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Rwanda: Fifth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Nonobservance of Performance Criteria—Staff Report; Staff Supplement; and Press Release on the Executive Board Consideration

In the context of the fifth review under the three-year arrangement under the Poverty Reduction and Growth Facility and request for a waiver of nonobservance of performance criteria, the following documents have been released and are included in this package:

- the staff report for Fifth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Nonobservance of Performance Criteria, prepared by a staff team of the IMF, following discussions that ended on June 21, 2005, with the officials of Rwanda on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on August 18, 2005. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- a staff supplement of August 23, 2005 updating information on recent developments.

- a Press Release summarizing the views of the Executive Board as expressed during its consideration of the staff report that completed the review and request.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Rwanda*
Memorandum of Economic and Financial Policies by the authorities of Rwanda*

*May also be included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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RWANDA

Fifth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Requests for Waivers of Nonobservance of Performance Criteria

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

Approved by Sharmini Coorey and Mark Plant

August 18, 2005

- **Mission.** Discussions for the fifth review under the Poverty Reduction and Growth Facility (PRGF) arrangement took place in Kigali during June 8–21, 2005. The staff team headed by Ms. Kostial consisted of Messrs. Arslanalp, Bledowski and Jacoby (all AFR), and was assisted by Mr. Engstrom the resident representative. Ms. Rennie (World Bank) and Mr. Laurens (MFD) joined the mission to discuss the recommendations of the Financial Sector Assessment Plan (FSAP).
- **PRGF arrangement.** A three-year PRGF arrangement with access of SDR 4 million (5 percent of quota) was approved by the Executive Board on August 12, 2002, and recently extended until February 11, 2006. The fourth review under the PRGF arrangement was completed on April 11, 2005, and Rwanda reached the completion point under the enhanced HIPC Initiative, including a topping-up, on April 13, 2005. At the Board meeting, Directors emphasized that the key medium-term challenge will be to strengthen growth while preserving macroeconomic stability and debt sustainability. They underlined that this would require a steadfast commitment to reform. In particular, they urged the authorities to implement sectoral strategies to enhance productivity, accelerate their export promotion efforts, and continue with financial sector reforms.
- **Fund relations.** Outstanding Fund credit is SDR 56.7 million (70.1 percent of quota) as of end-June 2005. Upon completion of the fifth review, Rwanda will be eligible to draw an amount equivalent to SDR 0.571 million (0.7 percent of quota). The letter of intent, memorandum of economic and financial policies, and the technical memorandum of understanding are in Appendix I, and relations with the Fund and the World Bank Group in Appendices II and III. Appendix IV discusses statistical issues, and Appendix V presents progress in reaching the Millennium Development Goals (MDGs).

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Executive Summary

Overview and recent developments

- **Macroeconomic performance remains broadly on track.** Real growth in 2004 is estimated at 4 percent, mainly driven by strong activity in construction, transport, and communication. Early indications for the agricultural season suggest that growth in 2005 could accelerate to the upper end of the 4–5 percent range. Rising energy and food prices have lifted annual inflation to above 10 percent, but inflation excluding these items remains subdued, so that the inflation objective of 6 percent by end-2005 remains achievable.

- **Policy implementation remained satisfactory, except for a temporary loosening in the monetary stance early this year and some (mostly previously known) slippages in the structural agenda.** With the conduct of monetary policy being weak, particularly in the beginning of 2005, a tighter-than-programmed fiscal policy helped to contain inflationary pressures. While the two end-October 2004 benchmarks on public expenditure management were either partially or not met, two structural benchmarks on public expenditure management and tax administration for the first half of 2005 were observed. The authorities have also made good progress in their privatization agenda (two commercial banks and the national telecommunications company were privatized at end-2004 and mid-2005, respectively).

- **All but two performance criteria for the fifth review were met**. Both deviations were temporary and staff recommends waivers.

Policy discussions and program for the remainder of 2005

- **With the macroeconomic framework remaining broadly intact (Country Report No. 05/171), discussions focused on maintaining macroeconomic stability while managing the domestic demand impact of fiscal policies.** As grants are likely to materialize as programmed, contingent spending of up to 2 percent of GDP could be released later this year, if the monetary program remains on track. To this end, the authorities are strengthening the coordination between fiscal and monetary policies.

- **The authorities are moving forcefully with structural reforms.** They are already in the process of implementing the recommendations of the February Financial Sector Assessment Program (FSAP), and are making good progress with their export promotion strategy (additional benchmarks in both those areas have been added to the program). Moreover, the authorities have embarked on a reform of their vehicle fleet, and are reviewing the salary structure of the core civil services; both initiatives are expected to be cost neutral.

I. Introduction

1. **Having reached the completion point under the enhanced HIPC Initiative, Rwanda is now well positioned to tackle its medium-term challenges of achieving high and sustainable growth while maintaining macroeconomic stability and debt sustainability.** To this extent, the 2005 program is focused on: (1) executing productivity-enhancing strategies and removing obstacles to growth; (2) managing donor inflows with a particular emphasis on minimizing any adverse impact on tradables; and (3) strengthening the economy's resilience to shocks.

II. Recent Developments and Program Performance

2. **Continuing tensions in the Great Lakes region are being closely monitored by the international community.** While a main Hutu rebel group announced their voluntary disarmament in April 2005, little progress has been made toward its implementation. In response, the UN mission (MONUC) in the Democratic Republic of Congo has stepped up its efforts to accelerate the demobilization of militias. Separately, the African Union (AU) announced that it will send a large contingent of peacekeepers. In June, the international community expressed concern over the repatriation of 6,500 Rwandese asylum seekers from Burundi, following a decision by the two governments to reclassify refugees from the other country as illegal immigrants.

Performance in the second half of 2004

3. **While macroeconomic policies were broadly on track in the second half of 2004, there were slippages in structural policies.** Strong activity in construction, transport, and communication raised growth to 4 percent, but rising food and energy prices pushed 12-month inflation to 10 percent at end-2004 (albeit inflation excluding these items remained at 5 percent). Macroeconomic policy implementation was strong with a tighter-than-programmed fiscal stance helping to contain inflationary pressures. On the structural side, the authorities proceeded with financial sector reform by privatizing two banks at end-2004 and strengthening banking supervision. However, the two end-October 2004 benchmarks on public expenditure management were either partially or not met (Table 7).[1]

4. **All performance criteria for the fifth review were met, except for two** (Appendix I, Table 1). The end-December 2004 performance criterion on priority spending was missed by one percent of GDP as the authorities needed to reallocate funds to address

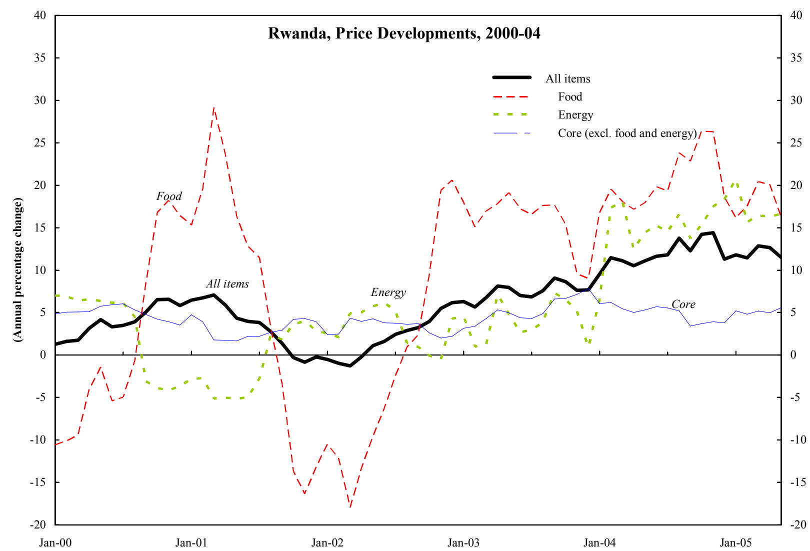
[1] As discussed in Country Report No. 05/171, the measures envisaged under the benchmarks have been implemented as a prior action for the fourth review or will be implemented during 2005.

the acute electricity shortage.[2] Moreover, Rwanda did not meet the continuous performance criterion on the nonaccumulation of external arrears in May 2005 when it incurred arrears of US$60 to the BADEA.

Performance in 2005

5. **With policy implementation broadly on track, economic performance during the first months of 2005 remained in line with the program.** Indications suggest that annual growth could be at the upper end of the 4–5 percent range, reflecting mostly an expected recovery in agricultural production due to good weather conditions. As a result of a poor first harvest and rising energy prices (including a doubling of electricity tariffs), headline inflation rose to 13 percent in March, but declined to 11 percent in June; inflation excluding these items remained subdued at around 5 percent.[3] A tighter-than-programmed fiscal policy helped to contain reserve money growth while international reserves increased to almost six months of imports at end-June 2005. As a result, all indicative end-March 2005 targets except the one on priority spending (see next paragraph) were met. Despite the tighter fiscal stance, the current account widened mostly due to unusually high NGO-related imports.

6. **The fiscal stance in the first quarter of 2005 was tighter than programmed to preserve macroeconomic stability**. Notwithstanding an overperformance of nontax revenue, the authorities temporarily restrained spending by about 0.7 percent of GDP compared with the program to ensure that the end-March reserve money target was met. The expenditure restraint also



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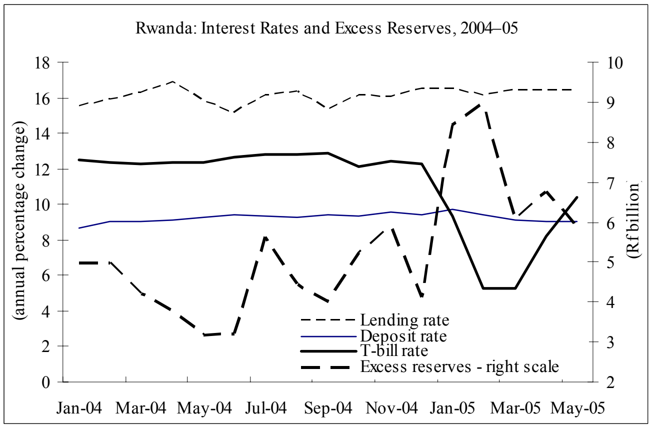
[2] While the Poverty Reduction and Strategy Paper (PRSP) identified electricity as a priority, it was not included in the definition of priority spending under the 2004 program. Otherwise, the target would have been met. For 2005, the definition of priority spending has been expanded accordingly.

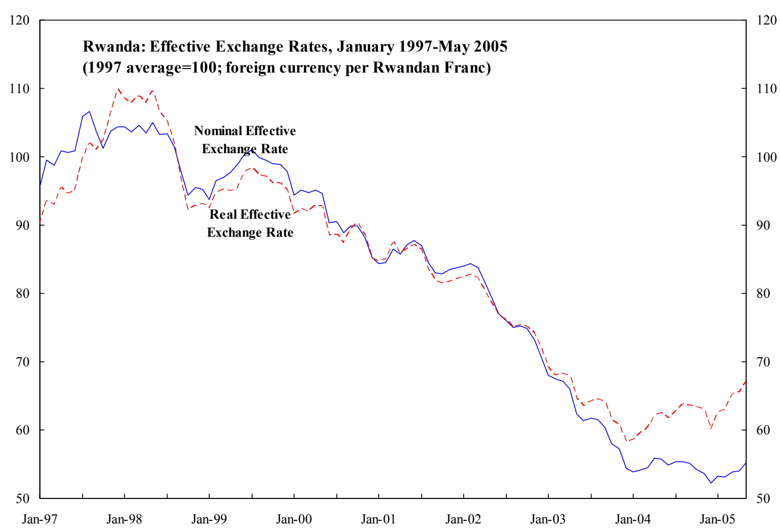
[3] With an expected fall in food prices later this year, the program's inflation objective of 6 percent at end-2005 remains achievable.

affected priority spending, which fell short of the indicative target by 0.3 percent of GDP. Since then, the authorities have resumed their spending program, including on priority spending. A revised 2005 budget, in line with program understandings and including extended documentation as required under the missed October 2004 benchmark, was submitted to parliament at end-June 2005.

7. **While the end-March and end-June 2005 targets on reserve money were observed, the conduct of monetary policy has been weak.** The National Bank of Rwanda (NBR) allowed a doubling of banks' excess reserves at the beginning of the year, which led to a substantial decline in interest rates. As the NBR started to mop up liquidity during March–June, excess reserves were gradually reduced and interest rates largely recovered to their previous level by early June. However, an unexpected substantial increase in private sector credit in April–May could partly reflect a delayed effect of the looser monetary stance earlier in the year.



8. **The current account deficit widened in the first quarter compared with the program, reflecting mainly a surge in externally financed imports**. The exceptionally high imports stemmed mostly from NGO-related activities (medical supplies and infrastructure). While they were financed from abroad, the tighter fiscal stance together with higher-than-programmed project disbursements resulted in a temporary increase in international reserves.[4] During January-May, the nominal effective exchange rate appreciated by 6 percent and the real effective exchange rate by 11 percent.



[4] The project disbursements are expected to be spent later in the year.

9. **The authorities made good progress with their structural reform agenda and the two structural benchmarks for the first half of 2005 were met** (MEFP, para. 8).

- *Fiscal sector.* While tax reform is advancing, the Large Taxpayers Department strengthened revenue collection by stepping up its audits (exceeding the end-April benchmark by a large margin). In expenditure management, the move to a treasury single account is also ahead of schedule as almost all bank accounts of line ministries have been converted to zero-balance accounts (compared with the May benchmark of 80 percent).

- *Financial sector.* Following the FSAP's recommendation, starting in May 2005, the NBR allowed banks to lend in foreign exchange to exporters. Also in May, it suspended the chairman of a bank that had continued to breach prudential regulations.

- *Electricity*. In March 2005, the authorities entered into a joint venture with a foreign consortium to exploit Lake Kivu's methane gas to address the electricity crisis.

- *Privatization.* To reduce government involvement in the economy, the authorities privatized the telecommunication company Rwandatel through an auction process.[5]

III. Policy Discussions

10. **The 2005 macroeconomic program seeks to lay the foundations for stronger medium-term growth by supporting macroeconomic stability, and reallocating spending to priority areas.** The program is based on a real growth rate of 4 percent, a reduction in inflation to 6 percent by end-2005, and a level of international reserves of at least four months of imports. The baseline program targets a domestic fiscal deficit (excluding demobilization) of 4½ percent of GDP, which could widen by up to about 2 percent of GDP from the release of contingent spending if grants are available and the monetary program is kept on track. To improve the quality of public spending and support the implementation of productivity-enhancing sectoral strategies, priority spending will increase by at least about one percent of GDP.

11. **With the macroeconomic framework remaining broadly intact (Country Report No. 05/171), policy discussions focused on:**

- reducing risks to the macroeconomic program, particularly from the domestic demand impact of fiscal policies, the Lake Kivu project (including medium-term fiscal implications), and excess reserves in the banking system; and

[5] Gross privatization receipts for Rwandatel amount to US$20 million, US$5 million of which will be paid in 2005 and the remainder in 2008–16.

- fleshing out structural reforms necessary to achieve the program's medium-term objectives: (i) improving expenditure management; (ii) implementing the export promotion strategy; and (iii) moving forward with the recommendations of the FSAP.

Fiscal policy

12. **With the fiscal program broadly on track and no significant changes to the disbursement projections, the expenditure contingency could be released if the monetary program remains on track.** However, in light of the spending restraint to limit reserve money growth in the first quarter of 2005, staff reiterated the need to monitor the domestic demand impact of foreign-financed spending, so as not to jeopardize macroeconomic stability. The authorities responded that, if necessary to attain the monetary targets, only contingency spending with a high import content would be executed. In this context, staff also noted that the coordination of fiscal and monetary policies should be strengthened (see also para. 18). Moreover, given the backward-loaded spending program, it emphasized the need to ensure that the additional funds are used productively.

13. **Staff reiterated the need to strengthen tax administration and maintain the revenue-to-GDP ratio in 2006 at least at its current level** (excluding the one-off nontax revenue in 2005) [6] (MEFP, para. 12). Despite recent commendable improvements in tax administration and the implementation of a monitoring system for tax incentives, staff stressed that administrative capacity will need to be improved to avoid an abuse of tax holidays in the planned economic free zones.[7] While the authorities expect only minor revenue losses in 2006, staff urged them to stand ready to adopt measures in the 2006 budget, if necessary, to maintain the revenue ratio (preliminary World Bank estimates in the context of the Diagnostic Trade Integration Study (DTIS) point to revenue losses of about 0.3 percent of GDP from accession to the East-African Community (EAC)).

14. **The authorities have embarked on a number of new initiatives with medium-term fiscal implications.** While these initiatives have been incorporated in the program or are expected to be cost-neutral for 2005, staff stressed the need to minimize their medium-term costs:

- ***Car fleet policy*** (MEFP, para. 14). Staff accepted the authorities' proposal to obtain budgetary savings by minimizing the government's excessive car fleet and providing allowances to civil servants for purchase and use of their private cars for official

[6] The one-off nontax revenue of 0.5 percent of GDP stems from the sale of the government's vehicle fleet, the oil reserve and land (0.3, 0.1, and 0.1 percent of GDP, respectively). It is expected to be used for equivalent spending later in 2005 for the implementation of the new car fleet policy, where upfront payments are expected related to the allowances for car purchases (see par. 14), replenishing the oil reserve, and building a new police headquarters, which had to be sold to allow for an expansion of the U.S. embassy (MEFP, para. 11).

[7] The authorities are in the process of preparing a feasibility study for the first economic zone.

business. However, it pointed out that safeguards have to be established to minimize abuse of the new system.[8] In particular, any benefits to civil servants should be monetized and incorporated in the wage structure. Moreover, the use of rental cars should be strictly limited to legitimate business and rental companies be monitored and selected in a transparent manner.

- ***Civil service reform and wage bill*** (MEFP, para. 13). Staff welcomed the authorities' initiative to slim down the public service while raising retention rates for qualified employees, and supported their intention to make the new salary structure cost neutral throughout the medium term. However, it noted the need to consolidate fringe benefits under such a reform, including allowances under the new car fleet scheme, and improve the classification of the fiscal accounts by identifying the wage component classified under other budgetary items (e.g., transfers).

- ***Electricity crisis and tariffs*** (MEFP, paras. 26–27). Given the acute electricity shortages, staff endorsed the authorities' intention to accelerate the Lake Kivu project,[9] as additional costs in 2005 would be financed by cuts in contingent nonpriority spending.[10] It also urged the authorities to continue their close cooperation with the World Bank with respect to the International Development Agency (IDA) risk guarantee and possible financing from the International Finance Corporation (IFC) and welcomed progress in restructuring the electricity tariffs.

15. **Reforms in public expenditure management are progressing well** (MEFP, para. 15). Overall, the authorities appear well placed to meet the structural conditionality for the remainder of the year. However, weaknesses in public accounting could delay the consolidation of general government accounts planned for end-2005. To address this, the authorities have established the office of the Accountant General and are scaling up training. Efforts will also focus on improving the monitoring of project accounts, given their implications for monetary management.

Monetary and exchange rate policy

16. **Despite the temporary loosening of the monetary stance at the beginning of 2005, the monetary program remains broadly on track** (MEFP, para. 16). Staff regretted that the NBR had allowed a period of high banks' excess reserves. The authorities agreed that these should be kept at a minimum as their sudden rundown could jeopardize the

[8] This will be discussed at the next review.

[9] The project envisages to generate about 30 MW of power (more than half of current domestic consumption) by 2007 and could be expanded to up to 200 MW over the long term. Electricity production from Lake Kivu is expected to be substantially cheaper than through diesel generators.

[10] The 2006 project costs are expected to be financed from external budgetary support.

program's inflation objective. However, they noted that the unremunerated excess reserves and lower interest rates had reduced NBR's interest bill. Staff responded that protecting the program's inflation objective was a priority and welcomed the agreement that the budget will take over sterilization costs in order to not erode the NBR's capital base.[11] However, foreign exchange sales should be stepped up to dampen the growth of reserve money, as provided under the program, rather than relying on costly sterilization operations, which would crowd out investment. Moreover, staff concurred with the authorities that the recent strong increase in private sector credit should be monitored. While this increase appeared to stem mostly from an unusually early financing of the coffee harvest, it could also reflect an improvement in banks' financial positions, as the authorities claim, or the monetary loosening earlier this year. In case of the latter, staff urged the authorities to stand ready to tighten policies.[12]

17. **While the establishment of a corridor for interbank market rates is welcome, its policy rates will have to be set in line with the objectives of the monetary program** (MEFP, para. 17). The new standing facility is expected to facilitate the conduct of monetary policy and prevent sharp fluctuations in interest rates by creating a minimum rate, which together with the existing facility, establishes a corridor for interbank rates. However, staff noted that its current policy rates could be too low and welcomed their review at end-August. It reiterated that interest rates should not be lowered before a clear downward trend in inflation had been established.

18. **Staff reiterated the need for more flexibility in the foreign exchange market** (MEFP, para. 18). There was broad agreement that, in the case of a real exchange rate appreciation from a scaling up of donor assistance, the best policy would be to allow the nominal exchange rate to appreciate as this would have a less adverse impact on the poor than inflation (Box 1). Nevertheless, the authorities remained reluctant to allow greater exchange rate flexibility before banks would have most of their lending to exporters denominated in foreign exchange and not in local currency.[13] To avoid a crowding out of the private sector and keep reserve money growth on track, staff urged the authorities to step up the sales of foreign exchange, particularly if the fiscal contingency is released in the second half of the year.

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[11] This should not lead to budget overruns in 2005 as substantial treasury bill retirements earlier this year created room in the budgeted interest bill.

[12] Although the money multiplier had remained broadly stable in past months, it was agreed that further research was needed on the reasons underlying the buildup of excess reserves and seasonality in currency in circulation, possibly in the context of technical assistance.

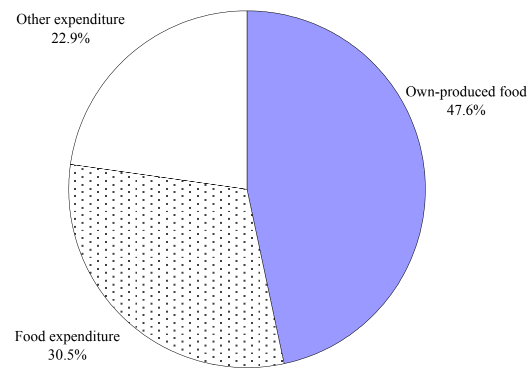
[13] A sharp appreciation particularly during the coffee season would have an adverse impact on exporters' income in local currency and therefore their ability to repay their domestic currency-denominated bank loans, potentially raising nonperforming loans. Banks have now started to discuss with their clients the possibility of foreign exchange lending.

Box 1. The Impact on the Poor of an Appreciation of the Real Exchange Rate

Rwanda is likely to experience an appreciation of the real exchange rate if donors scale up their support.[1] In this case, the authorities have to decide whether to allow an upward adjustment in domestic prices (inflation) or an appreciation of the nominal exchange rate. This box discusses the policy trade off with respect to its impact on the poor and describes how it is addressed in the program.

Inflation has a substantial impact on the ultra poor. Inflation tends to hurt the poor disproportionately, since they often hold no non-monetary assets that provide a hedge against inflation or are dependent on income, which is unlikely to be fully indexed to inflation.[2] According to the Integrated Household Living Condition Survey (2000–01), almost two-thirds of the Rwandese population live in poverty. Most of the poor live in rural areas, where more than half of consumption is monetized. Therefore, inflation would affect a large part of their consumption basket.[3]

Rwanda: Composition of Expenditure for Rural Households



Source: Rwanda Integrated Household Living Condition Survey (2000-2001)

In contrast, a nominal exchange rate appreciation would be expected to affect relatively richer and fewer people. While a nominal appreciation would reduce the net income of exporters in Rwandese francs, as Rwanda is a price taker in international markets, the share of export income in total income is usually small and exporters tend to be in the middle segment of the income distribution. Moreover, only about 10 percent of the population is engaged in the production of exports.[4] At the same time, a nominal appreciation would make the consumption basket of the ultra poor cheaper. However, without complementing measures to increase productivity in the export sector (see below), export output could be adversely affected.

The program seeks to minimize the impact of a real appreciation on the poor by:

- Setting an inflation objective as inflation affects a larger and poorer segment of the population.
- Reducing inflation in food items over the longer term by boosting agricultural supply.
- Counteracting the potentially detrimental effect of a nominal appreciation on exporters through implementing the export promotion strategy to enhance productivity.

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[1] Recent research has shown that aid inflows can cause a significant real exchange rate appreciation (Prati, A, R. Sahay, and T. Tressel (2003) “Is there a Case for Sterilizing Foreign Aid,” mimeo (European Economic Association, Stockholm, August 2003); Heller, P., and S. Gupta, “More Aid—Making It Work for the Poor,” World Economics, December 2002, Vol. 3, No. 4; and Adam, C., and D. Bevan, “Aid, Public Expenditure and Dutch Disease,” CSAE WPS/2003–2).

[2] In cross-country panel studies, Li and Zou (2002) found a negative impact of higher inflation on income distribution, while Fischer and Easterly (2001) showed that the poor are more likely to report inflation as a personal problem.

[3] Moreover, as inflation accelerates, it could adversely affect growth through an associated increase in uncertainty.

[4] A pickup in inflation would also erode exporters’ purchasing power.

External sector

19. **As programmed, the current account deficit (excluding grants) is expected to widen in 2005** (MEFP, para. 19). With strong exports of minerals (from favorable coltan and cassiterite prices) offsetting most of the impact of higher fuel prices, the current account deficit remains projected at about 22 percent of GDP. This assumes that the unusually high NGO-related imports in the first quarter reflected lumpiness and that they will remain as projected for the whole year.[14] While the import cover in 2006-07 is projected to decline due to higher oil prices, the projection does not yet incorporate the impact of the topping up assistance under the enhanced HIPC Initiative.[15]

20. **Continuing shortcomings in public debt management are of concern** (MEFP, paras. 20–21). While planned measures to strengthen debt management were encouraging, staff expressed regret about the recurrence of arrears to BADEA, even if for a trivial amount, particularly since such arrears had given rise to misreporting in the context of the second and third reviews. The authorities responded that they had thought that the full debt service had been paid[16] and added that repeated attempts to contact BADEA had been answered only after substantial delays. In this context, staff welcomed the letter to BADEA to clarify the debt service for the coming year (prior action), but urged the authorities to swiftly work out a schedule and mechanism to ensure full payment of all future debt service.

Structural reforms

21. **The structural reform agenda will remain focused on the delivery of public services, and the development of the private sector.** In coordination with the World Bank, Fund conditionality will continue in the areas of expenditure management, governance, export promotion, and financial sector reform (MEFP, Table 2). Conditionality related to sectoral policies will remain the responsibility of the World Bank and other donors.

22. **With various initiatives for export promotion under way, there is a need to coordinate and focus efforts** (MEFP, paras. 22-24). Staff welcomed the authorities' continuing strong commitment to export promotion. However, with overlapping responsibilities of agencies on the one hand and capacity constraints on the other, making the most effective use of limited resources was key. To this end, the authorities will establish memoranda of understanding to clarify the roles of involved agencies, strengthen OCIR-Thé

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[14] An increase of these imports beyond the projection would widen the current account deficit but not put pressure on net foreign assets since they are foreign financed.

[15] The projections will be updated when financing assurances have been received. The authorities have initiated the process of concluding bilateral agreements under the May 2005 Paris Club rescheduling, and requested other creditors to provide comparable debt relief.

[16] The authorities paid debt service of US$7,344, resulting in arrears of US$60.

and OCIR-Café, and assess existing exporter financing schemes. While welcoming the DTIS[17] as a first step, staff emphasized that a forceful follow up was needed to identify specific actions to address trade bottlenecks (Box 2).[18] Moreover, it regretted the delays in the privatization of the tea estates (largely outside the authorities' control),[19] and stressed the need to privatize them swiftly to enhance productivity.

Box 2. Diagnostic Trade Integration Study—Main Findings

The DTIS found that (i) trade is critical to growth and poverty reduction; (ii) improving rural incomes requires increasing productivity in traditional agriculture and developing nontraditional activities; (iii) stronger traditional exports complement diversification; and (iv) supply constraints are Rwanda's key export barriers.

Rwanda should address its supply constraints by:

- **Reducing transportation costs, including in neighboring countries**. The average transit time between Mombassa and Kigali is four weeks, and the transportation cost for coffee to Mombassa is about 80 percent of the farm price. The authorities should: (i) invest in rural roads; (ii) reduce congestion in the ports, in cooperation with neighboring countries; and (iii) simplify import and export procedures.
- **Enhancing agricultural production by**: (i) providing extension services and training to farmers; (ii) improving access to energy; (iii) removing constraints on lending to farmers, such as the lack of land titles; and (iv) strengthening rural cooperatives.
- **Continuing legal reform** and strengthening the capacity of legal professionals to effectively and consistently apply business laws.
- **Strengthening institutions** that support trade and investment.

23. **Implementing the new land law forms part of the authorities' strategy for the agricultural sector** (MEFP, para. 30). The expected resumption of the World Bank's rural support credit (RSC) (in August 2005)[20] and the passage of the land law are expected to enhance productivity in the sector. However, as the RSC is limited to financing, infrastructure and technology, staff urged the authorities to implement complementary actions. Moreover, it noted the need for close coordination with the export promotion strategy to ensure that export increases do not reduce domestic food supply and thus

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[17] The DTIS was prepared in the context of the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries.

[18] A meeting in September 2005 is expected to coordinate efforts and identify key donors.

[19] Due to delays in the procurement process for evaluating experience with past privatization, five factories are now expected to be readvertised for privatization at end-2005.

[20] The loan project encountered implementation difficulties due to engineering delays and capacity constraints.

jeopardize food security. While encouraged by the participatory approach in the implementation of the land law, staff urged the authorities to establish procedural safeguards to avoid any abuse of government's powers of expropriation.

24. **The central bank will continue reforming the financial sector, using the FSAP's findings** (Box 3 and MEFP, paras. 28–29).[21] Financial soundness indicators for the banking sector have improved markedly and supervision has been upgraded. However, the NBR's enforcement capacity is weak, asset quality remains poor, and risk concentration and governance problems in some banks constitute vulnerabilities. To this end, staff welcomed the NBR's short-term focus on banking supervision and its recent intervention regarding a problem bank, as well as the work on a medium-term road map. It also supported the authorities' intention to leave the potential establishment of a cooperatives' bank to the discretion of the private sector. However, given capacity constraints, staff advised the NBR to establish a threshold for the supervision of microfinance institutions and cautioned against a premature establishment of a stock exchange. Moreover, it encouraged the authorities to enhance central bank independence.

Box 3. Financial Sector Assessment Plan—Main Findings on the Financial Sector

Rwanda's financial system is shallow and dominated by the commercial banking system. Banking services are basic, while credit to the private sector is concentrated in few sectors and mostly short term. Banks compete for deposits and loans of a group of only about 50 corporate customers. While about one-third of households have an account in financial institutions, insurance penetration is low, pensions are largely restricted to a public system, and the capital market is limited to treasury bills.

The legal and regulatory framework, as well as regional integration, will have to be enhanced. The insurance and pension sectors have been effectively unregulated and unsupervised. Parts of the legal and regulatory framework governing the financial and commercial sectors are dated, including in accounting, auditing, insolvency, leasing, and anti-money laundering. As financial institutions are too small to achieve economies of scale and adequate risk diversification, Rwanda will need to strive for greater harmonization of policies and establishment of a more open market in financial services.

IV. Risks to the Program

25. **The risks to the program remain as described in Country Report No. 05/171**. In particular, recent experience appears to underline the risk that the domestic demand impact of fiscal policy could derail the monetary program if the central bank is not willing to allow a nominal appreciation of the exchange rate. On the other hand, the authorities are demonstrating continued strong commitment to reform.

[21] Most of the FSAP's short-term recommendations, including on monetary management, are already being implemented. For further details, see "Rwanda: Financial System Stability Assessment" www.imf.org.

V. Program Monitoring

26. Quantitative and structural performance criteria, indicative targets, and structural benchmarks through 2005 were established in the context of the fourth program review (Appendix I, Tables 1 and 2). The technical memorandum of understanding was modified to introduce an adjuster on the domestic fiscal deficit for higher-than-programmed spending related to the UN peace-keeping efforts in Darfur (Rwanda is sending more troops), which are financed by additional AU grants for this purpose (MEFP, para. 11 and TMU, para. 28). Additional benchmarks have been established on export promotion (signature of memoranda of understandings to delineate responsibilities among various agencies involved in export promotion) and financial sector reform (drafting of an amendment to the banking law to strengthen the framework for corrective action).

VI. Staff Appraisal

27. **Rwanda's economic performance remains robust.** Macroeconomic developments have been in line with program projections and real growth for 2005 could be at the upper end of the 4-5 percent range, reflecting favorable weather conditions. Inflation remains above the program objective, but, with the expected recovery in agriculture, is expected to decline later in the year.

28. **The authorities have been building a track record through their continued commitment to reform efforts.** Macroeconomic policies have been broadly on track, although better coordination of fiscal and monetary policies could have prevented the nonobservance of the indicative target on priority spending in the first quarter of 2005. Moreover, while the two October 2004 benchmarks on expenditure management were not met, the two benchmarks for the first half of 2005 (on tax administration and expenditure management) were observed by wide margins.

29. **Efforts to mobilize domestic revenue will need to continue.** Staff urges the authorities to further strengthen tax administration and to stand ready to implement revenue measures with the 2006 budget, if needed to maintain the current revenue-to-GDP ratio.

30. **Medium-term fiscal costs of new spending initiatives should be minimized.** In particular, safeguards should be put in place for the new car fleet management and the civil service reform to be designed in a cost neutral manner. The scheduled electricity tariff increase toward cost recovery is welcome. Staff endorses the intention to accelerate the Lake Kivu project and urges the authorities to continue to implement the project with the support and close advice from the World Bank.

31. **Reforms in public expenditure management are critical for a successful implementation of Rwanda's PRSP**. While reforms have been on track, staff regrets that shortcomings in public accounting could delay the consolidation of general government accounts and urges the authorities to move forcefully in implementing the other agreed measures.

32. **Managing the domestic demand impact of fiscal policies will continue to be key.** To release the fiscal contingency and avoid an inflationary impulse from the additional spending, the NBR will need to ensure that the reserve money targets are met and excess reserves are kept to a minimum during the quarters. In this context, staff urges the NBR to step up the sales of foreign exchange as continued reliance on domestic sterilization could, over time, prove costly and crowd out investment. This will require increased exchange rate flexibility, including some appreciation of the nominal exchange rate. Moreover, to protect the program's inflation objective, developments in private sector credit and inflation as well as the new standing facility should be closely monitored and the NBR will have to stand ready to tighten policies, if necessary.

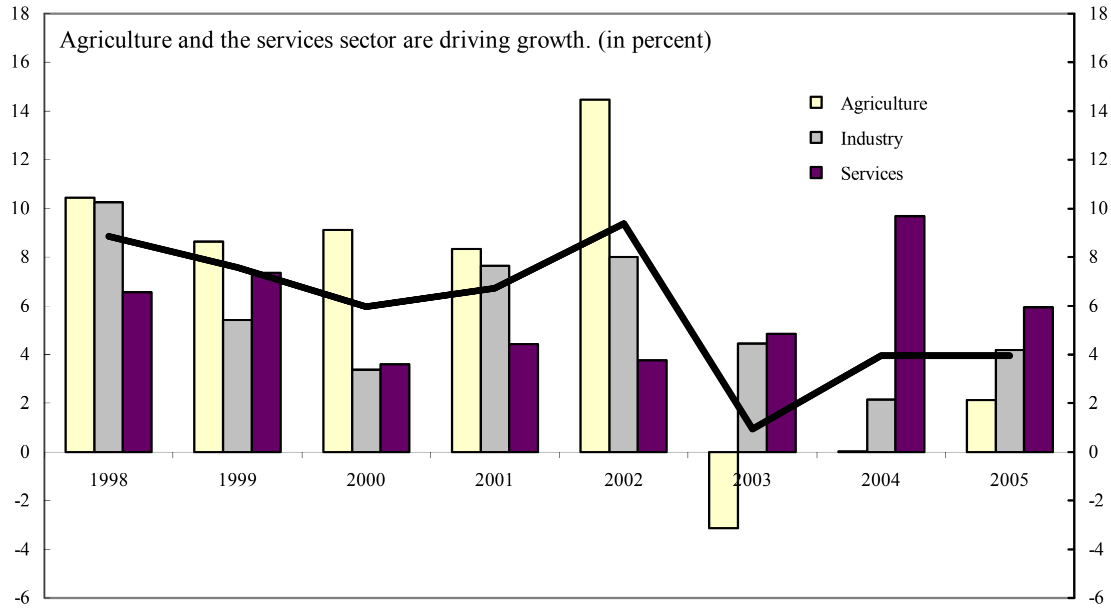
33. **Recent experience has highlighted the importance of debt management.** Staff welcomes the authorities' intention to strengthen debt management. However, there is an urgent need to ensure that the external debt database captures all debt service due, in particular regarding the debt rescheduling agreement with BADEA.

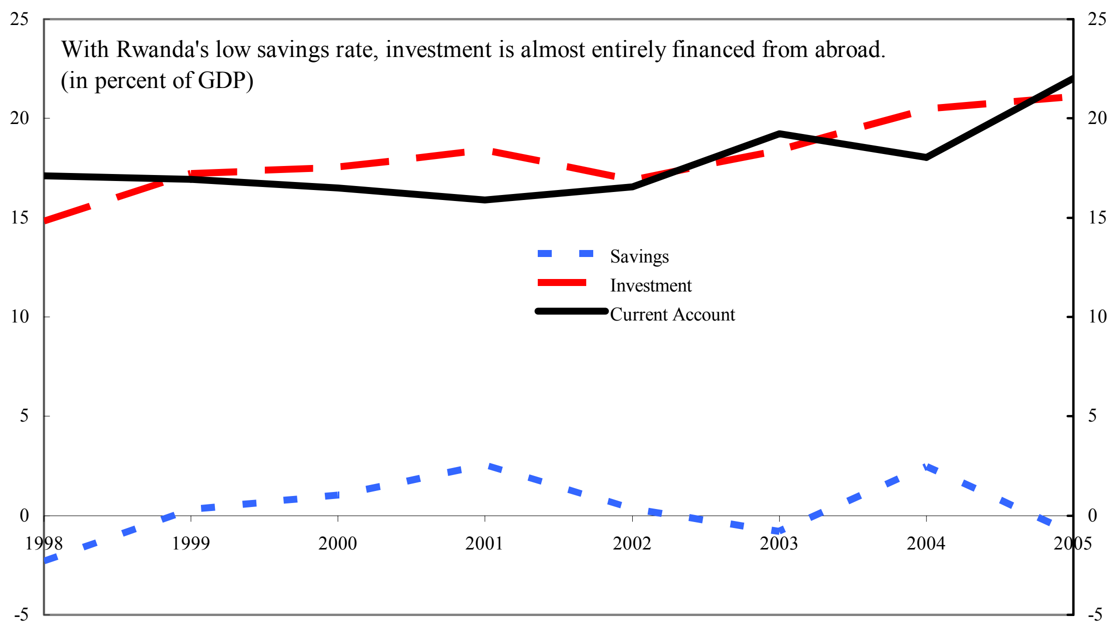
34. **Continued efforts to promote exports are key to maintain external debt sustainability and limit the adverse impact of a possible real appreciation of the exchange rate on tradables.** Staff urges the authorities to coordinate export promotion initiatives and incorporate them into an overall strategy for the agricultural sector. Moreover, specific actions to implement the DTIS' recommendations will need to be identified, and the privatization of the tea estates should be accelerated.

35. **Staff is encouraged by the authorities' strong commitment to financial sector reform**. In particular, it supports the NBR's recent intervention with respect to a problem bank, and its focus on improving banking supervision. However, given capacity constraints, the establishment of a Kigali stock exchange should be put on hold and it would be advisable to remain selective in the supervision of microfinance institutions.

36. **Based on the assessment above, staff recommends that the requested waivers for the nonobservance of the end-December 2004 performance criterion on priority spending and the continuous performance criterion on the nonaccumulation of external arrears be granted as the nonobservance was temporary, and the fifth review under the PRGF arrangement be completed.**

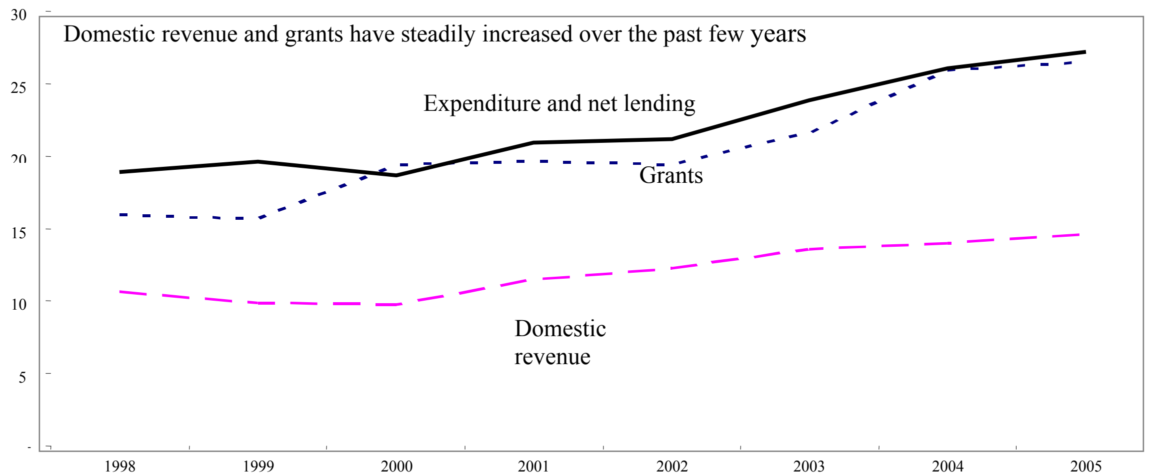
Figure 1. Rwanda: Real Sector Indicators, 1998–2005

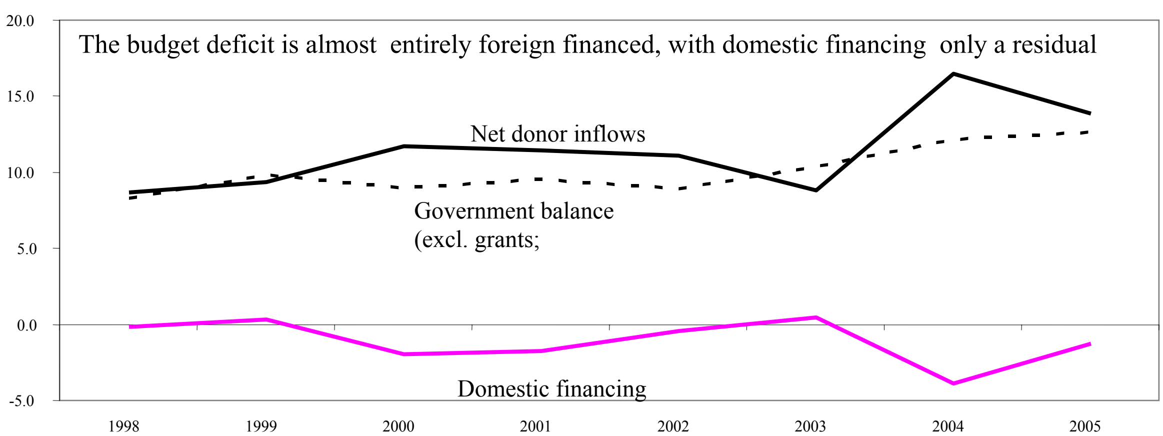


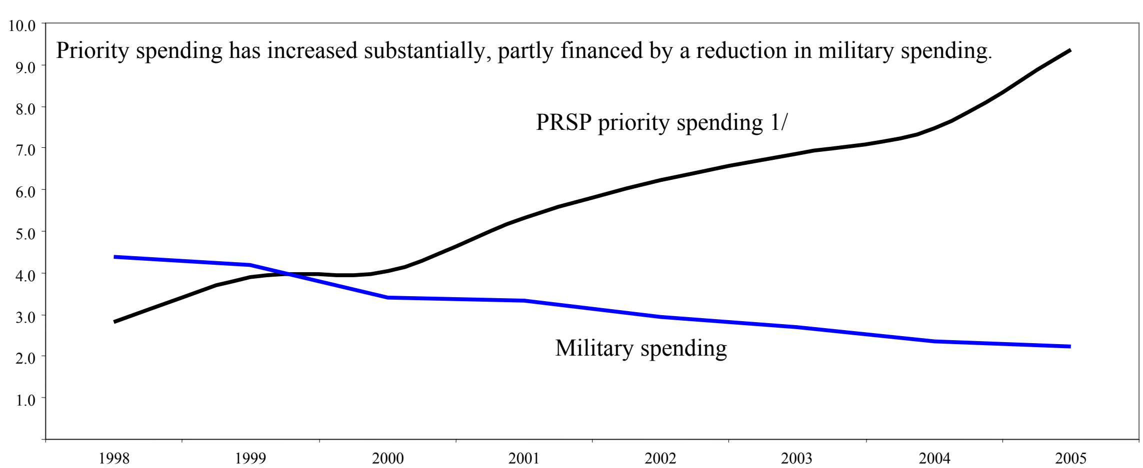


Sources: Rwandese autorities; and IMF staff estimates.

Figure 2. Rwanda: Fiscal Indicators, 1998–2005
(In percent of GDP)

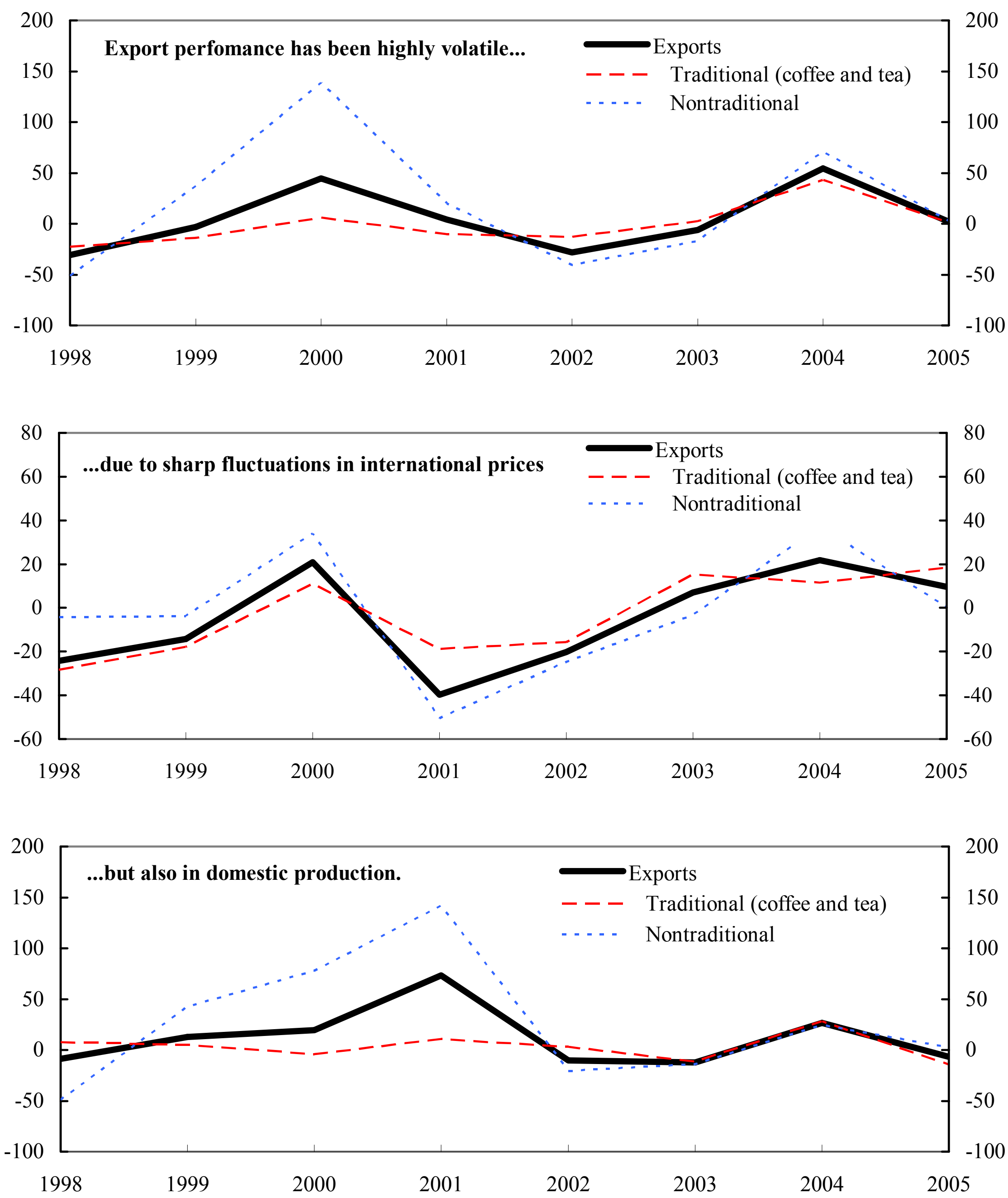






1/ For 2005, priority spending includes spending on the energy sector.

Figure 3. Rwanda: Export Performance in U.S. Dollars, 1998–2005
(Annual growth rates in percent)



Sources: Rwandese authorities; and IMF staff estimates.

Table 1: Rwanda: Selected Economic and Financial Indicators, 2002–07

	2002	2003	2004	2005 Country Report No. 05/171	2005 Proj	2006 Proj	2007 Proj
	(Annual percentage changes, unless otherwise indicated)						
Output and prices							
Real GDP growth	9.4	0.9	4.0	4.0	4.0	4.3	4.5
GDP deflator	0.0	8.7	12.0	6.4	6.4	4.0	4.0
Consumer prices (period average)	2.0	7.4	12.0	7.0	7.0	4.0	4.0
Consumer prices (end of period)	6.2	7.7	10.2	6.0	6.0	4.0	4.0
External sector							
Export, f.o.b (in U.S. dollars)	-28.1	-6.3	54.3	-8.3	2.1	3.6	1.4
Imports, f.o.b (in U.S. dollars)	-1.3	4.0	12.5	28.1	33.3	6.4	4.4
Export volume	-10.0	-12.5	26.8	-5.6	-6.8	6.3	6.2
Import volume	-6.3	1.1	4.6	25.9	24.8	5.7	3.9
Terms of trade (deterioration -)	-24.0	4.1	13.2	-4.5	2.6	-3.1	-4.9
Government finance							
Revenue	16.9	21.4	19.7	11.6	15.7	5.2	9.7
Total expenditure and net lending	10.5	23.7	27.5	12.9	14.4	11.3	7.1
Current expenditure	14.0	31.4	4.7	19.0	21.1	5.3	7.3
Money and credit 1/							
Net domestic assets 2/	-6.1	14.8	-31.9	23.7	17.5	5.9	...
Domestic credit 2/	-4.0	19.7	-22.6	14.9	12.8	5.9	...
Government 2/	-12.4	10.7	-28.8	8.2	6.7	-0.5	...
Economy 2/	8.5	9.0	6.1	6.7	6.1	6.4	...
Broad money (M2)	11.4	15.2	12.6	5.4	5.3	10.4	...
Reserve money	11.9	12.2	13.4	12.2	12.2	10.4	...
Velocity (GDP/M2; end of period)	5.7	5.4	5.6	5.9	5.9	5.8	...
	(In percent of GDP)						
National income accounts							
National savings (excluding official transfers)	0.3	-0.8	2.4	-0.9	-0.9	1.5	2.1
Of which: private (including public enterprises)	4.3	3.9	6.1	2.9	2.4	4.9	5.1
Gross investment	16.9	18.4	20.5	21.0	21.1	22.3	22.3
Of which: private (including public enterprises)	12.0	12.8	12.0	12.1	12.1	12.2	12.3
Government finance							
Total revenue (excluding grants)	12.2	13.5	13.9	14.0	14.6	14.1	14.3
Total expenditure and net lending	21.2	23.9	26.1	26.7	27.0	27.7	27.3
Capital expenditure	4.9	5.6	8.5	8.9	9.0	10.2	10.0
Current expenditure	14.8	17.8	16.0	17.2	17.5	17.0	16.7
Primary fiscal balance 3/	-1.6	-0.3	-1.8	-1.8	-1.7	-3.6	-4.0
Domestic fiscal balance 4/	-4.2	-5.5	-5.6	-5.3	-5.0	-6.3	-5.9
Excluding demobilization spending	-3.8	-4.7	-5.3	-4.5	-4.3	-5.8	-5.9
Overall balance (payment order)							
After grants	-1.7	-2.3	-0.2	-0.9	-0.5	-1.4	-1.8
Before grants	-8.9	-10.3	-12.2	-12.7	-12.4	-13.5	-13.0
External sector							
External current account balance							
Including official transfers	-6.7	-7.8	-3.0	-9.0	-9.0	-7.4	-7.9
Excluding official transfers	-16.6	-19.2	-18.1	-21.9	-22.0	-20.8	-20.2
External debt (end of period) 5/	85.3	93.4	93.3	73.7	73.7	70.8	68.4
Net present value of external debt							
(in percent of exports of goods and services) 6/	270.3	319.9	337.1	323.9	317.3	304.1	310.9
Scheduled debt-service ratio after HIPC Initiative debt relief							
(in percent of exports of goods and services)	12.0	11.1	9.7	7.9	7.4	8.2	10.1
Gross reserves (in months of imports of goods and services)	6.3	5.0	5.8	4.8	4.9	4.6	4.4
	(In millions of U.S. dollars)						
External debt (end of period) 5/	1,476.8	1,572.4	1,711.2	1,515.9	1,515.9	1,564.1	1,609.3
Gross official reserves	243.6	217.6	314.5	263.9	278.5	276.9	275.3
Memorandum item:							
Nominal GDP (in billions of Rwanda francs)	825.0	905.3	1,054.3	1,166.2	1,166.2	1,264.8	1,374.2

Sources: Rwandese authorities; and staff estimates and projections.

1/ Data up to 2004 based on current exchange rates, for 2005 based on program exchange rate of 566.9/US$.
2/ As a percent of the beginning-of-period stock of broad money.
3/ Revenue excluding grants; minus current expenditure except interest due and exceptional expenditure; minus domestically financed capital expenditure.
4/ Revenue excluding grants; minus current expenditure (excluding external interest), minus domestically-financed capital expenditure and net lending.
5/ After rescheduling, including arrears and new debt (the latter includes assumed project and budgetary disbursements for the period 2004-07).
6/ Based on assumptions about expected new borrowing. For illustrative purposes, the numbers are shown as if HIPC Initiative assistance had been delivered unconditionally as of 1999 (data available at the time of the decision point). The exports denominator is calculated using a three-year backward-looking average.

Table 2. Rwanda: Operations of the Central Government, 2004–07

	2004	2005								2006	2007
		Mar.		Jun.		Sep.		Dec.		Rev.	Rev.
	Country Report No. 05/171	Country Report No. 05/171	Act.	Country Report No. 05/171	Proj.	Country Report No. 05/171	Proj.	Country Report No. 05/171	Proj.	proj.	proj.
	(In billions of Rwanda francs)										
Revenue and grants	272.6	72.2	77.9	152.2	164.3	228.4	238.3	301.0	308.8	332.4	349.2
Total revenue	147.1	39.1	42.4	79.2	84.3	121.8	127.5	163.4	170.1	178.9	196.1
Tax revenue	134.7	36.2	37.3	73.2	74.4	110.8	111.9	150.1	150.5	166.1	183.2
Direct taxes	38.2	10.8	11.3	20.2	20.7	29.9	30.4	40.1	38.8	42.4	47.9
Taxes on goods and services	70.2	18.4	19.4	38.4	39.4	58.4	59.4	79.0	80.0	91.5	100.2
Taxes on international trade	26.3	7.0	6.6	14.7	14.2	22.5	22.1	31.0	31.7	32.2	35.1
Nontax revenue	12.4	2.9	5.1	6.0	10.0	11.0	15.6	13.3	19.6	12.8	12.9
Grants	126.7	33.1	35.5	73.0	80.0	106.6	110.8	137.6	138.7	153.5	153.2
Budgetary grants	90.4	18.5	14.8	43.7	44.8	62.8	64.0	85.4	86.6	99.6	95.4
Of which: HIPC Initiative assistance	14.8	3.4	1.8	7.5	5.9	11.0	9.4	18.0	19.2	20.7	20.8
Capital grants	34.8	14.6	20.6	29.2	35.2	43.8	46.8	52.1	52.1	53.9	57.7
Total expenditure and net lending	274.9	72.8	70.0	155.4	161.4	234.4	240.6	311.0	314.4	349.8	374.7
Current expenditure	168.1	47.0	39.0	99.7	99.7	148.9	151.0	200.4	203.6	214.5	230.1
Of which: priority	73.7	19.9	18.6	44.4	44.4	68.6	68.6	94.8	94.8	107.1	121.1
Wages and salaries	48.5	13.8	12.3	27.5	27.5	41.3	41.3	55.0	55.0	58.2	62.4
Civil	32.2	9.6	8.0	19.1	19.1	28.7	28.7	38.3	38.3	41.1	44.6
Defense	16.3	4.2	4.3	8.4	8.4	12.6	12.6	16.7	16.7	17.1	17.8
Purchases of goods and services	47.6	14.5	12.6	30.0	30.0	43.1	43.4	55.4	56.0	60.3	73.1
Civil	39.2	12.3	10.4	25.9	25.9	35.4	35.7	46.1	46.7	50.0	62.0
Defense	8.4	2.2	2.2	4.1	4.1	7.6	7.6	9.4	9.4	10.3	11.1
Interest payments	11.9	3.2	1.8	7.6	7.6	10.4	10.4	15.6	15.6	14.2	14.5
Domestic debt (due)	4.4	1.4	0.8	3.4	3.4	4.8	4.8	7.9	7.9	6.4	6.4
External debt (due)	7.5	1.8	1.0	4.2	4.2	5.6	5.6	7.7	7.7	7.8	8.1
Transfers 1/	41.8	9.9	8.2	22.1	22.1	35.6	37.4	48.6	51.3	60.2	67.2
Exceptional expenditure *of which*	18.2	5.7	4.0	12.5	12.5	18.5	18.5	25.7	25.7	21.6	13.0
FARG	6.7	2.0	1.3	3.9	3.9	5.9	5.9	7.8	7.8	8.4	9.2
Demobilization/reintegration/reeducation	3.4	2.2	1.0	4.4	4.4	6.6	6.6	8.8	8.8	6.6	0.0
Referendum / elections / health	0.3	0.0	0.0	0.0	0.0	0.2	0.2	0.9	0.9	0.0	0.0
Capital expenditure	89.5	25.1	29.0	52.2	58.2	80.1	83.8	103.8	105.3	128.6	137.4
Of which: priority	5.0	3.9	0.4	11.2	11.2	13.2	13.2	14.4	14.4	28.0	31.6
Domestic	27.2	5.5	3.5	13.2	13.2	21.5	22.2	25.8	27.2	45.4	48.5
Foreign	62.3	19.5	25.5	39.0	45.0	58.6	61.6	78.1	78.1	83.2	89.0
Net lending 1/	17.3	0.7	2.0	3.4	3.4	5.4	5.8	6.8	5.5	6.8	7.2
Primary balance 2/	-18.1	-4.6	5.7	-13.6	-8.5	-19.7	-16.8	-21.5	-19.5	-45.2	-55.0
Domestic fiscal balance 3/	-58.1	-12.4	-1.1	-32.8	-27.8	-48.4	-45.9	-61.8	-58.5	-80.0	-81.6
Excluding demobilization expenditures	-54.7	-10.2	-0.1	-28.4	-23.4	-41.8	-39.4	-53.0	-49.7	-73.4	-81.6
Overall deficit (payment order)											
After grants	-2.2	-0.5	7.8	-3.1	3.0	-6.0	-2.3	-10.0	-5.6	-17.4	-25.5
Before grants	-127.8	-33.7	-27.6	-76.1	-77.0	-112.6	-113.1	-147.6	-144.3	-170.9	-178.6
Change in arrears 4/	-16.3	-7.1	-3.4	-9.6	-6.0	-9.9	-6.3	-10.2	-10.2	-7.0	-7.0
Domestic	-17.1	-3.3	-3.4	-5.9	-6.0	-6.2	-6.3	-6.5	-6.5	-7.0	-7.0
External	0.7	-3.7	0.0	-3.7	0.0	-3.7	0.0	-3.7	-3.7	0.0	0.0
Deficit (-) (cash basis)	-18.6	-7.6	4.4	-12.8	-3.0	-15.8	-8.5	-20.2	-15.8	-24.4	-32.5

Table 2. Rwanda: Operations of the Central Government, 2004–07 (concluded)

	2004	2005								2006	2007
		Mar.		Jun.		Sep.		Dec.		Rev.	Rev.
	Country Report No. 05/171	Country Report No. 05/171	Act.	Country Report No. 05/171	Proj.	Country Report No. 05/171	Proj.	Country Report No. 05/171	Proj.	proj.	proj.
	(In billions of Rwanda francs)										
Financing	23.4	7.6	-6.7	12.8	3.0	15.8	8.5	20.2	15.8	24.4	32.4
Foreign financing (net)	47.6	5.7	1.3	18.9	15.2	21.0	17.3	26.8	26.8	39.9	41.2
Drawings	62.8	4.9	5.1	20.6	20.6	25.5	25.5	36.7	36.7	53.8	56.4
Budgetary loans	35.3	0.0	0.2	10.8	10.8	10.8	10.8	10.8	10.8	24.6	25.1
Project loans	27.5	4.9	4.9	9.8	9.8	14.7	14.7	25.9	25.9	29.2	31.3
Amortization	-21.4	-4.4	-5.3	-7.9	-7.9	-11.7	-11.7	-21.7	-21.7	-21.6	-21.9
Exceptional financing	6.2	5.2	1.5	6.2	2.5	7.2	3.5	11.7	11.7	7.6	6.7
Domestic financing	-24.2	1.9	-8.0	-6.1	-12.2	-5.2	-8.9	-6.6	-11.0	-15.5	-8.8
Banking system treasury operations (monetary survey) 5/	-30.1	1.2	-2.0	-1.6	-7.7	2.1	-2.9	2.5	-0.4	-3.9	0.0
Nonbank sector (including CSR repayment) 6/7/	5.9	0.7	-6.0	-4.5	-4.5	-7.3	-6.0	-9.1	-10.6	-11.5	-8.8
Errors and omissions 8/	4.8	0.0	-2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Financing gap (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Memorandum items:	(in percent of GDP, unless otherwise indicated)										
Revenue and grants	25.9	6.2	6.7	13.1	14.1	19.6	20.4	25.8	26.5	26.3	25.4
Revenue, excluding grants	13.9	3.4	3.6	6.8	7.2	10.4	10.9	14.0	14.6	14.1	14.3
Revenue, excluding grants (percent of monetized sector GD	27.0	6.5	7.0	13.1	14.0	20.2	21.2	27.1	28.2	27.4	27.7
Total expenditure and net lending *of which*:	26.1	6.2	6.0	13.3	13.3	20.1	20.6	26.7	27.0	27.7	27.3
Total priority expenditures 9/											
Excluding energy	7.5	1.8	1.6	4.2	4.8	6.4	7.0	8.8	9.4	10.7	11.1
Including energy	8.5	2.0	1.6	4.8	4.8	7.0	7.0	9.4	9.4	10.7	11.1
Current expenditure	15.9	4.0	3.3	8.5	8.5	12.8	12.9	17.2	17.5	17.0	16.7
Of which: wage bill	4.6	1.2	1.1	2.4	2.4	3.5	3.5	4.7	4.7	4.6	4.5
goods and services	4.5	1.2	1.1	2.6	2.6	3.7	3.7	4.8	4.8	4.8	5.3
Of which: defense/security	2.3	0.5	0.6	1.1	1.1	1.7	1.7	2.2	2.2	2.2	2.1
exceptional expenditure	1.7	0.5	0.3	1.1	1.1	1.6	1.6	2.2	2.2	1.7	0.9
Capital expenditure	8.5	2.1	2.5	4.5	4.5	6.9	7.2	8.9	9.0	10.2	10.0
Domestic fiscal balance	-5.5	-1.1	-0.1	-2.8	-2.4	-4.2	-3.9	-5.3	-5.0	-6.3	-5.9
Excluding demobilization expenditures	-5.2	-0.9	0.0	-2.4	-2.0	-3.6	-3.4	-4.5	-4.3	-5.8	-5.9
Of which: domestic expenditure	19.1	4.2	3.6	9.2	9.2	14.0	14.3	18.6	18.9	19.9	20.2
Primary balance 2/	-1.7	-0.4	0.5	-1.2	-0.7	-1.7	-1.4	-1.8	-1.7	-3.6	-4.0
Overall deficit (payment order)											
After grants	-0.2	0.0	0.7	-0.3	0.3	-0.5	-0.2	-0.9	-0.5	-1.4	-1.9
Before grants	-12.1	-2.9	-2.4	-6.5	-6.6	-9.7	-9.7	-12.7	-12.4	-13.5	-13.0
Before grants (percent of monetized sector GDP)	-12.5	-5.6	-4.6	-12.6	-12.8	-18.7	-18.8	-24.5	-23.9	-26.2	-25.2
Nominal GDP (in billions of Rwanda francs)	1,054.3	1,166.2	1,166.2	1,166.2	1,166.2	1,166.2	1,166.2	1,166.2	1,166.2	1,264.8	1,374.2
Net credit to government (in billions of Rwanda Francs) 5/	-48.1	4.7	-3.0	5.0	-0.9	11.9	7.3	15.5	12.6	-1.0	0.0
Of which: treasury operations	-30.1	1.2	-2.0	-1.6	-7.7	2.1	-2.9	2.5	-0.4	-3.9	0.0
nontreasury opearations of central governm	-16.3	3.3	-0.7	6.3	6.5	9.3	9.7	12.4	12.4	2.9	0.0
other government	-1.7	0.2	-0.3	0.3	0.3	0.5	0.5	0.6	0.6	0.0	0.0

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

1/ The transactions related to the privatization of BCR and BACAR totaling RF 4.3 billion in the fourth quarter of 2004 did not impact the fiscal balance as privatization receipts (recorded as negative net lending) were offset by a transfer of the same amount (80 percent as a requited transfers for recapitalization of the banks and 20 percent as an unrequited capital transfers for the government purchasing a minority stake of 20 percent in the banks). Net lending in the fourth quarter of 2005 incorporates RF 2.9 billion in receipts from the privatization of Rwandatel.

2/ Definition excludes exceptional expenditures; defined as total revenue (excluding privatization proceeds) minus noninterest current expenditure (excluding exceptional expenditure) minus domestically financed capital expenditure. In 2002, the definition includes the cost of the troop withdrawal.

3/ Revenue excluding grants; minus current expenditure, domestically financed capital expenditure and net lending; excluding external interest. In 2002, including the cost of the troop withdrawal. In addition, the program for 2005 includes 2 billion for recapilization of a housing bank, which are included below the line under nonbank financing.

4/ A negative sign indicates a reduction. Arrears are shown here in a fiscal accounting sense, which may deviate from the definition of the TMU used for benchmarks and performance criteria.

5/ The net credit to government has been corrected by the part of the PRSC disbursement that remained in the nontreasury accounts of the central government at end-2004. The program for 2005 includes RF 2 billion for the recapilization of a housing bank, which are included below the line under nonbank financing.

6/ CSR = Caisse Sociale du Rwanda.

7/ Includes RF 8.8 billion in termporary credits from Union des Banques Populaires du Rwanda (UBPR) in June 2003.

8/ A negative number implies a discrepancy that is consistent with underestimation of financing.

9/ Although energy was identified as a priority sector in the 2002 PRSP, spending on this sector was not included in priority expenditures until 2005. These expenditures amounted to RF 11.4 billion and RF 6.9 billion in 2004 and 2005, respectiv

Table 3. Rwanda: Monetary Survey, 2004–06

	2004	2005								2006
	Act 1/	Mar.		Jun.		Sep.		Dec.		Proj. 2/
		Country Report No. 05/171	Act 1/	Country Report No. 05/171	Proj. 2/	Country Report No. 05/171	Proj. 2/	Country Report No. 05/171	Proj. 2/	
Monetary authorities					(In billions of Rwanda francs)					
Net foreign assets	122.5	109.5	131.9	108.3	129.4	103.5	121.4	101.6	111.4	111.0
Foreign assets	178.3	162.1	182.7	159.1	179.3	154.3	169.7	149.6	157.8	156.9
Foreign liabilities	55.7	52.6	50.8	50.8	49.9	50.8	48.3	48.0	46.4	45.9
Net domestic assets	-65.3	-49.4	-72.5	-46.5	-67.3	-40.5	-58.1	-37.4	-47.2	-40.1
Domestic credit	-38.7	-20.6	-52.1	-18.3	-45.3	-12.9	-36.1	-10.4	-26.7	-19.6
Government (net)	-31.4	28.1	-36.4	-28.6	-34.3	-22.7	-27.1	-19.8	-22.7	-23.7
Claims	42.1	42.1	42.1	42.1	42.1	42.1	42.1	42.1	42.1	38.0
Of which : overdraft	--	--	--	--	--	--	--	--	--	--
Deposits (excluding autonomous bodies)	73.5	70.2	78.5	70.8	76.5	64.8	69.2	61.9	64.8	61.7
Public nongovernment deposits (-)	-1.0	-0.8	-0.6	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Nongovernment credit	-6.3	8.4	-15.1	11.2	-10.1	10.6	-8.2	10.3	-3.2	4.9
Private sector	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Public enterprises	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Commercial banks	-9.8	4.9	-18.5	7.8	-13.5	7.2	-11.6	6.8	-6.6	1.5
Discount window	1.6	1.4	1.6	1.3	1.3	1.1	1.1	1.0	1.0	1.0
Money market (- = absorption)	-11.3	3.5	-20.1	6.5	-14.8	6.1	-12.7	5.8	-7.6	0.5
Other items (net; asset +)	-26.6	-28.9	-20.4	-28.3	-22.0	-27.6	-22.0	-27.0	-20.5	-20.5
Reserve money 3/	57.2	60.0	59.3	61.8	62.1	63.0	63.3	64.2	64.2	70.9
Currency in circulation	38.9	37.8	36.8	43.2	43.2	42.8	42.8	44.9	44.9	51.0
Commercial bank reserves	15.3	19.2	18.8	15.6	16.0	17.2	17.5	16.3	16.3	16.9
Nonbank deposits	3.0	3.0	3.8	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Of which: autonomous public agencies	0.6	--	0.6	--	--	--	--	--	--	--
Commercial banks										
Net foreign assets	50.2	50.1	42.1	47.6	37.6	45.1	40.1	42.6	42.6	48.8
Foreign assets 4/	60.7	60.8	54.1	58.3	48.3	55.8	50.8	53.3	53.3	59.5
Foreign liabilities	10.5	10.7	12.0	10.7	10.7	10.7	10.7	10.7	10.7	10.7
Reserves	15.3	19.3	18.8	15.7	15.9	17.3	17.5	16.3	16.3	16.9
NBR deposits	12.4	16.8	13.4	13.2	13.2	14.8	14.8	13.8	13.8	13.9
Required reserves	12.4	13.2	13.6	12.9	12.9	13.1	13.1	13.0	13.0	14.2
Excess reserves	--	3.6	-0.2	0.3	0.3	1.7	1.7	0.7	0.7	-0.3
Cash in vault	2.9	2.5	5.4	2.5	2.7	2.5	2.7	2.5	2.5	3.0
Net credit from NBR (rediscount; liability -)	9.8	-4.9	18.5	-7.8	13.5	-7.2	11.6	-6.8	6.6	-1.5
Domestic credit	109.7	112.2	111.5	118.5	120.2	122.1	121.3	126.0	124.8	140.7
Government (net)	0.7	1.7	2.6	2.7	2.6	3.6	3.6	4.5	4.5	4.5
Credit	17.2	17.2	22.7	17.2	17.2	17.2	17.2	17.2	17.2	17.2
Deposits	16.5	15.5	20.1	14.6	14.6	13.6	13.6	12.7	12.7	12.7
Public enterprises	4.6	4.8	3.3	4.8	3.3	4.8	3.3	4.8	3.3	1.0
Private sector	104.3	105.9	105.6	111.0	114.2	113.7	114.4	116.7	117.0	135.2
Other items (net; asset +)	-39.5	-27.7	-40.7	-27.7	-40.0	-27.7	-40.0	-27.7	-40.0	-40.0
Deposits 4/	145.5	149.2	150.2	146.3	147.3	149.6	150.5	150.3	150.3	164.9
Private	113.1	117.1	118.3	116.7	117.7	122.4	123.4	125.7	125.7	140.3
Public (nongovernment) 4/	32.4	32.1	31.9	29.6	29.6	27.1	27.1	24.6	24.6	24.6

Table 3. Rwanda: Monetary Survey, 2004–06 (concluded)

	2004	2005								2006
	Act 1/	Mar.		Jun.		Sep.		Dec.		Proj. 2/
		Country Report No. 05/171	Act 1/	Country Report No. 05/171	Proj. 2/	Country Report No. 05/171	Proj. 2/	Country Report No. 05/171	Proj. 2/	
Monetary survey					(In billions of Rwanda francs)					
Net foreign assets	172.8	159.6	174.0	156.0	167.0	148.6	161.5	144.2	154.0	159.8
Net domestic assets	14.6	30.3	16.7	36.5	26.4	46.7	34.8	54.1	44.2	59.1
Domestic credit	80.7	86.9	77.8	92.5	88.4	102.0	96.8	108.8	104.7	119.6
Government (net)	-30.8	-26.4	-33.8	-26.0	-31.7	-19.1	-23.5	-15.3	-18.2	-19.2
Public nongovernment deposits (-)	-0.8	-0.8	-0.6	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Public enterprises	4.7	4.9	3.4	4.9	3.4	4.9	3.4	4.9	3.4	1.1
Private sector	107.6	109.2	108.9	114.4	117.5	117.0	117.7	120.0	120.3	138.5
Other items (net; asset +)	-66.1	-56.6	-61.1	-56.0	-62.0	-55.3	-62.0	-54.7	-60.5	-60.5
Broad money 4/	187.3	190.0	190.8	192.5	193.4	195.4	196.3	198.3	198.3	218.9
Currency in circulation	38.9	37.8	36.8	43.2	43.2	42.8	42.8	44.9	44.9	51.0
Deposits 4/	148.4	152.2	153.9	149.3	150.3	152.6	153.5	153.3	153.3	167.9
Of which: foreign currency deposits 4/	37.4	50.1	35.4	47.6	37.6	45.1	40.1	42.6	42.6	48.8
					(Annual changes in percent of beginning-of-year of broad money)					
Net foreign assets	41.0	35.4	43.3	30.7	37.6	22.9	30.6	-18.3	-12.1	2.9
Net domestic assets	-28.9	-18.1	-25.9	-10.7	-17.0	-5.8	-13.0	23.7	17.5	7.5
Domestic credit	-22.7	-13.8	-19.3	-7.3	-9.9	-2.2	-5.3	14.9	12.8	7.5
Government (net)	-28.9	-21.4	-25.9	-17.6	-21.2	-11.1	-13.8	8.2	6.7	-0.5
Economy	6.2	7.6	6.5	10.3	11.3	8.9	8.4	6.7	6.1	8.0
Other items (net; asset +)	-6.2	-4.3	-6.6	-3.4	-7.2	-3.6	-7.6	8.8	4.7	--
Broad money	12.1	17.2	17.3	20.0	20.5	17.0	17.6	5.4	5.3	10.4
					(Annual percent changes)					
Net foreign assets	65.8	56.0	67.8	46.1	56.5	34.5	46.2	-19.2	-12.9	3.7
Net domestic assets	-76.8	-47.9	-71.6	-29.8	-49.3	-14.4	-36.3	465.8	289.1	33.6
Domestic credit	-31.9	-20.4	-28.8	-11.3	-15.2	-3.5	-8.4	34.6	29.8	14.2
Government (net)	-276.3	-419.6	-509.6	-1,247.4	-1,500.2	3,209.1	3,973.0	-50.2	-41.0	5.6
Economy	10.3	12.2	10.5	16.2	17.8	14.0	13.2	11.3	10.2	12.9
Other items (net; asset +)	18.7	14.3	21.2	10.9	22.8	12.3	25.9	-23.2	-12.8	--
					(In percent, unless otherwise indicated)					
Memorandum items:										
Currency/broad money ratio	20.8	19.9	19.3	22.4	22.3	21.9	21.8	22.7	22.7	23.3
Reserve money annual growth	13.4	17.0	15.6	16.5	17.1	13.7	14.3	12.2	12.2	10.4
Reserves/deposits	39.3	40.2	39.5	42.2	42.2	42.1	42.1	42.7	42.7	43.0
Money multiplier	3.3	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Reserve/deposits	11.1	14.3	…	11.3	11.3	12.1	12.0	14.3	10.9	9.9
Currency/deposits	34.9	32.3	…	37.0	36.7	35.0	34.7	32.3	35.7	36.4
Velocity of broad money (end of period)	5.6	…	…	…	…	…	…	5.9	5.9	5.8
Velocity of broad money (average of period)	8.0	…	…	…	…	…	…	7.3	7.3	7.7
Net open position of the NBR (in RF billion)	118.5	105.5	127.7	104.5	126.4	99.9	118.2	98.2	108.0	107.1
Net open position of commercial banks (in RF billion)	16.9	0.0	10.9	--	0.0	--	0.0	--	0.0	0.0
Extended broad money (in RF billion) 5/	208.8	213.9	213.8	216.7	216.8	220.0	220.0	223.2	222.2	246.5
Nominal GDP (in RF billion)	1,054.3	…	…	...	…	…	…	1,166.2	1,166.2	1,264.8

Source: National Bank of Rwanda (NBR).

1/ Converted at the actual exchange rate.
2/ Converted at the program exchange rate for 2005 (equal to the end-year rate 2004) of Rwanda franc (RF) 566.9/US$.
3/ The definition of reserve money as performance criterion or structural benchmark differs from the definition in the monetary program in that is excludes the deposits of a defunct savings bank, import deposits, and dormant accounts. It includes old notes demonetized at end-2004 but still in circulation. The performance criteria and indicative targets for 2005 refer to the last day of the period.
4/ Program includes a foreign-currency deposit of RF 8.4 billion that Electrogaz made in December 2004. However, actual figures report only private sector foreign currency deposits. The Electrogaz deposit is projected to be drawn down during the course of 2005.
5/ Broad money plus deposits in the Union des Banques Populaires de Rwanda (UBPR) and Rwanda Development Bank (BRD).

Table 4. Rwanda: Balance of Payments, 2002–07
(In millions of U.S. dollars, unless otherwise indicated)

	2002	2003	2004	2005 Country Report No. 05/171	2005 Proj.	2006 Proj.	2007 Proj.
Exports, f.o.b.	67.3	63.0	97.3	89.2	99.3	102.9	104.3
Of which: coffee	14.6	15.0	31.0	25.0	30.9	33.3	35.9
tea	22.0	22.5	22.7	21.9	23.5	25.5	26.9
coltan	14.0	6.4	12.7	10.5	11.7	10.1	8.1
Imports, f.o.b.	234.7	244.0	273.1	351.6	364.1	387.5	404.4
Trade balance	-167.4	-181.0	-175.8	-262.4	-264.8	-284.6	-300.0
Services (net)	-125.1	-143.4	-155.9	-195.7	-198.7	-189.8	-191.7
Income	-19.1	-30.5	-34.1	-29.7	-27.8	-27.6	-28.0
Of which: interest on public debt 1/	-10.9	-10.7	-13.9	-13.8	-13.8	-13.9	-14.1
Current transfers (net) 2/	194.8	223.8	313.1	302.5	306.5	338.2	333.6
Private	24.5	31.3	35.1	38.3	38.3	41.7	45.4
Public 2/ 3/	170.3	192.5	278.0	264.2	268.2	296.5	288.1
Of which: HIPC Initiative grants	25.6	23.0	27.4	31.8	33.8	36.1	35.7
Current account balance (including official transfers)	-116.7	-131.1	-52.7	-185.3	-184.7	-163.9	-186.2
Current account balance (excluding official transfers)	-287.0	-323.6	-330.8	-449.5	-452.9	-460.4	-474.3
Capital account	41.6	41.1	60.6	92.0	92.0	94.2	98.8
Capital transfers	41.6	41.1	60.6	92.0	92.0	94.2	98.8
Debt forgiveness	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal not yet due forgiven	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	65.1	20.6	59.3	34.5	48.3	68.0	91.0
Direct investment	2.6	4.7	3.6	5.5	10.6	7.0	13.0
Public sector capital	53.0	7.7	72.0	26.6	26.6	56.4	59.0
Long-term borrowing 3/	83.9	39.9	109.3	64.8	64.8	94.0	96.5
Scheduled amortization 4/	30.8	32.2	37.3	38.2	38.2	37.7	37.5
Other capital 5/	9.5	8.3	-16.2	2.4	11.1	4.6	19.0
Capital and financial account balance	106.7	61.8	119.9	126.5	140.2	162.2	189.9
Errors and omissions	28.3	35.7	20.5	0.0	0.0	0.0	0.0
Overall balance	18.2	-33.6	87.7	-58.9	-44.5	-1.7	3.7
Financing	-18.2	33.6	-87.7	37.2	22.8	-11.6	-15.2
Change in net foreign assets of NBR (increase -)	-29.7	27.1	-98.9	43.8	29.4	-11.6	-15.2
Net credit from the Fund	-6.0	-0.9	-3.6	-8.5	-8.3	-14.9	-18.7
Disbursements/purchases	0.7	0.8	1.7	1.8	1.7	0.9	0.0
Repayments/repurchases	-6.7	-1.7	-5.3	-10.3	-10.1	-15.8	-18.7
Change in other gross official reserves (increase -)	-31.6	26.1	-96.9	50.6	36.0	1.6	1.6
Change in other foreign liabilities (increase +)	7.9	1.9	1.6	1.7	1.7	1.8	1.9
Change in arrears (decrease -) 6/	4.6	-22.6	1.3	-6.6	-6.6	0.0	0.0
Accumulation	5.6	1.3	1.3	0.0	0.0	0.0	0.0
Reduction	1.0	23.8	0.0	6.6	6.6	0.0	0.0
Exceptional financing 7/	6.9	29.1	10.0	0.0	0.0	0.0	0.0
Cancellation	0.6	0.6	0.6	0.0	0.0	0.0	0.0
Stock of arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current debt service	0.6	0.6	0.6	0.0	0.0	0.0	0.0
Rescheduling	6.3	28.5	9.4	0.0	0.0	0.0	0.0
Stock of arrears	0.0	23.1	0.0	0.0	0.0	0.0	0.0
Current debt service	6.3	5.5	9.4	0.0	0.0	0.0	0.0
Financing need	0.0	0.0	0.0	21.7	21.7	13.3	11.6
Identified financing	0.0	0.0	0.0	21.7	21.7	13.3	11.6
Of which: exceptional financing (assumed) 8/	0.0	0.0	0.0	21.7	21.7	13.3	11.6
Financing gap 9/	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:							
Current account deficit (in percent of GDP)							
Excluding official transfers	-16.6	-19.2	-18.0	-21.9	-22.0	-20.8	-20.2
Including official transfers	-6.7	-7.8	-2.9	-9.0	-9.0	-7.4	-7.9
External budgetary assistance to central government (in percent of GDP)	7.9	6.3	12.2	8.3	8.3	9.8	8.8
Gross official reserves	243.6	217.6	314.5	263.9	278.5	276.9	275.3
Gross official reserves (in months of imports of goods and services)	6.3	5.0	5.7	4.8	4.9	4.6	4.4
Overall balance (in percent of GDP)	1.1	-2.0	4.8	-2.9	-2.2	-0.1	0.2
Total external debt 10/	1,476.8	1,572.4	1,711.2	1,515.9	1,515.9	1,564.1	1,609.3
Total external debt (in percent of GDP)	85.3	93.4	93.3	73.7	73.7	70.8	68.4
Scheduled debt service ratio after HIPC Initiative debt relief 11/	12.0	11.1	9.7	7.9	7.4	8.2	10.1

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

1/ Including interest due to the Fund.
2/ Current transfers include budgetary and HIPC Initiative grants, and humanitarian and technical assistance.
3/ Includes project and budgetary loans.
4/ Excluding Fund.
5/ Other capital includes long-term private capital, commercial credit, the change in the net foreign assets of commercial banks, and unrecorded imports.
6/ The program assumes clearance of all outstanding arrears to non-Paris Club creditors in 2005.
7/ Signed rescheduling and cancellation, as well as reschedulings expected to be signed with Paris Club creditors.
8/ Includes assistance by multilateral and bilateral creditors under the enhanced HIPC Initiative (excluding multilateral HIPC grants). Further reflects impact of additional bilateral relief at the completion point, as well as of assumed debt relief by Rwanda's non-Paris Club creditors.
9/ The financing gap refers to the difference between the overall balance and the identified financing (actual and expected).
10/ After rescheduling, including arrears and new debt (the latter includes assumed project and budgetary disbursements for the period 2005-07). Assumes a stock-of-debt operation at the HIPC Initiative's completion point in 2005.
11/ In percent of exports of goods and services. Includes impact of additional bilateral debt relief expected at the completion point, as well as assumed debt relief by non-Paris Club creditors.

Table 5. Rwanda: External Financing Requirement and Sources, 2002–07
(In millions of U.S. dollars, unless otherwise indicated)

	2002	2003	2004	2005	2006	2007
Resource balance	-292.5	-324.4	-331.7	-463.5	-474.4	-491.7
Exports goods and nonfactor services	132.7	139.5	188.9	199.8	212.4	223.5
Imports goods and nonfactor services	425.2	463.9	520.6	663.3	686.8	715.3
Noninterest current account (excluding official transfers) 1/	-276.2	-312.9	-316.8	-439.2	-446.4	-460.3
Scheduled interest	-10.9	-10.7	-13.9	-13.8	-13.9	-14.1
Capital and financial account 2/	9.5	9.8	-29.4	-16.6	-26.1	-5.5
Scheduled amortization	-30.8	-32.2	-37.3	-38.2	-37.7	-37.5
Other capital	40.4	42.0	7.9	21.7	11.6	32.0
Increase in net official reserves (excluding IMF -)	-23.7	27.9	-95.3	37.7	3.4	3.5
IMF repurchases/repayments	-6.7	-1.7	-5.3	-10.1	-15.8	-18.7
Changes in arrears (decrease = -)	4.6	-22.6	1.3	-6.6	...	...
External financing requirements	-303.4	-310.2	-459.5	-448.4	-498.9	-495.1
Disbursements-Existing	296.5	274.4	449.6	253.3	267.8	277.1
Grants (project and nonproject)	211.9	233.6	338.6	207.5	216.8	223.6
Project (Public Investment Program)	41.6	41.1	60.6	92.0	94.2	98.8
Nonproject 3/	170.3	192.5	278.0	115.5	122.6	124.7
Central government	81.0	93.9	106.6	...	...	...
Other	89.3	98.6	118.3	115.5	122.6	124.7
Loans (project and nonproject)	83.9	39.9	109.3	45.8	51.0	53.5
IDA	77.1	25.4	93.3	30.5	34.0	35.7
Project	26.5	20.7	31.9	30.5	34.0	35.7
Nonproject 4/	50.6	4.7	61.4	...	...	...
Other multilateral banks	6.8	14.5	15.9	15.2	17.0	17.8
Project	2.8	8.7	15.9	15.2	17.0	17.8
Nonproject	4.0	5.8	...	...	...	...
Purchases from IMF	0.7	0.8	1.7	...	...	...
Exceptional financing (signed)	6.9	29.1	10.0	...	...	...
Principal not yet due rescheduled 5/	...	6.7	...	...	...	...
Disbursements-Expected	...	...	...	173.5	217.8	206.4
Grants	...	...	...	152.7	173.9	163.4
Project (public investment program) 6/	...	...	...	...	...	...
Budgetary assistance (central government)	...	...	...	152.7	173.9	163.4
Loans	...	...	...	19.0	43.0	43.0
IDA	...	...	...	...	28.0	28.0
Project (public investment program) 6/	...	...	...	...	...	...
Nonproject	...	...	...	...	28.0	28.0
Other multilateral banks (excluding IMF)	...	...	...	19.0	15.0	15.0
Project	...	...	...	...	...	...
Nonproject	...	...	...	19.0	15.0	15.0
Disbursements from IMF 7/	...	...	...	1.7	0.9	...
Exceptional financing (assumed)	...	...	...	21.7	13.3	11.6
Available financing	303.4	310.2	459.5	448.4	498.9	495.1
Residual financing gap 8/	...	...	...	...	...	...

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

1/ Excludes budgetary and HIPC Initiative grants already disbursed, and humanitarian and technical assistance.
2/ Excludes project grants and loans and budgetary loans that have already been disbursed.
Includes errors and omissions for past years.
3/ Includes disbursed budgetary grants to the central government (including HIPC Initiative grants), as well as grants in the form of humanitarian and technical assistance. Budgetary grants (including HIPC Initiative grants) not yet disbursed are listed under the expected financial support. Amounts are shown net of outflowing public transfers.
4/ Budgetary loans not yet disbursed are listed under the expected financial support.
5/ In 2003, it reflects the debt rescheduling agreement with the OPEC Fund.
6/ All project grants and loans are not programmed financing and are therefore recorded under existing commitments
7/ Includes expected Fund disbursements under the current PRGF arrangement.
8/ A negative sign implies a financing gap.

Table 6. Rwanda: External Public Debt and Debt Service, 2002–07 1/
(In millions of U.S. dollars, unless otherwise indicated; end of period)

	2002	2003	2004	2005 Proj.	2006 Proj.	2007 Proj.
Total external debt outstanding 2/	1,476.8	1,572.4	1,711.2	1,515.9	1,564.1	1,609.3
Multilateral	1,334.7	1,388.6	1,521.8	1,484.0	1,534.0	1,581.1
Of which: IDA	833.9	912.9	1,045.7	1,045.1	1,124.1	1,203.8
IMF	83.7	91.9	92.2	78.9	64.6	46.5
Bilateral	142.2	183.7	189.5	31.8	30.1	28.3
Paris Club 3/	74.7	89.0	94.9	0.0	0.0	0.0
Non-Paris Club	67.4	94.8	94.5	31.8	30.1	28.3
Debt service due 4/	48.4	44.6	56.5	61.7	66.9	69.7
Principal	10.9	10.7	13.9	13.8	13.9	14.1
Interest	37.6	33.9	42.6	48.0	53.0	55.7
Total debt relief 5/	32.5	29.1	38.2	46.9	49.4	47.2
Multilateral	25.6	23.0	28.2	36.8	43.4	42.2
Bilateral 5/	6.9	6.1	10.0	10.1	6.1	5.0
Debt Service after HIPC Initiative assistance	15.9	15.5	18.3	14.8	17.5	22.5
Principal	12.7	12.3	10.6	8.7	11.8	16.3
Interest	3.2	3.3	7.7	6.2	5.7	6.2
Memorandum items:						
Total debt stock (in percent of GDP)	85.3	93.4	93.3	73.7	70.8	68.4
Debt service due (in percent of)						
Exports of goods and services	36.5	32.0	29.9	30.9	31.1	30.9
Government revenue 6/	22.9	19.6	22.1	20.6	21.4	20.8
Government current expenditure and net lending	13.2	11.1	11.8	11.1	11.0	10.9
Debt service after HIPC Initiative (in percent of						
exports of goods and services	12.0	11.1	9.7	7.4	8.1	10.0
Government revenue 6/	7.5	6.8	7.2	4.9	5.6	6.7
Government current expenditure and net lending	4.3	3.9	3.8	2.7	2.9	3.5
Net present value (NPV) of debt (in US$ million) 7/	395.9	441.5	501.9	542.2	596.6	649.6
NPV of debt-to-exports ratio 7/ 8/	270.3	319.9	337.1	317.3	304.1	310.9

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

1/ Based on WEO exchange rate projections for 2005-07.

2/ After rescheduling, including arrears and new debt (the latter includes assumed project and budgetary disbursements for the period 2005-07). Assumes a stock-of-debt operation at the HIPC Initiative's completion point in 2005.

3/ All Paris Club debt is pre-cut-off date debt.

4/ Including Fund, before debt relief.

5/ Reflects traditional debt relief for bilateral creditors as well as enhanced HIPC Initiative assistance for both multilateral and bilateral creditors. Also includes additional bilateral debt relief delivered at the completion point.

6/ Excluding grants.

7/ This includes delivery of enhanced HIPC assistance and additional bilateral debt relief, but does not include topping-up assistance.

8/ The exports denominator is calculated using a three-year backward-looking average.

Table 7. Rwanda: Structural Conditionality for the Fifth and Sixth Review of the PRGF-Supported Program, 2004–05

Action	Timing	Conditionality	Status
· Monthly reconciliation statements for government financial statements to be published on a quarterly basis, with no more than a one-month lag	10/31/2004 Fifth review	Benchmark for fifth review	Not met. A December reconciliation statement of the Treasury and the Rwanda Revenue Authority accounts was published in March 2005. Reconciliation statements including line ministries, provinces, autonomous agencies, and extra-budgetary funds will be published by end-2005 (benchmark).
· Statements, including tax expenditure, assets and liabilities, public enterprise finances, government equity holdings; consolidated district government budget; and list of government contingent liabilities to be included in the 2005 budget	10/31/2004 Fifth review	Benchmark for fifth review	Partly met. The 2005 budget did not include statements of assets and liabilities and a list of government contingent liabilities. The 2005 revised budget and the 2006 budget will include all the statements with the exception of an inventory of assets and liabilities. The inventory of assets and liabilities of at least two line ministries, one province, and two districts will be completed by end-2005 as a pilot.
· Complete 25 risk-based comprehensive audits (i.e., including all taxes) of large businesses by the LTD for January-April 2005	4/30/2005 Sixth review	Benchmark for sixth review	Met. The LTD undertook 37 risk-based comprehensive audits for January-April 2005.
· Convert 80 percent of bank accounts of line ministries (except for the bank accounts for donor-financed projects) into zero-balance accounts (i.e., at the end of each day, remaining balances are transferred back to the main treasury account)	5/31/2005 Sixth review	Benchmark for sixth review	Met. The line accounts for all ministries except one agency have been converted into zero-balance accounts.
· Submit the progress report to the Cabinet and the Export Promotion Commission on the execution of action plans in the key sectors covered by the Export Promotion Strategy, covering progress through end-June	7/31/2005 Sixth review	Benchmark for sixth review	Met.
· Convert all bank accounts of line ministries (except for the bank accounts for donor-financed projects) and autonomous agencies into zero-balance accounts (i.e., at the end of each day, remaining balances are transferred back to the main treasury account)	9/30/2005 Sixth review	Performance criterion for sixth review	
· Publish a financial audit and business plan of Prime Holdings prepared by a foreign-based international audit firm	9/30/2005 Sixth review	Performance criterion for sixth review	

Kigali, August 18, 2005

Mr. Rodrigo de Rato
Managing Director
International Monetary Fund
Washington, DC 20431
U.S.A.

Dear Mr. de Rato:

1. Having reached the completion point in April 2005, Rwanda is now well positioned to face its medium-term challenges of achieving high sustainable growth and reducing poverty. Consistent with the goals set forth in the PRSP, our strategy continues to focus on the implementation of sustainable macroeconomic policies and structural reforms to support priority spending and improve the environment for private sector development.

2. The fourth review of the economic program supported by Rwanda's arrangement with the Fund under the Poverty Reduction and Growth Facility (PRGF) was completed on April 11, 2005. In the attached Memorandum of Economic and Financial Policies (MEFP), we review the implementation of the 2004 program and so far in 2005. It supplements our MEFP of March 25, 2005 particularly with respect to our reform agenda in the financial and energy sectors, and export promotion.

3. In support of our policies described in the attached MEFP, the Government of Rwanda requests the completion of the fifth review and the disbursement of the sixth loan in the amount of SDR 0.571 million. In this connection, the Government also requests the IMF Executive Board to grant waivers for the nonobservance of two performance criteria. The end-December 2004 performance criterion on priority spending was missed by one percent of GDP as our government needed to reallocate funds to address an acute electricity shortage. While the PRSP classifies energy as a priority, the 2004 program did not reflect this; otherwise the performance criterion would have been met. The reallocated priority spending has been included in the 2005 program and thus the nonobservance was temporary. Moreover, the continuous performance criterion on the nonaccumulation of external arrears was not observed as Rwanda was in arrears of US$60 to BADEA at end-May 2005. The deviation from the performance criterion was temporary and the outstanding amount was settled in July 2005.

4. The Government of Rwanda believes that the policies and measures set forth in the MEFP are adequate to achieve the objectives of its economic program for 2005. However, it will take further measures to that end if they are deemed necessary. Rwanda will consult with

the Fund on the adoption of these measures in advance of revisions to the policies contained in this MEFP, in accordance with the Fund's policies on such consultations.

5. The Government of Rwanda authorizes the Fund to make this letter and the attached memoranda available to the public, including through the placement of these documents on the Fund's website, following the approval of the Fund's Executive Board of the conclusion of the fifth review under the PRGF arrangement.

Yours sincerely,

/s/	/s/
François Kanimba	Donald Kaberuka
Governor	Minister of Finance and Economic Planning
National Bank of Rwanda	Ministry of Finance and Economic Planning

Attachments: Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

Memorandum of Economic and Financial Policies of the Government of Rwanda
August 18, 2005

1. Rwanda's medium-term economic program is supported by an arrangement under the Poverty Reduction and Growth Facility (PRGF) covering the period 2002–06. The implementation of its poverty reduction strategy paper (PRSP) is receiving broad-based support from the international community, including by debt relief under the enhanced HIPC Initiative. Consistent with the goals established in the PRSP (complemented by two progress reports), this memorandum reports performance under the PRGF arrangement in 2004 and so far in 2005, and supplements the policies presented in our memorandum of March 25, 2005.

I. Recent Economic Developments

A. Macroeconomic Performance

Program for 2004

2. **While exogenous shocks adversely affected economic performance in 2004, macroeconomic policy implementation remained strong in the second half of the year**. Despite major electricity shortages and higher oil prices, GDP growth is expected to have increased to about 4 percent owing to strong activity in construction, transport, and communication. Macroeconomic policies were on track with a tighter-than-programmed fiscal stance helping to contain inflationary pressures. However, rising food and energy costs pushed inflation to 10 percent at end-2004 (while inflation, excluding these items, remained at about 5 percent).

3. **All but two performance criteria for the fifth review were met.** The end-December 2004 performance criterion on priority spending was missed by one percent of GDP as the government reallocated funds to address the acute electricity shortage. Although our PRSP had classified energy as a priority, the 2004 program did not consider it as such. However, if spending on the electricity sector had been treated as priority, the performance criterion would have been met.[1] Moreover, the continuous performance criterion on the nonaccumulation of external arrears was missed when Rwanda incurred arrears of US$60 to the Arab Bank for Economic Development in Africa (BADEA) in May 2005, but the payment was made in July 2005.

Program for 2005

4. **Macroeconomic performance has remained in line with expectations**. Weather conditions adversely affected the harvest at the beginning of 2005, but we maintain our forecast of real growth of 4-5 percent, reflecting buoyant construction, but mainly expecting recovery in agricultural production later in the year (weather conditions have been favorable

[1] For 2005, the definition of priority spending has been expanded to cover spending on the electricity sector.

so far). As a result of the poor harvest particularly for some food items, food and energy prices pushed headline inflation to 11.1 percent at end-June, but inflation excluding food and energy items remained stable at around 5 percent, so that the end-year program target of 6 percent remains achievable.

5. **Fiscal policy was tighter than anticipated during the first quarter of 2005, as we restrained expenditure to maintain macroeconomic stability.** Current spending was about 0.7 percent of GDP below the projection, owing to restraint in all line items. Thus, together with revenue overperforming by 0.4 percent of GDP,[2] the end-March target on the domestic fiscal balance was met by a large margin.[3] However, as a result of the restraint, priority spending was 0.3 percent of GDP below the end-March target. We have brought spending, in particular on priorities, back in line with the program in April-May, but had to restrain it again in June to restrain reserve money growth. As a result, preliminary data indicate that all end-June fiscal targets with the exception of the one on priority spending were met.

6. **Despite the tight fiscal stance, the current account widened in the first quarter due to high NGO-related imports.** Exports performed well, owing to favorable coffee and coltan prices and an increase in cassiterite production, while imports for construction and medication financed from abroad were strong (a development, which we expect to be temporary). Higher-than-expected donor disbursements for budgetary projects,[4] and the tighter fiscal stance led to an increase in gross international reserves to almost 6 months of imports at end-June 2005. Reflecting these developments, the nominal exchange rate has continued to gradually appreciate in 2005 (2 percent until end-May).

7. **Monetary policy was somewhat looser than programmed at the beginning of the year, but has been brought back in line with the program.** While the end-March 2005 indicative target and the end-June 2005 performance criterion for reserve money were met, the National Bank of Rwanda (NBR) loosened monetary policy during the quarters. Excess reserves roughly doubled between end-2004 and mid-February and fell only in June to levels observed in 2004. As a result, interest rates fell markedly in February, but have now recovered to the end-2004 level with the NBR having fully mopped up the excess liquidity.

B. Structural Performance

8. **Rwanda continued to advance its structural reform agenda:**

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[2] Mostly due to one-off nontax revenue, which will give rise to counter entries in expenditure in the second half of 2005 (see para. 11).

[3] Domestic arrears have been cleared as scheduled in March.

[4] Spending for these projects is expected to take place later in 2005.

- To enhance *revenue collection*, the Large Taxpayers Department of the Rwanda Revenue Authorities (RRA) completed 37 risk-based comprehensive audits (i.e., including all taxes) of large businesses during January-April 2005 (exceeding the April benchmark of 25 audits). Moreover, following the passage of the income tax law and the tax procedures code, the procurement law, the organic budget law, and the customs code are now being debated by Parliament.

- To strengthen *public expenditure management* and as an intermediate step to move toward a treasury single account, the government has converted all bank accounts of most line ministries into zero-balance accounts at the NBR (exceeding the May benchmark of converting 70 percent of the accounts). As the October benchmark on the documentation for the 2005 budget was not fully met, the revised 2005 budget has more detailed documentation.[5] Moreover, the treasury and RRA have started publishing reconciliation statements for their accounts in March 2005 (as a first step to implement the missed October 2004 benchmark).

- In the *financial sector*, two commercial banks were privatized at end-2004, further reducing the government's involvement in the sector. Moreover, the NBR has taken action with respect to the one bank which in the past has repeatedly failed to observe prudential regulations.

- As part of Rwanda's medium-term policy of *energy diversification*, the government signed an agreement with a foreign consortium in March 2005 to exploit methane gas deposits in Lake Kivu for electricity generation.

- We also *privatized* the national telecommunication carrier Rwandatel in June 2005.

II. MEDIUM-TERM STRATEGY

9. **Having reached the completion point under the enhanced HIPC Initiative, our medium-term policy aims at maintaining debt sustainability and macroeconomic stability while raising Rwanda's growth rates.** As explained in our memorandum of March 2005, we will continue to design our polices along the following building blocks:

- To strengthen growth over the medium term, we will implement productivity-enhancing sectoral policies with a particular emphasis on agriculture and infrastructure, while continuing to enhance regional integration.

- In managing the large inflows of external aid necessary to reach the Millennium Development Goals (MDGs), macroeconomic stability will remain a priority. In

[5] The revised budget includes all statements that were expected to be annexed to the 2005 budget with the exception of a comprehensive inventory of assets and liabilities.

particular, to offset the negative impact of a possible real exchange rate appreciation on tradables, our policies will focus on enhancing the productivity of exports. Moreover, to enhance the transparency of fiscal operations, we will maintain our efforts to strengthen administrative capacity, particularly in public expenditure management.

- To finance the MDGs, we will continue to rely mostly on grants and limit new borrowing to the minimum possible to prevent a renewed worsening of our external debt situation. At the same time, to reduce the country's long-term dependence on external financing, we will further develop our domestic revenue base.

III. The Program for 2005

10. **The 2005 program seeks to lay the foundations for our medium-term framework by supporting macroeconomic stability, reallocating spending to priority areas, and enhancing private sector development.** It is based on a real growth rate of 4–5 percent, a reduction of inflation to 6 percent, and a level of international reserves of at least four months of imports. Macroeconomic and structural policies will aim at enhancing productivity-enhancing strategies through increased allocations to priority areas and creating an enabling environment for private sector development.

A. Fiscal Policy

11. **We have submitted to parliament in June 2005 a revised budget in line with program understandings.**

- The baseline program targets a domestic fiscal deficit (excluding demobilization) of 4½ percent of GDP, which could widen by up to 2 percent of GDP from the release of contingent spending if additional budgetary grants are to materialize as programmed and the monetary program is kept on track.[6] Prior to making a decision on the quarterly release of the contingency, we will confirm with our development partners the projections for budgetary grants for the remainder of 2005, review monetary performance through the preceding months, and, in close consultation with Fund staff, ensure the consistency of the additional spending with the monetary targets for the remainder of 2005.

- To improve the quality of public spending and provide support to our sectoral strategies, we will increase priority spending by at least about one percent of GDP. If the contingent spending can be released, overall priority spending will reach 10.3 percent of GDP.

[6] The contingency would be released in equal amounts for priority and nonessential spending.

- As costs related to our UN peace keeping efforts in Darfur are likely to exceed the budgeted amount of RF 3.39 billion by about 0.2 percent of GDP, an adjuster has been introduced in the program, which would allow higher spending if these costs are financed by grants specifically for this purpose (the grants are expected to be disbursed in 2005). As stated in our memorandum of March 2005, to monitor the costs associated with the peace keeping activities, the Auditor General will conduct an audit of these expenditures that will be published by end-March 2006.

- The higher-than-programmed nontax revenue in the first quarter of 2005 from the sale of parts of our vehicle fleet (para. 14), the oil reserve, and land will be offset by matching expenditure items later this year and thus not have an impact on the deficit.[7]

12. **We continue to bolster tax revenue in order to prepare for revenue losses from a reduction in the corporate tax rate planned for 2006 and Rwanda joining the EAC.** In particular, we are committed to maintain the revenue to GDP ratio at or above 14 percent in 2006.

- We have advanced in preparing an action plan to reduce tax incentives and exemptions, which will be submitted to Cabinet by end-September 2005, and introduced a new monitoring and monthly reporting system for tax incentives. Related to the new income tax law, we will verify that tax incentives provided to exporters are WTO compatible and revise them, if necessary. The Large Taxpayer Unit of the RRA will closely monitor all enterprises in the to-be-established economic free zones to avoid a possible erosion of the domestic corporate tax base.

- Reforms to strengthen revenue administration will continue to widen the tax net and making it more equitable. The RRA will continue to provide training for its auditors, including their specialization in specific sectors (i.e., banking, petroleum, restaurants, etc.). Moreover, the launch of the SIGTAS software in May has enabled the RRA to calculate and cross check companies' various tax payments. From August onward, we will extend SIGTAS to medium-size companies. The next step will be to offer online tax filing.

13. **Civil service reform is progressing with technical assistance from DFID and the World Bank.** The reform builds on a substantial reduction in staff, accompanied by retraining and reintegration assistance, and the introduction of a new simplified pay structure to better motivate civil servants and improve the retention of qualified staff. The new pay structure, which is expected to be cost neutral over the medium term, will be implemented after its medium-term fiscal implications have been discussed at the time of the next review.

[7] The oil reserve will be replenished and the land was sold to provide financing for a new police building.

14. **We are reforming our vehicle fleet policy to counter widespread abuse.** We are in the process of selling most of our vehicles to be replaced by a program to facilitate the purchase of cars by eligible public servants. To compensate civil servants for using their private cars for official business, the budget will provide lump-sum payments covering about 40 percent of the vehicles' acquisition, maintenance and operating costs. For longer missions, rental cars would be used. We expect this reform to lead to substantial budgetary savings in the long run, which will be used for priority spending, and will cap the costs of the reform (including any contingent liabilities) in 2005 and 2006 to the sale receipts from our car fleet (i.e., there will be no net fiscal spending in those years). Moreover, to monitor the success of our new policy, we will keep separate accounts of the transactions related to the policy. We will establish safeguards to limit abuse and minimize the medium-term fiscal implications of the vehicle fleet policy by end-October 2005.

15. **Strengthening of public expenditure management remains a priority to ensure the transparent and efficient delivery of public services**. We expect that the new organic budget law, a crucial building block, is expected to be approved by parliament by August and the associated financial regulations to become effective within three months after the law's approval. Other measures include:

a. **Systematic reconciliation.** To extend the accounts reconciliation exercise currently undertaken for the treasury and RRA to line ministries, provinces, autonomous agencies, and extra-budgetary funds by end-December 2005, we will issue guidelines on doing bank reconciliations for these entities and provide training. We will also start to reconcile project accounts in close cooperation with donors.

b. **Reporting practices.** Preparation of the consolidated 2004 accounts and their audit by the Auditor General has been delayed to mid-2006 due to capacity constraints in both the accounting and auditing offices, in particular due to the lack of qualified accounting staff and proper opening balances. Addressing the staffing needs, the European Union (EU) is expected to provide technical assistance over the next years, including for training in the internal audit and public accounting functions of general government and the Auditor General's office. We will also seek technical assistance from donors to help resolve the issue of the missing opening balances.[8] For the above reasons, there may be delays in the preparation of a consolidated general government fiscal report, which we hope to prepare on a quarterly basis starting in December 2005 (benchmark on the basis of September data). To move into this direction, the ministry of finance in collaboration with the RRA and MINALOC has put in place an arrangement to collect data from local governments. We will issue by end-September 2005 instructions to semi-autonomous agencies and extrabudgetary funds on the timing and format of the required reporting and on the acquisition of data from provinces on a monthly basis.

[8] The accounting and auditing requirement for general government was introduced in the 2003 constitution.

c. **Treasury Single Account (TSA).** Moving to a TSA by end-2005 (benchmark) is proceeding as planned and all accounts of line ministries (except for the bank accounts for donor-financed projects) and autonomous agencies are expected to be converted to zero-balance accounts by end-September (performance criterion). To this end, line ministries will start issuing payment orders through the SIBET system for payments made from their own bank accounts.

d. **Integration of development budget.** We have integrated the functions of the development budget preparation from CEPEX into the budget unit of the Ministry of Finance in April 2005. Moreover, to better manage the domestic demand impact of donor aid, we will prepare each quarter rolling 12-month spending plans for project accounts with balances greater than RF 300 million, broken down into foreign exchange and domestic spending.

B. Monetary Policy

16. **Monetary policy continues to aim at reducing inflation to 6 percent by end-2005 by limiting reserve money growth to 12 percent**. In order not to jeopardize the inflation target, the NBR will aggressively mop up excess liquidity, including through the sale of foreign exchange, to prevent any loosening of monetary policy. In particular, the NBR will monitor inflation developments as well as those in private sector credit carefully and stand ready to tighten the stance, including through increasing interest rates (see para. 17), should new inflationary pressures emerge. To allow the NBR to conduct prudent monetary policy without undue concerns for its capital position, the budget will take over interest payments on instruments issued for monetary policy purposes and an equivalent cash transfer will be made from the budget to the NBR on a monthly basis. Moreover, to maintain a strong financial position, the NBR will continue to review closely its administrative expenses.

17. **To dampen money market volatility, the NBR has established a corridor for interbank market rates.** Supplementing the NBR's refinancing standing facility (pension), a parallel deposit standing facility has been created in August 2005, allowing banks to place reserves with the NBR at a pre-announced interest rate. The combination of the new deposit standing facility and of the refinance standing facility will establish a corridor for short-term interbank market rates. In order to allow room for interbank market development, the interest rate applied to the deposit standing facility will be set at below market rate. Moreover, the NBR will announce a maximum interest rate for its periodic deposit auctions; this rate will be the NBR policy rate.[9] In consultation with Fund staff, the NBR will periodically review the level of its interest rates to ensure that the program's reserve money targets remain achievable. The first review will take place at end-August for implementation of possible changes on September 1, 2005.

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[9] Should the NBR need to inject liquidity, the policy rate would be the minimum rate at which banks may bid in NBR credit auctions.

18. **The NBR has taken steps to increase flexibility in the foreign exchange market.** In order to keep reserve money within program targets, it will step up the sales of foreign exchange if government domestic spending is putting pressure toward an expansion in reserve money. Moreover, to lessen the exchange rate risk for exporters, but also to enhance NBR's flexibility in the conduct of exchange rate policy, banks have been authorized in May 2005 to pre-finance exports in dollars. Finally, to enhance the interbank foreign exchange market, the NBR will facilitate the establishment of a code of conduct for the market.

C. External Sector

19. **Despite the large NGO-related imports and higher-than-programmed oil prices, we expect the current account deficit (excluding current official transfers) to stay close to the program projection of about 22 percent of GDP in 2005**. The widening of the deficit compared with 2004 is mostly a function of the substantially increased import bill, reflecting investments in the electricity sector, delayed project spending for which we received grants in 2004 and other PRSP projects. While the recent further increase in oil prices is likely to increase the import bill by about ½ percent of GDP, this is expected to be mostly offset by higher-than-expected tea and mineral exports.

20. **The government will follow up on the medium-term delivery of HIPC assistance.** We have so far received financing assurances from the World Bank and the African Development Bank, and have initiated the process of concluding bilateral agreements with the Paris Club creditors. We will seek comparable debt relief from all creditors, including non-Paris Club bilateral creditors.

21. **Public debt management will be strengthened to avoid the recurrence of external arrears.** We are now conducting monthly coordination meetings between the different bodies responsible for public debt management. Moreover, we will (1) make operational by end-September the Sous-Comité de la Dette (charged with coordinating the different bodies); and (2) start public disclosure of both public debt management policies and monitoring of public debt. Moreover, as Rwanda has for the second time incurred arrears with the BADEA ($60 in May), we have sent a letter to BADEA requesting confirmation of monthly debt service due through June 2006 (both principal and interest), and an agreement with BADEA on a mechanism to ensure timely and full payment of all future debt service due (prior action).

22. **To coordinate efforts in export promotion, the role of RIEPA will be strengthened.** RIEPA has put in place a centralized mechanism to monitor the rollout of the export promotion strategy and a first quarterly progress reports has been sent to the Cabinet and Export Promotion Commission in July (structural benchmark). To avoid any overlap of

export promotion activities,[10] RIEPA will become the central body for monitoring all efforts. To this end, memoranda of understandings to delineate responsibilities among the various institutions will be signed by December 2005 with OCIR-Café, OCIR-Thé, the Centre d'Appui aux Petites et Moyennes Entreprises du Rwanda (CAPMER), the National Bureau of Standards (NBS), the Rwandan Office for Tourism and National Parks (ORTPN), the Rwanda Wildlife Agency, the Banque de Rwanda de Development (BRD), and the Rwanda Private Sector Federation (RPSF) (structural benchmark). RIEPA will also establish close relations with on-going technical cooperation projects to incorporate their activities into the overall strategy.

23. **To accelerate our efforts in specific export sectors**:

- **Coffee.** We will strengthen OCIR-Cafe's role in the coffee sector, which includes regulating standards and controlling quality, and serving as an information hub.

- **Tea.** The pricing of tea will be reviewed to provide greater premium for higher quality. We will also seek technical assistance to develop a strategy, structure and personnel policies in order for OCIR-Thé to provide better support to the sector. Due to delays in the procurement process for evaluating experience in past privatization, five factories, including Mulindi, are now expected to be re advertised for privatization at end-2005 and brought to the point of sale in the first half of 2006.

24. **The government will address obstacles to trade identified in the Diagnostic Trade Integration Study (DTIS).** Progress in implementing the DTIS will be discussed at the next review.

- **To address the currently high costs of transport**, we will continue to improve the rural road network with the assistance from the EU and bilaterals. We will also upgrade cold storage facilities to support horticulture exports, and continue to modernize customs.

- **To remove the barriers to participation in commercial activities and trade**, we will (i) increase access to credit by improving information on available financing and providing training to producers, bankers and cooperatives on project preparation and evaluation. In this context, RIEPA will take stock of available financing schemes and develop by October 2005 a manual, which describes in detail the schemes' features so that investors can make informed decisions when contracting credit; and (ii) strengthen the legal basis and develop a national policy on cooperatives.

[10] The Export Promotion Commission (consisting of representatives of the Ministry for Infrastructure, the Ministry of Finance, the Ministry of Agriculture, RIEPA, and the Rwanda Private Sector Federation) will continue to provide strategic direction.

- **To improve the climate for investment and competitiveness**, we will design an action plan by end-2005 to update relevant laws and regulations, including the commercial code, and laws on bankruptcy, land registration, and intellectual property.

D. Structural Policies

25. **To improve the climate for private sector activity, our structural reforms will continue to focus on increasing and making more reliable electricity generation, strengthening the financial system, and implementing land reform.**

Electricity sector

26. **To improve access to electricity, particularly in rural areas, we are in the process of working out the financial and technical details for the Lake Kivu methane gas project.** To this end, we are hiring a transaction advisor with international experience to advise us on advancing with the project (including the engineer, procure and construct agreements for the gas extraction and power plants, the financial and shareholder agreements, the environmental and social safeguard assessment). The project sponsor is currently lining up project financiers beyond PTA Bank, which has already committed to the project. Additional potential financiers include: the Emerging Africa Infrastructure Fund, the International Finance Cooperation, and Finnfund and there will be no financing from domestic banks. Moreover, the World Bank has started to undertake the assessment for a partial risk guarantee to cover the government guarantee on its obligations under the Power Purchase Agreement.[11] We will not go forward without securing such a risk guarantee either from the World Bank or another development agency. We expect the overall costs of the project to remain within the limit of 2.5 percent of 2005 GDP as stated in our March memorandum. However, since we aim to accelerate the implementation of the project as much as possible, we might have to pay an additional Euro 5 million (0.4 percent of GDP) for a government loan in 2005. In this case, we will finance the additional costs by an equivalent reduction in contingent nonpriority spending. For 2006, we envisage spending of Euro 9.6–14.6 million (0.7–1.1 percent of GDP, depending on whether the payment of Euro 5 million will be advanced into 2005).

27. **Revisions of the electricity tariff will continue with a view to reach cost recovery.** The automatic quarterly tariff has become effective in June 2005. Accordingly, tariffs will be adjusted to changes in production costs, with the primary factors being fluctuations in oil prices, the U.S. dollar exchange rate, and the share of electricity generated by the relatively expensive petroleum-based production technology. Moreover, we have developed a time table together with the World Bank to gradually increase the tariff further until full cost-recovery is achieved by 2008. A proposal for restructuring the tariff is also under review,

[11] Including a due diligence assessment, which will be conducted in collaboration with the project lenders.

including a life-line tariff providing some cross-subsidization of the poorer segments of the population. We anticipate to make the revised tariff operational by September 2005.

Financial sector

28. **NBR's supervisory powers will be strengthened in order to prevent a resurgence of vulnerabilities in the banking sector.** The NBR will prepare by end-2005 a medium-term action plan to address the remaining weaknesses in bank supervision, requiring a modification of the banking and central banks laws. In the short run, it

- will issue by October 2005, a regulation on banks' internal governance with a view to strengthening operational risk management, in particular for those banks where individuals hold a large portion of the capital. Moreover, an instruction will be issued by October 2005, gradually phasing in the deduction of connected lending (i.e., loans to shareholders or members of the Board) from regulatory capital.

- will submit to all market stakeholders for their review an amendment of the banking law by December 2005 to strengthen the framework for corrective action, with a view to providing the NBR with more effective tools in dealing with problem or delinquent banks (structural benchmark). In particular, the banking law will establish the binding nature of NBR decisions.

- has requested individual banks' policy on foreign exchange exposure and started to monitor banks' liquidity position in foreign exchange to avoid a maturity mismatch on their book of foreign exchange denominated assets and liabilities.

- will reactivate by October 2005 the National Payment Council to coordinate all payments systems initiatives.

29. **We will develop a medium-term road map for financial sector reform by December 2005.** A group consisting of staff from the Ministry of Finance and the NBR has been established to coordinate the road map within the government and take the lead in providing strategic vision for financial sector reform over the medium term. Moreover, to coordinate donors assistance, we will organize a meeting by March 2006 to identify key donors for the various involved sectors. The road map will aim at (1) enhancing the legal and regulatory framework for the financial system and its supervision;[12] (2) fostering the development of the financial markets, including by regional integration with a view to harmonize policies and achieve a more open market in financial services; and (3) improving access to credit through private financial institutions. While we will encourage the

[12] This would apply in particular to the pension and insurances sectors, which have been effectively unregulated and unsupervised to date. Moreover, other relevant legislation, including in accounting, auditing, and leasing will be updated. A Law Reform Committee has been established to prioritize and coordinate this effort.

strengthening of the cooperative sector, we will not provide any financing from the budget for establishing a cooperatives' bank.

Land reform

30. **A new land law**, **which confers security of land tenure and user rights, has been approved by parliament.** While the law would enable farmers to use land as collateral for bank lending and encourage larger and more economic plots of land, subordinate legislation and regulations are necessary before it can be put into practice. To this end, with technical assistance from donors, including DFID and USAID, we will continue to work on a law on expropriation, regulations on land survey and registration, and regulations of the establishment of land commissions, and land offices at district and municipal levels. Recognizing that land reform is critical and could affect large parts of the population, the government intends to implement it through an iterative and consultative approach.

IV. Program Monitoring

31. **Conditionality and program reviews**. Quantitative and structural performance criteria, indicative targets, and structural benchmarks through 2005 were established in the context of the fourth program review as presented in our MEFP of March 25, 2005 (Tables 1 and 2). We have set additional benchmarks on the financial sector, and export promotion. The sixth review under the PRGF arrangement scheduled for completion by December 15, 2005 will review quantitative performance as of end-June 2005 and structural conditionality through end-September 2005. It will focus on civil service reform, and export promotion. Safeguards for the car fleet policy will also be discussed.

32. **Technical memorandum of understanding (TMU).** The attached technical memorandum of understanding lays out the details of the program design and terminology.

Table 1. Rwanda: Quantitative Performance Criteria and Benchmarks 2004–05
(In billions of Rwanda francs, unless otherwise indicated)

	2004				2005 1/			
	Mar.	Jun.**	Sep.*	Dec.**	Mar.*	Jun.**	Sep.*	Dec.*
	(Quantitative benchmarks*; and performance criteria on test dates**)							
Net foreign assets of the NBR (floor on stock) 2/								
Actual (program exchange rate)	67.6	70.2	76.0	125.4	133.3	...	...	...
Adjusted program	63.6	53.3	56.5	75.1	106.1	...	...	...
Program	65.0	55.4	64.5	62.3	109.5	108.3	103.5	101.6
Reserve money (ceiling on stock)								
Actual	50.2	51.7	54.1	55.9	58.0	...	...	...
Program	53.0	54.0	55.9	56.3	58.8	60.6	61.8	63.0
Net credit to the government by the banking system (ceiling on stock) 3/								
Actual	8.3	2.3	-0.6	-30.8	...	...	...	...
Adjusted program	24.4	25.0	31.4	10.0	...	...	...	...
Program	24.4	25.0	18.1	22.8	...	...	...	...
Net credit to the government (ceiling) 3/ 4/								
Actual	...	...	...	...	-8.0	...	...	...
Adjusted program	...	...	...	...	5.3	...	...	...
Program	...	...	...	...	1.9	-6.1	-5.2	-6.6
Domestic fiscal balance (floor on cumulative flow since Dec. 31)								
Actual	-0.4	-16.6	-31.9	-58.1	-1.1	...	...	...
Adjusted program	-6.1	-26.4	-39.7	-69.0	-11.2	...	...	...
Program	-9.8	-32.6	-54.0	-78.7	-12.4	-32.8	-48.4	-61.8
Total priority spending (floor on cumulative flow since Dec. 31)								
Actual	15.2	34.4	53.6	78.7	19.0	...	...	...
Program	14.9	37.5	62.5	88.2	23.8	55.6	81.8	109.2
New nonconcessional external debt (ceiling on flow) 5/								
Actual	3.0	0.0	0.0	0.0	0.0	...	...	...
Program	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term external debt (ceiling on stock) 6/								
Actual	0.0	0.0	0.0	0.0	0.0	...	...	...
Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of outstanding nonreschedulable external arrears (ceiling on stock) 7/								
Actual	25.1	25.1	0.0	0.0	0.06	...	...	...
Program	25.1	25.1	0.0	0.0	0.0	0.0	0.0	0.0
Net accumulation of domestic arrears (ceiling on cumulative net accumulation since Dec. 31)								
Actual	-7.4	-13.8	-14.8	-17.1	-3.4	...	...	...
Adjusted program	-14.8	-13.0	-14.7	-17.0	-2.8	...	...	...
Program	-11.2	-13.0	-14.7	-17.0	-3.3	-5.9	-6.2	-6.5
	(Indicative targets)							
Broad money (ceiling on stock) 2/								
Actual	162.9	161.3	167.7	188.2	191.1	...	...	...
Program	171.6	177.1	178.9	185.4	190.0	192.5	195.4	198.3
Extended Broad money (ceiling on stock) 2/								
Actual	182.1	182.2	190.1	211.9	214.2	...	...	...
Program	193.8	200.0	202.0	208.8	213.9	216.7	220.0	223.2
	(Memorandum items)							
Demobilization and reintegration expenditure								
Actual	0.3	1.7	2.5	3.4	1.0	...	...	...
Expected	3.5	7.5	9.9	12.6	2.2	4.4	6.6	8.8
Gross accumulated bills payable								
Actual	4.4	1.0	1.5	1.9	--	...	...	...
Expected	0.8	1.0	1.5	2.0	0.5	1.0	1.5	2.0
General budget support (in US$ million)								
Received	32.6	86.5	115.5	223.1	26.7	...	...	...
Expected	35.1	90.1	149.4	201.0	32.7	96.2	129.7	169.7
Of which: budget support grants (received)	32.4	64.2	70.8	161.7	26.3	...	...	...
Of which: budget support grants (expected)	35.1	70.1	109.4	156.0	32.7	77.2	110.7	150.7

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

1/ Approved on April 11, 2005.
2/ Evaluated at the following program exchange rates: For 2004: RF 580.3/US$; for 2005: RF 566.9/US$.
3/ For 2005, program monitors total net credit to government instead of net credit from the banking system.
4/ Numbers are cumulative from end-December 2004.
5/ Figures are in US$ dollars. A US$5 million OPEC Fund loan to cofinance, jointly with BADEA, the rehabilitation of three hydroelectric projects, with a grant element of less than 50 percent, was reduced to US$3 million in March 2004.
6/ Ceiling on oustanding stock of external debt (excluding normal import-related credits) owed or guraranteed by the central government, local government, or the NBR with original maturity of up to, and including, one year. Figures in millions of U.S. dollars.
7/ Figures are in thousand US$ dollars. Arrears were accumulated with BADEA in the fourth quarter of 2003; they were repaid in July 2004. Arrears of US$60 (sixty) were accumulated with BADEA in May 2005; they were repaid in July 2005. This is a continuous performance criterion, implying that the stock of outstanding nonreschedulable external arrears is expected to be constantly kept at zero throughout the program period.

Table 2. Rwanda: Structural Conditionality for 2005

Public debt management		
Send a letter to the Arab Bank for Economic Development in Africa (BADEA) requesting confirmation of monthly debt service due through June 2006 (both principal and interest), and an agreement with BADEA on a mechanism to ensure timely and full payment of all future debt service due.		Prior action (met)
Convert 80 percent of bank accounts of line ministries (except for the bank accounts for donor-financed projects) into zero-balance accounts (i.e., at the end of each day, remaining balances are transferred back to the main treasury account).	End-May 2005	Benchmark (met)
Convert all bank accounts of line ministries (except for the bank accounts for donor-financed projects) and autonomous agencies into zero-balance accounts (i.e., at the end of each day, remaining balances are transferred back to the main treasury account).	End-September 2005	Performance criterion
Integrate the bank accounts of line ministries (except for the bank accounts for donor-financed projects) and autonomous agencies in a Single Treasury Account.	End-December 2005	Benchmark
Publish November reconciliation statements by (i) the Treasury for the main treasury account at the NBR; (ii) the RRA for its revenue collection and transit accounts; (iii) line ministries for their bank accounts for cash-based operations; (iv) provinces, autonomous agencies, and extra-budgetary funds for their accounts. For the future, monthly statements are expected to be published on a regular basis with no more than one month lag.	End-December 2005	Benchmark
Prepare a consolidated general government (central government including project accounts, provinces, at least 70 percent of the districts, autonomous agencies and extra-budgetary funds) fiscal report on a quarterly basis (for the benchmark: data at end-September).	End-December 2005	Benchmark
Revenue administration		
Complete 25 risk-based comprehensive audits (i.e., including all taxes) of large businesses by the LTD for January-April 2005	End- April 2005	Benchmark (met)
Export promotion strategy		
Submit the progress report to the Cabinet and the Export Promotion Commission on the execution of action plans in the key sectors covered by the Export Promotion Strategy, covering progress through end-June	End-July 2005	Benchmark (met)
Sign memoranda of understandings to delineate responsibilities among the various institutions with OCIR-Café, OCIR-Thé, the Centre d'Appui aux Petites et Moyennes Entreprises du Rwanda (CAPMER), the National Bureau of Standards (NBS), the Rwandan Office for Tourism and National Parks (ORTPN), the Rwanda Wildlife Agency, the Banque du Rwanda de Développement (BRD), and the Rwanda Private Sector Federation (RPSF)	End-December 2005	Benchmark
Governance		
Publish a financial audit and business plan of Prime Holdings prepared by a foreign-based international audit firm.	End-September 2005	Performance criterion
Financial sector		
Submit to all market stakeholders for their review an amendment of the banking law by December 2005 to strengthen the framework for corrective action, with a view to providing the NBR with more effective tools in dealing with problem or delinquent banks	End-December 2005	Benchmark

Technical Memorandum of Understanding Between the Government of Rwanda and the International Monetary Fund

August 18, 2005

1. This memorandum outlines the understandings between the Rwandese authorities and the IMF mission with regard to the definitions of the quantitative and structural performance criteria and quantitative benchmarks and indicators for the three-year Poverty Reduction and Growth Facility (PRGF) arrangement. It also sets out the modalities and data reporting requirements for monitoring the program.[1]

2. Revisions to the definitions since the last version of the Technical Memorandum of Understanding (TMU) of May 20, 2004 have been made by (1) extending the performance criterion on net credit to the government from the banking system to include also treasury bills and other papers issued to the nonbank sector, but excluding project accounts; (2) extending the definition of priority spending to include spending on the electricity sector; (3) introducing an adjuster for contingent spending on net foreign assets, net credit to government, and the domestic fiscal balance; and (4) introducing an adjuster for contingent priority spending on priority spending.

I. Target Variables under the Program

A. External Budgetary Support

3. **Definition:** External budgetary support is defined as all official external grants and official external loans to the central government (including all expected or received HIPC Initiative-related grants), except for external grants and loans related to the development budget. In case a program is over financed (negative financing gap), programmed external budgetary support refers only to that level of external budget support needed to close the financing gap to exactly zero at the time of the agreement. For programming purposes, we establish the following *baseline budgetary support (excluding demobilization grants)*, which is lower than the programmed budgetary support by $0 million for end-March 2005, $0 million for end-June 2005, $17 million for end-September 2005, and $34 million for end-December 2005.

4. **Reporting requirement**: Data on external budgetary support, separately detailing grant and loan inflows, will be transmitted to the African Department of the IMF on a monthly basis within three weeks of the end of each month.

[1] A summary of reporting requirements is provided in Table 1.

B. Net Foreign Assets of the National Bank of Rwanda (NBR)

5. **Definition**: Net foreign assets of the NBR in Rwanda francs are defined, consistent with the definition of the Special Data Dissemination Standards (SDDS) template, as external assets readily available to, or controlled by, the National Bank of Rwanda (NBR) net of external liabilities of the NBR. Pledged or otherwise encumbered reserve assets including, but not limited to, reserve assets used as collateral or guarantee for third party external liabilities, are to be excluded. Foreign assets and foreign liabilities in U.S. dollars are converted to Rwanda francs by using the U.S. dollar/Rwanda franc program exchange rate.[2] Foreign assets and liabilities in other currencies are converted to U.S. dollars by using the actual end-of-period U.S. dollar/currency exchange rate. Foreign liabilities include, inter alia, use of IMF resources (CCFF and post-conflict emergency assistance purchases and SAF/ESAF/PRGF disbursements).

6. **Target and adjustments**: The program sets a floor on net foreign assets of the NBR (as a performance criterion or benchmark depending on the test date). In case of higher-than-programmed inflows of general external budgetary support, excess amounts are to be saved as reserves. The program floor on net foreign assets will thus be increased by any positive difference between actual and programmed general budgetary support. The net foreign assets (NFA) floor will be adjusted downward for contingent spending (see para. 28) up to the amount by which external budgetary support (excluding demobilization grants) exceeds the *baseline budgetary support (excluding demobilization grants)* of up to US$0 million at end-March 2005, US$0 million at end-June 2005, US$17 million at end-September 2005, and US$34 million end-December 2005. The program floor on net foreign assets will also be adjusted downward by the amount of any negative difference between actual and *baseline budgetary support (excluding demobilization grants)* up to a maximum adjustor of US$30 million, evaluated at the program exchange rate.

7. **Reporting requirement**: Data on foreign assets and foreign liabilities of the NBR will be transmitted to the African Department of the IMF on a weekly basis within seven days of the end of each week: Data on the NBR's foreign exchange liabilities to commercial banks (held as required reserves with the NBR) and the exchange rate used for their conversion into Rwanda francs will be shown separately.

C. Net Credit to Government (NCG)

8. **Definition**: For program monitoring purposes, net credit to government will be calculated as the change from end-December 2004 of net credit from the banking system and the change of holdings of treasury bills and other government securities by the nonbank sector. Net credit from the banking system is defined as the difference between:

[2] The program exchange rate for the 2005 program is set at RF 566.9 = US$1.

(a) credit to government from the banking system, including credit to central government, provinces and districts, outstanding central government debt instruments; government debt to the NBR incurred as a result of the 1995 devaluation (RF 9 billion) and the overdraft to the prewar government (RF 2 billion), and

(b) total government deposits with the banking system of the central government, including the fund for assistance to genocide survivors, Rwanda Revenue Authority, the electoral commission, the demobilization commission, fonds routier, line ministries, and the main treasury account. Thus, this definition excludes any government deposits, over which the central government does not have any control (i.e., for provinces and districts, project accounts, counterpart funds, *fonds publics affectés*, and privatization proceeds with the NBR).[3] The central government comprises treasury and line ministries.

NCG is not affected by credit to or deposits of public enterprises and autonomous public agencies.

9. **Reclassifications**: The reclassification described in **Annex B** (Appendix I. www,imf.org)—for the reclassification of deposits with the NBR of the 15 newly identified autonomous public agencies—affects net credit to the government from the banking system.

10. **Target and adjustments**: The program sets a ceiling on NCG (as performance criterion or benchmark) at the test dates. In case of higher-than-programmed inflows of general external budgetary support, excess amounts are to be saved as government deposits. The program ceiling on NCG will thus be decreased by any positive difference between actual and programmed general budgetary support inflows. The program ceiling on net credit to government will be adjusted upward for contingent spending (in the Rwanda franc equivalent evaluated at the program exchange rate) up to the amount by which external budgetary support (excluding demobilization grants) exceeds the *baseline budgetary support* of up to US$0 million at end-March 2005, US$0 million at end-June 2005, US$17 million at end-September 2005, and US$34 million end-December 2005. The program ceiling on net credit to government will also be adjusted upward by the amount of any negative difference between actual and *baseline budgetary support (excluding demobilization grants)* up to a maximum adjustor of US$30 million. The NCG adjustor for budgetary support will be evaluated in Rwanda francs at the program exchange rate.

11. **Reporting requirement**: Data on net credit to central government (showing separately treasury bills and government bonds outstanding, other government debt, and central government deposits) will be transmitted on a monthly basis within three weeks of the end of each month. Deposits of the government with the NBR and with the commercial

[3] The target excludes any transfers from the deposits over which the government has no control into other government deposits.

banks will be separated from the deposits of the public enterprises and autonomous public agencies.

D. Reserve Money

12. **Definition**: Reserve money for the monetary program is defined as currency in circulation (including the RF 5,000 banknotes of 1998 issue and coins that ceased to be legal tender after December 31, 2004, but can still be exchanged at the NBR until end-2005), reserves of deposit money banks (excluding National Bank of Rwanda (NBR) borrowing from deposit money banks on the money market but including cash in vault held by commercial banks), deposits of public enterprises (including Caisse Sociale du Rwanda (CSR) and other autonomous public agencies (*dépôts des établissements publics assimilés à l'état*), deposits of nonbank financial institutions, and deposits of the private sector (*autres sommes dues à la clientèle* are included in reserve money).

13. **Corollary**: Borrowing by the NBR from the commercial banks on the money market is included under the net domestic assets of the NBR. More specifically, borrowing by the NBR from the commercial banks on the money market is netted out from commercial bank borrowing from the NBR. However, for balances with respect to deposit money banks, the money market balances of the NBR are excluded from reserve money supply when they are excluded from use in meeting reserve requirements.

14. **Definition**: The definition of reserve money as performance criterion or benchmark will exclude from the above definition the deposits of the Caisse d'Épargne du Rwanda (C.E.R.) with the NBR, the import deposits placed at the NBR (*cautions à l'importation*), and the dormant accounts. However, the import deposits are only excluded from this definition up to a maximum amount of RF 150 million, and the maximum amount for the deductible C.E.R. deposits is RF 1 billion.

15. **Target and adjustments**: The program sets a ceiling on reserve money (as performance criterion or benchmark) at the test dates. If the required reserve ratio of the NBR is lowered, the NBR will be expected to absorb the excess liquidity that this change creates. Therefore the reserve money target of the NBR will be adjusted by the absolute change in the ratio times the deposit base of the commercial banks.

16. **Reporting requirement**: Data on reserve money will be transmitted to the African Department of the IMF on a weekly basis within seven days of the end of each week. This transmission will include a weekly balance sheet of the NBR which will show all items listed above in the definitions of reserve money.

E. Broad Money

17. **Definition**: Broad money is defined as the sum of currency in circulation, deposits in commercial banks, and nonbank deposits in the NBR. In addition, extended broad money is

defined as broad money plus deposits in credit unions and credit cooperatives (mainly UBPR).

18. **Target**: There is no performance criterion or benchmark on broad money or extended broad money but given its key influential role on inflation, they will be followed closely as indicative targets.

19. **Reporting requirement**: The balance sheet of the NBR will be transmitted on a weekly basis within seven days of the end of each week. The balance sheets of the commercial banks and of the other banking institutions, both for the individual institutions and for the respective sector in aggregate, and the monetary survey, will be transmitted monthly within five weeks of the end of each month. The monthly transmission will also include a monthly balance sheet for the NBR which will show all items shown also in the weekly balance sheet for the NBR.

F. Ceiling on Contracting or Guaranteeing by the Central Government, Local Governments, or the NBR of New Nonconcessional External Debt with Original Maturity of More Than One Year

20. **Definition:** This performance criterion applies to the contracting or guaranteeing by the central government, local governments, or the NBR of new nonconcessional external debt (as specified below) with original maturity of more than one year, including commitments contracted or guaranteed for which value has not been received. The term debt shall be understood as defined in the Executive Board decision No. 6230-(79/140) adopted August 3, 1979, as amended by Decision No. 11096-(95/100) of October 25, 1995 and Decision No. 12274-(00/85) adopted August 24, 2000. Debt rescheduling and restructuring are excluded from the criterion. Included are financial leases and other instruments giving rise to external liabilities, contingent or otherwise, on nonconcessional terms. In determining the level of concessionality of these obligations, the definition of concessional borrowing shall apply. Concessional debt is defined as having a grant element of 50 percent or more. For loans with a maturity of at least 15 years, the 10-year average commercial interest reference rates (CIRRs) published by the OECD should be used as the discount rate for assessing the level of concessionality, while the 6-month average CIRRs should be used for loans with shorter maturities. To both the 10-year and the 6-month averages, the following margins for differing repayment periods should be added: 0.75 percent for repayment periods of less than 15 years; 1 percent for 15–19 years; 1.15 percent for 20–29 years; and 1.25 percent for 30 years or more. The performance criterion is defined to exclude the use of Fund resources.

21. In addition, loans contracted with the Arab Bank for Economic Development in Africa (BADEA) and the OPEC Fund for energy rehabilitation financing, contracted in 2002 and 2003, and supplemental BADEA lending for this project in 2004 that is intended to improve the overall concessionality of financing for the project, will be evaluated using the reference interest rates prevailing in September 2002.

22. **Target**: The program sets a performance criterion on the ceiling of the contracting or guaranteeing by the central government, local governments, or the NBR of new nonconcessional external debt with original maturity of more than one year.

23. **Reporting requirement**: Details of all new external debt, including government guarantees, will be provided on a monthly basis within five weeks of the end of each month.

G. Ceiling on Change in Outstanding Stock of External Debt, Owed or Guaranteed by the Central Government, Local Governments, or the NBR with Original Maturity of Up To and Including One Year

24. **Definition:** The term "debt" has the meaning set forth in point No. 9 of the Guidelines on Performance Criteria with respect to Foreign Debt adopted on August 24, 2000. Excluded from this performance criterion are normal import-related credits. Normal import-related credits are liabilities that arise from the direct extension, during the normal course of trading, of credit from a supplier to a purchaser—that is, when payment of goods and services is made at a time that differs from the time when ownership of the underlying goods or services changes. Normal import credit arrangements covered by this exclusion will contain pre-specified limits on the amounts involved and the times at which payments must be made. Normal import credits will not involve the issuance of securities. Funding provided by an enterprise other than the supplier for the purpose of purchasing goods or services will not benefit from the exclusion under this performance criterion."

25. **Target**: The program sets a continuous performance criterion on the ceiling on change in the outstanding stock of external debt, owed or guaranteed by central government, local governments, or the NBR with original maturity of up to and including one year.

26. **Reporting requirement**: Data on debt and guarantees by central government, local governments, or NBR will be transmitted, with detailed explanations, on a monthly basis within five weeks of the end of each month.

H. Domestic Fiscal Balance

27. **Definition**: The domestic fiscal balance is defined as domestic revenue (excluding grants and privatization proceeds) minus current expenditure (excluding external interest due) and domestically financed capital expenditure on a payment order basis, minus net lending.

28. **Target and adjustments**: The program sets a ceiling on the domestic fiscal deficit, i.e., a floor on the domestic fiscal balance (as performance criterion or benchmark). As an adjustment, any shortfall in grants linked to the World Bank led demobilization and reintegration program will be used to reduce the deficit target, i.e., will be added to the target for the domestic fiscal balance. The deficit ceiling will be revised upward for contingent spending (in the Rwanda franc equivalent evaluated at the program exchange rate) up to the amount by which external budgetary support (excluding demobilization grants) exceeds the

baseline budgetary support of up to US$0 million at end-March 2005, US$0 million at end-June 2005, US$17 million at end-September 2005, and US$34 million end-December 2005. Contingent spending is as defined in the attached table (consisting roughly of both priority and nonpriority spending). It will be released (1) only if the monetary program is on track as evidenced by meeting the quarterly targets on reserve money (which would be unaffected by foreign exchange spending as the NFA floor would be adjusted downward at the same time); and (2) in equal portions for priorities and nonpriorities for all amounts released. In addition, the deficit ceiling will be reduced by the amount of privatization revenue minus any expenditure deemed integral to the privatization operation (recorded under net lending). The deficit ceiling will also be revised upward for costs related to Rwandese troops involved in the UN peace-keeping efforts in Darfur exceeding the programmed costs of RF 5.5 billion, if they are financed by grants intended specifically for this purpose (excluding the budgeted EU grants financing the RF 5.5 billion).

29. **Reporting requirement**: Data on domestic revenue, current expenditure, domestically financed capital expenditure and net lending will be transmitted, with detailed explanations, on a monthly basis within four weeks of the end of each month.

I. Priority Expenditure (Table 2)

30. **Definition**: Central government priority spending is defined as the sum of those recurrent expenditures and domestically financed capital expenditures that the government has identified as priority in line with the PRSP process. The definition of priority expenditures is based on the program classification of the annual budget. Table 2 provides the list of the programs included in this definition (including in particular spending on electricity). The computerized SIBET expenditure management system can track priority spending at the program and sub-program levels; the attached Table 2 provides a summary of the SIBET output.

31. **Targets and adjustment**: The program sets a floor on priority expenditure (as performance criterion or benchmark). The floor will be adjusted upward by contingent priority spending as defined in the attached table if external budgetary support (excluding demobilization grants) exceeds the *baseline budgetary support* of up to US$0 million at end-March 2005, US$0 million at end-June 2005, US$17 million at end-September 2005, and US$34 million end-December 2005.

32. **Reporting requirement**: Data on priority expenditure, at the same level of detail as in Table 2, will be transmitted on a monthly basis within three weeks of the end of each month.

J. Net Accumulation of Domestic Arrears

33. **Definitions**: Net accumulation of arrears for any given calendar year is defined as the difference between gross accumulation of new domestic arrears within the calendar year of consideration, cumulative from January 1 to December 31, as measured as the difference

between payment orders and actual payments related to payment orders issued during the year, and gross repayment during the calendar year of consideration of any arrears outstanding at 31 December of the preceding year, including repayment of the preceding year's float and repayment of older arrears in accordance with the government guidelines.

34. **Target and adjustments**: The program sets a ceiling on the net accumulation of domestic arrears, with a negative target thus representing a floor on net repayment (as performance criterion or indicative target). The ceiling will be reduced downward by the amount of gross accumulated bills payable in excess of RF 1 billion at end-March 2005, RF 1.5 billion at end-June 2005, RF 2 billion at end-September 2005, and RF 2 billion at end-December 2005.

35. **Reporting requirement**: Detailed data on repayment of domestic arrears and the remaining previous-year stock of arrears will be transmitted on a monthly basis within three weeks of the end of each month.

K. Stock of Outstanding Nonreschedulable External Arrears Owed by the Central Government or the NBR

36. **Definition**: Nonreschedulable external arrears are defined as the sum of arrears owed by the central government or the NBR to multilateral creditors and, if any, nonreschedulable arrears, to bilateral official and commercial creditors.

37. **Target**: The program sets a continuous performance criterion on the nonaccumulation of nonreschedulable external arrears.

38. **Reporting requirement**: Detailed information on repayment and/or refinancing (including the terms of refinancing) of arrears will be transmitted on a quarterly basis within three weeks of the end of each quarter. The Fund will be notified immediately in case of incurrence of any nonreschedulable external arrears.

III. Other Data Requirements for Program Monitoring

A. Public Finance

39. **Reporting requirement**: Monthly data on external budgetary support with a breakdown of loans by creditor and grants by donor and domestic nonbank financing of the budget (including treasury bills and government bonds held by the nonbank public) will be transmitted on a monthly basis within three weeks of the end of each month; quarterly data on the implementation of the development budget with detailed information on the sources of financing will be transmitted on a quarterly basis within three weeks of the end of each quarter; public sector external and domestic scheduled debt service and payments will be transmitted on a monthly basis within three weeks of the end of each month. The Rwanda Revenue Authority will transmit any updated census results of small and medium enterprises (including the economic characteristics of these enterprises and their estimated annual sales).

B. Monetary Sector

40. **Reporting requirement**: The following data will be transmitted on a monthly basis within five weeks of the end of the month: the individual balance sheets and the consolidated balance sheet of deposit money banks; the individual and consolidated balance sheets of the other bank institutions; the monetary survey (*situation monétaire intégrée*); disaggregated data on "other items net" of the NBR and deposit money banks; required reserves and excess reserves of individual commercial banks, showing separately foreign exchange held as required reserves with the NBR; development bond and treasury bill holdings of individual commercial banks; and nontreasury government deposits at individual commercial banks. The following data will be transmitted on a quarterly basis within five weeks of the end of the quarter: nonperforming loans of individual commercial banks; required and actual provisioning of impaired assets for individual banks; capital adequacy ratio for individual commercial banks a weighted average for all commercial banks; and sanctions issued to banks.[4] Data on the opening and closing balances, and debits and credits of government treasury (OTR) accounts, as well as accounts of the demobilization commission, the Rwanda Revenue Authority (RRA), Fund for Genocide Survivors (FARG), the Road Fund, the Electoral Commission and the Gacaca Commission in the central bank and commercial banks will also be communicated on a quarterly basis.

C. Public Enterprises

41. **Definition**: The financial statements and bank deposits of the key public enterprises (including Rwandatel, Electrogaz, Ocircafé, Ocirthé, and ONP) will be monitored under the program.

42. **Reporting requirement**: The financial accounts (including profit and loss accounts, balance sheets, and annual reports when published) of key public enterprises (including Rwandatel, Electrogaz, Ocircafé, Ocirthé, and ONP) will be transmitted to the African Department of the Fund within four weeks on a semi-annual basis or as the accounts become available. The statement of these enterprises' bank deposits (bank by bank) will be transmitted to the African Department of the Fund on a quarterly basis within four weeks of the end of each month.

D. External Sector

43. **Reporting requirement**: The following buying, selling, and average exchange rates will be transmitted on a **weekly basis within seven days of the end of each week**:
(i) intervention exchange rates used in NBR's operations with the commercial banks; (ii) the exchange rates used in interbank transactions among the commercial banks; (iii) the average

[4] Detailed data account by account on central government (including ministries), other public agencies, and public enterprises accounts with the NBR and each commercial bank will be transmitted on a quarterly basis within for four weeks of the end of the quarter.

of (i) and (ii); (iv) the exchange rates for transaction in banknotes at the commercial banks; (v) the same for foreign exchange bureaus; and (vi) the parallel (black) market exchange rates. All these exchange rates will be calculated on the basis of daily buying and selling rates; the average exchange rates will be calculated on the basis of a simple average of the daily buying and selling rates. The NBR will report weekly on the difference between the parallel market rate (buying and selling) and the weighted weekly average rates of NBR intervention in the interbank market for purchases and sales, respectively.

44. The following data will be provided on a monthly basis within four weeks of the end of each month:

- The amount of foreign exchange held by commercial banks with the NBR as required reserves;
- net open foreign exchange position of each commercial bank and foreign exchange bureau, and the calculation method;
- foreign exchange intervention by the NBR on interbank market;
- imports, sales, and purchases of foreign exchange banknotes by commercial banks;
- sales and purchases of foreign exchange banknotes by foreign exchange bureaus.

Export and import data, including volumes and prices, will be transmitted on a monthly basis within four weeks of the end of each month; other balance of payments data including the data on services, official and private transfers, capital account transactions, and the repatriation of export receipts will be transmitted on a quarterly basis within four weeks of the end of each quarter.

E. Real Sector

45. **Reporting requirement**: Monthly disaggregated consumer price indices for a new national consumer price index will be transmitted on a monthly basis within four weeks of the end of each month.

F. Electronic Data Reporting

46. **Reporting requirement**: The following data will, where feasible, be made available through electronic format (Excel) and e-mailed to the African Department of the Fund:

(i) Monetary data and exchange rates:

Monthly balance sheet of the NBR, summary balance sheet of the commercial banks, individual balance sheets of the commercial banks, details of public sector deposits with commercial banks, monthly data on foreign exchange operations of commercial banks and the NBR, and net open foreign exchange positions. These data will be transmitted within five weeks of the end of the month.

Quarterly reporting on details of commercial banks' loan provisioning and capital adequacy; opening and closing balances as well as debits and credits of OTR accounts of, the demobilization commission, RRA, FARG, the Road Fund, the Electoral Commission and Gacaca Commission in the central bank and commercial banks.

Weekly balance sheet of the NBR will be transmitted within seven days of the end of each week.

Weekly data on NBR interventions on the money market (*appel d'offres*) both to inject and to absorb liquidity, including the maturity and the due date of the transactions, the amounts offered, demanded, and allocated (by bank, in millions of Rwanda francs), the maximum, minimum, marginal, and average interest rates offered, and the interest payments (by bank, in Rwanda francs). These data will be made available within seven days after the end of the week.

Weekly data on recourse to the discount window (*prise en pension*), including the period of borrowing, the discount rate, and the amount (by bank, in Rwanda francs). These data will be made available within seven days after the end of the week.

Weekly update of the monthly treasury plan (*plan de trésorérie*) for foreign exchange reserves at the NBR. These data will be made available within seven days after the end of the week.

Weekly data on exchange rates, including foreign exchange auctions by the NBR, the amount of foreign exchange offered, demanded, and allocated (by commercial bank, in U.S. dollars and Rwanda francs), and the minimum, maximum, marginal, and average exchange rate offered. These data will be made available within seven days after the end of the week.

Daily balance by commercial bank of amounts outstanding from money market interventions to absorb liquidity (*appel d'offres–ponction*), to inject liquidity (*appel d'offres–injection*), under the discount window (*prise en pension*) and any other credit facility of the NBR, respectively. These data will be made available within seven days of the reported date.

Weekly balance of the subaccount for HIPC Initiative assistance from the IMF at the NBR. The data will be provided within seven days of the end of the week.

(ii) Fiscal "flash" report, including detailed lists of priority and exceptional expenditure. These data will be transmitted within four weeks of the end of the month.

(iii) Detailed export and import data; and

(iv) Detailed CPI data.

III. Program Monitoring Committee

47. **Definition**: The Interministerial Technical Committee, composed of senior officials of key ministries and the National Bank of Rwanda shall meet once a month and be responsible for monitoring the performance under the program, informing the IMF staff regularly about progress on program implementation, and transmitting supporting information necessary for program monitoring.

48. **Reporting requirement**: The names of the Interministerial Technical Committee shall be communicated to the IMF no later than the date of submission of the authorities' request for support of the three-year PRGF-supported program to the Executive Board of the IMF or the start of a new annual arrangement. The Interministerial Technical Committee shall provide to the IMF staff a progress report on the program implementation on a monthly basis within four weeks of the end of each month.

Annex B. Reclassifications

The following reclassification of data has been made to the monetary survey:

Reclassification of the deposits of 15 additional autonomous public agencies: In tables presented by the IMF prior to November 5, 2000, deposits of the central government with the NBR included deposits of 15 autonomous agencies. As of November 6, 2000 these deposits will be itemized separately in a category called "public nongovernment deposits," but will still be included in the domestic credit of the NBR.

Table 1. Rwanda: Summary of Reporting Requirements

Status	Variable or Table	Reporting Frequency	Reporting Delay from End of Period Covered	Report Data Electronically
	A. Monetary and Foreign Exchange			
PC	Net foreign assets National Bank of Rwanda (NBR)	Weekly	Seven days	Yes
PC	Reserve money	Weekly	Seven days	Yes
PC	Net credit to central government	Monthly	Three weeks	Yes
Table	Monthly balance sheet of the NBR	Monthly	Three weeks	Yes
Table	Summary balance sheet of the commercial banks	Monthly	Five weeks	Yes
Table	Individual balance sheets of the commercial banks	Monthly	Five weeks	Yes
Table	Details of public sector deposits with individual commercial banks	Quarterly	Five weeks	Yes
Table	Opening and closing balances as well as debits and credits for OTR accounts, the demobilization commission, Rwanda Revenue Authority (RRA), Victims of Genocide Fund (FARG), the Road Fund, and Gacaca in the central bank and commercial banks;	Quarterly	Five weeks	Yes
Table	Details of commercial banks' loan provisioning and capital adequacy	Quarterly	Five weeks	Yes
Table	Monthly data on foreign exchange operations of commercial banks, the NBR, and foreign exchange bureaus	Monthly	Five weeks	Yes
Table	Net open foreign exchange positions of commercial banks and foreign exchange bureaus	Monthly	Five weeks	Yes
Table	Exchange rates	Weekly	Seven days	Yes
	B. Debt			
PC	New external government borrowing	Monthly	Three weeks	
PC	Stock of short-term external government debt	Monthly	Three weeks	
	C. Fiscal			
PC	Domestic arrears (repayment of the end-of-year stock of arrears and accumulation of new arrears)	Monthly	Three weeks	Yes
PC	External arrears	... [1]	...	Yes
OV	External budgetary support with a break down between of loans by creditor and grants by donors.	Monthly	Three weeks	Yes
Table	Fiscal data (revenue, expenditure,[2] priority expenditure, exceptional expenditure, wage bill)	Monthly	Three weeks	Yes
Table	Development budget implementation	Quarterly	Three weeks	Yes
Table	Scheduled debt service and payments	Quarterly	Four weeks	Yes
	D. Public enterprises			
Table	Public enterprises financial statements	Semiannual	Four weeks	

Table 1. Rwanda: Summary of Reporting Requirements

Status	Variable or Table	Reporting Frequency	Reporting Delay from End of Period Covered	Report Data Electronically
Table	Public enterprises bank deposits	Quarterly	Four weeks	
Table	Estimated and actual tax payments of the public enterprises	Quarterly	Four weeks	
	E. Civil service			
OV	Size of the civil service (core civil service and teachers)	Monthly	Three weeks	Yes
	F. Balance of payments			
Table	Export and imports	Monthly	Four weeks	Yes
Table	Detailed Balance of Payments	Quarterly	Four weeks	
	G. Prices			
OV	CPI Kigali	Monthly	Four weeks	Yes

1/ The authorities will notify immediately the Fund in case of incurrence of any nonreschedulable external arrears.

2/ On commitment basis (*engagement)* and on payment order basis (*ordonnancement*); the provision of fiscal data is based on the Aflash≅ reporting (aggregate and by ministry).

PC = performance criterion or quantitative benchmark.

QI = quantitative indicator.

OV= other variable.

Table 2. Rwanda: Priority Expenditure 2004-05
(In millions of Rwanda francs)

	2004	2005 proj.
Total	88,267	109,163
Recurrent	69,315	94,810
Internal affairs	5,552	7,558
Agriculture	2,238	2,828
Commerce	803	1,435
Education	17,379	25,484
Youth and sport	439	298
Health	7,214	10,536
Transport and communication	3,625	5,551
Road fund	3,293	3,873
Other	332	1,678
Gender	299	277
Public service	524	2,176
Lands and natural resources	715	609
Local government	3,766	4,321
Districts	2,832	3,584
Other	934	784
Provinces	24,361	31,104
TIG (MINIJUST)	110	300
HIMO (MINALOC)	290	300
Export promotion	2,000	2,033
Development	18,952	14,353
CDF	2,750	3,500
Electricity	14,000	6,929
Education	...	450
Health (equipment)	...	1,000
Water	...	1,000
Study of manufacturing sector	...	100
Export promotion (capital)	2,002	1,074
Agriculture guarentee fund	200	300
Memorandum items:		
Social spending (as percent of GDP) 1/	5.0	5.3
Health	1.0	1.3
Education	4.0	4.0

Source: Rwandese authorities.

1/ Provinces undertake a large part of health and education spending.

Table 3. Rwanda: Contigency Expenditures, 2005
(In billions of Rwandan franc)

	Q1	Q2	Q3	Q4	Total
Total	0.0	0.0	6.9	13.2	20.0
Nonpriority	0.0	0.0	4.2	5.6	9.9
Recurrent	0.0	0.0	3.6	3.8	7.4
Goods and services	0.0	0.0	2.2	2.8	5.0
Transfers	0.0	0.0	0.7	0.3	1.0
Exceptional	0.0	0.0	0.7	0.7	1.4
Capital	0.0	0.0	0.6	1.3	2.0
Domestic arrears	0.0	0.0	0.0	0.5	0.5
Priority expenditures	0.0	0.0	2.7	7.5	10.2
Recurrent	0.0	0.0	2.7	4.8	7.5
Agriculture: extension services	0.0	0.0	0.4	0.4	0.8
Transport and communications-Roads fund	0.0	0.0	0.8	1.2	2.0
Land an natural resources-purchase of portable water	0.0	0.0	0.2	0.4	0.5
Provinces: education material	0.0	0.0	0.3	0.2	0.5
Export promotion	0.0	0.0	1.0	2.7	3.7
Capital	0.0	0.0	0.0	2.7	2.7
Health-primary health equipment	0.0	0.0	0.0	1.0	1.0
Agriculture-fertilizers.	0.0	0.0	0.0	1.7	1.7

Source: Rwandese authorities.

Rwanda: Relations with the Fund
(As of June 30, 2005)

I. Membership Status: Joined: September 30, 1963; Article VIII

II **General Resources Account**:	SDR million	Percent Quota
Quota	80.10	100.00
Fund holdings of currency	80.11	100.02
Reserve position in Fund	0.00	0.00

III. **SDR Department**:	SDR million	percent Allocation
Net cumulative allocation	13.70	100.00
Holdings	18.54	135.37

IV. **Outstanding Purchases and Loans**:	SDR million	percent Quota
PRGF arrangements	56.65	70.72

V. Latest Financial Arrangements:

Type	Approval date	Expiration date	Amount approved (SDR million)	Amount drawn (SDR million)
PRGF	Aug 12, 2002	Feb 11, 2006	4.00	2.86
PRGF	Jun 24, 1998	Apr 30, 2002	71.40	61.88
SAF	Apr 24, 1991	Apr 23, 1994	30.66	8.76

VI. Projected Payments to the Fund (Without HIPC Assistance) (SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2005	2006	2007	2008	2009
Principal	3.33	10.47	12.38	11.36	9.15
Charges/Interest	0.14	0.25	0.19	0.13	0.08
Total	3.47	10.72	12.57	11.49	9.22

Projected Payments to the Fund (with Board-approved HIPC Assistance) (SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2005	2006	2007	2008	2009
Principal	0.54	4.35	7.09	8.21	6.11
Charges/Interest	0.14	0.25	0.19	0.13	0.08
Total	0.68	4.59	7.28	8.34	6.18

VII. Implementation of HIPC Initiative:	Enhanced framework
Commitment of HIPC assistance	
Decision point date	Dec. 2000
Assistance committed by all creditors (US$ million)[1]	452.40
Of which: IMF assistance (US$ million)	43.80
(SDR equivalent in millions)	33.81[2]
Completion point date[3]	Apr. 2005
Delivery of IMF assistance (SDR million)	
Amount disbursed	33.81
Interim assistance	14.45
Completion point	19.36
Additional disbursement of interest income[4]	3.67
Total disbursements	37.48

Decision Point—point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

Interim assistance—amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion point—point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income

[1] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts can not be added.

[2] Excludes commitment of additional enhanced HIPC assistance of SDR 12.98 million subject to receipt of satisfactory financing assurances from creditors.

[3] Creditors committed to a topping-up of US$243.1 million of HIPC Initiative assistance in NPV terms at the completion point.

[4] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

as defined in footnote 3 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

VIII. Safeguards Assessments:

Under the Fund's Safeguards Assessment policy, the Banque Nationale du Rwanda (BNR) is subject to a safeguards assessment under the PRGF arrangement. A Safeguards Assessment was completed on April 14, 2003, and the proposed recommendations have largely been implemented.

IX. Exchange System:

On March 6, 1995, Rwanda adopted a market-determined exchange rate system. Before then, the Rwanda franc was pegged to the SDR. On December 1998, Rwanda accepted the obligations under Article VIII, Sections 2, 3 and 4 of the IMF, requiring it to ensure that the exchange system is free of restrictions on the making of payments and transfers for current international transactions. In 2001, a foreign exchange auction system was put in place with technical assistance from MFD. Since February 7, 2001, auctions have been taking place on a weekly basis. The exchange rate regime is currently classified as a managed float, and the foreign exchange auctions impose a limit of +/- RF 5 to the margin by which the exchange rate can vary from the previous day.

X. Article IV Consultation:

Rwanda is on the revised 24-month consultation cycle. The Executive Board discussed the staff report for the 2004 Article IV consultation (Country Report No. 04/382) on October 6, 2004.

XI. FSAP Participation, ROSCs, and OFC Assessments:

A Report on Observance of Standards and Codes on Fiscal Transparency (ROSC) was issued in July 2003. A Financial Sector Assessment Program (FSAP) has taken place in February 2005. Rwanda has not had an Offshore Financial Center (OFC) assessment.

XII. Technical Assistance:

1999 FAD long-term experts, on tax policy, on budget preparation, and on treasury management.
1999 MFD long-term general advisor to governor of NBR.
1999 MFD experts on banking supervision and foreign exchange market operations.
2000 FAD experts on budget execution and on tax policy.
2000 MFD experts on foreign exchange market operations, and banking supervision.
2000 STA mission on money and banking statistics.
2000 STA mission on balance of payments statistics.
2001 FAD experts on expenditure management and on tax policy.

2001 FAD mission on tax policy.
2001 MFD mission on foreign exchange policy, monetary policy, and banking supervision.
2001 MFD expert on monetary policy implementation.
2001 FAD mission on assessment of tracking of poverty reducing expenditure, and the fiscal ROSC.
2001 MFD expert on banking supervision.
2001 FAD experts on expenditure management, and on tax policy (until mid-year).
2002 MFD expert on banking supervision (until November).
2002 MFD expert on monetary and foreign exchange rate policy.
2002 AFRITAC East work plan mission.
2003 AFRITAC East mission on statistical issues.
2003 FAD mission on fiscal ROSC and budget management system.
2003 AFRITAC East mission on developing the market for government treasury bills.
2003 FAD mission on reform of investment incentives and tax reform.
2003 MFD expert on monetary and foreign exchange rate policy.
2003 MFD expert on banking supervision and regulation.
2003 MFD missions on banking supervision.
2003 MFD mission on foreign reserves management.
2003 STA multi-sector statistics mission.
2003 FAD mission on Decentralization.
2003 FAD mission on revenue administration.
2004 FAD tax administration expert on strengthening of revenue administration.
2004 FAD mission on revenue administration
2004 MFD expert on banking supervision and regulation.
2004 MFD expert on monetary policy, monetary operations, and money markets.
2004 MFD missions on on-site banking supervision.
2005 MFD mission on financial statements of specific bank
2005 MFD-WB joint FSAP mission
2005 LEG mission on customs legislation
2005 STA mission on Balance of Payments statistics
2005 LEG mission on tax legislation
2005 FAD mission on public accounting: decentralized accounting for central government.
2005 FAD expert on tax administration
2005 MFD resident expert on monetary operations, monetary policy, money markets
2005 MFD expert on banking supervision

XIII. Resident Representative:

Mr. Abdikarim Farah completed his posting as Resident Representative in Kigali on June 30, 2004. Mr. Lars Holger Engström assumed his duties as Resident Representative in February 2005.

Rwanda: IMF Relations with the World Bank
(As of June 30, 2005)

Partnership for Rwanda's development strategy

Donor agencies have been key players in Rwanda since the genocide. With the support from the international community, Rwanda has made notable progress along an ambitious path of reconstruction, national reconciliation, and economic reform. In recent years, the Government has made some ambitious efforts, based on its Poverty Reduction Strategy Paper (PRSP), to reduce poverty and improve living conditions of the poor. The PRSP was completed in June 2002. This strategy was supported and discussed by the Boards of the IDA and the IMF on August 12, 2002. The PRSP targeted the halving of poverty by 2015 through a private sector and rural sector strategy. The strategy mainly focuses on six priority areas: (1) rural development and agricultural transformation; (2) human development; (3) economic infrastructure; (4) good governance; (5) private sector development; and (6) institutional capacity building—as the focus for public actions on poverty reduction. Civil society, government agencies and ministries, and donors have all been actively involved in the PRSP process and monitoring. The first PRSP progress report was issued in July 2003 and a Bank-Fund JSA produced in May 2004. The second PRSP progress report was issued in December 2004 and a Bank-Fund JSA was produced in March 2005.

World Bank Group Program and Portfolio

The last Country Assistance Strategy for Rwanda was discussed by the World Bank Board in December 2002. The CAS sets out an assistance program consistent with the country's PRSP and emphasizes the need to move progressively from project-based approaches to budget support. In line with this approach, a Poverty Reduction Strategy Credit (PRSC) went to the Board in October 2004. This credit would help strengthen GoR capacity to (i) plan and budget results-oriented public sector actions supporting the implementation of the Poverty Reduction Strategy; (ii) develop incentive frameworks through performance-based payments and contracting; (iii) establish strong accountability mechanisms enhancing the capacity of Rwandan citizens to monitor and provide feedback to service providers—both public and private; and (iv) implement a sound fiduciary framework, as well as a monitoring and evaluation system to facilitate transparency and accountability in service delivery for the sectors of focus (i.e., health, education, water, energy). A second PRSC is under preparation and would focus mainly on (i) creating a favorable private sector investment climate that would promote sustained economic growth; (ii) improving quality, coverage, and equity of basic service delivery; (iii) improving public expenditure management and governance. This credit is expected to go to the Board in September/October 2005.

International Development Agency (IDA) Program: Since 1970, Rwanda has received 60 IDA credits and grants totaling US$1,333.6 million. As of end-June 2005, disbursements from IDA to Rwanda have totaled about US$1060 million, with a total undisbursed balance of US$188.8 million. Rwanda's current portfolio of ten operations represents, as of June 2005 a total commitment value of US$221.3 million of credits and grant facilities of US$30.5 million for an HIV/AIDS project and US$20 million for a decentralization and community development project.

Overall, IDA has financed projects in (i) infrastructure, particularly road construction and maintenance, electricity and water supply, and sanitation infrastructures; (ii) agriculture, rural development, and forestry; (iii) social infrastructure, including health and population, and education and training; (iv) private sector development, public enterprise reform, financial development, and technical assistance; and (v) two policy-based quick-disbursing operations (IRC and PRSC1). During the immediate post-genocide period, IDA financed two emergency budget support operations and a social fund-type project, and restructured its prewar portfolio of investment projects to meet the high-priority needs associated with the emergency and the transition from conflict to development.

International Finance Corporation (IFC) Program: The IFC has made some investments in Rwanda, in various industries. Investments have been made in the Rwandan match factory (SORWAL). In FY1998, IFC approved a US$0.53 million investment in Highland Flowers and in FY2000, a US$6.0 million in RWANDACELL. In December 2000, an investment of US$0.8 million was approved for an apartment hotel in Kigali. As of today, these investments with the exception of SORWAL have been cancelled. The IFC has provided some technical assistance support to Rwanda focusing on privatization, SMEs, the financial and industrial sectors.

Multilateral Investment Guarantee Agency (MIGA) Program: Rwanda signed and ratified the MIGA Convention on October 27, 1989. On September 27, 2002, it became a full member of MIGA with the completion of its membership requirements, including payment of the usable currency and the local currency portions of its initial subscription, and deposit of the promissory note. The membership was followed by Rwanda’s election to MIGA’s Board of Directors during the World Bank/IMF annual meetings held in Washington. As one of its cooperative initiatives, MIGA seconded a senior underwriter for more than a year to COMESA (of which Rwanda is a member) to work on the creation of the Africa Trade Insurance Agency, which was officially launched in Uganda in July 2001. Rwanda is a founding member of ATI, along with seven other COMESA countries. Headquartered in Nairobi, Kenya, ATI provides political risk insurance for trade credits in African countries. All African countries are eligible to participate.

World Bank staff

Questions may be referred to Pedro Alba (Tel. 202-458-2246) and Kene Ezemenari (Tel. 202-458-5559).

Table 1: Summary of Bank-Fund Collaboration

Thematic area	Areas of collaboration	Bank	Fund
Macroeconomic stability and development.	Development agenda in poverty reduction goals.	Complement IMF's macroeconomic policy with various broad structural and sectoral work through lending and capacity building especially in the areas such as budget management, energy, infrastructure, banking, telecommunications sectors.	IMF leads the policy dialogue and macroeconomic policies including fiscal and monetary policies. IMF has supporting Rwanda through several arrangements under ESAF/PRGF.
	Collaboration in the areas of growth oriented reforms of the government.	Technical assistance in macro framework and related issues.	Technical assistance for improving tax administration
Public finance management and governance.	A joint Bank and Fund assessment of the government's capacity to track poverty expenditures in July 2004, which highlighted the key areas for improvement.	The Bank has been providing assistance to the government to improve the capacity and quality of the budget process through a series of public expenditure reviews. Recently the Bank completed Financial Accountability Review and Action Plan (FARAP) and expected to support further through a Country Financial Accountability Assessment (CFAA).	IMF TA missions have been fielded in the areas of financial management, fiscal decentralization, and revenue management. Technical assistance provided in revenue management and modernization.
	Strengthening capacities in the areas of financial accountability and budget monitoring.	Financing and provision of technical assistance in expenditure tracking surveys and procurement reform. The Bank supports reform through the public sector capacity building project.	
Structural and policy reforms and financial sector.	Collaboration in key institutional and structural reforms including an MTEF approach to budget planning, legal and judicial reform in establishing commercial courts and other regulatory reforms.	The Bank has provided support in the restructuring of the banking sector, and addressing the problem of non-performing loans. The Bank is also helping in the areas of micro-financing and controlling money laundering.	The Fund has been providing TA in banking supervision and prudential regulation. IMF is also providing assistance to the Central Bank in monetary policy analysis, banking supervision, and internal audit.
Infrastructure and private sector development	Collaboration in business friendly policies especially in the areas of taxation, budget, and legal and institutional development. Collaboration in reforming financial sector..	The Bank has been supporting this area through many infrastructure projects in transport, water/sanitation, energy. The competitiveness and enterprise development project (CEDP) is supporting reforms in telecommunications, privatization of the current telephone monopoly and tea factories. Banking sector reforms and the privatization process have supported by the CEDP and the Institutional Reform Credit (IRC).	Fund has been complementing the Bank work through fiscal and monetary policies.
Agriculture and rural development.	Collaboration in recent budgetary policies, which support productivity enhancing measures in agriculture such as fertilizer and seed policies and fully washed coffee promotion of the government.	World Bank is supporting this sector through Rural Sector Support Project (RSSP), which aims to raise productivity and incomes among rural population.	
Social sector and community development.	Development agenda in poverty reduction and social sectors.	The Bank has supported Rwanda to improve its social infrastructure after the genocide especially in the areas of health, education and HIV/AIDS. Current poverty reduction strategy credits (PRSCs) have been supporting the social sector. The decentralization and community development project is supporting service delivery and ownership at the local level.	

Table II: Status of World Bank Group Operations in Rwanda
(As of June, 2005)

A. Statement of IDA Credits and Grants

Status of Credit	Fiscal Year	Purpose	Original Credit Amount in US$ Million (Less Cancellations)	Undisbursed
Closed credits: (50 credits closed)			955.16[1]	0.0
Active credits:				
	2001	Competitiveness and Enterp. Dev	40.8	18.8
	2000	Rural Water Supply and Sanitation	20.0	15.1
	2001	Regional Trade Facility	7.5	5.9
	2000	Human Resource Development	35.0	16.7
	2001	Rural Sector Support Project	48.0	38.4
	2002	Demobilization & Reintegration	25.0	10.9
	2003	HIV/AIDS	30.5	20.8
	2004	Decentr. & Community Dev.	20.0	18.4
	2005	Public Sector Capacity Building	20.0	19.3
	2005	Urgent Electricity Rehabilitation	25.0	24.4
Total amount			271.8	188.8
Total approved amount[2]			1,333.6	
Of which: repaid			98.0	
Total held by the Bank and IDA			962.0	

B. Statement of IFC Investments in Rwanda

The IFC's pending commitments in Rwanda comprise those in Rwandacell, AEF Dreamland, and AEF Highland, amounting to US$5.326 million.

[1] Includes two emergency recovery credits of US$50 million each, approved in 1995 and 1997, respectively, and fully disbursed.

[2] Total approved amount, covering closed and active credits which also included cancellations.

Rwanda: Statistical Issues

1. Since the end of the civil war of 1994, Rwanda has received considerable technical assistance in rebuilding its statistical database, and there has been some progress in the compilation and dissemination of economic and financial statistics. The authorities are fully cooperative in providing data to the Fund. Rwanda has very few statistical publications, but the authorities initiated a new annual publication in 1998, covering most of the major economic and financial statistics. The publication includes historical data (or estimates based on partial, available data) dating back to 1990. National accounts and price statistics, government finance, and balance of payments statistics suffer from significant weaknesses. Monetary statistics are adequate for surveillance and program monitoring, but their quality (including timeliness) should also be further improved. There is also scope for improving the data relevant for banking supervision.

2. Rwanda participates in the IMF General Data Dissemination System and its metadata have been posted on the IMF website since October 2003. Significant technical assistance is being provided to Rwanda. A DFID project is supporting the establishment of the "Institut National des Statistiques de Rwanda," with a component on national accounts. The objective of this is to establish a program of economic surveys and to develop leading economic indicators that will provide the basic data to feed into the compilation of GDP.

3. East AFRITAC assistance is focused on capacity building to enable the construction of short-term indicators on the formal sector, starting with a monthly PPI for the manufacturing (formal) sector. This is a joint project with the central bank (BNR). DFID is providing financial support. PPI for the months of October 2003-March 2005 have been computed and are currently being analyzed. The publication of PPI is expected to begin during the second half of 2005.

Real sector

4. The Statistics Directorate of the Ministry of Finance and Economic Planning (MINECOFIN) prepares data on national accounts. After the 1994 war, the authorities compiled national accounts data starting from 1990. Nevertheless, the quality of these data is weak, reflecting shortages of human and material resources. While considerable effort was made to improve the reliability of GDP estimates using the production approach, significant weaknesses in data collection on expenditures, and income remain. These weaknesses are reflected in uncertainties regarding the composition of GDP; in particular, they complicate an adequate assessment of developments in savings and investment. The reliability of national accounts estimates are further hampered by weak external sector statistics.

5. In 2003, an East AFRITAC mission visited Kigali to advise the authorities on real sector statistics issues, especially in the area of secondary sector statistics. In February 2004 the EREBS group (Equilibre resources-emploi des biens et services) assisted the MINECOFIN in developing new benchmarking GDP estimates (2001). The project set up by the East AFRITAC to develop a manufacturing PPI ended in May 2005. As a follow-up, the

first series of the PPI covering October 2003–March 2005 was supposed to be released in the immediate months. The new GDP estimates show an increase by about 7 percent as compared to previous ones, with greater differences in many of the component categories. Work has also advanced in the implementation of the *1993 SNA*.

6. The authorities have set up an improved consumer price index (CPI). The index addresses problems regarding regional and consumption basket coverage and covers 438 goods, for which a total sample of more than 25,000 is observed in Kigali (weighted 77 percent) and in eleven provincial towns. The index is based on a survey of 6,450 households in 2000-01 (the last survey had been done in 1989) and on average 2003 prices. Local goods amount to 70 percent and imported goods to 30 percent, while food and drinks amount to 37 percent, and housing and energy amount to 16 percent. Shortcomings remain, however: the index aggregates infrequently purchased products in groups with all products in the respective group assigned the same weight; and the index of underlying inflation is too narrow as it excludes 53 percent of the goods as seasonal or exchange-rate-determined.

7. Data on employment and wages are not collected, except for the central government and for daily informal work.

8. Real sector data are reported regularly for publication in *International Finance Statistics* (*IFS*), although with some lags, particularly for GDP estimates.

Government finance statistics

9. The authorities report to the African Department detailed monthly data on revenue and expenditure with a lag of three to four weeks. These data are compiled by a flash-reporting unit which was established in the MINECOFIN, with the assistance of the Fund, in 1996. A functional classification of government expenditure has been designed and was presented with the 2003 budget. Within the economic classification, expenditures on PRSP designated "priority areas" are clearly identifiable. The fiscal data do not consistently capture capital expenditure because capital projects (almost entirely foreign financed) are mainly carried out by line ministries outside the regular budget process. Compilation of data on external budgetary assistance as well as on external debt would benefit from strengthened coordination between the finance ministry and the central bank. Efforts are underway to integrate the development budget into the normal budgetary procedures. Fiscal data have often shown a discrepancy between the deficit as derived from above the line with that derived from below the line (i.e., its financing). Together with the Fund staff, the authorities have made adjustments for changes in the balance of non-core government accounts, for changes in cash in vault at the revenue authority, for accounting errors, and for other factors.

10. Selected aggregates on annual central government operations through 2003 have been reported to the Statistics Department (STA) and are published in *IFS.* These data are subject to large statistical discrepancies, mainly due to the timing of recording of expenditures. No sub-annual data are reported to STA and government finance statistics (GFS) have been reported for publication in the *GFS Yearbook* only through 1993.

Monetary statistics

11. The balance sheet of the NBR and detailed data on money market transactions are transmitted to the African Department on a weekly basis with a lag of one week, and the monetary survey and the consolidated balance sheet of the country's commercial banks are transmitted on a monthly basis with a lag of about five weeks. Detailed data on interbank money market transactions are also provided upon request to mission staff. Monetary data are reported separately to the Statistics Department on a timely basis and published in *IFS*. The NBR established a working group to implement the recommendations of STA missions in the area of collection, compilation and dissemination of monetary and financial statistics, including, a money and banking statistics mission that visited Kigali in November 2000 and a multisector mission that visited Kigali in June-July 2003. As a result, the NBR (1) adopted in June 2002 an improved classification of the central bank balance sheet accounts, specifically those related to transactions with the government; (2) adapted in early 2004 the reporting format for the banking sector closer to the methodology proposed in the *Monetary and Financial Statistics Manual;* and (3) is expanding the institutional coverage of the broad money survey to include credit and savings unions and microfinance institutions.

12. The NBR is well advanced in the process of submitting monetary statistics through the Standardized Report Forms (SRFs), a new format proposed by STA. The provisional submissions by the NBR of SRFs covering 12 months of monetary statistics (January through December 2004) signals its commitment to adopt the *MSMF* methodology.

Balance of payments statistics

13. Foreign trade data are provided to Fund missions by the BNR. There are inconsistencies between data reported by the BNR and data recorded by customs. There is also significant unrecorded trade, and information on invisible transactions is scarce. There are indications of significant under recording of official external transfers, and data on the level and composition of private flows are poor. The lack of well-trained staff for balance-of-payments compilation is a major impediment to the improvement of data quality. Trade in goods data are mostly collected by customs with the major exception of imports and exports of electricity, tea, and coffee. The implementation of supplementary surveys to companies, recommended by a STA mission to Kigali in September 2000, is currently underway: the BNR launched a unit in charge of these surveys. However, the unit staff lack adequate training.

14. The multisector statistics mission to Kigali (June 2003) identified the following areas for improvement in the short run: (1) reorganizing data entry and production of external trade statistics, using ASYCUDA and Eurotrace softwares; (2) adapting survey forms sent to companies to the *BPM5* methodology; and (3) collaborating with CEPEX to obtain exhaustive data on international and bilateral aid. A technical assistance project in balance of payments statistics is currently underway. A first mission visited Kigali in January 2004, and a follow-up mission took place in June 2005.

15. Annual balance of payments and quarterly import and export data are reported to STA, albeit with some lags, and are published in IFS. Rwanda sent notes on the methodology of compilation of balance of payments statistics which were included in Part 3 of the 2003 Balance of Payments Statistics Yearbook (BOPSY), and were confirmed as remaining current in the 2004 edition.

16. Databases on external public debt are maintained by both MINECOFIN and the BNR. The authorities have established a committee, composed of staffs from the Ministries of Finance and Economic Planning and Foreign Affairs and the BNR, to collect, harmonize, and monitor information on external public debt.

Rwanda: Table of Common Indicators Required for Surveillance
As of July 31, 2005

	Date of latest observation	Date received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of publication[6]
Exchange Rates	Current	Current	D	W	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Current	Current	W	W	M
Reserve/Base Money	6/30/05	7/8/05	W	W	M
Broad Money	5/31/05	6/15/05	M	M	M
Central Bank Balance Sheet	6/30/05	7/8/05	W	W	M
Consolidated Balance Sheet of the Banking System	5/31/05	6/15/05	M	M	M
Interest Rates[2]	5/31/05	6/15/05	M	M	M
Consumer Price Index	06/30/05	7/15/05	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	4/30/05	5/15/05	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – Central Government	4/30/05	5/15/05	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	12/31/03	12/31/04	A	A	A
External Current Account Balance	2004	2/1/05	A	SA	A
Exports and Imports of Goods and Services	2004	2/1/05	A	A	A
GDP/GNP	2004	2/1/05	A	SA	A
Gross External Debt	n.a.	n.a.	n.a.	n.a.	n.a.

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Semi-annually (SA); Irregular (I); Not Available (NA).

Rwanda: Millennium Development Goals

	1990	1995	2000	2001	2002	2003
Goal 1: Eradicate extreme poverty and hunger						
Percentage share of income or consumption held by poorest 20%	..	..	..	..	..	..
Population below $1 a day (%)	..	..	51.7	..	..	..
Population below minimum level of dietary energy consumption (%)	..	..	..	..	37	37
Poverty gap ratio at $1 a day (incidence x depth of poverty)	..	..	20	..	..	..
Poverty headcount, national (% of population)	..	..	60.3	..	..	..
Prevalence of underweight in children (under five years of age)	..	..	24.3	..	..	..
Goal 2: Achieve universal primary education						
Net primary enrollment ratio (% of relevant age group)	67.4	..	84	84.0	86.7	86.7
Primary completion rate, total (% of relevant age group)	44	..	22	28	37	37
Proportion of pupils starting grade 1 who reach grade 5	59.9	..	40	46.6	..	..
Youth literacy rate (% ages 15-24)	72.7	78.6	83.4	84.2	84.9	84.9
Goal 3: Promote gender equality and empower women						
Proportion of seats held by women in national parliament (%)	17	..	17	26	26	26
Ratio of girls to boys in primary and secondary education (%)	96.4	..	92.5	93.9	94.8	94.8
Ratio of young literate females to males (% ages 15-24)	86.4	91.8	95.8	96.3	96.9	96.9
Share of women employed in the nonagricultural sector (%)	16.7	..	..	..	..	..
Goal 4: Reduce child mortality						
Immunization, measles (% of children ages 12-23 months)	83	84	74	69	69	90
Infant mortality rate (per 1,000 live births)	103	124	118	..	..	118
Under 5 mortality rate (per 1,000)	173	209	203	..	..	203
Goal 5: Improve maternal health						
Births attended by skilled health staff (% of total)	..	..	31.3	..	..	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	1400	..	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases						
Contraceptive prevalence rate (% of women ages 15-49)	..	..	13.2	..	..	..
Incidence of tuberculosis (per 100,000 people)	129.7	234.6	324.1	340.7	357.3	373.8
Number of children orphaned by HIV/AIDS	..	..	160000	160000	..	160000
Prevalence of HIV, total (% of population aged 15-49)	..	..	5.1	..	..	5.1
Tuberculosis cases detected under DOTS (%)	..	35.5	34.2	27.5	31.1	27.5
Goal 7: Ensure environmental sustainability						
Access to an improved water source (% of population)	58	..	..	..	73	73
Access to improved sanitation (% of population)	37	..	..	..	41	41
Access to secure tenure (% of population)	..	..	..	..	..	..
CO2 emissions (metric tons per capita)	0.1	0.1	0.1	..	..	..
Forest area (% of total land area)	18.5	..	12.4	..	..	..
GDP per unit of energy use (2000 PPP $ per kg oil equivalent)	..	..	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..	..	6.2
Goal 8: Develop a global partnership for development						
Aid per capita (current US$)	41.9	123.3	41.8	37.6	43.5	39.5
Debt service (% of exports)	..	..	..	..	..	..
Fixed line and mobile phone subscribers (per 1,000 people)	1.7	1.3	7.3	10.9	16.4	16.4
Internet users (per 1,000 people)	..	..	0.6	2.5	3.1	3.1
Personal computers (per 1,000 people)	..	..	..	..	..	..
Unemployment, youth female (% of female labor force ages 15-24)	..	..	..	..	..	..
Unemployment, youth male (% of male labor force ages 15-24)	..	..	..	..	..	..
Unemployment, youth total (% of total labor force ages 15-24)	..	..	..	..	..	..
Other						
Fertility rate, total (births per woman)	7.1	..	..	..	..	5.7
GNI per capita, Atlas method (current US$)	370	220	260	240	230	220
GNI, Atlas method (current US$) (billions)	2.5	1.3	2.0	1.9	1.9	1.8
Gross capital formation (% of GDP)	14.6	13.4	17.5	18.4	19.0	20.2
Life expectancy at birth, total (years)	40.2	..	40	..	39.8	39.8
Literacy rate, adult total (% of people ages 15 and above)	53.3	60.2	66.8	68.0	69.2	69.2
Population, total (millions)	6.9	5.7	7.7	7.9	8.2	8.4
Trade (% of GDP)	19.7	31.0	32.6	34.3	33.1	36.2

Source: World Development Indicators Database, 2005

INTERNATIONAL MONETARY FUND

RWANDA

Staff Report for the Fifth Review Under the Poverty Reduction and Growth Facility and Requests for Waiver of Nonobservance of Performance Criteria

Supplementary Information

Prepared by the African and Policy Development and Review Departments

Approved by Siddharth Tiwari and Mark Plant

August 23, 2005

1. This supplement provides information on recent developments regarding Rwanda's domestic reconciliation process and policy implementation through June 2005, received since the issuance of the staff report (Fifth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility; www.imf.org). The authorities have already given their written consent to publish the staff report and the Financial Sector Stability Assessment (FSSA; www.imf.org). The information in this supplement does not alter the thrust of the staff appraisal.

2. **Rwanda is continuing its efforts in the area of domestic political reconciliation.** To reduce the large number of prisoners, the authorities have started to release those of the 36,000 genocide suspects who have either been cleared or shown remorse while appealing to the population to help with their re-integration. Some of these individuals will later face proceedings in the community-based hearings of those accused of having participated in the genocide.

3. **Based on preliminary information, policy implementation has remained broadly on track with all but one of the end-June 2005 performance criteria having been met.** As in January-March 2005, a tighter-than-programmed fiscal stance helped to contain reserve money growth in the second quarter of 2005. The tighter fiscal stance appears to reflect better performance in revenue, but also renewed expenditure restraint in various categories, including priority related expenditure. As a result, the performance criterion on the latter spending was missed by about 0.6 percent (based on preliminary fiscal data). On the structural side, the authorities submitted to cabinet and the Export Promotion Commission a report on progress with the export promotion strategy through June 2005 (a July 2005 benchmark).

4. The authorities repaid on July 6, 2005, arrears of US$60 to the Arab Bank for Development in Africa (BADEA). Following this payment, BADEA confirmed on August 10, 2005, that Rwanda was current on its debt service obligations.

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FOR IMMEDIATE RELEASE
September 8, 2005

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes the Fifth Review of Rwanda's PRGF Arrangement and Approves US$800,000 Disbursement

On August 26, 2005, the Executive Board of the International Monetary Fund (IMF) has completed the fifth review of Rwanda's economic performance under the Poverty Reduction and Growth Facility (PRGF) arrangement. As a result, Rwanda will be eligible to draw an amount equivalent to SDR 0.57 million (about US$800,000), bringing the total amount disbursed under the arrangement to SDR 3.43 million (about US$5.1 million). Rwanda's PRGF arrangement was approved on August 12, 2002 (see Press Release No. 02/36), for SDR 4 million (about US$5.9 million).

The Board has also granted waivers for the nonobservance of the end-December 2004 quantitative performance criterion on priority expenditures, and the continuous performance criterion on the non-accumulation of external arrears.

The PRGF is the IMF's concessional facility for low-income countries. PRGF-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners and articulated in the Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that PRGF-supported programs are consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years with a 5½-year grace period on principal payments.