



MINISTRY OF FINANCE AND ECONOMIC PLANNING RWANDA

Debt Directorate- March 2022



Question

How proactive debt management can reduce the risk of default and free up fiscal resources needed to support recovery from the pandemic - (7-10 minutes).



Answer

- ❑ Identifying short-term maturing debt and laying plans for its refinancing or retiring can help free up space and create room for recovery funding.
- ❑ One of the key measures to create more room is the risk trade-off, for example one may decide to convert foreign currency debt into local currency debt to reduce pressure on the external debt vulnerabilities, this will free up external debt space and help to finance recovery plans.



Answer

- ❑ There are also other liability management measures like debt for climate swaps where the debtor may agree with the creditor to use the revenues intended for debt service to implement climate friendly projects which of course will be helping recovery.
- ❑ Based on the sustainability analysis, countries may choose to maximize concessional funding but also invest in revenue/forex generating projects which may help in re-investment and boost recovery.



Answer

- ❑ Lately green financing has also been proven to be one of the cheapest way to obtain project financing, designing environmental friendly projects can diversify countries' capacity to fund projects and boost recovery.
- ❑ However, Debt transparency, Fiscal discipline and sound macro-economic policy is fundamental to recovery and debt management as a whole.

THANK YOU