International Monetary Fund

Rwanda and the IMF

Press Release:
IMF Executive Board Completes Fifth Review Under the Policy Support Instrument for Rwanda
November 28, 2012

Rwanda: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

November 20, 2012

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LETTER OF INTENT

Kigali, Rwanda
November 20, 2012

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

Dear Ms. Lagarde,

The attached Memorandum on Economic and Financial Policies (MEFP) reviews recent economic developments in Rwanda and implementation of Rwanda's economic program under the three-year Policy Support Instrument (PSI), which was approved by the IMF Executive Board on June 16, 2010. The attached MEFP is an update of the previous MEFP and sets out policies and programs the Rwandan Government intends to implement for the fiscal year 2012/13 and the medium term. The PSI is set to expire on June 29, 2013.

Program implementation remains strong. Growth is robust and inflation remains in the single digits. All end-June 2012 quantitative assessment criteria were met, except the target on the net domestic financing (NDF), which was missed by a small margin (about 0.5 percent of GDP), because of a typographical error in the QAC table prepared at the time of the 4th review. Structural reforms are proceeding broadly as planned. Two structural benchmarks (the publication of the quarterly budget execution report for June and the preparation of an own DSA) have been met with delay. Four benchmarks (medium-term debt management strategy, revision to the investment code, specification of technical requirements for IFMIS and introduction of electronic tax registers) have taken longer than expected. The medium-term debt management strategy will be submitted to cabinet in late November; the other three benchmarks have been re-programmed for the sixth review.

In light of the satisfactory performance outlined in the attached MEFP, the government requests the completion of the fifth review under the PSI. The government also requests approval of the modification of the assessment criteria for end-December 2012 with respect to (i) NFA of the central bank to reflect delays in the disbursement of donor budget support inflows and the accrual of the proceeds from the issuance of a eurobond later this year; and (ii) NDF to also reflect revisions to the fiscal program because of delays in the disbursement of donor budget support inflows and the inclusion of the sovereign bond proceeds and their use in the revised fiscal program. Furthermore, the government requests the ceiling on the continuous assessment criteria on the untied non-concessional borrowing be raised from US$255 million to US$605 million to allow additional borrowing for retiring short term debt and completing priority projects that are underway. It does not materially affect our debt sustainability, as shown by the DSA, which we recently conducted and presented to the IMF team. The government also requests approval of end-December 2012 assessment criteria and structural benchmarks for this period.

The government is confident that the policies and measures set forth in the attached memorandum will deliver the objectives of the program. We stand ready to take any further measures that may become appropriate for this purpose. The government will consult with the IMF—at its own initiative or whenever the Managing Director of the IMF requests such a consultation—before the adoption of any such measures or changes to the policies described in the attached memorandum.

The government will provide the IMF with such information as the IMF may request in connection with the progress made in implementing the economic and financial policies and achieving the objectives of the program. It is expected that the sixth and final review will take place before end-June 2013.

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

Sincerely yours,

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

Attachment I. Rwanda: Memorandum of Economic and Financial Policies

November 20, 2012

UPDATE

1. In this updated Memorandum of Economic and Financial Policies (MEFP), the Government of Rwanda reiterates its commitment to achieving sustained economic growth and poverty reduction. The strategies to achieve these goals are set out in the Economic Development and Poverty Reduction Strategy (EDPRS) for 2008–12[1] and Rwanda's Vision 2020. As the EDPRS is expected to end in June 2013, the Government of Rwanda is in the process of preparing the EDPRS II which is expected to be submitted to Cabinet in January 2013. Against this background, the Government and the International Monetary Fund (IMF) are cooperating on a three-year Policy Support Instrument (PSI) to support macroeconomic policies and structural reforms that underlie strategies in the EDPRS.

2. This MEFP reviews performance through end-June 2012 and describes policies and targets for end-December 2012, the revised 2012/13 fiscal year and the medium term.

MACROECONOMIC DEVELOPMENTS AND OUTLOOK

A. Macroeconomic Developments

Growth developments

3. The Rwandan economy recorded GDP growth of 9.9 percent in the second quarter of 2012, higher than the 7.5 percent registered in the first quarter. The growth was mainly driven by an expansion in services which grew by 14 percent and industry which grew by 9 percent, led by 17 percent growth in the construction sector. This performance demonstrates that the Rwandan economy is resilient to the challenging international economic climate.

[1] Rwanda's latest EDPRS Country Report No. 08/90 and Joint Staff Advisory Note Country Report No. 08/91 were issued to the Executive Board on February 14, 2008. A progress report was issued to the IMF Board on June 23 2011 (IMF Country Report No, 11/154).

Inflation developments

4. Inflation in Rwanda has been on a declining trend, falling from 8.3 percent in December 2011 to 5.6 percent in September 2012. This decline is due to the fall in imported inflation (from 7.9 percent in January to 1.2 percent in September) and the slowdown in domestic inflation to 6.7 percent in September (from 9.7 percent in May 2012).

5. Core inflation which excludes fresh foods and energy from the overall CPI has been significantly decelerating and stood at 2.1 percent in September 2012 from 3.6 percent in June 2012, 5.3 percent in March 2012 and 8.3 percent in December 2011. Declining core inflation reflects the effectiveness of the monetary and exchange rate policies implemented by the National Bank of Rwanda.

Fiscal developments

6. The fiscal deficit for FY2011/12 was 1.2 percent of GDP, smaller than projected (1.9 percent of GDP), due mainly to the over performance of tax revenues and lower-than-planned expenditure owing to delays in implementing foreign and domestically-financed capital projects.

7. Domestic revenues during FY2011/12 exceeded target. Domestic revenue collected in FY2011/12 reached RWF 591.8 billion compared with RWF 565.1 billion targeted in the revised budget. The excess collections came from tax revenue which stood at RWF 557 billion. This exceeded the target of RWF 530.2 billion by RWF 26.8 billion. The excess collection of RWF 26.8 billion for FY2011/12 came from the good performance of real GDP growth and ongoing administrative reforms that continue to broaden the tax base and help improve compliance. The improvement in compliance resulted in collections of some "one-off funds" especially from arrears amounting to RWF 6.5 billion (0.2 percent of GDP). This improved performance came mainly from direct taxes that exceeded target by RWF 17 billion and excess collections in taxes on goods and services by RWF 4.9 billion. Regarding non-tax revenue, the amount that accrued to the budget by end June 2012 amounted to RWF 34.7 billion, slightly lower than the RWF 35 billion projected on account of lower collections from administrative fees and charges, as well as dividends.

8. Budget support grants that accrued to the FY2011/12 budget amounted to RWF 265.7 billion compared to RWF 279.1 billion projected showing a shortfall of RWF 14.4 billion.

9. Capital grants that accrued to the budget of FY2011/12 amounted to RWF 191.6 billion showing an excess of RWF 7.2 billion compared to RWF 184.4 billion projected because of an over performance of the project grants from the Global Fund.

10. Budgetary loans that accrued to the budget of FY2011/12 amounted to RWF 53.5 billion, RWF 1.3 billion higher than RWF 52.2 billion expected.

11. Spending in FY2011/12 was broadly on track. Total expenditure and net lending during FY2011/12 amounted to RWF 1098 billion representing 99.3percent of the projection of the revised FY2011/12 budget (RWF 1105.6 billion).

12. The recurrent expenditure at RWF 613.9 billion was almost equal to the revised budget estimate of RWF 614.1 billion.

13. Total capital spending at RWF 482.9 billion was RWF 14.8 billion lower than the revised budget allocation RWF of 497.7 billion. Both domestically and externally funded portions contributed to the shortfall in spending. In the case of the domestically financed portion, the main reason was the delay in finalizing all tender documentation for procurement as well as delays in other administrative procedures.

14. The budget for FY2011/12 was closed with net domestic finance equivalent to a negative RWF 32.7 billion lower than the negative RWF 21.4 projected and net foreign financing equivalent to RWF 95.1 billion lower than the RWF 116.8 billion projected on account of tax revenue collection over performance and lower capital spending.

Tax policy measures for 2012/13

15. Two out of four tax policy measures announced in the budget 2012/13 have been implemented so far: tax rate for imported construction materials has been increase to 10 percent from 5 percent (import duties, VAT and excise duties), starting July 2012, and the gaming tax has been effective since September 2012.

Progress towards key revenue administration measures in 2011/12 approved budget:

a) <u>Introduce Electronic Sales Register (ESR) for recording taxpayers' transactions and limit VAT evasion and help track potential taxpayers (Structural benchmark for end-January 2012)</u>: All the necessary preparatory work has been finalized. Implementation has been delayed by the law and Ministerial order that are not yet published in the official gazette.

b) <u>Introduce e-filing and e-payment systems to reduce the time spent serving taxpayers, compliance costs incurred by taxpayers, and improve service delivery</u>: All taxes Pay-As-You-Earn (PAYE), Value Added Tax (VAT), Excise, income tax including withholding taxes are being filed online. E-filing is also being used in filing social security contributions. E-payment is also being used but with few banks.

c) <u>Conduct a customer satisfaction survey to inform the next areas of focus for strategic planning purposes</u>: the final report was produced in December 2011. A number of the report recommendations have been implemented for instance focused training for SMEs on book keeping, awareness campaigns of new initiatives in the tax administration, involvement in tax policy development by SMEs, etc.

d) Introduce new tax compliance risk assessment system in the Domestic Taxes Department (DTD) that will orient audit function to high risk taxpayers: a number of risk management tools were developed and are being used by DTD in the data matching exercise that orients audit plans. Tender to acquire advanced risk management tools and data warehouse in order to improve analysis and data matching for audit planning was made and is at evaluation stage.

e) Implement electronic single window (ESW) system at customs that will allow parties involved in trade and transport to lodge standardized information and documents using a single point: the development of the ESW between the RRA and four other government agencies (Magerwa, Rwanda Development Board (RDB), Rwanda Bureau of Standards (RBS) and Ministry of Health) was finalized. The pilot phase of the ESW system was launched in Feb 2012 and since then communication and awareness campaigns are being done through the web and local media. The roll out of the system to other customs offices (in Kigali) was successfully done in April 2012 and preparations for connecting other agencies are in advanced stages.

f) Establish a One-Stop-Border Post (OSBP) at Kagitumba and Rusumo border posts with 24 hour operations to facilitate cross border trade: for Kagitumba, final design and tender documents were approved by stakeholders and the tender was launched end of September 2012. For Rusumo, construction works for OSBP facilities and the Bridge have started. The OSBP project is externally funded with direct payment and control over any delays in the procurement processes or delays caused by the contractors is limited.

g) Operate electronic cargo tracking equipment to ensure the protection of cargo from source to destination: Evaluation of bids was done in February 2012 and the evaluation report was submitted to the World non – objection letter in August 2012 and recommended re-tendering.

h) Fully automate collection of pension funds and health insurance contributions and bring those out of the PAYE net into the system; the collection of pension and medical insurance contributions was integrated in the e-Tax system and is now operational.

Monetary and exchange rate developments

16. Broad money, M3, recorded an annual increase of 16.2 percent at end August 2012, almost the same level as projected for the whole year 2012. Broad money supply was driven mainly by growth in credit to the private sector which increased steadily faster than initial annual projections for 2012 reaching 33 percent by end August 2012 on annual basis. The development

in credit to private sector is in line with the dynamic economic activities recorded this year. Targets on reserve money, the anchor of monetary program, were achieved using different monetary policy instruments. Regarding monetary program implementation, the National Bank of Rwanda has achieved end June 2012 net foreign assets and reserve money targets.

17. Regarding the exchange rate policy, the NBR kept the RWF exchange rate fundamentally market driven, while intervening on the domestic foreign exchange market by selling foreign exchange to banks to smooth the RWF exchange rate volatility. As of end September 2012, the RWF nominal exchange rate depreciated by 3 percent against the U.S. dollar, compared with 1.6 percent in the full year of 2011. This depreciation was mainly due to high demand for foreign exchange driven by rapid increase in demand for imports.

18. In 2012, credit to the private sector has increased substantially driven by a higher dynamism in economic activities, mainly construction, manufacturing and services sectors. In terms of share of economic sectors, as in the previous periods, credit to the private sector has been granted largely to small and medium enterprises, rather than firms, with respectively 62.4 percent and 37.6 percent of the total outstanding credit by end June 2012.

19. Short-term interest rates have been fairly stable after rising in response to the policy rate which was increased by 0.5 percentage points in May to7.5 percent in line with the NBR policy of tightening the monetary policy stance. The repo rate stabilized around 7.4 percent between May and August 2012. The interbank rate increased in line with changes in the KRR, to an average of 8.9 percent between May and August, from an average of 7.5 percent between January and April 2012. The T-bills weighted average rate also increased to 10.7 percent in August 2012 from 8.3 percent in May. Regarding market rates, the lending rate has stabilized between 16.3 percent and 17.0 percent as a result of higher competition within the banking system. The deposit rate increased to an average of 8.8 percent between May and August from an average of 8.0 percent during the first fourth months of 2012.

20. To enhance the efficiency of the money market operations, on June 1, 2012, the NBR has recently introduced a fixed repo maturity of seven days in place of various maturities that have been in place since February 29, 2012. The reserve requirements have been modified and since June 1, 2012 are constituted only in local currency. Also, the maintenance period was extended to two weeks from one week to support the averaging system. In addition, the standing deposit and lending facilities were introduced on June 1, 2012; and on August 1, 2012, the overall foreign exchange risk exposure for banks was set at ± 10 percent of their core capital in line with the practice in most of EAC countries.

Financial sector reforms

21. The NBR is in the process of reviewing the financial sector legal and regulatory framework. This review will respond to the FSAP recommendations. In this regard, the NBR Law and the Banking Law are undergoing review for amendment to cater for the FSAP recommended reforms. In addition, the Draft law on Deposit Insurance Fund has been prepared and pending discussions with stakeholders.

22. To strengthen the capacity for banks supervision, continual both in-house and outside trainings will be conducted, especially for the new 5 inspectors recruited in August 2011.

23. Banking sector soundness indicators have continued to perform well. The ratio of capital to risk-weighted assets rose to 25.1 percent end June 2012, from 24.4 percent in June 2011, while the ratio of non-performing loans declined from 9.6 percent to 5.7 percent in the same period of 2012. Profits also increased between June 2011 and June 2012. Mindful of the potential challenges linked to the exposure of banks to the real estate sector currently representing 27.30 percent of the total loan portfolio, the BNR remains committed to ensure that the regulatory framework of the financial system is able to take proactive actions accordingly. To this effect, a new regulation on loan classification and provisioning was published in 2011 that reduced mortgage collateral up to 50 percent and a loan can only be restructured once. In addition, the regulation requires banks to closely monitor the performance of these loans and potential risks related to various sectors.

24. To strengthen the supervision of SACCOs, in May 2011, the NBR recruited 60 inspectors located in 30 districts of Rwanda to monitor and closely supervise SACCOs. An action plan to consolidate SACCOs was elaborated with two phases. In phase I, SACCOs will be consolidated at district level by end-December 2013, and in the second and final phase, the SACCOs will be consolidated to form a Cooperative Bank at national level by end-December 2014. So far, a harmonized credit policy for SACCOs has been put in place and has been operational since July 2012. For capacity building, a lot has been done to strengthen the capacity of SACCOs themselves and SACCOs' Supervisors. Several trainings were conducted by the World Bank Consultants for NBR SACCO Inspectors appointed in districts aiming at enhancing their supervision capacity. In the second quarter of 2012, the Rwanda Cooperative Agency (RCA), provided computers (desktops and printers) to all 416 Umurenge SACCOs and CGAP management tools were configured in these computers and all 416 SACCOs.

25. The NBR undertook various initiatives to widen financial access such as mobile financial services and agent banking. By end-June 2012, three banks started to work with agents and two banks are in the process of launching agent banking. One new bank is performing well and now has eight branches across the country. Two microfinance institutions were upgraded to microfinance banks with minimum capital of RWF 1.5 billion each. By end-June 2012, the number

of bank branches and outlets was 580. Similarly, the usage of ATMs to enhance intermediation and lower transaction costs grew by over 69.6 percent from 135 ATMs recorded end June 2011 to 229 ATMs end June 2012. In addition, the RIPPS system has been upgraded to enable linkage to Regional Payment Systems; the East Africa Payment Systems (EAPS) and the Common Market for Eastern and Southern Africa (COMESA) Regional Payment and Settlement System (REPSS) to facilitate cross-border payments in the East African Community and COMESA region. Moreover, the Visa National Net Settlement System (NNSS) has been operational since March 1, 2012. The NNSS facilitates domestic transactions to be settled in local currency and the central bank is the settlement agent. By end-June 2012, six banks were already participating in NNSS. Points of Sale (POS) had also increased to 385 from 227 at end 2011. In view of the above, the 2012 Finscope Survey showed that total adult population with access to financial services increased to 71.8 percent in 2012 from 47.5 percent in 2008; and the percentage of adult population without access decreased from 52.4 percent in 2008 to 28.1 percent in 2012.

External Sector

26. The overall balance of payments in the first half of 2012 recorded a deficit of USD 195.5 million mainly owing to higher-than-projected imports. Although exports and current transfers improved significantly, the current account recorded a larger deficit of US$ 500.3 million becsue of a larger trade deficit of USD 605.5 million. Net income and services were also negative, and at US$ 147.3 million accounted for around 45percent (of the projected amount for end-2012).

27. Rwanda continues to attract remittances from diaspora. About 64 percent of private transfers were remittances, estimated at US$ 50.2 million in the first half of 2012, in line with the annual projection of US$ 111.4 million.

28. Sustained by traditional and non-traditional products, exports increased on an annual basis by 22.6 percent by end-August 2012 compared to 0.6 percent initially projected for the whole year 2012. This performance is mainly attributed to minerals which were boosted by high prices of coltan and wolfram. Coffee exports were lower by 14.6 percent in spite of higher volume (12.6 percent), because of a fall in prices on international markets. Despite higher prices, tea exports have performed poorly in both value and volume terms, on account of weak domestic production affected by adverse weather conditions.

29. Compared to an increase of 13.7 percent in import value f.o.b. initially projected for the whole year 2012, an annual increase of 28 percent was recorded by end-August 2012. This higher-than-expected increase in imports is driven mainly by higher domestic demand for investment goods notably equipment, raw materials for industry, and inputs for the services sectors. Capital, intermediate and energy imports therefore accounted for 73 percent of total imports by end-August 2012, continuing the trend observed in the last five years.

30. The need to finance the larger import bill along with uncertainties about donors' budget support disbursements has put pressure on the foreign exchange market, leading to relatively rapid nominal depreciation of the RWF against U.S. dollar, estimated at about 3 percent between December 2011 and September 2012.

Statistical Developments

31. Efforts to improve the quality of national accounts are continuing. To compile a high quality Supply and Use Table (SUT) and to produce robust benchmarks for the rebasing of gross domestic product (GDP), the National Institute of Statistics of Rwanda (NISR) is conducting an Integrated Enterprise Survey (IES) for reference year 2011. The 2011 IES will collect benchmark data on non-agriculture non-household sector economic activities using the 2011 Establishment Census (2011 EC). Data collection started in May 2012 and results are expected by end-December 2012.

32. To support these ambitious targets, the NISR is strengthening its human capacity. NISR has recruited 47 new staff including economists and strengthened the Economic Statistics Department, which now has a director and four principal statisticians in charge of national accounts, trade and services, prices and agricultural/industrial statistics.

33. Significant progress also has been made in agricultural statistics. The recruitment of key consultants is complete, and four missions were undertaken by four experts of Agricultural Assessments International Corporation (AAIC). They prepared a paper comprising an assessment of the current situation; recommendations for action and next steps. The finalized paper was published at end-March 2012 (structural benchmark) and afterward, they continued to support NISR and MINAGRI to implement the new recommended methodology.

34. In addition, NISR is planning to hire international experts with the help of the NISR Basket fund to advise them on the development of the national accounts. The objective is to support further improvements in the quality of the accounts, with particular emphasis on the statistics related to the balance of payments, government financial statistics, and the SUT (for 2011).The technical assistance will also support capacity building across the entire range of economic statistics produced by NISR.

B. Program Performance

35. **As of end-June 2012, only one of the quantitative assessment criteria was not met, while the structural benchmarks were broadly observed (Tables 1 and 2)**. The quantitative assessment criterion on net domestic financing (NDF) was missed by a small margin (RWF 23.9 billion), because of a typographical error in the quantitative assessment criteria (QAC) table at the time of the fourth review. The NDF would have been met had the target been correctly set in

line with the fiscal policy and the macroeconomic framework agreed to at the time of the discussion for the fourth review.

All the structural benchmarks were met with the exception of the following:

- The submission to cabinet of the public debt policy and medium-term debt strategy (MTDS), planned for end-June 2012, will be met with delay. A first draft of the MTDS was discussed with key stakeholders (the Ministry of Finance and the central bank) and a revised draft incorporating comments that involved broadening the scope of the strategy is now planned for submission to the cabinet in late November 2012.

- The benchmark on the specification of the technical requirements for IFMIS was not met and has been delayed until April 2013.

- The benchmark on introducing electronic tax registry to improve issuance of VAT invoices by taxpayers planned to be launched for end- May 2012, has not been met because we are waiting for the law promulgation.

- Revision of the investment code by June 2012: Part of its revision on the increase in tax rates for imported construction material from 5 percent (imports duties, VAT and excise duties) to 10 percent is effective since July 2012, but the broad revision is expected to be done by January 2013.

C. Economic Outlook

Outlook

36. **The outlook for the 2012/13 fiscal year is in line with the Medium Term Macroeconomic Framework and program objectives set out in the initial MEFP for the PSI**. In 2012, domestic economic activity is expected to expand at 7.7 percent. The growth rate will be led by construction and services. Over the medium term, output growth is projected at 7 percent on average. Inflation is targeted at 7.5 percent for end-2012 and 6.5 percent for end-2013 before stabilizing at 5 percent over the medium-term.

Risks to the outlook

37. **Risks from developments in the global environment**: Risks from further global economic slowdown remain high and this could potentially have adverse affects on the Rwandan economy over the medium term. The government will continue to implement prudent policies (price stability and policies aiming at sustaining growth) to cushion from downside risks.

38. **Delays in aid disbursements:** about USD 200 million in bilateral and multilateral general budget support disbursements which were expected in July–December 2012 have been reprogrammed for January-June 2013.

GOVERNMENT OBJECTIVES AND POLICIES

A. Medium-term objectives and poverty reduction strategy

39. Rwanda has recently conducted a household living conditions survey (EICV 3). The survey results show that poverty has been reduced by 12 percentage points in the last five years (from 2005/6 to 2010/11). This represents in nominal terms, more than a million Rwandans being lifted out of poverty. The results of the last surveys (EICV 3 and DHS 4) have shown that a lot of progress has been made in achieving the targets we had committed to under our EDPRS for the implementation of our Vision 2020. By 2010/11, more than 85percent of the targets under our EDPRS had been achieved.

40. Some of the targets under the national Vision 2020 had already been achieved by 2011, while many others are on track. With the progress made in the last five-years, Rwanda is on track to achieve all MDGs – though not all targets—some well before 2015. As such, the country has decided to revise those targets to the level of our ambitions. One such target is the GDP per capita, it was set at US$ 900, and we have now revised it to US$ 1,240.

41. The national development plan, EDPRS2, has two key goals: (i) reducing poverty faster to reach a poverty headcount of less than 30 percent; and (ii) ensuring that the economy remains on a path of high and sustained economic growth to achieve an average double-digit GDP growth over the decade. The country sees high and inclusive growth as the guarantee of sustainability of results achieved towards the MDGs.

42. These goals imply that the country will need to step up its efforts and do many things differently. The EDPRS 2 is being developed to address four key areas: (i) economic transformation, (ii) rural development, (iii) productivity and youth employment and (iv) accountable governance.

43. Although a double-digit GDP growth is the desired objective, the revised macroeconomic framework under this review is built on a more conservative growth outlook, on account of economic downside risks stemming from threats of global economic slowdown (weak global demand, low prices for Rwandan exports, and high oil prices) and the current uncertainty around some donors’ disbursements.

44. Quantitative assessment criteria and indicative targets and structural benchmarks for the 6th and final review under the current PSI arrangement are set out in Table 3 and Table 4.

B. Fiscal Policy

45. Fiscal consolidation through increased revenue mobilization and expenditure prioritization to close the fiscal gap remain the key components of the government's medium-term strategy. Consistent with this strategy, the budget for FY2012/13 has been revised to reflect uncertainties and delays in donor budget support disbursements. In addition, this revision has also taken into account the expected flows from the sovereign bonds issuance and the use of these funds, as well as the accrual and use of funds from the "AGACIRO" Development Fund (AgDF).

46. Total revenue and grants are now projected at RWF 1211.1 billion (25.3 percent of GDP). Domestic revenue collection amounts to RWF 712.4 billion (14.9 percent of GDP) while grants are estimated at RWF 498.6 billion (10.4 percent of GDP). Domestic tax revenue is contributing RWF 641.2 billion (13.4 percent of GDP) while non-tax revenue (including reimbursements from peace-keeping operations and from the "AGACIRO" fund) is projected at RWF 71.2 billion (1.5 percent of GDP).

47. Total expenditure and net lending is now projected at RWF 1541.5 billion (32.4 percent of GDP). Recurrent spending is estimated at RWF 668.3.2 billion (14 percent of GDP) while RWF 653 billion (13.7 percent of GDP) is now allocated for capital expenditure. The estimate for net lending is revised upwards and is now projected at RWF 220.3 billion (4.6 percent of GDP).

48. The revised budget is now expected to close with an overall cash deficit of RWF 338.5 billion (7.1 percent of GDP). Net domestic financing will now show a small build up of government deposits of RWF 15.4 billion (0.3 percent of GDP) mainly representing the unused funds from the sovereign bonds receipts.

49. Regarding tax revenue collections, the implementation of the on-going administrative measures outlined in paragraph 15 are expected to allow the achievement of the projected target.

50. For expenditures, the revised upward figure of RWF 1541.5 billion includes RWF 7.9 billion of interest payments on the sovereign bond in FY2012/13. The revised net lending figure of RWF 220.3 billion also includes RWF 204.3 billion (4.3 percent of GDP) of the proceeds from the sovereign bond issuance, which have been allocated to some strategic investment projects for the early retirement of expensive debt and for the completion of one project. The government is committed to use the proceeds from the sovereign bonds issuance solely for the approved strategic investment projects.

51. The slightly increased capital expenditure figure of RWF 653 billion (13.7 percent of GDP) also includes a small spending amount of RWF 2 billion for some projects to be funded with funds that will accrue from the AgDF under domestic capital expenditure. Consistent with

national objectives of the government, the AgDF which has been set up recently by the government is to solicit voluntary contributions from Rwandan citizens in the country and in the diaspora as well as from other friends of Rwanda. The proceeds from the fund will be used to augment central Government funds to finance some priority projects which will allow the government to achieve the MDG targets. To ensure transparency, the government has designed rules and regulations concerning the accrual and utilization of the contributions to the fund. The accounts will be audited annually by the Auditor General. The capital expenditure figure also includes an RWF 7.8 billion grant from USAID for projects in the agriculture sector with foreign financed capital. This amount was originally programmed as a budget support grant for recurrent spending.

52. Because of uncertainties concerning the disbursement of budget support funds, the government has decided to set aside an RWF 18 billion (0.4 percent of GDP) expenditures as contingent expenditure under the domestically financed capital budget. This amount will not be spent if the disbursements from donors are not made to ensure no increase in net domestic finance. The contingent expenditure is in agriculture, health, infrastructure (roads) and justice.

53. Net domestic finance: The revised FY2012/2013 budget is projected to close with a net build up of deposits amounting to RWF 15.3 billion (0.3 percent of GDP) mainly representing the remaining unused balance from the sovereign bonds proceeds.

54. Fiscal policy over the medium term reflects the fiscal consolidation policy of the government. This envisages increases in domestic resource mobilization and expenditure reprioritization to reduce expenditure and thereby not only reduce the fiscal gap but also reduce the reliance on donor funding. Consistent with this objective domestic revenue collection (excluding payments from peacekeeping operations) are projected to increase by 0.3 percent of GDP annually in the medium-term and reach 15.2 percent of GDP by 2016/2017. At the same time total expenditure and net lending is projected to go from 1541.5.4 billion (32.3 percent of GDP) in FY2012/13 to RWF 1808.9 billion (22.9 percent of GDP) by 2016/2017. Consistent with these projections, the overall deficit (including grants) is projected to decline from 6.9 percent of GDP in FY2012/13 to 1.6 percent of GDP by 2016/2017. Over the medium term the contribution from non tax revenue is not expected to increase as a result of the permanent loss of dividends in the face of increasing privatization of public enterprises.

Revenue mobilization

55. Tax policy measures for FY2012/13: the revision of the investment code will be completed by November 2012 (structural benchmark). The introduction of the Electronic Sales Register (ERS) for recording taxpayers' transactions, limiting VAT evasion and helping track potential taxpayers is now planned to start in January 2013 (structural benchmark), after the promulgation of the VAT law. A recent FAD/IMF mission has provided recommendations for both revenue

administration and tax policy reforms. The government will examine the recommendations from the mission and will discuss possible implementation of the recommendations with the next PSI review mission.

Public financial management and reforms

56. The PFM reform agenda is firmly on track as has been noted in the various reviews that have been undertaken in previous years. The major objectives of the government is to address the key existing challenges that include among others: addressing the apparent disconnect between planning and budgeting, evaluating difficulties in automating public financial management operations, creating a critical mass of professionals across the key PFM functional areas and building PFM capacity at decentralized level. Below is a set of priority measures that has been drawn to help address the existing challenges in the PFM area.

Priority measures for 2012/13

57. The key priorities for the 2012/13 are as follows:

i. Complete the design of the detailed system and technical requirements of the Integrated Financial Management Information System (IFMIS) including functional, technical requirements documents and quality review by end of April 2013 (structural benchmark).

ii. Elaborate the EDPRS II 2013-2018 and pertinent sector and district strategic plans. The EDPRS I is ending by June 30, 2013, and we are now finalizing the recruitment of the thematic experts that will help in the elaboration of the EDPRS II.

iii. Review the program structure of the budget and revamp the Medium Term Expenditure Framework (MTEF). This assignment will help in aligning the strategic plans of MDAs to the program structure of the budget, a key weakness identified in numerous PFM diagnostic studies.

iv. Support implementation of the Fiscal Decentralization Strategy (FDS). This was approved by the cabinet last year and full scale implementation will be a major focus this fiscal year.

v. Continue with phase two of the Implementation of the Electronic Tax Registers to efficiently collect VAT. This project is expected to help RRA expand the tax base and/or avoid any potential tax leakages to finance the country's national needs.

vi. With the support of IMF East AFRITAC the GoR has finalized updating the law on state finances and property. It is expected that the law will be finalized in the next fiscal year thereby paving the way for sensitizing GoR officials on the new law.

vii. As part of the national plan to build a strong accountancy profession, the government will continue to support the Institute of Certified Public Accountants of Rwanda (ICPAR) so it will be in a position to launch its first ever professional accountancy qualification examination (CPA-Rwanda) and help in building a critical mass of certified accountants.

viii. Public procurement is one of the critical pillars in the public financial management reform agenda. Upon realizing there is an urgent need to create a critical mass of procurement professionals, MINECOFIN has helped the School of Finance and Banking (SFB) secure the services of the International Training Centre of the International Labor Organization) as part of the arrangement to develop capacity at SFB to meet Rwanda's training needs in procurement. The first phase has been completed and the second phase is currently ongoing with short-term courses begun.

ix. The basic structure for a professional internal audit cadre is already in place and this is being complemented by automating all internal audit processes by using electronic working papers software. The ultimate objective is to increase efficiency.

x. The current Public Financial Management Reform Strategy is set to expire on June 30, 2013. The government, in conjunction with the contributing development partners, is undertaking a final independent evaluation of the Public Financial Management (PFM) Reform Strategy 2008/9-2012/13 to take stock of the lessons learned so it can inform the next PFM Reform Strategy for 2013/14-2017/18, scheduled to be completed within the current fiscal year.

C. Monetary and Exchange Rate Policies

58. The NBR will implement policies to minimize risks of monetary inflation while supporting the government economic growth objective. To achieve the expected results, the NBR will continue to closely monitor developments in underlying factors of inflation to take appropriate measures, using the monetary policy instruments. Inflation is projected to rise gradually backup to 7.5 percent by end 2012 before receding anew to about 6.5 percent by end 2013 and stabilizing at about 5 percent over the medium term.

59. In 2013, lower inflation is expected to be achieved through improvement in supply-side policies and a further tightened monetary policy stance. The growth rates of reserve money and broad money are both projected to slow down to 16.3 percent in 2013. Growth in credit to the private sector will continue to drive broad money growth, while gradually slowing down from 29 percent at end-2012 to about 18 percent in 2013 reflecting a tighter monetary policy.

60. To improve the monetary policy transmission mechanism, the NBR will move to a more flexible monetary targeting framework. The NBR will introduce a reserve money band of ± 2 percent around a central reserve money target. In this framework, the NBR will target the

center of the reserve money band, while the PSI quantitative assessment criterion on reserve money will be set at its upper limit.

61. The NBR will continue to strengthen its capacity in modeling and forecasting with the support of different partners, including the Bank of England, the IMF, the International Growth Center (IGC) and the Macroeconomic and Financial Management Institute for Eastern and Southern Africa (MEFMI) among others. In the short term, the NBR will complete ongoing studies to support building a small macroeconomic model for Rwanda supported by MEFMI to realize policy simulation and assist the NBR's Monetary Policy Committee.

62. To improve money market efficiency, the NBR will soon introduce and explain to banks the change in the use of the policy rate – the key repo rate. The NNR will change the role of the key repo rate from a reference rate for interbank operations to a reference rate for central bank operations on money markets. The repo and reverse repo transactions will be fixed at only 7 days maturity, with the repo rate remaining within the new corridor for which the lower and upper limits will be respectively the rates on overnight deposit and lending standing facilities.

63. The exchange rate will remain market driven, and the NNR will continue to intervene on the foreign exchange market only to smooth exchange rate volatility. To further develop the foreign exchange market, NBR will continue to build the capacity of market players and promote interbank trading. The Dealers' Association was launched in August 2012 and the capacity building plan is being developed in collaboration with different partners, including the International finance Corporation (IFC). In addition, the NBR will continue to encourage banks to access the newly established NBR (lending and deposit) standing facilities. Furthermore, the government will work closely with the NBR to finalize as soon as possible discussions on a MOU for the conversion of existing claims on the government into marketable securities before December 2012.

D. Financial Sector Reforms

64. The NBR will continue to pursue the FSAP recommended reforms in pension, insurance, banking and microfinance institutions relating to the expansion of market access and financial deepening.

65. An action plan (FSDP II) clearly showing all reforms to be implemented and their respective timeframe (next 5 years) for the entire financial sector; FSAP recommendations will be in place by end December 2012.

66. An action plan to consolidate SACCOs was elaborated in two phases. For phase I, SACCOs will be consolidated at district level by end December 2013 and for the second (final) phase; SACCOs will be consolidated to form a cooperative bank at national level by end December 2014. In addition, the NBR is committed to carrying out continuous capacity building

for inspectors and managers of SACCOs. The program to enhance the institutional capacity of SACCOs and their MIS including the automation of their operations will be undertaken in 2013/14. UNCDF's MicroLead Program has approved a $2.4 million dollar investment for technical service provision for the UMURENGE SACCOs by the World Council of Credit Unions (WOCCU).

E. External Sector Policies

Objectives and policies

67. Increased domestic demand for imports and high energy prices are expected to negatively affect the external sector performance in 2012 and 2013. In 2012 the value of exports is projected to increase by 16.2 percent led by non-traditional exports which will contribute about 50 percent of the total receipts. Despite a slight recovery in coffee exports in the later part of the year, the yield in 2012 is projected to be about 2 percent lower than in 2012 on account of lower international prices. Although the volume of tea exports is projected to increase by only 1.5 percent in 2012, total receipts are expected to rise by 7.7 percent on account of higher international prices. Regarding minerals despite higher volume and prices for wolfram and coltan, total receipts are projected to decline by about 13 percent owing to a sharp decline in the volume and prices for cassiterite.

68. Mirroring the performance in the first eight months of the year, the value of imports (f.o.b.) is projected to rise by 20 percent in 2012. This development reflects the higher demand for capital goods, raw materials for industry and inputs in the services sector. As a result of this high level of imports, the trade deficit is projected to widen from US$ 1.1 billion in 2011 to US$ 1.3 billion in 2012.

69. Reflecting the delayed disbursement of donor support funds in 2012, the current account deficit (including official transfers) is expected to deteriorate from 7.3 percent of GDP to 11.3 percent of GDP. However net capital and financial flows of US$ 879.7 million (including the Sovereign bond receipts of USD 350 million and FDI of US$150 million) will allow the achievement of an overall balance of payments surplus of US$94 million. Gross reserves will therefore reach US$ 1,144.2 million at end-2012 equal to about 5.2 months of imports of goods and services.

70. In 2013, a recovery in the export of coffee and minerals is expected. This recovery together with improved performance of non- traditional exports will increase the value of exports by about 9 percent. Reflecting the high demand for imports especially of capital goods for ongoing projects (including KCC), imports in value terms (fob basis) are projected to rise by about 8 percent in 2013. Despite the widening of the trade deficit by about 7 percent in 2013, the expected disbursement of the delayed donor budget support funds in 2013 will result in a slight narrowing of the current account deficit (including official transfers) from 11.3 percent of

GDP in 2012 to 10.2 percent of GDP in 2013. With a slightly reduced capital and financial flows in 2013, the overall balance of payments is projected to close with a deficit of USD 153.5 billion which will be financed with an equivalent draw down of reserves including the unused funds from the sovereign bonds issuance carried over from 2012. As a result, gross official reserves at end-2013 are projected to decline to USD 989 million, which will cover 4.6 months of imports of goods and services.

71. In the medium term, exports in value terms are projected to increase on average by about 8.2 percent a year. This reflects the expected results of the implementation of the comprehensive national export strategy. A large portion of this projected increase will come from non-traditional exports. Imports in value terms will respond to the investment requirements of the country and in the medium term will be expected to rise annually. Mirroring the projected decline in donor budget support grants, the current account balance will be expected to decline gradually in the medium term.

72. Consistent with the on-going improvements in 'doing business" in Rwanda public and private capital flows are expected to increase to partly offset the projected decline in grants. This development will also respond to the expected rise in FDIs to finance private sector projects in many priority areas especially in mining, hotels, banking and retail sectors. The overall balance of payments in the medium term is projected to register small deficits that will be financed with some drawdown of reserves. Official reserves however are expected to remain at comfortable levels–covering four to five months of imports of goods and services.

Medium Term Debt Strategy (Debt Management and DSA)

73. The GoR remains committed to sustainable debt levels while ensuring adequate financing of its development programs. The GoR's overall objectives for the medium term debt strategy are three fold:

- To ensure that the GoR's financing needs and payments obligations within the provisions of the development plans are met at the lowest possible cost over the medium to long term, consistent with a prudent degree of risk;
- To establish a sustainable debt service profile consistent with the GoR's medium term repayment capacity;
- To promote the maintenance and further development of the market for domestic government securities and diversify the GoR's funding sources by reducing external resources exposure while ensuring that domestic debt sustainability is not compromised.

74. Borrowing both domestically and externally assumes the introduction of a longer maturity bond in domestic currency that can also target the regional market (which is in line with GoR's objectives of domestic securities market development) and the use of non-concessional funding.

75. Rwanda will go to the international debt market before the end of this year to raise US$ 350 million for strategic projects. Some of the funds will be used for early repayment of expensive non-concessional debt by end-December. The remaining balance will be used for additional debt repayment and completion of one project in 2013. With the early repayment of debt, the stock of non-concessional borrowing will only increase by US$ 150 million. The GoR commits to ring fencing the proceeds of the sovereign bond issuance for the purposes identified in this memorandum.

76. A debt sustainability analysis, including the eurobond has been conducted. The analysis reveals that Rwanda's external debt level including the sovereign bonds debt remains sustainable although vulnerable in the presence of shocks to export growth.

F. Statistics and Other Issues

77. The NISR will continue to improve the quality of its economic statistics in general and the national accounts in accordance with the improvement action plan of the national accounts. The NISR has completed the recruitment of the key consultants in agriculture statistics, and they have already undertaken four missions to assess the current situation, review agricultural statistics including sampling methodology and start implementation of the program of seasonal probability surveys. For the period October 2012 to January 2014, the experts will help NISR to conduct and analyse the agriculture survey for the agricultural year 2013 using the new methodology.

78. The results of the recently completed Establishment Census 2011 have been used to select a sample of 950 establishments for the 2011 Business Survey and Non Profit Institutions Survey. Data collection was completed by end-October 2012 (structural benchmark) as planned.

79. The data from these benchmark surveys, combined with other source of data, will be used to develop detailed input-output (I-O) and supply-use tables (SUT) and to rebase the GDP estimates in 2011 constant prices.

80. With the help of IMF East AFRITAC, NISR will rebase the CPI statistics using the results of the EICV3 by end of June 2013. The rebasing of the GDP estimates using 2011 constant prices is expected to be finished by end of December 2013.

Table 1. Rwanda: Quantitative Assessment Criteria and Indicative Targets for End-June 2012
(Billions of Rwandan francs, unless otherwise indicated)[1]

	2012			
	Jun			
	Prog	Adj Prog	Est	Status
Assessment Criteria [2]				
Net foreign assets of the NBR at program exchange rate (floor on stock) [3, 4]	421.3	*406.8*	421.5	*met*
Reserve money (ceiling on stock) [5]	173.1	173.1	171.7	*met*
Net domestic financing (ceiling on flow)[4, 6]	**106.8**	*121.3*	145.2	*Not met*
New non-concessional and government guaranteed external debt (US$ millions) (ceiling on stock) [7, 8]	255.0	255.0	219.5	*met*
External payment arrears (US$ millions) (ceiling on stock) [8]	0.0	0.0	0.0	*met*
Indicative Targets				
Domestic revenue collection (floor on flow) [6]	284.7	284.7	307.6	*met*
Net accumulation of domestic arrears (ceiling on flow) [6]	-4.0	-4.0	-5.8	*met*
Consolidated domestic debt of public sector (ceiling on stock, eop) [4,9]	327.6	342.1	215.4	*met*
Total priority spending (floor on flow) [6]	247.2	247.2	301.2	*met*
Memorandum items:				
Total budget support (US$ millions) [6,10]	**139.9**		**115.9**	
Budget support grants (US$ millions)	*139.9*		*115.9*	
General budget grants (US$ millions)	53.6		49.0	
Grants from Global Fund (US$ millions)	86.3		66.9	
Budget support Loans	**0.0**		**0.0**	
Encumbered reserve assets (US$ Millions)	40.0	40.0	40.0	

Sources: Rwandan authorities and IMF staff estimates and projections.

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

[2] Test dates for assessment criteria are for end-June and end-December, otherwise indicative targets.

[3] Numbers for 2010, 2011, and 2012 are at program exchange rates of RWF 571.24, RWF594.45, RWF604.14 per U.S. dollar, respectively.

[4] Subject to adjustors. See TMU for details.

[5] Targets are calculated as an arithmetic average of the stock of reserve money for the three months in the quarter. See TMU

[6] Numbers for 2010 are cumulative from December 31, 2009; numbers for 2011 are cumulative from December 31, 2010; and numbers for 2012 are cumulative from December 31, 2011.

[7] Cumulative from end-June 2010. The ceiling applies to the duration of the three-year PSI, and excludes the IFC SWAP agreement of US$50 million as well as US$13.1 million for purchase of two small airplanes both of which were contracted in 2009. It also excludes external borrowing by the Bank of Kigali and Euro 8 million for loan contracted by the Rwanda Development Board (RDB) from the European Investment Bank in September 2011. Effective from the date the Executive Board completes the fourth review under the PSI, the ceiling is no longer tied to specific projects.

[8] This is a continuous assessment criterion.

[9] Excluding NBR's debt issued for monetary policy purposes, starting on September 2010. See TMU for details.

[10] Excluding demobilization and African Union peace keeping operations, HIPC grant, and COMESA compensation grant.

Table 2. Status of Structural Benchmarks for 5th Review of PSI

Policy Measure	Target Date	Macroeconomic Rationale	Status
Public financial management			
1. Submit to cabinet for approval a revised public debt policy and MTDS.	End-June 2012	To assess costs and benefits of scaled-up non-concessional financing and analyze fiscal risks associated with PPPs.	Not met. Submission to cabinet expected in late November.
2. Complete the determination of the detailed system and technical requirements for the Integrated Financial Management Information System.	End-September 2012	To improve budget preparation, implementation, and reporting.	Not met. Delayed until April 2013.
Fiscal performance			
3. MINECOFIN to publish (and put on its website) quarterly reports of budget execution against annual fiscal policy objectives, within 45 days of end of each quarter. Initially the quarterly budget execution reports will exclude foreign-financed projects.	Continuous, starting mid-May 2011	To improve communication of fiscal performance to stakeholders.	Met with delay for June.
4. Introduce electronic tax registers to improve issuance of VAT invoices by taxpayers.	End-May 2012	To improve VAT buoyancy.	Not met. Rwanda Revenue Athourity is ready to launch, awaiting the law in the parliament to be passed and promulgated. Expected in January.
5. Submit to cabinet revised investment code to streamline exemptions.	End-June 2012	To improve revenue performance.	Not met. Part of the revision has been done, construction imports for projects of US$ 1.8 million investment are now taxed at 10% from 5% since July 1, 2012. But the whole revision is still ongoing and is expected to be submitted to cabinet in January.
Monetary sector			
6. Introduce a (fully collaterized) standing short-term lending facility with related interest rate set at a margin above the key repo rate.	End-June 2012	To improve the implementation of monetary policy.	Met.
Financial sector			
7. Approval of investment guidelines by the board of CSR/RAMA.	End-June 2012	To improve the corporate governance of CSR/RAMA and contain potential fiscal liabilities.	Met.
8. Adopt (by NBR) a harmonized credit policy for SACCOs.	End-September 2012	To expedite supervision of the Umurenge SACCOs.	Met.
External sector			
9. Conduct own DSA using the World Bank/IMF Debt Sustainability Framework as input for the annual budget framework paper.	End-July 2012	To enhance ability to monitor debt sustainability in an ongoing manner.	Met with delay. Own DSA was finalized in October 2012.
10. Complete (by NBR) a study to assess exchange rate developments and identify the main determinants of the exchange rate with a view of supporting the implementation of the exchange rate policy and maintaining export competitiveness.	End-September-2012	To improve the implementation of exchange rate policy.	Met.
Statistics			
11. Complete the entreprise survey.	End-October 2012	To improve measurement of GDP.	Met.

Table 3. Rwanda: Quantitative Assessment Criteria and Indicative Targets for end-December 2012[1]
(Billions of Rwandan francs, unless otherwise indicated)

	Dec. 2012 EBS/12/67	Dec. 2012 Rev. targets
Assessment criteria [2]		
Net foreign assets of the NBR at program exchange rate (floor on stock) [3, 4]	513.0	618.8
Of which unused Euro bond proceeds		139.0
Reserve money (ceiling on stock) (upper bound) 5	…	188.4
Reserve money (ceiling on stock) [5]	185.4	184.7
Reserve money (ceiling on stock) (lower bound) 5	…	181.0
Net domestic financing (ceiling on flow)[4, 6]	11.5	-60.0
New nonconcessional and government guaranteed external debt (US$ millions) (ceiling on stock) [7, 8]	255.0	605.0
External payment arrears (US$ millions) (ceiling on stock) [8]	0.0	0.0
Indicative targets		
Domestic revenue collection (floor on flow) [6]	617.7	653.5
Net accumulation of domestic arrears (ceiling on flow) [6]	-8.0	-9.8
Consolidated domestic debt of public sector (ceiling on stock, eop) [4,9]	232.3	189.3
Total priority spending (floor on flow) [6]	516.9	497.0
Memorandum items:		
Total budget support (US$ millions) [6,10]		422.9
Budget support grants (US $millions)		*409.5*
General budget grants (US$ millions) [11/]		279.5
Grants from Global Fund (US$ millions)		130.0
Budget support (loans)		*13.4*
Eurobond (US$ millions)		350.0
Encumbered reserve assets (US$ millions)[12]	71.0	0.0

Sources: Rwandan authorities and IMF staff estimates and projections.

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

[2] Assessment criteria are for end-December 2012, otherwise indicative targets.

[3] All numbers are at the program exchange rate of RWF 604.14 per U.S. dollar.

[4] Subject to adjustors. See TMU for details.

[5] Targets are calculated as an arithmetic average of the stock of reserve money for the three months in the quarter. Assessment criterion applies. to upper

[6] Numbers for 2012 are cumulative from 12/31/2011, and those for 2013 are cumulative from 12/31/2012.

[7] Cumulative from end-June 2010. The ceiling is untied starting January 1, 2012 and applies to the duration of the three-year PSI. It excludes the IFC SWAP agreement of US$50 million as well as US$13.1 million for purchase of two small airplanes, both of which were contracted in 2009, and external borrowing by the Bank of Kigali.

[8] This is a continuous assessment criterion.

[9] Excluding NBR's debt issued for monetary policy purposes, starting on September 2010. See TMU for details.

[10] Excluding demobilization and African Union peace keeping operations, HIPC grant, and COMESA compensation grant.

[11] Includes payments for peace keeping and demobilization for the first half of 2012.

[12] In case of eurobond, this assumes a repayment of the Citi loan for an amount of US$120 million before end-December 2012.

Table 4. Rwanda: Strcutural Benchmarks for 6th Review of PSI

Policy Measure	Target Date	Macroeconomic Rationale
Public financial management		
1. Complete the determination of the detailed system and technical requirements for the Integrated Financial Management Information System.	End-April 2013	To improve budget preparation, implementation, and reporting.
Fiscal performance		
2. MINECOFIN to publish (and put on its website) quarterly reports of budget execution against annual fiscal policy objectives, within 45 days of end of each quarter. Initially the quarterly budget execution reports will exclude foreign-financed projects.	Continuous, starting mid-May 2011	To improve communication of fiscal performance to stakeholders.
3. Introduce electronic tax registers to improve issuance of VAT invoices by taxpayers	End-January 2013	To improve VAT buoyancy.
4. Submit to cabinet revised investment code to streamline exemptions.	End-January 2013	To improve revenue performance.
Financial sector		
4. Complete the rating of SACCOs and selection of those that qualify for consolidation at district level.	End-December 2012	To expedite supervision of the Umurenge SACCOs.
External sector		
5. Submit to the Industrial Development and Export Council a financing plan for the National Export Strategy.	End-December 2012	To widen the export base of Rwanda.

Attachment II. Technical Memorandum of Understanding

November 20, 2012

1. This memorandum defines the quantitative targets described in the memorandum of economic and financial policies (MEFP) for the period June 30, 2010–June 29, 2013 supported by the IMF Policy Support Instrument (PSI), and sets out the data reporting requirements. This Technical memorandum of understanding (TMU) supersedes the TMU issued in Country Report No. 12/152.

I. Quantitative Program Targets

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

3. AC will apply to the following indicators for December 31, 2012 (the test date) throughout the program period; other dates are IT:

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

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

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

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

6. **Program exchange rates**. For accounting purposes, the following program exchange rates, which are end-December 2011 rates, apply for 2012:

Program Exchange Rates (US$ per currency unit, unless indicated otherwise)	
	2012
Rwanda Franc (per US$)	604.1410
Euro	1.2866
British Pound	1.5371
Japanese Yen (per US$)	77.7899
SDR	1.5348

A. Institutional Coverage of the Fiscal Sector

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

B. Targets Related to the Execution of the Fiscal Program

Ceiling on net domestic financing of the government

8. A ceiling applies to NDF. The ceiling for December 31, 2012 is cumulatively measured from December 31, 2011 is indicated in Table 3. Quantitative Assessment Criteria and Indicative Targets for end-December 2012.

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

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

- Consolidated credit to the government from the banking system (NBR and commercial banks, as recorded in the monetary survey), including credit to the government, provinces and districts. The outstanding consolidated government debt held by the banking system,[1] includes government debt to the NBR amounting to RWF 38.6 billion

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

incurred as a result the overdraft to the prewar government and the 1995 devaluation [2], as well as the current overdraft with the NBR. Credit to the government will exclude treasury bills issued by the NBR for monetary policy purposes, the proceeds of which are sterilized in deposits held as other NBR liabilities.

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

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

12. Grants extended by the Global Fund that are under the control of the central government are programmed at US$200.2 million for 2012, corresponding to RWF 120.9 billion at the program exchange rate.

Adjusters to NDF:

- The ceiling on NDF will be adjusted *upward* by the amount of any shortfall between actual and programmed budgetary loans and grants[3] (defined in Table 2. Quantitative Assessment Criteria and Indicative Targets for end-December 2012), up to a maximum of US$80 million, evaluated in Rwandan francs at the program exchange rate. The ceiling will be adjusted *downward* by the amount of any excess of actual over programmed budgetary grants and loans above US$24 million, evaluated in Rwandan francs at the program exchange rate.

- The ceiling on NDF will be adjusted upward by the extent to which in Rwandan francs at the program exchange rate the proceeds of any sovereign bonds issued before December 31, 2012 less any amount used to retire government-guaranteed external loans of the Kigali Convention Center (KCC) fall short of US$230 million.

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

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

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

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

Floor on flow of domestic revenues

14. A floor applies to domestic revenue. The floor for December 31, 2012 is cumulatively measured from December 31, 2011.

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

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

Floor on priority expenditure

17. The floor applies to priority spending of the government. The floor for December 31, 2012 is cumulatively measured from December 31, 2011. Other dates are indicative targets.

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

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

Net accumulation of domestic arrears of the government

20. A ceiling applies to net accumulation of domestic arrears of the government.[4] The ceiling for December 31, 2012 is cumulatively measured from December 31, 2011.

21. **Definition.** The net accumulation of arrears is defined as the difference between the gross accumulation of new domestic arrears (measured as the difference between payment orders and actual payments related to payment orders issued) and gross repayment of any arrears outstanding since the beginning of the year under review (including repayment of float during the review year and the repayment of older arrears).

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

C. Limits on External Debt

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

23. A ceiling applies to the contracting and guaranteeing by the public sector of new non-concessional borrowing debt with nonresidents (see below for the definition of the public sector, concessionality and debt). The ceiling is given in Table 3. Quantitative Assessment Criteria and Indicative Targets for end-December 2012 which applies continuously from end-June 2010 to end-June 2013; it excludes the swap agreement of US$50 million signed in November 2009 between the NBR and the IFC, a loan of US$13.1 million for the purchase of two air planes in 2009, and euro 8 million for loan contracted by the BRD from the European Investment Bank in September 2011. The ceiling also excludes non-concessional borrowing by one state-owned bank, the Bank of Kigali, which is assumed not to seek or be granted a government guarantee. The ceiling also applies to private debt for which official guarantees have been extended, including future swaps involving foreign currency loans guaranteed by the public sector (see below for swaps), and which, therefore, constitute a contingent liability of the public sector.

Adjuster to the limit on new non-concessional external debt of the public sector

24. The ceiling on the contracting and guaranteeing by the public sector of new non-concessional borrowing debt with nonresidents will be adjusted downwards to the extent to which the proceeds of a sovereign bond issued before end-December 2012 falls short of US$350 million. Additionally, the ceiling will be adjusted downwards by an amount equivalent to any repayment of existing non-concessional external borrowing included under the ceiling, as set out in ¶23 above, such as US$200 million earmarked for the early repayment of guaranteed

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

borrowing by the Kigali Convention Center (US$120 million) and RwandAir ($80 million) in 2012 and 2013.

25. **Definition of the public sector**. The public sector comprises the general government (the central government, the NBR, local governments which include provinces and districts) and entities in which the government holds a controlling stake—owning more than 50 percent of the shares or the ability to determine general corporate policy.[5] This definition of public sector excludes the Bank of Kigali.

26. For program purposes, the guarantee of a debt arises from any *explicit* legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind), or from any *implicit* legal or contractual obligation of the public sector to finance partially or in full any shortfall incurred by the debtor.

27. **Definition of concessionality** For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[6] The discount rates used for this purpose are the currency specific commercial interest reference rates (CIRRs), published by the Organization for Economic Cooperation Development (OECD). For debt with a maturity of at least 15 years, the ten-year-average CIRR will be used to calculate the PV of debt and, hence, its grant element. For debt with a maturity of less than 15 years, the six-month average CIRR will be used. To both the ten-year and six-month averages, the same margins for differing repayment periods as those used by the OECD need to be added (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more).

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

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[5] Government control of an entity can be established based on the following criteria: (i) ownership of the majority of the voting interest; (ii) control of the board or other governing body; (iii) control of the appointment and removal of key personnel; (iv) control of key committees of the entity; (v) golden shares and options; (vi) regulation and control; (vii) control by a dominant public sector customer or group of public sector customers; and (viii) control attached to borrowing from the government.

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

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

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

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

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

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

Limit on the stock of external payment arrears

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

Consolidated Domestic Debt of the Public Sector (DD)

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

Adjusters:

- In the case of a shortfall in programmed budgetary loans and grants (per paragraph 12), the ceiling on consolidated domestic debt of public sector will be adjusted *upward* by the same amount as the increase in the ceiling in the NDF, but capped per paragraph 12.

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

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

D. Targets for Monetary Aggregates

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

32. A floor applies to the NFA of the NBR for December 31, 2012.

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

Adjusters:

- The floor on NFA will be adjusted *downward* by the amount of any shortfall between actual and programmed budgetary loans and grants (per footnote 4). This adjustment will be capped at the equivalent of US$80 million, evaluated in Rwanda francs at the program exchange rate. In the case of excess of actual over programmed budgetary loans and grants, the floor of the NFA remains unchanged for the first US$24 million.

Subsequently, the floor will be adjusted upwards by any amount in excess of US$24 million, evaluated in RWF at the program exchange rate.

- The floor on NFA will also be *adjusted upward (downward)* by the amount of shortfall (excess) between actual and programmed encumbered reserve assets, evaluated in Rwanda francs at the program exchange rate.[7]

- The floor on NFA will be adjusted downward by the extent to which in Rwandan francs at the program exchange rate the proceeds of any sovereign bonds issued before December 31, 2012 less any amount used to retire government-guaranteed external loans of the Kigali Convention Center (KCC) fall short of US$230 million.

- The floor on NFA will be *adjusted downward* by the amount of expenditure for food imports in the case of a food emergency, evaluated in Rwanda francs at the program exchange rate.

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

Reserve money

34. A ceiling applies to the stock of reserve money for December 31, 2012 as indicated in Table 3. Quantitative Assessment Criteria and Indicative Targets for End-December 2012. The ceiling is the upper bound of a reserve money band (set at+/- 2 percent) around a central reserve money target).

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

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

[7] The programmed amount of encumbered reserve assets stands at zero at December 2012.

Adjuster:

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

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

II. Other Data Reporting Requirements

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

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

Table 1. Summary of Reporting Requirements

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

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

APPENDIX II. RWANDA: EXTERNAL STABILITY ASSESSMENT

<table>
<tr>
<td>Current account</td>
<td>Background: Improvements in cash crop production have raised export volumes in recent years, but investment needs have led to a persistent deficit. The narrow export base makes Rwanda vulnerable to commodity price movements. Aid flows cover the bulk of the deficit.
Assessment: Structural reforms to improve export capacity are crucial. Investment projects need to be prioritized in order to manage risks.</td>
<td rowspan="5">Overall assessment: The external position does not show immediate risks but medium-term challenges need to be addressed. Rwanda remains vulnerable to external shocks, including aid shortfalls and commodity price fluctuations. Strong program performance and improvements in capacity suggest there is greater capacity to assume greater non-concessional borrowing over the medium term.

Policy priorities: A gradual transition to a more market-determined exchange rate regime would be desirable, both to improve the conduct of monetary policy and support efforts to enhance export competitiveness. While borrowing remains low and sustainable under most scenarios, the authorities should use their capacity to tap non-concessional resources prudently. This would include a careful vetting of projects, with priority placed on necessary improvements where public sector involvement would yield the greatest benefit.</td>
</tr>
<tr>
<td>Real exchange rate</td>
<td>Background: Unlike elsewhere in the EAC, the NBR has kept the nominal USD-RWF rate relatively stable.
Assessment: The CGER assessment finds that the real exchange rate to be broadly in line with medium-term fundamentals, though there is some evidence that it may be overvalued.</td>
</tr>
<tr>
<td>Capital account and financial flows</td>
<td>Background: Aid continues to form the bulk of capital flows, and the overall BOP expected to record a surplus in 2012. In recent weeks, major donors delayed part of their disbursements in light of a UN report examining Rwanda’s role in the conflict in DR Congo. Thus far, donors have not withdrawn support. The authorities have provided guarantees for non-concessional foreign borrowing, though these remain well within agreed limits.
Assessment: Barring unexpected developments arising from the UN’s investigations, near-term prospects for aid are unchanged. However, support from traditional donors is likely to diminish in the future as Rwanda approaches middle-income status. On the other hand, Rwanda could tap funds from non-traditional donors, as well as accessing concessional resources from multilateral donors.</td>
</tr>
<tr>
<td>International reserves</td>
<td>Background: Rwanda ’s reserves are projected to cover 5.1 months of imports and are expected to remain above 4 months over the medium term.
Assessment: The reserve levels appear adequate. A more flexible exchange rate setting could reduce the pressure on the NBR to maintain a relatively high level of reserves compared to its EAC peers.</td>
</tr>
<tr>
<td>Debt sustainability</td>
<td>Background: With HPIC completion, Rwanda’s debt position is sustainable. The most recent DSA update reaffirmed Rwanda as being at moderate risk of debt distress. The authorities have provided guarantees for non-concessional foreign borrowing, though these remain well within agreed limits.
Assessment: A preliminary DSA confirms that Rwanda remains vulnerable to export shocks. However, the thresholds used to assess debt distress have been raised due to an improvement in Rwanda’s institutional capacity. As a result, both the magnitude and length of the breach is lower.</td>
</tr>
</table>

APPENDIX III. RWANDA: DEBT SUSTAINABILITY ANALYSIS, 2012-2032

Appendix Table 1. External Debt Sustainability Framework Baseline Scenario, 2009-2032

	Actual			Historical 6/ Average	Standard 6/ Deviation	Projections									
	2009	2010	2011			2012	2013	2014	2015	2016	2017	2012-2017 Average	2022	2032	2018-2032 Average
External debt (nominal) 1/	**15.0**	**17.9**	**21.7**			**21.6**	**20.7**	**20.7**	**20.5**	**20.0**	**19.2**		**22.8**	**26.3**	
o/w public and publicly guaranteed (PPG)	14.9	14.8	18.4			21.3	20.4	20.3	20.1	19.5	18.7		21.9	24.2	
Change in external debt	0.3	2.9	3.8			-0.2	-0.9	0.0	-0.2	-0.5	-0.8		0.6	-0.7	
Identified net debt-creating flows	3.5	4.2	3.5			7.6	7.2	5.9	3.5	2.6	2.0		0.9	-3.6	
Non-interest current account deficit	**6.5**	**5.7**	**7.1**	**2.2**	**4.0**	**10.7**	**9.4**	**8.4**	**6.2**	**5.4**	**5.0**		**4.4**	**0.0**	3.1
Deficit in balance of goods and services	18.0	18.4	20.2			21.8	20.1	16.8	13.5	12.2	11.3		9.3	5.3	
Exports	11.0	10.8	14.0			13.9	13.8	13.7	14.0	14.3	14.6		16.3	19.8	
Imports	29.0	29.2	34.3			35.7	33.9	30.5	27.5	26.5	25.9		25.7	25.2	
Net current transfers (negative = inflow)	-11.4	-13.3	-13.8	-12.5	1.5	-11.5	-11.3	-9.0	-7.9	-7.3	-6.7		-5.4	-5.8	-5.5
o/w official	-9.9	-11.6	-11.4			-9.6	-9.6	-7.3	-6.3	-5.7	-5.2		-3.8	-4.2	
Other current account flows (negative = net inflow)	-0.1	0.6	0.7			0.5	0.7	0.6	0.7	0.5	0.4		0.5	0.5	
Net FDI (negative = inflow)	**-2.3**	**-0.8**	**-1.7**	**-1.1**	**0.9**	**-2.2**	**-1.6**	**-1.8**	**-1.9**	**-2.0**	**-2.1**		**-2.4**	**-2.4**	-2.4
Endogenous debt dynamics 2/	**-0.8**	**-0.8**	**-1.9**			**-0.9**	**-0.7**	**-0.7**	**-0.8**	**-0.8**	**-0.8**		**-1.0**	**-1.2**	
Contribution from nominal interest rate	0.8	0.2	0.2			0.6	0.8	0.6	0.6	0.5	0.5		0.4	0.5	
Contribution from real GDP growth	-0.8	-1.0	-1.3			-1.5	-1.5	-1.4	-1.3	-1.3	-1.3		-1.4	-1.7	
Contribution from price and exchange rate changes	-0.7	0.0	-0.8			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-3.2**	**-1.2**	**0.3**			**-7.8**	**-8.1**	**-5.9**	**-3.7**	**-3.1**	**-2.8**		**-0.3**	**3.0**	
o/w exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	18.6			19.4	18.1	17.8	17.1	16.3	15.3		17.6	20.8	
In percent of exports	...	...	132.2			138.9	131.8	130.3	122.0	113.7	105.4		107.6	105.1	
PV of PPG external debt	**...**	**...**	**15.3**			**19.1**	**17.8**	**17.5**	**16.7**	**15.8**	**14.8**		**16.7**	**18.7**	
In percent of exports	**...**	**...**	**108.6**			**136.8**	**129.5**	**127.6**	**119.1**	**110.6**	**102.0**		**102.6**	**94.4**	
In percent of government revenues	**...**	**...**	**104.7**			**129.7**	**122.0**	**116.0**	**110.5**	**102.9**	**94.9**		**102.9**	**108.0**	
Debt service-to-exports ratio (in percent)	**8.5**	**3.5**	**4.9**			**25.9**	**14.9**	**12.5**	**12.2**	**11.4**	**10.7**		**10.6**	**15.5**	
PPG debt service-to-exports ratio (in percent)	**2.6**	**3.1**	**2.6**			**22.9**	**11.5**	**8.9**	**8.5**	**7.6**	**6.8**		**5.8**	**5.9**	
PPG debt service-to-revenue ratio (in percent)	**2.1**	**2.5**	**2.5**			**21.7**	**10.8**	**8.1**	**7.9**	**7.1**	**6.3**		**5.9**	**6.8**	
Total gross financing need (Billions of U.S. dollars)	0.3	0.3	0.4			0.9	0.8	0.7	0.6	0.5	0.5		0.8	1.0	
Non-interest current account deficit that stabilizes debt ratio	6.2	2.8	3.2			10.9	10.3	8.4	6.4	5.9	5.8		3.8	0.7	
Key macroeconomic assumptions															
Real GDP growth (in percent)	6.2	7.2	8.3	8.2	3.4	7.7	7.6	7.2	7.0	7.0	7.0	7.2	7.0	7.0	7.0
GDP deflator in US dollar terms (change in percent)	5.4	-0.1	4.7	5.9	7.5	1.3	3.8	1.8	1.9	2.0	2.4	2.2	2.0	2.0	2.0
Effective interest rate (percent) 5/	6.1	1.4	1.3	3.4	2.3	2.9	4.1	3.2	3.0	2.8	2.5	3.1	1.9	2.1	2.0
Growth of exports of G&S (US dollar terms, in percent)	-16.2	5.5	47.3	18.7	25.9	8.3	10.2	8.7	11.6	11.3	11.5	10.3	11.5	11.1	11.4
Growth of imports of G&S (US dollar terms, in percent)	8.6	7.8	33.1	18.9	14.7	13.7	6.0	-1.7	-1.7	5.2	6.9	4.8	8.9	8.9	8.9
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	-9.1	20.3	21.7	35.0	36.7	35.7	23.4	24.1	20.4	23.1
Government revenues (excluding grants, in percent of GDP)	13.3	13.5	14.6			14.7	14.6	15.1	15.1	15.4	15.6		16.3	17.3	16.6
Aid flows (in Billions of US dollars) 7/	0.7	0.8	0.8			0.9	0.8	0.8	0.9	0.9	0.8		1.1	2.0	
o/w Grants	0.6	0.8	0.8			0.9	0.8	0.7	0.8	0.7	0.7		0.8	1.6	
o/w Concessional loans	0.1	0.1	0.1			0.0	0.0	0.1	0.2	0.2	0.2		0.3	0.4	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			12.0	11.0	9.1	9.1	7.9	6.8		5.2	4.3	5.0
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			63.2	85.5	83.1	85.7	86.9	87.2		70.3	73.2	69.7
Memorandum items:															
Nominal GDP (Billions of US dollars)	5.3	5.6	6.4			7.0	7.8	8.5	9.2	10.1	11.0		17.1	41.0	
Nominal dollar GDP growth	11.9	7.1	13.3			9.1	11.7	9.1	9.0	9.1	9.6	9.6	9.1	9.1	9.1
PV of PPG external debt (in Billions of US dollars)			0.9			1.2	1.3	1.4	1.5	1.5	1.6		2.7	7.3	
(PVt-PVt-1)/GDPt-1 (in percent)						4.8	0.8	1.2	0.9	0.6	0.5	1.5	1.8	1.0	1.8
Gross workers' remittances (Billions of US dollars)	0.1	0.1	0.2			0.2	0.2	0.2	0.2	0.3	0.3		0.4	1.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	14.8			18.5	17.3	17.0	16.3	15.4	14.5		16.3	18.2	
PV of PPG external debt (in percent of exports + remittances)	...	...	89.0			113.0	108.0	107.2	100.5	93.6	87.1		89.1	83.8	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.1			18.9	9.6	7.4	7.1	6.4	5.8		5.1	5.3	

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

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

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

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

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

Appendix Table 2. Sensitivity Analysis for Key Indicators of Public and Guaranteed External Debt, 2012-32

	Projections							
	2012	2013	2014	2015	2016	2017	**2022**	2032
PV of debt-to GDP ratio								
Baseline	19	18	17	17	16	15	**17**	19
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	19	10	5	2	0	-1	**0**	21
A2. New public sector loans on less favorable terms in 2012-2032 2	19	18	18	18	18	18	**23**	29
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	19	17	17	17	16	15	**17**	19
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	19	19	21	21	19	18	**19**	19
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	19	18	18	17	16	15	**17**	19
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	19	18	17	17	16	15	**16**	18
B5. Combination of B1-B4 using one-half standard deviation shocks	19	18	18	17	16	15	**17**	18
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	19	24	23	22	21	20	**22**	25
PV of debt-to-exports ratio								
Baseline	137	129	128	119	111	102	**103**	94
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	137	76	39	17	3	-7	**1**	104
A2. New public sector loans on less favorable terms in 2012-2032 2	137	130	132	131	127	121	**141**	149
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	137	122	120	113	105	97	**97**	89
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	137	160	218	204	189	175	**159**	130
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	137	122	120	113	105	97	**97**	89
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	137	131	125	118	110	101	**100**	90
B5. Combination of B1-B4 using one-half standard deviation shocks	137	135	133	125	116	107	**106**	96
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	137	122	120	113	105	97	**97**	89
PV of debt-to-revenue ratio								
Baseline	130	122	116	111	103	95	**103**	108
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	130	72	35	16	3	-6	**1**	119
A2. New public sector loans on less favorable terms in 2012-2032 2	130	123	120	122	118	113	**141**	170
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	130	118	114	110	102	95	**102**	108
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	130	127	142	136	127	117	**115**	107
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	130	121	119	114	106	98	**107**	112
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	130	124	114	109	102	94	**100**	103
B5. Combination of B1-B4 using one-half standard deviation shocks	130	125	116	112	104	96	**103**	106
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	130	161	153	147	137	127	**137**	144

Appendix Table 3. Sensitivity Analysis for Key Indicators of Public and Guaranteed External Debt, 2012–32 (continued)

Debt service-to-exports ratio								
Baseline	23	11	9	8	8	7	**6**	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	23	11	7	6	5	4	**1**	3
A2. New public sector loans on less favorable terms in 2012-2032 2	23	11	4	6	6	5	**6**	8
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	23	11	9	8	8	7	**6**	6
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	23	14	13	13	11	10	**10**	9
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	23	11	9	8	8	7	**6**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	23	11	9	9	8	7	**6**	6
B5. Combination of B1-B4 using one-half standard deviation shocks	23	12	10	9	8	7	**6**	6
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	23	11	9	8	8	7	**6**	6
Debt service-to-revenue ratio								
Baseline	22	11	8	8	7	6	**6**	7
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	22	11	7	6	4	4	**1**	3
A2. New public sector loans on less favorable terms in 2012-2032 2	22	11	4	5	5	5	**6**	9
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	22	11	8	8	7	7	**6**	7
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	22	11	8	9	8	7	**7**	7
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	22	11	9	9	8	7	**6**	7
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	22	11	8	8	7	6	**6**	7
B5. Combination of B1-B4 using one-half standard deviation shocks	22	11	8	8	7	7	**6**	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	22	15	11	11	10	9	**8**	9
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	14	14	14	14	14	14	**14**	14

Sources: Country authorities; and staff estimates and projections.

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

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Appendix Table 4. Public Sector Debt Sustainability Framework, Baseline Scenario, 2009–32

	Actual			Average 5/	Standard Deviation 5/	Estimate						Projections			
	2009	2010	2011			2012	2013	2014	2015	2016	2017	2012-17 Average	2022	2032	2018-32 Average
Public sector debt 1/	27.0	28.2	30.0			38.9	35.7	33.0	29.6	28.1	26.6		28.6	29.5	
o/w foreign-currency denominated	14.9	14.8	18.4			21.3	20.4	20.3	20.1	19.5	18.7		21.9	24.2	
Change in public sector debt	5.7	1.2	1.8			8.9	-3.3	-2.6	-3.5	-1.5	-1.4		0.3	-0.9	
Identified debt-creating flows	-0.5	-1.4	-4.5			1.3	-1.3	0.7	-1.5	-1.1	-1.2		0.2	-0.4	
Primary deficit	0.7	0.0	-0.3	0.6	1.4	3.0	2.9	3.3	1.2	1.0	0.9	2.0	2.2	1.7	2.0
Revenue and grants	25.2	27.3	26.4			27.3	25.1	23.7	23.4	22.6	21.9		20.8	21.2	
of which: grants	12.0	13.9	11.8			12.6	10.5	8.6	8.3	7.2	6.3		4.5	3.9	
Primary (noninterest) expenditure	25.9	27.3	26.1			30.3	28.0	27.0	24.6	23.6	22.8		23.0	22.9	
Automatic debt dynamics	-1.6	-1.8	-3.3			-1.7	-4.4	-2.6	-2.7	-2.1	-2.1		-2.0	-2.1	
Contribution from interest rate/growth differential	-1.3	-1.9	-2.9			-2.1	-3.7	-2.5	-2.4	-2.0	-2.0		-2.0	-2.1	
of which: contribution from average real interest rate	-0.1	-0.1	-0.7			0.0	-1.0	-0.1	-0.2	0.0	-0.2		-0.2	-0.1	
of which: contribution from real GDP growth	-1.3	-1.8	-2.2			-2.1	-2.7	-2.4	-2.2	-1.9	-1.8		-1.8	-2.0	
Contribution from real exchange rate depreciation	-0.3	0.2	-0.5			0.5	-0.6	-0.2	-0.3	-0.2	-0.1		...	...	
Other identified debt-creating flows	0.4	0.4	-0.9			0.0	0.2	0.1	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	...	0.0	-1.2			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	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		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.4	0.4	0.3			0.0	0.2	0.1	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	6.2	2.6	6.3			7.6	-1.9	-3.3	-2.0	-0.4	-0.3		0.1	-0.5	
Other Sustainability Indicators															
PV of public sector debt	...	...	26.8			36.7	33.1	30.2	26.2	24.4	22.8		23.4	24.0	
o/w foreign-currency denominated	...	...	15.3			19.1	17.8	17.5	16.7	15.8	14.8		16.7	18.7	
o/w external	...	...	15.3			19.1	17.8	17.5	16.7	15.8	14.8		16.7	18.7	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	1.2	3.5	4.1			9.8	10.7	10.5	7.4	5.9	5.4		6.1	5.4	
PV of public sector debt-to-revenue and grants ratio (in percent)	…	…	101.5			134.4	132.0	127.7	112.2	108.1	104.2		112.4	113.0	
PV of public sector debt-to-revenue ratio (in percent)	…	…	183.8			249.6	227.0	200.5	173.6	158.6	145.9		143.5	138.7	
o/w external 3/	…	…	104.7			129.7	122.0	116.0	110.5	102.9	94.9		102.9	108.0	
Debt service-to-revenue and grants ratio (in percent) 4/	2.1	2.3	2.4			12.3	6.8	6.6	6.5	6.2	5.9		5.6	6.4	
Debt service-to-revenue ratio (in percent) 4/	4.0	4.7	4.4			22.8	11.8	10.4	10.1	9.2	8.3		7.1	7.8	
Primary deficit that stabilizes the debt-to-GDP ratio	-5.0	-1.2	-2.0			-6.0	6.2	5.9	4.6	2.5	2.4		1.9	2.6	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	6.2	7.2	8.3	8.2	3.4	7.7	7.6	7.2	7.0	7.0	7.0	7.2	7.0	7.0	7.0
Average nominal interest rate on forex debt (in percent)	1.1	1.0	1.0	1.1	0.2	2.6	3.1	2.3	2.2	2.0	1.8	2.3	1.5	1.7	1.6
Average real interest rate on domestic debt (in percent)	-1.1	-1.0	-4.7	-3.5	2.8	-2.6	-8.6	-2.3	-3.2	-1.5	-1.6	-3.3	-1.6	-1.1	-1.5
Real exchange rate depreciation (in percent, + indicates depreciation)	-1.9	1.3	-3.3	-4.0	8.8	2.7	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	5.3	3.8	7.4	10.1	7.0	4.3	10.4	5.1	6.5	5.4	5.7	6.2	5.0	5.0	5.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	0.1	0.0	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	…	…	-9.1	20.3	21.7	35.0	36.7	35.7	23.4	24.1	20.4	...

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ 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.

3/ Revenues excluding grants.

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

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

Appendix Table 5. Rwanda: Sensitivity Analysis for Key Indicators of Public Debt, 2012–32

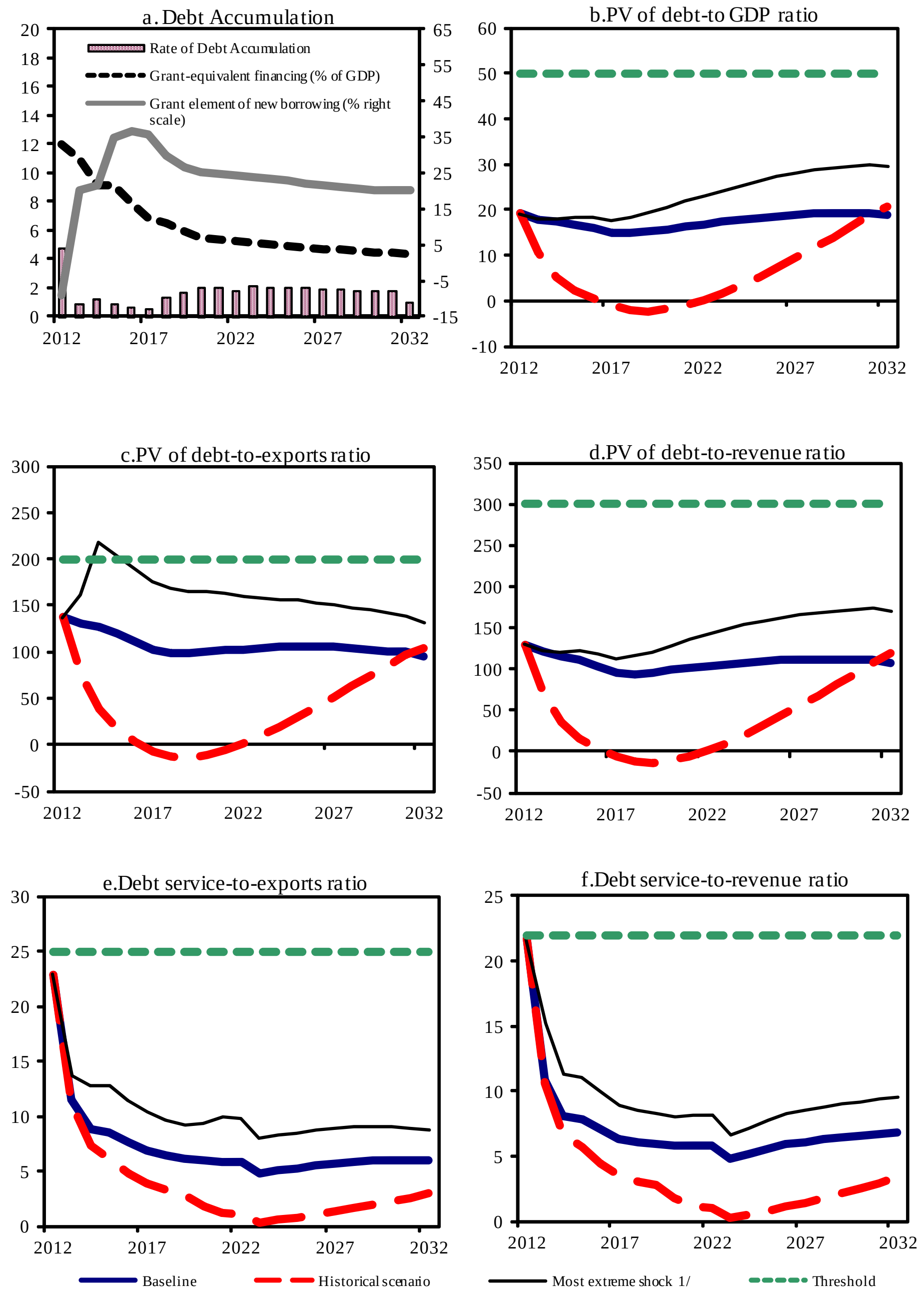
	Projections							
	2012	2013	2014	2015	2016	2017	2022	2032
PV of Debt-to-GDP Ratio								
Baseline	37	33	30	26	24	23	23	24
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	37	31	26	21	19	18	13	10
A2. Primary balance is unchanged from 2012	37	33	30	28	27	27	30	35
A3. Permanently lower GDP growth 1/	37	33	31	27	26	25	30	44
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014	37	34	33	29	28	27	29	33
B2. Primary balance is at historical average minus one standard deviations in 2013-2014	37	32	28	25	23	21	22	23
B3. Combination of B1-B2 using one half standard deviation shocks	37	32	28	24	23	21	23	26
B4. One-time 30 percent real depreciation in 2013	37	41	38	33	30	28	27	27
B5. 10 percent of GDP increase in other debt-creating flows in 2013	37	42	38	34	31	29	28	26
PV of Debt-to-Revenue Ratio 2/								
Baseline	134	132	128	112	108	104	112	113
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	134	124	109	92	86	81	66	47
A2. Primary balance is unchanged from 2012	134	132	127	118	121	125	145	164
A3. Permanently lower GDP growth 1/	134	133	130	116	114	113	140	200
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014	134	135	136	122	121	120	140	156
B2. Primary balance is at historical average minus one standard deviations in 2013-2014	134	129	120	105	101	98	107	110
B3. Combination of B1-B2 using one half standard deviation shocks	134	127	116	102	100	97	112	123
B4. One-time 30 percent real depreciation in 2013	134	164	159	140	134	129	129	128
B5. 10 percent of GDP increase in other debt-creating flows in 2013	134	166	161	144	139	134	136	125
Debt Service-to-Revenue Ratio 2/								
Baseline	12	7	7	7	6	6	6	6
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	12	7	6	6	6	5	4	3
A2. Primary balance is unchanged from 2012	12	7	7	7	6	6	6	8
A3. Permanently lower GDP growth 1/	12	7	7	7	6	6	6	9
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014	12	7	7	7	7	6	6	8
B2. Primary balance is at historical average minus one standard deviations in 2013-2014	12	7	7	6	6	6	5	6
B3. Combination of B1-B2 using one half standard deviation shocks	12	7	7	6	6	6	5	7
B4. One-time 30 percent real depreciation in 2013	12	9	9	9	9	8	8	10
B5. 10 percent of GDP increase in other debt-creating flows in 2013	12	7	7	8	7	7	7	7

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

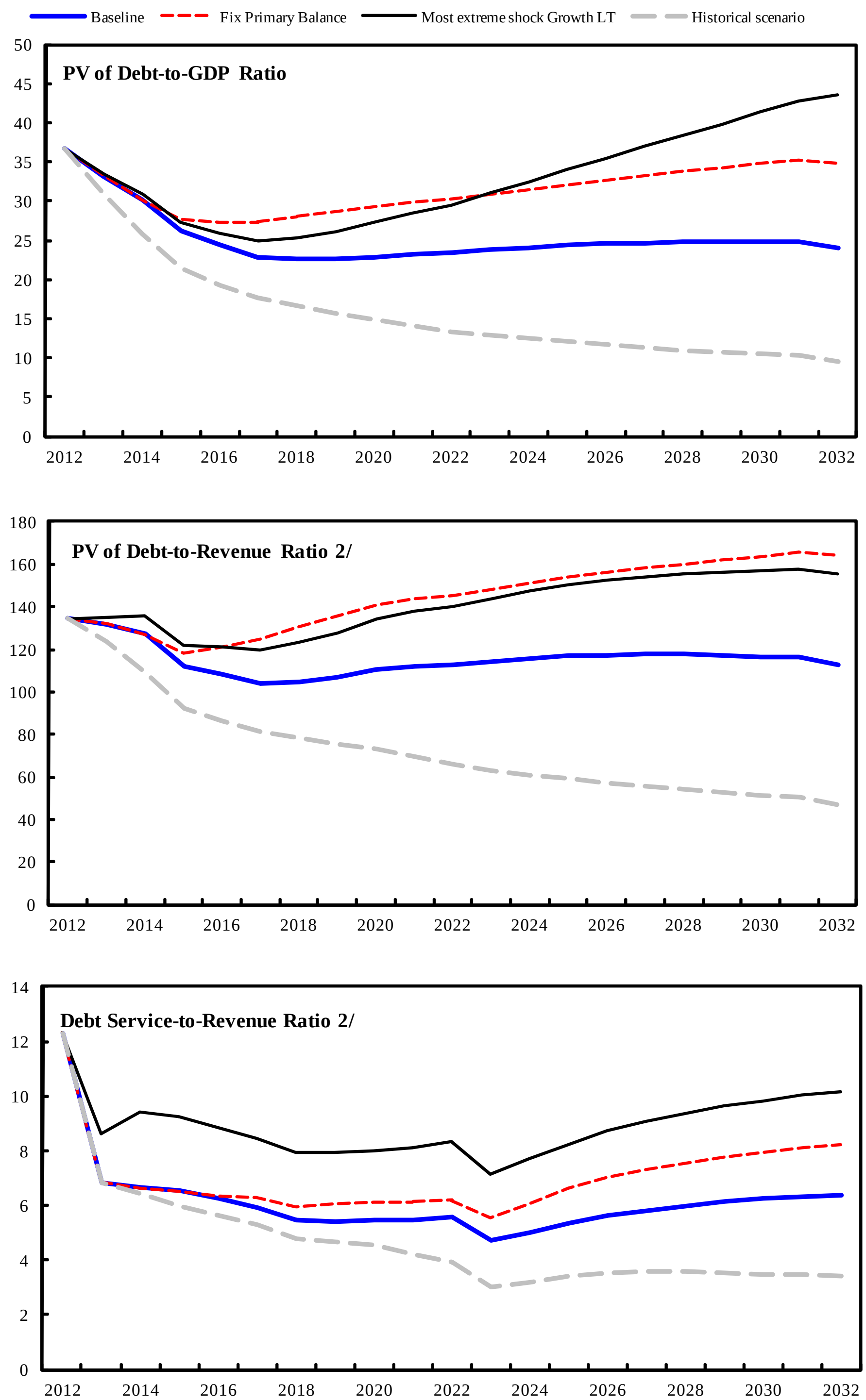
Appendix Figure 1. Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2012–32



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2022. In figure b. it corresponds to a Terms shock; in c. to a Exports shock; in d. to a Terms shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Appendix Figure 2. Indicators of Public Debt Under Alternative Scenarios, 2012–32



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2022.

2/ Revenues are defined inclusive of grants.

APPENDIX IV. RWANDA: MILLENNIUM DEVELOPMENT GOALS [1]

	1990	1995	2000	2005	2010
Goal 1: Eradicate extreme poverty and hunger					
Employment to population ratio, 15+, total (%)	*87*	87	84	84	85
Employment to population ratio, ages 15-24, total (%)	*79*	80	73	73	73
Income share held by lowest 20%	..	..	5	..	
Malnutrition prevalence, weight for age (% of children under 5)	*24*	..	20	18	11
Poverty gap at $1.25 a day (PPP) (%)	..	..	38	..	
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	..	78	77	57	45
Goal 2: Achieve universal primary education					
Literacy rate, youth female (% of females ages 15-24)	..	..	77	..	..
Literacy rate, youth male (% of males ages 15-24)	..	..	79	..	..
Primary completion rate, total (% of relevant age group)	0	..	22	*40*	70
Total enrollment, primary (% net)	66	70	*76*	*82*	99
Goal 3: Promote gender equality and empower women					
Proportion of seats held by women in national parliaments (%)	17	*17*	17	49	56
Ratio of female to male primary enrollment (%)	97	..	97	103	102
Ratio of female to male secondary enrollment (%)	71	..	94	88	102
Ratio of female to male tertiary enrollment (%)	22	..	48	62	77
Goal 4: Reduce child mortality					
Immunization, measles (% of children ages 12-23 months)	83	84	74	89	82
Mortality rate, infant (per 1,000 live births)	103	122	68	46	42
Mortality rate, under-5 (per 1,000)	171	241	180	108	60
Goal 5: Improve maternal health					
Births attended by skilled health staff (% of total)	*26*	..	31	39	69
Contraceptive prevalence (% of women ages 15-49)	*21*	*14*	13	17	52
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1,100	1,400	1,100	720	476
Pregnant women receiving prenatal care (%)	*94*	..	92	94	98
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	13	12	11
Incidence of tuberculosis (per 100,000 people)	170	240	350	420	106
Prevalence of HIV, total (% of population ages 15-49)	9	7	5	3	..
Tuberculosis case detection rate (all forms)	54	23	22	19	..
Goal 7: Ensure environmental sustainability					
Forest area (% of land area)	13	13	14	20	18
Improved sanitation facilities (% of population with access)	23	32	40	49	55
Improved water source (% of population with access)	68	67	67	66	75
Terrestrial protected areas (% of total surface area)	..	..	..	8	10
Goal 8: Develop a global partnership for development					
Net ODA received per capita (current US$)	40	128	40	64	97
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	10	20	25	4	3
Internet users (per 100 people)	0	*0*	0	1	8
Mobile cellular subscriptions (per 100 people)	0	0	0	2	33
Other					
Fertility rate, total (births per woman)	7	6	6	6	5
GNI per capita, Atlas method (current US$)	360	230	250	250	520
GNI, Atlas method (current US$) (billions)	3	1	2	2	..
Life expectancy at birth, total (years)	33	29	43	48	55
Literacy rate, adult total (% of people ages 15 and above)	*58*	..	65	..	..
Trade (% of GDP)	20	31	34	37	41

Source: World Development Indicators

[1] Figures in italics refer to periods other than those specified.