

IMF Staff Completes 2017 Article IV Consultation and Review Mission to Rwanda

May 15, 2017

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

- The IMF team reached preliminary agreement with the government, subject to approval by IMF management and its Executive Board, on policies that could support completion of the seventh and second reviews of Rwanda's PSI- and SCF-supported programs.
- Growth in 2016 was 5.9 percent, down from 2015, but comparing favorably to growth in the subcontinent, which averaged just 1.4 percent--the lowest in two decades.
- The government also implemented a "Made in Rwanda" policy to encourage domestic production of certain goods currently imported and promote export diversification, intended to foster external stability and growth in the medium term.

An International Monetary Fund (IMF) staff team, led by Laure Redifer, visited Kigali from May 2-15, 2017 to conduct 2017 Article IV consultations, and the seventh and second reviews of Rwanda's Policy Support Instrument (PSI) [\[1\]](#) and Stand-by Credit Facility (SCF) [\[2\]](#) supported programs respectively.

Ms. Redifer issued the following statement at the end of the visit:

"The IMF team reached preliminary agreement with the government, subject to approval by IMF management and its Executive Board, on policies that could support completion of the seventh and second reviews of Rwanda's PSI- and SCF-supported programs. The Executive Board is scheduled to consider the reviews in July 2017.

"The IMF staff team highlighted that Rwanda's economy continues to perform well, with strong implementation of its IMF-supported program. Growth in 2016 was 5.9 percent, down from 2015, but comparing favorably to growth in the subcontinent, which averaged just 1.4 percent--the lowest in two decades. Deceleration of growth in Rwanda was primarily attributable to the drought's impact on agriculture, as well as completion of large construction projects and policy adjustment to address growing external imbalances. The IMF team anticipates that growth should recover gradually over the course of 2017, owing to good rains and expanding domestic production. Food-driven inflation peaked in early 2017, and should decelerate as food supply constraints recede.

"Rwanda's external trade deficit was lower than expected in 2016, following a strong pick up in goods and services exports, combined with reduced demand for imports. The IMF team observed that these developments reflected in part decisive government policies: to address pressures on the balance of payments and falling reserves, the

government allowed the exchange rate to adjust, resulting in depreciation of just under 10 percent in 2016, supported by public spending restraint and prudent monetary policy.

“The government also implemented a “Made in Rwanda” policy to encourage domestic production of certain goods currently imported and promote export diversification, intended to foster external stability and growth in the medium term. These efforts should allow for a slight increase of foreign exchange reserves in 2017. The IMF team commended these policies, but underlined the importance of balancing tax incentives in Rwanda and domestic revenue mobilization objectives. To that end, the IMF team urged accelerated completion of revisions to income and fixed asset tax laws, and further analysis of the effectiveness of various tax incentives in promoting the competitiveness of Rwanda’s private sector.

“For its longer-term analysis, the IMF team focused on three policy areas for sustaining the country’s impressive growth record. First, Rwanda’s development policies under Vision 2020 and Economic Development Poverty Reduction Strategies I and II have enabled the country to make nascent but tangible progress in moving from lower value-added to higher value-added economic activities, fostering structural transformation. The IMF team underscored that planned strategic public investment in growth-enhancing infrastructure must create room for more private sector activity, vitally important for shifting the engine for growth, creating jobs, and improving living standards. Second, the IMF team commended the government’s concerted efforts to promote gender inclusion in economic activity, which has resulted in impressive progress that has provided an overall growth dividend for the country. Building on this progress, there is potential to boost growth further via more inclusion of women in higher productivity jobs. Finally, the IMF team welcomed improvements in financial access in Rwanda, in particular thanks to the expansion of microfinance and new technology, but noted that there remains room for further progress in lowering the costs of financial services and creating deeper financial and securities markets.

“The IMF team also welcomed Rwanda’s participation in the G-20’s “Compact with Africa.” The compact has good potential to leverage ongoing and new work by the government and development partners to attract and increase private investment in strategic sectors of the economy, for example, development of industrial parks and infrastructure, in the context of a stable economy and a welcoming business environment.

The IMF team met with Minister of Finance and Economic Planning, Claver Gatete; Governor of the National Bank of Rwanda, John Rwangombwa; Minister of Trade, Industry and East African Community Affairs, François Kanimba; Minister of Agriculture and Animal Resources, Gerardine Mukeshimana; Minister of Gender and Family Promotion, Esperance Nyirasafari, and other senior government officials, private sector representatives, civil society organizations, academia, and development partners. The team thanks the various interlocutors for the collaborative and fruitful discussions.

[1] Rwanda's PSI-supported program was approved by the IMF Executive Board on December 2, 2013 (see Press Release No.13/483). The PSI is an instrument of the IMF designed for countries that do not need balance of payments financial support. Details of Rwanda's current PSI are available at www.imf.org/rwanda.

[2] Rwanda's SCF-supported program was approved by the IMF Executive Board on June 8, 2016 (see Press Release No.16/270). The SCF provides financing to low-income countries on concessional terms. For more details see <http://www.imf.org/external/np/exr/facts/scf.htm>.

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