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June 29, 2021

Statement by Mr. El Qorchi and Mr. Osei Yeboah on Rwanda
(Preliminary)
Executive Board Meeting
July 1, 2021

We thank staff for the concise report and Mr. Andrianarivelo, Mr. N'Sonde, Mr. Alle, and Ms. Nankunda for the informative Buff statement. **We broadly agree with the thrust of staff appraisal and support the completion of the fourth review of the Fund program and extension**. We offer the following points for emphasis.

Rwanda continues to be severely impacted by the Covid-19 crisis, which has resulted in growth contraction for 2020 and a worsening of the twin deficits. While the authorities responded appropriately to limit the socio-economic impact of the crisis, addressing the heightened fiscal risks and public debt should guide policy implementation. We underscore that vaccine acquisition will dictate the pace of the recovery amidst virus mutation concerns. While program performance has been strong, we note that the outlook is subject to significant downside risks.

The near-term aim of fiscal policy should be to support the recovery and limit scarring and to ensure debt sustainability. While we note that the authorities' immediate spending priorities will increase the fiscal deficit, we recognize that these priorities will help mitigate the underlying health risk, strengthen human capacity development, and boost growth enhancing public investment. The authorities' planned multi-year financing framework to procure vaccines to meet their 60 percent vaccination target by end June 2022 appears to be adequate.

Once the recovery is well-established, the authorities should return to a credible and growth friendly consolidation to restore macroeconomic stability and boost inclusive growth. We commend the authorities for the strong 2020 revenue performance and the planned medium-term revenue strategy (MTRS) to further strengthen domestic resource mobilization. Rwanda's debt is assessed sustainable with moderate risk of distress, but it

signals vulnerability to shocks as buffers have diminished. We welcome the authorities' focus on fiscal efficiency, seeking to reduce risks through their analytical framework and publish fiscal risk assessment of SOEs and PPPs. We are encouraged the Fund is providing TA guidance, which hopefully will emphasize strengthening transparency and improving governance.

We agree with the accommodative policy stance and provision of banks' liquidity support to preserve financial stability, considering the subdued inflationary environment, and to underpin the recovery. We welcome the ongoing reform of the interest rate-based monetary policy framework aimed at making it more data-driven. To this end, strengthening the forecasting and analytical system to inform policy decision-making will enhance policy credibility. We commend the authorities for their resolve to continue ensuring exchange rate flexibility and limit interventions to managing excessive volatilities.

With vulnerable groups being adversely affected by the pandemic, the contemplated **structural reforms should emphasize achieving broad-based and durable development goals**. Paying closer attention to digitalization is essential to boost financial inclusion. In this regard, we support the authorities' ongoing retail interoperability project as well as the automation of savings and credit cooperatives. Additionally, the authorities should strengthen and speed up reforms to enable the private sector to play a substantial role in their agenda to create jobs and close the inequality gap.

We wish the people and government of Rwanda every success.