

**IMMEDIATE
ATTENTION**

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CONFIDENTIAL

December 22, 2000

To: Members of the Executive Board

From: The Secretary

Subject: **Rwanda—Requests for the Third Annual Arrangement Under the Poverty Reduction and Growth Facility and for Extension of Commitment Period, and Decision Point Under the Enhanced Initiative For Heavily Indebted Poor Countries**

At EBM/00/128 (12/20/00), the Executive Board approved in principle the proposed decisions on Rwanda's request for the third annual arrangement under the PRGF and the decision point under the enhanced HIPC Initiative that appeared in EBS/00/264 (12/12/00) and EBS/00/265, Supplement 1 (12/13/00) (see Attachment II). Mr. Milleron's chair and Mr. Bernes's chair abstained on the decision on the enhanced HIPC Initiative. It was agreed that the decisions would become effective on the date on which the Fund decided that the World Bank had concluded that the Interim Poverty Reduction Strategy Paper (I-PRSP) provides a sound basis for the development of a full, participatory PRSP and for Bank concessional assistance, and that Rwanda is eligible and qualifies for assistance under the enhanced HIPC Initiative.

On December 22, 2000, the World Bank's Board concluded that the I-PRSP for Rwanda provides a sound basis for the development of a full, participatory PRSP and Bank concessional assistance, and that Rwanda is eligible and qualifies for assistance under the enhanced HIPC Initiative. Accordingly, the attached draft decision (Attachment I) is being circulated for approval by the Fund's Executive Board.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon today, Friday, December 22, 2000. In the absence of such a request, the draft decision that appears on page 1 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Att: (2)

Other Distribution:
Department Heads

PROPOSED DECISION

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

1. Pursuant to Paragraph 2 of the Decision adopted on December 20, 2000 set forth in EBS/00/265 (Supplement 1), the Fund decides that the World Bank (i) has concluded that the Interim PRSP for Rwanda provides a sound basis for the development of a fully participatory PRSP, for reaching the decision point under the enhanced HIPC Initiative, and for World Bank concessional financial assistance; and (ii) Rwanda has reached the decision point under the enhanced HIPC Initiative. Accordingly, Paragraph 1 of the Decision adopted on December 20, 2000 set forth in EBS/00/265 (Supplement 1) shall become effective on the date of this decision.

2. Pursuant to paragraph 3 of the Decision adopted on December 20, 2000 set forth in EBS/00/264, the Fund decides that the World Bank has concluded that the Interim PRSP for Rwanda provides a sound basis for the development of a fully participatory PRSP, for reaching the decision point under the enhanced HIPC Initiative, and for World Bank concessional financial assistance. Accordingly, the Decision adopted on December 20, 2000 set forth in EBS/00/264, shall become effective on the date of this decision.

PROPOSED DECISION

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

1. Rwanda has requested (i) that the third disbursement under the second annual arrangement of the three-year arrangement under the Poverty Reduction and Growth Facility (EBS/97/135, Supplement 1, as amended) be rephased and that the amount equivalent to SDR 4.75 million be made available during the third annual arrangement, (ii) an extension of the commitment period of the three-year arrangement from June 23, 2001 to January 31, 2002, and (iii) the approval of the third annual arrangement for Rwanda under the Poverty Reduction and Growth Facility.

2. The Fund has appraised the progress of Rwanda in implementing economic policies and achieving the objectives under the program supported by the second annual arrangement. The Fund has reviewed the Interim Poverty Reduction Strategy Paper (I-PRSP) submitted by Rwanda and concludes that it provides a sound basis for the development of a fully participatory PRSP, for reaching the Decision Point under the enhanced HIPC Initiative and for Fund concessional assistance.

3. The Fund adopts the following decision in principle, which shall become effective on the date on which the Fund decides that the World Bank has concluded that the I-PRSP submitted by Rwanda provides a sound basis for the development of a fully participatory

PRSP, for reaching the Decision Point under the enhanced HIPC Initiative and for World Bank concessional assistance:

(a) The Fund approves the third annual arrangement under the Poverty Reduction and Growth Facility for Rwanda set forth in EBS/00/264, and decides that Rwanda can request disbursements under the arrangement, on condition that the information provided by Rwanda on the implementation of the measures specified in Table 1 of the Memorandum on Economic and Financial Policies attached to the letter by the Governor of the National Bank of Rwanda and the Minister of Finance and Economic Planning dated December 6, 2000 is accurate.

(b) The Fund extends the commitment period of the three-year arrangement under the Poverty Reduction and Growth Facility approved for Rwanda on June 24, 1998 (EBS/98/98, Supplement 1, as amended) to January 31, 2002.

PROPOSED DECISION

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

1. Based upon the external debt sustainability analysis for Rwanda (EBS/00/265), the Fund, as Trustee (the "Trustee") of the Trust for Special PRGF Operations for the Heavily Indebted Poor Countries and Interim PRGF Subsidy Operations (the "Trust"), established by Decision No. 11436-(97/10), February 4, 1997, decides in principle that,

(i) in accordance with Section III, paragraphs 1 and 2 of the Trust Instrument (the "Instrument"), Rwanda is eligible and qualifies for assistance under the enhanced HIPC Initiative as defined in the Instrument;

(ii) the completion point for Rwanda will be on the date on which the Trustee determines that,

(a) Rwanda has satisfactorily implemented the policy reforms described in paragraph 70 and box 4 of Rwanda's decision point document under the enhanced HIPC Initiative (EBS/00/265),

(b) Rwanda has a stable macro-economic position and is satisfactorily implementing its Fund-supported program, and

- (c) Rwanda has prepared a Poverty Reduction Strategy Paper and has satisfactorily implemented its poverty reduction strategy for at least one year;

- (iii) the external debt sustainability target for Rwanda is 150 percent of the present value of debt-to-exports ratio;

- (iv) in accordance with Section III, paragraph 3(a) and 3(b) of the Instrument, the equivalent of SDR 33.81 million of assistance shall be made available by the Trustee to Rwanda in the form of a grant to permit a reduction in the net present value of the debt owed by Rwanda to the Fund;

- (v) in connection with the interim assistance contemplated under Section III, paragraph 3(d) of the Instrument,
 - (a) satisfactory assurances have been received regarding the exceptional assistance to be provided under the enhanced HIPC Initiative by Rwanda's other creditors, and

 - (b) the Trustee shall disburse to Rwanda as interim assistance the equivalent of SDR 6.762 million to an account for the benefit of Rwanda established and administered by the Trustee in accordance with Section III, paragraph 5 of the Instrument; and the proceeds of the grant shall be used by the Trustee to meet Rwanda's debt service payments on its existing debt to the Fund as they fall due, in accordance with the

following schedule: 70.6 percent of each repayment obligation falling due until December 31, 2001;

(vi) in accordance with Section III, paragraph 3(e) of the Instrument, the Trustee shall disburse the remainder of the assistance committed to Rwanda under paragraph (iv) of this decision at the completion point, together with interest on amounts committed but not disbursed during the interim period, calculated at the average rate of return per annum on investment of resources held by or for the benefit of the Trust.

2. Paragraph 1 above shall become effective on the date on which the Fund decides that the World Bank has concluded that,

(a) the Interim PRSP provides a sound basis for the development of a fully participatory PRSP, for reaching the Decision Point under the enhanced HIPC Initiative, and for Bank concessional assistance; and

(b) the Republic of Rwanda has reached the Decision Point under the enhanced HIPC Initiative.