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The World Bank
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McNamara Piers

Contacts
Rwanda (1970-1980)

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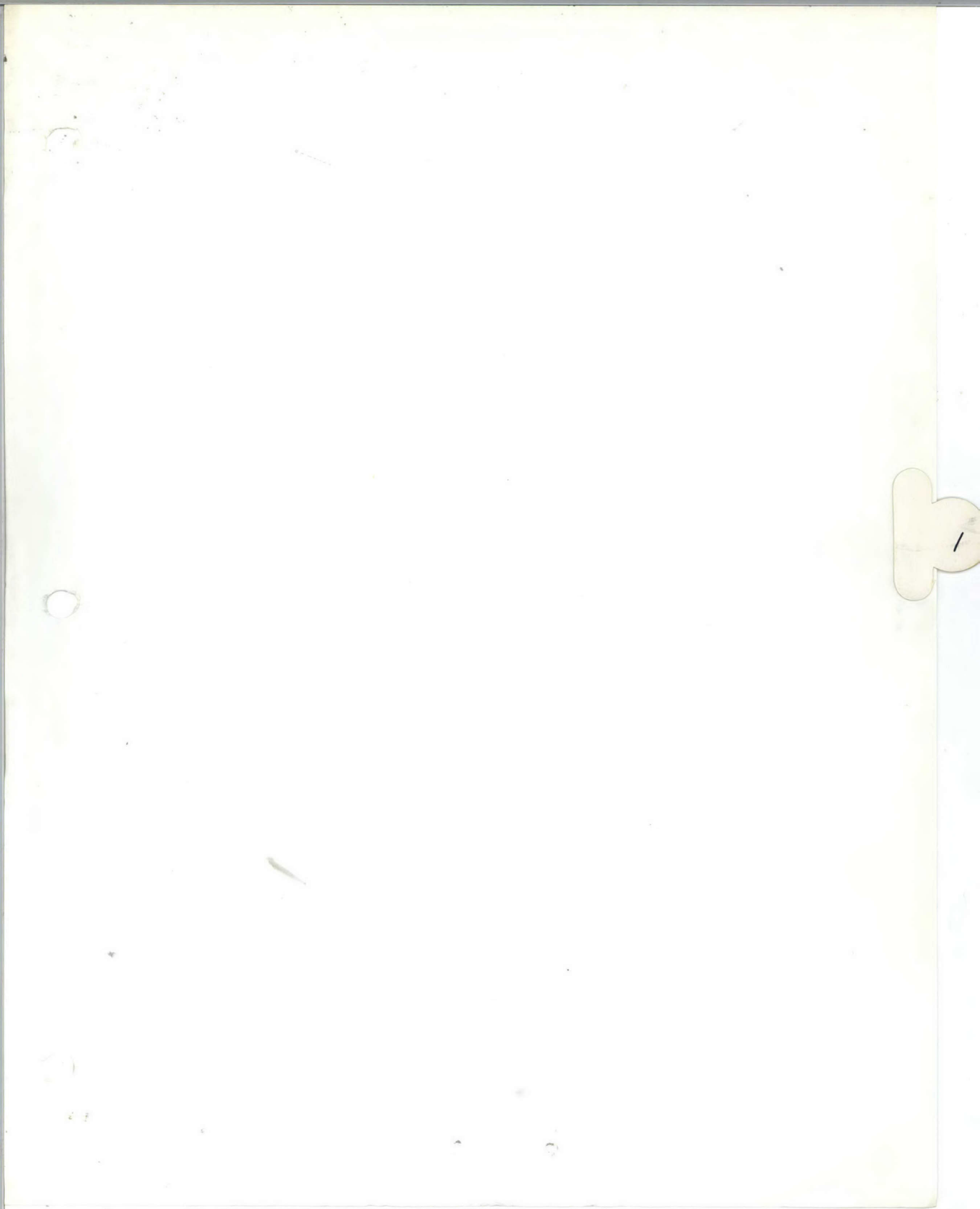
Contacts with member countries: Rwanda - Correspondence 01

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RWANDA

RWANDA

1. 2/26/70 Ambassador Fidele Nkundabagenzi
2. 8/12/70 Sylvestre Nsanzimana, Minister of International Cooperation
 (Foreign Affairs)
3. 7/17/74 Ambassador Joseph Nizeyimana
4. 10/20/76 Bonaventure Ubalijoro, Ambassador to the U. S.
 Tharcisse Gatwa, First Secretary of Embassy
5. 9/25/80 President Juvenal Habyarimana
 Amb. Ubalijoro,
 Francois Ngarukiyintwali, Minister of Foreign Affairs
 Frederick Nzamurambaha, Minister of Agriculture
 Denis Ntirugirimbabazi, Minister of Finance
 Ambroise Mulindangabo, Minister of the Plan
 Mr. Soglo, Alt ED



Mr. McNamara

to sec

cc 3/23

OFFICE MEMORANDUM

TO: Record

DATE: March 20, 1970

FROM: Michael L. Lejeune

SUBJECT: RWANDA - Visit by Ambassador

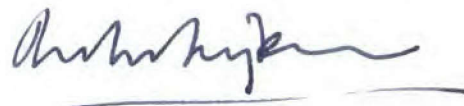
Mr. McNamara was visited by the Ambassador of Rwanda, H.E. Fidèle Nkundabagenzi, on February 26, 1970. I was also present.

The Ambassador had recently taken up his appointment in Washington and this was purely a courtesy call. Nothing of substance was discussed.

cc: Mr. McNamara (2)

cc: Mr. Halbe

MLL:neb



President has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Michael L. Lejeune

SUBJECT: RWANDA - Visit of Ambassador Fidèle NKUNDABAGENZI

DATE: February 25, 1970

For your meeting with the Ambassador of Rwanda on Thursday, February 26, please find attached a short biographical note on the Ambassador and a briefing paper on Rwanda. I plan to attend.



President has seen

BIOGRAPHICAL NOTE

Mr. Fidèle NKUNDABAGENZI,

Ambassador of the Republic of Rwanda

Born in 1932, Ambassador Nkundabagenzi graduated in 1960 as a "licencié ès sciences politiques et administratives" from the University of Louvain (Belgium). Before being appointed Ambassador to the United States and to the United Nations last summer, he held various important posts in the Rwandese Administration, among others, Secretary General of the Ministry of Planning and the Ministry of Foreign Affairs. Most recently, from October 1968 to July 1969, he was Chairman of the Board of the Rwanda Development Bank. Since July 1968, Mr. Nkundabagenzi is also Alternate Governor of the World Bank.

R W A N D A

Briefing Paper

Political Situation

1. Rwanda, independent since 1962, is a small country with a dense population of about 3.3 million people. Between 1959 and 1965, Rwanda suffered from extreme political and social instability which became critical on several occasions. This was due to the struggle between two ethnic groups, the traditionally ruling Tutsis and the newly awakened Hutu people (about 90 % of the population) which were led by a small number of western-educated graduates. The period was marked by partisan terrorism and a major exodus of the Tutsis in late 1961 and early 1962.
2. The President of the Republic, Grégoire Kayibanda, has been a prominent Hutu leader since before independence. The present ruling party PARME HUTU (Parti du Mouvement de l'Emancipation Hutu) which he founded is now the only political party in the country; the Tutsi parties have disappeared.

Economic Situation

3. Rwanda is one of the poorest countries in the world, both in terms of income (\$40 per capita) and natural resources. Agriculture provides a living to more than 90 percent of the population. Production of coffee, which accounts for more than half of the country's export earnings, declined considerably after independence. Since 1963, output has revived but remains below pre-independence levels. The Government's policy is oriented towards the diversification of agricultural cash crops through increasing the production of tea and pyrethrum. Long-run programs for the reclamation of marshlands are under study, in order to increase the scarce arable reserves of the country. Furthermore, efforts will have to be made to improve productivity in the subsistence sector.
4. Overpopulation continues to be the country's most immediate problem. The population growth rate is high (over 3 percent a year) and there is hardly any more land that can be brought into cultivation without major investments. There is a real danger that per capita food consumption will decline and that, in years of bad weather, the country would suffer from famine.

5. With a small monetized sector, Rwanda's public financial resources are modest. The post-independence expansion of recurrent expenditures for both defense and education has caused continuous deficits. Government revenues have been supported by four successive IMF stand-by arrangements between 1966 and 1969. The development budget, largely financed by Central Bank advances, amounts only to about US \$1 million a year. All other public sector investments which were carried out outside the budget in the last years (an average of \$5 million over the last 3 years) have been fully financed by foreign aid, mainly from Belgium and FED. Rwanda's ability to provide the counterpart for foreign aid financed projects is very limited.

Bank Group's Operations in Rwanda

A. Past Operations

6. In 1957, when Burundi and Rwanda formed the Belgian Trust Territory of Ruanda-Urundi, the Bank made a loan of \$4.8 million for a road and lake port project located in what is now Burundi. This loan had the guarantee of Belgium. The creation of two independent states did not affect the Belgian guarantee, and interest on and principal of the loan are being paid by Burundi. Since Rwanda's independence, no lending operation has been made.

B. Prospective Operations

7. Highway engineering and maintenance study

In November 1968, the Association negotiated with the Government of Rwanda a credit of \$380,000 for a highway engineering and maintenance project. Subsequent to the negotiation, the Government expressed reservation about the project as the Government felt that it would be inappropriate to borrow for studies. Thereafter, with our assistance, the Government approached the UNDP which agreed to finance these studies from the Revolving Fund. During appraisal of the Kigali-Gatuna road last December, the IDA mission attempted to obtain Government agreement on a Plan of Operation for the proposed UNDP study, but the Government rejected the proposal once again, this time because they wanted a feasibility study and detailed engineering not only for the road from Gisenyi to Ruhengeri, but also for the road from Ruhengeri to Cyanika, which we consider of very low priority. In early February, however, the Government accepted in principle a draft Plan of Operation which would be a condition of our negotiating the Kigali-Gatuna road project referred to below. Although there still remain some minor problems regarding this draft, we believe that, with some minor revisions, the Plan of Operation will be signed in the near future.

8. Kigali-Gatuna Road

An IDA mission appraised the Kigali-Gatuna road project last December, and its yellow cover report is being reviewed. The project would provide for the construction of a 70 km paved highway from Kigali to Gatuna, on the Uganda border, which would substantially lower transport cost of landlocked Rwanda's import and export traffic with and via Uganda and Kenya. Total project cost is estimated at \$10.4 million with a foreign exchange component of \$9.3 million. The Government requested that, in view of its extremely weak financial position, IDA finance total project cost. We are exploring at present whether other foreign aid donors, particularly Belgium, could give financial assistance to the Government to cover all or part of local project cost. Failing this, IDA may have to consider 100 % financing. Negotiations for this project are scheduled for April 1970.

9. Education

In March 1969, a staff member of Educations Projects Department discussed in Kigali with the Government recommendations of an earlier UNESCO project identification mission. Conclusions were that priority should be given to rural education and training. Furthermore, the existing educational system appeared ill-adapted to meet the needs of the country in general and a change in structure, contents and methodology of the system would be required. New investments in secondary education would hardly appear to be warranted and would, moreover, be limited by severe budgetary constraints. A project preparation mission is planned for later this year to define the contents of a project suitable for IDA financing.

10. Tea development

In November 1968, a FAO/IBRD mission to Rwanda identified a possible tea project in the Mata region. The project would include the establishment of some 1,200 ha of new tea plantations and three processing plants. Further preparation work would be required prior to appraisal. However, the European Development Fund (FED) who has been sponsoring tea development in Rwanda, recently indicated that they would like to consider financing of this project. We agreed with their proposal and will inform the Government accordingly.

11. Livestock

The above-mentioned FAO/IBRD mission identified also a possible livestock project in the northern part of Rwanda (Mutara). The project would include the development of a 33,000 ha ranch for beef production and the settlement of 4,250 farmers. A further preparation mission from the Cooperative Program was sent in April 1969 and has initiated the studies required to bring the project to a bankable stage. Total project costs are estimated at about \$4 million. Open questions in this

context are mainly the land tenure situation, the question of cattle ownership, and the possibilities of exporting beef to neighboring countries. Details are being worked out by the Government with the assistance of the IBRD/FAO Cooperative Program.

12. Marshland reclamation

At present virtually all agricultural land in Rwanda is under cultivation. The French FAC is studying the possibility of reclaiming about 13,000 ha of marshland and their studies should be completed by the end of 1971. Implementation of this marshland reclamation program will require considerable investments and will exceed FAC's possibilities. We have asked FAC to keep us informed on the evolution of their studies, so that we might eventually consider financing part of this program.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Th. U. Halbe *TH*

SUBJECT: RWANDA - Courtesy call by the Minister
of International Cooperation.

DATE: August 12, 1970

1. The Honorable Sylvestre Nsanzimana, Minister of International Cooperation (Foreign Affairs) since October 1967, was born in 1936. He holds a doctorate of law. Before assuming his present functions, he was for about two years, Minister of Commerce, Mines and Industry. The Minister is responsible, within the government, for the choice of, and negotiations with, possible multilateral or bilateral aid givers, for the financing of development projects in Rwanda. We have not met the Minister yet. This is his first visit to the United States.

A. Past Operations

2. In 1957, when Burundi and Rwanda formed the Belgian Trust Territory of Ruanda-Urundi, the Bank made a loan of \$4.8 million for a road and lake port project located in what is now Burundi. This loan had the guarantee of Belgium. The creation of two independent states did not affect the Belgian guarantee, and interest on and principal of the loan are being paid by Burundi.* Since Rwanda's independence, no lending operation has been made until the recent \$9.3 million IDA credit for the Kigali-Gatuna highway, signed June 17, 1970.

3. Highway engineering and maintenance study

In November 1968, the Association negotiated with the Government of Rwanda a credit of \$380,000 for a highway engineering and maintenance project. Subsequent to the negotiations, the Government expressed reservation about the project as the Government felt that it would be inappropriate to borrow for studies. Thereafter, with our assistance, the Government approached the UNDP which agreed to finance these studies from the Revolving Fund. A Plan of Operation for a \$195,000 UNDP study, which includes a feasibility study and detailed engineering of the Gisenyi-Ruhengeri road, a preliminary review of the Ruhengeri-Cyanika road, and an administrative study intended to provide the Government with a program of work for highway maintenance, was signed on April 17, 1970 and became effective on May 6, 1970. The Bank is the Executing Agency. The consultants, Electroconsult (Italy) are in the field.

* Without prejudice to the eventual resolution of the issue of legal responsibility.

President has seen

4. A \$9.3 million IDA credit agreement for the Kigali-Gatuna highway, the first lending operation in Rwanda, was signed on June 17, 1970. The project provides for the construction of a 70 km paved highway from Kigali to Gatuna, on the Uganda border, which would substantially lower transport cost of landlocked Rwanda's import and export traffic with and via Uganda and Kenya. Total project cost is estimated at \$10.9 million equivalent, including local taxes and duties. The foreign exchange component is estimated at \$9.3 million, the amount of our credit. The Government is responsible for meeting the local costs estimated at \$1.6 million, towards which the Belgian Government has confirmed its willingness to contribute \$900,000 equivalent over the 3-year construction period. The credit is expected to become effective by early September. We don't foresee difficulties in meeting that date.

B. Future Operations

5. In November 1968, an FAO/IBRD mission identified a possible livestock project in the northern part of Rwanda (Mutara). The project would include the development of a 33,000 ha ranch for beef production and the settlement of 4,250 farmers. A further preparation mission from the Cooperative Program was sent in April 1969 and has initiated the studies required to bring the project to a bankable stage. Total project costs are estimated at about \$4 million. Open questions in this context are mainly the land tenure situation, the question of cattle ownership, and the possibilities of exporting beef to neighboring countries. Details have been worked out by the Government and are under review by the IBRD/FAO Cooperative Program. The project is included in our FY 1972 lending program.

6. Marshland reclamation

At present virtually all agricultural land in Rwanda is under cultivation. The French FAC is studying the possibility of reclaiming about 13,000 ha of marshland and their studies should be completed by the end of 1971. Implementation of this marshland reclamation program will require considerable investments and will exceed FAC's possibilities. We have asked FAC to keep us informed on the evolution of their studies, so that we might eventually consider financing part of this program. Our FY 1973 lending program includes provision for a small IDA credit.

7. Education

In March 1969, a staff member of Educations Projects Department discussed in Kigali with the Government recommendations of an earlier UNESCO project identification mission. Conclusions were that priority should be given to rural education and training. Furthermore, the existing educational system appeared ill-adapted to meet

the needs of the country in general and a change in structure, contents and methodology of the system would be required. New investments in secondary education would hardly appear to be warranted and would, moreover, be limited by severe budgetary constraints. The Government recently sent additional data which is being reviewed. Provision for a possible IDA credit has been made in the FY 1973 lending program.

OFFICE MEMORANDUM

TO: Records

DATE: July 18, 1974

FROM: J.-D. Roulet, Division Chief, EACPII-A

SUBJECT: RWANDA - Meeting of Ambassador Joseph Nizeyimana with Mr. McNamara

1. On July 17, 1974, H.E. Joseph Nizeyimana, Ambassador of Rwanda to the United States accompanied by Mr. Kochman, paid a courtesy call on Mr. McNamara. I was present.
2. The Ambassador said that having taken up his position in Washington last March, he had first wanted to meet with the Bank staff responsible for Rwanda and to learn about our operations in his country before meeting with senior officials. He thanked Mr. McNamara for having agreed to see him and went on to express his Government's appreciation for the assistance that IDA under Mr. McNamara's leadership has so far given to Rwanda. Up to now, this assistance had been primarily for transportation but he was confident that in the future IDA assisted operations would expand to other sectors. In this connection, he mentioned preparation work being carried out in sectors such as education and agriculture and hoped that this would lead to a larger program in the future. He then extended, on behalf of his Government, an invitation for Mr. McNamara to visit Rwanda, to give him an opportunity to appreciate the development efforts undertaken by the Government and the Rwandese population and the progress achieved so far.
3. Mr. McNamara thanked the Ambassador for this invitation and said that he was indeed hoping to visit Rwanda as soon as his program would allow it. Mr. McNamara assured the Ambassador of the Bank Group's continued interest in supporting Rwanda's development efforts and he too was hopeful that we could work towards a larger program. In this respect he pointed out that Credit 439RW signed last year for the Mutara Agropastoral Project was not yet effective and inquired if there was anything we could do to speed up matters. The Ambassador replied that there had been some delays in hiring consultants but that offers had now been received which were being analysed with the assistance of an RMEA mission presently in Rwanda. He therefore felt that the major hurdle had been overcome and that the credit would become effective in the near future.

cc: Mr. McNamara

cc: Messrs. Kochman, Knapp, Husain, H. Adler, Wiehen

JDRoulet:flm:lmc

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
DATE: July 16, 1974

FROM: J.-D. Roulet, Division Chief EACPII-A (through Mr. S. Shahid Husain,
Vice President, EAN)

SUBJECT: RWANDA - Visit of the Ambassador of Rwanda, Mr. Joseph Nizeyimana,
on Wednesday, July 17

1. Mr. Joseph Nizeyimana, Ambassador of Rwanda to the United States has an appointment with you tomorrow Wednesday July 17 at 6:45 pm. The Ambassador took up his assignment in Washington only a few months ago, and the visit will be merely a courtesy call. Attached as Annex I is a brief curriculum vitae.

2. With a per capita income of about \$50, Rwanda is one of the poorest among the countries listed in the United Nations' list of Least Developed Countries. In July 1973 a new Government was formed when the army took power and ended the regime that had governed the country since Independence in 1962. The change in Government was not violent and did not affect economic activity. The new administration consists of competent officials and is determined to act speedily to foster economic and social development. This determination was particularly illustrated by the little time it took last April to agree on several substantial changes in the credit agreement for the Third Highway Project, to reflect developments since negotiations last year. Incidentally, Ambassador Nizeyimana played an important role in this connection and he has since been very useful as channel of communications between the Bank and Rwanda.

3. The constraints that limit Rwanda's development are considerable. They include above all: lack of skilled manpower, limited natural resources, high transportation costs, limited size of the domestic market and serious population pressure. A first development plan was prepared in 1970. A draft second plan for 1972-76 was prepared recently but rejected by the new Government. A new plan is under consideration, that will emphasize rural development and diversification of agricultural output. The Government is also in the process of preparing a fundamental reform of its education system to make it more responsive to the needs of the rural masses. Officials are also becoming increasingly aware of the need to deal with Rwanda's population problem, an issue that the previous Government refused to discuss, but for obvious reasons, the Government is proceeding cautiously.

4. Relations with the Bank Group are presently excellent. The economic mission which visited Rwanda last October was well received and its report is proving very helpful in the preparation of the plan. Annex II presents a brief summary of the current status of our ongoing operations. Future operations will essentially concentrate on Rwanda's key sectors, namely agriculture and education, in addition to continuing our support in transportation. An RMEA mission is currently in Rwanda

to help identify and accelerate preparation of projects in agriculture, particularly mixed-farming and livestock. Regarding education, a mission is scheduled for next August to appraise a project designed to support the proposed reform.

cc: Messrs. Knapp, Husain, Wiehen

JDRoulet:flm

Attachments.

CURRICULUM VITAE OF HIS EXCELLENCY
MR. JOSEPH NIZEYIMANA, AMBASSADOR OF RWANDA

Age: 33

Married and two children.

Education:

After having completed his primary and secondary education in Rwanda, Mr. Nizeyimana studied journalism in Paris, specializing in radio broadcasting.

Employment:

1965-1969: Chief, editorial office (French language) at
"Radio Rwanda", Kigali

1969-1971 (February): First Secretary at the Rwandese Embassy in Brussels

1971 (February)-1974: Ambassador to Addis-Ababa, Ethiopia

1974 (March) to date: Ambassador to Washington D.C., U.S.A.

Ongoing Bank Group Operations

Rwanda has received to date four IDA credits totalling \$22.4 million. No IFC investments have been made. The credits are the following:

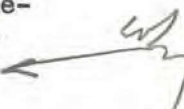
Credit 196-RW - First Highway Project: Kigali-Gatuna Road, \$9.3 million of June 11, 1970; Closing Date September 30, 1974.

The project consists primarily of the construction of an 80 km road from Kigali, the capital, to Gatuna on the border with Uganda, to improve Rwanda's export outlet towards the Indian ocean. The original cost was estimated at about \$11 million. The foreign expenditure component was to be financed by the IDA credit while local costs were to be met by Belgium (which made a contribution of close to \$1 million) and Rwanda. For a variety of reasons, works were delayed and costs have increased considerably. The shortfall is now estimated at about \$4.5 million, of which about \$2.4 million in foreign exchange. The road is about 50 per cent completed and no work has yet been done on the last 20 km.

Credit 299-RW - Second Highway Project: Highway Maintenance, \$3.0 million of March 21, 1973; Closing Date December 31, 1976.

The project consists of the first phase of an 8 to 10 year road maintenance program. It is cofinanced by Germany with a grant of \$0.5 million. The project is proceeding satisfactorily.

Credit 439-RW - Agricultural Development: \$3.6 million of November 29, 1973; Closing Date December 31, 1979.

The project consists of the establishment of farmer settlements for 5,700 families for food crop and cash crop production and live-stock development. The credit is not yet effective and the RMEA mission presently in Rwanda has been asked to review its status. 

Credit 475-RW - Third Highway Project: Ruhengeri-Gisenyi Road, \$6.3 million of June 5, 1974; Closing Date June 30, 1977.

The project consists of the improvement to paved standards of the Ruhengeri-Gisenyi road; supervision of the works; feasibility and engineering studies for the Kigali-Ruhengeri-Cyanika road, which are financed by the UNDP. The credit is expected to become effective before September 15, 1974.

OFFICE MEMORANDUM

TO: Records

FROM: J.-D. Roulet, Division Chief, EA2DA

SUBJECT: RWANDA: Meeting of New Ambassador with Mr. McNamara

DATE: October 21, 1976

1. H.E. Bonaventure Ubalijoro, the new Ambassador of Rwanda to the United States, met briefly with Mr. McNamara on October 20. The Ambassador was accompanied by Mr. T. Gatwa, First Secretary. Mr. Wiehen and I were present.
2. The meeting was primarily of a courtesy nature. In the course of the conversation, however, the Ambassador referred to his Government's request to the Bank to open a Resident Office in Kigali and reiterated his Government's belief that the presence of a Bank Staff Member would help facilitate and further improve relations between Rwanda and the Bank Group. This was particularly important, the Government felt, in view of the substantial increase in the Bank Group's program during the last two years and in view of the large number of operations in the pipeline. Mr. McNamara stressed the Bank's budgetary constraints, but said that another important issue was to ensure that Rwanda receives the type of assistance it needs. In his opinion, problems encountered in the course of project preparation and execution could perhaps better be solved by providing for specific and project-related technical assistance rather than by a Bank Resident Staff Member. He added, however, that following the conversation that had taken place in Manila during the recent Annual Meeting, the matter would be reviewed again within the Bank.
3. The Ambassador used the opportunity of his visit to renew his Government's invitation for Mr. McNamara to visit Rwanda. Mr. McNamara thanked the Ambassador and said that at present he had no plans to travel in the area, but that he would be glad to accept the invitation as soon as a suitable opportunity arose.

JDRoulet:lk

cc: Messrs. McNamara, Knapp, Wapenhans, Wiehen, Schwartz (o/r), Key

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President
 (through Mr. Willi A. Wapenhans, RVP, EAN)
 FROM: Michael H. Wiehen, Director, EA2DR *mu*

DATE: October 19, 1976

SUBJECT: RWANDA - Courtesy Call By New Ambassador

1. Tomorrow, Wednesday, October 20, His Excellency Bonaventure Ubalijoro, the new Ambassador of Rwanda to the United States, will call on you at 5:45 p.m. He was previously Ambassador to Uganda and has a military background.

2. We understand that this will be a courtesy call only. I am scheduled to meet the Ambassador for lunch however, and should any substantive point be likely to be raised, I will send you an additional note tomorrow afternoon. As background information, I might point out the following: Present relations with Rwanda are excellent. We have recently signed two IDA credits of \$1.8 million for a Cinchona Development Project and of \$4.0 million for the Rwandese Development Bank. This very week, we are negotiating in Kigali a \$14.0 million IDA credit for the Bugesera Mixed Farming/Rural Development Project which will be co-financed with BADEA. In addition, we received about a month ago an invitation from the Government to attend a meeting of aid-donors, referred to as "Table Ronde", scheduled to take place in Kigali from December 13 to 15. The meeting is being arranged at the Government's initiative, with assistance from the UNDP. We have welcomed this move and have offered to make available background documentation such as our recent economic reports. I presently plan to attend the meeting.

3. The only point outstanding at the present time is the question of the Bank Group opening a Resident Office in Rwanda. A request to that effect was submitted by Government several months ago but had to be turned down for budgetary reasons. During the recent Annual Meeting in Manila, the Minister of Finance reopened the question, stressing that the Government considers this to be a necessary step if working relations are to be further improved. He appreciated our budgetary constraints and decided not to bring this matter personally to your or Mr. Knapp's attention during the Manila Conference but asked us to examine the question again. At Mr. Knapp's suggestion, the matter will be reviewed by Mr. Kearns.

cc: Mr. Wapenhans

WNijhof/JDRoulet:11b

OFFICE MEMORANDUM

TO: For the Record

DATE: October 3, 1980

FROM: André R. Gue, Director, EA2DR

SUBJECT: RWANDA - Visit of President

1. On Thursday, September 25, the President of Rwanda met with Mr. McNamara at 4:45 pm at the Bank for about half an hour. The President was accompanied by H.E. the Ambassador to the U.S.A., Mr. Bonaventure Ubalijoro, the Minister of Foreign Affairs, Mr. François Ngarukiyintwali, the Minister of Agriculture, Mr. Frederick Nzamurambaho, the Minister of Finance (and Governor of the Bank), Mr. Denis Ntirugirimbabazi, and the Minister of the Plan, Mr. Ambroise Mulindangabo. Messrs. Soglo, Alternate Executive Director, Wapenhans, Gue and Lafourcade also attended the meeting.

2. Mr. McNamara welcomed the President to the Bank. The President said that Rwanda had excellent relations with the Bank and that he did not plan to discuss Bank operations in any detail since several of his ministers and Bank staff had already met in the morning and that he himself had also met with Mr. Wapenhans and his associates. He congratulated Mr. McNamara for the eminent role he had played at the Bank's helm, stressing the recent entry of China, his keen interest in Africa and the excellent relations his country enjoyed with the Bank.

3. Mr. McNamara thanked the President and said that he was indeed concerned about Africa particularly Africa south of the Sahara. He told the President that the Bank in its recent reviews has had to conclude that Africa might suffer a decrease in per capita income in the next few years. The Bank was anxious to help and convince others to step up their assistance while trying also to convince African governments to adopt growth oriented policies.

4. The President said he wished to stress two points:

- a) Energy. The recent oil price increases had affected poor countries severely and particularly Rwanda, which was not only among the 25 poorest countries but also among the 5 poorest in the world. Energy development was thus of primary concern. The Bank was already financing a reforestation project but he would like it also to take an active interest in methane and peat development, solar energy and small hydro plants. He had learned from Mr. Soglo about the Bank's new energy policy and hoped that the Bank could help Rwanda in this vital sector.
- b) Assistance for project preparation and implementation. Because of their weak administration, poor countries like Rwanda were not in a position to prepare and implement projects by themselves. A vicious circle had to be broken: the poorer you were, the fewer experts you

had and thus the less help you could get! He was therefore requesting the Bank to station four or five experts in Rwanda to help prepare and implement projects.

5. Mr. McNamara replied that absorptive capacity was a general problem and that the Bank would be prepared to make a special effort in favor of Rwanda, not necessarily in the form of making experts available on a full-time basis in Rwanda but in the form of a special technical assistance program.

6. Mr. McNamara then asked the President what prospects he saw for a reduced population growth in Rwanda. The President replied that Rwanda faced a serious population problem. The country was already densely populated and population was growing at over 3 percent per year. Rwanda was acting to solve this problem by raising the population's awareness and by explaining the consequences of excessive population growth in schools and rural centers. Rwanda had recently created an institution to tackle the problem. USAID was helping and he would welcome help from others.

7. Mr. McNamara then inquired about the related problem of inadequate food production. The President replied that food production was indeed Rwanda's first priority; they were trying everything possible to increase it but population was increasing faster than food production. Thus Rwanda needed outside help to cover the food deficit.

8. The President then asked Mr. McNamara for a reaction on his request for help to develop energy sources. Mr. McNamara replied that recent oil price increases had changed the economics of alternative sources of energy including those the President had mentioned. He did not know enough about the special circumstances of Rwanda but the Bank would certainly take a look at the President's proposals. He turned to Mr. Wapenhans who added that the Bank was planning to send an energy sector review mission to Rwanda next spring.

9. The President thanked Mr. McNamara for his support, expressed regrets that he was leaving the Bank and hopes that his departure would not affect the Bank's relations with Rwanda; he also invited him to visit Rwanda. Mr. McNamara replied that he would be glad to do so if an opportunity arose, that his departure would not affect Bank operations in Rwanda since they were conducted and would be continued by Mr. Wapenhans and his colleagues.

cc: Messrs. Stern VPO, Qureshi VPF, Gabriel VPF, Baum CPSVP
Wapenhans EAN, Gulhati EAN, Adler EAP, Maubouché,
de Capitani, Garff EA2, Lafourcade

AGué:mdl

549

1. Don't concern me with safe - - 3272
2. What program for
3. What program for food prod.

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

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TO: Mr. Robert S. McNamara, President

DATE: September 24, 1980

FROM: Willi A. Wapenhans, Regional Vice President, EAN

SUBJECT: (through Mr. Ernest Stern, Senior Vice President, Operations)
RWANDA BRIEFING: Meeting with President Habyarimana

1. President Juvenal Habyarimana will visit the Bank on September 25, 1980. He will be accompanied by: H.E. the Ambassador, Mr. Bonaventure Ubalijoro, the Minister of Foreign Affairs, Mr. Francois Ngarukiyintwali, the Minister of Agriculture, Mr. Frederic Nzamurambaho, the Minister of Finance (and Governor of the Bank), Mr. Denis Ntirugirimabazi, and the Minister of the Plan, Mr. Ambroise Mulindangabo; the President's Private Secretary, Mr. Elie Sajatwa; the Secretary General of Education, Mr. Higaniro; and a representative from Telecommunications, Mr. Jean Kagyibwami. The President and his entourage will be received at the 1818 "H" entrance of the Bank around 4:00 p.m. by representatives of the IFC and taken to the Board Room for a signing of an IFC loan (see para. 19). At the conclusion of the signing ceremonies, I will meet and accompany the President and his party to conference room B-1210, adjacent to my office, for a brief meeting beginning at about 4:30 p.m. From there, Messrs. Gue and de Capitani and myself will accompany the Presidential Party (to include the President, the Ambassador and four Cabinet members) to your office for a 4:45 p.m. appointment. Following the meeting with you, the President and his party will be accompanied to the 19th Street entrance to the Bank where the President will depart for a 5:30 p.m. meeting at the White House. We understand security will be provided by the Secret Service. Before meeting with you, the President will also have met with the Managing Director of the IMF (in the IMF).

2. President Habyarimana is visiting the United States following an official visit to Canada September 20-24. While in Washington on a private visit September 24-26, in addition to meeting with yourself and the IMF Managing Director, he is also scheduled to meet with Secretary of State Muskie, Defense Secretary Brown, the Administrator of USAID and the President of the Overseas Private Investment Corporation (OPIC) and members of Congress. From Washington, President Habyarimana plans to proceed in the morning of September 26 to New York where he will attend and address the General Assembly of the United Nations.

3. President Habyarimana (biodata is at Annex I) came to power following the 1973 coup. He has since endeavored to accelerate economic development while mitigating ethnic differences. He is said to be very interested in the Bank Group's operations in Rwanda and to be looking forward to his discussion with you which could touch upon several subjects, including: (i) the prospect of a visit by you to Rwanda; (ii) IDA operations in Rwanda and the possibility of an increase in IDA assistance; (iii) the country's transportation problems resulting from its landlocked situation; (iv) energy; and (v) cancellation of a portion of Credit 567-RW for the Education

Project as well as (vi) population. These subjects are discussed in some detail in paras. 18 to 27 below. If the President does not broach the subject of population (paras. 26 and 27 below), we advise you to do so.

General Country Situation (see also Annex II)

a) Political

4. Rwanda, a small country about the size of the state of Maryland, is landlocked between Uganda, Zaire, Burundi and Tanzania. Its population of 4.8 million (the most densely concentrated in Africa) consists of two main ethnic groups, the Hutu -- the majority, being farmers of Bantu origin -- and the Tutsi (about 10 percent), originally warrior - herdsman of Hamitic origin, who moved into the region in about the 14th or 15th century and subjugated the Hutu. Separated from Burundi, with which it constituted the Belgian-mandated territory Ruanda-Urundi, Rwanda became independent in 1962. Independence was accompanied by the overthrow of the hitherto politically and economically dominant Tutsi minority by the majority tribe, the Hutu. The country's leadership, based on a single party system, remained unchanged from independence until 1973. In July of that year, as a consequence of considerable unrest over the stagnation of the economy, the Government was overthrown by a group of military officers led by General Habyarimana.

5. In December 1978, a new Constitution for Rwanda became effective following a country-wide referendum. By the terms of this Constitution, the "Mouvement Revolutionnaire National du Developpement" (MRND), established as the only political party after the new regime came to power in 1973, became the highest institution of the country. The MRND is led by a Central Committee, the most important political body in Rwanda and superior to the Government. It selects the candidate for the Presidency, currently occupied by General Habyarimana who, in addition to being Chief of State, also holds the position of Chairman of the MRND and Chief of the Army.

6. During 1979, President Habyarimana consolidated his position by eliminating from Government those high officials identified most closely as hard-liners on ethnic relations. The new Cabinet, established in early 1979, has two Tutsi ministers (the Ministers of Planning and of Natural Resources, Mines and Quarries). The main recent political event was the Uganda-Tanzania war in the first quarter of 1979 which cut Rwanda's supply routes for about six months. The negative impact of the war on Rwanda's economy reinforced popular support for President Habyarimana's rule.

7. Rwanda participates with Burundi and Zaire in the Economic Community of the Countries of the Great Lakes established in September 1976, and with Burundi and Tanzania in the Kagera River Basin Development Committee established in August 1977.

8. While our relations with the Government are generally good, we have experienced difficulties with procurement in respect of the Education Project (Credit No. 567-RW of June 30, 1975). Recently, a second cancellation (following the first of 1978), this one in an amount of about US\$1,500,000, resulted (see Possible Topics for Discussion, para. 25). The establishment in October/November 1979 of a Resident Mission in Kigali, headed by Mr. Chevallier, has strengthened our dialogue with the Government, which we have also pursued through visits by myself and, more recently, by Messrs. Gue and de Capitani.

b) Economic Situation

9. With an average per capita income (GDP) around US\$180 in 1979, Rwanda is one of the 25 countries designated as "least developed" by the United Nations. Population density is already about 180 inhabitants per square km and rising in the face of limited arable land. Although agriculture provides more than half of Rwanda's exports (principally coffee), the expansion of export crops is constrained by the need to increase production of foodcrops for domestic consumption. Rwanda's manufacturing base is narrow, and its growth is hampered by the limited size of the market, the lack of raw material, and the scarcity of entrepreneurial and technical skills. In addition, Rwanda's land-locked situation hampers merchandise trade because of high transportation costs and dependence on access through neighboring countries. A shortage of skilled manpower and managerial talent limits Rwanda's absorptive capacity in virtually all sectors.

10. According to the 1978 census, Rwanda's population grew 61.7 percent between 1964 and 1978 (3.5 percent annually). The census indicated an enumerated population of 4.8 million. The dependency ratio is high, with about 44 percent of the population less than 15 years old, and about 3 percent 65 years or over. Women in the fertile age group (15 to 49) represent 45 percent of the total female population. The crude birth rate stands at over 50 per thousand; the crude death rate at about 20 per thousand. The infant mortality rate is believed to be approximately 135 per thousand live births. Life expectancy at birth for the population as a whole is estimated to be 45.8 years and rising in accordance with the general pattern deriving from improved health services and falling infant mortality. On this basis, projected population in the year 2000 will be 9.6 million. Consequently, Rwanda faces the prospect of not being able to feed itself and of having a serious malnutrition crisis on its hands by the 1990s.

11. Under the present Government, there has been a marked reorientation in the focus of development strategy towards agriculture and the rural areas. Increased food production, while maintaining soil fertility, is recognized as the cardinal priority but also the most difficult task to achieve under presently available technology. A major emphasis is also placed on infrastructure in order to improve transport and communications and thus provide incentives to more intensive cultivation and diversification through better marketing.

These objectives are reflected in the current (1977-81) Five Year Plan. The Government, while seeming to acknowledge the need to come to terms with the population growth issue (most likely through intensification of family planning programs) faces serious religious (about 50 percent of the population is Roman Catholic), sociological and technical constraints.

12. While real GDP growth averaged between 5 and 6 percent between 1975 and 1979, progress was rather erratic and uneven due to the impact of external factors (coffee and petroleum prices, international inflation, the Uganda war, etc.). Moreover, progress towards a number of the main Plan objectives has been disappointing. This was the case for domestic food production which has probably grown at about half the rate envisaged by the Plan (7.6 percent per annum, 1976-81) and still barely keeps up with the continued rapid population growth. Furthermore, the increases in yields and productivity have not materialized, and such increases in output as have occurred have generally been at the expense of livestock and pastoral cultivation and long term maintenance of soil fertility.

13. While detailed and reliable information is lacking to judge adequately progress in achieving the Plan's objectives of better utilization of the country's human resources, it is certain that the Plan's target of a 5.8 percent per annum increase in wage employment is not being attained. Job creation has lagged, with only the public administration and construction sectors showing some increase.

14. The closing of the Uganda border during the first half of 1979 created serious supply and export problems. Domestic manufacturing and construction activity were particularly affected as was the production and export of tea. General shortages of imported raw materials and consumer goods resulted in accelerated price increases. The general inflation rate in 1979 is estimated at about 25 percent. However, the measures which the Government took to allocate import supplies to priority uses and to limit monetary and credit expansion did much to contain the adverse effects.

15. The trade balance, which had been in surplus in 1976 (RF 760 million) and 1977 (RF 2,105 million), registered a deficit of about RF 3,100 million in 1978.^{1/} This was mainly due to lower coffee prices and to delays in exporting the coffee crop at the end of 1978 because of the closing of the Uganda border. The deficit on the services account has grown rapidly over recent years with the effects of higher petroleum prices and transport difficulties on transport costs. With exceptional external aid in 1978 to meet the transport crisis, however, the overall balance of payments remained healthy and Rwanda's foreign exchange reserves in April 1979 were equivalent to about 7 months of merchandise imports. A factor which has also contributed to the satisfactory external financial position has been that imports have been kept at a lower level than would be required for more rapid and substantial economic growth. However, the balance of payments position remains very sensitive to world coffee and tea prices. The continuous decline of these prices in 1980 and the prospect of significant lower prices over the next year or two will result in external payments imbalances.

^{1/} RF 100 = US\$1.09.

16. In the last few years, the Government has pursued sound and disciplined budgetary policies with surpluses on current account being recorded in 1977, 1978 and 1979. The revenue base, however, remains narrow with strong dependence on coffee export receipts. Budgetary development expenditures, while increasing, remain at inadequate levels and there are continuing difficulties in significantly increasing development expenditures in the agricultural and rural sectors. Considerable strengthening in project preparation and implementation capability is still required.

17. Even with improvement in economic performance over the next few years, the need for external assistance will increase, particularly with the prospect of deteriorating terms of trade. Rwanda's external debt is low. At end-1979, the public and publicly guaranteed external debt amounted to SDP 95 million, or 13 percent of GDP. Because virtually all funds received have been in the form of grants and loans at concessionary terms, the debt service ratio is currently estimated at less than 3 percent of export earnings.

Possible Topics for Discussion

a) Issues which could be raised by the Delegation

i) Invitation for you to visit Rwanda

18. As You have not yet visited Rwanda, we foresee the possibility that the President will extend an invitation to you to visit his country.

ii) IDA Operations in Rwanda (see Annex III)

19. Since Bank Group assistance began in 1970, 13 credits have been made totalling about US\$115.5 million, of which four (totalling US\$43.1 million) were for roads, five (US\$49.3 million) for agriculture, two (US\$9.2 million) for DFC projects, one US\$7.9 million for education and one (US\$7.5 million) for telecommunications, the latter signed August 13, 1980. A project to support a reforestation program in Kigali, Butare and Gisenyi Prefectures (IDA Credit of US\$21.0 million) was approved on June 5, 1980. It also focusses on the provision of renewable energy. There have been no Bank loans. An IFC loan of US\$535,000 for a tea factory was signed in 1976; a second IFC loan of US\$226,000 and contingent equity commitments of up to US\$60,000 for a tea factory were approved in June 1979. A third IFC loan (US\$226,000) for another tea project is scheduled to be signed on September 25, 1980; President Habyarimana plans to attend.

20. Increase in IDA Lending. On several occasions, the Rwandese authorities have asked for an increase in IDA operations in Rwanda. The President may reiterate this request. A possible new feature of such request, however, might be an appeal for help in the area of technical assistance for project preparation. We recommend that you accede to such request for technical assistance, while pointing out that a significant increase in lending has occurred in the last few years, and that there are still considerable constraints in the country's capacity to prepare and execute projects. In this context, it should be noted that the level of lending over the last three fiscal years has averaged about US\$21 million (US\$4.4 per capita); over the next three, the average is expected to be of the order of US\$34 million (about US\$7.0 per capita). Of the US\$56.4 million in active credits, US\$33.0 million (58.5 percent), are currently undisbursed. In our lending, we plan to continue to emphasize the more directly productive sectors (in particular, agriculture) to increase production of food and cashcrops, augment foreign exchange earnings, and improve the tax base. We expect, with the help of the Resident Mission and RMEA, that it will be possible to gradually increase the number of operations in Rwanda and you might choose to emphasize this point.

iii) Transportation

21. Rwanda's geographic isolation (Kigali, its capital, is more than 1700 km from the nearest port) as well as serious disruptions of Rwanda's transport links with other countries arising from recent political events both within and between neighboring states, stimulated an international transport study undertaken by the Bank and entitled "A Report on the International Transportation Bottlenecks Affecting Rwanda/Burundi". In June/July 1980, a Bank transportation mission visited Rwanda and Burundi to discuss the findings of the study, publication of which is planned for about December 1980. The study should serve to increase awareness of the serious communications difficulties confronting Rwanda, as well as Burundi, and to generate at both national and international levels support for corrective measures aimed at (i) improving infrastructure in a coordinated way and (ii) simplifying existing regulations which result in transportation delays and increased costs.

22. The Governments of Rwanda and Burundi are concerned with the longer-term possibilities, i.e., new railway lines (for which volume of traffic and consequently justification would at present appear to be low), while the Report's focus centers on sorting out short-term requirements for facilitating shipment of goods, i.e., warehousing, and intermodal linkages, i.e., rail/ship. Should the matter arise, it might be useful to emphasize that the study is, in the Bank's view, a first step in identifying primarily short-term actions, and that the recommendations made do not necessarily preclude other longer-term possibilities which would have to be evaluated as development occurs, i.e., new railway lines or Lake Victoria services. The Governments of Rwanda and Burundi are considering a meeting of interested parties to discuss both the Bank Report and an UNCTAD Study on landlocked countries in Eastern Africa, and to prepare a program of actions to tackle some of the major problems identified.

iv) Energy

23. In Rwanda, the demand for fuelwood, the most important source of traditional energy, has grown faster than supply. Deforestation has resulted and contributed to serious problems of erosion. As fuelwood supplies are exhausted, animal and crop residues are burned, precluding valuable nutrients and organic conditioning material from benefitting soils already depleted from over-farming. Given inter-related concerns of domestic cooking and heating requirements, dwindling fuelwood supplies/deforestation, the demand for fuel imports and the exacerbation of balance-of-payments difficulties forecast for the medium-term, the Government is understandably concerned about the development of suitable energy alternatives in Rwanda. The President may, therefore, ask for the Bank Group's support in tapping the considerable methane resources of Lake Kivu. You may wish to point out that although the matter raises considerable technical and economic issues, we feel that it merits further examination, and that additional preparatory work for this scheme is required and that we would intend to follow these developments closely. ←

v) Education

24. The Minister of Education has suggested several times to increase the proposed IDA funding for a second IDA project (currently we envisage a US\$10 million project for the FY83S investment program) to help finance the execution of the Government's educational reforms as adopted in 1978. These include the construction of about 900 workshops and an extension of primary education from six to eight years followed by a three-year, post-primary education phase. We have taken the position, which you may restate, that we are fully prepared to continue recommending our support for education, but we feel that the reform proposals are too ambitious and not sustainable considering Government's limited budgetary resources. Therefore, pending change of what we consider an unrealistic primary-education policy, we should help finance the improvement of secondary technical or vocational education which would address clearcut manpower needs. ←
This issue has still not been resolved and our dialogue with the Minister of Education has now been clouded and dominated by a second misprocurement under the Education Project as explained below. ←

25. Cancellation of a portion of Credit 567-RW for an Education Project. In July, 1980, the Association cancelled \$1,491,000 from the Education Project, Credit 567-RW of June 30, 1975. This action was taken because of misprocurement of paper and cardboard for school printing works, and constitutes the second cancellation arising from misprocurement for the Project. The Bank's decision was termed by the Education Minister as "arbitrary" and characterized as the result of our reservations about the Government's policy on primary education (which of course is not the case). We do not know if the President intends to raise the matter; for our part, we consider it closed.

b) Population

26. As noted previously (para. 10), the population growth rate is estimated to be as high as 3.5 percent. By presidential decree, a Population Council was created in 1974 to study all problems related to population growth, to assess the effect of these problems on the socio-economic development of the country, to propose solutions so that a balance could be reached between production and demographic growth, and to propose ways of integrating family planning into health education programs. In 1978, on the recommendation of the Council, Government approved pilot projects for family planning services in medical centers in 3 of the 12 provinces of the country. At that time, the Government also decided to create a National Population Office (ONAPO), responsible for the planning, development, coordination and monitoring of all population activities. Establishment of this office, which had been delayed because of resistance from the Catholic Church, occurred two weeks ago.

27. In May 1979, a Bank reconnaissance mission visited Rwanda to review the Government's policies in the population sector and to explore the possibility of IDA assistance. Its major recommendation was for the Government to draw up a multisectoral action plan coordinated with current efforts in the field of health and rural development. During his visit to the Bank in April 1980, the Minister of Social Affairs informed us that Rwanda had in the meantime defined a series of programs in the field of family planning, health and nutrition and that financing had been secured from other donor agencies for all of these programs except an agricultural population resettlement scheme. It was agreed that further information would be provided to us by the Rwandese authorities. Our position is that a more integrated approach to the demographic question should be undertaken and that this should be ONAPO's immediate concern; We acknowledge, however, that this will be difficult to promote because of the dearth of expertise in the sector. You may want to suggest IDA technical assistance to help ONAPO develop such an approach. In the meantime, we are exploring the possibility of including a population /nutrition component under a second Bugesera rural development project programmed as an FY83S operation (see Annex III, p.6). Experience gained could be used for preparation of a nationwide population project at a later stage. We plan to include PHN staff in our next general operational mission to Rwanda in November 1980.

Attachments

DRGarff:me

BIOGRAPHICAL SKETCH

HABYARIMANA, Juvénal

President of the Republic of Rwanda
President of the National Revolutionary Development Movement
Chief of Government
Minister of National Defense
Chief of Staff, the Armed Forces of Rwanda

Juvénal Habyarimana was born in Gasiza, municipality of Karago, prefectship of Gisenyi (the northwest of Rwanda), on March 8, 1937. In 1960, after obtaining a diploma in Humanities and Mathematics, he completed a year in medicine at Lovanium University, Kinshasa. He entered the Officers' School, Kigali, in December 1960. In December 1961, he went to Belgium for 6 months military training. After several assignments in the different units of the National Guard, he was appointed Chief of Staff of the National Guard, July 1, 1963. He became a Major-General in April 1973. He took power as Head of State on July 5, 1973 in a bloodless coup, which occurred in response to regional and ethnic turmoil which threatened national unity. On July 5, 1975, he proclaimed the creation of the National Revolutionary Development Movement (M.R.N.D.) to mobilize the energy and resources of the nation for economic development. In December 1978, a national constitutional referendum and presidential election were held, at which time, Mr. Habyarimana was elected to a five-year term of office under the provisions of the new Constitution, Rwanda has a single political party (the M.R.N.D.)

COUNTRY DATA - RWANDA

AREA	POPULATION	DENSITY
26.340 sq. km	4.8 million (mid-1978) Rate of growth: 3.2% (from 1970 to 1978: including 9.3% immigration)	182 per sq. km
<u>POPULATION CHARACTERISTICS (1977)</u>		
Crude Birth Rate (per 1,000)	51	
Crude Death Rate (per 1,000)	22	
<u>INCOME DISTRIBUTION</u>		
% of national income, highest quintile	..	
lowest quintile	..	
<u>ACCESS TO PIPED WATER (1976)</u>		
Occupied dwelling without piped water (%)	65	
<u>NUTRITION</u>		
Calorie intake as % of requirements	90	
Per capita protein intake (grams/day)	51	
<u>HEALTH (1976)</u>		
Population per physician	39,350	
Population per hospital bed	580 (1975)	
<u>DISTRIBUTION OF LAND OWNERSHIP</u>		
% owned by top 10% of owners	..	
% owned by smallest 10% of owners	..	
<u>EDUCATION (1976)</u>		
Adult literacy rate %	23	
Primary school enrollment %	50	
GNP PER CAPITA IN 1978 a/: US\$180 1/		
<u>GROSS NATIONAL PRODUCT IN 1977</u>		
	US\$Mln	%
GNP at Market Prices	747.5	100.0
Gross Domestic Investment	114.0	15.2
Gross National Saving	68.9	9.2
Current Account balance	45.1	6.0
Export of Goods, NPS	134.1	17.9
Import of Goods, NPS	179.2	24.0
<u>ANNUAL RATE OF GROWTH (% , 1972 prices)</u>		
	1974-77	1977
	6.3	3.2
	6.3 b/	1.5 b/
	-7.0 b/	-2.0 b/
	-11.0	-40.6
	10.1	6.2
<u>Value added</u>		
	US\$ Mln	%
Agriculture	399.6	46.0
Industry, mining, construction	158.8	21.5
Services	239.8	32.5
Total/Average	738.2	100.0
<u>GOVERNMENT FINANCE</u>		
	Central Government	
	(RwF Mln)	% of GDP
	1977	1977
Current Receipts	8345.7	8.3
Current Expenditure	6438.0	9.1
Current Surplus	1907.7	10.7
Capital Expenditures	1011.9	2.7
		1.4
		1.2

a/ The Per Capita GNP estimate calculated by the same conversion technique as the World Bank Atlas. All other conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

b/ Mission estimate.

c/ Updated Economic Report is currently being prepared and the most recent estimates are those shown in para. 3 of the present report.

. not applicable.

.. not available.

July 9, 1980

MONEY, CREDIT AND PRICES

	1974	1975	1976	1977	1978
(RwF Million outstanding, end period)					
Money Supply	5,155	5,698	7,540	9,861	11,053 a/
Bank Credit to Public Sector	3,207	2,857	1,967	641	88 a/
Bank Credit to Private Sector	1,852	1,682	2,091	3,834	5,089

(Percentage or Index Numbers)

Money as % of GDP	13.9	10.8	12.2	14.0	
Consumer Price Index (Jan-March 1976 - 100)	73.2	95.3	101.9	116.7	131.4

Annual percentage changes in:

Consumer Price Index	30.9	30.2	6.9	14.5	12.6
Bank Credit to Public Sector	35.4	-10.9	-31.2	-67.4	
Bank Credit to Private Sector	106.9	-9.2	24.3	83.4	

BALANCE OF PAYMENTS

	1974	1975	1976	1977
(US\$ Million)				
Exports of Goods, NFS	58.5	62.8	120.6	134.1
Imports of Goods, NFS	88.0	128.3	158.3	179.2
Resource Gap (deficit = -)	-29.5	-65.5	-37.7	-45.1
Factor Payments (net)	-2.3	2.8	-3.9	-4.5
Net transfers	32.1	57.9	58.1	71.9
Balance on Current account	0.3	-10.4	16.5	22.3

MERCHANDISE EXPORTS (AVERAGE 1974-77)

	US\$Mln	%
Coffee	49.1	56.4
Tea	7.5	8.6
Cassiterite	10.5	12.1
Wolfram	5.1	5.9
Pyrethrum	1.8	2.1
Cinchona	1.1	1.2
Other	11.9	13.7
Total	87.0	100.0

EXTERNAL DEBT, DECEMBER 31, 1978

	1974	1975	1976	1977	US\$ Mln
Direct Private Foreign Inv.	2.5	3.5	5.7	4.5	
Net MLT Borrowing					
Disbursements	7.4	13.5	17.9	25.1	
Amortization	0.6	0.3	0.3	1.1	
Subtotal	6.8	13.2	17.6	24.0	
Public Debt, incl. guaranteed					95.-
Non-Guaranteed Private Debt					..
Total outstanding and Disbursed					..

EXTERNAL DEBT

NET DEBT SERVICE RATIO FOR 1977 b/

	%
Public Debt incl. guaranteed	1.0
Non-guaranteed Private Debt	..
Total outstanding and Disbursed	..

Other Capital (net) and capital n.e.i.	-13.0	7.0	-11.6	-28.0
Increase in Reserves(-)	3.5	-13.5	-28.2	-22.7

Gross Reserves (end year)	13.0	25.6	64.3	82.9
Petroleum Imports	4.9	7.4	10.9	11.7
Petroleum Exports	-	-	-	-

RATE OF EXCHANGE

	Annual Averages	End Period
	1974-78	March 1979
US\$ 1.00 RwF	92.84	92.84
RwF 1.00 US\$	0.011	0.011

IBRD/IDA LENDING (April 30, 1980) (US\$Mln)

	IDA
Outstanding and Disbursed	50.95
Undisbursed	37.60
Outstanding incl. Undisbursed	88.55

- As at end of August 1978.

b/ Debt Service net of interest earned on foreign exchange reserves as a percentage of exports of Goods and Non-Factor Services.

.. = not available.

THE STATUS OF BANK GROUP OPERATIONS IN RWANDAA. Statement of IDA Credits

(As of July 31, 1980)

<u>Credit No.</u>	<u>Fiscal Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount US\$ million</u>	
				<u>IDA</u>	<u>Undisbursed</u>
(Four credits have been fully disbursed)				31.90	
567-RW	1975	Rwanda	Education	6.38	3.68
655-RW	1977	"	DFC I	4.00	.46
656-RW	1977	"	Agriculture Cinchona	1.80	1.13
668-RW	1978	"	Bugesera Gisaka-Migongo Mixed Farming and Rural Development	14.00	6.20
769-RW	1978	"	Road Maintenance	15.00	8.26
896-RW	1979	"	DFC II	5.20	5.02
937-RW	1979	"	Mutara Agricultural and Livestock Development Project	8.75	8.71
1039-RW	1980	"	Forestry and Livestock Development	21.00	21.00
1057-RW	1981	"	Telecommunications	7.50	7.50
Total				<u>115.53</u>	<u>61.96</u>

Note: Rwanda has received no Bank loan.

B. Statement of IFC Investments

In 1976, IFC made a loan of US\$535,000 for a tea factory. A second IFC long-term loan of US\$226,000 and contingent equity commitments of up to US\$60,000 for a tea factory were approved in June 1979.

PROJECTS IN RWANDA 1/

Credit No. 567-RW Education Project; US\$6.4 Milion credit of June 30, 1975;
Date of Effectiveness: December 1, 1975;
Closing Date: June 30, 1982

The project includes the construction, furnishing and equipment of 150 workshops for about 6,000 students and of a print shop, and the provision of paper for production and distribution of text books written in Kinyarwanda. The project also provides technical assistance to the school financing and construction unit (SFCS), which was established under the project. The design and construction standards of the workshops are simple and solid, and the buildings are well-built. Construction of the office building for the SFCS has been completed and construction of the print shop is nearing completion. Following an in-depth review: (i) the number of workshops to be financed under the credit were increased from 150 to about 250; (ii) an amount of US\$130,000 was cancelled because of misprocurement of certain construction materials; and (iii) an amount of about US\$1.75 million, improperly disbursed, will be restituted to the project by the Government through a temporary reduction of the agreed disbursement percentages. Because of misprocurement of paper, IDA recently communicated to the Government its decision to cancel \$1.4 million from the project.

Credit No. 655-RW Rwandese Development Bank Project; US\$4.0 Million;
Credit of August 20, 1976;
Date of Effectiveness: March 2, 1977;
Closing Date: June 30, 1981

This credit to the Banque Rwandaise de Developpement (BRD) is intended to help meet the foreign resources requirements of this institution which provides long-term financing to the main productive sectors in Rwanda. This project is proceeding satisfactorily, and the credit is now fully committed.

1/ These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the action taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

Credit 656-RW

Cinchona Project; US\$1.8 Million credit of August 20, 1976;
Date of Effectiveness: March 2, 1977
Closing Date: June 30, 1982

The project, which is to be carried out over a period of five years, will provide agricultural inputs, extension, marketing and other services to smallholders to assist in the expansion of cinchona production for export. Project staff has been appointed and an expatriate cinchona expert has been hired to visit Rwanda from time to time to give advice on cinchona production. The most serious difficulty concerns a fungal disease in seed beds, but this is being solved. World market prices for derivatives have been falling significantly over the last year. It is envisaged that the price paid to farmers for bark will be lowered and that bark will be locally processed to render cinchona grown in Rwanda more competitive on the world market.

Credit 668-RW

Bugesera Gisaka/Migongo Mixed Farming and Rural
Development Project; US\$14.0 Million credit of
March 31, 1977;
Date of Effectiveness: November 23, 1977;
Closing Date: September 30, 1982

The project consists of the promotion of mixed farming and rural development in two regions and the strengthening of the central services responsible for rural development. The project includes tse tse control, field extension and infrastructure, provision of farm inputs on credit, construction and improvement of feeder roads and water facilities, schools, health centers, establishment of two cattle ranches and a study for an irrigation project. The project is cofinanced with BADEA (US\$5.0 million equivalent for livestock development), Belgium (US\$0.9 million equivalent for water facilities) and France. The Ministry of French cooperation is providing seven of the nine experts required by the Project. Satisfactory progress has been made with start-up activities, including programming of work, budgeting, procurement and construction. Arrangements for the preparation of a second phase project are underway.

Credit 769-RW

Fourth Highway Project; US\$15.0 Million credit
of April 1978;
Date of Effectiveness: August 4, 1978;
Closing Date: July 1, 1982

Implementation of the Fourth Highway Project (a US\$15.0 million credit for road maintenance) started in January 1978. Specialists financed under the technical assistance program are in the field and are performing satisfactorily. Procurement of equipment is in progress. On the suggestion of the Association, an expert on labor intensive methods visited Rwanda for three weeks in June 1978 and recommended that one mechanized unit be replaced by one unit utilizing labor intensive methods. Following the consultant's recommendation, the Government decided to introduce labor-intensive methods for road maintenance.

Credit 896-RW

Second Rwandese Development Bank Project; US\$5.2 Million;
Credit of July 13, 1979;
Date of Effectiveness: January 4, 1980;
Closing Date: June 30, 1983

The Project aims at providing further assistance to the industrial sector by supporting the activities of the Rwandese Development Bank. It includes two components: (a) a second line of credit of US\$5.0 million which would finance 67 percent of BRD's foreign exchange requirements in 1979 and 1980; and (b) a feasibility study for the establishment of an auditing firm in Rwanda (US\$0.2 million). The Credit Agreement became effective on January 1980.

Credit 937-RW

Mutara Agricultural and Livestock Development Project;
US\$8.75 Million credit of July 13, 1979;
Date of Effectiveness: May 30, 1980;
Closing Date: December 31, 1983

The project is the second phase of a long-term development program for the Mutara region. It aims at developing techniques, procedures, and an institutional environment which will make it possible to preserve the production potential of the area, make a rational and more intensive use of available resources, improve farming and ranching techniques, and integrate the project into the local administration. The credit was declared effective May 30, 1980, but project implementation was initiated earlier under financing by the Project Preparation Facility.

FORTHCOMING OPERATIONS

Telecommunications Project (FY81)

The Project identified in May 1979, was approved by the Board, July 29, 1980 and is to improve international and domestic telecommunications (telephone and telex) and provide technical assistance and training to the Ministry of Post and Telecommunications. The date for the Project effectiveness has been established at November 14, 1980.

Lake Kivu Coffee and Foodcrop Improvement Project (FY81)

The Project, appraised during June 1980, will focus on improving coffee and foodcrop production over a five-year period through the provision of technical improvement of coffee processing facilities. The Project would cover the eastern prefectures of Gisenyi, Kibuye and Cyangugu located along Lake Kivu where some 75,000 farmers grow approximately 11 million coffee trees, and about 27,000 farmers in the Mayaga, Bugesera and Icyanya paysannat schemes (covering an additional 6.5 million trees). A special unit would be established to implement the Project. The total cost of the Project has been appraised at about US\$15.6 million. The proposed IDA credit would be about US\$ 15.0 million. Negotiations are expected for early January 1980; Board presentation is scheduled for March 1981.

Fifth Highway Project (FY81)

The Project would include the construction of the 153 km Butare-Cyangugu road in southwestern Rwanda, and the provision of weighbridges, a feasibility study for an axle-load control program and technical assistance. The European Development Fund has already financed a SEDES feasibility study and would be prepared to provide co-financing for construction costs estimated at US\$45 million, including detailed engineering expected to be available before credit negotiations, now scheduled for April 1981 (appraisal is scheduled for November 1980).

BRD III (FY82)

The Project would constitute a third line of credit to the Banque Rwandaise de Développement (BRD) to finance industrial development through provision of foreign exchange resources. Appraisal is scheduled for Summer 1981.

Water Supply Project (FY82)

In September 1977, a Bank mission identified a project which would improve rural aqueducts, water supply for secondary urban centers and sanitation for Kigali. A rural water-supply sector survey carried out under the IBRD/WHO cooperative program in January 1978 confirmed the urgent need for these investments. The Government has requested IDA financing through the Project Preparation Facility to carry out feasibility studies. This request was approved by letter dated August 1, 1980 and signed by Mr. Hans Adler as Acting Regional Vice President. Consulting engineers are to be selected to help prepare the Project, appraisal of which is scheduled for August 1981.

Bugesera II Rural Development (FY83S)

The Project is expected to include mixed crop, livestock, farming and population/nutrition components. Appraisal is scheduled for March 1981.

Education II (83S)

The Project would focus on quality improvement of occupationally-oriented secondary education. Appraisal is scheduled for January 1981.

Local Construction Industry (FY83)

The Project would promote the local construction industry through technical assistance and credits for equipment.

LENDING PROGRAM

<u>Project Name</u>	<u>FY81</u>	<u>Amount US\$ million. (IDA)</u>
Telecommunications		7.5
Coffee		15.0
Highways V		18.0
Total		<u>40.5</u>
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	<u>FY82</u>	
BRD III		13.0
Water Supply I		<u>15.0</u>
Total		28.0
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	<u>FY83</u>	
Bugesera II (FY83S)		15.0
Local Construction Industry		10.0
Education II (FY83S)		<u>10.0</u>
Total		35.0
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	<u>FY84</u>	
Structural Adjustment I		25.0
Water Supply II		<u>10.0</u>
Total		35.00
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	<u>FY85</u>	
Agriculture/Unidentified		25.0
Population (FY 85A)		<u>10.0</u>
Total		35.0
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GRAND TOTAL: US\$173.5 million		
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