

**FOR  
AGENDA**

EBS/00/264  
Supplement 1

CONFIDENTIAL

December 15, 2000

To: Members of the Executive Board

From: The Secretary

Subject: **Rwanda—Staff Report for the 2000 Article IV Consultation and  
Requests for the Third Annual Arrangement Under the Poverty  
Reduction and Growth Facility and for Extension of Commitment  
Period**

The attached supplement contains the text of the third annual arrangement for Rwanda under the Poverty Reduction and Growth Facility, which is scheduled for discussion on Wednesday, December 20, 2000.

Questions may be referred to Mr. Georgiou (ext. 36099) and Mr. Yuguda (ext. 36591).

Att: (1)

Other Distribution:  
Department Heads

## **Rwanda – Third Annual Arrangement Under the Poverty Reduction and Growth Facility**

Attached hereto\* is a letter (the “Letter”) with an annexed memorandum of economic and financial policies for 2001 (the “Memorandum”) and technical memorandum of understanding (the “TMU”) dated December 6, 2000 from the Governor of the National Bank of Rwanda and the Minister of Finance and Economic Planning requesting from the International Monetary Fund (the “Fund”) as Trustee of the Poverty Reduction and Growth Facility Trust (the “Trustee”) the third annual arrangement under the Poverty Reduction and Growth Facility, and setting forth the objectives and policies of the program to be supported by that arrangement.

To support these objectives and policies, the Trustee grants the requested arrangement in accordance with the following provisions, and subject to the provisions applying to assistance under the Poverty Reduction and Growth Facility Trust.

1. Under the third annual arrangement,
  - (a) the first loan, in an amount equivalent to SDR 9.52 million, will be available on December 20, 2000 at the request of Rwanda,
  - (b) the second loan, in an amount equivalent to SDR 9.52 million, will be available on or after July 15, 2001 at the request of Rwanda, subject to paragraph 2 below,  
and
  - (c) the third loan, in an amount equivalent to SDR 9.52 million, will be available on or after December 15, 2001 at the request of Rwanda, subject to paragraph 2 below.
2. Rwanda will not request disbursement of the second or third loan specified in paragraphs 1(b) and 1(c) above:
  - (a) if the Managing Director of the Fund finds that, with respect to the second loan, the data as of March 31, 2001 and, with respect to the third loan, the data as of September 30, 2001 indicate that,
    - (i) the floor on the net foreign assets of the National Bank of Rwanda, or
    - (ii) the ceiling on the net domestic assets of the banking system, or
    - (iii) the ceiling on the net credit to the central government by the banking system, or

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\*See EBS/00/264.

(iv) the ceiling on contracting or guaranteeing by the central government, local governments and the NBR of new non-concessional external debt with original maturity of more than one year, or

(v) the ceiling on outstanding stock of external debt owed or guaranteed by the central government, local governments and the NBR with original maturity of up to and including one year, or

(vi) the floor on the primary fiscal balance, or

(vii) the ceiling on the stock of outstanding nonreschedulable external arrears, or

(viii) the ceiling on the net accumulation of domestic arrears, or

(ix) the floor on social spending,

referred to in paragraph 39 and Table 1a of the Memorandum and further specified in the TMU was not observed;

or

(b) if the Managing Director of the Fund finds with respect to the second loan that Rwanda has not carried out its intentions with respect to,

(i) by January 1, 2001, begin collecting taxes under VAT law, or

(ii) by January 31, 2001, conducting weekly auctions by the National Bank of Rwanda to sell foreign currency to the highest bidder among the commercial banks at whatever rate clears the auction, or

(iii) by June 30, 2001, the issuance of financial instructions in accordance with the organic budget law, or

(iv) by June 30, 2001, the enactment of a law that allows for efficient and timely enforcement of arbitration awards rendered by the arbitration center; or

(c) if the Managing Director of the Trustee finds with respect to the third loan that Rwanda has not carried out its intentions by September 30, 2001 with respect to the completion of the review of all waivers and exemptions from import duties and taxes, production of a plan that provides for their elimination by a specified date (with the exception of those established under international agreements) and the proposal, in accordance with this plan, that some of the waivers or exemptions will be eliminated with effect for the 2002 budget; or

(d) if, at any time during the period of this arrangement, Rwanda accumulates any new external payment arrears except for external arrears that are subject to debt-rescheduling negotiations as specified in paragraph 39 of the Letter; or

(e) if Rwanda has,

(i) imposed or intensified restrictions on payments and transfers for current international transactions, or

(ii) introduced or modified multiple currency practices, or

(iii) concluded bilateral payments agreements that are inconsistent with Article VIII, or

(iv) imposed or intensified import restrictions for balance of payments reasons, or

(f) until the Fund has determined that, with regard to the second disbursement, the first review of Rwanda's program scheduled to be completed by July 14, 2001, and, with regard to the third disbursement, the second review scheduled to be completed by December 14, 2001, as referred to in paragraph 39 of the Memorandum, have been completed.

When Rwanda is prevented from requesting disbursements under this arrangement because of this paragraph 2, such disbursements will be made available only after consultation has taken place between the Fund and Rwanda and understandings have been reached regarding the circumstances in which Rwanda may request further disbursements.

3. In accordance with paragraph 5 of the Letter, Rwanda will provide the Fund with such information as the Fund requests in connection with the progress of Rwanda in implementing the policies and reaching the objectives of the program supported by this arrangement.

4. During the period of this arrangement, Rwanda shall remain in close consultation with the Fund. In accordance with paragraph 5 of the Letter, Rwanda will consult with the Fund on the adoption of any measures that may be appropriate at the initiative of the government or whenever the Managing Director of the Fund requests such a consultation. Moreover, after the period of the arrangement and while Rwanda has outstanding financial obligations to the Fund arising from loan disbursements under this arrangement, Rwanda will consult with the Fund from time to time, at the initiative of the government or whenever the Managing Director of the Fund requests consultation on Rwanda's economic and financial policies. These consultations may include correspondence and visits of officials of the Fund to Rwanda or of representatives of Rwanda to the Fund.

