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June 29, 2021

**Statement by Mr. Bevilaqua, Mr. Velloso, and Ms. Cruz on Rwanda
(Preliminary)
Executive Board Meeting
July 1, 2021**

We thank staff for the report and Mr. Andrianarivelo, Mr. N’Sonde, Mr. Alle, and Ms. Nankunda for their helpful statement.

We support the requests for completion of the fourth PCI review and the arrangement’s extension by one year. Despite the country’s strong performance during the original program period, we acknowledge the authorities’ need for additional time to announce and start implementing fiscal consolidation measures as the pandemic crisis abates.

Rwanda’s economy is still reeling from the pandemic crisis. Last year, real GDP growth was 3.2 percentage points lower than projected during the third PCI review. Also, a slower recovery is now expected in 2021 and downside risks to the outlook remain elevated, as prolonged restrictive measures affected important sectors, such as services, and vaccine delivery remains constrained. At the same time, the authorities’ swift COVID-19 response plan and commitment to gradual, growth-friendly fiscal consolidation helped to soften the initial effects of the shock. Over the medium-term, scarring may adversely impact the implementation of Rwanda’s SDG agenda, as additional financing would be required to improve social outcomes, boost private sector investment and development and, in the final analysis, promote inclusive growth. *Considering the substantial downward revisions to the 2020 growth estimate and the 2021 growth projection, could staff elaborate further on why it still expects a return to high pre-pandemic growth levels by 2023?*

We take positive note that the policy measures to fight the pandemic are well targeted and the authorities remain fully committed to safeguarding debt sustainability. The decision to relax the fiscal targets by accommodating additional spending due to the protracted nature of the pandemic seems appropriate. However, it will be critical to steadfastly implement the new fiscal consolidation strategy, as debt under the baseline is assessed to remain sustainable with a moderate risk of debt distress and buffers have

diminished. Going forward, improving domestic revenue mobilization and expenditure efficiency will have to play a significant role. In this latter regard, we welcome the forthcoming Public Expenditure Review and Public Investment Management Assessment, both planned to be concluded later this year, with the respective technical assistance from the World Bank and the IMF.

We welcome the authorities' decision to continue implementing forward-looking monetary policy actions and improving financial stability safeguards. Keeping monetary policy decisions data-driven in the context of lower inflation and a flexible exchange rate regime seems adequate to maintain inflation and inflation expectations in check while protecting against external shocks. In addition to the adoption of prudential policy measures, we encourage the central bank to continue taking advantage of IMF technical assistance on building robust financial safety nets and crisis management frameworks.

With these remarks we wish the Rwandan authorities success in their future endeavors.