FOR AGENDA



SM/84/212

CONTAINS CONFIDENTIAL INFORMATION

August 29, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Rwanda - Staff Report for the 1984 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1984 Article IV consultation with Rwanda. A draft decision appears on page 19.

This subject will be brought to the agenda of the Executive Board for discussion on a date to be announced.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Sidibé (ext. (5)8730) or Mr. Rajcoomar (ext. (5)8736).

Att: (1)

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INTERNATIONAL MONETARY FUND

RWANDA

# Staff Report for the 1984 Article IV Consultation

Prepared by the Staff Representatives for the 1984 Consultation with Rwanda

Approved by Oumar B. Makalou and W.A. Beveridge

August 28, 1984

## I. Introduction

The 1984 Article IV consultation discussions with Rwanda were held in Kigali during the period June 1-16, 1984. Rwanda continues to avail itself of the transitional arrangements of Article XIV. A summary of Rwanda's relations with the Fund is provided in Appendix I, and with the World Bank Group in Appendix II. The Rwandese representatives included Mr. J.D. Hategekimana, Minister of Finance, Economy and Commerce, Mr. A. Mulindangabo, Minister of Planning, Mr. Ngilira, Minister of Industry and Mining, Mr. A. Ntezilyayo, Minister of Agriculture, and Mr. J. Birara, Governor of the National Bank of Rwanda, as well as other senior officials concerned with economic and financial matters. The staff representatives were Messrs. Sidibê (head-AFR), Jbili (AFR), Rajcoomar (AFR), Nivollet (EP-FAD), Bell (EP-AFR), and Mrs. Dowsett (secretary-AFR). Mr. Tshishimbi, Alternate Executive Director for Rwanda, participated in the final discussions. At the end of the mission's stay Messrs. Tshishimbi and Sidibê were received by the President of the Republic.

## II. Recent Economic Developments

During the period 1982-83, the first two years of the third development plan, real economic growth slowed down from 4.8 percent in 1977-81 to an average of 3.7 percent per annum, or about the population growth rate (Table 1). This was largely a reflection of the sluggish growth of the agricultural and manufacturing sectors. Developments in agricultural output are still mainly attributable to fluctuations in weather conditions. Production of food crops which rose by 4 percent in 1982 is estimated to have declined by 2 percent in 1983 to a level below that of 1981. Coffee output declined by 7 percent in 1982 but recovered by 15 percent to about 33,530 metric tons (parchment) in 1983. Tea production continued to expand, though at a modest rate, reaching 7,480 metric tons (dried leaves) in 1983. In the same period, mineral output (essentially cassiterite and wolfram) continued its downward

Table 1. Rwanda: Selected Economic and Financial Indicators, 1977-84

| | 1977-80 Period averages | 1980 | 1981 | 1982 | 1983 Prel. | 1984 Est. |
|---|---|---|---|---|---|---|
| | (Annual percent changes) | | | | | |
| National income and prices | | | | | | |
| GDP at constant prices | 4.8 | 4.9 | 4.7 | 4.0 | 3.5 | 2.9 |
| Consumer price index | 12.5 | 7.2 | 6.5 | 12.6 | 6.6 | 5.0 |
| External sector | | | | | | |
| Exports, f.o.b. 1/ | 11.6 | -34.2 | -15.2 | -4.2 | 16.3 | 9.3 |
| Of which: coffee | (24.8) | (-54.6) | (9.1) | (--) | (21.3) | (4.8) |
| volume | (6.8) | (-44.1) | (36.6) | (-16.5) | (25.9) | (-4.0) |
| unit value | (19.1) | (-19.0) | (-21.1) | (20.4) | (-4.0) | (9.1) |
| Imports, f.o.b. 1/ | 18.1 | 22.7 | 5.8 | 3.6 | -6.4 | 5.1 |
| Of which: petroleum | (28.2) | (50.5) | (50.4) | (6.3) | (13.0) | (8.0) |
| Export price index | 17.9 | -13.8 | -23.0 | 9.0 | 1.7 | 12.4 |
| Import price index | 14.1 | 11.9 | -2.3 | -1.8 | 3.4 | 4.0 |
| Terms of trade (deterioration -) | 3.9 | -23.0 | -21.2 | 11.0 | -1.7 | 8.0 |
| Import-weighted nominal effective exchange rate (depreciation -) | -2.1 | -0.2 | 18.8 | 16.3 | 6.3 | ... |
| Import-weighted real effective exchange rate (depreciation -) | -1.6 | -2.7 | 14.5 | 18.5 | 6.6 | ... |
| Government budget | | | | | | |
| Revenue | 20.0 | 9.6 | 11.8 | 3.0 | 3.5 | 12.1 |
| Total expenditure and net lending | 21.4 | 11.2 | 33.7 | 11.1 | 5.2 | 3.3 |
| Money and credit | | | | | | |
| Domestic credit | -9.2 | 11.6 | 109.2 | 56.2 | 45.6 | 18.5 |
| Government | -- | -117.0 | 26.7 | 76.6 | 294.6 | ... |
| Private sector | 26.8 | 46.1 | 25.7 | 8.6 | 11.7 | 10.2 |
| Money and quasi-money | 15.9 | 8.1 | 12.9 | 1.4 | 11.8 | ... |
| Velocity (GDP relative to $M_2$) | 7.2 | 7.6 | 7.7 | 8.6 | 8.4 | ... |
| | (In percent of GDP) | | | | | |
| Central government overall surplus or deficit (-) | 0.8 | 0.9 | -1.4 | -2.2 | -2.3 | -1.3 |
| Domestic bank financing | -0.8 | -2.1 | 2.0 | 1.3 | 1.4 | 0.5 |
| Foreign financing 2/ | -0.2 | -0.3 | -0.5 | -0.4 | -0.3 | -0.4 |
| External current account balance (deficit -) 1/ 3/ | -0.5 | -4.1 | -5.1 | -5.8 | -3.0 | -3.4 |
| External public debt (outstanding at end of period) | 11.6 | 14.6 | 13.8 | 13.6 | 14.6 | ... |
| | (As percent of exports of goods and nonfactor services) | | | | | |
| External debt service | 2.0 | 3.6 | 5.6 | 6.3 | 4.5 | 6.3 |
| | (In millions of SDRs) | | | | | |
| Exports, f.o.b. | 114.3 | 102.6 | 96.1 | 98.2 | 114.1 | 124.6 |
| Of which: coffee | (63.8) | (48.1) | (57.9) | (61.9) | (75.0) | (78.5) |
| Imports, f.o.b. | -119.3 | -150.4 | -175.7 | -194.4 | -181.8 | -190.7 |
| Trade balance | -5.0 | -47.8 | -79.6 | -96.2 | -67.7 | -66.1 |
| Services (net) | -77.5 | -69.1 | -64.3 | -81.8 | -85.5 | -90.8 |
| Unrequited transfers (net) | 77.9 | 80.1 | 87.1 | 99.5 | 108.4 | 102.2 |
| Current account balance | -4.7 | -36.8 | -56.8 | -78.5 | -44.8 | -54.7 |
| Capital account (net) 4/ | 26.5 | 47.0 | 57.6 | 38.8 | 27.4 | 36.5 |
| Overall balance | 21.8 | 10.2 | 0.8 | -39.7 | -17.4 | -18.2 |

Sources: Data provided by the Rwandese authorities; and staff estimates.

1/ In terms of Rwanda francs.
2/ External public debt amortization only.
3/ Including official transfers.
4/ Includes allocation of SDRs, and errors and omissions.

slide; tin production began in 1982 following the start-up of the smelting plant designed to process cassiterite output locally. Industrial output which continued to expand in 1982 is estimated to have declined in 1983 owing to the substantial fall in the production of beer and cigarettes, due to the adverse impact of increased excise taxes and to the loss of market shares in neighboring countries.

Over the same two years (1982-83) there was a setback in the efforts to expand the agro-industrial sector. The technical difficulties of the pyrethrum refinery plant were not solved and domestic production of pyrethrine (used in the production of nontoxic pesticides) was adversely affected. This, together with the shrinking market for natural pyrethrine as well as the loss of the market for dried flowers, strained the financial situation of the public agency (OPYRWA) entrusted with the development of pyrethrum. The plant built to process quinine bark into quinine sulfate was closed down shortly after completion because it could not operate profitably given the relatively high level of producer prices set by the Government. Moreover, in the tea sector, a number of newly constructed factories were underutilized because of excess capacity. Thus, the government agency, OCIR-Thé, had to resort to bank credit and government subsidies to finance its operating deficits and to service the foreign loans contracted to build the factories. Furthermore, in the mining sector, delays in investments to replace obsolete equipment and in reorganizing the production process led to a decline in output. At the same time, inappropriate employment and wage policies resulted in adverse cost developments which were compounded by the deterioration in world market conditions as well as the appreciation of the Rwanda franc. As a result, there was a turnaround in the mining company's (SOMIRWA) financial situation in 1981. This was aggravated in 1982-83 following the entry into operation of an oversized tin-smelting plant--which was, nevertheless, the smallest technically feasible size--as well as the continued softening of export prices, and the further appreciation of the Rwanda franc.

The deceleration of economic growth in 1982-83 was accompanied by a marked weakening in Rwanda's overall financial situation. As the fiscal policy stance remained expansionary, the deterioration in the budgetary position which began in 1981 was more pronounced in 1982-83. The budgetary deficit on a commitment basis rose to RF 3.1 billion (2.2 percent of GDP) in 1982 and RF 3.5 billion (2.3 percent of GDP) in 1983 (Table 2 and Chart 1). In the latter year, for the first time in recent years, the Treasury accumulated RF 0.7 billion of arrears, as net lending to parastatals increased substantially, and the deficit on a cash basis was RF 2.8 billion. The financing of these deficits and of the amortization of external debt involved increasingly large Treasury borrowing from the banking and nonbanking sectors. As it drew down all its deposits to finance the 1981 deficit, the Treasury had recourse to statutory advances (RF 1.3 billion) and to special advances (RF 1.4 billion) from the central bank in 1982 and 1983, respectively. These were

Table 2. Rwanda: Central Government Finance, 1980-84

(In millions of Rwanda francs)

| | 1980 | 1981 | 1982 | 1983 Prel. | 1984 Budget |
|---|---|---|---|---|---|
| Budgetary revenue | 13,406 | 14,993 | 15,445 | 15,989 | 17,925 |
| Tax revenue | 11,240 | 12,230 | 12,450 | 13,056 | 15,028 |
| Nontax revenue | 2,166 | 2,763 | 2,995 | 2,933 | 2,897 |
| Budgetary expenditure | -12,529 | -16,773 | -18,595 | -19,955 | -20,109 |
| Current expenditure | -10,195 | -13,839 | -15,180 | -16,265 | -16,649 |
| Capital expenditure 1/ | -2,327 | -2,714 | -3,250 | -3,031 | -3,396 |
| Net lending 2/ | -7 | -221 | -165 | -659 | -64 |
| Extrabudgetary, net | 59 | 103 | 80 | 481 | -- |
| Surplus/deficit (-), commitment basis | 937 | -1,677 | -3,070 | -3,486 | -2,184 |
| Arrears (decrease -) | -- | -- | -- | 700 | -700 |
| Surplus/deficit (-), cash basis | 937 | -1,677 | -3,070 | -2,786 | -2,884 |
| Financing | -937 | 1,677 | 3,070 | 2,786 | ... |
| Domestic | -598 | 2,294 | 3,582 | 3,188 | ... |
| Bank | -2,235 | 2,411 | 1,836 | 2,166 | ... |
| BNR | (-2,075) | (2,197) | (1,264) | (1,404) | (...) |
| Commercial | (-160) | (214) | (572) | (762) | (...) |
| Nonbank | 968 | 825 | 1,100 | 1,504 | ... |
| Other treasury transactions | 669 | -943 | 646 | -482 | ... |
| Foreign 3/ | -339 | -617 | -512 | -402 | ... |

Source: Data provided by the Rwandese authorities.

1/ Including capital transfers, but excluding investment expenditure financed by foreign loans and grants.
2/ Net expenditure (-).
3/ External public debt amortization.

CHART 1

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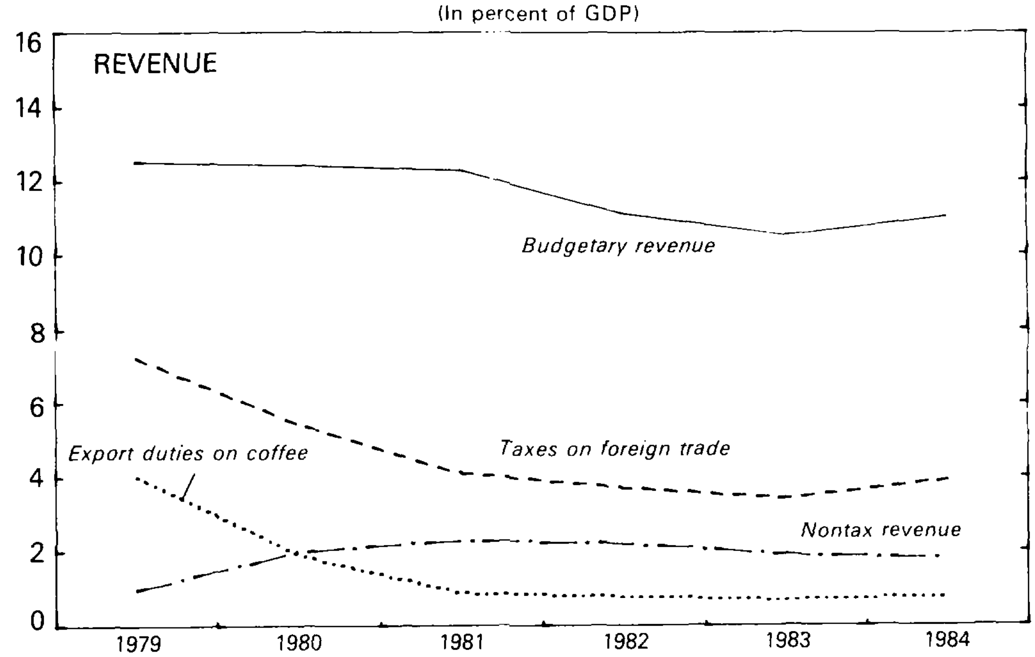
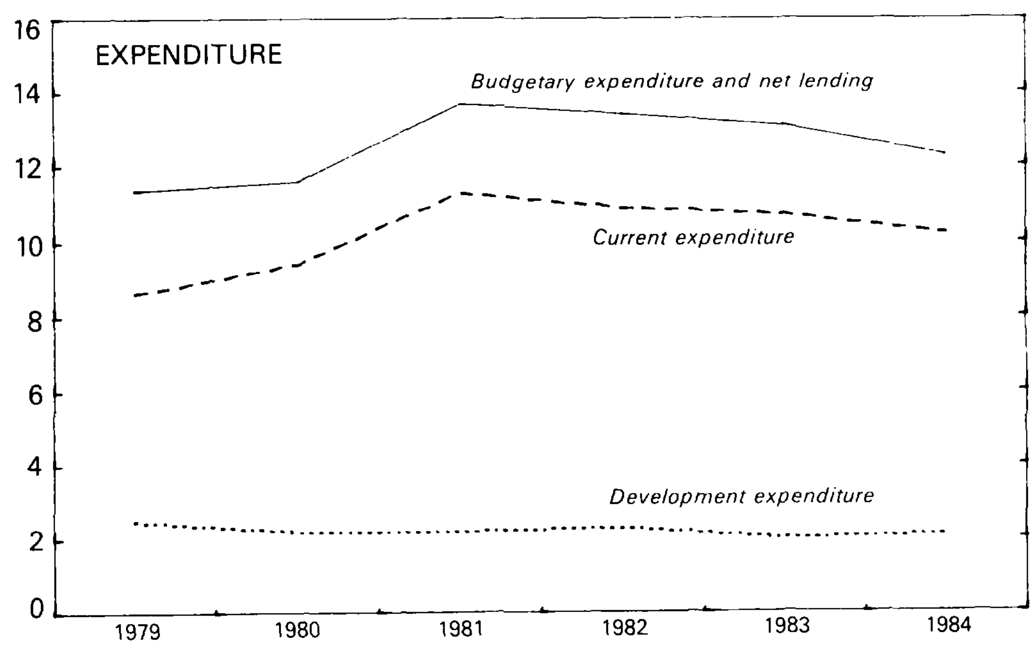
# CENTRAL GOVERNMENT FINANCES, 1979-84

(In percent of GDP)




Sources: Data provided by the Rwandese authorities; and staff estimates.

equivalent to 8.2 percent and 8.7 percent, respectively, of the broad money supply at the beginning of each year. Treasury borrowing from commercial banks, which, as with the nonbanking sector, is effected through development bonds and Treasury bills, more than doubled to RF 0.6 billion in 1982 and increased further to RF 0.8 billion in 1983. Nonbank borrowing, which consisted mostly of bond subscriptions by the social security fund, rose by one third to RF 1.1 billion in 1982 and by 37 percent to RF 1.5 billion in 1983. Foreign financing, which does not include gross drawings of external loans due to lack of detailed information, and consists entirely of external public debt amortization on loans contracted for development expenditure, declined by 35 percent between 1981 and 1983, when it amounted to RF 0.4 billion. Other Treasury transactions involve essentially net financing of the deficit by the transfers or deposits of public entities with the Treasury. The level of financing of the deficit by other Treasury transactions has fluctuated sharply in recent years.

Budgetary revenue growth slowed down from 10.5 percent a year in 1980-81 to 3.2 percent in 1982-83, during which period budgetary expenditure and net lending rose by about 9 percent. The ratio of budgetary revenue to GDP declined steadily from 12.5 percent in 1980 to 10.5 percent in 1983; during the same period, tax revenue fell from 10.4 percent to 8.6 percent. This decline is largely attributable to the poor performance of income taxes and coffee export taxes. Income tax revenue, after increasing to RF 3.6 billion in 1981, owing to the collection of RF 1.0 billion in tax arrears, amounted to only RF 2.7 billion in 1983, virtually the same amount as in 1981. Coffee export taxes accruing to the budget fell by two thirds to RF 1.0 billion in 1981, due to the decline in realized export prices, and have since remained at that level. What growth there was in budgetary revenue stemmed, therefore, from the rapid increase in taxes on goods and services and from nontax revenue, essentially the transfers of profits from the central bank. In 1983, revenue from taxes on goods and services rose by 24 percent due mainly to a substantial upward adjustment of excise taxes on beer and cigarettes, which offset the adverse impact of the decline in the production of both goods.

In contrast to the decrease in the ratio of revenue to GDP, government spending rose from 12 percent of GDP in 1980 to 13 percent in 1982 and 1983, after reaching a peak of almost 14 percent in 1981. Outlays for materials and supplies which rose by more than 60 percent in 1981 registered a negative growth in 1982-83. However, all the other current expenditure items increased rapidly. Outlays for official travel increased by 16 percent in 1982 and by 22 percent in 1983 while interest payments on public debt rose by about 52 percent and 20 percent during the two years. The growth rate of transfers and subsidies averaged some 8 percent per year reflecting the increasing financial difficulties of the local authorities and the parastatals. There was a marked slowdown in the growth of personnel expenditure to an annual rate of 2.3

percent in 1982-83; in this period no general wage awards were granted and the growth of the wage bill is attributable to continued recruitment and to the normal wage drift. As a result, the share of the wage bill, which had reached 53 percent of current outlays in 1981, fell steadily to 47 percent in 1983, or the same level as in 1980.

Capital expenditure through the budget, which consists mainly of local contributions to foreign-financed projects, increased only moderately and at RF 3.0 billion in 1983 was only about 12 percent above its 1981 level. In contrast, net lending rose substantially in 1983 to RF 0.7 billion, about three times the 1981 level, reflecting increased budgetary assistance to parastatals.

No comprehensive data are available on government development expenditure financed by foreign aid, or on the breakdown between foreign grants and borrowing. Based on existing information, staff estimates show that such outlays rose from RF 1.8 billion in 1981 to RF 3.2 billion in 1983. Thus, total government capital expenditure increased from RF 4.5 billion in 1981 to RF 6.2 billion in 1983. As a result the overall consolidated budgetary deficit on a commitment basis is estimated to have increased from RF 3.5 billion (2.8 percent of GDP) in 1981 to RF 6.6 billion (4.3 percent of GDP) in 1983, about twice the deficit obtained when foreign financing of capital expenditure is excluded.

Credit developments in 1982-83 were largely a reflection of the deteriorating budgetary situation which led to increasing bank borrowing by the Treasury. The banking system's net claims on the Treasury which had virtually doubled in 1982 rose further by 58 percent in 1983 (Table 3). As a result, the Government's creditor position of RF 2.9 billion at end-1981 swung to a debtor position of RF 2.0 billion at end-1983. Credit to the private sector would also have expanded rapidly had there not been a significant decline in coffee credit as coffee stocks were run down. There was a rapid expansion in credit to the rest of the private sector, notably to parastatals such as OCIR-Thé, OPYRWA, and SOMIRWA. Consequently, domestic credit expanded by 56 percent in 1982 and by about 46 percent in 1983; excluding credit to the coffee sector, credit to the private sector rose by 22 percent in 1983, compared to 24 percent in 1982. In terms of broad money stock at the beginning of the year domestic credit expansion during these two years was equivalent to 18 percent and 23 percent. With net foreign assets declining substantially, broad money expansion was moderate, averaging only about 7 percent per year. As measured by movements in the consumer price index in the capital city, inflation has remained at about 7 percent per annum since 1980 except for 1982 when it reached 12.6 percent reflecting mainly the substantial increases in electricity and water tariffs and in educational fees.

Rwanda's external position also came under severe pressure during the last two years, as demand for imports remained strong, exports grew modestly and inflows of official transfers and capital declined (Table 4 and Chart 2). In 1982 the volume of coffee exports fell by about 17 per-

Table 3. Rwanda: Changes in Monetary Aggregates, 1981-84

(In percent; end of period)

| | 1981 | 1982 | 1983 | 1984 Est. |
|---|---|---|---|---|
| | (Annual change) | | | |
| Net foreign assets | 0.6 | -28.8 | -17.7 | -25.5 |
| Domestic credit | 109.2 | 56.2 | 45.6 | ... |
| Claims on Government (net) | 26.7 | 76.6 | 294.6 | ... |
| Claims on the Treasury (net) 1/ | (343.2) | (98.3) | (58.5) | (...) |
| Claims on private sector 2/ | 25.7 | 8.6 | 11.7 | 10.2 |
| Coffee | (40.1) | (-17.4) | (-14.4) | (14.7) |
| Mining | (25.0) | (70.0) | (9.7) | (0.2) |
| Other | (17.2) | (16.6) | (25.5) | (10.9) |
| Money supply | 12.9 | 1.4 | 11.8 | ... |
| Money | 7.3 | -2.4 | 7.4 | ... |
| Quasi-money | 32.0 | 11.9 | 22.2 | ... |
| Other items (net) | 40.7 | -39.3 | 2.3 | — |
| | (Change as percent of broad money stock at the beginning of the period) | | | |
| Net foreign assets | 0.6 | -25.5 | -11.0 | -11.7 |
| Domestic credit | 19.3 | 18.4 | 23.1 | ... |
| Claims on Government | (7.5) | (14.0) | (16.7) | ... |
| Claims on private sector 1/ | (11.8) | (4.4) | (6.4) | (5.6) |

Sources: Data provided by the Rwandese authorities; and staff estimates.

1/ Excluding deposits of the Social Security Fund and other government agencies.

2/ Including claims on official entities and on other financial institutions.

Table 4. Rwanda: Balance of Payments, 1979-84

(In millions of Rwanda francs)

| | 1979 | 1980 | 1981 | 1982 | 1983 Prel. | 1984 Est. |
|---|---|---|---|---|---|---|
| Exports, f.o.b. | 18,838 | 12,402 | 10,520 | 10,069 | 11,706 | 12,793 |
| Of which: coffee 1/ | (12,820) | (5,813) | (6,342) | (6,344) | (7,694) | (8,060) |
| Imports, f.o.b. | -14,807 | -18,176 | -19,230 | -19,929 | -18,646 | -19,585 |
| Of which: petroleum products 1/ | (-1,770) | (-2,664) | (-4,008) | (-4,262) | (-4,816) | (-5,200) |
| Trade balance | 4,031 | -5,774 | -8,710 | -9,860 | -6,940 | -6,792 |
| Services (net) | -9,928 | -8,355 | -7,040 | -8,383 | -8,765 | -9,322 |
| Freight and insurance | -5,735 | -4,982 | -4,324 | -4,720 | -4,367 | -4,612 |
| Other transportation | -654 | -1,025 | -1,108 | -1,161 | -1,163 | -1,230 |
| Travel | -684 | -743 | -749 | -642 | -566 | -610 |
| Investment income | -193 | 471 | 1,072 | 5 | -590 | -800 |
| Of which: scheduled interest on external debt | (-183) | (-208) | (-166) | (-316) | (-238) | (-388) |
| Other private services | -480 | -1,055 | -776 | -106 | -447 | -445 |
| Other government services | -2,182 | -1,021 | -1,155 | -1,759 | -1,632 | -1,625 |
| Current account balance (excluding transfers) | -5,897 | -14,129 | -15,750 | -18,243 | -15,705 | -16,114 |
| Unrequited tranfers | 12,145 2/ | 9,682 | 9,533 | 10,202 | 11,115 | 10,500 |
| Current account balance (including transfers) | 6,248 | -4,447 | -6,217 | -8,041 | -4,590 | -5,614 |
| Public sector capital | -274 | 2,777 | 2,308 | 1,932 | 2,398 | 2,750 |
| Of which: scheduled amortization | (-1,966) 2/ | (-339) | (-617) | (-512) | (-402) | (-590) |
| Direct and portfolio investment | 1,165 | 1,580 | 1,731 | 1,922 | 1,049 | 1,000 |
| Other long-term capital | 6 | 160 | 191 | 6 | -- | -- |
| Short-term capital | -1,084 | 2,026 | 1,844 | 796 | -564 | -- |
| Capital account balance | -187 | 6,543 | 6,074 | 4,656 | 2,883 | 3,750 |
| Allocation of SDRs | 333 | 287 | 263 | -- | -- | -- |
| Errors and omissions 3/ | 81 | -1,149 | -37 | -686 | -74 | -- |
| Overall balance | 6,475 | 1,234 | 83 | -4,071 | -1,781 | -1,864 |
| Financing | -6,475 | -1,234 | -83 | 4,071 | 1,781 | 1,864 |
| Change in net foreign assets (increase -) | -6,475 | -1,234 | -83 | 4,071 | 1,781 | 1,864 |
| National Bank of Rwanda | (-5,514) | (-1,711) | (700) | (3,182) | (1,807) | (1,864) |
| Deposit money banks | (-961) | (477) | (-783) | (889) | (-26) | (--) |
| Memorandum items: | | | | | | |
| Exchange rates (period average) | | | | | | |
| RF/$ | 92.84 | 92.84 | 92.84 | 92.84 | 95.94 | 96.59 |
| RF/SDR | 119.95 | 120.83 | 109.47 | 102.50 | 102.56 | 102.71 |

Sources: Data provided by the Rwandese authorities; and staff estimates.

1/ Including freight and insurance.
2/ Including RF 1,902 million of debt cancellation by the Federal Republic of Germany in 1979.
3/ Including additional imports and short-term capital flows related to border trade, as well as valuation changes.

CHART 2

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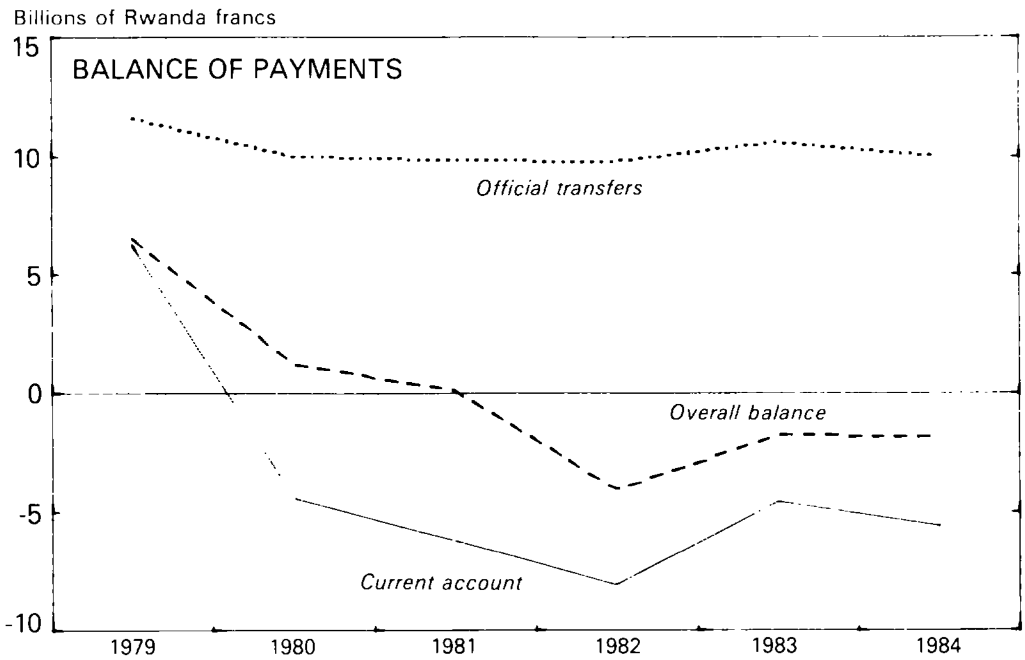
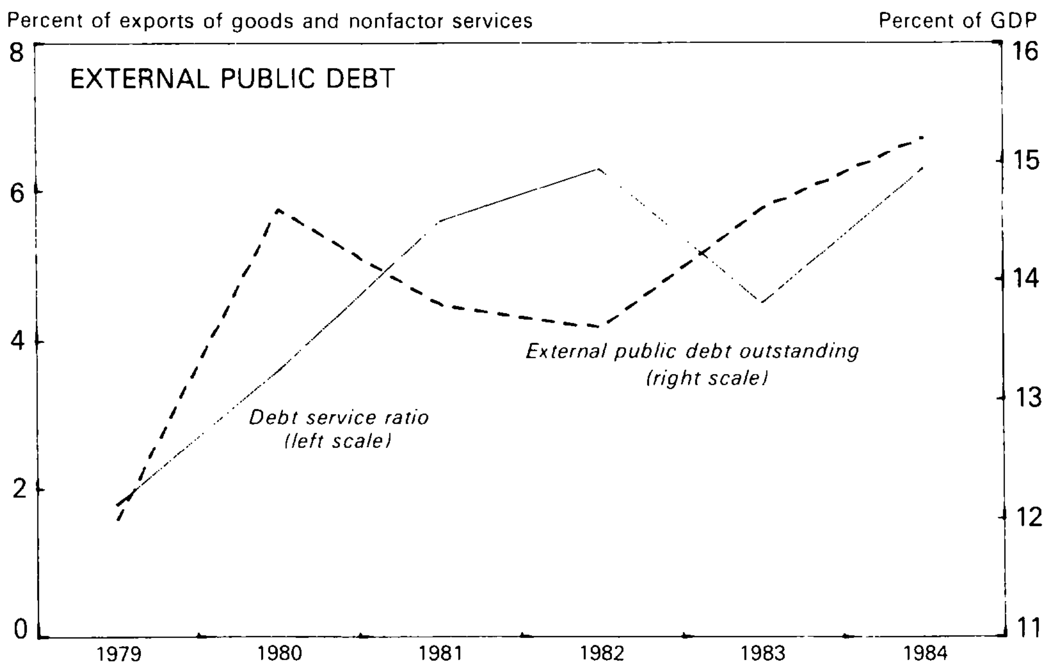
# EXTERNAL INDICATORS, 1979-84




Sources: IBRD, data provided by the Rwandese authorities; and staff estimates.

cent; thus despite a 20 percent recovery in realized export prices coffee export receipts remained unchanged at their 1981 level (Chart 3). Tea exports also stagnated while those of mineral products declined by 39 percent reflecting the start-up difficulties of the newly-installed smelting plant, which started production towards the middle of the year. Consequently, in 1982 total exports declined by 4 percent, while imports grew by about the same rate. In terms of volume, total exports fell by 12 percent while imports, which rose by 8.3 percent in 1981, increased further by 5.5 percent. The balance on services also deteriorated due to a substantial decline (36 percent) in investment income and in foreign government spending in Rwanda. Although unrequited transfers rose moderately, owing entirely to increased private assistance to refugees, the external current account registered a record deficit of RF 8.0 billion, equivalent to 5.8 percent of GDP. Thus, with net inflows of capital falling substantially, mainly as a result of a reduction in short-term capital, the overall balance of payments showed a deficit of RF 4.1 billion (SDR 39.7 million).

In 1983 this deficit was reduced by more than half reflecting a substantial improvement in the trade balance, as the Rwandese authorities introduced an advance import deposit requirement scheme for certain consumer goods and also tightened procedures for granting import licenses. These measures together with the ensuing destocking seem to have resulted in a 10 percent decline in the volume of imports, largely of consumer and intermediate goods. The value of imports fell by about 6 percent while exports recovered significantly, increasing by 16 percent. Coffee exports rose by about 21 percent as the 26 percent recovery in volume more than offset the 4 percent decline in prices. Following a sharp recovery in prices, export earnings from tea and tin rose by 34 percent and 67 percent, respectively; while tea export volume stagnated, that of tin increased by 41 percent as the smelting plant became fully operational. Consequently, the trade deficit was reduced by 30 percent. Notwithstanding lower payments for freight and insurance, the balance on services continued to deteriorate as investment income was halved. With a moderate reversal in the declining trend of official transfers and a modest increase in private transfers, the current account deficit was almost halved to 3 percent of GDP. Therefore, notwithstanding the further decline in net inflows of capital--due to substantially lower direct investment and negative short-term capital--the overall balance of payments deficit was more than halved to RF 1.8 billion (SDR 17.4 million). Over the two years 1982-83, Rwanda's gross official reserves fell by 32 percent to some SDR 108 million at end-1983, equivalent to some five months of 1984 estimated imports, c.i.f., compared with 7.5 months at end-1981, and 8.6 months at end-1980.

Rwanda's outstanding external public debt increased from RF 16.8 billion at end-1981 to RF 22.2 billion (US$225 million) at end-1983, equivalent to 14.6 percent of GDP. However, debt service averaged only 5.5 percent of exports of goods and nonfactor services as external financing has been obtained primarily on concessionary terms. Indications are that private sector debt is negligible.

## III. Report on the Discussions

Following the sharp deterioration in the budget and the balance of payments in 1982, the authorities' initial policy response in 1983 aimed at containing pressures on the external position mainly by introducing measures directed specifically against imports and intensifying restrictions on current international payments and transfers. Subsequently, for 1984 the policies centered on curbing domestic demand, primarily by bringing the budget under control.

### 1. External policies

In an effort to contain imports of goods considered luxuries and thereby promote balance of payments adjustment, the Rwandese authorities introduced an advance import deposit requirement scheme effective March 1, 1983. The introduction of this scheme gave rise to a multiple currency practice (EBS/83/66). The authorities also tightened procedures for granting import licenses. Following the consultation discussions the National Bank of Rwanda informed the Fund in a communication dated July 26, 1984 that effective that date the list of imports subject to the deposit requirement scheme has been shortened and that the deposits will now be remunerated at prevailing interest rates. Therefore, the new scheme does not give rise to multiple currency practices. On September 6, 1983, the authorities shifted the peg of the Rwanda franc to the special drawing right (SDR) at the fixed rate of RF 102.71 = SDR 1, entailing a 5.2 percent midpoint depreciation vis-à-vis the U.S. dollar. The Rwanda franc which was pegged to the U.S. dollar during the period January 7, 1974-September 5, 1983, has appreciated pari passu with that currency. The nominal trade-weighted effective exchange rate of the Rwanda franc appreciated by about 40 percent during 1980-83, while the appreciation in real terms amounted to 45 percent (Chart 4). Since it became pegged to the SDR the effective exchange rate of the Rwanda franc (trade- or import-weighted) has remained relatively stable, in nominal and real terms. Furthermore, the authorities introduced effective October 12, 1983 a number of measures which have adversely affected travel abroad by foreign nationals working in Rwanda (EBD/84/36). In particular, authorizations for the purchase of foreign exchange for tickets and foreign exchange for travel for reasons other than business and official purposes have been suspended until further notice. These measures represent the intensification of the exchange restriction on current international transactions resulting from limits on transfers of earned income of foreigners, and the introduction of an exchange restriction arising from the limits on the provision of foreign exchange for travel abroad.

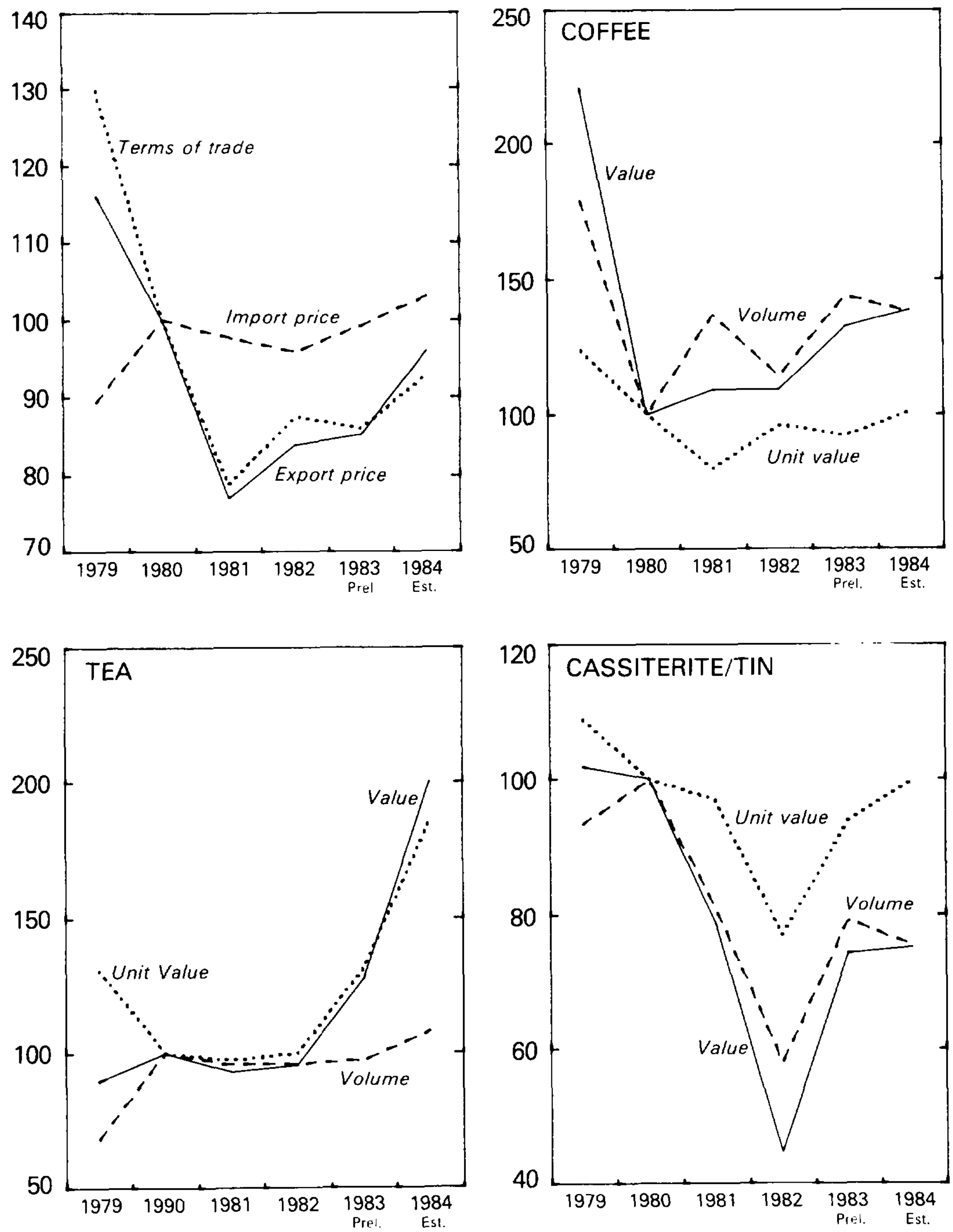
While noting that the pegging of the Rwanda franc to the SDR has provided substantial stability to the effective exchange rate, the staff representatives suggested that the 5.2 percent depreciation against the U.S. dollar was inadequate in view of the large appreciation that had

CHART 3

RWANDA

# TERMS OF TRADE, AND SELECTED EXPORT INDICATORS, 1979-84[1]

(Index, 1890 = 100; in terms of Rwanda francs)



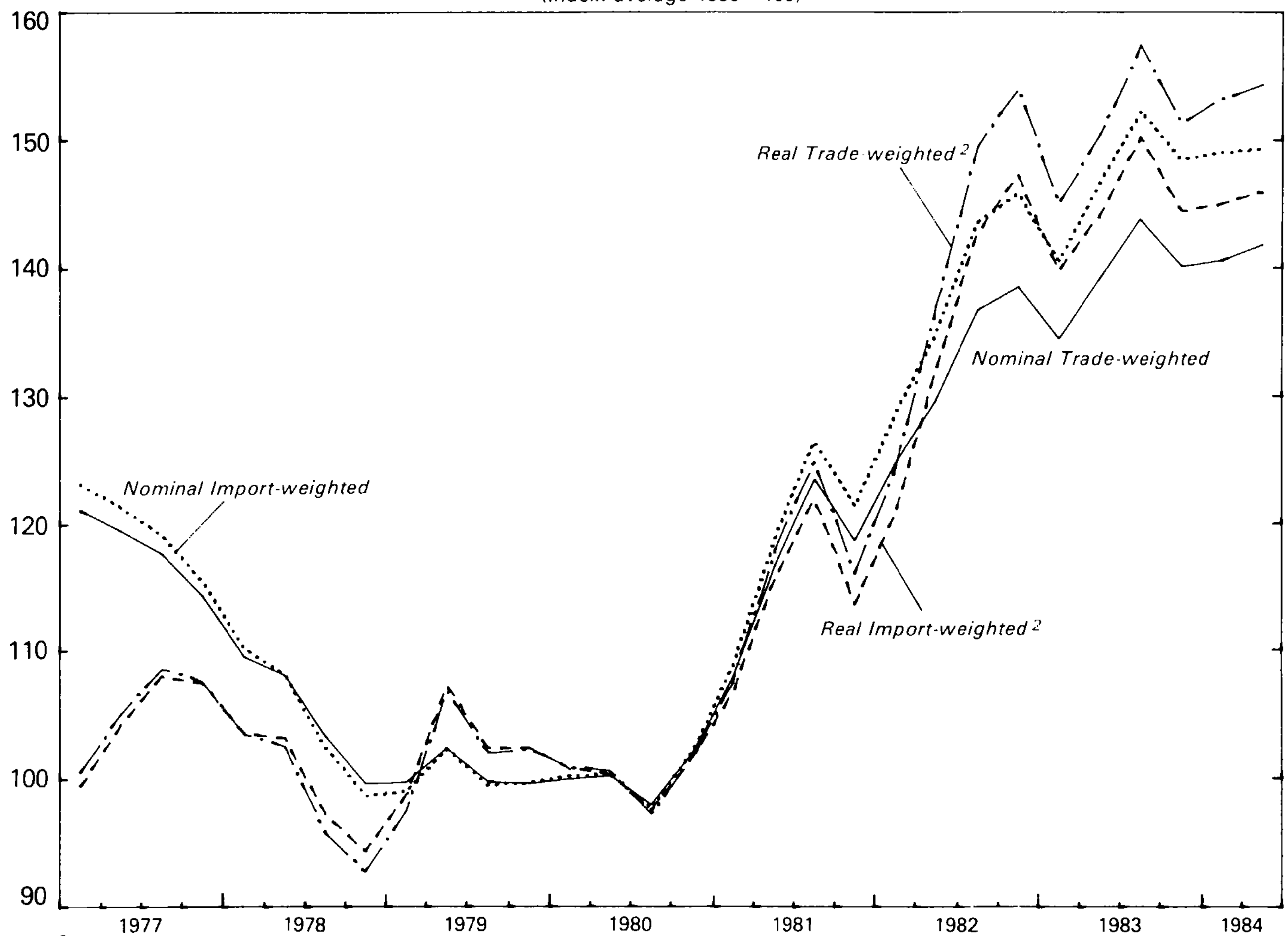

Sources: Data provided by the Rawandese authorities, and staff estimates.

CHART 4

RWANDA

## NOMINAL AND REAL EFFECTIVE EXCHANGE RATES[1], 1977-84

(Index: average 1980 = 100)




Source. Staff calculations.

[1] Calculated on the basis of a weighted average of the exchange rates for the currencies of Rwanda's main trading partners. The exchange rate is defined in terms of units of the foreign currency basket per Rwanda franc, thus an increase (decrease) in the index represents an appreciation (depreciation) of the Rwanda franc.

[2] Adjusted for the relative evolution of prices with respect to the trading partners.

taken place since 1980. As it has done for the past two years, the staff emphasized the need for an appropriate adjustment of the exchange rate. This was even more urgent and necessary now that the country is faced with large financial imbalances and several enterprises were feeling the negative impact of an overvalued rate. The mission stressed that the objectives of the newly introduced exchange restrictions and multiple currency practice would be better achieved by a sustained strengthening of general policy actions, including appropriate exchange rate and pricing policies, and tighter demand management policies, and that in any case such restrictions would have negative effects on resource allocation. The Rwandese representatives replied that the measures designed to curb imports have contributed to the decline in the volume of imports in 1983 and, thereby, helped reduce the balance of payments deficit. Discussing their exchange rate policy, the Rwandese representatives reiterated their doubts concerning the beneficial effects of an exchange rate adjustment, given the specific structural characteristics of the economy of Rwanda. They also suggested that there had been a number of devaluations in African countries, and elsewhere in the world, that in their view had been unsuccessful. Foremost among their concerns, however, was the anticipated short-term adverse impact of a substantial exchange rate change, notably the acceleration of inflation, and the consequent decline in real incomes of wage earners and its sociopolitical implications. In their opinion, the wage levels in the civil service are already low. Nevertheless, because of the exchange rate policy followed so far, and its impact on the domestic price of imports, real wages have been maintained at relatively satisfactory levels and the Government has been able to resist wage demands. The Rwandese representatives indicated that, encouraged by the results obtained, the authorities decided to maintain the restrictive measures in force. Nonetheless, preoccupied by the worsening of the budgetary situation in 1983, they also decided to supplement these actions by adopting corrective fiscal measures beginning in 1984. However, they made it clear that their position was not a rigid one, nor one of principle and therefore could change, should circumstances so warrant. Consequently, should the results of the fiscal adjustment measures introduced in 1984 prove inadequate, the authorities would be willing to consider additional actions along the line of Fund recommendations.

The Rwandese representatives and the staff concurred that over the medium term the growth of traditional exports is likely to be constrained by a number of factors. The recent recovery in the prices of the three major export products is viewed as temporary and Rwanda's terms of trade are likely to show little improvement over the medium term. Following the recent increase in Rwanda's quota under the International Coffee Agreement, the volume of coffee exports, the single most important export product, is assumed to remain around the level of 31,200 tons in 1985-89, compared with 31,600 tons in 1983 and 30,300 tons estimated for 1984. The volume of tea exports is forecast to increase steadily but only moderately to 8,000 tons in 1989. Further, assuming an early resolution of the problems of the mining sector, the full impact of the implementation of the rehabilitation program would be felt only around 1986-87, when the export volume of tin is forecast at about 1,400 tons (or 27 percent above the 1983-84 level) and to remain virtually unchanged at that level in 1988-89. The Rwandese representatives also agreed with the staff that prospects for a significant reversal in the declining trend of inflows of official transfers are not favorable. Such inflows fell steadily from the equivalent of 12 percent of GDP in 1979 to 7 percent in 1983; or, in terms of imports, f.o.b., from 78 percent to 57 percent. Staff projections (Table 5) indicate that, on the basis of current policies, the external current account deficit will double between 1984 and 1989, rising from RF 5.6 billion to RF 10.9 billion. The medium-term balance of payments outlook is critically dependent upon future coffee production and world prices. If, for instance, coffee export volume were to increase by 3 percent per annum during 1986-89, the current account deficit in 1989 would be reduced to RF 9.6 billion. Despite the assumed increase in net inflows of capital on account of long-term official borrowing and direct investment, the balance of payments is anticipated to come under growing pressure.

2. Domestic financial policies

Concerned about the rapid deterioration in government finances, the Head of State in his inaugural speech of January 8, 1984 recognized the need to bring the budget under control and announced a number of austerity measures. Accordingly, the draft 1984 Budget Law, which was still being discussed by Parliament at the time of the mission, contains a number of expenditure and revenue measures aimed at improving budgetary performance. Total expenditure and net lending will be limited to a 1 percent increase with capital outlays rising by 12 percent. Expenditure on travel and missions is budgeted to fall by about 22 percent, while subsidies and transfers would be curtailed by 31 percent. Outlays for maintenance of the Government's automobile fleet and gasoline consumption would also be substantially curbed. The growth of public sector employment is to be limited to 0.5 percent, with the exception of the education sector. Employment in education would continue to increase significantly, reflecting the implementation of the reform of the educational system. Thus, though no wage awards will be granted in the public sector, the wage bill is budgeted to increase by about 13 percent. Interest payments are also to rise rapidly from 4.4 percent of total expenditure in 1983 to 6.5 percent in 1984, owing to large borrowings incurred by the Treasury in 1982-83. The budget also provides for a large reduction in net lending, reflecting the implementation of the new policy regarding government assistance to parastatals as described below. Furthermore, to avoid budgetary overruns, expenditure commitment procedures have also been strengthened. As regards budgetary resources, revenue is projected to increase by 12 percent. This partly reflects new revenue measures consisting largely of a significant upward revision of import duties on a number of products. The tax on wages above RF 2 million has also been made substantially more progressive.

Table 5. Rwanda: Medium-Term Summary Balance of Payments, 1985-89

(In millions of Rwanda francs)

| | 1985 | 1986 | 1987 | 1988 | 1989 |
|---|---|---|---|---|---|
| | | | Projections | | |
| Exports, f.o.b. | 13,576 | 14,089 | 14,537 | 15,166 | 15,818 |
| Of which: coffee | (8,861) | (9,266) | (9,610) | (10,015) | (10,421) |
| Imports, f.o.b. | -20,729 | -22,284 | -23,808 | -25,469 | -27,221 |
| Trade balance | -7,153 | -8,195 | -9,271 | -10,303 | -11,403 |
| Services (net) | -9,772 | -10,279 | -10,664 | -11,040 | -11,510 |
| Credit | 3,122 | 3,114 | 3,158 | 3,264 | 3,380 |
| Debit | -12,894 | -13,393 | -13,822 | -14,304 | -14,890 |
| Current account balance (excluding transfers) | -16,925 | -18,474 | -19,935 | -21,343 | -22,913 |
| Unrequited transfers (net) | 11,000 | 11,500 | 12,000 | 12,000 | 12,000 |
| Current account balance (including transfers) | -5,925 | -6,974 | -7,935 | -9,343 | -10,913 |
| Capital account balance | 4,050 | 4,500 | 5,000 | 5,400 | 5,700 |
| Of which: scheduled amortization | (-665) | (-865) | (-1,145) | (-1,217) | (-1,269) |
| Overall balance | -1,875 | -2,474 | -2,935 | -3,943 | -5,213 |

Source: Staff projections.

On the basis of these actions, the prospective deficit on a commitment basis would amount to RF 2.2 billion (1.3 percent of GDP), a 37 percent decline compared with the 1983 outcome. However, taking into account the settlement of arrears (RF 700 million), most of which were liquidated during the first half of the year, the Treasury cash deficit in 1984 would increase by 4 percent to RF 2.9 billion. The staff observed that such a deficit was still large, and, in addition, the revenue forecast seemed too optimistic. The 21 percent increase projected for taxes on international trade is based on relatively high average coffee export prices and does not make sufficient allowance for the adverse impact on imports of the restrictive measures recently introduced. Moreover, although the authorities intend to strengthen tax administration, the rapid increases assumed for income taxes (18.5 percent) and for receipts from the patente (28.5 percent) seemed to be on the high side. Therefore, unless government spending is revised downward, the Treasury deficit is likely to be higher than presently budgeted. Even assuming that the deficit is limited to that foreseen by the authorities, the Treasury would need to resort to increased borrowing. The Rwandese representatives remarked that they would keep the revenue projections under close review and, should they prove to be too optimistic, budgetary expenditure would be adjusted downward. Regarding the financing of the Treasury deficit and the amortization of the public debt, they indicated that it was not their intention to request another special advance from the central bank. With respect to borrowing from commercial banks and other domestic sources, they observed that the authorities were considering the creation of a formal market for Treasury bonds and bills which will be open to all private sector investors and offer more attractive interest rates.

The Rwandese representatives indicated that the anticipated reduction in Treasury borrowing from the central bank would entail a deceleration in domestic credit expansion in 1984. Monetary policy is geared to accommodating the productive sectors' demand for credit. They shared the view that the pursuit of such a policy without exerting undue pressures on prices and the external position is predicated upon improvement in the public sector performance, notably in government finances. As regards interest rate policy, they noted that since 1979, when interest rates were adjusted upward significantly, the level of term deposit rates has remained comparable to that of domestic inflation; only in 1982 were real interest rates on these deposits negative because of the temporary acceleration of inflation. They added, however, that the creation of a money market, which is under active consideration, would enable a more flexible interest rate policy. It would also help strengthen credit control instruments and further promote the mobilization of financial resources. During the period 1980-83 time and savings deposits increased by 32 percent per year, reflecting in part the rapid growth of the network of the banques populaires in the rural areas.

## 3. Production and pricing policies

The Rwandese representatives reiterated that in order to attain the plan objectives they intend to continue to place emphasis on raising productivity, and on productive and employment-generating investments. In agriculture, this would involve more regional specialization and stronger efforts to upgrade internal transportation links in order to facilitate domestic trade in agricultural produce, as well as increased use of fertilizers and selected seeds, and improved extension services. As regards tea production, the management of OCIR-Thé has already been changed and the new team is restructuring the tea sector. The authorities were also considering the sale of some factories to the private sector, and the remaining ones will be given increased autonomy in their operations. To revitalize pyrethrum and quinine production the authorities were engaged in discussions with private foreign partners. The Rwandese representatives also indicated that, after two years of protracted discussions with SOMIRWA's foreign partner, the Government was anxious to arrive at a rapid and satisfactory solution. Further discussions were scheduled to take place soon between the two partners, the European Investment Bank and IFC, to examine a program to revitalize the mining sector, including the financing of the company's new investment plan.

The policy actions taken in 1984 to reduce the public sector deficit also include measures aimed at improving the performance of the parastatals. Henceforth, state enterprises of a commercial or industrial nature will not be granted budgetary subsidies and will have to resort to commercial bank financing. The Rwandese representatives hoped that conditions imposed by commercial banks would result in improved management of these enterprises. Regarding enterprises which are socially oriented, the Rwandese representatives indicated that government subsidies to these enterprises would be made subject to agreements specifying their amount and the activities to be financed. Furthermore, technical assistance in the area of accounting and budgeting is being provided to the parastatals by a recently created unit (Le Centre Comptable) attached to the Presidency.

In reviewing pricing policies the staff noted that producer prices of coffee, tea, and cassiterite have declined significantly in real terms. The producer price for coffee has been kept unchanged since 1977 when it was raised by 85 percent; when deflated by the consumer price index, the producer price fell from RF 125.5 per kilo of merchant coffee in 1979 to RF 85.6 per kilo in 1984, a decline of nearly 32 percent. In view of this, the staff emphasized anew the crucial role of appropriate pricing policies, including exchange rate policy, in achieving the economic development objectives. The Rwandese representatives agreed that pricing policies should be supportive of the plan's supply policies and added that it was their intention to maintain producer prices at sufficiently remunerative levels. They noted, however, that prudence was dictated by uncertainties regarding developments in world market conditions. Moreover, action in this area should take into account the level of producer prices prevailing in neighboring countries, and the present difficult financial situation of the tea and mining sectors. Regarding the coffee sector, they added that the producer price still provided sufficient incentive to coffee growers as compared with alternative crop farming, owing in part to the fact that extension services were provided free of charge to producers.

## IV. Staff Appraisal

In the two years 1982-83, Rwanda's economy demonstrated the adverse results of a relaxation of demand management policies and an inappropriate exchange rate policy followed by the Government; this outcome was further aggravated by unfavorable external conditions. Real economic growth decelerated from 4.8 percent in 1977-81 to 3.7 percent in 1982-83, a level comparable to the population growth rate. Moreover, in contrast to the past, when growth had taken place in an environment of internal and external stability, over the last two years economic expansion has been accompanied by a marked deterioration in the budget and the balance of payments positions. Furthermore, a number of public and mixed enterprises have been faced with increasing financial difficulties arising mainly from their reduced competitive position. At the same time the balance of payments turned into a deficit, with the country losing almost 32 percent of its reserves between end-1981 and end-1983.

In an attempt to redress the situation, the authorities introduced an advance import deposit requirement scheme which was subsequently supplemented by an intensification of restrictions on current international payments and transfers. Moreover, the peg of the Rwanda franc was shifted from the U.S. dollar to the SDR at a rate involving a 5.2 percent depreciation of the Rwanda franc vis-à-vis the U.S. dollar. Although the balance of payments deficit was substantially reduced in 1983, largely because of the combined effect of better export performance arising from increased international prices and declining imports, the budgetary deficit widened and domestic credit continued to expand rapidly because of continued large Treasury borrowing from the banking system. In view of this, the authorities reoriented their policies toward curbing domestic demand, primarily by bringing the budget under control. To that effect they introduced in the context of the 1984 budget a number of measures to curtail current budgetary outlays, including cuts in subsidies and lending to parastatals, and to strengthen budgetary control. On the revenue side import duties on luxury goods were raised significantly and taxation of upper-bracket incomes increased. Nevertheless, the prospective budgetary deficit remains high, and could be higher as the revenue projections appear to be optimistic. Thus the Treasury is likely to resort to increased borrowing, thereby negating the demand-compressing intentions of the authorities.

In 1982-83 economic expansion kept pace with the growth of population, but there was a setback in the efforts to expand the agro-industrial sector. In addition, the performance of the tea and mining sectors remains unsatisfactory. Thus, the supply policies of the third five-year plan (1982-86) which will continue to accord priority to productive and employment-generating investments and to raising productivity are appropriate. However, to attain the plan objectives, supportive pricing policies are required. Further declines in real producer prices may impair Rwanda's ability to expand production. The staff therefore welcomes the Government's intention to ensure that producer prices will remain sufficiently remunerative, but feels that its implementation would be facilitated by the authorities adopting an appropriate exchange rate policy.

In view of the emergence of large financial imbalances and the considerable uncertainties regarding external conditions, and given the Government's pricing policy stance, the staff believes that the corrective measures introduced in 1983 and 1984 are insufficient and not appropriate to Rwanda's circumstances. The staff urges the Government to adopt now a comprehensive adjustment program which would only be possible if an adequate exchange rate action is taken. This should help ease domestic resource constraints, and more generally, help achieve the medium-term objectives of the plan through a change in the relative price structure. It would also make the efforts to bring the budget under control less painful provided an adequate incomes and pricing policy is followed. The staff understands the authorities' concern regarding the consequences of an exchange rate action for real wages and inflation but feels that the alternative policy of import restrictions adopted by the authorities would be even more harmful in these two respects in the medium-term time horizon.

Budgetary policy, the key element in the effort to tighten demand management, should aim both at containing further the growth of total expenditure and at improving tax collection. In addition to restraint in the area of wage and salary policies, a further constraint in recruitment policy appears necessary. It may also well be necessary to curb the growth of lower-priority development expenditure while at the same time effectively implementing the measures to improve the financial performance of the state enterprises. In this respect government intervention in the areas of pricing and employment must be avoided. As regards the mobilization of domestic resources, it appears that an improved tax administration would yield substantial budgetary revenue. The staff therefore urges the authorities to implement expeditiously the necessary reforms on public expenditure and public accounting, and the envisaged training program for tax administrators. The review of budgetary procedures and control with a view to enhancing budgetary management should also be carried out as early as possible. The improvement in the budgetary procedure and accounting should facilitate a better coordination of fiscal and monetary policies. To strengthen the latter, the staff notes the intention to create a money market which will permit the pursuit of a more active interest rate policy.

Until the beginning of 1983 Rwanda maintained an exchange system relatively free of restrictions on current international payments and a fairly liberal trade system. Effective March 1, 1983 Rwanda introduced an advance import deposit requirement scheme. The resulting multiple currency practice (EBS/83/66) was not approved by the Executive Board. In July 1984 the multiple currency practice was eliminated. On October 12, 1983 the National Bank of Rwanda announced a number of measures which limited the availability of foreign exchange for travel abroad by residents and by foreign nationals working in Rwanda (EBD/84/36). These measures, as well as the existing restrictions on transfers of earned income of foreigners, which have been intensified, are subject to approval under Article VIII. The staff is of the opinion that the objectives of the restrictive measures would be better served by a sustained strengthening of demand management policies accompanied by appropriate pricing policies, including producer pricing and exchange rate action. Accordingly, approval by the Executive Board is not being sought for the restrictions.

## V. Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

1. The Fund takes this decision relating to Rwanda's exchange measures subject to Article VIII, Section 2 (a) and in concluding the 1984 Article XIV consultation with Rwanda, in the light of the 1984 Article IV consultation with Rwanda conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. Since the last Article IV consultation Rwanda has introduced a restriction on payments and transfers for current international transactions, arising from the suspension of travel allowances, and intensified existing exchange restrictions, as described in SM/84/212. It also continues to maintain an advance import deposit requirement scheme, which has been modified so that it no longer gives rise to a multiple currency practice subject to Article VIII, Section 3. The Fund welcomes this latter action and encourages the authorities to eliminate the advance import deposit requirement scheme and the other exchange restrictions as soon as possible.

## Rwanda - Relations with the Fund

(As of July 31, 1984)

### I. Membership Status

| | |
|---|---|
| (a) Date of membership | September 30, 1963 |
| (b) Status | Article XIV |

### A. Financial Relations

### II. General Department

| | |
|---|---|
| (a) Quota | SDR 43.80 million |
| (b) Total Fund holdings of Rwanda francs | SDR 34.16 million (78.0 percent of quota) |
| (c) Reserve tranche position | SDR 9.65 million |
| (d) Fund credit | -- |
| (e) Current operational budget (maximum use of currency) | -- |

### III. Current Stand-by or Extended Arrangement and Special Facilities

(a) Current stand-by or extended arrangement — None

(b) Previous stand-by or extended arrangement during the past 10 years

| Arrange-ment | Date | Duration | Amount | Utiliza-tion |
|---|---|---|---|---|
| Stand-by | Oct. 31, 1979 | 12 months | SDR 5 million | -- |

(c) Special facilities — No use in last 10 years

### IV. SDR Department

| | |
|---|---|
| (a) Net cumulative allocation | SDR 13.7 million |
| (b) Holdings | SDR 8.3 million (60.9 percent of net cumulative allocation) |
| (c) Current designation plan | -- |

Rwanda - Relations with the Fund (continued)

(As of July 31, 1984)

V. Administered Accounts

| | |
|---|---|
| (a) Trust Fund loans | |
| (i) Disbursed | SDR 10.69 million |
| (ii) Outstanding | SDR 10.69 million |

VI. Overdue Obligations to the Fund --

B. Nonfinancial Relations

VII. Exchange Rate Arrangement

The Rwanda franc has been pegged to the SDR at the rate of SDR 1 = RF 102.71 since September 6, 1983.

VIII. Last Article IV Consultation

Discussions were held by the staff in Kigali during October 12-25, 1982. The staff report (SM/83/31, February 8, 1983) was discussed by the Executive Board on April 20, 1983. Consultations with Rwanda are on a standard 12-month cycle.

The Executive Board's decision (Decision No. 7384-(83/64)), adopted on April 20, 1983, was as follows:

1. The Fund takes this decision relating to Rwanda's exchange measures subject to Article VIII, Sections 2 and 3, and in concluding the 1982 Article XIV consultation with Rwanda, in the light of the 1982 Article IV consultation with Rwanda conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Fund notes that Rwanda has introduced an advance import deposit requirement scheme which gives rise to multiple currency practices, as described in EBS/83/66. The Fund encourages the authorities to eliminate the multiple currency practices and the restriction on transfers of earned income of foreigners as described in SM/83/31.

Rwanda - Relations with the Fund (concluded)

(As of July 31, 1984)

## IX. Technical Assistance

The CBD is currently providing three experts to the National Bank of Rwanda. A staff mission from the Fund visited Kigali during the period April 5-23, 1983 to examine Rwanda's tax system and advise the authorities on possible reforms, and a report was submitted to the authorities in September 1983. An FAD panel expert visited Kigali in June-July 1983, to conduct an overall assessment of the fiscal administration in Rwanda, with particular attention to budget coverage and preparation, accounting and reporting procedures, financial control, and public debt data. A tax expert from the FAD panel conducted a four-month training course in Kigali starting in January 1984, with a view to establishing a professional training program for customs officials.

## Rwanda: Relations with the World Bank Group

I. Rwanda is eligible for IDA credits which are mostly for the financing of projects in infrastructure, agriculture, livestock, and forestry. Two IFC loans for the expansion of tea factories were made in 1976 and 1980. An IBRD resident mission has been maintained in Kigali since 1979.

II. IDA Operations (as of June 30, 1984)

(In millions of U.S. dollars)

| Project | Agreement Date | Total (including undisbursed) | Disbursed |
|---|---|---|---|
| Highway (IDA 196-0) | 17 June 1970 | 9.47 | 9.47 |
| Highway maintenance (IDA 299-0) | 19 Apr. 1972 | 3.00 | 3.00 |
| Agricultural development (IDA 439-0) | 29 Nov. 1973 | 3.80 | 3.80 |
| Third highway (IDA 475-0) | 5 June 1974 | 6.30 | 6.30 |
| Highway (IDA 196-1) | 19 Dec. 1975 | 9.50 | 9.50 |
| BRD (IDA 655-0) | 20 Aug. 1976 | 3.87 | 3.87 |
| Cinchona (IDA 656-0) | 20 Aug. 1976 | 1.80 | 1.80 |
| Mixed farming and rural development (IDA 668-0) | 31 Mar. 1977 | 14.00 | 14.00 |
| Education (IDA 567-0) | 30 June 1975 | 6.38 | 5.91 |
| Fourth highway (IDA 769-0) | 25 Apr. 1978 | 15.00 | 15.00 |
| Second BRD (IDA 896-0) | 13 July 1979 | 5.20 | 4.48 |
| Mutura agriculture and livestock development II (IDA 937-0) | 13 July 1979 | 8.75 | 5.46 |
| Forestry and livestock development (IDA 1039-0) | 7 July 1980 | 21.00 | 12.43 |
| Telecommunications (IDA 1057-0) | 13 Aug. 1980 | 7.50 | 0.89 |
| Lake Kivu coffee improvement and food crop project (IDA 1126-0) | 20 Apr. 1981 | 15.00 | 4.08 |
| Technical assistance project (IDA 1217-0) | 5 Apr. 1982 | 5.00 | 0.05 |
| Fifth highway project (IDA 1250-0) | 9 June 1982 | 25.90 | 4.47 |
| Second education project (IDA 1263-0) | 30 June 1982 | 10.00 | 0.24 |
| Phase II Bugesera Gisaka Migongo (Rural Services) project (IDA 1283-0) | 28 Sept.1982 | 16.30 | 4.56 |
| Third Development Bank (BRD) project (IDA 1344-0) | 7 July 1983 | 7.00 | 0.86 |
| Water supply project (IDA 1345-0) | 7 July 1983 | 13.00 | 1.61 |
| Ruzizi II, regional hydroelectric power project (IDA 1420-0) | -- | 15.00 | -- |
| Power (IDA 1495-0) 1/ | 4 Apr. 1984 | 9.00 | -- |
| Total | | 231.77 | 111.73 |

1/ Approved on June 6, 1984.

## Rwanda - Statistical Issues

### 1. Coverage, Currentness, and Reporting Frequency

| | | Latest Date in August 1984 IFS |
|---|---|---|
| Real Sector | - National Accounts | 1980 |
| | - Prices | April 1984 |
| | - Production | n.a. |
| | - Employment | n.a. |
| | - Earnings | n.a. |
| Government Finance | - Deficit/Surplus | 1980 |
| | - Financing | 1980 |
| | - Debt | n.a. |
| Monetary Accounts | - Central Bank | April 1984 |
| | - Deposit Money Banks | April 1984 |
| | - Other Financial Institutions | April 1984 |
| External Sector | - Merchandise Trade: Values | December 1983 |
| | - Merchandise Trade: Prices | December 1983 |
| | - Balance of Payments | 1982 |
| | - International Reserves | June 1984 |
| | - Exchange Rates | June 1984 |

During the past year, the reporting record of the IFS correspondent in the areas of monetary accounts and external sector data has been excellent.

### 2. Outstanding Statistical Issues

Real Sector--National Accounts

The publication, in IFS, of the expenditure components of GDP in constant prices needs to be considered. The publication of official national accounts data typically lags by 2-3 years; RED data for the most recent years are normally Fund staff estimates.

Real Sector--Prices

Details of the methodology for the new CPI (March-June 1982=100) have now been obtained by the mission.

Monetary Accounts

Following the introduction of revised national money and banking data in June 1982, the coverage and currentness of these data in IFS have improved substantially.