Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No. 17478-RW

MEMORANDUM OF THE PRESIDENT

OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION

TO THE

EXECUTIVE DIRECTORS

ON A

COUNTRY ASSISTANCE STRATEGY

OF THE

WORLD BANK GROUP

FOR

THE RWANDESE REPUBLIC

March 17, 1998

Country Department 9
Africa Region

CURRENCY EQUIVALENTS

Currency Unit	=	RF (Rwanda Franc)
1990: US$1.00	=	RF 83
1991: US$1.00	=	RF 125
1992: US$1.00	=	RF 132
1993: US$1.00	=	RF 144
1994: US$1.00	=	RF 134
1995: US$1.00	=	RF 260
1996: US$1.00	=	RF 307
1997: US$1.00	=	RF 300

WEIGHTS AND MEASURES

Metric system

RWANDESE FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

CPPR	Country Portfolio Performance Review
HIPC	Highly Indebted Poor Countries
NEAP	National Environmental Action Plan
CEM	Country Economic Memorandum
PFP	Policy Framework Paper
CAS	Country Assistance Strategy
FEP	Framework of Economic Policies, 1997
IDA	International Development Association
IMF	International Monetary Fund
NGO	Non-Governmental Organization
UN	United Nations
UNDP	United Nations Development Program
DRC	Democratic Republic of Congo
IFAD	International Fund for Agricultural Development
GDP	Gross Domestic Product
GNP	Gross National Product
ESAF	Enhanced Structural Adjustment Facility
USAID	United States Agency for International Development

Vice President	:	C. Madavo
Director	:	N. Tcheyan
Sector Manager	:	L. Barbone
Resident Representative	:	R. Venkateswaran
Economist	:	C. Obidegwu

FOR OFFICIAL USE ONLY

REPUBLIC OF RWANDA
COUNTRY ASSISTANCE STRATEGY

CONTENTS

EXECUTIVE SUMMARY

1. Rwanda is recovering from tragic human and economic destruction that has few, if any parallels. The genocide and civil war of 1994 destroyed the country's social fabric, its human resource base, institutional capacity and economic and social infrastructure. Up to 800,000 people, mainly Tutsis, were killed, about two million Rwandese fled to refugee camps in neighboring countries, and another one million were displaced internally. Economic activity declined by about 50 percent. The devastation of Rwanda reflected the wider crisis and conflict in the Great Lakes countries of Africa. The role of the international community in the Region's crisis has come into critical focus, amid suggestions that it had failed to address the underlying causes of the conflict. The International Community was slow in responding to the crisis in Rwanda. Since 1994, about US$2 billion have been provided for humanitarian assistance to the vulnerable population, including the refugees in the camps, and for resettlements, rehabilitation and reconstruction of Rwanda. Despite this support, the situation in the country and the sub-region remains volatile, and immense efforts are required to help Rwanda make a transition from war to peace.

2. The Government of National Unity, a coalition of the Rwanda Patriotic Front (RPF) and four other political parties, was sworn into office in July 1994. The leadership has provided a bold vision for the future, and is determined to re-establish peace, put in place effective governance, and develop the economy. Peace has been restored to most of the country and the displaced population is being resettled and reintegrated into society. The economy has revived and stabilized, and 1.3 million refugees have returned from neighboring countries. In 1997, the Government adopted a transition program to consolidate the fragile peace and economic recovery achieved so far, and lay the basis for national reconciliation, sustainable growth and poverty reduction.

3. The Government strategy aims at accelerated growth in Rwanda, with the benefits of growth to be shared by the population. The Government seeks to diversify economic activity, and recognizes that stability within Rwanda and the Great Lakes region is essential to achieve structural reform and sustained growth. Initially, accelerated development of agriculture and the rural areas is the path to reducing poverty and improving the welfare of the Rwandese. The Government's strategy also emphasizes the promotion of private, small scale enterprises in the rural and urban areas, human resource development and the enhancement of the role of women, and the provision of rural infrastructure, and the development of goods and credit markets. These will help to create non-farm employment which will take the pressure off the land. The government believes that a period of transition is needed as the first component of this strategy during which social stability and national reconciliation need to take place.

4. Successful transition will require continued strong efforts by the Rwandese people and exceptional support from the international community including the Bank. Rwanda should be treated as a *special case* for international assistance because of: (i) the legacy of the genocide and the destruction of human capital; (ii) the need to resolve the conflict in the Great Lakes which

could otherwise undermine peace and development efforts for generations; (iii) the need for strong development efforts that improve the welfare of people; (iv) the need for economic reforms to promote an economic system that is inclusive of all social groups, as part of the transition to peace and political stability; and (iv) the high external debt burden facing the country, which can be reduced only with international assistance. The consequences of not providing assistance in line with Rwanda's own efforts, may well be a tragic, costly and prolonged return to conflict in Rwanda.

5. The challenge of reducing poverty can be framed as follows: with about 70 percent of Rwandese households currently below the poverty line and growth rate of 7 percent, the reduction of Rwanda's poverty to its 1985 level of 40 percent will take about 15 years. By comparison, at a growth rate of 5 percent, per capita income would double only after 35 years with very little reduction in poverty. A sustained 7 percent growth of GDP is a formidable challenge for Rwanda, given its current poor resource base and risks of instability. Strong efforts to lay the foundation for economic growth and improve opportunities for the population would facilitate the road to social reconciliation and peace.

6. Continued Bank support in areas where we have a comparative advantage will help to promote economic development and stability in Rwanda as well as in the Great Lakes region. The Bank plans to focus on five themes: (i) continuation of efforts to reintegrate refugees and to promote national reconciliation; (ii) revitalization of the rural economy requiring sustainable increases in agricultural productivity, the protection of natural resources, provision of social and economic infrastructure, and improvement of the functioning of rural markets; (iii) investment in human resource development and capacity building to develop a skilled labor force and improve the welfare of the population; (iv) support to policy and regulatory reforms and selected infrastructure investments to promote private sector trade and investment, and improve Rwanda's competitiveness; and (v) improved donor coordination and resource mobilization.

7. The CAS proposes a flexible program aimed at supporting Rwanda's transition effort. We propose that the Bank provide strong support with a firm program for FY99, and indicative lending operations for FY2000-2001. In late FY99, we shall review the situation and propose an assistance program for the following year(s), as appropriate. We will prepare a progress report for discussion in early FY2000. Non-lending services will address the issues of transition from emergency to development, and establishing the foundation for longer-term growth and poverty reduction to facilitate policy actions and donor coordination. The proposed lending amount of US$80 million for FY99 is unusually high, in order to support successful transition, reflecting the special case for the country.

8. The risks of continued conflict, limited progress on economic reform, and uncertain financing availability from the international community are particular challenges for a successful transition effort. Government commitment to national reconciliation and economic reform is strong. Partnership with the international community will help reduce the level of risk and help sustain international support. Given the volatility of the Great Lakes region considerable risk will remain. However, it is also important to remember that Rwanda has come a long way since the

devastation of 1994. Effective support from the Bank to Rwanda at this critical juncture can make a positive difference for the Rwandese.

Items for Board Consideration

9. The Executive Directors may wish to consider the following:

- The CAS recognizes that Rwanda faces particular challenges for sustained growth and poverty reduction. National reconciliation, economic reforms, human resources development and international support will be needed. Within this overall framework, the Bank will focus on a selected agenda, crucial for a transition period during which conditions for longer term growth are to be established. Is the focus of the strategy on the transition period appropriate in light of the challenges for growth in Rwanda?

- The CAS recognizes that Rwanda will continue to be a high risk environment during the transition period. Government commitment to the reform process will help mitigate the risks. The CAS recommends that the Bank play a leading role with international partners to mobilize support for the country. Exceptional efforts now can help to promote sustainable development over the longer term for Rwanda and the Great Lakes region. The risks should be incurred in order to work towards this positive outcome. Is this balance between risk and outcome appropriate?

**MEMORANDUM OF THE PRESIDENT
OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE EXECUTIVE DIRECTORS
ON A COUNTRY ASSISTANCE STRATEGY
OF THE WORLD BANK GROUP
FOR THE RWANDESE REPUBLIC**

I. RWANDA: A SPECIAL CASE

1. Rwanda is recovering from tragic human and economic destruction that has few, if any parallels. The genocide and civil war of 1994 destroyed the country's social fabric, its human resource base, institutional capacity and economic and social infrastructure. Up to 800,000 people, mainly Tutsis, were killed, about two million Rwandese fled to refugee camps in neighboring countries, and another one million were displaced internally. Economic activity declined by about 50 percent. The devastation of Rwanda reflected the wider crisis and conflict in the Great Lakes countries of Africa.[1] The role of the international community in the Region's crisis has come into critical focus, amid suggestions that it had failed to address the underlying causes of the conflict. The International Community was slow in responding to the crisis in Rwanda. Since 1994, about US$2 billion have been provided for humanitarian assistance to the vulnerable population, including the refugees in the camps and for resettlements, rehabilitation and reconstruction of Rwanda. Despite this support, the situation in the country and the sub-region remains volatile, and immense efforts are required to help Rwanda make a transition from war to peace.

2. This difficult and complex transition will require continued efforts by the Rwandese people, and exceptional support from the international community including the Bank. Rwanda should be treated as a *special case* for international assistance because of: (i) the legacy of the genocide and the destruction of human capital; (ii) the need to resolve the conflict in the Great Lakes which could otherwise undermine peace and development efforts for generations; (iii) the need for strong development efforts that improve the welfare of people;
(iv) the need for economic reforms to promote an economic system that is inclusive of all social groups, as part of the transition to peace and political stability; and (iv) the high external debt burden facing the country, which can be reduced only with international assistance. Exceptional efforts now can make a difference. The Government has demonstrated its commitment to national reconciliation and peace and a willingness to tackle difficult issues, and it has the strong support of its neighbors in the continent. The consequences of not providing assistance may well be a tragic, costly and prolonged return to conflict in Rwanda.

3. This is the first CAS for Rwanda. Consultations with the civil society included women's associations, local and foreign NGOs, private sector groups, and inhabitants of rural communes. Discussions were also held with representatives of donor agencies in Rwanda. The results of these consultations were reviewed with Government to produce the CAS. From these discussions and our experience in Rwanda over the last three and a half years, the key factors for a successful transition are: (i) the acceleration of the efforts toward national reconciliation and peace; (ii) the

---

1 Great Lakes as used in this paper refers to a narrower definition of the sub-region, comprising Rwanda, Burundi and the Democratic Republic of Congo.

consolidation of the economic recovery and the revitalization of the rural economy; (iii) policy and institutional reforms to sustain economic recovery and lay the foundation for sustained economic growth; (iv) strong efforts toward peace and economic progress in the Great Lakes region; and (v) coordinated international development assistance, with the Bank taking a leadership in resource mobilization and economic reform.

II. COUNTRY BACKGROUND

4. On assuming office, the Government of National Unity faced the formidable tasks of restoring peace, and reviving and stabilizing the economy. It set out the following priorities: to preserve an atmosphere of peace and security, restore and strengthen national unity, protect the rights of all refugees to return to Rwanda and help to resettle all who return, assist the victims of genocide, end the impunity associated with violence which has characterized Rwandese society, and develop human resources and the national economy.

5. Despite the limited capacity, progress has been made in restoring peace and resettling both the internally and externally displaced persons including the refugees who returned in 1996. The trials of the genocide suspects, delayed in part by the need to put the necessary legislation in place, started in October 1996 but the pace at which cases are resolved is very slow. Military demobilization started in September 1997. The economy has been stabilized and is recovering strongly, and economic reform is underway. However, the economic recovery and peace remain fragile; the rebuilding of the social fabric will be a slow process, requiring the restoration of the justice system, the removal of the psychological scars of the genocide, and the elimination of the culture of impunity that was responsible for the genocide.

6. The massive return of Rwandese refugees from the Democratic Republic of Congo (DRC) and Tanzania in late 1996 and the political changes in the DRC were seen as favorable to peace and stability in Rwanda. However, extremist elements of the militia and soldiers of the former army that perpetrated the 1994 genocide have stepped up armed attacks in the northwest of the country. Many people, mainly civilians, are being killed in these attacks, and economic activity in the affected region has been disrupted. This continuing conflict has set back the national reconciliation efforts and forced the Government to maintain a high level of military preparedness and expenditures.

Economic Developments

7. Rwanda's economy experienced rapid growth of GDP and per capita incomes, and economic stability in the 1960 and 1970s, with real GDP growth of 6.5 percent per annum in 1973-80. However, the inward looking, aid dependent and state dominated economy could not cope with the massive terms of trade shocks of the 1980s, even with high inflows of external assistance. Real GDP growth declined to an average of 2.9 percent in 1980-85, and further to -.3 percent in 1986-90. As a result of this stagnation of the economy, GNP per capita which had risen from US$70 in 1973 to a peak of US$390 in 1989, fell to US$250 in 1993. The prolonged decline in domestic economic production and incomes resulted in increased poverty and poorer social indicators, stagnant government revenues, steep decline in exports, increased dependence

on external assistance and a high external debt burden. In addition, as a result of domestic conflicts, the meager resources of the country have been spent on the military at the expense of development activities.

8. As a result of the genocide of 1994, real GDP fell further by 50 percent and the inflation rate rose sharply to 62 percent compared to 12.4 percent in 1993. With the restoration of peace to most areas of the country, new policy measures to stimulate the private sector, and large inflows of external assistance, GDP rebounded by 35 percent in 1995, 12 percent in 1996, and an estimated 13 percent in 1997, and the inflation rate declined to 11 percent in 1997. However, GNP per capita in 1996 was only US$190 and real GDP at the end of 1997 was only 80 percent of its pre-war level.

9. **Progress in Policy Reforms**. The first reform effort was launched in 1991, after years of

Box 1: Rwanda: Country Profile

Population: Rwanda has the highest population density in Africa. Its population of 7.85 million is growing at a rate of about 3.6 percent per annum, one of the highest population growth rates in the world. Total fertility rate is estimated to be about 8.0 in 1996 compared to 6.2 in 1992. The population is predominantly rural (90 percent), and female (estimated at 60 percent).

***The Economic Base*:** Agriculture, the main economic activity of 92 percent of the active labor force, is primarily subsistence farming on rapidly diminishing land resources due to rising population density and environmental degradation. The small industrial sector is comprised of beverages, textiles, agricultural tools and implements and household products. Coffee and tea are main export crops. Production and exports of these crops have been declining since the 1970s.

***Economic Developments*:** The economy has rebounded since the 50 percent decline in GDP in 1994, nevertheless, real GDP in 1997 was only 80 percent of the pre-war GDP. The inflation rate has been reduced from 62 percent in 1994 to 11 percent in 1997. About 70 percent of the households were below the poverty line in 1996, compared to 40 percent in 1985.

The Environment: The large scale movements of population and livestock since 1990 have put severe pressure on the environment, increasing deforestation and the encroachment of protected park lands. Population encroachment is threatening the fragile ecological zone in the northwest, including the mountain gorilla habitat in the DRC/Uganda/Rwanda triangle. The massive destruction of livestock in some parts of the country during the genocide is starving the soil of nutrients previously provided by animal manure.

***Political Outlook*:** The political outlook is clouded by continued violence since the massive return of refugees in late 1996 and the slow pace of the disposition of the cases of some 130,000 suspects in prisons for participating in the genocide. While strong military action is seen as necessary to ensure internal security, it may undermine the goal of national reconciliation. Government envisages a Rwanda with greater decentralization and public participation, the rule of law and respect for human rights, as essential elements of an inclusive society. It envisages a transition period during which a new constitution for an elected representative government will be prepared. However, the political transition poses daunting challenges for Rwanda, given the scale of destruction of the social fabric and the trauma of the genocide.

resistance to a formal reform program by the Government. The reforms were supported by a Bank structural adjustment credit and a Fund ESAF, with substantial cofinancing from the African Development Bank (AfDB), the European Development Fund, and several bilateral donors. Its objectives were to stabilize the economy and enhance its competitiveness, improve the allocation and use of resources, lay the foundation for export-led-sustainable growth, and provide the framework for poverty alleviation. The implementation of the reforms was slowed by the lack of broad support and the difficult socio-political conditions in the country, including the civil war. It was finally derailed by the genocide. The second tranche of the SAC (US$35 million) was not disbursed and was canceled in 1994.

10. In March 1995, the post-war Government started its reform effort by liberalizing the trade and exchange regime, interest rates and key product markets such as coffee. In 1997, the Government adopted a Framework of Economic Policies (FEP) paper developed jointly with Bank and Fund staff, and resumed its efforts[2]. Box 2 summarizes the reform measures already taken or underway. Progress has been made under the FEP, particularly in the fiscal and trade areas. However, a number of agreed actions, such as the revision of the labor code, the legislation to end gender discrimination, the liquidation and privatization of PEs, and the reform of the civil service, have made slower than expected progress. Capacity constraints, particularly for drafting legislation, slow decision making and legislative processes, are slowing the pace of reforms. While some public enterprises have been privatized, technical capacity is needed to speed up implementation. The Government has been engaged in dialogue with the Bretton Woods institutions and the donor partners to strengthen and accelerate the pace of reform.

Poverty and Social Indicators

11. A Poverty Assessment, completed just before the 1994 events, showed that the percentage of the population living below the poverty line (US$170 at 1985 prices and exchange rates) had risen sharply from 40 percent in 1985 to over 53 percent in 1993 (see **Figure 1**). Extrapolations of poverty indices based on recent national income trends and projections put the percentage of households below the poverty line at over 70 percent in 1996-2000. The stagnation and ultimate decline of the agricultural sector, the primary source of income for the 90 percent of the population, was a major factor in the increase in poverty. The fragmentation of land holding, lack of secure land tenure, degradation of the soil and the environment, state control of the pricing and marketing of main cash crops, excessive regulation of petty trade, restrictions on labor movements, and population displacements due to civil conflicts, resulted in the decline of agricultural productivity and increasing poverty.

12. In the urban areas, unemployment has increased, and real wages, especially for Government workers, have fallen, and poverty has increased. As in other post-conflict economies, the ongoing economic recovery, supported by donor funds, is helping to alleviate urban poverty but only deep structural changes and rapid and sustainable growth will reduce rural as well as urban poverty.

---

2 The framework paper: **Post Conflict Reconciliation: a Framework of Economic Policies** was, at the request of the Government, annexed to the President's Report of the Emergency Reintegration and Recovery Credit approved by the Board on June 26, 1997.

13. Social indicators are below SSA averages. Survival rates, have worsened considerably. The AIDS epidemic has been severe in Rwanda and, recent data indicate that 10.8 percent of the rural, and 11.6 percent of the urban population aged 12 years and above, is seropositive. Malaria remains the leading cause of death. Secondary school enrollment is one of the lowest in the continent. Life expectancy has declined to 39 years, compared to 52 years for SSA and infant mortality is 133 per thousand compared to 92 per thousand for SSA. Shrinking budget allocations have made it difficult to deal with these problems. The social infrastructure has been rehabilitated since the genocide, but the acute lack of human capacity in the sector is a major constraint to the improvement and expansion of services.

Box 2: Major Reforms Implemented/Underway

Exchange Rate: The exchange rate has been fully liberalized and forex bureaus have been authorized to buy and sell foreign exchange at prices determined by the market.

Trade: Pricing and marketing have been fully liberalized, non-tariff barriers have been abolished, the maximum external tariff has been reduced from 300 to 40 percent and the number of rates has been reduced from 22 to 4. Custom duties exemptions on commercial commodities have been reduced.

Financial Sector: A new Central Bank law gives the Central Bank the independence to conduct monetary policy. Interest rates have been liberalized and the monetary policy is now conducted through indirect instruments.

Domestic Resource Mobilization: A reform of the tax system aimed at increasing consumption taxes (turnover tax, taxes on petroleum, beverages and cigarettes) and reducing direct and indirect taxes (personal and corporate income taxes, external tariffs) is underway. This will pave the way for the planned introduction of the VAT. A new tax code has been adopted in mid-1997 and an autonomous revenue authority was established in January 1, 1998.

Private Sector Environment: Business registration has been liberalized. A draft of the new labor code which eliminates the restrictions on labor mobility, the rigid wage structure, and discriminatory gender provisions of the old code has been prepared and is under discussion by the Government and civil society. A draft legislation giving women full property rights and redressing all other gender discrimination, is under preparation.

Public Sector Management: The number of ministries was reduced from 22 to 18 in early 1997, paving the way for the rationalization of their functions. 5,000 soldiers were also demobilized from the army.

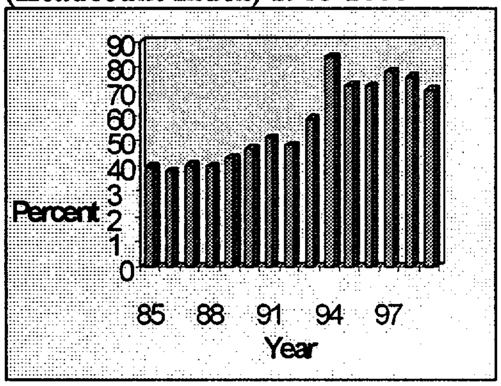
14. **Exports.** The export performance is very low, with Rwanda's export receipts at about US$16 per capita, one of the lowest in Sub-Saharan Africa, and way below the average of US$100 for Sub-Saharan Africa, excluding Nigeria and South Africa. Coffee and tea, the principal exports, account for over 90 percent of export receipts. Production of coffee has fallen dramatically, from a peak of 42,000 tonnes in 1987 to 14,500 tonnes in 1997. Rwanda produces high quality tea, and until the onset of major conflict in 1990, tea production was expanding, and had doubled between 1980 and 1992. However, low producer prices, inefficient parastatal management of the tea factories have depressed the industry. Privatization of the factories is envisaged, which should take place within the next two years.

External Developments

15. The prospects for expanding tea and coffee exports are good, provided that the markets are liberalized and taxes abolished, paving the way for remunerative producer prices. Rwanda also

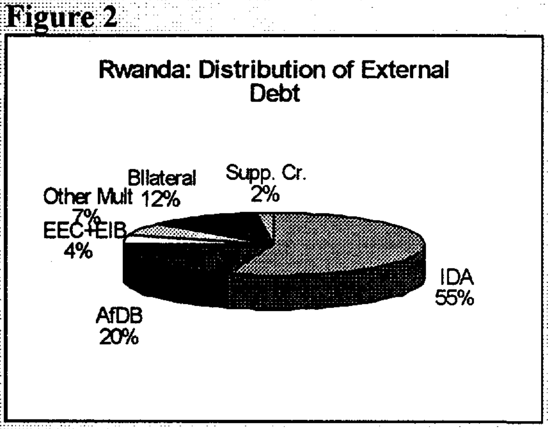
has the potential to develop non-traditional exports, including manufactures for regional markets, and mineral products. This requires macroeconomic and social stability, investments and regulatory reforms to reduce energy, transport and communications costs.

Figure 1 Rwanda: Poverty Profile (Headcount Index) 1985-2000



16. **External Debt.** Rwanda has accumulated a heavy external public debt burden. The debt outstanding and disbursed, including arrears, was equivalent to US$1.0 billion and 84 percent of GDP at end 1996, with arrears of debt service of US$79 million. Multilateral creditors, mainly IDA, AfDB, IFAD, the Saudi Fund, Arab Bank for Economic Development in Africa (ABEDA), and the Organization of Petroleum Exporting Countries (OPEC) Fund, account for 84 percent of the debt. Most of the debt is on concessional terms, with an average interest rate of 1.5 percent. Despite this, the debt service burden is substantial; the annual debt service, not including arrears, amounted to 41 percent of exports at the end of 1996, and 26 percent of revenues. In addition to the external debt, there is a substantial domestic public debt outstanding which, at the end of 1996, amounted to US$372 million, including arrears of US$62 million.

Figure 2



17. **Regional Developments**. The last four years have witnessed violent conflict in the Great Lakes region, particularly in Rwanda, Burundi, and the two Congos. These conflicts have disrupted economic activity, diverted resources from development to war, and changed the political economy of the region. The dramatic changes in the Democratic Republic of Congo, the main market for Rwandese exports of processed goods, has improved the prospects for economic growth in the region, although the DRC faces a difficult economic and political transition. Uganda is experiencing robust growth, following the liberalization of its economy, and Tanzania's economy is also picking up. Greater determination now exists among the leaders of the region for closer integration of their economies, evidenced by the formation of the Eastern African Cooperation Council, linking the economies of Kenya, Tanzania and Uganda. Rwanda has applied for membership to this Council and it has been accepted in principle by the leaders of the three member states. Regional integration is important for Rwanda, with its land-locked status, small economy and dense population. It stands to benefit from the expansion of regional trade, given its strategic location

and relatively good internal infrastructure. Rwanda is reducing its tariff rates, to be consistent with those of some of the other countries, and to promote intra-regional trade.

III. THE CHALLENGES OF ECONOMIC GROWTH AND POVERTY REDUCTION

18. Years of conflict and political instability have destroyed the social fabric, damaged the economic base of the country, severely impoverished the population, and eroded the country's ability to invest and attract external private investments. It is urgent that Rwanda pursues a transition strategy to rebuild the society, promote political stability, and lay the basis for sustainable economic growth. Strong partnerships with international development agents will help the country obtain the financing it needs to implement its transition program. For the long-term, Rwanda will also face difficult issues. Improving human resources and building capacity, enhancing the role of women, protecting and renewing natural resources, building a smaller, effective and transparent public sector, and reforming the economy to promote efficient and growth oriented private sector trade and investment are issues that need to be addressed. Sustainable growth will be feasible only in the context of a stable "neighborhood" and Rwanda will need to contribute to stabilizing the sub-region and position itself to benefit economically from sub-regional stability.

19. The challenge of reducing poverty can be framed as follows: with about 70 percent of Rwandese households currently below the poverty line and growth rate of 7 percent, the reduction of Rwanda's poverty to its 1985 level of 40 percent will take about 15 years. By comparison, at a growth rate of 5 percent, per capita income would double only after 35 years with very little reduction in poverty. A sustained 7 percent growth of GDP is a formidable challenge for Rwanda, given its current poor resource base and risks of instability. Strong efforts to lay the foundation for economic growth and improve opportunities for the population would facilitate the road to social reconciliation and peace.

The Development Strategy of the Government

20. The Government strategy aims at accelerated growth in Rwanda, with the benefits of growth to be shared by the population. The Government seeks to diversify economic activity, and recognizes that stability within Rwanda and the Great Lakes region is essential to achieve structural reform and sustained growth. Initially, accelerated development of agriculture and the rural areas is the path to reducing poverty and improving the welfare of Rwandese. A strategy for the agricultural sector (see **Box 3** for a summary) which seeks to make the sector market oriented, increase its productivity and consequently raise rural incomes and reduce poverty, is in place. A land policy, to provide secure tenure to farmers and other landholders and encourage efficient land use, is under preparation. The Government's strategy also emphasizes the promotion of private, small scale enterprises in the rural and urban areas, the enhancement of the role of women, key players in the rural economy, and the provision of rural infrastructure, and the development of goods and credit markets. These will help to create non-farm employment which will take the pressure off the land. With the return of refugees in 1996, the Government is also concerned that urban housing and employment opportunities grow, to avoid potential social unrest.

21. Development of human resources is an essential part of the Government strategy. It is restructuring government expenditures to put more emphasis on human resource development and capacity building, the provision of economic and social services, and justice and law enforcement. The Government is restructuring the education system to improve access and provide quality and relevant education at all levels, with emphasis on science and technology, especially at tertiary levels.

Box 3: The Agricultural and Rural Strategy of the Government

Agricultural productivity has been declining in Rwanda for over a decade due primarily to: (i) the over-exploitation of land linked to the generally small farm sizes; (ii) the increase in soil erosion from the over-exploitation and loss of vegetative cover; (iii) high population growth and densities (one of the highest in the world) and exhaustion of the available arable land; (iv) the absence of use of modern input (chemical fertilizer) used to compensate for the lack of fallow and over-exploitation; (v) weak research, extension and other agricultural services (improved seeds, credit, post harvest, etc.) aggravated by the recent genocide; (vi) absence of security of land tenure discouraging investment in agricultural land; and (vii) at best, unclear economic policy and regulatory environment affecting agriculture. In addition, the limited size of agricultural markets; inadequate transport facilities leading to segmented markets; lack of appropriate rural infrastructure including storage and irrigation facilities; lack of rural credit; excessive fiscal burden on the sector; and restrictions on labor mobility have adversely affected agricultural growth.

The Government has developed an agricultural strategy aiming to increase rural incomes, enhance food security, and convert agriculture into a viable business, moving it away from a subsistence to a market-based activity. The main elements of the strategy are to: (i) promote market-based agriculture by developing agricultural input and output markets; (ii) preserve natural resources, improve soil conservation and management, prevent soil degradation and erosion, and develop swamplands and other productive infrastructure; (iii) improve farming systems through intensification, better cultural practices, applied research to develop appropriate technical themes, the use of adapted inputs and other services and disseminate these to the population; and (iv) promote rural financial intermediation. These approaches would be complemented by policy and other measures to reform land tenure systems and land use, establish land markets, encourage private investment in agriculture and the formation of farmer groups and professional associations, and introduce technologies (including irrigation) that would lead to more efficient land use.

22. The Government's strategy is based on private sector-led growth in a liberal, market oriented economy. Consequently it has embarked on reforms liberalizing the trade and exchange regime, privatizing public enterprises, and reducing the size and role of the state (**see Box 2**). The Government intends to deepen economic and institutional reforms to promote the private sector, improve the competitiveness of the economy, and enhance the efficiency and effectiveness of the public sector in providing services. The Government is committed to the integration of the Rwandese economy into the East African/Great Lakes region. However, the Government believes that it faces a period of transition during which consolidation of social stability and national reconciliation will need to take place. The following sections lay out the key concerns for the transition, and subsequently for the longer term, for the Bank strategy.

Issues for the Transition Period

23. The priorities for the transition are to address the social, political and economic effects of the conflicts of the last decade requiring the resettlement of all refugees and vulnerable groups, the reintegration into civil society of demobilized soldiers and other ex-combatants, the rebuilding

of institutions of justice and governance, the consolidation of the economic recovery and the selective reinforcement of public sector capacity.

Resettlement and reintegration of refugees/vulnerable groups

24. The process of resettlement and reintegration of refugees has been going on since 1994 and needs to continue to ensure that basic human needs of vulnerable groups are not neglected. The process has focused on providing immediate survival assistance, and subsequently on the provision of permanent shelter, social services, capacity building and income generating activities, based on coordinated community and national interventions. Community interventions help to rebuild social capital by galvanizing communities around mutually beneficial activities, and directly address rural poverty. The proposed Learning Innovation Loan for the Community Reintegration and Development Project (CRDP) is founded on these concepts. Other donors, notably USAID, IFAD, and UNDP, have similar interventions. The Government has prepared a program of demobilization and reintegration of soldiers and other ex-combatants. It has also established a fund, to assist the survivors of the genocide, whose special needs were ignored, as attention was focused on refugees. The quick disbursing emergency assistance provided by IDA and other donors have enabled the Government to restore essential social and economic services which have facilitated reintegration.

Justice and Governance

25. In defining its strategy for the transition, the Government has emphasized the need to end the culture of impunity, to build sustainable national reconciliation and ensure justice and the rule of law. The establishment of the rule of law requires an effective civilian police force, and capacity building for a strong and independent legal system. The development of institutions for governance, the decentralization of decision making and participation are urgent actions for rebuilding the social fabric and laying the foundation for national reconciliation. The UN and some bilateral donors have provided assistance to the Government for developing participatory political institutions, and for strengthening the justice system and these efforts need to continue.

The Consolidation of Economic Recovery and Stability

26. Continued economic recovery, begun in 1995, will require: (i) accelerated structural reforms; (ii) revitalization of the rural economy; and (iii) continued inflows of external assistance.

27. **Accelerating the reform process.** Transition reform efforts are aimed at maintaining macroeconomic stability, promoting an inclusive economic system and improved welfare to underpin national reconciliation, and establishing the basis for the growth of private sector investment and trade. As noted in Section II, the Government has initiated economic reforms but progress has been uneven. The Government plans to accelerate the reform effort to support economic growth in the transition and establish the conditions to sustain the growth thereafter. It is working with the Bank and Fund to formulate a reform program for the transition. A Policy Framework Paper (PFP), which will lay out the timetable for each reform action, is under preparation. The immediate reform priorities are shown in **Box 4** below.

28. **Revitalizing the Rural Economy.** Ninety percent of the Rwandese population live in the rural areas, with about 75 percent of rural households living below the poverty line. Agriculture,

the primary economic activity in rural areas experienced some recovery since the genocide, thanks to initial assistance of seeds and farm implements given to farmers to restart production. To avoid a quick return to the stagnation of the past, immediate measures need to be taken to enable farmers to resume full production and to improve incentives for productivity growth. Immediate actions include the provision of seeds and farm implements to returned refugees and vulnerable groups, the adoption of the land law, the adoption of the law to give women the right to inherit and own property, strengthening of mechanisms to resolve land disputes, an immediate increase in the producer prices of tea, the removal of the coffee export tax, and the liberalization of agricultural input markets. A revitalized rural economy, which increases rural incomes, will help to strengthen communities and reinforce national reconciliation.

Box 4: Key Reform Areas in the Transition

Promoting the Rural Economy: The three key reform areas are land tenure, the labor code, the coffee and tea markets and the development of agricultural input/output markets.

***Land reform/policies*:** The massive population displacements since 1990, including returns of old and new refugees, and the discussions on land distributions in recent years, have created uncertainty over land tenure which needs to be urgently resolved with a clear policy on land tenure/use.

Labor code: The restrictions on labor movements is a constraint on the development of trade and commerce, particularly in the rural areas. Although currently not enforced at national levels, the practice is still evident in rural areas. The enactment of a new labor code that eliminates these restrictions is urgent.

***Agricultural product markets*:** The issues here are: (i) the removal of the export taxes on coffee, and increased competition in coffee marketing and processing by licensing additional exporters; and, (ii) to significantly raise producer prices of tea, privatize the tea factories, and put in place a regulatory framework that protects the tea farmers.

***Input Marketing*:** Privatization of marketing of agricultural inputs and outputs to promote agricultural and rural markets and ensure sustainable rural growth.

Effective Governance: Limiting/focusing the role of the state, and increasing its transparency and accountability. This will involve: (i) strengthening the legal and judicial system; (ii) reform of the budget; (iii) reform of the civil service; and, (iv) privatization of public enterprises.

Private Sector Development: The reforms will include (i) simplification of business registration and taxation; (ii) revision of the labor code to eliminate restrictions on movement, gender discrimination, minimum wage requirements, and mandatory salary increases, reduce the number of paid leaves and holidays; and ease the costs and procedures for retrenchment by private employers; (ii) repealing the investment code, and replacing it with provisions for an institution to promote and facilitate investment and trade.

Investment in People: Increase budget allocations to the social sector, with the targets of a minimum of 40 percent of recurrent spending in FY99 and 50 percent in 2001.

29. **Debt Sustainability**. With the low export base, Rwanda's debt situation is unsustainable; the estimated present value of outstanding external debt at the end of 1997 was 556 percent of exports, and is expected to remain above 350 at the end of the next 10 years. Debt management will be needed to ensure that multilateral debt service is maintained current and that debt service does not crowd out other development priorities. Rwanda will not be able to service its external debt without considerable debt restructuring and continuing high levels of official grants. With an

ESAF expected in 1998, Rwanda will request a rescheduling of its bilateral debt arrears and current maturities on the Naples terms which will give it only limited relief. On the basis of a recent debt sustainability analysis, Rwanda would qualify for the HIPC Initiative which would be needed to reduce Rwanda's debt burden. However, Rwanda needs donor support to service its debt before it can access the HIPC facility and the Bank is supporting Government efforts to put in place a multilateral debt trust fund (see para. 58).

Reinforcing Public Sector Capacity

30. An obstacle to providing effective public services and implementing economic and socio-political reforms is the weak capacity by the public sector. The weakness of the public sector stems from: (i) the lack of staff with adequate qualifications and experience; (ii) the low salaries and thus inability to attract and keep qualified staff; and (iii) the poor organization of the civil service. After the genocide, the Government, with donor assistance, concentrated on restoring its operational capacity, with targeted efforts on key agencies such as the Ministries of Finance and Planning, and the Central Bank. Until a comprehensive capacity building program is in place, these targeted efforts should continue, and extend to agencies in key sectors such as health, education and agriculture. For long-term capacity building in the public sector, a clear definition of the role of the state and the reforms of its institutions are necessary. Over the last three years, a number of studies and reflections have been undertaken to provide the basis for a home-grown public sector reform and capacity building but implementation has been very slow. Rwanda is currently engaged in an institutional capacity assessment, in the context of the new Africa capacity building initiative. This should lead into more systematic efforts for institutional reform and capacity building.

31. Success in carrying out the transition would enable Rwanda to aim at sustaining accelerated growth over the longer term. The overall social and business environment would be substantially improved. Most significantly, with continued progress in reintegration of refugees,, social tension and civil strife would be reduced. This would enable the Government to shift resources to key priorities for longer term growth, in particular human resource development. Rwanda's competitiveness would be improved through elimination of unnecessary regulations over the private sector, increased mobility of labor, and improved transport links to neighboring countries and markets.

Long-term Development Issues

Improving Human Resources and Building Capacity

32. Rwanda's fragile human resource base was decimated by the genocide and civil war. Severe shortages of skilled manpower exist in Rwanda (in 1992, 54.6 percent of the active population had no schooling and only 0.2 percent had higher education). Health standards are poor, with severe affliction from malaria and AIDS, rising malnutrition due to declining food production, and poor water and sanitation services. Budgetary support for the social sector has been crowded out by military expenditures, with the share of social sector, (mainly education and health) declining from 38 percent in 1985 to 20 percent in 1993. The genocide has increased the burden on the social sector with larger numbers of vulnerable populations needing assistance.

33. **Education and Training**. This sector lacks adequate budget, trained teachers (60 percent are untrained), and instructional materials. The result from these inadequacies is that the quality of education is low. The cost to parents (school fees, books and supplies, uniforms) is high relative to their incomes and thus poor parents cannot afford to send their children to school. Regional disparities are significant, and gender differences in enrollment are high at post-secondary levels. The management of the education system is over-centralized and the capacity is very weak. Donor support for education is fragmented and often not focused on priorities. While basic education is critical, so is training of people in skills which they can use to make a living. The current technical and vocational training system does not meet the requirements of the labor market.

34. The Government has set a target of a net enrollment ratio of 80 percent in 2000 from the current 70 percent, and universal primary education by 2005. It also plans to increase the transition rate from primary to secondary education from the current 10 percent to 30 percent in 2000 and 40 percent in 2005, reinforce the National University, and strengthen scientific, technical and vocational education to be responsive to the demands of the labor market. These are ambitious targets and the budgetary implications still need to be studied. Work is underway to prepare a comprehensive sector strategy to underpin these objectives, to be followed up with an expenditure framework. The strategy and the expenditure framework will provide the basis for enhanced donor support for education.

35. **Health** standards deteriorated in the decade preceding the events of 1994 because of underfunding of public health programs, increasing incidence of drug resistant malaria and AIDS, and the combined effects of the rising food insecurity and malnutrition, and rapidly rising population. After the genocide, the health system has been largely rehabilitated with the assistance of donors and NGOs. The Ministry of Health has moved rapidly to adopt a National Health Plan based on a decentralized district approach. However, many challenges remain: the system lacks the human resources to effectively face these challenges. Most external assistance concentrates on the provision of drugs and medical supplies and does not address the critical constraint in the sector, which is the lack of human resources. Coordination of the activities of the donors and NGOs in the health sector remains difficult.

36. The sector strategy has the following elements: (i) a decentralized district based system; (ii) priority on training of health personnel; (iii) health financing with contributions from the beneficiaries and the state; (iv) the conversion of the National Pharmacy Office (OPHAR) into an autonomous pharmaceutical procurement agency; (v) establishment of a national information, education and communications (IEC) capacity; (v) strengthening of the National AIDS Control Program, and; (vi) coordination of donors, NGOs and the private health service providers. To support the implementation of the strategy, the Government intends to progressively increase budget allocations to the health sector and reinforce community participation in the management and financing of health services.

37. **Population.** At current population growth rates of 3.6 percent per annum, Rwanda's population will double in 20 years. A Population Policy adopted in 1990 had set a target of 2 percent growth rate by the year 2000, which will not be achieved. The events of 1994

considerably weakened the family planning program. Contraceptives are available but health personnel do not have the training and experience in family planning services and counseling. The Government intends to revise the 1990 Population Policy but this is proceeding very slowly. It has started to train health workers in clinical family planning skills, and educate opinion leaders on demographic issues but there is yet no impact. The fertility, which increased after the genocide, remains high at eight.

Gender and women in development

38. Women constitute the majority of the Rwandese population and its labor force, particularly in agriculture. Women however, continue to face substantial constraints to their participation in the society and economy. They are inadequately rewarded by their participation in economic activities due to lack of access to education and training, land and credit. The onerous responsibilities of home management and motherhood constrain their labor supply. Women continue to face discriminatory laws in employment, inheritance, and finance. In education, women suffer from long standing discriminatory traditions and culture of poverty. As a result, women are inadequately represented in management and decision-making tasks and occupations. The majority of Rwandese women remain poor and vulnerable.

39. During the CAS discussions, proposals to enhance the role of women included: (i) programs to raise access to formal and informal education, and training to build entrepreneurial capacity; (ii) adult education and training programs for women in rural areas; (iii) pilot credit schemes to support women's enterprises; (iv) removal of all discriminatory laws and the improvement of access to judicial processes for redressing grievances; (v) education and training to change perceptions of women's role in the society; and (vi) improving social services such as water supply and health care, and affordable home energy supplies to reduce the constraints on labor supply. These proposals are part of the plans and programs Government is developing. The Government is drafting a bill to eliminate gender discrimination. The enactment of the law is to be followed with public education to ensure compliance. NGOs, particularly those that serve women's causes, should be mobilized for this effort. Substantive participation by women in the design of these programs will give greater assurance that the long-term interests of women are enhanced and protected.

Renewing the Natural Resources

40. The natural resource base of Rwanda—land, forests, wildlife, water--has been an important source of household and national income, providing the basis for farming, fishing, energy production, and tourism. This resource base been degraded by: (i) the high demand for land and forest resources for agricultural cultivation and household energy due to high population growth; (ii) damage to natural ecosystems and bio-diversity by the absence of ecological consciousness and effective policies to preserve bio-diversity; (iii) lack of sewerage systems and poor management of solid waste; (iv) armed conflicts resulting in massive population displacements, leading to deforestation and disinvestments in the land; and (v) weak capacity of enforcement. As noted in **Box 4**, environmental degradation has been a major factor in the decline of agricultural production. The genocide and subsequent efforts to resettle displaced populations, accelerated the destruction of natural resources.

41. Recognizing the importance of preserving the natural resources, the pre-war Government, assisted by the Bank, developed a National Environmental Action Plan (NEAP) in 1991 but implementation was interrupted by the genocide. The post-war Government has drafted a strategy for the environment with the following objectives: (i) the reduction of the national fertility rate from 8 to 4 by the year 2015 and the creation of non-farm employment to relieve the pressure on the land and forests; (ii) the enactment of a land law that encourages investments and efficient land use; (iii) the integration of environmental impact assessments into all sectoral interventions, particularly in agriculture; (iv) promotion of renewable sources of energy and improved wood stoves for use in urban and rural areas; (v) establishment of enforcement capacity and involvement of local populations in protecting the natural resource base; and (vi) promotion of national consciousness on environmental issues. This strategy will be integrated into a revised NEAP, to provide a framework for donor support.

Effective Government and Public Expenditures

42. Rwanda's success in reducing poverty will require re-orienting public expenditures and increasing effectiveness of public service delivery. Government revenues are low, currently about 10 percent of GDP and do not cover recurrent expenditures (11.2 percent of GDP). Military spending is an onerous burden on the budget, and although it has fallen from a peak of 6 percent of GDP in 1992 to 4 percent in 1997, it is still high in comparison to expenditures in priority development sectors. A shift of spending to social and economic services, rural areas, and justice and law enforcement is needed to facilitate growth and poverty reduction. Along with this, process changes are required to improve efficiency, effectiveness, transparency and accountability of public expenditures, essential for effective service delivery and good governance. The overall size of the civil service will need to be constrained, with a focus on: (i) improving the quality of staff; (ii) putting in place an effective system to control recruitment and payroll; and (iii) providing transparency in staffing decisions.

43. The Government plans to reduce its dependency on donor financing of the budget. Its strategy in this regard is to cover its recurrent spending from domestic revenues, and progressively increase its share of the development expenditures. As noted above, domestic revenues are very low, and stronger domestic resource mobilization effort is needed to meet the expenditure needs as well as the goal of reducing donor dependency. Nevertheless, the government intends to keep tax rates low and competitive with its neighbors, so that private investments are not jeopardized, and adopt external tariff rates that promote regional integration. Its priorities are to improve tax administration, reduce corruption in the customs service and widen the tax base. An autonomous revenue authority has recently been established to improve tax administration.

44. Accelerated and sustained growth will require substantial private investments and better targeted public investments. For the rural-focused strategy, the priorities for public investments include agricultural extension and research, improving soil fertility, water management, and rural infrastructure and markets, education health, and water supply services, and building institutional capacity. As donors finance the bulk of public investments, effective donor coordination will be necessary to assure that the priorities are respected.

Implementing Structural Policy and Institutional Reforms

45. Rwanda would need to deepen its efforts to achieve rapid and sustainable growth required to reduce poverty. The objectives would be to build an inclusive economic system that can benefit all social groups and genders, and rural and urban dwellers, promote the development of the private sector, develop internal and external trade, particularly to take advantage of emerging regional opportunities, and enhance the effectiveness and efficiency of public service provision. Other critical areas for reform in the post-transition period, include the financial sector, developing mechanisms for term finance, and particularly micro-credit, and strengthening legal institutions.

Economic Outlook and Prospects for Poverty Reduction

46. Continued growth of the agricultural sector will provide momentum for poverty reduction in the coming years. Sustained agricultural growth will stimulate rural trade, promote non-farm rural employment and raise incomes. In addition, the linkages of the agricultural sector with other non-rural economic sectors (trade and services, construction, manufacturing), will raise overall GDP growth. In the long-term, other potential sources of growth (as outlined in **Box 5**) will need to be tapped. The Government recognizes that the exploitation of these potential sources of growth and the diversification of the economy will require deep and sustained economic and political reforms to ensure macroeconomic and social stability, promote private sector development and investments in human and physical capital, and improve the effectiveness of the public sector service delivery. The CAS matrix (Annex B9) presents the key actions for achieving these objectives.

47. Given the uncertain political and security outlook, predictions of the path of the economy have to be highly qualified. Provided that the security situation in Rwanda and the region does not deteriorate, and economic reforms and the flow of donor resources continue, real GDP growth is expected to continue its post-war rebound in 1998-2000, averaging about 8 percent per annum, led by strong performance in agriculture, as returned refugees resume full economic production, and by reconstruction activities and use of rehabilitated and existing capacity to increase industrial production. Inflation is likely to be reduced to 5 percent per annum during the same period.

48. With continued political uncertainty and tenuous peace, it would be unlikely that GDP growth would exceed 5 percent per annum beyond 2000. With durable peace and political stability, strong reform efforts, continued donor support, and progress in implementing the agriculture and rural strategy, economic growth could be sustained in the range of 5-8 percent per annum. Rapid and sustained economic recovery in the DRC and the other countries in the East Africa Region, which would provide markets for Rwanda's products, could push the growth rates toward the high end. Achieving and sustaining the higher growth rate will therefore require a concerted effort on the part of Rwanda and its neighbors to work together to reform their economies, create an attractive environment for private investments, and promote regional integration. Given the instability in the sub-region, it is too early to argue that this will be a probable outcome. At this stage, it is essential to build on those opportunities which can build a basis for stability and growth and reduce the factors that push towards instability. The focus of

the international community, including the Bank, is on working to consolidate the transition efforts, to pave the way for long-term development.

Box 5: Sources of Growth.

⇒ In the near term, up to the year 2000, the economy is expected to grow strongly, at 7-9 percent per annum, as it recovers from the sharp decline of 1994. This growth will result from bringing existing farms/crops back to production, rehabilitation and construction of housing, public facilities and roads, and increased capacity utilization in existing manufacturing and service industries.

⇒ Beyond this, the sources of long-term rapid growth would be:

⇒ productivity increases in agriculture and rural economy, supported by sound macro-economic policies; reforms of land policy to ensure security of tenure and efficient land use; removal of restrictions on labor mobility; investments in rural transport, energy, market infrastructure, education and capacity building; increased use of productivity enhancing inputs and high-yielding crop varieties; and environmental control measures to halt the decline in soil fertility;

⇒ promotion of urban and rural small artisanal and service enterprises, with improvements in access to market regulations and infrastructure, utilities and credit;

⇒ investment in infrastructure for trade facilitation, to enhance Rwanda's competitive position vis-à-vis its regional neighbors;

⇒ investments to exploit the natural gas reserves in Lake Kivu, to reduce energy costs in Rwanda and the sub-region;

⇒ investments in manufacturing and service industries to take advantage of economic recovery and increasing regional cooperation in the Great Lakes/Eastern Africa region;

⇒ enhanced exports to international markets—including traditional products—coffee and tea—and niche products, along with emerging regional specialties—high value horticultural products, textile finishing, garments and tourism;

⇒ existing smelting capacity in tin could also provide a source of growth through the development of links with mining operations in neighboring Congo and Uganda. Exports of coltan, a high value mineral for technological uses, could also provide major opportunities as Rwanda is one of the major sources of this mineral. Active promotion of private sector initiatives in this sector that provided 22 percent of export earnings in the late 70s and early 80s is needed to exploit this opportunity.

IV. PROPOSED BANK ASSISTANCE STRATEGY

Previous Bank Programs

49. Since 1970, Rwanda has received 50 IDA credits totaling US$829.6 million, and IFC has financed three loans and two equity participations. The IDA credits financed (i) infrastructure with 16 projects and 31.4 percent of commitments, particularly road construction and maintenance (11 projects); (ii) agriculture, rural development and forestry, with 12 projects and

18.6 percent share of commitments; (iii) import support, three projects including the two recent emergency operations and 22.9 percent share of commitments; (iv) social infrastructure,

Box 6: Lessons from Past International Interventions in Rwanda

Rwanda received substantial assistance from the donor community in the pre-war era at an average annual level of US$393 million in 1990-93. The donors were attracted to Rwanda by its policies, including its low rural and urban migration rates, sound macroeconomic policies and active involvement of the Government and the civil society in environmental control activities. However, while there was progress on the economic side, at least in the early years, no progress was made on dealing with the underlying ethnic tensions in the society. On the contrary, the then Hutu-dominated government took a hard line on the question of the return of the Tutsi refugees outside Rwanda, essentially locking them out of country. The Government ruled to the exclusion of the Tutsi minority, while a small group within the regime enjoyed the benefits of access to the privileges. The potential loss of these privileges was at the root of the strong opposition to, and subsequent failure to implement the Arusha Accords, which required that the ruling party share power with its opponents.

The Bank and the donor community did not adequately consider socio-political dimensions in Rwanda in their assistance to the Government. External assistance helped Rwanda to build up relatively good infrastructure but it did not reach the poor. The Government resisted a Bank/Fund supported adjustment program until 1991, effectively avoiding the liberalization of the economy, the reduction in the role of Government, and the opening up of economic opportunities. Three broad lessons can be drawn from the experience of international support to pre-war Rwanda. The first broad lesson is the need to take the socio-political dimensions of development into account in development assistance. The second is the recognition of the key role of donor coordination in conflict/post-conflict situations, often with difficult socio-political issues in addition to the economic ones. The exercise of the mandates of the multilateral agencies and bilateral donors in a complementary manner would produce more sustainable outcomes in such situations. The third is the need to focus assistance on the people, particularly the poor, which could provide direct and sustainable impacts to the society and facilitate the transition to peace.

including water supply (9 projects and 16.2 percent); and, (v) private sector development, public enterprise reform, financial development and technical assistance (10 projects and 10.9 percent). Disbursements to date have totaled US$576.5 million, with an undisbursed balance of US$156.0 million. This CAS has benefited from the recent implementation experience and reinforced by our reflections on the strengths and weaknesses of our past interventions in Rwanda (see **Box 6**). Donor coordination was at times inadequate, leading to duplication and overtaxing of capacity on the government side. Programs were designed without due regard to the socio-political environment. We were late in recognizing and acting on the structural constraints in the economy and there was not enough emphasis on directly reaching the poor.

Rationale for Bank Involvement

50. In the previous sections, the *special case* for Rwanda has been made clear. The Bank has supported Rwanda in managing the post-1994 crisis and **Box 7** presents the response of the Bank to the crisis. Continued Bank support in areas where we have a comparative advantage will help to promote economic development and stability in Rwanda as well as in the Great Lakes region. The Bank, through its overall assistance program plans to focus on five themes: (i) continuation of the efforts to reintegrate refugees and to promote national reconciliation; (ii) revitalization of the rural economy requiring sustainable increases in agricultural productivity, the protection of

natural resources, provision of social and economic infrastructure, and improved functioning of rural markets; (iii) investment in human resource development and capacity building to develop a skilled labor force and improve the welfare of the population; (iv) support to policy and regulatory reforms and selected infrastructure investments to promote private sector trade and investment, and improve Rwanda's competitiveness; and (v) improved donor coordination and resource mobilization.

Proposed Program of Support

51. The Bank assistance strategy was prepared through a process of consultation with the Government and across social and economic interest groups. Three commune-level, one prefecture-level and four national level consultations were carried out as part of the CAS process. The commune--and prefecture--level consultations were enthusiastically received by the local populations, who welcomed an opportunity to express local priorities and to have their voices heard in a direct and open manner. The national level consultations were thematic: gender issues, private sector concerns, infrastructure and urban development, and poverty alleviation strategies. The consultations involved participants from civil society at large, local and central government officials, local, national and international NGOs and other non-profit associations, private sector representatives and women's groups and organizations. Annex 2 discusses the principal outcomes of the consultations.

52. Management of the existing portfolio has been at the heart of the Bank's approach to Rwanda (see Box 7) Despite a difficult environment, the Resident Mission plays an instrumental role in our country dialogue and portfolio management. With respect to portfolio management, the Resident Mission leads the CPPR process which has become instrumental in enhancing the quality of supervision and increasing the Government ownership and improving portfolio performance. A Bank/Government team serves as a focal point for portfolio implementation and the evaluation of the impact of the progress on poverty alleviation. The team is focusing on a number of issues including how to: (i) sustain the overall performance of the portfolio; (ii) create a more conducive environment for enhanced project impact (e.g. implementing structural reforms and improving sectoral expenditures framework); (iii) improve project management capacity; (iv) ensure the availability of counterpart funds (5 percent of local expenditures); and (v) improve the development impact of projects through the introduction of beneficiary feedback and participatory mechanisms. Consistent efforts by the Government and the Bank to improve the portfolio performance has had good results (see Annex 1).

53. **Lending.** The situation in Rwanda and the region remains volatile. There is uncertainty over the duration of the transition and the Bank's approach needs to remain flexible. We propose that, in recognition of the special case, the Bank provide strong support to the transition. In view of the uncertainty of the situation, we are proposing a firm lending program for FY99 only, with indicative lending operations, for FY2000-2001 (see Annex B3). In late FY99, we shall review the situation and propose an assistance program for the following year(s), as appropriate. Namely, we will present a progress report for consideration in early FY2000. The proposed FY99 lending program consists of: (i) a quick disbursing economic recovery credit, to support the economic reforms and to enhance the capacity of the Government to provide social and economic services and promote macroeconomic stability; and (ii) two investment operations, for agriculture and

rural water supply. These will help to revitalize the rural economy. The proposed lending amount of US$80 million is unusually high, in order to support successful transition, reflecting the special case for the country.

54. With continued improvement in performance and overall progress on transition efforts, we would expect a lending program at the higher end of the range of US$30-60 million (Annex B3) for FY2000-2001. The volume of lending in FY2000-2001 will depend on a number of factors including government performance on the implementation of the reform program being formulated jointly with the Bank and the Fund. Current projections of the budget and balance of payments indicate that Rwanda will need budget support in FY2000-2001.

Box 7: Bank Response to the Rwanda Post-Conflict Situation

The Bank sought to respond to the 1994 crisis by taking action to help to: (a) restore essential services in key sectors; (b) pave the way for economic recovery; and (c) support international efforts to promote stability.

The Bank extended a grant of US$20 million to Rwanda in August 1994, one month after the end of the war, to provide needed inputs for restoring economic activities and services in key sectors such as agriculture, health, and education. The implementation review concluded that it was successful in providing urgently needed services. In January 1995, the first Emergency Recovery Credit (ERC) was approved by the Board. It provided support to revive private sector production and restore GOR's operational capacity to provide social and economic services. A second Emergency Recovery and Reintegration Credit (ERRC) was approved by the Board in June 1997 to enable the Government provide urgent economic and social services to returning refugees as well as the existing population. These three interventions provided the equivalent of US$120 million in FY95-97.

In parallel, a complete overhaul of the existing investment projects was carried out, led by the Resident Mission. Regular portfolio reviews in Kigali refocused operations to support critical services. High priority needs such as immunization, rehabilitation of rural schools and health centers, provision of water and sanitation services (including the integration of a solid waste management in the city of Kigali in the energy project), capacity and institution building, were incorporated into the program. The results were impressive. The disbursed amounts on investment projects increased from US$0.9 million in FY95 to US$30.5 million in FY97.

Non-lending services focused on critical transition issues including: public expenditure programming, emergency needs assessments for refugee reintegration, design of a military demobilization program, agricultural sector strategy development, donor coordination (with a special focus on the external debt burden), and policy dialogue in various sectors.

55. Improved performance would be considered in light of the overall situation in the country and in the Great Lakes region. Progress in policy reform in key areas for successful transition would be considered to move to the higher range of lending. The main performance areas would include: (a) progress in efforts to improve the structure of taxes and prices for main agricultural exports; (b) progress in improving the business climate, including establishment of a plan for privatization of key public enterprises, and rationalizing business regulation requirements; (c) increased budgetary allocations to social sectors, as the start towards development of longer term investment programs for human resources. The Bank and the Government will agree on appropriate performance benchmarks in these areas in the proposed Economic Recovery Credit. We will review the performance in light of the overall situation in the country and the Great Lakes region. If the security situation shows substantial deterioration, and progress in areas (a) and (c)

above is not made, we would reduce lending to about US$20 million, targeting support to the poor and rural population, working in close collaboration with NGOs.

56. **Non-lending Services.** The non-lending program aims to assist Rwanda to address transition and long-term issues, and enhance donor coordination. Consequently the economic and sector work (ESW) has a rural/agricultural emphasis: rural energy and environment study, rural economic growth, updating the NEAP, a CEM (Economic Growth, Employment and Competitiveness), with a strong agricultural, rural and private sector development focus (see Annex B4). The Poverty Assessment will assess progress in poverty reduction in the rural and urban areas. A social sector expenditure review will address issues on the strategies, expenditures frameworks, budget allocations and donor coordination in the social sectors. We will continue to assist the Government in analytical work on decentralization and participation, in the context of the (CRDP). In economic and sector work, we will work closely with other donor partners, government officials and local consultants, to maximize the impact on donor coordination and capacity building.

57. Capacity building will be an essential element of development assistance from the Bank and other donors. We have however not proposed any direct lending operation for capacity building because: (i) the government prefers to use grant funding for capacity building activities; (ii) many other donors and UN agencies, including UNDP, are very active in capacity building activities; and (iii) we plan to use our projects and ESW activities, grant funding from the Development Grant Facility (DGF) and donor trust funds to support capacity building initiatives by the Government. The Bank will collaborate with the IMF and the UNDP in building capacity for policy development and economic management.

58. Donor coordination and policy and institutional reforms are the key activities to be supported by ESW, including public participatory expenditure reviews, policy framework papers, and debt sustainability analyses. In recognition of the importance of donor coordination, the Government has requested the assistance of the Bank and UNDP in this area. The Bank was requested to assist in coordinating aid for structural reforms, public expenditure and external debt management, private sector development, and resource mobilization. In this context, the Bank is assisting the Government to mobilize donor funding for a multilateral debt trust fund which will pay Rwanda's multilateral debt service obligations prior to access to the HIPC.

Partnerships with the International Donor Community

59. Exceptional assistance and effective partnership from the international community is essential to ensure a consistent flow and efficient use of concessional and grant resources and to sustain economic growth. It will also be necessary to provide support to Rwanda to manage the transition to participative Government which is part of the new vision for the country. The Bank, working with the IMF and UNDP, is well placed to provide leadership in assisting the Government on the economic program. The UN system and bilateral donors are better placed to lead the program to support political transition. Effective partnership for economic support will be fostered by: (i) clear presentation of Rwanda's social and economic development strategy to the international community and follow through on its implementation; (ii) donors working in the context of an agreed government strategy and plan. Donors can: (i) share the burden of funding

and; (ii) use cofinancing and joint implementation of programs to ensure that effectiveness of aid is maximized.

60. International NGOs remain active in Rwanda, assisting returned refugees and other vulnerable individuals, often supported by donor funds. The working relationship between the Government and the NGO community is still somewhat difficult but has vastly improved from the situation in 1995 when the Government expelled a number of international NGOs from Rwanda. NGOs are playing important róles in Rwanda, attracting resources, and providing services which the Government lacks the capacity and resources to provide. However, as the Government deepens its strategy, it will be important for NGOs to work within this overall framework.

Collaboration with the IMF and the United Nations

61. **The IMF** has supported the post-war economic recovery in Rwanda, with technical and financial assistance, and continues to support the Government's transition program to development. The Bank and the Fund staff have collaborated closely in the design and monitoring of the macroeconomic framework and the technical assistance programs. Following the cessation of hostilities in 1994, the IMF organized a number of missions to Kigali to assist the new Government to rebuild its capacity for economic management and develop its macroeconomic framework. The Fund supervised the implementation of a technical assistance program which was partly financed from the proceeds of the technical assistance component of the IDA Economic Recovery Credit. The Government has successfully implemented two IMF-staff-monitored shadow programs since 1995.

62. Financial assistance from the IMF has complemented the import support provided by IDA, the African Development Bank and bilateral donors and assisted the Government to reform and stabilize the economy. In October 1995, the IMF Board approved a purchase of SDR 8.9 million under the Compensatory and Contingency Financing Facility and in March 1997, the Board approved a post-conflict assistance program of an equivalent of US$20 million to support the Government's transition program following the massive return of refugees in late 1996. The FEP provided the basis for this assistance and the second tranche of the post-conflict assistance was released in December 1997. The Fund is currently preparing, an ESAF program with the Government and plans to conclude negotiations by mid-1998.

63. **The United Nations** agencies, coordinated by the UNDP, have been very active in Rwanda working on humanitarian, economic development, and political activities. Rwanda is a "Round Table" country, with the process coordinated by UNDP. Two recent Round Table Conferences to raise funding for the reconstruction of Rwanda were held in 1995 and 1996. The Bank actively supported the UNDP Round Tables. We also collaborated with the UN agencies in the 1996 Emergency Assessment, following the massive return of refugees, and with the UNDP on issues such as demobilization, refugee reintegration and community development, capacity building and public expenditure reviews. As the transition is underway, the Government has sought a more active role by the Bank in donor coordination and we are doing so in the framework of the Round Table process.

Role of IFC and MIGA

64. **IFC** is not currently active in Rwanda but it has begun to actively search for new investment opportunities, particularly in non-traditional agricultural exports. Before the war, IFC financed three loans and two equity participations but all these have closed. The Government is likely to seek IFC's assistance for the development of the natural gas reserves in Lake Kivu.

65. **MIGA**. Rwanda ratified the MIGA convention in October 27, 1987 but has not paid the subscription fee. Since its strategy aims to attract foreign private investment, the Government intends to complete the process of joining MIGA in 1998.

V. RISKS AND CONCLUDING REMARKS

66. **Risk factors**. The environment in Rwanda and the Great Lakes should be considered as high risk for a number of reasons. Political risk, in the form of continued social unrest and military action is likely to continue. This will increase the risk that economic reform efforts would be slowed and that economic performance would be reduced. Finally, financing from the international community in response to Rwanda's needs and performance remain uncertain.

67. **Risk assessment**. Continued instability and violence in parts of the country as a result of actions by the former army and militia create uncertainty for the future. International support for reconciliation through efforts to address the legacy of the genocide, and promote a more effective system of justice, will help to foster reconciliation. Development of participative decision-making structures will also help to contain the risks of expanded civil conflict. Nonetheless, not all the factions are seeking peace. If recent trends are maintained, some conflict in the region is likely to continue.

68. Economic reform efforts will be carried out in this difficult environment. Government commitment to reform is very high, and this will be an important factor in progress in the reform agenda. The dialogue with Government on the CAS and preparation of the ESAF has helped to deepen understanding of the reform agenda and the sequencing of reform as part of the transition period. Rwanda has aligned itself with neighboring countries that have also moved ahead with the reform agenda and is seeking greater regional integration. The Government's commitment to reform and cooperation with other countries will be an important factor in keeping reform efforts on track.

69. Finally, international support for Rwanda through financing of required budgetary and investment requirements will be needed throughout the transition period. The Bank, working with the IMF, can provide a share of the financing and help to mobilize other partners. Some success has already been achieved. A number of partners have indicated interest in supporting the proposed multilateral debt trust fund, to help Rwanda develop the track record for the HIPC. The establishment of an ESAF framework should also help to deepen support for Rwanda for longer term development. However, the most important factor in obtaining international financial support will be the ability of the Government to carry out its reform efforts. The Bank can help by supporting capacity building to carry out reforms and by supporting Rwanda's efforts to obtain the needed financing.

70. Flexibility and good judgment will be essential to manage the need for reform to enable rapid economic growth, preservation and deepening of the fragile peace, and promoting regional integration in the Great Lakes. Nevertheless, it is also important to recognize that Rwanda has come a long way since the devastation of 1994. There is an opportunity for the Bank to assist Rwanda and the Great Lakes region to emerge from the current crisis. Effective support from the Bank to Rwanda, that is proactive and prudent, can make a difference for the better. This opportunity should not be missed.

James D. Wolfensohn
President

by Sven Sandström

ANNEX 1: PORTFOLIO IMPLEMENTATION EXPERIENCE

71. Over the last two years, the economic and security environment in Rwanda remained difficult, and the country risk for portfolio performance remains high. Bank-financed portfolio faces major issues including: (i) continuing instability with serious security concerns in the northwestern prefectures; (ii) the slow pace of implementing agreed reforms in key sectors; (iii) persistent capacity problems; and (iv) significant fiscal problems still experienced by the country in the aftermath of the 1994 war and the recent massive return of refugees from neighboring countries. However, the Government has been making consistent efforts to enhance security conditions, has demonstrated continued commitment to development programs and implementation issues, and is putting in place a framework for medium-term economic management.

72. The Bank pursued a flexible and realistic approach to portfolio management. We were pro-active in (i) retrofitting projects to meet changing country situation, (ii) closing unsatisfactory operations (e.g. Agriculture Services in FY97); (iii) strengthening the links between policy dialogue and portfolio management; and, (iv) increasing the role of the Resident Mission in portfolio management. These efforts have already yielded good results with a significant improvement in portfolio performance over the last eighteen months.

73. The Rwanda portfolio includes 9 operations during FY98. There are three operations in the social sector (Education, Health and Population, Food Security and Social Action), four in infrastructure (Transport, Communication, Water Supply and Energy), one focusing on Economic management, and one private sector development project. The overall performance of the Rwanda portfolio improved during FY97 and, as a result, portfolio management was rated "good" by Quality Assurance Group (QAG). The disbursement ratio is expected to increase from 22.8 percent in FY97 to about 45 percent in FY98, thanks to the quick disbursing Emergency Reintegration and Recovery Credit approved in June 1997. The disbursement ratio on investment projects should shift from 20 percent to about 26 percent over the same period.

74. Although an overall improvement in project ratings was achieved in FY97 and is being sustained in FY98, all investment projects in Rwanda are still rated as being at risk. The number of problem projects has fallen from 50 percent of the portfolio in FY96 to 33 percent (three projects rated unsatisfactory) in mid-FY98. The Water Supply project, which is closing on June 30, 1998, was handicapped by the weak institutional capacity, delays in signing covenants between the General Directorate of Water and the communes, the unavailability of sufficient cofinancing, and poor security conditions in one project area, the Lava region. The two other unsatisfactory projects are the Energy Sector and the Communications II projects, but prospects are good for improved performance by end FY98. Continued policy dialogue is yielding results in the Energy, Communication and Education sectors as the Government has now (i) agreed to take concrete steps towards improved management of the water and power utility, Electrogaz; (ii) launched the process of spelling out policies in the postal sector; and, (iii) initiated an effort for strategy formulation and quality improvement in the education sector.

75. The lack of adequate capacity, aggravated by low public sector pay and hence the difficulty of retaining trained staff, remains a constraint that hampers the implementation of the portfolio. Nevertheless, improvements were made over the last two years through efforts to strengthen project management and to increase Government commitment and ownership of projects, particularly since the November 1996 CPPR. The December 1997 CPPR confirmed: (i) an increased partnership between the Bank and the Government; (ii) a gradually improving capacity in project management by project staff; and (iii) a higher focus on making an impact on poverty reduction.

76. The average age of the portfolio is 5.9 years. This is principally due to the major rupture caused by the 1994 war and the slow pace of resumption of project activities in 1995/96. Five projects out of nine operations in the portfolio are expected to close by end CY98 and three additional projects would close by end CY99.

77. The CPPR process remains instrumental to increasing Government ownership and improving the quality of supervision and portfolio performance. The 1996 CPPR developed a framework for tracking implementation progress which is being used by every supervision mission. A Bank/Government team serves as a focal point for portfolio implementation and the evaluation of the impact of the portfolio on poverty alleviation in FY98. The team is focusing on a number of issues including how to: (i) sustain the overall performance of the portfolio; (ii) create a more conducive environment for enhanced project impact (e.g. implementing structural reforms and improving sectoral expenditures framework); (iii) improve project management capacity; (iv) ensure the availability of counterpart funds (5 percent of local expenditures); and (v) improve the development impact of projects through the introduction of beneficiary feedback and participatory mechanisms.

78. The Country Department discusses portfolio performance and management issues with cluster leaders on a monthly basis in order to take realistic actions pro-actively, and ensure that team leaders are drawing on the best expertise available within and outside the Africa Region for quality portfolio management. In addition, the Resident Mission is being strengthened, particularly in the areas of financial management, procurement and in the agriculture/rural sector. Prescreening of disbursement requests by the Resident Mission has resulted in reducing the rejection rate by more than 50 percent. The number of days to process disbursement applications at HQ declined from 8 to 6 days and, as mentioned above, significant progress was made in improving project disbursements.

79. With respect to new operations, the quality at entry is being scrutinized and consistency with the CAS will be checked through out the project cycle. Particular attention will be paid to: (i) systematic use of the logical framework at all levels (Bank, Borrower, other stakeholders); (ii) lessons learned from pilot operations, closed projects and OED evaluations; (iii) Government ownership and beneficiaries participation; and, (iv) consistency with macro and sector policies.

ANNEX 2: CAS CONSULTATION

In general, the consultations have reinforced the basic theme of the CAS; i.e. a ***growth-oriented strategy*** that enables the private sector to be the motor of development and that puts ***agriculture on the center stage*** as the primary source of growth in the economy. ***Poverty reduction*** is perceived as resulting from a ***growth*** strategy.

Women's groups and local populations see ***greater access to economic opportunities*** as more important than ***redistribution and transfer mechanisms,*** except for the highly vulnerable elements of the population. A gender-specific focus of all operational strategies and activities is seen as a priority and an ***affirmative action plan*** is recommended to ensure that gender issues are not marginalized.

The private sector consultations reinforced the view that Rwanda needs to become more competitive in order to exploit the potential in the regional markets. Regional integration is seen as the most important element in both enhancing and improving Rwanda's competitiveness, and as a means of enlarging the market to enable the economy to capture the potential benefits of expanded agricultural production and transformation. ***Tax policy*** is seen as a major constraint to private sector investment, both from domestic and overseas entrepreneurs. In addition, there remain a number of ***regulations and restrictive practices*** that were cited as particular ***disincentives*** to investment and growth and to development of the identified potential in traditional and non-traditional exports.

Rural populations ***emphasize water as the primary infrastructure priority***, followed by better access roads, and shelter. In most cases, water, due to either high cost and or difficulties of access, is also seen as ***enabling the poor and women***, in particular, to obtain ***substantial savings in time and money*** and thereby increase disposable income for other productive activities.

All groups feel that *access to micro-credit* is critical to raising farm incomes, as is the development of rural markets. Education was seen as the highest priority in the social sector, and the poverty consultations viewed ***universal access to primary education*** as essential given the high proportion of rural poor and ***high incidence of vulnerability*** at all levels. All groups seek ***better access to training and technical education*** that will enhance productivity in the full range of economic activities.

Land tenure, is seen as a ***constraint to intensification of agriculture;*** more importantly; the land is a potentially explosive issue in urban areas as housing is seen as a particularly urgent priority for the hundreds of families that occupied existing housing and that are now forced to relinquish them following the massive refugee return in 1996. ***Development of market facilities*** in rural and urban areas is seen as important for stimulation of internal trade and commerce and to enable the efficient functioning of wholesale and retail markets.

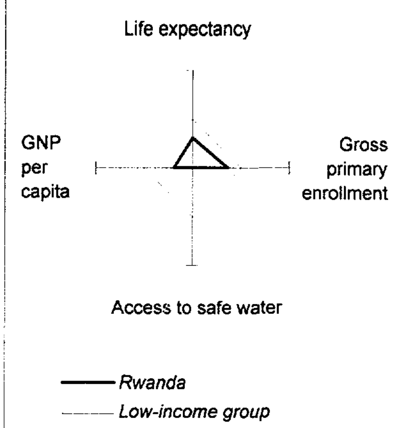
There is ***substantial and universal support for the participative approaches*** to community development. All local communities see the benefits of increasing local responsibility and accountability for their own development destinies. *Capacity-building* is seen as critical to the success of such decentralization activities.

Rwanda at a glance

2/20/98

POVERTY and SOCIAL	Rwanda	Sub-Saharan Africa	Low-income
Population mid-1996 *(millions)*	6.7	600	3,229
GNP per capita 1996 *(US$)*	190	490	500
GNP 1996 *(billions US$)*	1.3	294	1,601
Average annual growth, 1990-96			
Population *(%)*	-0.6	2.7	1.7
Labor force *(%)*	2.0	2.6	1.7
Most recent estimate *(latest year available since 1989)*			
Poverty: headcount index *(% of population)*	51	..	..
Urban population *(% of total population)*	6	31	29
Life expectancy at birth *(years)*	39	52	63
Infant mortality *(per 1,000 live births)*	133	92	69
Child malnutrition *(% of children under 5)*	28	..	..
Access to safe water *(% of population)*	..	47	53
Illiteracy *(% of population age 15+)*	40	43	34
Gross primary enrollment *(% of school-age population)*	77	72	105
Male	78	78	112
Female	76	65	98

Development diamond*

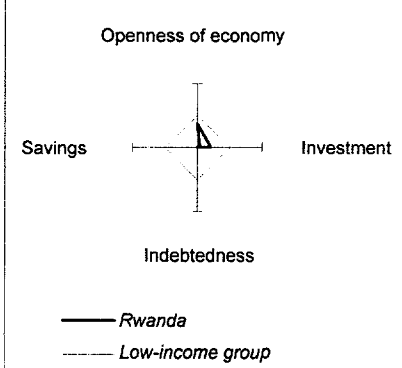


KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1995	1996
GDP *(billions US$)*	0.6	1.7	1.1	1.3
Gross domestic investment/GDP	13.7	17.3	13.2	13.6
Exports of goods and services/GDP	9.2	10.8	5.7	6.1
Gross domestic savings/GDP	5.2	8.2	-11.1	-2.5
Gross national savings/GDP	14.3	14.7	11.9	2.5
Current account balance/GDP	..	-3.7	-1.3	-11.5
Interest payments/GDP	..	0.2	0.0	0.7
Total debt/GDP	4.2	21.3	95.9	85.3
Total debt service/exports	..	9.9	28.6	44.0
Present value of debt/GDP	..	..	..	..
Present value of debt/exports	..	..	..	..

	1975-85	1986-96	1995	1996	1997-05
(average annual growth)					
GDP	6.1	-5.5	24.6	13.3	5.9
GNP per capita	2.9	-7.8	21.3	7.8	2.8
Exports of goods and services	7.4	-12.0	-4.5	40.5	6.9

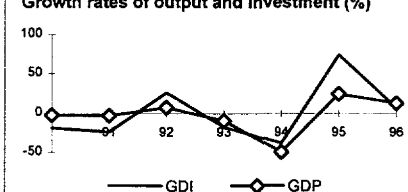
Economic ratios*



STRUCTURE of the ECONOMY

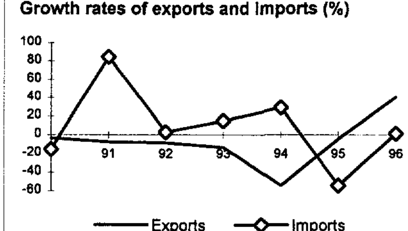
	1975	1985	1995	1996
(% of GDP)				
Agriculture	52.4	45.7	37.8	40.3
Industry	20.2	24.8	15.9	14.4
Manufacturing	13.1	15.0	15.4	14.0
Services	27.3	29.5	46.3	45.3
Private consumption	78.2	80.5	101.5	92.2
General government consumption	16.6	11.3	9.6	10.3
Imports of goods and services	17.7	19.9	30.0	22.3

Growth rates of output and investment (%)



	1975-85	1986-96	1995	1996
(average annual growth)				
Agriculture	4.7	-4.7	20.9	11.1
Industry	7.5	-9.6	2.0	15.3
Manufacturing	6.7	-7.4	14.4	13.8
Services	10.7	-4.0	37.5	17.0
Private consumption	6.6	-2.2	-22.8	6.2
General government consumption	2.9	-3.4	53.7	34.7
Gross domestic investment	11.4	-7.2	74.4	7.0
Imports of goods and services	11.0	3.7	-54.0	1.3
Gross national product	6.1	-5.5	24.6	13.3

Growth rates of exports and imports (%)

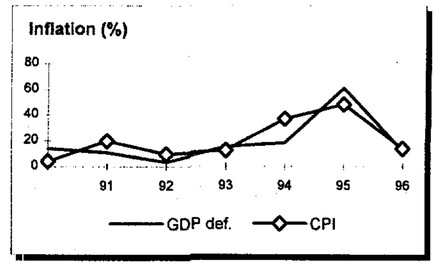


Note: 1996 data are preliminary estimates.

* 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.

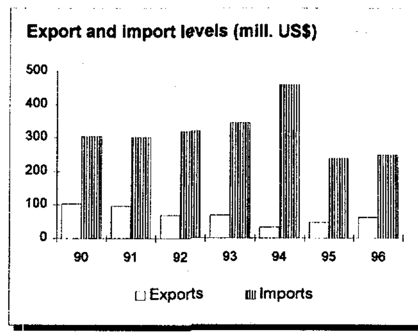
PRICES and GOVERNMENT FINANCE

	1975	1985	1995	1996
Domestic prices				
(% change)				
Consumer prices	30.2	1.8	22.0	9.0
Implicit GDP deflator	88.0	4.6	25.0	11.7
Government finance				
(% of GDP)				
Current revenue	..	12.2	7.1	9.3
Current budget balance	..	2.2	-5.8	-3.9
Overall surplus/deficit (before grants)	..	-7.8	-14.1	-13.1



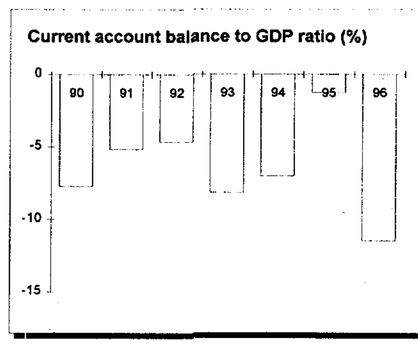
\\

	1975	1985	1995	1996
(millions US$)				
Total exports (fob)	..	119	47	62
Commodity 1	..	86	38	44
Commodity 2	..	17	4	9
Manufactures	..	5	1	1
Total imports (cif)	..	274	238	249
Food	..	41	56	50
Fuel and energy	..	51	22	25
Capital goods	..	56	50	50
Export price index *(1987=100)*	..	77	163	154
Import price index *(1987=100)*	..	77	129	133
Terms of trade *(1987=100)*	..	100	126	115



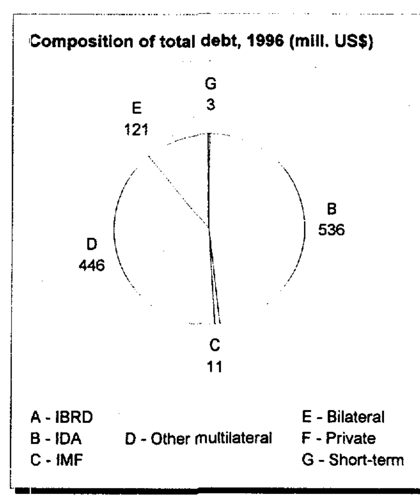
BALANCE of PAYMENTS

	1975	1985	1995	1996
(millions US$)				
Exports of goods and services	64	154	63	81
Imports of goods and services	124	328	333	297
Resource balance	-60	-174	-270	-216
Net income	-3	-6	9	-15
Net current transfers	55	116	247	80
Current account balance, before official capital transfers	-9	-63	-14	-151
Financing items (net)	22	78	60	169
Changes in net reserves	-13	-14	-46	-18
Memo:				
Reserves including gold *(mill. US$)*	26	113	99	107
Conversion rate *(local/US$)*	92.8	101.3	290.0	311.4



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1995	1996
(millions US$)				
Total debt outstanding and disbursed	24	365	1,066	1,117
IBRD	0	0	0	0
IDA	13	152	512	536
Total debt service	0	16	24	38
IBRD	0	0	0	0
IDA	0	2	12	8
Composition of net resource flows				
Official grants	0	0	0	0
Official creditors	12	71	54	37
Private creditors	0	-3	0	0
Foreign direct investment	0	0	0	0
Portfolio equity	0	0	0	0
World Bank program				
Commitments	18	17	50	0
Disbursements	5	30	35	43
Principal repayments	0	0	6	4
Net flows	5	29	29	38
Interest payments	0	1	7	4
Net transfers	5	28	22	35



RWANDA - KEY ECONOMIC INDICATORS

Indicator	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
					Estimates				Projections					
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	100.0	100.0	100.0	100.0	100.0
Agriculture[a]	32.8	40.0	36.5	36.8	35.7	34.9	34.1	33.5	32.2	30.8	29.4	28.1	26.8	25.5
Industry[a]	18.3	17.3	21.8	22.6	23.9	24.1	24.0	24.0	24.0	24.6	25.2	25.8	26.4	27.0
Services[a]	42.5	37.4	36.3	34.5	33.5	34.4	34.8	35.4	36.7	37.4	38.2	38.9	39.7	40.3
Total Consumption	100.4	158.4	108.6	106.2	100.7	97.9	95.3	93.4	92.8	92.6	92.3	92.1	91.9	91.7
Gross domestic fixed investment	15.8	0.0	13.0	14.4	19.0	18.3	18.7	19.2	19.2	19.2	19.2	19.2	19.2	19.2
Government investment	4.7	0.0	8.2	8.4	10.5	10.3	10.4	9.5	9.1	8.7	8.4	8.0	7.6	7.6
Private investment (includes increase in stocks)	11.1	0.0	5.3	5.6	8.7	8.0	8.4	9.7	10.1	10.5	10.9	11.2	11.6	11.6
Exports (GNFS)[b]	5.2	5.9	5.6	6.0	5.7	4.4	3.8	3.7	4.1	4.1	4.1	4.1	4.1	4.1
Imports (GNFS)	20.5	64.3	27.8	26.2	25.5	20.5	17.8	16.4	16.1	15.8	15.6	15.4	15.2	15.0
Gross domestic savings	-0.4	-58.4	-8.6	-6.2	-0.7	2.1	4.7	6.6	7.2	7.4	7.7	7.9	8.1	8.3
Gross national savings[c]	-0.1	-53.4	10.5	7.7	6.4	6.3	6.9	8.7	9.2	9.3	9.3	9.3	9.4	9.3
Memorandum items														
Gross domestic product (US$ million at current prices)	1969	750	1199	1386	1780	1967	2166	2362	2550	2749	2962	3192	3439	3705
Gross national product per capita (US$, Atlas method)	260.0	120.0	200.0	190.0	210.0	240.0	260.0	280.0	290.0	300.0	310.0	330.0	340.0	0.0
Real annual growth rates (%, calculated from 1976 prices)														
Gross domestic product at market prices	-9.5%	-49.0%	24.6%	12.0%	13.0%	9.0%	8.5%	7.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Gross Domestic Income	-8.8%	-49.0%	24.6%	11.5%	15.0%	7.7%	7.8%	7.3%	4.9%	5.0%	5.0%	5.0%	5.0%	5.0%
Real annual per capita growth rates (%, calculated from 1976 prices)														
Gross domestic product at market prices	-12.2%	-50.0%	67.9%	-1.6%	-5.8%	5.8%	5.3%	4.4%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Total consumption	-5.2%	-28.2%	5.3%	-5.2%	-8.6%	1.0%	0.7%	1.1%	0.9%	1.6%	1.6%	1.6%	1.6%	1.6%
Private consumption	-2.8%	-20.5%	-1.5%	-7.2%	-7.0%	-2.3%	-0.1%	-0.5%	0.6%	1.5%	1.5%	1.5%	1.5%	1.5%

RWANDA - KEY ECONOMIC INDICATORS
(continued)

Indicator	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	Estimates								Projections					
Balance of Payments (US$m)														
Exports (GNFS)[b]	102.0	44.1	67.4	83.2	101.4	85.8	82.1	87.4	103.4	111.4	120.1	129.4	139.5	150.5
Merchandise FOB	67.7	32.2	51.2	61.7	80.6	63.4	57.9	61.3	75.2	81.1	87.4	[illegible]	101.5	109.5
Imports (GNFS)[b]	404.2	482.2	333.4	363.6	454.3	403.6	386.2	386.6	410.2	435.8	462.9	492.0	522.4	555.2
Merchandise FOB	267.7	367.1	193.5	213.3	296.2	254.6	249.0	247.6	265.0	284.3	304.8	326.8	349.9	375.0
Resource balance	-302.2	-438.1	-266.0	-280.4	-352.9	-317.9	-304.1	-299.2	-306.8	-324.3	-342.8	-362.5	-382.9	-404.7
Net current transfers (including official current transfers)	15.6	85.1	241.6	202.3	138.3	97.7	64.7	69.0	72.2	76.4	79.7	84.9	90.2	95.4
Current account balance (after official capital grants)	-130.3	-5.3	56.7	2.4	-97.1	-102.6	-116.8	-103.8	-105.7	-122.3	-144.1	-165.3	-189.2	-215.8
Net private foreign direct investment	5.8	0.0	2.0	2.2	4.0	5.0	10.0	15.0	25.0	30.0	35.0	40.0	45.0	50.0
Long-term loans (net)	56.2	-11.1	30.5	35.9	78.2	192.3	97.0	93.6	90.7	99.9	119.7	137.0	157.2	180.2
Official	45.4	20.0	43.0	53.0	63.5	38.5	25.4	28.2	30.4	36.0	40.8	43.9	46.7	48.7
Private	10.8	-31.1	-12.5	-17.1	14.7	153.8	71.6	65.4	60.2	63.9	78.9	93.1	110.5	131.6
Other capital (net, including errors and omissions)	25.7	19.5	-29.6	-20.9	17.0	-112.2	1.9	1.9	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserves[d]	42.6	-3.1	-59.5	-19.6	-2.1	17.4	7.9	-6.6	-10.0	-7.6	-10.6	-11.6	-13.0	-14.4
Memorandum items														
Resource balance (% of GDP at current market prices)	-15.3%	-58.4%	-22.2%	-20.2%	-19.8%	-16.2%	-14.0%	-12.7%	-12.0%	-11.8%	-11.6%	-11.4%	-11.1%	-10.9%
Real annual growth rates (1976 prices)														
Merchandise exports (FOB)	-13.9%	-54.0%	-4.5%	33.1%	-4.8%	-5.1%	2.7%	10.3%	25.0%	6.3%	6.3%	6.3%	6.3%	6.3%
Primary	15.8%	4.2%	62.3%	43.0%	-26.9%	4.7%	4.5%	14.6%	31.0%	6.8%	6.8%	6.8%	6.8%	6.8%
Manufactures	-25.9%	-38.8%	175.0%	-15.5%	94.2%	52.5%	5.7%	5.2%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Merchandise imports (CIF)	-5.8%	2.5%	10.7%	5.2%	48.4%	-14.0%	-4.0%	-2.5%	4.4%	4.7%	4.7%	4.7%	4.6%	4.6%
Public finance (as % of GDP at current market prices)[e]														
Current revenues	15.5	4.6	9.5	10.0	9.6	10.6	10.9	11.7	12.3	12.4	12.4	12.4	12.4	12.3
Current expenditures	15.3	13.4	12.1	12.6	11.0	13.4	13.3	13.5	13.6	13.4	13.3	13.2	13.1	12.9

(continued)

RWANDA - KEY ECONOMIC INDICATORS
(continued)

Indicator	Estimations													Proje
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Current account surplus (+) or deficit (-)	0.2	-8.8	-2.6	-2.6	-1.4	-2.8	-2.4	-1.8	-1.2	-0.9	-0.9	-0.8	-0.7	-0.6
Capital expenditure	7.6	2.7	8.2	8.4	10.5	10.3	10.4	9.5	9.1	8.7	8.4	8.0	7.6	7.6
Foreign financing	7.4	4.2	11.4	10.0	13.5	16.5	10.9	10.1	9.4	9.1	9.1	9.0	9.0	9.0
Monetary indicators														
M2/GDP (at current market prices)	13.6	22.5	18.0	16.0	15.5	15.2	15.0	14.9	14.9	14.9	14.9	14.9	14.9	14.9
Growth of M2 (%)	2.5	-3.7	68.5	8.3	21.6	13.6	12.7	11.9	9.8	9.2	9.2	9.2	9.2	9.2
Private sector credit growth / total credit growth (%)	26.9	38.5	265.4	139.8	28.7	81.1	66.3	16.4	-494.5	-72.8	-81.1	-26.4	0.3	15.5
Price indices (1976 = 100)														
Merchandise export price index	97.3	100.6	167.6	151.7	208.1	172.5	153.4	147.2	144.4	146.5	148.6	150.6	152.7	154.9
Merchandise import price index	157.0	203.0	95.1	97.8	92.1	91.4	93.1	94.9	97.3	99.7	102.0	104.5	107.0	109.6
Merchandise terms of trade index	62.0	49.5	176.2	155.2	225.9	188.7	164.8	155.1	148.4	147.0	145.6	144.2	142.8	141.3
Real exchange rate (USD/Frw)f	80.5	64.5	85.0	78.8	65.4	66.1	67.1	68.1	68.1	68.1	68.1	68.1	68.1	68.1
Real interest rates														
Consumer price index (% growth rate)	12.4%	37.0%	48.3%	10.1%	6.0%	7.5%	5.7%	5.2%	4.9%	4.1%	4.1%	4.1%	4.1%	4.1%
GDP deflator (% growth rate)	15.6%	13.8%	69.1%	9.1%	11.3%	6.3%	4.8%	4.7%	4.5%	4.0%	4.0%	4.0%	4.0%	4.0%

a. If GDP components are estimated at factor cost, a footnoote indicating this fact should be added.

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. <<Frw>> denotes the local currency unit. An increase in USd/Frw indicates an appreciation

RWANDA - Key Exposure Indicators

Indicator					Estimates			Projections						
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total debt outstanding and disbursed (TDO) (US$m)[a]	898.4	964.6	1014.0	1028.6	1136.8	1323.1	1407.1	1487.6	1573.3	1670.2	1791.9	1935.8	2094.1	2273.3
Net disbursements (US$m)[a]	55.4	20.0	57.0	52.6	108.2	185.3	84.0	80.6	86.7	97.9	119.7	137.0	157.2	180.2
Total debt service (TDS) (US$m)[a]	5.9	0.0	19.0	17.0	41.7	45.4	52.6	54.2	45.0	43.9	45.2	47.8	48.6	50.1
Debt and debt service indicators (%)														
TDO/XGS[b]	825.1	1891.3	1134.8	1159.8	1056.4	1476.8	1645.3	1636.6	1473.4	1453.0	1448.2	1452.6	1458.8	1469.4
TDO/GDP	45.6	128.6	84.6	74.2	63.8	67.2	65.0	63.0	61.7	60.7	60.5	60.7	60.9	61.4
TDS/XGS	5.4	0.0	21.3	19.2	38.7	50.7	61.5	59.6	42.1	38.2	36.5	35.8	33.9	32.4
Concessional/TDO	0.0	0.0	94.8	94.9	91.4	81.6	78.7	76.4	74.1	71.9	69.4	66.3	63.5	60.6
IBRD exposure indicators (%)														
IBRD DS/public DS	0.0	..	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preferred creditor DS/public DS	100.0	..	100.0	88.2	73.6	73.1	74.5	74.2	74.1	71.6	70.3	69.3	68.9	69.7
IBRD DS/XGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of IBRD portfolio	..	..	..	..	..	..	..	..	..	..	..	..	..	..
IFC (US$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. Includes equity and quasi-equity types of both loan and equity instruments.

Rwanda - Selected Indicators of Bank Portfolio Performance and Management

Indicator	1995	1996	1997	1998
Portfolio Assessment				
Number of Projects under implementation[a]	15	12	12	11
Average implementation period (years)[b]	4.57	5.43	5.82	6.20
Percent of problem projects[a, c]				
by number	93.33	58.33	50.0	33.0
by amount	85.10	57.55	26.94	20.5
Percent of projects at risk[a, d]				
by number	100.00	100.00	90.00	88.89
by amount	100.00	100.00	78.50	80.97
Disbursement ratio (%)[e]	.52	24.91	22.82	27.52
Portfolio Management				
CPPR during the year (yes/no)				
Supervision resources (total US$ thousands)	544.82	623.99	902.09	311.75
Average Supervision (US$/project)	36.32	52.00	75.17	28.34

Memorandum item	Since FY80	Last five FYs
Projects evaluated by OED		
by number		
by amount (US$ millions)		
Percent rated U or HU		
by number		
by amount		

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 1999-2001

Proposed IBRD/IDA Base-Case Lending Program, FY 1999-2001[a]

FY	*Project*	*US$(M)*	*Strategic rewards[b] (H/M/L)*	*Implementation[b] risks (H/M/L)*
	FY1999			
	Economic Recovery Credit	60.0	H	M
	Agriculture and Rural Infrastructure	5.0	H	H
	Rural Water	15.0	H	H
	Subtotal, FY99	**80.0**		
	FY2000-2001			
	Agriculture and Rural Development			
	Education			
	Health and Population			
	Urban Water and Sanitation			
	Trade and Private Sector Development			
	Rural Energy			
	Environment			
	Total (Range) for FY2000-2001	**30-60**		

a. This table presents the proposed program for the next three 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).

Rwanda - IBRD/IDA Lending Program

	Past			*Current*		*Planned*[a]	
Category	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Commitments (US$m)	50.0	0.0	50.0	49.7	80.0		
Sector (%)[b]							
Agriculture, Rural & Environment	0.0	0.0	0.0	0.0	6.3		
Education	0.0	0.0	0.0	0.0	0.0		
Macroeconomic	100.0	0.0	100.0	0.0	75.0		
Popultn, Hlth & Nutn	0.0	0.0	0.0	0.0	0.0		
Social Sector	0.0	0.0	0.0	9.5	0.0		
Transportation	0.0	0.0	0.0	90.5	0.0		
Water Supply & Santn	0.0	0.0	0.0	0.0	18.7		
TOTAL	100.0	100.0	100.0	100.0	100.0		
Lending instrument (%)							
Adjustment loans[c]	0.0	0.0	0.0	0.0	75		
Specific investment loans and others	100.0	0.0	100.0	100.0	25		
TOTAL	100.0	100.0	100.0	100.0	100.0		
Disbursements (US$m)							
Adjustment loans[c]	0.0	0.0	0.0	0.0	0.0		
Specific investment loans and others	1.0	57.8	34.9	36.6	9.9		
Repayments (US$m)	4.1	3.7	4.3	2.7	0.0		
Interest (US$m)	4.8	3.6	3.7	2.0	0.0		

a Ranges that reflect the base-case (i.e., most likely) Scenario. for IDA countries, planned commitments are not presented by FY but as a three-year-total range; the figures are shown in brackets. A footnote indicates if the pattern of IDA lending has unusual characteristics (e.g., a high degree of frontloading, backloading, or lumpiness). For blend countries, planned IBRD and IDA commitments are presented for each year as a combined total.

b For future lending, rounded to the nearest 0 or 5%. To convey the thrust of country strategy more clearly, staff may aggregate sectors.

c Structural adjustment loans, sector adjustment loans, and debt service reduction loans.

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

Rwanda—Summary of Nonlending Services

Product	*Completion FY*	*Cost (US$000)*	*Audience*[a]	*Objective*[b]
Recent completions				
Joint World Bank/UN/GOR Emergency Assessment	97		a	
Demobilization Study	97		a	
Joint GOR/World bank/UNDP Mobilization Assessment	98		a	
Public Expenditure Review	97		a	
Underway				
Agriculture Sector Strategy	98		b	
Public Expenditure Review	98		a	
Debt Sustainability Analysis/Strategy	98		a	
Poverty Assessment Update	98		b	
Planned				
Economic Growth, Employment and Competitiveness	99		b	
Social Sector Expenditures and Financing	99		a	
Small Scale Enterprises and Micro Finance	99		b	
Rural Economic Growth	2000		b	
Rural Energy and Environment	2000		b	
Public Expenditure Review	2000		a	
Second Poverty Assessment	2001		b	
HIPC Preparation	2001			

a. Government, donor, Bank, public dissemination.
b. Knowledge generation, public debate, problem-solving.

Rwanda Social Indicators

	Latest single year			Same region/income group	
	1970-75	1980-85	1990-95	Sub-Saharan Africa	Low-income
POPULATION					
Total population, mid-year (millions)	4.4	6.1	6.4	583.4	3,179.9
Growth rate (% annual average)	3.3	3.4	2.7	2.8	1.6
Urban population (% of population)	4.0	5.2	7.6	31.1	28.6
Total fertility rate (births per woman)	8.3	8.1	6.2	5.7	3.2
POVERTY					
(% of population)					
National headcount index	..	..	51.2	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNP per capita (US$)	100	270	180	490	430
Consumer price index (1990=100)	..	..	..	..	..
Food price index (1990=100)	..	87	122	..	..
INCOME/CONSUMPTION DISTRIBUTION					
(% of income or consumption)					
Lowest quintile	..	9.7	..	..	..
Highest quintile	..	39.1	..	..	..
SOCIAL INDICATORS					
Public expenditure					
(% of GDP)					
Health	..	..	1.9	..	..
Education	2.2	3.5	..	..	..
Social security and welfare	..	..	..	..	..
Net primary school enrollment rate					
(% of age group)					
Total	..	60	71	..	..
Male	..	61	71	..	..
Female	..	58	71	..	..
Access to safe water					
(% of population)					
Total	67.0	..	..	47.0	53.0
Urban	81.0	55.0	..	..	..
Rural	66.0	60.0	..	..	..
Immunization rate					
(% under 12 months)					
Measles	..	52	88	60	77
DPT	..	50	90	58	80
Child malnutrition (% under 5 years)	..	28	28	..	42
Life expectancy at birth					
(years)					
Total	45	46	39	52	63
Male	43	45	38	51	62
Female	46	48	40	54	64
Mortality					
Infant (per thousand live births)	142	124	133	92	69
Under 5 (per thousand live births)	..	..	200	157	104
Adult (15-59)					
Male (per 1,000 population)	..	..	542	433	244
Female (per 1,000 population)	..	..	461	359	211
Maternal (per 100,000 live births)	..	..	1,512	..	..

World Development Indicators CD-ROM, World Bank, February 1997

Status of Bank Group Operations in Rwanda
IBRD Loans and IDA Credits in the Operations Portfolio

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US$ Millions				Difference Between expected and actual disbursements a/		Last ARPP Supervision Rating b/	
					IBRD	IDA	Cancellations	Undisbursed	Orig	Frm Rev'd	Dev Obj	Imp Prog
Number of Closed Loans/credits: 39												
Active Loans												
RW-PE-2222	IDA 17830	1987	GOVT. OF RWANDA	WATER SUP. II	0.00	15.00	0.00	1.48	.61	0.00	S	U
RW-PE-2238	IDA 21360	1990	GOVERNMENT	TRANS.SECT.	0.00	40.00	0.00	15.55	12.33	0.00	S	S
RW-PE-2237	IDA 22720	1991	GOVERNMENT	HEALTH & POPULATION	0.00	19.60	0.00	14.02	13.77	7.64	S	S
RW-PE-2242	IDA 22270	1991	GOVT.	EDUCATION SECT.CR.	0.00	23.30	0.00	8.54	9.32	9.32	S	S
RW-PE-2245	IDA 21890	1991	GOV.OF RWANDA	SECOND COMMUNICATION	0.00	12.80	0.00	5.93	6.52	0.00	S	U
RW-PE-2261	IDA 23880	1992	GOVT OF RWANDA	FOOD SEC & SOCIAL AC	0.00	19.10	0.00	4.60	4.16	-5.84	HS	HS
RW-PE-2241	IDA 24560	1993	GOVT OF RWANDA	ENERGY SECTOR	0.00	26.00	0.00	20.60	21.02	0.00	S	U
RW-PE-2262	IDA 25410	1994	GOVERNMENT	PRIVATE SECTOR	0.00	12.00	0.00	9.86	8.14	0.00	S	S
RW-PE-48389	IDA 29690	1997	GOVERNMENT OF RWANDA	EMERG.REINT&RECOV CR	0.00	50.00	0.00	30.65	14.95	0.00	S	S
RW-PE-2238	IDA 21361	1998	GOVERNMENT	TRANS.SECT.	0.00	45.00	0.00	44.84	12.33	0.00	S	S
Total					0.00	262.80	0.00	156.07	103.15	11.12		

	Active Loans	Closed Loans	Total
Total Disbursed (IBRD and IDA):	109.24	450.54	559.78
of which has been repaid:	.08	30.84	30.92
Total now held by IBRD and IDA:	262.72	393.16	655.88
Amount sold :	0.00	4.38	4.38
Of which repaid :	0.00	4.38	4.38
Total Undisbursed :	156.07	.86	156.93

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: CAS MATRIX

Theme I: PROMOTING NATIONAL REINTEGRATION AND RECONCILIATION					
Country Assistance Objective	***Monitorable Actions and*** **Performance Indicators**	**Bank Services**			**Other Donors**
		Portfolio Mgmt	**Lending**	**Econ.& Sector Work**	
Accelerated reintegration of all refugees and victims of genocide.	Assist new and old case refugees in settlement and economic and social integration.			Joint GOR/World Bank/UNDP Emergency Assessment (FY97).	UNDP, UNHCR, WFP
Foster national reconciliation, peace, democratization, good governance, justice and human rights.	Put in place the necessary political processes and institutions. Accelerate the trials of the genocide suspects.				UN, Canada, EU, USA, Belgium, Netherlands
Build Community Spirit and solidarity and reduce rural poverty	A community development fund to finance the projects of communities, enhance community solidarity by the participatory implementation of mutually beneficial projects.		Community Reintegration and Dev Project [CRDP] (FY98)		UNDP, IFAD, USA
Decentralization of decision making and enhanced participation of the civic society in economic and social issues.	Reinforce the role of local governments, communities, and the poor in economic and social decision making, strengthen non-formal education and capacity building. Organize training, seminars and workshops, open to the public, on participation, decentralization and other major development issues at national and local levels			Other key issues for discussion could include: role of the state, women in development, population, capacity building, and economic reform.	
Protect vulnerable groups and victims of genocide	Establish a Victims Assistance Fund to assist victims of genocide to recover socially and economically from the trauma of genocide.				
Demobilize and reintegrate ex-combatants into productive and peaceful civilian life	Establish a Demobilization, Reintegration and Reconciliation Commission to design and implement programs for the military demobilization and reinsertion of ex-combatants in civillian life.			Demobilization Study (FY97) Joint GOR/Bank/UNDP Demobilization Assessment (FY98)	UNDP, Netherlands

Theme II: REVITALIZING AGRICULTURE AND THE RURAL DEVELOPMENT AND PROTECTING THE ENVIRONMENT					
Country Assistance Objective	**Monitorable Actions and Performance Indicators**	**Bank Services**			**Other**
		Portfolio Mgmt	**Lending**	**Econ.& Sector Work**	
Raise agricultural productivity and increase agricultural and rural incomes	Elaborate, adopt and begin to implement a strategy to achieve sector objectives. Provision of extension services, market information, improved varieties of seeds, and appropriate and affordable inputs. Promote trade in agricultural inputs and outputs; promote rural goods and financial markets through support for organization and facilities. Support the development of rural micro-finance. Stimulate rural employment with public service jobs in the construction and maintenance of main and feeder roads. Promote livestock restocking to provide income and soil nutrients	IFAD Birunga (SPN) IFAD Gikongoro (SPN)	Agricultural and Rural Infrastructure Project (FY99) Agriculture and Rural Development (I)[1]	Agricultural and Rural Strategy (FY98) Poverty Assessment Update (FY98) Rural Economic Growth (FY2000) Poverty Assessment (FY01)	EU, Belgium, FAO, AfDB, China, IFAD, PNUD, Japan, Italy
Strengthen production of coffee and tea and promote diversification to high value export crops.	Privatize coffee and tea production and processing. Carry out adaptive research on selected high value crops and disseminate research results and market information.	Private Sector Development Credit (SPN)			EU
Improve rural social and economic services	Invest in rural transport, energy, and social infrastructure. Fund community projects to improve social and economic infrastructure and build capacity for income generating opportunities.	Transport Sector Rehabilitation Credit (FY98)/SPN Nutrition and Social Action Program (PNAS)/SPN	Rural Water (FY99) Rural Energy Credit (I)	Rural Energy and Environment Study (FY2000)	UNICEF, EU, Austria, Germany
Protect the environment	Strengthen environmental education for sustainable rural development, protect forestry and ecological reserves (mountain gorilla, Akagera forests) and reverse environmental degradation from population movements and settlements.		Environment Project (I)	NEAP (FY99)	UNDP, EU, Germany

1 I = Indicative operation for FY2000-20001

Theme III: DEVELOPING HUMAN RESOURCE AND CAPACITY					
Country Assistance Objective	**Monitorable Actions and Performance Indicators**	**Bank Services**			**Other Donors**
		Portfolio Mgmt	**Lending**	**Econ.& Sector Work**	
Improve access to social services (education, health, water and sanitation) particularly by the poor	Focus budgetary resources on the social sector by providing real per capita and above average increases for social sector budgets to reach a target of 50 percent of the recurrent budgets for the social sectors.		Economic Recovery Cr. (FY99)	Social Sector Exp. Review (FY99) PFP (FY98)	
Improve access and quality of health services	Rehabilitate health infrastructure, strengthen the implementation of the decentralized health services and the supply of essential drugs to increase access to basic health services. Build capacity for the health sector and ensure effective service delivery, particularly in rural areas; strengthen the AIDS Control Program to reduce the incidence of AIDS; and expand population education and contraceptive services to reduce fertility and the growth of the population.	Health and Population Project/SPN	Health and Population Cr. (I)		WHO, Belgium, USA, UNICEF, UNHCR, Netherlands
Expand educational access and improve quality.	Prepare a national education sector strategy covering primary, secondary, and tertiary levels, and the non-formal sector and formulate an expenditure plan. Rehabilitate primary schools, expand in-service teacher training, and revise curricula to improve educational quality and relevance. Rehabilitate and consolidate secondary and tertiary institutions and improve access for women, and quality, relevance and cost-effectiveness. Strengthen non-formal/adult education/capacity building, for rural women, using NGOs and local administrations/communities.	Education Sector Credit/SPN/	Education Sector Credit II (I)		United Kingdom, EU, AfDB, Belguim, UNDP
Improve access to water and sanitation services in rural and urban areas	Build the capacity at community, regional and central government levels to manage water and sanitation facilities.		Rural Water Project (FY99) Urban Water and Sanitation (I)	Water and Sanitation Strategy (FY98)	UNICEF, EU, Austria, Germany, AfDB
Enhance the role of women	Adopt legislation to eliminate gender discrimination and promote the full participation of women in economic and socio-political affairs.				
Strengthen institutional capacity	Formulate a national strategy and prepare and implement an action plan for institutional reform and capacity building.			Inst. Capacity Assessment (FY98)	UNDP, USA, Belgium

Theme IV RAPID ECONOMIC GROWTH THROUGH PRIVATE SECTOR DEVELOPMENT AND EFFECTIVE GOVERNMENT.					
Country Assistance Objective	**Monitorable Actions and Performance Indicators**	**Bank Services**			**Other Donors**
		Portfolio	**Lending**	**Econ.& Sector Work**	
Improve the environment for private sector development and enhance its competitiveness.	Eliminate regulatory, administrative and logistical constraints on the private sector, facilitate trade and commerce by reductions of domestic and international transport costs, the elimination of delays in customs clearance, and capacity building for the private sector. Revise the labor code to eliminate discriminatory gender provisions, restrictions on labor mobility, wage controls and minimum wage stipulations; clarify the rules governing overtime; and reduce the number of mandatory paid leaves. Restructure/privatize key financial institutions (BRD, Caisse Hypothecaire) and rehabilitate and restructure micro-finance and rural banking institutions (Banques Populaires).	Private Sector Development Credit (PSD)	Economic Recovery Credit [FY99] Trade and Private Sector Dev Cr (I)	Country Economic Memorandum (CEM, FY99) PFP(FY98) Small Scale Enterprises and Micro- Finance Issues (FY99)	GTZ/Germany, IFAD
Reduce export-bias and effective protection	Lower tariffs in keeping with the provisions of the Cross-Border Initiative; institute duty drawback for exports.				
Improve telecommunications services	Develop the regulatory framework and legislation to permit private investment in the sector. Privatize Rwandatel.	Communications II/SPN			AfDB
Provide energy service efficiently	Privatize management of Electrogaz and seek private investment in the development of energy resources generally.	Energy Sector Cr./SPN	Rural Energy (I)	Rural Energy and Environment Study (FY99)	Canada, AfDB, Belgium, Germany
Reduce internal and external transport costs, and improve rural-urban and regional transport links	Update the sector strategy, and build capacity for planning, supervision and resource mobilization. Strengthen the management of the road fund. Contract out road maintenance. Improve rural transport infrastructure and transport links with the other countries in the region.		Transport Sector Rehabilitation Credit (FY98)		EU, Germany
Improve urban sanitation and the cost of urban services	Build capacity in urban administrations in Kigali and secondary cities and invest in water and sanitation services		Urban Water and Sanitation Cr (I)		AfDB, Austria
Privatize public enterprises (PEs)	Identify, appraise and privatize PEs using transparent procedures	Private Sector Development Credit/SPN			UNDP

Theme IV (contd): RAPID ECONOMIC GROWTH THROUGH PRIVATE SECTOR DEVELOPMENT AND EFFECTIVE GOVERNMENT.					
Country Assistance Objective	**Monitorable Actions and Performance Indicators**	**Bank Services**			**Other Donors**
		Portfolio Mgmt	**Lending**	**Econ.& Sector**	
Rationalize the role of Government, reform its institutions and build public sector capacity	Undertake public consultations to identify the role of the state, its institutional structures and capacity building needs, and an action plan for restructuring and reforming the public service. Establish regulations and the instruments for effective control of the civil service establishment; institute a transparent mechanism for the recruitment to and removal of staff from the civil service.				UNDP
Institute accountability in the use of public resources	Create an independent body to audit and publish Government accounts. Establish a central tender board to monitor and regulate public sector procurement.				UNDP

Theme V: IMPPROVING RESOURCE MOBILIZATION AND DONOR COORDINATION					
Country Assistance Objective	**Monitorable Actions and Performance Indicators**	**Bank Services**			**Other Donors**
		Portfolio Mgmt	**Lending**	**Econ.& Sector Work**	
Improve public sector resource mobilization and management; raise revenues, reduce the fiscal imbalance to move toward a sustainble budget, and reduce inflation to 5 percent.	Strengthen the tax effort to increase revenues to 13 percent of GDP by the year 2000 by improving tax administration and enlarging the tax base. Establish an autonomous revenue administration. Reform the budget to increase efficiency, effectiveness, transparency and accountability. Build capacity in the Ministry of Finance and Economic planning and line ministries to manage the budget.		Economic Recovery Credit [FY99]	Public Expenditure Review (FY2000) Debt Sustainability Analysis (FY98) HIPC Preparation (FY2001)	IMF, AfDB, United Kingdom
Strengthen donor coordination	Appoint a donor coordination team; Consult with donors on key policy issues. Involve donors in the budget process through participatory PERs, and annual meetings with each key donor to review progress on implementation of assistance, and agree on the contribution of the donor to the next budget.			Donor meetings organized by the Bank and other agencies	UNDP

Rwanda -- CAS Summary of Development Priorities

Network Area	*Country Performance*	*Major Issue*	*Country Priority*	*Bank Priority*	*Reconciliation of country and Bank priorities*
Poverty Reduction & Economic Management					
• Poverty Reduction	Poor	Rural poverty	High	High	
• Economic Policy	Good	Fiscal imbalance	High	High	
• Public Sector	Fair	Civil service reform, Governance, Decentralization	Moderate	Moderate	
• Gender	Fair	Property rights, access to social services and economic opportunities	High	High	
Human Development Department					
• Education	Poor	quality (teachers, curricula)	High	High	
• Health, nutrition & population	Fair	AIDS, Population Growth	Moderate	High	Ongoing dialogue with Donors, UN agencies
• Social Protection	Poor	Lack of Social safety net	Moderate	High	Ongoing dialogue following Poverty Update
Environmentally & Socially Sustainable Development					
• Rural development	Poor	Agricultural productivity, land reform	High	High	
• Environment	Poor	Forest and watershed management, protection of biodiverse habitats	Moderate	High	Ongoing dialogue with donors, UN agencies and regional initiatives
• Social development	Poor	Restoration of social capital destroyed by the genocide	Moderate	High	Ongoing dialogue with donors and UN agencies
Finance, Private Sector & Infrastructure					
• Financial sector	Good	Micro-finance	High	Moderate	UN and other donors taking lead in micro-finance initiatives
• Private sector	Fair	Enabling environment, competitiveness, stable conditions for private sector confidence and investment	High	High	
• Energy & mining	Fair	High cost of energy, alternatives for rural energy needs, Mining regulatory framework.	High	Moderate	Ongoing dialogue, non-lending support
• Infrastructure	Good	Kigali water supply, rural water managemnt, road maintenance, lack of external transport links to facilitate regional integration.	High	High	

MAP SECTION

RWANDA
NATIONAL CAPITAL
PREFECTURE CAPITALS
COMMUNE BOUNDARIES
MAIN ROADS
INTERNATIONAL BOUNDARIES
UGANDA
TANZANIA
DEM. REP. OF CONGO
BURUNDI
LAKE KIVU
AKAGERA NATIONAL PARK
BIRUNGA NATIONAL PARK
GISHWATI FOREST
NYUNGWE FOREST
KIGALI
Ruhengeri
Byumba
Gisenyi
Kibuye
Gitarama
Kibungo
Gikongoro
Cyangugu
Butare
Lake Bulera
Lake Luhondo
Lake Muhazi
Lake Ihema
Lake Mugesera
Lake Rugwero
Lake Cyohoha
KILOMETERS 0 5 10 15 20 25 30 35 40 45 50
MILES 0 5 10 15 20 25 30
UGANDA
KENYA
Lake Victoria
RWANDA
BURUNDI
TANZANIA
DEM. REP. OF CONGO
Lake Tanganyika
INDIAN OCEAN
ZAMBIA
MALAWI
MOZAMBIQUE
Lake Malawi
This map was prepared by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.
IBRD 25927R
FEBRUARY 1998