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SM/85/289  
Correction 1

CONTAINS CONFIDENTIAL  
INFORMATION

January 8, 1986

To: Members of the Executive Board  
From: The Secretary  
Subject: Rwanda - Staff Report for the 1985 Article IV Consultation

The following correction has been made in SM/85/289 (10/31/85):

Page 8, Table 3: revised

A corrected page is attached.

Att: (1)

Other Distribution:  
Department Heads

earlier years the Government had pre-empted an unduly large share of the increases in total domestic credit. Reflecting these developments, the growth rate of broad money has fluctuated around an average of about 9 percent during 1981-84. Along with these monetary trends, domestic interest rates on bank deposits remained unchanged. The interest rate on one-year savings deposits is 7 percent, which is slightly higher than the average inflation rate (6 percent) of the past two years.

After the emergence of a large overall deficit in 1982, the balance of payments gradually swung back into a small overall surplus in 1984 (Table 3). Between 1982 and 1984 the external current account deficit (excluding official transfers) decreased from SDR 173.8 million (13.5 percent of GDP) to SDR 136.7 million (9.3 percent of GDP). This trend, plus an increase in net capital inflows, helped to restore a surplus position in the balance of payments in 1984. In 1983 the reduction in the current account deficit reflected both a sharp increase in export volume (19.8 percent) <sup>1/</sup> and a modest decline in import volume (2 percent); there was little change in the external terms of trade. The reduction in imports was achieved through the introduction of an advance import deposit requirement and the tightening of the licensing system. In 1984 there was some relaxation of import and exchange controls, and a strong rise in import volume (20.1 percent). Nevertheless, primarily due to a large improvement in the terms of trade (about 34 percent), there was a continued reduction in the external current account deficit.

Over the period from 1980 to 1984, the deterioration in the balance of payments led to a weakening of Rwanda's gross official reserve position. These reserves have fallen from SDR 146.3 million in 1980 (9.3 months of imports) to SDR 108.6 million in 1984 (4.9 months of imports).

On March 1, 1983, the introduction of the advance import deposit requirement gave rise to a multiple currency practice. Moreover, on October 12, 1983 the Rwandese authorities intensified exchange restrictions on current international transactions by suspending, for foreign nationals working in Rwanda, authorizations for the purchase of foreign exchange for tickets and of foreign exchange for travel for reasons other than business and official purposes. Subsequently, as of July 26, 1984 the list of imports subject to the advance import deposit requirement was shortened, and, to eliminate the multiple currency practice, the related deposits began to be remunerated at prevailing interest rates.

Rwanda's outstanding external public debt increased from SDR 132.8 million (14.9 percent of GDP) at end-1980 to SDR 258.6 million (17.6 percent of GDP) at end-1984. Although debt service payments have risen,

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<sup>1/</sup> Mainly reflecting ongoing developmental efforts in the coffee and tea sectors.

Table 3. Rwanda: Summary Balance of Payments, 1980-85

|   | 1980     | 1981     | 1982     | 1983     | 1984<br>Prel. | 1985<br>Est. |
|---|----------|----------|----------|----------|---------------|--------------|
| (In millions of SDRs)                                     |          |          |          |          |               |              |
| Exports, f.o.b.   | 102.64   | 96.10    | 98.23    | 116.06   | 139.09        | 129.00       |
| Of which: coffee  | (48.11)  | (57.93)  | (61.89)  | (76.28)  | (91.22)       | (88.69)      |
| Imports, f.o.b.   | -150.43  | -175.67  | -194.43  | -184.87  | -192.64       | -200.89      |
| Trade balance   | -47.79   | -79.57   | -96.20   | -68.81   | -53.55        | -71.89       |
| Services (net)  | -69.14   | -64.31   | -81.78   | -86.90   | -85.00        | -92.20       |
| Factor services (net)                                     | (3.90)   | (9.79)   | (0.05)   | (-5.85)  | (-4.81)       | (-7.75)      |
| Nonfactor services (net)                                  | (-73.04) | (-74.10) | (-81.83) | (-81.05) | (-80.19)      | (-84.45)     |
| Private transfers   | -2.44    | -2.53    | 4.20     | 5.15     | 1.84          | 5.84         |
| Current account<br>(Excluding official transfers)         | -119.37  | -146.41  | -173.78  | -150.56  | -136.71       | -158.25      |
| Official transfers  | 82.56    | 89.62    | 95.33    | 105.06   | 96.76         | 101.25       |
| Current account<br>(Including official transfers)         | -36.81   | -56.79   | -78.45   | -45.50   | -39.95        | -57.00       |
| Capital account   | 54.15    | 55.49    | 45.42    | 28.57    | 54.32         | 54.01        |
| Direct investment   | (13.08)  | (15.81)  | (18.75)  | (10.38)  | (14.76)       | (15.54)      |
| medium- and long-term                                     |          |          |          |          |               |              |
| official loans  | (27.11)  | (28.46)  | (23.90)  | (27.76)  | (41.47)       | (41.86)      |
| Amortization  | (-2.81)  | (-5.64)  | (-4.99)  | (-3.98)  | (-6.46)       | (-6.33)      |
| Short-term capital  | (16.77)  | (16.86)  | (7.76)   | (-5.59)  | (4.55)        | (1.94)       |
| Allocation of SDRs  | 2.40     | 2.30     | --       | --       | --            | --           |
| Errors and omissions                                      | -9.53    | 8.78     | -0.12    | 0.95     | 0.95          | --           |
| Overall balance   | 10.21    | 9.78     | -33.15   | -15.98   | 13.42         | -3.99        |
| (In percent of GDP)                                       |          |          |          |          |               |              |
| Current account<br>(Excluding official transfers)         | -13.4    | -13.1    | -13.5    | -10.7    | -9.3          | -9.9         |
| Current account<br>(Including official transfers)         | -4.1     | -5.1     | -6.10    | -3.2     | -2.7          | -7.6         |
| Overall balance   | 1.10     | 0.9      | -2.6     | -1.1     | 0.9           | -0.3         |
| Gross official reserves<br>(In months of imports, c.i.f.) | 9.31     | 8.18     | 5.52     | 5.16     | 4.91          | 4.80         |
| Memorandum items:   |          |          |          |          |               |              |
| GDP (millions of SDRs)                                    | 893.20   | 1,120.40 | 1,292.50 | 1,407.10 | 1,466.20      | 1,592.30     |
| KF/SDK (period average)                                   | 120.83   | 109.47   | 102.50   | 100.86   | 102.71        | 102.71       |

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