**FOR AGENDA**



EBS/00/264

CONFIDENTIAL

December 12, 2000

To: Members of the Executive Board

From: The Secretary

Subject: **Rwanda—Staff Report for the 2000 Article IV Consultation and Requests for the Third Annual Arrangement Under the Poverty Reduction and Growth Facility and for Extension of Commitment Period**

Attached for consideration by the Executive Directors is the staff report for the 2000 Article IV consultation with Rwanda and Rwanda's requests for the third annual arrangement under the Poverty Reduction and Growth Facility and for extension of commitment period. A draft decision appears on pages 28–29. A supplement containing the text of the third annual arrangement under the Poverty Reduction and Growth Facility will be issued prior to the Board meeting. This subject, together with the interim poverty reduction strategy paper for Rwanda (EBD/00/115, 12/6/00), the joint staff assessment of the interim poverty reduction strategy paper (EBD/00/114, 12/6/00), and the decision point document for the enhanced HIPC Initiative for Rwanda (EBS/00/265, 12/12/00), is tentatively scheduled for discussion on Wednesday, December 20, 2000. At the time of circulation of this paper to the Board, the Secretary's Department has received a communication from the authorities of Rwanda indicating their preference to publish it.

Questions may be referred to Mr. Georgiou (ext. 36099) and Mr. Yuguda (ext. 36591).

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Wednesday, December 20, 2000; and to the African Development Bank, the Common Market for Eastern and Southern Africa, and the European Commission, following its consideration by the Executive Board.

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INTERNATIONAL MONETARY FUND

RWANDA

# Staff Report for the 2000 Article IV Consultation and Request for the Third Annual Arrangement Under the Poverty Reduction and Growth Facility and for Extension of Commitment Period

Prepared by the African Department

(In consultation with Fiscal, Legal, Monetary and Exchange Affairs, Policy Development and Review, Statistics, and Treasurer's Departments)

Approved by Ernesto Hernández-Catá and Masood Ahmed

December 11, 2000

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## EXECUTIVE SUMMARY

- In the context of a generally successful reconstruction and economic reform effort since the 1994 Genocide, Rwanda continued to make progress in macroeconomic stabilization and structural reforms in the 1999/2000 program, although not without some slippages and delays. With respect to performance criteria for the second review of the second annual arrangement under the PRGF (which expired on November 18, 2000 without completion of the review), a number of them were not met, partly on account of capacity constraints and some exogenous shocks. A revenue shortfall was only partially offset by expenditure cuts and that affected performance vis-à-vis a number of performance criteria. However, social/antipoverty spending was close to target, and defense spending was contained at the programmed amount. Domestic arrears were accumulated, and monetary policy was looser than targeted.

- An investigation of past domestic arrears shows that there may be up to RF 27 billion (about 4 percent of GDP) in hitherto-unidentified arrears from earlier periods, including a large amount from before and during the 1994 war. Of these, RF 2.3 billion—the amount incurred in 1998 and 1999 during the ESAF-supported program—have been verified. The government will begin shortly implementation of a quarterly program to eliminate the verified arrears by end-2002. A third party will carry out audits of claims not recognized by the government to identify any further valid obligations.

- Retrenchment and regularization continued in the public service payroll, but the implementation of the new civil service organizational structures has experienced delays. About two-thirds of the targeted offers for sales of companies were carried out, but the preparation for privatization of utilities and tea factories lagged. A new functional budget classification was adopted for the 2001 budget preparation and a medium-term expenditure framework, while the organic budget law and a public accounts law were submitted to parliament, though with some delay. The Auditor General initiated audits of five ministries, but did not meet the completion deadline. Progress continued to be made in bank supervision and restructuring; however, there was no improvement in the legal environment for recovery of nonperforming loans.

- The medium-term macroeconomic strategy of the authorities aims to take the necessary steps to successfully graduate from excessive reliance on donor funds, arrest the deterioration in debt sustainability indicators, and thus decrease uncertainty about the sustainability of macroeconomic stability and start putting in place the conditions for eventually integrating Rwanda into international capital markets. In this context, the authorities will aim to reduce the fiscal deficit from 9.6 percent of GDP in 2001 to about 7.8 percent by 2004, mainly on the basis of steps to increase the now very weak revenue performance. However, the scenario shows that, despite a projected improvement of the current account, debt sustainability will still only come about if the share of grants in total financing is substantially larger than the historical trend for a number of years.

- The authorities have taken measures in the last quarter of 2000 to attain a primary fiscal deficit for 2000 close to the program target and to avoid a weakening of the initial conditions for the program for the coming year. In 2001, they will limit the

overall fiscal deficit to 9.6 percent of GDP and achieve a primary fiscal surplus of 0.2 percent of GDP. Attainment of the 2001 fiscal targets would involve important revenue measures that are projected to improve revenues by about 0.6 percentage point of GDP to 10.8 percent of GDP. The authorities have committed to containing total government expenditure at 20.5 percent of GDP, compared with a revised projection of 19.6 percent of GDP in 2000. Military spending will be reduced to 3.2 percent of GDP in 2001 (from 3.8 percent in 2000), and antipoverty spending will increase to 4.9 percent of GDP (from 4.1 percent in 2000). Capital expenditure would increase in 2001 to 7.6 percent of GDP from 7 percent in 2000.

- The monetary program for 2001 is consistent with a 6 percent real GDP growth, 3 percent inflation, and a significant acceleration of bank credit to the private sector. To ensure meeting its monetary targets, the National Bank of Rwanda (NBR) will make more active use of its sterilization instruments. It will also introduce foreign exchange auctions so as to ensure market determination of the exchange rate.

- The authorities will continue with the planned strengthening of bank supervision; improve the recovery of loans; and address weaknesses of microfinance. They will continue implementing the civil service reform strategy, and the civil servants' code will be adopted. The government will offer 51 percent of Rwandatel to a strategic investor and put Electrogaz under private management during 2001. In the budget area, high priorities are to strengthen the Rwanda Revenue Authority's performance, improve expenditure monitoring, and prepare financial instructions to promote effective expenditure control. In the area of governance, the government has committed itself to strengthening the office of the Auditor General and carrying out the planned audits; improving tendering procedures; taking stock of all extrabudgetary funds, projects, and transactions and including them in the budget; establishing a commercial court and a tax court; and reviewing exemptions from taxes, with a view to minimizing them.

Rwanda: Selected Economic and Financial Indicators, 1996–2004

| | 1997 | 1998 | | 1999 | | 2000 | | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Prog. | Est. | Prog. | Prel. Est. | Prog. | Prog. Rev. | Prog. | Proj. | | |
| | (Annual percentage changes, unless otherwise indicated) | | | | | | | | | | |
| Real GDP growth | 12.8 | 6.7 | 9.5 | 5.0 | 5.9 | 5.0 | 5.2 | 6.0 | 6.4 | 6.4 | 6.5 |
| Consumer prices (period average) | 11.7 | 11.0 | 6.8 | -2.5 | -2.4 | 3.0 | 4.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Broad money | 47.5 | 17.3 | -3.9 | 5.0 | 6.6 | 8.2 | 6.3 | 7.7 | ... | ... | ... |
| Gross official reserves (in months of imports) | 5..5 | 6.0 | 6.1 | 7.3 | 7.4 | 6.7 | 6.8 | 7.0 | 6.6 | 6.4 | 6.2 |
| | (In percent of GDP, unless otherwise indicated) | | | | | | | | | | |
| Overall balance (payment order) | | | | | | | | | | | |
| Including grants | -2.4 | -5.6 | -2.9 | -5.4 | -3.9 | -5.8 | -5.5 | -4.9 | -3.8 | -3.0 | -2.6 |
| Excluding grants | -9.2 | -13.7 | -8.1 | -9.8 | -9.9 | -11.2 | -9.3 | -9.6 | -8.6 | -8.2 | -7.8 |
| Primary fiscal balance | 0.3 | -0.2 | 0.0 | -0.7 | -2.2 | 0.1 | -0.1 | 0.2 | 0.8 | 1.0 | 1.0 |
| Government revenue | 10.3 | 10.7 | 10.4 | 10.5 | 9.8 | 10.7 | 10.2 | 10.8 | 11.7 | 12.2 | 12.6 |
| Government expenditure and net lending | 19.5 | 24.3 | 18.6 | 20.3 | 19.7 | 21.9 | 19.6 | 20.5 | 20.3 | 20.4 | 20.4 |
| *Of which:* military spending | 4.1 | 3.8 | 4.3 | 4.0 | 4.2 | 3.7 | 3.8 | 3.2 | 2.9 | 2.6 | 2.3 |
| social spending (current) | 2.5 | 3.1 | 2.8 | 3.7 | 3.9 | 3.9 | 4.1 | 4.9 | 5.5 | 6.1 | 6.9 |
| exceptional social spending | 0.2 | 1.6 | 0.9 | 1.3 | 1.2 | 1.8 | 1.5 | 1.5 | 1.2 | 0.8 | 0.5 |
| External current account balance | -17.3 | -20.1 | -16.9 | -15.8 | -15.3 | -16.7 | -16.8 | -14.7 | -13.4 | -12.1 | -10.7 |

## I. INTRODUCTION

1. On June 24, 1998, the Executive Board approved Rwanda's request for a three-year arrangement under the Enhanced Structural Adjustment Facility (ESAF) in an amount equivalent to SDR 71.40 (89.1 percent of quota, or 120 percent of old quota). Disbursements under the first annual arrangement amounted to SDR 23.80 million (35.7 percent of quota). On November 19, 1999 the second annual arrangement for the same amount was approved. There have been disbursements of SDR 19.04 million under the second annual arrangement. On November 18, 2000, the second annual arrangement expired with SDR 4.75 million undisbursed. Under the rules applicable for old-style PRGF arrangements (that is arrangements approved through November 20, 1998), if an annual arrangement expires with undisbursed amounts, those amounts may be rephased over the remaining annual arrangements under the three-year commitment period (see Section II, paragraph 3(b) of the PRGF Instrument).[1] In accordance with this provision, the undisbursed amount of Rwanda's second annual arrangement, which has expired on November 18, 2000, may no longer be made available under the second annual arrangement but rather can be rephased as part of the third annual arrangement. However, performance under the second annual arrangement, as evidenced inter alia by the observance or non-observance of performance criteria for the last test date of the second annual arrangement, may be taken into account by the Trustee in its decision whether or not to rephase the undisbursed amounts and to approve the third annual arrangement.

2. In the attached letter to the Managing Director (Appendix I), dated December 6, 2000, the Minister of Finance and the Governor of the National Bank of Rwanda (NBR) request (i) that the amount for the third loan under the second annual arrangement be rephased and that the amount equivalent to SDR 4.75 million be made available during the third annual arrangement, and (ii) approval of a third annual arrangement covering the program period January–December 2001, in an amount of SDR 28.56 million (29.7 percent of quota).[2] The arrangement is to support the objectives and policies set forth in the

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[1] Moreover, the second review under the second annual arrangement, with which this disbursement was associated, may not now be completed.

[2] Discussions on the program and on the 2000 Article IV consultation were carried out in Kigali during October 19–November 6, 2000. The mission held discussions with Mr. Kaberuka, Minister of Finance and Economic Planning; Mr. Mutemberezi, Governor of the National Bank of Rwanda (NBR); Ms. Kayitesi Zaïnabo, Minister of Civil Service and Labor; and other senior officials. The mission consisted of Mr. Georgiou (head-AFR), Mr. Yuguda, Mr. Nassar, and Ms. Ohnsorge (AFR), Mr. Fossat (FAD), Mr. Stern (PDR), Mr. Crowley (MAE), and Ms. Dubost (Administrative Assistant-AFR). Mr. Sfar, an MAE consultant, conducted simultaneously a study of the foreign exchange market. The mission worked closely with a parallel World Bank mission and met donor representatives both at the beginning and at the end of its visit to inform them of the discussions. The staff team also met with representatives of the private sector and the labor unions.

memorandum of economic and financial policies (MEFP) (Appendix I, Attachment) and in Rwanda's interim poverty reduction strategy paper (I-PRSP) (EBD/00/115, 12/6/00).

3. The first review under the second annual arrangement was completed on July 31, 2000 (EBS/00/143; 7/17/00), after the government had taken corrective actions in response to the breaching of four quantitative performance and two structural performance criteria for end-December 1999. At the time of the first review, Executive Directors focused on the need to improve revenue collection and emphasized that sustainable progress in this area would be essential for catalyzing future assistance, including through the Initiative for Heavily Indebted Poor Countries (HIPC Initiative). They emphasized the importance of the ongoing implementation of a medium-term expenditure framework (MTEF), linked to the objective of poverty reduction, and expressed concern about the recent discovery of domestic arrears, which highlighted the need for further improvements in expenditure monitoring. Directors looked forward to Rwanda's I-PRSP and agreed that Rwanda could reach the decision point under the enhanced HIPC Initiative in late 2000. Directors asked for a more detailed discussion on poverty reduction objectives and the policies that would deliver them, on how debt sustainability would be achieved after application of the enhanced HIPC Initiative, and on how debt relief would be used toward poverty reduction.

4. On March 29, 1999, the World Bank's Board approved an economic recovery credit for Rwanda in an amount equivalent to about US$70 million for the period 1999–2000, of which the first tranche of US$38 million was disbursed in June 1999 and another US$16.1 million in August 2000. An additional US$15 million is expected to be disbursed upon consideration of the I-PRSP on December 21, 2000. On June 29, 1999, the Board endorsed the updated Country Assistance Strategy for Rwanda. The African Development Bank (AfDB) has provided support under a structural adjustment loan equivalent to US$20.7 million, approved in July 1998 for the period 1998–99, of which the first tranche of US$7.2 million was disbursed at end-1998 and a second tranche for US$13.5 million was made available at end-1999. In May 1999, the European Union (EU) approved a structural adjustment grant in an amount of € 51 million for the period 1999–2000, about € 30 million of which had been disbursed through September 2000.

5. The authorities' proposals for prior actions are set out in Table 1, quantitative and structural benchmarks and performance criteria for the 2000/01 program are set out in Tables 2 and 3, and the implementation of structural performance criteria and benchmarks in the 1999/2000 program are shown in Table 4. A detailed description of the variables subject to quantitative performance criteria and benchmarks is provided in the technical memorandum of understanding, which together with the tables above is attached to the MEFP. Rwanda's relations with the Fund and World Bank Group are summarized in Appendices II and III; statistical issues appear in Appendix IV; and Appendix V contains social and demographic indicators.

## II. Developments Under the 1999/2000 (October–September) Program

6. In the context of a generally successful reconstruction and economic reform effort since the 1994 Genocide, Rwanda continued to make progress in macroeconomic stabilization and structural reform in the 1999/2000 program, although not without some

slippages and delays. For example, with respect to performance criteria for the second review of the second annual PRGF arrangement, the bulk of them were not met—albeit some by a small margin—or were implemented with a delay. These slippages have to some extent been due to the severe capacity constraints and also reflect the fact that fiscal revenue shortfalls have a ripple effect on several performance criteria. Nevertheless, the authorities also bear some responsibility for not following in some cases a stricter stance.

7. **The security situation in Rwanda is currently stable.** However, the Rwandese authorities are concerned that the conflict in the Democratic Republic of the Congo (DRC) poses risks. They have stated their support for a negotiated settlement to that conflict, provided it addresses the threat from the ex-Rwandese militia operating from the DRC and facilitates their reintegration into Rwandese society. Currently, however, Rwanda continues to maintain a military presence in the DRC. The Rwandese economy has continued to be largely insulated from the conflict in the DRC, except for the high level of military expenditure which, however, has been gradually reduced.

8. **The macroeconomic performance of the economy in 2000 is estimated to be broadly in line with program targets** (Table 5). Real GDP growth, which declined to 5.9 percent in 1999, has decelerated to an estimated 5.2 percent in 2000 (Table 5). Such rates of growth, although still quite strong, represent a normal slowdown after the high growth during the 1996–98 reconstruction period. Growth in 2000 has been restrained by drought in some areas, the rise in international petroleum prices and other transportation costs, and lower economic activity in the region.[3] After posting a period average inflation rate of -2.4 percent in 1999,[4] Rwanda's inflation increased to 2.8 percent by September 2000, partly on account of higher food and fuel prices. The external current account deficit (excluding official transfers) is estimated to have widened by up to 1.5 percentage points of GDP in 2000 to 16.8 percent of GDP—even though government investment was lower than expected—because of higher fuel and food import prices, and higher transport costs from the port of Mombassa.

9. The deterioration in the current account in 2000 also reflects the effects of **an easing of monetary policy in the first nine months of 2000**, as evidenced by the quarterly net domestic asset ceilings' not being met. Also, an unsterilized reduction in the required reserve ratio from 10 percent to 8 percent in July 2000 increased the liquidity of banks. In this context, there was a pronounced acceleration of the 12-month nominal effective depreciation rate of the Rwanda franc to about 12 percent (as measured by the exchange rate used by the NBR in its interventions with banks) in July 2000. Moreover, the net foreign asset targets of

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[3] Nevertheless, the estimated GDP growth is somewhat higher than the 5 percent projected under the program (EBS/00/143). While national accounts data need to be improved, the staff believes that the application of the same measurement methods in 1999 and 2000 lends some confidence to the view that growth of the economy did not slow significantly in 2000.

[4] The negative inflation rate in 1999 reflected falling food prices resulting from improved security in the northwest and good weather in that year.

the NBR were not attained as a result of substantial sales of foreign exchange reserves by the NBR to commercial banks in an effort to restrain the depreciation.[5] The NBR felt comfortable doing so given the relatively high level of its foreign exchange reserves at well over six months of imports. The fiscal stance contributed to the monetary easing, as the fiscal deficit and domestic bank financing targets were missed.

10. **Fiscal performance fell short of the program targets** in the first nine months of 2000. The primary fiscal balance—a performance criterion under the program—for September 2000 was RF -0.8 billion (-0.1 percent of GDP), compared with the program target of RF 1.8 billion as significant revenue shortfalls were only partially offset by expenditure cuts (Table 6). Revenues fell short of the target by RF 5.2 billion (0.7 percent of annual GDP), mainly owing to (a) lower-than-programmed corporate profit taxes, as many companies declared losses; (b) lower beer and soft drink excise receipts, because taxed sales have remained extraordinarily depressed; (c) lower trade taxes, on account of low declarations of imports; and (d) a failure to realize the expected improvements in tax administration.

11. **In an effort to contain the deficit overrun, the government limited expenditure** by about RF 3.8 billion (0.5 percent of GDP) below the September 2000 target, adjusting purchases of goods and services for civilian (nonsocial) purposes and transfers. Domestically financed capital expenditure—which is included in the calculation of the primary fiscal balance—was also contained below the programmed amount, at 33 percent of the annual budget allocation. Social spending was only marginally affected (by RF 0.3 billion) in the expenditure cutbacks. The wage bill exceeded somewhat (by RF 0.4 billion) the programmed amount on account of the replacement of unqualified teachers with qualified ones, while some of the former were removed from the civil service payroll but remained for the time being in their jobs as *occasionnels*. Military expenditures were contained within their programmed levels, as has been the case since end-December 1999.

12. Despite a larger-than-programmed primary deficit, **the overall fiscal deficit (excluding grants) to end-September was smaller than programmed**, amounting to a roughly estimated 3.8 percent of GDP, compared with the programmed 7.8 percent of GDP. This outcome was due to reported shortfalls in foreign-financed capital spending, which accounts for almost all public investment projects, owing to delays in project preparation, weak implementation capacity within line ministries, and the complicated procedural requirements of donors. However, the quarterly data may also understate the implementation

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[5] There was a significant widening of the parallel market premium in mid-2000, which reached a peak of about 20 percent in July before declining to below 10 percent by October. These arbitrage opportunities were the result of rationing of foreign exchange by the NBR to individual banks in the context of significant smuggling of imports and speculative pressures. With regard to the latter, the steps taken by the authorities in August 2000 to liberalize capital transactions by raising the amount that may be withdrawn from foreign currency accounts and transferred abroad without explanation has apparently contributed to the reduction in the parallel market premium in recent months.

rate of the foreign-financed capital budget to September 2000, reflecting the significant difficulties experienced by CEPEX—the government agency in charge of project coordination—in tracking the implementation of such projects.

13. **The target for net credit to the government from the banking system was exceeded** in September 2000 by the equivalent of 0.7 percent of GDP. Contributing to this outcome was not only the performance of the primary fiscal balance but also the higher-than-programmed payment of expenditures committed in 1999. These payments were made by ministries drawing down their own accounts at the NBR in an amount equivalent to about 0.4 percent of GDP. The government has since taken steps to control such payments in the future.

14. **The September 2000 target for net repayment of domestic government arrears was not achieved, and in addition new arrears from earlier years have recently been identified.** At the time of the first review in July 2000, the authorities identified RF 2.3 billion in previously unreported domestic arrears from earlier years, which they undertook to repay along with RF 2.2 billion of arrears that had been properly tracked during 1999 and previously included in the fiscal program for 2000. However, by end-September 2000, there was a net accumulation of RF 0.9 billion in arrears (compared with a programmed reduction of RF 2.5 billion) because of a lag in the response to the expenditure compression that followed domestic revenue shortfalls.

15. **The government by and large completed an investigation to identify all domestic arrears** outstanding from past periods. The preliminary results of the investigation show that there may be up to RF 27 billion (about 4 percent of 2000 GDP) in arrears that has not been previously identified, with the majority of these allegedly incurred before or during the 1994 war. These latter arrears had not been previously identified, partly because the war disrupted the recording system: archives remained in a state of disarray for some time and are only now beginning to be computerized. In addition, even in the period after the war, there were not yet clear guidelines as to who would bear the costs of various utility services, prison expenses, etc.—the bills for which have now been identified as outstanding arrears. There is also an acute capacity problem in the internal audit department, which had to carry out the tasks of identifying and verifying outstanding claims on the government. There remains a need to verify the newly identified claims before paying them. Until now, RF 2.3 billion—the amount incurred in 1998 and 1999 during the ESAF-supported program—out of the RF 27 billion has been verified. A large number of arrears from earlier periods may not be legitimate, as suppliers have not always provided adequate documentation, mostly claiming losses during the war. The authorities have committed themselves to addressing this matter and to subsequently regularizing all verified arrears.

16. The newly discovered arrears from 1999 imply that the end-December 1999 performance criterion on the net repayment of domestic arrears—which was thought to have been met by a margin of about RF 0.5 billion as reported in the staff report for the first review of the second annual arrangement (EBS/00/143)—was actually breached by about RF 2.5 billion (0.4 percent of GDP). This amount includes arrears of RF 0.8 billion from 1999 that came to light shortly before the Board meeting of July 2000 and was reported to

the Board through a supplement (BUFF/00/114; 7/28/00).[6] At that time, the Board was informed that the amount of RF 0.8 billion was not yet certain, but was verified later.[7, 8]

17. The discovery of new domestic arrears by the Rwandan authorities does not constitute a case of misreporting resulting in a non-complying disbursement under the PRGF Misreporting Guidelines. In this regard, the information provided by the authorities in July, 2000 for the purposes of the first review under the second annual arrangement was represented to the staff as being subject to further revision, and indicated that subsequent changes to reported data for 1999, although still subject to confirmation, could be so large as to affect observance of the end-December, 1999 performance criterion on domestic arrears. In these circumstances the authorities cannot be said to have "misreported" information to the Fund, although, in retrospect, the staff, in supporting the completion of the review, should have recommended a waiver of applicability of this performance criterion.

18. **The authorities carried out a number of the structural reforms envisaged under the program, albeit with some delays.** Regarding civil service reform in 2000, the government retrenched 13 percent of core civil servants—mainly by removing unqualified workers from the payroll—developed a new public service organizational structure (*cadres organiques*) for all ministries, initiated redeployment within ministries in line with the *cadres organiques*, continued regularizing previously unpaid teachers, and removed a large number of unqualified teachers from the payroll. However, a prime ministerial decree to formally adopt the *cadres organiques* has been delayed, and other preparations have lagged. In August 2000, the authorities submitted to parliament a civil servants' code to promote better governance, but its adoption is still pending.

19. **The authorities have implemented in 2000 a number of measures to improve governance.** To this effect, and with a view to improving the credibility and effectiveness of fiscal policy, they adopted a new functional budget classification for the 2001 budget. A

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[6] This is not reflected in the December 1999 values in Tables 2 and 6.

[7] The identification of additional expenditure commitments in 1999 also implies a higher primary fiscal deficit in that year than previously reported. However, as that performance criterion had been already reported as missed at the time of the first review and had received an unconditional waiver, the now higher estimated deficit does not give rise to a noncomplying disbursement.

[8] There was no noncomplying disbursement at the time of the first review of the first annual arrangement in March 1999 (based on end-September 1998 performance criteria) as the performance criterion on primary fiscal balance would still have been met, had the expenditure commitments outside the budget, now discovered and amounting to RF 0.2 billion, been reported. The missed performance criterion on net repayment of domestic arrears would have been missed by a larger margin, but an unconditional waiver was granted at that time.

medium-term expenditure framework (MTEF) for 2001–03 is under preparation, and the organic budget law and a public accounts law were submitted to parliament (albeit with some delay). In the areas of auditing public accounts, the Auditor General's office became fully operational and initiated the audits of five ministries (including that of the Ministry of Defense). However, there were delays in completing the audits by end-October, as envisaged, owing to the training needs of the Auditor General's staff—causing the corresponding structural performance criterion for end-October 2000 to be breached—and all audits, except that of the Ministry of Health, are now expected to be completed by mid-December 2000.

20. **Some progress was made in bank supervision and bank restructuring.** The NBR continued to strengthen its bank supervision department according to an agreed plan, and the restructuring plans agreed with some commercial banks by June 2000 began to be implemented. The stock of nonperforming loans of banks was provisionally estimated at about 38 percent of credit to the private sector as of end-September 2000, compared with just over 20 percent at end-1997—mainly owing to a stricter application of the NBR's loan classification procedures. Provisioning for these loans in accordance with requirements consistent with the Basel Committee on Banking Supervision's guidelines is one of the elements that has been addressed in the recent restructuring/action plans for the commercial banks. All banks with restructuring plans made good progress in recent months, and, as of end-September, all but two banks had increased their provisioning to the full-required amount, while all but one bank had increased their capital adequacy ratios to at least the required level. However, there was little progress in improving the legal environment for recovery of nonperforming loans. The arbitrage center,[9] although formally established, continues to lack capacity and still faces administrative and legal impediments, which the government has committed itself to removing. In addition, improvements in the system of accelerated procedures for guarantee recovery (*voie parée*) are still under consideration by an interministerial committee.

21. **Privatization continued, albeit with delays.** About two-thirds of the targeted offers for sale or initiations of liquidation of state companies by end-September 2000 were carried out. However, a lack of interest by buyers and/or difficulties of buyers in securing the requisite bank guarantees prevented the completion of sales in a few cases. The preparation for privatization of utilities and tea factories/estates lagged significantly, partly owing to a lack of World Bank financing of the privatization consultant.

22. Regarding **external sector issues**, the government abolished the import surcharge with a delay of about one month, thus breaching the corresponding performance criterion. Rwanda incurred external arrears in the third quarter of 2000 against the Arab Bank for Economic Development in Africa (BADEA). These arrears were cleared in mid-October. The government has stated that it remains committed to regional integration and the free trade area provisions of the Common Market for Eastern and Southern Africa (COMESA) treaty, and it has signed the African Guarantee and Economic Cooperation Fund agreement. However, it believes that the effects of the application of the zero rate for imports from

[9] It provides arbitration services to the private sector.

COMESA and the Regional Integration Facilitation Forum (RIFF, which replaced the Cross-Border Initiative (CBI)) need to be carefully assessed before implementation. In respect of rescheduling, Rwanda has signed bilateral agreements with all its Paris Club creditors, while agreements with non-Paris Club creditors on similar terms (Naples) are still pending.

23. With respect to performance criteria under the PRGF—partly on account of capacity constraints and some exogenous shocks—seven out of nine quantitative performance criteria and both structural performance criteria[10] for the second review under the second annual arrangement were not met. Had the second annual PRGF arrangement not expired, the staff would have recommended waivers for all missed performance criteria and completion of the second review, based on the immediate adoption of remedial measures—especially in the fiscal area—and the agreement with the authorities on a strong third-year program for 2000/01, which addresses the causes of past program slippages.

## III. Medium-Term Policy Framework

24. **The government is committed to implementing a medium- and long-term strategy to remove constraints on sustainable economic growth and achieve poverty reduction**. The authorities have in recent years shown a strong commitment to poverty reduction, as evidenced by the emphasis on improving the living conditions of Rwandese in their *Vision 2020* document published in 1998. Countrywide consultations undertaken in the course of 1999 and 2000 by the recently established Unity and Reconciliation Commission (URC) identified poverty as a major obstacle to national reconciliation in Rwanda. The I-PRSP prepared by the authorities is an appropriate further step in the right direction. It is the product of a consultative process that included discussions with stakeholders at the *prefecture* (province) level and with donors in the donor conference in Kigali on November 8–9, 2000. The authorities expect to fully develop their poverty reduction and growth strategy by September 2001, in the context of the preparation of the full PRSP, supported by a wide-ranging consultation process.

25. **To decisively address poverty, the government envisages significant increases, informed by the PRSP process, in antipoverty spending over the next years**—from about 4.1 percent of GDP in 2000 to 6.9 percent by 2004 and to about 9 percent over the long run. Such spending would support policies and measures in the areas of education, health, water and sanitation, rural infrastructure, human settlements, gender equality, youth job creation, and agricultural sector reform. In this respect, the government expects to gain a deeper understanding of the type of policies and programs that would be more effective in reducing poverty, during the consultative process to be used in preparing the full PRSP. As a result, the MTEF that will be introduced in 2001 will be continually refined to ensure that adequate resources are provided to such programs and that resources are reallocated towards them from lower-priority areas. At the same time, the government will continue to develop input and outcome social indicators and monitoring mechanisms to gauge the effectiveness of these programs in achieving established objectives.

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[10] The one on elimination of the import surcharge was implemented with a delay.

26. While the goal of poverty reduction can be served by specific policies and measures targeting the poor, **to make poverty reduction sustainable the government's approach clearly recognizes the necessity of eliminating economic and political uncertainties as far as possible to support economic growth at high and sustainable levels and increase employment.** The 1994 genocide and the ensuing social and military developments generated very large external current account imbalances, reflecting very low or negative savings-to-GDP ratios for both the private and government sectors. While the external imbalances have so far been covered by foreign savings provided through donor flows, the government sees that the sustainability of such financial support over the long run is uncertain. It therefore recognizes that maintaining the existing fiscal and external imbalances (in the face of uncertainty regarding donor support in the long run) implies too high a risk of macroeconomic instability, and that the chances that private sector savings and investment will recover adequately in such conditions are slim. Moreover, as these large deficits are financed to some extent by loans, they imply worsening debt sustainability indicators. Thus, the government sees that, while macroeconomic stability and growth have been reestablished since the mid-1990s, they may not be sustainable over the longer term unless the underlying macroeconomic imbalances are addressed. In this context, the macroeconomic framework underlying the I-PRSP and the attached MEFP maps out how Rwanda will begin to take the necessary steps to arrest the deterioration in debt sustainability indicators (while aided for some years by strong donor support in the form of grants), decrease uncertainty about the sustainability of macroeconomic stability, and start putting in place the conditions for eventually integrating itself into international capital markets.

27. With a view to narrowing the external current account deficit and consolidating the debt sustainability gains expected from the application of the HIPC Initiative, **the most crucial step in the government's macroeconomic framework is the progressive reduction in the fiscal deficit**. This, in turn, would have beneficial effects on the perception of local and foreign investors of the sustainability of macroeconomic stability and of the debt situation in Rwanda. In the government's framework, improving confidence is reflected in a gradual increase in the savings and investment rate of the private sector, which is essential to sustainable high growth and poverty reduction over the long run.

28. **Gradual improvements in fiscal revenue performance are important to support poverty-reducing expenditure and to the reduction in the fiscal deficit** (excluding grants) from a projected 9.6 percent of GDP in 2001 to about 7.8 percent by 2004. A number of the steps necessary for moving from the feasible revenue targets in 2001 to the more ambitious medium- and long-term targets have been identified and are to be implemented as part of the 2001 program. Reductions in the fiscal deficit will also depend on making expenditure more efficient and on accelerating civil service and public enterprise reforms. The introduction of an MTEF with the 2001 budget will be instrumental, as it will cover expenditure programs of all ministries, and, along with regular public expenditure reviews, it is expected to enhance the costing, prioritization, efficiency, and transparency of government expenditure and strengthen its link to performance indicators. The prioritization process of the MTEF would also apply to government investment (capital expenditure), which is targeted to gradually increase to 8.2 percent of GDP by 2004 from 7 percent in 2000, consistent with feasible progress in implementation capacity and the needed improvements in infrastructure that would support the projected increases in private investment and GDP growth rates.

29. **An important element of the macroeconomic framework is the envisaged increase in private sector savings and investment over time.** They are projected to rise to about 7.7 percent of GDP and 10.6 percent of GDP, respectively, by 2004 from the 4.3 percent and 9.4 percent of GDP expected for 2001. To this end, it will be necessary to achieve sustained progress toward fiscal and debt sustainability and to consistently maintain macroeconomic stability, so as to build the confidence of the private sector in the policy environment. Equally important, to increase private sector savings (and investment), the government will be accelerating financial sector reform (including, in the first stage, a strengthening of the banking system and subsequently a gradual liberalization of the capital account), making financial instruments accessible to a greater proportion of the population, providing through government investment the necessary economic infrastructure, ensuring good governance and fighting corruption, and establishing a legal and regulatory framework conducive to private sector activity and external competitiveness.

30. **Among the medium-term macroeconomic targets of the government are maintenance of real GDP growth of at least 6 percent per year** (which is consistent with a population growth rate of 3 percent and a realistic annual growth rate of about 2 percent in total factor productivity), containment of inflation below 5 percent and maintenance of an adequate—given the vulnerability to shocks—level of gross official reserves of at least six months of imports. The external current account deficit (excluding official transfers) is to be reduced from 16.8 percent of GDP in 2000 to about 10.7 percent in 2004. A gradual reduction in current account deficits will be necessary as part of the effort to conserve the benefits of HIPC Initiative relief as reflected in the net present value (NPV) of debt-to-exports ratio—a fundamental aim of the government. However, despite the envisaged improvement in the external current account performance, the desired debt sustainability will come about (and the NPV of debt-to-exports ratio will be prevented from rising in the medium term) only if donor grants—as opposed to loans—are substantially higher than the historical trend for a number of years. It should be noted that, even after full application of enhanced HIPC Initiative assistance, and assuming new financing consisting of at least 75 percent official transfers—a higher ratio than assumed in the fiscal scenario presented in this report—Rwanda's debt ratios would stay above the debt sustainability target of an NPV of debt-to-exports ratio of 150 percent until 2008.[11]

## IV. THE 2000/01 PROGRAM

### A. Macroeconomic Policies

31. In line with the medium-term objectives outlined in paragraph 30, the program for 2001 aims at consolidating macroeconomic stability while (a) initiating progress toward a sustainable reduction in the underlying macroeconomic imbalances, and (b) taking clear steps toward poverty reduction. The macroeconomic targets are (a) achieving output growth of

[11] The ratio as of end-2000 is already at about 192 percent (assuming HIPC Initiative relief). A detailed discussion of these issues is provided in the HIPC Initiative decision point document (forthcoming).

6 percent; (b) maintaining inflation at about 3 percent; (c) reducing the external current account deficit to 14.7 percent of GDP; and (d) maintaining gross international reserves at 7 months of imports.[12]

**Fiscal policy**

32. **The government is persuaded of the need to achieve the fiscal deficit targets for 2000 to avoid a weakening of the initial conditions for the program for 2001.** It is, therefore, making efforts to restrain nonsocial expenditure and to contain the revenue shortfall through revenue measures taken in November–December 2000. These revenue measures (see MEFP, Box 1) could help achieve a primary fiscal balance (-0.1 percent of GDP), very close to the one envisaged under the program for 2000 (0.1 percent of GDP).[13] It is expected that the envisaged measures will help contain the shortfall of revenue from the program target at about 0.5 percent of GDP, and total revenue could amount to 10.2 percent of GDP in 2000. To meet the revised primary fiscal deficit target, the government has committed itself to restraining expenditures below the program target in the areas of purchases of goods and services in the nonsocial sectors and domestically financed capital expenditure. As exceptional social expenditures and foreign-financed capital expenditures are also expected to be lower than under the program, the overall fiscal deficit in 2000 is projected to amount to 9.3 percent of GDP, compared with a programmed deficit of 11.2 percent of GDP. The authorities have also confirmed their commitment to reducing domestic arrears as envisaged under the program, and to prevent any loosening of the monetary policy stance.

33. **The overall fiscal deficit (excluding grants) for 2001 will be limited to 9.6 percent of GDP, and the primary surplus will amount to 0.2 percent of GDP**, in order to allow for a significant increase in credit to the private sector, support the projected decline in the external current account deficit, and contain the deterioration in debt sustainability indicators. While a more ambitious fiscal stance in 2001 could potentially avoid any deterioration in debt sustainability indicators, it would not be consistent with the need to accommodate an up-front large increase in antipoverty/social spending and/or with the cautious projections about the improvement of revenue performance expected from the envisaged measures. Moreover, the deficit target for 2001 is compatible with possible external financing. The government has identified contingency measures in the areas of fiscal revenue and nonsocial expenditure that would yield RF 3 billion, to be taken in the event of fiscal revenue shortfalls or expenditure overruns in the course of 2001.

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[12] Output growth in 2001 is predicated on a return of normal weather conditions, improved confidence due to inter alia the decision to provide debt relief through HIPC, a large increase in the growth of credit to the private sector, and an increase in government expenditure.

[13] Program numbers in this paragraph refer to the ones agreed under the first review of the second annual PRGF (EBS/00/143; 7/17/00).

34. **A fundamental building block of the 2001 budget is the envisaged increase in revenue as a percent of GDP** from 10.2 percent now targeted for 2000 to 10.8 percent in 2001. Several measures are to be taken to achieve this goal (see MEFP, Box 2). Customs duty collection is to be improved by reducing undervaluation, corruption, and smuggling. Tax collections from large companies are to be increased by accelerating and strengthening the process of tax auditing, reassessment and collection. The proceeds from the presumptive tax from small and medium-sized enterprises would be increased by, inter alia, raising the rate from 2 percent to 5 percent of annual turnover and using withholding practices and payment compliance targets for the Rwanda Revenue Authority (RRA). Excise tax collection would be improved by, inter alia, implementing a revised petroleum pricing mechanism and measures to address tax evasion and smuggling. The tax base is to be broadened by replacing the turnover tax (ICHA) with a value-added tax (VAT) on January 1, 2001.[14] Nontax revenue performance would be ameliorated by collecting what is due in the form of dividends and fees, and by adjusting the latter to the current price level, given they were last adjusted in 1980.

35. **Another important goal of the 2001 budget is to significantly increase expenditures with the greatest antipoverty impact** while containing total government expenditure at 20.5 percent of GDP, compared with a revised projection of 19.6 percent of GDP for 2000. Antipoverty spending is envisaged to increase to 4.9 percent of GDP in 2001 from 4.1 percent in 2000. This increase is in part made possible by the expected interim assistance under the HIPC Initiative (estimated at about 1.5 percent of GDP in 2001). The government has sought to arrive at a more accurate and broader definition for social/antipoverty spending by including only those current expenditures by the Ministries of Education and Health that are important for poverty reduction,[15] while adding to the definition other expenditures with a significant effect on the welfare and earning capability of the poor, such as in the areas of water and sanitation, rural development and infrastructure, human settlement, gender programs, and youth job creation.[16] The government has also worked to identify the ways in which these expenditures and their impact will be monitored under the program (see paragraph 51). Moreover, it has identified priority programs on which any additional external financing beyond the programmed amounts may be spent, in close consultation with the staffs of the Fund and World Bank.

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[14] To ensure revenue neutrality, the government intends to strictly implement the VAT and stands ready to increase the rate from 15 percent if receipts are lower than expected.

[15] For example, in both the Ministries of Education and Health the new definition now excludes expenses of the office of the minister and other administrative expenses, while it incorporates expenses on a number of specialized programs (e.g., AIDS education and research on retroviral infections).

[16] Social spending according to the previously used definition (which included only current expenditure by the Ministries of Education, Health, Gender, and Youth and Sports) would also increase from 4.1 percent of GDP in 2000 to 4.9 percent of GDP in 2001.

36. **In view of the government's antipoverty strategy, expenditures will be reallocated both within and between broad budgetary expenditure categories.** The reallocation of expenditure in the 2001 budget reflects the prioritization undertaken in the context of the first MTEF[17] on the basis of some preliminary costings, and taking into consideration the conclusions of the I-PRSP. Expenditures have been reallocated within the Ministries of Health and Education to reflect priorities for poverty reduction. Moreover, expenditures have been reallocated between ministries to support increases in antipoverty spending according to the new definition. The wage bill—which will be kept at 5.1 percent of GDP in 2001, marginally lower as a percent of GDP than in 2000—will allow large increases in the social sector wage bill to be offset by decreases in other areas. Moreover, the government intends to further reduce total military spending to 3.2 percent of GDP in 2001 (from 3.8 percent of GDP in 2000)—a significant decrease in line with the government's announced intention for gradual reductions in such spending over the medium term.[18] In the area of exceptional social spending, the budget for 2001 envisages that it will remain stable at 1.5 percent of GDP, which should allow the government to press ahead with the demobilization plan, given that other expenditure needs under that category (e.g., prison expenses) are expected to decline over time.[19] The government has reviewed the implementation capacity of the investment budget in recent years, and on that basis, it has determined a realistic target for such spending in 2001 that is also consistent with the macroeconomic goals under the program. The 2001 fiscal program would increase capital expenditure to 7.6 percent of GDP, compared with a projected 7 percent for 2000.

37. **Steps have been taken to better control the provision of net credit to government by the banking system.** To avoid the recurrence of an unanticipated drawdown in ministerial accounts, and with a view to improving budget monitoring and control, the government eliminated all independent ministerial accounts from November 16, 2000 onward, so that all

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[17] The new budget classification used in the 2001 budget has permitted an easier identification of those programs that are priorities for poverty reduction.

[18] Defense expenditures are monitored and reported upon on a monthly basis by the Ministry of Finance. Moreover, audits of the 1999 accounts of the Ministry of Defense were carried out by the Auditor General in 2000. With the envisaged strengthening of the Office of the Auditor General over the medium term, the accounts of the Ministry of Defense, along with those of all other ministries, will be audited every year. Regarding extrabudgetary operations potentially related to defense, the authorities have reported on the accounts with the voluntary contributions of citizens toward security and defense of the country. They produced evidence showing that there had not been any withdrawals from these accounts. The government has committed under the 2001 program to identify all extrabudgetary funds, projects, and transactions—including any relating to defense—and to incorporate them into the 2002 budget.

[19] The current budget allowance for demobilization is consistent with the retirement of about 3,000 soldiers assuming that they receive their full severance pay of 18 months of salary within 2001.

expenditures are now to be paid out of the treasury account and to require the signature of the Treasurer.

38. **The authorities will begin in early 2001 implementation of a quarterly program to eliminate the verified arrears from past periods by end-2002**, either through cash payments or securitization. Regarding arrears claims not currently recognized by the government, the latter will approach the Auditor General or a private sector auditor to complete audits by end-June 2001 in order to identify any further obligations of the government that should be cleared by end-2002. To avoid the reemergence of arrears, as well as strengthen expenditure monitoring and control in general, the government will implement the steps outlined in Box 4 of the MEFP. In this context, the government has also requested from the Fund a treasury advisor. Gains in expenditure monitoring and control are important not only for improving the conditions for fiscal discipline but also for effectively monitoring antipoverty expenditure under the HIPC Initiative and PRSP.

**Monetary policy**

39. **The NBR has committed itself to a prudent monetary policy stance.** The monetary program for 2001 aims at keeping inflation at about 3 percent and is consistent with the targeted decline in the net foreign asset targets of the NBR—which correspond to broadly maintaining reserve cover at about seven months of imports—and the projected real GDP growth. Thus, broad money is targeted to grow at about 7.7 percent (Table 7). Given that the government will not be borrowing from the banking system and that net foreign assets are targeted to decline, this monetary growth will be consistent with a strong increase in credit to the private sector. The latter should help achieve the real GDP growth objective and the desired increase in private investment.

40. **The central bank will use more actively its monetary policy instruments to attain its targets and will take steps to reduce the volatility of reserve money.** Monetary policy will be conducted through indirect monetary policy instruments, particularly open market operations.[20] The NBR has also committed itself to using fully its sterilization instruments, to keeping to the net domestic asset targets, and to meeting the targets for net foreign assets by allowing the needed flexibility for the exchange rate. With a view to increasing monetary control, the NBR has also decided to redefine reserve money, so as to exclude the use of foreign currency by banks to fulfill the reserve requirement,[21] and it will aim to reduce the large holdings of excess reserves by banks. Finally, to improve financial management and

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[20] In addition to existing money market auctions, the NBR will use auctions of NBR bills to influence banks' liquidity. In this context, the authorities will also explore the possibility of converting the consolidated government debt to commercial banks into more liquid treasury bills, and of developing a secondary market for these bills.

[21] The possibility of using foreign currency to meet the reserve requirement can lead to the banks effecting a loosening of monetary policy without an increase in the net domestic assets of the NBR.

avoid departures from the monetary program on account of fiscal and foreign financing developments, coordination between the government and the NBR will be increased through the holding of effective weekly meetings.

41. **The NBR will adopt a system of auctions to ensure the market determination of the exchange rate and will allocate foreign exchange guided by its net foreign asset target**. The central bank has reassessed the operation of the market for foreign exchange in Rwanda, with a view toward removing distortions—including recurrent arbitrage opportunities and quasi-fiscal losses—ensuring transparency in the market determination of the exchange rate and in the allocation of foreign exchange to individual banks, and encouraging the development of an interbank market for foreign exchange. To this end, the NBR will conduct weekly auctions to sell foreign exchange to the highest bidder among the commercial banks at whatever rate clears the auction. The NBR would still be able to buy foreign exchange outside the auction or reduce the amount it sells at the auction if it is needed to meet its net foreign asset target. The authorities, in designing the auction process, will receive assistance from the Fund's MAE Department. Their intention is to complete the steps needed for adoption of the new institutional arrangement for the foreign exchange market by January 31, 2001. In the interim, steps will be taken to ensure that the margin between the NBR intervention rate and the parallel market rate is further reduced. The central bank will do so by applying an exchange rate in its transactions with banks based on the exchange rates used the previous day in commercial banks' transactions with their clients. The difference between the parallel market rate and the NBR intervention rate will not exceed under any circumstance 12 percent. The staff discussed with the NBR that this system is a second-best solution to be in place only until the auction system is set up with MAE technical assistance.

42. **Improving the soundness of the financial system is a major objective of the authorities for 2001**. The government sees the restructuring of the banking sector, and of the financial system more generally, as a necessary condition for increasing the private savings rate and investment over the medium term and realizing the projected growth rates in the medium-term macroeconomic scenario. The current low levels of both savings and investment are in part related to weaknesses that will be addressed by carrying out the financial sector reforms outlined in Box 3 of the MEFP. Progress in strengthening the banking system is also a prerequisite for the intended gradual liberalization of the capital account.

**External sector issues**

43. **The external current account deficit (excluding official transfers) is projected to decrease** from 16.8 percent of GDP in 2000 to 14.7 percent in 2001, as the effects of the drought on food and export crops are reversed and the price of fuel imports decreases (Table 8). The conservative macroeconomic policies envisaged for 2001 and the depreciated currency since mid-2000[22] would contribute to a narrowing of the current account deficit.

[22] There was a real effective depreciation of 11 percent in the 12 months to September 2000.

Over the medium term, the development of the balance of payments is predicated on continued fiscal adjustment, a strengthened banking system, and robust economic growth of about 6–6.5 percent. The revised macroeconomic scenario[23] envisages a gradual narrowing of the current account deficit to about 10.7 percent of GDP in 2004, based on an acceleration of export volume growth owing to increases in the output of traditional exports of coffee and tea,[24] as well as to the development and improvement of other exports, such as other horticultural products, artisanal products, hides and skins, and textiles.[25] Import volumes are projected to grow at an average rate of 5½ percent a year over the medium term, as the effects of the drought on food crops are reversed, the price of fuel imports decreases, and fiscal adjustment takes place. The services account is also expected to improve because of a gradual resumption of tourism, higher investment income, and a decline in interest payments on public debt.

44. **Private capital flows are expected to gradually increase** over the medium term, owing to greater confidence in the banking system and in the economy as a whole, as well as to the progressive capital account liberalization. Residents are expected to bring money held abroad back into the domestic banking system and the Rwandese diaspora increase the flows

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[23] Compared with the macroeconomic scenario in the staff report for the first review of the second annual arrangement (EBS/00/143) and in the Preliminary HIPC document (EBS/00/144, 7/19/00), the revised scenario shows higher GDP growth and higher export growth rates for the medium and long term. The revised projections reflect new information received from the authorities and private sect or representatives during the Article IV consultation discussions and are consistent with the analysis underpinning the I-PRSP. In particular, there was a revision of expectations about the prospects for traditional exports, as well as for other areas such as horticulture and textiles, where steps are already under way to improve performance. It should be noted that exports currently account for only 4 percent of GDP. Increasing real GDP growth projections from 5 percent to 6–6.5 percent is consistent with a population (employment) growth projection of 3 percent, growth in capital consistent with a gradually rising investment-to-GDP ratio of about 20 percent in the long run, and a 1.5–2 percent annual growth in total factor productivity.

[24] The ongoing rehabilitation of coffee plantations (with increased microfinance assistance to smallholders) and the nearly completed full replacement of coffee plants with higher-yielding varieties, as well as the planned improvements in tea processing and the privatization and restructuring of the tea sector, in the context of clarified land/property rights, expanded feeder roads, and improved extension services, are projected to raise output by about 10–15 percent a year for coffee and tea. The scenario projects that coffee volumes will recover to about 35,000 kilograms by 2006, compared with about 36,000 kilograms in 1984–91. Tea is expected to grow at the rates observed before the genocide and again in the late 1990s.

[25] It may also be possible under the right market conditions to revive mining. Moreover, the authorities are discussing ways to exploit the geographic position of the country and its linguistic identity to develop the services, communications, and financial sectors, with a view to catering to the diverse countries in the region.

of both portfolio and direct investment into private sector projects. Foreign investors are also expected to make direct investments into new, export-oriented sectors, as stability is firmly established in Rwanda and access to the markets of industrial countries improves for African-made products.

45. **The macroeconomic framework for Rwanda shows a financing gap for 2001, which can be met with current pledges of assistance.** The gap, after expected project grants and loans but before exceptional financing, is estimated at about US$76.7 million (Table 8). This amount is covered by already obtained debt relief and refinancing from Paris Club creditors, as well as from non-Paris Club creditors, and the remainder by potential budgetary support from the World Bank, EU, AfDB, and bilateral donors. Given that the existing Paris Club agreement ends in May 2001, Rwanda will need an extension of the Paris Club rescheduling agreement for the second half of that year, as well as topping up from Naples terms to Cologne terms.

46. **In response to terms of trade shocks on account of fuel prices, the government will further revise the existing, generally flexible petroleum pricing mechanism.** Since October 1999, when the petroleum pricing mechanism was introduced, pump prices have gone up 30 percent, reflecting higher international prices, higher transport costs, and the exchange rate depreciation. With a view to having domestic fuel prices reflect more closely international price movements, the government has announced its decision to adjust the price of petroleum products in accordance with a revised pricing mechanism in five stages by end-June 2001—a prior action under the 2001 program. The new mechanism will be calculated on the basis of a three-month (instead of the current six-month) moving average of international prices, and the reference price for calculation of excise duties will be adjusted in the same way.

47. **Regarding regional integration and further trade liberalization, the authorities feel that there is a need to address fully the potential effects.** Specifically, concerning the application of the zero intraregional rate, the government will first carry out background studies on transportation costs and the impact of the proposed rate on domestic industry and fiscal revenue. On the basis of the findings, it subsequently intends to submit a formal request to the EU and other donors for access to the compensation fund and will set a timetable of implementation. In addition, the government plans to convert the 4 percent warehouse tax (Magerwa) into a 1 percent statistical tax and will come up with an appropriate timetable for its implementation, taking into account the revenue implications.

48. Rwanda's trade regime continues to become more liberal. There are currently three tariff bands with dispersion 5, 10, and 25 percent and the average tariff (incorporating all duties and charges) is about 11 percent. In total, Rwanda's rating on the trade restrictiveness index returns to "2" (the level before the imposition of import surcharges in mid-1999. There are currently no explicit nontariff barriers in effect and the import surcharge was eliminated in September 2000.

49. Rwanda's stock of debt is currently estimated at about US$1.3 billion, of which about 88 percent is owed to multilaterals (including 7 percent to the Fund) and the remainder to Paris Club and non-Paris Club creditors in a roughly 1:1 ratio (Tables 9 and 10). Without the

application of the Enhanced HIPC Initiative, total Fund credit, which at end-October 2000 amounted to SDR 56.36 million (or 70.4 percent of quota), is expected to peak in 2001 at 96 percent of quota. Debt service to the Fund will be 10 percent of exports of goods and nonfactor services in 2000. Given its projected adequate reserve coverage and established track record in servicing its debt to the Fund, **Rwanda should be able to meet its financial obligations to the Fund in a timely manner** (Table 11).

## B. Structural Reforms

50. **The authorities are committed to consolidating and accelerating structural reforms, with the assistance of the World Bank, in a wide range of areas** including the civil service and the teachers' corps; privatization; the infrastructural services and regulatory environment for private sector activity; and governance. The measures envisaged in these areas are presented in the MEFP (Box 4). In the area of civil service reform, the goal will be to bring to completion the reforms and to subsequently work with the World Bank in designing and implementing follow-up reforms. In the area of privatization, the authorities are committed to divestiture of all enterprises in the privatization plan. While timetables in privatization may be difficult to adhere to, the government has made commitments in the context of the 2001 program to offer for sale to a strategic investor 51 percent of the telephone company (Rwandatel), put under private management the water, gas, and electricity company (Electrogaz), privatize as many of the tea factories/estates as possible, and implement a plan for the privatization of remaining state companies (which would be drawn up with the assistance of the World Bank). With respect to governance, the authorities are identifying with the assistance of Fund and World Bank staff the necessary reforms and are strongly committed to implementing a comprehensive set of them which, together with measures to strengthen budget planning and execution, should help to safeguard public resources and ensure a hospitable and fair environment for private sector activity.

51. Working with the World Bank and donors, **Rwanda is improving its data on poverty and social indicators and has designed performance indicators for monitoring progress in services delivery and poverty reduction.**[26] The Poverty Observatory at the Ministry of Finance is coordinating a public expenditure tracking and incidence survey that is under way and will be repeated regularly. Moreover, a Household Living Standards Survey (HLSS), which will provide basic household statistics to underpin social and economic indicators, is expected to be available in 2001. A Demographic and Health Survey (DHS) will also be undertaken in 2001, and planning for a population census in 2002 is advanced. Thus, by 2002, when all these exercises will have been completed, the information on which to make an assessment of living conditions in Rwanda will be available. Regarding routine data collection and monitoring of inputs, outputs, and outcomes, a number of efforts are under way in key ministries. The Poverty Observatory is regularly monitoring social and poverty-related indicators. The Ministry of Finance will monitor antipoverty expenditures

[26] In the context of the preparation of I-PRSP, the government has identified a number of poverty and social indicators to be monitored and which will be further refined during the preparation of the full PRSP.

according to the new budget classification and will now automatically produce monthly reports. It will also put in place a system to collect information on donor-financed projects on a regular basis. The Ministry of Health has a comprehensive management information system that allows for improved reporting of both expenditures and services provided at the health district level. A similar system will be developed for the Ministry of Education.

52. **The government is addressing weaknesses in the macroeconomic, financial, and social database**, so as to enhance its capacity for economic analysis and policy formulation. However, there continue to be shortcomings in the national accounts, prices, balance of payments, and monetary statistics, and fiscal expenditure data. Ongoing technical assistance from STA includes balance of payments and monetary statistics missions. The authorities are also likely to request assistance to improve national accounts and price data. Rwanda is strengthening its debt-management capacity with technical assistance from the United Nations Conference on Trade and Development (UNCTAD) and stands to benefit significantly from a debt-monitoring system.

## V. Staff Appraisal

53. Continuing their generally successful reconstruction efforts since the 1994 Genocide, and notwithstanding nonobservance of performance criteria, the Rwandese authorities made significant progress in implementing the 1999/2000 program. Macroeconomic performance has continued to be generally good, with low inflation and quite robust economic growth. The external accounts worsened in 2000, but this was partly on account of external shocks, and the capacity of Rwanda to confront new shocks remains significant on account of a high level of foreign reserves.

54. The staff believes that the breaches in performance criteria vis-à-vis macroeconomic policy targets have various causes. There continue to exist significant capacity constraints in Rwanda affecting policy implementation and monitoring. The authorities are trying to address these problems, but progress has been understandably gradual. There have also been some exogenous shortfalls of fiscal revenue in 2000, although the latter have also been affected by problems in revenue collection. The government has tried to offset the shortfalls with expenditure cuts but has only been partially successful. The revenue shortfalls, together with attempts to limit currency depreciation through intervention, have adversely affected the ability of the authorities to achieve the whole set of quantitative performance criteria. The authorities could have potentially followed a stricter stance but have tended to reflect internal political sensitivities (exacerbated by the recent history of conflict and the need for reconciliation).

55. The staff believes that the program for 2000/01 addresses a number of the factors that prevented the achievement of macroeconomic policy targets in the first nine months of 2000. The main emphasis of the program is on shoring up the capacity of the government to collect fiscal revenue by implementing a broad range of measures in the area of tax administration and policy, including addressing issues of fraud, evasion, and corruption. Taking the envisaged measures and strictly enforcing them and the existing tax laws and regulations, with full political backing, would in the view of the staff permit the collection of revenues envisaged in the 2001 budget. Adoption of the 2001 budget, with the envisaged fiscal

measures, is an important first step toward the realization of revenue targets and demonstrates the commitment of the government to the fiscal effort.

56. To ensure that the fiscal deficit targets for 2000 as a whole will be achieved—despite the shortfall as of end-September, and in order to avoid a weakening of the initial conditions for the program for 2001—the government has taken strong actions, both on the expenditure and revenue sides. The targets for social spending, however, will be protected and could be further increased if additional foreign financing comes in. The staff urges the authorities to make all necessary adjustments in nonsocial expenditures and in their tax and nontax revenue efforts in order to achieve the targeted 2000 budget outcome.

57. In the area of domestic government arrears, the staff welcomes the government's steps—despite significant capacity constraints—to address both problems from the past and to prevent the reemergence of arrears in the future. Regarding the past, the government carried out an investigation into past arrears and reported on the full amount it has up to now identified. It has appropriately decided to repay by end-2002 all such arrears that have been properly verified and has committed to an audit process by a third party on remaining arrears, as some may not be legitimate, before regularizing them. Regarding the prevention of arrears in the future, the envisaged reforms in budget implementation, monitoring, and control, as well as several governance reforms committed to by the government for 2001, should significantly improve financial discipline. Moreover, the authorities have recognized the critical importance of accurate reporting of performance under the program, and understand the serious view taken by the Fund on misreporting.

58. In line with the effort to adopt a program for 2001 that will improve the capacity of the authorities to achieve their stated macroeconomic policy targets, the NBR will be introducing a system of auctions of foreign exchange—a performance criterion under the program. The staff believes that such a system will help in achieving a market-clearing exchange rate in the interbank interventions of the central bank while making it easier for the NBR to achieve its net foreign asset targets. The new approach would also be useful in increasing the transparency of market interventions, eliminating arbitrage opportunities, and avoiding quasi-fiscal losses.

59. The staff urges the NBR to focus on achieving its net domestic asset targets by intervening both on the sterilization and refinancing side in 2001. To increase its capacity to sterilize liquidity—which was limited in the past—the NBR will be introducing auctions of its own paper. Moreover, the exclusion of foreign currency by banks to fulfill the reserve requirement will help reduce the large holdings of excess reserves by banks and will increase the control of the NBR over reserve money. These steps in the context of the 2001 program will increase the capacity of the authorities to meet the monetary policy targets and performance criteria under the program.

60. An important feature of the program for 2001 is the large increase in antipoverty expenditure, which is based on the results of social sector expenditure reviews and consultations with donors, and is consistent with the I-PRSP. It is significant that such increases are due, inter alia, to a reallocation of resources from defense expenditure, which is consistent with the authorities' commitment to reduce military spending over the medium

term. Equally important as in the increase in the amount of antipoverty spending is the redefinition of such spending, starting from 2001, to include expenditures shown to have a large antipoverty impact, irrespective of whether they are from the education and health sectors or other areas. The staff welcomes the proactive approach followed by the government regarding both the amount and composition of antipoverty expenditure, as well as its efforts to further improve the monitoring of the level and efficiency of such spending, and it urges the authorities to maintain the generally good record they have in this area.

61. The medium-term macroeconomic framework of the program recognizes the conditions necessary for achieving a sustained high-growth performance of at least 6 percent per year and for decisively reducing poverty. They include creating the kind of macroeconomic environment that reduces the risk of macroeconomic instability by constraining fiscal and external imbalances, and that permits private sector savings and investment to improve consistently over time; preserves the debt sustainability that would be provided via application of the HIPC Initiative; allocates an increasing amount of fiscal resources to social/antipoverty spending; and channels adequately government investment in both physical and human capital for long-term growth and the diversification of exports. At the same time, there are substantial risks that could delay the achievement of these medium-term goals. The most serious risk would be slow or incomplete implementation of key measures to improve fiscal revenue performance, carry out civil service reform, rationalize expenditure, and develop an efficient foreign exchange market. In addition, a terms of trade shock during the initial years of the scenario, when exports are still heavily concentrated in coffee and tea, could also threaten the improvement of the current account. The authorities are well aware of these risks, as well as of the importance of pushing ahead as quickly and consistently as possible with the needed policies.

62. The ongoing efforts to improve the budget preparation and execution process are aimed at achieving a better costing, prioritization, and reallocation of spending, with a view to efficiency, transparency, the antipoverty impact, and savings. The introduction of an MTEF (including a new functional budget classification) with the 2001 budget is an important step in this direction, undertaken under the 2001 program. While there is scope for improvement of the MTEF (e.g., vis-à-vis costing), its introduction appears to have already made some difference in the prioritization of budgetary expenditures for the 2001 budget, and in the redefinition and raising of the level of social/antipoverty spending under the PRGF-supported program for 2001. The staff urges the government to continue its efforts to apply and improve the MTEF and other reforms in the area of budget preparation and implementation.

63. There has been some progress in structural reforms, although with delays in certain areas. In the area of civil service reform, the staff urges the authorities to bring to completion the reforms that are well under way—in particular the implementation of the public service organizational structures—and to limit new recruitment to the replacement of unqualified staff, outside meeting the needs of the social/antipoverty and justice areas. Regarding the teachers' corps reform, the aim should be to gradually expand the number of qualified teachers in accordance with the plan to provide universal primary education by 2005. The early adoption of the civil servants' code that is currently with parliament is important for

improving organizational and salary structures, as well as for improving transparency and efficiency in the civil service.

64. Good progress has been maintained in strengthening the soundness of the financial system. It is now important that the NBR's supervisory capacity be further strengthened, the recommendations for improving nonperforming loan recovery through the *voie parée* be adopted, the arbitrage center be given the necessary legal authority, and restructuring plans for the savings and loan cooperatives and the CSR be adopted as early as possible.

65. Despite delays, some progress has been made in the area of privatization. The staff urges the government to proceed rapidly with its plans to offer for sale to a strategic investor 51 percent of Rwandatel, put Electrogaz under private management in preparation for its privatization, and privatize the tea factories/estates. It is also looking forward to the production (with the help of the World Bank) and implementation of a realistic and ambitious privatization plan for the companies remaining in state hands and slated for privatization.

66. Many measures in the 2001 program reflect the view that good governance is critical to achieving Rwanda's development objectives, and the staff urges the authorities to fully implement them. These include, among others, the adoption of an organic budget law and a public accounts law; the issuing and enforcement of financial regulations based on the organic budget law; the further strengthening of the Auditor General's Office; the adoption of the law on public tendering; the adoption of an MTEF; the identification of all extrabudgetary funds, projects, and transactions, with a view to incorporating them into the 2002 budget; the adoption and implementation of public expenditure tracking surveys; the establishment of commercial and tax courts; and the review and minimization of all waivers and exemptions from duties and taxes. Virtually all of these measures are essential building blocks for the good management of public finances and would help ensure the achievement of the poverty reduction and macroeconomic targets.

67. The staff urges the authorities to pursue a prudent debt strategy, given the debt situation of Rwanda. In this context, all external borrowing would have to be on concessional terms, defined as loans having a grant element of at least 50 percent, and external payments arrears should not be incurred. At the same time, it will be important that donors continue to provide significant financing in the form of grants after the decision point under the enhanced HIPC Initiative, as even after full application of the Initiative, Rwanda's debt ratios would stay above debt sustainable levels.

68. Rwanda's economic, social, and financial database is broadly adequate for program monitoring. The authorities are aware, however, that there remain important data weaknesses with regard to most macroeconomic statistics and sociodemographic indicators that hamper analysis of economic development and their impact on poverty. The staff urges the authorities to make this a priority area as continuing deficiencies therein could undermine their capacity to adequately perform under the program, and thus endanger the timing of future donor flows. In this connection, the authorities are encouraged to expedite the implementation of the recommendations made by recent Fund missions in the monetary and balance of payments statistics and to consider requesting technical assistance in the other areas as needed.

69. The staff believes that, despite some shortcomings, the Rwandese authorities made progress in the stabilization and structural reform areas while implementing the 1999/2000 program. They have also been willing to take corrective actions, when necessary, in response to fiscal slippages and delays in structural reforms. Moreover, in the 2000/01 program the authorities are aiming through concrete steps to ensure that the sources of shortcomings in earlier program performance are addressed, while reorienting policies to more effectively achieve sustained economic growth and poverty reduction. Their commitment to strictly implementing the economic program is indicated by their undertaking significant prior actions. Nevertheless, the staff urges the authorities to implement the 2000/01 program fully and strictly so as to ensure that the conditions are in place for the envisaged HIPC relief to continue to be provided. To support the efforts of the authorities, substantial international assistance on concessional terms, including through debt relief under the enhanced HIPC Initiative, is critical. In addition, it is important that substantial technical assistance continues in the areas of institutional capacity building and emphasizes the training of local staff. On this basis, the staff recommends approval of the authorities' request for a third annual arrangement under the PRGF.

70. It is proposed that the next Article IV consultation with Rwanda be held on the standard 12-month cycle.

## VI. 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.

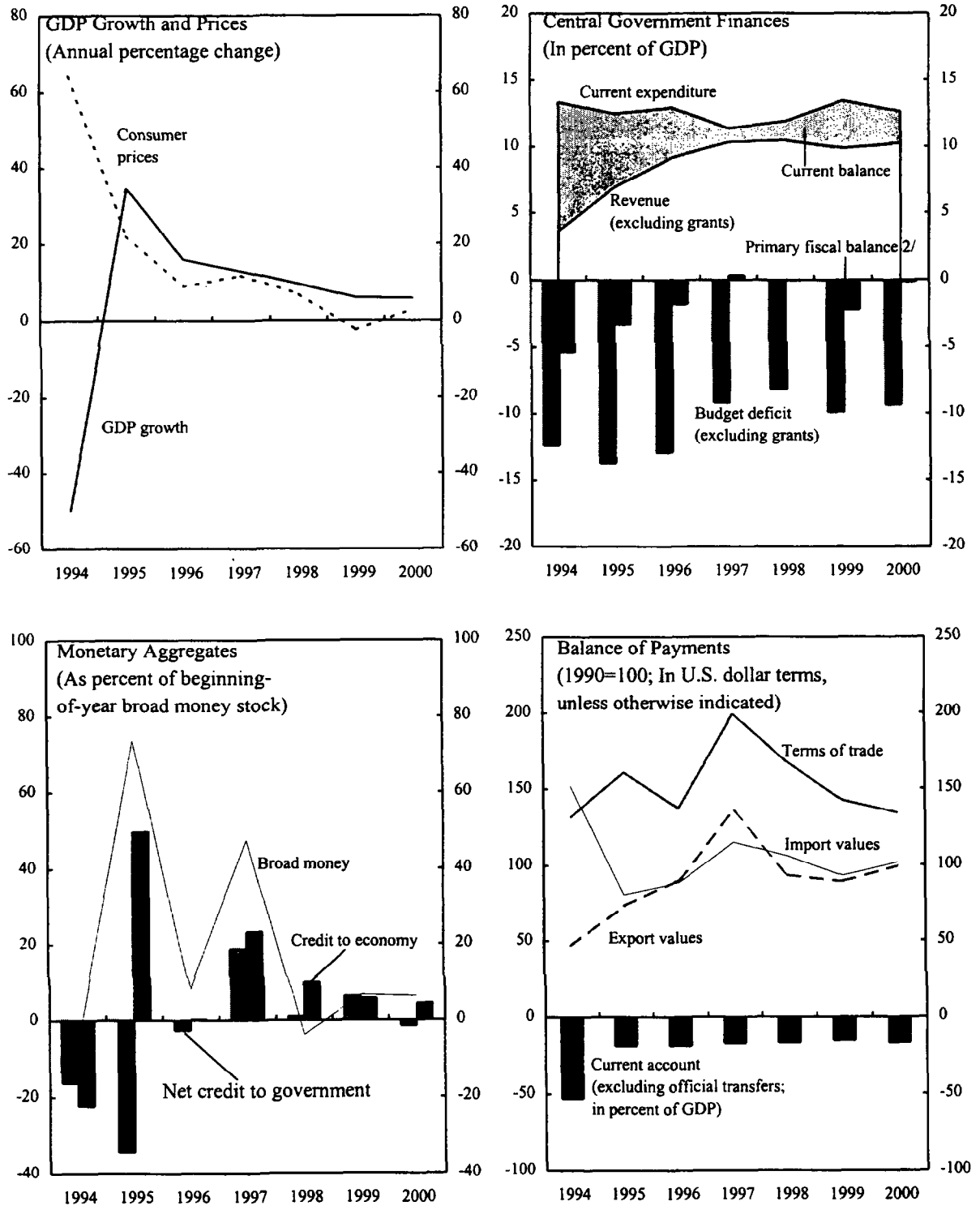
2. The Fund has appraised the progress of Rwanda in implementing economic policies and achieving the objectives under the program supported by the second annual arrangement. The Fund has reviewed the Interim Poverty Reduction Strategy Paper (I-PRSP) submitted by Rwanda and concludes that it provides 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.

Figure 1. Rwanda: Selected Economic and Financial Indicators, 1994-2000 1/

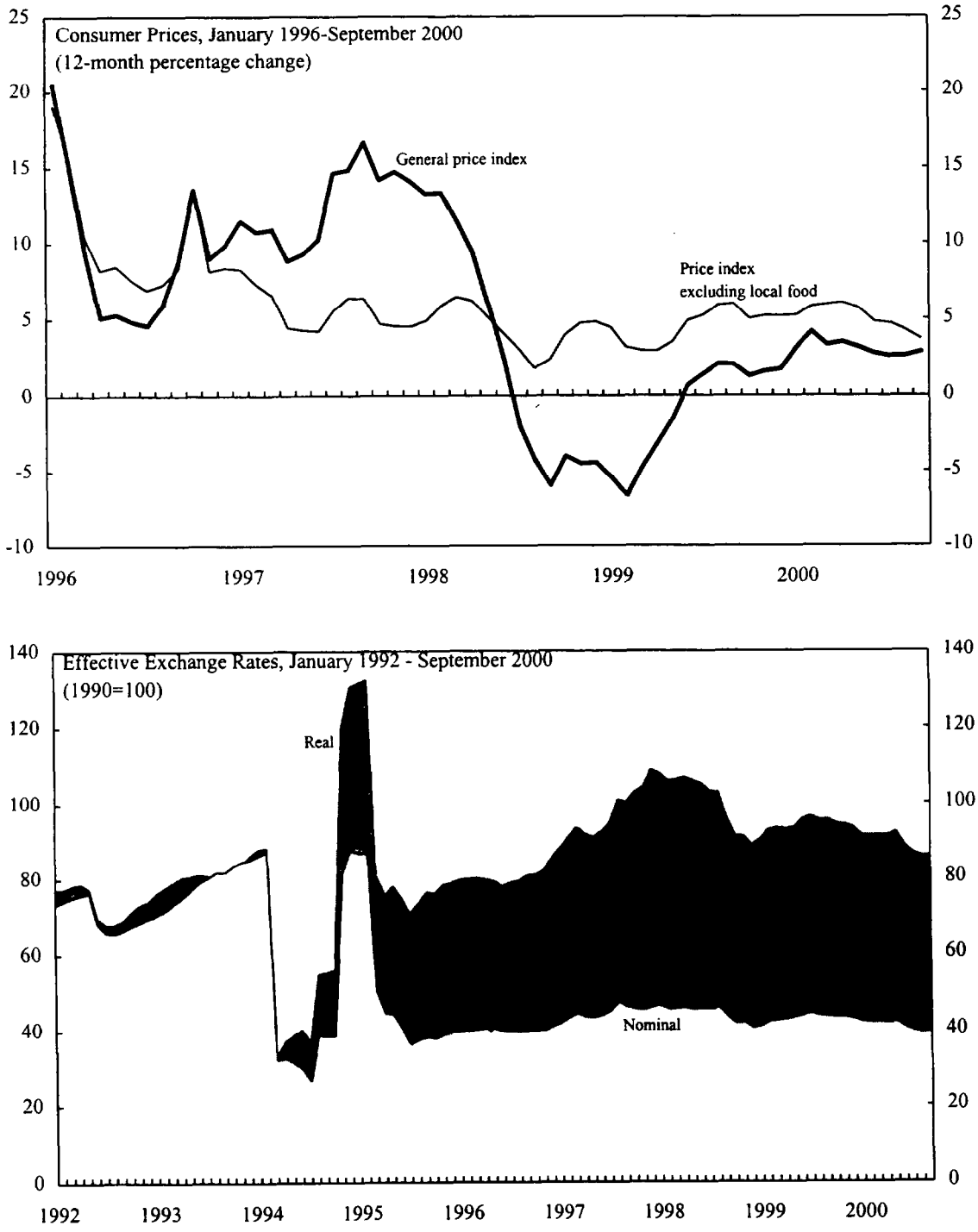



Sources: Rwandese authorities; and Fund staff estimates and projections.

1/ Data for 2000 are projections.

2/ Excluding exceptional social spending and domestically-financed capital expenditure.

Figure 2. Rwanda: Consumer Prices and Exchange Rates




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

Table 1. Rwanda: Proposed Prior Actions for the Submission of Request to the IMF Executive Board for Consideration of the Third Annual PRGF Arrangement 2000/2001

1. Adoption by Cabinet and submission to parliament of a 2001 Budget Law consistent with the revenue and expenditure targets agreed with the Fund staff.
2. Issuance of an administrative directive to reconcile monthly the SGS valuation of imports with that of customs and justify differences of implied taxation.
3. Announcement by the government, concurrent with the presentation of Budget to parliament, of the decision to tax petroleum products on the basis of a revised petroleum pricing mechanism with implementation in five equal instalments—between February 2001 and June 2001—by:
   (a) applying a 3-month moving average of international petroleum prices, and
   (b) adjusting the reference price for taxation in line with the 3-month moving average.
4. Adopt, as part of the Budget Law for 2001, a 5 percent withholding tax on imports, deductible from profit tax, with introduction from March 1, 2001.
5. The RRA to complete audits[1] of 100 large companies 1998 tax returns by Dec. 15, 2000.
6. Complete the audits of the accounts of the Ministries of Public Works, Transport and Communications, Energy, Water and Natural Resources, Defense, and Education and avail the reports at least in one language.

[1] This is to understand that the audit reports are issued to the companies.

Table 2. Rwanda: Quantitative Performance Criteria and Benchmarks Under the Second and Third Annual PRGF Arrangements, 1999-2001
(In billions of Rwanda francs, unless otherwise indicated)

| | 1999 | | 2000 | | | | 2001 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sep. | Dec.* | Mar. | Jun.* | Sep. | Dec. | Mar.* | Jun. | Sep.* | Dec. |
| | | | PRGF II | | | | PRGF III | | | |
| | (Performance criteria, on test dates*, and quantitative benchmarks) | | | | | | | | | |
| Net foreign assets of the NBR (floor on stock) 1/ | | | | | | | | | | |
| Actual (program exchange rate) | 22.8 | 25.5 | 23.2 | 15.8 | 17.8 | ... | ... | ... | ... | ... |
| Adjusted program | 29.3 | 30.8 | 26.4 | 23.8 | 23.1 | ... | ... | ... | ... | ... |
| Program 2/ | 28.0 | 28.0 | 26.6 | 25.1 | 22.0 | 25.6 | 24.3 | 23.9 | 23.1 | 22.3 |
| Net domestic assets of the Banking System (ceiling on stock) | | | | | | | | | | |
| Actual (program exchange rate) | 60.9 | 61.9 | 61.2 | 75.8 | 70.4 | ... | ... | ... | ... | .. |
| Adjusted program 3/ | ... | .. | ... | ... | ... | ... | ... | ... | ... | ... |
| Program 2/ | ... | ... | ... | ... | ... | 59.6 | 62.8 | 65.0 | 67.7 | 70.4 |
| Net domestic assets of the NBR (ceiling on stock) | | | | | | | | | | |
| Actual (program exchange rate) | 11.5 | 14.9 | 12.1 | 21.3 | 17.7 | ... | ... | ... | ... | ... |
| Adjusted program 3/ | 7.6 | 6.6 | 11.6 | 14.6 | 13.1 | ... | ... | ... | ... | ... |
| Program 2/ | 8.9 | 9.4 | 11.4 | 13.3 | 16.0 | ... | ... | ... | ... | ... |
| Net credit to the central government by the banking system (ceiling on stock) 4/ | | | | | | | | | | |
| Actual | 27.1 | 32.4 | 26.5 | 34.7 | 33.6 | ... | ... | ... | ... | .. |
| Adjusted program | 22.5 | 24.0 | 32.6 | 31.1 | 27.5 | ... | ... | ... | ... | ... |
| Program 2/ | 23.8 | 26.9 | 32.4 | 29.8 | 28.6 | 32.8 | 33.3 | 32.8 | 32.8 | 32.8 |
| New nonconcessional external debt (ceiling on flow) 5/ | | | | | | | | | | |
| Actual | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | ... | ... | ... | ... | ... |
| Program 2/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Short-term external debt (ceiling on stock) 6/ | | | | | | | | | | |
| *Actual* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | ... | ... | ... | ... | ... |
| Program 2/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Primary fiscal balance (floor on cumulative flow since Dec. 31) 7/ 8/ | | | | | | | | | | |
| Actual | -11.5 | -14.4 | 5.7 | 4.2 | -0.8 | ... | ... | ... | ... | ... |
| Adjusted program | -4.8 | -4.9 | -0.3 | 3.3 | 2.1 | ... | ... | ... | ... | ... |
| Program 2/ | -5.8 | -4.5 | -1.5 | 2.8 | 1.8 | -1.5 | 1.3 | 4.1 | 1.4 | 1.1 |
| Stock of outstanding nonrescheduled external arrears (ceiling on stock) 9/ | | | | | | | | | | |
| Actual | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | ... | ... | ... | ... | ... |
| Program 2/ | 0.0 | 0.0 | 0.0 | 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 | 0.4 | -4.0 | 1.6 | -2.0 | 0.9 | ... | ... | ... | ... | ... |
| Program 2/ | -2.8 | -3.5 | -0.2 | -1.5 | -2.5 | -4.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Social spending (floor on cumulative flow since Dec. 31) 10/ | | | | | | | | | | |
| Actual | 17.7 | 25.1 | 4.5 | 10.9 | 18.3 | ... | ... | ... | ... | ... |
| Program 2/ | 18.6 | 24.8 | 5.8 | 11.4 | 18.6 | 28.4 | 6.0 | 14.5 | 25.5 | 36.5 |
| | (Indicative targets) | | | | | | | | | |
| Reserve money (ceiling on stock) | | | | | | | | | | |
| *Actual* | 34.2 | 40.4 | 35.3 | 37.1 | 35.5 | ... | ... | ... | ... | ... |
| Adjusted program | 36.9 | 37.4 | ... | ... | ... | ... | ... | ... | ... | ... |
| Program 2/ | 36.9 | 37.4 | 38.0 | 38.5 | 38.0 | 37.9 | 38.8 | 39.6 | 40.5 | 41.3 |
| Budgetary revenue (floor on cumulative flow since Dec. 31) | | | | | | | | | | |
| Actual | 47.6 | 63.6 | 20.1 | 36.0 | 51.6 | ... | ... | ... | ... | ... |
| Program 2/ | 49.5 | 71.0 | 15.6 | 38.5 | 56.8 | 69.6 | 18.7 | 39.9 | 60.1 | 81.3 |
| Wage bill (ceiling on cumulative flow since Dec. 31) | | | | | | | | | | |
| Actual | 25.6 | 34.4 | 8.3 | 17.5 | 26.6 | ... | ... | ... | ... | ... |
| Program 2/ | 26.3 | 34.0 | 8.7 | 17.5 | 26.2 | 36.0 | 9.0 | 18.5 | 28.5 | 38.6 |
| Memorandum items. | | | | | | | | | | |
| Total external budgetary support and social spending adjustment (min (A, B) ) 11/ | -1.3 | -2.9 | 0.2 | 1.3 | -1.1 | ... | ... | ... | ... | ... |
| Cap on external budgetary support adjustment (A) | 9.0 | 12.0 | 9.0 | 11.0 | 13.0 | 15.0 | 9.0 | 11.0 | 13.0 | 15.0 |
| Uncapped external budgetary support and social spending adjustment (B = C + D ) | -1.3 | -2.9 | 0.2 | 1.3 | -1.1 | ... | ... | ... | ... | ... |
| Budgetary support cumulative shortfall + (excess - ) (C) | -0.6 | -2.0 | 2.4 | 1.8 | 1.2 | ... | ... | ... | ... | ... |
| Financed social and exceptional social spending, excess + (shortfall - ) ( D = min (E, F) ) | -0.7 | -0.9 | -2.3 | -0.5 | -2.4 | ... | ... | ... | ... | ... |
| Budgetary support cumulative excess + (shortfall = 0 ) (E) | 0.6 | 2.0 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... |
| Social and exceptional social spending, excess + (shortfall - ) (F) | -0.7 | -0.9 | -2.3 | -0.5 | -2.4 | -2.4 | ... | ... | ... | ... |

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

1/ Net foreign reserves are defined for this purpose, 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 liabilities, are to be excluded.

2/ *"Program" targets for 2000 are revised program targets.*

3/ If the required reserve ratio changes, the ceiling on NDA of the NBR will be adjusted by the absolute change in the ratio times the projected deposit base of the commercial banks.

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

5/ From December 2000 onwards, the definition of net credit to government by the banking system has been changed to exclude public nongovernmental deposits.

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

7/ The primary fiscal balance is defined as total revenue (excluding privatization proceeds) minus current expenditure (excluding scheduled interest payments and exceptional social expenditure) minus domestically financed capital expenditure.

8/ The primary fiscal balance is adjusted downwards to accommodate any fully-externally-financed excess social spending.

9/ To be monitored on a continuous basis.

10/ The definition of social spending from March 2001 has been changed to include a larger variety of social/antipoverty spending. Before March 2001, social spending is defined as expenditures by the ministries of health and education.

11/ Applies to net domestic assets of the NBR up to September 2000, to net domestic assets of the banking system from December 2000 onwards, and to net credit to the central government by the banking system, and, in the opposite direction, to net foreign assets of the NBR. Cumulative shortfall (excess - ) in budget support, excluding debt relief from Paris Club and non-Paris Club creditors, since December 31. The adjustment in case of a shortfall is capped at RF 12 billion at end December 1999, and at RF 9 billion, RF, 11 billion, RF 13 billion, and RF 15 billion at end-March, June, September, and December 2000, respectively. Excludes shortfalls in amounts used to repay domestic debt.

Table 3. Rwanda: Proposed Structural Performance Criteria and Benchmarks for the First and Second Review under the Third Annual PRGF Arrangement, 2000/2001

| Action | Timing |
|---|---|
| Develop a system for monitoring poverty related expenditures on a monthly basis[1] | January 1, 2001 |
| Begin collecting taxes under VAT law[2] | January 1, 2001 |
| The NBR to conduct weekly auctions to sell foreign exchange to the highest bidder among the commercial banks at whatever rate clears the auction[2] | January 31, 2001 |
| Prepare a monitorable action plan for further strengthening the Auditor General's office, and a strategy and timetable for delivering a full audit of public accounts annually[1] | End-February 2001 |
| Completion of audits of the large companies' 1998 tax returns and completion of 40 audits of 1999 returns[1] | End-March 2001 |
| Issue financial instructions in accordance with the organic budget law[2] | End-June 2001 |
| Submit to Parliament TPR law to make all salary allowances in cash and in kind fully subject to TPR[1] | End-June 2001 |
| Adopt law that allows for the efficient and timely enforcement of arbitration awards rendered by the arbitrage center[2] | End-June 2001 |
| Effect improvements in the system of the *voie parée* in accordance with the recommendation of the interministerial committee established for the purpose[1] | End-June 2001 |
| Offer 51 percent of Rwandatel to a strategic investor[1] | September 2001 |
| Achieve collection rate of 75 percent of tax assessment within one month of assessment through strict application of reminder enforcement procedures[1] | September 2001 |
| Maintain and achieve voluntary declaration and payment compliance rates of at least 95 percent for large enterprises and at least 40 percent for SME (from 95 percent and 10 percent, respectively in 1999)[1] | September 2001 |
| Complete a review of all waivers and exemptions from import duties and taxes, produce a plan that provides for their elimination by a specific date (with the exception of those established under international treaties) and propose in accordance with this plan that some of the waivers or exemptions will be eliminated with effect for the 2002 budget.[2] | September 2001 |
| Establish a *Tribunal de Commerce* (Commercial Court) and a *Tribunal Fiscal* (Tax Court)[1] | End-December 2001 |

[1]Structural benchmark.
[2]Structural performance criterion.

Table 4. Rwanda: Structural Performance Criteria and Benchmarks Under the Second Annual PRGF Arrangement, 1999/2000 1/

| Reform | Original Timing | Status |
|---|---|---|
| Implement tax-inclusive tendering (*toute taxe comprise*).[2] | 2000 budget | Done January 2000 |
| Submit to parliament a draft value-added tax (VAT) law and publicize proposed VAT introduction.[3] | End-December 1999 | Done end-March 2000 |
| Introduce VAT.[3] | End-July 2000 | Postponed to January 1, 2001 |
| Promulgate an organic budget law that requires a macroeconomic framework for budget preparation and defines timing and responsibilities in the budget process.[2] | End-1999 | Draft law submitted to parliament in August 2000 |
| Implement functional classifications for the recurrent and development budgets; adapt the classification for the health and education ministries, consistent with key objectives/programs for these sectors.[2] | January 2000 | Done, to be fully implemented in 2001 Budget |
| Implement central computerized civil service database to manage entry/exit.[2] | March 2000 | Done for Ministry of Public Service and Labour, to be extended to other ministries by end-December 2001 |
| Complete redeployment of staff within all ministries in line with the new *cadres organiques.* | October 2000 | Done |
| Sell, bring to the point of sale, or liquidate government's shares of a cumulative total (since mid-1998) of 46 enterprises out of a divestiture program of 69 enterprises, based on the agreed quarterly timetable.[2, 4] | Mid-2000 | Done for 15 out of 22 companies to be brought to the point of sale by September 2000 |
| Reduce by 50 percent the temporary import surcharges from their current level of 10–15 percent.[3] | End-December 1999 | Done |
| Eliminate import surcharge. | July 2000 | Done |
| Reach agreement with all commercial banks on revised restructuring plans over three years in line with the recommendations of the recently completed audits agreed upon among the BNR, the auditors, and the banks.[3] | End-December 1999 | Partially implemented by end-1999; fully implemented by end-June 2000 |
| Adopt an action plan for the financial and operational restructuring of the Caisse Social du Rwanda (CSR), and reach agreement with the CSR on the amount and modalities of consolidation of the government's debt to the CSR.[2] | December 1999 | Agreement on consolidation reached April 2000; action plan on restructuring pending completion of actuarial study (expected for end-2000) |

[1] Adoption of a satisfactory budget for 2000 would be a condition for completion of the first review of the second annual PRGF arrangement (July 1999-June 2000).
[2] Structural benchmark for second annual PRGF arrangement.
[3] Structural performance criterion for second annual PRGF arrangement.
[4] Under the original plan a total of 46 enterprises, out of a total of 69 remained to be divested. At end-September 1999, 19 enterprises had been sold, 3 were under liquidation, and the minority shares in 1 had been sold. The **timetable for divestiture** was as follows:
**End- 1999 (14)** - Coffee Factory Masaka; Mukamira Maize Factory; Lake Ihema Fisheries; Couvoir National de Rubirizi; Gishwati Dairy Plant; Pyrethrum Factory (OPYRWA); Papeterie du Rwanda; Oprovia Warehouses; Hotel Izuba; Hotel Akagera; Guest House Kinigi; Sopab;* Sorwal;* Sonafruit.*
**End-June 2000 (9)** - Rwamagana Rice Mill; Bugarama Rice Mill; Butare Rice Mill; Caisse hypothécaire du Rwanda;* Rwandex; Soproriz; Rwantexco;* Tabarwanda;* Caisse d'épargne du Rwanda.
**End-2000 (16)** - Tea factories (9); Rwandatel; Etiru;* Imprisco; Magerwa;* Onatracom; Sorwathe;* Redemi.
**End-2001 (7)** - Banque Commerciale du Rwanda; Banque Rwandaise de Developpement;* BACAR;*Banque de Kigali;* Electrogaz; Sonarwa;* Bralirwa*. (* = government (minority) shares to be sold)

Table 5. Rwanda: Selected Economic and Financial Indicators, 1994-2004

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | | 2000 | | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Est. | Prog. | Prel. Est. | Prog. | Rev. Prog. | Program | | | |
| | (Annual percentage changes, unless otherwise indicated) | | | | | | | | | | | | |
| Output and prices | | | | | | | | | | | | | |
| Real GDP growth | -50.2 | 34.4 | 15.8 | 12.8 | 9.5 | 5.0 | 5.9 | 5.0 | 5.2 | 6.0 | 6.4 | 6.4 | 6.5 |
| GDP deflator | 17.2 | 51.3 | 10.4 | 15.5 | 2.6 | 2.0 | -3.5 | 3.0 | 1.1 | 3.0 | 3.0 | 3.0 | 3.0 |
| Consumer prices (period average) | 64.0 | 22.0 | 8.9 | 11.7 | 6.8 | -2.5 | -2.4 | 3.0 | 4.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Consumer prices (end of period) | 64.4 | 38.3 | 9.2 | 16.6 | -6.0 | 2.5 | 2.1 | 3.0 | 6.8 | 3.0 | 3.0 | 3.0 | 3.0 |
| External sector | | | | | | | | | | | | | |
| Export, f.o.b (in U.S. dollars) | -52.5 | 56.8 | 22.9 | 50.0 | -31.0 | 13.6 | -4.5 | 9.5 | 11.7 | 15.1 | 12.6 | 18.4 | 21.1 |
| Imports, f.o.b (in U.S. dollars) | 37.2 | -47.2 | 9.9 | 30.1 | -7.8 | -5.4 | -12.2 | 11.4 | 9.5 | 1.2 | 7.3 | 6.9 | 5.6 |
| Export volume 1/ | -60.3 | 21.4 | 39.4 | 13.4 | -8.9 | 25.1 | 11.8 | 10.1 | 12.2 | 15.5 | 11.1 | 16.9 | 20.5 |
| Import volume 1/ | 28.2 | -49.8 | 6.3 | 42.9 | 2.2 | -8.6 | -12.7 | 6.5 | 3.8 | 2.7 | 5.0 | 5.3 | 4.1 |
| Nominal effective exchange rate (end of period; depreciation -) 2/ | 2.9 | -54.8 | 3.8 | 12.3 | -11.9 | 8.6 | 5.7 | ... | -9.3 | ... | | ... | ... |
| Real effective exchange rate (end of period; depreciation -) 2/ | 51.9 | -39.7 | 8.6 | 26.9 | -18.3 | 7.6 | 5.3 | ... | -9.8 | ... | .. | ... | ... |
| Terms of trade (deterioration -) 1/ | 11.8 | 22.6 | -14.7 | 45.3 | -16.1 | -12.3 | -15.0 | -4.9 | -5.7 | 1.1 | -0.8 | -0.2 | -0.9 |
| Government finance | | | | | | | | | | | | | |
| Revenue and grants | -80.4 | 716.9 | 15.1 | 35.4 | 3.3 | 1.8 | 3.3 | 10.5 | -5.8 | 20.9 | 16.4 | 15.3 | 12.0 |
| Revenue | -76.7 | 283.4 | 70.5 | 47.3 | 13.7 | 7.6 | -3.6 | 18.6 | 10.4 | 15.7 | 18.4 | 13.9 | 13.0 |
| Total expenditure and net lending | -60.5 | 161.3 | 37.1 | 15.1 | 7.1 | 17.0 | 8.6 | 21.1 | 5.4 | 14.0 | 8.8 | 10.0 | 9.6 |
| Current expenditure | -49.0 | 89.7 | 32.7 | 14.6 | 17.6 | 13.5 | 15.7 | 3.6 | -0.4 | 11.2 | 4.8 | 8.5 | 9.6 |
| Money and credit | | | | | | | | | | | | | |
| Net domestic assets 3/ | 1.2 | 3.2 | -7.4 | 35.1 | -6.0 | 10.3 | 10.0 | 12.5 | -0.4 | 9.7 | ... | ... | ... |
| Domestic credit 3/ | -38.7 | 15.3 | -2.6 | 42.1 | 9.9 | 7.5 | 12.9 | 12.8 | 1.4 | 10.9 | ... | ... | ... |
| Government 3/ | -16.5 | -34.4 | -2.8 | 18.8 | 1.0 | 0.6 | 8.0 | -4.9 | -1.9 | 0.0 | ... | ... | ... |
| Economy 3/ | -22.3 | 49.7 | 0.2 | 23.3 | 8.9 | 9.2 | 4.8 | 17.6 | 3.2 | 10.9 | ... | ... | ... |
| Money and quasi money (M2) | -6.5 | 73.7 | 8.2 | 47.5 | -3.9 | 5.0 | 6.6 | 8.2 | 6.3 | 7.7 | ... | ... | ... |
| Reserve money | 10.0 | 43.1 | 21.5 | 14.6 | -11.0 | 5.0 | 13.5 | -1.8 | -6.3 | 9.1 | ... | ... | ... |
| Velocity (ratio of GDP to M2; end of period) | 4.5 | 5.3 | 6.2 | 5.5 | 6.5 | 6.6 | 6.2 | 6.3 | 6.2 | 6.3 | ... | ... | ... |
| Interest rate (one-year savings deposits, in percent; end of period) 2/ | 9.0 | 12.0 | 11.0 | 11.4 | 10.0 | 9.8 | 10.1 | ... | 9.7 | ... | ... | ... | ... |
| | (In percent of GDP, unless otherwise indicated) | | | | | | | | | | | | |
| National income accounts | | | | | | | | | | | | | |
| National savings (excluding official transfers) | -41.3 | -4.1 | -3.5 | -2.4 | -1.2 | -0.2 | -0.9 | 1.2 | -1.1 | 2.1 | 4.2 | 6.3 | 8.1 |
| *Of which:* private (including public enterprises) | -31.6 | 1.5 | 0.4 | -1.4 | 0.3 | 2.0 | 2.6 | 3.5 | 1.5 | 4.3 | 5.0 | 6.3 | 7.7 |
| Gross investment | 11.7 | 15.0 | 15.5 | 14.9 | 15.7 | 15.6 | 14.3 | 17.9 | 15.7 | 16.8 | 17.6 | 18.4 | 18.8 |
| *Of which:* private (including public enterprises) | 9.0 | 6.9 | 6.4 | 6.7 | 9.0 | 8.0 | 8.0 | 9.0 | 9.0 | 9.4 | 9.8 | 10.2 | 10.6 |
| Government finance | | | | | | | | | | | | | |
| Total revenue and grants | 4.5 | 18.2 | 16.4 | 17.0 | 15.7 | 14.9 | 15.8 | 16.0 | 14.0 | 15.5 | 16.5 | 17.4 | 17.8 |
| Total revenue | 3.6 | 6.9 | 9.1 | 10.3 | 10.4 | 10.5 | 9.8 | 10.7 | 10.2 | 10.8 | 11.7 | 12.2 | 12.6 |
| Total expenditure and net lending | 16.0 | 20.6 | 22.1 | 19.5 | 18.6 | 20.3 | 19.7 | 21.9 | 19.6 | 20.5 | 20.3 | 20.4 | 20.4 |
| Capital expenditure | 2.7 | 8.1 | 9.1 | 8.1 | 6.7 | 7.7 | 6.3 | 9.1 | 7.0 | 7.6 | 8.0 | 8.2 | 8.2 |
| Current expenditure | 13.4 | 12.5 | 12.9 | 11.4 | 11.9 | 12.6 | 13.5 | 12.8 | 12.6 | 12.9 | 12.3 | 12.2 | 12.2 |
| Primary fiscal balance | | | | | | | | | | | | | |
| Excluding exceptional expenditure and including domestic capital expenditure | -5.4 | -3.3 | -1.8 | 0.3 | 0.0 | -0.7 | -2.2 | 0.1 | -0.1 | 0.2 | 0.8 | 1.0 | 1.0 |
| Overall balance (payment order) | | | | | | | | | | | | | |
| Including grants | -11.5 | -2.4 | -5.7 | -2.4 | -2.9 | -5.4 | -3.9 | -5.8 | -5.5 | -4.9 | -3.8 | -3.0 | -2.6 |
| Excluding grants | -12.4 | -13.8 | -12.9 | -9.2 | -8.1 | -9.8 | -9.9 | -11.2 | -9.3 | -9.6 | -8.6 | -8.2 | -7.8 |
| External sector | | | | | | | | | | | | | |
| External current account balance | | | | | | | | | | | | | |
| Including official transfers | -6.0 | 4.2 | -0.2 | -3.2 | -4.8 | -5.9 | -2.3 | -9.5 | -8.4 | -9.2 | -8.4 | -7.0 | -4.4 |
| Excluding official transfers | -53.0 | -19.1 | -19.0 | -17.3 | -16.9 | -15.8 | -15.3 | -16.7 | -16.8 | -14.7 | -13.4 | -12.1 | -10.7 |
| External debt (end of period in percent of GDP) 4/ | 82.7 | 79.0 | 61.2 | 57.4 | 57.4 | 61.2 | 67.5 | 65.6 | 77.5 | 76.8 | 68.5 | 65.8 | 60.8 |
| Net present value of external debt after rescheduling 5/ 6/ (in percent of exports of goods and nonfactor services) | ... | ... | ... | 423.5 | 588.3 | 557.7 | 523.6 | 656.9 | 576.5 | 538.0 | 490.1 | 448.0 | 397.0 |
| Debt-service ratio (in percent of exports of goods and nonfactor services) | | | | | | | | | | | | | |
| After debt rescheduling 5/ 6/ | 55.4 | 54.3 | 44.0 | 24.6 | 33.9 | 40.5 | 42.7 | 51.9 | 30.8 | 28.9 | 24.3 | 18.7 | 17.8 |
| Gross reserves (in months of imports, c.i.f) | 1.3 | 5.0 | 5.0 | 5.4 | 6.1 | 7.3 | 7.4 | 6.7 | 6.8 | 7.0 | 6.6 | 6.4 | 6.2 |
| | (In millions of U.S. dollars, unless otherwise indicated) | | | | | | | | | | | | |
| Overall balance of payments | -44.1 | 51.2 | -0.9 | 11.7 | -25.5 | -112.5 | -14.4 | -132.8 | -122.3 | -87.4 | -50.4 | -34.3 | -13.8 |
| External arrears 7/ | 66.5 | 61.5 | 78.9 | 97.3 | 43.1 | 0.0 | 48.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| External financing gap 8/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 145.6 | 0.0 | 158.7 | 149.4 | 76.5 | 57.3 | 42.0 | 22.5 |
| External debt (end of period) 4/ | 1,012.6 | 1,063.0 | 1,111.9 | 1,137.9 | 1,154.4 | 1,254.3 | 1,301.7 | 1,372.4 | 1,375.2 | 1,410.9 | 678.6 | 753.8 | 806.2 |
| Gross official reserves | 51.2 | 99.7 | 106.6 | 153.4 | 164.2 | 183.5 | 174.2 | 174.7 | 174.8 | 180.8 | 180.7 | 187.0 | 190.9 |
| Memorandum items: | | | | | | | | | | | | | |
| Nominal GDP (in billions of Rwanda francs) 9/ | 165.8 | 337.2 | 431.4 | 562.4 | 632.1 | 677.0 | 646.1 | 706.6 | 686.8 | 749.3 | 821.3 | 899.7 | 986.7 |
| Domestic debt (end of period; in percent of GDP) | ... | ... | ... | 15.8 | 13.7 | 10.5 | 10.5 | 8.7 | 8.7 | 7.2 | 6.0 | 6.0 | 6.0 |

Sources: Rwandese authorities; and staff estimates and projections.

1/ Differences vis-à-vis the last staff report (EBS/99/22; 2/26/99) reflect a change in the methodology of the calculation of these indices

2/ Nominal and real effective exchange rate and interest rate data for 2000 as at end-September 2000.

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

4/ Including Fund obligations, external arrears, and financing gap; before debt rescheduling and hypothetical stock-of-debt operation.

5/ Scheduled debt service before rescheduling and hypothetical stock-of-debt operation.

6/ Reflects flow rescheduling on Naples terms of outstanding arrears at end of June 1998 and maturities falling due between July 1998 and end-May 2001 to Paris Club creditors, and assumes at least comparable treatment of debt to other bilateral and commercial creditors.

7/ The end-1997 stock of arrears includes accumulated late interest that was determined by the Paris Club Secretariat at the time of the rescheduling agreement in July 1998.

8/ Excludes exceptional financing (bilateral debt forgiveness and rescheduling and refinancing from multilaterals).

9/ In December 1997, the national accounts for 1995-97 were revised upward by a cumulative 10 percent, reflecting an adjustment in the GDP deflator.

Table 6. Rwanda: Operations of the Central Government, 1996-2004 1/

| | 1996 | 1997 | 1998 | 1999 | | 2000 | | | | | | | | 2001 | | | | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | March | | June | | Sep. | | Dec. | | Mar. | Jun. | Sep. | Dec. | Projections | | |
| | | | | Prog. | Est. | Prog. | Est. | Prog. | Est. | Prog. | Est. | Prog. | Rev. Prog. | Program | | | | | | |
| | (In billions of Rwanda francs) | | | | | | | | | | | | | | | | | | | |
| Revenue and grants | 70.8 | 95.9 | 99.0 | 100.8 | 102.3 | 23.2 | 29.6 | 54.8 | 57.9 | 84.4 | 75.2 | 113.3 | 95.7 | 27.5 | 57.5 | 86.5 | 116.5 | 135.6 | 156.4 | 175.2 |
| Total revenue | 39.4 | 58.1 | 66.0 | 71.0 | 63.6 | 15.6 | 20.1 | 38.5 | 36.0 | 56.8 | 51.6 | 75.4 | 69.6 | 18.7 | 39.9 | 60.1 | 81.3 | 96.2 | 109.6 | 123.9 |
| Tax revenue | 36.2 | 54.9 | 62.6 | 67.5 | 60.4 | 14.8 | 18.3 | 36.2 | 33.7 | 53.6 | 49.1 | 71.3 | 65.5 | 17.0 | 36.5 | 56.1 | 76.8 | 91.3 | 104.2 | 117.9 |
| Direct taxes | 10.3 | 14.6 | 18.3 | 18.8 | 15.8 | 4.9 | 7.7 | 13.1 | 11.8 | 16.8 | 15.0 | 21.7 | 18.5 | 5.1 | 10.7 | 16.4 | 22.6 | 29.3 | 34.5 | 39.6 |
| Taxes on goods and services | 14.4 | 21.9 | 28.5 | 35.7 | 33.6 | 7.5 | 7.9 | 17.2 | 16.4 | 27.7 | 25.7 | 37.3 | 35.0 | 8.5 | 18.5 | 28.6 | 38.9 | 43.7 | 49.3 | 55.8 |
| Taxes on international trade | 11.5 | 18.5 | 15.8 | 13.0 | 11.0 | 2.4 | 2.7 | 5.8 | 5.5 | 9.0 | 8.4 | 12.3 | 12.0 | 3.4 | 7.3 | 11.2 | 15.3 | 18.3 | 20.4 | 22.5 |
| *Of which:* export tax | 0.3 | 4.3 | 1.6 | 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 | 0.0 | 0.0 | 0.0 | 0.0 |
| Nontax revenue | 3.2 | 3.1 | 3.4 | 3.5 | 3.2 | 0.8 | 1.7 | 2.3 | 2.3 | 3.2 | 2.5 | 4.1 | 4.1 | 1.7 | 3.4 | 4.0 | 4.5 | 5.0 | 5.5 | 6.0 |
| Grants | 31.4 | 37.8 | 33.0 | 29.8 | 38.6 | 7.6 | 9.5 | 16.3 | 22.0 | 27.7 | 23.7 | 37.9 | 26.1 | 8.8 | 17.6 | 26.4 | 35.2 | 39.4 | 46.8 | 51.3 |
| Budgetary grants | 0.1 | 2.8 | 3.5 | 0.0 | 15.0 | 0.0 | 4.3 | 0.0 | 10.7 | 0.0 | 16.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital grants | 31.3 | 35.0 | 29.5 | 29.8 | 23.7 | 7.6 | 5.2 | 16.3 | 11.2 | 27.7 | 7.5 | 37.9 | 26.1 | 8.8 | 17.6 | 26.4 | 35.2 | 39.4 | 46.8 | 51.3 |
| *Of which: HIPC debt relief* | 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 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total expenditure and net lending 2/ | 95.3 | 109.6 | 117.4 | 142.4 | 127.5 | 32.1 | 21.2 | 68.6 | 49.2 | 111.7 | 77.6 | 154.5 | 134.4 | 33.5 | 71.2 | 112.9 | 153.3 | 166.8 | 183.5 | 201.2 |
| Current expenditure | 55.9 | 64.0 | 75.3 | 90.5 | 87.1 | 19.5 | 16.1 | 40.7 | 37.3 | 64.9 | 61.1 | 90.2 | 86.7 | 19.5 | 43.3 | 70.3 | 96.4 | 101.1 | 109.7 | 120.3 |
| Wages and salaries | 19.1 | 28.7 | 28.9 | 34.0 | 34.4 | 8.7 | 8.3 | 17.5 | 17.5 | 26.2 | 26.6 | 34.9 | 36.0 | 9.0 | 18.5 | 28.5 | 38.6 | 41.1 | 44.7 | 50.0 |
| Civil | 10.2 | 13.6 | 12.3 | 16.8 | 17.2 | 4.7 | 4.2 | 9.6 | 9.4 | 14.3 | 14.5 | 19.0 | 20.1 | 5.4 | 11.3 | 17.7 | 24.4 | 27.6 | 31.1 | 37.1 |
| Defense | 8.9 | 15.1 | 16.6 | 17.2 | 17.2 | 4.0 | 4.0 | 7.9 | 8.1 | 11.9 | 12.1 | 15.9 | 15.9 | 3.6 | 7.2 | 10.8 | 14.2 | 13.5 | 13.6 | 12.9 |
| Purchases of goods and services | 25.0 | 21.2 | 25.5 | 29.8 | 26.8 | 5.1 | 3.8 | 11.5 | 9.2 | 18.4 | 16.4 | 25.5 | 22.5 | 4.4 | 10.2 | 17.2 | 24.8 | 29.7 | 33.5 | 37.2 |
| Civil | 11.3 | 13.0 | 14.9 | 19.7 | 17.0 | 3.1 | 2.5 | 7.7 | 5.4 | 11.9 | 9.9 | 15.6 | 12.6 | 2.7 | 6.3 | 10.4 | 15.1 | 19.7 | 23.8 | 27.7 |
| Defense | 13.7 | 8.2 | 10.6 | 10.1 | 9.8 | 2.0 | 1.3 | 3.8 | 3.8 | 6.5 | 6.5 | 9.9 | 9.9 | 1.7 | 3.9 | 6.8 | 9.7 | 10.0 | 9.8 | 9.6 |
| Interest payments | 6.9 | 6.8 | 5.7 | 5.8 | 6.4 | 1.2 | 1.1 | 2.5 | 2.2 | 3.8 | 3.6 | 6.1 | 6.9 | 1.8 | 3.7 | 5.5 | 7.3 | 4.5 | 5.2 | 5.4 |
| Domestic debt (due) | 2.9 | 3.0 | 2.3 | 1.9 | 2.4 | 0.3 | 0.3 | 0.6 | 0.5 | 0.9 | 0.7 | 2.0 | 2.0 | 0.4 | 0.8 | 1.2 | 1.6 | 1.6 | 1.6 | 1.6 |
| External debt (due) | 4.0 | 3.8 | 3.4 | 4.0 | 4.0 | 0.9 | 0.8 | 1.9 | 1.7 | 2.9 | 2.9 | 4.1 | 4.9 | 1.4 | 2.9 | 4.3 | 5.8 | 3.0 | 3.6 | 3.8 |
| *of which: HIPC debt relief* | 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 | 0.8 | 1.6 | 2.5 | 3.3 | 3.1 | 3.1 | 2.4 |
| Transfers (including Rwanda Revenue Authority) | 3.1 | 6.2 | 9.3 | 11.8 | 11.5 | 2.8 | 2.1 | 5.5 | 4.7 | 8.3 | 8.4 | 11.0 | 11.0 | 2.8 | 6.0 | 10.7 | 14.1 | 15.7 | 19.0 | 22.3 |
| Exceptional social expenditure 3/ | 1.7 | 1.0 | 5.8 | 9.1 | 7.9 | 1.8 | 0.8 | 3.8 | 3.7 | 8.2 | 6.1 | 12.6 | 10.2 | 1.5 | 5.0 | 8.4 | 11.7 | 10.2 | 7.3 | 5.3 |
| Assistance to victims of genocide | ... | 0.0 | 3.8 | 4.2 | 3.8 | 1.1 | 0.3 | 1.5 | 2.1 | 3.0 | 1.7 | 4.5 | 4.5 | 0.4 | 2.2 | 3.6 | 5.2 | 4.5 | 3.2 | 2.3 |
| Demobilization/reintegration | ... | 1.0 | 1.5 | 1.9 | 1.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 | 0.7 | 1.9 | 0.8 | 0.0 | 0.2 | 0.6 | 0.9 | 0.8 | 0.6 | 0.4 |
| Retrenchment/food for prisons | ... | 0.0 | 0.0 | 0.2 | 0.0 | 0.3 | 0.0 | 0.4 | 0.0 | 0.9 | 1.6 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Education sanctions and governance | ... | ... | 0.5 | 2.9 | 2.2 | 0.4 | 0.5 | 1.8 | 1.6 | 3.4 | 2.1 | 4.9 | 4.9 | 1.1 | 2.6 | 4.2 | 5.6 | 4.9 | 3.5 | 2.5 |
| Capital expenditure | 39.4 | 46.1 | 42.3 | 51.3 | 40.8 | 12.5 | 5.3 | 26.8 | 11.6 | 45.7 | 15.5 | 62.7 | 46.3 | 13.5 | 27.3 | 41.6 | 55.4 | 64.1 | 73.8 | 80.9 |
| Domestic | 0.0 | 0.1 | 2.5 | 5.1 | 5.3 | 0.6 | 0.1 | 1.1 | 0.3 | 2.1 | 1.0 | 3.0 | 1.6 | 0.2 | 0.7 | 1.7 | 2.2 | 3.3 | 3.6 | 3.9 |
| Foreign | 39.4 | 46.0 | 39.8 | 46.2 | 35.5 | 11.9 | 5.2 | 25.7 | 11.2 | 43.6 | 14.5 | 59.7 | 44.7 | 13.3 | 26.6 | 39.9 | 53.2 | 60.8 | 70.2 | 77.0 |
| Net lending (including privatization proceeds) | 0.0 | -0.5 | -0.2 | 0.6 | -0.4 | 0.0 | -0.3 | 1.1 | 0.3 | 1.1 | 1.0 | 1.5 | 1.5 | 0.5 | 0.6 | 1.0 | 1.4 | 1.6 | 0.0 | 0.0 |
| Primary balance 4/ | -7.8 | 1.9 | -0.3 | -4.5 | -14.4 | -1.5 | 5.7 | 2.8 | 4.2 | 1.8 | -0.8 | 1.0 | -0.9 | 2.3 | 4.6 | 1.9 | 1.6 | 6.5 | 8.8 | 10.4 |
| Overall deficit (payment order) | | | | | | | | | | | | | | | | | | | | |
| Including grants | -24.5 | -13.8 | -18.4 | -36.5 | -25.3 | -8.9 | 8.4 | -13.8 | 8.8 | -27.2 | -2.4 | -41.1 | -38.1 | -6.0 | -13.7 | -26.5 | -36.8 | -31.1 | -27.1 | -26.0 |
| Excluding grants | -55.9 | -51.6 | -51.4 | -66.3 | -63.9 | -16.5 | -1.1 | -30.1 | -13.2 | -54.9 | -26.1 | -79.0 | -64.2 | -14.8 | -31.3 | -52.9 | -72.0 | -70.5 | -73.9 | -77.3 |
| Change in arrears (net reduction -) | 9.4 | 1.6 | -22.2 | -17.8 | -4.9 | -0.2 | 1.2 | -1.5 | -2.0 | -2.5 | 1.3 | -21.6 | -23.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic 5/ | 2.5 | -4.2 | -3.9 | -3.5 | -4.0 | -0.2 | 1.6 | -1.5 | -2.0 | -2.5 | 0.9 | -4.5 | -4.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| External 6/ | 6.9 | 5.8 | -18.3 | -14.3 | -0.9 | 0.0 | -0.4 | 0.0 | 0.0 | 0.0 | 0.4 | -17.1 | -18.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Ministerial accounts | 0.0 | 0.0 | -0.7 | ... | 0.8 | ... | 0.5 | ... | 3.2 | ... | 3.5 | ... | 2.0 | .. | ... | ... | 0.0 | 0.0 | 0.0 | 0.0 |
| Discrepancy | 0.0 | 0.0 | 1.4 | ... | 0.4 | ... | 0.7 | ... | 0.4 | ... | 3.2 | ... | 0.0 | .. | ... | ... | 0.0 | 0.0 | 0.0 | 0.0 |
| Deficit (cash basis) | -15.1 | -12.2 | -41.2 | -54.3 | -31.4 | -9.1 | 8.4 | -15.3 | 3.1 | -29.7 | -7.8 | -62.7 | -63.3 | -6.0 | -13.7 | -26.5 | -36.8 | -31.1 | -27.1 | -26.0 |
| Financing | 15.1 | 12.2 | 41.2 | 5.8 | 31.4 | 3.2 | -8.4 | 4.4 | -3.1 | 6.9 | 7.8 | 6.9 | 5.7 | 1.5 | 3.1 | 3.2 | 5.2 | 7.2 | 9.4 | 16.4 |
| Foreign financing (net) | 10.6 | 11.6 | 39.2 | 10.6 | 24.5 | 3.2 | -1.3 | 6.8 | -2.5 | 11.3 | 9.4 | 15.3 | 11.0 | 2.7 | 5.6 | 7.0 | 10.2 | 17.2 | 19.4 | 21.4 |
| Drawings | 16.5 | 18.6 | 22.0 | 16.4 | 29.1 | 4.4 | 0.0 | 9.4 | 0.0 | 15.9 | 13.2 | 21.8 | 18.5 | 4.5 | 9.0 | 13.5 | 18.0 | 21.4 | 23.4 | 25.7 |
| Budgetary loans | 8.4 | 7.6 | 11.7 | 0.0 | 17.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Project loans | 8.1 | 11.0 | 10.3 | 16.4 | 11.8 | 4.4 | 0.0 | 9.4 | 0.0 | 15.9 | 7.0 | 21.8 | 18.5 | 4.5 | 9.0 | 13.5 | 18.0 | 21.4 | 23.4 | 25.7 |
| Amortization | -5.9 | -7.0 | -7.0 | -8.7 | -7.9 | -2.0 | -2.6 | -4.1 | -5.2 | -6.9 | -7.9 | -9.5 | -10.5 | -2.2 | -4.3 | -6.5 | -8.7 | -4.2 | -4.0 | -4.3 |
| *of which: HIPC debt relief* | 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 | 1.2 | 2.3 | 3.5 | 4.7 | 6.4 | 8.8 | 10.0 |
| Obtained rescheduling and refinancing 7/ | 0.0 | 0.0 | 24.2 | 2.9 | 3.3 | 0.8 | 1.3 | 1.5 | 2.7 | 2.3 | 4.0 | 3.0 | 3.0 | 0.4 | 0.9 | 0.0 | 0.9 | 0.0 | 0.0 | 0.0 |
| Domestic financing | 4.5 | 0.6 | 2.0 | -4.8 | 7.0 | 0.0 | -7.1 | -2.4 | -0.6 | -4.4 | -1.7 | -8.5 | -5.4 | -1.3 | -2.5 | -3.8 | -5.0 | -10.0 | -10.0 | -5.0 |
| Banking system (monetary survey) 8/ | -1.8 | 0.7 | 1.0 | 1.0 | 7.9 | 0.0 | -6.3 | -2.6 | 1.1 | -3.8 | 0.9 | -5.1 | -2.0 | 0.0 | 0.0 | 0.0 | 0.0 | -5.0 | -5.0 | -5.0 |
| Nonbank sector (including CSR repayment) | 6.3 | -0.1 | 1.0 | -5.8 | -0.9 | 0.0 | -0.9 | 0.2 | -1.7 | -0.6 | -2.6 | -3.4 | -3.4 | -1.3 | -2.5 | -3.8 | -5.0 | -5.0 | -5.0 | 0.0 |
| *Of which:* nonbank | ... | ... | 1.0 | ... | -0.4 | 0.0 | -0.6 | 0.0 | -1.2 | -0.6 | -1.8 | -2.4 | -2.4 | ... | ... | ... | ... | ... | ... | ... |
| consolidated development bonds | ... | ... | ... | ... | -0.5 | 0.0 | -0.3 | 0.0 | -0.5 | ... | -0.8 | -1.0 | -1.0 | ... | ... | ... | ... | ... | ... | ... |
| Financing gap | 0.0 | 0.0 | 0.0 | 48.5 | 0.0 | 5.9 | 0.0 | 10.9 | 0.0 | 22.9 | 0.0 | 55.9 | 57.6 | 4.5 | 10.7 | 23.2 | 31.6 | 23.9 | 17.7 | 9.6 |
| Memorandum items: | (In percent of GDP, unless otherwise indicated) | | | | | | | | | | | | | | | | | | | |
| Revenue and grants | 16.4 | 17.0 | 15.7 | 14.9 | 15.8 | 3.3 | 3.7 | 7.7 | 6.9 | 12.0 | 8.6 | 16.0 | 14.0 | 3.7 | 7.7 | 11.5 | 15.5 | 16.5 | 17.4 | 17.8 |
| Revenue excluding grants | 9.1 | 10.3 | 10.4 | 10.5 | 9.8 | 2.2 | 2.9 | 5.4 | 5.2 | 8.0 | 7.5 | 10.7 | 10.2 | 2.5 | 5.3 | 8.0 | 10.8 | 11.7 | 12.2 | 12.6 |
| Total expenditure and net lending | 22.1 | 19.5 | 18.6 | 20.3 | 19.7 | 4.5 | 3.1 | 9.7 | 7.2 | 15.8 | 11.3 | 21.9 | 19.6 | 4.5 | 9.5 | 15.1 | 20.5 | 20.3 | 20.4 | 20.4 |
| Current expenditure | 12.9 | 11.4 | 11.9 | 12.6 | 13.5 | 2.8 | 2.3 | 5.8 | 5.4 | 9.2 | 8.9 | 12.8 | 12.6 | 2.6 | 5.8 | 9.4 | 12.9 | 12.3 | 12.2 | 12.2 |
| *Of which:* wage bill | 4.4 | 5.1 | 4.6 | 5.0 | 5.3 | 1.2 | 1.2 | 2.5 | 2.5 | 3.7 | 3.9 | 4.9 | 5.2 | 1.2 | 2.5 | 3.8 | 5.1 | 5.0 | 5.0 | 5.1 |
| goods and services | 5.8 | 3.8 | 4.0 | 3.7 | 4.1 | 0.7 | 0.6 | 1.6 | 1.3 | 2.6 | 2.4 | 3.6 | 3.3 | 0.6 | 1.4 | 2.3 | 3.3 | 3.6 | 3.7 | 3.8 |
| defense/security | 5.2 | 4.1 | 4.3 | 4.0 | 4.2 | 0.8 | 0.8 | 1.7 | 1.7 | 2.6 | 2.7 | 3.7 | 3.8 | 0.7 | 1.5 | 2.3 | 3.2 | 2.9 | 2.6 | 2.3 |
| *Of which:* basic social spending 9/ | 2.0 | 2.1 | 2.3 | 3.2 | 3.4 | 0.8 | 0.6 | 1.4 | 1.4 | 2.3 | 2.3 | 3.4 | 3.7 | 0.7 | 1.8 | 3.1 | 4.5 | 5.1 | 5.6 | 6.3 |
| total social spending 10/ | 2.4 | 2.5 | 2.8 | 3.7 | 3.9 | 0.9 | 0.7 | 1.6 | 1.6 | 2.6 | 2.7 | 3.9 | 4.1 | 0.8 | 1.9 | 3.4 | 4.9 | 5.5 | 6.1 | 6.9 |
| of which: hipc savings | ... | ... | ... | 0.0 | ... | 0.0 | ... | 0.0 | ... | 0.0 | ... | 0.0 | ... | 0.4 | 0.8 | 1.2 | 1.5 | 1.5 | 1.4 | 1.4 |
| exceptional social spending | 0.4 | 0.2 | 0.9 | 1.3 | 1.2 | 0.3 | 0.1 | 0.5 | 0.5 | 1.2 | 0.9 | 1.8 | 1.5 | 0.2 | 0.7 | 1.1 | 1.6 | 1.3 | 0.8 | 0.5 |
| Capital expenditure | 9.1 | 8.1 | 6.7 | 7.6 | 6.3 | 1.8 | 0.8 | 3.8 | 1.7 | 6.5 | 2.3 | 9.1 | 7.0 | 1.8 | 3.6 | 5.6 | 7.6 | 8.0 | 8.2 | 8.2 |
| Current balance | -3.8 | -1.1 | -1.5 | -2.1 | -3.6 | -0.6 | 0.6 | -0.3 | -0.2 | -1.1 | -1.4 | -2.1 | -2.4 | -0.1 | -0.5 | -1.4 | -2.0 | -0.6 | 0.0 | 0.4 |
| Primary balance 4/ | | | | | | | | | | | | | | | | | | | | |
| Including exceptional social expenditure | -2.2 | 0.2 | -0.6 | 0.0 | -2.6 | -0.4 | 0.7 | 0.0 | 0.1 | -0.6 | -0.9 | -1.2 | -1.4 | 0.1 | 0.0 | -0.6 | -1.0 | 0.0 | 0.6 | 0.9 |
| Excluding exceptional social expenditure | -1.8 | 0.3 | 0.0 | -0.7 | -2.2 | -0.2 | 0.8 | 0.4 | 0.6 | 0.3 | -0.1 | 0.1 | -0.1 | 0.3 | 0.6 | 0.3 | 0.2 | 0.8 | 1.0 | 1.0 |
| Overall deficit (payment order) | | | | | | | | | | | | | | | | | | | | |
| Including grants | -5.7 | -2.4 | -2.9 | -5.4 | -3.9 | -1.3 | 1.2 | -2.0 | 1.3 | -3.9 | -0.3 | -5.8 | -5.5 | -0.8 | -1.8 | -3.5 | -4.9 | -3.8 | -3.0 | -2.6 |
| Excluding grants | -12.9 | -9.2 | -8.1 | -9.8 | -9.9 | -2.3 | -0.2 | -4.3 | -1.9 | -7.8 | -3.8 | -11.2 | -9.3 | -2.0 | -4.2 | -7.1 | -9.6 | -8.6 | -8.2 | -7.8 |
| Nominal GDP (in billions of Rwanda francs) | 431.4 | 562.4 | 632.1 | 677.0 | 646.1 | 706.6 | 686.8 | 706.6 | 686.8 | 706.6 | 686.8 | 706.6 | 686.8 | 749.3 | 749.3 | 749.3 | 749.3 | 821.3 | 899.7 | 986.7 |
| Net present value of debt reduction | 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 | 16.8 | 33.7 | 50.5 | 67.3 | 467.3 | 455.2 | 440.5 |
| Total HIPC debt relief (in billions of Rwanda francs) | 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 | 2.9 | 5.8 | 8.7 | 11.6 | 12.1 | 12.7 | 13.8 |
| To Budget | 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 | 2.0 | 4.0 | 6.0 | 8.0 | 9.5 | 11.9 | 12.4 |
| To NBR 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 | 0.9 | 1.8 | 2.7 | 3.6 | 2.6 | 0.8 | 1.4 |
| Total HIPC debt relief (in percent of GDP) | 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 | 0.4 | 0.8 | 1.2 | 1.5 | 1.5 | 1.4 | 1.4 |

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

1/ Starting in September 1998, expenditure data are on the basis of payment orders (*ordonnancement*); prior to September 1998, expenditure was recorded on the basis of commitments (*engagement*).
2/ Expenditure figures for 1999 do not include arrears recently identified.
3/ Exceptional social expenditure is excluded from the primary balance definition used for program monitoring.
4/ Excluding exceptional social expenditure, defined as total revenue (excluding privatization proceeds) minus noninterest current expenditure minus domestically financed capital expenditure.
5/ The programmed reduction in domestic arrears in 1999 includes 1998 wage arrears on account of regularization of teachers (RF 0.55 billion).
6/ The 1998 net reduction of arrears includes the elimination of arrears to Paris Club creditors; arrears to the European Union were cleared in 1999; arrears to non-Paris Club (including debt service due in 1999) are expected to be rescheduled in 2000.
7/ For March, June, and September 2000, it also includes pending Non-Paris Club rescheduling.
8/ In 2000, net credit to government was redefined to exclude the accounts of autonomous public agencies.
9/ Excluding Universite National du Rwanda.
10/ Including Universite National du Rwanda. From 2001, includes also nonsocial anti-poverty spending, in part reallocated from other budget lines.
11/ This represents HIPC relief from the Fund on IMF debt which is serviced by the National Bank of Rwanda.

Table 7. Rwanda: Monetary Survey, 1999-2001 1/

| | 1997 | 1998 | 1999 | 2000 | | | | | | | | 2001 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Dec. | | Mar. | | June | | Sep. | | Dec. | | March | June | Sep. | Dec. |
| | | | | Prog. | Est. | Prog. | Est. | Prog. | Prel. Est. | Prog. EBS/00/143 | Rev. Prog. | Program | | | |
| **Monetary authorities** | | | | | | | (In billions of Rwanda francs) | | | | | | | | |
| Net foreign assets | 27.8 | 28.0 | 27.0 | 26.6 | 24.1 | 25.1 | 17.4 | 22.0 | 20.8 | 22.3 | 26.1 | 25.3 | 24.4 | 23.6 | 22.8 |
| Foreign assets 2/ | 46.7 | 54.3 | 60.9 | 62.0 | 58.3 | 61.0 | 52.3 | 59.5 | 59.6 | 61.5 | 71.8 | 72.7 | 73.5 | 74.3 | 75.1 |
| Foreign liabilities 2/ | 19.0 | 26.3 | 33.9 | 35.4 | 34.2 | 35.8 | 34.9 | 37.5 | 38.8 | 39.2 | 45.8 | 47.4 | 49.0 | 50.7 | 52.3 |
| Net domestic assets | 12.3 | 7.7 | 13.5 | 11.4 | 11.2 | 13.3 | 19.6 | 16.0 | 14.7 | 17.4 | 11.8 | 13.5 | 15.2 | 16.9 | 18.5 |
| Domestic credit | 26.7 | 25.8 | 31.7 | 29.8 | 28.8 | 30.7 | 37.3 | 33.9 | 35.2 | 35.8 | 34.8 | 36.6 | 38.3 | 40.1 | 41.8 |
| Government (net) 3/ 6/ | 25.5 | 24.4 | 30.5 | 30.7 | 26.3 | 29.7 | 32.1 | 28.1 | 31.1 | 26.6 | 29.7 | 29.7 | 29.7 | 29.7 | 29.7 |
| Claims | 44.1 | 44.4 | 50.7 | 50.7 | 46.5 | 50.6 | 49.1 | 48.7 | 48.2 | 46.8 | 46.8 | 46.8 | 46.8 | 46.8 | 46.8 |
| Of which: overdraft | 0.7 | 1.0 | 7.2 | 7.2 | 3.0 | 7.1 | 5.7 | 5.2 | 4.8 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 |
| Deposits (including autonomous bodies) | 18.7 | 20.0 | 20.2 | 20.0 | 20.1 | 20.9 | 17.1 | 20.6 | 17.1 | 20.2 | 17.1 | 17.1 | 17.1 | 17.1 | 17.1 |
| Public nongovernment deposits (-) | 0.0 | -1.0 | -1.8 | -1.8 | -1.5 | -1.8 | -0.7 | -1.8 | -1.5 | -1.8 | -1.8 | -1.8 | -1.8 | -1.8 | -1.8 |
| Nongovernment credit | 1.3 | 2.4 | 3.0 | 0.9 | 3.9 | 2.8 | 5.9 | 7.6 | 5.5 | 11.0 | 6.9 | 8.7 | 10.4 | 12.2 | 13.9 |
| Private sector | 0.2 | 0.8 | 1.0 | 0.9 | 1.1 | 1.0 | 1.2 | 0.9 | 1.3 | 0.8 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Public enterprises | 0.7 | 0.7 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Commercial banks | 0.3 | 0.9 | 1.8 | -0.2 | 2.6 | 1.6 | 4.5 | 6.5 | 4.1 | 10.0 | 5.7 | 7.5 | 9.2 | 11.0 | 12.7 |
| Discount window | 0.3 | 0.9 | 1.8 | 1.3 | 2.0 | 1.3 | 2.0 | 0.7 | 2.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Money market (- = absorption) | 0.0 | 0.0 | 0.0 | -1.6 | 0.6 | 0.3 | 2.5 | 5.8 | 2.1 | 10.0 | 5.7 | 7.5 | 9.2 | 11.0 | 12.7 |
| Other items (net; asset +) 3/ 4/ | -14.4 | -18.2 | -18.2 | -18.4 | -17.6 | -17.4 | -17.7 | -17.9 | -20.5 | -18.4 | -23.0 | -23.1 | -23.1 | -23.2 | -23.3 |
| Reserve money 3/ | 40.0 | 35.6 | 40.4 | 38.0 | 35.3 | 38.5 | 37.1 | 38.0 | 35.5 | 39.7 | 37.9 | 38.8 | 39.6 | 40.5 | 41.3 |
| Currency in circulation | 22.6 | 20.9 | 21.5 | 21.9 | 19.8 | 22.5 | 21.7 | 23.0 | 20.1 | 23.3 | 22.6 | 23.0 | 23.4 | 23.8 | 24.2 |
| Commercial bank reserves 5/ | 16.1 | 12.2 | 16.8 | 14.0 | 13.6 | 14.0 | 13.9 | 13.0 | 14.1 | 14.3 | 13.2 | 13.7 | 14.1 | 14.6 | 15.0 |
| Nonbank deposits | 1.3 | 2.5 | 2.1 | 2.1 | 2.0 | 2.0 | 1.5 | 2.0 | 1.3 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 |
| *Of which:* autonomous public agencies | 0.5 | 1.5 | 0.5 | 0.5 | 0.4 | 0.5 | 0.4 | 0.5 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| **Commercial banks** | | | | | | | | | | | | | | | |
| Net foreign assets | 18.4 | 20.3 | 17.9 | 18.0 | 18.2 | 18.2 | 18.1 | 18.1 | 21.5 | 18.0 | 25.8 | 26.0 | 26.3 | 26.5 | 26.8 |
| Foreign assets | 22.3 | 24.1 | 19.8 | 19.8 | 20.9 | 20.5 | 21.0 | 20.2 | 24.3 | 19.9 | 28.0 | 28.3 | 28.5 | 28.8 | 29.0 |
| Foreign liabilities | 3.9 | 3.8 | 1.9 | 1.9 | 2.6 | 2.4 | 2.9 | 2.1 | 2.8 | 1.9 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Reserves | 16.1 | 12.2 | 16.8 | 14.0 | 13.6 | 14.0 | 13.9 | 13.0 | 14.1 | 14.3 | 13.2 | 13.7 | 14.1 | 14.6 | 15.0 |
| NBR deposits | 14.2 | 10.2 | 14.3 | 11.4 | 11.1 | 11.5 | 11.5 | 10.4 | 11.0 | 11.7 | 10.6 | 11.0 | 11.5 | 11.9 | 12.4 |
| Required reserves 5/ | 10.0 | 8.0 | 8.5 | 8.7 | 8.6 | 9.0 | 8.9 | 9.0 | 7.1 | 9.3 | 7.3 | 9.3 | 9.5 | 9.7 | 7.9 |
| *Of which:* foreign exchange | 0.0 | 0.0 | 4.5 | ... | 2.6 | ... | 3.7 | ... | 4.0 | ... | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Excess reserves | 1.5 | 2.3 | 5.9 | 2.8 | 2.5 | 2.5 | 2.6 | 1.3 | 3.9 | 2.4 | 3.3 | 1.7 | 2.0 | 2.3 | 4.5 |
| NBR borrowing from money market | 2.7 | 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 | 0.0 |
| Cash in vault | 1.9 | 1.9 | 2.5 | 2.5 | 2.4 | 2.5 | 2.4 | 2.6 | 3.1 | 2.7 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| Credit from NBR (rediscount; liability -) | -0.3 | -0.9 | -1.8 | 0.2 | -2.6 | -1.6 | -4.5 | -6.5 | -4.1 | -10.0 | -5.7 | -7.5 | -9.2 | -11.0 | -12.7 |
| Domestic credit | 44.9 | 56.5 | 64.2 | 66.8 | 64.4 | 66.3 | 69.7 | 74.9 | 70.6 | 81.6 | 66.4 | 69.4 | 72.5 | 75.5 | 78.5 |
| Central government (net) 6/ | -0.1 | 1.9 | 3.7 | 3.5 | 1.6 | 1.9 | 3.3 | 2.2 | 4.0 | 2.5 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| Credit | 5.6 | 7.0 | 7.7 | 7.7 | 7.9 | 7.9 | 7.3 | 7.8 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 |
| Deposits 6/ | 5.7 | 5.1 | 4.0 | 4.3 | 6.3 | 5.9 | 4.0 | 5.6 | 3.7 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 |
| Public enterprises | 0.0 | 0.4 | 0.7 | 0.7 | 1.0 | 0.9 | 0.9 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Private sector | 45.1 | 54.2 | 59.7 | 62.6 | 61.8 | 63.5 | 65.5 | 71.8 | 65.9 | 78.4 | 63.1 | 66.2 | 69.2 | 72.2 | 75.2 |
| Other items (net; asset +) | -1.2 | -13.6 | -16.3 | -16.4 | -13.5 | -13.2 | -12.4 | -14.8 | -16.9 | -16.4 | -13.4 | -13.7 | -13.9 | -14.2 | -14.4 |
| Deposits 6/ | 78.0 | 74.5 | 80.8 | 82.5 | 80.2 | 83.6 | 84.8 | 84.7 | 85.1 | 87.5 | 86.3 | 88.0 | 89.7 | 91.5 | 93.2 |
| Private | 66.8 | 60.4 | 67.8 | 69.2 | 67.3 | 69.4 | 71.8 | 71.4 | 72.0 | 73.5 | 72.5 | 73.9 | 75.3 | 76.7 | 78.1 |
| Public (nongovernment) 6/ | 11.2 | 14.1 | 13.0 | 13.2 | 12.8 | 14.2 | 12.9 | 13.2 | 13.2 | 14.0 | 13.8 | 14.1 | 14.4 | 14.7 | 15.1 |
| **Monetary survey** | | | | | | | | | | | | | | | |
| Net foreign assets | 46.1 | 48.2 | 44.9 | 44.5 | 42.3 | 43.3 | 35.5 | 40.1 | 42.3 | 40.3 | 51.9 | 51.3 | 50.7 | 50.2 | 49.6 |
| Net domestic assets | 53.8 | 49.7 | 59.5 | 62.0 | 59.6 | 64.8 | 72.4 | 69.6 | 64.2 | 72.6 | 59.1 | 61.8 | 64.5 | 67.2 | 69.9 |
| Domestic credit | 71.4 | 81.5 | 94.1 | 96.9 | 90.6 | 95.4 | 102.5 | 102.3 | 101.6 | 107.4 | 95.5 | 98.5 | 101.5 | 104.6 | 107.6 |
| Central government (net) 3/ 6/ | 25.3 | 26.3 | 34.2 | 34.2 | 27.9 | 31.6 | 35.4 | 30.4 | 35.1 | 29.2 | 32.3 | 32.3 | 32.3 | 32.3 | 32.3 |
| Public nongovernment deposits (-) | 0.0 | -1.0 | -1.8 | -1.8 | -1.5 | -1.8 | -0.7 | -1.8 | -1.5 | -1.8 | -1.8 | -1.8 | -1.8 | -1.8 | -1.8 |
| Public enterprises | 0.7 | 1.2 | 0.9 | 0.9 | 1.2 | 1.1 | 1.1 | 1.0 | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Private sector | 45.3 | 55.0 | 60.7 | 63.5 | 62.9 | 64.5 | 66.7 | 72.7 | 67.1 | 79.2 | 64.1 | 67.2 | 70.2 | 73.2 | 76.2 |
| Other items (net; asset +) | -15.6 | -31.8 | -34.6 | -34.8 | -31.0 | -30.6 | -30.1 | -32.7 | -37.4 | -34.8 | -36.4 | -36.7 | -37.0 | -37.3 | -37.7 |
| Broad money 3/ | 101.9 | 97.9 | 104.4 | 106.5 | 101.9 | 108.1 | 107.9 | 109.7 | 106.5 | 112.9 | 111.0 | 113.1 | 115.2 | 117.4 | 119.5 |
| Currency in circulation | 22.6 | 20.9 | 21.5 | 21.9 | 19.8 | 22.5 | 21.7 | 23.0 | 20.1 | 23.3 | 22.6 | 23.0 | 23.4 | 23.8 | 24.2 |
| Deposits | 79.3 | 77.0 | 82.9 | 84.6 | 82.1 | 85.6 | 86.3 | 86.7 | 86.4 | 89.6 | 88.4 | 90.1 | 91.8 | 93.6 | 95.3 |
| *Of which:* foreign currency deposits | 15.9 | 18.5 | 19.5 | 19.9 | 19.2 | 19.8 | 20.8 | 20.5 | 23.3 | 21.1 | 25.0 | 25.5 | 26.0 | 26.5 | 27.0 |
| | | | | | | | (Annual changes in percent of beginning-of-period broad money) | | | | | | | | |
| Net foreign assets | 12.4 | 2.0 | -3.4 | 9.1 | 6.9 | -1.0 | -8.6 | -3.6 | -1.6 | -4.3 | 6.7 | 8.8 | 14.1 | 7.4 | -2.1 |
| Net domestic assets | 35.1 | -4.0 | 10.0 | -1.4 | -3.9 | 10.0 | 17.4 | 8.9 | 3.8 | 12.5 | -0.4 | 2.2 | -7.3 | 2.8 | 9.7 |
| Domestic credit | 42.1 | 9.9 | 12.9 | 7.0 | 0.6 | 11.0 | 18.2 | 11.1 | 10.4 | 12.8 | 1.4 | 7.8 | -0.9 | 2.8 | 10.9 |
| Government (net) | 18.8 | 1.0 | 8.0 | 1.3 | -4.4 | 8.8 | 13.2 | 1.4 | 5.8 | -4.9 | -1.9 | 4.2 | -2.9 | -2.7 | 0.0 |
| Private sector and public enterprises | 23.3 | 8.9 | 4.8 | 5.8 | 5.2 | 2.2 | 4.4 | 9.3 | 3.9 | 17.6 | 3.2 | 4.1 | 3.2 | 5.7 | 10.9 |
| Other items (net; asset +) | -7.0 | -15.9 | -2.8 | -8.4 | -4.5 | -1.1 | -0.8 | -2.2 | -6.6 | -0.3 | -1.7 | -5.6 | -6.4 | 0.0 | -1.2 |
| Broad money | 47.5 | -3.9 | 6.6 | 7.7 | 3.0 | 8.9 | 8.8 | 5.3 | 2.2 | 8.2 | 6.3 | 11.0 | 6.8 | 10.2 | 7.7 |
| | | | | | | | (In percent, unless otherwise indicated) | | | | | | | | |
| **Memorandum items:** | | | | | | | | | | | | | | | |
| Currency/broad money ratio | 22.2 | 21.4 | 20.6 | 20.6 | 19.4 | 20.8 | 20.1 | 21.0 | 18.8 | 20.6 | 20.3 | 20.3 | 20.3 | 20.3 | 20.3 |
| Reserve money annual growth | 14.6 | -11.0 | 13.5 | -3.4 | -10.2 | 5.8 | 1.9 | 11.0 | 3.7 | -1.8 | -4.3 | 9.8 | 6.9 | 14.0 | 9.1 |
| Reserves/deposits | 51.4 | 47.8 | 50.0 | 46.1 | 44.0 | 46.0 | 43.7 | 44.9 | 41.7 | 45.3 | 43.9 | 44.0 | 44.2 | 44.3 | 44.4 |
| Money multiplier | 2.5 | 2.7 | 2.6 | 2.8 | 2.9 | 2.8 | 2.9 | 2.9 | 3.0 | 2.8 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 |
| Velocity of broad money (end of period) | 5.5 | 6.5 | 6.2 | ... | ... | ... | ... | ... | ... | 6.3 | 6.2 | ... | ... | ... | 6.3 |
| Velocity of broad money (period average) | 6.6 | 6.3 | 6.4 | ... | ... | ... | ... | ... | ... | 6.5 | 6.4 | ... | ... | ... | 6.5 |
| Net open position of the NBR | 27.8 | 28.0 | 22.4 | ... | 21.5 | ... | 13.8 | ... | 16.8 | ... | 24.1 | 25.3 | 24.4 | 23.6 | 22.8 |
| Net open position of commercial banks | 2.5 | 1.8 | 3.0 | ... | 1.7 | ... | 1.0 | ... | 2.2 | ... | 0.8 | 0.5 | 0.3 | 0.0 | -0.2 |
| Nominal GDP (in billions of Rwanda francs) | 562.4 | 632.1 | 646.1 | ... | ... | ... | ... | ... | ... | 706.6 | 686.8 | 749.3 | 749.3 | 749.3 | 749.3 |

Source: National Bank of Rwanda (NBR).

1/ Actual figures are based on current exchange rates and are not adjusted for program adjustments as described in the Technical Memorandum of Understanding.

2/ The program exchange rate is US$1=RF411 in 2000 and US$1=RF415.5 in 2001.

3/ As was recently agreed with officials at the NBR, net credit to government includes RF 9 billion in NBR claims on government arising from exchange losses related to the the liberalization of the exchange system in March 1995, as well as RF 2 billion overdraft to the prewar government. Accordingly, the figures for net credit to government (+ RF 11 billion), reserve money (+RF 2 billion), and other items net ( + RF 9 billion) have been adjusted for all years, compared with EBS/99/22 (2/26/99).

4/ Other items as projected under the 2000 program include exchange revaluation changes due to the difference between the program exchange rate (US$1=RF 411) and the actual exchange rate at end-1999.

5/ The reserve requirement was reduced in July 1996 from 12 percent to 10 percent, and from 10 percent to 8 percent in July 2000.

6/ At end-1998, the figures for net credit to government from commercial banks and broad money in 1997 and 1998 were revised (both upward) after reclassifying deposits of public enterprises and other autonomous public agencies, that had been previously classified under government deposits and excluded from broad money.

Table 8. Rwanda: Balance of Payments, 1994-2004 1/
(In millions of U.S. dollars, unless otherwise indicated)

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | | 2000 | | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Prog. | Est. | Prog EBS/00/143 | Rev. Prog. | Projections | | | |
| Exports, f.o.b. | 32.2 | 50.4 | 62.0 | 93.0 | 64.1 | 70.8 | 61.2 | 67.1 | 68.4 | 78.7 | 88.6 | 104.9 | 127.1 |
| *Of which:* coffee | 17.4 | 38.8 | 43.2 | 45.3 | 28.1 | 26.5 | 26.5 | 28.6 | 22.7 | 26.3 | 31.8 | 38.3 | 45.1 |
| tea | 5.8 | 3.8 | 9.3 | 20.6 | 22.8 | 20.2 | 17.5 | 19.1 | 26.4 | 30.3 | 32.6 | 36.7 | 39.4 |
| Imports, f.o.b. | 367.4 | 194.1 | 213.3 | 277.4 | 255.7 | 242.0 | 224.5 | 250.0 | 245.9 | 248.8 | 267.0 | 285.3 | 301.3 |
| Trade balance | -335.2 | -143.7 | -151.3 | -184.5 | -191.5 | -171.1 | -163.2 | -183.0 | -177.5 | -170.1 | -178.4 | -180.4 | -174.2 |
| Services (net) | -108.7 | -118.2 | -142.0 | -162.1 | -166.1 | -163.0 | -149.2 | -163.8 | -133.7 | -126.5 | -114.9 | -108.3 | -104.5 |
| *Of which:* interest on public debt (including Fund) | 9.2 | 13.9 | 13.8 | 12.1 | 12.9 | 13.3 | 11.7 | 15.1 | 13.9 | 14.9 | 15.6 | 16.4 | 16.2 |
| Transfers (net) | 398.6 | 316.5 | 290.1 | 287.6 | 262.1 | 212.9 | 270.1 | 204.3 | 160.8 | 129.3 | 128.8 | 139.2 | 177.5 |
| Private | 44.5 | 15.8 | 26.5 | 25.0 | 18.3 | 10.0 | 18.2 | 12.0 | 12.0 | 29.8 | 30.4 | 30.9 | 31.5 |
| Public | 354.1 | 300.7 | 263.6 | 262.6 | 243.8 | 202.9 | 251.9 | 192.3 | 148.8 | 99.4 | 98.4 | 108.2 | 146.0 |
| Current account balance (including official transfers) | -45.3 | 54.5 | -3.2 | -59.0 | -95.6 | -121.2 | -42.4 | -142.4 | -150.4 | -167.4 | -164.5 | -149.6 | -101.2 |
| Current account balance (excluding official transfers) | -399.4 | -246.2 | -266.8 | -321.6 | -339.3 | -324.1 | -294.3 | -334.7 | -299.2 | -266.8 | -262.9 | -257.8 | -247.2 |
| Direct investment | -- | 2.0 | 2.2 | 2.6 | 7.1 | 5.4 | 1.7 | 2.1 | 6.1 | 11.5 | 13.0 | 14.4 | 17.3 |
| Public sector capital | -10.1 | 28.4 | 32.1 | 42.9 | 46.4 | 23.3 | 51.6 | 26.9 | 53.0 | 63.5 | 91.1 | 85.9 | 50.1 |
| Long-term borrowing | 7.0 | 50.7 | 53.7 | 63.9 | 68.9 | 49.8 | 86.8 | 62.0 | 79.2 | 84.5 | 101.1 | 95.4 | 60.1 |
| Budget support | -- | 45.4 | 27.4 | 26.1 | 37.2 | -- | 51.5 | -- | 31.1 | 41.0 | 50.0 | 40.0 | -- |
| Other long-term loans | 7.0 | 5.3 | 26.3 | 37.8 | 31.7 | 49.8 | 35.3 | 62.0 | 48.1 | 43.5 | 51.1 | 55.4 | 60.1 |
| Scheduled amortization | 17.1 | 22.3 | 21.7 | 21.0 | 22.4 | 26.5 | 35.2 | 35.2 | 27.1 | 30.2 | 27.7 | 23.9 | 28.4 |
| Private capital | 12.4 | -47.0 | -13.6 | 1.2 | -2.1 | -20.0 | -33.5 | -19.3 | -30.0 | 5.0 | 10.0 | 15.0 | 20.0 |
| Commercial banks | 11.0 | -33.6 | -13.5 | 1.3 | -0.9 | ... | 10.0 | -- | -11.5 | -1.7 | -6.4 | -6.9 | -7.5 |
| Net repatriation lag | -- | -- | -- | -- | 7.2 | ... | 5.8 | -- | -- | -- | -- | -- | -- |
| Other (including unrecorded imports) | 1.4 | -13.4 | -0.1 | -0.2 | -8.3 | ... | -41.2 | -19.3 | -19.5 | 6.7 | 16.4 | 21.9 | 27.5 |
| Capital account balance | 2.3 | -16.6 | 20.7 | 46.7 | 51.4 | 8.7 | 28.0 | 9.6 | 28.1 | 80.0 | 114.1 | 115.3 | 87.4 |
| Errors and omissions | -1.0 | 13.3 | -18.4 | 24.0 | 18.6 | -- | -- | -- | -- | -- | -- | -- | -- |
| Overall balance | -44.1 | 51.2 | -0.9 | 11.7 | -25.5 | -112.5 | -14.4 | -132.8 | -122.3 | -87.4 | -50.4 | -34.3 | -13.8 |
| Financing | 44.1 | -51.2 | 0.9 | -11.7 | 25.5 | -33.1 | 14.4 | -26.0 | -26.7 | 10.6 | -7.1 | -7.8 | -8.8 |
| Change in net foreign assets of NBR (increase -) | 9.0 | -46.7 | -17.2 | -29.2 | 6.6 | 1.2 | 7.4 | 13.8 | 13.7 | 8.5 | -7.1 | -7.8 | -8.8 |
| Net credit from the Fund | -- | 13.5 | -1.3 | 18.1 | 13.8 | 20.6 | 20.8 | 14.3 | 14.3 | 14.6 | -7.1 | -1.6 | -4.9 |
| Disbursements/purchases | -- | 13.5 | -- | 20.5 | 16.1 | 29.0 | 29.3 | 25.8 | 25.8 | 25.8 | -- | -- | -- |
| Repayments/repurchases | -- | -- | 1.3 | 2.4 | 2.4 | 8.4 | 8.5 | 11.4 | 11.4 | 11.3 | 7.1 | 1.6 | 4.9 |
| Change in gross official reserves (increase -) 1/ | -3.7 | -48.5 | -7.0 | -46.7 | -10.8 | -19.4 | -10.0 | -0.6 | -0.6 | -6.0 | -- | -6.2 | -3.9 |
| Change in other foreign liabilities (increase +) | 12.7 | -11.8 | -9.0 | -0.5 | 3.6 | -- | -3.4 | -- | -- | -- | -- | -- | -- |
| Change in arrears (decrease -) 4/ | 35.1 | -4.5 | 18.1 | 17.5 | -58.2 | -43.1 | -2.7 | -48.5 | -48.5 | -- | -- | -- | -- |
| Accumulation | 35.1 | 15.9 | 18.1 | 17.5 | 15.0 | -- | 6.5 | -- | -- | -- | -- | -- | -- |
| Reduction | -- | 20.4 | -- | -- | 73.2 | 43.1 | 10.2 | 48.5 | 48.5 | -- | -- | -- | -- |
| Exceptional financing | -- | -- | -- | -- | 77.2 | 8.8 | 9.7 | 8.8 | 8.1 | 2.1 | -- | -- | -- |
| Bilateral debt forgiveness 4/ | -- | -- | -- | -- | 17.9 | 1.0 | 1.0 | 1.0 | 1.0 | -- | -- | -- | -- |
| Bilateral debt rescheduling 4/ | -- | -- | -- | -- | 28.7 | 5.2 | 5.2 | 5.2 | 5.5 | 2.0 | -- | -- | -- |
| Multilateral debt refinancing | -- | -- | -- | -- | 30.5 | 2.6 | 3.6 | 2.6 | 1.6 | -- | -- | -- | -- |
| Financing gap | -- | -- | -- | -- | -- | -- | -- | -- | -149.0 | 76.7 | 57.4 | 42.2 | 22.7 |
| *of which:* | | | | | | | | | | | | | |
| Expected effects of enhanced HIPC | -- | -- | -- | -- | -- | -- | -- | -- | -- | 28.1 | 29.0 | 30.0 | 32.4 |
| Memorandum items: | | | | | | | | | | | | | |
| Current account deficit (in percent of GDP) | | | | | | | | | | | | | |
| Excluding official transfers | -53.0 | -19.1 | -19.0 | -17.3 | -16.9 | -15.8 | -15.3 | -16.7 | -16.8 | -14.7 | -13.4 | -12.1 | -10.7 |
| Including official transfers | -6.0 | 4.2 | -0.2 | -3.2 | -4.8 | -5.9 | -2.2 | -7.1 | -8.4 | -9.2 | -8.4 | -7.0 | -4.4 |
| Gross official reserves 2/ | 51.2 | 99.7 | 106.6 | 153.4 | 164.2 | 183.5 | 174.8 | 174.7 | 174.8 | 180.8 | 180.7 | 187.0 | 190.9 |
| Gross official reserves (in months of imports, c.i.f.) 1/ | 1.3 | 5.0 | 5.0 | 5.4 | 6.1 | 7.3 | 6.8 | 6.7 | 6.8 | 7.0 | 6.6 | 6.4 | 6.2 |
| Overall balance (in percent of GDP) | -5.8 | 4.0 | -0.1 | 0.6 | -1.3 | -5.5 | -1.2 | -6.6 | -6.9 | -4.8 | -2.6 | -1.6 | -0.6 |
| Total external debt stock, end-of-year | 1,012.6 | 1,063.0 | 1,111.9 | 1,137.9 | 1,154.4 | 1,254.3 | 1,301.7 | 1,372.5 | 1,344.3 | 1,392.3 | 1,345.5 | 1,400.9 | 1,404.6 |
| External debt stock (in percent of GDP) | 134.4 | 82.7 | 79.0 | 61.2 | 57.4 | 61.2 | 67.5 | 65.6 | 77.5 | 76.8 | 68.5 | 65.8 | 60.8 |
| Debt service after rescheduling (in percent of goods and nonfactor services | 55.4 | 54.3 | 44.0 | 24.6 | 30.3 | 29.6 | 45.3 | 42.0 | 30.8 | 28.9 | 24.3 | 18.7 | 17.8 |

Sources: Rwandese authorities; and staff estimates and projections.

1/ Does not include the effects of the enhanced HIPC Initiative.
2/ Gross reserve levels in 2002 do not reflect Fund disbursements under a possible PRGF successor arrangement.
3/ The estimated decrease in arrears in 1998 includes US$9.6 million in accumulated late interest on arrears to Paris Club creditors. All arrears to the European Union (US$ 8.3 million) were cleared in 1999. The regularization of an amount of US$ 41.7 in arrears vis-à-vis non-Paris Club creditors (including reschedulable arrears accumulated in 1999) is expected in 2000.
4/ Includes the consolidation of outstanding arrears at end-June 1998 and scheduled debt service from July 1998 to end-May 2001 to Paris Club creditors.
5/ Rwanda francs per U.S. dollar; period average.

Table 9. Rwanda: External Public Debt, 1995-2000 1/ 2/
(In millions of U.S. dollars, end of period)

| | 1995 | 1996 | 1997 | 1998 | | 1999 | | 2000 | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Total Debt | In Percent of Total | Total Debt 3/ | In Percent of Total | Total Debt 3/ | In Percent of Total |
| Total external debt 3/ | 1,063.0 | 1,111.9 | 1,137.9 | 1,154.4 | 100.0 | 1261.5 | 100.0 | 1230.0 | 100.0 |
| Multilateral | 854.9 | 899.2 | 927.4 | 1,012.3 | 87.7 | 1093.8 | 86.7 | 1067.7 | 86.8 |
| IBRD/IDA | 500.7 | 520.1 | 557.5 | 642.7 | 55.7 | 691.1 | 54.8 | 684.6 | 55.7 |
| African Development Fund | 201.0 | 226.7 | 203.4 | 220.4 | 19.1 | 218.3 | 17.3 | 215.2 | 17.5 |
| African Development Bank | 7.7 | 7.5 | 6.8 | 6.5 | 0.6 | 1.5 | 0.1 | 0.9 | 0.1 |
| International Fund for Agricultural Development (FIDA) | 23.4 | 23.1 | 25.3 | 29.1 | 2.5 | 31.9 | 2.5 | 31.6 | 2.6 |
| Arab Bank for Economic Development in Africa (BADEA) | 39.2 | 40.2 | 30.8 | 13.6 | 1.2 | 33.4 | 2.6 | 31.4 | 2.5 |
| Arab League | 2.0 | 1.6 | 1.7 | 0.3 | 0.0 | 0.4 | 0.0 | 0.1 | 0.0 |
| European Union | 32.7 | 32.9 | 34.4 | 30.3 | 2.6 | 28.2 | 2.2 | 27.0 | 2.2 |
| European Investment Bank | 11.8 | 13.1 | 15.0 | 11.3 | 1.0 | 1.2 | 0.1 | 1.1 | 0.1 |
| OPEC Fund | 10.2 | 10.0 | 12.3 | 1.7 | 0.1 | 6.7 | 0.5 | 6.3 | 0.5 |
| IMF | 26.3 | 24.2 | 40.4 | 56.4 | 4.9 | 75.9 | 6.0 | 64.3 | 5.2 |
| Bilateral | 208.1 | 212.7 | 210.5 | 142.1 | 12.3 | 167.7 | 13.3 | 162.3 | 13.2 |
| Paris Club | 112.1 | 113.7 | 102.8 | 57.2 | 5.0 | 73.6 | 5.8 | 73.6 | 6.0 |
| Official development assistance (ODA) | 76.0 | 77.6 | 70.6 | 53.6 | 4.6 | 69.5 | 5.5 | 69.5 | 5.7 |
| Austria | 16.8 | 17.0 | 14.5 | 15.1 | 1.3 | 9.3 | 0.7 | 9.3 | 0.8 |
| Caisse Française de Développement (France) | 44.3 | 45.5 | 41.4 | 31.9 | 2.8 | 45.0 | 3.6 | 45.0 | 3.7 |
| Fonds de Coopération Economique d'Outre-Mer (Japan) | 15.0 | 15.1 | 14.6 | 6.7 | 0.6 | 15.2 | 1.2 | 15.2 | 1.2 |
| Non-ODA (suppliers' credits) | 36.0 | 36.1 | 32.2 | 3.5 | 0.3 | 4.1 | 0.3 | 4.1 | 0.3 |
| Banque Nationale de Paris (Amsterdam) | 3.5 | 3.4 | 1.8 | 0.0 | 0.0 | 0.5 | 0.0 | 0.5 | 0.0 |
| Banque Nationale de Paris (Paris) | 16.1 | 15.9 | 7.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Société pour l'Expansion des Exportation (Canada) | 4.1 | 4.4 | 6.5 | 1.6 | 0.1 | 3.0 | 0.2 | 3.0 | 0.2 |
| Compagnie Française d'Assurance pour le Commerce Extérieur (France | 12.4 | 12.4 | 15.2 | 1.9 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| United States (Air Rwanda) | 0.0 | 0.0 | 1.4 | 0.0 | 0.0 | 0.6 | 0.0 | 0.6 | 0.0 |
| Non-Paris Club | 96.0 | 99.0 | 107.7 | 84.9 | 7.4 | 94.1 | 7.5 | 88.7 | 7.2 |
| ODA | 96.0 | 99.0 | 107.7 | 84.9 | 7.4 | 94.1 | 7.5 | 88.7 | 7.2 |
| China | 25.3 | 25.3 | 24.9 | 23.1 | 2.0 | 32.0 | 2.5 | 29.7 | 2.4 |
| Abu Dhabi Fund | 2.9 | 3.2 | 3.7 | 2.4 | 0.2 | 1.8 | 0.1 | 1.8 | 0.1 |
| Kuwaiti Fund for Arab Economic Development | 32.2 | 33.7 | 37.4 | 28.7 | 2.5 | 29.4 | 2.3 | 27.8 | 2.3 |
| Libya | 1.4 | 2.0 | 2.2 | 1.2 | 0.1 | 1.0 | 0.1 | 1.0 | 0.1 |
| Saudi Fund for Development | 34.2 | 34.8 | 39.4 | 29.5 | 2.6 | 30.0 | 2.4 | 28.3 | 2.3 |
| Non-ODA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Sources: Rwandese authorities; and Fund staff estimates.

1/ Before application of the Enhanced HIPC Initiative.
2/ Including arrears and late interest.
3/ In 1999 and 2000 does not include new debt

Table 10. Rwanda: External Public Debt Service and Other Debt Indicators, 1995-2004 1/
(In millions of U.S. dollars, unless otherwise indicated)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 Est. | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Projections | | | |
| Total debt service before rescheduling | 36.2 | 36.7 | 35.5 | 37.7 | 55.4 | 42.9 | 49.0 | 47.7 | 42.8 | 46.1 |
| Principal | 22.3 | 22.9 | 23.4 | 24.8 | 43.7 | 31.5 | 37.8 | 36.9 | 32.8 | 36.5 |
| Interest | 13.9 | 13.8 | 12.1 | 12.9 | 11.7 | 11.4 | 11.2 | 10.8 | 10.1 | 9.7 |
| Scheduled debt service on existing contracted debt | 36.2 | 36.7 | 35.5 | 37.5 | 51.9 | 42.8 | 49.0 | 47.6 | 42.8 | 46.1 |
| Principal | 22.3 | 22.9 | 23.4 | 24.6 | 41.7 | 31.5 | 37.8 | 36.9 | 32.8 | 36.5 |
| Medium and long term | 22.3 | 22.9 | 23.4 | 24.6 | 41.7 | 31.5 | 37.8 | 36.9 | 32.8 | 36.5 |
| Multilateral | 11.9 | 15.3 | 14.6 | 15.3 | 21.7 | 26.0 | 30.1 | 27.6 | 23.8 | 28.4 |
| Official bilateral | 10.4 | 7.7 | 8.8 | 9.2 | 20.0 | 5.4 | 7.7 | 9.3 | 9.0 | 8.1 |
| Paris Club | 3.0 | 3.1 | 3.1 | 4.4 | 4.9 | 0.0 | 2.3 | 3.9 | 3.5 | 3.5 |
| Other official | 7.4 | 4.6 | 5.7 | 4.8 | 15.1 | 5.4 | 5.4 | 5.4 | 5.4 | 4.6 |
| Commercial | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Short term | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest | 13.9 | 13.8 | 12.1 | 12.9 | 10.2 | 11.4 | 11.2 | 10.7 | 10.0 | 9.6 |
| Medium and long term | 13.9 | 13.8 | 12.1 | 12.9 | 10.2 | 11.4 | 11.2 | 10.7 | 10.0 | 9.6 |
| Multilateral | 9.4 | 9.8 | 8.1 | 9.8 | 8.4 | 9.9 | 9.3 | 8.6 | 8.1 | 7.8 |
| Official bilateral | 4.4 | 4.0 | 3.9 | 3.0 | 1.8 | 1.5 | 1.9 | 2.1 | 2.0 | 1.8 |
| Paris Club | 2.7 | 2.6 | 2.3 | 2.3 | 1.3 | 1.3 | 1.7 | 2.0 | 1.9 | 1.8 |
| Other official | 1.7 | 1.4 | 1.7 | 0.7 | 0.5 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 |
| Commercial | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Short term | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt service on new borrowing 2/ | 0.0 | 0.0 | 0.0 | 0.2 | 3.5 | 0.9 | 1.7 | 2.6 | 3.4 | 3.9 |
| Principal | 0.0 | 0.0 | 0.0 | 0.2 | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest | 0.0 | 0.0 | 0.0 | 0.0 | 1.5 | 0.9 | 1.7 | 2.6 | 3.4 | 3.9 |
| Memorandum items: | | | | | | | | | | |
| Total debt service (in percent of exports of goods and nonfactor services) | | | | | | | | | | |
| Before rescheduling | 54.3 | 44.0 | 24.6 | 33.7 | 47.9 | 51.9 | 44.4 | 39.5 | 33.6 | 21.1 |
| After rescheduling 2/ 3/ | 54.3 | 44.0 | 24.6 | 30.3 | 45.3 | 30.8 | 28.9 | 24.3 | 18.7 | 17.8 |
| Total debt stock (including new debt) | 1,063.0 | 1,111.9 | 1,137.9 | 1,154.4 | 1,301.7 | 1,344.3 | 1,392.3 | 1,345.5 | 1,400.9 | 1,404.6 |
| Net present value of debt stock (in percent of exports of goods and nonfactor services) 3/ | – | – | 423.5 | 558.3 | 523.4 | 576.3 | 559.6 | 527.5 | 497.9 | 441.2 |

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

1/ Public and publicly guaranteed debt before application of the Enhanced HIPC initiative.
2/ Assuming that debt service vis-à-vis non-Paris Club bilateral and commercial creditors receives a treatment comparable to that of debt vis-à-vis Paris Club creditors (i.e., Naples terms).
3/ Assuming a flow rescheduling on Naples terms of arrears outstanding at end-June 1998 and scheduled debt service from July 1 1998 to end-May 2001 vis-à-vis official bilateral and commercial creditors; no stock-of-debt operation is assumed.

Table 11. Rwanda: Indicators of Capacity to Repay the Fund, 1998-2010 1/
(In millions of SDRs, unless otherwise indicated)

| | 1998 | 1999 | 2000 Est | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Projections | | | | | | | | | |
| Fund credit outstanding (end of period) 1/ | | | | | | | | | | | | | |
| In millions of SDRs | 40.1 | 55.3 | 65.9 | 76.6 | 71.4 | 70.2 | 66.6 | 59.0 | 47.6 | 33.3 | 20.2 | 9.5 | 2.9 |
| In millions of U.S. dollars | 56.4 | 75.9 | 89.2 | 104.2 | 97.7 | 96.6 | 92.2 | 81.9 | 66.0 | 46.2 | 28.1 | 13.2 | 4.0 |
| In percent of quota | 67.4 | 69.0 | 82.2 | 95.6 | 89.1 | 87.7 | 83.2 | 73.7 | 59.4 | 41.6 | 25.3 | 11.9 | 3.6 |
| Fund obligations 2/ | 3.1 | 7.2 | 9.3 | 9.0 | 5.7 | 1.6 | 3.9 | 7.9 | 11.7 | 14.5 | 13.2 | 10.8 | 6.7 |
| Fund total charges and interests | 1.4 | 1.0 | 0.9 | 0.7 | 0.5 | 0.4 | 0.3 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 |
| Existing drawings | 1.4 | 1.0 | 0.8 | 0.5 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Prospective drawings | 0.0 | 0.0 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.0 |
| Fund total repayments/repurchases | 1.8 | 6.2 | 8.4 | 8.3 | 5.2 | 1.2 | 3.6 | 7.6 | 11.4 | 14.3 | 13.1 | 10.7 | 6.7 |
| Existing drawings | 1.8 | 6.2 | 8.4 | 8.3 | 5.2 | 1.2 | 3.6 | 4.8 | 4.8 | 4.8 | 3.6 | 1.2 | 0.0 |
| Prospective drawings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.9 | 6.7 | 9.5 | 9.5 | 9.5 | 6.7 |
| Fund credit outstanding in percent of: | | | | | | | | | | | | | |
| Exports of goods and nonfactor services | 50.8 | 69.9 | 70.9 | 71.3 | 60.8 | 52.0 | 42.2 | 31.8 | 21.7 | 20.1 | 11.0 | 4.7 | 1.3 |
| Total external debt 3/ | 4.7 | 5.5 | 6.1 | 6.9 | 12.6 | 11.3 | 10.2 | 8.5 | 6.5 | 2.5 | 1.5 | 0.7 | 0.2 |
| Gross official reserves | 34.4 | 43.6 | 51.0 | 57.7 | 54.1 | 51.7 | 48.3 | 40.7 | 31.0 | 51.9 | 29.8 | 12.7 | 3.3 |
| Fund obligations in percent of: | | | | | | | | | | | | | |
| Exports of goods and nonfactor services | 4.0 | 9.1 | 10.0 | 8.4 | 4.8 | 1.2 | 2.5 | 4.3 | 5.3 | 8.7 | 7.2 | 5.3 | 3.0 |
| External debt service 3/ | 10.5 | 15.2 | 19.4 | 20.6 | 23.8 | 9.6 | 18.2 | 26.1 | 30.1 | 32.6 | 31.4 | 28.7 | 22.8 |
| Gross international reserves | 2.7 | 5.7 | 7.2 | 6.8 | 4.3 | 1.1 | 2.8 | 5.5 | 7.6 | 22.6 | 19.5 | 14.4 | 7.8 |
| Memorandum items: | | | | | | | | | | | | | |
| Exports of goods and nonfactor services (in millions of U.S. dollars) | 111.0 | 108.5 | 125.8 | 146.2 | 160.8 | 185.8 | 218.6 | 257.2 | 304.7 | 230.3 | 254.5 | 279.9 | 307.9 |
| Gross official reserves (in months of imports, c.i.f.) | 6.1 | 7.4 | 6.8 | 7.0 | 6.6 | 6.4 | 6.2 | 6.1 | 6.1 | 2.1 | 2.1 | 2.2 | 2.4 |

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

1/ Includes the prospective (1999–2001) disbursements under the three-year Poverty Reduction and Growth Facility arrangement of SDR 71.4 million (120 percent of quota).
2/ Includes debt service on prospective disbursements.
3/ Assumes debt rescheduling from July 1998 to end-May 2001 from Paris Club (on Naples terms) and non-Paris Club bilateral creditors (on terms comparable to those granted by the Paris Club); a stock-of-debt operation on Naples terms (67 percent of NPV reduction) is assumed to take place in 2001.

**REPUBLIC OF RWANDA**

KIGALI, November 6, 2000

**MINISTRY OF FINANCE AND**
**ECONOMIC PLANNING**
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Mr. Horst Köhler
Managing Director
International Monetary Fund
Washington, DC 20431
U.S.A.

Dear Mr. Köhler,

1. We recently held discussions with the Fund staff on the second review of Rwanda's program for 1999/2000, which is supported by the second annual arrangement under the Poverty Reduction and Growth (PRGF), approved by the Executive Board of the Fund on November 19, 1999. We also held discussions on Rwanda's 2000/2001 program to be supported by the third annual arrangement under the PRGF.The discussion focused on progress made under the second year arrangement and policies and actions to be pursued during the remainder of this calendar year and in 2001—in particular to bolster revenue performance and to strengthen the foreign exchange system. Unfortunately, under the difficult circumstances that the country continues to face in 2000, seven of the program's nine quantitative performance criteria for end-September 2000 were missed. These included the floors on the net foreign assets of the BNR and social spending, and the ceilings on the net domestic assets of the BNR, the net credit to government from the banking system, the primary fiscal deficit, the stock of external non-reschedulable arrears, and the net accumulation of domestic arrears. The structural performance criterion on the completion of audits of the 1999 accounts of 5 ministries was also missed, as was the performance criterion on the elimination of the import surcharge which was carried out with a delay of about one month.

2. The attached memorandum of economic and financial policies (MEFP) reviews progress in implementing the second year arrangement and provides details of policies to be undertaken in the third year arrangement. In particular, it describes the revenue and expenditure measures that the government is committed to implement so as to attain a primary fiscal balance close to the original program target for 2000. It also describes in detail

the extensive set of revenue measures the government will be implementing so as to achieve a fiscal target for 2001 that is consistent with macroeconomic stability and a movement towards fiscal sustainability over the longer term.

3. The fiscal target would also permit a significant increase of resources allocated in the budget toward anti-poverty spending. The MEFP also describes an important number of structural reforms, including the decision of the BNR to implement a system of foreign exchange auctions to ensure market determination of the exchange rate. Given the difficulties Rwanda was confronted with in 2000 and the remedial measures and commitments undertaken as described in the MEFP, the government of Rwanda requests the approval of the third year arrangement under the PRGF.

4. As the second annual arrangement expired on November 18, 2000, we request that the undisbursed amount for the third loan under the second annual arrangement be rephased and that the amount equivalent to SDR 4.75 million be made available during the third annual arrangement. The government requests the first disbursement of SDR 9.52 million under the third year arrangement following the approval of the third annual arrangement by the Fund's executive Board. The government understands that consideration by the Executive Board of Rwanda's request for approval of the third year arrangement will be subject to Rwanda's taking a wide array of prior actions as indicated in the attached MEFP.

5. The government of Rwanda will continue to provide the Fund with such information as the Fund requires assessing Rwanda's progress in implementing the policies described in this letter and the attached memorandum. Moreover, Rwanda will continue to consult with the Fund on its economic and financial policies, in accordance with the Fund's policies and practices on such consultations.

Yours sincerely,

/s/

François Mutemberezi
Governor
Banque Nationale du Rwanda

/s/

Donald Kaberuka
Minister of Finance
and Economic Planning

Attachment: Memorandum of Economic and Financial Policies

**Memorandum of Economic and Financial Policies of the Government of Rwanda for 2000/2001**

## I. PERFORMANCE UNDER THE 1999/2000 PROGRAM

1. Performance under the second-year PRGF program (October 1999–September 2000) has been mixed. The first review of the second annual PRGF arrangement was originally expected to be based on performance through end-December 1999. However, mainly due to revenue shortfalls and partial implementation of expenditure cuts, there were fiscal slippages of the order of 1.5 percent of GDP, and four quantitative and two structural performance criteria at end-1999 were missed. To address these issues, the government revised its fiscal program for 2000 to include temporary revenue measures to partly offset the revenue shortfalls, and strong expenditure reductions vis-à-vis the 2000 budget, all aimed at keeping the primary deficit target unchanged. The government also committed to implementing a set of structural reforms as prior actions. In the event, fiscal performance through end-May 2000 —the revised test date for completing the first review under the second annual PRGF arrangement—was in line with or better than the agreed targets, the structural prior actions were taken, and, as a result, the first review was completed on July 31, 2000.

2. Real GDP growth, which had declined to 5.9 percent in 1999, decelerated to an estimated 5.2 percent in 2000, which—although still quite strong—represented a slow-down of the booming Rwandan economy of the 1996–98 reconstruction period. Growth in 2000 was constrained by drought in some areas and the rise in international petroleum prices and other transportation costs. After posting an annual average inflation rate of -2.4 percent in 1999, which reflected falling food prices, Rwanda's inflation increased to 2.8 percent by September 2000, partly on account of the drought's impact on food prices and higher fuel prices. The external current account deficit (excluding official transfers), which narrowed in 1999, is estimated to have widened substantially in 2000 to 16.8 percent of GDP, reflecting weaker export receipts caused by lower coffee volumes and prices, higher fuel and food import prices, and a one-time large increase in international transportation costs.

3. The deterioration in the current account in 2000 also reflects the effects of the relaxed monetary policy followed in 2000, as evidenced by the NBR repeatedly exceeding the net domestic asset ceilings. In this context, the currency depreciated by about 15 percent during 2000 vis-à-vis the U.S. dollar. Moreover, the net foreign asset targets of the NBR were not attained as a result of substantial sales of gross foreign exchange reserves by the NBR to commercial banks in an effort to restrain the depreciation. The NBR felt comfortable doing so given the relatively high level of its foreign exchange reserves at over six months of imports. The fiscal stance contributed to the monetary relaxation, as the fiscal deficit and domestic financing targets were missed. With a view to improving adherence to its monetary targets, the NBR has recently clarified that foreign budgetary assistance will require an adjustment to the monetary targets, irrespective of whether these flows pass through the central bank.

4. The primary fiscal balance—a performance criterion under the program—for September 2000 was RF -0.8 billion (-0.1 percent of GDP) compared with the program target of RF 1.8 billion. Once again this reflected significant revenue shortfalls that were partially offset by expenditure cuts. Revenues fell short of the September 2000 target by RF 5.2 billion (0.8 percent of annual GDP), mainly due to (a) lower-than-programmed corporate profit taxes, as many companies declared—still to be audited—losses; (b) lower beer and soft drink excise receipts, as taxed sales remained extraordinarily depressed; (c) lower trade taxes, due to lower declared import volumes; and (d) the expected improvements in tax (in particular customs) administration not being realized. At the same time, in an effort to contain the deficit overrun, the government limited current expenditure by about RF 3.8 billion below the September 2000 target. It adjusted purchases of goods and services for civilian (nonsocial) purposes and transfers, while protecting social spending. Military expenditures were contained within their programmed levels.

5. At end-September 2000, foreign-financed capital spending (which accounts for almost all public investment projects) is reported to have been about 24 percent of the fiscal program allocation for the year, owing to delays in project preparation, weak implementation capacity within the line ministries, and complicated procedural requirements of donors. Domestically financed capital expenditure was also well below target, at 35 percent of the annual fiscal program allocation. In this context, the overall fiscal deficit to end-September was contained to 3.8 percent of GDP, compared with the program target of 7.8 percent of GDP. While this year's fiscal performance contributed to overshooting the domestic bank-financing target under the program, the major factor behind the latter has been the higher-than-programmed payment of expenditures committed in 1999. These payments were made by ministries and projects under their auspices drawing down on their ministerial accounts with the NBR in an amount equivalent to about 0.5 percent of GDP. To avoid the recurrence of an unanticipated drawdown in ministerial accounts and with a view to improving budget monitoring and control, the government from November 16, 2000 eliminated all independent ministerial accounts. All project accounts not subject to agreements with donor agencies were also ordered closed so that henceforth all expenditures be paid out of the treasury account.

6. In the second quarter of 2000, the government identified for the first time RF 2.3 billion of domestic arrears accumulated during earlier periods and undertook to repay these arrears, as well as RF 2.2 billion of arrears that had been properly tracked and previously included in the fiscal program for 2000. However, the total net payment of arrears fell behind schedule and by September there was a net accumulation of RF 0.9 billion compared with a programmed reduction of RF 2.5 billion. The government has now moved to strengthen the monitoring of all government expenditures and bank accounts, as mentioned above, and has by and large completed an investigation to ensure that no domestic arrears remain unidentified.

7. The investigation, which was carried out by the internal audit department of the Ministry of Finance, showed that there may be up to RF 27 billion (about 4 percent of 2000 GDP) in arrears that had not been previously identified, with the majority of them incurred before or during the war. These latter arrears had not been previously identified partly because the war disrupted the recording system while archives remained in a state of disarray

and are only now beginning to be computerized. In addition, even in the 1995–97 period, there were not yet clear guidelines as to who would bear the costs of various utility services, prison expenses, etc.—the bills for which have now been identified as outstanding arrears. Finally, there is an acute capacity problem in the internal audit department, which had to carry out the tasks of identifying and verifying outstanding claims on the government.

8. A large number of arrears from before 1998 may not be legitimate, as suppliers have not always provided adequate documentation, mostly claiming losses during the war. Regarding arrears claims, which the government has not recognized, the approach the government will follow is explained in paragraph 28. Of the RF 27 billion newly identified arrears, RF 2.3 billion—the amount accumulated in 1998 and 1999—relating to purchases of goods and services has been verified. The government has committed to eliminating these and any further verified arrears in accordance with a timetable by end-2002.

9. With regards to external arrears, Rwanda signed bilateral rescheduling agreements with all its Paris Club creditors in 1998–99, and is seeking agreements with its non-Paris Club bilateral creditors on terms at least comparable to those granted by Paris Club creditors. Rwanda was late on debt-service payments on refinanced/rescheduled amounts during the third quarter of the second annual PRGF arrangement, breaching a performance criterion for the second review. All arrears have been eliminated since mid-October 2000.

10. There was some progress in structural reforms in the first nine months of 2000. By March 2000, agreements had been reached with five large public enterprises on the settlement of cross debt, while agreements with some commercial banks on their restructuring plans, as well as a consolidation agreement between government and the social security fund, were reached by June 2000. A revised action plan was adopted for the Rwanda Revenue Authority (RRA) in June 2000, and audits were initiated in May 2000 for five key ministries (including the Ministry of Defense) originally planned to be completed by end-October 2000. However, there were delays in completing the audits due to the training needs of the Auditor General's staff, and all audits, except that of the Ministry of Health, are now expected to be completed by mid-December 2000. Regarding public service reform in 2000, the government retrenched 13 percent of core civil servants, initiated redeployment within ministries in line with the *cadres organiques*, continued regularizing previously unpaid teachers, removed all remaining unqualified teachers, and eliminated ghost workers from the payroll. However, there have been delays in the publication of the necessary prime ministerial decree to formally adopt the *cadres organiques* and in some preparatory steps at the level of the *préfectures*. In August 2000, the authorities submitted to parliament a civil servants' code with significant governance implications, but its adoption is still pending.

11. In 2000, the government has implemented a number of measures to improve governance. In the area of budget preparation, a new functional budget classification was adopted and used for the preparation of the 2001 budget. As part of the ongoing reforms, the government has introduced a medium-term expenditure framework (MTEF) process covering the period 2001–03 to improve transparency, comprehensiveness, predictability, and the ability to prioritize expenditure. The 2001–03 budgets are being prepared based on medium-

term programs developed by each ministry. Moreover, an organic budget law was submitted to parliament, albeit with slight delay. In the area of public accounts preparation and auditing, the Auditor General's office has become fully operational through hiring and training of its staff, and auditing operations have begun. Moreover, the law on public accounts was submitted to parliament. The authorities have initiated the strengthening of bank supervision and the bank regulatory framework by improving the on-site inspection of banks and adopting international capital adequacy, loan classification, and provisioning standards. Moreover, banks (including those with state participation) have made progress in implementing their restructuring plans, including strengthening their capital adequacy, provisioning, and lending procedures. However, there have been delays in improving the legal environment for the recovery of nonperforming loans. The arbitrage center, though formally established, continues to lack capacity and still faces some administrative and legal impediments, which the government has committed to remove. In addition, improvements in the system of the *voie parée* are still under consideration by an interministerial committee. With a view to improving governance and economic efficiency, the authorities submitted a regulatory framework in preparation for the offer for sale of Rwandatel, approved a policy framework for the privatization of tea factories/estates, and decided to put Electrogaz (the electricity/water company) under private management as a prelude to its privatization. However, there have been delays in the privatization process envisaged for each of these major institutions, due to lack of financing of the privatization consultant. From the 22 companies targeted to be brought to the point of sale by end-September 2000, 15 companies were offered for sale but for three there were no bids. Finally, the audit of government arrears to the social security fund (CSR) was completed.

12. The government successfully completed the interim Poverty Reduction Strategy Paper (I-PRSP) after conducting an extensive first round of consultations at the *préfecture* (province) level that included a wide range of stakeholders. The I-PRSP was discussed with the Fund and World Bank staff and presented to the donors at the November 7–9, 2000 meeting in Kigali.

13. Under the difficult circumstances faced by the country in 2000, with respect to performance criteria under the PRGF, seven quantitative criteria for end-September 2000 and two structural performance criteria were missed. One of the two structural performance criteria—on the elimination of the import surcharge—was achieved with a delay, while four structural benchmarks were either missed or implemented partially.

## II. MEDIUM-TERM POLICY FRAMEWORK

14. The primary development goal of the government is to achieve sustained poverty reduction through the pursuit of policies and reforms that would maintain economic growth at high and sustainable levels, while at the same time implementing policies that have a direct effect on poverty. Given a 3 percent population growth rate, Rwanda's macroeconomic policies are aimed over the medium term at maintaining real GDP growth of at least 6 percent a year (which is consistent with a realistic annual growth rate of about 2 percent in total factor productivity), keeping inflation below 5 percent, gradually reducing the external current

account deficit (excluding official transfers) from 16.8 percent of GDP in 2000 to about 10.7 percent in 2004, and maintaining an adequate—given the vulnerability to shocks—level of gross official reserves of at least six months of imports. A fundamental aim of the government will be to maintain—assuming HIPC Initiative debt relief—debt at sustainable levels as defined by the net present value (NPV) of debt-to-exports ratio of 150 percent and other internationally accepted indicators.

15. In the 1990s, Rwanda's economic condition was greatly affected by the 1994 genocide and the ensuing social and military developments. The result has been the emergence of very large external current account imbalances reflecting very low or negative savings-to-GDP ratios for both the private and government sectors. While the external imbalances have so far been covered by foreign savings provided through donor flows catalyzed by the international response to the genocide, the sustainability of such finances over the long run is uncertain. In this context, it is important that Rwanda begin to take the necessary steps to reduce the current excessive reliance on donor funds and eventually integrate itself into international capital markets. If the existing fiscal and external imbalances were to continue over time, chances are that private sector savings and investment (both from local and foreign sources) would not adequately recover.

16. Thus, to ensure that macroeconomic stability and growth will be sustainable over the long term, the government will aim to progressively reduce its fiscal deficit with a view to setting in motion a reduction of the external current account deficit and to consolidate the debt sustainability gains expected to be attained through the application of the HIPC Initiative. This in turn would have beneficial effects on the perception of local and foreign investors of the sustainability of macroeconomic stability in Rwanda and complement the positive effects on private sector perceptions of a debt reduction under the HIPC Initiative. In the government's medium- and long-term macroeconomic framework, this approach is reflected in an expected gradual increase in the savings rates of the government and the private sector, to the levels—in the first stage—that prevailed on average in the 1980s.

17. To achieve the envisaged gradual increase in government savings—which is necessary for reducing the fiscal deficit (excluding grants) from a projected 9.6 percent of GDP in 2001 to about 7.8 percent by 2004—the government has carried out a realistic assessment of the current and long-term fiscal revenue potential and identified the steps necessary for moving from attainable revenue targets in 2001 to ambitious medium- and long-term targets. In the context of the effort to reduce poverty, the measures envisaged will explicitly make an effort to shift the tax burden from the poor. Increases in government savings would also depend on making expenditure more efficient and accelerating civil service and public enterprise reforms. The regular conduct of public expenditure reviews and the introduction of an MTEF covering expenditure programs of all ministries with the 2001 budget, is expected to improve the costing, facilitating prioritization, and enhance efficiency and transparency of government expenditure. The links to performance indicators would also be strengthened. The government has also initiated a further decentralization of budget execution to the *préfectures* and to a smaller extent the *communes*.

18. As mentioned above, an important element of the medium- and long-term macroeconomic framework adopted by the government is the envisaged increase in private sector savings and investment over time. To this effect, it will be necessary to achieve unfailing progress toward fiscal and debt sustainability and to consistently maintain macroeconomic stability so as to build the necessary confidence of the private sector in the policy environment and its sustainability. Maintaining low inflation will also have a significant effect on the livelihoods and savings of the poor as the inflation tax falls predominantly on them. Equally important for increasing private sector savings (and investment), the government will aim to accelerate financial sector reform (including in the first stage, a strengthening of the banking system and subsequently a gradual capital account liberalization), make financial instruments accessible to a greater proportion of the population, and establish a legal and regulatory framework conducive to private sector activity and external competitiveness. The government is also committed to good governance, by ensuring transparency and accountability in public resource management, as well as by establishing a fair and level playing field for the private sector, be it domestic and foreign.

19. While the goal of poverty reduction can be served by creating an environment with low uncertainty, which supports high economic growth and increasing employment, specific policies and measures are also needed to ensure that the benefits of growth will reach all parts of society, especially the poor. In this regard, the government envisages increases in social/antipoverty spending over the next years using the PRSP process as the framework of all actions and interventions. Some of these policies and measures, in the areas of education, health, water and sanitation, rural infrastructure, and agricultural sector reform, are already reflected in the government's program under the PRGF, but more needs to be done. During the consultative process to be used in preparing the full PRSP, the government expects to gain a deeper understanding of the type of policies and programs that would be more effective in reducing poverty. As a result, the MTEF that will be introduced in 2001 will be continually refined to ensure that adequate resources are provided to such programs and that resources are reallocated to them from lower-priority areas. At the same time, the government will continue to develop the input and outcome social indicators and monitoring mechanisms to gauge the effectiveness of these programs in achieving established objectives.

## III. THE ECONOMIC PROGRAM FOR 2000/01

20. In line with the medium-term objectives outlined above, the program for 2001 aims at consolidating macroeconomic stability while (a) initiating progress toward a sustainable reduction in the underlying macroeconomic imbalances, and (b) taking clear steps toward poverty reduction. The macroeconomic targets are (i) achieving output growth of 6 percent; (ii) maintaining inflation at about 3 percent; and (iii) maintaining gross international reserves at about 6.5 months of imports.

## A. Macroeconomic Policies

### Fiscal policy

21. The government is persuaded of the need to achieve the fiscal deficit targets for 2000 despite the significant shortfall in revenue and avoid a weakening of the initial conditions for the program for 2001. It is, therefore, making every effort to restrain nonsocial expenditure and to contain the revenue shortfall through revenue measures in November–December 2000 so as to achieve virtually the same primary fiscal balance (-0.1 percent of GDP) as the one envisaged under the program for 2000 (0.1 percent of GDP). To this effect, the measures taken by the government are described in Box 1. It is expected that these steps would contain the shortfall of revenue from the target envisaged under the program to about 0.4 percent of GDP, and total revenue would amount to 10.2 percent of GDP in 2000. Expenditures will be

**Box 1. Revenue Measures To Be Taken in 2000 [1]**

| Action | Effective Date |
|---|---|
| **A. In the Context of the Revised Budget for 2000** | |
| **To improve customs collection** | |
| • Monthly reconciliation of SGS valuation with that of customs and justification of eventual differences between taxation proposed by SGS and effective taxation by customs. Requires only an administrative directive.* | Immediately |
| • Enact and implement ministerial decrees to reduce delays in clearance of goods and improve revenue collection: | Nov.1, 2000 |
| - Increase Magerwa storage fees, the levy of penalties for late withdrawal after customs declaration, and reduce period from date of storage after which the goods shall be considered abandoned and auctioned from 12 to 3 months. | |
| - Accelerate from quarterly to monthly, the transfer to the treasury of three-quarters of the 4 percent of the c.i.f. value as handling fee (1 percent for imports exempt from import duties). | |
| - Limit Magerwa's insurance coverage for goods stored in its warehouses to three months. | |
| • Enact and implement directive to reduce transit fraud by limiting the time periods of transit journeys between borders and borders, borders and Gikondo, and imposing progressive penalties. | Oct. 11, 2000<br>Done |
| • Enact and implement ministerial decree to reduce customs fraud evasion by introducing mandatory clearance by professional customs clearing agents ("customs broker"). | End-November 2000 |
| • Improve the coverage of imports subject to preshipment inspections (above US$5,000) to 90 percent; and report on a monthly basis PSI coverage, based on PSI documents (in addition to customs declaration forms), import value, and tax collected by customs. | Ongoing<br>Nov.1, 2000 |
| **To improve tax collection** | |
| • Enact and implement a revised law on fiscal procedures to reduce the legal delays and the taxpayer's response time to the revised tax assessment between the notice to start a tax audit and the confiscation of assets to collect the tax from 123 to 76 days. | January 1, 2001 |
| • **Accelerate the auditing of enterprises:** | |
| - complete 1998 tax audits (risk-based) for at least 100 large enterprises with assistance from external auditors under the UK-DFID support project;* | December 15, 2000 |
| - thereafter complete at least 20 audits of large enterprises per month; and | 2001 |
| - increase the number of ICHA/VAT issue-oriented audits to significantly improve compliance, in particular for small and medium enterprises | Immediately |
| • Strengthen tax collection through the extension of the *avis-à-tiers détenteur* to clients of enterprises in arrears, and exclusion of such enterprises from public auctions for at least six months. | End-January 2001 |
| **B. Other Measures** | |
| • Strengthen control of exit of excisable goods from factories. | Immediately |
| • Collect dividends from state enterprises. | November 2000 |
| • Ensure that fees for services and other nontax revenue are collected in accordance with the services delivered (nontax revenue). | Immediately |

* An asterisk indicates a prior action for issuance of the staff report to the Executive Board.

restrained below the program target in the areas of nonsocial sector purchases of goods and services and domestically financed capital expenditure. As exceptional social expenditures and foreign-financed capital expenditures are also expected to be lower than under the program, the overall fiscal deficit in 2000 is projected at 9.3 percent of GDP, compared with 11.2 percent in the program. In addition, the government will ensure that the reduction in domestic arrears envisaged under the program is carried out and that there is no loosening of the monetary program on account of inter alia increases in the net credit to government from the banking system.

22. The government intends to limit the 2001 overall fiscal deficit (commitment basis and excluding grants) to 9.6 percent of GDP and to achieve a primary surplus of 0.2 percent of GDP, in order to allow for a significant increase in bank credit to the private sector, while initiating a gradual decline in the external current account deficit. A more ambitious fiscal stance is not envisaged in 2001 in order to accommodate an upfront large increase in antipoverty (social) spending and reflecting the expectation that revenue improvements on account of measures will occur gradually. This deficit target is consistent with possible external financing for 2001.

23. The government's budget for 2001 envisages an increase in revenue from the updated projections for 2000 of 10.2 percent of GDP to 10.8 percent in 2001. Revenue performance is expected to improve progressively on account of improvements in tax and customs administration, in particular the strengthening of the administrative capacity of the Rwanda Revenue Authority and political commitment behind measures to enforce tax laws, combat tax evasion, and address corruption. Such measures include inter alia strengthening income tax recovery, improving transit and warehouse control, broadening the tax base, reducing exemptions, increasing the presumptive tax on small- and medium-size enterprises' profits, and implementing fully the liberalized petroleum pricing mechanism. On January 1, 2001, the government will also introduce a value-added tax (VAT) with a rate of 15 percent, a turnover threshold of RF 15 million, and minimal exemptions, that would make the VAT at least revenue neutral. The authorities are committed to monitoring closely the outturn of the VAT receipts and make adjustments in the rate and/or threshold, if required to ensure adequate revenue performance. The specific measures that are envisaged to deliver the revenue projections for 2001, including the timetable for their implementation, are shown in Box 2.

24. In the area of expenditures, the goal of the government in 2001 will be to significantly increase those expenditures, which have been identified to have the greatest antipoverty impact while containing total government expenditure to 20.5 percent of GDP, compared with a revised projection of 19.6 percent of GDP for 2000. In the government's budget, the wage bill will be kept to 5.1 percent of GDP in 2001, marginally lower as a percent of GDP than in 2000. This would allow large increases in the social sector wage bill to be offset by decreases in other areas. More generally, with a view to reallocating expenditure toward antipoverty areas, the government will aim to reduce military spending to 3.2 percent of GDP in 2001 (from 3.8 percent in 2000), in line with its announced intention for gradual reductions in such spending over the medium term.

25. The government has sought to arrive at a more accurate definition for social/antipoverty spending to reflect only those expenditures by the ministries of education and health that are important for poverty reduction while, at the same time, adding to the definition other expenditures with a significant effect on the welfare and earning capability of the poor, such as in the areas of water and sanitation, rural development and infrastructure, human settlements, gender programs, and youth job creation. It has aimed to prioritize such expenditure in the context of the first MTEF for 2001–03,[1] on the basis of some preliminary costings and taking into consideration the conclusions of the I-PRSP. It has also worked to identify the ways these expenditures and their impact will be monitored under the program. The redefined social/antipoverty spending is envisaged to increase to 4.9 percent of GDP in 2001 from about 4.1 percent in 2000, partly made possible by the expected interim assistance under the enhanced HIPC Initiative.[2] Regarding exceptional social spending, the budget for 2001 envisions that it will remain stable at 1.5 percent of GDP, which should allow the government to press ahead with the demobilization plan given that other expenditure needs under that category are expected to decline over time. The government has also identified the spending programs in this category on which any additional financing beyond the programmed amounts may be spent.

26. Regarding capital expenditure, the government has reviewed the implementation capacity of the investment budget in recent years and on that basis determined a realistic target for such spending in 2001, which is also consistent with the macroeconomic goals under the program. The 2001 fiscal program would increase capital expenditure to 7.6 percent of GDP, compared with a projected 7 percent for 2000.

27. The government has identified contingency measures in the areas of fiscal revenue and nonsocial expenditure that would yield RF 3 billion, to be taken in the event of fiscal revenue shortfalls or expenditure overruns.

28. The government will begin implementation of a quarterly program to reduce the domestic arrears identified and verified under the recent audit in order to eliminate all verified arrears by end-2002, either through cash payments or securitization. Regarding arrears claims not currently recognized by the government, the latter will approach the Auditor General or a private sector auditor to carry out audits by end-June 2001 in order to identify any further obligations of the government to be cleared by end-2002. To avoid the reemergence of arrears and monitoring the existing arrears, as well as strengthening expenditure monitoring in general, the government will implement the steps outlined in Box 4. In this context, the government has also requested from the Fund a treasury advisor. Gains in

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[1] The new budget classification used in the 2001 budget has permitted an easier identification of those line items and programs, which are priorities for poverty reduction.

[2] Social spending according to the previously used definition would also increase from 4.1 percent of GDP in 2000 to 4.9 percent of GDP in 2001.

expenditure monitoring and control are important not only for improving the conditions for fiscal discipline but also for effectively monitoring antipoverty expenditure under the HIPC Initiative and PRSP.

**Box 2. Revenue Measures To Be Taken in the Context of the 2001 Budget and During 2001 [1]**

| Action | Effective Date |
|---|---|
| **Customs** | |
| • Eliminate tax exemption for imports of petroleum products for embassies and international organizations. | January 1, 2001 |
| • Adoption with 2001 Budget Law of 5 percent withholding tax on imports, deductible from profit tax, effective March 1, 2001.* | January 1, 2001 |
| • Enact and implement simplified and unified systems for exemptions for import duty and taxes; and | End-December 2000 |
| • report on monthly basis on import tax collection by category of imports, tariff rate, and the value of imports officially exempted (by law and treasury checks). | Ongoing |
| • Computerize the operations of both the large taxpayer unit and small and medium taxpayer unit. | End-September 2001 |
| • Strengthen and formalize link between tax collection department and customs, and improve collection of information from wholesalers with a view to improving tax collection. | End-June 2001 |
| **Income Tax** | |
| • Introduction of 5 percent withholding tax on purchase from wholesalers. | July 1, 2001 |
| • Submit to parliament TPR Law to make all salary allowances in cash and in kind fully subject to TPR. | June 2001 |
| • Complete census to identify and register all direct taxpayers. | July 1, 2001 |
| • Maintain or achieve voluntary declaration and payment compliance rates of at least 95 percent for large enterprises and at least 40 percent for SME (from 95 percent and 10 percent, respectively, in 1999). | End-September, 2001 |
| • Achieve collection rate of 75 percent of tax assessment within one month of assessment through strict application of reminder and enforcement procedures. | End-September 2001 |
| • Increase the presumptive tax from 2 percent to 5 percent of annual turnover. | January 1, 2001 |
| **Excises** | |
| • Submit to parliament a law to subject excisable goods (beer, soft drinks, wine/liquor, cigarettes, and petroleum products—gasoline and diesel) to the VAT while reducing the excise rate so as to keep the overall rate of domestic taxation unchanged; and to increase the excise rate on mineral and soda water to that on soft drinks. | 2001 Budget Law |
| • Implement tax stamps for beer and cigarettes. | 2001 Budget Law |
| **VAT** | |
| • Implement adequate refunding system including by: | January 1, 2001 |
| - Strictly adhering to one-month delay for refunding claims owed by the RRA. | January 2002 |
| - Implementing any exemption, within the limit of quotas, for diplomats and investors under the Investment Code through refund. | |
| - Reporting VAT revenue *net* of refunds owed by the RRA. | |
| - Eliminate VAT exemption from the investment code. | |
| **Other measures** | |
| • Announcement by the government, * concurrent with the presentation of Budget to parliament, of the decision to tax petroleum products on the basis of a revised petroleum pricing mechanism with implementation in five equal installments—between February 2001 and June 2001—by: | December 2000 |
| - applying a three-month moving average of international petroleum prices, and | February 2001 until June 2001 |
| - adjusting the reference price for taxation in line with the three-month moving average. | |
| • Strengthen and formalize the link between Revenue Protection Service and Customs department . | End-September, 2001 |
| • Enact a decree to revise fees for services offered by the government (nontax revenue). | End-January 2001 |

* An asterisk indicates a prior action for issuance of the staff report to the Executive Board.

## Monetary policy

29. The monetary program for 2001 aims at achieving the inflation and reserve targets of the government while providing room for a strong increase in credit to the private sector so as to help achieve the real GDP growth objective and the desired increase in private investment. The NBR will stand ready to use fully its sterilization instruments, including by introducing sales of its own paper, to keep within the net domestic asset ceilings, and to meet the

targets for net foreign assets by allowing the needed exchange rate flexibility. With a view to increasing monetary control (and encouraging the development of an interbank foreign exchange market), the NBR will redefine reserve money so as to exclude the use of foreign currency by banks to fulfill the reserve requirement and will aim to reduce the large holdings of excess reserves by banks. The government and the NBR will increase their coordination through weekly meetings so as to improve financial management and avoid departures from the monetary program on account of fiscal and foreign financing developments.

30. On the exchange regime, the NBR is firmly committed to the market determination of the exchange rate, with its intervention aimed only at meeting its net foreign asset target. The NBR has reassessed the operation of the market for foreign exchange in Rwanda, with a view toward removing distortions, ensuring a transparent market determination of the exchange rate, and encouraging the development of an interbank market for foreign exchange. To this effect the NBR will conduct weekly auctions to sell foreign exchange to the highest bidder among the commercial banks at whatever rate clears the auction. The NBR would still be able to buy foreign exchange outside the auction or reduce the amount it sells at the auction if it is needed to meet its net foreign asset target. The authorities, in designing the auction process, will request assistance by the Fund's MAE department. The intention of the NBR is to complete the steps toward adopting the new institutional arrangement for the foreign exchange market by January 31, 2001, after receiving technical assistance from the Fund's MAE department.

31. In the interim, the NBR will take steps to move toward market determination of the interbank exchange rate by ensuring that the margin between that rate and the parallel market rate is further reduced from its current level of 6 percent. It will do so by applying an exchange rate in its transactions with banks calculated as a weighted average of exchange rates used the previous day in commercial banks' transactions with their clients. The NBR will ensure equal treatment to all the banks when intervening in the interbank foreign exchange market (i.e., when selling or buying foreign exchange). It will publish on a weekly basis the list of sales made to banks indicating the demands and amounts sold. The Central Bank will ensure that all demands will be processed within 48 hours. With a view to encouraging and monitoring exchange rate flexibility, the NBR will report weekly on the difference between the parallel market rate and the weighted weekly average rates of NBR intervention in the interbank market for purchases and sales, respectively. This difference should not exceed 12 percent.

32. The government assigns particular importance to the restructuring of the banking sector and of the financial system more generally, as this is a necessary condition for increasing the private savings rate and investment over the medium term. The current low levels of both variables in part result from weaknesses that will be addressed by carrying out the financial sector reforms outlined in Box 3. Progress in strengthening the banking system is also essential for the intended gradual liberalization of the capital account.

**External sector**

33. The external current account deficit (excluding official transfers) is projected to decrease from 16.8 percent of GDP in 2000 to 14.7 percent in 2001, as the effects of the

drought on food and export crops are reversed, the price of fuel imports decreases, and financial policies become more prudent. Over the medium term, the development of the balance of payments is predicated on continued fiscal adjustment, a strengthened banking system, and robust economic growth of about 6–6.5 percent. The government envisages a gradual improvement of the current account to about 10.7 percent of GDP in 2004, based on an acceleration of export growth in volume terms due to increases in output of traditional exports of coffee and tea,[3] and the development and improvement of other exports such as horticultural products, artisanal products, hides and skins, and textiles. In addition, the services account is also expected to improve due to a gradual resumption of tourism, higher investment income, and a decline in interest on public debt. The capital account is also scheduled to improve owing to greater confidence in the banking system and in the economy as a whole, as well as the progressive capital account liberalization. Private capital is expected to flow into Rwanda over the medium term as residents bring money held abroad back into the domestic banking system and as the Rwandese diaspora increases both portfolio and direct investment flows. Foreign investors are also expected to make direct investments into new export-oriented sectors, as stability is entrenched in Rwanda and access to the markets of industrial countries improves for African-made products.

**Box 3. Financial Sector Reforms Under the 2000/01 Program**

- The NBR will continue to strengthen bank supervision according to the existing action plan of recruitment and training supervisors, reorganizing the supervision department, and computerizing the bank supervision process. The target is to begin carrying out on site inspections of all banks every year, starting in 2001.
- The government to introduce tax deductibility of loan provisioning by banks by end-December 2001.
- The commercial banks to continue with the restructuring plans agreed in the first half of 2000. In the case of BCR, for which there is a need to reevaluate the restructuring plan, to agree on a transparent and monitorable plan with the NBR by December 2000.

With a view to improving the recovery of nonperforming loans:

- (i) the arbitrage center—with the necessary legal authority and without any remaining administrative and legal impediments—will become fully operational by end-June 2001; and
- (ii) effect improvement in the system of the *voie parée* in accordance with the recommendations of the interministerial committee by end-June 2001.
- The diagnostic/strategic audit of the UBP—the major microfinance vehicle in Rwanda—will be completed by end-December 2000 and an agreement will be reached on an appropriate restructuring plan, in consultation with the World Bank, by end-March 2001.
- A new diagnostic audit of the *Caisse hypothéquaire du Rwanda* (CHR) and an action plan for CHR's restructuring/privatization will be adopted by end-March 2001.
- An agreement will be reached by end-March 2001 on the treatment of government arrears to the *Caisse sociale du Rwanda* (CSR).
- A comprehensive plan for the restructuring of CSR will be adopted by June 2001.

[3] The ongoing rehabilitation of coffee plantations (with increased microfinance assistance to smallholders), the planned improvements in tea processing, and the privatization and restructuring of the tea sector, in the context of clarified land/property rights, expanded feeder roads, and improved extension services, are projected to raise output by over 10 percent a year for coffee and tea.

34. Regarding trade policy and regional integration, the application of the zero rate for imports from COMESA and the Regional Integration Facilitation Forum (RIFF, which replaced the Cross-Border Initiative) countries has been delayed. The government remains committed to regional integration and the free-trade area provisions of the COMESA treaty. To this extent, it has already signed the African Guarantee Fund agreement. However, concerning the application of the zero rate, the government is carrying out background studies on transportation costs and the impact on domestic industry and fiscal revenue. It subsequently intends to submit a formal request to the EU and other donors for access to the compensation fund and set a timetable of implementation. In addition, the government plans to convert the 4 percent warehouse tax (Magerwa) into a 1 percent statistical tax and will come up with an appropriate timetable for its implementation, taking into account the revenue implications.

35. The macroeconomic framework for Rwanda shows a financing gap for 2001 (after expected project grants and loans, and before exceptional financing) of about US$76.7 million, which can be met with current pledges. This amount is covered by already obtained debt relief and refinancing from Paris Club creditors, as well as from non-Paris Club creditors, and by possible budgetary support from the World Bank, EU, AfDB, and bilateral donors. Given that the existing Paris Club agreement ends in May 2001, Rwanda will need an extension of the Paris Club rescheduling agreement for the second half of that year.

### B. Other Structural Policies

36. The government intends to undertake structural reforms (as indicated in Box 4) with the assistance of the World Bank in the areas of the civil service, privatization, governance, regulatory environment, and infrastructural services with a view to creating an enabling environment for sustainable private sector-led growth.

## IV. Program Coordination and Monitoring

37. The government is committed to improving program monitoring and coordination, as well as improving transparency through strengthening collection, reconciliation, and reporting of data. Recognizing the need for closer policy coordination, the authorities will establish a working committee comprised of technical representatives from the NBR and the Ministry of Finance, who will meet on a weekly basis to discuss progress made in the implementation of policies under the economic program, as well as propose a coordinated response to problems. The group will report its findings to the Minister of Finance and the Governor of the NBR on a regular basis.

**Performance criteria, benchmarks, and reviews**

38. In light of the nonobservance of seven quantitative performance criteria and two structural performance criteria, the government has implemented a number of revenue measures designed to improve fiscal revenue performance in 2000 as well as in 2001. The NBR has reaffirmed its commitment to a floating exchange rate regime, and has agreed to

| Box 4. Structural Reforms Under the 2000/01 Program [1] | |
|---|---|
| | **Implementation Date** |
| **Civil service reform** | |
| • Publication of the prime ministerial decree of the *cadres organiques*. | End-November 2000 |
| • Completion of job descriptions and *cadre organiques* for all prefectures. | End-March 2001 |
| • Retrenchment of the remaining unqualified core civil service staff. | End-January 2001 |
| • Computerization of civil servants' database extended to all other ministries. | End-December 2001 |
| • Adoption of civil servants' code submitted to parliament. | January 1, 2001 |
| • Enforce procedures for hiring of teachers, enforcing also qualification criteria. | November 1, 2000 |
| • Develop a plan for gradual increase of qualified teachers and phasing out of *occasionnels* in line with enrollment and pupil/teacher targets. | End-March 2001 |
| **Privatization** | |
| • Put Electrogaz under private management. | End-June 2001 |
| • Offer 51 percent of Rwandatel to a strategic investor. | End-November 2001 |
| • Establish a concrete timetable for the privatization of tea factories/estates. | End-December 2000 |
| • Bring two tea factories/estates to the point of offer for sale as pilot cases. | End-June 2001 |
| • Establish a realistic timetable with the assistance of the World Bank for the privatization of remaining companies in government's privatization plan. | End-March 2001 |
| **Budget preparation, implementation, monitoring, and control** | |
| • Revise the RRA's plan outlining improvements to be made in tax administration. The plan should incorporate specific benchmarks and timetable for implementation. | End-December 2000 |
| • Consider changing the incentive structure of the RRA, including through making salaries dependent on fiscal revenue performance. | End-March 2001 |
| • Ensure that regulations and procedures on enforcement of tax collection, as well as suspension of enforcement, are strictly followed. | December 1, 2000 |
| • Adopt revised functional budget classification for the recurrent and development budgets and begin implementing it in the 2001 budget, with a view to improving the budget preparation process. | Jan. 1, 2001 |
| • Develop a system for monitoring poverty-related expenditures on a monthly basis. | January 1, 2001 |
| • Ensure that adequate reporting mechanisms and budgetary controls are put in place for monitoring the expenditure budgets of prefectures. | End-March 2001 |
| • Improve public debt monitoring and management on the basis of a plan prepared with assistance from donors. | End-September 2001 |
| • Prepare financial instructions as provided for in the organic budget law in order to promote effective expenditure control. | End-June 2001 |
| • Improve the capacity of CEPEX to gather data on disbursements on donors and expenditures on projects in order to improve monitoring of project implementation in a way that is consistent with the new Budget classification. | End-June 2001 |
| • Identify weaknesses in the current system of internal audit and devise a plan—with the assistance of the Fund—for improvement in these areas, including a timetable and monitorable benchmarks, and | End-June 2001 |
| implement the plan. | End-December 2001 |
| **Governance** | |
| • Prepare the public accounts for 2000 with the revised budget classification (excluding government assets other than cash and submit them to the *Cour des Comptes*; complete quarterly public accounts with a four-month delay). | End-July 2001 |
| • Complete the audits of the 1999 accounts of the Ministries of Public Works, Transport, and Communication; Energy, Water, and Natural Resources; Defense; and Education; | December 1, 2000 |
| and of the Ministry of Health. | End-March 2001 |
| • The Auditor General will initiate and complete the audits of the Ministry of Justice, including the most important jails and several courts, the Presidency, three embassies, the Ministry of Agriculture, including autonomous bodies and projects; the National Tender Board, the Secretary of Privatization, and the *Office Rwandais des Recettes*. | End-December 2001 |

| Box 4. Structural Reforms Under the 2000/01 Program [1] | |
|---|---|
| • Prepare a monitorable action plan for further strengthening the Auditor General's office, including inter alia by recruiting qualified staff and training and by preparing a strategy and timetable for delivering a full audit of public accounts annually. | End-February 2001 |
| • Adopt the law covering public tendering. | End-March 2001 |
| • Strengthen capacity at the National Tender Board (NTB), line ministries, and local levels to adequately monitor, analyze, and audit the tendering process, before decentralizing the tendering process. | End-September 2001 |
| • To ensure transparency and fairness in the tendering process: | |
| (i) There will be no soliciting of bids only from the list maintained by the NTB ; | December 1, 2000 |
| (ii) the availability of the minutes of the NTB will be advertised in the tender announcements; | End-May 2001 |
| (iii) an appeals board, provided for by the law, will be set up with some members from civil society; and | End-May 2001 |
| (iv) the National Tender Commission will include some members from civil society. | End-May 2001 |
| • *Put in place regulations applying to blacklisted suppliers of the government.* | *End-March 2001* |
| • Take stock of all extrabudgetary funds, projects, and transactions. | End-June 2001 |
| • Incorporate extrabudgetary projects and transactions, including voluntary contributions to national defense and their use, into the budget. | 2002 Budget |
| • Put in place a mechanism to deal with all identifiable cases of corrupt officials in accordance with the law. | End-May 2001 |
| • Establish a *Tribunal de Commerce* and a *Tribunal Fiscal.* | End-December 2001 |
| • Require that all noncentral government public institutions develop a strategy to prevent any further accumulation of arrears, and to eliminate the outstanding pending bills after appropriate verification. | March 2001 |
| • Establish widely publicized and legally effective rules that exonerate the government from paying for expenditure committed outside the existing financial regulations | End-March 2001 |
| • Complete a review of all waivers and exemptions from import duties and taxes, produce a plan that provides for their elimination by a specific date (with the exception of those established under international treaties) and propose in accordance with this plan that some of the waivers or exemptions will be eliminated with effect for the 2002 budget. | End-September 2001 |
| **Regulatory environment** | |
| • Strengthening of the operational capacity of the newly established Investment Promotion Agency to ease administrative and regulatory constraints, limiting business creation and improve its investor assistance function.<br>• preparation of an investor roadmap;<br>• preparation of five-year corporate plan, and<br>• preparation of a marketing plan. | End-June 2001 |
| • Restructure CPMER (*Centre de Promotion des Petites et Moyennes Entreprises*) to provide technical, managerial, and financial services to support emerging or existing SMEs. | End-June 2001 |
| • Strengthening of the operational capacity of the newly established Private Sector Federation. | End-September 2001 |
| • Systematic elimination of the legal and judicial impediments to private sector development. | End-August 2001 |
| **Infrastructural services** | |
| • Promotion of private investment in all telecommunication market segments through open competitive licensing regime, and build institutional capacity for policy development and sector regulation. | End-September 2001 |
| • Ensuring financial self-sufficiency of *Office National des Postes* (ONP) for sustained delivery of affordable services. | End-September 2001 |

[1] An asterisk indicates a prior action for issuance of the staff report to the Executive Board.

implement a system of foreign exchange auctions by January 31, 2001, subject to technical assistance by the MAE department of the Fund. All external arrears have been eliminated. Regarding the breached structural performance criterion on ministerial audits, four still outstanding audits will be completed by December 15, 2000—a prior action—and another by end-March 2001. An additional five prior actions—critical to the success of the 2001 program—are to be completed before presenting the government's request for a third annual PRGF agreement to the IMF Board (Table 1).

39. The program supported by the third annual agreement under the PRGF will be monitored on a continuous basis with quantitative and structural performance criteria, benchmarks, and indicative targets. The first review of the program will be based on quantitative performance criteria and benchmarks at end-March 2001 and structural performance criteria and benchmarks through end-June 2001, and will be completed by mid-July 2001. The second review will be carried out on the basis of quantitative performance criteria and benchmarks as of September 30, 2001 and structural performance criteria and benchmarks through end-September 2001, and will be completed by mid-December 2001. Quantitative performance criteria will include floors on net foreign assets of the NBR, the primary fiscal balance, and social spending, and ceilings on net domestic assets of the banking system, net credit to the central government by the banking system, external debt, and regarding the nonaccumulation of new external payment arrears except for external arrears that are subject to debt-rescheduling negotiations (to be monitored on a continuous basis). Given Rwanda's very unsustainable debt situation, a prudent debt strategy will be pursued. All external borrowing will be on concessional terms (enforced by a ceiling) defined as loans having a grant element of at least 50 percent. In addition, there will be an indicative ceiling on reserve money, a floor on budget revenue, and a ceiling on the government wage bill. A complete list of quantitative and structural performance criteria, as well as structural benchmarks, is included in Tables 2 and 3, respectively.

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

(December 11, 2000)

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.[1]

2. Revisions since the last version of the Technical Memorandum of Understanding (TMU) include a specification of the adjustment to the reserve money target of the National Bank of Rwanda (NBR) if the NBR's required reserve ratio changes; a new definition of net credit to government; a new definition of domestic arrears; a new definition of social/antipoverty spending; and a definition of net domestic assets of the banking system.

## I. Adjustments to Performance Criteria and Benchmarks (Table 1)

### A. Financed Excess Social/Antipoverty Spending Adjustment (FESSA)

3. A priority of the program is to provide funds for social purposes. In that spirit, if excess external financing is available, the authorities will have the option either to save the excess in the banking system or to spend some or all of it on additional social spending, as long as the increase is agreed to between the authorities and the staffs of the Fund and the World Bank.[2] Similarly, if social spending targets are not met, then the funds that were not spent should be saved in the banking system and not be used for other purposes. The adjustment that will incorporate these goals into the performance criteria and benchmarks shall be referred to as the Financed Excess Social Spending Adjustment (FESSA). The FESSA will be added to the targets for the primary fiscal balance.

4. **Definition**: The **FESSA** is equal to actual social spending minus programmed social spending, subject to the limitation that if it is positive (excess spending) it cannot be larger than the surplus in external budgetary support defined below.

### B. External Budgetary Support and Social Spending Adjustment (EBSSSA)

5. Program targets are designed taking into account an expected level of external budgetary support. Differences between the program projections and the realizations for

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[1] A **summary of reporting requirements** is provided in Table 4.

[2] The definitions of social and antipoverty spending are in **Annex A**.

external budgetary support will affect the ease or difficulty with which program targets may be met. Programs are also designed so as to provide room for spending on social programs, so incentives should exist for surpluses in external budgetary support to be spent on social and/or exceptional social programs. Meanwhile, funds that are saved because of shortfalls in spending on these programs should be saved in the banking system and not be spent for other purposes.

6. The External Budgetary Support and Social Spending Adjustment (**EBSSSA**) accounts for differences between program projections and actual outcomes for external budgetary support and social and exceptional social spending. Rwanda is neither penalized nor rewarded for changes in external budgetary support that are beyond its control, and is encouraged to meet its targets for spending on social and exceptional social programs and to spend any surplus of budgetary support on them. The EBSSSA is a figure which, whether it is positive (in the case of a shortfall of budgetary support) or negative (in the case of a surplus of budgetary support, or a shortfall in social spending), is added to the targets for NCG and net domestic assets of the banking system, and subtracted from the target for net foreign assets of the banking system. The adjustment will be necessary whether the external budgetary support is channeled through the NBR or through the commercial banks.

7. **Definition**: The **EBSSSA** is equal to the shortfall in external budgetary support, defined below, plus the financed excess social plus exceptional social spending adjustment (FESESSA). However, it is subject to the limitation that if it is positive (a shortfall in budgetary support) it cannot be larger than RF 9 billion in September 1999, RF 12 billion in December 1999, RF 9 billion in March 2000, RF 11 billion in June 2000, RF 13 billion in September 2000, RF 15 billion in December 2000, RF 9 billion in March 2001, RF 11 billion in June 2001, RF 13 billion in September 2001, RF 15 billion in December 2001.[3] There is no lower limit on the EBSSSA adjustment.

8. **Other definition**: The Financed Excess Social plus Exceptional Social Spending Adjustment (**FESESSA**) is equal to actual social plus exceptional social spending minus programmed social plus programmed exceptional social spending, subject to the limitation that if it is positive (excess spending) it cannot be larger than the excess in external budgetary support defined below. There is no lower limit on the FESESSA.

9. **Other definition**: The **shortfall (positive—a surplus would be negative) in external budgetary support** is calculated by taking the programmed budgetary support minus the sum of the actual budgetary support and the shortfall in the repayment of debt to

[3] This cap is necessary in order to limit the possible deterioration of Rwanda's international reserve position.

the CSR (total debt due minus total debt paid).[4] This difference is then converted to Rwanda francs at the program exchange rate.

## II. QUANTITATIVE PERFORMANCE CRITERIA AND BENCHMARKS (TABLE 1)

### A. Net Foreign Assets of the National Bank of Rwanda (NBR)

10. **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 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).

11. **Adjustments**: The EBSSSA will be subtracted from the floor on net foreign assets of the NBR.

12. **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.

### B. Net Credit to Central Government (NCG)

13. **Definition** net credit to central government from the banking system is defined as the difference between:

(a) credit to central government from the banking system, including outstanding central government debt instruments; government debt to the NBR incurred as a result of the

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[4] All figures are evaluated in U.S. dollars and are cumulative from the start of the year. Amounts denominated in Rwanda francs are converted to U.S. dollars using the program exchange rate. The program exchange rate used in the calculation of performance criteria is US$1=RF411 in end-December 2000, and US$1=RF415.5 in 2001. Amounts denominated in other currencies are converted to dollars at the exchange rate prevailing at the time of the disbursement.

1995 devaluation (RF 9 billion) and the overdraft to the prewar government (RF 2 billion), and

(b) total central government deposits with the banking system, including project accounts, counterpart funds, *fonds publics affectés*, and privatization proceeds with the NBR. The central government comprises treasury and line ministries (including the fund for assistance to genocide survivors).

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

15. **Reclassifications**: All six reclassifications described in **Annex B**—for the currency overdraft to the prewar government, for the foreign exchange losses incurred by the NBR as a result of the 1995 devaluation, for the reclassification of deposits with commercial banks of the central government, for the reclassification of deposits with commercial banks of the nongovernment public sector, for the reclassification of deposits with the NBR of the CSR and other autonomous public agencies, and 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.

16. **Adjustments**: The EBSSSA will be added to the ceiling on net credit to central government from the banking system.

17. **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 central government with the NBR and with the commercial banks will be separated from the deposits of the public enterprises and autonomous public agencies.

### C. Net Domestic Assets of the Banking System

18. **Definition**: net domestic assets of the banking system are defined as the sum of net credit to central government, credit to public enterprises and other autonomous public agencies, credit to the private sector (including other financial institutions), and other items net. To reflect the valuation of net foreign assets at the **program** exchange rate, other items net (and therefore total net domestic assets) is adjusted as follows: net foreign assets of the banking system converted from dollars into Rwanda francs at the actual exchange rate minus net foreign assets of the banking system converted from dollars into Rwanda francs at the program exchange rate is added to other items net evaluated in Rwanda francs. (This last step is necessary to maintain the identity that broad money be equal to net foreign assets of the banking system plus net domestic assets of the banking system.)

19. **Reclassifications**: net domestic assets of the NBR is affected by the reclassification of the currency overdraft to the prewar government, and the reclassification of deposits of the

CSR and other autonomous public agencies (from credit to central government to reserve money).

20. **Adjustment**: The EBSSSA will be added to the ceiling on net domestic assets of the banking system.

21. **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.

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

22. **Definition**: This performance criterion applies not only to debt as defined in point No. 9 of the guidelines on Performance Criteria with respect to Foreign Debt adopted on August 24, 2000 by the IMF Executive Board, but also to commitments contracted or guaranteed for which value has not been received. 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.

23. **Reporting requirement**: Details of all new external debt, including government guarantees, will be provided after the approval by parliament and the constitutional court on a monthly basis within three weeks of the end of each month.

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

24. **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.

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

## F. Primary Fiscal Balance

26. **Definition**: The primary fiscal balance is defined as domestic revenue (excluding grants and privatization proceeds) minus noninterest current expenditure (on a payment order basis (*ordonnancement*); including exceptional social expenditures) and minus domestically financed capital expenditure.

27. **Adjustments**: The primary fiscal balance target will be reduced by the amount of the FFESSA.

## G. Social Expenditure (Annex A and Table 3)

28. **Definition**: Central government spending on social services under the program is defined as outlays on social services (on a payment order basis, including transfers) by the Ministry of Education (including University of Rwanda, transfers to KIE (food), ISAE, IRST, and scholarships); the Ministry of Health; the Ministry of Youth and Sports; the Ministry of Gender; the Ministry of Agriculture, Livestock and Fisheries; the Ministry of Lands and Resettlement; the Ministry of Energy and Water Resources; the Ministry of Local Government; the Ministry of Internal Affairs; the Ministry of Commerce; the Ministry of Social Affairs; the Ministry of Transport and Communications; the Ministry of Public Service; the Ministry of Justice; and the Supreme Court. Social expenditure does not include any exceptional social expenditure.

29. **Reporting requirement**: Data on expenditure on social sectors according to Table 3 will be transmitted to the African Department of the Fund on a monthly basis within three weeks of the end of each month.

## H. Net Repayment of Domestic Arrears

30. **Definitions**: The repayment of domestic arrears is defined as the repayment of the stock of arrears on goods and services outstanding at end-1999, arrears to public enterprises (including the *Caisse sociale du Rwanda* and the National Post Office) and arrears (counterpart funds) to World Bank projects. The accumulation of new domestic arrears is defined as the difference between cumulative (since January 1) payment orders and actual payments (debited to the government treasurer's account at the NBR) minus a "normal float" of RF 2.0 billion. The net repayment of domestic arrears is defined as the repayment of domestic arrears (as defined above) minus the accumulation of new domestic arrears (as defined above).

31. **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.

### I. Stock of Outstanding Nonreschedulable External Arrears

32. **Definition**: The stock of nonreschedulable external arrears is defined as the sum of arrears to multilateral creditors and, if any, nonreschedulable arrears, to bilateral official and commercial creditors.

33. **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.

## III. QUANTITATIVE INDICATORS

### A. Reserve Money

34. **Definition**: Reserve money is defined as currency in circulation, reserves of deposit money banks (including NBR borrowing from deposit money banks on the money market and cash in vault held by commercial banks), and deposits of public enterprises (including CSR and other autonomous public agencies), and nonbank financial institutions. (*Autres sommes due aux clients*, including *cautions à l'importation*, are excluded from reserve money.)

35. **Reporting requirement**: Data on reserve money will be transmitted on a weekly basis within seven days of the end of each week.

### B. Adjustment for Changes in the Required Reserve Ratio of the NBR

36. If the required reserve ratio of the NBR changes, The NBR will be expected to absorb the excess liquidity that this change creates. Therefore the reserve money, and hence net domestic assets, target of the NBR will be adjusted by the absolute change in the ratio times the deposit base of the commercial banks.

### C. Budget Revenue

37. **Definition**: Budget revenue is defined as the sum of domestic tax and nontax revenue (excluding privatization proceeds; including debt service payments by public enterprises on government (guaranteed) debt retroceded by the government to these enterprises).

38. **Reporting requirement**: Data on budgetary revenue will be transmitted on a monthly basis within three weeks of the end of each month.

### D. Government Wage Bill

39. **Definition**: The government wage bill is defined as the total wage and salary payments (including all monetized fringe benefits) for civil servants and military, including food allowances for the military, employer social security contributions, and health insurance premiums. It includes the imputed rent for civil servants living in government houses; this rent is deducted from salary payments and is included under nontax revenue.

40. **Reporting requirement**: Data on the government wage bill will be transmitted on a monthly basis within three weeks of the end of each month.

## IV. STRUCTURAL INDICATORS (TABLE 2)

### A. Size of Civil Service

41. **Definition**: The size of the core civil service is defined as the number of persons on the payroll of the central government, excluding teachers and the National Army of Rwanda, but including the national police. The number is monitored on the basis of the average size of the civil service during each quarter (based on end-of-month data).

42. **Reporting requirement**: The number of civil servants on the central government payroll, as well as the numbers for new recruitment and removal from the payroll during the period, will be transmitted on a monthly basis **by ministry** within three weeks of the end of each quarter.

### B. The Number of Teachers

43. **Definition**: The number of teachers is defined as the number of teachers in primary and secondary schools on the payroll of the central government. The ceiling is monitored on the basis of the average number of teachers during each quarter (based on end-of-month data).

44. **Reporting requirement**: The number of teachers on the central government payroll, as well as the numbers for new recruitment and removal from the payroll during the period, will be transmitted on a monthly basis (by primary and secondary schools) within three weeks of the end of each quarter. In addition, the number of *occasionnels* (teachers and noncivil servants not on the payroll, but paid from other budget lines will be reported on a monthly basis by primary and secondary schools) within three weeks at the end of the quarter.

## V. OTHER DATA REQUIREMENTS FOR PROGRAM MONITORING

### A. Public Finance

45. **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

46. **Reporting requirement**: the following data will be transmitted on a monthly basis within four 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.[5]

## C. Public Enterprises

47. **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.

48. **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

49. **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.

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[5] 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.

50. 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
- 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.

51. 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

52. **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.

## VI. Electronic Data Reporting

53. **Reporting requirement**: The following data will, where feasible, be made available through electronic format and e-mailed to the African Department of the Fund: (i) monetary data (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); (ii) fiscal "flash" report (aggregate and by ministry); (iii) exchange rates; (iv) detailed export and import data; and (v) detailed CPI data. Files that are in LOTUS123 version 4 should be converted to LOTUS123 version 3 or to Excel.

## VII. Program Monitoring Committee

54. **Definition**: The program monitoring committee is the **Interministerial Committee** composed of the Ministers of Finance and Economic Planning, Civil Service and Labor; Education; Health; Commerce, Industry, and Tourism; and Agriculture, Animal Husbandry

and Forests; and the Governor of the National Bank of Rwanda. The Interministerial Committee is assisted by the Interministerial Technical Committee, composed of senior officials of the same ministries, and the National Bank of Rwanda. The Interministerial Technical Committee 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.

55. **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 the three-year ESAF arrangement 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 two weeks of the end of each month.

/s/
François Mutemberezi
Governor
Banque National du Rwanda

/s/
Mr. Donald Kaberuka
Minister of Finance and
Economic Planning

**Annex A. Section I: Budget Composition of Social and Antipoverty Expenditure, 2001**
**(In millions of Rwanda francs)**

| | 2001 Budget |
|---|---|
| **Education** | |
| 140105: Primary and Pre-Primary Education | 10,731 |
| 140204: Secondary Education | 4,029 |
| 1403: Higher Education | 6,799 |
| *excluding:* | |
| 140105D17909: Support for local Initiative | |
| 140313D17: Exceptional Expenditures KJST | |
| 140314D17: Exceptional Expenditure KJE | |
| 140315D17: Exceptional Expenditure KHI | |
| 140316: UNR | |
| 1404: Scientific and Educational Research | 275 |
| 1405: Special Needs Education | 10 |
| 1406: Institutional Support to Education and Research | 1,531 |
| 1407: Promotion of Bilingualism | 7 |
| 1408: AIDS Education | 2 |
| 1409: Peace Education | 6 |
| 1410: Education for Girls | 14 |
| | |
| **Health** | |
| 1601: Central Support Services | 2,706 |
| 1602: Support to Specialized Programs | 754 |
| 1603: Strengthening of Capacity of Referral Hospitals (following items only) | |
| 160330: Running of CHK | 687 |
| 160331: Running of Ndera Hospital | 63 |
| | |
| **Agriculture, Livestock and Fisheries** | |
| 0903: Agricultural Production | 617 |
| 0904: Animal Production | 405 |
| 0905: Rural Engineering and Soil Conservation | 49 |
| 0906: Marketing | 49 |
| 0907: Forests | 27 |
| | |
| **Lands and Resettlement** | |
| 220202: Planning and Management of Lands | 53 |
| 220303: Planning and Supervision of Human Settlements | 99 |
| 220404: Conservation and Protection of the Environment | 26 |
| | |
| **Energy and Water Resources** | |
| 2502: Energy | 30 |
| 2505: Water and Sanitation | 61 |
| 2506: Natural Gas | 94 |
| 2503: Mines and Quarries | 54 |
| | |
| **Local Government** | |
| 2302: Decentralization | 1,264 |
| *excluding:* | |
| 230202D17: Law for the management of structural resources | |
| 230202D31: Reconstruction of the communes in the North and Umutara | |
| 2303: Social Reintegration | 134 |
| 2304: Rehabilitation of the Family | 5 |
| 2305: Mass Education | 78 |
| 2307: Communal Development | 30 |

*Annex A. Section I continued on next page*

*Annex A. Section I continued*

| | |
|---|---|
| **Gender** | |
| 1901: Management, Planning and Administrative Services (Cabinet) | 140 |
| 1902: Promotion of Socio-Judicial Equity | 13 |
| 1903: Support to Self-Promotion of Women | 211 |
| 1904: Strengthening of Capacity | 47 |
| 1905: Promotion of Gender Approach to Development | 40 |
| **Youth and Sports** | |
| 150101: Central Support Services (Cabinet) | 300 |
| 1503: Professional Training | 165 |
| 1502: Mobilization of the Youth | 70 |
| 150404: Promotion of Sports | 154 |
| 1505: Cultural Promotion | 249 |
| **Internal Affairs** | |
| 070107: Police Services | 3,095 |
| 070209: Prisons | 426 |
| *excluding:* | |
| 070209D17901: Food for Prisoners | |
| **Public Service** | |
| 200401D16801: Support to the Reform of the Civil Service | 85 |
| **Transport and Communications** | |
| 1802: Modernisation of Transport Infrastructures | 57 |
| 1805: Development of Transport Infrastructure | 56 |
| 1803: Transport Services | 113 |
| 1805: Management of Urban Space | 162 |
| **Commerce** | |
| 1002: Industrial and Artisanal Development | 260 |
| 100305: Promotion of Commerce | 177 |
| **Total Social and Antipoverty Expenditure, 2001** | 36,510 |

**Annex A. Section II: Budget Composition of Exeptional Social and Antipoverty Expenditure, 2001**
**(In millions of Rwanda francs)**

| | 2001 Budget |
|---|---|
| **Presidency** | |
| 0212: Commission Nationale des Droits de l'Homme | 457 |
| 0213: Commission Constitutionelle | 411 |
| 0214: Commission Nationale pour l'Unite et Reconciliation | 470 |
| **Supreme Court** | |
| 050507: Jurisdiction GACACA | 348 |
| **Defense** | |
| 060101D17801: Demobilisation | 500 |
| 060101D17802: Reinsertion of Military | 400 |
| 060101D17803: Reintegration of Ex-FAR | 515 |
| **Internal Affairs** | |
| 070209D17901: Food for Prisoners | 1,000 |
| **Justice** | |
| 130101D17902: Creation of the 6th Chambre of GACACA | 150 |
| **Education** | |
| 140105D17909: Support for local Initiative | 70 |
| 140313D17: Exceptional Expenditures KIST | 932 |
| 140314D17: Exceptional Expenditure KIE | 629 |
| 140315D17: Exceptional Expenditure KHI | 585 |
| **Local Government** | |
| 230202D17: Law for the management of structural resources | 5 |
| 230202D31: Reconstruction of the communes in the North and Umutara | 120 |
| 230206D17901 to 230216D17901: Food for Prisoners in each Prefecture | 388 |
| 230317D17904: Fonds for Survivors of Genocide and Massacres and other Support for | 4,065 |
| 230317D17905: Assistance to Orphans | 506 |
| 230317D17906: Assistance to other Vulnerable Groups | 72 |
| 230317D17915: Support for Orphanages and unaccompanied children | 388 |
| 230703D17922: Development of Management of a data base | 1 |
| 230703D17923: Development of Management of a System of Geographic Information | 1 |
| 230703D17925: Development of a Database for Community Development | 2 |
| **Total Exceptional Expenditure** | 11,667 |

**Annex A Section III. Rwanda: Budget Composition of Social Expenditure, 2000**
**(In millions of Rwanda francs) 1/**

| | 2000 Budget |
|---|---|
| **Education** | **21509** |
| Wages and salaries (excl. UNR) | 11262 |
| Cabinet | 31 |
| Administration | 61 |
| Etudes et planification | 15 |
| Enseignement secondaire et formation | 1885 |
| Enseignement primaire/prescolaire | 9182 |
| Enseignement supérieur | 9 |
| Recherche scientifique et technologique | 12 |
| Inspection générale de l'éducation | 16 |
| Commission nationale pour l'Unesco | 7 |
| Commission nationale pour examen | 10 |
| Centre de développement des programmes | 34 |
| Goods and services (excl. UNR) 2/ | 3663 |
| Cabinet | 106 |
| Administration | 85 |
| Etudes et planification | 17 |
| Enseignement secondaire et formation | 2043 |
| Enseignement primaire/prescolaire | 155 |
| Enseignement supérieur | 19 |
| Recherche scientifique et technologique | 14 |
| Inspection générale de l'éducation | 47 |
| Commission nationale pour l'Unesco | 12 |
| Commission nationale pour examen | 593 |
| Centre de développement des programmes | 572 |
| Transfers | 6584 |
| University (UNR) | 3238 |
| Scholarships | 2818 |
| ISAE, IRST, KIE (food), primary and secondary school | 519 |
| Other 3/ | 8 |
| **Health** | **4383** |
| Wages and Salaries | 1502 |
| Cabinet | 493 |
| Santé | 102 |
| Epidemiologie et hygiene publique | 27 |
| Pharmacie | 6 |
| Planification et administration | 10 |
| Regions sanitaires, districts et hopitaux | 864 |
| Goods and Services | 2625 |
| Cabinet | 1087 |
| Santé 4/ | 273 |
| Epidemiologie et hygiene publique | 176 |
| Pharmacie | 336 |
| Planification et administration | 31 |
| Regions sanitaires, districts et hopitaux | 722 |
| Transfers | 256 |
| Cabinet | 84 |
| Santé | 120 |
| Epidemiologie et hygiene publique | 45 |
| Regions sanitaires, districts et hopitaux | 7 |

Annex A Section III. continues on next page

| *Annex A. Section III continued* | 2000 Budget |
|---|---|
| **Social Affairs/Gender, women and development** | **993** |
| **Social Affairs** | **525** |
| Wages and salaries | 244 |
| Cabinet | 102 |
| Affaires sociales | 17 |
| Education populaire | 14 |
| Education communautaire et cooperative | 18 |
| Planning administration et finance | 93 |
| Goods and services | 241 |
| Cabinet 5/ | 52 |
| Affaires sociales 6/ | 21 |
| Education populaire | 129 |
| Education communautaire et cooperative | 13 |
| Planning administration et finance | 12 |
| Programme national pour enfant | 14 |
| Transfers | 40 |
| Cabinet | 0 |
| Affaires sociales | 40 |
| **Gender, women and development** | **468** |
| Wages and salaries | 106 |
| Cabinet | 59 |
| Genre et dévéloppement | 10 |
| Administration et planification | 24 |
| Promotion de la femme | 13 |
| Goods and services | 362 |
| Cabinet | 111 |
| Genre et dévéloppement | 106 |
| Administration et planification | 42 |
| Promotion de la femme | 103 |
| **Youth, culture and sport** | **918** |
| Wages and Salaries | 265 |
| Cabinet | 130 |
| Youth | 18 |
| Culture and Art | 19 |
| Sport | 14 |
| Formation professionnelle | 83 |
| Goods and Services | 397 |
| Cabinet | 143 |
| Youth 7/ | 81 |
| Culture and Art 8/ | 89 |
| Sport | 31 |
| Formation professionnelle | 52 |
| Transfers | 257 |
| Cabinet | 87 |
| Sport | 50 |
| Formation professionnelle | 120 |
| **TOTAL** | **27803** |

Except for footnote 3, these items are all included under exceptional social spending.
1/ Excludes additional education expenses (mostly arrears) RF 1 billion paid to teachers.
2/ Excludes: "programme de formation des enseignants" = 363.9 million; "assistance à l'éducation" KIST = 453.2 million, "assistance à l'éducation" KIE = 260 million, "assistance à l'éducation" KHI = 230 million; and "appui à l'initiative locale" = 487.55 million.
3/ Includes ACCT, ACCT/PSD, UNESCO, STP/CONFEMEM, OMPI, Indemnités de grade academique, and "indemnités de fonction."
4/ Excludes "fonctionnement hôpital neuro-psychiatrique" = 15 million.
5/ Excludes "Fonds pour rescapés du génocide et des massacres" = 3,722.1.
6/ Excludes "jeunesse en situation difficile" = 9.0 million; "assistance aux orphelins" = 281 million; and "assistance aux group vulnérables" = 92.3 million.
7/ Excludes "camp de solidarité pour jeunes" = 50 million.
8/ Excludes "commission du mémorial du génocide et des massacres" =82.0 million.

**Annex A Section IV. Rwanda: Budget Composition of Exceptional Social Expenditure, 1999-2000 (In millions of Rwanda francs)**

| | | 2000 Budget |
|---|---|---|
| **Assistance to victims of genocide** | | **4,507.00** |
| | D122402.12807: Jeunesse en situation difficile (Rwanda RWEJO) 2/ | |
| | D122401.12810: Fonds pour rescapés du génocide et massacres | 3,920.00 |
| | D421503.12817: Commission du mémorial du génocide et des massacres | |
| | D122402.12818: Assistance aux orphelins | 490.00 |
| | D122402.12819: Assistance au groups vulnérables | 97.00 |
| **Demobilization/reintegration/reeducation** | | **1,888.00** |
| Demobilization allowances | D220601.12802: Démobilisation des militaires | 800.00 |
| Reintegration and Reinsertion ex FAR | D220601.12804: Programme de reintégration des ex-FAR | 500.00 |
| | D220601.12808: Reinsertion des militaires | 588.00 |
| Reeducation | 12803: Camping de rééducation pour civils (Discontinué) | |
| **Retrenchment of civil service/vocational training** | D122001.12820: Appui à la réforme administrative | **210.00** |
| **Education assistance and governance** | | **3,897.32** |
| Education assistance including teacher training | | **2,041.85** |
| Teacher training | D521401.12806: Programme de formation des enseignants | 250.00 |
| KIST | D521401.12813: Assistance a l'éducation KIST | 700.00 |
| KIE | D521401.12814: Assistance a l'éducation KIE | 574.00 |
| KHI | D521401.12815: Assistance a l'éducation KHI | 517.85 |
| Good governance and other | | **1,855.47** |
| Other (youth, social asst., elections) | | **500.00** |
| | D421502.12816: Camp de solidarité pour jeunes | 0.00 |
| | D122301.12841: Organisation des élections | 400.00 |
| | D122305.12844: Assistance sociale | 0.00 |
| | D521405.12849: Appui a l'initiative locale | 100.00 |
| | D721602.12839: Fonctionnement. Hopital Néuro-Psychiatrique | 0.00 |
| Good Governance institutions | | **1,355.47** |
| | D120201.12812: Institution de bonne gouvernance | 250.00 |
| | D120201.12821: Commission pour droit de l'homme 2/ | 555.49 |
| | D120201.12822: Commission constitutionnelle 2/ | 50.00 |
| | D120201.12823: Commission nationale pour l'unité et réconciliation 2/ | 499.98 |
| | | **10,502.32** |
| **Memorandum items:** | *Additional items considered exceptional expenditure in the budget (2000)* | |
| | D12801: Vivres pour detenus | 1,600.00 |
| | D12805: Creation Sixieme Chambre (Gacaca) | 250.00 |
| | D12869: Reconstruction des communes du nord et de l'umu | 250.00 |
| | *Additional items considered exceptional expenditure in the budget (99)* | |
| | D120709.12853: Vivres pour détenus 3/ | |
| | D221201.12850: Fonds pour habitat des agents de l'Etat | |
| | D221201.12855: Informatisation operations du budget et trésor | |
| | D521408.12837: Inspection de l'enseignement | |
| | D521801.12801: Commission pour l'an 2000 | |
| | D620901.12805: Lutte contre les chenilles 2/ | |
| | D621001.12839: Mise en place agence Rwandaise des investissements | |
| | D721601.12825: Evacuations sanitaires vers HRF 2/ | |
| | D721603.12836: Lutte contre le paludisme | |
| | D721601.12854: Soins de santé pour les agents de l'Etat | |
| | **Total** | **2,100.00** |
| | **TOTAL** | **12,602.32** |

1/ Targets agreed upon in the context of the midterm review.
2/ Not in the original budget.
3/ Not considered exceptional expenditure in the original budget, which included RF 1,500 million as goods and services (under the Ministry of Justice).

## ANNEX B. RECLASSIFICATIONS

The following reclassifications of data have been made to the monetary survey (see Table 1):

1. **Currency overdraft to the prewar government**: In tables presented by the IMF before August 1, 1999, a currency overdraft to the prewar government of RF 2 billion of currency was subtracted from the NBR figures for reserve money, net credit to the government from the banking system, and net domestic assets. As of August 1, 1999 this adjustment will no longer be made by the IMF to any data, past or present, and figures for reserve money, net credit to the government from the banking system, and net domestic assets will be RF 2 billion higher than comparable figures from before August 1, 1999.

2. **Foreign exchange losses incurred by the NBR as a result of the 1995 devaluation**: In tables presented by the IMF before August 1, 1999, foreign exchange losses of approximately RF 9 billion that were incurred by the NBR because of a devaluation that resulted from a change in exchange regime ordered by the government in 1995 were subtracted from net credit to government, under the assumption that the government would not reimburse the NBR for these losses. As of August 1, 1999 this adjustment will no longer be made by the IMF to any data, past or present, and figures for net credit to the government from the banking system will be RF 9 billion higher than comparable figures from before August 1, 1999. A corresponding adjustment will be made to other items net to maintain consistency of the monetary survey.

3. **Reclassification of deposits of the central government with commercial banks**: In tables presented by the IMF prior to May 1, 1999 deposits of the central government were underestimated by subtracting out a residual that was required to reconcile individual commercial banks' data on deposits of the public sector with the corresponding data from the NBR.[6] As of May 1, 1999, more reliable figures have been identified, this residual has been eliminated, and figures for net credit to the government from the banking system will be lower than comparable figures from before May 1, 1999 by the past values of this residual, with a counterpart adjustment in broad money.

4. **Reclassification of deposits of the nongovernment public sector with commercial banks**: In tables presented by the IMF prior to January 1, 1999 deposits of the government included deposits of the nongovernment public sector with commercial banks.[7] As of January 1, 1999, the definition of government has been narrowed to "central government". Non–central-government public sector deposits will be categorized as private sector deposits, and figures for net credit to the government from the banking system will be higher than comparable figures from before January 1, 1999 by the amounts of these deposits. A

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[6] This residual was shown in detailed tables as "adjustment".

[7] These include public enterprises (including CSR), autonomous public agencies, and OCIR-Thé.

corresponding adjustment will be made to broad money to maintain consistency of the monetary survey.

5. **Reclassification of deposits with the NBR of the CSR and other autonomous public agencies**: In tables presented by the IMF prior to January 1, 1999 deposits of the central government with the NBR included deposits of the CSR and other autonomous public agencies. As of January 1, 1999, these deposits will be categorized in other nonbank deposits, and figures for net credit to the government from the banking system will be higher than comparable figures from before January 1, 1999 by the amounts of these deposits. A corresponding adjustment will be made to reserve money to maintain consistency of the monetary survey.

6. **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 not identified in the original reclassification of January 1, 1999. 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.

APPENDIX I
ATTACHMENT II

Table 1a. Rwanda: Quantitative Performance Criteria and Benchmarks Under the Second and Third Annual PRGF Arrangements, 1999-2001
(In billions of Rwanda francs, unless otherwise indicated)

| | 1999 | | 2000 | | | | 2001 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sep. | Dec.* | Mar. | Jun.* | Sep. | Dec. | Mar.* | Jun. | Sep.* | Dec. |
| | | | PRGF II | | | | PRGF III | | | |
| | (Performance criteria, on test dates*, and quantitative benchmarks) | | | | | | | | | |
| Net foreign assets of the NBR (floor on stock) 1/ | | | | | | | | | | |
| Actual (program exchange rate) | 22.8 | 25.5 | 23.2 | 15.8 | 17.8 | ... | ... | ... | ... | ... |
| Adjusted program | 29.3 | 30.8 | 26.4 | 23.8 | 23.1 | ... | ... | ... | ... | ... |
| Program 2/ | 28.0 | 28.0 | 26.6 | 25.1 | 22.0 | 25.6 | 24.3 | 23.9 | 23.1 | 22.3 |
| Net domestic assets of the Banking System (ceiling on stock) | | | | | | | | | | |
| Actual (program exchange rate) | 60.9 | 61.9 | 61.2 | 75.8 | 70.4 | ... | ... | ... | ... | ... |
| Adjusted program 3/ | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Program 2/ | ... | ... | ... | ... | ... | 59.6 | 62.8 | 65.0 | 67.7 | 70.4 |
| Net domestic assets of the NBR (ceiling on stock) | | | | | | | | | | |
| Actual (program exchange rate) | 11.5 | 14.9 | 12.1 | 21.3 | 17.7 | ... | ... | ... | ... | ... |
| Adjusted program 3/ | 7.6 | 6.6 | 11.6 | 14.6 | 13.1 | ... | ... | ... | ... | ... |
| Program 2/ | 8.9 | 9.4 | 11.4 | 13.3 | 16.0 | ... | ... | ... | ... | ... |
| Net credit to the central government by the banking system (ceiling on stock) 4/ | | | | | | | | | | |
| Actual | 27.1 | 32.4 | 26.5 | 34.7 | 33.6 | ... | ... | ... | ... | ... |
| Adjusted program | 22.5 | 24.0 | 32.6 | 31.1 | 27.5 | ... | ... | ... | ... | ... |
| Program 2/ | 23.8 | 26.9 | 32.4 | 29.8 | 28.6 | 32.8 | 33.3 | 32.8 | 32.8 | 32.8 |
| New nonconcessional external debt (ceiling on flow) 5/ | | | | | | | | | | |
| Actual | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | ... | ... | ... | ... | ... |
| Program 2/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Short-term external debt (ceiling on stock) 6/ | | | | | | | | | | |
| Actual | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... |
| Program 2/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Primary fiscal balance (floor on cumulative flow since Dec. 31) 7/ 8/ | | | | | | | | | | |
| Actual | -11.5 | -14.4 | 5.7 | 4.2 | -0.8 | ... | ... | ... | ... | ... |
| Adjusted program | -4.8 | -4.9 | -0.3 | 3.3 | 2.1 | ... | ... | ... | ... | ... |
| Program 2/ | -5.8 | -4.5 | -1.5 | 2.8 | 1.8 | -1.5 | 1.3 | 4.1 | 1.4 | 1.1 |
| Stock of outstanding nonrescheduldable external arrears (ceiling on stock) 9/ | | | | | | | | | | |
| Actual | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | ... | ... | ... | ... | ... |
| Program 2/ | 0.0 | 0.0 | 0.0 | 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 | 0.4 | -4.0 | 1.6 | -2.0 | 0.9 | ... | ... | ... | ... | ... |
| Program 2/ | -2.8 | -3.5 | -0.2 | -1.5 | -2.5 | -4.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Social spending (floor on cumulative flow since Dec. 31) 10/ | | | | | | | | | | |
| Actual | 17.7 | 25.1 | 4.5 | 10.9 | 18.3 | ... | ... | ... | ... | ... |
| Program 2/ | 18.6 | 24.8 | 5.8 | 11.4 | 18.6 | 28.4 | 6.0 | 14.5 | 25.5 | 36.5 |
| | (Indicative targets) | | | | | | | | | |
| Reserve money (ceiling on stock) | | | | | | | | | | |
| Actual | 34.2 | 40.4 | 35.3 | 37.1 | 35.5 | ... | ... | ... | ... | ... |
| Adjusted program | 36.9 | 37.4 | ... | ... | ... | ... | ... | ... | ... | ... |
| Program 2/ | 36.9 | 37.4 | 38.0 | 38.5 | 38.0 | 37.9 | 38.8 | 39.6 | 40.5 | 41.3 |
| Budgetary revenue (floor on cumulative flow since Dec. 31) | | | | | | | | | | |
| Actual | 47.6 | 63.6 | 20.1 | 36.0 | 51.6 | ... | ... | ... | ... | ... |
| Program 2/ | 49.5 | 71.0 | 15.6 | 38.5 | 56.8 | 69.6 | 18.7 | 39.9 | 60.1 | 81.3 |
| Wage bill (ceiling on cumulative flow since Dec. 31) | | | | | | | | | | |
| Actual | 25.6 | 34.4 | 8.3 | 17.5 | 26.6 | ... | ... | ... | ... | ... |
| Program 2/ | 26.3 | 34.0 | 8.7 | 17.5 | 26.2 | 36.0 | 9.0 | 18.5 | 28.5 | 38.6 |
| Memorandum items: | | | | | | | | | | |
| Total external budgetary support and social spending adjustment (min (A, B)) 11/ | -1.3 | -2.9 | 0.2 | 1.3 | -1.1 | ... | ... | ... | ... | ... |
| Cap on external budgetary support adjustment (A) | 9.0 | 12.0 | 9.0 | 11.0 | 13.0 | 15.0 | 9.0 | 11.0 | 13.0 | 15.0 |
| Uncapped external budgetary support and social spending adjustment (B = C + D) | -1.3 | -2.9 | 0.2 | 1.3 | -1.1 | ... | ... | ... | ... | ... |
| Budgetary support cumulative shortfall + (excess - ) (C) | -0.6 | -2.0 | 2.4 | 1.8 | 1.2 | ... | ... | ... | ... | ... |
| Financed social and exceptional social spending, excess + (shortfall - ) ( D = min (E, F) ) | -0.7 | -0.9 | -2.3 | -0.5 | -2.4 | ... | ... | ... | ... | ... |
| Budgetary support cumulative excess + (shortfall = 0 ) (E) | 0.6 | 2.0 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... |
| Social and exceptional social spending, excess + (shortfall - ) (F) | -0.7 | -0.9 | -2.3 | -0.5 | -2.4 | -2.4 | ... | ... | ... | ... |

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

1/ Net foreign reserves are defined for this purpose, 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 liabilities, are to be excluded.

2/ "Program" targets for 2000 are revised program targets.

3/ If the required reserve ratio changes, the ceiling on NDA of the NBR will be adjusted by the absolute change in the ratio times the projected deposit base of the commercial banks.

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

5/ From December 2000 onwards, the definition of net credit to government by the banking system has been changed to exclude public nongovernmental deposits.

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

7/ The primary fiscal balance is defined as total revenue (excluding privatization proceeds) minus current expenditure (excluding scheduled interest payments and exceptional social expenditure) minus domestically financed capital expenditure.

8/ The primary fiscal balance is adjusted downwards to accommodate any fully-externally-financed excess social spending.

9/ To be monitored on a continuous basis.

10/ The definition of social spending from March 2001 has been changed to include a larger variety of social/antipoverty spending. Before March 2001, social spending is defined as expenditures by the ministries of health and education.

11/ Applies to net domestic assets of the NBR up to September 2000, to net domestic assets of the banking system from December 2000 onwards, and to net credit to the central government by the banking system, and, in the opposite direction, to net foreign assets of the NBR. Cumulative shortfall (excess - ) in budget support, excluding debt relief from Paris Club and non-Paris Club creditors, since December 31. The adjustment in case of a shortfall is capped at RF 12 billion at end December 1999, and at RF 9 billion, RF, 11 billion, RF 13 billion, and RF 15 billion at end-March, June, September, and December 2000, respectively. Excludes shortfalls in amounts used to repay domestic debt.

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Table 1b. Rwanda: Calculation of the Budgetary Support Adjustments to the Quantitative Performance Criteria and Benchmarks Under the Second and Third Annual PRGF Arrangements, 1999-2001 1/

| | 1999 | | 2000 | | | | 2001 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sep. | Dec. | Mar. | Jun. | Sep. | Dec. | Mar.* | Jun. | Sep.* | Dec. |
| | | | PRGF II | | | | PRGF III | | | |
| | (In billions of Rwanda francs) | | | | | | | | | |
| **Total external budgetary support and social spending adjustment (min (A, B))** | -1.3 | -2.9 | 0.2 | 1.3 | -1.1 | ... | ... | ... | ... | ... |
| Cap on external budgetary support adjustment (A) | 9.0 | 12.0 | 9.0 | 11.0 | 13.0 | 15.0 | 9.0 | 11.0 | 13.0 | 15.0 |
| Uncapped external budgetary support and social spending adjustment (B = C + D) | -1.3 | -2.9 | 0.2 | 1.3 | -1.1 | ... | ... | ... | ... | ... |
| Budgetary support cumulative shortfall + (excess - ) (C = C*, but in RF) 2/ | -0.6 | -2.0 | 2.4 | 1.8 | 1.2 | ... | ... | ... | .. | .. |
| Financed social and exceptional social spending, excess + (shortfall - ) ( D = min (E, F) ) | -0.7 | -0.9 | -2.3 | -0.5 | -2.4 | ... | ... | ... | ... | ... |
| Budgetary support cumulative excess + (shortfall = 0 ) (E) | 0.6 | 2.0 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... |
| Social and exceptional social spending, excess + (shortfall - ) (F = G + H) | -0.7 | -0.9 | -2.3 | -0.5 | -2.4 | ... | ... | ... | ... | ... |
| **Adjustment for financed excess social spending (Min (C***, G)** | -1.0 | 0.3 | -1.3 | -0.4 | -0.3 | ... | ... | ... | ... | ... |
| External budgetary support cumulative excess + (shortfall = 0 ) ( C** = max (-C, 0) ) | 0.6 | 2.0 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | .. |
| Social spending, excess + (shortfall - ) (G) | -1.0 | 0.3 | -1.3 | -0.4 | -0.3 | ... | ... | ... | ... | . |
| Social and exceptional social spending, excess + (shortfall - ) (F = G + H) | -0.7 | -0.9 | -2.3 | -0.5 | -2.4 | ... | ... | ... | ... | ... |
| Social spending, excess + (shortfall - ) (G) | -1.0 | 0.3 | -1.3 | -0.4 | -0.3 | ... | ... | ... | ... | ... |
| Program 3/ | 18.6 | 24.8 | 5.8 | 11.4 | 18.6 | 28.4 | 6.0 | 14.5 | 25.5 | 36.5 |
| Actual | 17.7 | 25.1 | 4.5 | 10.9 | 18.3 | ... | ... | ... | ... | ... |
| Exceptional social spending, excess + (shortfall - ) (H) | 0.3 | -1.2 | -1.0 | -0.1 | -2.1 | ... | ... | ... | ... | ... |
| Program 3/ | 6.7 | 9.1 | 1.8 | 3.8 | 8.2 | 12.6 | 1.5 | 5.0 | 8.4 | 11.7 |
| Actual | 7.0 | 7.9 | 0.8 | 3.7 | 6.1 | ... | ... | ... | ... | ... |
| External budgetary support cumulative shortfall (excess - ) (C = C*, but in RF) 2/ | -0.6 | -2.0 | 2.4 | 1.8 | 1.2 | ... | ... | ... | ... | ... |
| External budgetary support cumulative non-debt shortfall (excess - ) (K) | ... | 2.9 | 1.6 | 0.1 | ... | ... | ... | ... | ... | ... |
| Shortfall in domestic debt repayment (billions of RF) (L) 4/ | ... | 4.9 | -0.9 | -1.7 | ... | ... | ... | ... | ... | ... |
| Program 3/ | ... | -5.8 | 0.0 | 0.0 | ... | ... | ... | ... | ... | ... |
| Actual | ... | -0.9 | -0.9 | -1.7 | ... | ... | ... | ... | ... | ... |
| | (In millions of U.S. dollars) | | | | | | | | | |
| External budgetary support cumulative non-debt shortfall (excess - ) (C* = I - J) 2/ | -1.9 | 8.8 | 4.5 | 0.4 | 3.5 | ... | ... | ... | ... | ... |
| Program (I) 3/ | 65.6 | 107.6 | 15.8 | 29.4 | 62.7 | 106.9 | 11.2 | 26.5 | 54.0 | 77.8 |
| EU | 16.0 | 30.0 | 6.8 | 16.6 | 24.8 | 43.2 | 20.2 | 0.0 | 30.5 | 30.5 |
| AfDB 5/ | 0.0 | 13.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.0 | 10.0 |
| WB | 38.0 | 38.0 | 0.0 | 0.0 | 17.5 | 35.0 | 16.0 | 0.0 | 0.0 | 31.0 |
| Multilateral refinancing | 2.2 | 2.6 | 0.6 | 1.3 | 2.0 | 2.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Bilateral donors 7/ | 29.3 | 36.6 | 8.3 | 22.4 | 32.8 | 39.8 | 0.3 | 6.5 | 6.8 | 33.8 |
| Net accumulation in multilateral debt trust fund (-) | -13.8 | -13.1 | 0.1 | -9.1 | -4.4 | -2.7 | 5.0 | 10.1 | 9.1 | 14.1 |
| Minus projected overfinancing (which must be allocated to social spending) | -6.1 | 0.0 | 0.0 | -1.7 | -10.0 | -11.0 | -30.3 | 10.0 | -2.3 | -41.6 |
| Actual (J) | 67.5 | 98.8 | 11.3 | 29.1 | 59.1 | ... | ... | ... | ... | ... |
| EU | 11.0 | 16.7 | 3.4 | 16.6 | 18.1 | ... | ... | ... | ... | ... |
| AfDB | 0.0 | 13.5 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... |
| WB | 38.0 | 38.0 | 0.0 | 0.0 | 16.1 | ... | ... | ... | ... | ... |
| Multilateral refinancing 6/ | 3.6 | 2.6 | -0.4 | -0.4 | 1.0 | ... | ... | ... | ... | .. |
| Bilateral donors 7/ | 24.2 | 36.4 | 7.6 | 22.4 | 28.9 | ... | ... | ... | ... | ... |
| Net accumulation in multilateral debt trust fund (-) | -9.2 | -8.5 | 0.7 | -9.5 | -5.0 | ... | ... | ... | ... | ... |
| Memorandum items: | | | | | | | | | | |
| | (In Rwanda francs per dollar) | | | | | | | | | |
| Exchange rates | | | | | | | | | | |
| RF/USD program | 330.5 | 330.5 | 351.9 | 351.9 | 351.9 | 411.0 | 415.5 | 415.5 | 415.5 | 415.5 |

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

1/ Cumulative from start of year.
2/ C = C* converted to Rwandese francs at the program exchange rate.
3/ "Program" targets for 2000 are revised program targets.
4/ Starting in June 2000 this item will no longer be added to the external budgetary support cumulative shortfall.
5/ From the originally programmed AfDB disbursement of US$13.5 million, US$5 million is deducted, which was received at end-1998, but booked in the government accounts only in early 1999. This amount has been reclassified as domestic nonbank financing in 1999.
6/ The cumulative flow for December 1998 includes the expected refinancing of arrears outstanding as of end-March 1998.
7/ Excludes debt reliefobtained from Paris Club creditors and debt relief to be obtained from non-Paris Club creditors.

Table 1c: Sample Calculations of EBSSA Adjustment

| Outcomes | | Result | Calculations | | | | |
|---|---|---|---|---|---|---|---|
| Shortfall in external budgetary support (SEBS) | Excess social plus exceptional social spending (ESESS) | EBSSSA adjustment (reduction in NFA target) | Excess budgetary support (EBS) (not less than zero) | FESESSA (minimum of EBS and ESESS) | SEBS + FFESSA | CAP | EBSSA adjustment (smaller of SEBS + FESSA and the cap) |
| -10.0 | 10.0 | -- | 10.0 | 10.0 | -- | 4.0 | -- |
| -10.0 | 7.0 | -3.0 | 10.0 | 7.0 | -3.0 | 4.0 | -3.0 |
| -10.0 | 3.0 | -7.0 | 10.0 | 3.0 | -7.0 | 4.0 | -7.0 |
| -10.0 | -- | -10.0 | 10.0 | -- | -10.0 | 4.0 | -10.0 |
| -10.0 | -3.0 | -13.0 | 10.0 | -3.0 | -13.0 | 4.0 | -13.0 |
| -10.0 | -7.0 | -17.0 | 10.0 | -7.0 | -17.0 | 4.0 | -17.0 |
| -10.0 | -10.0 | -20.0 | 10.0 | -10.0 | -20.0 | 4.0 | -20.0 |
| -5.0 | 10.0 | -- | 5.0 | 5.0 | -- | 4.0 | -- |
| -5.0 | 7.0 | -- | 5.0 | 5.0 | -- | 4.0 | -- |
| -5.0 | 3.0 | -2.0 | 5.0 | 3.0 | -2.0 | 4.0 | -2.0 |
| -5.0 | -- | -5.0 | 5.0 | -- | -5.0 | 4.0 | -5.0 |
| -5.0 | -3.0 | -8.0 | 5.0 | -3.0 | -8.0 | 4.0 | -8.0 |
| -5.0 | -7.0 | -12.0 | 5.0 | -7.0 | -12.0 | 4.0 | -12.0 |
| -5.0 | -10.0 | -15.0 | 5.0 | -10.0 | -15.0 | 4.0 | -15.0 |
| -- | 10.0 | -- | -- | -- | -- | 4.0 | -- |
| -- | 7.0 | -- | -- | -- | -- | 4.0 | -- |
| -- | 3.0 | -- | -- | -- | -- | 4.0 | -- |
| -- | -- | -- | -- | -- | -- | 4.0 | -- |
| -- | -3.0 | -3.0 | -- | -3.0 | -3.0 | 4.0 | -3.0 |
| -- | -7.0 | -7.0 | -- | -7.0 | -7.0 | 4.0 | -7.0 |
| -- | -10.0 | -10.0 | -- | -10.0 | -10.0 | 4.0 | -10.0 |
| 5.0 | 10.0 | 4.0 | -- | -- | 5.0 | 4.0 | 4.0 |
| 5.0 | 7.0 | 4.0 | -- | -- | 5.0 | 4.0 | 4.0 |
| 5.0 | 3.0 | 4.0 | -- | -- | 5.0 | 4.0 | 4.0 |
| 5.0 | -- | 4.0 | -- | -- | 5.0 | 4.0 | 4.0 |
| 5.0 | -3.0 | 2.0 | -- | -3.0 | 2.0 | 4.0 | 2.0 |
| 5.0 | -7.0 | -2.0 | -- | -7.0 | -2.0 | 4.0 | -2.0 |
| 5.0 | -10.0 | -5.0 | -- | -10.0 | -5.0 | 4.0 | -5.0 |
| 10.0 | 10.0 | 4.0 | -- | -- | 10.0 | 4.0 | 4.0 |
| 10.0 | 7.0 | 4.0 | -- | -- | 10.0 | 4.0 | 4.0 |
| 10.0 | 3.0 | 4.0 | -- | -- | 10.0 | 4.0 | 4.0 |
| 10.0 | -- | 4.0 | -- | -- | 10.0 | 4.0 | 4.0 |
| 10.0 | -3.0 | 4.0 | -- | -3.0 | 7.0 | 4.0 | 4.0 |
| 10.0 | -7.0 | 3.0 | -- | -7.0 | 3.0 | 4.0 | 3.0 |
| 10.0 | -10.0 | -- | -- | -10.0 | -- | 4.0 | -- |

Table 2. Rwanda: Proposed Structural Performance Criteria and Benchmarks for the First and Second Review under the Third Annual PRGF Arrangement, 2000/2001

| Action | Timing |
|---|---|
| Develop a system for monitoring poverty related expenditures on a monthly basis[1] | January 1, 2001 |
| Begin collecting taxes under VAT law[2] | January 1, 2001 |
| The NBR to conduct weekly auctions to sell foreign exchange to the highest bidder among the commercial banks at whatever rate clears the auction[2] | January 31, 2001 |
| Prepare a monitorable action plan for further strengthening the Auditor General's office, and a strategy and timetable for delivering a full audit of public accounts annually[1] | End-February 2001 |
| Completion of audits of the large companies' 1998 tax returns and completion of 40 audits of 1999 returns[1] | End-March 2001 |
| Issue financial instructions in accordance with the organic budget law[2] | End-June 2001 |
| Submit to Parliament TPR law to make all salary allowances in cash and in kind fully subject to TPR[1] | End-June 2001 |
| Adopt law that allows for the efficient and timely enforcement of arbitration awards rendered by the arbitrage center[2] | End-June 2001 |
| Effect improvements in the system of the *voie parée* in accordance with the recommendation of the interministerial committee established for the purpose[1] | End-June 2001 |
| Offer 51 percent of Rwandatel to a strategic investor[1] | September 2001 |
| Achieve collection rate of 75 percent of tax assessment within one month of assessment through strict application of reminder enforcement procedures[1] | September 2001 |
| Maintain and achieve voluntary declaration and payment compliance rates of at least 95 percent for large enterprises and at least 40 percent for SME (from 95 percent and 10 percent, respectively in 1999)[1] | September 2001 |
| Complete a review of all waivers and exemptions from import duties and taxes, produce a plan that provides for their elimination by a specific date (with the exception of those established under international treaties) and propose in accordance with this plan that some of the waivers or exemptions will be eliminated with effect for the 2002 budget.[2] | September 2001 |
| Establish a *Tribunal de Commerce* (Commercial Court) and a *Tribunal Fiscal* (Tax Court)[1] | End-December 2001 |

[1]Structural benchmark.
[2]Structural performance criterion.

Table 3. Rwanda: Quarterly Targets for Social and Antipoverty Expenditure, 1998-2001 1/
(Cumulative flows since the beginning of the year; in billions of Rwanda francs)

| | 1998 | | 1999 | | | | | 2000 | | | | | | | 2001 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Prog. | Est. | Mar. Est. | June Est. | Sep. Est. | Dec. Prog. | Dec. Est. | Mar. Prog. | Mar. Est. | June Prog. | June Est. | Sep. Prog. | Sep. Est. | Dec. Prog. | Mar. Program | Jun. Program | Sept. Program | Dec. Program |
| **Total social expenditure (recurrent, including UNR)** | 20.3 | 17.5 | 4.5 | 10.7 | 17.7 | 27.5 | 25.1 | 5.8 | 4.5 | 11.4 | 10.9 | 18.6 | 18.3 | 28.4 | 6.0 | 14.5 | 25.5 | 36.7 |
| Basic social spending (recurrent, excluding UNR) | 17.6 | 14.7 | 3.7 | 9.2 | 15.3 | 24.3 | 21.9 | 5.2 | 4.0 | 10.0 | 9.6 | 16.4 | 15.9 | 25.2 | 5.5 | 13.2 | 23.3 | 33.7 |
| **Education** | 17.6 | 13.9 | 3.8 | 9.1 | 14.5 | 20.7 | 20.4 | 4.3 | 3.8 | 8.9 | 8.7 | 14.3 | 15.0 | 21.6 | 4.6 | 10.8 | 18.1 | 25.3 |
| Wages and salaries (excluding UNR) | 11.7 | 7.9 | 2.4 | 5.3 | 8.1 | 11.3 | 11.3 | 2.3 | 2.8 | 5.6 | 5.9 | 8.4 | 9.1 | 12.2 | 3.1 | 6.7 | 10.8 | 15.0 |
| Goods and services (excluding UNR) | 3.2 | 1.4 | 0.1 | 1.0 | 2.4 | 2.9 | 2.8 | 0.7 | 0.1 | 0.7 | 0.2 | 1.6 | 0.8 | 2.9 | 0.4 | 1.2 | 2.5 | 3.9 |
| Transfers | 2.7 | 4.6 | 1.4 | 2.9 | 4.1 | 6.6 | 6.3 | 1.3 | 1.0 | 2.6 | 2.6 | 4.3 | 5.1 | 6.6 | 1.1 | 2.9 | 4.8 | 6.4 |
| University (UNR) | 2.7 | 2.8 | 0.8 | 1.5 | 2.3 | 3.2 | 3.2 | 0.6 | 0.5 | 1.3 | 1.3 | 2.2 | 2.4 | 3.2 | 0.5 | 1.3 | 2.2 | 3.0 |
| Scholarships 2/ | ... | 1.4 | 0.5 | 1.2 | 1.5 | 2.8 | 2.6 | 0.5 | 0.4 | 1.1 | 1.0 | 1.8 | 2.3 | 2.8 | 0.4 | 1.2 | 2.0 | 2.6 |
| ISAE, IRST, primary school, other 3/ | ... | 0.3 | 0.1 | 0.1 | 0.2 | 0.5 | 0.5 | 0.1 | 0.1 | 0.2 | 0.2 | 0.4 | 0.3 | 0.5 | 0.2 | 0.4 | 0.6 | 0.8 |
| **Health** | 2.1 | 2.6 | 0.5 | 1.1 | 2.3 | 4.9 | 3.3 | 1.0 | 0.5 | 1.7 | 1.7 | 3.0 | 2.7 | 4.9 | 0.8 | 2.2 | 4.4 | 6.5 |
| Wages and salaries | 1.1 | 1.0 | 0.3 | 0.6 | 1.0 | 2.0 | 1.4 | 0.5 | 0.3 | 0.8 | 0.7 | 1.3 | 1.0 | 2.0 | 0.4 | 0.9 | 1.7 | 2.5 |
| Goods and services | 1.1 | 1.1 | 0.1 | 0.5 | 1.2 | 2.6 | 1.8 | 0.5 | 0.2 | 0.8 | 1.0 | 1.6 | 1.5 | 2.6 | 0.3 | 1.1 | 2.4 | 3.8 |
| Transfers | 0.0 | 0.5 | 0.0 | 0.0 | 0.1 | 0.3 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.1 | 0.2 | 0.3 | 0.3 |
| **Social affairs/gender, women and development** | 0.6 | 1.0 | 0.0 | 0.2 | 0.3 | 1.0 | 0.5 | 0.4 | 0.1 | 0.3 | 0.1 | 0.6 | 0.2 | 1.0 | 0.3 | 0.8 | 1.9 | 3.2 |
| Wages and salaries | ... | ... | 0.0 | 0.1 | 0.1 | 0.4 | 0.2 | 0.1 | 0.0 | 0.1 | 0.1 | 0.2 | 0.1 | 0.4 | 0.1 | 0.2 | 0.3 | 0.6 |
| Goods and services | ... | ... | 0.0 | 0.1 | 0.1 | 0.6 | 0.2 | 0.1 | 0.0 | 0.2 | 0.0 | 0.3 | 0.1 | 0.6 | 0.2 | 0.5 | 1.5 | 2.5 |
| Transfers | ... | ... | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -- | 0.1 | 0.1 | 0.1 |
| **Youth, culture and sport** | 0.0 | 0.0 | 0.1 | 0.3 | 0.6 | 0.9 | 0.9 | 0.2 | 0.1 | 0.5 | 0.4 | 0.7 | 0.5 | 0.9 | 0.3 | 0.7 | 1.2 | 1.6 |
| Wages and salaries | ... | ... | 0.0 | 0.1 | 0.2 | 0.3 | 0.2 | 0.1 | 0.0 | 0.1 | 0.1 | 0.2 | 0.1 | 0.3 | 0.1 | 0.2 | 0.3 | 0.1 |
| Goods and services | ... | ... | 0.0 | 0.1 | 0.2 | 0.4 | 0.3 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.1 | 0.3 | 0.6 | 0.9 |
| Transfers | ... | ... | 0.1 | 0.1 | 0.3 | 0.3 | 0.4 | 0.0 | 0.0 | 0.2 | 0.1 | 0.3 | 0.1 | 0.3 | 0.1 | 0.2 | 0.3 | 0.7 |
| Memorandum items: | | | | | | | | | | | | | | | | | | |
| Total social expenditure (including KIST, KHI, KIE, teacher training) | ... | 17.5 | 4.7 | 11.1 | 18.2 | 29.6 | 26.1 | 6.1 | 4.9 | 12.2 | 11.8 | 20.1 | 19.6 | 30.5 | 6.5 | 15.6 | 27.2 | 39.1 |
| KIST, KHI, KIE, teacher training 4/ | ... | 0.0 | 0.2 | 0.4 | 0.6 | 2.0 | 0.9 | 0.3 | 0.4 | 0.9 | 0.9 | 1.5 | 1.3 | 2.0 | 0.5 | 1.1 | 1.7 | 2.3 |

Sources: Rwandese authorities; and staff estimates.

1/ To be monitored based on the fiscal "flash" reports, financial data from the ministries of education and health, and surveys of decentralized units with assistance from the World Bank and DFID.
2/ Include scholarships for Ministry of Education only.
3/ ISAE and IRST are agricultural and technical research institutions; "other" includes higher education activities.
4/ The transfers to these institutions (for training of health workers and teachers and for research) are included under "exceptional social spending."

Table 4. Rwanda: Summary of Reporting Requirements

| Status | Variable or Table | Reporting Frequency | Reporting delay from end of period covered | Report data electronically |
|---|---|---|---|---|
| | **A. Monetary and Foreign Exchange** | | | |
| PC | Net foreign assets NBR | Weekly | Seven days | |
| PC | Net domestic assets NBR | Weekly | Seven days | |
| QI | Reserve money | Weekly | Seven days | |
| PC | Net credit to central government | Monthly | Three weeks | |
| Table | Monthly balance sheet of the NBR | Monthly | Four weeks | Yes |
| Table | Summary balance sheet of the commercial banks | Monthly | Four weeks | Yes |
| Table | Individual balance sheets of the commercial banks | Monthly | Four weeks | Yes |
| Table | Details of public sector deposits with individual commercial banks | Quarterly | Four weeks | Yes |
| Table | Details of commercial banks' loan provisioning and capital adequacy | Monthly | Four weeks | Yes |
| Table | Monthly data on foreign exchange operations of commercial banks, the NBR, and foreign exchange bureaus | Monthly | Four weeks | Yes |
| Table | Net open foreign exchange positions of commercial banks and foreign exchange bureaus | Monthly | Four weeks | Yes |
| Table | Exchange rates | Weekly | Seven days | Yes |
| | **B. Debt** | | | |
| PC | New external government borrowing | Monthly | Three weeks | |
| PC | Stock of short-term external government debt | Monthly | Three weeks | |
| | **C. Fiscal** | | | |
| PC | Domestic arrears (repayment of the end-of-year stock of arrears and accumulation of new arrears) | Monthly | Three weeks | |
| PC | External arrears | Quarterly | Three weeks | |
| OV | External budgetary support | Monthly | Three weeks | |
| Table | Fiscal data (revenue, expenditure,[2] social expenditure, exceptional social expenditure, wage bill) | Monthly | Three weeks | |
| Table | Development budget implementation | Quarterly | Three weeks | |
| Table | Scheduled debt service and payments | Quarterly | Three weeks | |
| | **D. Public enterprises** | | | |
| 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 | |
| | **E. Civil service** | | | |

Table 4. Rwanda: Summary of Reporting Requirements

| Status | Variable or Table | Reporting Frequency | Reporting delay from end of period covered | Report data electronically |
|---|---|---|---|---|
| OV | Size of the civil service (core civil service and teachers) | Monthly | Three weeks | |
| | **F. Balance of payments** | | | |
| Table | Export and imports | Monthly | Four weeks | Yes |
| Table | Detailed Balance of Payments | Quarterly | Four weeks | |
| | **G. Prices** | | | |
| OV | CPI Kigali (NBR), urban, and rural (Minecofin) | Monthly | Four weeks | Yes |

1/ All the exchange rates specified in the text, section V.

2/ On commitment basis (*engagement)* and on payment order basis (*ordonnancement*); the provision of fiscal data is based on the "flash" reporting (aggregate and by ministry).

PC = performance criterion or quantitative benchmark;

QI = quantitative indicator;

OV= other variable.

Table 5a. Rwanda: Education Performance Indicators, 1998–2000 1/

| | 1998 | | 1999 | | 2000 | |
|---|---|---|---|---|---|---|
| **Primary education** | | | | | | |
| Enrollment and completion (annual) | | | | | | |
| Total gross enrollment 2/ | 1,270,733 | (88%) | 1,288,617 | (88%) | 1,428,908 | (97.1%) |
| Male | 635,765 | (...) | 644,430 | (90%) | 720,481 | |
| Female | 634,968 | (...) | 644,187 | (87%) | 708,427 | |
| Completion 3/ | 60,361 | (22%) | .. | | ... | |
| Transition to secondary education 4/ | 12,503 | (21%) | 14,151 | (22%) | ... | (25.6%) |
| Number of qualified teachers (annual/school term) 5/ | 10,463 | (46%) | 11,860 | (51%) | 13,934 | (53.2%) |
| Student-teacher ratio (annual/school term) | 56 | | 55 | | 54 | |
| Student-qualified teacher ratio (annual/school term) | 121 | | 109 | | 102 | |
| Average number of books per class (annual) | ... | | ... | | ... | |
| Average number of books per pupil (annual) | 0.56 | | ... | | ... | |
| Average number of teachers provided with teaching materials (annual) | ... | | ... | | ... | |
| 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/ | ... | | 2,611 | | 4,659 | |
| Number of classes (annual) | ... | | 30,866 | | | |
| Number of classrooms (annual) | ... | | 23,395 | | 38,627 | |
| Number of classrooms constructed/extended (annual) | 576 | | 89 | | 160 | |
| Repetition rate percent | ... | | (30) | | ... | |
| Drop out rate percent 8/ | ... | | (30) | | ... | |
| Percent passing national exams 9/ | ... | | (22.6) | | (25.6%) | |
| **Secondary education** | | | | | | |
| Enrollment and completion (annual) | | | | | | |
| Total gross enrollment (rate) 2/ | 90,840 | (...) | 103,222 | (10%) | 103,222 | (10%) |
| Male | 45,054 | (...) | 50,919 | | 50,919 | |
| Female | 45,786 | (...) | 52,303 | | 52,303 | |
| Completion 3/ | 10,500 | (...) | ... | | ... | |
| Transition to higher education 4/ | ... | (...) | ... | | ... | |
| Number of qualified teachers (annual/school term) 5/ 10/ | 1,188 | (31%) | 1,098 | (31%) | 1,098 | (31%) |
| 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* | | *400* | | *400* | |
| Number of classes (annual) | ... | | ... | | ... | |
| Number of classrooms constructed/extended (annual) | 30 | | 44 | | 44 | |

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 schoolage in percent.
3/ In parentheses, completion rate: number of pupils in cohort reaching grade 6 divided by number of pupils enrolled in firstgrade 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, andbecame 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.

Table 5b: Rwanda: Health Sector Performance Indicators, 1997–99 1/

| | 1997 | 1998 | 1999 | | | |
|---|---|---|---|---|---|---|
| | | | Q1 | Q2 | Q3 | Q4 |
| 1. Number of curative consultations at health centers; new cases (quarterly) | 2,760,421 | 2,233,279 | 606,055 2/ | 575,789 3/ | 462,225 4/ | 480,650 5/ |
| 2a. Number of qualified physicians at hospitals (annual) | 181 6/ | 144 | ... | ... | 148 | 148 |
| 2b. Number of qualified nurses (annual) | 899 | 1,033 | ... | ... | 1,143 | 1,442 |
| 3a. Expenditure on medicines in district hospitals (millions of Rwanda Francs; quarterly) 7/ | 39.8 | ... | ... | ... | ... | ... |
| 3b. Expenditure on medicines in health centers (millions of Rwanda Francs; quarterly) 7/ 8/ | 2.8 | 1.5 | 0.2 | 0.3 | 0 4/ | 1.4 |
| 3c. Expenditure for medicines on the budget (millions of Rwanda Francs; quarterly) 8/ | 74 | 229 | 0 | 75 | 75 | 95 |
| 4a. Number of functional health centers (quarterly) | 330 | 346 | 346 | 348 | 348 9/ | 348 |
| 4b. Number of functional hospitals (quarterly) | 28 | 29 | 29 | 29 | 29 10/ | 29 |
| 5a. Number of fully equipped/staffed health centers (quarterly) 10/ | ... | ... | ... | ... | ... | |
| 5b. Number of fully equipped hospitals (quarterly) 10/ | ... | ... | ... | ... | ... | |
| 6. Number of medical and paramedical students enrolled in Kigali Institute of Health (three-year program) | | 282 | | | | |

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.
3/ Based on 88 percent of expected monthly reports.
4/ Based on 79 percent of expected monthly reports.
5/ Based on 16 percent of expected monthly reports.
6/ In 1997, including 54 expatriates.
7/ In 1997, from the Health Financing Study (Ministry of Health, World Bank, and Etude du Financement du System de Santé, HERA, May 1999). In 1999, based on reports from ten regional health centers (91 percent of expected reports).
8/ 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. Because the Ministry of Health purchases drugs only for epidemics, the amount budgeted for 1999 is less than that for 1998.
9/ Provisional data.
10/ Based on standards to be defined for health centers and hospitals.

Table 1. Rwanda: Proposed Prior Actions for the Submission of Request to the IMF Executive Board for Consideration of the Third Annual PRGF Arrangement 2000/2001

1. Adoption by Cabinet and submission to parliament of a 2001 Budget Law consistent with the revenue and expenditure targets agreed with the Fund staff.
2. Issuance of an administrative directive to reconcile monthly the SGS valuation of imports with that of customs and justify differences of implied taxation.
3. Announcement by the government, concurrent with the presentation of Budget to parliament, of the decision to tax petroleum products on the basis of a revised petroleum pricing mechanism with implementation in five equal instalments—between February 2001 and June 2001—by:
   (a) applying a 3-month moving average of international petroleum prices, and
   (b) adjusting the reference price for taxation in line with the 3-month moving average.
4. Adopt, as part of the Budget Law for 2001, a 5 percent withholding tax on imports, deductible from profit tax, with introduction from March 1, 2001.
5. The RRA to complete audits[1] of 100 large companies 1998 tax returns by Dec. 15, 2000.
6. Complete the audits of the accounts of the Ministries of Public Works, Transport and Communications, Energy, Water and Natural Resources, Defense, and Education and avail the reports at least in one language.

[1] This is to understand that the audit reports are issued to the companies.

Table 2. Rwanda: Quantitative Performance Criteria and Benchmarks Under the Second and Third Annual PRGF Arrangements, 1999-2001
(In billions of Rwanda francs, unless otherwise indicated)

| | 1999 | | 2000 | | | | 2001 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sep. | Dec.* | Mar. | Jun.* | Sep. | Dec. | Mar.* | Jun. | Sep.* | Dec. |
| | | | PRGF II | | | | PRGF III | | | |
| | (Performance criteria, on test dates*, and quantitative benchmarks) | | | | | | | | | |
| Net foreign assets of the NBR (floor on stock) 1/ | | | | | | | | | | |
| Actual (program exchange rate) | 22.8 | 25.5 | 23.2 | 15.8 | 17.8 | ... | ... | ... | ... | ... |
| Adjusted program | 29.3 | 30.8 | 26.4 | 23.8 | 23.1 | ... | ... | ... | ... | ... |
| Program 2/ | 28.0 | 28.0 | 26.6 | 25.1 | 22.0 | 25.6 | 24.3 | 23.9 | 23.1 | 22.3 |
| Net domestic assets of the Banking System (ceiling on stock) | | | | | | | | | | |
| Actual (program exchange rate) | 60.9 | 61.9 | 61.2 | 75.8 | 70.4 | ... | ... | ... | ... | ... |
| Adjusted program 3/ | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Program 2/ | ... | ... | ... | ... | ... | 59.6 | 62.8 | 65.0 | 67.7 | 70.4 |
| Net domestic assets of the NBR (ceiling on stock) | | | | | | | | | | |
| Actual (program exchange rate) | 11.5 | 14.9 | 12.1 | 21.3 | 17.7 | ... | ... | ... | ... | ... |
| Adjusted program 3/ | 7.6 | 6.6 | 11.6 | 14.6 | 13.1 | ... | ... | ... | ... | ... |
| Program 2/ | 8.9 | 9.4 | 11.4 | 13.3 | 16.0 | ... | ... | ... | ... | ... |
| Net credit to the central government by the banking system (ceiling on stock) 4/ | | | | | | | | | | |
| Actual | 27.1 | 32.4 | 26.5 | 34.7 | 33.6 | ... | ... | ... | ... | ... |
| Adjusted program | 22.5 | 24.0 | 32.6 | 31.1 | 27.5 | ... | ... | ... | ... | ... |
| Program 2/ | 23.8 | 26.9 | 32.4 | 29.8 | 28.6 | 32.8 | 33.3 | 32.8 | 32.8 | 32.8 |
| New nonconcessional external debt (ceiling on flow) 5/ | | | | | | | | | | |
| Actual | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | ... | ... | ... | ... | ... |
| Program 2/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Short-term external debt (ceiling on stock) 6/ | | | | | | | | | | |
| Actual | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... |
| Program 2/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Primary fiscal balance (floor on cumulative flow since Dec. 31) 7/ 8/ | | | | | | | | | | |
| Actual | -11.5 | -14.4 | 5.7 | 4.2 | -0.8 | ... | ... | ... | ... | ... |
| Adjusted program | -4.8 | -4.9 | -0.3 | 3.3 | 2.1 | ... | ... | ... | ... | ... |
| Program 2/ | -5.8 | -4.5 | -1.5 | 2.8 | 1.8 | -1.5 | 1.3 | 4.1 | 1.4 | 1.1 |
| Stock of outstanding nonrescheduleable external arrears (ceiling on stock) 9/ | | | | | | | | | | |
| Actual | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | ... | ... | ... | ... | ... |
| Program 2/ | 0.0 | 0.0 | 0.0 | 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 | 0.4 | -4.0 | 1.6 | -2.0 | 0.9 | ... | ... | ... | ... | ... |
| Program 2/ | -2.8 | -3.5 | -0.2 | -1.5 | -2.5 | -4.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Social spending (floor on cumulative flow since Dec. 31) 10/ | | | | | | | | | | |
| Actual | 17.7 | 25.1 | 4.5 | 10.9 | 18.3 | ... | ... | ... | ... | ... |
| Program 2/ | 18.6 | 24.8 | 5.8 | 11.4 | 18.6 | 28.4 | 6.0 | 14.5 | 25.5 | 36.5 |
| | (Indicative targets) | | | | | | | | | |
| Reserve money (ceiling on stock) | | | | | | | | | | |
| Actual | 34.2 | 40.4 | 35.3 | 37.1 | 35.5 | ... | ... | ... | ... | ... |
| Adjusted program | 36.9 | 37.4 | ... | ... | ... | ... | ... | ... | ... | ... |
| Program 2/ | 36.9 | 37.4 | 38.0 | 38.5 | 38.0 | 37.9 | 38.8 | 39.6 | 40.5 | 41.3 |
| Budgetary revenue (floor on cumulative flow since Dec. 31) | | | | | | | | | | |
| Actual | 47.6 | 63.6 | 20.1 | 36.0 | 51.6 | ... | ... | ... | ... | ... |
| Program 2/ | 49.5 | 71.0 | 15.6 | 38.5 | 56.8 | 69.6 | 18.7 | 39.9 | 60.1 | 81.3 |
| Wage bill (ceiling on cumulative flow since Dec. 31) | | | | | | | | | | |
| Actual | 25.6 | 34.4 | 8.3 | 17.5 | 26.6 | ... | ... | ... | ... | ... |
| Program 2/ | 26.3 | 34.0 | 8.7 | 17.5 | 26.2 | 36.0 | 9.0 | 18.5 | 28.5 | 38.6 |
| Memorandum items: | | | | | | | | | | |
| Total external budgetary support and social spending adjustment (min (A, B)) 11/ | -1.3 | -2.9 | 0.2 | 1.3 | -1.1 | ... | ... | ... | ... | ... |
| Cap on external budgetary support adjustment (A) | 9.0 | 12.0 | 9.0 | 11.0 | 13.0 | 15.0 | 9.0 | 11.0 | 13.0 | 15.0 |
| Uncapped external budgetary support and social spending adjustment (B = C + D) | -1.3 | -2.9 | 0.2 | 1.3 | -1.1 | ... | ... | ... | ... | ... |
| Budgetary support cumulative shortfall + (excess - ) (C) | -0.6 | -2.0 | 2.4 | 1.8 | 1.2 | ... | ... | ... | ... | ... |
| Financed social and exceptional social spending, excess + (shortfall - ) ( D = min (E, F) ) | -0.7 | -0.9 | -2.3 | -0.5 | -2.4 | ... | ... | ... | ... | ... |
| Budgetary support cumulative excess + (shortfall = 0 ) (E) | 0.6 | 2.0 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... |
| Social and exceptional social spending, excess + (shortfall - ) (F) | -0.7 | -0.9 | -2.3 | -0.5 | -2.4 | -2.4 | ... | ... | ... | ... |

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

1/ Net foreign reserves are defined for this purpose, 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 liabilities, are to be excluded.

2/ "Program" targets for 2000 are revised program targets.

3/ If the required reserve ratio changes, the ceiling on NDA of the NBR will be adjusted by the absolute change in the ratio times the projected deposit base of the commercial banks.

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

5/ From December 2000 onwards, the definition of net credit to government by the banking system has been changed to exclude public nongovernmental deposits.

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

7/ The primary fiscal balance is defined as total revenue (excluding privatization proceeds) minus current expenditure (excluding scheduled interest payments and exceptional social expenditure) minus domestically financed capital expenditure.

8/ The primary fiscal balance is adjusted downwards to accommodate any fully-externally-financed excess social spending.

9/ To be monitored on a continuous basis.

10/ The definition of social spending from March 2001 has been changed to include a larger variety of social/antipoverty spending. Before March 2001, social spending is defined as expenditures by the ministries of health and education.

11/ Applies to net domestic assets of the NBR up to September 2000, to net domestic assets of the banking system from December 2000 onwards, and to net credit to the central government by the banking system, and, in the opposite direction, to net foreign assets of the NBR. Cumulative shortfall (excess - ) in budget support, excluding debt relief from Paris Club and non-Paris Club creditors, since December 31. The adjustment in case of a shortfall is capped at RF 12 billion at end December 1999, and at RF 9 billion, RF, 11 billion, RF 13 billion, and RF 15 billion at end-March, June, September, and December 2000, respectively. Excludes shortfalls in amounts used to repay domestic debt.

Table 3. Rwanda: Proposed Structural Performance Criteria and Benchmarks for the First and Second Review under the Third Annual PRGF Arrangement, 2000/2001

| Action | Timing |
|---|---|
| Develop a system for monitoring poverty related expenditures on a monthly basis[1] | January 1, 2001 |
| Begin collecting taxes under VAT law[2] | January 1, 2001 |
| The NBR to conduct weekly auctions to sell foreign exchange to the highest bidder among the commercial banks at whatever rate clears the auction[2] | January 31, 2001 |
| Prepare a monitorable action plan for further strengthening the Auditor General's office, and a strategy and timetable for delivering a full audit of public accounts annually[1] | End-February 2001 |
| Completion of audits of the large companies' 1998 tax returns and completion of 40 audits of 1999 returns[1] | End-March 2001 |
| Issue financial instructions in accordance with the organic budget law[2] | End-June 2001 |
| Submit to Parliament TPR law to make all salary allowances in cash and in kind fully subject to TPR[1] | End-June 2001 |
| Adopt law that allows for the efficient and timely enforcement of arbitration awards rendered by the arbitrage center[2] | End-June 2001 |
| Effect improvements in the system of the *voie parée* in accordance with the recommendation of the interministerial committee established for the purpose[1] | End-June 2001 |
| Offer 51 percent of Rwandatel to a strategic investor[1] | September 2001 |
| Achieve collection rate of 75 percent of tax assessment within one month of assessment through strict application of reminder enforcement procedures[1] | September 2001 |
| Maintain and achieve voluntary declaration and payment compliance rates of at least 95 percent for large enterprises and at least 40 percent for SME (from 95 percent and 10 percent, respectively in 1999)[1] | September 2001 |
| Complete a review of all waivers and exemptions from import duties and taxes, produce a plan that provides for their elimination by a specific date (with the exception of those established under international treaties) and propose in accordance with this plan that some of the waivers or exemptions will be eliminated with effect for the 2002 budget.[2] | September 2001 |
| Establish a *Tribunal de Commerce* (Commercial Court) and a *Tribunal Fiscal* (Tax Court)[1] | End-December 2001 |

[1]Structural benchmark.
[2]Structural performance criterion.

Table 4. Rwanda: Structural Performance Criteria and Benchmarks Under the Second Annual PRGF Arrangement, 1999/2000 1/

| Reform | Original Timing | Status |
|---|---|---|
| Implement tax-inclusive tendering (*toute taxe comprise*).[2] | 2000 budget | Done January 2000 |
| Submit to parliament a draft value-added tax (VAT) law and publicize proposed VAT introduction.[3] | End-December 1999 | Done end-March 2000 |
| Introduce VAT.[3] | End-July 2000 | Postponed to January 1, 2001 |
| Promulgate an organic budget law that requires a macroeconomic framework for budget preparation and defines timing and responsibilities in the budget process.[2] | End-1999 | Draft law submitted to parliament in August 2000 |
| Implement functional classifications for the recurrent and development budgets; adapt the classification for the health and education ministries, consistent with key objectives/programs for these sectors.[2] | January 2000 | Done, to be fully implemented in 2001 Budget |
| Implement central computerized civil service database to manage entry/exit.[2] | March 2000 | Done for Ministry of Public Service and Labour, to be extended to other ministries by end-December 2001 |
| Complete redeployment of staff within all ministries in line with the new *cadres organiques.* | October 2000 | Done |
| Sell, bring to the point of sale, or liquidate government's shares of a cumulative total (since mid-1998) of 46 enterprises out of a divestiture program of 69 enterprises, based on the agreed quarterly timetable.[2, 4] | Mid-2000 | Done for 15 out of 22 companies to be brought to the point of sale by September 2000 |
| Reduce by 50 percent the temporary import surcharges from their current level of 10–15 percent.[3] | End-December 1999 | Done |
| Eliminate import surcharge. | July 2000 | Done |
| Reach agreement with all commercial banks on revised restructuring plans over three years in line with the recommendations of the recently completed audits agreed upon among the BNR, the auditors, and the banks.[3] | End-December 1999 | Partially implemented by end-1999; fully implemented by end-June 2000 |
| Adopt an action plan for the financial and operational restructuring of the Caisse Social du Rwanda (CSR), and reach agreement with the CSR on the amount and modalities of consolidation of the government's debt to the CSR.[2] | December 1999 | Agreement on consolidation reached April 2000; action plan on restructuring pending completion of actuarial study (expected for end-2000) |

[1] Adoption of a satisfactory budget for 2000 would be a condition for completion of the first review of the second annual PRGF arrangement (July 1999-June 2000).
[2] Structural benchmark for second annual PRGF arrangement.
[3] Structural performance criterion for second annual PRGF arrangement.
[4] Under the original plan a total of 46 enterprises, out of a total of 69 remained to be divested. At end-September 1999, 19 enterprises had been sold, 3 were under liquidation, and the minority shares in 1 had been sold. The **timetable for divestiture** was as follows:
**End- 1999 (14)** - Coffee Factory Masaka; Mukamira Maize Factory; Lake Ihema Fisheries; Couvoir National de Rubirizi; Gishwati Dairy Plant; Pyrethrum Factory (OPYRWA); Papeterie du Rwanda; Oprovia Warehouses; Hotel Izuba; Hotel Akagera; Guest House Kinigi; Sopab;* Sorwal;* Sonafruit.*
**End-June 2000 (9)** - Rwamagana Rice Mill; Bugarama Rice Mill; Butare Rice Mill; Caisse hypothécaire du Rwanda;* Rwandex; Soproriz; Rwantexco;* Tabarwanda;* Caisse d'épargne du Rwanda.
**End-2000 (16)** - Tea factories (9); Rwandatel; Etiru;* Imprisco; Magerwa;* Onatracom; Sorwathe;* Redemi.
**End-2001 (7)** - Banque Commerciale du Rwanda; Banque Rwandaise de Developpement;* BACAR;*Banque de Kigali;* Electrogaz; Sonarwa;* Bralirwa*. (* = government (minority) shares to be sold)

**Rwanda: Relations with the Fund**
(As of November 22, 2000)

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

| **General Resources Account:** | **SDR Million** | **% Quota** |
|---|---|---|
| Quota | 80.10 | 100.0 |
| Fund Holdings of Currency | 92.76 | 115.8 |

| **SDR Department:** | **SDR Million** | **% Allocation** |
|---|---|---|
| Net cumulative allocation | 13.70 | 100.0 |
| Holdings | 1.29 | 9.4 |

| **Outstanding Purchases and Loans:** | **SDR Million** | **% Quota** |
|---|---|---|
| SAF arrangements | 0.88 | 1.1 |
| PRGF arrangements | 42.84 | 53.5 |
| First Credit Tranche | 12.64 | 15.8 |

**Latest Financial Arrangements:**

| Type | Approval Date | Expiration Date | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| ESAF/PRGF | 06/24/1998 | 06/23/2001 | 71.40 | 42.84 |
| SAF | 04/24/1991 | 04/23/1994 | 30.66 | 8.76 |
| Stand-by | 10/31/1979 | 10/30/1980 | 5.00 | 0.00 |

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

| | Overdue | Forthcoming | | | | |
|---|---|---|---|---|---|---|
| | 10/31/2000 | 2000 | 2001 | 2002 | 2003 | 2004 |
| Principal | | | 8.3 | 5.2 | 1.2 | 3.6 |
| Charges/Interest | | 0.4 | 1.4 | 1.0 | 0.8 | 0.8 |
| Total | | 0.4 | 9.7 | 6.2 | 2.0 | 4.4 |

**Exchange rate arrangement**

On March 6, 1995, Rwanda adopted a market-determined exchange rate system. Before then, the Rwanda franc was pegged to the SDR.

**Article IV consultations**

Rwanda is on the standard 12-month consultation cycle. The Executive Board discussed the staff report for the 1999 Article IV Consultation (EBS/99/199) on November 19, 1999.

**Technical assistance**

1994 MAE mission to advise on operational aspects of the National Bank of Rwanda (NBR) and the banking sector

| | |
|---|---|
| 1995 | MAE mission to advise on the introduction of a market-determined exchange rate system and other aspects of the banking sector |
| 1995 | MAE mission to advise on the market-determined exchange system and monetary accounting |
| 1995 | Visit of MAE experts on research, foreign exchange operations, accounting, and banking supervision |
| 1995 | STA missions on monetary, balance of payments statistics, and economic statistics |
| 1995 | FAD multitopic mission |
| 1995 | FAD expert to advise on budgetary management |
| 1995 | MAE expert to advise the National Bank of Rwanda |
| 1995 | Macroeconomic advisor (supervised by AFR and financed under a subaccount for Rwanda within the Framework Administered Account) |
| 1996 | STA mission on prices |
| 1996 | AFR and FAD mission to advise on flash-reporting system for Ministry of Finance |
| 1996 | FAD mission on review of fiscal reforms |
| 1996 | FAD experts, one for tax administration, and the other for customs administration |
| 1996 | FAD mission to review reform of tax and customs administration |
| 1996 | MAE mission on central banking operations |
| 1996 | MAE experts, one for the establishment of a unit for monitoring and managing external debt at the NBR, and the other for banking supervision |
| 1997-99 | FAD long-term experts, one for tax administration, and the other for budget and expenditure management |
| 1997 | STA mission to evaluate the current system for compiling balance of payments statistics |
| 1997 | STA expert on compilation of monetary statistics |
| 1997 | STA expert on compilation of balance of payments statistics |
| 1997 | FAD multitopic mission |
| 1998 | STA expert on compilation of monetary statistics |
| 1998 | MAE experts on central bank organization and information technology, banking supervision, and foreign exchange market operations |
| 1998 | FAD expert on customs administration |
| 1999 | FAD long-term experts, one on tax policy, one on budget preparation, and one 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 expert on public expenditure management |
| 2000 | MAE experts on foreign exchange market operations |
| 2000 | STA experts on money and banking statistics, national accounts and prices. |

**Resident representative**

A resident representative has been designated for Rwanda and is expected to be fully operational in Kigali before the end of 2000.

## Rwanda: Relations with the World Bank Group

1. Since 1970, Rwanda has received 55 IDA credits totaling approximately US$969.5 million. The IFC has financed three loans and two equity participations.

2. The IDA financed (i) infrastructure, with 15 projects and 31.8 percent of commitments, particularly road credits construction and maintenance (11 projects); (ii) agriculture, rural development and forestry, with 11 projects and 16.9 percent of commitments; (iii) import support with three projects, including the two recent emergency operations and 23.2 percent of commitments; (iv) social infrastructure, including water supply (10 projects and 17.0 percent of commitments); and (v) private sector development, public enterprise reform, financial development, and technical assistance (10 projects and 11.1 percent of commitments). Disbursements to date have totaled about US$745 million, with a total undisbursed balance of US$105.1 million. Rwanda's current portfolio of nine credits represents, as of November, 2000, a total commitment value of US$282.0 million.

### 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 a quick-disbursing budget support to assist in the rehabilitation and recovery efforts. In March 1999, an economic recovery credit of the equivalent of US$75 million was approved to support the economic reform efforts and the overall transition from conflict to peace and development. The credit has disbursed two of its three tranches; the last one will disburse before end of March 2001. On April 7, 1998, the Bank Board discussed and endorsed the Bank's Country Assistance Strategy (CAS) for Rwanda. The CAS proposed that Rwanda be treated as a *special case* for international assistance and be provided with exceptional international assistance to deal with its difficult socio-political and economic challenges. A CAS Progress Report, endorsed by the Board on June 29, 1999, reaffirmed Rwanda's status as *a special case*.

### Infrastructure and private sector development

4. The Bank has been providing support for three ongoing projects aimed at strengthening capacity and rebuilding infrastructure in Rwanda. The **Transport Sector Project** seeks to reform sector policies, develop the planning capacity of the government, improve road maintenance ability, and promote private sector activity in road maintenance. The project supports 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 in the telecommunications industry. The Bank continues to support the reform of the telecommunications and the privatization of the current telephone monopoly with other

projects as well as trust funds. The objective of the **Energy Sector Project** is to establish rational energy policies as the basis for efficient utilization of Rwanda's energy resources and provide a framework for private sector participation in the sector. The second water supply Project (closed in December 1998) aimed at completing the repairs of water supply systems, which were damaged by the war, financing an evaluation of the water needs in secondary cities, and supporting a program to rehabilitate rural water supply systems. A new water project, approved by the Board in June 2000 will continue the activities of the 2nd water project under the framework of greater community participation.

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 legislative framework. A follow-on private sector project is under preparation and will be presented to the Board in early 2001. This project will also assist the Government in privatizing the remaining state owned enterprises. Furthermore, a **Rural Sector Support Project (RSSP)** is under preparation. The RSSP will assist in increasing agricultural productivity, support the development of rural agricultural and non-agricultural enterprises, and promote farmers' organizations as agents for disseminating 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 closed 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 sector 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$9 million supplementary project will be presented to the Board before the end of 2000 to continue the activities of the project pending the design of a new project. The **Community Reintegration and Development Project**, approved in October 1998, is assisting in community reintegration and development through government decentralization and community participation. It is strengthening the capacity of local communities and the administration at the communal and national levels for the implementation of development projects. The Bank is also preparing a fast-track **HIV/AIDS Prevention Project** to support the fight against the epidemic. In addition, the HRDP, and the rural sector and the private sector development credits under preparation, have HIV/AIDS components. These will assist the relevant ministries spread the message of prevention among their staff and clients.

APPENDIX III

## Status of World Bank Group Operations in Rwanda
(As of November 24, 2000)

### A. Statement of IDA Credits

| Status of Credit | Fiscal Year | Purpose | Amount in US$ million (less cancellations) | Undisbursed |
|---|---|---|---|---|
| Closed credits: | | | | |
| (45credits closed) | | | 569.36 1/ | 0.00 |
| Active credits: | | | | |
| 21360-RW | 1990 | Transport Sector 2/ | 85.00 | 22.50 |
| 33670-RW | 2000 | Human Resources Dev | 35.00 | 33.40 |
| 22720-RW | 1991 | Health and Population | 19.60 | 0.40 |
| 23880-RW | 1992 | Food Security and Social Action | 19.10 | 0.70 |
| 24560-RW | 1993 | Energy Sector | 26.00 | 4.40 |
| 31380-RW | 1999 | Community Reintegration and Development | 5.00 | 4.00 |
| 31830 | 1999 | Economic Recovery Credit | 75.00 | 33.90 |
| 32700 | 2000 | Learning and Innovation Loan (LIL) Agriculture | 5.0 | 4.10 |
| 33680 | 2000 | Rural Water Supply and sanitation | 20.00 | 19.50 |
| Total: nine active credits | | | 282.7 | 105.10 3/ |
| Total 4/ | | | 852.06 | |
| *Of which:* repaid | | | 43.15 | |
| total held by Bank and IDA | | | 808.81 | |

### B. Statement of IFC Investments in Rwanda

The IFC's investments in Rwanda comprise those in Sorwathé and Sorwal, amounting to US$0.2 million.

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1/ Includes two economic recovery credits of US$50 million each, approved in 1995 and 1997, respectively, and fully disbursed.
2/ Includes a supplementary transport sector credit of US$45 million, approved in 1998.
3/ The total does not add up, reflecting exchange rate changes.
4/ Total approved amount, covering closed and active credits.

## Rwanda: Statistical Issues

1. The economic and financial database of Rwanda is weak, in part due to the destruction caused by the 1994 war. Over the past three years, Rwanda received considerable technical assistance to rebuild the country's statistical database and progress was made 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 and are reported with long lags for publication in *International Finance Statistics* (IFS) and *Government Finance Statistics* (GFS). Monetary statistics are adequate for surveillance and program monitoring but timeliness and quality need to be further improved.

### Real sector

2. Data on national accounts are prepared by the Statistics Directorate of the Ministry of Finance and Economic Planning (MINECOFIN). 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. Weaknesses in the data complicate adequate assessment of developments in savings and investment. The national accounts data is further hampered by weak external sector statistics.

3. Monthly consumer price data for Kigali and urban and rural areas are collected by MINECOFIN. The National Bank of Rwanda (NBR) compiles separately a consumer price index for Kigali. MINECOFIN has recently started publishing consumer price indices for Kigali and urban and rural areas, based on a household consumption survey conducted between 1982–86. However, the quality of consumer price statistics is weak and the consumer price index does not reflect changes in consumption patterns over the past decade. In 1996, a technical assistance mission from the Statistics Department proposed measures to improve the quality of price statistics, including the carrying out of a new household budget survey. The household budget surveys in urban and rural areas to be completed in 2000 are expected to improve the quality of price statistics. Consistent with the mission's recommendations, the authorities plan to compile a single Kigali price index based on price statistics collected by MINECOFIN.

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

### Government finance statistics

5. The authorities transmit to the African Department detailed monthly data on revenue and expenditure, with a lag of 3–4 weeks. These data are compiled by a flash-reporting unit which was established in 1996 within MINECOFIN with the assistance of the Fund. The functional classification of government expenditure is weak. 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. The implementation of functional classifications for recurrent and development budgets (from 2001 onward) is expected to lead to more comprehensive reporting of all government expenditures.

6. Selected aggregates on central government operations through 1998 have been reported to the Statistics Department for publication in *IFS*. Government finance statistics have been reported for the *GFS Yearbook* only through 1993.

**Monetary statistics**

7. 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. Monetary data are reported separately to the Statistics Department on a timely basis and published in *IFS*. The NBR established a working group to implement the recommendations of previous missions. The major shortcomings in the monetary data concern the treatment of government accounts in the banking system and foreign liabilities to the Fund. A money and banking statistics mission visited Kigali in the second half of November, 2000 toconduct an in-depth review of the monetary statistics currently compiled by the NBR; the mission summarized its main findings and recommendations in a draft report and action plan left with the authorities.

**Balance of payments statistics**

8. Foreign trade data are provided to Fund missions by the NBR. There are inconsistencies between data reported by the NBR and data recorded by the customs, and import price and volume indices are not compiled. There is also significant unrecorded trade, and information on invisible transactions is scarce. There are indications of significant underrecording 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 that visited Kigali late in September 2000 noted that the NBR has made good progress in implementing the work program established in agreement with the earlier technical assistance mission. The mission however observed that significant efforts are needed to secure further improvements, particularly in respect of the institutional and administrative settings for data collection, in the coverage of the balance of payments statistics and in inter-agency coordination.

9. A database on external public debt is maintained by both MINECOFIN and the NBR. There are, however, inconsistencies between the two data sets. 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 November 28, 2000)

| | Exchange Rates | International Reserves | Central Bank Balance Sheet | Reserve/ Base Money | Broad Money | Interest Rates | Consumer Price Index | Exports/ Imports | Current Account Balance | Overall Government Balance | GDP/GNP | External Public Debt/Debt Service |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date of Latest Observation | Current | 8/00 | 8/00 | 8/00 | 7/00 | 8/00 | 9/00 | 9/00 | 6/00 1/ | 7/00 | 1999 | 6/00 1/ |
| Date Received | Current | 9/00 | 9/00 | 9/00 | 9/00 | 9/00 | 11/00 | 11/00 | 9/00 | 9/00 | 2/00 | 9/00 |
| Frequency of Data | Daily | Weekly | Weekly | Weekly | Monthly | Monthly | Monthly | Monthly | Annually | Monthly | Annually | Quarterly |
| Frequency of Reporting | Weekly | Weekly | Weekly | Weekly | Monthly | Monthly | Monthly | Semi-annually | Semi-annually | Monthly | Semi-annually | Quarterly |
| 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/ |
| Mode of Reporting | Facsimile | Facsimile/ Missions/ email | Facsimile/ Missions/ email | Facsimile/ Missions/ email | Facsimile/ Missions/ email | Facsimile/ Missions | Facsimile/ Missions | Mainly during Missions | Mainly during Missions | Facsimile/ Missions | Mainly during Missions | Mainly during Missions |
| Confidentiality | No | 4/ | 4/ | 4/ | 4/ | No | No | 4/ | 4/ | 4/ | 4/ | 4/ |
| Frequency of publication | Monthly | Monthly | Monthly | Monthly | Monthly | Monthly | Monthly | Annually | Annually | Annually | Semi-annually | Quarterly |

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.

Rwanda: Selected Demographic and Social Indicators
(In units indicated)

| Indicator | 1980 | 1985 | Most recent estimate (1996 unless otherwise stated) | Sub-Saharan Africa |
|---|---|---|---|---|
| **Total population** (thousands) 1/ | 5,136 | 6,954 | 7,895 | 571,902 |
| Annual growth rate (percent) 1/ | 3.4 | 2.4 | 3.6 | 2.8 |
| Urban population (in percent of total) 1/ | ... | 5 | 8 | 31 |
| Life expectancy at birth (years) 1/ | 47 | ... | 42.1 | 52 |
| Male | 45 | ... | 40.8 | 51 |
| Female | ... | ... | 43.4 | 54 |
| Total fertility rate (births per woman) 1/ | 8.2 | ... | 8.3 | 6.0 |
| **Labor force** | | | | |
| Total, ages 15–64 (thousands) 1/ | 2,637 | 3,630 | 4,276 | 251,637 |
| Employment in agriculture (percent of total) | 93 | 91 | 90 | 65 |
| **Education** | | | | |
| Net primary school enrollment ratio (in percent) | 63 | 70 | 59 | 66 |
| Male | 66 | 70 | 62 | 79 |
| Female | 60 | 69 | 57 | 62 |
| Secondary school enrollment ratio (in percent) | 3 | 8 | 8 | 18 |
| Primary school pupil to teacher ratio | 59 | 57 | 53 | 40 |
| Adult illiteracy rate (in percent of population ages 15 and above) | ... | 50 | 40 | 53 |
| *Of which:* females | ... | 63 | 48 | 54 |
| **Health** | | | | |
| Population per doctor (persons) 2/ | 31,482 | 37,153 | 38,902 | ... |
| Population per nurse (persons) 2/ | ... | ... | 7,023 | ... |
| Population per hospital bed (persons) | 654 | ... | ... | 1,316 |
| Infant mortality rate (per 1,000 live births) | 128 | ... | 205 | 92 |
| Child malnutrition (in percent of children under 5 years) | ... | ... | 28 | ... |
| Access to safe water (in percent of population) | | ... | ... | 47 |
| Urban | ... | 55 | ... | ... |
| Rural | ... | 68 | ... | ... |
| Immunization rate (in percent of population) | ... | ... | | |
| BCG | ... | ... | 93 | ... |
| Polio | ... | ... | 99 | ... |
| Measles | ... | 52 | 88 | 60 |
| **Poverty** | | | | |
| GDP per capita (in U.S. dollars) 3/ | ... | ... | 250 | ... |
| Percentage of population below poverty line 3/ | ... | 40 | 70 | ... |
| Poverty gap (percentage by which average income of poor households is below poverty line) | ... | 8 | 15 | ... |

Source: World Bank.

1/ The number in the 1996 column refers to 1997.
2/ The number in the 1996 columns refers to 1991.
3/ The number in the 1996 column refers to 1998.