



Banque Nationale du Rwanda  
National Bank of Rwanda

---

**QUARTERLY BULLETIN**

---

**THIRD QUARTER 2007**

## TABLE OF CONTENTS

	<b>LIST OF FIGURES</b>	<b>3</b>
	<b>LIST OF TABLES</b>	<b>4</b>
<b>I</b>	<b>GENERAL ECONOMIC SITUATION</b>	<b>5</b>
<b>I.1</b>	<b>INTERNATIONAL ECONOMIC SITUATION</b>	<b>5</b>
<b>I.2</b>	<b>NATIONAL ECONOMIC SITUATION</b>	<b>8</b>
<b>I.2.1</b>	SECTORAL PERFORMANCES	9
<b>I.2.2</b>	INFLATION.....	15
<b>I.2.3</b>	FOREIGN TRADE.....	19
<b>I.3</b>	<b>EXCHANGE RATE</b>	<b>23</b>
<b>II</b>	<b>PUBLIC FINANCE AND DOMESTIC DEBT.....</b>	<b>25</b>
<b>II.1</b>	PUBLIC FINANCE.....	25
<b>II.2</b>	DOMESTIC PUBLIC DEBT.....	30
<b>III</b>	<b>MONETARY DEVELOPPEMENTS.....</b>	<b>31</b>
<b>III.1</b>	RESERVE MONEY DEVELOPPEMENTS.....	31
<b>III.2</b>	BROAD MONEY DEVELOPPEMENT.....	32
<b>III.2.1.</b>	SOURCES OF MONEY CREATION.....	33
<b>III.2.2</b>	BROAD MONEY (M2).....	36
<b>III.3</b>	BROAD MONEY EXTENDED TO THE UBPR.....	37
<b>IV</b>	<b>MONEY MARKET AND INTEREST RATE.....</b>	<b>37</b>
<b>IV.1</b>	<b>MONEY MARKET OPERATIONS.....</b>	<b>37</b>
<b>IV.2</b>	INTEREST RATE DEVELOPMENTS.....	40
<b>V</b>	<b>SOUNDNESS OF THE FINANCIAL SYSTEM.....</b>	<b>42</b>
<b>V.1</b>	SOUNDNESS OF THE BANKING SECTOR.....	42
<b>V.2</b>	CURRENT STATUS OF THE MICRO FINANCE SECTOR.....	44
<b>VI</b>	<b>APPENDICES .....</b>	<b>51</b>
<b>VI.1</b>	TECHNICAL NOTES ON MONETARY STATISTICS	52
<b>VI.2</b>	STATISTICAL APPENDICES	58

## LIST OF FIGURES

Fig. 1: Agricultural production, seasons A and B.....	11
Fig. 2: Development of the turnover of the country's large companies from December 2005 to September 2007 (in millions of RWF)....	11
Fig. 3: Turnover of the country's industrial and service companies, January- September 2006/2007 (in millions of RWF) .....	12
Fig. 4: Monthly development of the industrial companies' turnover (In millions of RWF).....	13
Fig. 5: Monthly development of the manufacturing companies' Turnover (in millions of RWF).....	13
Fig. 6: Development of the large Building Industry and Public Works' Overall turnover (in millions of RWF).....	14
Fig. 7: Development of the large service firms' turnover (in millions of RWF) .....	15
Fig. 8: Inflation development per category of products (in % CPI, Base 2003=100).....	16
Fig. 9: Development of the RWF against hard currencies .....	24
Fig. 10: Public revenue development (in billions of RWF).....	27
Fig. 11: Public expenditure development .....	28
Fig. 12: Budget deficit.....	29
Fig. 13: Reserve money (M2) development (in billions of RWF).....	32
Fig. 14: Credit distribution per branch of activity (in %).....	35
Fig. 15: Broad money (M2) development (in billions of RWF).....	36
Fig. 16: Treasury bills announcements, tenders and selected offers: Jan-Sep. /2006/2007 (in billions of RWF).....	39
Fig. 17: Treasury bills stock (in billions of RWF).....	40
Fig. 18: Status of money market rates: January-September 2007.....	41
Fig. 19: Status of interest rates applied by the banking sector: January-September 2007.....	41

## LIST OF TABLES

Table 1: Total production in seasons A and B (in tons) .....	9
Table 2: Main foodstuffs production development (in tons) .....	10
Table 3: indexes of the main categories of products (in %CPI, Base 2003=100) .....	16
Table 4: Inflation development (in % CPI, Base 2003=100) .....	17
Table 5: Changes in consumer price indexes as per different Functions (in % CPI, Base 2003=100) .....	17
Table 6: Underlying inflation development (in % CPI, Base 2003=100) .....	18
Table 7: Trade balance, January-September 2006 and 2007 (value in millions of USD, volume in thousands of tons.....)	20
Table 8: Development of the average exchange rate of the RWF against the USD, EURO and the GBP .....	25
Table 9: Government's financial transactions (in billions of RWF) .....	26
Table 10: Deficit financing development (in billions of RWF).....	30
Table 11: Domestic public debt development (in billions of RWF).....	31
Table 12: Money survey development (in billions of RWF).....	33
Table 13: Extended broad money (in billions of RWF).....	37
Table 14: Money market operations (in billions of RWF) .....	38
Table 15: interest rate development in 2007 (in %).....	40
Table 16: Development of the Commercial Banks' performance Indicators (in %) .....	43
Table 17: Consolidated financial status of MFIS as on 30/06/2007.....	49

## **I. GENERAL ECONOMIC SITUATION**

### **I.1. INTERNATIONAL ECONOMIC SITUATION**

In spite of a slight moderation of the growth rate, the world economic activity remains solid, sustained by the strength of the growth of the main emerging economies, in spite of the downturn of the American economy. The survey data show that the growth rate remains steady in spite of the risks related to the rise in protective tendencies, the new increase in energy prices and the persistence of the world imbalances. The price trend remains influenced by the regular increase in energy prices.

In the United States, unlike the second quarter when the economic activity appreciably improved, with a quarterly growth rate of real GDP of 3.8% calculated on a year-to-year basis, against 0.6% in the first quarter, the rate of growth slowed down again from August. These poor performances are due to the deceleration of consumption and the decline in the industrial activity and, more particularly, in the sector of the residential real estate market. As to the inflationary pressures, they slightly calmed down and the inflation rate reverted to 2% in August after increasing to 2.4% and 2.7% respectively in last June and July. From February to July, the inflation rate reached 2.6% on average. Except for foodstuffs and energy, it dropped to 2.1%, compared to 2.2% in July.

In the Euro zone, the real economic growth reverted to 0.3% on a quarterly basis in the second quarter, against 0.7% in the first one. In spite of this fall in the growth, the economic activity during the first half of the year remained within the limits of the potential growth and remained constant during the third and fourth quarters of the year. Indeed, the future economic outlooks remained promising due to the external environment that was favorable to the increase in exports all over the zone and the solidity of economic fundamentals. Thus, the growth of the GDP fluctuated between 2.2% and 2.8% on average all over the year 2007. The obstacle to a sustainable growth may have resulted from the new possible increase in energy prices. Concerning price fluctuations, the Eurostat's

estimates showed an annual change of 2.1% in the HCPI in September, against 1.7% in August 2007. The inflationary forecasts expected the inflation rate to rise to more than 2% until the end of 2007.

In Japan, due to the fall in the private consumer expenditure and the decline in the residential real estate investment, the economic activity slowed down during these last months. In the second quarter 2007, the real quarterly GDP growth rate was estimated at 0.1%, against 0.8% in the first quarter because of a drop in the private investment. In spite of this decline in growth, the future economic outlooks remained favorable in Japan, sustained by the revival of exports and the good behavior of domestic demand. As regards price fluctuations, the consumer price index became negative again by 2.0% in August (the June level), compared to July when it was nil. Except for fresh products, the annual change in the CPI remained negative in August, with a rate of -0.1% recorded since April 2007.

In developing emerging countries, the economic activity remained constant and an economic growth rate of 7.5% was expected at the end of 2007. This rate was slightly lower than that of 2006, which was 7.9%.

After experiencing a growth rate of more than 4% in 2006 for four consecutive years, Africa maintained its growth rate of about 5.9% in 2007. This growth was due to the improvement in economic fundamentals, a sound macroeconomic management and the inflow of economic assistance from foreign partners. Moreover, the contribution of oil-exporting countries was particularly very significant. Oil prices remained high and the production increased due to the entry of new oil-producing countries, such as Chad, Mauritania and Equatorial Guinea. However, inflationary pressures remained and the inflation rate reached 12.7% in 2007, against 8.4% and 12% respectively in 2005 and 2006.

On the raw material market, pressure on oil prices increased again in September. In mid-September, the price of the barrel of crude oil picked up, reaching USD 78.5, compared to USD 73.6 on September 5th. In last June, July and August, the price of the barrel was respectively USD 70.3, USD 72.6 and USD 76.5. Indeed,

the unrest that took place lately on financial markets and the expected effects on the world economic growth as well as the low production capacity in relation to the high demand continued to fuel the pressures on oil prices.

Concerning the price in dollars of other raw materials, exclusive of energy, they went down in August 2007, following the fall in the prices of industrial raw materials, particularly non-ferrous metals. These prices went up again by 17% in September, compared to the previous year, following the increase in foodstuffs, particularly cereals which experienced a low harvest.

At financial level, in its meeting of September 18, 2007, the Federal Reserve reduced by 50 basic points the rate of federal funds to 4.75% after stabilizing at 5.25% as a rate in force since June 2006. However, the three-month rates increased to stabilize at 5.49% and 5.48% respectively in September and August, while they had stabilized at 5.36% during the three previous months. From one quarter to another, the three-month rates marked up at 5.45% in the third quarter, against 5.36% in the second one. Nevertheless, the yield of public bonds came to 4.51% at the end of September, against 4.68% and 5.01% respectively in August and July 2007, following favorable forecasts of economic outlooks, and the increase in risk allowances related to the disruption on the stock exchange markets. On quarterly average, this rate dropped from 4.84 to 4.74% between the second and third quarters 2007.

In the Euro zone, the monetary conditions remained accommodating. The BCE's reference rate was fixed at 4% during the meeting of the Board of Governors of September 6, 2007. The three-year interest rates increased to 4.74% in September by 20 more points compared to the August level, and to 4.49% in the third quarter, against 4.07% in the second quarter 2007. As regards the government bonds' ten-year rate, it went up from 4.42% to 4.48% between the first and the second quarters of 2007. Between August and September, the government bonds' ten-year yield dropped from 4.43% to 4.37%.

Just like in the United States, the rise in the government bond yield resulted from favorable economic outlook forecasts and the incorporation of the rise in the risk premium due to financial market fluctuations.

On the side of the Japanese Bank, it maintained its reference rate at 0.5%. The three-month rates slightly increased to stabilize at 0.99% in September, against 0.92% in August, and to 0.89% in the third quarter, against 0.69% in the second quarter 2007. The ten-year public bond yield increased from 1.65% to 1.61% between August and September 2007, while it had been 1.89% during the two previous months. On quarterly average, it dropped from 1.74% to 1.72% between the second and third quarters of the year 2007.

On the foreign exchange market, after a period of stability from mid-2006, the Euro fluctuated and strengthened against the dollar from the last quarter of 2006. Indeed, while the economic outlooks remained less clear in the United States because of the situation prevailing in the real estate sector, the Euro zone posted the economic data that inspired confidence with the economic operators. Thus, the Euro, which was worth USD 1.35 on average in the second quarter 2007, appreciated in the third quarter to reach USD 1.37.

Compared to the Euro, the Yen slightly appreciated, passing from a rate of ¥ 162.89 for € 1 to a rate of ¥ 161.90 between the second and third quarters 2007 that is an appreciation of 0.61%. In July 2007, the Euro reached a historical peak of ¥ 166.76 but dropped to ¥ 159.82 in September, with a depreciation of 4.3%.

## **I.2. NATIONAL ECONOMIC SITUATION**

In 2007, the economic growth prospects for the national economy looked more promising. The indicators collected until September 2007 suggested favorable developments of most commercial activities. Indeed, during the first nine months of the year 2007, the national economy recorded appreciable sectoral performances, except for the agricultural sector whose production decreased as a result of the combined effect of insufficient rainfall that characterized the season 2007 B with the impoverishment of the soils and old farming techniques.

The other sectors recorded good performances due to the progressive restoring of electricity supply and political stability in the sub-region.

In addition, the Central Bank contributed to the achievement of these potential prospects by maintaining the economy on a sustainable and noninflationary growth path. This is the very precise climate that boosts a sustainable and long-lasting economic growth as well as an improvement in the standards of living of the population over the years.

### 1.2.1 Sectoral performances

#### A. Agricultural production

On the basis of the findings of the agricultural survey conducted by MINAGRI, the total agricultural production in seasons A and B of the year 2007 dropped by 3.83%, compared to the year 2006. Indeed, after a less performing season 2007A in relation with the same season of the previous year, the great farming season 2007B was marked by a delay in rainfall, which resulted in low harvests in several regions of the country.

Table 1: Total production in seasons A and B (in tons)

Products	2006	2007	% change
Cereals	361 674	352 057	-2.66
Leguminous plants	333 743	402 346	20.56
Tubers	2 930 095	2 527 351	-13.75
Bananas	2 653 548	2 686 198	1.23
Fruits & Gardenings	858 011	896 080	4.44
<b>TOTAL</b>	<b>7 137 071</b>	<b>6 864 031</b>	<b>-3,83</b>

Source: MINAGRI

It should be noted that even if the climatic risks constitute a great handicap for agriculture, in addition to an extremely limited arable land, the low fertility of the soils remains the main challenge in the Rwandan agricultural sector. Indeed, except for the rather fertile northern volcanic areas, the other areas of the country's production is low because of the ageing of the soils and low use of manure, which primarily explains the reduction in food production, even when the rainfall is favorable.

The agricultural production in season 2007B, passed to 3.6 million tons, against 3.7 million tons recorded during the same season of the year 2006, that is a reduction of 2.58%. The delay in rainfall experienced at the beginning of season 2007B therefore resulted in low harvests for most of crops, mainly leguminous plants, cereals and bananas, with respective production falls of 16.6%, 7.35% and 5.17%.

It should be noted that this insufficient rainfall was observed almost all over the country, except for some districts of the Northern Province (Burera and Gicumbi) and Western Province (Karongi and Nyabihu), which experienced more or less normal rainfall.

**Table 2: Main foodstuffs production developments (in tons)**

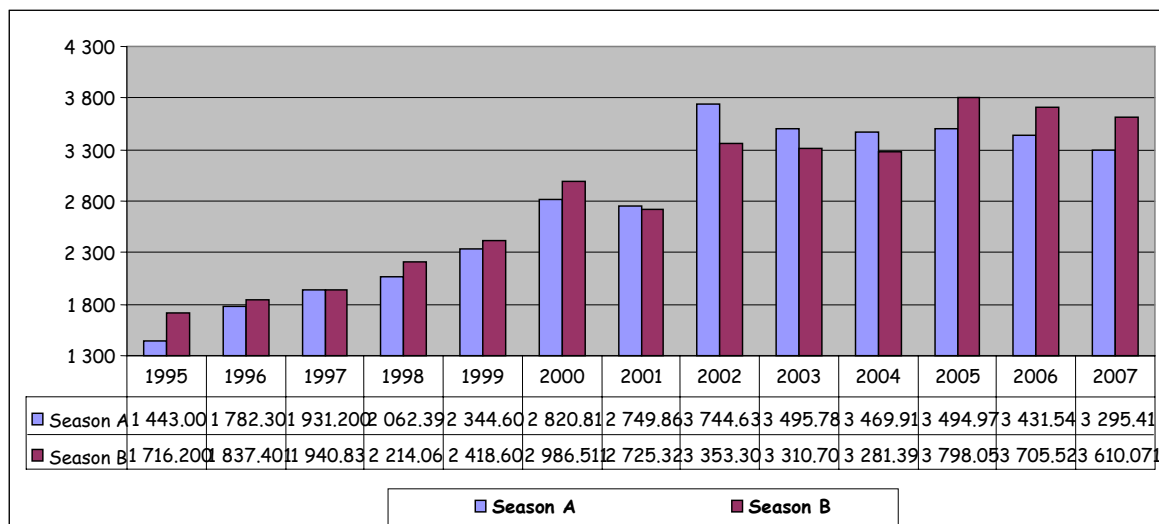
	2004b	2005b	2006b	2007b	2007B/2006B seasons (in %)
<b>Cereals</b>	<b>199.33</b>	<b>287.86</b>	<b>245.91</b>	<b>227.84</b>	<b>-7.35</b>
Sorghum	150.95	213.09	174.19	152.62	-12.38
Maize	18.95	24.61	26.28	28.41	8.08
Wheat	7.90	13.21	10.25	14.10	37.54
Rice	21.54	36.94	35.19	32.72	-7.03
<b>Leguminous plants</b>	<b>78.10</b>	<b>81.47</b>	<b>188.32</b>	<b>157.02</b>	<b>-16.62</b>
Beans	62.50	60.44	163.45	135.64	-17.01
Garden peas	3.94	7.42	6.32	4.05	-35.93
Groundnuts	6.62	3.67	3.46	10.27	196.68
Soy beans	5.05	9.93	15.09	7.06	-53.22
<b>Roots &amp; tubers</b>	<b>1457.04</b>	<b>1526.61</b>	<b>1363.11</b>	<b>1387.43</b>	<b>1.78</b>
Irish potatoes	390.17	563.80	525.80	396.07	-24.67
Sweet potatoes	580.39	566.02	460.19	549.21	19.34
Coco yams	54.56	57.40	50.25	68.34	35.99
Cassava	431.92	339.39	326.88	373.82	14.36
<b>Bananas</b>	<b>1261.37</b>	<b>1609.09</b>	<b>1466.86</b>	<b>1390.98</b>	<b>-5.17</b>
<b>Gardenings &amp; fruit</b>	<b>285.56</b>	<b>293.03</b>	<b>441.32</b>	<b>446.81</b>	<b>1.24</b>
<b>Total</b>	<b>3281.40</b>	<b>3798.05</b>	<b>3705.53</b>	<b>3610.07</b>	<b>-2.58</b>

Source: MINAGRI

With regard to low altitude areas, the insufficient rainfall did not affect much market gardenings, fruits and tubers of which low respective increases of 1.24% and 1.78% in the production were recorded. The group of roots and tubers,

except for Irish potatoes which experienced a reduction of 24.67%, such as coco yams, sweet potatoes and cassava recorded respective increases of 35.99%, 19.34%, and 14.36%.

**Fig. 1: Agricultural Production developments, Seasons A and B**

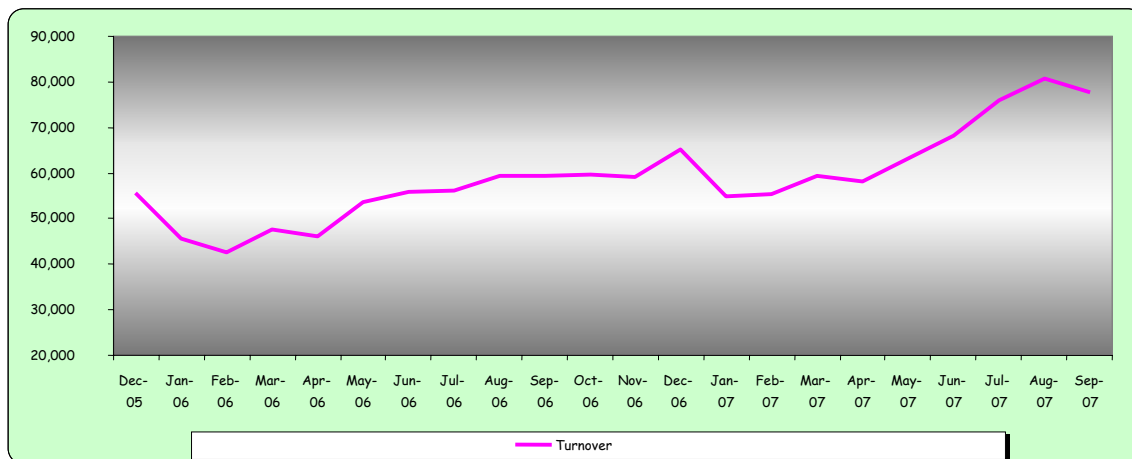


Source: MINAGRI

## B. Non agricultural activities

As regards nonagricultural activities, the overall economic situation was better during the first nine months of the year 2007, compared to the same period of the previous year, as evidenced by the overall turnover achieved by large companies in the various branches of the economy, particularly industries and services.

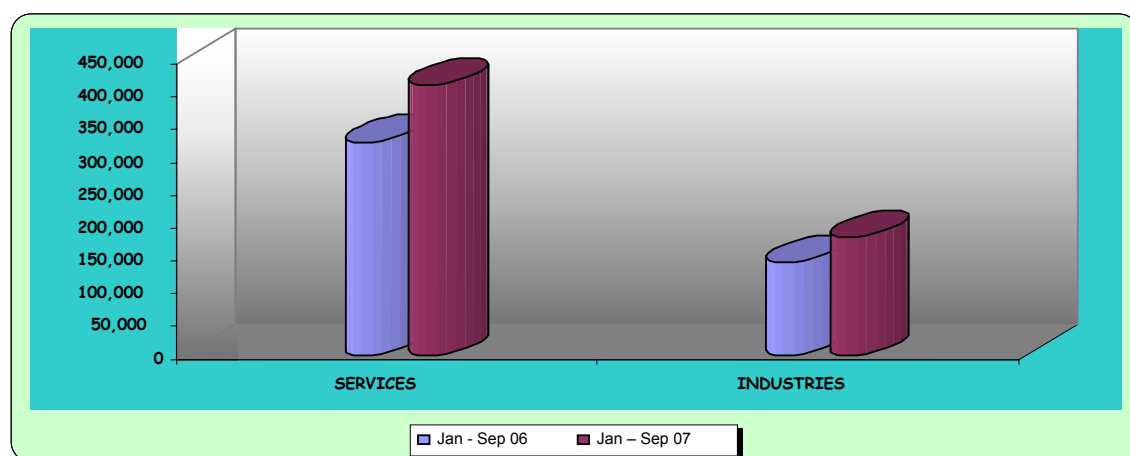
**Fig. 2: Developments of the turnovers of the country's large companies from December 2005 to September 2007 (in millions of RWF)**



Source: RRA, Department of Big Taxpayers

The total turnover recorded by large industrial and service companies during the first nine months of the year 2007 rose to RWF 593.613 billion, against RWF 466.468 billion during the same period of the year 2006, that is an increase of 27.26%.

**Fig. 3: Turnovers of the country’s large industrial and service companies,**  
January- September 2006/2007 (in millions of RWF)

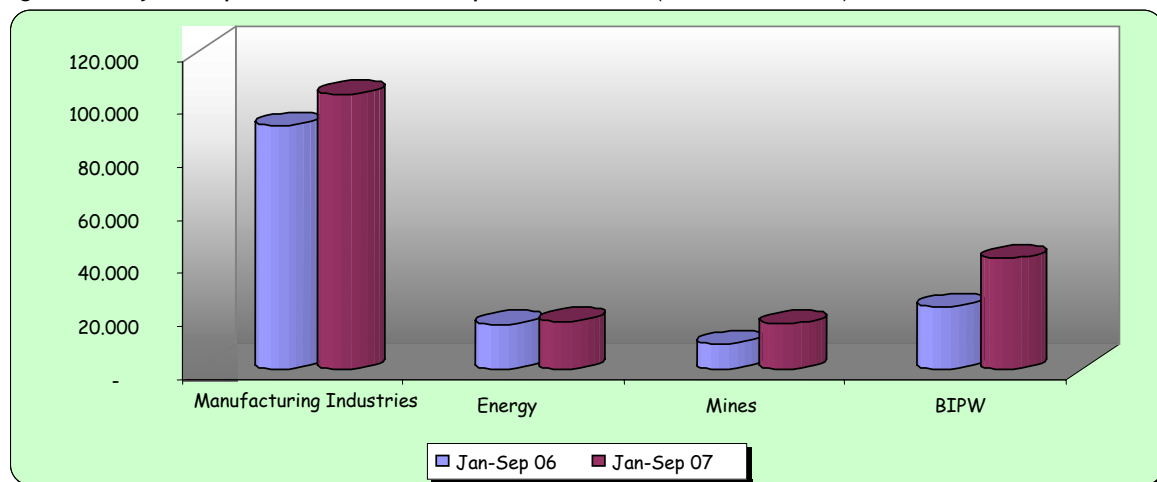


Source: RRA, Department of Big Taxpayers

### B.1. Industrial sector

During the first nine months of the year 2007, large industrial companies recorded a total turnover of RWF 180,434 billion, against RWF 141,201 billion in the same period of the previous year that is a rise of 27.78%. These good performances observed in this sector were due to the strength of the mining companies’ and the Building industries and Public works’ activities which continued to raise the standards of their achievements, as their turnovers increased by 82.8% and 79.0% respectively, compared to the same period of the year 2006. It should be stressed that the national industry’s production remained dominated by food-processing units and building material manufacturing industries.

Fig. 4: Monthly developments of industrial companies' turnovers (in millions of RWF)

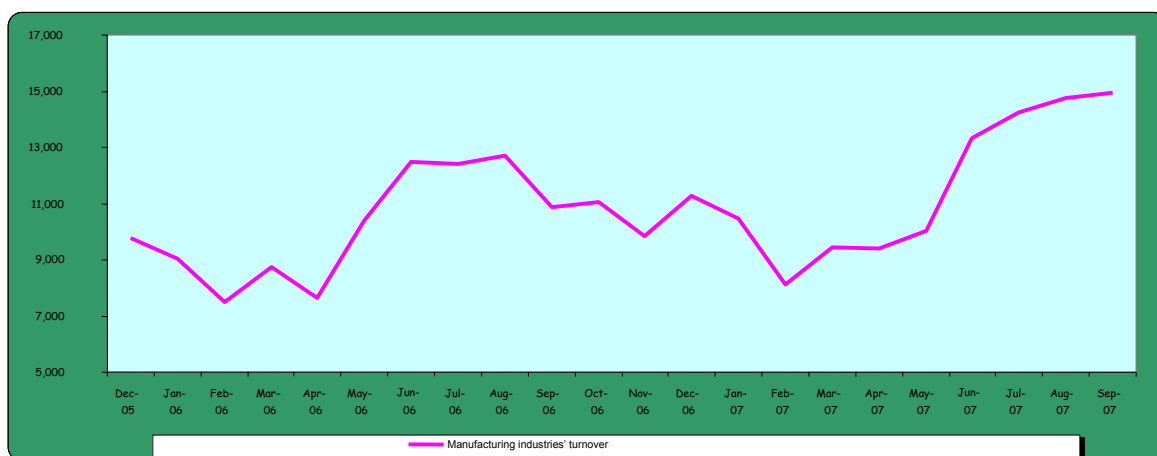


Source: RRA, Department of Big taxpayers

### B.1.1. Manufacturing industries

Manufacturing industries recorded an overall increase of 13.0% of their turnover over the first nine months of the year 2007, compared to the same period of 2006 that is RWF 103.68 billion against RWF 91.75 billion. However, this performance was mainly recorded by alcoholic and nonalcoholic drink production industries. During the period under review, the turnover recorded by this type of industries increased by about 22.6%. Other manufacturing industries also experienced appreciable performances, as their overall turnover passed from RWF 56.348 billion to 60.497 billion during the same period.

Fig. 5: Monthly developments of manufacturing companies' turnovers (in millions of RWF)



Source: RRA, Department of Big Taxpayers

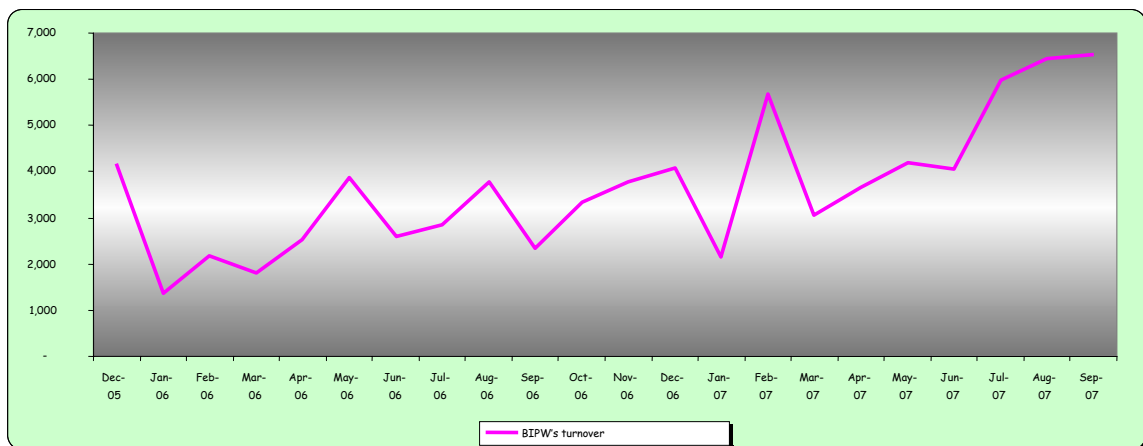
### B.1.2. Energy sector

The energy sector, also dominated by an only one public electricity and water production and supply company, showed an increase of 6.8% during the first nine months of the year 2007. This is an alarming situation in respect of the low rate of satisfaction of the population’s needs in electricity, both in cities and rural areas.

### B.1.3. Building Industry and Public Works

In the Building Industry and Public Works sector, the good performances experienced more than ten years ago, and at the beginning of the year 2007, strengthened during the first nine months of the same year. The total turnover recorded in this sector increased by 79.0% during the period under review, compared to the same period of the previous year. These performances were due to the continuation of the road infrastructure rehabilitation and house construction to meet the ever pressing demand.

Fig. 6: Developments of the large Building Industry and Public Works’ overall turnover (in millions of RWF)



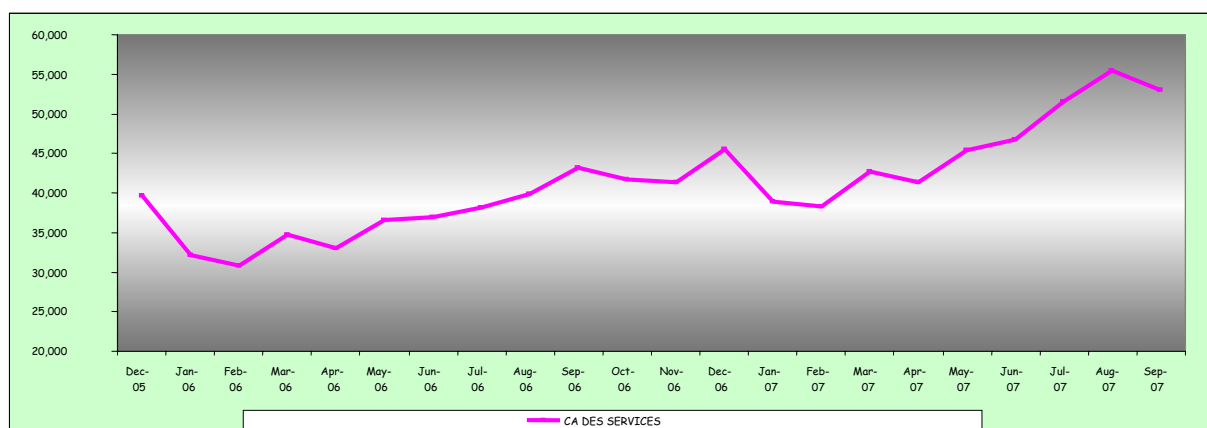
Source: RRA, Department of Big Taxpayers

It should be noted that the activity prospects for the BIPW sector remained promising, taking into account the dynamism observed in the construction of private buildings, more strengthened by the Government’s social housing promotion and basic infrastructure rehabilitation policy.

## B.2. Service sector

During the period under review, the service sector’s activity was marked by an increase of 27.6% in large companies’ overall turnover, compared to the same period of last year. This performance was found in all the sector’s large companies, particularly petroleum products importers and distributors, general trade as well as Banks and Insurance Companies, which recorded respective increases of 32.5%, 30.2% and 24.4% in their turnovers. Similarly, large companies operating in the “posts and telecommunications” and “transport” sectors recorded respective increases of 23.2% and 17.8% in their turnovers over the same period.

Fig. 7: Developments of the large service firms’ turnover (in millions of RWF)



Source: RRA, Department of Big Taxpayers

## I.2.2 INFLATION

In spite of strong inflationary pressures observed in the first quarter as a result of the increase in excise duties on drinks, school fees, medical care and telecommunication charges, the third quarter of 2007 experienced a more significantly moderate inflation, compared to the same period of 2006.

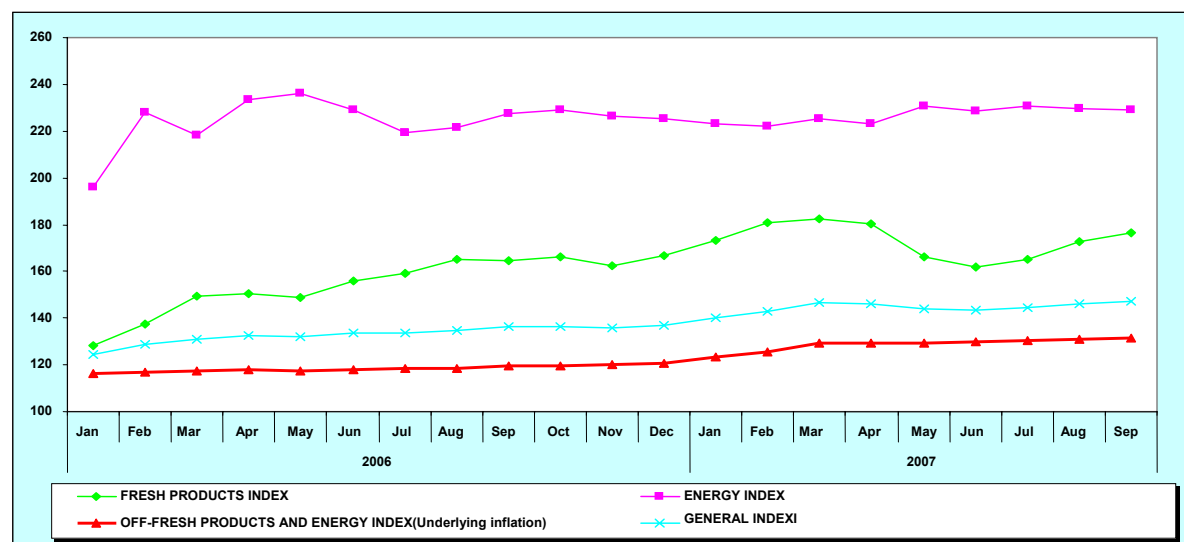
Table 3: Indexes of the main categories of products (base 2003= 100)

Index per category	Weighted	2006					2007				
		Jan	Mar	Jun	Sep	Dec	Mar	Jun	Jul	Aug	Sep
FRESH PRODUCTS INDEX	2 186	128.0	149.5	155.8	164.5	167.0	182.5	161.9	164.9	172.5	176.4
Monthly changes		2.8	9.0	4.6	-0.2	2.8	0.9	-2.7	1.9	4.6	2.2
Year-to-year basis		0.6	6.2	17.1	20.0	34.2	22.1	3.9	3.8	4.7	7.3
ENERGY INDEX	761	195.8	218.1	229.3	227.5	225.1	225.3	228.5	231.0	229.6	229.3
Monthly changes		0.1	-4.3	-2.8	2.8	-0.5	1.5	-0.9	1.1	-0.6	-0.1
Year-to-year basis		27.0	35.4	35.0	20.5	15.1	3.3	-0.4	5.3	3.7	0.8
UNDERLYING INDEX	7 053	116.0	117.1	118.0	119.8	120.5	129.4	129.8	130.3	130.9	131.4
Monthly changes		2.2	0.4	0.4	1.2	0.6	3.2	0.2	0.4	0.4	0.4
Year-to-year basis		4.0	4.0	3.9	5.2	6.1	10.5	10.0	10.2	10.5	9.7
GENERAL INDEX	10 000	124.3	130.7	133.4	136.2	137.0	146.4	143.2	144.3	146.0	147.1
Monthly changes		1.8	1.0	0.8	1.0	0.9	2.5	-0.5	0.8	1.2	0.7
Year-to-year basis		5.1	6.7	9.4	9.3	12.1	12.0	7.3	8.2	8.3	8.0

\* Index excluding fresh products and energy

Source: NBR, Research Department

Fig. 8: Inflation developments per category of product (Base 2003=100 ).



Source: NBR, Research Department.

### A. Overall inflation

On year-to-year basis, the overall inflation in September 2007 amounted to 8.0%, against 9.3% in the same month of 2006. From January to September 2007, the overall inflation was 7.23%, against 10.99% recorded in the same period of 2006.

**Table 4: Inflation developments (in % CPI, Base 2003=100)**

Inflation	2006		2007									
	Sep	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
<b>General inflation</b>												
Year-to-year basis	9.27	11.9	12.6	10.9	12.0	10.1	8.8	7.3	8.3	8.4	8.0	
Annual average	7.2	8.9	9.5	9.8	10.2	10.4	10.5	10.3	10.2	10.1	10.0	
Monthly average	1.0	0.9	2.2	2.1	2.5	-0.3	-1.4	-0.5	0.8	1.2	0.7	

Source: NBR, Research Department.

In September 2007, the average general index in the last twelve months (from October 2006 to September 2007) increased by 10%, compared to the one recorded in the previous twelve months (from October 2005 to September 2006), against 7.2% in the same months of 2006.

**Table 5: Changes in Consumer Price Indexes as per different functions (in % CPI; base 2003 = 100)**

Item	Weighted	2006				2007					
		Quar 1	Quar 2	Quar 3	Quar 4	Quar 1	Quar 2	Jul	Aug	Sep	Quar 3
<b>1. Foodstuffs, non alcoholic drinks</b>	<b>3 709</b>	<b>11.96</b>	<b>3.28</b>	<b>3.28</b>	<b>0.94</b>	<b>5.37</b>	<b>-6.93</b>	<b>1.20</b>	<b>3.11</b>	<b>1.69</b>	<b>5.99</b>
- Bread and cereals	625	8.60	9.97	-5.86	7.66	1.06	-4.84	-1.30	1.40	1.15	1.24
- Meat	345	2.90	2.14	-1.29	0.03	-0.57	-0.19	0.24	1.22	0.33	1.13
- Fish and seafood	114	5.69	0.96	-4.68	3.71	8.18	-0.22	0.67	-2.27	0.56	-2.16
- Leguminous plants	1 332	22.35	2.04	9.15	-1.22	11.92	-13.23	3.12	5.49	1.97	10.59
- Non alcoholic drinks	180	2.06	0.06	0.26	-0.52	3.28	2.27	-0.13	0.67	0.10	0.64
<b>2. Alcoholic drinks and tobacco</b>	<b>221</b>	<b>0.49</b>	<b>0.27</b>	<b>0.26</b>	<b>1.73</b>	<b>8.75</b>	<b>0.24</b>	<b>0.84</b>	<b>-0.51</b>	<b>0.45</b>	<b>-0.12</b>
<b>3. Clothes and footwear</b>	<b>500</b>	<b>0.44</b>	<b>0.78</b>	<b>-0.35</b>	<b>-0.54</b>	<b>-1.30</b>	<b>0.34</b>	<b>3.80</b>	<b>1.16</b>	<b>1.14</b>	<b>3.82</b>
<b>4. Housing, water, gas, electricity, and other fuels</b>	<b>1 579</b>	<b>7.38</b>	<b>3.59</b>	<b>0.14</b>	<b>-0.41</b>	<b>16.90</b>	<b>0.91</b>	<b>0.66</b>	<b>-0.15</b>	<b>0.17</b>	<b>0.68</b>
<b>5. Furniture, household equipment and current house upkeep</b>	<b>764</b>	<b>0.90</b>	<b>-1.73</b>	<b>0.56</b>	<b>0.11</b>	<b>0.10</b>	<b>1.42</b>	<b>0.60</b>	<b>0.20</b>	<b>0.13</b>	<b>0.67</b>
<b>6. Health</b>	<b>708</b>	<b>-0.33</b>	<b>0.87</b>	<b>-0.09</b>	<b>3.12</b>	<b>8.66</b>	<b>2.35</b>	<b>0.61</b>	<b>-0.69</b>	<b>0.31</b>	<b>0.23</b>
<b>7. Transport</b>	<b>987</b>	<b>1.15</b>	<b>0.39</b>	<b>6.23</b>	<b>0.02</b>	<b>0.84</b>	<b>0.41</b>	<b>0.11</b>	<b>-0.02</b>	<b>0.02</b>	<b>0.11</b>
<b>8. Communications</b>	<b>37</b>	<b>0.85</b>	<b>0.00</b>	<b>0.52</b>	<b>22.79</b>	<b>-0.44</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>	<b>0.00</b>
<b>9. Leisure, culture</b>	<b>206</b>	<b>0.64</b>	<b>-0.04</b>	<b>-0.53</b>	<b>0.72</b>	<b>-0.05</b>	<b>-5.09</b>	<b>0.10</b>	<b>-1.07</b>	<b>0.77</b>	<b>-0.21</b>
<b>10. Education</b>	<b>432</b>	<b>21.20</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>11.89</b>	<b>-0.09</b>	<b>0.11</b>	<b>0.00</b>	<b>0.01</b>	<b>0.10</b>
<b>11. Restaurants et hotels</b>	<b>273</b>	<b>-4.26</b>	<b>3.74</b>	<b>7.26</b>	<b>1.24</b>	<b>8.00</b>	<b>9.25</b>	<b>-4.43</b>	<b>0.01</b>	<b>1.75</b>	<b>-2.67</b>
<b>12. Miscellaneous goods and services</b>	<b>584</b>	<b>0.50</b>	<b>0.08</b>	<b>0.30</b>	<b>-0.14</b>	<b>-0.41</b>	<b>-1.19</b>	<b>1.84</b>	<b>0.34</b>	<b>0.60</b>	<b>2.77</b>
<b>GENERAL INDEX</b>	<b>10 000</b>	<b>6.87</b>	<b>2.05</b>	<b>2.07</b>	<b>0.61</b>	<b>6.72</b>	<b>-2.21</b>	<b>0.80</b>	<b>1.17</b>	<b>0.74</b>	<b>2.72</b>

Source: NBR, Research Department

It should be noted that, for the above-mentioned reasons, inflation was more particularly experienced in the first quarter during which the overall average level was 6.7%. Thus, nearly 90% of the inflation experienced in 2007 was

recorded in the first quarter. During the second quarter, due to the effect of the dry season harvest (great farming season) on prices of locally-produced foodstuffs, a disinflation of 2.2% was even recorded with a significant fall in the prices of foodstuffs. The most concerned were leguminous plants, which include most of fresh food products. Their average price indeed fell by 13.2% in the second quarter.

However, the agricultural production was not abundant enough to maintain enough supply for a long period on the market during the dry season that followed. This explained the resumption of inflation in the third quarter due to the increase in the prices of leguminous plants by 10.6% between July and September.

### B. Underlying inflation

The underlying inflation (which excludes the prices of fresh products and energy) was 10.23%, against 5.5% in September 2006. Except for the first quarter, the monthly rate of underlying inflation (which excludes the prices of fresh products and energy) was held at a very low level in August, July and September, that is 0.4% at the most. Nevertheless, as already mentioned, the strong underlying inflation was explained by the increase in excise duties and various charges on some public and private services recorded at the beginning of the year.

In September, the last twelve-month average underlying index (from December 2006 and September 2007) increased by 9.3%, compared to the previous twelve-month average index (from December 2005 to September 2006).

**Table 6: Underlying inflation developments (in % CPI; Base 2003=100)**

Inflation	2006			2007									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
<b>Underlying inflation</b>													
On year-to-year basis	5.5	6.1	6.2	7.5	10.5	10.1	10.2	10.0	10.2	10.5	9.7	10.1	10.2
Monthly average	3.8	4.0	4.2	4.5	5.1	5.7	6.3	6.9	7.4	8.0	8.4	8.8	9.3
Annual average	0.2	0.6	2.2	1.7	3.2	0.1	0.0	0.2	0.4	0.4	0.4	0.2	0.3

Source: NBR, Research Department

### **I.2.3 FOREIGN TRADE**

At foreign trade level, imports and exports experienced an upward trend these last years, which continued during the period from January to September 2007, with respective significant increases of +29.49% and +16.07%. During the same period of 2006, imports and exports values totaled USD 426 million and USD 104 million respectively. However, the imports-exports rate coverage remained very low, i.e. 23.42% for the period under review, compared to 26.13% for the same period of 2006.

The upward trend of imports may continue during the rest the year, which would confirm the upward forecasts between 29% and 32% throughout the year 2007. On the other hand, the rise in exports will be dampened by poor performance of the main export crop, namely coffee. Indeed, the end of September evaluation of coffee campaign lets predict a significant fall in the exports volume, with a consequence of decline in the exports volume, and therefore a significant drop in the product exports earnings. However, in spite of this poor coffee performance, a significant increase in exports is expected throughout the year 2007, including mainly ores.

Table 7: Trade balance, January-September 2006 and 2007 (Value in millions of USD, volume in thousand tons)

Products	2006		2007		% Changes	
	Volume	Value	Volume	Value	Volume	Value
<b>EXPORTS</b>	<b>50.40</b>	<b>103.96</b>	<b>56.60</b>	<b>120.66</b>	<b>12.30</b>	<b>16.07</b>
Including: Coffee	20.03	40.04	8.23	17.90	-58.92	-55.30
Tea	12.25	24.42	14.60	24.50	19.22	0.36
Tin	2.75	11.02	3.19	21.48	15.92	94.88
Coltan	0.53	8.43	0.62	11.94	15.48	41.62
Wolfram	0.91	5.90	2.10	15.22	131.08	157.88
Hides and skins	0.81	1.47	1.50	2.74	84.45	86.16
Pyrethrum	0.04	1.50	0.04	2.75	-2.90	82.84
Others	7.97	3.27	12.82	10.02	60.93	206.92
Re-exports	5.10	7.90	13.50	14.10	164.60	78.41
<b>IMPORTS</b>	<b>411.96</b>	<b>397.87</b>	<b>556.29</b>	<b>515.19</b>	<b>35.03</b>	<b>29.49</b>
<b>FINAL CONSUMER GOODS</b>	<b>120.30</b>	<b>120.68</b>	<b>214.75</b>	<b>169.38</b>	<b>78.51</b>	<b>40.36</b>
Including: Foodstuffs	82.26	33.86	170.46	52.96	107.22	56.40
<b>CAPITAL GOODS</b>	<b>14.41</b>	<b>91.86</b>	<b>22.66</b>	<b>140.23</b>	<b>57.30</b>	<b>52.65</b>
Including: Transport materials	4.93	21.13	8.76	43.02	77.91	103.55
Machines, devices and tools	6.09	52.61	8.55	73.27	40.39	39.27
<b>SUPPLY GOODS</b>	<b>148.26</b>	<b>109.03</b>	<b>185.81</b>	<b>123.79</b>	<b>25.33</b>	<b>13.54</b>
Including: Construction Materials	68.53	35.24	90.23	40.50	31.67	14.93
Industrial use products	67.62	57.38	75.23	64.34	11.25	12.13
Fertilizers	6.91	3.21	13.40	6.47	93.89	101.43
<b>ENERGY and LUBRICANTS</b>	<b>129.00</b>	<b>76.30</b>	<b>133.07</b>	<b>81.78</b>	<b>3.16</b>	<b>7.18</b>
Including: Fuel	125.72	72.23	128.69	75.89	2.36	5.07
<b>Trade Balance</b>	<b>-361.56</b>	<b>-293.91</b>	<b>-499.69</b>	<b>-394.53</b>		
<b>% Import-Export Rate Coverage</b>		<b>26.13</b>		<b>23.42</b>		<b>-2.71</b>

Source: NBR, Foreign Exchange Inspection and Balance of Payment Department

## A. Exports

In 2007, the exports activities were strongly marked by the fall in coffee exports. The initial forecasts of about 23,000 tons of ordinary coffee should largely be revised downwards, and the fall in the national trade coffee production may probably be only between 8 000 tons and 10 000 tons, and the earnings expected in this sector will amount to about 20 million instead of 61 million initially planned.

The coffee contracts already signed by the exporters at the end of September 2007 bear on 8.23 thousand tons worth USD 17.9 million. During the same period of the previous year they bore on 20 thousand tons worth USD 40.04 million. This represents respective falls of 58.9 and 55.3% in volume and value. According to OCIR CAFÉ, the fall in the production was mainly due to poor rainfall recorded at

the beginning of the year and the cyclic phenomenon, which characterizes this crop, a good season alternating with a bad one.

As for tea, the exports at the end of September 2007 recorded a rise of 16% in volume during the same period of last year. However, this rise in volume did not result in the increase in value, following a fall in the price during the period under review. Indeed, the average price of tea fell from USD 2/kg to USD 1.69/Kg, that is a fall of 16% resulting from the increase in supplies in relation to international market demand.

On the other hand, the mining sector exports continued to show a good performance, as all major mining exports products (Tin, Coltan and wolfram) experienced a significant increase in value and volume. Tin exports appreciably increased in volume and value by 15.9% and 94.9% respectively. The significant increase in value is partly explained by a significant rise in the price which passed from USD 4.02 to USD 6.68/Kg between 2006 and 2007, that is an increase of 66.2%.

Wolfram equally recorded a good performance with rises of 131.1% in volume and 157.9% in value. The price of this product has also been going up for two years. Between January and September 2007, it recorded an increase of 12% compared to the same period of 2006, passing from USD 6.4 to 7.27 USD/Kg.

As for Coltan, the exports recorded an increase in volume and value of 15.5% and 41.6% respectively, since the price itself increased by 22% during the period under review, passing from USD 15.68/Kg to USD 19.14/Kg.

Skin exports increased in value, following the combined effects of the rise in price and exported volume. Indeed, the average price passed from USD 1.82/Kg at the end of September 2006 to 1.98 USD/Kg over the same period of 2007 that is an increase of 8%. The volume exported passed from 814 tons at the end of September 2006 to 1 253 tons over the same period 2007 that is a significant increase of 84.45%.

Although their weight remains marginal, that is about 8% of the total exports value, the other export products, particularly flowers, cement and cosmetics experienced a good performance between January and September 2007, compared to the same period of 2006, since their value had more than doubled.

The volume of Pyrethrum exported fell by 2.9%, coming down from 37 tons at the end of September 2006 to 35 tons at the end of September 2007. On the other hand, the exported value of this product increased significantly, passing from USD 1.5 million to USD 2.75 million that is an increase of 82.8%. This significant increase in value is explained by the increase in the average price which passed from USD 4059 /Kg at the end of September 2006 to USD 74.27/Kg at the end of September 2007. This was due to the fact that the producing company, SOPYRWA, has been exporting refined Pyrethrum since the beginning of 2008, unlike the previous years when it exported a non refined product. The rise in its added value made it possible for this company to directly export it to USA at a high price, without being refined as it was the case before.

As for re-exports, they recorded a high increase of 78.41% in value, and primarily included benzene, gas, diesel, drugs, secondhand clothes, vehicles as well as various apparatuses and machines.

## **B. Imports**

At the end of September 2007, imports significantly increased to about 29.5% in value and to 35.03% in volume. All categories of imported goods recorded an increase, both in value and volume.

Final consumer goods imports increased by 40.36% in value, passing from USD 120.68 million at the end of September 2006 to USD 169.38 million at the end of September 2007. Foodstuffs which represented 28% of final consumer goods at the end of September 2006 accounted for 31.27% of this total at the end of September 2007; that is an increase of 56.4% in value, compared to the same period of 2006. The most imported foodstuffs were cereals, oil and edible fats as well as sugar, which represented altogether nearly 80% of the value of all imported foodstuffs.

In the same way, capital goods imports increased by 52.65% in value, passing from USD 91.86 million to USD 140.23 million drawn by machines and apparatuses whose value increased by 39.27%, which account for USD 73.27 million for the period under review, as well as transport equipment whose value increased by 103.55% over the same period, which represent USD 43.02 million.

Supply goods recorded an increase of 13.54% in value from January to September 2007, compared to the same period of 2006. This was due to the rise in importation of building materials, industrial use products and manure, which experienced respective increases of 14.93%, 12.13% and 101.43% in value.

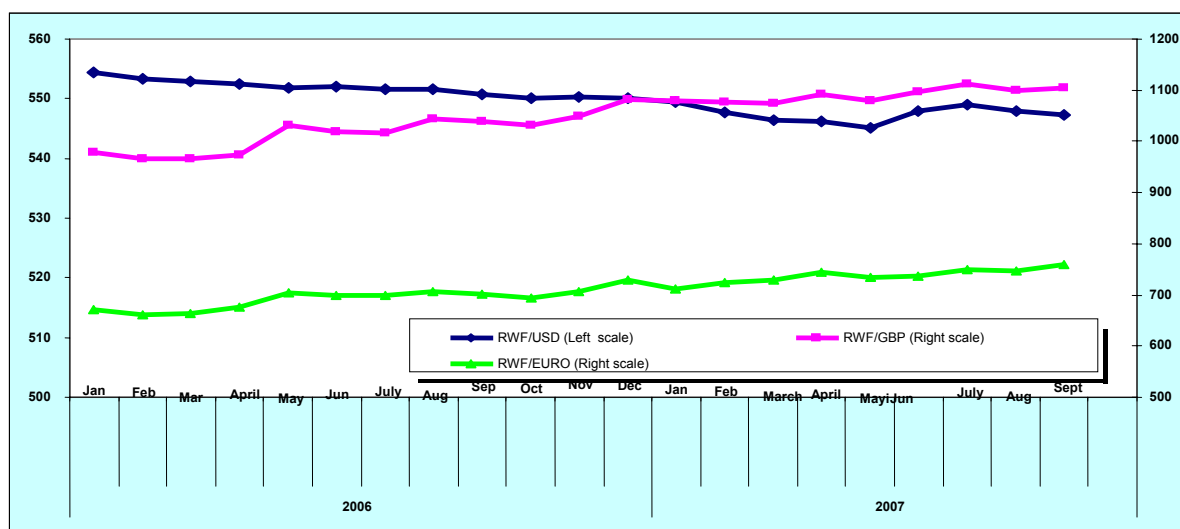
As for energy and lubricants which account for more than 90% of fuel, their imports increased by 7.18% in value and by 3.16% in volume. Their value was worth USD 81.78 million (16% of total imports) between January and September 2007, against USD 37 million for the same period of 2006.

### **I.3. EXCHANGE RATES**

The increase in the rates of exchange of the Rwandan franc against hard currencies remained steady from the beginning of the year 2004, with a slight but continuous appreciation against the American dollar, which remains by far the most used currency in the country's trade with the rest of the world.

Compared to the Euro and the BP, the rate of exchange of the RWF was rather characterized by frequent fluctuations, sometimes with appreciation or depreciation, but rather with a slight general downward trend. It should be pointed out that these fluctuations were related to the behavior of these two currencies on the exchange market.

Fig. 9: Developments of the RWF against hard currencies



Source: NBR, Research Department

In fact, the good health of the Rwandan Franc is sustained by a satisfying level of the exchange reserves held by the national banking system. The country’s exports have been admittedly experiencing an appreciable increase for some time and private money transfers in favor of the residents have been markedly increasing, but it should also be stated that these exchange reserves mainly consist of significant external budgetary supports the country has been receiving from development partners since 2004.

Compared to the American dollar, the average rate of the Rwandan Franc passed from RWF 550.05 in December 2006 to 547.28 FRW in December 2007, which represents a slight appreciation of 0.5% of the national currency, compared to the American dollar. On the other hand, over the same period, the Rwandan Franc depreciated against the British Pound and the Euro by 2.1% and 4.0% respectively, due to the strength of these two currencies on the international exchange market.

Table 8: Developments of the average exchange rates of the RWF against the USD, EURO and the GBP

Periods		RWF/USD	RWF/GBP	RWF/EURO
2006	January	554.36	978.15	670.65
	February	553.39	966.73	660.66
	March	552.94	964.61	664.20
	April	552.43	974.42	676.19
	May	551.75	1 030.28	703.86
	June	552.01	1 019.17	699.54
	July	551.63	1 016.51	699.59
	August	551.68	1 043.6	706.71
	September	550.77	1 039.81	701.71
	October	550.01	1 030.53	693.85
	November	550.25	1 050.09	707.04
	December	550.05	1 080.7	729.54
2007	January	549.40	1 079.62	711.86
	February	547.74	1 076.15	723.89
	March	546.47	1 073.6	729.29
	April	546.10	1 091.44	744.72
	May	545,14	1 078.88	734.95
	June	547,87	1 096.99	737.48
	July	549,06	1 111.36	750.51
	August	547.86	1 099.33	745.69
	September	547.28	1 103.40	759.03

Source: NBR, Department of International Operations

On the local exchange market, the three first quarters of 2007 were marked by a significant rise in the currency demand, compared to the previous years. This situation is primarily explained by the fast increase in domestic imports demand. It is to be recalled that the 2007 Monetary Program favored the sale of exchange reserves to the private sector through the banking system to finance these imports, which was to help the Bank absorb a significant part of excess local currency liquidity injected into the system through an important budgetary expenditure program.

## II. PUBLIC FINANCE AND DOMESTIC DEBT

### II.1 Public Finance

During the first three quarters of 2007, tax performances remained moderate. While the tax revenues continued to show an upward trend and exceed the

September reviewed target, government expenditure remained under pressure and exceeded the end of September 2007 forecasts.

The table below provides details on various aspects of the Government's financial transactions for the third quarter 2007.

**Table 9: Government's financial transactions (in billions of RWF)**

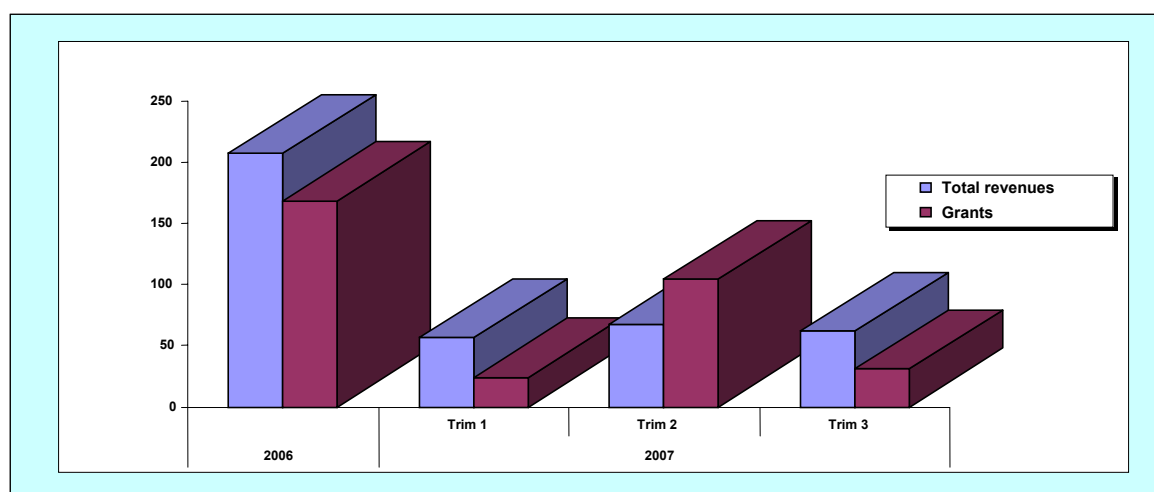
Description	2006	2007			Total	Progr. end of Sep.
		Quar. 1	Quar. 2	Quar. 3		
<b>Total revenues and grants</b>	<b>375.9</b>	<b>80.8</b>	<b>170.2</b>	<b>93.0</b>	<b>344.0</b>	<b>349.9</b>
Total revenues	207.2	56.7	65.9	62.1	184.7	180.4
Tax revenues	192.6	53.6	62.7	58.6	174.9	168.8
Non tax revenues	14.6	3.1	3.2	3.5	9.8	11.6
Grants	168.7	24.1	104.3	30.9	159.3	169.4
<b>Total expenditure and net lending</b>	<b>378.9</b>	<b>111.3</b>	<b>108.0</b>	<b>145.5</b>	<b>64.8</b>	<b>337.6</b>
Total expenditure	369.3	107.7	105.2	146.0	358.9	329.6
Current expenditure	250.6	67.3	65.5	91.1	223.9	222.3
<b>Current deficit</b>	<b>-43.4</b>	<b>-13.7</b>	<b>-2.8</b>	<b>-32.5</b>	<b>-49.0</b>	<b>-53.5</b>
Capital expenditure	118.7	40.4	39.7	54.9	135.0	107.3
Net lending	9.6	3.6	2.8	-0.5	5.9	8.0
<b>Overall deficit (on payment order basis)</b>						
Excluding grants	-171.7	--54.6	-42.1	-83.4	-70.9	-157.4
Including grants	-3.0	-30.5	62.2	-52.5	-20.8	12.0
Change in arrears	-8.0	-1.6	-6.8	9.0	0.6	-5.4
Overall deficit (cash basis)	-11.1	-32.1	55.4	-43.5	-20.2	6.6
Net financing	17.9	32.1	-56.8	43.6	18.9	-6.6
Foreign (net)	34.9	9.8	9.8	10.7	30.3	30.0
Domestic	-17.0	22.2	-66.6	32.9	-11.5	-36.6
Errors and omissions	-6.8	0.0	0.0	-11.1	-11.1	

**Source:** Ministry of Finance and Economic Planning

### II.1.1 Revenues and grants

By the end of September 2007, the performances of the tax revenues exceeded the estimates stated in the annual economic Program and the revised target amounting to RWF 345.8 billion, compared to RWF 335.5 billion initially planned. In accordance with the developments observed during the last two years, tax performances remained dependent on Pay As You Earn (PAYE) system and excise duties (particularly beer).

Fig. 10: Public revenue developments (in billions of RWF)



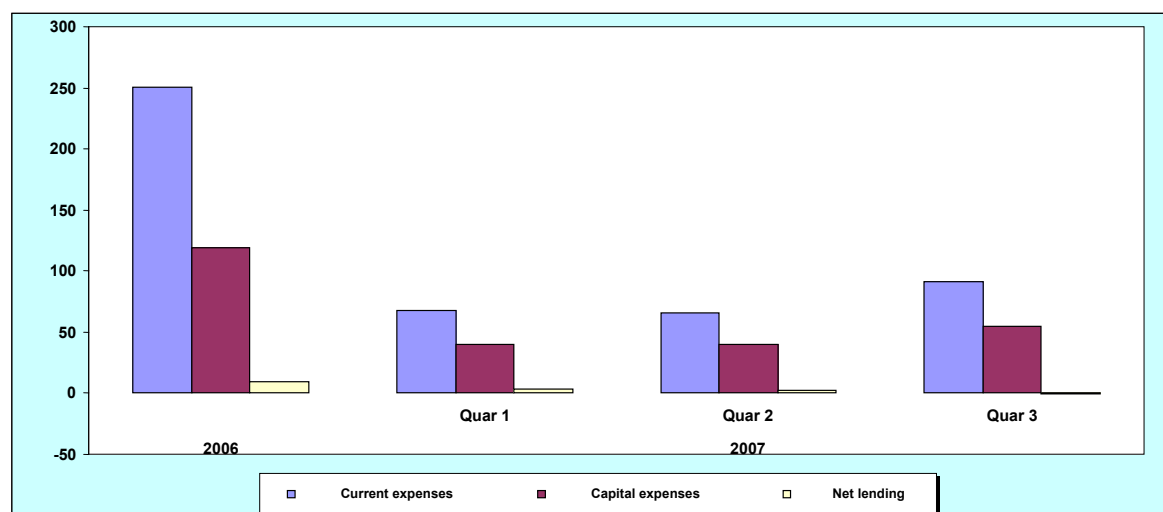
Source: Ministry of Finance and Economic Planning

For the third quarter of the year 2007, the total revenues and grants amounted to RWF 93.0 billion at the end of September 2007, against RWF 170.2 billion for the second quarter 2007, that is a reduction of 45.9%. The exceptional increase in public revenues during the second quarter of 2007 is mainly explained by a significant volume of external disbursements of grants. Indeed, these grants amounted to RWF 30.9 billion in the third quarter 2007, against RWF 104.3 billion for the second quarter, that is a fall of 70.4%. Tax revenues amounted to RWF 58.6 billion at the end of September 2007, against RWF 62.7 billion in June of the same year, that is a fall of 6.5%.

### II.1.2 Public expenditure

The third quarter 2007 was marked by an increase in public expenditure. So, the total expenditure and net lending passed from RWF 108.0 billion to RWF 145.5 billion between June and September 2007, that is an increase of 34.8 %. In addition, current expenses passed from RWF 65.5 billion to RWF 91.1 billion while the capital expenditure totaled RWF 39.7 billion, compared to RWF 54.9 billion at the end of September 2007, that is an increase of 38.3%.

Fig. 11: Public expenditure developments



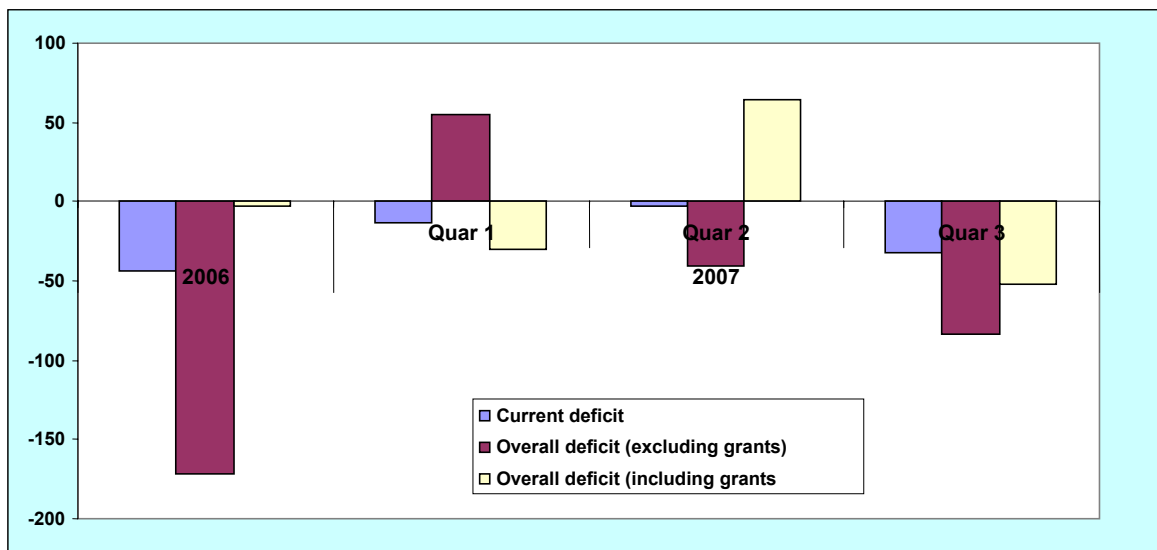
Source: Ministry of Finance and Economic Planning

## II.1.3 Budget deficit and its financing

### A. Budget deficit

The current transaction balance amounted to -32.5 billion FRW in the third quarter 2007, compared to the particular low balance of RWF -2.8 billion recorded in the second quarter. This situation that prevailed at the end of June is explained by exceptional low current expenses and significant tax revenues, compared to the first and third quarters 2007. Excluding grants and unlike the other quarters, the overall third quarter deficit (on payment order basis) was high, reaching RWF 83.4 billion.

Fig. 12: Budget deficit developments



Source: Ministry of Finance and Economic Planning

This situation was due to the fall in revenues and the increase in expenditure, particularly current expenses, which significantly increased, compared to the other quarters, which had recorded a level of RWF 67.3 billion and RWF 65.5 billion respectively at the end of March and June. The overall deficit passed to RWF 52.5 billion, including grants. In addition, the overall deficit, on cash basis, amounted to RWF 43.5 billion while the previous quarter had ended with a surplus of 55.4 billion.

### B. Deficit financing

The overall deficit (on cash basis) was financed by both domestic and foreign resources. At domestic level, both the nonbanking and banking sectors contributed for RWF 32.9 billion.

At foreign level, the external net resources were mobilized to the extent of RWF 10.7 billion. These resources were composed of budgetary loans for RWF 0.3 billion, loans to the projects for RWF 10.9 billion and the depreciation of the foreign debt for RWF 0.5 billion.

**Table 10: Deficit financing developments (in billions of RWF)**

	2006	March	2007	
			June	September
Deficit (excluding grnts)	-171.7	--54.6	-42.1	-83.4
Deficit (including grants)	-3.0	-30.5	62.2	-52.5
Changes in arrears	-8.0	-1.6	-6.8	9.0
Overall deficit (on cash basis)	-11.1	-32.1	55.4	-43.5
Net financing	17.9	32.1	-56.8	43.6
External (net)	34.9	9.8	9.8	10.7
Domestic	-17.0	22.2	-66.6	32.9
Errors and omissions	-6.8	0.0	0.0	-11.1

Source: Ministry of Finance and Economic Planning

## II.2 Domestic public debt

The domestic public debt includes the consolidated debt and possible overdraft granted by the National Bank of Rwanda to the Government, the previous development bills and reconverted Treasury bills as well as current Treasury bills issued on behalf of the Public Revenue Department subscribed to by the residents.

In September 2007, the outstanding domestic public debt relatively stabilized, coming down from RWF 139.8 billion FRW to RWF 139.0 billion, that is a fall of 0.6%. In proportion to the GDP, the outstanding domestic public debt represented nearly 9.0% during the period under review.

Table 11: Domestic public debt developments (in billions of RWF)

Description	2006	2007		
		Mars	Juin	Sept
<b>NBR</b>	<b>41.8</b>	<b>43.1</b>	<b>41.2</b>	<b>41.2</b>
Consolidated debt	41.8	41.8	41.2	41.2
Overdraft and advances	0.0	1.3	0.0	0.0
Revaluation	0.1	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
<b>Banking sector</b>	<b>26.3</b>	<b>15.4</b>	<b>16.6</b>	<b>21.2</b>
Treasury bills	21.0	10.1	11.8	16.4
Reconverted development bills	2.3	2.3	2.3	2.3
Recapitalization	3.0	3.0	2.5	2.5
<b>Non banking sector</b>	<b>82.2</b>	<b>85.6</b>	<b>82.0</b>	<b>76.6</b>
Treasury bills	14.4	17.8	14.2	8.8
Reconverted development bills	1.2	1.2	1.2	1.2
Development bills	0.2	0.2	0.2	0.2
Others	66.4	66.1	66.1	66.1
<b>TOTAL OUTSTANDING DEBT</b>	<b>150.3</b>	<b>144.1</b>	<b>139.8</b>	<b>139.0</b>
Interests in arrears	0.7	0.7	0.7	0.7
<b>TOTAL</b>	<b>151.0</b>	<b>144.8</b>	<b>140.5</b>	<b>139.7</b>

Source: NBR, Research Department

The stock of the public debt (composed of outstanding debt and arrears of interests) remained almost at the same level as the outstanding debt since the arrears of interests, calculated on the basis of low outstanding debt, rather experienced a negligible increase.

### III. MONETARY DEVELOPMENTS

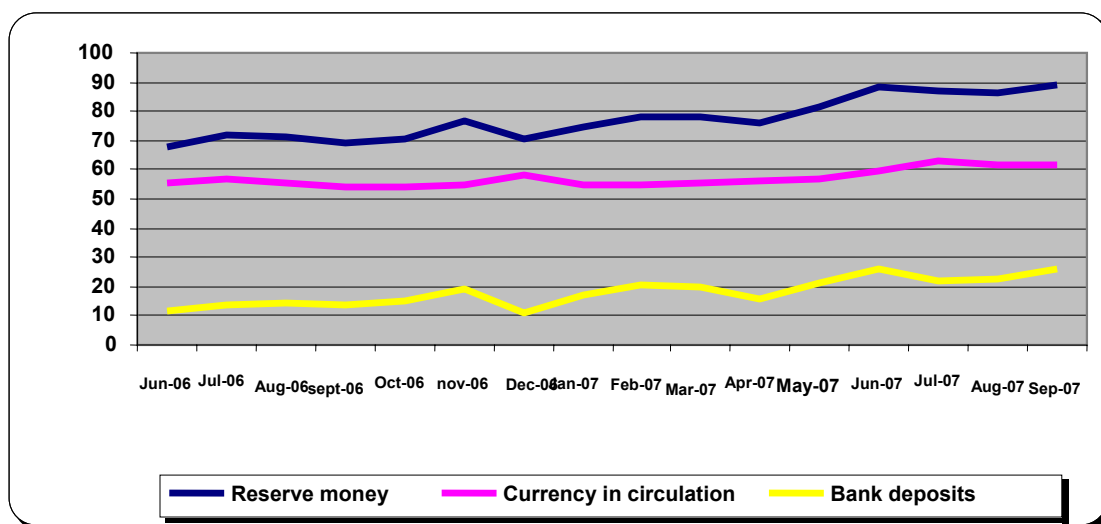
During the third quarter of the current year, the monetary developments were marked by the strengthening of broad money (+8.2%), sustained by the increase in domestic credit (+114.3). Conversely, the net external assets experienced a fall of -8.1%.

#### III. 1 RESERVE MONEY DEVELOPMENTS

Reserve money, which is the operational objective of the NBR's monetary policy passed from RWF 88.2 to RWF 88.9 billion between June and September 2007, which is a rise of 0.79%, compared to 12.5% recorded between March and June 2007. The current reserve money development reflects the pressure exerted by excess liquidity in the banking system, but also the PRGF's flexibility that resulted in a higher level.

The flexibility of the program for the year 2007 addressed the concern expressed since long ago by the authorities of the NBR about the fact of having a realistic monetary program that is compatible with the country’s economic realities. This will make it possible to maintain the reserve money development around its reference level and avoid "emergency landings" at the end of each quarter.

Fig. 13: Reserve money developments (in billions of RWF)



Source: NBR, Research Department

The raising of the reference level of reserve money made it possible for the monetary authority to reduce the level of its interventions on the money market, while subscribing to the monetary discipline prescribed in the monetary program. Thus, the net credit to the banks passed from RWF -32.7 to RWF -47.3 billion between June and September 2007, that is an increase of 18.4%, corresponding to a significant reduction of the domestic debt of the NBR in relation to commercial banks.

### III.2 BROAD MONEY DEVELOPMENTS

As previously stated, broad money increased by 8.2% between June and September 2007, passing from RWF 304.2 billion to RWF 329 billion. This situation is explained by the rise in domestic credit (+114.3%) compensated by the decrease in net foreign assets (- 8.1%).

Table 12: Money survey developments (in billions of RWF)

	2006				2007			% Change Jun 07- Sep-07
	Sep	Dec	Mar	Jun	Jul	Aug	Sep	
<b>Net foreign assets</b>	<b>280,.1</b>	<b>285.1</b>	<b>261.1</b>	<b>347.6</b>	<b>340.1</b>	<b>332.8</b>	<b>319.3</b>	<b>-8.1</b>
<b>Net domestic credit</b>	<b>-26.0</b>	<b>0.9</b>	<b>16.0</b>	<b>-43.4</b>	<b>-25.4</b>	<b>-9.7</b>	<b>9.7</b>	<b>-122.4</b>
Domestic credit	70.8	93.2	113.6	53.1	72.6	90.1	113.8	114.3
Net credit to Government	-87.5	-69.4	-59.8	-128.7	-113.7	-101.3	-80.0	-37.8
Autonomous agencies	-0.9	-2.0	-0.5	-0.5	-0.9	-2.0	-1.8	252.2
Public Companies	1.4	2.4	2.0	1.7	1.7	1.6	1.7	-0.5
Private sector	157.8	162.2	171.8	180.5	185.5	191.7	193.8	7.4
Other net items	-96.8	-92.3	-97.6	-96.5	-97.9	-99.8	-104.1	7.8
<b>Broad Money</b>	<b>237.6</b>	<b>286.0</b>	<b>277.1</b>	<b>304.2</b>	<b>314.8</b>	<b>323.1</b>	<b>329.0</b>	<b>8.2</b>
<b>Currency in circulation</b>	<b>48.0</b>	<b>54.6</b>	<b>50.0</b>	<b>54.4</b>	<b>57.1</b>	<b>55.6</b>	<b>55.6</b>	<b>2.2</b>
<b>Deposits</b>	<b>206.1</b>	<b>234.6</b>	<b>227.2</b>	<b>247.4</b>	<b>257.7</b>	<b>267.5</b>	<b>273.5</b>	<b>10.5</b>
Of which::-								
-Demand deposits (in RWF)	87.1	108.1	110	117.1	123.5	126.6	133.3	13.8
-Time deposits (in RWF)	62.8	67.3	60.6	71.8	72.9	78.9	78.4	9.2
-In foreign currency	56.3	59.2	56.6	58.5	61.2	62.0	61.7	5.5

Source: NBR, Research Department

## III.2.1 SOURCES OF MONEY CREATION

### III.2.1.1 Net foreign assets

From RWF 247.6 to RWF 319.3 billion (-8.1%), the banking system's net foreign assets had a restrictive effect on monetary developments from June to September 2007. The NBR's net foreign assets decreased by 9.6%, passing from RWF 288.6 billion to 260.9 billion. The commercial banks' net foreign assets slightly decreased by RWF 0.5 billion, passing from RWF 59.0 to RWF 58.5 billion. As regards the decrease of the NBR's foreign assets, it is explained by various foreign payments of USD 129.4 million, against a total revenue of USD 81.9 million. During the third quarter 2007, the State's current expenses totaled USD 36.5 million, while budgetary supports from Sweden amounted only to USD 11.73 million.

With a total of USD 57.0 million (44.03%), the banks' currency sales come in the first place in the NBR's currency disbursements, followed by the Government's current expenditure and the banks' withdrawals, in the respective ratios of 28.17% and 13.54%.

As for foreign revenues, the first place is due to supports to budgetary projects, followed by the commercial banks' payments of money into their accounts.

### III.2.1.2. Net domestic assets

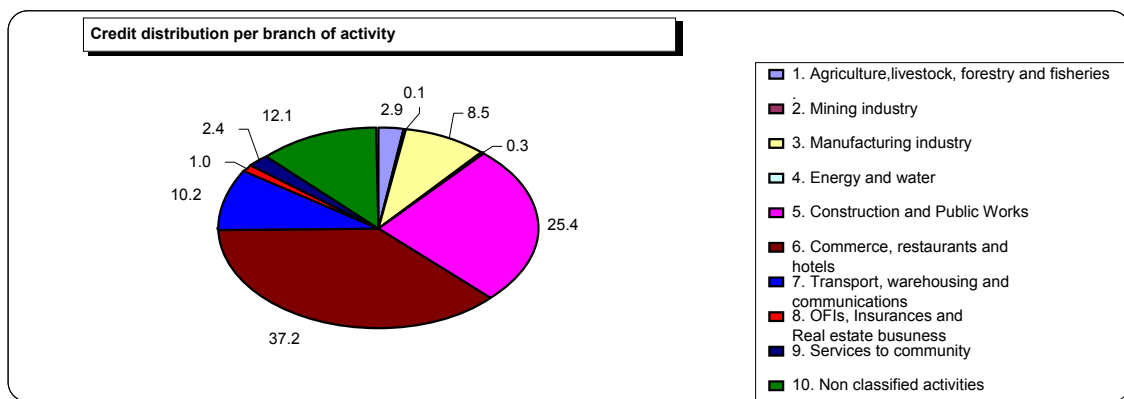
The net domestic assets of the banking system passed from RWF -97 to RWF 9.7 billion between June and September 2007. This increase in net domestic assets is explained by the simultaneous increase in the net credit to the Government and credit to the private sector.

Thus, during the period under review, the net credit to the Government passed from RWF -101.3 to RWF -80.0 billion, which is an increase of 114.3%. This fall is the result of the various Governments’ expenditure, supported by foreign disbursements within the framework of budgetary support.

As regards the credit to the economy (credit to public companies and the private sector), it passed from about RWF 182.2 to RWF 195.5 billion, which is a rise of 7.3 %.

The prevailing situation of the credit distribution per branch of activity at the end of July 2007 shows a predominance of the sectors of "trade, restaurants and hotels", "public works and buildings", "non classified activities", "transport, warehouses and communications" and manufacturing industries in respective proportions of 37.2%, 25.4%, 12.1%, 10.2% and 8.5%. The contribution of the credit to agriculture totaled only 2.9%.

Fig. 14: Credit distribution per branch of activity (in %)

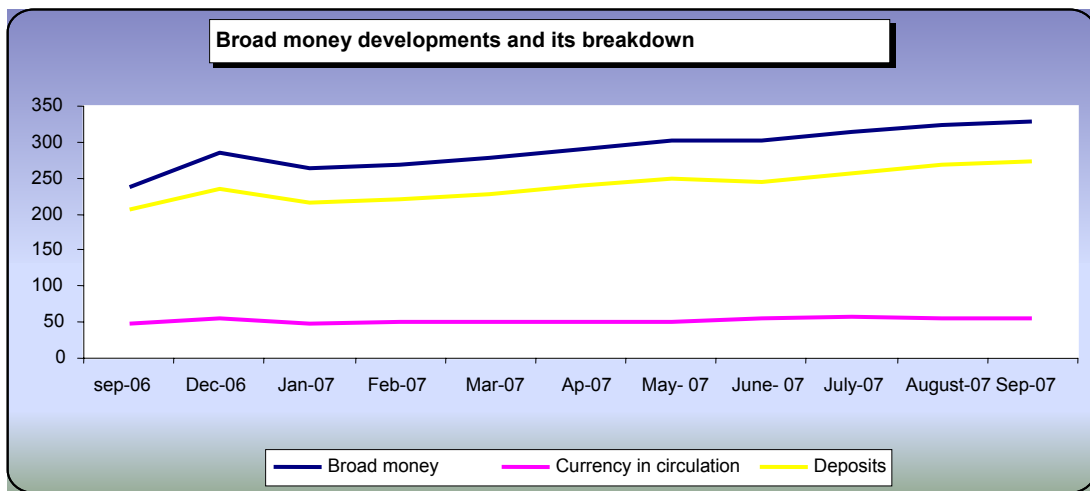


Source: Research Department

### III.2.2 Broad money (M2)

From RWF 304.3 billion in June 2007, the currency demand totaled RWF 329.0 billion at the end of September 2007.

Fig. 15: Broad money (M2) developments (in billions of RWF)



Source: NBR, Research Department

The increase in currency demand in the third quarter 2007 is primarily related to the increase in deposits.

#### III.2.2.1. Currency in circulation

During the third quarter, the currency in circulation passed from RWF 54.4 to 55.6 billion that is an increase of 2.0%. This low increase is explained by the fact that the coffee campaign was slowing down.

#### III.2.2.2. Deposits

Between June and September 2007, deposits increased by 10.5%, passing from RWF 249.8 billion to RWF 273.5 billion.

It should be noted that sight deposits rose very significantly, compared to other categories of deposits, passing from RWF 119.6 billion to 133.3 billion (+13.8%) between June and September 2007.

### III.3 BROAD MONEY EXTENDED TO THE UBPR

Broad money, including the UBPR and its network, increased from RWF 341.0 billion to RWF 373.8 billion, that is an increase of 9.4% against 9.17% recorded between March and June 2007.

Table 13: Extended broad money (in billions of RWF)

	2006		2007				Change Jun 07- Sep-07	
	Sep	Dec	Mar	Jun	Jul	Aug		Sep
Net foreign assets	280.1	285.1	261.1	347.7	340.2	332.9	319.4	-8.1
Net domestic assets	7.2	35.7	51.8	-6.0	12.4	32.4	54.4	-1006.0
Domestic credit	115.8	142.2	164.1	104.1	127.6	147.0	171.8	65.0
Net credit to Government	-87.4	-69.5	-59.9	-127.9	-110.2	-98.2	-76.9	-39.8
Autonomous agencies	-0.9	-2	-0.5	-0.5	-0.9	-2.0	-1.8	252.2
Public Companies	1.4	2.4	2.0	1.7	1.7	1.6	1.7	-0.5
Private sector	202.8	211.3	222.5	230.5	237.0	245.5	248.8	8.0
Other net items	-108.6	-106.5	-112.3	-110.1	-115.2	-114.5	-117.4	6.7
<b>Broad money</b>	<b>287.3</b>	<b>320.9</b>	<b>313.0</b>	<b>341.7</b>	<b>352.6</b>	<b>365.3</b>	<b>373.8</b>	<b>9.4</b>
Currency in circulation	45.4	52.7	47.2	51.7	54.6	52.8	52.8	2.2
Deposits	241.9	268.2	265.8	286.8	298.0	312.5	320.9	11.9
Of which: sight deposits (in RWF)	86.8	103.2	104.5	111.8	115.4	117.5	125.7	12.5
Time deposits (in RWF)	98.8	105.8	104.7	116.5	121.4	133.0	133.5	14.6
Currency deposits	56.3	59.2	56.6	58.5	61.2	62.0	61.7	5.5

Source: NBR, Research Department

The increase in broad money experienced during the third quarter was primarily due to the increase in all categories of deposits.

## IV. MONEY MARKET AND INTEREST RATES

### IV.1. MONEY MARKET OPERATIONS

Within the framework of the regulation of the banking system's liquidity, the actions of the National Bank of Rwanda on the money market were structured around a close 24-hour follow-up of the banking liquidity (overnight) and 7-day investment operations (financial burden) and issue of Treasury bills.

Table 14: Money market operations (in billions of RWF)

Items	January to September		Change
	2006	2007	
Interbank market	34.5	20.3	- 14.2
Liquidity loans	222.5	384.6	162.1
Overnight operations	816.8	1 954.0	1 137.1
Treasury bills	198.9	115.3	- 83.6
Government	58.7	61.6	2.9
Monetary policy	140.2	53.7	- 86.5

Source: NBR, Money and Capital Market Department

During the three first quarters of 2007, the liquidity exchanges on the interbank market totaled RWF 20.3 billion, against RWF 34.5 billion in 2006 for the same period, that is a decrease of 41.16%. It should be noted that no interbank transaction was recorded in April, March and May 2007.

The 7-day financial burden on liquid assets amounted to RWF 384.6 billion from January to September 2007, against RWF 222.5 billion for the same period of 2006, that is an increase of 73%.

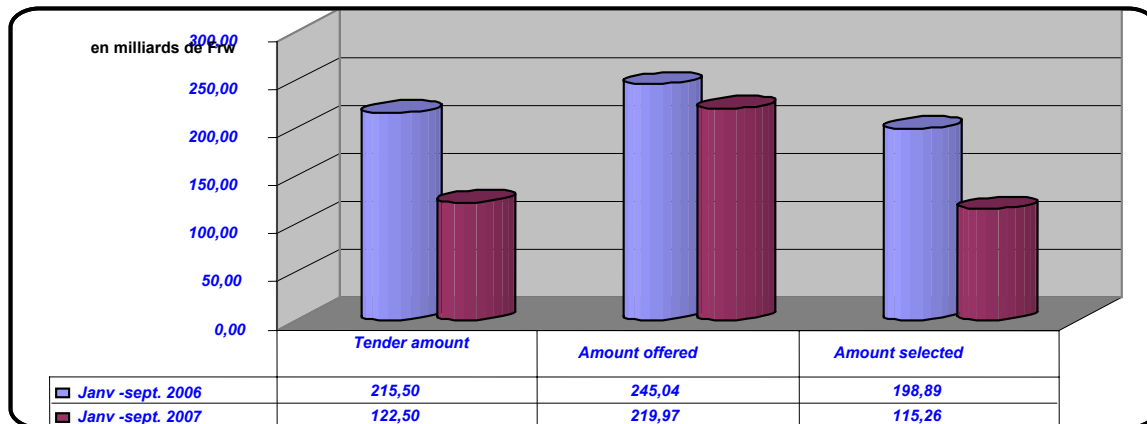
During the period under review, the overnight operations increased significant to the extent that it more than doubled, compared to the same period of 2006, i.e. RWF 816.8 billion against 1.954 billion FRW, thus recording an increase of 139.2%. This situation is explained by the fact that the NBR deliberately privileged the renewable 24-hour investment operations at a relatively low rate to control the cost of monetary policy.

Concerning repurchases, no request for refinancing was put to the NBR since August 2004.

As regards the issue of Treasury bills, the amounts of advertisements rose to RWF 122.5 billion from January to September 2007, compared to RWF 215.5 billion in 2006 for the same period, which is a decrease of about 43%. Compared to the previous year, the volume of tenders was worth RWF 219.97 billion against RWF 245.04 billion in 2006. The selected offers were worth RWF 115.26 billion, compared to RWF 198.89 billion in 2006 for the same period. This decrease was

ascribable to the suspension of the four-week maturity preferred by the banks on the one hand, and the constraint related to the leveling off of domestic debt on the other hand.

Fig. 16: Treasury bills announcements, tenders and selected offers from Jan to Sept/2006-2007 (in billions of RWF)

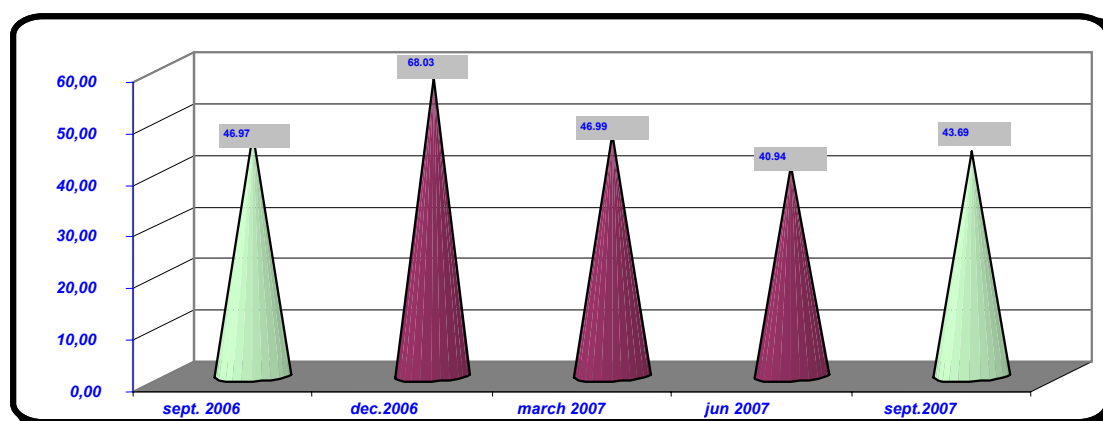


Source: NBR, Money and Capital Markets Department

Concerning the allocation of resources mobilized through the issue of Treasury bills, those for monetary policy purposes represented RWF 53.7 billion against 61.6 billion FRW on behalf of the Public Accountant.

The outstanding Treasury bills stock issued by way of auction sales on the money market were worth about RWF 43.69 billion on September 30, 2007 against RWF 46.97 billion at the end of September 2006, which is a decrease of about 7%. This decrease was explained by the moderate resort to the Treasury bills in this kind of financing and the National Bank of Rwanda’s preference for the seven-day liquidity carry forward and overnight operations at relatively low rates.

Fig. 17: Treasury bills stock (in billions of RWF)



Source: NBR, Money and Capital Markets Department.

## IV.2 INTEREST RATE DEVELOPMENTS

From January to September 2007, apart from the discount rate fixed by the Central Bank, the money market rates experienced a significant downward trend. Contrary to this trend, the average lending rate rose while the deposit rate remained relatively stable.

Table 15: Interest rate developments in 2007 (in %)

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep.
Deposit rate	7.97	7.88	7.86	7.86	7.56	7.65	7.59	7.76	7.76
Lending rate	15.76	16.22	15.98	15.32	16.35	16.03	16.56	15.97*	16.68*
Mopping up excess liquidity	8.24	8.27	8.71	8.14	6.96	5.59	5.48	5.67	5.52
Discount rate	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50
Interbank rate	7.83	7.98	7.98	7.98	7.98	6.33	7.06	6.00	5.20
Treasury bills rate	8.80	8.09	9.57	9.60	8.88	7.03	6.31	6.93	6.62

Source: NBR, Money and Capital Market Department

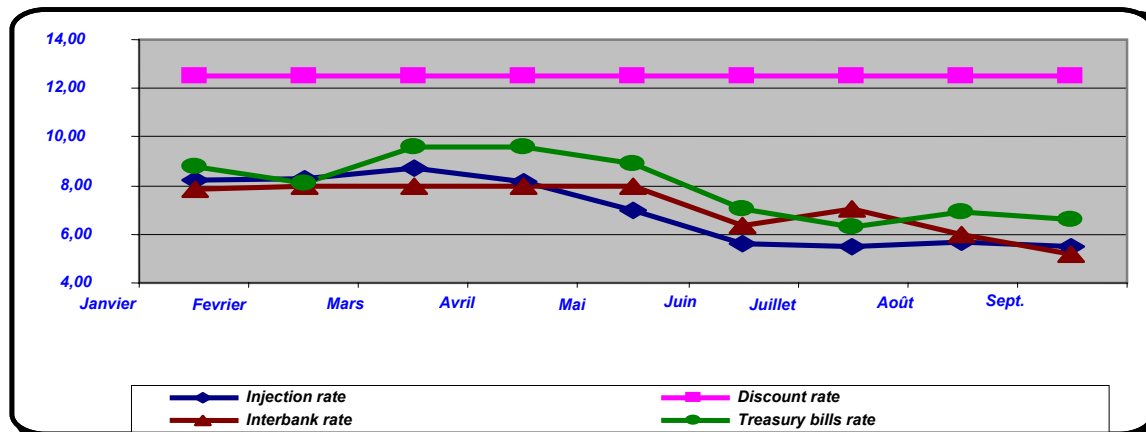
\*provisional data

The interbank market rate decreased, passing from 7.83% in January 2007 to 5.2% in September 2007.

As for the discount rate, it has remained at the same level of 12.5% since August 2005.

The money market rate applied to the seven-day loan liquidity operations decreased, passing from 8.24% in January to 5.52% in September 2007, which is a reduction of more than 2.72%. This trend is explained by the abundance of cash within the banking sector. Like other money market rates, the Treasury bills weighted average rate also experienced a downward trend, passing from 8.8% in January to 6.62% in September 2007.

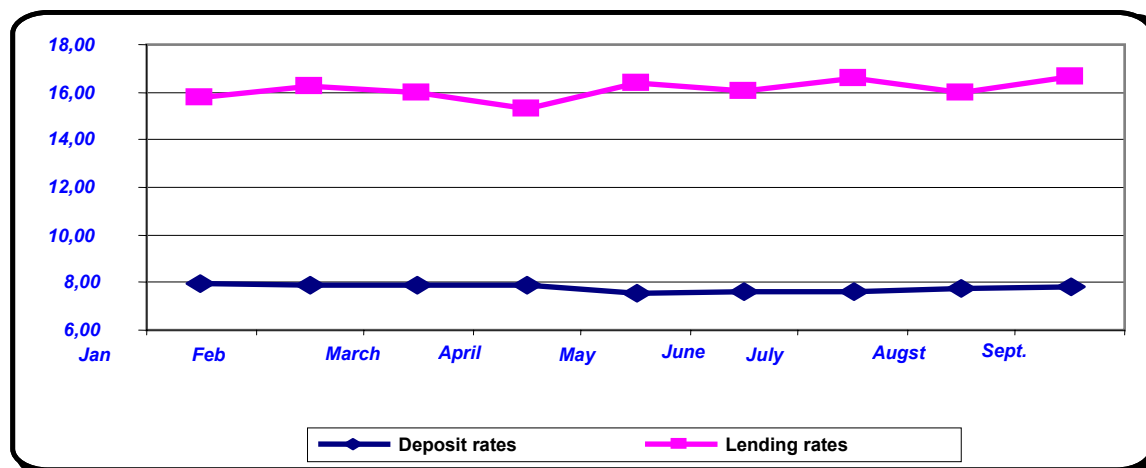
Fig. 18: Status of money market rates: January - September 2007



Source: NBR : Money and Capital Markets Department

As for the rates applied by the banking sector, the deposit rate fluctuated around 7.5%, while the lending rate experienced an upward trend, passing from 15.76% in January to 16.68% in September 2007.

Fig. 19: Status of interest rates applied by the banking sector: January to September 2007



Source: NBR: Money and Capital Markets Department

## V. SOUNDNESS OF THE FINANCIAL SYSTEM

### V.1 SOUNDNESS OF THE BANKING SECTOR

With the commercial banks' total balance of RWF 407.7 billion in September 2007, against RWF 379.8 billion in June 2007, their activity increased by 7.3% in the third quarter 2007, following the increase in credit in the majority of the banks. The total credit indeed passed from RWF 196.1 billion to 218.8 billion as on 30/09/2007 (+12%).

Investments in Treasury bills and other sectors decreased, passing from RWF 33.5 billion in June 2007 to RWF 30.4 billion in September 2007.

The growth of the activity was mainly financed by resources from the clients. The deposits indeed passed from RWF 242.6 billion to RWF 263.36 billion, which is a quarterly growth of 8.7%.

The equity capital increased from RWF 27.8 billion to RWF 33.09 billion as on 30/09/2007 (+5.29 billion).

As regards liquidity, the banks complied with the statutory ratio of 100%. The liquid assets consolidated ratio in relation to total deposits accounted for 60.8%, compared to 82% in June 2007. Five banks have a ratio of 60% and another one has a ratio of 117% due to the significant assets held by the Rwandan banks, which amount to RWF 16.2 billion as on 30/09/2007, representing 35.6% of its balance. These assets are primarily made up of day-to-day investments of RWF 15 billion.

Table 16: Developments of the Commercial Banks' performance indicators (in %)

Indicator	2006				2007		
	Mar	Jun	Sep	Dec.	Mar	Jun	Sep
Solvability ratio	14.2	13.1	14.0	13.4	14.1	13.2	14.9
NPLs / Total credit	31.8	29.2	28.5	26.0	25	24	23.9
Net NPL / Bank charges on net credits	22	20	19	19.0	18	17.6	13.4
Return on average assets	1.5	2.3	2.3	2.4	3	2.2	2.3
Return on average capitals	11.8	18.6	19.2	33.0	30.5	25.2	24.6

Source: Bank Supervision Department

With the net equity capital of RWF 32.8 billion and the weighted liquid assets of RWF 220 billion, the consolidated solvency ratio accounted for 14.9%, against 13.2% in June 2007. After the turnaround of the bank in trouble, the solvency ratio is higher than the 10% required.

This ratio will be also strengthened by the increase in authorized share capital to RWF 5 billion. Nowadays, 2 banks will be able to incorporate their reserves in the share capital and the other banks are aware of the need for its necessary increase, and are therefore negotiating to find other investors before the deadline. The delay in the negotiations and ongoing audits in some banks will prevent them from meeting that deadline of 31/12/2007.

Concerning the quality of the debt portfolio on 30/09/2007, the gross outstanding debts totaled RWF 50.3 billion, compared to RWF 47 billion in June 2007, but their share in the gross liabilities slightly improved to account for 23.9%, against 24% the previous quarter. This rate dropped to 13.4%, compared to 17.6 % recorded in June 2007, exclusive of reserved bank charges.

On a consolidated basis, the commercial banks' results showed a positive profitability of 5.62 billions of RWF against 4.3 billion of RWF recorded during the previous quarter. One bank makes an exception with a loss of RWF 1.35 billion as 30/09/2007 due to the payment of its outstanding debt.

It should be mentioned that the NBR has started the process of reviewing its prudential framework, which will necessarily impact the equity capital of some banks.

## **V. 2 CURRENT STATUS OF THE MICRO FINANCE SECTOR**

### **1. Process of final approval of the MFIs previously approved temporarily**

A vigorous action towards the MFIs which have already been temporarily approved, or have not yet been approved as in the case of the UCTs was initiated to find a final solution to this problem. The authorities concerned with this problem, including MINICOM, MINECOFIN, NBR, Province Governors, District Mayors, etc., were fully involved. But also, the close cooperation between the NBR and MINICOM, which is the result of a memorandum of-agreement between these two institutions for the approval of COOPECs, was very effective and made it possible to avoid any anarchy in this sector as it had been the case in the past.

In the light of the short surveys conducted with the MFIs that have been temporarily approved, the NBR already came to a conclusion about each case outstanding, and a synoptic table of these decisions was designed. For some of them, the principle of a final approval was adopted, but they will have as a precondition to acquire legal status from MINICOM. For others, in addition to this precondition that is common to all MFIs involved, the NBR found it convenient to meet the local administrative authorities in the presence of the managers of the COOPECs concerned to discuss their fate.

To this end in view, the Governor of the NBR visited these COOPECs in July and August 2007 throughout the Provinces and Kigali City.

According to the recommendations resulting from these visits, the following COOPECs must start a self-liquidation process, because there is no more hope for them to recover:

- Union des COOPECs INZIRA and COOPEC INZIRA of Kigali;
- Coopérative de Solidarité Communautaire ISANGANO, RULINDO District;

- CEPES, NYARUGENGE District;
- COODESOBU, MUSANZE District;
- COOPEC Espoir, KICUKIRO District.

A meeting was also scheduled before the end of the year between the NBR and the managers of these MFIs in the presence of the local authorities to adopt a concerted final solution.

It should be noted that a COOPEC named MicroSave INTEG0 is also involved in the self-liquidation process for having opened its doors without preliminary authorization from the NBR and compliance with cooperative principles. It declared to have paid off all depositors, except for a client with a time deposit who will be paid off when the 5 millions of RWF paid into the NBR's account at the time of application for approval are disbursed. The NBR will disburse this amount after ensuring that the manager of this MFI has already paid the customers.

Concerning the UCT which is not yet approved, it was able to find a solution to the problem of this wide-area network of more than 100,000 members by assisting it in its major restructuring after a rather long period characterized by bad governance, which had been the main cause for the deterioration of its financial soundness.

The following facts show the critical situation of the CTs:

- The deficit of the majority of the CTs burdened their own equity capitals and resulted in an overall solvency ratio of -8%;
- The Management's operating expenses borne by the CTs are excessively high;
- The capital of the CTs was 94% immobilized in the building that was constructed in breach of regulations, and in a context where the CTs could not meet enough their members' loan demands;
- The breaches of trust for a total amount of about RWF 550 million without any guarantee will be put to an end since there were no structures allowing it; and
- The high rates of non performing loans for all of the CTs.

To protect the interests of the depositors and guarantee continuity of the CTs' activities as well as the transition towards establishing the workers' autonomous "coopératives des Travailleurs" with legal status from MINICOM and approval from the NBR, the later supported the idea of the UCTs' General Assembly of 29/4/2007 to adopt a reduced structure headed by an Executive Secretariat and a Technical Commission in charge of ensuring the transition towards establishing autonomous CTs. These Secretariat and Commission will stand in for the Management and the UCTs' elected bodies that were dissolved by the same GA. Their mandates will come to an end on 31/12/2007. It is hoped that before this date the majority of the CTs will have been approved and the commission will have ruled on the need for establishing or not the union of approved cooperatives.

## **2. Process of liquidation of the MFIs that went bankrupt**

The 9 closed MFI liquidation process that started in 2006 is making remarkable progress. To compensate the depositors, the State agreed to pay off 50% of the deposits. The other part was to be covered by the collection of loans granted by the closed IMFs. This compensation process that had started in the second half of the year 2006 continued during the second half of 2007. It should be stated that the UBPR's inventory on which the compensation was based resulted in the figures below:

- The number of clients to be served totaled 195 455;
- The volume of the deposits involved amounted to RWF 3 240 129 926;
- Consequently, the Government disbursed 50% of this amount of RWF 1517310 462 and put it at the disposal of the NBR for further action.

However, according to the UBPR's reports and statements from the clients, the situation was as follows on 20/8/2007:

- The number of clients who made their statements was 45 766;
- The volume of net credit deposits stated is worth RWF 2 930 214 203 and 50% of them amount to RWF 1 465 107 102.

Thus, as on this date, the overall situation can be summarized in the following lines:

- Number of clients in relation to the inventory of cards at the beginning of the process: 195 455;
- Number of clients who have filed out their deposits: 45.766;
- Number of clients whose repayments were made by the NBR: 40 006;
- Ratio between the number of clients whose amounts were paid by the NBR and the number of clients who filed out their deposits: 87.4%;
- Total Amount paid by the NBR to the MFIs' clients on UBPR's request: RWF 947 459 990;
- Ratio between the total amount paid by the NBR and the total amount that was filed out by the clients: 64.7%.

Further to this situation, the Government decided to request the UBPR to continue to receive statements from the clients, especially since they continued to lodge their complaints to the country's senior authorities, still claiming their money.

Concerning the stage of the ongoing closed MFI liquidation process, the districts were sensitized about working in collaboration with the liquidators to recover the loans granted by these MFIs into liquidation. Compensation was agreed by both the stakeholders in the following way:

- When the credit is lower or equal to RWF 300 000, the liquidator will receive 20% of the recovered amount, while the commissions at district levels will cash 10% on the same installment received;
- When the credit to be recovered is higher than RWF 300 000 FRW, these rates become respectively 15 and 5%.

While the liquidator will have received a true remuneration for the work completed, the District commission will have received a work facilitation fee, since it will have worked without payment.

In addition to the 9 MFIs that went through the courts for formal liquidation and of which the process is far advanced; three other MFIs have also fallen in a situation of suspension from payment. These are COOPEC ABIZERANYE, UBUMWE BW' INYARUREMA and GASABO SA. The two first ones started the self-liquidation process but it is not yet through. As for the third one, the NBR has initiated the compulsory liquidation process. The judgment was in favor of liquidation and a liquidator was appointed.

### **3. MFIs approved in 2007 and the ongoing file analysis.**

The NBR's MFI approval process continued during the third quarter 2007 and the following COOPECs were approved:

- COOPEC Goshen of Kigali City ;
- Coopérative de la Jeunesses pour l'Auto-emploi et le Développement (COOJAD) was approved as a new MFI.

The following main new files are being analyzed:

- UMWALIMU SACCO, which is a teachers' credit and savings co-operative;
- DUKORERE U RWANDA, a COOPEC that covers the whole country and gathers the members of the electoral Commission. It intends to operate all over the Country's provinces with the autonomous COOPECs affiliated to a Union.

These two COOPECs have a point in common: they want to gather a category of people scattered all over the country, and yet they do not have clear structures necessary to ensure their viability.

The following COOPEC files are also being analyzed:

- La COOPEC ZAMUKA of Kicukiro;
- Coopérative pour le Développement de la Masse Rurale de RULINDO (CODEMARU);
- "Caisses Populaires d'Epargne et de Crédits (CAPECs)" set up within the framework of the «Projet de Réduction de la Pauvreté et d'Actions en Faveur des Femmes (PREPAF)».

Taking into account the risks resulting from the proliferation of the COOPECs to be set up by various Ministries (MINEDUC, MIJESPOC, MIGEPROF, MINALOC, etc), the NBR intends to require of MINECOFIN and MINICOM to debate on the issue at Government level to avoid bringing back anarchy in the micro finance sector.

#### 4. Financial status of the MFIs

Concerning the financial soundness of the MFIs, it had been observed in the first six-month period that they conveyed their financial statements after some delay, therefore hindering the creation of credible and updated databases. Nevertheless, without being fully credible, the second six-month period data could be collected<sup>1</sup>.

Table 17: Consolidated financial status of MFIs as on 30/06/2007

Item	31/12/2006	30/06/2007
Total assets	97 248	102 538
Deposits	67 923	72 943
Gross credits	68 216	77 158
Outstanding credits	4 852	8 023
Net corporated reinstatements	4 301	4 374
Net credits	63 702	72 118
NPL average rate	7%	10%
Cash balances	6 702	8 048
Investments	9 592	17 227
	10 392	11 910
Equity capital including subsidies, of which:	4 316	5 051
Share capital	4 092	5 309
Reserves	255	896
Balance carried forward	1 729	654
Resultat		
Average solvency ratio excluding subsidies	10.7%	11.6%
Subsidies	7 027	6 492
Equity capital including subsidies	17 419	18 402
Average solvency ratio after subsidies	17.9%	17.9%

Source: NBR, Bank Supervision Department

#### Other informations from the micro finance sector:

- Number of members on 31/12/2006 (COOPECs): 1 464 811;
- Number of clients (SA, SARL) : 108 799;
- Total number of recipients micro finance services: 1 573 610;
- Number of members on 30/06/2007 (COOPECs): 1 496 814;

- Number of clients (SA, SARL): 69 390;
- Total number of recipients of micro finance services: 1 566 204

On the basis of available information, it is necessary to point out that the micro finance activity did not slow down in spite of the closure of some MFIs in 2006. However, the **NPL** average rate remains high, compared to the generally allowed maximum rate for the best micro finance practices.

## **VI. APPENDICES**

## VI.1 TECHNICAL NOTES ON THE MONETARY STATISTICS

The data of the money sector published in this bulletin are established in accordance with methodology of the Monetary and Financial Statistics Manual published in 2000 by the International Monetary International Monetary Fund.

Assets and liabilities are presented by types of financial instruments; then a break down of the position of each financial instrument in its principal sectors of the economy is made.

The purpose of the monetary statistics is to build the monetary aggregates of the national economy.

## **DEFINITIONS**

### **1. Financial instruments**

#### **1.1 Financial assets**

**1.1.1 Monetary Gold:** gold held by the central bank as part of official reserves. The gold which does not form part of the official reserves is classified like non-financial asset.

**1.1.2 SDR:** international reserves assets issued by the IMF and allocated to members to supplement existing official reserves. SDR holdings represent unconditional rights to obtain foreign exchange or other reserve assets from other IMF members.

**1.1.3 Currency:** notes and coins of a fixed nominal value, issued by the central banks or governments, and having legal tender within the national economy.

**1.1.4 Foreign currency:** notes and coins issued by non-residents and representing liabilities of central banks or governments in other countries.

**1.1.5 Transferable Deposits:** include all deposits that are (1) exchangeable on demand at par and without penalties or restrictions and (2) directly usable to make payments by check, draft, giro order, direct credit/debit or other direct payment facility.

**1.1.6 Other deposits:** comprise all claims other than transferable deposits, which are represented by evidence of the deposits.

This is the case for sight deposits that permit immediate cash withdrawals but not of direct third-party transfers, savings and fixed-term deposits, non transferable deposits denominated in foreign currency, shares or the similar titles issued financial corporations, shares of money-market mutual funds that have restrictions on transferability.

**1.1.7 Securities other than shares:** negotiable instruments serving as evidence that units have obligations to settle by means of providing cash, a financial instrument or some other item of economic value. Some common types of securities are government treasury bills, the government

bonds, corporate bonds and debentures, commercial paper and certificates of deposits issued by depository corporations.

**1.1.8 Loans:** financial assets that are created when (1) a creditor lends funds directly to a debtor and (2) are evidenced by non-negotiable documents.

The valuation of loans and deposits is an exception to the valuation principle based on market price or fair value. Loans and deposit values are hence based on creditors' outstanding claims without adjustments for expected loan or deposit losses.

**1.1.9 Shares and other equity:** instruments and records acknowledging, after the claims of all creditors have been met, claims on residual value of a corporation. This category includes proprietor's net equity in quasi-corporations, as well as shares and equity in corporations.

**1.1.9 Shares and other equity:** instruments and records acknowledging, after the claims of all creditors have been met, claims on residual value of a corporation. This category includes proprietor's net equity in quasi-corporations, as well as shares and equity in corporations.

## **1.2 Liabilities**

**1.2.1 Currency:** see definition in 1.1.3

**1.2.2 Deposits included in broad money:** transferable deposits and other deposits issued by resident depository corporations and included in the national definition of the broad money.

**1.2.3 Deposits excluded from broad money:** transferable deposits and other deposits which are not included in the national definition of broad money. This category includes all deposits of the central government, depository corporations and non residents.

**1.2.4 Securities other than shares included in broad money:** negotiable instruments included in the national definition of broad money, and held by sectors designated as holders of the currency.

**1.2.5 Securities other than shares excluded from broad money:** negotiable instruments which are not included in the national definition of broad money. This category includes securities other than shares held by central government, depository corporations and non residents, as well as securities other than shares held by other sectors and which are not included in broad money.

**1.2.6 Loans:** comprise credits and advances granted by various sectors

**1.2.7 Shares and other equity:** category including:

**.Funds Contributed by owners:** total amount from initial and any subsequent issuance of shares, stocks or other form of ownership of corporations and quasi-corporation.

**.Retained earnings:** after tax profits that have not been distributed to the shareholders or appropriated as general or special reserves.

**. Results of the period:** cumulated profits or losses, if these benefits or losses are not taken into account in the retained earnings.

**.General and special reserves:** appropriations of retained earnings.

**. SDR allocation:** counterpart of the SDR provided by the IMF to the central banks.

**.Valuations adjustments:** net counterpart to changes in value of assets and liabilities on the balance sheets of financial corporations, excluding those changes in value that are recorded in net profit or loss for the period.

## 2. Sectors of the economy

The main sectors of the domestic economy are the financial corporations, non-financial corporations, government units, households, non-profit-institutions.

**Financial corporations:** comprise the central bank, deposit money banks, non bank depository institutions, other financial corporations, insurance companies and pension funds, other financial intermediaries and financial auxiliaries.

**Non-financial corporations:** include public and private non-financial corporations.

**General government:** are legal entities that are established by political process and have legislative, judicial or executive authority over other institutional units within a specific area. They include central government, local governments and the social security funds.

**Households:** consist of individuals, families, or other groups of persons who share the same living accommodation, pool some or all of their income and wealth, and consume some goods and services collectively.

**Non profit institutions:** legal or social entities, created for the purpose of producing goods and services, whose status does not permit them to be a source of income, profit, or other financial gain for the units that establish, control or finance them

For the presentation of the monetary statistics, households and non-profit institutions are combined to make the position "other resident sectors".

### **3. Broad money liabilities and their counterparts**

#### **3.1 Broad money liabilities**

Broad money liabilities comprise currency out of depository corporations, transferable deposits and the other deposits held by other domestic sector with the monetary system, excluding those held by central government. The definition of each component is in section I.

#### **3.2 Counterparts of broad money**

These are claims corresponding to broad money. Four types of them exist:

**3.2.1 Net foreign assets:** total amount of foreign assets less foreign liabilities of the money sector.

**3.2.2 Net credit to government:** total assets of the central government less its liabilities towards the banking sector.

**3.2.3 Claims on other sectors:** total assets held by the banking system corresponding to the liabilities of domestic sectors other than the central government and other depository corporations. They form the main component of broad money counterparts.

**3.2.4 Other items net:** denotes a residual category for other liabilities less other assets, where other liabilities includes all liabilities not included in broad money.

### **4. Rates**

**4.1. Lending rate:** is the interest rate charged by the banking sector on the loans they grant to the customers.

**4.2. Deposit rate:** is the interest rate paid by the banking sector on deposits or funds collected from the depositors/lenders.

**4.3. Inter bank rate:** is the interest rate charged by the banks to their colleagues, and negotiated freely on the interbank market (one of the compartments of the money market).

**4.4. Rate of the money market:** is the interest rate charged or paid by the central bank during its operations of open market.

**4.5. Discount rate:** is the interest rate at which the central bank lends its money to commercial banks facing short term needs of cash.

**4.6. Rate on the market of the Treasury bills:** is a weighed average resulting from the operations of tender on the Treasury bills market over a given period.

**4.7. The central bank's rate:** is the maximum interest rate that the Central Bank is ready to pay for its seven days' mop ups of cash or the minimum interest rate it is ready to accept for cash loans to commercial the banks if the banking system fall illiquid.

## VI.2 STATISTICAL APPENDICES