

The contents of this document are preliminary and subject to change.

GRAY/20/2433

June 10, 2020

**Statement by Mr. Guerra and Ms. Arevalo Arroyo on Rwanda  
(Preliminary)  
Executive Board Meeting 20/70  
June 11, 2020**

We thank staff for the focused set of reports and Mr. Raghani and Ms. Nankunda for their helpful Buff statement. The pandemic continues to severely impact Rwanda's economy, with growth being reduced further from previous estimates. The shock has reflected additional pressures on public finances and the balance of payments. **Given the authorities' strong track record and the immediate balance of payment needs, we support Rwanda's request for an additional disbursement under the Rapid Credit Facility (RCF) for SDR 80.1 million (equivalent to 50 percent of quota).** Rwanda makes a good example of the Fund's decision to adapt its lending toolkit to increase the annual access limit under the RCF's exogenous shock window in support of our membership. We also note the catalytic role of the first approved RCF in timely aiding the authorities to secure additional financial support. Going forward, we should continue to adapt our lending toolkit to better serve the membership in these extraordinary times.

**The authorities have implemented a broad set of economic and social measures to address the economic effects of the COVID-19 pandemic.** As reported in the Buff statement, following the early measures taken to diminish the impact of the pandemic, the authorities have finalized a full-fledged Economic Recovery Plan (ERP) containing economic and social measures to support activity and households. *Can staff elaborate on the necessary clarifications regarding targeting of the proposed social protection plans?*

**We support staff's assessment that it is necessary to identify a path to close fiscal gaps as the pandemic abates.** Given that the impact of COVID-19 has turned out larger than anticipated, we support the strategy to relax the fiscal stance to partly finance additional

expenditure needs. Going forward, we note the authorities' commitment to embark on a growth-friendly fiscal consolidation path when the pandemic recedes. Particularly, commitment to preserve debt sustainability will be instrumental given that the risks of debt distress have increased from low to moderate, even though staff still assess Rwanda's debt as sustainable. In this regard, we welcome the authorities' request for support under the Catastrophe Containment and Relief Trust (CCRT).

**The accommodative monetary policy stance will back the economic recovery, but the Central Bank of Rwanda (BNR) should step up its supervisory activity to maintain financial stability.** BNR has implemented a broad strategy to ensure that monetary conditions support economic activity, has allowed FX flexibility as a first line of defense and has ensured adequate liquidity in the financial system. Given the policy decisions to ease loan repayments, BNR should closely follow banks' credit portfolio situation. *Considering the importance of the restructured loan portfolio, we appreciate staff's views on the credit risks for banks once the repayment moratoria ends. What are staff's views on the supervisory and regulatory policy actions to support a smooth transition out of the moratoria for capital/interest payments?* We note repayment moratoria policies have been broadly used across the IMF membership. However, a deterioration of the banks' lending portfolio at time when economic activity begins to increase, could derail the recovery. In this regard, we fully support staff's call for an enhanced supervisory activity. And IMF should support the authorities' efforts with TA and close policy engagement.

**We commend the authorities for their focused efforts to assure effective and transparent use of public funds.** Rwanda has been strengthening its institutional public financial management framework over the years. We welcome the authorities' use of this enhanced framework to secure adequate management of Fund resources, including making procurement processes more transparent by using an online system for all public entities and the use of internal and external audit systems and external oversight. Additionally, as most of the disbursement will be used for budgetary support, we welcome the framework agreement between the government and the BNR.

We thank staff for their hard and efficient work during these challenging times and wish the authorities success in their policy endeavors.