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Republic of Rwanda: Letter of Intent

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December 22, 2005

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REPUBLIC OF RWANDA

Kigali, December 22, 2005

MINISTRY OF FINANCE AND
ECONOMIC PLANNING
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Mr. Rodrigo de Rato
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. de Rato:

On August 12, 2002, the IMF's Executive Board approved a three-year arrangement for Rwanda under the Poverty Reduction and Growth Facility (PRGF), which was extended by six months in April 2005. In view of the expiration of the PRGF on February 11, 2006, the government hereby requests that the PRGF arrangement be extended until [June] 11, 2006 to provide sufficient time to complete the sixth and final review under the PRGF.

While performance through end-June 2005 was broadly in line with the program, the completion of the sixth review has been delayed due to some policy slippages during the third quarter of 2005, which may partly be attributable to the substantial staff turnover at the Ministry of Finance and Economic Planning at that time.

The slippages at end-September 2005 included three quantitative benchmarks that were not observed, in particular new domestic arrears and the target on priority spending. On the structural side, the end-September performance criterion on an audit of Prime Holdings was not met.

However, in response to these slippages, the government has put in place a set of measures to restore macroeconomic stability during 2005. In particular, we have cleared all new domestic arrears that were outstanding as of end-September 2005, and we expect to be in strict compliance with the benchmark on domestic arrears at end-December, as well as with the benchmark on priority spending. On the structural side, we have already published the audit and business plan for Prime Holdings. The government is also making best efforts to accelerate the pace of structural reforms in public expenditure management and clear roadmaps have been drawn for achieving the two remaining end-December benchmarks in public expenditure management in the shortest time possible. Finally, we have taken measures to re-establish in the Ministry of Finance and Economic Planning the capacity needed for pursuing a Fund supported economic program by first quarter of 2006.

We are committed to fully implementing the PRGF supported program described in our Letter of Intent and Memorandum of Economic and Financial Policies of August 18, 2005. We would like to take this opportunity to thank the Fund for its support and cooperation over the years and for its advice in meeting the policy challenges facing our country. More importantly, we wish to thank the Fund's Board for approving debt relief packages for our country.

Sincerely yours

/sgd/

François Kanimba
Governor
National Bank of Rwanda

Prof. Manasseh P. Nshuti
Minister of Finance and Economic Planning
Ministry of Finance and Economic Planning