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May 7, 1987

To: Members of the Executive Board

From: The Secretary

Subject: Rwanda - Staff Report for the 1987 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1987 Article IV consultation with Rwanda, which will be brought to the agenda on a date to be announced.

Mr. Edo (ext. 8752) or Mr. Faria (ext. 6516) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

RWANDA

Staff Report for the 1987 Article IV Consultation

Prepared by the African Department and the Exchange and Trade Relations Department

Approved by A.D. Ouattara and W.A. Beveridge

May 6, 1987

I. Introduction

The 1987 Article IV consultation discussions with Rwanda were held in Kigali during the period February 13-27, 1987. The Rwandese representatives included the Minister of Finance and Economy, the Minister of Planning, the Minister of Industry, Mining and Artisan Production, the Governor of the National Bank (the central bank) and other senior officials concerned with economic and financial matters. The staff representatives were Messrs. M. Edo (head-AFR), J. Boughton (RES), A. Faria and A. Tas (both AFR) and Miss Z. Abdallah (secretary-AFR). Ms. Taymas (IBRD) was in Kigali at the same time as the mission and participated in some mission meetings concerning the requirements of possible arrangements for Rwanda under the structural adjustment facility.

Rwanda continues to avail itself of the transitional arrangements of Article XIV. The Fund has no holdings of Rwanda francs subject to repurchase. Summaries of Rwanda's relations with the Fund and the World Bank Group are provided in Appendices I and II, respectively.

At the time of the Executive Board's discussion in January 1986 of the last Article IV consultation report, Directors expressed concern about the pessimistic outlook for output growth, the weak prospects for exports, the projected steady increase in the external debt servicing burden, and the resulting likelihood of a further deterioration in external performance. While they recognized the efforts made by the Rwandese authorities to arrest the deterioration in the preceding years by pursuing restrained financial policies, Directors urged the implementation of actions in key areas, including the adoption of a more flexible exchange rate policy, so as to avoid excessive reliance on fiscal policies to achieve internal and external balance. They also stressed the need to reduce trade and payment restrictions, implement appropriate adjustments in official pricing policies, formulate price and institutional reform measures for the manufacturing and parastatal sectors, and reorient public investment to productive projects that could be financed by available domestic savings and concessional foreign resources.

II. Recent Economic Developments

Following the drought of 1984, good weather conditions and high export prices for coffee (the main export commodity) led to a strong revival of economic growth in 1985 and 1986. Gross domestic output is estimated to have increased in real terms by 8.5 percent in 1985 and 7.6 percent in 1986 (Table 1). The growth in 1985 was due mainly to the performance of the agricultural sector; in 1986, construction and public administration also showed high growth rates.

The rapid growth of output took place against a background of price stability. Reflecting the impact of ample food supplies (and hence low food prices), and (in 1986) declining world oil prices, the rate of inflation (measured by the consumer price index or the GDP deflator) declined sharply to about 1 percent in 1985 and was negative in 1986. A factor in the maintenance of price stability was the restrictive wage policy which has been in effect for many years (wage rates in government service declined by 30 percent in real terms between 1980 and 1986); the Government has also sought to maintain some fiscal and monetary restraint. There is, in principle, a system of price regulation, but there is little evidence that prices have been artificially suppressed by the regulations.

The growth performance was based on traditional agricultural products, or on manufacturing enterprises using simple techniques to process agricultural products. Nonagricultural production fared poorly. The tin processing plant, which was established in 1982 and had operated at only half capacity, ceased operations in August 1985, following drastic declines in world tin prices; there has since been little mineral production. Attempts to develop quinquina and pyrethrum as major export products appear to have had little success for lack of world demand. Many manufacturing enterprises (notably the producers of cement, soap and matches) are economically unviable, and are able to operate only owing to government subsidies or to protection provided by prohibitions on competing imports. Thus, the share of the agricultural sector in total domestic output remains at about 40 percent and the main export items remain coffee and tea, despite efforts by the Government to promote diversification.

The budget deficit 1/ was 3.8 percent of GDP in 1985 (Table 2) and 3.6 percent of GDP in 1986, little changed from the performance in 1984 (though better than the deficit of 5.3 percent of GDP recorded in 1983). While the deficits appear modest, the fiscal performance should have been better, since there was a new tax measure introduced (a general sales tax in April 1986), and since (owing to high coffee exports) there was a substantial increase (about 100 percent) in budget receipts from coffee exports in 1986. That the fiscal situation did not improve

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1/ The deficit is defined to include transactions which are directly financed by foreign loans and grants (these transactions are not shown in the Government's budget).

Table 1. Rwanda: Selected Economic and Financial Indicators, 1981-86

	1981	1982	1983	1984	1985	1986 Prov.
	(Annual percentage changes, unless otherwise indicated)					
National income and prices						
GDP at constant prices	5.4	0.9	1.6	-1.8	8.5	7.6
GDP deflator	8.0	6.6	6.4	13.6	0.6	-0.3
Consumer prices (average)	6.5	12.6	6.6	5.4	1.7	-1.1
External sector (on the basis of SDRs)						
Exports, f.o.b.	-6.4	2.2	18.2	19.8	-10.6	27.0
Imports, f.o.b.	16.8	10.7	-4.9	4.2	12.3	9.1
Non-oil imports, c.i.f.	8.9	9.9	-10.3	4.9	15.0	11.1
Export volume	20.6	-12.4	19.8	3.3	1.9	35.8
Import volume	15.5	7.0	-1.6	20.1	1.3	14.3
Terms of trade (deterioration -)	-23.2	12.9	2.0	33.7	-13.3	13.6
Nominal effective exchange rate (depreciation -) 1/	18.3	16.3	11.8	7.8	8.9	-1.7
Real effective exchange rate (depreciation -) 1/	11.6	17.4	8.1	2.7	0.6	-10.3
Government budget						
Revenue (including grants)	...	8.6	17.9	-5.0	10.5	2.3
Revenue (excluding grants)	11.8	8.1	3.3	14.5	15.8	7.6
Total expenditure and net lending (including foreign financing)	...	7.9	24.3	-9.8	12.0	1.9
Total expenditure and net lending (excluding foreign financing)	33.7	8.8	8.5	-4.6	6.1	7.9
Money and credit						
Domestic credit 2/	19.3	17.2	21.5	8.3	15.8	-1.3
Government	7.5	12.8	15.1	-1.1	--	-1.1
Private sector	11.8	4.4	6.4	9.4	15.8	-0.2
Money and quasi-money (M_2)	12.9	1.4	11.8	10.1	17.2	13.6
Velocity (GDP relative to M_2)	7.7	8.2	7.9	8.0	7.5	7.0
Interest rate (annual rate, one-year savings deposits)	7.0	7.0	7.25	7.25	7.25	7.25
	(In percent of GDP)					
Total revenue (including grants)	15.8	16.0	17.4	14.8	15.0	14.3
Total revenue (excluding grants)	12.1	12.2	11.1	11.4	12.1	12.2
Total expenditure and net lending (including foreign financing)	19.7	19.8	22.7	18.4	18.9	17.9
Total expenditure and net lending (excluding foreign financing)	14.2	14.3	14.4	12.3	12.0	12.0
Consolidated overall deficit (on a commitment basis)	-3.9	-3.8	-5.3	-3.5	-3.8	-3.6
Domestic bank financing	2.0	1.5	0.5	-0.1	--	-0.1
Foreign financing (net)	0.9	0.9	1.8	2.2	3.5	2.5
External current account deficit						
Excluding public transfers	-13.1	-13.5	-10.6	-8.9	-10.3	-8.9
Including public transfers	-5.1	-6.1	-3.2	-2.6	-3.7	-2.7
External debt (outstanding end of period)	13.8	14.2	15.1	16.7	18.3	19.4
Debt service ratio 3/	5.1	5.7	5.6	5.6	7.5	7.1
Interest payments 3/	0.7	0.5	1.1	1.3	1.7	1.7
	(In millions of SDRs)					
Overall balance of payments	-12.2	-37.9	-18.5	9.0	-3.7	27.5
Gross official reserves	148.6	116.5	106.0	108.5	102.9	132.8
Gross official reserves (in months of imports, c.i.f.)	8.2	5.5	5.1	4.9	4.2	5.1

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

1/ Trade-weighted period averages.
2/ Expressed in percent of beginning period money stock.
3/ In percent of exports of goods and nonfactor services.

Table 2. Rwanda: Central Government Finance, 1982-87 1/

(In millions of Rwanda francs)

	1982	1983	1984	1985 Prov. Actuals	1986 Budget	1986 Prel. Actuals	1987 Budget
Revenue and grants	21,098	24,882	23,636	26,119	27,039	26,731	29,520
Tax revenue	12,813	13,139	15,087	17,274	19,311	20,339	20,803
Nontax revenue	3,331	2,744	3,104	3,787	3,660	2,324	3,717
Grants	4,954	8,999	5,446	5,058	4,068	4,068	5,000
Expenditure and net lending	26,124	32,469	29,281	32,235	34,235	33,411	37,276
Current expenditure	20,436	26,940	22,600	22,750	23,646	22,640	25,574
Development expenditure	5,853	5,980	6,784	10,060	10,535	10,559	11,748
As shown in the government budget	(3,250)	(3,031)	(2,525)	(3,108)	(3,635)	(3,640)	(4,248)
Directly foreign financed 2/	(2,603)	(2,949)	(4,259)	(6,952)	(6,900)	(6,919)	(7,500)
Net lending	-165	-451	-103	-29	54	212	-46
Budget balance on a commitment basis	-5,026	-7,587	-5,644	-6,671	-7,196	-6,679	-7,756
Financing	5,026	7,587	5,644	6,671	7,196	6,679	7,756
Domestic	3,780	5,040	2,201	546	2,977	2,008	3,050
Banking system	(2,031)	(710)	(-206)	(30)	(800)	(-258)	(956)
Nonbanks	(922)	(1,220)	(1,060)	(1,315)	(1,350)	(770)	(1,650)
Other Treasury operations (net) 3/	(827)	(3,110)	(1,347)	(-799)	(827)	(1,496)	(444)
Foreign	1,246	2,547	3,444	6,125	4,219	4,671	4,706
Drawings	(2,603)	(2,949)	(4,259)	(6,962)	(6,900)	(6,919)	(7,500)
Amortization	(1,358)	(402)	(815)	(837)	(2,681)	(2,248)	(2,794)
				(As percent of GDP)			
Memorandum items:							
Revenue and grants	16.0	17.4	14.8	15.0	14.5	14.3	14.7
Tax revenue	9.7	9.2	9.5	9.9	10.4	10.9	10.4
Nontax revenue	2.5	1.9	1.9	2.2	1.9	1.3	1.8
Expenditure and net lending	19.8	22.7	18.4	18.9	18.4	17.9	18.6
Current expenditure	15.5	18.9	14.2	13.1	12.1	12.1	12.8
Development and capital expenditure	4.4	4.2	4.3	5.8	5.7	5.7	5.9
Budget balance (commitment basis)	-3.8	-5.3	-3.5	-3.8	-3.9	-3.6	-3.9
Domestic financing	2.8	3.0	1.4	0.3	1.6	1.1	1.5
Banking system	1.5	0.5	-0.1	0.0	0.4	-0.1	0.5
Foreign financing	0.9	1.8	2.2	3.5	2.3	2.5	2.4

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

1/ Figures may not add up due to rounding.
2/ Includes discrepancy due to coverage and timing.
3/ Not shown in the government budget.

was due to significant increases in development expenditures and to a significant shortfall (in 1986) in nonfiscal revenue. 1/ Since 1984, approximately two thirds of the deficit has been financed externally, with the remainder financed outside the domestic banking system; the Government improved its position with the domestic banking system marginally during the period. The size of the Government's domestic debt (6.7 percent of GDP in 1986) and external debt (19.4 percent of GDP in 1986) steadily increased, and debt service payments on interest constituted an increasing share of current expenditures (6.6 percent in 1986, compared with 2.6 percent in 1981).

During 1985 and 1986, total expenditures and net lending declined somewhat relative to GDP as increased development expenditures were offset by restraint on current budget expenditures (current expenditures, as a percentage of GDP, have declined from 18.9 percent in 1983 to 12.1 percent in 1986). However, the average rate of increase of the wage bill in 1985 and 1986 (7 percent) was higher than the average for 1982-84 (4.2 percent), and the average rate of increase of outlays for equipment and supplies (7.6 percent) was higher than for 1982-84 (1.1 percent). There would, therefore, appear to have been some relaxation in the last two years in the degree of restraint on current expenditures.

The interest rate structure has been little changed since 1979. The minimum deposit rate is 6 percent, and lending rates are as high as 14 percent. With a rate of inflation of about 1 percent, interest rates were highly positive in real terms in 1985 and 1986.

The rate of monetary expansion, however, was high: 17.2 percent in 1985 and 13.6 percent in 1986 (Table 3). The expansion was attributable in 1985 to a large credit expansion (the foreign sector was little changed) and in 1986 to a large increase in external reserves (the level of domestic credit outstanding declined slightly as bank deposits increased with the income from the high coffee exports). The increase in credit in 1985 was to the private sector (claims on government declined), and was due in part to the need to finance an accumulation of coffee stocks, following a large coffee crop. There also appears to have been some real estate speculation in urban areas.

The rapid monetary expansion did not result in a higher rate of inflation, because (i) ample food supplies kept food prices low (food items constitute about 40 percent of the consumption basket), and (ii) velocity was declining, influenced by the high level of real deposit interest rates. The effect of the increase in bank liquidity was felt in the financial position of the commercial banks, which have been discouraging new deposits, in the absence of projects which are profitable at the prevailing lending interest rates.

1/ The explanation for the shortfall, which occurred mainly in fees and charges, is not clear.

Table 3. Rwanda: Summary Monetary Survey, 1981-86

	1981	1982	1983	1984	1985	1986
	(In millions of Rwanda francs; end of period)					
Foreign assets (net)	15,453	11,671	9,915	11,082	11,063	13,785
Assets	17,973	14,080	12,233	13,152	12,786	...
Liabilities	2,520	2,409	2,318	2,069	1,722	...
Domestic credit	6,891	9,626	13,099	14,592	17,743	17,434
Claims on Government (net)	-1,267	775	3,212	3,005	2,975	2,717
Claims on private sector	8,158	8,851	9,887	11,587	14,768	14,717
Broad money	15,938	16,155	18,054	19,881	23,308	26,485
Narrow money	11,729	11,442	12,294	13,332	14,577	17,212
Quasi-money	4,209	4,712	5,759	6,549	8,731	9,273
Other items (net)	6,406	5,142	3,563	5,794	5,499	4,734
Memorandum items		(Percentage change from previous year)				
Domestic credit		39.7	36.1	11.4	21.6	-1.7
Claims on Government (net)		... 1/	314.5	-6.4	-1.0	-8.7
Claims on private sector		8.5	11.7	17.2	27.5	-0.3
Broad money		1.4	11.8	10.1	17.2	13.6
		(Change from previous year as percent of broad money stock at end of previous year)				
Foreign assets (net)		-23.7	-10.9	6.5	--	11.7
Domestic credit		17.2	21.5	8.3	15.8	-1.3
Claims on Government (net)		12.8	15.1	-1.1	-0.2	-1.1
Claims on private sector		4.3	6.4	9.4	16.0	-0.2

Source: Data provided by the Rwandese authorities.

1/ Claims changed from a negative number in 1981 to a positive number in 1982.

In 1985, imports increased by 12.2 percent in SDR terms while exports declined by 10.6 percent (due to reduced tea prices and the cessation of mineral production); the current account deficit (excluding public transfers) increased to 10.3 percent of GDP (from 8.9 percent in 1984). Net capital inflows, including public transfers, rose by 19.9 percent, and the overall balance registered a small deficit--SDR 3.7 million (Table 4). In 1986, high coffee prices led to an improvement in the current account deficit (8.9 percent of GDP), and the overall position registered a large surplus (SDR 27.5 million). At the end of December 1986, gross external reserves were equivalent to five months of imports. The external debt service ratio (as a percentage of exports of goods and nonfactor services), which was between 5 percent and 6 percent during the period 1981-84, increased to 6.6 percent in 1985 and to 7.7 percent in 1986. The ratio of total external debt to GDP is 19.4 percent.

The Rwanda franc was pegged to the U.S. dollar at a fixed rate (US$1 = RF 92.84) from 1974 until September 1983, and has since then been pegged to the SDR at a fixed value (SDR 1 = RF 102.71). The real effective exchange rate appreciated from 1980 until the beginning of 1985 (Chart 1); it declined thereafter but in March 1987 was still higher than the end-1980 level by about 25 percent in real terms.

Rwanda maintains restrictions on payments and transfers for current international transactions that are subject to Fund approval under Article VIII. These include the advance import deposit requirement introduced in 1983, the suspension of foreign exchange availability for travel abroad, and restrictions on transfers abroad of earned income by foreigners.

III. Report on the Discussions

The discussions focused on the medium-term outlook and the policies required to maintain financial viability and promote growth on a sustainable basis.

1. Medium-term projections

Projections prepared during the mission indicate that the medium-term outlook for Rwanda is weak. On the basis of projections made by the Commodities Division of the Fund's Research Department, Rwanda's coffee export prices are projected to decline by 35 percent in 1987 (in U.S. dollar terms) from the unusually high levels of 1986, and then are expected to recover gradually in the following year. Tea prices are projected to show a gradual increase from 1986 but are not expected to reach by 1991 the exceptionally high levels recorded in 1984. Mineral exports are assumed to be negligible and other exports are expected to continue to be minor. Even if the coffee export volume is projected to be 35,000 tons per year (16 percent higher than the average for 1981-85), and the tea volume is projected to increase (to a level 32 percent

Table 4. Rwanda: Summary Balance of Payments, 1981-86

(In millions of SDRs)

	1981	1982	1983	1984	1985	1986 Prov.
Exports, f.o.b.	96.1	98.2	116.1	139.1	124.3	157.8
Of which: coffee	(57.9)	(61.9)	(76.3)	(91.2)	(92.0)	(136.2)
Imports, f.o.b.	-175.7	-194.4	-184.9	-192.6	-216.2	-235.9
Trade balance	-79.6	-96.2	-68.8	-53.5	-91.9	-78.1
Services (net)	-64.5	-82.0	-86.9	-85.6	-86.0	-87.7
Private transfers	-2.5	4.2	5.1	1.8	4.3	4.9
Current account balance	-146.6	-174.0	-150.6	-137.3	-173.7	-160.9
Official transfers	89.6	95.3	105.1	96.8	110.5	112.0
Capital inflows (net)	52.1	44.4	27.0	48.4	63.6	76.5
Allocation of SDRs	2.4	--	--	--	--	--
Other items (net), including errors and omissions	-9.9	-3.7	--	1.2	-4.2	--
Overall balance	-12.2	-38.0	-18.5	9.0	-3.7	27.5
Memorandum items:						
Current account deficit (excluding official transfers; percent of GDP)	13.1	13.5	10.6	8.9	10.3	8.9
Current account deficit (including official transfers; percent of GDP)	5.1	6.1	3.2	2.6	3.7	2.7
Gross official reserves (in months of imports, c.i.f.)	8.2	5.5	5.1	4.9	4.2	5.1
Rwanda franc/SDR (period average)	109.47	102.50	100.86	102.71	102.71	102.71

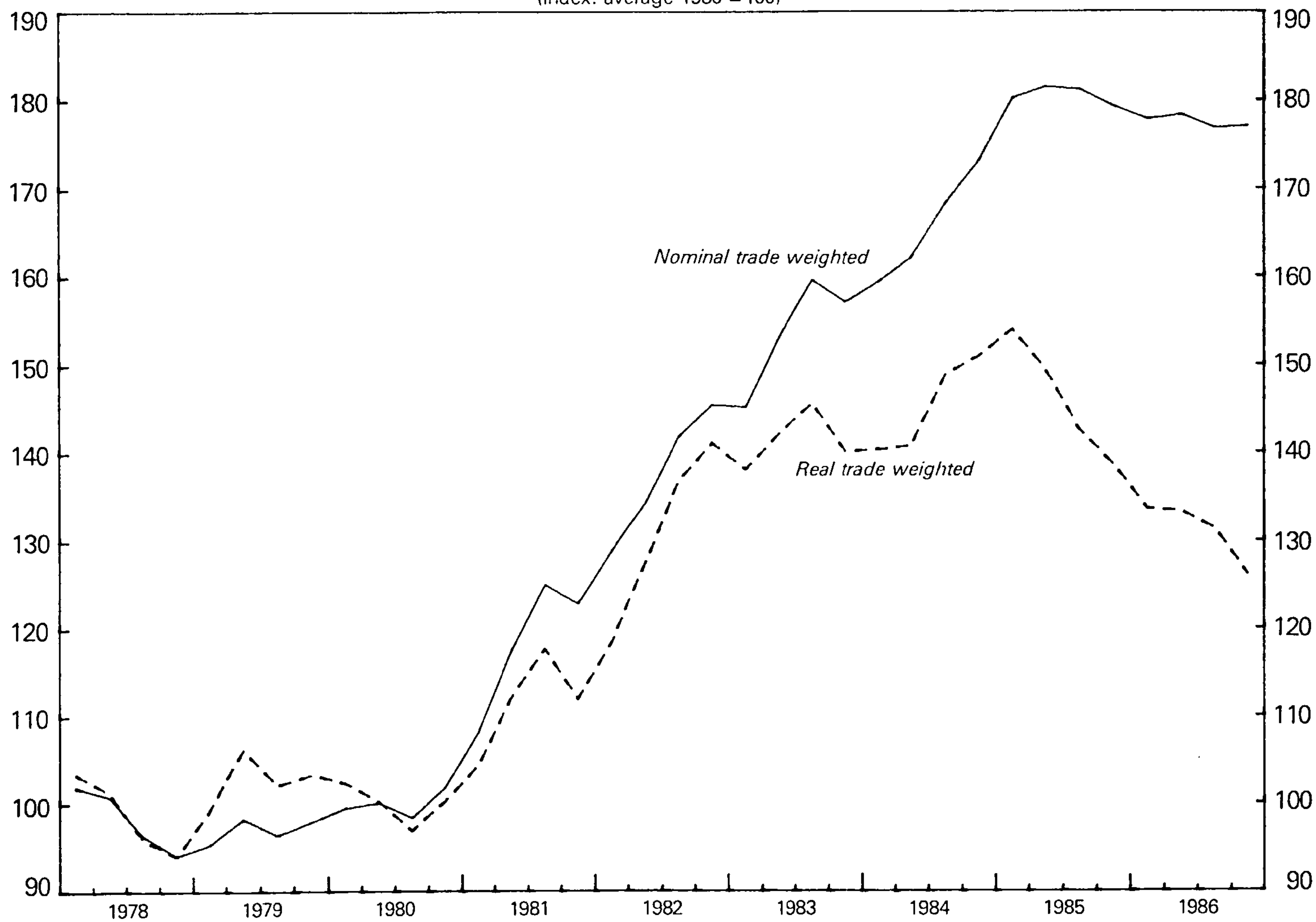
Sources: Data provided by the Rwandese authorities; and staff estimates.

CHART 1

RWANDA

TRADE WEIGHTED NOMINAL AND REAL EFFECTIVE EXCHANGE RATES, 1978-86

(Index: average 1980 = 100)



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

higher in 1991 than the 1986 level), the terms of trade deterioration is such that export earnings will be reduced. On the assumption of an average rate of increase of imports of about 4 percent per annum (in nominal terms), the trade deficit is projected to increase substantially in 1987, and to increase gradually thereafter. 1/

The projections assume that transfer inflows as well as net capital inflows will increase only modestly above the 1986 level, but that new capital inflows will continue to be on the highly concessional terms which characterize much of Rwanda's past debt. With these assumptions, the current account deficit is projected to increase from 8.9 percent of GDP in 1986 to 11.3 percent of GDP in 1991, and the overall balance is projected to turn from surplus into large deficit in 1987, with the deficits increasing until 1991. Gross reserves are projected to be exhausted in 1989. The debt service ratio is projected to increase to 17 percent by 1991, compared with an average of 6 percent during 1981-86 (Table 6). The level of outstanding debt, compared to GDP, is projected to show a continued rising trend, from 19.4 percent at the end of 1986 to 25.7 percent at the end of 1991. Rwanda could borrow more to finance the deficit, but additional borrowing would probably be on increasingly nonconcessional terms, and the debt service ratio would deteriorate markedly.

Very rough projections of the national accounts statistics suggest that even the level of imports indicated above (which is already unsustainable on the basis of the balance of payments projections) may not be sufficient to maintain an average real rate of growth of GDP of 4 percent per annum, unless there is a substantial reduction in the import content of investment or in the capital output ratio.

The budgetary outlook is similarly difficult. Unless suitable measures are implemented, revenues are likely to decline (as coffee export receipts decline from the 1986 level) and expenditures to increase relative to GDP. The budget deficit is therefore likely to rise relative to GDP. The result would be a tendency for the public sector to crowd the private sector out of the credit markets, or alternatively for the expansion of money and credit to rise to levels higher than would be compatible with monetary and price stability.

The mission's analyses and policy recommendations were made in the light of these difficult economic prospects.

1/ The projections in Table 5 differ from the projections prepared during the mission in that the most recent coffee price projections (used in Table 5) show a larger decline in 1987 than earlier projections; the broad trends in Table 5 are, however, the same as in the projections prepared during the mission.

Table 5. Rwanda: Medium-Term Balance of Payments Projections, 1986-91

(In millions of SDRs)

	1986	1987	1988	1989	1990	1991 Prov.
Exports, f.o.b.	157.8	89.5	96.8	102.0	106.7	110.1
Of which: coffee	(136.2)	(67.1)	(71.6)	(74.6)	(76.3)	(79.4)
Imports, f.o.b.	-235.9	-244.1	-253.5	-263.5	-273.7	-284.4
Trade balance	-78.1	-154.6	-156.7	-161.4	-166.9	-174.3
Services (net)	-87.7	-100.0	-105.3	-111.9	-117.7	-124.9
Private transfers	4.9	5.1	5.3	5.5	5.6	5.8
Current account balance	-160.9	-249.5	-256.7	-267.9	-279.0	-293.3
Official transfers	112.0	112.7	113.5	114.3	115.1	115.9
Capital inflows (net)	76.5	73.1	75.3	77.5	79.7	84.0
Overall balance	27.5	-63.7	-67.9	-76.1	-84.4	-93.5
Financing	-27.5	63.7	67.9	76.1	84.4	93.5
Change in gross reserves (increase -)	(-27.5)	(63.7)	(67.9)	(20.1)	(--)	(--)
Financing gap	(--)	(--)	(--)	(56.0)	(84.4)	(93.5)
Memorandum items:						
Current account deficit (as percent of GDP)						
Excluding official transfers	8.9	12.8	12.2	11.9	11.5	11.3
Including official transfers	2.7	7.0	6.8	6.8	6.8	6.8

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

Table 6. Rwanda: Medium-Term External Debt Projections, 1985-91

(In millions of SDRs)

	1985	1986	1987	1988	1989	1990	1991
1. Outstanding debt, beginning of period	258.6	308.7	352.9	411.2	471.5	533.7	600.4
a. Drawings	65.2	67.4	69.9	73.4	74.5	78.6	81.2
b. Amortization	8.0	9.2	11.6	13.1	12.3	11.9	13.1
2. Debt at end of period	308.7	352.9	411.2	471.5	533.7	600.4	668.5
3. Interest	4.0	4.6	8.3	9.0	10.2	11.3	12.3
4. Average debt	280.1	330.8	382.1	441.4	502.6	567.1	634.5
5. Average interest (in percent)	1.0	1.5	1.6	1.6	1.6	1.6	1.6
6. Debt service	12.0	13.8	19.9	22.1	22.5	23.2	25.4
7. a. Exports of goods	124.3	157.8	89.5	96.8	102.0	106.7	110.1
b. Exports of nonfactor services	34.6	35.9	34.9	36.4	37.3	38.3	39.3
c. Exports of goods and nonfactor services	158.9	193.7	124.4	133.2	139.3	145.0	149.4
8. Debt service ratio	7.5	7.1	16.0	16.6	16.2	16.0	17.0
9. Ratio of outstanding debt (percent of GDP)	18.3	19.4	21.1	22.5	23.7	24.8	25.7

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

2. Production policies

In view of the medium-term outlook, the authorities recognized the importance of suitable policies to increase production. A main part of government activity has related to the introduction of new crops. Coffee and tea were themselves introduced by official agencies in the 1930s and 1960s, respectively (though the period of significant expansion of coffee and tea acreage was the 1960s and 1970s). The Government also promoted quinquina and pyrethrum, which have not, however, proved to be successful owing to lack of world demand.

With 6 million people in an area of 26,000 square kilometers, Rwanda has one of the highest population densities in Africa. The population pressure, and the land tenure system which has led to increasing subdivision of farm plots, have encouraged farming practices that reduce soil fertility. The Government has actively promoted extension and information services to instruct farmers in appropriate farming techniques and to discourage plot fragmentation. Government research centers are studying soil types in various parts of the country to determine the optimum cropping patterns, and reclamation effort continues in areas which are currently uncultivated swamp land. Agriculture has received a relatively large share (13.5 percent) of investment expenditures during the Third Plan period (1982-85).

Owing to the good agricultural sector performance in 1985 and 1986, food supplies have been ample 1/ and there has been downward pressure on prices. At the time of the mission, the authorities were in the midst of an exercise to persuade traders to pay farmers prices not lower than an indicative official list of prices. The mission advised against attempts to fix prices. The mission instead encouraged the Government to improve storage, transportation, and communication facilities in order to reduce regional or seasonal variations in supplies (and prices); otherwise, the mission suggested that the market for food products should be left to function freely.

The collection, processing, and export sale of coffee are the responsiblity of a parastatal organization (Ocir-Café), and the growing, collection, processing, and export sale of tea are the responsibility of another state body (Ocir-Thé). Ocir-Café had a good year in 1986, when it was able to export a record volume of coffee (42,000 tons) at unusually high prices. The organization was in a good financial position and was contributing to the government budget through payment of export taxes and an operating surplus. Ocir-Thé was in a much more uncertain financial position. It was barely able to meet its current expenditure requirements, and was in arrears to the Government for the servicing of external loans which had been on-lent by the Government. The Rwandese representatives said that, in view of the financial situation, there had been some reduction in the staff of Ocir-Thé; active efforts were being made to increase tea acreage, since low

1/ Rwanda also benefited from food aid receipts.

capacity utilization in most of the tea factories was a contributory factor to the sector's poor financial performance.

The manufacturing sector consists of agro-based and import-substitution industries, and has a large public sector participation. Partly owing to the small domestic market and partly owing to management and technical inadequacies, many of the enterprises (especially those that are heavily dependent on imported inputs) are economically unviable. The number of import products whose importation is completely banned to protect domestic industries has increased from seven in 1985 to 15 at the beginning of 1987. The Rwandese representatives believed that the problems of the manufacturing enterprises were temporary and would decrease as the enterprises became more established. They said that they had received many requests from manufacturing enterprises for increased protection, but had granted only a few. Complete prohibition on these competing imports was, in their view, more effective than the use of high tariffs because it made it easier to control smuggling. The mission described the problems created by reliance on excessive protection and advised that measures be adopted to improve the efficiency of the parastatal enterprises.

The problems of the mineral sector are severe. With the closing of the tin-processing factory, tin production has ceased. The situation with respect to cassiterite is not clear; it appears that production of cassiterite by independent rural producers may have continued at a low level, but any such production is being stockpiled as there are no exports at the present time. The cessation of tin and cassiterite exports has had an adverse effect on the balance of payments, and on productive employment in the producing areas. At the time of the mission, the authorities did not have any definite plans for the mineral sector; they were awaiting the results of a study undertaken by a consultant financed by the European Development Fund.

With regard to energy policy, the Rwandese representatives informed the mission that the domestic prices of imported petroleum products had been maintained unchanged in 1986 through the introduction of a variable levy that captured for the government budget the margin created by the reduction in world oil prices during the year. Reflecting the high level of insurance and freight for a land-locked country, petroleum product prices in Rwanda are relatively high (gasoline costs are equivalent to more than four dollars a gallon). In order to reduce dependence on imported energy products, the Rwandese Government was considering a project to develop gas reserves in one of the lake districts, possibly for use in a new electricity-generating plant.

The Third Plan period ended in 1986 and the Government has for some time been considering what the direction of policy should be during the Fourth Plan period. A draft paper by the Ministry of Planning on policy directions was not accepted by the cabinet, which asked that local communities be consulted before a new draft is prepared. The Government proposes that the emphasis of the Fourth Plan would continue to be on food self-sufficiency, and intends that production should be more domestic-resource based. The government representatives told the mission that they expected that a new draft plan document would be ready at the end of 1987. The mission cautioned against excessive delays in plan preparation, as appropriate project selection and implementation would be facilitated by a coherent macroeconomic policy framework.

3. Fiscal policies

The Government's budgetary accounts do not include transactions on projects financed directly by foreign loans and grants. The mission has integrated these transactions with the fiscal accounts, and the budget tables in this report are based on this more comprehensive presentation.

Following the excessively expansionary policies of 1982-83, the authorities have generally sought to restrain budget expenditures. The necessity for restraint on discretionary expenditures has been increased by the steady expansion of the proportion of budget expenditures that is devoted to service on domestic and external debt.

The mission felt that, while the budget deficit in relation to GDP had been modest in 1985 and 1986, it should in fact have been reduced further in 1986 in order to reduce the rate of increase of outstanding government debt, to prevent government expenditure levels from rising to unsustainable levels, and to contribute to containing the imbalance between domestic supply and demand. The budget for 1987 has a deficit equivalent to 3.9 percent of GDP. While this does not seem high, the 1986-87 developments reflect higher rates of expenditure increase in line with the exceptional budget receipt increases arising from the unusually high coffee receipts. With the revised more pessimistic forecasts for world coffee prices, the mission felt that a reduction in the level of 1987 expenditures (of about 5 percent of the budgeted level) would be desirable; even with this reduction, the rate of increase of expenditures in 1987 would remain at 6 percent, a higher rate than the average for 1983-85.

The Rwandese representatives stated that they had no objections in principle to the mission's recommendations. However, they felt that it was not easy to find budget categories for which expenditure could be appreciably reduced in the course of actual budget implementation, but undertook to apply further restraint where possible.

There was only one major new revenue measure in the 1986 budget (the general sales tax), and no new measure in the 1987 budget. The mission recognized that the immediate task was to improve the revenue administration system and urged the authorities to take effective steps to achieve this purpose. However, the tax revenue to GDP ratio is relatively low, and the mission was of the view that, for future years, new revenue measures would be required to reduce the budget deficit, in view of the difficult medium-term prospects.

4. Monetary policies

The authorities have sought, during the past two years, to use monetary policy actively to restrain credit expansion. In 1985 and 1986, bank credit expansion was controlled by bank and by credit category. Seasonal credit for agricultural crops was outside the limits; for other credit categories, the limit for each bank was related to changes in the deposit base of the bank for the preceding period.

Despite these regulations, credit expansion was at a high rate in 1985 for crop financing and, in part, for speculative activity in the real estate sector. The rate of credit expansion declined in 1986, as the high coffee receipts led to an improvement in the financial position of the Government and the private sector.

The Rwandese representatives informed the mission that their credit limits for the commercial banks were established on a semi-annual basis to permit correction during the second half of the year for any deviations recorded in the first half. This system had not, however, operated effectively in 1985, when the deviations in the first half of the year were so large that the authorities felt that they could not during the second half apply the restraint that would be necessary to achieve the original targets for the end of the year. In 1986, the situation was improved on account of the easier liquidity position in the private sector.

With regard to interest rates, the Rwandese representatives noted that the levels of interest rates had not been changed since 1979, and prior to that date had not been changed for a long period. Interest rate stability had, thus, been a feature of the Rwandese economic system. However with the low level of inflation that had been recorded since 1985, there had been demands by banks and bank customers for a reduction in rate levels, since real interest rate levels were now high. Bank customers thought that the lending rates were discouraging borrowing for investment activity, and banks were reluctant to accept new savings and time deposits in the absence of an adequate supply of projects that would be profitable with the existing interest rates. The mission advised the authorities to maintain the interest rates at the existing levels because the weak external balance prospects required continuing restraint in credit expansion. With Rwanda's economic structure, an increase in credit levels would, in the mission's view, be rapidly translated into an increased demand for imports. The Rwandese representatives shared the mission's view and indicated that no changes would be made in interest rate levels for the time being.

A subject which concerned the authorities was the central bank's practice of providing forward cover for the export receipts of the coffee sector. The central bank guarantees the exchange rate prevailing on the date of contract agreement, and thus takes the risk of exchange rate fluctuations until the date of payment settlement. As the U.S.

dollar had depreciated against the Rwanda franc since early 1986, this had caused losses for the central bank in 1986, which were continuing in 1987. The mission asked whether the forward cover arrangements were necessary in 1986, when world coffee prices were very high and the coffee sector could absorb the exchange risks. More generally, the mission thought that a more appropriate exchange rate policy would make it easier to terminate the central bank's forward cover guarantees.

5. External Sector Policies

The Rwandese representatives confirmed that the advance deposits introduced in 1983 had been made interest-bearing since July 1984 (thus eliminating the multiple currency practice) and informed the mission that, with effect from 1986, the advance deposit requirement had been abolished for imports from neighboring countries, which were members of regional economic groupings. As of the date of the mission, most imports continued to be subject to the advance deposit requirement. There was no indication when the authorities intended to eliminate the requirement for all imports.

There was much discussion between the mission and the authorities on exchange rate policies. The authorities said that their policy of pegging at a fixed rate to a well-known international unit (the U.S. dollar up to 1983 and the SDR since then) had the advantage of simplification of operation, and also had contributed to the low inflation record. It was the mission's view that the difficult medium-term prospects required appropriate action to correct for the real effective appreciation since 1980 and to improve the external competitiveness of Rwandese products. The lack of progress in efforts over the past decade to diversify the structure of production and exports was due in part to the overvaluation of the currency. The mission noted that the currencies of the neighboring countries had since 1980 depreciated in real effective terms against the Rwanda franc by margins ranging from about 19 percent to 71 percent. The change in relative costs caused by these currency changes posed increasing problems for Rwanda's actual and potential exports to neighboring countries and could even lead to an enlarged share in the Rwandese domestic market for manufactured products from neighboring countries. The mission recognized that, for an economy with a structure such as Rwanda's, a discrete exchange rate change would have unfavorable short-term inflation implications. However, the inflationary pressures would be reduced if the exchange rate action were accompanied by a liberalization of import restrictions. In any event, it was desirable, in the mission's opinion, to act now at a time of ample food supplies, low inflation, and large external reserves. Failure to act would mean, on the basis of the medium-term projections, that severe external payments difficulties would occur in a few years and drastic action might then have to be taken under highly unfavorable circumstances.

The mission emphasized that an exchange rate adjustment should be accompanied by appropriate wage, fiscal and monetary policies in order to dampen the initial inflationary effects and to promote beneficial relative price changes. The mission also stated that, following an initial exchange rate change, it would be necessary to establish a mechanism for future exchange rate changes that would serve to achieve appropriate real effective exchange rate objectives.

The Rwandese representatives, in their response, said that they recognized the difficult economic prospects and the need to implement appropriate policies to avoid payments problems in the next few years. However, before deciding on any specific measures, they wanted to study further the effect of exchange rate changes on Rwanda's specific export and import commodities, as well as on the budget and price level.

III. Staff Appraisal

In 1985 and 1986, the Rwandese economy experienced a significant recovery from the conditions of the preceding year, when drought adversely affected output. The rate of growth of GDP was high during these two years, the rate of inflation was low, the budget deficits were maintained at modest levels and, with a balance of payments surplus in 1986, the gross reserve level at the end of the year was equivalent to about five months of imports. This performance was due in part to the good weather conditions which prevailed in both years and encouraged high output in the agricultural sector, and in part to the unusually high level of coffee prices in 1986. An important factor also was the overall stance of the Government's economic policy, which since 1983 has emphasized demand restraint.

Notwithstanding these favorable indicators of economic performance, however, some aspects of the economic situation give cause for concern. The tin processing factory which was established in 1982 operated only at half capacity, and ceased operations in 1985 following drastic declines in international tin prices. The only exports of tin and cassiterite in 1986 were from stocks carried over from 1985, and productive activity in the mineral sector has virtually come to a halt. As for the manufacturing sector, many enterprises (in several cases, with predominant government participation) are economically unviable and are maintained in operation only with the help of government subsidies or protection from competitive imports. The Government's efforts over the past decade to promote diversification away from agriculture have thus met with little success. Attempts to diversify export production within the agricultural sector have also been unsuccessful: the cultivation of quinquina and pyrethrum has failed in the absence of world demand. The main production base therefore remains essentially unchanged from the 1960s: coffee and tea for export, and food crops for domestic consumption.

However, there are problems that can be foreseen even for the agricultural sector. Rwanda, which already has one of the highest population densities in Africa, has a rapid rate of population increase. As the land tenure system favors increasing subdivision of the land with each succeeding generation, the population pressure on the land threatens to reduce soil fertility and yields.

The staff believes that, under these circumstances, a well-designed multi-year domestic investment plan is needed to increase domestic savings and program the distribution of available resources more efficiently. The staff urges the authorities to proceed as rapidly as possible with the preparations for the Fourth Plan. Active measures are needed to reorganize the parastatal sector and eliminate protection for unviable enterprises. The authorities are encouraged to seek World Bank assistance in these areas.

Budget deficits have been kept to a modest level since 1984. A contributing factor was the policy of expenditure restraint, but there appears to have been some expenditure relaxation in 1986, when there was a high level of coffee receipts. There were few revenue measures in 1985 and 1986, except for the general sales tax in 1986. The increase in revenue due to high coffee receipts in 1986 was to some extent offset by an apparent reduction in nontax revenues. The staff believes that, whereas the budget deficit was kept modest in 1985 and 1986, there was room for further improvement in performance. The revenue yield with the present tax structure could have been higher with better administration. It is also to be noted that the level of public debt (domestic and foreign) has increased at such a rate that the share of debt service in current expenditures has increased from 2 percent in 1981 to 6 percent in 1986. With the sharp reduction of coffee prices in 1987, the revenue base is expected to contract. The staff urges the authorities to take adequate measures to improve the revenue administration system. The Government should also be prepared to implement new revenue measures in future years, if necessary, to preserve fiscal balance. Expenditure restraint will have to be maintained in future years.

The authorities have generally, in the staff's view, followed prudent monetary policies in the past two years. It was appropriate to maintain tight credit policies and high interest rates, even during a period of low inflation and external surplus, because of the temporary nature of the coffee boom and the high import content of investment and consumption. The staff believes that interest rates should continue to be maintained at levels that are positive in real terms, in order to encourage financial savings and promote productive investment.

With regard to external policies, the staff believes that the reduction in scope of the advance import deposit requirement is a step in the right direction. However, the increase in the number of import items subject to complete import prohibition is an unfavorable development, as it increases protection for competing domestic industrial enterprises which are economically unviable. The peg to the U.S. dollar until 1983 and the peg to the SDR since 1983 resulted in a real effective appreciation of the Rwanda franc up to early 1985; while there has been a real effective depreciation of nearly 20 percent since that date, there remains a real effective appreciation of about 25 percent in comparison with 1980. The failure to diversify the base of production and exports has been due in part to the overvalued exchange rate. The staff believes that further depreciation of the currency's value is required to improve the competitiveness of Rwandese products in foreign markets and to rationalize the domestic use of imports. Such a depreciation would involve an initial discrete adjustment of the rate to correct for the existing overvaluation, and the adoption of a system of future exchange rate adjustments that would ensure that the rate would be at appropriate levels.

It is recommended that the next Article IV consultation be held on the basis of the standard 12-month cycle.

Rwanda's exchange system was considerably tightened in 1983, with the introduction of a noninterest-bearing advance deposit in imports and a tightening of quantitative restrictions. From 1984, interest has been paid on the advance import deposits, eliminating the multiple currency practice. Rwanda maintains restrictions on payments and transfers for current international transactions subject to approval under Article VIII: most imports not financed with own foreign exchange are controlled, and the prior approval of the central bank is required for all payments for invisibles. A multiple currency practice may also arise from the subsidized provision by the central bank of exchange rate guarantees for the export receipts of the coffee sector. The staff believes that the authorities should be encouraged to implement a speedy dismantling of these restrictive practices; in the meantime, Executive Board approval is not recommended.

RWANDA: Relations with the Fund
(As of April 30, 1987)

I. Membership Status

(a) Date of membership	September 30, 1963
(b) Status	Article XIV

A. Financial Relations

II. General Department (General Resources Account)

(a) Quota	SDR 43.80 million
(b) Total Fund holdings of Rwanda francs	SDR 34.47 million (78.70 percent of quota)
(c) Reserve tranche position	SDR 9.33 million
(d) Fund credit	--

III. Stand-By or Extended Arrangement

(a) Current stand-by or extended arrangement	None

(b) Previous stand-by or extended arrangement during the past ten years

Arrangement	Date	Duration	Amount	Utilization
Stand-By	October 31, 1979	12 months	SDR 5 million	--

IV. SDR Department

(a) Net cumulative allocation	SDR 13.7 million
(b) Holdings	SDR 8.07 million (58.91 percent of net cumulative allocation)

RWANDA: Relations with the Fund (concluded)
(As of April 30, 1987)

V. Administered Accounts

Trust Fund loans

(a) Disbursed	SDR 10.69 million
(b) Outstanding	SDR 6.77 million

B. *Nonfinancial Relations*

VI. Exchange Rate Arrangement

The Rwanda franc has been pegged to the SDR at the rate of SDR 1 = RF 102.71 since September 6, 1983.

VII. Last Article IV Consultation

Discussions were held by the staff in Kigali during the period July 30-August 13, 1985. The staff report (SM/85/289, 10/31/85) was discussed by the Executive Board on January 15, 1986.

The Executive Board's decision on the consultation, adopted on January 15, 1986, was as follows:

1. The Fund takes this decision relating to Rwanda's exchange measures subject to Article VIII, Section 2(a) and in concluding the 1985 Article XIV consultation with Rwanda, in the light of the 1985 Article IV consultation with Rwanda conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. Rwanda continues to maintain exchange restrictions on payments and transfers for current international transactions, including restrictions arising from the suspension of travel allowances, as described in SM/85/293. The Fund encourages the authorities to adopt adjustment measures which would enable them to eliminate, as soon as possible, the exchange restrictions that are subject to approval under Article VIII.

Rwanda is on the standard 12-month consultation cycle.

Rwanda: Relations with the World Bank Group

Over the past five years, the World Bank's policy dialogue and lending program in Rwanda have emphasized (a) agricultural and rural development; (b) human resources, basic education and manpower training, and, more recently, family planning programs; (c) infrastructure development, particularly roads, to reduce the country's isolation and to provide incentives for diversification through better marketing; and (d) development of domestic energy sources. Continuing assistance in these areas will increasingly be restructured along sectoral and subsectoral adjustment lines to identify policy, institutional, and procedural reforms that could provide the basis for the preparation of sectoral adjustment credits or other policy-based lending for the fiscal year 1987 and after.

Rwanda is eligible for IDA credits, which are mostly for the financing of projects in infrastructure, agriculture, livestock, and forestry. Three IFC loans for tea processing and marketing were made in 1976, 1980, and 1985. An IBRD resident mission has been maintained in Kigali since 1979.

RWANDA - Status of World Bank Group Operations

A. Statement of IDA Credits
(As of March 31, 1987)

Credit No.	Fiscal Year	Purpose	Amount in US$ million (less cancellations) IDA	Undisbursed 1/
(Twelve credits have been fully disbursed) 2/			107.24	
1057-RW	1981	Telecommunications	7.50	0.58
1126-RW	1981	Coffee/Foodcrops	15.00	2.24
1217-RW	1982	Technical assistance	5.00	2.09
1250-RW	1982	Fifth highway	25.90	7.35
1263-RW	1982	Second education	10.00	6.36
1283-RW	1982	Phase II Bugesera/Gisaka/ Migongo	16.30	5.76
1344-RW	1983	BRD III	7.00	4.47
1345-RW	1983	Water supply	13.00	1.07
1420-RW	1984	Ruzizi II Hydroelectric	15.00	8.44
1495-RW	1984	Power	9.00	2.58
1546-RW	1985	Agricultural research	11.50	12.87
1565-RW	1985	Technical assistance II	4.80	5.57
1641-RW	1986	Sixth highway	11.00	13.23
A008-RW	1986	Sixth highway	15.00	17.13
1650-RW	1986	Fourth BRD	9.00	10.93
1669-RW	1986	Gitarama agriculture and Minagri development project	12.70	14.99
1678-RW	1986	Family health	10.80	11.99
1683-RW	1986	Third education	15.60	17.36
		Total	323.92	144.99
		Of which: has been repaid	(1.93)	
		Total now outstanding	321.99	
		Amount sold	4.41	
		Of which: has been repaid	(4.41)	
		Total now held by IDA	321.99	
		Total undisbursed		144.99

1/ Except Credit 1057-RW, the undisbursed balance of IDA 6 and 7 in U.S. dollars was calculated at the SDR rate of 3/31/87.

2/ Rwanda has received no Bank loan.

RWANDA - Status of World Bank Group Operations (concluded)

B. Statement of IFC Investments in Rwanda
(As of March 31, 1987)

IFC's existing investments in Rwanda comprise the two investments previously made in Sorwathé and its predecessor companies, SIRT and USINE. Details are as follows.

Investment Number	Fiscal Year	Obligor	Type of Business	In US$ million Equity	Loan	Total	Total Held by IFC	Undis-bursed
337-RW	1975	Sorwathé)	Tea processing and marketing	--	0.53	0.53	0.16	--
470-RW	1979	Sorwathé)		0.06 1/	0.23	0.29	0.09	--
764-RW	1985	Sorwathé)		--	0.29	0.29	0.32	--
Total				0.06 1/	1.05	1.11	0.57	--

Source: Data provided by the World Bank.

1/ Canceled in July 1984.

Rwanda - Statistical Issues

1. Outstanding Statistical Issues

a. National accounts

The national accounts estimates tend to vary between different official sources. The Bureau of Statistics would appreciate being informed whether progress has been made in reconciling the differing estimates and whether estimates of real GDP by sector of origin for recent years are now available.

b. Government finance

The 1985 GFS Yearbook publishes government finance statistics data for Rwanda for the 1973-80 period for Revenue and Grants, Expenditure by Function, Expenditure and Lending Minus Repayments by Economic Type, Financing by Type of Debt Holder and by Type of Debt Instrument, and Outstanding Debt by Type of Debt Holder. Capital Expenditure by Function is available only for 1979 and 1980 and no detailed breakdown of Lending Minus Repayments by Function is available. No reply to the 1986 GFS questionnaire has been received. It would be helpful if the mission could take up with the authorities the need to update the GFS data. Mr. Mélane Nkiliyeke of the Ministry of Finance, who was a participant in the 1986 IMF Institute GFS course, may be able to provide any necessary assistance to the GFS correspondent.

The government finance data published in IFS are annual and are the same as in the GFS Yearbook.

c. Balance of payments

Data for 1985 have not yet been received. In their telexes of July 7 and November 8, 1986, the authorities indicated that the data were sent with their letter of June 6, 1986. It would be appreciated if the authorities could provide a new copy of the data as soon as possible.

2. *Coverage, Currentness, and Reporting of Data in IFS*

The table below shows the currentness and coverage of data published in the country page for Rwanda in the January 1987 issue of IFS. The data are based on reports sent to the Fund's Bureau of Statistics by the Banque des Etats de l'Afrique Centrale, which during the past year have been provided somewhat irregularly.

Status of IFS Data

		Latest Data in January 1987 IFS
Real sector	- National accounts	1983
	- Prices: CPI	August 1986
	- Production	n.a.
	- Employment	n.a.
	- Earnings	n.a.
Government finance	- Deficit/Surplus	1980
	- Financing	1980
	- Debt: Foreign	1980
Monetary accounts	- Monetary authorities	August 1986
	- Deposit money banks	August 1986
	- Other financial institutions	August 1986
Interest rates	- Discount rate	September 1986
	- Bank deposit/lending rates	September 1986
	- Bond yields	n.a.
External sector	- Merchandise trade: Values	June 1986
	Unit values: coffee, tea	June 1986
	- Balance of payments	1984
	- International reserves	November 1986
	- Exchange rates	November 1986

RWANDA - Basic Data

Area, population, and GDP per capita

Area	26,338 square kilometers
Population	
Total (1983 estimate)	5.7 million
Growth rate (1978-82)	3.7 percent
GDP per capita (1983)	SDR 249

	1981	1982	1983	1984	1985	1986
Gross domestic product and expenditure			(In billions of Rwanda francs)			
GDP at current market prices	122.80	132.02	142.70	159.17	173.66	186.40
Of which:						
primary sector	(44.96)	(54.28)	(56.57)	(68.29)	(77.72)	(75.01)
secondary sector	(25.58)	(26.95)	(33.97)	(35.42)	(36.94)	(45.27)
tertiary sector	(45.63)	(46.74)	(48.33)	(50.18)	(53.38)	(60.79)
Gross domestic expenditure at current prices	139.63	150.26	157.81	172.96	191.37	202.96
Private consumption	98.39	102.09	113.49	124.91	139.29	148.02
Public consumption	23.43	25.23	16.04	21.91	23.47	24.94
Gross fixed investment and changes in stocks	17.81	22.94	28.28	26.14	28.61	30.00
Resource gap at current prices 1/	-16.83	-18.24	-15.11	-13.79	-17.71	-16.56
Price indices			(Percentage change)			
GDP deflator	8.0	6.6	6.4	13.6	0.6	-0.3
General consumer price index (average)	6.5	12.6	6.6	5.4	1.7	-1.1
Export price index (in SDR terms)	-22.4	16.7	-1.3	16.0	-4.0	8.3
Import price index (in SDR terms)	1.1	3.4	3.2	-13.3	10.7	-4.5
Government finance			(In billions of Rwanda francs)			
Total revenue and grants	19.43	21.10	24.88	23.64	26.12	26.73
Of which: tax revenue	(12.41)	(12.81)	(13.14)	(15.09)	(17.27)	(20.34)
Budgetary expenditure and net lending	24.21	26.12	32.47	29.28	32.79	33.41
Current	(19.40)	(20.44)	(26.94)	(22.60)	(22.75)	(22.64)
Capital	(5.03)	(5.85)	(5.98)	(6.78)	(10.07)	(10.56)
Of which: externally financed	(6.82)	(67.55)	(11.95)	(9.71)	(15.13)	(14.63)
Net lending	(-0.22)	(-0.17)	(-0.45)	(-0.10)	(-0.03)	(0.21)
Overall deficit on a commitment basis	-4.78	-5.02	-7.59	-5.64	-6.67	-6.68
Domestic financing	3.66	3.78	5.04	2.20	0.55	2.01
Of which: banking system	(2.41)	(2.03)	(0.71)	(-0.21)	(0.03)	(-0.26)
External financing (net)	1.12	1.24	2.55	3.44	6.12	4.67
Money and credit (end of period)						
Foreign assets (net)	15.45	11.67	9.92	11.08	11.06	13.79
Domestic credit	6.89	9.63	13.10	14.59	17.74	17.43
Claims on Government (net) 2/	(-1.26)	0.78	(3.21)	(3.01)	(2.98)	(2.72)
Claims on private sector	(8.15)	(8.85)	(9.89)	(10.97)	(14.09)	14.08
Of which: coffee-related credit	(3.09)	(2.55)	(2.18)	(2.99)	(4.61)	(4.75)
Money	11.72	11.44	12.30	13.33	14.58	17.21
Quasi-money	4.21	4.71	5.76	6.55	8.73	9.27
Other items (including medium- and long-term loans)	6.41	5.14	4.96	5.79	5.50	4.73

1 Exports of goods and nonfactor services minus imports of goods and nonfactor services.
2/ Including treasury balances with the central bank, as well as special deposit accounts held by a number of public administrative units.

RWANDA - Basic Data (concluded)

	1981	1982	1983	1984	1985	1986
			(In millions of SDRs)			
Balance of payments						
Exports, f.o.b.	96.1	98.2	116.1	139.1	124.3	157.8
Of which: coffee	(57.9)	(61.9)	(76.3)	(91.2)	(92.0)	(136.2)
Imports, f.o.b.	-175.7	-194.4	-184.9	-192.6	-216.2	-235.9
Of which: petroleum	(36.6)	(41.6)	(47.8)	(48.7)	(50.8)	(52.1)
Trade balance	-79.6	-96.2	-68.8	53.5	91.9	-78.1
Services (net)	-64.5	82.0	-86.9	-85.6	-86.0	-87.7
Unrequited transfers (net)	87.1	99.5	110.2	98.6	114.8	116.8
Current account balance	-57.0	-78.7	-45.5	-40.5	-63.1	-49.0
Capital (net) 1/	44.8	40.7	27.0	49.5	59.4	76.5
Overall surplus or deficit (-)	-12.2	-38.0	-18.5	9.0	-3.7	27.5
Gross official reserves (end of period)						
SDR holdings	9.8	10.8	8.4	8.3	8.2	9.9
IMF reserve position	7.3	7.3	9.6	9.6	9.2	11.3
Foreign exchange	131.5	98.4	89.0	90.6	85.5	117.6
Total	148.6	116.5	107.0	108.5	102.9	138.8
Exchange rate of the Rwanda franc per SDR						
End of period	108.06	102.41	102.71	102.71	102.71	102.71
Period average	109.47	102.50	100.86	102.71	102.71	102.71
Nominal trade-weighted effective exchange rate (1980 = 100)	104.42	118.39	138.08	140.34	154.01	133.58
Real trade-weighted effective exchange rate (1980 = 100)	111.57	130.93	141.48	145.25	146.15	131.0

1/ Including allocation of SDRs, and errors and omissions.