhancing equity and efficiency. Continued expenditure rationalization and close monitoring of fiscal risks, particularly from SOEs and the ambitious priority investment project, are essential. The fiscal implications of pension reform and the financing needs for the priority infrastructure project must be carefully managed to maintain fiscal discipline.

“Monetary and financial policies remain focused on stability, but vigilance is warranted. Inflationary pressures from fiscal loosening and tax policy changes may necessitate a tightening of the policy stance. Greater exchange rate flexibility is crucial to support external adjustment and safeguard reserve adequacy. The authorities' efforts to modernize the monetary policy framework and strengthen FX market functioning are welcome. Enhancing risk monitoring, particularly in the microfinance sector, and large exposures, along with building additional capital buffers, will be key to safeguarding financial stability.

“Rwanda continues to advance structural reforms under the PCI, including improvements in SOE governance, public financial management digitalization, and financial sector statistics. Progress on climate-related reforms under the RSF is commendable. Looking ahead, Rwanda’s efforts to build a pipeline of bankable green projects and improve climate finance coordination will be instrumental in mobilizing additional resources. Continued commitment to reform and strong engagement with development partners will be critical to sustaining progress and supporting Rwanda’s ambitious development agenda.”

INTERNATIONAL MONETARY FUND

RWANDA

May 19, 2025

FIFTH REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR THE MODIFICATION OF END-JUNE 2025 QUANTITATIVE TARGET

EXECUTIVE SUMMARY

Context. Despite a challenging external environment, Rwanda's economy grew by 8.9 percent in 2024, driven by robust performances in services, construction, and food crop production. Inflation stabilized within the central bank's target range, underpinned by a combination of tight monetary policy and favorable food prices. Looking ahead, implementing priorities under the Government's Second National Transformation Strategy will require significant financing, including for key investment projects such as the second phase of construction of the New Kigali International Airport and the expansion of RwandAir. The authorities remain firmly committed to advancing their ambitious structural reform agenda, supported by the Policy Coordination Instrument (PCI).

Policy recommendations. The fiscal consolidation strategy should be enhanced through strengthened domestic revenue mobilization, the rationalization of expenditures, and the mitigation of risks associated with state-owned enterprises. Debt vulnerabilities have increased amid substantial financing requirements for the priority investment project, highlighting the importance of continued vigilance over debt sustainability risks and for prudent debt management. A proactive, data-driven monetary policy is essential to maintain inflation within the target band, with adjustments made as risks evolve. Continued efforts are needed to rebuild fiscal and reserve buffers, while external imbalances should be addressed through adjustments in the real effective exchange rate.

Program performance. Performance under the PCI continues to be strong. All quantitative, continuous, and standard continuous targets were met. All but two of the reform targets for the completion of this review have been implemented on time, including the SOE governance code, SOE stress testing, monetary statistics expansion, and a PFM digitalization strategy; while the target on the comprehensive tax package has been implemented with a minor delay, and the one on the rollout of the Global Master Repurchase Agreement is expected to be enacted before the completion of the fifth review.

Staff supports the completion of the fifth PCI review. The authorities have shown strong commitment to reforms, proven ability to implement difficult measures, and a

solid track record of prudent policies. Staff supports the authorities' request under the PCI to modify the continuous end-June 2025 target on the ceiling for the present value of new public and publicly guaranteed debt. Staff also supports the authorities’ request to convert this continuous quantitative target to periodic quantitative target with end-June 2025 as the test date to facilitate timely reporting for the last PCI review.

Approved By
Catherine Pattillo (AFR) and Tokhir Mirzoev (SPR)

The mission comprised Ruben Atoyan (Mission Chief), Maria Gelrud, Irena Jankulov Suljagić, Marina Marinkov (all AFR), Karim Foda (SPR), Tumer Kapan (MCM), Gabor Pula (Resident Representative), and Priscille Mikebanyi (Local Economist). Loy Nankunda (OEDAF) also attended mission meetings. The mission was facilitated by Patience Mugishakazi (local office). Enrique Chueca Montuenga and Mireille Nsanzimana (AFR) assisted in the preparation of this report. Discussions were held in Kigali, Rwanda from March 24-April 4, 2025. The team met with the Minister of Finance and Economic Planning, Yusuf Murangwa, Governor of the National Bank of Rwanda, Soraya Hakuziyaremye, as well as Minister of Trade and Infrastructure, Director General of National Institute of Statistics, and 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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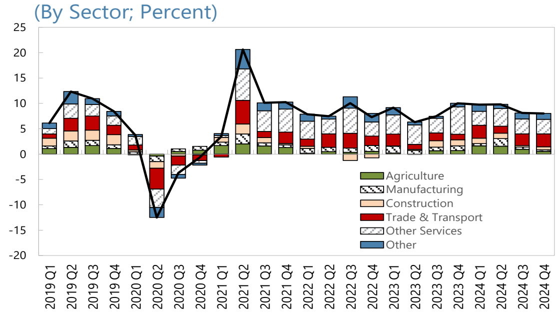
CONTEXT AND RECENT DEVELOPMENTS

1. **Rwanda is pursuing an ambitious development agenda under its Second National Transformation Strategy (NST-2), despite a challenging and evolving global context.** In recent years, the country has faced multiple shocks—including the COVID-19 pandemic, climate-related disasters, and the Marburg virus outbreak (MVD), declared over in December 2024. Implementing NST-2 priorities such as economic diversification, infrastructure development, and social progress requires substantial financing, including costs associated with the large priority project for the second phase of the New Kigali International Airport construction and expansion of the RwandAir national airline. However, access to concessional funding is becoming more constrained amid heightened geopolitical risks and shifting donor priorities. The ongoing conflict in Eastern DRC, with risks of broader regional escalation, further complicates the outlook and may deter some development partners. While EU and AFD budget support of US$40 million annually continues, the suspension of aid from Belgium and the UK has already resulted in an annual shortfall of US$5 million. Rwanda is also facing the loss of USAID support, which amounted to US$127 million in FY22/23 (Box 1). Both Moody's and Fitch have revised Rwanda's outlook to negative, citing risks of declining concessional financing—particularly for critical sectors such as health.

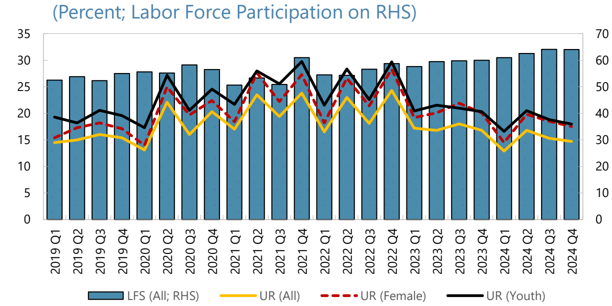
2. **Real GDP increased by 8.9 percent in 2024, positioning Rwanda among the fastest-growing economies in sub-Saharan Africa.** Robust economic performance was broad-based. The agricultural sector recovered, supported by improvements in food crop production following earlier climate shocks. The industrial sector also expanded strongly, particularly in construction. The services sector performed well, driven by trade, tourism, transport, and telecommunications, despite temporary setbacks from the MVD. On the expenditure side, growth was supported by consumption, investment, and a robust increase in exports. Amid a significant increase in labor force participation, the annual unemployment rate fell to 14.9 percent in 2024—a 2.3 percentage point drop from the previous year. However, unemployment remained elevated among females (17.6 percent) and youth (18.5 percent).

Rwanda: Contributions to RGDP Growth
(By Sector; Percent)



Sources: Rwandan Authorities and IMF Staff Calculations.

Rwanda: Labor Dynamics
(Percent; Labor Force Participation on RHS)

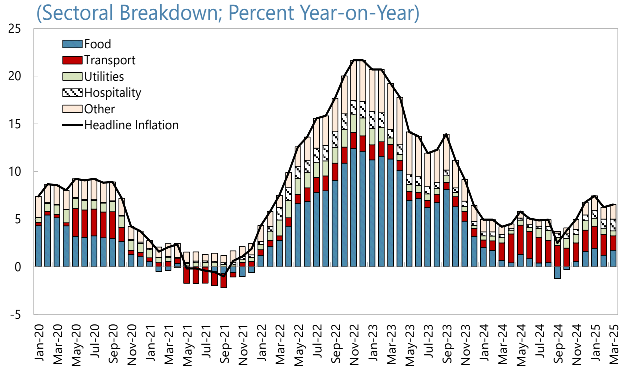


Sources: Rwandan Authorities and IMF Staff Calculations.

3. Inflation remains within the National Bank of Rwanda's (NBR) 2-8 percent target range. Annual headline inflation averaged 4.8 percent in 2024, down from 14.0 percent in 2023. This decline was largely due to improved agricultural production affecting food prices and the lagged effects of earlier monetary policy tightening (Figure 1). Headline inflation was 6.5 percent year-on-year in March 2025, up from 6.3 percent the previous month. Recent inflation dynamics continue to reflect the base effect of a spike in transportation costs following the removal of pandemic-era public transportation subsidies—expected to fully dissipate in April—as well as rising prices of fresh vegetables. Instantaneous headline inflation—which places greater weight on recent months—increased to 9.0 percent in March (from 6.5 percent a year earlier), while instantaneous core inflation decreased to 7.0 percent (from 7.3 percent a year earlier). The most recent monetary policy meeting of the NBR was held on February 12, 2025, when the policy rate was kept unchanged at 6.5 percent. This was the second consecutive decision by the NBR to keep the rate unchanged, reflecting its assessment that inflation is expected to remain within the target range of around 5 percent.

Rwanda: Drivers of Headline Inflation

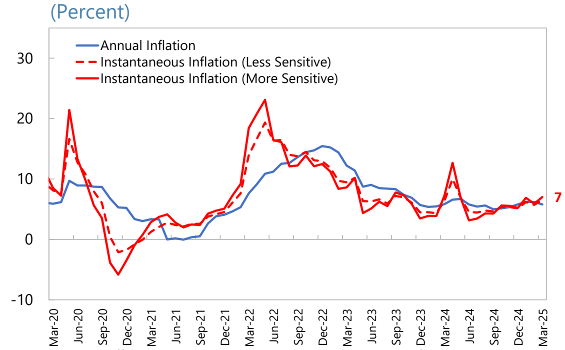
(Sectoral Breakdown; Percent Year-on-Year)



Sources: Rwandan Authorities and IMF staff calculations.

Rwanda: Core Inflation

(Percent)



Sources: IMF staff estimates. Note: More sensitive instantaneous inflation places higher weight on recent months observations.

4. The fiscal deficit in H1 FY24/25 was slightly lower than expected. Tax revenues slightly exceeded expectations, driven by strong performance in taxes on goods and services as well as international trade. In contrast, income and profit taxes underperformed, partly due to modest salary increases and a decline in casual employment. On the expenditure side, increased spending reflected efforts to accelerate VAT refunds and clear the stock of audited amounts, along with higher capital investments. Foreign loans exceeded projections due to earlier-than-expected disbursements, while domestic financing also rose as government anticipated delays in foreign disbursements. Overall, the H1 FY24/25 fiscal deficit was 0.1 percentage points of GDP lower than projected in the fourth review. MVD-related spending of RWF102.6 billion (0.5 percent of FY24/25 GDP) has been fully executed.[1] Post-flood reconstruction also progressed, with RWF126.2 billion (0.6 percent of FY24/25 GDP) being spent on rehabilitation and reconstruction of various infrastructure projects in H1 FY24/25.

Rwanda: Operations of the Central Government, H1 FY24/25, GFSM 2014 [/1]
(Percent of GDP)

	H1 FY24/25			H2 FY24/25
	4th Rev.	Act.	Diff.	4th Rev.
Revenue	**10.3**	**10.7**	**0.4**	**10.7**
Taxes	7.2	7.4	0.1	7.8
Taxes on income, profits, and capital gains	3.3	3.2	-0.2	3.6
Taxes on property	0.1	0.1	0.0	0.1
Taxes on goods and services	3.3	3.4	0.1	3.6
Taxes on international trade and transactions	0.5	0.6	0.1	0.5
Grants	1.6	1.8	0.2	1.5
Other revenue	1.5	1.5	0.1	1.3
Expense	**8.6**	**8.6**	**0.0**	**8.6**
o/w Compensation of employees	1.4	1.4	0.0	1.4
o/w Purchases of goods and services	2.2	2.3	0.1	2.0
o/w Subsidies	0.8	0.8	0.0	0.8
o/w Interest	1.2	1.1	-0.1	1.3
o/w Grants	2.5	2.5	0.0	2.7
Net acquisition of nonfin. assets	**4.3**	**4.5**	**0.2**	**4.3**
Net lending (+) / borrowing (-)	**-2.6**	**-2.3**	**0.3**	**-2.2**
Net acquisition of financial assets	**0.8**	**3.9**	**3.1**	**0.7**
Net incurrence of liabilities	**3.4**	**6.4**	**3.0**	**2.9**
Domestic	-1.4	1.2	2.6	1.1
Foreign	4.8	5.2	0.3	1.8
Debt-creating overall balance (excl. PKO, GFSM 1986) [/2]	**-3.0**	**-2.9**	**0.1**	**-2.5**

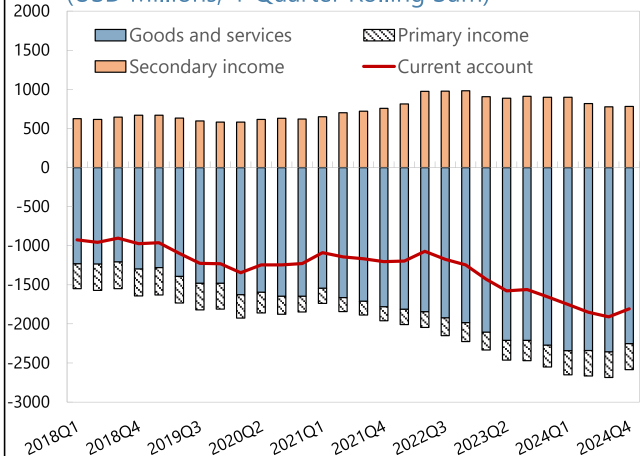
Sources: Rwandan authorities and IMF staff estimates and projections.
[1] Fiscal year runs from July to June.
[2] Overall balance excluding Peacekeeping Operations (PKO) and spending on materialized contingent liabilities in the DSA.

5. The financial sector remains stable amid continued strong credit growth. Private sector credit demonstrated robust growth in 2024, driven by strong lending to trade, construction, manufacturing sectors, and mortgages, supporting continued economic momentum. Combined loans from banks and microfinance institutions (MFIs) grew by about 13 percent year-over-year. As of end-2024, the banking sector remained highly profitable, with regulatory capital comfortably above minimum requirements and loan growth of about 12 percent. The high profitability was driven by significant interest margins and strong non-interest income. The non-performing loan (NPL) ratio in the banking sector declined from 4.1 percent at end-2023 to 3.1 percent at end-2024, largely driven by continued loan growth and write-offs of large non-performing exposures. Large exposures of the banking sector remain significant, albeit declining slightly in 2024 (Figure 3). The microfinance sector, which largely focuses on loans to households and small businesses, continues to expand rapidly with their loan stock increasing by 23 percent, while maintaining strong capitalization rates. NPLs in microfinance institutions (MFIs) declined from 4.3 percent at end-2023 to 3.5 percent at end-2024, driven largely by the significant increase in their loan stock (Figure 3).

[1] See Table 9 in the Budget Execution Report for July-December 2024.

6. The current account deficit remained elevated in 2024. It widened to 12.7 percent of GDP, driven by sustained momentum in food and consumer goods imports as well as elevated capital goods imports over the first three quarters—both reflecting strong consumer and investment demand. A narrowing of the trade deficit in Q4 provided partial relief, supported by higher exports due to a rise in international coffee prices (driven by supply constraints in Brazil), stronger regional demand for manufactured exports, and a temporary moderation in capital goods imports linked to project implementation schedules. The Rwandan franc continued to depreciate against the US dollar, falling by 9.4 percent through end-December—significantly less than the 18 percent depreciation recorded in 2023—helped by larger-than-expected multilateral lending. International reserves stood at 4.7 months of prospective imports as of end-December 2024 (excluding RSF disbursements) meeting reserve adequacy metrics.

Rwanda: Current Account Balance
(USD Millions, 4-Quarter Rolling Sum)



Sources: Rwandan Authorities and IMF staff calculations.

PROGRAM PERFORMANCE

7. Implementation of the PCI is on track (Program Statement (PS) Tables 1-3).

- *Quantitative targets (QTs).* All end-December 2024 QTs, continuous, and standard continuous targets were met. The headline fiscal deficit for the first six months of FY24/25 was met with a comfortable margin (¶4). The 3-month average headline inflation—as defined by the MPCC under the program—was 5.2 percent and came within the MPCC inner-bound values (2.0 to 8.0 percent). Net foreign assets of the NBR were boosted by higher-than-expected disbursements from development partners.

- *Reform targets (RTs).* Four of the six RTs envisaged for this review have been met: (i) an 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 RT**); (ii) the SOE corporate governance code and its implementation plan, consistent with the 2024 OECD Guidelines on Corporate Governance of State-Owned Enterprises (**end-March 2025 RT**); (iii) a PFM digitalization strategy to support data-driven PFM, including by the adoption of Artificial Intelligence (**end-April 2025 RT**); and (iv) expanding the coverage of Monetary and Financial Statistics (**end-March 2025 RT**). On February 10, the Cabinet approved a comprehensive package of measures predominantly relying on broadening the tax base by streamlining tax holidays and tax expenditures (**end-January 2025 RT**, not met). The full Global Master Repurchase Agreement (GMRA) rollout, including the signing of the GMRA by all banks, is expected to be enacted before the completion of the fifth review (**end-December 2024 RT**, not met).

OUTLOOK AND RISKS

8. The outlook has been revised to reflect the 2024 outturns and the impact of the priority investment project.

- ***Real GDP growth*** is now projected to reach 7.1 percent in 2025, up from 7 percent at the fourth review, driven by continued recovery in the agricultural and service sectors. Growth is projected to accelerate further to 7.5 percent in 2026 and 7.4 percent in 2027, primarily due to the impact from the priority investment project. Growth assumptions remain conservative, as they do not factor in potential medium-term upsides from improved connectivity linked to the priority investment project or the anticipated boost to the meetings, incentives, conferences, and exhibitions (MICE) sector. However, the contractionary effects of ongoing fiscal consolidation are anticipated to slow growth in the medium term, bringing it to around 7 percent. The impact of recent changes to US tariffs on Rwanda's GDP growth is estimated to be minimal in the near term, with a projected effect of -0.03 percent of GDP in 2025, given limited direct trade with the US. This will be offset by the positive contributions from the priority investment.
- ***Inflation*** is expected to rise to 7 percent in 2025, largely due to the lagged effects of ongoing depreciation and the pass-through of approved tax policy measures on fuel and transportation prices (estimated to add 1.2 percentage points to headline inflation, effective July 2025). Despite this increase, inflation will remain within the NBR's target range. The impact of the US tariff changes on inflation is assessed to be negligible.

Text Table 1. Rwanda: Revised Macroeconomic Framework, 2023-2030[1]

	2023	2024		2025		2026		2027		2028		2029		2030
	Act.	4th Review	Act.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)													
Output and prices														
Real GDP growth (percent)	8.3	8.3	8.9	7.0	7.1	7.0	7.5	7.2	7.4	7.3	7.0	7.3	7.0	7.0
CPI, period average (percent)	14.0	5.0	4.8	5.0	7.0	5.0	4.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI, end period (percent)	6.4	4.6	6.8	4.7	6.3	5.0	4.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Overall fiscal balance, incl. grants, policy lending (percent of GDP)[2,3]	-7.3	-6.9	-6.9	-5.6	-5.5	-3.3	-7.4	-3.1	-5.4	-3.0	-3.6	-3.0	-3.2	-3.2
Total public debt incl. guarantees (percent of GDP)	72.3	77.5	76.5	80.0	84.7	78.9	86.3	77.1	86.3	74.9	84.6	71.7	81.1	76.2
Current account balance, incl grants (percent of GDP)	-11.5	-13.1	-12.7	-12.1	-13.8	-11.2	-15.9	-10.5	-13.4	-9.7	-9.9	-8.2	-8.8	-7.6
Gross international reserves, excl. RSF (months of imports)[4]	4.0	4.3	4.7	4.0	4.6	4.1	4.6	4.1	4.9	4.2	4.7	4.3	4.5	4.4

Sources: Rwandan authorities and IMF staff estimates.

[1] From FY 22/23 (2023) to FY 29/30 (2030). Fiscal year runs from July to June.

[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.

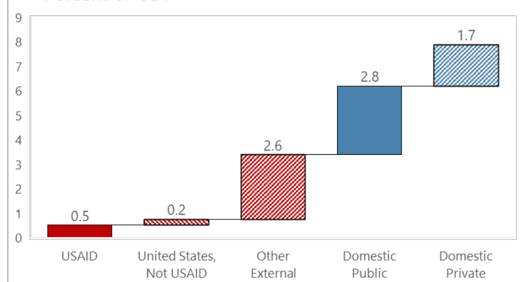
[4] Based on prospective import of goods (excluding gold) and services.

- The ***current account deficit*** is projected to widen to 13.8 percent of GDP in 2025, primarily due to imports related to a large infrastructure project. This will partly offset improvements in the trade balance excluding the large project, driven by slower imports along with enhanced domestic agricultural output and adjustments in the real effective exchange rate. Medium-term projections indicate that the trade deficit will widen further due to the project as implementation accelerates in 2026-27. Project-related FX inflows, including FDI and external borrowing, will support external financing needs from project imports and help boost near-term international reserves (excluding RSF) towards 4.9 months of prospective imports by 2027. The overall balance of payments is expected to benefit from continued fiscal consolidation and increased FDI inflows, though partially offset with higher external debt service outflows over the medium term. On balance, international reserves (excluding RSF) are projected to reach around 4.4 months of imports by 2030 under the current baseline.

Box 1. Rwanda: Macroeconomic Implications of Aid Withdrawal and Declining Grants

Rwanda is beginning to experience a decline in external assistance, with both grants and donor-funded programs showing signs of withdrawal. In FY25/26, USD 110 million of grants that were initially projected, will not materialize, while an additional USD 5 million in bilateral support from Belgium was cancelled. A significant portion of Rwanda's external assistance also comes from the United States, with total US support amounting to USD 178 million in FY22/23, of which USAID accounts for USD 127 million. Approximately 57 percent of this assistance has historically supported the health sector. Importantly, the USAID funding constitutes off-budget assistance, meaning it supports sectoral programs and service delivery through implementing partners. A notable portion of the spending also occurs outside Rwanda to cover aid delivery operational costs.

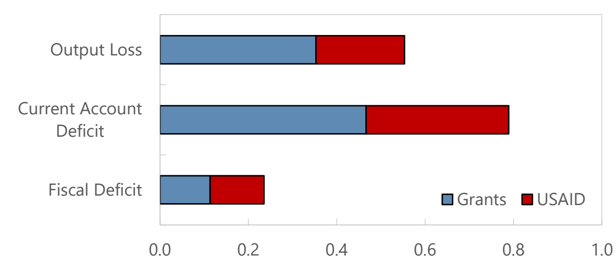
Rwanda: Health Spending, 2022
Percent of GDP



Sources: WHO Global Health Expenditure Database, ForeignAssistance.gov, IMF staff calculations.

The anticipated reduction in external support is expected to weigh on Rwanda's fiscal position, with partial impacts on the external position and knock-on effects on real GDP. The external and output impacts are reflected in the baseline projections, while the fiscal effects are treated as a downside risk.

Rwanda: Simulated Impact of Aid Withdrawal and Declining Grants in FY25/26
Percent of GDP



Note: Simulations assume that 15 percent of the value of lost grants and 25 percent of USAID funding will be covered by the government.
Sources: Rwandan authorities and IMF staff calculations.

Fiscal. Loss of grants and aid would result in an increase in the fiscal deficit by 0.1 percent of GDP, according to simulations, as a consequence of the government reducing spending and only partially filling the revenue gap. Although USAID does not provide direct budget support to Rwanda, its funding withdrawal is expected to be partially offset by government resources redirected to cover essential aid. This substitution could widen the fiscal deficit by an additional 0.1 percent of GDP.

External. Based on partial simulations assuming no other changes, the current account deficit would increase by 0.5 percent of GDP due to the loss of grants, despite a partial offset from reduced imports due to lower grant-financed spending. The USAID withdrawal would lead to further deterioration of the current account by 0.3 percent of GDP, also partially mitigated by declining imports.

Box 1. Rwanda: Macroeconomic Implications of Aid Withdrawal and Declining Grants (concluded)

Output. Nominal GDP is expected to contract by 0.4 percent of GDP as a result of the grants lost, driven by decreased public expenditure, though partially cushioned by lower import demand. The output loss attributed to USAID is estimated at 0.2 percent of GDP, primarily due to reduced private consumption, again partly offset by the import decline and government aid substitution. While priority projects are expected to offset some of the GDP losses, the combined impact of reduced grants and the USAID withdrawal will exacerbate fiscal and external imbalances, reinforcing the urgency for fiscal consolidation.

9. The balance of risks to the outlook has further tilted to the downside (Annex I). Upside risks to growth stem from the authorities' ability to attract external concessional financing and expedite development spending, while downside risks could pose significant challenges to Rwanda's macroeconomic stability, necessitating credible policy responses. Several downside risks, including global commodity price volatility, deepening geopolitical fragmentation, a sharp decline in the growth of trading partners, weakening external tourism demand, a decline in broader aid flows, and trade diversion, could all weigh on the outlook. Developments in global financial markets may also adversely affect the availability and cost of external financing. Domestically, challenges such as infectious disease outbreaks or another climate-related shock to Rwanda's predominantly rain-fed agricultural sector could hinder economic activity, exacerbate inflationary pressures, and further strain fiscal space. Slower progress on domestic revenue mobilization, delayed fiscal consolidation due to increased development and priority investment spending, and prolonged external adjustment could undermine the debt trajectory and intensify debt vulnerabilities, including heightened debt service pressures, amidst declining concessional financing over the medium term. In particular, priority project-related risks, including significant cost overruns and delays, increased financing needs, and higher financing cost could adversely impact debt, the fiscal consolidation, and limit the upside to growth. The escalation of conflict in the DRC could further complicate concessional financing or lead to the suspension of development funds, constraining Rwanda's ability to advance its ambitious development agenda and manage shocks with affordable financing. The authorities agreed with staff's assessment of the outlook and risks, acknowledging the critical need for strong policies to navigate the challenges ahead and safeguard Rwanda's long-term economic stability, debt sustainability, and growth.

POLICY DISCUSSIONS

The programmed policy mix is yielding results despite ongoing challenges and heightened risks. Rwanda's fiscal consolidation efforts continue gradually, bolstered by the newly adopted domestic revenue mobilization package. However, debt vulnerabilities have intensified due to substantial financing needs for a priority investment project, underscoring the need for vigilance. To sustain progress, it is crucial to enhance the fiscal consolidation strategy, focusing on domestic revenue mobilization, expenditure rationalization, and mitigating risks from state-owned enterprises (SOEs). A proactive, data-driven monetary policy is necessary to keep inflation within the target band, adjusting for evolving risks. Continued efforts are essential for rebuilding fiscal and reserve buffers and *addressing external imbalances, particularly through adjustments in the real effective exchange rate. A more flexible exchange rate will help absorb external shocks and facilitate necessary adjustments.*

A. Fiscal Policy

10. Recent policy changes—pension reform, a new tax policy package, and investments in a priority development project—will impact Rwanda's fiscal trajectory.

- ***Pension reform.*** Starting January 1, 2025, the pension contribution rate increased to 12 percent of gross salary, split equally between employer and employee, with a planned rise to 20 percent by 2030 in annual 2 percent increments from 2027. The contribution base now includes gross salary, and pensioner benefits have also been raised. These reforms, which were implemented without staff consultation, are under evaluation by the World Bank. While they address low contribution rates, pensioner benefits, and demographic trends, they will increase the wage bill and grants (by about 0.5 percent of GDP in FY29/30) and create medium-term fiscal pressures (Tables 2a and 2b). Additionally, the Rwanda Social Security Board (RSSB) plans to launch an MSME (Micro, Small, and Medium Enterprises) investment fund to support businesses with expansion potential through finance and technical assistance, including on governance elements. With its growing investment portfolio and increased liquidity, the RSSB is seeking to diversify beyond traditional low-risk assets, which, if not properly mitigated, could give a rise to potential fiscal risks. The approved acceleration in pension reform places additional pressure on already tight fiscal space. Going forward, the long-term sustainability of RSSB needs to be assessed, including the thorough evaluation of the parameters of the pension system. The investment strategy of RSSB, particularly with regards to risk-taking, should remain aligned with prudential considerations, in line with the recommendations of the World Bank.
- ***Tax policy package.*** On February 10, the Cabinet adopted a comprehensive tax revenue package to broaden the tax base by streamlining tax holidays and expenditures (**end-January 2025 RT**). The measures in the tax package are aligned with IMF TA recommendations and designed with distributional implications in mind (Box 2). They will be phased in over FY25/26 to FY29/30, bringing revenue gains to about 1 percent of GDP in FY29/30. The reform benefitted from strong stakeholder engagement also supported by IMF TA on communication strategies.
- ***Costs related to the priority project.*** Fiscal projections (Tables 2a and 2b) include: (i) under *interest*, costs related to the New Kigali International Airport and RwandAir investments and an issuance fee for a presumed Eurobond that staff currently assumes will partially cover the costs of this priority investment project while the authorities explore financing options; (ii) under subsidies, the RwandAir loan repayment and working capital injections; and (iii) under *equity and investment fund shares*, capital injections to New Kigali International Airport. Reduced RwandAir subsidies due to improved operational efficiency are also incorporated into the medium-term baseline. Going forward, it will be critical to closely monitor related fiscal risks, while proactively reassessing underlying assumptions and proactively implementing strong policies to mitigate fiscal pressures.

Box 2. Rwanda: Advancing Tax Reform for Equity, Efficiency, and Sustainability

Rwanda's new tax reform is underpinned by four main policy objectives aimed at strengthening the fairness and efficiency of the tax system. These include: (i) reducing tax relief for unregistered and informal businesses while supporting competitiveness among registered firms; (ii) addressing VAT regressivity by removing exemptions that disproportionately benefit high-income households; (iii) rationalizing income tax incentives to enhance Rwanda's investment appeal; and (iv) promoting environmental sustainability through comprehensive fossil fuel taxation. Measures in two tax packages[1] will be implemented starting in May 2025.

	Timeline for the Implementation of Rwanda's Tax Reform Measures /1	Apr-Jun 25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
	Compensatory Package						
1	Cosmetic and beauty products (15 percent of CIF) /2						
2	Excise tax on cigarettes (FRW 230 per pack + 36 percent of retail price)						
3	Increase the tax on GGR for gambling operators (from 13 percent to 40 percent)						
4	Increase withholding on gambling winnings (from 15 percent to 25 percent)						
5	Registration fees for imported vehicles						
6	Road maintenance and strategic fuel reserve levies						
7	VAT on mobile telephones						
8	Excise tax on beer (65 percent)						
9	Excise tax on airtime (implemented gradually: 12 percent, 14 percent, 15 percent)						
10	VAT on ICT equipment						
11	Reinstate tax on hybrid vehicles						
	Comprehensive Package						
1	Introduce an environmental levy (0.2 percent of CIF)						
2	Revise the capital gains tax on sale of shares, debt, licenses, and guarantees (from 5 percent to 10 percent)						
3	Introduce a tourism tax on accommodation (3 percent) /3						
4	Introduce an annual motor vehicle road user charge						
5	VAT on fee-based financial services						
6	Reinstate the VAT on fossil fuels						
7	Reinstate the VAT on transport services of goods by road						
8	Investment Code revision (repeal corporate income tax holidays)						
9	Repeal VAT exemptions on business inputs (machinery and capital assets, raw materials)						
10	Introduce a digital services tax (VAT and income)						
11	Excise of 15 percent on fees charged for financial transactions						
12	Sunset close on VAT exemptions for zero-emission vehicles (EVs)						
13	Sunset close for energy equipment (solar panels, etc.)						

Source: MINECOFIN.

[1] The size of the purple bars indicates the relative revenue yield of each measure compared to the others. The smallest bar is 0.01 percent of GDP, and the largest 0.24 percent of GDP.

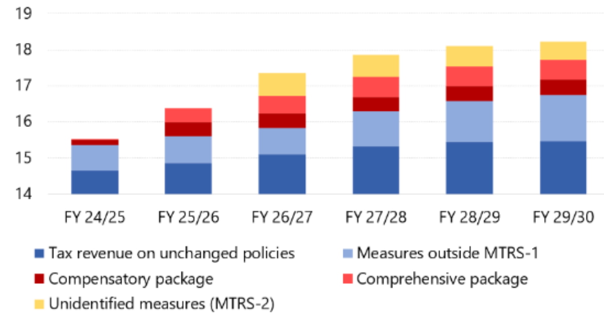
[2] Measure was not part of the original compensatory package, but was introduced to partially make up for the loss of revenue due to delayed implementation the package.

[3] Measure will be implemented from April 2025, to partially make up for the loss of revenue due to delayed implementation of the compensatory package.

Box 2. Rwanda: Advancing Tax Reform for Equity, Efficiency, and Sustainability (concluded)

These measures are expected to yield significant revenue gains, but further reforms will be needed to sustain momentum over the medium term. Together, the measures are projected to raise about 1 percent of GDP in additional revenue by FY29/30. However, further reforms will be needed under the forthcoming medium-term revenue strategy (MTRS-2) starting in FY26/27 to sustain revenue growth. Possible areas include removing other poorly targeted VAT exemptions and expanding e-invoicing coverage beyond the hospitality sector.

Rwanda: Tax Revenues to GDP
(Percent)



Source: MINECOFIN.
Note: Measures outside MTRS-1 include taxes on sale of immovable property, trading license, phasing out of incentives in telecommunication sector, mineral taxation, as well as estimated revenue gains from voluntary disclosure mechanism, customs controls, integration of invoicing systems in the hospitality sector, and enforcement of the EBM usage.

To support implementation, the authorities invested in a strategic communication campaign to build understanding and public support for the reforms. They actively engaged stakeholders and, with IMF TA, developed a communication strategy anchored in high-level messaging. The authorities emphasized that the current context—marked by strong growth and low inflation—offers a favorable window for reform. They noted that fuel tax changes are both environmentally sound and progressive, and stressed that moving away from special exemptions will strengthen Rwanda's fiscal framework for the long term. Analysis showed that many VAT exemptions currently benefit wealthier households far more than the poor, suggesting that eliminating poorly targeted exemptions and redirecting resources through social spending could make the tax system both fairer and more effective.

Examples of Tageted Messaging for Specific Measures

VAT Standard Rating of Business Inputs	Fuel Taxation and Transportation of Goods
Economic Efficiency. Broad-based VAT efficiently raises revenues compared to taxes on employment, business, and investment income	**High-Income Households.** More than 99 percent of consumer expenditures on gasoline and diesel are by high-income households (i.e., top 20 percent of the income distribution).
Elimination of Exemptions. Exemptions being eliminated are of no benefit to a VAT registrant, as registered businesses can claim input tax credit for the VAT they paid.	**Electric Mobility.** Standard rating gasoline and diesel will accelerate the transition to electric mobility.
Revenue and Competitiveness. Standard rating each business input raises revenue from unregistered businesses and improves the competitiveness of law-abiding businesses that compete with the informal sector.	**Revenue and Competitiveness.** Revenues raised from standard rating fuel and transportation services are essential to ensure that Rwanda continues to meet the spending priorities identified in the NST-2. Standard rating will help make Rwandan goods and services more competitive with imports, and Rwanda's exports will be more competitive in foreign markets.
Addressing Informality. Exempting business inputs is considered preferential treatment of the informal sector. The first step in addressing informality is to minimize lost VAT revenue from unregistered businesses by collecting VAT on their purchases.	**Climate Goals.** Rwanda's National Strategy for Climate Change and Low Carbon Development aims to achieve carbon neutrality by 2050. Reduced use of gasoline and diesel will be key to meeting that imperative.
Operating Costs. When VAT-registered businesses buy exempt goods or services, they can't claim input tax credits, which raises their operating costs. This can result in higher prices for consumers or make these businesses less competitive compared to foreign or unregistered local suppliers.	**VAT Benefits.** Rwandan businesses registered for VAT can benefit from the standard VAT rating on fuel and goods transportation by claiming input tax credits. This effectively reimburses their VAT costs, keeping final prices unaffected. Only unregistered businesses operating informally will be impacted by the standard rating.

1/ On November 29th, 2023, the Cabinet approved a package of revenue generating and predominantly tax policy measures, supported by IMF technical advice, that ensured achievement of the MTRS-1 domestic revenue targets (prior action for second review under the PCI). Provisions for components of this package—initially planned to be implemented in FY24/25—were delayed.

11. The FY24/25 deficit is expected to be in line with the fourth review projections. Better-than-expected performance in tax revenues and grants during H1 FY24/25 will help partially offset the delayed implementation of the compensatory tax package, which took effect in May instead of the originally planned January. The recently adopted changes to pension contributions will increase the public wage bill by 0.2 percent of GDP in H2 FY24/25 but will be fully accommodated through rationalization of other spending.

12. A credible medium-term fiscal consolidation path is critical to ensure fiscal sustainability and rebuild policy buffers.

- ***FY25/26.*** Without the priority investment project, the FY25/26 fiscal deficit is projected to be at 3.5 percent of GDP. Total revenues are expected to decline by 1.3 percent of GDP relative to the fourth review, primarily due to a significant drop in expected grants. This reflects increasingly constrained access to concessional financing amid heightened geopolitical risks and shifting donor priorities. The lower total expenditures of around 1.1 percent of GDP relative to the fourth review results from increasing pension spending, and lower goods and services and capital spending. As a result, the fiscal deficit would have declined from 5.5 percent of GDP in FY24/25 to 3.5 percent in FY25/26 (compared to the previously expected 3.3 percent of GDP), marking a notable fiscal consolidation. However, with the inclusion of the priority investment project, the FY25/26 fiscal deficit is expected to rise to 7.4 percent of GDP. On the expenditure side, costs are expected to be about 0.8 percent of GDP higher than in the fourth review, reflecting spending related to RwandAir (including subsidies and loan repayments) and costs associated with issuing an assumed Eurobond (¶10 and Box 3). Additionally, the capital injection required for New Kigali International Airport amounts to about 3 percent of GDP.
- ***Medium term.*** The medium-term budget framework outlines a gradual reduction of the fiscal deficit from 7.4 percent of GDP in FY25/26 to 3.2 percent in FY29/30. This will be supported by the full implementation of the recently approved tax package, as well as additional domestic revenue mobilization measures in the context of the follow-up MTRS, which are expected to generate about 0.6 percent of GDP starting in FY26/27. Similar to FY25/26, grants in FY26/27 were revised down relative to the fourth review to account for the increasingly constrained external financing environment. Additionally: (i) in FY25/26, spending on goods and services (0.1 percent of GDP) and domestically-financed investments (0.1 percent of GDP) will be reprioritized to help partially offset the cost of the pension reform; and (ii) existing foreign-financed development projects will be delayed or canceled, and the contracting of new ones will be limited, leading to a cumulative reduction in the total net acquisition of non-financial assets by about 2.7 percent of GDP over the FY25/26-FY29/30 period, compared to the fourth review baseline. Significant additional fiscal reforms would be needed under the planned MTRS-2, starting in FY26/27, to sustain the medium-term revenue path (Box 2). Reforms aimed at improving the transparency and efficiency of public financial management and investment practices, as well as enhancing fiscal risk management, will need to continue.
- ***Contingency planning.*** The authorities' medium-term contingency plans remain centered on spending reprioritization, with a focus on safeguarding essential expenditures—particularly

investment and social assistance—while avoiding budget overruns and containing debt risks. Potential measures include curbing new hires, further cutting non-essential recurrent spending, and discontinuing underperforming domestically financed projects.

Rwanda: Fiscal Consolidation Path
(Percent of GDP)

	Actual	Projected					
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Overall balance [/1]	**-6.9**	**-5.5**	**-7.4**	**-5.4**	**-3.6**	**-3.2**	**-3.2**
Excluding Bugesera/ RwandAir	--	--	*-3.5*	*-3.0*	*-3.0*	--	--
Annual adjustment (+ = consolidation)	**0.4**	**1.5**	**-1.9**	**1.9**	**1.9**	**0.3**	**0.0**
Total tax revenue	-0.3	0.9	0.9	1.0	0.5	0.2	0.1
Other revenue and grants	-0.4	-1.0	-0.9	0.0	0.0	-0.1	0.0
Total expense	0.8	0.2	-0.1	0.8	-0.2	0.2	-0.3
Total capital expenditure	0.0	1.5	0.8	-0.8	-0.4	-0.2	0.0
Net lending	0.3	-0.1	-2.6	1.0	1.9	0.2	0.1
Public Debt [/2]	**78.7**	**84.7**	**86.3**	**86.3**	**84.6**	**81.1**	**76.2**

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. Significant financing needs for a priority investment project have intensified debt vulnerabilities (see DSA supplement). Baseline assumptions of US$1.2 billion (8 percent of GDP) in external commercial borrowing to meet the government's obligations for the construction of New Kigali International Airport and the expansion of RwandAir (Box 3) are set to elevate the debt trajectory and raise external debt service pressures. To meet these obligations, baseline assumptions have been revised to include frontloaded external commercial borrowing aligned with the project timeline. To mitigate the increase in borrowing, the authorities plan to reprioritize other development projects, continue to advance on revenue measures, and pursue options to reduce the cost of borrowing including through a mix of domestic, external commercial, and semi-concessional financing with potential IFI involvement. Under staff's relatively conservative baseline with full external commercial financing, however, the sharp increase in non-concessional external borrowing still pushes overall public debt to 86.3 percent of GDP by 2026 and raises debt servicing costs in coming years. While overall and external debt remain at moderate risk of debt distress, debt burden indicators have deteriorated, leaving limited room to respond to shocks without breaching high-risk thresholds. The debt path remains elevated for an extended period, with the program debt anchor of 65 percent of GDP expected to be reached in 2033—two years later than envisaged under the PCI. While this path may be more conservative than the one that would likely materialize based on the authorities' strategy to minimize costs with options that could include a mix of commercial and semi-concessional financing, the precise timing of reaching the debt anchor remains subject to risks, including the financing terms, actual project implementation costs, and the strength of the overall fiscal reform momentum.

Box 3. Rwanda: Financing Costs for New Kigali International Airport and RwandAir

Total expected costs related the construction of New Kigali International Airport have increased from US$1.5 billion to US$2.6 billion until 2029 and plans to expand the national airline are set to cost an additional US$550 million. Following the completion of the first of two phases of airport construction, estimated costs related to the second phase have increased with project expansion. At the same time, plans to expand the national airline, RwandAir, are set to occur over a similar timeline until 2029. In partnership with the Qatar Investment Authority (QIA), the government of Rwanda has a 40 percent share in the national airport and 51 percent share in the national airline.

Baseline assumptions include an increase in external commercial financing and FDI to meet the project's financing needs. Financing the government's shares in both the airport and airline require a total of US$1.12 billion in equity contributions through 2029 and US$80 million to clear existing debts of RwandAir (around 8 percent of GDP). To meet these obligations, baseline assumptions include frontloaded external commercial borrowing aligned with the project timeline. While the authorities are pursuing a range of options, including a mix of domestic and external commercial and semi-concessional financing, staff's current baseline conservatively assumes full external commercial financing: a US$650 million Eurobond issuance later this year and US$550 million in external commercial loans over 2026-29. Prior to the increase in expected costs, baseline assumptions included US$400 million in external commercial loans over 2025-29, resulting in an additional US$800 million to total baseline financing assumptions. In parallel, FDI inflows of over US$1.4 billion by QIA cover the remaining shares over the next five years.

The associated increase in public debt over the medium-term is partially offset by a reprioritization of other development projects. On one hand, to help make some fiscal space for the increase in financing needs from the airport and airline projects, the authorities have reduced previously planned external yet concessional borrowing for development projects by US$511 million over five years (FY25/26-FY29/30). This consists of around US$293 million in delayed ongoing projects, US$132 million in cancelled existing projects that had not commenced, and US$86 million in other potential projects that had been under consideration. However, the low cost of these concessional loans has a lower offsetting impact on future debt service obligations from the planned commercial borrowing. On the other hand, separate increases in concessional *budget* loans by US$300 million reduces the offsetting impact of the decline in project loans, resulting in a total net reduction of US$210 million in external borrowing.

Project-related construction activity will add to near-term economic growth and increase international official reserves under the baseline. A modest acceleration in GDP growth is expected over the project timeline through 2027, reflecting the contractionary effects of development spending rationalization as well as the balance of domestic and import content. On average, around three-quarters of project needs are assumed to be met by imports, which would limit the near-term impact on growth and inflation. With staff assumptions of full external financing, the financial inflows will therefore have a net positive impact on international reserves through 2027 under the baseline (Tables 1 and 5). In the medium- and long-terms, growth benefits from the project expansion remain conservative and debt service will add pressure on international reserves.

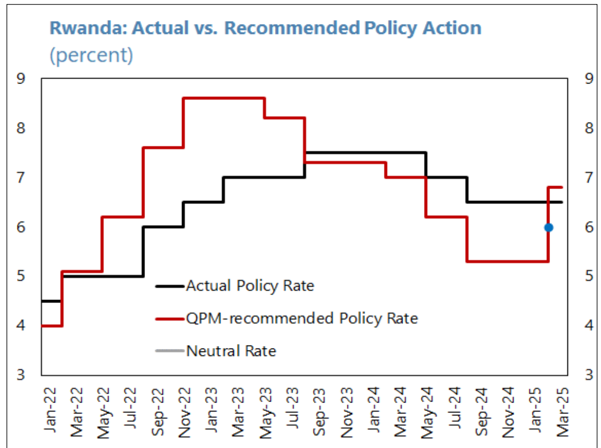
14. Efforts to strengthen fiscal risk management, fiscal transparency, and public financial management continue.

- ***SOE Legal Framework.*** The implementation of the new legal framework for SOEs is ongoing. In June 2024, the Cabinet approved a Presidential Order (PO) that outlines the prerequisites for establishing SOEs, management rules, and Board oversight functions. With the IFC's support, MINECOFIN has approved the SOE corporate governance code and its implementation plan, consistent with the 2024 OECD Guidelines on Corporate Governance of State-Owned Enterprises to ensure SOE operational independence, external audits, and the management of environmental and social risk (**end-March 2025 RT**). The authorities are also establishing a framework for selecting qualified Board members and enhancing the governance framework to include mixed ownership and performance monitoring.
- ***Managing and mitigating SOE fiscal risks.*** The authorities hired new technical staff at the MINECOFIN's Portfolio Oversight Unit to strengthen its capacity to perform financial risk analysis. With IMF TA support, training of the new staff was conducted on the health check and stress test tools. This facilitated in-depth forward-looking financial assessments of five SOEs, including identification of credible mitigation measures to address any identified key vulnerabilities (**end-March 2025 RT**).
- ***Fiscal data digitalization.*** Rwanda's public sector is well-positioned to introduce a data-driven digital PFM transformation.[2] To complement ongoing PFM reforms, the authorities, supported by IMF TA, developed a PFM digitalization and fiscal data strategy (**end-April 2025 RT**) using artificial intelligence for data-driven digital transformation. The strategy outlines actions to support data-driven fiscal policies by improving data quality, ensuring fiscal transparency, and utilizing fiscal data already housed in IFMIS.
- ***Fiscal Transparency Evaluation (FTE).*** The authorities have formally requested an FTE in 2025, scheduled for August. This assessment is expected to identify further reforms to strengthen fiscal transparency and fiscal management.

[2] Rwanda is ranked 3rd in Sub-Saharan Africa in AI readiness according to Oxford Insights and the IMF's AI Preparedness Index .

B. Monetary, Exchange Rate, and Financial Sector Policies

15. Monetary policy should anchor inflation around the center of the target band. Based on the NBR's QPM model, the current policy rate is 50 basis points higher than the neutral rate but 30 basis points below the recommended rate, indicating a slightly looser stance than what may be warranted by the inflation outlook, prior to accounting for the passthrough of VAT on fuels and transportation services. While the February 2025 decision to hold the rate has been broadly appropriate, the NBR should be prepared to tighten the policy stance if core inflation rises or if signs of persistent second-round effects from the pass-through of approved tax policy measures emerge, in order to durably steer inflation back to the mid-target range and support external adjustment. Moreover, the significant fiscal loosening for the priority infrastructure project may lead to increased inflationary pressures, necessitating vigilance and further tightening.



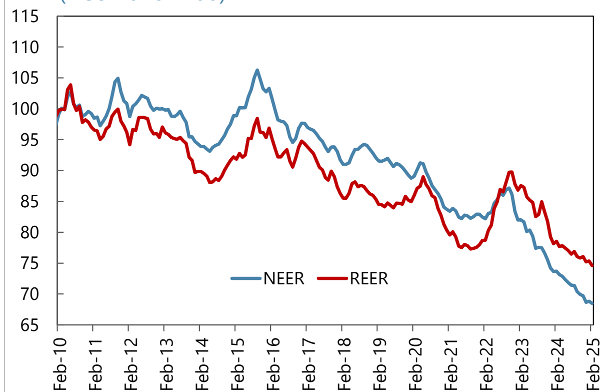
Sources: Rwandan Authorities and IMF staff calculations.

16. The authorities continue to strengthen the implementation of the interest rate-based monetary policy framework.

- With IMF TA, the authorities have improved their forecast and modelling capabilities, recently incorporating climate risks. While short-term rates broadly follow the policy rate and the interest rate channel is generally operational, banking system frictions hinder the passthrough to the lending rates. Greater exchange rate flexibility remains critical for price and external stability.
- With IFC assistance, the authorities identified gaps in insolvency, payment system, and banking laws creating a roadmap for implementing the GMRA. The draft Central Securities Depository (CSD) law, governing the holding and circulation of securities necessary for GMRA implementation, was approved by the Directors of the Capital Market Authority in August 2024 and by Cabinet in March 2025. The full GMRA rollout, including signing by all banks (**end December 2024 RT**, not met), is expected to be enacted before the completion of the fifth review. As a standard framework for repurchase agreements, the GMRA should provide a mechanism for liquidity management and contribute to monetary policy transmission in the banking system.

17. Continued real effective exchange rate adjustment is needed to support external adjustment. The real effective exchange rate depreciation in 2024 fell short of program expectations, notwithstanding the deeper-than-programmed nominal depreciation of the Rwandan franc against the US dollar. Given the sluggish external adjustment to date, projected near term current account deterioration due the priority development project, and the limited effectiveness of monetary policy transmission, the program relies on a continued average nominal depreciation of the exchange rate in 2025, facilitated by greater exchange rate flexibility and price discovery. While the reserve coverage has improved, the balance of risks warrants prudency with NBR's foreign currency interventions to mitigate external pressures arising from the uncertain external environment and future commercial debt service obligations.

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



Sources: Rwandan Authorities and IMF Staff calculations.

18. The foreign exchange interbank market liquidity remains limited and shallow. The authorities' diagnostic assessment of the FX market, supported by IMF TA, recommended key pillars to enhance the foreign exchange (FX) intervention framework.

- ***Revise the Official Exchange Rate Calculation.*** The NBR has revised its official exchange rate calculation methodology to improve price discovery and reflect prevailing market conditions. This transition began in July 2024, with the expectation of aligning the official selling rate with the average of buying and selling rates by November 1, 2025. Consequently, this adjustment has led to increased volatility in the exchange rate.

- ***Implement Competitive FX Auctions.*** To foster transparent price discovery, the NBR committed to conduct a supplementary, smaller-scale competitive auction for banks to source foreign exchange (**end-September 2025 RT**). The auction will feature fixed amounts, variable rates, and bid amount caps to prevent market cornering, thereby enhancing the efficiency of the FX market. This approach aims to address macroeconomic imbalances and the current account deficit, which have constrained FX funding and hindered market functionality, while facilitating a transition to a market-determined exchange rate. Currently, the NBR conducts foreign exchange interventions by selling USD to all domestic banks through bilateral transactions, which does not align with a market-determined exchange rate framework. Moving forward, it is critical to integrate competitive auctions into the NBR's FX intervention strategy, while following best practices for auctions as defined in relevant guidance. Based on their initial experience, the NBR should review the auction design parameters to gradually move towards the fully competitive market-based allocation mechanism. FX interventions should be limited to preventing disorderly exchange rate adjustments and curbing excess volatility to enhance monetary policy transmission, while supporting financial stability.

19. Continued rapid credit growth, especially in the microfinance sector, raises concerns about a potential buildup of excess leverage. The NBR should step up its monitoring of household and small business credit significantly, including through granular data on underwriting standards. Such monitoring would enable the authorities to carry out forward-looking analyses of credit quality and detect any developments that can lead to the deterioration in lender asset quality. Additionally, for its risk monitoring, the NBR should more closely align financial institutions' credit exposures with the standard Basel credit categories (corporates, retail products, residential mortgages, etc.), which would improve its risk monitoring and stress testing capabilities. Despite the continued strong credit expansion, the authorities have not adjusted their macroprudential policy stance in recent years. Based on the enhanced monitoring through granular data on underwriting standards, a more proactive use of macroprudential tools, would also be warranted to mitigate the risk of excessive leverage by retail borrowers. Macroprudential tools to consider would include tightening loan-to-value (LTV) limits and introducing debt-service-to-income (DSTI) limits.

20. Banks continue to carry significant large exposures in their credit portfolios, underscoring the need for ongoing close monitoring and stress testing by authorities at the loan level.[3] SOEs account for a significant share of banks' largest exposures, establishing a considerable bank-sovereign nexus. The NBR has recently enhanced its monitoring of banks' large exposures through monitoring of various borrower-level financial metrics, such as cash flows, indebtedness, interest expenses, which should enable the NBR to investigate potential buildup of risks among banks' large exposures. Stress testing of cash flows and financial metrics would help further strengthen monitoring of these exposures. The potential for significant losses from these exposures indicates that additional capital buffers, including those required under Pillar 2, would strengthen the resilience of the banking system.

21. Rwanda is committed to broadening the coverage of the monetary and financial statistics and enhancing transparency. To achieve comprehensive industry coverage and develop standard reporting forms per the IMF's 2016 Monetary and Financial Statistics Manual and Compilation Guide, balance sheet data on Other Financial Corporations (OFC) were prepared in collaboration with IMF statistics department. The NBR has expanded Monetary and Financial Statistics coverage to include, as part of OFC Survey, insurance companies, Rwanda Development Bank, and private pension institutions; and started publishing these on a quarterly basis **(end-March 2025 RT)**.

22. An update safeguards assessment of the NBR was completed in April 2024. It found generally sound internal controls, external audit, and financial reporting practices. The authorities are making good progress in reforming the NBR Law to align with leading central banks practices particularly for the mandate, financial and personal autonomy, and transparency and accountability. In line with the safeguards assessment recommendation, the authorities plan to submit to Cabinet draft amendments to strengthen these areas, in consultation with IMF staff (**end September 2025**

[3] See Box 1 in CR 24/141 and CR 24/341.

RT). Additionally, the NBR is making progress in strengthening its internal audit function as recommended by the assessment.

C. Advancing Structural Reforms and Policy Priorities

23. The NST-2 aims to strengthen socioeconomic resilience and key infrastructure projects, including the new airport. By promoting economic diversification, improving connectivity, and creating job opportunities, Rwanda aims to support sustainable growth and enhance trade access. This aligns with Rwanda's Vision aiming for a knowledge-based, middle-income economy by 2035 and a high-income economy by 2050, ultimately fostering stability and resilience against external shocks.

24. Rwanda has successfully completed its program under the RSF, but continued efforts are necessary to ensure that RSF-related institutional improvements are durable and well-integrated in decision making. On some areas, the authorities still need to see through the enhanced implementation of established guidelines (climate budget tagging, incorporating climate considerations in public investment selection and appraisal) and action plans (disaster risk reduction framework, adoption of sustainability disclosure standards). The climate budget tagging (CBT) framework could be improved by increasing the granularity of the weighting scheme, while the green taxonomy needs to be fully rolled out to all sectors of the economy. Alignment of the CBT and the Ireme Invest taxonomy with the green taxonomy should be enhanced. Green PFM frameworks will need to be fully embedded in decision-making processes. The action plan to adopt the ISSB sustainability disclosure standards is being finalized. Complementary reforms—such as the adoption of the Climate and Nature Finance Strategy (CNFS) launched in October 2024—are under implementation and expected to further unlock private sector finance and align public and private flows with the country's NDC targets.

25. Developing bankable projects for green financing is a major challenge to scaling up climate finance. Funds disbursed by the Private Green Facility (Ireme Invest) remain small relative to available resources (US$3.5 million compared to US$260 million in pledges). Rwanda's experience shows that securing pledges for additional public and private climate financing, while difficult, is only the first step. Building a pipeline of green projects takes longer as banks and companies need time to strengthen their expertise in and understanding of the technical requirements for green investments. Currently, the pipeline for Ireme Invest incorporates predominantly mitigation projects. The full implementation of the green taxonomy, which also incorporates adaptation aspects, would help to broaden the scope of the pipeline.

26. Rwanda's July 2024 Mutual Evaluation Report by the Eastern and Southern Africa Anti Money Laundering Group highlighted the need for significant improvements to its AML/CFT framework, particularly in beneficial ownership (BO) transparency reforms. These reforms should include harmonizing the definition of BO in the Public Procurement law and ensuring timely access to BO information by competent authorities. A post-evaluation progress report is being prepared and should be available at a later stage.

PROGRAM MODALITIES

27. Program conditionality under the PCI remains adequate, except for one QT, for which a modification is proposed to reflect the updated macroeconomic framework and the authorities' commitments to reforms (MEFP Tables 1–3). The implementation will continue to be monitored on a semi-annual basis through RTs, QTs, continuous, standard continuous targets, and a Monetary Policy Consultation Clause (MPCC), with the end-June 2025 test date remaining as formulated at the time of the fourth review. The end-June 2025 ceiling on the PV of new public and publicly guaranteed debt is proposed to be reset to accommodate the government borrowing secured on concessional terms in FY24/25. It is also requested to convert this continuous quantitative target to periodic quantitative target with end-June 2025 as the test date to facilitate timely reporting for the last PCI review.

28. Capacity to Repay. Rwanda's capacity to repay the Fund remains adequate. Rwanda's outstanding credit peaked at 383.8 percent of quota (as of (December 31, 2024) as RSF and SCF arrangements were fully disbursed. While peak for credit outstanding is high (33.4 percent of gross international reserves, or 5.7 percent GDP), part of it is very long-term due to RSF financing, and debt service to the Fund remains modest at 3.0 percent of revenues excluding grants in 2028 and 2029. While moving ahead with the priority infrastructure project will significantly heighten debt vulnerabilities and constrain policy space to react to shocks, Rwanda has a strong track record of repayments to the Fund, with external and overall risk of debt distress still assessed to remain moderate (see DSA).

29. Financing assurances and risks to program implementation. The program remains fully financed with firm commitments for the remainder of the program. Financing assurances have been provided mostly in the form of concessional grants from the World Bank, Global Fund, and bilateral development partners and concessional loans from the World Bank, AfDB, and other multilateral and bilateral development partners. The authorities need to monitor risks to select bilateral commitments, including those that may be affected by military escalation of regional conflict and the availability of foreign aid. While uncertainties and risks to program implementation have increased, these are mitigated by the authorities' strong ownership of the program.

STAFF APPRAISAL

30. Rwanda's macroeconomic performance through end-December 2024 remained in line with the objectives of the PCI arrangement. The economy expanded by 8.9 percent, supported by robust activity in services, construction, and food crop production. Inflation stabilized within the central bank's target range, reflecting tight monetary policy and favorable food prices. While coffee exports rebounded, the current account deficit widened due to elevated import demand. The Rwandan franc depreciated by 9.4 percent against the US dollar, supporting external rebalancing. International reserves remained strong, covering 5.4 months of imports and providing a solid buffer against external shocks.

31. However, the macroeconomic environment is complex and evolving, shaped by a combination of domestic policy shifts and external headwinds. The current review was conducted against a substantially redesigned macroeconomic framework. Notably, the large priority project for the second phase of the New Kigali International Airport construction and the expansion of the RwandAir national airline has introduced significant new pressures on the fiscal and debt outlook. At the same time, a pension reform aimed at ensuring the sustainability of the pension system has further strained the fiscal outlook. Tax reforms taking effect from May should help bolster revenues and partially offset these pressures. Meanwhile, deepening geopolitical fragmentation and shrinking aid flows—including accelerated declines in concessional financing—have created a more challenging external financing environment for Rwanda.

32. The public debt trajectory has shifted significantly, notwithstanding efforts to create fiscal space through investment reprioritization. The authorities have reduced previously planned external concessional borrowing for development projects by US$511 million over FY25/26-FY29/30 (about 3.5 percent of GDP). Nevertheless, public debt is projected to peak in the next two fiscal years and remain elevated well beyond the medium term, with gross financing needs increasingly shifting to market-based sources. The program debt anchor of 65 percent of GDP is now expected to be reached by 2033—two years later than previously envisaged under the PCI. This trajectory reinforces the need for a sustained, credible commitment to strong policies to preserve debt sustainability and macroeconomic stability. Staff welcomes the authorities' efforts to transparently delineate the drivers of the widened fiscal deficit (FY25/26 deficit of 7.4 percent of GDP including priority investment project, 3.5 percent of GDP excluding), which underscores their commitment to maintaining fiscal discipline in the broader budget despite elevated spending needs.

33. The narrowing of policy space implies heightened vulnerability to shocks and policy slippages. Even modest deviations from the planned adjustment path could push baseline debt burden indicators closer to high-risk thresholds. The authorities' commitment to tax policy reform including under the follow-up medium-term revenue strategy and continued consolidation from FY26/27 onward will be essential. A prudent debt management strategy that actively explores options to lower the financing costs of priority infrastructure projects—such as blending concessional and commercial resources and leveraging cost-mitigating strategies with the involvement of IFIs—can help mitigate risks and bolster confidence. Fiscal risks from assumptions on declining RwandAir subsidies and accelerated pension reform, underscore the need for close monitoring, reassessment of fiscal projections, and technical support to ensure the sustainability and prudence of Rwanda's Social Security Board's parameters and investment strategy. Clear communication and timely implementation of identified measures will be critical to maintain investor confidence.

34. Exchange rate flexibility remains key to absorbing external shocks and preserving international reserves. Continued efforts to strengthen the foreign exchange intervention framework will be important to facilitate price discovery and improve market functioning. Monetary policy should remain prudent and data-driven, with careful consideration of inflationary pressures stemming from tax reforms and the significant fiscal loosening for the development project as well as the need to support macroeconomic stability. The central bank's readiness to respond to emerging inflation pressures is welcome. Financial sector risks are rising in tandem with strong credit growth. While advances in financial inclusion are commendable, rapid expansion—especially among microfinance institutions—warrants close monitoring. Potential asset quality deterioration and borrower overleveraging should be addressed through granular risk monitoring and, if necessary, macroprudential measures.

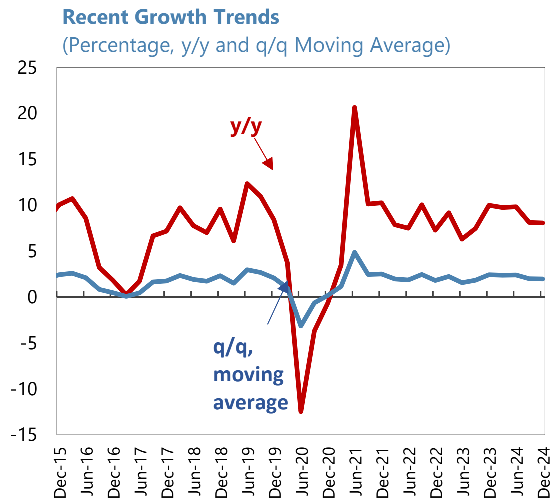
35. Rwanda continues to make strong progress on its structural reform agenda. All but one of the PCI reform targets for the completion of this review have been implemented, including the comprehensive tax package, SOE governance code, SOE stress testing, monetary statistics expansion, a PFM digitalization strategy; while the full rollout of the Global Master Repurchase Agreement is expected to be enacted before the completion of the current review. On climate, Rwanda continues to make commendable progress in leveraging RSF resources and embedding climate considerations into fiscal planning. However, the development of a credible climate finance pipeline remains an area for further attention. It is important for the authorities to maintain their existing commitments and continue efforts to identify viable financing sources to meet emerging needs. Renewed efforts to build statistical capacity and re-establish high standards of fiscal data reporting will also be essential, particularly as new complex reforms and financing strategies are introduced.

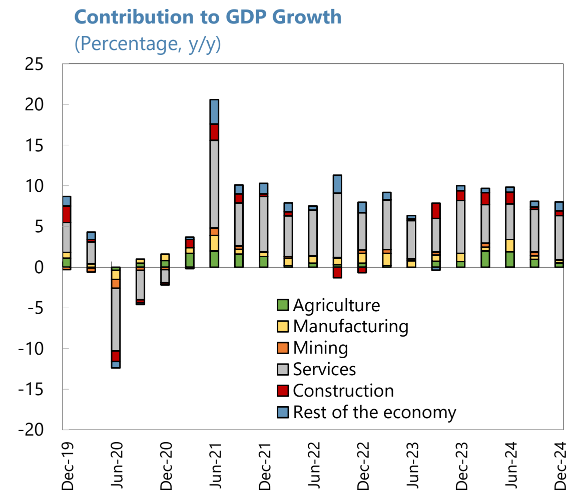
36. Staff supports the completion of the fifth review of the PCI. The authorities have shown strong commitment to reforms, proven ability to implement difficult measures, and a solid track record of prudent policies. Staff supports the authorities' request under the PCI to modify the end-June 2025 target on the ceiling for the present value of new public and publicly guaranteed debt to reflect the updated macroframework and authorities' commitment to reforms. Staff also supports the authorities' request to convert this continuous quantitative target to periodic quantitative target with end-June 2025 as the test date to facilitate timely reporting for the last PCI review.

Figure 1. Rwanda: Overview of Recent Economic Developments

Economic activities continue to remain strong in 2024Q3…

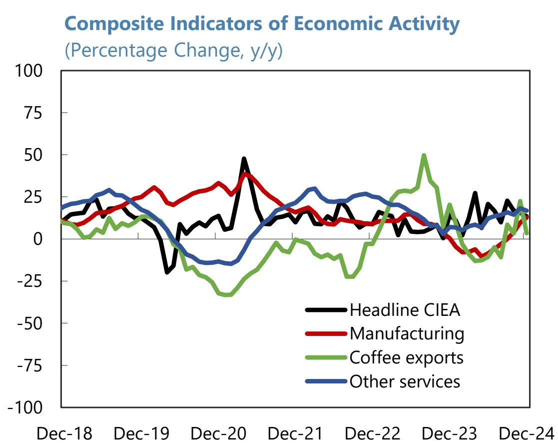
… due to strong performance in services and trade as well as the rebounding of agriculture.

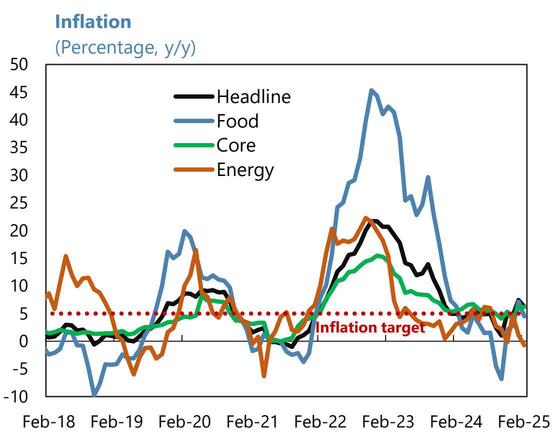




High regional demand for manufactured exports and increased coffee prices led to an uptick in exports in 2024Q4 .

As of January 2025, inflation has increased due to the base effect while remaining within the NBR's inflation target range.

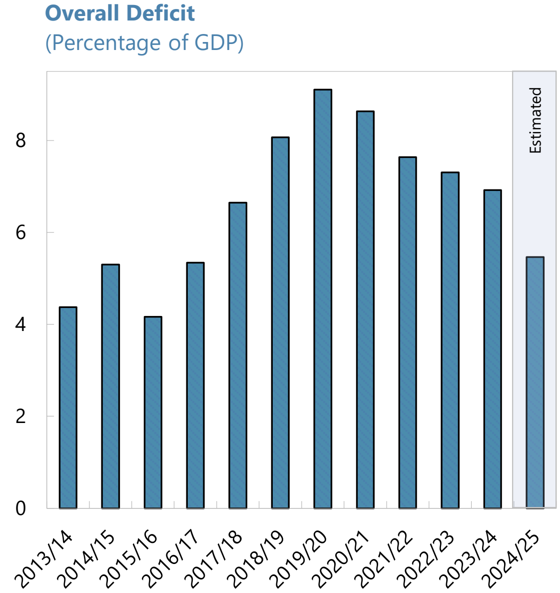




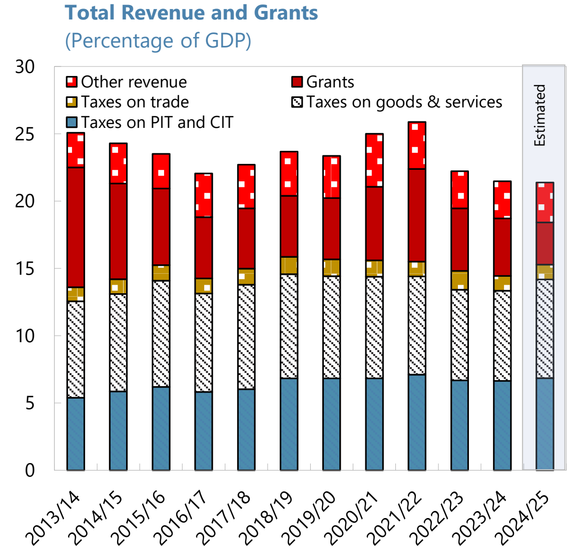
Sources: Rwandan Authorities and IMF staff estimates.

Figure 2. Rwanda: Fiscal Developments

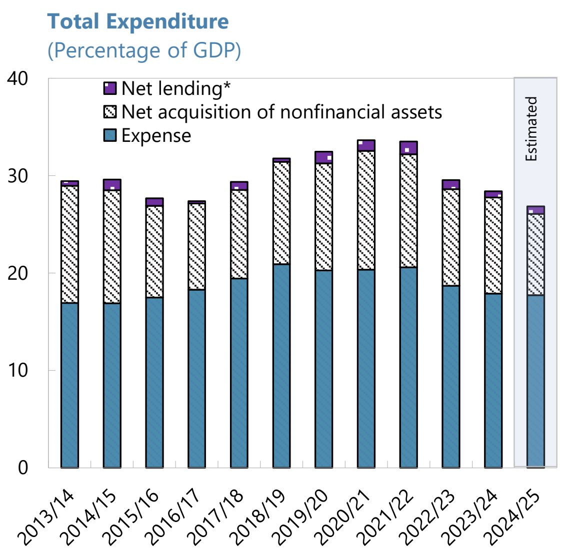
The fiscal deficit is expected to narrow in 2024/25…



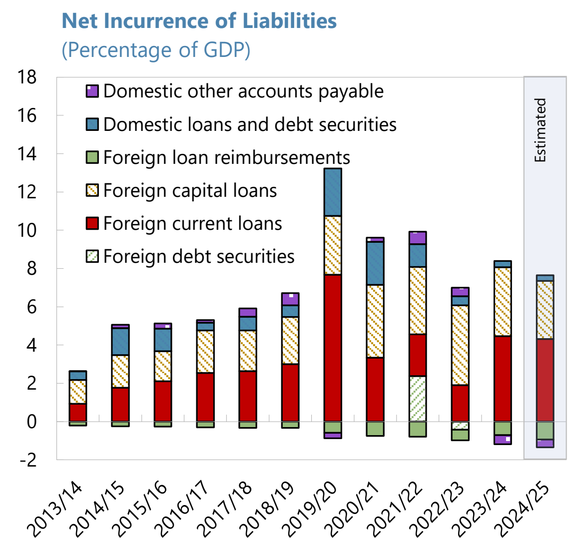
… as tax revenues start to reflect the implementation of new tax package…



… while expenditures, especially capital spending, is expected to moderate …



… influenced by trends in foreign capital and current loans.

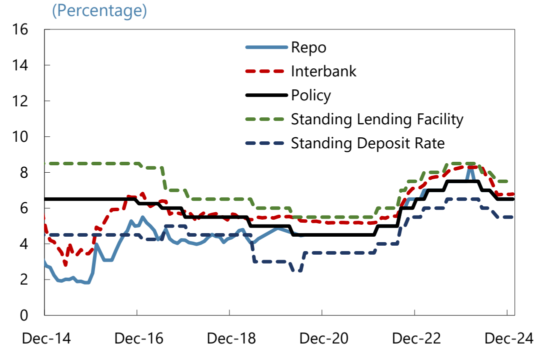


Sources: Rwandan Authorities and IMF staff estimates.
**Net lending is presented in the overall balance in accordance with the PCI definition.*

Figure 3. Rwanda: Monetary and Financial Sector Developments

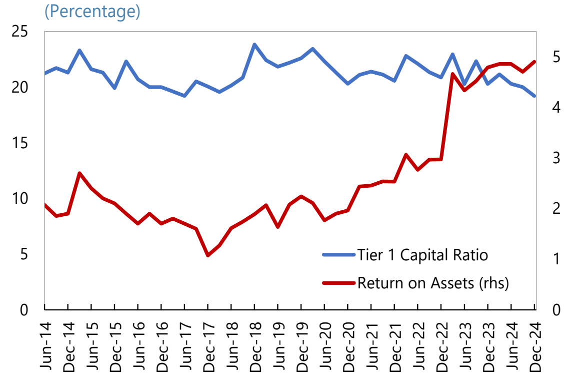
The NBR's monetary stance remains unchanged since May 2024.

Policy and Short Term Rates
(Percentage)



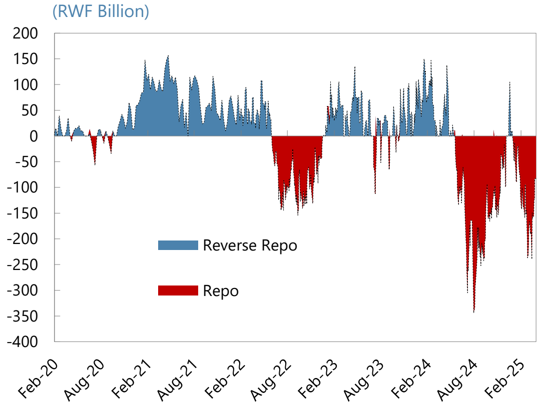
The banking sector continues to be profitable and regulatory capital is well above minimum requirements.

Rwanda Banking System - Profitability and Capitalization
(Percentage)



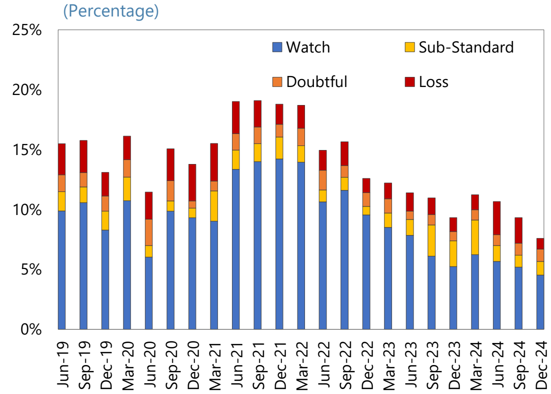
There is growing demand for repos from NBR with ample liquidity in the market.

Liquidity Management from Open Market Operations[1,2]
(RWF Billion)



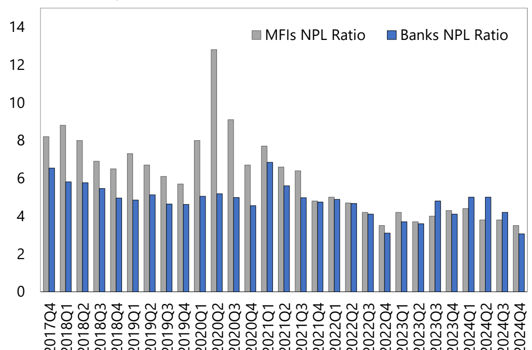
Loans under Watch category have continued to decline.

Risk Status of Loan Stock
(Percentage)



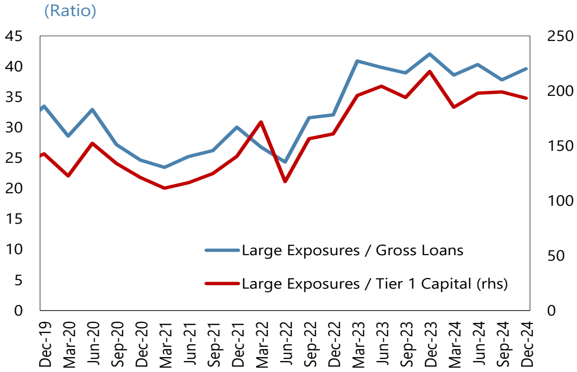
NPL levels remained broadly stable recently, following the COVID-related spike during 2020-2021.

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



But large exposures of banks remain high.

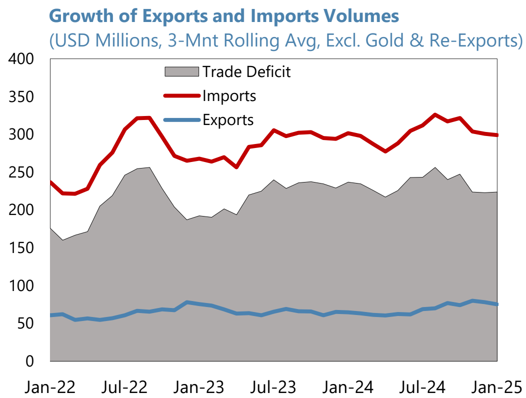
Rwanda Banking Sytem - Large Exposures
(Ratio)



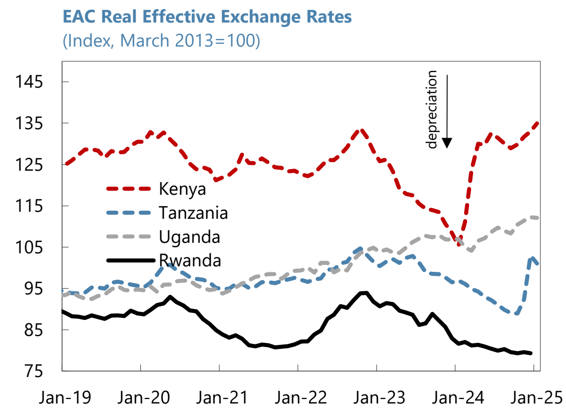
Sources: Rwandan authorities, and IMF staff estimates.
Notes: 1 Real interest rate is calculated from the average nominal lending rate and the year-on-year inflation rate.
2 Positive sign means net injection and negative sign means net absorption of liquidity.

Figure 4. Rwanda: External Developments

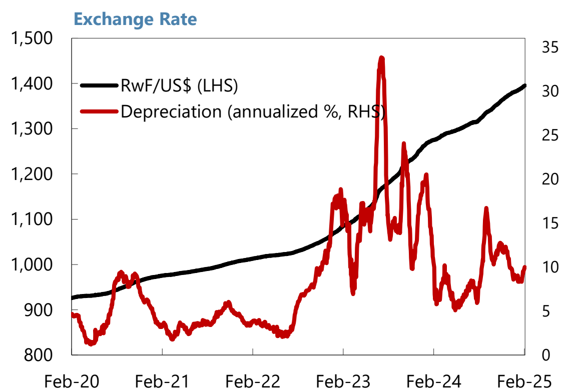
The trade deficit adjusted somewhat, reflecting strong exports and moderation in imports.



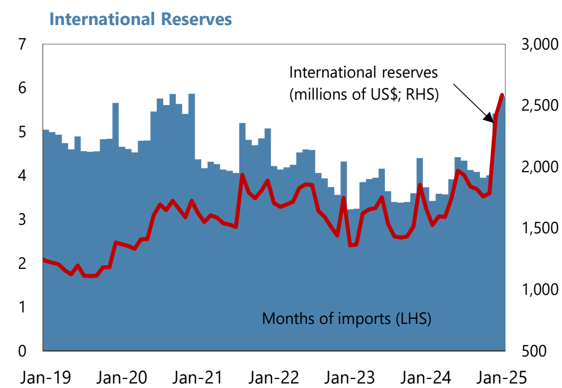
The REER continued to depreciate…



… driven by continued, albeit less pronounced, nominal exchange rate depreciation…

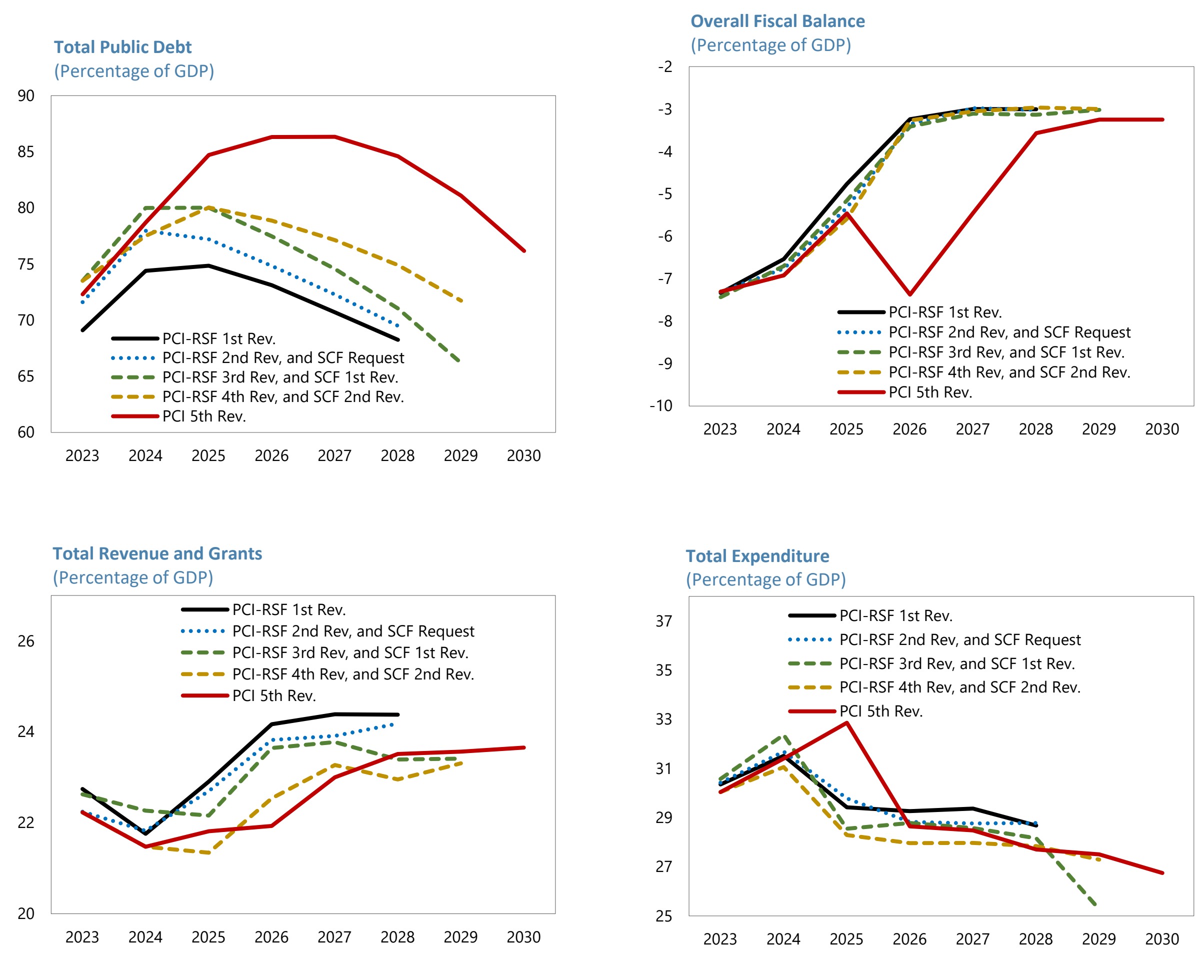


… while international reserves increased following earlier disbursements in official financing support.



Sources: Rwandan authorities, and IMF staff estimates.

Figure 5. Rwanda: Selected Program Indicators



Sources: Rwandan authorities, and IMF staff estimates.

Table 1. Rwanda: Selected Economic Indicators, 2024–30

	2024	2025		2026		2027		2028		2029		2030
	Act.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)											
Output and prices												
Real GDP	8.9	7.0	7.1	7.0	7.5	7.2	7.4	7.3	7.0	7.3	7.0	7.0
GDP deflator	3.8	4.9	5.7	5.0	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI (period average)	4.8	5.0	7.0	5.0	4.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0
CPI (end period)	6.8	4.7	6.3	5.0	4.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Terms of trade (deterioration, -)	2.4	-2.4	0.1	-0.4	-0.1	-0.4	-0.6	1.0	-0.4	-1.0	-0.5	0.7
Exchange rate (Rwanda franc/US$) (e.o.p.)	1,383	--	...	--	...	--	...	--	...	--	...	...
Rwanda franc y/y depreciation rate (e.o.p.)	9.4	--	...	--	...	--	...	--	...	--	...	...
Exchange rate (Rwanda franc/US$) (p. avg.)	1,318	--	...	--	...	--	...	--	...	--	...	...
Rwanda franc y/y depreciation rate (p. avg.)	13.6	--	...	--	...	--	...	--	...	--	...	...
Real effective exchange rate (depreciation, -)(p.avg.)	-8.3	--	...	--	...	--	...	--	...	--	...	...
Money and credit												
Broad money (M3)	20.6	13.8	10.8	9.2	7.6	13.9	16.2	12.7	12.3	12.6	11.7	11.7
Reserve money	11.0	9.3	0.4	10.9	20.5	13.2	15.3	10.5	12.1	12.6	-0.1	9.2
Credit to non-government sector	14.3	11.9	17.6	10.5	10.8	12.0	19.4	10.5	11.4	12.1	18.7	14.0
M3/GDP (percent)	31.5	29.9	30.9	29.1	29.4	29.4	30.3	29.4	30.3	29.4	30.1	29.9
	(Percent of GDP, unless otherwise indicated)											
Budgetary central government, FY basis [1]												
Revenue	21.5	21.3	21.4	22.5	21.4	23.3	22.3	23.0	22.8	23.3	22.9	23.1
Taxes	14.6	15.4	15.5	16.4	16.4	17.4	17.4	17.9	17.9	18.4	18.1	18.2
Grants	4.3	3.2	3.1	3.6	2.6	3.4	2.6	2.5	2.6	2.5	2.5	2.4
Other revenue	2.6	2.8	2.8	2.5	2.4	2.5	2.4	2.5	2.4	2.5	2.4	2.5
Expense	17.9	17.5	17.7	16.8	17.8	16.7	17.1	16.5	17.3	16.3	17.0	17.3
Net acquisition of nonfin. assets	9.9	8.8	8.4	8.6	7.5	9.3	8.3	9.1	8.7	9.8	8.9	8.8
Net lending (+) / borrowing (-) (NLB)	-6.3	-4.9	-4.7	-2.9	-4.0	-2.7	-3.0	-2.7	-3.1	-2.8	-3.0	-3.1
excluding grants	-10.6	-8.1	-7.8	-6.5	-6.6	-6.1	-5.6	-5.2	-5.7	-5.2	-5.4	-5.5
Net acquisition of financial assets	0.5	1.5	1.6	0.9	3.8	0.8	2.9	0.8	1.0	0.5	0.6	0.5
Currency and deposits	-0.2	0.9	0.8	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Loans	0.5	0.5	0.6	0.2	0.3	0.2	0.2	0.2	0.2	0.1	0.2	0.1
Equity and investment fund shares	0.2	0.2	0.2	0.2	3.1	0.2	2.7	0.1	2.4	0.1	2.2	0.1
Net incurrence of liabilities	7.2	6.5	6.3	3.8	7.9	3.6	5.9	3.5	4.0	3.3	3.5	3.5
Domestic	-0.1	-0.2	-0.1	-1.0	-0.1	-0.4	-0.5	0.8	0.6	-0.2	1.2	2.6
Foreign	7.4	6.7	6.4	4.8	8.0	4.0	6.4	2.7	3.4	3.5	2.4	0.9
Overall fiscal balance (incl. grants, policy lending)[2]	-6.9	-5.6	-5.5	-3.3	-7.4	-3.1	-5.4	-3.0	-3.6	-3.0	-3.2	-3.2
Debt-creating overall balance (excl. PKO)[3]	-6.9	-5.6	-5.5	-3.3	-7.4	-3.1	-5.4	-3.0	-3.6	-3.0	-3.2	-3.2
Primary balance (excl grants)	-8.8	-7.2	-6.1	-4.5	-7.3	-4.1	-5.3	-3.8	-3.5	-3.7	-3.2	-2.5
Public debt												
Total public debt incl. guarantees	78.7	80.1	84.7	79.0	86.3	77.2	86.3	75.0	84.6	71.9	81.1	76.2
of which : external public debt	63.1	67.5	73.0	70.2	78.2	70.4	80.6	70.0	79.7	68.6	76.4	73.2
Total public debt excluding guarantees	76.5	77.2	81.8	76.2	83.6	74.7	83.8	72.6	82.2	69.6	78.8	74.1
External public debt incl. guarantees, PV	39.2	42.9	46.1	44.4	49.1	44.3	50.7	43.6	49.9	41.9	47.8	45.4
Gross domestic debt	15.6	12.6	11.7	8.8	8.1	6.9	5.8	5.0	4.9	3.3	4.7	3.0
Total public debt incl. guarantees, PV	56.7	57.2	59.6	54.6	59.0	52.5	58.1	49.6	56.2	46.2	53.5	49.1
Investment and savings												
Investment	25.9	27.0	25.2	26.9	30.0	27.4	27.7	27.5	24.6	27.5	24.8	23.4
Government	11.7	9.9	12.8	10.4	10.9	10.7	11.1	10.9	10.3	11.0	10.4	10.1
Nongovernment	14.3	17.1	12.4	16.5	19.0	16.7	16.7	16.6	14.3	16.5	14.5	13.4
Savings (excl. grants)	12.1	13.2	11.7	13.7	17.1	16.0	16.7	17.6	15.0	17.6	15.2	13.1
Government	0.9	2.5	0.5	3.8	3.4	4.9	4.3	5.5	4.6	5.9	5.1	5.7
Nongovernment	11.2	10.8	11.2	9.8	13.7	11.2	12.4	12.1	10.4	11.7	10.2	7.4
External sector												
Exports (goods and services)	30.0	33.5	34.4	36.5	37.9	39.0	39.9	40.8	42.8	42.0	44.6	44.5
Imports (goods and services)	-45.8	-48.7	-50.1	-50.9	-54.9	-52.3	-54.2	-53.0	-53.2	-52.4	-53.9	-52.3
Current account balance (incl grants)	-12.7	-12.1	-13.8	-11.2	-15.9	-10.5	-13.4	-9.8	-9.9	-8.3	-8.8	-7.6
Gross official reserves												
In millions of US$	2,405	2,158	2,578	2,284	2,599	2,376	2,649	2,494	2,658	2,536	2,549	2,561
In months of next year's imports[4]	5.4	4.7	5.2	4.8	5.3	4.7	5.6	4.8	5.4	4.9	5.1	5.1
In millions of US$ (excl RSF)	2,083	1,836	2,256	1,961	2,277	2,054	2,327	2,172	2,336	2,214	2,227	2,239
In months of next year's imports[4] (excl RSF)	4.7	4.0	4.6	4.1	4.6	4.1	4.9	4.2	4.7	4.3	4.5	4.4
Memorandum items:												
GDP at current market prices												
Rwanda francs (billion), CY basis	18,785	20,776	21,276	23,343	24,032	26,272	27,106	29,604	30,447	33,325	34,210	38,428
nominal growth	13.0	12.3	13.3	12.4	13.0	12.5	12.8	12.7	12.3	12.6	12.4	12.3
Rwanda francs (billion), FY basis [1]	17,747	19,642	20,031	22,060	22,654	24,808	25,569	27,938	28,776	31,465	32,328	36,319
Population (million)	13.9	14.2	14.2	14.5	14.5	14.8	14.8	15.1	15.1	15.3	15.3	15.6

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 and FY22/23 are 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 FY22/23–29/30[1]

(Billions of Rwandan francs)

	2022/23	2023/24	2024/25		2025/26		2026/27		2027/28		2028/29		2029/30
	Act	Act.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	Proj.
Revenue	**3,400**	**3,811**	**4,193**	**4,285**	**4,973**	**4,838**	**5,774**	**5,706**	**6,413**	**6,570**	**7,335**	**7,415**	**8,378**
Taxes	2,287	2,593	3,018	3,106	3,621	3,708	4,307	4,438	5,004	5,138	5,791	5,850	6,618
Taxes on income, profits, and capital gains	1,023	1,179	1,397	1,372	1,671	1,611	2,001	1,935	2,335	2,226	2,726	2,523	2,892
Taxes on property	23	31	38	43	44	48	51	55	59	61	64	63	71
Taxes on goods and services	1,030	1,190	1,373	1,468	1,665	1,811	1,967	2,172	2,276	2,517	2,617	2,879	3,230
Taxes on international trade and transactions	212	194	209	223	240	239	288	276	334	333	383	384	425
Grants	711	758	621	626	790	585	842	660	710	740	772	794	869
Other revenue	401	460	554	553	561	544	624	608	699	693	772	771	891
of which: PKO	146	210	209	210	225	197	240	212	254	226	267	239	250
Expense	**2,857**	**3,173**	**3,441**	**3,550**	**3,707**	**4,040**	**4,141**	**4,361**	**4,602**	**4,968**	**5,137**	**5,509**	**6,285**
Compensation of employees	368	467	550	569	636	673	714	757	802	857	901	969	1,092
of which: RSSB reform	--	--	--	18	--	37	--	43	--	55	--	68	80
Use of goods and services	743	799	831	866	833	889	974	1,000	1,084	1,135	1,240	1,275	1,348
of which: Marburg virus response	--	--	83	83	--	--	--	--	--	--	--	--	--
of which: VAT refunds	--	--	20	50	20	--	--	--	--	--	--	--	--
Interest	304	418	500	503	559	604	572	696	597	772	610	820	1,148
To nonresidents	101	183	238	239	258	328	284	430	309	511	330	572	908
of which: Bugesera and RwandAir	--	--	--	--	--	58	--	147	--	197	--	226	233
of which: Eurobond fees	--	--	--	--	--	18	--	--	--	--	--	--	--
To residents other than general government	203	234	262	264	301	276	288	266	288	260	280	248	240
Subsidies	299	307	323	323	350	490	390	313	439	345	495	362	362
of which: RwandAir loan repayment	--	--	--	--	--	122	--	--	--	--	--	--	--
of which: RwandAir working capital	177	177	162	162	149	169	167	90	179	85	--	68	39
Grants	970	994	1,026	1,077	1,103	1,156	1,248	1,350	1,406	1,582	1,584	1,774	1,984
Of which: RSSB reform	--	--	--	26	--	53	--	62	--	79	--	97	115
To Local Government	917	925	938	986	1,006	1,052	1,139	1,234	1,312	1,465	1,490	1,655	1,863
Current	671	704	728	767	775	813	874	950	978	1,097	1,110	1,240	1,396
of which: Compensation of employees	410	503	561	580	662	700	744	789	838	896	944	1,015	1,090
Capital	246	221	209	219	231	239	265	284	335	368	380	415	467
Social benefits	46	49	66	67	73	75	74	77	84	86	94	97	109
Other expense	128	139	144	144	153	153	169	169	190	190	214	214	241
Net Operating Balance													
including grants	543	638	752	736	1,266	798	1,633	1,344	1,811	1,602	2,198	1,906	2,094
excluding grants	-168	-120	131	110	476	213	791	684	1,101	862	1,426	1,112	1,225
Net acquisition of nonfin. assets	**1,518**	**1,755**	**1,719**	**1,674**	**1,901**	**1,709**	**2,309**	**2,122**	**2,554**	**2,490**	**3,075**	**2,862**	**3,208**
Foreign financed	771	1,098	1,076	1,008	1,202	1,037	1,328	1,163	1,346	1,261	1,564	1,399	1,541
of which: Flood spending	--	24	80	80	24	24	3	3	--	--	--	--	--
Domestically financed	747	657	644	667	700	672	980	959	1,208	1,229	1,511	1,464	1,667
of which: Flood spending	--	44	--	--	--	--	--	--	--	--	--	--	--
of which: Marburg virus response	--	--	20	20	--	--	--	--	--	--	--	--	--
Net lending (+) / borrowing (-)													
including grants	**-976**	**-1117**	**-967**	**-939**	**-635**	**-911**	**-676**	**-778**	**-743**	**-888**	**-877**	**-956**	**-1115**
excluding grants	-1,687	-1,875	-1,588	-1,565	-1,426	-1,496	-1,518	-1,438	-1,453	-1,628	-1,649	-1,751	-1,984
Net acquisition of financial assets	**-73**	**81**	**301**	**325**	**196**	**871**	**206**	**739**	**225**	**278**	**161**	**190**	**174**
Domestic	-5	81	301	325	196	871	206	739	225	278	161	190	174
Currency and deposits	-78	-30	170	170	110	110	124	124	140	139	94	97	109
Debt Securities	--	--	--	--	--	--	--	--	--	--	--	--	--
Loans	92	83	91	115	47	59	46	33	49	30	30	30	29
Equity and investment fund shares	49	29	40	40	38	702	36	583	36	108	36	63	36
of which: Bugesera	36	36	36	36	36	699	36	583	36	108	36	63	36
Foreign	-68	--	--	--	--	--	--	--	--	--	--	--	--
Net incurrence of liabilities	**951**	**1,282**	**1,268**	**1,264**	**831**	**1,781**	**882**	**1,517**	**967**	**1,155**	**1,038**	**1,147**	**1,288**
Domestic	142	-26	-49	-21	-226	-30	-110	-116	221	175	-72	375	954
Debt securities	295	154	110	155	-55	137	30	13	351	309	-5	431	1,064
Held by Banks	42	36	-39	-11	-206	-10	-90	-96	160	125	-134	313	891
Held by Non-Banks	252	119	149	149	151	147	119	109	191	185	129	118	172
Loans (debt securitites repayments)	-222	-96	-79	-96	-131	-127	-99	-89	-170	-175	-107	-96	-149
Other accounts payable[3]	70	-84	-80	-80	-40	-40	-40	-40	40	40	40	40	40
Foreign	809	1,307	1,316	1,285	1,057	1,812	991	1,633	746	980	1,110	772	334
Debt securities	-68	--	--	--	--	--	--	--	--	--	--	--	--
Loans	877	1,307.2	1,316	1,285	1,057	1,812	991	1,633	746	980	1,110	772	334
Disbursements	962	1,432	1,503	1,473	1,403	2,152	1,480	2,119	1,313	1,589	1,770	1,561	1,345
Current	535	792	847	864	648	1,530	636	1,428	410	831	732	694	361
of which: IMF RSF	106	157	133	133	--	--	--	--	--	--	--	--	--
of which: IMF SCF	--	44	25	25	--	--	--	--	--	--	--	--	--
Capital	426	640	656	609	755	622	845	691	903	758	1,038	867	984
Reimbursements	85	125	187	188	346	340	489	486	567	609	660	789	1,011
Statistical discrepancy	-48	-83	--	--	--	--	--	--	--	11	--	--	--
Memorandum items:													
Domestic revenue (incl. local government)	2,542	2,844	3,363	3,449	3,957	4,055	4,691	4,834	5,449	5,604	6,296	6,382	7,259
Wage bill (incl. local government)	805	1,005	1,145	1,190	1,332	1,422	1,497	1,602	1,675	1,814	1,879	2,048	2,251
Primary balance excl. grants	-1,525	-1,568	-1,219	-1,217	-953	-1,652	-1,028	-1,358	-941	-994	-1,105	-1,024	-901
Domestic financing with RSF	147	-107	-349	-346	-422	-901	-316	-855	-3	-103	-233	185	780
Domestic financing without RSF	253	50	-216	-213	-422	-901	-316	-855	-3	-103	-233	185	780
Overall fiscal balance (incl. grants, policy loans)[2]	-1,117	-1,228	-1,098	-1,094	-721	-1,671	-758	-1,393	-828	-1,026	-944	-1,050	-1,179
Debt creating overall bal. (excl. PKO)[3]	-1,117	-1,228	-1,098	-1,094	-721	-1,671	-758	-1,393	-828	-1,026	-944	-1,050	-1,179
Excluding Bugesera	--	--	--	--	--	-790	--	-776	--	-851	--	--	--

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 FY22/23–29/30[1]

(Percent of GDP, unless otherwise indicated)

	2022/23	2023/24	2024/25		2025/26		2026/27		2027/28		2028/29		2029/30
	Act	Act.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	Proj.
Revenue	**22.2**	**21.5**	**21.3**	**21.4**	**22.5**	**21.4**	**23.3**	**22.3**	**23.0**	**22.8**	**23.3**	**22.9**	**23.1**
Taxes	15.0	14.6	15.4	15.5	16.4	16.4	17.4	17.4	17.9	17.9	18.4	18.1	18.2
Taxes on income, profits, and capital gains	6.7	6.6	7.1	6.9	7.6	7.1	8.1	7.6	8.4	7.7	8.7	7.8	8.0
Taxes on property	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Taxes on goods and services	6.7	6.7	7.0	7.3	7.5	8.0	7.9	8.5	8.1	8.7	8.3	8.9	8.9
Taxes on international trade and transactions	1.4	1.1	1.1	1.1	1.1	1.1	1.2	1.1	1.2	1.2	1.2	1.2	1.2
Grants	4.7	4.3	3.2	3.1	3.6	2.6	3.4	2.6	2.5	2.6	2.5	2.5	2.4
Other revenue	2.6	2.6	2.8	2.8	2.5	2.4	2.5	2.4	2.5	2.4	2.5	2.4	2.5
of which: PKO	1.0	1.2	1.1	1.0	1.0	0.9	1.0	0.8	0.9	0.8	0.8	0.7	0.7
Expense	**18.7**	**17.9**	**17.5**	**17.7**	**16.8**	**17.8**	**16.7**	**17.1**	**16.5**	**17.3**	**16.3**	**17.0**	**17.3**
Compensation of employees	2.4	2.6	2.8	2.8	2.9	3.0	2.9	3.0	2.9	3.0	2.9	3.0	3.0
of which: RSSB reform	--	--	--	0.1	--	0.2	--	0.2	--	0.2	--	0.2	0.2
Use of goods and services	4.9	4.5	4.2	4.3	3.8	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.7
of which: Marburg virus response	--	--	0.4	0.4	--	--	--	--	--	--	--	--	--
of which: VAT refunds	--	--	0.1	0.2	0.1	--	--	--	--	--	--	--	--
Interest	2.0	2.4	2.5	2.5	2.5	2.7	2.3	2.7	2.1	2.7	1.9	2.5	3.2
To nonresidents	0.7	1.0	1.2	1.2	1.2	1.4	1.1	1.7	1.1	1.8	1.1	1.8	2.5
of which: Bugesera and RwandAir	--	--	--	--	--	0.3	--	0.6	--	0.7	--	0.7	0.6
of which: Eurobond fees	--	--	--	--	--	0.1	--	--	--	--	--	--	--
To residents other than general government	1.3	1.3	1.3	1.3	1.4	1.2	1.2	1.0	1.0	0.9	0.9	0.8	0.7
Subsidies	2.0	1.7	1.6	1.6	1.6	2.2	1.6	1.2	1.6	1.2	1.6	1.1	1.0
of which: RwandAir loan repayment	--	--	--	--	--	0.5	--	--	--	--	--	--	--
of which: RwandAir working capital	1.2	1.0	0.8	0.8	0.7	0.7	0.7	0.4	0.6	0.3	--	0.2	0.1
Grants	6.3	5.6	5.2	5.4	5.0	5.1	5.0	5.3	5.0	5.5	5.0	5.5	5.5
Of which: RSSB reform	--	--	--	0.1	--	0.2	--	0.2	--	0.3	--	0.3	0.3
To Local Government	6.0	5.2	4.8	4.9	4.6	4.6	4.6	4.8	4.7	5.1	4.7	5.1	5.1
Current	4.4	4.0	3.7	3.8	3.5	3.6	3.5	3.7	3.5	3.8	3.5	3.8	3.8
of which: Compensation of employees	2.7	2.8	2.9	2.9	3.0	3.1	3.0	3.1	3.0	3.1	3.0	3.1	3.0
Capital	1.6	1.2	1.1	1.1	1.0	1.1	1.1	1.1	1.2	1.3	1.2	1.3	1.3
Social benefits	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other expense	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Net acquisition of nonfin. assets	**9.9**	**9.9**	**8.8**	**8.4**	**8.6**	**7.5**	**9.3**	**8.3**	**9.1**	**8.7**	**9.8**	**8.9**	**8.8**
Foreign financed	5.0	6.2	5.5	5.0	5.4	4.6	5.4	4.6	4.8	4.4	5.0	4.3	4.2
of which: Flood spending	--	0.1	0.4	0.4	0.1	0.1	--	--	--	--	--	--	--
Domestically financed	4.9	3.7	3.3	3.3	3.2	3.0	4.0	3.8	4.3	4.3	4.8	4.5	4.6
of which: Flood spending	--	0.2	--	--	--	--	--	--	--	--	--	--	--
of which: Marburg virus response	--	--	0.1	0.1	--	--	--	--	--	--	--	--	--
Net lending (+) / borrowing (-)													
including grants	**-6.4**	**-6.3**	**-4.9**	**-4.7**	**-2.9**	**-4.0**	**-2.7**	**-3.0**	**-2.7**	**-3.1**	**-2.8**	**-3.0**	**-3.1**
excluding grants	-11.0	-10.6	-8.1	-7.8	-6.5	-6.6	-6.1	-5.6	-5.2	-5.7	-5.2	-5.4	-5.5
Net acquisition of financial assets	**-0.5**	**0.5**	**1.5**	**1.6**	**0.9**	**3.8**	**0.8**	**2.9**	**0.8**	**1.0**	**0.5**	**0.6**	**0.5**
Domestic	--	0.5	1.5	1.6	0.9	3.8	0.8	2.9	0.8	1.0	0.5	0.6	0.5
Currency and deposits	-0.5	-0.2	0.9	0.8	0.5	0.5	0.5	0.5	0.5	0.5	0.3	0.3	0.3
Debt securities	--	--	--	--	--	--	--	--	--	--	--	--	--
Loans	0.6	0.5	0.5	0.6	0.2	0.3	0.2	0.1	0.2	0.1	0.1	0.1	0.1
Equity and investment fund shares	0.3	0.2	0.2	0.2	0.2	3.1	0.1	2.3	0.1	0.4	0.1	0.2	0.1
of which: Bugesera	0.2	0.2	0.2	0.2	0.2	3.1	0.1	2.3	0.1	0.4	0.1	0.2	0.1
Foreign	-0.4	--	--	--	--	--	--	--	--	--	--	--	--
Net incurrence of liabilities	**6.2**	**7.2**	**6.5**	**6.3**	**3.8**	**7.9**	**3.6**	**5.9**	**3.5**	**4.0**	**3.3**	**3.5**	**3.5**
Domestic	0.9	-0.1	-0.2	-0.1	-1.0	-0.1	-0.4	-0.5	0.8	0.6	-0.2	1.2	2.6
Debt securities	1.9	0.9	0.6	0.8	-0.2	0.6	0.1	0.1	1.3	1.1	0.0	1.3	2.9
Held by Banks	0.3	0.2	-0.2	-0.1	-0.9	--	-0.4	-0.4	0.6	0.4	-0.4	1.0	2.5
Held by Non-Banks	1.7	0.7	0.8	0.7	0.7	0.6	0.5	0.4	0.7	0.6	0.4	0.4	0.5
T-bills	0.1	0.1	0.4	0.5	0.6	0.6	0.4	0.3	0.6	0.6	0.3	0.3	0.3
T-bonds	1.6	0.5	0.4	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Loans (debt securitites repayments)	-1.5	-0.5	-0.4	-0.5	-0.6	-0.6	-0.4	-0.3	-0.6	-0.6	-0.3	-0.3	-0.4
Other accounts payable[4]	0.5	-0.5	-0.4	-0.4	-0.2	-0.2	-0.2	-0.2	0.1	0.1	0.1	0.1	0.1
Foreign	5.3	7.4	6.7	6.4	4.8	8.0	4.0	6.4	2.7	3.4	3.5	2.4	0.9
Special Drawing Rights (SDRs)	--	--	--	--	--	--	--	--	--	--	--	--	--
Debt securities	-0.4	--	--	--	--	--	--	--	--	--	--	--	--
Loans	5.7	7.4	6.7	6.4	4.8	8.0	4.0	6.4	2.7	3.4	3.5	2.4	0.9
Disbursements	6.3	8.1	7.7	7.4	6.4	9.5	6.0	8.3	4.7	5.5	5.6	4.8	3.7
Current	3.5	4.5	4.3	4.3	2.9	6.8	2.6	5.6	1.5	2.9	2.3	2.1	1.0
of which: IMF RSF	0.7	0.9	0.7	0.7	--	--	--	--	--	--	--	--	--
of which: IMF SCF	--	0.3	0.1	0.1	--	--	--	--	--	--	--	--	--
Capital	2.8	3.6	3.3	3.0	3.4	2.7	3.4	2.7	3.2	2.6	3.3	2.7	2.7
Reimbursements	0.6	0.7	1.0	0.9	1.6	1.5	2.0	1.9	2.0	2.1	2.1	2.4	2.8
Statistical discrepancy	-0.3	-0.5	--	--	--	--	--	--	--	--	--	--	--
Memorandum item:													
Domestic revenue (incl. local government)	16.6	16.0	17.1	17.2	17.9	17.9	18.9	18.9	19.5	19.5	20.0	19.7	20.0
Wage bill (incl. local government)	5.3	5.7	5.8	5.9	6.0	6.3	6.0	6.3	6.0	6.3	6.0	6.3	6.2
Total expenditure	29.5	28.4	26.9	26.9	25.8	28.7	26.3	27.8	25.9	26.4	26.3	26.2	26.3
Primary balance excl. grants	-10.0	-8.8	-6.2	-6.1	-4.3	-7.3	-4.1	-5.3	-3.4	-3.5	-3.5	-3.2	-2.5
Domestic financing with RSF	1.0	-0.6	-1.8	-1.7	-1.9	-4.0	-1.3	-3.3	0.0	-0.4	-0.7	0.6	2.1
Domestic financing without RSF	1.7	0.3	-1.1	-1.1	-1.9	-4.0	-1.3	-3.3	0.0	-0.4	-0.7	0.6	2.1
Overall fiscal balance (incl. grants, policy loans)[2]	-7.3	-6.9	-5.6	-5.5	-3.3	-7.4	-3.1	-5.4	-3.0	-3.6	-3.0	-3.2	-3.2
Debt creating overall bal. (excl. PKO, comm.)[3]	-7.3	-6.9	-5.6	-5.5	-3.3	-7.4	-3.1	-5.4	-3.0	-3.6	-3.0	-3.2	-3.2
Excluding Bugesera	--	--	--	--	--	-3.5	--	-3.0	--	-3.0	--	--	--
GDP (Billions of RwF), FY basis	15,291	17,747	19,642	20,025	22,060	22,646	24,808	25,560	27,938	28,768	31,465	32,320	36,312

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: Monetary Survey, 2023–30

(Billions of Rwandan francs, unless otherwise indicated)

	2023	2024		2025		2026		2027		2028		2029		2030
	Act.	4th Review	Est.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	4th Review	Proj.	Proj.
Monetary authorities survey[1]						(Billions of Rwandan francs)								
Net Foreign Assets	1,265	1,446	1,792	1,543	2,255	1,917	2,527	2,276	2,870	2,787	3,220	3,211	3,344	3,623
Foreign assets	2,342	3,054	3,337	3,224	3,873	3,635	4,194	4,009	4,559	4,443	4,843	4,753	4,848	5,017
Foreign liabilities	1,077	1,607	1,545	1,681	1,618	1,718	1,666	1,733	1,689	1,657	1,624	1,542	1,504	1,395
Net domestic assets	-252	-342	-667	-337	-1,126	-579	-1,168	-761	-1,303	-1,112	-1,462	-1,326	-1,588	-1,705
Domestic credit	354	264	119	270	-362	28	-406	-104	-543	-406	-704	-569	-859	-1,045
Other items (net; asset +)	-606	-606	-786	-606	-765	-606	-762	-656	-760	-706	-759	-756	-730	-660
Reserve money	1,013	1,104	1,124	1,206	1,128	1,338	1,359	1,515	1,568	1,674	1,757	1,885	1,755	1,918
Commercial banks survey														
Net foreign assets	421	388	842	388	842	388	842	388	842	388	842	388	842	842
Net domestic assets	4,156	4,686	4,731	5,439	5,372	6,012	5,802	6,953	6,883	7,933	7,837	9,027	8,915	10,066
Reserves	677	718	772	820	775	952	935	1,129	1,078	1,288	1,209	1,499	1,208	1,320
Net credit to NBR	-150	21	-32	-125	507	0	333	153	193	454	103	617	-7	-205
Domestic credit	5,140	5,458	5,896	6,254	6,060	6,620	6,554	7,282	7,680	7,851	8,632	8,622	9,858	11,135
Government (net)	1,161	862	1,310	1,123	712	973	658	979	689	951	871	988	693	720
Public enterprises	297	297	357	297	357	297	357	297	357	297	357	297	357	357
Private sector	3,682	4,299	4,228	4,834	4,990	5,351	5,538	6,007	6,634	6,603	7,403	7,337	8,808	10,058
Other items (net; asset +)	-1,511	-1,511	-1,905	-1,511	-1,970	-1,561	-2,020	-1,611	-2,068	-1,661	-2,108	-1,711	-2,144	-2,184
Deposits	4,577	5,074	5,573	5,827	6,213	6,400	6,643	7,341	7,725	8,321	8,678	9,415	9,757	10,908
Monetary survey														
Net foreign assets	1,686	1,834	2,633	1,931	3,096	2,305	3,369	2,664	3,712	3,175	4,061	3,599	4,185	4,464
Net domestic assets	3,227	3,625	3,292	4,282	3,470	4,481	3,699	5,063	4,502	5,532	5,165	6,203	6,119	7,041
Domestic credit	5,344	5,873	5,983	6,536	6,667	6,785	6,972	7,315	7,966	7,767	8,800	8,437	9,923	11,146
Government	1,250	1,161	1,287	1,290	1,209	1,022	966	896	865	752	929	689	648	621
Public enterprises	297	297	357	297	357	297	357	297	357	297	357	297	357	357
Private sector	3,797	4,414	4,338	4,949	5,100	5,466	5,648	6,122	6,744	6,718	7,513	7,452	8,918	10,168
Other items (net; asset +)	-2,117	-2,117	-2,691	-2,117	-2,735	-2,167	-2,782	-2,267	-2,828	-2,367	-2,867	-2,467	-2,874	-2,844
Broad money	4,913	5,460	5,925	6,213	6,567	6,786	7,068	7,727	8,214	8,707	9,226	9,801	10,304	11,505
Year on Year Growth						(Percentage change)								
Broad money	22.8	11.1	20.6	13.8	10.8	9.2	7.6	13.9	16.2	12.7	12.3	12.6	11.7	11.7
Reserve money	10.1	9.0	11.0	9.3	0.4	10.9	20.5	13.2	15.3	10.5	12.1	12.6	-0.1	9.2
Net credit to Government	15.6	-7.1	2.9	11.1	-6.1	-20.8	-20.1	-12.3	-10.5	-16.1	7.4	-8.4	-30.2	-4.2
Net foreign assets	33.4	8.8	56.2	5.3	17.6	19.4	8.8	15.6	10.2	19.2	9.4	13.4	3.1	6.7
Credit to non-government sector	19.9	16.3	14.3	12.1	17.6	10.4	10.8	12.0	19.4	9.7	11.4	10.9	18.7	14.0
Memorandum items:														
Velocity (eop)	3.4	3.4	3.2	3.3	3.2	3.4	3.4	3.4	3.3	3.4	3.3	3.4	3.3	3.3
Money multiplier	4.9	4.9	5.3	5.2	5.8	5.1	5.2	5.1	5.2	5.2	5.3	5.2	5.9	6.0
Net Foreign Assets[2]	1,040	…	…	…	…	…	…	…	…	…	…	…	…	…

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 4. Rwanda: Financial Soundness Indicators, March 2021–December 2024[1]

(Percent, unless otherwise indicated)

	2021				2022				2023				2024			
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Capital Adequacy																
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	21.1	20.3	20.0	19.2
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	22.3	21.5	21.2	20.5
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	100.6	96.6	110.0	129.4
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	11.2	7.0	7.2	6.8
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	185.1	197.9	199.0	193.3
Asset Quality																
NPLs/ on and off balance sheet 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	5.0	5.0	4.2	3.1
NPLs / on balance sheet gross loans	...	...	...	...	...	...	...	...	...	...	...	5.2	6.1	5.9	5.1	3.7
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	4.7	4.7	3.9	2.9
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	89.3	90.6	101.8	102.6
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	77.5	79.8	79.5	74.6
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	40.5	38.6	40.3	37.8	39.6
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	4.9	4.9	4.7	4.9
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	22.1	21.8	20.0	20.8
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	9.4	9.3	9.2	9.2
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	3.6	3.2	3.3	3.2
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	62.5	63.4	64.8	63.7
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	30.1	33.4	33.6	33.9
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	290.5	305.9	354.5	333.8
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	136.3	135.6	149.6	148.4
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	37.7	38.7	37.2	34.5
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	20.1	28.0	17.0	20.7
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	0.7	1.0	0.4	0.2
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	83.5	89.8	80.1	105.0
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	-0.6	-4.5	-5.5	-1.5	1.0	-0.1	1.6	1.3	2.5
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	62.8	60.5	52.7	52.5
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	92.2	95.9	97.6	96.6

Source: National Bank of Rwanda.

[1] The FSIs cover the banking sector.

Table 5a. Rwanda: Balance of Payments, 2023–30

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

	2023	2024		2025		2026		2027		2028		2029		2030
	Act.	4th review	Act.	4th review	Proj.	4th review	Proj.	4th review	Proj.	4th review	Proj.	4th review	Proj.	Proj.
Current account balance	**-1,647**	**-1,831**	**-1,807**	**-1,759**	**-2,039**	**-1,707**	**-2,454**	**-1,689**	**-2,185**	**-1,667**	**-1,701**	**-1,516**	**-1,622**	**-1,517**
Current account balance ex. Bugesera	*-1,285*	*-1,780*	*-1,625*	*-1,587*	*-1,826*	*-1,541*	*-1,820*	*-1,507*	*-1,743*	*-1,507*	*-1,662*	*-1,516*	*-1,617*	*-1,517*
Trade balance	-2,369	-2,408	-2,344	-2,342	-2,401	-2,326	-2,600	-2,310	-2,379	-2,281	-1,997	-2,165	-1,929	-1,772
Trade balance ex. Bugesera	*-2,010*	*-2,363*	*-2,170*	*-2,218*	*-2,239*	*-2,206*	*-2,118*	*-2,180*	*-2,043*	*-2,156*	*-1,967*	*-2,165*	*-1,929*	*-1,772*
Exports (f.o.b.)	2,466	3,034	3,201	3,721	3,953	4,324	4,667	4,960	5,231	5,606	6,012	6,263	6,764	7,411
Of which: gold	884	1,355	1,509	1,857	2,099	2,286	2,627	2,719	2,979	3,127	3,502	3,541	4,023	4,426
Exports (f.o.b.) excl. gold	1,582	1,679	1,692	1,864	1,854	2,038	2,040	2,241	2,252	2,480	2,510	2,723	2,741	2,985
Imports (f.o.b.)	4,835	5,442	5,545	6,063	6,354	6,650	7,267	7,270	7,610	7,887	8,009	8,428	8,693	9,182.7
Of which: gold	929	1,318	1,478	1,815	2,052	2,243	2,578	2,674	2,931	3,082	3,452	3,495	3,972	4,369
Imports (f.o.b.) excl. gold	3,905	4,125	4,068	4,247	4,303	4,407	4,689	4,596	4,680	4,806	4,557	4,933	4,721	4,814
Services (net)	101	124	91	136	93	139	-31	166	51	195	193	256	218	209
Services ex. Bugesera	*104*	*129*	*98*	*184*	*144*	*185*	*121*	*218*	*157*	*231*	*202*	*256*	*223*	*209*
Credit	1,044	1,076	1,079	1,153	1,134	1,236	1,198	1,327	1,277	1,424	1,362	1,508	1,453	1,468
Of which: tourism receipts	564	612	579	673	632	740	688	814	750	896	818	967	892	926
Debit	944	952	987	1,017	1,042	1,097	1,229	1,160	1,227	1,229	1,169	1,252	1,235	1,259
Income	-278	-367	-333	-413	-386	-447	-501	-481	-560	-522	-628	-565	-667	-697
Of which: interest on public debt[1,2]	-66	-167	-125	-187	-172	-197	-251	-202	-310	-213	-352	-222	-358	-355
Current transfers (net)	898	820	780	860	656	927	678	936	703	941	731	958	756	743
Private	521	543	517	572	524	602	550	631	576	658	600	686	624	632
Of which: remittance inflows	505	523	502	548	525	574	550	601	575	626	599	652	622	613
Public	377	277	263	289	132	326	128	305	127	283	131	272	132	111
Capital and financial account balance	**1,424**	**1,882**	**2,125**	**1,746**	**2,249**	**1,880**	**2,520**	**1,834**	**2,287**	**1,893**	**1,801**	**1,678**	**1,613**	**1,609**
Capital account	398	383	383	291	294	313	294	313	294	306	294	311	294	294
Financial account	1,027	1,499	1,742	1,455	1,955	1,567	2,226	1,521	1,994	1,587	1,507	1,368	1,320	1,315
Direct investment	445	488	563	713	777	817	1,262	836	1,175	838	918	697	930	817
FDIs ex. Bugesera	*107*	*399*	*370*	*579*	*550*	*677*	*721*	*683*	*767*	*691*	*847*	*697*	*879*	*817*
o/w Bugesera	339	89	193	134	228	140	540	153	408	147	71	0	51	0
Public sector capital	725	1,118	1,208	647	1,173	835	993	688	822	774	561	486	291	442
Long-term borrowing[2]	900	1,216	1,334	796	1,322	1,071	1,229	984	1,075	1,071	871	939	700	825
o/w budget financing and commercial loans	549	698	710	193	937	441	824	331	625	395	403	322	219	272
o/w project loans	411	517	556	495	385	537	405	550	450	578	468	617	481	553
Scheduled amortization, excl IMF	-175	-98	-126	-149	-149	-236	-236	-296	-253	-296	-310	-453	-409	-383
SDR allocation	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Other capital[3]	-143	-108	-29	94	5	-85	-28	-3	-3	-25	29	186	99	55
Net errors and omissions	**75**	**0**	**176**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-148**	**51**	**495**	**-13**	**210**	**173**	**66**	**145**	**102**	**226**	**100**	**162**	**-9**	**92**
Financing	**148**	**-51**	**-495**	**13**	**-210**	**-173**	**-66**	**-145**	**-102**	**-226**	**-100**	**-162**	**9**	**-92**
Reserve assets (increase -)	-107	-367	-559	50	-173	-128	-21	-93	-50	-133	-9	-193	109	-12
of which: SCF impact	-149	-175	77	…	…	…	…	…	…	…	…	…	…	…
Net credit from the IMF	194	316	317	-37	-37	-45	-44	-53	-52	-93	-91	-103	-100	-79
IMF disbursement (+)	237	348	349	0	0	0	0	0	0	0	0	0	0	0
of which: SCF impact	149	175	-77	0	0	0	0	0	0	0	0	0	0	0
of which: RSF impact	149	173	173	0	0	0	0	0	0	0	0	0	0	0
Repayments to IMF (-)	-43	-32	-32	-37	-37	-45	-44	-53	-52	-93	-91	-103	-100	-79
Memorandum items:														
Current account balance (percent of GDP)[4]	-11.5	-13.1	-12.7	-12.1	-13.8	-11.2	-15.9	-10.5	-13.4	-9.7	-9.9	-8.2	-8.8	-7.6
Current account excl. Bugesera (percent of GDP)	*-9.0*	*-12.7*	*-11.4*	*-10.9*	*-12.4*	*-10.1*	*-11.8*	*-9.3*	*-10.7*	*-8.7*	*-9.6*	*-8.2*	*-8.8*	*-7.6*
Trade balance (percent of GDP)	-16.5	-17.2	-16.5	-16.1	-16.3	-15.3	-16.8	-14.3	-14.6	-13.2	-11.6	-11.7	-10.5	-8.9
Trade balance excl. Bugesera (percent of GDP)	*-14.0*	*-16.8*	*-15.2*	*-15.3*	*-15.2*	*-14.5*	*-13.7*	*-13.5*	*-12.5*	*-12.5*	*-11.4*	*-11.7*	*-10.5*	*-8.9*
Foreign assets of monetary authorities	**1,853**	**2,220**	**2,413**	**2,171**	**2,586**	**2,298**	**2,607**	**2,391**	**2,657**	**2,524**	**2,666**	**2,583**	**2,557**	**2,569**
in months of prospective imports of G&S[5]	4.4	5.1	5.4	4.7	5.2	4.8	5.3	4.8	5.6	4.9	5.4	5.0	5.2	5.1
Of which: SCF	149	323.2	71	323.2	71									
Of which: RSF	149	322	322	322	322	322	322	322	322	322	322	322	322	322
Of which: excluding RSF	1,705	1,898	2,091	1,849	2,264	1,976	2,285	2,069	2,335	2,202	2,344	2,261	2,235	2,247
Of which: excluding RSF, in months of imports	4.0	4.3	4.7	4.0	4.6	4.1	4.6	4.1	4.9	4.3	4.7	4.4	4.5	4.4
Gross official reserves	**1,833**	**2,200**	**2,405**	**2,150**	**2,578**	**2,278**	**2,599**	**2,370**	**2,649**	**2,503**	**2,658**	**2,563**	**2,549**	**2,561**
in months of prospective imports of G&S[5]	4.4	5.0	5.4	4.7	5.2	4.7	5.3	4.7	5.6	4.9	5.4	5.0	5.1	5.1
Of which: SCF	149	323	71	323	71	323	71	323	71	323	71	323	71	71
Of which: excluding RSF	1,684	1,878	2,083	1,828	2,256	1,956	2,277	2,048	2,327	2,181	2,336	2,241	2,227	2,239
Of which: excluding RSF, in months of imports	4.0	4.3	4.7	4.0	4.6	4.1	4.6	4.1	4.9	4.2	4.7	4.3	4.5	4.4

Sources: Rwandan authorities and IMF staff estimates and projections.

[1] Including interest due to the IMF.

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

[3] 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 5b. Rwanda: Balance of Payments, 2023–30

(Percent of GDP, unless otherwise indicated)

	2023	2024		2025		2026		2027		2028		2029		2030
	Act.	4th review	Act.	4th review	Proj.	4th review	Proj.	4th review	Proj.	4th review	Proj.	4th review	Proj.	Proj.
Current account balance	**-11.5**	**-13.1**	**-12.7**	**-12.1**	**-13.8**	**-11.2**	**-15.9**	**-10.5**	**-13.4**	**-9.7**	**-9.9**	**-8.2**	**-8.8**	**-7.6**
Current account balance ex. Bugesera	-9.0	-12.7	-11.4	-10.9	-12.4	-10.1	-11.8	-9.3	-10.7	-8.7	-9.6	-8.2	-8.8	-7.6
Trade balance	-16.5	-17.2	-16.5	-16.1	-16.3	-15.3	-16.8	-14.3	-14.6	-13.2	-11.6	-11.7	-10.5	-8.9
Trade balance ex. Bugesera	-14.0	-16.8	-15.2	-15.3	-15.2	-14.5	-13.7	-13.5	-12.5	-12.5	-11.4	-11.7	-10.5	-8.9
Exports (f.o.b.)	17.2	21.6	22.5	25.6	26.8	28.4	30.2	30.8	32.1	32.5	34.9	33.8	36.7	37.1
Of which: gold	6.2	9.7	10.6	12.8	14.2	15.0	17.0	16.9	18.3	18.2	20.3	19.1	21.8	22.2
Exports (f.o.b.) excl. gold	11.0	12.0	11.9	12.8	12.6	13.4	13.2	13.9	13.8	14.4	14.6	14.7	14.9	14.9
Imports (f.o.b.)	33.7	38.8	38.9	41.7	43.0	43.7	47.0	45.1	46.7	45.8	46.5	45.5	47.2	46.0
Of which: gold	6.5	9.4	10.4	12.5	13.9	14.7	16.7	16.6	18.0	17.9	20.0	18.9	21.6	21.9
Imports (f.o.b.) excl. gold	27.3	29.4	28.5	29.2	29.1	28.9	30.3	28.5	28.7	27.9	26.4	26.6	25.6	24.1
Services (net)	0.7	0.9	0.6	0.9	0.6	0.9	-0.2	1.0	0.3	1.1	1.1	1.4	1.2	1.0
Services ex. Bugesera	0.7	0.9	0.7	1.3	1.0	1.2	0.8	1.3	1.0	1.3	1.2	1.4	1.2	1.0
Credit	7.3	7.7	7.6	7.9	7.7	8.1	7.7	8.2	7.8	8.3	7.9	8.1	7.9	7.3
Of which: tourism receipts	3.9	4.4	4.1	4.6	4.3	4.9	4.4	5.0	4.6	5.2	4.7	5.2	4.8	4.6
Debit	6.6	6.8	6.9	7.0	7.1	7.2	7.9	7.2	7.5	7.1	6.8	6.8	6.7	6.3
Income	-1.9	-2.6	-2.3	-2.8	-2.6	-2.9	-3.2	-3.0	-3.4	-3.0	-3.6	-3.0	-3.6	-3.5
Of which: interest on public debt[1,2]	-0.5	-1.2	-0.9	-1.3	-1.2	-1.3	-1.6	-1.3	-1.9	-1.2	-2.0	-1.2	-1.9	-1.8
Current transfers (net)	6.3	5.8	5.5	5.9	4.4	6.1	4.4	5.8	4.3	5.5	4.2	5.2	4.1	3.7
Private	3.6	3.9	3.6	3.9	3.5	4.0	3.6	3.9	3.5	3.8	3.5	3.7	3.4	3.2
Of which: remittance inflows	3.5	3.7	3.5	3.8	3.6	3.8	3.6	3.7	3.5	3.6	3.5	3.5	3.4	3.1
Public	2.6	2.0	1.8	2.0	0.9	2.1	0.8	1.9	0.8	1.6	0.8	1.5	0.7	0.6
Capital and financial account balance	**9.9**	**13.4**	**14.9**	**12.0**	**15.2**	**12.3**	**16.3**	**11.4**	**14.0**	**11.0**	**10.4**	**9.1**	**8.8**	**8.1**
Capital account	2.8	2.7	2.7	2.0	2.0	2.1	1.9	1.9	1.8	1.8	1.7	1.7	1.6	1.5
Financial account	7.2	10.7	12.2	10.0	13.2	10.3	14.4	9.4	12.2	9.2	8.7	7.4	7.2	6.6
Direct investment	3.1	3.5	4.0	4.9	5.3	5.4	8.2	5.2	7.2	4.9	5.3	3.8	5.0	4.1
FDIs ex. Bugesera	0.7	2.8	2.6	4.0	3.7	4.4	4.7	4.2	4.7	4.0	4.9	3.8	4.8	4.1
Public sector capital	5.1	8.0	8.5	4.5	7.9	5.5	6.4	4.3	5.0	4.5	3.3	2.6	1.6	2.2
Long-term borrowing[2]	6.3	8.7	9.4	5.5	9.0	7.0	7.9	6.1	6.6	6.2	5.1	5.1	3.8	4.1
o/w budget financing and commercial loans	3.8	5.0	5.0	1.3	6.3	2.9	5.3	2.1	3.8	2.3	2.3	1.7	1.2	1.4
o/w project loans	2.9	3.7	3.9	3.4	2.6	3.5	2.6	3.4	2.8	3.4	2.7	3.3	2.6	2.8
Scheduled amortization, excl IMF	-1.2	-0.7	-0.9	-1.0	-1.0	-1.6	-1.5	-1.8	-1.5	-1.7	-1.8	-2.4	-2.2	-1.9
SDR allocation	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Other capital[3]	-1.0	-0.8	-0.2	0.6	0.0	-0.6	-0.2	0.0	0.0	-0.1	0.2	1.0	0.5	0.3
Net errors and omissions	**0.5**	**0.0**	**1.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-1.0**	**0.4**	**3.5**	**-0.1**	**1.4**	**1.1**	**0.4**	**0.9**	**0.6**	**1.3**	**0.6**	**0.9**	**0.0**	**0.5**
Financing	**1.0**	**-0.4**	**-3.5**	**0.1**	**-1.4**	**-1.1**	**-0.4**	**-0.9**	**-0.6**	**-1.3**	**-0.6**	**-0.9**	**0.0**	**-0.5**
Reserve assets (increase -)	-0.7	-2.6	-3.9	0.3	-1.2	-0.8	-0.1	-0.6	-0.3	-0.8	-0.1	-1.0	0.6	-0.1
of which: RSF impact	-1.0	-1.2	-1.2	0.0	0.0	...	...	...	...	...	...	...	...	...
Net credit from the IMF	1.4	2.3	2.2	-0.3	-0.2	-0.3	-0.3	-0.3	-0.3	-0.5	-0.5	-0.6	-0.5	-0.4
IMF disbursement (+)	1.7	2.5	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: RSF	1.0	1.2	1.2	0.0	0.0	...	...	...	...	...	...	...	...	...
Repayments to IMF (-)	-0.3	-0.2	-0.2	-0.3	-0.2	-0.3	-0.3	-0.3	-0.3	-0.5	-0.5	-0.6	-0.5	-0.4
Exceptional financing	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
Grant for debt relief under CCRT	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
Memorandum items:														
Current account balance[4]	-11.5	-13.1	-12.7	-12.1	-13.8	-11.2	-15.9	-10.5	-13.4	-9.7	-9.9	-8.2	-8.8	-7.6
Current account excl. Bugesera	-9.0	-12.7	-11.4	-10.9	-12.4	-10.1	-11.8	-9.3	-10.7	-8.7	-9.6	-8.2	-8.8	-7.6
Trade balance	-16.5	-17.2	-16.5	-16.1	-16.3	-15.3	-16.8	-14.3	-14.6	-13.2	-11.6	-11.7	-10.5	-8.9
Trade balance excl. Bugesera	-14.0	-16.8	-15.2	-15.3	-15.2	-14.5	-13.7	-13.5	-12.5	-12.5	-11.4	-11.7	-10.5	-8.9
Foreign assets of monetary authorities	**12.9**	**15.8**	**16.9**	**14.9**	**17.5**	**15.1**	**16.8**	**14.8**	**16.3**	**14.7**	**15.5**	**14.0**	**13.9**	**12.9**
in months of prospective imports of G&S[5]	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
Of which: RSF	1.0	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.7	1.7	1.6
Of which: excluding RSF	11.9	13.5	14.7	12.7	15.3	13.0	14.8	12.8	14.3	12.8	13.6	12.2	12.1	11.3
Of which: excluding RSF, in months of imports	4.0	4.3	4.7	4.0	4.6	4.1	4.6	4.1	4.9	4.3	4.7	4.4	4.5	4.4
Gross official reserves	**12.8**	**15.7**	**16.9**	**14.8**	**17.5**	**15.0**	**16.8**	**14.7**	**16.2**	**14.5**	**15.4**	**13.8**	**13.8**	**12.8**
in months of prospective imports of G&S[5]	4.4	5.0	5.4	4.7	5.2	4.7	5.3	4.7	5.6	4.9	5.4	5.0	5.1	5.1
Of which: RSF	1.0	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.7	1.7	1.6
Of which: excluding RSF	11.8	13.4	14.6	12.6	15.3	12.8	14.7	12.7	14.3	12.7	13.6	12.1	12.1	11.2
Of which: excluding RSF, in months of imports	4.0	4.3	4.7	4.0	4.6	4.1	4.6	4.1	4.9	4.2	4.7	4.3	4.5	4.4

Sources: Rwandan authorities and IMF staff estimates and projections.

1 Including interest due to the IMF.

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

3 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 6: Rwanda: Gross External Financing Needs and Sources
(Millions of U.S. Dollars, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Gross external financing needs	**1,870**	**1,403**	**1,866**	**1,965**	**2,225**	**2,735**	**2,490**	**2,102**	**2,132**	**1,979**
Current account deficit	1,207	1,247	1,647	1,807	2,039	2,454	2,185	1,701	1,622	1,517
of which: RSF reform costs	0	0	0	0	0	0	0	0	0	0
Public debt amortization (excl. IMF)	620	113	175	126	149	236	253	310	409	383
Repayments to IMF	42	43	43	32	37	44	52	91	100	79
External financing sources[1]	**2,044**	**1,315**	**1,642**	**1,866**	**2,225**	**2,735**	**2,490**	**2,102**	**2,132**	**1,979**
Capital transfers	380	322	398	383	294	294	294	294	294	294
Direct investment	233	305	445	563	777	1,262	1,175	918	930	817
Public sector borrowing	1,170	531	900	1,334	1,322	1,229	1,075	871	700	825
Other inflows[2]	417	28	-143	-29	5	-28	-3	29	99	55
Reserve assets excl. RSF (increase -)	-155	130	42	-386	-173	-21	-50	-9	109	-12
Net errors and omissions	**-175**	**88**	**75**	**176**	**0**	**0**	**0**	**0**	**0**	**0**
BoP gap	**0**	**0**	**-149**	**77**	**0**	**0**	**0**	**0**	**0**	**0**
SCF financing	**0**	**0**	**149**	**-77**	**0**	**0**	**0**	**0**	**0**	**0**
Residual Gap	0	0	0	0	0	0	0	0	0	0
RSF disbursements (not linked to RM costs)	0	0	149	173	0	0	0	0	0	0
Reserve assets, incl. RSF (increase -)	-155	130	-107	-559	-173	-21	-50	-9	109	-12

[1] Includes approved exceptional financing (CCRT debt relief).

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

Table 7. Rwanda: Indicators of Capacity to Repay the Fund, 2024–44

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
IMF debt service based on existing credit (SDR millions)																					
Principal	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	10.1
Charges and interest	0.0	7.9	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.2	9.8	9.3	8.7	8.2	7.7	7.1	6.6	6.0	5.5	5.1
IMF debt service based on existing and prospective credit (SDR millions)																					
Principal	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	10.1
Charges and interest	0.0	7.9	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.2	9.8	9.3	8.7	8.2	7.7	7.1	6.6	6.0	5.5	5.1
IMF debt service based on existing and prospective credit (SDR millions)																					
In millions of SDRs	24.0	35.9	44.3	49.8	79.4	86.8	70.8	54.8	32.6	14.0	24.1	33.8	33.3	32.8	32.2	31.7	31.1	30.6	30.1	25.8	15.1
In millions of U.S. dollars	31.9	46.9	57.9	65.1	104.0	113.8	92.9	71.8	42.7	18.3	31.6	44.4	43.7	43.0	42.2	41.5	40.8	40.1	39.4	33.9	19.9
In percent of GDP	0.2	0.3	0.4	0.4	0.6	0.6	0.5	0.3	0.2	0.1	0.1	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	0.7	0.9	1.0	1.0	1.4	1.4	1.0	0.8	0.4	0.2	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.1
In percent of government revenue (excl. grants)	1.2	1.7	1.9	2.0	3.0	3.0	2.2	1.5	0.8	0.3	0.5	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.1
In percent of gross international reserves	1.3	1.8	2.2	2.4	3.9	4.5	3.6	2.6	1.4	0.5	0.9	1.1	1.0	0.9	0.8	0.7	0.7	0.6	0.6	0.4	0.2
In percent of PPG external debt service	12.9	12.0	12.7	12.3	16.2	16.0	13.0	5.4	6.0	2.8	4.5	3.2	6.0	5.4	4.8	4.6	4.4	2.5	4.1	3.4	1.9
In percent of IMF quota	15.0	22.4	27.7	31.1	49.6	54.2	44.2	34.2	20.3	8.7	15.1	21.1	20.8	20.4	20.1	19.8	19.4	19.1	18.8	16.1	9.5
IMF credit outstanding (end-of-period)																					
In millions of SDRs	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	0.0
In millions of U.S. dollars	806.6	766.3	722.0	671.8	581.9	482.4	402.9	344.6	315.4	310.5	292.2	260.6	229.1	197.6	166.0	134.5	103.0	71.4	39.9	13.2	0.0
In percent of GDP	5.7	5.2	4.7	4.1	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	0.0
In percent of exports of goods and services	18.8	15.1	12.3	10.3	7.9	5.9	4.5	3.8	3.3	3.1	2.7	2.3	1.9	1.5	1.2	0.9	0.7	0.4	0.2	0.1	0.0
In percent of government revenue (excl. grants)	31.4	28.0	24.2	20.6	16.5	12.7	9.7	7.4	6.1	5.5	4.7	3.8	3.0	2.4	1.8	1.3	0.9	0.6	0.3	0.1	0.0
In percent of gross international reserves	33.4	29.6	27.7	25.3	21.8	18.9	15.7	12.3	10.3	9.3	8.0	6.6	5.3	4.2	3.2	2.4	1.7	1.1	0.6	0.2	0.0
In percent of PPG external debt	9.4	7.9	6.7	5.8	4.8	3.9	3.1	2.6	2.4	2.3	2.1	1.9	1.6	1.4	1.1	0.9	0.7	0.5	0.2	0.1	0.0
In percent of IMF quota	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	0.0
Net use of IMF credit (SDR millions)	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	-10.1
Disbursements	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	0.0
Repayments and repurchases	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	10.1
Memorandum items																					
Nominal GDP (USD millions)	14,251	14,771	15,472	16,308	17,239	18,430	19,968	21,820	23,825	25,996	28,371	30,926	33,687	36,652	39,841	43,267	46,987	51,027	55,415	60,179	65,354
Exports of goods and services (USD millions)	4,280	5,088	5,865	6,509	7,374	8,217	8,878	8,978	9,496	10,051	10,654	11,306	12,015	12,786	13,629	14,550	15,568	16,693	17,935	19,307	20,827
Government revenues excl. grants (USD millions)	2,569	2,734	2,986	3,264	3,518	3,797	4,161	4,658	5,144	5,677	6,267	6,910	7,614	8,380	9,215	10,052	10,965	11,918	12,954	14,081	15,305
Gross international reserves (USD millions)	2,413	2,586	2,607	2,657	2,666	2,557	2,569	2,807	3,065	3,345	3,650	3,979	4,334	4,716	5,126	5,567	6,045	6,565	7,130	7,743	8,409
PPG external debt (USD millions)	8,567	9,717	10,741	11,576	12,156	12,496	12,811	13,112	13,396	13,734	14,058	13,746	14,101	14,452	14,798	15,191	15,632	15,505	16,049	16,657	17,327
PPG external debt service (USD millions)	246.9	389.9	454.4	528.4	643.0	711.1	713.2	1,319.5	717.3	660.7	695.6	1,395.1	727.0	797.5	874.2	903.0	937.1	1,596.7	963.3	1,002.5	1,047.7
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 8. Rwanda: Review Schedule under the PCI

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.

Annex I. Risk Assessment Matrix[1]

Sources of Risks	Relative Likelihood	Expected Impact if Realized	Policy Response
Regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	Medium	**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 production.	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.
Potential fallout from conflict with the Democratic Republic of Congo or border closures with Burundi could lead to disruptions in regional trade and impact aid funding.	High	**Medium** Reduced availability of concessional financing from development partners.	Prioritization of current and development spending.
Sovereign debt distress. Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries.	High	**High** Tighter financial conditions and higher country risk premium. Capital outflows due to risk aversion. Lower exports due to slower global demand. Diversion of budget resources to support aid programs previously funded by foreign organizations.	Diversify the structure of the economy and export sources. Deepen financial markets. Pursue tax reforms to broaden tax base.
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium	**High** Bouts of price and real sector volatility. Shortages of intermediate and final consumer goods. High fertilizer costs affect domestic food production.	Ensure strategic fuel and grain reserves are adequate. Secure social protection for vulnerable households.
Global growth acceleration. Positive supply-side surprises, monetary easing, productivity gains from AI, and/or stronger EMDE performance raise global demand and trade, and ease global financing conditions.	Low	**High** Higher global demand. Lower borrowing cost. Capital inflow.	Strengthen data-driven monetary policy framework and MTRS. Maintain exchange rate flexibility but avoid excess volatility. Facilitate exports. Strengthen debt management.
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	High	**High** External balance worsens with higher import prices and lower export demand. Slower economic growth due to lower export demand. Lesser financial market access.	Diversify the structure of the economy and export sources. Build financial buffers and increase self reliance.
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	Medium	**Medium** Financial conditions become tighter with higher country risk premium. Capital outflow due to risk aversion. Lesser financial market access.	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 geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	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, rather 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), technical failures, or misuse of AI technologies trigger financial and economic instability.	High	**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.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, 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.
Social discontent. Real income loss, spillovers from conflicts, dissatisfaction with migration, and worsening inequality ignite social unrest, populism, polarization, and resistance to reforms or suboptimal policies. This weakens growth and leads to policy uncertainty and market repricing.	Medium	**Low** Economic uncertainty would deepen and policymaking would be affected resulting in a negative impact on domestic growth, higher poverty levels, and pressure on external and fiscal balances.	Increase access and benefits, improve targeting of existing social safety nets. Bring forward measures to create jobs and promote vocational training. Pursue tax reforms to broaden tax base.

[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.

Appendix I. Program Statement

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

Kigali, May 15, 2025

Dear Ms. Georgieva:

Rwanda's economy continues to show remarkable strength and resilience. The outlook remains positive despite risks. Rwanda's policy space to advance important developmental objectives continues to face challenges due to recurrent and overlapping shocks. During the last five years, public debt increased, reaching 78.7 percent of GDP in 2024, on account of spending to support the development agenda and mitigating the impact of the pandemic, the cost of living crisis, the May 2023 floods, and the Marburg disease. The 14-month SCF arrangement, which was successfully completed in December 2024, has helped to mitigate external imbalances and replenished FX reserves at 5.4 month of import coverage by end-2024. To advance our much needed infrastructure development agenda, we will start implementing the second phase of the New Kigali International Airportproject and the expansion of RwandAir in 2025, in partnership with the Qatar Investment Authority. While the debt servicing costs are projected to increase with the needs of the project, the impact is expected to be mitigated by targeted tax measures and various derisking instruments the government is actively exploring. We are confident in the importance of these projects for our economic growth and development.

We remain committed to rebuilding policy buffers to reduce the vulnerability of our economy to shocks in an increasingly volatile environment. Our near-term fiscal consolidation path will be recalibrated to carefully balance our efforts to accelerate development by implementing the priority investment project, while also preserving fiscal and external sustainability. In this regard, we will ensure timely implementation of the newly adopted tax package, continue spending rationalization, including through reprioritization of investment projects, and strengthened mitigation of fiscal risks, including from SOEs. The Policy Coordination Instrument (PCI) remains the main policy framework to support our policy objectives.

We request the completion of the fifth review under the PCI. Program performance under the PCI continued to be strong. End-December 2024 quantitative targets under the PCI on the ceiling on debt-creating overall deficit (including grants), floor on the stock of net foreign assets, the ceiling on net accumulation of domestic arrears; continuous targets on the ceiling on the present value of new public and publicly guaranteed external debt and on the ceiling on stock of external payment arrears; and all standard continuous targets were met. The 3-month average headline inflation of 5.2 percent fell within the inner bound at end-December 2024. Four PCI reform targets—on the SOE financial assessments, approval of the SOE corporate governance code, the expansion and publication of the coverage of the monetary and financial statistics, and approval of a PFM digitalization strategy to support data-driven PFM —were met on time. The approval of a comprehensive tax package was implemented with a delay, while the GMRA rollout is expected to be enacted before the completion of the fifth review.

To better reflect expected external concessional financing, we request to modify the end-June 2025 quantitative target ceiling on the present value of new public and publicly guaranteed external debt. We also request to convert this continuous quantitative target to periodic quantitative target with end-June 2025 as the test date to facilitate timely reporting for the last PCI review.

We believe that the policies and measures set forth in this Program Statement (PS) are appropriate for achieving the objectives of the PCI and we remain fully committed to meeting these objectives and the related targets. We will consult with the IMF on the adoption of new measures and in advance of any revisions to policies included in this PS and will take any additional measures needed to achieve the program objectives. Timely information needed to monitor the economic situation and implementation of policies relevant to the programs will be provided, as set out in the attached Technical Memorandum of Understanding, or at the IMF's request. We will adhere to the Memorandum of Understanding between the National Bank of Rwanda (NBR) and Ministry of Finance and Economic Planning (MINECOFIN) that clarifies the responsibilities for timely servicing of the financial commitments to the IMF in relation to the RSF and SCF arrangements. 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/
Murangwa, Yusuf	Hakuziyaremye, Soraya
Minister of Finance and Economic Planning	Governor, National Bank of Rwanda

Attachments (1)

I. Technical Memorandum of Understanding

CONTEXT

This Program Statement describes recent economic developments and our policy objectives and priorities under the Policy Coordination Instrument (PCI).

1. The Rwandan economy is undergoing challenging times, but the outlook remains broadly positive. Despite significant progress towards achieving our socio-economic objectives, development needs remain large. Recurrent and overlapping shocks in recent years, including Covid, the cost-of-living crisis, the 2023 floods, and last year's Marburg disease, resulted in internal and external imbalances, posing additional challenges to rebuild policy buffers. The 14-month SCF arrangement, which was successfully completed in February 2025, has helped to stabilize FX reserves coverage at 4.7 and 5.4 months of prospective imports at end-2024, excluding and including RSF, respectively. To advance our ambitious infrastructure development agenda, we will start implementing the second phase of the New Kigali International Airport project and the expansion of RwandAir this year, in partnership with the Qatar Investment Authority. We maintain confidence in the importance of these projects for our economic growth and development. The significant financing needs of this priority project will be covered by foreign direct investment and external commercial borrowing. Despite the expected upward shift in debt to GDP ratio and the associated debt service pressures in the coming years it will be mitigated by (i) the full and timely implementation of the newly adopted tax measures, (ii) continued spending rationalization, including reprioritization of investment projects, and (iii) strengthened capacity to mitigate fiscal risks from SOEs. The PCI, which continues to focus on the recalibration of the near-term policy mix, remains the main policy framework to support our policy objectives.

RECENT DEVELOPMENTS

2. Growth momentum remained strong, notwithstanding the challenging external environment. Real GDP increased by 8.9 percent in 2024, positioning Rwanda among the fastest-growing economies in sub-Saharan Africa. The agricultural sector recovered, with improvements in food crop production. The industrial sector also experienced strong growth, particularly in construction. The services sector also performed well, driven by trade, tourism, transport, and telecommunications, despite setbacks from the Marburg virus disease. Against the backdrop of significant increase in labor force participation, the annual unemployment rate decreased to 14.9 percent in 2024, a decrease of 2.3 percentage points from the previous year. However, the unemployment rates remained higher among females (17.6 percent) and youth (18.5 percent).[1] Our working-age population continues to expand as well as the labor force, and we are striving to ramp up our job creating opportunities and narrow the gender gap.

3. Inflation has stabilized within the NBR's target range. On an annual basis, headline inflation averaged 4.8 percent in 2024, a significant decrease from 14.0 percent in 2023 primarily attributed to improved agricultural production, which favorably affected food prices, as well as effects of previous monetary policy tightening. Headline inflation was 6.5 percent year-on-year in

[1] Based on the 2024 Rwanda Labor Force Survey.

March 2025, up from 6.3 percent the previous month, while core inflation remained broadly stable at 5.8 percent. The policy interest rate has been maintained at 6.5 percent since August 2024.

4. **The fiscal deficit in H1 FY24/25 was lower than expected.** Tax revenues exceeded expectations, driven by strong performance in taxes on goods and services as well as international trade. However, income and profit taxes underperformed, partly due to modest salary increases and a decline in casual employment. Increased spending reflects efforts to accelerate VAT refunds to clear the stock of audited amounts, alongside higher capital investments. Foreign loans were higher due to earlier-than-expected disbursements, with domestic financing increasing as government anticipated delays in foreign disbursements. Overall, the H1 FY24/25 fiscal deficit was 0.1 percentage points of GDP lower than projected in the fourth review.

5. **The financial sector remains stable amid strong credit growth.** Private credit demonstrated robust growth in 2024, especially in trade, construction, and manufacturing sectors, along with mortgages, bolstering economic momentum. As of Q4 2024, the banking sector continues to report strong profitability, and the regulatory capital is well above minimum requirements. The microfinance sector continued to expand rapidly while maintaining robust capitalization rates. The combined loans of banks and microfinance institutions (MFIs) grew by 23.5 percent in 2024, well above the nominal GDP growth rate. The non-performing loans (NPLs) ratio in the banking sector declined, from 4.1 percent to 3.1, which was driven by the growth in loans and write-offs of non-performing exposures. NPLs in the MFIs also declined from 4.3 percent at end-2023 to 3.5 percent in 2024, driven largely by the substantial increase in the loan stock.

6. **Our external position remains under pressure.** In 2024, the current account deficit remained high, widening to 12.7 percent of GDP, led by continued momentum in food and consumer goods imports and elevated capital goods imports over the first three quarters, both reflecting robust consumer and investment demand. An improvement in the trade deficit in Q4 provided some offset due to higher exports from an increase in international coffee prices, driven by supply issues in Brazil, along with increased regional demand for manufactured exports, and a brief moderation in capital goods imports reflecting project implementation schedules. The Rwandan franc continued to depreciate against the US dollar in 2024, falling by 9.4 percent through end-December, although much lower compared to about 18 percent in 2023, supported by larger-than-expected multilateral lending. International reserves stood at 4.7 months of prospective imports as of end-December 2024 (excluding RSF disbursements).

PERFORMANCE UNDER THE POLICY COORDINATION INSTRUMENT

7. **Our program implementation under the PCI is on track.**

- *PCI Quantitative Targets (QTs).* All end-December 2024 quantitative targets, continuous, and standard continuous targets were met. Headline fiscal deficit for the first six months of FY24/25 was met with a comfortable margin. The 3-month average headline inflation of 5.2 percent came within the inner-bound values (5±3 percent) of the Monetary Policy Consultation Band for end-December 2024, in line with the trajectory envisaged under the program. Net foreign assets of the NBR were boosted by higher-than-expected disbursements from development partners.

- *PCI Reform Targets (RTs).* The Cabinet approved a comprehensive package of measures predominantly relying on broadening the tax base by streamlining tax holidays and tax expenditures (**end January 2025 RT, implemented on February 10th**). The GMRA rollout is expected to be enacted before the completion of the fifth review (**end December 2024 RT**), including the signing of the GMRA by all banks. We conducted an in-depth forward-looking financial assessment of five SOEs, including identification of credible mitigation measures to address any identified key vulnerabilities (**end March 2025 RT**). MINECOFIN approved the SOE corporate governance code and its implementation plan, consistent with the 2024 OECD Guidelines on Corporate Governance of State-Owned Enterprises to ensure SOE operational independence, external audits, and the management of environmental and social risks (**end-March 2025 RT**). We developed and approved a PFM digitalization strategy to support data-driven PFM, including by the adoption of Artificial Intelligence (**end April 2025 RT**)**,** and expanded 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 started publishing on quarterly basis (**end March 2025 RT**).

OUTLOOK AND POLICIES

A. Outlook

8. Economic growth outlook reflects an interplay of several developments, notably the priority infrastructure project and the reprioritization of other development projects. As activity in the agricultural and trade sectors normalize, economic growth is projected to decelerate to 7.1 percent in 2025. Growth is expected to rebound to 7.5 and 7.4 percent in the next two years, as a result of the New Kigali International Airport construction more than offsetting the slowdown in other public investments. Net exports are anticipated to improve gradually, supported by real effective exchange rate depreciation. From 2028, GDP growth is expected to moderate to 7 percent in line with the economy's growth potential.

9. Inflation is expected to temporarily increase in the medium term, while remaining within the NBR's 5±3 percent target band. While inflationary pressure from the removal of the pandemic-era public transportation subsidies will phase out starting in April, average inflation is estimated to increase to 7.0 percent in 2025 due to the pass-through of approved tax policy measures. Our inflation projection is conditional on the extent of the exchange rate depreciation pass-through, the continued favorable outlook for food prices, and the absence of heightened volatility in commodity prices in case global geopolitical risks escalate.

10. Our current account is projected to deteriorate in the medium term due to higher imports related to the airport construction. While robust exports, good agricultural production and continued adjustment in the real effective exchange rate will help support the trade balance going forward, New Kigali International Airport-related imports will widen the trade deficit and push the current account deficit up to 15.9 percent of GDP by 2026 as project implementation accelerates in 2026-27 financed by project-related FX inflows. Higher interest payments from commercial borrowing will also add to current account pressures (see paragraph 14). In the medium-term, the balance of payments will benefit from the continued fiscal consolidation, in particular as principal repayments on external debt intensify, and increased FDI inflows, with international reserves excluding RSF reaching around 4.4 months of imports by 2030.

11. We see our outlook clouded by several downside risks. Global commodity price volatility, deepening geopolitical fragmentation, an abrupt decline in trading partners' growth, weakening external tourism demand, broader aid flow decline, increasing global trade fragmentation, and extreme weather events, could all weigh on the outlook. Global financial market developments might adversely affect the availability and cost of external financing. Domestically, infectious disease outbreaks, regional conflicts, or another climate-related shock to Rwanda's predominantly rain-fed agriculture sector may hinder economic activity, exacerbate inflationary pressures, and further strain the fiscal space. Slower progress on domestic revenue mobilization, delayed fiscal consolidation due to increased development and airport and airline spending, and prolonged external adjustment could undermine the debt path and raise debt service pressures amidst declining concessional financing over the medium term. Upside risks to growth stem from the higher-than-expected stimulus of the airport construction on economic activity as well as better results of the country's current industrialization efforts in line with NST-2.

B. Fiscal Policies and Fiscal Structural Reforms

12. We remain committed to raising revenues over the medium term by broadening the tax base, streamlining expenditures, and enhancing compliance, enforcement, and tax collection efficiency. Towards this goal, the Cabinet approved a set of tax policy and revenue administration measures on February 10. Collectively, these measures will contribute towards achieving the objective of a tax-to-GDP ratio of 18.2 percent by FY29/30. The approved tax package includes the following key components:

- **A compensatory tax package (amounting to 0.4 percent of GDP),** which includes measures such as VAT on mobile phones and selected telecommunication equipment, increases in the fuel levy and registration fees for imported vehicles, gambling taxes, excise tax increases on beer, tobacco, and telecommunication services, import duty on cosmetics, and reinstating the VAT on hybrid vehicles. Provisions for these measures took effect in May, 2025.
- **A comprehensive tax revenue package (amounting to 0.5 percent of GDP)** to broaden the tax base by streamlining tax holidays and expenditures **(end-January 2025 RT**). The package includes VAT on fuels and transportation services, an environmental levy, higher capital gains tax, a tourism tax on accommodations, a motor vehicle user charge, VAT on select financial services, digital services tax, sunset clauses on VAT exemptions for zero-emission vehicles and energy equipment, as well as the repeal of corporate income tax holidays and VAT exemptions on business inputs. These measures, aligned with IMF TA recommendations, designed with distributional implications in mind, and supported by strong stakeholder engagement will be

implemented in stages over FY25/26 to FY29/30. The comprehensive tax package was strategically sequenced to ensure alignment with evolving economic conditions. Given the succession of global and domestic shocks—including the pandemic, the cost of living crisis, the May 2023 floods, and the Marburg disease—the government opted to carefully time the introduction of new tax measures. This deliberate timing also created space to incorporate additional high-impact revenue measures further strengthening the overall Medium-Term Revenue Strategy.

- **We continue our efforts to strengthen revenue administration by enhancing tax compliance, improving enforcement, and ensuring a more efficient and transparent tax system.** As part of these efforts, we are implementing the Electronic Billing Machine (EBM) reward system (10 percent reward on the VAT for each EBM invoice requested), controls to stop customs over-valuation, introduction of custom scanners, and the integration of invoice systems of the hospitality sector with the Rwanda Revenue Authority (RRA) tax system. The RRA has also continued to implement the Medium-Term Revenue Strategy (MTRS-1) 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.
- **We will continue to raise further revenues in the context of our follow-up Medium-Term Revenue Strategy (MTRS-2).** Through the support of our development partners, we will conduct a full evaluation of the MTRS-1 implementation prior to its expiration. Drawing on this exercise, we will complete our MTRS-2 strategy by end-2026. This will allow us to accelerate work on the MTRS-1 successor reforms, which will aim to raise the tax-to-GDP ratio by a further 0.6 percent through both tax policy and revenue administration measures.

13. Recent policy changes are expected to contribute to fiscal pressures, through increased expenditures related to the pension reform and the priority investment project.

- **To ensure the sustainability of our pension system, we introduced a pension reform effective of January 1, 2025.** The pension contribution rate was doubled to 12 percent, shared equally between employer and employee, and will rise to 20 percent by 2030 in annual increments of 2 percent starting in 2027. The contribution base also expanded from base salary to gross salary. Pension benefits have also been raised for the first time since 2018, benefitting recipients with lower pensions. The pension reform will increase the public wage bill—

nevertheless excluding its impact, the public wage bill remains consistent with the rationalization strategy approved by the Cabinet in May 2024 and is kept at 2.8 percent of GDP over the medium term. Given our efforts to protect the take-home pay of public servants, the direct cost to the budget is estimated at 0.2 percent of GDP in FY24/25 and 0.4 percent of GDP in FY25/26, with the cost expected to rise to around 0.5 percent of GDP once the contribution rate reaches 20 percent.

- **In 2025, we will start implementing the second phase of the New Kigali International Airport construction and the expansion of the national airline (RwandAir), with the support of Qatar Investment Authority.** Government of Rwanda will provide financing estimated at US$1.2 billion (8 percent of GDP) over five years, with US$1.12 billion in equity contributions and US$80 million to clear existing debts of RwandAir. Another US$1.4 billion will be provided by Qatar Investment Authority in FDI. We are actively structuring this financing to include a carefully selected mix of commercial, semi-concessional, and domestic instruments, with the clear objective of minimizing pressure on our debt stock.

- **To partially accommodate these additional expenditures, we plan to implement offsetting measures.** In FY25/26, we will reprioritize spending on goods and services (0.1 percent of GDP) and domestically-financed investments (0.1 percent of GDP), to help partially offset the cost of the pension reform. We will also slow down the implementation of existing foreign-financed development projects, and limit contracting new ones, reducing the total net acquisition of non-financial assets by a cumulative 5.9 percent of GDP over the FY25/26-FY29/30 period relative to the fourth review baseline.

14. Our fiscal stance needs to be recalibrated. Our substantial efforts to raise domestic revenues and reprioritize investment spending will only partially offset the increased expenditures related to the pension reform and the implementation of the New Kigali International Airport and RwandAir priority project.

- **Without the priority investment project, the FY25/26 fiscal deficit is projected to be at 3.5 percent of GDP.** Total revenues are expected to decline by 1.3 percent of GDP relative to the fourth review, primarily due to a significant drop in expected grants. The lower total expenditures of around 1.1 percent of GDP relative to the fourth review results from increasing pension spending, and lower goods and services and capital spending. As a result, without accounting for the priority investment project, the fiscal deficit would have declined from 5.5 percent of GDP in FY24/25 to 3.5 percent in FY25/26 (compared to the previously expected 3.3 percent of GDP), marking a notable fiscal consolidation.
- **With the priority investment project included, the FY25/26 fiscal deficit is expected to rise to 7.4 percent of GDP.** On the expenditure side, costs are expected to be about 0.9 percent of GDP higher than in the fourth review, reflecting the costs associated with borrowing for equity injection for the New Kigali International Airport and RwandAir priority investment project amounts to about 2.9 percent of GDP.

- **We remain fully committed to preserving fiscal sustainability.** To this end, we plan to continue the needed fiscal consolidation supported by (i) the full implementation of the recently approved tax package and any additional domestic revenue mobilization measures in the context of the follow-up MTRS, and (ii) spending rationalization measures, including containing current expenditure on goods and services and reprioritization of investments. 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 7.4 percent of GDP in FY25/26 to 3.2 in FY29/30.

15. Our fiscal path ensures convergence to our debt anchor and mitigates heightened debt pressures. 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 2033, two years later than originally envisaged, and with higher debt service to revenue ratio over the medium-term. This consolidation path, which will be backed by a credible medium-term fiscal consolidation, including domestic revenue mobilization and spending rationalization measures, will ensure that Rwanda remains at moderate risk of debt distress with buffers to absorb shocks.

16. Our medium-term fiscal framework has also identified a contingency plan. In case of unexpected shocks materializing, we will seek 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.

17. 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. With regard to the US$562 million financing of the New Kigali International Airport / RwandAir priority project in the FY26/27-FY28/29 period, we are committed to explore more concessional financing options as alternatives to commercial borrowing, pursuing possible development partners involvement.

Fiscal Structural Reforms

18. The implementation of our new Organic Budget Law (OBL) is proceeding as planned. The Ministerial Order required for the full implementation of the OBL has been cleared by the Legal Council and is awaiting Cabinet approval following the review by the National Law Reform Commission. The implementation of the OBL improves the budget and medium-term expenditure framework (MTEF), institutionalizes the fiscal risk management practices and structures, and facilitates the adoption of best practices in fiscal reporting. In terms of fiscal reporting, reporting periods for all public sector entities are now aligned to the fiscal year from the calendar year. However, data are being received with some lag.

19. We continue 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 adopted the MTEF user manuals and published them on the MINECOFIN's website. We continue to integrate the budget costing framework into the Integrated Financial Management Information System (IFMIS) and improve the process for the FY25/26 planning cycle. To further improve our performance-based budgeting (PBB) framework, we will continue to work on aligning the NST-2 objectives, the sector strategic plans (SSPs) and the MTEF. Following the costing of NST-2, MINECOFIN finalized the vetting of the costing of NST-2 and SSPs and will continue assessing affordability gaps vis-à-vis the MTEF expenditure ceilings.
- *Accrual Accounting Migration*. We continue to expand the coverage of accrual financial reporting in the public sector. The valuation and recognition of non-financial government assets and liabilities are progressing well. The valuation of government owned land, public road infrastructure, transport equipment, and other machinery across the country has been completed. From June 2024, public debt is also included in the government balance sheet. 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 public sector, including SOEs, and contingent liabilities will be finalized by end-June 2025 and expected to be published after April 2026. PPPs will be published in the annual financial statements by end-June 2027.
- *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. To bridge this gap and with support from IMF TA, we developed and approved a PFM digitalization strategy to support data-driven PFM, including by the adoption of Artificial Intelligence (**end-April 2025 RT**). The strategy aims to enhance the environment for data-driven decision-making using advanced digital technologies. While the current environment supports paperless processes, improvements are needed in the regulatory framework, digital skills, institutions, IT infrastructure, and IFMIS. The strategy includes 16 interventions, sequenced over five years. As the initial step, we have identified 25 use cases where fiscal data can enhance policy and operational decision-making, with 20 involving predictive analysis using AI. Eight use cases have been prioritized for implementation based on factors such as strategic alignment, data quality, and technological requirements. These include: (i) account consolidation, (ii) cash forecasting and management, (iii) harmonization of grants data, (iv) accrual IPSAS, (v) accounting

misclassification, (vi) establishing a risk register for internal audit, (vii) budget baseline calculation, and (viii) bank reconciliation.

20. We continue our efforts to strengthen the institutional framework and technical capacity to oversee and manage fiscal risks from SOEs and strengthen SOE corporate governance.

- *Review of the SOE governance legal framework*. The Presidential Order (PO), prepared in consultation with the World Bank, and which determines the prerequisites for establishment of an SOE, the rules of its management, and key SOE Board oversight functions, was gazetted on 28 August 2024. The operationalization of the PO is ongoing. To this end, with support from the IFC, MINECOFIN approved the SOE corporate governance code and its implementation plan, consistent with the 2024 OECD Guidelines on Corporate Governance of State-Owned Enterprises to ensure SOE operational independence, external audits, and the management of environmental and social risks (**end-March 2025 RT**). Additionally, with the assistance of both the IFC and the AfDB, a framework for selecting Board members with the necessary experience and qualifications is being established. We will also work towards enhancing the coverage of the SOE governance legal framework to include mixed ownership and holding companies and all key elements of sound SOE governance (i.e., state ownership arrangements, performance monitoring, financial and fiscal discipline, and transparency and disclosure).
- *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 state-owned companies, three have been fully privatized (Prime Cement, Bella Flowers, and Cogebanque), one more will be fully privatized, pending Cabinet approval, and thirty will be retained under state management.
- *Managing and mitigating SOE fiscal risks*. In 2024, government subsidies to REG, WASAC and RwandAir amounted to 1.2 percent of GDP, and the guaranteed loans in RwandAir, Bugesera Airport Company, REG, WASAC, and ULC (Ultimate Concepts Ltd.) were about 1.7 percent of GDP. 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, REG and WASAC by end-March 2024, Rwanda Medical Supply Ltd. (RMS) and AfriPrecast by end-June 2024, Kivu Marina Bay and Horizon Construction by end-September 2024, and MMC and King Faisal by end-December 2024. With support from IMF TA, we conducted 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 RT**). This exercise allowed us to better understand the fiscal risks related to REG, WASAC, Muhabura Multichoice company, AfriPrecast, and King Faisal Hospital. We will also explore if any strengthening of the institutional framework is needed to efficiently enforce the identified mitigation measures. We will conduct an analysis of fiscal risks related to RwandAir.

We scaled up the MINECOFIN's Portfolio Oversight Unit by 4 technical staff and plan to hire further 3 specialists to strengthen capacity to perform financial risk analysis.

21. **Strengthening transparency in fiscal reporting remains a key priority.** To underscore the progress achieved since the 2019 Fiscal Transparency Evaluation (FTE), we requested an FTE follow up assessment planned for August 2025. 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 we will continue to do so 60 days after the end of each quarter. To enhance our commitment to data transparency, we will resume efforts to consider transitioning from the e-GDDS to the Special Data Dissemination Standards (SDDS) and update the action plan in line with IMF TA discussions planned for later this year.

22. **We continue to enhance our public investment management practices**. We published the 2022 PIMA in August 2023 and continue to implement recommendations from the assessment. We published 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. 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.

23. **We remain committed to ensuring beneficial ownership transparency.** While companies have started to submit beneficial owner (BO) information in April 2023, further efforts are needed to accelerate the collection of BO information. New companies cannot be registered unless BO information is provided, and failure to provide BO information for existing companies will result in sanctions. We will continue our efforts to ensure compliance with the requirements to hold accurate, adequate, and up-to-date BO information and will take action to apply proportionate and dissuasive sanctions for non-compliance while also conducting awareness-raising activities. 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 and to ensure that the BO is a natural person. 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. We will also work on implementing the priority actions from the July 2024 Mutual Evaluation Report by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). This includes improving money-laundering / terrorist financing (ML/TF) risk understanding by supervisors, financial institutions, and designated non-financial businesses and professions, undertaking sectoral risk assessments for virtual assets / virtual asset service providers (VA/VASPs), legal persons and non-profit organizations, and improving risk-based supervision.

C. Monetary, Exchange Rate, and Financial Sector Policies

24. 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 markets. To achieve these objectives, we will focus on two main strategies: (i) increasing our reliance on data, analysis, and forecasts to inform monetary policy formulation and communication, and (ii) strengthening monetary policy and exchange rate operations while further developing money, domestic debt, and foreign exchange markets.

Monetary Policy

25. Containing inflationary pressures remains a priority for our monetary policy. The 3-month moving average reached 5.2 percent in December 2024, falling within the MPCC inner bound of 5±3 percent. At the NBR's monetary policy meeting on February 12, 2025, the key interest rate was maintained at 6.5 percent. This was the second consecutive decision by the NBR to keep the rate unchanged, reflecting the assessment that inflation is expected to remain within the target range of around 5 percent. We are committed to monitoring and adjusting our policy stance to effectively steer inflation back to the mid-target range if core inflation rises or if there are signs of persistent second-round effects on inflation from the pass-through of approved tax policy measures. Further upward inflationary risks include geopolitical tensions and adverse weather conditions affecting food prices.

26. 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 strengthen the use of 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 actively strengthening our nowcasting and near-term forecasting tools, incorporating weather risks into these forecasts.
- We developed a consumer price expectations survey to improve the quality of forecasts. We conducted the first survey early 2025 and continue to conduct monthly surveys.

Monetary Policy Operations and Market Development

27. 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 Central Securities Depository (CSD) law, which will trigger the rollout of the GMRA, was approved by Cabinet on March 26, 2025. The full GMRA rollout is expected to be enacted, including securing the signing of the GMRA by all banks, before the completion of the fifth review (**end-December 2024 RT**).

28. We remain committed to a flexible exchange rate and 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. FX pressures moderated in 2024 and are expected to continue easing throughout the medium term as the policy adjustment takes place, and net FX inflows increase due to the New Kigali International Airport project. 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, the NBR finalized and adopted a *diagnostic study of foreign exchange markets* to further improve our FX market operations in line with the monetary policy framework.
- The NBR adopted *revisions to its official exchange rate calculation methodology* to allow for greater price discovery by better reflecting market conditions. The gradual transition to the new methodology commenced in July 2024, with an expectation that the official selling rate would be fully reflecting the simple average rate between buying and selling rate from market transactions of the previous day. Based on experience to date, we plan to complete the transition by end-July 2025, three months earlier than originally expected.
    - We are committed to strengthening our FX intervention framework by gradually introducing *competitive FX auctions.* We will conduct a supplementary, smaller-scale competitive auction to offer banks an additional mechanism for sourcing foreign exchange (**end-September 2025 RT**). This competitive auction, with bid caps in place to prevent market abuse by dominant banks, will be conducted with fixed preannounced amounts and variable rates to promote robust price discovery. Based on this experience, we will assess a path forward to augment the existing bilateral FXI framework to allow competitive auctions to play an increasing role.
- We are committed to *strengthening the liquidity management component of the framework* to improve the transmission mechanism and the implementation of 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.

29. 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 (**end-September 2025 RT**).

30. We will continue expanding the coverage of monetary and financial statistics (MFS). The National Bank of Rwanda has been publishing sectoral balance sheets for both the Central Bank (1SR) and Other Depository Corporations (2SR). However, the NBR has 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 a quarterly basis. To this end, supported by the IMF TA, we have expanded 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 started publishing on quarterly basis (**end-March 2025 RT**) in the OpenData website.

Financial Sector Policies

31. We will continue to fine-tune our standards and processes to maintain financial stability. 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, large exposures, 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 submitted the third annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) in May 2024. 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 global financial conditions and domestic financial institutions and put in place appropriate macroprudential policies to contain potential risks.

32. The financial sector remains stable amid continued strong credit growth. Private credit continued to display strong growth in 2024, supporting robust economic momentum. As of end-2024, the banking sector continues to be profitable, and the regulatory capital is above minimum requirements. The microfinance sector expanded rapidly in 2024, following several years of fast credit growth. The NPLs ratio in the banking sector declined in 2024, which was driven by growth in loans and write-offs of non-performing exposures. NPLs in the MFIs also declined, driven largely by the substantial increase in the loan stock.

- 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 continued growth in household and SME loans, we will monitor the developments in retail credit more closely to explore the scope for active use of macroprudential policies to contain emerging financial stability risks.
- In light of the recent non-performance of a few large exposures, we are committed to continue intensifying our monitoring of large exposures of banks, which if not repaid, could pose significant risks to the banking sector. Large exposures are monitored under Pillar II risks assessment and the related capital add-ons are required as per the bank exposures. The NBR has recently enhanced its stress testing of large exposures carrying out cash flow analysis at the borrower level. These efforts are complemented by surveys on corporate indebtedness, sectoral assessment, and credit surveys. If associated risks increase, we are committed to tightening the regulatory limits on large exposures.

33. 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.

- *Leveraging data.* The NBR's financial inclusion data dashboard is operational and enables the NBR to regularly monitor financial inclusion progress using the national ID as a unique identifier to track individual financial service consumers. As of end-2024, Rwanda has achieved 85 percent formal financial inclusion among its adult population with active accounts either in banks, PLCs, SACCOs, mobile money providers or insurance providers. A substantial component of this population with financial access is driven by transactional accounts, including current accounts and mobile money wallets, while only 26 percent of adults actively engage in savings, which highlights the need for continued efforts for financial deepening.
- *Digital financial services.* Digital financial services are fast-growing, with mobile payments more than quadrupling since the pre-COVID levels. Digital payments efficiency has been enhanced by expanding interbank settlement service to 24/7 basis and to 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 comparison website Gereranya are operational, enabling financial service consumers to lodge complaints and compare financial services offered by commercial banks, 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

34. 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.

- The dynamic social registry (Imibereho) was rolled out in February 2024 and currently the system has 3,291,268 million households registered. The Imibereho system has undergone nationwide data analysis, producing provisional targeting lists for Vision 2020 Umurenge Programme (VUP) and Community Based Health Insurance (CBHI). About 146,000 households were deemed eligible for the CBHI subsidy through the social registry. However, data analysis by MINALOC and LODA revealed an 80% mismatch for the VUP Direct Support component. Based on this, a review and recalibration of the proxy-means testing (PMT) targeting methodology was conducted using data from the Integrated Household Living Conditions Survey (EICV7). The Imibereho system interoperability aspects now reach more than ten other administrative systems. There is increased focus on improving shock-adaptability especially in implementation of climate-smart public works (Radical terraces, progressive terraces and tree plantation related activities) in areas more prone to disasters and increasing the coverage of emergency cash transfers.
- We continue to strengthen our economic resilience by adopting policies favorable to regional integration. 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 New Kigali 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 a more skilled labor force.
- We continue our efforts to strengthen our capacities for pandemic preparedness and response. 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. With clinical trials set to start soon, BioNTech plans for mass production in 2025, aiming to meet 60 percent of Africa's vaccine demand by 2040, a major step toward health independence across the continent. We have successfully contained the September 2024 MVD outbreak by mobilizing a comprehensive and coordinated response. MINECOFIN spent resources equivalent to 0.5 percent of GDP in FY24/25,

to equip healthcare facilities, deploy rapid response teams, and provide financial aid to families in MVD-affected regions. While the outbreak was the third largest recorded globally, Rwanda recorded the lowest fatality rate (22.7 percent) in the history of Marburg virus outbreaks.

35. The Government of Rwanda has taken a significant step forward in its development agenda with the Cabinet approval of the high-level objectives of the Second National Strategy for Transformation (NST-2) in August 2024. This five-year plan builds on the achievements of NST-1, focusing on key areas such as job creation, export growth, education quality, public service delivery, and the reduction of stunting and malnutrition. NST-2 is designed to solidify the foundation for sustained economic growth, moving Rwanda closer to its goal of higher living standards for all.

E. Building Resilience to Climate Change

36. While we successfully completed our RSF commitments, six months ahead of the initial timeline, we continue with our efforts to ensure that RSF-related institutional improvements are durable and well-integrated in decision making.

- We remain committed to enhancing the climate budget tagging framework by ensuring its continued implementation and working towards its harmonization with the Rwanda green taxonomy by May 2026.
- We continued with the implementation of the disaster risk reduction management action plan. The Disaster Risk Financing (DRF) diagnosis final draft report is available and is pending for steering committee validation. The draft Ministerial order on Emergency procurement was developed and is now with MINECOFIN for final approval. Sector-based mitigation plans have been developed and are expected to be submitted to MINECOFIN for approval by September 2025. The process of developing guidelines for effective risk governance across sectors has started and expected to be completed by June 2025.
- We continue to work on the implementation of the recently adopted green taxonomy (RGT). We are in the process of developing a detailed implementation plan led by the Ministry of Finance and Economic Planning (Minecofin), with the Rwanda Finance Limited (RFL) serving as co-lead. The implementation plan is expected to be completed by July 2025.
- Tier 1 banks submitted their risk self-assessment of climate-related financial risks to the NBR by end-2024. For their self-assessment, banks carried out a gap analysis to identify shortcomings in their governance, risk management frameworks, and strategies. They are also in the process of identifying data needs to incorporate climate-related risks into their risk management frameworks and their overall strategy.
- We are finalizing the action plan to adopt the sustainability disclosure standards. The public consultation on the draft Adoption Roadmap ended on 29 March 2025. The launch of the Roadmap is anticipated in June 2025. The Institute of Certified Public Accountants of Rwanda (ICPAR) is leading the process, with the National Bank of Rwanda (BNR) as co-lead.

37. We also enhanced our climate mitigation efforts. As part of our efforts to reduce CO2 emissions in line with NDC objectives, we introduced an increase in the fuel levy and higher registration fees for high-emission vehicles, starting April 2025. This complements our existing policies to encourage e-mobility, including zero VAT rating on all e-vehicles and parts. We reintroduced VAT on hybrid vehicles, a move aimed at promoting pure electric mobility, starting from F25/26. To incentivize the importation of newer hybrid vehicles with longer battery life, the new measures introduce an age-based excise duty structure: 5 per cent for vehicles under three years old, 10 percent for those between four and seven years, and 15 percent for those eight years and older. These measures will help better reflect the externalities of fossil fuel consumption and help us achieve our emission reduction goals.

38. 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. The Government of Rwanda also committed to contribute US$40 million to support Ireme Invest. Work is well underway on our commitments at COP28 regarding the three programs on landscape restoration, climate-smart agriculture, and sustainable urbanization, which we plan to roll out using our innovative programmatic approach. 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. 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. Furthermore, the Ministry of Finance and Economic Planning (MINECOFIN) has established a dedicated Climate Finance Department, now being operationalized to lead resource mobilization and oversight. Complementary reforms—such as the adoption of Rwanda's green taxonomy and the Climate and Nature Finance Strategy (CNFS) launched in October 2024—are under implementation and expected to further unlock private sector finance and align public and private flows with the country's NDC targets.

39. We will continue developing bankable projects for green financing. The Ireme Invest Credit Facility has started its lending operations with a total value of its green projects pipeline estimated at about US$60 million over the 2024-25 period, with the total disbursement remaining at US$ 3.5 million until December 2024. 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. Bottlenecks are particularly strong in sectors where climate adaptation projects are most prevalent, such as climate smart agriculture and waste and circular economy. To address this obstacle, Ireme Invest has established a Project Preparation Facility managed by the Rwanda Green Fund, with an expected pipeline of US$ 5.6 million. Rwanda's Public Green Investment Facility ("Intego") has identified 10 bankable public investment projects at the total value of US$ 34 million. Implementation started in March 2025 and continue over a 3-year period.

PROGRAM MONITORING UNDER THE PCI

40. The PCI is subject to semi-annual reviews and progress in the implementation of the policies under this instrument will be monitored through quantitative targets, including a monetary policy consultation clause, continuous and standard continuous targets, and reform targets. These are detailed in Tables 1a–3, with definitions provided in the attached Technical Memorandum of Understanding.

41. The sixth review under the PCI is scheduled to be completed by November 15, 2025, based on June 30, 2025 test date.

Table 1a. Rwanda: PCI Quantitative Targets (June 2024 - June 2025)

	2024										2025	
	end-June[7]					end-December[6]					end-June[6]	
	Prog. CR 24/141	Adjustors	Adj. Prog.	Actual.	Status	Prog. CR 24/341	Adjustors	Adj. Prog.	Actual.	Status	Prog. CR 24/341	Prop. Rev. Prog.
(Billions of Rwandan francs, unless otherwise indicated)												
PCI Quantitative Targets / SCF Arrangement Performance Criteria[1]												
1. Ceiling on the debt-creating overall deficit, including grants[2]	1,159	81	1,241	1,228	Met	698	21	719	578	Met	1,098	1,098
2. Floor on stock of Net Foreign Assets	923	0	923	1,136	Met	998	0	998	1,486	Met	1,163	1,163
3. Ceiling on net accumulation of domestic arrears	0	...	...	0	Met	0	...	...	0	Met	0	0
4. Ceiling on present value (PV) of new public and publicly guaranteed external debt (US$ million)[3]	537	...	...	521	Met	1,163	...	...	988	Met	323	917
PCI Continuous Target / SCF Arrangement Continuous Performance Criterion												
5. Ceiling on stock of external payment arrears (US$ million)	0	...	...	0	Met	0	...	...	0	Met	0	0
PCI / SCF Arrangement Monetary Policy Consultation Band[1, 4, 7]												
Inflation, upper bound, percent	9.0	...	...	...		9.0	...	...	...		9.0	9.0
Inflation, upper inner-bound, percent	8.0	...	...	...		8.0	...	...	...		8.0	8.0
CPI Inflation target	5.0	...	...	5.1	Met	5.0	...	...	5.2	Met	5.0	5.0
Inflation, lower inner-bound, percent	2.0	...	...	...		2.0	...	...	...		2.0	2.0
Inflation, lower bound, percent	1.0	...	...	...		1.0	...	...	...		1.0	1.0
Memorandum items:												
Total priority spending[2]	1,700	...	...	1,710		850	...	...	855		1,750	1,750
Floor on domestic revenue collection[2, 5]	2,855	...	...	2,844		1,606	...	...	1,648		3,363	3,363
Stock of new external debt contracted or guaranteed by nonfinancial public enterprises (US$ million)[3]	23	...	...	23		17	...	...	67		13	13
Total budget support (US$ million) [2]	747	...	...	821		604	...	...	654		786	786
Budget support grants (US$ million)	161	...	...	218		67	...	...	103		155	155
Budget support loans (US$ million)	586	...	...	603		536	...	...	551		631	631
Foreign financed net acquisition of non financial assets financed by the drawdown of accumulated government deposits	559	81	640	640		542	21	563	563		1,076	1,076
RSF Disbursements (US$ million)	77	...	...	77		96	...	...	96		0	0
RWF/US$ program exchange rate	1,165	...	...	1,165		1,165	...	...	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 third reviews and SCF first review (IMF CR 24/341)

[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. At the time of the 5th PCI review, requested to be converted from continuous quantitative target to periodic quantitative target with end-June 2025 as the test date.

[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

[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

- 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 Under the PCI (December 2023-June 2025)

Actions	Target Date	Status	Objective
1) Fiscal Pillar			
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	Not met, implemented on February 10, 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	Met	Contain fiscal risks
MINECOFIN will approve the SOE corporate governance code and its implementation plan, consistent with the 2024 OECD Guidelines on Corporate Governance of State-Owned Enterprises to ensure SOE operational independence, external audits, and the management of environmental and social risks.	end-March 2025	Met	Contain fiscal risks
Develop and approve a PFM digitalization strategy to support data-driven PFM, including by the adoption of Artificial Intelligence.	end-April 2025	Met	Improve PFM
2) Monetary and Financial Pillar			
Enact the full GMRA rollout, including the signing of the GMRA by all banks.	end-December 2024	Not met	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	Met	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		Strengthen central bank independence
Conduct a supplementary, smaller-scale competitive auction to offer banks an additional mechanism for sourcing foreign exchange.	end-September 2025		Improve functioning of the FX market

Table 3. Rwanda: Summary of the External Borrowing Program[1]

	Jan-June 2024				Jan-Dec 2024				Jan-June 2025		Jan-June 2025	
	Program		Actual		Program		Actual		Program		Prop. Rev. Program	
	Nominal	PV	Nominal	PV	Nominal	PV	Nominal	PV	Nominal	PV	Nominal	PV
(Millions of USD)												
By sources of debt financing	**1160**	**537**	**987**	**521**	**1651**	**1163**	**1967**	**988**	**768**	**323**	**1600**	**917**
Concessional debt, of which [2]	**925**	**340**	**529**	**156**	**1163**	**445**	**1261**	**429**	**643**	**223**	**820**	**304**
Multilateral debt	735	277	262	70	973	382	928	326	0	0	120	32
Bilateral debt	190	64	267	85	190	64	332	103	643	223	700	272
Other	0	0	0	0	0	0	0	0	0	0	0	0
Non-concessional debt, of which	**235**	**197**	**458**	**365**	**488**	**718**	**707**	**559**	**125**	**100**	**780**	**613**
Semi-concessional [3]	235	197	458	365	488	418	707	559	125	100	780	613
Commercial terms [4]	0	0	0	0	0	300	0	0	0	0	0	0
By Creditor Type	**1160**	**537**	**987**	**521**	**1651**	**1163**	**1967**	**988**	**768**	**323**	**1600**	**917**
Multilateral	820	340	448	200	1311	666	1363	649	0	0	719	507
Bilateral - Paris Club	340	197	301	111	340	197	366	129	768	323	791	345
Bilateral - Non-Paris Club	0	0	20	13	0	0	20	13	0	0	90	65
Other	0	0	217	197	0	300	217	197	0	0	0	0
Uses of debt financing	**1160**	**537**	**987**	**521**	**1651**	**1163**	**1967**	**988**	**768**	**323**	**1600**	**917**
Infrastructure	825	381	478	212	1281	697	978	482	114	91	931	587
Social Spending	150	70	0	0	185	79	200	89	250	80	378	121
Budget Financing	185	86	368	267	185	386	623	358	0	0	200	164
Other	0	0	141	42	0	0	166	58	404	152	91	45

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 I. Technical Memorandum of Understanding

Kigali, Rwanda, May 15, 2025

1. **This memorandum defines the quantitative targets under the IMF-supported Policy Coordination Instrument (PCI) described in the Program Statement.** It applies until the end of the program and sets out the data reporting requirements.

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

PCI Quantitative Program Targets

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 ceiling 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 is set as a ceiling on the debt-creating overall fiscal deficit as of the beginning of the fiscal year. Qualified MVD expenditures related to managing the Marburg virus outbreak are divided into two main categories: current and capital. Current expenditures cover operational costs for activities such as leadership and coordination, epidemiology and surveillance, laboratory and diagnostic services, case management, infection control, risk communication and community engagement, psychosocial care, and operational support. Capital expenditures involve investments in assets, infrastructure, or essential resources to support these health initiatives.

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 PS) evaluated at program exchange rate.
  - 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 RWF 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 (as defined in Table 1a of the PS).
- The ceiling on the debt-creating overall deficit will be adjusted downward / upward by the amount of any shortfall / excess between actual and programmed qualified spending (i) directly related to the cost of Marburg Virus Disease (MVD) pandemic rapid response; and (ii) not financed by earmarked budget grants / in kind contributions dedicated to MVD pandemic rapid response. The upward adjustment will be up to a maximum of RWF 39 billion.

Foreign Financed Capital Expenditure Adjustor[1]
(Billions of Rwandan francs)

	Jun-24			Dec-24			Jun-25
	Program	Actual	Adjustor	Program	Actual	Adjustor	Program
Net acquisition of non financial assets							
Foreign financed	1,017	1,098	81	542	563	21	1,076
Memorandum items							
Net incurrence of liabilities	Program	Actual	Difference	Program	Actual	Difference	Program
Foreign loans: capital disbursements	559	640	81	313	358	45 [2]	656
Improve energy access	14	31	17	...	...	...	...
Energy access and quality improvement	14	21	7	...	...	...	...
Social protection transformation II	6	64	58	...	...	...	...
Basic education human capital	17	31	15	...	...	...	...
Multipurpose (Nyabarongo) project II	...	...	...	13	40	26	...
Access to finance for recovery	...	...	...	17	38	21	...
Lake Victoria transport program	...	...	...	0	3	3	...
Other foreign financed projects	508	493	-15	283	277	-6	...

Source: Rwandan authorities

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

[2] The difference between capital disbursements and foreign financed capital spending is due to the Economic Recovery Fund earmarked disbursements reported under project loans.

Marburg Virus Disease Adjustor[1]
(Billions of Rwandan francs)

	Dec-24		Jun-25
	Program	Actual	Program
Use of goods and services			
MVD response	83	83	83
Net acquisition of nonfinancial assets			
MVD response	20	20	20

Source: Rwandan authorities

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

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 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 PS.
- 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.[1]

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

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

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 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 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 ceiling for

December 31, 2024 is cumulative from January 1, 2024. The ceiling for June 30, 2025, is cumulative from January 1, 2025. This QT 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[2] 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.

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

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 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-December 2024, and end-June 2025 as specified in Table 1a in the PS, 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-December 2024, and end-June 2025 test dates as specified in Table 1a in the PS, the authorities will complete a consultation with the Executive Board which would focus on: (i) the stance of monetary policy and whether the Fund-supported program remains on track; (ii) the reasons for program deviation, taking into account compensating factors; and (iii) proposed remedial actions if deemed necessary.

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 as well as reform targets 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	Q	Q
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 15, 2025

FIFTH REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR THE MODIFICATION OF END-JUNE 2025 QUANTITATIVE TARGET—DEBT SUSTAINABILITY ANALYSIS[1]

Approved By

Catherine Pattillo and Tokhir Mirzoev (IMF), Manuela Francisco and Hassan Zaman (IDA)

The Debt Sustainability Analysis was prepared jointly by the staff of the International Monetary Fund and the International Development Association.

Rwanda: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*Moderate*
Overall risk of debt distress	*Moderate*
Granularity in the risk rating	*Limited space to absorb shocks*
Application of judgment	*No*

The updated Bank/Fund debt sustainability analysis (DSA) for Rwanda continues to indicate a moderate risk of external and overall public debt distress, though space to absorb shocks without breaching high-risk thresholds has narrowed. The debt-carrying capacity classification remains 'strong'.[2] Rwanda's financing strategy assumes continued support from official development partners over the medium term, with highly concessional loans for new external borrowing under IDA20 and IDA21, and an increasing share of domestic financing in the long term. At the same time, baseline assumptions include an additional US$800 million in external commercial financing compared to the previous DSA, related to a large priority project and raising baseline PV external debt-to-GDP closer to its threshold in the near-term. Debt indicators classify debt sustainability risks as moderate with limited space to absorb shocks, with near-term standard stress test breaches of the benchmark for PV public debt-to-GDP and the threshold for PV external debt-to-GDP highlighting vulnerability to external and climate shocks. Baseline external debt service-to-revenue rises over the medium-term, with stress tests breaches and spikes due to Eurobond payments highlighting mounting liquidity pressures and vulnerability to external financing conditions. The baseline relies on continued consolidation, underpinned by implementation of the authorities' medium-term revenue strategy. Heightened uncertainty around key external risks to concessional financing over the medium-term, underperformance risks to domestic resource mobilization, and sustained exchange rate pressures could intensify debt sustainability risks. The authorities are encouraged to progress on fiscal consolidation, reprioritize investment projects to mitigate external financing needs, and support the external adjustment with real effective exchange rate adjustment.

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

[2] Rwanda has a debt carrying capacity indicator score of 3.19. This implies a classification of strong debt carrying capacity, which is the same classification as under the previous DSA.

BACKGROUND ON DEBT

1. The DSA covers the central government, guarantees, and state-owned enterprises (Text Table 1). The Ministry of Finance and Economic Planning (MINECOFIN) publishes annual debt data in a semi-annual statistical bulletin, covering domestic and external debt of the central government, broken down by multilateral, bilateral and commercial debt, as well as information on guaranteed and non-guaranteed debt held by all state-owned enterprises (SOEs).[3] Public guarantees are only extended to SOEs. There is no debt stemming from extra budgetary funds, long term central bank financing of the government, nor the state-owned social security fund. The local government debt is also covered but the existing stock to date is marginal,[4] and its contracting is subject to approval by MINECOFIN. The contingent liabilities shock (6.5 percent of GDP) accounts for potential fiscal costs associated with a theoretical banking crisis, and fiscal risks of existing public-private partnerships (PPPs). All SOE guaranteed and non-guaranteed debt is included in the baseline.

Text Table 1. Rwanda: Coverage of Public and Publicly-Guaranteed Debt and Parameters for Contingent Liability Shocks for the Tailored Stress Test

	Subsectors of the public sector	Check box
1	Central government	X
2	State and local government	
3	Other elements in the general government	X
4	o/w: Social security fund	X
5	o/w: Extra budgetary funds (EBFs)	X
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	X

1	The country's coverage of public debt	The central government plus social security and extra budgetary funds, central bank, government-guaranteed debt, non-guaranteed SOE debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	0	SOE debt is covered in PPG debt
4	PPP 2/	35 percent of PPP stock	1.5	default, i.e. 35 percent of PPP stock
5	Financial market (the default value of 5 percent of GDP is the minimum valu	5 percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)		6.5	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.
2/ When PPP stock is less than 3 percent of GDP, as reflected in the World Bank's database, then test is set to zero.

2. Rwanda's public and publicly-guaranteed (PPG) external debt-to-GDP ratio increased by 48.9 percentage points over the last decade, driven by loans to meet the development needs envisaged in the National Strategy for Transformation (NST), but also to respond to the fallout from the COVID-19 pandemic. The development needs have been supported by a comprehensive public investment strategy, including three large projects to support trade and tourism through a series of public-private partnerships and external guarantees outside the budgetary central government (construction of the Kigali Convention Center completed in 2016, the expansion of the national airline RwandAir, and the ongoing construction of the New Kigali International Airport). These developments contributed to an increase in PPG external debt by 22.4 percentage points in the five years preceding the

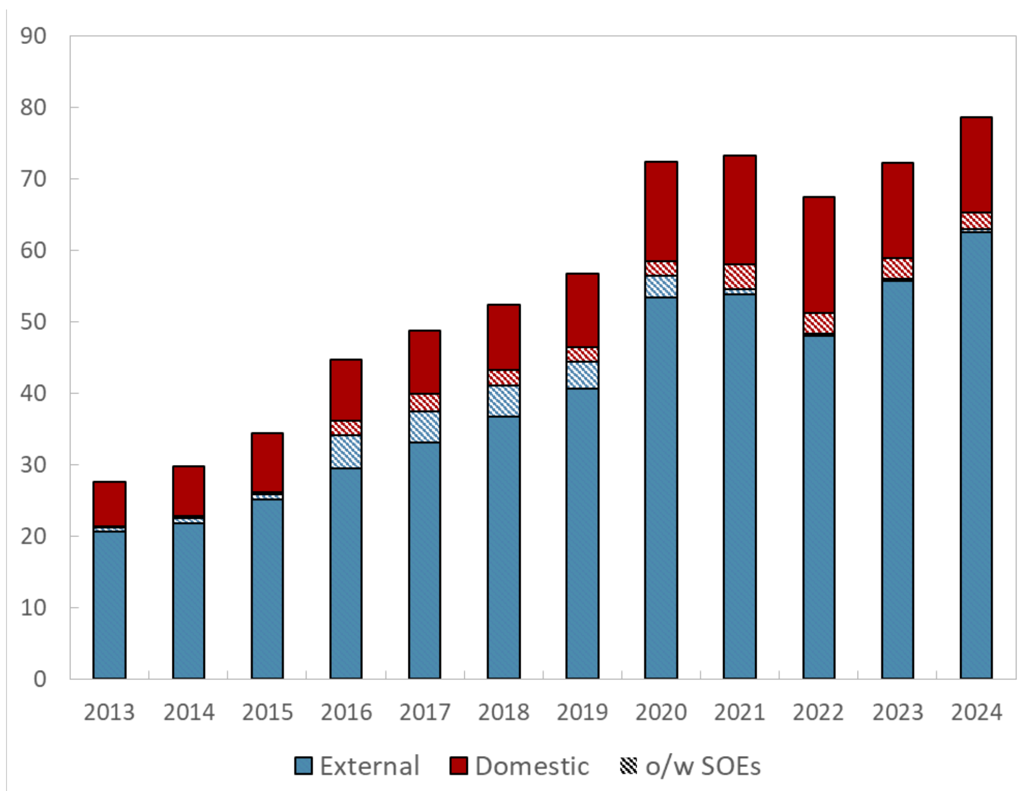
[3] Operational leases on RwandAir (SOE) aircrafts and existing public-private partnerships (power purchase agreements, water purchase agreements, etc.) are not part of the PPG debt.

[4] Local government debt stood at RWF 29 bn or 0.18 percent GDP at end-2023.

COVID-19 shock. At the same time, the increase in the fiscal deficit due to revenue shortfalls and a scaling up in spending to address the COVID-19 crisis led to a sharp debt increase by an additional 15.6 percentage points in 2020. Following the economic recovery, external and domestic inflationary pressures helped reduced the nominal PPG debt ratio in 2022. Weather-related shocks in 2023, including devastating floods, led to increased borrowing to meet reconstruction needs. Together with nominal exchange rate pressures from higher imports, PPG debt rose again in 2023 and 2024 to 78.7 percent of GDP (Text Figure 1).

Text Figure 1. Rwanda: Total PPG Debt

(Percent of GDP)



Sources: Rwandan authorities and IMF Staff Calculations

3. **Rwanda benefits from a high share of concessional external debt, mostly to official multilateral creditors (Text Table 2).** About 80 percent of Rwanda's total PPG debt is owed to external creditors, three-quarters of which is to multilateral creditors, with highly concessional World Bank financing accounting for the majority. Rwanda issued a USD 620mn Eurobond in 2021 with a 10-year maturity, its second issuance on external markets since its debut issuance in 2013 (a USD 400mn 10-year bond that matured in 2023). Over 2021-22, the government facilitated SOE's buyout of USD 104mn in external debt with domestic debt financed with domestic bank loans.

Text Table 2. Rwanda: Decomposition of Public and Publicly-Guaranteed Debt and Debt Service by Creditor, 2024–26[1]

	Debt Stock (end of period)			Debt Service					
	2024			2024	2025	2026	2024	2025	2026
	(In US$ mn)	*(Percent total debt)*	*(Percent GDP)* [5]	*(In US$ mn)*			*(Percent GDP)*		
Total	10,687.8	100.0	78.7	1,012.4	1,145.5	678.3	7.1	7.8	4.4
External	8,564.9	80.1	63.1	281.0	398.8	376.2	2.0	2.7	2.4
Multilateral creditors[2]	6,424.8	60.1	47.3	159.0	218.4	235.4	1.1	1.5	1.5
IMF	939.8	8.8	6.9	12.8	53.4	48.2	0.1	0.4	0.3
World Bank	3,739.2	35.0	27.5	80.6	95.1	106.7	0.6	0.6	0.7
ADB/AfDB/IADB	1,237.1	11.6	9.1	43.7	47.9	57.6	0.3	0.3	0.4
Other Multilaterals	122.0	1.1	0.9	21.9	22.0	23.0	0.2	0.1	0.1
o/w: IFAD	190.8	1.8	1.4	5.9	5.9	5.8	0.0	0.0	0.0
BADEA	97.5	0.9	0.7	0.2	0.4	0.7	0.0	0.0	0.0
Bilateral Creditors	1,089.0	10.2	8.0	49.6	49.5	59.1	0.3	0.3	0.4
Paris Club	491.8	4.6	3.6	14.9	13.0	18.7	0.1	0.1	0.1
o/w: JICA	197.1	1.8	1.5	0.0	0.1	0.9	0.0	0.0	0.0
AFD	204.9	1.9	1.5	4.3	2.8	7.4	0.0	0.0	0.0
Non-Paris Club	518.9	4.9	3.8	34.7	36.5	40.3	0.2	0.2	0.3
o/w: EXIM-CHINA	361.5	3.4	2.7	27.6	26.4	29.4	0.2	0.2	0.2
SFD	76.1	0.7	0.6	5.0	4.8	5.3	0.0	0.0	0.0
Bonds	620.0	5.8	4.6	34.2	33.9	33.7	0.2	0.2	0.2
Commercial creditors	66.8	0.6	0.5	12.9	73.8	0.0	0.1	0.5	0.0
o/w: Trade Development Bank	27.9	0.3	0.2	12.9	19.8	0.0	0.1	0.1	0.0
o/w: EDC	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0/w: Banks	37.4	0.3	0.3	0.0	54.0	0.0	0.0	0.4	0.0
Other international creditors	364.2	3.4	2.7	25.2	23.2	48.1	0.2	0.2	0.3
o/w: AFREXIM	156.1	1.5	1.1	12.5	12.2	33.7	0.1	0.1	0.2
o/w: JP MORGAN	208.1	1.9	1.5	12.7	11.0	14.4	0.1	0.1	0.1
list of additional large creditors									0.0
Domestic	2,122.9	19.9	15.6	731.4	746.7	302.1	5.1	5.1	2.0
Held by residents, total	2,122.9	19.9	15.6	731.4	746.7	302.1	5.1	5.1	2.0
Held by non-residents, total									
T-Bills	428.6	4.0	3.2	367.4	435.7	0.0	2.6	2.9	0.0
Bonds	1,221.1	11.4	9.0	235.3	192.6	208.4	1.7	1.3	1.3
Loans	473.2	4.4	3.5	128.7	118.4	93.7	0.9	0.8	0.6
Memo items:	-	-	-	-	-	-			
Collateralized debt[3]	-	-	-	-	-	-	...	...	...
Contingent liabilities[4]		-	-	-	-	-	...	...	...
Nominal GDP (US$ million)	...	...	...	14,251	14,771	15,472	...	...	...

[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).

Sources: Rwandan authorities and IMF Staff Calculations.

4. **The depth and capacity of the domestic market has grown in recent years, though higher external financing and fiscal consolidation efforts have reduced domestic Treasury issuances.** The authorities' primary financing strategy is to maximize external concessional financing before turning to non-concessional or domestic financing. In response to heightened spending needs due to the shock from the pandemic and limited external financing, domestic PPG debt jumped by nearly 7 percent of GDP between 2019 and 2022, and has since declined as external financing recovered, and is expected to continue declining over the medium-term towards its pre-pandemic average under baseline external financing assumption and fiscal consolidation efforts (see ¶5). The main domestic creditors are banks and a pension fund providing financing through loans and Treasuries. The domestic bond market has grown, from about RWF 60bn to RWF 300bn annually in recent years, reflecting heightened financing needs from

the pandemic shock and increased bank holdings of T-bonds as collateral. However, with an increase in external financing over 2023-24 and fiscal consolidation efforts, Treasury issuances have declined despite strong demand from banks and are expected to remain slow over the medium-term (see ¶5 and Text Figure 2). While past issuances have predominantly been short-term T-bills, the government focused on shifting towards T-bonds, with success in extending maturities to 20-year bonds. In 2019, the government began implementing a bond "re-opening" strategy which aims to identify benchmark market rates by re-issuing previously issued bonds to determine market pricing for remaining maturities. This strategy seeks to develop a market yield curve and reduce domestic portfolio refinancing risks by increasing average maturities. In 2023, the Development Bank of Rwanda (BRD) successfully issued its first Sustainability Linked Bond (SLB) for RwF 30bn (0.18 percent of GDP) with support from the World Bank. It issued a second SLB in October 2024 for RwF 33.5bn (0.20 percent of GDP).[5] Both SLB's have a seven-year maturity with an annual coupon rate of around 12.9 percent, broadly on par with treasuries. Strong demand for these bonds appears to have encouraged interest in greater corporate bond activity as well, with one issuance by a hydropwer energy firm in October 2024 and further interest from other potential issuers. As of March 2025, average T-bill rates stood at 7.7 percent and 7-year T-bonds at 11.9 percent. Longer term 15–20 year T-bonds stood at 13.3 percent in end-2024.

UNDERLYING ASSUMPTIONS

5. The macroeconomic assumptions underlying the baseline scenario reflect recent economic developments and policies (Text Table 3), including revised assumptions on the construction of New Kigali International Airport. The devastating floods in May 2023 amplified the underlying imbalances, leading to significant reconstruction costs, estimated at around 3 percent of GDP over the following five years. The authorities have reported that post-flood reconstruction spending has already reached approximately 1.2 percent of GDP through end-2024. Compared to the previous DSA, the outturn for 2024 growth was better than anticipated (8.9 percent vs. 8.3 percent). Looking ahead, near-term developments are influenced by the impact of the priority investment project on New Kigali International Airport (Box 1).

- *Growth:* Stronger than expected growth in 2024 was broad-based. Continued recovery in agriculture, a construction-led expansion in the industrial sector, and strong service sector performance driven by trade, tourism, transport and telecommunications sustained growth. Growth is expected to soften to 7.1 percent in 2025 due to the contractionary effects of the projected fiscal consolidation. The direct impact of recent changes to US tariffs on Rwanda's GDP growth is estimated to be minimal in the near term, with a projected effect of -0.03 percent of GDP in 2025, given limited direct trade with the US. This will be offset by the positive contributions from the increased activity in the construction of New Kigali International Airport, which will temporarily raise GDP growth to 7.5 percent in 2026 and 7.4 percent in 2027 (see Box 1), before decelerating again in line with the project fiscal consolidation as the project

[5] As a state-owned bank, BRD is not included in the DSA perimeter. For each SLB issuance, the government received a USD 10mn loan from the World Bank (included in DSA perimeter), that was on-lent to BRD which used the funds to purchase Treasuries that served as a credit enhancement for the SLB issuance.

closes. Over the medium term, growth projections remain unchanged and economic activity is expected to be buoyed by private sector-led economic diversification and the subsequent boost to the services sector. Private consumption and investment are the main growth drivers in the medium term as fiscal consolidation proceeds. Headline inflation declined to 5.0 percent in 2024, reflecting easing food inflation. Over the long term (Box 2), growth from the supply-side is expected to be supported by a dynamic service sector, gradual industrialization, and continued significant contributions from agriculture for some period. Upside risks to long-term growth could come from an expanded capacity of the new airport. On the demand side, robust and steady private consumption and investment will support the rebalancing of the economy from public sector-led towards private sector-led growth.

- *Fiscal:* Rwanda's fiscal consolidation efforts have slowed, but the medium-term fiscal path remains ambitious. The general government fiscal deficit for FY2024/25 is projected at 5.5 percent of GDP[6], in line with the previous DSA's macroframework. Medium-term deficits are higher relative to the previous DSA, reflecting increasing pension contributions, which are set to reach 20 percent by 2030, and costs related to the airport and airline priority project, which are frontloaded starting in FY2025/26 and continue through FY2029/30. These resulted in a fiscal deficit for FY2025/26 to rise to 7.4 percent of GDP. The medium-term budget framework envisages a reduction of the fiscal deficit from 7.4 to 3.2 percent of GDP over the FY2025/26–FY2029/30 period. The adjustment will require efforts to mobilize domestic revenues and considerable expenditure adjustment, which limits room for further cuts amid substantial development challenges. A comprehensive package, primarily focusing on broadening the tax base by streamlining tax holidays and tax expenditures has been developed and will be implemented in stages over FY25/26 to FY29/30. The package includes VAT on fuels and transportation services, an environmental levy, higher capital gains tax, a tourism tax on accommodations, VAT on select financial services, and the repeal of corporate income tax holidays. Medium-term contingency plans will involve spending reprioritization while safeguarding essential spending, in particular on investment and social assistance, and preventing budget overruns and financing risks. Potential measures include curbing new hires, further reducing non-essential recurrent spending, and halting underperforming domestically financed projects. Overall, the projections continue to assume strong fiscal policy consolidation that is aligned with the diversifying, private sector led drivers of growth, builds buffers, and ensures convergence to the nominal debt anchor of 65 percent of GDP by 2033.
- *External:* The current account deficit in 2024 reached 12.7 percent of GDP, smaller than the 13.1 percent of GDP deficit projected in the previous DSA on account of faster export growth and slower import growth in the fourth quarter, mainly led by terms of trade benefits and investment project implementation. Starting in 2025, the current account is expected to widen on account of higher imports related to the expansion in the construction of the New Kigali International Airport and capital injection into RwandAir, the national airline. Higher FDI inflows and external borrowing will buoy reserves, which will be partly offset by higher external debt

[6] The 2025 calendar year fiscal deficit is projected at 9.9 percent of GDP as shown in Text Table 3 below due to front-loaded financing for the New Kigali International Airport/RwandAir projects in H1 of FY25/26.

service outflows. The authorities have identified around US$511 million in other external project loans over the next five years that could be delayed or cancelled (Box 1), which in turn lower projections for both capital inflows and other (non-priority project) project-related imports. Overall, the policy-mix underpinning the PCI assumes greater real effective exchange rate depreciation. Over the medium term, the trade balance and current account deficit are projected to gradually improve, underpinned by further real effective exchange rate adjustment, higher domestic savings from fiscal consolidation efforts and improving exports from higher FDI.

Text Table 3. Rwanda: Key Macroeconomic and Debt Assumptions—Comparison with the Previous Debt Sustainability Analysis

Calendar year	2024	2025	2030	2035	2040	2044	2031-44
	Actual			Projections			
Selected indicators from the macro-framework and debt data							
(Percent, unless otherwise indicated)							
			PV of PPG External Debt to GDP Ratio				
2024 DSA (previous)	41.3	42.9	39.1	31.8	25.3	20.8	28.4
2025 DSA (current)	39.2	43.9	41.0	28.3	21.5	17.0	25.8
			PV of Public Debt to GDP Ratio				
2024 DSA (previous)	55.2	57.0	43.7	39.6	40.1	43.0	40.5
2025 DSA (current)	56.7	61.7	52.7	43.2	39.4	38.7	42.0
			Grant Element of New External Borrowing				
2024 DSA (previous)	…	38.9	40.3	36.7	35.3	33.6	35.1
2025 DSA (current)	…	25.8	49.7	38.0	35.8	34.0	35.4
			Real GDP Growth (annual percent change)				
2024 DSA (previous)	8.3	7.0	7.2	6.9	6.5	6.5	6.7
2025 DSA (current)	8.9	7.1	7.0	6.9	6.5	6.5	6.7
			Current Account Balance (percent of GDP)				
2024 DSA (previous)	-13.1	-12.1	-9.9	-11.0	-10.8	-10.6	-10.6
2025 DSA (current)	-12.7	-13.8	-7.6	-11.0	-10.8	-10.6	-10.6
			Exports of goods and services (percent of GDP)				
2024 DSA (previous)	29.3	33.5	39.1	34.0	30.9	29.8	32.8
2025 DSA (current)	30.0	34.4	44.5	36.6	33.1	31.9	35.3
			Fiscal balance, calendar year (percent of GDP)				
2024 DSA (previous)	-7.8	-5.2	-2.8	-3.2	-3.4	-2.9	-3.3
2025 DSA (current)	-7.5	-9.9	-2.5	-2.6	-2.5	-1.7	-2.5
			CPI, period average (percent)				
2024 DSA (previous)	5.0	5.0	5.0	5.0	5.0	5.0	5.0
2025 DSA (current)	4.8	7.0	5.0	5.0	5.0	5.0	5.0

Note: Previous DSA was completed in November 2024.
Sources: Rwandan authorities; IMF and World Bank staff estimates and projections.

6. **Financing needs for the construction of New Kigali International Airport and the expansion of the national airline are expected to raise external commercial borrowing and FDI inflows.** Costs related to the construction of New Kigali International Airport have increased from US$1.5 billion to US$2.6 billion over through 2029, with a capital increase of RwandAir, the national airline, calling for an additional US$550 million over the same period. In partnership with the Qatari Investment Authority (QIA), the government of Rwanda has a 40 percent share in the national airport and 51 percent share in the national airline, requiring a total of US$1.12 billion in equity contributions and US$80 million to clear

existing debts (around 8 percent of GDP in total), of which around US$400 million has already been assumed in the previous DSA, leaving US$800 million as new financing to the baseline. To meet these obligations, the authorities are pursuing a range of options, including a mix of commercial and semi-concessional financing options to mitigate the debt burden. Staff's relatively conservative baseline assumptions include full external commercial financing to assess the potential scale of impact on debt vulnerabilities. As the authorities pursue different options, staff's baseline assumptions incorporate a conservative financing mix, consisting of US$550 million in commercial loans from regional banks and a US$650 million Eurobond (see Box 1, and ¶7 for baseline financing assumptions), with around US$1.4 billion in FDI inflows fulfilling QIA's commitments over the same period.

7. The government's mitigating measures partially offset the increase in public debt due to the priority projects. To mitigate the increase in borrowing, the authorities plan to reprioritize other development projects (Box 1), continue to advance on revenue measures (including under its forthcoming MTRS-2), and pursue cost-mitigation options through IFI involvement. Under staff's conservative baseline with full external commercial financing, however, the sharp increase in non-concessional external borrowing still pushes overall public debt to 86.3 percent of GDP by 2026 and raises debt servicing costs in coming years. The debt path remains elevated for an extended period, with the program debt anchor of 65 percent of GDP expected to be reached in 2033—two years later than envisaged under the PCI arrangement. While this path is may be more conservative than the one that would likely materialize based on the authorities' strategy to minimize costs with options that could include a mix of commercial and semi-concessional financing, the precise timing of reaching the debt anchor remains subject to risks, including the financing terms, actual project implementation costs, and the strength of the overall fiscal reform momentum.

Box 1. Financing Costs for New Kigali International Airport and RwandAir

Total expected costs related the construction of New Kigali International Airport have increased from US$1.5 billion to US$2.6 billion until 2029 and plans to expand the national airline are set to cost an additional US$550 million. Following the completion of the first of two phases of airport construction, estimated costs related to the second phase have increased with project expansion. At the same time, plans to expand the national airline, RwandAir, are set to occur over a similar timeline until 2029. In partnership with the Qatar Investment Authority (QIA), the government of Rwanda has a 40 percent share in the national airport and 51 percent share in the national airline.

Baseline assumptions include an increase in external commercial financing and FDI to meet the project's financing needs. Financing the government's shares in both the airport and airline require a total of US$1.12 billion in equity contributions through 2029 and US$80 million to clear existing debts of RwandAir (around 8 percent of GDP). To meet these obligations, baseline assumptions include frontloaded external commercial borrowing aligned with the project timeline. While the authorities are pursuing a range of options, including a mix of domestic and external commercial and semi-concessional financing, staff's current baseline conservatively assumes full external commercial financing: a US$650 million Eurobond issuance later this year and US$550 million in external commercial loans over 2026-29, each in line with Rwanda's current costs and maturities. Prior to the increase in expected costs, baseline assumptions included US$400 million in external commercial loans over 2025-29, resulting in an additional US$800 million to total baseline financing assumptions. In parallel, FDI inflows of over US$1.4 billion by QIA cover the remaining shares over the next five years.

The associated increase in public debt over the medium-term is partially offset by a reprioritization of other development projects. On one hand, to help make some fiscal space for the increase in financing needs from the airport and airline projects, the authorities have reduced previously planned external yet concessional borrowing for development projects by US$511 million over five years (FY25/26-FY29/30). This consists of around US$293 million in delayed ongoing projects, US$132 million in cancelled existing projects that had not commenced, and US$86 million in other potential projects that had been under consideration. However, the low cost of these concessional loans has a lower offsetting impact on future debt service obligations from the planned commercial borrowing. On the other hand, separate increases in concessional *budget* loans by US$300 million reduces the offsetting impact of the decline in project loans, resulting in a total net reduction of US$210 million in external borrowing.

8. **Baseline financing assumptions reflect Rwanda's financing strategy, which assumes continued support from official development partners over the medium-term and increased commercial borrowing to finance priority investment projects.** Excluding financing needs due to increased costs related to the expansion of New Kigali International Airport and RwandAir, gross financing needs are expected to continue declining over the medium-term in the context of fiscal consolidation and growth-promoting structural reforms supported by the PCI and World Bank development policy financing. Adding the total financing needs of around US$1.2 billion in the airport and airline projects will add around US$800 million to previously assumed financing projections (US$400 million was included in the previous DSA) and at higher costs over the next five years.

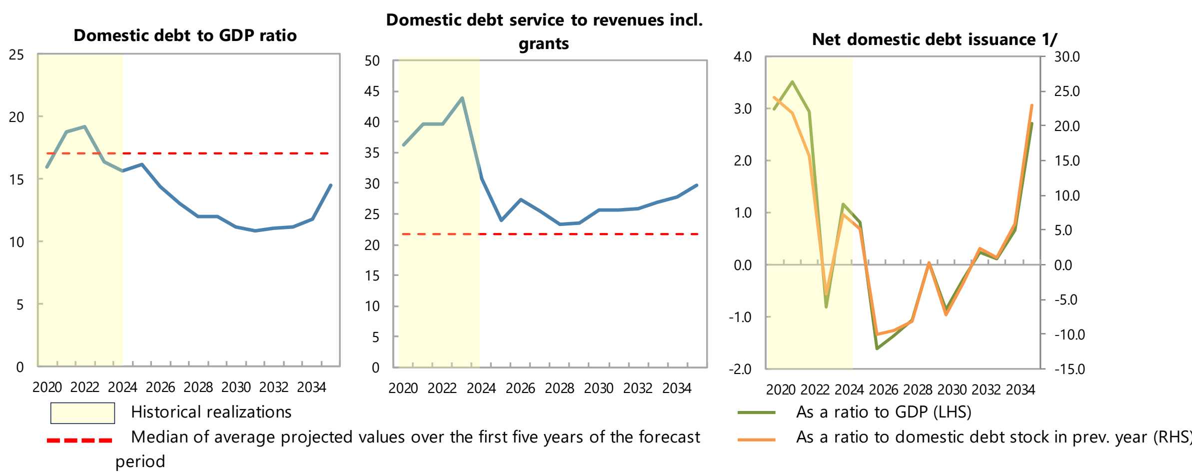
- *External official financing*.
  - Besides financing from the World Bank and the IMF (prior to the recent completion of the disbursing SCF and RSF arrangements in 2024), baseline projections assume disbursements of external financing from the African Development Bank and several other multilateral and official bilateral partners. Under the IDA20 financing terms, the volume of loans is projected to increase given the shift from 50-50 grant-loan financing under IDA19 to 100 percent loans, hence, the fiscal deficit and the nominal debt will increase as well, but given the high concessional terms of IDA20 loans, the expected impact on the present value of debt is marginal.[7] IDA financing signed after 2024 is assumed to be in the form of 100 percent credit on regular IDA terms.
  - Rwanda is beginning to experience a decline in external assistance, primarily in the form of lower grants and donor-funded programs. In FY25/26, USD 110 million of required grants that were initially projected will not materialize, while an additional USD 5 million in bilateral support from Belgium was cancelled. A significant portion of Rwanda's external assistance also comes from the United States, with total US support amounting to USD 178 million in FY22/23, of which USAID accounts for USD 127 million. Approximately 57 percent of this assistance has historically supported the health sector. Importantly, the USAID funding constitutes off-budget assistance, meaning it does not directly finance the government's budget but supports sectoral programs and service delivery through implementing partners.
- *External market financing.* The share of market-based external financing is projected to increase starting 2030, although slowly under the baseline. Staff assumes the USD 620 million Eurobond is projected to roll-over in 2031. Against the broader trend of declining concessional financing over the medium-term, recent declines in official financing support, and coupled with the authorities' development spending needs and prospects for scaling up market-based climate- and development spending, risks are such that the share of market-based external financing may need to increase faster than envisaged. To finance the US$1.2 billion required for increased costs related to the construction of New Kigali International Airport and capital increase for RwandAir, staff's baseline conservatively assumes full external commercial financing. As the authorities pursue different financing options, staff's current baseline includes a conservative financing mix of a US$650 million Eurobond issuance later this year and US$550 million in commercial loans over 2026-29, each in line with Rwanda's current costs and maturities. The authorities are currently pursuing a mix of domestic, external commercial, and semi-concessional financing through IFIs to mitigate the increase in the overall debt burden. The previous DSA includes US$400 million in projected external commercial loan disbursements over five years for this project under its original assumptions. The current DSA therefore includes an additional US$800 million based on updated project assumptions.

[7] 50-year loans under IDA20 have grant element of about 74 percent, while 50-50 grant-loan financing that prevailed under IDA19 has grant element of about 77 percent. With 3 percentage points difference, if cumulative disbursements under IDA20 reach 3.2 percent GDP, the effect on PV of external debt would increase by about 0.1 percent GDP.

- *Domestic financing*. With declining financing needs under the baseline led by fiscal consolidation and negotiated new external resources, the share of domestic financing is projected to decline through 2030 to its pre-pandemic average and pick up thereafter. In parallel, domestic debt service continues to fall in the near-term and remain stable over the medium-term at similar levels of peer countries. Gross issuances will continue to decline and net issuances are projected to be negative in the medium-term (see Text Figure 2). The declining supply of Treasuries may potentially slow the deepening of the domestic financial system, which has grown in recent years and demonstrated capacity to provide liquidity in times of stress as during the pandemic shock. Without information on SOE borrowing plans, domestic financing needs under the baseline are modestly underestimated. Risks are broadly balanced given relatively low debt levels and steady demand from banks who hold Treasuries as collateral. Key downside risks emanate from fiscal exposures to large development projects, including potential cost overruns related to New Kigali International Airport, and concentrated banking sector exposures to rapidly growing mortgage- and construction-related activities.

Text Figure 2. Rwanda: Indicators of Public Domestic Debt 2025-2035

(Percent)



Borrowing Assumptions (average over 10-year	Value
Shares in new domestic debt issuance	
Medium and long-term	35%
Short-term	65%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	8.5%
Avg. maturity (incl. grace period)	3
Avg. grace period	2
Domestic short-term debt	
Avg. real interest rate	5.1%

Sources: Rwandan authorities and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

9. Realism tools indicate that the planned fiscal adjustment is ambitious in comparison with cross-country experiences (Figure 4). A 3-year fiscal consolidation in the primary balance is expected to peak at 6.5 percentage points of GDP from 2025 to 2028, in the top quartile of the distribution of past adjustments for a sample of low-income countries (LICs). The pace of this adjustment reflects the sizeable impact of the airport construction project on capital expenditures, for which the peak of activity will occur over 2025-27 before nearing completion starting 2028 (see ¶5). Excluding the impact of this project, the pace of fiscal adjustment remains reasonably ambitious and depends on the successful implementation of recently approved revenue measures, continued progress on domestic revenue mobilization covered under the PCI, and building on spending rationalization achieved under the PCI approved in 2022 and the SCF approved in 2023. While the reprioritization of previously planned or ongoing projects helped support the fiscal adjustment, recent pension reforms add to expenditures and support the need to adhere to planned revenue measures. Underperformance in domestic resource mobilization could be offset by further spending rationalization and preserve the planned fiscal adjustment, although with downside risks to growth and underlying debt dynamics. Other realism tools suggest that projections are broadly in line with historical debt drivers, with some improvements relative to historical trends reflecting a tighter yet growth-friendly policy mix to reign in domestic and external imbalances.

10. In the past, PPG debt dynamics have been strongly affected by the materialization of fiscal risks (Figure 3). Changes in total public debt over the past five years have been driven by higher-than-anticipated primary deficits due to the pandemic response and unanticipated developments of the debt outside the budgetary central government, leading to a higher-than-expected debt accumulation of over 20 percentage points of GDP—well in excess of the 75 percent quartile of other LICs. The ongoing efforts to mitigate unanticipated fiscal developments outside the central government, supported by IMF TA, remain a key pillar of the PCI. Going forward, the evolution of public debt will continue to be dominated by the path of the primary fiscal deficit, real GDP growth, real effective exchange rate adjustment, and the availability of concessional financing.

Box 2. Rwanda: Long-Term Macroeconomic Assumptions [1/]

Growth. According to World Bank analysis, long term growth projections of 6.5–7 percent are driven by four broad group of fundamentals: investment (public and private), human capital, total factor productivity (TFP) and demographics. The baseline assumptions for each growth driver are designed to capture a plausible path for the variable if present trends continue, taking into account both Rwanda's own history, as well as reasonable values among other peer countries. Given the government's strong historical record on implementing reforms, the baseline also includes "typical" levels of reforms that might be achieved by a typical country in Rwanda's situation. Thus, the baseline assumes that TFP growth in the long run is 1.8 percent, which is between the averages 2000-19 and 2000–14 averages. The productivity projection is based on assumption of continued increase in FDI and trade openness. The baseline also assumes the government will continue its reform efforts to improve human capital indicators. To calculate this human capital path, the analysis identifies 12 countries that in 1980 had the same years of schooling of 20–24-year-olds as Rwanda in 2020 (6.5 years ± 0.5 years)—Rwanda's "schooling peers"—and then trace out the gains in education of the schooling peers over the next 10 years. In terms of investments, the baseline assumption is that investment continues at 28 percent of GDP for the whole projection period. While this represents a slowing of the increase in the 2000s, and a less optimistic assumption than in Rwanda's Vision 2050 document, sustaining investment at or above 30 percent of GDP is very difficult among peer countries or even among growth miracle economies. Finally, the population growth is projected to slow from around 2.3 percent currently to about 1.4 percent over the next 30 years, as Rwanda goes through a "demographic transition" with lower fertility rates. Other things equal, the around 1ppt slowdown in population growth will slow GDP growth by around half a percentage point in the medium term but boost GDP per capita slightly.

Exports. There is potential for Rwandan exports to increase substantially in medium to long term. First, regional integration via AfCFTA presents an enormous opportunity to boost exports in coming years. To capture this benefit, Rwanda has been a leader driving negotiations of a series of protocols to the AfCFTA Treaty with clear, ambitious, and enforceable rules and disciplines, adopting legislative changes, and building implementation and enforcement capacity. Second, Rwanda has achieved considerable growth in exports of minerals and metals (minerals exports increased more than 10 times from 2010 to 2020), and further growth is expected with recent investments in the sector. Rwanda's low labor cost could help achieve further increases in exports of textiles and clothing, supported by investments made in recent years. The potential for increasing services exports also is significant. Rwanda has revealed comparative advantage indices of greater than one for government goods and services, construction, travel and transport services. Construction companies in Rwanda have the skills required to operate in other regional countries, for example in building and operating power plants. Rwanda's booming tourism sector have already recovered from the decline during the pandemic and is expected continue its expansion, as the country maintains a strong focus on the MICE strategy.

[1/] Based on World Bank analysis from the Rwanda Country Economic Memorandum, November 2024.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

11. **Rwanda's debt-carrying capacity continues to be assessed as "strong", unchanged from the previous DSA (Text Tables 4a and 4b).** The composite index (CI) for Rwanda, which measures the debt-carrying capacity in the new LIC-DSF, stands at 3.19, based on macroeconomic data from the October 2024 World Economic Outlook and from the 2023 Country Policy and Institutional Assessment (CPIA) of the World Bank. This score is above the cut-off value of 3.05 for strong capacity countries.

Text Table 4a. Rwanda: Debt-Carrying Capacity

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	4.094	1.58	49%
Real growth rate (in percent)	2.719	6.821	0.19	6%
Import coverage of reserves (in percent)	4.052	37.704	1.53	48%
Import coverage of reserves^2 (in percent)	-3.990	14.216	-0.57	-18%
Remittances (in percent)	2.022	3.134	0.06	2%
World economic growth (in percent)	13.520	2.967	0.40	13%
CI Score			3.19	100%
CI rating			Strong	

New framework				
	Cut-off values			
Weak	CI <	2.69		
Medium	2.69	≤ CI ≤		3.05
Strong	CI >	3.05		

Text Table 4b. Rwanda: Applicable Thresholds and Benchmarks

Reference: Thresholds by Classiciation

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23

TOTAL public debt benchmark	Weak	Medium	Strong
PV of total public debt in percent of GDP	35	55	70

12. **The full range of standard stress tests are conducted in addition to tailored natural disaster and contingent liability stress tests.** Standard stress tests on real GDP growth, the primary balance, current transfers, foreign exchange depreciation, and the combination are conducted at their default settings. The contingent liability stress test assumes the materialization of liabilities in Text Table 1. In line with the previous DSA, the natural disaster stress test is informed by the once-in-100-years flooding scenario discussed in the World Bank's (2022) Country Climate and Development Report and significantly more severe by recent flooding events in the second quarter of 2023. Damages are assumed to reach 11.2 percent of the physical capital, requiring 17.9 percent of GDP in external financing to be replaced (with capital-to-GDP estimation at 1.6 based on the perpetual inventory method). GDP and exports would each be expected to decline by 4.4 percent. Given Rwanda's outstanding Eurobond, and staff's baseline assumption for an additional Eurobond issuance in 2025 (¶8), the default market-financing stress test was applied, indicating significant gross financing needs and risks from higher sovereign spreads globally compared to when Rwanda last accessed markets in 2021.

DEBT SUSTAINABILITY ANALYSIS

External Debt

13. **External debt indicators under the baseline remain below yet near some of their respective thresholds, and with breaches under stress test scenarios (Tables 1 and 3; Figure 1).** Under the current baseline with full external market financing for priority project-related financing needs (see ¶6-8), debt burden indicators have deteriorated compared to the previous DSA. The PV of external debt-to-GDP ratio is approaching its threshold in the near term under the baseline, as the projected increase in non-concessional external borrowing raises its baseline value to just 4 percentage points below its threshold by 2027, underscoring the limited room to absorb shocks or policy slippages without breaching the high-risk threshold. Beyond 2027, it declines again as external borrowing slows with favorable debt dynamics and declining financing needs due to completion of airport and airline projects (Box 1) and fiscal consolidation efforts. Near- and medium-term breaches of the threshold for PV of external debt-to-GDP under all standard stress test scenarios and the market financing and natural disaster stress scenarios (Table 3 and Figure 6) highlight Rwanda's vulnerabilities to macro, external, financial and climate shocks. The PV of external debt-to-export ratio remains below its indicative thresholds under the baseline and shock scenarios. Liquidity indicators have risen reflecting higher financing costs, with baseline debt service-to-revenue rising in the medium-term and breaching under one-time exchange rate depreciation and combination stress test scenarios. One-time breaches of liquidity indicators in 2031 reflect the repayment of the outstanding Eurobond at maturity, with another spike in debt service in 2035 related to the assumed commercial borrowing this year (¶8). Liquidity risks underscore that a reprioritization of investment projects and fiscal consolidation are critical to mitigate risks, and a prudent debt management strategy is needed to mitigate repayment risks, in particular with respect to bullet amortizations in 2031 and 2035 in the current baseline. Market financing risk indicators (Figure 6) indicate that elevated gross financing needs heighten risks to market financing conditions.

14. **A customized alternative scenario illustrates risks to external debt distress stemming from the current uncertain and difficult external environment for Rwanda and key baseline risks not fully captured in standard stress tests, with external debt service-to-revenue breaching its threshold in the medium- and long-term (Figure 1, Table 1).** Key baseline risks for Rwanda include, among others: a decline in the availability of concessional financing over the medium-term, slow progress on crucial domestic revenue mobilization efforts over the coming years, and sustained pressure on the exchange rate as a result of imbalances and resultant risks to the credibility of the nominal debt anchor of 65 percent of GDP. The alternative scenario illustrates the combined risk of not mobilizing revenues to the extent envisaged and relying on external borrowing with increasingly non-concessional terms over the medium-term, which in turn would be at less favorable terms in light of higher elevated public financing needs. In the scenario, the wider fiscal deficit is financed with more expensive external borrowing and less grant support over the medium-term, reflecting the risks around availability of concessional financing, some of which are partially materializing (¶8). The impulse from the wider deficit and sustained investment spending needs adds to external pressures through higher imports, pressure on reserves, and more sustained exchange rate depreciation. Under this alternative scenario, the external debt service ratios steadily rise, with external debt service-to-revenue reaching its threshold by 2029 and remaining above it

thereafter, with even larger deviations from the threshold at the time of bullet amortizations in 2031 and 2035.

15. The PV of external debt-to-GDP ratio increases steadily under the historical scenario since the latter assumes large external shock and imbalance reflecting averages of several large shocks and imbalances observed in the past (Table 3 and Figure 1). This is primarily due to the large current account deficit and negative USD GDP deflator calibrated using historical averages, which covered a period including several large shocks (commodity prices and drought) and large external imbalances corrected over 2015–17. Thus, policy adjustment to ensure a steady narrowing of the current account deficit, as envisaged under the baseline scenario (Text Table 3), is key to strengthen robustness of the debt dynamics.

Public Debt

16. The public debt trajectory has shifted significantly, notwithstanding efforts to create fiscal space through fiscal consolidation and investment reprioritization. Heightened gross financing needs have shifted to market-based sources largely on account of the airport and airline projects (Box 1). While investment reprioritization, fiscal consolidation efforts and favorable debt dynamics have partially mitigated the higher debt trajectory, the sharp increase in non-concessional external borrowing pushes the overall public debt level to 86.3 percent of GDP by 2026 under the baseline scenario. The debt path remains elevated for an extended period, with the program debt anchor under the PCI of 65 percent of GDP reached in 2033, supported by a large, but growth-friendly fiscal consolidation and strong economic activity (Table 2).[8] The PV of PPG debt is projected to remain above the East African Community debt convergence criterion of 50 percent until 2029.

17. Contingent on the projected growth trajectory and ambitious medium-term fiscal consolidation, the PV of PPG debt stays below the indicative benchmark of 70 percent of GDP but would breach the benchmark under GDP growth and natural disaster shock scenarios in the near-term (Tables 2 and 4; Figure 2). In the baseline scenario, the PV of PPG debt peaks at 60 percent in 2025 and declines to a 40.1 percent in 2035. In the most severe scenario—the natural disaster shock—the PV of PPG debt breaches the 70 percent benchmark over 2026-30, peaking at 81 percent before baseline debt dynamics place it on a declining path. The authorities' climate-related reform measures, including under the RSF, and priorities in climate-related investment should help reduce variability to climate shocks and strengthen resilience (see illustrative climate scenario reference below).

Climate-Related Risks

18. Rwanda is vulnerable to the consequences of climate change through various channels, which might affect the debt dynamics. World Bank's (2022) Country Climate and Development Report (CCDR) for Rwanda identified that climate change might increase variability of crop yields, reduce labor productivity, and affect tourism through changing patterns of rainfall, extreme heat, increased incidents of illnesses, while extreme flooding events might become more frequent and damaging. This might reduce

[8] For discussion of the debt anchor see Country Report No. 2021/1 and the accompanying staff report for new PCI and RSF request (EBM/22).

the long-term growth, affecting debt sustainability indicators in the long run, and increase risks of damage to infrastructure and other built-up capital requiring strong fiscal response. As illustrated in the DSA attached to IMF Country Report No. 2024/341, Rwanda could substantially improve its resilience to climate-related shocks and safeguard debt sustainability with higher adaptation investment in line with Rwanda's NDCs, full RSF implementation, and policy adjustments.

ASSESSMENT

19. Rwanda's debt is assessed to be sustainable with a moderate risk of external and public debt distress, which is in line with the previous DSA assessment but with more limited room to absorb shocks without breaching high-risk thresholds. Mechanical external and overall risk signals suggest moderate risk of debt distress with limited space to absorb shocks. Liquidity and solvency baseline debt indicators under the current baseline have deteriorated, with notable near-term risks as the PV of external debt-to-GDP approaches its indicative threshold. Medium-term liquidity risks have risen as debt service-to-revenue is vulnerable to policy slippages and the materialization of downside risks as illustrated in the alternative scenario. Even modest deviations from the planned adjustment path could push baseline debt burden indicators closer to high-risk thresholds, with adverse implications for concessional financing and market financing costs. This trajectory reinforces the need for a sustained, credible commitment to strong policies to safeguard debt sustainability and macroeconomic stability. The authorities' fiscal consolidation efforts, in particular through its revenue mobilization efforts, plans to reprioritize planned investment projects, and support the external adjustment with real effective exchange rate adjustment will be important to rebuild fiscal space and external buffers, and to mitigate intensifying debt vulnerabilities. Given this assessment of moderate risk of debt distress, the limit on the stock of new external PPG debt will continue to be monitored under the PCI.

Authorities' Views

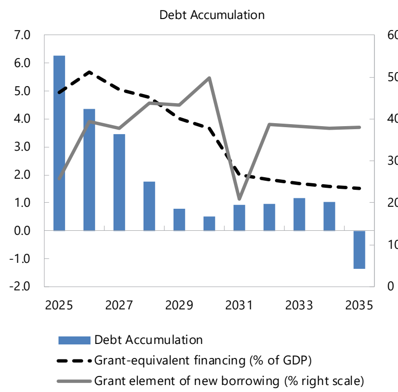
20. The authorities broadly agree with the results of the DSA and the overall assessment of a moderate risk of external and overall debt distress. The authorities are committed to preserving the moderate risk of external and overall debt distress assessment. They recognize the importance of fulfilling key mitigating measures to build fiscal and external buffers and policy space to absorb shocks and unforeseen developments. In this regard, the authorities remain committed to ongoing implementation of fiscal consolidation measures (improve revenues mobilization, prudent spending rationalization, and fiscal risk mitigation) to avoid higher debt accumulation and reach their target to bring debt to the anchor of 65 percent of GDP by 2033. The authorities' debt management strategy will continue to focus on maximizing opportunities for concessional financing in line with the medium-term debt strategy. While the projections show issuance of a Eurobond in 2025 as one of the options of issuing debt, it is important to note that this is considered as the worst-case scenario. The government is actively exploring different de-risking instruments and blend finance options to achieve a favorable mix of cost – risk tradeoff. They remain committed to safeguarding debt sustainability and building their sustainability and climate resilience agenda in support of climate adaptation and mitigation measures.

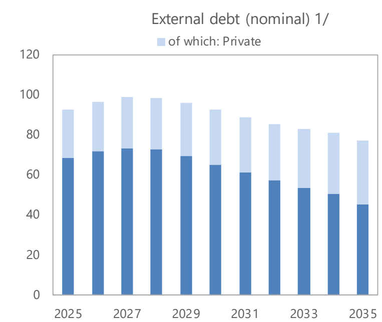
Table 1. Rwanda: External Debt Sustainability Framework, Baseline Scenario, 2024–45

(In percent of GDP, Unless Otherwise Indicated)

	Actual	Projections								Average 8/	
	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	85.9	92.6	96.5	98.6	98.5	96.0	92.5	77.1	61.2	64.2	90.0
of which: public and publicly guaranteed (PPG)	63.1	68.4	71.9	73.3	72.5	69.3	65.1	45.1	25.6	46.1	62.5
Change in external debt	9.5	6.8	3.8	2.1	-0.1	-2.5	-3.5	-3.8	-2.1		
Identified net debt-creating flows	9.2	2.7	1.1	-0.6	-2.0	-2.7	-2.7	1.4	-1.5	5.6	-0.2
Non-interest current account deficit	11.0	12.0	13.6	11.0	7.3	6.3	5.4	9.5	6.0	10.3	9.0
Deficit in balance of goods and services	15.8	15.6	17.0	14.3	10.5	9.3	7.8	9.6	4.3	15.4	11.1
Exports	30.0	34.4	37.9	39.9	42.8	44.6	44.5	36.6	31.7		
Imports	45.8	50.1	54.9	54.2	53.2	53.9	52.3	46.1	36.0		
Net current transfers (negative = inflow)	-5.5	-4.4	-4.4	-4.3	-4.2	-4.1	-3.7	-3.2	-2.2	-6.3	-4.0
of which: official	-4.6	-2.9	-2.8	-2.6	-2.5	-2.4	-2.1	-0.8	-0.1		
Other current account flows (negative = net inflow)	0.7	0.8	1.0	1.1	1.1	1.1	1.3	3.1	4.0	1.1	1.9
Net FDI (negative = inflow)	-4.0	-5.3	-8.2	-7.2	-5.3	-5.0	-4.1	-4.6	-4.9	-2.6	-5.2
Endogenous debt dynamics 2/	2.1	-4.1	-4.4	-4.4	-4.0	-3.9	-4.0	-3.4	-2.6		
Contribution from nominal interest rate	1.6	1.8	2.2	2.4	2.6	2.5	2.2	1.7	1.2		
Contribution from real GDP growth	-6.8	-5.9	-6.6	-6.8	-6.5	-6.4	-6.2	-5.1	-3.8		
Contribution from price and exchange rate changes	7.3	...	...	...	...	...	...	...	...		
Residual 3/	0.4	4.1	2.7	2.7	1.9	0.2	-0.9	-5.2	-0.6	0.3	-0.6
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators											
PV of PPG external debt-to-GDP ratio	39.2	43.9	46.0	47.0	46.1	43.8	41.0	28.3	16.3		
PV of PPG external debt-to-exports ratio	130.5	127.3	121.4	117.6	107.7	98.3	92.1	77.3	51.4		
PPG debt service-to-exports ratio	5.8	7.7	7.7	8.1	8.7	8.7	8.0	12.3	5.0		
PPG debt service-to-revenue ratio	9.6	14.3	15.2	16.2	18.3	18.7	17.1	20.2	7.5		
Gross external financing need (Billion of U.S. dollars)	1.6	1.8	1.8	1.6	1.5	1.4	1.5	3.9	4.6		
Key macroeconomic assumptions											
Real GDP growth (in percent)	8.9	7.1	7.5	7.4	7.0	7.0	7.0	6.9	6.5	7.0	7.1
GDP deflator in US dollar terms (change in percent)	-8.7	-3.2	-2.5	-1.9	-1.2	-0.1	1.3	2.0	2.0	-1.0	0.2
Effective interest rate (percent) 4/	2.1	2.2	2.5	2.6	2.8	2.7	2.5	2.3	2.0	2.7	2.4
Growth of exports of G&S (US dollar terms, in percent)	21.9	18.9	15.3	11.0	13.3	11.4	8.0	6.1	8.1	13.3	9.3
Growth of imports of G&S (US dollar terms, in percent)	13.1	13.2	14.9	4.0	3.9	8.2	5.2	6.9	-1.2	9.7	7.4
Grant element of new public sector borrowing (in percent)	...	25.8	39.4	37.9	43.7	43.4	49.7	38.0	32.1	...	37.6
Government revenues (excluding grants, in percent of GDP)	18.0	18.5	19.3	20.0	20.4	20.6	20.8	22.3	20.9	18.3	20.8
Aid flows (in Billion of US dollars) 5/	0.6	0.9	1.1	1.0	1.0	0.8	0.8	0.6	0.9		
Grant-equivalent financing (in percent of GDP) 6/	...	4.9	5.7	5.1	4.8	4.0	3.7	1.5	1.0	...	3.3
Grant-equivalent financing (in percent of external financing) 6/	...	42.1	54.2	55.4	62.6	65.3	67.5	50.0	41.9	...	52.5
Nominal GDP (Billion of US dollars)	14	...	...	...	...	...	...	...	...		
Nominal dollar GDP growth	-0.6	3.6	4.7	5.4	5.7	6.9	8.3	9.0	8.6	5.8	7.3
Memorandum items:											
PV of external debt 7/	62.0	68.1	70.6	72.3	72.0	70.6	68.3	60.3	51.9		
In percent of exports	206.4	197.7	186.2	181.1	168.4	158.4	153.7	164.9	163.5		
Total external debt service-to-exports ratio	14.8	16.6	15.5	15.2	15.1	14.6	14.4	21.1	16.9		
PV of PPG external debt (in Billion of US dollars)	5.6	6.5	7.1	7.7	7.9	8.1	8.2	8.7	11.6		
(PVt-PVt-1)/GDPt-1 (in percent)		6.3	4.3	3.5	1.8	0.8	0.5	-1.4	0.7		
Non-interest current account deficit that stabilizes debt ratio	1.5	5.2	9.8	8.9	7.4	8.8	8.9	13.3	8.1		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

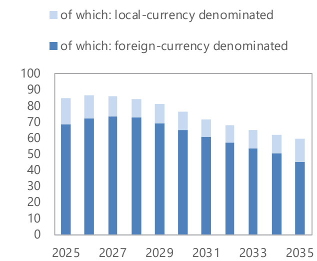
Table 2. Rwanda: Public Sector Debt Sustainability Framework, Baseline Scenario, 2024–45

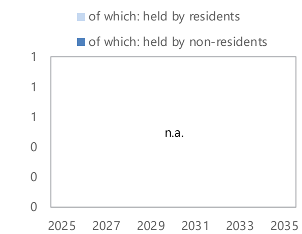
(In percent of GDP, Unless Otherwise Indicated)

	Actual	Projections								Average 6/	
	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
Public sector debt 1/	**78.7**	**84.5**	**86.3**	**86.3**	**84.5**	**81.3**	**76.2**	**59.6**	**48.2**	**60.1**	**75.0**
of which: external debt	**63.1**	**68.4**	**71.9**	**73.3**	**72.5**	**69.3**	**65.1**	**45.1**	**25.6**	**46.1**	**62.5**
Change in public sector debt	6.4	5.8	1.8	0.0	-1.8	-3.2	-5.0	-2.5	-0.1		
Identified debt-creating flows	**2.7**	**2.7**	**-0.8**	**-2.0**	**-3.2**	**-3.5**	**-4.3**	**-2.4**	**-0.1**	**3.2**	**-2.4**
Primary deficit	**5.1**	**7.3**	**3.5**	**2.4**	**0.8**	**0.6**	**-0.3**	**0.8**	**1.3**	**5.5**	**1.6**
Revenue and grants	22.2	21.1	21.8	22.6	23.0	23.0	22.8	22.9	21.3	**23.3**	**22.4**
of which: grants	4.2	2.6	2.5	2.6	2.6	2.4	1.9	0.6	0.3		
Primary (noninterest) expenditure	27.4	28.4	25.3	25.0	23.8	23.5	22.5	23.7	22.6	**28.8**	**24.0**
Automatic debt dynamics	**-2.5**	**-4.6**	**-4.3**	**-4.4**	**-4.0**	**-4.0**	**-4.1**	**-3.1**	**-1.4**		
Contribution from interest rate/growth differential	-7.2	-4.6	-4.3	-4.4	-4.0	-4.0	-4.1	-3.1	-1.4		
of which: contribution from average real interest rate	-1.3	0.6	1.6	1.5	1.6	1.5	1.2	0.9	1.5		
of which: contribution from real GDP growth	-5.9	-5.2	-5.9	-5.9	-5.7	-5.5	-5.3	-4.0	-2.9		
Contribution from real exchange rate depreciation	4.7	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**3.7**	**3.1**	**2.6**	**2.0**	**1.4**	**0.2**	**-0.7**	**-0.1**	**0.0**	**1.7**	**0.6**
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	**56.7**	**61.7**	**62.1**	**61.5**	**59.4**	**56.8**	**52.7**	**43.2**	**39.2**		
PV of public debt-to-revenue and grants ratio	**255.4**	**292.7**	**284.2**	**272.2**	**258.5**	**247.1**	**231.5**	**188.2**	**184.2**		
Debt service-to-revenue and grants ratio 3/	**38.5**	**36.5**	**40.7**	**39.6**	**39.5**	**40.2**	**41.4**	**49.3**	**49.4**		
Gross financing need 4/	13.7	15.0	12.3	11.4	9.9	9.8	9.1	12.0	11.8		
Key macroeconomic and fiscal assumptions											
Real GDP growth (in percent)	8.9	7.1	7.5	7.4	7.0	7.0	7.0	6.9	6.5	**7.0**	**7.1**
Average nominal interest rate on external debt (in percent)	2.1	2.2	2.6	2.8	3.0	2.9	2.6	2.3	1.7	**2.2**	**2.5**
Average real interest rate on domestic debt (in percent)	-3.6	5.0	6.9	7.1	7.0	7.0	6.9	6.8	8.0	**0.8**	**6.8**
Real exchange rate depreciation (in percent, + indicates depreciation)	9.3	...	...	...	...	...	...	...	...	**4.2**	**...**
Inflation rate (GDP deflator, in percent)	3.8	5.7	5.1	5.0	5.0	5.0	5.0	5.0	5.0	**5.7**	**5.1**
Growth of real primary spending (deflated by GDP deflator, in percent)	16.6	11.3	-4.3	6.1	1.8	5.8	2.2	7.7	-4.8	**6.6**	**5.8**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.2	1.5	1.7	2.5	2.7	3.8	4.7	3.2	1.4	**2.9**	**3.4**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

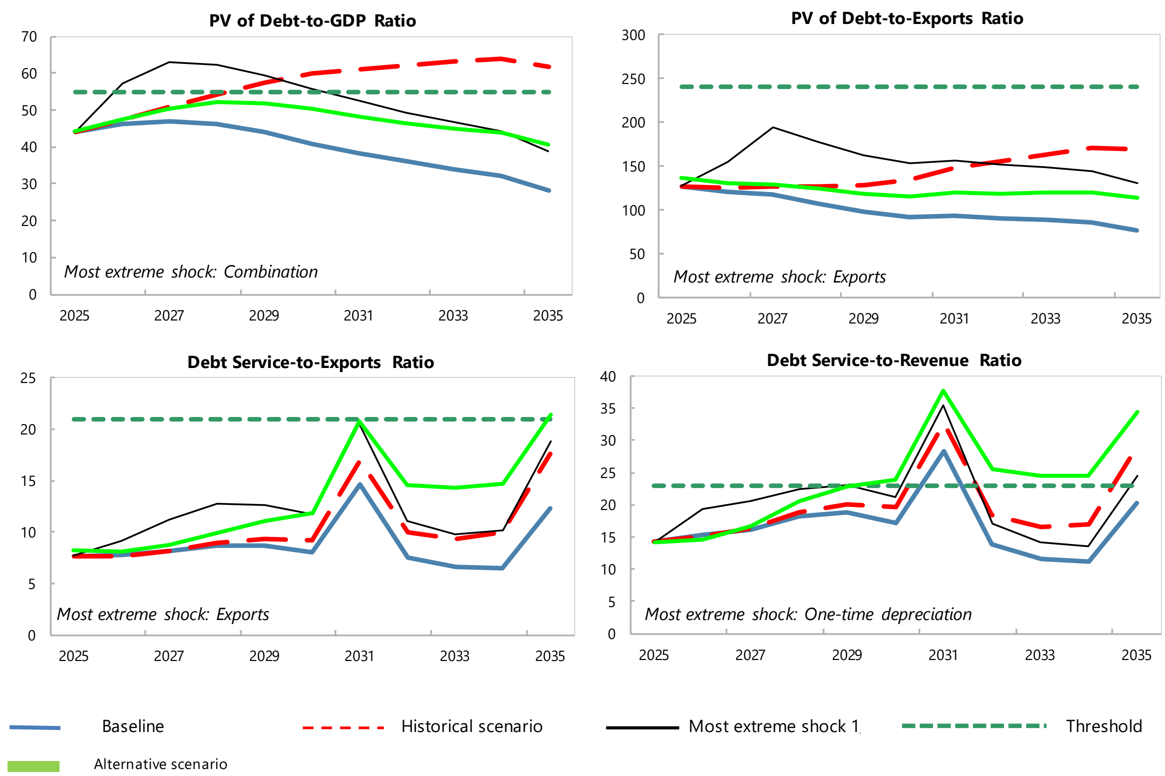
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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

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

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

Figure 1. Rwanda: Indicators of Public and Publicly-Guaranteed External Debt Under Alternative Scenarios, 2025–35 1/ 2/



Customization of Default Settings

Tailored Stress	Size	Interactions
Combined CL	Yes	
Natural disaster	Yes	Yes
Commodity price	n.a.	n.a.
Market financing	No	No

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

Borrowing assumptions on additional financing needs resulting from the stress tests*

	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.9%	2.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	7	7

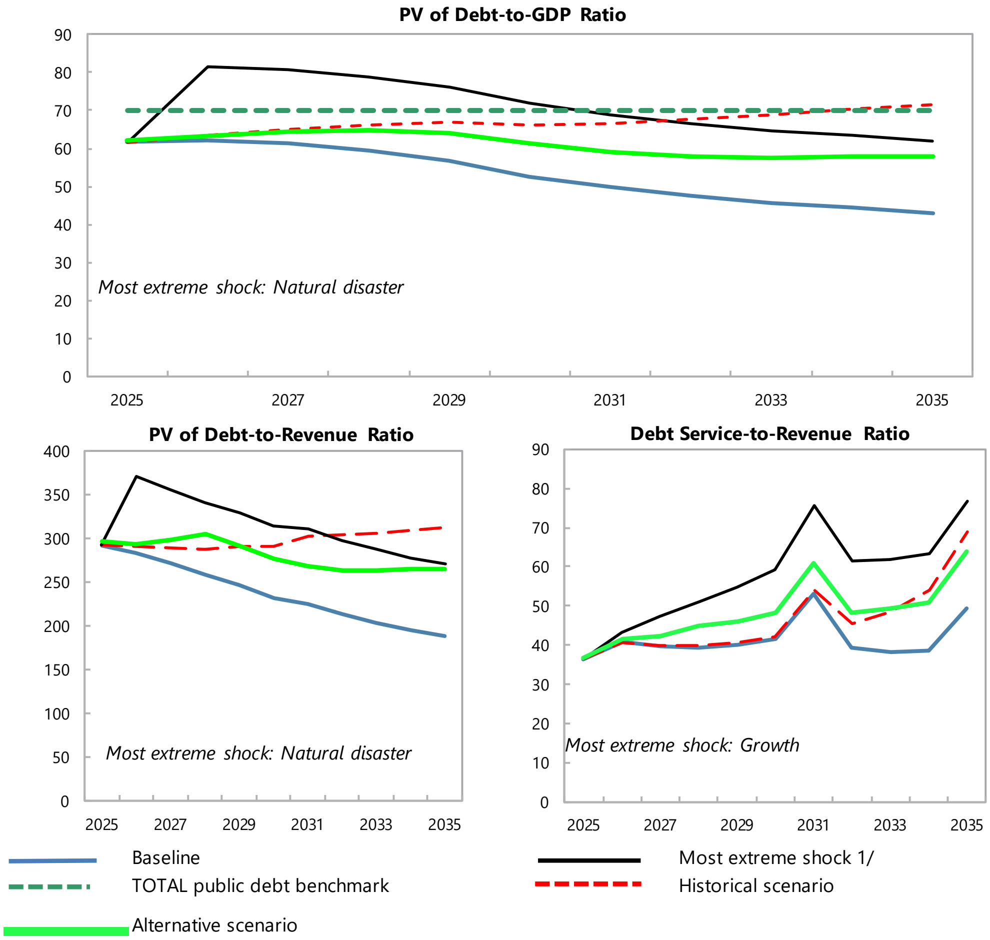
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Rwanda: Indicators of Public Debt Under Alternative Scenarios, 2025–35 1/



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	44%	44%
Domestic medium and long-term	20%	20%
Domestic short-term	36%	36%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.9%	2.9%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	8.5%	8.5%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	5.1%	5.1%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Rwanda: Sensitivity Analysis for Key Indicators of Public and Publicly-Guaranteed External Debt, 2024–34

(In Percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of debt-to GDP ratio											
Baseline	44	46	47	46	44	41	38	36	34	32	28
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	44	47	51	54	**57**	**60**	**61**	**62**	**63**	**64**	**62**
Alternative scenario	44	47	50	52	52	50	48	46	45	44	41
B. Bound Tests											
B1. Real GDP growth	44	49	54	53	51	47	44	42	39	37	33
B2. Primary balance	44	47	52	52	50	48	45	42	40	38	34
B3. Exports	44	50	**59**	**58**	**55**	52	49	46	44	41	36
B4. Other flows 3/	44	51	**57**	**56**	53	50	47	44	42	39	35
B5. Depreciation	44	**59**	**55**	54	51	48	45	42	40	37	33
B6. Combination of B1-B5	44	**57**	**63**	**62**	**59**	**56**	52	49	47	44	39
C. Tailored Tests											
C1. Combined contingent liabilities	44	48	50	49	47	45	42	40	38	36	32
C2. Natural disaster	44	54	**58**	**58**	**57**	**55**	53	51	49	47	43
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	44	52	53	52	50	46	43	40	38	36	32
Threshold	55	55	55	55	55	55	55	55	55	55	55
PV of debt-to-exports ratio											
Baseline	127	121	118	108	98	92	93	90	88	86	77
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	127	125	127	127	128	135	148	155	163	170	169
Alternative scenario	136	130	129	125	119	116	120	119	120	120	114
B. Bound Tests											
B1. Real GDP growth	127	121	118	108	98	92	93	90	88	86	77
B2. Primary balance	127	125	131	122	113	107	109	107	105	102	93
B3. Exports	127	155	194	178	163	154	156	152	148	144	131
B4. Other flows 3/	127	135	142	130	119	112	114	111	108	105	95
B5. Depreciation	127	121	108	99	90	84	85	82	80	78	70
B6. Combination of B1-B5	127	154	143	149	137	129	131	128	125	121	110
C. Tailored Tests											
C1. Combined contingent liabilities	127	127	125	115	106	100	102	99	97	95	86
C2. Natural disaster	127	143	144	135	128	124	128	128	127	126	118
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	127	121	118	109	99	93	93	90	88	86	77
Threshold	240	240	240	240	240	240	240	240	240	240	240
Debt service-to-exports ratio											
Baseline	8	8	8	9	9	8	15	8	7	7	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	8	8	8	9	9	9	17	10	9	10	18
Alternative scenario	8	8	9	10	11	12	21	15	14	15	**21**
B. Bound Tests											
B1. Real GDP growth	8	8	8	9	9	8	15	8	7	7	12
B2. Primary balance	8	8	8	9	9	9	15	8	7	7	13
B3. Exports	8	9	11	13	13	12	21	11	10	10	19
B4. Other flows 3/	8	8	9	10	9	9	15	8	7	8	14
B5. Depreciation	8	8	8	8	8	8	14	7	6	6	12
B6. Combination of B1-B5	8	8	10	11	11	10	18	10	8	9	16
C. Tailored Tests											
C1. Combined contingent liabilities	8	8	8	9	9	8	15	8	7	7	13
C2. Natural disaster	8	8	9	10	10	9	16	9	8	9	15
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	8	8	8	9	9	9	16	8	6	6	12
Threshold	21	21	21	21	21	21	21	21	21	21	21
Debt service-to-revenue ratio											
Baseline	14	15	16	18	19	17	**28**	14	12	11	20
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	14	15	16	19	20	20	**33**	18	17	17	**29**
Alternative scenario	14	15	17	21	23	**24**	**38**	**25**	**24**	**24**	**34**
B. Bound Tests											
B1. Real GDP growth	14	16	19	21	22	20	**33**	16	13	13	**23**
B2. Primary balance	14	15	17	20	20	19	**30**	15	13	13	22
B3. Exports	14	15	17	20	21	19	**30**	16	13	13	**23**
B4. Other flows 3/	14	15	17	20	20	19	**30**	15	13	13	23
B5. Depreciation	14	19	21	22	**23**	21	**35**	17	14	14	**24**
B6. Combination of B1-B5	14	16	20	23	**23**	21	**33**	17	14	15	**25**
C. Tailored Tests											
C1. Combined contingent liabilities	14	15	17	19	19	18	**29**	14	12	12	21
C2. Natural disaster	14	16	18	21	21	20	**31**	17	14	15	**24**
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	14	15	17	19	20	19	**30**	14	11	11	20
Threshold	23	23	23	23	23	23	23	23	23	23	23

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

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

3/ Includes official and private transfers and FDI.

Table 4. Rwanda: Sensitivity Analysis for Key Indicators of Public Debt, 2025–35

(In Percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	62	62	61	59	57	53	50	48	46	44	43
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	62	64	65	66	67	66	67	68	69	**70**	**72**
Alternative scenario	62	63	64	65	64	61	59	58	58	58	58
B. Bound Tests											
B1. Real GDP growth	62	68	**75**	**75**	**74**	**72**	**71**	**71**	**71**	**71**	**72**
B2. Primary balance	62	65	**71**	69	66	61	58	55	53	51	50
B3. Exports	62	66	**73**	**71**	68	64	60	57	55	53	51
B4. Other flows 3/	62	68	**72**	69	66	62	58	56	54	52	50
B5. Depreciation	62	69	67	63	59	53	49	45	42	40	38
B6. Combination of B1-B5	62	63	68	66	64	60	57	55	53	52	51
C. Tailored Tests											
C1. Combined contingent liabilities	62	68	67	64	62	57	54	52	50	48	47
C2. Natural disaster	62	**81**	**81**	**79**	**76**	**72**	69	67	65	63	62
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	62	62	62	60	57	53	50	48	46	44	43
TOTAL public debt benchmark	70	70	70	70	70	70	70	70	70	70	70
PV of Debt-to-Revenue Ratio											
Baseline	293	284	272	258	247	232	225	213	203	196	188
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	293	291	289	288	291	292	303	304	306	310	313
Alternative scenario	297	293	298	305	292	277	268	263	264	265	265
B. Bound Tests											
B1. Real GDP growth	293	308	325	320	319	312	319	315	312	312	312
B2. Primary balance	293	300	315	299	286	269	262	248	236	227	217
B3. Exports	293	304	325	310	297	279	272	258	245	235	223
B4. Other flows 3/	293	309	317	301	289	272	264	251	238	228	217
B5. Depreciation	293	320	298	276	258	235	221	204	189	177	164
B6. Combination of B1-B5	293	290	299	287	277	262	258	246	236	228	221
C. Tailored Tests											
C1. Combined contingent liabilities	293	309	295	280	268	252	245	232	221	212	204
C2. Natural disaster	293	371	355	341	330	314	311	298	287	279	270
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	293	284	273	260	249	233	226	214	203	196	188
Debt Service-to-Revenue Ratio											
Baseline	36	41	40	39	40	41	53	39	38	38	49
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	36	41	40	40	41	42	54	46	48	54	69
Alternative scenario	37	42	42	45	46	48	61	48	49	51	64
B. Bound Tests											
B1. Real GDP growth	36	43	47	51	55	59	76	61	62	63	77
B2. Primary balance	36	41	47	52	50	51	60	45	43	43	54
B3. Exports	36	41	40	41	42	43	55	41	40	40	52
B4. Other flows 3/	36	41	40	41	42	43	54	40	39	40	52
B5. Depreciation	36	40	41	40	42	42	57	40	38	38	51
B6. Combination of B1-B5	36	40	42	45	45	48	59	46	44	45	56
C. Tailored Tests											
C1. Combined contingent liabilities	36	41	50	44	47	46	56	42	41	41	52
C2. Natural disaster	36	42	73	57	64	61	69	54	52	52	64
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	36	41	40	40	41	43	55	39	38	38	49

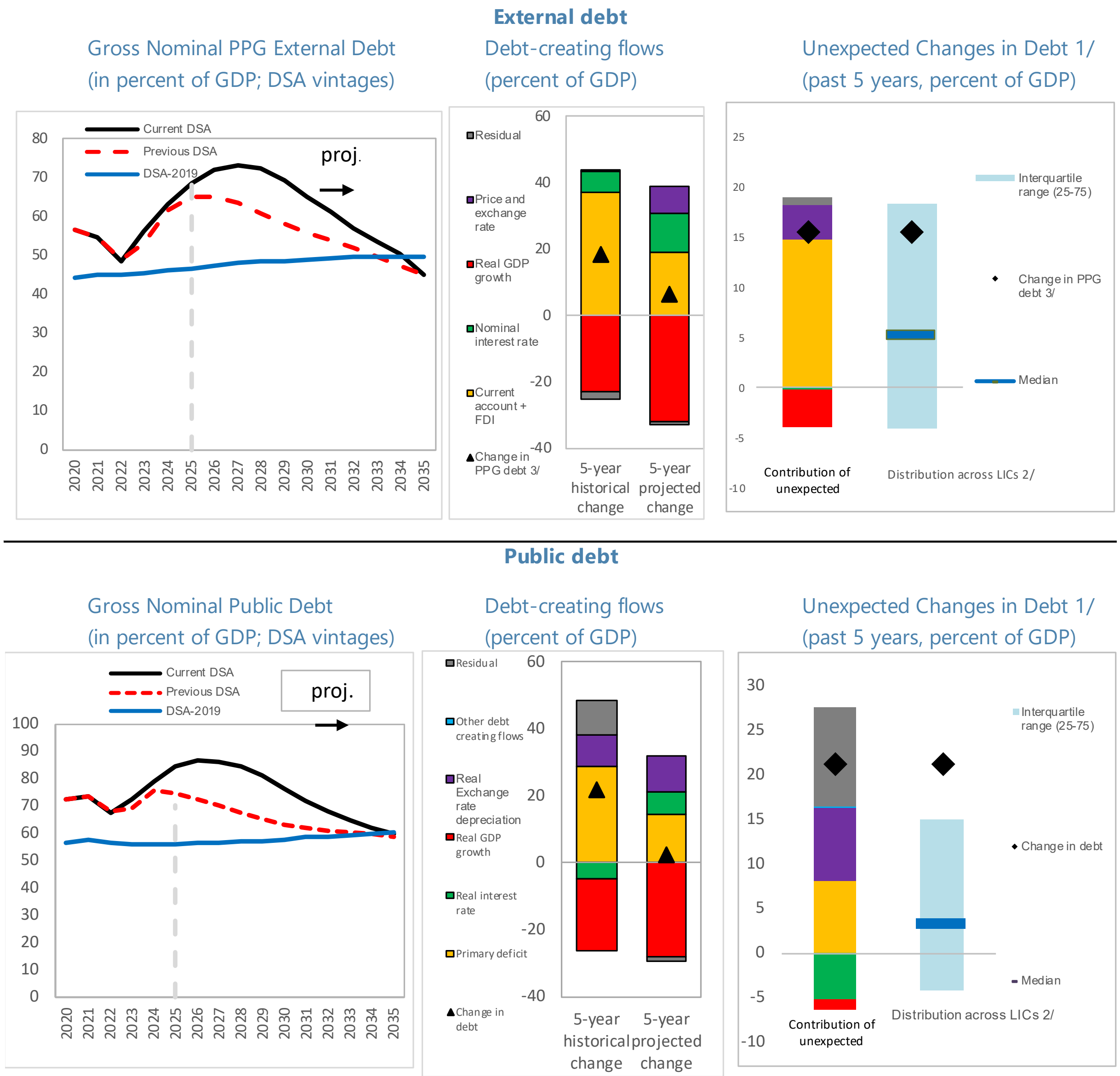
Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

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

3/ Includes official and private transfers and FDI.

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



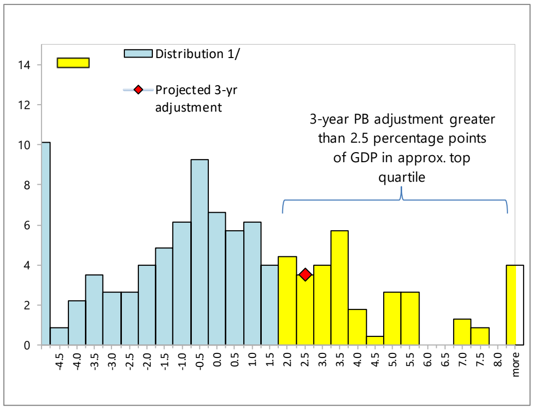
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

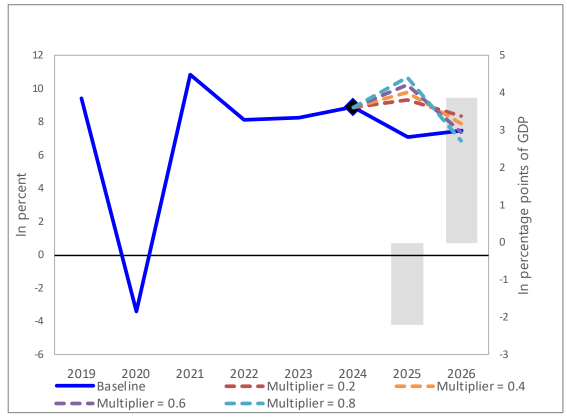
Figure 4. Rwanda: Realism Tools

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



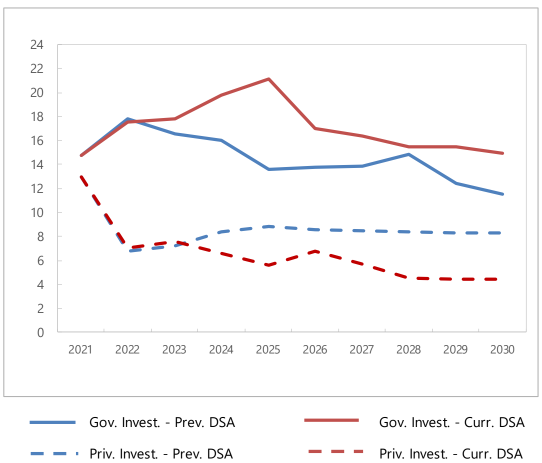
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(percent of GDP)



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

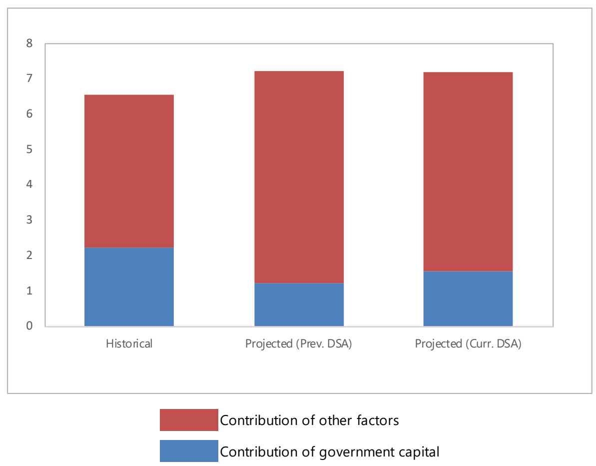
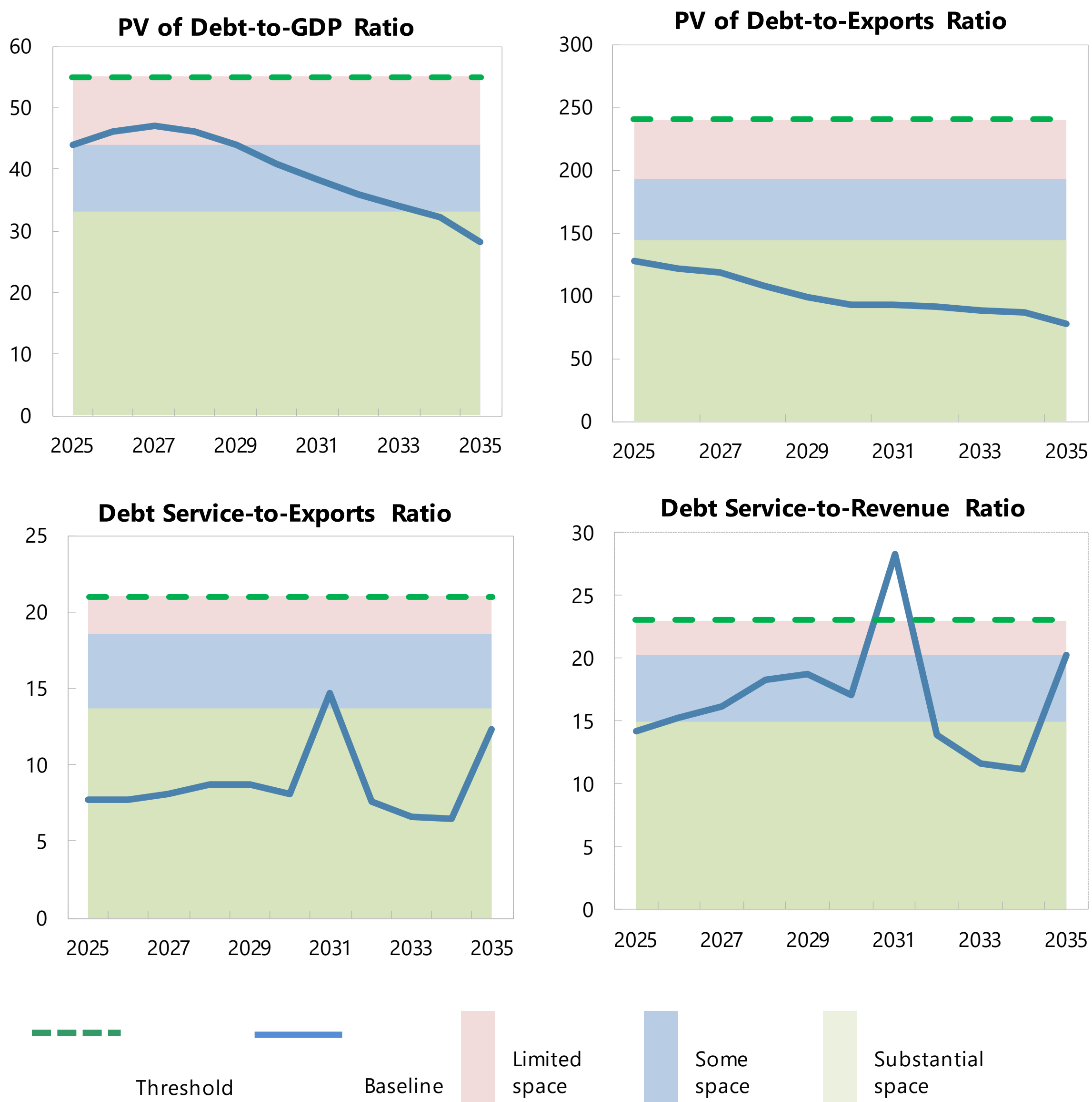


Figure 5. Rwanda: Qualification of the Moderate Category, 2025-2035 1/



Sources: Country authorities; and staff estimates and projections.

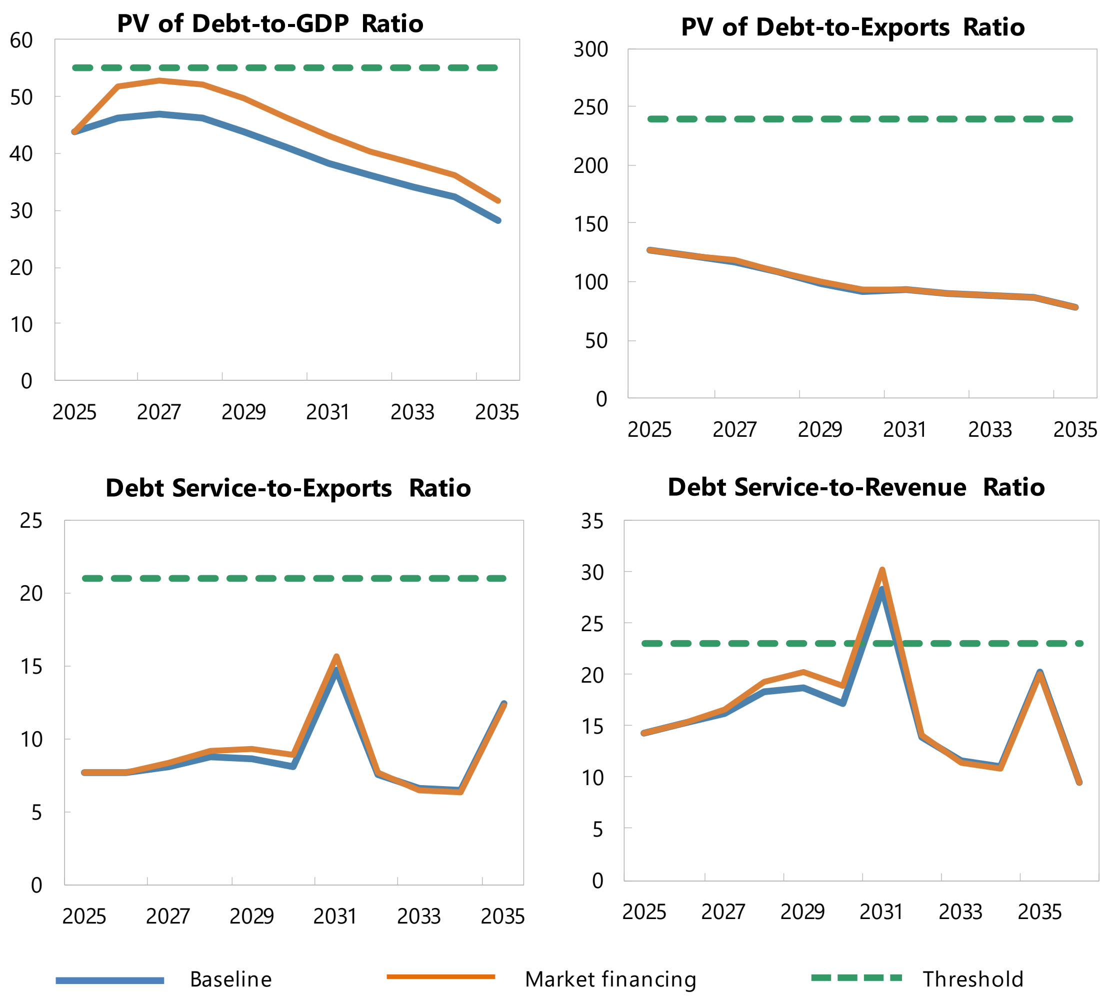
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Figure 6. Rwanda: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	15	670
Breach of benchmark	Yes	Yes
Potential heightened liquidity needs	High	

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

2/ EMBI spreads correspond to the latest available data.



Sources: Country authorities; and staff estimates and projections.

Table 5. Rwanda: Public Debt Decomposition, 2024–45

	Actual	Projections																				
Creditor profile	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Total, US$ mn	**10,689**	**12,009**	**12,896**	**13,632**	**14,159**	**14,660**	**15,002**	**15,437**	**15,987**	**16,587**	**17,353**	**18,160**	**19,088**	**20,116**	**21,250**	**22,460**	**23,781**	**25,192**	**26,857**	**28,690**	**31,121**	**33,723**
External, US$ mn	**8,567**	**9,717**	**10,741**	**11,576**	**12,156**	**12,496**	**12,811**	**13,112**	**13,396**	**13,734**	**14,058**	**13,746**	**14,101**	**14,452**	**14,798**	**15,191**	**15,632**	**15,505**	**16,049**	**16,657**	**17,327**	**17,899**
Multilateral creditors	*6,499*	*6,866*	*7,571*	*8,108*	*8,579*	*8,906*	*9,186*	*9,435*	*9,666*	*9,866*	*10,037*	*10,226*	*10,424*	*10,621*	*10,817*	*11,022*	*11,246*	*11,492*	*11,763*	*12,070*	*12,410*	*12,668*
IMF	807	766	722	672	582	482	403	345	315	310	292	261	229	198	166	134	103	71	40	13	0	0
World Bank	3,739	3,979	4,359	4,618	4,846	4,904	4,995	5,115	5,220	5,300	5,361	5,426	5,502	5,592	5,691	5,799	5,920	6,057	6,208	6,375	6,559	6,701
AfDB	1,237	1,378	1,568	1,711	1,881	2,108	2,235	2,310	2,382	2,451	2,513	2,584	2,650	2,705	2,753	2,799	2,849	2,904	2,965	3,043	3,133	3,200
Other Multilaterals	717	743	921	1,107	1,261	1,381	1,504	1,598	1,661	1,717	1,783	1,858	1,936	2,010	2,082	2,155	2,230	2,307	2,387	2,466	2,535	2,585
Bilateral Creditors	*1,083*	*1,214*	*1,284*	*1,404*	*1,540*	*1,636*	*1,820*	*1,912*	*1,997*	*2,084*	*2,160*	*2,238*	*2,321*	*2,411*	*2,503*	*2,608*	*2,720*	*2,846*	*2,984*	*3,137*	*3,301*	*3,431*
Paris Club	427	564	636	764	901	1,021	1,200	1,258	1,308	1,355	1,393	1,424	1,455	1,487	1,521	1,558	1,600	1,652	1,709	1,770	1,840	1,894
Non-Paris Club	655	650	647	640	640	615	620	654	689	729	767	813	866	924	982	1,051	1,120	1,194	1,275	1,366	1,461	1,537
Private Creditors	*984*	*1,637*	*1,887*	*2,064*	*2,036*	*1,953*	*1,805*	*1,765*	*1,733*	*1,783*	*1,861*	*1,283*	*1,356*	*1,421*	*1,478*	*1,560*	*1,666*	*1,166*	*1,302*	*1,451*	*1,616*	*1,799*
Bonds	620	1,270	1,270	1,270	1,270	1,270	1,270	1,270	1,270	1,270	1,270	620	620	620	620	620	620	0	0	0	0	0
Loans	364	367	617	794	766	683	535	495	463	513	591	663	736	801	858	940	1,046	1,166	1,302	1,451	1,616	1,799
Domestic, US$ mn	**2,123**	**2,291**	**2,155**	**2,056**	**2,003**	**2,165**	**2,191**	**2,324**	**2,591**	**2,853**	**3,295**	**4,414**	**4,987**	**5,664**	**6,452**	**7,269**	**8,149**	**9,687**	**10,809**	**12,033**	**13,794**	**15,824**
Memo items:																						
Collateralized debt (US$ million)	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	0.0	0.0	0.0
Multilateral and collateralized debt																						
Multilateral debt, US$ mn	**6,499**	**6,866**	**7,571**	**8,108**	**8,579**	**8,906**	**9,186**	**9,435**	**9,666**	**9,866**	**10,037**	**10,226**	**10,424**	**10,621**	**10,817**	**11,022**	**11,246**	**11,492**	**11,763**	**12,070**	**12,410**	**12,668**
percent of external debt	75.9	70.7	70.5	70.0	70.6	71.3	71.7	72.0	72.2	71.8	71.4	74.4	73.9	73.5	73.1	72.6	71.9	74.1	73.3	72.5	71.6	70.8
percent of GDP[1]	47.8	48.3	50.7	51.3	51.2	49.4	46.7	43.9	41.2	38.5	35.9	33.6	31.4	29.4	27.6	25.9	24.3	22.9	21.5	20.4	19.3	18.1
IMF and World Bank	*4,546*	*4,745*	*5,081*	*5,290*	*5,428*	*5,387*	*5,398*	*5,460*	*5,535*	*5,610*	*5,653*	*5,687*	*5,731*	*5,790*	*5,857*	*5,934*	*6,023*	*6,128*	*6,248*	*6,389*	*6,559*	*6,701*
percent of external debt	53.1	48.8	47.3	45.7	44.7	43.1	42.1	41.6	41.3	40.9	40.2	41.4	40.6	40.1	39.6	39.1	38.5	39.5	38.9	38.4	37.9	37.4
percent of GDP[1]	33.5	33.4	34.0	33.5	32.4	29.9	27.4	25.4	23.6	21.9	20.2	18.7	17.3	16.0	14.9	13.9	13.0	12.2	11.4	10.8	10.2	9.6
AfDB	*1,237*	*1,378*	*1,568*	*1,711*	*1,881*	*2,108*	*2,235*	*2,310*	*2,382*	*2,451*	*2,513*	*2,584*	*2,650*	*2,705*	*2,753*	*2,799*	*2,849*	*2,904*	*2,965*	*3,043*	*3,133*	*3,200*
percent of external debt	14.4	14.2	14.6	14.8	15.5	16.9	17.4	17.6	17.8	17.8	17.9	18.8	18.8	18.7	18.6	18.4	18.2	18.7	18.5	18.3	18.1	17.9
percent of GDP[1]	9.1	9.7	10.5	10.8	11.2	11.7	11.4	10.7	10.1	9.6	9.0	8.5	8.0	7.5	7.0	6.6	6.2	5.8	5.4	5.1	4.9	4.6
Other Multilateral	*717*	*743*	*921*	*1,107*	*1,261*	*1,381*	*1,504*	*1,598*	*1,661*	*1,717*	*1,783*	*1,858*	*1,936*	*2,010*	*2,082*	*2,155*	*2,230*	*2,307*	*2,387*	*2,466*	*2,535*	*2,585*
percent of external debt	8.4	7.6	8.6	9.6	10.4	11.1	11.7	12.2	12.4	12.5	12.7	13.5	13.7	13.9	14.1	14.2	14.3	14.9	14.9	14.8	14.6	14.4
percent of GDP[1]	5.3	5.2	6.2	7.0	7.5	7.7	7.6	7.4	7.1	6.7	6.4	6.1	5.8	5.6	5.3	5.1	4.8	4.6	4.4	4.2	3.9	3.7
Collateralized debt, US$ mn	*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*	*0.0*	*0.0*	*0.0*

1/ debt as percent of GDP is calculated by authorities based on debt and GDP values in RwF

Statement by Regis O. N'Sonde, Executive Director for Rwanda and Loy Nankunda, Senior Advisor to the Executive Director
June 4, 2025

The Rwandan authorities appreciate the productive engagements with staff in the context of the fifth review under the Policy Coordination Instrument (PCI). They broadly concur with the thrust of the staff's appraisal.

Recent Economic Developments and Outlook

Rwanda's economy remains strong and resilient, supported by sound economic policies, amid multiple shocks. Real GDP increased by 8.9 percent in 2024, positioning Rwanda among the fastest growing economies in sub-Saharan Africa. Solid economic performance was broad-based. This growth is driven by robust services activities and food crop production. The industrial sector also experienced strong expansion, particularly in construction. The services sector is supported by buoyant activities in trade, tourism, transport, and telecommunications. Economic performance would have been undoubtedly better in the absence of the multiple shocks the country has faced in recent years, including the COVID-19 pandemic, climate-related disasters, and the Marburg virus outbreak (MVD). Going forward, the economy is expected to continue growing robustly, supported by bold reforms although the balance of risks is tilted to the downside, notably related to the waning external financing amid planned large scale public investment projects and the ongoing regional conflicts. Efforts are being made to resolve the latter.

Inflation remains within the National Bank of Rwanda's (NBR) 2-8 percent target range. Headline inflation averaged 4.8 percent in 2024, a significant decrease from 14 percent in 2023 primarily attributed to improved agricultural production, which favorably affected food prices, but also reflecting the effects of previous monetary policy tightening. Headline inflation slightly decreased to 6.3 percent year-on-year in April 2025, while core inflation decreased to 4.4 percent from 5.8 percent.

The external position remained under pressure. The current account deficit is elevated, widening to 12.7 percent of GDP in 2024, driven by continued strong imports of food and other consumer and capital goods over the first three quarters, reflecting robust consumer and investment demand.

Program Performance

Program performance remains strong. All end-December 2024 Quantitative Targets (QTs), and continuous and standard targets under the PCI were met. All the PCI Reform Targets (RTs) were met as well, except one which was observed with a delay. The approval of a comprehensive package of measures to broaden the tax base, with a test-date of end-January 2025, was implemented on February 10, 2025. **Considering the strong program performance, our authorities seek Executive Directors' support for the completion of the fifth review under the PCI arrangement and modification of an end-June 2025 Quantitative Target.**

Fiscal and Debt Management Policies

The authorities' fiscal consolidation program aimed at safeguarding fiscal and external sustainability, supported by strong domestic revenue mobilization and spending rationalization efforts remains on course. The tax revenue performance remains strong, buoyed by taxes on good and services and customs. The new tax package which is being implemented is expected to put the tax-to-GDP ratio on an upward trajectory. In the medium term, the authorities are committed to boost revenues by further broadening the tax base, streamlining tax expenditures, and enhancing compliance, enforcement, and tax collection efficiency. In train are taxation measures under the Medium-Term Revenue Strategy (MTRS), including decisive actions to broaden the VAT coverage and streamline tax holidays and expenditures. In addition, the authorities are strengthening revenue administration by improving the transparency of the tax system.

On the expenditure side, the authorities remain committed to making further gains in spending rationalization, including through reprioritization of investment projects, and strengthening mitigation of fiscal risks, including those stemming from state-owned enterprises (SOEs). That said, some spending pressures are expected to persist owing to the ongoing reforms to the pension system and deployment of ambitious priority investment projects. It should be noted in this regard that the government is on course to start construction of the second phase of the new Kigali Airport and expand the capacity of the national carrier—RwandAir.

The authorities continue to closely adhere to their prudent debt management strategy. As a result, Rwanda's debt continues to be sustainable—with moderate risk of external and overall public debt distress. In the meantime, the country remains subjected to significant debt service pressures, with the debt to GDP ratio projected to be around 85 percent for 2026. While the debt servicing costs are expected to increase in keeping with the needs of the planned investment projects, the impact will be mitigated by the retained tax measures and various derisking instruments the government is actively exploring. The authorities are confident that these projects will boost the country's broad income- and government revenue-generating capacity in future. To mitigate potential debt vulnerabilities, the authorities are committed to ensure full and timely implementation of the recent tax measures approved by the Cabinet in early 2025. As a matter of fact, these measures are now being implemented, following their publication in the Official Gazette of May 2025.

Monetary, Exchange Rate, and Financial Sector Policies

The monetary authorities are committed to containing headline inflation within the target range with appropriate monetary policy stance, further improving the monetary policy framework, and maintaining a flexible exchange rate regime. To this end, NBR continues to maintain a data driven monetary policy. Since securing broad price stability in recent months, the central bank has kept its policy rate unchanged, but remains attentive to relevant global and domestic developments and is committed to make further monetary policy adjustments as needed to ensure that inflation remains within the target range and inflationary expectations are well anchored.

The monetary authorities continue their efforts to enhance monetary policy transmission and exchange rate flexibility. They transitioned to the interest rate-based policy framework and are currently making progress in strengthening implementation. The IMF technical assistance (TA), which helped to enhance their modelling and forecasting skills as well as upscale their forecasting model to incorporate climate risks, is much appreciated. The authorities are also taking concrete steps to further strengthen the monetary policy implementation framework, with the view to improve the interbank market and address liquidity challenges, notably via implementation of the Centralized Securities Depository System (CSD) and global master repurchase agreement (GMRA)—and enhance monetary policy transmission. Further, they are taking steps to support a flexible exchange rate system and encourage price discovery by revising the official exchange rate calculation, in addition to the gradual introduction of competitive FX auctions.

The authorities are committed to safeguarding financial stability while expanding affordable credit. The banking sector's metrics remain strong. The sector continues to be profitable with regulatory capital well above statutory levels. The quality of assets continues to improve, with loans under watch and non-performing loans (NPLs) on a declining trend. Nonetheless, the authorities are attentive to the risk of large exposures of banks. The latest safeguards assessment has determined that the NBR has sound internal controls, external audit, and financial reporting practices. To guarantee central bank independence and further enhance governance, the NBR Law is also being reviewed to make it consistent with central banking best practices—in terms of mandate, autonomy, transparency and accountability. That said, strengthening of the NBR internal audit function is needed and in progress.

The authorities are committed to strengthening their monetary and financial sector data. With IMF support, they have continued to broaden coverage of monetary and financial statistics and improved data transparency. In this vein, they have prepared balance sheet data on Other Financial Corporations (OFC), in line with relevant requirements under the current compilation manual. So far, the monetary and financial statistics coverage has been broadened to include OFC Survey, insurance companies, Rwanda Development Bank, and private pension institutions. The authorities have also commenced publication of these statistics on a quarterly basis.

Structural Reforms, Transparency and Climate Policies

Our authorities continue building economic resilience under their long-term development agenda with the objective of improving living standards for all. They are currently implementing the second National Strategy for Transformation (NST-2), which builds on the achievements of NST-1, aimed at boosting job creation, export growth, education quality, public service delivery, and the elimination of malnutrition. In this connection, they have scaled up social safety nets and delivery of health and education services. Through the dynamic social registry—with nationwide coverage—they have enrolled over 3 million households. The authorities are also making progress in strengthening economic resilience by implementing policies that support regional integration, with a focus on major projects such as Kigali Logistics Platform and the new Kigali

International Airport. Also noteworthy, the authorities are working with development partners to re-calibrate the tariff regime and address non-tariff barriers to bolster trade and more effectively attract foreign investment.

Rwanda remains determined to building climate resilience. The authorities successfully completed their commitments under the Resilience and Sustainability Facility (RSF)-supported program 6 months ahead of schedule—a clear evidence of strong reforms ownership—and are still directing critical efforts towards their climate agenda to ensure that RSF-related milestones are long-lasting and entrenched in decision making. In the meantime, the authorities continue implementing Rwanda's disaster risk reduction management action plan and the green taxonomy. While they are committed to enhancing climate tagging and boosting their climate mitigation efforts, the authorities are finalizing the action plan to adopt the sustainability disclosure standards, in addition to developing bankable projects for green financing.

Our authorities remain focused on reforms aimed at ensuring compliance with the FATF standards. They have taken a keen interest on the findings of the July 2024 Mutual Evaluation Report by the Eastern and Southern Africa Anti Money Laundering Group, which proposed improvements to the AML/CFT framework, particularly as pertains to beneficial ownership (BO) transparency policy. In this vein, the authorities are on track to updating the BO information of companies and amending their AML/CFT law. They are committed as well to implementing the other priorities under the report, including improving ML/TF risk understanding, undertaking sectoral risk assessments for virtual assets/virtual asset service providers (VA/VASPs), and improving risk-based supervision.

Conclusion

Our Rwandan authorities remain committed to their PCI-supported program objectives, despite strong headwinds from a challenging external environment. The country's robust economic recovery, reforms ownership, and macroeconomic stability continue to provide a strong foundation for lasting and inclusive economic growth and resilience. The authorities look forward to Executive Directors' support to the requested completion of the fifth review under the PCI arrangement.