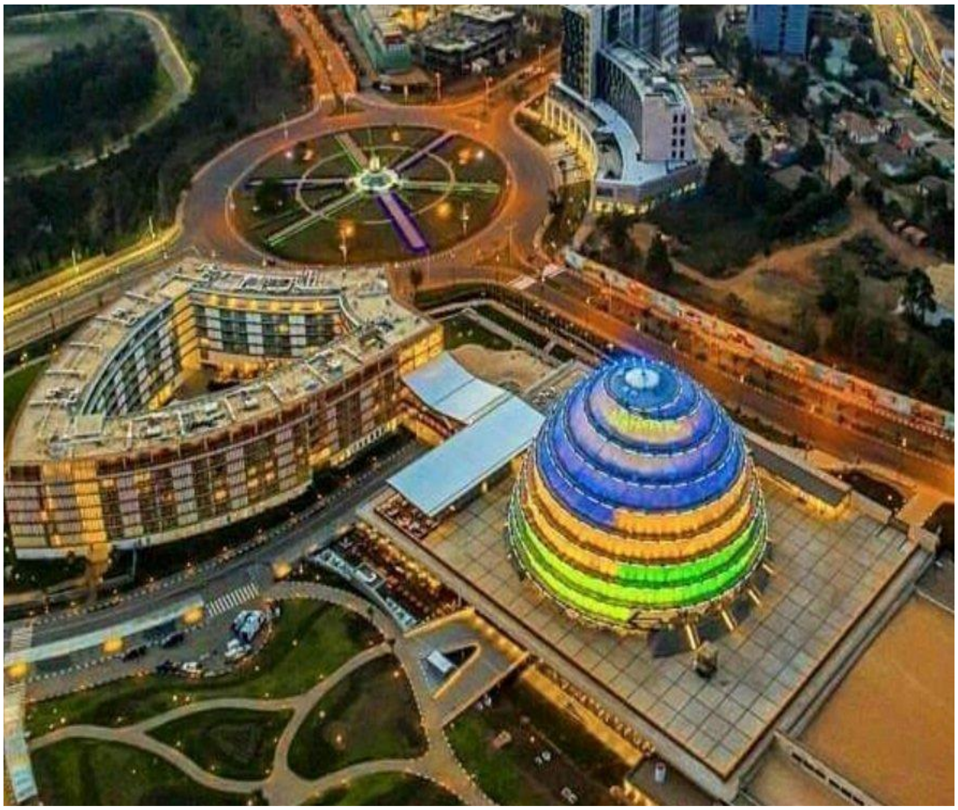

RWANDA MEDIUM TERM DEBT STRATEGY

Fiscal Year
2019/20- 2021/22

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LIST OF ACRONYMS

ADF	African Development Fund
ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
AfDB	African Development Bank
BNR	Banque Nationale du Rwanda
CNY	Chinese Yuan
DSA	Debt Sustainability Analysis
EDPRS	Economic Development and Poverty Reduction Strategy
EAC	East African Community
EUR	European Euro
EU	European Union
FY	Fiscal Year
GoR	Government of Rwanda
GBP	Great Britain Pound
GDP	Gross Domestic Product
GDF	Gross Domestic Financing
GE	Grant Element
GEF	Gross External Financing
KCC	Kigali Convention Center
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IR	Implied Rate
JPY	Japanese Yen
KWD	Kuwait Dinar
MTDS	Medium Term Debt Strategy
MINECOFIN	Ministry of Finance and Economic Planning
PV	Present Value
TZS	Tanzanian Shillings
OBL	Organic Budget Law
OPEC	Organization of the Petroleum Exporting Countries
PSI	Policy Support Instrument
RSSB	Rwanda Social Security Board
RWF	Rwandan Franc
SAR	Saudi Riyal
SDR	Special Drawing Rights
USD	United States Dollar
XR	Exchange Rate

EXECUTIVE SUMMARY

The Medium Term Debt Management Strategy (MTDS) is a plan that guides the Government's borrowing to achieve a desired composition of the government debt portfolio. The Strategy focuses on managing the risk exposure embedded in the debt portfolio, particularly the potential variations in the cost of debt servicing and its impact on the budget and the size of the debt. The 2019/20-2021/22 MTDS is the third published edition of debt management strategies that provides a debt management plan for the forthcoming financial year, to determine how to best meet the Government of Rwanda's financing requirements, while balancing the difficult trade-offs between alternative financing options.

Rwanda's total public and publicly guaranteed debt stock is projected to reach Frw 4,545.7 billion by end June 2019, or 52.3 percent of GDP compared to 50.1 percent in June 2018 in nominal terms. The increase in public debt (2.2 percent of GDP) is a combination of both external public debt (1.2 percent of GDP) and Domestic Public debt (1 percent of GDP). In present value term, the external public and publicly guaranteed debt is projected to reach 31.9 percent of GDP by end of 2019 compared to 29 percent as of end 2018.

To meet the Government's cost and risk objectives over the medium term, a first step in designing a debt strategy is to reveal the current status of the debt portfolio with regards to its cost, refinancing risk, interest rate risk, and finally the forex risk. Rwanda's overall cost and risk indicators remains stable despite the increase of debt stock both in nominal and relative terms. This is explained by the predominance of concessional external loans whose characteristics are fixed, low interest rates, long grace periods and maturities, thanks to Government debt management policy to prioritize concessional funding. However, some risks remain present. The weighted average interest rate (cost) of the portfolio has increased to 4.4 percent against 3.7 percent in June 2018. In addition, the refinancing risk has worsened slightly because of big debt payments which are approaching maturity.

Going forward, three alternative financing strategies have been developed and evaluated against costs and risks trade-offs to select a strategy meeting Government's medium-term debt objectives. The chosen strategy for the MTDS, constitute a large share of concessional borrowing (from Bilateral creditors) in the medium-term on one hand and, on the other, the medium-term objectives for the development of the Government's domestic securities market focusing on issuance of long term domestic debt securities (Treasury bonds) as a proportion of the net domestic debt financing.

The desired debt strategy for Rwanda is "S2" which maximizes external bilateral creditors, and deepens the domestic capital market. This strategy stands out among all other strategies considered in the MTDS analysis, because it is feasible and implies low costs to the treasury. It assumes a higher external debt share to finance the deficit with special emphasis on non-traditional bilateral creditors which will result into a high external average time to maturity (17 years against 16.6 years and 16.5 years for S1 and S3 respectively). Short term domestic notes are not favored in this strategy, which reduces the refinancing risk of debt maturing in the coming year, but increases the cost of domestic borrowing. However, though S2 matches expected debt strategy targets, it may be subject to alternative macroeconomic and market performance which could affect its implementation, most specifically a higher than expected depreciation which would imply high debt servicing costs.

1. INTRODUCTION

The Medium Term Debt Management Strategy (MTDS) is a plan that guides the Government's borrowing to achieve a desired composition of the government debt portfolio. The Strategy focuses on managing the risk exposure embedded in the debt portfolio, particularly the potential variations in the cost of debt servicing and its impact on the budget and the size of the debt.

According to International Monetary Fund (IMF) data on global debt, Global debt has reached an all-time high of $184 trillion in nominal terms, the equivalent of 225 percent of GDP in 2017 where the most indebted economies in the world are also the richer ones. They went ahead to highlight the rising debt in sub-Saharan Africa with some countries already in debt distress.

In the context of the above outlook, this Strategy has been designed to take into account other key macroeconomic policy linkages between Rwanda and the rest of the world while keeping cohesion in debt sustainability and development of domestic debt market.

It also provides a framework within which the Government will make informed choices on how the required financing shall be met, keeping in mind the potential constraints and risks. The Strategy will spell out objectives, benchmarks and portfolio indicators, against which its performance is assessed.

Its articulation imparts information, transparency, and certainty which are in conformity with Rwanda's Public Finance Management act that is lodged on predictability and budget based expenditure.

2. OBJECTIVES AND SCOPE OF THE FY 19/20-FY 21/22 STRATEGY

The debt management objectives in Rwanda as stipulated in the January 2016 Ministerial order establishing revised financial regulations in its article 49, are stated as follow: (i) To ensure that the Government's financing needs and settling of obligations meet the medium term objective of low borrowing costs, (ii) Prudent risk exposure, (iii) To promote an active domestic debt market.1

This strategy spans through a three-year period paying particular attention to public and publicly guaranteed domestic and external debt.

3. DEVELOPMENT OF THE DEBT PORTFOLIO

Rwanda's total public and publicly guaranteed debt stock is projected to be amounted, Frw 4,545.7 billion as of end June 2019, or 52.3 percent of GDP compared to 50.1 percent in June 2018.The increase in public debt (2.2 percent of GDP) is a combination of both external public debt (1.2 percent of GDP) and Domestic Public debt (1 percent of GDP).

External Public debt for the Government of Rwanda constitutes development and budget loans from 16 development partners. The development partners include 6 bilateral and 9 multilateral donors and 1 commercial loan (Euro bond) supporting various sectors of the economy such as Construction, Transport and Communication, Health, Energy, Agricultural and Rural development, Education and Human Resources Development. Domestic Public debt is composed of loans and debt securities owed

[1] Reference to the Ministerial order establishing revised financial regulations in its article 49 related to the Purpose of and authority for public debt management (January 2016).

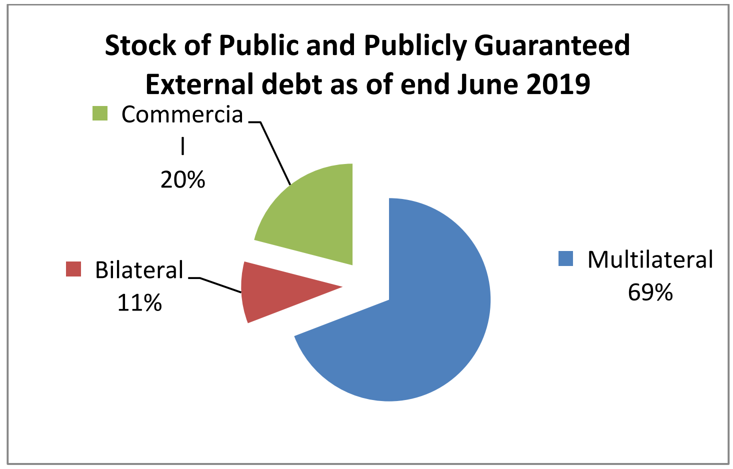
by Government of Rwanda to national residents. The increase (1 percent of GDP) is due to the increase of treasury bonds issuance and an increase of loans for different states owned enterprises.

3.1 EXTERNAL DEBT PORTFOLIO ANALYSIS

3.1.1. STRUCTURE OF PUBLIC AND PUBLICLY GUARANTEED EXTERNAL DEBT

Rwanda's total external public debt is estimated at Frw 3,647.4 billion at the end of 2019 from Frw 3,220.7 billion at the end of June 2018, an increase of 13% explained by a high disbursement from multilateral institutions. The external debt stock is currently dominated by the multilateral debt, which comprises 69 percent followed by Commercial debt at 20 percent and bilateral debt at 11 percent of the total stock.

FIGURE 1: EXTERNAL PUBLIC DEBT COMPOSITION BY CREDITOR AS AT END JUNE 2019



***S*OURCE: MINECOFIN, JUNE 2019.**

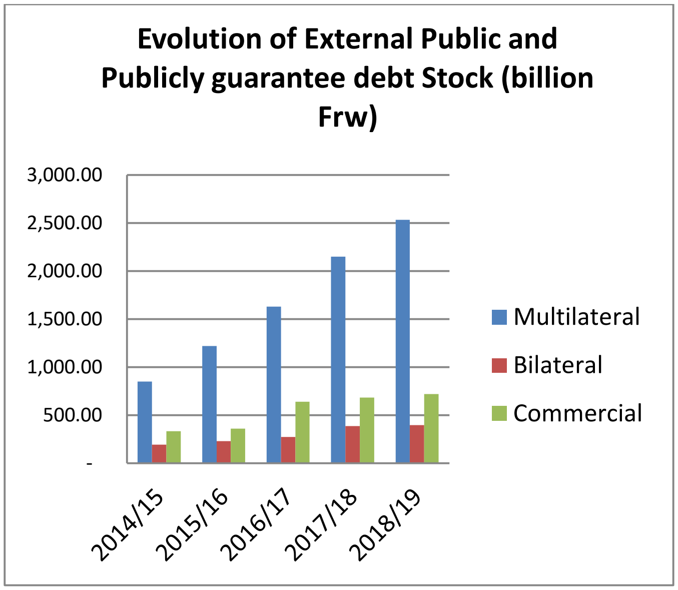
3.1.2. EVOLUTION OF EXTERNAL PUBLIC AND PUBLICLY GUARANTEED DEBT STOCK BY CREDITOR TYPE

Rwanda's total external debt stock has increased every fiscal year from 2014/15 to 2018/19 due to the largest portion of concessional loans with long grace period (no principal repayment). After HIPC debt relief and MDRI cancellation, the remaining outstanding loans and new disbursements for new loans were under grace period; these imply the accumulation of stock without repayment.

During the period 2014/15-2018/19, multilateral debt held the largest proportion of the debt stock from around Frw 850.7 billion in 2014/15 to around Frw 2,532 billion, representing an increase of Frw 420.3 billion on average every year. This increase is mainly a result of Rwanda's low risk of debt distress status which implied a change of donor's policy (IDA, ADB) to move from budget loan-grant mixed support to budget loan support only. The change did not only affect the composition of multilateral debt allocation but also the size of the allocated loans upward.

In 2014/15, the commercial debt was around Frw 333.6 billion including Eurobond of Frw 287.8 billion (USD 400 million) and guaranteed debt of Frw 45.8 billion. This has further increased in 2016/17 because of the purchasing of two new airbuses of Frw 142.5 billion (USD 171.6 million) and the contracting of Frw 107.9 billion (USD 130 million) for completion of Kigali Convention Centre (KCC) in 2016. The increase represented 116 percent which led the stock of commercial debt to around Frw 720.1 billion in a period of five years. From 2014/15 to 2018/19, bilateral debt has been increased by Frw 201.9 billion. This increase is driven by the increase of financing from EXIMCHINA, EXIMINDIA and JICA.

FIGURE 2: EXTERNAL PUBLIC DEBT COMPOSITION BY CREDITOR AS AT END JUNE 2019



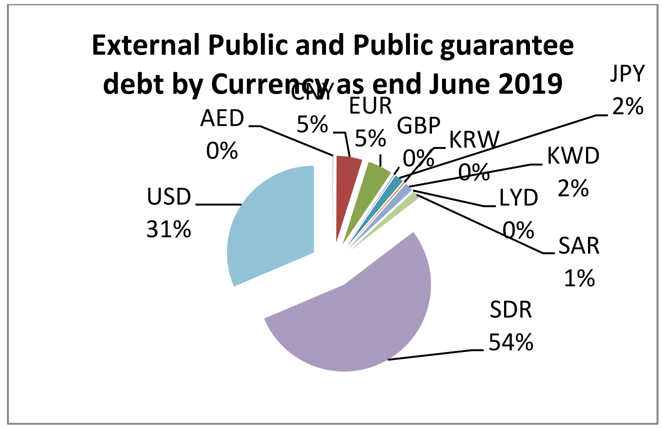
SOURCE: MINECOFIN, JUNE 2019.

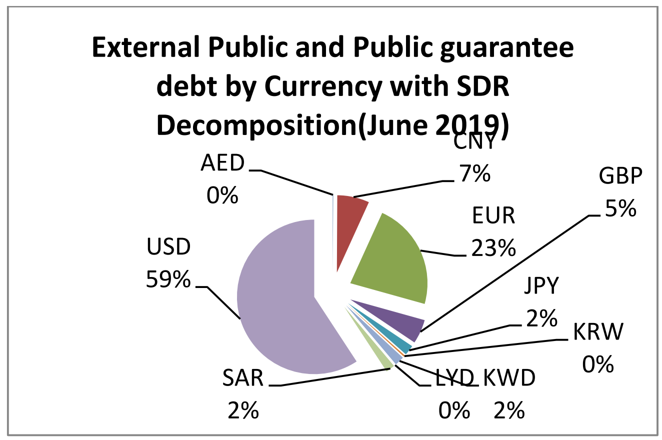
3.1.3. EXTERNAL PUBLIC AND PUBLICLY GAUARANTEED DEBT COMPOSITION BY CURRENCY

In terms of currency, 54 percent of total outstanding debt estimated as of end June 2019 will be held in SDR implying that a significant portion was coming from multilateral institutions (IMF, IDA and IFAD) which provided their loans in SDR denomination. The debt stock in SDR is followed by the stock held in US$, EUR and the CNY comprising 31 percent, 5 percent and 5 percent respectively.

There is a negative impact of debt portfolio to have the largest proportion of External public debt in SDR denomination because it is not a real currency but a pool of currencies. When the loan is Contracted in SDR denomination, it is disbursed and repaid in US$ and converted in SDR on the date of transaction because the loan is managed in loan currency. The exchange rate between SDR and US$ is not fixed overtime, this implies that the total loan disbursed in US$ cannot be equal to the total repaid in US$ at maturity (the end of loan life). Consequently, the Government pays more than it receives on value date as a result of a loss of money during those transactions.

FIGURE 3: EXTERNAL PUBLIC DEBT COMPOSITION BY CURRENCY AS AT END JUNE 2019





SOURCE: MINECOFIN, JUNE 2019.

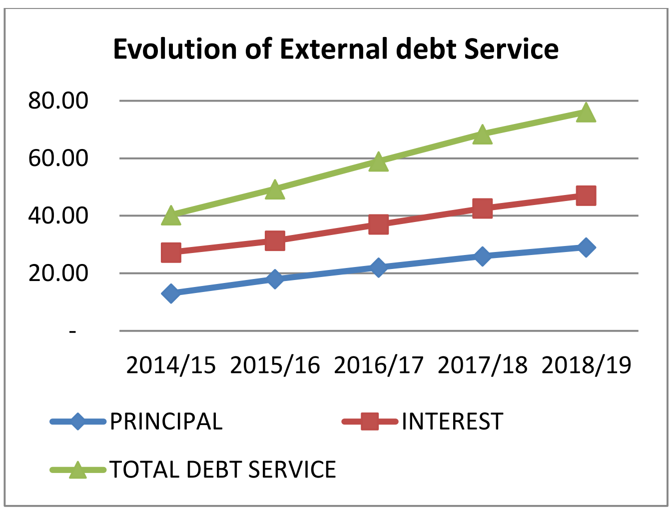
The chart above shows the external Public debt by currency when we split SDR in its different currencies composition (USD, EUR, GBP,CNY and JPY) and we realize that there is a predominance of USD and EUR where they represent 59 percent and 23 percent of the total debt respectively. Therefore, our debt portfolio is more exposed to USD and EUR fluctuations. There is an exchange rate risk because of the depreciation of USD and EUR against the local currency (Frw), so we will need more local currency in our treasury account to be able to repay our debt.

3.1.4. EVOLUTION OF EXTERNAL PUBLIC AND PUBLICLY GUARANTEED DEBT SERVICE

Considering the period 2014/15-2018/19, the debt service has been increased by 17 percent or around Frw 8.9 billion on average for each year and will doubled next fiscal year (2019/20) compared to 2014/15 fiscal year. The average for five years shows that multilateral debt service represents the largest portion with 44 percent followed by Commercial debt service with 37 percent and Bilateral debt service with 19 percent. In 2014/15, the commercial debt service is the highest with 44.3% but after the trend shows a decrease of shares for around three percent every year.

Generally, the principal payment is higher than interest payment but in the case of Rwanda, the interest payment is bigger than principal payment began in 2013/2014 after issuance of euro-bond. After receiving HIPC debt relief and MDRI written off, the majority of the old loans were treated under these arrangements, so the remaining existing loans in that period were new; in this context the majority of multilateral creditors provide a grace period of 10 years and the Euro-bond is bullet payment maturing also after 10 years, so this is why we pay more interest than principal. During the period, principal has increased slowly but progressively due to the expiration of grace period for some loans and starting their repayment.

FIGURE 4: EVOLUTION OF EXTERNAL DEBT SERVICE



SOURCE: MINECOFIN, JUNE 2019.

3.2. DOMESTIC PUBLIC DEBT PORTFOLIO ANALYSIS

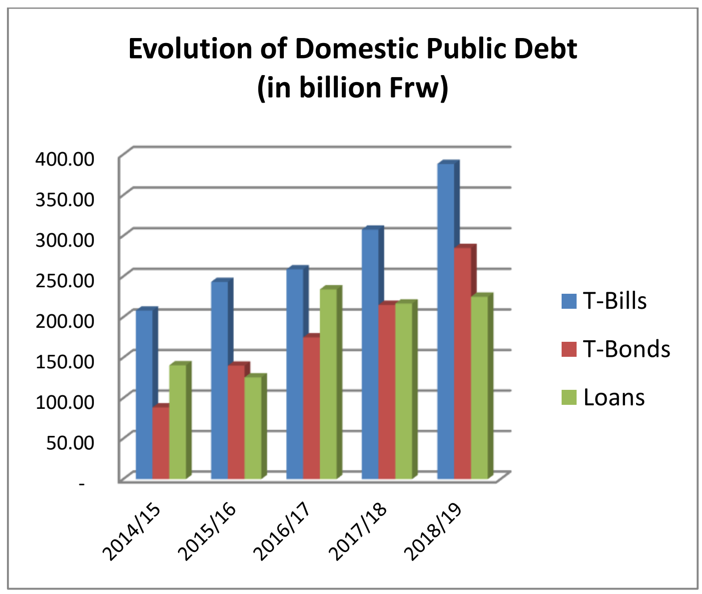
3.2.1. EVOLUTION OF DOMESTIC PUBLIC DEBT STOCK

Before 2014/15, the major source of domestic financing was Treasury bills issuance. The government of Rwanda has decided in 2014/15 to implement its debt policy on developing the capital market by increasing long term debt securities (treasury bonds) issuance.

The graph below shows the increasing trend of treasury bonds from 88.5 billion Frw as end June 2015 to 285 billion Frw as estimated end June 2019, a significant increase of 222 percent(around 49.1 billion Frw every year on average)which is explained by quarterly bond issuance and reopening mechanism which begun in 2017/18.

The stock of treasury bills has been also increased from Frw 207.9 billion as of end June 2015 to Frw 388.3 billion, an increase of 87 percent explained by the cash flow needs. The increase of loans is mainly explained by formal loans contracted by different states owned enterprises.

FIGURE 5: Evolution of Domestic Public Debt (in billion Frw)



SOURCE: MINECOFIN, JUNE 2019.

3.2.2. DOMESTIC PUBLIC DEBT COMPOSITION BY MATURITY

The chart below shows a repartition between short and medium and long term maturity for domestic public debt stock. At the aggregate level, it shows that there is a predominance of long term debt (57 Per cent against 43 Per cent for short debt) which is in line with our debt policy.

FIGURE 6: Domestic Public debt by Maturity as of end June 2019

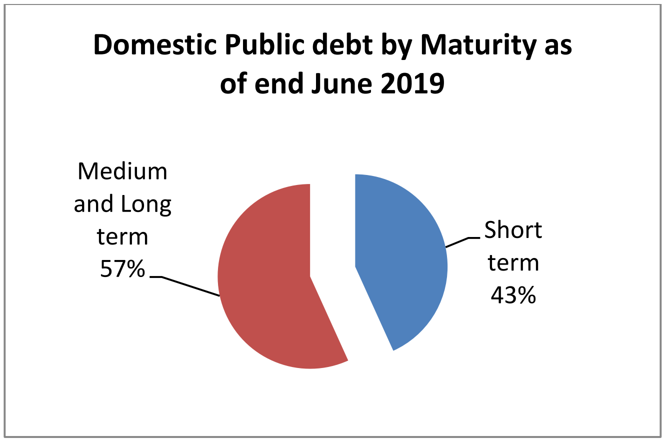
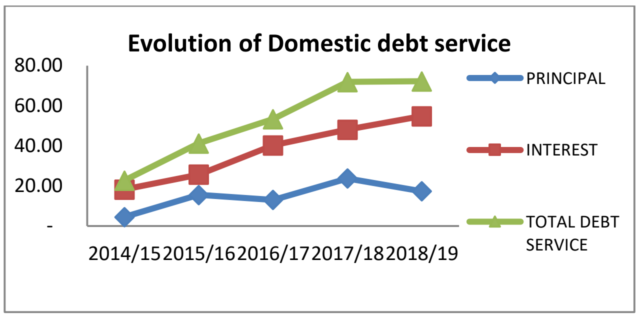


FIGURE 7: EVOLUTION OF DOMESTIC DEBT SERVICE



***S*OURCE: MINECOFIN, JUNE 2019.**

***S*OURCE: MINECOFIN, JUNE 2019.**

3.2.3. EVOLUTION OF DOMESTIC DEBT SERVICE

The graph below shows that domestic debt service has been increase significantly from Frw 22.8 billion in 2014/15 to reach Frw 72.2 billion in 2018/19, an increase of 217 percent of five years' period. The high increase is explained by regular new issuance and reopening of treasury bonds, which is costly, compared to treasury bills. As the policy is to rollover all matured debt securities (treasury bills and treasury bonds) for helping the market to have tradable debt securities regularly; consequently, interest paid is greater than principal paid.

4. DEBT SUSTAINABILITY ANALYSIS, MACRO AND MARKET ENVIRONMENT

4.1. DEBT SUSTAINABILITY ANALYSIS

The Public debt sustainability is the ability of a country to service its debt obligations as they fall due without disrupting its budget implementation. The Rwanda's Government through the Ministry of Finance and Economic Planning endeavors to maintain public debt and obligations at sustainable levels in line with Public Finance Management (PFM).

In the current Debt Sustainability Framework (DSF), Rwanda is rated a strong policy performer using the IMF's Country Debt Carrying Capacity or Composite Indicator (CI) index (3.25 greater that cut off value of 3.05) and being a lower income country its public debt sustainability is subjected to a threshold of 70 percent of PV of Total Public Debt/GDP.

An updated latest Debt Sustainability Analysis (DSA) conducted in May 2019, suggested continued low risk level of debt distress to the external debt and total public debt indicators. Public Debt burden indicators remain below risk thresholds, except for a short and temporary breach of debt service indicators in 2023, when the Eurobond issued in 2013 matures.

A. BACKGROUND

Rwanda's public and publicly guaranteed debt has increased over the recent years since 2006 HIPC, to support scaling up investment projects, while maintaining a low risk of debt distress. Rwanda's total public and publicly guaranteed debt stock amounted 53.1 percent of GDP as of end December 2018 compared to 48.9 percent in 2017.

An increase of 4.2 per cent of GDP attributed to projects and budget loans from multilateral (69 per cent), bilateral donors (10 per cent) and commercial loans (21 per cent) including large scaling up projects guaranteed by Government and contracted by SOE's, domestic loans and debt securities from local and foreign market participants. This is in addition to lower nominal economic growth denominated in 2018.

B. DEBT ASSUMPTIONS

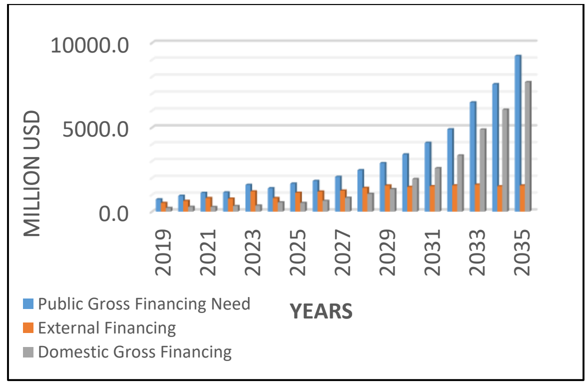
Rwanda's current DSA covers external and domestic central government debt and State Owned Enterprises guaranteed external and domestic loans. Loans from extra budgetary funds (eg: hospitals), long term central bank financing of the government and state-owned social security fund are not yet covered while the survey is planned to be conducted.

Over the DSA medium term, the overall deficit (including grants) will rise to 6 per cent of GDP in 2019/20 but thereafter decline to 5.5 per cent of GDP in 2020/21 and further to 5.2 per cent of GDP in 2021/22 in line with the deficit ceiling anchor policy. This will be implemented to support spending for implementation of Rwanda's National Transformation Strategy (NST)

This Financing will Remain supported by official bilateral (22.2 per cent of total financing) and multilateral (70.8 Per cent of total financing) partners in the medium term but to shift moderately to Financing mix, assumed to shift gradually away from concessional financing to market-based financing, as income of the economy levels rise. Then, in the long term, Financing will shift from external to domestic financing. Net domestic borrowing will increase with a gradual lengthening of maturities, as Rwanda intensifies efforts to develop the sovereign bond market through different mechanisms like reopening. Note that the average nominal interest rate will increase to 11 percent as the government shifts to longer maturities.

Debt servicing will also be higher than in the past due to existing repayments (US$ 2.1 billion until 2023) together with additional commitments attributed to additional new borrowings (US$ 1.1 billion from 2019 to 2023) mostly increased by new domestic debt, but will still remain well within sustainable levels, given the projected macroeconomic outlook. However, a repayment risk does arise in 2023, when the principal on the Eurobond falls due (400 Million USD such that 40.8 per cent of completely yearly debt service).

FIGURE 8 : Medium term Public Gross Financing.



SOURCE: MINECOFIN, 2019

C. MACRO ASSUMPTIONS

Change in the macro economic assumptions may affect the realization of the objectives specific to Debt Sustainability. For example, underperformance of revenues may influence the funding need and therefore increase the need for borrowing which may increase the cost of debt servicing depending on the financing option taken by Government.

Rwandan economy recorded a good performance in 2018 with growth of 8.6 per cent over the year, 1.4 per cent higher than the 7.2 per cent initially projected. This is attributed with realized growth of 10 per cent in industry sector, which accounted for 16 per cent of the total GDP. The projected macro assumptions used in the DSA are consistent with the current macro framework.

Economic Growth: over the medium -term real GDP is projected to grow at around 8 percent through 2023 consistent with PCI macro framework, declining to 7.4 percent by 2027, and to 6.9 percent by 2039. This is slight lower revision compared to projections estimated in the previous DSA conducted in 2018 (8.1 Percent of GDP). This is a more conservative growth approach

Consistent with public investment growth driven primarily by the construction of new airport and fiscal path that allows for more spending to reach the NST goals.

Fiscal Sector: Regarding revenue collections including grants, these are projected to increase by 9.9 per cent of GDP over the medium term lower than projected in the previous DSA 2018 and revenues collected as of end 2018. This Gradual rise in domestic revenues reflect the countries' commitment to raise domestic revenue collection efforts. However, the DSA assumes a tapering of external assistance (Grants) from development partners over the medium term projection period (1.3 percent growth lower than 20.8 percent growth in 2018).

On the other side, continuation of on-going expenditure prioritization measures is expected in the near term to allow total outlays to decline from 11.9 per cent of GDP to 11.7 per cent of GDP between 2019 and 2021. In the medium term (2019-2023), the DSA assumed a slight increase of total spending envelope compared to 2018, but conservative compared to the previous DSA that assumed total spending increase by 13.6 percent. This consistent with the new fiscal anchor to increase spending to finance the larger financing needs under NST1 but keeping public debt at sustainable level.

Reflecting these policies, the overall deficit (including grants) will rise to 6 per cent of GDP in 2020 but thereafter decline to 4.8 per cent of GDP in 2021 and further to 3.6 per cent of GDP in 2022 and 2023. This result to the medium term fiscal deficit (4.6 Percent of GDP) assumed to average slightly below the 5.5 percent of GDP ceiling.

External Sector: In the medium term, the current account deficit is expected to slightly deteriorate from 9.1 percent of GDP to 10.6 and 9.9 per cent of GDP respectively in 2019 and 2020, due to expected higher imports for Bugesera International Airport for construction projects in general, and later reduce to 8.1 per cent of GDP in 2021 after completion. However, exports of goods and services is expected to continue increasing steadily (10.6 percent on average during 2019-2023), in line with historical rates (12.1 per cent 2015-2018). This is the result of policies regarding strategic public investments and export promotion as well as development plans.

Public and private investment: these are expected to grow respectively by 9.3 and 13.8 percent over the medium term, due to additional government spending and increase in foreign direct investment both under NST1.

TABLE 1: **MACROECONOMIC INDICATORS IN THE MEDIUM TERM**

	2018	2019	2020	2021	2022	2023	M&LT AVERAGE Growth
KEY MACRO PROJECTIONS (Percent of GDP unless otherwise indicated)							
Real GDP	8.6%	7.8%	8.1%	8.2%	8.0%	7.5%	8.0%
Revenues and Grants	25.1	23.1	21.9	21.6	22.1	21.6	9.9%
Primary Expenditures	27.5	28.1	27.9	26.4	26.9	27.1	12.8%
Primary Deficit (%GDP)	2.4	3.8	4.6	3.5	3.6	3.6	3.8
Overal Budget deficit	3.6	5.0	6.0	4.8	3.6	3.6	4.6
Exports of goods and services	24.9	23.5	22.7	22.4	21.8	22.1	10.6%
Current account	-9.1	-10.6	-9.9	-8.1	-7.0	-5.5	3.4%
Public Investment	8.8	8.8	8.4	7.9	7.4	7.4	9.3%
Private Investment	13.6	13.5	13.1	11.8	14.0	13.7	13.8%
Memorandum Items							
Exchange rate (Depreciation)	4.0%	5.0%	4.5%	4.5%	3.0%	3.0%	
Norminal GDP (Billion Frw)	8189	9200	10441	11867	13460	15197	

SOURCE: MINECOFIN, 2019

D. DEBT SUSTAINABILITY RESULTS

Rwanda's level of public and publicly guaranteed debt in present value terms remains rated at low risk of debt distress despite an increase of 1.1 per cent in its stock of debt from 27.9 Per cent of GDP in 2017 to 29 Per cent of GDP at end 2018.

While, Rwanda's PV of debt-to-GDP stood at 29.0 percent as of end 2018, the PV of debt service-to-exports stands at 4.0 percent in 2018, but to increase sharply to 20.7 percent in 2023—the year of Rwanda's Eurobond repayment—with the potential for breaches particularly in the event of an exchange rate or other external shock. This is in additional to a temporally breach under the debt service to revenues with PV of debt service to revenues of 26 per cent of revenues.

TABLE 2: **Debt Sustainability Indicators, per May 2019 DSA**

Indicators	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	***Threshold***
PV Debt to GDP	29.0	31.9	34.2	35.8	38.2	40.3	39.8	***55***
PV Debt to exports	135.2	150.6	160.0	161.9	171.3	173.1	166.5	***240***
PV Debt service to Exports	4.0	9.0	11.1	14.1	9.8	20.7	9.4	***21***
PV Debt service to Revenues	4.3	10.5	13.2	17.1	11.9	26.0	12.0	***23***

SOURCE: MINECOFIN, MAY 2019

4.2. MARKET ENVIRONMENT IN THE MEDIUM TERM

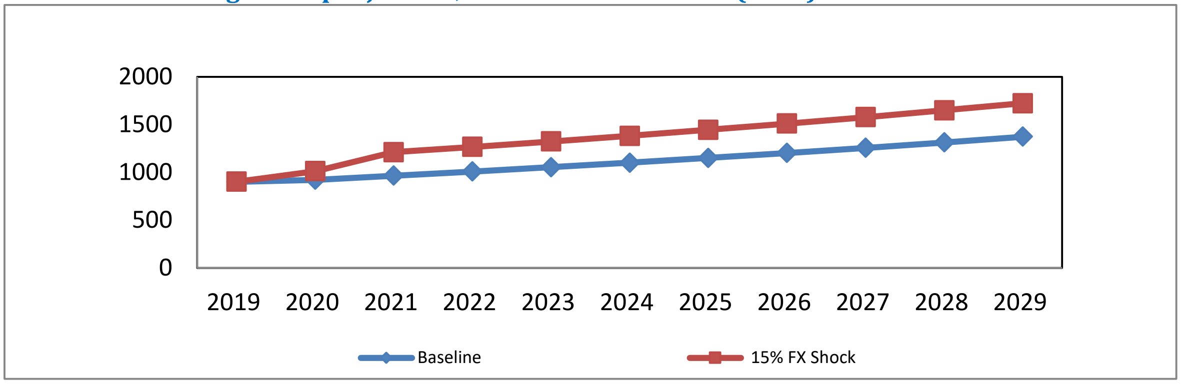
A. Exchange Rate Developments in the medium term

During FY2018/19, The BNR Monetary Policy Committee (MPC) decided to reduce the Key Repo Rate-KRR to 5.0 per cent compared to 5.5 Per cent in the same previous year in line with the review of the outcome of its previous decision as well as the recent economic developments, especially the ease in inflationary pressures, stability of the Frw exchange rate and still weak aggregate demand.

Based on the recent stabilizing of currency depreciation, Rwanda's exports performance, and the overall world economic outlook, the strategy assumed depreciation against USD of 4.8%, 4.6%, and 4.5%, respectively, in the next consecutive three years consistent with latest review under PCI program with IMF. The strategy models the impact of two possible depreciation shock scenarios: first, an additional 10% and second, an additional 15% against the baseline over the MTDS period. In particular, we consider the potential for a shock arising in 2021 reflecting pressures arising from the Kigali Convention Centre repayment date.

In the medium term, Exchange rate policies will focus on a market driven exchange rate, which enables to adjust freely the shocks of external trade balance deficit. In 2019, exchange rate pressures will be moderate considering the Balance of Payments forecast. This will reduce inflationary pressures and allow BNR to continue to support the market.

FIGURE 9: **Exchange rate projection, Baseline and Shocks (15%)**



SOURCE: BNR, JUNE 2019. MINECOFIN, MEDIUM-TERM DEBT STRATEGY TOOL, JUNE 2019

B. Interest Rate Developments in the medium term

Through FY2018/2019, the money market interest rates were a bit stable given liquidity conditions and the accommodative stance on monetary policy by the BNR with the key repo rate falling. The weighted normal rate of T-Bills decreased from 5.8% at end June, 2018 to 6.6% by the end May, 2019.

It is expected that in the medium term, price-based monetary policy implementation would make money market rates more stable and predictable, a condition conducive to developing financial markets further and strengthening the monetary transmission mechanism. The BNR undertook steps to implement preconditions to move to interest-based monetary policy framework, especially those related to management of liquidity and policymaking processes. To date, the interest rates of Rwanda's debt portfolio are fixed to all instruments except to ADB/IBRD and 1 to 6 months Treasury bills.

TABLE 3: **Interest rate 2014-2019**

	Jun-14	**Jun-15**	**Jun-16**	**Dec-16**	**Jun-17**	**Dec-17**	**Apr-18**	**May-19**
Key Repo Rate (%)	6.5	6.5	6.5	6.24	6.0	5.5	5.5	5.5
T-Bills Rate (Weighted avg %)	5.6	4.1	7.3	9.0	8.8	7.1	5.8	6.1
Deposit Rate (%)	8.6	8.8	7.9	8.0	7.9	8.7	8.2	7.8
Lending Rate (%)	17.5	17.3	17.0	17.2	16.8	17.2	16.8	16.9

SOURCE: BNR, JUNE 2019

5. ANALYSIS OF COSTS AND RISKS IN THE PUBLIC DEBT PORTFOLIO

Rwanda's overall cost and risk indicators remains stable despite the increase of debt stock both in norminal and relative terms. This is explained by the predominance of concessional external loans whose characteristics are fixed and low interest rates, with long grace periods and maturities.

Table 2 below presents standard risks indicators, which are normally included in the MTDS framework. This includes interest rate risks, exchange rate risks, and refinancing risks.

TABLE 4: **Cost and Risk Indicators for Existing Debt as at end-2019**

Risk Indicators		June, 2018 External Debt	Domestic Debt	Total Debt	June, 2019 External Debt	Domestic Debt	Total Debt
Cost of debt	Interest payment as % GDP	1.1	0.7	1.8	1.2	1.0	2.2
	Weighted Av. IR (%)	2.9	7.1	3.7	2.9	10.8	4.4
Refinancing risk	ATM (years)	14.1	2.3	11.9	13.3	2.1	11.2
	Debt maturing in 1yr (% of total)	1.9	47.3	10.3	4.7	61.7	15.0
	Debt maturing in 1yr (% of GDP)	0.7	4.3	5.1	2.0	5.7	7.7
Interest rate risk	ATR (years)	13.6	2.3	11.5	12.7	2.1	10.8
	Debt refixing in 1yr (% of total)	12.8	47.3	19.2	15.3	61.7	23.7
	Fixed rate debt (% of total)	88.0	100.0	90.2	86.9	81.2	85.9
FX risk	FX debt (% of total debt)			81.5			81.8
	ST FX debt (% of reserves)			5.4			14.0

***S*OURCE: MINECOFIN, Medium-Term Debt Strategy Tool, JUNE 2019**

5.1. ANALYSIS OF COSTS OF EXISTING PUBLIC DEBT PORTFOLIO

As of End-June 2019, total public debt interest payments as a share of GDP increased by 0.4 Per cent compared to end June 2018 from 1.8 Percentage of GDP to 2.2 Percentage of GDP, out of which over 55.1 Per cent is interest Payments on External debt and over 32.1 Per cent is interest payments associated with domestic debt securities.

Domestic debt interest payments account for 1.0 Per cent of GDP and have increased from 0.7 Per cent of GDP at end- June 2018 as a result of new issuance of Treasury bills (which increased by Frw 112 billion), new issuance and reopenings of treasury bonds (which increased by Frw 79billion) and State owned enterprises debts (KCC, Marriot and Bugesera).

However, it is important to mention that the magnitude of the increase of interest payment as a share of GDP was offset by two main factors: central bank's decision to reduce the policy rate from 5.5% to 5%) and the projected increase of 8.8 Per cent Nominal GDP.

External interest payments have increased by 0.1 Per cent of GDP equivalent to USD 9.7 million mainly attributed to IDA interest loan repayment as well as the depreciation of Frw against the USD by 2.9 Per cent.
Over the same period, the weighted average interest rate on the total public debt portfolio is projected to rise to 4.4 percent of GDP, up from 3.7 percent. The weighted average interest rates on external and domestic debt portfolios are at 2.9 per cent and 10.8 percent, respectively.

The main factors that contributed to this increased weighted average interest rate are ADB interest payments at variable rate (increased the implied rate by 3.07 per cent), treasury bonds interest payments due to reopening mechanism of existing bonds portfolio, then sharp increases in state owned enterprises payments such as higher interest payments for Kigali convention center, Bugesera and Marriot that are due in the first year projection that is 2019-2020.

5.2. ANALYSIS OF RISKS OF EXISTING PUBLIC DEBT PORTFOLIO

Risk is the probability that future realized debt service (based on outstanding stock) would deviate from current projected debt service. For example, changes in market conditions such as an increase in interest rates, maturity and currency depreciation.

This medium term debt Strategy analyzes three major risks in the public debt portfolio: refinancing risk, interest rate risk and foreign currency risk.

5.2.1. REFINANCING RISK

Managing refinancing risk is a bigger challenge when interest rates worldwide start moving up and inflows to emerging markets subside. Floating rate, foreign currency and short-term debt can pose risks for refinancing debt as cost gets higher. Moreover, the expected volatility associated with the increasing interest rates should make the timing of accessing international markets more critical.

The key indicators for refinancing risk are Debt maturing in one year as a percentage of total debt, Average Time to Maturity (ATM) and Debt maturing in one year as a percent of GDP. The average time to maturity (ATM) of the entire portfolio, projected as at end June 2019, stands at 11.2 years from 10.9 years the previous year.

As of end June 2019, the weighted average time to maturity (ATM) for external debt is projected to reduce to 13.3 years compared to 14.1 years over the same time period last year. On the other hand, despite treasury bonds reopening mechanism that is supposed to lengthen the maturity profile of domestic debt portfolio, the weighted average time to maturity (ATM) for domestic debt is projected to reduce slightly from 2.3 years to 2.1 years as of end June 2019.

The decline in external ATM is attributed to the stock of KCC Afrexim and Bugesera bridge loans which are maturing within the next consecutive 3 years.

One of the specific debt management objectives is to reduce the refinancing risk embedded in the domestic debt portfolio due to a considerable share of short-term instruments. Refinancing risk is more pronounced for domestic debt due to the large share of outstanding short-term T-bills that increased by Frw 112 billion compared to last year. As a result, close to 43.2 Per cent of public domestic debt will come due in FY 2019/20 and will have to be re-financed. This is in addition to the SOE's loans maturing in the same FY 2019/20 like Bugesera bridge loan domestic debt and Marriot.

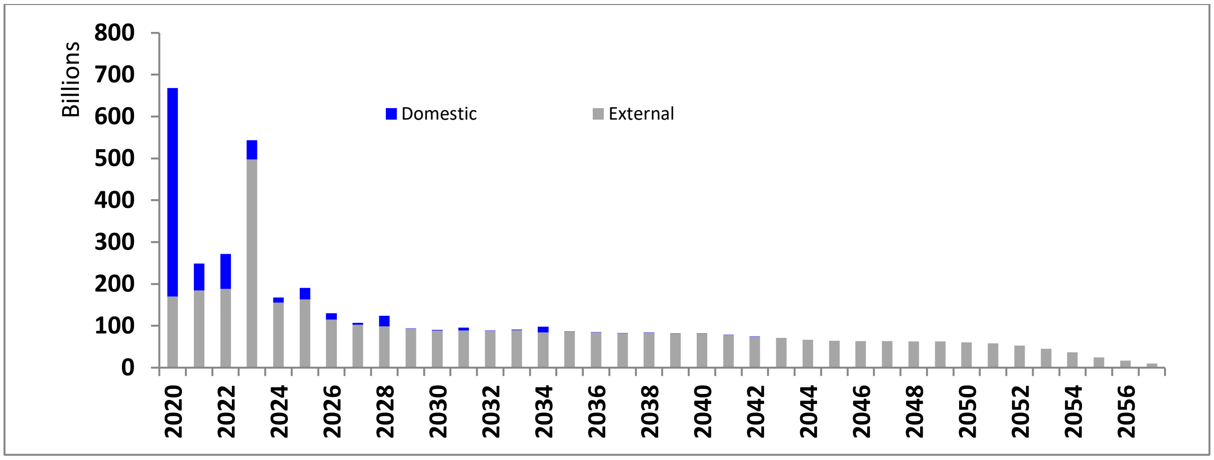
The redemption profile is another measure of refinancing risks exposure of the debt portfolio. This sharp repayment profile indicates a high liquidity risk over the next four years, due to repayment of existing commercial debts as well as multilateral loans, which are closer to end of their grace period, contributes to higher repayment pressure in the next five years.

The Treasury will have to service or roll over the existing commercial payments as well as its more traditional multilateral and bilateral debt service commitments.

Figure 2 describes the magnitude of total amortization payments and, thus, captures the refinancing risk in terms of debt maturing in FY 2019/20. The latter amounts to Frw 672.2 billion. Domestic debt will account for Frw 498.1 billion or 74.1 Per cent of the total amortization profile in FY 2019/20, while external debt will amount to 25.9 Per cent.

That said, the redemptions from existing debt in Figure 2 also demonstrate gradually smooth repayment profile as a result of government effort to reduce short term maturities.

FIGURE 10: **Redemption profile, end-FY 2018/19 (Billions Frw)**



SOURCE: MINECOFIN, MEDIUM-TERM DEBT STRATEGY TOOL, JUNE 2019.

5.2.2. INTEREST RATE RISK

Over the last decade, African countries have had the possibility to borrow in commercial market as investors were seeking high yields. However, debt levels have reached same levels as the pre-HIPC, and have raised debt sustainability concerns. In addition to market access, traditionally developing countries which have relied on loans and grants to finance development were faced with hardening of financing terms (including interest rate) due to both Global and European debt crises.

Interest rate risk is commonly assessed by Average Time to Re-fixing (ATR), Debt refixing in one year (Percent of total), and Fixed rate debt (Percent of total).
Rwanda's total public debt portfolio is entirely dominated by loans with fixed interest rates (85.9 Per cent of total). This implies that only 14.1 per cent of the portfolio is composed of variable rate debt from ADB/IBRD instruments and 1 to 6 months' treasury bills maturing within the same fiscal years. Overall, Rwanda's debt portfolio is insulated to risks related to variable interest rates with the average time to re-fixing of 10.8 years.

As Rwanda graduates from highly concessional lending sources, the portfolio could be subject to more variable interest rates, which could increase the risk and complexity of the debt portfolio.
The Average Time to Refixing (ATR) for the total public debt portfolio reduced from
11.5 years in June 2018 compared to 10.8 years at end June 2019. This is due to a shortening of the maturity profiles of the ATR external debt from 13.6 years to 12.7 years. On the other hand, ATR for domestic debt is also projected to reduce slightly (0.2 years) in line with the same shortening of the average time to maturity years during the period under review.

Assuming all factors remain constant, the Government has a low exposure to interest rate risk for external debt. This is primarily attributed to the large share of concessional loans in the external debt portfolio. However, 56.8 Per cent of domestic public debt stock is due within one year, exposing the domestic debt portfolio to significant interest rate risk.

The ATM and ATR external debt portfolio is not equal because the ATM considers the maturing repayments (with fixed and variable rate) at its time of repayments while ATR external considers total future variable repayments to be re-fixed within the first year of projection. Therefore, for our domestic debt portfolio (with only 6 months T-bills at variable rates), ATM and ATR should be equal because it is repaid and refixed in the first year of projection, which is also the year of maturity.

5.2.3. EXCHANGE RATE RISK

The share of foreign currency debt as a percent of total debt and short-term foreign currency denominated debt, as a percent of reserves indicate the extent of the exchange rate risk embedded in any public debt portfolio.

Forex risk in most developed countries is somewhat managed through maximizing funding in local currency. As opposed to advanced countries, forex risk in least developed countries constitutes a challenge, because a large share of the debt portfolio is denominated in foreign currency.

Since end 2014, the foreign exchange (forex) market in Rwanda deteriorated, due to USD dollar appreciation against Frw, leading to less export receipts, high imports, and trends in donor support, which moved away from grants to loans. In addition, the continued strengthening of the US dollar has put pressure on the value of the Rwandan franc. These developments have increased the forex risk exposure of the debt portfolio.

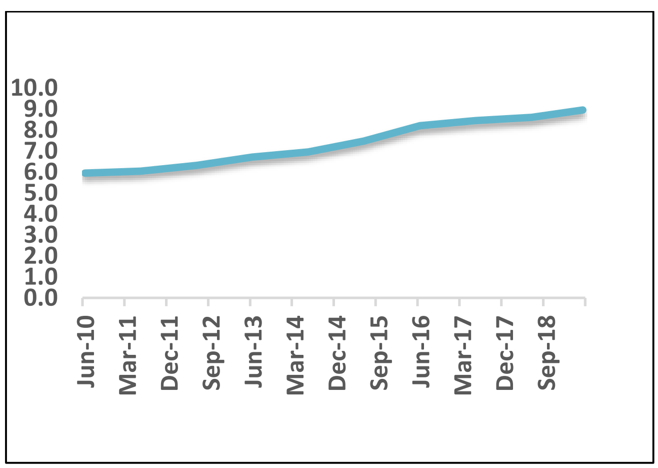
By end June 2019, foreign currency denominated debt is projected to increase to 81.9 Per cent compared to 81.5 Per cent in June 2018, indicating a high share of external debt in the public debt portfolio. This exposes the debt portfolio to exchange rate risk.

The increase in foreign currency denominated debt is mainly attributed to the increased external borrowing to finance the Government's large infrastructure needs in the energy, transport and construction sectors.

That all said, foreign exchange reserve increased by USD 156 million during 2018 from USD 1.16 billion (4.5 months of imports of goods and services) to USD 1.35 billion (or 4.6 months of imports of goods and services) . This current level of foreign exchange reserve gives assurance for servicing next year foreign debt.

In addition, the exchange rate pressures eased with the Frw depreciating against USD at an average of 3.5 per cent in 2018 compared to 6.0 per cent registered in 2017 due to good performance of external sector and efficient implementation of the monetary and exchange rate policy.

FIGURE 11: **FRW/USD Foreign Currency trends FROM June 2010 to FEB 2019**



SOURCE: NATIONAL BANK OF RWANDA, MAY 2019

6. FINANCING ASSUMPTIONS AND STRATEGY SELECTION

6.1. FINANCING ASSUMPTION

The main feature of the present three-year strategy continues to be the combination of both low-cost and prudent risk exposure of the debt portfolio. In order to achieve this combination, the government strives to maintain a low risk of debt distress which is important to keep the access it has to a variety of competitive debt instruments. This strategy will also continue to transition to a smoother domestic repayment profile while developing the domestic capital market.
The overall fiscal deficit (cash basis including grants) is projected to stand at 6.3 percent of GDP on average for the next three fiscal years. This will require both external and domestic borrowing, assumed percent and percent on average respectively.

The predominance of external financing sources in Rwanda's borrowing strategies is consistent with the Rwandan fiscal policy anchor of keeping a low risk of debt distress over the period of the strategy. On the other hand, local currency debt market has been a growing source of funding for the national budget and the private sector. However, its relatively low level compared to external debt, due to the limited size of the market and its high borrowing costs.

External sources of funds accessible to the government include multilateral, bilateral and private creditors, while Domestic debt sources accessible to the government includes financial and non-financial institutions, but also a growing share of retail and foreign investors. The table below sets out the type of loans/securities considered for the design of three alternative borrowing strategies.

TABLE 5: **Financing Assumptions**

Loan Type / Name	Fix / Var	Maturity (y)	Grace (y)	Currency Type	Scope
Concessional					
1. Multilateral					
o/w IDA	Fix	38	6	USD	Although tied to specific projects, and a number of conditionality attached to it, this instrument has the most favorable terms with interest rate below 2 percent.
ADF	Fix	40.0	10.0	USD	
2. Bilateral					
o/w JICA_EXIMKOREA	Fix	40.0	10.0	USD	
Non- Concessional					
1.debt securities					
o/w EURO BOND	Fix	10.0	9.0	USD	This instrument is costly, but not tied to specific projects. The interest rate is market based and takes into account the country's credit worthiness rate. GoR would only consider this instrument to refinance expensive loan and/or high revenue generating projects.
TBILLS< 1 Year	Fix	1.0	0.0	Frw	

TBONDS > 1 Year	Fix	4.0	3.0	Frw	This instrument is costly, but not exposed to forex risk and contributes to domestic capital market development.
2. Guarantees					Sovereign guarantees, may involve fiscal and debt risks, but could be used to support government strategic projects which are profitable for the Economy.
o/w EXT GUARANTEES	Var	8.0	2.0	USD	
DOM GUARANTEES	Fix	8.2	2.0	Frw	

***S*OURCE: MINECOFIN, MAY 2019**

The above instruments were considered during the strategy design process to **ensure that funding plans are achieved while minimizing the possible impact on the costs and risks of the debt portfolio.**

6.2. STRATEGY DESIGN AND DESCRIPTION OF COSTS AND RISKS ASSOCIATED

Overall, all three strategies reveal a higher average time to maturity both for the domestic and external debt portfolio. For domestic debt, the government will continue its plan to tap more into the local currency bond market with the introduction of a 20-year bond instrument. Regarding external debt, the government will attract concessional funding from non-traditional creditors whose lending term are more competitive. Borrowing strategies evaluated as part of the MTDS modelling include:

- **Strategy 1 (S1): "Status quo":** this option is similar to the existing borrowing strategy. It is essentially composed of external concessional financing (70.1% for the first year of the strategy, gradually increasing to 88 percent and 87 percent of new debt for the FY 2020/21 and FY 2021/22 respectively). Domestic borrowing represents a higher share compared to previous fiscal year (29.9 percent against 22.2 percent last year), however, its level is still minimal compared to external borrowing. Cost and risk analysis of S1 reveals that it has a relatively high short term refinancing risk compared to S2 and S3. This is mainly attributed to the level of treasury bills assumed, which is low compared to previous year (12 percent against …. percent in FY 2019/20), but remains high compared to S2 and S3.

- **Strategy 2 (S2):** "Maximize external bilateral concessional": S2 is the cheapest strategy, as it assumes a larger share of external debt compared to S1 (93.2 percent and 97 percent of new debt against 88 percent and 87 percent for the FY 2020/21 and FY 2021/22 respectively), but also a change in the composition of external debt disbursements in favor of bilateral non-traditional lenders like JICA and Exim Korea. The volume and composition effect of S2 design led to a longer maturity of the portfolio on one hand and a higher forex risk exposure on the other hand.

- **Strategy 3 (S3):"** Develop Domestic Debt Market" Unlike S2, which emphasizes on external borrowing, S3 assumes a larger share of local currency bond to deepen the domestic debt market. In addition to the 20-year bond instrument assumed in all strategies, S3 does not include new issuance of treasury bills, which makes its cost the highest of all strategies. However, S3 has the lowest forex risk exposure and a low refinancing risk associated with short-term debt.

The table below sets out the cost and risks indicators associated to the design of the above three strategies.

TABLE 6: **cost and risk analysis of strategies as of end June, 2022**

Risk Indicators		2018	2019	End	2022	
			Current	S1	S2	S3
Nominal debt as % of GDP		51.6	50.7	55.1	55.1	55.3
Present value debt as % of GDP		37.8	38.1	36.0	35.1	37.3
Interest payment as % of GDP		2.0	2.2	1.8	1.8	2.0
Implied interest rate (%)		3.9	4.4	3.8	3.7	4.2
Refinancing risk	Debt maturing in 1yr (% of total)	10.4	13.8	10.2	10.0	10.0
	Debt maturing in 1yr (% of GDP)	5.3	7.0	5.6	5.5	5.5
	ATM External Portfolio (years)	13.6	13.4	16.6	17.0	16.5
	ATM Domestic Portfolio (years)	2.1	2.3	7.7	7.3	8.7
	ATM Total Portfolio (years)	11.7	11.4	15.8	16.2	15.5
Interest rate risk	ATR (years)	11.0	10.9	15.4	15.8	15.1
	Debt refixing in 1yr (% of total)	23.7	22.6	14.9	14.5	14.2
	Fixed rate debt (% of total)	85.4	85.7	94.8	95.0	95.3
FX risk	FX debt as % of total	83.6	81.8	88.7	90.0	83.2
	ST FX debt as % of reserves	7.4	10.3	34.3	34.3	34.3

SOURCE: MINECOFIN, MEDIUM-TERM DEBT STRATEGY TOOL, JUNE 2019.

6.3. 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 keeping a low risk of debt distress status. The best strategy shall also support monetary policies objectives of maintaining a stable inflation while protecting the economy against external shocks.

In this perspective, S2 stands out among all designed strategies, as it is the cheapest and more realistic option to implement. S2 also assumes no new issuance of treasury bills as an effort to reduce the amount of debt maturing in one year and achieve a smoother repayment profile. S1 is similar to S2, at the exception of a higher refinancing risk for short term debt. On the other hand, S3 implementation may not be logistically feasible, given the high cost level that it may have on the treasury.

A set of targets were designed by the debt management unit, to monitor the implementation of S2. The table below displays the evolution of S2 targets since end June 2018 and their convergence towards expected levels by the end of the strategy implementation timeline.

TABLE 7: **Benchmarks**

Risk Indicators		2019	Benchmark End 2022
Nominal debt as % of GDP		50.9	Max.56.8
Present value debt as % of GDP		39.1	Less than 45
Interest payment as % of GDP		2.3	Max.5.0
Refinancing risk	Debt maturing in 1yr (% of total)	13.9	Max. 15.0
	ATM External Portfolio (years)	13.4	Min. 12
	ATM Domestic Portfolio (years)	2.3	Min. 2.5
	ATM Total Portfolio (years)	11.3	Min. 10
Interest rate risk	ATR (years)	10.9	Min. 10
	Debt refixing in 1yr (% of total)	22.7	Max. 25
	Fixed rate debt (% of total)	85.8	Min. 85
FX risk	FX debt as % of total	81.4	Max. 90
	ST FX debt as % of reserves	10.1	Max. 15

SOURCE: MINECOFIN, MEDIUM-TERM DEBT STRATEGY TOOL, JUNE 2019.

6.4. THREATS TO STRATEGY IMPLEMENTATION

The main threats to the implementation of the selected strategy will be primarily connected with:

1. A weaker than expected macroeconomic performance with a lower GDP growth, a low export performance, and a higher-than-expected depreciation and/or inflation. A greater than expected depreciation of the Rwf against major currencies (US dollar primarily), would raise the cost of servicing the existing and forthcoming external debt stock.
2. Liquidity constraints on local currency market may be unfavorable to further develop the domestic market for Government securities. In addition, an alternative inflation development could lead monetary policy interventions to raise the cost of issuing financing instruments.
3. Higher external current account deficits, mainly through increasing trade deficits and a larger current account deficit (resulting from lower official transfers) could adversely impact on the financing needs and contribute to a depletion of existing reserves buffers.
4. Adverse climate or other emergencies (as have already been seen in 2018 with higher rainfall and flooding) could pose higher costs requiring borrowing, while undermining GDP growth and exports projections, further restricting sustainable borrowing limits.
5. The distribution of risks between Public and Private partners in PP partnership
6. The execution of guarantees granted to Public enterprises
7. The risk that government owned enterprises default on their debt obligations

6.5. RECOMMENDATION & STRATEGY IMPLEMENTATION

The consultative committee on debt management(DMC) will continue to act as a forum for the exchange of opinions on the position and prospects of financial markets, and the Treasury's debt management and borrowing plans, both domestically and abroad.

The committee will propose a monthly issuance plan for the FY 2019-20 that will be consistent with the selected strategy S2, and submits the proposals to the Treasury

Management Committee. The DMC is constituted of representatives from the ministry and the national bank of Rwanda, whose role is to review debt financing operations such as: issuance of short and long-term public debt instruments, selection of bonds type and structure, method of sale and marketing of the bonds.

Once approved, the issuance plan will be communicated to the market. The DMC will meet once every quarter or more frequently as needed to monitor the implementation of the issuance plan and propose amendments as necessary.

The government will continue to favor external concessional loans while non-concessional loans will be for profitable and forex generating projects. However, in an environment where concessional funds are becoming more and more limited, and/or terms are becoming less concessional, the government will have to face sophisticated loans structures which may add costs and risks pressure to the government borrowing strategy if not handled properly.

Hence, the Debt Management Unit has elaborated a methodology that will help reveal the real cost of new borrowing proposals. This methodology overcome the weaknesses of the concessionality analysis while taking into account the exchange and floating interest rate developments, as well as the premium price and commitment charges.

With regards to domestic debt, the government is conscious that the well-functioning primary market. The Central Bank will continue to act as front office in implementing the government domestic debt issuance plan, while decision on the final market results or cut-off rates will be approved after prior communication with the debt management unit. Efforts of developing the local currency market will be translated by a 20-year bond instrument that will be launched in the course of FY 2019-20.

The Debt Management Unit will continue working closely with the National Bank of Rwanda to improve awareness and access to primary market of government securities. In the short to medium term, BNR is planning to roll out the electronic subscription (e-sub project) for government securities to increase participation in the government securities' market especially for retail investors.

On communication and awareness, the debt unit will continue working with stakeholders especially BNR, CMA and RSE to conduct roadshows across the country to sensitize people benefits of investing in government securities. Moreover, there will be targeted training workshops specifically on bond reopening as it a new concept in the market and needs hands on skills. Debt Unit and stakeholders are targeting non-bank financial institutions such as insurance companies, pensions and microfinance institutions (MFIs), SACCOs, money market funds (RNIT), brokers and universities. Bond reopening is very critical to achieving bond benchmarking; a process by which some bonds are selected and build up to meet criteria for a benchmark bond, which is a reference bond to which the market take reference. Therefore, bond reopening will facilitate in building a yield curve for our market.

Debt Management Unit will closely work with the Capital Market Authority (CMA Rwanda), and other stakeholders especially in the implementation of the Capital Market Master Plan (CMPP). CMMP aims to set out steps, which will allow the Government to exploit full potential of the economy and to enable Rwanda to play its role as a financial hub within the economy of East Africa.

In the medium term, BNR in collaboration with the Ministry of Finance and other stakeholders plans to put in place the Market Makers framework to boost liquidity in secondary market and facilitate the price discovery mechanism of government bonds. Market making mechanism has the following objectives:

- To build a stable and dependable demand for government securities and broadening the customer base for bonds, thereby reducing the government's market and refinancing risk.
- To lower the government's cost of funding by enhancing price discovery, and providing a market, contributing to the liquidity of the secondary market.
- To help the Government in establishing and executing the debt management strategy, by providing advisory support, improving the authorities' knowledge of the market, strengthening product innovation, and facilitating access to end investors.

Market making also has pre-conditions necessary such as a well-functioning true repo market, short selling and securities lending framework in place. Market makers require incentives from the government in order to properly function.

7. ANNEXES

TABLE 8: Selected MTDS Macro-Market Indicators, FY 2019/20-2021/22

	FY 2019/2020	FY 2020/2021	FY 2021/2022
RWF UNITS			
Revenues and grants	2,208,632,826,400	2,512,407,254,968	2,792,462,371,857
Total primary expenditures	2,668,253,049,864	2,970,182,669,971	3,275,402,145,433
Total expenditures	2,796,781,497,715	3,126,010,823,684	3,452,816,379,584
Total interest expenditure	128,528,447,851	155,828,153,713	177,414,234,152
International reserves (USD million)	1,531,234,030	1,686,359,598	1,682,425,868
GDP	9,820,343,268,860	11,154,121,010,928	12,664,546,854,929
Baseline exchange rate, RWF per USD	922.45	965.06	1,008.49
Primary Deficit	459,620,223,464	457,775,415,003	482,939,773,576
Interest Payments	194,894,784,108	165,977,056,616	148,550,765,783
Interest on Existing Debt	194,894,784,108	165,977,056,616	148,550,765,783
Interest on New Debt	0	0	0
Amortization	672,201,522,027	262,018,116,079	294,089,311,301
Amortization on Existing Debt	672,201,522,027	262,018,116,079	294,089,311,301
Amortization on New Debt	0	0	0
Gross Financing Need	1,326,716,529,599	885,770,587,697	925,579,850,660
Gross Financing Need in USD millions	1,438,250,659.3	917,839,219.0	917,789,229.9
Gross Financing Need to GDP (%)	13.5	7.9	7.3
Primary Deficit (in % of GDP)	4.7	4.1	3.8
Fiscal Deficit (in % of GDP)	6.7	5.6	5.0

TABLE 9: Key Potential Sources of Funding and Financing Strategies

Instrument Nr.	Instrument Type / Name	Fix / Var	For PV calculation, apply discount rate?	Maturity (y)	Grace (y)	Currency Type	Currency (3-letter code)
USD_1	IDA	Fix	Yes	38	6	FX	USD
USD_2	ADF	Fix	Yes	40.0	10.0	FX	USD
USD_3	ARAB FUNDS	Fix	Yes	26.0	8.0	FX	USD
USD_4	EURO BOND	Fix	No	10.0	9.0	FX	USD
USD_5	ADB_IBRD	Var	Yes	20.0	5.0	FX	USD
USD_6	CHINA_INDIA	Fix	Yes	20.0	6.0	FX	USD
USD_7	JICA_EXIMKOREA	Fix	Yes	40.0	10.0	FX	USD
RWF_8	TBILLS-6MONTHS	Var	No	0.5	0.0	DX	RWF
RWF_9	TBILLS-1 YEAR	Fix	No	1.0	0.0	DX	RWF
RWF_10	BNR	Fix	No	15.0	3.0	DX	RWF
RWF_11	TBONDS 7-10YRS	Fix	No	9.0	8.0	DX	RWF
RWF_12	TBONDS 15YRS PLUS	Fix	No	15.0	14.0	DX	RWF
RWF_13	TBONDS 3-5YRS	Fix	No	4.0	3.0	DX	RWF
USD_14	EXT GUARANTEES	Var	No	8.0	2.0	FX	USD
RWF_15	DOM GUARANTEES	Fix	No	8.2	2.0	DX	RWF

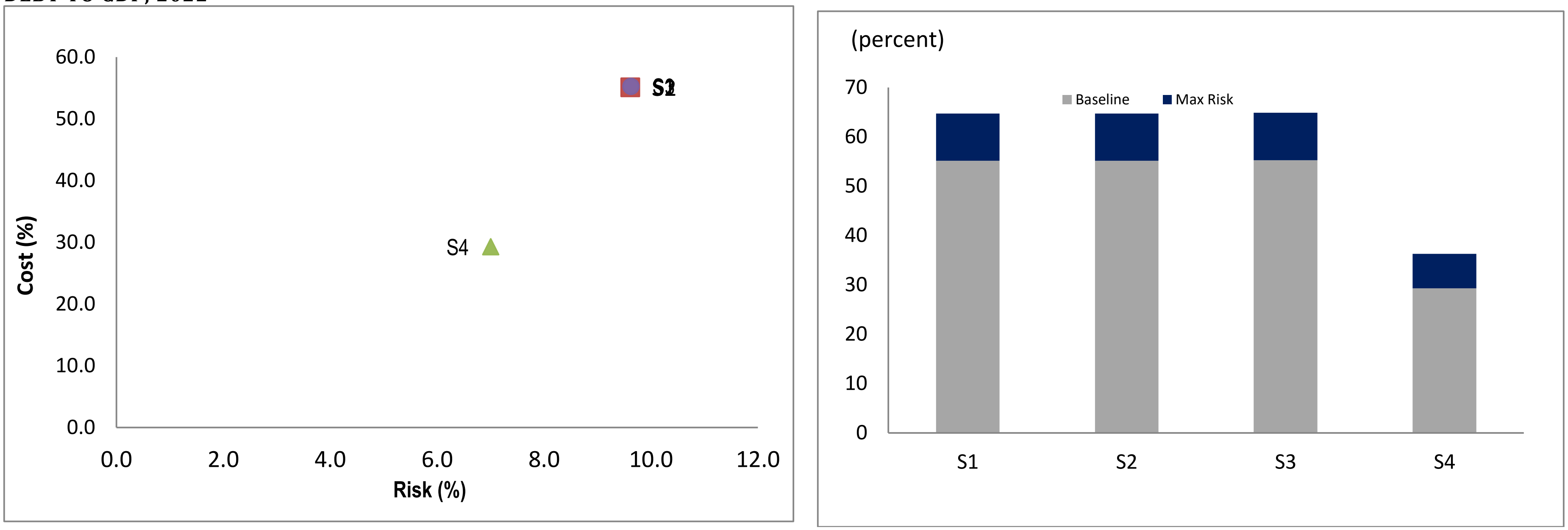
TABLE 10: New GROSS BORROWING Debt by Instrument, as of end 2022 (Percentage & Millions USD)

New debt		S1	S2	S3
IDA	FX	44%	39%	32%
ADF	FX	13%	19%	16%
ARAB FUNDS	FX	9%	7%	6%
EURO BOND	FX	0%	0%	0%
ADB_IBRD	FX	4%	4%	3%
CHINA_INDIA	FX	9%	7%	6%
JICA_EXIMKOREA	FX	2%	10%	7%
TBILLS-6MONTHS	DX	0%	0%	0%
TBILLS-1 YEAR	DX	2%	0%	0%
BNR	DX	0%	0%	0%
TBONDS 7-10YRS	DX	6%	5%	11%
TBONDS 15YRS PLUS	DX	9%	8%	16%
TBONDS 3-5YRS	DX	2%	2%	3%
EXT GUARANTEES	FX	0%	0%	0%
DOM GUARANTEES	DX	0%	0%	0%
External		81%	85%	70%
Domestic		19%	15%	30%
		100%	**100%**	**100%**

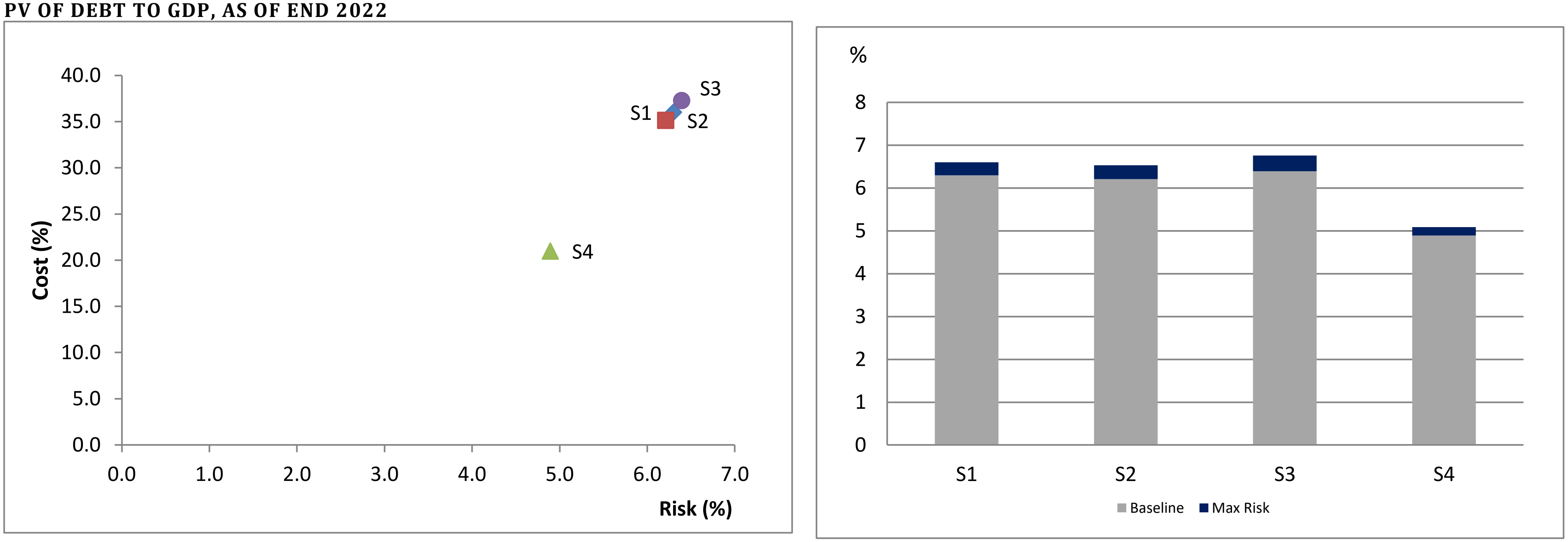
In millions of USD	FY2019	As at end FY2022		
Outstanding by instrument	Current	S1	S2	S3
IDA	1,657,109,716	3,062,145,753	2,870,773,988	2,664,798,710
ADF	658,678,164	1,082,435,815	1,268,577,555	1,161,084,594
ARAB FUNDS	493,999,915	626,381,843	544,524,805	518,983,380
EURO BOND	400,000,000	400,000,000	400,000,000	400,000,000
ADB_IBRD	128,083,623	258,743,741	246,554,055	225,438,915
CHINA_INDIA	282,877,339	517,719,308	459,650,631	435,822,856
JICA_EXIMKOREA	29,007,963	92,782,056	340,770,040	266,357,182
TBILLS-6MONTHS	168,977,549	0	0	0
TBILLS-1 YEAR	251,948,412	15,462,934	0	0
BNR	24,595,880	17,806,997	17,806,997	17,806,997
TBONDS 7-10YRS	89,144,271	266,522,182	236,339,033	411,143,978
TBONDS 15YRS PLUS	21,289,922	306,779,765	264,551,009	517,025,412
TBONDS 3-5YRS	145,971,225	88,185,500	86,413,660	136,052,035
EXT GUARANTEES	399,417,763	99,592,063	99,592,063	99,592,063
DOM GUARANTEES	194,783,105	86,382,264	86,382,264	86,382,264
External	4,049,174,484	6,139,800,578	6,230,443,137	5,772,077,699
Domestic	896,710,365	781,139,641	691,492,962	1,168,410,685
Total	**4,945,884,849**	**6,920,940,219**	**6,921,936,099**	**6,940,488,384**

FIGURE 12: Key Cost and Risk Indicators by Strategy (as of end-2022, %)

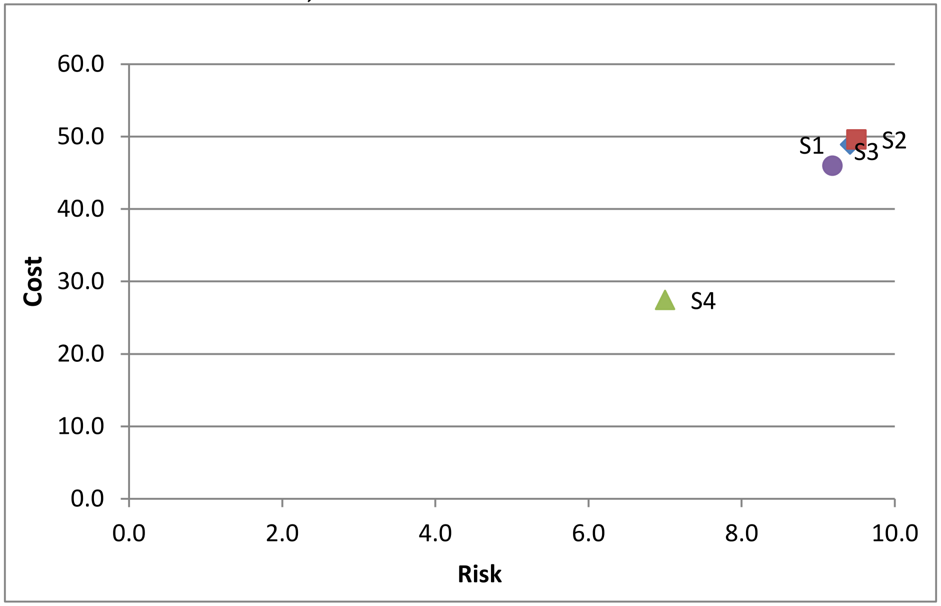
DEBT TO GDP, 2022

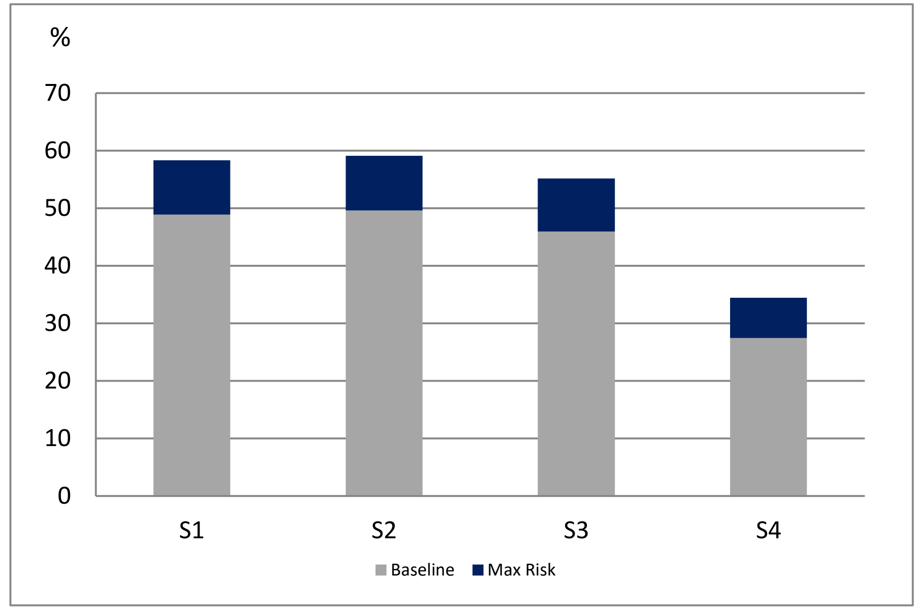


PV OF DEBT TO GDP, AS OF END 2022

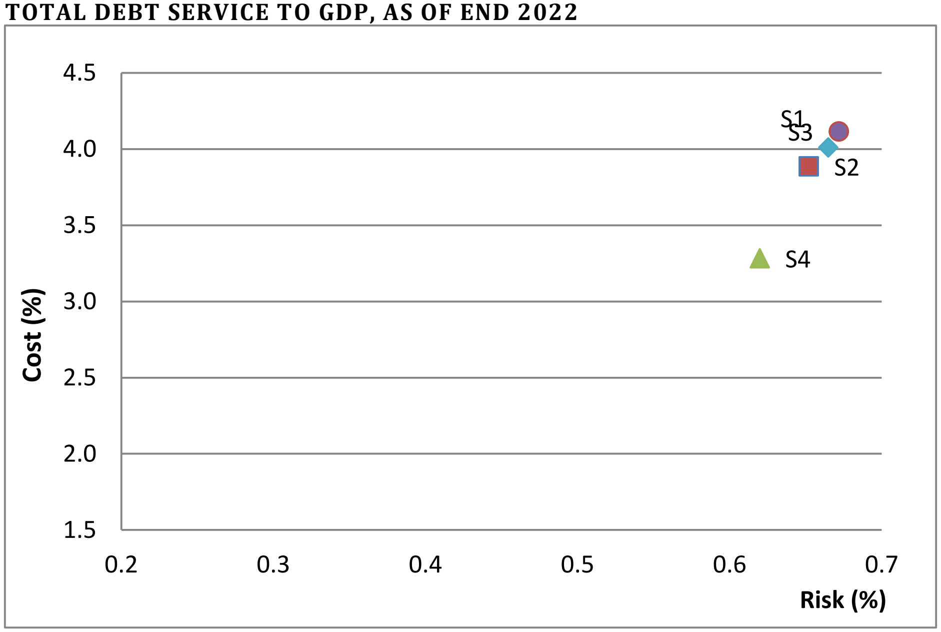


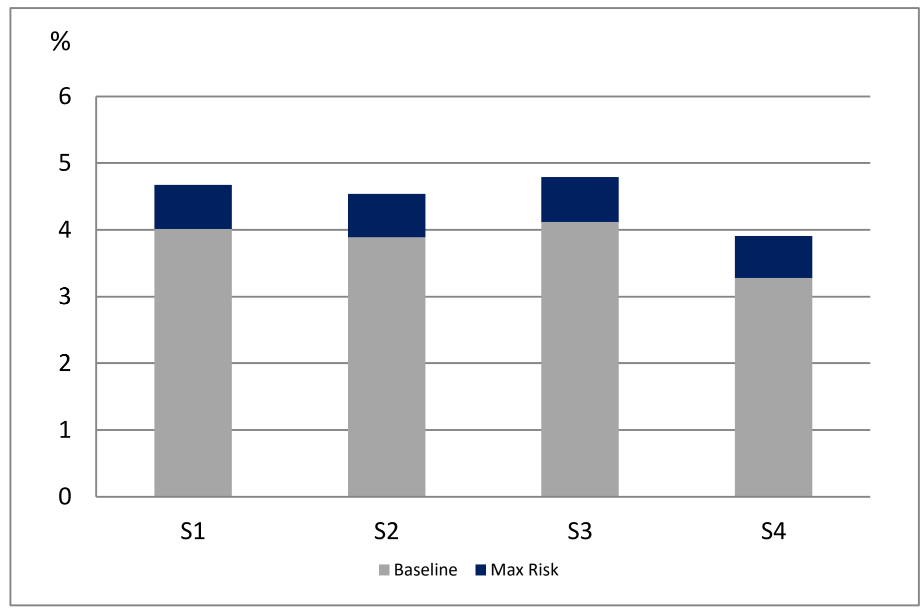
EXTERNAL DEBT TO GDP, AS AT END 2022



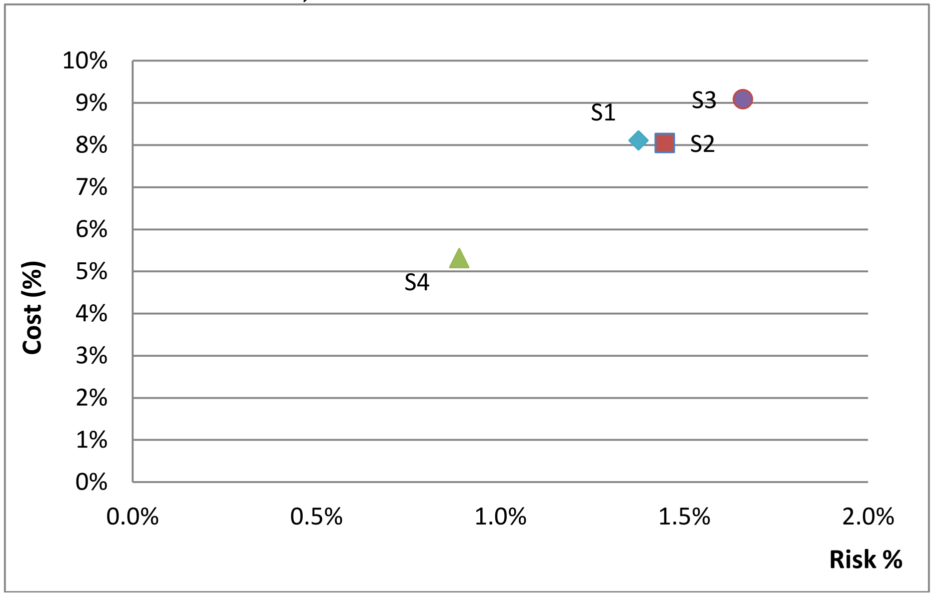


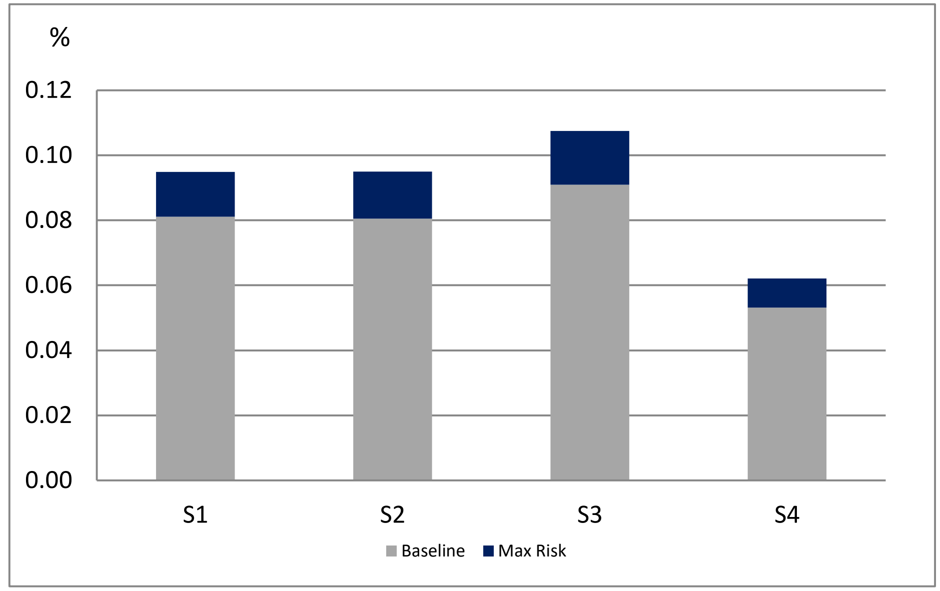
TOTAL DEBT SERVICE TO GDP, AS OF END 2022





INTEREST TO REVENUES, AS OF END 2022





EXTERNAL DEBT SERVICE TO INTERNATIONAL RESERVES, AS OF END 2022