INTERNATIONAL DEVELOPMENT ASSOCIATION
AND
THE INTERNATIONAL MONETARY FUND

RWANDA

Decision Point Document for the Enhanced Initiative for Heavily Indebted Poor Countries (HIPC)

Prepared by the staffs of the International Development Association
and the International Monetary Fund[1]

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FISCAL YEAR: January 1-December 31

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AIDS	Acquired Immunodeficiency Syndrome
BADEA	Arab Bank for Economic Development in Africa
CBI	Cross Border Initiative
CNLS	National Commission for the Control of AIDS
CSR	Caisse Sociale du Rwanda (social security agency)
DFID	Department for International Development-United Kingdom
DSA	Debt Sustainability Analysis
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries Initiative
HIV	Human Immunodeficiency Virus
HLSS	Household Living Standards Survey
HRD	Human Resource Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
KIST	Kigali Institute of Science, Technology and Management
MINECOFIN	Ministry of Finance and Economic Planning
MINISANTE	Ministry of Health
MTEF	Medium Term Expenditure Framework
NBR	National Bank of Rwanda (central bank)
NGO	Non-Governmental Organization
NPV	Net Present Value
ODA	Official Development Assistance
OPEC	Organization of Petroleum Exporting Countries
PNLS	National AIDS Control Program
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RRA	Rwanda Revenue Authority
UN	United Nations
UNDP	United Nations Development Program
URC	National Unity and Reconciliation Commission
VAT	Value Added Tax

I. INTRODUCTION

1. This paper presents a decision point assessment of Rwanda's eligibility for assistance under the Initiative for Heavily Indebted Poor Countries (HIPC). The Executive Boards of the IMF and IDA discussed the preliminary HIPC document (EBS/00/144 and IDA/R2000-140) on July 31 and August 4, 2000 respectively, and made a preliminary determination that Rwanda is eligible for assistance under the Enhanced HIPC Initiative, in view of its status as a PRGF-eligible and IDA-only country, its satisfactory track record of macroeconomic and structural reforms despite the challenges of its post-conflict situation, and the unsustainable level of its external debt burden, even after taking into account debt relief provided under traditional mechanisms. Directors agreed that Rwanda could reach the decision point under the Initiative in late 2000, following completion of the second review under the second annual PRGF arrangement and approval of a third annual PRGF arrangement, and the completion of an interim Poverty Reduction Strategy Paper (I-PRSP).

2. During the discussion of the preliminary HIPC document, Directors of both Boards acknowledged Rwanda's progress in stabilizing its economy and noted in particular the sustained real GDP growth, low inflation, and continued shift in budgetary resources toward the social sectors. They commended the authorities for their commitment to structural reforms in the areas of trade liberalization, tax reform, budget preparation and control, financial sector restructuring, and civil service reform. Directors noted the need to consistently improve fiscal revenue collection, as this is essential for ensuring the sustainability of Rwanda's social and other anti-poverty spending programs in the medium-term while allowing a decline in its heavy dependence on external aid and achieving debt sustainability. They also emphasized the importance of enhancing the level and efficiency of social and anti-poverty spending and prioritizing expenditures in the budget through the implementation of the medium-term expenditure framework (MTEF). Directors noted the challenges remaining in budget preparation, monitoring, and control and encouraged the authorities to continue their efforts in these areas. They emphasized the importance of putting in place safeguards to ensure the effective use of budget savings coming from debt relief. Directors noted that Rwanda faces deeply entrenched poverty, which will require perseverance in and consistent implementation of appropriate macroeconomic and structural policies to put in place the conditions that would generate private-sector-led growth and thus sustainably improve living standards.

3. Discussions on the second review under the second annual PRGF and on a program that could be supported by a third annual PRGF arrangement were held during October 19-November 6, 2000 and an ad referendum agreement was reached. The authorities have prepared a satisfactory I-PRSP with the participation of civil society and the donor community, and the final PRSP is expected in September 2001.

4. The rest of the paper consists of four sections. Section II discusses Rwanda's IDA/PRGF status and eligibility under the HIPC Initiative and examines Rwanda's implementation record under previous and ongoing programs supported by the IDA's Economic Recovery Credit and the IMF's three-year PRGF arrangement. Section III outlines the macroeconomic, structural and social objectives of the medium-term program. Section IV provides an update of the debt

sustainability analysis (DSA). Section V presents the staffs' recommendations and suggests issues for discussion by Executive Directors.

II. ASSESSMENT OF ELIGIBILITY

A. PRGF and IDA Status

5. Per capita income in Rwanda in 1998 was US$230, which is well below the US$895 operational cutoff for IDA eligibility. Furthermore, Rwanda is not creditworthy for IBRD lending and is, therefore, an IDA-only country. It is one of the poorest countries of the world, ranking 164th (out of 174 countries) in terms of the United Nations Development Program's 2000 Human Development Index. In 1997 household surveys reported that 70 percent of the population lived below the poverty line. Therefore, Rwanda will continue to need substantial international concessional assistance and is likely to remain a PRGF-eligible and IDA-only country in the foreseeable future.

B. Macroeconomic Performance and Structural Reforms

6. Rwanda has made significant progress along an ambitious path of reconstruction, national reconciliation, and economic reform since the genocide of 1994. Rwanda's background and track record on the transition from emergency to reform was extensively discussed in the preliminary HIPC document. This section summarizes the country's main achievements in stabilizing its economy, undertaking structural reform, rebuilding its human resource base, and in national reintegration and reconciliation following the genocide in 1994.

7. Following the genocide in 1994, the immediate priorities were to restore peace, resettle displaced people and returned refugees, promote national reconciliation, and revive the economy. In December 1994, the new Government issued a *Declaration of Principles* that spelled out its medium-term social, political, and economic agenda in which it reaffirmed its commitment to a liberal, market-based economy, with a reduced role for the state. In the *emergency phase (1995–97)* of the recovery program, over one million internally displaced persons and over two million returned refugees were resettled and the country's economic, administrative, and social institutions were rehabilitated. The authorities implemented staff-monitored programs, supported by two IDA emergency recovery credits in 1995 and 1997 and by the IMF's post-conflict emergency assistance policy in 1997. The Government's Framework of Economic Policies (FEP),[2] prepared in consultation with the IMF and World Bank staffs, set out the macroeconomic framework and the policy and institutional reform measures to be undertaken in the *transition from emergency to development (1998–2000)*, which laid the groundwork for a reform program supported by a three-year ESAF arrangement in 1998 and a

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2 *Rwanda: Post-Conflict Rehabilitation—A Framework of Economic Policies, 1997–98* (EBD/97/41, 4/11/97) or World Bank, *Annex to the Memorandum and Recommendation of the President of IDA on the Emergency Reintegration and Recovery Credit for Rwanda* (Report No P-7149-RW, 6/11/97).

new IDA Economic Recovery Credit in 1999. Despite implementation delays (often related to capacity constraints), the authorities appear to be committed to the reform program, a high degree of national ownership, and a willingness to take corrective actions when necessary to avoid the interruption of the program. Overall, Rwanda's performance under the successive programs has been satisfactory, and it has built a good track record of policy implementation.

Policies during the emergency phase (1995–97)

8. From 1995 to 1997, macroeconomic policies focused on reviving economic activity, restoring macroeconomic stability and rebuilding the capacity for macroeconomic and budget management. The National Bank of Rwanda (NBR) and the Ministry of Finance and Economic Planning were rapidly made operational, although their capacity remained weak. Real GDP rebounded by 34 percent in 1995 and continued growing by over 10 percent during each of the next two years. Inflation slowed from 64 percent in 1994 to 9 percent in 1996, but increased in 1997 as drought and over one million returning refugees caused temporary food shortages. Despite some delays in meeting agreed targets for revenue and expenditure, the primary fiscal position improved consistently, reaching a small surplus in 1997. The overall fiscal deficit excluding grants was brought down to 9.2 percent of GDP in that year, down from a high of 13.8 percent in 1995, the wake of the genocide.

9. Despite capacity constraints, significant structural measures were implemented. Rwanda's trade and exchange rate regimes were liberalized, with market-determined exchange rates, the elimination of surrender requirements for coffee and tea export receipts, and the reduction of maximum tariff rates from 100 percent to 40 percent in 1999. As a result, Rwanda's trade restrictiveness index fell from 8 in 1995 ("restrictive") to 3 in early 1999 ("relatively open"). In the financial sector, treasury bill auctions were introduced, the exchange market was liberalized, and the process of bank restructuring began. In March 1996, the National Assembly passed a law that provided the legal and institutional framework for the privatization of state-owned enterprises (about 60 in total). Despite an announced policy to build a leaner civil service, the number of civil servants increased sharply from 1995 to 1997 as new hires, many of whom were unqualified, replaced civil servants and teachers lost in the genocide.

Policies in the transition phase (1998–2000)

10. The macroeconomic objectives for 1998-2000 in the reform program included achieving average annual real GDP growth of 7–8 percent, keeping inflation below 5 percent, limiting the external current account deficit (excluding official transfers) to about 18 percent of GDP, maintaining gross official reserves at a level of about 6 months of imports, and increasing the revenue-to-GDP ratio by 0.5 percentage point per year. The key measures for increasing revenues included improved tax administration by the Rwanda Revenue Authority, an increase in the turnover tax from 10 percent to 15 percent, increases in excise tax rates, an expansion of the tax base by instituting a presumptive tax for small enterprises, and the progressive elimination of tax and import duty exemptions.

11. In the event, economic growth, inflation, and external current account developments were broadly in line with program targets. However, fiscal performance was hampered mostly by

revenue falling consistently and significantly short of the targets, in part because of factors beyond the Government's control, but also due to delays in implementing certain agreed policies. In response to the revenue shortfalls, the Government implemented significant expenditure reductions in 1998 and 1999, as well as in the context of the 2000 mid-term budget review. Budget and treasury management improved in this period, including through the implementation of a flash reporting system that monitors on a monthly basis budget execution, and the authorities began to address the domestic arrears problem.[3] Nevertheless, expenditure monitoring and control remained a problem through 2000. As a result of these difficulties, the fiscal deficit targets under the program were repeatedly revised upward, and even then they were not always met, while the Government could also not avoid resorting repeatedly to larger-than-targeted domestic bank financing.

12. Regarding monetary policy, there was some laxity in 1999 and the first half of 2000, partly due to higher-than-programmed domestic bank credit to the Government. Larger-than-programmed increases in the net domestic assets of the central bank and the banking system have been persistently offset by shortfalls from net foreign asset targets, which reflected central bank intervention to support the currency that showed a tendency to weaken in this environment. At the same time there were periods of persistent and large divergence of the official foreign exchange rate from the parallel market rate, pointing to distortions in the foreign exchange market and the need to allow for greater market determination of the official rate.

13. In the structural area, the Government focused on reducing trade barriers, reforming public administration, initiating implementation of its privatization strategy, undertaking financial sector reforms, improving the regulatory environment for the private sector, and taking steps to ensure good governance in public finances. Further trade liberalization was undertaken, reducing the number of non-zero tariffs to three and the maximum rate from 40 percent in 1997 to 25 percent in 1999. The coffee export tax was eliminated in early 1999 and the exchange regulations were simplified further. The Government embarked in early 1998 on a program of civil service reform aimed at establishing a leaner, more efficient civil service, and a new public service organizational structure (*cadres organiques*). In accordance with these plans, some immediate staffing needs were filled, retrenchment and regularization continued in the public service payroll through 2000, and steps were taken toward the implementation of the *cadres organiques* and rationalizing civil service remuneration. A new functional budget classification was adopted for the 2001 budget preparation and a medium-term expenditure framework (MTEF) for 2001-03 is under preparation, while the organic budget law and a public accounts law were submitted to parliament. To improve accountability and transparency, the Auditor General's office was established in 1999 and became fully operational in 2000 initiating audits of five ministries.

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[3] As a result of an investigation initiated by the authorities in July 2000 and, by and large completed in October 2000, a significant amount of arrears (RF 27 billion or about 4 percent of GDP) was identified, most of which from before or during the 1994 war. A large number of arrears from earlier periods may not be legitimate, and the authorities have committed to have them audited by a third party and to regularize all verified arrears by end-2002.

14. Progress continued to be made in bank supervision and bank restructuring; however, progress in the legal environment for recovery of non-performing loans is still pending. Under the privatization program, the cabinet has so far approved the sale of 20 state-owned enterprises, brought five enterprises under liquidation, and in 1999 the Government adopted strategies for the privatization of Rwandatel (the telephone company), the nine publicly owned tea factories/estates, and the restructuring of Electrogaz, the energy/water utility. However, the preparation for privatization of these companies lagged, partly due to a lack of financing of the privatization consultant. The privatization of Rwandatel and the tea factories/estates is now slated to begin in early 2001, and by mid-2001 Electrogaz will be put under private management, the first stage of its eventual privatization. To promote private sector development, business licensing requirements were simplified, a revised labor code was submitted to parliament to remove restrictions on the movement of labor and the employment of females, and the Rwanda Investment Promotion Agency was established to facilitate investment and business development. In 2000, the parliament adopted legislation to abolish the state-controlled Chamber of Commerce, and a revised Internal Trade Act was submitted to parliament. The Rwanda Private Sector Federation was formed as an apex independent body of various private sector organizations to represent private sector interests in dialogue with the Government.

C. Poverty and Social Policies

15. Poverty worsened dramatically due to the genocide of 1994. The destruction of human, social and economic infrastructure in the genocide damaged the productive capacity of the fragile economy. The displacement of about 40 percent of the population, including about 2 million people who fled to neighboring countries after the genocide, severely disrupted economic activity. Thus, the proportion of households below the poverty line rose to 70 percent in 1997 from 40 percent in 1985 and 53 percent in 1993[4]. However, since 1995, the economy has rebounded strongly as peace returned to the country. The rapid and permanent resettlement of displaced people, the eventual return of the refugees outside the country in massive numbers in 1996/97 and the immediate resettlement of these returnees in their own communities contributed to the economic recovery. The strong international support for resettlement and economic recovery was also an important factor in the recovery of the economy. The strong economic recovery has contributed to some poverty alleviation of the immediate genocide era. During 1998-99, the Government began to focus directly on poverty and integrate poverty reduction themes (agricultural productivity, gender equality, improving social services) into its programs, to continue the progress in poverty reduction.

16. The genocide decimated the social capital and the fragile human resource base and damaged the physical and social infrastructure and institutional capacity. The rehabilitation of the social infrastructure and institutions was a priority in the post-genocide reconstruction program. With the support of bilateral donors, NGOs, UN agencies, and multilateral agencies rapid progress was made in rehabilitating health and education facilities and making them operational.

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[4] As defined in the 1985 household expenditure survey.

17. In the **health sector**, while NGOs and relief agencies provided emergency care and preventive services in the aftermath of the genocide, the Government began to rehabilitate the infrastructure and introduce a decentralized system of health care delivery, with communities, districts and regions having specific responsibility for the delivery of health services. By 1999, the decentralized system was fully functional. The Government also encouraged the development of private medical clinics and promoted the sub-sector of traditional medicine. The number of private practice/clinics increased rapidly from 30 in 1995 to 224 in 1998. A specialist hospital built in Kigali before the genocide with foreign aid was privatized, enabling it to commence operations. Nevertheless, the quality of health services has continued to suffer from lack of qualified staff.

18. In **education,** progress in rehabilitation was slower than in the health sector, owing to the large size of the sector, the unsettled nature of the population, and the difficulty in recruiting qualified teachers. Nevertheless, progress has been made in rehabilitating facilities and improving access to educational institutions. Gross enrollment in primary education reached 88 percent (90 percent for boys and 87 percent for girls) in 1999, with a net enrollment of 69 percent. The secondary and tertiary sectors have also been largely rehabilitated. The educational system however, faces difficult challenges of efficiency, access and quality. Only about 30 percent of the children who enter primary school complete it, often repeating several grades. Very few attend secondary school, with enrolment at only 10 percent. The system lacks qualified teachers, textbooks for students and other instructional materials, and adequate facilities and services. Due to the disruption of the educational system by the genocide and the large number of vulnerable children, special education needs are substantial. While the education budget has been increasing, it is clearly inadequate to meet the challenges in the sector.

19. The rehabilitation and improvement efforts in the social and other sectors have been hampered by the lack of skilled professionals and technicians, particularly in the fields of health, teaching, management, science and technology. Rwanda has one qualified nurse per 9,500 people and 3 physicians per 100,000 inhabitants, unevenly spread with a large concentration in Kigali. Fifty percent of the primary school teachers are unqualified, the secondary and tertiary levels also lack qualified instructors. To fill some of these immediate needs, the Government established the Kigali Institute of Education (KIE) to train teachers for secondary schools and teacher training colleges, and the Kigali Institute of Health (KIH) to train health professionals (excluding doctors). The national university has been rehabilitated and the newly established Kigali Institute of Science, Technology and Management (KIST) offers a mix of academic, technical and vocational education to full time and part-time (evening) students.

20. The **HIV/AIDS epidemic** is a serious threat to Rwanda's human resources and overall development. A survey in 1997 found HIV/AIDS prevalence of an average 11.1 percent among persons 12 years and older. The infection rate was 10.8 percent among men and 11.3 percent among females, and 11.6 percent in urban centers compared to 10.8 percent in rural areas. This survey showed a marked increase in HIV/AIDS prevalence in the rural areas, up from 1.3 percent in 1986. The HIV/AIDS epidemic has serious consequences for the education sector, particularly by reducing the supply of teachers as a result of illness and early death, and absenteeism due to AIDS imposed burdens, such as the need to care for sick family members. It is also taxing the undermanned health sector as it consumes resources that would normally be dedicated to other curable diseases. The Government

adopted a new multi-sectoral approach to HIV/AIDS control and prevention in 1998. Political commitment has grown, evidenced by statements by national leaders, the provision of budgetary support for HIV/AIDS control and pressing requests for external assistance.

21. The Government of Rwanda began in 1998 to prioritize the budget, starting with the treatment of social sectors (health and education) and exceptional transition programs as priorities in the budget process.[5] The total budget allocations for these priority program areas (PPAs) was increased from 2.7 percent of GDP in 1997 to 4.9 percent in the 1998 budget. Due to severe shortfalls of resources and resulting reductions in non-defense spending, actual expenditures on the PPAs amounted to 3.7 percent of GDP, well below the budget but considerably higher than the 1997 level. In 1999 and 2000, the PPAs received above average increases in budget allocations. In addition, the Government protected these allocations from the cuts that occurred at the mid-year budget review. In 1999, recurrent spending on PPAs amounted to 52 percent of the non-defense recurrent expenditures. The share of the PPAs in the recurrent budget rose from 22 percent in 1997 to 29 percent in 1999.[6] The World Bank and IMF staffs have closely monitored expenditures in the PPAs in the context of the implementation of the ERC and ESAF/PRGF. Furthermore in 1998, the Government started preparations for the introduction of the Medium Term Expenditure Framework (MTEF) approach to budget management. The successful implementation of the MTEF will have significant impact on budget allocations, implementation and outcomes for social services and poverty reduction.

D. National Reintegration and Reconciliation

22. Since 1994, peace has largely been restored in Rwanda, although the conflict in the Great Lakes region remains an obstacle to durable peace and national reconciliation. Substantial progress has been made on reintegrating displaced populations, including old and new refugees and assisting vulnerable groups. In the transition from emergency to development, national reconciliation and security have been the key policy goals. The Rwandese have identified improving justice and governance and reducing poverty as the key challenges in the process of national reconciliation. The adjudication of the cases of the 120,000 genocide suspects, many of whom have been in prison for over 5 years, remains the major challenge to improving justice in Rwanda. The trials of the suspects started in 1997 but have proceeded relatively slowly. Only about 2,500 cases have been processed. Plans are underway to use traditional methods of justice (*Gacaca*) to accelerate the trials and clear the bulk of the caseload. Consultations with civil society on *Gacaca* started in 1998 and the National Assembly has adopted the enabling legislation.

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5 These transitional programs included the demobilization and reintegration of soldiers and other ex-combatants, assistance to the victims of genocide, transitional governance institutions (commissions for national unity and reconciliation, human rights, and legal and constitutional affairs) and the retrenchment/reintegration of civil servants. Expenditures in these categories were aggregated as exceptional social expenditures.

6 These exclude 1.6 percent and 9.1 percent shares of exceptional social expenditures in 1997 and 1999.

23. The commissions for Human Rights, National Unity and Reconciliation (URC), and Legal and Constitutional Affairs, mandated by the Arusha Accord to help Rwanda in the path to the respect for human rights, national unity and democratization, were established with the last two years. The URC is playing a key role in the change process in Rwanda. It has been organizing public debates in all corners and communities in the country, providing the platform for Rwandese to air their views on the disunity of the past and how to build a united Rwanda. In October 2000, the URC organized the first National Summit on Unity and Reconciliation that brought together people from all parts of the country as well as the Rwandese residing abroad to evaluate the state of unity and reconciliation and progress of URC's efforts, and learn from the experiences in other countries. The Summit endorsed the key findings of the URC's consultations around the country that governance and leadership, justice and poverty are major hindrances to unity in Rwanda.

III. THE CHALLENGE OF POVERTY REDUCTION

24. The events of 1994 sharply increased poverty in Rwanda and severely damaged its social and institutional capital, making the implementation of policies and programs to achieve rapid economic growth and reduce poverty an enormous challenge. Nevertheless, the Government appears determined to make the fundamental changes necessary to improve the quality of life the Rwandese. In the next three to four years, the Government will concentrate on consolidating the initiatives launched during 1997–99 to accelerate the socioeconomic transition from emergency to development and prepare for the transition to an elected government in 2003.

25. The Government's long-term vision (*Vision 2020*) for Rwanda emphasizes national reconciliation and security, democratization, good governance and political stability, human resource development, decentralized and efficient public administration, and regional integration as the key elements to bringing peace, sustaining economic growth and reducing poverty. The vision for economic development of Rwanda is to create a private-sector-led, all-inclusive economic system that allows for effective participation of all social groups of the population in economic opportunities. *Vision 2020* envisages that to create the employment needed to reduce poverty and reduce dependency on external assistance, Rwanda will ultimately need to specialize in export-oriented high value agriculture and light manufacturing and service industries, relying on modern information and telecommunications technologies. Rwanda therefore needs to begin to emphasize the development of a labor force with skills in science, technology and management, and to develop the appropriate transport and communications infrastructure.

26. During 1999, the Government, in collaboration with the UNDP, initiated studies on how to tackle poverty in Rwanda and in February 2000, the Government held preliminary discussions with external partners, including IDA and the IMF, on its plans for the preparation of its Poverty Reduction Strategy (PRS). The consultative process with civil society for the PRS was launched in June 2000 and the Interim Poverty Reduction Strategy (I-PRSP) was prepared in consultation with the civil society. The I-PRSP builds on the Vision 2020 noted above, and presents the Government's approach to poverty reduction in Rwanda as well as a plan for the preparation of a more extensive strategy (full PRSP).

27. The I-PRSP lays out two sets of key challenges to poverty reduction in Rwanda--the structural problems that date back several years, and the legacies of the genocide. The former includes low agricultural productivity exacerbated by cyclical droughts and famine, low human resource development, high population density and growth, high transport costs, and environmental degradation. The legacies of the genocide include the change in the demographic structure, with a shortage of adult males; the large numbers of vulnerable households and traumatized people; the large prison population; the loss of social capital that undermines the process toward national reconciliation; the severe depletion of human resources and the increased incidence of HIV/AIDS; the severe loss of capital stock during the genocide; particularly by poor rural dwellers; and the intensification of regional conflicts that exacerbate insecurity in Rwanda. To address these challenges the I-PRSP proposes a wide range of actions to: (i) improve justice and governance and establish the socio-political environment that fosters national reconciliation, peace, security and poverty reduction; (ii) foster regional peace and cooperation; (iii) maintain macroeconomic stability; (iv) undertake economic and institutional reforms to promote private enterprise and employment creation, improve the effectiveness of the public sector and enhance governance; (v) develop human resources including fighting HIV/AIDS; and (vii) develop and implement effective strategies in key productive and infrastructure sectors, including the agriculture and rural economy to improve productivity. The I-PRSP and the joint IDA-IMF staff assessment of the paper (JSA) accompany this HIPC document.

A. Justice and Governance

28. In the coming years, the Government intends to concentrate its efforts on ensuring that the initiatives on justice and governance taken in recent years produce results on the ground. This includes the related institutions established in 1998-99--the three commissions for National Unity and Reconciliation (URC), Human Rights (HRC), and Legal and Constitutional Affairs, the *Gacaca* system and National Police, the National Tender Board and the Office of the Auditor General. Both the URC and the HRC are fully operational but need to continue reinforcing their capacities to carry out their mandates. The Legal and Constitutional Affairs Commission was established to draft a new constitution for Rwanda and to pave the way for a transition to an elected government in 2003. The members of the Commission were appointed in early July 2000. The *Gacaca* system, designed to accelerate the adjudication of the cases of many of the detained genocide suspects, and the civilian national police established in 2000, will be fully operational in 2001. The framework law for decentralization is under consideration by the National Assembly. Meanwhile, following on the successful local elections at the grassroots level in March 1999, further elections for offices at the *commune* level will be held in early 2001.

29. The Government will continue to strengthen the capacity of the Office of the Auditor General to enable it carry out timely audits of the financial accounts of government agencies. These audited accounts and reports will be submitted to the President, the Supreme Court, and the National Assembly for discussion and action. Regarding public procurement, the National Tender Board Law has been presented to the National Assembly and will be adopted in early 2001, and subsequently, the operational regulations will be issued. The policy of decentralization and empowerment of local communities will be progressively implemented.

With a view to curbing corruption, the authorities intend to put in place a mechanism to deal with corrupt officials. The civil servants' code of conduct will also be adopted by parliament in early 2001. In order to promote transparency and accountability, the Government will bring all ministerial bank accounts under the control of the treasurer in 2001, and will take stock of all extra-budgetary funds, projects, and transactions, and incorporate them into the budget from 2002 in order to improve the coverage of fiscal accounts. It will also review all the existing waivers and exemptions from customs duties and taxes, with a view to minimizing them. There will also be renewed emphasis on reforms of the budget preparation, implementation, and control process. The Government also intends to establish commercial and tax courts, and continue improving bank supervision and the environment for loan recovery. These measures envisaged to be taken in 2001 would represent important steps towards ensuring accountability and transparency in the use of public resources, including savings that would arise from the application of the Enhanced HIPC Initiative.

B. Regional Issues

30. Rwanda is not only physically right in the center of the volatile Great Lakes region, it is an important player in the politics in the region. Rwanda is unlikely to achieve sustainable development if regional conflicts continue. It has strong historical, social, geographic and economic links with the Democratic Republic of Congo (DRC). Stability, peace and improved economic performance in the DRC, and good relations with Rwanda will facilitate peace, security and economic progress in Rwanda. Continued conflict in Burundi is also damaging to Rwanda's prospects, given the common heritage of the two countries, the potential for demonstration effects, and the missed economic opportunities due to conflict and political instability.

31. The state of war in the region, and the consequent military presence of Rwanda in the DRC, are major obstacles to development and poverty reduction in Rwanda and in other countries in the Great Lakes region. The conflict discourages investment and the flow of official development assistance into the region, and has damaged intra-regional trade and adversely affected Rwanda's exports to the region, which was an important factor in the development of Rwanda's industrial sector. The implementation of the Lusaka Framework for the resolution of the conflict in the DRC, signed by all belligerents in 1999 and supported by the international community, has not made significant progress. However, the cease-fire has generally been respected by most parties, including Rwanda. Compliance by the parties and strong support by the international community is needed to implement the Lusaka Framework and pave the way for peace and sustainable development.

32. Rwanda and Uganda have mended fences following the fighting between their armies in Kisangani in early 2000. The two governments have pulled their forces out of Kisangani, resolved that clashes between their armies should never be repeated, and affirmed their strong commitment to the Lusaka Framework. Nevertheless, the fighting between those two allies is an indication of the volatility of the region and the fragility of inter-country relations. On the positive side, Rwanda's application to join the Eastern Africa Cooperation--currently consisting

of Kenya, Tanzania and Uganda--is under consideration, although it has been pending for a long time.

C. Macroeconomic Policies

33. In the 1990s, Rwanda's economic condition was greatly affected by the 1994 genocide and the ensuing social and military developments. The result has been the emergence of very large external current account imbalances reflecting very low or negative savings to GDP ratios for both the private and government sectors. While the external imbalances have so far been covered by foreign savings provided through donor flows catalyzed by the international response to the genocide, questions arise about the sustainability of this state of affairs over the long run. In this context, a key issue is the steps necessary for a successful graduation of Rwanda from this excessive reliance on donor funds (and from the use of Fund/IDA resources) in the long term and its eventual integration into international capital markets. If the existing fiscal and external imbalances were to continue over time, chances are that private sector savings and investment (both from local and foreign sources) would not adequately recover. Thus, while macroeconomic stability and growth have been reestablished since the mid-1990s, they may not be sustainable over the long term unless the current imbalances are progressively reduced and debt sustainability is attained and conserved.

34. To address these concerns, the authorities' medium-term macroeconomic program will be based on a revised medium- and long-term macroeconomic framework characterized by a gradual increase in the national savings rates, in both the government and the private sector, in a first step, to the levels that prevailed on average in the 1980s. The macroeconomic framework is consistent with a gradual and realistic reduction of current account deficits and the heavy dependence on foreign savings, which would lead to an improved debt sustainability picture with beneficial effects on the perception of local and foreign investors of the sustainability of macroeconomic stability in Rwanda. A gradual reduction in current account deficits would be necessary in the effort to conserve the benefits of HIPC relief. However, despite the consistently improving external current account performance envisaged in the macroeconomic framework, the desired debt sustainability will still only come about (and the NPV of debt to exports ratio being held to sustainable levels) if donor grants—as opposed to loans—are substantially higher than the historical trend at least for a number of years. The importance of continued donor grants in the short and medium term after the decision point cannot be overly emphasized, as even after full application of Enhanced HIPC assistance, and assuming new financing consisting of at least 75 percent official transfers, Rwanda's debt ratios would stay above the debt sustainability target.[7]

35. To achieve the envisaged gradual increase in government savings, the authorities have carried out a realistic assessment of the current and long-term fiscal revenue potential and identified the steps necessary for moving from attainable revenue targets in 2001 to ambitious

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[7] It should also be noted that achievement of the targeted level of debt sustainability indicators hinges on the realization of robust export growth rates over the next decade.

medium- and long-term targets. Revenue performance is expected to improve progressively, starting in 2001 on account of measures aimed at improving customs duty collection by reducing undervaluation, corruption, and smuggling; improving tax collection from large companies by accelerating and strengthening the process of tax audit, reassessment and collection; increasing the proceeds from the presumptive tax from small and medium size companies by inter alia increasing the rate from 2 to 5 percent of annual turnover and using withholding practices and payment compliance targets for the Rwanda Revenue Authority (RRA); improving excise tax collection by inter alia implementing a revised petroleum pricing mechanism and measures to address tax evasion and smuggling; and ameliorating non-tax revenue performance by collecting what is due in the form of dividends and fees, and by adjusting the latter to the current price level. The strengthening of the administrative capacity of the Rwanda Revenue Authority and political commitment behind the revenue effort will be essential for the realization of the revenue targets.

36. Increases in government savings would also depend on making expenditure more efficient through improved expenditure management and prioritization, and an acceleration of civil service and public enterprise reforms. The introduction of an MTEF with the 2001 budget will be instrumental as it will cover expenditure programs of all ministries, and, along with regular public expenditure reviews, it is expected to enhance the costing, prioritization, efficiency, and transparency of government expenditure, and strengthen its link to performance indicators. The Government has also initiated a further decentralization of budget execution to the *préfectures* and, to a smaller extent, to the *communes*. The Government is committed to reducing military expenditures, cautioning that this would depend on security developments in the region. Defense expenditures as a share of GDP are estimated at 3.8 percent in 2000, and are projected to decrease to 3.2 percent in 2001, declining further to 2.3 percent of GDP in 2004.[8] Increases in government savings are consistent with the Government's commitment to further increases in anti-poverty/social expenditure, from about 4.1 percent in 2000 to about 6.9 percent by 2004. Such increases in anti-poverty expenditure in the medium-term macroeconomic framework will be made possible partly on account of debt relief under the Enhanced HIPC Initiative (Table 15), and are consistent with attaining the medium-term human resource development targets (as discussed below in Section E). Regarding government investment, both domestic and foreign financed, it is targeted to gradually increase to 8.2 percent of GDP by 2004, from 7 percent in 2000, consistent with feasible improvements in implementation capacity. Such levels of capital expenditure, having been subjected to the prioritization process of the MTEF, would be consistent with the needed improvements in infrastructure that are needed to support the projected increases in private investment and GDP growth rates.

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[8] Defense expenditures are monitored and reported upon on a monthly basis by the Ministry of Finance. Moreover, audits of the 1999 accounts of the Ministry of Defense were carried out by the Auditor General in 2000. With the strengthening of the Office of the Auditor General the accounts, of the Ministry of Defense, along with those of all other ministries, would be audited every year. Regarding extra-budgetary operations potentially related to defense, the authorities have reported on the accounts with voluntary contributions of citizens towards security and defense of the country. They produced evidence showing that there had been no withdrawals from these accounts. Under the 2001 program the Government has committed to identify all extra-budgetary funds, projects and transactions, including any related to defense, and to incorporate them into the 2002 budget.

37. An important element of the medium- and long-term macroeconomic framework adopted by the Government is the envisaged increase in private sector savings and investment over time. To this effect, it will be necessary to build the necessary confidence of the private sector in the policy environment and its sustainability by achieving unfailing progress toward fiscal and debt sustainability and to consistently maintain macroeconomic stability. Equally important for increasing private sector savings (and investment), the authorities will aim to accelerate financial sector reform (including a strengthening of the banking system and gradual capital account liberalization), make financial instruments accessible to a greater proportion of the population, and establish a legal and regulatory framework conducive to private sector activity and external competitiveness. The general aim is to embark on a virtuous cycle of decreasing savings-investment imbalances, debt sustainability, and high growth.

38. Thus, given a 3 percent population growth rate, the medium-term macroeconomic objectives of the Government are to achieve real GDP growth of at least 6 percent per year, to keep annual inflation below 5 percent, and to gradually reduce the current account deficit (excluding official transfers) from 16.8 percent of GDP in 2000 to about 10.7 percent in 2004, while maintaining a level of gross official reserves of about 6 months of imports. Underpinning these objectives would be an improvement in the fiscal deficit (excluding grants), from a projected 9.3 percent of GDP in 2000 to about 7.9 percent by 2004.[9] These targets for the fiscal and current account imbalances are similar to the average levels observed in Rwanda in the 1980s and are achievable again given reasonable sociopolitical and economic stability.[10] Over the longer-term, the macroeconomic framework envisages continued improvements in the current account and fiscal imbalances to about 5.5 percent of GDP each by 2010 to maintain debt sustainability after HIPC relief (see below, Section IV). The projected improvement in the external current account is predicated on, apart from the fiscal adjustment, an acceleration of export growth in volume terms due to increases in output of traditional exports of coffee and tea,[11] and the development and improvement of other exports such as other horticultural products, artisan products, hides and skins, and textiles.[12] In addition, the services account is also

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9 For 2001, the Government has committed to limiting the overall fiscal deficit to 9.7 percent of GDP. A more ambitious fiscal stance in 2001 would not allow for the needed upfront large increase in anti-poverty spending or be consistent with the expectation that revenue improvements would occur only gradually.

10 The 1980s were far from a period of adequate stability and good policies, but represent a benchmark of performance in certain areas that could be achieved as a first stage (normalization) before further improvement.

11 The ongoing rehabilitation of coffee plantations and the complete replacement of coffee plants with higher yielding ones (with increased micro-finance assistance to smallholders), the planned improvements in tea processing, and the privatization and restructuring of the tea sector, in the context of clarified land/property rights, expanded feeder roads, and improved extension services, are projected to raise output by about 10-15 percent a year for coffee and tea in the medium-term. The scenario projects that coffee volumes will recover to about 35,000 kg by 2006, compared with about 36,000 kg in 1984-91. Tea is expected to grow at the rates that are conservative compared to those observed before the genocide and again in the late 1990s.

12 The scenario envisages that investments would be made to new export-oriented sectors, as stability is entrenched in Rwanda and access to the markets of industrial countries improves for African-made products.

expected to improve due to a gradual resumption of tourism, higher investment income, and a decline in interest on public debt.

39. Monetary policy will be aimed at achieving the inflation and net foreign asset targets of the authorities while providing room for a strong increase in credit to the private sector so as to help achieve the real GDP growth objective and the desired increase in private investment. The NBR will be pursuing its monetary program targets through indirect instruments, including treasury bill auctions and open market operations on its own account, while being committed to a market determination of the exchange rate, with any interventions in the foreign exchange market by the NBR limited to meeting its targets for net foreign assets. In this context, the authorities have reassessed the operation of the market for foreign exchange in Rwanda and will be introducing foreign exchange auctions so as to ensure market determination of the exchange rate. The authorities feel that the necessary increase in the extraordinarily low private sector savings and investment rates, as well as the hoped-for eventual integration of Rwanda into international capital markets, would require the early strengthening of the domestic banking and financial system.

40. **Recent track record**. While there has been generally good progress in reconstruction, stabilization, and structural reform after the 1994 genocide, there have been some shortfalls from targets in the 1999/2000 PRGF-supported program, on account of continuing capacity constraints and by-and-large exogenous shortfalls of fiscal revenue, which were only partially offset by expenditure cuts. Corrective measures have been taken to ensure that targets for 2000 as a whole will be achieved and to avoid a weakening of the initial conditions for the program for 2001. This latter program addresses decisively a number of the factors that prevented the achievement of macroeconomic policy targets in the first nine months of 2000. The main emphasis of the program is shoring up the Government's capacity to collect fiscal revenue by implementing a multitude of measures in the areas of tax administration and policy. With a view to enhancing the credibility of the authorities' commitment in their fiscal effort, prior conditions for the PRGF-supported program for 2001 include inter alia concrete targets, such as the completion of audits of large companies; adoption of a withholding tax on imports, deductible from profit tax; adoption of a revised flexible petroleum price mechanism; and initiation of reconciliation of import valuations.

D. Structural Policies

41. In the coming years, the efforts will focus on **consolidating and deepening the structural reforms** that were initiated in 1995-2000 to firmly establish the conditions conducive to private investments, competitiveness and creation of employment, and to building the institutional capacity to manage the public sector and improve governance. Box 1 outlines the key reforms for the medium term. For private sector development, the policy and institutional reforms will promote and facilitate private investments, exports, good business practices, and enterprise development including rural and urban small scale enterprises; promote market-based agriculture; strengthen the banks and rural savings and loans cooperatives; and complete the privatization of public enterprises. The Government has already established the Rwanda Investment Agency to promote and facilitate investments, exports and enterprise development. Two IDA credits under preparation: the Private Enterprise Development Credit, and the Rural

Support Credit (RSP), will provide support for deepening and implementing the reforms for private sector, agricultural and rural development and developing legal and promotional institutions to support private sector development.

42. The next phase of public administration reforms will aim to establish an outward looking and service/results oriented civil service that operates on the basis of competency, accountability, and transparency. This phase of reforms will build on ongoing reorganization of civil service units, including the establishment of new job descriptions, classification and grading and the improvements in the compensation of civil servants. Efficiency improvements will be sought by contracting out non-central functions of the civil service to the private sector. Capacity building is an integral part of the reform of public administration in Rwanda. The ongoing effort to replace unqualified civil servants with qualified staff will raise the capacity of the civil service and enhance the returns from training of staff. The proposed IDA Multi-Sector Capacity Building project as well as other IDA-supported sectoral projects will support institutional reforms and capacity building in core economic ministries and key sector ministries (education, agriculture, and health). In this context the Government will design and implement a cost-effective training program for civil servants in the context of the national capacity building strategy. Furthermore, a good personnel management system, including transparent and competitive processes for recruitment, deployment and retrenchment that ensures that the right people are recruited and placed in appropriate positions and grades are essential for successful and sustainable capacity building. The Government is considering the establishment of a Public Service Commission to implement the reforms of public administration and manage civil service personnel.

43. With the introduction of a Medium-Term Expenditure Framework (MTEF) for the budget, the Government aims for a public expenditure management system that is transparent, accountable and result oriented. These goals will only be achieved with a civil service that works on those principles. The Government will continue to implement its phased plan for the full adoption of the MTEF. The next state of actions include the integration of the recurrent and development budgets; the continued development of sector strategies and programs as the bases for budgets; the improvements in the macroeconomic framework and the definition of the medium-term resource envelope; strengthening of monitoring, reporting and dissemination of budget performance and outcomes; further improvements in donor coordination; and capacity building in both core and line ministries. The Government will need the assistance and cooperation of its external partners to fully adopt the MTEF and make it work for the poor.

Box 1. Future Structural Reforms

Expenditure Management: The Medium-Term Expenditure Framework (MTEF) budgeting approach will continue to be developed to strengthen the link between policies and budget decisions and outcomes, and promote broader participation of the civil society in budget decisions and monitoring. The MTEF has been used by all ministries for the 2001 budget. The budget preparation process has already been improved through a functional budget classification which has been used for the first time for the 2001 budget. In addition, during 2001 a system of monitoring poverty-related spending on a monthly basis and a plan for public debt monitoring will be developed (the latter with donor assistance), weaknesses in the system of internal audits will be addressed and financial instructions will be prepared to promote effective expenditure control as specified in the organic budget law.

Civil Service Reform: In the course of 2000 and 2001, the Government will rationalize and streamline functions and staffing within the civil service both in the central administration and in the prefectures by redeploying staff according to newly developed *cadres organiques* and job classifications, and adopting a civil servants' code. In parallel, the Government will hold further consultations with the civil society and its partners on the reform of public administration, consistent with its long-term vision of improving governance and public service delivery and in line with its strategies for poverty reduction, capacity building and human resources development. This will form the basis for future reforms.

Social Security: The audit of all government debt in arrears to the CSR – amounting to the equivalent of about 5 percent of GDP – has been completed in the course of 2000. An agreement on the treatment of these arrears and a comprehensive restructuring plan of the CSR will be adopted by mid 2001. A draft law revising the role of the CSR is to be submitted to parliament in early 2001.

Promotion of Private Enterprise: The Rwanda Investment Promotion Agency, established to promote and facilitate private investments, enterprise development and exports, and the Arbitration Center will be made fully operational by mid 2001. CAPMER (center for support of SMEs) will be established to provide technical support and financial services to small and medium enterprises (SMEs). CAPMER will manage a start-up fund to encourage and realize innovative ideas by SMEs.

Privatization of Public Enterprises: The privatization of state enterprises will continue in 2001 including the nine tea factories and the public telephone company. The electricity/water utility will be restructured and managed by a competent private sector operator, pending a concession arrangement and eventual privatization of all or parts of the utility. A multi-sector regulatory agency will be established to regulate the activities of utility firms.

Agriculture and Rural Sector Development: The liberalization of markets for agricultural products and inputs such as fertilizers and seeds will be completed, including through the revision of the Internal Trade Act. The adoption of a new land law that will strengthen land tenure, improve land use, and end gender discrimination in land ownership. Support will be provided to promote farmer associations and groups as agents for the adoption and dissemination of technologies and improved inputs. A small new fund will be created to help pilot innovations and new techniques in small scale agriculture. Research and extension services will be rebuilt.

Financial Sector Reform: Restructuring of commercial banks according to the existing restructuring plans will continue addressing issues such as additional provisioning, the recognition and management of impaired assets, and increases in capital. The recovery of non-performing loans will be facilitated through improvements in the arbitrage center and the reactivation of accelerated guarantee recovery procedures (*voie parée*). Bank supervision will be strengthened through annual on-site inspections to be commenced in 2001. Banking supervision capacity will continue to be improved according to the existing plan of recruitment and training of supervisors, and computerization of the bank supervision process. A diagnostic and strategic audit of the cooperative savings and loan institution, the Union des Banques Populaires (UBP), will be completed in 2001 with the aim of strengthening its management to make the bank responsive to the credit needs of farmers and small rural and urban businesses.

Governance: The capacity of the Auditor General's office will be strengthened mainly through training of staff with the aim of completing the audits of 14 government bodies by end 2001 and delivering full audits of public accounts annually from 2001 onwards. Transparency and fairness in the tendering process will be improved, partly through capacity building at the National Tender Board. A mechanism to deal with all identifiable cases of corrupt officials in accordance with the law will be put in place.

E. Human Resource Development

44. Poor education and health, gender discrimination, high HIV/AIDS infection and lack of institutional capacity are serious impediments to growth and poverty reduction. The Government is putting high priority on dealing with these development challenges. In **education and training**, the Government seeks to achieve Universal Primary Education (UPE) in 2010, increase the transition rate to secondary education from about 22 percent in 1999 to 40 percent by 2005, improve the quality of education, and strengthen tertiary education and training/capacity building to be responsive to the needs of the labor market. A system of formal and in-service training for teachers has been introduced, with twelve new teacher-training colleges recently established to provide this training. By 2002, at least six of these colleges will have the facilities and instructors to produce enough qualified teachers to enable the school system to meet its objectives of emphasis on mathematics, science and languages.

45. Rwanda has a large population with special educational needs including over-aged youths whose schooling was interrupted by war, the handicapped children and other victims of genocide including orphans. Special programs will be introduced into the formal school system to assist these vulnerable groups. In addition, the non-formal education programs under the ministries of youth and sports, and gender and women-in-development will be strengthened to meet special and adult education needs. The programs of the public tertiary institutions will be re-oriented to meet the needs of the labor market, with increasing emphasis on science and technology. The Government is carrying out a study to examine the options for financing higher education and intends to adopt cost recovery policies where feasible. The National Task Force on Human Resources, set up by the Government in early 1999, has recommended that a Human Resources Development Agency (HRDA) be set up to formulate, coordinate and monitor HRD policies and assist in the implementation of agreed HRD actions.

46. **In the health sector,** the Government intends to strengthen the decentralized health management system, accelerate the rehabilitation of health facilities, increase health service coverage, develop and implement programs to fight the leading causes of mortality and morbidity, particularly malaria and malnutrition, develop, strengthen human resources, and monitor key health related indicators. Community participation, information sharing, and education will be developed and will put special emphasis on public hygiene and other preventive practices. The Government will also adopt and implement national plans to reduce the high rates of morbidity and mortality due to malaria and reduce infant and maternal mortality.

47. The Government's decentralized health care delivery system is in place and functioning in most districts, working in the framework of a cost sharing/recovery system, with fees for services. There is evidence, however, that the demand for health services has fallen because the poor cannot afford the fees. The Government is concerned about this problem and is exploring options for addressing it. A low cost mutual insurance scheme has been introduced in some health districts and if it proves successful, it would be replicated elsewhere. However, it appears that many poor households cannot afford the insurance premium and some financial support would have to be provided to health districts to bring down fees to affordable levels.

48. **Water and sanitation** services are deficient. Only about 44 percent of households have access to potable water, a decline from 64 percent at the end of the 1980s. Access to potable water was identified by both rural and urban dwellers as the highest priority public service. There is a substantial need for rehabilitating and completing existing water supply facilities in both the rural and urban areas. The water system in Kigali is in desperate need of rehabilitation, with very significant water losses and poor service to the residents of the city. The Government's strategic framework for water supply in rural areas requires strong community participation in water delivery. A recently approved IDA rural water project is based on this new strategy. For water supply in the urban areas, the restructuring and privatization of the water/electricity utility will help to attract badly needed investment and improve services. However, in the short and medium-term, public investment is needed to rehabilitate the existing water works and improve services to consumers. For urban sanitation, the priority is to build the institutional capacity of urban administrations to effectively manage sanitation services.

49. With respect to **gender issues,** the Government is strongly committed to the full participation of women in the society and new laws, policies, regulations and budgets will be sensitive to the gender impact. In the March 1999 local elections, a number of seats were reserved for women, to ensure their representation and participation. A revised civil code, enacted in 1999, provides for new matrimonial regimes that eliminate gender discrimination on inheritance and property rights. The Ministry of Gender and Women in Development (MIGEPROFE) will launch a public education campaign to ensure compliance with this new law. A National Plan of Action for 2000-2005 to enhance the status of women and improve their access to economic and social opportunities was adopted by the cabinet in September 2000. This Plan of Action will guide Rwanda in meeting its obligations to the international conventions on the rights of women. A comprehensive legal action plan to enhance the rights of women has also been completed and will be discussed by cabinet in early 2001. The adoption of these action plans will pave the way for the implementation of specific actions starting in 2001.

50. On **HIV/AIDS** the Government has adopted a multi-sectoral approach to its prevention and several ministries including Defense, Education, Health, Youth and Sports, and Gender have prepared or are in the process of preparing sectoral HIV/AIDS plans of action. The prevention of HIV/AIDS will be given prominence in the national consultations for the preparation of the Poverty Reduction Strategy Paper. Meanwhile, discussions will be initiated in 2001 on a new comprehensive strategy for HIV/AIDS prevention, to update the existing 1998-2001 strategy.

51. The Government will continue to give priority to selected programs in education and training, health, water supply and sanitation, the development of women, and the prevention of HIV/AIDS in budget allocations. The resources freed by debt relief under the Enhanced HIPC Initiative will enable the Government to substantially increase budget allocations to these priority programs. New resources from the HIPC relief will also contribute to meeting the substantial budgetary requirements associated with improving the quality of education and health, achieving Universal Primary Education (UPE), and intensifying the fight against HIV/AIDS. Public spending on the health sector needs to increase to compensate for the decline in emergency-related spending on rehabilitation and operational activities in the sector by donors and NGOs, as well as to bring down the fees for health services to affordable levels while preserving the cost-sharing framework developed for health districts.

F. Issues and Policies in Key Sectors

52. With poverty concentrated in rural areas, the development of **agriculture** is crucial to poverty reduction in Rwanda in the medium term. With scarce land resources, raising agricultural productivity is absolutely necessary for raising rural incomes and reducing poverty. The Government's strategy for agriculture seeks to raise productivity through greater market-orientation of the sector, underpinned by intensification in input use, diversification and specialization in agricultural production. Under the strategy, the key actions include the rehabilitation of productive infrastructure including coffee and tea processing facilities, the rebuilding of agricultural extension and research system, the liberalization of land, labor and agricultural inputs and products markets, the promotion of regional specialization in production, and support to associations of farmer groups as partners in the generation and dissemination of technologies and in improving input distribution and output marketing systems. A land law that ensures the security of land tenure and permits land markets to develop, and a functioning small and rural credit system, are important challenges for market-based agriculture in Rwanda.

53. The development of agricultural exports will contribute to reducing aid-dependency. The coffee and tea sectors can make an enormous contribution to poverty reduction and exports in the medium term. The privatization of the tea and coffee processing and marketing facilities is ongoing, and legislation is underway to dismantle the state controlled marketing/regulatory agencies and replace them with industry-based promotional organizations. The liberalization of the marketing and exports of tea and coffee and the privatization of the processing plants will help to attract private investments that are essential for these industries to reach their potential. The Government, through the Rwanda Investment Promotion Agency, will continue to promote alternative high-value small-holder crops.

Box 2: Strategies and Actions for Human Resource Development	
Objective	**Strategy/Actions**
ALL SOCIAL SECTORS	
Improve Social Services	Put priority on social sectors in budget allocations. Implement the MTEF system of budgeting. Monitor budget inputs, outputs and outcomes. Strengthen the Poverty Observatoire to monitor and disseminate developments in poverty and social indicators. Conduct regular reviews and tracking surveys of expenditures of social sectors.
EDUCATION AND TRAINING	
Expand Access to Pri/Sec Schools	Involve communities in the construction and management of primary and secondary schools. Establish a framework for the community and private sector participation in the provision of education.
Improve quality primary and secondary of education	New curricula for primary and secondary schools, emphasizing basic education and skills, science and mathematics, national unity, health awareness, and prevention of HIV/AIDS.
	In-service and formal teacher training in 12 newly established primary teacher training colleges.
	Strengthen the system of national examinations as the objective evaluation of system performance.
Relevance of tertiary education	Strengthen the Kigali Institute of Education (KIE) to train teachers for secondary schools and TTCs. Orient the programs of the public tertiary institutions to the needs of the labor market, with increasing emphasis on science and technology.
Strengthen training and capacity building	Establish the HRDA to coordinate and monitor capacity building efforts and provide policy advice. Develop a broad strategy and action plan for national capacity building and training. Conduct regular assessments of national capacity needs.
Monitoring & evaluation	Develop a management information system to maintain data on education and training and capacity building. Develop an annual report to assess sector performance.
HEALTH	
Improve access and quality of health care	Fully implement the decentralized health system, provide assistance to equip and staff the districts hospitals and primary care health centers, and to make the services accessible to the poor.
	Adopt and implement a framework for coordination of private, public and NGO health providers.
Monitoring and evaluation	Continue to upgrade and maintain the computerized information system for monitoring health indicators and system performance and the ministry's annual progress report.
Capacity building	The recently established Kigali Institute of Health (KIH) will provide training to health workers.
GENDER	
Implement the revised civil code and the Gender Action Plan	MIGAPROFE will launch a public education campaign to ensure compliance with the revised civil code that gives women the right to own property. Adopt and implement the Comprehensive Legal Action Plan. Ensure that the proposed new land law confirms the right of women to inherit and own land.
HIV/AIDS	
Improve support and coordination	An intersectoral AIDS Commission was established in November 2000 to ensure continuing broad political support and coordination of the efforts to control HIV/AIDS infection.
	Update the multi-sectoral HIV/AIDS control and prevention strategy.
Prevention, cares and counseling services	Implement sectoral HIV/AIDS programs in the ministries and districts. Assist private and public firms, NGO groups and civic associations to establish HIV/AIDS programs for their staff and members.
	Mobilize cultural, religious and civic leaders to strengthen information, education and communication (IEC) activities, counseling, and care and support for HIV/AIDS infected persons and AIDS orphans.
	Put priority in the treatment of other sexually transmitted diseases, prevention of mother/child transmission of HIV/AIDS, access to condoms and treatment of opportunistic infections.
WATER AND SANITATION	
Management of water and sanitation services	Promote community participation in the design of water projects and the management of water supply facilities and build local capacity to plan for and manage water supply projects and facilities.
	Restructure Electrogaz, the urban water /electricity utility, progressively privatize its management and facilities.
	Strengthen the capacity of local administrations to manage sanitation services.

54. The objectives of public actions in infrastructure is to reduce costs of services, improve reliability and coverage of services to facilitate the development of a competitive private sector and enable the poor to have access to affordable transport, energy and communications services. For **transport,** the policy objectives include: (i) improving international transport connections; (ii) upgrading the key routes in the road network to paved standard to facilitate the country's access and its social and economic reintegration; (iii) improving rural feeder roads to lower transport cost for farmers and facilitate the development of market-based agriculture; (iv) ensuring better management and financing of the maintenance of the road network in general; and (v) improving road safety. The Government is very concerned about the high costs and unreliability of existing arrangements for access to the sea and is considering a number of options to diversify access, including a railway line from Kigali to the Tanzania Rail terminus at Isaka. For **energy and communications,** the strategy is to increase private sector in the provision of these services, promoting competition where applicable, to reduce costs and increase availability of services. The Government will establish a multi-sector utility regulator to regulate privatized utility firms. For energy, a plan for phased introduction of private sector participation starting with private management of existing publicly owned energy facilities, has been adopted and being implemented. This approach is supported by the IDA energy project and will also receive support from the proposed private enterprise development project. Furthermore, the Government is seeking private investment for harnessing the methane gas reserves in Lake Kivu. For communications, the privatization of the major communications provider is underway.

G. Monitoring Poverty and Social Indicators

55. Efforts have been underway since 1997 to rebuild the capacity to gather information. In 1999, the Government set up a *Poverty Observatory* in the Ministry of Finance and Economic Planning to work closely with other social sector ministries to monitor progress in meeting the targets on poverty and basic social indicators. The Observatory is now in operation and is in the process of gathering available information on social indicators in Rwanda to help to make an assessment of information needs, gaps, and capacities for collection and processing. The Observatory is also coordinating the public expenditure tracking and incidence survey that is currently underway. It is envisaged that the survey will be repeated regularly and with that in mind, the current exercise is relying on local consultants, to build capacity and keep the costs modest.

56. A number of other data gathering exercises are underway. In 1997, the Government, with the support of the IDA and the UNDP, initiated the plan for a Household Living Standards Survey (HLSS) to provide basic household statistics to underpin social and economic indicators. Data collection for the HLSS started in 1999, with the support of UK-DFID, UNDP, and AfDB. The full HLSS data is expected to be available in 2001. Planning for a population census in 2002 is already advanced. In addition, a Demographic and Health Survey (DHS) will be undertaken in 2001. By 2002, when all these exercises have been completed, the information to make an assessment of living conditions in Rwanda will be available. Regular and up-to-date information on the living standards will be important for successful implementation of the MTEF and the poverty reduction strategy.

57. Routine data collection and monitoring of inputs, outputs and outcomes, are being strengthened in key ministries. The Ministry of Finance and Economic Planning (MINECOFIN) maintains a computerized flash reporting system that monitors budget commitments and expenditures and produces monthly reports. The database management system would need to be upgraded so it can produce more timely and relevant reports. MINECOFIN will also design a system to collect information on expenditures on donor financed projects on a routine and regular basis. The *Poverty Observatory* will regularly monitor and report social and poverty-related indicators and the impact of measures taken to reduce poverty. The Ministry of Health (MINISANTE) has a comprehensive management information system integrated into the decentralized health service delivery system. This allows for improved reporting of both expenditures and services provided (e.g., number of consultations) at the health district level. The information from the system provides the basis for the preparation of MINISANTE's Annual Report, issued at the beginning of the year, covering activities and expenditures in the previous year. This practice in MINISANTE should be a model for all other ministries. Under the IDA Human Resources Development Project, the IDA and DFID will assist the Government to develop the Education Management Information System (EMIS) and the capacity to maintain it.

58. In the context of the preparation of I-PRSP, the Government has identified a number of poverty and social indicators to be monitored as part of the performance assessment of the PRSP process. Over the next year in the preparation of the full PRSP, these sets of indicators will be refined to include those indicators that are germane to priority objectives and actions. Decisions will need to be made on how to collect the data required to produce the indicators and the agencies that will be responsible. The central statistical system is extremely weak. It needs to be rebuilt so that the various efforts can be well coordinated and information maintained and made available for use. The Government will work with its external partners to rationalize the information collection and management systems in Government and strengthen the institutions charged with information collection and management.

IV. DEBT SUSTAINABILITY ANALYSIS AND ASSISTANCE UNDER THE ENHANCED HIPC INITIATIVE

A. Debt Sustainability Analysis

59. The debt sustainability analysis (DSA) was prepared jointly by the Fund and IDA staff and the Rwandese authorities on the basis of loan-by-loan data provided by the authorities and creditors for debt outstanding at December 31, 1999. The debt reconciliation exercise was completed in November 2000—pending final confirmation from a few Paris Club creditors.

60. **Composition of external debt at end-1999**. After the full application of traditional debt relief mechanisms, the public and publicly guaranteed external debt of Rwanda at end-1999 was US$1,261 million in nominal terms. This translates to US$634 million in NPV terms[13] and an

[13] The NPV of debt is calculated on loan-by-loan data using the average currency-specific commercial interest reference rate (CIRR) for the six-month period ending December 31, 1999 and converted into US dollars

(continued...)

NPV debt-to-export ratio of 523.4 percent. Details of the breakdown by creditor of the end-December 1999 stock, both in nominal and in NPV terms, are provided in Table 4 and summarized in Figure 2. Multilateral creditors account for 88 percent of all official debt outstanding. IDA is the largest creditor, accounting for 50 percent of total debt in NPV terms, followed by the African Development Bank Group and the IMF which account for 17 and 10 percent respectively of the total NPV stock of debt. Bilateral creditors account for about 12 percent, divided between Paris Club pre-cutoff debt (8 percent of total stock of debt) and non-Paris Club creditors (which account for less than 5 percent). There is no post cutoff Paris Club debt. France is the largest Paris Club creditor. Non-Paris Club bilateral creditors include the Saudi Fund, Kuwaiti Fund and China. Commercial creditors account for roughly 0.1 percent of the NPV of debt.

61. **Paris Club reschedulings**. Rwanda has benefited from one Paris Club flow rescheduling agreement signed in May 1998 on Naples terms, covering outstanding arrears as of end-June 1998 and a consolidation period from July 1998 to end-May 2001, with an NPV reduction of 67 percent on eligible debt. The Paris Club is planning to extend the 1998 agreement to end-2001 and "top up" the flow assistance from Naples terms (an NPV reduction of 67 percent) to Cologne terms (an NPV reduction of 90 percent), thus no new agreement is planned. The non-Paris Club bilateral creditors are assumed to give comparable treatment as the Paris Club creditors. The baseline scenario is presented on the basis that the 1998 Paris Club agreement was implemented by all Paris Club creditors at end-1998, with comparable treatment from all other bilateral creditors.

62. **Baseline macroeconomic assumptions**. The macroeconomic projections used in this analysis and agreed with the authorities are consistent with the macroeconomic framework of the I-PRSP.[14] Underlying these projections is the assumption of implementation of sound macroeconomic policies within the context of the Government's program supported by the IMF and IDA. Central to the authorities' macroeconomic framework is gradually improving fiscal performance, based on improving revenue collection and expenditure rationalization designed to reallocate resources towards social spending. The framework also envisages the development of new export sectors in addition to the enhancement of existing ones. This macroeconomic blueprint is consistent with sustained economic growth, to be supported by steady improvements

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using the end-December 1999 exchange rate. The CIRR discount factors and exchange rates are provided in Table 8.

[14] Compared with the macroeconomic scenario in the preliminary HIPC document, the current macroeconomic projections show higher GDP growth in 2003 and beyond, as well as higher export growth rates for the medium and long term. The revised projections reflect new information received by staff during discussions with the private sector and authorities, and are based on the analysis underpinning the I-PRSP. In particular there was a revision of expectations about the prospects for traditional exports, as well as in areas such as horticulture and textiles, where steps are underway to improve performance. It should be noted that exports are currently only 4 percent of GDP. Increasing real GDP growth projections from 5 percent to 6-6.5 percent is consistent with a population (employment) growth projection of 3 percent, growth in capital consistent with a gradually rising investment-to-GDP ratio of about 20 percent in the long run, and a 1.5-2 percent annual growth in total factor productivity.

in the macroeconomic policy environment, further structural reforms, and rapid progress in the provision of social and infrastructure services.

63. Box 3 and Table 3 set out the key assumptions underpinning the baseline scenario. The external current account deficit excluding official transfers is projected to narrow from over 16.8 percent in 2000 to around 10 percent in 2005, and further to around 5.8 percent by 2009 and to 3 percent by 2019. This improvement would come about from declines in the investment/savings-related gaps of both the Government and the private sector. Export growth is projected to exceed import growth in value terms, reflecting the development of new export sectors (as described in the I-PRSP) and efficiency gains in traditional sectors such as tea and coffee following privatization in 2002 and 2003 respectively as well as through improvements in infrastructure and extension services. Although it is assumed that public sector capital inflows in the form of grants and concessional loans will remain a dominant form of financing, it is also assumed that private capital inflows will increase from around US$5 million in 2001 to US$50 million per year from 2009 onward due to increased confidence in the economy, a deeper and wider banking/financial system, as well as expanding investment opportunities especially in export-oriented sectors. The share of grants in external financing for the Government is assumed to constitute about 75 percent of new financing in 2001 to 2006 and remain between 70 and 75 percent thereafter.

Box 3: Key Macroeconomic Assumptions in the Debt Sustainability Analysis

- Real GDP is expected to grow on average at a rate of 6.2 percent a year from 2000-2009 and then by around 5 percent from 2010-2019, assuming a population growth rate of 2-3 percent per year.
- Gross investment and national savings would both gradually increase over the next 20 years. Investment is expected to average 18.5 percent of GDP in 2000-2009 and increase to 21.5 percent in 2010-2019. Savings would average 7.9 percent of GDP from 2000-2009 and increase to 17.9 percent during 2010-2019.
- During 2001–2019, Rwanda's export volumes are expected to grow at an average rate of about 11.2 percent a year.
- Merchandise imports are projected to grow somewhat less than GDP.
- Gross official reserves would decline from about 7 months of imports in 1999 to about 5 months of imports in 2008 and to be maintained at that level thereafter.
- All public external borrowing would continue to be on very concessional terms, with a grant element of at least 70 percent.
- Official transfers are assumed to constitute about 75 percent of new financing from 2001 to 2006 and remain at the historical average, between 70-75 percent thereafter.

B. Assistance under the Enhanced HIPC Initiative

64. Given that the Rwandese authorities have reached an agreement with the Fund staff for the completion of the second review of the second annual PRGF arrangement and for the third annual PRGF arrangement and the satisfactory staff assessment of the interim Poverty Reduction

Strategy Paper (PRSP), staff and management recommend that Rwanda is eligible for debt relief under the Enhanced HIPC Initiative and recommend approval of a decision point. Rwanda would qualify for the HIPC Initiative based on the NPV of debt-to-exports criterion[15]. The NPV of debt-to-exports ratio—after full use of traditional debt relief mechanisms, including a hypothetical stock-of-debt operation on Naples terms—is estimated at about 523 percent at end-1999. To bring this ratio down to the target level of 150 percent, assistance in the amount of US$452 million in NPV terms (or about US$814 million in nominal terms) would be required. This level of assistance implies a common reduction factor of 71.3 percent (see Table 7).

65. The cost of providing assistance would be shared proportionally among Rwanda's creditors based on their end-December 1999 NPV exposure after application of a stock-of-debt operation on Naples terms. About 88 percent of this assistance (or US$396.5 million in NPV terms) would come from multilateral creditors, with IDA providing US$227.5 million in NPV terms, followed by US$75.0 million from the African Development Bank Group and US$43.8 million from the IMF. The bilateral and commercial creditors would provide the remaining 12 percent of the assistance (or US$55.9 million in NPV terms). Figure 1 charts Rwanda's NPV of external debt at end-1999 before relief, after traditional debt relief mechanisms and after the implementation of the Enhanced HIPC Initiative. It also shows the possible further reduction of the NPV of debt if some Paris Club creditors were to go beyond Cologne terms, as they have already indicated.

66. **Delivery of assistance**. The authorities estimate that Rwanda will be able to fulfill all the conditions described in Section C above and summarized in Box 4 for a floating completion point by December 2002. Based on that timeline, the following assumptions were made regarding the delivery of assistance to Rwanda under the Enhanced HIPC Initiative:

- For **Paris Club** bilateral creditors, a stock-of-debt operation on Cologne terms is projected at the completion point. Interim assistance is assumed through flow rescheduling on Cologne terms.

- At least comparable terms to the Paris Club creditors are assumed for **non-Paris Club** bilateral creditors, including interim assistance is projected (but these creditors' exposure is only ODA).

- **IDA**'s HIPC Initiative assistance would total US$227.5 million in NPV terms, equivalent to a total debt-service reduction of US$404.8 million over the next 20 years. Immediately following the approval of Rwanda's decision point by the Boards of IDA and the Fund, IDA will begin providing interim assistance in the form of an 88.4 percent reduction on Rwanda's debt service to IDA (Table10). The amount of assistance provided during the interim period would not exceed one third of the total relief to be contributed by IDA. Under the proposed modality, 11 percent of IDA's required NPV reduction would be provided during the interim period. IDA relief would become irrevocable at the completion point, subject to provision of satisfactory assurance of participation by Rwanda's other creditors.

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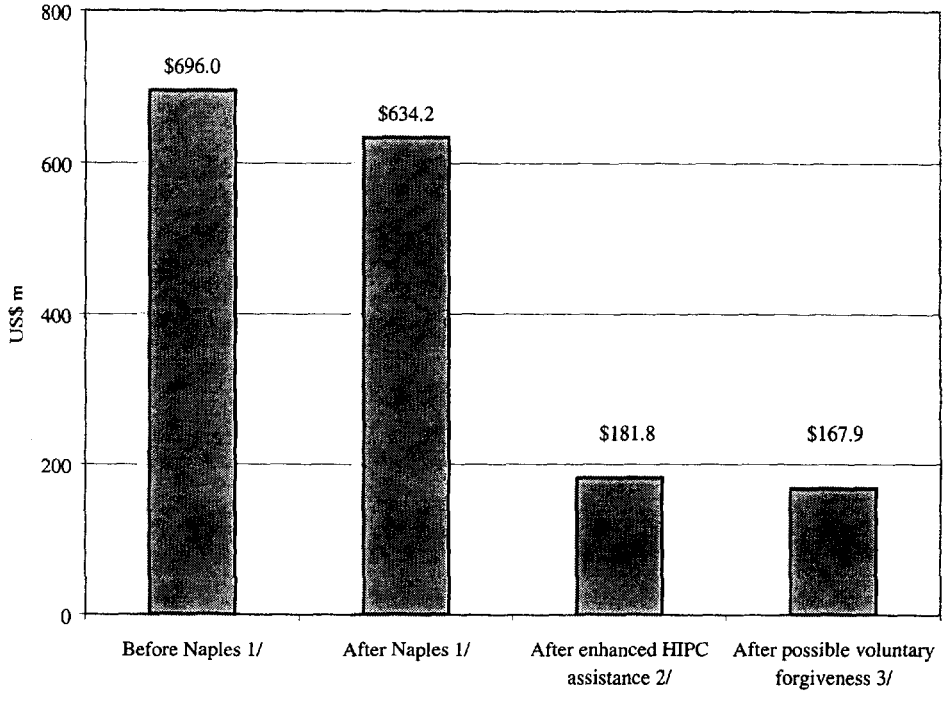
15 In order to qualify for assistance under the fiscal criterion, a country's revenue-to-GDP ratio must be at least 15 percent and the exports-to-GDP ratio at least 30 percent. As these ratios in Rwanda's case are 9.8 percent and 5.6 percent respectively, Rwanda does not quality under the fiscal criterion.

- Total assistance from the **IMF** would be US$43.8 million in NPV terms. The IMF is assumed to deliver interim assistance and this assistance is geared towards smoothing the time profile of Rwanda's debt service to the Fund (Table 9).

Figure 1: Rwanda: NPV of External Public Debt

(In millions of US dollars, at end-1999)



Source: Rwandese authorities, staff estimates.

1/ Before (After) Naples means before (after) a stock of debt operation on Naples terms (67 percent NPV reduction) and hypothetical comparable treatment from non-Paris Club bilateral creditors.

2/ Assumes delivery at end-1999.

3/ Reflects possible assistance beyond the enhanced HIPC relief from some Paris Club creditors.

- The **Africa Development Bank Group** and **European Union** are assumed to provide debt relief during the interim period, based on the modalities announced by the multilateral development banks during their consultations at the World Bank on October 11-12, 2000.

- **BADEA** signed a new amortization repayment schedule with the Rwandese authorities in March 1999. The terms for this agreement provided for the consolidation of the stock of principal and interest in arrears as of end-December 1998 and maturities falling due in 1999 and 2000. The NPV reduction resulting from this arrangement constitutes part of BADEA's

assistance under the HIPC Initiative. The DSA assumes that the remainder of BADEA's debt relief will be provided after the completion point through a reduction in debt service.

- The **OPEC Fund** signed a loan with Rwanda in July 1999 to settle outstanding arrears owed by Rwanda to the OPEC Fund. As this loan is not yet effective, the DSA maintains the principal and interest in arrears in the data set and assumes that they are cleared by this loan during the interim `period. The NPV reduction resulting from this loan is part of the OPEC Fund's HIPC assistance with the remaining debt relief to be provided after the completion point.

- **All remaining multilateral creditors** are assumed to provide assistance from the completion point onward through a fixed annual percentage reduction in debt service payments until the required NPV reduction is achieved.

67. **Interim assistance**. Assuming the modalities of debt relief outlined above, the expected annual debt-service savings would average about US$27 million during the interim period, and about US$28-38 million (around 1.5 percent of 2001 GDP) after the completion point. The actual nominal level of assistance each year will depend on the modalities for the delivery of debt relief decided on by each creditor to reach the required NPV reduction.

68. **Status of creditor participation**. All of Rwanda's multilateral creditors, including IDA, the African Development Bank Group, the IMF, the European Union, BADEA, the OPEC Fund and the International Fund for Agricultural Development, have agreed to participate in the Enhanced HIPC Initiative. Specific decisions on the delivery of assistance to Rwanda will be taken by the decision-making bodies of multilateral creditors once the Boards of IDA and the Fund have discussed the decision point document. Multilateral debt relief accounts for 88 percent of total Enhanced HIPC assistance in NPV terms. Paris Club creditors will also participate in the Initiative for Rwanda.

69. **Impact of the Enhanced HIPC.** Assistance under the Enhanced HIPC Initiative would bring the end-December 1999 NPV of debt-to-export ratio to 150 percent, down from 523 percent without HIPC assistance, assuming that the HIPC debt relief is delivered unconditionally at the reference date. Moreover, the debt service due would fall from 31 percent of exports in 2000 to 8 to 11 percent during the interim period (2001-2002), declining further to around 4 percent from 2010 onward, thereby strengthening the debt servicing capacity. In spite of the HIPC assistance, however, the baseline scenario shows that the NPV of debt-to-export ratio would still be at 197 percent in 2002 before gradually declining below 150 percent in 2008. The reasons which explain why the NPV of debt-to-exports ratio remains above 150 percent are twofold. First, the pre-drought level of exports (in 1997) is only expected to be reached again in 2001; hence, the three-year moving average of exports will only rise at that point.[16] Second, the

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[16] The three-year average of exports declines in 2000, while the three-year average in 2001 is less than 5 percent above that of 1999. This reflects the low export base in 1998 and 1999 owing largely to drought. Although the projected growth in exports over the next two decades is high--ranging from an average annual increase of 15 percent until 2010 and then declining to around 9 percent from 2010 to 2020--the export base

(continued...)

NPV of debt rises sharply in 2000 reflecting new loan financing which has already taken place. In addition, although it is assumed that official transfers will constitute 75 percent of new financing in 2001 to 2006 with the rest coming from borrowing with a 70 percent grant element, the financing requirement remains significant until fiscal consolidation and rationalization (beginning gradually in 2001 and then accelerating thereafter) have taken effect from 2002 onward. If Rwanda's new financing requirements were to be met from 2001 to 2006 solely through official transfers, the NPV of debt-to-exports ratio peaks at 193 percent in 2000 and falls below 150 percent in 2003. In addition, the current HIPC Initiative framework provides for the possibility of a comprehensive assessment of the debt situation at the completion point. If Rwanda at that time is facing a high NPV of debt-to-exports ratio, i.e., as evidenced by a long-term projection of the NPV of debt remaining above 150 percent of exports, the Boards could consider a topping up of the committed debt relief.[17]

C. Conditions for a Floating Completion Point

70. Rwanda intends to adopt a full PRSP in the second half of 2001. Following continued satisfactory performance under the IDA and IMF supported programs, and one year of implementation of the PRSP including the satisfactory review of the first annual PRSP progress report, the completion point could be reached in the course of 2002. The specific reform measures that will trigger the completion point are shown in Box 4. These conditions for the floating completion point focus on a small set of actions that would have impact on poverty reduction and improvement of social indicators in Rwanda. These actions reinforce reforms and measures included in the PRGF-supported program and IDA projects and policy-based lending, and are explained further below:

- **The privatization of the tea factories and estates will have a strong and direct impact on poverty reduction**: Tea is the second highest export earner after coffee and a major cash crop in rural areas. The quality of the tea is high. Nine of the ten tea factories are owned by the state, while a private company is the majority shareholder and manages one factory. Productivity and quality are much higher in the private company than in any of the state-owned estates. Tea production is constrained by lack of processing capacity. Privatization would bring in private investment in processing capacity and allow the expansion of production of tea by small holders, cooperatives and factory owned estates. It is estimated that with investment in production capacity and improved productivity in greenleaf tea

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is lower than that of the pre-genocide period, thus making the NPV of debt-to exports ratio higher in the initial years until the export expansion is fully underway (from 2003 onward).

17 See "Modifications to the Heavily Indebted Poor Countries (HIPC) Initiative", EBS/99/138 (07/23/99) and IDA/SECM99-475 (07/26/99). The option to reconsider at the completion point the amount of debt relief for countries seriously affected by exceptional adverse shocks was recently reaffirmed by the IMFC and Development Committee, see "Communique—Joint Session—IMFC and Development Committee on HIPC and PRSP Implementation", Prague, September 24, 2000.

Box 4. Key Reforms to be Monitored for Reaching the Floating Completion Point

- **Poverty Focus**
  - (i) completion of a full PRSP and satisfactory implementation for at least one year as evidenced by the joint staff assessment of the first annual progress report;
  - (ii) budgetary savings from the Enhanced HIPC debt relief used to increase expenditures on poverty reducing programs in accordance with the criteria set out in the HIPC Decision Point document (paragraphs 74 to 76); the use of the Enhanced HIPC debt relief discussed in the PRSP consultation process.
- **Macroeconomic Framework:** Maintenance of satisfactory macroeconomic stability as evidenced by satisfactory performance under the PRGF arrangement.
- **Structural Reform:** Progress in the reform of the tea sector, including privatization of at least two of the nine state-owned tea factories/estates in accordance the strategy agreed in the context of the IDA's Economic Recovery Credit.
- **Education Sector**
  - (i) increasing net primary school enrollment from 69 percent in 1999 to the target of 73 percent in 2001;
  - (ii) making operational at least 6 primary teacher training colleges offering full-time and in-service training programs;
  - (iii) the establishment of the framework for community participation in support of primary and secondary education; and
  - (iv) the design and implementation of a capacity building program for the management of education at the central and decentralized levels.
- **Health Sector**
  - (i) the full staffing and equipping of at least 50 percent of the district health centers;
  - (ii) the adoption and implementation of national plans to reduce morbidity and mortality due to malaria, and reduce infant mortality and maternal mortality; and
  - (iii) adoption and implementation of a framework for the coordination of public, private, and NGO health providers.
- **HIV/AIDS:** The adoption and implementation of a new Strategy and Action Plan for HIV/AIDS control and prevention.
- **Gender**: The adoption and implementation of the Comprehensive Action Plan to eliminate gender disparities.

production, tea output could double in five years. This will increase employment and incomes of the poor and raise export receipts.

- **Increasing access to and the quality of education through community involvement, accelerated teacher training, and improved sector management.** Gross primary school enrollment is high at 88 percent, but net primary enrollment was 69 percent in 1999. Progress toward the goal of UPE in 2010 requires the effort by local authorities to sensitize and help parents send their children to school, and the construction of classrooms and training of teachers.

Local communities are increasingly playing a role in rehabilitating and constructing primary and secondary schools. A framework is needed to establish standards and ground-rules for government/community partnership in building and managing schools. The quality of education in the school system is low, and only 50 percent of primary school teachers are trained. Teacher training is key to improving the quality of education while increasing access. Making the recently established teacher training colleges fully operational is a priority. Strengthening the capacity of the Ministry of Education is urgent so that the ambitious goals of the sector can be achieved. An IDA human resources development project is providing assistance to the capacity enhancement program of the Ministry.

- **Improving heath services and standards through equipping and staffing primary health centers, attacking specific national health problems and improving the use of resources.** The decentralized health system is functioning, but many health facilities do not yet have the standard equipment and staff to provide effective services. The effort to bring health facilities up to standard needs to be accelerated to enhance access to services by the poor. Malaria is the leading cause of death in Rwanda, and infant mortality at 139 per thousand is higher than it was ten years ago (109). Maternal mortality, at 810 per 100,000 births is much higher than it was ten years ago (300). The proposed trigger would bring about accelerated action on these largely preventable loss of lives. Health services are provided by the Government, NGOs and the private sector. With Rwanda's palpable lack of medical personnel, with 3 physicians per 100,000 inhabitants, health providers need to function within a transparent and agreed framework, to ensure that resources are used effectively.

- **HIV/AIDS infection is very high in Rwanda** with about 11 percent of the adult population infected. The last two years have witnessed increasing determination on the part of the authorities to fight the epidemic. A National AIDS Commission was set up in early November 2000. A new AIDS strategy, replace the existing strategy (1998-2001) prepared in 1998, is needed to give fresh impetus to the fight against HIV/AIDS. The consultations for preparing the strategy will help to raise awareness to a higher level than before and ensure that the latest developments are incorporated in the strategy.

- **Reducing gender disparities is necessary for accelerated poverty reduction.** In September 2000, the authorities adopted a broad five-year Gender Action Plan which addresses several areas of inequality. A comprehensive and practical action plan, focussing on legal aspects has been prepared, in consultation with civil society, and in the context of IDA's Economic Recovery Credit. The proposed trigger would motivate the adoption of this plan, planned for end-December 2000, and its implementation.

71. **Monitoring of the completion point conditions.** The monitoring of the conditions will be done jointly by the staffs of the IMF and the World Bank, with specific responsibilities assigned to each institution. Fund staff will take the lead in monitoring the macroeconomic situation including broad expenditures and revenue performance. World bank staff will take the lead in monitoring the conditions in the areas of gender, HIV/AIDs, tea privatization and social sector performance. The two institutions will jointly monitor progress in the preparation and implementation of the PRSP, implementation of the MTEF, governance and monitoring of government expenditures.

D. Sensitivity Analysis

72. Rwanda's economy remains vulnerable to a wide variety of risks. In particular, balance-of-payments projections and debt ratio projections for Rwanda are subject to some uncertainty and/or vulnerability, notably with regard to the assumptions on exports of coffee and tea, due to: (i) the variability of international commodity prices as well as the unpredictable and strong effects of weather on these crops; and (ii) the heavy concentration of exports on coffee and tea.

73. Exports from Rwanda are heavily concentrated—just two commodities (coffee and tea) accounted for over 70 percent of export revenue in 1999. A negative shock to exports could come about either through a shortfall in the projected export volumes, for example due to a delay in privatization of coffee distribution and tea production (thus preventing efficiency gains built into the baseline scenario), bad weather, or a delay in the projected development of new export industries. Alternatively, the shock could come about due to a decline in the value of exports arising from adverse developments in commodity prices. Such a shock would also have adverse effects on the path of GDP growth. Thus, the down-side scenario assumes a one-time, 10 percent shock to export value in 2001, then a resumption of export growth by the same rate (in value terms) as in the baseline scenario from 2002 onward (see Table 6). A 10 percent shock which occurs in 2001 would postpone debt sustainability (attainment of 150 NPV of total debt-to-exports) after application of the Enhanced HIPC Initiative to 2019 instead of 2008 under the baseline scenario. Alternatively, significantly tighter macroeconomic policies would have to be followed to restrain the current account deficit and reduce foreign borrowing enough so as to achieve debt sustainability at the same time as in the baseline scenario.

E. Use and Monitoring of HIPC Debt Relief

74. The budget savings from the Enhanced HIPC Initiative, amounting to about 1.5 percent of GDP in 2001 and 2002, would be used to increase budget allocations to the priority programs areas (PPAs), selected on the basis of high impact on social rehabilitation and poverty reduction. With the introduction of the MTEF and the preparation of the PRSP, the Government intends to continue with the expenditure prioritization introduced in 1998 (see paragraph 21). It has decided to expand and target the PPAs better to reflect the emphasis on poverty reduction, human resource development, justice and governance[18]. A provisional list of priority programs is in Annex 1, Table 5 of the I-PRSP. The list includes key priority programs in the education and health sectors, HIV/AIDS prevention, gender equality, as well as key economic services in agriculture and rural infrastructure, and administrative services such as justice and law enforcement. This list, developed in consultation with ministries in the process of preparing for the MTEF and the 2001 budget, is subject to review and refinement as the PRSP process proceeds and deeper consultations take place with the civil society and the development partners. The choice of PPAs reflects the special conditions in Rwanda, with the need to deal with the

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[18] The adoption of a functional classification of the budget has facilitated the identification of budget priorities that reflect national priority objectives. With the new classification, it now possible to identify specific priority programs in each ministry, rather than treating the sector/ministry as a priority, as with the previous program.

legacy of the genocide while building the foundation for long-term development. Although the PPAs contain a long list of items, in terms of spending, they account for 42 percent of total recurrent budget estimates for 2001, compared to about 36 percent for the priority programs in the 2000 budget. The PPAs are not exclusively social sectors as before, and not all social sector programs are PPAs. However, 84 percent of the budget estimates for PPAs in 2001 is for social sector programs. Recurrent spending on the PPAs is projected to rise from 5.4 percent of GDP in 2001 to 7.3 percent in 2004. This includes the substantial increases of social sector expenditures, rising from 4.1 percent of GDP in 2000 to 4.9 percent in 2001, 5.5 percent in 2002, 6.1 percent in 2003, and 6.9 percent in 2004. Recurrent spending in the social sectors will comprise 56 percent of total recurrent expenditures in 2004, compared to 32 percent in 2000. The savings from the Enhanced HIPC Initiative will make these increases possible.

75. The PPA program will operate in the context of the MTEF, with a rolling three-year expenditure program that forms the basis of annual budget allocations. The PPAs will receive above average increases in medium-term expenditure programs and the annual budget allocations. Allocations to the PPAs will be protected from cuts in mid-year budget reviews, but the allocations could be increased if additional resources are available. This approach will result in increasing shares of the expenditures on the PPAs in total budget expenditures. Increasing and protecting budget allocations to the PPAs will facilitate planning and execution of programs. Furthermore, line ministries will strengthen the capacity of units implementing PPA programs.

76. **Monitoring of expenditures on PPAs.** While monitoring efforts and systems will cover the whole budget, the focus will be on monitoring the PPAs, particularly the tracking of flows and use of resources and the incidence of such expenditures. Box 5 shows the existing and planned mechanisms for monitoring of budget budgetary expenditures, as well as poverty and social indicators. The flash reporting system will be the principal system for monitoring expenditures on a regular basis. Efforts will be made during the PRSP consultation to build interest and support in the civil society for monitoring budget outcomes and impact, particularly the PPAs. The World Bank and IMF staffs will continue to closely monitor the PPAs and in the dialogue with the Government, discuss their composition, the MTEF projections and budget

Box 5: Monitoring Budget Expenditures, and Poverty and Social Indicators

Efforts have been underway since 1997 to build the capacity to gather information and monitor budget expenditures, poverty and social indicators: The key actions include:

- The establishment of a computerized flash reporting system in the Ministry of Finance and Economic Planning (MINECOFIN) that monitors all budget commitments and expenditures and produces monthly reports. Expenditures can be monitored by budget line items. This facilitates the monitoring of expenditures in priority areas supported by HIPC savings.
- The establishment of a *Poverty Observatory* in MINECOFIN in 1999 to work closely with other social sector ministries to monitor progress in meeting the targets on poverty and basic social indicators.
- The expenditure monitoring and tracking survey was initiated in mid-2000, covering primary education and health care. It is envisaged that this survey will be repeated regularly.
- The establishment of the Office of the Auditor General to annually audit the accounts of public agencies.
- The Ministry of Health (MINISANTE) has a comprehensive management information system integrated into the decentralized health service delivery system. This allows for improved reporting of both expenditures and services provided (e.g., number of consultations) at the health district level. The information from the system provides the basis for the preparation of MINISANTE's Annual Report, issued at the beginning of the year, covering activities and expenditures in the previous year.
- The centralization of all government accounts in the central bank and the payment for most transactions through the banking system facilitates the monitoring of payments.
- A functional budget classification as provided for in the organic budget law has for the first time been implemented in the 2001 budget.
- Regular participatory public expenditure reviews. Recent reviews include sector expenditure reviews (SERs) for health, education and justice. SERs are planned for agriculture and water and sanitation sectors in 2001. These SERs facilitate the design of MTEF programs.

A number of other data gathering exercises are underway. By 2002, when all these exercises have been completed, the information to make an assessment of living conditions in Rwanda will be available. These include:

- The Household Living Standards Survey (HLSS) to provide basic household statistics to underpin social and economic indicators. Data collection for the HLSS started in 1999, with the support of UK-DFID, UNDP, and AfDB. The full HLSS data is expected to be available in 2001.
- Planning for a population census in 2002 is already advanced.
- A Demographic and Health Survey (DHS) will be undertaken in 2001.
- Under the IDA Human Resources Development Project, the IDA and UK-DFID will assist the Government to develop the Education Management Information System (EMIS) and the capacity to maintain it.
- Work will begin in 2001 to establish a routine system for monitoring donor expenditures on projects in a format that is consistent with the functional budget classification.
- Stock will be taken of all extra-budgetary projects and transactions with a view to incorporating them into the budget by 2002.
- The Office of the Auditor General was established in 1999. Plans for its further strengthening are to be developed and implemented in 2001.
- By end-2001 detailed plans for improvements in the current system of internal audits will be developed and implemented.

allocations and releases, as well as the outcomes and impact. Strong and consistent revenue effort by the Government to meet budget revenue targets and predictable flows of support from the donors are essential for the successful implementation of the MTEF and the PPAs.

F. Benefits from the Implementation of the Enhanced HIPC Initiative

77. The benefits from the implementation of the Enhanced HIPC Initiative can be illustrated by considering an alternative scenario without HIPC assistance (see Table 13), in which Rwanda aims at achieving debt sustainability—defined by an NPV of debt to export ratio of 150 percent—through a sustained and very significant compression of fiscal and external current account imbalances.[19] Debt sustainability under this scenario will be achieved by 2010 if the external current account and overall budget excluding grants are balanced by this time. This implies a sustained compression of fiscal expenditures and of antipoverty/social expenditures in particular. Antipoverty spending would have to remain at about 3.7 percent of GDP—the level that prevailed on average in 1999-2000, which would imply a stagnation in social indicators, at the highly inadequate levels observed in the post-1994 period.

78. The benefits from the implementation of the Enhanced HIPC Initiative can be also illustrated by a second alternative scenario (see Table 13). In this scenario, the authorities aim at reaching social spending targets analogous to those adopted under the PRGF-supported program (rising from about 4 percent of GDP in 2000 to 6.9 percent by 2004, and further to 9 percent by 2009) but without HIPC assistance.[20] This scenario demonstrates that the only way to achieve the appropriate level of antipoverty/social expenditure without HIPC relief would be to forgo debt sustainability for two decades. In this scenario, only by about 2018, would the NPV of debt-to-export ratio have fallen to sustainable debt levels, even though the fiscal and external current account deficits would have been reduced to 3 percent of GDP.[21] Thus the gains from HIPC debt relief are evident in allowing the attainment of debt sustainability, even while antipoverty social expenditures are increased strongly—approximately threefold from 1998-2000 levels—to broadly appropriate levels.

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19 This assumes that the foreign financing would be provided to Rwanda with the same share of grants in foreign financing as under the baseline scenario after HIPC relief.

20 The fiscal deficit would differ from that in the baseline scenario with HIPC relief only by the amount of interest payments that would be saved after HIPC.

21 For simplicity, the projections in this scenario do not assume that there would be a negative feedback on economic growth and export growth in particular from the lack of debt sustainability for much longer than in the scenario with HIPC relief. Changing this assumption would postpone achievement of debt sustainability even further than after 2018.

V. ISSUES FOR DISCUSSION

79. The Executive Directors may wish to focus on the following issues and questions:

80. **Eligibility and decision point**. Given that the Rwandese authorities have reached an agreement with the Fund staff for the completion of the second review of the second annual PRGF arrangement and for the third annual PRGF arrangement and the satisfactory staff assessment of the interim Poverty Reduction Strategy Paper (PRSP), staff and management recommend that Rwanda is eligible for debt relief under the Enhanced HIPC Initiative and recommend approval of a decision point. Do the Executive Directors agree?

81. **Amount and delivery of assistance**. To reach a reduction of Rwanda's NPV of debt-to exports ratio of 150 percent, total assistance under the Enhanced HIPC Initiative is estimated to amount to US$452 million in NPV terms. Of this amount US$228 million in NPV terms is to be provided by IDA and US$44 million by the IMF. In order to accelerate the provision of relief, staff and management recommend that IDA and the IMF provide interim assistance in line with existing guidelines. Do the Executive Directors agree? What are the Executive Directors' views on the option of a reassessment of the amount of assistance at the completion point to take account of the currently projected hump in the NPV of debt-to-exports ratio, after HIPC assistance, discussed in paragraph 69?

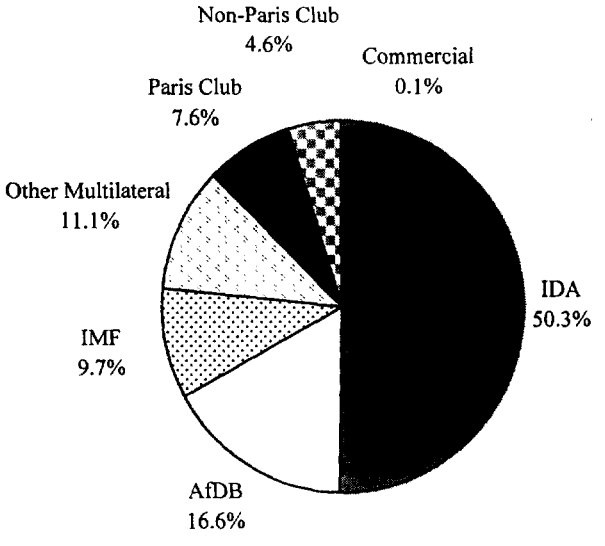
82. **Floating completion point.** In line with the objectives of the Enhanced HIPC Initiative, the staff and management recommend that Rwanda reach the completion point under the Enhanced HIPC Initiative on the condition that the set of key reforms set out in Box 4 are successfully implemented and objectives satisfactorily met, including consensus by the Boards of IDA and the IMF that the PRSP provides a sound basis for concessional assistance, and the maintenance of a stable macroeconomic environment. Do the Executive Directors agree that the conditions described in Box 4, Section IV, are appropriate triggers for Rwanda's completion point and that assistance be provided under the Enhanced HIPC Initiative as long as satisfactory assurances can be secured by Rwanda's external creditors at that time?

Annex 1. Rwanda: Debt Management Capacity

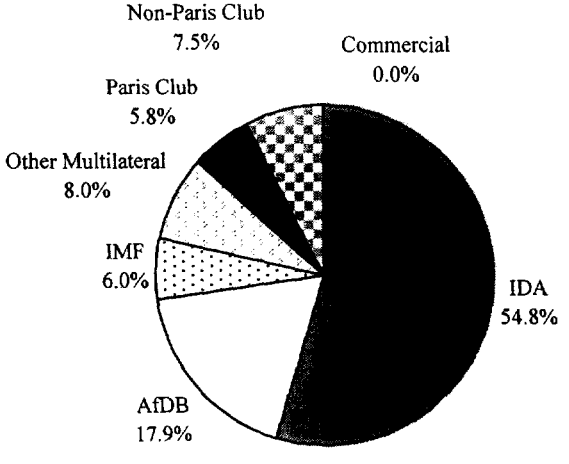
The debt management capacity of Rwanda has recently improved but still remains far from adequate given the debt monitoring requirements under the HIPC Initiative. At present, debt management tasks are split between the Ministry of Finance and National Bank of Rwanda. Although the technical basis for efficient debt management has been provided, human resource constraints impair the authorities' ability to perform these tasks. A SYGADE debt management database has been installed by UNCTAD experts (under the project funded by UNDP) at the Ministry of Finance and has become operational. Staff has been recruited, including computer experts for the maintenance of the Oracle platform on which the database is installed; however, given the time and funding constraints, the new staff has received only rudimentary training. Areas which require particular attention are reconciliation of the data with creditors, issuance of timely and accurate periodic reports, provision of accurate data submissions upon request, and ensuring access to the database by NBR staff. Further technical assistance will be needed to enhance Rwanda's capacity for debt management.

Figure 2. Rwanda: Stock of External Debt, End-December 1999 1/

Net Present Value of Debt: US$ 634.2 million



Nominal Value of Debt: US$ 1,261.3 million

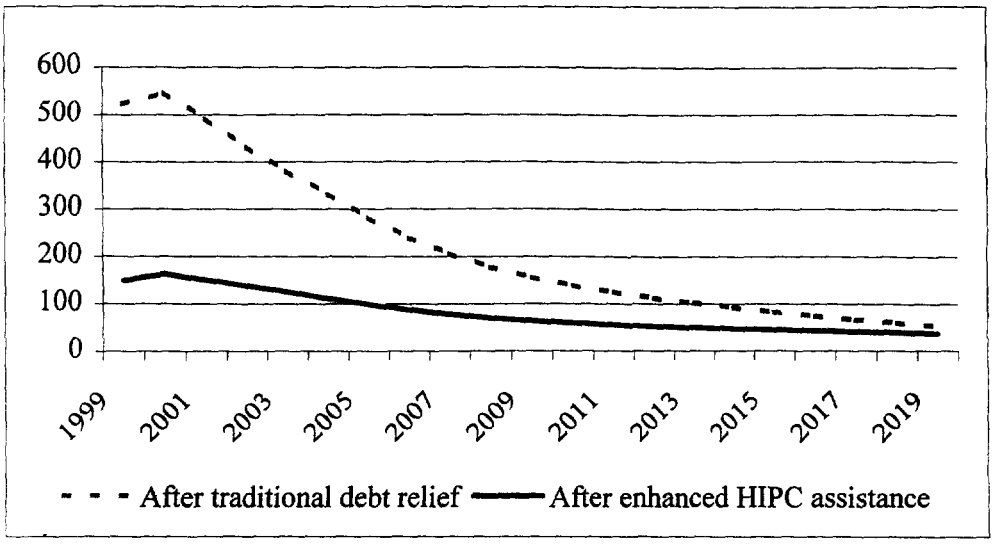


Sources: Rwandese authorities and staff estimates.

1/ After full use of traditional debt relief mechanisms.

Figure 3. Rwanda

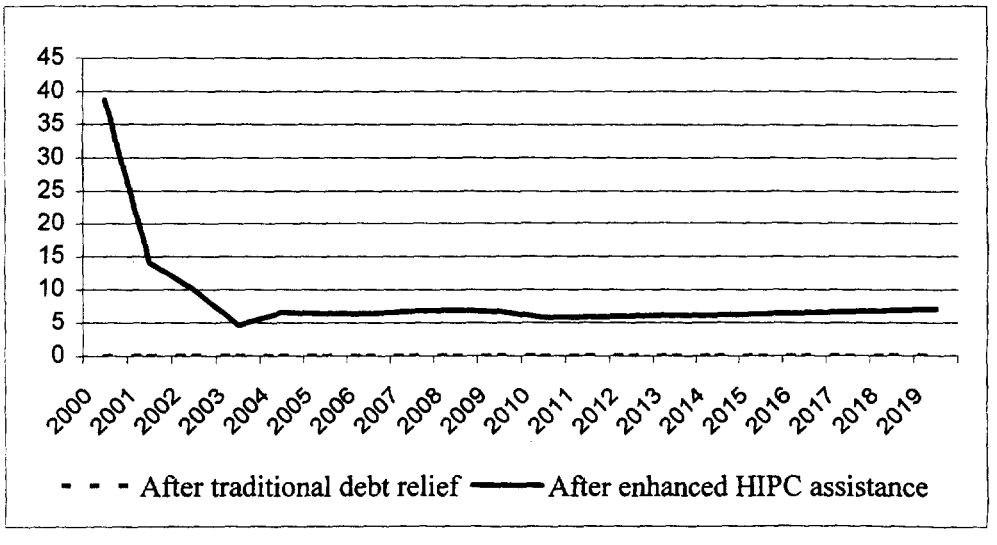
NPV of Debt-to-Export Ratios after Traditional Debt Relief and Enhanced HIPC Assistance



Sources: Rwandese authorities and staff estimates.

Figure 4. Rwanda

Debt Service as Percent of Exports after Traditional Debt Relief and Enhanced HIPC Assistance



Sources: Rwandese authorities and staff estimates.

Table 1. Rwanda: Selected Social Sector Indicators, 1988-99

	1988-93	1996-99
Health		
Population per physician	73,796	66,666
Population per nurse	4,235	9,500
Population per hospital bed	608	1,700
Total fertility rate	6.4	6.5
Immunization DPT (in percent of children under 12 months)	89	77
Immunization DPT (in percent of children under 12 months)	89	67
Under 5 mortality (per 1,000 births)	141	205
Access to health care (in percent of population)	100	80
Education		
Gross enrollment ratio (in percent): primary	71	88
Gross enrollment ratio (in percent): secondary	8.0	9.7
Net enrollment ratio (in percent): primary	-	69.0 1/
Female-male ratio (in percent): primary	49.6	50.0
Female-male ratio (in percent): secondary	38.9	50.6
Pupil-teacher ratio: primary	58	55
Repetition rate (in percent): primary	14.5	30.0
Drop out rate (in percent): primary	11	30
Qualified teachers (in percent of total): primary	-	49.2
Qualified teachers (in percent of total): primary	-	31.0

Source: Ministries of Education and Health.

1/ For 1999.

Table 2. Rwanda: Selected Economic and Financial Indicators, 1995-2004

	1995	1996	1997	1998	1999	2000 Prel. Est.	2001	2002	2003	2004
(Annual percentage changes, unless otherwise indicated)										
Output and prices										
Real GDP growth	34.4	15.8	12.8	9.5	5.9	5.2	6.0	6.4	6.4	6.5
Consumer prices (end of period)	38.3	9.2	16.6	-6.0	2.1	3.0	3.0	3.0	3.0	3.0
External sector										
Export volume 1/	21.4	39.4	13.4	-8.9	11.8	-5.1	15.2	13.5	15.5	17.3
Import volume 1/	-49.8	6.3	42.9	2.2	-12.7	3.9	2.3	5.0	5.3	4.2
Terms of trade (deterioration -) 1/	22.6	-14.7	45.3	-16.1	-15.0	-7.1	2.6	-0.3	-0.1	-0.8
Money and credit										
Domestic credit 2/	15.3	-2.6	42.1	9.9	11.0	3.1	10.9	...	...	...
Government 2/	-34.4	-2.8	18.8	1.0	6.2	-1.6	0.0	...	...	...
Economy 2/	49.7	0.2	23.3	8.9	4.8	4.7	10.9	...	...	...
Money and quasi money (M2)	73.7	8.2	47.5	-3.9	6.6	6.3	7.7	...	...	...
Velocity (ratio of GDP to M2; end of period)	5.3	6.2	5.5	6.5	6.2	6.2	6.3	...	...	...
(In percent of GDP, unless otherwise indicated)										
National income accounts										
National savings (excluding official transfers)	-4.1	-3.5	-2.4	-1.2	-0.9	-1.1	2.1	4.2	6.3	8.1
Of which: private (incl public enterprises)	1.5	0.4	-1.4	0.3	2.6	1.5	4.3	5.1	6.4	7.8
Gross investment	15.0	15.5	14.9	15.7	14.3	15.7	16.8	17.6	18.4	18.8
Of which: private (incl public enterprises)	6.9	6.4	6.7	9.0	8.0	9.0	9.4	9.8	10.2	10.6
Government finance										
Total revenue and grants	18.2	16.4	17.0	15.7	15.8	14.0	15.5	16.5	17.4	17.8
Total revenue	6.9	9.1	10.3	10.4	9.8	10.2	10.8	11.7	12.2	12.6
Total expenditure and net lending	20.6	22.1	19.5	18.6	19.7	19.6	20.5	20.3	20.4	20.4
Capital expenditure	8.1	9.1	8.1	6.7	6.3	7.0	7.6	8.0	8.2	8.2
Current expenditure	12.5	12.9	11.4	11.9	13.5	12.6	12.9	12.3	12.2	12.2
Overall balance (payment order)										
Including grants	-2.4	-5.7	-2.4	-2.9	-3.9	-5.5	-4.9	-3.8	-3.1	-2.7
Excluding grants	-13.8	-12.9	-9.2	-8.1	-9.9	-9.3	-9.7	-8.7	-8.2	-7.9
External sector										
External current account balance										
Including official transfers	4.2	-0.2	-3.2	-4.8	-2.2	-8.6	-9.3	-8.4	-7.1	-4.4
Excluding official transfers	-19.1	-19.0	-17.3	-16.9	-15.3	-16.8	-14.7	-13.4	-12.1	-10.7
Debt-service ratio (in percent of exports of good and nonfactor services)										
Before debt rescheduling 3/	54.3	44.0	24.6	33.7	47.9	34.8	34.6	31.3	24.9	22.9
After debt rescheduling 4/	54.3	44.0	24.6	30.1	42.2	31.4	30.0	25.9	20.5	19.6
Gross reserves (in months of imports, c.i.f)	5.0	5.0	5.4	6.1	7.4	6.8	7.0	6.6	6.4	6.2

Sources: Rwandese authorities; and staff estimates and projections.

1/ Differences vis-à-vis the last staff report (EBS/99/22; 2/26/99) reflect a change in the methodology of the calculation of these indices.

2/ As a percent of the beginning-of-period stock of broad money.

3/ Scheduled debt service before rescheduling and hypothetical stock-of-debt operation.

4/ Assumes a hypothetical stock-of-debt operation on Naples terms at end-December 1999 and at least comparable treatment from other official bilateral creditors.

Table 3. Rwanda: Main Assumptions on Macroeconomic Framework, 1999–2019 BASELINE SCENARIO
(In percent of GDP; unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2014	2019	2000-09	2010-19
														Average	
Economic growth															
Real GDP (annual percentage change)	5.9	5.2	6.0	6.4	6.4	6.5	6.5	6.3	6.2	6.1	6.0	5.1	5.0	6.2	5.0
National accounts															
Gross domestic investment	14.3	15.7	16.8	17.6	18.4	18.8	19.0	19.2	19.5	19.8	20.0	21.5	21.5	18.5	21.5
Of which: private	8.0	9.0	9.4	9.8	10.2	10.6	11.0	11.2	11.5	11.8	12.0	13.7	14.0	10.7	13.8
Gross national savings (excluding official transfers)	-0.9	-1.1	2.1	4.2	6.3	8.1	9.1	10.9	12.2	13.3	14.2	17.3	18.5	7.9	17.9
Of which: private	2.6	1.5	4.4	5.1	6.3	7.8	8.7	10.0	10.8	11.4	11.8	13.7	14.0	7.8	13.8
Government fiscal balance (excluding grants)	-9.9	-9.3	-9.7	-8.7	-8.2	-7.9	-7.6	-7.1	-6.6	-6.1	-5.6	-4.2	-3.0	-7.7	-3.6
Private sector S-I balance	-5.4	-7.5	-5.0	-4.7	-3.9	-2.8	-2.3	-1.2	-0.7	-0.4	-0.2	0.0	0.0	-2.9	0.0
Balance of payments															
Exports of goods and nonfactor services 1/	108.5	125.8	146.2	160.8	185.8	218.6	251.4	289.1	328.2	367.6	408.0	621.9	919.8	248.1	763.5
Of which: exports of goods (f.o.b.)	61.2	68.4	78.7	88.6	104.9	127.1	151.3	181.0	198.1	217.2	238.8	374.6	568.8	145.4	469.6
Imports of goods and nonfactor services	403.6	425.0	413.0	423.5	443.3	465.6	497.9	514.8	542.9	575.6	610.0	845.1	1163.0	491.2	999.5
Of which: imports of goods (f.o.b.)	224.5	245.9	248.8	267.0	285.3	301.3	323.9	343.0	363.6	384.7	406.2	521.4	665.5	317.0	591.1
Current account in percent of GDP (excluding grants)	-15.3	-16.8	-14.7	-13.4	-12.1	-10.7	-9.9	-8.3	-7.3	-6.5	-5.8	-4.2	-3.0	-10.6	-3.6
Gross official reserves (in months of imports c.i.f.)	7.4	6.8	7.0	6.6	6.4	6.2	6.0	5.8	5.5	5.2	5.0	5.0	5.0	6.0	5.0
Export value growth (percentage change) 2/	-2.3	15.9	16.3	9.9	15.6	17.7	15.0	15.0	13.5	12.0	11.0	8.0	8.0	14.2	8.1
Of which: percentage change in volume	22.0	-5.1	15.2	13.5	15.5	17.3	15.1	15.2	13.5	12.0	11.0	8.0	8.0	12.3	8.1
Import value growth (percentage change) 2/	-14.0	5.3	-2.8	2.5	4.7	5.0	6.9	3.4	5.4	6.0	6.0	6.9	6.0	4.3	6.6
Of which: percentage change in volume	-12.7	3.9	2.3	5.0	5.3	4.2	5.9	4.3	5.4	6.0	6.0	6.9	6.0	4.8	6.6
Terms of trade (annual percentage change)	-15.0	-7.1	2.6	-0.3	-0.1	-0.8	0.1	-0.2	0.0	0.0	0.0	0.0	0.0	-0.6	0.0
Overall balance (US$ millions)	-22.5	-125.1	-87.9	-51.0	-35.0	-14.7	-12.3	-11.1	-10.8	-10.8	-10.0	-8.8	4.8	-36.9	-3.8
Financing gap (US$ millions)	0.0	152.3	77.2	58.0	42.9	23.5	23.0	22.0	20.0	20.0	15.0	14.0	0.0	45.4	9.0
Debt service ratios (in percent of exports of goods and nonfactor services)															
Before HIPC Initiative, on existing debt 3/	47.9	34.1	33.5	29.7	23.0	21.1	20.2	17.0	14.8	13.0	11.2	6.2	4.4	45.4	9.0
After HIPC Initiative, on existing debt	42.2	30.8	9.7	6.2	2.5	3.0	2.6	2.2	2.1	1.9	1.6	1.0	0.8	45.4	9.0
After HIPC Initiative, on total debt	42.2	31.4	10.8	7.8	4.3	4.8	4.4	4.1	4.0	3.8	3.6	4.5	4.6	45.4	9.0

Sources: Rwanda authorities; and staff estimates and projections

1/ Exports (imports) of goods and nonfactor services as defined in IMF Balance of Payments Manual, 5th edition, 1993.
2/ Merchandise exports (imports).

Table 4. Rwanda: Nominal Stocks and Net Present Value of Debt at End-1999 by Creditor Groups

	Nominal Debt Stock 1/		NPV of Debt 1/		NPV of Debt After Traditional Debt Relief 2/	
	US$ million	Percent of Total	US$ million	Percent of Total	US$ million	Percent of Total
Total	1261.2	100.0	696.0	100.0	634.2	100.0
Multilateral	1093.5	86.7	555.8	79.9	555.8	87.6
IDA	691.1	54.8	318.9	45.8	318.9	50.3
IMF	75.9	6.0	61.4	8.8	61.4	9.7
AfDB/AfDF	225.2	17.9	105.1	15.1	105.1	16.6
BADEA 3/	33.4	2.6	29.6	4.3	29.6	4.7
IFAD	31.9	2.5	15.2	2.2	15.2	2.4
EU/EIB	29.4	2.3	19.0	2.7	19.0	3.0
OPEC Fund	6.7	0.5	6.6	0.9	6.6	1.0
Bilateral	167.2	13.3	139.6	20.1	77.8	12.3
Paris Club:	73.0	5.8	56.3	8.1	48.5	7.6
Post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0
Pre-cutoff date	73.0	5.8	56.3	8.1	48.5	7.6
ODA	53.3	4.2	39.6	5.7	34.9	5.5
Non-ODA	19.7	1.6	16.7	2.4	13.5	2.1
France	45.0	3.6	34.6	5.0	29.7	4.7
Japan	15.2	1.2	12.7	1.8	12.9	2.0
Austria	9.3	0.7	5.8	0.8	2.9	0.5
SEE/ Canada	3.0	0.2	2.8	0.4	2.5	0.4
USA (Air Rwa)	0.6	0.0	0.5	0.1	0.5	0.1
Other Official Bilateral:	94.1	7.5	83.3	12.0	29.4	4.6
Post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0
Pre-cutoff date	94.1	7.5	83.3	12.0	29.4	4.6
ODA	94.1	7.5	83.3	12.0	29.4	4.6
Non-ODA	0.0	0.0	0.0	0.0	0.0	0.0
Saudi Fund	30.0	2.4	27.4	3.9	11.4	1.8
Kuwaiti Fund	29.4	2.3	26.9	3.9	10.6	1.7
China	32.0	2.5	26.2	3.8	5.5	0.9
Abu-Dhabi Fund	1.8	0.1	1.8	0.3	1.2	0.2
Libya	1.0	0.1	1.0	0.1	0.5	0.1
Commercial	0.5	0.0	0.6	0.1	0.6	0.1

Sources: Rwanda authorities and staff estimates and projections

1/ These figures are "before traditional debt relief" but include the impact of flow rescheduling on Naples Terms (67 percent NPV reduction).
2/ These figures are "after traditional debt relief", i.e., a Paris Club flow rescheduling on Naples terms (67 percent NPV reduction) and a hypothetical stock-of-debt operation at end-1999; and at least comparable action by other official bilateral and commercial creditors.
3/ Includes the NPV reduction resulting from the arrangement signed in March 1999 to settle arrears.

Table 5. Rwanda: Net Present Value of External Debt before and after Reschedulings and Enhanced HIPC Relief, 1999-2019 1/

(In millions of U.S dollars, unless otherwise indicated)

	1999	2000	2001	2002	Projected 2003	2004	2005	2006	2007	2008	2009	2014	2019	Average 2000-09	Average 2010-2019
Before debt relief															
1. NPV of total debt (2+5)	696.0	721.6	734.8	750.7	771.4	775.4	785.4	793.7	819.6	847.9	880.2	1,068.2	1,251.2	788.1	1,086.5
2. NPV of existing debt (3+4)	696.0	688.0	677.0	666.6	660.4	650.5	635.2	620.7	605.8	590.5	576.7	516.8	433.5	637.1	505.8
3. Official bilateral and commercial	140.2	137.9	132.9	125.7	118.6	112.1	106.1	102.9	100.1	97.3	94.5	83.9	76.1	112.8	83.3
Paris Club debt	56.3	57.8	56.6	53.4	50.6	47.7	45.2	43.8	42.5	41.1	39.8	33.8	26.3	47.8	32.8
Other official bilateral and commercial	83.9	80.2	76.3	72.2	68.0	64.4	61.0	59.1	57.6	56.2	54.8	50.1	49.8	65.0	50.5
4. NPV of Multilateral	555.8	543.8	538.3	535.2	536.2	532.7	523.5	512.2	500.1	487.7	476.7	427.4	352.0	518.7	417.0
5. NPV of new debt	0.0	33.7	57.8	84.1	110.9	124.9	150.1	173.0	213.9	257.3	303.4	551.4	817.6	150.9	580.7
Memorandum items:															
Exports of goods and nonfactor services 2/	108.5	125.8	146.2	160.8	185.8	218.6	251.4	289.1	328.2	367.6	408.0	621.9	919.8	248.1	662.5
Three-year export average 3/	121.2	115.1	126.9	144.3	164.3	188.4	218.6	253.1	289.6	328.3	367.9	576.2	853.1	219.6	612.3
Government revenues (excl. grants) 4/	189.8	184.8	196.8	228.3	256.3	285.8	317.7	354.8	384.9	417.5	452.9	680.3	1,021.7	308.0	728.0
NPV of total debt-to-exports ratio (in percent) 5/	574.4	627.0	579.0	520.3	469.5	411.6	359.3	313.7	283.0	258.3	239.2	185.4	146.7	406.1	183.0
NPV of existing debt-to-exports ratio (in percent)	574.4	597.7	533.5	462.0	402.0	345.3	290.6	245.3	209.2	179.9	156.8	89.7	50.8	342.2	88.8
NPV of pre-cut-off date ODA	64.3	65.3	66.4	67.6	68.8	70.1	71.4	72.8	74.3	75.9	77.6	87.3	91.9	71.0	87.0
NPV of total debt-to-revenues ratio (in percent)	366.7	390.6	373.3	328.8	300.9	271.3	247.2	223.7	212.9	203.1	194.3	157.0	122.5	274.6	154.0
After traditional debt relief mechanisms 6/															
1. NPV of total debt (2+5) 7/	634.2	663.3	682.6	707.1	736.1	748.0	765.3	778.4	808.6	841.2	877.9	1,084.9	1,276.5	760.8	1,102.9
2. NPV of existing debt (3+4)	634.2	629.6	624.9	623.0	625.2	623.1	615.2	605.3	594.7	583.8	574.4	533.5	458.9	609.9	522.1
3. Official bilateral and commercial	78.4	79.6	80.8	82.0	83.3	84.7	86.1	87.6	89.1	90.6	92.2	100.6	101.4	85.6	99.7
Paris Club	48.5	48.8	49.2	49.6	50.0	50.3	50.7	51.1	51.5	51.9	52.2	53.1	49.3	50.5	52.1
Other official bilateral and commercial	30.0	30.7	31.6	32.4	33.4	34.3	35.3	36.4	37.6	38.8	40.0	47.5	52.1	35.1	47.5
4. Multilateral	555.8	550.0	544.1	541.0	541.9	538.4	529.1	517.8	505.6	493.2	482.2	432.8	357.5	524.3	422.5
5. NPV of new debt	0.0	33.7	57.8	84.1	110.9	124.9	150.1	173.0	213.9	257.3	303.4	551.4	817.6	150.9	580.7
Memorandum items:															
NPV of total debt-to-exports ratio (in percent) 5/	523.4	576.3	537.9	490.0	448.0	397.0	350.1	307.6	279.2	256.2	238.6	188.3	149.6	388.1	185.5
NPV of existing debt-to-exports ratio (in percent)	523.4	547.0	492.4	431.7	380.5	330.7	281.4	239.2	205.4	177.8	156.1	92.6	53.8	324.2	91.4
NPV of total debt-revenues ratio (in percent)	334.2	359.0	346.8	309.7	287.2	261.8	240.9	219.4	210.1	201.5	193.8	159.5	124.9	263.0	156.1
NPV of existing debt-to-revenues ratio (in percent)	334.2	340.8	317.5	272.9	243.9	218.0	193.6	170.6	154.5	139.8	126.8	78.4	44.9	217.8	76.9
After enhanced HIPC Initiative assistance 8/															
1. NPV of total debt (2+5)	634.2	663.3	666.1	284.3	317.3	335.9	366.1	394.4	440.5	489.4	541.4	828.7	1,143.4	449.9	864.0
2. NPV of existing debt (3+4)	634.2	629.6	608.4	200.2	206.4	211.0	216.0	221.4	226.6	232.0	238.0	277.3	325.8	298.9	283.3
3. NPV of official bilateral and commercial creditors	78.4	79.6	99.6	39.9	40.4	40.9	41.2	41.5	41.7	42.0	42.2	42.2	38.4	50.9	41.3
Paris Club	48.5	48.8	56.9	31.2	31.3	31.5	31.6	31.8	31.9	32.0	32.1	32.1	29.3	35.9	31.4
Other official bilateral and commercial creditors	30.0	30.7	42.7	8.7	9.0	9.4	9.5	9.7	9.8	9.9	10.0	10.2	9.1	15.0	9.9
4. NPV of Multilaterals	555.8	550.0	508.8	160.3	166.0	170.1	174.8	179.9	184.9	190.1	195.8	235.1	287.4	248.1	241.9
5. NPV of new debt	0.0	33.7	57.8	84.1	110.9	124.9	150.1	173.0	213.9	257.3	303.4	551.4	817.6	150.9	580.7
Memorandum items:															
NPV of total debt-to-exports ratio 5/	523.4	576.3	524.9	197.0	193.1	178.3	167.5	155.8	152.1	149.1	147.2	143.8	134.0	244.1	142.0
NPV of existing debt-to-exports ratio (in percent)	523.4	547.0	479.4	138.7	125.6	112.0	98.8	87.5	78.3	70.7	64.7	48.1	38.2	180.3	47.8
NPV of total debt-ro-revenues ratio (in percent)	334.2	359.0	338.5	124.5	123.8	117.5	115.2	111.1	114.4	117.2	119.5	121.8	111.9	164.1	119.5
NPV of existing debt-to-revenues ratio (in percent)	334.2	340.8	309.1	87.7	80.5	73.8	68.0	62.4	58.9	55.6	52.5	40.8	31.9	118.9	40.2
After enhanced HIPC Initiative assistance (assumed committed unconditionally) 9/															
1. NPV of total debt (2+5)	181.8	221.6	248.7	284.3	317.3	335.9	366.1	394.4	440.5	489.4	541.4	828.7	1,143.4	364.0	864.0
2. NPV of existing debt (3+4)	181.8	187.9	191.0	200.2	206.4	211.0	216.0	221.4	226.6	232.0	238.0	277.3	325.8	213.0	283.3
3. NPV of official bilateral and commercial	22.5	28.3	31.2	39.9	40.4	40.9	41.2	41.5	41.7	42.0	42.2	42.2	38.4	38.9	41.3
Paris Club	13.9	19.6	22.5	31.2	31.3	31.5	31.6	31.8	31.9	32.0	32.1	32.1	29.3	29.6	31.4
Other official bilateral and commercial	8.6	8.6	8.7	8.7	9.0	9.4	9.5	9.7	9.8	9.9	10.0	10.2	9.1	9.3	9.9
4. NPV of Multilaterals	159.3	159.6	159.8	160.3	166.0	170.1	174.8	179.9	184.9	190.1	195.8	235.1	287.4	174.1	241.9
5. NPV of new debt	0.0	33.7	57.8	84.1	110.9	124.9	150.1	173.0	213.9	257.3	303.4	551.4	817.6	150.9	580.7
Memorandum items:															
NPV of total debt-to-exports ratio 5/ 9/	150.0	192.5	196.0	197.0	193.1	178.3	167.5	155.8	152.1	149.1	147.2	143.8	134.0	172.9	142.0
NPV of existing debt-to-exports ratio (percent)	150.0	163.3	150.5	138.7	125.6	112.0	98.8	87.5	78.3	70.7	64.7	48.1	38.2	109.0	47.8
NPV of total debt-to-revenues ratio (in percent)	95.8	119.9	126.4	124.5	123.8	117.5	115.2	111.1	114.4	117.2	119.5	121.8	111.9	119.0	119.5
NPV of existing debt-to-revenues ratio (in percent)	95.8	101.7	97.0	87.7	80.5	73.8	68.0	62.4	58.9	55.6	52.5	40.8	31.9	73.8	40.2

Sources: Rwandese authorities; and staff estimates and projections.

1/ Refers to public and publicly guaranteed external debt only. Existing debt is as of December 31, 1999.

2/ As defined in IMF, *Balance of Payments Manual* (5th ed.), 1993.

3/ Backward-looking average (e.g., average over 1997-99 for exports in 1999).

4/ Revenues are defined as central government revenues, excluding grants.

5/ NPV of debt in percent of three-year average of exports of goods and services.

6/ Assumes full use of traditional debt-relief mechanisms, i.e., a Paris Club stock-of-debt operation on Naples terms (67 percent NPV reduction) at end-December 1999, and at least comparable action by other official bilateral and commercial creditors.

7/ Discounted on the basis of the average commercial interest reference rate for the respective currency, derived over the six-month period prior to end-December 1999. The conversion of currency-specific NPVs into U.S. dollars occurs for all years at the December 1999 exchange rate.

8/ The completion point is assumed to be reached in December 2002; HIPC Initiative assistance is assumed to be committed and delivered unconditionally thereafter. The NVP of debt for 2000 and 2001 shows only the effect of interim assistance.

9/ The NPV of debt for 2000 and 2001 shows not only the impact of all interim relief, but also the impact of relief assumed to be delivered after the completion point (assumed to be in December 2002).

Table 6. Rwanda: Baseline Scenario after Enhanced HIPC and Sensitivity Analysis, 1999-2019 1/

							Projected							Average	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2014	2019	2000-09	2010-2019
Baseline Scenario (all debt figures include new debt)															
Net present value (NPV) of debt before rescheduling	696.0	721.6	734.8	750.7	771.4	775.4	785.4	793.7	819.6	847.9	880.2	1,068.2	1,251.2	788.1	1,086.5
NPV of debt-to-government revenues 2/	366.7	390.6	373.3	328.8	300.9	271.3	247.2	223.7	212.9	203.1	194.3	157.0	122.5	274.6	154.0
NPV of debt-to-exports ratio 3/	574.4	627.0	579.0	520.3	469.5	411.6	359.3	313.7	283.0	258.3	239.2	185.4	146.7	406.1	183.0
NPV of debt after traditional debt relief mechanisms 4/	634.2	663.3	682.6	707.1	736.1	748.0	765.3	778.4	808.6	841.2	877.9	1,084.9	1,276.5	760.8	1,102.9
NPV of debt-to-government revenues	334.2	359.0	346.8	309.7	287.2	261.8	240.9	219.4	210.1	201.5	193.8	159.5	124.9	263.0	156.1
NPV of debt-to-exports ratio	523.4	576.3	537.9	490.0	448.0	397.0	350.1	307.6	279.2	256.2	238.6	188.3	149.6	388.1	185.5
NPV of debt after enhanced HIPC Initiative 5/	181.8	221.6	248.7	284.3	317.3	335.9	366.1	394.4	440.5	489.4	541.4	828.7	1,143.4	364.0	864.0
NPV of debt-to-government revenues	95.8	119.9	126.4	124.5	123.8	117.5	115.2	111.1	114.4	117.2	119.5	121.8	111.9	119.0	119.5
NPV of debt-to-exports ratio	150.0	192.5	196.0	197.0	193.1	178.3	167.5	155.8	152.1	149.1	147.2	143.8	134.0	172.9	142.0
Sensitivity analysis															
Down-side Scenario -- Terms-of-trade shock 6/															
NPV of debt-to-exports ratio after traditional mechanisms	523.4	576.3	559.6	527.5	497.9	441.2	389.0	341.8	310.2	284.7	265.1	209.2	166.3	151.2	216.1
NPV of debt-to-exports ratio after enhanced HIPC	150.0	192.5	203.9	212.1	214.6	198.1	186.1	173.2	169.0	165.6	163.5	159.8	148.9	72.3	169.3
Alternative Financing Scenario -- Variable composition of new financing after HIPC															
NPV of total debt-to-exports: 70 percent grant element and 75 percent new financing through official transfers	150.0	192.5	196.0	197.0	193.1	178.3	167.5	155.8	152.1	149.1	147.2	143.8	134.0	172.9	142.0
NPV of total debt-to-exports: new financing 2001-2006 through 100 percent official transfers	150.0	192.5	178.1	163.9	148.7	132.9	117.7	104.5	105.3	106.0	107.1	113.4	112.5	135.7	112.5

Sources: Rwandese authorities; and staff estimates.

1/ All debt indicators refer to public and publicly guaranteed debt.
2/ Revenues are defined as central government revenues, excluding grants.
3/ Three-year backward-looking average of exports of goods and nonfactor services.
4/ After the application of a stock-of-debt under Naples terms achieving a reduction in NPV terms of 67 percent.
5/ The completion point is assumed to be reached in December 2002; HIPC Initiative assistance is assumed to be committed and delivered unconditionally from then on.
6/ Assumes a shock to the value of exports of 10 percent in 2001.

Table 7. Rwanda—Projected Assistance under the HIPC Inititiative 1/

NPV of debt-to-exports-target	Total Assistance at the completion point under the export criterion on the basis of decision point data 2/				Required NPV debt reduction on Paris Club debt assuming comparable action of non-multilateral creditors 7/ (in percent)
	Total	Bilateral 3/	Multilateral	Common Reduction Factor at the completion point 4/	
	(In millions of US dollars)				
150.0	452.4	56.0	396.5	71.3	
Memorandum items:					
NPV of debt 5/	634.2	78.4	555.8		
Multilateral institutions	555.8				
Paris Club	48.5				90.4
Of which pre-cutoff date non-ODA	13.5				151.9
Non-Paris Club bilaterals	29.4				90.4
Of which pre-cutoff date non-ODA	0.0				...
Commercial creditors (all reschedulable)	0.6				
3-year average of exports	121.2	...	...		
Current-year exports	108.5	...	...		
NPV of debt-to-exports ratio 6/	523.4	...	...		

Sources: Rwandaese authorities and staff estimates and projections.

1/ The proportional burden sharing approach is described in "HIPC Initiative--Estimated Costs and Burden Sharing Approaches" (EBS/97/127, 7/7/97 and IDA/SEC M 97-306, 7/7/97).
2/ Completion point at December 2002. Includes a stock-of-debt operation on Naples terms and hypothetical appropriate comparable treatment by other official bilateral creditors at the start of 1999.
3/ Includes official bilateral creditors and commercial debt.
4/ Each creditor's NPV reduction at the completion point in percent of its NPV exposure at the decision point.
5/ Based on latest data available (end-1999) at decision point after full application of traditional debt relief mechanisms.
6/ Based on the three-year export average (backward-looking average) ending in the year preceding the decision point (i.e., 1997-1999)
7/ Including traditional debt rlief and Enhanced HPC relief.

Table 8. Rwanda: Discount and Exchange Rate Assumptions

Currency Name	1999 Discount Rate 1/	1999 Exchange Rate 2/
Austrian schilling	5.47	13.70
Belgian franc	5.47	40.16
Islamic Development Bank unit of account	5.59	0.73
African Development Bank and Fund unit of account	5.59	0.73
Canadian dollar	6.67	1.44
CFA franc	5.47	652.95
Swiss franc	4.27	1.60
Chinese yuan	5.59	8.28
Deutsche mark	5.47	1.95
Danish krone	5.32	7.40
European Currency Unit/Euro	5.47	1.00
Spanish peseta	5.47	165.62
Finnish markka	5.47	5.92
French franc	5.47	6.53
Pound sterling	6.70	0.62
Irish pound	5.47	0.78
Iraq dinar	5.59	0.31
Italian lira	5.47	1927.40
Japanese yen	1.98	102.20
Kuwait dinar	5.59	0.30
Libyan dinar	5.59	0.46
Luxembourg franc	5.47	40.16
Netherlands guilder	5.47	2.19
Norwegian krone	6.64	8.04
Portuguese escudo	5.47	199.56
Saudi Arabian ryal	5.59	3.75
Special Drawing Rights	5.59	0.73
Swedish krona	5.80	8.53
United Arab Emirates dhiram	5.59	3.67
United States dollar	7.04	1.00

Memo:
Paris Club cutoff date: January 1, 1981

Sources: OECD and IMF, International Financial Statistics.

1/ The discount rates used are the average commercial interest reference rates over the six month period prior to end-December 1999, i.e., the end of the period for which actual debt and export data are available.

2/ The exchange rates are expressed as national currency per US dollar at end-December 1999.

Table 9. Rwanda: Possible Delivery of IMF Assistance under the Enhanced HIPC Initiative 1/

(In millions of US dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(Based on the US$/SDR exchange rate as of December 5, 2000)											
Delivery schedule of IMF assistance (in percent of total assistance)	0	20	11	1	1	15	16	16	13	7	0
Debt Service due on IMF obligations 2/	0.1	12.5	8.0	2.6	5.6	9.6	12.0	12.0	10.4	7.2	3.2
Principal	--	10.7	6.7	1.5	4.6	8.6	11.1	11.1	9.5	6.4	2.5
Interest	0.1	1.8	1.3	1.1	1.0	1.0	1.0	0.9	0.8	0.8	0.8
IMF assistance--deposits into Rwanda's account											
Interim assistance 3/	8.8	4.8									
Completion point assistance			30.2 /4								
IMF assistance--drawdown schedule 5/	--	8.8	6.2	1.8	3.3	8.1	8.4	8.0	6.4	3.4	--
IMF assistance without interest	--	8.8	4.8	0.4	0.4	6.6	7.0	7.0	5.7	3.1	--
Estimated interest earnings	--	0.0	1.4	1.4	2.9	1.6	1.4	1.0	0.7	0.4	--
Debt service due on current IMF obligations after IMF assistance 5/	0.1	3.7	1.8	0.8	2.3	1.5	3.6	3.9	4.0	3.8	3.2
Share of debt service due on IMF obligations covered by IMF assistance (in percent) 5/	--	70.1	77.8	71.0	58.9	84.7	70.1	67.3	61.4	47.5	--
Proportion (in percent) of each repayment falling due during the period to be paid by IMF HIPC assistance from the principal deposited in Rwanda's account	--	81.7	71.8	28.5	9.5	76.5	63.4	63.4	59.9	47.6	--
Memorandum items: **(Based on debt service data and exchange rates as of end-1999)**											
Total debt service due 6/ 7/	38.7	43.0	40.7	37.2	42.1	48.3	50.4	51.4	51.8	50.5	46.8
Debt service due on IMF obligations 7/	12.0	11.7	7.4	1.9	5.1	9.3	9.3	9.2	7.6	4.3	--
Debt service due on current IMF obligations after IMF assistance 5/	12.0	2.9	1.2	0.0	1.8	1.2	0.9	1.2	1.2	0.8	--
(in percent of exports)	9.5	2.0	0.7	0.0	0.8	0.5	0.3	0.4	0.3	0.2	--
Share of total debt service covered by IMF assistance (in percent) 5/	--	20.4	15.3	5.0	7.9	16.8	16.7	15.6	12.3	6.8	--

Source: Rwandan authorities; and Fund staff estimates.

1/ Total IMF assistance under the HIPC Initiative is US$ 43.8 million calculated on the basis of data available at the decision point, excluding interest earned on Rwanda's account and on committed but undisbursed amounts as described in footnotes 4 and 5.

2/ As of December 31, 1999. For 2000, covers only the month of December.

3/ Interim assistance to be deposited into Rwanda's account in December 2000 and December 2001. These are to be drawn down as obligations to the Fund fall due. As Rwanda has no principal obligation falling due in December 2000, the first repayment of obligations takes place in 2001.

4/ Remaining amount of assistance assumed to be disbursed into Rwanda's account at the assumed completion point in December 2002, which is reflected in the calculation of interest.

5/ Includes estimated interest earnings on: (1) amounts held in Rwanda's account; and (2), up to the completion point, amounts committed but not yet disbursed. It is assumed that these amounts earn a rate of return of 5.25 percent in U.S. dollar terms; actual interest earnings may be higher or lower. Interest accrued on (1) during a calendar year will be used toward the first repayment obligation(s) falling due in the following calendar year except in the final year, when it will be used toward payment of the final obligation(s) falling due in that year. Interest accrued on (2) during the interim period will be used toward the repayment of obligations falling due during the three years after the completion point. The completion point is assumed to be in December 2002.

6/ Total obligations less HIPC Initiative assistance.

7/ After traditional debt relief mechanisms.

Table 10. Rwanda: Possible Delivery of IDA Assistance Under the HIPC Initiative 2000-2019 1/
(In millions of U.S. dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2014	2019	Average 2001-09	Average 2010-2019
Debt service due to IDA before HIPC assistance	11.6	13.8	15.6	17.0	17.7	18.9	20.6	21.3	22.0	22.8	26.0	28.0	**18.8**	**26.1**
of which principal	6.4	8.7	10.5	12.0	12.8	14.1	15.9	16.7	17.6	18.5	22.5	25.3	**14.1**	**22.7**
of which interest	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.5	4.4	4.3	3.5	2.6	**4.7**	**3.4**
Debt service due to IDA after HIPC assistance	11.6	1.6	1.8	2.0	2.1	2.2	2.4	2.5	2.6	2.6	3.0	3.2	**2.2**	**3.0**
of which principal	6.4	1.0	1.2	1.4	1.5	1.6	1.8	1.9	2.0	2.2	2.6	2.9	**1.6**	**2.6**
of which interest	5.2	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.4	0.3	**0.6**	**0.4**
IDA HIPC assistance	-	12.2	13.8	15.0	15.6	16.7	18.2	18.8	19.5	20.2	23.0	24.7	**16.7**	**23.1**
of which principal	-	7.7	9.3	10.6	11.3	12.5	14.0	14.8	15.6	16.4	19.9	22.4	**12.5**	**20.1**
of which interest	-	4.5	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.8	3.1	2.3	**4.2**	**3.0**
Memorandum item:														
IDA HIPC assistance as percent of debt service due (in percent)	-	88.4	88.4	88.4	88.4	88.4	88.4	88.4	88.4	88.4	88.4	88.4	..	..

Source: IDA staff estimates.

1/ Enhanced HIPC assistance proposed to be delivered over 20 years through an 88.4 percent relief on the debt service falling due to IDA on credits outstanding at end-1999, using the end-December 1999 SDR-US$ exchange rate.

Table 11. Rwanda: External Debt Service before and after Traditional Debt Relief, 2000-2019

(*In millions* of U.S. dollars, unless otherwise indicated)

	Est.	Projections											Average	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2014	2019	2000-09	2010-2019
Total debt service before 1/	**43.7**	**50.7**	**50.3**	**46.2**	**50.1**	**55.4**	**54.5**	**54.9**	**55.0**	**53.6**	**60.0**	**76.0**	**51.4**	**61.8**
Total debt service on existing debt before 1/	**42.9**	**49.0**	**47.7**	**42.8**	**46.1**	**50.8**	**49.1**	**48.6**	**47.9**	**45.5**	**38.4**	**40.7**	**47.0**	**39.4**
Principal	31.5	37.8	36.9	32.8	36.5	41.5	40.3	40.1	39.8	37.8	41.3	55.1	37.5	43.0
Multilateral	26.0	30.1	27.6	23.8	28.4	34.1	35.8	36.3	36.0	34.1	39.7	52.9	31.2	31.1
Existing debt	26.0	30.1	27.6	23.8	28.4	34.1	35.8	36.3	36.0	34.1	30.6	33.8		
New debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.1	19.1	0.0	9.6
Official bilateral	5.4	7.7	9.3	9.0	8.1	7.4	4.4	3.9	3.8	3.7	1.6	2.2	6.3	2.3
Paris Club	0.0	2.3	3.9	3.5	3.5	3.2	1.9	1.9	1.9	1.9	1.5	2.1	2.4	1.8
Of which														
Official development assistance (ODA)	0.0	1.7	3.3	3.2	3.2	2.8	1.5	1.5	1.5	1.3	0.7	0.7	2.0	0.8
Non-Paris Club	5.4	5.4	5.4	5.4	4.6	4.2	2.5	2.0	1.8	1.8	0.1	0.1	3.9	0.6
New debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Interest	12.3	12.9	13.4	13.5	13.6	13.9	14.3	14.7	15.2	15.8	18.6	20.9	14.0	18.8
Multilateral	10.7	11.0	11.2	11.5	11.7	12.2	12.6	13.1	13.7	14.2	17.3	19.9	7.8	4.8
Existing debt	9.9	9.3	8.6	8.1	7.8	7.5	7.2	6.8	6.5	6.2	4.9	3.7		
New debt	0.9	1.7	2.6	3.4	3.9	4.7	5.4	6.3	7.2	8.0	12.4	16.2	4.4	12.7
Official bilateral	1.5	1.9	2.1	2.0	1.8	1.7	1.6	1.6	1.5	1.5	1.3	0.9	1.7	1.2
Paris Club	1.3	1.7	2.0	1.9	1.8	1.7	1.6	1.6	1.5	1.5	1.2	0.9	1.6	1.2
Of which														
Official development assistance (ODA)	0.6	0.9	1.2	1.1	1.0	0.9	0.8	0.8	0.8	0.7	0.6	0.6	0.9	0.6
Non-Paris Club	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
New debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total debt service after 2/	**39.6**	**43.9**	**41.6**	**38.1**	**42.9**	**49.2**	**51.3**	**52.3**	**52.7**	**51.3**	**60.4**	**78.6**	**46.3**	**62.3**
Total debt service on existing debt after 2/	**38.7**	**42.2**	**39.0**	**34.7**	**39.0**	**44.5**	**45.9**	**46.0**	**45.5**	**43.3**	**38.9**	**43.3**	**41.9**	**40.0**
Multilateral	36.8	41.1	38.8	35.2	40.1	46.3	48.4	49.4	49.7	48.3	57.0	72.8	43.4	58.2
of which new debt	0.9	1.7	2.6	3.4	3.9	4.7	5.4	6.3	7.2	8.0	21.6	35.3	4.4	22.4
Bilateral	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.9	2.9	3.0	3.3	5.7	2.8	4.1
Paris Club	1.9	1.9	1.9	1.9	1.9	1.9	2.0	2.0	2.0	2.1	2.5	3.5	2.0	2.7
Non-Paris Club	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	2.2	0.9	1.3
New debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1
Memorandum items:														
Exports of goods and nonfactor services, US$m	126	146	161	186	219	251	289	328	368	408	622	920	248.1	662.5
Debt-service ratios (in percent)														
Before rescheduling, on existing debt	34.1	33.5	29.7	23.0	21.1	20.2	17.0	14.8	13.0	11.2	6.2	4.4	21.8	6.3
Before rescheduling, on total debt	34.8	34.6	31.3	24.9	22.9	22.1	18.9	16.7	15.0	13.1	9.6	8.3	23.4	9.5
After rescheduling, on existing debt	30.8	28.9	24.3	18.7	17.8	17.7	15.9	14.0	12.4	10.6	6.2	4.7	19.1	6.3
After rescheduling, on total debt	31.4	30.0	25.9	20.5	19.6	19.6	17.7	15.9	14.3	12.6	9.7	8.6	20.8	9.5

Sources: Rwandese authorities; and staff estimates and projections.

1/ On a scheduled basis; as of end-1999. Debt service is shown before debt relief, but exclusive of debt service on rescheduled debt.

2/ Assumes a hypothetical stock-of-debt operation on Naples terms at end-December *1999 and at least* comparable treatment from other official bilateral creditors.

Table 12. Rwanda: External Debt Service after the Enhanced HIPC Initiative, 2000-2019 1/
(In millions of U.S. dollars, unless otherwise indicated)

	Est.	Projections											Average	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2014	2019	2000-09	2010-2019
Total debt service after traditional debt relief mechanisms 2/	**39.6**	**43.9**	**41.6**	**38.1**	**42.9**	**49.2**	**51.3**	**52.3**	**52.7**	**51.3**	**60.4**	**78.6**	**46.3**	**62.3**
Total debt service on existing debt after traditional debt relief mechanisms 2/	**38.7**	**42.2**	**39.0**	**34.7**	**39.0**	**44.5**	**45.9**	**46.0**	**45.5**	**43.3**	**38.9**	**43.3**	**41.9**	**40.0**
Total debt service after enhanced HIPC Initiative	**39.6**	**15.8**	**12.6**	**8.1**	**10.5**	**11.1**	**11.8**	**13.1**	**14.1**	**14.7**	**27.7**	**42.4**	**15.1**	**28.7**
Total debt service on existing debt after HIPC Initiative 1/	**38.7**	**14.1**	**10.0**	**4.6**	**6.6**	**6.4**	**6.4**	**6.8**	**6.9**	**6.7**	**6.2**	**7.1**	**10.7**	**6.3**
Multilateral	36.8	13.8	12.0	6.7	9.2	9.6	10.2	11.4	12.4	13.0	25.5	39.5	**13.5**	**26.4**
of which new debt	0.9	1.7	2.6	3.4	3.9	4.7	5.4	6.3	7.2	8.0	21.6	35.3	**4.4**	**22.4**
Bilateral	2.8	2.0	0.6	1.3	1.3	1.6	1.6	1.6	1.7	1.7	2.2	3.0	**1.6**	**2.3**
Paris Club	1.9	1.4	0.6	1.2	1.2	1.2	1.2	1.2	1.3	1.3	1.6	2.1	**1.2**	**1.6**
Non-Paris Club	0.9	0.6	0.0	0.2	0.2	0.4	0.4	0.4	0.4	0.4	0.6	0.9	**0.4**	**0.7**
New debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Memorandum items:														
Exports of goods and nonfactor services, US$ m	126	146	161	186	219	251	289	328	368	408	622	920	**248.1**	**662.5**
Debt-service ratios (in percent)														
Before HIPC Initiative, on existing debt 2/	30.8	28.9	24.3	18.7	17.8	17.7	15.9	14.0	12.4	10.6	6.2	4.7	**19.1**	**6.3**
Before HIPC Initiative, on total debt 2/	31.4	30.0	25.9	20.5	19.6	19.6	17.7	15.9	14.3	12.6	9.7	8.6	**20.8**	**9.5**
After HIPC Initiative, on existing debt	30.8	9.7	6.2	2.5	3.0	2.6	2.2	2.1	1.9	1.6	1.0	0.8	**6.3**	**1.0**
After HIPC Initiative, on total debt	31.4	10.8	7.8	4.3	4.8	4.4	4.1	4.0	3.8	3.6	4.5	4.6	**7.9**	**4.3**
Sources: Rwandese authorities; and staff estimates and projections.	0.0	28.1	29.0	30.0	32.4									

1/ Debt service is shown after enhanced HIPC Initiative debt relief inclusive of interim assistance from mulitlaterals and assumed to be delivered by Paris Club and non-Paris Club creditors.
2/ Assumes a hypothetical stock-of-debt operation on Naples terms at end-December 1999 and at least comparable treatment from other official bilateral creditors.

Table 13. Rwanda: Scenaria without HIPC, 2000-2019
(In percent of GDP unless otherwise noted)

Scenario 1: Impact of Constrained Social Expenditure without HIPC, 2000-2019

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2014	2019	2000-09 Average	2010-19 Average
Social Expenditure	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Adjusted Fiscal	-9.3	-8.9	-7.3	-6.3	-5.2	-4.1	-3.3	-2.3	-1.3	-0.3	1.1	2.3	-4.8	1.7
Adjusted current account deficit	-16.8	-13.9	-12.0	-10.2	-8.0	-6.4	-4.5	-3.0	-1.7	-0.5	1.1	2.3	-7.7	1.7
of which exports GNFS (levels)	125.8	141.2	156.2	182.1	220.2	259.1	307.0	336.0	368.4	405.0	635.4	964.7	249.6	796.5
of which imports GNFS (levels)	425.0	393.5	391.4	399.2	404.9	418.3	430.0	424.3	422.9	422.4	577.0	778.2	412.7	681.0
NPV of Total debt-to-exports 1/	576.1	493.5	414.6	357.2	294.4	247.2	205.4	184.6	165.5	148.3	87.9	50.1	310.7	67.5
of which NPV of new debt-to-exports 1/	33.7	40.4	46.5	42.0	36.2	32.0	28.2	26.9	25.7	24.4	17.1	11.7	33.0	14.1
Memorandum item:														
Fiscal balance, baseline scenario	-9.3	-9.7	-8.7	-8.2	-7.9	-7.6	-7.1	-6.6	-6.1	-5.6	-4.2	-3.0	-7.7	-3.6
Current account in baseline scenario	-16.8	-14.7	-13.4	-12.1	-10.7	-9.9	-8.3	-7.3	-6.5	-5.8	-4.2	-3.0	-10.6	-3.6

Source: Fund staff calculations

1/ Three-year moving average of exports.
2/ Grant element around 70 percent

Scenario 2: Impact of High Levels of Social Expenditure without HIPC, 2000-2019

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2014	2019	2000-09 Average	2010-19 Average
Social Expenditure	3.7	4.5	5.1	5.6	6.4	7.2	7.5	8.0	8.5	9.0	9.0	9.0	6.6	9.0
Fiscal Balance	-9.3	-10.1	-9.1	-8.6	-8.2	-7.9	-7.4	-6.8	-6.3	-5.8	-4.3	-3.0	-7.9	-3.7
Current account deficit	-16.8	-15.1	-13.8	-12.5	-11.0	-10.2	-8.6	-7.5	-6.7	-6.0	-4.3	-3.0	-10.8	-3.7
of which exports GNFS (levels)	125.8	141.2	156.2	182.1	220.2	259.1	307.0	336.0	368.4	405.0	635.4	964.7	249.6	796.5
of which imports GNFS (levels)	425.0	414.9	427.5	447.6	474.8	512.8	539.5	557.2	582.6	612.8	863.2	1211.2	499.0	1036.4
NPV of Total debt-to-exports 1/	576.1	496.6	425.7	380.8	323.0	280.8	241.9	230.1	219.0	208.8	171.3	140.2	340.3	154.7
of which NPV of new debt-to-exports 1/ 2/	33.7	43.5	57.5	65.6	64.7	65.7	64.7	72.4	79.2	84.9	100.5	101.8	62.6	101.3
Memorandum item:														
Fiscal balance, baseline scenario	-9.3	-9.7	-8.7	-8.2	-7.9	-7.6	-7.1	-6.6	-6.1	-5.6	-4.2	-3.0	-7.7	-3.6
Current account in baseline scenario	-16.8	-14.7	-13.4	-12.1	-10.7	-9.9	-8.3	-7.3	-6.5	-5.8	-4.2	-3.0	-10.6	-3.6

Source: Fund staff calculations

1/ Three-year moving average of exports.
2/ Grant element around 70 percent

Table 14. Rwanda: Operations of the Central Government, 1997-2004 1/

	1997	1998	1999	2000								2001				2002	2003	2004
				March		June		September		December		Mar	Jun	Sep	Dec	Projections		
				Prog	Est.	Prog.	Est.	Prog.	Est	Prog.	Est.							
	(In billions of Rwanda francs)																	
Revenue and grants	95.9	99.0	102.3	23.2	29.6	54.8	57.9	84.4	75.3	113.3	95.7	27.5	57.5	86.5	116.5	135.6	156.4	175.2
Total revenue	58.1	66.0	63.6	15.6	20.1	38.5	36.0	56.8	51.6	75.4	69.6	18.7	39.9	60.1	81.3	96.2	109.6	123.9
Tax revenue	54.9	62.6	60.4	14.8	18.3	36.2	33.7	53.6	49.1	71.3	65.5	17.0	36.5	56.1	76.8	91.3	104.2	117.9
Direct taxes	14.6	18.3	15.8	4.9	7.7	13.1	11.8	16.8	15.0	21.7	18.5	5.1	10.7	16.4	22.6	29.3	34.5	39.6
Taxes on goods and services	21.9	28.5	33.6	7.5	7.9	17.2	16.4	27.7	25.7	37.3	35.0	8.5	18.5	28.6	38.9	43.7	49.3	55.8
Taxes on international trade	18.5	15.8	11.0	2.4	2.7	5.8	5.5	9.0	8.4	12.3	12.0	3.4	7.3	11.2	15.3	18.3	20.4	22.5
Of which: export tax	4.3	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nontax revenue	3.1	3.4	3.2	0.8	1.7	2.3	2.3	3.2	2.5	4.1	4.1	1.7	3.4	4.0	4.5	5.0	5.5	6.0
Grants	37.8	33.0	38.6	7.6	9.5	16.3	22.0	27.7	23.7	37.9	26.1	8.8	17.6	26.4	35.2	39.4	46.8	51.3
Budgetary grants	2.8	3.5	15.0	0.0	4.3	0.0	10.7	0.0	16.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital grants	35.0	29.5	23.7	7.6	5.2	16.3	11.2	27.7	7.5	37.9	26.1	8.8	17.6	26.4	35.2	39.4	46.8	51.3
Of which: HIPC debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	109.6	117.4	127.5	32.1	21.2	68.6	49.2	111.7	77.6	154.5	134.4	33.5	71.2	112.9	153.6	167.1	183.9	201.6
Current expenditure	64.0	75.3	87.1	19.5	16.1	40.7	37.3	64.9	61.1	90.2	86.7	19.5	43.3	70.3	96.7	101.4	110.1	120.7
Wages and salaries	28.7	28.9	34.4	8.7	8.3	17.5	17.5	26.2	26.6	34.9	36.0	9.0	18.5	28.5	38.6	41.1	44.7	50.0
Civil	13.6	12.3	17.2	4.7	4.2	9.6	9.4	14.3	14.5	19.0	20.1	5.4	11.3	17.7	24.4	27.6	31.1	37.1
Defense	15.1	16.6	17.2	4.0	4.0	7.9	8.1	11.9	12.1	15.9	15.9	3.6	7.2	10.8	14.2	13.5	13.6	12.9
Purchases of goods and services	21.2	25.5	26.8	5.1	3.8	11.5	9.2	18.4	16.4	25.5	22.5	4.4	10.2	17.2	25.2	30.0	33.9	37.7
Civil	13.0	14.9	17.0	3.1	2.5	7.7	5.4	11.9	9.9	15.6	12.6	2.7	6.3	10.4	15.5	20.0	24.1	28.1
Defense	8.2	10.6	9.8	2.0	1.3	3.8	3.8	6.5	6.5	9.9	9.9	1.7	3.9	6.8	9.7	10.0	9.8	9.6
Interest payments	6.8	5.7	6.4	1.2	1.1	2.5	2.2	3.8	3.6	6.1	6.9	1.8	3.7	5.5	7.3	4.6	5.2	5.4
Domestic debt (due)	3.0	2.3	2.4	0.3	0.3	0.6	0.5	0.9	0.7	2.0	2.0	0.4	0.8	1.2	1.6	1.6	1.6	1.6
External debt (due)	3.8	3.4	4.0	0.9	0.8	1.9	1.7	2.9	2.9	4.1	4.9	1.4	2.9	4.3	5.8	3.0	3.6	3.8
of which: HIPC debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	1.6	2.5	3.3	3.1	3.1	2.4
Transfers (including Rwanda Revenue Authority	6.2	9.3	11.5	2.8	2.1	5.5	4.7	8.3	8.4	11.0	11.0	2.8	6.0	10.7	14.1	15.7	19.0	22.3
Exceptional social expenditure 2/	1.0	5.8	7.9	1.8	0.8	3.8	3.7	8.2	6.1	12.6	10.2	1.5	5.0	8.4	11.6	10.2	7.3	5.3
Assistance to victims of genocide	0.0	3.8	3.8	1.1	0.3	1.5	2.1	3.0	1.7	4.5	4.5	0.4	2.2	3.6	5.1	4.5	3.2	2.3
Demobilization/reintegration	1.0	1.5	1.9	0.0	0.0	0.0	0.0	0.9	0.7	1.9	0.8	0.0	0.2	0.6	0.9	0.8	0.6	0.4
Retrenchment/food for prisons	0.0	0.0	0.0	0.3	0.0	0.4	0.0	0.9	1.6	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Education assistance and governance	.	0.5	2.2	0.4	0.5	1.8	1.6	3.4	2.1	4.9	4.9	1.1	2.6	4.2	5.6	4.9	3.5	2.5
Capital expenditure	46.1	42.3	40.8	12.5	5.3	26.8	11.6	45.7	15.5	62.7	46.3	13.5	27.3	41.6	55.4	64.1	73.8	80.9
Domestic	0.1	2.5	5.3	0.6	0.1	1.1	0.3	2.1	1.0	3.0	1.6	0.2	0.7	1.7	2.2	3.3	3.6	3.9
Foreign	46.0	39.8	35.5	11.9	5.2	25.7	11.2	43.6	14.5	59.7	44.7	13.3	26.6	39.9	53.2	60.8	70.2	77.0
Net lending (including privatization proceeds)	-0.5	-0.2	-0.4	0.0	-0.3	1.1	0.3	1.1	1.0	1.5	1.5	0.5	0.6	1.0	1.4	1.6	0.0	0.0
Primary balance 3/	1.9	-0.3	-14.4	-1.5	5.7	2.8	4.2	1.8	-0.8	1.0	-0.9	2.3	4.6	1.9	1.2	6.2	8.4	9.9
Overall deficit (payment order)																		
Including grants	-13.8	-18.4	-25.3	-8.9	8.4	-13.8	8.8	-27.2	-2.4	-41.1	-38.1	-6.0	-13.7	-26.5	-37.1	-31.4	-27.5	-26.4
Excluding grants	-51.6	-51.4	-63.9	-16.5	-1.1	-30.1	-13.2	-54.9	-26.1	-79.0	-64.2	-14.8	-31.3	-52.9	-72.3	-70.8	-74.3	-77.7
Change in arrears (net reduction +)	1.6	-22.2	-2.2	-0.2	1.2	-1.5	-2.0	-2.5	1.3	-21.6	-23.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic 4/	-4.2	-3.9	-4.0	-0.2	1.6	-1.5	-2.0	-2.5	0.9	-4.5	-4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External 5/	5.8	-18.3	1.8	0.0	-0.4	0.0	0.0	0.0	0.4	-17.1	-18.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ministerial accounts	0.0	-0.7	-1.0		0.9	.	4.4		3.8	.	3.4	.	...	..	0.0	0.0	0.0	0.0
Discrepancy	0.0	1.4	3.1	..	0.7		0.4		3.2	...	0.0	..	...	.	0.0	0.0	0.0	0.0
Deficit (cash basis)	-12.2	-41.2	-29.6	-9.1	8.1	-15.3	2.0	-29.7	-8.1	-62.7	-64.7	-6.0	-13.7	-26.5	-37.1	-31.4	-27.5	-26.4
Financing	12.2	41.2	29.6	3.2	-8.1	4.4	-2.0	6.9	8.1	6.9	6.0	1.3	2.6	3.9	5.2	7.2	9.4	16.4
Foreign financing (net)	11.6	39.2	24.5	3.2	-1.3	6.8	-2.5	11.3	9.4	15.3	11.0	2.5	5.1	7.6	10.2	17.2	19.4	21.4
Drawings	18.6	22.0	29.1	4.4	0.0	9.4	0.0	15.9	13.2	21.8	18.5	4.5	9.0	13.5	18.0	21.4	23.4	25.7
Budgetary loans	7.6	11.7	17.3	0.0	0.0	0.0	0.0	0.0	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	11.0	10.3	11.8	4.4	0.0	9.4	0.0	15.9	7.0	21.8	18.5	4.5	9.0	13.5	18.0	21.4	23.4	25.7
Amortization	-7.0	-7.0	-7.9	-2.0	-2.6	-4.1	-5.2	-6.9	-7.9	-9.5	-10.5	-2.2	-4.3	-6.5	-8.7	-4.2	-4.0	-4.3
of which: HIPC debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	2.3	3.5	4.7	6.4	8.8	10.0
Obtained rescheduling and refinancing 6/	0.0	24.2	3.3	0.8	1.3	1.5	2.7	2.3	4.0	3.0	3.0	0.2	0.4	0.6	0.9	0.0	0.0	0.0
Domestic financing	0.6	2.0	5.2	0.0	-6.8	-2.4	0.6	-4.4	-1.3	-8.5	-5.1	-1.3	-2.5	-3.8	-5.0	-10.0	-10.0	-5.0
Banking system (monetary survey) 7/	0.7	1.0	6.1	0.0	-5.9	-2.6	2.3	-3.8	1.2	-5.1	-1.7	0.0	0.0	0.0	0.0	-5.0	-5.0	-5.0
Nonbank sector (including CSR repayment)	-0.1	1.0	-0.9	0.0	-0.9	0.2	-1.7	-0.6	-2.6	-3.4	-3.4	-1.3	-2.5	-3.8	-5.0	-5.0	-5.0	0.0
Of which: nonbank		1.0	-0.4	0.0	-0.6	0.0	-1.2	-0.6	-1.8	-2.4	-2.4	.	..	...	...	...	...	...
consolidated development bonds	.	...	-0.5	0.0	0.3	0.0	0.6	..	0.9	-1.0	1.2	...	..	..	...	...	...	...
Financing gap	0.0	0.0	0.0	5.9	0.0	10.9	0.0	22.9	0.0	55.9	58.8	4.7	11.1	22.6	31.9	24.2	18.1	10.0
Memorandum items:	(In percent of GDP unless otherwise indicated)																	
Revenue and grants	17.0	15.7	15.8	3.3	3.7	7.7	6.9	12.0	8.6	16.0	14.0	3.7	7.7	11.5	15.5	16.5	17.4	17.8
Revenue excluding grants	10.3	10.4	9.8	2.2	2.9	5.4	5.2	8.0	7.5	10.7	10.2	3.5	5.3	8.0	10.8	11.7	12.2	12.6
Total expenditure and net lending	19.5	18.6	19.7	4.5	3.1	9.7	7.2	15.8	11.3	21.9	19.6	4.5	9.5	15.1	20.5	20.3	20.4	20.4
Current expenditure	11.4	11.9	13.5	2.8	2.3	5.8	5.4	9.2	8.9	12.8	12.6	2.6	5.8	9.4	12.9	12.3	12.2	12.2
Of which: wage bill	5.1	4.6	5.3	1.2	1.2	2.5	2.5	3.7	3.9	4.9	5.2	1.2	2.5	3.8	5.1	5.0	5.0	5.1
goods and services	3.8	4.0	4.1	0.7	0.6	1.6	1.3	2.6	2.4	3.6	3.3	0.6	1.4	2.3	3.4	3.6	3.8	3.8
defense/security	4.1	4.3	4.2	0.8	0.8	1.7	1.7	2.6	2.7	3.7	3.8	0.7	1.5	2.3	3.2	2.9	2.6	2.3
Of which: basic social spending 8/	2.1	2.3	3.4	0.8	0.6	1.4	1.4	2.3	2.3	3.4	3.7	0.7	1.8	3.1	4.5	5.1	5.6	6.4
total social spending 9/	2.5	2.8	3.9	0.9	0.7	1.6	1.6	2.6	2.7	3.9	4.1	0.8	1.9	3.4	4.9	5.5	6.1	6.9
of which: hipc savings	..	..	.	0.0	.	0.0	.	0.0		0.0	...	0.4	0.8	1.2	1.5	1.5	1.4	1.4
exceptional social spending	0.2	0.9	1.2	0.3	0.1	0.5	0.5	1.2	0.9	1.8	1.5	0.2	0.7	1.1	1.5	1.2	0.8	0.5
Capital expenditure	8.1	6.7	6.3	1.8	0.8	3.8	1.7	6.5	2.3	9.1	7.0	1.8	3.6	5.6	7.6	8.0	8.2	8.2
Current balance	-1.1	-1.5	-3.6	-0.6	0.6	-0.3	-0.2	-1.1	-1.4	-2.1	-2.4	-0.1	-0.5	-1.4	-2.1	-0.6	-0.1	0.3
Primary balance 3/																		
Including exceptional social expenditure	0.2	-0.6	-2.6	-0.4	0.7	0.0	0.1	-0.6	-0.9	-1.2	-1.4	0.1	0.0	-0.6	-1.1	-0.1	0.5	0.9
Excluding exceptional social expenditure	0.3	0.0	-2.2	-0.2	0.8	0.4	0.6	0.3	-0.1	0.1	-0.1	0.3	0.6	0.3	0.2	0.8	0.9	1.0
Overall deficit (payment order)																		
Including grants	-2.4	-2.9	-3.9	-1.3	1.2	-2.0	1.3	-3.9	-0.3	-5.8	-5.5	-0.8	-1.8	-3.5	-4.9	-3.8	-3.1	-2.7
Excluding grants	-9.2	-8.1	-9.9	-2.3	-0.2	-4.3	-1.9	-7.8	-3.8	-11.2	-9.3	-2.0	-4.2	-7.1	-9.6	-8.6	-8.3	-7.9
Nominal GDP (in billions of Rwanda francs)	562.4	632.1	646.1	706.6	686.8	706.6	686.8	706.6	686.8	706.6	686.8	749.3	749.3	749.3	749.3	821.3	899.7	986.7
NPV of debt reduction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.8	33.7	50.5	67.3	467.3	455.2	440.5
Total HIPC debt relief (in billions of Rwanda franc	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	5.8	8.7	11.6	12.1	12.7	13.8
To Budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	4.0	6.0	8.0	9.5	11.9	12.4
To NBR 10/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	1.8	2.7	3.6	2.6	0.8	1.4
Total HIPC debt relief (in percent of GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.8	1.2	1.5	1.5	1.4	1.4

Sources: Rwandese authorities; and Fund staff estimates and projections

1/ Starting in September 1998, expenditure data are on the basis of payment orders (*ordonnancement*); prior to September 1998, expenditure was recorded on the basis of commitments (*engagement*).

2/ Exceptional social expenditure is excluded from the primary balance definition used for program monitoring.

3/ Excluding exceptional social expenditure, defined as total revenue (excluding privatization proceeds) minus noninterest current expenditure minus domestically financed capital expenditure

4/ The programmed reduction in domestic arrears in 1999 includes 1998 wage arrears on account of regularization of teachers (RF 0.55 billion)

5/ The 1998 net reduction of arrears includes the elimination of arrears to Paris Club creditors; arrears to the EU were cleared in 1999; arrears to non-Paris Club (including debt service due in 1999) are expected to be rescheduled in 2000.

6/ For March, June, and September 2000, it also includes pending Non-Paris Club rescheduling.

7/ In 2000 net credit to government was redefined to exclude the accounts of autonomous public agencies

8/ Excluding Universite National du Rwanda.

9/ Including Universite National du Rwanda.

10/ This represents HIPC relief from the Fund on IMF debt which is serviced by the National Bank of Rwanda.

Table 15. Rwanda: The Fiscal Impact of the HIPC Initiative

	2001	2002	2003	2004
1. Relief given (in billions of Rwandan francs)				
Interest due before HIPC debt relief 1/	5.7	5.9	6.0	6.2
Interest paid before HIPC debt relief	5.7	5.8	5.9	6.0
HIPC relief on interest	3.3	3.7	3.7	3.6
Interest due after HIPC debt relief	2.4	2.2	2.3	2.6
Amortization due before HIPC debt relief 1/	12.5	11.5	10.1	12.1
Amortization paid before HIPC debt relief	12.5	11.4	9.8	11.7
HIPC relief on amortization	8.3	8.4	9.0	10.2
Amortization due after HIPC debt relief	4.1	3.1	1.1	1.9
HIPC relief provided as grants	0.0	0.0	0.0	0.0
HIPC relief provided as exceptional financing	0.0	0.0	0.0	0.0
Total HIPC debt relief	11.6	12.1	12.7	13.8
Net cash flow to the budget from HIPC debt relief 2/	8.0	9.5	11.9	12.4
Memorandum items:				
Other donor flows	80.5	67.8	67.1	42.5
Total net external flows (net external financing less debt service due)	85.6	74.7	76.4	51.8
2. Functional and other poverty-reducing government expenditures (in percent of GDP)				
Baseline pre-HIPC debt relief expenditure projections	4.6	5.0	5.4	6.2
Post-HIPC debt relief expenditure projections	5.4	5.9	6.5	7.3
Memorandum items:				
Revenues (in percent of GDP)	10.8	11.7	12.2	12.6
Domestic debt (in percent of GDP)	7.2	6.0	6.0	6.0
Overall fiscal balance before HIPC debt relief (in percent of GDP)	-11.2	-10.1	-9.7	-9.3
Total social spending (in percent of GDP) 3/	4.9	5.5	6.1	6.9

1/ After Naples stock-of-debt operation

2/ Excludes IMF assistance.

3/ Average total social spending during 1998-2000 is 3.6 percent of GDP.

Table 16. HIPC Initiative: Status of Country Cases Considered Under the Initiative, December 1, 2000

Country	Decision Point	Completion Point	Target NPV of Debt-to- Export (in percent)	Target NPV of Debt-to- Gov. revenue (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilat-eral	Multi-lateral	IMF	World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
Completion point reached under enhanced framework											
Uganda					1,003	183	820	160	517		1,950
original framework	*Apr. 97*	*Apr. 98*	*202*		*347*	*73*	*274*	*69*	*160*	*20*	*650*
enhanced framework	*Feb. 00*	*May 00*	*150*		*656*	*110*	*546*	*91*	*357*	*37*	*1,300*
Decision point reached under enhanced framework											
Benin	Jul. 00	*Floating*	150		265	77	189	24	84	31	460
Bolivia					1,302	425	875	84	194		2,060
original framework	*Sep. 97*	*Sep. 98*	*225*		*448*	*157*	*290*	*29*	*54*	*14*	*760*
enhanced framework	*Feb. 00*	*Floating*	*150*		*854*	*268*	*585*	*55*	*140*	*30*	*1,300*
Burkina Faso					398	56	342	42	162		700
original framework	*Sep. 97*	*Jul. 00*	*205*		*229*	*32*	*196*	*22*	*91*	*27*	*400*
enhanced framework	*Jul. 00*	*Floating*	*150*		*169*	*24*	*146*	*20*	*71*	*27*	*300*
Cameroon	Oct. 00	Floating	150		1,260	874	324	37	179	27	2,000
Guyana					585	220	365	74	68		1,030
original framework	Dec. 97	May 99	107	280	256	91	165	35	27	24	440
enhanced framework	*Nov. 00*	*Floating*	*70*	*250*	*329*	*129*	*200*	*40*	*41*	*40*	590
Honduras	Jun. 00	Floating	110	250	556	215	340	30	98	18	900
Mali					523	162	361	58	182		870
original framework	*Sep. 98*	*Sep. 00*	*200*		*121*	*37*	*84*	*14*	*44*	*9*	*220*
enhanced framework	*Sep. 00*	*Floating*	*150*		*401*	*124*	*277*	*44*	*138*	*28*	*650*
Mauritania	Feb. 00	Floating	137	250	622	261	361	47	100	50	1,100
Mozambique					1,970	1,235	736	140	434		4,300
original framework	*Apr. 98*	*Jun. 99*	*200*		*1,716*	*1,076*	*641*	*125*	*381*	*63*	*3,700*
enhanced framework	*Apr. 00*	*Floating*	*150*		*254*	*159*	*95*	*16*	*53*	*9*	*600*
Senegal	Jun. 00	Floating	133	250	488	193	259	45	124	19	850
Tanzania	Apr. 00	Floating	150		2,026	1,006	1,020	120	695	54	3,000
Completion point reached under original framework											
Decision point reached under original framework											
Côte d'Ivoire	Mar. 98	Mar. 01	141	280	345	163	182	23	91	6 3/	800
Total assistance provided/committed					**11,343**	**5,070**	**6,174**	**883 4/**	**2,927**		**20,020**
Preliminary Assessments 5/											
Chad 6/	...	...	150		157	34	123	15	65	27	250
Ethiopia 6/	...	...	200		636	225	411	22	214	23	1,300
Gambia, The 7/	...	...	150		67	18	49	2	22	27	90
Guinea 7/	...	...	150		545	217	328	31	151	32	800
Guinea-Bissau 7/	...	...	200		400	198	202	11	93	85	755
Madagascar 6/	...	...	150		880	502	378	23	264	41	2,000
Malawi 6/	...	...	150		629	163	466	29	323	43	1,100
Nicaragua 6/	...	...	150		2,507	1,416	1,091	32	188	66	5,000
Niger 7/	...	...	150		521	211	309	28	170	54	890
Rwanda 6/	...	...	150		447	56	391	43	227	71	800
Sao Tome and Principe 6/	...	...	150		97	29	68	–	24	83	200
Zambia 7/	...	...	150		2,499	1,168	1,331	602	493	62	4,500

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

3/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPVof debt at the completion point in the calculation of this ratio.

4/ Equivalent to SDR 677.9 million at an SDR/USD exchange rate of 0.7676.

5/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change. Assistance levels for Ethiopia and Guinea-Bissau were based on the original framework and applied at the completion point; for Chad, The Gambia, Guinea, Madagascar, Malawi, Nicaragua, Rwanda, and Zambia, targets are based onthe enhanced framework and assistance levels are at the assumed decision point.

6/ Information based on preliminary HIPC documents

7/ Figures based on on decision point documents submitted to the Board in November/December 2000, but not yet approved