FOR AGENDA

SM/85/289

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October 31, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Rwanda - Staff Report for the 1985 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1985 Article IV consultation with Rwanda. A draft decision appears on page 21.

This subject will be brought to the agenda for discussion on a date to be announced.

Mr. Basu (ext. 6511) or Mr. Diogo (ext. 6516) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

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INTERNATIONAL MONETARY FUND

RWANDA

Staff Report for the 1985 Article IV Consultation

Prepared by the Staff Representatives for the
1985 Consultation with Rwanda

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

October 30, 1985

I. Introduction

The 1985 Article IV consultation discussions with Rwanda were held in Kigali during the period July 30-August 13, 1985. The Rwandese representatives included Mr. S. Nteziryayo, Minister at the President's Office; Mr. J.D. Hategekimana, Minister of Finance and Economy; Mr. A. Mulindangabo, Minister of Planning; Mr. A. Ntezilyayo, Minister of Agriculture, Animal Husbandry, and Forestry; Mr. O.M. Ngirira, Minister of Industry; and Mr. A. Ruzindana, Acting Governor of the National Bank of Rwanda, as well as other senior officials concerned with economic and financial matters. The staff representatives were Messrs. A. Basu (head), I. Diogo, S. N'guiamba, A. Tas, and Miss M. Earll (secretary), all AFR. Mr. L. Doe, Advisor to the Executive Director for Rwanda, participated in the discussions.

Rwanda continues to avail itself of the transitional arrangements of Article XIV. 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 of the last Article IV consultation reports, Directors noted that during 1982-83 Rwanda's economy had been adversely affected by a loosening of demand management policies, an inappropriate exchange rate policy, and unfavorable external conditions. Economic expansion had slowed and had been accompanied by a substantial deterioration in the budget and balance of payments position, a precarious financial situation in several public and mixed enterprises, a decline in foreign reserves, and new recourse to exchange restrictions. In view of these developments, Directors urged the authorities to adopt a comprehensive adjustment program encompassing a correction of the exchange rate. They also stressed the need to emphasize productive investments, to speedily eliminate the existing restrictions, to reduce the operating deficits of state enterprises, and to move toward more restrained fiscal and monetary policies.

II. Recent Economic Developments

During 1981-83 Rwanda's economic and financial situation weakened markedly. The external terms of trade, having declined sharply during 1980-81 (46 percent), recovered only partially over the next two years. In real terms, the annual growth rate of gross domestic product (GDP) fell from an average of 4.8 percent during 1977-80 to 1-2 percent during 1981-83 (Table 1). At the same time, financial policies were expansionary. The Central Government's financial position on a commitment basis deteriorated from a small overall surplus in 1980 to growing deficits during the subsequent three years reaching 2.5 percent of GDP in 1983. A number of public and mixed enterprises experienced serious financial problems. As a result, the domestic savings ratio was low (averaging 2.5 percent of GDP) and the average annual rate of domestic credit expansion was relatively high (70 percent). With these developments, Rwanda's external position weakened noticeably. As the current account deficit 1/ widened sharply in 1982 (to 6.1 percent of GDP), the overall balance of payments position shifted from a surplus to a sizable deficit. In 1983 these deficits in the external accounts narrowed, but remained sizable, despite the intensification of import licensing controls and exchange restrictions. During 1981-83 the annual increases in the consumer price index were moderate, averaging about 8.6 percent.

After being pegged to the U.S. dollar during the period January 1974-August 1983, on September 6, 1983 the authorities shifted the peg of the Rwanda franc to the SDR at the fixed rate of RF 102.71 = SDR 1, entailing a 5.2 percent midpoint depreciation vis-à-vis the U.S. dollar. The nominal trade-weighted effective exchange rate of the Rwanda franc appreciated by 36 percent during 1980-83, while the appreciation in real terms amounted to 38 percent (see Chart). 2/ With the peg to the SDR, in 1984 the trade-weighted effective exchange rate of the Rwanda franc appreciated further in both nominal and real terms, but only by some 2-3 percent.

During 1981-83, as a result of depressed world prices and the real appreciation of the Rwanda franc, the profitability of several export-oriented activities such as tin mining, pyrethrum refining 3/, quinine processing, and tea processing weakened markedly. For the same reasons, the producer prices of all the cash crops recorded a

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1/ Including public transfers.

2/ Based on their own calculations, the authorities estimate the trade-weighted effective exchange rate to have appreciated during 1980-83 by 32.5 percent in nominal terms and by 37.5 percent in real terms; in 1984 the further appreciation was marginal.

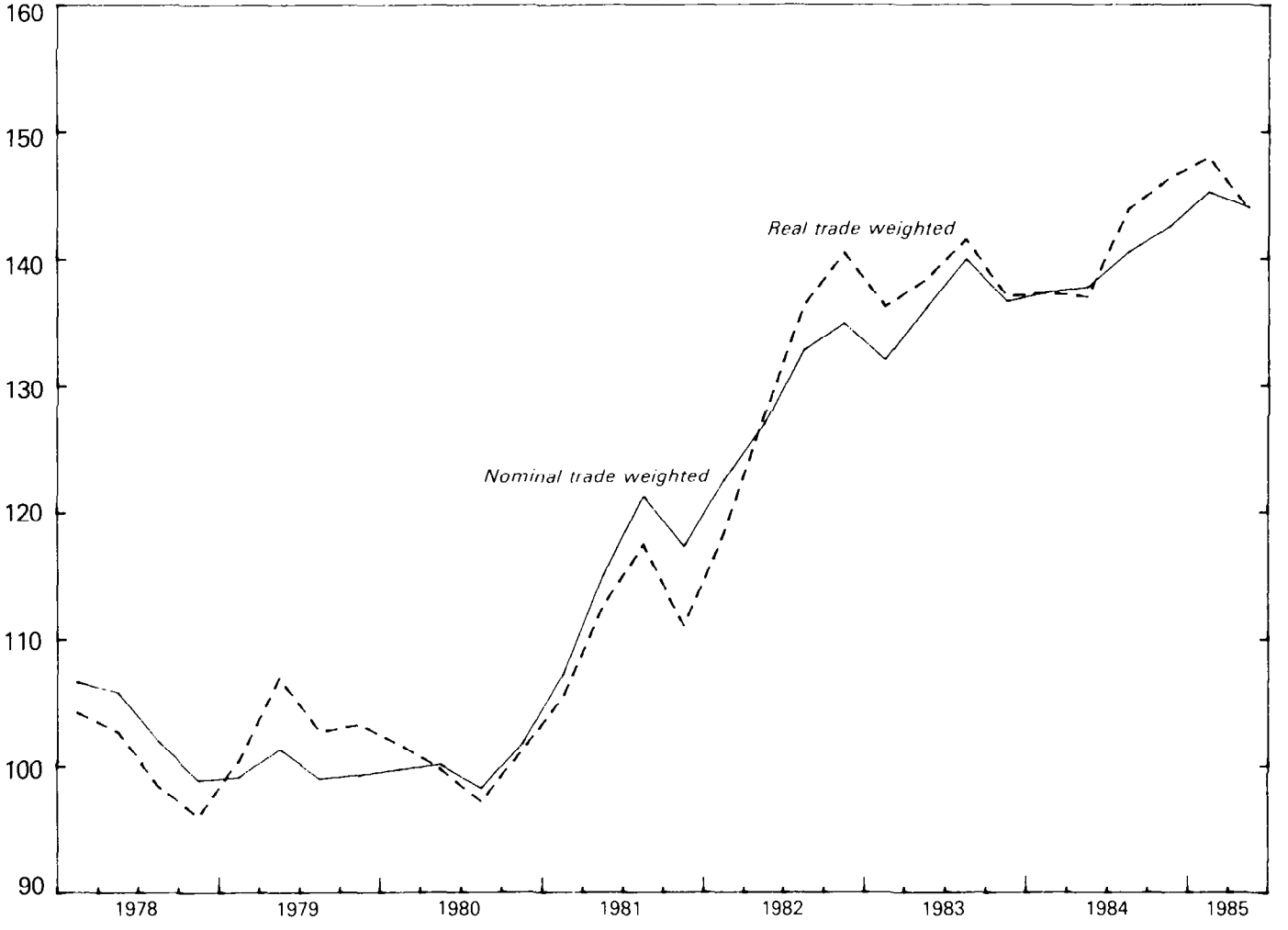
3/ The exports of pyrethrum have also become less competitive in relation to cheaper artificial substitutes.

CHART

RWANDA

TRADE WEIGHTED NOMINAL AND REAL EFFECTIVE EXCHANGE RATES[1], 1978-1985

(Index: average 1980 = 100)



Source: Appendix Table 11

Table 1. Rwanda: Selected Economic and Financial Indicators, 1980-84

	1980	1981	1982	1983 Prel.	1984 Est.
		(Annual percentage changes, unless otherwise indicated)			
National income and prices					
GDP at constant prices	4.9	1.2	1.5	2.0	-1.5
GDP deflator	5.7	12.3	6.4	5.1	7.7
Consumer prices (average)	7.2	6.5	12.6	6.6	5.4
External sector (on the basis of SDRs)					
Exports, f.o.b.	-34.6	6.4	2.2	18.2	19.9
Imports, f.o.b.	21.8	16.8	10.6	-4.9	4.2
Non-oil imports, c.i.f.	18.3	8.9	16.5	-5.7	8.6
Export volume	-23.6	20.6	-12.4	19.8	3.3
Import volume	9.6	15.5	7.0	-1.6	20.1
Terms of trade (deterioration -)	-23.0	-23.2	12.9	2.0	33.7
Nominal effective exchange rate (depreciation -) 1/	0.3	15.2	12.2	5.3	2.4
Real effective exchange rate (depreciation -) 1/	-3.4	11.6	17.1	5.8	2.1
Government budget					
Revenue	9.6	11.8	3.0	2.2	10.0
Total expenditure and net lending 2/ (on a commitment basis)	11.2	33.7	11.1	4.1	-1.6
Total expenditure and net lending 2/ (on a cash basis)	11.2	33.7	11.1	0.3	0.2
Money and credit					
Domestic credit 3/	-3.1	19.3	18.4	22.6	9.3
Government	-16.7 4/	7.5	14.0	16.7	-0.5
Private sector	13.6	11.8	4.4	5.9	9.9
Money and quasi-money (M_2)	1.1	12.9	1.4	11.8	10.1
Velocity (GDP relative to M_2)	7.7	7.7	8.2	7.9	7.6
Interest rate (annual rate, one-year savings deposits)	7.0	7.0	7.0	7.0	7.0
		(In percent of GDP)			
Total revenue	12.4	12.2	11.6	11.1	11.6
Total expenditure and net lending (on a commitment basis)	11.6	13.6	14.0	13.9	12.6
Consolidated overall deficit (on a commitment basis)	0.8	-1.4	-2.3	-2.5	-1.1
Consolidated overall deficit (on a cash basis)	0.8	-1.4	-2.3	-2.0	-1.3
Domestic bank financing	-2.0	2.0	1.4	1.6	0.6
Foreign financing (net)	0.3	0.5	0.4	0.3	0.4
External current account deficit					
Excluding public transfers	-13.4	-13.1	-13.5	-11.2	-9.6
Including public transfers	-4.1	-5.1	-6.1	-3.4	-2.8
External debt (outstanding end of period)	14.9	13.9	14.3	16.1	18.2
Debt service ratio 5/	3.6	5.6	6.3	4.5	5.7
Interest payments 5/	1.4	1.2	2.4	1.7	1.9
		(In millions of SDRs)			
Overall balance of payments	10.2	9.8	-33.2	-15.8	13.2
Gross official reserves	146.3	148.7	116.4	106.4	108.6
Gross official reserves (in months of imports, c.i.f.)	9.3	8.2	5.5	5.2	4.9

1/ Trade-weighted period averages.
2/ Excludes expenditure financed by external grants and loans.
3/ Expressed in percent of beginning of period money stock.
4/ Increase in government deposits.
5/ In percent of goods and nonfactor services.

steady and sizable decline in real terms. Although with the ongoing developmental projects, the production of the two major export crops, coffee and tea, recorded a rising trend, those of the other cash crops, mainly pyrethrum and cinchona, showed little or no growth. Despite extensive protection, several manufacturing plants operated well below capacity and recorded operating losses, because of managerial problems, the small size of the domestic market, and/or lack of competitiveness (at the current exchange rate). The poor growth performance occurred despite relatively high rates of domestic investment (averaging 14.7 percent of GDP) 1/ and of import growth (10 percent). A predominantly large share of domestic investment had to be foreign-financed, because the real appreciation of the exchange rate tended to weaken enterprises' profitability and to encourage private consumption, thus contributing to low levels of domestic savings.

In 1984, with higher world prices for coffee and tea, there was some improvement in Rwanda's financial position, but developments in domestic production remained disappointing. The deficit in the Central Government's financial operations and its domestic bank financing component declined substantially. The growth rate of domestic credit decelerated. The domestic inflation rate decreased. Accompanied by a narrowing of the external current account deficit, the overall balance of payments position changed from a deficit to a small surplus. By contrast, there was little evidence of growth in real GDP, because agricultural output declined (due to a drought), the output and exports of tin decreased, and levels of capacity utilization remained low in the manufacturing sector.

Despite the continued sluggish growth of domestic production, in 1984 the domestic inflation rate, 2/ as measured by the consumer price index, slowed (to 5.4 percent), because of a large increase in import volume, a continued appreciation of the exchange rate, and decreases in the fiscal deficit and in the growth rate of domestic credit.

On a commitment basis, the overall deficit in central government operations, 3/ was reduced sharply to RF 1.6 billion in 1984 (1.1 percent of GDP) (Table 2). In that year government revenues increased more rapidly (10 percent) than during the two previous years (2-3 percent), because higher imports gave rise to increased import

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1/ Domestic investments were largely foreign-financed, as domestic savings represented only about 2.5 percent of GDP.

2/ Official price controls are enforced effectively only for a few items (mainly, beer, petroleum products, and public utilities such as water and electricity); however, the prices of these goods and services have been periodically adjusted to reflect increasing costs.

3/ The drawings on foreign loans and the related outlays on various projects, though sizable, are not monitored through the budgetary framework.

Table 2. Rwanda: Central Government Finance, 1981-85

(In billions of Rwanda francs) 1/

	1981	1982	1983	1984 Prel.	1985 Budget	1985 Projected outcome
Budgetary revenue	15.0	15.4	15.8	17.4	17.7	17.7
Tax revenue	12.2	12.4	13.1	14.7	14.7	14.7
Nontax revenue 2/	2.8	3.0	2.7	2.7	3.0	3.0
Budgetary expenditure 3/	-16.7	-18.6	-19.8	-19.2	-21.3	-20.3
Current expenditure	-13.8	-15.2	-16.3	-16.4	-17.4	-17.4
Capital expenditure	-2.7	-3.2	-3.0	-2.6	-3.9	-2.9
Net lending	-0.2	-0.2	-0.4	-0.2	...	...
Extrabudgetary operations	0.1	--	0.5	0.3	--	--
Surplus or deficit (-) (on a commitment basis)	-1.7	-3.1	-3.5	-1.6	-3.6	-2.6
Change in arrears (increase +)	--	--	0.7	-0.3	-0.3	-0.3
Surplus/deficit (-) (on a cash basis	-1.7	-3.1	-2.8	-1.9	-3.9	-2.9
Financing	1.7	3.1	2.8	1.9	3.9	2.9
Domestic	2.3	3.6	3.2	2.6	4.6	3.6
Banking system	2.4	1.9	2.2	0.8	...	...
National Bank of Rwanda	(2.2)	(1.3)	(1.4)	(...)	(...)	(...)
Deposit money banks	(0.2)	(0.6)	(0.8)	(0.8)		
Nonbanking institutions	0.8	1.1	1.4	1.1	...	...
Other Treasury operations (net)	-0.9	0.6	-0.4	0.7	...	...
Foreign 4/	-0.6	-0.5	-0.4	-0.7	-0.7	-0.7
Amortization	-0.6	-0.5	-0.4	-0.7	-0.7	-0.7

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

1/ Total may differ slightly from sum of components due to rounding.
2/ Excludes foreign grant.
3/ Excludes expenditure financed by grants and external loans.
4/ Excludes foreign loan drawings to finance development expenditure.

duties 1/ export tax revenues were boosted by a rise in coffee export earnings, 1/ and improvements in tax collection procedures contributed to sizable increases in revenues from property and income taxes. Between 1981 and 1983, on a commitment basis, total government expenditure and net lending 2/ grew at substantially slower rates, and in fact, showed a small decline in real terms. In 1984 total expenditure (including net lending) was reduced in both nominal and real terms, mainly because of sizable cutbacks in outlays on materials and supplies and on official travel. The economies in these areas more than offset increases in interest payments on the public debt, transfers to local administrative units, and the wage and salary bill. The increase in the latter was held to 5 percent, to ensure a small reduction in real terms.

The Central Government's growing deficits since 1981 led to the accumulation of domestic arrears by 1983 (RF 0.7 billion). In these years the Government's overall cash deficits and foreign debt repayments 2/ were financed by increasing levels of domestic bank advances and sizable but variable amounts of nonbank domestic borrowing. 3/ In 1984 these expansionary fiscal trends were reversed. The deficit on a commitment basis was more than halved, and along with a 50 percent reduction of domestic arrears, the overall cash deficit was also reduced substantially (by about one third). As the share of the deficit financed by nonbank domestic borrowing increased markedly, the Government's net use of domestic bank credit declined by about 62 percent, and amounted to only 4.4 percent of the beginning stock of broad money, despite a relatively sharp rise in foreign debt repayments.

Between 1981 and 1983 relatively high rates of domestic credit expansion contributed importantly to a weakening of the balance of payments position. In 1984 a strong improvement in the external terms of trade helped to achieve a sharp deceleration in the growth rate of domestic credit to about 14 percent (through a reduction in the overall fiscal deficit) and a small improvement in the banking system's net foreign asset position. The composition of domestic credit also changed substantially during 1983-84; in these years net credit to Government 4/ declined despite debt incurred by the Treasury, whereas in the two

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1/ The foreign trade tax base increased, partly because in September 1983 the Rwanda franc was depreciated by 5.2 percent vis-à-vis the U.S. dollar.

2/ The drawings on foreign loans and the related outlays on various projects, though sizable, are not monitored through the budgetary framework.

3/ Reflects partly the sales of Treasury bills and bonds and partly the use of deposits at the Treasury.

4/ In the monetary survey the Government includes the Treasury accounts that cover both budgetary operations and other government operations that are foreign-financed and are outside Treasury control.

earlier years the Government had pre-empted an unduly large share of the increases in total domestic credit. Reflecting these developments, the growth rate of broad money has fluctuated around an average of about 9 percent during 1981-84. Along with these monetary trends, domestic interest rates on bank deposits remained unchanged. The interest rate on one-year savings deposits is 7 percent, which is slightly higher than the average inflation rate (6 percent) of the past two years.

After the emergence of a large overall deficit in 1982, the balance of payments gradually swung back into a small overall surplus in 1984 (Table 3). Between 1982 and 1984 the external current account deficit (excluding official transfers) decreased from SDR 173.8 million (13.5 percent of GDP) to SDR 136.7 million (9.6 percent of GDP). This trend, plus an increase in net capital inflows, helped to restore a surplus position in the balance of payments in 1984. In 1983 the reduction in the current account deficit reflected both a sharp increase in export volume (19.8 percent) 1/ and a modest decline in import volume (2 percent); there was little change in the external terms of trade. The reduction in imports was achieved through the introduction of an advance import deposit requirement and the tightening of the licensing system. In 1984 there was some relaxation of import and exchange controls, and a strong rise in import volume (20.1 percent). Nevertheless, primarily due to a large improvement in the terms of trade (about 34 percent), there was a continued reduction in the external current account deficit.

Over the period from 1980 to 1984, the deterioration in the balance of payments led to a weakening of Rwanda's gross official reserve position. These reserves have fallen from SDR 146.3 million in 1980 (9.3 months of imports) to SDR 108.6 million in 1984 (4.9 months of imports).

On March 1, 1983, the introduction of the advance import deposit requirement gave rise to a multiple currency practice. Moreover, on October 12, 1983 the Rwandese authorities intensified exchange restrictions on current international transactions by suspending, for foreign nationals working in Rwanda, authorizations for the purchase of foreign exchange for tickets and of foreign exchange for travel for reasons other than business and official purposes. Subsequently, as of July 26, 1984 the list of imports subject to the advance import deposit requirement was shortened, and, to eliminate the multiple currency practice, the related deposits began to be remunerated at prevailing interest rates.

Rwanda's outstanding external public debt increased from SDR 132.8 million (14.9 percent of GDP) at end-1980 to SDR 258.6 million (18.2 percent of GDP) at end-1984. Although debt service payments have risen,

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1/ Mainly reflecting ongoing developmental efforts in the coffee and tea sectors.

Table 3. Rwanda: Summary Balance of Payments, 1980-85

	1980	1981	1982	1983	1984 Prel.	1985 Est.
			(In millions of SDRs)			
Exports, f.o.b.	102.64	96.10	98.23	116.06	139.09	129.00
Of which: coffee	(48.11)	(57.93)	(61.89)	(76.28)	(91.22)	(88.69)
Imports, f.o.b.	-150.43	-175.67	-194.43	-184.87	-192.64	-200.89
Trade balance	-47.79	-79.57	-96.20	-68.81	-53.55	-71.89
Services (net)	-69.14	-64.31	-81.78	-86.90	-85.00	-92.20
Factor services (net)	(3.90)	(9.79)	(0.05)	(-5.85)	(-4.81)	(-7.75)
Nonfactor services (net)	(-73.04)	(-74.10)	(-81.83)	(-81.05)	(-80.19)	(-84.45)
Private transfers	-2.44	-2.53	4.20	5.15	1.84	5.84
Current account (Excluding official transfers)	-119.37	-146.41	-173.78	-150.56	-136.71	-158.25
Official transfers	82.56	89.62	95.33	105.06	96.76	101.25
Current account (Including official transfers)	-36.81	-56.79	-78.45	-45.50	-39.95	-57.00
Capital account	54.15	55.49	45.42	28.57	54.32	54.01
Direct investment	(13.08)	(15.81)	(18.75)	(10.38)	(14.76)	(15.54)
Medium- and long-term official loans	(27.11)	(28.46)	(23.90)	(27.76)	(41.47)	(41.86)
Amortization	(-2.81)	(-5.64)	(-4.99)	(-3.98)	(-6.46)	(-6.33)
Short-term capital	(16.77)	(16.86)	(7.76)	(-5.59)	(4.55)	(1.94)
Allocation of SDRs	2.40	2.30	--	--	--	--
Errors and omissions	-9.53	8.78	-0.12	1.15	-1.16	--
Overall balance	10.21	9.78	-33.15	-15.78	13.21	-2.99
			(In percent of GDP)			
Current account (Excluding official transfers)	-13.4	-13.1	-13.5	-11.2	-9.6	-10.3
Current account (Including official transfers)	-4.1	-5.1	-6.10	-3.4	-2.8	-3.7
Overall balance	1.1	0.9	-2.6	-1.1	0.9	-0.2
Gross official reserves (In months of imports, c.i.f.)	9.31	8.18	5.52	5.16	4.91	4.80
Memorandum items:						
GDP (millions of SDRs)	893.7	1,115.2	1,286.5	1,339.9	1,419.9	1,542.0
RF/SDR (period average)	120.83	109.47	102.50	100.86	102.71	102.71

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

they have remained low in relation to exports (about 7 percent in 1984), because a large part of the debt contracted was on concessionary terms. Indications are that private sector debt is negligible.

III. Report on the Discussions

With the exchange rate and financial policies pursued since 1980, real GDP growth has been slow despite high rates of investment and import growth. Low levels of domestic savings have reflected large financial imbalances in the public sector and a high import content in the structure of production and consumption; export prospects and the external position have deteriorated markedly; and the Government has had to rely on import controls and exchange restrictions. Given these developments, the discussions focused on the policy changes needed to increase domestic savings, improve resource allocation, and orient investments to productive activities. The discussions were prefaced with an assessment of medium-term prospects for the balance of payments and for economic growth.

1. Medium-term prospects and external policies

Based on present policies, the overall balance of payments is projected to revert to a deficit in 1985 and to show sharply increasing deficits over the subsequent five years (Table 4). This reflects almost entirely a forecast substantial deterioration in the external current account. Owing to uncertainties regarding the inflows of foreign official transfers and capital, the combined net inflows of such resources were assumed to show little increase (about 1 percent). 1/ The deterioration in the external current account is expected to result primarily from both a widening of the deficit in goods and nonfactor services, and an increasing net payment for factor services (mainly interest payments).

Several factors suggest that export receipts are likely to decline (by 8 percent) in 1985, and thereafter grow at an annual rate of only about 4 percent. The drop in exports in 1985 reflects mainly a fall in coffee and tea prices. The prospects for growth of export volume are weak, because mineral exports (tin and related products) are likely to be adversely affected by the recent closure of the mining company (SOMIRWA), coffee exports are limited by a quota (under the International Coffee Agreement) and most other exports (other than tea)

1/ The projected capital flows were assumed to be mobilized on concessional terms, with an interest rate of 5 percent, a grace period of five years, and a maturity period of 15 years. The related debt service payments were integrated into the current and capital accounts of the balance of payments.

Table 4. Rwanda: Medium-Term Summary Balance of Payments and External Debt Projections, 1986-90

(In millions of SDRs)

	1986	1987	1988	1989	1990
			(Balance of payments)		
Exports, f.o.b.	132.4	141.7	146.8	151.8	157.0
Of which: coffee	(91.1)	(97.2)	(100.2)	(103.2)	(106.3)
Imports, f.o.b.	-211.0	-220.7	-233.4	-244.7	-256.5
Trade balance	-78.6	-79.0	-86.6	-92.9	-99.5
Nonfactor services (net)	-86.0	-88.5	-92.0	-95.7	-99.6
Factor services	-11.6	-15.8	-20.9	-25.7	-30.2
Private transfers	4.9	4.9	4.9	4.9	4.9
Current account (excluding transfers)	-171.3	-178.4	-194.7	-209.4	-224.4
Public transfers	98.3	99.3	100.3	101.3	102.2
Current account (including transfers)	-73.0	-79.1	-94.4	-108.2	-122.2
Capital account	53.5	54.3	55.0	55.7	51.6
Of which: amortizations	(-10.1)	(-10.9)	(-12.8)	(-11.8)	(-17.7)
Overall balance	-19.4	-24.9	-39.4	-52.4	-70.6
Reserves	82.8	57.9	18.5	--	--
			(External debt)		
Debt service 1/	21.9	27.4	31.6	32.6	40.4
Amortization	10.1	10.9	12.8	11.8	17.7
Interests	11.8	16.6	18.8	20.8	22.7
Debt service ratio 2/	16.6	19.3	21.5	21.5	25.7
Debt service ratio 3/	12.8	15.1	16.9	16.9	20.2

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

1/ Based on data provided by Rwandese authorities on debt outstanding at end-1984, supplemented by staff estimates of debt service on new drawings in 1985-90. It is assumed that the new debt would have a maturity of 15 years, with five years' grace period and an interest rate of 5 percent.

2/ In percent of exports, f.o.b.

3/ In percent of exports of goods, nonfactor services, and private transfers.

have been shrinking in recent years. Although there is significant potential for increases in tea exports through improvements in productivity, such increases, as well as possible growth in other exports, are likely to be impeded by the significantly overvalued currency.

With the above foreign resource inflows and export prospects, even an import growth rate of about 5 percent (which implies practically no increase in volume) would lead to increasingly larger deficits in the balance of payments and a rapid decline in gross official reserves (Table 4). If this deterioration in the external position were to be avoided without reductions in the projected current account deficits, then total net foreign resource inflows would have to grow much more rapidly (8.2 percent annually) than projected, and the rise in the debt service burden would most likely be much sharper than forecast.

Given these medium-term external prospects, the staff expressed the view that if this outlook was in fact realized with reliance on only tight financial policies and import and exchange restrictions, then it would thwart the achievement of higher growth rates of real GDP as desired by the authorities. With the projected nominal growth rates in exports and imports, the underlying increases in volume would be substantially lower than those observed in the period 1980-84, when, even with the more rapid expansion of foreign trade aggregates, real GDP remained sluggish.

To move the economy out of such an unduly constrained growth path, the staff explained that it would be necessary to adopt a more flexible exchange rate policy, and with it, to reduce the reliance on existing import and exchange controls. The issue of the exchange rate gave rise to substantial divergence of views between the Rwandese representatives and the staff. The staff position was that a correction of the present overvaluation of the currency could provide the basis for a much needed increase in the producer prices for export crops, for improving the profitability of export crop processing and marketing operations, for strengthening the financially weak (import substitution) manufacturing sector, and for improving the prospects of domestic private savings. The staff emphasized that this corrective measure was important, both because, with the present quota constraint on coffee exports, there is an urgent need to encourage the growth and diversification of other exports, and because the continuation of an overvalued exchange rate (coupled with tight import controls) would eventually lead to a serious and widespread misallocation of scarce foreign exchange resources.

The Rwandese representatives took the view that the production response to an exchange rate adjustment and related price changes would not be strong in either the export or the import substitution sector, and that, instead, the net result would be a substantial acceleration in the rate of domestic inflation. They felt that because imports

represented a large fraction of costs in most productive activities, 1/ and because pressures to increase wages along with a currency depreciation would be unavoidable, 2/ the overall financial effects of such a step would not be significantly beneficial for either producers or consumers. They noted that, with existing production technologies, a large import saving would not be achievable with a devaluation. Moreover, they considered it important to improve the organization and management of productive enterprises, with a view to economizing on other production costs wherever possible, before embarking on an exchange rate action. While recognizing the arguments put forward by the Rwandese representatives, the staff noted that the presently large import share in production costs, as well as in consumption, was at least partly a reflection of the overvalued exchange rate, and that any restructuring of production cost and consumption patterns would be greatly helped by correcting the overvaluation. The staff urged the authorities at least to begin this process with a progressive adjustment of the exchange rate and suggested that one way of doing this could be to depreciate the exchange rate in line with the monthly increases in the consumer price index.

As regards the import licensing system and the existing exchange restrictions, the Rwandese representatives emphasized that measures have been taken to administer these in a flexible manner. Import licenses requiring foreign exchange are currently being granted with a maximum delay of 8-10 days and are not delayed any longer, except in exceptional cases requiring the clarification of the initial application for the license. With regard to the import deposit requirement and the existing exchange restrictions, the Rwandese representatives indicated that it was their intention to phase these out gradually as soon as the balance of payments situation improves.

The staff pointed out that the balance of payments prospects suggested that even with the envisaged slow increase in foreign borrowing, the external debt service ratio was likely to rise steeply, from 7 percent of exports in 1984 to 26 percent of exports by 1990. The Rwandese representatives indicated that they would make every effort to limit foreign borrowing to concessional loans and, at any rate, would aim to keep the debt service ratio within an upper limit of 20 percent of exports. The staff advised the authorities of the need for a careful monitoring and recording of foreign debt statistics and recommended that steps be taken to integrate both the foreign-financed project expenditures and the related debt service payments within the budgetary framework.

1/ Based on data provided by the Rwandese authorities, about 77 percent of raw materials needed for production in manufacturing industries are imported.

2/ The Government has not granted any general wage increase since 1980.

In view of the expected weakening in the balance of payments, the staff drew attention to the possible rapid decline in gross official reserves. The Rwandese representatives explained that it would be important to maintain official reserves at a level roughly equivalent to about five months of imports. They felt that this was required because of the variability of exports and the need to ensure a stable supply of imports even in years of large export shortfalls. The staff noted that this would require strong measures to ensure that the balance of payments position does not deteriorate in the manner presently being forecast.

2. Production and price policies

The staff pointed out that medium-term prospects for raising the growth rate of real GDP from the low levels of the past four years appeared to be weak for several reasons in addition to the exchange rate. First, past investments have failed to generate significant increases in domestic production. Some of the manufacturing enterprises launched with these investments are operating well below capacity and at a substantial loss. The major tin-mining company (SOMIRWA) was shut down recently due to financial problems, and, as a result, mineral production and exports are likely to fall. Second, in the agricultural sector, since 1980 there has been a large real decline in the producer prices of cash crops, for which, without a change in present policies, the prospects of increases in output and exports are weak. Third, there are some doubts about whether the investment rate of the past five years can be maintained if domestic savings does not increase from the low levels of past years.

The Rwandese representatives stated that, in trying to develop the important rural sector, a key policy issue had always been how to achieve the right balance between the production of food and export crops, given the rapid population growth and the limited availability of arable land. On account of the rather large weight given to achieving self-sufficiency in food crops, and the fact that over the past five years the output of the major export crops (coffee and tea) has not declined despite decreases in real producer prices, the Government has not so far taken steps to reverse the shift that has occurred in relative price incentives in favor of food crops, the domestic prices of which are largely market determined. The mission explained that such a shift toward stronger price incentives for export crop production and, in some cases, improvements in the financial situation of processing and marketing operations (especially for tea and other noncoffee cash crops) were now urgently needed and could be achieved with an appropriate exchange rate policy. In addition to considering the need to strengthen incentives for export crop production, the Rwandese representatives are also currently thinking about redesigning the existing integrated rural development projects, which aim at promoting the simultaneous cultivation of several crops in different

regions of the country. The new approach being considered is to design rural projects that would promote only those crops in a given region which were best suited to the region's soil and climatic conditions.

The Rwandese representatives stated that they are currently preparing a rehabilitation program for the productive sectors, with emphasis on developing agricultural production and (small-scale) import substitution industries. In the agricultural sector, emphasis will be put on promoting regional crop specialization, improving marketing and transportation, reclaiming marshlands, and launching irrigation projects in regions with inadequate rainfall (so as to make additional land available for production). In the mining sector, following the decision to close the main mining company, the authorities intend to reorganize the production process with a view to maintaining only the profitable mines. Moreover, the Government would emphasize artisanal mining instead of large-scale industrial operations. For the manufacturing sector, the authorities intend to revise the Investment Code and to establish clear guidelines for applicants. Priority will be given to processing activities based on local raw materials. The authorities indicated that a study financed by IDA is currently being completed, with the objective of identifying the needs of such enterprises and of formulating a technical and financial program for their promotion.

The mission noted that several units in the public enterprise sector are operating well below existing capacity and incurring substantial losses. These units have tended to rely on transfers from the budget or domestic bank credit or both to finance their current operations. The staff indicated that substantial savings could be generated in the public sector if appropriate steps were taken to reform and rehabilitate the public enterprises. It suggested that a study be conducted, possibly with assistance from the IBRD, to identify the problems being faced by these enterprises and formulate the appropriate reforms required to solve them. The Rwandese representatives recognized this need and indicated that an accounting and management unit has been established to propose reforms of these enterprises. They further stated their intention to turn some of these units over to private investors.

3. Domestic financial policies

Viewed in the light of the improved fiscal performance of 1984, the official 1985 budget as originally adopted was clearly more expansionary: it projected more than a twofold increase in the overall deficit (on a commitment basis) from RF 1.6 billion to RF 3.4 billion. Although a very small increase was foreseen in government receipts (barely 2 percent), the 1985 budget called for an 11 percent increase in total expenditure and net lending, to allow for a large expansion (50 percent)

in capital outlays 1/ and for current outlays to be maintained roughly unchanged in real terms. The budgeted current expenditures provided for large increases in interest payments and in official transportation outlays, a virtual stagnation in the wage bill and transfer payments, and a large cut in expenditures on materials and supplies. The mission expressed the concern that these budgetary targets were likely to require a large increase in domestic bank credit to Government. Moreover, it inquired about the feasibility of achieving the planned large increase in capital outlays, and the possible need of a somewhat larger allocation for materials and supplies within the budgeted recurrent outlays.

The Rwandese representatives emphasized that, notwithstanding the budget estimates, serious efforts were being made to prevent a deterioration in fiscal performance in 1985 and, in particular, to avoid a larger net increase in domestic bank credit to Government than the past year. They noted that, on the basis of trends in the first half of the year, the overall central government deficit (excluding expenditures financed by external grants and loans) was expected to be at least about 28 percent below the budgeted amount, mainly because of a large shortfall in the implementation of the capital budget. They explained that budgetary expenditures were being strictly monitored, to ensure that new expenditure commitments can be slowed to hold expenditures close to the actual trend in revenues and avoid the need for a large recourse to bank credit. In this regard, they pointed out that up to the time of the discussions in August, the Government had not yet made any use of the regular central bank advances for budgetary financing. The main areas of expenditure restraints appear to be capital outlays, the wage bill, and recurrent expenditure for materials and supplies as was originally envisaged under the budget.

In 1985, revenue growth was expected to be slow, as envisaged in the budget, mainly due to a decline in export prices and the weak prospects for economic recovery. Given this situation, to achieve the budgeted modest increase in revenues, the authorities have been relying primarily on increased efforts to improve the tax assessment and collection procedures. At the same time, on the expenditure side, several steps have been taken to limit the overall growth. To achieve significant savings in outlays for materials and supplies, the Government is requiring all state agencies and administrative units to make their purchases of goods and services on the basis of competitive bids from various suppliers. To avoid sizable outlays on subsidies and transfers, the Government has decided not to provide such assistance to commercial and industrial enterprises and to freeze the amount of the subsidies to public enterprises of a social character to the actual

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1/ Refers exclusively to the Government's contribution of local counterpart funds to foreign-financed projects.

levels of 1984. Moreover, before providing direct loans and/or guarantees for bank loans to public enterprises, the Government has decided to evaluate strictly the enterprises' ability to reimburse such loans in accordance with a credible loan repayment plan. 1/

The Rwandese representatives indicated that the Government is also keenly conscious of the need to limit strictly the growth in the wage bill and in transportation outlays. They explained that a sizable reduction in the share of the wage bill in total recurrent expenditures could only be achieved over the medium term. To this end, the Government would support a revitalization of the private sector, and, in particular, is looking into ways of expanding the role of the private sector in the areas of medical care and education. To save on the cost of official transportation, a scheme is being developed to compensate government drivers for the appropriate maintenance and care of official vehicles.

For 1985 the official target for the overall expansion of domestic bank credit (13.5 percent) has been based on the objectives of supporting a forecast parallel increase in nominal GDP and of limiting the expected deterioration in the banking system's net foreign asset position to a relatively small amount (roughly RF 0.3 billion). The Rwandese representatives were optimistic about being able to avoid a large increase in net credit to Government, with the hope of providing, within the targeted overall credit expansion, an adequate increase in credit to the private sector; the latter, however, was targeted to be limited to about 13 percent.

Regarding interest rate policy, the staff noted that, based on the average inflation rate of the past two years, the current interest rates for longer-term deposits (with maturity of one or more years) were positive in real terms. The Rwandese representatives felt that, with the envisaged stance of monetary and credit policies, the domestic inflation rate was unlikely to accelerate, and, hence, the positive real interest rates on deposits were likely to be maintained. Nevertheless, they stated that interest rate policy is currently being reviewed, mainly with a view to simplifying and rationalizing the structure of lending rates. The staff supported the efforts being made in this regard and emphasized that a policy of positive levels of real interest rates was crucially important for both encouraging domestic savings and promoting a better allocation of financial resources.

4. Data-related problems

The mission discussed with the authorities a number of statistical issues relating to the national accounts, consumer price indices,

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1/ As already noted in Section 2, the authorities intend to undertake a broad reform of the Public Enterprise sector.

government finance, balance of payments, and external debt. First, it was evident that the basic data on national accounts and price indices tended to vary between different official sources. Second, for the more recent years, there were no estimates of real GDP by sector of origin, and there were problems of ensuring consistency between data on foreign trade and those relating to the expenditure breakdown of nominal GDP. Third, there were large gaps in the area of government finance data. No information was available on external grants. Government receipts collected by the customs office from taxes on international trade and on goods and services are larger than those reported in the records of the Treasury. On the expenditure side, no data are available on capital outlays financed by external grants and loans, although the Treasury is responsible for all debt service payments. Because, at present, budgetary capital outlays include only the counterpart funds provided by the Government for foreign-financed projects, there is no readily available comprehensive estimate of total investment outlays being carried out by the government sector. Finally, for the external debt, there is no central unit responsible for contracting, monitoring, and recording the public debt. As a result, information on projected drawings on external loans and on the implications of such drawings for the debt service ratio are not readily available. The mission drew the authorities' attention to these weaknesses in the statistical data base and urged them to take steps to correct the current deficiencies and, in particular, to improve the flow and consistency of economic and financial data within the various economic ministries and the central bank. These problems and other issues are further discussed in Appendix III.

IV. Staff Appraisal

Since the early 1980s, Rwanda's economic and financial situation has been weakened by a large deterioration in the external terms of trade, markedly expansionary financial policies, and a steady real appreciation of the exchange rate. The annual growth rates of real GDP have been substantially lower than those achieved in the late-1970s, despite high rates of investment and import growth. Domestic savings have been low due to large imbalances in the public sector and a high import content in the structure of production and consumption. The producer prices for export crops have recorded a significant decline in real terms, and the financial position of the export-oriented tin-mining sector has weakened substantially. The overall deficit in central government operations more than doubled between 1981 and 1983, and the annual rates of domestic credit expansion were exceptionally high. The deficit in the external current account widened markedly, and the overall balance of payments moved into deficit during 1982-83. To contain the deterioration in the balance of payments, in late 1983 the authorities tightened import and exchange controls, introduced an advance import deposit requirement that gave rise to a

multiple currency practice, and implemented a small depreciation of the Rwanda franc while changing its peg from the U.S. dollar to the SDR.

Subsequently, in 1984, as the external terms of trade improved with increases in the world prices of coffee and tea, the authorities were able to achieve a large reduction in the fiscal deficit and a marked deceleration in overall domestic credit expansion. At the same time, steps were taken to administer import and exchange controls in a more flexible manner, and the multiple currency practice associated with the import deposit requirement was eliminated. With these developments, the deficit in the external current account narrowed, and the balance of payments shifted back to a surplus position in 1984.

Notwithstanding the improvements in the financial situation, the real economy remained depressed during 1984, and the prospects for achieving an increase in the exceptionally low growth rates of real GDP remained weak and uncertain.

The continued exclusive reliance on tight financial policies in conjunction with an overvalued exchange rate gave rise to weak and uncertain prospects for achieving higher growth rates of real GDP and a fundamental improvement in the balance of payments. Given the recent setback in the export-oriented tin-mining sector, and the international quota constraint on coffee exports, there is an urgent need to encourage the growth of other exports. Such a diversification of exports, plus the prospects of a recovery in the mining and the manufacturing sectors, will depend crucially upon appropriate changes in cost-price relationships. Without such changes, the staff foresees a substantial widening in the deficits in the current external account and the overall balance of payments in the coming years, which would entail a reduction in the gross official reserves and a sharply increased burden of external debt service payments by the end of the current decade.

Against this background, the key policy issues facing the Rwandese authorities are how to generate simultaneously a recovery in the real economy, increase the domestic savings effort, and achieve a fundamental improvement in the balance of payments.

The staff holds the view that tight financial policies alone will not be sufficient to achieve these three goals. The desirable changes in the cost-price relationships affecting export production and import substitution will need to be introduced with an appropriately flexible exchange rate policy. In the manufacturing sector, especially in the public enterprises, such a policy would have to be supplemented by appropriate cost reduction measures and management reforms. It would be important for the authorities to follow through with their intention to carry out these reforms, for which they might ask the assistance of the World Bank. Indeed, the ability to achieve an appropriate degree

of restraint in credit and monetary expansion will depend crucially on how speedily these reforms are implemented. While the staff recognizes that with the currently high import content of production costs and consumption patterns, a large adjustment in the exchange rate would most likely lead to a significant acceleration in the domestic inflation rate, it nevertheless believes that the necessary structural changes should be initiated by at least depreciating the exchange rate progressively, with a view to correcting the overvaluation of the currency, if not immediately, at least in the near term.

Because past investments have not had a significant impact on real GDP growth, the staff considers it important for the authorities to give more emphasis in the new development plan being prepared to orienting public investments to quick-yielding productive projects. At the same time, the authorities will need to be cautious with regard to the scale of public investment and its foreign financing component, to avoid both a weakening of the balance of payments and a sharp escalation of the external debt service burden. In this context, too, the staff hopes that the authorities will be working closely with the World Bank to both limit the scale of the public investment plan and reorient its priorities to productive projects. In this connection, it would be important for the investment program to respond to, and support those sectors which would have more potential because of an exchange rate adjustment.

The present stance of fiscal and domestic credit policies for 1985 raises some worrisome issues. Both the deficit in central government operations and its bank financing component could well increase very sharply in 1985, if the authorities are not adequately vigilant about holding expenditures below the budgeted targets and to a level consistent with the targeted moderate expansion in domestic bank credit. This will require strict monitoring and control over expenditure. The staff would urge the authorities to avoid any relaxation of fiscal and credit policies, as it would be detrimental for both price stability and external adjustment. In support of a tighter stance of monetary policy, the staff would encourage the authorities to continue to maintain positive real interest rates and to follow through with their intention to simplify and rationalize the current structure of domestic bank lending rates.

Rwanda's exchange system was considerably tightened in 1983. While the restrictive practices were subsequently relaxed, some imports are still affected by a prior deposit requirement, and the availability of foreign exchange for travel abroad by residents and by foreign nationals working in Rwanda remains suspended. Such practices, together with the restrictions imposed on the transfer of earned income of foreigners, are subject to Fund approval under Article VIII. The staff notes the intention of the authorities to eliminate these restrictions as soon as the country's external situation improves. The staff believes,

however, that this improvement and a speedy dismantling of existing exchange restrictions requires the adoption of appropriate adjustment measures. For this reason, Executive Board approval of the exchange practices is not recommended.

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

V. Proposed Decision

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

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/---. 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: Relations with the Fund
(As of August 31, 1985)

I. Membership Status

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

A. Financial Relations

II. (a) Quota	SDR 43.80 million
(b) Total Fund holdings of Rwanda francs	SDR 34.48 million (78.72 percent of quota)
(c) Reserve tranche position	SDR 9.32 million
(d) Fund credit	--

III. Current Stand-By or Extended Arrangement and Special Facilities

(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 8.2 million (59.98 percent of net cumulative allocation)

Rwanda: Relations with the Fund (concluded)
(As of August 31, 1985)

V. Administered Accounts

Trust Fund loans

(a)	Disbursed	SDR 10.69 million
(b)	Outstanding	SDR 9.96 million

B. Nonfinancial Relations

VII. 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.

VIII. Last Article IV Consultation

Discussions were held by the staff in Kigali during June 1-16, 1984. The staff report (SM/84/212, August 29, 1984) was discussed by the Executive Board on October 15, 1984. Consultations with Rwanda are on a standard 12-month cycle.

The Executive Board's decision on the consultation (Decision No. 7826-(84/151), adopted on October 15, 1984, 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 1984 Article XIV consultation with Rwanda, in the light of the 1984 Article IV consultation with Rwanda conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).
>
> 2. Since the last Article IV consultation, Rwanda has introduced a restriction on payments and transfers for current international transactions, arising from the suspension of travel allowances, and intensified existing exchange restrictions, as described in SM/84/212. It also continues to maintain an advance import deposit requirement scheme, which has been modified so that it no longer gives rise to a multiple currency practice subject to Article VIII, Section 3. The Fund welcomes this latter action and encourages the authorities to eliminate the advance import deposit requirement scheme and the other exchange restrictions as soon as possible.

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. In addition to continuing assistance in these areas, the World Bank will also review the Government's Rehabilitation and Recovery Program 1/ and identify policy, institutional, and procedural reforms that could provide the basis for the preparation of a structural adjustment credit, or other policy-based lending program, for the fiscal year 1987.

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

1/ Programme d'Assainissement et de Relance.

Rwanda--Relations with World Bank Group (concluded)

11. IDA Operations (as of September 30, 1985)

(In millions of U.S. dollars)

Project	Agreement Date	Total (including undisbursed)	Undisbursed
Ten credits fully disbursed 1/		77.49	
Mutura agriculture and livestock development II (IDA 937-0)	13 July 1979	8.75	2.65
Forestry and livestock development (IDA 1039-0)	7 July 1980	21.00	2.64
Telecommunications (IDA 1057-0)	13 Aug. 1980	7.50	5.27
Lake Kivu coffee improvement and food crop project (IDA 1126-0)	20 Apr. 1981	15.00	5.75
Technical assistance project (IDA 1217-0)	5 Apr. 1982	5.00	3.54
Fifth highway project (IDA 1250-0)	9 June 1982	25.90	12.45
Second education project (IDA 1263-0)	30 June 1982	10.00	8.65
Phase II Bugesera Gisaka Migongo (Rural Services) project (IDA 1283-0)	28 Sept.1982	16.30	7.91
Third Development Bank (BRD) project (IDA 1344-0)	7 July 1983	7.00	4.18
Water supply project (IDA 1345-0)	7 July 1983	13.00	6.24
Kuzizi II, regional hydroelectric power project (IDA 1420-0)	1984	15.00	11.64
Power (IDA 1495-0)	4 Apr. 1984	9.00	8.48
Agricultural Research (IDA 1546-0) 2/	1985	11.50	11.50
Technical assistance (IDA 1565-0) 2/	1985	4.80	4 80
Total		247.24	95.70
Of which: has been repaid		1.33	
Total now outstanding		245.91	
Total undisbursed			95.70

1/ Rwanda has received no bank loan.
2/ Not yet effective.

Rwanda--Statistical Issues

1. Outstanding Statistical Issues

a. General economic data

A technical assistance mission reviewed the price, production, and external trade statistics in November 1984; its report was sent to the authorities in July 1985. As recommended in that report, efforts to coordinate all official statistical activities on prices, production, and foreign trade should be given high priority, especially in the case of coffee and tea exports and exports and imports on consignment through Mombasa.

b. Government finance

The latest data published in the 1984 GFS Yearbook relate to 1980. The authorities have not responded to the 1984 and 1985 GFS questionnaire on the grounds that there is a lack of sufficiently well-trained staff. An official has been nominated by the authorities to attend the 1986 GFS course.

c. Monetary accounts

The classificiation of the counterpart to the Trust Fund loans is not apparent in the monetary authorities' balance sheet and is being clarified with the authorities.

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 October 1985 issue of IFS. The data are based on reports sent to the Fund's Bureau of Statistics by the Banque Nationale du Rwanda, which during the past year have been provided on a timely basis.

Status of IFS Data

			Latest Data in October 1985 IFS
Real Sector	-	National Accounts	1983 (GDP only)
	-	Prices: CPI	March 1985
	-	Production	n.a.
	-	Employment	n.a.
	-	Earnings	n.a.
Government Finance	-	Deficit/Surplus	1980
	-	Financing	1980
	-	Debt	1980
Monetary Accounts	-	Central Bank	June 1985
	-	Deposit Money Banks	June 1985
	-	Other Financial Institutions	June 1985
External Sector	-	Merchandise Trade: Values	March 1985
		Prices	March 1985
	-	Balance of Payments	1984
	-	International Reserves	August 1985
	-	Exchange Rates	August 1985

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

	1980	1981	1982	1983	1984
Gross domestic product and expenditure	(In billions of Rwanda francs)				
GDP at current market prices	107.9	122.6	132.4	141.9	150.6
Of which:					
primary sector	(49.8)	(49.9)	(54.3)	(56.6)	(57.3)
secondary sector	(23.2)	(25.6)	(27.5)	(33.4)	(36.5)
government services	(8.7)	(15.4)	(16.10)	(17.1)	(18.3)
Gross domestic expenditure at current prices	122.5	139.5	150.7	157.1	164.3
Private consumption	91.6	98.6	103.1	113.9	116.3
Public consumption	13.5	24.6	25.7	25.4	25.4
Gross fixed investment	13.2	16.0	17.4	19.2	20.6
Change in stocks	4.2	0.3	4.5	-1.5	2.0
Resource gap at current prices 1/	-14.6	-16.8	-18.3	-15.1	-13.7
Price indices	(Pecentage change)				
GDP deflator	5.7	12.3	6.4	5.1	7.7
General consumer price index	7.2	6.5	12.6	6.6	5.4
Export price index	-13.8	-22.4	14.3	-1.3	16.0
Import price index	11.9	1.1	3.4	-3.3	-13.3

1/ Exports of goods and nonfactor services minus imports of goods and nonfactor services.

RWANDA - Basic Data (continued)

	1980	1981	1982	1983	1984 Prel.	1985 Budget
Treasury operations	(In billions of Rwanda francs)					
Budgetary revenue	13.4	15.0	15.4	15.8	17.4	17.7
Of which: from coffee exports	(2.0)	(1.1)	(1.1)	(1.0)	(1.4)	(--)
Budgetary expenditure and net lending	-12.5	-16.7	-18.6	-19.8	-19.2	-21.0
Current	(-10.8)	(-13.8)	(-15.2)	(-16.3)	(-16.4)	(-17.4)
Development and net lending	(-2.3)	(-2.8)	(-3.4)	(-3.5)	(-2.8)	(-3.6)
Treasury special accounts (expenditure -)	--	0.1	--	0.5	0.3	--
Treasury overall surplus or deficit (-)(commitment basis)	0.9	-1.7	-3.1	-3.5	-1.6	-3.3
Domestic financing	-0.6	2.3	3.6	3.2	2.6	4.1
Of which: banking system	(-2.2)	(2.4)	(1.8)	(2.2)	(0.8)	(...)
Amortization of external public debt	-0.3	-0.6	-0.5	-0.4	-0.7	-0.7

Money and credit (end of period)	1980	1981	1982	1983	1984
Foreign assets (net)	15.6	15.3	11.1	9.5	10.9
Domestic credit	2.5	5.2	8.2	11.8	13.5
Claims on Government (net) 1/	(-4.0)	(-2.9)	(-0.7)	(2.0)	(1.9)
Claims on private sector	(6.5)	(8.1)	(8.9)	(9.9)	(10.9)
Of which: coffee-related credit	(2.2)	(3.1)	(2.5)	(2.2)	(3.0)
Money	11.1	11.7	11.4	12.3	13.3
Quasi-money	3.2	4.2	4.7	5.8	6.6
Other items (net)	2.7	3.4	2.0	2.2	3.4

Balance of payments	(In millions of SDRs)				
Exports, f.o.b.	102.6	96.1	98.2	116.1	139.1
Of which: coffee	(48.1)	(57.9)	(61.9)	(76.3)	(91.2)
Imports, f.o.b.	-150.4	-175.7	-194.4	-184.9	-192.6
Of which: petroleum	(-22.1)	(-36.6)	(-41.6)	(-47.8)	(-48.7)
Trade balance	-47.8	-79.6	-96.2	-68.8	-55.6
Services (net)	-69.1	-64.3	-81.8	-86.9	-85.0
Unrequited transfers (net)	80.1 2/	87.1 2/	99.5	110.2	98.6
Current account balance	-36.8	-56.8	-78.5	-45.5	-40.0
Capital (net) 3/	47.0	66.6	45.3	29.7	53.2
Overall surplus or deficit (-)	10.2	9.8	-33.2	-15.8	-13.2

1/ Including Treasury balances with the Central Bank as well as special deposit accounts held by a number of public administrative units.

2/ Including SDR 15.9 million of debt cancellation by the Federal Republic of Germany in 1979.

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

RWANDA - Basic Data (concluded)

	1980	1981	1982	1983	1984 Prel.
Gross official reserves (end of period)	(In millions of SDRs)				
SDR holdings	7.7	9.8	10.8	8.5	8.3
IMF reserve position	8.4	7.3	7.3	9.7	9.5
Foreign exchange	130.2	131.6	98.2	88.1	90.7
Total	146.3	148.7	116.4	106.4	108.6
Exchange rate of the Rwanda franc per SDR					
End of period	118.41	108.06	102.41	102.71	102.71
Period average	120.83	109.47	102.50	102.86	102.71
Nominal trade-weighted effective exchange rate (1980 = 100)	100.00	115.23	129.29	136.14	139.48
Real trade-weighted effective exchange rate (1980 = 100)	100.00	111.64	130.67	138.24	141.08
Nominal import-weighted effective exchange rate (1980 = 100)	100.00	118.17	136.58	145.66	151.75
Real import-weighted effective exchange rate (1980 = 100)	100.00	114.66	137.77	146.49	151.17