19397

RWANDA: CAS PROGRESS REPORT

CURRENCY EQUIVALENTS

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SDR 1	US$1.416

FISCAL YEARS

World Bank: July 1 – June 30
Rwanda: January 1 - December 31

ABBREVIATIONS

AfDB	African Development Bank
AIDS	Acquired Immuno-Deficiency Syndrome
BNR	Banque Nationale du Rwanda (central bank)
CAS	Country Assistance Strategy
CBI	Cross Border Initiative
CPPR	Country Portfolio Performance Review
CRDP	Community Reintegration and Development Project
DRC	Democratic Republic of the Congo
ERC	Economic Recovery Credit
ESAF	Enhanced Structural Adjustment Facility
EC	European Commission
FAR	Forces Armées du Rwanda (old pre-genocide army of Rwanda)
HIPC	Highly Indebted Poor Countries Initiative
HIV	Human Immuno-deficiency Virus
IDA	International Development Association
IDF	Institutional Development Fund (World Bank)
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
MIGA	Multilateral Investment Guarantee Agency
MDTF	Multilateral Debt Trust Fund
MINECOFIN	Ministry of Finance and Economic Planning (Rwanda)
NGO	Non Governmental Organization
NTB	National Tender Board
OCIR-Café	Office des Cultures Industrielles Rwandais- Café (coffee parastatal)
OCIR-Thé	Office des Cultures Industrielles Rwandais- Thé (tea parastatal)
PFP	Policy Framework Paper
PNAS	Food Security and Social Action project
UN	United Nations
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund

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RWANDA: CAS PROGRESS REPORT

Table of Contents

RWANDA

CAS PROGRESS REPORT

SUMMARY AND CONCLUSIONS

1. This Report provides an update on Rwanda's economic and political situation since the last full Country Assistance Strategy (CAS) was discussed and endorsed by the Board on April 7, 1998. The Board endorsed the CAS proposal that Rwanda be treated as a *special case* for international assistance and given exceptional assistance to overcome the legacies of the genocide and make the transition to peace and development. While the CAS presented a 3-year vision for Rwanda, however, in view of the fluid situation in Rwanda and Great Lakes sub-region, it proposed an operational lending program only for FY99, consisting of 3 operations of US$80 million. This amount was above the IDA allocation norm for Rwanda, but reflected its *special case* status. The CAS also proposed that a progress report be prepared at the end of the period to seek endorsement for a new program. This CAS Progress Report seeks endorsement of a two year (FY2000-2001) operational program. Toward the end of this period, a new CAS would be prepared, returning Rwanda to the normal three-year CAS cycle.

2. The political situation in the Great Lakes sub-region changed dramatically in 1998. Civil war broke out in the Democratic Republic of the Congo (DRC) in August, with Rwanda and other countries in the region supporting the groups fighting the DRC government. The Government of Rwanda cited the need to end the insurgency by the *interahamwe* militia from across the DRC border as the reason for its military involvement. Diplomatic efforts, spearheaded principally by the Organization of African Unity (OAU) and the United Nations, are underway to find a peaceful resolution of the conflict. Rwanda has since declared its support for this peace process and recently, on May 28, 1999, it announced a unilateral cessation of hostilities, to enhance the chances of a negotiated and comprehensive cease-fire.

3. This Progress Report reviews recent developments in the context of the main challenges facing Rwanda's policy makers, examines progress made in dealing with these challenges as well as in the implementation of the program set out in the 1998 CAS, and discusses the IDA strategy and instruments of assistance. The CAS outlined the key requirements for Rwanda's transition from conflict to peace and development as the following: (i) the consolidation of the fragile peace and social stability, requiring the resettlement and reintegration of refugees, assistance to victims of genocide and demobilized ex-combatants, the building of effective institutions of justice and governance; (ii) sustaining economic recovery by accelerating economic reform, revitalizing the rural economy and reinforcing public sector capacity; and (iii) laying the foundation for long-term development by deepening structural policy and institutional reforms, re-orienting government expenditures, developing human resources and building capacity, enhancing the role of women, and protecting natural resources. The CAS also recognized that a strong partnership between the Government and the external aid agencies was essential for progress in the transition. These issues provided the bases for the CAS program of support and for evaluating progress.

4. Consultations for this CAS Progress Report took place in Rwanda in April 1999. These consultations included a Country Portfolio Performance Review (CPPR) followed by 2 days of discussions with Government officials and representatives of the civil society. These discussions were to complement our ongoing country dialogue as well as the consultations that took place for the preparation of the 1998 CAS. These recent consultations were open and frank and indicated a convergence of views between Bank staff and the Government on the strategies and priorities. The consultations endorsed the strategy embodied in the CAS and emphasized the following priorities for national reconciliation and economic development: (i) the strengthening of the efforts to reintegrate displaced persons and assist the victims of

genocide; (ii) improving justice and governance; (iii) the revitalization of the rural economy by providing social and economic infrastructure to improve living conditions, enhance the development of rural markets and raise productivity; (iv) investing in human resources including capacity building; (v) policy reforms and investments to promote the private sector, build a broad-based inclusive economic system, enhance the economy's competitiveness and promote investments and exports; and (vi) improve donor coordination and resource mobilization.

5. Despite the difficult socio-political environment, Rwanda has continued to make progress in its transition from conflict to peace and development. This CAS Progress Report concludes that, while the political climate in the sub-region deteriorated dramatically in 1998, with the war in the DRC, Rwanda has made progress in stabilizing its society and economy and intensifying dialogue on its future. The events in the DRC have naturally engendered pessimism about the prospects for peace and development in Rwanda and doubts about the effectiveness of external assistance. However, the transition from conflict to peace is a complex, long and non-linear process in which set-backs often occur. The war in the DRC, and the consequent deterioration of relations between Rwanda and the DRC was a set-back to the transition process. Progress has however been made in many areas, including the local elections to promote participation at grassroots level, the acceleration of the economic reform program, and the steps taken to enhance justice, political and economic governance, and national reconciliation. The performance of the IDA portfolio has significantly improved and IDA support is making a difference in the lives of the people. On balance, the transition process is on the right track and deserves to be supported. The international community should continue to treat Rwanda as a *special case* and provide strong support for the transition.

6. In FY99, the Bank provided a high level support to Rwanda to help jump-start the transition. Rwanda's performance has improved since the last IDA allocation exercise before the 1998 CAS, thus its allocation has increased to about US$180 million for FY00-02. We propose a lending amount in the range of US$120-160 million for the next two years (FY00-FY01), the period covered by this progress report. Lending at the higher end of the range would only be justified if performance continues to improve.

7. Rwanda continues to be a high-risk environment during the transition period. However, with the strong commitment of the Government to national reconciliation and economic reform, sustained international assistance and dialogue will mitigate these risks. On the other hand, tentative and inadequate support risks undermining the national reconciliation and reform efforts, resulting in continuing deprivation of the people, and continued conflict in Rwanda and the sub-region, possibly with massive displacement of the population. These would be disastrous for the inhabitants of the sub-region and costly to the international community.

RWANDA

CAS PROGRESS REPORT

I. COUNTRY BACKGROUND

A. Introduction

1. Rwanda's ethnic conflict between the majority Hutus and minority Tutsi culminated in a genocide and civil war in 1994, resulting in the loss of up to 800,000 lives. About 3.8 million people were displaced, of which about two million, including the government officials and members of the defeated army and the *interahamwe militia* who masterminded the genocide, fled to refugee camps in the Democratic Republic of the Congo (DRC) and Tanzania. In addition, about 800,000 old case-load refugees returned to Rwanda from neighboring countries.[1] The genocide and civil war damaged social and economic infrastructure and economic activity declined by about 50 percent. The conflict in Rwanda was exceptional in its depth of destruction of human capital and the damage to social capital and institutions.

2. In July 1994, a Government of National Unity was sworn into office, formed under the framework of the Arusha Accord, a power-sharing agreement signed in August 1993 as a transition arrangement to an elected government. The Accord provided for the participation of the major political parties in the country in the government, ensuring the representation of all major political and ethnic groups in the cabinet and the National Assembly, the two most powerful institutions envisaged by the Accord. The Government put emphasis on establishing peace and security, promoting national reconciliation, encouraging the return of all refugees, resettling displaced persons and returned refugees, assisting victims of genocide, bringing to justice the perpetrators of the genocide, and reviving and stabilizing the economy.

3. Despite the difficult socio-political environment and the limited capacity of the Government, Rwanda has made progress on social and economic fronts. Social, administrative, judicial, and economic infrastructures have been rehabilitated. By 1997, gross primary and secondary school enrollments have returned to their pre-war levels. Most of the new case-load refugees have returned and these, as well as the returned old case-load refugees, have largely been resettled, although many of the returnees still lack permanent shelter. The violent insurgency by the soldiers and militia of the old regime, operating out of the DRC, destabilized the northwest region of the country, claimed many lives and displaced large numbers of people in 1997 and the first half of 1998. However, Rwanda has been successful in containing the insurgency and the security situation in the northwest has now improved. The 650,000 people displaced by this conflict have been resettled in new villages.

4. The process of bringing to justice the 120,000 persons in detention for participating in the genocide remains a big challenge for Rwanda. The Government continues to search for ways to expedite the process and it recently decided to release 10,000 suspects for lack of strong evidence of guilt. The Government has also introduced the use of traditional methods of justice (*gacaca*) to clear the bulk of the caseload. *Local elections* were held on March 28-30, 1999 as an essential step to promote popular participation and to empower communities to make decisions on their own affairs. A major ministerial reshuffle was undertaken

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[1] Old case-load refugees are the Rwandese refugees from the conflicts of the 1950s, 1960s and 1970s and their descendants. These exiles returned to Rwanda in massive numbers in 1994 and 1995. New case-load refugees are those who left Rwanda in 1994.

in February 1999 to streamline government functions and emphasize key development priorities. The economy has been stabilized and continues to grow rapidly and economic reform is underway.

5. The situation in the Great Lakes sub-region remains difficult.[2] The interlocking violent conflicts in the Great Lakes sub-region intensified in 1998. The overthrow of the Mobutu regime in the DRC in 1997 by an alliance of Congolese rebel forces, with the support of neighboring countries including Rwanda, raised hopes of reducing tensions and fostering regional cooperation. However, cross-border violent incursions into Rwanda by elements of the *interahamwe* militia operating out of the DRC escalated. Thus, contrary to expectations, the fall of the Mobutu regime did not improve security in the sub-region. Indeed, the overall situation in the Great Lakes area deteriorated and another civil war broke out in the DRC in August 1998, with Rwanda supporting the new rebels against the regime in Kinshasa, its former ally.

6. The DRC war has become internationalized, with Zimbabwe, Namibia, Angola and Chad sending troops to support the DRC government. At the same time, the Southern Africa Development Cooperation (SADC), the Organization of African Unity (OAU), and the United Nations (UN) are involved in efforts to end the war. A peace agreement acceptable to all parties in the conflict would enable the countries in the sub-region, including Rwanda, to devote their energies to development. Sustained support by the international community is required to achieve the agreement and enable the countries to make the transition from conflict to peace and sustained economic development.

B. Economic Developments

7. The economy has continued to stabilize and expand rapidly. Table 1 below shows recent macroeconomic indicators. Real GDP, which declined by 50 percent in 1994, and rebounded by 37 percent in 1995 and 12 percent in 1996, continued its rapid expansion, growing by 11 percent in 1997 and 10 percent in 1998. The main sources of growth in 1998 were agriculture (11 percent growth) and construction (15 percent). The growth in agriculture was due to the re-engagement of the returned refugees in the sector and the improvement of security in the northwest of the country. Meanwhile, the inflation rate has fallen to an average of 6.8 percent in 1998 from 17 percent in end 1997. The external deficit has narrowed somewhat but remains formidable with the current account deficit, excluding official transfers, estimated to be 16.7 percent of GDP in 1998 compared to 19.1 percent and 17.3 percent in 1996 and 1997 respectively. The level of gross international reserves has remained healthy at 6.2 months of imports in 1998. Exports declined in 1998 partly due to the steep decline in coffee prices by 40 percent from 1997, resulting in a loss of nearly US$18 million, equivalent to 20 percent of merchandise exports in 1997.

8. Government revenues as a percentage of GDP fell slightly from 10.3 percent in 1997 to 10.2 percent in 1998 due to a 20 percent drop in receipts from import duties from a combination of reduction in tariffs and a fall in import values. Total expenditures as a proportion of GDP declined from 19.5 percent in 1997 to 18.1 percent in 1998, as a result of cuts in expenditures due to shortfalls in revenues and external aid.

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2 The Great Lakes sub-region as used in this report comprises of the DRC, Uganda, Rwanda and Burundi. This is different from the definition used in the 1998 CAS which did not include Uganda.

9. The economy of Rwanda grew rapidly in 1995-98 from bringing back existing farms/crops into production, the rehabilitation and construction of housing, public facilities and roads, and increased capacity utilization in existing manufacturing and service industries. In the medium-term, the main sources of growth are likely to be construction and increases in agricultural productivity. Agricultural growth will be important to stimulate rural trade, promote non-farm employment and raise rural incomes. These in turn will stimulate non-rural economic sectors (trade and services, construction and manufacturing) and raise overall GDP growth. Coffee and tea are expected to remain important commodities and contribute to the growth of agriculture and exports. Coffee production, at 14,000 tonnes in 1998, has fallen to less than 1/3 of its peak in the mid-1980s. With improved maintenance and replanting of coffee bushes, production would grow rapidly though is not expected to attain the peak level of 47,000 tonnes in 1987. Tea production is expected to increase rapidly with the privatization of the tea estates and expansion of processing capacity. In the longer term, other potential sources of growth include urban and rural small-scale enterprises, non-traditional export production for regional and international markets, natural gas from Lake Kivu, and high value minerals.[3]

Table 1
Selected Indicators of Economic Performance

	95	96	97	98
Real GDP Growth Rate (%)	36.8	12.1	10.9	10.0
Inflation Rate(%, CPI, period av.)	22.0	8.9	12.0	6.8
As % of GDP				
Revenue	6.7	9.2	10.3	10.2
Total Gov. Expenditures	20.0	22.3	19.5	18.1
Recurrent Expenditures	12.1	13.1	11.4	11.6
Security Expenditures	4.2	5.3	4.1	4.2
o/w Military Expenditure	n.a	n.a	n.a	3.6
Social Sector	3.3	2.6	3.0	3.6
Off. Reserves (mths of imports)	5.0	5.0	5.4	6.2
Exports of Goods (US$ mill.)	50.4	62.0	93.0	62.4
Imports of Goods (US$ mill.)	194.1	213.3	277.4	261.1
External Debt (US$ bill.)	1.064	1.110	1.176	1.239

10. Economic activity in Rwanda is vulnerable to the fragile peace and a reduction in external aid, and is constrained by the weak human capacity, onerous security-related expenditures, and a huge external debt burden. Rwanda needs to invest in human and physical capital to sustain a high rate of economic growth. Peace and stability in Rwanda and the other countries in the Great Lakes area will be essential to stimulate private investments. With peace and stability, security expenditures will decline and release resources for the social sectors (see Annex 3). Rwanda's external debt stock, at about US$1.2 billion, is unsustainable (see Annex 3). On the basis of a recent debt sustainability analysis, Rwanda would qualify for the Highly Indebted Poor Countries (HIPC) Initiative. The process could start in 2001, provided that the reform program remains on track.

[3] See Box 5,page 16 of the CAS: Sources of Growth

C. The Challenges Ahead

11. The development challenges to Rwanda remain the same as in the CAS discussed by the Board on April 7, 1998[4]. Essentially, Rwanda needs to make the transition from the experience of genocide, civil war and conflict to a new, stable and peaceful Rwanda. The immediate challenge is to overcome the legacies of the genocide while laying the foundation for peace and long-term sustainable development. The process involves: (i) resettling and reintegrating displaced persons and households, the victims of the genocide and the ex-combatants; (ii) establishing and sustaining peace and security in Rwanda by promoting national reconciliation and working toward peace and stability in the Great Lakes sub-region, and (iii) building human resources, including reducing the menace of HIV/AIDS, and sustaining economic recovery and stability to improve the living standards of the people. Given its limited capacity and resources, Rwanda needs the support of the international community and therefore has to build strong partnerships with international development agencies to obtain effective and sustained support required to build a new Rwanda.

1) Resettlement and Reintegration

12. In the last five years, the international community supported the resettlement and reintegration of households displaced by the events of the genocide and its aftermath. However, substantial needs remain. Many previously displaced families continue to live without permanent shelter and access to social services. According to the UN's Joint Reintegration and Programming Unit (JRPU) survey of housing needs, almost 150,000 families still live in plastic sheeting, 59,000 in severely damaged houses, and 47,000 in houses belonging to others. This did not include the approximately 100,000 families (650,000 people) displaced by the violence in the northwest and recently resettled in villages in make-shift accommodation. Furthermore, the inflow of refugee is continuing. UNHCR estimates that 40,000 refugees will return to Rwanda in 1999 and will need to be permanently resettled. The genocide created other victims and vulnerable groups – orphans and unaccompanied children, widows, elderly without close family to care for them, and those mentally or physically handicapped as a result of the events of the genocide. These also require assistance to rebuild their lives. Furthermore, the urban areas have a severe housing shortage, which makes it difficult to resolve the "double occupancy" problem.

13. Support from the donors for reintegration appears to be declining. UNHCR will phase out its reintegration activities by end 1999. The donors have argued that reintegration is outside UNHCR's mandate[5]. Most NGOs are also phasing out reintegration activities. These actions will create a critical gap in the recovery of Rwanda. A failure to fill the gap risks jeopardizing the progress made so far, and could result in serious consequences of exposing a largely deprived society to continued inequalities and social disharmony. This will undermine other efforts to reduce poverty and achieve national reconciliation and peace.

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4 See Section III of the CAS: The challenges to Economic Growth and Poverty Reduction , page 7

5 In 1997, a joint WB/GOR/UN Assessment Mission proposed a comprehensive reintegration program for Rwanda as an integral part of the Government's development program. While the Government endorsed the program, it was never presented to the donors as envisaged. Consequently the donors continued to support reintegration through the emergency funding to relief agencies and NGOs.

2) Peace and Security

14. Violent conflict in Rwanda and the Great Lakes sub-region has destroyed human and physical capital, damaged natural resources, discouraged investment and caused the meager resources of the countries to be diverted to war rather than development. Sustained development in Rwanda requires: (i) national reconciliation in Rwanda, involving an acceptance by both Hutus and Tutsis of their linked destinies and therefore a willingness to live together as a nation and work toward shared goals; and (ii) an end to the national and international violent conflicts in the countries in the Great Lakes sub-region, requiring dialogue by the countries of the region, with the support of the international community.

15. **National Unity and Reconciliation.** National reconciliation requires urgent actions on a number of fronts: (i) resettle displaced people and help them build sustainable livelihoods; (ii) deal with the other legacies of the genocide such as the cases of the 120,000 detained genocide suspects, the travails of the victims of genocide, and the demobilization and re-integration of the ex-combatants; (iii) reform the economy and sustain economic growth to provide employment, reduce poverty and open up economic opportunities to all Rwandese; (iv) tackle the governance issues enshrined in the Arusha Accord including democratization, inclusiveness, decentralization, justice and the rule of law, and the respect for human rights; and (v) address other economic governance issues such as corruption, transparency and accountability. The Government has taken some initial steps in these areas but difficult decisions and actions lie ahead.

16. **Regional Dimensions**. Peace and development in the Great Lakes sub-region of Africa is one of the biggest challenges to the international community in Africa. Rwanda is physically right in the center of the volatile sub-region. It is difficult to envision that Rwanda, even if it resolves its own domestic conflicts, can achieve sustainable development if conflicts continue in the region. Rwanda has strong historical, social, geographic and economic links with the DRC. Stability, peace and improved economic performance in the DRC, and good relations with Rwanda will facilitate peace, security and economic progress in Rwanda. Events in Burundi also have a demonstration effect on Rwanda, given the common heritage of the two countries.

3) Improving Living Conditions and Standards

17. Poverty is chronic in Rwanda and social indicators, particularly survival rates, are very poor. The proportion of households below the poverty line increased from 40 percent in 1985 to 53 percent in 1993 and to an estimated 70 percent in 1996. The roots of poverty in Rwanda are twofold: the stagnation of the economy from 1986-1994, and the destruction of the genocide in 1994. In particular, the 1994 genocide and civil war drastically reduced per capita income and health standards, increasing the burden of diseases, particularly from nutritional deficiencies and communicable diseases, including HIV/AIDS, malaria, acute respiratory infections and diarrhea.

18. **The Challenge of HIV/AIDS.** The problem of HIV/AIDS, initially regarded as a health issue, has become, for countries like Rwanda, a major development constraint. Since the discovery of the first cases of HIV/AIDS in Rwanda in 1983, the infection has spread throughout the country. From a 1997 survey, 11.1 percent of the population 12 years old and above, approximately ½ million persons, was found to be seropositive. An estimated 22,000 people between 15 and 49 years of age died of AIDS in 1998. In Rwanda as elsewhere, HIV prevalence is not uniformly distributed, with high rates among females between 25 and 34 years of age (20 percent infected), males between 40 to 49 years (18 percent), female prostitutes, people with sexually transmitted diseases and military personnel. Involuntary migration, war,

poor education, and separation of families, are catalysts for HIV infection. However, among men, HIV infections are also higher for wealthy and well-educated middle age groups.

19. HIV/AIDS is far less prevalent than malaria or measles but its socio-economic impact is greater. It affects primarily adults in their most economically productive years. About 60 percent of the beds in the pediatric and internal medicine wards in the general hospital in Kigali is occupied by HIV/AIDS patients. The burden of HIV/AIDS thus undermines the provision of medical services for other diseases. HIV/AIDS creates large numbers of widows and orphans who become impoverished and burdens to the society. There is no doubt that HIV/AIDS, with its debilitating impact on human resources, has a negative impact on economic growth, further hampering progress toward the attainment of acceptable living standards.

20. The last twelve years have witnessed efforts by the Government, with the support from its external partners, including the World Bank, to monitor and stem the spread of HIV/AIDS. Campaigns have been organized to promote public awareness on its prevention. Notwithstanding these efforts, progress has been slow. This is in part due to the low level of human, material and financial resources allocated to the health sector. However, to a large extent, slowing the transmission of HIV resides outside the realm of health services. Approaches that induce behavioral changes are essential, this requires the active involvement of all the sectors in the development process. International collaboration, particularly among all the countries in the region that face the same problem, would be desirable, so that countries can exchange experiences.

21. **Improving human resources and sustaining rapid economic growth.** The combination of chronic poverty, social tension and conflict, poor health standards and the menace of HIV/AIDS make for bleak human condition. Development of human resources is urgent to sustain economic growth and reduce poverty. Regarding poverty reduction, it is estimated that, with an annual GDP growth rate of 7 percent, poverty in Rwanda would be reduced to its 1985 level of 40 percent of all households below the poverty line in 15 years. A growth rate of 7 percent is a formidable challenge for Rwanda. It would require peace and stability in Rwanda and the sub-region, consistently good economic policies, and financial support from external partners. The key social and economic development issues and strategies are discussed in Annex 1.

D. Rwanda's Emerging Vision for the Future

22. Rwanda enjoyed substantial flows of external aid in the pre-genocide years. Official development assistance grew from an annual level of US$35 million in 1971-74 to US$343 million in 1990-93. The economy was reputedly well-managed and the economic performance was above the average of countries in the region. The approach to economic development however lacked a focus on people, the good early performance of the economy could not be sustained, poverty increased and violence escalated. Most of the benefits of economic growth accrued to the 5 percent of the population that lived in the urban areas, and specifically to those belonging to the ruling elite. The Government has recognized that development of Rwanda in the 21st century needs a focus on people, that is the unleashing of creative energies through empowerment, broad participation, improvements in education, health and capacity building, and the productive employment of people. Peace and cooperation in the region are recognized to be essential for economic and social progress. Rwanda is seeking membership of the East African Cooperation Council, currently made up of Kenya, Uganda and Tanzania.

23. The Government is advanced in the preparation of its strategic vision for the future *(Vision 2020)* (see **Box 1**). In the framework of this vision, the Arusha Accord provides the basis for political reforms. On the economy, Government's strategy for implementing the vision seeks to increase and diversify economic activity, and reform the lethargic state controlled economic system into an open and inclusive one, with the benefits of growth widely shared by the population. Its strategy for poverty reduction includes: assistance to vulnerable groups to build stable and sustainable livelihoods, raising agricultural productivity and create rural non-agricultural employment, developing human resources, and promoting investment and exports in the context of a liberal, private sector-led, market-oriented economy. The strategy is appropriate but its effectiveness would depend on progress in social reintegration and the restoration of confidence in the economy.

Box 1: Key Elements of the Government's Vision for the Future

- Good governance, democratization, national reintegration and reconciliation to ensure national political stability and security, grassroots participation in development and decision making.
- Macroeconomic stability and economic reforms and programs that reduce poverty and empower the population, which would itself facilitate the national reconciliation and reintegration process. This involves in the initial stages, raising agricultural productivity, rural incomes, off-farm employment and skills formation.
- Promotion of an all inclusive economic system that allows effective participation of all social and economic groups in the population, in particular creating an enabling environment for private sector development, increasing the effectiveness of the state while reducing the role of the public sector.
- Human resource development, including education at all levels, capacity building, primary health care, and HIV/AIDS monitoring and prevention.
- Promotion of regional economic integration facilitating and reducing costs of access to the ocean ports.

II. PROGRESS SINCE THE 1998 CAS

24. The CAS outlined the key requirements for Rwanda's transition from conflict to peace and development as the following: (i) the consolidation of the fragile peace and social stability, requiring the resettlement and reintegration of refugees, assistance to victims of genocide and demobilized ex-combatants, and the building of effective institutions of justice and governance; (ii) sustaining economic recovery by accelerating economic reform, revitalizing the rural economy and reinforcing public sector capacity; and (iii) laying the foundation for long-term development by deepening structural policy and institutional reforms, reorienting government expenditures, developing human resources and building capacity, enhancing the role of women, and renewing natural resources. The CAS also recognized the importance of strong partnership between the Government and the external aid agencies for the transition. These issues provided the basis for the CAS program of support and for evaluating progress.

A. Progress on the Overall Transition Program

25. As noted earlier (paragraph 12 above), progress has been made on the *resettlement and reintegration* of displaced persons, although there is still much to be done. The *Victims of Genocide Fund (VGF)*, established by the Government in 1997, and financed from the recurrent budget, is now operational. The fund provides assistance to victims including widows and widowers, orphaned and

unaccompanied children, sexually abused women and children, the elderly without the traditional social support, the handicapped and the homeless and landless, to assist them overcome the trauma and economic and social deprivation of the genocide. One of the aims of the Fund is to assist these victims recover property that they should normally have inherited from their deceased relatives. The Government is implementing a program of *demobilization and re-integration of ex-combatants*, designed with the assistance of the Bank and the UNDP. The plan is to demobilize 25,000 soldiers in four phases, to be completed in 2002. In the first phase, 5000 soldiers, including child soldiers, were demobilized, and the second phase, carried out in December 1998, involved 3,600 soldiers.

26. **Justice and Governance.** In early 1998, the Government initiated consultations among the political parties and the civil society on the future of Rwanda. The discussions have led to decisions on the way to proceed on various issues including justice, elections, national unity, and economic reforms. Following discussions in this forum, the Government decided to release10,000 detained genocide suspects whose cases lacked strong evidence of guilt, and initiated national consultations on the use traditional methods of justice (*gacaca*) to clear the bulk of the caseload, with community-level councils adjudicating cases and using community service as the main punishment for the guilty. Elected local officials are expected to play key roles in the implementation of the *gacaca* system. Furthermore, a Human Rights Commission, to promote the respect for human rights, and a national civilian police force to replace the para-military gendarmerie in law enforcement, were established in 1998 and 1999 respectively. In 1998, the Commission for National Reconciliation was established, to conduct broad dialogue in the country on rebuilding the society and facilitating the coexistence of all Rwandans. A major ministerial reshuffle in February 1999 created a new Ministry of Lands, Resettlement and Environment, to recognize the importance of land and resettlement issues in the national reconciliation process.

27. A Commission on Legal and Constitutional Affairs will be established in 1999 to propose the political arrangements for a democratic Rwanda.[6] Meanwhile, *local elections* were held on March 28-30, 1999 to promote popular participation through decentralized democratic institutions. A national awareness campaign was carried out for several months prior to the elections to prepare the population for the process. The elections, held on a non-party basis, ran smoothly and participation was very high, estimated to be 95 percent by the Government. The elections have kindled interest in the population for elections for higher levels of government.

28. To promote *accountability and transparency*, the Government established the Office of the Auditor-General in 1999. A National Tender Board (NTB) was also established in 1998 to help reduce waste, inefficiency and corruption in public procurement of goods and services. Sweden and Canada have indicated a willingness to support the Office of the Auditor-General's office and the Bank has approved a grant from its Institutional Development Fund (IDF) to support the NTB. In 1998, the Government made a start in making the *budget process* open and transparent. The Ministry of Finance discussed its proposals for the 1999 budget with the private sector, the academic community, and the donors before it was presented to the National Assembly. The Government has put in place a system that monitors budget transactions monthly and makes the results available to the line ministries and the donor community.

29. On *corruption*, a one-day seminar on Fighting Corruption was organized in December 1998, with the assistance of the Bank's Resident Mission. It was chaired by the Vice-President and attended by cabinet

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[6] The cabinet has recently approved the establishment of this commission. A bill will be sent to the National Assembly for approval. A draft constitution to be prepared by this commission, after approval by the cabinet and adoption by the National Assembly, will be subjected to a national referendum.

ministers, members of the National Assembly and civil society, including the press, the private sector and local NGOs, and members of the diplomatic corps. The Vice-President underscored the government's determination to fight corruption at all levels. The seminar has paved the way for regular and lively debate on corruption in Rwanda. The Government is preparing to organize a second workshop to discuss draft Public Disclosure Rules and a Code of Conduct for Public officials. The Government has declared its commitment to a *free and independent press*. A draft of legislation to this effect is under discussion with the active participation of the major stakeholders. Government and the press have identified training of journalists as a priority for ensuring the independence of the press.

B. Progress in Economic Reforms

30. The Government believes that a climate of strong economic revival, with private sector growth, increased rural economic activity, and the creation of employment, would strengthen the processes of national reconciliation. Thus, it is committed to liberalizing the economy in line with its strategy of private sector led economic growth, and to a strong reform program to sustain the economic recovery and lay the foundation for long-term growth. The reform agenda is large and was outlined a Policy Framework Paper (PFP) of June 1998. The reforms aim to: (i) maintain macroeconomic stability and improve public resource mobilization and management; (ii) develop market-based agriculture; (iii) enhance the role of women; (iv) establish the institutional, legal, and infrastructure framework conducive to private sector growth and external competitiveness; and (v) strengthen public institutional and administrative capacity and improve public service delivery. The reform program is supported by an IMF ESAF arrangement, an Economic Recovery Credit by the Bank, and by the European Commission, the AfDB and some bilateral donors. Annex 2 shows a matrix of key ongoing and planned policy measures.

31. In 1996-1997, progress on the reform effort was mixed as the Government was pre-occupied with establishing peace and resettling and reintegrating refugees. In 1998, the reforms were accelerated, with good results. Box 2 shows the reform efforts and results in 1998/99. Measures undertaken in 1998/99 include the removal of the coffee export tax and increase in tea producer prices, the privatization of 22 state enterprises, the adoption of a new banking law, the liberalization of exchange regulations, the reorganization of public administration, and the adoption of an investment act to promote and facilitate private investments, exports and enterprise development.

32. Regarding *public expenditures*, Government policy has been to progressively shift spending from security to the social sectors and other priorities such as justice, reintegration and governance. Implementation of this policy has been mixed. While budget allocations reflected the policy, actual spending often did not. The discrepancies were due to a combination of poor budgeting and implementation capacity, shortfalls in external financing, and security expenditures in excess of the budgeted amounts, reflecting the conflicts in the region. Nevertheless, expenditures on the social sectors have been increasing in real terms, although at levels below budget allocations. In 1999, the Government decided to ring-fence social sector budgets to ensure that outcomes are consistent with allocations. The Government, with the assistance from the Bank and the IMF, is *closely monitoring* expenditures on the social sectors and security. Annex 3 discusses the key policies and factors affecting the spending on social sectors and security.

Box 2: Recent Reform Efforts (1998/99)

Land Reform: A draft land law is undergoing the cabinet review process before its presentation to the National Assembly. This law will ensure security of land tenure, eliminate gender discrimination in land ownership, improve land use and encourage land markets.

Labor Code: A revised labor code that removes all restrictions on labor mobility, eliminates gender discrimination, and multiple wage requirements was presented to the National Assembly in April 1999.

Agricultural product markets: The export tax on coffee was removed and the producer price on tea was raised by 37 percent in January 1999.

Agricultural input marketing: A policy that liberalizes the marketing of agricultural inputs has been prepared and will be adopted by cabinet in 1999.

Gender Equality: A draft amendment to the civil code to give women full rights to inherit and own property was approved by the cabinet and presented to the National Assembly.

Civil Service Reform: 3600 ghost employees were eliminated from the payroll, control of employment and payroll was strengthened. A census of the civil service identified a further 3000 ghost employees for removal. The monetization of the salaries of civil servants has led to a substantial reduction in the government vehicle fleet, with cars sold by public auction. A more rational structure of ministries was adopted in February 1999, with emphasis on key areas – land and resettlement, local government, energy and natural resources management.

Budget management was decentralized and an autonomous revenue authority was created in 1998. In 1999, a policy of increasing and ring-fencing social sector budgets was adopted.

Investment Promotion: An investment promotion act was adopted and a promotion agency created.

Privatization/liquidation of 22 state enterprises including hotels, the national airline, a sugar estate/factory, and a specialist hospital.

Telecommunications Privatization: Draft legislation prepared for cabinet consideration on a regulatory framework for a liberalized telecommunications sector.

A **new banking** law was passed by the National Assembly providing for effective prudential regulation of banks, strict rules of capital adequacy, provisioning and external auditing. **Exchange regulations** were further liberalized. Rwanda has accepted the obligations under Article VIII of the IMF statutes, formalizing convertibility for current account transactions..

Trade: The external tariff was reduced to a 25-15-5-0 structure.

C. Laying the foundation for long-term growth

33. Rwanda needs exceptional efforts to *develop its human resource base*. Annex 1 discusses the key issues and strategies for human development. The Government places high priority on human resource development and this is reflected by its efforts to elaborate strategies for the key sub-sectors -- education, health, water and sanitation -- and increase expenditures in these areas. In the short-term, the priorities are to strengthen the capacity to deliver improved services. The key step taken in 1998 was the establishment of the Kigali Institute of Education (KIE) and the Kigali Institute of Health (KIH), train educational and health workers respectively. KIE graduates will teach in secondary schools and teacher training colleges, which will enable the training of more primary school teachers. With more trained teachers, improved curricula and instructional materials, access and quality of education would be enhanced. In 1998, a social sector expenditure review was undertaken to guide resource allocation for the social sectors and provide the basis for enhanced donor funding of social sector programs.

34. Government is committed to the *empowerment of women* and ensuring the increased participation of women in decision making. The Ministry of Gender and Women in Development is now solely charged with championing the government's program to enhance women's integration in the development process. The National Assembly is expected to enact, by end September 1999, an amendment of the civil code, giving women the right to inherit and own property. In addition, the Government will adopt, by end December 1999, a comprehensive action plan for a systematic elimination of other forms of discrimination

against women and to improve their access to economic services and opportunities. Furthermore, the Ministry of Gender and Women in Development will conduct a nation-wide campaign to sensitize the population with the new provisions of the civil code. In the recent local elections, representation of women in elected local committees was mandatory, with reserved seats for women.

35. Regarding the *renewal of natural resources*, the Government has drafted a new strategy but concrete actions have yet to be taken. The portfolio for natural resources has been moved from the Ministry of Agriculture to a new Ministry of Land, Resettlement and the Environment. This is expected to give impetus to actions on the environment. The use of wood and wood products, as the main source of rural energy, has far-reaching implications for poverty and the degradation of the environment. The Bank plans to conduct a study to review rural energy needs, assess the efficiency of use of woodfuels, and the impact on poverty and the environment.

D. Building Partnerships

36. The financing of Rwanda's overall economic reform program is a manifestation of an emerging partnership between the Government and the donor community. At the Stockholm meeting in June 1998, the donors agreed that Rwanda should be treated as a *special case* for international assistance, endorsed its reform program and pledged funds to support it, set up the Multilateral Debt Trust Fund, and agreed to consider further support for human development as soon as the Government developed a coherent program. Some donors have made a long-term commitment of assistance to Rwanda, enabling them to engage in deep dialogue with the Government on a broad range of political and economic issues. The emerging partnership between the Government, the donors and the Bretton Woods institutions has led to a consensus on the importance of national integration, transparency, good governance, justice and human rights and poverty reduction in the search for national unity and reconciliation. However, donor support to Rwanda appears to be weakening, due in part to general concerns over aid to countries in conflict and specifically to Rwanda's involvement in the civil-war in the DRC. This aid fatigue has come at critical juncture in Rwanda's development, when reliable and flexible support is needed to consolidate the fragile peace and economic recovery that has been achieved, and when it is accelerating its economic reforms, that would make external assistance more effective.

III. IDA's Strategy and Instruments

37. The case for treating Rwanda as a *special case* remains valid today as in 1998. Rwanda needs exceptional international support in its efforts to tackle the legacy of the 1994 genocide, and the attendant difficulties in re-building a legitimate state and a tolerant society. A significant loss of international support would put an end to the efforts at reform and national reconciliation. With its assistance in the past four years, the Bank has already made a contribution to improving the lives of people in Rwanda (see Box 3). The continued strong presence of the Bank, supporting economic reform, stabilization, growth and poverty reduction, is essential for maintaining an effective international partnership.

A. Proposed Bank Program

38. In the 1998 CAS we presented a three-year vision for Rwanda but proposed a one-year program of support, on the grounds that the situation was fluid and we needed to preserve flexibility. We recognize that, while the situation remains fluid, good progress has been made and we therefore propose a two year program of support, covering the balance of the CAS period. At the end of FY01, we will prepare a new CAS, covering the period FY02-FY04, for presentation to the Board at the beginning of FY02.

Box 3: The Bank's Contribution to the Revival of Rwanda

Over the last five years, Bank support to Rwanda has made a difference in lives of people. The initial US$20 million grant in 1994 helped to resettle displaced people and provide valuable health and sanitation services. The two emergency credits that followed helped to stabilize the economy, raise spending for the social sectors, revive the private sector and create badly needed jobs. The existing portfolio of projects was refocused to provide needed services. Our education credit built and equipped 1600 new classrooms, rehabilitated 4200 classrooms and 7 secondary schools, helped design and introduce new curricula, and provided books. The PNAS project also constructed/rehabilitated 151 primary schools and
21 secondary schools. These investments, as well as those of other agencies (AfDB, EC, UNICEF and UNHCR) helped children to go back to school after the genocide. Rwanda has now attained a gross primary school enrollment of over 80 percent, from 73 percent in 1991/92, with girls comprising 50 percent of the students. The education project is supporting the development of an integrated teacher training program to facilitate in-service training of teachers. In the health sector our restructured health and population project has helped put in place an effective decentralized health system and improved the drug procurement and distribution system that improves efficiency and accessibility. The on-lending component of the private sector development project was quickly disbursed, providing needed finance for investors and stimulating private sector production and employment. We need to continue to focus our assistance on priority areas that improve the lives of people.

39. As noted in section I, Rwanda faces three related development challenges: the resettlement and reintegration of displaced families and other victims of the genocide and civil war, achieving peace and stability, and improving the standard of living of the population. The Bank's assistance would concentrate on improving living standards, recognized to be a key factor for achieving sustainable peace and stability. To be effective, the program needs to focus on the *empowerment of people*, and on *strengthening institutions* to sustain the development process and facilitate the integration of Rwanda into the global economy. Overall the Bank plans to focus on the following themes: (i) the revitalization of the rural economy, with the provision of the social and economic infrastructure required to improve living conditions, improve the functioning of rural markets and raise productivity; (ii) investment in human resource development including capacity building; (iii) policy and regulatory reforms to improve economic governance, promote the private sector and build a broad-based and inclusive economic system, and selected infrastructure investments to improve Rwanda's competitiveness and promote investments and exports; and (iv) improved donor coordination and resource mobilization. While concentrating on the economic side, the Bank will monitor developments in reintegration and national reconciliation through its ESW.

40. We propose to continue an active dialogue in traditional and non-traditional areas, through economic and sector work, the annual PFP discussions, and lending activities including policy-based lending. To be credible and effective, we will need to develop our own capacity for tackling the difficult challenges in Rwanda and the region, and work to strengthen the partnership framework. The scale of our efforts would be determined by the level of security in Rwanda and the sub-region, the performance on the economic reform program and the progress on governance and the overall transition program. Given the continuing volatility of the situation, our approach should be cautious as not to exacerbate the fragile social conditions, yet be able to contribute to building social capital, enhancing national reconciliation and reducing poverty. Our interventions will emphasize transparency and beneficiary participation in the design and implementation of the program and thus contribute to social capital formation.

41. As noted earlier, a strong *Government/donor partnership* is essential to effectively tackle the development problems facing Rwanda. Over the past two years, the Bank has worked with the authorities, donors and other development agencies to: review social sector expenditures, define the major elements of

civil service reforms, elaborate sector strategies in agriculture and education and design the economic reform program. We are currently assisting the Government to prepare the action plan to end all forms of discrimination against women. These joint activities intensify the dialogue with the authorities and give practical meaning to partnership. The Bank intends to work with the IMF and other donors to monitor budget performance and improve budget processes through a continuous process of review of public expenditures. On lending, we will continue to explore opportunities for co-financing and joint implementation of programs/projects to maximize effectiveness of aid. If requested by the Government, we would assist in organizing government/donor meetings. The United Kingdom is also working to strengthen the support of bilateral donors for Rwanda and we will continue to provide strong support to this effort.

1) Lending

42. **Current Portfolio**. The current IDA project portfolio consists of 9 projects, including the Community Reintegration and Development Project (CRDP) and the Economic Recovery Credit (ERC) approved in FY99. The ERC was approved by the Board on March 30, 1999 and became effective on May 26, 1999. In FY00, six of those projects will close. Since 1997, we have put emphasis on improving portfolio performance and monitoring the impact of our projects. As noted in the last CAS, the Resident Mission, has become actively involved in project supervision and this has been instrumental in improving portfolio performance. Overall, only one project is rated unsatisfactory. At the last CPPR in April 1999, the Bank and the Government agreed on measures to continue to improve the performance of the portfolio (see Annex 4). The Government welcomed the active role of the Resident Mission in project supervision and it was agreed that the Government and the Resident Mission will carry out portfolio reviews on a quarterly basis to facilitate timely response to problems.

43. **Lending.** We propose two lending scenarios, a base case and a low case. Our lending operations will have a strong poverty reduction focus, providing assistance in line with the themes mentioned above (para. 39). The proposed lending amount for the base case for FY00-01 would be in the range of US$120-160 million. Lending at the higher end of the range would only be justified if performance continues to improve. The proposed base case lending program for FY00-01 is shown in Annex B3. During FY00, we will begin preparations for a HIPC process for Rwanda, with a program possibly for FY01, provided that the reform program remains on track.

44. The base case program is predicated on: satisfactory progress in the reform program evidenced by the implementation of the agreements under the Economic Recovery Credit including: (a) satisfactory budget allocations to the social sectors and other priority areas, and ring-fencing these allocations; (b) privatization of the tea factories and estates; (c) satisfactory progress in removing the constraints to women's access to economic and social opportunities; (d) adoption of a market-based distribution systems for fertilizers and high yielding seed varieties; and (e) development of a system of public accounts to enhance budget transparency. In addition, the base case is also predicated on: (i) the Government taking actions to ensure that the budgets allocated to priority areas are reaching intended beneficiaries[7]; and (ii) continued satisfactory performance of the IDA portfolio.

45. We will adopt a *low case lending program* if the conditions for the base case are not met or the security situation in the country deteriorates substantially. In that case, the lending program would be limited to about US$20 million a year consisting of: (i) a scaled down human development project,

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7 The Bank, the Department for International Development (DFID) and the Swiss Cooperation are supporting efforts of the Government to monitor the flows of budget resources and associated services to final beneficiaries.

including an intervention in the health and sanitation sector, possibly with UNICEF, focussing on maintaining service delivery to poor communities; and (ii) a social fund intervention patterned on the Community Reintegration and Development Project (CRDP), to serve rural communities.

46. In view of the fluid situation in the Great Lakes sub-region, we will provide a concise update to the Executive Directors on the situation in Rwanda at the Board presentation of the last project for Rwanda in FY00. Should the situation in the region improve dramatically within the FY00 to FY01 period, and the reform and transition programs remain on track, we would prepare a new CAS, to seek enhanced assistance for Rwanda.

2) Economic and Sector Work

47. The non-lending program will help to deepen dialogue, manage the socio-economic reform process, build capacities and institutions and enhance partnerships. The proposed economic and sector work is shown in Annex B4. It includes a public expenditure/institutional review, a rural energy and environment study, an update of the PFP, in collaboration with the government and the staff of the IMF, and the analytical work for a HIPC program for Rwanda. The Bank will also work with other development partners on (i) issues pertaining to the development of the Great Lakes sub-region; and (ii) post conflict reconstruction issues, to strengthen our capacity to assist the Government and contribute to the wider debate and knowledge. A poverty assessment is planned for FY02, to be based on the data from a new household budget and expenditure survey planned for 2000 by the Government. We will continue to use our ESW as instruments for capacity building, and support capacity building initiatives of the Government, particularly in economic analysis and reform, public sector management, and economic governance through grant funding from the Development Grant Facility (DGF) and donor trust funds.

48. **Collaboration with the IMF and United Nations**. The Bank and the IMF staff have collaborated closely in the design and monitoring of macroeconomic and technical assistance programs in Rwanda as well as in the preparation of the PFP in 1998. The AfDB and the European Union, two other principal financial backers of the reform program participated in the PFP discussions.

49. To support the reform program, the IMF approved a three-year ESAF arrangement of SDR71 million in June 1998. Rwanda successfully implemented the first annual arrangement under the ESAF program and in late March 1999, the IMF Board endorsed the staff review to that effect. The IMF staff initiated discussions with the Government in May 1999 on the second annual arrangement. A mission is planned for July/August 1999 to finalize the discussions. The ESAF program is emphasizing the shifting of public expenditures to the social sectors. The Bank will work with the IMF to monitor progress in the reform program, particularly the expenditures on the social sectors and security.

50. The UN system, coordinated by the UNDP, is in the process of developing a common country assessment and strategy, and has been consulting the Bank on this process. The Government has sought a more active role by the Bank in donor coordination and we will continue to do so in the framework of the Round Table process. Rwanda has enormous needs for financial and technical assistance and gaps often emerge. We will work with the Government and the UNDP through the donor consultation process to ensure that these gaps are filled.

B. IFC and MIGA

51. **IFC**: In 1998, IFC made a loan to a company that produces roses for exports, its first project in post-war Rwanda. IFC is currently exploring an investment opportunity in Rwandacell, the provider of cellular telephone services in Rwanda.

52. **MIGA:** Rwanda ratified the MIGA convention in October 27, 1987 but has yet to pay the subscription fee. It intends to complete the process of joining MIGA in 1999.

IV. RISKS AND SUSTAINABILITY

53. **Risk factors**. The political risk, in the form of continued social unrest and military action in Rwanda and the Great Lakes region remains high. This will make political and economic reform efforts difficult and limit the impact of economic reforms. Financing from the international community in response to Rwanda's needs and performance remain uncertain. The coalition national unity Government, while it has been effective in managing the affairs of the country, remains fragile, and in addition, the technical capacity of the Government is weak. Dealing with an extremely difficult development agenda is a major challenge.

54. **Risk assessment**. Continued instability in the region, particularly in the DRC creates uncertainty for the future. Although Rwanda has been successful in controlling the insurgency from the *interahamwe militia*, their continued presence in the DRC is a source of insecurity. Good and cooperative relations with the DRC will be needed to eliminate this source of insecurity.

55. Economic reform is being carried out in this difficult environment. Government commitment to reform is very high; this is an important factor in progress in the reform agenda but technical capacity and financing from the donors are two major risk factors to the success of the reforms. The dialogue with Government on the CAS, the PFP and the Economic Recovery Credit has deepened the understanding of the structural constraints, the impact of the genocide, and the actions needed to accelerate the transition from emergency to development, promote national reconciliation and begin to make a dent on poverty.

56. International support for reconciliation through efforts to address the legacies of the genocide by assisting vulnerable groups to build stable and sustainable livelihoods, and to promote democratization, good governance and an effective system of justice, is critical to the success of the transition from conflict to peace and sustainable development. A relaxation of support for reintegration as well as the effort on the resolution of the conflict in the DRC, will be at the risk of prolonged human deprivation, social disharmony, escalation of violent conflict and renewed flows of refugees in the region.

57. The leverage of the international community is an important factor in reducing the risks of military actions. The engagement of the international community in the resolution of the broader problems of Rwanda and the sub-region would strengthen this leverage. The coordination of international actions, and open and frank dialogue between the Government international partners would also be essential in this regard. Coordinated international action to resettle and reintegrate refugees and the victims of genocide, support economic and political reforms, build capacity and develop human resources, would enhance national reconciliation and reduce the risks of social unrest.

V. Concluding Remarks

58. Building social capital, developing human resources and promoting national reconciliation are key aspects of the development process in Rwanda, but will take time and require sustained efforts. A stop-and-go approach will not work. A growing economy, with reduction in poverty and expanding and open economic opportunities, good governance and effective justice are critical to progress in national reconciliation. Consequently there is a need to manage the reform process well, sharpen the development agenda and address capacity problems. Rwanda is making progress in addressing the fundamental development problems it faces. It deserves to be supported.

James D. Wolfensohn
President

By Shengman Zhang

June 9,1999
Washington D.C.

RWANDA

CAS Progress Report

ANNEX 1: KEY DEVELOPMENT ISSUES AND STRATEGIES

A: Human Development

59. The acute lack of human capacity and poor health standards are major constraints to fighting poverty in Rwanda. The Government has put very high priority on human development – education, training, knowledge development and all aspects of health including sanitation, nutrition and population. In education and related fields, the immediate priorities are to (i) strengthen basic primary and secondary education, with relevant curricula, instructional materials, trained teachers and better resource management; and (ii) address the shortage of skilled manpower by improving quality and relevance at tertiary levels, strengthening training in science, technology, management and vocational training. In health, the priorities are to improve the delivery of primary healthcare, fight malaria, HIV/AIDS and other infectious diseases, and control population growth. These will be achieved by strengthening the decentralized health system, increasing the number of trained health personnel, and improving the coordination of donor support, the services of NGOs and the private sector. Budget allocations to the social sectors are increasing, with a goal of spending 40 percent of the recurrent budget on this sector by the year 2000. A social sector expenditure review just completed has provided the framework for enhanced funding of social services by the Government and donors.

60. **Gender issues:** Women constitute 54 percent of the population and 57 percent of the economically active population (20-64). Female and minor-headed households, which account for over 34 percent of all households, are the most vulnerable among the poor. Women have key responsibilities in the households, but discriminatory laws and practices in education, employment, inheritance of property have marginalized women and limited their contribution to the family and society. Women must be brought in fully into the society for Rwanda to move forward socially and economically. In this regard, the Ministry of Gender and Women in Development is charged with the responsibility to champion the Government's effort to empower women and enhance women's integration in the development process. The mandate of the ministry is to enhance positive change in attitude and promote community based organizational structures and programs that facilitate the empowerment and mainstreaming of women and other vulnerable groups in the development process. Specifically, the civil code is being amended to eliminate gender discrimination on inheritance and property rights. A review of the legal and other constraints to the development of women is underway, with a view to taking the necessary steps to eliminate them.

61. **Population:** Rwanda's population, estimated to be 8.1 million in 1999, is estimated to grow to 11.3 million in 2012, an average growth rate of 2.6 percent.[8] This projection assumes the total fertility rate declining from 6.5 in 1997 to 4.5 in 2012. The current growth rate of the population, estimated at 2.9 percent, is lower than the 3.1 percent intercensal rate between 1978 and 1991, but much higher than the 2 percent in 2000 envisaged by the Population Policy of 1990. The main elements of the Government's strategy for reducing the population growth rate are: information, education and communication (IEC), promotion of education and access to social and economic opportunities for females, and improving the

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[8] Source: **Republic du Rwanda: Enquête Socio-Démographique, 1996**; Ministère des Finances et de la Planification Economique; Office National de la Population; et Fonds des Nations Unies pour la Population, Kigali, 11 Juillet 1998.

availability of contraceptives. The Government plans a population census in 2001, following which it will develop a comprehensive population strategy.

B: Agriculture and Rural Development

62. Over 98 percent of the poor live in rural areas and are engaged in agriculture. Rural dwellers became increasingly poor due to the stagnation of agriculture and the rise in the rural population. The stagnation was due to structural constraints related to land, marketing and distribution, as well as ecological factors. A new Government strategy for the agricultural sector seeks to make the sector market-oriented, increase productivity and raise rural incomes. A new land law is under preparation. This will provide security of land tenure, improve land use and ensure the rights of women to land. Policies to liberalize marketing and distribution of agricultural inputs will be adopted in 1999. Improving soil conservation and management and farming methods through research, extension and information services are essential for raising productivity. The development of functioning goods, credit and land markets, and the promotion private, small scale enterprises in the rural areas, to create non-farm employment to generate cash incomes and take some pressure off the land, would enhance market-based agriculture.

63. There has been a marked deterioration of main and rural access roads in the last four years due to excessive loads by relief-related vehicles and severe damage by flooding, more recently associated with the El Nino weather pattern. Many households and communities, including new settlements, are thus isolated from the services and markets needed to improve their productivity and market their goods. The rehabilitation of the main and feeder roads as well as local market infrastructure would reduce isolation and link up these communities to larger markets.

C: Export Promotion

64. Rwanda's export receipts (goods and non-factor services) at about US$109 million and 5 percent of GDP in 1998 covers only about 20 percent of its imports. The external imbalance at 17-20 percent of GDP, currently covered by external grants and concessional borrowing, is unsustainable. With a high debt burden, the scope for external borrowing, even on highly concessional terms is limited. A rapid expansion of labor-intensive export-production is needed to reduce dependence on external aid, to underpin the economic growth, create employment and reduce poverty. The medium-term strategy for export expansion is to rehabilitate and expand traditional exports, mainly tea and coffee, and develop high value exports while reducing international transport costs.

65. **Access to External Markets.** Rwanda's geographical location is a constraint to a trade-oriented strategy and its participation in the global economy. Transport costs are very high due to the distance to the sea shipping lanes as well as inefficiencies and structural inadequacies in the current arrangements. It is estimated that the cost per tone to transport coffee from Rwanda to Mombassa is US$170 compared to US$105 for Uganda and US$90 for Kenya. Rwanda's strategy for dealing with the high transportation costs are (i) focus on high value exports, some which could be transported by air; (ii) improve the efficiency of transport; and (iii) diversify the routes to the sea. With respect to the later, the Government is considering a number of options including a railway line from Kigali to the Tanzania rail terminus at Isaka. The economic viability has not been assessed. Meanwhile, the scope exists for small investments on existing infrastructure, capacity building and policy changes to improve efficiencies and reduce costs.

D: Economic Liberalization

66. As the strategy is based on private sector-led growth in a liberal market-oriented economy, the Government intends to continue to deepen economic and institutional reforms to promote the private sector and develop exports, improve the competitiveness of the economy, create an environment that opens up economic and social opportunities to all Rwandese, including the women, and enhances the effectiveness, efficiency and transparency of the public sector. The Government is also committed to the integration of the Rwandese economy into the East African/Great Lakes region.

RWANDA

CAS Progress Report

ANNEX 2: MATRIX OF KEY POLICY ACTIONS

Themes/ Sub-themes	Objectives	Policy and Institutional Measures	Implementation
National Reintegration and Reconciliation	Rebuilding the social fabric and fostering the conditions for peaceful existence and respect for human rights	Assist new and old case load refugees and vulnerable groups for economic and social integration	Ongoing
		Establish and make operational the commissions for national reconciliation and human rights.	1998-1999
		Establish and make operational the commission for constitutional and legal affairs.	1999
		Strengthen the capacity to expedite the trials of suspected genocide perpetrators.	Ongoing
		Make operational the Genocide Survivors Assistance Fund.	Done, 1998
Decentralization and Participation	Build community spirit and enhance popular participation	Decentralize decision making and implementation, strengthen community participation, non-formal education and capacity building targeted at the rural population, especially the women.	Ongoing
Demobilization	Reintegrate demobilized soldiers and retrenched civil servants into productive civilian life	Provide short-term reinsertion and long-term economic and social reintegration assistance, including vocational training and credit programs for demobilized soldiers and other ex-combatants, and retrenched civil servants.	Ongoing
Revitalizing agriculture and the rural economy.	Improve living conditions in rural areas and reduce poverty generally	Formulate and adopt an agricultural sector strategy and action plan based on stakeholder consultation	Done, 1998
		Formulate a rural development strategy taking into account the above	1999
	A sustainable agricultural input distribution system to raise agricultural productivity	Develop and implement a market-based distribution system for fertilizers, high yielding seed varieties, and other inputs.	Sept. 1999
	Enhance security of land-tenure	Finalize and submit to the National Assembly a draft land law that provides security of tenure, confirms the land inheritance and ownership rights of women, and improves overall land use.	Dec. 1999
		Adoption of the land law	June 2001
Tea	Raise agricultural and rural cash incomes	Raise producer prices for tea.	Done, Feb. 1999
		Revise the price structure to pay a premium for high quality tea.	Jan. 2000
		Adopted a legal framework for the tea sector, including the revision of the mandate of OCIR-THE , converting it into an entity responsible for regulating, promoting and monitoring the performance of the tea sector.	March 2000

Themes/ Sub-themes	Objectives	Policy and Institutional Measures	Implementation
Coffee Sector		Eliminate the coffee export tax	Done, Feb. 1999
		Adopt a comprehensive strategy to revive the coffee sector including a revision of the legal mandate and attributions of OCIR-CAFE to convert into an entity to regulate, promote and monitor the performance of the coffee sector.	March 2000
		Abolish the Coffee Stabilization Fund	July 1999
Building Human Resources	Improve access to social services, particularly for the poor in rural areas	Raise the share of the social sectors (education, health, reintegration, water and sanitation) in the recurrent budget allocations to 37 percent of recurrent budget in 1999, and 40 percent in 2000.	1998-onwards
	Improve resource mobilization and use in the social sectors.	Update strategies for the social sectors and formulate medium-term policies, expenditure and financing frameworks for the social sectors and implement them.	1998-1999
Gender	Enhance the role of women in the society	Finalize and adopt the amendment to the civil code to eliminate discrimination against women with respect to inheritance and the rights to own property.	Sept 1999
		Conduct a nation-wide campaign to sensitize the population with the changes in the law to ensure its effectiveness.	1999-2000
		Prepare and adopt a comprehensive action plan to end all forms of discrimination against women and improve their access to social and economic services and opportunities.	Dec. 1999
Developing the Private Sector	Improve the environment for private sector investment and trade	Adopt a new and liberalized labor code to enhance labor mobility, abolish gender discrimination, eliminate wage controls and reduce labor costs.	June 1999
		Revise the Internal Trade Act to abolish price, profit and inventory controls, and the authority vested on the inspectors of commerce in their implementation.	June 2000
	Develop structured dialogue between the government and the private sector.	Abolish the government controlled Chamber of Commerce to allow the private sector to found a credible apex institution to conduct its dialogue with the Government.	Sept. 1999
	Promote foreign and domestic investment and trade	Adopt the Rwanda Investment Promotion Act	Done, 1998
		Establish the Rwanda Investment Promotion Agency to facilitate investments, promote exports and business development.	Ongoing
		Revise and adopt the mining code to attract investors.	March 2000
		Reduce the company tax from 40 percent to 35 percent	January 2001

Theme/ Sub-themes	Objectives	Policy and Institutional Measures	Implementation
Financial Sector	Improve the legal and regulatory framework for financial institutions	Adopt the revised commercial banking law.	Done
	Strengthen the position of the banks	Complete the financial audits for commercial banks.	Done, 1998
		Review, revise and adopt restructuring plans of each bank	1999
	Promote regional cooperation and trade	Harmonize the tariff code in line with the CBI.	Done, Jan 1999
Reforming the Public Sector	Develop a competent, effective and appropriately sized public sector.	Develop a vision for Rwanda's public sector (role of the state, organizational structure, process for reforming and managing the public sector institutions) to guide the reform of the public sector.	1997-1999
Privatization of State Enterprises	Reduce the role of the state and broaden economic ownership, and make productive use of state owned assets.	Identify the state enterprises for privatization and adopt a plan and a timetable for the divestiture of the identified state enterprises.	Done, 1998
		Develop a strategy and action plan for the privatization of tea factories and estates.	Sept 1999
		Privatize/liquidate identified state enterprises, including the 9 state-owned tea factories.	Ongoing
		Publish audited accounts of the telecommunications company (Rwandatel) for 1996 and 1997.	Done, Jan. 1999
		Prepare and adopt a telecommunications sector framework to permit private sector participation in the sector.	June 1999
		Adopt legislation to abolish the monopoly of Rwandatel in telecommunications, and, based on the above framework, to regulate the sector.	March 2000
		Privatize Rwandatel.	2000
		Prepare and adopt a plan to restructure the utility company ELECTROGAZ, splitting it into three entities responsible for electricity, water and gas companies.	Sept. 1999
		Adopt legislation to abolish the monopoly of ELECTROGAZ	Sept. 1999
		Identify the functions of these companies that can be performed better by the private sector and privatize them.	1999-2001
Reform of the Civil Service	Maintain effective control of the size of the civil service and the payroll.	Streamline civil service recruitment procedures. Conduct a census of the civil service to determine accurate numbers and profiles of employees.	Done, 1998
		Introduce a computer-based system to manage entry and exit of personnel from the civil service and payroll, facilitate the elimination of ghost employees from the payroll, avoid the emergence of new ghosts, maintain a systematic employee career records and maintain a level of employment consistent with Government policy.	Ongoing

Theme/ Sub-themes	Objectives	Policy and Institutional Measures	Implementation
	Upgrade the skill-level of the civil service and enhance national reintegration	Progressively reduce the number of unqualified staff from the civil service	Ongoing
		Reintegrate qualified returnees from exile into the service	
	Reorganization of the civil service	Design and adopt new organizational structures, for all ministries and agencies based on agreed role of the Government and the missions of its agencies	July 1999
		Identify positions and prepare job descriptions, develop and adopt a job classification/grading system for the civil service in the new organizational structure	July 1999
		Match existing civil servants to positions/grades in the new organizational structure	July-Oct. 1999
	Improve pay and incentive structure of the public service	Develop a revised pay structure with decompressed wage scale, monazite fringe benefits, and raise salaries	1998-2001
Reform the national budget	Prioritize budget expenditures	In addition to the social sectors, provide enhanced budget allocations to other budget priorities–national reconciliation, good governance including human rights, justice, public accountability and transparency	1999-2000
	Ensure that allocations and expenditures are consistent with the priorities.	Establish adequate budget classification	Jan. 2000
		Strengthen the capacity and process to develop a prioritized public investment program. Establish a central projects bureau with responsibility for donor coordination and facilitating and monitoring the implementation of development projects. Reorganize the arrangements for project implementation	Ongoing
	Improve effectiveness of managing public resources	Design and implement capacity building programs for MINECOFIN, BNR, Ministry of Public Services and Labor, and the planning and budgeting units of line ministries	Ongoing
	Enhance budget transparency and accountability	Develop a system of public accounts	1999-2000
		Establish and mal · operational the office of the auditor-general	Ongoing
		Establish a central tender board	Done
		Update its enabling law and operational policies to focus its activities on regulation, monitoring and enforcement	Sept. 1999

ANNEX 3: BUDGET PERFORMANCE AND FINANCING REQUIREMENTS

67. The budget of Rwanda consists of two parts: an *ordinary budget* which essentially covers the recurrent expenditures, and a *development budget* which is largely donor-financed and covers capital as well as some recurrent spending. Unlike the ordinary budget, information on spending on the development budget is not is easily available as spending is done by donor financed project units and does not go through the treasury. It is therefore not captured by the system in place that monitors expenditures on the ordinary budget. Efforts are underway to improve monitoring of these expenditures by the Government. The analyses below relate to spending on the ordinary or recurrent budget. Table A.1 below shows recurrent expenditures as a percentage of GDP, and Table A.2 shows the distribution of recurrent expenditures by sector. The discussion that follows focuses on the major areas of expenditures (social sectors, security, and external debt, as well as financing requirements).

Table A.1
Recurrent Expenditures by sector as % of GDP

	1996	1997	1998	1998	1999	2000	2001	2002
			budget	actual	budget	proj.	proj.	proj.
Total Expenditures	12.2	11.3	13.2	11.9	12.2	11.6	11.6	11.9
National Security	5.3	4.1	3.8	4.2	3.8	3.4	3.2	3.0
Military	n.a	n.a	3.3	3.6	3.2	2.9	2.6	2.5
National Police	n.a	n.a	0.6	0.6	0.6	0.5	0.6	0.5
Administrative Services	1.7	1.7	2.0	1.7	1.9	1.9	1.9	1.9
Justice	0.3	0.4	0.6	0.5	0.5	0.64	0.7	0.7
Other Administrative Services	0.0	0.0	1.4	1.2	0.8	1.25	1.2	1.2
Economic Services	1.3	1.2	1.5	1.4	1.5	1.5	1.5	1.5
Social Services	2.4	3.0	4.9	3.6	4.4	4.6	4.9	5.3
Education	2.0	2.5	2.8	2.2	2.8	3.0	3.2	3.5
Health	0.3	0.3	0.5	0.4	0.5	0.7	0.9	1.1
Other Social Services	0.1	0.3	1.6	1.0	1.1	0.9	0.8	0.75
Memo Items								
Interest on the Public Debt	1.5	1.2	0.9	1.0	0.7	0.8	0.7	0.7
Interest on Domestic Debt	0.7	0.5	0.3	0.4	0.3	0.2	0.17	0.16
Interest on External Debt	0.8	0.7	0.6	0.6	0.4	0.6	0.56	0.54

A: Social Sector Expenditures

68. Success in developing the economy and reaching the poor depends on the progress in raising and re-orienting public expenditures to priority sectors of health, education, water and sanitation, and increasing the effectiveness of public service delivery. The government had established a spending target of 40 percent of the recurrent budget for social services by 2000. Movement towards the target was reflected in the 1998 budget, with a share of 36 percent, but the share of actual expenditure came out to 30 percent or 3.6 percent of GDP. The under-spending was due in part to (i) short falls in external budget support resulting in an overall expenditure reduction of 9 percent; (ii) continuing high levels of expenditures on interests payments and security, including for the reintegration of ex-FAR soldiers into the army; (iii) the elimination of 3,000 ghost teachers and delays in hiring and regularizing new teachers; and (iv) capacity problems in the Ministry of Education as well as the then Ministry of Gender and Social Affairs.

Table A.2
Distribution of Recurrent Expenditures by Sector
(% of total recurrent expenditures)

	1996	1977	1998	1999 budget	2000 proj.	2001 proj.	2002 proj.
Total Expenditures	100.0	100.0	100.0	100.0	100.0	100.0	100.0
National Security	43.1	36.7	35.3	30.9	29.6	27.2	25.2
Military	n.a	n.a	30.1	26.2	24.8	22.4	21.0
National Police	n.a	n.a	5.2	4.7	4.8	4.8	4.2
Administrative Services	13.9	15.3	14.6	15.3	16.3	16.1	16.0
Justice	2.7	3.9	4.5	4.2	5.5	5.8	5.9
Other Administrative Services	0.0	0.0	10.1	11.1	10.8	10.3	10.1
Economic Services	11.4	10.6	11.5	12.5	12.9	12.9	12.6
Social Services	19.5	26.8	30.3	35.8	39.2	42.2	44.6
Education	16.3	21.8	18.6	22.7	25.7	27.7	29.3
Health	2.1	2.5	3.0	4.1	5.9	7.5	9.0
Other social services	1.1	2.4	8.7	9.0	7.6	7.0	6.3
Memo items							
Interest on Domestic Debt	5.8	4.7	3.1	2.1	1.64	1.46	1.30
Interest on External Debt	6.4	6.0	5.1	3.5	5.13	4.84	4.56

69. In 1998, The Government undertook, with the assistance of the World Bank and the UK's Department for International Development (DFID), a social sector expenditure review (SSER) of the health, education, water and sub-sanitation sectors. In the framework of the SSER, the budget for 1999 budget provided for increases in the budgets for the health and education sectors, bringing the share of the social sectors to 35.8 percent of the recurrent budget and 4.4 percent of GDP. For the 1999 budget, the Government has adopted a policy to protect the budget allocations to the education and health sectors in the event of shortfalls in budgetary resources. Furthermore, in the context of the SSER, the Government is seeking additional resources from its external partners for spending on the social sectors. If these additional resources were to become available in 1999, the budget allocations would be accordingly revised, with emphasis on increasing spending for primary and secondary education.

B: Security Expenditures

70. The civil war that started in 1990 led to a substantial change in the allocation of Government expenditures, with an increase in the share of security-related expenditures[9] and a significant decline in the share of social sectors. Security expenditures rose from 2 percent of GDP in 1985 to 6 percent in 1992, declining to 4.1 percent in 1997. They have remained high in the post-war period, despite the Government's efforts to reduce them through the demobilization of soldiers and efficiency improvements. While peace has been restored in most of the country, security concerns continue to be a major preoccupation of the Government.

71. Military operations to contain the insurgencies by the *interahamwe* militia have prevented the reduction in security expenditures in the manner envisaged. The two wars (1996-97 and 1998-present) in Zaïre/DRC were a factor in the increase in the military spending above budgeted levels. Another important

[9] The term security expenditures used in tables 2 and 3 refer to the expenditures for the military (national defense) and for internal law enforcement (national police or *gendarmerie*).

factor in 1998 was the reintegration, in accordance with the Arusha Accord, of 10,000 ex-FAR soldiers into the army. This exercise was not provided for in the budget and its cost amounted to about 0.15 percent of GDP, or 50 percent of the excess expenditure over the budget. The Government has reaffirmed its commitment to reduce military spending and spend more on the social sectors, in accordance with the stated policy. Progress on reducing military expenditures will ultimately depend on improvements in security in the region, particularly along the DRC-Rwanda borders.

72. As wages account for about 60 percent of military expenditures, a reduction in the size of the army will be required to reduce spending. The Government, with the assistance of the Bank and the UNDP has designed a demobilization program which involves counseling, cash payments, vocational training schemes and micro-credit for the demobilized soldiers. The plan is to demobilize 25,000 soldiers in four phases, to be completed in 2002. In the first phase, 5000 soldiers, including child soldiers, were demobilized. The latter were reunited with their families and integrated into formal education. The second phase was carried out in December 1998 and involved 3,600 soldiers. The third phase of the exercise, to be implemented in 1999-2000, will involve the demobilization of 11400 soldiers. The program requires financial support from the donors to be successfully implemented.

C: External Debt

73. Rwanda's external debt stock amounted to US$1.2 billion, equivalent to59.3 percent of GDP, at the end of 1998. The estimated present value of outstanding external debt at the end of 1998 was 562 percent of exports, and is expected to remain above 350 at the end of the next 5 years. In July 1998, the Rwanda obtained debt relief on the Naples terms from the Paris Club. However, this provides Rwanda only limited relief as multilateral creditors account for over 80 percent of its debt. With the assistance of the Bank, a Multilateral Debt Trust Fund (MDTF) has been set up to service Rwanda's debts to IDA, the African Development Bank (AfDB) and the International Fund for Agricultural Development (IFAD) 1999-2001. With contributions from several bilateral donors, the MDTF will considerably ease Rwanda's debt burden until it qualifies for assistance under the HIPC program.

D: Financing Requirements

74. Although the fiscal situation has improved significantly since 1994, reflecting the recovery of the economy, and efforts to strengthen revenue administration, the projected fiscal deficit is still large, with a budget gap of US$310 million in 1999-2002 (see Table A.3). At the Stockholm donors meeting in June 1998, pledges of budget support totaled US$250 million, including the contributions to the Multilateral Debt Trust Fund (MDTF) for Rwanda. These pledges and expected debt relief were to cover the gap for three years, 1998-2000. However, little disbursement took place in 1998, thus the pledged amount will also cover the financing gap for 2001. The Government and the donors recognized that the financing gap was estimated from very conservative budget projections, inadequate to effectively contribute to a rapid transition, and address key priorities such as human resource development, justice and governance. The donors therefore agreed to revisit Rwanda's needs, and as a start requested a social sector expenditure review, as a basis for enhanced contributions to support human resource development.

75. Disbursements on the pledged support were delayed due in part to donor concerns over Rwanda's involvement in the war in the DRC. Disbursements resumed in December 1998, with the UK disbursing part of its support to the program, followed by a disbursement to the MDTF in January 1999. Sweden also disbursed its assistance to the MDTF in February 1999. The Government and the European Commission signed the agreement for a budget support of EU50 million in early May 1999 and the first disbursement was made at the end of the month. The Netherlands will likely make its initial contribution to the MTDF in mid-1999. The AfDB disbursed the first tranche of US$12 million under its SAL to the program in December 1998.

Table A.3
Rwanda: Budget Financing Gap, 1995-2002

	1995	1996	1997	1998	1999 Budget	2000 Proj.	2001 Proj.	2002 Proj.
Financial Requirements	65.5	86.2	115.5	149.9	190.4	188.6	208.2	226.8
Current expenditure	42.0	53.7	64.0	75.3	91.5	102.2	113.1	121.3
Capital Expenditure	27.4	39.4	46.1	42.3	71.2	76.5	84.4	94.1
Amortization of Debt	6.5	5.9	7.0	7.3	8.1	9.5	10.7	11.4
Change in Arrears[1]	-13.3	-9.4	-1.6	23.0	18.6	0.0	0.0	0.0
Financing	63.5	85.5	115.6	122.1	136.9	162.9	188.6	212.7
Revenues	23.1	39.5	58.1	66.0	80.3	96.7	116.9	135.2
Grants	38.4	31.4	37.8	33.0	42.5	44.6	48.7	52.6
Net Lending	0.0	0.0	0.5	0.2	0.5	0.0	0.0	0.0
External Financing	13.9	16.5	18.6	23.5	23.6	26.6	27.4	29.9
Reschedg & Refinancing	0.0	0.0	0.0	25.8	2.8	3.1	0.9	0.0
Domestic financing	-12.7	4.5	0.6	-0.6	-10.0	-5.0	-4.4	-5.0
Financial Gap (bill. FRW)	0.0	0.1	0.1	0.0	-50.7	-22.2	-18.6	-14.1
Memo Items								
Financial Gap (mill. $US)	0.0	0.3	0.3	0.0	-153.4	-65.1	-52.8	-38.8
Expected Financing (mill. $US)								
Debt Relief					59.2	14.1	7.5	0.0
Budgetary Support					115.0	78.8	50.4	40.4
Exchange Rate (RWF per dollar)	262.2	306.8	301.5	312.3	330.5	341.3	352.1	363.0

1. (+ = reduction)
The 1998 projected reduction in arrears includes, for the external ones, only those to multilaterals and Paris Club creditors.

ANNEX 4: REVIEW OF THE PORTFOLIO

Portfolio Implementation Experience

The IDA portfolio, as of May 13, 1999, is comprised of 9 credits, with a total commitment value of US$277.8 million. It consists of three projects in infrastructure (Transport, Second Communications, Energy), four in the social sectors (Education, Health, Food Security and Social Action and Community Rehabilitation and Development Fund), one on economic recovery and reform and one private sector development project. The average age of the portfolio is 5.9 years, largely due to the disruption caused by the 1994 civil war and the slow pace of resumption of project activities 1995/1996. Two out of nine operations (Private Sector, and Second Communications) are expected to close by the end of the end of FY99 and four more (Health and Population, Energy, Education and Food Security and Social Action) will close by the end of CY99.

The performance of the portfolio continued to improve during FY98 as a result of systematic implementation of action plans and monitoring of performance indicators, stepped up policy dialogue at the sector and macro levels, increased supervision efforts and the closing of low performing projects. The overall quality of the Rwanda portfolio is now rated satisfactory. The number of actual problem projects in the portfolio has fallen from 3 in mid FY98 to on in FY99, with the Energy Sector Project as the only problem project. Unless progress is made on key energy sector reforms, this project will be closed by June 1999. The Private Sector and Second Communications Projects, previously rated unsatisfactory, have been upgraded to satisfactory on the basis of recent progress in implementation.

The last Country Portfolio Performance Review (CPPR) exercise was held April 12, 1999 in Kigali. Bank staff and the Government discussed ways to continue to strengthen the management of the portfolio and the lessons for the future conception of the portfolio. Overall, it was noted that, compared to FY97, there has been significant improvement in disbursement on investment operations, as well as in procurement, accounting and auditing; and to some extent in management and ownership. Disbursements on investment projects increased from US$33.99 million in FY97 to US$35.6 million in FY98 (i.e., a 5% increase). There was also substantial progress on other generic aspects including the availability of counterpart funds, integration of project implementation units (PIUs) in line ministries and training in Bank procurement procedures.

The CPPR discussions noted that the increased role of the Resident Mission in portfolio management contributed substantially to the improvements in the Rwanda portfolio. It was recommended therefore, that the Resident Mission continue to collaborate with the Government in carrying out portfolio reviews on a quarterly basis to facilitate timely response on issues of project implementation. The CPPR also noted that project supervision was the joint responsibility of the Bank and the Government and thus the latter should take a more active posture in project supervision and evaluation. It was recommended that prior to the arrival of Bank supervision mission, the Government should prepare an update on the implementation of the project concerned and submit to the Resident Mission to be used as a working document by the supervision team. It was further agreed that CEPEX, the Government project implementation coordinating and monitoring unit, should follow up on the implementation of the recommendations of supervision teams.

The Country Department will continue to pay particular attention to the quality at entry and consistency of new projects under preparation with the CAS objectives. Particular attention is being paid to: (i) integrating precise criteria for evaluating project impact into project design; (ii) simplification of project design by limiting the number of components and clearly defining objectives; (iii) making use of lessons learned from pilot operations, closed projects and Operations Evaluation Department (OED) evaluations; (iv) strengthening Government ownership and beneficiary participation; and (v) ensuring consistency with macro and sector policies.

CAS TABLES

Annex A1

Key Economic & Program Indicators - Change from Last CAS

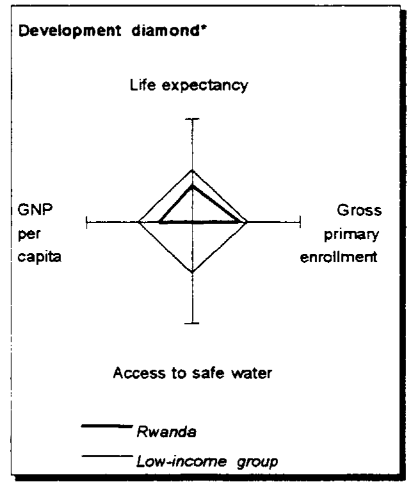
	Forecast in Last CAS				*Actual*		*Current CAS Forecast*			
Economy (CY)	*1997*[a]	*1998*[b]	*1999*[b]	*2000*[b]	*1997*[c]	*19998*	*1999*	*2000*	*2001*[b]	*2002*[b]
Growth rates (%)										
GDP	13.0	9.0	8.5	7.5	10.9	10.0	8.0	8.0	7.5	6.5
Exports	-4.8	-5.1	2.7	10.3	13.4	-12.2	16.1	15.1	10.8	14.9
Imports	48.4	-14.0	-4.0	-2.5	43.0	4.7	17.6	6.1	5.9	4.2
Inflation (%)	6.0	7.5	5.7	5.2	12.0	6.8	5.0	5.0	5.0	5.0
National accounts (% GDP)										
Current account balance	-10.2	-11.0	-10.1	-9.3	-7.7	-8.3	-11.5	-10.8	-10.1	-8.4
Gross investment	19.0	18.3	18.7	19.2	10.0	9.9	16.0	16.5	18.0	18.9
Public finance (% GDP)										
Fiscal balance	-2.5	-2.8	-5.4	-4.5	-2.9	-7.3	-6.3	-4.2	-3.4	-2.6
Foreign financing	7.2	8.0	5.7	6.2	6.7	5.1	5.7	5.3	5.2	5.0
International reserves (as months of imports)	5.4	5.8	5.8	5.4	5.4	6.2	6.0	4.9	3.4	2.1
Program (Bank's FY)	*FY97*[a]	*FY98*[b]	*FY99*[b]	*FY00*	*FY97*[c]	*FY98*[c]	*FY99*[d]	*FY00*[b]	*FY01*[b]	*FY02*[b]
Lending ($ million)	-	-	80.0	-	80.0	45.0	-	60	90	-
Gross disbursements ($ million)	34.86	70.30	70.0	n.a.	34.86	70.30	81.0	40.0	50.0	60.0

a. Estimated year
b. Projected year
c. Actual outcome

Rwanda at a glance

6/3/99

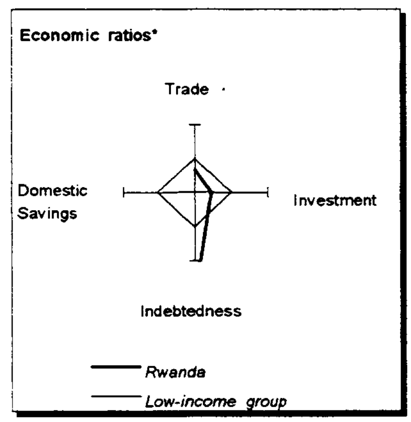
POVERTY and SOCIAL	Rwanda	Sub-Saharan Africa	Low-income
1997			
Population, mid-year *(millions)*	7.9	612	2,036
GNP per capita *(Atlas method, US$)*	210	510	350
GNP *(Atlas method, US$ billions)*	1.7	311	712
Average annual growth, 1992-98			
Population *(%)*	1.7	2.6	2.0
Labor force *(%)*	2.3	2.7	2.4
Most recent estimate (latest year available, 1992-98)			
Poverty *(% of population below national poverty line)*	70	..	..
Urban population *(% of total population)*	6	32	28
Life expectancy at birth *(years)*	42	51	59
Infant mortality *(per 1,000 live births)*	125	91	82
Child malnutrition *(% of children under 5)*	29	..	..
Access to safe water *(% of population)*	..	47	69
Illiteracy *(% of population age 15+)*	40	42	46
Gross primary enrollment *(% of school-age population)*	80	77	93
Male	80	84	100
Female	79	69	82



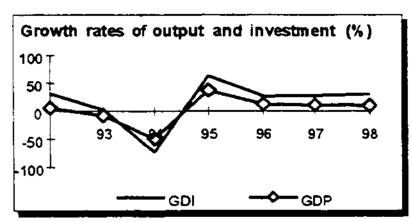
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1977	1987	1997	1998
GDP *(US$ billions)*	0.77	2.2	1.9	2.1
Gross domestic investment/GDP	15.1	15.7	10.0	9.9
Exports of goods and services/GDP	14.3	7.5	7.7	5.3
Gross domestic savings/GDP	11.7	4.0	-7.7	-7.3
Gross national savings/GDP	19.6	9.2	-1.0	-3.3
Current account balance/GDP	2.8	-6.5	-7.7	-8.3
Interest payments/GDP	0.1	0.3	0.6	0.6
Total debt/GDP	11.3	28.1	63.2	59.6
Total debt service/exports	0.9	13.8	23.8	34.5
Present value of debt/GDP	0.0	0.0	33.2	33.1
Present value of debt/exports	0.0	0.0	403.3	578.4

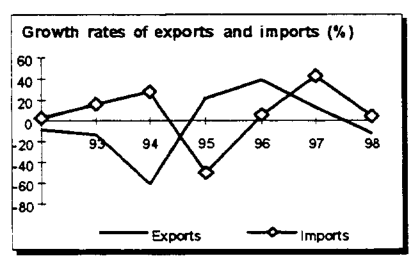
	1977-87	1988-98	1997	1998	1999-03
(average annual growth)					
GDP	4.4	-3.6	10.9	10.0	7.0
GNP per capita	1.1	-4.6	-5.6	6.7	3.7
Exports of goods and services	7.6	-9.6	13.4	-12.2	13.4



STRUCTURE of the ECONOMY	1977	1987	1997	1998
(% of GDP)				
Agriculture	51.1	41.3	37.5	34.0
Industry	23.3	19.5	26.0	23.5
Manufacturing	15.6	11.8	19.0	15.9
Services	25.6	39.2	36.5	42.5
Private consumption	71.0	82.5	97.0	96.3
General government consumption	17.3	13.5	10.7	11.0
Imports of goods and services	17.7	19.1	25.4	22.4



	1977-87	1988-98	1997	1998
(average annual growth)				
Agriculture	2.4	-4.9	7.8	9.1
Industry	6.3	-2.3	16.4	9.8
Manufacturing	6.1	1.4	16.6	10.4
Services	9.4	-3.0	9.9	11.2
Private consumption	4.1	0.0	20.8	5.6
General government consumption	4.2	-4.3	-2.6	27.7
Gross domestic investment	11.4	-7.0	28.3	30.0
Imports of goods and services	9.5	5.9	43.0	4.7
Gross national product	4.4	-3.6	10.8	9.9

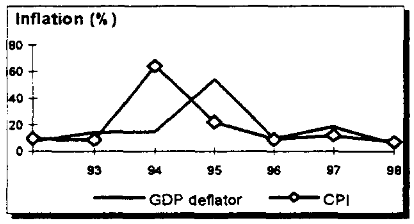


Note: 1998 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

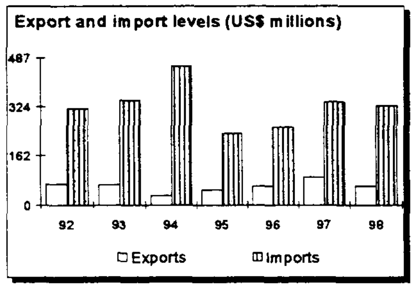
PRICES and GOVERNMENT FINANCE

	1977	1987	1997	1998
Domestic prices				
(% change)				
Consumer prices	13.7	4.1	12.0	6.8
Implicit GDP deflator	13.5	0.7	18.6	5.2
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	13.5	17.1	15.2
Current budget balance	..	-0.1	5.7	3.6
Overall surplus/deficit	..	-9.6	-2.5	-2.8



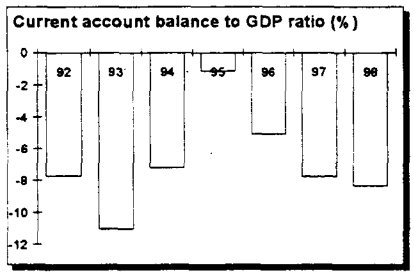
TRADE

	1977	1987	1997	1998
(US$ millions)				
Total exports (fob)	126	114	93	62
Coffee	..	92	45	27
Other agriculture	..	8	21	23
Manufactures	..	2	18	9
Total imports (cif)	..	313	343	329
Food	..	24	54	49
Fuel and energy	..	52	32	40
Capital goods	..	96	62	61
Export price index *(1995 100)*	..	79	117	89
Import price index *(1995 100)*	..	86	95	87
Terms of trade *(1995 100)*	..	93	123	103



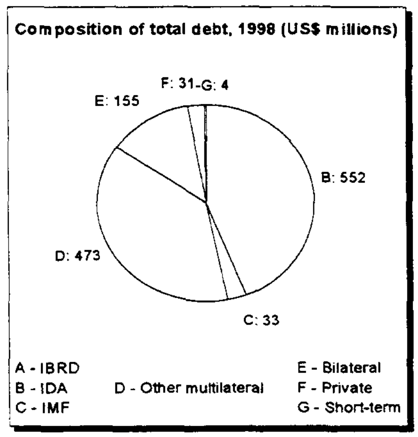
BALANCE of PAYMENTS

	1977	1987	1997	1998
(US$ millions)				
Exports of goods and services	137	160	144	109
Imports of goods and services	177	412	474	467
Resource balance	-39	-252	-330	-358
Net income	-4	-14	-15	-6
Net current transfers	65	126	201	191
Current account balance	21	-140	-144	-173
Financing items (net)	-23	5	181	196
Changes in net reserves	2	135	-37	-23
Memo:				
Reserves including gold *(US$ millions)*	83	164	153	170
Conversion rate *(DEC. local/US$)*	92.8	79.7	301.5	312.3



EXTERNAL DEBT and RESOURCE FLOWS

	1977	1987	1997	1998
(US$ millions)				
Total debt outstanding and disbursed	87	605	1,176	1,240
IBRD	0	0	0	0
IDA	30	251	558	552
Total debt service	1	24	37	41
IBRD	0	0	0	0
IDA	0	3	10	11
Composition of net resource flows				
Official grants	0	0	0	0
Official creditors	24	92	67	41
Private creditors	4	0	30	154
Foreign direct investment	0	0	0	0
Portfolio equity	0	0	0	0
World Bank program				
Commitments	14	38	0	0
Disbursements	9	39	83	55
Principal repayments	0	1	6	6
Net flows	9	39	77	49
Interest payments	0	2	4	5
Net transfers	9	37	73	44



Rwanda - Selected Indicators of Bank Portfolio Performance and Management

Indicator	1996	1997	1998	1999
Portfolio Assessment				
Number of Projects under implementation[a]	12	12	11	9
Average implementation period (years)[b]	5.43	5.82	6.53	6.05
Percent of problem projects[a, c]				
by number	58.33	41.67	18.18	11.11
by amount	57.55	26.94	13.01	9.35
Percent of projects at risk[a, d]				
by number	100.00	90.91	55.56	33.33
by amount	100.00	81.66	44.06	17.50
Disbursement ratio (%)[e]	24.91	22.82	45.50	34.40
Portfolio Management				
CPPR during the year (yes/no)	Yes	Yes	Yes	Yes
Supervision resources (total US$'000)	623.99	902.09	801.82	783.26
Average Supervision (US$'000/project)	52.00	75.17	72.89	71.21

Memorandum item	Since FY80	Last five FYs
Projects evaluated by OED		
by number	32	14
by amount (US$ millions)	508.45	332.00
Percent rated U or HU		
by number	56.25	71.43
by amount	60.39	73.70

a. As shown in the Annual Report on Portfolio Performance (except for current FY)
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: investment projects only.

Rwanda - Bank Group Program Summary, FY 2000-2001

Proposed IBRD/IDA Base Case Lending Program, FY 2000-2001[a]

FY	*Project*	*US$(M)*	*Strategic rewards[b] (H/M/L)*	*Implementation[b] risks (H/M/L)*
	FY2000			
	Agriculture and Rural Market Development (LIL)	5.0	H	H
	Human Resources Development	35.0	H	H
	Rural Water Supply	15.0	H	M
	Regional Trade Facilitation	5.0	H	M
	Subtotal	**60.0**		
	FY2001			
	Agriculture and Rural Development.	50.0	H	M
	Trade and PSD	40.0	H	H
	Subtotal	**90.0[c]**		
	Total for FY 2000-2001	**150.0**		

Indicative Program for FY2002 & Beyond

Urban Infrastructure, Institutions and Employment
Institutional Reform Credit
AIDS, Health and Population
Multi Sector Project[d]
Rural Transport Rehabilitation
Decentralization Support
Energy and Environment
Regional Infrastructure Facilitation

a. This table presents the proposed program for the next two fiscal years.
b. For each project, indicate whether the strategic rewards and implementation risks are expected to be high (H), moderate (M), or low (L).
c. Amount of lending subject to performance.
d. Project will provide catalytic support for institution building in key areas: public administration, governance including corruption, justice, and gender, and serve to galvanize support in those areas.

Rwanda—Summary of Non-lending Services

Product	*Completion FY*	*Cost(US$000)*	*Audience*[a]	*Objective*[b]
Recent completions				
Agriculture Sector Strategy	98		G, D	PS, PD
Public Expenditure Review	98		G, D	PS
Debt Sustainability Analysis/Strategy	98		G,D,B	PS
Poverty Assessment Update	98		G, D, PDS	PD
Social Sector Expenditures and Financing	99		G, D, PDS	PS, PD
Planned				
Public Expenditure/Institutional Review	00		G,D,B,PDS	PS,PD
Policy Framework Paper	00		G,D	PS
Rural Energy and Environment	00		G, PDS	KD, PD
HIPC Preparation	01		G,D,B	PS
Post Conflict Reconstruction Issues	01		G,D,B,PDS	KG,PD
Regional Development	02		G,D,B,PDS	KG,PD
Growth and Competitiveness	02		G,D,PDS	PS,PD
Second Poverty Assessment (Initiation)	02		G,D,PDS	PD

a. Government (G), donor (D), Bank (B), public dissemination (PDS).
b. Knowledge generation (KG), public debate (PD), problem-solving (PS).

Rwanda Social Indicators

	Latest single year			Same region/income group	
	1970-75	1980-85	1992-97	Sub-Saharan Africa	Low-income
POPULATION					
Total population, mid-year (millions)	4.4	6.1	7.9	612.4	2,035.8
Growth rate (% annual average)	3.2	3.2	1.2	2.2	1.7
Urban population (% of population)	4.0	5.0	5.9	32.3	28.4
Total fertility rate (births per woman)	8.3	8.1	6.2	5.5	4.0
POVERTY					
(% of population)					
National headcount index	..	..	70.0	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNP per capita (US$)	100	270	210	510	350
Consumer price index (1995=100)	13	31	107	118	122
Food price index (1987=100)	..	..	..	..	..
INCOME/CONSUMPTION DISTRIBUTION					
(% of income or consumption)	..	28.9	..	..	..
Lowest quintile	..	9.7	..	..	..
Highest quintile	..	39.0	..	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	..	2.5	1.0
Education (% of GNP)	2.3	3.1	..	4.3	..
Social security and welfare (% of GDP)	0.2	0.4	..	..	..
Net primary school enrollment rate					
(% of age group)					
Total	..	60	80	..	..
Male	..	61	80	..	..
Female	..	59	79	..	..
Access to safe water					
(% of population)					
Total	67	..	..	47	69
Urban	81	..	..	74	80
Rural	66	..	..	32	66
Immunization rate					
(% under 12 months)					
Measles	..	52	66	58	74
DPT	..	50	77	53	76
Child malnutrition (% under 5 years)	..	..	29	..	..
Life expectancy at birth					
(years)					
Total	45	46	40	51	59
Male	43	45	39	49	58
Female	46	48	42	52	60
Mortality					
Infant (per thousand live births)	142	124	124	91	82
Under 5 (per thousand live births)	210	..	209	147	118
Adult (15-59)					
Male (per 1,000 population)	502	503	585	428	274
Female (per 1,000 population)	403	409	534	375	255
Maternal (per 100,000 live births)	..	..	..	..	..

World Development Indicators 1999 CD-ROM, World Bank

Rwanda - Key Economic Indicators

Indicator	Actual			Estimate		Projected			
	1994	1995	1996	1997	1998	1999	2000	2001	2002
National accounts (as % GDP at current market prices)									
Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture[a]	40.1	36.5	37.2	36.6	33.2	32.4	31.6	29.6	28.0
Industry[a]	21.0	21.8	23.2	25.4	22.9	22.8	22.6	22.1	22.3
Services[a]	37.8	39.7	37.1	35.6	41.5	41.5	42.0	44.5	43.2
Total Consumption	154.5	111.6	109.8	107.7	107.3	103.0	101.2	98.6	96.3
Gross domestic fixed investment	4.3	8.6	10.3	10.0	9.9	16.0	16.5	18.0	18.9
Government investment	2.7	7.9	9.2	8.2	6.5	9.5	9.1	8.9	8.8
Private investment (includes increase in stocks)	1.6	0.7	1.1	1.8	3.4	6.5	7.4	9.1	10.0
Exports (GNFS)[b]	6.3	5.0	6.0	7.7	5.3	5.1	5.1	5.3	5.9
Imports (GNFS)	65.1	25.2	26.1	25.4	22.4	24.1	22.8	21.9	21.1
Gross domestic savings	-54.5	-11.6	-9.8	-7.7	-7.3	-3.0	-1.2	1.4	3.7
Gross national savings[c]	-2.9	7.5	4.1	-1.0	-3.3	-0.9	0.8	3.3	5.4
Memorandum items									
Gross domestic product (US$ million at current prices)	750.3	1326.0	1391.7	1862.7	2081.7	2241.1	2460.9	2685.0	2917.7
Gross national product per capita (US$, Atlas method)	150.0	190.0	200.0	210.0	250.4	269.1	290.5	311.4	297.7
Real annual growth rates (%, calculated from 1976 prices)									
Gross domestic product at market prices	-49.5%	36.8%	12.1%	10.9%	10.0%	8.0%	8.0%	7.5%	6.5%
Gross Domestic Income	-48.8%	34.8%	11.4%	16.2%	8.0%	7.4%	8.1%	7.9%	7.3%
Real annual per capita growth rates (%, calculated from 1976 prices)									
Gross domestic product at market prices	-38.9%	33.2%	6.7%	-5.5%	6.8%	4.9%	4.9%	4.4%	3.4%
Total consumption	-6.7%	-9.5%	3.2%	0.5%	4.7%	6.3%	3.7%	3.4%	1.9%
Private consumption	3.9%	-13.8%	1.4%	3.0%	2.6%	7.4%	3.0%	3.6%	1.9%

(Continued)

Rwanda - Key Economic Indicators
(Continued)

Indicator	Actual 1994	1995	1996	1997	Estimate 1998	1999	Projected 2000	2001	2002
Balance of Payments (US$m)									
Exports (GNFS)[b]	47.5	66.6	83.5	144.0	109.3	113.8	126.4	143.3	172.4
Merchandise FOB	32.2	50.4	62.0	93.0	62.4	66.0	74.9	87.2	105.8
Imports (GNFS)[b]	488.3	334.0	362.6	474.0	467.1	540.2	561.3	588.7	615.3
Merchandise FOB	367.4	194.1	213.3	277.4	261.1	315.6	342.3	369.1	396.5
Resource balance	-440.8	-267.4	-279.1	-330.0	-357.8	-426.4	-434.9	-445.4	-442.9
Net current transfers (including official current transfers)	390.9	247.2	222.7	200.8	190.8	180.9	182.1	183.2	201.0
Current account balance (after official capital grants)	-47.0	54.5	-2.9	-57.2	-101.9	-161.7	-168.4	-168.5	-137.1
Net private foreign direct investment	0.0	2.0	2.2	2.6	7.1	5.4	6.3	7.0	8.6
Long-term loans (net)	-12.5	28.4	32.0	42.9	51.5	44.6	49.9	47.2	51.0
Official	20.0	33.3	40.5	67.4	40.9	20.1	19.4	19.0	38.4
Private	-32.5	-4.9	-8.5	-24.5	10.6	24.5	30.5	28.2	12.6
Other capital (net, including errors and omissions)	63.2	-50.8	-22.3	48.3	66.4	151.5	101.9	75.2	36.1
Change in reserves[d]	-3.7	-34.1	-9.1	-36.6	-23.1	-39.8	10.3	39.1	41.4
Memorandum items									
Resource balance (% of GDP at current market prices)	-58.8%	-20.2%	-20.1%	-17.7%	-17.2%	-19.0%	-17.7%	-16.6%	-15.2%
Real annual growth rates (1976 prices)									
Merchandise exports (FOB)	-45.2%	15.0%	42.6%	26.3%	-39.0%	30.7%	7.7%	11.2%	9.9%
Primary	-58.5%	17.0%	46.2%	-8.3%	2.0%	14.7%	11.5%	14.3%	11.8%
Manufactures	-38.8%	175.0%	-15.5%	2.8%	2.3%	2.5%	2.8%	10.1%	20.5%
Merchandise imports (CIF)	2.5%	10.7%	5.2%	48.4%	-14.0%	-4.0%	-2.5%	4.4%	4.7%
Public finance (as % of GDP at current market prices)[e]									
Current revenues	4.6	17.7	16.6	17.1	15.2	16.6	16.8	17.5	17.8
Current expenditures	13.5	12.1	13.1	11.4	11.6	12.4	12.2	12.0	11.5

(Continued)

Rwanda - Key Economic Indicators
(Continued)

Indicator	Actual			Estimate		Projected			
	1994	1995	1996	1997	1998	1999	2000	2001	2002
Current account surplus (+) or deficit (-)	-6.2	4.1	-0.2	-3.2	-5.0	-7.2	-6.9	-6.3	-4.7
Capital expenditure	2.7	7.9	9.2	8.2	6.5	9.5	9.1	8.9	8.9
Foreign financing	-1.5	2.1	2.5	2.2	6.4	2.0	2.0	1.8	3.2
Monetary indicators									
M2/GDP (at current market prices)	22.1	18.1	15.9	16.7	15.3	15.3	15.3	15.3	14.8
Growth of M2 (%)	-7.4	72.6	8.1	37.9	5.8	13.9	13.4	12.6	8.8
Price indices(1976 =100)									
Merchandise export price index	81.7	111.2	95.9	113.9	125.3	101.4	106.8	111.9	123.5
Merchandise import price index	203.2	95.3	97.8	87.9	97.9	122.4	136.2	140.6	140.2
Merchandise terms of trade index	40.2	116.6	98.1	129.6	128.0	82.8	78.5	79.6	88.1
Real exchange rate (US$/LCU)[f]	128.7	78.0	85.2	102.2	103.2	104.8	106.4	106.4	106.4
Real interest rates									
Consumer price index (% growth rate)	64.0	22.0	8.9	11.7	6.8	5.0	5.0	5.0	5.0
GDP deflator (% growth rate)	15.1	54.0	9.6	18.6	5.2	5.5	5.0	4.7	5.0

a. GDP components are estimated at factor cost.
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Should indicate the level of the government to which the data refer.
f. "LCU" denotes "local currency units." An increase in US$/LCU denotes appreciation.

Rwanda - Key Exposure Indicators

Indicator	Actual			Estimate		Projected			
	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total debt outstanding and disbursed (TDO) (US$m) [a]	1037	1064	1110	1176	1240	1418	1550	1664	1747
Net disbursements (US$m) [a]	20	32	25	111	190	83	72	68	95
Total debt service (TDS) (US$m) [a]	0	36	36	37	41	56	66	68	50
Debt and debt service indicators (%)									
TDO/XGS [b]	1907.1	1201.2	1245.4	767.3	1039.8	1174.4	1150.8	1073.2	917.9
TDO/GDP	138.3	80.2	79.8	63.2	59.6	63.3	63.0	62.0	59.9
TDS/XGS	0.0	40.9	40.2	23.8	34.5	46.5	49.0	43.6	26.4
Concessional/TDO	0.0	0.0	87.9	88.4	87.1	78.1	73.3	70.1	68.8
IBRD exposure indicators (%)									
IBRD DS/public DS	..	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preferred creditor DS/public DS (%) [c]	..	70.4	72.9	70.6	69.2	78.2	82.6	85.0	83.9
IBRD DS/XGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IBRD TDO (US$m) [d]	0	0	0	0	0	0	0	0	0
Of which present value of guarantees (US$m)									
Share of IBRD portfolio (%)	..	..	..	..	..	..	..	..	..
IDA TDO (US$m) [d]	474	512	536	558	552	542	539	756	781
IFC (US$m)									
Loans									
Equity and quasi-equity /c									
MIGA									
MIGA guarantees (US$m)									

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

Status of Bank Group Operations in Rwanda
Operations Portfolio

Project ID	Fiscal Year	Borrower	Purpose	Original Amount in US$ Millions: IBRD	IDA	Cancel.	Undisb.	Difference Between expected and actual disbursements a/: Orig	Frm Rev'd	Last PSR Supervision Rating b/: Dev Obj	Imp Prog
Number of Closed Projects: 41											
Active Projects											
RW-PE-2238	1990	GOVERNMENT	TRANS.SECT.	0.00	85.00	0.00	49.11	.98	16.83	S	S
RW-PE-2245	1991	GOV.OF RWANDA	SECOND COMMUNICATION	0.00	12.80	2.66	1.59	4.69	1.86	S	S
RW-PE-2237	1991	GOVERNMENT	HEALTH & POPULATION	0.00	19.60	0.00	4.73	4.46	3.56	S	S
RW-PE-2242	1991	GOVT.	EDUCATION SECT.CR.	0.00	23.30	0.00	3.02	3.79	3.79	S	NR
RW-PE-2261	1992	GOVT OF RWANDA	FOOD SEC & SOCIAL AC	0.00	19.10	0.00	1.41	.99	-3.57	S	S
RW-PE-2241	1993	GOVT OF RWANDA	ENERGY SECTOR	0.00	26.00	0.00	13.81	14.56	0.00	U	U
RW-PE-2262	1994	GOVERNMENT	PRIVATE SECTOR	0.00	12.00	0.00	4.12	4.21	0.00	S	S
RW-PE-57294	1999	GOR	EC.REC.CREDIT	0.00	75.00	0.00	71.81	0.00	0.00		
RW-PE-51931	1999	GOV. OF RWANDA	CRDF	0.00	5.00	0.00	4.91	.05	0.00		
Total				0.00	277.80	2.66	154.51	33.73	22.47		

	Active Projects	Closed Projects	Total
Total Disbursed (IBRD and IDA):	119.12	515.64	634.76
of which has been repaid:	0.00	37.50	37.50
Total now held by IBRD and IDA:	275.14	450.49	725.63
Amount sold :	0.00	4.38	4.38
Of which repaid :	0.00	4.38	4.38
Total Undisbursed :	154.51	.64	155.15

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.
b. Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system was introduced (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

Note:
Disbursement data is updated at the end of the first week of the month.

Rwanda
STATEMENT OF IFC's
Committed and Disbursed Portfolio
As of
(In US Dollar Millions)

		Committed				Disbursed			
		IFC				IFC			
FY Approval	**Company**	**Loan**	**Equity**	**Quasi**	**Partic**	**Loan**	**Equity**	**Quasi**	**Partic**
Total Portfolio:		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

		Approvals Pending Commitment			
		Loan	**Equity**	**Quasi**	**Partic**
1998	AEF HIGHLAND	.53	0.00	0.00	0.00
Total Pending Commitment:		.53	0.00	0.00	0.00