

The International Monetary Fund (IMF) on Thursday approved about US\$109.4 million for Rwanda's urgent balance of payment needs stemming from the outbreak of the COVID-19 pandemic.

The funds to be drawn under the Rapid Credit Facility (RCF) is intended for enforcing measures to help contain and mitigate the spread of the disease as well as its impact on the economy.

The economic impact of the COVID-19 pandemic is rapidly unfolding, with the near-term outlook deteriorating quickly. This has given a rise to significant fiscal and external financing needs. The authorities have acted fast by putting in place measures to help contain and mitigate the spread of the disease.

The RCF funds will support the authorities' efforts by backstopping the decline in international reserves and providing financing to the budget for increased spending aimed at containing the epidemic and mitigating its economic impact. This additional IMF financing also ought to help catalyze further assistance from the international community, preferably in the form of grants.

The IMF continues to monitor Rwanda's situation closely and stands ready to provide policy advice and further support as needed, according to a statement from Mr. Tao Zhang, Deputy Managing Director and Acting Chair following following the Executive Board's discussion of Rwanda.

"The COVID-19 Pandemic has ground Rwanda's economy to a halt, creating an urgent balance of payments need. To contain and mitigate the spread of the virus, the government swiftly implemented measures that have affected all sectors of the economy. With uncertainties surrounding the duration and spread of the pandemic, the economic fallout could intensify further.

"The IMF emergency support under the Rapid Credit Facility will help with COVID19-related pressures on trade, tourism and foreign exchange reserves, and will provide much-needed resources for health expenditure and for households and firms affected by the crisis. It should also help to catalyze donor support.

"A temporary widening of the budget deficit is appropriate to mitigate the health and economic impact of the pandemic. Spending should be well-targeted and cost-effective to not crowd-out other priority areas. Once the crisis abates, the fiscal adjustment path should be adjusted to preserve debt sustainability in the medium-

term. Contingency plans should be prepared given the uncertain outlook.

“Monetary policy needs to be data-driven and the central bank should stand ready to provide additional liquidity support if warranted. A flexible exchange rate should be maintained as a shock absorber. The National Bank of Rwanda has taken various measures to help maintain the health of the financial sector and should continue to show flexibility, while encouraging prudent loan restructuring and stepping up reporting requirements.

“Additional donor support is critical to close the remaining financing gap, ease the adjustment burden, and preserve Rwanda’s development gains over the last two decades.”