

INTERNATIONAL DEVELOPMENT ASSOCIATION
AND
THE INTERNATIONAL MONETARY FUND

RWANDA

**Preliminary Document on the Enhanced Initiative for
Heavily Indebted Poor Countries**

Prepared by the Staffs of the International Development Association
and the International Monetary Fund¹

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¹ Approved by José Fajgenbaum and Masood Ahmed (IMF), and Callisto Madavo and Kemal Dervis (IDA)

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INTRODUCTION

1. Rwanda has made significant progress along an ambitious path of reconstruction, national reconciliation, and economic reform since the genocide of 1994. It has received support from the international community and is treated as a *special case* for exceptional international assistance, to help it overcome the legacies of the genocide and make the transition to peace and development. While national reconciliation and security have been the key policy goals in the transition, the Government has recognized that unless the standard of living of all Rwandese is improved, these goals will remain elusive. Poverty reduction has therefore become the central theme of the Government's economic and social policies and the Government is committed to the preparation of a Poverty Reduction Strategy Paper (PRSP) that will articulate its goals, priority actions and targets for poverty reduction.

2. Peace has largely been restored in Rwanda, although the conflict in the Great Lakes region remains an obstacle to peace and national reconciliation in Rwanda. Between 1994 and 1998, the emphasis was on resettling displaced populations, including old and new refugees, assisting vulnerable groups and rehabilitating social and economic infrastructure and institutions. Since 1995, Rwanda has had solid economic growth, and contained inflation. It has undertaken structural reforms to liberalize trade, develop the private sector, privatize public enterprises, and improve public administration and governance. Particular attention has been paid to improving the quality and coverage of the social sector services. Rwanda has a heavy debt burden, with an NPV of debt-to-exports ratio of about 520 percent after rescheduling and a hypothetical stock-of-debt operation of official bilateral debt. The Government believes that alleviation of this debt is essential for consolidating the efforts to sustain peace and stabilize the society and economy and for deepening the structural reforms to progressively and rapidly reduce poverty.

3. This paper presents a preliminary assessment of Rwanda's qualification for assistance under the Initiative for Heavily Indebted Poor Countries (HIPC). It summarizes the debt sustainability analysis (DSA) elaborated by the staffs of the IMF, the World Bank, and the AfDB, and the Rwandese authorities, and assesses Rwanda's policy record, and outlook.² Based on this analysis, the staffs believe that, even after applying traditional debt relief mechanisms, Rwanda's external debt is unsustainable.

4. The rest of the paper consists of four sections. Section II discusses Rwanda's IDA/PRGF status and eligibility under the HIPC Initiative and examines Rwanda's implementation record under previous and ongoing programs supported by the IDA's Economic Recovery Credit and the IMF's three-year PRGF arrangement. Section III assesses Rwanda's policy outlook, and considers how benefits from the HIPC Initiative would help strengthen the implementation of the Government's poverty reduction strategy. Section IV presents the results of the DSA, including a sensitivity analysis. It also considers a possible decision point and discusses the measures that could trigger a completion point. Section V presents the staffs' recommendations and suggests issues for discussion by Executive Directors.

² The debt sustainability analysis was discussed with the Rwandese authorities during joint World Bank and IMF missions in February/March and June/July 2000 (the latter with AfDB participation).

I. BACKGROUND

A. PRGF and IDA Status

5. **Rwanda is currently an IDA-only country, and is eligible for assistance under the Poverty Reduction and Growth Facility (PRGF).** Per capita GDP for 1999 is estimated at US\$273, which is low even by sub-Saharan African (SSA) standards. Rwanda has an unsustainable debt burden, with the NPV of debt estimated at about 520 percent of exports of goods and nonfactor services at end-1999, after the full application of traditional debt relief mechanisms, including a hypothetical stock-of-debt operation on Naples Terms (67 percent debt reduction in NPV terms).

6. **In the aftermath of the genocide of 1994, Rwanda's social indicators deteriorated sharply.** By 1997, 70 percent of the population lived below the poverty line (as defined in the 1985 household survey), up from 53 percent in 1993. The geographic and demographic profile of poverty has changed, with the loss of prime-age workers, the increase in female and minor-headed households (now over 34 percent of the population), and over 300,000 displaced households still living in temporary shelter. Most social indicators have worsened significantly since the genocide (Table 1).

Table 1. Rwanda: Selected Social Indicators

Indicator	Rwanda 1988–93	Rwanda 1996–98	SSA 1996–98	HIPC 1998
GDP per capita (US\$)	225	256	500	388
Poverty headcount index (percent)	53	70	..	..
Infant mortality (per 1,000 live births)	109	139	91	97
Maternal mortality (per 100,000)	300	810	..	..
Life expectancy (years)	47	42	51	52
Access to safe water (percent)	64	44	43	..
Illiteracy rate (percent of pop 15+)	50	48	40	47
Female	63	55	54	57
Gross primary enrollment	71	88	78	..
Male	72	90 1/	85	..
Female	70	87 1/	71	..

Sources: World Bank, Social Indicators of Development, 1995; Republic of Rwanda, Rwanda Development Indicators; World Bank: SIMA Database; and staff estimates.

1/ 1999

B. Policy Implementation Track Record

7. Following the genocide in 1994, the immediate priorities were to restore peace, resettle displaced people and returned refugees, promote national reconciliation, and revive the economy. In December 1994, the new Government issued a *Declaration of Principles* that spelled out its medium-term social, political, and economic agenda in which it reaffirmed its commitment to a liberal, market-based economy, with a reduced role for the state. In the *emergency phase (1995–97)* of the recovery program, over one million internally displaced persons and over two million returned refugees were resettled and the country's economic, administrative, and social institutions were rehabilitated. The authorities implemented staff-monitored programs, supported by two IDA emergency recovery credits in 1995 and

1997 and by the IMF's post-conflict emergency assistance policy in 1997. The Government's Framework of Economic Policies (FEP),³ prepared in consultation with the IMF and World Bank staffs, set out the macroeconomic framework and the policy and institutional reform measures to be undertaken in the *transition from emergency to development (1998–2000)*. Its implementation was mixed, but it laid the groundwork for a reform program supported by an ESAF arrangement in 1998 and a new IDA Economic Recovery Credit in 1999. Despite implementation delays (often related to capacity constraints), the authorities have demonstrated a strong commitment to the reform program, a high degree of national ownership, and a willingness to take corrective actions when necessary to avoid the interruption of the program. Overall, Rwanda's performance under the successive programs has been satisfactory, and it has built a good track record of policy implementation.

Macroeconomic and structural policies during the emergency phase (1995–97)

8. From 1995 to 1997, macroeconomic policies focused on reviving economic activity, restoring macroeconomic stability and rebuilding the capacity for macroeconomic and budget management. The central bank and the Ministry of Finance and Economic Planning were rapidly made operational, although their capacity remained weak. Real GDP grew by 34 percent in 1995 and by over 10 percent during each of the next two years. Inflation slowed from 64 percent in 1994 to 9 percent in 1996, but increased in 1997 as drought and over one million returning refugees caused temporary food shortages. Despite some slippages in meeting agreed targets for revenue and expenditure, the primary fiscal position was almost in balance.

9. Despite capacity constraints, significant **structural measures** were implemented (Box 1). Rwanda's trade and exchange rate regimes were liberalized, with market-determined exchange rates, the elimination of surrender requirements for coffee and tea export receipts, and the reduction of maximum tariff rates from 100 percent to 40 percent. As a result, Rwanda's trade restrictiveness index fell from 8 in 1995 ("restrictive") to 3 in early 1998 ("relatively open"). In the financial sector, treasury bill auctions were introduced, the exchange market was liberalized, and the process of bank restructuring began. In March 1996, the National Assembly passed a law that provided the legal and institutional framework for the privatization of state-owned enterprises (about 70 in total). Despite an announced policy to build a leaner civil service, the number of civil servants increased sharply from 1995 to 1997 as new hires, many of whom were unqualified, replaced civil servants and teachers lost in the genocide.

Macroeconomic policies in the transition phase (1998–early 2000)

10. The macroeconomic objectives for 1998–2000 in the reform program included average annual real GDP growth of 7–8 percent, inflation below 5 percent, an external current account deficit (excluding official transfers) of about 18 percent of GDP, gross official reserves maintained at a level about 6 months of imports, and an increase in the revenue-to-GDP of $\frac{1}{2}$ percentage point per year. The key measures for increasing revenues included improved tax administration by the Rwanda Revenue

³ IMF: *Rwanda: Post-Conflict Rehabilitation—A Framework of Economic Policies, 1997–98* (EBD/97/41, 4/11/97) or World Bank, *Annex to the Memorandum and Recommendation of the President of IDA on the Emergency Reintegration and Recovery Credit for Rwanda* (Report No P-7149-RW, 6/11/97)

Authority (established at end-1997 with technical and financial support from the UK-DFID), an increase in the turnover tax from 10 percent to 15 percent, increases in excise tax rates, and the progressive elimination of tax and import duty exemptions. In the event, macroeconomic and financial developments were broadly in line with program targets, but revenue performance collection fell significantly short of the target, in part because of factors beyond the Government's control (including unanticipated declines in import volumes), but also due to delays in implementing agreed policies. Budget and treasury management has continued to improve, including through the implementation of a flash reporting system that monitors on a monthly basis the budget execution, and the domestic arrears problem was largely resolved. In response to the revenue shortfalls, the Government implemented significant expenditure reductions in both 1998 and 1999 (and with the mid-2000 budget review), but could not avoid the resort to large domestic bank financing in late 1999.

Table 2. Rwanda: Indicators of Structural Reform

Indicator	1993	1996	1998	1999
Non-zero trade tariff range	(10–100)	(10, 20, 40, 60)	(10, 20, 40)	(5, 15, 25)
Average tariff rate	34.8	31.9	18.1	11.3
Trade restrictiveness index	10	8	3	2
Surrender requirements for proceeds of tea and coffee exports	100	50	0	0
Civil service employment	42,027	34,882	37,353	37,694
Government wage bill in percent of GDP	5.7	4.4	4.6	5.3
Cumulative number of public enterprises privatized or brought under liquidation	0	0	3	25

Structural reforms in the transition phase (1998–2000)⁴

11. Structural reforms focused on opening up the economy and enhancing the economic and regulatory environment for private sector activity (Table 2). Rwanda continued to pursue trade liberalization—further reducing the maximum tariff rate from 40 to 25 percent and eliminating the coffee export tax in early 1999—and further simplified and liberalized exchange regulations. To promote private sector development, the Government simplified business licensing requirements, revised the labor code to remove restrictions on the movement of labor and the employment of females, and established the Rwanda Investment Promotion Agency to facilitate investment and business development.⁵ In April 2000, the Government submitted legislation to the National Assembly to abolish the state-controlled Chamber of Commerce. Henceforth, the Rwanda Private Sector Federation, formed in December 1999 as an apex independent body of various private sector organizations, will represent private sector interests in its dialogue with the Government.

⁴ See Box 1.

⁵ The revised labor code is under consideration by the National Assembly.

Box 1. Structural Reforms 1996–99

- **Revenue:** Adoption of fiscal measures (increase in turnover tax to 15 percent in 1998, increase in excise tax and subjecting public enterprises to income tax in 1999) and the establishment of the autonomous RRA at end-1997, with technical and financial support from the UK-Department for International Development.
- **Expenditure management:** Establishment of expenditure monitoring system; improvement in budget processes; establishment of Central Project and External Financing Bureau (CEPEX) to improve the coordination of investment projects within the Ministry of Finance at end-1998; and initiation of the Medium-Term Expenditure Framework (MTEF).
- **Social sector budget allocations:** Since 1998, budget allocations to the social sectors have been rising rapidly in real terms. These allocations are now protected from budget cuts.
- **Economic governance:** A National Tender Board was created to oversee procurement. An independent Office of the Auditor General was established.
- **Civil service reform:** A civil service census was carried out in late 1998 providing the basis for the rationalization of the civil service. This facilitated the removal of ghost workers (over 7,000) and unqualified employees (about 3,000), and the regularization of the status of employees, largely returned refugees-teachers. In early 1999, fringe benefits were monetized, and civil service salaries, which had dropped by over one-half since 1993, were increased by over 40 percent on average.
- **Public enterprise reform:** The law providing the legal framework for the privatization of public enterprises was passed in 1996. Since 1996, 25 enterprises have been sold, 11 offered for sale, and 5 brought under liquidation. The remainder includes 9 tea factories and 2 large public utilities.
- **Central Bank and monetary policy:** A revised central bank statute giving the National Bank of Rwanda (NBR) independence in conducting monetary policy was adopted in mid-1997. At end-1998, treasury bill auctions were introduced, giving the NBR an indirect instrument for controlling monetary aggregates and influencing interest rates.
- **Financial sector reform:** A new banking law, promulgated in August 1999, provides for the effective prudential regulation of commercial banks. Key prudential and other regulations provided under the law were issued in late 1999 and in 2000. Comprehensive audits of all five commercial banks were carried out in 1999, providing the basis for the restructuring of these banks to comply with the new prudential regulations.
- **Social security system:** The Caisse sociale du Rwanda (CSR) was audited and an actuarial study carried out. A large part of Government debt to the CSR was consolidated.
- **Regulatory framework for private sector development:** The National Assembly adopted the Rwanda Investment Promotion Act in 1999 and a new labor code was submitted to the National Assembly in 1999. In late 1999, an independent Private Sector Federation was established, paving the way for the abolition of the Government-controlled Chamber of Commerce.
- **Gender:** An amendment to the civil code giving women the rights to inherit and own property was promulgated in late 1999. A comprehensive study of the constraints to the development of women has been completed and will provide the basis for further actions to enhance the role of women.
- **Trade liberalization:** The maximum tariff rate was reduced in three steps, from 100 percent before 1995 to 25 percent from early 1999, and the number of non-zero tariff bands reduced from 40 to 3. As a result, the trade restrictiveness index fell from 8 in 1995–97 to 2 by mid-2000. The coffee export tax was eliminated in early 1999.
- **Exchange regime:** A fully liberalized and market-determined exchange rate system has been adopted, foreign exchange bureaux licensed, and current account restrictions abolished. The obligations under Article VIII of the IMF's Articles of Agreement were accepted at end-1998.
- **Domestic prices and marketing:** Price controls have been eliminated for all but a handful of commodities: cement, electricity, water, and telecommunications. A flexible retail petroleum pricing mechanism was implemented in Fall 1999. Existing laws are being revised to reflect the policy of price liberalization and provide a transparent framework for Government interventions where necessary.
- **Demobilization:** Since end-1997, the Government has demobilized a total of almost 10,000 soldiers in two rounds; at end-1997 and at end-1998. In addition, about 15,000 ex-FAR (ex-soldiers of the former Government) have been incorporated into the national army since early 1998.

12. Under the privatization program, the cabinet approved the sale of 25 state-owned enterprises and the process of transfers to the new private owners is completed or underway. In 1999, the focus of the program shifted to the divestiture of the major public assets in utilities and in the tea industry. With the support of the IDA, the Government has prepared strategies for the privatization of Rwandatel (the telephone utility) and the nine publicly owned tea factories, and the restructuring of Electrogaz, the energy/water utility. The Government embarked in early 1998 on a program of civil service reform aimed at establishing a leaner, more efficient civil service. The first phase of the program, aimed at managing entry into and exit from the civil service, filling immediate staffing needs, enhancing the control of the payroll, and rationalizing civil service remuneration, was largely achieved.

C. Poverty Reduction and Human Resource Development

13. **Poverty worsened dramatically due to the genocide of 1994.** The proportion of households below the poverty line,⁶ estimated at 40 percent in 1985 and 53 percent in 1993, rose to 70 percent in 1997. While the overall population is higher by about 40 percent since 1985, the number of poor households has more than doubled. Poverty remains a largely rural phenomenon, as over 90 percent of the population live in rural areas and depend on agriculture, but the incidence of urban poverty has also increased. Poverty increased in Rwanda due to: (i) the stagnation of the economy during 1986–94 resulting primarily from the persistent stagnation of international non-oil primary commodity prices, poor economic policies and persistent civil strife; (ii) the decline in agricultural productivity, in the context of a rapidly growing rural population; and (iii) the impact of the genocide in 1994 that decimated the human resource base and destroyed the economic and social capital and institutions. Over 3.5 million people were displaced including about 2 million people who fled to neighboring countries after the genocide. The emphasis after the genocide on the rapid permanent resettlement of displaced people, the eventual return in 1996/97 in massive numbers of the refugees outside the country and the immediate resettlement of these returnees in their own homes and communities contributed to the strong recovery of the economy and some alleviation of poverty. During 1998-99, the Government began to focus directly on poverty and integrate poverty reduction themes (agricultural productivity, gender equality, improving social services) into its programs.

14. **The rehabilitation of the health and education sectors was a priority in the reconstruction program,** and was strongly supported by bilateral donors, NGOs, UN agencies, and multilateral agencies, including the European Union (EU) and the IDA. After the war there was rapid progress in rehabilitating health and education facilities and making them operational. In the **health sector**, a decentralized system of health care delivery, with communities, districts and regions having specific responsibility for the delivery of health services, was put in place. By 1997, over 47 percent of the health infrastructure was completely rehabilitated, with the rest partially rehabilitated. Efforts were made to ensure the provision of health services to victims of genocide and to prevent the spread of HIV/AIDS. Nevertheless, the quality of health services has continued to suffer from lack of qualified staff. Rwanda has 3 physicians per 100,000 inhabitants, unevenly spread with a large concentration in Kigali. One health center serves an average of 23,030 inhabitants, but coverage is low in some regions such as

⁶ As defined in the 1985 household expenditure survey.

Gisenyi (30,000) and Ruhengeri (31,000). Development expenditures in the health sector are entirely financed by donors who also cover up to 75 percent of the recurrent expenditures. However, in the past two years, foreign assistance to the health sector has been declining while domestic financing has been increasing. The policy of cost-recovery in health has been re-introduced but concerns remain about its targeting. A private health insurance scheme was introduced in 1998 and policies were adopted to strengthen the sub-sector of traditional medicine and promote the development of private practices, with the number of private practice/clinics increasing from 30 in 1995 to 224 in 1998.

15. In **education**, progress was slower, owing to the size of the sector, the massive efforts required to rehabilitate educational infrastructure and administer the revival of activities, the displacement and unsettled nature of the population, and the difficulty in recruiting qualified teachers. Due to the disruption of the educational system by the genocide and its aftermath and the civil strife that preceded these events, many children either missed school entirely or received inadequate basic schooling. These children could grow up as dysfunctional adults, unless they are given special educational assistance. The basic educational system continues to face difficult challenges of efficiency, access and quality. Only about 30 percent of the children who enter primary school complete it, often repeating several grades, and very few attend secondary school. While gross enrollment in primary education has reached 88 percent (90 percent for boys and 87 percent for girls) in 1998, the net enrolment is still only 69 percent. Although a crash training program for teachers was instituted, the needs of the school system could not be adequately met, with the result that the majority of the teaching force was unqualified (Table 4). Furthermore, only 28 percent of the need for books for teachers is covered, while textbooks for students are even in shorter supply. The HIV/AIDS epidemic has serious consequences for the education sector, particularly by reducing the supply of teachers as a result of illness and early death, and absenteeism due to AIDS imposed burdens such as the need to care for sick family members. While the education budget has been increasing, it is clearly inadequate to meet the challenges in the sector.

16. The Government decided in 1998 to put priority on the social sectors in budget allocations, and total recurrent social sector spending increased from 2.5 percent of GDP in 1997 to 3.8 percent in 1999 and an expected 3.9 percent in 2000. The Government is providing an amount equivalent to 5.0 percent of revenue (or 0.6 percent of GDP) each year to meet the needs of the genocide survivors through an earmarked assistance fund (Table 3). With assistance from the IDA and the UK-DFID, the Government undertook a social sector expenditure review (SSER) in 1998/99, to develop expenditure spending frameworks for education, health and water supply and sanitation, improve budget allocations to these sectors and clarify sectoral financing issues. In 1998, the Government started preparations for the introduction of the Medium Term Expenditure Framework (MTEF) approach to budget management. At the early stages, the MTEF would be focussed on the social sectors and its successful implementation of the MTEF would have significant impact on budget allocations, implementation and outcomes for social services and poverty reduction.

Table 3. Rwanda: Recurrent Social Expenditure 1985–99

	1985	1996	1997	1998	1999
(In percent share of recurrent budget)					
Recurrent social spending	37.7	18.8	21.9	23.3	28.9
Education 1/	29.1	15.4	18.7	18.5	23.4
Health	7.2	2.5	2.3	3.5	3.8
Other	1.4	0.9	0.8	1.3	1.6
Exceptional social spending	0.0	3.0	1.6	7.7	9.1
Survivors of Genocide Fund	0.0	...	0.0	5.0	4.4
Demobilization	0.0	...	1.6	2.0	2.2
Other (governance, education)	0.0	...	0.0	0.6	2.5
(In percent of GDP)					
Recurrent social spending	3.8	2.4	2.5	2.8	3.8
Education 1/		2.0	2.1	2.2	3.1
Health		0.3	0.3	0.4	0.5
Other		0.1	0.1	0.2	0.2
Exceptional social spending		0.4	0.2	0.9	1.2
Survivors of Genocide Fund		0.4	0.0	0.6	0.6
Demobilization		...	0.2	0.2	0.3
Other (governance, education)		...	0.0	0.1	0.3
Memorandum items: (in percent share of recurrent expenditure)					
Scheduled Interest on external debt		7.2	5.9	4.5	4.6
Scheduled Interest on domestic debt		5.2	4.7	3.1	2.8

1/ Includes national university.

17. As a result of losses of professionals and skilled technicians in the genocide and earlier violent conflicts, and the poor investment in human resources due to poor economic and social policies, **Rwanda faces severe human capacity constraints**. It needs large numbers of professionals, particularly in the fields of teaching, health, management, science and technology as well as skilled and semi-skilled technicians in various areas. The Government has taken a number of measures to meet this challenge. It established the Kigali Institute of Education (KIE) to train teachers for secondary schools and teacher training colleges and the Kigali Institute of Health (KIH) to train health professionals (excluding doctors). Tertiary education is provided primarily by public institutions but two private universities have opened up. These private institutions specialize in courses that are in high demand in the labor market (management, accounting, law, and economics). The national university has been rehabilitated and the newly established Kigali Institute of Science, Technology and Management (KIST) offers a mix of academic, technical and vocational education to full time and part-time (evening) students. Because of the new investment in rehabilitating existing institutions and starting new ones (KIE, KIH, KIST), the share of tertiary education in educational spending will, for a few years, be around one-third, before declining to about one-fifth in later years. In recognition of the unique human resources challenges facing Rwanda, in 1999 the Government established a commission to develop a strategy and action plan for human resource development in Rwanda.

18. The HIV/AIDS epidemic is a threat to Rwanda's human resources and overall development. A survey in 1997 found HIV/AIDS prevalence of an average 11.1 percent among persons 12 years and older. The infection rate was 10.8 percent among men and 11.3 percent among females, and 11.6 percent in urban centers compared to 10.8 percent in rural areas. This survey showed a marked increase in HIV/AIDS prevalence in the rural areas, up from 1.3 percent in 1986. HIV/AIDS is also high among middle-age men in professional and business occupations. Since 1983, when the first cases of AIDS were identified, Rwanda has used generic approaches based on a centralized national AIDS control program, a system of sentinel surveillance, and an Information, Education and Communications program (IEC) to the control of HIV/AIDS. The National AIDS Control Program (PNLS) of the Ministry of Health was the technical agency for implementing HIV/AIDS prevention and care activities.

Table 4. Rwanda: Evolution of Social Sector Indicators, 1988–99

	1988–93	1996–99
Health		
Population per physician	73,796	66,666
Population per nurse	4,235	9,500
Population per hospital bed	608	1700
Total fertility rate	6.4	6.5
Immunization DPT (in percent of children under 12 months)	89	77
Immunization measles (in percent of children under 12 months)	89	67
Under 5 mortality (per 1000 births)	141	205
Access to health care (in percent of population)	100	80
Education		
Gross enrollment ratio (in percent): primary	71	88
Gross enrollment ratio (in percent): secondary	8	9.7
Net enrollment ratio (in percent): primary		69.0 ^{1/}
Female-male ratio (in percent): primary	49.6	50.0
Female-male ratio (in percent): secondary	38.9	50.6
Pupil-teacher ratio: primary	58	55
Repetition rate (in percent): primary	14.5	30
Drop out rate (in percent): primary	11	30
Qualified teachers (in percent of total): primary	--	49.2
Qualified teachers (in percent of total): secondary	--	31

Source: Ministries of Education and Health

1/ For 1999.

19. In the early 1990s, social strife, civil war and genocide disrupted the programs while the instabilities increased the risks of HIV infection. These programs were revived in 1996 and the approach was modified in 1997 with the creation of political level National Commission for the Control of AIDS (CNLS) headed by the Prime Minister, the adoption of a multi-sectoral approach and the decentralization of the PNLS. However, the CNLS never functioned and the efforts on HIV/AIDS were undermined by the lack of political commitment. A new strategy emphasizing the multi-sectoral approach was adopted in 1998 to give a determined push to HIV/AIDS control and prevention. Political commitment has grown, evidenced by statements by national leaders, the provision of budgetary support for HIV/AIDS control and pressing requests for external assistance.

20. **The monitoring of the impact of the genocide and the following social sector reform has been limited by the lack of institutional capacity to compile data on social indicators.** A management Information System was implemented in the health sector in 1998, allowing for improved reporting of both expenditures and services provided (e.g., number of consultations) at the health district level, to be included in the Ministry of Health's Annual Report. In 1997, the Government, with the support of the IDA and the UNDP, initiated the plan for a Household Budget and Expenditure Survey (HBES) to provide basic household statistics to underpin social and economic indicators. Data collection for the HBES started in 1999, with the support of UK-DFID, UNDP, and AfDB. The full HBES data is expected to be available in 2001.

D. Governance and Justice

21. The genocide damaged the social fabric of Rwandese society, thus national reconciliation is of the highest priority as without it sustained peace and economic progress would be elusive. **Ensuring justice and the rule of law and improving governance are key elements of the process of national reconciliation.** Several donors are providing assistance to Rwanda to improve its system of justice. The biggest challenge to justice in Rwanda is to adjudicate the cases of the 120,000 genocide suspects, many of whom have been in prison for over 5 years. The Government has decided to use traditional methods of justice (*Gacaca*) to clear many of these cases and preparations are underway for its introduction including an enabling legislation under consideration by the National Assembly and training for local officials on the application of Gacaca. The Government has established commissions for Human Rights, National Unity and Reconciliation (URC), and Legal and Constitutional Affairs. The URC operates in a participatory way to involve Rwandese of all walks of life in determining the way forward to national unity. It organizes public debates in all corners and communities in the country, providing the platform for Rwandese to air their views on what has divided them in the past and how to build a united Rwanda. Local elections held during March 28–30, 1999 represent the beginning of decentralized public administration. The National Assembly has taken an active role in investigating public officials accused of corruption and abuse of office. This led to the resignations of a number of ministers in 1999-2000. In 1998-99, the National Tender Board and the Office of the Auditor-General were established to bring probity to transactions using public resources.

II. MEDIUM-TERM POLICY OUTLOOK

22. In the next three to four years, the Government will concentrate on consolidating the initiatives launched during 1997–99 to accelerate the socioeconomic transition from emergency to development and prepare for the transition to an elected government in 2003. The current Government's long-term vision (*Vision 2020*) for the development of Rwanda is to create an all-inclusive economic system that allows for effective participation of all social and economic groups in the population. The vision emphasizes national reconciliation and security, human resource development, private sector development, good governance with decentralized and efficient public administration, and regional integration as the key elements to bringing peace, reducing poverty and improving the welfare of the Rwandese.

23. **The events of 1994 sharply increased poverty in Rwanda and severely reduced its institutional capacity, making the implementation of policies and programs to achieve rapid economic growth and reduce poverty an enormous challenge.** The destruction of homes, crops and other private capital stock, the massive displacement of populations, the loss of prime-age labor and skilled and professional people to death, exile and imprisonment, the increase in the vulnerability of the population, and the continuing conflicts in the Great Lakes region are impediments to sustainable economic growth and poverty reduction. The loss of social capital from the genocide is an imponderable factor in the effort on and prospects for national reconciliation and economic growth. Poverty reduction in Rwanda requires strong and persistent efforts to promote national reconciliation, permanently resettle the over 300,000 households still living in temporary or damaged housing, in addition to the efforts to address the other generic socio/economic structural impediments to growth and poverty reduction.

24. Developing human resources--enhancing education and skills formation, improving the health status of the population, reducing HIV/AIDS infection and promoting the role of women--are key elements to poverty reduction in Rwanda. With poverty concentrated in rural areas, raising agricultural productivity is critical for reducing poverty in the medium-term. The Government's agricultural strategy aims to promote a market-based agricultural economy, with a liberal market framework that encourages the adoption of improved inputs and farming practices and the marketing of farm products. An educated, informed and healthy rural population is more likely to respond to policy changes and adopt improved inputs. Improvements in rural infrastructure and feeder roads essential for the development of market-based agriculture and improvement in the incomes of farmers. The participation of poor people in the development process and in capacity building, and their access to basic policing and the judicial system, are essential to improve the effectiveness of development programs, to engender a sense of better security, and to improve the investments and productivity of the poor, thus reducing poverty. In the long term, creating non-farm employment in rural areas and industrial and service jobs in urban settings would be essential for progress in reducing poverty.

25. During 1999, the Government, in collaboration with the UNDP, initiated work on the elaboration of a national poverty reduction strategy. In February 2000, the Government held preliminary discussions with external partners, including the IDA and the IMF, on the preparation of its Poverty Reduction Strategy (PRS). It launched the consultative process with civil society in June 2000; the preparation of the Interim Poverty Reduction Strategy Paper (I-PRSP) is underway and will be ready by October 2000. Meanwhile, the Government has set up a *Poverty Observatory* in the Ministry of Finance and Economic Planning that will work closely with other social sector ministries, including the Gender and Women in Development and the social affairs and local administration ministries, to monitor progress in meeting the targets on poverty and basic social indicators.

26. Rwanda received substantial external inflows for relief and reconstruction in the years following the genocide which contributed to the rapid recovery of the economy. Emergency-related foreign assistance has declined and the population are now looking to the Government for the services previously financed by external assistance. Security-related spending has been declining as proportion of total expenditures but is still relatively high due to the conflicts in the region. Given the limited domestic tax base, Rwanda faces severe budget constraints. Since 1998, the Government has been increasing budget allocations to the social sectors and providing funds for transition programs such as the assistance to victims of genocide, demobilization/reintegration of soldiers; and the establishment of governance

institutions. More recently, the Government is giving priority to building public and private sector capacity, gender issues and on HIV/AIDS in its budget. While the Poverty Reduction strategy will refine the budget priorities, the existing priority areas, as well as agricultural field services, rural feeder roads, justice and governance including decentralization, will be given priority in the budget. Debt relief through HIPC will enable Rwanda to increase budgetary expenditures in these priority areas. The introduction of the Medium-Term Expenditure Framework (MTEF) will enhance the linkage between poverty reduction objectives/policies, and budget allocation, implementation and outcomes. The HIPC relief will be used to focus on poverty reduction under the MTEF framework. In this context, budget allocations to the priority programs will rise while the Government holds down military spending and expenditures in non-priority activities.

A. Macroeconomic Policies

27. The medium-term macroeconomic objectives of the Government are to achieve real GDP growth of 5 to 6 percent a year, inflation below 5 percent a year, a current account deficit (excluding official transfers) of about 16-17 percent of GDP, and a level of gross official reserves of at least four months of imports c.i.f. The fiscal program is based on increasing domestic revenue collection, prioritizing expenditures toward poverty reduction, and strengthening the link between donor-financed investment expenditure and the budget process. Improvements in **tax administration**, in particular strengthening the administrative capacity of the Rwanda Revenue Authority, a broadening of the tax base, a reduction in exemptions, and the introduction of a value-added tax (VAT) foreseen for early 2001, are aimed at progressively improving revenue performance. Current expenditure will continue to be managed prudently, so as to contain the primary fiscal deficit at a level that can be financed by sustainable external budget support. The Government is committed to reduce military expenditures as security concerns permit. The implementation of an MTEF with the 2001 budget to all sectors, along with regular public expenditure reviews, is expected to enhance the efficiency and transparency of Government expenditure, and strengthen its link to performance indicators. The Government has also initiated a further decentralization of budget execution to the *prefectures* and to a smaller extent the *communes*.

28. Monetary policy is aimed at keeping inflation below 5 percent a year. The National Bank of Rwanda (NBR) is pursuing a reserve money target mostly through indirect instruments, including treasury bill auctions and money market operations on its own account. The exchange rate will continue to be market-determined, and the NBR's operations in the foreign exchange market will be limited to smoothing short-term fluctuations within the constraint of meeting its target for net foreign assets.

B. Structural Policies

29. In the coming years, the efforts will focus on **consolidating and deepening the structural reforms** that have been started since 1995, building institutional capacity to manage the public sector, and improving governance. Consequently reforms will focus on private sector development, including rural and urban small scale enterprises; encouraging trade, particularly exports; promoting market-based agriculture; strengthening the banks and rural savings and loans cooperatives; completing the privatization of public enterprises; and reforming the social security system. Reforms will focus on the

impact on national reconciliation, poverty reduction, employment creation, gender equality, and capacity building. Box 2 outlines the key reforms for the medium term.

Box 2. Future Structural Reforms

Revenue mobilization: The emphasis will lie on tax administration (particularly streamlining procedures in customs, eliminating evasion and corruption, and improving tax audits); broadening the tax base; eliminating unjustified exemptions; and implementing the VAT.

Expenditure management: The Medium-Term Expenditure Framework (MTEF) budgeting approach will be developed, based on revised functional budget classifications and a direct and transparent link between expenditures and outcomes within a well-defined resource envelope. The MTEF will be used by all ministries for the 2001 budget. Monitoring of expenditures and outcomes will be strengthened.

Civil service reform: In the course of 2000 and 2001, the Government will implement already agreed measures to rationalize and streamline functions and employment within the civil service, involving the implementation of new ministerial *cadres organiques* and job classifications and grading. A computerized civil service management system, linked to the payroll, will be put in place in 2000. In parallel, the Government will hold further consultations with the civil society and its partners on the reform of public administration, consistent with its long-term vision and in line with its strategies for poverty reduction and human resources development. This will form the basis of future reforms.

Trade liberalization. The recent progress in reducing tariffs in line with the Cross Border Initiative (CBI) objectives will be consolidated. The temporary 10-15 percent import surcharge introduced in mid-1999 and halved at end-1999 will be eliminated in July 2000.

Private sector development: The Rwanda Investment Promotion Agency, established to facilitate private investments and promote exports, and the Arbitration Center will be made fully operational.

Public enterprise reform: The privatization of state enterprises will be accelerated and completed by end-2001. Priority will be given to the privatization of the nine tea factories and plantations, and the two public utilities. A multi-sector regulatory agency will be established in the course of 2000 to regulate the activities of utility firms.

Agriculture and rural sector development: The liberalization of markets for agricultural products and inputs such as fertilizers and seeds will be completed, including through the revision of the Internal Trade Act. The Government is preparing a land law that will strengthen land tenure, improve land use, and end gender discrimination in land ownership. The draft law is currently being discussed publicly and will be submitted for consideration by the National Assembly in mid-2001.

Financial sector reform: The NBR has agreed with the five commercial banks on restructuring plans, including timetables for additional provisioning, the recognition of impaired assets, and increases in capital. The NBR is further strengthening the regulatory framework for banking supervision and its banking supervision capacity. The cooperative savings and loan institution, the Union des banques populaires (UBP), will be restructured to be more responsive to the credit needs of farmers and small rural and urban businesses.

Social security: The consolidation of Government debt in arrears to the CSR—amounting to the equivalent of about 5 percent of GDP—will be completed in the course of 2000. A draft organic social security law to be submitted to parliament in early 2001 sets out the regulatory framework for a two-tier social security system (a mandatory system provided by the public sector, and a complementary voluntary system to be provided by both public institutions and private sector insurance companies).

C. Human Resource Development

30. **Recognizing that poor education and health, gender discrimination, and HIV/AIDS and lack of institutional capacity are serious impediments to growth and poverty reduction, the Government is putting high priority on developing its human resources.** Rwanda will continue to rebuild its social infrastructure and improve service standards in health, basic education, and water and sanitation, continue to attract qualified Rwandese back from abroad, and intensify training efforts to meet the immediate needs of its labor market. *Vision 2020* envisages Rwanda specializing in export-oriented light manufacturing and service industries, relying on modern computer and telecommunications

technologies, thus the need to emphasize the development of skills in management, science and technology. The Government will continue to give priority to education and training, health, water supply and sanitation, the development of women, and the prevention of HIV/AIDS in budget allocations. Government plans to invest the resources freed by debt relief under the HIPC Initiative to accelerate human resource development and meet its unique human resource challenges. Public spending on the health sector needs to increase to compensate for the decline in off-budget emergency-related spending in the sector by donors and NGOs, which funded both rehabilitation and operational activities. New resources from the HIPC relief will also contribute to meeting the substantial budgetary requirements associated with improving the quality of education and health, achieving Universal Primary Education (UPE), and intensifying the fight against HIV/AIDS.

Education and training

31. The Government's objectives for education and training are to: (i) increase net primary enrollment from 69 percent in 1999 to 84 percent in 2005 and 100 percent by 2010; (ii) improve the success rate in national examinations at the end of primary education from the current 40 percent to at least 70 percent in 2005; (iii) increase the transition rate to secondary education from about 22 percent in 1999 to 40 percent by 2005; (iv) raise the percentage of qualified teachers from 49 percent in 1999 to 70 percent by 2005, and provide one textbook for every four students by 2005; (v) enhance the practical relevance of education, with a stronger focus on science, technology, and vocational skills while also emphasizing national unity and HIV/AIDS prevention. An expanded and comprehensive HIV/AIDS prevention program will be set up in the Ministry of Education. The Government, with the assistance from the IDA Human Resource Development Project, approved in June 2000, will restructure MINEDUC and strengthen its capacity to manage the ambitious sectoral program. The National Task Force on Human Resources, set up by the Government in early 1999, has recommended that a Human Resources Development Agency (HRDA) be set up to formulate, coordinate and monitor HRD policies and assist in the implementation of agreed HRD actions. One of the tasks of the agency will be to integrate the short-term needs for accelerated capacity building with the long-term human resource development needs.

32. The Government plans to conduct a study on the barriers to access to primary and secondary education to help it to formulate better policies on access to education. It is envisaged that access to primary and secondary school will be expanded by the rehabilitation, extension and construction of primary and secondary schools by local communities. To facilitate community action, the Government will establish a framework for the participation of communities and the private sector in educational development. Rwanda has a large population with special educational needs including overaged youths whose schooling was interrupted by war, the handicapped children and other victims of genocide including orphans. Special programs will be introduced into the formal school system to assist these vulnerable groups. In addition, the non-formal education programs under the ministries of youth and sports, and gender and women-in development will be strengthened to meet special education needs. The Victims of Genocide Fund will continue to provide support for the education of children and youths victimized by the genocide.

33. The quality of education will be enhanced with higher quality inputs (curricula, trained teachers, textbooks). New curricula for primary and secondary schools will emphasize the acquisition of relevant

basic skills, national unity, health awareness, and prevention of HIV/AIDS. Early childhood education, to be financed and managed by local communities, will be expanded to reach poor families, with the Government providing pedagogical support and supervisory oversight. A system of formal and in-service training for teachers is being introduced, and twelve new teacher training colleges have recently been established to provide this training. By 2002, at least six of these colleges will have the facilities and instructors to produce enough qualified teachers to enable the school system to meet its objectives of emphasis on mathematics, science and languages. The Kigali Institute of Education (KIE) will focus on training teachers for secondary schools and teacher training colleges. The recently introduced system of national examinations will be strengthened, to ensure an objective evaluation of system performance. The programs of the public tertiary institutions will be re-oriented to meet the needs of the labor market, with increasing emphasis on science and technology. The Government intends to adopt cost-recovery policies where possible, and a study will be undertaken to examine the options for financing higher education.

34. **Capacity Building:** Several capacity building activities are already underway within the Government, supported by external assistance. With the establishment of the HRDA, the capacity building efforts will be better coordinated. An assessment of capacity needs has been underway and a broad strategy and action plan for capacity building and training will be developed, covering the private and public sectors. The HRDA is consulting the private sector, NGOs, and the donor partners in developing the strategy and action plan.

Health

35. The Government's objectives in health for 1999-2001 are to (i) strengthen the decentralized health management system to ensure quality primary health coverage for the entire population; (ii) accelerate the rehabilitation of health centers and district and regional hospitals to make them 100 percent operational and ensure the availability of and proper maintenance of equipment in health facilities; (iii) increase the national health service coverage to the ratio of one health center per 20,000 inhabitants from 23,000 in 1999 and one fully functioning hospital for each one of the 40 health districts; (iv) develop and implement programs to fight the leading causes of mortality and morbidity, particularly malaria, HIV/AIDS, and malnutrition through a combination of preventive and curative measures; (v) develop and strengthen human resources through the promotion of health sciences, education and training of personnel from the health sector; and (vi) develop a computerized information system to collect health related data, monitor key health related indicators and system performance.

36. The Government will fully implement the health system based on highly autonomous sub-regional health districts and provide assistance to equip and staff the districts hospitals and primary care health centers. Community participation, information sharing, and education will be developed and will put special emphasis on public hygiene and other preventive practices. A key constraint in the health sector is the lack of adequately trained medical and nursing staff, especially in rural areas. The recently established Kigali Institute of Health (KIH) will provide training to health workers. The Government will also adopt and implement national plans to reduce the high rates of morbidity and mortality due to malaria and reduce infant and maternal mortality. In addition, the Government will adopt and implement a framework for coordination of private, public and NGO health providers.

Gender

37. Females account for 54 percent of Rwanda's population of about 8 million. Recognizing that enhancing the role of women is essential not only for women's well-being but also for the development of the country, the Government is strongly committed to the full participation of women in the society. In the March 1999 local elections, a number of seats were reserved for women, to ensure their representation and participation. A revised civil code, enacted in 1999, provides for new matrimonial regimes that eliminate gender discrimination on inheritance and property rights. The Ministry of Gender and Women in Development will launch a public education campaign to ensure compliance with this new law. A comprehensive action plan to eliminate other forms of discrimination against women, and improve access by women to economic services and opportunities is nearing completion. It is expected that the cabinet will adopt this plan in late 2000, paving the way for implementation from 2001.

HIV/AIDS

38. **Rwanda faces a very high incidence of HIV/AIDS, with about 12 percent of the population over 12 years infected with the HIV virus.** The Government is committed to intensifying the fight against HIV/AIDS. It plans to establish by December 2000, an intersectoral AIDS Commission that will ensure continuing broad political support and coordination of the efforts to control HIV/AIDS infection. In line with the multi-sectoral approach, several ministries including Defense, Education, Health, Youth and Sports, and Gender have prepared or are in the process of preparing sectoral HIV/AIDS plans of action. The Government will provide the resources necessary to implement these plans and, in addition, develop and implement sectoral HIV/AIDS programs in the ministries and local districts that do not have one. The Government also intends to encourage and assist private and public firms, NGO groups and civic associations to establish HIV/AIDS programs for their staff and members. The Government will mobilize cultural, religious and civic leaders to strengthen Information, Education and Communication (IEC) activities, counseling, and care and support for persons infected with HIV/AIDS as well as AIDS orphans. Key areas for action include the treatment of other sexually transmitted diseases, prevention of mother/child transmission of HIV/AIDS, improved availability of condoms and treatment of opportunistic infections.

39. The prevention of HIV/AIDS will require significant human, institutional and financial resources. The Government will allocate resources from its own domestic resources as well as raise funds from its external partners to finance HIV/AIDS programs. It will ensure that HIV/AIDS programs have the capacity and political support to carry out their missions. The prevention of HIV/AIDS will be given prominence in the national consultations for the preparation of the Poverty Reduction Strategy Paper. Meanwhile, discussions will be initiated in 2001 on a new comprehensive strategy for HIV/AIDS prevention, to update the existing 1998-2001 strategy.

Monitoring

40. Regarding data collection and monitoring of inputs, outputs and outcomes, the IDA, the UNDP, the European Union and UK-DFID are assisting the Government to strengthen the central statistical agency and the data collection and reporting activities in line ministries. The Ministry of Finance will strengthen the systems for monitoring budget commitments and expenditures, including those on donor financed projects. The *Poverty Observatory* will regularly monitor and report social and poverty-related

indicators and the impact of measures taken to reduce poverty. The Observatory will also regularly track the flows of government expenditures from the treasury to the intended facility and conduct surveys to monitor beneficiary satisfaction with public services. The Ministry of Health already has in place a comprehensive management information system integrated into the decentralized health service delivery. Under the IDA Human Resources Development Project, the IDA and UK-DFID will assist the Government to develop the Education Management Information System (EMIS) and the capacity to maintain it. Other ministries will develop the capacity to monitor their budgets and projects and measure outcomes and impact of the expenditures.

D. Agricultural and Rural Sector

41. The combination of rapid population growth with limited agricultural land has led to the following problems in Rwanda's rural sector: (i) increasing labor intensity and declining labor productivity in the agricultural sector; (ii) strong subsistence orientation of agricultural production, reinforced by weak commodity and labor markets; (iii) the resulting pressure on local off-farm employment and wages; and (iv) declining incomes and a fragile food security situation. The Government has recently completed the formulation of its agricultural strategy that seeks a clear shift from the food self-sufficiency approach towards greater market-orientation, underpinned by intensification in input use, diversification and specialization in agricultural production.

42. The agricultural strategy includes the following major components: (i) investment in the rehabilitation of productive infrastructure; (ii) rebuilding of agricultural extension and research; (iii) liberalization of the input provision services; (iv) support to farmer groups to become stronger partners in the generation and dissemination of technologies and in improving input distribution and output marketing systems; (v) promotion of regional specialization in production; (vi) rehabilitation of traditional export crops and diversification of exports; (vii) restoration and conservation of soil fertility; and (viii) promotion of peri-urban agriculture. The challenge to implement a market-based rural development strategy in the context of an essentially subsistence-oriented agricultural sector is considerable. However, increased market and export-orientation of agriculture are important to realize the potential of agriculture and achieve high growth rates, not only in the sector but also in the rest of the rural sector and the overall economy, and, thereby, achieve sustained poverty reduction in Rwanda.

43. In line with the strategy of market-based agricultural development, a land law to ensure the security of land tenure, improve land use, and provide the framework for land markets to develop, is under preparation. In 1999, the Government liberalized the market for agricultural inputs, including fertilizer and seeds, and exempted agricultural inputs from sales taxes. The Government will revise the Internal Trade Act to revoke the broad authority granted to the minister responsible for commerce to control prices and profit margins. Financial and operational audits of the Union des banques populaires (UBP), the umbrella savings and loan institution serving the rural areas, are to be undertaken in 2000. This will pave the way for the restructuring of the UBP to make it more responsive to the credit needs of farmers and small urban and rural enterprises. The NBR will use its authority under the banking law to improve the regulatory framework for rural cooperative savings and loan associations. On exports, the Government will help to rehabilitate the coffee and tea sectors and promote alternative high-value small-holder crops. The coffee and tea sectors have the potential to make enormous contribution to poverty reduction in the medium-term as increases in productivity and quality and expansion of production raise

the incomes of rural dwellers. The coffee sector is largely liberalized but farmers need assistance on the production side, particularly the adoption of high-yielding varieties, to increase productivity. For tea, the privatization of the 9 state-owned tea factories and estates is necessary to improve tea marketing and production practices, raise producer prices, and attract the private investments in processing capacity required to handle the expected growth in production of green leaf tea.

E. Infrastructure

44. **Transport:** As a landlocked country with a hilly to mountainous topography, sound transport is crucial to reducing the isolation of the country from its neighbors, and of one region of the country from another. Transport infrastructure has historically received high priority in Rwanda's development planning. Rwanda developed a reasonably good network of primary and feeder roads but there has been a marked deterioration due to a prolonged period of poor maintenance during periods of conflict, excessive loads by relief-related vehicles and severe flooding, particularly that associated with the El Niño-weather pattern.. The policy objectives in transport are to: (i) improve international transport connections; (ii) upgrade to paved standard the key routes in the road network to facilitate the country's access and its social and economic reintegration; (iii) improve rural feeder roads to lower transport cost for farmers and encourage market-based agriculture; (iv) ensure better management and financing of the maintenance of the road network in general; and (v) improve road safety. Over the last four years, the Government has put in place the policy and institutional framework for the accelerated development in the road sub-sector. A new Road Fund law, based on the best practices of road schemes in Africa, has been enacted and the capacity of the Road Directorate has been strengthened. The Government is concerned that the unreliability and high costs of the existing arrangements for access to the sea will undermine Rwanda's efforts to participate in and benefit from world trade. It is considering a number of options, including a railway line from Kigali to the Tanzania Rail terminus at Isaka, to diversify the routes to the sea.

45. Good rural infrastructure is critical to the development of market-based agriculture. However, many households and communities, including new settlements, are isolated from the services and markets needed to improve their productivity and market their goods. The Government will give priority to the rehabilitation and maintenance of rural roads and local market infrastructure to link up rural communities to larger markets.

46. **Energy:** The objectives of the Government in the energy sector are to expand and diversify energy supplies at competitive costs, promote the efficient utilization of Rwanda's energy resources, and minimize the potential adverse environmental impacts. The strategy is to encourage private sector energy provision and distribution. Electrogaz, the water/energy utility will be restructured and put under private management in 2000, followed by progressive privatization in subsequent years. The Government will continue to promote private investment for harnessing the methane gas reserves in Lake Kivu.

47. **Water and Sanitation:** Access to potable water was identified by both rural and urban dwellers as the highest priority public service. The Government's strategic framework for water supply in rural areas requires strong community participation in water delivery. A recently approved IDA rural water project is based on this new strategy. For water supply in the urban areas, the restructuring/privatization of Electrogaz will help to improve services and attract badly needed investment. For urban sanitation, the

priority is to build the institutional capacity of urban administrations to effectively manage sanitation services.

48. **Communications and Information Technology:** The Government recognizes that economic growth in Rwanda like elsewhere, has to be increasingly based on the application of communications and information technology (CIT). It is therefore re-orienting its policies and investments to position Rwanda so that it can participate and benefit from this revolution in CIT. The Rwanda Information Technology Agency (RITA) has been set up to coordinate and promote the process of learning and application of CIT in the public and private sectors. Educational curricula and policies will increasingly promote the teaching of science and technology in private and public institutions. The Kigali Institute of Science, Technology, and Management (KIST) was founded to lead the effort in technology education and now offers practical and academic courses to full-time as well as part-time evening students. The Government is encouraging private investment in the communication sector and will privatize Rwandatel, the state-owned telephone company by the end of 2001. The Government will establish a multi-sector regulator to regulate private telecommunications firms and other private/public utilities.

F. Justice and Governance

49. The Government will accelerate its efforts on improving justice and governance, making the institutions established in 1998-99--the commissions for National Unity and Reconciliation and Human Rights, the National Tender Board and the Office of the Auditor General--fully operational and effective. The *Gacaca* system, designed to accelerate the adjudication of the cases of many of the detained genocide suspects, and the civilian national police, established in 2000, will be fully operational in 2001. As the transition government of national unity will be replaced by an elected government in 2003, the Legal and Constitutional Affairs Commission, established to draft a new constitution for Rwanda, will commence its work in 2000. The members of the Commission were appointed in early July 2000. The policy of decentralization and empowerment of local communities will be progressively implemented. Following on the successful local elections at the grassroots level in March 1999, further elections for offices at the *commune* level will be held in September 2000. To curb corruption, the Government will adopt in 2001 a Code of Conduct and Public Disclosure Rules for public officials.

III. DEBT SUSTAINABILITY AND ASSESSMENT OF ELIGIBILITY

Debt Sustainability Analysis (DSA)

50. The debt sustainability analysis (DSA) was prepared by World Bank and IMF staffs with the Rwandese authorities and AfDB staff, based on loan-by-loan data provided by the authorities and largely reconciled with those of creditors as of end-1999. The estimates of debt and net present value (NPV) calculations will be further refined over the coming months.

51. At end-1999, total external public debt outstanding amounted to about US\$1.3 billion, representing close to 65 percent of GDP (including arrears equivalent to some 2½ percent of GDP).⁷ The external debt is almost entirely medium and long term.⁸ In net present value (NPV) terms, this debt is estimated at US\$629 million after obtained rescheduling from Paris Club creditors and a hypothetical stock-of-debt operation from bilateral creditors at end-1999, equivalent to about 520 percent of exports of goods and non-factor services.⁹ About 88 percent of this debt is owed to multilateral institutions, about 8 percent to Paris Club creditors, and the remaining 5 percent to non-Paris Club creditors (Table 13). Although at 330 percent, Rwanda's NPV debt-to-revenue ratio at end-1999 (after a hypothetical stock-of-debt operation on Naples terms) exceeds the minimum threshold of 250 percent, Rwanda is not eligible under this criteria as it does not meet the government revenue-to-GDP threshold of 15 percent or the exports-to-GDP threshold of 30 percent.¹⁰

Box 3: Key Macroeconomic Assumptions in the Debt Sustainability Analysis

- Real GDP is expected to grow at about 5–6 percent during 1999–2002. Thereafter, the economy would grow at 5 percent a year.
- Gross investment will rise to about 20–21 percent of GDP and national savings to some 15 percent of GDP by 2019.
- During 2002–19, Rwanda's export prices are projected to increase at an average rate of 1.5 percent a year and export volumes at an average rate of about 8 percent a year.
- Merchandise imports are projected to grow somewhat less fast than GDP.
- Gross official reserves would decline from about six months of imports in 1998 to below 4 months of imports from 2008 onward.
- All external borrowing would continue to be on very concessional terms.
- External project financing would increase from 6–7 percent of GDP in 1998–99 to about 9 percent in 2000–06, reflecting the expected improved implementation of the public investment program; thereafter, it would gradually decline to 6 percent of GDP by 2019, of which, about one-half would be in loans.

52. The baseline scenario for the balance of payments and DSA assumes continued implementation of sound economic policies in the context of the Government's program supported by the IMF and IDA, solid and sustained rates of economic growth, and rapid progress in the provision of social services and

⁷ Total arrears at end-1998 amounted to US\$43 million, of which US\$35 million to non-Paris Club bilateral creditors and US\$8 million to the EU. All arrears except those owed to non-Paris Club creditors were regularized in 1999. Arrears to non Paris Club creditors (including debt service accumulated in 1999) are expected to be regularized by end-2000.

⁸ Short-term debt, mostly to commercial creditors, amounts to less than US\$1 million.

⁹ This ratio is calculated using a three year average of exports.

¹⁰ In 1999, government revenue is estimated at just under 10 percent of GDP and exports at 6 percent of GDP.

social infrastructure. The key assumptions underpinning the baseline scenario are provided in Table 7 and summarized in Box 3.

53. Under this scenario, export growth is expected to pick up, but the current account deficit (excluding official transfers) is projected to remain at about 15 percent of GDP during the next few years, owing to continued high import demand associated with the replacement of infrastructure destroyed during the genocide, and the expected recovery in private investment. Toward the end of the decade, the current account deficit is expected to narrow to 12 percent of GDP with a further gradual decline thereafter. This improvement would come in roughly equal parts from the decline in the investment/savings-related gaps of the Government and the private sector. The share of grants in external financing for the Government would decline gradually (to about one-half at the end of the period from two-thirds today), while the remaining needs would be met by borrowing on very concessional terms.

54. Debt relief under the baseline scenario reflects the 1998 flow rescheduling agreement with Paris Club creditors,¹¹ and a hypothetical stock-of-debt operation with a 67 percent NPV reduction applied to eligible debt outstanding at end-1999 to both Paris Club creditors and non Paris Club creditors.^{12 13} Under this scenario, the NPV-to-exports ratio after traditional debt relief is estimated at about 520 percent at end-1999, after which it declines gradually to 460 percent at end-2010 and to around 260 in 2019, indicating that Rwanda's debt position is unsustainable (Table 12). This debt is on very concessional terms, but because of Rwanda's low export levels, scheduled debt service in 2000 (about US\$46 million) is estimated at about 43 percent of exports of goods and nonfactor services (before the full use of traditional debt relief mechanisms, but after obtained Paris Club rescheduling) and about 23 percent of government revenue (Table 9). The debt service-to-exports ratio after traditional debt relief mechanisms peaked at about 40 percent in 1999 and is projected to decline gradually to below 20 percent in 2011. The debt service-to-revenue ratio reached a high of 23 percent in 1999 and is projected to decline gradually to 10 percent in 2015. The high levels of debt-service in the near term would call for a front-loading of the relief under the HIPC Initiative.

Sensitivity Analysis

55. Rwanda's economy remains vulnerable to a wide variety of risks. Exports are concentrated—just two commodities (coffee and tea) accounted for over 70 percent of export revenue in 1999—and the country is heavily dependent on foreign aid. Hence, two possible downside scenarios are considered. The

¹¹ On Naples terms, i.e., 67 percent of NPV reduction, and covering outstanding arrears as of end-June 1998 and maturities falling due between July 1998 and end-May 2001.

¹² All non-Paris Club bilateral debt is categorized as ODA. The rescheduling of the outstanding stock of ODA debt assumed an interest rate of 2 percent, a maturity of 40 years, and a grace period of 16 years. Rwanda is still seeking to reach agreements with its non-Paris Club bilateral creditors; several non-Paris Club creditors offered to provide debt relief on terms less concessional than those granted by Paris Club members, others have not yet responded.

¹³ Debt relief under a hypothetical stock-of-debt operation (on Naples terms) is estimated at about US\$64 million in NPV terms.

first scenario analyzes implications of a terms of trade deterioration, or lower export growth, and the second scenario analyzes the effect of lower foreign grants.

56. Lower terms of trade or export growth scenario: in line with the latest IMF and World Bank commodity price projections, the baseline scenario incorporates a cumulative deterioration in the terms of trade of about 5 percent during the period 2000–19, reflecting stagnant export prices and moderate increases in import prices. Should the terms of trade loss over this period be 35 percent, or the annual export growth in U.S. dollars be 2 percentage points lower, the NPV of debt-to-exports ratio in 2005 would be 665 percent in 2005 compared with 605 percent in the baseline (Table 12).

57. The declining foreign grants scenario: assumes that external grants are each year US\$20 million lower than in the baseline and that the additional financing gap is met with additional concessional borrowing. Under this scenario, the NPV of debt-to-exports ratio would be 640 percent in 2005 compared to 605 percent in the baseline scenario (Table 12).

Eligibility, Timing of Decision and Completion Points

58. Rwanda would qualify for the HIPC Initiative based on the NPV of debt-to-exports criterion. The NPV of debt-to-exports ratio—after full use of traditional debt relief mechanisms, including a hypothetical stock-of-debt operation on Naples terms—is estimated at about 520 percent at end-1999, the latest year for which debt data are available. Provided that the implementation of current IDA and IMF supported programs remain satisfactory, Rwanda could reach its decision point following consideration by both Boards of Rwanda's Interim PRSP, expected for late 2000.

59. Rwanda intends to adopt a full PRSP in the second half of 2001. Following continued satisfactory performance under the IDA and IMF supported programs, and one year of implementation of the PRSP including satisfactory review of the first annual PRSP progress report, the completion point could be reached in the course of 2002. The reform measures that could serve as triggers for the completion point include key structural and institutional measures important for poverty reduction (see Box 4). The staffs intend to further elaborate in the decision point HIPC document on specific recommendations for the conditions for Rwanda's reaching its completion point taking into consideration the Rwandan Interim PRSP.

Box 4. Potential Key Reforms and Objectives to be Monitored

Before the Floating Completion Point

- **Poverty Focus:** Completion of a full PRSP, and the first annual implementation progress report of the poverty reduction strategy (PRS) satisfactorily completed. In assessing the progress on the PRS, emphasis would be given to (i) the implementation of the medium-term budget expenditure framework and the extent of its focus on poverty; (ii) the adoption and implementation of a revised strategy and action plan for **HIV/AIDS control and prevention**; (iii) the implementation of the **Comprehensive Action Plan to enhance the role of women**.
- **Macroeconomic Framework:** Maintenance of a satisfactory macroeconomic framework as evidenced by satisfactory performance under the PRGF arrangement.
- **Structural Reform:** Progress in the reform of the tea sector and the privatization of the 9 state-owned tea factories/estates in accordance with the agreed strategies, and in an open and transparent manner.
- **Education Sector:** Progress on the following objectives/actions: (i) increasing net primary school enrollment from 69 percent in 1999 towards the target of 73 percent in 2001; (ii) making operational at least 6 primary teacher training colleges offering full-time and in-service training programs; (iii) the establishment of the framework for community participation in support of primary and secondary education; (iv) the design and implementation of a capacity building program for the management of education at central and decentralized levels; and (v) the completion of the studies on the barriers to educational access, and the costs and options for financing of higher education.
- **Health Sector:** Progress on the following objectives/actions: (i) fully staffing and equipping at least 50 percent of the district health centers by 2001; (ii) the adoption and implementation of national plans to reduce morbidity and mortality due to malaria, and reduce infant mortality and maternal mortality; and (iii) adoption and implementation of a framework for coordination of public, private, and NGO health providers.

Potential Assistance and Burden Sharing

60. Reducing Rwanda's NPV of debt-to-exports ratio to the target of 150 percent would require debt relief of about US\$445 million in NPV terms (or debt-service relief of about US\$800 million in nominal terms (Tables 14 and 15). Based on the shares in claims on Rwanda at end-1999, debt relief in NPV terms would amount to US\$226 million from the IDA, US\$72 million from the African Development Bank Group, US\$43 million from the IMF, US\$49 million from the other multilaterals, US\$33 million from Paris Club creditors and US\$21 million from non-Paris Club creditors. The common NPV debt reduction factor for Rwanda would be 71 percent, necessitating high levels of annual debt service reduction (estimated at between 80 to 100 percent for the period 2001–2010). Preliminary estimates suggest that annual cash-flow savings from enhanced HIPC assistance would be in the order of about US\$35 million a year from 2001 to 2010 (depending on front-loading), which is equivalent to 1½ percent of GDP. Given that social expenditure in 1999 was about 3.8 percent of GDP, if the savings from debt-service payments were redeployed in the social sectors, the potential impact would be substantial.

Authorities' Views

61. The Government has emphasized that Rwanda's external debt and debt service remain unsustainably high and could further delay rebuilding of social and physical infrastructure damaged during the 1994 conflict. It has also noted that Rwanda was one of the poorest countries in sub-Saharan

Africa, with a large segment of its population without access to basic needs such as education, health, and safe water even before the genocide, and that the civil war and genocide in 1994 further aggravated the level of poverty by massive destruction of already poor and limited social infrastructure. The debt relief that might be available under the HIPC Initiative would help free financing for critical social and infrastructure programs. In particular, it would help the Government accelerate and intensify reconstruction efforts, as well as improve access to primary education, preventive health care, urban and rural infrastructure, support to small farmers affected by the genocide, all of which are essential for reducing poverty and improving the Rwanda's social indicators. In this regard, the authorities are fully committed to complete their Interim PRSP over the coming months and their full PRSP in the first half of 2001.

62. The Government is committed to prudent fiscal and financial policies, and deepening structural reforms. The Rwandese authorities have demonstrated their commitment to work with donors to safeguard the transparency and accountability in the use of external and domestic resources. The Government, with technical assistance from UK-DFID, created a Rwanda Revenue Authority to improve the collection of tax revenues. The Government underlined its commitment to increase the pace of privatization and bring to closure the divestiture of public companies, including public utilities and tea factories; to accelerate civil service reform and ensure transparency and probity within the administration; and to strengthen the financial sector through adequate regulation and supervision.

63. The Government emphasized the importance of front-loading debt relief under the HIPC Initiative, to help ease the upcoming increase in debt-service payments, and to create room for increased anti-poverty spending. In this connection, the Government also requested that Rwanda benefit from interim debt relief, so that the debt-service payments do not become overly burdensome following the end of the moratorium granted by Paris Club creditors.

IV. ISSUES FOR DISCUSSION

64. This paper presents a preliminary assessment of Rwanda's eligibility for assistance under the enhanced HIPC Initiative, and seeks the Executive Boards' endorsement of this assessment. In addition, Executive Directors' views and guidance are sought on the following issues:

- **Eligibility.** Do Directors agree that Rwanda is eligible for assistance under the Enhanced HIPC Initiative?
- **Decision point.** Do Directors agree with the IDA and IMF managements that Rwanda could reach its decision point by December 2000, following the adoption of an Interim PRSP and a plan on how the savings from the HIPC will be used in the context of the poverty strategy, the successful completion of the second review of the second annual PRGF arrangement, and the approval of a third-annual PRGF arrangement?
- **Interim assistance.** Do Directors agree that interim assistance be provided between the decision and completion points and be front-loaded?
- **Completion point.** Do Directors have preliminary views on the policies to which a floating completion point should be linked (see Box 4)?

Rwanda: Structural Reforms—Measures Taken and Future Milestones

I. Tax Reform

A. Reforms

- Improvement of tax administration through creation of Rwanda Revenue Authority (in 1997).
- Establishment of large enterprise unit, including taxpayer identification number for all enterprises.
- Introduction of presumptive 4 percent turnover tax for small and medium enterprises.
- Introduction of ad valorem rates and increased excise taxes on soft drinks, beer, cigarettes, and petroleum products.
- Assess petroleum imports at border using reference price, and collect advance payment on transit imports.
- Implementation of preshipment inspection for imports.
- Reduction of import duty exemptions through use of tax credits for public investment related imports.
- Implement tax-inclusive tendering for public investment projects.

B. Future Milestones

- Implement RRA action plan.
- Introduce VAT.
- Improve customs administration with increased preshipment inspection, control of transit trade, use of bonds, elimination of unjustified exemptions for NGOs and diplomats, and reduction of fraud.

II. Expenditure Management

A. Reforms

- Decentralization of expenditure management to line ministries, while maintaining centralized system of commitments, payment orders, and payments.
- Implement “flash” budget reporting system.
- Incorporation of all extrabudgetary accounts into the national budget.
- Transfer of ministries’ bank accounts to the NBR.
- Establishment of National Tender Board for government procurement.
- Establishment of Auditor General’s office.
- Establishment of Central Project and External Financing Bureau (CEPEX).
- Improved monitoring of social sector budget, including quarterly targets and performance indicators.

B. Future Milestones

- Enact organic budget law and public accounts law/decree.
- Further improve monitoring of social sector budget, with quarterly targets and performance indicators.

Rwanda: Structural Reforms—Measures Taken and Future Milestones

- Adopt functional budget classification that links budget items to measurable objectives.
- Implement MTEF approach, including agreement between Ministry of Finance and line ministries on objectives, programs, and performance indicators.
- Establish a computer-based system of public accounts.
- Complete audits by the Office of the Auditor-General of largest ministries (defense, education, and public works).

III. Trade Liberalization

A. Reforms

- Reduction of maximum tariff rate from 100 percent in 1995 to 25 percent in early 1999, and the number of non-zero tariff bands from 40 to 3 (25, 15, and 5 percent).
- Application of uniform duty rate of zero for capital goods.
- Elimination of surrender requirements for proceeds of tea and coffee exports.

B. Future Milestones

- Eliminate temporary import surcharge (introduced in mid-1999).
- Eliminate tariffs on intraregional trade, consistent with Cross-Border Initiative.
- Review 4 percent Magerwa tax, with view to replacement with statistical tax.

IV. Exchange Regime

A. Reforms

- Revision of exchange regulations, accept obligations under Article VIII.
- Establishment of fully liberalized and market-determined exchange rate system.
- Elimination of 0.4 percent fee on foreign exchange transactions.
- Strengthening of supervision of banks' net open foreign exchange positions.
- Introduction of forward market operations.

B. Future Milestones

- Further improvement of exchange system, including progressive capital account liberalization.

V. Central Bank and Monetary Policy Reform

A. Reforms

- Liberalization of lending and deposit interest rates, and abolish administrative controls.
- Adoption of law giving NBR independence to conduct monetary policy.
- Consolidation of government's debt to NBR.
- Introduction of NBR money market operations and treasury bills.

B. Future Milestones

- Further develop indirect monetary policy instruments.

Rwanda: Structural Reforms—Measures Taken and Future Milestones

VI. Financial Sector Reform

A. Reforms

- Restructuring government's nonperforming debt to commercial banks.
- Adoption of new banking law providing framework for supervision of financial system.
- Issuance of banking supervision regulations.
- Completion of audits of commercial banks and adoption of restructuring plans.
- Initiation of liquidation of publicly owned Caisse d'épargne .

B. Future Milestones

- Issue new banking regulations covering banking oversight, loan write-off procedures, noncompliance penalties, and cooperative savings and loan institutions.
- Undertake annual on-site bank inspections by NBR and biannual external audits.
- Achieve minimum capital adequacy ratio of 5 percent by end-2000, and the recommended Basel ratio of 8 percent by mid-2002.
- Restructure Caisse hypothécaire.
- Restructure the Union des Banques Populaires to make it more responsive to the credit needs of farmers and small urban and rural enterprises.

VII. Social Security System

A. Reforms

- Completion of financial, organizational, and legal audits of Caisse sociale du Rwanda (CSR).
- Completion of actuarial study of CSR's future liabilities and required assets.
- Consolidation of government debt to CSR.

B. Future Milestones

- Adopt action plan for restructuring CSR.
- Adopt regulatory framework for social security system and implement two-tier system with public and private sector provision.

VIII. Institutional and Regulatory Framework

A. Reforms

- Liberalization of all domestic prices and marketing (except public utilities).
- Liberalization of the prices and distribution of agricultural inputs -- seeds, fertilizers, and products.
- Abolished the state-controlled Chamber of Commerce.
- Adoption of the new labor code to enhance labor mobility, abolish gender discrimination, and eliminate wage controls.
- Adoption of the Investment Promotion Act and establishment of Rwanda Investment Promotion Agency.
- Revised the Road Fund Law

Rwanda: Structural Reforms—Measures Taken and Future Milestones

B. Future Milestones

- Operationalize Rwanda Investment Promotion Agency.
- Adopt land law to provide security of tenure, ensure the right of women to inherit and own land, and encouraging the development of a land market.
- Revise the Internal Trade Act to eliminate the discretion of the minister responsible for commerce to control prices.
- Revise the mining code.
- Operationalize the Rwanda Information Technology Agency (RITA)
- Establish a multi-sector utility to regulate the operation of private/public utility firms.
- Abolish OCIR-Thé and replace it with an industry based Tea Board to promote the development of the industry.
- Replace the current OCIR-Café with and industry based organization to promote the development of the coffee industry.
- Promote farmer associations as partners in the dissemination and adoption of new technologies.
- Rebuild the system of agricultural research and extension.
- Revise the Cooperative Law to promote independent cooperative commercial organizations.

IX. Public Enterprise Reform

A. Reforms

- Establishment of legal and institutional framework for divestiture program.
- Agreement between Government and public enterprises on settlement of cross-debt agreement.
- Establishment of National Privatization Commission.
- Sale (25), offer for sale (11), or liquidation (5) of 41 public enterprises.
- Elimination of monopoly of public electricity/water/gas company.
- Adoption of plan for the privatization of nine tea factories.
- Submission to National Assembly of a legislative framework for the regulation of the telecommunication sector.
- Adoption of a policy framework for the privatization of Rwandatel.
- Adoption of plan to restructure Electrogaz.

B. Future Milestones

- Complete divestiture of all (about 70) public enterprises including the tea factories, estates and the coffee processing plants.
- Privatize Rwandatel and restructure/privatize Electrogaz.

X. Civil Service Reform

A. Reforms

- Reduction of number of ministries from 22 to 15.

Rwanda: Structural Reforms—Measures Taken and Future Milestones

- Replacement of about 3,000 unqualified civil servants by qualified staff, removal of about 7,000 ghost workers, regularization of 7,700 civil servants.
- Completion of civil service census.
- Adoption of revised civil service wage structure, monetize all fringe benefits.

B. Future Milestones

- Implement new organizational structures and job classification for all ministries and prefectures.
- Adopt central computerized civil service database to manage entry and exit.
- Hold consultations on the reform of Government and prepare a program of reform of public administration.
- Adopt the reform program and progressively implement it.
- Adopt a Code of Conduct and Rules of Disclosure for Public Officials
- Progressively increase the skill and qualification level of the civil servants
- Progressively improve the civil service compensation to attract and keep qualified staff.
- Develop a capacity building and training strategy and action plan for the public sector in line with the country's overall human resource development strategy.

XI. Human Resource Development

A. Reforms

- Increased and protected budget allocation to education and health sectors.
- Carried out social expenditure reviews to develop expenditure programs for the social sectors.
- Establishment of the Kigali Institute of Education to train teachers for secondary schools and teacher training colleges and therefore facilitate the rapid increase in the number of trained primary school teachers.
- Establishment of the Kigali Institute of Health to train health workers.
- Decentralization of the management of health care, giving more authority to local communities.
- Amendment to the civil code to give women the right to inherit and own property
- Development of an HIV/AIDS control strategy.
- Encouragement of the establishment of private universities, secondary and primary schools.
- Establishment of the Kigali Institute of Science, Technology and Management to provide quality practical, full and part-time technical and vocational education to meet Rwanda's human resource requirements.

B. Milestones

- Develop and adopt a national human resources strategy.

Rwanda: Structural Reforms—Measures Taken and Future Milestones

- Establish a Human Resources Development Agency to coordinate and monitor the implementation of the human resources strategy.
- Revise the HIV/AIDS strategy to treat the HIV/AIDS as a development problem and not just a health problem, and adopting a multi-sectoral approach to its control and prevention.
- Establish science -focussed secondary schools across the country.
- Promote the participation of communities in rehabilitating and constructing community primary schools and providing financial support.
- Establish teacher-training colleges to offer full-time and in-service training for teachers.
- Re-orient the public universities to be sensitive to the needs of the labor market and to focus in areas of management, science and technology.
- Take measures to redress the gender imbalance in higher education.
- Adopt and implement the comprehensive action plan to enhance the role of women.

Rwanda: Adjustment Record Under Fund Arrangements

Based on performance under two staff-monitored programs in 1996 and 1997 (the latter supported by the Fund's post-conflict emergency assistance) and two annual Poverty Reduction and Growth Facility (PRGF) arrangements in 1998/99 and 1999/2000, Rwanda has demonstrated the track record required for consideration under the Enhanced HIPC Initiative, subject to continued progress during the remainder of 2000.

Under the staff-monitored programs in 1996–1997, Rwanda made good progress in rebuilding macroeconomic capacity. Most of the key macroeconomic and structural objectives of the programs were achieved, including the containment of inflation; the market determination of most domestic prices, the exchange rate, and interest rates; and the initiation of trade reform and privatization. Owing largely to capacity constraints, some of the fiscal targets for both revenue and expenditure were not met. Attempts to control the size of the civil service were not effective.

A three-year Enhanced Structural Adjustment Facility (ESAF/PRGF) arrangement was approved on June 24, 1998. Performance under this arrangement has been broadly satisfactory.

65. In response to two missed financial performance criteria and emerging revenue shortfalls at end-September 1998, the Government took prompt action to strengthen revenue collection, restrain expenditure, and accelerate repayment of domestic arrears. It also expedited the implementation of delayed structural measures. As a result, the end-December 1998 financial and structural program targets were broadly met, and the midterm review of the first annual ESAF arrangement was completed at end-March 1999 (with the request of waivers for the nonobservance of two missed performance criteria).

66. Due to revenue shortfalls, which developed partly for exogenous reasons, several indicative targets were missed at end-June 1999. The Government responded by strengthening tax administration and implementing revenue measures and expenditure reductions equivalent to 1 percent of GDP, while safeguarding social spending. In light of the Government's willingness to take corrective actions and the continued progress of structural reform, Rwanda's request for a second annual arrangement under the PRGF was approved on November 19, 1999.

- The first review of the second annual PRGF arrangement, approved in November 1999, was delayed by several months because of significant revenue shortfalls and delays in structural reforms under the 1999 program. In the first half of 2000, the Government took significant actions to strengthen revenue performance, to implement expenditure reductions in line with available resources, and to accelerate structural reforms where there had been delays. The first review is expected to be completed by end-July (with the request of waivers for the nonobservance of six performance criteria).

Rwanda: Record Under IDA Adjustment Credits

Rwanda: Reforms Supported by IDA Adjustment Credits and Waivers

Type of credit and approval date	Key reforms supported	Waivers of conditions
Structural Adjustment Credit (June 7, 1991)	<ul style="list-style-type: none">• Trade and exchange regime, liberalization of the allocation of foreign exchange• Improving the financial performance of Electrogaz; and the restructuring of public enterprises• Labor market and implementation of civil service reform• Liberalization of the coffee sector and elimination of subsidies for coffee	None
Emergency Reintegration and Recovery Credit (June 25, 1997)	<ul style="list-style-type: none">• Reconstruction and economic recovery• Prioritization of public expenditures	Not applicable
Economic Recovery Credit (March 30, 1999)	<ul style="list-style-type: none">• Private sector development• Privatization of public enterprises• Enhancing the role of women• Prioritizing public expenditures• Revival of the coffee and tea sectors• Restructuring of Electrogaz, the energy/water utility	None

Rwanda: Debt Management Capacity

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

Table 5. Rwanda: Selected Economic and Financial Indicators, 1994-2003

	1994	1995	1996	1997	1998		1999		2000		2001	2002	2003
					Prog.	Est.	Prog.	Prel.	Prog.	Rev.			Projections
(Annual percentage changes, unless otherwise indicated)													
Output and prices													
Real GDP growth	-50.2	34.4	15.8	12.8	6.7	9.5	5.0	5.9	5.0	5.0	6.0	6.0	5.0
GDP deflator	17.2	51.3	10.4	15.5	8.5	2.6	2.0	-2.4	3.0	3.0	3.0	3.0	3.0
Consumer prices (period average)	64.0	22.0	8.9	11.7	11.0	6.8	-2.5	-2.4	3.5	3.0	3.0	3.0	3.0
Consumer prices (end of period)	64.4	38.3	9.2	16.6	7.0	-6.0	2.5	2.1	3.0	3.0	3.0	3.0	3.0
External sector													
Export, f.o.b (in U.S. dollars)	-52.5	56.8	22.9	50.0	-9.1	-31.0	13.6	-4.5	5.2	9.5	3.7	7.9	10.5
Imports, f.o.b (in U.S. dollars)	37.2	-47.2	9.9	30.1	14.6	-7.8	-5.4	-12.2	14.3	11.4	2.9	7.5	6.7
Export volume 1/	-60.3	21.4	39.4	13.4	5.3	-8.9	25.1	11.8	4.6	10.1	3.8	5.8	8.4
Import volume 1/	28.2	-49.8	6.3	42.9	15.7	2.2	-8.6	-12.7	11.8	6.5	3.7	5.2	5.3
Nominal effective exchange rate (end of period; depreciation -)	2.9	-54.8	3.8	12.3	...	-11.9	8.6	5.7	...	...	...	...	...
Real effective exchange rate (end of period; depreciation -)	51.7	-39.8	8.4	26.8	...	-18.3	7.6	4.3	...	...	...	...	...
Terms of trade (deterioration -) 1/	11.8	22.6	-14.7	45.3	-12.8	-16.1	-12.3	-15.0	-1.6	-4.9	0.7	-0.2	0.6
Government finance													
Revenue and grants	-80.4	716.9	15.1	35.4	26.9	3.3	1.8	3.5	15.4	10.5	11.3	11.6	8.5
Revenue	-76.7	283.4	70.5	47.3	19.7	13.7	7.6	-3.6	10.4	18.6	14.1	15.1	10.3
Total expenditure and net lending	-60.5	161.3	37.1	15.1	39.0	7.1	17.0	8.6	16.0	21.1	14.9	10.7	7.1
Current expenditure	-49.0	89.7	32.7	14.6	29.7	17.6	13.5	15.7	8.7	3.6	16.2	13.2	7.5
Money and credit													
Net domestic assets 2/	1.2	3.2	-7.4	35.1	9.6	-6.0	10.3	10.0	13.4	12.5	...	...	...
Domestic credit 2/	-38.7	15.3	-2.6	42.1	12.0	9.9	7.5	12.9	14.1	12.8	...	...	...
Government 2/	-16.5	-34.4	-2.8	18.8	0.9	0.0	1.0	7.2	0.0	-4.9	...	...	...
Economy 2/	-22.3	49.7	0.2	23.3	11.1	9.9	6.5	5.7	14.1	17.6	...	...	...
Money and quasi money (M2)	-6.5	73.7	8.2	47.5	17.3	-3.9	5.0	6.6	8.2	8.1	9.2	9.2	8.2
Reserve money	10.0	43.1	21.5	14.6	16.3	-11.0	5.0	13.5	6.1	-1.8	...	...	...
Velocity (ratio of GDP to M2; end of period)	4.5	5.3	6.2	5.5	6.4	6.5	6.6	6.3	6.6	6.3	6.3	6.3	6.3
Interest rate (one-year savings deposits, in percent; end of period)	9.0	12.0	11.0	11.4	...	10.3	9.8	9.8	...	...	...	...	...
(In percent of GDP, unless otherwise indicated)													
National income accounts													
National savings (excluding official transfers)	-41.3	-4.1	-3.5	-2.4	-4.9	-1.2	-0.2	-0.8	1.0	1.2	3.7	4.7	5.3
Of which: private (including public enterprises)	-31.6	1.5	0.4	-1.4	-2.8	0.3	2.0	2.7	3.1	3.5	6.1	7.0	7.3
Gross investment	11.7	15.0	15.5	14.9	15.2	15.7	15.6	14.2	18.0	17.9	19.4	19.7	20.1
Of which: private (including public enterprises)	9.0	6.9	6.4	6.7	3.4	9.0	8.0	8.0	9.0	9.0	10.0	10.5	11.0
Government finance													
Total revenue and grants	4.5	18.2	16.4	17.0	18.7	15.7	14.9	15.7	15.9	16.0	16.3	16.7	16.8
Total revenue	3.6	6.9	9.1	10.3	10.7	10.4	10.5	9.7	10.7	10.7	11.2	11.8	12.0
Total expenditure and net lending	16.0	20.6	22.1	19.5	24.3	18.6	20.3	19.5	21.8	21.9	23.0	23.3	23.1
Capital expenditure	2.7	8.1	9.1	8.1	11.5	6.7	7.7	6.2	9.1	9.1	9.4	9.2	9.1
Current expenditure	13.4	12.5	12.9	11.4	12.8	11.9	12.6	13.3	12.7	12.8	13.6	14.1	14.0
Primary fiscal balance													
Excluding exceptional expenditure	-5.4	-3.3	-1.8	0.3	-0.2	0.0	-0.7	-2.2	-0.1	0.1	-1.1	-1.3	-0.8
and including domestic capital expenditure													
Overall balance (payment order)													
Including grants	-11.5	-2.4	-5.7	-2.4	-5.6	-2.9	-5.4	-3.8	-5.9	-5.9	-6.7	-6.6	-6.3
Excluding grants	-12.4	-13.8	-12.9	-9.2	-13.7	-8.1	-9.8	-9.8	-11.1	-11.1	-11.9	-11.6	-11.1
External sector													
External current account balance													
Including official transfers	-6.0	4.2	-0.2	-3.2	-6.1	-4.8	-5.9	-1.9	-7.3	-9.5	-7.6	-7.8	-6.2
Excluding official transfers	-53.0	-19.1	-19.0	-17.3	-20.1	-16.9	-15.8	-15.1	-17.0	-16.7	-15.7	-15.1	-14.8
External debt (end of period) 3/	133.5	82.5	78.9	61.1	63.6	55.4	61.2	64.6	63.4	68.5	69.0	69.1	69.7
Gross reserves (in months of imports, c.i.f.)	1.3	5.0	5.0	5.4	6.0	6.1	7.3	7.4	6.2	6.7	6.6	5.6	5.6
(In millions of U.S. dollars, unless otherwise indicated)													
Overall balance of payments	-44.1	51.2	-0.9	11.7	-80.2	-25.6	-112.5	-13.5	-131.6	-181.3	-131.5	-141.1	-101.8
External arrears 6/	60.0	59.2	77.5	96.0	0.0	51.2	0.0	48.5	0.0	0.0	0.0	0.0	0.0
External financing gap 7/	0.0	0.0	0.0	0.0	192.3	0.0	145.6	0.0	103.8	158.7	117.2	129.7	115.0
External debt (end of period) 3/	1,006.1	1,060.8	1,110.4	1,136.6	1,304.0	1,113.9	1,254.3	1,258.9	1,357.4	1,372.5	1,485.3	1,598.4	1,715.6
Gross official reserves	51.2	99.7	106.6	153.4	196.0	164.2	183.5	174.2	178.8	174.7	177.3	158.8	170.4
Memorandum items:													
Nominal GDP (in billions of Rwanda francs) 8/	165.8	337.2	431.4	562.4	650.1	632.1	677.0	653.3	732.2	706.6	771.4	842.3	910.9
Nominal exchange rate (period average; per U.S. dollar)	220.0	262.2	306.5	302.4	317.0	314.2	330.5	335.2	341.8	351.9	355.8	359.7	363.8
Domestic debt (end of period; in percent of GDP)	...	...	...	15.8	13.7	13.7	10.5	10.5	8.7	8.7	7.2	6.0	6.0

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

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

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

3/ Including Fund obligations, external arrears, and financing gap; before debt rescheduling and hypothetical stock-of-debt operation.

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

5/ Reflects flow rescheduling on Naples terms of outstanding arrears at end of June 1998 and maturities falling due between July 1998 and end-May 2001 to Paris Club creditors, and assumes at least comparable treatment of debt to other bilateral and commercial creditors.

6/ The end-1997 stock of arrears includes accumulated late interest that was determined by the Paris Club secretariat at the time of the rescheduling agreement in July 1998.

7/ Excludes exceptional financing (bilateral debt forgiveness and rescheduling and refinancing from multilaterals).

8/ In December 1997, the national accounts for 1995-97 were revised upward by a cumulative 10 percent, reflecting an adjustment in the GDP deflator.

Table 6. Rwanda: Balance of Payments, 1994-2003
(In millions of U.S. dollars, unless otherwise indicated)

	1994	1995	1996	1997	1998	1999		2000		2001	2002	2003
						Prog.	Prel.	Prog.	Rev.	Projections	Prog.	
Exports, f.o.b.	32.2	50.4	62.0	93.0	64.1	70.8	61.2	74.5	67.1	69.5	75.0	82.9
Of which: coffee	17.4	38.8	43.2	45.3	28.1	26.5	26.5	27.8	28.6	30.1	33.8	38.9
tea	5.8	3.8	9.3	20.6	22.8	20.2	17.5	21.2	19.1	19.6	20.5	22.1
Imports, f.o.b.	367.4	194.1	213.3	277.4	255.7	242.0	224.5	276.5	250.0	257.3	276.6	295.2
Trade balance	-335.2	-143.7	-151.3	-184.5	-191.5	-171.1	-163.2	-201.9	-183.0	-187.8	-201.6	-212.3
Services (net)	-108.7	-118.2	-142.0	-162.1	-166.1	-163.0	-148.6	-174.3	-163.8	-165.0	-163.5	-171.2
Of which: interest on public debt (including Fund)	9.2	13.9	13.8	12.1	12.9	13.3	11.0	13.5	15.1	15.2	15.7	16.4
Transfers (net)	398.6	316.5	290.1	287.6	262.1	212.9	275.7	219.1	204.6	189.0	181.6	228.0
Private	44.5	15.8	26.5	25.0	18.3	10.0	18.2	12.0	12.0	12.2	12.5	12.7
Public	354.1	300.7	263.6	262.6	243.8	202.9	257.5	207.1	192.6	176.6	169.2	215.3
Current account balance (including official transfers)	-45.3	54.5	-3.2	-59.0	-95.6	-121.2	-36.1	-157.1	-142.1	-163.8	-183.5	-155.5
Current account balance (excluding official transfers)	-399.4	-246.2	-266.8	-321.6	-339.3	-324.1	-293.7	-364.2	-334.7	-340.6	-352.6	-370.8
Direct investment	0.0	2.0	2.2	2.6	7.1	5.4	1.7	6.5	2.1	2.5	3.0	3.6
Public sector capital	-10.1	28.4	32.1	42.9	46.7	23.3	54.4	38.2	26.9	38.8	39.4	50.1
Long-term borrowing	7.0	50.7	53.7	63.9	68.9	49.8	86.8	66.2	62.0	67.2	69.3	81.4
Budget support	0.0	45.4	27.4	26.1	37.2	0.0	51.5	0.0	0.0	0.0	0.0	0.0
Other long-term loans	7.0	5.3	26.3	37.8	31.7	49.8	35.3	66.2	62.0	67.2	69.3	81.4
Scheduled amortization	17.1	22.3	21.7	21.0	22.2	26.5	32.4	27.9	35.2	28.4	29.9	31.3
Private capital	12.4	-47.0	-13.6	1.2	-2.1	-20.0	-33.5	-19.3	-19.3	-9.0	0.0	0.0
Commercial banks	11.0	-33.6	-13.5	1.3	-0.9	...	10.0	0.0	0.0	0.0	0.0	0.0
Net repatriation lag	0.0	0.0	0.0	0.0	7.2	...	5.8	...	0.0	0.0	0.0	0.0
Other (including unrecorded imports)	1.4	-13.4	-0.1	-0.2	-8.3	...	-49.3	-19.3	-19.3	-9.0	0.0	0.0
Capital account balance	2.3	-16.6	20.7	46.7	51.6	8.7	22.7	25.4	9.6	32.3	42.4	53.7
Errors and omissions	-1.0	13.3	-18.4	24.0	18.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-44.1	51.2	-0.9	11.7	-25.6	-112.5	-13.5	-131.6	-132.5	-131.5	-141.1	-101.8
Financing	44.1	-51.2	0.9	-11.7	25.6	-33.1	13.5	27.8	-26.0	14.4	11.4	-13.2
Change in net foreign assets of NBR (increase -)	9.0	-46.7	-17.2	-29.2	6.6	1.2	7.4	19.1	13.8	12.0	11.4	-13.2
Net credit from the Fund	0.0	13.5	-1.3	18.1	13.8	20.6	20.8	14.3	14.3	14.6	-7.1	-1.6
Disbursements/purchases	0.0	13.5	0.0	20.5	16.1	29.0	29.3	25.7	25.8	25.8	0.0	0.0
Repayments/repurchases	0.0	0.0	1.3	2.4	2.4	8.4	8.5	11.4	11.4	11.3	7.1	1.6
Change in gross official reserves (increase -) 1/	-3.7	-48.5	-7.0	-46.7	-10.8	-19.4	-10.0	4.8	-0.6	-2.5	18.5	-11.6
Change in other foreign liabilities (increase +)	12.7	-11.8	-9.0	-0.5	3.7	0.0	-3.5	0.0	0.0	0.0	0.0	0.0
Change in arrears (decrease -) 2/	35.1	-4.5	18.1	17.5	-58.7	-43.1	-2.7	0.0	0.0	0.0	0.0	0.0
Accumulation	35.1	15.9	18.1	17.5	15.0	0.0	15.6	0.0	0.0	0.0	0.0	0.0
Reduction	0.0	20.4	0.0	0.0	73.7	43.1	18.2	0.0	0.0	0.0	0.0	0.0
Exceptional financing	0.0	0.0	0.0	0.0	77.7	8.8	8.8	8.8	8.8	2.4	0.0	0.0
Bilateral debt forgiveness 3/	0.0	0.0	0.0	0.0	17.9	1.0	1.0	0.9	1.0	0.2	0.0	0.0
Bilateral debt rescheduling 3/	0.0	0.0	0.0	0.0	28.7	5.2	5.2	5.3	5.2	2.2	0.0	0.0
Multilateral debt refinancing	0.0	0.0	0.0	0.0	31.1	2.6	2.6	2.6	2.6	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	145.6	0.0	103.8	158.7	117.2	129.7	115.0
Memorandum items:												
Current account deficit (in percent of GDP)												
Excluding official transfers	-53.0	-19.1	-19.0	-17.3	-16.9	-15.8	-15.1	-17.0	-16.7	-15.7	-15.1	-14.8
Including official transfers	-6.0	4.2	-0.2	-3.2	-4.8	-5.9	-1.9	-7.3	-9.5	-7.6	-7.8	-6.2
Gross official reserves 1/	51.2	99.7	106.6	153.4	164.2	183.5	174.2	178.8	174.7	177.3	158.8	170.4
Gross official reserves (in months of imports, c.i.f.) 1/	1.3	5.0	5.0	5.4	6.1	7.3	7.4	6.2	6.7	6.6	5.6	5.6
Overall balance (in percent of GDP)	-5.8	4.0	-0.1	0.6	-1.3	-5.5	-0.7	-6.1	-9.0	-6.1	-6.0	-4.1
Exchange rate 5/	220.0	262.2	306.5	302.4	314.2	330.5	335.2	341.8	351.9	355.8	359.7	363.8

Sources: Rwandese authorities; and staff estimates and projections.

1/ Gross reserve levels in 2002 do not reflect Fund disbursements under a possible PRGF successor arrangement.

2/ The estimated decrease in arrears in 1998 includes US\$9.6 million in accumulated late interest on arrears to Paris Club creditors. All arrears to the EU (US\$ 8.3 million) were cleared in 1999. The regularization of an amount of US\$ 48.5 in arrears vis-à-vis non-Paris Club creditors (including reschedulable arrears accumulated in 1999) is expected in 2000.

3/ Includes the consolidation of outstanding arrears at end-June 1998 and scheduled debt service from July 1998 to end-May 2001 to Paris Club creditors.

4/ The projected debt service reflects a flow rescheduling on Naples terms of outstanding arrears at end-June 1998 and scheduled debt service from July 1998 to end-May 2001 to Paris Club creditors and assumes at least comparable treatment of debt to other bilateral and commercial creditors.

5/ Rwanda francs per U.S. dollar; period average.

Table 7. Rwanda: Main Assumptions on Macroeconomic Framework, 1999–2019
(In percent of GDP; unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2014	2019	2000-09	2010-19	Average
Economic growth																	
Real GDP (annual percentage change)	9.5	5.9	5.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.2	5.0	
National accounts																	
Gross domestic investment	15.7	14.2	17.9	19.4	19.7	20.1	20.6	21.0	21.5	21.5	21.5	21.5	21.5	21.5	20.5	21.5	
Of which: private	9.0	8.0	9.0	10.0	10.5	11.0	11.5	12.0	12.5	12.6	12.7	12.8	13.2	13.5	11.5	13.3	
Gross national savings (excluding official transfers)	-1.2	-0.9	1.3	3.8	4.8	5.4	6.3	7.0	7.9	8.3	8.8	9.3	12.1	14.6	6.3	12.3	
Of which: private	0.3	2.7	3.6	6.6	7.6	7.8	8.4	8.8	9.4	9.6	9.8	10.1	11.7	13.0	8.2	11.8	
Government fiscal deficit (excluding grants)	-8.1	-9.8	-11.2	-12.2	-12.0	-11.5	-11.2	-10.8	-10.5	-10.2	-9.9	-9.6	-7.9	-6.4	-10.9	-7.7	
Private sector S-I balance	-8.7	-5.3	-5.4	-3.4	-2.9	-3.2	-3.1	-3.2	-3.1	-3.0	-2.8	-2.6	-1.5	-0.5	-3.3	-1.4	
Balance of payments																	
Exports of goods and nonfactor services 1/	5.5	5.6	5.9	5.7	5.7	5.9	6.0	6.3	6.5	6.7	6.8	7.0	7.9	8.6	6.3	8.0	
Of which: exports of goods (f.o.b.)	3.2	3.1	3.3	3.2	3.2	3.3	3.4	3.5	3.7	3.8	3.9	4.0	4.5	4.9	3.5	4.5	
Imports of goods and nonfactor services	22.9	21.1	22.6	21.5	20.9	20.7	20.6	20.4	20.3	20.0	19.7	19.4	17.4	15.5	20.6	17.2	
Of which: imports of goods (f.o.b.)	12.7	11.5	12.5	11.9	11.8	11.8	11.7	11.7	11.7	11.6	11.5	11.3	10.4	9.5	11.7	10.3	
Current account (excluding grants)	-16.9	-15.1	-16.6	-15.6	-15.0	-14.7	-14.3	-14.0	-13.6	-13.2	-12.7	-12.2	-9.4	-6.9	-14.2	-9.2	
Current account (including grants)	-4.8	-2.6	-7.1	-7.9	-8.3	-6.9	-6.7	-6.6	-6.5	-6.4	-6.3	-6.0	-5.1	-4.1	-6.9	-4.9	
Gross official reserves (in months of imports c.i.f.)	6.1	7.4	6.7	6.6	5.6	5.6	5.6	5.3	4.9	4.4	4.0	3.7	3.9	3.2	5.2	3.7	
Export volume growth (percentage change) 2/	-8.9	11.8	10.1	3.8	5.8	8.4	8.9	9.3	9.5	8.0	8.7	8.9	8.1	5.7	8.1	8.1	
Import volume growth (percentage change) 2/	2.2	-12.7	6.5	3.7	5.2	5.3	5.0	5.2	5.1	5.0	4.8	4.6	4.0	4.0	5.0	4.1	
Terms of trade (annual percentage change)	-16.1	-15.0	-4.9	0.7	-0.2	0.6	-0.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	0.0	

Sources: Rwanda authorities and staff estimates and projections

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

2/ Merchandise exports (imports).

Table 8. Rwanda: Debt service payments on public and publicly guaranteed external debt, 2000-2019

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2014	2019
	(in millions of USD)											
Total debt service before traditional debt relief 1/	50.2	48.2	47.0	42.4	47.3	52.3	50.7	50.2	49.5	46.9	38.8	30.0
Principal	39.7	37.7	37.0	32.9	38.2	43.5	42.2	42.1	41.6	39.4	32.6	27.2
Interest	10.5	10.4	10.0	9.5	9.2	8.8	8.5	8.1	7.8	7.5	6.1	2.8
Debt service on reschedulings	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.7	3.4
Principal	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	2.0
Paris Club	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.6
Non Paris Club	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4
Interest	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Paris Club	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6
Non Paris Club	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.8
Debt Service Relief-Stock Operations	5.7	8.3	10.2	9.7	8.7	7.8	4.8	4.1	3.9	3.8	1.2	0.7
Principal	5.4	7.7	9.3	9.0	8.1	7.4	4.4	3.8	3.7	3.5	1.0	0.7
Interest	0.3	0.6	0.9	0.7	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.0
Total debt service after traditional debt relief 2/	44.9	40.6	37.8	33.8	38.5	44.3	45.8	46.0	45.5	43.1	38.8	37.6
Principal	33.4	29.6	27.5	23.8	28.8	34.8	36.6	37.0	36.8	34.7	31.7	32.0
Multilateral	33.4	29.6	27.5	23.8	28.7	34.8	36.5	36.9	36.7	34.5	31.0	27.2
African Development Bank	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0
African Development Fund	3.0	3.2	4.1	4.4	4.8	4.9	4.6	4.8	5.4	5.5	6.4	0.0
IDA	6.4	8.7	10.5	12.0	12.8	14.1	15.9	16.7	17.6	18.5	22.5	25.3
IMF	11.6	11.4	7.1	1.6	4.9	9.1	9.1	9.1	7.5	4.2	0.0	0.0
Others	12.0	5.9	5.3	5.4	5.8	6.2	6.5	5.8	5.7	5.8	2.2	1.8
Official bilateral	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.7	3.4
Paris Club	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.7	2.1
Post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-cutoff date 3/	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.7	2.1
of which: ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.8
Other official bilateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4
Interest	11.5	11.0	10.3	10.0	9.8	9.5	9.2	9.0	8.7	8.4	7.1	5.6
Multilateral	8.9	8.2	7.5	7.2	6.9	6.7	6.4	6.1	5.9	5.6	4.4	3.3
African Development Bank	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
African Development Fund	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.3	1.3	1.2	1.0	0.0
IDA	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.5	4.4	4.3	3.5	2.6
IMF	1.3	0.8	0.4	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Others	0.7	0.9	0.8	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.2
Official bilateral	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.7	2.3
Paris Club	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.5
Post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
pre-cutoff date 3/	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.5
of which: ODA	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Other official bilateral	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.8
Post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-cutoff date	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.8
Memorandum item:												
Debt service on new borrowing	1.2	2.5	3.8	5.1	6.4	7.7	12.8	18.6	20.6	22.6	35.0	57.5
Principal	0.0	0.0	0.0	0.0	0.0	0.0	3.8	8.3	9.0	9.8	16.2	33.7
Interest	1.2	2.5	3.8	5.1	6.4	7.7	9.0	10.3	11.6	12.8	18.7	23.9

Sources: Rwanda authorities and staff estimates and projections

1/ These figures are "before traditional debt relief" but include the impact of flow rescheduling on Naples Terms (67 percent NPV reduction).

2/ These figures are "after traditional debt relief", i.e., a Paris Club flow rescheduling on Naples terms (67 percent NPV reduction) and a stock-of-debt operation; and at least comparable action by other official bilateral and commercial creditors.

3/ In this case, all figures are ODA.

Table 9. Rwanda: External Debt Indicators, 1999-2019 1/
(In millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2014	2019	Averages			
															2011-2013	2014-2016	2017-2019
Nominal debt stock after traditional debt relief 2/	1,259	1,375	1,496	1,618	1,744	1,865	1,981	2,090	2,195	2,299	2,405	2,963	3,146	2,748	3,059	3,236	
Multilateral	1,091	1,058	1,028	1,001	977	948	913	877	840	803	769	639	369	695	606	472	
Official Bilateral	167	167	167	167	167	167	167	167	167	167	167	164	0	166	163	104	
of which: Paris Club	73	73	73	73	73	73	73	73	73	73	73	70	0	71	69	44	
New debt	0	150	300	450	600	750	900	1,046	1,188	1,329	1,469	2,160	2,777	1,888	2,289	2,659	
Nominal debt before traditional debt relief 3/	1,259	1,370	1,483	1,596	1,713	1,826	1,934	2,039	2,140	2,241	2,343	2,891	3,146	2,678	2,985	3,188	
Multilateral	1,091	1,058	1,028	1,001	977	948	913	877	840	803	769	639	369	695	606	472	
Official Bilateral	168	162	155	145	136	128	121	116	113	109	105	92	0	95	90	57	
of which: Paris Club	73	73	71	67	63	60	57	55	53	51	49	41	0	44	39	23	
New debt	0	150	300	450	600	750	900	1,046	1,188	1,329	1,469	2,160	2,777	1,888	2,289	2,659	
Nominal debt stock after traditional debt relief 2/	629	683	742	800	863	924	982	1,036	1,087	1,140	1,196	1,537	1,758	1,401	1,600	1,753	
Existing debt	629	619	613	609	609	604	593	580	567	553	540	508	353	524	495	422	
Multilateral	550	540	533	529	528	522	511	497	482	467	453	412	265	432	398	329	
Official Bilateral	78	79	80	81	81	82	82	84	85	86	87	95	88	92	96	94	
of which: Paris Club	49	49	49	49	48	48	48	48	48	48	48	48	36	48	48	43	
New debt	0	63	129	190	254	320	389	456	521	588	656	1,030	1,405	877	1,105	1,330	
Nominal debt before traditional debt relief 3/	691	741	795	845	901	955	1,005	1,055	1,103	1,152	1,203	1,526	1,670	1,395	1,586	1,712	
Existing debt	691	678	666	654	646	634	617	600	582	564	547	496	265	519	481	381	
Official Bilateral																	
New debt	0	63	129	190	254	320	389	456	521	588	656	1,030	1,405	877	1,105	1,330	
Key ratios																	
NPV of debt-to-GDP ratio																	
(in percent)																	
Before traditional debt relief 3/	35.4	36.9	36.6	36.0	35.9	35.6	35.1	34.5	33.8	33.1	32.4	29.7	23.5	30.9	29.0	25.8	
After traditional debt relief 2/	32.2	34.0	34.2	34.1	34.4	34.5	34.3	33.9	33.4	32.8	32.2	30.0	24.8	31.1	29.2	26.4	
NPV of debt to exports ratio 4/																	
Before traditional debt relief 3/	570.0	656.9	679.8	675.4	669.9	648.6	618.2	586.1	551.0	517.8	487.4	367.5	248.9	413.9	345.5	279.9	
After traditional debt relief 2/	518.7	605.0	634.7	639.3	642.0	627.8	603.5	575.3	543.3	512.7	484.5	370.2	262.0	415.4	348.5	286.3	
of which: multilateral	454.2	529.0	555.1	559.7	562.8	550.7	529.0	503.6	474.9	447.6	422.5	322.5	228.0	362.1	303.5	249.2	
NPV of debt to revenues ratio 5/																	
Before traditional debt relief 3/	363.9	330.2	298.8	275.7	269.4	261.7	253.1	244.1	239.0	233.9	229.1	210.1	166.3	218.6	204.6	182.2	
After traditional debt relief 2/	331.2	304.2	279.0	261.0	258.1	253.3	247.1	239.6	235.7	231.6	227.8	211.7	175.1	219.4	206.4	186.4	
Debt service-to-exports ratio																	
Before traditional debt relief 3/	39.7	43.3	41.1	38.2	32.3	33.3	33.5	31.9	31.0	28.5	25.5	16.1	12.1	18.2	15.5	13.4	
After traditional debt relief 2/	39.7	38.8	34.9	31.3	26.5	27.8	29.0	29.4	29.1	26.9	24.1	16.1	13.1	17.5	15.7	14.1	
Debt service-to-revenues ratio																	
Before traditional debt relief 3/	22.7	22.9	19.0	16.6	14.2	14.7	15.1	14.7	14.9	14.2	13.2	10.2	8.7	10.6	10.1	9.5	
After traditional debt relief 2/	22.7	20.6	16.2	13.6	11.6	12.3	13.1	13.6	14.0	13.4	12.5	10.2	9.5	10.2	10.2	10.0	
Debt service-to-GDP ratio																	
Before traditional debt relief 3/	2.2	2.6	2.3	2.2	1.9	2.0	2.1	2.1	2.1	2.0	1.9	1.4	1.2	1.5	1.4	1.3	
After traditional debt relief 2/	2.2	2.3	2.0	1.8	1.6	1.7	1.8	1.9	2.0	1.9	1.8	1.4	1.3	1.4	1.4	1.4	
Grant element in total debt	50.1	50.4	50.4	50.6	50.5	50.5	50.4	50.4	50.5	50.4	50.2	48.1	44.1	49.0	47.7	45.8	
Memorandum items:																	
Total debt service before traditional debt relief 3/ 6/	43.1	51.4	50.6	50.8	47.5	53.7	60.0	63.5	68.9	70.0	69.5	73.7	87.5	67.9	78.6	89.4	
Total debt service after traditional debt relief 2/ 6/	43.1	46.2	43.0	41.6	38.9	45.0	52.1	58.6	64.6	66.1	65.7	73.8	95.1	65.4	79.5	94.1	
GDP	1,949.2	2,007.9	2,170.0	2,343.6	2,506.6	2,680.9	2,863.4	3,055.1	3,259.7	3,478.0	3,710.9	5,131.3	7,095.4	4,513.7	5,482.6	6,659.4	
Exports of goods and nonfactor services 7/	108.5	118.9	123.3	133.0	147.0	161.5	179.4	199.3	221.8	246.1	272.9	458.8	725.6	374.3	507.8	671.2	
Exports of goods and nonfactor services 8/	121.2	112.8	116.9	125.1	134.4	147.2	162.7	180.1	200.2	222.4	246.9	415.2	671.2	338.4	461.0	615.3	
Central government revenue	189.8	224.4	265.9	306.3	334.4	364.8	397.3	432.4	461.4	492.3	525.2	726.3	1,004.3	638.9	776.0	942.6	

Sources: Rwanda authorities and staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt.

2/ These figures are "after traditional debt relief", i.e. a Paris Club flow rescheduling on Naples terms (67 percent NPV reduction) and a stock-of-debt operation; and at least comparable action by other official bilateral and commercial creditors.

3/ These figures are "before traditional debt relief" but include the impact of flow rescheduling on Naples Terms (67 percent NPV reduction).

4/ Based on a three-year average of exports on the previous year (e.g. export average over 1997-99 for NPV of debt-to-exports ratio in 1999).

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

6/ Including new money.

7/ As defined in IMF Balance of Payments Manual, 5th edition, 1993.

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

Table 10. Rwanda: Net Present Value of Debt After Full Use of Traditional Debt Relief Mechanisms, 1999-2019 1/
(In millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2014	2019	Averages			
															2011- 2013	2014- 2016	2017- 2019
BASELINE SCENARIO																	
NPV of total debt 2/	629	683	742	800	863	924	982	1,036	1,087	1,140	1,196	1,537	1,758	1,401	1,600	1,753	
NPV of old debt	629	619	613	609	609	604	593	580	567	553	540	508	353	524	495	422	
Official bilateral	78	79	80	81	81	82	82	84	85	86	87	95	88	92	96	94	
Paris Club	49	49	49	49	48	48	48	48	48	48	48	48	36	48	48	43	
post-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
pre-cutoff date	49	49	49	49	48	48	48	48	48	48	48	48	36	48	48	43	
of which: ODA	36	36	36	36	37	37	37	38	38	38	39	41	40	40	41	41	
of which: non-ODA	13	13	13	12	12	11	10	10	10	10	9	8	-4	9	7	2	
Other official bilateral	29	30	31	32	33	34	35	36	37	38	39	47	52	44	48	51	
post-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
pre-cutoff date	29	30	31	32	33	34	35	36	37	38	39	47	52	44	48	51	
Multilateral	550	540	533	529	528	522	511	497	482	467	453	412	265	432	398	329	
IDA	319	326	331	334	337	338	339	338	336	333	330	295	238	312	285	251	
IMF	61	52	42	37	37	34	27	19	11	4	0	0	0	0	0	0	
AfDB/AfDF	101	101	102	101	101	100	98	98	96	95	93	82	0	87	79	48	
Others	69	61	58	56	53	50	46	42	38	34	30	35	27	33	34	29	
NPV of new debt	0	63	129	190	254	320	389	456	521	588	656	1,030	1,405	877	1,105	1,330	
Memorandum items:																	
Exports of goods and services 3/	109	119	123	133	147	162	179	199	222	246	273	459	726	374	508	671	
Three-year export average 4/	121	113	117	125	134	147	163	180	200	222	247	415	671	338	461	615	
Government revenues 5/	190	224	266	306	334	365	397	432	461	492	525	726	1,004	639	776	943	
GDP	1,949	2,008	2,170	2,344	2,507	2,681	2,863	3,055	3,260	3,478	3,711	5,131	7,095	4,514	5,483	6,659	
NPV of debt-to-exports ratio 6/																	
Overall debt	518.7	605.0	634.7	639.3	642.0	627.8	603.5	575.3	543.3	512.7	484.5	370.2	262.0	415	349	286	
Existing debt	518.7	549.0	524.7	487.1	452.8	410.2	364.5	322.2	283.0	248.5	218.8	122.2	52.6	156	108	70	
New debt	0.0	56.0	110.0	152.2	189.1	217.6	239.0	253.2	260.3	264.3	265.7	248.0	209.3	259	240	217	
NPV of debt-to-revenues ratio																	
Overall debt	331.2	304.2	279.0	261.0	258.1	253.3	247.1	239.6	235.7	231.6	227.8	211.7	175.1	219	206	186	
Existing debt	331.2	276.0	230.6	198.8	182.1	165.5	149.2	134.2	122.8	112.2	102.9	69.9	35.2	82	64	45	
New debt	0.0	28.2	48.4	62.1	76.0	87.8	97.9	105.4	112.9	119.4	124.9	141.8	139.9	137	142	141	
Debt service-to-exports ratio	39.7	38.8	34.9	31.3	26.5	27.8	29.0	29.4	29.1	26.9	24.1	16.1	13.1	18	16	14	
Debt service-to-revenues ratio	22.7	20.6	16.2	13.6	11.6	12.3	13.1	13.6	14.0	13.4	12.5	10.2	9.5	10	10	10	

Sources: Rwanda authorities and staff estimates and projections.

1/ Refers to public and publicly guaranteed external debt only and assumes full use of traditional debt relief mechanisms, i.e. a Paris Club flow rescheduling on Naples terms (67 percent NPV reduction) and a stock-of-debt operation; and at least comparable action by other official bilateral and commercial creditors. This is before any debt relief under the HIPC Initiative.

2/ Discounted on the basis of the average Commercial Interest Reference Rate for the respective currency, derived over the six-month period prior to the latest date for which actual data are available (base date). The conversion of currency-specific U.S. dollars occurs for all years at the base date exchange rate.

3/ As defined in IMF Balance of Payments Manual, 5th edition, 1993.

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

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

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

Table 11. Rwanda: Discount and Exchange Rate Assumptions

Currency Name	1999 Discount Rate 1/	1999 Exchange Rate 2/
ATS-Austrian Schillings	5.47	13.70
BEC-Belgian Franc	5.47	40.16
BID-Islamic Dev. Bank Unit of acct	5.59	0.73
BUA- AfDF/B Unit of acct	5.59	0.73
CAD-Canadian Dollar	6.67	1.44
CFA-CFA Franc	5.47	652.95
CHF-Swiss Franc	4.27	1.60
CNY-Chinese Yuan	5.59	8.28
DEM-Deutsche Mark	5.47	1.95
DKK-Danish Kroner	5.32	7.40
ECU-European Currency Unit	5.47	1.00
ESP-Spanish Peseta	5.47	165.62
FIM-Finnish Markaa	5.47	5.92
FRF-French Franc	5.47	6.53
GBP-Great Britain Sterling	6.70	0.62
IEP-Irish Punt	5.47	0.78
IQD-Iraqi Dinars	5.59	0.31
ITL-Italian Lira	5.47	1927.40
JPY-Japanese Yen	1.98	102.20
KWD-Kuwaiti Dinar	5.59	0.30
LYD-Libyan Dinar	5.59	0.46
LUF-Luxembourg Franc	5.47	40.16
NLG-Netherland Guilders	5.47	2.19
NOK-Norwegian Kroner	6.64	8.04
PTE-Portuguese Escudo	5.47	199.56
SAR-Saudi Arabia Ryal	5.59	3.75
SDR-Special Drawing Rights	5.59	0.73
SEK-Swedish Kroner	5.80	8.53
UAE-United Arab Emirates Dhirams	5.59	3.67
USD-United States Dollar	7.04	1.00

Sources: OECD and IMF, International Financial Statistics.

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

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

Table 12. Rwanda: Baseline Scenario and Sensitivity Analysis, 1999-2019
(In millions of U.S. dollars, unless otherwise stated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2019	Averages		
												2011-2013	2014-2016	2017-2019	
Baseline scenario 1/															
NPV of Total Debt	629	683	742	800	863	924	982	1,036	1,087	1,140	1,196	1,758	1,401	1,600	1,753
NPV of Existing Debt	629	619	613	609	609	604	593	580	567	553	540	353	524	495	422
Multilateral creditors	550	540	533	529	528	522	511	497	482	467	453	265	432	398	329
Bilateral creditors	78	79	80	81	81	82	82	84	85	86	87	88	92	96	94
NPV of New Debt	-	63	129	190	254	320	389	456	521	588	656	1,405	877	1,105	1,330
(In percent)															
NPV of debt-to-GDP ratio	32	34	34	34	34	34	34	34	33	33	32	25	31	29	26
NPV of debt to exports ratio	519	605	635	639	642	628	604	575	543	513	484	262	415	349	286
NPV of debt to revenues ratio	331	304	279	261	258	253	247	240	236	232	228	175	219	206	186
Debt service-to-exports ratio	40	39	35	31	26	28	29	29	29	27	24	13	18	16	14
Debt service-to-revenues ratio	23	21	16	14	12	12	13	14	14	13	13	9	10	10	10
Scenario 1. Impact of 2 percent lower export prices per year 2/															
NPV of Total Debt	629	683	742	800	863	924	982	1,036	1,087	1,140	1,196	1,758	1,401	1,600	1,753
NPV of Existing Debt	629	619	613	609	609	604	593	580	567	553	540	353	524	495	422
Multilateral creditors	550	540	533	529	528	522	511	497	482	467	453	265	432	398	329
Bilateral creditors	78	79	80	81	81	82	82	84	85	86	87	88	92	96	94
NPV of New Debt	-	63	129	190	254	320	389	456	521	588	656	1,405	877	1,105	1,330
(In percent)															
NPV of debt-to-GDP ratio	32	34	34	34	34	34	34	34	33	33	32	25	31	29	26
NPV of debt to exports ratio	519	609	647	665	680	678	663	644	623	605	589	429	549	511	457
NPV of debt to revenues ratio	331	304	279	261	258	253	247	240	236	232	228	175	219	206	186
Debt service-to-exports ratio	40	40	36	33	29	31	32	34	34	33	30	22	24	24	23
Debt service-to-revenues ratio	23	21	16	14	12	12	13	14	14	13	13	9	10	10	10
Scenario 2. Impact of US\$ 20 million lower grants per year 2/															
NPV of Total Debt	629	696	770	843	922	1,000	1,076	1,149	1,219	1,291	1,367	2,123	1,634	1,892	2,100
NPV of Existing Debt	629	626	627	631	638	642	640	636	632	628	626	536	641	641	596
Multilateral creditors	550	547	547	550	557	560	557	553	547	542	538	448	549	544	502
Bilateral creditors	78	79	80	81	81	82	82	84	85	86	87	88	92	96	94
NPV of New Debt	-	70	143	212	284	358	436	512	586	663	741	1,587	993	1,251	1,504
Nominal debt stock after rescheduling (Naples terms)	1,259	1,395	1,536	1,678	1,824	1,965	2,101	2,230	2,355	2,479	2,605	3,516	3,006	3,368	3,592
Total debt service after rescheduling (Naples terms) 3/	43	46	43	42	40	46	53	60	66	67	67	104	69	85	102
(In percent)															
NPV of debt-to-GDP ratio	32	35	35	36	37	37	38	38	37	37	37	30	36	35	32
NPV of debt to exports ratio	519	617	659	674	686	680	661	638	609	580	554	316	484	412	343
NPV of debt to revenues ratio	331	310	290	275	276	274	271	266	264	262	260	211	256	244	223
Debt service-to-exports ratio	40	39	35	32	27	28	30	30	27	25	14	18	17	15	
Debt service-to-revenues ratio	23	24	19	16	13	14	15	15	15	14	11	11	12	12	

Sources: Data provided by the Rwandan authorities; and staff estimates and projections.

1/ These figures are "after traditional debt relief", i.e., a Paris Club flow rescheduling on Naples terms (67 percent NPV reduction) and a stock-of-debt operation; and at least comparable action by other official bilateral and commercial creditors.

2/ All other assumptions are unchanged with respect to the baseline scenario.

3/ Including new money.

Table 13. Rwanda: Nominal Stocks and Net Present Value of Debt at end-1999 by Creditor Groups

	Nominal Debt Stock 1/		NPV of Debt 1/		NPV of Debt After Traditional Debt Relief 2/	
	US\$ million	Percent of Total	US\$ million	Percent of Total	US\$ million	Percent of Total
Total	1258.9	100.0	690.7	100.0	628.6	100.0
Multilateral	1091.2	86.7	550.5	79.7	550.4	87.6
IDA	691.1	54.9	318.9	46.2	318.9	50.7
IMF	75.9	6.0	61.2	8.9	61.2	9.7
AfDB/AfDF	214.3	17.0	100.9	14.6	100.9	16.1
BADEA	33.4	2.7	23.4	3.4	23.4	3.7
IFAD	31.9	2.5	15.1	2.2	15.1	2.4
EU/EIB	37.4	3.0	26.6	3.9	26.6	4.2
EIB/EU	36.2	2.9	26.0	3.8	26.0	4.1
EEC/IDA	1.2	0.1	0.6	0.1	0.6	0.1
OPEC Fund	7.4	0.6	4.3	0.6	4.3	0.7
Bilateral	167.7	13.3	140.2	20.3	78.2	12
Paris Club:	73.6	5.8	56.9	8.2	48.9	7.8
Post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0
Pre-cutoff date	73.6	5.8	56.9	8.2	48.9	7.8
ODA	53.3	4.2	39.5	5.7	34.7	5.5
Non-ODA	20.3	1.6	17.5	2.5	14.2	2.3
France	45.0	3.6	34.6	5.0	29.7	4.7
Japan	15.2	1.2	12.7	1.8	12.7	2.0
Austria	9.3	0.7	5.8	0.8	2.9	0.5
SEE/ Canada	3.0	0.2	2.8	0.4	2.6	0.4
BNP/ AMS	0.5	0.0	0.6	0.1	0.6	0.1
USA (Air Rwa)	0.6	0.0	0.5	0.1	0.5	0.1
Other Official Bilateral:	94.1	7.5	83.3	12.1	29.3	4.7
Post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0
Pre-cutoff date	94.1	7.5	83.3	12.1	29.3	4.7
ODA	94.1	7.5	83.3	12.1	29.3	4.7
Non-ODA	0.0	0.0	0.0	0.0	0.0	0.0
Saudi Fund	30.0	2.4	27.4	4.0	11.4	1.8
Kuwaiti Fund	29.4	2.3	26.9	3.9	10.6	1.7
China	32.0	2.5	26.2	3.8	5.5	0.9
Abu-Dhabi Fund	1.8	0.1	1.8	0.3	1.2	0.2
Libya	1.0	0.1	1.0	0.1	0.5	0.1
Commercial	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Rwanda authorities and staff estimates and projections

1/ These figures are "before traditional debt relief" but include the impact of flow rescheduling on Naples Terms (67 percent NPV reduction).

2/ These figures are "after traditional debt relief", i.e., a Paris Club flow rescheduling on Naples terms (67 percent NPV reduction) and a stock-of-debt operation; and at least comparable action by other official bilateral and commercial creditors.

Table 14. Rwanda—Projected Assistance Under the HIPC Initiative 1/
(In millions of U.S. dollars in end-1999 NPV terms, unless otherwise indicated)

NPV of debt-to-exports-target (in percent)	Total Assistance under the NPV of debt-to-exports scenario 2/			Memo item: Required NPV debt reduction on comparable treatment on bilateral debt based on overall exposure (in percent)
	Total	Bilateral 3/ Multilateral	Common Reduction Factor at the completion point 4/	
150	447	56	391	71
Memorandum items:				
NPV of debt 5/	629	78	550	
Of which: Multilateral institutions	550	...	...
Of which: World Bank	319			
IMF	61			
Paris Club	49	...	...
Non-Paris Club bilaterals	29	...	...
Three-year average of exports (1997-1999)	121	...	...
Current-year exports	109	...	...
NPV of debt-to-exports ratio 6/	519	...	...
Bilateral (rescheduled debt)				
Paris Club creditors				90
<i>Of which:</i> pre-cutoff non-ODA				146
Non-Paris Club bilateral creditors				90
<i>Of which:</i> pre-cutoff non-ODA				...

Sources: Rwandese authorities and staff estimates and projections.

1/ The proportional burden sharing approach is described in "HIPC Initiative--Estimated Costs and Burden Sharing Approaches" (EBS/97/127, 7/7/97 and IDA/SEC M 97-306, 7/7/97).

2/ Completion point assumed in December 2002. Reflects full use of traditional debt mechanisms.
 treatment by other official bilateral creditors at the start of 1999.

3/ Includes official bilateral creditors and commercial debt.

4/ Each multilateral's NPV reduction at the completion point in percent of its exposure at the decision point.

5/ Based on latest data available at decision point after full application of traditional debt relief mechanisms.

6/ Based on the three-year export average (backward-looking average) ending in the year preceding the decision point (i.e., 1997-1999)

Table 15. HIPC Initiative: Status of Country Cases Considered Under the Initiative, July 12, 2000

Country	Decision Point	Completion Point	Target		Assistance Levels 1/ (In millions of U.S. dollars, present value)					Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)	Satisfactory Assurances from Other Creditors	
			NPV of Debt-to-Export (in percent)	Gov. revenue	Total	Bilateral	Multi-lateral	IMF	World Bank				
Completion point reached under enhanced framework													
Uganda					1,003	183	820	160	517		1,950		
<i>original framework</i>	Apr. 97	Apr. 98	202		347	73	274	69	160	20			Received
<i>enhanced framework</i>	Feb. 00	May 00	150		656	110	546	91	357	37			Being sought
Decision point reached under enhanced framework													
Bolivia					1,302	425	876	84	194		2,060		
<i>original framework</i>	Sep. 97	Sep. 98	225		448	157	291	29	53	14			Received
<i>enhanced framework</i>	Feb. 00	Floating	150		854	268	585	55	141	30			Being sought
Burkina Faso					398	56	342	42	162		700		
<i>original framework</i>	Sep. 97	Sep. 98	205		229	32	196	22	91	27	400		Received
<i>enhanced framework</i>	Jul. 00	Floating	150		169	24	146	20	71	20	300		Being sought
Honduras	Jun. 00	Floating	110	250	556	215	340	30	98	18	1,200		Being sought
Mauritania	Feb. 00	Floating	137	250	622	261	361	47	100	50	1,200		Being sought
Mozambique					1,970	1,235	736	141	434		4,300		
<i>original framework</i>	Apr. 98	Jun. 99	200		1,716	1,076	641	125	381	63			Received
<i>enhanced framework</i>	Apr. 00	Floating	150		254	159	95	16	53	9			Being sought
Senegal	Jun. 00	Floating	133	250	452	193	259	42	116	18	800		Being sought
Tanzania	Apr. 00	Floating	150		2,026	1,006	1,020	120	695	54	3,000		Received
Completion point reached under original framework													
Guyana	Dec. 97	May 99	107	280	256	91	165	35	27	24	410		Received
Decision point reached under original framework													
Côte d'Ivoire	Mar. 98	Mar. 01	141	280	345	163	182	23	91	6 3/	800		Being sought
Mali	Sep. 98	Spring 00	200		128	37	90	14	44	10	250		Being sought
Total assistance provided/committed					9,058	3,865	5,191	738 4/	2,478		16,670		
Preliminary HIPC document issued 5/													
Cameroon	...	...	150		1,466	1,047	358	41	197	30	2,700		...
Chad	...	...	150		156	34	123	15	65	27	250		
Ethiopia	...	...	200		636	225	411	22	214	23	1,300		...
Guinea	...	...	150		638	256	383	37	173	34	1,150		
Guinea-Bissau	...	...	200		300	148	153	8	73	73	600		...
Nicaragua	...	...	150		2,507	1,416	1,091	32	188	66	5,000		...
Rwanda	...	...	150		447	56	391	43	227	71	804		...
No assistance required under original framework--to be reassessed under enhanced framework													
Benin	Jul. 97	...	...	...	...	...	...	...	...	...	...		...

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

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

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

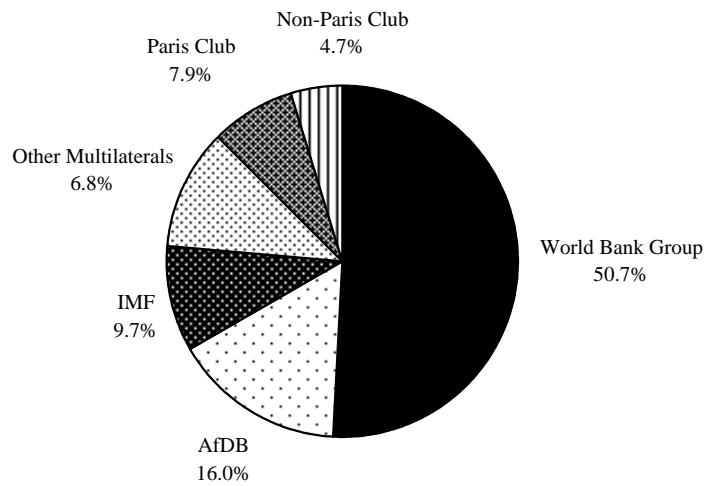
3/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPV of debt at the completion point in the calculation of this ratio.

4/ Equivalent to SDR 515 million at an SDR/USD exchange rate of 0.744.

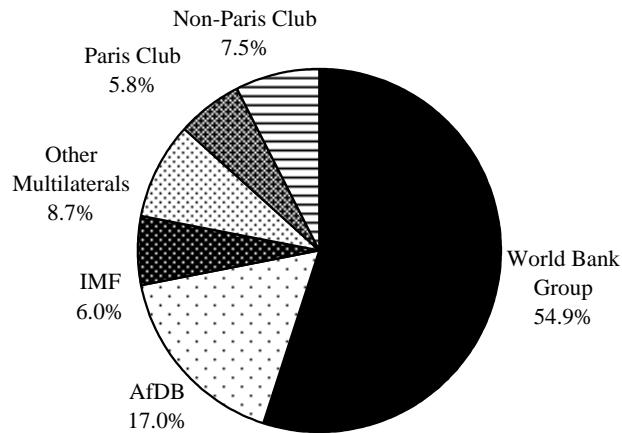
5/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change. Assistance levels for Ethiopia and Guinea-Bissau were based on the original framework and applied at the completion point; for Nicaragua, Tanzania, Guinea, and Honduras, targets are based on the enhanced framework and assistance levels are at the decision point.

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

Present value of debt: US\$629 million



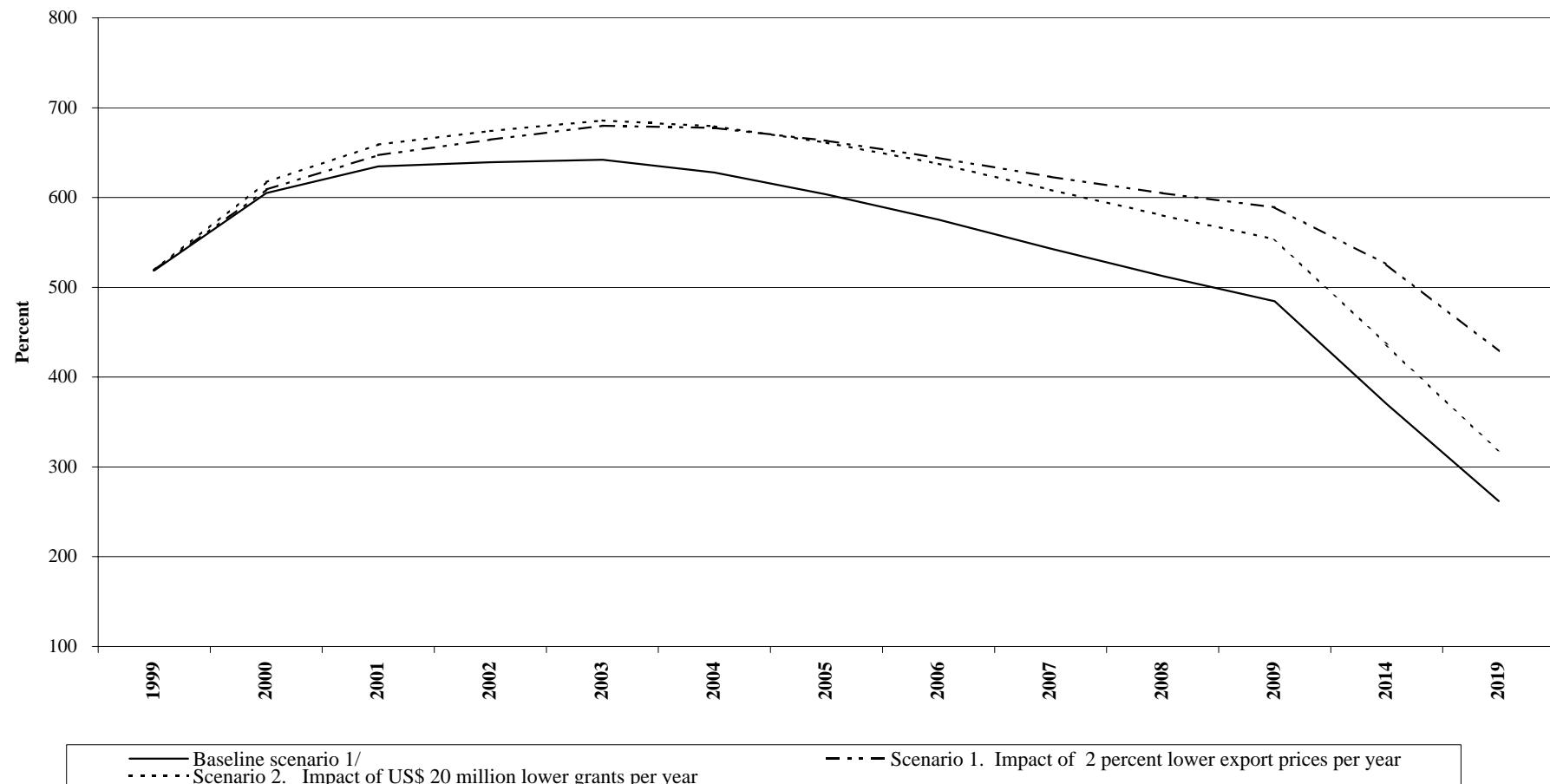
Nominal value of debt: US\$1,259 million



Source: Rwanda authorities and staff estimates.

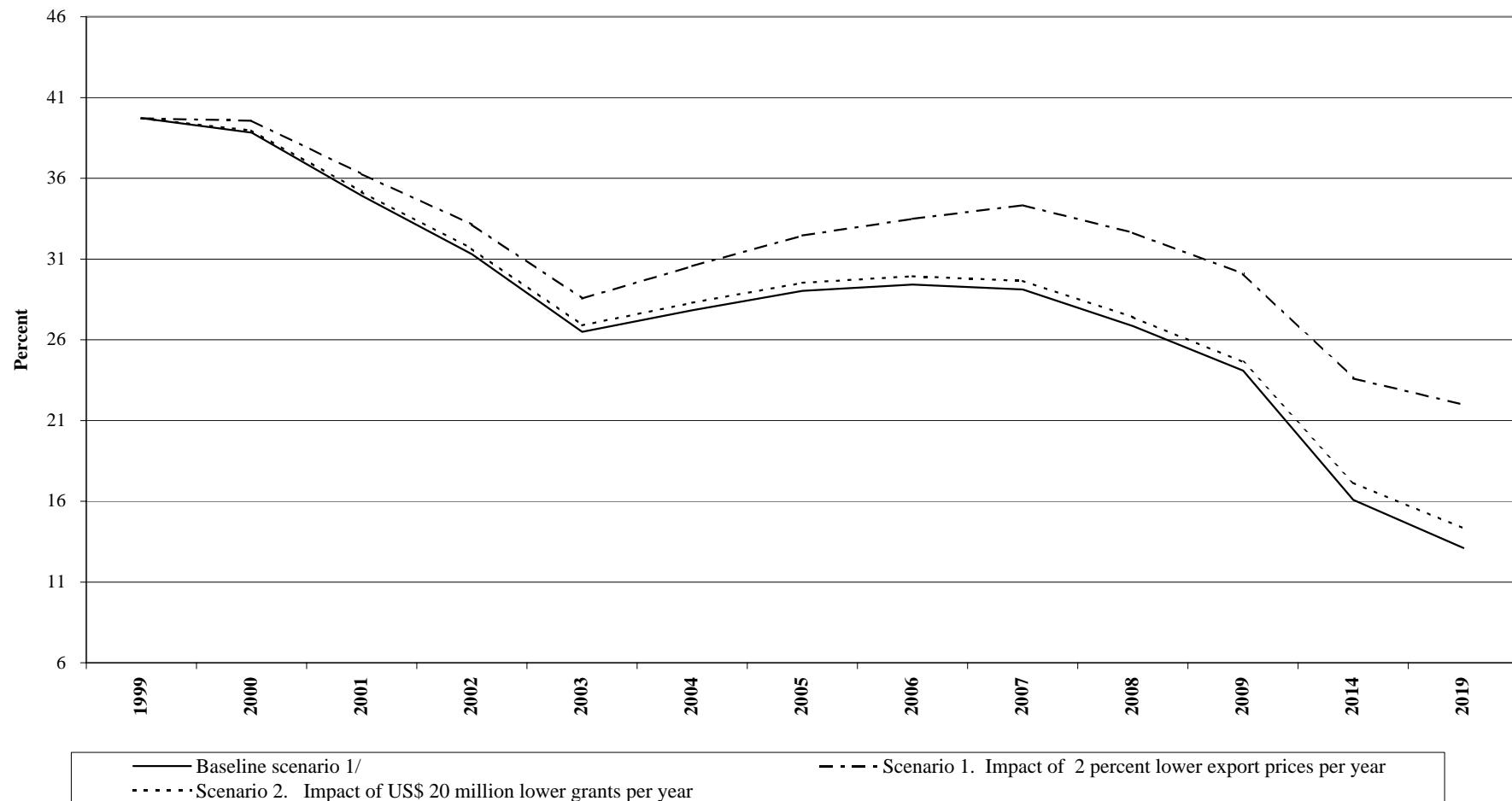
1/ These figures are "after traditional debt relief", i.e., a Paris Club flow rescheduling on Naples terms (67 percent NPV reduction) and a stock-of-debt operation; and at least

Figure 2. Rwanda: NPV of Debt-to-Export Ratio after Traditional Debt Relief, 1999-2019 1/



1/ After full use of traditional debt relief mechanisms; i.e. a Paris Club flow rescheduling on Naples terms (67 percent NPV reduction) and a stock-of-debt operation; and at least comparable action by other official bilateral and commercial creditors. This is before any debt relief under the HIPC Initiative.

Figure 3. Rwanda: Debt Service Ratios, 1999-2019 1/



1/ After full use of traditional debt relief mechanisms; i.e. a Paris Club flow rescheduling on Naples terms (67 percent NPV reduction) and a stock-of-debt operation; and at least comparable action by other official bilateral and commercial creditors. This is before any debt relief under the HIPC Initiative.