

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

GRAY/20/2434

June 10, 2020

**Statement by Mr. Palei and Mr. Shestakov on Rwanda
(Preliminary)
Executive Board Meeting 20/70
June 11, 2020**

1. We thank staff for the insightful report and Mr. Raghani and Mr. Nankunda for their informative Buff statement. The prolonged global pandemic and domestic lockdown are taking a severe toll on Rwanda's economy. The authorities consider their March GDP forecast overly optimistic and have revised it from 5.1 to 2.0 percent. While the first disbursement under the Rapid Credit Facility (RCF) has helped to mount an early response to the COVID-19 crisis, the severity of the ongoing crisis and the urgent balance of payments needs warrant additional financing, which became available due to the temporary modification of the access limit. We support the second disbursement under the RCF of 50 percent of quota (SDR 80.1 million) and hope that it will help catalyze additional donor support.
2. We commend the authorities for their ownership of the reform agenda, reflected in their long record of successful policies and in satisfactory performance under the Policy Coordination Instrument (PCI). Sustained adherence to prudent policies left Rwanda with buffers cushioning the COVID-19-related shocks. At the same time, the Rwandese authorities are fully aware that fiscal consolidation and spending reprioritizing might be necessary to return the debt to the sustainable path after 2021. *Could staff provide an update on discussions with the donors and possible solutions for the residual financing gap in 2020?* We also commend the authorities for their commitment to transparency and accountability in implementing their Economic Recovery Plan (ERP). Government contracts and procurement tenders are made public through the E-procurement system, and are audited by the Auditor General, whose independence is enshrined in the constitution.
3. The authorities have mounted a swift response to the crisis. Under the ERP credit guarantees are appropriately extended to businesses in the hardest-hit sectors including the informal sector. Cash transfers, subsidized access to agricultural inputs and basic health services are targeted to the vulnerable population. The National Bank of Rwanda is

providing a necessary monetary accommodation, and we support its decisions to lower the policy rate and banks' reserve requirement ratio. The floating exchange rate should provide a buffer against shocks, and the authorities might consider limited FX interventions to avoid excessive exchange rate volatility.

4. One year ago staff's debt sustainability analysis indicated that Rwanda had a low risk of overall and external debt distress, but, according to the new assessment, the risks have shifted to a moderate zone. *Could staff comment on the reasons behind the delay with the request for debt service relief under the G-20 Debt Service Suspension Initiative? We would appreciate it if staff could provide additional information on the debt composition and debt service payments to multilateral, bilateral, and commercial creditors in 2020-22. In particular, we are interested in more granular details on the situation with commercial creditors and how the Fund's financing compares with commercial debt repayments.*