

Table 1. Rwanda: Prior Actions for Completion of the First Review Under the Third Annual PRGF Arrangement, 2000/01

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1. Completion of the stocktaking of all government accounts both at the National Bank of Rwanda and commercial banks, including the specification of their financing sources.
 2. Completion and transmittal to the Fund of the stocktaking of all extrabudgetary and off-budget account movements.
 3. Completion of 130 audits of large enterprises by July 15.
 4. Initiation of collection of 5 percent withholding tax on importers.
 5. Implementation of the revision of fees for services offered by the government (nontax revenue).¹
 6. Publication of the increase in the presumptive tax from 2 percent to 4 percent of annual turnover in the gazette.
 7. Implementation by July 15, 2001 of the first of three installments of the revised petroleum price mechanism, adjusting the reference price to 80 percent of the three-month moving average of international petroleum prices.
 8. Fulfillment of quantitative benchmarks for August concerning (i) the primary fiscal deficit (excluding exceptional social spending) as specified in Table 2a: “Rwanda: Quantitative Performance Criteria and Benchmarks Under the Second and Third Annual PRGF Arrangements, 1999–2001;” and (ii) an increase in the rediscount rate of the NBR by 2 percentage points to 12.75 percent by August 24, 2001.

¹ With the exception of fees for services offered by the Ministry of Labor and the Ministry of Commerce, Industry and Tourism, which due to legal obstacles will take longer to be adjusted.

Table 2a. Rwanda: Quantitative Performance Criteria and Benchmarks Under the Second and Third Annual PRGF Arrangements, 1999-2001
(In billions of Rwanda francs, unless otherwise indicated)

	1999		2000				2001				
	Sep.	Dec.*	Mar.	Jun.	Sep.*	Dec.	Mar.*	Jun.	Aug. ^{1/}	Sep.	Dec.*
	PRGF II						PRGF III				
	(Performance criteria on test dates;* and quantitative benchmarks)										
Net foreign assets of the NBR (floor on stock) 2/											
Actual (program exchange rate)	22.8	25.5	23.2	15.8	17.8	35.7	48.3	45.6	...	...	...
Adjusted program	29.3	30.8	26.5	24.0	23.1	34.0	40.4	33.8	...	...	...
Program	28.0	28.0	26.6	25.1	22.0	25.6	24.3	23.9	...	40.3	33.6
Net domestic assets of the banking system (ceiling on stock)											
Actual (program exchange rate)	60.9	61.9	61.2	75.8	70.4	55.4	42.7	56.9	...	...	...
Adjusted program	...	...	...	...	...	51.2	46.7	55.2	...	...	...
Program	...	...	...	...	...	59.6	62.8	65.0	...	57.7	65.1
Net credit to the central government by the banking system (ceiling on stock) 3/											
Actual	27.1	32.4	26.5	34.7	33.6	24.4	9.4	17.6	...	...	...
Adjusted program	22.5	24.0	32.5	30.9	27.4	24.4	17.1	22.9	...	...	...
Program	23.8	26.9	32.4	29.8	28.6	32.8	33.3	32.8	...	20.3	27.1
New nonconcessional external debt (ceiling on flow) 4/											
Actual	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	...	...
Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	0.0	0.0
Short-term external debt (ceiling on stock) 5/											
Actual	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	...	...
Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	0.0	0.0
Primary fiscal balance (floor on cumulative flow since Dec. 31) 6/ 7/											
Actual	-11.5	-14.4	6.0	4.5	-0.3	-4.3	3.7	0.8	...	...	...
Adjusted program	-4.8	-4.9	-0.3	3.3	2.1	-1.5	-0.1	1.5	...	...	...
Program	-5.8	-4.5	-1.5	2.8	1.8	-1.5	1.3	4.1	-2.2	-1.1	-2.7
Stock of outstanding nonreschedulable external arrears (ceiling on stock) 8/											
Actual	0.0	0.0	0.0	0.0	0.4	0.7	0.1	1.1	...	...	...
Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	0.0	0.0
Net accumulation of domestic arrears (ceiling on cumulative net accumulation since Dec. 31)											
Actual 10/	0.4	-4.0	1.6	-2.0	0.9	-3.9	-5.4	-3.8	...	...	...
Program	-2.8	-3.5	-0.2	-1.5	-2.5	-4.5	0.0	0.0	...	-5.3	-10.0
Social spending (floor on cumulative flow since Dec. 31) 9/											
Actual	...	...	...	...	...	...	7.4	17.0	...	...	...
Actual (old definition)	17.7	25.1	4.5	10.9	18.3	28.5	6.6	14.3	...	...	...
Program	18.6	24.8	5.8	11.4	18.6	28.4	6.0	14.5	...	28.3	40.0
	(Indicative target)										
Reserve money (ceiling on stock)											
Actual	34.2	40.4	35.3	37.1	35.5	37.8	34.7	42.5	41.2	...	...
Program	36.9	37.4	38.0	38.5	38.0	37.9	38.8	39.6	40.0	...	...

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

1/ The August program number for the primary fiscal balance is a benchmark to be met as a prior action to presenting the request for completion of the first review of the third annual PRGF arrangement to the Board.

2/ Net foreign reserves are defined, for this purpose, consistent with the definition of the Special Data Dissemination Standard (SDDS) template, as external assets readily available to, or controlled by, the National Bank of Rwanda (NBR) net of external liabilities of the NBR. Pledged or otherwise encumbered reserves assets including, but not limited to, reserve assets used as collateral or guarantee for third-party external liabilities are to be excluded.

3/ From December 2000 onward, the definition of net credit to government by the banking system has been changed to exclude public nongovernmental deposits.

4/ Ceiling on contracting or guaranteeing by the central government, local governments, and the NBR of new nonconcessional external debt with original maturity of more than one year. The term debt shall be understood as defined in the Executive Board decision No. 6230-(79/140) adopted August 3, 1979, as amended by Decision No. 11096-(95/100) of October 25, 1995 and Decision No. 12274-(00/85) adopted August 24, 2000. Debt rescheduling and restructuring are excluded from the borrowing limits. Includes financial leases and other instruments giving rise to external liabilities, contingent or otherwise, on nonconcessional terms. In determining the level of concessionality of these obligations, the definition of concessional borrowing shall apply. Concessional borrowing is defined as having a grant element of 35 percent or more until September 2000, and 50 percent or more from December 2000 onward. For loans with a maturity of at least 15 years, the 10-year average commercial interest reference rates (CIRRs) published by the OECD should be used as the discount rate for assessing the level of concessionality, while the 6-month average CIRRs should be used for loans with shorter maturities. To both the 10-year and the 6-month averages, the following margins for differing repayment periods should be added: 0.75 percent for repayment periods of less than 15 years; 1 percent for 15-19 years; 1.15 percent for 20-29 years; and 1.25 percent for 30 years or more.

5/ Ceiling on change in outstanding stock of external debt (excluding normal import-related credits) owed or guaranteed by the central government, local government, and the NBR with original maturity of up to and including one year.

6/ The primary fiscal balance is defined as total revenue (excluding privatization proceeds) minus current expenditure (excluding scheduled interest payments and exceptional social expenditure) minus domestically financed capital expenditure.

7/ The primary fiscal balance target is adjusted downward to accommodate any fully externally financed excess social spending.

8/ There is also a continuous performance criterion on the nonaccumulation of any new external arrears, except for external payments that are subject to debt-rescheduling negotiations.

9/ The definition of social spending from March 2001 onward has been changed to include a larger variety of social/antipoverty spending. Before March 2001, social spending was defined as expenditures on education; health; social affairs/gender, women, and development; and youth, culture and sport.

10/ Numbers can deviate from those in the presentation of the operations of the central government due to differences in the definition.

Table 2b. Rwanda: Calculation of the Budgetary Support Adjustments to the Quantitative Performance Criteria and Benchmarks Under the Second and Third Annual PRGF Arrangements, 1999-2001 1/

	1999		2000				2001			
	Sep.	Dec.*	Mar.	Jun.	Sep.*	Dec.	Mar.*	Jun.	Sep.	Dec.*
	PRGF II						PRGF III			
(Performance criteria on test dates;* and quantitative benchmarks)										
Total external budgetary support and social spending adjustment (min (A, B))	-1.3	-2.9	0.0	1.1	-1.1	-8.4	-16.1	-9.8	...	...
Cap on external budgetary support adjustment (A)	9.0	12.0	9.0	11.0	13.0	15.0	9.0	11.0	13.0	15.0
Uncapped external budgetary support and social spending adjustment (B = C + D)	-1.3	-2.9	0.0	1.1	-1.1	-8.4	-16.1	-9.8	...	...
Budgetary support cumulative shortfall + (excess -) (C = C*, but in Rwanda francs) 2/	-0.6	-2.0	2.3	1.6	1.2	-9.4	-19.3	-15.4	...	...
Financed social and exceptional social spending, excess + (shortfall -) (D = min (E, F))	-0.7	-0.9	-2.3	-0.5	-2.4	1.0	3.2	5.6	...	...
Budgetary support cumulative excess + (shortfall = 0) (E)	0.6	2.0	0.0	0.0	0.0	9.4	19.3	15.4	...	...
Social and exceptional social spending, excess + (shortfall -) (F = G + H)	-0.7	-0.9	-2.3	-0.5	-2.4	1.0	3.2	5.6	...	...
Adjustment for financed excess social spending (Min (C**, G)	-1.0	0.3	-1.3	-0.4	-0.3	0.0	3.2	5.6	...	...
External budgetary support cumulative excess + (shortfall = 0) (C** = max (-C, 0))	0.6	2.0	0.0	0.0	0.0	9.4	19.3	15.4	...	...
Social spending, excess + (shortfall -) (G)	-1.0	0.3	-1.3	-0.4	-0.3	0.0	3.2	5.6	...	...
Social and exceptional social spending, excess + (shortfall -) (F = G + H)	-0.7	-0.9	-2.3	-0.5	-2.4	1.0	3.2	5.6	...	...
Social spending, excess + (shortfall -) (G)	-1.0	0.3	-1.3	-0.4	-0.3	0.0	1.4	2.5	...	...
Program 3/	18.6	24.8	5.8	11.4	18.6	28.4	6.0	14.5	28.3	40.0
Actual	17.7	25.1	4.5	10.9	18.3	28.5	7.4	17.0	...	...
Exceptional social spending, excess + (shortfall -) (H)	0.3	-1.2	-1.0	-0.1	-2.1	1.0	1.8	3.1	...	...
Program 3/	6.7	9.1	1.8	3.8	8.2	10.2	1.5	5.0	12.5	16.7
Actual	7.0	7.9	0.8	3.7	6.1	11.3	3.3	8.1	...	...
External budgetary support cumulative shortfall (excess -) (C = C*, but in Rwanda francs) 2/	-0.6	-2.0	2.3	1.6	1.2	-9.4	-19.3	-15.4	...	...
External budgetary support cumulative nondebt shortfall (excess -) (K)	...	2.9	1.6	0.1	...	...	...	...	...	...
Shortfall in domestic debt repayment (L) 4/	...	4.9	-0.7	-1.5	...	...	...	...	...	...
Program 3/	...	-5.8	0.0	0.0	...	...	...	...	...	...
Actual	...	-0.9	-0.7	-1.5	...	...	...	...	...	...
(In millions of U.S. dollars)										
External budgetary support cumulative nondebt shortfall (excess -) (C* = I - J) 2/	-1.9	8.8	4.5	0.4	3.5	-22.9	-46.6	-37.1	...	...
Program (I) 3/	65.6	107.6	15.8	29.4	62.6	94.6	11.2	26.5	72.2	88.7
European Development Bank	16.0	30.0	6.8	16.6	24.8	43.2	20.2	20.2	19.1	26.2
African Development Bank 5/	0.0	13.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank	38.0	38.0	0.0	0.0	17.5	31.1	16.0	16.0	30.8	30.8
Multilateral refinancing	2.2	2.6	0.6	1.3	2.0	0.0	0.0	0.0	0.0	5.6
Bilateral donors excluding multilateral debt trust fund 6/	29.3	36.6	3.8	3.8	14.2	34.1	0.3	6.5	6.0	27.1
Disbursements out of multilateral debt trust fund (-) 7/	-13.8	-13.1	4.6	9.5	14.2	18.1	5.0	10.1	1.7	1.7
HIPC Initiative grants	...	...	...	...	...	...	...	...	19.6	25.1
Minus projected overfinancing (which must be allocated to social spending)	-6.1	0.0	0.0	-1.7	-10.0	-31.9	-30.3	-26.2	-5.1	-27.7
Actual (J)	67.5	98.8	11.3	29.1	59.1	117.6	57.7	63.6	...	...
European Union	11.0	16.7	3.4	16.6	18.1	42.3	0.0	0.0	...	...
African Development Bank	0.0	13.5	0.0	0.0	0.0	0.0	0.0	0.0	...	...
World Bank	38.0	38.0	0.0	0.0	16.1	16.1	30.8	30.8	...	...
Multilateral refinancing	3.6	2.6	-0.4	-0.4	1.0	0.0	0.0	0.0	...	...
Bilateral donors excluding multilateral debt trust fund	4.7	12.2	3.8	3.8	11.1	42.1	0.0	0.0	...	...
Disbursements out of multilateral trust fund (-)	10.2	15.7	4.6	9.1	12.8	17.1	1.7	1.7	...	...
HIPC Initiative grants	...	...	...	...	...	...	5.1	10.9	...	...
Excess financing from previous year	...	...	...	...	...	...	20.2	20.2	...	...
Memorandum items:	(In Rwanda francs per dollar)									
Exchange rates										
Rwanda francs per U.S. dollar, average	334.6	335.2	358.4	374.6	402.9	390.0	434.0	436.4	...	...
Rwanda francs per U.S. dollar, end of period	334.7	349.5	366.1	388.5	411.7	430.5	434.0	442.1	...	...
Rwanda francs per U.S. dollar, program	330.5	330.5	351.9	351.9	351.9	411.0	415.5	415.5	415.5	415.5

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

1/ Cumulative from start of year.

2/ C = C* converted to Rwanda francs at the program exchange rate.

3/ For 2001, program targets up to June reflect the targets set in EBS/00/264; for the period after June, they reflect proposed revised program targets.

4/ Starting in June 2000, this item will no longer be added to the external budgetary support cumulative shortfa

5/ From the originally programmed AfDB disbursement of US\$13.5 million, US\$5 million is deducted, which was received at end-1998 but booked in the government accounts only in early 1999. This amount has been reclassified as domestic nonbank financing in 1999.

6/ After debt relief obtained from Paris Club creditors and debt relief to be obtained from non-Paris Club creditors. Up to December 1999, program figures refer to disbursements bilateral donors including into the MDTF. From March 2000 onward, they reflect disbursements by bilateral donors excluding the disbursements into the MDTF.

7/ Up to December 1999, program figures reflect the net accumulation in the MDTF. From March 2000 onward, they reflect disbursements out of the MDTF.

Table 3. Rwanda: Structural Performance Criteria and Benchmarks for the First and Second Reviews Under the Third Annual PRGF Arrangement, 2000/01

Reform	Original Timing	Status/Rev. Timing
Develop a system for monitoring poverty-related expenditures on a monthly basis ¹	January 1, 2001	Done
Begin collecting taxes under VAT law ³	January 1, 2001	Done
Ensure that the National Bank of Rwanda conducts weekly auctions to sell foreign exchange to the highest bidder among the commercial banks at whatever rate clears the auction ³	January 31, 2001	Implemented on February 7, 2001
Prepare a monitorable action plan for further strengthening the Auditor General's Office, and a strategy and timetable for delivering a full audit of public accounts annually ¹	February 28, 2001	Done
Complete audits of the large companies' 1998 tax returns and complete 40 audits of 1999 returns ¹	March 31, 2001	Done
Maintain and achieve voluntary declaration and tax payment compliance rates of at least 95 percent for large enterprises and at least 40 percent for small and medium enterprises (from 95 percent and 10 percent, respectively, in 1999) ²	September 30, 2001	September 30, 2001
Adopt law or issue decree that allows for the efficient and timely enforcement of arbitration awards rendered by the arbitration center ^{4, 6}	June 30, 2001	October 15, 2001
Achieve collection rate of 50 percent ⁵ of tax assessment within one month of assessment through strict application of reminder enforcement procedures ²	September 30, 2001	October 31, 2001
Complete a review of all waivers and exemptions from import duties and taxes, produce a plan that provides for their elimination by a specific date (with the exception of those established under international treaties), and propose in accordance with this plan that some of the waivers or exemptions be eliminated with effect for the 2002 budget ⁴	September 30, 2001	October 31, 2001
Issue financial instructions in accordance with the organic budget law ^{4, 6}	June 30, 2001	December 31, 2001
Effect improvements in the system of the <i>voie parée</i> in accordance with the recommendation of the interministerial committee established for the purpose ²	June 30, 2001	December 31, 2001
Establish a Commercial Court (<i>Tribunal de Commerce</i>) and a Tax Court (<i>Tribunal Fiscal</i>) ²	December 31, 2001	December 31, 2001
Submit to parliament the tax law on professional remunerations (TPR) to make all salary allowances in cash and in kind fully subject to TPR ²	June 30, 2001	January 1, 2002
Offer 51 percent of Rwandatel to a strategic investor ²	November 30, 2001	March 31, 2002

¹ Structural benchmark relevant for first review.

² Structural benchmark relevant for second review.

³ Structural performance criterion for completion of first review.

⁴ Structural performance criterion for completion of second review.

⁵ Collection rate reduced from 75 percent to 50 percent.

⁶ Measure was a structural performance criterion for completion of first review under the original program (EBS/00/264).