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# **Rwanda:** Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

May 29, 2008

## LETTER OF INTENT

Kigali, Rwanda
May 29, 2008

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Mr. Strauss-Kahn

1. The third review of our financial and economic program supported under the Fund's Poverty Reduction and Growth Facility (PRGF) was completed on February 29, 2008. In the attached Memorandum of Economic and Financial Policies (MEFP), we review recent economic developments and amend our policies for the remainder of 2008.

2. Program implementation under the PRGF arrangement has been broadly on track. All quantitative performance criteria for end-December 2007 were met with the exception of the performance criterion (PC) on net credit to government, which was exceeded due to administrative delays in disbursements by the Fast Track Education Initiative (FTEI) and the African Union (AU). The FTEI disbursements were received in January 2008, and the AU in March 2008. Thus, we are requesting a waiver for the nonobservance of the quantitative performance criterion on net credit to government.

3. To accommodate additional donors' funds that became available for use in 2008 and emergency spending related to rehabilitation of damage caused by earthquakes in early 2008, we request a modification of the fiscal performance criteria for 2008. In addition, we request modification of the performance criteria on reserve money to accommodate the impact of increasing costs of fuel imports and growing pressures from rising world food prices on domestic inflation.

4. To proceed with the construction and financing of the hydro-electric project at Nyabarongo, the Government of Rwanda requests a modification of the continuous performance criterion on nonconcessional debt. This project is important to address our energy needs and alleviate one of the main constraints to growth.

5. In support of our policies described in the MEFP, the Government of Rwanda requests the completion of the fourth review under the PRGF arrangement and the disbursement of the fifth loan of SDR 1.14 million.

6. The Government of Rwanda believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of its program, but it will take any further measures that may become appropriate for this purpose. The Government of Rwanda will consult with the Fund on the adoption of these measures and in advance of revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultations. The fifth review under the PRGF arrangement is expected to be completed by end-November 2008, and the sixth review by mid-May 2009.

7. The Government of Rwanda authorizes the publication and distribution of this letter, MEFP and TMU together with the related staff report.

Sincerely yours,

| | |
|---|---|
| / s / | / s / |
| François Kanimba | James Musoni |
| Governor | Minister of Finance and Economic |
| National Bank of Rwanda | Planning |

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

## RWANDA: MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES (MEFP)
May 29, 2008

1. This memorandum amends our economic program for 2008 (set out in the MEFP of February 2008) that is supported by an arrangement under the IMF's Poverty Reduction and Growth Facility. The program reduces poverty by preserving macroeconomic stability, boosting economic growth, and adopting policies that will improve the lives of the poor. This memorandum is consistent with the goals established in the new Economic Development and Poverty Reduction Strategy (EDPRS). The memorandum reviews the recent performance under the program through end-2007 and describes the policies for the remainder of 2008.

### I. RECENT ECONOMIC DEVELOPMENTS

2. **With policies remaining on track, strong growth and single-digit inflation were signs of a satisfactory macroeconomic performance in 2007.** GDP growth at 6 percent exceeded initial projections because of buoyant activity in the construction and the services sectors, despite adverse weather conditions having depressed agricultural output. Inflation declined from 12 percent at end-December 2006 to less than 7 percent at end-2007. However, core inflation (excluding fresh food and energy) was high in the second half of the year. In early 2008, mounting costs of fuel imports led to a hike in transportation prices. Even though a good local harvest temporarily offset the pressures from rising world food prices and headline inflation remained in single digits, core inflation continued to rise and reached 11 percent in March.

3. **The execution of fiscal policies was broadly in line with the program, although the target on net credit to government was missed (see MEFP Table 1).** Higher-than-programmed revenue offset the higher-than-budgeted spending, and hence the end-2007 target on the domestic fiscal balance was met. The buoyant revenue performance reflected higher economic growth, improved tax collection efficiency, and one-off tax collections from arrears, VAT and a now discontinued tax on mobile phone usage. On the spending side, there were additional outlays for the construction and repair of schools and roads, and projects in export promotion, agriculture, energy, water, and sanitation. As a result, priority spending substantially exceeded the target. However, the target on net credit to government was missed, because of unexpected administrative delays in disbursing the second tranche of the Fast Track Education Initiative (FTEI) and continued delays in reimbursements from the AU for our peacekeeping efforts in Sudan. The delay in accessing the FTEI tranches in 2007 was caused by uneven familiarity with the FTEI operational guidelines by the staff at the Ministry of Finance and Economic Planning and the Ministry of Education as well as development partners. As the second FTEI disbursement was received in January 2008 and the AU funds in March 2008, bringing net credit to government back on track, we request a waiver of nonobservance of this performance criterion.

4. **Although the end-2007 reserve money target was met, monetary management was a challenge (MEFP Table 1).** An acceleration in domestic fiscal spending (including for projects) and a delayed coffee harvest injected more liquidity in the second half of the year. Accordingly, the National Bank of Rwanda (NBR) stepped up sterilization operations to mopup the excess liquidity and to bring reserve money within the end-December target. Foreign exchange sales increased, but were not sufficient to reduce the excess liquidity. Thus the NBR issued more domestic paper and, as a result, the stock of domestic debt at end-2007 exceeded the indicative target. Although the sterilization operations kept end-month reserve money within the targets, average intra-month reserve money exceeded the end-month targets. Broad money was about 20 percent higher than programmed at end-2007, which broadly matched an excess in the accumulation of NFA above the program target. These trends from the second half of 2007 continued in early 2008.

5. **From mid-February 2008, the method of exchange rate determination was modified.** The exchange rate was adjusted by 0.125 basis points vis-à-vis the U.S. dollar downward or upward on a weekly basis depending on under- or over-performance in sales of foreign exchange to the commercial banks. The performance assessment was based on a weekly target for foreign currency sales derived from the annual projection of foreign exchange sales.

6. **The current account deficit of 16 percent of GDP for 2007 was smaller than projected.** Higher-than-expected private transfers and mineral exports more than offset a reduction in agricultural exports and growing imports. The NBR's international reserves significantly surpassed the program target, largely reflecting nonbudgetary aid inflows and privatization proceeds. The Rwandan franc was stable against the U.S. dollar and, consistent with the U.S. dollar's performance, depreciated against other major world currencies. The nominal effective exchange rate depreciated by 6 percent year-on-year at end-2007, and the real effective exchange rate depreciated by 4 percent during the same period.

7. **The net present value (NPV) of external debt exceeded projections.** In 2007, new disbursements of external debt (excluding IMF) totaled about US$88 million—about US$21 million higher than projected. At the same time, Rwanda received only about half of the previously expected HIPC debt relief on debt service from creditors that still provide relief on flow basis, which also prompted downward revision of the relief projected for 2008-09. In addition, the depreciation of the U.S. dollar against other major currencies contributed to the increase in the stock of external debt at end-2007, and its net present value exceeded the indicative target under the program.

8. **Two exogenous shocks weakened economic activity temporarily in early 2008:**

- *The political and social crisis in Kenya* had economic consequences for all land-locked countries relying on the port of Mombasa for exports and imports. The transport of goods through Kenya came to a standstill during the first half of January, but recovered slowly during the second half of that month and more strongly from mid-February. Economic growth should be relatively unaffected since many businesses in Rwanda had stocks to cover a period of supply disruptions. However, to prevent fuel shortages, about 1.5 million liters from the strategic fuel reserve were sold to petroleum distributors in January, fuel rationing was temporarily introduced, and some fuel imports were rerouted through Tanzania albeit at a higher cost. Additionally, regulated petroleum prices were raised by 6 percent in January and by further 4.5 percent in early April to compensate for the higher costs of imports, and regulated transport fees were increased by 15-25 percent in January.

- *A series of earthquakes* struck Rwanda in early February. In addition to human casualties and hundreds of injured, there was extensive damage to schools, hospitals, and about 1,200 houses. The Government of Rwanda (GoR), together with UN agencies and other international and bilateral organizations, provided emergency assistance.

9. **The GoR launched and began implementing the Financial Sector Development Plan (FSDP) in 2007** to create an efficient financial sector and enhance private-sector led economic growth. Recent progress (since the update in the February 2008 MEFP) in the four areas covered by the plan is as follows:

- *Developing banking and access to credit.* The amendments to the Central Bank Act were published in the Official Gazette in February 2008, allowing the NBR to regulate insurance companies. All commercial banks complied with the new and higher minimum capital requirement by December 2007 with the exception of Cogebanque, where the negotiations with the new foreign investors and the capital transfer necessary to reach the minimum capital were completed in mid-April. The Union des Banques Populaires du Rwanda (UBPR), previously a large microfinance network, obtained a commercial bank license in mid-February 2008 and has entered into a strategic partnership with the Rabobank Group (from the Netherlands), which now owns 35 percent of the shares in UBPR. As a result, from mid-February, UBPR was included in the program definition of reserve money, and program targets for the monetary aggregates have been adjusted accordingly through the relevant adjustors specified in the Technical Memorandum of Understanding of February 12, 2008. Banque Rwandaise de Developpement (BRD, the Rwandese Development Bank) raised its total share capital and entered into a strategic partnership with the African Development Corporation (a private German group) in March. The public sector ownership has declined to 45 percent of total capital, while the African Development Corporation now owns a 25 percent share.

- *Strengthening Microfinance Institutions (MFIs).* 11 of the targeted MFIs complied with the new and higher minimum capital requirement by January 1, 2008. The remaining MFI, ASEC SA, was unable to meet the requirements and has agreed to be acquired by CFE Agaseke, another MFI.

- *Long-term financial and capital markets.* Parliament passed the new Accountants Bill in December 2007. As a result, all financial institutions, large companies, and public companies must comply with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). An over-the-counter debt market was launched in January 2008. Four bonds are currently listed on this market (two 2-year Treasury bonds with an 8 percent coupon, a 3-year Treasury bond with an 8.25 percent coupon, and a 10-year corporate bond issued by BCR bank with a floating coupon).

- *Pension and insurance.* A draft Insurance Law was submitted to the Cabinet in February. A unit covering non-bank financial institutions began working at the NBR in late March. The first draft of a study on rural insurance was presented to all stakeholders in March.

- *Payment systems.* The National Payment Council decree was submitted to the Cabinet in March 2008. The restructuring of SIMTEL (the national card payments system) is ongoing and the process is expected to be completed by end-2008. As part of this restructuring, the African Development Corporation intends to acquire 70 percent of the share capital of SIMTEL and bring in new expertise.

10. **Further steps have been taken to strengthen the public financial management (PFM) system.** Parliament passed a law transforming the National Tender Board (NTB) into the Rwanda Public Procurement Agency in December 2007, and the NTB Management Board finalized and adopted a strategic plan for procurement and capacity building in December. The consolidated government financial statements for 2007, including the central government, local governments, autonomous agencies, and extra-budgetary agencies, were completed by end-March 2008 and subsequently approved by the Cabinet. The execution reports of central government transfers to local governments per program per district for July-December 2007 were published on the MINECOFIN website on March 31, 2008.

11. **Several measures to reduce the cost of doing business were introduced,** including the implementation of the Commercial Justice, Business, and Land Registration Program. Progress was made recently in the following areas:

- To reduce the cost of starting business, we eliminated the company registration fee, abolished requirements for notary verification of certain documents, and eased procedures for access to water and electricity.

- To expedite delivery and increase transparency of tax payments, we now require large tax payments to be made either by certified checks or bank transfers.

- To simplify real estate transactions, we abolished the 6 percent payment for property registration and the 2.5 percent fee for mortgage applications and replaced them with much lower flat fees. In addition, a ministerial decree establishing the rate of administrative fees for registration of land was approved by the Cabinet in January 2008 and the ministerial order establishing the requirements and procedures for land lease and modalities for land registration was adopted by the Cabinet in February 2008.

## II. THE PROGRAM FOR 2008

12. **The objectives and the design of the 2008 program remain broadly unchanged from those specified in the MEFP in February 2008.** We continue to believe that a real growth rate of 5½ –6½ percent is achievable. Our preliminary assessment suggests that the impact of the Kenyan crisis and the earthquakes on real economic activity was relatively muted. A good harvest in early 2008 boosted the projection for agricultural growth, largely offsetting the somewhat weakened outlook for growth in industry and services. We believe that growth could reach 6.8 percent if further supply disruptions due to the Kenyan crisis are avoided. Inflationary pressures have increased because of higher transport costs of goods imported through Kenya and the alternative supply route through Tanzania, and the significant passthrough of rising international fuel prices. In addition, the inflationary impact of rising costs of food imports is projected to become stronger in the second half of the year. The average inflation rate for 2008 is therefore revised upward to 8½ percent and the macroframework is adjusted accordingly. Macroeconomic and structural policies, designed to improve the living standards of the poor and promote growth-enhancing investments and reforms, remain largely unchanged.

### A. Macroeconomic Program

**Fiscal policy**

13. **We plan to increase fiscal expenditure by an additional 2.1 percent of GDP from the program outlined in the February 2008 MEFP.**[1] This increase will require a modification of the performance criterion on domestic fiscal balance and the target on net credit to government (Table 2). The main changes to the fiscal program are as follows (see also Text Table 1):

- *Additional grants.* The second tranche of the FTEI initiative expected in December 2007 was received in January 2008. These resources will be used to repay domestic debt that accumulated as a result of the delay. Additional grants have become available from DFID for spending on health and from the World Bank for spending on

[1] All references presented as a share of GDP in this section refer to ratios with respect to the new 2008 GDP projection of RwF 2,081.1 billion.

energy. Utilizing these resources will entail additional spending of 0.6 percent of GDP.

- *Additional revenues.* We plan to increase the revenue-to-GDP ratio by 0.5 percent of GDP (after adjusting for one-off tax gains of about 0.3 percent of GDP in 2007). The revenues are revised in nominal terms reflecting higher projections for inflation and nominal GDP, as well as higher efficiency in collections. As stated in the February 2008 MEFP, we stand ready to increase fees and charges should there be any revenue shortfalls.

- *Earthquake rehabilitation.* The cost of rebuilding and rehabilitating schools and hospitals destroyed by the recent earthquakes is estimated at about 0.3 percent of GDP. A small portion of the spending will be executed through donor-financed projects (0.02 percent of GDP). The remainder will be financed by domestic borrowing. Should donors provide budget support financing for the earthquake rehabilitation later in 2008, these resources would be used to repay the government's domestic borrowing. A relevant adjustor on net credit to government is added in the TMU (paragraph 13).

- *ID cards.* We have launched a new project to issue identity cards to all Rwandans above the age of 16 to improve efficiency in the provision of social services, replace drivers licenses, and to introduce a Smart card system which will have added features such as data for Social Security (i.e. CSR) and medical insurance (i.e. RAMA). While this project will increase spending by 0.4 percent of GDP, we expect it will yield additional revenues of up to 0.3 percent of GDP from charges on the identity documents. Proceeds from the project will be monitored closely and should shortfalls occur, we will implement the following offsetting measures:

    (i) expenditure cuts in domestic capital and recurrent transfers of about 0.2 percent of GDP;

    (ii) on the revenue side, we will implement a tax on pay TV, introduce an excise tax on beauty products and raise the excise duty on wines and liquor (revenue gain of 0.1 percent of GDP).

- *Strategic fuel reserve.* We plan to replenish the stock of the strategic fuel reserves, financed by proceeds from the sale of the strategic fuel reserve in early 2008. This will increase total spending by 0.1 percent of GDP, but there will be no effect on the domestic fiscal balance and net credit to government.

- *Interest costs.* We will increase spending to cover the higher-than-initially envisaged costs of domestic and foreign interest payments due to a restructuring of domestic debt to long-term maturity at a slightly higher interest rate and a revision of foreign interest payments.

Text Table 1.: Changes to the 2008 Program (billions of Rwanda Francs and percent of GDP)

| | Jan - Jun | Jul-Dec | Jan-Dec | % of GDP[1] |
|---|---|---|---|---|
| **New Resources** | **34.4** | **30.1** | **64.5** | **3.1** |
| Higher Revenue | 8.1 | 6.7 | 14.8 | 0.7 |
| *Tax revenue* | 3.2 | 4.6 | 7.8 | 0.4 |
| *Non tax revenue* | 4.9 | 2.1 | 7.0 | 0.3 |
| *ID cards receipts* | 4.2 | 1.3 | 5.5 | 0.3 |
| *Strategic fuel reserves* | 0.7 | 0.8 | 1.5 | 0.1 |
| Privatization receipts | 0.0 | 13.6 | 13.6 | 0.7 |
| Change in Grants | 22.5 | -0.9 | 21.6 | 1.0 |
| Budget Grants | 22.2 | -1.1 | 21.1 | 1.0 |
| *World Bank* | *6.8* | *0.0* | 6.8 | 0.3 |
| *DFID Health Grant* | *5.4* | *0.0* | 5.4 | 0.3 |
| *Fast Track Educative Initiative* | *7.1* | *0.0* | 7.1 | 0.3 |
| *AU Peacekeeping initiative* | *2.9* | *0.0* | 2.9 | 2.9 |
| *HIPC grants* | *0.0* | *-1.1* | -1.1 | -0.1 |
| Capital Grants | *0.2* | *0.3* | *0.5* | 0.0 |
| *UNICEF project grants for earthquake reconstruction* | *0.2* | *0.1* | 0.3 | 0.0 |
| *Belgium project grants for earthquake reconstruction* | *0.0* | *0.2* | 0.2 | 0.0 |
| Change in Loans | *3.8* | *10.7* | *14.5* | 0.7 |
| *India Exim Bank (Nyaborongo Project)* | *…* | *10.7* | 10.7 | 0.5 |
| *OPEC* | *3.8* | *…* | 3.8 | 0.2 |
| **New Spending** | **14.6** | **28.1** | **42.7** | **2.1** |
| Current and Domestic Capital Spending | 14.4 | 17.1 | 31.5 | 1.5 |
| *Health Spending (DFID financing)* | 0.3 | 5.1 | 5.4 | 0.3 |
| *Interest* | 0.5 | 1.0 | 1.5 | 0.1 |
| *Emergency spending for earthquake reconstruction* | 5.0 | 0.5 | 5.5 | 0.3 |
| *ID cards* | 6.7 | 2.0 | 8.7 | 0.4 |
| *Energy Project (WB financing)* | 0.0 | 5.4 | 5.4 | 0.3 |
| *Nyaborongo Project (Domestic financing)* | 0.1 | 3.1 | 3.2 | 0.2 |
| *Replenishment of Strategic stocks* | 1.2 | 0.0 | 1.2 | 0.1 |
| *Reimbursement of CSR (Rwandatel privatization)* | 0.7 | 0.0 | 0.7 | 0.0 |
| Foreign Financed Capital Spending | 0.2 | 11.0 | 11.2 | 0.5 |
| *Nyaborongo Project* | … | *10.7* | 10.7 | 0.5 |
| *UNICEF project grants for earthquake reconstruction* | *0.2* | *0.1* | 0.3 | 0.0 |
| *Belgium project grants for earthquake reconstruction* | *0.0* | *0.2* | 0.2 | 0.0 |
| Change in domestic balance excluding demobilization and peacekeeping expenditures[2] | -5.9 | 4.1 | -1.7 | -0.1 |
| Adjustment for expected privatization proceeds | 0.0 | 13.6 | 13.6 | 0.7 |
| **Adjustment to the domestic fiscal deficit** | **-5.9** | **-9.5** | **-15.4** | **-0.7** |

[1] The changes in the program as a share of GDP are with respect to the new 2008 GDP of Rf 2,081.1 billion.

[2] TMU definition of the domestic fiscal balance, TMU of February 12, 2008.

- *Privatization*. We expect to receive the second payment (US$25 million) for the sale of RwandaTel to Lap Green Networks in the fourth quarter of 2008. In line with the program, the proceeds will be saved through end-2008.

- *Infrastructure spending* (Nyabarongo energy project). See paragraphs 15 and 16 below.

14. **Should budgetary (untied) grants exceed program projections, we will release the so-called contingent spending (defined in the February 2008 TMU) only after a careful assessment of macroeconomic conditions and consultation with the Fund staff.**

**Infrastructure**

15. **To address our energy needs and help alleviate one of the infrastructure bottlenecks of growth, we intend to construct a hydro-electric power plant at Nyabarongo.** The overall cost of the 4-year investment project will be US$112.7 million. Our economic analysis suggests that the internal rate of return of the projects exceeds the cost of capital. We expect that the main economic benefits will arise in the form of higher GDP and export growth. The project will also enable us to replace the currently-used diesel-burning electricity generation with a cheaper alternative. We are also conducting an Environment and Social Impact Analysis, which will be finalized in May 2008.

16. **To finance the project, we seek a modification of the program to allow us to borrow on terms that are less concessional than those allowed under the program.** We have sought, but have been unable to obtain, financing on terms that satisfy the 50 percent concessionality requirements of our PRGF arrangement. As a result, we plan to borrow US$97.7 million from the India Exim Bank. Of this amount, the Exim Bank has already committed to provide US$80 million. The concessionality of the loan is 40 percent. We have also requested additional Exim Bank financing of US$17.7 million. The remainder of the costs not covered by external borrowing estimated at US$15 million would be financed from our own resources (US$5.8 million required in 2008). The World Bank has made a positive assessment of the financial viability of the project and the fit within the least-cost electricity generation expansion plan. Our other development partners agree that the project is critical to our development strategy and have indicated that undertaking the project would not impede access to their concessional financing. Furthermore, we are in the process of developing a debt management strategy to guide future borrowing with the assistance of Fund and Bank staff. The GoR therefore requests a modification of the continuous performance criterion on debt concessionality to allow us to proceed with the financing of this energy project.

17. **Going forward, we will focus on other priority sectors outlined in the EDPRS.** We are in the process of preparing a 3-year investment project in agriculture that focuses on land husbandry, water harvesting and hillside irrigation. The feasibility studies for the project

started in March 2008. We plan to increase the scale of the project to 10,000 ha at estimated total cost of US$200 million. We are currently discussing possible financing with our development partners. The World Bank will assess the financial feasibility of the project, and we will consider proceeding with the project only if this assessment is favorable. To mitigate the future debt burden, we also intend to use some of the receipts from the privatization of RwandaTel for the partial financing of this project.

**Monetary and exchange rate policy**

18. **To prevent the scaling up of spending from fueling inflation, the NBR will maintain a tight monetary policy, particularly in light of increasing inflationary pressures arising from international price developments.** The NBR will continue to use reserve money as the operational target to control inflation. We request the modification of the 2008 reserve money performance criteria to accommodate the first round effects of inflation arising from international price developments exacerbated by higher transportation costs due to the Kenya crises. Additionally, the quarterly targets of NFA for June and September were revised to reflect changes in the timing of disbursements of grants from donors (Table 2). These revisions should still allow sufficient room for an expansion of credit to the private sector of about 25 percent at end-2008 as envisaged in the February 2008 MEFP. In addition to meeting the end-month reserve money targets (which will continue to form the basis of the quarterly performance criterion), the NBR will strive to meet the reserve money target on *average* each month. The NBR will therefore monitor reserve money and banks' excess reserves and will mop up excess liquidity daily (the balances above the level needed for normal operations of the banking system), particularly through additional sales of foreign exchange. Moreover, NBR will continue to monitor inflation, government spending and private sector credit and will stand ready to tighten the monetary stance, if needed.

19. T**he NBR will allow more flexibility in the exchange rate.** An increase in spending from higher aid flows is likely to result in further pressures for a real exchange rate appreciation in 2008. We will therefore allow greater flexibility in the exchange rate to achieve the volume of foreign exchange sales consistent with attaining the reserve money target (both on average and at the end of each month) and the ceiling on domestic debt. To achieve the needed exchange rate flexibility, the exchange rate level will be adjusted weekly, depending on deviations from the foreign exchange sale objective stated above, and will be determined judgementally by a working group as proposed in the aide memoire of the January 2008 technical assistance mission from the IMF's Monetary and Capital Markets Department. This will help ensure that the execution of the 2008 budget does not rekindle inflation or crowd out private investment.

20. **The NBR will improve daily liquidity management**. We recognize the limitations of overnight and 7-day instruments for money market operations. In this regard, we have reintroduced 4-week instruments and will establish repurchase agreement operations ranging from 1 to 90 days later in the second quarter of 2008. We will aim to restore interest rates for

these instruments to positive levels in real terms. These changes will be implemented gradually and will be communicated to the financial sector in a timely manner so as to avoid disruptions in the financial markets arising from asymmetric information.

**Coordination of fiscal and monetary policies**

21. **Coordination of fiscal and monetary policies will be strengthened to preserve macroeconomic stability.** Prudent management of aid must be consistent with the single-digit inflation objective, and must focus on preventing the crowding out of the private sector credit and the accumulation of costly domestic debt.

- *Quarterly budgetary allocation system.* As part of expenditure management reforms, we have made operational a quarterly budget ceiling module in the government's payment system. Past expenditure overruns often reflected a lack of commitment to the expenditure ceilings by the spending agencies. The new budget ceiling module will enable effective monitoring of payments and will automatically reject commitments for spending beyond the allowable ceiling.

- *Adjusting domestic component of public spending*. Should the domestic debt target under the program be exceeded, this would signal that the pace of domestic spending is too rapid, requiring the NBR to sterilize the additional liquidity impact through sales of domestic assets. In this case, MINECOFIN would adopt a more gradual approach in releasing the domestic component of the budget in the following month. Based on cash flow plans and information on inflation, the Treasury Management Committee (TMC) will revise the ceilings of spending of budget agencies on a monthly basis; this new ceiling will be communicated officially to the Chief Budget Managers and adjusted accordingly in the budget module (SmartGov).

22. **The GoR has undertaken an investigation to ascertain the reasons for a build-up in deposits in the district accounts.** We are committed to removing the constraints to the full utilization of local government transfers. This will ensure that the population receives the full benefits of funds allocated in good time. The investigation was concluded by mid-April. The initial build up of deposits was due to the transfer of funds from commercial bank accounts to NBR subaccounts. It was later followed by further build up of deposits due mainly to transfers by the Ministry of Education to districts for construction of schools which was sent between July and December 2007. This amount could not be utilized before the end of the fiscal year due to the required procurement process. However, these funds are expected to be used by the districts by end-September 2008.

23. **We commit to strengthening the existing Treasury Management Committee (TMC)**. The TMC has been holding weekly meetings between the Ministry of Economic Planning and Finance (MINECOFIN) and NBR to coordinate fiscal and monetary policies. It has provided an analytical platform to both institutions to refine policy implementation and forecasts. The TMC meetings will focus specifically in adjusting monthly and quarterly

ceilings of spending agencies to reflect latest fiscal and monetary developments. More importantly, these adjustments will be made to react to price developments in Rwanda so as to avoid fiscal spending fueling significant inflationary pressures.

**External sector**

24. **Owing to the strong increase in imports, we expect the external current account deficit (excluding official transfers) to widen to about 21 percent of GDP (about 5 percent of GDP greater than 2007)**. The expected increase in imports of goods and services by 33 percent stems from rising costs of imports, an expansion in the fiscal deficit, the use of resources deposited on projects accounts, the commencement of a new energy project, and buoyant private sector activity. Export of goods and services are projected to grow by more than 10 percent in light of increased volumes of traditional exports (particularly coffee), rising mining exports, continued growth in the tourism industry, and rising world commodity prices. The rising current account deficit will be financed by scaling up of aid and government borrowing, including for the Nyabarongo power plant project.

25. **Preparations for joining the East African Community (EAC) Customs Union intensified.** Following the EAC common position, Rwanda has signed an interim agreement with the European Union to continue negotiations on an Economic Partnership Agreement (EPA). It is expected that the final agreement on EPA will be reached by mid-2009.

## B. Structural Policies

26. **As outlined in the February 2008 MEFP, the focus on the structural policies in 2008 will remain on enhancing the productivity of the agricultural and export sectors and improving the conditions for the private sector.**

**Fiscal structural reforms**

27. **We have made very good progress in implementing the IMF's technical assistance recommendations on tax administration reform in the past months**.

- *Widening the domestic tax base*. The Rwanda Revenue Authority (RRA) completed a draft of the Comprehensive Tax Payers Compliance Strategy encompassing all segments of taxpayers (end-June 2008 structural benchmark). The policy, to be implemented in phases, will improve the efficiency of tax administration and widen the tax base by (i) increasing the number of taxpayers, (ii) improving taxpayers' compliance, and (iii) improving RRA's service delivery to tax payers.

- *Trade facilitation.* In March 2008, the RRA began implementing an expedited clearance scheme (blue channel) for a group of compliant importers representing about 42 percent of import tax revenue and 27 percent of import value as of March 18, 2008.

The selection criteria were mostly based on previous risk assessments and the volume of transactions.

**Public financial management**

28. **2008 is a critical year for public financial management (PFM) reform:**

- *Medium-term PFM action plan.* Work on the new medium-term action plan for PFM reform for 2008-12 is continuing and is expected to be finalized and approved by June 30, 2008 (performance criterion). The action plan, elaborated in close consultation with development partners, is expected to be revised every year and address measures in the following ten areas: (i) budget preparation and formulation; (ii) intergovernmental fiscal relations; (iii) debt and guarantee management; (iv) budget execution; (v) accounting and reporting; (vi) procurement; (vii) internal audit; (viii) external audit; (ix) integrated financial management system; and (x) training in PFM. The new action plan is based on findings in the public expenditure and financial accountability (PEFA) review that took place last year and the current PFM action plan. The first draft of the new PMF strategy was presented to development partners on April 24 and a stakeholder workshop to validate the strategy will take place before May 31.

- *Budget preparation.* Work is also progressing on the operational manual for the medium-term expenditure framework, which is expected to be published by June 30, 2008 (performance criterion). The manual will explain the principles of priority setting and describe the main agents and the key steps in the budget preparation process, including the links connecting the macroeconomic framework, the macro-budgetary framework, and sectoral strategies. Once the operational manual is in place, intensive staff training involving all stakeholders will take place and this will become a recurring training exercise at the beginning of the budget preparation cycle.

- *Internal audit manuals.* The internal audit manuals—covering the internal audit charter, internal audit regulations, ethical standards, and descriptions of risk-based audit assignments—will be published in June 2008.

- *Information and communication technology.* A strategy for the implementation of an integrated financial management system (IFMIS) is scheduled to be finalized by November, 2008. MINECOFIN is in discussions with the Rwanda Information Technology Authority (RITA) about developing a general information and communication technology strategy, including an IFMIS system, for the Ministry.

- *Public accounts and budget execution.* We will produce the execution reports of central government's transfers to local governments per program per district for the period January-June 2008 by September 30, 2008. We will prepare the consolidated fiscal report for 2007, including the central government, local governments, autonomous agencies, and extrabudgetary funds by June 2008.

- *Debt Management***.** We will develop and publish a medium-term debt management strategy (MTDS) with clear limits for loans and guarantees that are consistent with the provisions in the Organic Budget Law by November 30, 2008 (structural benchmark). To expedite the MTDS development, we have requested technical assistance from the Fund. We envisage that a draft MDTS will be submitted to the IMF for joint quality review in the third quarter of 2008.

- *Public Procurement.* A strategic plan for procurement and capacity building was completed and adopted by the Procurement Reform Task Force and the Board of Directors of NTB in December 2007. The retention strategy for the procurement staff shall be established within the framework of public financial management by October 2008.

**Financial sector**

29. **Key actions for financial sector reform in 2008 will follow the Financial Sector Development Strategy and the efforts initiated in 2007.**

- *Develop banking and access to credit.* The restructuring and modernization of UBPR and BRD will continue. Parliament is expected to pass the Microfinance Law, providing the legal and regulatory framework for microfinance institutions. Two new funds supporting microfinance institutions—a credit fund (Rwf 2 billion) and a capacity building fund (Rwf 0.8 billion)—will be set up with financing from BRD, the government, the World Bank, and UNCDF. A new strategic plan for the housing bank BHR will be designed as well.

- *Long-term financial and capital markets.* Government plans to divest some of its existing holdings in private-sector companies and use the over-the-counter market as the platform for the sales. The government will undertake a broad national education campaign covering capital markets.

- *Pension and insurance.* All insurance companies will be audited. Government bonds paid to the social security fund CSR will be listed on the over-the-counter market. A study of social security reform will be finalized. Studies preparing a Private Pension Law and a Mutual Funds Law are underway at the NBR.

- *Payment systems.* Work to develop a national payments strategy is on-going, with technical support from East AFRITAC. The strategy is scheduled to be completed by September 30, 2008 (benchmark). The government expects to start preparing the establishment of an automated clearing house and a real time gross settlement system with financial support from the World Bank.

**Export promotion**

30. **Our export promotion strategy will continue to focus on enhancing productivity in the traditional sectors and diversifying our export base**.

- *Coffee*. To improve yields, use will be made of industrial fertilizers and pesticides, for which training will be provided to farmers. To increase value added, the number of washing stations will be increased from 121 to about 150 in 2008, while existing stations are being made more efficient through increased training, improved water supply and upgrade of feeder roads. To improve marketing, a Coffee Marketing Alliance was established in early 2008 and will become fully operational by the peak of the coffee export season in mid-year.

- *Tea*. To increase export volume and quality, efforts aimed at improving harvesting methods and expanding nursery beds and tea plantations will be intensified. To increase value added, reconstruction and expansion of the tea factories will continue, and a blending industry will be established, while efforts at direct marketing will be intensified to improve export prices. The six state-owned tea factories will be privatized after their rehabilitation, which is expected to be completed in 2009.

- *Mining*. To promote mining sector development, a high-level committee has been tasked with harmonizing the sector's taxation and removing bottlenecks that hamper its development. In particular, we are encouraging small-scale miners to unite in large partnerships, which can boost their productivity and facilitate access to financing. It is projected that the first wolfram smelter will be built in Rwanda in 2008.

- *Tourism*. A tourism master plan will be developed with the assistance of the World Tourism Organization. In 2008, Rwanda is expected to start receiving increased inflows of FDI in tourism-related activities. Over the next two to three years, a joint venture between LAP Libya, Rwanda Investment Group (RIG), the social security fund CSR, and Prime Holdings will construct a convention centre in Kigali and a hotel in Kibuye, while Dubai World will invest in hotels and lodges in Kigali, Akagera, Nyungwe, and Ruhengeri.

- *Export Processing Zone (EPZ)*. Rwanda's Free Zone Company Ltd. was established to fast-track implementation of the EPZ. Expropriation of the land has been completed and construction works will start in May 2008.

**Cost of doing business**

31. **We will continue to make efforts toward improving the business climate and removing obstacles to business development.** The Rwanda Commercial and Registry Services will be made fully operational by the end of November. The agency will provide a

comprehensive registration system aimed at improving business registration, securitization of assets, and registration of intellectual property rights. The office of the Registrar of Land Titles will also become fully operational in 2008, thereby simplifying the land registration process. Together with the International Finance Corporation (IFC), we will review the current practices of license issuance, which can help us reduce the total number of different types of licenses from the current level of about 200 to a much lower number. Currently we are in the process of setting up a credit registration bureau and preparing a labor code that can be passed into law in 2008. We are also finalizing drafts of 6 new legislations on company status, contract enforcement, insolvency procedures and loan recovery, consumer protection and competition, which are expected to be passed into law in 2008. We expect that these and other micro-level measures will substantially improve the business climate in Rwanda and move the country up in the ranking of the "Doing Business" survey conducted by the World Bank.

## III. Program Monitoring

32. **Conditionality and program reviews**. The fifth review under the PRGF arrangement, scheduled for completion by end-November 2008, will review indicative targets as of end-March 2008 and quantitative performance as of end-June 2008, and compliance with structural conditionality. The remainder of the third year of the PRGF-supported program will be monitored through quantitative performance criteria for end-December 2008 and indicative targets for end-September 2008. The structural conditionality remains as set at the third review in tax administration, public expenditure management, and financial sector reforms remain unchanged (Table 4). The sixth program review will be completed no later than end-May 2009.

33. **Technical memorandum of understanding (TMU).** The attached TMU lays out the details of the program design and terminology and is unchanged compared to the third review TMU with the following exception: We added an adjustor on net credit to government with respect to possible budgetary support by the EU for earthquake rehabilitation and excluded the borrowing by Exim Bank of India for Nyabarongo from the performance criterion on nonconcessional debt.

Table 1. Rwanda: Quantitative Performance Criteria and Benchmarks for 2007
(RF billions, unless otherwise indicated)
(Quantitative benchmarks* and performance criteria on test dates**)

| | Mar.* | Jun.** | Sep.* | Dec.** |
|---|---|---|---|---|
| **Benchmarks and performance criteria** | | | | |
| Net foreign assets of the NBR (floor on stock)[1] | | | | |
| Actual (program exchange rate) | 207.9 | 291.1 | 264.4 | 284.8 |
| Adjusted program | 191.6 | 234.7 | 200.5 | 173.8 |
| Program | 208.1 | 244.3 | 206.8 | 179.3 |
| Reserve money (ceiling on stock)[2] | | | | |
| Actual | 78.4 | 81.8 | 87.5 | 87.5 |
| Program | 72.4 | 83.0 | 88.1 | 87.9 |
| Net credit to the government (ceiling on flow)[3] | | | | |
| Actual | 22.1 | -45.4 | -9.5 | -7.5 |
| Adjusted program | 5.0 | -28.1 | -19.4 | -11.7 |
| Program | -11.5 | -37.7 | -25.7 | 4.7 |
| Domestic fiscal balance (floor on flow)[3, 4] | | | | |
| Actual | -21.5 | -35.2 | -79.6 | -98.2 |
| Adjusted program | -10.1 | -53.9 | -65.7 | -98.8 |
| Program | -21.1 | -64.9 | -70.6 | -98.7 |
| Total priority spending (floor on flow)[3, 4] | | | | |
| Actual | 41.6 | 87.7 | 152.3 | 214.2 |
| Adjusted program | 33.1 | 81.2 | 123.6 | 189.4 |
| Program | 38.6 | 86.7 | 132.4 | 181.1 |
| New nonconcessional external debt[5] | | | | |
| Actual | 0.0 | 0.0 | 0.0 | 0.0 |
| Program | 0.0 | 0.0 | 0.0 | 0.0 |
| New external payment arrears (ceiling on stock)[5, 6] | | | | |
| Actual | 0.0 | 0.0 | 0.0 | 0.0 |
| Program | 0.0 | 0.0 | 0.0 | 0.0 |
| Short-term external debt (ceiling on stock)[7] | | | | |
| Actual | 0.0 | 0.0 | 0.0 | 0.0 |
| Program | 0.0 | 0.0 | 0.0 | 0.0 |
| Net accumulation of domestic arrears (ceiling on flow)[3] | | | | |
| Actual | -1.6 | -3.9 | 3.6 | -8.5 |
| Program | -1.6 | -3.9 | -5.4 | -7.0 |
| **Indicative targets** | | | | |
| Broad money (ceiling on stock)[1] | | | | |
| Actual | 277.3 | 306.8 | 332.1 | 375.9 |
| Program | 254.5 | 297.7 | 305.3 | 312.4 |
| Extended broad money (ceiling on stock)[1] | | | | |
| Actual | 324.7 | 357.4 | 388.3 | 437.1 |
| Program | 290.9 | 346.2 | 355.0 | 363.3 |
| Net Present Value of the Stock of Outstanding Debt (Millions of US$)[8] | | | | |
| End-December 2007--Actual | | 240.9 | | 240.9 |
| End-December 2008--Actual | | ... | | ... |
| End-December 2007--Program | | 200.4 | | 200.4 |
| End-December 2008--Program | | 239.8 | | 239.8 |
| End-December 2009--Program | | 279.0 | | 279.0 |
| Ceiling on stock of domestic debt[9] | | | | |
| Actual | | 165.3 | 179.7 | 200.3 |
| Adjusted program | | 184.8 | 188.5 | 190.5 |
| Program | | 175.2 | 187.1 | 185.1 |
| *Memorandum items:* | | | | |
| General budget support (Millions of US$)[4,10] | | | | |
| Received | 5.8 | 159.5 | 177.7 | 227.6 |
| Expected | 65.2 | 186.5 | 193.0 | 196.6 |
| *Of which:* budget support grants (received) | 5.8 | 159.0 | 175.4 | 226.6 |
| *Of which:* budget support grants (expected) | 65.2 | 186.5 | 193.0 | 196.6 |
| Budgetary "baseline grants" (TMU, para. 9)[10] | 60.2 | 176.5 | 178.0 | 176.6 |
| Revised domestic fiscal balance (excluding AU, demob and food)[11] | | -43.3 | -65.1 | -93.2 |

Sources: Rwandese authorities and IMF staff estimates and projections.

[1] At the program exchange rate of RF 549.9/US$ for 2007.

[2] Targets are calculated as an arithmetic average of the stock of reserve money on the last day of each calendar month in the quarter. Program projections are done quarterly. To derive the monthly figures, seasonality factors and a trend are applied to the quarterly projections. The seasonality factors are derived by applying the X11 filter to currency in circulation over 2002-06 (the factors were robust with respect to different time periods). The seasonality factors were 0.93 for April, 0.96 for May, 1.01 for June, 1.0 for July, 0.98 for August, 0.96 for September, 0.94 for October, 0.94 for November and 1.0 for December.

[3] Numbers are cumulative from December 31, 2006.

[4] The domestic fiscal balance targets will be adjusted by the amount of grants exceeding or below programmed grants with the adjusters as specified in the TMU of January 10, 2007, and paragraph 3 of the TMU of June 7, 2007. Also the priority spending targets will be adjusted by the amount of grants exceeding or below programmed grants.

[5] This is a continuous performance criterion.

[6] Excludes arrears on obligations that are subject to rescheduling.

[7] Ceiling on the stock of external debt (excluding normal imported-related credits) owed or guaranteed by the central governments, local government, or the NBR with original maturity of up to, and including one year.

[8] Figures indicate the NPV projections based on debt contracted at the test date.

[9] Numbers show end of period stocks, at the end of 2006 the stock stood at RF 189.6 billion.

[10] Excluding external donor financing for demobilization and peacekeeping.

[11] Used for the calculation of the adjuster on the indicative limits on domestic debt.

Table 2. Rwanda: Quantitative Performance Criteria and Benchmarks for 2008
(RF billions, unless otherwise indicated)
(Quantitative benchmarks* and performance criteria on test dates**)

| | 2008 | | | |
|---|---|---|---|---|
| | Mar.* | Jun.** | Sep.* | Dec.** |
| **Benchmarks and performance criteria** | | | | |
| Net foreign assets of the NBR (floor on stock)[1] | | | | |
| Actual (program exchange rate) | | | | |
| Adjusted program | | | | |
| Program | 257.5 | 321.8 | 314.8 | 275.7 |
| Reserve money (ceiling on stock)[2] | | | | |
| Actual | | | | |
| Adjusted program | | | | |
| Program | 98.0 | 102.4 | 107.1 | 107.6 |
| Net credit to the government (ceiling on flow)[3] | | | | |
| Actual | | | | |
| Adjusted program | | | | |
| Program | 47.5 | -46.8 | -35.4 | -13.4 |
| Domestic fiscal balance (floor on flow)[3, 4] | | | | |
| Actual | | | | |
| Adjusted program | | | | |
| Program | -42.4 | -67.8 | -113.7 | -148.6 |
| Total priority spending (floor on flow)[3, 4] | | | | |
| Actual | | | | |
| Adjusted program | | | | |
| Program | 57.3 | 128.4 | 201.7 | 275.1 |
| New nonconcessional external debt[5] | | | | |
| Actual | | | | |
| Program | 0.0 | 0.0 | 0.0 | 0.0 |
| New external payment arrears (ceiling on stock)[5, 6] | | | | |
| Actual | | | | |
| Program | 0.0 | 0.0 | 0.0 | 0.0 |
| Short-term external debt (ceiling on stock)[7] | | | | |
| Actual | | | | |
| Program | 0.0 | 0.0 | 0.0 | 0.0 |
| Net accumulation of domestic arrears (ceiling on flow)[3] | | | | |
| Actual | | | | |
| Program | -3.0 | -4.0 | -5.5 | -7.0 |
| **Indicative targets** | | | | |
| Broad money (ceiling on stock)[1] | | | | |
| Actual | | | | |
| Program | 365.9 | 389.5 | 394.3 | 422.3 |
| Extended broad money (ceiling on stock)[1] | | | | |
| Actual | | | | |
| Program | 425.5 | 453.7 | 459.3 | 491.1 |
| Net Present Value of the Stock of Outstanding Debt (Millions of US$)[8] | | | | |
| End-December 2007--Actual | | 240.9 | | 240.9 |
| End-December 2008--Actual | | | | |
| End-December 2009--Actual | | | | |
| End-December 2007--Program | | 200.4 | | 200.4 |
| End-December 2008--Program | | 286.4 | | 286.4 |
| End-December 2009--Program | | 405.6 | | 405.6 |
| Ceiling on stock of domestic debt[9] | | | | |
| Actual | | | | |
| Adjusted program | | | | |
| Program | 208.6 | 189.7 | 187.6 | 198.6 |
| *Memorandum items:* | | | | |
| General budget support (Millions of US$)[4,10] | | | | |
| Received | | | | |
| Expected | 1.7 | 219.3 | 289.1 | 317.5 |
| *Of which:* budget support grants (received) | | | | |
| *Of which:* budget support grants (expected) | 1.7 | 212.3 | 282.1 | 310.5 |
| Baseline privatization receipts (RF billion) | … | 3.5 | 3.5 | 17.1 |

Sources: Rwandese authorities and IMF staff estimates and projections.

[1] At the program exchange rate of RF545/US$ for 2008.
[2] Targets are calculated as an arithmetic average of the stock of reserve money on the last day of each calendar month in the quarter. Program projections are done quarterly.
[3] Numbers are cumulative from December 31, 2007.
[4] The domestic fiscal balance targets will be adjusted by the amount of grants exceeding or below programmed grants with the adjusters as specified in the TMU of February 12, 2008. Also the priority spending targets will be adjusted by the amount of grants exceeding or below programmed grants.
[5] This is a continuous performance criterion. Excluded from the criterion are changes in indebtedness resulting from refinancing credits and rescheduling operations of existing debt, credits extended by the Fund, and US$97.7 million in credit from the Exim Bank of India with concessionality of 40 percent for the construction of the hydro power plant at Nyabarongo.
[6] Excludes arrears on obligations that are subject to rescheduling.
[7] Ceiling on the stock of external debt (excluding normal imported-related credits) owed or guaranteed by the central governments, local government, or the NBR with original maturity of up to, and including one year.
[8] Figures indicate the NPV projections based on debt contracted at the test date.
[9] Numbers show end of period stocks.
[10] Excluding external donor financing for demobilization and peacekeeping.

Table 3. Rwanda: Structural Conditionality, 2007

| | | | |
|---|---|---|---|
| **Public expenditure management** | | | |
| Issue draft accounting instructions, forms, and procedures for budget users. | December 31, 2006 | Benchmark | Not met. Implemented in May 2007. |
| Complete progress report on financial reporting by budgetary agencies (line ministries, provinces, autonomous agencies). Agencies are expected to produce the following monthly financial reports: (i) bank reconciliation statement; (ii) budget execution reports, and (iii) statements of revenue and expenditure. | June 15, 2007 | Benchmark | Not met. Completed in September 2007. |
| Publish on the Ministry of Finance's website the first consolidated execution report of local governments showing transfers and budget execution per major line items per district and per province for the period January-April. | July 31, 2007 | Performance Criterion– for the completion of the third review | Not met. Report covering districts only published on July 31, 2007. Report on provinces published in October 2007. |
| Complete and publish on the Ministry of Finance's website a study on project accounts (for projects listed in paragraph 46 of the TMU) at the NBR (1) showing annual budgets with donor disbursements and spending for 2004-2006 as well as quarterly projections (including a breakdown into imports and the domestic component) for July 2007-June 2008; and (2) providing an analysis of the causes for the large accumulation of the specific project accounts since January 1, 2004. | September 30, 2007 | Performance Criterion– for the completion of the third review | Met. |
| Publish on the Ministry of Finance's website the progress report on the implementation of the Organic Budget Law. | September 30, 2007 | Benchmark | Met. |
| **Civil service reform** | | | |
| Undertake a comprehensive review of the wage structure of the public sector, including fringe benefits and wages included in transfers to local governments. | September 30, 2007 | Benchmark | Not met. Completed in October 2007 |
| **Private sector development** | | | |
| Make operational the Office of the Registrar of Land Titles. | October 31, 2007 | Benchmark | Met. |
| **Poverty reduction** | | | |
| Produce a poverty profile of provinces, districts, and communities of Rwanda using the results of the census and the household living conditions survey. | September 30, 2007 | Benchmark | Not met. Report was produced for provinces only. |
| **Financial sector** | | | |
| Submit to Parliament a micro finance law to bring the legal framework for microfinance broadly in line with the Guiding Principles on Regulation and Supervision of Microfinance Institutions as published by the Consultative Group to Assist the Poorest. | June 30, 2007 | Benchmark | Met. |
| **Agricultural sector** | | | |
| Adopt and publish a national fertilizer distribution strategy. | February 28, 2007 | Benchmark | Not met. Implemented in April 2007. |

Table 4. Rwanda: Structural Conditionality, 2008

| **Public Expenditure Management** | Target date | Type of condition | *Macro Rationale* |
|---|---|---|---|
| Complete and publish on MINECOFIN website a revised PFM reform action plan for 2008-2010, as specified in paragraph 17 of the MEFP of February 12, 2008. | June 30, 2008 | Performance criterion | To provide a structured, prioritized and sequenced framework for strengthening PFM and hence fiscal control. The plan would facilitate mobilization of TA and other resources in support of the reforms. |
| Produce and publish on the MINECOFIN website the MTEF operational manual, as specified in paragraph 17 of the MEFP of February 12, 2008. | June 30, 2008 | Performance criterion | To reinforce the MTEF process and facilitate and harmonize the preparation of the MTEF by sectoral ministries, thereby improving the coordination and management of the budget over the medium term. |
| Develop and publish on the MINECOFIN website a debt management strategy (DMF) with clear limits for loans and guarantees that are consistent with the provisions in the Organic Budget Law. | November 30, 2008 | Benchmark | To provide guidance for future borrowing decisions and prevent the reaccumulation of unsustainable debt. |
| **Tax Administration** | | | |
| Develop and publish on the RRA website a comprehensive compliance program which identifies key compliance risks associated with the large, medium, and small taxpayer segments, together with a description of the planned RRA initiatives to address the identified risks based on risk analysis. | June 30, 2008 | Benchmark | To raise efficiency of tax collection, improve overall tax compliance, and widen the tax base, thereby reinforcing fiscal sustainability over the medium term. |
| Implement an expedited clearance scheme (super green/gold card) for *compliant* importers contributing a cumulative 40 percent of import value.[1] | June 30, 2008 | Benchmark | To reduce customs clearance time, improve the level of trade facilitation, and reduce inventory costs, thereby facilitating private sector development. |
| **Financial Sector** | | | |
| *Publish on the NBR's website a national payments strategy to improve the payments infrastructure and address the development of basic payment services in Rwanda.* | *September 30, 2008* | *Benchmark* | To promote the development of a stable financial system by reducing high transaction costs for businesses, and financial risks in payment clearance and settlements. |

*[1] This structural benchmark has been changed from "cumulative 60 percent of import taxes" to "cumulative 40 percent of import value" which is consistent with a FAD recommendation and the objective of trade facilitation.*

## Rwanda: Technical Memorandum of Understanding

May 29, 2008

1. This technical memorandum sets out the definitions for quantitative targets under which Rwanda's performance will be assessed and provides specifics on areas of structural conditionality. Monitoring procedures and reporting requirements as well as other program definitions are also specified.

### I. Quantitative Program Targets

2. The program will be assessed through performance criteria for June 30, 2008 and December 31, 2008 as well as indicative targets for March 31, 2008, and September 30, 2008 with respect to:

- floors on the domestic fiscal balance of the central government (DFB);
- ceilings on the net credit to the central government (NCG);
- floors on priority spending;
- ceilings on the net accumulation of domestic arrears of the central government;
- floors on the Net Foreign Assets (NFA) of the National Bank of Rwanda (NBR);
- ceilings on reserve money; and
- ceilings on the outstanding stock of external debt with original maturities of one year or less owed or guaranteed by the public sector.

3. Performance criteria that are applicable on a continuous basis are proposed to be established with respect to the ceilings on new external payment arrears of the public sector and new nonconcessional debt of the public sector.

4. Indicative targets are set:

- for end-March 2008, end-June 2008, end-September 2008, and end-December 2008, for ceilings on broad money and extended broad money;
- for end-June 2008 and end-December 2008, for ceilings on the contracting or guaranteeing of concessional external debt.
- for end-March 2008, end-June 2008, end-September 2008, and end-December 2008 for ceilings on the consolidated domestic debt of the public sector.

## A. Institutional Definitions

5. The **central government** comprises the treasury and line ministries.

6. The **public sector** comprises the central government, local governments, public enterprises (including Electrogaz, Ocircafé, Ocirthé, Prime Holdings, and ONP), and the NBR.

## B. Targets related to the Execution of the Fiscal Program

### Domestic fiscal balance of the central government (DFB)

7. A floor applies to the DFB, which is measured cumulatively from December 31, 2007 for the end-March 2008, end-June, 2008, end-September 2008 and end-December 2008 targets.

8. **Definition**. The domestic fiscal balance (Table 2 of the MEFP) is defined as domestic revenue (excluding grants) minus domestic spending. Domestic spending is defined as current expenditure (excluding external interest due, spending related to Rwandese troops involved in the UN peace-keeping efforts, and spending related to the World Bank-led demobilization and reintegration program) plus domestically-financed capital expenditure on a payment order basis, plus net lending.

9. **Adjusters:**

- The floor on the DFB will be *adjusted downward* (i.e., the deficit target will be increased) in the context of a review with Fund staff, by the amount of the cumulative positive difference between actual and programmed budgetary grants (defined in Table 2 of the MEFP), up to a maximum of RF 11 billion, **IF** this review establishes that a further fiscal expansion would not lead to a rekindling of inflation or an undue increase in domestic debt. The increase in the deficit would be used for contingent spending, a list of which is provided in Table 1. Budgetary grants include HIPC Initiative-related grants,[1] but exclude grants related to AU peace keeping activities and for the demobilization program as well as capital grants related to the development budget, and EC budgetary grants for earthquake rehabilitation activities. Quarterly programmed budgetary grants are also provided in Table 2 of the MEFP.

- The floor on the DFB will be *adjusted upward* (that is, the deficit target will be reduced) by the amount of any shortfall between actual and programmed budgetary grants (defined in Table 2 of the MEFP) which exceeds the equivalent of US$24 million, evaluated in Rwanda francs at the program exchange rate.

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[1] HIPC grants exclude debt relief from IDA and the AfDB.

- The floor on the DFB will be *adjusted downward* (i.e., the deficit target will be increased) by the amount of expenditure deemed integral to a specific privatization operation (to be recorded under net lending) IF the difference between privatization revenue and this expenditure is positive (see also paragraph 13).

- The floor on the DFB will be *adjusted downward* (i.e., the deficit target will be increased) by the amount of expenditure for food imports in the case of a food emergency (see also paragraphs 13 and 28).

10. **Reporting requirement.** Data on the DFB and its adjusters will be transmitted, with detailed explanations, on a monthly basis within four weeks of the end of each month.

**Net credit to the central government (NCG)**

11. A ceiling applies to the NCG, which is measured cumulatively from December 31, 2007 for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets.

12. **Definition.** For program monitoring purposes, the NCG will be calculated as the change from end-December 2007 of net credit from the banking system and the change of holdings of treasury bills and other government securities by the nonbank sector. Net credit from the banking system is defined as the difference between:

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

- total government deposits with the banking system of the central government, including the main treasury account, line ministries, the fund for assistance to genocide survivors, Rwanda Revenue Authority, the electoral commission, the demobilization commission, fonds routier, the privatization account, and any other of the 15 autonomous agencies. Thus, this definition excludes any government deposits, over which the central government does not have any direct control (i.e., for project accounts, counterpart funds and *fonds publics affectés*).[2] In particular, NCG is not affected by credit to or deposits of public enterprises and autonomous public agencies.

13. **Adjusters:**

- The ceiling on NCG will be *adjusted upward* by the amount of any shortfall between actual and programmed budgetary grants (defined in Table 2 of the MEFP). This

[2] The target excludes any transfers from the deposits over which the government has limited control into other government deposits.

adjustment will be capped at the equivalent of US$24 million, evaluated in Rwanda francs at the program exchange rate.

- The ceiling on the NCG will be a*djusted downward* by the amount of privatization revenue in excess of programmed amounts, as defined in Table 2 of the MEFP, less any expenditure deemed integral to the privatization operation, provided that the excess revenue is positive net of such expenditure.

- The ceiling on the NCG will be a*djusted downward* by the amount of budget support grants received from the European Community (EC) for earthquake rehabilitation activities.

- The ceiling on the NCG will be *adjusted upward* by the amount of expenditure for food imports in case of a food emergency (see also paragraph 9 and 28).

14. **Reporting requirement**. Data on the NCG (showing separately treasury bills and government bonds outstanding, other government debt, and central government deposits) and its adjusters will be transmitted on a monthly basis within three weeks of the end of each month. Deposits of the government with the NBR and with the commercial banks will be separated from the deposits of the public enterprises and autonomous public agencies.

**Priority expenditure**

15. A floor applies to priority spending of the central government, which is measured cumulatively from December 31, 2007 for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets.

16. **Definition.** Central government priority spending is defined as the sum of those recurrent expenditures, domestically-financed capital expenditures, and net lending that the government has identified as priority in line with the PRSP process. The definition of priority expenditures is based on the program classification of the annual budget. Table 2 provides a summary of the SIBET output[3] and a list of the main programs.

17. **Adjuster.** The floor will be adjusted (*upward or downward*) by an amount equal to half of any adjustment in the DFB floor as specified in paragraph 9.

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

[3] The computerized SIBET expenditure management system tracks priority spending at the program level.

**Net accumulation of domestic arrears of the central government**

19. A ceiling applies to the net accumulation of domestic arrears of the central government, which is measured cumulatively from December 31, 2007 for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets.[4]

20. **Definition.** The net accumulation of arrears is defined as the difference between the gross accumulation of new domestic arrears (measured as the difference between payment orders and actual payments related to payment orders issued) and gross repayment of any arrears outstanding on December 31, 2007 (including repayment of float in 2007 and the repayment of older arrears).

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

**Domestic debt of the central government and the National Bank of Rwanda (DD)**

22. A ceiling applies to the DD for the end-June 2008, end-September 2008, and end-December 2008 targets.

23. **Definition.** Domestic debt of the central government and the National Bank of Rwanda includes the stock of treasury bills for government financing at coupon value, plus government borrowing from public enterprises (FinaBank formerly Bank Continental Africaine du Rwanda, Bank Commerciale du Rwanda, Bons de Developpement, Credit Savings Scheme, Caisse Social du Rwanda, OCIR-Thé; and rescheduling of old arrears) plus the stock of treasury bills issued for monetary policy, plus any one-day or one-week deposits of commercial banks at the central bank excluding excess and required reserves.[5]

24. **Adjusters:**

- To allow for sterilization of a grant-financed reduction in the domestic fiscal balance (increase in the deficit), the ceiling on domestic debt will be adjusted *upward* by one-third of any reduction in the floor on DFB provided for in paragraph 9.

- In the case of a shortfall in grants, for which an automatic adjuster would increase the limit on net credit to government, the ceiling on domestic debt will be adjusted *upward* by the same amount as the increase in the ceiling on net credit to government.

25. **Reporting requirement.** Data on domestic debt will be transmitted on a monthly basis within four weeks of the end of each month.

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[4] A negative target thus represents a floor on net repayment.

[5] T-bill holdings of the NBR are excluded because this is the consolidated debt of the central government and the NBR.

## C. Targets for Monetary Aggregates

### Net foreign assets of the National Bank of Rwanda (NFA)

26. A floor applies to the NFA of the NBR for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets.

27. **Definition.** NFA of the NBR in Rwanda francs are defined, consistent with the definition of the Special Data Dissemination Standards (SDDS) template, as external assets readily available to, or controlled by, the NBR net of its external liabilities. Pledged or otherwise encumbered reserve assets are to be excluded; such assets include, but are not limited to, reserve assets used as collateral or guarantee for third party external liabilities. Foreign assets and foreign liabilities in U.S. dollars are converted to Rwanda francs by using the U.S. dollar/Rwanda franc program exchange rate.[6] Foreign assets and liabilities in other currencies are converted to U.S. dollars by using the actual end-of-period U.S. dollar/currency exchange rate. Foreign liabilities include, inter alia, use of IMF resources (CCFF and post-conflict emergency assistance purchases and SAF/ESAF/PRGF disbursements).

28. **Adjusters:**

- The floor on NFA will be adjusted *downward* by the amount of any shortfall between actual and programmed budgetary grants. This adjustment will be capped at the equivalent of US$24 million, evaluated in Rwanda francs at the program exchange rate.

- The floor on NFA will be *adjusted downward* by the amount of expenditure for food imports in the case of a food emergency (see also paragraphs 9 and 13).

29. **Reporting requirement.** Data on foreign assets and foreign liabilities of the NBR will be transmitted on a weekly basis within seven days of the end of each week. This transmission will include daily and weekly data on the NBR's foreign exchange liabilities to commercial banks (including required reserves with the NBR) and the exchange rate used for their conversion into Rwanda francs will be shown separately.

### Reserve money

30. A ceiling applies to the stock of reserve money for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets. The stock of reserve money for the quarter will be calculated as the arithmetic average (mean) of the stock of reserve money at the last day of each calendar month comprising the quarter.

31. **Definition.** Reserve money for the monetary program is defined as currency in circulation, reserves of deposit money banks (excluding NBR borrowing from deposit money

[6] The program exchange rate for the 2008 program is set at Rf545 = US$1.

banks on the money market[7] but including cash in vault held by commercial banks), and deposits of public enterprises (including Caisse Sociale du Rwanda (CSR) and other autonomous public agencies (*dépôts des établissements publics assimilés à l'état*), deposits of nonbank financial institutions, and deposits of the private sector (*autres sommes dues à la clientèle* are included in reserve money). Reserve money excludes the deposits of the Caisse d'Épargne du Rwanda (C.E.R.) with the NBR up to Rf 1 billion, the dormant accounts up to Rf 1.4 billion, and import deposits placed at the NBR (*cautions à l'importation*) up to a maximum amount of Rf 150 million.

32. **Adjuster:**

- The ceiling on the stock of reserve money will be adjusted symmetrically for a change in the required reserve ratio of commercial banks by the amount of (new reserve ratio - program baseline reserve ratio) multiplied by the reservable deposit liabilities in commercial banks.

- The ceiling on the stock of reserve money will be adjusted upwards to include the incorporation of the Union de Bank Populaires du Rwanda (UBPR) as a commercial bank. The magnitude of the upward adjustments will include the sum of (a) the stock of the arithmetic average (mean) of the stock of required reserves of the UBPR at the last day of each calendar month comprising the quarter and (b) the amount of Rf 0.4 billion required for prudential clearings. The adjustment will be made effective from the day of the UBPR incorporation.

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

**Broad money**

34. A ceiling applies to the stock of broad money and extended broad money for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets.

35. **Definition**. Broad money is defined as the sum of currency in circulation, deposits in commercial banks, and nonbank deposits in the NBR. Extended broad money is defined as broad money plus deposits in credit unions and credit cooperatives (mainly UBPR).

36. **Reporting requirement**. The balance sheets of the commercial banks and other banking institutions, both for the individual institutions and for the respective sector in aggregate, and the monetary survey, will be transmitted monthly within five weeks of the end

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[7] Borrowing by the NBR from the commercial banks on the money market is included under the net domestic assets of the NBR (netted out from commercial bank borrowing from the NBR).

of each month. The monthly transmission will also include a monthly balance sheet for the NBR, showing all items as in NBR's weekly balance sheet.

## D. Limits on External Debt

**Limit on short-term external debt of the public sector**

37. A zero ceiling applies to the outstanding stock of external debt with original maturities of one year or less owned or guaranteed by the public sector or other agencies on behalf of the central government. The ceiling is measured cumulatively from December 31, 2007 for the end-March 2008, end-June 2008, end-September 2008, and end-December 2008 targets.

38. **Definition.** The definition of "debt", for the purpose of the limit, is set out in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No. 12274-(00/85) of August 24, 2000) and also commitments for which value has not been received. Excluded from this performance criterion are normal import-related credits, defined as liabilities that arise from the direct extension, during the normal course of trading, of credit from a supplier to a purchaser—that is, when payment of goods and services is made at a time that differs from the time when ownership of the underlying goods or services changes. Normal import credit arrangements covered by this exclusion are self-liquidating; they contain pre-specified limits on the amounts involved and the times at which payments must be made; they do not involve the issuance of securities.

39. **Valuation.** The amount of debt will be evaluated at the corresponding quarterly exchange rates published in the IMF's International Financial Statistics.

40. **Reporting requirement**: Data on debt and guarantees will be transmitted, with detailed explanations, on a monthly basis within five weeks of the end of each month.

**Contracting or guaranteeing of new nonconcessional external debt of the public sector**

41. The public sector or other agencies on behalf of the central government will not contract or guarantee new nonconcessional external debt (as specified in paragraphs 39 and 40) with original maturity of more than one year. This is a continuous performance criterion.

42. **Valuation.** The amount of debt will be evaluated at the corresponding quarterly exchange rates published in the IMF's International Financial Statistics.

43. **Definition.** This performance criterion applies to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No. 12274-(00/85) of August 24, 2000) and also to commitments contracted or guaranteed for which value has not been received. Excluded from the criterion are changes in indebtedness resulting from refinancing credits and rescheduling operations of existing debt, credits extended by the Fund, and $97.7 million in credit from the Exim Bank of India with concessionality of 40 percent for the construction of the hydro power plant at Nyabarongo. Included are leases and other instruments giving rise to external liabilities, contingent or otherwise.

44. For program purposes, a debt is **concessional** if it includes a grant element of at least 50 percent, calculated as follows: the grant element of a debt is the difference between the net present value (NPV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt (i.e., the grant element is equal to the nominal value minus NPV divided by the nominal value). The NPV of debt at the time of its disbursement is calculated by discounting the future stream of payments of debt service due on this debt. The discount rates used for this purpose are the currency-specific commercial interest reference rates (CIRRs), as published by the OECD. For debt with a maturity of at least 15 years, the ten-year average CIRR will be used to calculate the NPV of debt and, hence, its grant element. For debt with maturity of less than 15 years, the six-month average CIRR will be used. 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.

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

**Contracting or guaranteeing of concessional external debt**

46. A ceiling applies to the contracting or guaranteeing of concessional (see paragraph 40) external debt of the public sector or other agencies on behalf of the central government for the end-June 2008, and end-December 2008 targets. The ceiling on the contracted debt becomes binding through a disbursement profile over 2007-09.

47. **Definition and valuation.** The ceiling on the contracting or guaranteeing of new concessional external debt will be measured by the U.S. dollar nominal sum of all loan agreements that have been contracted. Disbursed debt will be converted to U.S dollars, based on prevailing WEO test date exchange rates; for loans contracted but not yet disbursed, the profile disbursement will be measured at the actual exchange rate at the test date, based on the projected drawdown consistent with the medium-term fiscal framework as discussed with IMF staff. The Net Present Value of debt is calculated by discounting the future stream of payments of debt service due, based on a uniform discount rate of 5 percent.

48. **Reporting requirement.** Data on the NPV of the stock of outstanding debt will be provided on a semi-annual basis within five weeks of the end of each month.

**Limit on new external payment arrears**

49. A continuous performance criterion applies to the nonaccumulation of new external payment arrears on external debt contracted or guaranteed by the public sector. External payment arrears consist of external debt service obligations (principal and interest) that have not been paid at the time they are due, as specified in the contractual agreements, but shall exclude arrears on obligations that are subject to rescheduling.

## II. Other Data Requirements for Program Monitoring

50. Other data will be reported on a regular basis for surveillance purposes (see Table 3).

**Table 1. Contingent Spending, 2008**
**(Billions of Rwanda francs)**

| | |
|---|---|
| **Priority spending** | **5.20** |
| Common development fund | 1.00 |
| Export Free Zone | 0.20 |
| Road Fund HER | 3.00 |
| Export promotion | 1.00 |
| | |
| **Nonpriority spending** | **5.80** |
| Construction of various offices | 0.40 |
| Youth and Culture | 0.90 |
| Feasibility studies | 1.00 |
| Across the board cuts in goods and services | 2.00 |
| Across the board cuts in transfers | 1.50 |
| **Total** | **11.00** |

Source: Rwandese authourities

## Table 2. Priority Spending Excluding Contingency, 2008
## (Millions of Rwanda francs)

| | |
|---|---|
| **1. EMPLOYEE COST** | **45526.23** |
| 04 PRIMATURE | 105.34 |
| 07 MININTER | 132.44 |
| 0701 NATIONAL POLICE | 6801.93 |
| 09 MINAGRI | 165.37 |
| 10 MINICOM | 269.98 |
| 11 MINISTR | 150.60 |
| 1102 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION | 63.20 |
| 14 MINEDUC | 579.47 |
| 140- DECENTRALISE EDUCATION | 22559.75 |
| 1401 NATIONAL CURRICULUM DEVELOPMENT CENTER CNDP | 205.16 |
| 1402 GENERAL INSPECTION OF EDUCATION (IGE) | 163.16 |
| 1403 RWANDA NATIONAL COMMISSION FOR UNESCO CNRU | 52.31 |
| 1404 NATIONAL TEACHER COMMISSION TSC | 94.39 |
| 1405 NATIONAL EXAMINATION COUNCIL | 378.29 |
| 1433 TUMBA COLLEGE OF TECHNOLOGY | 222.00 |
| 1434 NYANZA COLLEGE OF TECHNOLOGY | 120.00 |
| 1435 KICUKIRO COLLEGE OF TECHNOLOGY | 222.00 |
| 1436 RUKARA NATIONAL COLLEGE OF EDUCATION | 218.84 |
| 1437 KAVUMU NATIONAL COLLEGE OF EDUCATION | 218.84 |
| 15 MIJESPOC | 84.81 |
| 16 MINISANTE | 637.59 |
| 160- DECENTRALISE SANTE | 10621.00 |
| 18 MININFRA | 63.45 |
| 20 MIFOTRA | 579.50 |
| 2200 MINITERE | 203.84 |
| 23 MINALOC | 253.82 |
| 230- DECENTRALISE MINALOC | 359.15 |
| **2. GOODS AND SERVICES** | **42913.78** |
| 04 PRIMATURE | 267.84 |
| 07 MININTER | 211.15 |
| 0701 NATIONAL POLICE | 3245.33 |
| 0702 NATIONAL PRISON SERVICE | 139.30 |
| 09 MINAGRI | 384.19 |
| 090- DECENTRALISE AGRICULTURE | 57.50 |
| 10 MINICOM | 1201.61 |
| 100- DECENTRALISE COMMERCE | 112.00 |
| 11 MINISTR | 627.70 |
| 1102 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION | 50.40 |
| 14 MINEDUC | 9497.71 |
| 140- DECENTRALISE EDUCATION | 136.31 |
| 1401 NATIONAL CURRICULUM DEVELOPMENT CENTER CNDP | 5795.00 |
| 1402 GENERAL INSPECTION OF EDUCATION (IGE) | 77.70 |
| 1408 UNR (NATIONAL UNIVERSITY OF RWANDA) | 47.04 |
| 1409 KIST (KIGALI INSTITUTE OF SCIENCE AND TECHNOLOGY) | 19.92 |
| 1410 KIE (KIGALI INSTITUTE OF EDUCATION) | 88.40 |
| 1412 ISAE (HIGHER INSTITUTE OF AGRICULTURE) | 39.84 |
| 1433 TUMBA COLLEGE OF TECHNOLOGY | 331.00 |
| 1434 NYANZA COLLEGE OF TECHNOLOGY | 330.00 |
| 1435 KICUKIRO COLLEGE OF TECHNOLOGY | 518.00 |
| 1436 RUKARA NATIONAL COLLEGE OF EDUCATION | 553.00 |
| 1437 KAVUMU NATIONAL COLLEGE OF EDUCATION | 452.00 |
| 15 MIJESPOC | 266.70 |
| 150- DECENTRALISE MIJESPOC | 78.00 |
| 16 MINISANTE | 3882.75 |
| 160- DECENTRALISE SANTE | 1801.73 |
| 1603 KING FAYCAL HOSPITAL (HRF) | 350.00 |
| 18 MININFRA | 6543.45 |
| 180- DECENTRALISE MININFRA | 99.90 |
| 20 MIFOTRA | 510.25 |
| 220- DECENTRALISE MINITERRE | 1455.30 |
| 2200 MINITERE | 1179.59 |
| 23 MINALOC | 1916.99 |
| 230- DECENTRALISE MINALOC | 439.87 |
| 56 NGOMA | 13.02 |
| 57 BUGESERA | 11.17 |

**Table 2. Priority Spending Excluding Contingency, 2008 (continued)**
**(Millions of Rwanda francs)**

| | |
|---|---|
| **2. GOODS AND SERVICES (continued)** | |
| 58 GATSIBO | 6.75 |
| 59 KAYONZA | 3.10 |
| 60 KIREHE | 4.25 |
| 61 NYAGATARE | 4.25 |
| 62 RWAMAGANA | 4.25 |
| 63 HUYE | 6.40 |
| 64 NYAMAGABE | 6.56 |
| 65 GISAGARA | 4.25 |
| 66 MUHANGA | 10.89 |
| 67 KAMONYI | 5.60 |
| 68 NYANZA | 7.50 |
| 69 NYARUGURU | 4.25 |
| 70 RUSIZI | 14.25 |
| 71 NYABIHU | 3.10 |
| 72 RUBAVU | 16.96 |
| 73 KARONGI | 8.80 |
| 74 NGORORERO | 5.41 |
| 75 NYAMASHEKE | 3.10 |
| 76 RUTSIRO | 3.10 |
| 77 BURERA | 6.56 |
| 78 GICUMBI | 11.17 |
| 79 MUSANZE | 5.41 |
| 80 RULINDO | 5.05 |
| 81 GAKENKE | 3.10 |
| 82 RUHANGO | 3.10 |
| 83 NYARUGENGE | 12.56 |
| 84 KICUKIRO | 9.30 |
| 85 GASABO | 3.10 |
| **3. TRANSFER AND SUBSIDIES** | **99744.20** |
| 04 PRIMATURE | 17.31 |
| 070- DECENTRALISE PRISON | 1318.76 |
| 0701 NATIONAL POLICE | 70.00 |
| 0702 NATIONAL PRISON SERVICE | 2116.02 |
| 090- DECENTRALISE AGRICULTURE | 955.50 |
| 0901 OFFICE RWANDAIS DE DEVELOPPEMENT DES RESSOURCES ANIMALES ( RARDA ) | 905.21 |
| 0902 INSTITUT DES SCIENCES AGRONOMIQUES DU RWANDA (ISAR) | 1693.72 |
| 0903 OFFICE RWANDAIS DE DEVELOPPEMENT DE L AGRICULTURE (RADA) | 937.32 |
| 0904 OFFICE RWANDAIS DE DEVELOPPEMENT DE L'HORTICULTURE (RHODA) | 477.99 |
| 10 MINICOM | 1044.42 |
| 100- DECENTRALISE COMMERCE | 168.00 |
| 1002 RWANDA BUREAU OF STANDARDS | 1062.24 |
| 1003 RWANDA INVESTMENT AND EXPORT PROMOTION AGENCY | 2142.00 |
| 11 MINISTR | 10.00 |
| 1101 RWANDA INFORMATION TECHNOLOGY AUTHORITY (RITA) | 2497.90 |
| 1103 IRST (INSTITUTE OF SCIENTIFIC AND TECHNOLOGICAL RESEARCH) | 1136.19 |
| 14 MINEDUC | 934.57 |
| 140- DECENTRALISE EDUCATION | 18436.39 |
| 1403 RWANDA NATIONAL COMMISSION FOR UNESCO CNRU | 96.01 |
| 1404 NATIONAL TEACHER COMMISSION TSC | 253.61 |
| 1405 NATIONAL EXAMINATION COUNCIL | 15.27 |
| 1406 NATIONAL COUNCIL FOR HIGHER EDUCATION (NCHE) | 199.50 |
| 1407 SFAR (STUDENT FINANCING AGENCYOF RWANDA) | 13310.06 |
| 1408 UNR (NATIONAL UNIVERSITY OF RWANDA) | 1749.49 |
| 1409 KIST (KIGALI INSTITUTE OF SCIENCE AND TECHNOLOGY) | 960.08 |
| 1410 KIE (KIGALI INSTITUTE OF EDUCATION) | 594.96 |
| 1411 KHI (KIGALI HEALTH INSTITUTE) | 476.75 |
| 1412 ISAE (HIGHER INSTITUTE OF AGRICULTURE) | 464.91 |
| 1413 SFB (SCHOOL OF FINANCE AND BANKING) | 354.62 |
| 1433 TUMBA COLLEGE OF TECHNOLOGY | 40.00 |
| 15 MIJESPOC | 4.70 |
| 1501 NATIONAL COMMISSION FOR THE FIGHT AGAINST GENOCIDE | 322.58 |
| 1503 RWANDA NATIONAL MUSEUM | 594.11 |
| 1504 PAN AFRICAN ORGANISATION OF YOUTH AGAINST AIDS | 24.40 |

**Table 2. Priority Spending Excluding Contingency, 2008 (concluded)**
**(Millions of Rwanda francs)**

| | |
|---|---|
| **3. TRANSFER AND SUBSIDIES (continued)** | |
| 16 MINISANTE | 5129.67 |
| 160- DECENTRALISE SANTE | 12200.00 |
| 1601 CENTRAL UNIVERSITY HOSPITAL OF KIGALI (CHUK) | 790.78 |
| 1602 CENTRAL UNIVERSITY HOSPITAL OF BUTARE (CHUB) | 649.55 |
| 1603 KING FAYCAL HOSPITAL (HRF) | 1737.37 |
| 1604 NEURO PSYCHIATRIC HOSPITAL OF NDERA (HNN) | 330.14 |
| 1605 PSYCHOSOCIAL CONSULTATION SERVICE (SCPS) | 125.58 |
| 1606 RESEARCH CENTER FOR AIDS, MALARIA AND TUBERCULOSIS TREATMENT (TRAC) | 371.52 |
| 1607 NATIONAL REFERAL LABORATORY(LNR) | 227.92 |
| 1611 NATIONAL BLOOD TRANSFUSION PROGRAMME (PNTS) | 203.72 |
| 1612 NATIONAL COMMISSION FOR THE FIGHT AGAINST AIDS (CNLS) | 278.63 |
| 1613 RWANDA PHARMACEUTICAL LABORATORY (LABOPHAR) | 182.70 |
| 18 MININFRA | 13813.50 |
| 180- DECENTRALISE MININFRA | 3500.00 |
| 20 MIFOTRA | 95.71 |
| 2001 RWANDA INSTITUTE OF ADMINISTRATION AND MANAGEMENT (RIAM) | 70.00 |
| 2009 CIVIL SERVICE COMMISSION | 80.00 |
| 2012 PROFESSIONAL TRAINING CENTER OF KAVUMU | 97.00 |
| 2200 MINITERE | 244.91 |
| 2217 NATIONAL LAND OFFICE | 632.99 |
| 2218 NATIONAL FOREST OFFICE | 415.76 |
| 2219 NATIONAL MINING AND GEOLOGY OFFICE | 448.88 |
| 2232 NATIONAL WATER AGENCY | 256.28 |
| 23 MINALOC | 898.16 |
| 230- DECENTRALISE MINALOC | 1015.52 |
| 2302 POLITICAL CONSULTATIVE FORUM | 563.32 |
| **7.1 DEVELOPMENT BUDGET** | **79289.67** |
| 04 PRIMATURE | 100.00 |
| 07 MININTER | 1212.00 |
| 09 MINAGRI | 5635.09 |
| 10 MINICOM | 1834.00 |
| 11 MINISTR | 9848.50 |
| 12 MINECOFIN | 1570.00 |
| 14 MINEDUC | 14325.00 |
| 15 MIJESPOC | 370.00 |
| 16 MINISANTE | 1267.28 |
| 18 MININFRA | 21622.00 |
| 20 MIFOTRA | 496.30 |
| 22 MINITERE | 11617.70 |
| 23 MINALOC | 9391.80 |
| **7.2 NET LENDING** | **2800.00** |
| 12 GAZ METHANE | 2800.00 |
| **9. EXCEPTIONAL EXPENDITURE** | **4816.29** |
| 2301 ELECTORAL COMMISSION | 4816.29 |
| **Total :** | **275090.17** |

## Table 3. Reporting Requirements for Surveillance

| | Frequency of Data[6] | Frequency of Reporting[6] | Frequency of publication[6] |
|---|---|---|---|
| Exchange Rates | D | W | M |
| International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1] | W | W | M |
| Reserve/Base Money | W | W | M |
| Broad Money | M | M | M |
| Central Bank Balance Sheet | W | W | M |
| Consolidated Balance Sheet of the Banking System | M | M | M |
| Interest Rates[2] | M | M | M |
| Consumer Price Index | M | M | M |
| Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4] | M | M | M |
| Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government | M | M | M |
| Stocks of Central Government and Central Government-Guaranteed Debt[5] | A | A | A |
| External Current Account Balance | A | SA | A |
| Exports and Imports of Goods and Services | A | A | A |
| GDP/GNP | A | SA | A |

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Semi-annually (SA); Irregular (I).