

**Rwanda: First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criteria—  
Staff Report; Staff Statement; Press Release on the Executive Board Discussion; and  
Statement by the Executive Director for Rwanda**

In the context of the first review under the three-year arrangement under the Poverty Reduction and Growth Facility and request for waiver of performance criteria, the following documents have been released and are included in this package:

- the staff report for the first review under the three-year arrangement under the Poverty Reduction and Growth Facility and request for waiver of performance criteria, prepared by a staff team of the IMF, following discussions that ended on **February 27, 2003**, with the officials of Rwanda on economic developments and policies. **Based on information available at the time of these discussions, the staff report was completed on May 29, 2003.** The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- a staff statement of **June 13, 2003** updating information on recent developments.
- a Press Release summarizing the **views of the Executive Board as expressed during its June 13, 2003 discussion** of the staff report that completed the review.
- a statement by the Executive Director for Rwanda.

The document(s) listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Rwanda\*  
Memorandum of Economic and Financial Policies by the authorities of Rwanda\*  
Technical Memorandum of Understanding\*

\*May also be included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to [publicationpolicy@imf.org](mailto:publicationpolicy@imf.org).

Copies of this report are available to the public from

International Monetary Fund • Publication Services  
700 19<sup>th</sup> Street, N.W. • Washington, D.C. 20431  
Telephone: (202) 623-7430 • Telefax: (202) 623-7201  
E-mail: [publications@imf.org](mailto:publications@imf.org) • Internet: <http://www.imf.org>

Price: \$15.00 a copy

**International Monetary Fund  
Washington, D.C.**

INTERNATIONAL MONETARY FUND

RWANDA

**First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criteria**

Prepared by the African Department  
(In collaboration with other departments)

Approved by Juan Carlos Di Tata and Matthew Fisher

May 29, 2003

**A three-year Poverty Reduction and Growth Facility (PRGF) arrangement for SDR 4 million was approved on August 12, 2002.** The first tranche of SDR 574,000 was disbursed upon approval. SDR 571,000 will become available following the completion of the first review. As set out in Appendix I, Attachment I, the forthcoming second review is proposed to be linked to performance criteria for end-June 2003.

**Rwandan troops withdrew from the Democratic Republic of the Congo (DRC) following the Executive Board's approval of the new PRGF arrangement.** Following a period of post-genocide stabilization, Rwanda is navigating a complicated political transition. During 2003, this includes the adoption of a new constitution (at end-May), followed by presidential and legislative elections (in November).

**Performance under the PRGF-supported program has been encouraging.** However, poverty is pervasive, and the economy, which remains heavily dependent on rain-fed agriculture and external assistance, is vulnerable to changes in climate and in international developments.

**The 2003 program supports critical operations envisaged under the PRSP—**including the transition to democracy and military demobilization—that are key to Rwanda's future. With the domestic revenue base increasing and ordinary spending in check, the fiscal base is set to move toward sustainability. Major legal and institutional reforms will buttress the administration of public finances. The sale of a major commercial bank will strengthen financial sector soundness. The implementation of actions advised by a recent safeguards mission will strengthen central bank governance. The government's letter of intent (LOI) and memorandum of economic and financial policies (MEFP) are presented in Appendix I.

	Contents	Page
I.	Introduction.....	4
II.	Recent Economic Developments .....	5
III.	The Program for 2003 .....	9
	A. Implementation of the Poverty Reduction Strategy.....	9
	B. Macroeconomic Outlook .....	10
	C. Fiscal Policy and Management of Public Finances .....	10
	D. Monetary Policy and Financial Sector Issues .....	12
	E. External Sector and Program Financing .....	13
	F. Other Structural Issues .....	14
	G. Program Monitoring.....	16
IV.	Staff Appraisal .....	16
 Boxes		
1.	External Current Account Developments .....	7
2.	Debt Sustainability .....	8
3.	Programming Fiscal Objectives.....	11
4.	Structural Conditionality.....	15
5.	Progress Toward the Floating Completion Point Under the HIPC Initiative .....	16
 Figures		
1.	Real GDP Growth, 1996–2003 .....	5
2.	CPI Inflation, January 1999–February 2003.....	5
3.	Real Effective Exchange Rate and Terms of Trade, 1996–2002.....	5
4.	Selected Exchange Rates .....	19
5.	Selected Economic and Financial Indicators, 1995–2003 .....	20
 Tables		
1.	Selected Economic and Financial Indicators, 1995–2005 .....	21
2.	Operations of the Central Government, 2001–05 .....	22
3.	Monetary Survey, 2000–03.....	24
4.	Balance of Payments, 1995–2005.....	26
5.	The Fiscal Impact of the HIPC Initiative, 2001–05 .....	27
6.	External Public Debt and Debt Service, 1995–2005 .....	28
7.	External Financing Requirement and Sources, 1995–2005 .....	29
8.	Indicators of Capacity to Repay the Fund, 1998–2008.....	30

## Appendices

I.	Letter of Intent .....	31
	Attachment I: Memorandum of Economic and Financial Policies of the Government of Rwanda for 2003 .....	33
	Attachment II: Technical Memorandum of Understanding Between the Government of Rwanda and the International Monetary Fund .....	51
II.	Relations with the Fund .....	66
III.	Relations with the World Bank Group.....	69
IV.	Statistical Issues .....	78
V.	Social and Demographic Indicators .....	82
VI.	Work Program—Proposed Phasing of Disbursements Under the PRGF-Supported Arrangement, 2002–05.....	85
VII.	Safeguards Assessment—Summary of Conclusions .....	86
VIII.	Implementation Status of Actions to Strengthen Tracking of Poverty-Reducing Public Spending .....	87

## I. INTRODUCTION<sup>1</sup>

1. In unprecedented circumstances, Rwanda is moving rapidly forward with a program of nation building and economic development. During 2003, this includes the adoption of a new constitution, followed by presidential and legislative elections. Following the withdrawal of Rwandese troops from the Democratic Republic of the Congo (DRC) during September–October 2002, the transition to a peace-oriented economy will be accelerated in 2003, with 28,432 soldiers slated for demobilization and 21,215 ex-combatants scheduled for reintegration. Support to surviving victims of the 1994 genocide and for addressing the mounting HIV/AIDS crisis will be continued, while the authorities proceed with the expeditious implementation of their poverty reduction strategy.

2. During 2002, Rwanda's performance under the Poverty Reduction and Growth Facility (PRGF) arrangement was broadly encouraging. GDP growth exceeded 9 percent; inflation averaged 2 percent; and international reserves rose to over six months of import cover.

3. In December 2000, Rwanda reached the decision point under the enhanced framework of the Heavily Indebted Poor Countries (HIPC) Initiative. The IMF and World Bank have since been joined by other multilateral institutions and the Paris Club in granting the requisite debt relief. Rwanda's efforts to ensure the participation of all remaining creditors in the HIPC Initiative are continuing. However, a number of non-Paris Club creditors have not yet provided firm commitments.<sup>2</sup>

4. Macroeconomic stability and extended debt relief will support Rwanda in implementing its poverty reduction strategy, as presented in the poverty reduction strategy paper (PRSP) of June 2002. A PRSP progress report is expected to be ready by end-June 2003. In support of the PRSP, the current PRGF review targets strengthening revenue mobilization, the administration of public finances, and the health of the banking sector.

---

<sup>1</sup> Discussions for the review were held in Kigali during February 12–27, 2003 by a staff team comprising Kenneth Meyers (head-AMR), Harald Finger (AMR), Iacovos Ioannou (PDR), and Gabriel Di Bella (EP-AMR) and assisted by Abdikarim Farah, Resident Representative in Kigali. Laurean Rutayisire (Alternate Executive Director) attended most meetings. The mission met with the Minister of Finance and Economic Planning (Dr. Kaberuka), the Governor of the National Bank of Rwanda (Mr. Kanimba), various government officials, representative of nongovernmental organizations, and members of the donor community, and it worked closely with an overlapping World Bank team.

<sup>2</sup> The IMF, World Bank, European Union/European Investment Bank, African Development Bank, OPEC Fund, and Paris Club creditors are delivering debt relief. The International Fund for Agricultural Development and Arab Bank for Economic Development in Africa have committed themselves to providing debt relief at the completion point, and the People's Republic of China has agreed to provide debt relief as part of a broad approach to Africa. Firm commitments have not yet been received from the Saudi Fund for Development, the Abu Dhabi Fund for Development, or Libya.

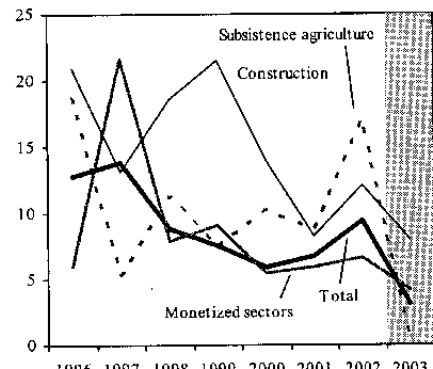
## II. RECENT ECONOMIC DEVELOPMENTS

5. **Real GDP growth in 2002, estimated at 9.4 percent**, was driven by a construction boom and climatic conditions that favored subsistence agriculture (Table 1).<sup>3</sup> Real economic growth in the monetized economy was less forceful (6.6 percent) because, outside of construction, activities increased modestly (Figure 1). Inflation, which averaged 2 percent, ended the year at 6.2 percent, as initially depressed food prices mounted in response to the delayed onset of rains (Figure 2). During 2002, the Rwanda franc depreciated by 12 percent in real terms, reflecting a continuing deterioration in the terms of trade (Figure 3).

6. **Most quantitative and structural performance criteria for end-December 2002 were observed** (MEFP, Appendix I, Attachment I, Tables 1 and 2). Two of the nine quantitative performance criteria for end-December were missed, however, reflecting unanticipated events that occurred late in the year and precluded substantial adjustment by year's end (para. 7, below). In addition, a third performance criterion was missed (para. 10) as a result of an administrative lapse. The authorities request that the nonobservance of these performance criteria be waived. The **structural performance criterion** on the 2003 budget was met, and substantial progress was made on the structural reform agenda (paras. 11–12), although some structural benchmarks, including the monthly communication of data on local government finances were missed due to capacity constraints.

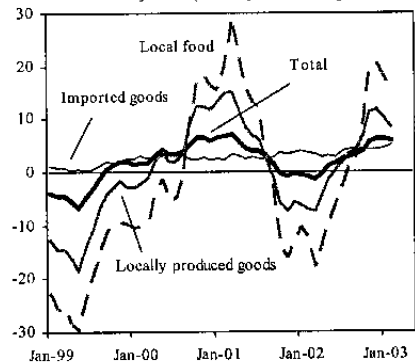
7. **Government finances in 2002 were substantially in line with the program.** However, the rapid withdrawal of Rwanda's armed forces from the DRC during September–October 2002 led to large unanticipated expenditures

Figure 1. Rwanda: Real GDP Growth, 1996-2003 (in percent)



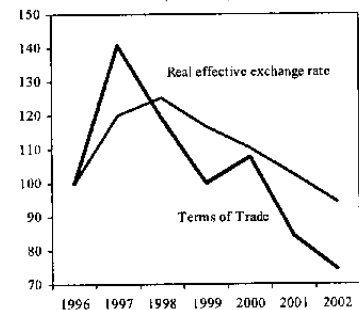
Sources: Rwandese authorities; and Fund staff estimates and projections

Figure 2. Rwanda: CPI Inflation, January 1999-February 2003 (annual percent change)



Source: Rwandese authorities

Figure 3. Rwanda: Real Effective Exchange Rate and Terms of Trade, 1996-2002 (1996=100)



Sources: Rwandese authorities; and Fund staff estimates

<sup>3</sup> Real sector data estimates are preliminary—underlying surveys are neither comprehensive nor up-to-date. However, they appear reliable enough to support a qualitative assessment of developments.

(1.3 percent of GDP). **Excluding these outlays, the performance criterion on the domestic fiscal deficit would have been met.**<sup>4</sup> Domestic revenue increased by 0.8 percentage point of GDP, exceeding the program target slightly, as stronger-than-expected income tax collections more than offset shortfalls in indirect taxes and fee collection for government services (Table 2). Expenditures (excluding outlays for the troop withdrawal) were marginally below the programmed level, and recurrent spending in priority areas (as identified in the PRSP) exceeded the floor set as a performance criterion.<sup>5</sup> However, the performance criterion for the net reduction of domestic arrears was missed because a large payments float emerged following the delay of an IDA disbursement to December 30, 2002. These arrears were cleared at the beginning of 2003.

8. **The performance criteria for reserve money, net foreign assets of the National Bank of Rwanda (NBR) and net credit to government of the banking system at end-December 2002 were met.** However, broad money growth exceeded program targets, as larger-than-projected net foreign exchange inflows to commercial banks were not fully sterilized (Table 3). Implementation of monetary policy, during parts of the year, was uneven—the 12-month growth rate of broad money having risen from 5.7 percent in June 2002 to 15.7 percent in October, with open market and treasury operations from November to early-December 2002 moderating the expansion.

9. **A deterioration (12 percent) in the terms of trade contributed to a further weakening of Rwanda's external balances in 2002** (Box 1). Largely reflecting a fall in international market prices for coffee and coltan, merchandise exports declined by 28 percent (in U.S. dollar terms, Table 4). Although imports were modestly lower than in 2001, the external current account deficit before grants widened by 1.3 percentage points to 17.2 percent of GDP. This deficit was financed by external grants and loans, as well as by bilateral rescheduling of Rwanda's external obligations. With external budgetary assistance exceeding program projections, gross official reserves increased by 0.5 month of imports to the equivalent of 6.3 months of imports of goods and services.

---

<sup>4</sup> The Auditor General is auditing the 2002 troop withdrawal operations as part of the 2002 audit of the Ministry of Defense.

<sup>5</sup> The end-December 2003 performance criterion for the domestic fiscal balance was adjusted upward as a result of the deferral of some demobilization payments (RF 2.5 billion) to the first quarter of 2003. Given this, the performance criterion on the domestic fiscal balance would still have been met, had the demobilization expenditure been made on schedule.

### **Box 1. External Current Account Developments**

A central objective of the current and previous PRGF programs has been the gradual reduction of macroeconomic imbalances, including the large external current account deficit.

In line with this program objective, the external current account deficit (excluding official transfers) declined from 19.3 to 15.9 percent, the lowest level in Rwanda's post-genocide history. This downward trend was reversed in 2002 and prospects for 2003 envisage a further deterioration.

The primary cause for the deterioration in the external current account deficit in 2002 was the decline in export prices. Two of Rwanda's main exports, coffee and coltan, experienced a decline in price by 32 percent and 52 percent, respectively, relative to 2001. These precipitous declines, in conjunction with Rwanda's limited export base (coffee, tea and coltan, accounted for three quarters of total exports in 2002) led to a 28 percent decline in merchandise export proceeds (coltan exports were down by 66 percent and coffee exports by 25 percent).

The deterioration in Rwanda's export prices is not a recent phenomenon. Coffee prices have experienced a continuous decline since 1998 and their level in 2002 is about one-fifth of that of 1997. Similarly, coltan prices have declined by nearly 75 percent since 2000. What is different in 2002, however, is that export volumes have also fallen sharply, by 17 percent. The decline in export volumes in 2002 is largely due to the fall in coltan mining, reflecting developments in the international market.

The impact of the sharp decline in merchandise exports on the external current account has been mitigated by a modest drop in merchandise imports. The reduction in imports is related primarily to the exceptional food harvest which exerted a downward pressure on food imports. Lower import prices also contributed to the decline in the import bill.

Developments in the invisibles account also contributed to the deterioration in the external current account in 2002, mainly because of higher transportation costs. It should be noted, however, that data on services and income are highly tentative.

All in all, Rwanda's terms of trade index registered a 12 percent decline in 2002, on top of a 22 percent decline in 2001. During the last five years, Rwanda has experienced double digit deterioration in the terms of trade in all but one year.

Rwanda's improvement in the external current account deficit over the medium term, in line with program objectives, will be contingent on a noticeable improvement in the terms of trade. Furthermore, unless efforts to expand and diversify the export base yield solid results, Rwanda's external current account will continue to remain susceptible to fluctuations in the terms of trade.

10. **Rwanda's official external debt increased to an estimated US\$1.4 billion in 2002**, given the new borrowing of US\$92 million, including US\$51 million in budget support from IDA (Table 6).<sup>6</sup> New borrowing was highly concessional, in line with the performance criterion set under the program. Thus, the increase in the ratio of the net present value (NPV) of debt to exports (assuming unconditional delivery of assistance at the decision point), to an estimated 197 percent, remained in line with projections made at the decision point (Box 2). The Paris Club agreed to retroactively extend the consolidation period that ended on

<sup>6</sup> Debt statistics quoted in this report, including the NPV of debt-to-exports calculations, are preliminary, pending the completion of an updated debt sustainability analysis ahead of the completion point.



### Box 2. Debt Sustainability

At the time of the decision point, Rwanda's debt sustainability position was recognized as precarious. There was agreement that Rwanda would not be in a position to reach the sustainability threshold of 150 percent at the completion point, as Rwanda's pressing economic and social needs would need to be accommodated. Reflecting this, attainment of the sustainability threshold was envisaged in 2008.

Developments during the interim period have been more or less in line with the projections made at the decision point. Borrowing levels during 2000–02 averaged US\$83 million a year, compared with US\$91 million assumed at the decision point. At the same time, the three-year average for exports of goods and services at end-2002 stood at US\$146 million, compared with US\$144 million projected at the decision point. As a result, the NPV of debt-to-exports ratio at end-2002 is estimated at 197 percent, unchanged from the decision point projection.<sup>1</sup>

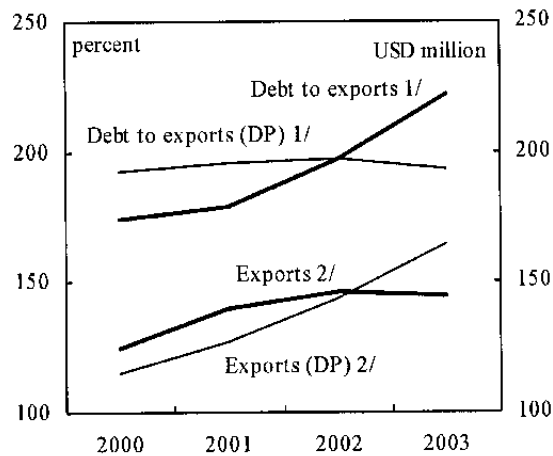
In 2003, the Rwandan authorities intend to borrow US\$76 million,<sup>2</sup> US\$18 million more than had been programmed under the PRGF. While the PRGF had assumed that the authorities would forgo borrowing even on concessional terms in order to improve their debt sustainability position, the authorities have now

decided to take advantage of the grant element of such funds by accepting all budgetary loans with a concessionality element above 50 percent. The targeted increase in official reserves in 2003 reflects this development.

This strategy entails risks, especially against the background of Rwanda's export outlook. The collapse of the coltan market in 2001, and the fall in the prices of coffee and tea (Rwanda's two main exports) by nearly 50 percent and 17 percent, respectively, led to a sharp drop in exports in 2002. As the coltan market is not expected to recover, export prospects and, thus, the debt sustainability outlook remains worrisome.

Current projections indicate that, without any additional assistance at the completion point, the NPV of debt-to-exports ratio will rise to 222 percent in 2003, after delivery of debt relief at the completion point. Furthermore, the achievement of the debt sustainability threshold is currently forecast to be further delayed, falling below the 150 percent threshold in 2016, considerably beyond the time envisaged at the decision point. This deterioration reflects, for the most part, downward revisions in exports of goods and services. If exports of goods and services remained as projected at the decision point, the NPV of debt-to-exports ratio would fall below the 150 percent threshold in 2007, one year earlier than envisaged at the decision point.

Rwanda: Debt and Export Projections Compared to the Decision Point (DP) Scenario, 2000–03



1/ Net present value of debt to exports, percent (lhs)  
2/ Exports of goods and services, USD million, backward-looking three-year moving average (rhs)

Sources: Rwandese authorities, Decision Point Document (EBS/00/265); and Fund staff estimates

<sup>1</sup> Preliminary estimate. A full debt sustainability analysis is under way, which may reveal a higher figure owing to lower discount rates. The denominator of the debt-to-exports ratio is a three-year backward looking average.

<sup>2</sup> Including a US\$5.6 million loan disbursement from the OPEC Fund to deliver HIPC Initiative relief.

April 30, 2002 to end-June 2003, and the authorities intend to request a further extension of the consolidation period until the completion point is reached. The authorities also requested a further extension of the deadline for reaching bilateral agreements under the previous

rescheduling agreement with the Paris Club to May 31, 2003. Regarding external arrears, small amounts of arrears to external creditors were accumulated (para. 10, MEFP), breaching the associated performance criterion.<sup>7</sup> Furthermore, disputed amounts owed to the Arab Bank for Economic Development in Africa (BADEA) were settled in January 2003.<sup>8</sup> Efforts to reach bilateral agreements on comparable terms with non-Paris Club creditors are ongoing and an agreement with the Kuwait Fund for Arab Economic Development was recently signed (MEFP, para. 11).<sup>9</sup>

**11. While the health of the financial sector remains a major concern, important progress was achieved in addressing weaknesses in 2002.** NBR audits of commercial banks were strengthened, and an action plan was established for improving loan recovery (paras. 13–14, MEFP). A contract for a World Bank-sponsored financial sector study was awarded in April 2003, and implementation of the restructuring plan for the Banque Commerciale du Rwanda (BCR) began in August 2002.

**12. Progress was also made in strengthening the administration of the public finances.** Following an external study on government accounts, legislation was enacted to prohibit off-budget operations, and extrabudgetary activities were brought on budget (MEFP, paras. 17–18). Reporting on extrabudgetary income and expenditures, including hospital and school revenue, was improved and is slated for inclusion in the 2004 budget.<sup>10</sup> Transparency was enhanced through the timely publication of data on government financial operations, and the development of a comprehensive reporting system for the local governments is under way.

### **III. THE PROGRAM FOR 2003**

#### **A. Implementation of the Poverty Reduction Strategy**

**13. Rwanda's PRSP targets the reduction of poverty through operations in agricultural and rural development, human resources, and infrastructure development.** The 2003 program supports this strategy through financial policies that will maintain macroeconomic stability and reduce domestic and external macroeconomic imbalances. The government revenue base and the administration of government operations will be enhanced. The strengthening of the financial sector, along with structural reforms, will support improved efficiency in the formal sector and foster market development. On poverty

---

<sup>7</sup> External arrears accumulated amounting to US\$43,000 were cleared within seven weeks.

<sup>8</sup> Following discussions with the Legal Department, the staff has not reported these amounts as arrears for program purposes.

<sup>9</sup> The rescheduling covers arrears and the outstanding stock of debt.

<sup>10</sup> As extrabudgetary income and expenditure are projected to be roughly equal on aggregate, no significant impact on the budgetary balance is projected.

monitoring, the initial analysis from a core welfare indicator questionnaire with an HIV/AIDS module is expected by end-June 2003. In addition, a new round of expenditure-tracking surveys is to be carried out shortly by the Poverty Observatoire, with assistance from the World Bank.

## **B. Macroeconomic Outlook**

14. **Conditions for economic growth in 2003 appear broadly favorable.** Progress toward regional peace, a projected modest increase in export prices, continued strength in the construction sector, and good climatic conditions are expected to substantially compensate for the impact of higher oil prices during the first part of the year. Real GDP growth in the monetized sectors of the economy, led by construction (8 percent) and transportation (7 percent), is projected to reach 4.2 percent. Overall GDP growth is forecast to slow to 3.2 percent in 2003 as, relative to the exceptional harvest in 2002, output in subsistence agriculture will moderate. Inflation is targeted to average 4.7 percent, declining to 3 percent by year's end. With effective policy implementation and the expected donor support, Rwanda's gross official reserve position should reach 7.4 months of import cover.

## **C. Fiscal Policy and Management of Public Finances**

15. **The structural (base) fiscal deficit is programmed to fall in 2003, in line with the medium-term objectives of the PRGF arrangement.**<sup>11</sup> Excluding demobilization payments deferred to early 2003, extraordinary one-off operations, and additions to the strategic oil reserves (para. 18), the 2003 program targets a reduction in the base domestic fiscal deficit to 2.6 percent of GDP from 2.9 percent in 2002. The base overall fiscal deficit (before grants) is targeted at 9.6 percent of GDP. Projected external grant inflows are expected to more than cover financing needs (see Box 3).

16. **The projected increase in domestic revenue in 2003** (to 13.4 percent of GDP, from 12.2 percent in 2002) **corresponds to a durable strengthening of the tax base.** In particular, the full-year impact of tax measures introduced during the second half of 2002, including the 3 percentage point increase in the value-added tax (VAT) rate, and the new measures implemented in January 2003, including the introduction of an excise tax on vehicle sales (MEFP, para. 27), are expected to generate a 1.2 percentage point increase in the domestic tax base.

---

<sup>11</sup> "Base" fiscal operations includes exceptional expenditures other than the one time outlays for the constitutional referendum, presidential and legislative elections, one time health operations, additions to the strategic oil reserves, and demobilization payments deferred from 2002 to early 2003. The composition of exceptional expenditure is detailed in Table 3 of Appendix I, Attachment II. While substantial operations falling under exceptional spending are scheduled for completion by 2005, part of them, including assistance to victims of the genocide and orphans, are expected to continue beyond that point.

### Box 3. Programming Fiscal Objectives

External grant and loan inflows to central government are projected to rise from 14.1 percent of GDP in 2002 to 16.6 percent in 2003. Current firm commitments for external inflows for 2004-5 average only 11.0 percent of GDP.

Although the 2003 fiscal program provides substantial additional resources for transitional activities and capital outlays, these do not fully exhaust the spike in external inflows. As a result, the government's domestic indebtedness will fall this year and, as a counterpart, the official reserves of the central bank will temporarily rise above the target range (see also Box 2).

The program for 2003 adjusts for this year's projected assistance spike in the context of long-term objectives: (i) moving core operations toward financial sustainability over the medium term; (ii) supporting the political and social transition; and (iii) financing economic development.

- Government operations move toward medium-term fiscal sustainability by strengthening the domestic revenue base and improving the focus and administration of core government operations. Under the PRGF, current operations will shift from a deficit of 3.3 percent of GDP in 2003 to balance in 2005.
- Spending on the political and social transition in 2003 will include the constitutional referendum, national elections, the resolution of cases against those charged with genocide participation, and the demobilization and reintegration of armed forces. Funding for these activities is projected to decline from 2.4 percent of GDP this year to 0.2 percent in 2005;
- The 2003 budget includes 1.6 percentage points of GDP for domestically financed investment, including capital transfers to local government and additions to the strategic petroleum reserve, and 6.1 percentage points of GDP in foreign-financed capital spending. With this, central government capital outlays would increase by 22 percent in 2003. In addition, bilateral direct grants to local government are projected to increase from 0.4 percent of GDP in 2002, to 1.1 percent in 2003.

17. **The base central government expenditure program for 2003 provides for a substantial increase in priority spending, while limiting spending in other areas.** Outlays in the priority areas set out in the PRSP will increase by 17 percent, including a substantial rise in funding for local development projects. In addition, allocations are increased for the World Bank-led demobilization and reintegration program (on top of the 0.3 percent of GDP in delayed payments from 2002), funding for victims of the 1994 genocide, and the administration of the Gacaca program for resolving the vast backlog of charges against those accused of participating in the genocide. At the same time, recurrent defense spending is budgeted to decline by 0.3 percent of GDP in 2003, and nonpriority recurrent expenditures outside of defense are programmed to decline by 0.5 percentage point of GDP, unless better-than-projected domestic revenue collections create additional room under the targeted budget ceiling.

18. **Budgeted 2003 allocations, outside the structural base, provide funding for the constitutional referendum, presidential and parliamentary elections, and one-off operations in the health sector.**<sup>12</sup> However, given the substantial cost of these activities

<sup>12</sup> Operations in 2003 also include RF 2.5 billion in demobilization spending deferred from 2002.

(0.9 percent of GDP for the elections and 0.3 percent for the health services) and the importance of reducing macroeconomic imbalances, the authorities would have to scale down election costs and restructure other budgetary operations in nonpriority areas in order to realize offsetting savings, if earmarked external grant financing fully covering the programmed referendum and election cost is not received.<sup>13</sup> In addition, in order to address energy security concerns, additions to the strategic oil reserves will increase capital spending by 0.4 percent of GDP.<sup>14</sup> The 2003 program also provides for a 0.8 percent of GDP net reduction in domestic arrears, with treasury accounts payable lowered to not more than 0.2 percent of GDP by end-2003.

19. **The government has established an action plan for 2003 for enhancing financial accountability and further strengthening the administration of public finances (MEFP, paras. 38–46).** The steps planned for 2003–05 include the comprehensive incorporation of extrabudgetary activities in the 2004 budget and the improved management of government bank accounts. Transparency in the clearance of outstanding domestic obligations will be enhanced through the publication of lists detailing obligations scheduled for settlement. Public debt management will remain a focus for improvement, and work will continue on the establishment of a comprehensive reporting system for district government finances. The legal framework will be strengthened, inter alia, by actions to reform the system of tax exonerations (by end-June 2003) and by the preparation of financial instructions guiding the administration of public finances (by end-July 2003). The Auditor General's Office will audit nine ministries in 2003, including the Ministries of Defense and Finance, and will continue to expand its work program, with a goal of auditing every ministry annually, starting in 2005.

#### **D. Monetary Policy and Financial Sector Issues**

20. **Monetary policy has been set with the objective of limiting inflation at end-2003 to 3 percent.** On this basis, and taking into account the projected growth of the monetized sector of the economy, the monetary program targets broad money growth of 8.0 percent, compared with the 12.4 percent recorded during 2002. Allowing for adequate growth in banking system credit to the nongovernment sector (including a 9.3 percent increase to the private sector), and taking the reduction in banking system claims on government into account, the net foreign assets of the banking system will increase significantly. With these targets, and given an expected increase in the money multiplier following the restructuring of

---

<sup>13</sup> Depending on the size of any shortfall in earmarked grant inflows, the authorities plan to distribute offsetting reductions between civil nonpriority spending on goods and services, and transfers. Spending on priority arrears, as set out in the PRSP, would not be reduced.

<sup>14</sup> The authorities have requested technical assistance from the World Bank on the management of these reserves (MEFP, para. 27).

the BCR, the monetary base is programmed to grow by 7.1 percent during 2003.<sup>15</sup> The authorities will maintain a managed float of the foreign exchange system.<sup>16</sup>

21. **Efforts are ongoing to strengthen the financial sector** (MEFP, paras. 48–51). The privatization of the BCR, scheduled for completion by end-September 2003, along with NBR supervisory action over smaller banks and donor support for the restructuring of development and microfinance institutions, is expected to substantially improve financial intermediation. Banking soundness will be improved as a result of a recent interbank information-sharing agreement on borrower risk. Legislation to help combat money laundering and the financing of terrorist activities, in preparation, is slated for implementation by end-2003. At the same time, the NBR plans to reinforce its accounting, analysis, and implementation capacity. Actions in this regard will strengthen central bank transparency and accountability (para. 28) and enhance the basis for monetary policy formulation. The authorities have also requested an assessment under the Financial Sector Assessment Program.

#### **E. External Sector and Program Financing**

22. **The external current account deficit is expected to deteriorate by 1.5 percentage points of GDP** to about 18.7 percent in 2003. Largely as a result of the modest firming in the world prices of coffee and tea, merchandise exports are expected to register modest growth. Nevertheless, given the increased oil prices during the first half of 2003, imports will rise at an even faster rate, giving rise to a further deterioration in the trade balance. The deficit also reflects one time oil imports equivalent to 0.4 percent of GDP, to be added to national strategic reserves (as noted in para. 18).

23. **Projected foreign aid inflows** (primarily from the European Union (EU), IDA, and the United Kingdom) **will more than cover the external current account deficit.**<sup>17</sup> Disbursements of grants and loans in 2003 are expected to total about US\$380 million (22 percent of GDP), US\$50 million above the level in 2002. Given the increase in external financing, short-term implementation constraints for new programs, and uncertainties about future external inflows, gross international reserves are programmed to rise to the equivalent of 7.4 months of imports.

---

<sup>15</sup> The reserve money target reflects a spike in reserve money during the last week of 2002 that raised the annual growth rate for base money in 2002 to 11.9 percent at end-December. The performance criteria for reserve money, as monitored, are computed as a center-weighted three-week average (Appendix I, Attachment II, paragraph 14).

<sup>16</sup> Central bank intervention in the foreign exchange market is limited to supplying a predetermined amount of foreign exchange to weekly auctions and to smoothing market disturbances that are unrelated to underlying market fundamentals.

<sup>17</sup> As noted in Boxes 2 and 3, part of the increased borrowing on highly concessional terms will be offset (in terms of external debt sustainability) by an increase in official reserves equivalent to 3.3 percent of GDP.

24. **Progress in opening up Rwanda's trade regime and efforts to strengthen the operation of the foreign exchange system are continuing.** The authorities have committed themselves to entering the Common Market for Eastern and Southern Africa (COMESA) free trade area (FTA), beginning in January 2004. The FTA is expected to be transformed into a customs union by end-2004, with the adoption of a common external tariff. Rwanda continues to maintain a market-determined foreign exchange system with weekly central bank foreign exchange auctions, and NBR interventions are limited to countering disturbances unrelated to market fundamentals. During 2002, the spread between the exchange rates in the official and informal markets averaged 2.4 percent and did not exceed 2.5 percent after February (Figure 4).<sup>18</sup>

#### F. Other Structural Issues

25. **Structural reforms targeted under the 2003 program include the previously noted steps to strengthen public finances and address weaknesses in the financial sector, along with actions to improve governance.** The program agenda is focused on steps that are critical for ensuring sustainable and strong progress in achieving poverty reduction and growth (Box 4).

26. **The completion point under the enhanced HIPC Initiative is within reach.** Progress toward meeting the floating completion point triggers has been substantial (see Box 5), and the authorities are preparing for their first annual progress report of implementation of the full PRSP. With this, the completion point could be reached in the second half of 2003.

27. **The statistical base in Rwanda remains weak, but will be improved with the help of Fund technical assistance.** To this end, a multisector statistics mission, missions for balance of payments and monetary statistics, and visits from the East Africa Regional Technical Assistance Center (East AFRITAC) staff are scheduled during this year to initiate the necessary improvements.

28. **The authorities have started to implement the recommendations of a recent safeguards assessment mission** (see Appendix VII). In particular, they are committed to requesting annual external audits of the NBR's financial statements, energizing the NBR's internal auditing capabilities, improving documentation outlining the process of compiling program data, formulating formal investment guidelines for foreign assets, and improving the NBR's accounting.

---

<sup>18</sup> Rwanda accepted Article VIII, Sections 2, 3 and 4, in December 1998 and does not maintain restrictions on corresponding current account transactions. The spread reportedly reflects the higher cost structure in the official market.

#### **Box 4. Structural Conditionality**

##### **Coverage of structural conditionality in the current program**

For the second PRGF review, the program includes two structural performance criteria and seven structural benchmarks (MEFP, Table 2). The performance criterion on the reform of tax exonerations, exemptions and waivers was included in order to safeguard tax revenues, create a more transparent business environment, and address potential governance issues. The performance criterion on the preparation of financial instructions and the benchmark on the submission of an organic budget law were incorporated in order to ensure sound expenditure management policies. The benchmark on the reporting of 2002 development expenditures is key to establishing a more complete understanding of Rwanda's macroeconomic situation. The benchmark on the implementation of a district reporting mechanism will add to enhanced transparency in the fiscal sector and aims to follow up on a missed benchmark from the first review (see below). Similarly, the benchmarks on reforming the government bank accounts and on issuing a list of overdue obligations scheduled for clearance this year will add to fiscal transparency as well as to a more efficient use of scarce public resources. The benchmark on the privatization of BCR was added to improve the functioning of the troubled financial sector. Finally, the benchmark focusing on NBR procedures in monetary reporting was added to address findings of a recent FIN safeguards assessment mission which recommended procedural changes aiming to reduce the risk of misreporting (see also Appendix VII).

##### **Status of structural conditionality under the 2002 program**

The authorities met all three prior actions set for the July 2002 Board meeting, and fulfilled the structural performance criterion and three out of seven structural benchmarks for the first review (MEFP, Table 2). Among the missed benchmarks, the commissioning of a financial sector study was implemented with a four-month delay (MEFP, para. 13). The implementation of a mechanism for the reporting of borrowing by the autonomous districts (MEFP, para. 16) has been delayed due to capacity constraints, but it is now scheduled to be completed as part of the setup of a complete district reporting system by September 2003 (newly proposed benchmark). Substantial progress was made regarding the increased coverage of the budget (MEFP, para. 17), and work in this area continues with the goal of completing it in the context of the 2004 budget. Finally, there have been administrative constraints that led to delays in issuing the tender for a study to prepare an action plan for loan recovery. These constraints have, in the meantime, been resolved. In the interest of streamlining program conditionality, no new measures have been proposed regarding the latter two missed benchmarks.

##### **Structural measures covered by World Bank lending and conditionality**

The World Bank's lending programs are aimed at improvements in the following areas:

- **Public finances:** MTEF, poverty monitoring, capacity building at Ministry of Finance and Auditor General's Office;
- **Financial sector:** Improved loan recovery, arbitration center, credit unions (UBPR), housing finance (CHR), privatization of the Bank of Kigali;
- **Governance and the business environment:** creation of commercial courts, National Tender Board, strengthening the investment promotion authority (RIPA);
- **Regulations and privatization,** including the transfer to the private sector of Rwandatel, Electrogaz, and coffee and tea state factories.
- **Human resources:** adoption of sector-wide approaches, immunization, health education, improved access to health services.



### **Box 5. Progress Toward the Floating Completion Point Under the HIPC Initiative**

Rwanda's first full PRSP, drafted during 2001, was issued after some delays in June 2002. As key elements of the poverty reduction strategy were already in place by the end of 2001, the 2002 budget reflected the PRSP objectives, including the re-orientation of the public expenditure toward activities identified as priorities. A progress report of the PRSP is currently being prepared, which is expected to be ready by June 2003. The rise in central government priority spending since HIPC interim relief started in 2001 has exceeded increase in relief flows, demonstrating the poverty focus of the government's operations.

Rwanda has made substantial progress on the reforms that act as triggers for the floating Completion Point. Nearly all triggers have already been met, and advances on the outstanding triggers have been significant. Although slower than envisaged (see MEFP, para. 47), reforms in the tea sector have been advancing. The privatization of two tea factories is now planned to be completed in August 2003.

All of the triggers in the education sector have been met. Net primary school enrollment increased according to target, and substantially more than required teacher training colleges became operational. A framework for community participation in support of primary and secondary education was established, and a capacity-building program for the management of education at the central and decentralized levels is being implemented.

In the health sector, progress has been substantial. More than 50 percent of district health centers have been equipped and fully staffed. A national plan to reduce morbidity and mortality due to malaria has been adopted and its implementation has started, and a new national policy for reproductive health was adopted in 2002. A national HIV/AIDS policy was adopted in February 2003.

Finally, an action plan to eliminate gender disparities is being implemented.

## **G. Program Monitoring**

**29. Program monitoring will remain on a continuous basis.** The second review will reflect performance with respect to quantitative benchmarks for March 2003 and quantitative performance criteria through end-June 2003. In addition, it will assess performance with respect to two structural performance criteria and seven structural benchmarks through end-September 2003.<sup>19</sup> The attached technical memorandum of understanding (Appendix I, Attachment II) details the design of the program, adjustment mechanisms, and terminology.

## **IV. STAFF APPRAISAL**

**30. Given Rwanda's continued extensive poverty, rapid progress in poverty reduction and sustainable improvements in economic growth remain critical.** In this regard, 2002 provided some encouraging developments, with the rapid growth in subsistence agriculture delivering substantial relief to Rwanda's poor. However, this should not detract from the importance of quickly addressing economic vulnerabilities. In particular, Rwanda's limited economic diversification makes it susceptible to exogenous shocks, most commitments of external program assistance are short term, and less favorable climatic conditions could reverse gains in agriculture.

<sup>19</sup> Tables 1 and 2 in the attached MEFP set out the complete structure of conditionality, and Box 4 explains the macroeconomic relevance of the structural measures included in the program.

31. **Following the achievement of political and social transition objectives, Rwanda will have an opportunity to shift additional resources to sustainable poverty reduction and employment generation.** By 2005, resources equivalent to over 3 percentage points of GDP, which are being devoted to exceptional operations in 2003, will become available for regular economic activities. In the interim, economic policies should aim at maintaining macroeconomic stability and addressing domestic and external imbalances and economic diversification, including the exploitation of the quality-coffee niche and the development of markets for nontraditional agricultural exports, as provided for in the PRSP.

32. **The authorities' implementation of the 2002 program was broadly commendable.** In spite of significant delays in the disbursement of external assistance, the deterioration in world market conditions, delayed rains toward year's end, and unanticipated security operations, program objectives were largely achieved. The authorities' broad adherence to the fiscal program was crucial in this respect. Substantial revenue measures yielded an important and durable increase in the domestic revenue base, and expenditure discipline was maintained. Nonetheless, improvements in budget planning and coordination between the fiscal and monetary authorities could increase efficiency in the implementation of government operations.

33. **The fiscal program for 2003 seeks to balance the need to strengthen the structural (base) fiscal position against expanding operations aimed at poverty reduction.** Reflecting this, the program targets a limited increase in the base deficit. Along with this, significant additional funding has been provided for critical activities foreseen under the PRSP.

34. **The authorities should be credited for having met all monetary performance criteria for December 2002.** The consistency of policy implementation during the course of the year would help to avoid intraperiod variations that undermine market confidence and give rise to potentially destabilizing volatility. The NBR's action plan for strengthening its capacity for policy analysis and implementation, with Fund technical assistance, should help address this problem.

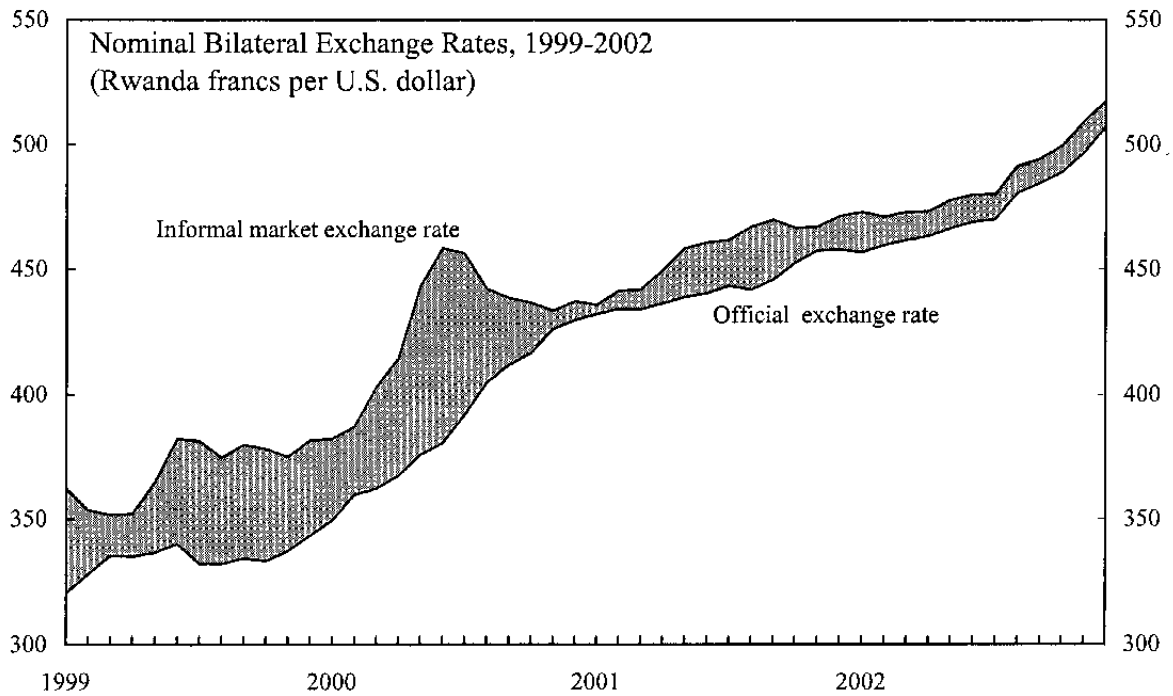
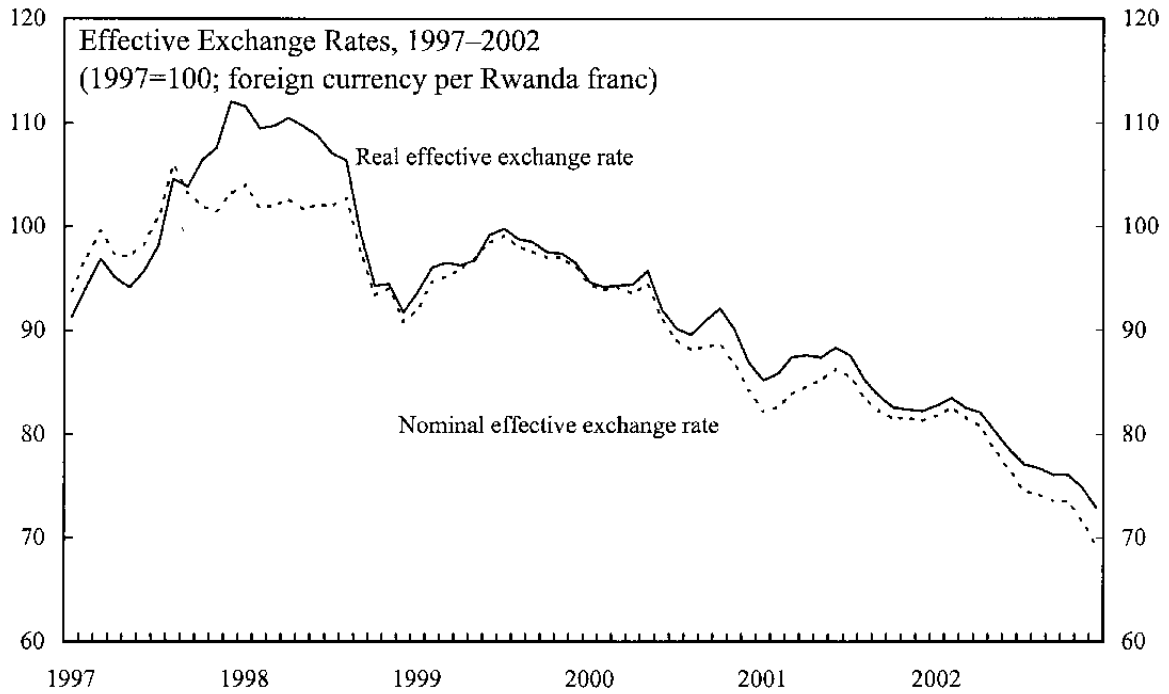
35. **The PRSP action plan for strengthening Rwanda's external sustainability should be given a high priority.** The decline in merchandise exports in 2002 and the limited range of offsetting policy responses highlight continuing risks in this area. The target for the official reserves for 2003 seeks to provide a cushion in light of a spike in external assistance within a context characterized by a lower level of firm long-term donor commitments.

36. **The authorities have made progress in implementing their structural reform agenda,** although the pace has been slower than envisaged in some areas. In particular, public debt management and the quality of economic and financial statistics remain problematic. In this regard, capacity constraints play a critical role, and continued capacity-building and technical assistance from the Fund and the donor community are crucial.

37. **Rwanda's financial sector remains a source of concern.** Continuing progress in the restructuring of the BCR and strong supervision of the whole financial sector are needed in order to facilitate improvements. Fund technical support in the area of banking supervision, together with an upcoming World Bank financial sector study and an assessment under the FSAP will help develop a strategy to move forward in this area.

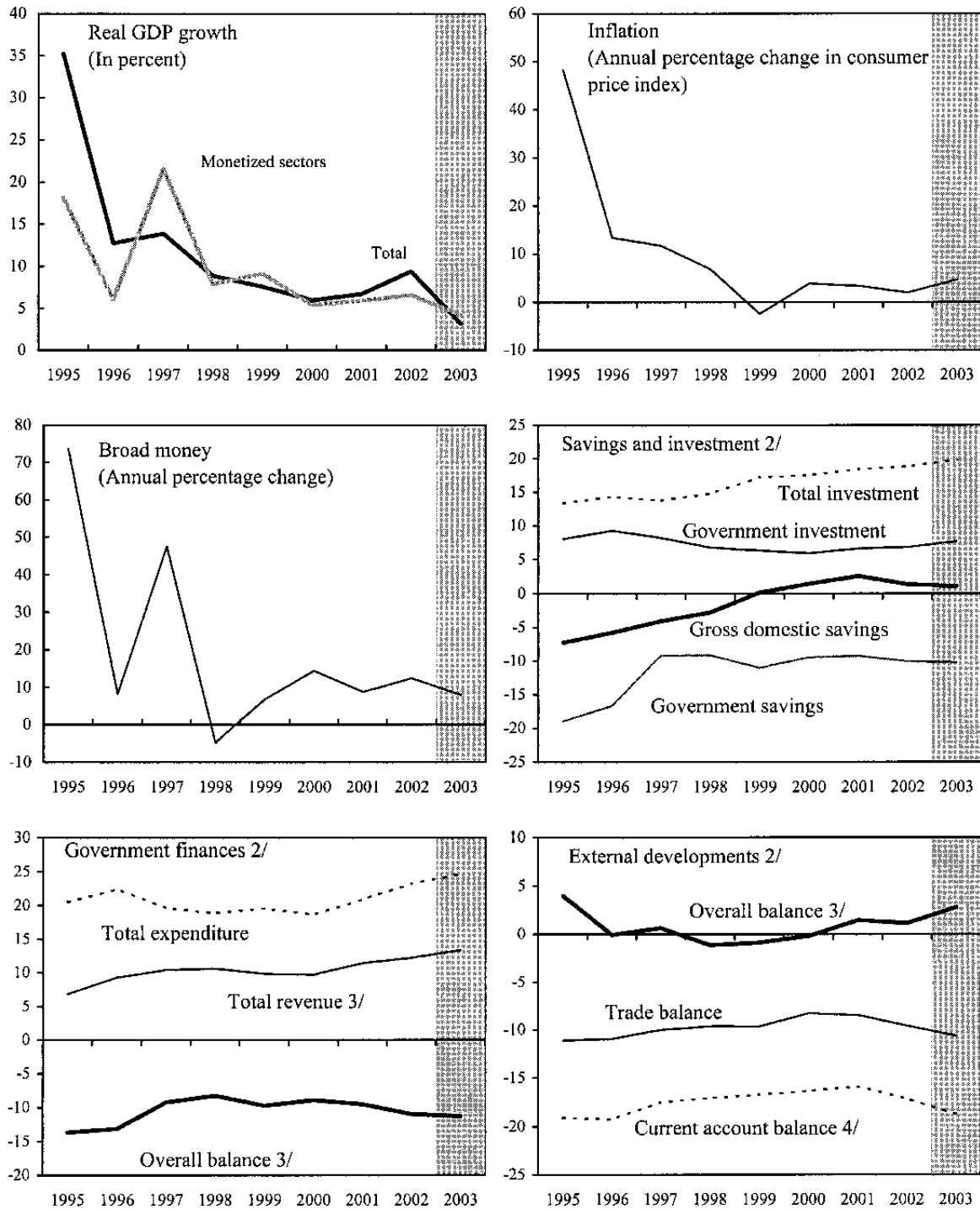
38. Given Rwanda's broadly satisfactory program performance and the government's policy intentions for 2003, including its renewed efforts to clear the domestic arrears and strengthen the management of external debt service, **the staff recommends that the requested waivers for the nonobservance of the performance criteria on the domestic fiscal deficit, the net accumulation of domestic arrears, and the accumulation of external arrears be granted, and the first review under the PRGF arrangement be completed.**

Figure 4. Rwanda: Selected Exchange Rates



Sources: Rwandese authorities; and IMF, Information Notice System.

Figure 5. Rwanda: Selected Economic and Financial Indicators, 1995–2003



Sources: Rwandese authorities; and Fund staff estimates and projections.

1/ In percent of beginning-of-period stock of broad money.

2/ In percent of GDP.

3/ Forecast includes all committed external financing.

4/ Excluding grants.

Table 1. Rwanda: Selected Economic and Financial Indicators, 1995–2005

	1995	1996	1997	1998	1999	2000	2001	2002		2003		2004	2005
								Prog.	Est.	Prog.	Rev.		
(Annual percent changes, unless otherwise indicated)													
<b>Output and prices</b>													
Real GDP growth	35.2	12.7	13.8	8.9	7.6	6.0	6.7	7.3	9.4	6.1	3.2	6.0	6.0
GDP deflator	51.3	10.9	15.6	2.2	-3.5	3.3	0.2	1.9	0.0	3.5	4.9	2.7	2.7
Consumer prices (period average)	48.2	13.4	11.7	6.8	-2.4	3.9	3.4	2.0	2.0	3.0	4.7	3.0	3.0
Consumer prices (end of period)	38.4	8.7	16.6	-6.0	2.1	5.8	-0.2	3.0	6.2	3.0	3.0	3.0	3.0
<b>External sector</b>													
Export, f.o.b (in U.S. dollars)	56.8	22.9	50.0	-31.0	-3.3	44.7	4.2	-16.9	-28.1	12.1	6.6	10.6	7.7
Imports, f.o.b (in U.S. dollars)	-47.2	9.9	30.1	-7.8	-2.7	-3.6	-0.8	0.5	-1.8	3.2	8.5	2.8	3.7
Export volume	21.3	39.4	13.4	-8.9	12.8	19.7	36.9	-13.8	-17.0	6.5	1.2	4.1	5.0
Import volume	-49.8	4.8	38.3	3.3	-4.8	-14.1	2.0	-0.4	-0.2	2.9	3.4	3.8	3.9
Nominal effective exchange rate (end of period; depreciation -)	-54.8	3.8	12.3	-11.9	5.7	-12.3	-3.4	...	-14.8	...	...	...	...
Real effective exchange rate (end of period; depreciation -)	-39.7	8.6	26.5	-18.2	5.1	-9.7	-5.3	...	-12.0	...	...	...	...
Terms of trade (deterioration -)	22.6	-15.9	40.7	-15.2	-16.1	7.7	-21.7	-4.5	-11.9	5.1	0.4	7.2	2.7
<b>Government finance</b>													
Revenue	283.4	70.5	47.3	13.7	-3.6	7.9	25.5	16.9	16.9	14.0	18.5	10.7	9.8
Total expenditure and net lending	161.3	37.1	15.1	7.1	7.7	4.2	20.0	15.5	21.2	9.6	15.1	-3.7	8.1
Current expenditure	89.7	32.7	14.6	17.6	14.2	3.8	20.4	16.6	15.2	7.3	20.7	-8.3	4.2
<b>Money and credit 1/</b>													
Net domestic assets 2/	3.2	-7.4	35.1	-6.9	10.3	-6.8	-3.1	1.3	-5.2	...	-17.0	...	...
Domestic credit 2/	15.3	-2.6	42.1	9.0	13.2	0.8	0.6	0.7	-3.8	...	-15.5	...	...
Government 2/	-34.4	-2.8	18.8	0.1	8.3	-9.5	-4.8	-7.0	-12.4	...	-20.2	...	...
Economy 2/	49.7	0.2	23.3	8.9	4.8	10.4	5.4	7.6	8.5	...	4.7	...	...
Money and quasi money (M2)	73.7	8.2	47.5	-4.8	6.8	14.5	8.8	6.9	12.4	...	8.0	...	...
Reserve money	43.1	21.5	7.0	-4.7	13.3	-6.6	6.6	6.3	11.9	...	7.1	...	...
Velocity (ratio of GDP to M2; end of period)	5.3	6.1	5.5	6.4	6.2	5.9	5.8	5.9	5.7	...	5.7	...	...
(In percent of GDP, unless otherwise indicated)													
<b>National income accounts</b>													
National savings (excluding official transfers)	-5.7	-4.9	-3.7	-2.2	0.5	1.2	2.5	1.8	1.7	3.5	1.2	2.6	4.6
Of which: private (including public enterprises)	-0.1	-1.0	-2.7	-0.8	3.9	4.2	5.4	4.9	5.8	5.8	4.8	3.2	4.5
Gross investment	13.4	14.4	13.8	14.8	17.2	17.5	18.4	18.8	18.8	19.3	19.9	20.0	20.7
Of which: private (including public enterprises)	5.3	5.1	5.5	8.0	10.9	11.6	11.8	12.0	12.0	12.2	12.2	12.4	12.6
<b>Government finance</b>													
Total revenue	6.8	9.3	10.4	10.6	9.9	9.7	11.4	12.2	12.2	12.7	13.4	13.6	13.7
Total expenditure and net lending	20.5	22.5	19.6	18.9	19.6	18.7	21.0	22.1	23.2	22.1	24.7	21.9	21.7
Capital expenditure	8.1	9.3	8.2	6.8	6.3	6.0	6.6	7.0	6.8	7.3	7.7	7.7	8.1
Current expenditure	12.4	13.2	11.5	12.1	13.3	12.6	14.2	15.2	15.0	14.8	16.7	14.1	13.5
Primary fiscal balance 3/	-3.3	-1.8	0.3	0.0	-2.2	-0.6	-0.1	-0.2	-1.6	0.7	0.8	1.4	1.3
Domestic fiscal balance 4/	-4.5	-2.9	-0.3	-1.3	-3.8	-2.6	-2.7	-3.3	-4.2	-2.8	-4.4	-1.1	-0.5
<b>Overall balance (payment order)</b>													
After grants	-2.4	-5.8	-2.5	-3.0	-4.0	0.7	-1.3	-1.1	-2.4	-0.6	0.9	0.7	1.2
Before grants	-13.7	-13.2	-9.2	-8.3	-9.7	-8.9	-9.5	-9.9	-11.0	-9.4	-11.3	-8.2	-8.0
Base deficit (before grants) 5/	-13.7	-13.2	-9.2	-8.3	-9.7	-8.9	-9.5	-9.9	-9.6	-9.4	-9.6	-8.2	-8.0
<b>External sector</b>													
External current account balance													
Including official transfers	-3.1	-6.7	-9.5	-9.6	-7.6	-5.0	-5.9	-11.3	-7.3	-11.5	-11.3	-12.3	-11.3
Excluding official transfers	-19.1	-19.3	-17.5	-17.0	-16.7	-16.3	-15.9	-17.0	-17.2	-15.7	-18.7	-17.4	-16.1
External debt (end of period) 6/	82.2	80.4	61.6	58.3	65.1	71.8	78.5	73.2	81.2	66.8	86.1	82.2	76.1
Net present value of external debt													
(in percent of exports of goods and services) 7/	628.6	658.2	691.5	636.6	148.1	173.8	179.3	190.3	197.4	203.5	222.2	242.1	236.6
Scheduled debt-service ratio after HIPC debt relief													
(in percent of exports of goods and services)	59.0	40.9	27.1	29.9	38.6	29.7	9.3	15.4	13.8	9.1	9.1	10.0	8.8
Gross reserves (in months of imports of goods and services)	3.3	2.7	4.0	4.6	4.7	5.4	5.8	5.9	6.3	6.2	7.4	6.9	6.0
(In millions of U.S. dollars, unless otherwise indicated)													
Overall balance of payments	51.2	-0.9	11.7	-22.8	-17.2	-3.8	24.4	-120.1	19.3	-108.6	-96.0	-141.5	-130.6
External arrears	61.5	78.9	97.3	43.1	54.1	61.2	23.3	7.3	27.9	0.0	0.0	0.0	0.0
External financing gap 8/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External debt (end of period) 6/	1,063.0	1,111.9	1,137.9	1,159.3	1,256.5	1,306.5	1,336.1	1,295.1	1,409.6	1,268.4	1,471.4	1,493.0	1,471.7
Gross official reserves	99.7	106.6	153.4	169.5	174.2	190.6	212.1	223.6	243.6	236.6	299.1	282.5	244.9
<b>Memorandum items:</b>													
Nominal GDP (in billions of Rwanda francs) 1/	339.1	424.1	558.3	621.3	644.9	705.7	754.3	825.2	825.0	906.4	893.4	971.9	1,057.1
Nominal exchange rate (period average; per U.S. dollar)	262.2	306.5	302.4	312.3	333.9	389.7	443.0	...	475.4	...	...	...	...

Sources: Rwandese authorities; and Fund staff estimates and projections.

1/ All numbers are based on current exchange rates.

2/ As a percent of the beginning-of-period stock of broad money.

3/ Revenue excluding grants, minus current expenditure except interest due and exceptional expenditure, minus domestically financed capital expenditure.

4/ Revenue excluding grants, minus current expenditure (excluding external interest), minus domestically financed capital expenditure and net lending.

5/ Overall deficit before grants, excluding in 2002 the expenditure for troops withdrawal, and excluding in 2003: foreign-financed earmarked expenditures for the constitutional referendum, national elections, and one-time health spending; RF 2.5 billion spending on the demobilization and reintegration project deferred from 2002; and RF 3.9 billion domestic capital expenditure for the strategic petroleum reserve.

6/ After rescheduling, including arrears, rescheduling and new debt (including assumed project disbursements over the medium term) and budgetary disbursements for the period 2003-04). The data under the "Prog." and the "Est. Rev." columns are not comparable since the former are on a "disbursed" basis (as of end-2001) while the latter incorporate assumptions about projected loan disbursements. Data are preliminary and do not reflect changes in exchange rates.

7/ Preliminary estimates based on assumptions about new borrowing, pending a full debt sustainability analysis. The data do not take into account fluctuations in exchange rates and CIBRs. For illustrative purposes, the numbers are shown as if HIPC Initiative assistance had been delivered unconditionally as of 1999 (data available at the time of the decision point). The exports denominator is calculated using a three-year backward-looking average.

8/ Financing gap after taking into account identified financing expected during the course of the year.

Table 2. Rwanda: Operations of the Central Government, 2001-05

	2001	2002 1/				2003		2004			2005	
		Sep.		Dec.		Mar. Rev.	June Rev.	Sep. Rev.	Dec.		Rev. Proj.	Rev. Proj.
		Prog.	Est.	Prog.	Est.				Prog. 1/	Rev.		
(In billions of Rwanda francs)												
Revenue and grants	148.2	120.8	124.1	173.5	172.0	52.5	101.2	159.3	194.9	228.5	218.7	242.2
Total revenue	86.2	74.4	72.3	100.7	101.2	28.1	57.6	88.4	114.9	119.4	132.2	145.2
Tax revenue	79.5	67.3	67.6	92.9	94.6	25.3	53.4	82.8	107.4	112.4	125.1	136.1
Direct taxes	24.5	21.2	22.7	27.6	30.5	7.6	15.3	24.0	31.2	32.0	36.0	39.7
Taxes on goods and services	41.0	34.9	34.0	49.4	47.4	12.8	27.5	42.6	57.7	58.2	64.0	69.3
Taxes on international trade	14.0	11.2	10.9	15.9	16.7	4.9	10.6	16.2	18.5	22.3	25.0	27.0
Nontax revenue	6.7	7.1	4.8	7.8	6.6	2.8	4.2	5.6	7.5	7.0	7.1	9.2
Grants	61.9	46.5	51.8	72.7	70.8	24.4	43.6	71.0	80.0	109.1	86.5	96.9
Budgetary grants	33.9	22.4	27.7	40.6	39.3	15.5	25.9	44.4	44.6	73.6	46.1	50.5
Of which: HIPC Initiative assistance	10.6	8.6	9.4	10.7	12.1	2.4	5.1	9.0	13.9	11.6	15.8	19.8
Capital grants	28.1	24.1	24.1	32.1	31.5	8.9	17.7	26.6	35.4	35.4	40.4	46.5
Total expenditure and net lending	158.1	134.3	133.9	182.6	191.7	53.2	112.0	166.1	200.2	220.5	212.4	229.5
Current expenditure	107.4	91.3	89.5	125.2	123.7	37.2	75.5	112.3	134.3	149.3	136.9	142.6
Of which: priority	40.1	35.5	36.0	50.3	50.4	12.5	30.3	42.6	56.1	56.2	64.0	74.3
Wages and salaries	38.9	30.9	30.4	41.7	40.6	10.5	21.0	31.6	42.3	42.1	43.8	48.2
Civil	22.8	19.2	18.3	26.1	24.1	7.0	13.9	20.8	28.0	27.8	30.2	34.6
Defense	16.2	11.7	12.1	15.5	16.5	3.6	7.2	10.8	14.3	14.3	13.6	13.6
Purchases of goods and services	29.4	24.0	28.8	32.3	35.2	8.8	21.1	26.6	34.1	33.6	37.1	41.4
Civil	20.4	17.0	21.1	24.3	27.3	5.8	15.1	19.4	25.3	24.9	27.7	31.7
Defense	9.0	7.0	7.7	8.0	7.8	3.0	6.0	7.2	8.8	8.7	9.4	9.7
Interest payments	6.2	5.0	5.1	7.6	8.3	2.3	4.3	6.5	7.6	9.5	9.8	9.8
Domestic debt (due)	1.3	0.9	1.0	2.2	2.1	0.6	1.1	1.6	2.3	2.15	2.3	2.3
External debt (due)	5.0	4.1	4.2	5.4	6.2	1.7	3.2	4.9	5.3	7.31	7.5	7.5
Transfers	15.1	15.1	13.9	21.1	20.4	5.8	11.5	16.8	22.4	22.3	25.1	27.9
Exceptional expenditure	17.7	16.2	11.3	22.5	19.2	9.8	17.6	30.7	27.9	41.8	21.1	15.3
Of which: demobilization/reintegration/reeducation	3.4	4.0	1.0	6.0	3.4	4.1	7.7	10.6	11.2	13.7	5.2	1.1
one-off: referendum/elections/health	0.0	0.0	0.0	0.0	0.0	1.0	3.2	5.6	0.0	9.3	0.0	0.0
Capital expenditure	50.0	42.1	41.5	56.4	56.4	15.5	35.3	52.1	64.9	69.0	74.5	85.9
Of which: priority	0.0	1.0	0.0	2.0	1.0	0.2	1.2	2.4	4.0	4.0	5.5	7.0
Domestic	3.5	5.0	4.4	6.9	6.9	1.8	8.0	11.1	10.2	14.3	12.2	14.3
Of which: Common Development Fund (CDF)	0.0	1.0	0.0	2.0	1.0	0.2	1.2	2.4	4.0	4.0	5.5	7.0
Strategic petroleum reserve	0.0	0.0	0.0	0.0	0.0	0.0	3.9	3.9	0.0	3.9	0.0	0.0
Foreign	46.5	37.1	37.1	49.5	49.5	13.7	27.3	41.0	54.7	54.7	62.3	71.6
Net lending	0.6	0.9	0.8	1.0	0.6	0.6	1.2	1.7	1.0	2.3	1.0	1.0
Troops withdrawal	0.0	0.0	2.1	0.0	10.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent expenditure 2/	...	...	...	...	...	0.0	0.7	2.1	...	3.0	...	...
Civil nonpriority goods and services	...	...	...	...	...	0.0	0.5	1.4	...	2.0	...	...
Civil nonpriority transfers	...	...	...	...	...	0.0	0.2	0.7	...	1.0	...	...
Primary balance 3/	-0.8	-0.6	-5.1	-1.2	-12.9	1.2	-4.0	2.2	5.9	7.1	14.0	13.5
Domestic fiscal balance 4/	-20.4	-18.7	-20.3	-26.9	-34.8	-9.7	-23.9	-31.8	-25.3	-39.1	-10.4	-5.2
Overall deficit (payment order)												
After grants	-9.9	-13.4	-9.8	-9.1	-19.7	-0.7	-10.8	-6.8	-5.3	8.0	6.4	12.6
Before grants	-71.9	-59.9	-61.6	-81.9	-90.5	-25.1	-54.4	-77.7	-85.3	-101.1	-80.1	-84.3
Base deficit (before grants) 5/	-71.9	-59.9	-59.5	-81.9	-79.6	-24.1	-44.8	-65.7	-85.3	-85.4	-80.1	-84.3
Adjustments 6/	-24.6	-6.0	1.0	-18.2	1.6	-2.9	-4.4	-3.4	-7.0	-21.9	-7.0	0.0
Change in arrears 7/	-31.7	-6.0	-1.3	-18.2	-1.7	-5.9	-9.3	-9.3	-7.0	-22.5	-7.0	0.0
Domestic	-15.0	-6.0	-4.2	-7.8	-3.9	-5.9	-8.9	-8.9	-7.0	-7.9	-7.0	0.0
External	-16.7	0.0	2.9	-10.4	2.2	0.0	-0.4	-0.4	0.0	-14.6	0.0	0.0
Noncore government accounts 8/	5.1	0.0	2.3	0.0	19.0	-10.3	-8.4	-7.4	0.0	-12.7	0.0	0.0
Transitory accounts 9/	1.1	0.0	0.0	0.0	-13.3	13.3	13.3	13.3	0.0	13.3	0.0	0.0
Other 6/ 10/	0.9	0.0	0.0	0.0	-2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discrepancy 11/	2.7	0.0	-1.4	0.0	-1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deficit (-) (cash basis)	-37.3	-19.5	-7.4	-27.3	-16.1	-3.6	-15.2	-10.1	-12.2	-13.9	-0.6	12.6

Table 2. Rwanda: Operations of the Central Government, 2001–05 (concluded)

	2001	2002 1/				2003				2004 Rev. Proj.	2005 Rev. Proj.	
		Sep.		Dec.		Mar. Rev.	June Rev.	Sep. Rev.	Dec. Prog. 1/			
		Prog.	Est.	Prog.	Est.							
(In billions of Rwanda francs)												
Financing	37.3	19.4	7.4	27.3	16.1	3.7	15.2	10.1	12.2	13.9	0.6	-12.6
Foreign financing (net)	40.9	25.3	5.5	38.2	34.5	5.4	9.4	12.0	12.9	43.7	18.0	-3.0
Drawings	34.7	28.8	13.0	36.6	45.7	7.9	14.5	19.5	27.3	39.5	29.2	9.9
Budgetary loans	16.3	15.8	0.0	19.2	27.7	3.1	4.9	5.1	8.1	20.3	17.8	0.0
Project loans	18.4	13.0	13.0	17.4	18.0	4.8	9.6	14.4	19.2	19.2	11.3	9.9
Amortization	-9.2	-8.7	-8.7	-12.2	-14.0	-3.6	-7.3	-11.0	-14.5	-14.7	-15.8	-17.4
Exceptional financing	15.4	5.2	1.2	13.8	2.8	1.1	2.3	3.5	0.0	18.9	4.7	4.5
Domestic financing	-3.6	-5.9	2.0	-10.9	-18.3	-1.7	5.7	-1.8	-0.6	-29.8	-17.4	-9.6
Banking system (monetary survey)	-5.7	-7.8	2.2	-9.1	-16.0	-1.7	5.7	-1.8	-0.7	-29.3	-17.4	-9.6
Nonbank sector (including, CSR repayment) 12/	2.1	2.0	-0.2	-1.7	-2.4	0.0	0.0	0.0	0.0	-0.5	0.0	0.0
Financing gap (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(in percent of GDP, unless otherwise indicated)												
Memorandum items:												
Revenue and grants	19.6	14.6	15.1	21.0	20.8	5.9	11.4	17.8	21.5	25.6	22.5	22.9
Revenue, excluding grants	11.4	9.0	8.8	12.2	12.2	3.1	6.5	9.9	12.7	13.4	13.6	13.7
Revenue, excluding grants (percent of monetized sector GDP)	21.2	...	16.5	...	23.0	5.9	12.3	18.6	...	25.1	25.5	25.7
Total expenditure and net lending	21.0	16.3	16.2	22.1	23.2	6.0	12.5	18.6	22.1	24.7	21.9	21.7
Current expenditure	14.2	11.1	10.8	15.2	15.0	4.2	8.5	12.6	14.8	16.7	14.1	13.5
Of which: wage bill	5.2	3.7	3.7	5.1	4.9	1.2	2.4	3.5	4.7	4.7	4.5	4.6
goods and services	3.9	2.9	3.5	3.9	4.3	1.0	2.4	3.0	3.8	3.8	3.8	3.9
defense/security	3.3	2.3	2.4	2.9	2.9	0.7	1.5	2.0	2.5	2.6	2.4	2.2
priority expenditure (recurrent)	5.3	4.3	4.4	6.1	6.1	1.6	3.4	4.8	6.2	6.3	6.6	6.8
exceptional expenditure	2.3	2.0	1.4	2.7	2.3	1.1	2.0	3.4	3.1	4.7	2.2	1.5
Capital expenditure	6.6	5.1	5.0	6.8	6.8	1.7	4.0	5.8	7.2	7.7	7.7	8.1
Domestic fiscal balance	-2.7	-2.3	-2.5	-3.3	-4.2	-1.1	-2.7	-3.6	-2.8	-4.4	-1.1	-0.5
Primary balance 2/	-0.1	-0.1	-0.6	-0.2	-1.6	0.1	-0.5	0.2	0.7	0.8	1.4	1.3
Overall deficit (payment order)												
After grants	-1.3	-1.6	-1.2	-1.1	-2.4	-0.1	-1.2	-0.8	-0.6	0.9	0.7	1.2
Before grants	-9.5	-7.3	-7.5	-9.9	-11.0	-2.8	-6.1	-8.7	-9.4	-11.3	-8.2	-8.0
Before grants (percent of monetized sector GDP)	-17.6	...	-14.1	...	-20.7	-5.3	-11.4	-16.4	...	-21.3	-15.5	-14.9
Base deficit (before grants) 5/	-9.5	-7.3	-7.2	-9.9	-9.6	-2.7	-5.0	-7.4	-9.4	-9.6	-8.2	-8.0
Nominal GDP (in billions of Rwanda francs)	754.3	825.2	825.0	825.2	825.0	893.4	893.4	893.4	906.4	893.4	971.9	1,057.1
Of which: monetized sectors	407.2	...	437.7	...	437.7	475.3	475.3	475.3	...	475.3	517.9	564.2

Sources: Rwandese authorities; and Fund staff estimates and projections.

1/ Program numbers refer to EBS/02/122 (7/5/02)

2/ Planned to be executed only in case of sufficient additional revenue. In this representation, contingent expenditures are not calculated into current or total expenditure or the deficit measures.

3/ Definition excludes exceptional expenditures; defined as total revenue (excluding privatization proceeds) minus noninterest current expenditure (excluding exceptional expenditure) minus domestically financed capital expenditure. In 2002, the definition includes the cost of troops withdrawal.

4/ Revenue excluding grants, minus current expenditure, domestically financed capital expenditure and net lending; excluding external interest. In 2002, including the cost of troops withdrawal.

5/ Overall deficit before grants, excluding in 2002 the expenditure for troops withdrawal, and excluding in 2003: foreign-financed earmarked expenditures for the constitutional referendum, national elections, and one-time health spending; RF 2.5 billion spending on the demobilization and reintegration project deferred from 2002; and RF 3.9 billion domestic capital expenditure for the strategic petroleum reserve.

6/ A negative sign indicates an adjustment consistent with higher actual expenditure on a cash basis than on a recorded payment order basis.

7/ A negative sign indicates a reduction. Arrears are shown here in a fiscal accounting sense, which may deviate from the definition of the technical memorandum of understanding (TMU) used for benchmarks and performance criteria.

8/ A negative sign indicates net expenditures out of the noncore government accounts.

9/ A negative sign indicates a net deposit buildup.

10/ Main elements in 2001: changes in vault cash at the Rwanda Revenue Authority (RRA); 2002: use of a RF 1.9 billion loan disbursement to settle obligations to external contractors; and miscellaneous corrections for lack of synchronization of coverage below line.

11/ A negative number implies a discrepancy that is consistent with underestimation of financing.

12/ CSR = Caisse Sociale du Rwanda.



Table 3. Rwanda: Monetary Survey, 2000-03 1/

	2000	2001	2002		2003			
	Est.	Est.	Sep. Est.	Dec. Est.	Mar. Prog.	Jun. Prog.	Sep. Prog.	Dec. Prog.
(In billions of Rwanda francs)								
Monetary authorities								
Net foreign assets	37.4	51.3	45.0	72.6	74.0	69.3	72.5	105.1
Foreign assets	82.1	97.1	94.3	124.7	126.7	123.0	126.7	159.3
Foreign liabilities	44.7	45.8	49.3	52.1	52.8	53.7	54.2	54.2
Net domestic assets	0.3	-11.1	-5.2	-27.6	-28.1	-22.7	-27.1	-57.0
Domestic credit	23.2	12.8	16.5	-2.6	-3.1	2.1	-1.9	-28.4
Government (net)	20.1	16.0	19.5	-5.2	-1.9	4.8	-0.3	-27.1
Claims	43.5	43.5	42.9	43.1	43.1	43.1	43.1	43.1
<i>Of which: overdraft</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits (excluding autonomous bodies)	23.4	27.5	23.4	48.2	44.9	38.2	43.3	70.2
Public nongovernment deposits (-)	-1.1	-1.3	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9
Nongovernment credit	4.2	-1.9	-2.1	3.5	-0.3	-1.8	-0.8	-0.4
Private sector	1.4	1.9	2.1	2.2	2.0	1.8	1.7	1.5
Public enterprises	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Commercial banks	2.6	-3.9	-4.3	1.2	-2.4	-3.7	-2.5	-2.0
Discount window	1.8	1.5	1.3	1.2	1.0	1.2	1.2	1.2
Money market (- = absorption)	0.8	-5.4	-5.7	-0.1	-3.4	-4.9	-3.7	-3.2
Other items (net; asset +)	-22.9	-24.0	-21.8	-25.0	-25.0	-24.8	-25.2	-28.6
Reserve money 2/	37.7	40.2	39.8	44.9	45.9	46.5	45.3	48.1
Currency in circulation	22.6	25.8	24.5	28.0	26.7	28.3	26.9	30.3
Commercial bank reserves	12.3	10.7	12.2	13.2	15.5	14.5	14.7	14.2
Nonbank deposits	2.8	3.7	3.0	3.7	3.7	3.7	3.7	3.7
<i>Of which: autonomous public agencies</i>	1.5	1.1	0.5	1.0	1.0	1.0	1.0	1.0
Commercial banks								
Net foreign assets	29.5	29.7	28.4	31.2	34.5	33.8	36.6	34.9
Foreign assets	32.9	34.3	37.2	39.1	42.6	41.9	44.8	43.1
Foreign liabilities	3.5	4.6	8.9	8.0	8.1	8.1	8.2	8.3
Reserves	12.3	10.7	12.2	13.2	15.5	14.5	14.7	14.2
NBR deposits	10.3	7.9	7.6	10.5	12.4	11.5	11.5	11.3
Required reserves	7.3	8.4	10.0	9.7	9.1	9.2	9.2	9.4
Excess reserves	2.9	-0.5	-2.3	0.8	3.3	2.3	2.3	1.9
Cash in vault	2.0	2.8	4.6	2.7	3.0	3.0	3.2	2.8
Net credit from NBR (rediscount; liability -)	-2.6	3.9	4.3	-1.2	2.4	3.7	2.5	2.0
Domestic credit	73.7	78.2	81.4	93.7	88.0	89.9	88.1	94.0
Central government (net)	3.5	1.9	0.6	7.1	1.8	2.9	0.3	-0.2
Credit	7.3	8.0	13.0	14.7	12.4	10.9	9.4	8.0
Deposits	3.7	6.1	12.4	7.6	10.6	8.0	9.1	8.2
Public enterprises	0.7	0.8	2.0	3.4	3.1	2.3	2.3	2.3
Private sector	69.4	75.5	78.8	83.3	83.1	84.8	85.4	91.9
Other items (net; asset +)	-19.5	-22.8	-20.9	-23.6	-22.4	-22.8	-22.6	-22.3
Deposits	93.3	99.6	105.5	113.3	117.9	119.1	119.3	122.7
Private	79.7	84.4	90.7	97.9	102.6	103.7	104.0	107.3
Public (nongovernment)	13.6	15.2	14.7	15.4	15.4	15.4	15.4	15.4

Table 3. Rwanda: Monetary Survey, 2000-03 1/ (concluded)

	2000	2001	2002		2003			
	Est.	Est.	Sep. Est.	Dec. Est.	Mar. Prog.	Jun. Prog.	Sep. Prog.	Dec. Prog.
(In billions of Rwanda francs)								
Monetary survey								
Net foreign assets	66.9	81.0	73.4	103.7	108.5	103.0	109.1	140.0
Net domestic assets	51.8	48.1	59.7	41.3	39.9	48.1	40.9	16.7
Domestic credit	94.2	94.9	102.3	90.0	87.3	95.7	88.6	67.5
Central government (net)	23.6	17.9	20.1	1.9	-0.1	7.7	0.1	-27.4
Public nongovernment deposits (-)	-1.1	-1.3	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9
Public enterprises	0.8	1.0	2.1	3.5	3.2	2.4	2.4	2.4
Private sector	70.9	77.4	80.9	85.5	85.1	86.6	87.1	93.4
Other items (net; asset +)	-42.4	-46.8	-42.6	-48.6	-47.4	-47.7	-47.8	-50.8
Broad money 3/	118.6	129.1	133.1	145.1	148.4	151.1	150.0	156.6
Currency in circulation	22.6	25.8	24.5	28.0	26.7	28.3	26.9	30.3
Deposits	96.1	103.3	108.5	117.0	121.7	122.8	123.1	126.4
Of which: foreign currency deposits	26.7	27.9	30.6	29.4	30.7	32.8	35.1	33.1
(Annual changes in percent of beginning-of-period broad money)								
Net foreign assets	21.2	11.9	-3.5	17.6	31.5	23.9	26.8	25.0
Net domestic assets	-6.8	-3.1	10.8	-5.2	-15.7	-11.1	-14.1	-17.0
Domestic credit	0.8	0.6	9.2	-3.8	-8.9	-4.8	-10.3	-15.5
Government (net)	-9.5	-4.8	5.2	-12.4	-17.3	-10.2	-15.0	-20.2
Economy	10.4	5.4	4.0	8.5	8.4	5.4	4.8	4.7
Other items (net; asset +)	-7.6	-3.7	1.7	-1.4	-6.7	-6.3	-3.9	-1.5
Broad money	14.5	8.8	7.3	12.4	16.0	12.8	12.7	8.0
(Annual percent changes)								
Net foreign assets	49.0	21.1	-5.6	28.1	56.6	45.0	48.7	34.9
Net domestic assets	-11.9	-7.1	29.1	-14.1	-32.5	-23.6	-31.5	-59.6
Domestic credit	0.9	0.8	12.5	-5.2	-11.6	-6.3	-13.4	-24.9
Government (net)	-29.6	-24.2	47.0	-89.3	-100.6	-64.0	-99.6	-1,525.8
Economy	18.0	9.1	6.4	14.3	14.0	8.9	7.7	7.8
Other items (net; asset +)	22.7	10.4	-4.6	3.9	19.6	21.4	12.1	4.5
(In percent, unless otherwise indicated)								
Memorandum items:								
Currency/broad money ratio	19.0	20.0	18.4	19.3	18.0	18.7	17.9	19.3
Reserve money annual growth	-6.6	6.6	1.4	11.9	4.4	12.6	13.9	7.1
Reserves/deposits	40.4	40.3	37.7	39.7	38.9	39.1	38.0	39.2
Money multiplier	3.1	3.2	3.3	3.2	3.2	3.2	3.3	3.3
Velocity of broad money (end-of-period)	5.9	5.8	...	5.7	...	...	...	5.7
Velocity of broad money (period average)	6.5	6.0	...	6.5	...	...	...	5.9
Net open position of the NBR (in RF billions)	36.5	51.2	42.5	69.9	74.0	66.6	69.8	102.4
Net open position of commercial banks (in RF billions)	3.7	1.9	0.3	4.3	3.4	3.6	4.2	4.3
Nominal GDP (in RF billion)	705.7	754.3	...	825.0	...	...	...	893.4

Source: National Bank of Rwanda (NBR).

1/ All data are expressed in nominal terms.

2/ The definition of reserve money as performance criteria or structural benchmark differs from the definition used for the monetary program by excluding the deposits of a defunct savings bank, import deposits, and dormant accounts. The performance criteria benchmark definition uses a centered three-week average, while the program number is based on the last day of the period.

3/ Data for September 2002 exclude RF 5.5 billion private sector deposits that were exchanged for government promissory notes. This transaction was reversed in October 2002.

Table 4. Rwanda: Balance of Payments, 1995-2005  
(In millions of U.S. dollars, unless otherwise indicated)

	1995	1996	1997	1998	1999	2000	2001	2002		2003		2004	2005
								Prog.	Est.	Prog.	Rev. prog.		
Exports, f.o.b.	50.4	62.0	93.0	64.1	62.0	89.8	93.5	77.5	67.3	87.0	71.8	79.4	85.5
<i>Of which: coffee</i>	38.8	43.2	45.3	28.1	26.5	22.5	19.4	22.6	14.6	28.9	16.8	19.9	22.2
<i>tea</i>	3.8	9.3	20.6	22.8	17.5	24.3	22.7	23.6	22.0	24.8	24.6	27.2	29.3
Imports, f.o.b.	194.1	213.3	277.4	255.7	248.8	239.8	237.9	256.5	233.7	264.7	253.6	260.8	270.4
Trade balance	-143.7	-151.3	-184.5	-191.5	-186.7	-150.1	-144.4	-179.0	-166.4	-177.7	-181.8	-181.4	-184.9
Services (net)	-123.7	-127.8	-145.6	-159.1	-143.0	-141.4	-125.3	-120.8	-136.7	-120.1	-140.0	-145.0	-142.5
Income	4.7	-14.1	-17.9	-6.6	-11.4	-15.4	-22.5	-24.6	-19.1	-25.4	-24.3	-17.6	-12.6
<i>Of which: interest on public debt 1/</i>	-14.6	-13.7	-13.5	-12.4	-10.2	-13.3	-12.6	-12.2	-13.6	-11.6	-14.6	-14.6	-14.3
Current transfers (net) 2/	223.0	200.1	171.7	167.0	193.7	216.6	191.9	124.0	194.8	106.8	152.7	121.0	120.9
Private	15.8	26.5	25.0	18.3	18.2	11.0	21.7	23.0	24.5	24.4	26.0	27.5	29.2
Public 2/	207.2	173.6	146.7	148.7	175.5	205.6	170.1	101.0	170.3	82.5	126.8	93.5	91.7
<i>Of which: HIPC grants</i>	0.0	0.0	0.0	0.0	0.0	0.0	23.9	10.5	25.6	0.0	4.7	0.0	0.0
Current account balance (including official transfers)	-39.6	-93.1	-176.3	-190.2	-147.5	-90.2	-100.3	-200.4	-127.4	-216.4	-193.4	-223.0	-219.1
Current account balance (excluding official transfers)	-246.9	-265.7	-323.0	-338.9	-323.0	-295.8	-270.5	-301.4	-297.7	-298.8	-320.2	-316.5	-310.9
Capital account	93.5	90.0	115.9	95.1	70.9	72.8	67.0	68.8	66.3	74.3	67.8	75.5	85.1
Capital transfers	93.5	90.0	115.9	95.1	70.9	72.8	63.4	68.8	66.3	74.3	67.8	75.5	85.1
Debt forgiveness	0.0	0.0	0.0	0.0	0.0	0.0	3.6	0.0	0.0	0.0	0.0	0.0	0.0
<i>Of which: principal not yet due forgiven</i>	0.0	0.0	0.0	0.0	0.0	0.0	3.6	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-19.0	23.3	44.6	51.5	64.4	32.7	78.3	11.4	75.0	33.5	29.7	6.0	3.5
Direct investment	2.0	2.2	2.6	7.1	1.7	8.1	3.8	4.8	2.6	5.0	2.7	3.1	3.6
Public sector capital	25.0	34.6	40.8	46.5	52.2	20.9	55.4	11.1	62.9	10.0	14.7	-8.4	-13.7
Long-term borrowing 3/	50.7	53.8	64.0	68.9	85.9	47.3	78.4	37.3	92.3	40.2	42.8	21.2	18.1
Principal not yet due rescheduled 4/	0.0	0.0	0.0	0.0	0.0	0.0	8.8	0.0	0.0	0.0	6.7	0.0	0.0
Scheduled amortization 5/	24.8	19.2	23.2	22.4	34.7	26.4	19.4	26.2	29.4	30.3	28.0	29.6	31.8
Principal not yet due 4/	0.0	0.0	0.0	0.0	0.0	0.0	12.4	0.0	0.0	0.0	6.7	0.0	0.0
Other capital 6/	-47.0	-13.6	1.2	-2.1	10.4	3.7	19.1	-4.5	9.5	18.5	12.3	11.3	13.7
Capital and financial account balance	74.5	113.3	160.5	146.6	135.3	105.6	145.2	80.2	141.3	107.8	97.5	81.5	88.6
Errors and omissions	16.4	-21.1	27.5	20.8	-5.0	-19.1	-20.5	0.0	5.3	0.0	0.0	0.0	0.0
Overall balance	51.2	-0.9	11.7	-22.8	-17.2	-3.8	24.4	-120.1	19.3	-108.6	-96.0	-141.5	-130.6
Financing	-51.2	0.9	-11.7	22.8	17.2	3.8	-24.4	-27.3	-19.2	-11.6	-75.2	13.3	30.0
Change in net foreign assets of NBR (increase -)	-46.7	-17.2	-29.2	3.8	10.1	-9.8	-25.1	-5.0	-29.7	-11.6	-55.6	13.3	30.0
Net credit from the Fund	13.5	-1.3	18.1	13.8	20.8	14.0	1.5	5.8	-6.0	0.1	-0.1	-3.3	-7.6
Disbursements/purchases	13.5	0.0	20.5	16.1	29.3	25.1	12.1	-0.7	0.7	-1.4	1.6	1.6	1.6
Repayments/repurchases	0.0	-1.3	-2.4	-2.4	-8.5	-11.1	-10.6	6.5	-6.7	1.5	-1.6	-4.9	-9.2
Change in other gross official reserves (increase -)	-48.5	-7.0	-46.7	-16.1	-4.7	-16.5	-21.4	-10.8	-31.6	-11.7	-55.5	16.6	37.6
Change in other foreign liabilities (increase +)	-11.8	-9.0	-0.5	6.2	-6.0	-7.3	-5.3	0.0	7.9	0.0	0.0	0.0	0.0
Change in arrears (decrease -) 7/	-4.5	18.1	17.5	-58.2	-2.7	7.1	-37.8	-22.3	4.6	0.0	-27.9	0.0	0.0
Accumulation	15.9	18.1	17.5	15.0	6.5	7.1	2.9	0.0	5.6	0.0	0.0	0.0	0.0
Reduction	20.4	0.0	0.0	73.2	9.2	0.0	40.8	-22.3	1.0	0.0	27.9	0.0	0.0
Exceptional financing 8/	0.0	0.0	0.0	77.2	9.7	6.4	38.6	0.0	5.9	0.0	8.3	0.0	0.0
Cancellation	0.0	0.0	0.0	17.9	1.0	1.0	13.4	0.0	0.6	0.0	0.6	0.0	0.0
Stock of arrears	0.0	0.0	0.0	16.6	0.0	0.0	12.8	0.0	0.0	0.0	0.0	0.0	0.0
Current debt service	0.0	0.0	0.0	1.2	1.0	1.0	0.6	0.0	0.6	0.0	0.6	0.0	0.0
Rescheduling	0.0	0.0	0.0	53.8	8.8	5.5	25.2	0.0	5.3	0.0	7.7	0.0	0.0
Stock of arrears	0.0	0.0	0.0	51.1	0.0	0.0	21.8	0.0	0.0	0.0	2.9	0.0	0.0
Current debt service	0.0	0.0	0.0	2.8	8.8	5.5	3.4	0.0	5.3	0.0	4.8	0.0	0.0
Financing need 9/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	147.4	0.0	120.2	171.2	128.2	100.6
Identified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	147.4	0.0	120.2	171.2	128.2	100.6
Grants expected	0.0	0.0	0.0	0.0	0.0	0.0	0.0	84.0	0.0	93.4	110.6	85.1	92.4
<i>Of which: HIPC grants expected</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.4	0.0	29.1	17.5	29.7	36.2
Loans expected	0.0	0.0	0.0	0.0	0.0	0.0	0.0	33.6	0.0	17.0	32.8	33.3	0.0
Exceptional financing (assumed) 10/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	29.8	0.0	9.8	27.7	8.7	8.2
Financing gap 11/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:													
Current account deficit: (in percent of GDP)													
Excluding official transfers	-19.1	-19.3	-17.5	-17.0	-16.7	-16.3	-15.9	-17.0	-17.2	-15.7	-18.7	-17.4	-16.1
Including official transfers	-3.1	-6.7	-9.5	-9.6	-7.6	-5.0	-5.9	-11.3	-7.3	-11.4	-11.3	-12.3	-11.3
Gross official reserves	99.7	106.6	153.4	169.5	174.2	190.6	212.1	223.6	243.6	236.6	299.1	282.5	244.9
Gross official reserves (in months of imports of goods and services)	3.3	2.7	4.0	4.6	4.7	5.4	5.8	5.9	6.3	6.2	7.4	6.9	6.0
Overall balance (in percent of GDP)	4.0	-0.1	0.5	-1.1	-0.9	-0.2	1.4	-6.8	1.1	-5.7	-5.6	-7.8	-6.7
Total external debt: 12/	1,063.0	1,111.9	1,137.9	1,159.3	1,256.5	1,300.5	1,336.1	1,295.1	1,409.6	1,268.4	1,471.4	1,493.0	1,471.7
Total external debt (in percent of GDP)	82.2	80.4	61.6	58.3	65.1	71.8	78.5	73.2	81.2	66.8	86.1	82.2	76.1
Scheduled debt service ratio after HIPC debt relief 13/	59.0	40.9	27.1	29.9	38.6	29.7	9.3	15.4	13.8	9.1	9.1	10.0	8.8

Sources: Rwandese authorities; and Fund staff estimates and projections.

1/ Including interest due to the IMF.

2/ The difference between the 2002 programmed and actual value of current transfers, as well as the apparent drop in current transfers in 2003 and beyond is due to the inclusion of budget grants in the financing need. Current transfers include disbursed budgetary and HIPC grants, and humanitarian and technical assistance. Undisbursed budgetary and HIPC grants are included in the financing need.

3/ Includes project loans and budgetary loans that have already been disbursed. A US\$5.6 million disbursement by the OPEC Fund, if used as expected to meet outstanding debt-service obligations, will lead to a reduction in the NPV of debt by US\$2.3 million.

4/ In 2003, representing the restructuring of loans by the OPEC Fund. The restructuring of one such loan is part of the HIPC relief granted by the OPEC Fund, resulting in an NPV reduction of US\$2.44 million.

5/ Excluding DVP.

6/ Other capital includes long-term private capital, commercial credit, the change in the net foreign assets of commercial banks, and unrecorded imports.

7/ The program assumes clearance of all outstanding arrears (including arrears to non-Paris Club creditors) in 2003.

8/ Signed rescheduling and cancellation. Tentative rescheduling and cancellation is included in the financing need.

9/ Includes budgetary grants and loans that have been committed and expected to be disbursed during the course of the current year.

10/ Tentative rescheduling by non-Paris Club creditors. For the years 2004-05, it also includes assumed debt relief by Paris Club creditors on Cologne terms, in the form of flow rescheduling, delivered after the end of the current consolidation period. Following the completion point, the data for "debt service due" will be revised to reflect the effect of the stock-of-debt operation.

11/ The financing gap refers to the difference between the overall balance and the identified financing (actual and expected).

12/ After rescheduling, including arrears, rescheduling and new debt (the latter includes assumed project disbursements over the medium term and budgetary disbursements for the period 2003-04). The data under the "Prog." and the "Est./Rev.Prog." columns are not comparable since the former are on a "disbursed" basis (as of end-2001) while the latter incorporate assumptions about projected loan disbursements. Data are preliminary and do not reflect changes in exchange rates.

13/ In percent of exports of goods and services.

Table 5. Rwanda: Fiscal Impact of the HIPC Initiative, 2001–05

	2001	2002	2003	2004	2005
HIPC assistance given	(In billions of Rwandan francs)				
Interest due before HIPC Initiative debt relief 1/	4.4	5.2	6.4	7.5	7.5
HIPC Initiative relief on interest (as a result of stock-of-debt operation only)	0.0	0.0	0.6	0.6	0.6
Interest due after HIPC Initiative debt relief	4.4	5.2	5.8	6.8	6.8
Amortization due before HIPC Initiative debt relief 1/	7.6	12.1	12.8	15.8	17.4
HIPC Initiative relief on amortization (as a result of stock-of-debt operation only)	0.0	0.0	1.3	1.4	1.8
Amortization due after HIPC Initiative debt relief	7.6	12.1	11.5	14.4	15.6
HIPC Initiative relief provided as grants	10.6	12.1	11.6	15.8	19.8
HIPC Initiative relief provided as exceptional financing 2/	0.0	0.0	0.0	0.0	0.0
Total HIPC Initiative debt relief	10.6	12.1	13.5	17.9	22.2
Memorandum items:					
Other donor flows	103.6	105.4	141.3	99.8	87.0
Total net external flows (net external financing less debt service due)	102.3	100.2	135.6	94.3	84.4
Priority expenditures	(In percent of GDP)				
Baseline pre-HIPC Initiative debt-relief expenditure projections	4.0	4.0	4.0	4.0	4.0
Post-HIPC Initiative debt-relief expenditure projections	5.3	6.1	6.3	6.6	7.0
Memorandum items:					
Revenue	11.4	12.2	13.4	13.6	13.7
Domestic debt	7.0	4.2	3.9	3.5	3.3
Overall fiscal balance (excluding grants)					
Before HIPC Initiative debt relief	-9.5	-11.0	-11.3	-8.2	-8.0
After HIPC debt relief	-9.5	-11.0	-11.2	-8.2	-7.9

Sources: Rwandesc authorities; and Fund staff estimates and projections.

1/ Excluding IMF. After traditional debt relief by bilateral creditors.

2/ The topping up to Cologne terms was delayed for administrative reasons during 2001–02.

Table 6. Rwanda: External Public Debt and Debt Service, 1995–2005  
(In millions of U.S. dollars, unless otherwise indicated; end of period)

	1995	1996	1997	1998	1999	2000	2001	2002 Est.	2003 Proj.	2004 Proj.	2005 Proj.
Total external debt outstanding 1/	1,063.0	1,111.9	1,137.9	1,159.3	1,256.5	1,300.5	1,336.1	1,409.6	1,471.4	1,493.0	1,471.7
Multilateral	854.9	899.2	927.4	1,017.3	1,089.8	1,132.6	1,185.2	1,256.2	1,316.2	1,344.4	1,329.3
Of which: IDA	500.7	520.1	557.5	642.7	691.1	722.4	767.4	833.9	871.8	895.0	892.7
IMF	26.3	24.2	40.4	56.4	75.9	85.8	84.3	84.9	86.0	82.6	75.1
Bilateral	188.6	193.4	201.4	142.1	166.1	167.4	150.4	152.9	154.6	148.0	141.9
Paris Club 2/	92.6	94.3	93.7	57.2	73.0	73.0	74.1	75.5	76.7	73.2	70.0
Non-Paris Club	96.0	99.0	107.7	84.9	93.1	94.3	76.3	77.4	77.8	74.8	71.9
Commercial 3/	19.5	19.3	9.1	0.0	0.5	0.6	0.5	0.6	0.6	0.6	0.6
Debt service after bilateral rescheduling 4/	39.3	34.1	39.1	33.2	43.7	44.4	38.6	43.9	38.9	49.1	55.2
Principal	24.8	20.4	25.6	21.6	34.8	33.5	27.3	32.3	26.2	34.5	41.0
Interest	14.6	13.7	13.5	11.6	8.9	11.0	11.3	11.6	12.7	14.6	14.3
HIPC Initiative assistance	0.0	0.0	0.0	0.0	0.0	0.0	23.9	25.6	25.9	33.6	40.6
Multilateral	0.0	0.0	0.0	0.0	0.0	0.0	23.9	25.6	22.2	29.7	36.2
Bilateral 5/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.7	3.8	4.4
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service after HIPC Initiative assistance 4/	39.3	34.1	39.1	33.2	43.7	44.4	14.7	18.3	13.0	15.5	14.7
Principal	24.8	20.4	25.6	21.6	34.8	33.5	10.4	13.5	8.8	10.9	10.9
Interest	14.6	13.7	13.5	11.6	8.9	11.0	4.3	4.8	4.3	4.6	3.8
Memorandum items:											
Total debt stock (in percent of GDP)	82.2	80.4	61.6	58.3	65.1	71.8	78.5	81.2	86.1	82.2	76.1
Debt service after bilateral rescheduling (in percent of)											
Exports of goods and services	59.0	40.9	27.1	29.9	38.6	29.7	24.6	33.1	27.0	31.6	33.2
Government revenue 6/	44.6	26.5	20.3	15.7	22.9	25.2	19.8	20.7	17.0	19.9	20.8
Government current expenditure and net lending	14.8	11.0	10.8	8.8	11.5	13.1	10.8	10.9	9.2	12.4	13.1
Debt service after HIPC Initiative (in percent of)											
Exports of goods and services	0.0	0.0	0.0	0.0	0.0	0.0	9.3	13.8	9.1	10.0	8.8
Government revenue 6/	0.0	0.0	0.0	0.0	0.0	0.0	7.5	8.6	5.7	6.3	5.5
Government current expenditure and net lending	0.0	0.0	0.0	0.0	0.0	0.0	4.1	4.5	3.1	3.9	3.5
Net present value (NPV) of debt (in percent of exports of goods and services) 7/	628.6	658.2	691.5	636.6	148.1	173.8	179.3	197.4	222.2	242.1	236.6

Sources: Rwandese authorities; and Fund staff estimates and projections.

1/ After rescheduling, including arrears, rescheduling and new debt (including assumed project disbursements over the medium term and budgetary disbursements for the period 2003–04). Data are preliminary, pending a full debt sustainability analysis, and do not reflect changes in exchange rates.

2/ Includes the African Development Bank, the African Development Fund, and the Nigeria Trust Fund.

2/ All Paris Club debt is pre-cut-off-date debt.

3/ Refers to loans by commercial creditors, which were guaranteed by Paris Club creditors.

4/ Including IMF.

5/ Interim assistance by Paris Club creditors was delayed for administrative reasons during 2001–02. During 2003–05, the figures include the effect of a stock-of-debt operation at the completion point on debt service.

6/ Excluding grants.

7/ On a post-HIPC Initiative basis and based on assumptions about expected new borrowing. For illustrative purposes, the numbers are shown as if HIPC Initiative assistance had been delivered unconditionally as of 1999. The exports denominator is calculated using a three-year backward-looking average. Numbers from 2000 onward are preliminary, pending a full debt sustainability analysis, and do not take into account changes in exchange rates and CIRRs.

Table 7. Rwanda: External Financing Requirement and Sources, 1995–2005  
(In millions of U.S. dollars, unless otherwise indicated)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Resource balance	-267.4	-279.0	-330.0	-350.6	-329.8	-291.5	-269.7	-303.1	-321.8	-326.4	-327.4
Exports goods and nonfactor services	66.6	83.5	144.0	111.0	113.1	149.6	157.1	132.7	143.8	155.4	166.3
Imports goods and nonfactor services	334.0	362.5	474.0	461.7	442.9	441.1	426.8	435.8	465.6	481.9	493.7
Noninterest current account (excluding official transfers) 1/	-232.3	-253.0	-309.5	-326.5	-312.8	-282.5	-257.9	-284.1	-305.6	-302.0	-296.6
Scheduled interest	-14.6	-13.7	-13.5	-12.4	-10.2	-13.3	-12.6	-13.6	-14.6	-14.6	-14.3
Capital and financial account 2/	-53.3	-51.6	8.1	3.4	-27.5	-33.7	-25.9	-12.0	-19.8	-15.2	-14.5
Scheduled amortization	-24.8	-19.2	-23.2	-22.4	-34.7	-26.4	-19.4	-29.4	-28.0	-29.6	-31.8
Other capital	-28.6	-32.4	31.3	25.8	7.2	-7.3	-6.5	17.4	8.3	14.4	17.2
Increase in net official reserves (excluding IMF -)	-60.3	-15.9	-47.2	-10.0	-10.7	-23.7	-26.7	-23.7	-55.5	16.6	37.6
IMF repurchases/repayments	...	-1.3	-2.4	-2.4	-8.5	-11.1	-10.6	-6.7	-1.6	-4.9	-9.2
Changes in arrears (decrease = -)	-4.5	18.1	17.5	-58.2	-2.7	7.1	-37.8	4.6	-27.9	...	...
External financing requirements	-365.0	-317.4	-347.0	-406.0	-372.3	-357.3	-371.5	-335.5	-425.0	-320.0	-297.0
Disbursements: existing	365.0	317.4	347.0	328.8	362.6	350.9	324.1	329.7	237.3	190.2	194.8
Grants (project and nonproject)	300.7	263.6	262.6	243.8	246.4	278.4	233.5	236.6	194.6	169.0	176.8
Project (public investment program)	93.5	90.0	115.9	95.1	70.9	72.8	63.4	66.3	67.8	75.5	85.1
Nonproject 3/	207.2	173.6	146.7	148.7	175.5	205.6	170.1	170.3	126.8	93.5	91.7
Loans (project and nonproject)	50.7	53.8	64.0	68.9	86.9	47.3	78.4	92.3	42.8	21.2	18.1
IDA	35.6	43.8	57.2	51.1	61.6	37.8	52.5	77.1	24.9	14.1	12.0
Project	5.3	26.4	37.9	21.1	23.6	21.7	21.7	26.5	24.5	14.1	12.0
Nonproject 4/	30.3	17.4	19.3	30.0	38.0	16.1	30.8	50.6	0.4	...	...
Other multilateral banks	15.1	10.0	6.8	17.8	25.3	9.5	25.9	15.3	17.9	7.1	6.0
Project	...	...	...	10.6	11.8	9.5	19.9	11.3	12.2	7.1	6.0
Nonproject	15.1	10.0	6.8	7.2	13.5	...	6.0	4.0	5.7	...	...
Purchases from IMF	13.5	...	20.5	16.1	29.3	25.1	12.1	0.7	...	...	...
Exceptional financing (signed)	...	...	...	77.2	9.7	6.4	38.6	5.9	8.3	...	...
Principal not yet due rescheduled 5/	...	...	...	...	...	...	8.8	...	6.7	...	...
Disbursements: expected	...	...	...	...	...	...	...	...	145.0	121.1	94.0
Grants	...	...	...	...	...	...	...	...	110.6	86.1	92.4
Project (public investment program) 6/	...	...	...	...	...	...	...	...	...	...	...
Nonproject	...	...	...	...	...	...	...	...	110.6	86.1	92.4
Loans	...	...	...	...	...	...	...	...	32.8	33.3	...
IDA	...	...	...	...	...	...	...	...	26.8	33.3	...
Project (public investment program) 6/	...	...	...	...	...	...	...	...	...	...	...
Nonproject	...	...	...	...	...	...	...	...	26.8	33.3	...
Other multilateral banks (excluding IMF)	...	...	...	...	...	...	...	...	6.0	...	...
Project	...	...	...	...	...	...	...	...	...	...	...
Nonproject	...	...	...	...	...	...	...	...	6.0	...	...
Disbursements from IMF 7/	...	...	...	...	...	...	...	...	1.6	1.6	1.6
Exceptional financing (assumed)	...	...	...	...	...	...	...	...	27.7	8.7	8.2
Available financing	365.0	317.4	347.0	406.0	372.3	357.3	371.5	335.5	425.0	320.0	297.0
Residual financing gap 8/	...	...	...	...	...	...	...	...	...	...	...

Sources: Rwandese authorities; and Fund staff estimates and projections.

1/ Excludes budgetary and HIPC Initiative grants already disbursed, and humanitarian and technical assistance.

2/ Excludes project grants and loans and budgetary loans that have already been disbursed.

3/ Includes disbursed budgetary grants (including HIPC Initiative grants), as well as grants in the form of humanitarian and technical assistance. Budgetary grants (including HIPC Initiative grants) not yet disbursed are listed under the category of expected financial support.

4/ Budgetary loans not yet disbursed are listed under the category of expected financial support.

5/ In 2003, it reflects the debt rescheduling agreement with the OPEC Fund.

6/ All project grants and loans are not programmed financing and hence they are recorded under the category of existing commitments.

7/ Includes expected IMF disbursements under the current PRGF arrangement.

8/ A negative sign implies a financing gap.

Table 8. Rwanda: Indicators of Capacity to Repay the Fund, 1998–2008 1/  
(In millions of SDRs, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
					Est.	Projections					
<b>Fund credit outstanding (end of period) 1/</b>											
In millions of SDRs	40.1	55.3	65.9	67.1	62.5	62.4	60.0	54.5	44.0	31.6	19.1
In millions of U.S. dollars	56.4	75.9	85.8	84.3	84.9	86.0	82.6	75.1	60.7	43.6	26.4
In percent of quota	67.4	69.0	82.2	83.8	78.0	77.9	74.9	68.0	54.9	39.5	23.9
<b>Fund obligations</b>	2.9	7.3	9.5	9.1	5.7	1.6	4.0	7.1	10.8	12.6	12.6
Fund total charges and interests	1.1	1.1	1.1	0.8	0.5	0.4	0.4	0.4	0.4	0.2	0.1
Existing drawings	1.1	1.0	1.1	0.8	0.5	0.4	0.4	0.4	0.3	0.2	0.1
Prospective drawings	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund total repayments/repurchases	1.8	6.2	8.4	8.3	5.2	1.2	3.6	6.7	10.5	12.4	12.5
Existing drawings	1.8	6.2	8.4	8.3	5.2	1.2	3.6	6.7	10.5	12.4	12.4
Prospective drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<b>Fund credit outstanding (in percent of</b>											
<b>exports of goods and services)</b>	50.8	67.1	57.4	53.7	64.0	59.8	53.1	45.1	34.1	23.0	10.9
<b>total external debt 2/</b>	4.9	6.0	6.6	6.3	6.0	5.8	5.5	5.1	4.3	3.2	2.0
<b>gross official reserves</b>	33.3	43.6	45.0	39.8	34.9	27.8	28.5	28.8	22.0	15.1	9.2
<b>Fund obligations (in percent of</b>											
<b>exports of goods and services)</b>	3.7	8.8	8.3	7.3	5.8	1.6	3.5	5.9	8.4	9.2	7.2
<b>external debt service 2/</b>	10.9	19.5	28.9	23.5	15.5	5.0	11.2	17.6	24.8	27.3	27.3
<b>gross international reserves</b>	2.4	5.7	6.5	5.4	3.2	0.7	1.9	3.7	5.4	6.0	6.1
<b>Memorandum items:</b>											
Exports of goods and services (in millions of U.S. dollars)	111.0	113.1	149.6	157.1	132.7	143.8	155.4	166.3	177.8	189.4	241.8
Gross official reserves (in months of imports of goods and services)	4.6	4.7	5.4	5.8	6.3	7.7	7.0	6.3	6.3	6.3	6.3

Sources: Rwandese authorities; and Fund staff estimates and projections.

1/ Including projected disbursements under the current Poverty Reduction and Growth Facility (PRGF) arrangement. All numbers are before HIPC Initiative assistance.

2/ After rescheduling.

May 29, 2003

Mr. Horst Köhler  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431  
U.S.A.

Dear Mr. Köhler,

1. Faced with extraordinary challenges, Rwanda has taken significant, if initial, strides toward erecting the foundations for a future in which poverty will be eliminated. It is a future in which the concerted efforts of an educated and healthy citizenry will substantially and progressively improve national welfare and contribute to the peace and well being of our region.
2. We are now engaged in an historic social and economic transformation. A national referendum on the new constitution was held on May 26, 2003; it was overwhelmingly endorsed by the population and is set to consolidate Rwanda as a fully fledged plural democracy, with a guarantee of equal rights for all, a commitment to justice and social harmony, and a dedication to removing the vestiges of sectarianism that gave rise to the 1994 genocide.
3. In concert with the new constitution, multi-party elections will be held for the legislature and presidency during 2003. In striving to move forward with the process of reconciliation the hearing of cases against those accused of complicity in the 1994 will be expedited through the wide-scale implementation of the Gacaca traditional judicial process. In moving forward on this, about 40,000 of the accused were released during January 2003.
4. The unilateral withdrawal of our armed forces from the Democratic Republic of Congo in October 2002 demonstrated our commitment to peace in the Great Lakes Region. In the months ahead we will continue with a program of demobilization and reintegration, supported by the international community. This will free resources for poverty reduction, reduce economic uncertainty and improve prospects for economic development. Rwanda fully recognizes the critical role of a sound macroeconomy in achieving its economic and social objectives. The PRSP issued in June 2002 and the PRGF approved by the International Monetary Fund's Executive Board in August 2002, set out clear economic and financial objectives as well as the Government's policies for their achievement. In the period since, we have worked conscientiously and steadily toward the implementation of these policies.
5. The attached memorandum of economic and financial policies (MEFP) reviews the implementation of the 2002 program and sets out the objectives and policies that the government intends to pursue in 2003.



6. In light of the progress achieved in the implementation of the program for 2002, and given the supporting details provided in the MEFP, the Government of Rwanda requests a waiver for the missed observance of the performance criteria for end-December 2002 on the domestic fiscal balance, the net accumulation of domestic arrears, and the accumulation of external arrears. The Government also requests a second disbursement under its PRGF arrangement with the Fund in an amount equivalent to SDR 571 thousand, following completion of the first review and the approval of the second annual arrangement by the Fund's Executive Board.

7. The Government of Rwanda will continue to provide the IMF with such information as the Fund requires to assess Rwanda's progress in implementing the policies described in this letter and the accompanying MEFP. In addition, the Government will continue to consult with the Fund on its economic and financial policies, in accord with the Fund's policies and practices on such consultations.

Yours sincerely,

/ s /

François Kanimba  
Governor  
National Bank of Rwanda

/ s /

Donald Kaberuka  
Minister of Finance and  
Economic Planning

Attachments: Memorandum of Economic and Financial Policies  
Technical Memorandum of Understanding

## **Memorandum of Economic and Financial Policies of the Government of Rwanda for 2003**

### **I. PERFORMANCE UNDER THE 2002 PROGRAM**

1. Performance, during 2002, under the first annual PRGF arrangement was broadly satisfactory. Real GDP growth in 2002 is estimated to have expanded by 9.4 percent, reflecting an exceptional harvest in subsistence crops and a boom in construction that more than offset a decline in the growth rate for agricultural exports and manufacturing.<sup>1</sup> As a result of rising prices for locally produced goods, the effects of rising world market prices for petroleum products and, beginning at midyear, the pass through of the accelerated depreciation of the Rwanda franc (see paragraph 8), the consumer price index at end-2002 was 6.2 percent, 3 percentage points above target. With this, year-average inflation amounted to 2.0 percent.

2. Substantial progress was achieved toward the fiscal objectives under the 2002 program. Domestic revenue increased by 0.8 percentage points (to 12.2 percent of GDP), following the increase of the VAT rate from 15 percent to 18 percent and realignment of import tariff bands in July 2002, and the full implementation of tax stamps for cigarettes during the third quarter of 2002. Revenue performance was also aided by improved collections on profit taxes, including tax arrears. With regular domestic expenditures held within programmed limits, the deficit on the domestic fiscal balance was held to RF 34.8 billion (4.2 percent of GDP), which would have met the adjusted performance criterion for the domestic fiscal balance (see Table 2) in the absence of unanticipated outlays for the withdrawal of troops from the Democratic Republic of the Congo (“DRC”, paragraph 3). The performance criterion for recurrent priority spending was met and recurrent defense spending (excluding the withdrawal) was held to 2.9 percent of GDP, down from 3.3 percent in 2001. While the settlement of pre-2002 domestic arrears substantially exceeded the programmed value for end-December 2002, the performance criterion on the net reduction of domestic arrears was missed by 0.5 percent of GDP as the stock of bills payable for 2002 increased substantially, in part, reflecting delays in the disbursement of external assistance.

3. During September–October 2002, the 38 battalions (about 23,000 soldiers) of the Rwandese armed forces stationed in the Democratic Republic of the Congo (DRC) were repositioned within the national borders, fully meeting Rwanda’s obligations under an agreement reached with the DRC government in July 2002. The cost of the withdrawal and directly related establishment of new defense facilities entailed an unanticipated expenditure of RF 10.9 billion, largely for air evacuation, fuel, power generating equipment and camp infrastructure. Despite the extremely tight calendar for the completion of this exercise, the goods and services used were procured through the Military Tender Board and fully documented, with outlays fully accounted in the government’s financial information system.

---

<sup>1</sup> Real growth in the nonsubsistence (monetary) sectors of the economy is estimated to have been about 6.6 percent.

4. Despite continuing efforts to strengthen the administration of the foreign-financed development budget (CEPEX), data on the implementation of foreign-financed development expenditures for 2002 have not yet been compiled. Based on implementation of the development program in line with the budget, the total deficit amounted to 11 percent of GDP before grants, or 2.4 percent of GDP including grants.

5. In December 2002, the National Assembly approved the 2003 budget in conformance with the structural performance criterion set for end-December 2002. In particular, the 2003 budget introduced an excise tax on cars, reformed the law on professional remuneration tax (TPR), making salary and other allowances in cash and kind fully taxable under the TPR, and returned the excise tax rate for beer to 57 percent.

6. The implementation of monetary policy during 2002 was complicated by a larger-than-programmed expansion of credit to government during some parts of the year and the continued weak state of the commercial banking sector (paragraphs 13 and 14).<sup>2</sup> As the annual growth rate of broad money rose from 5.7 percent in June 2002 to a peak of 15.7 percent in October (the September reserve money benchmark was missed by 13 percent), the NBR acted to tighten liquidity conditions through open market operations. As a result, the interest rates on treasury bills and the central bank intervention rate rose from 9.7 percent in mid-September to 10 ½ percent at end-November 2002 and remained at that level for the rest of 2002. As action was taken to reduce bank reserves, commercial bank holdings of government securities increased substantially during this period, and the performance criterion for reserve money at end-December 2002 was met.

7. Despite the reining in of reserve money, monetary conditions remained overly liquid at end-2002. The net foreign assets of the National Bank of Rwanda (NBR) rose to RF 72.6 billion (US\$142 million) at end-December, exceeding the adjusted program floor by RF 1.7 billion (2.7 percent).<sup>3</sup> Net credit to government from the banking system, totaling RF 0.9 billion at end-December 2002, met the performance criterion under the program despite the unexpected outlays for troop withdrawals. Nonetheless, credit to the economy grew by 14.3 percent—more than a full percentage point above the targeted level. As a result, broad money grew by 12.4 percent (on an annual basis) during 2002—5.5 percentage points above target, evaluated at current exchange rates.

8. The stronger-than-targeted expansion in monetary aggregates, along with weak export performance (see below) contributed to growing pressure in the foreign exchange market during the second half of 2002. The Rwanda franc/US\$ exchange rate, which had depreciated

---

<sup>2</sup> Net credit to government remained, however, below the program ceiling at end-year.

<sup>3</sup> The performance criterion for end-December 2002, of RF 59.0 billion, at the program exchange rate of 457.9, was adjusted upward by RF 4.2 billion, as a result of larger-than-projected external budgetary support inflows. The NFA of the NBR evaluated at the program exchange rate was RF 64.9 billion.

by 2.6 percent during the first half of 2002, weakened by 8.8 percent between mid-July and end-December 2002, notwithstanding an increase in the amount of foreign exchange offered by the central bank in its weekly auctions.

9. In the external sector, merchandise exports declined significantly, largely as a result of a drop in international prices. Despite a small decline in imports, the external current account deficit deteriorated by 1.3 percent of GDP to 17.2 percent.<sup>4</sup> This deficit was financed by grants and loans, as well as bilateral rescheduling. The net foreign assets of the NBR at end-December 2002 totaled US\$142 million—an increase of about US\$30 million from end-2001.

10. During the course of 2002, Rwanda accumulated small amounts of external arrears to the African Development Fund, in violation of the continuous performance criterion on the nonaccumulation of (nonrescheduable) external arrears. In order to address avoid a repetition of these developments, which resulted from an administrative error, an action plan has been developed for strengthening the management of external debt service. In this regard, external debt payment procedures will be reviewed in order to streamline and enhance monitoring along the different stages of debt payment, including the authorization and execution of payments.

11. Rwanda's external debt amounted to US\$ 1.4 billion (81 percent of GDP) at end-2002. Given the heavy debt service burden associated with this stock, Rwanda continues to depend on interim debt relief from its creditors. In this regard, Paris Club creditors, in October 2002, decided to extend the consolidation period from May 1, 2002 to June 30, 2003 on the basis of Cologne terms. In addition, discussions are underway with Paris Club creditors for the signing of bilateral agreements under the previous rescheduling. The Paris Club has been requested to extend the deadline for reaching bilateral agreements under that rescheduling to May 31, 2003. Rwanda is also making efforts to reach rescheduling agreements with its non-Paris Club creditors. An agreement with the Kuwait Fund was signed on February 5, 2003, rescheduling the stock of debt including arrears.

12. There has been progress in carrying out the agenda of structural measures adopted under the program. In the area of privatization, a five-year management contract for the electricity and gas parastatal, Electrogaz, was agreed in March 2003. Financial advisers have been engaged to prepare for the sale of the public telecommunications company, Rwandatel, with its offer for sale slated for December 2003. With respect to the tea-processor, Sorwathe, the government offered for sale 13.4 percent of its share to a private investor and a further 10 percent to a farmer's association. Two state-owned tea estates will be offered for sale by end-August 2003 following the adoption of enabling legislation by the National Assembly, and the privatization of three rice processors, and mining, printing, hotel, and livestock enterprises are targeted by end-2003.

---

<sup>4</sup> Reflecting an upward revision in the data for 2001, the level of the deficit was roughly in line with program projections

13. Substantial steps have been taken toward addressing problems in Rwanda's financial sector. With respect to the Banque Commerciale du Rwanda (BCR), following the approval of a restructuring plan by the bank's board of directors in August 2002 (a structural benchmark for end-September 2002), actions were taken to substantially reduce operating costs, enabling the bank to realize small operating surpluses in the ensuing months. BCR's external reference shareholder has been formally asked to participate in BCR's recapitalization,<sup>5</sup> and an action plan has been decided that will lead to the offer for sale of the bank by end-June 2003.

14. NBR bank supervisors conducted full audits of three banks during the second half of 2002 (a structural benchmark for end-December 2002). The NBR placed restrictions on the operations of two commercial banks based on audit findings and increased ongoing supervision.<sup>6</sup> In addition, the scope of NBR's bank supervision was extended to microfinance operations following the establishment of a Micro-Finance Supervision Unit in December, 2002. Accelerated loan recovery procedures (voie parée) were reinstated and associated administrative constraints were resolved. As a result, loan recovery performance and discipline in the financing sector improved substantially during 2002. The stock of nonperforming loans decreased by 5.9 percentage points between end-2001 and end-2002, and the rate of provisioning increased from 34.4 percent to 60.4 percent over that same period.<sup>7</sup> In addition, in November 2002, the Banker's Association agreed on an information sharing arrangement under which a consolidated list of defaulting borrowers is circulated to Rwanda's commercial banks. A tender for a financial sector study aimed at improving the performance of the financial sector and at developing capital markets, and addressing the management of nonperforming loans, a structural benchmark for end-July 2002, was issued in November 2002, as a result of administrative delays, partly related to the World Bank tender procedures. On the basis of the tender an expert to implement the study was selected in April, 2003.

15. New organigrams for civil servants in central government line ministries have been established and are in the process of implementation. As a result two ministries have been combined and the functions of others have been realigned. About 500 staff have been redeployed, including from central government to newly decentralized units of government. Following approval by Cabinet, a prime ministerial decree supporting a new legal framework for the operations of the National Tender Board was issued on October 30, 2002. Following the gazetting of the Prime Minister's decree establishing the National Tender Board (NTB) on April 1, 2003, the NTB was formally established. The Arbitration Center has been

---

<sup>5</sup> The Belgian regulatory authorities have been asked to assist in this effort.

<sup>6</sup> The combined deposit balances of these two banks accounted for 21.9 percent of the total for the commercial banking system at end-December 2002.

<sup>7</sup> Gross nonperforming loans constituted 39.4 percent of gross loans outstanding at end-2002.

strengthened with the assistance of the Ministry of Justice and donors, and additional judges have received further training in order to adequately staff the center. The restructuring of the Social Retirement Fund (CSR) has, however, is still in progress.

16. The reporting system of financial operations of the districts is in the process of being implemented. In order to assure the soundness of their finances, the Ministry of Finance and Economic Planning is requiring newly autonomous local administrations to request prior authorization for borrowing. The government has requested technical assistance from the IMF to support capacity building for the decentralization process. Efforts to strengthen the administration of public finances have been significant. An inventory of the physical assets of all central government line ministries, conducted by the Public Accounts Department is under way and should be completed by end-September and work is progressing on a chart of accounts for all units of government.

17. Substantial steps were taken in improving the monitoring and control of extra-budgetary and off-budget activities identified in the recent independent study of government bank accounts. Some key items, such as receipts of the National Tender Board and the Privatization secretariat, were included into the 2003 fiscal reporting framework. The Cabinet requested the submission of full budgets for compilation and inclusion into the 2003 budget from public institutions receiving extra-budgetary receipts in areas such as education and health. However, as initial submissions from these institutions were incomplete, it was decided to postpone the inclusion into the budget until the next budget phase. In addition, a general clause was adopted within the 2003 finance law prohibiting the public administration from incurring any extra-budgetary expenditures.

18. In the areas of financial controls, transparency and accountability, considerable headway has been made. In this regard, following the recommendations of a study on government bank accounts completed during 2002, information was included in the 2003 budget, ensuring that the budget submission includes increased coverage on details on the sources and uses of government funds. In addition, guidelines for the opening, closing and monitoring of government bank accounts were fully enforced during 2002. Beginning on October 30, 2002, data on quarterly fiscal operations for the preceding quarter were posted on the Ministry of Economic Planning and Finance's web-page, and are being regularly updated. (December 2002 data were posted on February 15, 2003.) Finally, the office of the Auditor General has continued to expand and broaden the scope of its activities. Audits of the 2001 accounts of 34 public sector entities including 10 ministries, along with 13 projects, were completed during 2002, and submitted to the President, the Speaker of the National Assembly, the Prime Minister the Chief Justice of the Supreme Court, and the Minister of Finance on April 30, 2003. Legislation to granting public access to the audit reports of the Auditor General (OAG) is being considered by the National Assembly.

## **II. THE MEDIUM-TERM STRATEGY**

19. With about 90 percent of the population living in rural areas, where poverty is widespread, the medium-term growth and poverty reduction strategy, as set out in the PRSP,

focuses on agricultural and rural development, human resources, and infrastructure. This strategy, which places heavy emphasis on the role of the private sector, is to be supported by improved governance and strengthened institutions, a well-focused public expenditure program, and a concerted effort to create an environment that will improve economic productivity, generate employment, and support rapid growth in the formal economy. In agriculture, the PRSP targets an efficient use of fertilizer, largely through outreach and the development of marketing networks, and aims at expanding the export base through the continued privatization of the tea sector and a shift in coffee production to the specialty market.

20. A rapid strengthening of Rwanda's macroeconomic sustainability figures prominently in this strategy. A combination of factors, including the social and political transition, security concerns, and weak international markets for Rwanda's exports have contributed to fiscal and external current account deficits (excluding grants) that continue at a high level. As a consequence, Rwanda remains dependent on external grants and borrowing (which were equivalent to 19 percent of GDP in 2002) to finance a substantial part of government current operations and investment along with the activities of various nongovernmental organizations. As a substantial part of external financing commitments are short term, it is important that both the domestic and the external imbalances be brought to a sustainable level.

21. With key elements of the political and social transition nearing completion, total expenditure and net lending will fall by about 3 percent of GDP during 2004–05, freeing additional resources to support private sector growth. At the same time, Rwanda will take full advantage of its entry into the COMESA free trade area, scheduled for January 2004, and export opportunities provided under the Agricultural Growth and Opportunity Act in strengthening its external viability.

22. Based on this strategy, the medium-term macroeconomic objectives are to (i) achieve annual real GDP growth of at least 6 percent; (ii) keep annual average inflation at 3 percent; and (iii) maintain gross international reserves equivalent to at least six months of imports. As Rwanda's population growth rate is about 3 percent, these objectives would yield modest but significant increases in per capita real income over the medium term.

### **III. THE ECONOMIC PROGRAM FOR 2003**

23. The program for 2003 will aim to maintain macroeconomic stability while continuing to implement the action plan for the PRSP. A particular challenge this year will be the achievement of key elements in Rwanda's political and social transition—including constitutional reform, presidential and legislative elections, the resolution of most cases against those alleged to have participated in the 1994 genocide through the Gacaca process and the associated release of detainees, the implementation of a substantial part of the demobilization program, and the continued decentralization of government—while setting the stage for renewed investor confidence and freeing resources for investment in productive activities.

24. The program for 2003 targets real GDP growth target of 3.2 percent<sup>8</sup>, annual average inflation of 4.7 percent and, a rise in official reserves, based on a substantial increase in projected external budgetary financing, to 7.4 months of imports.

### **A. Rebuilding the Nation and the Economy**

25. The reduction of poverty in Rwanda and the achievement of macroeconomic objectives take into account the regeneration of Rwanda's political and social fabric—an effort that is a prerequisite for success under the PRSP. During January 2003, some 30,000 persons detained for activities related to the genocide were released pending the completion of Gacaca judicial processes that will take action on the cases outstanding against some 110,000 accused, during 2003–04. Under the demobilization program a further 6,352 soldiers will be demobilized during 2004, a projected 15,000 ex-FAR personnel will receive a recognition of service allowance, and 21,468 ex-combatants returning from the DRC will be reintegrated into local communities. Although delayed in order to accommodate continued dialogue, the National Assembly and Cabinet have, as of end-April, 2003, agreed on a draft constitution to be submitted for the consent of the public by referendum. This new constitution will set the basis for the direct popular election of the executive and a bicameral legislature. With this, elements of legal basis for key institutions of economic governance, including the Office of the Auditor General and the appointment of key government officials, will be established on a sound and durable basis.

### **B. Macroeconomic Policies**

#### **Fiscal policy**

26. The fiscal program for 2003 targets an overall deficit on “core” activities of 9.6 percent of GDP. Beyond this, the deficit will be raised by 1.1 percent of GDP to accommodate 0.3 percent of GDP for 2002 demobilization outlays that were delayed from 2002 to early-January 2003 and nonrecurrent outlays that are detailed below, if additional external grants for these purposes are forthcoming, and by a further 0.4 percent of GDP to cover additions to the strategic petroleum reserve,.

27. The continued strengthening of the revenue base is a key element of the fiscal program. Domestic revenue will increase to 13.4 percent of GDP, from 12.2 percent in 2002, as a result of relatively stronger nominal growth in monetary sector GDP, the full year impact of the increase in the VAT rate to 18 percent, new tax measures introduced in the 2003 budget and further improvements in the efficiency of the Rwanda Revenue Authority. Tax measures taken under the 2003 budget include the broadening of the personal income tax base, the

---

<sup>8</sup> The associated growth rate for non-subsistence GDP is 4.2 percent. The drop in the 2003 growth target below the medium-term trajectory reflects, in large part, the impact of delayed rains on subsistence food production.



extension of the product range subject to excise taxation (automobiles and powdered milk), an increase in the excise tax rate on industrial beer from 40 percent to 57 percent, and adjustments in the structure of taxes on international trade.

28. Although the improvement in the revenue base will be substantial, and the core expenditure program will remain within the limits initially foreseen under the PRGF, exceptional spending for the constitutional referendum and elections and onetime outlays for critical activities in the health sector will increase spending by 1.1 percent of GDP. In addition, in order to address energy security concerns, 0.4 percent of GDP will be added to the domestic investment budget to cover the purchase of petroleum products to be added to strategic petroleum reserves.<sup>9</sup> With this, the domestic fiscal balance, including the additional exceptional items and the demobilization spending delayed from 2002, will fall to 3.9 percent of GDP, from 4.2 percent in 2002. The 2003 budget provides for a 17 percent increase in allocations for priority programs (as identified in the PRSP) along with continued funding for assistance to surviving victims of the genocide and Gacaca, among others. Outlays for demobilization and reintegration as well as those for the reestablishment of peace and stability in the region, will peak and support for higher education will continue at a substantial level.

29. In line with the PRSP strategy, foreign-financed capital expenditure is programmed to increase by 10 ½ percent, and given current revenue projections, total spending authorized under the 2003 budget is 0.3 percent of GDP above the level consistent with the deficit target set out in paragraph 26. Any revenue shortfalls would be offset by a reduction in expenditures. Identified areas for such reductions include civil nonpriority goods and services, and transfers.

30. Regarding outstanding domestic obligations, given the impact of exceptional spending on the fiscal stance, the large increase in the accounts payable at the treasury on current operations at end-2002, and the higher-than-programmed settlement of pre-2002 arrears during 2002, the clearance of arrears in 2003 will focus, initially, on bringing the payments float back to a normal level (i.e., no more than RF 2.5 billion by end-2003) before continuing with the clearance of RF 1.5 billion (0.2 percent of GDP) in pre-2002 obligations. Transparency in the prioritization of pre-2002 obligations will be enhanced through the issuance, by end-June 2003, of a list of obligations scheduled for clearance during 2003.<sup>10</sup>

---

<sup>9</sup> The reserves will be managed under contract by private sector oil companies. The World Bank staff is providing assistance in the development of permanent regulations governing the management of the reserves. In the interim, sales from the reserves are subject to approval of a ministerial committee, when regular supply channels have been significantly disrupted.

<sup>10</sup> The list will set out amounts to be settled for salaries, goods and services (with details on payments to public utility companies, other public enterprises and the social security fund), and overdue payments including cumulating penalties for late payment (e.g., road contractors). The list will indicate which of these payments have been authenticated by the Auditor General.

### **Monetary policy**

31. For 2003, in line with nominal GDP growth in the monetized sector, the target for broad money growth has been set at 8.0 percent at current exchange rates. Targets for the expansion of the monetary base have been set in line with the objectives for broad money. Given the exceptional variability of reserve money during 2002, the National Bank of Rwanda enhanced reporting and analysis to permit daily monitoring of movements in the base.<sup>11</sup> This will enable the NBR to promptly tighten liquidity conditions by increasing treasury bill and deposit auction sales. In addition, through periodic adjustments, the discount rate will be set at an appropriate level relative to the interbank market.

32. The gross international reserves of the NBR increased by US\$31.5 million, to the equivalent of 6.3 months of import cover, at end-December 2002. It is expected that, during 2003, the government of Rwanda will receive a significant increase in inflows of grants and loans. In order to keep the growth of credit in line with the program, the NBR will accumulate US\$55.5 million in the form of foreign reserves, while reducing the net credit to the government by RF 21.9 billion. Partly against the background of a planned sizeable reduction of the stock of government treasury bills held by the commercial banks (by RF 6.7 billion), net credit to government of the banking system is programmed to be reduced by a total of RF 29.3 billion.

33. Regarding the NBR's foreign exchange transactions, the current system of auctions will be improved, reflecting recommendations from a planned IMF technical assistance mission, in order to reinforce transparency in exchange rate determination and to ensure that deviations from the parallel market are kept to a minimum.

### **External sector**

34. The deficit on the external current account, excluding current official transfers, is expected to rise to 18.7 percent of GDP in 2003, from 17.2 percent in 2002. This deterioration is projected to result largely from an increase in imports of goods and services, substantially associated with increased payments for petroleum for strategic reserves along with growing service outlays related to higher external assistance. A modest improvement in international prices and a robust growth of coffee and tea export volumes is projected in 2003, reflecting both the benefits of continuing privatization in the tea sector and efforts to shift production to the specialty coffee market. In this regard, the prospect of a higher price for quality coffee appears to have provided incentives to coffee farmers to shift their production to high quality coffee. In support of this drive, 12 new washing stations, an essential element in the processing of coffee beans, will open for the 2003 season. As large inflows of external assistance (primarily from the EU, IDA and the UK) are expected to lead

---

<sup>11</sup> The variability of reserve money reflects, among other factors, the limited use of the interbank market, given the soundness issues detailed in paragraphs 13-14.

to substantial accumulation of net foreign assets in 2003, policies have been designed to ensure that, in these circumstances, macroeconomic stability is maintained and exchange rate movements remain consistent with underlying fundamentals.

35. Despite the continued substantial real depreciation of the Rwanda franc in recent years, the high level of external current account deficit will continue to remain a concern over the medium term. In light of this, a substantial effort is being devoted to expanding and diversifying the export base, including through the intensified use of fertilizer to increase yields in the production of export crops, and through the replenishment of Rwanda's aging tree inventory. The prospects of a return to stability in the Great Lakes region, in conjunction with the continued implementation of prudent macroeconomic policies, will contribute to the inflow of foreign investment which over the longer term will reduce the dependence of the economy on donor support.

36. The decline in exports of goods and services is expected to have a negative effect on already fragile debt sustainability indicators. Given this, action will be taken to meet the floating triggers under the enhanced HIPC Initiative, in order to reach the completion point and alleviate the heavy burden of the excessive external debt. To this end, work is in progress on a PRSP progress report. At the same time, a prudent debt management policy will be maintained, and new debts will be contracted only on highly concessional terms. Efforts to reach bilateral agreements with Paris Club creditors on Cologne terms and to regularize relations with all external creditors through the signing of rescheduling agreements on terms comparable to those provided by the Paris Club will be intensified. We intend to request a further extension of the consolidation period from the Paris Club creditors until the completion point is reached. We will also strengthen efforts to ensure the participation of all creditors in the HIPC Initiative.

### **C. Structural Policies**

#### **Decentralization**

37. The decision to progressively strengthen decentralized units of government has been made in the context of the overall strategy to reduce poverty and with the aim of increasing broad-based participation in the design, implementation and monitoring of projects and programs at the grassroots level. This approach envisages the development of competent, transparent and accountable local administrations and supporting economic planning capacity. As part of this effort, the Council of Ministers, on October 15, 2002, appointed the executive for the Community Development Fund (CDF), with responsibility for overseeing and coordinating the administration of the development projects implemented at the district level. Under the 2003 budget, RF 4 billion (0.4 percent of GDP) has been allocated for such projects and programs, with additional direct assistance from official bilateral donors. These programs and projects will, as in 2002, continue to reflect consultations between central government ministries and the districts. Beginning in 2004, the National Assembly will be provided with an evaluation of required improvements in the supporting legal framework and an action plan to address identified problems, in particular, with respect to the equitable and efficient allocation of resources across districts.

### **Improving financial accountability and transparency**

38. Given the important role of open, transparent and accountable financial accounts in ensuring that government operates efficiently and effectively, the action plan for further strengthening economic governance will remain an important government priority in 2003. In this regard, the Auditor General will conduct audits of 41 public sector entities during 2003, including the Ministry of Finance and Economic Planning and the Ministry of Defense, 7 additional ministries, and the Office of the President.<sup>12</sup> In addition, as part of the drive to extend the transparency of government financial operations, authorization for the publication of the AG's annual report is provided under the new draft constitution and publication is expected to begin with the report for 2002. Similarly, the Ministry of Economic Planning and Finance will continue to post quarterly data on government financial operations, in the GFS format, with a one month lag.<sup>13</sup> In the area of government procurement, as a new public procurement law will be sent to the National Assembly for consideration in September, 2003, it is expected that reforms to public procurement will be fully implemented by end-September, 2003. The office of the Auditor General is on track to continue expanding according to its action plan, enabling it to audit all line ministries on an annual basis starting in 2005.

### **Administration of public finances**

39. Actions to strengthen the administration of public finances and improve the effectiveness and efficiency of government operations remain a priority. Objectives under the action plan, recently developed with the assistance of IMF staff, include improving accounting systems, setting in place appropriate monitoring and oversight mechanisms and increasing the availability of information on government operations.

40. Following the recommendations of the external study of the government's bank accounts (paragraph 18) and other technical assistance, an ambitious agenda has been set for the period ahead. The government will continue in its endeavors to discontinue or bring on budget all relevant operations and, beginning in 2004, the budget will include a statement of tax expenditures associated with both existing and new policies included in the budget, a statement of assets and liabilities of all levels of government, financial statements of public enterprises, a statement of consolidated government equity holdings, a consolidated budget of the districts, a fiscal risk assessment, and a list of all contingent liabilities.

---

<sup>12</sup> As part of the audit of Ministry of Defense financial operations, the AG will verify the value of outlays for the withdrawal of troops from the DRC during September-October 2002 and will seek to establish that this spending followed appropriate procurement procedures, was adequately documented and accounted in the government's financial accounting system, and that corresponding payments fully extinguished related claims of suppliers on government.

<sup>13</sup> Due to technical difficulties, the posting of December 2002 data was delayed until February 15, 2003. However, posting with the regular one month lag will resume with operations as of March 31, 2003 to be posted by May 15, 2003.

41. The management of government bank accounts will be streamlined by the means of devising and enforcing clear regulation for the operations of accounts, by reviewing the account classification system, and by continued efforts to reduce the number of accounts under operation. A task force has been established to implement this agenda and plans to request that responsible government units provide complete and up-to-date information on accounts in operation by August 30, 2003. Based on this information, the task force will provide recommendations for the closure of accounts which are either dormant or operating outside of controlling regulations by September 30, 2003. The task force will, furthermore, develop a revised common account nomenclature, to assist in monitoring account movements and, beginning with October 31, 2003, account managers will be required to send copies of monthly bank statements to the Ministry of Economic Planning and Finance. In a related effort, immediate steps will be taken to support the monthly reconciliation of balances on government financial operations with the movements financing balances. To this end, the results of a questionnaire requesting information on government bank accounts will be used to identify those which should be generally classified as central government treasury accounts and will, in addition, distinguish government imprest, single-signature project accounts and joint government-donor accounts in the current monetary reporting system by end-June 2003.

42. The enhancement of the public accounts and internal audit mechanisms are key to the improvement of the monitoring and control of public expenditures. An action plan in this area has been developed, with the assistance of IMF staff and other partners. Among the actions to be undertaken in this area will be the completion of an inventory of the physical assets of the central government line ministries, which is now scheduled for completion by end-September 2003. This will be subsequently expanded to cover government assets held by provinces, public enterprises and joint development projects. In addition, a common framework for charts of accounts for use by central and local government is under consideration, and these accounts will be used for the preparation by end-December 2003 of draft final central government accounts for 2002, subject to the availability of technical assistance. At the provincial and district levels, the common chart of accounts will be implemented by end-June 2004.

43. Efforts to energize public debt monitoring will continue, with the second annual phase of assistance from Debt Relief International (DRI) just having started. The Government of Rwanda is determined to strengthen the management of its debt service in order to preclude the accumulation of external arrears. In this regard, an action plan revising administrative procedures and monitoring, including coordination between the Ministry of Finance and Economic Planning and the central bank, has been developed and set in place. Similarly, efforts to boost monitoring of the execution of the foreign-financed development budget continue, and CEPEX will submit a comprehensive analysis of execution in 2002 by June 30, 2003, and will launch quarterly execution reports by September 30, 2003.

44. As the increasing degree of fiscal decentralization has led to enhanced information requirements, efforts will be undertaken to extend the computerized fiscal operations reporting mechanism to all province administrations, and to put in place a reporting

mechanism for the district operations. In this regard, borrowing by districts and communal development projects will continue to require authorization from the Ministry of Economic Planning and Finance, in support of centralized monitoring until a complete reporting system has been put in place.

45. The legal framework guiding the administration of public finances will continue to be a key focal area. To this end, after the adoption of the new constitution, the administration will facilitate the swift passage of the draft Organic Budget Law through the National Assembly. In any event a new organic budget law will be submitted to the National Assembly not later than end-September 2003 subject to the availability of technical assistance. Revised financial and accounting instructions, as provided for by the relevant laws, will be prepared by end-July 2003. Furthermore, upon the adoption of the new constitution, the laws governing the Office of the Auditor General will be modified to provide for publication of the annual audits, beginning with the Auditor General's report for 2002.

46. Efforts in the area of tax and customs administration will focus on improvements in the customs administration software, upgrading the border posts, computerization of the tax administration including a unified system of taxpayer identification numbers, and increasing the audit activity of the Rwanda Revenue Authority. In addition, as the streamlining of the system of tax exonerations and incentives under tax laws and investment agreements remains a strong priority, the government has conducted, with the help of IMF technical assistance, a review and analysis of tax exonerations and their legal characteristics. Reflecting the findings of that review, the issuance of ad hoc tax exonerations has been suspended, pending the adoption of revised legislation. Submission of revised investment and tax codes is planned to take place before end-2003.<sup>14</sup> Following the creation of a formal appeals process for taxpayers, the establishment of a bill of taxpayers' rights in 2002, and the creation of tax and commercial chambers within the court system are being targeted in order to improve the legal framework facilitating the development of increased private sector activity.

#### **Improving efficiency—privatization and the economic environment**

47. Privatization, apart from its direct beneficiary effects on the efficiency of Rwandese enterprises, is expected to enable the government to focus its capacities on the provision of public goods, such as education, health and social infrastructure. The Privatization Secretariat will make substantial progress in realizing its objectives in 2003 and 2004. The management contract for Electrogaz was signed by the government and the selected international company by early May 2003. External consultants have written due diligence reports and presented their strategy to the government for the privatization of Rwandatel, which is expected to be brought to the point of sale in December 2003. In the tea sector, the law authorizing the transfer of tea sector from the public domain to the private domain has been adopted by the National Assembly. As a result, calls for tender for the first two tea units, Mulindi and

---

<sup>14</sup> The suspension of ad hoc tax exonerations excludes exonerations issued against taxes on government imports, which do not entail a net revenue loss.

Pfunda, will be issued shortly, which is a trigger for the floating completion point under the HIPC initiative. The sale of one additional tea unit is expected in 2003, with calls for tender for the remaining six units scheduled for 2004.

### **Financial sector reforms**

48. While some important steps have been taken toward resolving the problems of the commercial banking sector (paragraphs 13 and 14), the portfolio of nonperforming loans remains elevated and some banks are clearly distressed. Given this, the NBR will continue to closely monitor the operations of troubled banks, both through intensified off-site reporting and through periodic on-site audits, and will ensure that action plans are set in place to redress their difficulties and that their operations follow prudential regulations. The NBR's bank supervision department is scheduled to conduct full audits of four commercial banks in 2003 and will expand its program to all banks during 2004.

49. Following the resolution of issues regarding the terms of reference, a contract was awarded during April, 2003 for a study to identify actions that will strengthen the performance of the financial sector and develop Rwanda's capital market. In addition, a request has been made for the IMF and World Bank to jointly undertake an assessment of the financial sector (FSAP) that, together with the findings of the financial sector study, will provide an action plan for improving asset recovery while avoiding moral hazard or additional calls on budgetary resources. In light of the delays, it is anticipated that an action plan will be ready by end-December 2003, with implementation to begin in March 2004.

50. The restructuring of the BCR is targeted for completion by end-September 2003. Following the restructuring plan approved in 2002, investment documents were issued during May 2003 and, following the identification of an approved list of investors, a tender for sale of majority shares will be issued by end-June 2003. The 2003 budget allocates RF 5 billion (0.6 percent of GDP) as the government's contribution to the restructuring effort (of which, only RF 1.3 billion will be in cash). The government subsequently funded an additional RF 0.6 billion, in order to bring BCR's capital position to zero. At the same time, the NBR is continuing its efforts to seek cooperation of the reference shareholder in meeting its contribution to the recapitalization.

51. Regarding the development of legislation and corresponding institutional structure for preventing money laundering and the financing of terrorist activities, Rwanda has joined a regional association that has been formed to provide technical assistance and share experience. Taking advantage of this, the drafting of required legislation is targeted for completion by end-December 2003, with the establishment of an enforcement unit at the NBR, staffed by trained personnel, planned for March 2004.

### **D. Safeguards**

52. A February 2003 review of central bank's external audit mechanism, legal structure and independence, financial reporting, internal audit and internal controls found that the central bank's efforts to rebuild and strengthen the NBR's safeguards and controls were

encouraging. After a long hiatus, annual audits of the central bank's financial statements for 1997-2001 were completed during May 2002 and initial steps to strengthen the NBR's internal audit mechanism are in progress.

53. Nonetheless, it is clear that there are areas in which the NBR's safeguards could be usefully improved. In this regard, an action plan has been developed that will establish a formal policy for the conduct of annual external audits of central bank financial statements; written procedures will be developed to ensure that monetary data used for program monitoring purposes follow agreed definitions and are consistent with accounting records; the NBR's Internal Audit Department will be made operational; a set of formal investment guidelines for international reserves; strengthen accounting capacity; outstanding accounting and control issues will be resolved; policies to limit the distribution of profits available for distribution to realized amounts will be set; and procedures governing the appointment and dismissal of senior officials will be strengthened. As part of this action plan, the Ministry of Economic Planning and Finance began the tender process for the 2001 and 2002 external audits of the NBR during March 2003. The appointment of the central bank's Committee of Auditors and establishment of standard procedures for the conduct of annual audits on were completed by May 22, 2003. In line with this, the NBR's Board is expected to resolve to publish audited financial statements for the central bank within 4-6 months of the close of the financial year.

#### **IV. PROGRAM COORDINATION AND MONITORING**

54. The program for 2003 will be monitored on a continuous basis with quantitative and structural performance criteria, benchmarks, and indicative targets. The second review will reflect performance on quantitative benchmarks for March 2003, quantitative performance criteria for end-June 2003, and structural benchmarks and performance criteria through September 2003, and will be completed by mid-November 2003. The third review will reflect performance on quantitative benchmarks for September 2003, quantitative performance criteria for end-December 2003, and structural benchmarks and performance criteria through end-March 2004, and will be completed by end-May 2004. A complete list of quantitative and structural performance criteria, as well as structural benchmarks, is included in Tables 1 and 2, respectively. The attached technical memorandum of understanding lays out the details of program design and terminology.



Table 1. Rwanda: Quantitative Performance Criteria and Benchmarks 2002-03  
(In billions of Rwanda francs, unless otherwise indicated)

	2002				2003 1/			
	Mar.	Jun.*	Sep.**	Dec.***	Mar.**	Jun.***	Sep.**	Dec.***
	(Indicative targets*; quantitative benchmarks**, and performance criteria on test dates***)							
Net foreign assets of the NBR (floor on stock) 2/ 3/								
Actual (program exchange rate)	39.3	40.2	42.1	64.9	...	...	...	...
Adjusted program	...	39.8	50.9	63.2	...	...	...	...
Program	--	33.0	50.9	59.0	73.1	67.7	70.3	101.0
Reserve money (ceiling on stock) 4/								
Actual	42.3	40.0	43.2	41.6	...	...	...	...
Program	--	40.3	38.1	41.9	44.6	45.3	44.1	46.9
Net credit to the government by the banking system (ceiling on stock) 5/								
Actual	23.4	21.1	20.1	1.9	...	...	...	...
Adjusted program	...	19.2	11.5	4.8	...	...	...	...
Program	--	26.0	11.5	10.1	-0.1	7.7	0.1	-27.4
Domestic fiscal balance (floor on cumulative flow since Dec. 31) 6/								
Actual	-3.6	-12.7	-20.3	-34.8	...	...	...	...
Adjusted program	...	-10.8	-15.7	-24.4	...	...	...	...
Program	--	-11.0	-18.7	-26.9	-9.7	-23.9	-31.8	-39.1
Recurrent priority spending (floor on cumulative flow since Dec. 31) 7/								
Actual	10.2	23.4	36.0	50.4	...	...	...	...
Program	--	21.7	35.5	50.3	12.5	30.3	42.6	56.2
New nonconcessional external debt (ceiling on flow) 8/								
Actual	0.0	0.0	0.0	0.0 11	...	...	...	...
Program	--	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term external debt (ceiling on stock) 9/								
Actual	0.0	0.0	0.0	0.0	...	...	...	...
Program	--	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of outstanding nonreschedulable external arrears (ceiling on stock) 10/ 13/								
Actual	0.0	0.0	0.0	0.0	...	...	...	...
Program	--	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net accumulation of domestic arrears (ceiling on cumulative net accumulation since Dec. 31)								
Actual	0.3	0.7	-4.2	-3.9	...	...	...	...
Program	--	-2.0	-6.0	-7.8	-5.9	-8.9	-8.9	-7.9
					(Indicative targets)			
Broad money (ceiling on stock) 12/								
Actual	128.4	134.0	133.1	145.1	...	...	...	...
Program	--	133.1	136.8	140.5	148.0	150.4	148.9	155.4
Exceptional spending (floor on cumulative flow since Dec. 31)								
Actual	4.1	7.5	11.3	19.2	...	...	...	...
Adjusted program	--	9.2	13.2	19.9	...	...	...	...
Program	--	9.4	16.2	22.5	9.8	17.6	30.7	41.8
Memorandum items:								
Demobilization and reintegration expenditure								
Actual	0.7	0.9	1.0	3.4	...	...	...	...
Expected	--	1.2	4.0	6.0	4.1	7.7	10.6	13.7
Gross accumulated bills payable								
Actual	5.4	9.9	6.8	7.4	...	...	...	...
Expected	--	--	--	--	--	1.5	1.5	2.5
General budget support (in millions of U.S. dollars)								
Received	6.8	32.8	59.3	137.4	...	...	...	...
Expected	5.9	17.9	81.4	128.2	34.2	57.2	83.3	161.9
Earmarked budget support (in millions of U.S. dollars)								
Received	--	--	--	--	...	...	...	...
Expected	--	--	--	--	1.9	1.8	10.7	17.8

Sources: Rwandese authorities; and Fund staff estimates and projections.

1/ Proposed

2/ Net foreign assets as defined in the technical memorandum of understanding (TMU).

3/ Evaluated at the following program exchange rates: For 2002, RF 457.9/US\$; for 2003, RF 511.9/US\$

4/ The definition of reserve money changed in 2002, as specified in the TMU. From September 2002: three-week moving average around the last Friday of the month.

5/ From June 2002: Includes financial balances of local government

6/ The domestic fiscal balance is defined as total revenue (excluding privatization proceeds) minus current expenditure (excluding scheduled interest payments).

on external debt) minus domestically financed capital expenditure minus net lending. In 2002: includes the cost of troops withdrawal. In 2002, the domestic fiscal balance was adjusted upward for shortfalls in expenditure on the demobilization and reintegration program.

7/ According to the TMU. Definition of this aggregate changed in 2002.

8/ Ceiling on contracting or guaranteeing by the central government, local governments, or the NBR of new nonconcessional external debt with original maturity of more than one year.

The term debt shall be understood as defined in the Executive Board decision No. 6230-(79/140) adopted August 3, 1979, as amended by Decision No. 11096-(95/100) of October 25, 1995.

and Decision No. 12274-(00/85) adopted August 24, 2000. Debt rescheduling and restructuring are excluded from the borrowing limits. Includes financial leases and other instruments giving rise to external liabilities, contingent or otherwise, on nonconcessional terms. In determining the level of concessionality of these obligations, the definition of concessional borrowing shall apply. Concessional borrowing is defined as having a grant element of 35 percent or more until September 2000, and 50 percent or more from December 2000 onward. For loans with a maturity of at least 15 years, the 10-year average commercial interest reference rates (CIRRs) published by the OECD should be used as the discount rate for assessing the level of concessionality, while the 6-month average CIRRs should be used for loans with shorter maturities. To both the 10-year and the 6-month averages, the following margins for differing repayment periods should be added: 0.75 percent for repayment periods of less than 15 years; 1 percent for 15-19 years; 1.15 percent for 20-29 years; and 1.25 percent for 30 years or more.

9/ Ceiling on change in outstanding stock of external debt (excluding normal import-related credits) owed or guaranteed by the central government, local government, or the NBR with original maturity of up to and including one year.

10/ This is a continuous performance criterion, implying that the stock of outstanding nonreschedulable external arrears is expected to be constantly kept at zero throughout the program period.

11/ An OPEC Fund loan to cofinance, jointly with BADEA, the rehabilitation of three hydroelectric power stations has a grant element less than the 50 percent required under the program.

The authorities are renegotiating the terms of the BADEA loan to ensure that, jointly, the two loans meet the required concessionality threshold.

12/ Until December 2002: evaluated at current exchange rates; from March 2003: evaluated at the program exchange rate of RF 511.9/US\$.

13/ At end-September 2002, there was a small amount of arrears outstanding (US\$0.04 million) to the African Development Fund (AIDF). These were cleared in October 15, 2003.

BADEA has also claimed interest arrears on amounts due since December 2001. The authorities denied that any amounts were due to BADEA and noted that BADEA had overcharged them interest. The dispute was settled early in 2003 with the payment of the amounts demanded by BADEA. Since these amounts were under dispute during the course of the program, staff after consultation with Legal, has not considered them as arrears for program purposes.

Table 2. Rwanda: Proposal for Structural Conditionality Until the Third Review of the PRGF-Supported Program, 2002–03

Action	Timing	Status <sup>1</sup>
<ul style="list-style-type: none"> <li>• Ratify a revised 2002 budget in parliament reflecting the understandings reached during the program discussions; including the following elements: <ul style="list-style-type: none"> <li>○ import tariff bands at 0, 5, 15, and 30 percent in line with initial CET;</li> <li>○ VAT rate increased from 15 percent to 17 percent; and</li> <li>○ reduction in the corporate income tax rate from 40 percent to 35 percent, announced.</li> </ul> </li> </ul>	7/1/02	Prior action PRGF <sup>2</sup> (met)
<ul style="list-style-type: none"> <li>• Bring reserve money to or below indicative ceiling for end-June 2002.</li> </ul>	6/30/02	Prior action PRGF <sup>2</sup> (met)
<ul style="list-style-type: none"> <li>• Issue guidelines determining qualification and priority for payment of outstanding government obligations for payment, eliminating discretion.</li> </ul>	7/1/02	Prior action PRGF <sup>2</sup> (met)
<ul style="list-style-type: none"> <li>• Enact a budget for 2003, which specifically contains the following elements: <ul style="list-style-type: none"> <li>○ excise tax on sales of new and used cars, with rates of 5, 10, and 15 percent, depending on engine size (less than 1500 cc, 1500 cc to 2500 cc, and above 2500 cc), on vehicle sales.</li> <li>○ reform the tax on professional remuneration (TPR) law to make all salary allowances in cash and in kind fully subject to the TPR. Pass the reform in form of an amended TPR law.</li> <li>○ Revoke the decrease in the beer excise tax rate and start collecting again at a rate of 57 percent, if revenue collection during June–October 2002 does not meet the target set out in the TMU.</li> </ul> </li> </ul>	1/1/03	Structural performance criterion First review (met)
<ul style="list-style-type: none"> <li>• Finalize restructuring plan for a specified commercial bank consistent with understandings with IMF staff.</li> </ul>	9/30/02	Structural benchmark First review (met)
<ul style="list-style-type: none"> <li>• Start publishing statistics of government financial operations, following the Government Finance Statistics (GFS) format, on a quarterly basis.</li> </ul>	10/31/02	Structural benchmark First review (met)
<ul style="list-style-type: none"> <li>• Incorporate any extrabudgetary and off-budget projects and transactions identified by the recent stocktaking exercise into the budget to the extent appropriate.</li> </ul>	12/31/02	Structural benchmark First review (not met/in progress)
<ul style="list-style-type: none"> <li>• Develop and implement a mechanism to ensure that all borrowing by district governments is reported to the central government on a monthly basis.</li> </ul>	12/31/02	Structural benchmark First review (not met/in progress)
<ul style="list-style-type: none"> <li>• To improve the management of the large volume of nonperforming loans, commission a comprehensive financial sector study, together with the World Bank.</li> </ul>	Tenders to be awarded no later than 7/31/02	Structural benchmark First review (not met/implemented in November 2002)
<ul style="list-style-type: none"> <li>• Conduct full audits of three banks.</li> </ul>	12/31/02	Structural benchmark First review (met)
<ul style="list-style-type: none"> <li>• Ensure that the National Bank of Rwanda, the Ministry of Finance and Economic Planning, the Ministry of Justice, and the Bankers' Association will jointly prepare an action plan to improve the legal environment to facilitate stronger loan recovery.</li> </ul>	12/31/02	Structural benchmark First review (not met/in progress)
<ul style="list-style-type: none"> <li>• Ministry of Finance and Economic Planning to establish standard operating procedures for the conduct of annual audits of the National Bank of Rwanda.</li> </ul>	5/31/03	Prior action First review <sup>3,4</sup>

Table 2. Rwanda: Proposal for Structural Conditionality Until the Third Review of the PRGF-Supported Program, 2002–03

Action	Timing	Status <sup>1</sup>
• Complete a comprehensive review of all tax exonerations, exemptions and incentives under tax laws and investment agreements; and remove and/or modify such special treatment	6/30/03	Structural performance criterion Second review
• Complete the report on implementation of the 2002 development budget	6/30/03	Structural benchmark Second review <sup>4</sup>
• Issue the tender for the sale of BCR	6/30/03	Structural benchmark Second review <sup>4</sup>
• Issue list of overdue obligations scheduled for clearance during 2003	6/30/03	Structural benchmark Second review <sup>4</sup>
• Prepare financial instructions in order to promote effective expenditure control.	7/31/03	Structural performance criterion Second review
• Establish written procedures to ensure that monetary data used for program monitoring purposes are in accordance with the TMU and can be reconciled to the accounting records. External audit firm to complete, subsequent to the completion of the audit of the NBR's 2002 financial statements, a review of the consistency between data reported to the IMF and the audited financial statements.	8/31/03	Structural benchmark Second review <sup>4</sup>
• Issue action plan for the closure of dormant accounts and accounts operating outside of controlling regulations	9/30/03	Structural benchmark second review <sup>4</sup>
• Implement a monthly reporting mechanism for the financial operations of all districts	9/30/03	Structural benchmark second review <sup>4</sup>
• Submit Organic Budget Law to parliament	9/30/03	Structural benchmark Second review <sup>4</sup>
• Submit revised investment code to parliament, repealing indirect and direct tax provisions of the code, excepting those of a purely administrative nature, and removing the discretionary authority of the Rwanda Investment Promotion Agency to issue tax incentives.	12/31/03	Structural performance criterion Third review <sup>4</sup>
• Operationalize the NBR's Internal Audit Department by: Restricting the Director's responsibilities to internal audit matters; NBR Board adoption of an audit charter; the recruitment of two qualified and experienced internal audit staff members; the completion of an audit risk assessment of all NBR operations; audit of program data as of September 30, 2003; and the preparation of a plan for 2004 audit activities approved by the Governor.	12/31/03	Structural benchmark Third review <sup>4</sup>
• Issue financial instructions in order to promote effective expenditure control.	1/31/04	Structural performance criterion Third review <sup>4</sup>
• Incorporation of tax incentives into the structure of the income tax, applicable, in principle, to all taxpayers.	3/31/04	Structural performance criterion Third review <sup>4</sup>

<sup>1</sup> The disbursements of the second and third loan under the new PRGF arrangement are conditional upon completion of the first and second reviews, respectively.

<sup>2</sup> Prior actions for publication of Executive Board documents for the decision on the August 2002 PRGF.

<sup>3</sup> Prior actions for publication of Executive Board documents for the completion of the first review.

<sup>4</sup> Newly proposed measure.

**Technical Memorandum of Understanding Between  
the Government of Rwanda and the International Monetary Fund**

May 9, 2003

1. This memorandum outlines the understandings between the Rwandese authorities and the IMF mission with regard to the definitions of the quantitative and structural performance criteria, and quantitative benchmarks and indicators for the three-year Poverty Reduction and Growth Facility (PRGF) arrangement. It also sets out the modalities and data reporting requirements for monitoring the program.<sup>1</sup>

2. Revisions to the definitions since the last version of the Technical Memorandum of Understanding (TMU) have been made in the following areas: the domestic fiscal deficit; exceptional expenditure; net credit to government; net foreign assets of the NBR; and the net accumulation of domestic arrears.

**I. TARGET VARIABLES UNDER THE PROGRAM**

**A. External Budgetary Support**

3. **Definition:** External budgetary support is defined as all official external grants to the central government (including all expected or received HIPC Initiative-related grants) and loans, except for grants and loans related to the development budget. In case a program is over financed (negative financing gap), programmed external budgetary support refers only to that level of external budget support needed to close the financing gap to exactly zero at the time of the agreement. Earmarked external budgetary support is defined as external budgetary support whose utilization is limited to the following operations: the constitutional referendum, legislative and presidential elections and one-off health operations. General external budgetary support is defined as external budgetary support other than earmarked external budgetary support.

4. **Reporting requirement:** Data on external budgetary support, separately detailing general external budgetary support and earmarked external budgetary support will be reported on a monthly basis.

**B. Net Foreign Assets of the National Bank of Rwanda (NBR)**

5. **Definition:** Net foreign assets of the NBR in Rwanda francs are defined, consistent with the definition of the Special Data Dissemination Standards (SDDS) template, as external assets readily available to, or controlled by, the National Bank of Rwanda (NBR) net of external liabilities of the NBR. Pledged or otherwise encumbered reserves assets including, but not limited to, reserve assets used as collateral or guarantee for third party external

---

<sup>1</sup> A summary of reporting requirements is provided in Table 1.

liabilities, are to be excluded. Foreign assets and foreign liabilities in U.S. dollars are converted to Rwanda francs by using the U.S. dollar/Rwanda franc program exchange rate. Foreign assets and liabilities in other currencies are converted to U.S. dollars by using the actual end-of-period U.S. dollar/currency exchange rate. Foreign liabilities include, inter alia, use of IMF resources (CCFF and post-conflict emergency assistance purchases and SAF/ESAF/PRGF disbursements).

6. **Target and adjustments:** The program sets a floor on net foreign assets of the NBR (as a performance criterion or benchmark depending on the test date). In case of higher than programmed inflows of general external budgetary support, excess amounts are targeted to be saved as reserves. The program floor on net foreign assets will thus be increased by any positive difference between actual and programmed general budgetary support inflows. In case of lower than programmed inflows of general external budgetary support, as set out in paragraph 3, reserves will be adjusted downwards, subject to a US\$15 million ceiling on the adjustor for end-June 2003 and end-September 2003, and a US\$30 million ceiling on the adjustor for end-December 2003. There is no adjustor for shortfalls in earmarked external budgetary support. The performance criteria for NFA will be adjusted upward by the difference between programmed spending for additions to the strategic petroleum reserve, RF 3.9 billion, and the actual cost of petroleum products added to the reserves, evaluated at the program exchange rate.

7. **Reporting requirement:** Data on foreign assets and foreign liabilities of the NBR will be transmitted to the African Department of the IMF on a weekly basis within seven days of the end of each week; data on external budgetary support will be transmitted on a monthly basis within three weeks of the end of each month. Data on the NBR's foreign exchange liabilities to commercial banks (held as required reserves with the NBR) and the exchange rate used for their conversion into Rwanda francs will be shown separately. Data on volume, and cost of petroleum purchases for the strategic reserve, dates on which the products were added to reserves, and total volume of petroleum products in the strategic reserves stocks will be reported on a monthly basis.

### C. Net Credit to Government (NCG)

8. **Definition:** Net credit to government from the banking system is defined as the difference between:

- (a) credit to government from the banking system, including credit to central government, provinces and districts, outstanding central government debt instruments; government debt to the NBR incurred as a result of the 1995 devaluation (RF 9 billion) and the overdraft to the prewar government (RF 2 billion), and
- (b) total government deposits with the banking system, including central government (including the fund for assistance to genocide survivors), provinces and districts, project accounts, counterpart funds, *fonds publics affectés*, and privatization proceeds with the NBR. The central government comprises treasury and line ministries.

NCG is not affected by credit to or deposits of public enterprises and autonomous public agencies.

9. **Reclassifications:** The reclassification described in **Annex B** (Staff Report; 12/19/00) Appendix I)—for the reclassification of deposits with the NBR of the 15 newly identified autonomous public agencies—affect net credit to the government from the banking system.

10. **Target and adjustments:** The program sets a ceiling on NCG (as performance criterion or benchmark). In case of higher than programmed inflows of general external budgetary support, excess amounts are targeted to be saved as government deposits. The program ceiling on NCG will thus be decreased by any positive difference between actual and programmed general budgetary support inflows. In case of lower than programmed inflows of general external budgetary support, the program ceiling on NCG will be increased by the difference between actual and programmed inflows, subject to ceilings equivalent to the value on the counterpart downward adjustor set out in paragraph 6. There is no adjustor for shortfalls in earmarked external budgetary support. The NCG adjustor for budgetary support will be evaluated in Rwanda francs at the prevailing central bank mid exchange rate. The NCG ceiling will be adjusted downward by the difference between programmed spending for additions to the strategic petroleum reserve, RF 3.9 billion, and the actual cost of petroleum products added to the reserves, evaluated at the program exchange rate.

11. **Reporting requirement:** Data on net credit to central government (showing separately treasury bills and government bonds outstanding, other government debt, and central government deposits) will be transmitted on a monthly basis within three weeks of the end of each month. Deposits of the government with the NBR and with the commercial banks will be separated from the deposits of the public enterprises and autonomous public agencies.

#### **D. Reserve Money**

12. **Definition:** Reserve money for the monetary program is defined as currency in circulation, reserves in deposit money banks (excluding National Bank of Rwanda (NBR) borrowing from deposit money banks on the money market but including cash in vault held by commercial banks), deposits of public enterprises (including Caisse Sociale de Rwanda (CSR) and other autonomous public agencies (*dépôts des établissements publics assimilés à l'état*), deposits of nonbank financial institutions, and deposits of the private sector (*autres sommes dues à la clientèle* are included in reserve money).

13. **Corollary:** Borrowing by the NBR from the commercial banks on the money market will from now on be included under the net domestic assets of the NBR. More specifically, borrowing by the NBR from the commercial banks on the money market will be netted out from commercial bank borrowing from the NBR. However, for balances with respect to deposit money banks, the money market balances of the NBR will only be excluded from reserve money supply when they are excluded from use in meeting reserve requirements.

14. **Definition:** The definition of reserve money as performance criterion or benchmark will exclude from the above definition the deposits of the Caisse d'Épargne du Rwanda (C.E.R.) with the NBR, the import deposits placed at the NBR (*cautions à l'importation*), and the dormant accounts. However, the import deposits are only excluded from this definition up to a maximum amount of FR 150 million, and the maximum amount for the deductible C.E.R. deposits is RF 1 billion. Reserve money will be computed as a centered three-week average, including the last two weeks of a given month and the first week of the following month.

15. **Target and adjustments:** The program sets a ceiling on reserve money (as performance criterion or benchmark). If the required reserve ratio of the NBR is lowered, the NBR will be expected to absorb the excess liquidity that this change creates. Therefore the reserve money target of the NBR will be adjusted by the absolute change in the ratio times the deposit base of the commercial banks.

16. **Reporting requirement:** Data on reserve money will be transmitted to the African Department of the IMF on a weekly basis within seven days of the end of each week. This transmission will include a weekly balance sheet of the NBR which will show all items listed above in the definitions of reserve money.

#### **E. Broad Money**

17. **Definition:** Broad money is defined as the sum of currency in circulation, deposits in commercial banks and nonbank deposits in the NBR.

18. **Target:** There is no performance criterion or benchmark on broad money but given its key influential role on inflation, it will be followed closely as an indicative target.

19. **Reporting requirement:** The balance sheet of the NBR will be transmitted on a weekly basis within seven days of the end of each week. The balance sheets of the commercial banks, including the monetary survey, will be transmitted monthly within three weeks of the end of each month. The monthly transmission will also include a monthly balance sheet for the NBR which will show all items shown also in the weekly balance sheet for the NBR.

#### **F. Ceiling on Contracting or Guaranteeing by the Central Government, Local Governments, or the NBR of New Nonconcessional External Debt with Original Maturity of More Than One Year**

20. **Definition:** This performance criterion applies to the contracting or guaranteeing by the central government, local governments, or the NBR of new nonconcessional external debt (as specified below) with original maturity of more than one year, including commitments contracted or guaranteed for which value has not been received. The term debt shall be understood as defined in the Executive Board decision No. 6230-(79/140) adopted August 3, 1979, as amended by Decision No. 11096-(95/100) of October 25, 1995 and Decision No. 12274-(00/85) adopted August 24, 2000. Debt rescheduling and restructuring are excluded

from the criterion. Included are financial leases and other instruments giving rise to external liabilities, contingent or otherwise, on nonconcessional terms. In determining the level of concessionality of these obligations, the definition of concessional borrowing shall apply. Concessional debt is defined as having a grant element of 50 percent or more. For loans with a maturity of at least 15 years, the 10-year average commercial interest reference rates (CIRRs) published by the OECD should be used as the discount rate for assessing the level of concessionality, while the 6-month average CIRRs should be used for loans with shorter maturities. To both the 10-year and the 6-month averages, the following margins for differing repayment periods should be added: 0.75 percent for repayment periods of less than 15 years; 1 percent for 15–19 years; 1.15 percent for 20–29 years; and 1.25 percent for 30 years or more. The performance criterion is defined to exclude the use of Fund resources.

21. **Reporting requirement:** Details of all new external debt, including government guarantees, will be provided on a monthly basis within three weeks of the end of each month.

**G. Ceiling on Change in Outstanding Stock of External Debt, Owed or Guaranteed by the Central Government, Local Governments, or the NBR with Original Maturity of Up To and Including One Year**

22. **Definition:** The term “debt” has the meaning set forth in point No. 9 of the Guidelines on Performance Criteria with respect to Foreign Debt adopted on August 24, 2000. Excluded from this performance criterion are normal import-related credits.

23. **Reporting requirement:** Data on debt and guarantees by central government, local governments, or NBR will be transmitted, with detailed explanations, on a monthly basis within three weeks of the end of each month.

**H. Domestic Fiscal Balance**

24. **Definition:** The domestic fiscal balance is defined as domestic revenue (excluding grants and privatization proceeds) minus current expenditure (excluding external interest due) and domestically financed capital expenditure on a payment order basis, minus net lending.

25. **Target and adjustments:** The program sets a ceiling on the domestic fiscal deficit, i.e. a floor on the domestic fiscal balance (as performance criterion or benchmark). As an adjustment, any shortfall in expenditure under the World Bank led demobilization and reintegration program will be used to reduce the deficit target, i.e. will be added to the target for the domestic fiscal balance. The deficit ceiling will be reduced by the Rwanda franc equivalent of any shortfall in earmarked external budgetary support. In addition, the deficit ceiling will be reduced by the amount of privatization revenue (recorded under net lending). The ceiling for the domestic fiscal balance will be adjusted downward by the difference between programmed spending for additions to the strategic petroleum reserve, RF 3.9 billion, and the actual cost of petroleum products added to the reserves, evaluated at the program exchange rate.



26. **Reporting requirement:** Data on domestic revenue, current expenditure, domestically financed capital expenditure and net lending will be transmitted, with detailed explanations, on a monthly basis within four weeks of the end of each month.

#### I. Recurrent Priority Expenditure (Table 2)

27. **Definition:** Central government recurrent priority expenditure is defined as the sum of those outlays in the recurrent budget that the government has identified as priority spending in line with the PRSP process. Table 2 provides the list of budget lines under this definition.

28. **Target:** The program sets a floor on recurrent priority expenditure (as performance criterion or benchmark).

29. **Reporting requirement:** Data on priority expenditure, at the same level of detail as in Table 2 will be transmitted on a monthly basis within three weeks of the end of each month.

#### J. Exceptional Expenditure (Table 3)

30. **Definition:** Exceptional expenditure is defined as the sum of those outlays in the recurrent budget that the government has identified as exceptional. Table 3 provides the list of budget lines under this definition.

31. **Target and adjustments:** As an indicative target, the program sets a floor on exceptional expenditure. There will be a downward adjustment in case of shortfalls in spending on the World Bank-led demobilization and reintegration program.

32. **Reporting requirement:** Data on exceptional expenditure, at the same level of detail as in Table 3, will be transmitted on a monthly basis within three weeks of the end of each month.

#### K. Net Accumulation of Domestic Arrears

33. **Definitions:** Net accumulation of arrears for any given calendar year is defined as the difference between

gross accumulation of new domestic arrears within the calendar year of consideration, cumulative from 1 January to 31 December, as measured as the difference between payment orders and actual payments, and

gross repayment during the calendar year of consideration of any arrears outstanding at 31 December of the preceding year, including repayment of the preceding year's float and repayment of older arrears in accordance with the government guidelines.

34. **Target and adjustments:** The program sets a ceiling on the net accumulation of domestic arrears, with a negative target thus representing a floor on net repayment (as performance criterion or benchmark). The ceiling will be reduced downward by the amount that the excess of gross accumulated bills payable above RF 1.5 billion at end-June and end-September 2003, and the excess above RF 2.5 billion at end-December 2003.

35. **Reporting requirement:** Detailed data on repayment of domestic arrears and the remaining previous-year stock of arrears will be transmitted on a monthly basis within three weeks of the end of each month.

#### **L. Stock of Outstanding Nonreschedulable External Arrears Owed by the Central Government or the NBR**

36. **Definition:** Nonreschedulable external arrears are defined as the sum of arrears owed by the central government or the NBR to multilateral creditors and, if any, nonreschedulable arrears, to bilateral official and commercial creditors.

37. **Target:** The program sets a continuous performance criterion on the nonaccumulation of nonreschedulable external arrears.

38. **Reporting requirement:** Detailed information on repayment and/or refinancing (including the terms of refinancing) of arrears will be transmitted on a quarterly basis within three weeks of the end of each quarter. The Fund will be notified immediately in case of incurrence of any nonreschedulable external arrears.

## **II. OTHER DATA REQUIREMENTS FOR PROGRAM MONITORING**

### **A. Public Finance**

39. **Reporting requirement:** Monthly data on external budgetary support with a breakdown of loans by creditor and grants by donor and domestic nonbank financing of the budget (including treasury bills and government bonds held by the nonbank public) will be transmitted on a monthly basis within three weeks of the end of each month; quarterly data on the implementation of the development budget with detailed information on the sources of financing will be transmitted on a quarterly basis within three weeks of the end of each quarter; public sector external and domestic scheduled debt service and payments will be transmitted on a monthly basis within three weeks of the end of each month. The Rwanda Revenue Authority will transmit any updated census results of small and medium enterprises (including the economic characteristics of these enterprises and their estimated annual sales).

### **B. Monetary Sector**

40. **Reporting requirement:** The following data will be transmitted on a monthly basis within three weeks of the end of the month: the individual balance sheet and consolidated balance sheets of deposit money banks (*situation monétaire des banques*); the monetary survey (*situation monétaire intégrée*); disaggregated data on “other items net” of the NBR

and deposit money banks; required reserves and excess reserves of individual commercial banks, showing separately foreign exchange held as required reserves with the NBR; nonperforming loans of individual commercial banks; required and actual provisioning of impaired assets for individual banks; capital adequacy ratio for individual commercial banks and a weighted average for all commercial banks.<sup>2</sup>

### C. Public Enterprises

41. **Definition:** The financial statements and bank deposits of the key public enterprises (including Rwandatel, Electrogaz, Ocircafé, Ocirthé, and ONP) will be monitored under the program.

42. **Reporting requirement:** The financial accounts (including profit and loss accounts, balance sheets, and annual reports when published) of key public enterprises (including Rwandatel, Electrogaz, Ocircafé, Ocirthé, and ONP) will be transmitted to the African Department of the Fund within four weeks on a semi-annual basis or as the accounts become available. The statement of these enterprises' bank deposits (bank by bank) will be transmitted to the African Department of the Fund on a quarterly basis within four weeks of the end of each month.

### D. External Sector

43. **Reporting requirement:** The following buying, selling, and average exchange rates will be transmitted on a **weekly basis within seven days of the end of each week:** (i) intervention exchange rates used in NBR's operations with the commercial banks; (ii) the exchange rates used in interbank transactions among the commercial banks; (iii) the average of (i) and (ii); (iv) the exchange rates for transaction in banknotes at the commercial banks; (v) the same for foreign exchange bureaus; and (vi) the parallel (black) market exchange rates. All these exchange rates will be calculated on the basis of daily buying and selling rates; the average exchange rates will be calculated on the basis of a simple average of the daily buying and selling rates. The NBR will report weekly on the difference between the parallel market rate (buying and selling) and the weighted weekly average rates of NBR intervention in the interbank market for purchases and sales, respectively.

44. The following data will be provided on a monthly basis within four weeks of the end of each month:

- The amount of foreign exchange held by commercial banks with the NBR as required reserves

---

<sup>2</sup> Detailed data account by account on central government (including ministries), other public agencies, and public enterprises accounts with the NBR and each commercial bank will be transmitted on a quarterly basis within for 4 weeks of the end of the quarter.

- net open foreign exchange position of each commercial bank and foreign exchange bureau, and the calculation method;
- foreign exchange intervention by the NBR on interbank market;
- imports, sales, and purchases of foreign exchange banknotes by commercial banks;
- sales and purchases of foreign exchange banknotes by foreign exchange bureaus.

Export and import data, including volumes and prices, will be transmitted on a monthly basis within four weeks of the end of each month; other balance of payments data including the data on services, official and private transfers, capital account transactions, and the repatriation of export receipts will be transmitted on a quarterly basis within four weeks of the end of each quarter.

#### E. Real Sector

45. **Reporting requirement:** Monthly disaggregated consumer price indices for Kigali (NBR), urban areas (Ministry of Finance), and rural areas (Ministry of Finance) will be transmitted on a monthly basis within four weeks of the end of each month; any revisions to gross domestic product by sector estimates will be transmitted within three weeks of the date of revision.

#### F. Electronic Data Reporting

46. **Reporting requirement:** The following data will, where feasible, be made available through electronic format (Excel) and e-mailed to the African Department of the Fund:

- (i) Monetary data and exchange rates:

Monthly balance sheet of the NBR, summary balance sheet of the commercial banks, individual balance sheets of the commercial banks, details of public sector deposits with commercial banks, details of commercial banks' loan provisioning and capital adequacy, monthly data on foreign exchange operations of commercial banks and the NBR, and net open foreign exchange positions. These data will be transmitted within three weeks of the end of the month.

Weekly balance sheet of the NBR will be transmitted within seven days of the end of each week.

Weekly data on NBR interventions on the money market (*appel d'offres*) both to inject and to absorb liquidity, including the maturity and the due date of the transactions, the amounts offered, demanded, and allocated (by bank, in millions of Rwanda francs), the maximum, minimum, marginal, and average interest rates offered, and the interest payments (by bank, in Rwanda francs). These data will be made available within seven days after the end of the week.

Weekly data on recourse to the discount window (*prise en pension*), including the period of borrowing, the discount rate, and the amount (by bank, in Rwanda francs). These data will be made available within seven days after the end of the week.

Weekly update of the monthly treasury plan (*plan de trésorerie*) for foreign exchange reserves at the NBR. These data will be made available within seven days after the end of the week.

Weekly data on exchange rates, including foreign exchange auctions by the NBR, the amount of foreign exchange offered, demanded, and allocated (by commercial bank, in U.S. dollars and Rwanda francs), and the minimum, maximum, marginal, and average exchange rate offered. These data will be made available within seven days after the end of the week.

Daily balance by commercial bank of amounts outstanding from money market interventions to absorb liquidity (*appel d'offres-ponction*), to inject liquidity (*appel d'offres-injection*), under the discount window (*prise en pension*) and any other credit facility of the NBR, respectively. These data will be made available within seven days of the reported date.

Weekly balance of the subaccount for HIPC Initiative assistance from the IMF at the NBR. The data will be provided within seven days of the end of the week.

- (ii) Fiscal “flash” report, including detailed lists of priority and exceptional expenditure. These data will be transmitted within four weeks of the end of the month.
- (iii) Detailed export and import data; and
- (iv) Detailed CPI data.

### III. PROGRAM MONITORING COMMITTEE

47. **Definition:** The Interministerial Technical Committee, composed of senior officials of key ministries and the National Bank of Rwanda shall meet once a month and be responsible for monitoring the performance under the program, informing the IMF staff regularly about progress on program implementation, and transmitting supporting information necessary for program monitoring.

48. **Reporting requirement:** The names of the Interministerial Technical Committee shall be communicated to the IMF no later than the date of submission of the authorities' request for support of the three-year PRGF-supported program to the Executive Board of the IMF or the start of a new annual arrangement. The Interministerial Technical Committee shall provide to the IMF staff a progress report on the program implementation on a monthly basis within four weeks of the end of each month.

**ANNEX B. RECLASSIFICATIONS**

The following reclassification of data has been made to the monetary survey:

**Reclassification of the deposits of 15 additional autonomous public agencies:** In tables presented by the IMF prior to November 5, 2000, deposits of the central government with the NBR included deposits of 15 autonomous agencies. As of November 6, 2000 these deposits will be itemized separately in a category called “public nongovernment deposits,” but will still be included in the domestic credit of the NBR.

Table 1. Rwanda: Summary of Reporting Requirements				
Status	Variable or table	Reporting frequency	Reporting delay from end of period covered	Report data electronically
<b>A. Monetary and Foreign Exchange</b>				
PC	Net foreign assets NBR	Weekly	Seven days	Yes
PC	Reserve money	Weekly	Seven days	Yes
PC	Net credit to central government	Monthly	Three weeks	Yes
Table	Monthly balance sheet of the NBR	Monthly	Three weeks	Yes
Table	Summary balance sheet of the commercial banks	Monthly	Three weeks	Yes
Table	Individual balance sheets of the commercial banks	Monthly	Three weeks	Yes
Table	Details of public sector deposits with individual commercial banks	Quarterly	Three weeks	Yes
Table	Details of commercial banks' loan provisioning and capital adequacy	Monthly	Three weeks	Yes
Table	Monthly data on foreign exchange operations of commercial banks, the NBR, and foreign exchange bureaus	Monthly	Three weeks	Yes
Table	Net open foreign exchange positions of commercial banks and foreign exchange bureaus	Monthly	Three weeks	Yes
Table	Exchange rates	Weekly	Seven days	Yes
<b>B. Debt</b>				
PC	New external government borrowing	Monthly	Three weeks	
PC	Stock of short-term external government debt	Monthly	Three weeks	
<b>C. Fiscal</b>				
PC	Domestic arrears (repayment of the end-of-year stock of arrears and accumulation of new arrears)	Monthly	Three weeks	Yes
PC	External arrears	...	...	Yes
OV	External budgetary support	Monthly	Three weeks	Yes
Table	Fiscal data (revenue, expenditure, <sup>2</sup> priority expenditure, exceptional expenditure, wage bill)	Monthly	Three weeks	Yes
Table	Development budget implementation	Quarterly	Three weeks	Yes
Table	Scheduled debt service and payments	Quarterly	Four weeks	Yes
<b>D. Public enterprises</b>				
Table	Public enterprises financial statements	Semi-annual	Four weeks	
Table	Public enterprises bank deposits	Quarterly	Four weeks	
Table	Estimated and actual tax payments of the public enterprises	Quarterly	Four weeks	

Table 1. Rwanda: Summary of Reporting Requirements				
Status	Variable or table	Reporting frequency	Reporting delay from end of period covered	Report data electronically
<b>E. Civil service</b>				
OV	Size of the civil service (core civil service and teachers)	Monthly	Three weeks	Yes
<b>F. Balance of payments</b>				
Table	Export and imports	Monthly	Four weeks	Yes
Table	Detailed Balance of Payments	Quarterly	Four weeks	
<b>G. Prices</b>				
OV	CPI Kigali (NBR), urban, and rural (Minecofin)	Monthly	Four weeks	Yes
<p>1/ The authorities will notify immediately the Fund in case of incurrence of any nonreschedulable external arrears.</p> <p>2/ On commitment basis (<i>engagement</i>) and on payment order basis (<i>ordonnancement</i>); the provision of fiscal data is based on the Aflash reporting (aggregate and by ministry).</p> <p>PC = performance criterion or quantitative benchmark;</p> <p>QI = quantitative indicator;</p> <p>OV= other variable.</p>				



Table 2. Rwanda: Recurrent and Capital Priority Expenditure, 2003  
(In millions of Rwanda francs)

	2003
Internal affairs	4,739
National police services	4,103
Prisons	636
Agriculture	2,142
Agricultural production	1,000
Livestock production	686
Forestry resources	192
Soil conservation and water systems management	92
Agricultural extension and marketing	172
Commerce	768
Promotion of trade and commerce	34
Industrial development and artisanal promotion	522
Export promotion	212
Education	12,879
Pre-primary and primary education	1,849
Secondary education	853
Tertiary education	8,019
Scientific and technological research	605
Institutional support	1,552
Youth and Sports	420
Youth mobilization	53
Cultural promotion	172
Research, acquisition, and conservation of the national heritage	196
Health	4,601
Primary health care	1,431
Specialist care for major health problems	2,359
Development of health structures	392
Improvement in health management services	419
Transport and communication, energy and water resources	3,313
Development and modernization of communication infrastructures	340
Improvement in transport services	208
Rationalization and management of urban land	113
Development of transport infrastructure 2/	2,275
Energy	45
Water and sanitation	150
Mining and other geological programs	80
Methane gas unit	103
Gender	286
Support programs for promotion and development of women	178
Promotion of gender in development	52
Promotion of socio-economic equity	57
Public service	501
Civil service reform	374
Employment and social security promotion	127
Lands and resettlement	684
Land planning and management	377
Planning and supervision of housing amenities	193
Conservation and protection of the environment	113
Local government (excluding exceptional expenditure)	6,448
Decentralization	249
Community development	565
Social reinsertion	49
Family rehabilitation	14
Mass education	27
Promotion of children's rights	18
Decentralization (district transfers in recurrent budget)	1,526
Common development fund (district transfers in development budget) 3/	4,000
Provinces	23,416
Total recurrent	56,196
Total	60,196

Source: Rwandese authorities.

1/ All programs are classified as recurrent expenditures, except where marked.

2/ Includes Road Fund.

3/ As part of capital expenditure.

Table 3. Rwanda: Composition of Exceptional Expenditure, 2003  
(In millions of Rwanda francs)

	2003
Demobilization/Reintegration/Reinsertion	13,711
Supplies for prisoners	1,352
GACACA	
GACACA Sensibilization, Ministry of Justice	306
Health insurance GACACA members	479
GACACA jurisdictions	1,346
Victims of Genocide Fund (FARG)	5,895
Orphans assistance	448
Assistance to vulnerable groups	374
Reinsertion of vulnerable groups	6
Support to local initiatives (education)	61
Support to orphanages and ENA	87
Reinsertion of displaced groups from Gishwati	180
Reinsertion of street children	48
CFJM operation	1
Good governance commissions	
Human Rights National Commission	730
Constitutional Commission	658
Commission for Unity and Reconciliation	569
Electoral Commission/Referendum/Elections	7,306
Office of the Ombudsman	168
National Commission for the Fight Against AIDS	215
Educational institutes	
KIST (Kigali Institute for Science and Technology)	1,952
KHI	556
KIE	1,335
Special exceptional road works	1,000
Special exceptional health expenditure	3,015
Total	41,797

Source: Rwandese authorities.

**Rwanda: Fund Relations**  
As of March 31, 2002

I. **Membership Status:** Joined: 09/30/1963; Article VIII

II. <b>General Resources Account:</b>	<u>SDR million</u>	<u>% Quota</u>
Quota	80.10	100.00
Fund holdings of currency	80.11	100.02
Reserve position in Fund	0.00	0.00
III. <b>SDR Department:</b>	<u>SDR million</u>	<u>% Allocation</u>
Net cumulative allocation	13.70	100.00
Holdings	21.45	156.63
IV. <b>Outstanding Purchases and Loans:</b>	<u>SDR million</u>	<u>% Quota</u>
PRGF arrangements	62.45	77.97

V. **Financial Arrangements:**

<u>Type</u>	<u>Approval date</u>	<u>Expiration date</u>	<u>Amount approved (SDR million)</u>	<u>Amount drawn (SDR million)</u>
PRGF	08/12/2002	08/11/2005	4.00	0.57
ESAF/PRGF	06/24/1998	04/30/2002	71.40	61.88
SAF	04/24/1991	04/23/1994	30.66	8.76
Stand-by	10/31/1979	10/30/1980	5.00	0.00

VI. **Projected Obligations to Fund** (SDR million; based on existing use of resources and present holdings of SDRs):

	<u>Forthcoming</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Principal	1.19	3.57	6.66	10.47	12.38
Charges/Interest	0.31	0.30	0.28	0.24	0.18
Total	1.50	3.87	6.94	10.71	12.56

**VII. Implementation of HIPC Initiative:**

	<u>Enhanced framework</u>
Commitment of HIPC assistance	
Decision point date	12/22/2000
Assistance committed (end-1999 NPV terms) <sup>1</sup>	
Total assistance (US\$million)	452.00
Of which: Fund assistance (US\$million)	43.80
(SDR equivalent in millions)	33.81
Completion point date	Floating
 Delivery of Fund assistance (SDR million)	
Amount disbursed	9.97
Interim assistance	9.97
Completion point	...
Additional disbursement of interest income <sup>2</sup>	...
Amount applied against member's obligations (cumulative)	9.97

**VIII. Safeguards Assessments:**

Under the Fund's Safeguards Assessment policy, the Banque Nationale du Rwanda (BNR) is subject to a safeguards assessment under the PRGF arrangement. A Safeguards Assessment was completed on April 14, 2003, and the proposed recommendations are being implemented.

**IX. Exchange System:**

On March 6, 1995, Rwanda adopted a market-determined exchange rate system. Before then, the Rwanda franc was pegged to the SDR. On December 1998, Rwanda accepted the obligations under Article VIII, Sections 2, 3 and 4, requiring it to ensure that the exchange rate is free of restrictions on making payments and transfers for current international transactions. In 2001, a foreign exchange auction system was put in place with technical

---

<sup>1</sup> NPV terms at the decision point under the enhanced framework.

<sup>2</sup> Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

assistance from MAE. Since February 7, 2001, auctions have been taking place on a weekly basis.

**X. Article IV Consultation:**

Rwanda is on the revised 24-month consultation cycle. The Executive Board discussed the staff report for the 2002 Article IV Consultation on July 24, 2002.

**XI. FSAP Participation, ROSCs, and OFC Assessments:**

To date, Rwanda has not participated in the Financial Sector Assessment Program (FSAP) nor has had an Official Financial Center (OFC) assessment. A Report on Observance of Standards and Codes on Fiscal Transparency (ROSC) is currently under preparation.

**XII. Technical Assistance:**

- 1999 FAD long-term experts, on tax policy, on budget preparation, and on treasury management
- 1999 MAE long-term general advisor to governor of NBR
- 1999 MAE experts on banking supervision and foreign exchange market operations
- 2000 FAD experts on budget execution and on tax policy
- 2000 MAE experts on foreign exchange market operations, and banking supervision
- 2000 STA mission on money and banking statistics.
- 2000 STA mission on balance of payments statistics
- 2001 FAD experts on expenditure management and on tax policy
- 2001 FAD mission on tax policy
- 2001 MAE mission on foreign exchange policy, monetary policy, and banking supervision
- 2001 MAE expert on monetary policy implementation
- 2001 FAD mission on assessment of tracking of poverty reducing expenditure, and the fiscal ROSC
- 2001 MAE expert on banking supervision
- 2002 FAD experts on expenditure management, and on tax policy (until mid-year)
- 2002 MAE expert on banking supervision (until November)
- 2002 MAE expert on monetary policy implementation
- 2002 AFRITAC East work plan mission
- 2003 AFRITAC East mission on statistical issues
- 2003 FAD mission on fiscal ROSC and budget management system
- 2003 FAD mission on reform of investment incentives and tax reform

**XIII. Resident Representatives:**

Mr. Abdikarim Farah has been in Kigali as Resident Representative since January 2001.

### **Rwanda: IMF-Bank Relations Annex**

(As of April 15, 2003)

1. Since 1970, Rwanda has received 56 IDA credits and grants totaling US\$1,228.6 million (US\$30.5 million from a recent HIV/AIDS grant). The IFC has financed three loans and two equity participations, and three other operations have already been approved. Disbursements to date from IDA to Rwanda have totaled about US\$882 million, with a total undisbursed balance of US\$205.6 million. Rwanda's current portfolio of eight credits represents, as of January 2003, a total commitment value of US\$271.3 million.

2. The IDA has financed projects in (i) infrastructure, particularly road construction and maintenance; (ii) agriculture, rural development, and forestry; (iii) social infrastructure, including water supply and sanitation, health and population, and education and training; (iv) private sector development, public enterprise reform, financial development, and technical assistance; and (v) two policy-based quick-disbursing operations. During the immediate post-genocide period, IDA financed two emergency budget support operations and a social fund-type project, and restructured its prewar portfolio of investment projects to meet the high-priority needs associated with the emergency and the transition from conflict to development.

#### **Adjustment lending/macroeconomic support**

3. The first structural adjustment loan for Rwanda was approved in June 1991. In 1995 and 1997, the Bank approved two emergency recovery credits (US\$50 million each) as quick-disbursing budget support to assist in the rehabilitation and recovery efforts. In March 1999, an economic recovery credit (ERC) equivalent to US\$75 million was approved to support the economic reform efforts and the overall transition from conflict to peace. The credit was disbursed in three tranches; the last one was at end-March 2001. The Board also approved a supplement to the ERC in the equivalent of US\$15 million in December 2000, which was disbursed in full in March 2001. A Country Assistance Strategy (CAS) Progress Report endorsed by the Board on June 29, 1999, reaffirmed Rwanda's status as a **special case** for exceptional international assistance to deal with its difficult sociopolitical and economic challenges. A new CAS was presented to the Board in December 2002. Supported by this new CAS, an Institutional Reform Credit (IRC) of US\$85 million was approved, with the first tranche of US\$45 million disbursed in December 2002 to support the implementation of the Government's poverty reduction strategy as elaborated in the PRSP.

#### **Infrastructure and private sector development**

4. A number of Bank-supported infrastructure projects that closed recently helped to strengthen capacity and rebuild infrastructure in post-genocide Rwanda. The **Transport Sector Project** helped to reform sector policies, develop the planning capacity of the government, improve road maintenance ability, and promote private sector activity in the sector. The project supported main road construction, improved road maintenance, and promotion of communal activities. The **Second Communications Project**, which closed on June 30, 1999, promoted efficient communications through institutional reform and investments. It sought to create autonomous, commercially oriented operating entities for the

telecommunications and postal services, and to provide a regulatory framework to permit the entry of the private sector into the telecommunications industry. The **Energy Sector Project** helped to establish rational energy policies as the basis for efficient utilization of Rwanda's energy resources and provided a framework for private sector participation in the sector. The **Second Water Supply Project** helped to repair damaged water supply systems, financed an evaluation of the water needs in secondary cities, and rehabilitated rural water supply systems. The **Rural Water Supply and Sanitation**, approved by the Board in June 2000, will continue the activities of the Second Water Supply Project in a framework that emphasizes greater community participation. The Bank is preparing new projects in transport, energy, and urban infrastructure to continue the support of the closed projects.

5. The emphasis of the Bank's support in the private sector has been on enabling the establishment of a liberal institutional, legal, and policy environment to accelerate private sector activity and enhance external competitiveness. In this vein, the **Private Sector Development Project**, which closed in September 2000, sought to promote expansion of the private sector through the provision of both incentives and means to engage in labor-intensive, export-oriented activities within an improved economic and legal framework. A follow-on project, the **Competitiveness and Enterprise Development Project (CEDP)**, was approved by the Board on April 19, 2001. CEDP will continue to support the reform of the telecommunications sector and the privatization of the current telephone monopoly, and will assist the government in privatizing the remaining state-owned enterprises. Furthermore, a **Rural Sector Support Project (RSSP)**, approved by Board in March 2001, will support programs that increase agricultural productivity, develop rural agricultural and nonagricultural enterprises, and promote farmers' organizations as agents for the adoption and dissemination of new farming technologies.

### **Social sector**

6. The Bank's activities have been aimed at restoring social infrastructure and services in the aftermath of the 1994 genocide through the **Education Sector Project**, approved in 1991, and the **Health and Population Project**, also approved in 1991. The Education Project was finalized in June 2000, and on June 6, 2000 the Board approved a US\$35 million **Human Resources Development Project (HRDP)** aimed at improving quality and access to education. The Health and Population Project supports the operation of six health districts, the supply of essential drugs, a national information, education, and communications (IEC) capacity, and the restructuring and decentralization of the National AIDS Control Program. A US\$7 million supplemental to this project was approved by the Board at end-2000 to continue activities pending the design of a new project. The **Community Reintegration and Development Project (CRDP)**, approved in October 1998, has promoted community reintegration and development through community participation. CRDP is strengthening the capacity of local communities and the administration at the communal and national levels to identify, design, and implement development projects. This has supported the decentralization process. The Bank recently approved a grant of \$30.5 million for **HIV/AIDS Prevention** to support the fight against the pandemic. In addition, the HRDP, the RRSP and the CEDP have HIV/AIDS components that are used to assist the relevant ministries spread the message of prevention among their staff and clients. **The Demobilization and**

**Reintegration project**, which was approved by the Board on April 25, 2002, is to help demobilize and subsequently reintegrate ex-combatants into civilian life.

**Conditionalities**

The Bank is preparing a new policy-based credit to support the implementation of the PRSP. The key objectives are to improve the effectiveness, efficiency and poverty impact of public sector actions; improve the environment for private sector actions, and promote investments in human development. The conditionalities for tranche releases include the preparation of a financial accountability review and reform action plan, agreement on a plan for the continued implementation of the MTEF, and on the composition and budget allocation to the PRSP priority programs. Conditionality in the private sector development area include progress in the privatization of Rwandatel and the tea factories, the establishment of a Multi sector Regulatory Agency and of the coffee and tea boards, the installation of private management at Electrogaz, and restructuring/privatization of BCR.

**World Bank staff**

Questions may be referred to Kene Ezemenari (Tel. 202-458-5559) and Raju Kalidindi (Tel. 202-473-3200).



Status of World Bank Group Operations in Rwanda  
(As of April 15, 2003)

A. Statement of IDA Credits

Status of Credit	Fiscal Year	Purpose	Original Credit Amount in US\$Million (Less Cancellations)	Undisbursed
Closed credits: (46 credits closed)			786.6 <sup>1</sup>	0.00
Active credits:				
	2000	Agriculture and Rural Market Development (LIL)	5.0	2.14
	1999	Community Reintegration and Dev	5.00	0.18
	2001	Competitiveness and Enterprise Dev	40.82	35.37
	2000	Rural Water Supply and Sanitation	20.00	18.51
	2001	Regional Trade Facility	7.50	5.72
	2000	Human Resource Development	35.00	28.56
	2001	Rural Sector Support Project	48.00	46.72
	2002	Demobilization & Reintegration	25.00	22.60
	2003	HIV/AIDS	30.50	30.49
	2003	Institutional Reform Credit	85.00	41.54
Total: active projects:			271.3	231.90
Total approved amount <sup>2</sup>			1,228.6	
<i>Of which:</i> repaid			68.6	
Total held by the Bank and IDA			835.5.90	

B. Statement of IFC Investments in Rwanda

The IFC's pending commitments in Rwanda comprise those in Rwandacell, AEF Dreamland, and AEF Highland, amounting to US\$5.326 million.

<sup>1</sup> Includes two emergency recovery credits of US\$50 million each, approved in 1995 and 1997, respectively, and fully disbursed.

<sup>2</sup> Total approved amount, covering closed and active credits which also included cancellations.

Rwanda: Structural Measures in IMF and World Bank Programs

Measure	2003	2004
<ul style="list-style-type: none"> <li>• Financial Administration</li> </ul>	<ul style="list-style-type: none"> <li>• Produce a plan for capacity building in public debt monitoring and management. (IMF, ongoing)</li> <li>• Ensure that all borrowing by district governments is reported to the central government on a monthly basis. (IMF, ongoing)</li> <li>• Submit Organic Budget Law to Parliament. (IMF, 9/30/2003)</li> <li>• Prepare financial instructions in order to promote effective expenditure control. (IMF, 7/31/2003)</li> <li>• Improve gathering of data on disbursements from donors and expenditures on projects. (2002–03, IMF)</li> <li>• Incorporate extrabudgetary and off-budget projects and transactions into the budget. (Budget Law 2003, IMF)</li> <li>• Expand materials provided to Parliament and public on annual budget. (2003 and 2004 Budget Laws, IMF)</li> <li>• Begin producing flash reports within 3 weeks of end-month, functional classification of budget implementation, and reports on development budget and province and district implementation (2003, IMF)</li> <li>• Improve expenditure reporting by implementing reporting requirements for provinces and districts. (2003, IMF)</li> <li>• Complete a comprehensive review of all tax exonerations, exemptions and incentives and take appropriate reform action (6/30/2003, IMF)</li> <li>• Complete the report on implementation of the 2002 development budget (6/30/2003, IMF)</li> <li>• Issue a list of overdue obligations scheduled for clearance during 2003 (6/30/2003, IMF)</li> <li>• Strengthen the MTEF approach by sharpening of objectives, focusing on monitorable performance indicators, improving budget classification, integrating the development and recurrent budgets, and capacity building. (WB)</li> <li>• Implement the MTEF, with a budget process with focus on sharpening of objectives and monitorable indicators, improve budget classification, integration of development and recurrent budgets. (2003–2004, WB)</li> <li>• Develop capacity and systems for monitoring trends in poverty and social indicators. (WB)</li> <li>• Strengthen the systems for monitoring budget inputs and outcomes and poverty impact. (WB)</li> <li>• Take actions to build capacity in MINECOFIN, particularly to arrest the rapid turnover of staff in the ministry. (2003–2004, WB)</li> </ul>	<ul style="list-style-type: none"> <li>• Implement the Chart of Accounts reforms. (6/30/2004, IMF)</li> <li>• Ensure that the Office of the Auditor General audits every central Ministry from 2005 (2004–2005, IMF)</li> </ul>
<p><b>Governance</b></p>	<ul style="list-style-type: none"> <li>• To make the tendering process more transparent, set up an appeals board and the National Tender Commission will include some members from civil society. Issue the decree covering public tendering (2003, IMF)</li> </ul>	

Rwanda: Structural Measures in IMF and World Bank Programs

Measure	2003	2004
	<ul style="list-style-type: none"> <li>• Publish progress report on PRSP implementation. (6/30/2003, IMF)</li> <li>• The Auditor General will audit the execution of the 2002 accounts of the demobilization/reintegration project. (2003, IMF)</li> <li>• Establish a Code of Ethics for civil servants. (12/31/2003, IMF)</li> <li>• Develop a taxpayer appeals process and adopt a Bill of Taxpayer Rights. (12/31/2003, IMF)</li> <li>• Develop a system of public accounts and strengthen the internal audit capacity. (WB)</li> <li>• Prepare and implement an action plan to improve financial accountability. (WB)</li> <li>• Strengthen the Office of the Auditor-General to carry out independent audits of government agencies and promptly and simultaneously distribute its report to the authorities and the general public. (WB)</li> <li>• Adopt the National Tender Board Law. (WB)</li> <li>• Adopt and make operational the Code of conduct for public officials, and an agency to monitor and fight corruption (anticorruption bureau.) (WB)</li> </ul>	
<b>Privatization</b>	<ul style="list-style-type: none"> <li>• Transfer and sell to the private sector, the holdings of Rwandatel (the telephone monopoly) in Rwandacell (the cellular phone company). (WB)</li> <li>• Privatize Rwandatel. (WB)</li> <li>• Split the current Electrogaz (water, gas, and electricity utility) into two companies – gas, and water and electricity. (WB)</li> <li>• Privatize the management of the new Electrogaz (water and electricity) through a two-step process: a 3-5 year performance-based management contract; and (ii) a long-term concession lease arrangement. (WB)</li> <li>• Privatize tea factories and estates and coffee processing facilities. (2003–2004, WB)</li> </ul>	<ul style="list-style-type: none"> <li>• Privatize/liquidate the public gas company once the private sector gas companies come on stream. (WB)</li> <li>• Complete the privatization/liquidation of the remaining 40 state enterprises. (WB)</li> </ul>
<b>Private Sector Development</b>	<ul style="list-style-type: none"> <li>• Strengthen the Arbitration Center and create commercial tribunals in close collaboration with the private sector. (WB)</li> <li>• Strengthen the Rwanda Investment Promotion Agency (RIPA) to facilitate investments, promote exports and business development. (WB)</li> <li>• Revise and adopt the mining code to attract investors. (WB)</li> <li>• Approval of the Private Sector Federation new statute. (WB)</li> <li>• Establish an independent multi-sector utility regulator to regulate the activities of the utilities (electricity, gas, water, telephone). (WB)</li> </ul>	

Rwanda: Structural Measures in IMF and World Bank Programs		
Measure	2003	2004
	<ul style="list-style-type: none"> <li>• Improve tax administration and customs procedures to reduce transactions costs on the private sector. (2003, WB)</li> <li>• Reform the legal environment for commerce to ensure the respect and enforcement of contracts. Strengthen the Arbitration Center and create commercial courts in close collaboration with the private sector, (2003–2004, WB)</li> </ul>	
<b>Financial Sector Reform</b>	<ul style="list-style-type: none"> <li>• Continued strengthening of bank supervision: recruitment and training supervisors, reorganizing the supervision department, and computerizing the bank supervision process. (Ongoing, IMF)</li> <li>• Conduct full audits of four banks. (12/31/2003, IMF)</li> <li>• Prepare an action to improve the legal framework for banking and to facilitate improved loan recovery. (Ongoing, IMF)</li> <li>• A comprehensive plan for the restructuring of CSR will be adopted (Ongoing, IMF)</li> <li>• A new accounting plan for commercial banks to be implemented. (12/31/2003, IMF)</li> <li>• Formulate an Action plan to address money laundering. (2003, IMF)</li> <li>• Establish a standard operating procedure to conduct annual audits of the National Bank of Rwanda (NBR) (4/30/2003, IMF)</li> <li>• Establish written procedures to ensure that monetary data used for program monitoring purposes are in accordance with the TMU and can be reconciled to the accounting records. (8/31/2003, IMF)</li> <li>• Issue an action plan for the closure of dormant accounts and accounts operating outside controlling regulations (9/30/03, IMF)</li> <li>• Operationalize the NBR’s Internal Audit Department by restricting the Director’s responsibilities to internal audit matters, the adoption of an audit charter, the recruitment of experienced auditing staff, the completion of a risk assessment of all NBR operations and the preparation of a plan for 2004 audit activities (12/31/2003, IMF)</li> <li>• Improvements in the process for recovery of NPLs, with emphasis on strengthening the Arbitration center, and consistently implementing the voie parée system. (WB)</li> <li>• Privatize Banque du Kigali (BK) and BCR. (WB)</li> <li>• Recapitalize the Banque Populaire and strengthen supervision of small and rural credit institutions. (WB)</li> <li>• Conduct a financial sector study. (WB)</li> </ul>	<ul style="list-style-type: none"> <li>• Begin carrying out on site inspection of all banks every year. (1/1/2004, IMF)</li> <li>• Implement the action plan to improve credit information quality. (1/31/2004, IMF)</li> </ul>

Rwanda: Structural Measures in IMF and World Bank Programs		
Measure	2003	2004
	<ul style="list-style-type: none"> <li>• Explore alternative mechanisms to providing long term real estate and other loans in place of the proposed real estate restructuring scheme using CHR. (WB)</li> </ul>	
<b>Civil Service Reform</b>	<ul style="list-style-type: none"> <li>• Continue to improve the management and effectiveness of the civil service per the recently adopted Public Service Statute by:               <ul style="list-style-type: none"> <li>• strengthening the instruments for effective control of the civil service establishment,</li> <li>• transparent recruitment, deployment, promotion, and retrenchment of staff from the civil service, and for managing the payroll,</li> <li>• capacity building. (WB)</li> </ul> </li> <li>• Prepare and implement a plan to improve the compensation of civil servants under the revised pay and grading structure to enable the Government to attract and retain capable civil servants. (WB)</li> <li>• Adopt a sector-wide approach for capacity building interventions. (WB)</li> </ul>	
<b>Building Human Resources</b>	<ul style="list-style-type: none"> <li>• Increase the allocation of budget resources to the social services to increase the share of social sector to at least 40 percent of the recurrent budget. (WB)</li> <li>• Progressively increase the nonwage category of social sector spending. (WB)</li> <li>• Make preparations for the adoption of the sector-wide approaches for the development of the health and educations sectors. (WB)</li> <li>• Make preparations for the adoption of the sector-wide gender responsive approaches for the development of the health and education sectors. (WB)</li> <li>• Take measures to improve access of the population to health services, particularly through the reduction of service fees. (WB)</li> <li>• Initiate implementation of the Comprehensive Legal Action Plan to eliminate gender disparities. (WB)</li> <li>• Ensure gender-responsive status of all key emerging areas of new legislation /or legislative reform. (WB).</li> <li>• Adopt and implement a new strategy and gender responsive multi-sector action plan for HIV/AIDS control, prevention and treatment. (WB)</li> <li>• Progressively replace tertiary level scholarships/bursaries by student loans. (WB)</li> <li>• Increase immunization campaigns and treatment programs for tuberculosis and malaria. (WB)</li> <li>• Promote health education. (WB)</li> </ul>	

---

Rwanda: Structural Measures in IMF and World Bank Programs		
Measure	2003	2004
<b>Revitalizing Agriculture</b>	<ul style="list-style-type: none"><li>• Adopt a land law that provides security of tenure, gives women land inheritance and ownership rights, and improves overall land use. (WB)</li><li>• Increase budget allocations and implementation capacity for agricultural field services to provide access to by farmers to extension services, market information, improved varieties of seeds and appropriate improved inputs. (WB)</li><li>• Implement the new regulatory structures that liberalize the coffee and tea sectors and give private sector agents an enhanced role in the regulation and promotion of the industries. (WB)</li><li>• Review and adjust upward the producer prices for tea. Put in place a pricing mechanism for the adjustment of tea prices to changes in world market prices and to reflect a premium for high quality tea. (WB)</li></ul>	

---

### **Rwanda: Statistical Issues**

1. The economic and financial database of Rwanda is weak, in part due to the destruction caused by the 1994 war. Since then Rwanda has received considerable technical assistance in rebuilding the country's statistical database, and there has been some progress in the collection and reporting of economic and financial statistics. The authorities are fully cooperative in providing data to the Fund. Rwanda has very few statistical publications, but the authorities initiated in 1998, a new annual publication covering the main economic and financial data since 1990. National accounts and price statistics, government finance, and balance of payments statistics suffer from significant quality weaknesses. Monetary statistics are adequate for surveillance and program monitoring, but their timeliness and quality need to be further improved. Additional efforts are needed to improve statistics relevant for banking supervision.

#### **Real sector**

2. The Statistics Directorate of the Ministry of Finance and Economic Planning (MINECOFIN) prepares data on national accounts. After the 1994 war, the authorities compiled national accounts data starting from 1990. Nevertheless, the quality of these data is weak, reflecting shortages of human and material resources. While considerable effort was made to improve the reliability of GDP estimates using the production approach, significant weaknesses in data collection on expenditures and income remain. These weaknesses are reflected in uncertainties regarding the composition of GDP and they complicate, in particular, an adequate assessment of developments in savings and investment. The reliability of national accounts estimates are further hampered by weak external sector statistics. In 2003, an East AFRITAC mission visited Kigali to advise the authorities on real sector statistics issues, especially in the area of secondary sector statistics.

3. Monthly data on the consumer price index (CPI) are compiled by MINECOFIN. The National Bank of Rwanda (NBR) also compiles a CPI for Kigali. In 1996, the MINECOFIN started publishing a CPI for Kigali and urban and rural areas, based on a household income-expenditure survey (HIES) conducted between 1982 and 1986. However, the quality of the CPI is weak as it does not reflect changes in household consumption patterns since the base period (March–June 1982). In 1996, a technical assistance mission from the Statistics Department proposed measures to improve the quality of the CPI, including the implementation of a new HIES. The HIES has recently been completed, and work is now under way to update the CPI basket weights with a view to compiling a single price index for Kigali.

4. Data on employment and wages are not collected, except for the central government and for daily informal work.

5. Real sector data are reported regularly for publication in *International Finance Statistics (IFS)*, although with some lags, particularly for GDP estimates.

### **Government finance statistics**

6. The authorities transmit to the African Department detailed monthly data on revenue and expenditure, with a lag of three–four weeks. These data are compiled by a flash-reporting unit, which was established in 1996 within MINECOFIN with the assistance of the Fund. A functional classification of government expenditure has been designed and was presented with the 2003 budget. Within the economic classification, expenditures belonging to areas identified by the PRSP as “priority areas” are clearly identifiable. The fiscal data do not capture consistently capital expenditure (almost entirely foreign) because capital projects are mainly carried out by line ministries outside the regular budget procedures. Efforts are under way to integrate the development budget into the normal budgetary procedures. Fiscal data have often shown a discrepancy between the deficit as recorded from above the line with that derived from below the line (i.e., its financing). Together with Fund staff, the authorities have made adjustments for changes in the balance of non-core government accounts, for changes in cash in vault at the revenue authority, for accounting errors and for other factors. In recent years, the remaining discrepancy has not exceeded 0.4 percent of GDP.

7. Selected aggregates on annual central government operations through 2002 have been reported to the Statistics Department and are published in *IFS*. These data exhibit large statistical discrepancies, mainly due to the time of recording of expenditures and the link with financing data. No sub-annual data are reported to STA and government finance statistics have been reported for the *GFS Yearbook* only through 1993.

### **Monetary statistics**

8. The balance sheet of the NBR is transmitted to the African Department on a weekly basis with a lag of one week, and the monetary survey and the balance sheets of commercial banks are transmitted on a monthly basis with a lag of about four weeks. Detailed data on interbank money market transactions are also provided upon request to mission staff. The NBR established a working group to implement the recommendations of previous missions. Following technical assistance from the Statistics Department, the government improved the classification of monetary accounts. A monetary and financial statistics mission visited Kigali in November 2000 and conducted an in-depth review of the monetary statistics currently compiled by the NBR. The NBR is currently implementing these recommendations, and has adopted in June 2002 an improved classification of the central bank balance sheet accounts. Moreover, a MAE mission visited Kigali in June and July 2001 and left a number of recommendations regarding the compilation of statistics needed for an effective banking supervision. A resident MAE expert assisted the NBR between late 2001 and late 2002 in improving the banking supervision statistics. Monetary data are reported separately to the Statistics Department on a timely basis and published in *IFS*.

### **Balance of payments statistics**

9. Foreign trade data are provided to Fund missions by the NBR. There are inconsistencies between data reported by the NBR and data recorded by customs. There is



also significant unrecorded trade, and information on invisible transactions is scarce. There are indications of significant under recording of official external transfers, and data on the level and composition of private flows are poor. In 1997, a technical assistance mission from the Statistics Department assisted the authorities in designing surveys aimed at improving the collection of invisible transactions and private capital flows. A follow-up STA mission visited Kigali late in September 2000. The mission made several recommendations regarding the institutional setting of the NBR. These included ensuring an adequate number of well-trained staff, providing instructions on balance of payments compilation methodology, and securing a more effective administrative organization. Following the mission's recommendations, one NBR official has already participated in the IMF Institute balance of payments statistics course in 2001. The mission's other main recommendations were that (1) the NBR adopts trade in goods data as produced by Customs rather than as compiled by the Exchange-control department of the NBR; (2) the NBR encourage the commercial banks to adopt a standard foreign exchange reporting form and provide the commercial banks with commensurate automated reporting tools; and (3) the NBR implement the supplementary surveys without delay since the enterprises register is now available. Regarding (1), the NBR has collected all documents filed by border custom offices and is in the process of incorporating their results in the BOP. Regarding (3), the NBR has recently begun making use of such surveys in the compilation of BOP statistics.

10. Annual balance of payments and quarterly import and export data are reported to STA, albeit with some lags, and are published in IFS. Rwanda sent methodology notes describing the compiling methods for balance of payments statistics which were included in Part 3 of the *2002 Balance of Payments Statistics Yearbook (BOPSY)*.

11. A database on external public debt is maintained by both MINECOFIN and the NBR. The authorities have established a committee, composed of the staffs of the ministries of Finance and Economic Planning and Foreign Affairs and the NBR, to monitor and collect information on external public debt.

**Rwanda: Core Statistical Indicators**  
(As of May 14, 2003)

	Exchange Rates	International Reserves 5/	Central Bank Balance Sheet	Reserve/ Base Money	Broad Money	Interest Rates	Consumer Price Index	Exports/ Imports	Current Account Balance	Overall Government Balance 6/	GDP/GNP	External Public Debt 7/	Debt Service 7/
Date of Latest Observation	Current	5/2/03	5/2/03	5/2/03	3/03	3/03	3/03	1/03	2002	3/03	2002 1/	12/02 1/	12/02 1/
Date Received	Current	5/9/03	5/9/03	5/9/03	5/03	5/03	5/03	5/03	2/03	5/03	2/03	2/03	2/03
Frequency of Data	Daily	Weekly	Weekly	Weekly	Monthly	Monthly	Monthly	Monthly	Annually	Monthly	Annually	Annually	Annually
Frequency of Reporting	Weekly	Weekly	Weekly	Weekly	Monthly	Monthly	Monthly	Monthly	Semi-annually	Monthly	Semi-annually	Semi-annually	Semi-annually
Source of Update	NBR 2/	NBR 2/	NBR 2/	NBR 2/	NBR 2/	NBR 2/	NBR 2/	NBR 2/	NBR 2/	MFEP 3/	MFEP 3/	MFEP 3/	MFEP 3/
Mode of Reporting	Facsimile/ e-mail	Facsimile/ missions/ e-mail	Facsimile/ missions/ e-mail	Facsimile/ missions/ e-mail	Facsimile/ missions/ e-mail	Facsimile/ missions/ e-mail	Facsimile/ missions/ e-mail	Facsimile/ missions/ e-mail	Mainly during missions	Facsimile/ missions/ e-mail	Mainly during missions	Mainly during missions	Mainly during missions
Confidentiality	No	4/	4/	4/	4/	No	No	4/	4/	4/	4/	4/	4/
Frequency of publication	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Annually	Annually	Annually	Annually	Annually	Annually

1/ Estimates.

2/ NBR = National Bank of Rwanda.

3/ MFEP = Ministry of Finance and Economic Planning.

4/ Preliminary data for staff use only; actual data are unrestricted.

5/ International Reserves refer to gross official reserve assets.

6/ The category Overall Government Balance refers to Central Government Balance.

7/ External public debt refers to external public debt owed or guaranteed by the central government, local governments or the National Bank of Rwanda. Normal import-related credits are excluded. The term "debt" has the meaning set forth in point No. 9 of the Guidelines on Performance criteria with respect to foreign debt adopted on August 24, 2000.

Table 1. Rwanda: Health Sector Performance Indicators, 1997–2001 1/

	1997	1998	1999	2000	2001
1. Number of curative consultations at health centers; new cases	2,760,421	2,233,279	2,124,719 2/	1,999,122	...
2a. Number of qualified physicians at hospitals	181 3/	144	148	148	...
2b. Number of qualified nurses	899	1,033	1,442	1,457	...
3a. Expenditure on medicines in district hospitals (millions of Rwanda Francs) 4/	...	...	...	145.7	...
3b. Expenditure on medicines in health centers (millions of Rwanda Francs) 4/ 5/	...	...	...	405.2	...
3c. Expenditure for medicines on the budget (millions of Rwanda Francs) 5/	74.0	229.0	245.0	284.0	...
4a. Number of functional health centers	330	346	348	360	365
4b. Number of functional hospitals	33	28	29	33	33
5a. Number of fully equipped/staffed health centers 10/	...	...	...	...	...
5b. Number of fully equipped hospitals 10/	...	...	...	...	...
6. Number of medical and paramedical students enrolled in Kigali Institute of Health (three-year program)	...	...	31	75	134

Source: Ministry of Health, National Health Information System

1/ Agreed between the authorities and Fund and World Bank staffs.

2/ Based on 92 percent of expected monthly reports in March 1999, 88 percent of expected monthly reports in June 1999, 79 percent of expected monthly reports in September 1999 and 16 percent of expected monthly reports in December 1999.

3/ In 1997, including 54 expatriates.

4/ In 1997, from the Health Financing Study (Ministry of Health, World Bank, and *Etude du Financement du Système de Santé*, HERA, May 1999). In 1999, based on reports from ten regional health centers (91 percent of expected reports).

5/ In 1999, the purchase of medicines was decentralized so as to promote cost sharing; hospitals and health centers now manage their own purchases of drugs.

Table 2. Rwanda: Health Sector Key Performance Indicators, 1985–2000

Indicator	1985-90	1991-94	1995-2000	Comments	Source
Infant mortality rate	86	129	107	Both infant and under-5 mortality rose during the mid-1990s and have declined since then	DHS 1/
Under-5 mortality rate (per 1000 live births)	141	218	196		
Maternal mortality ratio (per 100,000 live births)	611	1,611	1,071	This indicator remains high by any standard and reflects systemic problems in the health system	DHS
Life expectancy at birth (years)		46	40	HIV/AIDS has erased earlier gains	UN Pop. Div. 2/
Contraceptive prevalence rate modern methods (percentage)	1.0	9.0	3.0	Genocide/war experience reversed earlier trend in family planning use	DHS
Total fertility rate		6.2	5.8	Most of the decline can be attributed to decreases in proportion married and in unions	DHS
Adult HIV prevalence rate (percentage)			11.2		UNAIDS 3/
Immunization coverage BCG 4/ (percentage)		97.0	97.0	Immunization coverage was maintained for BCG, dipped for DPT3, but declined overall (fully immunized) since the mid 1990s. There are virtually no rich/poor differentials in coverage rates.	DHS
DPT3 5/ (percentage)		91.2	86.0		
Fully immunized (percentage)		87.2	76.0		
Prenatal coverage at least 1 prenatal visit (percentage)		94.0	92.0	The country has succeeded in maintaining relatively high prenatal coverage rates, though continuity of prenatal care is very low.	DHS
Deliveries assisted by health professional (percentage)		26.0	31.0	In spite of the increase, most rural deliveries continue to be assisted by traditional birth attendants.	DHS

1/ DHS: Demographic and Health Survey, Government of Rwanda.

2/ UN Pop. Div. : United Nations Population Division, Department of Economic and Social Affairs.

3/ UNAIDS: United Nations Joint Programme on HIV/AIDS.

4/ BCG: Tuberculosis Immunization.

5/ DPT3: Diphtheria Immunization.

Table 3. Rwanda: Education Performance Indicators, 1998–2001 1/

	1998		1999		2000		2001		
<b>Primary education</b>									
<b>Enrollment and completion (annual)</b>									
Total gross enrollment 2/	1,270,733	(88%)	1,288,617	(88%)	1,428,703	(97%)	1,475,572	107	
Male	635,765	(...)	644,430	(90%)	721,881	(...)	738,439	(...)	
Female	634,968	(...)	644,187	(87%)	709,811	(...)	737,833	(...)	
Completion 3/	60,361	(22%)	...	...	...	...	...	...	
Transition to secondary education 4/	12,503	(21%)	...	(38%)	...	(42%)	...	(37%)	
Number of qualified teachers (annual/school term) 5/	10,463	(47%)	11,541	(49%)	13,934	(53.2%)	17,995	(63%)	
Student-teacher ratio (annual/school term)	57		55		54		54		
Student-qualified teacher ratio (annual/school term)	121		112		102		82		
Average number of books per pupil (annual)	0.56		...		...		...		
Number of teachers trained through in-service training (annual) 6/	2,568		7,116		4,094		...		
Number of students enrolled at the 11 teacher training colleges (three-year colleges) (annual) 7/	...		2,369		3,512		4,400		
Number of classes (annual)	...		30,866		36,534		39,045		
Number of classrooms (annual)	...		23,395		24,844		27,339		
Number of classrooms constructed/extended (annual)	...		89		114		214		
Repetition rate (in percent)	32		38		38		32		
Drop out rate (in percent) 8/	12		11		13		14		
Percent passing national exams 9/	...		23		26		...		
<b>Secondary education</b>									
<b>Enrollment and completion (annual)</b>									
Total gross enrollment (rate) 2/	90,840	(...)	105,292	(...)	125,124	(12.3)	141,163	(13)	
Male	45,054	(...)	51,811	(...)	61,458	(...)	70,265	(...)	
Female	45,786	(...)	53,481	(...)	63,666	(...)	70,898	(...)	
Completion 3/	10,500	(...)	...	...	...	...	...	...	
Transition to higher education 4/	...		...		...		...		
Number of qualified teachers (annual/school term) 5/ 10/	1,188	(31%)	1,544	(33%)	2,387	(43%)	2,711	(50%)	
Average number of books per class (annual)	...		...		...		...		
Average number of books per pupil (annual)	...		...		...		...		
Average number of teachers provided with teaching materials (annual)	...		...		...		...		
Number of teachers trained through in-service training (annual) 6/	...		836		836		...		
Number of students enrolled for teacher training at the Kigali Institute of Education (KIE) (four-year institute) (annual)	...		299		...		700		
Number of classes (annual)	...		...		...		1,864		
Number of classrooms constructed/extended (annual)	...		...		3		5		
<b>Higher education</b>									
Total gross enrollment								12,757	(1.9)

Source: Ministry of Education

1/ Agreed between the authorities and Fund and World Bank staffs.

2/ In parentheses, gross enrollment rate: number enrolled, regardless of age, divided by population in official primary school age in percent.

3/ In parentheses, completion rate: number of pupils in cohort reaching grade 6 divided by number of pupils enrolled in first grade six years before in percent.

4/ In parentheses, transition rate: number of pupils admitted in secondary schools (higher education) divided by number of pupils enrolled in grade 6 of primary (secondary) school in percent.

5/ In parentheses, in percent of total number of teachers.

6/ In 1999, includes teachers attending 3-6 day training courses. The program for teacher training was initiated in 1998, and became fully operational only in 1999.

7/ Before 1999, primary school teachers were trained in secondary schools (data on number of trainees unavailable).

8/ In 1999, estimate based on Butare and Kigali Ngali.

9/ Figure provided by National Examinations Council.

10/ Before 1999, includes both trained teachers with certificates and those with BAC (first two years of university); from 1999, includes only trained teachers with certificates.

Rwanda: Work Program—Proposed Phasing of Disbursements Under the PRGF  
PRGF Arrangement, 2002-05

Date	Description	Amount	
		(In millions of SDRs)	(In percent of quota)
August 12, 2002	Three-year arrangement approved		
August 16, 2002	First disbursement	0.574	0.7
June 13, 2003	First review completed		
June-03	Second disbursement	0.571	0.7
October-03	Second review completed		
November-03	Third disbursement	0.571	0.7
May-04	Third review completed		
May-04	Fourth disbursement	0.571	0.7
November-04	Fourth review completed		
November-04	Fifth disbursement	0.571	0.7
May-05	Fifth review completed		
May-05	Sixth disbursement	0.571	0.7
November-05	Sixth review completed		
November-05	Seventh disbursement	0.571	0.7
	Total	4.000	5.0

### **Rwanda: Safeguards Assessment — Summary of Conclusions**

A safeguards assessment of the NBR was completed in April 2003. The assessment received full cooperation of the NBR, and an agreement was reached on a set of measures to remedy identified vulnerabilities.

#### **Vulnerabilities**

The vulnerabilities identified included:

- (i) The external audit mechanism needs strengthening to ensure that annual external audits are conducted and the Committee of Auditors becomes fully operational
- (ii) The newly established internal audit department requires additional resources to become operational
- (iii) Procedural controls over the compilation of program monetary data require strengthening, and
- (iv) Formal investment guidelines for the management of foreign reserves need to be established

#### **Remedies under program conditionality**

The authorities agreed to the implementation of the priority measures proposed by the safeguards assessment. They have started the tender process for the external audit of the NBR's 2001 and 2002 accounts. As a prior action under the PRGF, the Ministry of Finance and Economic Planning committed to establish standard operating procedures for the conduct of annual audits of the National Bank of Rwanda.

As a structural benchmark for the second review, the authorities are to establish written procedures to ensure that monetary data used for program monitoring purposes are in accordance with the TMU and can be reconciled to the accounting records. In addition, they are to ensure that the external audit firm completes, subsequent to the completion of the audit of the NBR's 2002 financial statements, a review of the consistency between data reported to the IMF and the audited financial statements.

As a structural benchmark for the third review, the NBR is to make operational its Internal Audit Department by: restricting the Director's responsibilities to internal audit matters; NBR Board adoption of an audit charter; the recruitment of two qualified and experienced internal audit staff members; the completion of an audit risk assessment of all NBR operations; audit of program data as of September 30, 2003; and the preparation of a plan for 2004 audit activities approved by the Governor.

**Rwanda: Implementation Status of Actions to Strengthen Tracking of Poverty-Reducing Public Spending**

	Actions	Timing (S/M) <sup>1</sup>	Status (FI/II/NS) <sup>2</sup>	Date Achieved	Comments <sup>3</sup>
<b>Actions to strengthen budget formulation</b>					
1	Clearly identify all programs in support of the poverty reduction objective in line with the priorities of the PRSP in the budget 2002. Clarify how these programs relate to the concept of "social sector spending" under the 2001 project.	S	FI	2002 budget	
2	Refine the program/ subprogram classification, including with a view toward achieving consistency across ministries and agencies where feasible.	S	FI	2002 budget	
3	Devise a method - possibly informally - to revise the assignment of priority programs and poverty reducing expenditures over time.	M	NS		
4	Improve coverage for expenditures financed from fees or other own or earmarked revenues of ministries and agencies.	S	II		To be completed in 2004 budget
5	Improve the operation of CEPEX	S	II		
6	Continued development, and implementation of a basic budgeting and reporting system for the Districts that is consistent with consolidation into general government, including own resources and aid in kind.	S	II		
7	Expand computerization (and associated training) to allow easy reporting by provinces and districts in a system integrated with the current SIBET system.	M	II		
8	Integrate development budget and recurrent budget	S	II		
9	Improve macroeconomic in-house forecasts	S	II		
10	Continue the implementation of the MTEF	M	II		
<b>Actions to strengthen budget execution</b>					
11	Pass the organic budget law, and institute financial instructions and guidelines (either as law or instructions)	S	II		
12	Pass the NTB legislation and formally adopt the procurement guidelines.	S	II		
13	Design of a full chart of accounts and implementation of initial procedures to account and report in line with it.	S	II		

<sup>1</sup> S=Short term action; M=medium term action.

<sup>2</sup> FI=fully implemented, II=Implementation initiated, NS=Not started.

<sup>3</sup> Comments may explain any changes in the nature of proposed actions or changes to the timing of their implementation.



**Rwanda: Implementation Status of Actions to Strengthen Tracking of  
Poverty-Reducing Public Spending**

	Actions	Timing (S/M) <sup>4</sup>	Status (FI/II/ NS) <sup>5</sup>	Date Achieved	Comments <sup>6</sup>
14	Strengthen Inspection Générale et Audit both in terms of staffing and training	S	II		
15	Clarify the role of the internal audit units in ministries, and their relation to the Inspection Générale et Audit. Strengthen internal controls.	S	II		
16	Draft an internal audit manual	S	NS		
17	Ensure that administrative strengthening programs for districts take place, and that all provinces/districts are covered.	M	II		
18	Continued refinement and implementation of accounting and reporting procedures	M	II		
<b>Actions to strengthen budget reporting</b>					
19	Set up clear and easy reporting framework for programs identified as poverty reducing, i.e. in support of the objectives and priorities of the PRSP.	S	II		Framework is in place for central government, however not yet for district expenditure.
20	Develop reporting framework on projects with direct input from donors.	S	II		
21	Improve reporting on fees, earmarked revenues, and other own revenues of ministries and agencies.	S	II		
22	Develop monthly or quarterly reporting framework for decentralized (and deconcentrated) units.	S	II		
23	Clarify the roles of the Auditor General and the Cour des Comptes, minimizing duplication of work	S	II		To be finalized with new Constitution, Supreme Court Law and Organic Budget Law
24	Change the law, so that the Auditor General reports to parliament in the first instance instead of the President.	S	II		
25	Pass legislation on the content, and timetable for the preparation, audit, and presentation of final accounts.	S	II		To be part of Organic Budget Law/Financial Instructions
26	Prepare final accounts in accordance with new legislation.	S	NS		
27	Strengthen the Auditor General by increasing the staffing levels to establishment, and continuing the capacity strengthening programs.	M	II		

**Statement by the IMF Staff Representative**  
**June 13, 2003**

Since the issuance of the staff report, the authorities have informed the staff on the following recent developments. These developments do not alter the thrust of the staff appraisal.

1. In a referendum held on May 26, 2003, a new constitution was approved, clearing the way for presidential and legislative elections as early as August–September 2003. As of end-May 2003, donor pledges to cover the cost of the referendum and elections amounted to US\$6.2 million, of which US\$2.7 million have been disbursed.

2. As part of his audit of the 2002 operations of the Ministry of Defense, the Auditor General has completed, in May 2003, a review of government spending associated with the withdrawal of Rwandan troops from the Democratic Republic of the Congo. The review confirmed that spending on activities directly related to the troop withdrawal, amounting to RF 10.9 billion, followed budgetary regulations and was correctly registered in the government accounts. Moreover, the associated goods and services were received and suppliers were paid.

3. Reflecting the inconsistent rains at the start of the agricultural season, food prices rose markedly during the first quarter of 2003, with the 12-month rate of increase reaching 14.5 percent in April 2003. Consumer price inflation was slightly above 8 percent over the same period. It is expected that food prices and inflation will moderate substantially during the next few months, as the food supply improves.

4. Central government finances through end-March 2003 were broadly in line with program targets. Cumulative revenue collections amounted to 99 percent of the targeted level, while total outlays were 0.3 percent of GDP lower than envisaged, largely because of delays in the execution of exceptional expenditures. The quantitative benchmarks for end-March 2003 for the domestic fiscal deficit, recurrent priority spending, and the net accumulation (settlement) of domestic arrears appear to have been met.

5. During the first quarter of 2003, the central bank intervened to limit the impact on the money supply of the increase in net credit to government from the banking system, both through foreign exchange sales and open market operations. As a result, the quantitative benchmark for reserve money at end-March 2003 was met. However, the benchmarks for net foreign assets of the National Bank of Rwanda (NFA) and for the net banking system credit to the government (NCG) were missed. While a full explanation for the higher-than-programmed increase in NCG is not yet available, an unanticipated net reduction in government obligations to the nonbank private sector, together with a slightly higher-than-programmed net reduction in domestic arrears contributed to this outcome, as well as to the shortfall in NFA, which was modest. Beginning in May, the central bank substantially reduced its foreign exchange sales and preliminary information for early June suggests that

the end-June performance criterion for NFA is well within reach. The authorities have taken steps to strengthen the management of government debt to the nonbank private sector and, based on available data, the end-June performance criterion for NCG appears also to be within reach.

6. While substantial progress has been made in negotiating bilateral agreements under the Cologne flow rescheduling agreement signed last year, the authorities requested a further extension of the deadline to enable the conclusion of all bilateral agreements with Paris Club creditors. They have also requested an extension of the consolidation period for the Paris Club rescheduling. The authorities have confirmed that as of May 31, 2003 there were no outstanding nonreschedulable arrears, which is a continuous performance criterion.

7. To strengthen the administration of the central bank, and in line with recommendations made by a recent Fund safeguards mission, on May 22, 2003, the Minister of Finance issued instructions for the conduct of annual audits of the National Bank of Rwanda (a prior action for completing the first review under the Poverty Reduction and Growth Facility).



Press Release No. 03/86  
FOR IMMEDIATE RELEASE  
June 16, 2003  
**Corrected:** June 16, 2003

International Monetary Fund  
Washington, D.C. 20431 USA

### **IMF Completes Review Under Rwanda's PRGF Arrangement and Approves US\$810,000 Disbursement**

The Executive Board of the International Monetary Fund (IMF) has completed the first review of Rwanda's economic performance under the Poverty Reduction and Growth Facility (PRGF) arrangement. The Board also granted a waiver of performance criteria pertaining to the domestic fiscal balance at end-December 2002 the net accumulation of domestic arrears and the non-accumulation of nonreschedulable external arrears. As a result, Rwanda will be able to draw up to SDR 571,000 (about US\$810,000) under the arrangement immediately.

Rwanda's PRGF arrangement was approved on July 24, 2002 (see [Press Release No. 02/36](#)), for SDR 4 million (about US\$5.6 million). So far, Rwanda has drawn SDR 574,000 (about US\$815,000) under the arrangement.

The PRGF is the most concessional facility for low income countries. It is intended that PRGF-supported programs will in time be based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners, and articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that PRGF-supported programs are consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years with a 5 ½-year grace period on principal.

In commenting on the Executive Board's discussion on Rwanda, Eduardo Aninat, Deputy Managing Director and Acting Chair, stated:

"Given Rwanda's difficult social conditions, rapid progress in reducing poverty and achieving sustainable economic growth remains critical. Developments during 2002 were encouraging: strong growth in subsistence agriculture delivered substantial relief to Rwanda's poor, inflation was kept at a low level, and large inflows of external assistance helped strengthen the country's official reserves position. This performance reflected both a creditable policy implementation and the impact of favorable climatic conditions. In particular, substantive revenue measures were implemented that constitute an important step toward fiscal sustainability, and meaningful actions were taken to strengthen the administration of the public finances and the banking sector.

Rwanda's active contribution to the procurement of peace in the region will be important for securing donor aid and improving the investment climate in the region.

"With a challenging social and political transition now under way, continued implementation of strong policies is needed to maintain macroeconomic stability and to lay the foundations for sustained economic growth and poverty reduction. Monetary policy will aim at keeping inflation low in 2003. Fiscal policy will seek a further strengthening of the government's domestic revenue base, while providing resources to support exceptional operations--including elections and continued demobilization of the military--and priority expenditures in critical social areas. In addition, the 2003 program envisages additional measures to strengthen public financial administration and to addresses weaknesses in the banking system.

"The continued support of the international community, through technical and financial assistance, will be critical to Rwanda's economic reconstruction. Prudent economic management and satisfactory progress with structural reforms will facilitate such support. Much progress has been made in implementing the structural reform agenda, but progress has been slow in some areas mainly because of capacity constraints. High priority would need to be given to the implementation of the policies set out in the Poverty Reduction Strategy Paper, particularly those for boosting private investment and trade and diversifying the export base of the economy," Mr. Aninat said.

**Statement by Damian Ondo Mañe, Executive Director for Rwanda  
and Laurean Rutayisire, Alternate Executive Director  
June 13, 2003**

**I. Introduction**

Our Rwandese authorities would like to express their appreciation to Fund management and staff for their continuous assistance in their adjustment efforts and are thankful for the support received from the international community in their fight against poverty. The continued success of our authorities in implementing sound policies under the PRGF-supported program has enabled Rwanda to achieve a strong economic performance in 2002. Economic growth remained strong, inflation was contained and the external reserve situation improved. Our authorities also made substantial progress in the first-year implementation of the PRSP and implemented key conditions established for reaching the completion point under the enhanced HIPC Initiative. Program implementation was in line with the program targets, as most quantitative performance criteria for end-December 2002 were observed, except three, namely the domestic fiscal deficit criterion, due to the cost of withdrawing troops from the DRC; the net accumulation of domestic arrears criterion, following delays in donor disbursement for budgetary support and; the criterion on the accumulation of external arrears with one creditor, due to administrative capacity constraints. Most structural performance criteria were also met and substantial progress was made on the structural reform agenda. On the basis of their strong track record, their commitment to meeting the program objectives, and corrective actions taken, our Rwandese authorities request waivers for the nonobservance of the above-mentioned performance criteria.

On the political front, our authorities are moving forward with a program of nation-building and reconciliation, which is a prerequisite for social and economic transformation and includes notably the recent adoption of a new constitution to be followed later this year by presidential and legislative elections. Other important measures have been taken, including the recent release of persons suspected to have been involved in the genocide, the continued implementation of the demobilization and reintegration program with the assistance of the World Bank, the acceleration of the decentralization of government activities and the establishment of key institutions of economic governance, such as the Office of the Auditor General. The achievement of this process by 2005 will free additional resources for investment in productive activities and poverty reduction.

Our authorities are committed to regional stability and any solution that can bring a lasting peace. To this end, our authorities have continued to support the Lusaka Peace Treaty and the 2002 peace agreement between the Presidents of Rwanda and the DRC, and they completely pulled back Rwandese troops from the DRC at the end of 2002.

Despite these achievements, Rwanda's economic and social situation remains fragile, as poverty remains widespread, the economy is heavily concentrated in a limited number of agricultural exports and Rwanda is still dependent on external grants and borrowing to finance a substantial part of government current and investment expenditure.

Our Rwandese authorities are aware that achieving the objective of strong and sustainable growth to reduce poverty will require, in the long-term, diversifying the economy. With about 90 percent of the population living in rural areas, where poverty is widespread, the PRSP rightly focuses on agricultural and rural development, human resources and infrastructure. In support of this strategy, our authorities will focus their efforts on maintaining macroeconomic stability and addressing domestic and external imbalances and economic diversification, so as to create an environment conducive to stronger productivity and higher economic growth and employment.

## **II. Recent Economic Developments**

Performance in 2002 was broadly satisfactory. On the macroeconomic front, real GDP growth was strong, reflecting a construction boom and favorable agriculture harvest. The year-average inflation was contained at 2 percent.

In the fiscal area, substantial progress was achieved. In the absence of unanticipated outlays for the withdrawal of Rwanda's troops from the DRC, the performance criterion on the domestic fiscal deficit would have been met. Domestic revenue exceeded the program targets, following improved tax and customs administration, the introduction of new taxes and an increase in the existing taxes, notably VAT rates. Expenditures (excluding outlays for troops' withdrawals) were marginally below the programmed level, and the performance criterion for recurrent spending in priority areas was met. In line with the agreement reached with the DRC in July 2002, our authorities have completely pulled back their troops within Rwandan borders by withdrawing about 23,000 soldiers from the DRC, with unanticipated costs of about RF10.9 billion. However, the performance criterion on the net reduction of domestic arrears was missed, due to delays in the disbursement of external assistance. They also continued their work with CEPEX, in order to strengthen the predictability and coordination of external assistance, as well as its alignment with the budgetary cycle.

In the monetary area, faced with the larger-than programmed expansion of credit to government during parts of the year, due to troop withdrawals from the DRC and a weak banking sector, our authorities took steps to tighten liquidity conditions through open market operations. Accordingly, they met at the end of December 2002, the performance criteria for reserve money, net foreign assets of the National Bank of Rwanda (NBR), and net credit to government of the banking system at end-December 2002. Nonetheless, due to increased donor disbursement through commercial banks, as well as increasing credit to the economy, broad money growth was above the program targets. As a result the Rwanda franc depreciated against the US dollar despite the central bank's intervention.

In the financial sector, our authorities took steps to improve the health of the banking sector, including the implementation of the restructuring plan for the *Banque Commerciale du Rwanda* (BCR) and the preparation of its privatization. The Banker's Association also decided to share information on defaulting borrowers on a consolidated basis. These efforts were complemented with the strengthening of banking supervision, in particular the completion of audits of commercial banks by the "*Banque Centrale du Rwanda*" (BNR), the

extension of BNR supervision to microfinance operations and the reinstatement of accelerated loan recovery procedures "*voie parée*". As a result, the stock of nonperforming loans was reduced and the rate of provisioning increased.

In the structural area, progress was made in strengthening the administration of public finances. In this regard, our authorities enacted legislation to prohibit extra-budgetary and off-budget operations. They also took steps to improve the reporting system of the districts and improve capacity at the local level and enhance transparency through the timely publication of data on government financial operations. In order to strengthen financial controls, transparency and accountability in the management of public resources, our authorities took steps to fully enforce guidelines for the opening, closing and monitoring of government bank accounts and accelerate the audits of public entities by the Office of the Auditor General (OAG), while enhancing legislation to grant public access to these audit reports. In line with these efforts, the National Tender Board was formally established and the Arbitration Center strengthened. As regards civil service reform, our authorities are continuing to implement the new organigrams. On external arrears, our authorities have developed an action plan to strengthen the management of external debt service, including a comprehensive review of debt payment procedures from the authorization and execution of payment. In the privatization area, progress has been made, with the five-year management contract awarded for the electricity and parastatal company (Electrogaz), the hiring of financial advisors to prepare the sale of the telecommunications company (Rwandatel) and the preparation of the sale of two state-owned tea estates, three rice processors, as well as mining, printing, hotels and livestock enterprises.

### **III. Medium-Term Program and Policies for 2003**

For 2003, the main objective of our authorities is to maintain macroeconomic stability and limit external imbalances, while continuing to support the implementation of the poverty reduction strategy of the PRSP. To this end, they intend to improve public finances, strengthen the financial sector and carry out their poverty reduction strategy through operations in agricultural and rural development, human resources and infrastructure development. Based on this strategy, our authorities' macroeconomic objectives for 2003 are to achieve a real GDP growth of at least 3.2 percent, contain inflation at 4.7 percent and increase the external reserve position to 7.4 months of imports.

#### **Fiscal Policy**

Consistent with the medium-term fiscal sustainability objectives, the fiscal program for 2003 seeks to reduce the structural fiscal deficit, while allowing for additional resources for transitional activities, capital outlays and poverty reduction. These developments are made possible by higher revenue collection and a substantial increase in external grant and loan inflows. In this context, revenue mobilization is a key element in support of the attainment of fiscal sustainability. Thus, our authorities will pursue their efforts to strengthen the revenue base, through further strengthening tax and customs administration, notably by



improving the computerization of these administrations, upgrading the border posts and increasing the audit activity of the Rwanda Revenue Authority.

Although our authorities will maintain the core expenditure program within the program targets, overall expenditure will increase slightly. This reflects exceptional expenditure for the constitutional referendum and elections, outlays to strengthen petroleum reserves, spending delayed from 2002 and additional outlays in 2003 for demobilization and reintegration and the establishment of peace in the region. In line with the PRSP, our authorities will also increase spending for the priority sectors identified in the PRSP, and outlays for assistance to the victims of the genocide, as well as foreign-financed capital expenditure. Should the country experience any revenue shortfall, our authorities stand ready to reduce non-priority expenditure accordingly. In order to offset, the higher-than programmed settlement of domestic arrears experienced in 2002, our authorities intend to focus on bringing payments float to a normal level and will set up mechanisms to ensure a transparent payment of obligations.

### **Monetary Policy and Financial Sector Development**

Monetary policy will aim at limiting inflation and appropriately building net foreign assets. To this end, our authorities will contain broad money growth at a level close to that of nominal GDP and further strengthen their monitoring of monetary developments. This will involve the strengthening of BNR capacity for policy analysis and implementation, so as to improve the effectiveness of monetary policy. Consistent with their fiscal objectives and reasonable targets for credit growth to the private sector and based on the expected high inflows of external financing, our authorities will continue to build up external reserves. A comfortable reserve position will also help cushion against the risk of disorderly adjustment of exchange rate caused by potential disruptions in foreign aid or further trade shocks. Regarding foreign exchange policy, our authorities are well served with the managed exchange rate system.

In the financial sector, building on progress achieved thus far, our authorities intend to strengthen BNR supervision for both the banking and the microfinance sectors and to take further steps to address the weaknesses in the banking sector. To this end, they will continue to closely monitor the operations of troubled banks and intensify the completion of full audits of commercial banks, while taking further steps to finalize the restructuring of BCR and complete its privatization. They will also put in place within the Central Bank adequate safeguards in the areas of control and governance.

As regards the prevention of money laundering and the financing of terrorism, our authorities have joined a regional association to share experience on the development of legislation and institutional framework to address this issue. In addition to these efforts, our authorities have requested a FSAP, in order to explore ways to strengthen the financial sector, formulate a strategy on the management of non performing loans and provide options regarding the restructuring of the specialized housing bank (*Caisse Hypothécaire du Rwanda*), as a vehicle for long term savings and investment.

## **Structural Reforms**

In the structural area, the main objectives of our authorities are to improve economic efficiency and governance, strengthen the administration of public finances and support the decentralization of government, in order to reflect priorities identified in the PRSP.

As regards decentralization of government, our authorities will pursue the implementation of their strategy at the provincial and district levels in the context of the overall strategy to reduce poverty. As part of this effort, they have appointed the executive for the Community Development Fund (CDF), with responsibility of overseeing and coordinating the administration of the development projects implemented at the district level. At the same time, they are taking steps to strengthen budget execution, improve reporting systems and provide the training needed to strengthen the public accounting at the central government ministries, provincial administration and district levels.

In the area of public finances, with the assistance of the Fund, our authorities will bolster their efforts to further improve the effectiveness, transparency and accountability of government operations. To this end, they have set up a task force to provide recommendations for the closure of accounts operating outside of controlling regulations, and develop a revised common account nomenclature, while helping improve the reconciliation and monitoring of these accounts. In support of these efforts, our authorities also intend to increase the monitoring and control mechanisms of public resources through conducting a thorough inventory of the physical assets at all levels of government and developing a common framework for charts of accounts. These efforts will also entail the strengthening of the reporting system at the province and district level and strict control of district borrowing by the Ministry of Finance. In order to enhance public debt management, our authorities are preparing an action plan aimed at improving coordination between the Ministry of Finance and BNR, and enhancing the role of CEPEX in the monitoring of the foreign-financed development budget.

Our authorities also intend to strengthen the legal framework governing the administration of public finances. Following the adoption of the new constitution, which establishes the legal basis for budget management, our authorities will accelerate the adoption of the Organic Budget Law and the related regulations. Following the creation of a formal appeals process for taxpayers, the establishment of a bill of taxpayers' rights in 2002 and the creation of tax and commercial chambers within the court system, our authorities are working toward the establishment of tax and commercial chambers within the court system and the adoption of new commercial and tax codes, in order to improve the legal environment for private sector development.

## **Poverty Reduction and the Use of HIPC resources**

Our authorities have successfully completed a participatory full PRSP, which focuses on the a number of areas which are fully financed in the 2003 budget. The rise in social spending in the priority areas since the HIPC interim relief started in 2001 exceeded the increase in relief

flows, reflecting the poverty focus of our authorities. Our authorities also made substantial progress towards the completion point triggers under the HIPC Initiative. Nearly all the triggers have already been met, despite some temporary delays, which seem now to have been overcome, in the privatization of two tea factories. Our authorities have also stepped up their efforts in the social sectors. All triggers in the education sector have been met and substantial progress is being made in the health sector. Among others, net primary school enrollment increased beyond targets, a gender action plan was finalized and measures to eliminate all forms of discriminations against women were implemented. Our authorities are currently carrying out, with the help of the World Bank, a Poverty and Social Impact Assessment that will help them refine their poverty reduction strategy.

#### **IV. Conclusion**

The continued implementation of sound economic policies under Fund-supported programs has enabled Rwanda to achieve good economic and financial performance and lay out the foundations for sustained economic growth. Despite these achievements, a number of bottlenecks are to be addressed, in order to foster economic diversification and reduce poverty. Our Rwandese authorities are determined to build on past progress and persevere in their adjustment efforts, in order to implement this ambitious, but realistic program, so as to reach the completion point under the Enhanced HIPC Initiative and create an environment conducive to economic growth and poverty reduction. In this context, they are hopeful that they can continue to rely on additional, predictable and timely international financial and technical assistance. In view of the strong track record of our Rwandese authorities and their renewed efforts to forcefully address the remaining weaknesses, we would like to request Board's approval for waivers for the nonobservance of the performance criteria, which our authorities were not able to meet, due to constraints beyond their control, as well as Board's support for the completion of the first review under the PRGF.