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International Monetary Fund
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www.imf.org

IMF Approves Emergency Post-Conflict Assistance for Rwanda

The International Monetary Fund (IMF) today approved a credit for Rwanda equivalent to SDR 5.95 million (about US\$8 million), under the IMF's policy of emergency post-conflict assistance. A credit under the same policy of SDR 8.9 million (about US\$12 million) was approved by the IMF on April 22, 1997 (see Press Release No 97/19), to support the government's economic program for 1997.

Background

The Rwandese authorities have made progress under the 1997 IMF-supported program in resettling a large number of refugees and internally displaced persons, rehabilitating the economy, and nurturing economic recovery through policies elaborated in consultation with the IMF and the World Bank. In particular, a large number of Rwandese returning to the country in the aftermath of recent events in the Great Lakes region have been resettled and are being provided with basic support. Real GDP continues to recover at a fast pace, although it is still below the prewar level; inflation remains largely under control; and international reserves have been maintained at the programmed level.

Implementation of the 1997 Program

The principal quantitative objectives of the program were to attain a real GDP growth rate of 12.7 percent, an inflation rate of 7 percent, and a level of gross official international reserves equivalent to 4.4 months of imports. According to available information, real GDP growth for 1997 will be in line with the program target; the increase in consumer prices, which is estimated at about 11 percent during the 12-month period ended in July, may exceed the target of 7 percent; but the level of gross official international reserves for the end of 1997 is expected to be reached. Budgetary performance has been broadly in line with the program, with receipts exceeding slightly the program target, and expenditure remaining below the programmed level. The monetary policy aims were met, and commendable progress has been made in rebuilding the National Bank of Rwanda and implementing reforms in the monetary area.

Structural Reforms

Under the ongoing program, the authorities are aiming at fiscal consolidation, including a reduction in the primary budgetary deficit, and considerable progress has been made in strengthening tax administration as well as budgetary and treasury management. An administrative unit for public enterprise reform has been established in the Ministry of Finance, Economy, and Planning to spearhead the reform of the public enterprises. Three enterprises have

been privatized, the liquidation of the savings bank is nearing completion, and notable progress has been made in the valuation of small enterprises. Progress has also been made in implementing the demobilization program: a comprehensive plan to demobilize 57, 500 soldiers during 1997-99 has been prepared, and 4,900 soldiers were already demobilized by end-September.

Addressing Social Needs

The National Assembly has approved support for genocide survivors, and the government -- assisted by nongovernmental organizations and other members of the international community -- is implementing various programs for helping other vulnerable groups. To help the returning refugees, the authorities have focused on the repair and construction of basic housing in the rural areas, the expansion of education and health facilities, as well as the provision of seeds, agricultural implements, and other assistance aimed at enabling the farmers to resume cultivation.

The Challenge Ahead

Rwanda's medium-term balance of payments prospects will depend upon the authorities' ongoing efforts to build a cohesive society and complete the rehabilitation of the economy, as well as the implementation of sound macroeconomic and structural reforms. Assuming that Rwanda continues to receive strong international support, mostly in the form of grants, the external current account deficit is projected to remain at slightly over 4 percent of GDP over the medium term.

Rwanda joined the IMF on September 30, 1963, and its quota¹ is SDR 59.5 million (about US\$80 million). Its outstanding use of IMF financing currently totals SDR 25 million (about US\$34 million).

¹ A member's quota in the IMF determines, in particular, the amount of its subscription, its voting weight, its access to IMF financing, and its share in the allocation of SDRs.

Rwanda: Selected Economic Indicators

	1993	1994	1995	1996	1997*
	(Percent change)				
Real GDP	-6.8	-49.0	24.6	13.3	13.0
Consumer prices (average)	8.6	64.0	22.0	8.9	11.0
	(Percent of GDP)				
Overall fiscal deficit, excluding grants (deficit -)	-14.5	-12.4	-14.1	-13.7	-13.6
External current account balance, excluding official transfers (deficit -)	-15.0	-53.3	-23.5	-16.1	-21.8
	(Months of imports)				
Gross official reserves	1.6	1.3	5.0	5.1	4.4

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

* Revised projections.

