

## Mid-Term Review Conclusions for the Republic of Rwanda

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**Annex**

## **Rwanda – MTR Conclusions**

### **1. Executive summary**

Rwanda is slowly recovering - politically, economically and in the social sphere - from the traumatic catastrophe of the genocide in 1994. The 9<sup>th</sup> EDF *National Indicative Program* (NIP) was signed in March 2003 for the period 2003 to 2007. The focal sector of the program is *rural development* together with a strong *macroeconomic support* component and intervention in the justice/good governance/civil society sectors. The respective amounts are €124 million for the A envelope and €62 million for the B envelope. In 2003, absorption of EDF resources accelerated as preparations were made for the utilisation of remaining resources under previous EDFs and new commitments were made for the 9<sup>th</sup> EDF. Rwanda is a good performer in the focal sectors and in absorbing EDF resources. Thus, the Commission proposes that €52 million be shifted from the B envelope to the A envelope.

There are, however, concerns as regards the overall political orientation of the newly elected Government and the sectoral implementation strategy: Whilst a new constitution has been adopted in 2003 and elections paved the way for a new political system, doubts remain as regards the time schedule of the political regime for the establishment of a democratic political system and a pluralistic society. It is therefore proposed that a political dialogue with the Rwandan Government on various political issues be established on the basis of certain political benchmarks. By the same token, the sectoral policy commitments and orientations of the Government to implement the *rural development sector strategy* and the *macro-economic support programme* should be reviewed. A regular assessment of the established benchmarks will take place during the year 2005 and a final assessment will take place in the framework of the End-Term Review in 2006. These assessments will be carried out in close cooperation between the Commission and the EU Member States. Any decision in the framework of the current Mid-Term Review will then be re-assessed against progress on these issues.

### **2. Rwanda's policy agenda**

Rwanda's overall development strategy is based on two main documents: the *Vision 2020* and the *Poverty Reduction Strategy Paper* (PRSP) identifying poverty reduction, national unity and reconciliation as the Government's core objectives. In economic terms, the Government seeks to modernise the economy through the transformation of the agricultural sector and the growth of the manufacturing and service industries. Politically, the establishment of stable governmental institutions through elections and a new constitution (both achieved in 2003) and the decentralisation process (ongoing) are key elements of the strategy. In social terms, the documents stress access to education and health care for all citizens as crucial for achieving the development goals. Sector strategies are well advanced for some issues (such as education, decentralisation, gender, HIV/AIDS, environment) and implementation is underway. For others, development of sector strategies (e.g. rural development) has further to go. In order to assess progress, the Government conducts annual PRS progress reviews, the first of which took place in 2003. For all sectors, it is somewhat too early to see the Government's policies and strategies translated into improved results

### **3. Main political, economic and social developments in the country**

#### **3.1 Changes in the political situation: elections, reconciliation, human rights**

During 2003, the new constitution was adopted by referendum and presidential and legislative elections took place, which were overwhelmingly won by the incumbent president Paul

Kagame<sup>1</sup> and his political party, the *Rwandan Patriotic Front* (RPF)<sup>2</sup>. However, the Government reduced the space for possible opposition and did not ensure sufficient transparency in carrying out the elections. In its final report of January 2004, the *EU Electoral Observation Mission* (EU EOM) concluded that the two election campaigns have opened the way for the establishment of sustainable democratic institutions and were well organised. However, as regards the conduct of the elections, it noted that « *l'ambiance dans laquelle se sont déroulées les campagnes électorales, les irrégularités et les cas des fraudes relevés lors des scrutins ainsi que le manque de transparence des processus de consolidation sont sujets de préoccupation. Suite aux scrutins législatifs, aucun parti qui ne soit pas dans la mouvance présidentielle n'est représenté dans la nouvelle chambre des députés. Le pluralisme politique est dès lors plus réduit que lors de la période de transition.* » The EU EOM also found that the election campaigns for the presidential and parliamentary elections were marked by intimidation, interrogations, and arrests.

As regards national reconciliation, Rwanda has opted for the introduction of the *Gacaca* system, a traditional hearing at village level, to judge those who have been accused of minor offences during the genocide. After a trial period and the preparation of case files, the beginning of the judgement proceedings in the *Gacaca* courts all over the country was delayed, partly due to the focus on elections in 2003, and to allow lessons to be learned and acted on through the passing by the new Parliament of reformed *Gacaca* legislation in June 2004. After the passing of the new legislation, the process has quickly recommenced, with the training of the new judges and the preparation for the full launch of the judgement proceedings later in 2004.

Concerns continue to exist about the human rights situation, e.g. the delays in the judicial process for former President Pasteur Bizimungu and the legal validity of his conviction, in June 2004, to 15 years of imprisonment or the July 2004 report of an ad hoc parliamentary commission (investigating genocide related killings in December 2003) accusing several local NGOs, churches and human rights groups of “genocidal ideology”. There are also concerns about the freedom of the media. Although some progress has been made, for example through the opening of six new private radio stations, there has been a number of allegations of threats and arrests of media representatives.

In addition there are concerns about the issue of the abolition of the Death Penalty. Rwanda is encouraged to ratify the *Second Optional Protocol to the International Covenant on Civil and Political Rights* (ICCPR) and the Rome Statute of the International Criminal Court. It should be noted that Rwanda is a focus country under the *European Initiative for Human Rights and Democratisation* (EIDHR).

### **3.2 Changes in the economic situation: macroeconomic and debt situation**

Rwanda's macroeconomic performance in 2003 was less impressive than in recent years, partly due to exceptional circumstances linked to the political transition, and external factors such as poor meteorological conditions and increasing oil prices. Real GDP growth in 2003 declined to 0.9% (2002: 9.4%) due to poor agriculture growth and manufacturing performance. This demonstrates that the focus in Rwanda's PRSP on *rural development* has

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<sup>1</sup> Official results of the presidential elections of 25 August 2003: Paul Kagame: 95,05%; Faustin Twagiramungu: 3,62%; Jean Népomucène Nayinzira: 1,33%.

<sup>2</sup> Official results of the legislative elections of 30 September 2003: Front patriotique rwandais (FPR): 73,78%; Parti Social Démocrate (PSD): 12,31%; Parti Libéral (PL): 10,56%; Parti Démocrate Centriste (PDC): 2,22%; independent candidates: 1,13%.

yet to translate into results, and in particular underlines the economy's continued dependence on good meteorological conditions. On the fiscal side, higher than budgeted expenditures (particularly on elections) and lower and later than anticipated disbursements of budget support increased the size of the fiscal deficit and led to an increase in domestic financing (particularly from the banking sector). The fiscal situation contributed to a significant monetary expansion that was reflected in the depreciation of the exchange rate (36% against the € over 2003) and higher inflation (averaging 7.4% over 2003). Largely as a result of these fiscal and monetary issues, disbursements under the IMF's *Poverty Reduction and Growth Facility* (PRGF) were suspended in the second half of 2003.

Despite interim HIPC relief, Rwanda's debt situation continued to deteriorate in 2003, largely as a result of falling export earnings<sup>3</sup>. The HIPC's initiative<sup>4</sup> "completion point" was not attained as projected in 2003 due to the macroeconomic situation and delayed attainment of HIPC "triggers". During the first half of 2004, however, Rwanda reached agreement with the IMF on a revised programme and in June 2004, the Executive Board of the IMF completed successfully the second and third reviews of Rwanda's economic performance under the PRGF arrangement. The *Bretton Woods* Institutions and the Government targets February 2005 as the date for HIPC "completion point", at which point significant "topping up" of debt relief could be expected. Most donors are keen to see Rwanda reach "completion point", although there is concern about post-HIPC debt sustainability and its implications for future borrowing.

### **3.3 Changes in the social sectors: education, health, migration**

Rwanda seeks to implement the *Millennium Development Goals* (MDGs). The collapse of all services and public systems in 1994 raises questions as to whether improvements should be based on 1990 performance or that during the years 1994-95. Compared to 1990 baseline figures, some health sector indicators have not improved; however, compared to the post-genocide period, increased resources combined with new policies and strategies have led to improved health and education outcomes (see below, 6.2.2, c).

As regards the education sector, the *Education Sector Strategic Plan* (ESSP) was finalised in 2003 and a policy of free primary education was introduced. Results indicators generally show a positive trend, particularly in enrolments and gender equity at all levels. However, the expansion in access has had a negative impact on the quality of primary education, with a lack of materials, teachers and institutional support.

Health sector indicators in Rwanda suggest that women and children suffer disproportionately as a result of high fertility rates, a low proportion of births attended by qualified personnel, poor nutrition and high mortality rates. Current HIV/AIDS prevalence rates are estimated at 11%. Lack of financial access to health services constitutes the largest challenge to the health sector. Much progress has been made in re-establishing health systems and infrastructure since 1994. This is reflected in some key outcome indicators, such as vaccination coverage (over 90%) and the improvement in attended birth rate. However, improvements in services will take some time to translate into measurable progress on the MDGs themselves. It will be

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<sup>3</sup> Estimates suggest that the Net Present Value of Debt to Export Ratio was around 300% at end-2003, against a HIPC target of 150%.

<sup>4</sup> The HIPC Initiative is a comprehensive approach to debt reduction for heavily indebted poor countries (HIPC) pursuing IMF- and World Bank-supported adjustment and reform programs.

important to monitor those indicators that are more sensitive to immediate changes in health service performance, such as immunisation rates.

As regards migration, demography, and rural development, 83% of the population live in rural areas. After the 1994 genocide and civil war, the vast majority of the millions of refugees have returned to Rwanda, putting increased pressure on scarce land resources in one of the most densely populated countries in Sub Saharan Africa. Rwanda largely managed to integrate these returnees and returning combatants from the former government's army. In addition, Rwanda has a high proportion of young people, with 57% of the population under 20 years old. The majority of the economically active population are farmers and self-employed (76%). Government attempts to get people (especially the youth) into off-farm employment are focussed on labour intensive public works programmes, which also serve broader development objectives. Internal migration to urban centres is likely to increase in the near future due to the limits of the agricultural sector to absorb additional human capital.

### **3.4 Achievements in cross-cutting issues**

In spite of being one of the most advanced countries in Africa as regards gender equality<sup>5</sup>, gender disparities remain a serious problem in Rwanda stemming from the fact that Rwandan society is traditionally patriarchal with remaining unequal gender relations. The genocide disproportionately affected men (as perpetrators, who account for the majority of prisoners) and women (as victims, through gender based violence, poorer prison conditions and increased numbers of child and female headed households). Women are more often illiterate and have limited access to credit and decision making positions. Women and men in the age group of 15 to 24 are also differently affected by HIV/AIDS, with an increased prevalence rate for women, whereas men are on a downward trend during the same period (1999-2001).

However, the Government is committed to gender equality, as witnessed by the existence of a *National Gender Policy* that commits to mainstreaming gender issues in all sectors, and which is gradually being translated into results, notably as regards equitable access to basic education. The new *Land Bill* presented to Parliament in August 2004 gives equal inheritance and ownership of land to men and women. However, there has so far been limited tangible impact on the lives of poor rural women, Rwanda's biggest demographic group, e.g. as regards access to resources, land and training. In spite of the good progress, there are still gender imbalances and social inequality in relation to poverty, violence and the HIV/AIDS situation.

Rwanda's high and increasing population density, mountainous terrain and dependence on agriculture continue to create grave environmental problems. Forest resources have been exhausted with the exception of one protected area, firewood and charcoal continue to be the main sources of energy, and the increasing population no longer has any land reserve to be brought into cultivation. Soil erosion and deterioration are significant both because marginal land is used for cultivation and because steep slopes are cultivated without terracing, not least because current land tenure legislation gives little guarantee to farmers that their possible investments will remain in their hands (although this is expected to improve with the new Land Bill). In 2003, the Government finalised an *Environment Law and Policy* intended to halt this environmental decline.

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<sup>5</sup> Rwanda has the highest proportion of female parliamentarians in the world (49%) and a high representation of women in leadership positions in government and business.

In 2003, a multi-sector human capacity building program was designed by the central government. Civil service reform did not advance far in 2003, but there are well-defined plans for increased activity in 2004. Capacity limitations will be particularly stretched in the next few years, as the new legal and institutional environment implied by the Constitution is implemented. In addition, the process of decentralisation, whilst holding great potential, will require, among other, further capacity building<sup>6</sup>.

### **3.5 Trade and regional integration**

Rwanda's export performance in 2003 was disappointing. The country's already low levels of exports (merchandise exports total less than 3 percent of GDP) fell further, despite some emerging signs of success in high quality tea and coffee. Government responded to this deterioration by creating an export promotion commission, drafting an export promotion strategy and allocating significant resources for its implementation in the 2004 budget.

Rwanda has begun negotiations, as part of the *Eastern and Southern Africa* (ESA) Group, for an *European Partnership Agreement* (EPA). The roadmap for negotiations, agreed in February 2004, foresees the involvement of private sector and other stakeholders through a *National Development and Trade Policy Forum*. The consultation with non state actors should contribute to the definition of the common regional negotiation positions. The links between EPA and the country's development strategy should be further explored over the coming years. Maximising the benefits is particularly important as there is a need to offset the costs incurred for a relatively underdeveloped periphery country on joining a free trade area. In addition, the development of a rural development strategy should be also coherent with regional and sub-regional activities in this sector.

2003 was marked by a significant calming of regional tensions. A thawing in relations with Uganda early in the year was followed by unreciprocated pledges by Rwanda to restore normal diplomatic relations with the new transitional Government in the Democratic Republic of Congo. The prospect of joining the *East African Community* (EAC) is one result of the improved relations with its neighbours. At the beginning of 2004, Rwanda joined the COMESA<sup>7</sup> Free Trade Area. Of note is the lead taken by Rwanda in NEPAD<sup>8</sup> and the *peer review mechanism* in particular. Rwanda was also playing an active role in the preparation of the international conference on the Great Lakes Region (Dar es Salaam, November 2004).

## **4. State of play in implementation of the EC-cooperation program**

### **4.1 Results in focal sectors and macroeconomic support**

#### **4.1.1 Rural development**

Since 2002, the Government is working, with the support of the donor community, on an overarching approach for the rural development sector (*Rural Economic Strategy - RES*), defining interdependencies and priorities between interlinked sectors such as agriculture, trade, transport, energy, water, tourism and detailed sector strategies defining interventions and indicators within this overall framework. A first RES document was prepared in July

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<sup>6</sup> See: "Appraisal of the Decentralisation Process in Rwanda", final report, VNG International, The Hague, September 2003.

<sup>7</sup> COMESA: Common Market for Eastern and Southern Africa

<sup>8</sup> NEPAD: New Partnership for Africa's Development

2003, but during the second half of the year, due to the election process, little progress was made in the rural development domain, both in terms of policy development and implementation.

Following the nomination of a new minister of agriculture, an agricultural sector policy was developed during the first half of 2004, with the support of the Food and Agriculture Organisation (FAO). Yet, the document presented to the donors still needs to be improved. Since June 2004, the Government is in the process of developing a *national plan* adopting a two-tier approach based on the PRSP and related documents like the RES. The Government hopes to start with the agricultural national plan implementation in late 2004.

In terms of the implementation of sectoral policy commitments, little progress was made either in relation with land reform, environmental policy (implementation of the *National Environmental Law and Policy*), the establishment of a *Rwanda Environmental Agency*, of micro-finance schemes and decentralisation.

The serious delays in elaborating a full-fledged rural development strategy can be attributed to the exceptional circumstances of the election period during 2003, but also to a more general problem of lack of human resources and administrative and planning capacities. Related to this, sectoral strategies, e.g. for the energy sector, urgently need to be developed.

The agricultural policy strategy referred to above, will set targets for existing indicators as well as define a statistics and monitoring framework for the rural development sector. Existing indicators related to agricultural production give a poor picture for 2003 as the increase in agricultural production in earlier years was not sustained: The production of priority food crops declined by an average of 8.5% in 2003, although an increase in vegetable and fruit production offset this decline. Export crop production and exports fell by 30%. The quantity of imported fertiliser fell in 2003, against a targeted doubling and the prices of agricultural goods doubled as well in average.

This decline can partly be attributed to the lack of a solid political and technical sector framework during the past few years. Thus, the sector has been fragile, vulnerable and exposed to negative influences. In addition, fluctuations of (world) market prices and poor climate conditions had a negative impact on production and prices of agricultural goods risking bringing the country close to a situation of food insecurity.

#### **4.1.2 Rehabilitation & infrastructure<sup>9</sup>**

Few infrastructure related indicators have been developed as part of the PRSP review process making it difficult to assess the outcomes in this sector. Although a transport policy was produced in 2002, it was mainly focussed on the core road network and did not define any result indicators. Nevertheless, in late 2003, work began on developing a comprehensive infrastructure sector strategy including results indicators. This will integrate key elements of the transport policy and will be linked to the *Rural Economy Strategy*. The strategy will be finalised in 2004 with the assistance of the Commission and the World Bank.

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<sup>9</sup> Not a focal sector under the 9<sup>th</sup> EDF but under previous NIPs.

### **4.1.3 Economic & social sector support**

Economic and social sector support is in the Commission's approach linked through budgetary support targeting (8<sup>th</sup> EDF) and performance indicators (9<sup>th</sup> EDF). There is increasing evidence that Rwanda is attaining improved results in the health and education sectors (see section 3.3 above), as compared to 1994 figures, due to accelerated reform and public spending. Important progress was made in the harmonisation of budget support through the agreement of a *Partnership Framework for Budget Support Harmonisation* between the Government and its budget support providers. The framework consists of three Government-led joint review processes (macroeconomic, public financial management, and PRS implementation) which provide a "comprehensive framework" for donor conditionality, monitoring and technical assistance, and the focus of donor missions.

## **4.2 Progress in implementation of current operations**

### **4.2.1 Rural Development**

EDF interventions in the rural development sector continued in 2003. Projects and programmes under the 7<sup>th</sup> and 8<sup>th</sup> EDFs like micro projects and social infrastructure were either completed or entered their final phase. Major commitments worth a total of €35 million were made under the 9<sup>th</sup> EDF for faster support and disbursing programmes, e.g. the 9<sup>th</sup> EDF *Decentralised Programme for Rural Poverty Reduction* (DPRPR) and STABEX<sup>10</sup> interventions, in order to recapitalise the rural world and to re-launch the rural economy. However, both in the implementation phase of on-going programmes and the planning phase of the 9<sup>th</sup> EDF, coordination problems with the technical ministries have occurred and should be addressed by the Government.

Moreover, the main activities funded under STABEX (see below 4.6.1) resources and the food security budget line (4.6.4) had less than expected results during the past years due mainly to lower priority-setting by the Government as regards their implementation. Hence, attempts were made to integrate them into the 9<sup>th</sup> EDF rural development approach, trying to build up synergies and complementarities between them.

As regards the causes for the delays, it has been mentioned in 4.1.1. that there is growing concern about sectoral policy and programme implementation. The RES has not yet been adopted, and neither has an equivalent rural development strategy, hence a political framework in the rural development has regrettably not yet been firmly established. The Government should find a satisfactory balance between commercialisation/export promotion interests and the PRSP's main objective of "poverty reduction". This concern will require a joint assessment of the conditions of the EDF interventions in this sector (see below 6.2.1).

### **4.2.2 Rehabilitation and infrastructures**

In 2003, most of the remaining funds for infrastructure and rehabilitation under previous EDFs were either contracted or made ready for contracting in early 2004. Some of the work on the resulting large-scale infrastructure projects also started. Thus, after several years of preparation, 2004 and 2005 will witness a peak in EDF-financed large-scale infrastructure works. Despite this progress, throughout 2003, there were delays as regards the contracting procedure for the *Rehabilitation of Kigali Airport* project (€3,5 million in coordination with an €1 million EIB financed project) and the *Gitarama-Akanyaru road rehabilitation* project

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<sup>10</sup> STABEX: a compensatory finance scheme to stabilise export earnings



(€17,4 million) due to unsatisfactory results of the call for tender. These problems have been solved in the meantime allowing for quick contracting and start of the works.

#### **4.2.3 Economic & social sector support**

In 2003 the last disbursements from the old (8<sup>th</sup> EDF) budget support programme were made, and the preparation, commitment and first disbursement from the 9<sup>th</sup> EDF programme started. The latter is reflecting the Commission's new approach to budgetary support, and fit into the Partnership Framework for budget support harmonisation. As a result, it is a non-targeted operation with simplified conditionality, more flexibility, and a combination of fixed (linked to macroeconomic performance) and variable (linked to education, health and *public finance management* performance) *tranches*. Three disbursements of budget support were made in 2003. For the second year in a row, for several reasons, *tranche* release was too late in the fiscal year for Government to use. However, the 9<sup>th</sup> EDF program *tranche* was released rapidly. As a result, Government missed several end-year targets, including the stock of arrears.

#### **4.3 Degree of integration of cross-cutting issues**

Issues of gender, trade and environment are progressively being integrated in the rural development as well as in the infrastructure and rehabilitation domains: Women will benefit from off-farm employment creation and from the social and rural infrastructure projects. The Commission's support to export promotion and diversification under STABEX will help to improve Rwanda's trade balance. The rehabilitation of the core road network is a precondition for the reduction of transport costs which is a major bottleneck to increased trade particularly within the region. The recapitalisation of rural areas and the creation of off-farm economic activity is intended to reduce pressure on scarce land resources, and thereby decelerate environmental degradation. All large-scale infrastructure projects involve an environmental assessment and efforts to minimise environmental impact.

#### **4.4 Projects and programmes outside focal sectors**

In 2003, under the 8<sup>th</sup> EDF "Support to the rule of law and to initiatives promoting human rights and national reconciliation" programme, €2.5 million were assigned and €1.15 million disbursed. The Commission also provided financing for the political transition process in 2003, i.e. for the electoral process (€1.8 million), and the EC *Democracy and Human Rights* budget line provided €1 million for an EU electoral observation mission.

#### **4.5 Utilisation of resources for non-state actors**

In 2003 the Commission disbursed a total of €2.8 million (€2 million from budget lines, €0.8 million from the 8<sup>th</sup> EDF) to support NGO activities. This is expected to increase further in future years as 9<sup>th</sup> EDF resources become available, through a €2 million programme planned for 2004-2006. Terms of reference for a *mapping study* of Rwanda's civil society were prepared as a starting point for this programme. In addition, the capacity of the Delegation to manage available EDF and EC budget resources is expected to increase in 2004, with the hiring of additional staff.

#### **4.6 Other programmes**

##### **4.6.1 STABEX Interventions**

The implementation of STABEX programmes (€20 million) has been integrated within the overall support programme for rural development. However, the Government's growing focus on commercialisation/export promotion aspects also has had a slowing down effect on the implementation of the STABEX-funded interventions (see below 6.2.1). It is therefore

proposed to set benchmarks and review the conditions, together with the Government, for the continuation of STABEX and EDF interventions in the rural sector.

#### **4.6.2 European Investment Bank (EIB) Interventions**

The European Investment bank has two main interventions in Rwanda: a private sector global loan and financing for the rehabilitation of Kigali airport. The private sector global loan is managed by the *Banque Rwandaise de Développement* (BRD) and is intended to support the creation and expansion of small and medium scale enterprises.

#### **4.6.3 Regional Cooperation**

Rwanda benefits relatively little from regional projects, which are included in the analysis of focal sectors above. The main activities in 2003 were the regional *Pan African Program for the Control of Epizootic Diseases* (PACE) and the signing of the contract for the Gitarama-Akanyaru road and the start of the works. In the future, it is intended to increase regional cooperation, particularly as Rwanda has now joined the COMESA free trade area.

#### **4.6.4 EC Budget Lines**

Activities financed from the Commission's *food security* budget lines continued in 2003, initially under the management of a food security unit and later, as the programme wound up, under direct Delegation supervision. As a result of the priority-setting of the Government, the *food security information system* financed under the food security budget lines had to be closed down by the Commission in 2003 due to lack of support of the Ministry of Agriculture. Similarly, a second programme, focusing on the support to rural SMEs, will be terminated soon for reasons of under-performance.

Commission support continued through the *Democracy and Human Rights, Environment, and NGO co-financing* budget lines, of which €1,6 million was disbursed in 2003.

### **5. Programming perspectives for the following years**

#### **5.1 Participation of non-state actors in the MTR process**

The first draft of the Joint Annual Report 2003 was distributed to, among other, a selection of NGOs for comments. A stakeholders' workshop was held on 20<sup>th</sup> February 2004 in Kigali to discuss the document. Representatives from non-state actors included local development associations, women's and workers' associations, trade unions, human rights groups, etc. The report was then substantially revised to take into account the comments of stakeholders, including non-state actors, thus reflecting the views of civil society.

#### **5.2 Donor coordination**

Good progress has been made in improving donor coordination. A *Development Partners' Consultative Group* (DPCG) meets regularly chaired by the UNDP to look at overall coordination. In 2003, a working group of the DPCG, the *Rwanda Harmonisation and Alignment Initiative* (RHAI) was created (co-chaired by Government, the EC and DFID) in order to accelerate progress on harmonisation and alignment (with Government processes) by following up on the recommendations made by the November 2002 *Strategic Partnership with Africa* (SPA) mission. One tangible outcome of this process was the signature in November 2003 of a *Partnership Framework for Harmonisation of Budget Support*, which provides for streamlined conditionality, improved predictability and a series of joint reviews. On a sectoral level, the Government has created a series of "clusters" in order to improve coordination. The EC chairs the clusters for infrastructure and rural development.

Rwanda has applied for the *Integrated Framework* aimed at the revision of the PRSP. A *Diagnostic Trade Integration Study* (DTIS) will provide a comprehensive analysis of all trade-related issues that need more attention in the development strategy of the Government, in particular aspects related to the productive sectors and the impact on the income of the poorest. Following the DTIS, an action plan will be prepared to coordinate donors' contribution for trade related assistance.

### **5.3 Degree of integration of the EC/EU policy objectives**

During the remaining period of the 9<sup>th</sup> EDF, further efforts are required with a view to implementing the commitments made by Rwanda towards the process of regional integration, notably within the framework of COMESA. Convergence of macro-economic policies, customs union, common market, and regional sector policies are all essential elements, in order to see through the conclusions of the EPAs as well as the integration of Rwanda in the world economy. Therefore, the strengthening of national capacities, the definition and implementation of a national strategy for regional integration have become strategic priorities in the framework of ACP/EC cooperation. Where possible, support for these areas will be provided under the 9<sup>th</sup> EDF. This support could include actions aiming at a greater involvement and participation of national authorities with regards to regional integration. Such actions should include participation of all actors concerned, from the grass roots to the political level. Coherence and complementarity with the interventions under the *Regional Indicative Programme* will be taken into account.

As the country engages in new trade negotiations in the framework of the WTO and EPA, the government will be under increasing technical and financial pressure. It should reinforce the dialogue with the private sector and other stakeholders on EPA negotiations. The roadmap for these negotiations foresees a *National Development and Trade Policy Forum*, which will serve as a platform for public/private dialogue to define negotiation positions. The EPA negotiations will provide a good opportunity to deepen Rwanda's regional integration, to explore new export opportunities and to identify key economic reforms required for a new dynamism in the economy.

Water, energy and land issues are partly addressed through support to local level development schemes and it is proposed to increase the allocations to these schemes to ensure that communities can find sustainable solutions to their water and energy needs. This would offer possibilities for the enhancement of water and energy related activities on the implementation level of the EC assistance. On a regional level, a programme is under preparation to support the "Equatorial Lakes Section of the Nile", and in particular the Kagera basin, as part of an intra-ACP programme to support trans-boundary basin management in Africa.

As regards the targeting of social sectors, the 9<sup>th</sup> EDF budgetary support program is closely linked to the health and education sectors through performance indicators. The fight against HIV/AIDS is sufficiently covered by other donors (World Bank, UN, Global Fund) with a comprehensive strategy in place. The Commission will therefore not engage in the sector.

A new allocation is proposed in support of the Government's environment law and policy. A *country environmental profile* (CEP) is included in the joint annual report 2003, but still needs to be completed. The next programming exercise should reflect the content of the CEP to improve the integration of environment as a cross-cutting issue in the EC interventions.

Finally, several programmes address conflict prevention issues, e.g. support to demobilised combatants, support to *Ubudehe*, support for the *Gacaca* process. Being also a member of the *Communauté économique des Etats d'Afrique centrale* (CEEAC), Rwanda can also benefit from a conflict prevention programme in Central Africa financed from the 9<sup>th</sup> EDF Regional Indicative Programme (RIP).

In May 2003, the General Affairs Council of the EU adopted conclusions on the relationship between development policy and migration. Several subjects were identified for exploration, such as migrant remittances, strengthening connections with the *diaspora* in order to promote development and matching labour needs between the EU and developing countries. Article 13 of the Cotonou Agreement establishes the principle of partnership and in-depth dialogue between the ACP countries and the EU with regard to the question of migration. If considered necessary within the framework of the dialogue with Rwanda, resources of the 9<sup>th</sup> EDF could be used in this field.

#### **5.4 The rationale for a proposal for a change/no change of strategy**

Given that the CSP was signed in March 2003, the strategy outlined in the document is still valid and should therefore not be changed. Rural development and sound macroeconomic management remain central to the reduction of poverty in Rwanda. Rural development is the sector of concentration of the PRSP and remains under-supported by other donors. The Commission is building a comparative advantage in overall rural development issues. Continued macro-economic support is critical as Rwanda completes its transition and reconstruction, and attempts to increase its social service delivery, particularly in the health and education sectors.

### **6. Performance appraisal**

#### **6.1 Criteria I: Financial performance (situation on 31.12.2003)**

##### **6.1.1 European Development Fund**

The following amounts have been allocated to Rwanda since the 7<sup>th</sup> EDF:

| <b>EDF:</b>         | <b>Amount (million €):</b>              |
|---------------------|---|
| 7 <sup>th</sup> EDF | 128                                     |
| 8 <sup>th</sup> EDF | 110                                     |
| 9 <sup>th</sup> EDF | 186 (A envelope: 124 + B envelope: 62 ) |

In applying the MTR criteria for the financial performance appraisal, the following data has been calculated on the basis of a 5 years average:

| <b>Calculated number of years to complete ...</b> | <b>Number of years</b> |
|---|------------------------|
| EDF commitments                                   | 0.83                   |
| Assigned funds                                    | 3.09                   |
| EDF payments                                      | 6.09                   |

It should be noted that this simple projection using historical averages under-predicts Rwanda's absorption capacity since there has been a marked acceleration of absorption in recent years as the country moves out of the immediate post-genocide and conflict phase.

As regards the level of utilisation of the 9<sup>th</sup> EDF A and B envelopes, €5 million of the A envelope has been committed so far (72% of A envelope) and no commitment has been made for the B envelope yet.

The forecasts for commitments and disbursements for the years 2004-05 are as follows:

|                               | 2004 (million €) | 2005 (million €) |
|-------------------------------|------------------|------------------|
| <b>Global commitments</b>     | 18.2             | 27.1             |
| <b>Individual commitments</b> | 68.5             | 10.2             |
| <b>Disbursements</b>          | 73.5             | 62.3             |

As regards new global commitments, due to the substantial advancement that has taken place in 2003, the overall amount foreseen for 2004 is not very high (€18,2 million or 40% of the unassigned balance) and includes the €8 million final commitment of 8<sup>th</sup> EDF resources for the *National Assembly and High Court Rehabilitation* project as well as the implementation of the 9<sup>th</sup> EDF non-focal sectors (institutional support, civil society, regional cooperation), the Technical Cooperation Facility and the necessary increase for the *Gitarama-Butare-Akanyaru Road Rehabilitation* project. Individual commitments in 2004 are forecasted to be €68.5 million, the most important being: the *Rehabilitation of Kigali Airport* project (7<sup>th</sup> EDF), the *Bugesera Water* project (8<sup>th</sup> EDF) and the *Ubudehe* component of the 9<sup>th</sup> EDF rural development program. As regards disbursements, the forecast for 2004 is €73.5 million with an estimated risk factor being mostly in the “low” and “medium” range.

For 2005, the forecast for new global commitments is €27.1 million, thus using up almost completely the 9<sup>th</sup> EDF global commitments and including important complementary commitments for the rural development strategy, in particular the *Kigali-Ruhengeri-Gisenyi Road Rehabilitation* project (€23.1 million), support for land reform and micro-credit schemes. In total, €10.2 million are foreseen for individual commitments and €62.3 million for disbursements.

### **6.1.2 Community budget lines**

The disbursement rate of projects financed from Community budget lines is good and activities funded from budget lines have been integrated in the respective sectors. The capacity of the Delegation to manage available budget line resources is expected to further increase in 2004 with the hiring of additional staff.

## **6.2 Criteria II: Sectoral and macroeconomic performance**

### **6.2.1 Rural development**

As set out in chapter 4.1.1, there is little knowledge of results as target indicators have not yet been defined in detail and results of surveys are not yet known. Those indicators that are available in the framework of the updated 9<sup>th</sup> EDF intervention framework, mostly relating to agricultural production, give a worrying picture for 2003. The *performance* in this sector must therefore be rated as *insufficient*.

In response, the Government recognised the need to stimulate overall agricultural production for both, export and local consumption, and is in the process of developing sectoral strategies. However, the main political orientations laid down in these policies are suffering from a lack of credible translation into strategies of implementation. As a consequence, there is currently growing concern about the missing link between the implementation of the rural development

strategies and the PRSP's main objective, the fight against poverty. At present, as stated above, the Government has prioritised the setting-up of an export promotion strategy as well as marketing, market conditions, enterprise promotion and trade structures. This tendency is also felt at the level of implementation of the STABEX funded programmes where support to farmer's associations was not a priority for the Government. In addition, there is uncertainty and negligence with regard to the link between the sectoral strategies and the decentralisation aspect, the implementation of some activities having been (re)centralised.

The way *sectoral policy commitments* have been carried out must therefore be rated as *insufficient* and it is proposed to review the progress in the rural development sector according to a set of benchmarks (see below, 6.6).

## **6.2.2 Macroeconomic support**

### *a) Macroeconomic stability*

The Rwandan economy has been recovering quickly from the devastating effects of the genocide in 1994. However, whilst the GDP in 1999 reached 1990 levels, per capita GDP in 2003 has not yet joined that of 1990, partly due to an increased population size. GDP growth from 2000 to 2002 averaged 7 % annually, in line with the forecasted evolution of the target indicator (7-8% annually until 2020) in the updated intervention framework of the 9<sup>th</sup> EDF strategy document. The inflation rate decreased from 11.7% in 1997 to 2% in 2002 due to the rigorous management of the Central Bank. As pointed out in chapter 3.2, macroeconomic performance however somewhat deteriorated in 2003 although there were signs of recovery towards the end of the year: The GDP growth rate fell to 0.9%, the lowest rate for 9 years, mainly due to unfavourable meteorological conditions affecting agricultural output. The annual average inflation rate rose to 7.4% (target indicator for 2004: 3%).

In parallel, public expenditure in 2003 was greater than anticipated, partly due to additional election related expenditure, and external assistance arrived later and at a lower level than expected. This led to an increase in domestic borrowing, crowding out the private sector. The foreign trade balance of the country remains vulnerable with a chronic balance of payments deficit of about 17% since 1997. Exports of goods are concentrated in primary sectors (coffee, tea) that are subject to international market prices fluctuations. The stock of foreign debt was \$1.4 billion at the end of 2002. Rwanda reached the "decision point" of the HIPC initiative in December 2000 enabling the country to benefit from temporary debt reduction schemes. It is expected to reach HIPC "completion point" in February 2005, and will probably have access to additional debt relief ("topping up").

Despite the recent deterioration of the situation, mostly due to external factors (climatic factors, world market prices) and exceptional circumstances (elections), the macro-economic performance should be assessed for the period 2000-2003 where it has mainly been positive and is therefore rated as *sufficient*.

### *b) Public finance management*

Rwanda has made important progress in the field of the management of public finance, in accordance with the target indicators set out in the updated intervention framework of the 9<sup>th</sup> EDF strategy document to measure progress towards the improvement of budget preparation, management and execution as well as the reorientation of the state budget towards the objective of poverty reduction.

Thus, the country set up a few management and control mechanisms, which have led to a modern and effective public finance management ensuring continued financing of the development strategy. For example, the introduction of a *Medium Term Expenditure Framework* (MTEF) strengthened the links between the objectives decided at political level and the budget. The establishment of the SIBET<sup>11</sup> system and of the principle of “cash budget” has enabled the Government to better control expenses. A National Tender Board has been established as well as the office of an *Auditeur Général des Finances de l’Etat*. This positive development has been confirmed by joint IMF and World Bank evaluations.

Despite this good development, further progress will have to be achieved by Rwanda to further improve state expenditure control. Thus, on the basis of a series of diagnostics carried out by the *Bretton Woods* institutions and DFID, and in accordance with the updated intervention framework, a *Public Financial Management Action Plan* has been approved by the Government in coordination with the donors community, which sets out the main actions to be taken by the Government until 2005.

In terms of the composition of public expenditure, improvements in attaining the forecasts of the updated intervention framework have been made, too. Allocations to the education (22.2% of recurrent budget) and health sectors (5.2%) have increased in 2003. Military expenditure fell from 4.5% of GDP in 1998 to 2.6% in 2003<sup>12</sup> (target indicator: 2.5% in 2005).

Equally in accordance with the updated intervention framework, progress was made in the harmonisation of budget support through the establishment of a *Partnership Framework for Budget Support Harmonisation* between the Government and its budget support providers. The framework consists of three Government-led joint review processes (macroeconomic, public financial management, and PRS implementation) which provide a “comprehensive framework” for donor conditionality, monitoring and technical assistance.

Compared to other HIPC countries, as regards the way sectoral policy commitments have been carried out in the field of “public finance management”, Rwanda is rated as a *good* performer.

### *c) Results in poverty reduction*

With an estimated 60% of the total population living below the poverty line and an annual GNP per capita at 220 \$, Rwanda classifies among the very poor countries. Nonetheless, education sector indicators show a slightly positive development of the situation. The Government in particular concentrated its efforts in this sector, by suppressing the education costs for the first 9 years of primary education, by introducing a trilingual education policy, and by subsidizing private schools in order to strengthen girls' education. Accordingly, the net primary enrolment rate has increased to almost 80%, which indicates a good performance in relation to the target indicator of 82% in 2010. However, the quality of teaching and the equipment remains insufficient. Among other indicators, the *primary drop-out rate* (16.6% in 2002) is far from the target indicator of 10% in 2010 and the *primary repetition rate* (target indicator: 30% in 2005) needs continued monitoring.

In the health sector, Rwanda is undoubtedly a special case and has made good progress since the genocide. In 2001, the Government set up a system of *mutualités* to remedy the problem of costs and therefore of access to the health services. As a consequence, indicators of service

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<sup>11</sup> « Système du Budget de l’Etat », centralising commitments and payments on an informatics basis.

<sup>12</sup> Source: IMF (2004).

use have improved approaching the forecasted evolution of the target indicators (70% in 2002, 90% in 2005, and 100% in 2010). However, improvements in services will take some time to translate into measurable progress on the MDGs themselves. Major problems remain as regards mortality rates of the under 5 age group, which have increased since 1990: 198/1000 live births (2000) against target indicators of 107/1000 (2001) and 35/1000 (2015). Malaria continues to be a serious problem in Rwanda: it is an important cause of death of young children and the use of insecticide treated nets is low (2002: 13%). As the HIV/AIDS issue is concerned, there is no firm evidence that HIV prevalence is decreasing.<sup>13</sup>

Nonetheless, acknowledging the progress the country has made since the devastation of the genocide, the overall performance related to poverty reduction of Rwanda is judged as *good*.

### **6.2.3 Good governance**

Good governance is not a focal sector of the NIP but important EC support is provided in areas such as the judiciary, the National Assembly, decentralisation, *Gacaca*, etc. In general, Rwanda has traditionally a highly controlled public administration, both centrally and in the provinces and districts. Public management is rigorous, sometimes to the point of crowding out non-state activity. Since 1994 the Government has however faced severe capacity shortages in the public sector and has embarked on a major programme of public service reform including the reduction of staffing numbers, and capacity building at decentralised level. The attached *institutional performance* assessment can be a useful tool to identify governance-related issues for further policy discussion and identification of needs and priorities for institutional support programmes (see annex 1).

As regards the target indicators for the *good governance* sector, set in the updated 9<sup>th</sup> EDF intervention framework, those related to the election process<sup>14</sup> have not been met as the final report of the EU EOM has clearly stated (see above 3.1). Those related to civil society organisations<sup>15</sup> as well as those related to the *Gacaca* process and respect for United Nation Security Council's resolutions on the presence of armed forces on the territory of the DRC remain highly critical. In sum, Rwanda's overall performance related to "good governance" must be assessed as *insufficient*.

### **6.2.4 Performance of non-state actors**

The Genocide in 1994 has been partly explained as a result of centralised and hierarchical government institutions and a lack of independent civil society structures. During the last decade a great number of non-state actors have however emerged in rural as well as urban areas. Currently, the PRS privileges the participatory approach and assigns to the civil society an essential role as an interlocutor between the population and the public institutions. The PRSP emphasises the commitment of the state to implicate the population in the decision-making processes, in particular in the implementation of the decentralisation policy, which promotes the role of the grass-roots communities. The annual PRS Progress Report process has been seized as an opportunity for the national and international NGO community, leading to the creation of a joint Government-civil society steering committee, followed by regular

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<sup>13</sup> HIV prevalence among 15-49 year old pregnant women has not significantly decreased during the past few years (2000: 13.7%, 2002: 13.5%, against a target indicator of 9.5% in 2004); the condom usage rate is 5% (2002).

<sup>14</sup> "Independence [of National Election Commission] demonstrated during election process"; "Presidential and parliamentary elections held in free and fair manner (...) with liberty of expression and transparency of the electoral process".

<sup>15</sup> "Respect of their right to autonomy and independence (...)".



meetings. In addition, civil society with the backing of Government has nominated 2-3 members to be part of each of the sectoral “drafting teams” for the 2003 Progress Report. This is expected to continue into the rewriting of the PRSP in 2005. In addition, some of the sectoral “clusters”, initially organised as a donor coordination tool, now include civil society and private sector members. Annual sector reviews (e.g. education, health) involve a broad range of stakeholders. The Law on Non-Profit Organisations, underlines that the major function of the NGO’s is “supporting the policy and the efforts of the Government in the framework of sustainable development”, in particular concerning the decentralisation policy. There is recognition from the Government of Rwanda of the importance of NSAs as partners in the development process, including NGOs, both in terms of policy dialogue and implementation. However, NSAs still lack the capacity to fulfil their roles, in terms of policy dialogue, advocacy, and service delivery. The mapping and identification of civil society is expected to enable an improvement in this respect.

### **6.3 Special considerations**

Firstly, the original allocations under the 7<sup>th</sup>, 8<sup>th</sup>, and 9<sup>th</sup> EDFs to Rwanda were relatively low as a result of uncertainties about the political situation, both internal and regional, lower performance measured against a 1990 benchmark without taking the genocide into account, and low ability to absorb programme, as opposed to emergency, resources. Since that time, the situation has changed radically. The country has completed a transition to a post-conflict equilibrium, has adopted a post transition democratic constitution, and has elected a parliament which has begun a radical reform of legislation. This has raised levels of governance, although significant progress remains to be made on democratisation. The Government of Rwanda has made efforts to improve relations with its geographical neighbours, whilst remaining at times ambiguous in its policy. Secondly, as regards the *MDG indicators*, there are signs that social outcome indicators (particularly in health and education) are on a sustained upward trend, reflecting successful policies and expenditure prioritisation in these areas. In general terms, as regards poverty reduction, although it is too early to make a definitive judgement (due to the delay between household surveys), it appears from some of the proxy and economic indicators that poverty is gradually reducing in Rwanda. Finally, the Delegation was also suffering, until 2003, from limited staff resources, but increased capacity in the Delegation and the *devolution* of contracting and payment decisions to the Delegation will also have a positive effect on improving the country’s capacity to absorb the allocated funds.

### **6.4 Commission position**

The 9<sup>th</sup> EDF Country Development Strategy is still valid, given that the priorities of the development strategy have not fundamentally changed since the signature of the document in March 2003. Thus, the focal sector distribution of the country strategy paper should not be changed.

Rwanda’s good financial and sectoral performance justify a proposed shift of resources from the B to the A envelope. However, the mid-term review provides the opportunity to bring to the attention of the Rwandan government serious concerns related to democratisation, macro-economic support and rural development:

Firstly, the Government is reminded of its obligations as regards *democratisation* of the Rwandan political system. Some of the obligations of the Government stated in chapter 6.5 of the 9<sup>th</sup> EDF *Country Strategy Paper* referring to the transition to a multi-party democracy and the increased participation of civil society organisations have not been fulfilled in a

satisfactory manner. Whilst a new Constitution has been adopted and Parliamentary and Presidential elections took place, the EU EOM identified significant problems affecting the election campaign, voting, counting and tabulation. Fearful of so called *divisionism*, seen as the precursor to genocide, the Government did not admit the development of any party whose views appeared to diverge too widely from the Government's position. The same is true for freedom of the media where tight restrictions on the range of admissible publications remain.

As a consequence, a future political dialogue (article 8, Cotonou Agreement) with the Rwandan Government will establish a list of political *benchmarks*. This list will be related to the recommendations of the EU EOM's final report, in particular on the following issues:

- the registration and ability to effectively work for political parties and NGOs;
- a review of the legal framework of the National Election Commission;
- a review of the law on discrimination and sectarianism (law of 18 December 2001) and a review of the meaning and implication of the concept of *divisionism*;
- the adoption of adequate rules on access to media for political actors/forces.

In addition, the Government will be requested to communicate to the EC a calendar of proposed phasing of the *Gacaca* process.

Secondly, in relation to *macro-economic support*, a future political dialogue with Rwanda will also include a discussion on the Rwandan defence budget and Rwanda's foreign trade relations, i.e. its import and export structures.

A regular assessment of the above mentioned benchmarks and issues will take place during the year 2005 and a final assessment will take place in the framework of the End-Term Review in 2006. These assessments will be carried out in close cooperation between the Commission and the EU Member States. Any decision in the framework of the current Mid-Term Review will then be re-assessed against progress on these issues.

Finally, the Commission will open a dialogue with the Rwandan government on the different aspects linked to the policy obligations and aspects of implementation of the field of the *rural development* sector. It is expected that such a dialogue will help to reorient the Government's policy towards the main objective of the intervention in this sector, i.e. the fight against poverty. A list of concrete *benchmarks*, including a timetable for their review, has been already established and will be proposed to the Government (see annex 2). The EU Member States will be closely associated to the proposed dialogue.

In the light of the above analysis and taking into account the "special considerations" as well as the benchmarks and issues referred to above, it is proposed to:

- Maintain the country strategy for Rwanda, as contained in the CSP and NIP;
- Increase the funds available under the envelope A by €2 million, mainly for macroeconomic support and "rural development", within the limits of the available resources;
- Decrease the funds available under the envelope B by €2 million.

This proposal includes a transfer of €2 million from envelope B to A.

### Good governance – institutional performance

Rwanda's institutional performance can be assessed as follows:

- The General Audit Office is financed by the state budget but has received support from international donors (SWE, NL). According to the new Constitution, the Office annually audits the state financial account system and presents a report to the Parliament. Following several audits of state institutions and local administrations, dysfunctions have been detected and sanctions been taken. A study on public finance management (financed from the 8<sup>th</sup> EDF) concludes that the Office is an independent and powerful institution. Nonetheless, the absence of a satisfying public bookkeeping and internal audits constitute serious obstacles to its work;
- Following the constitutional reform, the Justice Ministry, still responsible for overall policy definition, has relinquished its former control over the judiciary and the *Gacaca* jurisdiction in an effort to improve the independence of the courts. An overall legal coordination framework of all the different actors in the field of justice is requested by the EC and other donors;
- The Supreme Court's institutional and organisational structure has been clearly defined by the new constitution. However, the Court is lacking material and human resources preventing its proper functioning;
- The National Service of the Gacaca Jurisdictions has been established to coordinate and follow-up the activities of the *Gacaca* jurisdictions. Given its important task to deal with the backlog of those accused of crimes of genocide, this service is in dire need of material and human resources;
- The President is elected directly by universal suffrage for 7 years and can be re-elected once. The power of the Presidency is thus independent of the Parliament;
- The National Assembly (Parliament) is composed of the Chamber of Deputies and of the Senate, both of them chaired by a President and two Vice-presidents. Following the elections in 2003, the majority of the members of the Parliament belong to the President's political party and its allies. Despite its bicameral organisation, there seems to be a predominance of the Senate over the Chamber of Deputies, the president of the former, according to the Constitution, also being the second personality of the state;
- The National Police is a relatively young institution composed of the (dissolved) former *Gendarmerie*, the *Police Communale* and the *Police Judiciaire*. The phenomenon of corruption among its ranks seems to be less frequent than in other countries;
- The Ministry of Finance and Economic Planning has more capacity than most other Ministries in Rwanda. This situation is partly the result of significant donor support to the Ministry that has provided considerable resources for long term technical assistance, training and recurrent costs. However, whilst this has helped to alleviate immediate problems of economic and financial management, there are now concerns about its sustainability: capacity is thin, unequal, and unsustainable. As a result, there are particular weaknesses in key financial management areas such as budgeting, public accounting and internal audit. A DFID led review of donor support to MINECOFIN, the PFM Action Plan process, and an institutional review and restructuring of MINECOFIN, all planned for 2004/5, should help to address this problem. However, continued and possibly increased EC support will be necessary;
- The Banque Nationale du Rwanda has satisfactory capacity and works well;

- The National Tender Board works well, even if recently shortcomings in its management may have occur;
- The Ministry of Rural Development's performance has been very low due to serious lack of human, technical and financial resources leading to an important lack of capacities and performances affecting the implementation of all on going programmes and projects and the review of the PRSP in the rural development domain;
- As far as the Ministry Local Government is concerned, most donors lament a declining performance, interest and willingness in dealing with the decentralisation process. The local government appears progressively abandoned to itself and donors have to deal directly with the local level to progress in the commitment taken so far. However, the Government is still very committed to the *Community Development Fund* (CDF), although, during the last year, there was no progress on the technical capacities of the CDF in managing future funds for decentralised authorities and this is delaying the commitment of donors in using the CDF to channel funds at local level. A recent CDF study has shown and listed the CDF weaknesses and on this base, the Ministry is preparing a plan to reinforce the CDF;
- The Ministry of Lands, Resettlement and Environment made little progress in the technical and political dialogue on land issues due to its weakness and lack of technical capacities. In this context the Delegation is also in the process of analysing a support to the *Agricultural Commission* of the National Assembly in order to strengthen the political dialogue around the "land issue" because the role of the National Assembly in the land law and bill has been very light so far;
- The Ministry of Infrastructure shows weaknesses in the management and follow-up of EDF financed infrastructure projects having negative effects on the implementation of projects and programmes in this sector. Technical assistance is under preparation by the Commission and other donors;
- The EU Election Observation Mission considered that the National Election Commission achieved a certain experience in organising elections, but that improvements are necessary to better guarantee its independence and transparency.

**Rural development sector – proposed list of benchmarks**

| <b>Sectoral Aspect</b>               | <b>Action to be taken</b>   | <b>Timeframe</b> |
|--------------------------------------|---|------------------|
| <b>Rural Economic Strategy (RES)</b> | Development and/or implementation of RES or equal rural development strategy  | end 2005         |
|                                      | Setting up of the multi-sector coordination mechanism within MINAGRI  | mid 2005         |
|                                      | Start implementation of Agricultural policy   | mid 2005         |
| <b>Land</b>                          | New process to develop a “Road Map” in MINITERRE with the support of technical assistance in place  | mid 2005         |
|                                      | Identification of EC financing support to “land” as part of the “road map” and finalisation of financing proposal under 9 <sup>th</sup> EDF | Sep 2005         |
| <b>Energy</b>                        | Development of a national action plan for funding based on the national policy and strategy   | end 2005         |
| <b>STABEX</b>                        | Finalisation of COM update  | July 2005        |
|                                      | Diversification activities identified and ready for funding   | August 2005      |
| <b>Decentralisation</b>              | <i>Ubudehe</i> institutionalised within the Ubudehe/DPRPR implementation phase  | beginning 2006   |
|                                      | Setting up of the DPRPR/PMU   | March 2005       |
|                                      | Finalisation of the RD Matrix for DPRPR   | March 2005       |
|                                      | Rural Development technical and political framework assuring correct implementation of DPRPR in place                                       | 2005             |