

**FOR
AGENDA**

EBS/08/19

February 14, 2008

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Rwanda—Third Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Nonobservance of Performance Criterion**

Attached for consideration by the Executive Directors is a paper on the third review under the three-year arrangement under the Poverty Reduction and Growth Facility for Rwanda and Rwanda's request for a waiver of nonobservance of a performance criterion, which is tentatively scheduled for discussion on **Friday, February 29, 2008**. A draft decision appears on pages 17–20. 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 that they consent to the Fund's publication of this paper.

Questions may be referred to Ms. Murgasova (ext. 34209) and Mr. Mitchell (ext. 34759) in AFR.

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 Monday, February 25, 2008; 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.

This document, together with a supplement providing an informational annex, will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. The supplement, which is not being distributed in hard copy, will also be available in the Institutional Repository; a link can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

RWANDA

**Third Review Under the Three-Year Arrangement Under the Poverty Reduction
and Growth Facility and Request for Waiver of Nonobservance
of Performance Criterion**

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

Approved by Hugh Bredenkamp and Mark Plant

February 13, 2008

Program Review

- This report recommends completion of the third review under the PRGF arrangement based on Rwanda's performance and on understandings reached on the macroeconomic and structural program for 2008.
- All quantitative performance criteria for end-June 2007 were met. Staff supports the authorities' request for a waiver of nonobservance of an end-July 2007 structural performance criterion.
- The authorities' updated program is based on their new PRSP, covering 2008-12.

Participants

- The mission (November 28–December 11, 2007) comprised Ms. Murgasova (head), Mr. Mitchell, Mr. Darius, and Ms. Kaendera (all AFR) and was assisted by Mr. Engström, the resident representative.
- The mission met with Minister of Finance and Economic Planning Musoni, Governor Kanimba of the National Bank of Rwanda, other government officials, and representatives of the private sector and the international community.

Contents	Page
Executive Summary	4
I. Program Performance in 2007	5
II. 2008 Program—Making Headway on the Medium-Term Agenda.....	9
III. Program Risks and Monitoring	14
IV. Staff Appraisal	15
 Boxes	
1. Revised National Accounts	6
2. The Implications of the Crisis in Kenya	15
 Figures	
1. Real Sector	5
2. Monetary Sector	8
3. Fiscal Sector	10
4. NPV of Debt-to-Export Ratio, 2007-27	13
 Tables	
1. Selected Economic and Financial Indicators, 2005–09	21
2. Operations of the Central Government, 2005–09	22
3. Monetary Survey, 2005–08	24
4. Balance of Payments, 2005–10	26
5. Key Economic Variables as a Percentage of Revised and Old GDP	27
6. National Accounts-Sector Composition, 2001-2007	28
7. Proposed Schedule of Disbursements under the PRGF Arrangement, 2008–09	29

Contents

Page

Appendices

I.	Letter of Intent.....	30
	Attachment I. Memorandum of Economic and Financial Policies of the Government of Rwanda (2008).....	32
	Attachment II. Technical Memorandum of Understanding	50
II.	Millennium Development Goals	65

EXECUTIVE SUMMARY

Program performance has been satisfactory. Growth in 2007 accelerated to 6 percent, and inflationary pressures that emerged in the beginning of the year subsided. All end-June 2007 quantitative performance criteria and indicative targets were met, although delays in disbursements of donor funds until the fourth quarter caused the end-September fiscal indicative targets to be breached. Structural reforms advanced, albeit with some delays. The authorities are requesting a waiver for one delayed structural performance criterion.

The new PRSP, launched in late 2007, sets out the medium-term policy agenda. The focus will be on reducing poverty by preserving macroeconomic stability and removing impediments to growth, including through efforts to sustain the momentum in the social sectors, ease infrastructure bottlenecks, and modernize agriculture.

The 2008 program aims to sustain rapid growth and single digit inflation, while accommodating further scaling up of aid. Spending increases will focus on public infrastructure investment in priority sectors. Revenues are projected to increase as a share of GDP to reduce aid-dependence over the long term. Monetary policy will need to respond promptly should inflationary pressures reemerge.

The authorities are launching a few large projects in energy, agriculture, and information and telecommunication sectors aimed at easing binding infrastructure bottlenecks. Substantial external borrowing would be required for financing of these projects, despite scaling up of aid. To prevent the reaccumulation of unsustainable debt, the authorities will develop a debt management strategy to guide future borrowing.

The structural agenda focuses on maintaining the momentum in the previously initiated areas, particularly in the financial sector, tax administration and public financial management.

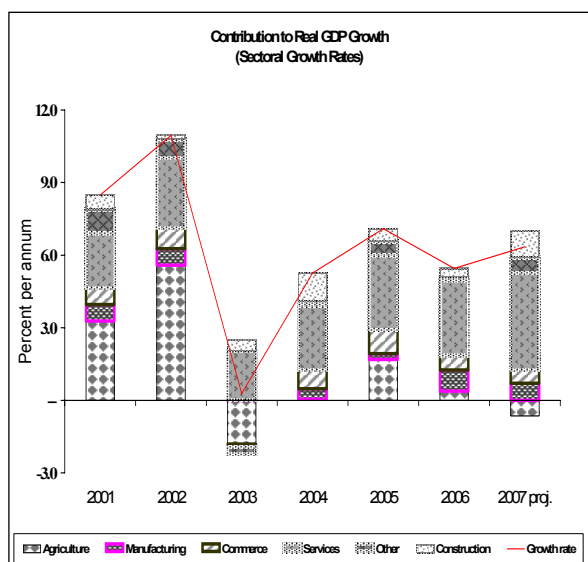
The main risk to the program is that inflationary pressures reemerge due to improper management of the scaling up of aid and fiscal spending, or a protracted crisis in Kenya.

I. PROGRAM PERFORMANCE IN 2007

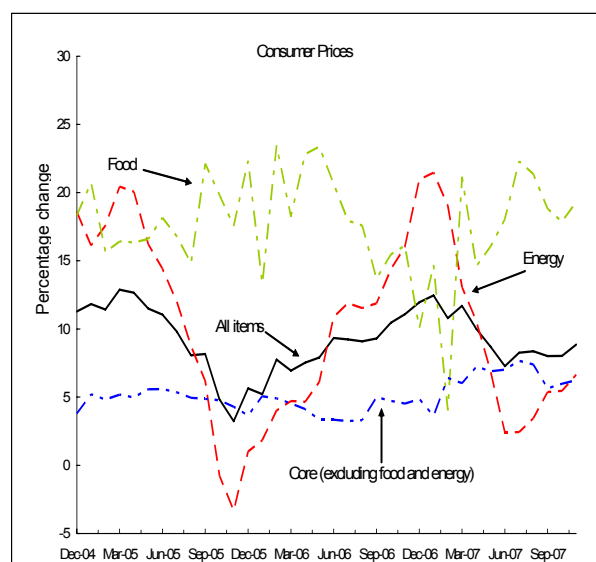
1. **Economic activity has been robust, and initial inflationary pressures have abated.** Real GDP growth is projected to reach 6 percent in 2007, exceeding expectations, reflecting healthy activity in construction and services (Figure 1 and Table 1). Inflation declined to 8.7 percent by November from a peak of 12 percent at end-2006, largely due to the moderation of food price inflation. Core inflation (excluding food and energy) increased in early 2007 because of administrative price adjustments, but has subsided since mid-year. Inflation is expected to exceed the original target of 5 percent, but remain in single digits by end-year.

Figure 1. Rwanda: Real Sector

Growth is strong...



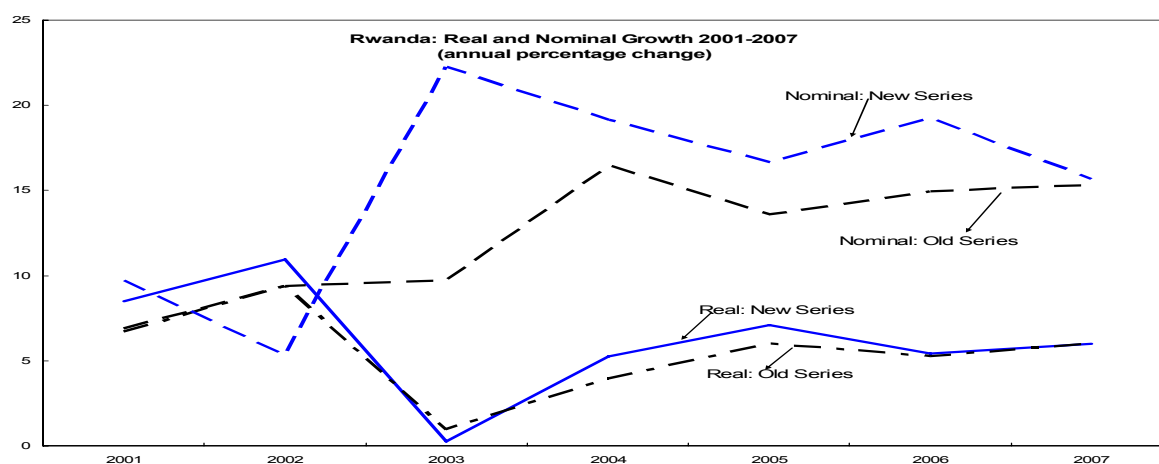
... and inflation has decelerated.



Source: Rwandan authorities and IMF staff estimates and projections.

Box 1. Revised National Accounts

Rwanda's GDP series were reestimated from 1990 based on (i) more recent survey data and (ii) improved compilation methods, which are more closely in line with the United Nations 1993 systems of national accounts. The key changes include greater coverage of informal sector activities and the emergence of the services sector as the leading contributor to output, replacing the agricultural sector. The underlying methodology and statistical tables were reviewed and approved by the IMF's Statistics Department. The new level and growth rate of nominal GDP are higher from 2003 onwards and ratios of economic variables are lower compared to those reported in the previous Staff Reports (see Tables 5 and 6).



Sources: Rwandan authorities' and IMF staff estimates.

2. **The fiscal program remained broadly on track through end-September.**¹ Despite higher outlays on some initially-underbudgeted social sectors, all fiscal targets for the first half of 2007 were met, reflecting buoyant revenues (owing to faster growth, higher inflation and improvements in tax collection) and expenditure restraint in non-priority areas. The cumulative overperformance of domestic revenue through end-September offset the acceleration of spending in the third quarter. However, the indicative targets on net credit to the government, domestic fiscal balance, and net accumulation of domestic arrears for end-September were missed due to delays in external disbursements from the AfDB and the Fast Track Education Initiative, which were received in the fourth quarter.

¹ Quarterly performance criteria and indicative targets for 2007 are presented in the MEFP, Table 1.

Text Table 1. Rwanda: Operations of the Central Government, 2006–07

	2006	2007					
	Actual	Jun		Sep		Dec	
		Program	Prel.	Program	Prel.	Program	Proj.
		(Percent of GDP)					
Total revenue	13.2	6.0	6.8	9.1	10.2	12.4	13.5
Tax revenue	12.2	5.6	6.4	8.6	9.6	11.7	12.7
Grants	10.6	6.5	6.2	9.3	7.7	11.3	11.3
Budgetary grants	4.5	5.1	4.8	7.1	5.6	7.9	7.9
Total expenditure and net lending ¹	24.2	12.0	11.7	18.5	19.3	25.4	26.4
Current expenditure	16.1	7.8	7.5	12.2	12.5	16.7	17.3
Wages and salaries	3.9	1.9	2.0	2.8	3.0	3.8	4.1
Capital expenditure	7.5	3.7	3.7	5.9	6.3	8.2	8.4
Deficit after grants (-) (cash basis)	-0.9	0.2	1.1	-0.4	-1.1	-2.1	-0.8
Domestic fiscal balance	-5.4	-3.5	-2.3	-5.4	-5.1	-7.7	-6.3
Net Credit to the Government	-0.7	-2.1	-2.5	-1.4	-0.5	0.3	...
Priority Spending	9.6	4.7	4.8	7.2	8.3	9.9	...

Source: Rwandan authorities and IMF staff estimates

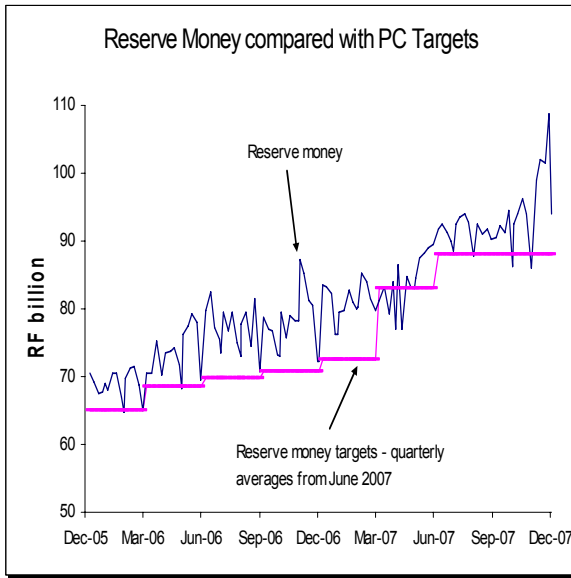
¹ For 2007, total expenditure and net lending excludes Rwandatel privatization receipts

3. **The quarterly reserve money targets were met through end-September, but monetary management in the third quarter was difficult.** A delay in the coffee harvest and the backloading of fiscal spending to the second half of the year injected extra liquidity into the economy during a short period. To achieve end-period reserve money targets, the National Bank of Rwanda (NBR) kept sales of foreign exchange in line with the program, and increasingly relied on sales of domestic assets for liquidity withdrawals. However, average reserve money and broad money exceeded program targets.

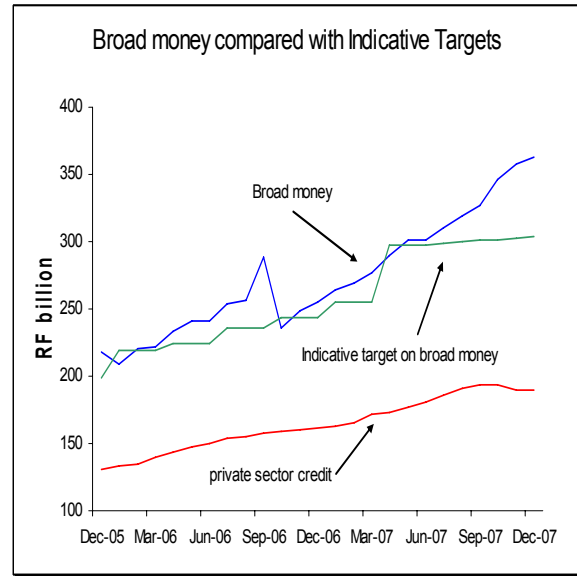
4. **The Rwandan franc appreciated moderately against the U.S. dollar.** In June, the NBR abolished the foreign exchange auctions, which had been hampered by a lack of effective competition, and began selling foreign exchange directly to banks at a daily fixed price (MEFP, ₣5). Sales of foreign exchange increased during the second half of the year.

Figure 2. Rwanda: Monetary Sector

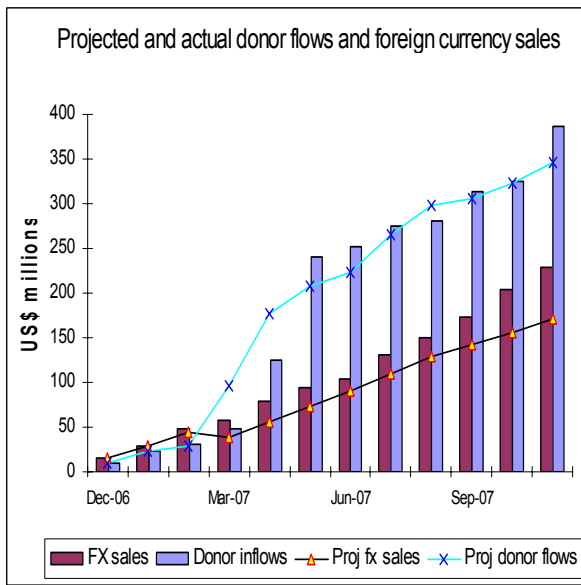
The reserve money targets for the second and third quarters were met...



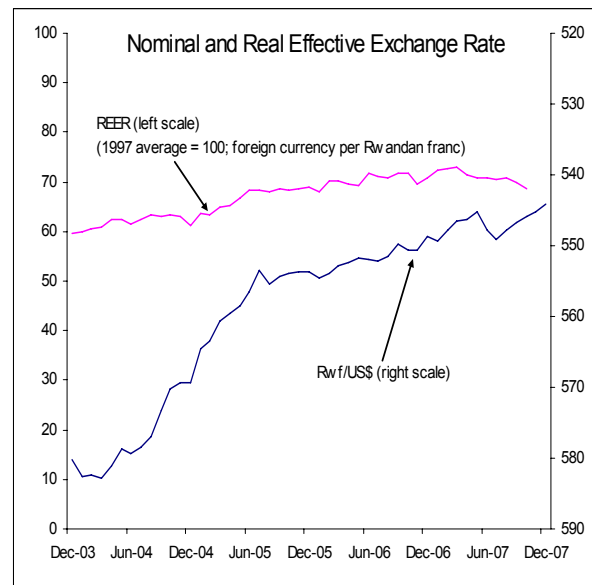
...but broad money was higher than anticipated.



Foreign currency sales increased in the second half of the year.



The Rwandan franc appreciated slightly.



Sources: Rwandan authorities and IMF staff estimates and projections

5. The authorities have made progress on structural reforms, though some measures were finalized with a delay (MEFP Table 3). A progress report on financial reporting by budgetary agencies (June 15 benchmark) was published in September. The publication of the consolidated execution report of local governments for January to April,

covering districts and provinces (July 31 performance criterion) was delayed until October, for which the authorities have requested a waiver (MEFP, ¶7). Two structural benchmarks—a comprehensive review of the wage structure of the public sector, and the poverty profile of provinces, districts and communities—were not completed on time. The former was finalized in October, while the poverty profile was produced only for the province level, as expected external financing did not fully materialize.

6. **Privatization proceeds exceeded expectations.** RwandaTel was sold to Lap Green Networks, a Libyan firm, for a total of US\$100 million. In line with the program, the proceeds are to be saved through end-2007 and part of them will be used for future infrastructure investment (see below). The sale of Bank of Kigali has been delayed and is expected to take place during the first half of 2008.

II. 2008 PROGRAM—MAKING HEADWAY ON THE MEDIUM-TERM AGENDA

7. **The medium-term policy agenda, formulated in the authorities' new PRSP (Economic Development and Poverty Reduction Strategy—EDPRS), will focus on reducing poverty by preserving macroeconomic stability and removing impediments to growth (MEFP ¶, 8).**² Consistent with these policy objectives, the 2008 macroeconomic framework allows for further scaling up of grants and fiscal spending. Real growth, currently projected between 5½–6½ percent, could increase if a supply response to domestic spending were to materialize.³ Inflation is targeted to remain in single digits and international reserves at about 4½ months of imports. The current account is projected to widen: export increase will be more-than-offset by higher imports associated with the fiscal expansion and private sector investments in the tourism sector (MEFP, ¶¶ 6 and 23).

2008 budget accommodates further scaling up of aid flows

8. **The 2008 fiscal program allows for higher spending financed by further scaling up of aid flows (Table 2).**⁴ Spending increases, amounting to 2 percent of GDP compared to 2007, will focus on public infrastructure investment mainly in agriculture, education, health, electricity, and water.⁵ Should grants exceed program projections, the fourth PRGF review will assess whether additional contingent spending (of up to 0.5 percent of GDP) could be executed without jeopardizing macroeconomic objectives (MEFP, ¶14), or should be saved. The revenue-to-GDP ratio is projected to increase by 0.2 percentage points of GDP to 13.7 percent of GDP—in line with the long-term objective of gradually widening the tax base. In the event of an unanticipated revenue shortfall, the authorities have committed to implement offsetting measures.

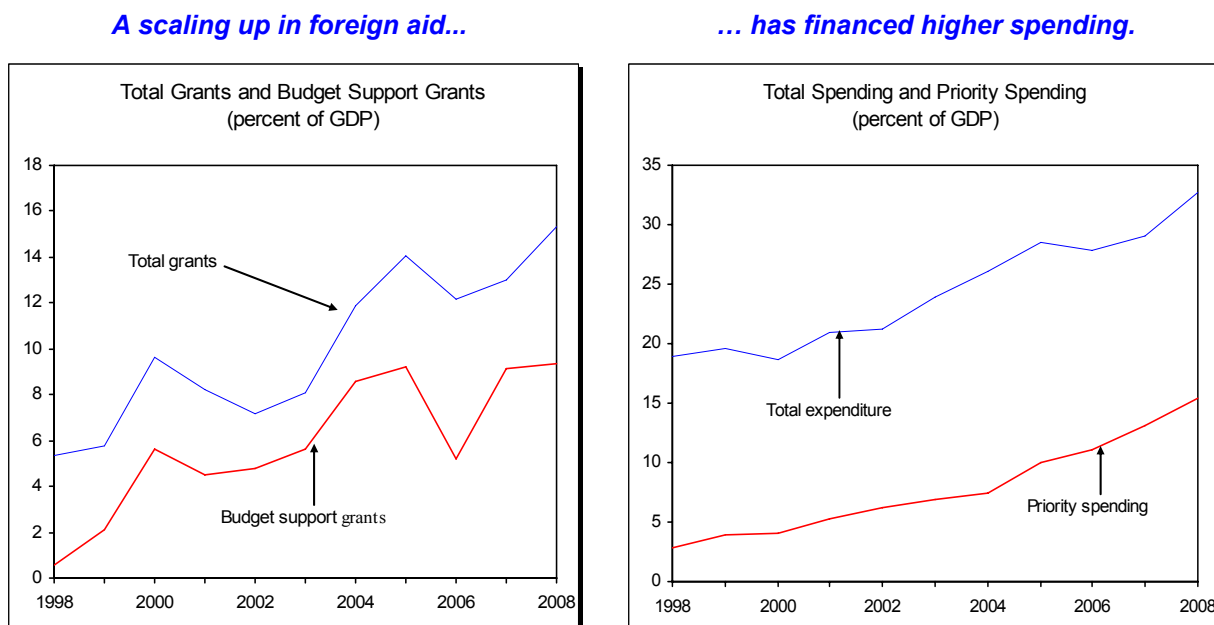
² The EDPRS was launched in late November 2007 and is presented to the Board together with the JSAN.

³ The revised national accounts have been incorporated in the macroeconomic framework.

⁴ The budget was approved by Parliament on December 17, 2007.

⁵ Spending measured as total expenditure and net lending excluding RwandaTel privatization proceeds.

Figure 3. Rwanda: Fiscal Sector



9. **The staff emphasized the importance of vigilant monitoring of inflationary pressures in light of the unprecedented scaling up of spending.** To prevent rekindling of inflation, the authorities are committed to adjust domestic spending to ease pressures on domestic demand (MEFP, ¶12).

Infrastructure gap versus debt sustainability

10. **While Rwanda's development spending should be financed mostly through scaling up of aid, the authorities are considering borrowing on less concessional terms for a few projects that would alleviate binding infrastructure bottlenecks.** The multiyear projects are in priority sectors identified in the PRSP, and are at different stages of preparation (MEFP, ¶15). The authorities indicated that their attempts at accessing grants and highly concessional loan financing for infrastructure projects have not been successful.

- *Energy.* When compared with neighboring countries, Rwanda's energy is expensive and limited, thus hampering private sector activity (Text Table 2). Among other projects, the authorities are considering the construction of a hydro power plant at Nyaborongo (US\$120 million) to address their energy concerns. They have explored financing options and have received a loan commitment for US\$80 million from the Exim Bank of India on terms that are less concessional—41 percent—than the

50 percent required under the program.⁶ The authorities intend to request a modification of the program at the time of the fourth review once the full financing of the project has been identified, provided that an ongoing evaluation by the World Bank confirms the project's economic and financial viability, as described in the authorities' own assessment.

Text Table 2. Rwanda: Electricity Usage and Cost					
	Rwanda	Uganda	Tanzania	LDCs	Kenya
Electricity consumption per capita (Kwh)	14.0	51.7	54.4	112.4	124.9
Electricity cost (business use, US\$/Kwh)	0.20	0.08	0.06	...	0.08
Source: World Development Indicators, United Nations, and World Fact Book. Note: The data in the table reflect the latest information available between 2002–2004.					

- *Agriculture.* The authorities are preparing an investment project in agriculture aimed at easing pressures on arable land and improving agricultural productivity (Text Table 3). The staff encouraged the authorities to explore all possible sources of concessional financing as well as privatization receipts, and will continue discussions with the authorities at the time of the fourth review. The World Bank will assess the economic and financial feasibility of the project.

⁶ The mission confirmed with individual donors (World Bank, the AfDB, and KFW) that lending by their commercial arms would not yield more concessional financing for such a large project.

Text Table 3. Rwanda: Agricultural land and productivity

	Rwanda	Uganda	Tanzania	Kenya	SSA
Arable land (hectares per person)	0.14	0.19	0.11	0.14	...
Arable land (% of land area)	48.6	26.4	4.5	8.2	...
Irrigated land (% of cropland)	0.12	0.12	3.6	2.0	...
Agricultural land (% of land area)	78.44	...	54.44	...	...
Cereal yield (kg per hectare)	1,015.6	1,694.6	1,472.0	1,322.3	1,076.4

Source: World Development Indicators.

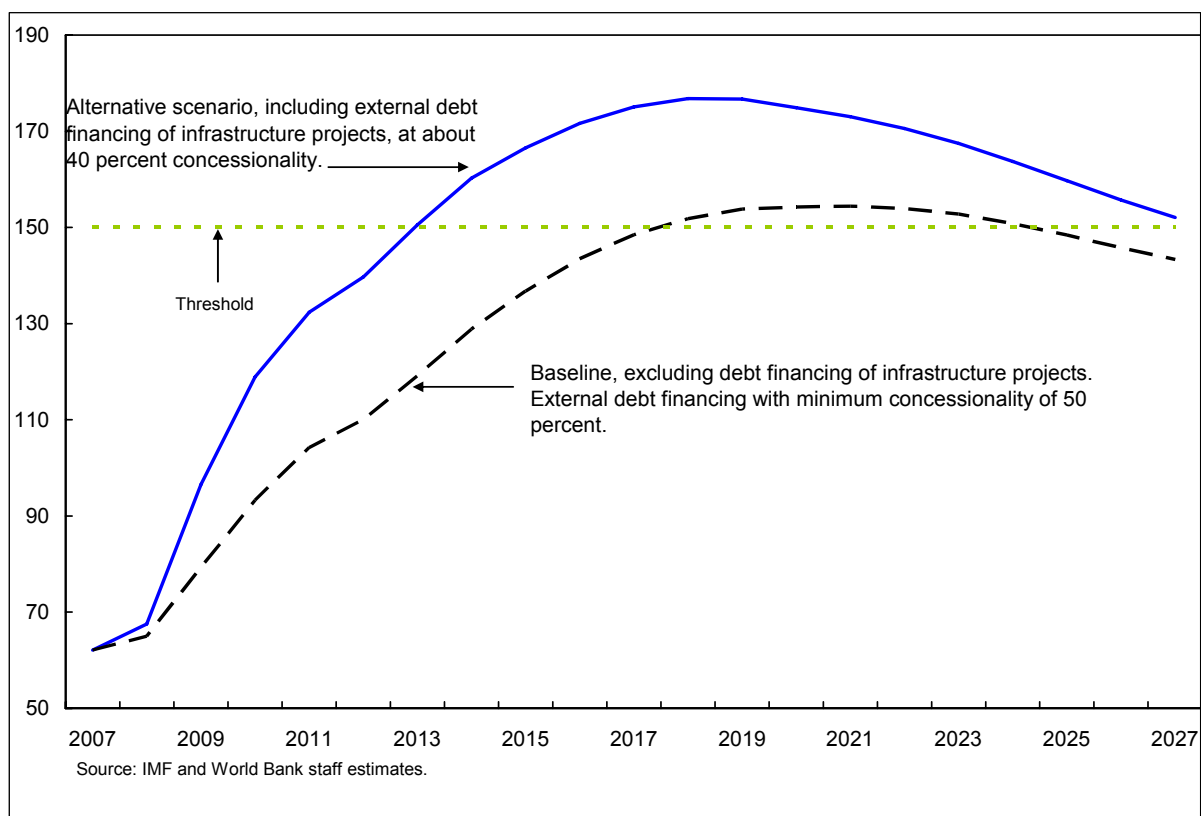
Note: The data in the table reflect the latest information available between 2002–2004.

- *Information and communication technologies (ICT).* The fiscal program includes an investment of US\$15 million in the ICT sector in 2008, financed from RwandaTel privatization proceeds. The objective of the project (which complements other World Bank projects) is to provide a robust nationwide broadband network.

11. **The debt sustainability analysis (DSA) concludes that Rwanda remains at a high risk of debt distress because of its small export base, with or without borrowing for the large infrastructure projects.**⁷ Reflecting Rwanda's historically low export base, the NPV of external debt-to-exports ratio would breach the policy-dependent threshold of 150 percent by 2018 or five years earlier if the borrowing for the above-mentioned large infrastructure projects were included in the DSA. Even with such borrowing, however, external public debt service remains manageable, at below 10 percent of exports and 3-5 percent of revenue. Moreover, the authorities believe that there is an upside to the country's export potential if the projects are implemented, which would improve the related debt indicators.

⁷ The full DSA analysis is elaborated in the accompanying Board document. The marginal growth impact of these projects is unknown and is assumed to be zero in the DSA.

Figure 4. NPV of Debt-to-Export Ratio 2007-27



12. **To prevent the reemergence of unsustainable debt, the authorities will prepare a debt management strategy that will guide future borrowing** (MEFP, ¶17). The staff stands ready to provide assistance as needed. Furthermore, the program for 2008 sets indicative limits on domestic debt and the net present value of external debt.

Monetary and exchange rate policy

13. **The monetary program will aim to maintain single-digit inflation** (MEFP, ¶18-22). The broad money target aims to minimize inflation risks and reduce the likely monetary overhang from the last quarter of 2007. At the same time, it will accommodate private sector credit growth of about 20 percent. Reserve money will remain the program anchor. To achieve the monetary targets, the staff emphasized the need for sufficient foreign exchange sales and flexibility in the exchange rate to ensure that sterilization with domestic assets does not lead to crowding out of the private sector and rapid accumulation of public debt. The staff also welcomed the authorities' plans to improve liquidity management and recommended lengthening the maturity profile of domestic debt.

Structural issues—maintaining reform momentum in macrocritical areas

14. **The authorities' structural agenda focuses on maintaining the momentum in the macrocritical areas.** Accordingly, conditionality under the 2008 program—which has been streamlined relative to 2007—covers the financial sector, tax administration and public financial management reforms (the rationale for each measure is provided in MEFP Table 4).

- **Financial sector reforms** are based on the authorities' Financial Sector Development Plan and include modernizing the national payments system, improving access to credit and financial services, upgrading accounting and auditing standards, and promoting contractual savings and nonbank financial institutions in order to mobilize long-term savings (MEFP, ¶28).
- **Tax administration reforms** will aim to widen the tax base and raise the tax-to-GDP ratio over the medium term and improve trade facilitation. The revenue authority is developing a comprehensive compliance program designed to identify risks of noncompliance, in line with the recommendations made by the recent technical assistance mission on tax administration from the IMF's Fiscal Affairs Department (MEFP, ¶16).
- **Public financial management (PFM).** The government recognizes that further progress in enhancing fiscal discipline and budget credibility is a key priority, and is in the process of designing a new PFM medium-term action plan for 2008-2010 in cooperation with donors (MEFP, ¶17). Efforts in 2008 will support human and institutional capacity building, the implementation of an integrated financial management information system, the reinforcement of the medium-term expenditure framework, and the completion of a debt management strategy.

III. PROGRAM RISKS AND MONITORING

15. **The aid-financed fiscal expansion increases program risks.** If not managed properly, inflationary pressures could reemerge. In addition, a protracted crisis in Kenya could reduce economic growth and raise inflation, as most traded goods are transported through Kenya (Box 2).

16. **Program monitoring for 2008 is described in the MEFP (¶ 30 and 31) and the technical memorandum of understanding.** The program design remains the same, but adjusters were included for the performance criterion on reserve money and the indicative target on broad money to accommodate the transformation of the Union Banques Populaires du Rwanda (UBPR) into a commercial bank. The adjusters for minor aid shortfalls were also redesigned, to better insulate the budget against such shocks.

Box 2. The Implications of the Crisis in Kenya

The Kenyan crisis is affecting Rwanda through disruptions in the supply of imported goods (fuel in particular), as Rwanda's main access to the sea is the port of Mombasa. In January, the authorities introduced fuel rationing to prevent hoarding, released fuel from the strategic fuel reserve to cover supply shortages, and signed an agreement with Tanzania to open up an alternative supply route. A prolonged crisis in Kenya may fuel inflation and reduce economic growth due to aggravated shortages of imported goods and/or higher transport costs for traded goods.

IV. STAFF APPRAISAL

17. **Rwanda's performance has been encouraging.** The continuation of rapid economic growth together with moderate inflation points to a positive supply response. The fiscal expansion was managed without rekindling excessive inflationary pressures but reserve money management has been difficult. The steady progress in structural areas reflects the authorities' ownership of the reform program.

18. **The staff believes that further fiscal expansion can be managed without jeopardizing macroeconomic stability, but vigilance will be crucial.** The NBR must carefully monitor inflationary developments and stand ready to step up foreign exchange sales, if necessary by allowing an appreciation of the exchange rate to avoid acceleration in inflation or crowding out of the private sector. If needed, the authorities should make adjustments to the planned release of the domestic component of spending. The staff also urges the authorities to improve liquidity forecasting and resist any new spending pressures.

19. **Rwanda remains at a high risk of debt distress; borrowing for large infrastructure projects needs to be carefully considered, and in general, highly concessional borrowing continues to be appropriate.** The infrastructure gap and the large financing needs pose a significant challenge. While investments are clearly needed, the projects should go forward only if assessed as economically viable. The staff encourages the authorities to use some of the privatization proceeds for financing of these projects, seek the most favorable borrowing terms for the remainder, and cooperate closely with development partners.

20. **PFM reforms must be stepped up, in order to improve the efficiency of fiscal spending.** The staff welcomes the authorities' intention to develop a new medium-term PFM action plan that would update the framework in which to carry out specific reform activities,

guide the mobilization of resources, and improve coordination and sustainability of the reforms.

21. **Prospects for financial sector reform are promising.** The staff encourages the authorities to go ahead with the implementation of its Financial Sector Development Plan as agreements on the financing of the plan are reached.
22. **The completion and publication of Rwanda's second PRSP is an important achievement.** The staff congratulates the authorities for this document, which has been elaborated through a truly participatory process. The priorities identified during this process must now become the guiding tool for the elaboration of fiscal policy and provision of donor support to Rwanda.
23. **The staff recommends that the requested waiver for a structural PC be granted—the nonobservance was temporary—and that the third review of the PRGF arrangement be completed.**

Proposed Decision

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

Third Review under Rwanda's PRGF Arrangement

1. Rwanda has consulted with the Fund in accordance with paragraph 2.I.AA(c) of the arrangement for Rwanda under the Poverty Reduction and Growth Facility (PRGF) (EBS/06/69, Supp. 1, 6/9/06) and paragraph 4 of the letter from the Governor of the National Bank of Rwanda and the Minister of Finance and Economic Planning of Rwanda, dated June 7, 2007 in order to review program implementation.
2. The letter dated February 12, 2008 from the Governor of the National Bank of Rwanda and the Minister of Finance and Economic Planning of Rwanda (the "February 2008 Letter"), together with its attached Memorandum of Economic and Financial Policies of the Government of Rwanda (the "February 2008 Memorandum") and Technical Memorandum of Understanding (the "February 2008 TMU"), shall be attached to the PRGF arrangement for Rwanda, and the letter dated May 18, 2006 from the Minister of Finance and Economic Planning of Rwanda and the Governor of the National Bank of Rwanda and its attachments, shall be read as modified and supplemented by the February 2008 Letter and its attachments.
3. Accordingly, the PRGF arrangement for Rwanda shall be modified as follows:
 - a. New paragraphs 1(c)(vi) and 1(c)(vii) shall be added as follows:

- “(vi) the sixth disbursement, in an amount equivalent to SDR 1.14 million, will be available on or after October 15, 2008, at the request of Rwanda and subject to paragraph 2 below; and
- (vii) the seventh disbursement, in an amount equivalent to SDR 1.17 million, will be available on or after April 15, 2009, at the request of Rwanda and subject to paragraph 2 below.”

b. A new paragraph 2.I.AAA shall be added as follows:

“I.AAA the sixth and seventh disbursements specified in paragraphs 1(c)(vi) and 1(c)(vii) above:

(a) if the Managing Director of the Trustee finds that, with respect to the sixth disbursement, the data as of June 30, 2008, and with respect to the seventh disbursement, the data as of December 31, 2008, indicate that:

- (i) the floor on net foreign assets of the National Bank of Rwanda; or
- (ii) the ceiling on reserve money; or
- (iii) the ceiling on net credit to the government; or
- (iv) the floor on domestic fiscal balance of the central government;
- or
- (v) the floor on total priority spending; or
- (vi) the ceiling on short-term external debt; or
- (vii) the ceiling on the net accumulation of domestic arrears of the central government,

as specified in Table 2 of the February 2008 Memorandum, and further specified in the February 2007 TMU, were not observed; or”

- (b) if the Managing Director of the Trustee finds that:
 - (i) by June 30, 2008 and with respect to the sixth disbursement, Rwanda has not carried out its intention to complete and publish on the MINECOFIN website a revised public financial management reform action plan for 2008-2010 as specified in paragraph 17 of the February 2008 MEFP; or
 - (ii) by June 30, 2008 and with respect to the sixth disbursement, Rwanda has not carried out its intention to produce and publish on the MINECOFIN website the medium term expenditure framework operational manual as specified in paragraph 17 of the February 2008 MEFP.
- (c) until the Managing Director of the Trustee has determined, with respect to the sixth disbursement, that the fifth review, and with respect to the seventh disbursement, that the sixth review of Rwanda's program referred to in paragraph 30 of the February 2008 Memorandum, has been completed."
- c. The following phrase shall be inserted after the words "January 2007 TMU" in each of paragraphs II.A(a) and II.A(b):

 "and in Table 2 of the February 2008 Memorandum, and further specified in the February 2008 TMU,"

4. The Fund decides that the third program review contemplated in paragraph 2.I.AA(c) of the arrangement is completed, and that Rwanda may request the fourth disbursement referred to in paragraph 1(c)(iv) of the arrangement, notwithstanding the non-observance of the July 31, 2007 structural performance criterion concerning the publication of the first consolidated execution report of local governments as specified in paragraphs 2.I.AA(bb) of the arrangement, on the condition that the information provided by Rwanda on performance under this criterion is accurate.

Table 1: Rwanda: Selected Economic and Financial Indicators, 2005–09

	2005 Act.	2006 Act.	2007		2008 Proj.	2009 Proj.
			Program	Proj.		
(Annual percentage changes, unless otherwise indicated)						
Output and prices						
Real GDP growth	7.1	5.5	4.5	6.0	6.0	5.6
Real GDP (per capita)	5.2	3.6	2.7	3.8	3.8	3.4
GDP deflator	8.9	13.1	7.1	8.8	6.0	5.0
Consumer prices (period average)	9.2	8.8	8.2	9.4	7.1	5.0
Consumer prices (end of period)	5.6	11.9	5.0	7.5	7.3	5.0
External sector						
Export, f.o.b (in U.S. dollars)	27.6	17.8	7.5	15.2	19.0	14.1
Imports, f.o.b (in U.S. dollars)	35.6	17.0	30.1	30.5	31.3	11.5
Export volume	3.8	20.4	8.7	-1.9	20.2	17.1
Import volume	24.2	14.1	26.8	17.9	21.1	11.5
Terms of trade (deterioration = -)	12.6	-4.6	-3.6	6.2	-8.7	-2.5
Money and credit ¹						
Net domestic assets ²	-12.1	1.3	16.1	6.0	15.2	...
Domestic credit ²	-5.3	10.3	15.0	5.5	17.3	...
Government ²	-16.4	-3.5	5.4	-9.2	6.6	...
Economy ²	11.2	13.8	9.7	14.7	10.7	...
Broad money (M2)	17.2	31.5	8.7	26.9	14.1	...
Reserve money ³	12.3	11.9	28.5	30.7	12.4	...
Velocity (GDP/M2; end of period)	6.0	5.5	4.9	5.0	4.9	...
(Percent of GDP)						
National income accounts						
National savings	4.1	5.1	2.7	6.5	3.0	3.3
Gross investment	21.6	20.3	20.1	22.5	23.0	23.1
Of which: private (including public enterprises)	12.5	12.8	11.9	14.1	12.0	12.6
Government finance						
Total revenue (excluding grants)	13.6	13.2	12.4	13.5	13.7	13.9
Total expenditure and net lending	25.7	24.2	25.4	25.2	28.2	27.8
Total expenditure and net lending excluding privatization receipts	25.7	24.2	25.4	26.4	28.4	27.8
Of which: Capital expenditure	9.1	7.5	8.2	8.4	11.0	10.5
Of which: Current expenditure	16.2	16.1	16.7	17.3	17.0	16.9
Primary fiscal balance ⁴	-1.8	-2.1	-4.1	-3.7	-5.1	-4.2
Domestic fiscal balance ⁵	-5.1	-5.4	-7.7	-6.3	-7.9	-7.3
Overall balance (payment order)						
After grants	0.6	-0.4	-1.7	-0.4	-1.2	-4.0
Before grants	-12.1	-11.0	-13.0	-11.7	-14.6	-14.0
Domestic Debt	...	13.8	10.1	10.7	9.7	...
External sector						
External current account balance						
Including official transfers	-3.1	-6.5	-6.6	-4.8	-9.5	-12.7
Excluding official transfers	-17.5	-15.2	-17.4	-15.9	-20.0	-19.7
External debt (end of period) ⁶	70.7	16.7	12.4	16.4	15.8	19.1
Net present value of external debt						
(percent of exports of goods and services) ⁶	149.8	62.1	66.6	62.1	65.0	79.3
Scheduled debt-service ratio after HIPC Initiative debt relief						
(percent of exports of goods and services)	7.2	3.4	1.5	1.4	1.4	1.6
Gross reserves (in months of imports of goods and services)	6.2	5.7	5.1	5.6	4.8	4.8
(Millions of U.S. dollars)						
External debt (end of period) ⁶	1,510.0	477.0	416.4	545.0	596.1	798.2
Gross official reserves	405.8	439.6	406.1	558.6	531.4	542.9
Memorandum item:						
Nominal GDP (billions of Rwanda francs)	1,327.1	1,583.0	1,540.6	1,826.2	2,051.2	2,274.0

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

¹ Data up to 2005 based on current exchange rates; for 2006, based on program exchange rate of RF 553.7/US\$, RF 549.9/US\$ for 2007, and RF 545/US\$ for 2008.² As a percent of the beginning-of-period stock of broad money.³ Increase in 2007 reflects rebasing of the monetary program; reserve money growth will be limited to 13 percent after correcting for the rebasing at end-2006.⁴ Revenue excluding grants minus current expenditure except interest due and exceptional expenditure (AU peacekeeping expenditures and spending on demobilizing and integrating militia groups) minus domestically financed capital expenditure.⁵ Revenue excluding grants minus current expenditure (excluding external interest) minus domestically financed capital expenditure and net lending.⁶ After rescheduling, including arrears and new debt (the latter includes assumed project and budgetary disbursements for 2007–08) and based on assumptions about expected new borrowing.

Table 2. Rwanda: Operations of the Central Government, 2005-09

	2005		2006						2007						2008						2009	
	Actual	Actual	Mar		Jun		Sept		Dec		Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec				
			Program	Prel.	Program	Prel.	Program	Prel.	Program	Prel.												
(Billions of Rwanda francs)																						
Revenue and grants	349.4	376.0	74.5	74.1	227.9	237.4	335.5	327.6	433.2	453.6	84.5	285.8	419.8	553.8	541.2							
Total revenue	180.3	208.2	56.7	56.8	109.4	124.3	166.1	186.4	226.6	247.0	62.1	143.9	212.6	280.1	315.0							
Of which: revenue measures																						
Tax revenue	162.6	193.6	53.6	53.7	103.1	116.3	156.4	174.9	214.5	232.2	59.0	135.8	201.1	264.8	298.3							
Direct taxes	50.7	64.5	18.8	18.9	34.5	43.5	52.5	64.1	72.0	83.6	20.6	47.6	71.0	93.0	105.4							
Taxes on goods and services	82.9	95.5	27.8	27.8	51.9	57.4	78.3	87.3	108.2	116.8	30.6	71.7	104.9	137.8	155.9							
Taxes on international trade	29.0	33.6	7.0	7.0	16.7	15.4	25.5	23.4	34.3	31.8	7.8	16.5	25.2	34.0	37.0							
Nontax revenue	17.7	14.6	3.1	3.1	6.3	8.1	9.8	11.6	12.1	14.8	3.1	8.1	11.6	15.3	16.7							
Grants	169.1	167.8	17.8	17.4	118.5	113.1	169.4	141.2	206.6	206.6	22.3	142.0	207.2	273.7	226.3							
Budgetary grants	111.3	71.9	5.0	4.6	93.0	87.5	130.2	102.0	144.9	144.9	3.2	104.0	148.9	166.1	107.7							
Of which: HIPC Initiative assistance	17.7	12.3	0.4	0.5	2.1	2.6	2.7	3.4	4.8	4.8	0.9	2.1	2.9	4.3	4.2							
Capital grants	57.8	95.9	12.8	12.8	25.6	25.6	39.2	39.2	61.7	61.7	19.1	38.0	58.3	107.6	118.6							
Project grants	57.8	53.5	12.8	12.8	25.6	25.6	39.2	39.2	61.7	61.7	19.1	38.0	58.3	107.6	118.6							
MDRI grants	--	42.4	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	340.7	382.5	105.0	105.9	219.9	213.3	337.7	352.0	464.5	460.8	135.4	288.1	407.3	578.6	632.8							
Total expenditure and net lending excluding Rwanda/etel privatization receipts																						
Current expenditure	214.9	254.1	67.3	68.2	142.6	137.6	222.4	228.7	304.7	315.9	85.6	171.9	258.6	347.9	385.0							
Of which: priority	99.5	127.7	32.6	34.6	76.7	71.3	121.7	118.8	165.5	167.3	40.9	90.6	141.8	193.0	...							
Wages and salaries	51.2	62.2	17.6	18.7	34.3	37.1	51.4	55.6	68.6	75.2	20.9	41.9	62.8	83.7	92.6							
Civil	34.7	41.2	11.3	18.7	24.0	26.8	35.1	39.2	47.5	53.7	15.0	30.1	45.1	60.1	66.6							
Defense	16.5	21.0	6.3	21.0	10.3	10.3	16.4	16.4	21.1	21.5	5.9	11.8	17.7	23.6	26.0							
Purchases of goods and services	64.5	71.6	17.3	17.3	32.0	31.1	51.3	53.2	71.5	76.2	19.6	39.2	58.4	76.6	84.4							
Civil	55.8	62.4	14.1	17.3	26.7	25.8	43.0	44.9	60.8	65.5	16.4	32.7	48.5	63.2	69.5							
Defense	8.6	9.1	3.2	0.0	5.2	5.2	8.3	8.3	10.7	10.7	3.2	6.4	9.9	13.4	14.9							
Interest payments	10.3	14.8	1.1	1.1	2.5	3.3	5.0	5.4	9.9	9.9	1.3	3.3	5.4	11.3	11.2							
Domestic debt (due)	4.2	8.6	0.7	0.7	1.7	1.5	3.6	3.2	8.1	8.1	0.8	2.0	4.2	9.4	8.6							
External debt (due)	6.1	6.2	0.4	0.4	0.8	1.7	1.4	2.2	1.8	1.8	0.5	1.2	1.2	1.9	2.6							
Transfers	53.5	71.9	20.3	20.3	50.6	46.3	79.5	77.1	107.4	107.4	33.3	66.6	99.6	132.4	145.6							
Exceptional expenditure	35.4	33.7	11.0	10.8	23.2	19.9	35.1	37.4	47.3	47.3	10.5	21.1	32.5	43.9	51.1							
Of which: FARG	7.8	9.0	2.8	2.8	5.5	5.5	8.3	8.3	11.1	11.1	3.2	6.4	9.6	12.8	14.2							
Demobilization	7.5	3.4	1.1	1.1	1.9	2.0	3.3	2.7	4.6	4.6	1.2	2.4	3.7	5.0	5.5							
African Union peacekeeping	9.2	10.9	3.1	3.1	5.1	4.0	8.1	10.4	10.7	10.7	2.4	5.0	7.6	10.0	11.1							
Capital expenditure	121.4	118.7	34.1	34.1	67.9	67.8	107.3	115.9	149.4	153.0	47.8	95.6	146.1	226.0	238.1							
Of which: priority	20.8	19.8	7.0	7.0	16.0	15.2	28.5	32.4	41.5	36.8	15.9	36.5	57.9	79.3	...							
Domestic	34.7	35.7	11.0	11.0	21.8	21.6	36.6	45.2	53.2	56.8	21.0	42.0	66.3	91.3	88.8							
Foreign ¹	86.7	83.0	23.1	23.1	46.1	46.1	70.7	70.7	96.2	96.2	26.7	53.6	79.8	134.7	149.3							
Net lending ²	4.4	9.6	3.6	3.6	9.4	8.0	8.0	7.5	10.4	-8.1	2.0	0.5	2.6	4.7	9.7							
Of which: priority	0.0	4.1	0.0	0.0	1.5	1.1	1.5	1.1	3.2	22.1	0.6	1.3	2.0	2.8	...							
Of which: Rwanda/etel net receipts																						
Primary balance ³	-23.6	-31.2	-9.4	-10.5	-30.7	-11.8	-51.2	-44.7	-68.2	-68.4	-32.7	-45.8	-74.4	-103.9	-96.6							
Domestic fiscal balance ⁴	-67.6	-85.1	-24.8	-25.7	-63.6	-41.2	-99.5	-92.8	-139.9	-115.7	-46.0	-69.4	-113.7	-161.9	-165.9							
Excluding demobilization and peacekeeping expenditures ⁵	-50.9	-70.8	-20.6	-21.5	-56.6	-35.2	-88.1	-79.6	-124.6	-100.4	-42.4	-62.0	-102.4	-146.9	-149.3							
Overall deficit (payment order)																						
After grants	9.0	-6.5	-30.4	-31.8	8.0	24.1	-2.1	-24.4	-31.2	-7.2	-50.9	17.8	12.5	-24.8	-91.6							
Excluding MDRI grants	--	-48.9	--	--	--	--	--	--	--	--	--	--	--	--	--							
Before grants	-160.4	-174.3	-48.2	-49.1	-110.5	-89.0	-171.5	-165.6	-237.9	-213.7	-73.2	-124.2	-194.7	-298.5	-317.9							
Change in arrears ⁶																						
Domestic	-7.0	-7.5	-1.6	-1.6	-3.9	-3.9	-5.4	3.6	-7.0	-7.0	-3.0	-4.0	-5.5	-7.0	0.0							
External	-7.0	-7.5	-1.6	-1.6	-3.9	-3.9	-5.4	3.6	-7.0	-7.0	-3.0	-4.0	-5.5	-7.0	0.0							
External	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							
Deficit (-)	2.0	-14.0	-32.0	-33.4	4.1	20.2	-7.5	-20.8	-38.2	-14.2	-53.9	13.8	7.0	-31.8	-91.6							

Table 2. Rwanda: Operations of the Central Government, 2005–09 (concluded)

	2005	2006	2007				2008				2009							
	Actual	Actual	Mar		Jun		Sept		Dec		Mar		Jun		Sept		Dec	
			Program	Prel.	Program	Prel.	Program	Proj.	Program	Proj.	Program	Proj.	Program	Proj.	Program	Proj.	Program	Proj.
Financing	-9.0	15.2	32.0	31.9	-4.1	-26.6	7.5	20.0	38.2	14.2	53.9	-13.8	-7.0	31.8	91.6			
Foreign financing (net)	30.9	25.9	9.8	9.8	19.6	18.8	29.9	29.5	31.0	31.0	6.4	13.3	18.1	22.1	104.9			
Drawings	46.6	37.7	10.6	10.6	21.5	21.1	32.7	32.4	36.4	36.4	7.6	15.6	21.5	27.1	109.8			
Budgetary loans	17.7	8.2	0.3	0.3	0.9	0.6	1.3	0.9	1.9	1.9	0.0	0.0	0.0	0.0	79.1			
Project loans	28.8	29.5	10.3	10.3	20.6	20.6	31.5	31.5	34.5	34.5	7.6	15.6	21.5	27.1	30.7			
Amortization	-21.3	-11.8	-0.7	-0.7	-1.9	-2.3	-2.8	-2.9	-5.4	-5.4	-1.3	-2.3	-3.4	-5.0	-4.9			
Exceptional financing	5.6	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			
Net domestic financing	-39.9	-10.7	22.2	22.1	-23.7	-45.4	-22.4	-9.5	7.2	-16.8	47.5	-27.1	-25.1	9.7	-13.3			
Banking system treasury operations (monetary survey)	-16.8	-11.2	17.4	15.2	-26.7	-41.0	-24.1	0.6	0.4	22.1	-17.8	41.9	-22.9	-26.6	9.7			
Rwandatel privatization proceeds																		
Nonbank sector (including CSR repayment) ⁷	-15.7	0.5	4.8	6.9	3.0	-4.4	1.7	-10.1	6.8	1.0	5.6	-4.2	1.5	0.0	-20.8			
Errors and omissions ⁸	-7.0	1.2	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			
Financing gap (+)	0.0	0.0	0.0	-1.4	0.0	-6.4	0.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
(Percent of GDP, unless otherwise indicated)																		
Memorandum items:																		
Revenue and grants	26.3	23.8	4.1	4.1	12.5	13.0	18.4	17.9	23.7	24.8	4.1	13.9	20.5	27.0	23.8			
Revenue, excluding grants	13.6	13.2	3.1	3.1	6.0	6.8	9.1	10.2	12.4	13.5	3.0	7.0	10.4	13.7	13.9			
Revenue, excluding grants (percent of monetized sector GDP)	26.6	25.4	5.9	6.4	11.4	14.0	17.4	21.0	23.7	27.9	9.3	16.8	24.8	29.0	29.4			
Total expenditure and net lending	25.7	24.2	5.7	5.8	12.0	11.7	18.5	19.3	25.4	25.2	6.6	13.1	19.9	28.2	27.8			
Total expenditure and net lending excluding privatization net receipts							18.5	19.3	25.4	26.4	6.6	13.1	19.9	28.4	27.8			
Of which: total priority expenditures	9.1	9.6	2.2	2.3	5.2	4.8	8.3	8.3	11.5	11.4	2.8	6.3	9.8	13.4	...			
Current expenditure	16.1	16.1	3.7	3.7	7.8	7.5	12.2	12.5	16.7	17.3	4.2	8.4	12.6	17.0	16.9			
Of which: wage bill	3.9	3.9	1.0	1.0	1.9	2.0	2.8	3.0	3.8	4.1	1.0	2.0	3.1	4.1	4.1			
goods and services	4.9	4.5	0.9	0.9	1.8	1.7	2.8	2.9	3.9	4.2	1.0	1.9	2.8	3.7	3.7			
Of which: defense/security	1.9	1.9	0.5	0.0	0.9	0.0	1.4	1.4	1.7	1.8	0.4	0.9	1.3	1.8	1.8			
exceptional expenditure	2.7	2.1	0.6	0.6	1.3	1.1	1.9	2.1	2.6	2.6	0.5	1.0	1.6	2.1	2.2			
Capital expenditure	9.1	7.5	1.9	1.9	3.7	3.7	5.9	6.3	8.2	8.4	2.3	4.7	7.1	11.0	10.5			
Domestic fiscal balance	-5.1	-5.4	-1.4	-1.4	-3.5	-2.3	-5.4	-5.1	-7.7	-6.3	-2.2	-3.4	-5.5	-7.9	-7.3			
Excluding demobilization and peacekeeping expenditures ⁵	-3.8	-4.5	-1.1	-1.2	-3.1	-1.9	-4.8	-4.4	-6.8	-5.5	-2.1	-3.0	-5.0	-7.2	-6.6			
Of which: domestic expenditure	17.4	17.6	4.2	4.3	9.1	8.7	13.9	14.6	19.2	19.0	5.1	10.0	15.4	20.8	20.4			
Primary balance ³	-1.8	-2.0	-0.5	-0.6	-1.7	-0.6	-2.8	-2.4	-4.1	-3.7	-1.6	-2.2	-3.6	-5.1	-4.2			
Overall deficit (payment order)																		
After grants	0.7	-0.4	-1.7	-1.7	0.4	1.3	-0.1	-1.3	-1.7	-0.4	-2.5	0.9	0.6	-1.2	-4.0			
Before grants	-12.1	-11.0	-2.6	-2.7	-6.1	-4.9	-9.4	-9.1	-13.0	-11.7	-3.6	-6.1	-9.5	-14.6	-14.0			
Before grants (percent of monetized sector GDP)	-23.6	-21.3	-5.0	-5.0	-13.7	-11.6	-18.7	-17.9	-24.9	-24.1	-8.6	-14.5	-22.7	-30.9	-29.7			
Nominal GDP (RF billions)	1,327.1	1,583.0	1,826.2	1,826.2	1,826.2	1,826.2	1,826.2	1,826.2	1,826.2	1,826.2	2,051.2	2,051.2	2,051.2	2,051.2	2,274.0			
Net credit to government from banking system (RF billions)	-30.8	-7.8	21.2	9.5	-21.1	-57.1	-10.8	-8.8	15.4	-26.4	43.9	-18.0	-20.7	24.1	7.5			
Of which: treasury operations	-16.8	-11.2	17.4	15.2	-26.7	-41.0	-24.1	0.6	0.4	-17.8	41.9	-22.9	-26.6	9.7	7.5			
project accounts	-14.0	-3.4	3.8	-5.7	5.6	-16.1	13.3	-9.4	15.0	-8.6	2.0	4.9	5.9	14.4	0.0			
other government	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	1.0			
MDRI stock adjustment (RF billions)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
MDRI debt service savings	...	...	0.1	0.2	0.2	0.2	0.4	0.3	0.5	0.4	0.1	0.2	0.2	0.3	0.3			
MDRI debt service savings from AIDB (RF billions)	...	...	0.0	0.3	0.9	0.9	1.4	1.4	1.8	1.8	0.5	1.1	1.5	2.0	2.1			
MDRI debt service savings from IMF (RF billions)	...	...	0.0	0.8	2.2	2.2	3.3	3.3	4.4	4.4	0.7	1.5	2.0	2.6	2.3			
MDRI debt service savings from IDA (RF billions)	...	...	0.0	0.3	0.7	0.7	1.0	1.0	1.4	1.4	0.4	0.8	1.1	1.5	1.5			

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

¹ For 2008, the increase reflects improvements in recording funds for projects.² Net lending in 2005 incorporates RF2.9 billion in receipts from the privatization of Rwandatel.³ Definition excludes exceptional expenditures, defined as total revenue (excluding privatization proceeds) minus noninterest current expenditure (excluding exceptional expenditure) minus domestically financed capital expenditure.⁴ Revenue excluding grants minus current expenditure, domestically financed capital expenditure, and net lending, excluding external interest.⁵ Actual data for 2005 exclude R8.5 billion expenditures for peacekeeping operations, which were not covered by grants. The domestic deficit excluding grant-financed peacekeeping would have been 5 percent of GDP in 2005. For 2006, peacekeeping activities of RF 2.9 billion were not covered by grants.⁶ A negative sign indicates a reduction.⁷ CSR = Caisse Sociale du Rwanda.⁸ A negative number implies a discrepancy that is consistent with an underestimate of financing.

Table 3. Rwanda: Monetary Survey, 2005-08

	2005		2006		2007				2008			
	Act. ¹	Act. ¹	Act. ¹	Act. ¹	2007		Program	Act. ¹	2008		Program	Act. ¹
					Mar	Jun			Mar	Jun		
			Program	Act. ¹	Program	Act. ¹	Program	Act. ¹	Program	Act. ¹	Program	Act. ¹
(RF billions)												
Monetary authorities												
Net foreign assets	185.6	226.6	208.6	207.9	251.4	291.1	245.7	264.4	280.7	321.8	314.8	275.7
Foreign assets	230.0	243.0	225.5	224.7	255.8	308.4	250.1	283.1	299.3	338.3	331.3	292.2
Foreign liabilities ²	44.4	16.4	16.9	16.8	4.4	17.3	4.4	18.6	18.7	16.5	16.5	16.5
Net domestic assets	-121.4	-154.8	-126.1	-128.2	-163.5	-201.6	-156.2	-174.3	-186.8	-218.2	-211.9	-170.2
Domestic credit	-96.7	-120.2	-94.1	-93.0	-131.5	-155.6	-124.2	-128.5	-153.4	-178.2	-171.9	-134.2
Government (net)	-60.5	-72.4	-51.1	-57.2	-93.5	-126.3	-83.2	-85.6	-100.4	-117.0	-119.1	-73.6
Claims	42.1	41.8	41.8	43.1	41.8	41.2	41.2	41.2	41.2	41.0	41.0	41.0
Of which: overdraft	--	--	--	--	--	--	--	--	--	--	--	--
Deposits (excluding autonomous bodies) ²	102.6	114.2	92.9	100.4	135.3	167.5	125.0	126.8	141.6	158.0	160.1	114.6
Public nongovernment deposits (-)	-0.8	-2.0	-0.9	-0.5	-2.0	-0.5	-0.9	-0.5	-0.5	-0.5	-0.5	-0.9
Nongovernment credit	-35.3	-45.8	-42.0	-35.3	-36.0	-28.8	-40.1	-42.5	-52.5	-60.7	-52.3	-59.7
Private sector	3.4	3.5	3.5	3.7	3.9	3.9	3.5	4.9	4.8	4.8	4.8	4.0
Public enterprises	0.1	--	--	--	--	--	--	--	--	--	--	--
Commercial banks	-38.9	-49.3	-45.5	-39.0	-39.6	-32.7	-43.6	-47.3	-57.3	-65.6	-57.2	-63.7
Discount window	1.4	1.2	-0.6	1.5	0.4	1.7	1.4	1.4	1.2	1.3	1.3	1.3
Money market (= absorption)	-40.2	-50.5	-44.9	-40.5	-40.0	-34.5	-45.0	-48.8	-58.6	-69.3	-68.5	-65.0
Other items (net; asset +)	-24.7	-34.6	-32.0	-35.2	-32.0	-46.0	-32.0	-45.7	-33.4	-40.0	-40.0	-36.0
Reserve money ^{3,4}	64.2	71.8	82.6	79.7	87.9	88.5	89.4	90.2	93.9	103.6	102.9	105.6
Currency in circulation	48.3	54.6	52.0	50.0	56.5	54.4	58.2	55.6	65.9	72.9	70.1	74.0
Commercial bank reserves	13.7	15.1	28.5	25.2	29.3	31.2	29.1	31.8	29.6	28.1	30.2	29.3
Nonbank deposits	2.2	2.1	2.1	4.6	2.1	3.9	2.1	2.8	2.6	2.6	2.6	2.3
Of which: autonomous public agencies	0.4	0.4	-2.0	2.3	-1.0	2.8	--	2.7	3.6	1.0	1.0	--
Commercial banks												
Net foreign assets	42.1	60.6	47.0	54.2	49.0	59.5	46.0	59.3	66.9	50.0	54.0	68.1
Foreign assets	53.8	71.5	57.9	66.7	59.9	73.0	56.9	72.1	82.6	65.6	69.6	83.7
Foreign liabilities	11.7	10.9	10.9	12.4	10.9	13.5	10.9	12.8	15.6	15.6	15.6	15.6
Reserves	13.7	15.1	28.5	25.2	29.3	31.2	29.1	31.8	29.6	28.1	30.2	29.3
NBR deposits	10.9	11.3	18.7	19.6	20.4	26.3	21.9	26.0	18.6	28.0	25.1	27.2
Required reserves	14.9	18.8	20.2	19.4	20.9	20.7	21.4	22.2	21.8	25.2	25.5	27.8
Excess reserves	-4.0	-7.5	-1.5	0.2	-0.5	5.6	0.5	3.9	2.1	-5.4	-0.5	1.6
Cash in vault	2.8	3.8	3.8	5.5	3.8	4.8	3.8	5.7	6.9	4.0	3.0	3.0
Net credit from NBR (rediscount; liability -)	38.9	49.3	45.5	39.0	39.6	32.7	43.6	47.3	57.3	68.0	65.6	63.7
Domestic credit	128.7	164.1	166.8	168.0	179.7	178.3	184.7	198.3	191.7	214.6	223.5	242.7
Government (net)	-1.1	3.1	3.0	-2.5	3.0	-0.1	3.0	7.5	4.1	4.1	3.4	2.7
Credit	21.1	25.6	25.6	16.2	25.6	21.7	25.6	27.8	25.6	19.5	16.0	12.5
Deposits	22.2	22.5	22.6	18.8	22.6	21.8	22.6	20.3	18.3	15.4	12.6	9.8
Public enterprises	2.1	2.4	2.4	2.0	2.4	1.7	2.4	1.9	2.4	3.4	3.4	3.4
Private sector	127.6	158.7	161.5	168.5	174.3	176.7	179.4	189.0	186.4	207.2	216.8	217.3
Other items (net; asset +)	-54.3	-58.5	-58.4	-63.6	-58.4	-54.0	-58.4	-63.3	-58.4	-64.7	-64.7	-63.5
Deposits	169.1	230.6	229.4	222.8	239.1	247.8	245.0	273.5	296.3	299.9	306.5	340.2
Private	136.8	186.2	185.0	183.4	194.7	202.5	200.6	220.7	232.8	236.4	243.0	276.7
Public (nongovernment)	32.2	44.4	44.4	39.4	44.4	45.3	44.4	52.8	63.5	63.5	63.5	63.5

Table 3. Rwanda: Monetary Survey, 2005–08 (concluded)

	2005 Act ¹	2006 Act ¹	2007			2008								
			2007		Dec Proj. ¹	2008		Dec Proj.						
			Mar Program	Jun Program		Mar Proj.	Jun Proj.							
Monetary survey														
Net foreign assets	227.7	287.2	255.6	262.1	300.4	350.7	291.7	323.7	266.4	347.6	307.5	375.8	371.8	343.9
Net domestic assets	-8.2	0.2	27.9	15.2	-2.6	-44.6	13.7	8.1	46.0	17.1	58.4	6.2	11.5	72.7
Domestic credit	70.9	93.3	118.3	113.9	87.8	55.4	104.1	117.1	136.4	109.1	163.1	110.9	116.2	172.2
Government (net)	-61.6	-69.3	-48.2	-59.8	-90.5	-126.4	-80.3	-78.1	-54.0	-96.7	-51.8	-113.6	-116.4	-71.6
Public nongovernment deposits (-)	-0.8	-2.0	-0.9	-0.5	-2.0	-0.5	-0.9	-0.5	-2.0	-0.5	-0.5	-0.5	-0.5	-0.9
Public enterprises	2.2	2.4	2.4	2.0	2.4	1.7	2.4	1.9	2.5	3.4	3.4	3.4	3.4	3.4
Private sector	131.1	162.2	164.9	172.2	177.8	180.5	182.8	193.8	189.9	201.8	212.0	221.6	229.6	241.3
Other items (net; asset +)	-79.0	-93.1	-90.4	-98.8	-90.4	-100.0	-90.4	-109.0	-90.4	-91.9	-104.7	-104.7	-104.7	-99.5
Broad money ^{2,6}	219.6	287.4	283.5	277.3	297.7	306.1	305.3	331.8	312.4	364.7	365.9	382.0	383.2	416.5
Currency in circulation	48.3	54.6	52.0	50.0	56.5	54.4	58.2	55.6	60.6	65.9	63.4	72.9	70.1	74.0
Deposits	171.3	232.7	231.5	227.4	241.2	251.7	247.1	276.3	251.8	298.8	302.5	309.8	313.1	342.5
Of which: foreign currency deposits	39.4	52.9	47.0	53.3	43.0	53.9	40.0	57.5	45.0	59.8	35.0	36.0	37.0	66.1
(Annual changes in percent of beginning-of-period broad money)														
Net foreign assets	29.3	29.4	-2.5	0.7	9.5	30.5	4.5	17.3	-7.4	20.8	16.4	8.2	14.5	-1.0
Domestic assets	-12.1	2.0	30.8	24.9	14.1	-3.4	14.0	11.5	16.1	6.0	15.6	16.6	1.0	15.2
Domestic credit	-5.3	10.3	40.3	38.4	18.4	5.0	12.9	18.0	15.0	5.5	17.7	18.1	-0.3	17.3
Government (net)	-16.4	-3.5	28.4	23.1	7.3	-7.6	2.8	3.7	5.4	-9.2	2.9	4.2	-11.5	16.6
Economy	11.2	13.8	11.9	15.3	11.1	12.6	10.1	14.3	9.7	14.7	14.8	14.0	11.2	10.7
Other items (net; asset +)	-6.9	-8.3	-9.5	-13.5	-4.3	-8.4	1.1	-6.5	1.0	0.6	-2.1	-1.5	1.3	-2.1
Broad money	17.2	31.4	28.3	25.5	23.6	27.1	18.5	28.8	8.7	26.9	31.9	24.8	15.5	14.2
(Annual percent changes)														
Net foreign assets	31.8	28.9	-2.8	-0.1	8.2	26.5	4.1	15.9	-7.4	20.8	17.3	7.2	14.8	-1.1
Domestic assets	-156.0	-102.2	-166.4	-136.6	-93.1	17.2	-157.0	-135.1	-21,773.7	-7,161.5	284.6	-113.8	41.1	324.0
Domestic credit	-12.2	31.7	30.7	290.9	102.1	27.6	47.0	65.6	46.4	16.9	43.1	100.1	-0.8	57.9
Government (net)	100.0	12.5	-56.6	-46.1	-16.2	17.0	-8.2	-10.8	-22.2	38.1	-13.4	-10.1	49.1	-25.2
Economy	18.8	22.8	18.8	24.1	17.7	20.0	16.5	23.3	17.1	25.9	23.7	23.5	19.1	19.1
Other items (net; asset +)	19.5	24.2	27.1	39.7	13.0	25.2	-3.0	18.1	-3.2	-1.8	6.0	4.7	-4.0	8.3
(In percent, unless otherwise indicated)														
Memorandum items:														
Currency/broad money ratio	22.0	19.0	18.3	18.0	19.0	17.8	19.1	16.7	19.4	18.1	17.3	19.1	18.3	17.8
Reserve money annual growth	12.3	11.9	27.0	22.6	26.4	28.7	26.4	27.5	28.5	30.7	23.0	15.7	14.1	12.4
Reserves/deposits	38.0	31.2	36.0	35.8	36.8	36.1	36.5	33.0	37.0	31.7	32.7	33.8	33.1	31.0
Money multiplier	3.4	4.0	3.4	3.5	3.4	3.4	3.4	3.7	3.4	3.9	3.7	3.7	3.7	3.9
Reserve/deposits	8.0	6.1	10.1	10.7	10.5	13.0	10.9	11.8	11.6	8.0	11.9	10.3	11.0	9.5
Currency/deposits	35.3	29.3	28.1	27.2	29.0	26.9	29.0	25.2	29.5	28.3	26.8	30.0	28.4	26.7
Velocity of broad money (end of period)	6.0	5.5	5.9	5.0	5.9	4.9	5.9	4.8	5.9	5.0	4.9	4.9	4.9	4.9
Velocity of broad money (average of period)	6.5	6.3	6.1	7.3	6.1	6.7	6.1	6.2	6.1	5.7	5.3	5.3	5.3	5.3
Net open position of the NBR (RF billion)	181.2	220.8	204.9	202.4	247.6	285.6	241.9	258.5	214.1	275.3	252.6	316.8	309.6	270.5
Net open position of commercial banks (RF billion)	7.2	13.5	--	6.4	6.0	11.2	6.0	7.7	3.7	3.7	15.0	18.0	20.0	2.0
Extended broad money (RF billion) ⁷	250.9	334.2	329.6	324.7	346.2	356.7	355.0	388.0	363.3	424.1	425.5	444.1	445.6	484.3
Nominal GDP (RF billion)	1,327.1	1,583.0	...	...	...	...	...	...	...	1,826.2	...	...	...	2,051.2

Source: National Bank of Rwanda (NBR), and IMF staff estimates and projections.

¹ Converted at the program exchange rate for 2005: RF 566.9/US\$; for 2006: RF 553.7/US\$; for 2007: RF 549.9/US\$ and 2008 RF 545/US\$.² The IMF's MDRI reduced foreign liabilities at the NBR by RF 42.4 million with a counter entry in government deposits (in January 2006).³ The definition of reserve money as performance criterion or structural benchmark differs from the definition in the monetary program in that it excludes the deposits of a defunct savings bank, import deposits, and dormant accounts. It includes old notes demonetized at the end of 2004 but in circulation until the end of 2005.⁴ The reserve money target for 2007 is derived by applying the programmed growth rate of 13 percent to the released 2006 outcome. The released 2006 outcome was calculated by allowing banks to meet the legal reserve requirement on deposits' reserves at the end of December 2006 fell short of the requirement by RF 7.5 billion, they met the requirement because it is based on an average over two years; plus (2) a liquidity reserve of RF 3 billion to ensure sufficient financing in banks' branches.⁵ From December 2005 on, includes Caisse Hypothecaire du Rwanda (BHR) deposits (RF 1 billion at end-2005).⁶ End-2006 broad money includes RF5 billion temporary build up of local government deposits, which were unwound by February 2007.⁷ Broad money plus deposits in the Union de Banques Populaires de Rwanda (UBPR) and Rwanda Development Bank (BRD).

Table 4. Rwanda: Balance of Payments, 2005–10
(millions U.S. \$, unless otherwise indicated)

	2003	2004	2005	2006	2007		2008	2009	2010
	Act.	Act.	Act.	Act.	Program	Proj.	Proj.	Proj.	Proj.
Exports, f.o.b.	63.0	97.9	125.0	142.3	153.0	169.6	201.7	230.2	264.7
Of which: coffee	15.0	31.0	38.1	54.0	55.7	34.3	52.6	67.1	86.5
tea	22.5	23.4	24.1	32.2	34.4	31.8	36.9	45.0	48.4
Imports, f.o.b.	244.0	275.9	374.1	437.7	569.5	571.1	749.5	835.6	863.5
Trade balance	-181.0	-178.0	-249.1	-295.5	-416.5	-401.5	-547.8	-605.4	-598.8
Services (net)	-143.4	-156.5	-189.1	-198.7	-235.4	-205.8	-298.5	-310.6	-317.9
Income	-30.5	-34.1	-25.0	-18.7	-10.9	-14.0	-6.6	-16.0	-15.1
Of which: interest on public debt ¹	-10.7	-13.9	-11.0	-10.2	-3.4	-3.4	-3.6	-4.9	-6.4
Current transfers (net) ²	223.8	313.1	396.8	322.0	439.7	460.4	494.3	399.5	398.0
Private	31.3	35.1	48.3	74.5	77.3	92.0	98.4	105.3	112.9
Public ³	192.5	278.0	348.5	247.5	362.4	368.5	395.9	294.2	285.1
Of which: HIPC grants	23.0	27.4	30.6	22.2	8.6	8.6	7.6	7.1	5.0
Current account balance (including official transfers)	-131.1	-55.5	-66.5	-190.9	-223.1	-160.8	-358.6	-532.5	-533.8
Current account balance (excluding official transfers)	-323.6	-333.5	-414.9	-438.4	-585.4	-529.3	-754.5	-826.7	-818.9
Capital account	41.1	60.6	103.2	1323.2	113.6	112.1	198.1	218.4	220.1
Capital transfers	41.1	60.6	103.2	173.2	113.6	112.1	198.1	218.4	220.1
IMF-MDRI relief				76.6					
Debt forgiveness (IDA and AfDF-MDRI Relief)				1150.0					
Financial account	20.6	59.3	74.3	-1049.7	95.2	163.3	137.3	325.5	389.6
Direct investment	4.7	3.6	10.6	20.0	40.0	85.3	95.0	109.3	142.0
Public sector capital	7.7	72.0	48.3	46.1	57.1	56.3	40.7	193.3	211.9
Long-term borrowing ³	39.9	109.3	83.3	68.4	66.9	66.2	49.8	202.3	219.3
Principal not yet due rescheduled	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Scheduled amortization ⁴	32.2	37.3	35.0	22.3	9.9	9.9	9.2	9.0	7.4
Principal not yet due	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other capital ⁵	8.3	-16.2	15.3	-1115.8	-1.9	21.7	1.7	23.0	35.6
IDA and AfDF-relief				-1150.0					0.0
Capital and financial account balance	61.8	119.9	177.5	273.4	208.8	275.4	335.4	544.0	609.7
Errors and omissions	35.7	25.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-33.6	90.2	111.2	82.5	-14.3	114.6	-23.2	11.5	75.9
Financing	33.6	-90.2	-111.3	-82.5	14.3	-114.6	23.2	-11.5	-75.9
Change in net foreign assets of NBR (increase -)	27.1	-101.4	-111.3	-82.5	14.3	-114.6	19.9	-13.2	-75.9
Net credit from the Fund	-0.9	-3.6	-8.2	-72.5	3.3	3.4	0.0	0.0	-0.1
Disbursements/purchases	0.8	1.7	1.7	4.1	3.3	3.4	0.0	0.0	0.0
Repayments/repurchases	-1.7	-5.3	-9.8	-76.6	0.0	0.0	0.0	0.0	-0.1
Change in other gross official reserves (increase -)	26.0	-96.9	-91.3	-33.8	33.6	-119.0	27.2	-11.5	-53.3
Change in other foreign liabilities (increase +)	1.9	-0.9	-11.9	23.8	-22.5	1.0	-4.0	0.0	-22.5
Change in arrears (decrease -)	-22.6	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation	1.3	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reduction	23.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing	29.1	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cancellation	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current debt service	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling	28.5	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of arrears	23.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arrears	5.5	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing need	0.0	0.0	0.0	0.0	0.0	0.0	3.3	1.7	0.0
Exceptional financing (assumed)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap ⁶	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Current account deficit (percent of GDP)									
Excluding official transfers	-19.2	-18.2	-19.4	-17.6	-17.4	-15.9	-20.0	-19.7	-18.2
Including official transfers	-7.8	-3.0	-3.1	-7.7	-6.6	-4.8	-9.5	-12.7	-18.2
Gross official reserves	217.6	314.5	405.8	439.6	406.1	558.6	531.4	542.9	596.2
Gross official reserves (months of imports of G&S)	5.0	5.7	6.2	5.5	5.1	5.6	4.8	4.8	4.7
Overall balance (percent of GDP)	-2.0	4.9	5.2	3.3	-0.4	3.5	-0.6	0.3	1.7
Total external debt ⁶	1572.4	1685.3	1510.0	477.0	416.4	545.0	596.1	798.2	1015.9
Total external debt (percent of GDP)	93.4	91.9	70.7	16.7	12.4	16.4	15.8	19.1	22.5
Debt service ratio after HIPC and MDRI debt relief ⁷	11.1	9.6	7.2	3.5	1.5	1.4	1.4	1.6	1.8

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

¹ Including interest due to the Fund.

² Current transfers include disbursed budgetary and HIPC grants and humanitarian and technical assistance.

³ Includes project loans and budgetary loans.

⁴ Excluding Fund.

⁵ Other capital includes long-term private capital, commercial credit, change in the net foreign assets of commercial banks, and unrecorded imports.

⁶ After rescheduling, including arrears and new debt (the latter includes assumed project and budgetary disbursements for 2008).

⁷ Reflects traditional debt relief from bilateral creditors and MDRI and enhanced HIPC Initiative assistance from both multilateral and bilateral creditors. Also includes additional bilateral debt relief delivered at the completion point.

Table 5. Rwanda: Key Economic Variables as a Percentage of Revised and Old GDP

	2001	2002	2003	2004	2005	2006	2007
Revised GDP							
Nominal GDP (billions of Rwf)	741.9	781.5	955.2	1,137.9	1,327.1	1,583.0	1,826.2
Per capita GDP (US\$)	199.9	190.5	202.9	222.9	264.1	311.6	353.4
Real GDP growth rate	8.5	11.0	0.3	5.3	7.1	5.5	6.0
(Percent of GDP)							
Revenue	11.4	12.9	12.8	12.9	13.6	13.2	13.5
Total expenditure and net lending	21.0	22.3	22.6	24.1	25.7	24.2	25.2
Capital expenditure	6.6	5.2	5.4	7.9	9.1	7.5	8.4
Current expenditure	14.2	15.7	16.8	14.8	16.2	16.1	17.3
Domestic fiscal balance	-2.3	-4.0	-4.5	-4.8	-3.8	-4.5	-5.5
External current account							
Including transfers	-5.9	-10.7	7.8	-2.8	-3.1	-6.5	-4.8
Excluding transfers	-15.9	-17.8	-18.2	-16.8	-17.5	-15.2	-15.9
External debt	83.5	85.3	93.4	91.9	70.7	16.7	16.4
Old GDP Series							
Nominal GDP (billions of Rwf)	754.3	825.0	905.3	1,054.3	1,197.2	1,375.7	1,540.6
Per capita GDP (US\$)	203.2	201.1	192.3	206.6	238.3	270.8	302.8
Real GDP growth rate	6.7	9.4	0.9	4.0	6.0	5.3	4.5
(Percent of GDP)							
Revenue	11.4	12.2	13.4	13.6	14.6	14.1	15.6
Total expenditure and net lending	21.0	21.2	24.7	21.9	27.0	28.1	30.9
Capital expenditure	6.6	4.9	7.7	7.7	9.0	8.6	10.6
Current expenditure	14.2	14.8	16.7	14.1	17.5	18.8	19.7
Domestic fiscal balance	-2.2	-3.8	-4.7	-5.2	-4.3	-5.1	-6.3
External current account							
Including transfers	-5.9	-10.1	-11.3	-12.3	-9.0	-10.8	-8.1
Excluding transfers	-15.9	-16.9	-18.7	-17.4	-22.0	-21.4	-20.8
External debt	83.5	85.3	86.1	82.2	73.7	15.0	14.6

Source: Rwandan authorities and IMF staff estimates

Table 6. Rwanda: National Accounts-Sector Composition, 2001-2007

	2001	2002	2003	2004	2005	2006	2007 proj.
(RF Billions)							
Nominal GDP	741.9	781.5	955.2	1,137.9	1,327.1	1,583.0	1,826.2
Agriculture	277.0	277.4	367.3	441.7	515.7	654.6	649.9
Manufacturing	51.3	57.0	61.4	71.7	82.0	94.3	116.2
Construction and public works	44.8	45.4	55.2	73.7	86.7	95.9	127.0
Services	317.4	342.8	401.5	464.3	539.0	621.1	813.7
Commerce and tourism	80.5	85.5	99.6	119.1	142.5	156.9	178.5
Transport and communications	43.1	49.6	52.5	61.2	71.1	84.5	113.8
Public administration	55.0	56.5	65.2	71.6	79.2	93.3	128.1
(In percent)							
Real GDP growth rates	8.5	11.0	0.3	5.3	7.1	5.5	6.0
Agriculture	8.8	15.0	-4.7	0.1	4.8	1.1	-3.0
Manufacturing	10.0	5.0	-5.0	-4.0	11.0	13.5	8.0
Construction and public works	10.1	12.1	15.0	7.0	4.0	10.7	8.0
Services	6.8	8.8	4.5	7.9	9.1	8.1	9.8
Commerce and tourism	6.2	5.0	7.0	2.6	5.9	7.0	7.0
Transport and communications	14.2	6.0	-4.5	16.6	6.5	5.0	5.0
Public administration	3.9	1.0	10.0	8.6	5.4	5.4	7.0

Source: Rwandan authorities and IMF staff estimates

Table 7. Rwanda: Proposed Schedule of Disbursements Under the PRGF Arrangement, 2008–09

Date	Conditions necessary for disbursement	Amount	
		(In millions of SDRs)	(In percent of quota)
February 29, 2008	Observance of performance criteria for June 30, 2007, and structural performance criteria for July 31 and September 30, 2007. Completion of the third review under the arrangement.	1.14	1.42
June 15, 2008	Observance of quantitative performance criteria for December 31, 2007, completion of the fourth review under the arrangement.	1.14	1.42
October 15, 2008	Observance of quantitative and structural performance criteria for June 30, 2008, completion of the fifth review under the arrangement.	1.14	1.42
April 15, 2009	Observance of quantitative performance criteria for December 31, 2008, completion of the sixth review under the arrangement.	1.17	1.46
Total		4.59	5.73

Kigali, February 12, 2008

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Mr. Strauss-Kahn:

1. The second review of our financial and economic program supported under the Fund's Poverty Reduction and Growth Facility (PRGF) was completed on June 25, 2007. In the attached Memorandum of Economic and Financial Policies (MEFP), we review recent economic developments and progress in the implementation of our program through the third quarter of 2007; and set out policies the Government intends to pursue in 2008.
2. Program implementation under the PRGF arrangement has been broadly on track. All quantitative and structural performance criteria for the completion of the third review were met with the exception of the performance criterion (PC) on the issuance of the first consolidated report of local governments showing transfers and budget execution per major line items per district and per province for the period January to April, 2007. The delay was due to misinterpretation of the PC by the Government of Rwanda.¹ As the nonobservance was temporary, we are requesting a waiver for the nonobservance of the structural PC on the issuance of the consolidated report of local governments.
3. In support of our policies described in the MEFP, the Government of Rwanda requests the completion of the third review under the PRGF arrangement and the disbursement of the fourth loan of SDR 1.14 million.
4. The Government of Rwanda believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of its program, but it will take any further measures that may become appropriate for this purpose. The Government of Rwanda will consult with

¹ Provinces are considered by the Government of Rwanda as part of the Central Government whereas the PC referred to them as Local Government. Consequently, while information on both provinces and districts was available, the latter alone was published by the target date.

the Fund on the adoption of these measures and in advance of revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultations.

5. The Government of Rwanda authorizes the publication and distribution of this letter, MEFP and TMU together with the related staff report.

Sincerely yours,

/ s /

François Kanimba
Governor
National Bank of Rwanda

/ s /

James Musoni
Minister of Finance
Ministry of Finance and Economic Planning

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

Memorandum of Economic And Financial Policies (MEFP) of the Government of Rwanda

February 12, 2008

1. Rwanda's medium-term economic program is supported by an arrangement under the Poverty Reduction and Growth Facility over 2006-2009. We are committed to reducing poverty through preserving macroeconomic stability, boosting economic growth, and implementing policies targeted at improving the livelihood of the poor. This memorandum is consistent with the goals established in the new Economic Development and Poverty Reduction Strategy (EDPRS), which was launched in November 2007. The memorandum reviews the recent performance under the program through the third quarter of 2007 and describes the policies for 2008.

I. RECENT ECONOMIC DEVELOPMENTS

2. **Growth remains strong and inflation has abated.** GDP growth is expected to reach about 6 percent in 2007, owing to buoyant activity in the construction and services sectors, despite a fall in agricultural production. The stabilization in food prices has reduced inflation, which declined to 8 percent in October from a peak of 12 percent at end-2006.

3. **The fiscal program has remained broadly on track through September 2007.**

- *Fiscal policy in the first half of 2007 was tighter than programmed because of higher revenues and spending shortfalls.* Revenues overperformed reflecting mostly an increase in collections from income and consumption taxes. With the exception of wages and salaries, spending on all programs was restrained because of delays in finalizing contract documents and procurement processes. Nevertheless, the target on priority spending was achieved. The tighter fiscal stance allowed domestic debt to remain within targeted levels.
- *Spending accelerated in the third quarter of the year and the revenue overperformance continued.* Spending through September was higher than programmed reflecting additional outlays for wages of health and education workers, purchase of seed and fertilizer, and maintenance of the road network. As a result, the target on priority spending was met by a wide margin. However, the end-September indicative targets on domestic fiscal balance, net credit to the government and net accumulation of domestic arrears were missed because of delays in disbursements from the AfDB and the Fast Track Education Initiative. These disbursements were received in the fourth quarter.
- Domestic petroleum prices were adjusted periodically in response to world oil market developments. We remain committed to generating positive revenues from petroleum taxes.

4. **The reserve money targets for end-June and end-September 2007 were met.**

However, monetary management during the third quarter of 2007 was rendered difficult because of the delayed coffee harvest and the back loading of fiscal spending to the second half of the year. The National Bank of Rwanda (NBR) kept sales of foreign exchange in line with program targets and resorted to sterilization using domestic instruments to keep reserve money within the program limits. Broad money accelerated beyond the target.

5. **The Rwandan franc moderately appreciated against the U.S. dollar.** The central bank abolished the foreign exchange (forex) auctions in June and began selling foreign exchange directly to banks at a predetermined reference price (based on price data from the forex interbank market, foreign exchange retail prices, and the previous day's reference price). This triggered an unintended depreciation in July and the central bank subsequently added an adjustment to the pricing formula in August, aiming to gradually appreciate the franc. The move to on-tap sale has enabled NBR to sell more foreign exchange in the second half of the year.

6. **The external current account is expected to improve relative to the program in 2007.** During January-September, exports grew at a faster rate than anticipated, and the overall increase in receipts of mineral exports is projected to more than offset the decline in volumes of coffee exports for the whole year. Imports are projected to remain in line with the program; strong growth was recorded during January-September, particularly in the importation of capital and consumer goods.

7. **Progress was made on the structural front.**

- *Our efforts in public financial management reforms are beginning to show results, and we will continue to accelerate the pace of reforms as we address capacity constraints.* The progress report on financial reporting by budgetary agencies (June 15 benchmark) was published in September. Part of the consolidated execution report of local governments showing transfers and budget execution for districts over the period January to April 2007, was published in July (July 31 performance criterion). The remaining part of the report covering provinces was published in October after the Government of Rwanda received clarification on the PC requirements from the IMF staff. The study on project accounts (end-September performance criterion) and the progress report on the implementation of the Organic Budget Law (end-September benchmark) were published on time in September. The 2008 Financial Bill (annual budget) was prepared in line with the new chart of accounts and revised sector and economic classifications.
- To develop and strengthen the nonbank financial sector, the microfinance bill providing the legal and regulatory framework for *microfinance institutions* was submitted to the Parliament in June (end-June benchmark). An insurance bill was submitted to the Cabinet and we have established a unit in the NBR to supervise non-bank financial institutions. The targeted microfinancial institutions and most banks have complied with the new capital requirements, which are geared at increasing the safety of the financial system, ahead of the January 2008 implementation date. The amendments to the Banking Law were approved by the Parliament in October and we are preparing the related regulations. The lower chamber of Parliament approved the

Anti Money Laundering/Combating the Financing of Terrorism Bill and submitted it to the upper chamber for review.

- The restructuring and reorganization process for the transformation of the Union Banques Populaires du Rwanda (UBPR)—a large microfinance network—into a commercial bank has commenced. We anticipate that the process will be completed in the first quarter of 2008. With the conversion of UBPR into a commercial bank, it will be included in the program definition of reserve money. We are therefore including an adjuster on reserve money in the TMU.
- RwandaTel was sold to Lap Green Networks, a Libyan firm, for a total of US\$100 million (\$50 million down payment was received in November). In line with the program, the proceeds are saved through end-2007 and will be used in the future for investment in information and communications technology, and other priority sectors.
- A number of measures to reduce the cost of doing business were introduced, including through the implementation of the Commercial Justice, Business, and Land Registration Program. The investment climate project, which will assist in implementing the Rwanda Commercial Registration Services Agency, was established in July 2007. Eight business development centers were set up at the district level. The legislation establishing specialized procedures for the commercial courts was approved by the Parliament. This will enable fair and speedy resolution of commercial disputes. A draft Ministerial Decree on land use that provides for procedures regarding land application, allocation and registration will be submitted to Cabinet. The number of procedures required from land application to issuance of a building permit was reduced from 17 to 7. Additionally, we have reduced the number of documents required for exports from 14 to 9 and imports from 19 to 9 in 2007.
- Two structural benchmarks—a comprehensive review of the wage structure of the public sector, and the poverty profile of provinces, districts and communities—were not completed on time. A draft of the former was prepared by October and finalized by year-end. The poverty profile was only produced for the province level because expected external financing to support the other levels did not fully materialize.

II. MEDIUM-TERM STRATEGY

8. **Our medium-term policy agenda will focus on reducing poverty by improving food security and creating social protection schemes, removing impediments to growth, and preserving macroeconomic stability. The policies are based on the Vision 2020 development plan and are further formulated in the new EDPRS.** The main elements include:

- *Enhancing agricultural development and trade* as vehicles to empower the poor by having them participate in economic activity.

- *Removing obstacles to private sector development* to make it the engine of growth. To this end, we will continue building human capital through better health and education, and address skill shortages.
- *Addressing severe infrastructure bottlenecks*, including the insufficient and expensive energy supply, poor road network, our shallow financial system, and the high costs of doing business.
- *Improving the delivery of public services* through better expenditure management, and better analyses and monitoring of the links between policies, growth and poverty reduction. Through better monitoring we will identify worthy programs and projects that can be scaled up.
- *Relying on sustainable financing sources* with an emphasis on grant financing and raising the revenue ratio in the long run.
- Developing on a pilot basis the *grassroots “Umurenge” scheme*. For small villages, Umurenge will consolidate existing social protection schemes toward income generation for food security and build savings for village investments.

While our medium-term macroeconomic framework is based on prudent projections for growth and external assistance, we believe that steadfast implementation of our reform agenda is likely to lead to substantially higher-than-projected growth and we hope that it could facilitate higher levels of external assistance. Moreover, to further improve the policy dialogue with stakeholders and development partners, we will maintain a rolling medium-term expenditure and macroeconomic framework.

Box 1. Alleviating Poverty over the Medium Term

Recent socioeconomic surveys have found that high growth rates have not substantially reduced poverty and that poverty varies noticeably by location.

To address this shortcoming, the EDPRS promotes three main pillars which will serve to (a) prioritize actions, (b) mobilize resources for development, and (c) improve policy implementation through more co-ordinated interventions across sectors:

- *Sustainable growth for employment and exports*; reducing the operational costs of business (including through infrastructure investment), increasing the skills of the labor force, and developing the financial sector.
- *Pro-poor components of the national growth agenda*; improving the productive capacity of the poor in rural areas through a combination of public investment and works, credit packages and direct support.
- *Governance*; empowering citizens through legal and public sector reforms, which will enhance human rights and transparency and accountability in fiscal and regulatory matters.

We are developing a Common Performance Assessment Framework (CPAF) in cooperation with donors to monitor the implementation of the poverty reduction strategy. There will be two types of indicators: (a) indirect process/action indicators, monitoring the progress of reform implementation, and (b) output/performance indicators that are directly linked to the final output. Donors are expected to begin using a subset of these indicators as triggers for their disbursements in 2009.

III. The Program for 2008

9. **Our policies in 2008 will focus on poverty reduction initiatives, lay the base for stronger medium-term growth and continue to safeguard macroeconomic stability.** We expect real growth of 5.5 – 6.5 percent, and possibly 7 percent.¹ We intend to maintain inflation within single digits, and a level of international reserves of about 4½ months of imports. Macroeconomic and structural policies will focus on improving public financial management, developing the financial sector, and growth-enhancing investments and reforms.

10. **The macroeconomic framework for the 2008 program was designed before the recent political crisis in Kenya.** The recent crisis, if prolonged, could have adverse macroeconomic implications for the region, including Rwanda. We will assess the economic implications at the time of the fourth review.

¹ The macroeconomic program is rebased using the new national accounts data prepared by the National Institute of Statistics (NIS). The national accounts have been rebased from 1995 to 2001 and reflect information from the 2005 household survey and an improved statistical methodology that is consistent with international standards.

A. Macroeconomic Program

11. **Managing the domestic demand impact of fiscal policies will lie at the heart of our macroeconomic policies.** Financed by higher aid flows, the domestic deficit (excluding spending on demobilization and peacekeeping) is projected to increase by about 1.7 percent of GDP compared with 2007. Thus, pressures for a real exchange rate appreciation are expected to continue and could be exacerbated by off budget project spending. If grants exceed program projections, we will release the so-called contingent spending (see paragraph 14) only after a careful assessment of macroeconomic conditions in the context of the fourth review under the PRGF.

Fiscal Policy

12. **The objective of our fiscal program is to further improve the living standards of our population and boost productivity.** The 2008 budget allows for an increase in investment spending financed by a scaling up of aid flows. Prudent management of aid must be consistent with the single-digit inflation objective, and must focus on preventing a crowding out of the private sector and building up costly domestic debt. Should the domestic debt target be exceeded, this would signal that the spending increase was too rapid, forcing the NBR to resort to sterilization of the liquidity impact from the additional spending through domestic asset sales. In this case, the Ministry of Finance would adopt a more gradual approach in releasing the domestic component of the budget in the following month. The fiscal program will be reviewed at the time of the fourth review under the PRGF, in light of developments in key macroeconomic indicators in 2007.

13. **On the revenue front, we will increase the revenue-to-GDP ratio by 0.2 percentage points to 13.7 percent of GDP.** Should unanticipated revenue losses arise, we will implement offsetting measures—including increasing fees and charges—so that the 2008 revenue target can be attained. Our measures aimed at widening the tax base are described in paragraph 16. To support the revenue target, no further tax exemptions will be granted and the existing ones will be carefully managed.

14. **Spending will increase by about 2 percent of GDP, with a larger share targeted at priority spending.²** We will dedicate more resources to public infrastructure—to strengthen private sector led growth, especially in the rural areas—and to agriculture, education, health, electricity, and water. We have ensured that expenditures are not underbudgeted in the 2008 budget, and we will execute the fiscal spending in line with the budget. Should additional grants materialize, we will assess, in the context of the fourth PRGF review, whether it is possible to release contingent spending of about 0.5 percent of GDP for priorities and nonpriorities. Below we outline the main issues regarding key spending areas:

² Spending measured as total expenditure and net lending excluding Rwandatel privatization proceeds.

- *Food security.* Given uncertainties related to weather conditions, the program continues to include an adjuster allowing an increase in the deficit and a commensurate reduction in net foreign assets for food imports related to a food emergency.
- *Priority spending.* Priority spending, excluding the contingency, will increase by about 2 percent of GDP. Priority spending will focus in particular on agriculture, health, education, export promotion, infrastructure and energy.
- Spending in *education* will increase by about 0.6 percent of GDP. Most of this will go toward improving delivery of primary education through the capitation grant and purchase of education materials. Special emphasis is also placed on training and skills development; allocations have been made to establish three vocational training centers.
- To address the issue of *limited and insufficient energy*, we are in the process of constructing eight micro hydro dams, have begun the construction of the Rukarara hydro dam and are considering another at Nyaborongo. We are also rehabilitating the infrastructure to improve efficiency in the transmission and distribution of electricity, and are expanding the electricity grid system. Due to unforeseen circumstances, the heavy fuel generator will become operational during the first quarter of 2009 and not at end-2007 as envisaged earlier. Consequently, we will continue to subsidize Electrogaz (0.5 percent of GDP) for costs related to the rental of generators and fuel costs.
- With the help of donors, we are focusing on providing *adequate health services*. To avoid a repeat of the underbudgeting that occurred in 2007, the budget accommodates an increase of 0.6 percent of GDP in health spending. This will finance programs to improve primary health care by hiring qualified staff, financing of the ‘mutuelle scheme’ and purchase of drugs. In the first quarter of 2008 we will undertake a comprehensive review of the health sector to identify priorities and to better understand the financing requirements of the sector.
- The budget includes an allocation of about 0.3 percent of GDP to finance *parliamentary elections* in 2008.

Text table 2. Priority spending
(In percent of GDP)

	2007	2008
	w/o cont.	w/o cont.
Priority	11.4	13.4
<i>Of which:</i>		
Agriculture, land, and water	1.3	1.3
Health	1.4	2.0
Education	4.1	4.6
Infrastructure and energy	2.0	2.4
Export and investment promotion	0.3	0.3
Internal security	0.5	0.7
Decentralization	1.0	0.8
Other	0.9	1.2

Sources: Rwandese authorities and IMF staff

Other Spending

- *AU peace keeping in Darfur.* We will continue to monitor the costs associated with our peace keeping activities. The Auditor General will publish by end-May 2008 an audit of the spending in 2007.
- *Military spending* will remain at about 2 percent of GDP.

15. **We are placing special emphasis on infrastructure investment that should help alleviate bottlenecks to private sector growth.** We are focusing on the priority sectors outlined in the EDPRS. We will explore different sources of financing, including donor support, our own privatization receipts, and external borrowing. We will develop these plans in the context of sector development strategies in close consultation with our development partners. To avoid reaccumulating unsustainable levels of debt, we will prepare and implement a debt management strategy (see paragraph 17).

- *Energy.* We are considering the Nyaborongo hydro dam, which would increase our current electricity production by over 50 percent from the current level of 50MWh. The construction and transportation cost of this 4-year project is expected to be \$106 million.³ The World Bank is conducting an assessment of the economic and financial viability of the project. The project could begin in 2008, once total financing has been identified, provided that the viability assessment is favorable. We will institute measures to ensure that construction conforms with our laws governing social and environmental impact issues. We have identified US\$80 million in financing from

³ There is an additional US\$14 million in costs associated with project supervision and environmental protection.

the Exim Bank of India on terms that are less concessional (41 percent) than the 50 percent required under the program. We have explored various financing options, but have been unable to secure more concessional financing. If we decide to proceed with the project, taking into account its importance for reducing energy shortages—one of the main bottlenecks to private sector growth—we intend to request a modification of the program to accommodate this borrowing at the time of the fourth review.

- *Information and communication technologies (ICT).* We envisage investing a portion of the proceeds from privatization of RwandaTel in the ICT sector. The objective of the project is to provide a robust nationwide broadband backbone using fiber optics to (i) strengthen the delivery of social services in rural areas, especially in health and education, (ii) improve efficiency in the way local government operates, including through strengthening information sharing and coordination between local and central governments, particularly in public financial management and M&E; and (iii) provide infrastructure for the Electrogaz modern network management system. Over time it is expected that the availability of this ICT backbone will also provide a platform to induce new economic activity, especially in previously underserved rural areas. The 2008 budget includes US\$15 million for extension of the network of fiber optic cables to districts. The project will be completed in 2009.
- *Agriculture.* We are in the process of preparing a 3-year investment project in agriculture that focuses on land-husbandry, water harvesting and hillside-irrigation. The World Bank will assess the economic and financial feasibility of the project, and we will consider proceeding with the project only if this assessment is favorable. The preliminary cost estimate of the project is US\$100 million. We will explore all possible sources of financing, including grants and concessional borrowing from our development partners. To mitigate the future debt burden, we also intend to use some of the receipts from the privatization of RwandaTel for the partial financing of this project.

Fiscal structural reforms

16. **We plan to improve the efficiency of tax administration to widen the tax base and raise the tax-to-GDP ratio over the medium term.** The measures that we will introduce are in line with the recommendations made by the technical assistance mission on tax administration from the IMF's Fiscal Affairs Department, and the study by Deloitte & Touche. These efforts will focus on two broad areas:

- *Widening the domestic tax base.* The revenue authority is developing a comprehensive compliance program designed to identify risks of noncompliance. Execution of the program includes enhancing the SIGTAS computer system to strengthen information analysis and, undertaking risk based audits. We will develop by June 30, 2008, a comprehensive program for the medium-sized taxpayers (benchmark), expanding the segment to include all taxpayers above the RF20 million VAT threshold. This is expected to increase the number of taxpayers in this segment from 200 to 900. We will

also improve service delivery to our taxpayers, for example, by refunding VAT claims promptly and enforcing tax regulations consistently.

- *Facilitating trade.* Our objective is to provide an efficient service to the private sector. As an important step, we will implement by June 30, 2008 an expedited clearance scheme (super green/gold card) for compliant importers contributing between 40 and 60 percent of import value (benchmark).

17. The government is in the process of designing a new medium-term action plan for public financial management (PFM) reform for 2008-2010. We expect the action plan to be finalized and approved by June 30, 2008 (performance criterion), and it will be based on assessments in the public expenditure and financial accountability (PEFA) review that was completed recently. The PFM Action Plan should include the following elements:

(a) identification of the weaknesses of the current system, (b) a medium-term strategy to address these weaknesses, (c) the details of each specific component (description of activities, outputs, indicators, and responsibilities), (d) the expected outcomes at the end of the reform period, (e) the perceived risks and obstacles and how these will be addressed, (f) institutional implications, (g) interaction with other reforms (decentralization, civil service reform), (h) program management, funding, oversight, reporting, auditing, and review. Recognizing that a strong PFM system is important for the monitoring of financial resources provided through budget support, we will elaborate the plan in close consultation with development partners. Actions in 2008 will support human and institutional capacity building, the implementation of an integrated financial management information system, the reinforcement of the medium-term expenditure framework, and the completion of a debt management strategy. The action plan for 2008 will include measures in the following areas:

- **Public accounts and budget execution.** We will produce the execution reports of central government's transfers to local governments per program per district for July-December 2007 by March 31, 2008 and for the period January-June 2008 by September 30, 2008. We will prepare the consolidated fiscal report for 2007, including the central government, local governments, autonomous agencies, and extra-budgetary funds by June 2008.

Budget Preparation. We will produce an operational manual for the medium-term expenditure framework by June 30, 2008 (performance criterion). The MTEF operational manual should explain the principles of priority setting and describe the main agents and the key steps in the budget preparation process, including the links connecting the macroeconomic framework, the macro-budgetary framework, and sectoral strategies.

- **Debt Management.** We will develop and publish a debt management strategy with clear limits for loans and guarantees that are consistent with the provisions in the Organic Budget Law by November 30, 2008 (benchmark). We will produce a draft to be submitted to the IMF for joint quality review.
- **Internal audit.** We will publish internal audit manuals by June 30, 2008.

- **Information and Communication Technology.** To facilitate the implementation of an integrated financial management information system (IFMIS), we will complete an IFMIS strategy by November 2008.
- **Public Procurement.** We will complete a strategic plan for procurement, capacity building, and retention by October 2008.

Monetary and Exchange Rate Policy

18. **To prevent the scaling up of spending from fueling inflation, the NBR will maintain a tight monetary policy.** It will continue to monitor inflation, government spending and private sector credit and will stand ready to tighten the monetary stance, if needed.
19. **The NBR will continue to use reserve money as the operational target to control inflation.** To reduce average inflation to about 7 percent, it will limit year-end reserve money growth to 14 percent, which would create sufficient room for an expansion of credit to the private sector. The NBR will continue to follow closely inflationary developments and mop up excess liquidity, in particular through sales of foreign exchange.
20. **We will allow more flexibility in the exchange rate.** Acknowledging that an increase in spending from higher aid flows in 2008 is likely to result in further pressures for a real exchange rate appreciation, we will forcefully implement our intervention strategy. We will allow nominal appreciation by raising foreign exchange sales while smoothing short-term market fluctuations. This will ensure that the execution of the 2008 budget does not rekindle inflation or crowd out private investment. We will be guided by the recommendations of a forthcoming technical assistance mission from the IMF's Monetary and Capital Markets Department in our efforts to revitalize the foreign exchange market. This should enable us to step up foreign exchange sales.
21. **The NBR will improve liquidity management.** We recognize the limitations of overnight and 7-day instruments for money market operations. In this regard, we will reintroduce 4-week instruments and establish repurchase agreement operations ranging from 1 to 90 days in 2008. We will aim to restore interest rates for these instruments to positive levels in real terms. These changes will be done gradually and will be communicated to the financial sector in a timely manner so as to avoid disruptions in the financial markets arising from asymmetric information.
22. **We commit to formalizing the existing Treasury Management Committee (TMC).** The TMC has been holding informal weekly meetings between the MoF and NBR to coordinate fiscal and monetary policy. It has provided an analytical platform to both institutions to refine policy implementation and forecasts.

External Sector

23. **Owing to the increase in fiscal spending, we expect the external current account deficit (excluding official transfers) to widen to about 20 percent of GDP (about 4 percent of GDP greater than 2007).** Export receipts are projected to grow by at least 12 percent, driven mainly by increased volumes of traditional exports (particularly coffee) and continued growth in the tourism industry. The expected increase in imports by about 30 percent stems from an expansion in the fiscal deficit, the withdrawal of projects accounts, the commencement of the new energy project, and buoyant private sector activity.

24. **The implementation of debt relief under the enhanced HIPC Initiative is at an advanced stage.** In addition to IMF, IDA and AfDB, completion point and topping up assistance has been provided by BADEA and the OPEC Fund. IFAD, the Kuwait Fund, Fund, the Saudi Fund and the EU have already provided completion point assistance. Bilateral agreements have been signed with all Paris Club creditors. Regarding non-Paris Club creditors, China has cancelled all outstanding loans totaling about US\$32m, while Saudi Arabia and Kuwait indicated the possibility of future debt relief. Debt owed to Libya and the Abu Dhabi Fund continues to be in technical arrears.

25. **Preparations for joining the EAC Customs Union intensified.** Rwanda became a member of the East African Community on July 1, 2007. The necessary provisions for entrance into the custom union will be completed by June 2009. Laws requiring amendments have been identified. The list of sensitive products and raw materials as exemptions to the common external tariff has been compiled, while a study to determine the anticipated revenue loss is being undertaken. Rwanda has signed an interim agreement with the European Union to continue negotiations on an EPA. This interim agreement is in line with the EAC common position.

B. Structural Policies

26. **The focus on the structural side will remain on enhancing the productivity of the agricultural and export sectors and improving the conditions for the private sector.**

Export promotion

27. **Our export promotion strategy will continue to focus on enhancing the productivity in the traditional sectors and diversifying our export base.**

- **Coffee.** To improve yields, use will be made of industrial fertilizers and pesticides, for which training will be provided to farmers. To increase value added, the number of washing stations will be further increased, while existing stations are being made more efficient through increased training, improved water supply and upgrade of feeder roads. A Coffee Marketing Alliance will be established to improve marketing.
- **Tea.** To increase export volume and quality, efforts aimed at improving harvesting methods and expanding nursery beds and tea plantations will be intensified. To increase value added, a blending industry will be established, while efforts at direct marketing will be intensified to improve market prices.

- **Tourism.** A tourism master plan will be developed with the assistance of the World Tourism organization. Commencing in 2008, substantial inflows of FDI are expected in tourism related activities. This includes construction of a convention centre financed mainly by LAP Libya, and a golf hotel and executive suites financed by Dubai World.
- **Export Processing Zone (EPZ).** Rwanda's Free Zone Company Ltd. was established to fast track implementation of the EPZ. Expropriation of the land is now complete and technical studies are expected to be completed in early 2008.

Financial sector

28. **The agenda for medium-term financial sector reform is based on our Financial Sector Development Plan, which was discussed with donors in early 2007.** Our plans for 2008 include the following:

- **Modernizing the national payments system.** The draft decree for the establishment of the National Payments Council has been submitted to Cabinet for approval and will be constituted by June 30, 2008. It will be tasked with the responsibility for developing and implementing a National Payment Systems strategy to develop basic payments services targeted at the community at large, based primarily on electronic transfers. The NBR, in consultation with the East AFRITAC, has initiated the exercise and expects completion of the strategy by September 30, 2008 (benchmark).
- **Developing long-term finance and capital markets.** The Capital Market Advisory Council will operate as a self-regulatory organization and oversee an over-the-counter debt and equities market. We will pursue a number of initiatives to establish a robust legal, regulatory, and market infrastructure for securities over the medium term. We plan to inaugurate a government bond market by the first quarter of 2008 to establish a yield curve using one, two, three, five and seven year treasury bonds. Other operations for 2008 include the establishment of a corporate bond market.
- **Contractual savings and investments.** We plan to enact a Private Pension and Mutual Fund law to further strengthen the legal and regulatory framework to support the development of a market for (a) the contractual savings industry and (b) long-term saving and investment instruments.

Cost of doing business

29. **We will make further efforts toward improving the business climate and removing obstacles to business development.** The Rwanda Commercial and Registry Services will be made operational. The agency will provide a comprehensive registration system aimed at improving business registration, securitization of assets, and registration of intellectual property rights. The office of the Registrar of Land Titles will become operational in 2008, thereby simplifying the land registration process.

IV. Program Monitoring

30. **Conditionality and program reviews.** The fourth review under the PRGF arrangement, scheduled for completion by June 2008, will review quantitative performance as of end-December 2007, and structural conditionality through end-December 2007. The third year of the PRGF-supported program will be monitored through quantitative performance criteria for end-June and end-December 2008 and indicative targets for end-March and end-September 2008, as well as quarterly quantitative indicators. We have also set structural conditionality in tax administration, public expenditure management, and financial sector reforms (Table 4). The fifth and sixth program reviews will be completed no later than end-November 2008 and end-May 2009 respectively.

31. **Technical memorandum of understanding (TMU).** The attached TMU lays out the details of the program design and terminology. We have maintained the broad design of the program for 2007, but have added an adjustor to reserve money with respect to inclusion of UBPR as a commercial bank and have simplified the adjusters relating to aid shortfalls, to help insulate the budget in the event of minor deviations in aid flows.

Table 1. Rwanda: Quantitative Performance Criteria and Benchmarks for 2007
(RF billions, unless otherwise indicated)
(Quantitative benchmarks* and performance criteria on test dates**)

	Mar.*	Jun.**	Sep.*	Dec.**
Benchmarks and performance criteria				
Net foreign assets of the NBR (floor on stock) ¹				
Actual (program exchange rate)	289.3	268.2	294.7	...
Adjusted program	238.2	234.7	196.5	...
Program	208.1	244.3	206.8	179.3
Reserve money (ceiling on stock) ²				
Actual	78.4	81.8	87.4	...
Program	72.4	83.0	88.1	87.9
Net credit to the government (ceiling on flow) ³				
Actual	22.1	-45.4	-9.5	...
Adjusted program	-11.5	-28.1	-19.4	...
Program	-11.5	-37.7	-25.7	4.7
Domestic fiscal balance (floor on flow) ^{3, 4}				
Actual	-21.5	-35.2	-79.6	...
Adjusted program	-21.1	-53.9	-65.7	...
Program	-21.1	-64.9	-70.6	-98.7
Total priority spending (floor on flow) ^{3, 4}				
Actual	41.6	87.7	152.3	...
Adjusted program	33.1	81.2	123.6	...
Program	38.6	86.7	132.4	181.1
New nonconcessional external debt ⁵				
Actual	0.0	0.0	0.0	...
Program	0.0	0.0	0.0	0.0
New external payment arrears (ceiling on stock) ^{5, 6}				
Actual	0.0	0.0	0.0	...
Program	0.0	0.0	0.0	0.0
Short-term external debt (ceiling on stock) ⁷				
Actual	0.0	0.0	0.0	...
Program	0.0	0.0	0.0	0.0
Net accumulation of domestic arrears (ceiling on flow) ³				
Actual	-1.6	-3.9	3.6	--
Program	-1.6	-3.9	-5.4	-7.0
Indicative targets				
Broad money (ceiling on stock) ¹				
Actual	277.3	306.1	331.8	...
Program	254.5	297.7	305.3	312.4
Extended broad money (ceiling on stock) ¹				
Actual	324.7	356.7	388.7	...
Program	290.9	346.2	355.0	363.3
Net Present Value of the Stock of Outstanding Debt (Millions of US\$) ⁸				
End-December 2007--Actual		194.0		194.0
End-December 2008--Actual		...		...
End-December 2009--Actual		...		...
End-December 2007--Program		200.4		200.4
End-December 2008--Program		239.8		239.8
End-December 2009--Program		279.0		279.0
Ceiling on stock of domestic debt ⁹				
Actual		165.3	180.0	--
Adjusted program		184.8	188.5	--
Program		175.2	187.1	185.1
Memorandum items:				
General budget support (Millions of US\$) ^{4, 10}				
Received	5.8	159.5	177.7	--
Expected	65.2	186.5	193.0	196.6
Of which: budget support grants (received)	5.8	159.0	175.4	--
Of which: budget support grants (expected)	65.2	186.5	193.0	196.6
Budgetary "baseline grants" (TMU, para. 9) ¹⁰	60.2	176.5	178.0	176.6
Revised domestic fiscal balance (excluding AU, demob and food) ¹¹		-43.3	-65.1	-93.2

Sources: Rwandese authorities and IMF staff estimates and projections.

¹ At the program exchange rate of RF 549.9/US\$ for 2007.

² Targets are calculated as an arithmetic average of the stock of reserve money on the last day of each calendar month in the quarter. Program projections are done quarterly. To derive the monthly figures, seasonality factors and a trend are applied to the quarterly projections. The seasonality factors are derived by applying the X11 filter to currency in circulation over 2002:06 (the factors were robust with respect to different time periods). The seasonality factors were 0.93 for April, 0.96 for May, 1.01 for June, 1.0 for July, 0.98 for August, 0.96 for September, 0.94 for October, 0.94 for November and 1.0 for December.

³ Numbers are cumulative from December 31, 2006.

⁴ The domestic fiscal balance targets will be adjusted by the amount of grants exceeding or below programmed grants with the adjusters as specified in the TMU of January 10, 2007, and paragraph 3 of the TMU of June 7, 2007. Also the priority spending targets will be adjusted by the amount of grants exceeding or below programmed grants.

⁵ This is a continuous performance criterion.

⁶ Excludes arrears on obligations that are subject to rescheduling.

⁷ Ceiling on the stock of external debt (excluding normal imported-related credits) owed or guaranteed by the central governments, local government, or the NBR with original maturity of up to, and including one year.

⁸ Figures indicate the NPV projections based on debt contracted at the test date.

⁹ Numbers show end of period stocks, at the end of 2006 the stock stood at RF 189.6 billion.

¹⁰ Excluding external donor financing for demobilization and peacekeeping.

¹¹ Used for the calculation of the adjuster on the indicative limits on domestic debt.

Table 2. Rwanda: Quantitative Performance Criteria and Benchmarks for 2008
(RF billions, unless otherwise indicated)
(Quantitative benchmarks* and performance criteria on test dates**)

	2008			
	Mar.*	Jun.**	Sep.*	Dec.**
Benchmarks and performance criteria				
Net foreign assets of the NBR (floor on stock) ¹				
Actual (program exchange rate)				
Adjusted program				
Program	257.5	321.8	314.8	275.7
Reserve money (ceiling on stock) ²				
Actual	...	...	...	...
Adjusted program				
Program	98.0	100.8	105.2	105.1
Net credit to the government (ceiling on flow) ³				
Actual				
Adjusted program				
Program	47.5	-27.1	-25.1	9.7
Domestic fiscal balance (floor on flow) ^{3, 4}				
Actual	...			
Adjusted program				
Program	-42.4	-62.0	-102.4	-146.9
Total priority spending (floor on flow) ^{3, 4}				
Actual				
Adjusted program				
Program	57.3	128.4	201.7	275.1
New nonconcessional external debt ⁵				
Actual				
Program	0.0	0.0	0.0	0.0
New external payment arrears (ceiling on stock) ^{5, 6}				
Actual				
Program	0.0	0.0	0.0	0.0
Short-term external debt (ceiling on stock) ⁷				
Actual				
Program	0.0	0.0	0.0	0.0
Net accumulation of domestic arrears (ceiling on flow) ³				
Actual				
Program	-3.0	-4.0	-5.5	-7.0
Indicative targets				
Broad money (ceiling on stock) ¹				
Actual				
Program	365.9	382.0	383.2	416.5
Extended broad money (ceiling on stock) ¹				
Actual	--	--	--	--
Program	425.5	444.1	445.6	484.3
Net Present Value of the Stock of Outstanding Debt (Millions of US\$) ⁸				
End-December 2007--Actual		194.0		194.0
End-December 2008--Actual				
End-December 2009--Actual				
End-December 2007--Program		200.4		200.4
End-December 2008--Program		229.0		229.0
End-December 2009--Program		300.0		300.0
Ceiling on stock of domestic debt ⁹				
Actual				
Adjusted program				
Program	208.6	196.4	193.7	198.6
Memorandum items:				
General budget support (Millions of US\$) ^{4, 10}				
Received				
Expected	1.7	175.1	246.7	277.2
Of which: budget support grants (received)				
Of which: budget support grants (expected)	1.7	175.1	246.7	277.2
Baseline privatization receipts (RF billion)	...	3.5	3.5	3.5

Sources: Rwandese authorities and IMF staff estimates and projections.

¹ At the program exchange rate of RF545/US\$ for 2008.

² Targets are calculated as an arithmetic average of the stock of reserve money on the last day of each calendar month in the quarter. Program projections are done quarterly.

³ Numbers are cumulative from December 31, 2006.

⁴ The domestic fiscal balance targets will be adjusted by the amount of grants exceeding or below programmed grants with the adjusters as specified in the TMU of January 10, 2007, and paragraph 3 of the TMU of June 7, 2007. Also the priority spending targets will be adjusted by the amount of grants exceeding or below programmed grants.

⁵ This is a continuous performance criterion.

⁶ Excludes arrears on obligations that are subject to rescheduling.

⁷ Ceiling on the stock of external debt (excluding normal imported-related credits) owed or guaranteed by the central governments, local government, or the NBR with original maturity of up to, and including one year.

⁸ Figures indicate the NPV projections based on debt contracted at the test date.

⁹ Numbers show end of period stocks, at the end of 2006 the stock stood at RF 189.6 billion.

¹⁰ Excluding external donor financing for demobilization and peacekeeping.

Table 3. Rwanda: Structural Conditionality, 2007

Public expenditure management			
Issue draft accounting instructions, forms, and procedures for budget users.	December 31, 2006	Benchmark	Not met. Implemented in May 2007.
Complete progress report on financial reporting by budgetary agencies (line ministries, provinces, autonomous agencies). Agencies are expected to produce the following monthly financial reports: (i) bank reconciliation statement; (ii) budget execution reports, and (iii) statements of revenue and expenditure.	June 15, 2007	Benchmark	Not met. Completed in September 2007.
Publish on the Ministry of Finance's website the first consolidated execution report of local governments showing transfers and budget execution per major line items per district and per province for the period January-April.	July 31, 2007	Performance Criterion— for the completion of the third review	Not met. Report covering districts only published on July 31, 2007. Report on provinces published in October 2007.
Complete and publish on the Ministry of Finance's website a study on project accounts (for projects listed in paragraph 46 of the TMU) at the NBR (1) showing annual budgets with donor disbursements and spending for 2004-2006 as well as quarterly projections (including a breakdown into imports and the domestic component) for July 2007-June 2008; and (2) providing an analysis of the causes for the large accumulation of the specific project accounts since January 1, 2004.	September 30, 2007	Performance Criterion— for the completion of the third review	Met.
Publish on the Ministry of Finance's website the progress report on the implementation of the Organic Budget Law.	September 30, 2007	Benchmark	Met.
Civil service reform			
Undertake a comprehensive review of the wage structure of the public sector, including fringe benefits and wages included in transfers to local governments.	September 30, 2007	Benchmark	Not met. Completed in October 2007
Private sector development			
Make operational the Office of the Registrar of Land Titles.	October 31, 2007	Benchmark	Met.
Poverty reduction			
Produce a poverty profile of provinces, districts, and communities of Rwanda using the results of the census and the household living conditions survey.	September 30, 2007	Benchmark	Not met. Report was produced for provinces only.
Financial sector			
Submit to Parliament a micro finance law to bring the legal framework for microfinance broadly in line with the Guiding Principles on Regulation and Supervision of Microfinance Institutions as published by the Consultative Group to Assist the Poorest.	June 30, 2007	Benchmark	Met.
Agricultural sector			
Adopt and publish a national fertilizer distribution strategy.	February 28, 2007	Benchmark	Not met. Implemented in April 2007.

Table 4. Rwanda: Structural Conditionality, 2008

Public Expenditure Management	Target date	Type of condition	Macro Rationale
Complete and publish on MINECOFIN website a revised PFM reform action plan for 2008-2010, as specified in paragraph 17 of the MEFP.	June 30, 2008	Performance criterion	To provide a structured, prioritized and sequenced framework for strengthening PFM and hence fiscal control. The plan would facilitate mobilization of TA and other resources in support of the reforms.
Produce and publish on the MINECOFIN website the MTEF operational manual, as specified in paragraph 17 of the MEFP.	June 30, 2008	Performance criterion	To reinforce the MTEF process and facilitate and harmonize the preparation of the MTEF by sectoral ministries, thereby improving the coordination and management of the budget over the medium term.
Develop and publish on the MINECOFIN website a debt management strategy (DMF) with clear limits for loans and guarantees that are consistent with the provisions in the Organic Budget Law.	November 30, 2008	Benchmark	To provide guidance for future borrowing decisions and prevent the reaccumulation of unsustainable debt.
Tax Administration			
Develop and publish on the RRA website a comprehensive compliance program which identifies key compliance risks associated with the large, medium, and small taxpayer segments, together with a description of the planned RRA initiatives to address the identified risks based on risk analysis.	June 30, 2008	Benchmark	To raise efficiency of tax collection, improve overall tax compliance, and widen the tax base, thereby reinforcing fiscal sustainability over the medium term.
Implement an expedited clearance scheme (super green/gold card) for <i>compliant</i> importers contributing a cumulative 60 percent of import taxes.	June 30, 2008	Benchmark	To reduce customs clearance time, improve the level of trade facilitation, and reduce inventory costs, thereby facilitating private sector development.
Financial Sector			
Publish on the NBR's website a national payments strategy to improve the payments infrastructure and address the development of basic payment services in Rwanda.	September 30, 2008	Benchmark	To promote the development of a stable financial system by reducing high transaction costs for businesses, and financial risks in payment clearance and settlements.

RWANDA—TECHNICAL MEMORANDUM OF UNDERSTANDING

February 12, 2008

1. This technical memorandum sets out the definitions for quantitative targets under which Rwanda's performance will be assessed and provides specifics on areas of structural conditionality. Monitoring procedures and reporting requirements as well as other program definitions are also specified.

I. Quantitative Program Targets

2. Performance criteria for June 30, 2008 and December 31, 2008 as well as indicative targets for March 31, 2008, and September 30, 2008 are proposed to be established with respect to:

- floors on the domestic fiscal balance of the central government (DFB);
- ceilings on the net credit to the central government (NCG);
- floors on priority spending;
- ceilings on the net accumulation of domestic arrears of the central government;
- floors on the Net Foreign Assets (NFA) of the National Bank of Rwanda (NBR);
- ceilings on reserve money; and
- ceilings on the outstanding stock of external debt with original maturities of one year or less owed or guaranteed by the public sector.

3. Performance criteria that are applicable on a continuous basis are proposed to be established with respect to the ceilings on new external payment arrears of the public sector and new nonconcessional debt of the public sector.

4. Indicative targets are proposed to be established

- for end-March 2008, end-June 2008 end-September 2008, and end-December 2008, for ceilings on broad money and extended broad money;
- for end-June 2008, and end-December 2008, for ceilings on the contracting or guaranteeing of concessional external debt.
- for end-March 2008, end-June 2008 end-September 2008, and end-December 2008 for ceilings on the consolidated domestic debt of the public sector.

A. Institutional Definitions

5. The **central government** comprises the treasury and line ministries.
6. The **public sector** comprises the central government, local governments, public enterprises (including Electrogaz, Ocircafé, Ocirthé, Prime Holdings, and ONP), and the NBR.

B. Targets related to the Execution of the Fiscal Program

Domestic Fiscal Balance of the Central Government (DFB)

7. A floor applies to the DFB, which is measured cumulatively from December 31, 2007 for the end-March 2008, end-June, 2008, end-September 2008 and end-December 2008 targets.
8. **Definition.** The domestic fiscal balance (Table 2 of the MEFP) is defined as domestic revenue (excluding grants) minus domestic spending. Domestic spending is defined as current expenditure (excluding external interest due, spending related to Rwandese troops involved in the UN peace-keeping efforts, and spending related to the World Bank-led demobilization and reintegration program) plus domestically-financed capital expenditure on a payment order basis, plus net lending.
9. **Adjusters.**
 - The floor on the DFB will be *adjusted downward* (i.e., the deficit target will be increased) in the context of a review with Fund staff, by the amount of the cumulative positive difference between actual and programmed budgetary grants (defined in Table 2 of the MEFP), up to a maximum of RF 11 billion, **IF** this review establishes that a further fiscal expansion would not lead to a rekindling of inflation or an undue increase in domestic debt. The increase in the deficit would be used for contingent spending, a list of which is provided in Table 1. Budgetary grants include HIPC Initiative-related grants,¹ but exclude grants related to AU peace keeping activities and for the demobilization program as well as capital grants related to the development budget. Quarterly programmed budgetary grants are also provided in Table 2 of the MEFP.
 - The floor on the DFB will be *adjusted upward* (that is, the deficit target will be reduced) by the amount of any shortfall between actual and programmed budgetary

¹ HIPC grants exclude debt relief from IDA and the AfDB.

grants (defined in Table 2 of the MEFP) which exceeds the equivalent of US\$24 million, evaluated in Rwanda francs at the program exchange rate.

- The floor on the DFB will be *adjusted downward* (i.e., the deficit target will be increased) by the amount of expenditure deemed integral to a specific privatization operation (to be recorded under net lending) IF the difference between privatization revenue and this expenditure is positive (see also paragraph 13).
- The floor on the DFB will be *adjusted downward* (i.e., the deficit target will be increased) by the amount of expenditure for food imports in the case of a food emergency (see also paragraphs 13 and 24).

10. **Reporting requirement.** Data on the DFB and its adjusters will be transmitted, with detailed explanations, on a monthly basis within four weeks of the end of each month.

Net Credit to the Central Government (NCG)

11. A ceiling applies to the NCG, which is measured cumulatively from December 31, 2007 for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets.

12. **Definition.** For program monitoring purposes, the NCG will be calculated as the change from end-December 2007 of net credit from the banking system and the change of holdings of treasury bills and other government securities by the nonbank sector. Net credit from the banking system is defined as the difference between:

- credit to government from the banking system, including credit to central government, provinces and districts, outstanding consolidated central government debt instruments; including government debt to the NBR incurred as a result of the 1995 devaluation (Rf 9 billion) and the overdraft to the prewar government (Rf 2 billion); and
- total government deposits with the banking system of the central government, including the main treasury account, line ministries, the fund for assistance to genocide survivors, Rwanda Revenue Authority, the electoral commission, the demobilization commission, fonds routier, the privatization account, and any other of the 15 autonomous agencies. Thus, this definition excludes any government deposits, over which the central government does not have any direct control (i.e., for project accounts, counterpart funds and *fonds publics affectés*).² In particular, NCG is not affected by credit to or deposits of public enterprises and autonomous public agencies.

² The target excludes any transfers from the deposits over which the government has limited control into other government deposits.

13. **Adjusters.**

- The ceiling on NCG will be *adjusted upward* by the amount of any shortfall between actual and programmed budgetary grants (defined in Table 2 of the MEFP). This adjustment will be capped at the equivalent of US\$24 million, evaluated in Rwanda francs at the program exchange rate.
- The ceiling on the NCG will be *adjusted downward* by the amount of privatization revenue in excess of programmed amounts, as defined in Table 2 of the MEFP, less any expenditure deemed integral to the privatization operation, provided that the excess revenue is positive net of such expenditure.
- The ceiling on the NCG will be *adjusted upward* by the amount of expenditure for food imports in case of a food emergency (see also paragraph 9 and 24).

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

Priority Expenditure

15. A floor applies to priority spending of the central government, which is measured cumulatively from December 31, 2007 for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets.

16. **Definition.** Central government priority spending is defined as the sum of those recurrent expenditures, domestically-financed capital expenditures, and net lending that the government has identified as priority in line with the PRSP process. The definition of priority expenditures is based on the program classification of the annual budget. Table 2 provides a summary of the SIBET output³ and a list of the main programs.

17. **Adjuster.** The floor will be adjusted (*upward or downward*) by an amount equal to half of any adjustment in the DFB floor as specified in paragraph 9.

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

³ The computerized SIBET expenditure management system tracks priority spending at the program level.

Net Accumulation of Domestic Arrears of the Central Government

19. A ceiling applies to the net accumulation of domestic arrears of the central government, which is measured cumulatively from December 31, 2007 for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets.⁴

20. **Definition.** The net accumulation of arrears is defined as the difference between the gross accumulation of new domestic arrears (measured as the difference between payment orders and actual payments related to payment orders issued) and gross repayment of any arrears outstanding on December 31, 2007 (including repayment of float in 2007 and the repayment of older arrears).

21. **Reporting requirement.** 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.

Domestic debt of the central government and the National Bank of Rwanda (DD)

22. A ceiling applies to the DD for the end-June 2008, end-September 2008, and end-December 2008 targets.

23. **Definition.** Domestic debt of the central government and the National Bank of Rwanda includes the stock of treasury bills for government financing at coupon value, plus government borrowing from public enterprises (FinaBank formerly Bank Continental Africaine du Rwanda, Bank Commerciale du Rwanda, Bons de Developpement, Credit Savings Scheme, Caisse Social du Rwanda, OCIR-Thé; and rescheduling of old arrears) plus the stock of treasury bills issued for monetary policy, plus any one-day or one-week deposits of commercial banks at the central bank excluding excess and required reserves.⁵

24. Adjusters

- To allow for sterilization of a grant-financed reduction in the domestic fiscal balance (increase in the deficit), the ceiling on domestic debt will be adjusted *upward* by one-third of any reduction in the floor on DFB provided for in paragraph 9.
- In the case of a shortfall in grants, for which an automatic adjuster would increase the limit on net credit to government, the ceiling on domestic debt will be adjusted *upward* by the same amount as the increase in the ceiling on net credit to government.

⁴ A negative target thus represents a floor on net repayment.

⁵ T-bill holdings of the NBR are excluded because this is the consolidated debt of the central government and the NBR.

25. **Reporting requirement.** Data on domestic debt will be transmitted on a monthly basis within four weeks of the end of each month.

C. Targets for Monetary Aggregates

Net Foreign Assets of the National Bank of Rwanda (NFA)

26. A floor applies to the NFA of the NBR for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets.

27. **Definition.** NFA 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 NBR net of its external liabilities. Pledged or otherwise encumbered reserve assets are to be excluded; such assets include, but are not limited to, reserve assets used as collateral or guarantee for third party external liabilities. 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.⁶ 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).

28. Adjusters

- The floor on NFA will be adjusted *downward* by the amount of any shortfall between actual and programmed budgetary grants. This adjustment will be capped at the equivalent of US\$24 million, evaluated in Rwanda francs at the program exchange rate.
- The floor on NFA will be *adjusted downward* by the amount of expenditure for food imports in the case of a food emergency (see also paragraphs 9 and 13).

29. **Reporting requirement.** Data on foreign assets and foreign liabilities of the NBR will be transmitted on a weekly basis within seven days of the end of each week. 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.

⁶ The program exchange rate for the 2008 program is set at Rf545 = US\$1.

Reserve Money

30. A ceiling applies to the stock of reserve money for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets. The stock of reserve money for the quarter will be calculated as the arithmetic average (mean) of the stock of reserve money at the last day of each calendar month comprising the quarter.

31. **Definition.** Reserve money for the monetary program is defined as currency in circulation, reserves of deposit money banks (excluding NBR borrowing from deposit money banks on the money market⁷ but including cash in vault held by commercial banks), and deposits of public enterprises (including Caisse Sociale du Rwanda (CSR) and other autonomous public agencies (*dépôts des établissements publics assimilés à l'état*), deposits of nonbank financial institutions, and deposits of the private sector (*autres sommes dues à la clientèle* are included in reserve money). Reserve money excludes the deposits of the Caisse d'Épargne du Rwanda (C.E.R.) with the NBR up to Rf 1 billion, the dormant accounts up to Rf 1.4 billion, and import deposits placed at the NBR (*cautions à l'importation*) up to a maximum amount of Rf 150 million.

32. Adjuster

- The ceiling on the stock of reserve money will be adjusted symmetrically for a change in the required reserve ratio of commercial banks by the amount of (new reserve ratio - program baseline reserve ratio) multiplied by the reservable deposit liabilities in commercial banks.
- The ceiling on the stock of reserve money will be adjusted upwards to include the incorporation of the Union de Bank Populaires du Rwanda (UBPR) as a commercial bank. The magnitude of the upward adjustments will include the sum of (a) the stock of the arithmetic average (mean) of the stock of required reserves of the UBPR at the last day of each calendar month comprising the quarter and (b) the amount of Rf 0.4 billion required for prudential clearings. The adjustment will be made effective from the day of the UBPR incorporation.

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

⁷ Borrowing by the NBR from the commercial banks on the money market is included under the net domestic assets of the NBR (netted out from commercial bank borrowing from the NBR).

Broad Money

34. A ceiling applies to the stock of broad money and extended broad money for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets.

35. **Definition.** Broad money is defined as the sum of currency in circulation, deposits in commercial banks, and nonbank deposits in the NBR. Extended broad money is defined as broad money plus deposits in credit unions and credit cooperatives (mainly UBPR).

36. **Reporting requirement.** The balance sheets of the commercial banks and other banking institutions, both for the individual institutions and for the respective sector in aggregate, and the monetary survey, will be transmitted monthly within five weeks of the end of each month. The monthly transmission will also include a monthly balance sheet for the NBR, showing all items as in NBR's weekly balance sheet.

D. Limits on External Debt

Limit on short-term external debt of the public sector

37. A zero ceiling applies to the outstanding stock of external debt with original maturities of one year or less owned or guaranteed by the public sector or other agencies on behalf of the central government. The ceiling is measured cumulatively from December 31, 2007 for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets.

38. **Definition.** The definition of "debt", for the purpose of the limit, is set out in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No. 12274-(00/85) of August 24, 2000) and also commitments for which value has not been received. Excluded from this performance criterion are normal import-related credits, defined as liabilities that arise from the direct extension, during the normal course of trading, of credit from a supplier to a purchaser—that is, when payment of goods and services is made at a time that differs from the time when ownership of the underlying goods or services changes. Normal import credit arrangements covered by this exclusion are self-liquidating; they contain pre-specified limits on the amounts involved and the times at which payments must be made; they do not involve the issuance of securities.

39. **Valuation.** The amount of debt will be evaluated at the corresponding quarterly exchange rates published in the IMF's International Financial Statistics.

40. **Reporting requirement:** Data on debt and guarantees will be transmitted, with detailed explanations, on a monthly basis within five weeks of the end of each month.

Contracting or Guaranteeing of new nonconcessional external debt of the public sector

41. The public sector or other agencies on behalf of the central government will not contract or guarantee new nonconcessional external debt⁸ (as specified in paragraphs 39 and 40) with original maturity of more than one year. This is a continuous performance criterion.

42. **Valuation.** The amount of debt will be evaluated at the corresponding quarterly exchange rates published in the IMF's International Financial Statistics.

43. **Definition.** This performance criterion applies to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No. 12274-(00/85) of August 24, 2000) and also to commitments contracted or guaranteed for which value has not been received. The use of Fund resources are excluded from the criterion. Included are leases and other instruments giving rise to external liabilities, contingent or otherwise.

44. For program purposes, a debt is **concessional** if it includes a grant element of at least 50 percent, calculated as follows: the grant element of a debt is the difference between the net present value (NPV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt (i.e., the grant element is equal to the nominal value minus NPV divided by the nominal value). The NPV of debt at the time of its disbursement is calculated by discounting the future stream of payments of debt service due on this debt. The discount rates used for this purpose are the currency-specific commercial interest reference rates (CIRRs), as published by the OECD. For debt with a maturity of at least 15 years, the ten-year average CIRR will be used to calculate the NPV of debt and, hence, its grant element. For debt with maturity of less than 15 years, the six-month average CIRR will be used. 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.

45. **Reporting requirement.** Data on all new external debt, including government guarantees, will be provided on a monthly basis within five weeks of the end of each month.

Contracting or guaranteeing of concessional external debt

46. A ceiling applies to the contracting or guaranteeing of concessional (see paragraph 40) external debt of the public sector or other agencies on behalf of the central government for the end-June 2008, and end-December 2008 targets. The ceiling on the contracted debt becomes binding through a disbursement profile over 2007-09.

⁸ As the performance criterion refers to “new” debt, rescheduling or restructuring of existing debt is excluded.

47. **Definition and valuation.** The ceiling on the contracting or guaranteeing of new concessional external debt will be measured by the U.S. dollar nominal sum of all loan agreements that have been contracted. Disbursed debt will be converted to U.S. dollars, based on prevailing WEO test date exchange rates; for loans contracted but not yet disbursed, the profile disbursement will be measured at the actual exchange rate at the test date, based on the projected drawdown consistent with the medium-term fiscal framework as discussed with IMF staff. The Net Present Value of debt is calculated by discounting the future stream of payments of debt service due, based on a uniform discount rate of 5 percent.

48. **Reporting requirement.** Data on the NPV of the stock of outstanding debt will be provided on a semi-annual basis within five weeks of the end of each month.

Limit on new external payment arrears

49. A continuous performance criterion applies to the nonaccumulation of new external payment arrears on external debt contracted or guaranteed by the public sector. External payment arrears consist of external debt service obligations (principal and interest) that have not been paid at the time they are due, as specified in the contractual agreements, but shall exclude arrears on obligations that are subject to rescheduling.

II. Other Data requirements for Program Monitoring

50. Other data will be reported on a regular basis for surveillance purposes (see Table 3).

Table 1. Contingent spending, 2008 (in billion of Rwandese franc)

Priority spending	5.20
Common development fund	1.00
Export Free Zone	0.20
Road Fund HER	3.00
Export promotion	1.00
Nonpriority spending	5.80
Construction of various offices	0.40
Youth and Culture	0.90
Feasibility studies	1.00
Across the board cuts in goods and services	2.00
Across the board cuts in transfers	1.50
Total	11.00

Source: Rwandese authourities

Table 2. Priority Spending Excluding Contingency, 2008 (In million of Rwanda Francs)

	BUDGET 2008
1. EMPLOYEE COST	45526.23
04 PRIMATURE	105.34
07 MININTER	132.44
0701 NATIONAL POLICE	6801.93
09 MINAGRI	165.37
10 MINICOM	269.98
11 MINISTR	150.60
1102 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION	63.20
14 MINEDUC	579.47
140- DECENTRALISE EDUCATION	22559.75
1401 NATIONAL CURRICULUM DEVELOPMENT CENTER CNDP	205.16
1402 GENERAL INSPECTION OF EDUCATION (IGE)	163.16
1403 RWANDA NATIONAL COMMISSION FOR UNESCO CNRU	52.31
1404 NATIONAL TEACHER COMMISSION TSC	94.39
1405 NATIONAL EXAMINATION COUNCIL	378.29
1433 TUMBA COLLEGE OF TECHNOLOGY	222.00
1434 NYANZA COLLEGE OF TECHNOLOGY	120.00
1435 KICUKIRO COLLEGE OF TECHNOLOGY	222.00
1436 RUKARA NATIONAL COLLEGE OF EDUCATION	218.84
1437 KAVUMU NATIONAL COLLEGE OF EDUCATION	218.84
15 MIJESPOC	84.81
16 MINISANTE	637.59
160- DECENTRALISE SANTE	10621.00
18 MININFRA	63.45
20 MIFOTRA	579.50
2200 MINITERE	203.84
23 MINALOC	253.82
230- DECENTRALISE MINALOC	359.15
2. GOODS AND SERVICES	42913.78
04 PRIMATURE	267.84
07 MININTER	211.15
0701 NATIONAL POLICE	3245.33
0702 NATIONAL PRISON SERVICE	139.30
09 MINAGRI	384.19
090- DECENTRALISE AGRICULTURE	57.50
10 MINICOM	1201.61
100- DECENTRALISE COMMERCE	112.00
11 MINISTR	627.70
1102 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION	50.40
14 MINEDUC	9497.71
140- DECENTRALISE EDUCATION	136.31
1401 NATIONAL CURRICULUM DEVELOPMENT CENTER CNDP	5795.00
1402 GENERAL INSPECTION OF EDUCATION (IGE)	77.70
1408 UNR (NATIONAL UNIVERSITY OF RWANDA)	47.04
1409 KIST (KIGALI INSTITUTE OF SCIENCE AND TECHNOLOGY)	19.92
1410 KIE (KIGALI INSTITUTE OF EDUCATION)	88.40
1412 ISAE (HIGHER INSTITUTE OF AGRICULTURE)	39.84
1433 TUMBA COLLEGE OF TECHNOLOGY	331.00
1434 NYANZA COLLEGE OF TECHNOLOGY	330.00
1435 KICUKIRO COLLEGE OF TECHNOLOGY	518.00
1436 RUKARA NATIONAL COLLEGE OF EDUCATION	553.00
1437 KAVUMU NATIONAL COLLEGE OF EDUCATION	452.00
15 MIJESPOC	266.70
150- DECENTRALISE MIJESPOC	78.00
16 MINISANTE	3882.75
160- DECENTRALISE SANTE	1801.73
1603 KING FAYCAL HOSPITAL (HRF)	350.00
18 MININFRA	6543.45
180- DECENTRALISE MININFRA	99.90
20 MIFOTRA	510.25
220- DECENTRALISE MINITERRE	1455.30
2200 MINITERE	1179.59
23 MINALOC	1916.99
230- DECENTRALISE MINALOC	439.87
56 NGOMA	13.02
57 BUGESERA	11.17

Priority Spending, 2008 (continued)
(In million of Rwanda Francs)

	2008
2. GOODS AND SERVICES (continued)	
58 GATSIBO	6.75
59 KAYONZA	3.10
60 KIREHE	4.25
61 NYAGATARE	4.25
62 RWAMAGANA	4.25
63 HUYE	6.40
64 NYAMAGABE	6.56
65 GISAGARA	4.25
66 MUHANGA	10.89
67 KAMONYI	5.60
68 NYANZA	7.50
69 NYARUGURU	4.25
70 RUSIZI	14.25
71 NYABIHU	3.10
72 RUBAVU	16.96
73 KARONGI	8.80
74 NGORORERO	5.41
75 NYAMASHEKE	3.10
76 RUTSIRO	3.10
77 BURERA	6.56
78 GICUMBI	11.17
79 MUSANZE	5.41
80 RULINDO	5.05
81 GAKENKE	3.10
82 RUHANGO	3.10
83 NYARUGENGE	12.56
84 KICUKIRO	9.30
85 GASABO	3.10
3. TRANSFER AND SUBSIDIES	99744.20
04 PRIMATURE	17.31
070- DECENTRALISE PRISON	1318.76
0701 NATIONAL POLICE	70.00
0702 NATIONAL PRISON SERVICE	2116.02
090- DECENTRALISE AGRICULTURE	955.50
0901 OFFICE RWANDAIS DE DEVELOPPEMENT DES RESSOURCES ANIMALES (RARDA)	905.21
0902 INSTITUT DES SCIENCES AGRONOMIQUES DU RWANDA (ISAR)	1693.72
0903 OFFICE RWANDAIS DE DEVELOPPEMENT DE L AGRICULTURE (RADA)	937.32
0904 OFFICE RWANDAIS DE DEVELOPPEMENT DE L'HORTICULTURE (RHODA)	477.99
10 MINICOM	1044.42
100- DECENTRALISE COMMERCE	168.00
1002 RWANDA BUREAU OF STANDARDS	1062.24
1003 RWANDA INVESTMENT AND EXPORT PROMOTION AGENCY	2142.00
11 MINISTR	10.00
1101 RWANDA INFORMATION TECHNOLOGY AUTHORITY (RITA)	2497.90
1103 IRST (INSTITUTE OF SCIENTIFIC AND TECHNOLOGICAL RESEARCH)	1136.19
14 MINEDUC	934.57
140- DECENTRALISE EDUCATION	18436.39
1403 RWANDA NATIONAL COMMISSION FOR UNESCO CNRU	96.01
1404 NATIONAL TEACHER COMMISSION TSC	253.61
1405 NATIONAL EXAMINATION COUNCIL	15.27
1406 NATIONAL COUNCIL FOR HIGHER EDUCATION (NCHE)	199.50
1407 SFAR (STUDENT FINANCING AGENCYOF RWANDA)	13310.06
1408 UNR (NATIONAL UNIVERSITY OF RWANDA)	1749.49
1409 KIST (KIGALI INSTITUTE OF SCIENCE AND TECHNOLOGY)	960.08
1410 KIE (KIGALI INSTITUTE OF EDUCATION)	594.96
1411 KHI (KIGALI HEALTH INSTITUTE)	476.75
1412 ISAE (HIGHER INSTITUTE OF AGRICULTURE)	464.91
1413 SFB (SCHOOL OF FINANCE AND BANKING)	354.62
1433 TUMBA COLLEGE OF TECHNOLOGY	40.00
15 MIJESPOC	4.70
1501 NATIONAL COMMISSION FOR THE FIGHT AGAINST GENOCIDE	322.58
1503 RWANDA NATIONAL MUSEUM	594.11
1504 PAN AFRICAN ORGANISATION OF YOUTH AGAINST AIDS	24.40

Priority Spending, 2008 (continued)
(In million of Rwanda Francs)

	2008
3. TRANSFER AND SUBSIDIES (continued)	
16 MINISANTE	5129.67
160- DECENTRALISE SANTE	12200.00
1601 CENTRAL UNIVERSITY HOSPITAL OF KIGALI (CHUK)	790.78
1602 CENTRAL UNIVERSITY HOSPITAL OF BUTARE (CHUB)	649.55
1603 KING FAYCAL HOSPITAL (HRF)	1737.37
1604 NEURO PSYCHIATRIC HOSPITAL OF NDERA (HNN)	330.14
1605 PSYCHOSOCIAL CONSULTATION SERVICE (SCPS)	125.58
1606 RESEARCH CENTER FOR AIDS, MALARIA AND TUBERCULOSIS TREATMENT (TRAC)	371.52
1607 NATIONAL REFERRAL LABORATORY(LNR)	227.92
1611 NATIONAL BLOOD TRANSFUSION PROGRAMME (PNTS)	203.72
1612 NATIONAL COMMISSION FOR THE FIGHT AGAINST AIDS (CNLS)	278.63
1613 RWANDA PHARMACEUTICAL LABORATORY (LABOPHAR)	182.70
18 MININFRA	13813.50
180- DECENTRALISE MININFRA	3500.00
20 MIFOTRA	95.71
2001 RWANDA INSTITUTE OF ADMINISTRATION AND MANAGEMENT (RIAM)	70.00
2009 CIVIL SERVICE COMMISSION	80.00
2012 PROFESSIONAL TRAINING CENTER OF KAVUMU	97.00
2200 MINITERE	244.91
2217 NATIONAL LAND OFFICE	632.99
2218 NATIONAL FOREST OFFICE	415.76
2219 NATIONAL MINING AND GEOLOGY OFFICE	448.88
2232 NATIONAL WATER AGENCY	256.28
23 MINALOC	898.16
230- DECENTRALISE MINALOC	1015.52
2302 POLITICAL CONSULTATIVE FORUM	563.32
7.1 DEVELOPMENT BUDGET	79289.67
04 PRIMATURE	100.00
07 MININTER	1212.00
09 MINAGRI	5635.09
10 MINICOM	1834.00
11 MINISTR	9848.50
12 MINECOFIN	1570.00
14 MINEDUC	14325.00
15 MIJESPOC	370.00
16 MINISANTE	1267.28
18 MININFRA	21622.00
20 MIFOTRA	496.30
22 MINITERE	11617.70
23 MINALOC	9391.80
7.2 NET LENDING	2800.00
12 GAZ METHANE	2800.00
9. EXCEPTIONAL EXPENDITURE	4816.29
2301 ELECTORAL COMMISSION	4816.29
Total :	275090.17

Table 3. Reporting Requirements for Surveillance

	Frequency of Data ⁶	Frequency of Reporting ⁶	Frequency of publication ⁶
Exchange Rates	D	W	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	W	W	M
Reserve/Base Money	W	W	M
Broad Money	M	M	M
Central Bank Balance Sheet	W	W	M
Consolidated Balance Sheet of the Banking System	M	M	M
Interest Rates ²	M	M	M
Consumer Price Index	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	A	A	A
External Current Account Balance	A	SA	A
Exports and Imports of Goods and Services	A	A	A
GDP/GNP	A	SA	A
Gross External Debt			

¹Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

²Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³Foreign, domestic bank, and domestic nonbank financing.

⁴The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵Including currency and maturity composition.

⁶Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Semi-annually (SA); Irregular (I); Not Available

Appendix II—Rwanda: Millennium Development Goals

	1990	1995	2000	2002	2003	2004	2005	Likelihood of reaching the target by 2015**
Goal 1: Eradicate extreme poverty and hunger								
Percentage share of income or consumption held by poorest 20%	..	..	..	..	..	..	..
Population below \$1 a day (%)	..	..	51.7	..	..	60	..	Challenging
Population below minimum level of dietary energy consumption (%)	..	..	..	37	37	..	..
Poverty gap ratio at \$1 a day (incidence x depth of poverty)	..	..	20	..	..	..	..
Poverty headcount, national (% of population)	..	..	60.3	..	..	..	56.9	
Prevalence of underweight in children (under five years of age)	..	..	24.3	..	..	..	..	Achievable
Goal 2: Achieve universal primary education								
Net primary enrollment ratio (% of relevant age group)	67.4	..	84	86.7	86.7	..	..	Likely
Primary completion rate, total (% of relevant age group)	44	..	22.4	37	37.3	37.4	..	Achievable
Proportion of pupils starting grade 1 who reach grade 5	59.9	..	40	..	..	..	..
Youth literacy rate (% ages 15–24)	72.7	78.6	83.4	84.9	..	..	..
Goal 3: Promote gender equality and empower women								
Proportion of seats held by women in national parliament (%)	17	..	17	26	26	49	49	Likely
Ratio of girls to boys in primary and secondary education (%)	96.4	..	96	94.8	98.7	100.1	100.1	Achievable
Ratio of young literate females to males (% ages 15–24)	86.4	91.8	95.8	96.9	..	..	97.9	Likely
Share of women employed in the nonagricultural sector (%)	16.7	..	..	..	..	..	..
Goal 4: Reduce child mortality								
Immunization, measles (% of children ages 12–23 months)	83	84	74	69	90	84	84	Already Achieved
Infant mortality rate (per 1,000 live births)	103	124	118	..	118	118	118	Achievable
Under 5 mortality rate (per 1,000)	173	209	203	..	203	203	203	Achievable
Goal 5: Improve maternal health								
Births attended by skilled health staff (% of total)	..	..	31.3	..	..	..	..	Achievable
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	1400	..	..	..	..	Unlikely
Goal 6: Combat HIV/AIDS, malaria, and other diseases								
Contraceptive prevalence rate (% of women ages 15–49)	..	..	13.2	..	..	..	..	Challenging
Incidence of tuberculosis (per 100,000 people)	129.7	234.6	324.1	357.3	373.8	373.8	370.9	
Number of children orphaned by HIV/AIDS	..	..	160000	..	160000	160000	210000	
Prevalence of HIV, total (% of population aged 15–49)	..	..	..	..	5.1	..	3	
Tuberculosis cases detected under DOTS (%)	..	35.5	34.2	31.1	27.5	27.5	29.4	Already Achieved
Goal 7: Ensure environmental sustainability								
Access to an improved water source (% of population)	58	..	..	73	73	..	74	Achievable
Access to improved sanitation (% of population)	37	..	..	41	..	..	42	
Access to secure tenure (% of population)	..	..	..	..	..	..	..
CO2 emissions (metric tons per capita)	0.1	0.1	0.1	..	..	..	..
Forest area (% of total land area)	18.5	..	12.4	..	..	..	..	Unlikely
GDP per unit of energy use (2000 PPP \$ per kg oil equivalent)	..	..	..	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..	6.2	6.2	6.2	
Goal 8: Develop a global partnership for development								
Aid per capita (current US\$)	41.9	123.3	41.8	43.5	39.5	39.5	52.6	NA
Debt service (% of exports)	..	..	..	..	32	29.8	10	
Fixed line and mobile phone subscribers (per 1,000 people)	1.7	1.3	7.3	16.4	16.4	..	18.2	
Internet users (per 1,000 people)	..	..	0.6	3.1	3.5	4.3	4.3	
Personal computers (per 1,000 people)	..	..	..	..	..	..	..
Unemployment, youth female (% of female labor force ages 15–24)	..	..	..	..	..	..	..
Unemployment, youth male (% of male labor force ages 15–24)	..	..	..	..	..	..	..
Unemployment, youth total (% of total labor force ages 15–24)	..	..	..	..	..	..	..
Other								
Fertility rate, total (births per woman)	7.1	..	5.9	..	5.6	5.5	5.5	
GNI per capita, Atlas method (current US\$)	370	220	250	230	200	210	230	
GNI, Atlas method (current US\$) (billions)	2.5	1.3	2.0	1.9	1.8	1.9	2.1	
Gross capital formation (% of GDP)	14.6	13.4	17.5	19.0	18.4	20.8	21	
Life expectancy at birth, total (years)	40.2	..	40.9	39.8	43.7	43.9	43.9	
Literacy rate, adult total (% of people ages 15 and above)	53.3	60.2	66.8	69.2	..	69.4	64.9	
Population, total (millions)	6.9	5.7	8.0	8.2	8.8	8.9	9	
Trade (% of GDP)	19.7	31.0	32.6	33.1	36.2	36.2	41.5	

Source: World Development Indicators Database, April 2006.

Data in italics are estimates.

** World Bank Estimates