

**IMMEDIATE
ATTENTION**

EBS/09/76

May 26, 2009

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Rwanda—Request for Extension of the Three-Year Arrangement Under the Poverty Reduction and Growth Facility**

Attached for consideration by the Executive Directors is a request for an extension of the three-year arrangement for Rwanda under the Poverty Reduction and Growth Facility. 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.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by **noon on Tuesday, June 2, 2009**. In the absence of such a request, the draft decision that appears on page 3 will be deemed approved by the Executive Board and it will be so recorded in the next minutes thereafter.

Questions may be referred to Ms. Murgasova (ext. 34209), Mr. Mitchell (ext. 34759), and Mr. Gorbanyov (ext. 34980) 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, June 1, 2009; 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 will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

RWANDA

Request for an Extension of the Three-Year Arrangement Under the Poverty Reduction and Growth Facility

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

Approved by Saul Lizondo and Anthony Boote

May 26, 2009

1. In the attached letter, the Rwandan authorities request an extension of the Poverty Reduction and Growth Facility (PRGF) arrangement to August 14, 2009. The arrangement in an amount of SDR 8.01 million (10.0 percent of quota) was approved on June 12, 2006 and is scheduled to expire on June 11, 2009. The fifth review was completed on January 12, 2009. The extension will provide additional time for the completion of the sixth and final review, and for making the final disbursement under the PRGF arrangement.
2. Performance through end-December 2008—the test date for quantitative performance criteria for the sixth review—was broadly in line with the program. The fiscal performance criteria for net credit to the government, domestic fiscal balance, and priority spending were all met with comfortable margins. The target for net repayment of domestic arrears was also met, reflecting improvements in payments processing and computerization that erased the backlog of transactions accumulated in the third quarter of 2008.¹ The monetary performance criteria on reserve money and net foreign assets targets were also met. Nevertheless, information for the first quarter of 2009 indicates that the global economic crisis is affecting Rwanda, weakening the external and fiscal positions and slowing growth. Additionally, liquidity pressures in the banking sector have emerged and the ensuing slowdown in lending to the private sector could exacerbate the weakening of growth.
3. In response to these developments, staff undertook a fact finding mission in late February/early March. The purpose was to assess the situation, discuss policy options and future relations with the Fund following the expiration of the PRGF arrangement. This contributed to the delayed timing for the completion of the sixth review. The mission is now

¹ The indicative target for net repayment of domestic arrears was missed at end-September 2008, largely because of administrative delays in handling and processing fiscal transactions.

scheduled to take place during May 18–29. As indicated in the attached letter, the extension will provide the opportunity to assess and discuss policy measures to mitigate the impact of the global economic crises, preserve macroeconomic stability, and sustain economic growth in Rwanda.

4. The staff supports the authorities' request for an extension of the PRGF arrangement through August 14, 2009. The authorities remain committed to macroeconomic stability and the completion of the review. They have also indicated a desire for continued Fund collaboration and monitoring of their macroeconomic program following the expiration of the PRGF arrangement. Accordingly, the following decision is proposed for adoption by the Executive Board.

Proposed Decision

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

Rwanda–Extension of PRGF Arrangement

1. The letter dated May 22, 2009 from the Minister of Finance and Economic Planning and the Governor of the National Bank of Rwanda (the “Letter”) shall be attached to the Poverty Reduction and Growth Facility (“PRGF”) arrangement for Rwanda (EBS/06/69, Supp. 1, 6/9/2006), and the letter May 18, 2006 from the Minister of Finance and Economic Planning and the Governor of the National Bank of Rwanda, and its attachments, as modified, shall be read as supplemented and modified by the Letter.

2. Accordingly, paragraph 1(a) of the PRGF arrangement for Rwanda shall be amended by replacing the words: “*For a period of three years from the date on which this arrangement becomes effective*” with “*For a period from June 12, 2006 to August 14, 2009*”.

APPENDIX I: LETTER OF INTENT

Kigali, Rwanda
May 22, 2009

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

Dear Mr. Strauss-Kahn:

1. On June 12, 2006, the IMF's Executive Board approved a three-year arrangement for Rwanda under the Poverty Reduction and Growth Facility (PRGF). In view of the expiration of the PRGF on June 11, 2009, on behalf of the Government we hereby request that the PRGF arrangement be extended until August 14, 2009, to provide sufficient time for completion of the sixth and final PRGF review, and for making the final disbursement under the PRGF.
2. Discussions with IMF staff on a broad policy framework for the upcoming fiscal year July 2009 to June 2010 will continue during the sixth review mission, which is scheduled for May 18-29. This short extension of the PRGF arrangement will ensure that discussions on policy measures to mitigate the impact of the global economic crises, preserve macroeconomic stability, and sustain economic growth in Rwanda, can be completed before the PRGF arrangement expires.

Sincerely yours,

/s/

James Musoni
Minister of Finance and
Economic Planning

/s/

François Kanimba
Governor
National Bank of Rwanda