REPUBLIC OF RWANDA
MINISTRY OF FINANCE AND ECONOMIC PLANNING

Medium Term Debt Management Strategy

FY 2024/2025-2026/2027

April, 2024

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ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
ADF	African Development Fund
AFD	Agence française de développement
ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
BFP	Budget Framework Paper
BNR	National Bank of Rwanda
COVID-19	Coronavirus Disease
DMC	Debt Management Committee
DMO	Debt Management Office
DSA	Debt Sustainability Analysis
FX	Foreign Exchange
FY	Financial Year
GDP	Gross Domestic Product
GoR	Government of Rwanda
IDA	International Development Association
IMF	International Monetary Fund
MINECOFIN	Ministry of Finance and Economic Planning
MPC	Monetary Policy Committee
MTDS	Medium Term Debt Management Strategy
NST1	National Strategy for Transformation
PCI	Policy Coordination Instrument
PFM	Public Finance Management
PPG	Public & Public Guaranteed
PV	Present Value
RWF	Rwandan Francs
SOEs	State Owned Enterprises
SOFR	Secured Overnight Financing Rate
TDB	Trade development bank
TMC	Treasury Management Committee
USD	United States Dollar
WB	World Bank

EXECUTIVE SUMMARY

Rwanda has remained committed to sound and sustainable public finance management by implementing its Medium-Term Debt Strategy (MTDS), which is revised annually. The MTDS outlines a strategy for implementing the country's debt management practices, emphasizing the minimization of the government's financing costs. Under Rwanda's current consolidation program, the debt-to-GDP ratio is projected to reach 65 percent by 2031, despite external pressures from the impact of COVID-19 and ongoing geopolitical tensions. This year's MTDS will extend through FY 2024-25.

Rwanda's public debt has gradually increased, with the debt-to-GDP ratio expected to reach 77.3 percent of GDP by the end of June 2024 from 66.6 percent of GDP as of June, 2023. This rise in public debt can be attributed to ambitious investments in the country's development agenda, as well as significant government interventions in response to the impact of several global challenges including ongoing geo-political tensions, effects of COVID-19 pandemic, global inflation pressures as well climate change disruptions.

As of the end June 2024, the stock of external debt stood at 61.4 percent of GDP, with multilateral creditors holding a large share of 75 percent mostly denominated in SDR. Meanwhile, domestic debt stood at 16 percent of GDP, with Treasury debt securities comprising a significant portion of 70.4 percent during the same period.

The Rwandan government has effectively managed refinancing risks for both domestic and external debts, with improved risk indicators such as Average Time to Maturity, Interest rate risk and foreign currency risk which are strategically managed, despite being influenced by external shocks. The nation's public debt remains sustainable with a moderate risk of debt distress, cushioned by large share of concessional loans.

Rwanda projects its economy to grow at 6.6 percent in 2024 then moderate to 6.5 percent in 2025. The government's focus is on consolidating public finances by enhancing revenue mobilization, spending rationalization and fiscal risk mitigation in order to stabilize the debt level. Among four debt strategies assessed, the chosen approach emphasizes on external borrowing, primarily from bilateral concessional sources. This strategy is aimed at easing the burden of large debts maturing simultaneously and lower the cost of the portfolio.

CHAPTER ONE: INTRODUCTION, OBJECTIVES AND SCOPE OF THE STRATEGY.

1.1 INTRODUCTION

As stipulated in article 64 of the Organic Law No 002/2022.OL of 12/12/2022 on Public Finance Management (PFM), the minister has the mandate to prepare and publish each year the public debt management strategy. The government of Rwanda has been preparing the Medium-Term Debt Strategy (MTDS) since the fiscal year 2015/16. The strategy is reviewed annually to ensure it effectively manages the country's debt portfolio and aligns with the macroeconomic outlook. It also provides guidance to the government on its desired cost and risk in the short and medium term.

1.2 OBJECTIVES

According to the 2016 Ministerial order that established revised financial regulations, Rwanda's debt management strategy aims to achieve several objectives. Firstly, it seeks to ensure that the government's financing needs and obligations are met with low borrowing costs in the medium term. Secondly, it aims to maintain a prudent risk exposure. Lastly, the strategy aims to promote an active domestic debt market. Based on these overall objectives, the specific objectives for the strategy include maintaining a fiscal consolidation path to achieve 65 percent of debt to GDP by 2031, maximizing concessional and semi-concessional debt to reduce costs of debt, and reducing refinancing risk by issuing longer-dated securities.

1.3 SCOPE OF THE STRATEGY

The current strategy covers the period FY 2024/25- 2026/27 over which the optimal debt portfolio will be achieved. In addition, the strategy covers Public and Publicly Guaranteed (PPG) debt level which include Central Government External and Domestic Debt and loans from State Owned Enterprises both guaranteed and non-guaranteed on sectorization and loans and debt securities as instruments.

CHAPTER TWO: ASSESSMENT OF THE EXISTING PUBLIC DEBT PORTFOLIO AS AT END JUNE,2024.

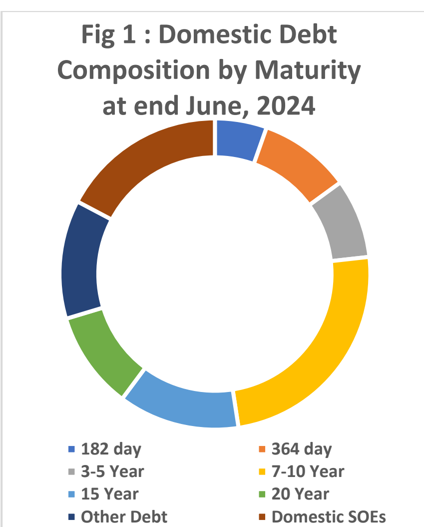
1.1 DESCRIPTION OF DEBT LEVELS, TRENDS AND COMPOSITION OF PUBLIC AND PUBLICLY GUARANTEED DEBT PORTFOLIO

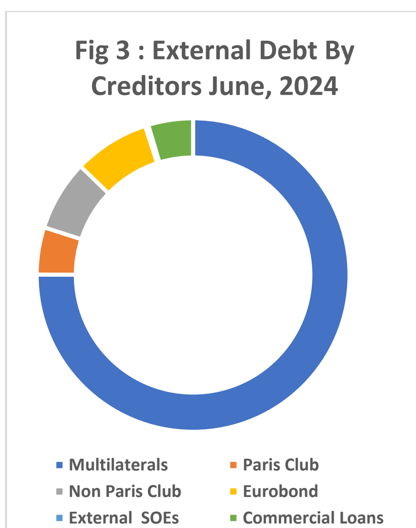
Rwanda's total public debt increased from 66.6% as of end June, 2023 to 77.3% of GDP by the end of June 2024. The increase is primarily attributed to higher external disbursements contracted mostly from concessional lenders in addition to the blended loan facility of EUR 200m contracted from JP Morgan backed by ADF Partial Credit Guarantee (PCG) at semi-concessional terms (less than 5% of interest rate) to support Country's climate resilience and sustainability agenda.

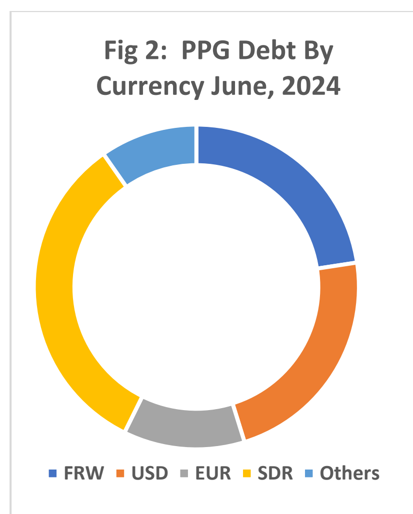
Domestic debt accounted for Frw 2,76 billion, with Treasury Bonds making up 55.4 percent, and T-bills accounting for 15 percent of the total. Rwanda's external debt is mostly held by multilateral creditors at 75 percent, followed by bilateral creditors at 12.2 percent and commercial at 12.8 percent.

Regarding currency denominations, 33 percent of the publicly guaranteed debt is denominated in Special Drawing Rights, followed by 22.6 percent in Rwandan francs and 22.6 percent in USD. The share of fixed-rate debt remained at 92.5 percent as of end June 2024.

Figure 1







1.2 REVIEW OF COST AND RISK INDICATORS OF PUBLIC DEBT.

The cost and risk indicators as seen in table 1 below are critical components in the Medium-Term Debt Management Strategy document that are evaluated before formulating an effective strategy. By analyzing factors such as interest rate exposure, refinancing risk, and currency risk, we are able to better understand the trade-offs between minimizing borrowing costs and mitigating potential financial vulnerabilities. This assessment ensures that the chosen debt management strategy aligns with Rwanda's macroeconomic objectives and fiscal sustainability, ultimately contributing to stable and sustainable economic growth.

Table 1: Cost and Risk Indicators for Existing Debt Portfolio as at End-June 2024

		June, 2023			June, 2024			
Risk Indicators		**External Debt**	**Domestic Debt**	**Total Debt**	**External Debt**	**Domestic Debt**	**Total Debt**	**June,2024 Benchmarks**
Amount (in millions of RWF)		7200.5	2700.7	9901.3	10596.1	2760.1	13356.2	
Amount (in millions of USD)		6255.8	2346.4	8602.2	7916.4	2062.1	9978.5	
Nominal debt as % GDP		48.4	18.2	66.6	61.4	16.0	77.3	Max. 80.0
PV as % of GDP		32.5	13.6	46.1	41.1	13.9	54.9	Max.70.0
Cost of debt	Interest payment as % GDP	0.81	2.106	2.92	1.2	1.8	3.1	Max.5.0
	Interest payment as % Revenues	3.6	9.3	12.8	2.0	9.3	12.8	
	Weighted Av. IR (%)	1.7	15.5	4.7	2.0	13.2	4.1	
Refinancing risk	ATM (years)	14.7	4.7	13.1	14.9	4.8	13.6	Min. 10.0
	Debt maturing in 1yr (% of total)	1.8	29.6	6.1	1.4	30.2	5.1	Max. 15.0
	Debt maturing in 1yr (% of GDP)	1.3	4.0	5.3	1.3	4.2	5.5	
Interest rate risk	ATR (years)	13.7	4.7	12.3	14.0	4.8	12.8	Min. 10.0
	Debt refixing in 1yr (% of total)	10.6	29.6	13.5	10.0	30.2	12.6	Min. 25.0
	Fixed rate debt (% of total)	91.1	100.0	92.5	91.3	100.0	92.5	Min. 85
	T-bills (percent of total)	0.0	20.2	3.2	0.0	19.0	2.5	
FX risk	FX debt (% of total debt)			75.5			79.3	Max. 90
	ST FX debt (% of reserves)			8.7			7.5	Max. 15

Source: MINECOFIN, MTDS Tool, April, 2024

Analysis of Costs and Risks of Existing Public Debt Portfolio.
Public and Publicly Guaranteed debt has slightly increased compared to the previous fiscal year due to the disbursements contracted in the last fiscal year mostly from concessional lenders; however, it remains sustainable due to Rwanda's stringent risk mitigation measures and the high proportion of concessional financing.

The overall cost of debt in nominal amount is increasing in line with the current market conditions, but still below the respective benchmarks. As of end June 2024, total interest payment as a percentage of GDP rose by 0.18 percentage points to 3.1 percent, up from 2.92 percent at the end of June 2023. This increase is mainly attributed to the sustained high inflation and currency depreciation over the last fiscal year both of which are driven by external factors including among others heightened geopolitical tensions and interest rate hikes in high-income countries.

Box 1: Sustainable Financing Achievements:

As concessional financing has continued to decline, Rwanda has strategically diversified its funding sources to support its ambitious development goals of becoming a middle-income country by 2035 and a high-income country by 2050. In the fiscal year 2023/24, Rwanda has utilized two innovative financing instruments:

1. **Resilience and Sustainability Trust (RST):** Rwanda has pioneered the use of the RST from the IMF which helped to mobilize so far USD 148 million in the last two Fiscal Years, an innovative form of concessional financing designed to support environmental and climate-related reforms, as well as broader sustainability initiatives.

2. **Partial Credit Guarantee:** In response to the scarcity of concessional funds and support to the Country's sustainability agenda, Rwanda has employed credit de-risking instruments like the partial credit guarantee extended by the AfDB to support mobilization of the sustainable financing from JP Morgan (EURO 200 million). This approach not only provides crucial budget support but also does so at a lower cost compared to commercial funding.

These innovative financing mechanisms, combined with Rwanda's robust risk management strategies, have significantly strengthened the country's financial buffers and contributed to maintaining sustainable debt levels.

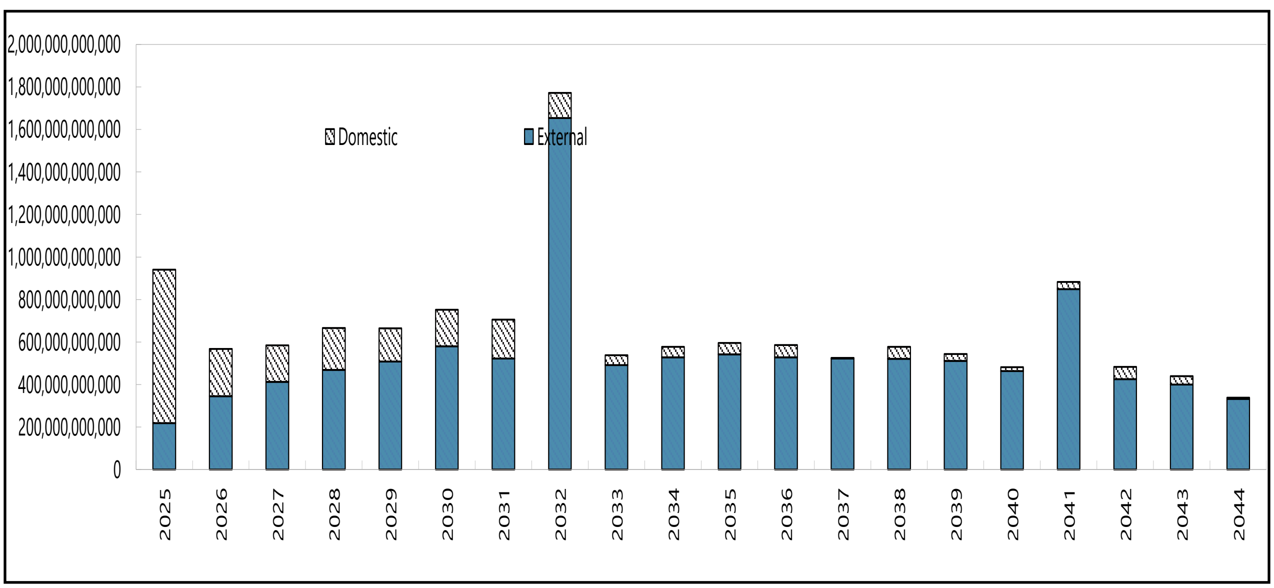
Refinancing Risk:

Over the past seven years, Rwanda has rigorously implemented several liability management strategies, including among others 2013 Eurobond refinancing, SOEs expensive external debt repayment and conversion from external to domestic debt, that have significantly reduced the refinancing risk within its debt portfolio. On Domestic debt side, one key strategy has been the reduction of short-term debt instruments, replacing them with long-term ones, including a reduction in the stock of Treasury bills. This not only reduced refinancing risk but also developed the domestic bond market, attracting a pool of external investors to long-term debt securities.

With the launch of 20-year maturity treasury securities and the introduction of the reopening mechanism in 2018, the share of medium to long-term debt instruments in the portfolio has increased from Frw 195 billion in 2017 to Frw 1.5 trillion by the end of June 2024 while on the other side, Treasury bills lowered by 42 billion since end June, 2021 from Frw 478 billion to Frw 436 billion as of end June, 2024.

Rwanda retired Frw 100 billion in debt securities in the FY 2023/24, reducing the stock of short-term instruments and aligning the debt path with current fiscal consolidation indicators. Consequently, the average time to maturity increased from 13.1 percent at the end of June 2023 to 13.6 percent by the end of June 2024. Additionally, the proportion of debt maturing within one year as a percentage of the total decreased from 6.1 percent as of end June 2023 to 5.1 percent by end June 2024.

Figure 2: Redemption Profile By Maturity, End-June, 2024 (Frw Billion)



Source: MINECOFIN, MTDS Tool, April ,2024

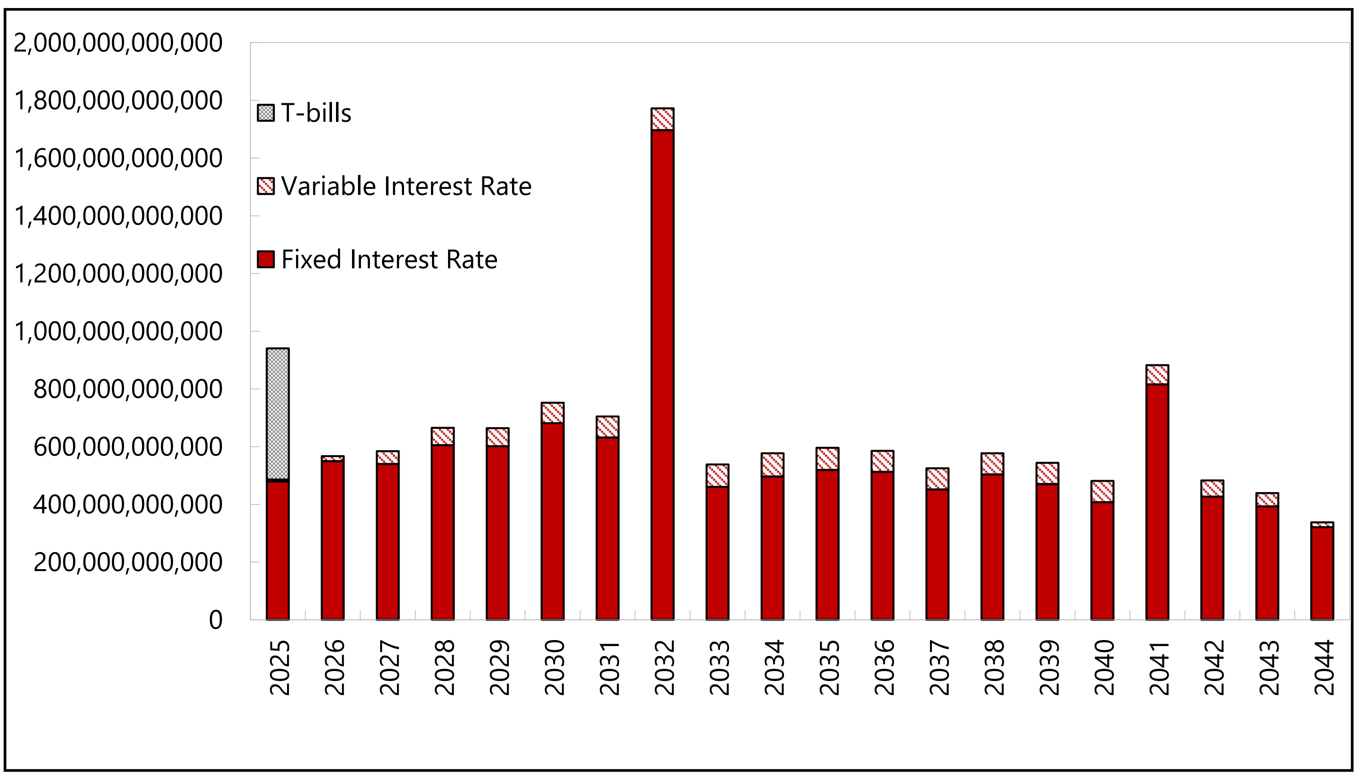
Interest Rate Risk:

Over the past two years, like many other sub-Saharan sovereigns, Rwanda has experienced a significant rise in borrowing costs due to external shocks that have increased global inflation and capital reversals. The rise in the US policy rate to curb inflation has attracted investors to US Treasury securities, considered safe assets, leaving other parts of the world grappling with the effects. Consequently, some variable instruments within our portfolio have seen a slight increase in interest payment costs.

However, Rwanda continues to capitalize on the pool of concessional financing accumulated over the years, serving as a safety net against interest rate risk within the portfolio. By the end of June 2024, the average time to refixing increased to 12.8 percent, compared to 12.3 percent at the end of June 2023.

The fixed-rate debt as a percentage of the total remains at 92.5 percent, demonstrating the resilience of the debt portfolio to external shocks. Nonetheless, this situation calls for increased vigilance to protect the portfolio from such shocks by tapping into blended financing to lower the current high cost of borrowing.

Figure 3: Redemption Profile By Interest rate, End-June, 2024 (Frw Billion)



Source: MINECOFIN, MTDS Tool, April,2024

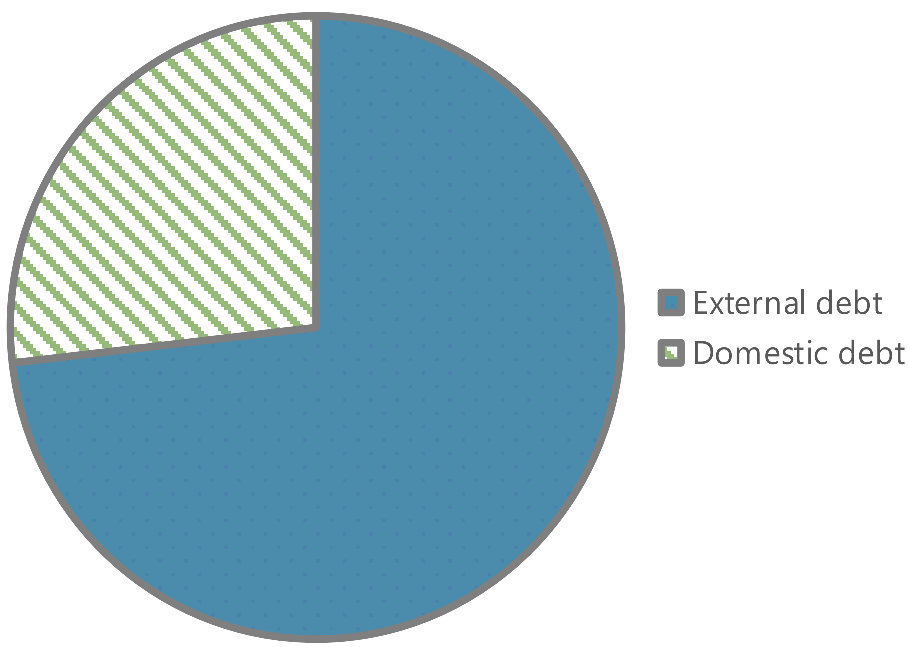
Foreign Currency Risk:

The majority of Rwanda’s public debt is denominated in foreign currency, making it susceptible to external shocks. As end June 2024, the share of foreign currency-denominated debt has increased to 79.3 percentage point of total debt, up from 75.5 percent of total debt at the end of June 2023.

Despite this, the risk is minimized by the large share of concessional loans in Rwanda's debt portfolio. These loans have contributed to an improvement in the level of reserves, resulting in a reduction of the short-term foreign currency debt to reserve ratio from 8.7 percent in June, 2023 to 7.5 percent in June, 2024.

Over the past year, the Rwandan Franc has experienced significant depreciation against major foreign currencies like the USD and the Euro. This depreciation is primarily due to heightened external shocks, including inflation and geopolitical tensions.

Figure 4 : **Composition of PPG Debt Oustanding, as at End June, 2024**



Source: MINECOFIN, MTDS Tool, April,2024

Sustainability Risk:

Overall, Rwanda's Public debt remains sustainable with a moderate risk of debt distress. The latest debt sustainability analysis (DSA) conducted as of November 2022 shows that the year 2024 is projected to end up with 37.9 percent, remaining well below the thresholds of 50 percent of GDP per EAC convergence criteria and 55 percent as per the IMF/WB debt sustainability Framework, while the Present Value (PV) of external debt level to Exports will stand at 118.8 percent.

On liquidity side, the year 2023 ended with a respective Present Value of External Debt Service to Exports and revenues of 8.3 percent and 12.2 percent while expecting a further decline in 2024 with respective ratios of 5.5 percent and 8.8 percent. All these debt ratios are well below the respective thresholds of debt sustainability as per the IMF/WB Debt Sustainability Framework.

Going forward, in order to hedge for unsustainability, Rwanda's debt policy will: (I) continue to be guided by the debt path (limit to which the debt to GDP should not exceed) driven by a strong fiscal consolidation program designed to bring the debt level to the anchor of 65 percent of GDP by 2031, through domestic revenue mobilization strategy, spending rationalization plan and adaptation and mitigation measures for fiscal risks arising from State Owned Enterprises, etc.

Table 2: Debt Sustainability Indicators_November 2022

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Threshold
PV External Debt to GDP	31.2	37.9	41.4	41.9	40.5	39.2	37.5	36.1	34.9	33.7	55
PV External Debt to Export	118.8	131.6	131.8	132.7	124.0	117.9	116.9	114.6	113.1	111.5	240
PV External Debt Service to Export	8.3	5.5	6.3	7.7	8.9	8.6	8.6	8.5	16.9	7.6	21
PV External Debt service to Revenue	12.2	8.8	10.3	12.2	14.2	13.7	13.2	12.4	23.9	10.4	23

Source: IMF-WB-RWANDA, DSA, November,2022

1.1 MARKET ENVIRONMENT IN THE MEDIUM TERM

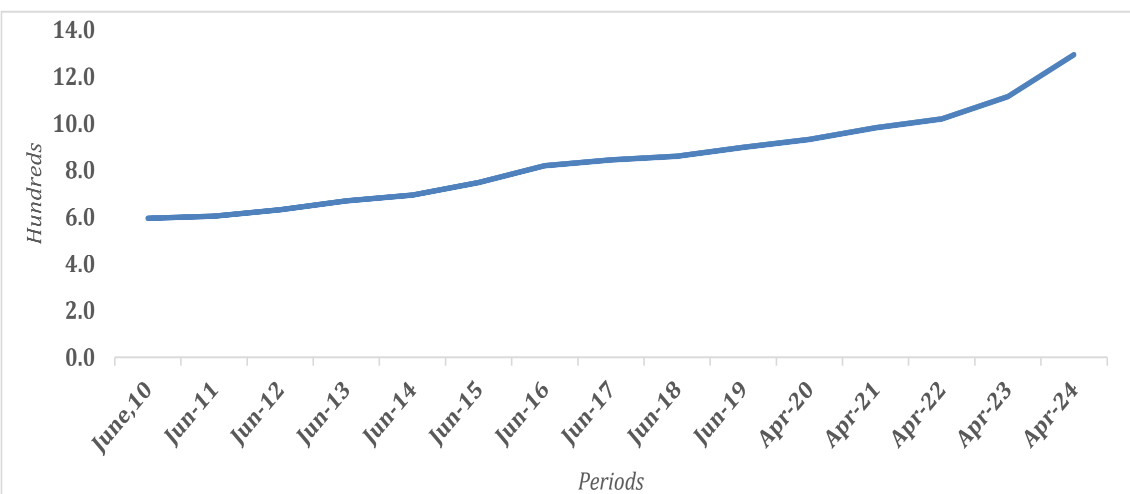
Global growth is projected at 3.1 percent in 2024 and 3.2 percent in 2025, a slowdown from the 3.5 percent recorded in 2022, on account of greater-than expected resilience in the United States and several large emerging market and developing economies, as well as fiscal support in China.

Exchange Rate Developments in the Medium Term.

The Rwandan Franc (FRW) depreciated by 18.05 percent against the USD as of December 2023 higher compared to a depreciation of 6.1 percent recorded in 2022. This faster depreciation is linked with continued deterioration of current account deficit. Exchange rate pressures are expected to remain elevated in 2024 and ease over the medium term.

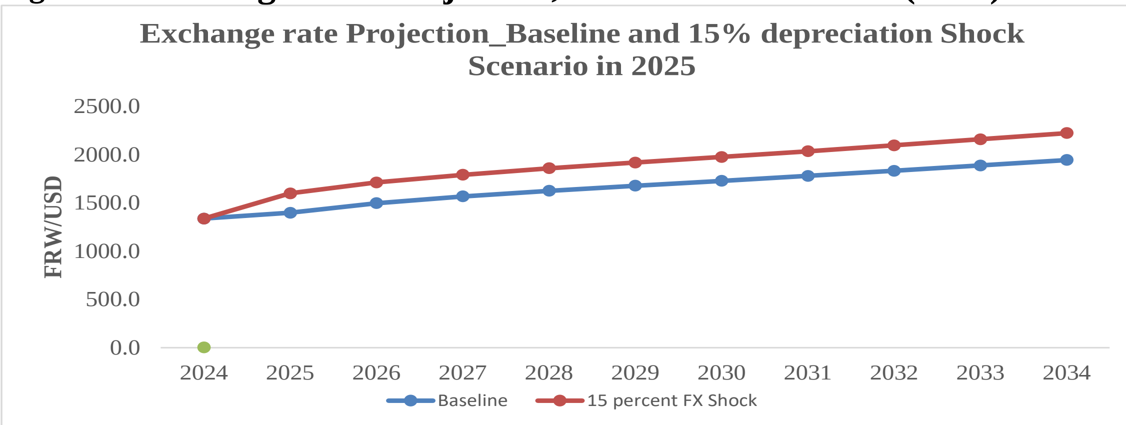
Rwandan franc expected to depreciate by 11.80 percent in 2024 from 18.05 percent observed in 2023. For the purpose of government borrowing strategy going forward two possible depreciation shocks are assumed, in order to assess the impact that a faster than anticipated exchange rate depreciation could have on the selected borrowing strategy:

Figure 5 : FRW/USD Foreign Currency Trends, June 2010 to April 2024



Source: National Bank of Rwanda, April 2024

Figure 6: Exchange Rate Projection, Baseline and Shocks (15%)



Source: MINECOFIN, MTDS Tool, April,2024

Interest Rate Developments in the Medium Term.

Over the past years, interest rate for domestic securities has been stable. Since February 2022, the National Bank of Rwanda started the process of tightening monetary policy in line with anticipation of inflationary pressures to bring back within the medium-term target range of 2 to 8 percent, amidst global tensions, disruptions in the Red Sea and climate change. The Monetary Policy Committee increased the central bank rate by cumulative of 300 basis points to 7.5 percent by February 2024.

On external financing, the Financial stability risks have increased rapidly as the resilience of the global financial system has been tested by higher inflation pressures and fragmentation risks currently proving to be more persistent than anticipated. As a result, some traditional instruments are being priced with variable based instruments. Thus, implying higher interest rate risks. The table below sets out the trend observed on the interest rates from April 2015 to April 2024.

Table 3: Interest rate, 2015-2024

	Apr-15	Apr-16	Apr-17	Apr-18	Apr-19	Apr-20	Apr-21	Apr-22	Apr-23	Apr-24
Key Repo Rate (%)	6.5	6.5	6.2	5.5	5.5	4.5	4.5	5.0	7.0	7.5
T-Bills Rate (Weighted avg %)	4.1	7.1	9.1	5.8	6.0	6.4	7.1	7.3	9.1	9.0
Deposit Rate (%)	8.0	8.1	7.9	7.5	7.4	7.8	7.0	7.2	9.3	10.7
Lending Rate (%)	17.9	17.2	17.3	16.8	16.8	15.5	15.7	16.2	16.8	15.9

Source: BNR, April, 2024

1.2 CONSTRAINTS ON POLICY CHOICES REGARDING DEBT PORTFOLIO MANAGEMENT.

According to the IMF’s January 2024 World Economic Outlook (WEO), the Global economic growth outlook remains uncertain as the global economy continue to face several challenges including effects of COVID-19 pandemic, global inflation pressures and climate change related supply chain disruptions. These uncertainties may negatively impact economic growth in developing economies which may in turn lead to deterioration of the debt sustainability indicators. However, the Government commitment to implement effectively the fiscal consolidation program will help to deal with these challenges.

Market volatility due to geo-political tensions and monetary policy tightening in advanced economies has hindered access to international capital markets. The ongoing global inflation rates may raise much higher the interest rates (both in the domestic and external market) which may have an adverse implication on debt service and may limit the Government in performing liability management operation on its debt portfolio, and access to long-term funding may be challenged, thus increasing refinancing risk. However, the Government will continue to monitor the market conditions before performing any liability management operation.

Rwanda's external debt encompasses a range of foreign currencies with USD accounts for more than 60 percent of external debt portfolio decomposed. On the other side Rwanda’s local currency keeps on depreciating which may increase debt service costs. Therefore, this necessitates prudent management to mitigate currency fluctuations relative to the US dollar in order to ensure debt service costs remain stable.

Contingent liabilities particularly risks related to State-Owned Enterprises expose the Government to fiscal risks which may lead to additional debt service costs in the event of materialization. The Government will continue monitoring these liabilities with an aim of mitigating the risks in order to maintain a balanced fiscal environment.

CHAPTER FOUR: FINANCING ASSUMPTIONS AND STRATEGY SELECTION.

1.1 POTENTIAL SOURCES TO FINANCE THE MEDIUM-TERM BUDGET

In terms of the medium-term financing framework, the Government will continue to fund the deficit through borrowing from both domestic and external sources.

Concessional financing will remain a priority, however, as concessional financing is more and more becoming limited, the government will continue to monitor market conditions to explore innovative financing approaches that go beyond traditional Official Development Assistance. This includes leveraging private sector investment and promote innovative and sustainable financing mechanisms such as impact investment (Sustainability linked bonds, Social and Green loans, green bonds, Debt for nature swaps, etc.) and blended finance instruments. But also, semi concessional financing instruments like export credit type (ECAs) will be considered to replace commercial financing options.

On the Domestic debt side, Government keep exploring innovative domestic borrowing mechanisms like market making, buyback etc through the on-going implementation of reforms aimed at deepening the domestic market to continue to cushion the Government against downside risks from external factors.

In the medium term, the Government will source financing as follow:

Concessional	Favorable terms with interest rate below 2%, Long Maturities (30 to 40 years), and grace periods(5 to 10 years) Tied to specific projects.
Non- Concessional external	Costly, not tied to specific projects. Market-based interest rate. Maturities are between 7 and 10 years, with or without grace periods.
Non-Concessional Domestic	Costly, but not exposed to forex risk. Supports domestic capital market development.

Source: *MINECOFIN, APRIL 2024*

1.2 STRATEGY DESIGN AND DESCRIPTION OF COSTS AND RISKS ASSOCIATED.

The 2024 MTDS assesses four strategies: i) a status quo, ii) maximization of external bilateral borrowing, iii) external commercial borrowing, and iv) Lengthening maturity profile with domestic debt development.

Strategy 1 (S1) – "Status quo" financing towards more external concessional borrowing: This strategy assumes that 93.5 percent of the borrowing will come from external sources and 6.5 percent from domestic sources, which is in line with the financing strategy outlined in the medium-term fiscal framework agreed under the PCI Program between Rwanda and IMF. The external funding sources are expected to include largely concessional debt from multilateral organizations (68.1% of external funding in the FY 2024/25), as well as semi-concessional debt with mixed of fixed and variable interest rate. Commercial borrowing is minimized compared to last fiscal year to reduce the cost of debt and exposure to foreign exchange rate risks. On the other hand, domestic borrowing will primarily involve issuing Treasury bonds in order to reduce the refinancing risk of domestic portfolio.

The assessment of cost and risk indicators, found that S1 has a relatively higher refinancing (13.6 years of Average Time to Maturity) and interest rate risk compared to S2 and S4, but lower than S3. This is mainly due to the higher reliance on external financing with less competitive terms (interest rate, maturity and grace period) compared to S2 in addition to the presence of short-term domestic debt securities dominating S2 and S4.

Strategy 2 (S2) –financing towards more external bilateral semi-concessional debt: This option is similar to the status quo (S1) in terms of financing sources (95.2% of external financing). The higher dominance of external financing is due to the expectation that the government will first consider bilateral semi concessional loans including among others, innovative financing instruments such as insurance, guarantees-backed financing (Export Credits, Sustainable loans etc.), before resorting to commercial loans to meet its development needs.

On the domestic debt front, the strategy assumes that 77.6 percent of overall domestic financing will come from Treasury bonds. This strategy is less costly, has lower refinancing and interest rate risks than S1, S3 and S4 but with higher exchange rate risk than S1, S3 and S4 due to higher reliance on external concessional financing and presence of long-term domestic debt securities.

Strategy 3 (S3) –financing towards more external Commercial debt: This assumes more commercial debt instruments, with an average of 86.2 percentage of gross external borrowing, while the domestic borrowing is increased to cover the shortfall from concessional external financing. This strategy is the most expensive, though fixed (79.3% of the portfolio), with 5.1 percentage implied interest rate compared to 3.6 percent, 3.4 percent and 4.6 percent for S1, S2 and S4 respectively.

Strategy 4 (S4) – Gradual lengthening of domestic debt maturity profile: This strategy assumes financing the fiscal deficit through domestic debt essentially, with a gross domestic financing of 70.0 percent and 71.8 percent in the second and third years respectively. The strategy aims at gradually reducing the stock of Treasury bills to mitigate the refinancing risk and replace with medium-long term Treasury bonds with intention to develop the domestic market. This makes this strategy, second best in terms of forex risk exposure at 80.5 percentage of total portfolio compared to 91.2 percent, 91.6 percent and 89 percent respectively for S1, S2 and S3.

Table 4: Cost and Risk Analysis of Strategies as of End June 2027

Risk Indicators		2024	As at end June 2027			
		Current	S1	S2	S3	S4
Nominal debt as % of GDP		77.3	72.6	72.5	74.0	72.7
Present value debt as % of GDP		55.0	51.5	50.9	57.8	54.1
Interest payment as % of GDP		3.1	2.5	2.4	3.2	2.8
Implied interest rate (%)		4.2	3.6	3.4	5.1	4.6
Refinancing risk	Debt maturing in 1yr (% of total)	5.5	4.3	4.1	5.6	4.0
	Debt maturing in 1yr (% of GDP)	5.4	3.1	3.0	4.1	2.9
	ATM External Portfolio (years)	14.8	14.2	14.4	11.6	13.8
	ATM Domestic Portfolio (years)	4.8	6.0	5.9	8.2	15.3
	ATM Total Portfolio (years)	13.4	13.6	13.8	11.2	14.0
Interest rate risk	ATR (years)	12.6	12.2	12.6	10.2	13.1
	Debt refixing in 1yr (% of total)	12.9	17.8	15.6	24.1	13.3
	Fixed rate debt (% of total)	92.5	85.8	87.9	79.3	90.1
	T-bills (percent of total)	2.7	0.1	0.1	0.1	0.0
FX risk	FX debt as % of total	81.6	91.2	91.6	89.0	80.5
	ST FX debt as % of reserves	7.6	13.8	13.3	20.2	13.1

Source: MINECOFIN, MTDS Tool, April,2024

1.3 STRATEGY SELECTION.

The choice of the best strategy will be guided by the overall objective of cost-risk minimization of new contracted and guaranteed loans, while maintaining sustainable levels of debt. Most importantly, it will help achieve the objective of reducing the debt levels under the PCI Program 65 % by 2031 through a path of 72.5% in 2027. The best strategy shall also support monetary policy objectives of maintaining a stable inflation while protecting the economy against external shocks.

From this viewpoint, S2 emerges as the most practical strategy to adopt. S2 also involves a reduction in the issuance of new treasury bills to mitigate the burden of a large amount of debt maturing in a single year and ensure a more manageable repayment schedule.

While S2 is almost similar to S1 in terms of cost effectiveness, it does carry a higher risk of exchange rate depreciation due to the inclusion of more external financing both concessional and semi-concessional. Conversely, implementing S3 and S4 may not be realistic as they would impose a significant financial burden on the treasury. The table below shows a set of medium-term targets that were designed by the Debt Directorate to monitor the implementation of S2.

Table 5: Selected Strategy against Operational Benchmarks-End June 2027

Risk Indicators		S2	**Benchmark**
		2027	**End June 2027**
Nominal debt as % of GDP		72.5	Max. 75.0
Present value debt as % of GDP		50.9	Max.65.0
Interest payment as % of GDP		2.4	Max.5.0
Refinancing risk	Debt maturing in 1yr (% of total)	4.1	Max. 10.0
	ATM External Portfolio (years)	14.4	Min. 10.0
	ATM Domestic Portfolio (years)	5.9	Min. 2.5
	ATM Total Portfolio (years)	13.8	Min. 10.0
Interest rate risk	ATR (years)	12.6	Min. 10.0
	Debt refixing in 1yr (% of total)	15.6	Max. 20.0
	Fixed rate debt (% of total)	87.9	Min. 80.0
FX risk	FX debt as % of total	91.6	Max. 95.0
	ST FX debt as % of reserves	13.3	Max. 15.0

Source: MINECOFIN, MTDS Tool, April,2024

1.4 RECOMMENDATION FOR PUBLIC DEBT RISKS AND COSTS MITIGATION STRATEGY.

- ✓ Continue to prioritize public spending in order to support inclusive economic growth while also maximizing opportunities for concessional financing.

- ✓ Take proactive measures to optimize the current debt portfolio through liability management operations whenever possible, in order to mitigate both interest rate, exchange rate and refinancing risks. This can involve mechanism of issuing longer-term securities to reduce short-term instruments, convert expensive external debt into domestic debt, Favor Borrowing in local currency, fixed rate debt (variable debt as a last resort) and diversify foreign currencies when borrowing. Additionally, efforts should be made to improve the infrastructure of the domestic debt market, attracting capital and lowering yields for domestic borrowing.

- ✓ In order to promote awareness and encourage a savings culture, it is important to enhance investor education and outreach, particularly in government securities. This will help broaden the investor base and promote financial inclusion.

- ✓ Leverage on mobilization of innovative and sustainability financing opportunities including climate related financing instruments, using the recently developed Sustainable Finance (ESG) Framework by MINECOFIN of which obtained Second Party Opinion (SPO) from S&P Global Rating, to support Rwanda's adaptation and mitigation efforts. This requires the Government to align projects' design with market principles such as sustainability loan and bond principles and with the eligibility criteria associated to these financing instruments such as export contents, Environmental and social assessments etc.

However, it is crucial to ensure that sustainable debt levels are maintained throughout this process.

CHAPTER FIVE: STRATEGY IMPLEMENTATION, MONITORING AND EVALUATION

The Debt Management Office (DMO) will create a borrowing plan for both domestic and external sources for the 2024/25 financial year. This plan will include projected borrowing and the settlement of maturities. The Consultative Committee on Debt Management (DMC) will serve as a platform for discussing the current state and future prospects of financial markets, Treasury management and borrowing plans. The committee will propose a monthly issuance plan for the fiscal year 2024-25, in line with the selected strategy (S2). These proposals will be submitted to the Treasury Management Committee for decision making purpose. Once approved, the issuance plan will be communicated to the market. The DMC will meet quarterly, or more frequently, if necessary, to monitor the implementation of the issuance plan and the selected strategy. Any necessary amendments will be proposed during these meetings.

The actual costs and risks associated with the debt will be assessed against sustainability threshold indicators. Any deviations from these indicators will inform the strategy review in the next Medium-Term Debt Strategy (MTDS) cycle. Additionally, the costs and risks of the 2024 MTDS will be evaluated annually to identify any deviations from the benchmarks and suggest mitigation measures.

External borrowing will be monitored on regular basis using the Present Value monitoring tool under the Public Credit Investment (PCI) program while State Owned Enterprises' debt, fiscal commitments and contingent liabilities will be tracked and assessed against overall sustainability levels in close collaboration with Portfolio Oversight and Investment Departments;

To uphold commitment to debt transparency principles and ensure public access to information on public debt, the Ministry of Finance and Economic Planning will publish and upload the 2024 MTDS on the MINECOFIN's website upon approval by Parliament; The government will continue working closely with the National Bank of Rwanda to improve awareness and access to primary market of government securities in order to ensure well-functioning primary market.