

**AFRICAN DEVELOPMENT FUND**



**AFRICAN DEVELOPMENT BANK**



**RWANDA - HIPC APPROVAL DOCUMENT - DECISION**  
**POINT UNDER THE ENHANCED FRAMEWORK\***

**NB : This document contains errata or corrigenda (see Annexes)**

**HIPC APPROVAL DOCUMENT FOR RWANDA:  
Decision Point under the Enhanced Framework**

## **1. INTRODUCTION**

1.1 The Boards of Directors approved the Bank Group's participation in the enhanced HIPC Initiative on July 6, 2000. During this meeting Management's proposal for the delivery modalities and financing arrangements were also approved. Accordingly, the Bank Group would provide its debt relief by releasing eligible countries from up to 80 percent of their annual debt service obligations until the total debt relief is delivered. Debt service delivery would commence at the decision point, with no more than 40 percent of HIPC assistance being provided during the interim period, viz., between the decision and completion points. Whenever possible, total debt relief will be provided within 15 years.

1.2 During their deliberations the Boards of Directors took note of an earlier meeting of the Deputies of the African Development Fund on June 30, 2000 in Paris. At this meeting the Deputies endorsed the Bank Group's proposed delivery modalities and further agreed that the Bank Group has made the maximum effort in generating internal resources for the HIPC Initiative. The Deputies gave assurance to the Bank Group that they would meet the remaining financing gap to cover the full cost of the Bank's participation in the Initiative.

1.3 In December 2000, Rwanda reached its decision point and the Boards of the IMF and World Bank approved US\$ 452 million worth of debt relief in end-1999 net present value (NPV) terms under the enhanced HIPC Framework. This document invites the Boards to note the justifications for Rwanda's qualification for HIPC assistance, and approve the proposed plan to finance the Bank Group's share of Rwanda's costs. Section 2 of this document summarises details of Rwanda's qualification, while the total debt relief is disaggregated in Section 3 to illustrate how the Bank Group's share of the HIPC costs have been derived. The Bank Group's operations are reviewed in Section 4, with particular emphasis on activities related to the Poverty Reduction Strategy Papers (PRSPs). Section 5 presents details of the proposed delivery modality. The proposed financing plan is presented in Section 6. Recommendations for the Boards' consideration are contained in Section 7.

## **2. HIPC QUALIFICATION**

Rwanda qualified for US\$ 452 million worth of debt relief assistance, equivalent to 71.3 percent reduction in the country's outstanding stock of debt at end-1999 after full use of traditional debt relief mechanisms. The country reached its decision point in December 2000, and is expected to reach its completion point by 2003 by fulfilling the following conditions:

- Preparation and implementation of a full PRSP for at least one year; and using budgetary savings from the enhanced HIPC debt relief to increase expenditures on poverty reducing programs as set out in the HIPC Decision Point document;
- Maintaining a stable macroeconomic environment as evidenced by satisfactory performance under a program supported by the IMF-supervised Poverty Reduction and Growth Facility (PRGF) arrangement;

- Making progress in the reform of the tea sector, including privatization of at least two of the nine state-owned tea factories/estates in accordance with the agreed strategies;
- Adopting and implementing a new Strategy and Action Plan for HIV/AIDS control and prevention; and fully staffing and equipping at least 50 percent of the district health centers by 2001;
- Adopting and implementing national plans to reduce morbidity and mortality due to malaria, and reduce infant mortality and maternal mortality; and implementing a framework for the coordination of public, private, and NGO health providers;
- Adopting and implementing the Comprehensive Action Plan to enhance the role of women.
- Implementing Education Sector Reforms to:
  - (i) increase net primary school enrollment from 69 percent in 1999 to 73 percent in 2001;
  - (ii) make operational at least 6 primary teacher training colleges offering full-time and in service training programs;
  - (iii) establish a framework for community participation in support of primary and secondary education;

A copy of the relevant HIPC decision point document is annexed to this report.

### 3. HIPC COSTS

Bilateral creditors will account for US\$ 56 million (12 percent) of Rwanda's debt relief while multilateral creditors will deliver the remaining US\$ 396 million (88 percent). The Bank Group's share of debt relief will amount to US\$ 74.94 million in 1999 NPV terms. Table 1 provides a breakdown of Rwanda's total debt relief in NPV terms.

**Table 1. Breakdown of Rwanda's HIPC Costs**

	US\$ million (End-1999 NPV)
<b>Total HIPC Debt Relief</b>	452
Bilateral Creditors	56
Multilateral Creditors	396
<i>Of which:</i>	
<i>African Development Bank Group</i>	75
<i>World Bank</i>	228
<i>IMF</i>	44

### BANK GROUP INVOLVEMENT IN THE PRSP

4.1 Rwanda's Interim PRSP (I-PRSP) has been prepared by the government in collaboration with the UNDP and consultations with civil society organizations, and donors, in particular the BWIs. It builds on the government's long-term *Vision 2020*, which emphasizes national reconciliation and security, democratization, good governance and political stability, among others, as the key elements to bringing peace, sustaining economic growth and reducing poverty. The I-PRSP itself lays out two sets of key challenges to poverty reduction: structural problems,

which date back several years, and the legacies of the genocide. These challenges are to be addressed through: improving governance and justice, and establishing a socio-political environment that fosters national reconciliation, peace, security, and poverty reduction; economic and institutional reforms to promote private enterprise and employment creation; fostering regional peace and cooperation; human resource development including fighting HIV/AIDS; and improving the productivity of agriculture and the rural economy. Although the Bank Group was not directly involved in the preparation of the I-PRSP, its Country Strategy Paper (CSP) for Rwanda takes into account the Government's I-PRSP.

4.2 The Bank Group's Country Strategy Paper (CSP) for Rwanda is based on consultations with the government, civil society organizations, including NGOs, and private and public sector institutions. The Bank Group's medium-term assistance strategy (1999-2001), focuses on revitalizing the rural economy and reducing poverty, capacity building, and stabilizing the macroeconomic framework to create a conducive environment for savings and private investments. Sectoral priorities are: agriculture, including livestock; small- and medium scale enterprises (SME/SMI); and multi-sectoral operations. Priority is also accorded to the promotion of opportunities for income generation and employment creation in the urban and rural areas.

4.3 The government of Rwanda is embarking on the preparation of a full PRSP to fulfil the condition for reaching the completion point under the enhanced HIPC framework. The full PRSP will provide a more extensive strategy for addressing poverty. The Bank Group plans to be actively involved in the process and would assist in the development of a co-ordinated approach for sustainable economic growth and poverty reduction in Rwanda.

## **5. PROPOSED DELIVERY MODALITY**

5.1 As Rwanda has reached its decision point, it is proposed that the Bank Group makes a commitment to provide interim debt relief between the decision and completion points, with effect from December 2000. Interim relief will not exceed 40 percent of the total NPV debt relief, and is expected to be delivered between 2000 and 2003. The Bank Group's debt relief would be provided by releasing Rwanda from up to 80 percent of its debt service obligations to the Bank Group each year, until the entire amount of US\$ 74.94 million is delivered. The conditions that would trigger Rwanda's floating completion point are outlined in Section 2. When the completion point is reached, the Bank Group will enter into an irrevocable debt relief commitment. It is expected that the total debt relief will be delivered by end-2022.

### **Legal Aspects of Debt Relief Operation**

5.2 Debt relief for Rwanda is to be provided, under the enhanced framework of the HIPC Debt Initiative, through the mechanism of debt service relief, in accordance with the terms described in the preceding paragraphs. These terms will be implemented by a Debt Relief Agreement between the Bank Group and the government of Rwanda; a HIPC Trust Fund Grant Agreement between the Bank Group, the International Development Association (IDA) and the government of Rwanda; and, the Contribution Agreement between the Bank Group and the IDA. The provision of debt relief, as described, is consistent with the rules of the African Development Bank and the African Development Fund.

## 6. PROPOSED FINANCING ARRANGEMENTS

The Bank Group's share of debt relief will be financed as follows:

	<i>Million US\$ end-1999 NPV</i>
Internal Resources	<b>15.00</b>
European Commission pledge	<b>29.97</b>
Balance with HIPC Trust Fund	<b>29.97</b>
<b>TOTAL</b>	<b>74.94</b>

## 7. RECOMMENDATIONS

The Boards are invited to:

1. Note the justifications for Rwanda's qualification for HIPC assistance at its decision point, under the enhanced framework; and
2. Approve the plan to finance the Bank Group's share of HIPC debt relief, in accordance with the arrangements presented in Section 6.

**IMF/ World Bank HIPC Document for  
RWANDA**

# Annex

**SUBJECT : RWANDA - HIPC APPROVAL DOCUMENT: DECISION POINT UNDER THE ENHANCED FRAMEWORK**

**CORRIGENDUM\***

**(Document approved by the Board on 31 January 2001)**

Please note that the cover memorandum to this document should have referred to the debt relief delivery period for **Rwanda**, instead of “the three countries.”