We are pleased to discuss this first Country Assistance Strategy for the Republic of Rwanda. Four years ago, genocide led to a protracted civil war, which took the lives of 800,000 people and sent two million people to refugee camps in neighboring countries. It also uprooted and displaced more than one million of its citizens and caused extensive damage to physical infrastructure. The warring factions agreed on restoring peace and forged a transitional national unity government that was entrusted with ushering the country to a full-fledged democratic system.

Against this background, the transitional government started the daunting task of post civil war reconstruction. It embarked on a wide range of reforms that included trade and foreign exchange liberalization, privatization of public enterprises and redefining and reducing the role of the state. GDP has rebounded after a drastic decline in 1994, inflation has been reduced from 62 percent in 1994 to 11 percent in 1997 and exports have improved remarkably. In addition, 12,000 former FAR ex-combatants and 2,500 child soldiers have been demobilized while some progress was made on the privatization front.

We are pleased with the attention given in this CAS to agriculture, the mainstay of the economy and the provider of employment to 92 percent of the nation's active population. We also welcome the government's proposed plan to promote market-based agriculture, improve farming systems, and strengthen management of soil conservation. Rural and agricultural development is pivotal to poverty alleviation and to boosting rural incomes. In our view, the proposed lending and non-lending support to this sector is in line with the government's strategies and objectives.

Diversifying the economy and creating non-farm employment will be hastened if led by the private sector. Achieving this objective, however, would entail giving more attention to the financial sector. The Bank's support is critical in the area of financial sector rehabilitation and in putting in place an appropriate legal and regulatory framework. We believe that such steps would create an enabling environment for potential foreign and domestic investors. In this
respect, we also expect that IFC will play a proactive role in the financial sector reform process and assist in developing small-scale and micro-enterprises.

Human and institutional capacities have been seriously devastated by the war. The importance of the Bank's assistance in enhancing these capacities cannot be over-emphasized. While we are pleased to note the presence of many other donors in the capacity building realm, we expect EDI to play an important role in training the country's core policy makers and managers by initiating a series of workshops on post-conflict reconstruction.

On regional development, it has been the long-standing view of this chair that the potential of a country should be assessed within a regional context. Our view on this matter coincides with that of IFC management and we hope to see more of this in the country assistance strategies of other countries. In this connection, we believe that the prospects of close co-operation with the Eastern African Cooperation arrangement will be good for Rwanda, particularly in the trade area.

We note the Bank's proposed lending program for the country. However, we wonder why a time horizon longer than FY1999 as proposed in the CAS has not been considered for the Bank's lending program. We, however, support the Bank's non-lending program for FY99, especially in the areas of aid coordination, public expenditure review, external debt management and private sector development. We also attach special importance to the Bank's assistance in the provision of basic social services, particularly in the health and education sectors, as well as in preparing shelters for returning refugees. Technical assistance is needed for building public sector capabilities in this area. We would also expect that the country would benefit from the recently approved "Framework for World Bank Investment in Post-Conflict Reconstruction".

On the external front, Rwanda is saddled with an external debt of about $1.0 billion, and annual debt service ratio, excluding arrears, of 41 percent of exports and 26 percent of budget revenues. We also note that 84 percent of this debt is owed to multilateral institutions. Even after using available debt relief mechanisms, Rwanda will still be facing a heavy and crippling debt burden that may thwart its efforts to attain the overarching objective of poverty reduction and allocating sufficient resources to the areas of health, education, the judiciary and reconstruction. There are clear indications that suggest Rwanda would be a good candidate for the Heavily Indebted Poor Countries Initiative (HIPC). In this respect, we are pleased to note that the Bank is in the forefront of organizing a multilateral debt trust fund for Rwanda to enable the country clear its debt arrears and qualify for debt relief under the HIPC initiative.

Given the enormity of the problems Rwanda is confronted with, it is imperative that the international community provides adequate support to the country if long-lasting political and economic stability is to be achieved. In this respect, we welcome the Bank's close collaboration with other development partners of Rwanda. We also expect the Bank to continue to take a leading role in aid coordination and mobilization of the required resources.

In closing, we wish the Rwandese authorities success in restoring peace and raising the living standard of their people.