

Rwanda: Poverty Reduction Strategy Paper

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The Republic of Rwanda



ECONOMIC DEVELOPMENT AND POVERTY REDUCTION STRATEGY, 2008-2012

September 2007

FORWARD

It is my great pleasure to present the Economic Development and Poverty Reduction Strategy (EDPRS), the Government of Rwanda's medium-term strategy for economic growth, poverty reduction and human development, covering the period 2008 to 2012.

EDPRS is our second medium-term strategy towards attainment of the long-term Rwanda Vision 2020 objectives. The first strategy was elaborated towards the end of the emergency period, when we were still recovering from the effects of the war and genocide of 1994. Our main concerns were for securing the nation, rebuilding the economy, growing enough food, building roads, providing housing, educating our children, providing health care and ensuring justice was done.

It is now 2007, and Rwanda has come a long way. We are a stable nation, on the path to achieving better lives for each and every one of our citizens. We have made great achievements in human development, particularly in the areas of health and education. We are making strides towards improving economic governance, through the decentralisation of public service delivery and the involvement of the private sector in both decision making and policy implementation.

The Government of Rwanda has been working on the elaboration of the EDPRS for the past eighteen months. This extensive process of consultation has involved stakeholders from across Government and our domestic and international partners, including donors, civil society and the private sector. Participation at grass-root levels was ensured through various consultations with citizens.

The EDPRS aims to consolidate and extend the strong achievements in human development while promoting three flagship programmes: Sustainable Growth for Jobs and Exports, Vision 2020 Umurenge (integrated rural development programme to eradicate extreme poverty and release the productive capacities of the poor), and Good Governance. The flagships are the means through which we are prioritising public

spending and improving coordination across sectors, to achieve the joint goals of stronger growth, faster poverty reduction and a better governed Rwanda.

EDPRS is a forward-looking service delivery agreement between the Government and the people of Rwanda. I am proud to introduce this Strategy as written by and for the Rwandan people. As we move into the period of implementation, we look forward to achieving our overarching goal of a happier and more prosperous nation for all of us.



James Musoni

Minister of Finance and Economic Planning

September 2007

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ACRONYMS

AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
ART	Antiretroviral Therapy
ARV	Antiretroviral
BCC	Behaviour Change Communication
BNR	Banque Nationale du Rwanda
CDF	Community Development Fund
CDLS	District AIDS Committee
CEM	Country Economic Memorandum (World Bank)
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DDP	District Development Plan
DfID	Department for International Development
DHS	Demographic and Health Survey
EDPRS	Economic Development and Poverty Reduction Strategy
EICV	Enquête Intégrale sur les Conditions de Vie des Ménages (Households Living Conditions Survey)
EMS	Expenditure Management System
GoR	Government of Rwanda
HIDA	Human Resources and Institutional Capacity Development Agency
HIMO	Haute Intensité de Main-d'Oeuvre (Labour-Intensive Public Works)
HIV	Human Immunodeficiency Virus
HLI	Higher Learning Institution/s
ICT	Information and Communication Technology
IMNCI	Integrated Management of Neonatal and Childhood Illnesses
IMR	Infant Mortality Rate
JESPOC	Youth, Sports and Culture
JSR	Joint Sector Reviews
KIST	Kigali Institute of Science and Technology
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MFI	Microfinance institutions
MIFOTRA	Ministry of Public Service, Skills Development, Vocational Training and Labour
MINAFFET	Ministry of Foreign Affairs and Cooperation
MIJESPOC	Ministry for Youth, Sport and Culture
MINAGRI	Ministry of Agriculture
MINALOC	Ministry of Local Government, Community Development and Social Affairs
MINECOFIN	Ministry of Finance and Economic Planning

MINEDUC	Ministry of Education
MINICOM	Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives
MINIJUST	Ministry of Justice
MININTER	Ministry of Internal Affairs
MINITERE	Ministry of Lands, Human Resettlement and Environmental Protection
MININFRA	Ministry of Infrastructure
MINISTR	Ministry of Science, Technology and Scientific Research
MINSANTE	Ministry of Health
MIS	Management Information System
MMR	Maternal Mortality Rate
MTEF	Medium Term Expenditure Framework
NAPPYE	National Action Plan Promoting Youth Employment
NGO	Non-Governmental Organisation
NICI	National Information and Communications Infrastructure
NISR	National Institute of Statistics, Rwanda
NPV	Net present value
NSS	National Security Service
NYC	National Youth Council
OBL	Organic Budget Law
OCIR Cafe	Rwandan Coffee Authority
OECD	Organisation for Economic Cooperation and Development
OGMR	Office de Géologie et des Mines du Rwanda
ORTPN	Office Rwandais du Tourisme et des Parcs Nationaux
OTC	Over The Counter
OVC	Orphaned and Vulnerable Children
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PLHIV	People Living With HIV (including AIDS)
PMTCT	Prevention of mother to child transmission of HIV
PNV	Parc National des Volcans
PRSP	Poverty Reduction Strategy Paper
PTA	Parent Teacher Association
RDSF	Rwanda Decentralisation Strategic Framework
REMA	Rwanda Environment Management Agency
RIAM	Rwanda Institute of Administration and Management
RIEPA	Rwanda Investment and Export Promotion Agency
RIPA	Rwanda Investment Promotion Agency
RRA	Rwanda Revenue Authority
RWF	Rwandan Francs
SFAR	Student Financing Agency of Rwanda
SFB	School of Finance and Banking
SME	Small and Medium Enterprises
STI	Science, Technology and Innovation
STIR	Science, Technology and Innovation for Results

SWAp	Sector-Wide Approach
TB	Tuberculosis
TIG	Travaux d'Interêt Général
TNA	Training Needs Assessment
TSC	Teacher Service Commission
TSC	Technical Steering Committee
TVET	Technical and Vocational Education and Training
U5MR	Under-five Mortality Rate
UBPR	Union des Banques Populaires du Rwanda
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USD	US Dollar
VAT	Value Added Tax
VCT	Voluntary Counselling and Testing
WATSAN	Water and Sanitation Sector
YFC	Youth Friendly Centres

GLOSSARY

Abunzi	Mediators
Akagari	Cell
Biragenda neza	On track
Bikeneye gukurikiranwa	Too early to tell/needs follow-up
Gacaca	Community courts
Girinka	One cow per poor household programme
Imihigo	Performance contracts
Ingando	Solidarity camps
Jumelage	Twinning with other institutions
Ntibigenda neza	Off track
Tronc commun	Lower secondary school level
Ubudehe	Community-based participatory approach
Umudugudu/imidugudu	Village/s
Umuganda	Community work
Umurenge/imirenge	Sector/s

EXECUTIVE SUMMARY

1. Rwanda's Economic Development and Poverty Reduction Strategy (EDPRS) provides a medium term framework for achieving the country's long term development aspirations as embodied in Rwanda Vision 2020, the seven year Government of Rwanda (GoR) programme, and the Millennium Development Goals.
2. The strategy builds on strong achievements in human capital development and promotes three flagship programmes. These flagships serve as a means to prioritise actions by the GoR, mobilise resources for development and improve policy implementation through more co-ordinated interventions across sectors.
3. The first flagship, Sustainable Growth for Jobs and Exports, will be driven by an ambitious, high quality public investment programme aimed at systematically reducing the operational costs of business, increasing the capacity to innovate, and widening and strengthening the Financial Sector. This means heavy investment in "hard infrastructure" by the GoR to create strong incentives for the Private Sector to increase its investment rate in subsequent years. The second flagship, Vision 2020 *Umurenge*, will accelerate the rate of poverty reduction by promoting pro-poor components of the national growth agenda. This will be achieved by releasing the productive capacity of the poor in rural areas through a combination of public works, promotion of cooperatives, credit packages and direct support. Finally, the third flagship, governance provides an anchor for pro-poor growth by building on Rwanda's reputation as a country with a low incidence of corruption and a regional comparative advantage in "soft infrastructure".
4. In order to implement the EDPRS strategy, the sectoral allocation of public expenditure will be distributed to maintain momentum in the social sectors – education, health and water and sanitation – while also targeting agriculture, transport and Information and Communication Technology ICT, energy, housing and urban development, good governance and rule of law, proper land use management and environmental protection.
5. In agriculture, the main programmes include the intensification of sustainable production systems in crop cultivation and animal husbandry; building the technical and organisational capacity of farmers; promoting commodity chains and agribusiness, and strengthening the institutional framework of the sector at central and local level.
6. Environmental and land priorities involve ecosystems, the rehabilitation of degraded areas and strengthening newly established central and decentralised institutions. Special attention will be paid to sustainable land tenure security through the planning and management of land registration and rational land use, soil and water conservation, reforestation, preservation of biological diversity and adaptation and mitigation against the impact of climate change.

7. In education and skills development, the emphasis is on increasing the coverage and the quality of nine year basic education, strengthening Technical and Vocational Education and Training (TVET), and improving the quality of tertiary education.
8. The concerted effort to build scientific capacity will be based on the objectives of knowledge acquisition, and deepening, knowledge creation through scientific research, knowledge transfer and developing a culture of innovation, in particular, protecting intellectual property.
9. In infrastructure, the objectives are to reduce transport costs within the country and between Rwanda and the outside world, and to ensure security of energy supplies by increasing domestic energy production from several sources. Efforts will be made to promote investment in, and the growth of, the Information and Communications Technology industry. In meteorology, the aim is to provide a wide range of timely, high quality information to different groups of users.
10. The habitat sub-sector will develop planning tools for restructuring the country's settlement patterns, consistent with the rural and urban land use and environment protection schemes, and develop and implement master plans for new urban residential zones and *imidugudu* sites.
11. In addition to reducing the costs of doing business, the GoR will promote competitiveness and Private Sector development through capacity building initiatives, credit schemes and Business Development Services (BDS). In manufacturing, the GoR will promote value addition in existing product lines in agro-processing, including coffee and tea, handicrafts and mining, and development of new products including silk, pyrethrum, hides and skins and flowers. The GoR will also provide incentives for foreign direct investment and create industrial parks and export processing zones.
12. The Service Sector is fundamental for the transition towards a knowledge-based society. The GoR will exploit the country's potential comparative advantages in financial services, tourism, transport and logistics. The Financial Sector will be opened up further to foreign capital, modern and dynamic management and technologies. The GoR will promote tourism opportunities by improving tourism infrastructure and services, creating more attractions, including eco-tourism and cultural sites, encouraging private sector investment, better marketing and forming regional and international links.
13. In health, the objectives are to maximise preventative health measures and build the capacity to have high quality and accessible health care services for the entire population in order to reduce malnutrition, infant and child mortality, and fertility, as well as control communicable diseases. This includes strengthening institutional capacity, increasing the quantity and quality of human resources, ensuring that health care is accessible to all the population, increasing geographical accessibility

increasing the availability and affordability of drugs, improving the quality of services in the control of diseases and encouraging the demand for such services.

14. High population growth is a major challenge facing Rwanda. Slowing down population growth requires innovative measures, including the strengthening of reproductive health services and family planning and ensuring free access to information, education and contraceptive services.
15. The Water and Sanitation Sector aims to ensure sustainable and integrated water resources management and development for multipurpose use including increased access for all to safe water and sanitation services.
16. In social protection, the objective is to achieve effective and sustainable social protection for the poor and vulnerable. The sector will provide social assistance to the most needy while supporting the able-bodied to progress out of extreme vulnerability and poverty into more sustainable means of self-support. To achieve this, a single, coherent strategy is being designed, and joint funding arrangements sought, to replace the current plethora of small programmes in this area.
17. Special attention is also given, in the EDPRS, to the challenges and opportunities facing young people, in order to strengthen the youth's participation in the social, economic and civic development of Rwanda.
18. The objectives in governance include maintaining peace and security through defence against external threats and participation in peace keeping missions, preserving and strengthening good relationships with all countries, continuing to promote unity and reconciliation among Rwandans, pursuing reforms to the justice system to uphold human rights and the rule of law, and empowering citizens to participate and own their social, political and economic development in respect of rights and civil liberties including freedom of expression.
19. The governance programme puts emphasis on supporting the development of "soft infrastructure" for the Private Sector through implementing the commercial justice, business and land registration programmes, improving economic freedom, improving the regulatory and licensing environment for doing business, and promoting principles of modern corporate governance. The programme covers a wide range of public sector reforms which include strengthening decentralisation and enhancing accountability at all levels of government, enhancing Public Sector capacity, strengthening public financial management and improving procurement, institutionalising performance-based budgeting and increasing the transparency and predictability of policy-making.
20. The EDPRS incorporates a number of cross-cutting issues (CCIs) which include gender, HIV, the environment, social inclusion and youth. Wherever possible, issues relating to CCIs have been integrated into the discussion of sectoral policies and programmes.

21. Experience from the first PRSP (2002-2005) showed that progress was achieved in some areas, but implementation problems held back progress in others. Measures are in place to ensure that implementation of the EDPRS proceeds more smoothly and consistently. Greater efficiency can be achieved by improving incentives to execute policy and by relaxing the constraints which prevent policies from being carried out. To this end, a variety of measures are being implemented, including public administration reforms to promote accountability, measures aimed at achieving a closer alignment between donors and EDPRS priorities, a greater role for markets and the Private Sector, and improved monitoring systems at sectoral and district levels.
22. The implementation of the EDPRS will require *RWF* 5,151 billion over the five years 2008-2012. This amount includes public recurrent expenditure, public capital expenditure and private investment. The public component amounts to *RWF* 3,434 billion and represents two-thirds of the total cost of EDPRS. The extra public financing requirement is *RWF* 352 billion, equivalent to USD 700 million over 2008-2012, or an average of USD 140 million per year.
23. The EDPRS mainstreams a system of monitoring and evaluation at national, sub-national and sectoral levels to improve Public Sector performance. This document proposes an indicator system of four linked matrices which can be used by domestic stakeholders to monitor national development (the EDPRS), by external stakeholders to exercise accountability for grants and loans (Performance Assessment and Policy Matrix), and, to a limited extent, by sector specialists to track performance over a rolling three year budget period (the Medium Term Expenditure Framework).

1 INTRODUCTION

1.1 Rwanda's Economic Development and Poverty Reduction Strategy (EDPRS) is both a document and a process. As a document, the EDPRS sets out the country's objectives, priorities and major policies for the next five years (2008-2012). It provides a road map for government, development partners, the Private Sector and civil society and indicates where Rwanda wants to go, what it needs to do to get there, how it is going to do it, what the journey is going to cost and how it will be financed. The strategy provides a medium term framework for achieving the country's long term development goals and aspirations as embodied in Rwanda Vision 2020 (Republic of Rwanda, 2000), the seven year Government of Rwanda programme, and the Millennium Development Goals.

1.2 The EDPRS breaks with the past in two ways. Firstly, the strategy redefines the country's priorities. Rwanda's first Poverty Reduction Strategy Paper (PRSP) covered the period 2002-2005. It was elaborated in a post-conflict environment where the primary emphasis was on managing a transitional period of rehabilitation and reconstruction. Having made considerable progress during this transition, it is time to take stock and reassess the importance of different policy objectives. Secondly, this strategy document advocates a different way of doing things in Rwanda. In particular, it makes the case for consolidating and extending the decentralisation of public spending when accompanied by robust accountability mechanisms. The EDPRS also recognises the key role of the Private Sector in accelerating growth in order to reduce poverty.

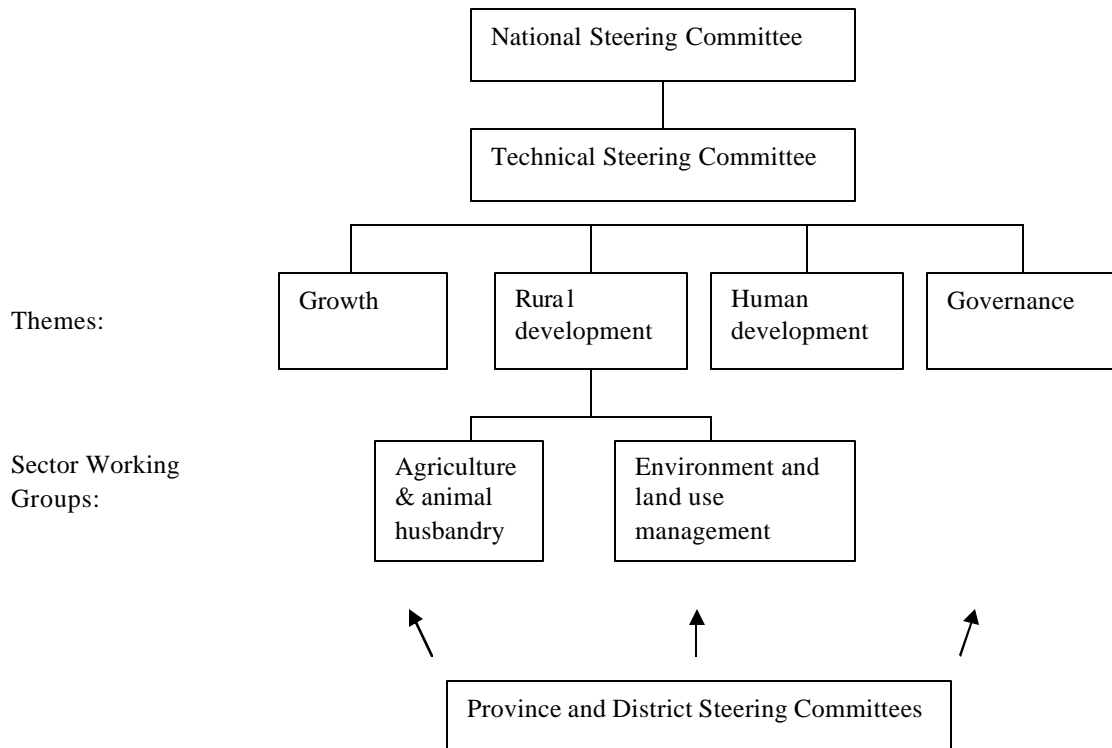
1.3 The priorities of the strategy are embodied in three flagship programmes: sustainable Growth for Jobs and Exports, Vision 2020 *Umurenge* and governance. The EDPRS assigns the highest priority to accelerating growth to create employment and generate exports. It will achieve this through an ambitious, high quality public investment programme aimed at reducing the operational costs of business. This big push will create strong incentives for the Private Sector to increase its investment rate in subsequent years. With two thirds of the population aged less than twenty-five years, particular emphasis will be placed on creating jobs for young people. Vision 2020 *Umurenge* is a highly decentralised integrated rural development programme designed to accelerate extreme poverty reduction in Rwanda. It is currently being piloted in thirty of the poorest sectors (*imirenge*) of the country. Governance seeks to build on Rwanda's reputation as a country with a low incidence of, and zero toleration for corruption and that has initiated innovative home-grown mechanisms for conflict resolution, unity and reconciliation. In the next five years, Rwanda plans to develop a regional comparative advantage in 'soft infrastructure', that is, those aspects of governance, such as well-defined property rights, efficient public administration, transparency and accountability in fiscal and regulatory matters.

1.4 Viewed as a process, the EDPRS has involved extensive consultation over a period of 18 months with a wide range of stakeholders at both central and local government levels. A national coordination structure was put in place to oversee the elaboration process (Figure 1.1). The process was led by the National Steering

Committee (NSC), comprised of Ministers and Governors, which provided high-level guidance such as on how to prioritise between sectors. The NSC was supported by a Technical Steering Committee (TSC), made up of Secretaries General, Executive Secretaries from Provinces, and representatives of donors, civil society and the Private Sector. The TSC played the principal coordinating role for the EDPRS, pulling together the work of the different Sector Working Groups and making high level recommendations to the National Steering Committee as appropriate.

1.5 Nineteen sector working groups (SWGs) and Cross-Cutting Issues (CCIs) teams were involved, comprising stakeholders from central and local government, donors, civil society organisations and the private sector, and organised around four clusters (Growth, Rural Development, Human Development and Governance). These clusters are an implementation mechanism to improve cross-sectoral coordination. Each SWG is chaired by a Lead Government Institution and co-chaired by a Lead Donor. A multidisciplinary group managed the five cross-cutting issues. Appendix 1 provides details on SWG and CCI team membership. Local government engagement with EDPRS occurred through five Steering Committees (four Province plus *Mairie Ville de Kigali, MVK*), comprising Executive Secretaries, District Staff representatives, local civil society organisations (CSOs) and the Private Sector, each of which was represented in each SWG. Grass-roots participation in EDPRS occurred through nation-wide consultations at the cell (*akagari*) level, which were compiled at sector (*umurenge*) and district levels, and fed into the work of the SWGs.

Figure 1.1 EDPRS Coordination Mechanism



1.6 The EDPRS was elaborated in three distinct phases. The first phase involved self-evaluations of the PRSP1 conducted by each sector working group and each District, together with an independent evaluation conducted by external consultations. Emerging priorities from these evaluations informed the 2007 budget elaboration. In addition, based on these assessments, each sector subsequently set higher level objectives and targets for EDPRS as well as the means of achieving them through a logical framework exercise and a costing exercise.¹ Finally, each sector was required to produce a summary strategy statement, which was compiled into the EDPRS document by the Ministry of Finance and Economic Planning, under the direction of the Steering Committees.

1.7 The EDPRS is set out as follows. Chapter 2 provides a summary of what Rwanda has achieved to date in terms of recent growth performance, poverty reduction, human development and governance reform. It identifies the major challenges to be faced in the next five years and draws lessons from the PRSP for the EDPRS.

1.8 Chapter 3 offers a vision of where Rwanda could be in 2012. This provides a sense of direction for the EDPRS, while ensuring that the vision is anchored to reality via a set of detailed sectoral targets which have been carefully costed.

1.9 Chapter 4 explains the role of the flagship programmes as a means to prioritise actions by the GoR, mobilise resources for development and improve policy

¹ The logical frameworks are published in EDPRS Volume II.

implementation through more co-ordinated interventions across sectors. This is followed by a detailed description of the sectoral and cross-cutting actions required to reach the EDPRS targets.

1.10 Chapter 5 addresses the challenges of implementing the strategy. It argues that the risks of implementation failure can be reduced by providing incentives to execute policy and by relaxing the constraints which prevent policies from being carried out. Concrete proposals are made for how this could be done.

1.11 Chapter 6 answers two questions: how much will the EDPRS cost, and how will it be financed? The answers are derived from a macroeconomic programming exercise.

1.12 Chapter 7 discusses how the EDPRS might be monitored and evaluated. An indicator system of four linked matrices is proposed which can be used by domestic stakeholders to monitor national development (EDPRS), by external stakeholders to exercise accountability for grants and loans (Performance Assessment and Policy Matrix), and, to a limited extent, by sector specialists to track performance over a rolling three year budget period (Medium Term Expenditure Framework). This framework is flexible and can be shaped to accommodate reporting requirements to both domestic and international stakeholders.

2 WHERE IS RWANDA NOW?

2.1 This chapter reviews the main features of Rwanda's recent socio-economic performance and the lessons learnt from the PRSP (2002-2005). Its purpose is to provide a context for elaborating development policy in the medium term. This chapter draws on the National Population and Housing Census and a variety of household surveys.² These include the first and second Integrated Household Survey on Living Conditions (*Enquête Intégrale sur les Conditions de Vie des Ménages*, EICV) (NISR, 2006, MINECOFIN, 2007b), Demographic and Health Survey (DHS) (NISR, 2005), the Comprehensive Food Security and Vulnerability Analysis (CFSVA) (NISR and World Food Programme, 2006), and *Ubudehe* survey data (MINECOFIN, 2007a), which records the desires and preferences of Rwandans.³ The chapter also draws on the evaluation of PRSP1 (Evans et al., 2006, MINECOFIN, 2006) and makes international comparisons. This analysis informs the priorities and strategies of the EDPRS which are formulated in subsequent chapters.

2.1 *Economic growth has slowed, population growth continues to be rapid and the environment is under stress*

2.2 In the aftermath of the genocide and associated conflicts (1996-2000), real GDP grew at over 10% per year as the economy recovered from a low base. This was followed by a period of stabilisation (2001-2006) during which real growth fell to an annual rate of 6.4% (Table 2.1). On the demand side, growth has been driven predominantly by increases in private consumption. This is relevant for the discussion of poverty trends in section 2.2 because the principal poverty measure is consumption-based.⁴ On the supply side, there was a structural shift in the economy as the Service Sector replaced agriculture as the major contributor to increases in output. However, agriculture (and food crops in particular), remains a major component of GDP and provides most employment.

² Household surveys are a way of collecting representative, reliable and independent data. Household surveys help governments by: providing data for evidence-based policy-making; providing information on users and non-users of services; setting baselines for policies; monitoring implementation; and evaluating results.

³ *Ubudehe* is a traditional practice and culture of collective action to solve community problems. It has been adopted by the GoR as an approach to fight poverty. It is present in 9,000 cells all over the country. The 2006 *Ubudehe* survey results suggest it should be a core method of the government's approach to fighting poverty because it is embedded in Rwandan mind sets and is seen as an approach that benefits the poor, primarily through increasing access to livestock, promoting social capital and unification, increasing participation in planning and decision-making, and empowering the poor and women (MINECOFIN, 2007a).

⁴ The poverty measure is calculated from survey data on household consumption expenditure. The consumption aggregate computed in the National Accounts is broadly consistent with the figure which is generated by 'inflating' the survey data consumption expenditure to national level.

Table 2.1 Trend real growth rate by activities (5-year averages in percent)

	Share of total GDP		Average annual growth	
	1996-2000	2001-2006	1996-2000	2001-2006
Gross Domestic Product (GDP)	100.0	100.0	10.8	6.4
Agriculture	37.7	36.4	9.5	4.8
Food crop	31.9	31.4	9.9	5.1
Export Crop	1.0	1.1	11.7	6.3
Livestock	3.0	2.2	7.8	3.5
Forestry	1.5	1.3	10.7	3.7
Fisheries	0.3	0.4	29.9	3.7
Industry	15.1	14.2	7.5	8.1
Mining and quarrying	0.3	0.6	24.5	41.3
Manufacturing	8.2	6.8	4.1	6.0
Of which: Food	1.5	1.7	8.1	9.1
Beverages, tobacco	4.2	2.5	-4.4	4.6
Others	2.4	2.7	19.5	6.5
Electricity, gas, water	0.6	0.5	11.3	4.2
Construction	6.0	6.3	11.9	9.6
Services	41.9	43.8	11.7	7.4
Wholesale & retail trade	10.7	9.7	2.2	6.0
Hotels and restaurants	0.8	0.9	25.2	6.6
Transport, storage, communication	4.8	6.0	15.5	9.4
Finance, insurance	2.6	3.5	17.7	13.3
Real estate, business services	10.3	9.6	11.2	5.0
Public administration, education, health	12.4	13.2	21.0	7.9
Other personal services	0.3	0.9	141.2	12.1
Adjustments	5.4	5.7	38.5	5.6
Less: Imputed bank service charge	-1.6	-1.7	4.7	9.6
Plus: VAT and other taxes on products	7.0	7.4	23.4	6.4

Source: National Institute of Statistics data.

2.3 Gross fixed capital formation has risen steadily as a proportion of GDP since 1996 (see Appendix 1: Figure A2.1). Since GDP growth rates have fallen since 2000, this

implies that the productivity of gross investment has declined in recent years.⁵ The composition of gross investment as between the public and private sectors has also changed over time. The share of public investment fell steadily between 1997 and 2003 before rising in 2004 and 2005. The rising share of private investment from the late 1990s was a result of the government's policies of extensive privatisation and economic liberalisation.

2.4 The fiscal performance has improved over the last five years, with revenue collection growing to around 13% of GDP in 2006.⁶ The domestic fiscal deficit has widened from around 2% of GDP in 2001 to 6% in 2006.⁷ Priority expenditure, which allocates resources to pro-poor needs⁸, has increased over the past five years. Rwanda has also benefited from both the Heavily Indebted Poor Country (HIPC) and Multilateral Debt Relief (MDR) initiatives resulting in a sustainable debt position, in which the net present value of debt to export ratio is less than 60%.

2.5 Rwanda has experienced strong trade performance with exports growing at an average of 12.5 % per year since 2001 (Appendix Figure 2). Rwanda's exports reached an estimated US\$152 million in 2006, more than twice the receipts generated in 2002. Coffee, tourism and tea have fuelled this growth, accounting for 60% of the 2005 export numbers. Besides private Sector mobilisation, an important driver of export growth has been the restructuring of front agencies (OCIR-Café, OCIR-Thé, ORTPN), RIEPA (Rwanda Investment and Export Promotion Agency) and BRD. While this performance is short of desired targets, it provides evidence that Rwanda can generate growth when informed choices and timely action are made on specific export industries.

2.6 Due to the high capital requirements for Rwanda's development, however, import growth has been outstripping that for exports with an average increase of 15 % over the past five years. Therefore, we have seen a widening of the trade deficit as a percentage of GDP from 8 % in 2001 to 12 % in 2006. Rwandan economic growth and development depends on the diversification of its export product base in addition to the continuation of strong growth in exports.

2.7 Although a non-traditional export sector for Rwanda, tourism has the potential to contribute significantly to the country's export base. Tourism receipts have exceeded expectations since the development of the National Tourism Strategy and subsequent approval by Cabinet in 2002. From a negligible base of a less than US\$5 million in 2002, tourism receipts hit US\$33 million in 2006 and are on track to exceed this figure in 2007. Not only are there more international visitors coming to Rwanda, but spend per day is also increasing, indicating a positive shift in Rwanda's base of advantage from basic to advanced factors such as service and a full destination experience.

⁵ Or that the incremental capital-output ratio has risen.

⁶ National Institute of Statistics Rwanda (NISR) GDP estimates.

⁷ Revenue excluding grants minus current expenditure, domestically financed capital expenditure, and net lending, excluding external interest. Sourced from IMF (2007) MEFP Tables.

⁸ There have, however, been concerns among the GoR and development partners that the present definition of priority expenditure is too broad and that a new classification of expenditures thought to be more directly poverty-reducing should be instituted.

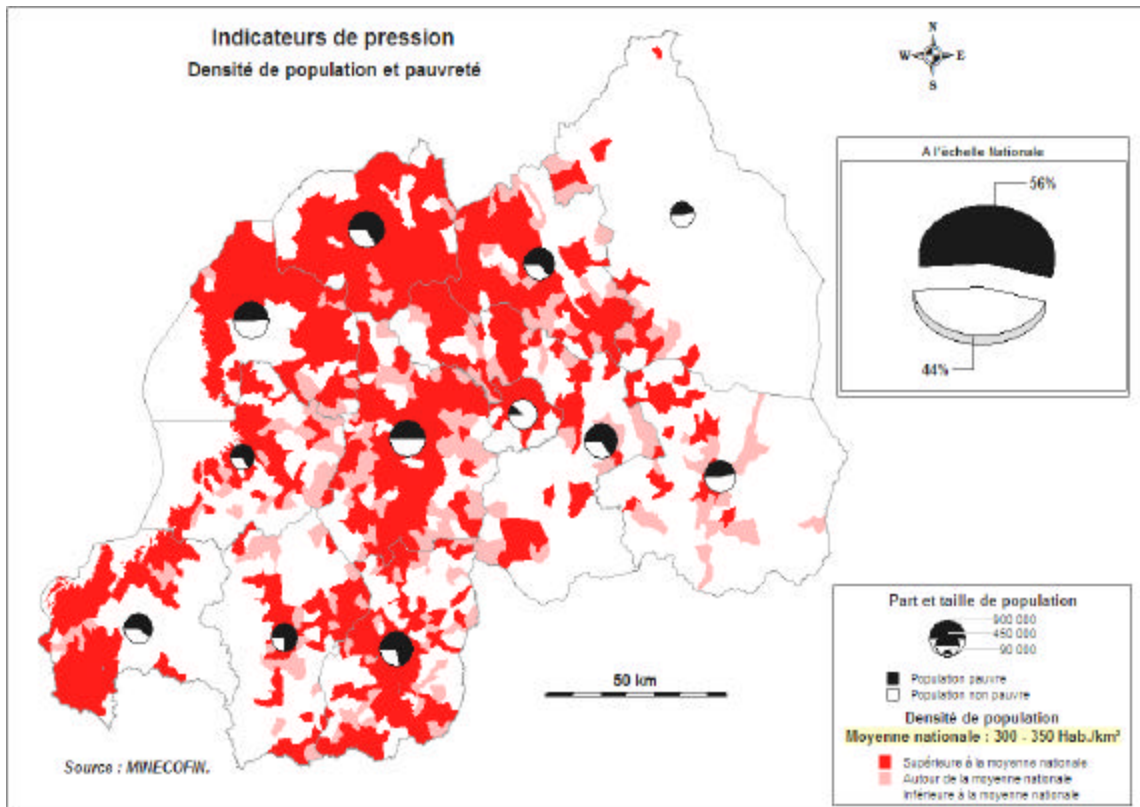
2.8 The slackening in GDP growth is the result of the expansion of output in agriculture being constrained by several factors. Land is scarce and the use of it is constrained by the absence of a well-defined land administration system and poor settlement patterns in rural areas. There is a need to contain the fragmentation and degradation of further arable land as a result of high pressure and soil erosion. The level of technology is low, infrastructure in rural areas is inadequate and human and physical capital is in short supply. As a result, agricultural productivity is low which generates poor returns on private investment.

2.9 Much needs to be done to improve rural roads and energy to support growth, as corroborated by the *Ubudehe* survey, in which the roads network was identified as a top infrastructure priority. For example, the proportion of roads in good condition has only risen from 4.7 to 6.4 and from 1.7 to 5% respectively, implying that large sections of the population face immense transportation obstacles to bring produce to markets, and more generally integrate into the national economy. The share of public expenditure going to infrastructure is lower than neighbouring countries. Moreover, energy remains very expensive in Rwanda, accounting for 14% of all non-food expenditure, though the proportion is higher for poorer households. The high cost of energy results in almost 80% of the value of fuel being obtained from biomass sources, such as firewood.

2.10 This situation is aggravated by continued rapid population growth resulting from an increase in fertility combined with a decline in infant mortality.⁹ The ensuing rise in population density has put pressure on the physical environment and induced labour migration between rural areas as well as from the countryside to the towns. A recent study found that ‘...the parts of the country that are increasing their share of the population are those that previously had a lower population density. Umutara and Kibungo, now in Eastern Province, had the smallest number of people per square kilometre at the time of the census (2002), and have experienced the greatest increase in population share; conversely, Ruhengeri, now largely in Northern Province, and the City of Kigali had high population density in 2002 and are now seeing a reduction in their share of the overall population’ (NISR, 2006). The positive association between population density and poverty incidence in Rwanda is shown in Figure 2.1.

⁹ These demographic changes are analysed in section 2.3

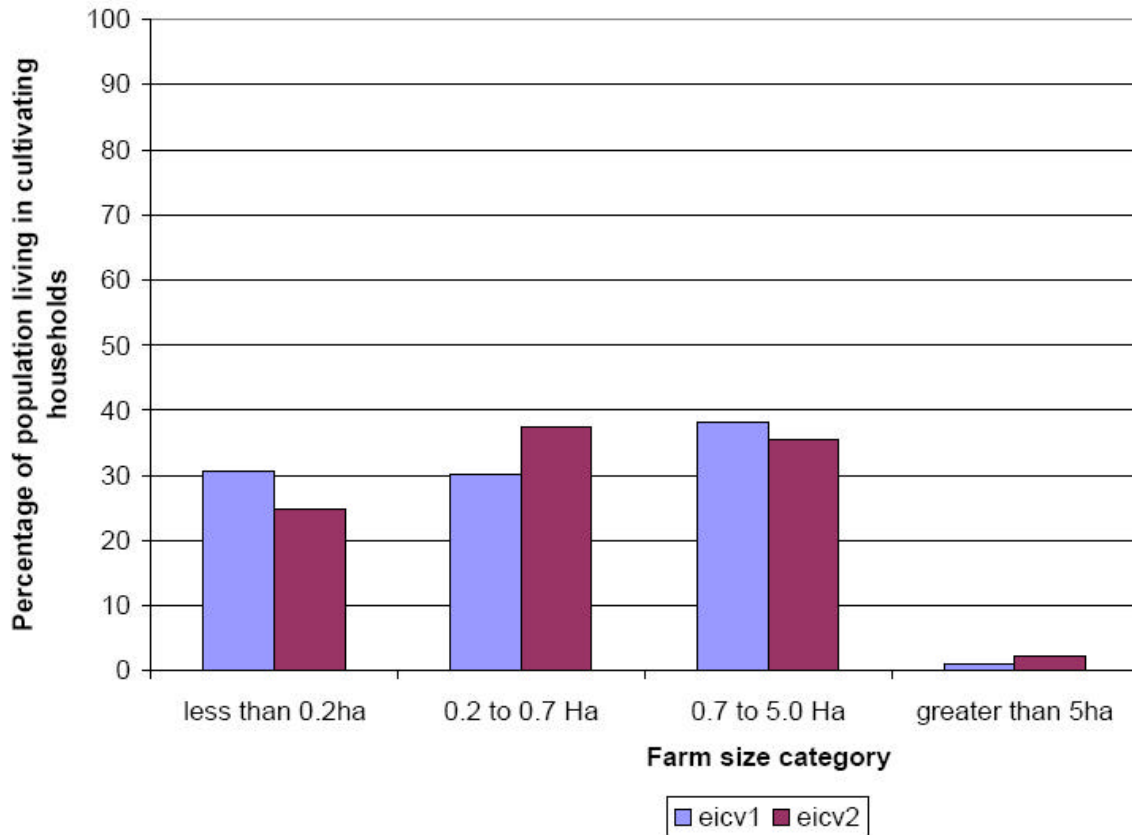
Figure 2.1 Poverty and population density



2.11 Natural population growth, together with the increased numbers of returnees from neighbouring countries, has inevitably highlighted land administration and land use management issues as central areas of concern for the ongoing land tenure and land use management reform process. Land reform that ensures effective administration, the rights and obligations of land users, the introduction of legal and institutional mechanisms for land use management and dispute resolution all provide scope to improve the welfare of the poor and vulnerable groups. The new Organic Law on Land, in principle, strengthens women's rights to land. The redistribution of land arising from private and state lands and pastures will likely have a positive impact on the poor. Furthermore, safeguards that provide alternative livelihood opportunities for the poor through land tenure regulation and options that encourage improved land management are being developed.

2.12 In general the proportion of households in each land size category has changed relatively little since 2000/01 (Figure 2.2). Two percent of cultivating households do not own any land, so they rent, sharecrop or borrow land. Around half of cultivating households (representing 3.6 million people in 2000/01 and 4.5 million in 2005/06) cultivate less than half a hectare. More than 60% of households cultivate less than 0.7 ha of land, and more than a quarter cultivate less than 0.2 ha. The standard of living is strongly related to the size of landholding, with those holding the least land generally being the poorest. There was a reduction in proportion of landowners in the bottom consumption quintile and an increase in the highest quintile.

Figure 2.2 holdings in 2000/01 (EICV1) and 2005/06 (EICV2)



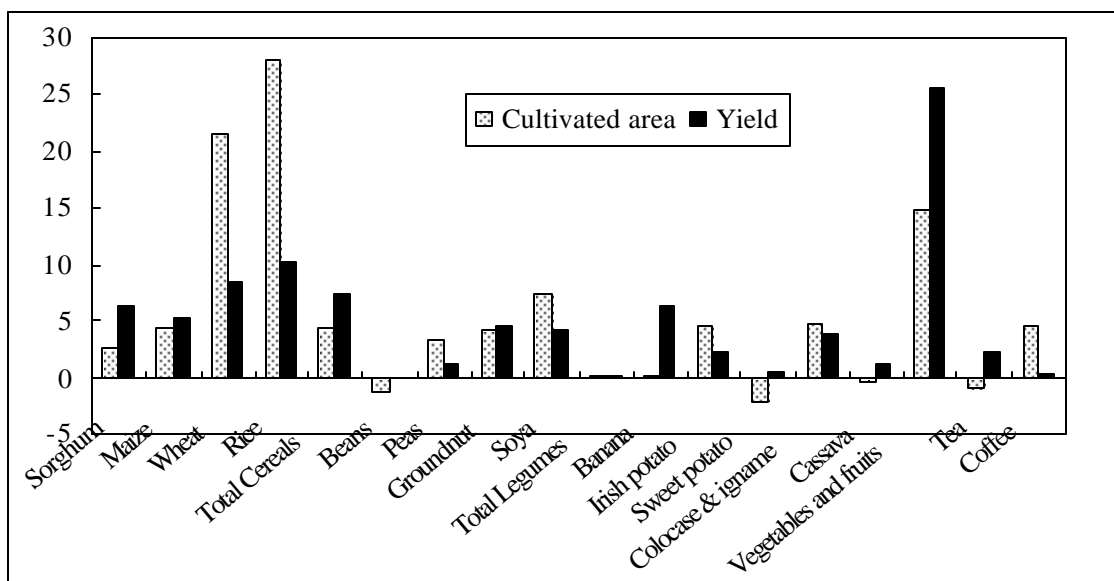
Source: MINECOFIN (2007b).

2.13 Increasing population density together with policy initiatives to improve access to agricultural technology has increased the use of land-saving input in the last five years. The EICV surveys show that the share of cultivating households using organic or chemical fertiliser remains low overall (19%), but has doubled between 2000/01 and 2005/06. There has also been a substantial increase in the share of cultivating households that now purchase insecticide (25%) and seeds (71%). This holds for all quintile groups and all provinces (Appendix 1: Table A2.1).

2.14 By province, the largest increases in the numbers using fertiliser have been in Eastern Province (from a very low base) and Northern Province. A slightly higher proportion of households use insecticides, but again the proportion of households purchasing insecticides and fertiliser has more than doubled in most quintile groups and in all provinces except the City of Kigali and the Western region. There has also been a large increase in the number of households in all quintiles and provinces purchasing sacks, packaging and similar items and this reflects the growth in the number of producers selling some of their output over the period. *Ubudehe* survey results suggest Rwandans place fertiliser and insecticide as top priorities for improving agriculture, followed by training and extension, anti-erosion and improved seeds.

2.15 Production of food and cash crops increased considerably in 2000-2005 (Figure 2.3). For wheat, rice, soybean and Irish potato, this was largely due to the expansion of the area that is cultivated. Production growth for other major crops, such as maize, banana, sweet potato, vegetables and fruits, is probably due to improved yields. Crop yields have generally increased but remain below world averages and, except for a few key staples (maize, sorghum and cassava), also remain below regional averages (Appendix 1: Table 2). There was a significant increase in the degree of market engagement by producers: the share of farmers reporting selling crops has increased, for all staple crops and fruit and vegetables and across all quintile groups.

Figure 2.3 Increase in Cultivated Area (ha) and Yield (kg/ha), 2000-2005 (Average Percent change)



Source: World Bank (2006).

2.16 In some areas of agriculture, major progress was made, including strengthening of exports, most impressively in coffee and horticulture (flowers, fruit and vegetables). There was an increase in fully washed coffee from 48 tons to 3,000 tons per year between 2002 and 2006; exports of horticulture increased some 2,750%; hides and skins exports increased from US\$2.6 million to US\$4.7 million. The challenge is to extend such progress to food security crops such as sweet potatoes, beans, banana and cassava, through improved usage of agricultural input.

2.17 The other major success story concerns livestock numbers, where the proportion of households owning animals has increased from 60 to 71% between 2000/01 and 2005/06. This increase was reported across all income quintiles and provinces, though the middle quintile had the biggest proportionate increase and Eastern Province had the biggest cattle ownership. Livestock ownership varies by the gender of the household head, with fewer female-headed households owning livestock than male-headed households.

2.18 Rising population density in rural areas has placed the physical environment under increasing stress. However, there is evidence of widespread and organised response to this threat of environmental degradation. By way of illustration, rural households are becoming increasingly involved in soil erosion control measures such as building radical terraces, particularly in the Northern and Western provinces of the country, improving watershed management, and engaging in reforestation work. In 2005/06, 60% of the rural population lived in communities that were engaged in reforestation activities, representing a large increase relative to 2000/01 for which the corresponding figure was 40% (Appendix 1: Table A2.3). For those that replanted, the average area planted also increased substantially from around four hectares per community in 2000/01 to more than twelve hectares in 2005/06. The proportion of communities that engaged in reforestation was biggest in Eastern Province, followed by Southern Province; the increase was smallest in Northern Province. The increases were of similar magnitudes in all consumption quintiles. The increased involvement of the rural population in reforestation is consistent with the environmental priorities of the *Ubudehe* survey which were ranked as follows: tree planting, anti-erosion measures, preventing the burning of forests, education on the environment and caring for grazing areas.

2.19 Other initiatives to reduce environmental degradation include the widespread adoption of improved cooking stoves in the Western region to reduce domestic firewood consumption. Efforts have been made to rehabilitate critically degraded ecosystems such as the Rugezi wetland and Lake Kivu by planting land cover to protect wetlands against siltation. Measures have also been taken to improve the urban environment and Kigali has the reputation of being one of the cleanest cities in the region.

2.2 Poverty has fallen, but needs to fall faster to meet the MDG and Vision 2020 targets

The incidence of consumption poverty has fallen in both rural and urban areas since 2000/01 (see Table 2.2).¹⁰ The extreme poverty line represents the level of expenditure needed to provide minimum food requirements of 2,100 kcal per adult per day. More than one-third of the population is unable to achieve this level of consumption and consequently go hungry. The upper poverty line includes non-food requirements and over half of the population remains unable to provide for these basic needs. The average poor person's consumption is at about *RWF* 150 per day and has only increased by 2% in the past five years. Rates of poverty reduction since 2000 have been modest and are not fast

¹⁰ EICV surveys collected detailed information on household consumption, including the consumption of home produced items. This information is used to quantify households' standard of living in monetary terms and is the basis for measuring consumption poverty. Households whose real expenditure per equivalent adult is calculated as being below the poverty line are defined as poor. People defined as poor at the upper poverty line consume less than *RWF* 250 per adult equivalent per day; those living in extreme poverty under the lower poverty line consume less than *RWF* 150. To calculate the poverty incidence for each household, the total expenditure per annum was calculated and deflated by a regional price index for the relevant period to give real expenditure, and subsequently divided by an index of household size to give real expenditure per equivalent adult.

enough to meet either the targets set in Vision 2020 or the MDGs. The total number of poor people has now increased to five million. Over 90% of poor people still live in rural areas.

Table 2.2 Poverty headcount (share of population and number)

	Poverty headcount (share of population)		Number of poor (millions)	
	EICV1	EICV2	EICV1	EICV2
<i>Upper poverty line</i>				
Kigali	16.1%	13.0%	0.11	0.09
Other urban	46.5%	41.5%	0.29	0.36
Rural	66.1%	62.5%	4.43	4.93
National	60.4%	56.9%	4.82	5.38
<i>Extreme poverty line</i>				
Kigali	8.4%	6.3%	0.06	0.04
Other urban	28.5%	25.3%	0.18	0.22
Rural	45.7%	40.9%	3.06	3.23
National	41.3%	36.9%	3.30	3.49

Source: NISR (2006).

2.20 It is interesting to compare objective poverty measures at the national level with subjective measures based on perceptions of poverty. One source of subjective information is the *Ubudehe* survey, in which communities identified seven socioeconomic categories, into which households were asked to position themselves. The distribution of respondents by these categories is presented in Table 2.3. Most people were in the *umuhanya* and *umutindi* categories, indicating they felt they were among the poorest. Vulnerable people were identified, in order of greatest destitution, as widows, landless, sick, the elderly and child-headed households.

Table 2.3 Own distribution of poor by categories

		Share of respondents (%)
Destitute	<i>Umuhanya</i>	18.0
Poorest	<i>Umutindi nyakujya</i>	52.5

Poorer	<i>Umutindi</i>	9.8
Poor	<i>Umukene</i>	7.1
Vulnerable	<i>Utishoboye</i>	4.8
Surviving	<i>umukene wifashije</i>	1.1
Others	<i>Abandi</i>	6.8
Total		100.0

Source: MINECOFIN (2007a).

2.21 Major causes of poverty identified by *Ubudehe* survey respondents were lack of land, poor soils, unpredictable weather and lack of livestock (Table 2.4). Exit strategies out of poverty were identified as paid employment, commerce and livestock. Over half of the households sampled felt that their income or livelihood had not improved in the past three years. Principal activities to be undertaken in future *Ubudehe* work were identified in the areas of as livestock rearing, agriculture, small business, water and roads.

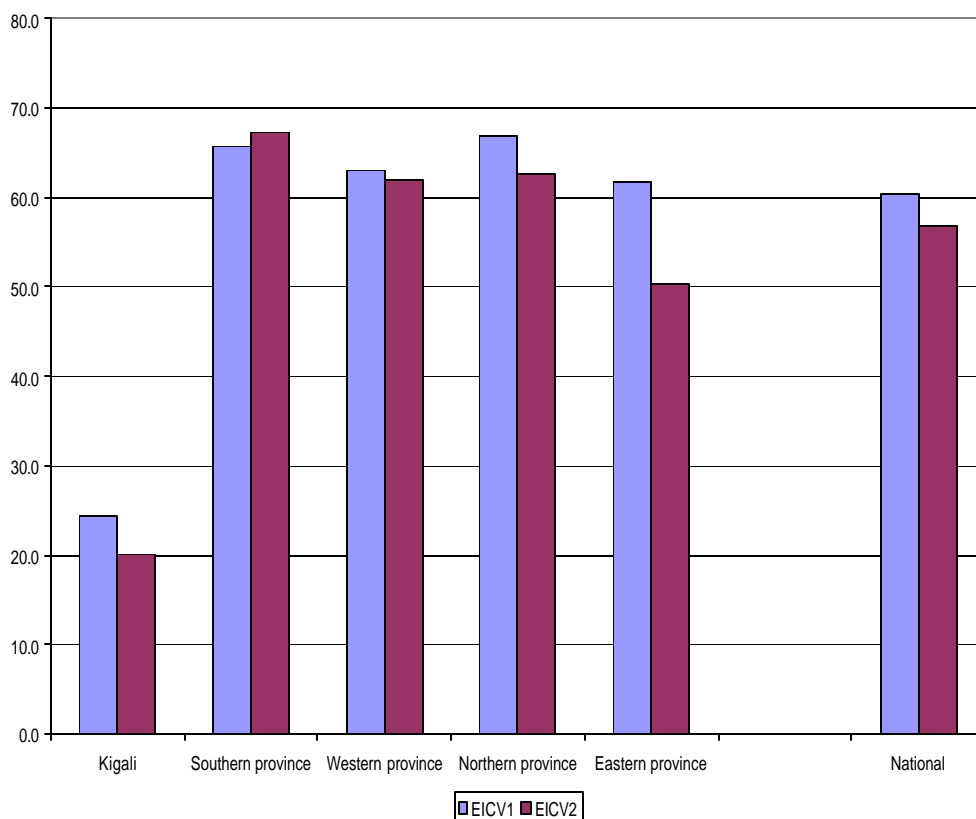
Table 2.4 Major causes of poverty identified

	Share of respondents (%)
Lack of land (<i>Kutagira isambu</i>)	49.5
Poor soils (<i>Ubutaka butera</i>)	10.9
Drought/weather (<i>Izuba ryinshi</i>)	8.7
Lack of livestock (<i>Kutagira itungo</i>)	6.5
Ignorance (<i>Ubujiji</i>)	4.3
Inadequate infrastructure (<i>Ibikorwa remezo bidahagije</i>)	3.0
Inadequate technology (<i>Ikoranabuhanga ridahagije</i>)	1.7
Sickness (<i>Uburwayi</i>)	1.7
Polygamy (<i>Ubuharike</i>)	1.2
Lack of access to water (<i>Kubura amazi</i>)	1.1
Population pressure (<i>Ubwiyongere bw'abaturage</i>)	0.7
Others(<i>Izindi</i>)	10.6
Total	100.0

Source: MINECOFIN (2007a).

2.22 At the regional level, changes in poverty varied. The poverty headcount fell significantly in Eastern Province and declined by smaller amounts in Northern Province and in the City of Kigali. However, poverty in Southern Province did not change significantly, which is a cause for concern since the South is now the poorest province (Figure 2.4 and Appendix 1: Table A2.4). Calculations show that 68% of the total reduction of poverty in the country was accounted for by poverty reduction in Eastern Province.

Figure 2.4 Changes in poverty at regional and national level (poor people as a % of the population)



Source: NISR (2006).

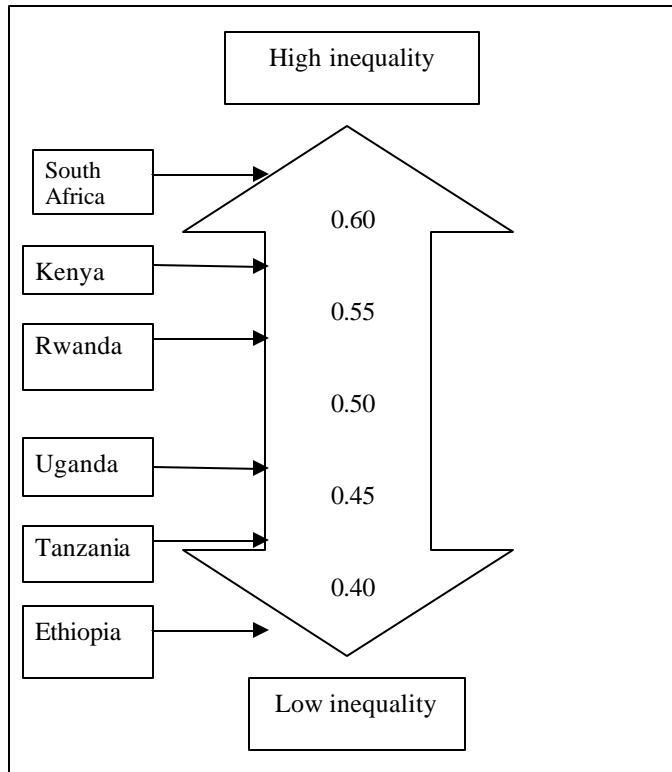
2.23 A comparison of consumption growth with rates of poverty reduction by province indicates significant differences in rates of transmission of growth to poverty reduction (Appendix 1: Figure A2.3). Rapid poverty reduction in Eastern Province is mainly due to fast overall consumption growth (over 6% per annum). This may be for several reasons, including poor initial conditions due to the drought in 2000/01, the fast growth of cereals over the period, trade with neighbouring countries and low population density. Poverty reduction in Northern Province has been high despite limited growth (1% per annum). Poverty reduction in Southern Province has been marginal or negative despite strong growth (4% per annum). Growth did not benefit the poor there.

2.24 Inequality, as measured by the Gini coefficient,¹¹ rose from an already large 0.47 to 0.51 over the period. This is very high by international standards: Kenya is the only country in the East African Community to have higher inequality (Figure 2.5). The pattern of inequality change varied by location, rising in rural areas and falling in urban.

¹¹ The Gini Coefficient measures how concentrated incomes are among the population of an economy: the higher the Gini, the more concentrated incomes are among a few people. The Gini ranges between 0 (indicating income is distributed equally between all people) and 1 (indicating all income in the economy accrues to one person).

In Southern Province, there was a surge in inequality: consumption growth was driven entirely by rising incomes of the rich, while real incomes of the poorest 60% of the population fell (Appendix 1: Figure A2.4).

Figure 2.5 Gini coefficient of inequality in the African context



Source: World Bank PovcalNet data base.

2.25 An increase in productive employment is the main transmission mechanism linking economic growth to reduced poverty, so it is important to examine recent trends in the Rwandan labour market. An estimated 600,000 new jobs were created between 2000/01 and 2005/06. There is also rapid growth in non-farm paid employment, with an increase of an estimated 200,000 new jobs created, out of a total of 480,000 such jobs. The share of the labour force working in formal employment increased from 5% to 10% over the same period. The share of the labour force now working in the monetised economy, receiving wage payments or cash income, was 26% in 2005/06 or an estimated 1.25 million people of working age between 15 and 70. Young people and women more often perform unpaid work than men.

2.26 There has been diversification of household income sources as the proportion of the employed labour force engaged in agricultural occupations fell by 9% nationally to 80% between 2000/01 and 2005/06, with most of the decline occurring among men. The domestic service and retail trade sectors have absorbed most of these workers.

2.27 However, the situation analysis has identified skills challenges in all sectors of the economy: modern agriculture requires professional and technical expertise associated

with extension services; manufacturing and services need a variety of technical expertise; and a modern Public Sector requires the capacity to lead the transformation envisaged in Rwanda's Vision 2020.

2.28 According to the EICV results, levels of declared unemployment¹² are very low in Rwanda, but under-employment is high. It is particularly evident in farming jobs, with independent farm workers and their families spending only three or four hours a day on their work, and those working in waged farm jobs working four to five hours per day on average. This indicates scope for increasing labour productivity in the Farming Sector.

2.29 Evidence from the EICV survey shows that the incidence of poverty is highest in households whose main source of income is agricultural wage labour. In 2005/06, 91% of such households lived below the poverty line which is a similar proportion to that in 2000/01. Households which depend on combining self-employment in agriculture with agricultural wage labour are not much better off, as 82% of this group live in poverty. This is a cause for concern because the proportion of individuals aged 15 and above whose main job is agricultural wage labour doubled from 4% in 2000/01 to 8% in 2005/06. Such a development reflects the acute shortage of land in many areas and the lack of rural non-farm employment opportunities. This occupational group is likely to continue increasing its share of the agricultural labour force in the medium term.

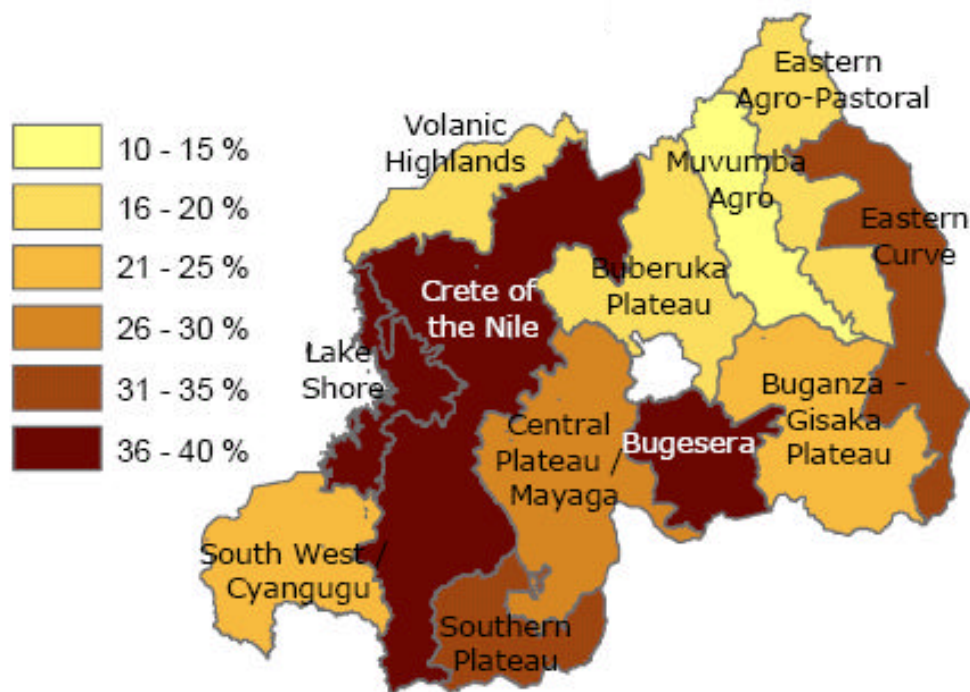
2.30 The most deprived subgroup of those who depend on agricultural wage labour is household heads and spouses who have worked in these jobs for long periods. Nearly half these individuals (41%), which include many widows, are among the poorest 20% of the EICV2 sample. They constitute the core of extreme poverty in Rwanda. By contrast, orphans are almost twice as likely to be in the wealthiest quintile as people under the age of 21 who have one or both parents still alive.

2.31 Vulnerable households (headed by women, widows and children) represent 43% of all households (against 51% five years ago) and are concentrated in rural areas (Appendix 1: Table A2.5). Poverty levels among these vulnerable groups fell, showing some support for the effectiveness of policies designed to reach the most vulnerable in society. However, poverty among vulnerable households is around 60% and higher than average, indicating that vulnerability remains a serious concern.

2.32 According to the Comprehensive Food Security and Vulnerability Analysis, 52% of households are food insecure or vulnerable (NISR and World Food Programme, 2006). Food insecurity is found all over the country but tends to be concentrated in the Western and Southern provinces (Figure 2.6). It is highest among agricultural labourers and those with 'marginal livelihoods' including those dependent on social transfers and female-headed households.

¹² Defined as those members of the labour force without work in the month before the EICV survey.

Figure 2.6 Food insecurity (% of food insecure households by food economy zone)



Source: NISR and World Food Programme (2006).

2.3 Key indicators show that health has improved substantially, but inequalities in health outcomes persist.

2.33 Good progress was made in improving the health status of the general population between 2000 and 2005. The infant mortality rate (IMR) declined by 19.6%, the under-five mortality rate (U5MR) fell by 22.4% and the maternal mortality rate (MMR) decreased by 29.9% (Table 2.5). However, the IMR and U5MR are now at 1992 levels.¹³

Table 2.5 Childhood mortality (per 1,000 live births) and MMR (per 100,000 births)

	Infant mortality		Under-5 mortality		Maternal mortality	
	2000	2005	2000	2005	2000	2005
Rural	123.5	108	216.2	192	*	*
Urban	77.9	69	141.3	122	*	*
Total	107	86	196	152	1071	750

Source: NISR (2005). Note: * data not available.

¹³ 1992 is the date of the earliest Demographical Health Survey (DHS). The MMR in 2005 cannot be compared to that in 1992, owing to a change in the DHS methodology in 2000.

2.34 There are, however, large differentials in health outcomes across Rwanda. Rural rates of mortality remain over one and a half times those in urban areas and the gap has not narrowed over time. U5MR is highest in Eastern Province at nearly one-in-four children (233/1,000) and lowest in City of Kigali at one-in-eight children (124 in 1,000). Southern, Western and Northern provinces have similar rates of mortality (around 170 in 1,000).

2.35 Furthermore, there exist large variations in the IMR and the U5MR between the lowest and highest wealth quintiles of the population. The infant mortality rate is 56% higher and the under-five mortality rate is 73% higher in the poorest quintile compared with the richest quintile. Narrowing this gap requires integrated and special policy measures.

2.36 As regards reproductive health, the total fertility rate (TFR) rose from 5.8 children per woman in 2000 to 6.1 children in 2005. This level of fertility is much higher than any of the fertility assumptions used for population projections in Rwanda.¹⁴ The TFR of 6.1 may be compared to women's desired fertility level of 4.3 children and men's desired fertility of 4.0. The gap between actual and desired fertility suggests an unmet demand for family planning. This is confirmed by an increase between 2000 and 2005 in the proportion of married women expressing a need for contraception, while the proportion of women indicating that they wanted no more children rose from 33% to 42% over the same period. The use of modern contraceptive technology increased from 4% to 10% among married women between 2000 and 2005, but it remains below the 1992 level of 13%.

2.37 Among those married women not currently using contraception and not planning to use it in the future, the views of husbands/partners on birth control were less important than the women's own preferences, including opposition based on religious conviction. However, it is encouraging that 59% of couples included in the DHS survey have the same opinion and approve of family planning. Family planning outreach programmes need to be improved as only 3% of women who are not using contraception were visited by a family planning field worker in the last 12 months and only 7% had discussed family planning at a health facility.

2.38 An examination of recent trends in child nutrition reveals a mixed picture. Three measures of children's nutrition status are presented here. Children who experience chronic malnutrition are short for their age and suffer from stunting. This condition is considered irreversible after the age of two and is therefore considered a measure of long term nutritional status. The incidence of stunting rose from 42 to 45% in 2000-2005 (Appendix 1: Table A2.7) and is highest in Northern Province (52%) followed by the West (47%). In contrast, nutritional indicators which are more sensitive to short term fluctuations (wasting and underweight) improved over the period (from 7% to 4% and from 25% to 23%, respectively). A possible reason for this could be that the increase in

¹⁴ 3ème Recensement General De La Population Et De L'habitat Du Rwanda Au 15 Aout 2002; Perspectives Et Prospectives Demographiques.

under-five survival means that stunted children who would previously have died are now recorded in the sample.

2.39 Access to, and use of health and health-related services has improved in some areas, but not in others. 75% of people now live within 5 km of a health centre and 56% of nurses are in rural areas. Improved access is reflected in progress in maternal and child health care. For example, 95% of women of reproductive age in Rwanda who have ever been pregnant received antenatal care during their last pregnancy. But needs remain very high (for example, less than 50% of health centres fulfil staffing requirements) and are expanding fast due to rapid population growth.

2.40 Immunisation coverage has stalled since 2000, with the percentage of children receiving all vaccines remaining at 75%, though falling in urban areas (Appendix 1: Table A2.8). Sustained sensitisation campaigns in the rural areas may explain why rural rates of immunisation are now higher than urban.

2.41 HIV prevalence is estimated at 3% of adults. A national campaign was conducted to reduce perceptions about the stigma of HIV and the accompanying discrimination and there are now 234 health centres with Voluntary Counselling and Testing (VCT), and treatment of PLHIV has increased (72% of pregnant PLHIV are estimated to receive a complete course of ARVs). However, concern remains in several areas including: low condom utilisation among youth and groups at higher risk of HIV exposure, the rural versus urban ratio of HIV prevalence and increasing transmission amongst married couples and the cultural norms associated with this. Thus, Rwanda must strive to take the necessary precautionary steps now so that increasing rates of infection do not erode the impressive gains made in the last five years.

2.42 Over 80% of diseases that afflict Rwandans are waterborne, so access to safe water is a precondition for improving environmental and personal health. The number of people with access to safe water increased between 2000 and 2005, but there was no change in the proportion of households having access to safe water (64%), and nor was there any reduction in the average distance a household had to travel to fetch safe water (0.5 km). The latter is an important indirect indicator of women's welfare since it is usually women who collect water for the household. The EICV2 survey found that, of all public services, Rwandans are least satisfied with access to drinking water (only 50% express satisfaction), while the results of the *Ubudehe* survey suggest Rwandans would rank water access as highest priority in infrastructure services (followed by roads, health, schools and electricity).

2.43 All quintiles reported an increase in the proportion of households which consulted a medical practitioner between 2000 and 2005. Nevertheless, inequalities in access to health care remain. Of those individuals reporting themselves as ill in EICV2, 20% of the poorest consumption quintile saw a medical practitioner, compared with 43% of those in the highest quintile. One factor that contributes to this difference is the proximity of medical facilities. People in the lowest quintile live an average of 15 minutes further away from the nearest health care centre than those in the highest

quintile. Similarly, poor people live an hour's walk further from the nearest district hospital than those in the highest quintile.

2.44 Government efforts to extend health insurance coverage are bearing fruit with 38% of the EICV2 sample included in mutual insurance schemes and a further 5% covered by other forms of insurance. Users' evaluation of health services appears favourable with 77% of EICV2 user-respondents declaring they were satisfied with their nearest health care centre and 74% registering satisfaction with their district hospital. Similar results emerge from the *Ubudehe* survey where 60% of respondents considered the mutual insurance scheme to be a success and 52% considered that health service delivery had greatly improved.

2.45 Improvements in the Health Sector were assisted by a strong strategic plan from early in the PRSP period with careful targeting of all groups of the population, for example through the roll out of the *mutuelles* health insurance scheme. However, donor alignment has remained a challenge throughout.

2.4 Access to secondary education lags behind primary, but tackling quality aspects of primary education are also a high priority

2.46 Progress in primary education has been strong. An advanced strategic plan and strong donor alignment appear to be critical success factors in this sector.

2.47 As indicated in the EICV surveys, the net primary enrolment rate increased from 74% to 86% between 2000/01 and 2005/06 (Appendix 1: Table 9); the Ministry of Education's (MINEDUC) management information system data reports an increase in net primary enrolment from 73% to 95%¹⁵. The improvement has been seen in both urban and rural areas. Thus, the GoR is on track to achieve universal primary enrolment by 2015. This progress has been made with only small increases in the total number of teachers, primary schools and classrooms, and is largely due to the removal of tuition fees. In addition, the number of qualified primary school teachers rose by 40% over this period, which suggests that an improvement in the quality of education may have played a role. Indeed, completion and repetition rates both improved over the period, to 42% and 17% respectively (Ministry of Education Management Information System data).

2.48 Gender parity in net primary enrolment had already been achieved by 2000/01 and now the rate is slightly higher for girls (87%) than for boys (85%). Thus, by 2005, Rwanda has achieved the Education for All Goal of eliminating gender disparities in primary education in terms of attendance. However, girls are lagging behind boys in terms of completion rates and on exam scores. Gender disparities emerge after the third grade, as well as in upper secondary schooling and higher education. The Education for

¹⁵ The difference between these data and EICV are due to methodology: MINEDUC use official projections of population census data from NISR as the denominator in the net enrolment rate calculation. Population growth may well have been higher than projected in these estimates. When NISR revise their population projections upwards the model can be updated accordingly.

All Goal also emphasises the need not only for girls to be present in school, but also for attention to be paid to their needs in relation to teaching and learning practices, curricula and the safety of the school environment. The girls' education policy includes a school campaign to encourage girls' performance in school as well as remedial classes during vacations.

2.49 Both EICV survey results show that primary enrolment rates increase with household income, so large disparities in school attendance still exist across the income distribution. In the richest consumption quintile, 92% of primary-age students attend primary school, as compared to 79% of those in the lowest quintile. However, this gap of 13 percentage points is smaller than the 19% gap observed in 2000/01. This indicates that enrolment rates have risen faster among students in the lowest income group than among those in the highest income group.

2.50 Children of primary age not living with a relative and not formally the ward of the household head are the least likely to go to primary school. Full orphans, who have lost both parents, have a lower enrolment rate than children who have at least one parent alive. This finding presents a puzzle to policy-makers since it was shown previously that full orphans are most likely to be found living in the wealthiest households. The special education policy and strategy will aim to improve primary enrolment among orphans and other vulnerable groups.

2.51 There is little difference in primary enrolment between children who have one or both parents still living. Membership of a household headed by a female, including widows, does not reduce the likelihood of enrolment. However, more research is needed to determine whether girls and boys from female-headed households drop out sooner and perform less well.

2.52 Satisfaction with primary schools among households who use them is high. Almost four out of every five households are satisfied with the service they provide, and one-third reported observing an improvement in the twelve months preceding the EICV2 survey. These findings are confirmed by the results of the *Ubudehe* survey in which 70% of respondents considered that the delivery of primary education had improved greatly in the last three years. Educational priorities identified by *Ubudehe* were ranked as follows: more classrooms, more kindergarten schools, more qualified teachers, higher salaries for teachers and access to adult education. Citizen Report Cards reported satisfaction with primary education, but also pointed to serious problems with teacher absenteeism. This needs to be addressed to improve further repetition and drop-out rates. Specifically, more research is needed to determine trends in school leaving for girls and boys every year from grade 1 to grade 6, and the reasons for school leaving for each gender.

2.53 A priority objective of Rwanda's recent education policy has been to increase secondary school enrolment, so that all children complete nine years of basic education: six years at primary school plus three years at lower secondary level (*tronc commun*). This is critical for enabling the country to achieve its goal of becoming a knowledge-based and technology-driven society. No school fees are charged at state primary schools

and this policy was recently extended to the first three years of secondary school. The effects of this policy change are not seen in the EICV2 data because the survey was carried out before secondary school fees were abolished.

2.54 Only a small fraction of children enter or complete secondary education (Appendix 1: Table A2.9). In order to achieve its educational objectives at secondary level, the GoR increased the number of teachers by 40%, the number of qualified teachers by 45% and the number of schools by 47% between 2000/01 and 2005/06. Expansion at the *tronc commun* level has been mostly through the Public Sector, whereas at upper secondary level there has been a strong component of growth among the providers of private schooling. The effect of this expansion on school attendance has been modest. Over the same period, net secondary school enrolment rose from 7 to 10%. The rate is now slightly higher for boys (10.6%) than for girls (9.5%), which reverses the situation observed in 2000/01. It is striking that the increased use of qualified teachers (which may proxy for improved educational quality) had little effect on attendance. This may be due to the slow growth of classrooms and because at the time of the EICV2 survey, secondary schools were still charging enrolment fees for the *tronc commun*.

2.55 The disparity in enrolment in secondary schooling between the poorest and richest households is greater than at the primary level, and has increased over time. In 2005/06, net secondary school enrolment among children from the highest consumption quintile was ten times higher (26%) than among children from the lowest quintile (2.6%). The relatively low enrolment of children not living with a relative and not formally the ward of the household head, which was noted at primary level, is repeated at secondary level. Membership of a female-headed or widow-headed household has little effect on enrolment rates. However, enrolment in secondary school among full orphans is much higher than for non-orphans. This reflects the greater probability of full orphans being found in the top consumption quintile where enrolment rates are highest. More research is needed to understand the disparity between this finding and the finding that full orphans have a lower primary attendance rate. However, the recent introduction of fee-free *tronc commun* should help to address these disparities.

2.56 Only 57% of user-households expressed satisfaction with secondary schools which is substantially less than was the case among users of primary schools (almost 80%). Furthermore, less than one-quarter of user-households reported improvements in secondary schools during the previous twelve months (as compared with one-third for primary schools).

2.57 The 2003 census showed that there are only 0.5% of graduates in the population with the African average being 4%. However, the gross enrolment rate at tertiary level is 3.2%, which is regionally comparable. The number of students in the eighteen higher learning institutions, six of which are publicly funded, increased from 10,000 in 2002 to 27,787 in 2005. But many of the curriculum offerings are of a generalist nature and are in the Arts and the Humanities, with insufficient numbers in Science and Technology. Expenditure is therefore being prioritised in the budget for science laboratories and equipment in higher learning institutions. Over 4,000 computers were distributed to

institutions in 2002-2005. Initiatives to develop technology for rural areas were implemented, including the creation of the Centre for Innovation and Technology Transfer (CITT) at the Kigali Institute of Science and Technology (KIST). Most of the universities have introduced ICT educational programmes at undergraduate and graduate levels and subscribe to ICT-led education.

2.58 EICV2 data shows that approximately two-thirds of people aged 15 and over declare themselves to be literate. The literacy rate reported by males (70%) is higher than that of females (60%), and literacy in Kigali (87%) is much more widespread than in rural areas (73%). Moreover, the overall literacy rate for 15-24 year olds is some twelve percentage points higher than that for the population as a whole, with the difference being particularly high in rural areas. This increase does indicate improved literacy rates over time.

2.5 Governance reforms are well advanced, but much remains to be done

2.59 Major progress was achieved in governance over the PRSP period, with constitutional reform, national presidential and legislative elections in 2003, local elections in 2006, roll-out of *gacaca* community courts, improved relations with the international community and neighbouring countries, and significant reductions in reported crime. Several reforms were undertaken in public, corporate and civic sectors by introducing new laws and new governance institutions while revamping old ones to ensure effective service delivery, better financial management, democratic governance, and low corruption. The issue of national security was nevertheless not addressed within the PRSP, and the independent evaluation highlighted the need for the EDPRS to be comprehensive in this respect.

2.60 Both justice and *gacaca* courts in particular were viewed favourably in the *Ubudehe* survey: 72% of respondents considered that the justice situation was good in their cell and 80% rated the performance of courts as good or very good. A small percentage of households cited corruption as a problem. Although it is probably not widespread, it is noted as an area of intervention together with enhancing people's knowledge of laws and educating local leaders on good governance practices.

2.61 The GoR has been very active in promoting soft infrastructure, that is, an enabling environment and an efficient regulatory framework for economic activities. Reforms have included a draft law on Insurance Supervision, International Standards on Accounting and Auditing, revised investment code and restructuring of the Rwanda Investment Promotion Agency (RIPA) into the Rwanda Investment and Export Promotion Agency (RIEPA) in 2005. The privatisation Secretariat established in 2005 identified more than 100 companies for privatisation. As of the end of 2006, 70 enterprises had been privatised and fourteen were in the process of privatisation.

2.62 Rwanda has ratified or adopted a significant number of key international standards and codes in corporate governance, including the NEPAD Framework Document (2001), Principles of Corporate Governance (Organisation for Economic

Cooperation and Development, and Commonwealth), and Codes on Industrial and Environmental Safety and Hygiene of the World Health Organisation.

2.63 Progress was seen in terms of improved Public Financial Management (PFM). The Organic Budget Law (OBL) was gazetted in September 2006, but capacity building is required to ensure that the law is effectively implemented. In early 2007, the Government of Rwanda, with the assistance of the international auditing firm Price Waterhouse Coopers, produced the country's first set of consolidated accounts in line with constitutional requirements. The GoR is currently developing the capacity of the Accountant-General's office and the Finance Departments of different budget agencies, so that it is able to produce final accounts in subsequent years. A quarterly cash flow plan system was adopted in January 2006 and this sets the spending limit of budget agencies. A Single Treasury Account has been established and all government agencies are subject to a system of zero balance drawing bank accounts. All dormant government accounts (including those of districts) have been closed, both in central and commercial banks. In order to build capacity for public accounting and internal audits, training began in 2006 and a first set of professional examinations took place, with 218 candidates on Accredited Certified Chartered Accountants (ACCA) Part 1.

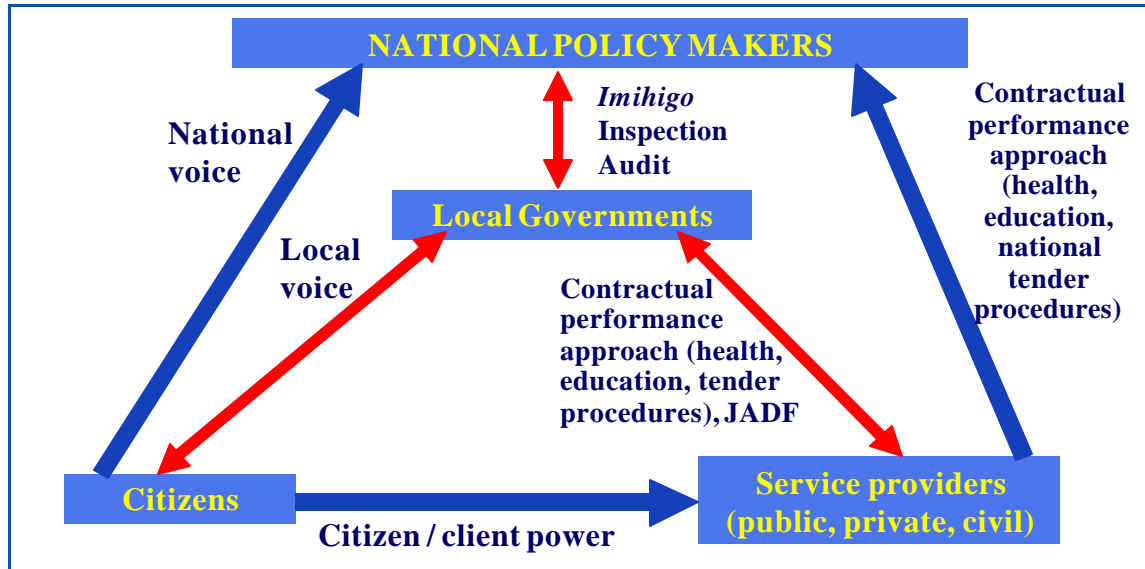
2.64 The PRSP period also saw progress on decentralisation, but with fiscal decentralisation moving more slowly than the institutional framework. Recently, the process has moved more rapidly, with the revision or endorsement of laws and policies related to decentralisation and the establishment of the Community Development Fund (CDF) in 2002 to facilitate the flow of funds from the centre to local governments. Transfers increased from 2.7 billion *RWF* in 2003/04 to 8.4 billion in 2005/06 although they were still below target). However, local governments' human resources and their leadership in the planning process need improvement, as well as information sharing mechanisms between central and local levels.

2.65 The new constitution has provided a framework for representation and participation of citizens, bringing into existence key institutions including the two chambers of Parliament, an independent judiciary, the Prosecutor General's Office, the National Electoral Commission, the Office of the Ombudsman and the Office of the Auditor-General, among others.

2.66 Regarding citizen participation, empowerment, transparency and accountability, the new constitution has provided a framework for representation and participation of citizens in the district planning process. Several mechanisms to promote citizen empowerment, voice and accountability have been adopted (Figure 2.7). Studies to assess the effectiveness of these various mechanisms indicate the need for harmonising these interventions while strengthening their capacity. These mechanisms can be classified into three broad categories. There are mechanisms to promote the national voice by establishing accountability links between firstly, the citizens and national policy makers and secondly, between the citizens and local government officials. Thirdly, mechanisms to assist citizens to demand good service from service providers are being put forward. These mechanisms are complemented by a contractual performance approach between

services providers and local governments or national policy-makers. Furthermore, the accountability links between local governments and national policy-makers work through inspections, audits and *imihigo*.

Figure 2.7 Framework for decentralised accountability



Source: MINALOC (2006).

2.67 At the national level, citizens participate through parliamentary elections, opinion polls and town meetings. Accountability is enforced through an independent judiciary, the National Electoral Commission, the Office of the Ombudsman and the Auditor General’s office. A number of mechanisms have been strengthened to promote accountability links between citizens and local governments, including *umudugu* meetings, social audits, *ubudehe* participatory programmes, *abunzi* mediators, service satisfaction surveys, *imihigo* reviews, debates on radio and television, the Joint Action Development Forum (JADF), and Youth and Women’s Councils. The PRSP did not specifically target the relationship of accountability between service providers and citizens, although the creation of the Office of the Ombudsman is important in this regard (especially with regard to fighting corruption) and piloting of citizen report cards offer a potential entry point. While the piloting of citizen report cards has been rather labour intensive, this tool for assessing the performance of service providers will become easier to use as assessments become regularised and the data can be fed into district information systems (once such systems are established). Other participatory management and monitoring activities include *Mutuelles de Santé* Committees, Parents-Teachers Associations (PTAs), Water Committees and Management Boards in hospitals.

2.68 In addition to this decentralised accountability framework, good governance is further strengthened by on-going improvements in at least two main areas: partnerships between public, private and civil sectors and joint accountability arrangements to monitor and evaluate progress in good governance. Partnerships between public, private and civil sectors follow several ongoing initiatives. At local level these initiatives include the

JADF while, at national level, the Joint Governance Framework has been established to enable improved efficiency in joint planning, resource mobilisation, monitoring and evaluation of governance. The twinning of Rwanda's institutions with institutions in other countries (*jumelage*) has become another area of remarkable progress and will need further strengthening during the course of the EDPRS. Finally, monitoring and evaluation of progress in good governance is done through independent evaluations and Joint Governance Assessments carried out through the Millennium Challenge Corporation (MCC) Threshold Programme and the Joint Governance Framework. In addition, independent think tanks and institutions to conduct regular assessments on governance have been created. These include the Rwanda Governance Advisory Council and the Institute for Strategic Policy Analysis. During the course of the EDPRS, these institutions will require capacity building in order to become fully operational and effective.

2.69 Participation of civil society in designing, implementing and monitoring the PRSP remains to be strengthened. A policy on civil society, partly addressing this issue, has been recently drafted. At national level, several initiatives, such as the Joint Governance Framework, the Millennium Challenge Corporation and the creation of independent think tanks, are underway to improve harmonisation with regard to the assessment of governance in Rwanda. Free political competition and the independence of the media and civil society have been reinforced through several mechanisms including the establishment of a political party forum and of the Rwanda Civil Society Platform. These will also continue serving the promotion of effective partnerships between public, private sector and civil society through, among others, Joint Action Development Forums at local level and twinning programmes.

2.70 Social Protection was not a strategic area identified under the first PRSP, and has suffered from a lack of strategic planning, a consolidated budget and a monitoring framework. Despite this, it is estimated that between 7 and 10% of the national budget has been allocated to social protection related programmes over the period (e.g. funds for genocide survivors, people with disabilities) which specifically target the most vulnerable groups in Rwandan society (Social Protection Public Expenditure Review, 2006). The adoption of a Social Protection Policy at the end of 2005 was an important step, but rapid development of a strategic plan is now needed. Transfers in cash and kind to vulnerable groups should be mapped and resources must be better targeted.

2.71 There has been progress on gender equality, as indicated by both girls' primary school enrolments and women's representation in parliament, where Rwanda has the highest proportion of female parliamentarians in the world (49%). However, much remains to be done. Much violence against women, such as rape and domestic assault, goes unreported and hence unpunished. And there remain problems with the Land Law: women who are not legally married have no legal entitlement to their husband's land. Efforts by local communities with regard to encouraging couples to legalise their marriages are yielding fruits through group marriage ceremonies. The pending Violence against Women Law will need support for its implementation, particularly local mechanisms to protect women who report their husbands.

2.72 At the regional level, Rwanda participated in the negotiation and implementation of peace agreements. The country also played a commendable role in the international conference on the Great Lakes Region, and contributed to African Union and United Nations peace-keeping missions. This has led to improved peace, security and stability in the region, while also improving the image of Rwanda. These gains need to be consolidated in order to create an enabling regional and international environment for the implementation of the EDPRS.

2.6 Implications for the EDPRS

2.73 Improvements have been seen in a number of important areas. These include a decline in income poverty and improvements in the welfare of some vulnerable groups. Good progress has been made in human development (health and education), but better targeting is required. A higher proportion of people have been able to find jobs outside the Agricultural Sector. However, faster growth in the productive sectors, particularly in agriculture, is still needed. The role of the Private Sector should be better supported with various incentives to boost the economy.

2.74 Lessons from the evaluation of the PRSP (2002-2005) suggest that the principal problems in the Public Sector relate to the implementation of policy. For example, fertiliser needs were identified as a priority and, even though resources existed, targets were not met. Employment creation was also acknowledged as a priority, but was not sufficiently pursued. Sectors knew what to do, but were less clear as to how to do it and tended to work in isolation from each other.

2.75 This review of Rwanda's recent socio-economic performance together with the lessons from the PRSP suggests four priorities for the EDPRS:

- i. **Increase economic growth** by investing in infrastructure; promoting skills development and the Service Sector; mainstreaming Private Sector development and modernising agriculture by introducing improved land administration, land use management practices and adopting techniques to reduce soil erosion and enhance soil fertility.
- ii. **Slow down population growth** through reducing infant mortality; family planning and education outreach programmes, while also improving the quality of health care and schooling, particularly for girls.
- iii. **Tackle extreme poverty** through improved food security and targeted schemes of job creation and social protection. It is particularly urgent to create new employment opportunities for young persons just entering the labour market.
- iv. **Ensure greater efficiency in poverty reduction** through better policy implementation which includes enhanced coordination among sectors and between levels of government; sharper prioritisation of activities; better targeting of services for the poor; widespread mobilisation of the Private Sector; and the more effective use of monitoring and evaluation mechanisms.

3 WHERE DOES RWANDA WANT TO BE IN 2012?

3.1 The purpose of this chapter is to outline the objectives which the country expects to achieve by the end of the five-year EDPRS period. Defining these clear objectives is the first step in the elaboration of a medium term development strategy.

3.2 It is useful to distinguish two sets of policy objectives for Rwanda in 2012. Firstly, there are certain goals which are milestones on a longer journey. These include the Millennium Development Goals (MDGs) which have targets set for 2015, and the objectives of Rwanda Vision 2020 which have targets set for 2020. Given a time path for achieving the MDGs, there will be an implicit set of targets for 2012. However, since the EDPRS is a mechanism for implementing Rwanda Vision 2020 in the medium term, there is no separate set of targets for Rwanda Vision 2020 in 2012. Secondly, there are the EDPRS goals themselves which constitute a destination in 2012. These goals include targets which differ from those of Rwanda Vision 2020 and the MDGs.

3.1 Implicit targets for the Millennium Development Goals in 2012

3.3 The GoR has expressed its commitment to achieving the Millennium Development Goals. There are eight MDGs with 18 targets and 49 proposed indicators¹⁶. Most of the targets are set for 2015 against a baseline of data gathered in 1990.

3.4 The MDGs fall into four groups. The first group includes targets defined as common levels of performance across all countries by 2015. This is the case for Goal 2 which refers to the achievement of universal primary education for boys and girls, and Goal 3 which is concerned with the elimination of gender disparities in education. The second group is composed of targets defined as common proportional reductions in deprivation between 1990 and 2015 across all countries. These include halving the headcount ratio of the consumption-poor (Goal 1), reducing the under-five mortality rate by two-thirds (Goal 4) and improving maternal health (Goal 5). The third group contains targets defined as halting and reversing trends. Attaining the targets of Goal 6 involves halting and reversing the spread of HIV, malaria and tuberculosis by 2015. The fourth group is made up of qualitative targets which relate to Goal 7. These are not targets in a technical sense, in that they do not specify particular values which indicators should take by a specific date.

3.5 Rwanda's targets for the MDGs in 2015 are shown in Table 3.1 together with the implied targets for 2012¹⁷. Projections for MDG target indicators in 2012 are also given with each indicator colour coded according to the likelihood of the implied target for 2012 being reached.

¹⁶ The eighth MDG refers to the obligations of donor partners and is omitted from this chapter.

¹⁷ Assuming a linear time path from the base year to 2015.

Table 3.1 Progress against Rwanda Vision 2020 targets and Millennium Development Goals

MDG Area	Vision 2020 and MDG Indicators	Baseline 1990	Baseline 2000	2006/7	Vision 2020 Targets		Progress to Vision 2020 Targets	MDG Targets			Progress to MDG Targets
					Target 2010	Target 2020		Target 2015a/	Benchmark 2012	Proj. 2012	
MDG 1: Eradicate extreme poverty and hunger	GDP per capita in US dollars		200	272	400	900	Red				
	Average real GDP growth rate (%)		8.1	6.5	8.0	8.0	Yellow				
	Average real growth rate of the Agricultural Sector (%)		7.0	4.4	8.0	6.0	Red				
	Average real growth rate of the Industry Sector (%)		2.0	8.0	9.0	12.0	Green				
	Average real growth rate of the Service Sector (%)		11.0	7.4	9.0	11.0	Green				
	National savings (% of GDP)		0.5	-1.3	4	6	Red				
	National investment (% of GDP)		13.6	15	23	30	Green				
	Non-agricultural jobs (thousands)		200	419	1,000	2,500	Red				
	Poverty (% below national poverty line)		60.4	56.9	40	30		30.2	34.7	52.3	Red
	Child malnutrition (% of under-5s stunted)	48 b/	43	45				24.5	27.2	69.8	Red
	Child malnutrition (% of under-5s wasted)	4 b/	7	4				2	2.5	0.4	Green
	Child malnutrition (% of under-5s underweight)	29 b/	24	23	20	10		14.5	16.3	14.0	Green
	Availability of proteins per person per day (% of needs)		44		55	65		22			Yellow
	Gini Coefficient of		0.47	0.51	0.40	0.35	Red				

MDG Area	Vision 2020 and MDG Indicators	Baseline 1990	Baseline 2000	2006/7	Vision 2020 Targets		Progress to Vision 2020 Targets	MDG Targets			Progress to MDG Targets
					Target 2010	Target 2020		Target 2015a/	Benchmark 2012	Proj. 2012	
	consumption disparity										
	Road network (km/km2)		0.54		0.56	0.6	Yellow				
	Access to electric energy (% of population)		2.0	4.3	25	35	Red				
	Annual electricity consumption (Kwh/inhabitants)		30		60	100	Yellow				
	Urban population (% of total population)		10	17	20	30	Green				
	Agricultural production (kcal/person/day)			1,878	2,000	2,200	Yellow				
	Agricultural population (% of active population)		90	80	75	50	Green				
	Use of fertilisers (Kg/hectare/ year)		1.5		8	15	Yellow				
	Use of chemical or organic fertilisers (% of households)		6	16	20	50	Green				
	Financial credits to the Agricultural Sector (%)		1.0	1.9	15	20	Red				
MDG 2 Achieve universal primary education	Literacy level (%)		71	74	80	100	Green				
	Literacy level (% of 15 - 24 year olds)		74	77		100					Yellow
	Primary school net enrolment (%)		72	90	100	100		100	94	100	Green
	Primary school completion rate (%)		22	52	100	100		100	74	100	Green
	Secondary school gross enrolment (%)		4	18 ^{g/}	40	60	Red				
	Rate of qualification of		43	52	100	100	Red				

MDG Area	Vision 2020 and MDG Indicators	Baseline 1990	Baseline 2000	2006/7	Vision 2020 Targets		Progress to Vision 2020 Targets	MDG Targets			Progress to MDG Targets
					Target 2010	Target 2020		Target 2015a/	Benchmark 2012	Proj. 2012	
	secondary school teachers (%)										
	Vocational training centres (number)		7	54	50	106	Green				
	Admission in tertiary education (gross enrolment) (%)			3.2	4.0	6.0	Yellow				
MDG 3 Promote gender equality	Gender gap in literacy (%)		10.0	0.2	0	0		0	0	0	Green
	Gender gap in primary education (%)		0.0	0.0	0	0		0	0	0	Green
	Gender gap in secondary education (%)		2	12	0	0		0	0	22	Green
	Females in tertiary education (percent)		20	39	40	50	Green				
	Females in decision-making positions (%)		10	47.5	30	40	Green				
	Seats held by females in parliament (% of seats)				48.8		50		50	50	50
MDG 4 Reduce child mortality	Life expectancy (years)		49	51	50	55	Green				
	Children immunised against measles (% of 11-23 month-old)			85.6 e/		100					Green
MDG 5 Improve maternal health	Under 5 mortality rate (per 1,000 births)	151 b/	196	152 e/	80	50		50	66	106	Red
	Infant mortality rate (per 1,000 births)	85 b/	107	86 e/	80	50		28	37	63	Red
	Maternal mortality rate (per 100,000 births)		1,071	750 e/	600	200		268	353	455	Green
MDG 6 Combat AIDS,	Births attended by skilled health personnel (% of births)			39 e/		100					Yellow

MDG Area	Vision 2020 and MDG Indicators	Baseline 1990	Baseline 2000	2006/7	Vision 2020 Targets		Progress to Vision 2020 Targets	MDG Targets			Progress to MDG Targets
					Target 2010	Target 2020		Target 2015a/	Benchmark 2012	Proj. 2012	
malaria and other diseases	Population in a good hygienic condition (%)		20		40	60	Yellow				
	HIV prevalence (% 15 - 49 year)		13f/	3	11	5					Green
	Modern contraception prevalence (% 15 -49 year-old women)	13	4	10							Yellow
	Malaria-related mortality (%)		51	26	30	25					Green
	Doctors (per 100,000 inhabitants)		1.5	3	5	10	Green				
	Nurses (per 100,000 inhabitants)		16	22	18	20	Green				
	Laboratory technicians (per 100,000 inhabitants)		2	9	5	5	Green				
MDG7 Ensure environmental sustainability	Access to safe/clear water (%)		64	64	80	100		82			Yellow
	Land protection against soil erosion (%)		20		80	100	Yellow				
	Land tenure security achieved (% of land parcels with land titles)			1	10	60		30			Yellow
	Land area covered by forest			20		30					Yellow
	Wood energy in energy consumption (%)		94		50	50	Yellow				
	Rwandan population (million)		7.7	9.1	10.0	13.0	Red				
	Population growth rate (percent)		2.9	2.6	2.4	2.0	Yellow				
	Total fertility rate (children per woman)		5.8	6.1	5.5	3.9	Red				

MDG Area	Vision 2020 and MDG Indicators	Baseline 1990	Baseline 2000	2006/7	Vision 2020 Targets		Progress to Vision 2020 Targets	MDG Targets			Progress to MDG Targets
					Target 2010	Target 2020		Target 2015a/	Benchmark 2012	Proj. 2012	
	Urban population (% of total population)		10	17	20	30	Green				

Notes

* MDG benchmark 2012 records progress required to be on-track to realise 2015 MDG targets.

** Projection 2012 based on the extrapolation of progress recorded between 2000 and 2007 on each indicator.

a/ Targets use 2000 data as base unless earlier figures exist. Projections based on compound growth over 2000-2005.

b/ 1992

c/ 1996

d/ 2001

e/ 2005

f/ This figure represented HIV prevalence rate in reference hospitals. It was used indicatively as the national prevalence rate in the absence of a more accurate data from a national survey. The national survey conducted in 2005 (DHS+) gives a national prevalence rate of 3%. Caution should be taken when comparing the two figures.

g/ Data from MINEDUC administrative records. EICV results record 10% net enrolment in secondary education in 2005/06.

Shading key for indicators:  = Rwanda Vision 2020 indicator  = MDG indicator  = Vision 2020 and MDG indicator

Colour key for progress: green indicates that progress is on track, red signifies off track, and yellow means it is too early to tell.

3.6 Table 3.1 indicates that Rwanda has already achieved certain of the MDGs, such as gender equality in primary school enrolment and reducing HIV prevalence, while the country is on track to attaining several other MDG targets, such as preventing the rise of malaria incidence. However, the targets for reducing consumption poverty, under-5 mortality rates and stunting due to child malnutrition look extremely challenging.

3.2 *Targets for Rwanda Vision 2020*

3.7 Rwanda's progress towards the targets of Vision 2020 shows a similarly mixed picture to that of the MDGs (see Table 3.1). The country is on track for several indicators. These include the aggregate investment rate, the growth of industry and services, the growth of the urban population, the use of chemical and organic fertilisers, literacy, life expectancy, and gender equality in tertiary education and in parliamentary representation.

3.8 However, performance has been much weaker in some other areas. Per capita income has not risen as fast as expected, and the 2020 target of US\$900 now seems out of reach. The national savings rate has fallen since 2000 and the number of non-agricultural jobs is less than half the target for 2010. Economic inequality has not decreased, and while secondary school enrolment has risen, it has reached only 25% of the 2010 target.

3.9 Given the high priority assigned by Rwanda Vision 2020 to the development of the ICT Sector, it is a matter of concern that not only were there no more professional and technical training centres in 2006 than in 2000, but that several of the existing centres are not adequately equipped and fully operational. The admission rate to tertiary education is also well below that required to create the knowledge base needed to accelerate the growth of a skill-intensive Services Sector. Of greatest concern, is the rise in the total fertility rate which implies that population growth is higher than planned.

3.3 *Targets for the EDPRS in 2012*

3.10 This review of the MDG and Rwanda Vision 2020 targets provides a context for presenting the EDPRS targets for 2012. They were set following extensive consultation with the sectors and those working on cross-cutting issues. A public expenditure scenario has been identified for the EDPRS and a corresponding set of targets identified for each sector. In the EDPRS, total nominal government expenditure is assumed to grow at 9.0% per annum between 2008 and 2012. Furthermore, the pattern of public spending will change in 2008 to benefit those sectors and sub-sectors most closely linked to the EDPRS priorities of accelerating skill-driven growth and increasing employment.

3.11 At the sector level, the main beneficiaries are education (19.8% of the total budget), health (9.2%), transport and ICT (7.2%), agriculture (6.9%), energy (6.1%) and water and sanitation (4.3%). A comparison between the sector shares is given in Chapter 6 (see Table 6.2).

3.3.1 Accelerate growth and poverty reduction

3.12 The annual GDP growth rate is planned to rise from 6.5% to 8.1% by 2012 (see Table 3.2). The exports growth is scheduled to increase at 15% per annum compared to their current rate of 10%. This accelerated pace of growth will be made possible through a large increase in the investment rate which will rise from 15% of GDP to 23% by 2012. Off-farm employment will increase to 30% by 2012 (as 20% of the population reported non-agriculture as their main occupation in the EICV2 survey). This will require creation of approximately 600,000 new non-farm jobs by 2012 (out of a total of approximately 1,000,000 new jobs in the economy as a whole) over 2008-12. The effect of this big push will be to reduce the share of the population living in poverty from 57% to 46%, while the proportion of those living in extreme poverty will fall from 37% to 24%. The share of female-headed household members living in poverty will similarly decline from 60% to 48% by 2012.

3.3.2 Widen and strengthen the Financial Sector

3.13 In order to raise the investment rate by nearly 60% over five years, it will be necessary to widen and strengthen the Financial Sector in Rwanda. To this end, Private Sector credit (excluding UBPR and microfinance) is planned to expand from 10% of GDP in 2007 to 15% in 2012. At the same time, broad money as a share of GDP, which measures financial depth, is scheduled to rise from 20% to 22.5%.

3.3.3 Develop skills for a knowledge-based society

3.14 In order for Rwanda to achieve the structural economic change implied by the targets of Vision 2020, the country must develop a wide range of skills among the labour force in a relatively short space of time. The current adult literacy rate is 65% of the total population aged over 15 years (72% for males and 60% for females), up from 52% in 2000/01. The GoR commits to increasing literacy to 85% among men and 80% among women by 2012. In primary education, the average number of pupils per teacher and per classroom is scheduled to fall from 70:1 to about 50:1 between 2006 and 2012. This will help to reduce the rate of double-shifting. The pupil classroom ratio is also planned to fall to around 50:1 by 2012. This should improve the learning environment in primary schools which in turn will allow the completion rate to double from 52% in 2006 to 100% in 2012. Improving educational outcomes at the primary level is a high priority, and the target is that the proportion of pupils who pass the final (year 6) exam with a pass mark of above 50% will rise from 8.9% in 2006 to 20% in 2012.

3.15 At secondary level, the endorsed education plan targets a more gradual approach to gross enrolments, with an interim target for 2012 set at 30% for boys and girls (and 60% for 2020), while also ensuring that a higher proportion of those who enrol finish this cycle of their education. The completion rate for the *tronc commun* is intended to double from 20% to 40%, while that for upper secondary is planned to rise from 11% to 16%. These improvements in the coverage and quality of primary and secondary schooling should increase the employability of young persons entering the labour market

without any further educational qualifications. The Teacher Development and Management Policy will be critical to guide the targets for supply of qualified teachers.

3.16 The gross enrolment rate in higher education is due to increase from 3.2% to 4.5%, while quality will be enhanced by ensuring that the proportion of teachers with appropriate qualifications in higher education rises from less than 20% to 30%.

3.17 Expanding access to Technical and Vocational Education and Training (TVET) and ensuring existing centres are adequately equipped are of strategic importance if Rwanda is to become the ICT hub of the region. Vocational training will be restructured to provide the appropriate instruments to achieve this. From the current graduate output level of 8,250 from vocational training institutions, the total number of graduates will reach 135,000 by 2012. In order to do this, instructors will be re-trained and new ones trained increasing their number to 300. Five regional vocational training centres will be established to coordinate training activities in their respective geographical jurisdiction.

3.3.4 Promote science, technology and innovation for economic growth

3.18 Rwanda will have difficulty achieving either its poverty reduction or wealth creation objectives unless it embarks on a concerted effort to build science, technology and innovation capacity. It is intended that, by 2012, 50% of primary school children will have access to one laptop per child, 100% of primary schools will be equipped with a science corner which will promote fundamental information about science, and 70% of secondary schools will have science laboratories to provide high quality, practical Science and Technology education.

3.19 In higher education the number of students enrolled in sciences is planned to increase from 21% to 30%. The proportion of females enrolled is intended to increase to 40% by 2012. The number of Masters programmes in Science will increase from 80 student places per year to 200 by 2012, post-doctoral training for Ph.D. holders to 100 per year and a regional scholarship programme will be established for training 500 students in Rwanda from the countries involved in the Confederation of East and Central African Football Associations (CECAFA) region. Research units in higher learning institutions will be reinforced with six Centres of Excellence in Science and Technology established in the six public institutions. Overall the number of scientists, engineers and researchers will have increased to 25 per 10,000 people.

3.3.5 Raise agricultural productivity and ensure food security

3.20 Agriculture accounts for over one-third of GDP, but its average annual growth rate of 4.8% in 2001-2006 was only half that registered in 1996-2000 (9.5%). Thus, it is essential to increase agricultural productivity to ensure that Rwanda meets its growth target. To this end, it is planned that the area to be protected against soil erosion will rise from 40% of the agricultural land area in 2006 to 100% in 2012. The area under irrigation will increase from 15,000 to 24,000 hectares, and of this, the hillside area irrigated will expand from 130 hectares to 1,100 hectares. The area of reclaimed marshland will

increase from 11,105 to 31,105 hectares. Agricultural intensification will be promoted with regard to both crop and livestock production. It is intended that the proportion of rural households with livestock will rise from 71% to 85% and the main epidemic animal diseases will be eradicated (foot and mouth, contagious bovine pleuropneumonia and lampuskin diseases) or controlled (blackquarter, tuberculosis and brucellosis). Under the one cow programme, 501,572 households will be reached by 2012 from 3,500 households in 2006. The application of inorganic mineral fertiliser will increase from 11% to 40%, and the use of improved seed will rise from 24% to 37%.

3.21 Basic food crop production is scheduled to rise by 15% over the EDPRS period, while average energy intake will increase from 1,734 kcals to 2,100 kcals per person/day. The number of farm households per extensionist is planned to fall from 3,000 to 2,550 and the number of farmer associations transformed into cooperatives will rise from 1,105 to 2,242. Research for development will generate at least 10 rural technologies and community innovation centres. The number of farmers receiving agricultural credit per project will increase from 5,454 to 6,000, while total agricultural credit will rise from 3% to 7% of all credit by 2012.

3.22 Rwanda's adoption of an export-oriented growth strategy has implications for the Agricultural Sector which will seek to increase the unit value of agricultural exports by improving quality and by producing new exportable products. The proportion of tea graded as high quality will rise from 70% to 75%, while the proportion of fully washed coffee production will increase from 10% to 100%. The export of blue-wet hides and skins will expand from 3,183 tonnes (the figure in 2005) to 4,200 tonnes in 2012. The fraction of horticulture production exported will rise from 0.15% to 1.6%, while the area under sericulture will increase from 15 hectares to 3,000 hectares. The number of farmers and farmers' cooperatives specialising in priority commodity chains will treble from one to three per district and post-harvest infrastructure at national level will be increased as follows: modern markets (from 25 to 45), modern abattoirs (from 1 to 2), storage capacity (from 100 to 670 units), agro-processing units (from 121 to 205) and cold storage units (from 1 to 7). The number of established research centers will increase from five to eight by 2012. The Rwanda Research Council will be established and the number of researchers and technicians will respectively increase from 102 to 150 and from 65 to 300 by 2012. The budget execution rate of the Ministry of Agriculture (MINAGRI) will rise from 90% to 96%.

3.3.6 Raise the contribution of manufacturing and services to economic development for sustainable growth

3.23 Existing manufacturing activities need to be revitalised by strengthening the drivers of productivity, which are managerial efficiency, worker skills and the technological level of production machinery. This will be achieved through the promotion of Business Development Services.

3.24 Mining is an increasingly important source of export revenue for Rwanda. The targets in mining are to increase mineral exports by 250% from \$US 38 million in 2005 to

\$US 106 million by 2012, and increase employment from 25,000 to 37,000 of which 20-30% should be women. Rwanda's Hides & Skins Industry is expected to multiply its exports receipts six times, reaching \$12.6 million by 2012. Horticulture has also been identified as a priority export industry, as Rwanda is blessed with the natural climatic conditions necessary to win in horticulture. Cumulative export receipts are forecasted for \$25 million by 2010.

3.25 The case of tourism offers a model for the rest of the economy. Starting from a base of less than US \$5 million in 2002, Rwanda's Tourism Sector is expected to reach US \$100 million in revenues by 2012, representing a compounded annual growth rate of over 40%¹⁸. An estimated cumulative 280,000 jobs will be created in the process.

3.3.7 Manage the environment and ensure optimal utilisation of natural resources

3.26 There are several environmental targets in the EDPRS. Five critically degraded ecosystems will be mapped, assessed and rehabilitated from the current 50% to 80% in 2012 as part of the Integrated Management of Critical Ecosystems (IMCE) project. Rehabilitated ecosystems will contribute to an increase in hydro-electric power generation as in the case of the Ntaruka station which is presently operating below capacity due to a drastic decline in water levels within the Rugezi wetland. Restored wetlands will provide water for irrigation, and both wetlands and protected forest areas, such as Nyungwe, will promote income generation from tourism. Moreover, a land use and management master plan will be developed by 2008.

3.27 It is planned to increase the proportion of protected areas for biodiversity preservation from 8% to 10% in 2012. Forest and agro-forest coverage is scheduled to increase from 20% to 23% of total surface land area, and annual wood consumption is due to be reduced by 30% from the 2002 figure. Soil erosion and soil fertility decline will be reduced by 24% over the EDPRS period. In mining, the targets are to increase mineral exports by 250% and increase employment from 25,000 to 37,000 of which 20-30% of those employed should be women.

3.3.8 Build economic infrastructure

3.28 Infrastructure consists of five sub-sectors: transport, energy, habitat, ICT and meteorology. In the transport sub-sector, the Ministry of Infrastructure (MININFRA) plans to have trained 100 staff and to have started at least five major projects by 2012. The classified road network will be rehabilitated and maintained during the EDPRS, so that 31% of the network is in good condition by 2012 and 75% of district roads rehabilitated. In the energy sub-sector, 200,000 households will have access to electricity by 2012 compared to 70,000 households at present, and it is planned that power will be supplied to 300 administrative centres and service delivery points, 1,000 schools, and 180 health centres. The total capacity will increase from the present 45MW to 130MW by

¹⁸ "Rwanda Tourism Economic Impact Model", ORTPN, June 2002.

2012 mainly through the generation of 50MW more of hydro-electric power, while Lake Kivu methane gas reserves will come on stream and generate 25MW of energy. The electricity coverage of institutions providing social and administrative services will rise from 50% to 80% (1,000 primary schools, 180 health centres, and 300 office sectors). The government will create an enabling environment that can support companies servicing the Energy Sector and will train 300 professionals to ensure that the new generating capacity is adequately maintained.

3.29 In the area of habitat and public assets management, emphasis will be put on the planning and development of improved rural and urban human settlements consistent with the contemplated sustainable land use and environment protection schemes. Eleven city master plans will be prepared (making thirteen in total) by 2012. 5,700 *imidugudu* sites will be constructed, in addition to the existing 5,486, and 10,000 hectares of land provided with services for housing. Seven districts with the worst living conditions will be restructured and their inhabitants relocated to better houses endowed with basic services. Government institutions will be provided with adequate accommodation, in alignment with the need for delivering quick and high quality services.

3.30 In the ICT sub-sector, 300 telecentres for the whole country are scheduled and it is planned that telecommunications access costs will fall from *RWF* 120 to *RWF* 60 per minute. As a result, it is intended that access to communications services will rise from 4% to 12% by 2012. In the meteorology sub-sector, the number of functioning weather stations will be increased from 4 to 150, so that by 2012, reliable weather forecasting is available to the whole country. In addition, capacity-building of meteorologists will be enhanced so that they will be able to provide meteorological services in support of sustainable development. In this respect, MININFRA plans to have 75 well trained meteorological personnel.

3.3.9 Improve health status and slow down population growth

3.31 Several targets of the Health Sector, such as reducing infant and maternal mortality, are covered by the MDGs or Rwanda Vision 2020. This section describes a summary set of additional EDPRS targets drawn from the Health Sector logframe which are not included in Tables 3.1 or 3.2. Between 2008 and 2012, at the level of health outcomes, it is planned to reduce the total fertility rate from 6.1 to 4.5 children per woman, and to reduce HIV incidence among 15-24 year old men and women from 1% to 0.5%. The incidence of chronic malnutrition (stunting) among the under-fives is planned to fall from 45% to 35%, while the prevalence of anaemia among women aged 15- 49 is scheduled to decrease from 33% to 20%.

3.32 It is planned that the percentage of the population living within one hour of a functioning health centre will rise from 58% to 70%, and the proportion of health centres and hospitals equipped to provide a comprehensive preventive and curative health care package covering family planning, nutrition and infectious diseases will increase from 45% to 70%. The proportion of children sleeping under insecticide treated bed nets (ITNs) is planned to rise from 16% to 90%, while the corresponding proportion for

pregnant women will increase from 20% to 90%. Chemioprophylaxis coverage of pregnant women will rise from 6% to 94%.

3.33 The detection rate of TB should increase from 45% to 65%, while the rate for those tested for HIV should rise from 60% to over 95%. The success rate for the treatment of TB cases registered under Directly Observed Treatment Short Course (DOTS) should increase from 83% to 95%, while the success rate for treating multi-drug resistant-TB (MDR-TB) will rise from 60% to 70%.

3.34 As regards AIDS, the number of health centres with integrated VCT and prevention of mother to child transmission of HIV (PMTCT) will rise from 234 to 433, while the proportion of women accessing PMTCT programmes should increase from 28% to 50%. The targets for antiretroviral combination therapy coverage for those with advanced HIV infection will rise from 55% to 80% for women, from 50% to 75% for men, and from 30% to 70% for children.

3.35 Child health will be improved by increasing the proportion of health facilities implementing community Integrated Management of Neonatal and Childhood Illnesses (IMNCI) programmes from 0 to 50% by 2012. Full immunisation coverage among children will increase from 61% to 85%.

3.36 Maternal health will be enhanced by increasing the proportion of pregnant women who make at least four antenatal visits from 13% to 50%, while also ensuring that the percentage of deliveries which take place in health centres rises from 28% to 75%. The proportion of midwives assigned to rural areas will increase from 17% to 55%. The main family planning target is to increase the proportion of women in the 15-49 age group who use modern contraception; the target is planned to increase from 10% to 70%.

3.37 As for nutrition, the proportion of under-fives with anaemia is planned to fall from 56% to 35%, while the corresponding proportion for those underweight is scheduled to decline from 23% to 14%. The percentage of women who are undernourished according to the Body Mass Index, i.e. BMI<18.5, should fall from 20% to 13%. Environmental health and domestic hygiene will be improved by reducing the proportion of households without access to safe drinking water from 19.5% to 5%, and the proportion without latrines from 5% to 0%.

3.38 In order to achieve these targets, institutional capacity must be strengthened and staffing levels increased at several levels. The proportion of health facilities which meet minimum staffing and equipment norms will rise from 30% to 75%. The number of doctors per head of population is planned to increase from 1 in 50,000 to 1 in 20,000 by 2012. All these targets assume that the share of health and health-related spending in total public expenditure rises from 12% to 15% as per the Abuja Declaration and that per capita public health spending increases from US\$11 to US\$20 by 2012.

3.3.10 Improve water resources management and access to safe drinking water and sanitation

3.39 A high priority of the EDPRS is to ensure sustainable and integrated water resources management and development (IWRM&D) for multipurpose use (energy production, irrigation, navigability). To this end, capacity will be developed and institutions will be built at national and trans-boundary levels, pilot sub-basin committees and Local Water Associations (LWAs) will be established in the Nyaborongo and Muvumba Basins, while IWRM&D governance and investment plans will be put in place for the entire country by 2012. Underground and surface water master plans will also be implemented.

3.40 In Chapter 2, it was shown from the EICV2 data that, although the numbers of people benefiting from access to safe water had increased, there had been no change in the proportion of households having access to safe water between 2000 and 2005 (64%), and nor was there any reduction in the average distance a household had to travel to fetch safe water (0.5 km). During the EDPRS period, the sector aims to increase the proportion of the population accessing safe water from 64% to 86%, and the proportion with sanitation services from 38% to 65%. It is also planned to increase the proportion of the rural population living within 500m of an improved water source from 64% to 85%, and to raise the proportion of the urban population residing within 200m of an improved water source from 69% to 100%. The number of boreholes with hand pumps which will be constructed or rehabilitated will rise from 120 to 350. As regards sanitation, the sector plans that the proportion of schools with latrines complying with health norms will rise from 10% to 80%, and that the corresponding proportion for rural households will increase from 38% to 65%. To achieve these goals, the sector estimates that its share of public spending must rise from 5.4% to 7%.

3.3.11 Integrate and extend social protection

3.41 The sector plans to extend coverage of vulnerable persons by social safety nets from 12% to 20%, and to ensure that 75% of stakeholders perceive these safety nets as successful. It is planned that 38% of vulnerable people graduating from livelihood enhancement schemes achieve economic independence, and that 80% of stakeholders consider the schemes successful.

3.42 With regard to social insurance, it is planned that the entire target group among the employed and self-employed is covered by the *mutuelles de santé*, while 15% of the remaining population is included in other insurance schemes. The proportion of districts which undertake capacity-building in social protection should rise from 30% to 85%, while the corresponding proportion among sectors will increase from 20% to 85%.

3.43 Coordination among the different public and private agencies implementing social protection programmes will be enhanced by requiring all districts to supply evidence of consultation and harmonisation among social protection providers in their District Development Plans (DDP) by 2012. Further targets include having 55% of

sectors with at least two programmes for vulnerable groups managed and funded by community-based organisations (CBOs), non-governmental organisations (NGOs) and the Private Sector. Stakeholder satisfaction is included by requiring that at least 75% of stakeholders report that advocacy has led to a strengthening of laws to protect the rights of vulnerable groups.

3.44 With regard to monitoring and evaluation, it is planned that MIS should be regularly used to support social protection policy-making and implementation in 100% of the departments of the Ministry of Local Government, Community Development and Social Affairs (MINALOC), districts and sectors. Furthermore, 90% of civil society organisations should be regularly evaluating their own and MINALOC's social protection activities by that date.

3.3.12 Promote decentralisation, citizen participation and empowerment, transparency and accountability

3.45 Implementation of the EDPRS will occur largely at local level, so the targets set for decentralisation, citizen participation and empowerment, transparency and accountability are of particular significance. In contrast with most other sectors, many of these targets are defined with respect to citizens' opinions. Thus, it is intended that by 2012, 100% of survey respondents will understand the policy of decentralisation, express satisfaction and confidence in decentralised governance, and believe that the government is accountable and responsive to people's needs. In addition, 95% of interviewees should report that the level of corruption and fraud is low or non-existent, 90% should believe that elections are free and fair, 80% should be satisfied with their participation in decision-making, 75% should express trust and confidence in government and 75% should believe that the media is free and independent. It is also expected that Rwanda's position in international rankings of governance indicators, such as those used by the World Bank's *Governance Matters* and Transparency International's *Corruption Perceptions Index*, will have improved.

3.46 By 2012, all national laws, by-laws and regulations are expected to conform fully to the decentralisation policy and to the principles of good governance, while virtually everyone (95%) should be satisfied with service delivery and local development. At this date, 80% of districts should be achieving a minimum of 80% of their service delivery and sustainable local development targets, while 75% of districts are expected to meet set benchmarks for mainstreaming cross-cutting issues, such as AIDS, gender, environment and social inclusion, in their planning and budgeting.

3.47 Resource mobilisation by local government to fund capital projects is encouraged by several targets. By 2012, 70% of districts are expected to allocate at least 30% of their spending to the development budget, while 50% of districts should fund half of their spending from locally mobilised resources.

3.48 Local autonomy is to be preserved by setting a target for 2012 that all districts should be able to report low or null levels of interference by central government in

previously agreed DDPs and the MTEF unless there are exceptional circumstances or opportunities. By the same date, the share of line ministry spending on service delivery which is decentralised to local government should have risen from 50% to 80%, while from 2008 resources allocated via the CDF should increase by an increment of 10% of the previous year's domestic revenue.

3.49 Women's representation on local government councils should rise from 42% to 50%, while voter turn-out should increase from 89% to 95%. Participation in *umuganda* activities should rise by 50% as should the revenues generated by these activities.

3.50 With regard to public financial management, it is expected that by 2012 the proportion of districts and sectors with mechanisms in place for public reporting on their financial performance will have increased from 30% to 75%, while the corresponding figures for those reporting on their service delivery and sectoral activities will rise from 60% to 100%. By this date, the proportion of local government entities meeting a basic level of compliance with standard financial management rules, regulations and practices will have doubled from 50% to 100%.

3.51 Accountability will rise as by 2012, 80% of districts will be using performance contracts, citizen report cards and community score cards. Furthermore, the proportion of civil society organisations satisfied with the legal framework and their regulatory environment is due to increase from 60% to 80%, while the corresponding percentages of CSOs satisfied with their level of involvement in socio-economic development is planned to increase from 50% to 75%.

3.52 By 2012, all district, sector, cell and *umudugudu* leaders will have been trained on unity and reconciliation and will have mainstreamed it in their performance contracts. At this date, 10 MINALOC officials and 30 district officers will have been trained in the collection, analysis and dissemination of information from a variety of local sources. Socio-economic surveys will be conducted every two years in all districts to track progress in meeting performance targets and contracts (*imihigo*).

3.3.13 Promote vibrant and professional public and private media to enhance citizens' voice and dissemination of public information

3.53 The emergence of an independent press and media will be encouraged by increasing the number of journalists acquiring diplomas and certificates each year from 75 to 150, increasing the number of training seminars for journalists in ethics from 4 to 20 per annum, increasing the number of community radio stations from 3 to 10, and increasing the number of regional information centres from 13 to 30. The proportion of local leaders in charge of information at cell and village (*umudugudu*) levels to be trained annually will rise from 20% to 80%.

3.54 The strengthening of media institutions by putting in place one media centre in each district will facilitate open access to information on public affairs, decisions and opportunities, and facilitate campaigning for changes to legislation. Modern equipment

for journalistic work and media monitoring will be acquired. In addition, the use of ICT in media enterprises is planned to increase from 30% to 80% and the number of media clubs in secondary schools will increase from 120 to 360.

3.3.14 Support youth to participate in economic and social development

3.55 There is a lack of baseline data for target setting with regard to youth and it is likely that targets will be set based on expectations rather than information. There is also no clear picture of the number of support groups and institutions for sport, youth and culture or the effectiveness of the role they play. A baseline survey is urgently required to establish the priorities of youths, the range and effectiveness of current support systems and the degree of youth participation. This will be crucial for both the implementation and monitoring and evaluation processes to ensure resources are appropriately targeted. With regards to HIV/AIDS, the sector will focus on implementing HIV programmes to increase the condom utilisation rate among 15-24 year olds from 25% to 30% for females and from 39% to 45% for males.

Table 3.2 Targets for the EDPRS in 2012)

Priority area	Indicator	Baseline 2006	Target 2012
Growth and poverty reduction	Real GDP growth (% annual)	6.5	8.1
	Export growth (% annual)	10	15
	National investment (% of GDP)	16.3	24.4
	Share of population living in poverty (%)	57	46
	Share of population living in extreme poverty (%)	37	24
	Poverty incidence among people living in female-headed households (%)	60	48
	Employment in agriculture (% reporting as main occupation)	80	70
Widen and strengthen the Financial Sector	Private Sector credit (% of GDP)	10	15
	Financial depth (broad money/GDP)	20	22.5
Develop skills	Pupil/teacher ratio in primary schools	70:1	47:1
	Pupils/classroom in primary schools	70:1	52:1
	Gross secondary school enrolment	10	30
Raise agricultural productivity and ensure food security	% of agricultural land protected against soil erosion	40	100
	Area under irrigation (hectares)	15,000	24,000
	Use of mineral fertiliser (kgs/ha)	11	40
	Rural households with livestock (%)	71	85
Improve environmental management	Forestry coverage (%)	20	23.5

	Reduction in annual wood consumption (million cubic metres)	8.9	6.2
	Critically degraded ecosystems mapped, assessed and rehabilitated (%)	50	80
Build infrastructure	Households with access to electricity (number of households)	70,000	200,000
	Electricity generation (off/on grid, MW)	45	130
	Classified Road road network in good condition (%)	11	31
	ICT composite network coverage (%)	75	100
Improve health status and reduce slow down population growth	Infant mortality (deaths per 1,000 live births)	86	70
	Maternal mortality (deaths per 100,000 live births)	750	600
	Population covered by health insurance schemes (%)	70	95
	Women aged 15-45 using modern contraceptive techniques (%)	10	70
	Incidence of HIV among 15-24 year olds (%)	1	0.5
	Total Fertility Rate (children per woman)	6.1	4.5
Increase access to safe drinking water and sanitation	Access to safe drinking water (% of population)	64	86
Strengthen governance, security and the rule of law	Share of population expressing satisfaction/confidence in decentralised governance (%)	85	100

4 WHAT DOES RWANDA DO TO GET THERE?

4.1 This chapter describes the three flagship programmes of the EDPRS (i.e. Growth for Jobs and Exports, Vision 2020 *Umurenge* and Governance) to show how they are related to underlying policy priorities. This is followed by a review of other important cross-sectoral actions and programmes to achieve the EDPRS targets. All cross-cutting issues on gender, HIV/AIDS, the environment and social inclusion have been integrated into the sector reviews.

4.2 The flagship programmes serve as a means to prioritise actions by the GoR to progress towards the MDGs and Rwanda Vision 2020, facilitate communication, mobilise resources for development, and improve policy implementation through more co-ordinated interventions across sectors. They focus on areas of inter-connected interventions by line ministries and their agencies that are necessary to achieve the national goals of economic development and poverty reduction beyond the narrow ambit of specific sectors. Thus, they provide an opportunity to make a difference compared to the impact of the PRSP which showed the limitations of isolated interventions.

4.3 Taken together, the flagship programmes propose a comprehensive agenda of economic growth favouring the poor, and underpinned by good governance. They also foster synergies between productive and social sectors in the EDPRS. Indeed, productive activities can hardly develop in the absence of a healthy and educated population that involve women and youth, and support for the most vulnerable.

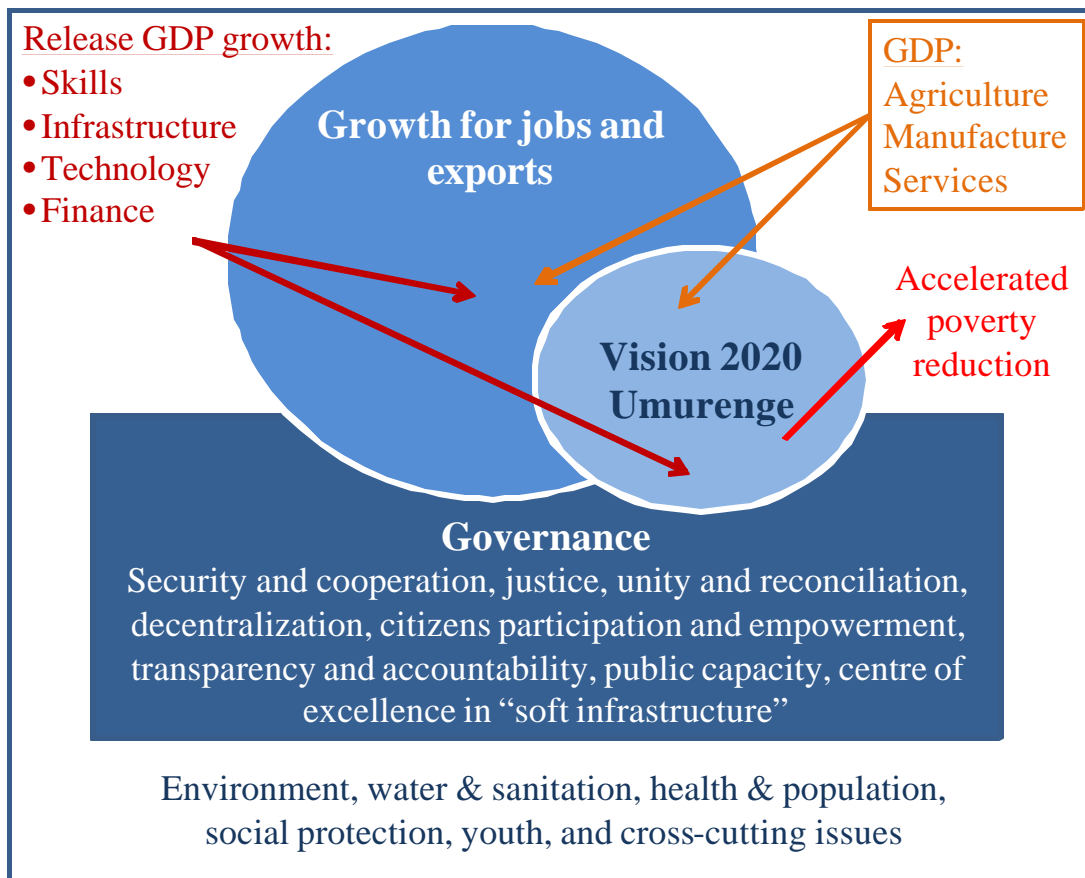
4.4 Not only do the flagship programmes emphasise the cross-sectoral aspects of the nineteen sectors of the EDPRS but also the inter-connectedness of the flagships themselves. For instance, pro-poor growth in the Vision 2020 *Umurenge* Programme (VUP) takes into consideration the obstacles to growth identified in the Growth flagship (i.e. lack of skills, infrastructure, technology and finance) and provides client-based solutions adapted to the circumstances of the poor in rural areas in order to accelerate poverty reduction. Whereas, the VUP focuses on specific geographic areas (i.e. pilot *imirenge*), both the Growth and Governance flagships, as well as other important cross-sectoral actions and programmes (i.e. environment, water and sanitation, health and population, social protection, youth, and other cross-cutting issues), obviously cover the entire country. The VUP contains triggers to allow an orderly scaling-up to other *imirenge* upon successful completion of the start-up phase. Both the Growth and VUP flagships foster improvements in agriculture productivity as well as manufacturing and service activities, through the imperative of promoting off-farm employment opportunities. While both the Growth and VUP flagships are expected to reduce poverty, the VUP focuses on the acceleration of such reduction. Finally, the Governance flagship provides an essential anchor for pro-poor growth. Indeed, none of the actions and interventions of EDPRS can succeed without continued and strengthened good governance.

4.5 Sustainable development will require effective planning for poverty reduction. The EDPRS process has therefore placed particular emphasis on cross cutting issues, including social inclusion, HIV/AIDS, environment, gender and youth, in order that all sectors deliberately and actively include them in their strategic planning.

4.6 The EDPRS cross-cutting issues have been integrated across the programmes. Gender is included because men and women experience the process of development and the impact of policy in different ways. They may also have different needs and priorities. Although AIDS is less prevalent in Rwanda than in many Sub-Saharan African countries, it still poses a potentially serious, systemic threat to economic growth and social development. Given the scarcity of land in Rwanda, the country's dependence on the exploitation of natural resources and its vulnerability to global climate change, assessing the environmental impact at the policy-making, implementation planning and monitoring and evaluation stages will be a key component of the EDPRS. The economic and social dislocation of the last two decades has compounded earlier problems of marginality and social exclusion. For this reason, social inclusion is treated as a cross-cutting issue (CCI). Given the high proportion of youth in the population, and the challenges they have faced in the last few decades due to lost schooling and childhood trauma, attention is also given to the challenges and opportunities facing young people when the sectoral policies are outlined.

4.7 Integral to the success of the flagship programmes, is a rigorous monitoring and evaluation system with clear and concrete indicators for success. Chapter 7 elaborates on the monitoring and evaluation system that will be put in place to evaluate success and identify weaknesses on an ongoing basis. The chapter also gives detailed matrices of indicators for success and policies that will be developed by the various sectors to support the flagship programmes.

Figure 4.1 Pro-poor growth anchored in good governance



4.1 The Growth for Jobs and Exports flagship programme

4.8 The first flagship programme aims to make the Rwandan business environment the most competitive in the region, thereby laying the foundations for strong private sector growth in the future.

4.9 In the first phase, public investments are targeted to relax key constraints on growth identified through a comprehensive growth diagnostic and investment climate analysis. This revolves around a three-pronged strategy: (a) systematically reducing the operational costs of business (including skilled labour costs) given their existing technology, (b) increasing the private sector’s capacity to innovate, and (c) widening and strengthening the Financial Sector. Public investments are expected to induce substantial private investments and foster productivity growth in the agriculture, manufacturing and service sectors of the economy.

4.10 In the second phase, such investments will translate into an improved productive capacity that will raise the demand for both skilled and unskilled workers and create wider employment opportunities. The way in which the planned investments during the EDPRS period will translate into job creation and reduce under-employment

will be made clear at the outset of a comprehensive analysis of the Rwandan labour market, which is not yet completed.

4.11 In the third phase, closely linked to the previous two phases as well as on-going progress in regional and global economic integration, the competitiveness of Rwandan businesses will allow significant expansion of the export base and generate sufficient foreign exchange earnings to ensure the sustainability of development efforts and eventually eliminate the dependence on foreign aid.

4.1.1 Growth diagnostic and investment climate

4.12 The growth diagnostic approach was used to identify the obstacles to growth. This approach was pioneered by Harvard faculty members Ricardo Hausmann, Dani Rodrik and Andres Velasco who suggest identifying the one or two main obstacles to growth and focus public interventions on removing them. They further propose a systematic way of looking at obstacles to economic growth. The common symptom of insufficient growth lies in low levels of private investment. This can be caused by either a low return on economic activity or the high cost of finance. These in turn can be narrowed to more specific challenges for the economy. Finally, part of the growth diagnostic approach is to make an assessment of binding constraints. The approach as applied to Rwanda and the results are presented in Table 4.1.

Table 4.1 The growth diagnostic approach applied to Rwanda

Causes of low levels of private investment		Specific challenges	Importance as obstacles to growth		
Low return on economic activity	Low social returns		Low human capital and lack of skills	Very high	
			Poor geography	Medium *	
			Weak infrastructure	Very high	
			Science, technology and innovation potential	High	
	Low appropriability	Governance constraints		Micro risks: bureaucracy, regulations, licensing, embezzlement, tax burden	High
				Macro risks: financial, monetary, fiscal instability	Low
		Market failures		Lack of entrepreneurship	Medium *
				Coordination externalities	Low
High cost of finance	Bad local finance		Low domestic savings	High	
			Poor intermediation	Medium	
	Bad global finance	Insufficient capital inflows	Low		

Source: MINECOFIN based on Hausmann et al. (2004)

Note: * High obstacles but alleviated once very high obstacles are tackled.

4.13 In Rwanda, the growth diagnostic identifies a low return on economic activity as the main cause of insufficient growth. This results mainly from low human capital, lack of skills and weak infrastructure. These challenges are therefore considered as very high obstacles to economic growth and there exist numerous studies and pieces of evidence to support this assessment. Hence, the right policies for growth should revolve

around fostering human capital, business skills development and upgrading the infrastructure.

4.14 This does not mean that problems of lack of entrepreneurship and poor geography are not important. It does mean these challenges are expected to be alleviated by building appropriate skills to release entrepreneurship and by building a regional infrastructure to turn poor geography, that is, Rwanda being a landlocked country, into an opportunity, that is, a regional hub. In other words, skills and infrastructure are first order priorities though the other challenges will be attended to.

4.15 Right next to these first order priorities, the challenges raised by weaknesses in innovation potential as well as low domestic savings can also be addressed in the EDPRS period. It follows that the right policies for growth should also encompass science, technology and innovation policies as well as Financial Sector development.

4.16 The final high priority rests in micro risks of doing business in Rwanda. Whereas Rwanda enjoys a good regulatory environment (including tax) and low incidence of corruption, it suffers from poor records in regulatory, and tax, enforcement, excessive bureaucratic hurdles, and poor understanding of business requirements in lower levels of public administration.

4.17 The growth diagnostic is strongly supported by the *Investment Policy Review of Rwanda* conducted by the United Nations Conference on Trade and Development (UNCTAD) as well as the *Investment Guide to Rwanda* by UNCTAD (2006) and the International Chamber of Commerce (ICC). These analyses are summarised in the matrix of strengths, opportunities, weaknesses and threats, that is, the SWOT analysis of the Rwandan economy, captured in Table 4.2.

Table 4.2 Investment climate: Key factors for foreign investors

<u>Strengths</u>	<u>Opportunities</u>
<ul style="list-style-type: none"> • Peace and political stability • Investor-friendly government committed to market economy • Very low incidence of corruption • Preferential access to several developed country markets 	<ul style="list-style-type: none"> • Agriculture exports such as tea, coffee, horticulture • Eco-tourism • Development of services hub for the region • Manufacturing for the Rwandan and regional market
<u>Weaknesses</u>	<u>Threats</u>
<ul style="list-style-type: none"> • Landlocked situation with high costs of energy, transport and ICT • Low skills levels, aggravated by consequences of the 1994 genocide • Inadequate infrastructure 	<ul style="list-style-type: none"> • Unstable border with the DRC

Source: UNCTAD(2006).

4.18 The essential strategy for the Growth flagship programme is therefore to consolidate the strengths (i.e. mostly through the Governance flagship programme), turn the weaknesses into strengths (i.e. corroborate the growth diagnostic) and seize the opportunities in agriculture, manufacturing and services.

4.19 In summary, the growth diagnostic and investment climate analyses propose five sets of policy interventions for the Growth flagship: (i) develop skills and capacity for productive employment, (ii) improve the infrastructure especially energy, transport and communications, (iii) promote science, technology and innovation, and (iv) strengthen the Financial Sector. The final set of interventions, that is, (v) improve governance to address the challenges associated with micro risks, pertains to the Governance flagship.

4.20 Opportunities exist in all three sectors of the economy: agriculture, manufacturing and services, including tourism and financial services. Therefore, all three sectors of the economy will benefit from the three-pronged strategy of (a) systematically reducing the operational costs of business (including skilled labour costs) given their existing technology, (b) increasing the private sector's capacity to innovate, and (c) strengthening the Financial Sector.

4.21 Reducing business costs is the highest priority in the medium term because at present Rwanda has the highest transport, energy and communication costs in the region. Transport costs, as a share of import prices, are nearly three times higher in Rwanda than in Tanzania or Kenya. The unit costs of electricity generation are two and a half times higher in Rwanda than in neighbouring countries, as shown in Table 4.3. Heavy investment in infrastructure will reduce business costs by improving the quantity and

quality of energy supplied to urban and rural areas, improving the transport network (roads connecting markets, bridges, airports and regional railways), expanding ICT (both provision and utilisation) and improving water infrastructure for irrigation and coffee washing stations.

Table 4.3 Infrastructure costs in Rwanda compared to neighbouring countries

Country	Transport costs (% of border price of imports, cif)	Energy costs (US\$/Kwh)
Rwanda	48	0.22
Uganda	35	0.08 - 0.10
Burundi	23	
Kenya	17	
Tanzania	17	

4.22 Business costs will also fall as a result of government efforts to enhance the Private Sector’s capacity to innovate. Firstly, measures will be taken to help businesses screen global technology more efficiently. Many techniques and processes relevant to Rwanda already exist and are readily available. What is missing is staff with the skills to know where and how to search for appropriate information.

4.23 Secondly, the capacity of business to transfer technology must be strengthened. There are various channels to accomplish this; these range from encouraging foreign direct investment and facilitating licensing arrangements with overseas firms to building closer links between private firms and universities or research centres in Rwanda.

4.24 Thirdly, it is necessary to support the Private Sector to adapt technology once transferred to local needs. This is particularly important in agriculture, where variations in soil characteristics, topography and climate often require location-specific modifications to imported techniques. Fourthly, once the Private Sector has accumulated experience in identifying, transferring and adapting foreign technology, the government must provide an environment conducive to the creation of new technology. This requires not only a steady supply of well-trained graduates to business, but also a legal system which recognises and protects intellectual property rights. Consequently, the legal, regulatory, licensing and tax compliance burdens on firms should be lightened and re-shaped to encourage innovative activity to boost productivity throughout the Private Sector.

4.25 In order to accelerate technological change in Rwanda, the Ministry of Science, Technology and Scientific Research (MINISTR), has developed a Science, Technology and Innovation for Results (STIR) programme. This programme will define institutional structures and relationships required to implement national STIR policy; these will be demand driven and responsive to development needs. A two-stage knowledge transfer programme is also under way. The first stage involved assembling teams of Rwandan and international experts to prepare a series of (Science, Technology and Innovation) STI capacity-building needs assessments and action plans in agreed priority areas. These include agricultural productivity, geothermal energy and geosciences, appropriate

technology, food processing and food technology, clean drinking water and sanitation, and bio-fuels. The second stage will involve financing and implementing specific policies and programmes outlined in the needs assessments and action plans. These include programmes to develop coffee, silk, horticulture (flowers, vegetables, fruits), aquaculture, herbs and essential oils.

4.26 The big push delivered by a high quality public investment programme during the EDPRS period will reduce the operational costs of doing business in Rwanda and create strong incentives for the Private Sector to increase its rate of investment in subsequent years. Better infrastructure and access to a more skilled labour force will make Rwanda more competitive in the context of regional integration.

4.27 While it is necessary to reduce the costs of doing business, evidence suggests that cluster competitiveness and private sector development must be mainstreamed to unleash a country's growth. Fast tracking domestic private sector growth in Rwanda requires Business Development Services (BDS). In a 2002 survey of Rwandan SMEs, 64% of respondents stated that their businesses were either "in trouble" or "struggling". In addition, a 2005 survey discovered that 90% of firms believe that BDS services are either important or very important to the health of their firms. However, a comparison of SME needs and BDS providers in Rwanda suggests a substantial mismatch, indicating the need for interventions by the Government and donor partners to ensure high quality BDS provision to Rwanda's private sector. The GoR will expand BDS and ensure they are demand driven and well advertised, so they respond to the needs of Rwandan SMEs and cooperatives including in rural areas, and provide longer-term support to ensure they have lasting impact.

4.28 The country recently re-assessed its position with regard to different regional economic groupings. In June 2007, Rwanda became a full member of the East African Community (EAC) and negotiations are continuing in eleven sub-committees to bring the country's policies into line with those of the EAC in areas ranging from trade, finance and investment to education, agriculture and health. Rwanda will also remain a member of the Common Market for Eastern and Southern Africa (COMESA) and the Economic Community of the Great Lakes Countries (CEPGL).¹⁹

4.29 Full EAC membership should allow Rwanda to exploit its comparative advantage in regional markets, as well as benefiting from ongoing global trade liberalisation which offers improved access to European, American and Asian markets. By further opening up to international trade, exports should rise and inward foreign direct investment will be encouraged, thereby reducing the share of imported capital goods which are financed by external grants and loans. Thus, over time the main driver of economic growth in Rwanda should pass from public investment oriented towards the private sector to export-led accumulation by the private sector. The GoR has identified concrete opportunities and prioritised actions in four industries: coffee, mining, tourism

¹⁹ Rwanda has signed a bilateral framework agreement with South Africa which covers trade, investment and certain other areas of mutual interest.

and tea (Table 4.4). The GoR will build the institutional capacity to implement these programmes.

Table 4.4 Priority Export Actions

Sectors	Programs	Institution
Coffee	Extension services for coffee farmers	MINAGRI & OCIR-Café
	Variable pricing scheme	OCIR-Café
	Washing station capacity expansion	Private Sector
	Technical assistance to washing stations	OCIR-Café & Partners
	Cupping labs	Partners & Private Sector
	Coffee Marketing Alliance	Private Sector
	Coffee specific infrastructure	MININFRA
Tourism	<i>Nyungwe</i> investments-lodge and boats	ORTPN
	PNV Discovery Center	ORTPN
	Eco-tourism add-ons plans	RACE
	Short term Private Sector training	PSF & Tourism Chamber
	Tourism college	MINEDUC
	Tourism Chamber Capacity	PSF & Private Sector
	Local suppliers programs	Tourism Chamber
Tea	Extension services for tea outgrowers	MINAGRI & OCIR-Thé
	Tea factories capacity upgrades	OCIR-Thé
	Value addition and sales of packaged tea	OCIR-Thé & Private Investors
	Support to private tea investors	RIEPA
	Power remedial investments	MININFRA
Mining	Establishment of l'Office des Géologies et des Mines (OGMR)	Ministry of Lands, Human Resettlement and Environmental Protection (MINITERE)
	Investment in Kigali Mineral Centre	MINITERE & Private Sector
	Mineral treatment stations	OGMR & BRD
	Geological research program	OGMR
	Statistics collection and dissemination	OGMR

4.30 Increasing the country's growth rate is essential to create employment opportunities for the large number of youths who will enter the labour market in the next five years. In 2005, two thirds of the population were aged less than 25 years, and it is

estimated that between 2007 and 2012 around half a million additional young people will be seeking jobs. The EDPRS provides a framework for the Private Sector to implement many of the projects identified in the National Action Plan for Promoting Youth Employment (NAPPYE) which include the production of both tradeable and non-tradeable goods and services.

4.1.2 Policy interventions for the Growth flagship

4.1.2.1 Develop skills and capacity for productive employment

4.31 In order for Rwanda to make the transition to a knowledge-based economy and society, it is essential to improve access to quality, equitable and effective education. The Education Sector has a range of policies in place to achieve this and to ensure that the country attains the Millennium Development Goals, Education for All, and Rwanda Vision 2020. Policy and planning documents that have been developed include an Education Sector Strategic Plan (ESSP 2007-2011), a ten year education plan and a Long Term Strategy and Financial Framework (LTSFF 2007-2015). These have been endorsed by development partners.

4.32 The Education Sector will contribute towards economic growth by making education more relevant for social and economic progress. This will be achieved by the establishment of a curriculum that imparts basic skills in traditional subjects, while also promoting social cohesion and making closer links between the content of education and the needs of the labour market. The priority areas for the Education Sector in Rwanda are to increase the coverage and quality of nine year basic education, strengthen Technical and Vocational Education and Training (TVET) and improve the quality of higher education. Education's contribution to poverty reduction will include promoting equal access for the most vulnerable groups in society by removing fees for the first nine years of schooling, and an education Management Information System will be developed enabling the disaggregation of gender indicators to ensure gender parity. District plans and strategies will be guided by national Education Sector policies and districts are being provided with technical and financial assistance in their development. Districts will be encouraged to develop education plans that specifically include local strategies for nine year basic education, environmental and natural resource management, girls' education, TVET, school management, adult literacy and early childhood development.

4.33 At primary level, the Government aims to increase completion rates significantly by reducing the high rates of drop out and repetition in schools. Rwanda currently has one of the highest pupil-teacher ratios (71:1) in Sub-Saharan Africa and reducing this will be vital to improving the quality of education in primary schools. Increased access and completion in primary schools will require increases in the civil service wage bill, as well as acceleration in the numbers of teachers being trained in teacher training colleges. The Teacher Service Commission (TSC) has been put in place to develop strategies for teacher motivation and retention including the set up of teacher co-operatives. Adequate numbers of classrooms that meet minimum quality standards will also be constructed in order to reduce class size. In primary schools the student-

textbook ratio will be reduced to 1:1 in core subjects accompanied by the in-service training of teachers in the effective use of learning materials. An ongoing programme will equip all 2,200 primary schools in the country with a science corner to promote fundamental information about science.

4.34 There will be a major expansion of secondary education, particularly in access to the first three years of secondary school (*tronc commun*). This is necessary as Rwanda has one of the lowest secondary enrolment rates in Sub Saharan Africa. The nine year basic education policy includes strategies to increase investment in teachers, curriculum, textbooks and classrooms. It is a high priority to provide high quality Science and Technology teaching at secondary level in schools equipped to undertake practical lessons. The curriculum will be revised to include new subjects, such as entrepreneurial skill development, which should enhance the employability of pupils once they have left school, as well as promoting positive attitudes towards issues such as gender equity, environment, population and HIV/AIDS. Colleges of education have now been established and will be expanded in order to increase the supply of teachers for the *tronc commun*.

4.35 In order for Rwanda to achieve the socio-economic transformation implied by the targets of Vision 2020, the country must quickly develop a wide range of skills among the labour force. Equipping new entrants to the labour force with the skills needed to operate and manage a continuous flow of new technologies requires that measures must be taken to update the vocational educational system in order to ensure competitiveness in regional and international markets. The government recognises the essential role of TVET in the future economic growth of Rwanda. The TVET system aims to ensure the matching of skills to labour market and society needs. One key initiative is to set up a TVET board to co-ordinate all public and private stakeholders to ensure the provision of outcomes-based TVET as well as to co-ordinate the TVET strategy with economic and district development strategies. To this end, high quality Vocational and Technical Training Centres will be established complete with a business enterprise unit which will match the students of the schools with employment opportunities. This will also include an industrial attachment programme at all levels of technical education.

4.36 It is important that TVET institutions become more relevant and effective, and the TVET curriculum to match the needs of unemployed people more closely, especially youth. Priority areas for improving TVET include creating a merit-based approach based on recognition and rewards for quality work, establishing mechanisms to provide effective follow-up support, providing job placement services for trainees, promoting self-employment as a productive means of earning a living, and requiring training institutions and programmes to prioritise the skills needs of the Informal Sector and those living in poverty. In all these areas, trainers should be sensitive to, and help meet, the specific needs of female trainees and participants from vulnerable groups, such as Orphaned and Vulnerable Children (OVC) households. A strategic master plan for vocational education and training will be elaborated to address these issues.

4.37 An appropriate institutional framework for TVET will ensure continuous training which responds to the ever changing labour market demands and the flow of new technologies. The Labour Department will be strengthened to collect and analyse labour market information regularly, guide labour administration processes and protect the national labour force from occupational hazards and exploitation. The Rwanda Workforce Development Authority (RWoDA), an Institution that is in the establishment process, will guide workforce development through restructuring vocational training and the establishment as well as the operationalisation of Manpower Skills and Training Councils (MSTCs) to ensure that skills produced by training Institutions respond to industrial demands. RWoDA will guide, coordinate and regulate Vocational Training in the country to provide Quality Assurance.

4.38 For Rwanda to compete effectively in the global economy, increasing access to Higher Education is a priority. However, equally important is the need to improve the quality of provision so graduates have the requisite transferable skills. Growth in student numbers will involve an expansion of full and part-time programmes with the use of ICT enabling open and distance modes of learning. It will also mean expanding the range and diversity of programmes, with new priority subjects identified to meet the EPDRS needs included in the curriculum. It will be ensured that graduates' skills meet labour demands and that academic staff transform their approach, consistent with a more student-centred, practically-oriented philosophy. Higher learning institutions are to place an emphasis on industrial attachment and practical work in their courses.

4.39 The specific aims of higher education to achieve these priorities include achieving enrolment growth and gender equity; restructuring of academic and administrative units; ensuring the quality and relevance of undergraduate programmes; building the capacity of learning resources; development of post-graduate studies; capacity-building of research and development, and innovation; capacity-building of community services and continuing education; achieving financial sustainability; and building ICT capacity. Key curriculum areas for growth are planned to include offerings in the environment and sustainable development; logistics and supply chain management; food science, processing and manufacture; tourism, leisure and hospitality management; engineering and design. Identification of key skill areas demanded by the economy will be informed by the Private Sector Working Group and the HIDA skills audit.

4.40 The National Council for Higher Education (NCHE) is operational and responsible for accreditation of both public and private institutions. The NCHE plans to institute graduate tracer studies and a labour market analysis to outline the current situation and the projections regarding labour market demands for the future. There are also moves towards promoting efficiency of the public higher education sector through optimising the use of resources such as lecturers, learning materials and science laboratories.

4.41 In keeping with the need to develop Science and Technology programmes, expenditure for science laboratories and equipment is being prioritised in the budget. Loans and grants from the Student Financing Agency of Rwanda (SFAR) will be targeted

to priority areas of economic development such as science and technology. Strategies planned to improve equity through the higher education system include means testing of student loans and grants. It is planned that from 2008, loan recovery will commence to ensure that expansion of the universities is financially sustainable. There is a need for a mix of Rwandan and international expertise in the HLIs as is required by the science and technology international plans. However, appropriate phasing out and eventual exit strategies for expatriate teachers will be put in place, so that capacity is built among Rwandan nationals to develop courses and conduct teaching and research at high levels. A full strategy will be elaborated during the EDPRS period. The Private Sector is expected to play a major role in the future expansion and quality of higher education in Rwanda. Incentives to growth in private higher learning institutions will be through access to the Student Financing Agency of Rwanda which funds students who plan to conduct their studies in public or private higher education institutions.

4.42 Rwanda has made impressive progress in improving adult literacy rates. The aim is to continue this trend and increase adult literacy rates further as specified in the targets of the Education Sector logframe (see Chapter 3). Furthermore, the Education Sector has launched several initiatives that address cross-cutting issues or support activities for which other sectors are responsible. These include programmes to improve hygiene in schools and increase knowledge of family planning and life skills.

4.43 Regarding gender, the country has already reached the Millennium Development Goal of equal access for both girls and boys at the primary school level. However, girls' academic performance is poor. Current policy aims to increase the proportion of girls in the relevant age group sitting and passing national exams at all levels of education. In particular, efforts will be made to encourage girls to study science and technology subjects. Programmes will be developed to sensitise teachers, parents and education managers to promote girls' education. Achieving this goal requires action on several fronts. School infrastructure should be made more gender-sensitive by providing separate sanitation facilities for boys and girls. More role models are needed, both inside and outside the Education Sector, for female pupils. To this end, measures will be taken to increase the number of women occupying senior positions in the educational system.

4.44 The Education Sector is well-placed to target children at the critical age (12-18 years) to reduce transmission of HIV. Activities will focus on developing and implementing a national AIDS and reproductive health curriculum appropriate for each educational level from primary through to university, as well as vocational training schools. Prevention activities outside the classroom will be organised by means of peer education and engagement of parents through Anti-AIDS clubs and community outreach. As teachers are already in short supply, it is crucial that the education workforce remains healthy. An AIDS workplace programme will be implemented for all Education Sector staff and ancillary workers.

4.45 In addition, the sector will provide appropriate support to vulnerable children to ensure continued access to education. In the area of special needs, the educational aim is to improve access and retention of vulnerable children. These children include the

extreme poor, orphans, refugees, returnees, and the physically and mentally handicapped. A policy is currently under development and methods of targeted assistance, such as child profiling, are being designed. Efforts will be made to increase the participation of vulnerable groups in Parent Teacher Associations (PTAs) to ensure that school management is inclusive and that school-based violence and abuse is eliminated. The school curriculum will be revised to be more responsive to the needs of children with disabilities. This strategy will play a key part in achieving a net enrolment rate of 100% at the primary level, and in increasing educational opportunities for all at secondary and higher levels of education.

4.1.2.2 Improve economic infrastructure

4.46 For the whole Infrastructure Sector (which consists of five sub-sectors: Transport, Energy, Housing, ICT and Meteorology), the global objective is to play a cross-sectoral role, in partnership with the Private Sector to facilitate growth and to reduce the incidence of income poverty through employment generation. For this purpose, seven key areas have been identified to be addressed for the forthcoming five years: implement an appropriate institutional and legal framework; capacity-building including the improvement of monitoring and evaluation and the management of information systems; increase infrastructure capacity; ensure good quality service delivery; reduce costs; increase accessibility; ensure maintenance and sustainability of infrastructure and equipment; improve safety. Main sector strategies to be implemented include: greater involvement of private sector and decentralised entities in sector policy implementation; local community participation on a community contract basis particularly in infrastructure maintenance; the promotion of joint regional initiatives in the context of regional integration; and the enhancement of capacity and sector coordination mechanisms.

4.47 The objectives of the Transport Sub-sector are: (i) improve transport links internally and internationally; (ii) reduce and keep transport costs under control; (iii) improve the institutional framework and strengthen the capacity of partners involved in the sector; (iv) improve road safety; (v) achieve sustainable financing of road maintenance; and (vi) maintain the roads rehabilitated or constructed. Particular focus will be on the improvement of the quality of Rwanda's paved road network, building capacity in sector institutions and generating employment in rural areas through road works. Priority will be placed on maintaining and rehabilitating the road network, including feeder roads in rural areas, through enhancing the financial capacity of decentralised administrations for road maintenance. Also, alternative methods of moving people and goods are being developed, such as the extension of the railway from Isaka in Tanzania to Kigali, an airport upgrade for Kanombe, studies for a new airport at Bugesera, and three water transport schemes²⁰. MININFRA is building up its cadre of professional staff at district and agency level to take these projects forward.

²⁰ These projects include (i) the construction of accosting quays on Lake Kivu and other lakes between 2008-10; (ii) building a shipyard on Lake Kivu by 2010, and (iii) making the Akagera river navigable by 2015.

4.48 The Energy Sub-sector plays a vital role with the Private Sector to facilitate growth, in the Agricultural Sector to enable value addition, in the development of a dependable ICT Sub-sector, and in the provision of services in the Public Sector. The goal of the Energy Sub-sector is to ensure security of supplies by increasing domestic energy production from several sources (hydro-electricity, methane gas, solar power, biomass and petroleum). To meet this goal, it aims to increase access to electricity for enterprises and households; improve cost-effectiveness and reflective tariffs as well as operational efficiency of the sector; increase energy diversification and strengthen the governance framework and institutional capacity of the energy sub-sector. Appropriate attention should be given to specific but critical issues relating to adoption of electricity and gas legislation, regulation and de-taxation of renewable energy and energy efficiency imports. Efforts will be made to improve the quality and continuity of electricity supply by improving the maintenance of generation and transmission equipment by fully trained staff.

4.49 By 2020, it is envisaged that 70% of the population will be living in rural grouped settlements (*imidugudu*) and that the remaining 30% will reside in urban areas. The habitat sub-sector will develop a sound policy and strategy for urbanisation and *imidugudu* will be redesigned in a sector-wide approach which will include all the stakeholders in order to boost the sub-sector. The use of planning tools for restructuring the country's rural and urban settlement patterns will play a pivotal role. Master plans for rural grouped settlements (*imidugudu*) and urban residential zones will be developed. The sites and zones selected will be surveyed, demarcated and sub-divided into building plots. These sites and zones will be provided with relevant infrastructural services. The process will involve the clearance and upgrading of unplanned urban areas. Partnerships between government and the Private Sector will be of essence. Alongside this, the rehabilitation and construction of state-of-the-art public buildings will be undertaken. An improved management plan will also be developed.

4.50 The objective of the ICT Sub-sector is to promote investment in, and the growth of the Information and Communications Technology industry. Efforts will be made to widen access to ICT among the population, and to promote ICT for eGovernance, education and capacity-building, and for use by the private sector. To this end, the number of telecentres will be increased substantially and the cost of connecting to a telecommunications network will halve by 2011. It is expected that the number of additional jobs created each year in the ICT Sector will rise from 7,000 in 2008 to 20,000 in 2012. This ambitious programme will be overseen by the regulatory authority whose institutional capacity will need strengthening over the period of the EDPRS.

4.51 As regards the Meteorology Sub-sector, the aim is to provide a wide range of timely, high quality weather and climate information and products in support of sustainable development. This will require the development and implementation of a sound policy and strategy that supports a major rehabilitation of existing terrestrial weather stations; sets in place efficient telecommunications systems; modernises data processing and forecasting systems, ensures the timely acquisition of real time weather and remotely sensed data through investment in a long-range radar system supported by

trained staff, and implements the installation of a Satellite Data Distribution System (SADIS). Additional expenditure will be required to improve the dissemination and application of weather forecasts and other meteorological information. This is particularly important to agriculture; livestock development; food security; road, air and maritime transport; health and public safety; building and construction industry; disaster management; water resources management among others.

4.52 Finally, the Infrastructure Sector will develop an evidenced-based AIDS action plan to ensure that a set of appropriate measures are in place, so that the delivery of transport infrastructure and services contribute to the HIV/AIDS response over the period 2008-2012. This will include measures to prevent HIV/AIDS at rest areas along truck corridors. Furthermore, all tender contract documents will be required to have clauses addressing HIV/AIDS and must allocate at least 0.5% of the budget to HIV/AIDS, gender, youth and environmental protection.

4.1.2.3 Promote science, technology and innovation for economic growth

4.53 Rwanda must build science, technology and innovation capacity to promote poverty reduction and wealth creation. Rwanda's commitment to this has been emphasised by His Excellency the President Paul Kagame on several occasions. At the African Union summit January 2007, President Kagame declared that Rwanda must "apply science and technology holistically: in all levels of education and training, in commercialising ideas, in developing business and quickening the pace of wealth-creation and employment-generation, in enabling government to provide better services, and indeed in providing basic tools to society at large for self and collective betterment." To implement this vision in Rwanda, the Ministry of Science, Technology and Scientific Research was created by the President's Office in March 2006.

4.54 The National Science, Technology and Innovation Policy, approved by Cabinet in July 2005, recognises that an effective approach to science, technology and innovation capacity building must include policies to promote knowledge acquisition, knowledge creation, knowledge transfer and a culture of innovation.

4.55 Acquisition and deepening of knowledge is an essential strategy to achieve the human development objectives set out in Rwanda's Vision 2020 and the National Policy on Science, Technology and Innovation. In higher academic, technical and professional institutions, the principal actions will be to train teachers, lecturers and high level professional technicians such as engineers, architects and medical professionals. The strategy includes the development of links with "best in field" technical and professional institutions internationally. As mentioned earlier, Vocational and Technical Training Centres will have business enterprise units to match students with employers and industrial attachment programmes. High level vocational skills for continuing professional education will be developed, such as high level certification courses in ICT.

4.56 To promote knowledge creation, research capability needs to be developed in all priority sectors of the economy. The strategy includes the reinforcement of research units in Higher Learning Institutions (HLIs) coupled with the investment in training and development of international partnerships in high quality research to meet the development needs of Rwanda. Specific interventions include the establishment of a Science and Technology capacity-building fund to support research capacity-building initiatives and the establishment of Science and Technology Centres of Excellence in HLIs.

4.57 To promote knowledge transfer, science and technology capability needs to be reinforced in all priority sectors of the economy to foster dissemination of the knowledge that exists outside Rwanda, the adoption of knowledge developed within Rwanda and to ensure that workers have the requisite skills to use new technology. To this end, this sector will work with the Education Sector to best utilise knowledge resources and with other sectors to determine their education, training and capacity-building needs with regard to Science, Technology and Innovation (STI).

4.58 The GoR has embarked on an STI capacity-building programme designed to develop practical solutions to practical problems. Potential “quick wins” include: value addition to commodity exports such as pyrethrum, tea and textiles; food processing for local (and possibly regional) consumption, including the processing of milk and passion fruit juices; malaria control using locally manufactured long-lasting insecticide-treated bed nets; the improvement of staple crops using for example, new maize hybrids and tissue-cultured bananas; all-weather feeder roads capable of being maintained by local communities using identified local sources of aggregates and micro-hydro power developed at 200-300 sites serving local communities through local grid networks. These issues are interconnected, for example, increased power generation will assist commodity processing, feeder roads will facilitate marketing and malaria control may help slow down population growth.

4.59 To promote a culture of innovation in Science and Technology at all levels, capacity to process innovations will be promoted at national level, District Innovation Centres will be established and a National Research Fund set up to provide financial stimuli for STI activities. Skills and knowledge with regard to the use and application of intellectual property will also be developed.

4.60 An enabling legal, regulatory and institutional environment needs to be created to encourage STI in Rwanda. The GoR’s Science, Technology and Innovation for Results (STIR) programme will define the institutional structures and relationships required to implement the national STI policy to ensure that they are demand driven and responsive to development needs. A National Commission for Science Technology and Innovation (NCSTI) will be established as a government agency to act as a coordinating body for STI.

4.1.2.4 Widen and strengthen the Financial Sector

4.61 For Rwanda to achieve accelerated economic growth driven by a high level of investment, it is essential that the country's financial markets are widened and strengthened. Rwanda's Financial Sector is still relatively shallow and undiversified, and characterised by relatively high lending rates. There is extremely low insurance penetration and a scarcity of long term debt, home mortgage financing and equity capital. The regulation and supervision of pensions and insurance are being strengthened and the payments system developed. To tackle these problems, the GoR has adopted measures for strengthening the country's Financial Sector which were approved by Cabinet in 2006; implementation started in 2007 (MINECOFIN, 2007d).

4.62 The Financial Sector strategy focuses on four areas to develop the financial system: (i) banking and access to credit, (ii) long term finance and capital markets, (iii) contractual savings regulation, and (iv) payment systems. With regard to the first area, access to banking services outside Kigali and the major towns is still very limited, as the population is mainly served by the network of *Union des Banques Populaires du Rwanda* (UBPR) and a few other micro finance institutions that offer very limited financial services. In order to provide more competition, broader access to financial services, and sounder regulation of this key institution, UBPR will be treated as a de facto commercial bank. While fully respecting the cooperative governance principles on which it is based, up to forty of UBPR's larger, sounder cooperative unit members with Globus computer systems will provide bank-like payments services to its members. While UBPR will be able to offer their clients most of the services that commercial banks can offer, their much lower maximum loan size requirement will ensure that they will still end to a large number of clients and provide a broader range of banking services than their clients would otherwise seek from commercial banks.

4.63 Microfinance institutions (MFIs) are an important part of the financial system, so amending and enacting the draft Microfinance Law, as well as implementing the microfinance strategy, is a priority. A microfinance umbrella organisation will be established and supported by the GoR and donors to give guidance to the industry. GoR support in training of MFIs and their clients as well as capacity-building will be enhanced in order to strengthen and professionalise the industry. An investment and guarantee fund will be established to ensure refinancing and access to long term finance by MFIs. Increased capital requirements for microfinance institutions, especially deposit-taking ones, will be implemented. Licensing requirements, regulation and internal controls will be strengthened. Subject to results of a feasibility study, a mandatory stabilisation fund will be established for licensed MFIs.

4.64 While commercial banks have most of the money available for lending in Rwanda, only about 10% of their lending is for housing and virtually no mortgage lending is for more than seven years. There is little long term lending other than for housing and, if the *Banque Rwandaise de Development* (BRD) is excluded, only 1.5% of bank lending is for agriculture. The Rwanda Housing Bank (BHR) has been viewed as the primary vehicle for financing new homes, but it cannot be a major lender because of

its small size and its present commercial banking structure, which is inappropriate for this purpose. The BHR will need to find long term sources of financing to ensure its sustainability. Commercial banks will be assisted in developing mortgage saving accounts to mitigate the inherent problem of a mismatch between long term mortgage loans and short term deposits.

4.65 With regard to the second area, the BRD is a primary source of long term lending and also provides 55% of all bank lending for agriculture. However, it faces a major challenge in finding adequate long term resources for on-lending, while it is exposed to increasing risk in its lending portfolio as the percentage of lending to agriculture rises. The BRD will be supported to expand its developmental lending through increasing its funding sources from new equity shareholders, issuing loan-backed bonds and entering into co-financing arrangements with commercial banks.

4.66 As regards long term finance, Rwanda does not have a supply of capital market-based long term debt instruments, so does not have an interest rate yield curve, which is an essential tool for valuing long term investment instruments. Moreover, the accounting and financial reporting environment based on International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) that is a prerequisite for any capital market to develop is still largely undeveloped. Several steps will be taken to allow the emergence of a sound and facilitating environment for long term capital transactions. These include developing legal, regulatory and operational guidelines for an Over the Counter (OTC) debt market first then eventually an OTC equity market. Both will be overseen and regulated by a Capital Markets Advisory Council. The long term debt market will be used to create a yield curve, while the GoR will increase competition among buyers of these financial instruments by allowing foreign buyers and Rwandans from the diaspora to participate in the purchase of bonds. The Accountants Bill will be enacted and implemented, so that all financial institutions, large companies, and “public” companies comply with IAS and IFRS accounting standards. The Companies Act, which already contains an appropriate regulatory environment for OTC debt and equity markets, will be passed and implemented.

4.67 On the demand side of the long term capital market, the Central Bank will re-issue a portion of existing treasury bills that represents GoR deficit financing in a mix of one to seven year Treasury Bonds. This will create opportunities for long term investments by institutional investors like CSR and life insurance companies as well as by individuals. The possibility of a partial guarantee to domestic institutional investors from International Financial Institutions (IFC, African Development Bank, and EIB) to mitigate credit risk over a long term horizon will also be explored. Other measures to increase the availability of long term funds include introducing longer term home deposit savings accounts in banks, facilitating the creation of private pension funds, and amending laws to enable pension funds and insurance companies to invest in a wider variety of financial instruments, including in assets outside Rwanda. It will be ensured that these measures meet strict criteria.

4.68 With regard to the third area, which includes the regulation of non-banking financial institutions, the Rwandan Social Fund (CSR) and private insurance companies are the primary source of the country's long term funds as well as providing a social safety net to protect the livelihood of those that retire and those of families whose primary income earner dies. However, regulation and supervision of both the CSR and insurance companies need to be strengthened. The adopted Central Bank Act will enable the BNR to develop a consolidated regulation and supervision function for non-bank financial institutions (NBFI), including the CSR and other pension funds that may be established, the insurance industry, and, if and when established, leasing and finance companies.

4.69 Finally, with regard to the fourth area, an efficient payments system constitutes an essential component of Financial Sector infrastructure. One of the highest priorities is to elaborate a national payments strategy embracing the use of all payments services instruments such as cheques, credit and debit cards, ATMs, and automatic salary and pension deposits. To this end, a National Payments Council will be established to develop and implement a national payments strategy. This strategy will address the development of basic payments services targeted at the community at large, based primarily on electronic transfers.

4.70 The GoR will support the national payments system reform by i) introducing legislation requiring all wage and salary payments by medium and large scale enterprises, i.e., entities employing five or more staff, to be made electronically into the accounts of financial institutions; and ii) introducing a policy whereby all national and regional government payments, be made to and received from the accounts of financial institutions wherever feasible. Once the National Payment Strategy is in place, an Automatic Clearing House will be implemented and its potential membership expanded beyond commercial banks to other entities who meet its agreed access criteria.

4.1.3 Opportunities in three sectors of the economy

4.1.3.1 Raise agricultural productivity and ensure food security

4.71 The primary objective of the Agriculture and Animal Resources Sector is to contribute, in a sustainable manner, to the increase and diversification of household incomes, while ensuring food security for all the population. This sector objective is in line with the priorities of the Strategic Plan for the Transformation of Agriculture (PSTA). The programmes of the PSTA form the operational framework for implementing agriculture's contribution to the EDPRS, while they are also aligned to the broader planning frameworks of the Common African Agricultural Development Programme (CAADP) and Rwanda Vision 2020.

4.72 The sector has developed four programmes to achieve its primary objective. The first programme identifies a series of actions to intensify and develop sustainable production systems in agriculture and animal husbandry. These include soil conservation measures, such as the construction and rehabilitation of terraces and the promotion of agro-forestry technologies for sustainable land-use. On the livestock side, the 'One Cow

per Poor Household Programme' (*girinka*), introduced in 2006, and other initiatives promoting animal resources (for example, goats, poultry, pigs) aim to increase asset ownership and promote animal husbandry among the poor. All beneficiaries of this programme are expected to practice zero grazing. Since large livestock tend to be owned by individuals and not households, it is important that women obtain the same access to this programme as men. A study planned for 2007 will provide baseline data on the gender dimension of the programme.

4.73 Improving the genetic potential of livestock will be achieved through importing pedigree animals and through greater use of artificial insemination. More effective animal disease control and better extension services, including delivery of vaccines and other veterinary services, will greatly boost livestock performance. Widening access to high quality animal feed is necessary to raise livestock productivity and to allow greater use of zero grazing. To this end, at least 1.5 tonnes of improved forage seeds will be distributed annually by the national seeds service. Fisheries and bee-keeping will be supported to encourage diversification of animal products.

4.74 Following an environmental impact assessment, marshlands will be developed for growing high value crops such as rice. Irrigation will be extended by constructing small-scale systems for hillsides and lowlands using surface irrigation, pumping and sprinkler technologies, as well as introducing water harvesting systems and other water collection techniques. Greater use of improved seed will be encouraged by supporting the efforts of private seed distributors and by training farmer's cooperatives in seed multiplication and utilisation.

4.75 This activity is complemented by a strategy to increase the informed use of organic and inorganic fertilisers. The final component in this first programme of the Agriculture Sector is to ensure access to food by the most disadvantaged and vulnerable rural households. This will be achieved by increasing production of key food crops coupled with the introduction of special food security programmes in every district and conducting regular surveys on social protection and food security. These programmes should address the specific needs of women, people living with HIV (including AIDS) (PLHIV), orphans and child-headed households.

4.76 Also, soil conservation measures such as terracing and agro-forestry should increase agricultural employment opportunities for youth in the short term if they are carried out through Labour-Intensive Public Works schemes (HIMO). In the long run, agricultural intensification and marshland development should create additional permanent jobs for the sons and daughters of the current generation of farmers.

4.77 The second Agricultural Sector programme focuses on building the technical and organisational capacity of farmers. One set of activities supports the creation and strengthening of farmers' cooperatives, so that they can plan and implement market-oriented production, processing and marketing of agricultural commodities. Another initiative involves working with the Private Sector to launch a decentralised extension service for all stakeholders in the Agricultural Sector. This will include the establishment

of demonstration plots at district level in collaboration with the Community Innovation Centres (CICs). Access to general agricultural education opportunities should be equal for men and women, while the specific needs of female farmers should be met by specially designed courses on business and entrepreneurship.

4.78 Agricultural research systems will be strengthened in order to generate and disseminate technological innovations in crop and animal husbandry more widely and more rapidly. This research will be demand-driven and participatory to ensure that the results are timely and relevant to farmers. National research institutions will be encouraged to collaborate more closely, while their capacity, particularly that of *Institut des Sciences Agronomiques du Rwanda* (ISAR), will be strengthened through forging closer links with external research institutions. Measures will also be taken to develop rural financial markets and increase the supply of agricultural credit from private or public sources to both men and women.

4.79 The third programme in the Agricultural Sector aims to promote commodity chains and support the development of agribusiness. The Government will assist the Private Sector by improving the investment climate, so that Rwandan exports are competitive in regional and world markets. This will require significant improvements in product quality which will be monitored and enforced by the Rwanda Bureau of Standards. A related initiative aims to increase the quantity and quality of selected export products. This includes subsidising the acquisition of key agricultural input by farmers' co-operatives and facilitating access to external markets.

4.80 Each district will be encouraged to develop specialised commodity chains which make use of locally available resources in adding value to agricultural products. This will require improvements in rural infrastructure to lower the costs of accessing markets. To this end, public investment will be directed into the construction and rehabilitation of feeder roads. The GoR will also assist the Private Sector in establishing other necessary infrastructure for the storage, transport, and processing of agricultural produce.

4.81 The final programme in agriculture aims to strengthen the institutional framework of the sector at central and district level. The Agricultural Sector budget will be implemented on time and effectively, while greater efforts will be made to ensure that MINAGRI and related semi-autonomous agencies are adequately staffed. The Ministry's capacity in planning, budgeting, financial management and monitoring and evaluation will be strengthened at central and district level. Measures will also be taken to increase the number of women from disadvantaged groups who are actively involved in farmer organisations and agricultural service provision

4.82 Appropriate mechanisms and capacities will be developed for the provision of accurate data throughout the sector on a regular basis, particularly with regard to agricultural statistics. This will include price data, as well as information relating to food security and the associated early warning system. Capacity must be built at all levels in

the sector to ensure that the country's agriculture policy is implemented in all districts and is fully integrated with interventions executed by other sectors.

4.83 A study will be conducted to assess the impact of AIDS on agriculture in order to design and implement interventions in key areas. In addition, the sector will examine how to integrate PLHIV in the sector and develop programs for PLHIV at the district level.

4.1.3.2 Increase the contribution of manufacturing to economic development for sustainable growth

4.84 The GoR regards the Manufacturing Sector as a major engine of sustainable growth and development. In the long run, the main source of job creation in Rwanda will pass from the primary to the secondary and tertiary sectors. To prepare for this transition, measures will be taken to enhance the production of competitive and high value manufacturing goods for sale in local, regional and international markets.

4.85 The new Industrial Policy focuses on five main strategic objectives, namely (i) enhancement of the performance of the existing Manufacturing Sector and development of industrial parks and free export zones to facilitate establishment of new industries; (ii) development of new product lines; (iii) export promotion strategies; (iv) incentives for foreign direct investment; and (v) promoting resource-based manufacturing. Firstly, the government will enhance the performance of the existing Manufacturing Sector, including low-technology manufacturing such as textiles and food processing by promoting labour productivity and product quality. It will encourage companies and start up small and medium-sized enterprises (SMEs) to move up the value chain into higher value-added activities that use domestically produced input, such as leather goods production. The GoR will make a major effort to build the capacity for trade in order to enhance productivity, the quality of exports and the ability to deal with import competition in the domestic market. This is essential for Rwandan companies to seize new opportunities in the COMESA and EAC trading associations.

4.86 Secondly, the GoR will also strongly promote the development of new product lines by existing companies, cooperatives, SMEs and foreign firms, and encourage them to increase the production quality and value of existing major export products. Many possibilities have already been identified in agro-processing and mining. The GoR will promote higher value-added activity in rural areas such as sericulture, tea, coffee washing and handicrafts for the tourist industry.

4.87 Thirdly, export promotion strategies have been designed for a number of products. In coffee, the GoR aims to increase value addition by encouraging and supporting investment in washing stations and processing, and increase sales by improving marketing. In the Tea Sector, the government aims to increase production and improve marketing. Productivity on existing plantations will be improved through better input and increased supervision and support to plantations, and through the expansion of the area of tea plantations. Value addition will be improved by introducing more

profitable tea varieties and increasing the capacity of tea factories to process all green leaves. With regard to handicrafts, the GoR will set up centres in each province to provide training and support to rural producers, identify niche markets for Rwanda, undertake handicraft marketing and promote linkages between handicrafts and other export sectors. In order to organise production and enhance local marketing, the cooperative movement will be strongly promoted and supported.

4.88 Fourthly, foreign direct investment can lead to the transfer of capital, know-how and managerial skills, as well as job creation. The GoR will therefore provide incentives for foreign direct investment and establish export processing zones and industrial parks to encourage foreign companies to move into medium-technology activities, in partnership with Rwandan companies where possible. Finally, the GoR will rapidly build up modern governance structures through the streamlining and modernisation of public organisations.

4.89 Finally, the government will focus efforts on promoting resource-based manufacturing (processed food, wood products, beverages such as coffee and tea) and low technology products (leather goods including footwear production, textiles and simple metal products). These are sectors which have been identified according to their ability to enhance income, particularly rural incomes to alleviate poverty, and that create the most jobs and contribute to state revenue. For medium and high technology production, such as machinery assembling plants, chemical production, advanced ICT and electrical appliances and pharmaceuticals, efforts will be made to mobilise foreign and local investors, particularly through joint ventures.

4.1.3.3 Increase opportunities in the Service Sector

4.90 The Service Sector of the economy is diverse but fundamental for a successful transition towards a knowledge-based society. Many knowledge-based activities are linked to provision of services. The GoR seeks to exploit the country's potential comparative advantages in financial services, ICT, tourism, transport and logistics services, health services and education services which have already contributed significantly to economic growth over the last decade. The provision of private non-tradeable services for the domestic market is also an opportunity that can be exploited.

4.91 The emphasis put on the widening and strengthening of the Financial Services Sector in Rwanda is important as the sector has been tipped to be a strong potential source of comparative advantage in the region. This will require further opening up of the sector to foreign capital and modern, dynamic management and technologies. This planned opening up will bring in the required skills for the Financial Sector whose development further depends on the existence of strong "soft infrastructure", good regulatory governance, and macro-economic stability. All these aspects are ones in which Rwanda compares favourably in the region.

4.92 Tourism is another important sector for both employment and foreign exchange earnings. The Tourism Sector has grown steadily to become the second source of exports

(behind coffee but ahead of tea and mining). Rwanda has a substantial advantage in the Tourism Sector which offers many investment opportunities. Taking Rwanda's advantages and limitations into account, the GoR has developed a strategy that focuses on high-end eco-tourism and invites investment into developing the sector. The strategy focuses on the primate product (Rwanda's unique selling proposition) and diversification with "add-on" products that can be cross-sold to tourists. Important for this type of tourism is the conservation of Rwanda's natural environment and especially its national parks. The GoR will therefore promote and develop tourism which is ecologically friendly and environmentally sustainable. It will improve planning for wildlife and national park conservation, promote research and monitoring of wildlife, including restocking national parks with relevant wildlife, involve and engage local communities, and provide for the channelling of tourism revenues towards the protection of the natural resource base. In addition, the GoR will develop and promote tourism opportunities by improving tourism infrastructure and services, creating more tourist attractions and facilities in all provinces (including eco-tourism sites), increasing the marketing of tourism and forming regional and international links.

4.93 An overarching concern is the broadening of leadership in the Tourism Sector. ORTPN has been a huge contributor to the sector's success but Private Sector firms and the Tourism Chamber will be encouraged to increase their participation in strategy implementation. GoR will also encourage Private Sector investment in key areas such as product development (hotels, *Parc National des Volcanes* (PNV) Discovery Centre, boats on Lake Kivu), joint marketing, and in cross-cutting areas such as training, access to finance and enhancing linkages with and benefits to local communities.

4.94 While Rwanda is integrating with the EAC, it offers an ideal platform or hub between the East African and the CEPGL countries and creates an excellent opportunity for Transport and Logistic services. A target group of potential investors exists in freight forwarding, transport and logistics companies. For instance, Danzas has decided to establish a transport hub in Kigali and Maersk has established an inland container depot in Kigali to service the CEPGL markets. As economic infrastructure develops in Rwanda and if a corridor can be built to ensure the success of Rwanda as a regional hub, the freight-forwarding, transport and logistics sector is bound to grow tremendously over the medium to long term.

4.95 Concurrently, the need in the health and education sectors could offer important investment opportunities, if the GoR were to remove the remaining regulatory and licensing hurdles to reduce the micro risks of private investments in these sectors. This could allow much needed expansion of privately funded and privately provided health services, higher education services and TVET.

4.96 Beyond these major opportunities in the Service Sector, there are also many gaps in terms of the provision of private non-tradeable services for the domestic market. This covers professional activities in urban centres, (that is, the services of professionals, managers, office clerks, commercial and sales personnel and other skilled and unskilled

services) and off-farm employment in rural areas. Creating such jobs and off-farm employment opportunities are important priorities of the GoR.

4.1.4 Summary of the Growth for Jobs and Exports flagship

4.97 The Growth for Jobs and Exports flagship is an on-going set of policies and programmes across sectors that require the scaling-up of public and private investments and further improvement over several phases. In the first phase, there is an urgent need to remove the obstacles to economic growth identified in the growth diagnostic, that is, the lack of skills, infrastructure, technology and finance. Detailed sectoral and cross-sectoral actions and programmes are essential to identify and improve the channels through which public investments induce private investments and foreign direct investment.

4.98 The next phases consist of ensuring that investments create the jobs required to absorb the forthcoming expansion of the labour force. The development of an Employment Strategy will complement the Growth flagship, once the comprehensive analysis of the Rwandan labour market is completed. Finally, stronger growth and employment in key identified sectors of agriculture (i.e., coffee, tea, horticulture), manufacturing (i.e., mining, food and beverage processing, construction), and services (i.e., tourism, transport and logistics, other financial and non-financial services) will expand the exports base which is necessary to generate foreign exchange earnings for further expansion. Exports will be further facilitated by on-going processes of regional and international integration.

Table 4.5 Summary growth flagship

<u>Policy interventions</u>	<u>Strategy</u>	<u>Lead Ministries</u>
Develop skills and capacity for productive employment	Systematically reduce the operational costs of business (including skilled labour costs) given their existing technology	MINEDUC, MIFOTRA, MINAGRI, MINICOM
Improve the infrastructure especially energy, transport and communications		MININFRA, MINITERE, MINAGRI, MINICOM
Promote science, technology and innovation	Increase the Private Sector's capacity to innovate	MINISTR, MINICOM, MINAGRI

<u>Policy interventions</u>	<u>Strategy</u>	<u>Lead Ministries</u>
Widen and strengthen the Financial Sector	Widen and Strengthen the Financial Sector	MINECOFIN, MINICOM
Promote opportunities in the three sectors of the economy	Direct support to agriculture, manufacturing and service sectors	MINAGRI, MINICOM
Improve governance to address the challenges associated with micro risks		Anchored in governance flagship → all ministries

4.2 The Vision 2020 Umurenge Flagship Programme

4.99 The second flagship programme, the Vision 2020 *Umurenge* Programme (VUP) aims to eradicate extreme poverty by 2020. This programme has key similarities with the first flagship programme with its focus on growth, job creation and exports generation. The VUP, however, starts as a pilot covering one of the poorest *Imirenge* in each district, therefore operating solely in specific rural areas. Since the VUP's prime objective is to release the productive capacities of the poor and extremely poor, who comprise 56% and 37% of the population, respectively, it can be seen as a pro-poor growth for job and exports programme.

4.100 The VUP builds on past experiences which show that "isolated" interventions by sector ministries, donors or NGOs are not sufficient to lift people out of extreme poverty in a cost-effective and sustainable fashion. The other extreme, "integrated" development, has also shown its limits in many circumstances. One of the main limitations of both isolated and integrated approaches has been the failure to address two of the most important insights of economics: (i) "resources are scarce" and (ii) "people respond to incentives."

4.101 Because resources are scarce compared to people's needs, choices must be made. When choices are made for people, for example, through centralised planning, there are risks of not satisfying their needs or distorting local incentives; this generally leads to a waste of resources. When choices are made by people, for example, through participatory mechanisms, these risks are alleviated but the incentives may not be compatible with the stated aim of eradicating extreme poverty.

4.102 In order to incorporate these insights, the VUP balances central guidelines for socio-economic transformation (i.e. economic growth, job creation and extreme poverty eradication) with local participatory mechanisms. This ensures the best possible use of scarce resources while, at the same time, ensuring adequate local incentives for sustainable progress.

4.2.1 Releasing productive capacities

4.103 The VUP is designed to be implemented through three components. Firstly, the VUP revives public works but requires that they are planned and that they use community-based participatory approaches (e.g. *ubudehe*) to build community assets and create an off-farm employment infrastructure. These community assets could be in agriculture or livestock infrastructure or dedicated to promote off-farm manufacturing or service activities. The concept of "public works" builds on the experience of '*haute intensite de main d'oeuvre*' (HIMO) projects throughout the country and the VUP seeks to put in place guidelines to avoid the weaknesses and abuses that have hindered HIMO projects in the past. Since private land ownership is widespread in Rwanda, public works can take place on either public or private land (e.g. terracing). However, the assets must benefit the community at large. Indeed, when such benefits are clear, the community will

have the incentive to conduct the maintenance of these community assets, thereby ensuring sustainability.

4.104 Examples of desirable outcomes and corresponding on-farm or off-farm projects are (i) improved land productivity (e.g. building watersheds, hillside terraces, irrigation mechanisms); (ii) improved financial/business services at the community level (e.g. building related infrastructure); (iii) improved infrastructure for off-farm employment (e.g. building workshops, training centers, supply-chain transformation centers, storage warehouses); (iv) improved formal market infrastructure (e.g. construction of roads, bridges, dams, energy sources); (v) improved clustered village settlement (e.g. building of model *umudugudu* infrastructure); (vi) improved access to drinking and irrigation water (e.g. digging springs, shallow wells, rain water harvesting, water ponds); (vii) improved access to schools (e.g. repairing and constructing classrooms and nurseries); and (viii) improved access to health facilities (e.g. repairing and constructing health facilities).

4.105 Secondly, the VUP innovates with cooperative and small- and medium-sized enterprise development and credit packages to tackle extreme poverty as well as to foster entrepreneurship and off-farm employment opportunities; these packages are designed to make the best possible use of scarce public resources, involve the private Financial Sector (especially microfinance institutions with local presence in pilot *imirenge*), and provide people with incentives and organisational capacity to improve their own productive and trading capacities. Credit packages go beyond natural resources to cover human resources (i.e. skills), entrepreneurship and off-farm employment. A credit package is a formal contract that describes the use of the credit in pre-specified activities. This contract is agreed upon with the community, endorsed by the community, and approved by the VUP Management Team. It allows the bearer to benefit from the VUP Insurance Scheme (VUPIS), which will facilitate the credit approval by local microfinance institutions.

4.106 Examples of desirable outcomes and corresponding credit packages are (i) improved land productivity (e.g. through agriculture, livestock and farmer credit packages for seeds, fertilisers, pesticides, farmer training, or technology adoption); (ii) improved savings mobilisation (e.g. through livestock, skills and management credit packages); (iii) improved off-farm employment opportunities (e.g. through skills, management, off-farm, energy, transport, skill, supply-chain management and export credit packages); (iv) improved technical and vocational skills (e.g. through skill credit packages); (v) improved formal market participation (e.g. through off-farm, energy, transport, skill, supply-chain management and export credit packages); (vi) improved village settlement density (e.g. through construction material and mortgage credit package); (vii) improved health conditions (e.g. through health credit packages); and (viii) improved productive capacity.

4.107 Thirdly, the VUP includes direct support to improve access to social services or to provide for landless households with no members qualifying for public works or credit packages; such unconditional support seeks to expand access to health and education as well as to encourage the development of “appropriate” skills, handicraft, or social service

activities. Direct support has the same intention of releasing the productive capacities of individuals. It is thought that improved targeting is possible once land owners or able bodies have been screened out and directed towards public works or credit packages. Households without labour to participate in on-farm or off-farm employment (i.e. public works projects) may require direct support to lift them out of extreme poverty. Direct support activities are designed to provide grants to the neediest members and most vulnerable of the community. Such support is unconditional but beneficiaries will be expected to engage in appropriate skill acquisition activities, handicraft, and social service activities. Direct support is intended for those unable to participate in public works and those without the productive capacity to qualify for credit packages. It includes those who do not have sufficient and reliable support from son/daughter or remittances from relatives away from the village.

4.108 Since the activities are targeted at labour poor households, they should be light in labour demand but useful at the same time to the individuals and the community. Examples of such activities are (i) community child care centres (on public works sites); (ii) community sanitation, health and family planning classes; (iii) participation in child nutrition and growth promotion classes; (iv) participation in adult literacy or numeracy classes; and (v) participation in artisan activities and handicraft.

4.109 The selection of public works projects or proposals for credit packages will be driven by a participatory planning process in order to promote the identification and prioritisation of community needs (in the case of public works) and local agri-business as well as off-farm business and employment opportunities (in the case of credit packages). Hence, planning begins with the *umudugudu* identifying key outcomes it wishes to achieve and then developing a list of projects or packages that will achieve these outcomes. The *umudugudu* committee makes recommendations on the provision of public works or the adoption of credit packages. These recommendations will be reviewed by the *umudugudu* council. Eventual approval of public works will be made by the *umurenge* and/or District Councils, depending on the nature of public works. The final decision will be made by the VUP Management Team. Similarly, the *umudugudu* committee makes recommendations on the provision of direct support to individual households and follows a similar approval process with the final decision being made by the VUP Management Team.

4.110 These three programme components are not necessarily mutually exclusive, for instance public works can be complemented with credit packages. In addition, a distinction is made between a household and members of the household. This is crucial to cater for women and youth who represent important productive capacities but may not be heads of households. Hence, eligibility to these programmes intends to address the concerns of women and the youth. The programme components will be implemented through a set of projects which will be designed and coordinated at *umurenge* level and implemented at *umudugudu* level. Both programme components and projects are linked to technical specialists in sector ministries which also provide the strategic direction and priorities.

4.2.2 Fostering sustainable progress

4.111 Targeting people's productive capacities and releasing their productive potential is expected to have at least three important additional benefits.

4.112 Firstly, the VUP will encourage the creation of off-farm employment opportunities, thereby facilitating the eventual transition to a modern knowledge-based society according to Rwanda's Vision 2020. Although, the promotion of off-farm activities in agro-processing, manufacturing and service activities is a priority at national level, the VUP will offer an additional unique opportunity to identify incentive mechanisms that work best in fostering such a transition at the local level. The need for off-farm activities is obviously important due to demographic pressures and the lack of land in Rwanda, the most densely populated country in Africa.

4.113 Secondly, the VUP will accelerate the process of monetisation and formalisation of the economy, thereby ensuring long term sustainability. The non-monetised and informal share of the economy is almost 66%. Few changes have occurred in this respect over recent years indicating the presence of obstacles to formalisation. The VUP will offer a unique opportunity to identify how legal, regulatory, licensing and tax compliance burdens are hampering the process of formalisation in Rwanda. It is understood that one of the major causes of the lack of formalisation lies in the high costs in terms of the time needed to understand and comply with all formal regulations. While monetisation should increase in the pilot *imirenge* because public works, credit packages and direct support put money directly in the pocket of the poor and the extremely poor, the issue of formalisation will be more difficult to tackle without improvements in local government effectiveness.

4.114 Thirdly, the VUP will facilitate the redirection of social protection to the neediest people who are landless and unable to work, thereby rationalising and improving the effectiveness of social protection programmes. Because the VUP focuses (at least initially) on pilot *imirenge* it does not substitute for nation-wide social protection programmes. (These programmes are elaborated in section 4.4.) This pilot does, however, offer the opportunity to evaluate the possibility of enabling socially protected individuals or households to progress to appropriate productive activities. From this follows the claim that the VUP could help rationalise and improve the effectiveness of social protection. Therefore, the VUP uses a social protection strategy which offers an additional implementation mechanism through unconditional direct support targeted at releasing the productive capacities of the most vulnerable.

4.2.3 Initiate and implement change management

4.115 As a flagship programme, the VUP seeks to bring about changes in the efficiency of poverty reduction. To avoid confusion, the efficiency of poverty reduction is to be distinguished from the efficiency of service delivery, which falls under the governance flagship. The efficiency in poverty reduction seeks to ensure that economic growth rapidly translates into poverty reduction, and is measured by the elasticity of

poverty reduction with respect to real per capita consumption growth. Improving such efficiency in poverty reduction will require managing change in three related areas.

4.116 Firstly, local governments will need to be assisted to coordinate the implementation of national sector and ministry strategies. This will require taking advantage of the Rwanda Decentralisation Strategic Framework (RDSF) and its implementation tool, the Decentralisation Implementation Programme (DIP).

4.117 Secondly, the notion of inter-connectedness of services across line ministries will need to be instilled. This will be achieved through a number of mechanisms including a Rapid Response Mechanism linking staff in communities and local governments with the VUP management team in MINALOC as well as focal points in each line ministry.

4.118 Thirdly, attitudes will need to be changed through pro-active interventions of all national sectors and ministries to accelerate the rate of poverty reduction in Rwanda. The first step towards changing perceptions and attitudes lies in the very existence of the VUP as a flagship programme. As such, it emphasises the need for a coordinated response to the problem of extreme poverty.

4.119 As the VUP is a pilot programme, a careful, rigorous and appropriate monitoring and evaluation system will be put in place to evaluate success and identify weaknesses on an ongoing basis. Chapter 7 speaks to general principles and specific indicators that will be used to evaluate the EDPRS.

4.120 With proper assistance, inter-connectedness and attitudes, programmes like the VUP that put money into the pockets of the poor and promote formal market mechanisms will gain the favour of all and, indeed, achieve an acceleration of poverty reduction.

4.2.4 Summary of the Vision 2020 *Umurenge* Programme flagship

4.121 Table 4.4 summarises the programme components, additional benefits and areas of change management required for the VUP.

Table 4.6 Summary of the VUP flagship

Programme components (“focus”)	Additional benefits (“externalities”)	Areas where change needs to be initiated and implemented in a systematic fashion (“change management”)
Public works	Creation of off-farm employment opportunities	Assist local governments to co-ordinate the implementation of national sectors and ministry strategies
Credit packages	Monetisation / formalisation of the economy	Instil the notion of interconnectedness of services across national sectors and ministries
Direct supports	Effectiveness of social protection	Change attitudes through pro-active interventions of all sector ministries to accelerate the rate of poverty reduction in Rwanda.

4.3 *The Governance flagship programme*

4.122 The third flagship programme is an essential complement to the two other flagship programmes which cannot succeed in the absence of good governance. The governance programme seeks to improve governance in several areas. These include maintaining peace and security through defence against external threats and participation in peace-keeping missions, preserving and strengthening good relationships with all countries, continuing to promote unity and reconciliation among Rwandans, pursuing reforms to the justice system to uphold human rights and the rule of law, and empowering citizens to participate and own their social, political and economic development in respect of rights and civil liberties.

4.123 This programme also covers a wide range of Public Sector reforms which include expanding decentralisation and enhancing accountability at all levels of government, enhancing Public Sector capacity, strengthening public financial management and improving procurement, implementing performance-based budgeting and increasing the transparency and predictability of policy making. In addition, the programme puts emphasis on supporting the development of soft infrastructure for the Private Sector through implementing the commercial justice, business and land registration programme, improving economic freedoms, the regulatory and licensing environment for doing business, and promoting principles of modern corporate governance.

4.124 Particular focus will be placed upon the improvement of the existing political system. This includes reforms to improve the extent of competition in executive and legislative elections, checks and balances to eliminate excesses and ensure separation of powers, inclusive politics to allow for free participation by all citizens in achieving peace and political representation, as well as the role of the National Unity and Reconciliation Commission and the use of *ingando* initiatives to bring about political stability, reconciliation, and sustainable security.

4.125 Political, administrative and financial accountability will be improved by focusing on the following programmes: strengthening the capacity of the legislature to initiate, scrutinise and amend laws; scrutinising the executive and holding it to account and rigorous procedures to supervise taxation and approval of public expenditure. There is a need to improve the citizens' access to government information with regard to a public procurement process, the effectiveness of the public procurement system, fiscal transparency, and maintenance of budgetary discipline, among others.

4.126 Efforts will also be made to promote human rights and civil liberties. Reforms will be made to the laws governing the establishment of Civil Society Organisations, their freedom to operate, their capacity to contribute towards policy formulation and implementation and their ability to undertake actions to complement government interventions. These reforms will also expand on existing laws and regulations affecting

the freedom of the press, the freedom of belief and the freedom of expression of individuals, in respect of human rights, gender equality and non-discrimination.

4.127 There is a need to strengthen existing institutions, laws and regulations, and practices to promote integrity and fight against corruption. These reforms include, but are not limited to, the Office of the Ombudsman, the Office of the Auditor-General, the National Tender Board and its decentralised affiliates, the police and other law enforcement mechanisms.

4.128 To strengthen the rule of law, emphasis will be put on reinforcing the capacity in the efficient administration of Justice in order to ensure universal and timely access to justice and the respect for human rights. Special attention will be given to clear *gacaca* cases, to clear the backlog in regular judicial cases, and strengthening of the *abunzi* mediation mechanism. The incidence of crime will be reduced through crime prevention measures and community policing initiatives. Prison conditions will be improved through income generating projects and inmate rehabilitation programmes.

4.129 Government effectiveness will be improved by strengthening the role of *imihigo*, increasing the autonomy of local governments, while ensuring that local authorities are accountable and responsive to the citizens; this in particular will be achieved through the expansion of the decentralised accountability framework.

4.130 Existing institutions and the framework of laws and practices with regard to corporate governance will be assessed and improved. Modern principles of corporate governance will be promoted in all public, private and civil sectors.

4.131 The revision of laws and policies facilitating the registration and operation of the Forum of Political Parties, the Civil Society Platform, the High Council of the Press and the Joint Governance Framework is ongoing and will be completed during the course of the EDPRS.

4.132 In addition, capacity-building to strengthen the operation and effectiveness of independent think tanks and institutions to conduct regular assessments on governance such as the Rwanda Governance Advisory Council and the Institute for Strategic Policy Analysis will be conducted during the course of the EDPRS.

4.133 Partnerships between public, private and civil sectors such as the Joint Action Development Forum and the Joint Governance Framework will be strengthened. The twinning of Rwanda's institutions with institutions in other countries (*jumelage*) will also be strengthened during the course of the EDPRS.

4.3.1 Security and Cooperation

4.134 Achieving the EDPRS objectives will partially depend on whether peace and security prevails in Rwanda and the region and on external contributions in the form of official development assistance and foreign direct investment. Therefore, Rwanda will

endeavour to create a climate of peace, security and stability in the region and beyond by developing, maintaining and strengthening good relationships with all countries and by co-operating with other members of the international community in elaborating and maintaining international law. Rwanda will project itself as a country that is peaceful and secure, where democracy thrives and economic policies are stable and predictable. It is a state which respects human rights, the rule of law, and its international obligations.

4.135 The Security and Cooperation Sector will contribute to the overall goal of the EDPRS by ensuring a safe and secure environment for all Rwandans and non-Rwandans. To achieve this, the sector has developed strategies based on the EDPRS Security and Co-operation Logframe. The Ministry of Defence coordinates the Security and Co-operation Sector and, together with the Ministry of Foreign Affairs and Cooperation (MINAFFET) and the National Security Service (NSS), are the core implementing and cost-sharing agencies, while the Ministry of Internal Affairs (MININTER), MINALOC and the Ministry of Justice (MINIJUST) will act as key partners.

4.136 During the EDPRS period (2008-2012), the Security and Cooperation Sector will be guided by five objectives. Firstly, the sector will develop and implement a holistic national security policy. This will involve consulting with different stakeholders, drafting the security policy, seeking nation-wide legal and constitutional approval, setting up periodic action plans and budgets, and designing and implementing a monitoring and evaluation mechanism.

4.137 Secondly, the sector will strive to enhance the capacity of its institutions through effective training, provision of adequate equipment and infrastructure as well as recruitment of personnel into relevant posts. A Security Sector training needs assessment will be carried out and a training strategy as well as a recruitment and retention strategy will be developed. Specialised training centres for different categories of personnel will also be established. The recruitment and retention rate of personnel will be used as one of the measures for the progress and effectiveness of the Security Sector.

4.138 Thirdly, the Security and Cooperation Sector will strive to gain more trust, confidence and support of the local population and international partners. In so doing, the sector image will be promoted. This will in turn contribute to the creation of an atmosphere conducive to increasing numbers of tourists, visitors and business investors to Rwanda. These indicators will be gauged against UN security rating levels. More trust and confidence will encourage members of the international community to deploy more Rwandan security personnel into the regional and UN peace-keeping operations.

4.139 Fourthly, this sector will strive to strengthen regional and international co-operation. This is one reliable way of combating and solving the problem of armed groups and wanted criminals from foreign lands. This will be supported by encouraging the voluntary returnees of Rwandan refugees, arresting and repatriating the most wanted criminals, combating international organised crime, especially money laundering, terrorism, cyber crime, child and human trafficking, drug trafficking, as well as ensuring an absence of territorial violations and combating genocide ideology.

4.140 Other indicators to gauge success include the opening of foreign embassies and missions in Rwanda; the opening of embassies, missions, security liaison offices and military attachments abroad by the Government of Rwanda, and the continued participation of the GoR in regional and international peace-keeping operations.

4.141 Fifthly, the Security and Cooperation Sector will establish a strong Management and Information System (MIS). This will provide quality and timely data to inform decision makers. Data will be collected through surveys and citizens' scorecards, which will include important security-related information.

4.142 To achieve the above objectives, there will be supportive national planning and budget allocation to various sectors in order to facilitate effective implementation of EDPRS. Effective coordination with other sectors will also be vital to ensure that the set targets are met on time with considerable flexibility and complementarity.

4.143 The GoR attaches vital importance to the Security and Cooperation Sector as the custodian of national security and development. The current security working group has formulated and elaborated a Security Sector logframe, carried out a baseline study, set up a plan of action and budgeted for the planned activities. It has also come up with recommendations on the way forward for the sector. Any overlaps or related cross-cutting issues during the implementation phase will be monitored and resolved using the monitoring and evaluation mechanism.

4.144 Furthermore, to achieve a safe and secure environment, it is assumed that there will be no unexpected regional or international instability; there will be consistent commitment from donors as well as sufficient human and financial resources to execute the allocated budget and planned programmes. It is also assumed that there will be adequate infrastructure in place as well as a favourable international and regional foreign policy towards Rwanda and that other sectors in Rwanda will make their contribution to a safe and secure environment.

4.145 To ensure success, there is a need for MINECOFIN to co-ordinate and harmonise all national planning processes and to ensure that resources are made available in time to support the afore-mentioned security priorities. This will assist the Security Sector to contribute effectively to the overall goal of the EDPRS and to attain the purpose of the Security Sector in the set time period.

4.3.2 Justice, Reconciliation, Law and Order

4.146 The objective of the Justice, Reconciliation, Law and Order (JRLO) Sector is to strengthen the rule of law to promote good governance and a culture of peace. This will be achieved through interventions in the Justice, Law and Order and the Unity and Reconciliation Sub-sectors.

4.3.2.1 Justice, Law and Order

4.147 There are four sets of Justice Sub-sector interventions which contribute to the stated objective of the sector.

4.148 The first set aims to ensure universal access to justice in Rwanda. The sector aspires to have an efficient and effective justice system that is accessible to and affordable by all citizens, including vulnerable groups. A sector-wide study will evaluate the available capacities in the sector and set benchmarks for a sector-wide plan to further reinforce the human and institutional capacities. The sector will emphasise the development of a legal framework and national policy, and efficiency of the judicial system will be increased through streamlining of court procedures, reducing the average time to prosecute and rule on a case in court and by clearing the backlog of cases. The execution of judgments will also be improved and the full capacity of the Law Reform Commission promoted.

4.149 To avoid further overburdening, the Justice Sector will further develop alternative justice mechanisms including the *abunzi*. The sector will also sensitise all citizens to new laws, institutional roles and where to access justice, rights and responsibilities. In order to follow up on service delivery and impact, the sector will develop an operational Management Information System (MIS) and a regular survey will be organised to measure the public perception on quality of justice.

4.150 Enacting a law against gender-based violence is a pre-condition for improving access to justice by many women. Once enacted, a major popular awareness campaign will be held to secure widespread recognition that domestic violence, rape and sexual harassment are criminal offences. Implementing such legislation will require the training of judicial personnel, police officers and prison staff on human rights, gender-based violence and the management of cases involving vulnerable and disadvantaged groups. More legal professionals will be trained in juvenile justice and more mediators with the skills to recognise and treat cases of child abuse are required.

4.151 The second set of interventions focuses on eradicating genocide ideology and building a culture supportive of the rule of law. The sector strives to consolidate the genocide memory and sensitise all citizens to the rule of law and human rights in order to have a Rwanda free of incitation to hate, violence, and discrimination. The processing of 1994 genocide cases and related crimes will be expedited and the community services of general interest will be made fully operational. The sector will consolidate the genocide memory and reinforce means of assistance to genocide survivors. Special attention will be given to the monitoring and protection of human rights in general, and those of women, children, PLHIV and vulnerable groups in particular. An effective system for compensating victims will be established by 2010, while those convicted of crimes will be helped to re-integrate into society after serving their sentences.

4.152 The third set of interventions aims to promote transparency and accountability. Measures will be taken to reduce corruption by reinforcing the legal framework which

supports anti-corruption monitoring mechanisms, as well as supporting the activities of civil society organisations aimed at increasing transparency and accountability. These interventions will be co-ordinated with interventions following similar objectives and conducted by MINALOC.

4.153 A fourth set of interventions aims to ensure that law and order are maintained and enhanced. The sector shall continue to ensure the safety of Rwandan people and their property by implementing crime prevention measures and community policing. The sector will improve prison conditions and strengthen its income generating projects and inmate rehabilitation programmes.

4.154 The Justice, Reconciliation, Law and Order and Security Sectors have an important role to play in both the prevention of HIV and in mitigating its impact. Preventative measures are key factors in these sectors as they contain populations at high risk, including those in the prison system. Rehabilitation programmes will be provided for prison inmates and will include AIDS education programmes and voluntary counselling and testing (VCT) services. To mitigate the impact of AIDS, the sector will review laws to ensure they address human rights, provide training for sector staff on key human rights issues related to topics such as HIV and AIDS. Legal aid programmes will be created to improve the access of vulnerable people, including those infected and affected by HIV and AIDS, to legal services. The security sector will conduct a sector-wide needs assessment by mid-2008 and this will include AIDS issues. In addition, the sector will increase the number of security personnel accessing VCT services as a result of awareness programmes and ensure a greater percentage of security organisations have AIDS sensitisation campaigns by 2012.

4.3.2.2 Unity and Reconciliation

4.155 A number of measures will be taken to reinforce mediation, unity and reconciliation mechanisms in society. These include improving formal and informal institutional arrangements supporting dispute resolution and conflict management, and establishing an early warning system for conflict prevention and management. The key challenge is the prevalence of a genocide ideology in the country and region. The National Unity and Reconciliation Commission (NURC) will implement a multi-sectoral approach to achieve its aims. It will work with the Justice Sector to enact a law on genocide ideology. The legal environment for community-based mediation and arbitration will also be strengthened. Civic education programmes which stress the value of living in peace, unity and reconciliation will be supported and expanded at national and local level. The education syllabus and curriculum will be revised to include unity, reconciliation, mediation and conflict management. In health, trauma and counselling centres will be active in all districts and main hospitals by 2009, and free or subsidised medical services will be provided to survivors, especially AIDS victims and vulnerable groups.

4.156 The National Unity and Reconciliation Commission will continue to disseminate the policy on unity and reconciliation and build the capacity of public,

private and civil society organisations to ensure they systematically mainstream unity and reconciliation in their programmes. The commission will establish indicators to track progress. Resolution is also particularly important in the case of land disputes which are widespread and are extremely challenging to resolve in ways that do not store up problems for the future.

4.157 At the local government level, the key issue is of building trust and tolerance among and between individual citizens, ensuring greater empowerment and participation of citizens who are recovering from a legacy of no or partial participation in decision making and constrained access to services. Activities suggested include sensitising and training all district, sector, cell & *umudugudu* leaders about unity and reconciliation, empowering districts to set up clear guidelines and principles for employment, recruitment and access to services; setting up unity clubs in all districts; facilitating the use of *umuganda* to discuss progress and constraints to achieving unity and reconciliation; encouraging high participation in *gacaca* courts and citizen reconciliation; and providing material and financial support to local and community initiatives promoting the culture of peace and reconciliation through achieving higher standards of living.

4.158 At regional and international level, the National Unity and Reconciliation Commission seeks to expand and use the infrastructure of the Rwanda Peace and Leadership Centre and raise its profile through training on peace and civic education, conflict resolution, mediation, unity and reconciliation; research on and documentation of best practice in governance; syllabus development; internships and regional and international exchange programmes.

4.3.3 Decentralisation, citizen participation and empowerment, transparency and accountability

4.159 The mandate of the Decentralization, Citizen Participation and Empowerment, Transparency and Accountability Sector (DCPETA) is to provide equitable, efficient and effective pro-poor service delivery, while promoting local development in an environment of good governance. The sector has identified four broad areas of intervention.

4.160 First, for Rwanda to achieve result-oriented decentralisation, five strategic areas have been identified to guide the decentralisation policy implementation process. These are: (i) effective management and implementation of decentralisation policy; (ii) citizen participation, transparency and accountability; (iii) efficiency and effectiveness of local governments in local economic development, poverty reduction and service delivery; (iv) fiscal and financial decentralisation; and (v) monitoring, evaluation and management information systems.

4.161 MINALOC and its partners have developed the Rwanda Decentralisation Strategic Framework (RDSF) and is about to finalise the Decentralisation Implementation Programme (DIP). These two documents will provide a harmonised and co-ordinated

guiding framework for all current and future interventions towards result-oriented decentralisation in Rwanda.

4.162 Secondly, in the area of citizen participation and empowerment, mechanisms and capacities for all-inclusive citizens' participation in local decision-making and governance processes will be reinforced at various levels. Particular emphasis will be placed on ensuring a voice for citizens as local government's clients, as well as for women, youth, children and disadvantaged groups. Gender sensitivity will be integrated across the systems and training programmes will be implemented. Awareness campaigns in civic education will be conducted to inform the population about electoral processes, freedom of expression, political rights, civil liberties, duties and responsibilities. The regulatory environment of civil society will also be improved to encourage development, partnerships with the Public Sector and its involvement in governance and socio-economic development.

4.163 Thirdly, to reinforce democratic organisational culture and framework, capacity will be developed in every public institution as well as in the public and private media to enhance transparency and accountability. The professionalisation of the media will be strengthened to promote the citizens' voice, unity and reconciliation, freedom of expression and to disseminate public information.

4.164 The promotion of free political competition as well as an independent and engaged civil society and media will be facilitated by the establishment of the Forum of Political Parties, the Civil Society Platform, the High Council of the Press, Media Associations and the Joint Governance Framework. In order to strengthen transparency and to facilitate the registration and operation of these important institutions, there is a need to revise laws and policies; such revisions are ongoing and will be completed during the course of the EDPRS.

4.165 Fourthly, a robust monitoring and evaluation system which will effectively monitor and evaluate good governance programmes, the implementation of decentralisation and social welfare will be established to inform decision-making. This will be linked to the Management Information Systems (MIS) developed at central and local levels of government. Monitoring and evaluation user manuals and ICT equipment will be supplied to local governments and geographic information systems (GIS) will provide baseline data. Capacity for data collection (e.g. Citizens Report Cards and Community Score Cards), data analysis, and database management will be developed.

4.166 In planning and implementing its interventions, DCPETA will be mindful of cross-cutting issues. A National Commission on Children will be established together with children's forums which will meet regularly during the year. Community-based measures will be put in place to protect vulnerable children and victims of violence and abuse. Gender sensitivity will be integrated across the systems and training programmes will be implemented. The sector's monitoring system will collect disaggregated data relevant to the needs and concerns of vulnerable groups to provide a basis for designing more effective public interventions to counter the lack of social inclusion.

4.167 As regards gender, it is important that both men and women have equal access to accurate, timely and relevant information. This will allow them to participate fully in democratic decision-making, such as voting and contributing to planning processes, and provide them with an evidence base for evaluating government performance at local and national level. Steps will be taken to encourage women to put themselves forward for electoral office and appointed positions. A national plan of action will be drawn up and implemented to strengthen the capacity of women elected or appointed into decision-making positions.

4.168 Finally, DCPETA is committed to ensuring local governments meet benchmarks for HIV/AIDS indicators and activities in their district development plans, annual plans, and medium term expenditure frameworks. The sector will also work to strengthen civil society in the management of comprehensive HIV/AIDS prevention, care, and support programmes.

4.3.4 Public Sector capacity and employment promotion

4.169 The Capacity-building and Employment Promotion Sector (CBEPS) aims to strengthen Public Sector capacity to provide effective and efficient service delivery, as well as to launch initiatives leading to increased levels of decent and economically productive employment. The sector plans activities in four areas.

4.170 Firstly, policies and legislation will be put in place for both private and public workplaces which mandate a safe, secure and equitable work environment, while also introducing measures to ensure compliance. This will enshrine workers' and employers' rights and responsibilities in the Labour Laws and Public Service Policy, which in turn will be used as guidance for a range of other regulatory and procedural documents.

4.171 The sector intends to ensure good quality revisions to the Labour Law and related regulatory documents and to this end, technical assistance and capacity-building of key Ministry of Public Service, Skills Development, Vocational Training and Labour (MIFOTRA) staff will be required. Technical support for the development of a Public Service Policy and associated regulatory documents, including the Public Service Statute, will also be needed. It will be necessary to put in place a Public Service Commission to monitor and support compliance with these policies and laws. It will also be important to strengthen the capacity of labour inspectors through key input which includes increasing the number of inspectors from thirty to sixty; providing transport to facilitate workplace visits in rural areas; providing fifteen days of training per year for thirty inspectors to take the Certificate in Labour Administration at Rwanda Institute of Administration and Management (RIAM) and providing a computer with a standardised database for each district labour office.

4.172 Secondly, the key to effective and efficient service delivery is to build the human, institutional and organisational capacity of public service institutions. The sector will work in partnership with all sectors involved in capacity-building and employment

promotion issues, especially MINALOC, MINEDUC and the Ministry of Health (MINSANTE) to ensure that capacity-building is responsive to the needs at all levels of governance. The sector will also strengthen the capacity of local training institutions to ensure cost-effective and responsive professional development of Public Sector staff. To support this, a National Reform Co-ordination Unit will be established.

4.173 A National Skills Audit to identify needs and ensure professional development in key areas will be carried out and the results used to develop a skills development policy and strategic plan. Support will be given to all public institutions to carry out a training needs assessment, the results of which will be used to develop institutional training plans based on the priorities identified. These will be used by the CBEP sector to develop a national master plan of public service training based on priority needs. All Public Sector training will be funded through a centralised Skills Enhancement Fund which will be established and managed by MIFOTRA. Appropriate equipment will be obtained to support key CBEP sector activities and facilities will be upgraded to ensure compliance with revised policies and legislation for health and safety and equity. Local Training Institutions (LTIs) will also be strengthened to enable them to carry out training of Public Sector personnel at all levels; this will require technical assistance to build training capacity, develop appropriate curricula and improve their facilities. Two projects, Migration for Development in Africa (MIDA) and Transfer of Knowledge and Technical Expertise Network (TOKTEN), will support the engagement of the Rwandan diaspora in capacity-building for the public and private sectors within Rwanda. This will allow the Rwandan diaspora to develop harmonious relations with the mother country and to contribute to the good image of Rwanda in the international community.

4.174 Thirdly, in order to address the high levels of under-employment and ensure increased levels of economically productive employment, the sector will implement two complementary initiatives. The first is the establishment of a National Employment Agency with district branches which will provide information and advice to job seekers and provide contact with potential employers. The second initiative will provide access to priority high quality vocational training through the Rwandan Workforce Development Authority and its provincial and district centres. It is important that plans for this training be done in conjunction with the Education and Private Sectors for maximum effectiveness and efficiency especially as regards the utilisation of resources. This initiative is aimed at increasing the number of off-farm jobs in Rwanda. Priority will be given to the employment of youth, women and people living with disability and to the elimination of child labour. A child labour survey will be implemented and subsequent child labour policy formulated and implemented.

4.175 The new employment promotion interventions will require considerable capital costs with regard to establishing the National Employment Agency and thirty district branches, the Rwandan Workforce Development Authority with five Provincial Workforce Centres and upgrading the current *Centre de Formation des Jeunes* (CFJ) vocational centres to become District Workforce Centres targeting all Rwandans for employment. This will require construction and rehabilitation of buildings, provision of all equipment as well as a full complement of staff who will be trained appropriately. A

strategic plan will be developed which will elaborate the orientation, higher level objectives and programmes of these organisations.

4.176 In addition to training and the establishment of employment institutions that link the demand and supply sides of the labour market, further work will be undertaken to elaborate an Employment Strategy which will identify potential sources of job creation on the demand side, including in the Informal Sector which employs the majority of the labour force. The strategy will include components relating to macroeconomic management, trade policies, direct employment creation through HIMO and those relating to assisting Private Sector employment creation (micro-credit, technical assistance and export promotion, reducing regulatory burden and promoting foreign direct investment), together with supply-side measures including training. Special attention will be paid to promoting paid employment opportunities for specific groups including young people and women.

4.177 Fourthly, CBEPS will seek to improve the co-ordination of activities and collaboration with partners across public and private sectors and to establish effective data collection and reporting processes to support the monitoring and evaluation of progress. This will involve setting up a number of teams to address capacity-building and employment promotion priorities, which might include measures to promote young entrepreneurs and increase the number of apprenticeships. This in turn will require provision of adequate communication equipment, including improved wireless connectivity for all staff members. An effective Management Information System will require the design of integrated databases which link to the proposed national database to be managed by the National Institute of Statistics Rwanda (NISR). The training of CBEP staff to maintain specific sections of the database related to their sub-sector interventions is planned. New equipment will include upgraded computers for key staff and dedicated servers. The creation of new posts for professional officers in the areas of monitoring, evaluation and statistics will be requested.

4.178 The sector will monitor the gender composition of employment in different sectors and of jobs in different skill categories. Measures will be taken to widen the occupational choices facing women and to eliminate gender-based wage discrimination. CBEPS is also committed to addressing AIDS in the workplace. The sector will ensure that HIV and AIDS sensitisation programmes and prevention measures are provided in both public and private enterprises with at least 60% of enterprises providing this by 2012. In addition, the sector will work to ensure that policies and employment laws related to AIDS are developed and implemented.

4.3.5 Centre of excellence in soft infrastructure

4.179 Improving governance underpins the success of the other two flagship programmes. For instance, one of the objectives of Vision 2020 *Umurenge* is to increase the efficiency of poverty reduction; this requires strengthening the capacity of local government and accountability. Also, economic growth for jobs and exports requires the country to foster private investments and attract higher levels of foreign direct investment

which will be forthcoming only if the business environment is made more attractive. The country's low level of "hard infrastructure" (transport, energy, communications) makes this a challenging task which will receive high priority.

4.180 At the same time, Rwanda is well placed to develop and exploit a potential comparative advantage in "soft infrastructure", that is, those aspects of governance such as well-defined property rights, business-friendly regulations, efficient public administration to limit bureaucracy and micro risks, and predictability in policies which are of most concern to private investors. These relate to corporate governance and public financial management. If Rwanda is to become a centre of excellence in soft infrastructure and governance in Africa, it must maintain its reputation as a country with a low incidence of, and zero tolerance for, corruption. Furthermore, it must develop a service culture in public administration where success is measured by outcomes and by citizens' satisfaction.

4.3.5.1 Corporate governance

4.181 Corporate governance is concerned with the ethical principles, values and practices that facilitate holding the balance between economic and social goals and between individual and communal goals. The aim is to align the interest of individuals, corporations and society within a framework of common good and sound governance.

4.182 The African Peer review Mechanism (APRM) Country Review Mission (2005) findings suggest that, although a regulatory framework promoting good corporate governance exists in Rwanda, together with a good legal framework for promoting the Business Sector, much still needs to be done to establish and enforce these legislative obligations and duties, as well as to update and expand them. Sensitisation campaigns on corporate governance which are underway, both at public and private initiative, will be improved.

4.183 To promote an enabling environment and effective regulatory framework for economic activities, the GoR has engaged a wide process of reforms in the legal and judiciary domains to bring its laws and regulations into conformity with international and regional standards as the country strives to make the Private Sector the engine of its economic growth. A number of drafts for laws are being prepared or already examined by parliamentarians, including in areas such as the Investment Code, Intellectual Property Code, Microfinance and Banking Law, Environment Law and Money Laundering. Draft laws are planned in a number of areas including Companies Act, insolvency and bankruptcy, commercial dispute resolution, competition and consumer protection.

4.184 GoR will establish an Inter-Ministerial Task Force to review the state of implementation of standards and codes and promote and sustain existing efforts to raise awareness of corporate governance issues in public and private spheres. It will ensure that the relevant regulatory and enforcement bodies are active to enforce the laws, including Rwanda Revenue Authority (RRA), Rwanda Environment Management Agency (REMA), Rwanda Bureau of Standards and the National Tender Board.

4.185 Rwanda's commercial law clearly establishes the role and responsibilities of corporate boards and management. However, specific training sessions for directors and managers will be designed with the Human and Institutional Capacity Development Agency (HIDA), the National University of Rwanda, the School of Finance and Banking, and other Private Sector entities. A competition regime, which addresses the particular challenges posed by a small domestic market, will be designed and implemented to ensure Rwandan consumers benefit from regional and international integration.

4.3.5.2 Public Financial Management

4.186 The central aim of the Reform Strategy is to modernise Rwanda's Public Financial Management (PFM) infrastructure, regulatory framework, policies and systems at central and local government levels. The final objective is to ensure that the GoR develops the overall capacity to manage and regularly report on its own budget resources as well as utilise, account and report on aid and assistance provided by development partners in various forms. This is in line with the principles of direct budget support based on the strengthening of existing institutional systems, processes and procedures.

4.187 The strategy for reform follows from a period of diagnostic review and analysis and wide consultations with stakeholders. Improvements are being made to PFM institutions, infrastructure, systems and processes, to strengthen the legal and institutional framework, and mainstream and integrate PFM activities into the economic reform agenda. The first Public Expenditure and Financial Accountability (PEFA) Assessment is currently under way and will be used to identify gaps, challenges and constraints then factor these into the strategy. PFM reforms are contained in the PFM Reform Action plan of June 2006 and implemented through a multi-donor trust fund managed by the Human Resources and Institutional Capacity Development Agency (HIDA).

4.188 Specific reforms to budget policy and the management of expenditure aim at redefining policy priorities, integrating MTEFs, focusing on developmental goals such as poverty reduction and supporting the transition to a market-oriented economy. Accounting reforms include modernisation of the accounting function through implementation of the new OBL, professionalisation of accounting, rollout of training on the law and regulations, and clearance of reconciliations backlogs. Inter-Governmental Fiscal Relations, an independent unit, has been established to facilitate better decision-making at local government level. Internal audit activities include the establishment of a separate internal audit function under MINECOFIN with responsibility for leading the internal audit improvement and modernisation. Parliamentary oversight assisted by a Supreme Audit Institution is a prerequisite for an effective system of checks and balances subject to the rule of law. The implementation of capacity and institutional strengthening activities will reinforce the ability of the Auditor-General's Office to deal with its wider accountability mandate.

4.3.6 Summary of the Governance flagship programme

4.189 As described above, governance operates through multiple channels, covers a wide array of laws and policies designed by a number of lead ministries (including MINADEF, MININTER, MINAFFET, MINALOC, MINIJUST, MININFOR, MINECOFIN, MIFOTRA, MINEDUC, MINISANTE and MINICOM) and implemented through various programmes by many agencies and local governments. With such complexity, there is a risk of losing sight of the importance of specific interventions with regard to the overall goal of promoting good governance.

4.190 Therefore, the governance flagship programme seeks to capture all these streams of work to foster greater co-ordination among lead ministries, agencies and local governments. It is expected that better understanding of the contributions of specific interventions with regard to the overall goal of good governance will foster greater co-ordination across the country. And the co-ordination itself will become an important contribution to further improvements in good governance in Rwanda.

Table 4.7 Summary of governance flagship

	Areas of governance	Improvement expected	Lead ministry
Security and co-operation	Maintaining peace and security through defence against external threats and participation in peace keeping missions	Peace, security, control of violence and crime	MINADEF, MININTER
	Preserving and strengthening good relationships with all countries	Co-operation, external political stability	MINAFFET
Justice	Pursuing reforms to the justice system to uphold human rights and the rule of law	Integrity, control of corruption, civil liberties, human rights, rule of law	MINIJUST
Unity and reconciliation	Continuing to promote unity and reconciliation among Rwandans	Internal political stability, unity and reconciliation, community spirit	MINIJUST, MINALOC

	Areas of governance	Improvement expected	Lead ministry
Decentralisation, citizens' participation and empowerment, transparency and accountability	Empowering citizens to participate and own their social, political and economic development in respect of rights and civil liberties	Voice and accountability, government effectiveness, political rights, civil liberties	MINALOC
	Strengthening decentralisation and promoting media	Voice and accountability, government effectiveness	MINALOC, MININFOR
	Enhancing accountability at all levels of government	Voice and accountability, government effectiveness	MINALOC
Public Sector human, fiscal, financial, and policy-making capacity	Public Sector human capacity	Government effectiveness	MIFOTRA, MINALOC, MINEDUC, MINISANTE
	Strengthening public financial management (PFM) and improving procurement	Government effectiveness, control of corruption	MINECOFIN
	Institutionalising performance-based budgeting	Government effectiveness, transparency	MINECOFIN, MIFOTRA
	Increasing transparency and predictability in policy-making	Voice and accountability, government effectiveness, transparency	All ministries, agencies, and local governments
Centre of excellence in soft infrastructure	Implementing the commercial justice, business and land registration programme	Rule of law, economic freedoms	MINIJUST, MINICOM

	Areas of governance	Improvement expected	Lead ministry
	Improving economic freedoms, regulatory and licensing environment for doing business	Rule of law, economic freedoms, minimal bureaucracy and red tape	MINICOM, MINIJUST
	Promoting principles of modern corporate governance	Economic freedoms, self-regulation and ethics	MINICOM

4.4 Complementary sectoral interventions to achieve the EDPRS targets

4.4.1 Manage the environment and ensure optimal utilisation of natural resources

4.191 The Rwandan economy is primarily dependent on natural resources. Over 87% of the population depends on subsistence agriculture for its livelihood, and more than 94% use firewood as their primary source of energy for both domestic and industrial uses. Increasing population pressure on land and forest resources places biodiversity under threat with potentially adverse impacts on export revenue from tourism.

4.192 Under conditions of extreme poverty, benefits accruing in the future tend not to be highly valued in the present. This fact together with an absence of clear property rights to land and rising population density has led to the over-exploitation of land and encroachment on fragile areas, including wetlands. This situation has potentially serious implications for national food security as well as for energy supplies, owing to the decline in wetland water levels. Interruption of the role played by the Rugezi wetland as a hydro-electric power source has already led to electricity supply shortages in Rwanda. In this case, the cost of fuel required to run generators to provide replacement electricity to the national power grid is around US\$65,000 per day.

4.193 Developing an adequate legal, regulatory and policy framework for managing the environment is important. However, unless this is matched by the political will and sufficient resources to strengthen and build the capacity of those institutions charged with implementing environmental policy, there will be little impact on the current situation.

4.194 Key environmental interventions in the EDPRS include the rehabilitation of degraded wetlands and other protected areas to ensure the preservation of biological diversity. An incentive framework will be put in place to implement the National Programme for Adaptation on Climate Change (NAPA) and develop a Clean Development Mechanism, while guidelines will be developed and disseminated on the conduct of Strategic Environment Assessments (SEAs) and Environmental Impact Assessments (EIAs).

4.195 Priorities in the area of land management include establishing land institutions, land registration mechanisms and land use planning, through a land use and management master plan. A costed strategic roadmap for land reform will be ready by October 2007. Procedures will be developed and documented to manage existing land folders and the land database that will facilitate the nationwide implementation of land tenure regularisation. Women's rights to land and other property will be recognised and strengthened, regardless of their civil status, that is, whether they are single, married, divorced or widowed.

4.196 The Forestry Sector will require interventions that include designing and implementing a reforestation strategy with diverse species, as well as taking an inventory and mapping national forest resources to provide the basis for a ten year national forestry

plan. A joint strategy with MINAGRI will be developed to promote agro-forestry for non-wood uses, that is, for medicinal plants, honey production, wild foods, and handicraft production.

4.197 In the Mining Sector, measures will be taken to promote Private Sector participation in exploration, mining and processing, and promote value addition of quarry products to reduce the importing of construction materials. All potential areas of significant mineral deposits should be mapped by 2012. The new geological surveying programmes conducted by OGMR will assist in attaining this objective which will provide valuable information to investors. Assisting cooperatives of small miners to acquire knowledge and skills and access appropriate technology will ensure that mining strategy incorporates a pro-poor component. Programmes will be developed to train women in the skills required by the mining industry, as well as in broader competencies relevant to environmental management.

4.198 As the environment is a cross-cutting issue, environmental policies are being developed in close collaboration with other sectors. Land use management issues will be addressed with the Agriculture Sector to develop interventions for reducing land degradation, soil erosion and soil fertility losses. The Forestry Sector has engaged with the environment and energy sectors to limit deforestation. The Mining Sector is addressing the problem of potential environmental degradation from quarrying activities.

4.4.2 Improve water resources management and access to safe drinking water and sanitation

4.199 The purpose of the Water and Sanitation Sector (WATSAN) is to ensure sustainable and integrated water resources management and development (IWRM&D) for multipurpose use including increased access for all to safe water and sanitation services. The sector has planned activities in six areas to meet its EDPRS targets. Firstly, a set of tasks has been identified which feed into the preparation of a master plan for national water resources management which will be approved by 2009. These include surveying and assessing all the country's surface and ground water resources and establishing a national system for monitoring water quantity and quality. Watershed management committees will be set up across the country and the Nyabarongo and Muvumba Rivers will each have ten kilometres of their river borders protected.

4.200 Secondly, measures will be taken to increase access to water for economic purposes. These include reviewing existing legislation to improve the regulatory framework for water use and promoting access to water for agriculture. The possibilities for expanding navigation on the country's water bodies will also be explored. Thirdly, a series of actions are planned to improve access to safe water for domestic use. These include developing guidelines for water and sanitation planning, as well as the design, construction, operation and maintenance for public and private bodies. Initiatives will be taken to provide, supply and repair water infrastructure, such as boreholes with hand pumps.

4.201 Fourthly, it is planned to improve access to sanitation services that meet hygienic standards. Measures will be taken to increase the proportion of schools, health centres and rural households with latrines. The collection and processing of solid waste will be extended to more households and institutions. Fifthly, human and institutional resource capacity in the Water and Sanitation Sector will be strengthened. To this end, a needs assessment will be carried out and a capacity-building plan approved by 2008. Finally, the institutional framework for policy-making, planning and implementation in this sector will be enhanced by the development of a National Water and Sanitation Master Plan (mentioned previously) and by putting in place a results-based monitoring and evaluation system.

4.202 In planning its interventions in these six areas, the sector will be mindful of cross-cutting issues. Since it is women who are primarily responsible for fetching water, it is important to design and implement a rural water supply programme that is responsive to their needs. For example, the sector will strive to decrease the average distance to the nearest safe water source in order to protect women and reduce their vulnerability to rape. WATSAN will also play a role in HIV prevention by providing awareness-raising programmes and condoms for its workers and by taking action to reduce the number of days its workers are away from home. Sensitisation activities will be carried out to create awareness among the population about the links between AIDS and access to water and sanitation services.

4.4.3 Strengthen health programmes as well as slow down population growth rate

4.203 Improving health is an important goal in itself and, as a component of human capital accumulation, it also contributes to higher incomes. Poverty and poor health are often linked in a vicious cycle. Poverty exposes households to greater health risks stemming from under nourishment, limited or no access to safe drinking water and basic sanitation, overcrowding, illiteracy, and an inability to access or utilise health care resources. Poor health reduces household savings, constrains learning ability, lowers productivity and leads to a low quality of life.

4.204 The Health Sector has planned interventions in seven areas to allow Rwandans to break out of this vicious cycle of poverty and poor health. The first objective is to strengthen institutional capacity at all levels. This will be achieved by allocating and managing the financial resources of this sector more efficiently, and by ensuring coordination between vertical disease programmes and mainstream health service delivery in a cost-effective manner. Private Sector involvement in the provision of health care will be encouraged and the Integrated Health Management Information System will be strengthened to allow better monitoring, supervision and evaluation. This should ensure that the National Health Accounts, Public Expenditure Review and Mid Term Expenditure Framework are institutionalised and updated annually. Having stronger management systems in place should improve partnerships between the Public Sector, the Private Sector and the Informal Sector, incorporating community and traditional healers.

4.205 The second objective is to increase the quantity and quality of Health Sector personnel. Efforts will be made to improve the availability of well-qualified health professionals throughout the country, particularly in rural areas. This will be done by increasing numbers of permanent positions in the rural health facilities and recent graduates will be required to work for a minimum of two years in rural health care facilities. To improve the performance of health care professionals, the government will expand and strengthen the existing Performance Based Financing (PBF) system through which wage premiums are paid to health workers based on performance of the facilities.

4.206 The third objective is to ensure that health care is accessible to the whole population irrespective of their ability to pay. In order to ensure access to, and use of health services, the sector is putting in place sustainable ways of helping the very poor and members of vulnerable groups. This is done through the community health insurance scheme, *Mutuelles*, where membership of the very poor and vulnerable groups is subsidised through the solidarity funds. Efforts are also under way to ensure that everyone is covered by health insurance with an emphasis on strengthening the community health insurance scheme. On the supply side, it is intended that the number of doctors will increase and they will be provided with appropriate medical equipment.

4.207 The fourth objective is to increase geographical accessibility to quality health care services. By 2012, the proportion of households living within one hour from a fully functioning and equipped health care facility will be increased. In order to achieve this goal, the sector needs to increase the provision of health services in more remote and under-served areas of the country. In these areas, the capacity of health centres and hospitals to provide a comprehensive preventative and care package for reproductive health, family planning, nutrition, AIDs, TB, malaria and Integrated Management of Neonatal and Childhood Illnesses (IMNCI) will be strengthened. The Health Sector will also need to build and rehabilitate some health facilities.

4.208 The fifth objective is to increase the availability and affordability of drugs, contraceptive products, vaccines and other consumables. As the utilisation of health care facilities increases, evidence shows that the binding constraint becomes drug availability. Providing safe and effective medication, diagnostics and other commodities to patients is vital for improving the quality of health care. Such a policy has cost-saving effects which is the rationale for attempting to reduce the number of out-of-stock days for all essential drugs at public health facilities.

4.209 The sixth objective is to improve the quality of and increase the demand for services in the control of diseases and alleviation of morbidity and mortality. Drawing on available evidence relating to the effectiveness and affordability of key health interventions, measures will be taken to address the major diseases and risks that contribute to the heavy burden of morbidity, mortality and low productivity in Rwanda. There are six main measures and they are explained below.

4.210 *Strengthen reproductive health services and family planning in order to reduce maternal, infant and child mortality, lower fertility and ultimately slow population*

growth: in order to achieve the ambitious targets in this area, the policies focus on promoting family planning, specifically on reproductive health for youth, involving men in family planning, supporting couples and individuals who decide responsibly and freely on the number and spacing of their children, and ensuring free access to information, education and contraceptive services. Broader activities include improving maternal health through scaling up emergency obstetric and neonatal care activities, sensitising the community to what the danger signs are during pregnancy, increasing access to prenatal, delivery and postnatal care to reduce maternal and infant mortality. In addition, by community mobilisation, behavioural change communication (BCC) and gender empowerment the total fertility rate will be reduced.

4.211 *Reduce the incidence of communicable diseases, by improving the prevention, care and treatment of malaria, TB and AIDS:* during the time frame of the EDPRS, the GoR aims to drastically reduce the malaria fatality rate by improving malaria case management at community level, distributing insecticide-treated mosquito nets and encouraging their use by pregnant women and children, indoor spraying, applying bio-larvicide and by improving general sanitation. Measures will also be taken to ensure early case recognition followed by the appropriate response and referral. Chemioprophylaxis for pregnant women will also be promoted.

4.212 Tuberculosis case management will also be strengthened by early case recognition with the appropriate response and referral, combined with better access to services. Directly Observed Treatment Short Course (DOTS) and STOP-TB strategies will be expanded to more people; closer links will be forged between TB and AIDS programmes, while the problem of multi-drug resistant-tuberculosis (MDR-TB) will be addressed.

4.213 As regards AIDS, the Health Sector will ensure that HIV counselling and measures to prevent HIV transmission from mother to child are routine during prenatal and postnatal visits and circumcision of young males will be promoted in order to reduce transmission. Screening and testing of children will be expanded. Building on the progress already made by the Treatment and Research AIDS Centre (TRAC), which has been recognised by an award from the Technology in Government Africa (TIGA) project, the treatment, care and support of HIV-infected and affected people will be improved. Evidence-based prevention measures will be taken to combat ignorance and disseminate knowledge about the causes of HIV and how it can be prevented by promoting Education, Abstinence, Being faithful, and correct and consistent Condom use (EABC). In particular, awareness programmes will take into account the drivers of the epidemic including cultural norms, poverty and gender inequality, with a focus on target populations at higher risk of exposure, such as the armed forces and highly mobile groups among the population.

4.214 People living with HIV and young people will be at the center of the HIV response. They have an important role to play in advocating preventative measures and promoting changes in sexual behaviour, especially through peer education. The voices of PLHIV can provide first hand testimonies to persuade people to alter their attitudes and

adopt safe strategies of HIV prevention. Awareness programmes will provide employment opportunities empowering PLHIV and young persons who are likely to be particularly effective in communicating health messages in this area. Support will also be provided to widows, widowers and other groups, such as Orphaned and Vulnerable Children (OVC) and PLHIV, who have to cope with the socio-economic impact of HIV and AIDS.

4.215 *Decrease the prevalence of childhood diseases through IMNCI* : measures are in place to scale up the implementation of IMNCI. Major efforts will be made to strengthen community health programmes which prioritise the prevention and treatment of diarrhoea, malaria and pneumonia and prioritise nutritional monitoring and supplementation. Efforts will be made to expand the coverage of children who receive full vaccinations and a large scale campaign will be launched to raise awareness of diseases such as diarrhoea and promote good sanitation practices.

4.216 *Reduce the rate of chronic and acute macronutrient malnutrition and the prevalence of micronutrient deficiencies*: policies to achieve this objective include the promotion of optimal nutritional practices, including those for mothers and infants, and expanding community-based nutrition programmes. Therapeutic and supplementary feeding services for malnourished children will be strengthened, while nutritional education, care and support will be provided to PLHIV and other vulnerable groups at health facilities and at community level. Micronutrient supplements and de-worming treatment will be provided to the most vulnerable populations, including children under five, primary school pupils, pregnant and lactating women, and those on antiretroviral therapy (ART). A Nutrition Surveillance System will be established as part of a comprehensive Food Security and Early Warning System.

4.217 *Improve the environmental health and hygiene conditions of the population*: this will be achieved by increasing access to potable water to prevent water-borne diseases, and through improvements in environmental sanitation. Massive BCC and awareness campaigns will be launched to promote higher standards of personal hygiene. Safer methods of waste disposal will be promoted at community and health facilities.

4.218 *Develop and implement a national mental health programme*: a major legacy of the genocide is the large number of people suffering from trauma and other effects of having suffered bodily harm or having witnessed others being murdered or mutilated. The number of trauma counsellors will be increased and targeted programmes will be launched to meet the needs of different groups, particularly children.

4.219 The seventh objective of the Health Sector is to develop accessible national training, research and reference facilities of high quality with specialist health care services and state of the art equipment. The Health Sector will coordinate its plans with that of the Education Sector and with STI to ensure the most effective use of resources and to prevent duplication of efforts. These high quality facilities will encourage people with the financial resources who usually travel abroad to use health services within the country. This objective requires that the skill base of the country's Medical Sector be

further strengthened by training more specialised medical personnel. A strategy will be formulated to develop further areas of specialisation in Rwanda and a policy framework will be drawn up to promote clinical research on high morbidity and mortality diseases.

4.4.4 Integrate and extend social protection

4.220 The objective of the Social Protection Sector is to achieve effective and sustainable social protection for the poor and vulnerable, to reduce the risks to which households are subject, to mitigate the potential consequences of those risks, and to help families that experience them to cope with the consequences. This group is defined as all those below the poverty line in the EICV2 (2005). To this end, a single, coherent strategy is being designed to replace the current plethora of small programmes in this area. The strategy will include details of the target groups and what share they make up of the population; details of the forms that social assistance will take and an analysis of risks especially regarding those who may be excluded from the suggested targeting and an analysis of changes to livelihoods in the longer term. An analysis of the most effective and efficient ways to promote long term progression out of poverty will also be undertaken. The strategy is fully aligned with the MDGs and Vision 2020 at national level, while also being integrated into Vision 2020 *Umurenge* at local level. It will be implemented by establishing budget lines for different vulnerable groups, and mechanisms will be set up to coordinate activities across social protection programmes and to strengthen advocacy work. More specifically, a central coordination body will be established at national level, while coordination teams will also be assembled at district and sector (*umurenge*) level.

4.221 Establishing a comprehensive social protection programme, including social assistance will require a feasibility study to determine vulnerability criteria, establish the number of vulnerable people who would be eligible, assess their gender-differentiated needs and design cost-effective delivery mechanisms. After this exercise, the sector will review and strengthen the institutional framework of social protection, put in place a well coordinated framework for social protection dialogue between the GoR and development partners and establish a sector-wide approach or joint funding arrangements for a more coordinated and impact-focused approach.

4.222 The sector will need to review the legal and policy framework for harmonisation, simplification and improvement of formal social insurance mechanisms, including ensuring that men and women are treated equitably. A civic education programme will be launched to disseminate information on social insurance to workers in the formal and informal sectors.

4.223 The sector will support people who are able-bodied to progress out of extreme vulnerability and poverty into more sustainable means of self support through cash for work, micro-credit, income-generating activities and vocational/entrepreneurial skills development. This should result in less people needing social assistance and more people economically active and eventually able to participate in microfinance, social insurance mechanisms (health, unemployment and pensions) and to contribute to government

revenue.

4.224 Success in assisting people out of extreme poverty and vulnerability will free up Government resources to help those who are not able to help themselves and will need to receive social assistance for the long term, or at least for a minimum period. People needing long term social assistance include: the unsupported elderly, people with disabilities and people incapacitated by AIDS. Other groups may only need social assistance for a shorter period of time such as: orphans and vulnerable children, child-headed households and historically marginalised people. Genocide survivors fall into both these categories.

4.225 In order to enable food insecure households to move into sustainable self-support, the sector will establish a range of employment alternatives for this category of vulnerable people and ensure that issues of gender equity and disability are taken into account. Some people will be employed in public works (HIMO) and encouraged to save, so that they can access micro-credit. Others in micro-credit will receive help to start income-generating activities (IGA).

4.226 With respect to HIV and AIDS, support will include providing effective delivery of a minimum package of services to vulnerable groups including OVC and PLHIV with a strong focus on increasing the number of OVC accessing school. The sector will identify issues that adversely affect vulnerable groups and advocate for changes in areas pertinent to those infected and affected by HIV and AIDS. These areas include land rights, land tenure, participation in governance, and access to education, health and priority infrastructure such as shelter, water and sanitation. Additional public campaigns will aim at reducing the stigma attached to and discrimination against vulnerable groups.

4.227 In order to build capacity, cascade training programmes will be developed to support social affairs officers and civil society to deliver and monitor social assistance and other social protection programmes, such as HIMO and *Ubudehe*. Capacity-building includes the provision of equipment and other facilities to social protection service providers to improve their working conditions. This process will also sensitise leaders and social protection service providers at all levels to the meaning of unity and reconciliation in order to show how it relates to their daily activities and practices.

4.228 The sector, in collaboration with other stakeholders, will also develop strategic plans for disaster preparedness. Risk analysis will be carried out on the impact and probability of a range of disaster scenarios such as floods, volcanic eruptions and a mass influx of refugees or returnees. Mitigatory measures will be implemented where high probability and high impact are identified. All these outputs cannot be successfully delivered without putting in place a sound institutional capacity-building programme and effective monitoring and evaluation and Management Information Systems. The latter two are discussed further in Chapter 7.

4.4.5 Support youth to participate in economic and social development

4.229 The role of young people in the EDPRS, as makers and targets of policy, is of particular importance for two reasons. Firstly, since two thirds of the population is aged less than 25 years, the EDPRS stands or falls by the success with which it meets the challenges facing the youth of Rwanda. Secondly, owing to the widespread economic, social and political dislocation the country has experienced, especially during the 1994 genocide, many young Rwandan citizens have been damaged by forced migration, traumatic childhood experiences and lost or interrupted schooling and parenting.

4.230 In this document, ‘youth’ is defined as persons aged between 14 and 35 years, while ‘youth employment’ refers to work undertaken by those aged between 16 and 35 years.²¹ In 2007, almost 3.5 million persons were aged between 16 and 35 years and they made up 40% of the population.

4.231 The first step in elaborating a youth development strategy is to acknowledge that the problems and challenges faced by different groups of young persons vary widely. Consequently, any comprehensive strategy to promote the participation of youth in the country’s economic and social development will consist of a portfolio of policies and programmes, each of which is targeted at particular groups of young people. The table in Appendix 2 provides a summary profile of Rwandan youth disaggregated by age group. Several target groups are identified and certain policy responses are suggested merely by way of illustration. A more detailed discussion of policies designed to meet the needs of different groups of young persons may be found in the National Action Plan Promoting Youth Employment (NAPPYE) (MIFOTRA, 2005).

4.232 The remainder of this section outlines the strategy of the Youth, Sports and Culture (JESPOC) sector to strengthen the youth’s participation in the social, economic and civic development of Rwanda. The sector aims to strengthen a wide range of public, private and civil sector groups and agencies to support the youths’ participation in sport, culture, income generation and life skill programmes. It will support these programmes to ensure that young people are part of the decision-making and implementation process. This will develop their skills while building their self-esteem and self-confidence, and help protect them from sexually-transmitted illnesses, HIV and unwanted pregnancies.

4.233 Youth Friendly Centres (YFCs) will be a focal point at district level for the provision of information, advice, counselling and guidance to support the youth to access a wide range of services and opportunities available. Small-scale training programmes will also be developed. The YFCs aim is to reach out to youths at sector and cell level through the National Youth Council (NYC) structure and by establishing productive links with local, regional and national support groups and agencies. Programmes will focus on key areas of sports, culture, employment promotion, AIDS and reproductive health, life skills and management of the environment. Opportunities for inter-generational learning will be promoted.

²¹ The minimum legal age of employment is 16.

4.234 Through this system JESPOC will work with youth to identify how key facilities can best be developed and protected. It will also develop district, regional and national facilities that will serve to further promote Rwandan culture and sports. It will be important to ensure effective coordination and advocacy within the JESPOC Sector and across the key sectors of Capacity-Building and Employment Promotion, Education, Health and the Private Sector, as well as with donor agencies and NGOs. Effective data collection will enable information-based decision-making and support the monitoring and evaluation process.

4.235 In order to strengthen the support system to enable effective implementation of Youth, Sports and Culture strategies and programmes it will be necessary to obtain technical support to manage the initial identification of all support systems (including the Ministry for Youth, Sport and Culture, MIJESPOC), design the training needs analysis (TNA) process and instruments, carry out the TNA, as well as develop a plan for capacity-building. This will not only look at human resource capacity, but also at the institutional and organisational effectiveness of support institutions and partners. It is anticipated that funds will be available through the Skills Enhancement Fund for the capacity-building of Public Sector services. The capacity-building plan will be used to mobilise funds for institutions outside the Public Sector.

4.236 Staff will be recruited for the Youth-Friendly Centres (YFC) to enable the provision of services for the youth. As far as possible, the current NYC structure will be used to reach youths at sector and cell level, with members elected to the Youth Committees being given specific responsibilities for programme development. Capacity-building of YFC staff and NYC members and other JESPOC partners will be a major factor in the success of these programmes.

4.237 A range of facilities has been identified as essential to support increased participation of the youth. Major construction during this EDPRS period will cover memorial sites and cemeteries, stadiums, museums, cultural sites, libraries and archives based on feasibility studies; funding will be requested based on priority locations. Such construction will be closely linked to the HIMO schemes where Rwandan job seekers are employed and trained while they work and will generate employment and develop essential skills. It is intended that the youth participate in these schemes.

4.238 Initially YFC premises will be located in currently vacant buildings until permanent premises are identified. Feasibility studies will identify where there is greatest need of such centres. Many sports and cultural facilities will not require additional construction but will make use of existing under-utilised structures and open air venues. The local district development offices will take responsibility for the development of open air and open access sports facilities at sector level, for example, football pitches, basket ball and volley ball courts, again using the HIMO schemes. JESPOC will provide some incentive awards to encourage competition in setting up these facilities. It is envisaged that the process of programme development will be a participatory one with youth engagement in both the development of the programme and production of

materials. This will require provision of adequate communication equipment including computers for NYCs and wireless connectivity. Technical assistance will be required to support the development of these programmes and funds for this will be requested from government, donors and NGOs. Coordination teams will be set up at national, district and sector level to ensure effective management and implementation of activities.

4.239 Integrated databases at all NYCs will enable the effortless exchange of information among NYCs and support data collection processes for JESPOC. Technical assistance will be required for the database design and training of NYC staff to manage them effectively. NYCs will be responsible for the majority of data collection for JESPOC monitoring and evaluation. MIJESPOC will require the creation of new posts for monitoring and evaluation officers to manage the data collection process, carry out data analysis with staff at all levels, and generate reliable annual reports based on logframe indicators. Technical assistance will also be needed for the development of a monitoring and evaluation framework and training of all MIJESPOC staff.

4.240 To support and implement JESPOC initiatives, the following agencies will be established: the National Commission against Genocide, the National Academy of Culture and Languages, the Chancellery of Heroes and National Orders, the National Library and Archives, and the National Cinema Commission.

5 HOW DOES RWANDA GET IT DONE ?

5.1 Among the lessons learnt from the PRSP was that while policy-makers knew what had to be done between 2002 and 2005, there were implementation weaknesses. Implementation problems occurred for several reasons. Institutional capacity was limited in many areas. There were limited results-focused objectives and targets combined with a weak system of monitoring and evaluation. The contributions of different sectors to reducing poverty, accelerating growth and attaining the MDGs were not clearly defined. As a result, there was insufficient coordination between sectors and inadequate linkage between budget lines and policy objectives.

5.2 Bearing this in mind, the risks of implementation failure in the EDPRS will be reduced by improving incentives to execute policy and by relaxing the constraints which prevent policies from being carried out. This chapter describes a variety of policies for improving incentives in Rwanda. The first set of policies, discussed in sections 5.1 to 5.6, includes a variety of public administration reforms designed to promote accountability. These range from decentralisation and the launch of a multi-sectoral rural development programme (Vision 2020 *Umurenge*) to measures aimed at achieving a closer alignment between donors and EDPRS priorities.

5.3 The second set of policies, section 5.7, assigns a greater role to markets and the Private Sector in policy implementation. In this case, the challenge is to ensure that public policy at both the macroeconomic and microeconomic level is consistent with the desired Private Sector behaviour. Section 5.8 reviews the challenges to implementation identified by Sectors and Cross-Cutting Issue Groups, and explains how these challenges will be met.

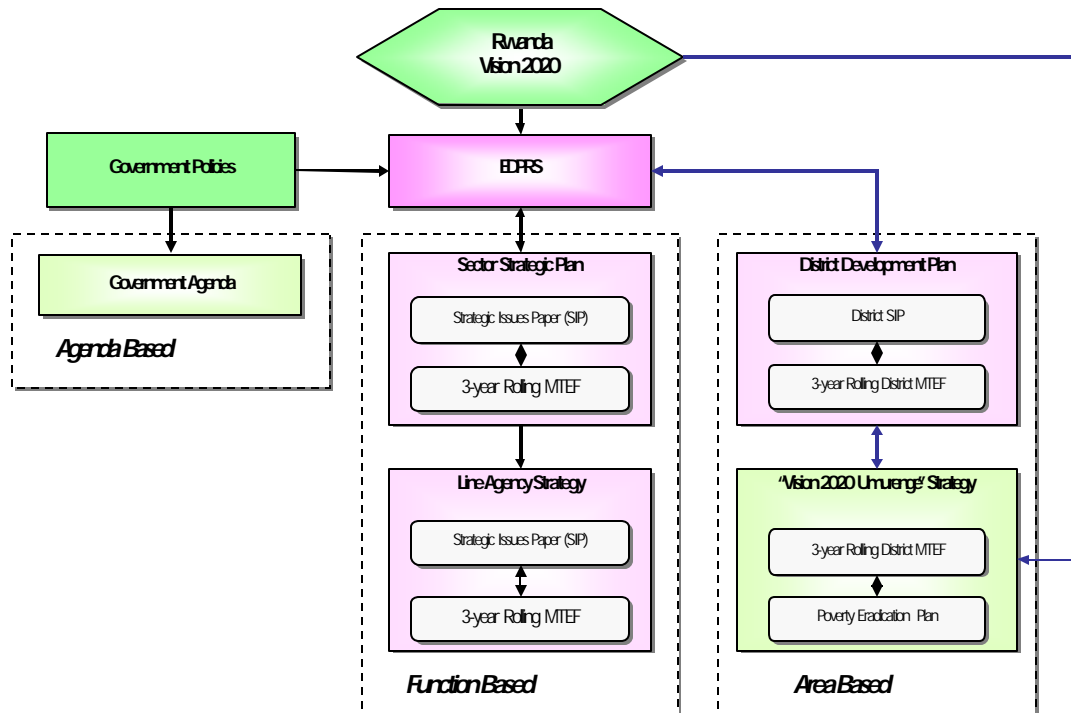
5.4 Putting in place ‘user-friendly’ systems of monitoring and evaluation at sectoral and district level will be essential to ensure effective implementation of the EDPRS. This will require establishing management information systems (MIS) in some sectors and simplifying or improving the MIS in others. Given the importance of monitoring and evaluation to the successful execution of the EDPRS, these activities are discussed at length in Chapter 7.

5.1 Implementation framework for the EDPRS

5.5 The links between the EDPRS and other elements of the planning system are shown in Figure 5.1. Public policies are formulated and implemented in three dimensions simultaneously in order to drive key programmes forward, provide public services, and enhance area specific competitive advantages. EDPRS priorities, which are set for a five year period, reflect both the long term objectives of Rwanda Vision 2020 and government policies derived from its own agenda. Implementation of the EDPRS has a function-based dimension via Sector Strategic Plans and Line Agency Strategies, and an area-based dimension via District Development Plans and Vision 2020 *Umurenge*. Both Sector Strategic Plans and District Development Plans have a five year time horizon.

Figure 5.1 EDPRS and planning linkages

EDPRS in the planning system



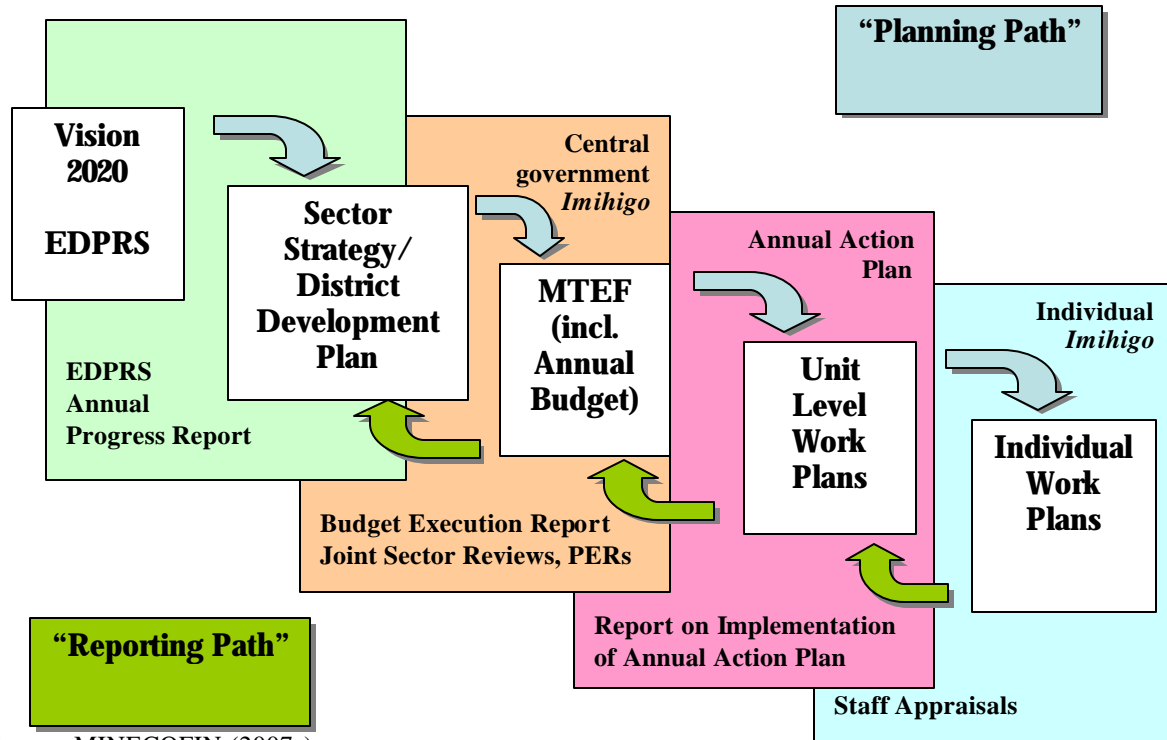
5.6 The Sector Strategic Plans elaborate EDPRS objectives and strategies in more detail. Similarly, the District Development Plans draw from the EDPRS and the Sector Strategies in order to balance these national priorities with local needs identified at district level. The MTEF shows how funds in the coming three years will be used to generate the required outputs. The annual budget performs a similar function over a one year period. Arriving at a realistic MTEF and annual budget requires strong procurement planning.

5.2 Align individual incentives to planning priorities

5.7 The MTEF and Annual Budgets serve as the basis from which ministries, districts, and other spending agencies derive annual work plans; first for each unit, and subsequently for each individual staff member working in that unit. For planning to be effective, regular reporting must occur to gauge whether efforts are yielding the desired results. The different planning tools aim to achieve *ex ante* compatibility of incentives between different levels of the administrative hierarchy. This is so that individual civil servants are motivated to achieve objectives which are consistent with high level planning priorities. These planning tools are matched to a reporting path which exacts *ex*

post accountability in the reverse direction (see Figure 5.2). In addition, it is also important to build the capacity of planners and put in place incentives to retain trained staff.

Figure 5.2 Planning and reporting tools for implementing the EDPRS



Source: MINECOFIN (2007c).

5.8 Within a Public Sector agency, individual staff report to a Unit Director, Unit Directors report to the Secretary-General, and the Secretary-General reports to the Minister. The Minister is accountable to a broader audience for the execution of the budget and for progress made in achieving the targets set in the Sector Strategic Plan and the EDPRS. Effective reporting requires a ‘fit-for-purpose’ monitoring and evaluation system at each level. This is discussed in Chapter 7.

5.3 Extend and consolidate the process of decentralization

5.9 Decentralisation will improve policy implementation in two ways. Firstly, by assigning responsibility for broad areas of service delivery to local government, the pattern of public spending should match citizens’ priorities more closely. If this closer match is achieved, then voters have a stronger incentive to demand the implementation of policy. Secondly, by reallocating state functions from central government to the districts, accountability is increased at local level.

5.10 In 2005, the administrative structure of the country was changed. There are now four provinces, the City of Kigali and thirty districts. Below the districts there are three further levels of administration: sectors (*imirenge*) (416), cells (*akagari*) (2,150) and villages (*imidugudu*) (14,975). To date, the decentralisation process has focused on shifting responsibility to the district level. However, one of the EDPRS flagship programmes – Vision 2020 *Umurenge* – extends this process down to the sector and village levels.

5.11 Over 90% of district government revenues comes from central government transfers. The exception is the City of Kigali which raises around one third of its revenues from municipal taxes and fees. Some transfers from central government are not earmarked for particular expenditures. The Community Development Fund (CDF) commits 10% of central government revenue to financing investment projects selected by the districts. CDF resources have recently been made available to assist districts to identify suitable projects to the CDF committee. Another source of non-earmarked funds is the Local Authority Budget Support Fund (LABSF) which commits 5% of central government revenue to the districts. In practice, most LABSF resources are used to pay local staff.

5.12 All other transfers from central government are earmarked for particular types of spending at local level. These earmarked funds accounted for around 87% of central government transfers to districts in 2007. Some of these funds are paid in ways which encourage local providers to improve service delivery. For example, the Ministry of Education funds primary education through capitation (per capita) grants. So, if enrolment increases, so does the revenue of the school.

5.13 The introduction of annual local government performance contracts is the most recent initiative to increase the accountability of local governments to central government. The local government performance contract is an implementation device for the District Development Plan (DDP) which includes a mix of national and local priorities. Each contract is signed by a district mayor and the President of Rwanda.

5.14 Line ministries offer districts a choice of performance indicators for inclusion in District Performance Contracts (*imihigo*) and allow districts to set their own targets. In practice, many districts select indicators which are not on the list, and are, therefore, not closely linked to earmarked spending allocations. Work is currently underway to achieve a closer alignment of DDP indicators with the pattern of local spending, so as to improve the monitoring of the EDPRS.

5.15 Weak systems of financial control at local level are a major constraint on devolving further powers to the districts. One of the key challenges facing the GoR is the limited capacity of budget agencies to produce regular financial and fiscal reports on revenues, expenditure, borrowing and inter-governmental fiscal resource utilisation on a regular basis. The EDPRS includes measures to strengthen these systems and to put in place a more robust accountability framework which incorporates the monitoring of both physical outputs and financial indicators.

5.4 Flagship programmes will strengthen intersectoral coordination

5.16 A necessary condition for achieving many of the EDPRS targets set by individual line ministries or sectors is that other public and private agencies undertake certain complementary actions by particular dates. Figure 5.3 gives an example of how this may occur. Improving horizontal coordination within the Public Sector is a strategic priority of all the flagship programmes of the EDPRS. The Growth for Jobs and Exports flagship programme stresses the interdependence of policy actions in different sectors to accelerate economic growth at national level in ways which benefit low income groups. Similarly, the effective implementation of Vision 2020 *Umurenge* will require a high level of inter-sectoral coordination at district and sub-district level to ensure maximum impact on the poorest communities. As sectors develop their strategies and plans further, inter-sectoral links and support will be elaborated.

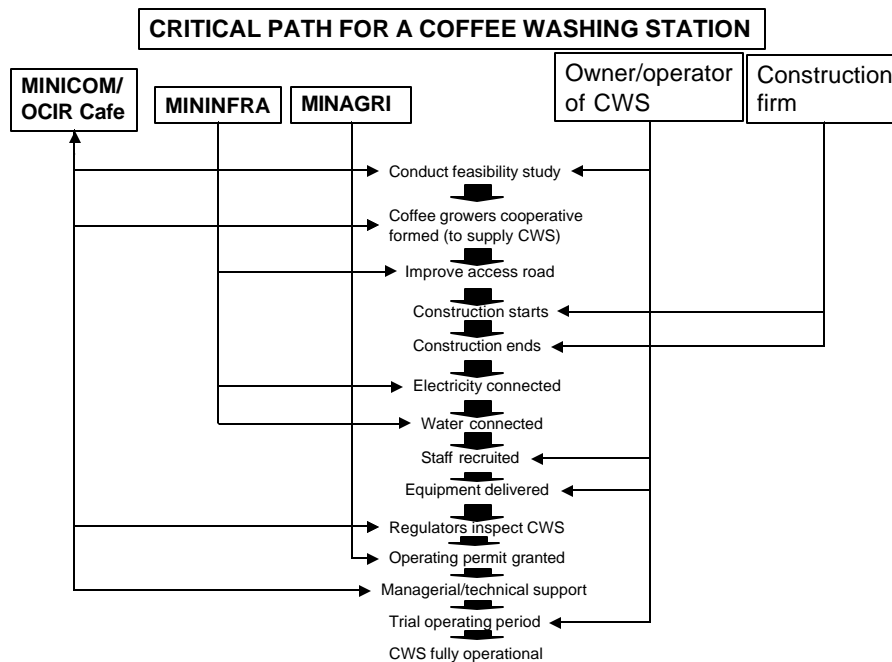
5.17 This section highlights three areas which will be addressed by the EDPRS to strengthen inter-sectoral coordination: (i) exchanging information; (ii) building trust, and (iii) strengthening accountability. The primary focus of this section is strengthening coordination among different agencies within the Public Sector, while the equally important task of improving coordination between the public and the private sectors is addressed in section 5.7.

5.18 Ensuring that all those involved in implementing a particular project, programme or policy know and agree on who does what, when, and how, is the first step towards successful coordination. Several mechanisms are in place to promote the fullest exchange of information among those charged with delivering the EDPRS. These include the Sector Working Groups and the groups responsible for Cross-Cutting Issues. The National Planning Forum, which includes the Directors of Planning from all the line ministries, meets twice per year to harmonise actions for the budget and to review the District Development Plans. Where the timing of an intervention by one organisation is particularly crucial for other agencies, the agencies could calculate the daily joint costs to them of the key agency failing to implement the agreed actions by the set date. This cost information should be made available to the key agency before implementation begins and should be publicised more widely.

5.19 However, the exchange of information on its own is unlikely to guarantee successful coordination. It must be complemented by building trust among the different contributors regarding what a joint enterprise is. Trust is essential because a line ministry must often commit resources to implement an activity at a particular date before knowing whether necessary prior actions will be taken by partner agencies. The higher the level of trust in an agency to deliver on time, the more willing other agencies will be to commit their own resources in a timely fashion. The EDPRS should take full advantage of existing channels for building trust among line ministries and sectoral agencies to improve implementation.

Figure 5.3 Coffee Washing Stations – a critical path analysis

One of the EDPRS targets of the Agriculture and Animal Resources Sector is to have 240 coffee washing stations (CWS) fully operational by 2012. In order to achieve this objective, it will be necessary to coordinate the activities of several public agencies as well as to link these activities to actions undertaken by the private sector. The critical path shown below indicates the chronological sequence of selected activities which must be carried out by three line ministries (MINAGRI, MININFRA, MINICOM/OCIR Café) in conjunction with two private firms (a construction company and the owner or operator of the CWS) to establish a fully operational coffee washing station.



At present, the pre-start-up inspection is undertaken to ensure that each CWS has a minimum capacity to process fifty tons in the season which runs from March to June. No formal operating permits are issued at present, but this is planned to in the near future.

Given the number of different organisations participating in this project, the potential risks of coordination failure are high. Institutional mechanisms for reducing these risks are discussed in the section on the accountability triangle (see Figure 5.4).

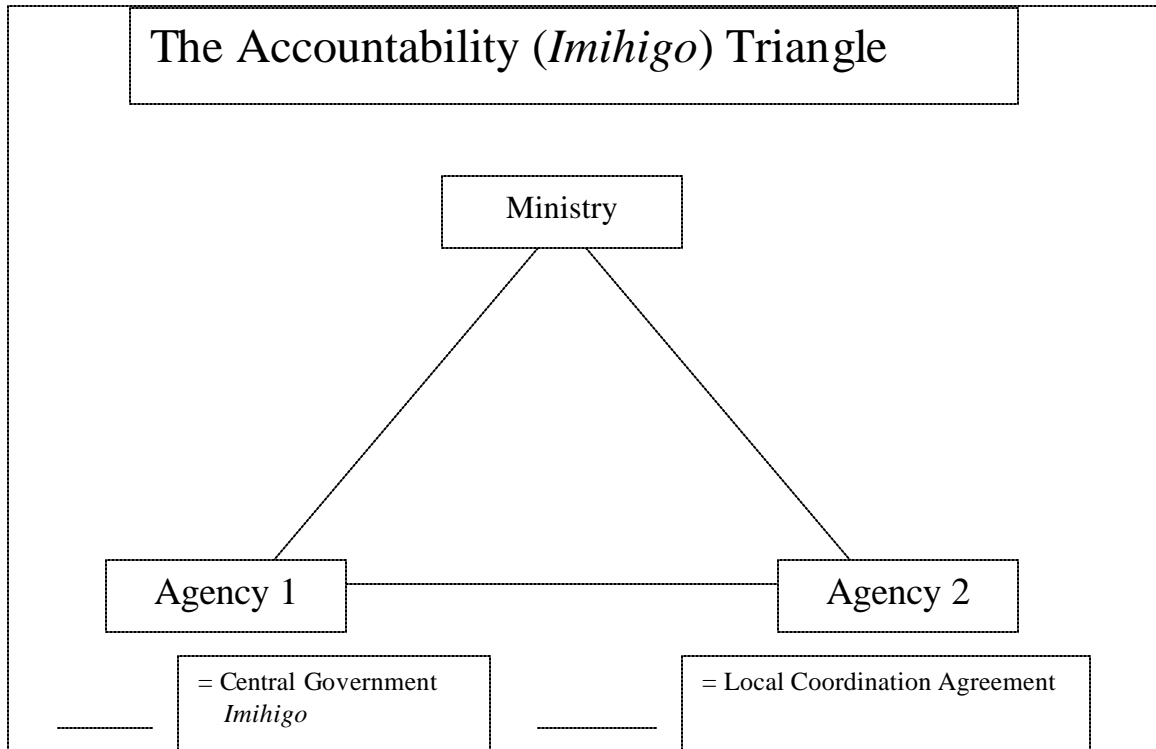
5.20 Strengthening accountability is the last, and most important, element required to improve inter-sectoral coordination of the EDPRS. This will be done in two complementary ways. Firstly, all line ministries and public agencies will be required to sign formal public service agreements (central government *imihigo*), based on EDPRS sector priorities, which state the time-bound outputs that will be delivered in return for their budgetary allocation. Progress towards these targets will be monitored annually, as explained in Chapter 7.

5.21 Whereas *imihigo* was launched in 2006 as a contract between District Mayors and the President of the Republic, the idea is to generalise it into a contract between the public and the government, which links the allocation of public expenditure to published targets with the aim of delivering modern, responsive public services. Thus, *imihigo* targets are set for services or outcomes which the government sees as key national priorities. They express the outcomes sought by the government, defining clear, long term goals to propel the country towards the achievement of Vision 2020.

5.22 The central government *imihigo* will increase the accountability of line ministries in exactly the same way as the District Performance Contracts increase the accountability of local to central government. It aims to provide a mechanism whereby line ministries are given an incentive to think and act laterally as well as vertically. Consequently, its introduction should strengthen coordination within and between sectors. Moreover, it will help in application of the OBL which requires budget managers to justify budget execution in the light of outputs that have been achieved.

5.23 Secondly, in those cases where inter-sectoral coordination is particularly crucial to ensure a successful outcome, the participating line ministries and other public agencies will be encouraged to sign a local level coordination agreement (LCA). This would state the reciprocal obligations of all the participants, establish a timeline for delivery and could include the estimated costs of implementation failure by a key agency (as explained in paragraph 5.16 above). LCAs could serve as a device for implementing Vision 2020 *Umurenge*. Monitoring would be undertaken by the local Executive Secretary who would report regularly to the district or sector Joint Action Development Forum (JADF). Such agreements would have no legal force, but would nevertheless provide an informal mechanism of horizontal accountability at local level which would provide a basis for the 'accountability triangle' (Figure 5.4).

Figure 5.4 Central Government Imihigo



5.5 Improve public financial management

5.24 Effective public financial management is important for two reasons: (i) to ensure that resources approved in the budget are allocated to implementing agencies in time to execute their programmes, and (ii) to provide a framework for *ex post* financial accountability which allows officials and elected politicians to establish where and how public funds were spent. Progress towards Vision 2020 and MDG objectives necessitates addressing weaknesses in public financial management in areas such as health, education, infrastructure, water and sanitation, and agriculture. Good public financial management underpins EDPRS objectives in economic growth, poverty reduction and improved service delivery through enhanced policy-based budget management and resource allocation, accountability for results and independent audits. It also underpins good governance through improved transparency, accountability and efficient controls. Strengthening Rwanda's system of public financial management is therefore a precondition for implementing certain aspects of the EDPRS.

5.25 The public financial management reforms are based on a number of principles including: a process led by MINECOFIN but with strong line ministry ownership and consensus-building to reduce resistance to reform; strengthened Supreme Audit

Institutions and parliamentary oversight; adaptation to Rwanda's specific circumstances; support by development partners who agree on clear objectives, priorities and activities; focus on specific finance outcomes rather than a department or function; creating enabling procedures and structures first (i.e. implementation of the Organic Law on State Finances and Property, Public Procurement Law and Financial Regulations); extracting key concepts instead of replicating an entire system; and using training strategically to support institutional and organisational changes.

5.26 The governance structure for PFM reforms is headed by a National Steering Committee supported by a technical secretariat. The PFM Trust Fund, a multi-donor trust fund coordinated through the HIDA, has been set up to support the National Steering Committee. The major commitments of the fund are to build sustainable capacity for public accounting and internal audits under the Rwanda Expertise Scheme, and support coordination, monitoring and evaluation of PFM reforms, including financing the PFM Reforms Secretariat and the National Steering Committee. The secretariat provides technical assistance to the annual public expenditure review process of each sector and undertakes an annual evaluation of PFM based on the Public Expenditure and Financial Accountability (PEFA) Performance Measurement Framework. Other activities supported by the PFM Trust Fund include building capacity for the reform of the procurement system and for the Office of the Auditor-General.

5.6 Promote greater harmonisation and alignment of donors with the EDPRS priorities

5.27 The successful implementation of the EDPRS will depend, to a great extent, on the continued support of Rwanda's development partners. In recent years, donors have financed over half of the Government's budget, and the investments foreseen in the EDPRS will require a scaling up of aid in the medium term.

5.28 The importance of strong partnerships between the GoR and its development partners, comprising official donors, local and international NGOs, civil society and the Private Sector, cannot be underestimated. The government recognises the key role played by dialogue with its various partners, and to this end it continues to support and strengthen a number of groups and forums aimed at enhancing the quality of dialogue, coordination of development activities and harmonisation of donor assistance.

5.29 The Development Partners Coordination Group (DPCG) is the high level forum comprised of representatives from the GoR and development partner organisations. Founded in 2002, the group currently meets every two months, offering the GoR an opportunity to present progress in the planning and implementation of its development programme and offering the opportunity for dialogue with and between partners on the coordination of their assistance. The DPCG has been involved in the GoR's work on the development of the EDPRS and Aid Policy, amongst others.

5.30 The Budget Support Harmonisation Group (BSHG) is the single forum in which budget support issues are discussed and negotiated, and this harmonised approach results

in reduced transaction costs for both donors and the government. Membership of the BSHG forms the basis of strong partnerships between Rwanda's budget support donors. Budget support donors agree on triggers for disbursement and its timing. They undertake two reviews per year, examining the Government's performance against the EDPRS targets, budget execution, progress in the strengthening of PFM systems, and macroeconomic stability.

5.31 Clusters and sector working groups are forums designed to facilitate in-depth dialogue between the Government and its development partners at the sector and sub-sector level, with a view to ensuring joint planning, coordination of aid, and joint monitoring and evaluation. Clusters, which comprise representatives from multiple sector working groups, undertake an annual joint sector review, which assesses the sector's performance against the EDPRS matrices (explained in Chapter 7), with the results feeding into the EDPRS Annual Progress Report.

5.32 In line with the Paris Declaration on Aid Effectiveness, the GoR recognises the importance of mutual accountability in its relationships with donors, and will take steps to strengthen these reciprocal obligations through the use of new and existing systems. Increased attention will be accorded to aid and its effectiveness in the joint sector reviews, with a view to ensuring that external assistance is coordinated in an effective manner at the sector level.

5.33 Rwanda's Aid Policy sets out a number of areas in which the government will seek progress, both in terms of donor policies, practices and behaviour, and the need for improvement on the government's part in its management and execution of development programmes and projects. Key areas addressed by the policy include: (i) a statement of the GoR's preferences in terms of aid modalities, with general budget support and sector budget support given preference over projects; (ii) the requirement that all aid be reported in the GoR budget and that clear alignment with strategic plans is identified; (iii) the desire on the part of the GoR to see donors making increasing use of its PFM systems, which in turn require further strengthening; (iv) pooling of funds and increased use of forms of delegated cooperation between donors are to be encouraged; (v) donors are invited to make greater use of their comparative advantage in the allocation of their assistance to sectors and sub-sectors, with the GoR playing a role in guiding donors; (vi) the government will ensure a clearer division of responsibilities between its ministries and agencies in the negotiation and management of aid.

5.34 In the past, much donor assistance has been poorly aligned with the government's priorities, limiting the impact of aid on poverty reduction and economic development. The Aid Policy makes specific reference to the EDPRS, requiring that all aid be aligned with the priorities set out in the document. In formulating proposals for assistance, donors are required to set out how their aid relates to the priority areas set out in the EDPRS, and they must show that this assistance fits with the interventions and activities outlined in Sector Strategic Plans or District Development Plans. Insofar as the EDPRS is the guiding framework within which budget allocations are determined, the government believes that aid given in the form of budget support will best ensure

alignment, whilst reducing the transaction costs associated with project-based aid. Budget support triggers are taken from the EDPRS matrix so as to ensure complete alignment of expenditure with the EDPRS priorities.

5.35 In addition to the current efforts made by some donors to harmonise their assistance, it is anticipated that the use of the sector-wide approach will be extended. At present, only the Education Sector makes full use of such an approach. The SWAp is characterised by (i) leadership by the recipient government institution(s); (ii) a single comprehensive programme and budget framework; (iii) a formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement, and (iv) efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation.

5.36 It is also anticipated that all donors will seek to harmonise their missions and analytical work, with a view to further reducing the transaction costs borne by the government, and in the interests of furthering joint understanding of development issues and approaches. The GoR aims to ensure that all sectors adopt a sector-wide approach in their planning and management of donor and government funds.

5.37 While the true benefits of enhanced aid effectiveness can only be observed indirectly, through performance against poverty reduction and economic development objectives, the GoR has, in collaboration with its donors, set targets for a number of aid effectiveness indicators. These are based on the mutually agreed targets set out in the Paris Declaration on Aid Effectiveness, and are formulated on the basis of data obtained from the GoR and donors in the roll-out of the Baseline Survey on Aid Effectiveness conducted by the Development Assistance Committee of the Organisation for Economic Cooperation and Development.

5.38 At the 2006 Annual GoR and Development Partners Meeting, Rwanda's in-country donors endorsed the survey findings and targets derived from them. Donors agreed to adopt the aggregate targets as minimum targets for performance at the donor agency level, with those donors already performing well, seeking to improve further their performance against these indicators. The GoR recognises that attaining these targets is contingent on its own efforts as well, and to this end, it is committed to working with its donors to ensure that the targets are met or exceeded. Follow-up surveys will be undertaken in 2008 and 2010, so as to track progress against these indicators over time.

5.7 Assign a greater role in policy implementation to markets and the Private Sector

5.39 Attaining many EDPRS targets, such as those relating to crop output levels and the use of input in agriculture, will depend in large part on the Private Sector. The government will provide an environment conducive to business by enforcing property rights, reducing infrastructure and transaction costs, correcting market failures, and being transparent in policy-making and execution, but in the end it will be the decisions of

millions of decentralised producers which will determine whether many EDPRS targets are achieved.

5.40 Consequently, it is essential that public and private sector actions are well coordinated to ensure the effective implementation of the EDPRS. As in the case of promoting better coordination within the Public Sector, this requires both sets of decision-makers to share information and to trust each other. The Rwanda Economic and Social Council, an institution that was established to provide a platform for business and government stakeholders shall, through regular consultations, provide input to the processes of policy-making, implementation and review.

5.41 Unlike the Public Sector, the government cannot rely on administrative mechanisms, such as Public Service Agreements or District Performance Contracts, to enforce accountability by the Private Sector. Firms are primarily accountable to their share holders through their success in the market which serves as an effective system of monitoring and evaluation, so long as competition is assured. This means that civil servants in certain sectors must develop a good understanding of how specific markets work. In particular, they need to monitor prices closely, appreciate how they are determined, and improve their knowledge of how producers and consumers respond to price changes. Only in this way can policy-makers formulate credible projections of whether the Private Sector is behaving (or is likely to behave) in ways consistent with the achievement of the EDPRS targets.

5.42 Ensuring that the Public Sector understands markets is not only important for the design and implementation of regulatory frameworks in Rwanda to promote economic efficiency, it is also crucial for assessing the distributive impact of price changes and formulating, if necessary, a well-informed and appropriate public policy response. It was shown in Chapter 2 that landless agricultural wage labourers have emerged as one of the poorest groups in the country. This means that the real agricultural wage (defined as the money wage divided by an index of retail consumer prices) will be closely watched as a leading indicator, or early warning signal, of welfare among the extremely poor.

5.43 Since the EDPRS will be driven by investment-led growth with an increasing export orientation, the government must ensure that its macroeconomic policy does not force up real interest rates (thereby crowding out private investment) and that large inflows of international development assistance do not lead to an appreciation of the Rwandan franc (thereby reducing the profitability of business investment in new exports).

5.8 Implementation issues at sectoral level

5.44 This section reviews the challenges to EDPRS implementation identified by particular sectors and indicates how these challenges will be met. In the Education Sector, schools, training centres and other institutions of higher learning will increase their effectiveness in delivering quality education through a comprehensive capacity-building programme. Initially, the emphasis is on managing change and taking action to

improve performance. Priority areas are the strengthening of school management, improving the administration of local education services, and developing the capacity of the central ministry to monitor and evaluate progress in, and changes to, the delivery of education services.

5.45 The role of schools and districts will be the key to improving service delivery. Funds that are currently transferred to districts cover teachers' salaries, school feeding, construction and the capitation grant. The aim is to decentralise funds further as the implementation capacity of districts, together with their monitoring and evaluation capability, are strengthened. In 2007, primary schools received 2,500 RWF per child in a capitation grant to meet schools' operational costs, and an additional 1,800 RWF per child to pay for contract teachers and teachers' allowances. By 2012, the challenge is to ensure that the Education Sector Strategic Plan is fully funded, so that the school functioning component of the capitation grant will increase to a target of 6,000 RWF. The teacher component of the capitation grant is in addition to this and will help to reduce the pupil-teacher ratio.

5.46 In higher education, HLIs' strategic plans will be consolidated to produce one coherent plan. Harmonisation of accreditation will be facilitated by the National Council on Higher Education. Institutions will increase their effectiveness in delivering quality education through a comprehensive capacity-building programme. As regards capacity, one of the key challenges will be to move from institutions that have focused on knowledge transmission to that of knowledge creation, including not just the absorption and dissemination of existing knowledge but also ensuring that students and teachers remain up-to-date in their disciplines, advance through new research and innovate as a result of research. Implementation will also include ensuring that the barriers to gender equity are identified and overcome.

5.47 Success in the Education Sector will depend on sustained regional stability, and the continued support of all development partners. Increased bilateral sector budget support, as well as fast track initiative funds, is being used to help fill an identified financing gap. However, it appears that commitments will not be sustained over the whole EDPRS period (2008-2012) and the financing gap rises dramatically in 2009. Development partners are being encouraged to increase their levels of budget support in order to finance the sector-wide approach adopted by the Ministry of Education. Success in developing the skills that Rwanda requires will also be contingent on the way the Education Sector meets the challenge of coordinating with all the other sectors that plan to undertake training and capacity-building initiatives.

5.48 The smooth execution of Infrastructure Sector projects requires close coordination among several stakeholders. MINECOFIN and the donors share responsibility for mobilising the resources to finance a sector strategy which will be developed by 2008 as a SWAp. MININFRA is the lead implementing agency for the sector and has the responsibility of coordinating the activities of other participating line ministries and public agencies.

5.49 The decentralisation and transfer of MININFRA resources and responsibilities to the districts will be undertaken in two steps. In 2008, a mechanism implemented through MININFRA agencies will be put in place to provide technical support and financial advice to the districts on resource transfers. Then, a year later, this mechanism will be replaced by a system of direct transfers to districts without any involvement of MININFRA. However, the ministry will still be willing to respond to *ad hoc* requests for technical support from districts after this date.

5.50 The Private Sector will finance and execute infrastructure projects, particularly in energy, real-estate development, ICT and habitat. This will occur through a variety of institutional mechanisms ranging from foreign direct investment to different types of private-public partnerships, which may include Build-Operate-Transfer (BOT) schemes.

5.51 In order to improve cooperation and coordination between government and the Private Sector, it is essential to build strong public-private partnerships in developing policy and plans and in undertaking jointly sponsored activities like dialogue and consensus-building in policy development. It is crucial that Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives (MINICOM) works with MININFRA and private service providers to develop the appropriate infrastructure for private sector development, engages private sector institutions in the development of the export diversification strategy, and works with MINEDUC and educational institutions to ensure the necessary skills development.

5.52 To ensure that interventions in the Agriculture Sector are implemented correctly, it is imperative that they are introduced as a 'package' and directed towards facilitation of markets and the Private Sector. These include incentives to acquire the necessary input, extension and storage, and form farmer group organisations. Increasing access to, and distribution of, improved fertilisers and seeds through the Private Sector is the first step towards increased productivity. Educating producers and producer groups is also necessary to create a demand for improved input. In order to achieve this, MINAGRI will strengthen extension services by promoting a more decentralised and privatised extension service delivery, where the government's role will be to train the trainers. MINAGRI also envisages that pilot and demonstration interventions will be replicated throughout the sector.

5.53 The Agricultural Sector strategy depends greatly on the involvement of the Private Sector. However the Private Sector faces a number of obstacles, notably the limited credit available to it. The GoR will support new product development and provide incentives for agricultural investment to empower the Financial Sector and consequently the private sectors. MINAGRI will also work with MININFRA to reduce transport costs for agricultural exporters.

5.54 Successful implementation of the Justice Sector strategy will depend on the capacity of the sector to deal with genocide cases and to successfully implement unity and reconciliation measures, the efficient and timely administration of justice, the creation of sound legal frameworks, adequate funding and adopting a sector-wide

approach. There will also have to be demonstrated commitment by development partners. A secretariat, which includes civil society organisations, has already been established to coordinate the SWAp development. The success of this initiative will depend on the commitment of all stakeholders, including development partners.

5.55 The first step taken to implement the sector strategy of the Decentralisation, Citizen Participation, Empowerment, Transparency and Accountability Sector will be to carry out a stakeholder analysis in order to promote effective partnerships and help identify champions of good governance. MINALOC is the lead ministry for this sector and is responsible for liaising with other sectors and public agencies during the process of decentralisation. Implementing the governance agenda also requires the participation of other actors such as civil society organisations, the media, political parties and the Private Sector, which either complement the government's role in service provision or serve to promote public awareness by holding the government accountable for its actions.

5.56 In the area of Capacity-Building, MIFOTRA confronts several challenges in implementing its strategy. It faces problems associated with executing the EDPRS with its current workforce, while at the same time changing its management style to one of delegated responsibility and results-based accountability. The ministry will maintain effective communication within the sector and across sectors, while also rolling out a large-scale MIS.

5.57 The first challenge will be to manage the process of public reform, implement a range of programmes for employment promotion, and coordinate capacity-building across the Public Sector with the permanent workforce not up to its full complement. In the short term, the appointment of a monitoring and evaluation expert and a statistician are essential. Recruitment of additional staff with clearly designated responsibilities will reduce the workload and facilitate the effective implementation and coordination of programmes by MIFOTRA.

5.58 The second challenge is for the ministry to improve its operational and financial planning and prioritisation. Management must focus on a proactive results-based approach. This will empower officers and agencies to work towards specific sector targets, and hold them accountable for the delivery of output and the achievement of outcomes. Performance contracts will be put in place for this purpose.

5.59 The third challenge relates to the effectiveness of communication. There is little horizontal communication, which is essential at both senior management and directorate level to ensure full awareness of the interventions taking place and the progress of outcomes. Vertical reporting also needs to be cross-departmental. Inter-sectoral partnerships are poorly coordinated and will need strengthening at both management and operational level to enable the effective sharing of information, joint action and reduced duplication of effort.

5.60 The fourth challenge facing MIFOTRA is to implement two large scale MIS projects: the Integrated Payroll and Personnel Information System (IPPIS) and the

National Employment and Job Processing Opportunities (NEJPRO) scheme. These systems are essential to support informed decision-making within MIFOTRA and in other sectors. Implementation of such systems requires strong project management skills, a clear understanding of the organisational implications of opting for IPPIS, and a restructured ICT department.

5.61 Effective implementation of the Health strategy will require the collaboration of all stakeholders as elaborated below. To this end, each partner has been assigned specific tasks that will contribute to the achievement of Health Sector objectives. Most key interventions will be implemented at district level, although certain capacity-building initiatives will be undertaken centrally.

5.62 The roles of different stakeholders in implementing the EDPRS Health strategy are as follows. The Ministry of Health takes leadership of the Health Sector at national level. It is responsible for formulating policies, laws and decrees, in collaboration with other stakeholders, and issues health guidelines. It mobilises resources and builds capacity at district level. The central ministry is also responsible for managing the national health information system and for strengthening the sector's monitoring and evaluation processes.

5.63 Local government is responsible for ensuring that the EDPRS Health strategy is effectively implemented. This will be done with the help of planning and budgeting tools, such as the Health Sector logical framework, the District Development Plans, the MTEF and operational plans. The district will ensure that barriers associated with financial and geographical access to quality health care are addressed. Particular emphasis will be put on increasing coverage of the population covered under community health insurance (*mutuelles*), and building, rehabilitating, upgrading and adequately equipping health facilities within districts. Districts have a major responsibility to implement the family planning programme and to establish an efficient monitoring and evaluation system at local level. They are also charged with training health providers, appointing and supervising governance bodies and mobilising resources locally.

5.64 The sector-wide approach will serve as a framework to strengthen collaboration between the Health Sector and development partners who will participate in joint planning and in the Health Sector review. They will align their financial and technical support so as to implement the EDPRS Health strategy. Civil society organisations will work with the Health Sector to implement the Health strategy. To this end, these organisations will adopt, and seek to improve the Information Education and Communication (IEC), and Behaviour Change Communication (BCC) approaches. The Private Sector will also play a key role in delivering health care services, especially in the prevention and cure of major diseases, such as malaria, acute respiratory infections (ARIs) and AIDS.

5.65 In the Water and Sanitation Sector, central government deals with strategic issues at national level, while the districts are responsible for implementing most of the activities. Ensuring effective coordination with other public and private agencies is

particularly important for this sector, given that water and sanitation affect such broad areas of economic and social life. These include health (in the home, clinics and hospitals), education (school sanitary facilities), infrastructure (energy and transport), and agriculture and animal husbandry (for irrigation and supporting livestock). The dense network of interdependent links between the Water and Sanitation and other sectors will be coordinated more effectively during the EDPRS implementation.

5.66 A 2006 Public Expenditure Review highlighted a serious lack of coordination among Social Protection Sector interventions. By way of response, the sector will establish a coordination body at the central level and set up coordination teams at district and sector (*umurenge*) level. These coordination teams, together with community-based organisations (CBOs) and the Private Sector will support the cross-sectoral planning and implementation of social protection programmes. These teams will also identify issues which adversely affect vulnerable groups and advocate for change. They will work closely with the Vision 2020 *Umurenge* Programme to ensure coherent implementation.

5.67 The Youth, Sports and Culture Sector faces several challenges to implementing their plans. Following Public Sector reform, MIJESPOC is operating with a reduced workforce even though their mandate has not been reduced. Youth is a priority for the economic development of Rwanda and their participation in the process is crucial. The sector has identified a range of programmes which will be challenging to implement. However the programmes can be realised through effective partnerships with supporting groups.

5.68 Youth unemployment is a key problem and the challenge will be to develop the confidence and attitudes of the youth so that they are proactive in the job creation process, until new initiatives such as the Rwandan Workforce Development Authority and the National Employment Agency are operational.

5.69 The sector will put in place a sound Management Information System and appoint a monitoring and evaluation officer to support the data management process. A detailed plan for monitoring and evaluation of all JESPOC targets will be developed. This will identify the methodology and frequency of data collection, as well as determining specific responsibilities. Youth Friendly Centres will collect data on activities at district, sector and cell level through reports and regular meetings with sector and cell outreach National Youth Council representatives, in order to monitor the extent of the participation of youth in the JESPOC outreach programmes as well as other programmes initiated by local or national support groups.

5.70 The Environment is both a sector and one of the cross-cutting issues in the EDPRS. This implies that policy implementation must emphasise joint actions with all sectors, in particular with Agriculture, Infrastructure and Private Sector, on issues and activities that have potential impact on the environment. To this end, all projects and programmes will be subject to an Environmental Impact Assessment. Land use management issues will be addressed by developing a joint strategy with the Agriculture Sector to design and execute interventions to reduce land degradation, soil erosion and

soil fertility losses and to promote the rational use of mineral fertilisers and pesticides. The Forestry Sector is fully engaged with the Environment and Energy Sectors to limit further deforestation and promote reforestation. The Mining Sector is engaged with the Environment Sub-sectors in addressing potential environmental degradation from quarrying activities, and with the Private Sector in ensuring value addition to mineral resources in an environmentally sustainable way.

5.71 These joint inter-sectoral strategies present valuable opportunities for socially efficient resource allocation and make it more likely that priorities are comprehensively addressed using a sector-wide approach. Thus, ensuring that budget allocations are earmarked to support joint strategies for managing the environment and natural resources in all ministries will ensure that the EDPRS priorities contribute to sustainable national development.

5.72 The central government through the National Commission for Fighting HIV and AIDS (CNLS) will continue to oversee AIDS policy and provide strategic leadership and technical support, while coordinating a national multi-sectoral response. Each sector will be responsible for carrying out the AIDS interventions defined in their sector strategies at national level for meeting the targets set. Given the decentralised nature of government, most activities will be implemented by the districts, which will include EDPRS indicators and activities in their District Development Plans and annual plans. Districts are responsible for advocating on behalf of those infected and affected by HIV and AIDS, while ensuring that any support provided reaches their most vulnerable citizens first.

5.73 Continued capacity-building will be required to ensure that sectors (*imirenge*) and districts have the means to implement AIDS interventions. The CNLS, together with its partners, will continue to strengthen the District AIDS Committee (CDLS) staff and provide technical assistance to the sectors (*imirenge*). Civil society, public and private sector umbrella organisations will require reinforcement to provide key coordination, monitoring and evaluation, and technical assistance support to the HIV response in their respective domains. CNLS will also assist the sectors (*imirenge*) and districts to identify funding sources for AIDS interventions to ensure the required support is available to meet the EDPRS targets. Given the large number of PLHIVs dependent on ARV treatment and the groups at higher risk of contracting HIV, including orphans and vulnerable children, a reduction in funding risks halting the significant progress made towards reversing and stopping the HIV prevalence rate in Rwanda. Therefore, there is a strong need for continued support of the HIV response and the government and donors will need to monitor the situation closely to ensure sufficient funding for the implementation of the EDPRS HIV interventions over the entire EDPRS cycle (2008-2012).

5.74 Implementation of a gender-sensitive EDPRS depends on several factors. The most important is to ensure that gender issues are budgeted for and fully integrated into sector (*umurenge*) and district plans from the start. Tracking gender-disaggregated data through the monitoring system will allow policy-makers to identify the differential impact of policies and service delivery on men and women. Following a comprehensive

needs assessment, capacity must be strengthened to enable line ministries to carry out their designated responsibilities to implement EDPRS actions on all cross-cutting issues.

5.9 Effective implementation requires good communication

5.75 The EDPRS will only be effective if its messages are well understood, accepted and supported by all stakeholders, from ordinary citizens to cabinet and international partners. It will be as important to communicate throughout the implementation of the EDPRS as it was during the preparation of the strategy. Both the volume and effectiveness of communications matter. Communicating the strategy is, and must be seen as, a shared responsibility of many stakeholders, but the overall strategy needs monitoring to ensure that the right incentives are in place, best practice is respected and the communication is successful.

5.76 The EDPRS communication strategy will be elaborated over the final period of 2007. Methods for communicating the EDPRS will include dissemination of the document itself (including a shorter, popular version in Kinyarwanda), holding workshops and making use of the mass media (radio, newspapers and television) especially through MININFOR and ORINFOR. Responsibility for communication will be shared between MINECOFIN, parliament, line ministries and foreign representation in embassies abroad. MINECOFIN will have overall responsibility for ensuring that communication is effective. Support will be provided to ensure that all actors have adequate expertise and resources to play their roles.

6 HOW MUCH WILL IT COST AND WHAT ARE THE MACROECONOMIC IMPLICATIONS?

6.1 The macroeconomic framework seeks to strengthen and consolidate achievements in terms of macroeconomic stability and socio-economic reforms as well as to support the re-balancing of public expenditure between social and productive sectors. In order to achieve the targets presented in Chapter 3, the flagship programmes and cross-sectoral actions detailed in Chapter 4, and their implementation described in Chapter 5, the EDPRS will have to be supported by consistent macroeconomic policies and public expenditure programmes.

6.2 This chapter centres on public and private expenditure required to achieve the EDPRS targets, taking into consideration the various constraints to which the Rwandan economy is exposed. It seeks to ensure overall consistency between programmed expenditure and the available, committed, and expected resources. In the final analysis, it identifies the resources mobilisation efforts required to support adequately the EDPRS while maintaining macroeconomic stability.

6.3 Under the EDPRS, public expenditure will be organised to maintain the momentum in social sectors while targeting productive sectors to achieve the MDGs and Rwanda Vision 2020. In particular, productive expenditure will be targeted to (i) address skills shortages; (ii) eliminate the infrastructure backlog (including energy, water, transport, and ICT) to reduce the operational costs of doing business in Rwanda; (iii) create the conditions under which science and technology pave the way towards knowledge-based services to become a dynamic source of economic growth, employment and poverty reduction. In addition, efforts will be made to (iv) widen and strengthen the Financial Sector and (v) improve governance which provides an anchor for the national growth agenda and the pro-poor growth acceleration initiative of Vision 2020 *Umurenge* funded through the Community Development Fund.

6.4 Public expenditure seeking to remove the obstacles to stronger growth should benefit all three sectors of the economy: agriculture, manufacture and services. However, given the share of employment it represents and the challenges it faces, the Agriculture Sector will be targeted to encourage and support its modernisation and to ensure it becomes a more reliable source of export earnings.

6.1 EDPRS costs

6.5 The implementation of the EDPRS will require *RWF* 5,151 billion over the five years 2008-2012. This amount includes public recurrent expenditure, public capital expenditure and private investments. The public component amounts to *RWF* 3,434 billion and represents 67% of the total cost of EDPRS. The table below shows the annual composition of these items.

Table 6.1 EDPRS costs, in billion RWF

	2008	2009	2010	2011	2012	Total
	Proj.	Proj.	Proj.	Proj.	Proj.	2008-12
EDPRS costs (in billion RWF)	760	859	1,010	1,172	1,350	5,151
Public spending	550	612	677	756	839	3,434
Public recurrent expenditure	341	365	408	450	497	2,060
Public capital expenditure	209	246	270	306	342	1,374
Private investment	209	247	332	416	511	1,717

Source: MINECOFIN staff estimates and projections.

6.6 The EDPRS financial requirements assessment calls for a big push in investments to reach \$140 per capita (see the UNDP's Human Development Report: Rwanda, 2007); the MDG-based public investment needs calls for \$72 per capita. Although the EDPRS sets ambitious policies and programmes, the overall costs remain well below these assessments and, as a result, some of the MDGs will not be achieved. Table 6.2 converts the EDPRS costs to USD per capita for direct comparisons. It shows investments of \$114 per capita on average, and only reaching the \$140 per capita target in 2012. Hence, the macroeconomic framework proposes a progressive phase-in rather than a downright big push. Had the commitments made by the G8 summit at Gleneagles in 2005 been realised, these higher amounts could have been included in the macroeconomic framework.

Table 6.2 EDPRS costs, in USD per capita

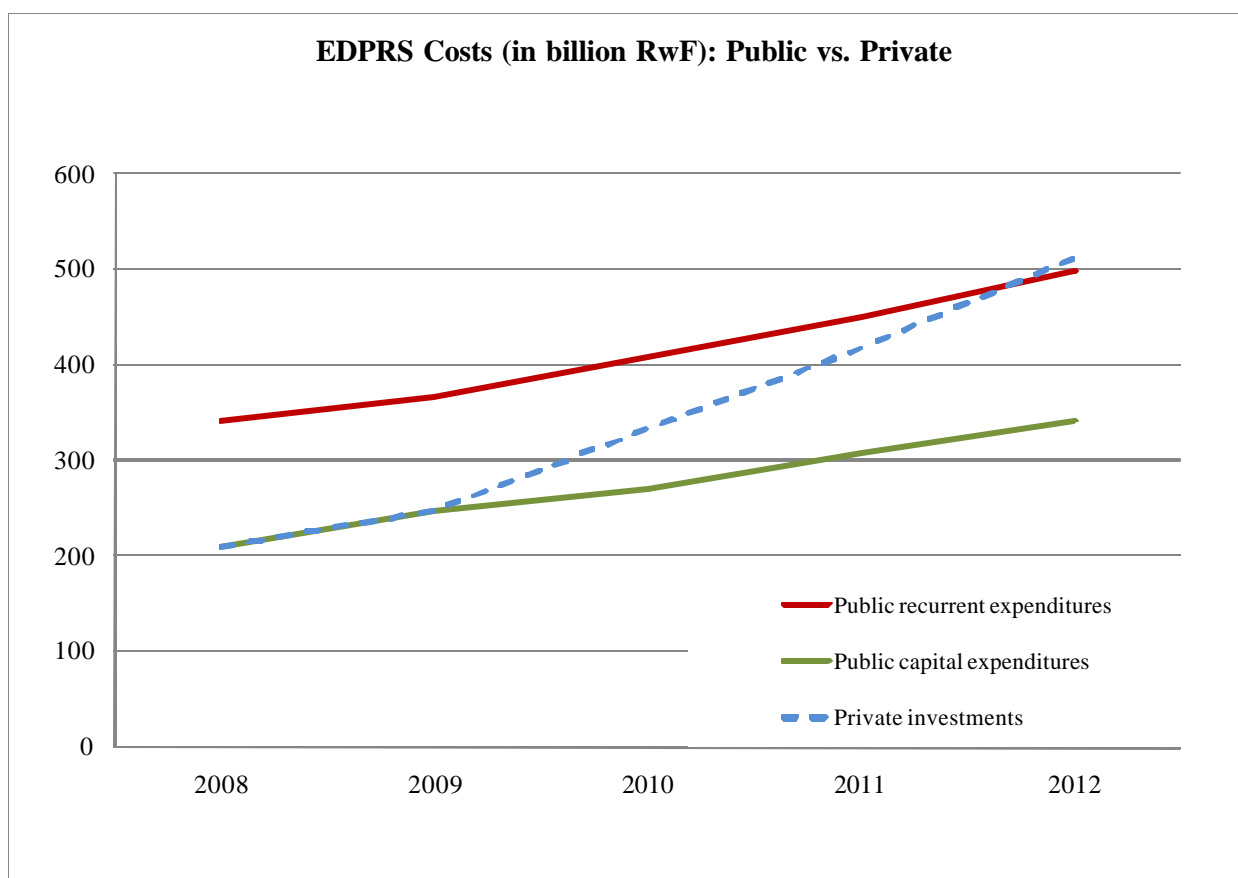
	2008	2009	2010	2011	2012	Average
	Proj.	Proj.	Proj.	Proj.	Proj.	2008-12
EDPRS costs (in USD per capita)	146	162	187	213	242	190
Public recurrent expenditure	65	69	75	82	89	76
investment	80	93	111	132	153	114
Public	40	46	50	56	61	51
Private	40	47	62	76	92	63

Source: MINECOFIN staff estimates and projections.

6.7 The primary concern of the framework has been to propose a scaling up of public investment, taking into consideration the associated recurrent expenditure and the absolute necessity to induce private investment (see Figure 6.1). The latter is expected to be achieved through judicious choices of quality public investment that will (a) systematically reduce the operational costs of business (including skilled labour costs)

and (b) increase the Private Sector’s capacity to innovate. These are the first two prongs of the strategy described in the Growth flagship.

Figure 6.1 Public spending to induce private investment



Source: MINECOFIN staff estimates and projections.

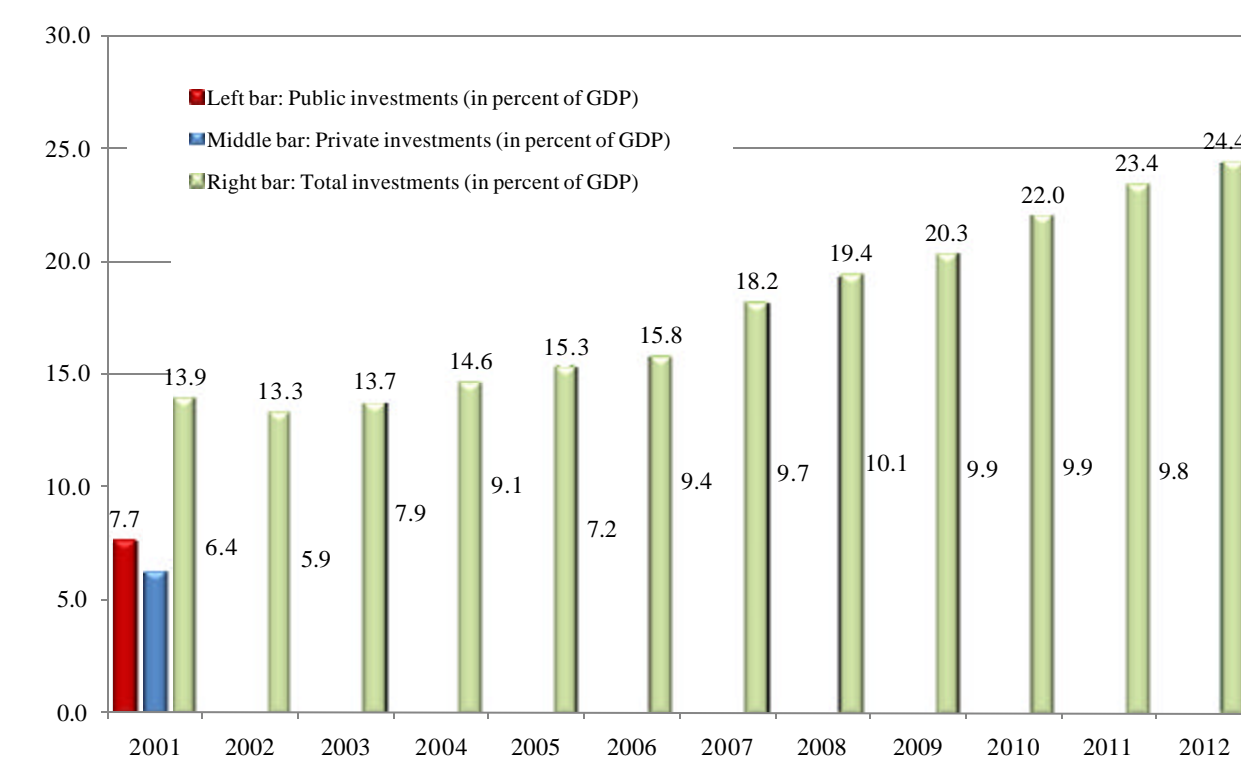
6.8 The scaling up of public investment is expected to raise the average level of public investment from 7.5% of GDP between 2002 and 2006 to 10% over the EDPRS period, 2008-2012. This will lead to an increase in public investment from \$35 per capita in 2007 to \$61 per capita in 2012. As already indicated this is well below the MDG recommended \$72 per capita and makes it difficult to consider any lower amount without undermining the logic of the EDPRS and the requirements of the MDGs and Rwanda Vision 2020.

6.9 If an alternative scenario was to be considered, it would require an increase in public investment to about 13% of GDP to reach the above MDG standard, according to the medium scenario in the EDPRS costing exercise. This would therefore translate into higher real GDP growth up to 9% instead of the projected average of 7.6% between 2008 and 2012 and 8.1% in 2012, but also larger financing requirements (an additional \$766 million).

6.10 Instead, the framework considers a boost in private investment induced by the two prongs described above, and facilitated by the third prong of the strategy described in the growth flagship, that is, the widening and strengthening of the Financial Sector in Rwanda. This is expected to increase national savings, sustain current increases in financial intermediation, and maintain the growth of domestic credit to the Private Sector slightly above nominal GDP growth. It is also expected that the Governance flagship, through its emphasis on mitigating micro risks of doing business, improving government effectiveness at the central and local levels, and strengthening Rwanda’s comparative advantage in “soft infrastructure” in the EAC and CEPGL regions, will induce stronger domestic and foreign private investment. Finally, the Vision 2020 *Umurenge* flagship will raise the absorption and the quality of investments in rural areas.

6.11 In summary, an important focus of public investment is to serve as an engine for private investment. If public investment follows the three-pronged strategy from the Growth flagship, public investment will induce strong private investment.

Figure 6.2 Public and private investment to achieve EDPRS targets



Source: MINECOFIN staff estimates and projections.

6.2 Sector allocation of EDPRS costs

6.12 The allocation of public spending across sectors is described in Table 6.3. It captures the EDPRS objective of balancing the social and productive sectors.

Table 6.3 Proposed shares of public expenditure by sector for the EDPRS period 2008-2012 (in billion Rwandan francs, unless otherwise indicated)

	Recurrent expenditure		Capital expenditure		Total	
	in billion RWF	Share (%)	in billion RWF	Share (%)	in billion RWF	Share (%)
Human Development & Social Sectors		42.2%		22.3%		34.2%
Education 1/	553	26.8%	128	9.3%	681	19.8%
Health and Population 2/	188	9.1%	127	9.3%	315	9.2%
Social Protection	103	5.0%	5	0.4%	108	3.1%
Employment and Capacity-building	15	0.7%	38	2.8%	53	1.5%
Youth, Sport & Culture	11	0.5%	8	0.6%	19	0.6%
Capital Development & Directly Productive Sectors		11.6%		73.8%		36.4%
Infrastructure		5.2%		41.6%		19.7%
Transport & ICT	12	0.6%	235	17.1%	247	7.2%
Habitat	12	0.6%	63	4.6%	75	2.2%
Energy	13	0.6%	195	14.2%	208	6.1%
Meteorology	0	0.0%	2	0.1%	2	0.1%
Water and Sanitation	70	3.4%	76	5.5%	146	4.2%
Productive capacities		6.4%		32.1%		16.7%
Agriculture	84	4.1%	158	11.5%	242	7.0%
Forestry, Land & Environment	10	0.5%	52	3.8%	62	1.8%
Manufacturing, services and off-farm industry 3/	17	0.8%	50	3.6%	67	1.9%
Science, Technology and Innovation	18	0.9%	30	2.2%	48	1.4%
Community Development Fund (CDF)	3	0.1%	151	11.0%	154	4.5%
Governance and Sovereignty		46.3%		3.9%		29.4%
Defence & Cooperation	288	14.0%	3	0.2%	291	8.5%
Justice, Reconciliation, Law & Order	142	6.9%	29	2.1%	171	5.0%
Public administration	478	23.2%	20	1.5%	498	14.5%
Decentralisation	47	2.3%	2	0.1%	49	1.4%
TOTAL	2,060	100.0%	1,374	100.0%	3,434	100.0

1/ Education MTEF

2/ Excludes off-budget, private, indirect transfers

3/ Mostly led by the Private Sector

Sources: MINECOFIN staff estimates and projections.

6.13 The Human Development and Social Sector component absorbs 34% of the total expenditure (that is, 42% of the total recurrent expenditure and 22% of the total capital expenditure). The Capital Development and Directly Productive Sector component represents 36% of total expenditure (respectively 12% of total recurrent expenditure and 74% of total capital expenditure). Finally, both the Social and Productive Sector components are supported by the Governance and Sovereignty expenditure (including public debt service) which represent 29% of total expenditure (that is, 46% of total recurrent expenditure and 4% of total capital expenditure).

6.14 Public spending is expected to be allocated across sectors, policies and programmes using these proportions, on average, over the EDPRS period. This provides general guidance for the elaboration of the Medium Term Expenditure Framework (MTEF) by ministries and agencies but does not, and does not intend to, substitute for them. Current facts and circumstances will inform the MTEF and policies and tactical choices, within the general framework and priorities set in the EDPRS, will be made through annual budgets and reviewed accordingly.

6.15 In case of shortfalls in the expected financing requirements, public spending will be corrected and all sectors will be affected in proportion to their allocation provided in Table 6.3.

6.16 Among public capital expenditure, it is envisaged that 67% of public investments will be implemented at the central level while about 33% will be implemented at local levels of government. At the central level of government, public investments can further be distributed between on-going projects and new projects. On-going projects represent almost 47% of total public investment or *RWF* 649 billion for the period 2008-2012, and mostly reflect commitments made prior to the EDPRS and continuing over the EDPRS period. New projects represent 20% of total public investment or *RWF* 275 billion and are specifically geared toward financing the achievement of the EDPRS targets detailed in Chapter 3 (Table 3.2). At the local level of government, all public investment is new. Total capital expenditure for all districts should reach *RWF* 450 billion, or an average of *RWF* 3 billion per district per year. The amount will finance DDPs and will be phased-in gradually as capacity is being built at local levels of government. These investments will also contribute toward the EDPRS targets.

6.3 *EDPRS financing requirements*

6.17 Public spending will be financed by a combination of domestic tax and non-tax revenues, external budgetary grants (i.e. budget support), external project grants and loans (i.e. project support), and external net borrowing. Domestic resources represent 50% of the total resources required for the EDPRS. Internal net borrowing will not finance the EDPRS but will serve as a tool to (i) smooth volatility in external resources and (ii) sterilise any adverse effects of capital inflows.

Table 6.4 Public financing of EDPRS

	2008	2009	2010	2011	2012	Total
	Proj.	Proj.	Proj.	Proj.	Proj.	2008-12
Public share of EDPRS costs in billion <i>RWF</i>	550	612	677	756	839	3,434
Financing in billion <i>RWF</i>						
Domestic revenue (tax and non-tax)	262	297	338	385	439	1,721
External committed budgetary grants	143	156	159	158	156	772
AfDB	11	14	13	13	13	
Belgium	12	4	4	3	3	
DfID-UK	36	32	32	32	32	
EFA-FTI	25	30	32	32	32	
EU	13	19	22	21	21	
Germany	13	13	13	13	13	
Sweden	6	6	6	6	6	
World Bank	27	38	37	37	37	
External projects grants & loans	0	0	0	0	0	-
Required additional financing in billion <i>RWF</i>	145	159	181	214	244	942
Budget support	118	129	150	181	208	786
Project support	27	29	30	33	36	156
Required financing in % GDP	6.7%	6.5%	6.6%	6.9%	7.0%	
Required additional financing in million USD	\$ 266	\$ 294	\$ 338	\$ 403	\$ 464	\$ 1,765
Budget support	\$ 216	\$ 240	\$ 281	\$ 341	\$ 396	\$ 1,473
Project support	\$ 50	\$ 54	\$ 57	\$ 62	\$ 68	\$ 291

Source: MINECOFIN staff estimates and projections.

6.18 Firstly, in so far as budget support is concerned there is a need for *RWF* 968 billion for the EDPRS period 2008-2012. External committed budgetary grants are estimated at *RWF* 772 billion. Most development partners provide data on commitments for two to three years ahead only. Hence, the amounts shown in the table for 2010-2012 are extrapolated from previous commitments, assuming continued support but no scaling-

up. These commitments fall short of the needs, leading to a financing requirement of *RWF* 196 billion (equivalent to USD 369 million).

6.19 Secondly, in so far as project support is concerned there is a need of *RWF* 746 billion for the EDPRS period 2008-2012. Considering the resource envelope from project donors and the current portfolio of projects, *RWF* 590 billion can realistically be mobilised. This leads to a financing requirement of *RWF* 156 billion (equivalent to USD 291 million).

6.20 Together, the total additional financing requirement is *RWF* 352 billion (equivalent to USD 661 million) for the EDPRS period, or an average of **USD 132 million** per year, over and above the assumed commitments.

6.4 Summary of costs and financing flows

6.21 The following tables provide summaries of the same information but expressed either in percentage of GDP (Table 6.5) or in USD per capita (table 6.6).

Table 6.5 EDPRS costs and financing, in percent of GDP

	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.	2012 Proj.	Total 2008-12
EDPRS costs (in percent of GDP)	35	35	37	38	39	37
Public spending	25	25	25	24	24	25
Public recurrent expenditure	16	15	15	15	14	15
Public capital expenditure	10	10	10	10	10	10
Private investment	10	10	12	13	15	12
EDPRS public financing (in percent GDP)	25	25	25	24	24	25
Domestic sources	12	12	12	12	13	12
Domestic revenue (tax and non-tax)	12	12	12	12	13	12
Domestic borrowing	0	0	0	0	0	0
External sources	13	13	12	12	11	12
External committed budgetary grants	7	6	6	5	4	6
External projects grants & loans	0	0	0	0	0	0
Financing gap (from external sources)	7	7	7	7	7	7
Budget support	5	5	5	6	6	6
Project support	1	1	1	1	1	1

Source: MINECOFIN staff estimates and projections.

Table 6.6 EDPRS costs and financing, in USD per capita

	2008	2009	2010	2011	2012	Total
	Proj.	Proj.	Proj.	Proj.	Proj.	2008-12
EDPRS costs (in USD per capita)	146	162	187	213	242	949
Public spending	106	115	125	138	150	634
Public recurrent expenditure	65	69	75	82	89	380
Public capital expenditure	40	46	50	56	61	253
Private investment	40	47	62	76	92	316
EDPRS public financing (in USD per capita)	106	115	125	138	150	634
Domestic sources	50	56	63	70	78	317
Domestic revenue (tax and non-tax)	50	56	63	70	78	317
Domestic borrowing	0	0	0	0	0	0
External sources	55	59	63	68	72	316
External committed budgetary grants	27	29	29	29	28	143
External projects grants & loans	0	0	0	0	0	0
Financing gap (from external sources)	28	30	33	39	44	174
Budget support	23	24	28	33	37	145
Project support	5	5	6	6	6	29

Source: MINECOFIN staff estimates and projections.

6.5 Possible financing methods

6.22 The macroeconomic framework considers three financing methods: (A) with 100% grants as per the G8 commitment, (B) an extreme with 0% grants which would require resorting to borrowing externally the entire financing requirement, and (C) an intermediate with 50% grants and 50% external borrowing to cover the financing requirement. External borrowing is likely to require mobilising new lenders which could possibly entail concessionality lower than 50%; the borrowing mechanisms assume a 35% concessionality, which would require a waiver from current international arrangements.

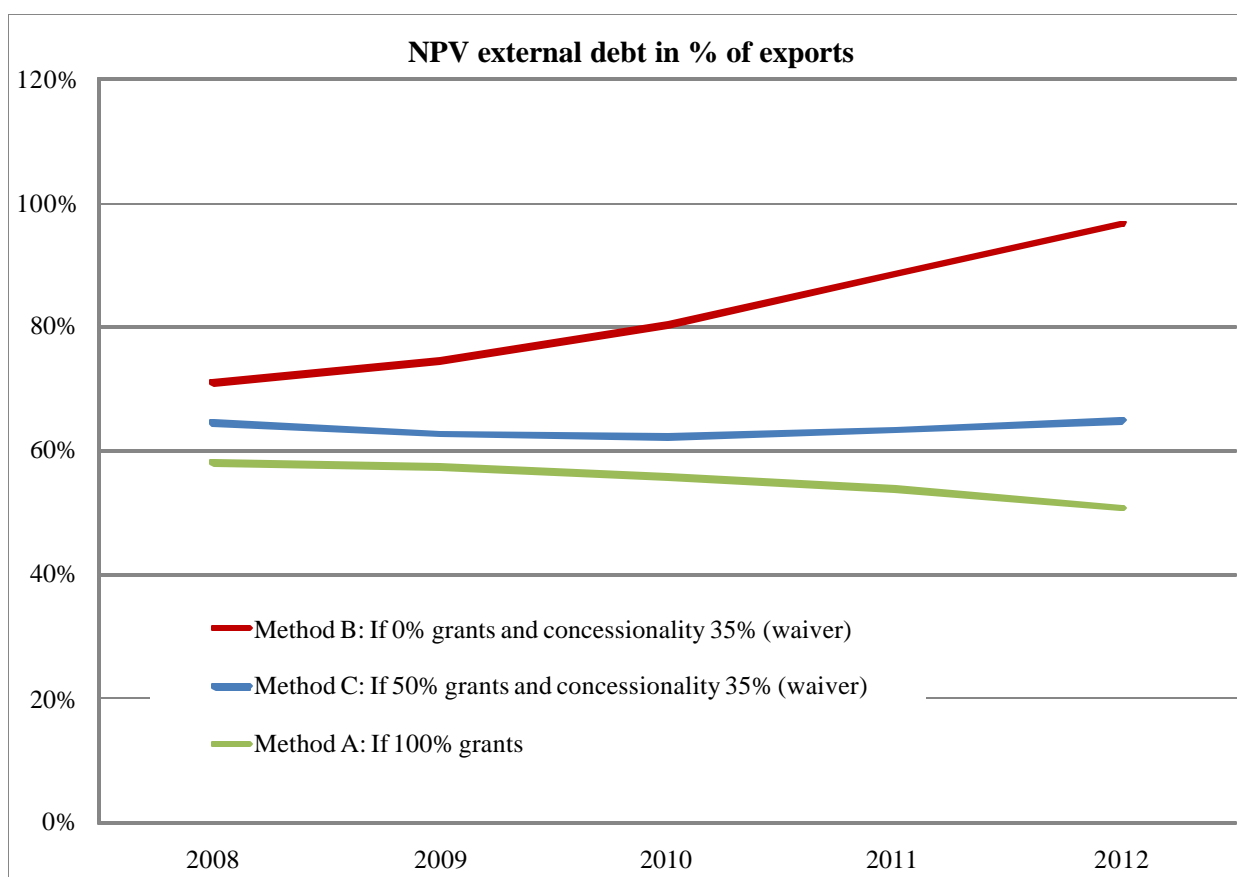
Table 6.7 Possible financing methods

	2008	2009	2010	2011	2012
	Proj.	Proj.	Proj.	Proj.	Proj.
Method A: If 100% grants					
External debt (in million USD)	546	606	661	737	824
External debt (in % of GDP)	14%	13%	13%	13%	12%
NPV external debt (in million USD)	224	255	285	317	343
NPV external debt (in % of exports)	58%	57%	56%	54%	51%
Method B: If 0% grants and concessionality 35% (waiver)					
External debt (in million USD)	813	1166	1559	2038	2589
External debt (in % of GDP)	21%	26%	30%	35%	39%
NPV external debt (in million USD)	397	588	808	1070	1372
NPV external debt (in % of exports)	103%	132%	158%	182%	203%
Method C: If 50% grants and concessionality 35% (waiver)					
External debt (in million USD)	680	886	1110	1388	1706
External debt (in % of GDP)	17%	20%	22%	24%	26%
NPV external debt (in million USD)	311	406	516	647	798
NPV external debt (in % of exports)	80%	91%	101%	110%	118%

Source: MINECOFIN staff estimates and projections.

6.23 In these three methods, the sustainability indicator chosen is the least favourable for the Rwandan economy which is characterised by a relatively small export base compared to similar countries. The indicator is calculated as the Net Present Value (NPV) of external debt divided by exports of goods and services. Based on this indicator, method B displays an unsustainable evolution towards the internationally accepted threshold of 150%. Hence, method B should not be taken into consideration. Method C, on the other hand, is an acceptable possibility and so is method A, the most favoured one. This is illustrated in figure 6.3.

Figure 6.3 Summary debt sustainability



Source: MINECOFIN staff estimates and projections.

6.6 Macroeconomic implications

6.24 The EDPRS has been structured to ensure consistency and feasibility of its macroeconomic underpinnings. The macroeconomic framework ensures a balance between macroeconomic stability and economic growth for jobs and exports. In addition, the fiscal programme does not rely on domestic borrowing leaving room for increases in credit to the Private Sector. In other words, care has been taken to avoid the crowding out of the Private Sector, which is an essential contributor to the success of the EDPRS.

6.25 Inflation has been an ongoing concern. As a result, monetary policy has been set relatively tightly with reserve money growth of 14% per year on average, compared to nominal GDP growth of 13%. Current spells of double digit inflation will return to single digits in the coming years. This will result from both the monetary stance and public investments targeted at removing skills and infrastructure bottlenecks. Indeed, the latter will reduce the costs of utilities and the operational costs of doing business in Rwanda and will induce a relaxation of structural constraints that have fuelled inflation in recent years.

6.26 The export base has traditionally been relatively narrow. Public investment will increase the imports of machinery and equipment by 15% per year on average and worsen the current account slightly. Over time, however the improved productive capacity will reduce the imports of construction material and boost export growth to 15% per year on average. This will ease the pressure on the current account. Exports of goods and services are expected to reach 10% of GDP on average while imports of goods and services are three times larger at about 30% of GDP. The current account deficit, including grants, is estimated at 6.0% of GDP per year on average (against 6.7% over 2002-2006) and the current account deficit, excluding grants, is estimated at 13.3% of GDP per year on average (against 12.6% over 2002-2006).

6.27 The nominal exchange rate is likely to continue to appreciate slightly if external inflows materialise as projected. Such moderate nominal appreciation in conjunction with the inflation differential is likely to induce a more pronounced real appreciation that could theoretically hamper export promotion efforts. The effective real exchange rate, however, is expected to be stable. Moreover, given that exports are still dominated by coffee, tea, mining and tourism, the sensitivity of the effective real exchange rate is rather limited.

6.28 Investment quality has been limited over time. The public investments will be submitted to closer scrutiny to ensure that new investment is targeted primarily at relieving structural constraints that penalise private sector development. All three sectors of activity (agriculture, manufacturing and services) are likely to benefit from the improved quality of public infrastructure. Such investment is essential to support a stronger and balanced pro-poor growth programme.

6.29 A consequence of fostering private investment is the need to mobilise national savings from the 2007 level of 12.4% up to 18.4% in 2012. This constitutes an important challenge but is not excessively optimistic in consideration of the fact that national savings were only 3.6% of GDP in 2002 and 2003. The mobilisation efforts are not only limited to domestic savings but also the important contributions of the Rwandan diaspora and wealthy Rwandans who return to the country or consider it as a prime location for their investments.

6.30 The macroeconomic frameworks can be summarised through selected economic and financial indicators (see Table 6.8) stemming from the macroeconomic framework for the medium term corresponding to the EDPRS period 2008-2012, with a reference to the base year 2007. See Table 6.8 for this summary.

Table 6.8 Selected economic and financial indicators, 2007-2012

	2007	2008	2009	2010	2011	2012
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual percentage changes, unless otherwise indicated)						
Output and prices						
Real GDP growth	6.9	7.1	7.3	7.5	7.8	8.1
GDP deflator (period average)	7.7	7.3	4.8	4.8	4.8	4.6
Consumer prices (period average)	8.0	7.5	6.0	5.0	5.0	5.0
External sector						
Exports of G&S, f.o.b (in US dollars)	15.7	15.0	15.0	15.0	15.0	15.0
Imports of G&S, f.o.b (in US dollars)	20.2	17.2	15.8	14.7	14.2	13.3
Government finance						
Revenue and grants	22.3	17.6	10.6	10.0	11.0	11.2
Revenue	9.4	15.8	13.4	13.6	13.8	14.0
Total expenditure and net lending	31.4	10.5	11.1	10.8	11.6	10.9
Current expenditure	23.9	6.9	7.6	11.9	10.5	10.8
Capital expenditure	49.1	19.1	17.6	9.5	13.5	11.5
Money and Credit						
Net domestic assets 1/	6.3	9.3	11.6	12.0	13.8	12.6
Domestic credit 1/	16.7	14.9	15.2	15.7	16.3	15.8
Government 1/	3.2	0.8	1.0	1.4	1.7	0.6
Economy 1/	13.4	14.1	14.2	14.3	14.6	15.2
Broad money (M2)	13.4	15.6	15.2	14.5	16.5	14.8
Reserve money	16.0	16.0	13.3	13.4	13.9	13.5
velocity (GDP/M2; end of period)	5.8	5.8	5.7	5.6	5.4	5.3
(In percent of GDP)						
National income accounts						
National savings	12.4	13.6	14.3	16.0	17.4	18.4
<i>of which:</i> public	3.2	4.6	5.2	5.1	5.3	5.4
Gross investment	18.2	19.4	20.3	22.0	23.4	24.4
<i>of which:</i> public	9.4	9.7	10.1	9.9	9.9	9.8
Savings-Investment gap 4/	-5.8	-5.8	-6.0	-6.0	-6.0	-6.0
Government net savings (- deficit)	-6.2	-5.1	-5.0	-4.7	-4.7	-4.4

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	2007 Proj.	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.	2012 Proj.
	(In percent of GDP)					
Government finance						
Total revenue and grants	24.5	25.0	24.6	24.0	23.6	23.2
Total revenue (excluding grants)	12.1	12.1	12.2	12.3	12.4	12.5
Total expenditure and net lending	26.5	25.5	25.2	24.8	24.5	24.0
Primary fiscal balance 2/	-4.3	-4.2	-5.1	-5.2	-5.2	-5.0
Domestic fiscal balance 3/	-7.8	-6.9	-6.8	-6.8	-6.6	-6.2
Overall balance (payment order)						
After grants	-2.1	-0.5	-0.6	-0.7	-0.8	-0.8
Before grants	-14.4	-13.3	-12.9	-12.4	-12.0	-11.4
External sector						
Export of G&S, f.o.b (in US dollars)	9.8	9.7	9.9	10.0	10.1	10.1
Imports of G&S, f.o.b (in US dollars)	-28.4	-28.9	-29.5	-29.7	-29.8	-29.5
External current account balance						
Including official transfers	-5.8	-5.8	-6.0	-6.0	-6.0	-6.0
Excluding official transfers	-13.5	-13.6	-13.7	-13.5	-13.1	-12.8
External debt (end of period)	13.3	12.7	12.1	11.5	10.9	10.0
Net present value of external debt	5.7	5.7	5.7	5.6	5.4	5.2
(in percent of exports of goods and services)	57.8	58.1	57.3	55.9	53.9	50.8
Gross reserves (in months of imports of G&S)	4.8	4.4	4.0	3.6	3.2	4.0
	(In millions of US dollars)					
Overall balance of payments	32.7	27.2	15.1	11.2	10.5	10.1
External arrears	0.0	0.0	0.0	0.0	0.0	0.0
External financing gap	0.0	0.0	0.0	0.0	0.0	0.0
External debt (end of period)	456.5	501.8	546.1	589.5	633.6	666.1
Gross official reserves	456.8	491.5	504.7	516.9	527.9	539.9
Memorandum item:						
Nominal GDP (in billions of Rwanda francs)	1,879.4	2,159.5	2,428.4	2,736.3	3,089.5	3,495.5
Nominal GDP growth (in percent)	15.2	14.9	12.5	12.7	12.9	13.1
Domestic debt (end of period; in percent of GDP)	13.3	12.7	12.1	11.5	10.9	10.0

Source: MINECOFIN staff estimations and projections.

1/ As a percent of the beginning-of-period stock of broad money

2/ Revenue excluding grants; minus current exp. except interest due and exceptional exp. minus domestically financed capital exp.

3/ Revenue excluding grants; minus current exp. (excluding external interest), minus domestically financed capital exp. & net lending.

4/ Gross national savings less gross investment, in percent of GDP.

7 HOW WILL RWANDA KNOW IT IS GETTING THERE?

7.1 In order to know whether the EDPRS is achieving its objectives, policy makers must be able to monitor progress and evaluate the impact of key public actions. Monitoring involves three steps: (i) observing how a set of indicators changes over time; (ii) analysing and drawing conclusions from those observations, and (iii) feeding those conclusions back into the policy process. Effective monitoring is essential for improving public sector management, ensuring transparency in decision-making, and holding policy makers to account.

7.1 The institutional framework of monitoring

7.2 The first step in assembling an effective monitoring system is to establish the institutional framework. This will require a period of debate as there is a variety of ‘models’ from which to choose. It is important to devise a system which is appropriate to Rwanda’s needs as it makes the transition to a highly decentralised Public Sector. In the meantime, implementation will be monitored by the institutions involved in the EDPRS elaboration, including the National Steering Committee, Technical Steering Committee and Sector Working Groups.

7.3 A small group of technicians will be required at central government level to monitor the EDPRS and evaluate the impact of key interventions. Each sector will also ensure that they have an EDPRS monitoring and evaluation specialist. The work will include assembling and collating information on the EDPRS indicators, analysing changes in the indicators, ensuring feedback from this analysis into policy-making, and proposing measures to stakeholders for improving the monitoring system over time.

7.4 At the political level, monitoring and evaluation will be carried out through a single EDPRS review framework (a common Performance Monitoring and Policy Matrix, outlined below) that stresses both domestic accountability and accountability to development partners. Domestically, the EDPRS progress will be reviewed annually by the Technical and National Steering Committees through the Annual Progress Report mechanism, which will draw on the Joint Sector Reviews and District Performance Contract evaluations (*imihigo*), and subsequently be submitted to Cabinet and Parliament. The Joint Sector Reviews will be supported by regular Public Expenditure Reviews, Citizen Report Cards and Community Score Cards. Similarly, all stakeholders will review progress annually, through the Monitoring and Evaluation framework presented in this chapter. The system will therefore provide the basis for donor harmonisation.

7.2 The EDPRS indicator system

7.5 Rwanda has built up several monitoring systems at national, sub-national and sectoral level. Each of these systems is the product of different initiatives launched at different times. The result is that policy-makers at national level are faced with an excessively large number of indicators for tracking the country’s development.

Consequently, there is an urgent need to prioritise indicator selection and to improve coordination and connectivity between separate information systems.

7.6 This section describes the proposed structure of the EDPRS indicator system. The framework presented here is preliminary. The final framework will be produced in consultation with all stakeholders and published as an appendix to the EDPRS. The Intermediate Indicators and summary Policy Matrix are to be subsequently determined on an annual basis, during the Joint Budget Support Review.

7.2.1 Linking input to output and outcomes

7.7 At the national level, a single set of four indicator matrices will be used to monitor the EDPRS, while also serving as a revised master Performance Assessment Matrix (PAM) or Performance Assessment Framework (PAF). This aims to ensure that the perspectives of Rwandan policy makers and donors are aligned. The purpose of the four matrices is to allow the construction of simple causal chains linking public expenditure in the budget to desired EDPRS output and outcomes (see Box 7.1).

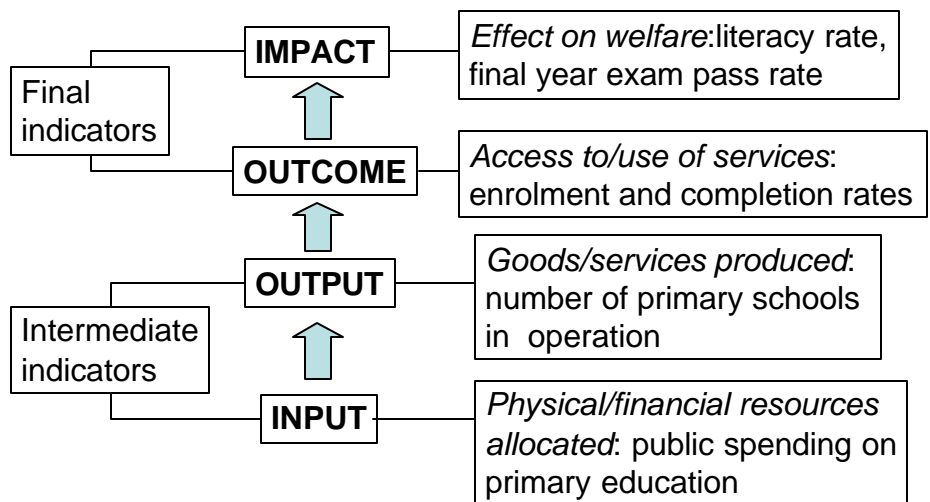
7.8 The purpose of the matrices is not to provide full details of indicators and policies to be adopted in each sector – this will be provided in each sector’s strategy, underpinned by more detailed sector logframes. The indicators in the EDPRS Performance Monitoring and Policy Matrix are consequently only a sub-set of the indicators contained in the full sector logframes. To provide a manageable framework for monitoring performance, reporting to the national level is restricted to a few key indicators, but additional reporting will take place within each sector, and discussed during the annual Joint Sector Reviews.

Figure 7.1 Indicators form a causal chain

For the purposes of EDPRS monitoring, it is useful to distinguish between four types of indicators: input, output, outcomes and impact. The commitment of input by the government through the annual budget generates certain outputs. These output provide opportunities for private individuals to consume and/or invest in goods and services supplied by the government, such as schooling and health care. Those individuals who take advantage of these opportunities, because they calculate that it is beneficial for them to do so, generate values for outcome indicators. Finally, as a result of consuming and/or investing in these goods and services, individuals' welfare is enhanced.

An application of this causal sequence to primary education is given below:

OBJECTIVE: increase the coverage and quality of primary education



7.9 The proposed framework has the following elements:

- A matrix of no more than twenty strategic outcome and impact indicators that provide a succinct overview of progress in development and poverty reduction (Table 7.1). Most of these indicators share three features. Firstly, they measure as closely and as directly as possible, certain key dimensions of human welfare in a society. These include freedom from consumption poverty and bad governance, and freedom to live a long and healthy life, fulfil one's educational potential and enjoy a safe, clean and bio-diverse environment. Secondly, they are derived from data which are not available on a yearly basis. For example, the poverty headcount ratio is calculated using consumption data collected every three to five years in a living standards measurement survey or household budget survey. Thirdly, many outcome indicators are beyond the direct control of the government, although they can be influenced indirectly by government actions (social protection). For these reasons, the outcome indicators in the first matrix cannot, and should not, be used for the annual release of budget support. These indicators will be used to evaluate the strategy at the end of the EDPRS period. In addition, in order to have an interim monitoring of the EDPRS on the poor and most vulnerable and allow changes in policies and strategies, national surveys will be conducted at the mid-term (mini-DHS and mini-EICV).
- A matrix of no more than thirty intermediate indicators which are more or less directly linked to government actions, are not affected by random events, and for which relatively good data are produced annually (Table 7.2). These indicators include output and/or input which measure public interventions which are causally linked to the outcomes in the first matrix. For example, an indicator measuring the proportion of the vulnerable population covered by social protection measures is one determinant of poverty incidence, while it is also something over which the government has some direct control. Some or all of the intermediate indicators in the second matrix could be linked to budget support operations by the donors.
- A matrix of no more than thirty policy actions per year in key areas of reform which are considered high priority for development and poverty reduction (Table 7.3). These actions should serve as the triggers for the release of budget support funds.
- A matrix of second-generation indicators which are superior to some of those currently in use, but for which adequate data are not yet available (Table 7.4). These include indicators that could be incorporated into the EDPRS monitoring system in the future. The fourth matrix in this case will show the institution responsible for each indicator, its current status, and a date by which the data might be available.

Table 7.1 EDPRS Strategic Outcome Indicators

Indicators	Base 2005-06	Target 2012	Data source	Frequency
GDP growth rate (% per annum)	6.5	8.1	National accounts; macro EDPRS projections	Annual
Employment in agriculture (% reporting as main occupation)	80	70	EICV	Every five year
Share of population living in poverty (%)	56.9	46.0	EICV	Every five years
Share of population living in extreme poverty (%)	36.9	24.0	EICV	Every five years
Poverty incidence among people living in female-headed households (%)	60.0	48.8	EICV	Every five years
Economic inequality (Gini coefficient of consumption)	0.51	0.40	EICV	Every five years
Infant Mortality Rate (per 1,000 live births)	86	70	DHS	Every five years
IMR in bottom wealth quintile	114	99	DHS	Every five years
Incidence of stunting (height for age) (%)	45.0	27.2	DHS	Every five years
Maternal Mortality Rate	750	600	DHS	Every five years
Total fertility rate	6.1	4.5	DHS	Every five years
% of households having access to clean drinking water	64	86	EICV	Every five years
Malaria prevalence (% of adults in Eastern province)	35	28	Malaria Metrical Survey; Malaria Prevalence Household Survey	Annual
HIV incidence (% of adults aged 15-24)	1.0	0.5	DHS	Every five years
Percentage of pupils sitting national exams in primary year 6 who obtain an average mark of at least 50/100 (% of examinees)	8.9	20	National Examination Council	Annual
Share of population expressing satisfaction/confidence in decentralised governance (%)	85	100	Select source	
Proportion of corruption cases involving public funds on file which have been resolved through prosecution or otherwise (%)	70	95		Annual
Forestry coverage (%)	20	23.5		Annual

Note: To be finalised during consultation process

Table 7.2 EDPRS Intermediate Indicators

Indicators	Base 2005-06	Target 2012	Data source	Frequency
Gross fixed investment (% GDP)	16.3	24.4	MINECOFIN	Annual
Private Sector credit (% of GDP)	10	15	MINECOFIN, BNR	Annual
% of agricultural land protected against soil erosion	40	100	Annual reports of MINAGRI and MINITERE	
Area under irrigation (has)	15,000	24,000	Annual reports of RADA/REMA/MINAGRI	
% of farm households using			Annual reports of RADA/ISAR/MINAGRI	Annual
• Inorganic mineral fertilisers	10.8	40.0		
• Organic fertilisers	6.8	25.0		
• Improved seeds	3.0	20.0		
• Insecticides	23.9	45.0		
% of livestock in intensive systems	16	60		
Number of farm households per extentionist	1:3,000	1:1,500		
% of classified road network in good condition	11	31	MININFRA	
Number of households with access to electricity	70,000	200,000	Electrogaz, MININFRA, NEDA	
ICT composite network coverage	75	100	RITA	
Primary completion rate	52	125	EMIS	
Pupil/teacher ratio in primary schools	70:1	47:1		
Gross secondary school enrolment	10	30		
Pupil/teacher ratio in secondary schools	30:1	32:1		
% of TVET students absorbed in industry	25	75		
% of women aged 15-49 years using modern contraceptive techniques	10	70	DHS; HMIS	
% of women giving birth in health centres	28.2	75		
% of rural households within 500 metres of an improved water source	61	86	Water Sector Strategy Development Report	Annual
% of urban households within 200 metres of an improved water source	69	100		
% of population living within 5 kms of a functioning health centre	58	70	HMIS	Annual
Number of insecticide treated bed nets distributed annually			Population Service I (PSI) MINISANTE	
% of population covered by health insurance	70	95	HMIS, MOH and private insurance bodies	
Average number of days to deal with licences	130	70	World Bank Doing Business reports	
Note: To be finalised during consultation process				

Table 7.3 EDPRS Summary Policy Matrix

Sector	2008	2009	2010	2011	2012
Agriculture	<ul style="list-style-type: none"> - Implement national agriculture input strategies and develop food security strategy - Develop policy on genetic improvement of livestock, animal nutrition and animal disease control 	<ul style="list-style-type: none"> - Implement national agricultural input strategies and food security strategy - Implement genetic improvement of livestock and animal nutrition and disease control strategies 	<ul style="list-style-type: none"> - Implement national agricultural input strategies and food security strategy - Implement genetic improvement of livestock and animal nutrition and disease control strategies 	Conduct review and evaluation of fertiliser strategy implementation	Evaluation of the various strategies
Infrastructure: Transport	<ul style="list-style-type: none"> - Adoption of a road maintenance strategy - Establishment of Rwanda Transport Infrastructure Agency (ARIT) 	<ul style="list-style-type: none"> - Adoption of a transport master plan for Rwanda. - Establishment of Training Program for Masters Degrees for Transport specialists 	- Transport safety policy adopted and implemented.	Rail Development Strategy adopted	EDPRS transport policy implementation evaluated
Infrastructure: Energy	<ul style="list-style-type: none"> - Energy Policy/ Strategy updated and adopted - Electricity Master Plan finalised 	<ul style="list-style-type: none"> - Draft policy note for reform of electricity taxes and subsidies - Rules and Regulations for the Electricity and Gas sector adopted 	<ul style="list-style-type: none"> - Privatisation of management of rural based power plants - Comprehensive study on privatisation of RECO in place (unbundling process) 	Privatisation of Power Plants managed by National Power Utility (unbundling process)	- Cross-Border Electricity Trade Agreements in place
Infrastructure: ICT	Develop a regulatory framework for ICT	Implement regulatory framework for ICT	NICI-II evaluated and NICI-III formulated	NICI-III adopted and start of implementation	NICI-III implementation continuing
Infrastructure: Habitat & urbanisation	National Policy on Urbanisation and master plan to support the implementation of <i>imidugudu</i>	Continuation of the Adoption of cities master plans and implementation of <i>imidugudu</i> .	Continuation of the Adoption of cities master plans and implementation of <i>imidugudu</i> .	Continuation of the Adoption of cities master plans and implementation of <i>imidugudu</i> .	Continuation of the Adoption of cities master plans and implementation of <i>imidugudu</i> .
Infrastructure: Meteorology	Adopt meteorological policy and strategic plan.	Implement meteorological policy and strategic plan		Establishment of an upper air observatory	Atlas for rainfall, temperature and humidity spatial and temporal distribution over Rwanda.
Land	Land use master plans developed and operational to guide land use management decisions at national level	Land use master plans developed and operational to guide land use management decisions at decentralised levels	Existing land rights secured through land tenure regularisation for effective land administration and land use management	Land administration simplified to protect land rights and facilitate investments in land	Institutional framework established and operationalised
Environment & Forestry	<ul style="list-style-type: none"> - Begin distribution of environmental inspection checklists to cell level in all districts - Adoption of National Forestry Plan and forestry legislation; operationalisation and capacity building of National Forestry 	<ul style="list-style-type: none"> - Database of all regulated substances updated annually and accessible to public - Development and implementation of national programmes for reforestation, forestry management and wood 	<ul style="list-style-type: none"> - At least 10 out of 16 environmental regulations and guidelines functioning at central and decentralised institutions to facilitate investments - Development of strategy for private sector involvement and forest products improvement; development of forest 	Five (Gishwati, Mukura, Rugezi, Kamiranzovu, Nyabarongo – Akagera network including Gikondo) degraded ecosystems mapped, assessed and rehabilitated	<ul style="list-style-type: none"> - Increase number of projects compliant to national environmental standards to 95% approval rating for EIA certification - Comprehensive impact evaluation of forest strategies and programmes

Sector	2008	2009	2010	2011	2012
	Authority	utilisation	resources diversification strategies		
Education	<ul style="list-style-type: none"> - Teacher Development and Management Policy finalised - TVET policy finalised and published - Updated science, technology and ICT in education policy in place - Adult literacy policy published 	Girls Education Strategic Plan published	<ul style="list-style-type: none"> - Minimum Quality Standards framework in place - Special Needs Education Strategic Plan finalised 	<ul style="list-style-type: none"> - Guidelines for PTAs and School Boards issued - SFAR means testing guidelines in place 	<ul style="list-style-type: none"> - School Mapping linked to GIS and construction planning, Revise school construction guidelines
Health	<ul style="list-style-type: none"> - Publish drug pricing policy - Signing of Sector Wide Approach Memorandum of Understanding - Publish health financing policy 	<ul style="list-style-type: none"> - Creation of health financing data base - Defining health personnel fixed positions for rural areas 	<ul style="list-style-type: none"> - Preliminary report of Demographic and Health survey (DHS) - Comprehensive evaluation of Health Sector performance 	<ul style="list-style-type: none"> - Publish final report of DHS - Comprehensive evaluation of Health Sector performance 	Comprehensive evaluation of Health Sector performance
Social protection	<ul style="list-style-type: none"> - Social Protection strategy approved - National coordination body established and operational, - Appropriate legal framework in place for Social Protection 	A comprehensive Social Protection programme in place	Preliminary report on Social Protection interventions	Publish a final report of Social Protection interventions and impacts	Social Protection Performance evaluation
Water and Sanitation	<ul style="list-style-type: none"> - Results-based planning, monitoring and evaluation system operational - Laws and norms regulating water resources management approved - Integrated Water Resources Management and Development (IWRM&D) governance and investment plan in place 	<ul style="list-style-type: none"> - National WATSAN master plan, developed, approved and operational - Water master plans for all districts available - Framework for M&E of implementation of Water Law, norms and strategies on water resources management available 	Strategy for effective decentralisation of water resources management towards Local Governments		Comprehensive evaluation of Water and Sanitation Sector performance
Capacity building	Public Service Management Policy, Skills Development Policy and Strategy, and Employment Creation Strategy operational	Labour Code adopted by Parliament, Health and Safety Policy and Strategy adopted by Cabinet	Remuneration policy elaborated		
Justice	<ul style="list-style-type: none"> - Design and develop an MIS and M&E system for the sector - Develop a SWAp for JLOS - Create law reform commission - Develop national legal aid framework and system 	<ul style="list-style-type: none"> - Implement the MIS and M&E systems - Functional SWAp for JLOS - Prison inmates rehabilitation strategy in place 	<ul style="list-style-type: none"> - Corruption assessment reports available - Review functioning of legal aid 	Review of prison inmates rehabilitation strategy	Evaluation of JLOS performance
Private Sector	- Reform fiscal and commercial	- Develop Small and Medium	- Develop policy on corporate	- Develop public and private	- Develop and implement

Sector	2008	2009	2010	2011	2012
	laws - Publish competition policy - Develop and implement a production and export diversification strategy	enterprises policy and cooperative development schemes. - Establish free trade zone - Implement quality standards for export across all export products	governance. - Put in place commercial courts and train judges in commercial law. - Establish regional industrial parks and restructure of Kigali industrial park	partnership law and policy. - Implement investment and tax reforms	competition policy
Decentralisation	Comprehensive five year local government capacity building (CB) needs assessment produced and agreed by all stakeholders	Comprehensive five year local government capacity building plans implemented	Decentralisation strategy, action plans and responsive interventions are developed using M&E data	Strategy to accompany third phase of decentralisation process implemented	MIS at central and local level effective
Science and Technology	Technology Diffusion Fund is established to promote appropriate technology transfer in rural and peri-urban areas	National Commission of Science, Technology and Innovation established	Science and Technology Centres of Excellence established at six public institutions of higher learning	Capacity-building Fund is established for financing human and physical research infrastructure in the public and private Sector	A centre or a fund established to support training and research on development activities in value added enterprises
Gender and Social Inclusion	Social Audit methodology adopted by all districts and sectors	Annual gender status report institutionalised with 2007 as baseline			
AIDS	Public Expenditure Review in HIV/AIDS	Employers (public and private) to implement the national HIV and AIDS workplace policy	Incorporate HIV/AIDS variables in new research work and data analysis		

Note: To be finalised during the consultation process

Table 7.4 EDPRS Second Generation Indicators

Indicators	Available in		Data source	Frequency
Measure of overcrowding				
Experience/perception of corruption among poor			DIAL module in household survey	
Malaria incidence				
Employment rate for graduates from TVET (% employed within 6 months of graduation)				
Number of secondary school teachers trained in science				
% of secondary schools connected to the internet				
Percentage of pupils sitting national exams in <i>tronc commun</i> year 3 who obtain an average mark of at least 50/100, disaggregated by gender (% of examinees)				
Percentage of pupils sitting national exams in upper secondary year 6 who obtain an average mark of at least 50/100, disaggregated by gender (% of examinees)				
% of classified district roads rehabilitated		75	MININFRA	
Land area provided with services for housing (hectares)		10,000	MININFRA	
Note: To be finalised during consultation process				

7.2.2 Using the EDPRS indicator system to provide an evidence base for policy: some examples

7.10 A monitoring system is of little value if its indicators are not used to shape policy-making. This section describes how the EDPRS monitoring framework can be applied by using the indicators to ask, and to answer, a sequence of policy-related questions. In tracing out this sequence of questions and answers, the relationship between the EDPRS monitoring framework, sector logframes and other sources of information becomes apparent.

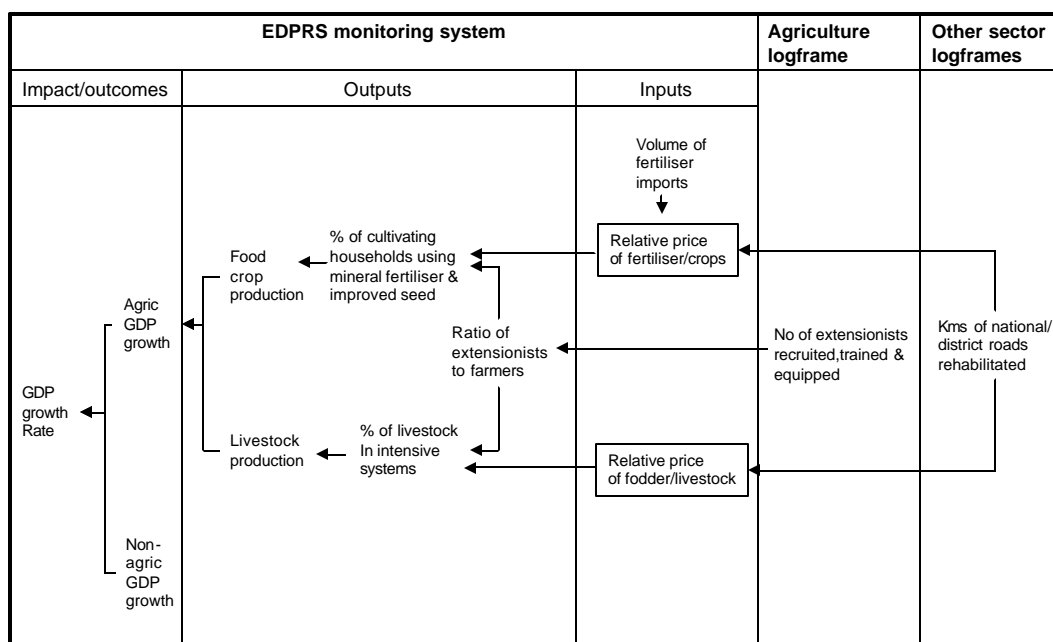
7.11 Suppose that the GDP growth rate (an outcome indicator in Table 7.1) falls to a level below the rate projected for the EDPRS scenario of 7.6% in 2009. In seeking to discover why this has occurred, it is useful to look first at the aggregate investment rate (an output indicator in Table 7.2). If this has also fallen, then the answer to why growth has slowed is likely to be associated with the lower investment rate. In this case, EDPRS monitors should investigate whether both public and private investment rates have fallen. If the public investment rate has risen, but the private rate has fallen, then attention should focus on whether the problem is on the demand or the supply side of private investment. Factors which inhibit the demand for investment include higher real interest rates, an appreciation of the Rwandan franc (for exporters) or a failure to take a policy action which reduces the transaction costs of business or creates a more favourable business climate (see intermediate indicators in Table 7.2). On the supply side, private investment may have fallen due to banks' reassessment of the risk to borrowers.

7.12 However, if the aggregate investment rate has not fallen, the reasons for slower growth may be found at the sectoral level. In this case, it is useful to begin by comparing the performance of agriculture with non-agriculture (Figure 7.2). If agricultural growth has declined, EDPRS monitors should examine whether both crop and livestock production have been equally affected. Suppose that livestock production has continued to grow fast, but crop production has not expanded as planned. Attention should then focus on whether more farmers are using improved seed and fertiliser (an output indicator in Table 7.2). If there is no evidence of increasing intensification of agriculture, the reasons for this may be the high relative price of fertiliser (a market information indicator in Figure 7.2), which is in part due to slow progress in rehabilitating national and district roads (an output indicator in the infrastructure logframe shown in Figure 7.2), or a failure to increase the number of extensionists per farmer (an output indicator from the Agricultural Sector logframe in Figure 7.2).

7.13 These examples show how the outcome, output and input indicators in Tables 7.1 and 7.2, together with the policy actions listed in Table 7.3 can be used to trace a causal sequence of actions (and inactions) within the Public Sector and between the public and private sectors. Once identified, this sequence can provide an important evidence base for assessing and improving current policy.

Figure 7.2 EDPRS indicators and sector logframes

Links between EDPRS indicators, sectoral logframes and market information



7.2.3 Reporting on the monitoring framework

7.14 To monitor the implementation of the EDPRS at sector level, the different ministries will prepare a report annually outlining how they are performing against their stated objectives in the EDPRS Performance Monitoring and Policy Matrix. These annual reports will list all stated objectives, and provide a case by case assessment on whether progress is on track to achieve each of the targets and policies as specified in the sectoral chapters in this EDPRS document. As the system evolves, sectors may decide to change their indicators (to utilise more readily or frequently available data or indicators that better reflect policy objectives) though this will be done in the context of the Joint Sector Reviews.

7.15 Information may not be available for each indicator on an annual basis. However, a ministry should still be able to provide a judgment on whether progress is on course, based on all the actions it has undertaken.

7.16 Figure 7.3 provides an example of a suitable format for sector reporting. The idea is that for each key performance indicator, the sector will provide a description of progress to-date, together with an explanation of why performance has been limited or where progress was slow. The traffic lights in this figure visualise the information in a

very accessible and user friendly way. The traffic light colour coding rates progress: green indicates ‘on track’, amber ‘too early to say’, red indicates ‘off-track’. Essentially, it is a report card that summarises progress within the sector in a way accessible to non-technicians.

Figure 7.3 Traffic light reports to monitor progress towards sectoral EDPRS objectives

Indicator (Examples)	Progress (Description and assessment of progress)	‘Traffic lights’ indicator of progress
Primary school net enrolment	Primary school net enrolment increased from 72% in 2000 to 90% in 2006, and is well on track to achieve the 100% target for 2010. The challenge is to maintain the rate at this high level and increase the quality of education.	<i>on track biragenda neza</i>
Gini coefficient of income inequality	The Gini coefficient increased to 0.50 in 2006, up from 0.47 in 2000. Even with concerted efforts, it is unlikely that the 2010 target of 0.40 can be achieved.	<i>off track ntibigenda neza</i>
Population growth rate	The population growth rate has reduced from 2.9 per cent in 2000 to 2.6 per cent in 2006. Although the 2010 target of 2.4 per cent is within reach, actual population levels are beyond target and a faster reduction in population growth would be desirable.	<i>too early to tell bikeneye gukurikiranwa</i>

7.17 The distinction between sectors, ministries and districts merits some clarification. In the context of the ongoing decentralisation process, the role of line ministries is reduced to policy development and monitoring of service delivery, whereas actual service delivery is the responsibility of local government. The traffic light reports are based on the achievement of sector objectives and the production of the reports is the responsibility of the lead ministry in the sector. Whereas the actual responsibility for specific actions may rest with either the lead ministry, local government, or even another ministry or agency, the lead ministry is responsible for ensuring that every agency fulfils its part. The lead ministry is the guardian of the sector, and therefore bears overall responsibility that sector objectives are met.

7.18 The traffic light report must be produced early on in the year in time for government’s retreat in Akagera. The report will be compiled by MINECOFIN and subsequently published on MINECOFIN’s website as well as in the national newspapers. It is envisaged that the report will also feed into the Public Accountability Day.

7.2.4 Joint Sector Reviews

7.19 PRSP1 started a process of annual Joint Sector Reviews (JSR), which fed into the production of the PRSP Annual Progress Report. The scope and depth of the Joint Sector Reviews has generally increased during the implementation of the PRSP,

culminating in a highly participatory and very extensive self-evaluation by each sector in 2006.

7.20 The JSRs will be further entrenched in the annual activity calendar of all sectors, with a specific focus on the consideration of budget execution information. To maximise the utility for the annual budget process, the Joint Sector Reviews will look at the performance of each budget programme, specifically the extent to which the expected contribution to the various sector objectives are being realised. In this way, the EDPRS has put in place the foundation for performance budgeting, though further work will be required clearly to map the most relevant indicators from the sector logframes to the different budget programmes.

7.21 The JSRs will also consider the role and impact of external aid, with a view to building a common understanding of progress and limitations in the effective use of aid, and agreeing on actions on the part of both donors and government to ensure that the impact of aid is maximised. Such discussions play an important role in fostering mutual accountability in the GoR-donor aid relationship.

7.3 *Implications for the statistical system*

7.22 The EDPRS monitoring system is only as good as the data which feeds it. The quantitative information is drawn from surveys and censuses conducted by the National Institute of Statistics Rwanda (NISR), and from the routine data systems of line ministries. Qualitative information is generated by the *ubudehe* process and other types of participatory poverty assessment.

7.23 The NISR has a key role to play in strengthening and developing the EDPRS monitoring system. By continually seeking to improve the country's official statistics, it will provide a sound evidence base for policy-making and results verification. Ideally, the NISR's mandate should extend beyond surveys and censuses to include the exercise of quality control over information collected by line ministries, which are often the weakest link in the data chain. Developing ministry MIS and linking these between central and local levels will therefore also be paramount.

7.24 The NISR, together with properly qualified civil society organisations, will be the prime source of suggestions for second generation indicators. This will require that any long term plans for developing the monitoring system are fully integrated with Rwanda's National Strategy for the Development of Statistics (NSDS).

7.25 In collaboration with UN Agencies, the GoR is currently developing Rwanda Devinfo as the national database for the management of GoR monitoring information. Rwanda Devinfo will offer a method of organising, storing and previewing data in a consistent and harmonised manner. As such it will facilitate the sharing of information between government institutions and users, as well as with development partners and other institutions of research. The database will contain standard indicators such as those defined by the Vision 2020 and the Millennium Development Goals, together with other

specific indicators defined in the sector strategies' monitoring and evaluation frameworks.

7.4 Evaluation of EDPRS interventions

7.26 Evaluating the impact of public actions is more complex than monitoring a set of indicators. This is because it requires isolating the causal impact of a particular intervention on a particular outcome from all the other determinants of that outcome. For example, a programme which provides food supplements to infants in poor households aims to improve their nutritional status and reduce child mortality. However, child mortality and nutritional status may also depend on mother's education, access to clean drinking water and the distance to the nearest health clinic.

7.27 In order to identify and quantify programme impact, it is necessary to estimate what the outcome among a group of those benefiting from the intervention would have been in the absence of the intervention²². Unfortunately, this hypothetical state of affairs cannot be observed directly, so it is necessary to select a control group to serve as a counterfactual.

7.28 A variety of techniques are available for conducting impact evaluation, but they share some common features. Firstly, an evaluation strategy should be agreed and designed before the intervention occurs. This will determine what techniques will be used and what data will be collected at which date. If no thought is given to evaluation until after the intervention has started, certain evaluation strategies may no longer be available.

7.29 Secondly, all evaluation strategies require a baseline survey of the selected beneficiaries and the control group before the intervention occurs. This provides a benchmark for comparing post-intervention outcomes among the treatment group with those among the control group. After the intervention starts, follow-up panel surveys of the two groups are carried out to measure how the outcomes of interest, such as infant mortality or child nutrition, change over time. Thirdly, all rigorous impact evaluations demand technical expertise in statistics.

7.30 The ideal design for an evaluation strategy requires random assignment to the treatment and the control group. This is rarely feasible to undertake for several reasons. However, there are occasions where it is possible to adopt a strategy of randomisation. Such opportunities arise when a new programme is launched, but owing to budget and/or administrative constraints, it is not possible to implement it nation-wide in a single year. If selection into the programme is randomised, then those areas excluded by chance from the programme initially can serve as a control group until they are covered by the intervention.

²² Those benefiting from an intervention are known as the treatment group, while those non-beneficiaries serving as the basis for comparison are known as the control group. The control group provides the counterfactual.

7.31 It may be possible to undertake a randomised evaluation of the impact of Vision 2020 *Umurenge*. At present, this programme is in a pilot phase during which each district selected its poorest *umurenge* (sector) to participate. While these 30 sectors were not randomly chosen, it would be possible to evaluate the pilot using propensity score matching techniques, so long as baseline survey information is available for all sectors before the intervention began. Randomisation could then be used to select the date of entry for the remaining 386 sectors into the programme. If it took a minimum of two years for Vision 2020 *Umurenge* to attain national coverage, this will provide a window for undertaking a rigorous impact evaluation.

7.32 The evaluation design described above is currently being used to assess the impact of performance based contracting for general health and HIV and AIDS services in Rwanda. In 2001, a pilot phase started in nine districts. The national roll-out of this programme began in mid-2006 in twelve randomly chosen districts, and coverage will be country-wide by 2008. The twelve districts selected into the programme in 2006 are the treatment group, while the nine districts which are not covered by the programme until 2008 act as a control group for two years (2006-2008).

APPENDIX 1: APPENDIX TO CHAPTER 1

EDPRS Sector Working Groups

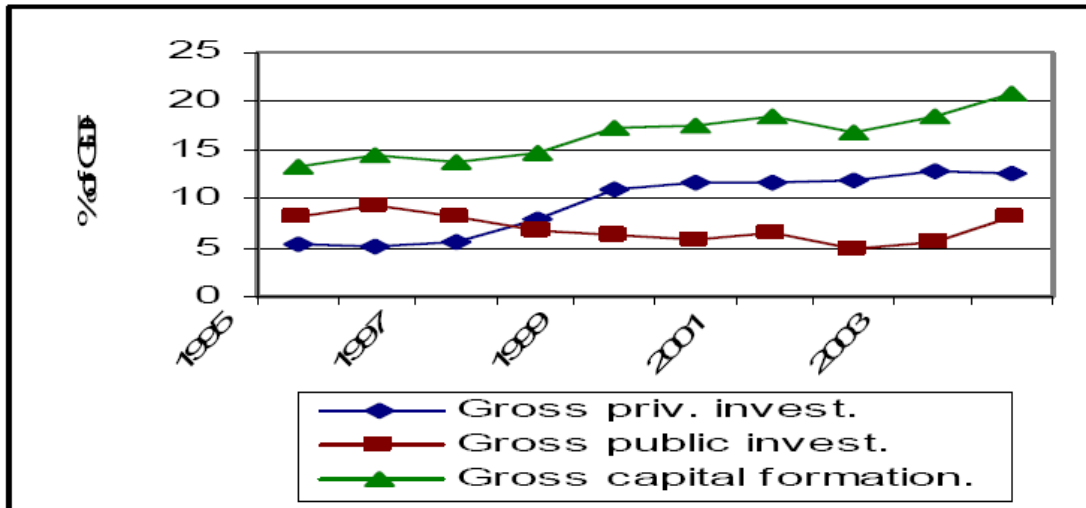
Theme / Sector Working Group	Lead Government Institution (Chair)	Lead Donor (Co-chair)	Other participating institutions*
<i>Theme 1: Economic Growth, Private Sector Development and Infrastructure</i>			
1.1 Economic Growth & Financial Sector Development	MINECOFIN	World Bank	BNR, RRA, SFB, MINICOM, MINAGRI, HIMO, ILO, CESTRAR RIEPA, BRD, OCIR The/Café, ORTPN, CAPMER, RPSF MINITERE, Electrogaz, RITA, KIST, TIG, CDF, MVK & 4 Provinces
1.2 Private Sector Development	MINICOM	USAID	
1.3 Infrastructure: Energy Transport ICT Habitat and urbanisation	MININFRA	EC World Bank EC UNDP German Cooperation	
1.4 Employment Promotion & Capacity Building	MIFOTRA	World Bank	
<i>Theme 2: Rural Development</i>			
2.1 Agriculture and Animal Husbandry	MINAGRI	World Bank	MINITERE, MINALOC (CDF), MININFRA, MINICOM, HIMO, TIG, OCIR The/Café, MIFOTRA REMA, MINAGRI, MVK
2.2 Environment and Land Use Management	MINITERE	UNDP	
<i>Theme 3: Human Development</i>			
3.1 Education, Research & Development	MINEDUC	DFID	RITA, MIJESPOC, KIST, NUR, Universities CNLS, RAMA, Mutuelles de Sante, PNL, NISR MININFRA, MINISANTE,
3.2 Health, Nutrition, Population & HIV/AIDS	MINISANTE	Belgium	
3.3 Water & Sanitation	MINITERE	ADB	

Theme / Sector Working Group	Lead Government Institution (Chair)	Lead Donor (Co-chair)	Other participating institutions*
3.4 Social Protection	MINALOC	DFID	MINAGRI, Electrogaz, REMA, MINEDUC HIMO, MIGEPROF, FARG, MINEDUC, MINISANTE
3.5 Science, Technology & Innovation	MINISTR	DFID	
3.6 Youth, Culture & Sports	MIJESPOC		
<i>Theme 4: Good Governance</i>			
4.1 Justice, Reconciliation, Law & Order	MINIJUST	UNDP	MININTER, MINAFFET, MINADEF, Supreme Court, <i>gacaca</i> , NURC, NHRC, RDRC, Ombudsman, Prosecutor, TIG MINIJUST, MININTER, MINAFFET, NSS MININFOR, RALGA, MVK & 4 Provinces
4.2 Security	MINADEF		
4.3 Decentralisation, Citizen Participation, Empowerment, Transparency & Accountability	MINALOC	Netherlands	
<i>Multi-disciplinary Group on Cross-Cutting Issues</i>			
Environment, Gender, HIV/AIDS, Social Inclusion, Youth	MINECOFIN	DFID & UNDP	HIDA, RIAM, MINEDUC, MIJESPOC, National Women's Council, CNLS, MINALOC, MIGEPROF, MIFOTRA

Note: * Districts, Civil Society, Private Sector, Parliament, Primature and MINECOFIN are represented in every Sector Working Group.

APPENDIX 2: APPENDIX TO CHAPTER 2

Figure A2.1: Public and private shares of gross fixed capital formation



Source: World Bank (2007)

Figure A2.2: Rwanda's balance of payments performance

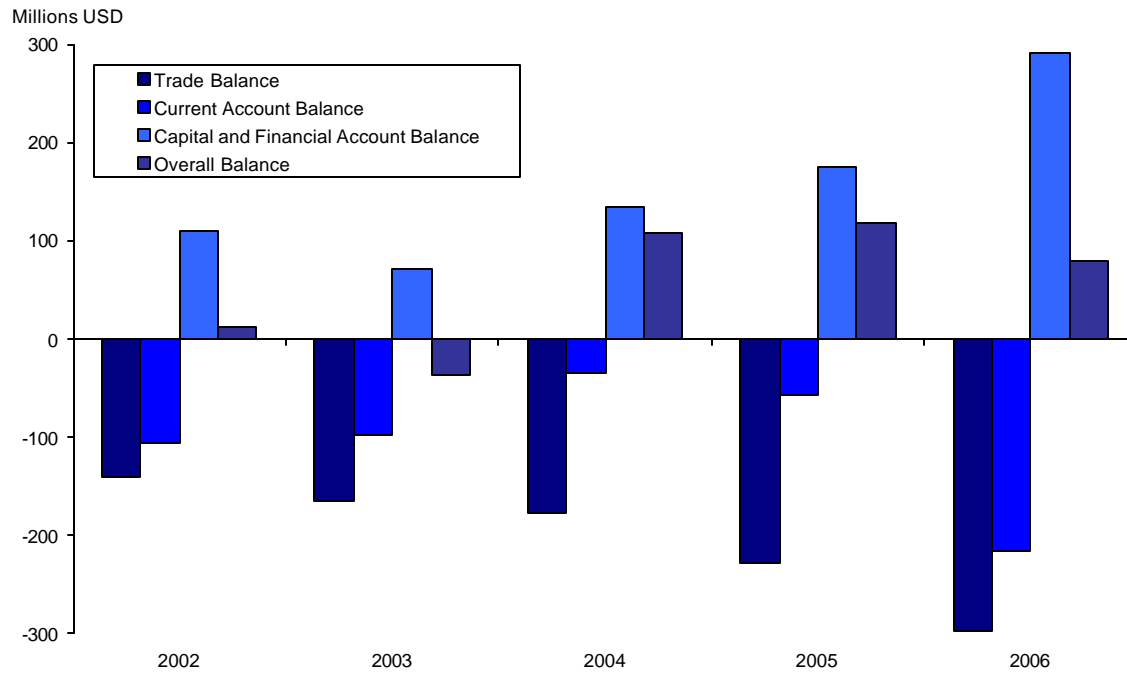


Table A2.1: Balance of payments

Millions USD	2002	2003	2004	2005	2006
Trade Balance	-140.6	-165.4	-177.9	-228.7	-296.7
Exports (fob)	67.4	63.3	98.1	125	142.7
Coffee	14.6	15	32.2	38.3	54
Tea	22	22.5	21.6	24.4	32.1
Imports (fob)	-207.9	-228.7	-275.9	-353.6	-439.4
Current Account Balance	-105.9	-96.8	-34.7	-57.8	-216.8
Overall Balance	12.8	-35.7	107.9	119.2	80.1

Table A2.2: Crop-growing households using different input by quintile (%)

Crop input	Survey	Expenditure quintile					Total
		Lowest	2nd	3rd	4th	Highest	
Organic fertiliser	EICV 1	0.9	1.1	2.8	3.5	5.6	2.6
	EICV 2	3.7	6.9	8.1	7.0	10.6	7.1
Chemical fertiliser	EICV 1	1.8	3.2	7.1	7.8	11.8	6.0
	EICV 2	6.6	9.3	11.4	15.9	17.4	11.9
Labour	EICV 1	6.7	13.7	25.2	38.4	58.6	26.5
	EICV 2	16.6	34.4	47.8	63.9	77.9	46.7
Seeds	EICV 1	58.9	51.1	51.2	49.9	41.4	51.1
	EICV 2	71.4	73.6	73.4	70.6	65.6	71.2
Sacks and packaging	EICV 1	10.0	14.6	19.2	20.3	28.1	17.8
	EICV 2	21.5	36.2	43.6	47.0	46.2	38.6
Insecticide	EICV 1	3.9	8.1	14.2	14.8	21.1	11.8
	EICV 2	10.3	21.4	29.6	33.6	39.2	26.2

Source: McKay et al. (2007)

Table A2.3: Crop yield comparison 1999-2003 average (Mt/Ha).

Yield (Mt/Ha)	Rwanda	Burundi	Ethiopia	Tanzania	Uganda	Africa's average	World average
Maize	0.8	1.1	1.8	1.6	1.8	1.3	4.4
Sorghum	0.9	1.2	1.3	1.1	1.5	0.8	1.3
Cassava	6.1	9.0	n.a	10.2	13.2	8.9	10.6
Sweet Potatoes	5.8	6.5	9.6	1.9	4.4	4.6	14.9
Potatoes	8.0	2.6	9.1	6.9	7.0	7.7	16.3
Plantains	6.5	5.2	16.0	2.2	5.9	5.6	6.3
Beans	0.7	0.9	0.6	0.7	0.7	0.6	0.7
Peas	0.5	0.7	0.7	0.4	0.6	0.7	1.7
Coffee	0.7	0.9	0.9	0.4	0.7	0.5	0.7
Tea	1.3	0.8	1.0	1.3	1.9	1.9	1.3

Source: World Bank Country Economic Memorandum (CEM), calculated from FAOSTAT, 2005.

Table A2.4: Households' engagement in reforestation activities, by quintile

Quintile	Rural population living in communities that practise reforestation (%)		Mean hectares planted ¹	
	EICV1	EICV2	EICV1	EICV2
Lowest	41.2	62.0	4.8	12.4
Second	39.2	59.9	5.0	12.4
Third	40.3	56.3	5.4	12.0
Fourth	40.1	58.2	4.2	12.1
Highest	37.4	62.1	3.9	13.2
Total	39.8	59.6	4.7	12.3

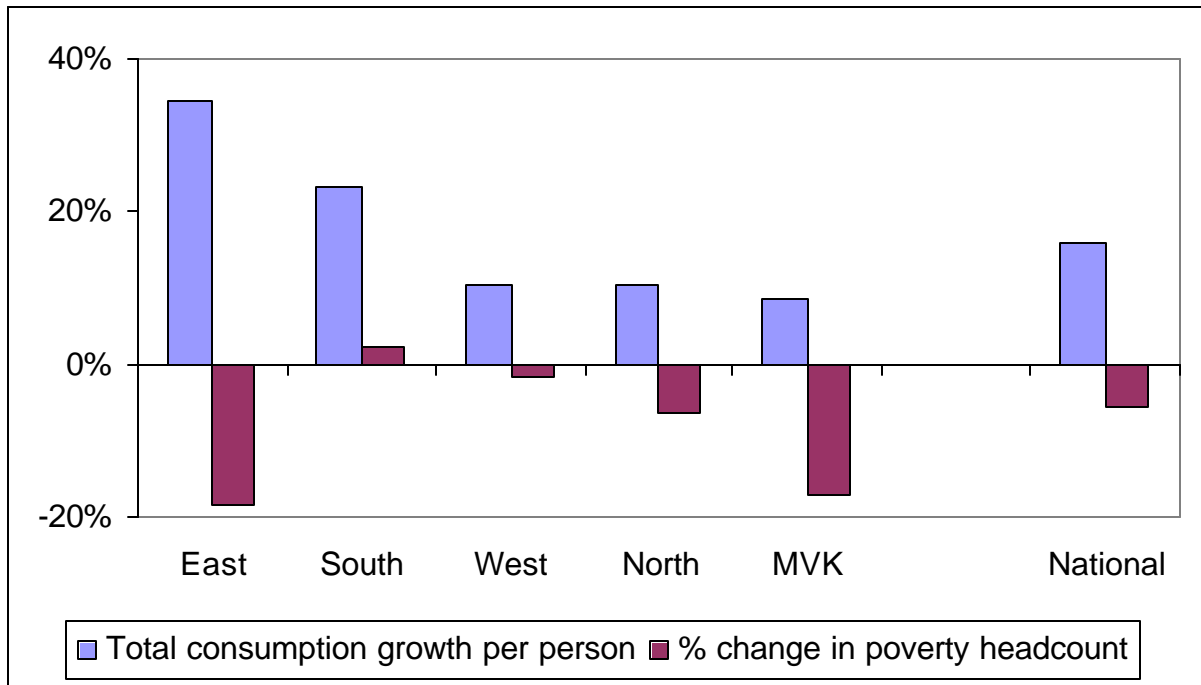
Source: EICV2 results. Note: (1) Data refer to communities where replanting took place.

Table A2.5: Poverty headcount, share of poor and Gini coefficient by province

	Poverty headcount (%)		Share of the poor (%)		Extreme poverty headcount (%)	
	EICV1	EICV2	EICV1	EICV2	EICV1	EICV2
<i>by province</i>						
City of Kigali	24.4	20.2	4.1	3.4	15.4	11.1
Southern province	65.8	67.3	27.1	30.2	45.9	47.2
Western province	63.1	62	24.9	26.3	41.8	40.9
Northern province	66.9	62.7	23.5	20.3	47.2	40.8
Eastern province	61.8	50.4	20.4	19.7	41.7	28.7
<i>by old province</i>						
City of Kigali	16.1	13	2.2	1.7	8.4	6.3
Kigali Ngali	70.7	46.5	11.9	8.4	54.0	26.4
Gitarama	53.8	56.5	9.4	9.9	34.5	31.2
Butare	73.5	70.6	10.0	11.4	52.5	53.4
Gikongoro	76.1	79.2	8.0	9.1	56.5	62.9
Cyangugu	63.9	61.4	8.0	7.3	45.2	40.9
Kibuye	73.1	64.5	6.9	6.7	47.1	41.7
Gisenyi	54.9	61.8	8.7	11.5	36.0	42.3
Ruhengeri	71.2	64.5	13.7	11.3	49.4	41.1
Byumba	64.7	67.2	9.9	9.9	43.8	43.3
Umutara	53.7	45.4	3.7	4.7	33.2	24.1
Kibungo	53.7	50.3	7.6	8.1	33.2	30.1
National	60.4	56.9	100.0	100.0	41.3	36.9

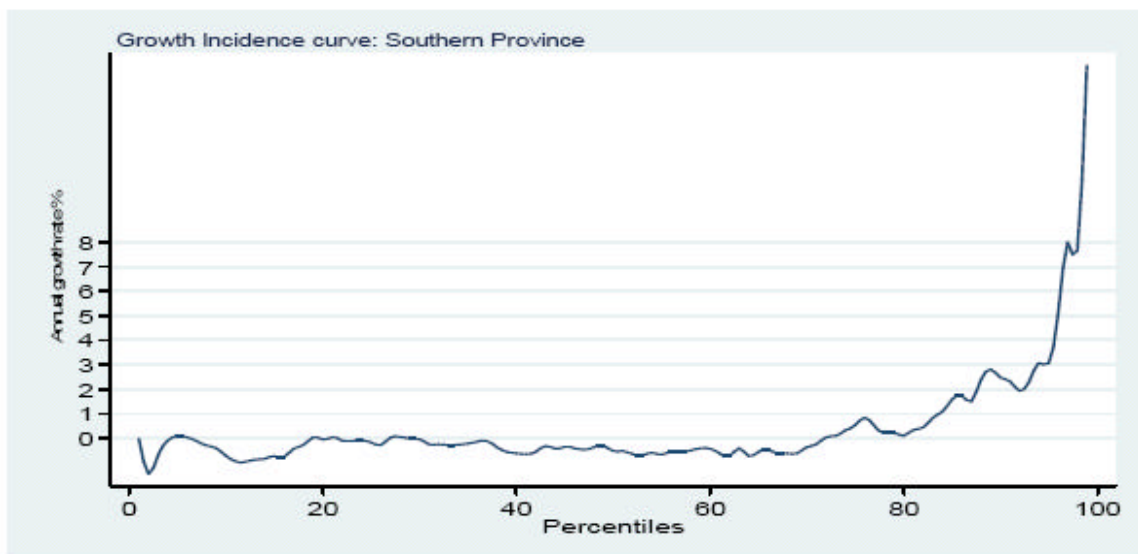
Source: EICV1 and EICV2 surveys.

Figure A2.3: Growth and poverty by province, total percentage change in 2000/01 to 2005/06



Source: Minecofin staff analysis based on EICV data.

Figure A2.4: Growth incidence curve, Southern Province



Note: The curve plots the percentage change in real income at each percentile of the income distribution.

Source: MINECOFIN (2007b).

Table A2.6: Population share, poverty status and location of vulnerable groups

Vulnerable household type		Population share (%)	Poverty headcount (%)	Location by rural/urban (%)	
				Rural	Urban
Female headed	2000/01	27.6	66.3	16.9	83.1
	2001/02	23.4	60.2	17.3	82.7
Widow headed	2000/01	22.0	67.7	15.9	84.1
	2001/02	18.7	59.9	16.0	84.0
Child headed	2000/01	1.3	60.1	19.0	81.0
	2001/02	0.7	56.9	22.9	77.1

Source: EICV1 and ECV2 surveys.

Table A2.7: Occupation by gender and poverty status (%)

	Male		Female		Poor		Non-poor		National	
	EICV1	EICV2	EICV1	EICV2	EICV1	EICV2	EICV1	EICV2	EICV1	EICV2
Professionals	2.4	2.6	1.5	1.5	0.5	0.4	3.9	3.8	1.9	2.0
Senior Officials and Managers	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.1
Office Clerks	0.9	0.6	0.5	0.5	0.0	0.1	1.6	1.2	0.7	0.6
Commercial and Sales	3.3	6.5	2.3	5.4	0.8	3.2	5.6	9.1	2.7	5.9
Skilled Service Sector	3.4	7.2	2.4	4.1	0.4	2.5	6.3	9.2	2.8	5.5
Agricultural & Fishery	83.5	71.2	92.4	86.3	96.4	88.9	77.1	68.2	88.6	79.6
Unskilled Elementary	6.4	11.8	0.8	2.1	1.8	4.9	5.3	8.3	3.3	6.4
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: EICV1 & EICV2. All Persons Aged 16 and Over Working in Previous 12 Months

Table A2.8: Nutritional status of children (percent of under-5s)

	Stunting incidence		Wasting incidence		Underweight incidence	
	2000	2005	2000	2005	2000	2005
Male	43.9	46.3	7.0	4.2	25.1	22.9
Female	41.2	44.4	6.5	3.6	23.4	22.1
Urban	27.4	33.1	6.4	3.8	15.2	16.2
Rural	45.3	47.3	6.8	3.9	25.9	23.5
Total	42.4	45.3	6.8	3.9	24.5	22.5

Source: NISR (2005). Note: these indicators are calculated by comparing anthropometric measurements (stunting is measured by height-for-age, wasting by weight-for-height and underweight by weight-for-age) to those of a reference population of healthy under-5s.

Table A2.9: Children receiving immunisation (%)

	All vaccines		DPT3		BCG	
	2000	2005	2000	2005	2000	2005
Urban	77.0	71.0	86.5	84.9	98.3	96.5
Rural	75.8	75.8	85.9	87.8	96.8	97.6
Total	76.0	75.2	86.0	87.0	97.0	96.3

Source: DHS2 and DHS3. Note: Data refer to the percentage of 12-23 month olds receiving vaccination.

Table A2.10: Net and gross primary enrolment rate, by gender and location (%)

	EICV1				EICV2		
	Male	Female	All		Male	Female	All
<i>Net enrolment</i>							
City of Kigali	81.5	83.9	82.7		89.8	91.0	90.4
Other urban	75.5	72.8	74.1		89.0	91.3	90.1
Rural	72.9	73.0	72.9		84.0	86.2	85.1
National	73.7	73.7	73.7		84.8	86.9	85.9
<i>Gross enrolment</i>							
City of Kigali	107.4	118.3	112.8		129.3	131.7	130.5
Other urban	117.8	112.6	115.2		149.4	149.7	149.6
Rural	111.2	108.7	109.9		140.2	139.6	139.9
National	111.4	109.6	110.5		140.4	140.0	140.2

Source: EICV1 and EICV2 data. Note: Net enrolment rate shows children aged 7–12 who are reported to be attending primary school, as a proportion of all children aged 7–12. Gross enrolment rate shows students of any age who are reported to be attending primary school, as a proportion of all children aged 7–12.

Table A2.11: Net secondary enrolment rate, by gender and location (%)

	Male	EICV1			Male	EICV2	
		Female	All			Female	All
City of Kigali	24.9	22.7	23.6		29.2	29.0	29.1
Other urban	7.4	11.3	9.3		12.6	14.9	13.8
Rural	4.5	5.4	5.0		8.9	7.0	7.9
National	6.2	7.5	6.9		10.6	9.5	10.0

Source: EICV1 and EICV2 data. Note: Net enrolment rate shows children aged 13–18 who are reported to be attending secondary school, as a proportion of all children aged 13–18. Figures do not include students on vocational 'post-primary' courses.

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