

Republic of Rwanda — European Community

**Country Strategy Paper
and
National Indicative Programme**

for the period 2008 – 2013

The Government of the Republic of Rwanda and the European Commission hereby agree as follows:

- (1) The Government of the Republic of Rwanda, represented by the Minister of Finance and Economic Planning and National Authorising Officer, and the European Commission, represented by the Head of Delegation, Mr David Macrae, hereinafter referred to as “the parties”, held discussions in Kigali from February 2006 to November 2007 with a view to determining the general orientations for cooperation for the period 2008 – 2013. During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of the Republic of Rwanda were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, as revised in Luxembourg on 25 June 2005. These discussions complete the programming process in Rwanda. The Country Strategy Paper and the Indicative Programme are annexed to the present document.
- (2) As regards the indicative programmable financial resources which the Community envisages to make available to the Republic of Rwanda for the period 2008 – 2013, an amount of **€290 million** is foreseen for the allocation referred to in Article 3.2(a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of **€4.4 million** for the allocation referred to in Article 3.2(b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which the Republic of Rwanda benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and therefore does not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme upon the entry into force of the 10th EDF multi-annual financial framework for the period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Republic of Rwanda within the limits of the A- and B-allocations referred to in this document. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Annex IV to the ACP-EC Partnership Agreement for providing support to non-state actors or on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council

Regulations on the implementation of the 10th EDF and on the Financial Regulation applicable to the 10th EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with paragraphs 2(c) and 3 of Annex I(b) to the ACP-EC Partnership Agreement regarding the 10th EDF multi-annual financial framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of needs and performance at the time.
The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid-term and end-of-term reviews, the Community may revise the resource allocation in the light of prevailing needs and performance.
Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased in accordance with Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10th EDF multi-annual financial framework for the period 2008-2013, shall be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

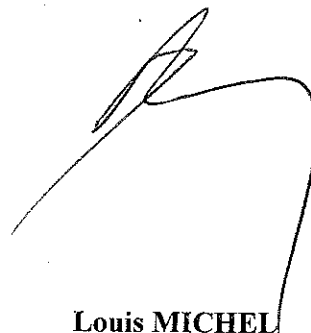
Done at Lisbon on 9 December 2007.

For the Government of
the Republic of Rwanda

For the European Commission



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ACRONYMS

ACP	Africa Caribbean Pacific
APRM	African Peer Review Mechanism
AU	African Union
CCIWG	Cross-Cutting Issues Working Group
CDA	Centre for the Development of Agriculture
CDE	Centre for the Development of Enterprise
CDF	Common Development Fund
CEP	Country Environmental Profile
CEPGL	Communauté Economique des Pays des Grands Lacs
COMESA	Common Market for East and Southern Africa
CSP	Country Strategy Paper
DAD	Development Assistance Database
DHS	Demographic and Health Survey
DIP	Decentralisation Implementation Plan
DP	Development Partners
DPU	Development Planning Unit (unit within MINECOFIN)
DRC	Democratic Republic of Congo
DTIS	Diagnostic Trade Integration Study
EAC	East African Community
EDF	European Development Fund
EDPRS	Economic Development and Poverty Reduction Strategy
EFU	External Finance Unit (unit within MINECOFIN)
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EICV	Enquête Intégrale sur les Conditions de Vie des Ménages (Household Living Conditions Survey)
EPA	Economic Partnership Agreement
ESSP	Education Sector Strategic Plan
EU	European Union (EC + all Member States)
EU-ESA	European Union — Eastern and Southern Africa
FDLR	Forces Démocratiques de la Libération du Rwanda
GDP	Gross Domestic Product
GOR	Government of Rwanda
HARPP	Harmonisation and Alignment in Rwanda for Programmes and Projects
HIMO	Haute Intensité de Main d'Œuvre (Labour Intensive Public Works)
HIPC	Heavily Indebted Poor Countries
HSSP	Health Sector Strategic Plan
ICT	Information & Communication Technology
ICTR	International Criminal Tribunal for Rwanda
IMF	International Monetary Fund
MDG	Millennium Development Goals
MONUC	Mission de l'ONU en RD Congo
MTEF	Medium Term Expenditure Framework
NIP	National Indicative Programme
NSA	Non-State Actor
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PRSP	Poverty Reduction Strategy
RPF	Rwandan Patriotic Front
RSFD	Rwanda Strategic Framework for Decentralisation
SCJ	Superior Council of the Judiciary

SEA	Strategic Environmental Assessment
SME	Small and Medium-sized Enterprises
SPS	Sanitary and Phytosanitary Measures
SPTA	Strategic Plan for the Transformation of Agriculture
TA	Technical Assistance
TBT	Technical Barriers to Trade
TIG	Travaux d'intérêt général
UNHCR	United Nations High Commission for Refugees
WTO	World Trade Organisation

SUMMARY

The 10th EDF Country Strategy Paper (CSP) and National Indicative Programme (NIP) outline the framework for EC-Rwanda cooperation for the years 2008-2013. The main objective of the programme is to alleviate poverty in the context of sustainable development, while according a high priority to human rights and good governance issues.

Rwanda's legacy of genocide continues to loom large over the country's political landscape. Nevertheless, impressive progress has been made since 1994. National and local elections were held in 2003 and 2006, respectively. Basic human rights and fundamental freedoms are formally protected by the 2003 constitution, which also provides for institutions to monitor and protect these rights. The media is developing, with the recent launch of several newspapers and with new private radio stations starting to broadcast. Unity and reconciliation activities are reaching a high point following the nationwide roll-out of the Gacaca process in 2006 and the acceleration of ICTR activities. Both are scheduled for completion in 2008. Crime and corruption rates are relatively low and the prospects for peace and security in the sub-region relatively promising. Rwanda's improving governance environment is reflected in its recent APRM report, which was successfully peer-reviewed by African heads of state in 2006.

On the economic front, the main challenge after a decade of robust macroeconomic performance is to find new sources of sustainable growth, as the post-conflict recovery phase draws to a close. Rwanda's first PRSP made good progress on the social sectors, but less so on the productive side. There has been little improvement in agricultural productivity, which is strongly influenced by weather patterns. Periodic energy crises continue to hold up private sector development, while poor infrastructure constrains rural development. Rwanda is land-locked with high transport costs for imports and exports. The export base is very narrow and the country is highly dependent on aid to overcome its balance of payments deficit and to finance much-needed investment. Progress towards reaching the MDGs has been recorded for education and gender, but targets in other areas remain elusive. These issues are expected to be addressed in the second PRSP (called the Economic Development and Poverty Reduction Strategy or EDPRS) to be finalised in 2007.

The areas of intervention for EC cooperation for the period 2008-2013 pick up on these major challenges, building on the EC's comparative advantage both internationally and in Rwanda. Rwanda's PRSP process (the EDPRS) will be supported with general budget support linked to macroeconomic performance, public financial management and progress in social sectors (health, education). Apart from general budget support, the first focal sector will provide support for rural development and the second focal sector will support infrastructure for regional interconnectivity. Interventions will be marked by an increasing amount of aid being delivered through sector budget support where possible, with accompanying measures for capacity building and institutional development so as to increase absorptive capacity. Support will be provided for decentralisation and rural development activities at district level. Infrastructure will be supported through sector budget support for the transport sector combined with institutional support and capacity building, for both state and non-state actors. Support will be provided for regional transport and energy projects. Outside the focal areas, support will be provided for governance programmes supporting good governance and economic management and programmes supporting trade and regional integration. The latter will include support for trade negotiations related to the WTO and EPA. Further support will be made available for the development of a competitive private sector through a conducive environment. Provision will be made for the involvement of non-state actors in all areas of intervention wherever possible. Good governance, gender balance, and the environment will be cross-cutting issues across the whole of the programme.

PART 1: STRATEGY PAPER

CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN THE DONOR AND THE PARTNER COUNTRY

1. GENERAL OBJECTIVES OF THE EC'S EXTERNAL POLICY

In accordance with Article 177 of the Treaty establishing the European Community, Community policy in the sphere of development cooperation is designed to foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

Europe should project a coherent role **as a global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security.

The European Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc.).

EU external action including the Common Foreign and Security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for gradually developing a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted the EU with even greater responsibilities, as a regional leader and as a global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

2. STRATEGIC OBJECTIVES OF COOPERATION WITH RWANDA

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and Rwanda will pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of “ownership” of the strategy by the country and populations concerned, and the essential elements and fundamental element defined in Articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular attention to the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarities by working towards joint multi-annual programming based on partner countries' strategies and processes, common implementation mechanisms, joint donor-wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The aim is for all EU non-aid policies to make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community's country and regional programming. This means selecting a limited number of priority areas for action, through dialogue with partner countries, rather than spreading efforts over too many sectors. In this context the Community will be primarily active in the following nine areas, taking into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; and social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

In December 2005, the European Council agreed an EU Strategy for Africa. The Strategy provides a long-term, strategic framework for interaction between Europe and Africa at all levels: with pan-African institutions such as the African Union, regional organisations and national authorities. It defines how the EU can best support Africa's own efforts to promote sustainable development and reach the Millennium Development Goals (MDGs). The Strategy rests on three pillars: (i) promoting peace, security and good governance as central prerequisites for sustainable development, (ii) supporting regional integration, trade and interconnectivity to promote economic development and (iii) improving access to basic social services (health, education) and protection of the environment to reach the MDGs faster.

3. MAIN BILATERAL AGREEMENTS

As mentioned in section 2 above, the main framework covering all areas of cooperation between the EC and Rwanda is the ACP-EU Partnership Agreement, signed in Cotonou in 2000.

An Economic Partnership Agreement (EPA) is to be negotiated between the EU and the regional group of countries making up Eastern and Southern Africa (EPA-ESA). This partnership is yet to be concluded.

CHAPTER II: COUNTRY DIAGNOSIS

1 ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION IN THE RECIPIENT COUNTRY

1.1 Political and institutional situation

Rwanda has made impressive progress since 1994 in restoring peace and security, fostering national reconciliation, establishing the foundations for democracy and reforming institutions. This progress can never be taken for granted — the legacy of the 1994 genocide looms large over the Rwandan political situation. The 1994 genocide was designed and prepared mainly on ethnic grounds with a view to eliminating the Rwandan Tutsi people. Massacres and other crimes were committed in broad daylight by a considerable part of the population against Tutsis and moderate Hutus. The influence of the “hate media” was instrumental in convincing and calling people to commit these crimes. The genocide ideology has not disappeared. This may take generations. Any political analysis or dialogue must therefore be placed in its unique historical context.

The new constitution, developed through a participatory process and adopted after a referendum in 2003, provides for a *democratic system of Government*. There is a clear separation of powers between the executive, a bicameral legislature, and an independent judiciary. The President and legislature were elected through universal suffrage in September-October 2003. Since then, the Parliament has grown into its roles, working through the back-log of legislation and strengthening scrutiny of the executive.

A number of *political parties* operate in the country. All political parties accepted in Rwanda are represented in the National Assembly: presently 7 parties in the Lower Chamber and the 2 others in the Upper Chamber. The constitution sets certain limitations on political parties, in order to avoid a resurgence of genocidal ideology. In particular, it provides for the regulation of parties to prevent a resurgence of “divisionism” (self-regulation through the Forum of Political Parties) and to ensure political pluralism (by guaranteeing representation of multiple parties in the Cabinet). In the 2003 Presidential and Parliamentary *elections*, the RPF won 95 and 74 percent of the vote, respectively. The elections were well organised and the results have not been substantively questioned. The 2006 local elections were regarded by European Union observers as free and fair. Rwanda has the highest proportion of female parliamentarians in the world, at close to 50 percent.

The transition to a modern *judicial system* began in 2004 and is now nearing its end. The constitution provides for an independent judiciary headed by the Supreme Court¹. The Superior Council of the Judiciary is responsible for the removal, sanction and promotion of judges independently of the executive and legislature. The judiciary has begun to exert its independence, with prosecutions of senior Government officials and clear institutional separation from the Ministry of Justice. Nevertheless, significant capacity must be built before the judiciary is fully effective.

At the same time as reforming the modern justice system, the Government has implemented the *Gacaca* community-based system of *genocide-related justice*. The first key stages of Gacaca were conducted across the country during 2005, including the hearing of accusations and establishment of cases. Judgment proceedings began in the pilot jurisdictions. On the basis of experience with the pilot jurisdictions, around 750 000 people are expected to be accused of genocide-related crimes. Gacaca laws have been modified in response to lessons learned from implementation. Developments in the Gacaca system have led to repercussions across Rwandan society. The release of 30 000 prisoners (subject to local Gacaca hearings) has relieved prison over-crowding but poses challenges in terms of reintegration into communities. A number of high-profile individuals have been accused during the

¹ The members of the Supreme Court are elected (the President and Vice-President for a non-renewable 8-year term) by the Senate on the nomination of the President, after consultation with the Cabinet and the Superior Council of the Judiciary (SCJ). They are installed by presidential decree.

Gacaca process, including several Members of Parliament, Ministers, and military and local leaders. Several of these have resigned or been arrested as a result. Killings of Gacaca witnesses have led to fears of a resurgence of genocidal ideology. Rumours of Gacaca-related reprisals appear to have caused several thousand Rwandans in border areas to seek refugee status in Burundi during 2005 but have since been repatriated. The question of compensation for genocide survivors remains open.

In recent years, the *International Criminal Tribunal for Rwanda* (ICTR) has accelerated its work in Arusha, Tanzania, as it nears its 2008 deadline. In total, the ICTR expects to conduct 65-70 trials of alleged organisers of the genocide. To date, the cases of 33 persons have been completed in first instance, 28 of whom were convicted². In early 2006, the government announced that it would waive the death penalty for suspects transferred from the ICTR to face trial in Rwanda. This should pave the way for the smooth transfer of cases after the end of the ICTR's mandate in 2008.

Rwanda has ratified most of the key international treaties relating to *human rights*. However, it has not signed the International Criminal Court Statute. The death penalty was formally abolished in July 2007. The constitution formally protects basic human rights and fundamental freedoms (subject to safeguards for the prevention of divisionism), and provides for institutions to monitor and protect these rights, including the Ombudsman and the National Human Rights Commission.

As regards *freedom of the media*, several newspapers (including several critical of Government) have been launched in recent years. The Government granted licences to 6 private radio stations in 2004, and these started broadcasting in 2005. This is a major step, given the role of private radio stations in facilitating the genocide. The main constraints on a more vibrant media are the lack of professionalism of journalists, self-censorship and the absence of a culture of reading.

Since 2003, the Government has continued to *reform the public service* in order to increase effectiveness and avoid corruption. This has included: a programme of retrenchment and relocation (to local governments) of civil servants; a restructuring of public administration³; a salary reform to improve retention; and a number of bold, cost-cutting measures (such as the Government's zero car fleet policy). In general, Rwanda is considered to be a country with a relatively low *level of corruption*. Nevertheless, in order to ensure that corruption does not emerge, the Government launched an anti-corruption drive in 2004. A number of officials and politicians were accused of corrupt activities and brought to trial. The Auditor General's annual report led to discussion in Parliament and society regarding the importance of better financial management systems to avoid the emergence of corruption. All senior politicians and officials are now required to declare their wealth to the Ombudsman.

The Government launched a process of *decentralisation* in 2000 in order to improve service delivery, accountability, and citizen participation. After a review of progress in 2005, Government reformed the structure of local government to reinforce decentralisation, placing responsibility for service delivery primarily at district level. The reform, effective from January 2006, has seen the number of districts reduced from 106 to 30. Resources available to local governments have increased substantially, with many central government staff transferred to district level, and a substantial increase in financial transfers to districts (increasing from less than 5 per cent in 2005 to around 20 per cent in 2006).

Since the late 1990s, *internal security* in Rwanda has been good, with low crime rates and no organised insurgency. Nevertheless, the legacy of genocide continues to represent an underlying threat to security. Societal tensions, with "genocidaires" living alongside genocide victims and returnees, are inevitably apparent, and have been unavoidably exacerbated by the Gacaca process and prisoner releases. The Government's policy of national unity and reconciliation is intended to mitigate these tensions, but this is a process that will take several generations to fully succeed. Rwanda's high population density creates

² Numbers taken from ICTR (2007) "ICTR Completion Strategy", 15 May 2007, accessed via <http://www.ictor.org/default.htm> on 31/07/2007.

³ Focusing central ministries on policy and monitoring, creating semi-autonomous agencies to implement national programmes, and reinforcing local governments to act as service providers.

tensions related to land ownership. The implementation of the Land Law adopted in 2004, together with the system of local mediators (Abunzi), is intended to reduce these tensions.

The *regional security situation* has improved significantly since the early years of the decade. In line with the Lusaka ceasefire accord (1999) and the Pretoria Agreement (2002), Rwanda withdrew all troops from the Democratic Republic of the Congo in 2002. However, despite the requirement under the Lusaka accord for the DRC and the international community to address this issue, armed groups hostile to the Rwandan Government (estimated at 10 000-15 000 and in many cases implicated in the genocide) continue to be present in Eastern DRC. In 2005, pressure from the DRC and the international community on these groups (particularly the FDLR) to disarm and repatriate increased. A unilateral declaration in March 2005 by the FDLR of their intention to disarm and repatriate has not been honoured despite commitment on accompanying measures by the Republic of Rwanda, the DRC, and the international community. The European Union played a major role in the drafting and dissemination of these measures. The failure to disarm and repatriate has been due to the continued influence of extremist leaders and has led to internal divisions within the FDLR. Other reasons include the unacceptable conditions demanded by these groups (such as exemption from Gacaca, political space for a Hutu-based party) for their return. Although MONUC operations against armed groups have increased, particularly in the build-up to the DRC elections in mid-2006, the mandate of MONUC has not been strengthened to include the enforcement of involuntary disarmament.

Rwanda is one of the first two countries to submit itself to peer review under the NEPAD *African Peer Review Mechanism*. The peer review panel visited Rwanda in early 2005 and prepared a draft report based on Rwanda's self-assessment. After discussions, the panel prepared the Country Review Report, which is the last phase of the APRM process, in early 2006. Rwanda was then successfully peer-reviewed at the 5th summit of the African Review Forum in Banjul, The Gambia, in June 2006. The report includes an extensive response by the Rwandan government and a Plan of Action to address identified weaknesses. It was presented to the Rwandan public in Kigali in July 2006.

1.2 Economic and commercial situation

1.2.1 Economic situation, structure and performance

Rwanda's macroeconomic performance has been good in recent years, despite major constraints. The Government's macroeconomic management has generally been good, despite some election-related slippages in 2003. Between 2001 and 2006, growth averaged 6.4 percent⁴ with a resulting average per capita growth of around 3.5 percent. *The structure of Rwanda's GDP* is dominated by agriculture, which accounts for 43 percent of production. Most of this (37 percent of GDP) consists of food crops, which are largely produced for subsistence. Industry accounts for around 20 percent of production and services make up the remaining 37 percent of GDP. This structure of the economy has changed little since 1990, despite the Government's objective of increasing off-farm economic activity. However, GDP estimates are subject to significant error. For example, little is known about the informal economy, new sectors (such as tourism and ICT) are probably understated, and a recent agricultural survey suggests that agricultural production has been overestimated.

As the main contributor to GDP, agriculture has driven trends in growth, and meteorological conditions are therefore the key determinant of annual growth rates. As regards industry, manufacturing grew strongly in 2005 after a slump caused by electricity shortages. Construction was a strong contributor to growth in the early part of the decade but this boom faded in 2005-6. Data on the service sector are particularly weak, but tourism and the financial sector have performed well since 2004.

Poor economic performance in 2003 (growth of 0.9 percent, declining exports) and the dual energy crisis of 2004-5 (high international fuel prices and insufficient domestic production of electricity) had a strong impact on the policy agenda. The poor performance heralded the end of the post-conflict

⁴ Compared to a Sub-Saharan African average of around 4 percent per year.

recovery phase and underlined the importance of finding new sources of sustainable growth. Improved economic performance in 2004 and 2005 was largely a result of favourable rains and international prices. The challenge is to maintain growth at these levels even in less fortunate times. However, Rwanda faces several **major structural challenges** that make this difficult. Firstly, Rwanda is subject to a dual vulnerability — to weather conditions and to fluctuations in international prices for key commodities. Secondly, Rwanda's international competitiveness is undermined by its landlocked status and resulting high transport costs (up to 40 percent of import costs). Thirdly, Rwanda is stuck in a trap of high population density, low agricultural productivity and limited off-farm employment. Finally, Rwanda has difficulties in attracting significant amounts of investment, and is therefore highly dependent on aid.

Rwanda's **transport** infrastructure consists largely of roads. Sixty-eight percent of the primary paved network (total: 1 110 km) is in good or fair condition due to recent and ongoing rehabilitation programmes. The secondary network is in poor condition, with less than 20% of the 4 400 km of the classified earth roads network in good or fair condition. Agricultural export activities are penalised by the poor condition of rural feeder roads and trunk roads, as well as the difficult access to the sea⁵. Rwanda's road sector strategy consists of making the core road network sustainable by rehabilitating key roads, while strengthening road maintenance⁶ in order to ensure the sustainability of this investment. A strategy for improving rural feeder roads is under development.

In the **energy sector**, it is estimated that currently only about 70 000 households, or around 4% of the population, have access to electricity. The rural population with access to electricity is less than 1 %. However, 85% of the total energy is consumed in the rural areas where the majority of Rwandans live. Biomass, particularly wood-fuel, constitutes 90% of rural energy consumption, which has significant impact on the process of environmental degradation. The balance 10% is met by other options such as kerosene, diesel, dry cells, grid and non-grid electricity, biogas, solar, wind and other renewable energies. The Government has developed a short-term and long-term strategy to respond to the energy crisis of 2004-5. The short-term strategy has been to import diesel generators and increase tariffs. The long-term strategy consists of investing in cheaper electricity generation and distribution, through the exploitation of reserves of methane gas in Lake Kivu (already underway) and construction of additional hydro-electric stations (including micro-hydro schemes). Strategies to increase the efficiency and reduce the environmental cost of sources of energy used by the majority of households (i.e. biomass) have also been designed, but their implementation has been delayed.

Rwanda has a chronic **balance of payments** current account deficit of around 20 percent of GDP. Its exports are low (less than €100m per year) and undiversified (coffee and tea account for more than 50 percent of exports). Coffee revenues have fluctuated in recent years, as a result of cyclical variations in yields and changing international prices. Rwanda's **export promotion strategy** is focused on niche markets and value addition for existing products (fully washed coffee, high-end tourism, processed hides and skins etc.) and on diversification into new products (mining, horticulture, ICT). The value of exports doubled between 2003 and 2005, although this was more due to favourable international price movements than to the success of the export promotion strategy. Rwanda's imports have also rapidly increased in recent years, largely as a result of increased fuel imports caused by the energy crisis, along with strong growth in capital goods and intermediate goods.

Rwanda has benefited from **debt relief** under the HIPC Initiative (reaching completion point in April 2005) and the Multilateral Debt Relief Initiative. A recent IMF and World Bank debt sustainability analysis shows that the net present value of debt to exports ratio has fallen to 59 percent (from 320 percent in 2004). However, it emphasises the precarious nature of Rwanda's debt sustainability

⁵ Rwanda is 1 800km from the nearest sea port. Two corridors — the northern to Mombasa and the central to Dar Es Salaam — are available, both of which experience delays and are unreliable.

⁶ Through increased resources and institutional reforms, including the creation of a Roads Agency and the transition to a 2nd generation road fund with majority representation from the private sector.

situation, particularly in view of its narrow export base. As a result, Rwanda will rely on increased grants and the private sector to finance its ambitious investment and development objectives.

Rwanda's *monetary situation* has generally been well managed by the National Bank of Rwanda, despite the challenges posed by an at times unpredictable fiscal policy, a thin financial market and managing the macroeconomic impact of increased aid inflows. Inflation has fluctuated, reaching 12 percent in 2004 but declining to below 6 percent at the end of 2005. However, this is largely due to food price changes resulting from variable rains, and the increased price of energy products. Underlying inflation (excluding food and energy) has remained stable at around 5 percent.

1.2.2 Structure and management of public finances

Rwanda's public finances are generally well managed. The *overall deficit* has consistently been in line with projections and has remained small (around 1 percent of GDP including grants). *Revenue collection* has consistently improved, largely due to the good performance of the Rwanda Revenue Authority and the introduction of VAT in 2002. Revenue effort has gradually increased to around 14 percent of GDP, up from 10 percent in 2000. Future prospects for further increases in tax collection are limited as most efficiency gains have been made, and the narrow tax base is heavily taxed. Taxes on international trade have been negatively affected by Rwanda's accession to free trading arrangements. However, such taxes make up less than 20 percent of domestic revenue.

Rwanda remains a highly *aid-dependent* country. Total aid accounts for around 15 percent of GDP. Three quarters of the development budget is foreign-financed. Although the Government's long-term objective is to reduce this dependency, similar or increased levels of aid will be necessary in the medium term in order to meet the country's poverty reduction and growth objectives. In order to maximise the effectiveness of aid, the Government has adopted an aid policy document to better manage its foreign aid flows (see also Chapter III, section 5).

Total *public expenditure* has consistently increased since 2002, reaching almost 28 percent of GDP in 2005 (up from 21 percent in 2002). The *structure of public expenditure* has improved significantly. Spending has been reallocated to priority sectors and to service delivery, while military⁷, debt, and administrative spending has been curtailed. Priority spending grew from 5.3 percent of GDP in 2001 to 10.4 percent in 2005, including increases in education, health, water, energy and export promotion expenditure. As sector strategies have been implemented, the intra-sectoral distribution of this expenditure has improved. The definition of priority spending will be fully revised after the adoption of the EDPRS in 2007. Transfers to local governments accelerated in 2005-6, as the restructured districts assumed prime responsibility for service delivery in key sectors including health and education. Although recorded capital spending has increased in recent years, major absorption capacity constraints remain. The development budget is dominated by donor-funded projects that often have significant recurrent components. Domestic capital spending has increased (partly in response to the water and energy crises), and this trend is expected to accelerate.

Public expenditure management has steadily improved, with a strengthened planning function across Government, the elaboration of sector strategies, the adoption of a medium-term expenditure framework as the basis for an improved budgeting process, and ongoing refinements to budget classification and reporting. Fiscal decentralisation accelerated in 2005-6.

Public financial management has rapidly improved. In the first phase of reform (1996-2003), basic systems for budgeting, procurement and auditing were established. The second phase (2003-6) saw a revision of the institutional framework to improve the coherence of the overall system, and reforms to key elements such as procurement, treasury management and information systems. With the creation of the office of the Accountant General in late 2005 and the adoption of the Organic Law on State Property and Finance in early 2006, the key elements are in place for a third phase of accelerated reform. The

⁷ Military spending was reduced from 3.4 percent of GDP in 2000 to around 2.2 percent in 2005.

Organic Law provides the framework for a modern and coherent PFM system, building on the individual institutions and systems previously established while modernising key elements of the system. Political commitment to PFM reform is very strong, with public accounting reforms the key priority. Overall coordination of the reform and donor support for it has been strengthened. Joint donor evaluations of the PFM system using the Public Expenditure and Financial Accountability methodology will take place from 2007.

1.2.3 Assessment of the reform process

Rwanda is a country of rapid and ambitious reform. Its economic reform process has been monitored by the World Bank and IMF since the late 1990s. The Government's *privatisation* programme has made significant progress since 2002, including the sale of six tea estates, two major banks, the telecommunications utility and various smaller enterprises. The management of the largest hotels and the electricity and water utility has been contracted out to the private sector. The communications sector has been liberalised, with a second mobile phone operator introducing services, a number of internet service providers present and several independent radio stations broadcasting. The Rwanda Utilities Regulation Authority has been created and has established itself. However, progress in selling the remaining tea estates, the national airline and the largest hotels has been slow. Enterprises with contracted-out management have not performed as expected.

Financial sector reform has continued, including through the privatisation and recapitalisation of two major banks, improvements in central bank supervision, the introduction of a modern payments system and the emergence of a micro-finance sector. As a result, the proportion of non-performing loans (a legacy of the events of 1994) has fallen and private sector credit has expanded. Nevertheless, much remains to be done to develop a robust financial sector in Rwanda, including the promotion of savings and the development of new financial instruments, including secondary markets.

Rwanda's *business environment* has undergone reform, with for example the revision of business-related laws and the strengthening of institutions like the Rwanda Investment and Export Promotion Agency and the Rwanda Bureau of Standards. As a result, Rwanda was rated as one of the top ten most improved countries in terms of business environment in the World Bank's *Doing Business in 2006* report, although, according to the 2007 report, it still only ranks 158 out of 175 countries.

1.2.4 Trade policy and external environment, in particular regional cooperation agreements and EPAs

Rwanda's *trade policy* is relatively open and predictable. The country underwent a WTO Trade Policy Review in 2005 with satisfactory results. As regards trade liberalisation, Rwanda has joined the COMESA Free Trade Area and has simplified and reduced its tariff bands for goods from other countries. Rwanda officially joined the EAC customs union in November 2006 and became a full member in June 2007. (The EAC is expected later to be part of a larger COMESA customs union.) Rwanda is actively participating in Economic Partnership Agreement negotiations as part of the ESA grouping.

Rwanda has generally adopted a high profile in *trade negotiations*. It currently chairs COMESA and has previously taken the lead for Africa in WTO negotiations. Nevertheless, its trade negotiation capacity is highly limited. The key constraints on Rwanda's participation in the global economy (as raised in the Diagnostic Trade Integration Study) relate to transport costs, energy and water prices, and access to credit.

1.3 Social situation, including decent work and employment

1.3.1 Education

The education sector has performed well since 2002. The combination of key reforms and increased resources (brought together in a coherent sector strategy) has begun to deliver results, although much

remains to be done. The Government introduced *free primary education* in 2003, and has steadily increased the capitation grant — a per student transfer paid directly to schools. Efforts have been made to increase teacher training and reform the curriculum and examination system. Access to the first three years of secondary education (“tronc commun”) has been expanded in line with the Government’s nine-year basic education policy. Responsibility for primary and secondary education service delivery has been decentralised to district level. Tertiary education has been reformed to make it more financially sustainable, for example through the introduction of a Student Financing Agency and a Higher Education Council. These reforms and their financial implications have been brought together under an Education Sector Strategic Plan (ESSP), with costing scenarios for meeting the MDGs.

These reforms, coupled with increased resources (particularly for primary education) allocated in line with the ESSP, have begun to show results. In particular, primary net enrolment has increased from 73 percent in 2002 to 92 percent in 2005, with gender equality. Secondary enrolment has increased, but remains relatively low at 17 percent gross enrolment (with aggregate gender equality). However, despite these achievements, significant challenges remain. The principal challenge is that of “*access shock*” — with the large increases in enrolment, pupil to teacher ratios have increased, and the availability of teaching and learning materials and infrastructure has not kept pace with enrolment. As a result, examination pass rates have worsened (and are significantly worse for girls) and the primary completion rate has stagnated. Drop-out rates remain stubbornly high, as a result of quality issues and high indirect costs (e.g. uniforms, opportunity costs) of primary education. Strategies to address these problems (e.g. increasing the capitation grant, increasing teacher training, piloting school feeding) are being implemented and are showing signs of success. At secondary and tertiary levels, the key challenges are increasing enrolment (particularly for girls and women) while ensuring relevance of the curriculum to the labour market.

1.3.2 Health and HIV/AIDS

The preliminary results of the second Demographic and Health Survey, conducted in 2005, give cause for optimism about Rwanda’s health situation. Between 2000 and 2005, child mortality decreased from 198 to 152 deaths per 1 000 live births, and maternal mortality fell from 1071 to 846 deaths per 10 000 births. The national HIV/AIDS prevalence rate is estimated at 3 percent, much lower than previous estimates. Nevertheless, Rwanda’s health indicators remain poor, and the MDG targets are still distant. The challenge remains to keep HIV/AIDS prevalence down to a sustainable level, and to deal with the effects of the pandemic, particularly on women and children. More needs to be done to address the preventable diseases that are the key causes of morbidity and mortality, particularly malaria.

In order to address these challenges in the health sector, the Government has prepared a Health Sector Strategic Plan (HSSP). This identifies two key issues that need to be addressed in strengthening healthcare: human resources and financial access. Human resources in the Rwandan health sector are extremely scarce, and healthcare has generally been financed by the population through cost recovery at health centre level, preventing the majority of the population from accessing healthcare. Three key policy initiatives have been adopted to respond to these issues. Firstly, the promotion of community-based healthcare insurance schemes (*mutuelles*) has increased their membership to 73% percent in 2006 (from 7 percent in 2003). Secondly, the Government started in 2005 the roll-out of performance-based contracting schemes, which was successful when piloted in two provinces. Thirdly, the implementation of a human resource development plan has resulted in an increase in the proportion of nurses in rural areas from 20 percent to 56 percent. As a result of these initiatives, the utilisation of health services continues to increase, with utilisation rates (new cases/capita/year) of curative services at health centres reaching 0.473 in 2005, up from 0.28 in 2002. The vaccination rate remains high at around 90 percent.

Key remaining challenges in the health sector include the implementation of the human resource strategy, providing quality assurance for performance-based schemes, and sufficient financing for increased usage of health services. The financing issue is complicated by high donor dependency in the sector, which skews allocations in favour of isolated projects and HIV/AIDS interventions, although the

Global Fund and other donors are now increasingly aligning their support to national priorities and systems.

The number of people with access to safe water increased between 2000 and 2005, but due to the high population growth, there was no change in the proportion of households having access to safe water (64 percent), 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 EICV⁸ survey found that, of all public services, Rwandans are least satisfied with access to drinking water (only 50 percent express satisfaction), while the results of *Ubudehe* suggest Rwandans would rank water access as the highest priority for infrastructure services (followed by roads, health, schools and electricity). This is understandable as over 80% of diseases that afflict Rwandans are waterborne, so access to safe water is a precondition for improving environmental health.

1.3.3 Rural development and food security

Poverty continues to be a largely rural phenomenon in a country where around 80 percent of the population are farmers and live in rural areas. As a result, economic and food security conditions for the majority of the population depend on fluctuating weather conditions. According to the **Comprehensive Food Security and Vulnerability** Survey, 52 percent of households are food-insecure or -vulnerable (National Institute of Statistics of Rwanda and World Food Programme, 2006). Food insecurity is found all over the country but tends to be concentrated in the western and southern provinces. It is highest among agricultural labourers, those with 'marginal livelihoods', including those dependent on social transfers, and female-headed households. Overall, agricultural production increased by 3.3 percent per year between 2002 and 2005, with a recent agricultural survey suggesting that production figures have been overestimated. However, the production of key food security crops has increased at a slower rate.

Rural livelihoods are also affected by cyclical fluctuations in coffee production and increases in prices paid to coffee producers (83 percent increase between 2003 and 2005). Tea and coffee are key drivers of rural development: there are an estimated 400 000 smallholder coffee producers, and tea estates directly employ around 53 000 people in rural areas. Trends in these sectors therefore have a direct impact on up to 20 percent of the population, and spill-over effects on an even broader segment of the population.

Livestock is a crucial element of rural development in Rwanda, acting as a source of food, fertiliser, wealth and status. The importance of livestock to rural communities has been demonstrated by the high proportion of funds used to buy goats and other livestock under the *Ubudehe* programme. While livestock ownership has increased (from 60 to 71 percent between 2000/01 and 2005/06), it has not reached pre-genocide levels, and has been subject to a number of disease-related quarantines (particularly in the east of the country).

Agricultural technology has increased the use of land-saving inputs in the last five years. The EICV surveys show that the share of cultivating households using organic or chemical fertiliser remains low overall (19 percent), although it 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 percent) and seeds (71 percent), and increasing numbers of households are purchasing sacks, packaging etc., which reflects the growth in the number of producers selling some of their output. Continuing the intensification of agriculture is a clear priority for the coming EDPRS period.

Rising population density in rural areas has placed the physical environment under increasing stress. However, there is evidence of widespread and organised responses 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

⁸ Rwanda completed its latest household survey (EICV II) in 2006.

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%. For those that replanted, the average area planted also increased substantially from around 4 hectares per community in 2000-01 to more than 12 hectares in 2005-06.

The reform of local government in 2005 is expected to lead to more effective rural development from 2006. Districts and sectors will benefit from increased capacity, responsibility and resources to provide services to rural populations. Resources used for the implementation of district development plans have increased as disbursements from the Common Development Fund have accelerated. The EC-financed Ubudehe programme has been rolled out nationwide, with the objectives of strengthening community-level planning and dialogue and providing resources directly to the grassroots.

1.3.4 Employment

Rwanda's labour market is characterised by significant under-employment and surplus rural labour, exacerbated by high population growth⁹. This keeps wages in rural and unskilled urban sectors low. In an attempt to increase off-farm employment, the Government has promoted labour-intensive public works (HIMO) for rural infrastructure. However, this has yet to make a significant impact.

However, at the same time, significant skill shortages remain in (largely urban) sectors employing scarce specialist skills. As a result, salaries in these sectors are relatively high. This underlines the importance of linking the education system to skills required by the public and private sectors. Employment promotion has been identified as one of the key priorities for the EDPRS, although government is still working out a detailed strategy to achieve this objective.

1.3.5 Other social issues

Rwanda continues to perform well as regards *gender* issues, with the highest proportion of female parliamentarians in the world and strong Government commitment on gender issues. However, gender disparities remain a serious problem. For example, girls lag behind in exam pass rates in primary and secondary school and more men than women are currently benefiting from formal employment and access to credit.

Disability is a major issue in Rwanda, affecting at least 3.8 percent of the population. This group of people is generally marginalised, and has lower access to education, health and employment. In order to ensure that the disabled have a political voice and that their rights are not forgotten, the constitution provides for a representative of persons with disabilities in the Senate and in the Chamber of Deputies.

Many people in Rwanda suffer from *mental health* problems. This is a consequence of genocide-related experiences, which continue to haunt many Rwandans.

There are an estimated 1.2 million **orphans**¹⁰ in Rwanda, representing 30 percent of the total population of children. Of these, 100 000 live in child-headed households and are therefore very vulnerable. The high number of orphans is in large part due to the genocide, which also increased their vulnerability, as traditional family coping mechanisms were unable to absorb them. However, as genocide-related orphans mature, the proportion of orphans with HIV/AIDS (currently 7 percent) is expected to grow rapidly (to 52 percent of orphans by 2010).

1.4 Environmental situation

⁹ The working age population is increasing by 170 000 per year.

¹⁰ An orphan is a child who has lost either or both parents. Of the total, around 200 000 have lost both parents.

Climate change is already having significant impacts on Rwanda. These impacts are likely to increase over years and decades to come and include increased weather variability, droughts and floods, which will impact on agricultural production, food security and will further strain natural resources. Climate change is a threat to development and diminishes the chances of achieving the Millennium Development Goals. In this context, adaptation to climate change becomes a pre-condition for sustainable development.

A *Country Environmental Profile* (CEP) for Rwanda was finalised in June 2006. This study, funded by the European Commission, builds on Rwanda's National Environment Policy developed in 2003 and on the country's long-term environmental strategy as developed in Vision 2020. The CEP gives an overview of the current state of the Rwandan environment highlighting key problems and suggesting solutions. The major problems identified are: (i) soil degradation, (ii) deforestation, (iii) pressure on humid areas causing a reduced capacity to fight floods and sedimentation of lakes, and (iv) the proliferation of aquatic weeds along rivers like the Akagera and Nyabarongo.

To face these challenges, the following recommendations are made: (i) integrating environmental issues into the EDPRS and increasing capacity at the decentralised levels; (ii) revising environmental performance indicators within the EDPRS framework; (iii) soil conservation through terracing, digging of anti-erosive trenches and reforestation; (iv) combating deforestation through reforestation, increasing and diversifying forestry products, intensifying agro-forestry and supporting the development of district forestry planning; and (v) putting in place an efficient system to manage landholdings in order to fight the destruction of natural ecosystems and (vi) promoting incentive policies for the use of alternative sources of energy in order to address the problem of deforestation and the over dependence of rural population on biomass, mainly wood.

Further, the CEP usefully delineates institutional structures and responsibilities for environmental issues, including a rough summary of donor, state and non-state interventions. As such, it is expected the CEP will facilitate the integration of the environment as a cross-cutting issue across the main EDPRS sectors.

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1.5 The country in the international context

Relations with neighbouring states have fluctuated but have generally improved since the early part of the decade. Rwanda supported the peace and transition process in Burundi, and has established good working relations with the new Government. Relations with the DRC are a cause for concern, with continued Congolese accusations of Rwandan interference in Congolese affairs, and Rwandan impatience with the continued presence of Rwandan rebels in eastern DRC. Relations between Rwanda and Uganda have fluctuated with a generally good relationship punctuated by numerous exchanges of accusations of support for rebel groups and spying. Together with Burundi, Rwanda has successfully applied for membership of the East African Community, and has actively supported the relaunch of the CEPGL.

Rwanda has taken a strong role in *regional integration processes*. In 2005-6 it chaired the COMESA grouping, taking the lead in the preparation of common negotiating positions for multilateral (WTO Doha Round) and bi-regional (EU-ESA Economic Partnership Agreement) trade negotiations.

Rwanda is making a major contribution to *peacekeeping in the region*, by providing troops to the AU and UN Peacekeeping missions in Darfur and Khartoum in Sudan, and police in the Comoros.

Migration both to and from Rwanda has fallen in recent years, after the major population flows in the build-up to and aftermath of the genocide. Following the genocide, 2-3 million Rwandans fled into neighbouring countries, particularly DRC. Around the same time, around 1-2 million ex-exiles returned, particularly from Uganda and Burundi. Most Rwandans living in exile returned to Rwanda before 2002. Between 2002 and 2005, around 70 000 Rwandans were repatriated with the help of the UNHCR. An estimated 55 000 remain in exile, as refugees in Uganda, DRC and other African countries. A large Rwandan diaspora exists in OECD countries, including the European Union. This emigrated population is relatively stable with relatively little legal and almost no illegal entry in recent years. In 2006, the Government issued a request for host countries to assist in the identification and arrest of genocide suspects among these groups. It is estimated that there are around 330 000 permanent migrants living in Rwanda. Most of these however are of Rwandan origin, from families that fled Rwanda in the 1960s and 1970s, and returned after the genocide. In addition, there are around 43 000 foreign refugees living in Rwanda, mostly from the Democratic Republic of the Congo. The majority of these refugees are in camps managed by the UNHCR.

Rwandans are increasingly in influential positions in international organisations. The ex-Minister of Finance is now President of the African Development Bank, the ex-Ambassador to Geneva is now the deputy Director General of the WTO and a former Rwandan minister is currently the vice chair of the AU Commission.

2 POVERTY REDUCTION ANALYSIS

Rwanda completed its latest household survey (EICV II) in 2006, which provided input for the preparation of the EDPRS. According to this survey, the incidence of **consumption poverty** has fallen in rural and urban areas since 2000/01. However, the incidence of extreme poverty only fell from 41.3 to 36.9 per cent, implying that more than one-third of the population are unable to obtain the minimum food requirement of 2 500 kcal per adult per day and go hungry. The upper poverty line includes non-food requirements (RWF 250 per day, or roughly 130 euros per year); over half of the population remains unable to provide for these basic needs, since headcount poverty has fallen only from 60.4 to 56.9 per cent. The total number of poor people in Rwanda has now increased to over 5 million. The average poor person's consumption is about FRw 150 per day and has only increased by 2 percent in the past five years. Over 90 percent of poor people live in rural areas. Poverty reduction rates since 2000 have been modest and are not fast enough to meet either the targets set in Vision 2020 or the MDGs.

At regional level, changes in poverty have varied. The poverty headcount has fallen significantly in East Province and declined by smaller amounts in North Province and in the City of Kigali. However, poverty in South Province did not change significantly and it is now the poorest province. Calculations show that 68 percent of total poverty reduction in the country was accounted for by poverty reduction in East Province.

Inequality, as measured by the Gini coefficient, 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. The pattern of inequality change varied by location, rising in rural areas and falling in urban areas. In South Province, there was a surge in inequality: consumption growth was driven entirely by rising incomes of the rich, while the real incomes of the poorest 60 percent of the population fell.

A comparison of consumption growth with rates of poverty reduction by province indicates significant differences in the **transmission of growth to poverty reduction**. Rapid poverty reduction in East Province is mainly due to fast overall consumption growth (over 6 percent per annum). This may have 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 North Province has been high despite limited growth (1 percent per annum). Poverty reduction in South Province has been marginal or negative despite strong growth (4 percent per annum). Growth did not benefit the poor there.

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

Survey evidence shows that the **incidence of poverty** is highest in households whose main source of income is agricultural wage labour. In 2005-06, 91 percent of such households lived below the poverty line, which is similar to the proportion in 2000-01. Households which depend on combining self-employment in agriculture with agricultural wage labour are not much better off, as 82 percent 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 percent in 2000-01 to 8 percent 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.

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 percent), who include many widows, are among the poorest 20 percent 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. This may reflect that only relatively better off families are able to absorb orphaned children into their households.

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

A source of subjective poverty information is provided by the *Ubudehe* survey. According to this survey, most people placed themselves in the poorest socioeconomic categories. Vulnerable people were identified, in order of greatest destitution, as widows, landless, sick, the elderly and child-headed households. Major causes of poverty identified by *Ubudehe* survey respondents were lack of land, poor soils, bad weather and lack of livestock. Exit strategies out of poverty were identified as paid employment, commerce and livestock. Over half of households sampled felt that their incomes or livelihoods had not improved in the past three years. The principal activities to be undertaken in future *Ubudehe* work were identified in the areas of livestock rearing, agriculture, small business, water and roads.

Monitoring and evaluation of progress against PRSP objectives and the MDGs has been strengthened in recent years, but remains relatively weak. The main surveys (EICV, DHS) are reliable and a useful source of data, but are only available at 5-year intervals. Between these intervals, the Government uses a number of key performance indicators in each sector, although during the implementation of PRSP I (2002-5) these were not consistently followed up. In addition, complementary surveys (including the Core Welfare Indicators Questionnaire and the Citizens' Report Cards) have been carried out, but their results have not been adequately analysed or linked to policy making. A wealth of poverty-related data has been collected at grass-roots level through the *Ubudehe* initiative, and there are plans to aggregate and analyse this information at national level. A new monitoring and evaluation framework system has been defined as a key element of the EDPRS. A key part of this has been the creation in 2005 of a National Institute of Statistics in order to coordinate the collection and analysis of statistics.

3. THE RECIPIENT COUNTRY'S DEVELOPMENT STRATEGY

Rwanda's development strategy is based on Vision 2020 and the PRSP. These documents identify poverty reduction, national unity and reconciliation as the Government's core objectives. The Government's vision of modernising the economy through the transformation of agriculture and the growth of manufacturing and service industries (all of which relies on a better educated and healthier population) is central to the achievement of these objectives. Further, the redesign of governance in Rwanda, through the new constitution and accelerated decentralisation, is a vital element.

Vision 2020 sets ambitious objectives for Rwanda's development, including that Rwanda should be a middle-income country by 2020. This ambition is reflected in the Government's policy agenda, which aims for rapid modernisation and development. At times, this ambition is not matched by adequate implementation capacity or sufficient resources.

The **PRSP** was adopted in 2002 and has formed the basis for Government and donor interventions since that time. The Rwanda PRSP was based on a participatory process and was the first coherent post-

genocide national development strategy. After its adoption, the PRSP was translated into more detailed sector strategies for all key sectors. These are particularly strong for the education and health sectors, where results are already apparent. The agriculture strategy is in the early stages of implementation. In the area of trade and private sector development, the Diagnostic Trade Integration Study (DTIS) completed in 2005 provides a coherent strategy for addressing key constraints, and the export promotion strategy identifies specific activities linked to specific export products.

In early 2006, the President launched the preparation process for the second generation PRSP — the ***Economic Development and Poverty Reduction Strategy (EDPRS)***, which was finalised and it was adopted by Cabinet on 14th September 2007. As its title suggests, this revised strategy is to place more emphasis on economic development issues, particularly as regards infrastructure (transport, energy), private sector development (trade, credit and employment) and growth (agricultural transformation, investment and export promotion). Although these issues were prioritised in the original PRSP, there is a broad consensus that they were not adequately addressed during its implementation. With the reform of local government in 2005/6, the implementation of the EDPRS (particularly in terms of service delivery) is expected to be handled largely at decentralised levels.

In order to assess progress, the Government conducts ***annual PRS progress reviews*** with strong participation from key stakeholders. The PRS progress reports have steadily improved in quality and coverage, and now analyse key performance indicators, budget execution and policy implementation in all sectors. In 2006, the PRS Annual Progress Review took the form of comprehensive sector self-evaluations against PRSP objectives. Due to the heavy workload in finalising the EDPRS, no progress report will be prepared in 2007. However, most individual sectors organised a review at sector level in early 2007.

Rwanda is committed to membership of the East African Community and COMESA. It has demonstrated its intention to be at the forefront of trade liberalisation in the region, and will be a member of the EAC Customs Union in the coming years. In this regard, the EAC is seen as a fast track within COMESA (with the EAC later joining an eventual COMESA customs union). It is hoped that this will offer Rwanda significant advantages in terms of market access and removal of some of the key barriers to Rwanda's competitiveness, such as transport costs (through agreements on the key corridor routes) and credit (through capital market integration).

4. ANALYSIS OF THE VIABILITY OF CURRENT POLICIES AND THE MEDIUM-TERM CHALLENGES

Rwanda's development policy and strategy is based on three interlinked objectives: poverty reduction, economic growth and development, and national reconciliation and justice¹¹. These largely match Rwanda's medium-term challenges.

In terms of ***poverty reduction, particularly as regards the social aspects***, a coherent policy and strategy framework has been put in place to meet the MDGs in key areas. Accelerated decentralisation has strengthened service delivery and the effectiveness of increased public expenditure. There is no risk as EDPRS aims at consolidating the gains made in PRSP I in all sectors and developing some sectors that lag behind. EDPRS Policy Matrix provides details for each sector. For instance, in education and skills development, the emphasis is 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. In health, the objectives are to maximise preventive 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.

¹¹ Governance is an issue that cuts across all of these objectives.

As the economic growth and development agenda takes off, it will be important to ensure that a more coherent and comprehensive approach to providing social protection to vulnerable groups is put in place to ensure that certain groups are not left behind.

The *economic growth and development agenda* has lagged behind progress in other areas, in part due to the inherent complexity of policy and strategy elaboration and implementation in these areas. The emerging policy agenda (to be summarised in the EDPRS) is a response both to longstanding structural factors in the Rwandan economy and to more recently apparent challenges. The key structural constraint on growth (and poverty reduction) in Rwanda is low agricultural productivity in the context of severe land scarcity and surplus unskilled rural labour. Sustainable growth and poverty reduction in Rwanda require an agricultural transformation, with application of modern farming methods and increased added value, both on-farm and off-farm. This will also require the creation of off-farm economic activity and employment to reduce population pressures on agricultural land. Any policies to catalyse this transformation must ensure food security. During the pre-genocide period and in the PRSP I period, the policies put in place to respond to these challenges had limited success, in part due to insufficient implementation capacity and coordination across Government. The new rural development policy environment combines measures to improve agricultural productivity (water management, fertilisers, improved seeds, extension), secure land tenure (thereby facilitating access to credit), improve rural infrastructure (feeder roads, modern markets, etc.), create rural off-farm economic activity and employment (Ubudehe, labour-intensive public works, etc.), facilitate access to credit (promotion of cooperatives, expansion of micro-credit, etc.), and ensure environmental sustainability. The Government has also put in place a new institutional framework to ensure better implementation of these policies, with responsibility for implementation to be gradually devolved to the districts, and a series of streamlined agencies at national level. It is expected that Government and donor resources allocated to this crucial area will increase in the next few years.

In terms of newly apparent challenges, the economic downturn of 2003-4 and the related energy crisis exposed the fragility of the Rwandan economy. Analysis regarding the HIPC completion point and the Diagnostic Trade Integration Study pinpointed specific constraints. In summary: a) the phase of post-conflict reconstruction-fuelled growth has drawn to a close, and Rwanda now needs new sources of growth; b) Rwanda's export base is very small and vulnerable to price and production fluctuations, so increased exports are needed for economic sustainability (related to the external debt situation) and to drive growth; and c) Rwanda's infrastructure, particularly as regards energy and transport, is insufficient. High transport costs (both within Rwanda and between Rwanda and the main Indian Ocean ports) and high energy costs undermine the competitiveness of the Rwandan private sector.

In response to these challenges, the EDPRS will have a strong focus on private sector development and growth. A shift in budget allocations towards infrastructure (particularly energy) has already begun. An export promotion strategy has been developed, and increased efforts made to attract foreign investment. Reforms are ongoing to improve the business environment.

However, more needs to be done to ensure that any growth emerging from these policies is pro-poor. There is a risk that the needs of small and medium enterprises and of actors in the informal economy will be forgotten in the rush to facilitate big investment and big business. For example, policies with legitimate environmental, health and safety objectives have had a negative impact on small and medium enterprises and rural livelihoods in the absence of accompanying support measures.

Where *national reconciliation and justice* is concerned, the resolution of genocide-related justice (Gacaca and ICTR) is a painful but necessary process. Tensions exist between survivors and perpetrators, which will inevitably take a long time to fully heal. The National Unity and Reconciliation Commission is responsible for coordinating efforts to ensure reconciliation. The Government has revived a number of traditional practices to foster reconciliation and justice, including Gacaca, abunzi (mediators), ubudehe (community-level planning), and umuganda (community work days). Another initiative is the TIG (Travaux d'Intérêt Général), which consists of génocidaires having confessed their crimes being sentenced to public work schemes. The acceleration of the decentralisation process is

intended in part to reverse the traditional centralisation of power in Rwanda and thereby foster reconciliation. Ubudehe is a crucial aspect of this as it has the potential to develop genuine participatory democracy from the bottom up. Ultimately, reconciliation will depend on equitable economic growth and poverty reduction, particularly in rural areas, and on the consolidation of democracy.

In general, the Government's policies are an appropriate response to the challenges Rwanda faces. The EDPRS will need to address key governance-related challenges in order to ensure improved implementation of policies, by building adequate institutional capacity and improving cross-Government working, particularly in complex areas such as rural development.

The above analysis provides an indication of the *focal domains and aid modalities to be selected for EC support*. In order to consolidate and expand the gains made in sectors that performed well during the PRSP I (and 9th EDF) period (education, health, water), general budget support should continue at an increased level. Other donors (including Member States) are heavily involved in these sectors as budget and project supporters and in building capacity. EC support will still be required in strengthening economic management.

Rwanda requires more targeted support in priority domains where there was insufficient progress during PRSP I implementation. Rural development is the central poverty reduction challenge in Rwanda. Insufficient progress has been made, but a clearer policy, strategy and institutional framework is emerging. Support for agriculture, rural infrastructure and off-farm employment should increasingly be channelled through local governments, moving to a sector budget support approach as policies, strategies and institutions become sufficiently robust.

The EDPRS will clearly prioritise infrastructure, particularly transport and energy. The EC has a comparative advantage in staffing and experience in this area, and has supported the important progress made (in partnership with the World Bank and the ADB) with the policy and institutional framework.

Finally, continued support is required for justice and reconciliation, as a vital element of governance. The EC also has a comparative advantage in assisting Rwanda in its regional integration.

CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY

1 OVERVIEW OF PAST AND PRESENT EC COOPERATION (LESSONS LEARNED)

EC cooperation with Rwanda has evolved significantly over the past 15 years in order to adapt to the country's circumstances. In the pre-genocide period, the focus was on projects in the areas of rural development and transport. In the aftermath of the genocide and civil war, EC cooperation took the form of humanitarian aid, emergency aid and physical rehabilitation, along with some support for the judicial system. The emphasis was on mobilising resources for discrete projects rather than building a coherent and structured programme.

In 2000, a third phase of cooperation began with the signature of the 8th EDF National Indicative Programme. This phase served as a transition between the previous phase of post-conflict relief and reconstruction and the following phase of aid focused on long-term development and poverty reduction aligned with national priorities. The third phase saw the start of budget support for Rwanda, and increased focus on institutional development issues. Several of the 8th EDF programmes in key areas are only now coming to a close.

The signature of the 9th EDF Country Strategy Paper in 2003 saw the start of a fourth phase of cooperation. This phase has been characterised by alignment between the CSP and the Government's Poverty Reduction Strategy, increased harmonisation with other donors (through budget support harmonisation, co-financing of projects, etc.). After the broad rehabilitation programmes of the 6th and 7th EDF and the wide-ranging projects of the 8th EDF, the 9th EDF has seen increased concentration of EC cooperation, on macroeconomic support linked with social sectors (health, education), rural development (including infrastructure) and limited support for non-focal sectors (governance and regional integration).

Implementation of the 9th EDF has gradually accelerated since the signature of the Country Strategy Paper. At the same time, previously delayed projects (particularly infrastructure) under previous EDFs have been brought towards completion, and absorption capacity has increased. This combination of factors reached its peak in 2005, when €66m was disbursed from national EDF allocations (up from an average of €43m over 1999-2004), and in total (including regional EDFs and budget lines) €78m was disbursed.

A number of lessons can be drawn from this experience. Firstly, alignment with Government systems and priorities has gradually increased and has been beneficial in terms of absorption capacity, ownership and, to some extent, results. The recent independent evaluation of EC cooperation in Rwanda over 1995-2005 confirms this. Further efforts to ensure alignment under the 10th EDF should therefore be made. Secondly, providing institutional capacity-building support is a crucial accompanying measure in all domains where the EC provides support, although at times ensuring appropriate and sustainable capacity building is difficult. More and better capacity-building support is therefore needed under the 10th EDF. A third lesson relates to the frequent delays in implementing projects, particularly in infrastructure but also in other domains. In order to ensure more rapid implementation, 10th EDF projects must have clear objectives and simple but well designed implementation strategies before they are signed.

Finally, the EC takes on board the recommendations made in the independent evaluation of general budget support in Rwanda, specifically the rebalancing of budget support more towards economic sectors / growth-related areas. Nevertheless, the provision of general budget support will continue to be linked to macroeconomic performance, public financial management and progress in social sectors (health, education). Instead of rebalancing general budget support towards the economic sectors, for example by adjusting the variable tranche disbursement indicators, the aid portfolio in support of the economic sectors is programmed to contain a substantial amount of sector budget support where in the

past project aid dominated. In other words, the Commission is responding to the need for rebalancing by converting part of its project aid to sector budget support for the economic sectors, while acknowledging the challenges that still lie ahead in terms of institutional strengthening to engage the economic sectors in the budget support dialogue.

1.1 Macro-economic support and focal sectors

1.1.1 Macro-economic support

In the Commission's approach, economic support and social sector support are linked through budgetary support. Variable tranche disbursements are linked to performance against targets in the health and education sectors. Harmonisation of budget support has improved significantly with the emergence of the Budget Support Harmonisation Group and six-monthly Joint Budget Support Reviews. As a result, the timing and predictability of budget support disbursements (including those of the EC) have improved. EC budget support has averaged around €20m per year since 2000, accompanied by capacity-building support for economic governance. All of this support has become progressively more harmonised and aligned.

The key trends in macroeconomics, public financial management and social sectors are described in Chapter 2 above. Macroeconomic management continues to be strong and performance has been relatively good given the major constraints faced. The management of public finances is being overhauled in line with the recently adopted Organic Law on State Property and Finance. Result indicators in health and education are showing clear signs of improvement thanks to increased funding and new policies.

1.1.2 Rural development

Rural development was the focal sector under the 9th EDF. As described in Chapter 2, section 1.3.3, results in the rural development area have been mixed, and closely linked to weather patterns. The evaluation of the PRSP indeed recognises that the results have been insufficient and that more will have to be done under the EDPRS. In preparation for this, the Government has recently reformed the institutional environment for rural development, and developed clear strategies. As regards agriculture, a Strategic Plan for the Transformation of Agriculture (SPTA) has been developed and translated into an improved Medium Term Expenditure Framework for the sector. Implementation of this Strategic Plan is to be shared between the districts and new national agencies such as the Rwanda Agricultural Development Authority and the Rwanda Animal Resources Development Authority. Donor coordination has improved with the reactivation of the rural development cluster.

After a review of the implementation of the decentralisation process since 2001, the Government embarked on a reform of administrative structures, with the objective of increasing capacity and accelerating the transfer of responsibility and resources. The reforms are expected to have a significant impact on the effectiveness of decentralisation from 2006, particularly in terms of service delivery in rural areas. The Common Development Fund (CDF) is the key tool for providing resources for local (and locally prioritised) infrastructure, which is a crucial driving force of rural development. A number of development partners are supporting decentralised development through the CDF and most of them are considering moving from traditional project support to development budget support for districts.

EC cooperation in the rural development domain has accelerated in recent years, as the 9th EDF Decentralised Programme for Rural Poverty Reduction (DPRPR) has been implemented, supporting the CDF and the Ubudehe process. In addition, the STABEX programme has provided resources for the coffee and tea sectors. Absorption capacity has been a major issue with these programmes, both because of weak Government capacity in these areas and the complexity of the programmes themselves. This underlines the importance of capacity building and of programmes aligned to existing Government systems.

1.1.3 Infrastructure for regional interconnectivity

In infrastructure, the improvement in the coordination of PRS implementation in the infrastructure sector was significant. The infrastructure cluster (co-chaired by the Ministry of Infrastructure and the EC Delegation) and the sub-clusters (transportation, water and sanitation, energy and ICT sub-cluster) were progressively revived with the participation of all the related donor and Government institutions. The main focus of cooperation (including for the EC) has been the rehabilitation of the main road network in order to open up the rural sector. Now that most of the main road network is of a good standard, the focus has shifted to a sustainable maintenance strategy and institutional environment. The World Bank, EC and ADB have been working with the Government to develop an appropriate strategy to reform the institutional environment, including through the reform of the Road Maintenance Fund (to make it a second-generation road fund) and the establishment of a Roads Agency.

Under previous EDFs, EC cooperation has involved support for various types of infrastructure, including transport, public buildings, social infrastructure and water supply projects. In order to ensure increased focus, it is proposed that support under the 10th EDF should focus on large-scale road and energy interventions, especially with a view to regional interconnectivity. With the decentralisation programme, districts will be free to prioritise their infrastructure needs under the CDF, to be supported through rural development programmes.

The response strategy will also take into account the recommendations of the 2004 *Evaluation of European Commission interventions in the transport sector in third countries*, in particular the proposals to move towards a **broader use of budget support**, to support private sector development and to improve the link between transport sector objectives and the EDPRS poverty reduction strategy.

1.2 Projects and programmes outside focal sectors

In the ***justice and rule of law*** sector, significant reform was undertaken in 2004 to improve the justice system and to ensure the integrity of the system and its participants. Since then, the Gacaca system of genocide-related justice has advanced rapidly and is expected to be completed by 2008. A strategic plan for the justice sector has been adopted, and a Justice Sector Coordination Secretariat put in place to oversee a coordination framework for the various institutions involved in the sector. EC support for the sector accelerated in 2004-5. An evaluation exercise was conducted throughout 2005, leading to the formulation of a new project, starting in mid-2006.

For ***trade and regional integration***, the Government (with donor support) has produced a Diagnostic Trade Integration Study (DTIS), which provides an analysis of barriers to internal and external trade, identifies the potential impacts of trade on growth and poverty, and presents recommendations for overcoming these constraints. These are integrated into the EDPRS. A number of priority actions have been implemented through EC support, particularly for regional integration and export-related standards. Donor coordination around private sector issues is managed through the private sector cluster.

Support for non-state actors has generally focused on governance issues, funded through Community budget lines and the National Indicative Programme allocation for the governance non-focal sector. This has enabled monitoring of key governance issues (including human rights and the Gacaca process). Limited support has been provided to NSAs on broader development issues.

1.3 Use of B-envelope

In the absence of natural disasters, Rwanda has not required Envelope B resources. As a result of the mid-term review in early 2005, €52m was shifted from Envelope B to Envelope A. In addition, €2.8m was used from envelope B as a contribution to the EU-Africa Peace Facility.

1.4 Use of other instruments

The implementation of *STABEX programmes* has been integrated with the overall support programme for rural development, as described above. Implementation of STABEX programmes has been slower than expected, and there have been major absorption capacity constraints. In order to address these and to update the programme in line with Government priorities, the STABEX programme was revised in early 2006. The STABEX programme will be closed in 2010.

Rwanda has benefited from the 9th EDF **water and energy** facilities. Two water and three energy projects were approved for funding in 2007. Rwanda is also benefiting from COOPENER, the external component of the EC programme for the promotion of policies, technologies and best practices in the fields of renewable energy and energy efficiency, the “Intelligent Energy – Europe programme” (IEE) (2003-2006).¹²

The *European Investment Bank* has provided co-financing for the rehabilitation of Kigali airport, and a global loan for private sector development. Discussions on future lending to Rwanda under the Cotonou Investment Facility are underway. Key options under consideration relate to a new private-sector global loan and the water and energy infrastructure. Future support is intended to complement the Commission’s support for rural development and trade promotion.

Rwanda benefits from several *regional projects*. The regional programme for the control of epizootic diseases (PACE) in the agriculture sector is planning more activities for 2006. The main activity funded from the regional indicative programme was the implementation of the Gitarama–Akanyaru road. Rwanda also benefited from resources made available to COMESA for trade negotiations, and from the all-ACP funds for trade-related assistance (including the funding of an EPA Sustainability Impact Assessment). Progress has been made in reviving the Economic Community of the Great Lakes (CEPGL), and an EC-funded all-ACP regional project started in July 2007. Finally, the EC is giving financial support to the Nile Basin Initiative under the European Water Initiative.

Rwanda benefits from the EC’s contribution to the *Global Fund for HIV/AIDS, Malaria and Tuberculosis*. Global Fund programmes support improved access to health care and better quality in health care delivery, targeting 4.7 million Rwandans. Rwanda has been one of the most successful users of Global Fund grants, with six grants worth a total of US\$90.9m approved.

2 INFORMATION ON THE PROGRAMMES OF THE MEMBER STATES AND OTHER DONORS (COMPLEMENTARITY)¹³

The EU provides over half of all aid to Rwanda (not including contributions to multilateral institutions). In 2005, the Commission disbursed almost €80m. UK aid totals almost €70m per year, of which two thirds is general budget support. The rest is for education (for which the UK Department for International Development — DFID — is the lead donor), rural development and institutional capacity building. The Belgian cooperation programme totals around €30m per year, focusing on health (lead donor), justice and rural development. Swedish and Netherlands cooperation averages around €20m each per year. More than half of the Swedish programme is disbursed as general budget support, including a tranche linked to progress in education. Sweden also provides support within democratic governance and reconciliation, research cooperation and ICT, while the Netherlands programme

¹² See http://ec.europa.eu/energy/intelligent/projects/africa_en.htm for information on the specific project entitled PACEEA.

¹³ For details, see attached donor matrix.

(largely implemented through projects) is centred on decentralisation, rural development, and governance. German cooperation, currently at around €10m per year (health, decentralisation, private sector development, governance), is set to increase and to include general budget support. The French, Italian, Luxembourg and Austrian cooperation programmes are relatively small (less than €5m per year) and focus on the social sectors. Hence, for the past couple of years, the EU has provided €200-250m annually in aid flows. The FTI has allocated \$ 70m from its Catalytic Fund to Rwanda, of which \$26m should be disbursed in 2007.

Other key bilateral donors in Rwanda include the USA and Japan. The US Government has increased its involvement in Rwanda in recent years to around €30m per year, largely in connection with HIV/AIDS and health (with some interventions in private sector development and agriculture). Japan has recently restarted its cooperation with Rwanda, in the areas of transport and education.

Rwanda also benefits from the support of the major multilateral organisations. The World Bank's programme totals between €50-80m per year. This is increasingly in the form of general budgetary support, in addition to infrastructure, capacity building, rural development, social sector, and private sector development projects. The Global Fund is increasingly an important donor to Rwanda, providing €30m in support to programmes relating to HIV/AIDS and the health sector in 2005. The ADB has recently expanded its Rwanda programme to around €30m per year, including general budget support, infrastructure and education. The UN family is increasingly coordinating its programme, which totals around €20m per year and focuses largely on the social sectors and agriculture. Rwanda has been selected as one of the eight pilot countries for the "one UN" programme.

Efforts to improve donor coordination and harmonisation are well advanced in Rwanda (see section 5 below). Complementarities are also ensured by the increasing specialisation of donors. Each donor is intervening in a decreasing number of sectors¹⁴, and each sector has a lead donor to act as a focal point for coordination. A limited number of the larger donors (EC, World Bank, ADB) are involved in large-scale infrastructure projects.

3. OTHER EC POLICIES

The *integration of Rwanda into the world economy* will be achieved by: a) supporting regional integration; b) negotiating an EPA with Eastern Africa; and c) ensuring Rwanda meets its obligations under the WTO. The Country Strategy will provide support for infrastructure to increase Rwanda's physical access to regional and world markets while increasing competitiveness. Support for rural development will address supply side constraints. Support for trade and regional integration will facilitate trade negotiations and compliance with regional agreements, and will address key non-tariff barriers. ICT capacity building issues will be addressed at sub regional level.

Few agricultural commodities covered by the *Common Agricultural Policy* (CAP) enter into competition with Rwandan export products. However, as a predominantly agricultural economy, Rwanda is interested in the liberalisation of international agricultural markets. EU sanitary and phytosanitary standards are a significant barrier to Rwandan exports. The response strategy will therefore include measures to help Rwandan exporters to meet these standards.

Environmental issues are of major concern in Rwanda. The Country Strategy will address environmental concerns by ensuring that rural development interventions are aimed at reducing environmental pressures and that infrastructure investments minimise environmental damage.

The Country Strategy will also ensure that Rwanda is well-placed to gain, economically and socially, from *globalisation*. Improved infrastructure will help Rwanda to take its place in the world economy. Increased funding of education through budget support will help to ensure that Rwandans are able to benefit from advances in information and communication technology.

¹⁴ Although more progress needs to be made. For example, there are 21 donor agencies involved in the health sector, with only 14% of donor support managed by central government.

Rwanda's *security* situation is crucial for the whole of the Great Lakes region, as demonstrated by the events of the 1990s. In order for there to be long-lasting reconciliation and peace in Rwanda, progress must be made on poverty reduction and broad-based economic growth. This is consistent with the objectives of the Country Strategy, especially as regards rural development.

Migration between the EU and Rwanda is a minor issue and is therefore not directly addressed by the Country Strategy. Migration from Rwanda to the rest of the region (i.e. exporting Rwanda's key resource — labour) may be one benefit of regional integration, to be supported by the Country Strategy.

4. DESCRIPTION OF THE POLITICAL DIALOGUE WITH THE PARTNER COUNTRY

Dialogue based on Article 8 of the Cotonou Agreement began in 2004. High-level discussions between EU Ambassadors and Government Ministers have taken place on a number of sensitive issues, including Gacaca, the death penalty, the ICTR and judicial reform.

Issues of media freedom, political space, and human rights must be viewed in the context of the genocide. Political dialogue with the Government in this context is not straightforward. Political dialogue under Article 8 of the Cotonou Agreement has been successful, however, particularly on issues involving the justice sector (Gacaca, ICTR, death penalty). This was due to an informed and constructive approach to dialogue with the Government. Future dialogue on issues such as media freedoms, regional integration and security issues will use a similar approach, defining carefully and realistically what is being sought by the EU, and approaching the Government in a constructive manner.

The 10th EDF programming process has helped clarify future topics for Article 8 dialogue, and has provided a framework for discussion through the establishment of governance commitments or benchmarks by the Government.

5. DESCRIPTION OF THE STATE OF THE PARTNERSHIP WITH THE RECIPIENT COUNTRY AND PROGRESS TOWARDS HARMONISATION¹⁵

Rwanda is a signatory of the *Paris Declaration* on Aid Effectiveness. Inherent to the Paris Declaration is the principle of country ownership. The Government of Rwanda and its development partners are committed to implementing global commitments through their Aid Coordination, Harmonisation and Alignment (ACHA) framework and within Rwanda's national policies and strategies. A strong national resolve, supported by an influx of international assistance, has allowed the country to move from an emergency phase to effective sustainable development. While Rwanda has emerged from a difficult set of development circumstances, its achievements in establishing an ACHA framework are recognised as international best practice.

In the context of the global commitments to increase the effectiveness of aid, the *Rwanda Aid Policy* ensures that the impact of external assistance is maximised. The Policy allows the Government to regulate and monitor aid flows while clearly stating its expectations and commitments. Moreover, it articulates the Government's preferences regarding the types of external assistance it solicits and the processes to be adopted in the negotiation and management of external aid. The Aid Policy, as expressed in the Aid Policy Document of July 2006, is the outcome of an extensive process of consultations involving all stakeholders in Rwanda's development.

The Government has set up the *Development Assistance Database* (DAD) to complement existing public financial management systems and provide comprehensive and essential data on ODA flows. DAD is an aid management and coordination system that strengthens the effectiveness and transparency of international assistance to the country.

¹⁵ This section draws from the "Aid Coordination, Harmonisation and Alignment Framework" summary produced by the Ministry of Finance, available at http://www.devpartners.gov.rw/docs/Rwanda_ACHA_Overview.pdf.

The External Finance Unit within the Ministry of Finance and Economic Planning is mandated with the coordination and management of external aid. The Government and its partners maintain regular and transparent dialogue through the *Development Partners Coordination Group*, the highest-level coordination structure in Rwanda. The *Budget Support Harmonisation Group* monitors the implementation of the Partnership Framework, which outlines commitments for macroeconomic stability, public financial management and policy formulation. A series of *clusters and sectoral working groups* — co-chaired by Government and a lead-donor partner, and covering the key sectors — allow all stakeholders to hold technical discussions on budgeting, sector planning, harmonisation and prioritisation according to strategic plans and policies.

CHAPTER IV: RESPONSE STRATEGY

1 COOPERATION PRIORITIES

The overall objective of EC cooperation with Rwanda is poverty reduction. In order to achieve this, the main themes of the cooperation programme will be access to basic services, promoting pro-poor growth and rural economic development, and fostering national reconciliation and justice. Across all of these themes, improved governance will be crucial to success. The EC cooperation programme is aligned with the emerging priorities of the Government's national development strategy: the Economic Development and Poverty Reduction Strategy (EDPRS). The cooperation programme will be the EC's contribution to the implementation of the EDPRS, and to the achievement of the MDGs.

In line with the principle of concentration, and based on the analysis of the country's priorities and challenges (Chapter 2), past experience with EC-Rwanda cooperation (Chapter 3), and an analysis of the EC's comparative advantage vis-à-vis other donors (Chapters 2 and 3), two focal sectors and a number of non-focal areas have been selected. As regards aid modalities, the EC is committed to the continuation of its general budget support programme and a gradual move to sector budget support in the target domains of rural development (under focal sector I) and infrastructure for regional interconnectivity (under focal sector II).

General budget support for Rwanda will be made available to consolidate and advance the gains made in the provision of basic services, particularly in education, health and water. The Budget Support Programme will continue to support economic and institutional reform, aligning with the EDPRS. It will also serve as a reference point for governance issues in general and political dialogue in particular.

Sector support from the EC in specific domains will be reserved for two focal areas: rural development (focal sector I) and infrastructure for regional interconnectivity (focal sector II). Both of these domains are central to the theme of pro-poor economic growth and rural economic development. Both are also domains where progress in the past has been insufficient and external resources relatively scarce, but where progress has been made in establishing coherent policy, strategy and institutional frameworks. Both are therefore areas where the scaling up of resources by a larger donor would be useful. In both, moreover, the EC has a comparative advantage in terms of appropriate scale, available human resources, and experience in Rwanda and internationally. In these domains, the bulk of resources will be channelled through government systems for the scaling up of service delivery and infrastructure development. Support will also be provided for the development of the emerging policy, strategy and institutional environment.

Outside the focal sectors, support will be made available for programmes to strengthen the rule of law and to support economic and financial management, trade and regional integration and development of the private sector.

Given the mutually influencing and supporting role of security and development, assistance may support implementation of UN instruments of horizontal importance such as the UN Convention on Trans-national Organised Crime plus its Protocols and the UN Convention against Corruption. Support to improving regional law enforcement cooperation may also be considered

ICT and Science and Technology capacity-building issues are addressed at regional and sub-regional level following the orientations of the Policy Coherence for Development and the outline of the EU-Africa Joint Strategy and Action Plans regarding respectively the fight against the digital divide and strengthening of Science and Technology capacities in Africa.

2 SUPPORT FOR THE EDPRS

General budget support will be used to increase the resources available for service delivery in areas critical for the MDGs and the successful implementation of the EDPRS, particularly health, education and water, support continued reforms; and to ensure macroeconomic stability.

Rwanda has benefited from EC budget support since 1999. The basic conditions for a budget support programme are in place. Budget support will be harmonised through the Budget Support Harmonisation Group, which brings together all budget support donors, and the six-monthly Joint Budget Support Reviews.

Rwanda's macroeconomic management has been strong, and Rwanda has implemented a series of economic reform programmes supervised by the IMF and World Bank. Public financial management has been rapidly improving — with direct EC assistance and joint donor support through the PFM Trust Fund. A PFM Steering Committee has been re-established with its own secretariat. This has formulated a PFM Action Plan, which has been adopted by the Cabinet. The Organic Law on State Finances and Property (OBL), which is expected to be the fundamental guide for the rest of the ongoing PFM reforms, has been gazetted.

Capacity building has intensified, beginning with the recruitment of accountants to all budget units and the training of over 200 accountants. The accounting system has been reconfigured and public books of accounts set up. For the first time, the consolidation of financial statements and the development of a government fixed assets register is planned for the 2007 financial year. The internal audit system is being reorganised to have annual audit plans and programmes. Reforms in ICT and the Treasury are an integral part of the PFM reform process.

The EDPRS is to provide an updated, realistic and ambitious framework for poverty reduction. Budgets increasingly reflect national inter- and intra-sectoral priorities. In 2006 the Government started to prepare a Long Term Investment Framework (LTIF). This comprises: an analysis and suggested policy orientations addressing the main economic challenges for achieving Vision 2020 objectives; the development of a Long Term Investment Plan (LTIP); the assessment of financing requirements; and the development of an implementation strategy.

General budget support will be provided within the framework of budget support harmonisation in Rwanda. Budget support will be disbursed in the form of annual fixed and variable tranches. Variable tranches will be linked to results indicators in public financial management, health, education and possibly water and sanitation, depending on how the monitoring framework for this sector is defined in the EDPRS.

Improved governance is critical to the success of Rwanda's poverty reduction efforts, and is a factor cutting across the EC's cooperation programme. It is crucial to the effectiveness of the overall programme. To improve Rwanda's **economic governance**, activities will focus on the implementation of aid policy, the strengthening of public financial management, improving macro-economic management, and supporting the National Institute of Statistics in strengthening statistical capacity and the implementation of surveys, while improving the use of statistics for policy making. Some support for non-state actors, for example for budget monitoring, may be included.

The intention is to move towards sector-wide approaches, building on the progress made under the 9th EDF, such as the establishment of basket funds in various areas (PFM, statistics, planning and budgeting). The focus of the interventions will be on strengthening institutional capacity for economic management, particularly in central government institutions. This will include TA, training, support for reform systems and institutions.

3 FOCAL SECTORS

3.1. Focal Sector I: Rural development

The overall objective of EC cooperation in the rural development domain, mainly supported by sector budget support and project support, is poverty reduction through improved food security and increased agricultural productivity and developing an environment conducive for rural economic development, in the context of sustainable development and decentralisation.

3.1.1. Specific objectives

The specific objectives of the interventions will be to: a) strengthen agricultural productivity in order to ensure food security and increased incomes; b) develop rural infrastructure to provide a conducive environment for rural economic growth; c) promote off-farm employment; and d) ensure environmental sustainability and reduce pressure on scarce land resources. These objectives will be met largely through interventions at local government level.

For **strengthening agricultural productivity**, interventions financed by the EC will target improving the production of both food and cash crops. Special attention will be given to adding value through improved quality (e.g. fully washed coffee) and through the use of marketing channels that promote fair trade, for example by promoting cooperatives.

The **development of rural infrastructure** will depend on local priorities as defined in local development plans, and will include the construction and rehabilitation of rural feeder roads, rural energy infrastructure (mini-hydropower, biogas, solar energy), processing centres, storage sites, environmental protection and water management infrastructure (including irrigation and sustainable economic production in marshlands) and modern markets. This will facilitate the circulation of goods and the provision of services, impact positively on the quality of production and reduce post-harvest losses.

The **promotion of off-farm employment** will be achieved by applying a labour-intensive public works approach to the development of rural infrastructure and to environmental measures. The reinforcement of district and sector administrations will also encourage rural “growth clusters” around which small-scale service and manufacturing industries should develop.

Ensuring **environmental sustainability** is an issue that cuts across the other three objectives. Specific interventions to promote agricultural productivity (e.g. support for district extension services) or infrastructural development (e.g. water management infrastructure) will contribute directly to environmental sustainability. Other activities would include creating a favourable environment for light industries concerned with waste management and recycling. Rural economic transformation, including the creation of off-farm employment, will indirectly help to reduce pressure on scarce land resources.

3.1.2. Implementation methods

The bulk of EC-financed interventions will be provided as **financial support for the implementation of the economic development aspects of local government development plans**. This will eventually be provided using sector budget support. In a first transitional phase, however, a project approach may be adopted, providing resources to local governments through the Common Development Fund and supervised targeted projects. This will include support for the Ubudehe programme of support for communities, which started under the 9th EDF. The transition to a sector budget support approach will depend on the state of progress of the decentralisation process, and the capacity of local actors to implement planned actions and account for expenditure. Disbursements of sector budget support will be linked to performance in the implementation of District Development Plans and increases in central government transfers to local governments for economic development activities in line with the above specific objectives.

Financial support for local governments will be coupled with a series of **accompanying measures** intended to increase the effectiveness of the financial support. They will include:

- *Institutional support and capacity building* — Support will be provided for: planning, budgeting and monitoring at local government level; the technical skills of specialised staff at local government level; national agencies responsible for rural development; the creation and management of producers' associations and cooperatives; and other non-state actors involved in the domain. Special efforts will be made to link the bottom-up planning approach advocated through Ubudehe with the planning and budgeting process at district level.
- *Pilot activities* — Pilot activities may be financed to test innovative approaches to meeting the specific objectives above. They will also be used to build the capacity of actors at various levels, including at grassroots level. The activities may be implemented by both government (particularly at local level) and non-state actors within the various agro-ecological regions of the country. The results will be critically analysed and nationally disseminated.
- *National level activities* — For certain activities where local-level implementation is not efficient, funding will be provided at national level. For example, this may involve support for micro-finance institutions, development of improved seeds, etc.
- *Food security* — the disaster preparedness, prevention and recovery analysis highlighted food security as a major risk. In order to avoid future disasters, support may be provided for preventive actions or early warning systems.

In order to ensure the effectiveness of the Commission's interventions, the Government will continue its programme of decentralisation, including by putting in place sufficient staff at district level, formulating a capacity-building strategy, clarifying the framework for decentralisation of responsibility for rural economic development, and strengthening financial management at local government level. It will also put in place an MTEF and budget consistent with the EDPRS rural development strategy and strengthen the monitoring and evaluation framework for rural development. The implementation of the revised land law will be phased in, and continued efforts will be made to reform the financial sector in order to promote lending to rural enterprises.

3.1.3. Cross-cutting issues

Interventions in the rural development domain will address cross-cutting issues. Environmental sustainability is a specific objective of such interventions. The use of labour-intensive public works will contribute to increased incomes for vulnerable groups. The strengthening of the decentralisation process, including through Ubudehe, is an important aspect of good governance and effective democracy. Rural economic development will encourage Rwandans to produce for export, and thereby strengthen regional integration. Increasing rural incomes will help to foster reconciliation and therefore continued peace.

HIV/AIDS negatively impacts on the productive capacity of households affected by the disease in rural areas. HIV/AIDS prevention messages will be integrated within capacity-building programmes, agricultural extension activities and labour-intensive public works programmes.

3.2. Focal Sector II: Infrastructure for regional interconnectivity

The overall objective of EC cooperation in the infrastructure domain, mainly supported by sector budget support and project support, is to support economic growth by strengthening the infrastructure essential for the economic development of the country. As a landlocked country, special attention will be devoted to regional interconnectivity.

3.2.1. Specific objectives

The two specific objectives are a) to reduce transport costs and improve interconnectivity through consolidation of the transport sector; and b) to enhance regional integration through contributions to regional transport and energy projects.

3.2.2. Implementation methods

Support for the Rwandan **transport sector** will consolidate the improvements (in terms of both rehabilitation and institutional reforms for sustainable management) supported by a succession of EC projects in the sector. This will be achieved through a sector-wide approach, with the Government of Rwanda in the driving seat and in close partnership with the World Bank. It will involve the following components:

- *Sector budget support for transport* — increasing the resources allocated to road maintenance and to the renovation of rural feeder roads under a realistic and sustainable MTEF;
- *Institutional support and capacity building* — strengthening organisations within the sector in the context of ongoing reforms aimed at restructuring and developing a comprehensive and sustainable road development and maintenance strategy. This will include support for state institutions (Ministry of Infrastructure, Roads Agency, Road Maintenance Fund, districts) and non-state actors (local private operators including construction and consulting firms, local NGOs monitoring environmental and social impacts). Capacity building for all of these actors will also be organised in the form of on-the-job training, e.g. at pilot project sites, etc.; This component could also cover the aviation sector, where support will be considered for regulatory oversight, aviation safety and security, air traffic management, air navigation systems and technical standards.
- *Rehabilitation of parts of the northern and central corridor routes* — strengthening the northern corridor towards Mombassa and the central corridor towards Dar Es Salaam, through trade facilitation (e.g. one-stop border posts), ensuring Rwandan participation in the management of the corridors, as well as rehabilitation of critical sections of the corridors. More specifically, this will cover the Kigali-Gatuna section (85 km) of the northern corridor and the Kayonza-Rusumo section (92km) of the central corridor;
- *Rehabilitation of rural feeder roads* — strengthening the secondary road network in order to increase access to rural areas.

Support for **regional integration** will be provided in the form of the co-financing of energy and transport projects at regional level. Co-financing will be sought from other Community interventions, including the Regional Indicative Programme, the Infrastructure Trust Fund, the EIB, and the Energy Facility. The energy component will be handled through a project approach for major high-priority regional investments. In particular, co-financing of the rehabilitation and extension of the Rusizi hydroelectric power station and the construction of Rusomo hydroelectric power station will both be considered. In addition, funding will be set aside for energy-related feasibility studies, as well as an ‘institutional support’ component for capacity building within implementing agencies. The regional transport component will be linked to projects that will eventually be funded by the CEPGL Programme, ESA Regional Indicative Programme, or the EIB-managed Infrastructure Trust Fund.

In order to ensure the effectiveness of the Commission’s interventions, the Government will continue its programme of road sector reform, including through the establishment of an autonomous roads agency, the strengthening of the road maintenance fund, updating the road network classification and maintenance strategy, and gradually increasing road user fees (fuel levy).

A major risk to the success of these activities is that the infrastructure will not be effectively utilised by the Rwandan private sector. This risk will be mitigated by interventions in rural development, trade and regional integration designed to increase rural economic activity and promote exports.

3.2.3. Cross-cutting issues

Interventions in the infrastructure domain will address key cross-cutting issues. In order to ensure increased employment, road maintenance and rehabilitation works will use a labour-intensive public

works approach. Vulnerable groups will be targeted to benefit from this employment. Rehabilitation of regional corridors will be accompanied by efforts to raise the awareness of road users about the spread of HIV/AIDS.

The environmental impact of infrastructure works will be assessed and monitored, and road rehabilitation programmes will use a biological engineering approach (e.g. soil stabilisation aimed at reducing erosion on hill-slopes) to reduce maintenance costs.

Capacity-building measures are planned for the development of a comprehensive and sustainable road development maintenance strategy, including support for the Road Maintenance Fund. This will include the improvement of financial management and activity reports and the establishment of technical and financial audits, which will contribute towards strengthening good governance within the sector. The establishment of the Roads Authority will contribute towards strengthening the transparency of programming within the sector.

4 NON-FOCAL AREAS: GOVERNANCE, TRADE, REGIONAL INTEGRATION AND PRIVATE SECTOR DEVELOPMENT

4.1 Good governance

The objective is to strengthen the rule of law and consolidate democracy, in close cooperation with other donors active in the sector and taking account of actions co-financed by the EC under the European Instrument for Democracy and Human Rights and the thematic programme for Non State Actors and Local Authorities. Strengthening the rule of law has to be seen in the context of genocide-related justice being almost completed (expected by mid 2008) genocide perpetrators returning from prison to their villages and increasing regional cooperation. The emphasis will therefore be on reinforcement of classical justice and on reconciliation processes and actors. Consolidation of democracy is crucial, in particular in view of the 2008 parliamentary elections and the 2010 presidential elections. Support will be provided to both state and non-state actors.

4.2 Trade and private sector development

This objective is linked to *Trade and regional integration*, which is a national priority and a key feature of EC development policy. The specific objectives of EC cooperation will be: a) to support Rwanda's integration into the global economy through increased participation in regional and international trade; and b) to support the development of a competitive private sector through the creation of a conducive environment.

The support will be based on priority activities identified in the Diagnostic Trade Integration Study. This will involve providing support to Government agencies (in order to create an appropriate formal and informal environment for the private sector) and directly to the formal and informal private sector (e.g. through umbrella organisations and cooperatives). The support will be designed to ensure that there is a link between national projects and EC regional programmes.

With regard to *integration into the regional and world economy*, the 10th EDF will finance interventions to promote regional integration (negotiations, compliance, trade facilitation) and trade negotiations (WTO and EPA), and to overcome key constraints to international trade (standards, TBT and SPS measures, customs' procedures, etc.). This will be achieved through support to build the capacity of key Government institutions, particularly the Ministry of Commerce and its agencies. It may also include support for non-state actors active in the field of regional integration and trade negotiations (including the private sector and NGOs).

As regards the *promotion of private sector development*, the Commission will: support dialogue and cooperation between the public and private sectors; provide assistance for the institutional and legal reforms necessary for private sector development; and support the development of the private sector

(particularly SMEs and cooperatives), including possibly through the CDE and institutions that support cooperatives.

5 ROLE OF NON-STATE ACTORS

The role of non-state actors (NSAs) is crucial to the implementation of the EDPRS, and the country strategy will provide support to NSAs across the different domains of intervention. In the context of increasing budget support (both general and sector), the role of NSAs in the 10th EDF will evolve. The Commission will promote the furthering of a constructive dialogue between NSAs and the government. Across the domains, the key areas where NSAs can bring added value are:

- *Innovation* — NSAs have scope for innovating with new approaches. This has been demonstrated in the health sector and in rural development (e.g. Ubudehe). Resources will be made available for further innovation in the infrastructure and rural development domains.
- *Monitoring* — NSAs can provide a useful channel for information from grassroots level directly to central government and the donor community, providing an alternative viewpoint or “reality check” for governmental monitoring systems. This is particularly useful in the context of decentralisation and rural development, where local governments will be under pressure to report rapid results and also in the context of international commitments taken by the Rwanda Government (e.g. implementation of UN Conventions). Specialised NSAs can also provide monitoring of the environmental and social impacts of infrastructure projects.
- *Service delivery* — specialised NSAs (including the private sector) can provide contracted-out service delivery in areas where the Government lacks human resources or expertise. This is particularly the case for private firms providing consultancy services or undertaking works contracts. Where necessary skills are currently underdeveloped, capacity-building support will be provided. NSAs may also be contracted to perform certain functions, for example the distribution of food in the case of a food security emergency.
- *Advocacy* — specialised NSAs and representative organisations can provide advocacy and monitoring services for specific vulnerable groups. Support may therefore be provided to such organisations (for example, dealing with orphans, women, the Batwa population, persons affected by HIV/AIDS or disabilities) to ensure that the rights of vulnerable groups (for example, to benefit from labour-intensive public works, rural infrastructure, capacity building) are respected.

6. RISK TO THE STRATEGY

The strategy may be subject to exogenous and endogenous risks. Mechanisms are in place for assessing and managing these risks in most cases. The likelihood of the cooperation strategy being affected by identified risks is judged to be very low.

Agriculture accounts for some 40% of GNP and is the main source of livelihood for the majority of the working population. Exogenous risks affecting agriculture include the risk of harvest failure due to unfavourable weather conditions. This can have an unfavourable effect on the growth of GDP and have a serious impact on the living standard of the most vulnerable section of the population, which is already very low. Data on food availability and prices are collected on a regular basis. In the event of an extreme food shortage, emergency measures may be necessary but these are not expected to have more than a minimal impact on the overall cooperation strategy.

Instability in neighbouring countries is expected to decrease with the growth in democracy and peace-building measures such as the US-facilitated Tri-Partite Plus arrangements between Rwanda, Burundi, DRC and Uganda and the Great Lakes Conference meetings facilitated by

Canada and Netherlands. Genocide forces (FDLR) are still politically and militarily active in DRC and remain an irritant but not a serious national threat to Rwanda.

The risk of political upheaval inside the country is judged to be extremely remote: elections have been held peacefully and there are no serious challenges to the governing regime, which is a government of unification and national reconciliation.

PART 2: INDICATIVE PROGRAMME

1 INDICATIVE PROGRAMME

1.1 Introduction

On the basis of the cooperation strategy presented in Part 1 and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed schedule of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this Chapter indicate the overall breakdown of funds between the focal sectors and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

1.2 Financial instruments

The implementation of the EC's cooperation strategy with Rwanda will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

1.2.1 10th EDF, A envelope, €290 million:

This envelope will cover long-term programmable development operations under the strategy, in particular support for the EDPRS, rural development and infrastructure.

	in €m	as % of total
General Support for the EDPRS	175.0	60%
1. General Budget Support	175.0	60%
Focal Sectors	90.0	31%
2. Focal sector I - Rural Development	40.0	14%
3. Focal sector II — Infrastructure for Regional Interconnectivity	50.0	17%
Non-Focal Areas	25.0	9%
4. Governance: Programmes strengthening the rule of law	8.5	3%
5. Governance: Programmes supporting economic management	7.5	3%
6. Support for trade, regional integration & private sector development	6.0	2%
7. Technical Cooperation Facility	3.0	1%
Grand Total	290.0	100%
<i>of which support for activities of NSAs across all programmes</i>	7.5	3%

1.2.2 10th EDF, B envelope, €4.4 million:

This envelope will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings.

In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

1.2.3 10th EDF All-ACP Initiatives

As was the case under the 9th EDF with the *water facility* and the *energy facility*, Rwanda will be able to benefit from all-ACP initiatives under the 10th EDF.

1.2.4 Investment Facility:

In addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank (EIB). The Investment Facility is not part of the NIP.

1.2.5 10th EDF regional indicative programme,

This allocation will cover long-term programmable development operations under the regional strategy for Eastern Africa. With the aim of deepening regional integration, programmes will be supported with COMESA and the EAC. The allocation is not part of the Indicative Programme but may have repercussions at national level depending on the participation of Rwanda in the programmes proposed under the regional framework. Integration within the Great Lakes Region will also be supported through programmes under the CEPGL.

1.2.6 Other financial instruments:

Specific activities may be supported by external actions funded from the general budget of the European Community under the financial framework for 2007-2013, subject to special procedure and the availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes “investing in people”, “non-state actors in development”, “migration and asylum”, “environment and sustainable management of natural resources” and “food security”, as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance. Other specific activities may be supported by the Centre for the Development of Enterprise (CDE) and the Centre for the Development of Agriculture (CDA).

1.2.7 Monitoring and evaluation

Monitoring of results and evaluations of the impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community’s cooperation with Rwanda, as implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

1.3 General support for the EDPRS

The Community will provide general support for the implementation of the EDPRS. Special attention will be given to the objective of poverty reduction, particularly with a view to ensuring equitable access to social services (including education, health and water). The main financing mechanism will be general budget support, which will be delivered in the form of three-year programmes. However the possibility of disbursing GBS as a six year arrangement could be considered. Funds will be disbursed on

an annual basis. However, the possibility of disbursing general budget support as a six-year arrangement could be considered. As an indicative amount, approximately €175 million will be set aside for this type of support.

1.4 Focal sectors

In line with the EU Code of Conduct on complementarity and division of labour in development policy, EC cooperation is concentrated in two focal sectors: rural development and infrastructure for regional connectivity. As part of the wider ongoing harmonisation and alignment agenda in Rwanda, the EC will endeavour to limit the number and scope of specific actions.

1.4.1. Focal Sector I — Rural Development

The overall objective of EC cooperation in the rural development domain will be poverty reduction through rural economic *development/transformation*, in the context of sustainable development and decentralisation. The specific objectives of the interventions will be to: a) strengthen agricultural productivity in order to ensure food security and safety and increased incomes; b) develop rural infrastructure to provide a conducive environment for rural economic growth; c) promote off-farm employment; d) ensure environmental sustainability and reduce pressure on scarce land resources; and e) continue to increase the incomes and the voice of the poorest through participatory processes such as Ubudehe and the labour-intensive public works programme HIMO.

As an indicative amount, approximately €40 million will be set aside for this sector.

The main actions proposed are:

- Financial support for local governments to implement the economic development aspects of local government development plans, particularly as regards:
 - Strengthening agricultural productivity and marketing channels ;
 - Construction of radical terraces
 - Developing rural economic infrastructure;
 - Creating off-farm employment; and
 - Promoting environmental sustainability.
- Institutional support and capacity building for local actors (both governmental and non-governmental), as well as national agencies. This will include support for bottom-up planning through Ubudehe.
- Pilot activities to build capacity and test innovative approaches to agricultural productivity enhancement, rural economic infrastructure, labour-intensive public works, and environmental protection.
- National-level support for activities that cannot efficiently be carried out at local level (e.g. development of new seed varieties, support for micro-credit institutions).
- Food security interventions in the case of a food security emergency.

Sectoral budget support will be used as the implementing instrument for approximately 50 percent of the indicative amount set aside for rural development. The remaining 50 percent will be implemented through project support.

The main sectoral policy measures to be taken by the Government to support the implementation of the response strategy in this field are:

- Continuing the programme of decentralisation, including:
 - developing a Rwanda Strategic Framework for Decentralisation (RSFD)
 - revising the Decentralisation Implementation Plan (DIP)
 - putting in place sufficient staff at district level, particularly for economic development
 - formulating a capacity-building strategy for local governments
 - clarifying the framework for decentralisation of responsibility for rural economic development
 - strengthening financial management at local government level
 - ensuring responsibilities and adequate resources are transferred to local governments.
- Ensuring the implementation of the EDPRS rural development strategy (including the Strategic Plan for the Transformation of Agriculture or SPTA) by:
 - putting in place an MTEF and budget consistent with the EDPRS rural development strategy
 - strengthening the monitoring and evaluation framework for rural development, including by improving the reliability of agricultural statistics.
- Clarifying the legal framework for land ownership, notably through the implementation of land law provisions.
- Reforming the financial sector in order to promote lending to rural enterprises.

A number of quantitative indicators will be monitored, including:

- Annual growth rate of agricultural production, including increasing yields of priority crops
- Annual growth rate of agricultural export revenue
- % of total budget allocated to local governments
- % of total budget allocated to local governments for rural economic development activities, together with annual recurrent development-budget execution
- Increase in: (i) soil fertility and fertiliser use (kg/ha/year); (ii) production of organic manure (kg/ha/year)
- Number of modern markets and storage facilities.

The main commitments by the Government to ensuring the mainstreaming of the crosscutting issues are:

- Integration of HIV/AIDS prevention messages within agricultural extension activities
- Ensuring the participation of women and vulnerable groups in rural employment creation activities
- Integration of soil and water conservation messages within agricultural extension, pilot-project and capacity-building activities.

Where needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

1.4.2. Focal Sector II — Infrastructure for Regional Interconnectivity

The overall objective of EC cooperation in the infrastructure domain is to support economic growth by strengthening the infrastructure essential for the economic development of the country. The two specific objectives are a) to reduce transport costs and improve interconnectivity through consolidation of the transport sector; and b) to enhance regional integration through contributions to regional transport and energy projects.

As an indicative amount, approximately €50 million will be set aside for this sector.

The main actions proposed are:

- Road maintenance for the core road network
- Rehabilitation of rural feeder roads
- Institutional support and capacity building for organisations involved in the transport sector, including the Ministry of Infrastructure, Roads Agency, Road Maintenance Fund, Civil Aviation Authority, district administrations, consulting and construction firms
- Rehabilitation of key sections of the northern and central corridors
- Co-financing regional energy and roads projects.

Sectoral budget support will be used as the implementing instrument for approximately 30 percent of the indicative amount set aside for infrastructure. The remaining 70 percent will be implemented through co-financing and project support.

The main sectoral policy measures to be taken by the Government to support the implementation of the response strategy in this field are:

- Implementation of the revised law on the Road Maintenance Fund, including increased independence for the Board;
- Creation and effective establishment of an autonomous Roads Agency responsible for managing national road networks, as well as maintenance and rehabilitation programmes;
- Updating of the road network classification, including roads under both central and local government responsibility;
- Gradual increase in road user fees (fuel levy), through the transfer of a part of fuel taxes;
- Installation of a technical and financial auditing system for road maintenance programmes;
- In the context of decentralisation of the transport sector, support to build the capacity of the districts for the management of the road network under their responsibility;
- Establish Water and Energy Agencies and split up the water and energy operations of Electrogaz
- Definition of an initial institutional support programme for energy;
- Preparation and execution of preliminary technical surveys for energy projects.

A number of quantitative indicators will be monitored, including:

- level of Road Maintenance Fund resources
- % of core roads in good condition
- % of rural feeder roads in good condition
- national electricity generation capacity

- % of population with access to electricity

The main commitments by the Government to ensuring the mainstreaming of the crosscutting issues are:

- monitoring the environmental impact of infrastructure projects
- improving the financial management of the Road Maintenance Fund
- decentralising responsibility for management of rural feeder roads
- promoting a labour-intensive public works approach to roads rehabilitation and maintenance
- Raising the awareness of corridor road users and the rehabilitation/maintenance labour force about HIV/AIDS issues.

Where needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

1.5 Non-focal areas

An indicative amount of €25 million is set aside for the following actions:

- *Governance programmes mainly for strengthening the rule of law and consolidating democracy.* The main policy measures to be taken by the Government to support the implementation of these programmes are:
 - complete the setting up of the police with support to infrastructure building (police stations), and training of human resources
 - consolidate the judiciary by reinforcing the capacity of human resources, especially at decentralised level
 - improve detention conditions in Rwandan prisons through equipment and training of human resources (administrative staff and warders)
 - strengthen the institutional capacities of the National Electoral Commission in particular ICT, especially in view of developing a computerised voter roll, delivery of civic education, training of electoral agents, drafting of an electoral code, preparation and delivery of transparent, free and fair 2008 parliamentary elections and 2010 presidential elections with the participation of national and international observers
 - build capacity of Members of Parliament to deliver on their mission
 - further the unity and reconciliation process through support to TIG and educational activities aimed, in particular, at children.
- *Programmes for improving governance in financial and economic management.* The main policy measures to be taken by the Government to support the implementation of these programmes are:
 - Ensuring adequate staffing of institutions involved in economic management
 - Developing and monitoring a PFM reform action plan
 - Implementing an improved monitoring and evaluation system linking evidence to policy making
 - Producing consolidated public accounts from 2007.

- *Trade and regional integration*: support for trade negotiations, private sector development, implementation of the Diagnostic Trade Integration Study. The main policy measures to be taken by the Government to support the implementation of the response strategy in this area are:
 - Putting in place an export promotion fund
 - Introducing a revised legal framework for SMEs
 - Putting in place an agency for regulating cooperatives.
- *The Technical Cooperation Facility*;

Where needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

1.6 Support for non-state actors

Support for non-state actors is mainstreamed across all domains. Financing will be available for non-state actors active in each of the areas outlined above for complementary actions such as capacity building, innovative approaches, advocacy, monitoring, pilot projects, and support for the private sector (including the cooperative movement). Specific allocations will be included in relevant programmes, with call-for-proposal mechanisms to allow non-state actors to participate. (See Article 6 of the Cotonou Agreement and Article 4(1)(d) of Annex IV to the Cotonou Agreement.)

1.7 Intervention Framework & Performance Indicators

1.7.1 Focal Sector I: Rural Development

	Intervention logic	Objectively verifiable indicators	Verification sources	Assumptions
Overall Objectives	Poverty reduction in rural areas by enhancing production within the context of sustainable development	% of population living below the poverty threshold % of population that have access to basic services (education, health, etc.)	Surveys within the districts National Institute of Statistics	Population growth reduced, benefiting agricultural production Basic services are improved and rendered more accessible
Programme objective	Integrated projects: Direct budget aid to the districts for promotion of agricultural activities, HIMO infrastructure projects and Ubudehe. Accompanying Measures: Improvement of agricultural production through the training of various stakeholder categories and improvement of infrastructure and services, as well as processing and marketing structures. Sector-wide budget support: Allocation of funds to the Government of Rwanda, accompanied by certain conditionalities.	Kms of rural road networks, public works (bridges, etc.) Storing and processing infrastructure, quantity of fertiliser utilised, seed quality, etc. Trained personnel (administration, technical, production, private sector, etc.) - Rate of central budget allocation among districts, rate of budget allocations to other decentralised entities such as Umudugudu (level at which Ubudehe is performed) - Availability of human resources and equipment within the districts - Performance of decentralised administrative entities	Projects CDF statistics on integrated projects carried out National Accounts Surveys within districts Performance indicators, performance contracts	Synergy among producers is sufficient to promote their organisation The present legal framework is favourable towards private investment The private sector is active and enterprising The decentralisation policies are successfully implemented The quality of (recruited) human resources is good
Results	The rate of self sufficiency in food production among rural communities has increased Producers' incomes that directly originate from exporting agricultural produce has increased The rate of employment within the various fields of agricultural production has increased	Contribution of agriculture to GDP Rate of malnutrition Price of agricultural products Surface/area of land covered with soil protection measures Export turnover from agricultural products Added value of agricultural products	Surveys within the districts National Institute of Statistics Agricultural statistics Trade statistics Number of products derived from agricultural products	The fiscal and statutory framework guarantees a fair distribution of income Climatic hazards do not harm production Product quality satisfies international norms Food preservation and processing technologies are well mastered

1.7.2 Focal Sector II: Infrastructure for regional interconnectivity

	Intervention logic	Objectively verifiable indicators	Verification sources	Assumptions
Overall objective	Supporting rapid economic growth of the country			
Specific objective	Strengthening of infrastructures essential for economic development			
Results	<p>Road network judged to be functional, and managed in a sustainable manner Monitoring of the axle load Improved access to global markets</p> <p>Strengthened access for rural communities</p> <p>Increased production of electricity through regional projects</p> <p>Increased management capacity in energy sector</p>	<p>Level of RMF resources, €15m/year 2011 O/N campaign measure</p> <p>SSATP indicators (container costs) % of roads in good condition Amount of traffic on the roads indicated</p> <p>50 MW /2012</p> <p>Energy Agency in place by 2009</p>	<p>RMF Annual Report</p> <p>Agency's Annual Report</p> <p>MININFRA's Annual Report</p> <p>Annual Road network Campaign</p>	<p>Access to regional fund for Corridors</p> <p>Partnership with EIB, "infra initiative"</p>

1.8 Indicative timetable for commitments and disbursements

1.8.1 Indicative timetable of global commitments

	Indicative allocation (€m)	2008		2009		2010→	
		1	2	1	2	2010-1	2010-2→
General Support for the EDPRS	175						
1. General Budget Support	175		100				75
FOCAL SECTORS	90						
2. Focal Sector I — Rural Development	40						
— Sector Budget Support	20			20			
— Other support for District Development Plans	5			5			
— Accompanying measures (1)	15			15			
3. Focal Sector II — Infrastructure for Regional Interconnectivity	50						
— Transport Sector Budget Support	15			15			
— Contribution to regional projects (Transport & Energy)	27		9		9		9
— Accompanying measures (1)	8			8			
NON-FOCAL AREAS	25						
4. Governance: Programmes strengthening the rule of law	8.5		8.5				
5. Governance: Programmes supporting economic management	7.5				7.5		
6. Support for EPA and other trade-related issues	6			6			
7. Technical cooperation facility	3				2		1
Total Commitments:	290	0	117.5	69	18.5	0	85
Total Cumulative Commitments:		0	117.5	186.5	205	205	290
<i>of which support for activities of NSAs across all programmes</i>	<i>7.5</i>						

(1) These include measures relating to (i) institutional capacity building, (ii) pilot projects and (iii) support for NSAs

1.8.2 Indicative timetable of disbursements

	Indicative allocation (M €)	2008		2009		2010→	
		1	2	1	2	2010 – 1	2010 – 2→
General Support for the EDPRS	175						
1. General Budget Support (1)	175		25		35		115
FOCAL SECTORS	90						
2. Focal Sector I — Rural Development	40						
— Sector Budget Support (1)	20				7		13
— Other support for District Development Plans	5				1	1	3
— Accompanying measures (2)	15				2,5	2,5	10
3. Focal Sector II — Infrastructure for Regional Interconnectivity	50						
— Transport Sector Budget Support (1)	15				5		10
— Contribution to regional projects (Transport & Energy)	27			2	2	4	19
— Accompanying measures (2)	8				2	2	4
Non Focal AREAS	23,2						
4. Governance: Programmes strengthening the rule of law	8,5				1,5	1,5	5,5
5. Governance: Programmes supporting economic management	7,5					1,5	6
6. Support for EPA and other trade-related issues	6				1	1,5	3,5
7. Technical cooperation facility	3					0,5	2,5
Total Disbursements:	290	0	25	2	57	14,5	191,5
Total Cumulative Disbursements:		0	25	27	84	98,5	290
<i>of which support for activities of NSAs across all programmes</i>	7.5						

(1) The timing of disbursements reflects Rwanda's intention to adopt the EAC budget calendar (July — June) starting in 2008/09.

(2) These include measures relating to (i) institutional capacity building, (ii) pilot projects and (iii) support for NSAs

1.9 Schedule of activities

	Indicative allocation (€m)	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
General Support for the EDPRS	175.0												
1. General Budget Support	175.0	FP		FD							FP		FD
FOCAL SECTORS	90.0												
2. Focal Sector I — Rural Development	40.0												
— Sector Budget Support	20.0			FP		FD							
— Other support for District Development Plans	5.0			FP		FD							
— Accompanying measures (1)	15.0			FP		FD							
3. Focal Sector II — Infrastructure for Regional Interconnectivity	50.0												
— Transport Sector Budget Support	15.0			FP		FD							
— Contribution to regional projects (Transport & Energy)	27.0	FP		FD		FP		FD		FP		FD	
— Accompanying measures (1)	8.0			FP		FD							
Non Focal AREAS	23.2												
4. Governance: Programmes strengthening rule of law	8.5		FP		FD								
5 Governance: Programmes supporting economic management	7.5	□	□	□	□	FP		FD	□				
6. Support for EPA and other trade-related issues	6.0				FP		FD						
7. Technical cooperation facility	3.0						FP		FD		FP		FD
Total	290.0												
<i>of which support for activities of NSAs across all programmes</i>	7.5												

(1) These include measures relating to (i) institutional capacity building, (ii) pilot projects and (iii) support for NSAs

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ANNEX 1: "COUNTRY AT A GLANCE" TABLE (INCLUDING MDG'S)

	Indicator	2000	2001	2002	2003	2004	2005	2006	2007	Source
		Actual	Actual	Actual	Actual	Actual	Estimate	Projection	Projection	
	Basic data									
1	Population (000)	7.754	7.956	8.163	8.375	8.593	8.816	9.045	9.280	2002 Census
	Annual Population growth (%)			2,60%						2002 Census
2a	Nominal GDP (€n)	1.970,1	1.901,0	1.834,6	1.501,3	1.469,0	1.731,8	1.858,3	2.036,1	
2b	Nominal GDP per capita (in €)	254,1	238,9	224,7	179,3	171,0	196,4	205,4	219,4	
3	Real GDP annual growth Rate (Rwf based)	6,9%	5,9%	9,4%	0,9%	4,0%	6,3%	6,0%	6,0%	MINECOFIN
4	Gross investment	17,5%	18,4%	16,9%	18,4%	20,5%	22,3%	21,9%	21,9%	IMF 1/
	International transactions									
5	Exports of goods (% GDP)	4,96%	5,50%	3,90%	3,70%	5,30%	6,00%	5,60%	5,35%	IMF
	of which coffee (% GDP)	1,24%	1,14%	0,93%	0,88%	1,74%	1,84%	2,59%	2,10%	IMF
6	Trade balance (% GDP)	-8,3%	-8,5%	-9,7%	-10,7%	-9,7%	-11,6%	-14,5%	-12,9%	IMF
7	Current account balance (as % GDP),									IMF
	Including official transfers	-5,0%	-5,9%	-6,7%	-7,8%	-3,0%	-3,1%	-10,8%	-10,0%	IMF
	Excluding official transfers	-16,3%	-15,9%	-16,6%	-19,2%	-18,2%	-19,4%	-21,4%	-19,2%	IMF
8	Net inflows of foreign direct investment (% GDP)	8,1%	3,8%	2,6%	4,7%	3,8%	5,5%	9,0%	4,6%	IMF
9	External debt (% GDP)	71,8%	78,5%	85,3%	93,4%	91,9%	70,7%	15,0%	18,7%	IMF
10	Service of external debt (% export of goods)	29,7%	9,3%	12,0%	11,1%	9,6%	7,2%	5,0%	5,0%	IMF
11	Foreign exchange reserves (in months of import cover)	5,4	5,8	6,3	5,0	6,3	6,2	4,9	4,8	IMF
	Government									
12	Revenues (in % GDP)		19,6%	19,4%	21,6%	25,9%	29,2%	27,3%	24,1%	IMF
	of which domestic revenue	9,7%	11,4%	12,2%	13,5%	13,9%	15,1%	14,1%	14,3%	IMF
	of which grants		8,2%	7,2%	8,1%	12,0%	14,1%	13,2%	9,8%	IMF
13	Expenditure (in % GDP)	18,7%	21,0%	21,2%	23,9%	26,1%	28,5%	28,1%	27,5%	IMF
	of which recurrent expenditure (%GDP)	12,6%	14,2%	14,8%	17,8%	15,9%	17,9%	18,8%	17,9%	IMF
	of which capital expenditure (% GDP)	6,0%	6,6%	4,9%	5,6%	8,5%	10,1%	8,6%	8,8%	IMF
14a	Deficit (including grants)	-9,0%	-9,6%	-9,0%	-10,4%	-12,2%	-13,4%	-14,0%	-13,2%	IMF
14b	Deficit (excluding grants)		-1,4%	-1,8%	-2,3%	-0,2%	0,7%	-0,8%	-3,4%	IMF
15	Debt (in % GDP)									
	of which external (in % of total public debt)									
	Other									
16	Consumer price inflation (annual average change in %)	3,9%	3,4%	2,0%	7,4%	12,0%	9,2%	5,5%	5,0%	IMF
17	Interest rate (for money, annual rate in %)									
18	Exchange rate (annual average RWF per €)	358,2	396,8	449,7	603,0	717,7	691,3	700,0	700,0	IMF
19	Unemployment (in % of labour force)									
20	Employment in agriculture (in % total employment)									

1/ IMF source is the latest available IMF Country Report No. 06/245 (July 2006)

MDGs

	Indicator	1990	1995	2000	2004	2005	2006	2007	2008	2015	Source	
		Actual	Actual	Actual	Actual	Estimate	Target	Target	Target	Target		
Impact	Poverty Headcount 1/	47,5%	77,8%	60,3%						23,8%	EICV	
	% of underweight children (under 5)	29%		24%		22,5				14,5%	DHS	
	Under-five mortality rate (per 1000 live births)	141	219	198		152				47	DHS	
	Maternal Mortality rate (per 10,000 births)	2.500	2.300	1.071		846				625	DHS	
Outcome	Net primary enrolment rate	65,9		74,3	92,0	92,0	94,0	94,0	94,0	100,0	EMIS	
	Primary completion rate	53,0%		77,0%	51,0%	64,0%	74,0%	84,0%			EMIS	
	Ratio of girls to boys in:											
	* Primary education	75%		98%	103%	104%				100%	EMIS	
	*Secondary education (all schools)	75%		104%	91%	89%				100%	EMIS	
	*Tertiary education (public and private)			58%							EMIS	
	Births attended by skilled health personnel (%)	22,0%		31,0%	39,8%	38,7%	40,0%				SIS	
	Utilisation of curative services				0,38	0,47	0,50					SIS
	Proportion of 1 year old children immunised against measles			62,0%	84,0%	85,6%	85-90%	85-90%	85-90%			SIS
HIV Prevalence among 15-49 year old pregnant women			13,7	9,5	3,0						Sentinel Site survey (DHS for '05)	
% population with sustainable access to an improved water source			41%				57%			85%	Census	

1/ EICV II data is expected to be available in January 2006

ANNEX 2: DONOR MATRIX

In PRSP-I (2002), the Government of Rwanda instituted a system of 14 sectors, to make sure different entities (both state, non-state and donor organisations) that were involved in a certain sector would co-ordinate with each other to avoid duplication and address overlapping areas.

In the Country Strategy Paper, sections 2 and 5 of chapter III give some background to donor interventions and coordination mechanisms in Rwanda. Here some more detail is given to areas of intervention of different donors and concrete co-ordination mechanisms. Two tables are attached; the first one is a snapshot of sectoral working groups (SWGs) that was compiled in March 2006. This gives an idea as to donor priorities and relative involvement of Development Partners in respective sectors.

The second table shows an update of the sectoral working group system. This table has been agreed as part of the currently ongoing EDPRS process. The aim is to have the different EDPRS chapters come out of the respective sectoral working groups. Apart from “security and regional integration”, all SWGs mentioned in the second table are currently active, with the EC delegation actively engaged in all them.

Annex 2 – Table 1: Snapshot of Sectoral Working Groups (March 2006)

		Sectors in which donors are present															
		Macroeconomics (incl. DBS)	Local Gov't / Decentralization	Executive and Legislative Organs	Agriculture	Environmental Protection	Land, Housing & Commun. Amenities	Industry and Commerce	Fuel and Energy	Transport and Communication (ICT)	Water and Sanitation	Health (HIV/AIDS)	Education	Youth, Culture and Sports	Social Protection (Gender)	Rule of Law, Public Order and Safety	
DEVELOPMENT PARTNERS	Austria	4					○				○				○		
	Belgium	8		○		○	○			○	●	○			○		
	Canada	7		○	○	○		○				○	○	○			
	China	8				○	○	○	○			○	○	○			
	France	5				○						○	○	○	○		
	Germany	8	☆	○	○	○		○				○		○	○		
	Italy	3				○	○					○					
	Japan	5	○			○				○	○		○				
	Luxembourg	3					○							○			
	Netherlands	10		●		○	○	○	○		○	○	(○)		○		
	Norway	2		(○)	(○)												
	Sweden	6	○	○						●			(○)		○		
	Switzerland	4		○			○					○			○		
	United Kingdom	6	○	☆		○	○					○	●	○	○		
	United States	6		○		○		○				○			○		
	ADB	9	○			○	○			○	○	●	○				
	BADEA	3							○	○	○						
	EC	10	●	○	○	○		○		○	○	○		○	○		
	Global Fund	1										○					
	IFAD	5		○		○	○	○			○						
	IMF	2	○					○									
	World Bank	14	○	○		●	○	○	○	○	○	○	○	○	○		
	FAO	2				○	○										
	UNAIDS	1										○					
	UNDP	11	○	○	○	○	○	○		○		○		○	○		
	UNECA	3	○					○		○							
	UNFPA	5					○					○	○	○	○		
	UNHCR	5					○					○	○	○	○		
	UNICEF	8		○	○						○	○	○	○	○		
	UNIDO	1						○									
	UNIFEM	1												(○)			
	WFP	3				○						○	○				
	WHO	1										○					
	TOTAL:	35 Dev Partners	9	14	6	17	10	9	12	6	9	10	21	13	8	11	13

- Current lead for sector
- Current lead for sub-sector
- Present in sector with no phase-out plan
- (○) Present in sector through silent partnership
- Present in sector with phase-out plan
- ☆ Future Plans to be present in sector

Note: This information was compiled from different financial sources within MINECOFIN.

Annex 2 – Table 2: EDPRS Sectoral Working Group system

	Working Group	Lead Government Institution (Chair)	Lead Donor (co-Chair)
1	Economic Growth, Employment and Financial Sector Development	MINECOFIN	World Bank
2	Private Sector Development	MINICOM	USAID
3	Infrastructure (Including: Energy, Transport, ICT, Housing/Settlement)	MININFRA	EC
	3.1. Transport	MININFRA	EC
	3.2. Energy	MININFRA	World Bank
	3.3. ICT	MININFRA	SIDA
	3.4. Housing/Settlement	MININFRA	UN Habitat
	3.5. Meteorology	MININFRA	
4	Agriculture and Animal Resources	MINAGRI	World Bank
5	Environment and Land Use Management	MINITERE / REMA	UNDP
6	Education, Science and Technology, R&D	MINEDUC	DFID
7	Health	MINISANTE	Belgium
8	Water and Sanitation	MINITERE	ADB
9	Social Protection	MINALOC	DFID and UNDP
10	Justice, Reconciliation, Law and Order	MINIJUST	UNDP
11	Decentralization, Citizen Participation, Transparency and Accountability	MINALOC	GTZ
12	<i>Security and Regional Integration – to be confirmed</i>	<i>MINADEF</i>	<i>To be confirmed</i>

Cross-Cutting Issues Group:		MINECOFIN	DFID
	- Gender		
	- Social Inclusion		
	- Environment		
	- HIV/AIDS		

ANNEX 3: EXECUTIVE SUMMARY OF THE COUNTRY ENVIRONMENTAL PROFILE

The Government of Rwanda started the preparation of its second PRSP, the Economic Development and Poverty Reduction Strategy (EDPRS) in the first half of 2006. This nationwide document will cover the 5-year period 2007-2012,. Compared to PRSP I, which was initiated in 2002, the EDPRS will be more results focussed and based on realistic and prioritised sector strategies. It will aim at improving the living conditions of the Rwandese population, with a focus on the countries' poorest citizens.

The Country Environmental Profile (CEP) is an important tool for identifying the main environmental issues to be taken into account in the elaboration of the EDPRS. Hence, the EC Delegation to Rwanda has made the resources available for the development of Rwanda's CEP. Apart from the first introductory chapter, the CEP consists of four main chapters.

I. THE STATE OF THE RWANDAN ENVIRONMENT

I.1. PHYSICAL ENVIRONMENT

1.1. Relief and climate: Rwanda is hilly and mountainous with altitudes ranging between 900m and 4507m. The climate is tropical but moderate – due to the high altitude. Average temperatures range from 16°C to 20°C, without significant variation during the year. Rainfall is abundant, but irregular.

1.2. Arable land: Arable landholdings per household are about 0.6 ha on average. This causes overexploitation of available land which is often accompanied by agricultural malpractices. This in turn can lead to disastrous consequences on land resources in particular and the environment in general.

1.3. Soil degradation: Rwandan soils are naturally fragile. They are generated by physico-chemical alteration of basic schistose, quartzite, gneissic, granite and volcanic rocks that make up the superficial geology of the country. The degradation of the natural environment is particularly linked to hydrous erosion affecting an important portion of agricultural land. Common consequences of erosion are: i) loss of soil fertility through leaching of arable land; ii) increased sedimentation on land cultivated downhill from eroded plots; iii) risk of crop destruction and sand banks, especially in marshlands and valleys; iv) local risk of landslides and mudslides and v) risk of irreversible leaching of soils.

1.4. Water resources: Rwanda possesses a relatively large quantity of water (surface and underground) sources: rivers, lakes and marshlands occupy a surface of 211,000 ha, which is about 8% of the national territory. The flow of renewable underground water resources is estimated at 66 m³/s, with 9 m³/s produced by 22,000 known sources. In general, there is very little information on these underground resources.

1.5. Wetlands : Rwanda's wetlands are composed of marshlands, lakes, rivers and streams and represent about 14,9% of the national territory. Of these, 6,3% are marshlands and 8,6% are lakes, rivers and streams. These figures include both permanent and seasonal wetlands.

I.2. BIODIVERSITY AND FORESTS

The Rwandan territory is home to diverse ecosystems, including natural ecosystems (consisting of mountain rainforests, gallery forests, savannah forests, wetlands and aquatic forests), woods and agro-ecosystems. All these ecosystems accommodate very rich flora and fauna environments.

2.1. Protected areas: Protected areas are made of the following national parks: i) *Volcanoes National Park* famous for its mountain gorillas and its various plants and animal species, ii) *Nyungwe National Park* hosting more than 1200 different types of vegetation and 275 species of birds and iii) *Akagera National Park* which covers a surface of about 108,500 ha, hosting more than 900 species of plants and 90 different mammal types. It should be noted that protected areas have lost around 50% of their original surface area in the last 40 years due to different types of threats.

2.2. Relict and gallery forests comprising: i) *Gishwati forest* covering 600 ha; ii) *Mukura natural forest* covering 800 ha; iii) *relict forests and savannahs of the Eastern province* situated around Akagera Park and containing a variety of rare plants which are often used in traditional medicine; and iv) gallery forests again housing a wide array of rare species.

2.3. Biodiversity of wetlands: The ecosystems of Rwanda's wetlands accommodate a biological diversity rich in plant and animal species, with the exception of the Kivu, Burera and Ruhondo lakes which have some limnological problems. By contrast, most lakes in Akagera National Park are very rich in biodiversity. However, water hyacinths are omnipresent and are now covering large areas of these lakes, threatening the biological environment. The lakes in Akagera National Park are among the richest in fish species in the whole country, with fluvial species like the haplochromis dominating the fish population. Other lakes like Muhazi, Nasho, Rwampanga, and the lakes of Gisaka and Bugesera are also very rich in fauna and flora.

2.4. Biodiversity in agricultural systems: Human settlements, diversified agro-pastoral practices, consumption of forest products, bush fire and urbanization have caused the alteration of more than 90% of original climatic conditions. These changes have caused secondary formations consisting mainly of graminaceous plants, and numerous seasonal and permanent species, which alternate with crops. The importance of each crop varies according to the respective regions within Rwanda, with a limited number of cash crops. Cash crops include coffee, tea and pyrethrum.

2.5. Pastoral land: Livestock rearing is mostly small-scale – mainly at family level. Pastoral land is subject to bush fires, trampling and – to a lesser extent – overgrazing.

2.6. Wooded areas: Rwandan arboriculture has been limited to certain plants confined around habitations like *Ficus thoningii*, *Euphorbia tirucalli*, etc. Sustainably developing wooded areas for timber, energy generation or other related services has not been part of Rwandan custom, resulting in the overexploitation of timber-related resources.

I.3. SOCIO-ECONOMIC ENVIRONMENT

3.1. Population and Economy: In 2006, Rwanda's population exceeded 9 million inhabitants for a surface of 26,338 km². This implies a population density of over 343 inhabitants per km², which makes Rwanda one of the most densely populated countries in the world. Annual population growth is estimated at 2.6 %. Rwanda's economy, as measured by its Gross Domestic Product (GDP), is dominated by the agricultural sector.

3.2. Human Settlements: Rwanda's rural communities have long been scattered and characterized by unplanned land development. This has contributed to land degradation and soil erosion. In urban areas, Rwanda does not yet have proper city planning. Cities have been developing spontaneously without taking into consideration environmental aspects. The present policy of the Government of Rwanda is to encourage a system of grouped settlements, commonly known as imidugudu.

3.3. Energy and transport: Biomass (mainly fuel wood) constitutes the main source of energy for most industries and Rwandan households. It currently covers 94% of national needs. The transport sector is dominated by road transport with 14,000 km of roads and tracks.

3.4. Agriculture and animal husbandry: Agriculture is the most important sector of the economy (43 % GDP), with coffee and tea constituting the main export crops. The Rwandan practice of using extensive agricultural methods contributes to the degradation of the environment.

3.5. Pollution: Pollution is caused by domestic and industrial waste, agro-pastoral activities, irrational exploitation of mines and quarries, and through invasive plant species like the water hyacinth.

I.4. NATURAL HAZARDS AND DISASTERS

4.1. Natural disasters: Natural disasters are disasters due to climatic or seismo-volcanic disturbances. They are a permanent threat to Rwanda and mainly materialize through drought, torrential rains, flooding, landslides, earthquakes, volcanic eruptions and bush fires.

4.2. Man-induced disasters: Man-induced disasters consist of i) bush fires which happen frequently during the dry season and affect mostly the Eastern and Southern regions, ii) conflicts and wars and iii) deforestation.

II. ENVIRONMENTAL POLICY, LEGAL AND INSTITUTIONAL FRAMEWORK

II.1. VISION 2020 AND ENVIRONMENTAL POLICY

1.1. Vision 2020: One of the 6 pillars of VISION 2020 is entitled "*Protection and Management of the Environment*". Between 2002 and 2020, the Government intends to build a nation where pressures on natural resources, land, water, biomass and biodiversity are reasonable reduced and the process of pollution and environmental degradation controlled.

1.2. The National Environmental Policy has been in place since November 2003. Its main objective is to ensure the sustainable protection and management of Rwanda's environment and its natural resources.

II.2. LEGAL FRAMEWORK

2.1. The Constitution: The Constitution of the Republic of Rwanda constitutes the basis of the legal framework regarding the protection and safeguarding of the environment.

2.2. Organic Law on the Environment: The legal framework for the management of the environment was put in place by the Government of Rwanda under organic law Nr 4/2005 of 8 April 2005. This law puts in place the modalities to protect, safeguard and promote Rwanda's environment.

II.3. INSTITUTIONAL FRAMEWORK

The institutional responsibility for the management of the environment and natural resources is shared by several ministries (MINITERE, MINAGRI, and MINALOC), decentralized entities (Districts and Sectors), public institutions (REMA), local and international non-governmental organizations (NGOs) and research and higher education institutions. With the 2006 administrative reform, each district now has an officer in charge of environment.

III. COOPERATION BETWEEN RWANDA, THE EC AND OTHER PARTNERS ON ENVIRONMENTAL ISSUES

III.1. COOPERATION WITH THE EUROPEAN COMMUNITY

3.1. Rural Development Sector: The initiatives financed by the EC in the rural development sector include support to the decentralization process through the Decentralized Programme for Rural Poverty Reduction (DPRPR – this programme includes resources for the Ubudehe process), substantial financing for the development of the rural roads network and implementation of other rural interventions linked to water and sanitation, land reform and the environment.

3.2. Support to the EDPRS: EC resources are made available to the Rwandan Government in general in order to reach the objectives of the current Poverty Reduction Programme.

3.3. Other areas of intervention (non-focal): The EC's interventions in its so called non-focal areas are mainly linked to support for good governance programmes and support to the overall institutional environment in Rwanda.

III.2. COOPERATION WITH OTHER DEVELOPMENT PARTNERS

A good number of other Development Partners also finance projects and programmes related to the environment. These include UNDP/UNEP, DFID, Belgium, the Netherlands, Germany, the World Bank, the African Development Bank, IMF, FAO, USAID, CARE, CRS, etc.

IV. CONCLUSIONS AND RECOMMENDATIONS

IV.1. CONCLUSIONS

The current environmental profile indicates that Rwanda's main environmental problems are:

- a) Soil Degradation due to the loss of vegetation cover, lack of anti-erosive measures, overexploitation and inappropriate agricultural systems.
- b) Loss of biodiversity due to deforestation and wetland mismanagement.
- c) Deforestation due to demographic pressures, uncontrolled production of domestic energy sources (wood charcoal, firewood, etc.) and migration and resettlement of the population.
- d) Pressure on humid areas causing a reduced capacity to fight floods and sedimentation of lakes and
- e) The proliferation of aquatic weeds along rivers like the Akagera and Nyabarongo .

IV.2. RECOMMENDATIONS

Given Rwanda's current environmental situation, the following recommendations are made:

1. Integrate environmental issues in the second Poverty Reduction Strategic Paper (PRSP II or EDPRS) and build capacity of decentralized entities in this area.
2. Plan a readjustment of performance indicators according to the analysis of the environment that will come out of the EDPRS.
3. To address the problem of soil degradation, various techniques of soil preservation are recommended namely: i) radical terraces, ii) anti-erosion ditches, iii) reforestation in general and agroforestry in particular, iv) maintenance of a permanent (or a longer-lasting) vegetation cover during the year.
4. To address the problem of deforestation, it is necessary to carry out the following: i) increase the production of unproductive and degraded forests, ii) increase and diversify forest products, iii) support districts in developing and implementing District Forestry Plans, iv) intensify agroforestry activities, v) promote incentive policies for the use of alternative sources of energy, etc.
5. In order to fight the destruction of natural ecosystems, it will be necessary to put in place an efficient system of land management including the protection of catchments areas and the rehabilitation of degraded critical ecosystems (the basins of Nyabarongo and Congo, the marsh of Rugezi, etc).
6. To the European Commission, we recommend the following:
 - Support the central administration (MINITERE, REMA) in environmental assessments of its policies and programmes;
 - Support civil society initiatives aimed at protecting the environment;
 - Give assistance to decentralized systems in developing and implementing environmental management plans;
 - Integrate environmental indicators in the cooperation programmes of the European Community in Rwanda (increasing the wooded surface, reducing the rate of deforestation, increasing the surface of land protected against erosion, the number of households using improved cook stoves and new and renewable sources of energy, surface of protected areas, number of endangered species (or in danger of extinction), the quality of water and air, the number of people trained in environmental management, number of districts with an environmental management plan, etc..).

ANNEX 4: COUNTRY MIGRATION PROFILE

Basic Data

Total Number of Residents: 8,128,553 (source: National Census 2002 – census data are used as reference unless stated otherwise). The census’ medium scenario forecasts a population of 9,300,000 in 2007.

Of the 2002 total population, 4.6% (or 375,168 persons) are immigrants. Immigrants are defined as persons born outside Rwanda, currently residing on Rwandan territory. Considering the events of the 1990s, many of those counted as “immigrants” are actually Rwandans born outside the country.

This is confirmed by the fact that only 48,771 foreigners are resident in Rwanda (0.6% of the population). The vast majority of these foreigners come from neighbouring countries (Uganda, DRC), with OECD expatriates accounting for a very small percentage (less than 2,000 – source: EU consulates in Kigali).

Immigrants

Status

Refugees: 43,325 (source: UNHCR 2005)

Labour migrants/permanent: 331,843

Labour migrants/seasonal: Data unavailable

Internally displaced persons: Data unavailable

Trend

Number of immigrants arriving in 1995/2000: Data unavailable

Number of immigrants arriving 2000/2004: Data unavailable

Although precise data are not available, it is known that the end of the 1990s saw very large numbers of migrants enter Rwanda. Most of these people were returnees from the DRC, as well as children born outside Rwanda from Rwandan families that had previously left the country. The flow of returnees has gradually decreased over the last couple of years.

It is worth noting that the UNHCR repatriation programme was able to repatriate 70,000 Rwandans between 2002 and 2005.

Education

The education profile of the immigrant population is fairly similar to that of the average Rwandan (40% illiteracy, 58% with primary education), although some of the workforce entering from East Africa (Uganda, Kenya, Tanzania) is composed of skilled labour.

Main countries of origin

DRC, Uganda, Burundi, Tanzania. Most refugees are from the DRC.

Rate of return:

The rate of return is undocumented. Recent data from UNHCR show 9,600 returnees in 2005.

Finance

Amount of outgoing migrant remittances: Data unavailable

Remittances as % of GDP: Data unavailable

Although no data exist on the subject, the amount of outgoing remittances from immigrants in Rwanda is deemed extremely small.

Emigrants

Status

Refugees: 55,000

Labour migrants/permanent: Data unavailable

Labour migrants/seasonal: Data unavailable

UNHCR documents 55,000 Rwandan refugees and asylum seekers in other countries, with more than half of that number in the DRC and Uganda.

Trend

Total number of emigrants in 2004: Data unavailable

Border crossings in 2004: Data unavailable

Record of returns in 2004: Data unavailable

UNHCR recorded about 10,000 refugees fleeing from Rwanda to Burundi in 2005, citing political insecurity as the reason for their flight. Most of these were repatriated during the same year.

A large Rwandan Diaspora exists in OECD countries, with a big representation in the European Union (France, Belgium), but also in countries like Canada. The Rwandan Diaspora population is deemed to be relatively stable with few legal and almost no illegal entries in recent years.

Legal situation of emigrants

Documented: Data unavailable

Undocumented : Data unavailable

Education

Data unavailable

Main countries of destination:

Data unavailable.

The combination of demographic pressure and lack of arable land in Rwanda generates significant migratory pressures. This trend is not properly documented at national level, due to porous borders and the absence of proper statistics in neighbouring countries (DRC). Main countries of destination are the DRC (where a substantial Kinyarwanda-speaking population exists in North- and South-Kivu), Uganda and to a lesser extent Tanzania.

Rate of return

Data unavailable

Finance

Amount of incoming migrant remittances (2004): Data unavailable

Remittances as % of GDP: Data unavailable

The overall amount of private transfers to Rwanda in 2004 was USD 35.1 million (1.9% of GDP – source: Annual Economic Report published by MINECOFIN, March 2005). It is however impossible to ascertain the proportion coming from the Rwandan Diaspora.

Other comments

Rwandan emigration flows to the European Union are low. There is a small but regular flow of legal emigrants, including some seeking political asylum. Migratory flows, which were once high due to the events of the 1990s, are now quite limited, as the post-genocide large-scale return of refugees from Uganda, Tanzania, Burundi and the DRC is coming to an end.

ANNEX 5: CSP DRAFTING PROCESS

The Country Strategy Paper drafting process started on the 3rd of March 2006 (following the Brazaville seminar) with a stakeholder meeting to discuss the Joint Annual Report, End Term Review and the 10th EDF. During the following weeks, the Delegation, in partnership with the Government and Non-State Actors (NSAs) developed an outline of the response strategy and a timetable for the drafting of the CSP/NIP and appropriate consultations. This was phase 1 of the consultation process.

Next, the Delegation drafted a short concept note, which formed the basis of discussions for consultation phase 2, with meetings held at the end of April. After this, a CSP “taskforce” met to agree the process that should lead to the zero draft of the CSP/NIP. Drafting was done during the months of June and July, and copies of the CSP/NIP zero draft were made available to all stakeholders in both French and English. This document formed the basis of discussions for the third and final consultation phase which took place in the second half of August and the first half of September.

Consultations were organised as much as possible through existing fora, so as not to burden often overcharged calendars of our partners. As such, discussions on the 10th programming took place during Heads of Mission and Heads of Cooperation meetings, or coincided with meetings linked to Rwanda’s aid harmonisation structure (e.g. during the monthly Development Partners Consultative Group meetings). Further, Government agencies through the NAO, got ample time for participating and commenting during the different stages of the process with the current document benefiting tremendously from some very high-level Government comments.

For both consultation phases 2 and 3, meetings were convened with both local and international Non-State Actors. These meetings proved to be very useful and numerous suggestions were taken up in the CSP/NIP. One major strand of the discussions related to the role of NSAs in Rwanda’s development process. Some worry that NSAs in Rwanda are too much seen as service delivery agents, with little attention for a more elaborate advocacy or monitoring role. Also, it was mentioned at several occasions that – especially local NSAs – lack the capacity to bid successfully for EC resources. Procedures for this were not always deemed sufficiently clear.

Looking forward, especially regarding the role and involvement of NSAs, the CSP/NIP provides a basis for developing programmes with NSAs which can address both roles mentioned above. Capacity building measures, especially for local NSAs, could also be envisaged to allow increasing participation in policy debates. The main forum for this is the EDPRS process, which already benefits from a lot of NSAs participating in the sectoral working groups (see Annex 2).

As for the budgetary process, there is definitely a need for support to NSAs, but also for Parliament, to strengthen capacity for analysing the budget. There is scope within the CSP/NIP to allow for these types of activities. It is in this respect encouraging that the Budget Support Harmonisation Group, which regroups all budget support donors to Rwanda, has instituted regular meetings with the Parliamentary budgetary committee as part of its bi-annual reviews.

ANNEX 6: THE HARMONISATION ROAD MAP

The overarching policy documents governing Rwanda's aid harmonisation are the Paris Declaration at the international level and the Aid Policy (adopted in July 2006) at the national level. The Government of Rwanda and Development Partners are working together to implement these policies through the Aid Coordination, Harmonisation and Alignment (ACHA) framework. An overview of 2006 deliverables, agreed between Government of Rwanda and Development Partners at the latest DPCG retreat is attached (Annex 6 – Table 1). This Status Report is updated frequently and can be accessed at <http://www.devpartners.gov.rw>.

In August 2006, DPs were invited to fill out an aid effectiveness survey. This survey combines elements of the internationally agreed OECD/DAC survey monitoring the Paris Declaration with Rwanda-specific questions related to the Aid Policy. Submissions (including the EC) can also be found at the website address mentioned above. In September 2006, the External Finance Unit at MINECOFIN published a first report summarising survey findings. An overview of the findings is attached (Annex 6 – Table 2). This report will form the basis for Government and Development Partners to come up with an Aid Policy Implementation Plan to be presented at the annual high-level Development Partners Meeting scheduled for November 2006.

Annex 6 – Table 1: ACHA Status Report (September 2006)

Status Report - 2006 ACHA Deliverables

Adopted at the 2006 Development Partners Retreat

	Issue	Action Points	Responsibility	In coordination with	Due Date	Status
1.1	EDPRS	Agree on clear criteria and process for prioritisation	EDPRS Technical SC	DPU	28-Apr-06	Working
1.2	EDPRS	Clusters to focus on EDPRS elaboration process throughout 2006	Clusters	DPU / EFU	2006	Working
1.3	EDPRS	Establish Cross-Cutting Issues Working Group to ensure mainstreaming in EDPRS preparation and implementation	DPU	DPCG	May-06	Complete
1.4	EDPRS	Issue guidelines to sector working groups on mainstreaming cross-cutting issues	CCIWG	DPU	Jun-06	Complete
1.5	EDPRS	Clarify in the EDPRS roadmap consultative process with local entities	EDPRS Technical SC	DPU / MINALOC	Mar-06	Complete
1.6	EDPRS	Submit revised Sector Working Groups to EDPRS National SC	DPU	-	Mar-06	Complete
1.7	EDPRS	All International Civil Society are to match up with National Civil Society for transfer of knowledge	MINALOC	INGO Network / Nat'l NGO Forum	2006	-

	Issue	Action Points	Responsibility	In coordination with	Due Date	Status
2.1	Aid Policy	Aid Policy Aid Policy to include clear statements on roles of civil society, private sector and financing preference for decentralized entities	EFU	INGO Network / Nat'l NGO Forum / RPSF	24-Mar-06	Complete
2.2	Aid Policy	Aid Policy GoR Aid Policy Implementation Plan finalized	EFU	GOR	2006 DPM	Working
2.3	Aid Policy	Aid Policy Individual DP Self-Assessments against Aid Policy prepared	ALL DPs	-	May-06	Working
2.4	Aid Policy	Aid Policy Individual DP Statements of Intent / Action Plans for compliance with Aid Policy	ALL DPs	MINECOFIN	Aug-06	Working
2.5	Aid Policy	Joint DP Proposal / Action Plan finalized	ALL DPs	GOR	2006 DPM	-
2.6	Aid Policy	Finalise DAD Data Entry Form based on comments	EFU	-	Mar-06	Complete
2.7	Aid Policy	Data entered in DAD and verified by all DPs	ALL DPs	EFU	Apr-06	Complete
3.1	APRM	Hold meeting to provide comments on draft APRM	Presidency (NEPAD)	DPCG	Mar-06	Past Due
3.2	APRM	Ensure consistency between APRM Action Plan and EDPRS	DPU / Presidency	EDPRS Sector Working Groups	Dec-06	-
4.1	Coord Mech	ToRs to be adopted for all clusters	Clusters	EFU	31-Mar-06	Complete
4.2	Coord Mech	Dismantle HARPP	DPCG	-	Immediately	Complete
4.3	Coord Mech	Frequency of DPCG meetings changed to alternate months	DPCG Secretariat	-	Immediately	Complete
4.4	Coord Mech	Standard Agenda Points from DPR Working Group to be included in DPCG meetings	DPCG Secretariat	BSHG / Clusters / DPU	Immediately	Complete
4.5	Coord Mech	Operationalise Joint Action Fora at District Level	Provinces	MINALOC / MINECOFIN	oct-06	Working
4.6	Coord Mech	Establish ad-hoc working group on "improving cluster effectiveness" composed of members from different clusters	EFU	Clusters	May-06	On Hold for SWG work
4.7	Coord Mech	Establish ad-hoc working group on "defining modalities for mutual accountability mechanism"	EFU	DPCG	May-06	Working
4.8	Coord Mech	Local government capacity building to be coordinated by HIDA	HIDA	MINALOC	Apr-06	Past Due
5.1	Transaction Costs	Carry out survey in line with Aid Policy and propose roadmap to reduce costs of project management	CEPEX	GOR / DPs	nov-06	-
5.2	Transaction Costs	Silent period defined	MINECOFIN	DPs	May-06	Complete
5.3	Transaction Costs	Silent period enforced	GOR / DPs	-	Aug/Sep-06	-
5.4	Transaction Costs	NGOs to propose limit on their operational costs	NGOs	MINALOC	Sep-06	Working
5.5	Transaction Costs	Harmonise Planning, Reporting, and monitoring	DPU	EFU / DPS	2006	Working

Annex 6 – Table 2: Overview of Aid Effectiveness Survey findings (September 2006)

(see <http://www.devpartners.gov.rw> for the full report)

2006 Survey on Monitoring the Paris Declaration on Aid Effectiveness

Rwanda's Submission to OECD-DAC (September 2006)

OVERVIEW

<p>This document provides the results of the 2006 Survey on Monitoring the Paris Declaration in Rwanda. With an estimated coverage of over 90% of Official Development Assistance (ODA) to Rwanda, the Survey Results draw on the data received from 17 in-country donors, as well as that of the Government of Rwanda.</p>
<p>In addition to the Survey results, this document offers a brief introduction to aid effectiveness initiatives in Rwanda, as well as an overview of the methodological issues encountered during the Survey roll-out.</p>
<p>Whilst the results of the Survey are encouraging, it is clear that the Government of Rwanda and its development partners still have some way to go before meeting the targets for 2010 as set out in the Paris Declaration on Aid Effectiveness</p>
<p>Half of the aid disbursed to Rwanda in 2005 was not reflected in the Government's budget, highlighting the need for better donor alignment and information flows, as well as improvements on the Government's side in the information flows, as well as improvements on the Government's side in the preparation of the budget.</p>
<p>Use of Rwanda's public financial management and procurement systems by donors remains low, and there is a need for both the Government and its partners to work together to reduce transaction costs by ensuring that more aid is managed in the context of Programme Based Approaches, and using mechanisms that simplify the delivery of aid.</p>
<p>All of this must happen in the context of continued improvements in Government systems, as described in the Country Worksheet provided as an annex to this document.</p>
<p>In some instances, donors remain institutionally constrained, and are unable to move towards the use of more effective aid instruments as rapidly as the Paris targets may require them to do so.</p>

ANNEX 7: TABLE INCLUDING PARTNER COUNTRY POSITIONS IN RELATION TO KEY INTERNATIONAL CONVENTIONS

Global Instruments

	Signed and ratified by Rwanda	Comments
1.	The Universal Declaration of Human Rights	
2.	The International Covenant on Civil and Political Rights	Rwanda has not ratified the First and the Second Optional Protocol
3.	The International Covenant on Economic, Social and Cultural Rights	
4.	The International Convention on the Elimination of All forms of Racial Discrimination	
5.	The Convention on the Elimination of Discrimination Against Women	
6.	The Convention on the Rights of the Child	
	Not signed by Rwanda	Comments
1.	Convention Against Torture and Other Cruel, Inhuman and Degrading Treatment or Punishment	
2.	Rome Statute of the International Criminal Court	Rwanda has not signed any bilateral immunity agreement either

Regional Instruments

(Rwanda has signed, or ratified, all protocols, conventions, and declarations of the African Union)

	Signed and ratified by Rwanda	
1.	African Charter on Human and Peoples Rights	
2.	Grand Bay (Mauritius) Declaration and Plan of Action for the Promotion and Protection of Human Rights	
3.	African Charter on the Rights and Welfare of the Child	
4.	African Platform on the Right to Education	
5.	OAU Refugee Convention	
6.	Protocol on the Rights of Women in Africa	

ANNEX 8: DEBT SUSTAINABILITY ANALYSIS

(source: World Bank/IMF, <http://www.imf.org/external/pubs/ft/scr/2006/cr06245.pdf>)

Rwanda: Joint Fund-World Bank Debt Sustainability Analysis

1. In context of the recently finalized Multilateral Debt Relief Initiative (MDRI) an assessment was undertaken for Rwanda to ascertain the country's eligibility for the debt relief. Rwanda has qualified for MDRI debt relief because of its overall satisfactory recent macroeconomic performance, progress in poverty reduction, and improvements in public expenditure management. Economic growth in 2005 accelerated and inflation declined. Implementation of Rwanda's poverty reduction strategy has been particularly successful in the social sectors, for example, the primary school net enrolment ratio is now at 91 percent¹ and vaccine coverage varies between 80 and 95 percent in most provinces. In public expenditure management, an organic budget law was approved by parliament. Performance in these areas provided assurance that resources made available under the MDRI will be used effectively.

2. **This joint DSA concludes that, while the MDRI substantially improves Rwanda's debt indicators, the country will have to rely mostly on grants to maintain its debt at sustainable levels.** Rwanda's net present value (NPV) of debt-to exports ratio stood at 58.5 percent at end-2005 and, barring any exogenous shocks or policy reversals, debt-service payments remain manageable at below 8 per cent of exports over the projection period until 2026. However, the NPV of debt-exports ratio would breach the policy-dependent threshold of 150 percent by 2014, indicating that the country is at a high risk of debt distress beyond the projection period.

3. **This joint DSA was prepared using the Fund-World Bank debt sustainability framework for low-income countries (LICs).** The debt data underlying this DSA were updated jointly by the IMF and the World Bank along with information provided by the Rwandese authorities.² The medium-term macroeconomic framework was broadly agreed with the authorities in the context of the new PRGF arrangement, which is being considered by the IMF Board at the same time as this DSA.³

¹ The completion point trigger was set at 73 percent to be reached in 2001.

² Bilateral debt was adjusted to account for the effects of debt cancellation agreements signed with most Paris Club countries; bilateral agreements are in place with Austria, Japan, France, and the United States, and those with Canada and the Netherlands are expected to be signed shortly. Regarding non-Paris Club creditors, China has indicated willingness to cancel all its claims whereas Saudi Arabia and Kuwait stated they were not prepared to deliver further debt relief. Debt owed to Libya and the Abu Dhabi Fund continues to be passive. With respect to multilaterals, IDA, the IMF, the AfDF, IFAD and the EIB have provided updates.

³ In the case of the Bank, this DSA update will be considered jointly with the Interim Strategy Note.

I. Rwanda's External Debt Since the Completion Point⁴ LIC DSA

4. Rwanda's debt situation is now more favorable than estimated at the completion point. The completion point LIC DSA (including debt relief provided at the decision point, and the topping up under the HIPC Initiative) projected that the NPV of debt-to-exports ratio would increase to 140.5 percent at end-2005.⁵ The current DSA, however, estimates the NPV of debt-to-exports ratio at 58.5 percent in 2005, an improvement of over 80 percentage points.

5. The improvement in the debt ratio after the topping up under the HIPC Initiative reflects the full implementation of the MDRI⁶ and favorable export developments (Text Table 1). The MDRI contributed 76 percentage points to the reduction, while higher exports led to a further improvement of 12 percentage points. On the latter, actual merchandise and services exports in 2005 exceeded completion point projections by 20 percent, largely due to strong export performance in coffee, tea and minerals. While the volume of new borrowing in 2004-05 was higher than anticipated, it had higher concessionality, so that its overall impact was neutral.

Table 1. Projected Versus Actual NPV of External Debt-to-Exports Ratio at End-2005
(In percent)

NPV of debt-to-exports in 2005 as projected at completion point (after topping up)	140.4
Actual NPV of debt-to-exports in 2005 after MDRI relief	58.5
Factors contributing to changes:	
MDRI relief	76.3
New borrowing	0.3
Different concessionality 1/	7.6
Different volume	(7.3)
Exports (higher than anticipated)	12.0
Residual 2/	(6.7)

Source: Staff estimates.

1/ Difference between projected and actual concessionality of new borrowing in 2004-05. The completion point document assumed a grant element of 53 percent of new borrowing while the actual grant element was higher at 61 percent.

2/ Including exchange rate changes, which amounted to 5.2 percentage points for multilateral debts.

⁴ Rwanda reached the completion point in April 2005.

⁵ Appendix II in IMF Country Report No. 05/173.

⁶ The baseline scenario includes MDRI relief from the IMF, IDA and AfDF. For the IMF, the cutoff and implementation dates are, respectively, end-2004 and January 5, 2006; for IDA, the cutoff and implementation dates are, respectively, end-2003 and July 1, 2006; for the AfDF, anticipated cutoff and implementation dates are end-2004 and January 1, 2006 (retroactively). The implementation modalities of MDRI relief for the AfDF are based on staffs' assumptions consistent with IDA terms.

II. External Debt Sustainability Analysis⁷

6. The medium-term macroeconomic framework is broadly in line with the one presented at the completion point (Box 1). Most notably, it is based on prudent projections⁸ for growth and external assistance to highlight Rwanda's vulnerability to exogenous shocks and reduce the risks of policy errors. However, the proportion of the fiscal financing gap funded through debt flows was revised upward to 33 percent (corresponding to the historical average) compared with 17 percent assumed at the completion point.

7. Under the baseline scenario with full implementation of the MDRI, one critical debt burden indicator would exceed the policy-dependent thresholds (Text Table 2). Rwanda's NPV of debt-to-exports ratio is projected to rise above 150 percent by 2014 and remain above the policy-dependent threshold up to 2026. However, with the likely higher share of IDA loans the baseline would breach the thresholds even earlier. At the same time, however, the NPV of debt-to-GDP ratio remains well below the threshold throughout the forecast period, while debt service payments continue to be manageable at below 8 percent of exports. The impact of the HIPC and MDRI Initiatives is apparent with the debt service-to-exports ratio falling from 10.5 percent as at end-2004 to 2.6 percent by end-2006.

Table 2: Policy-Based External Debt Burden Indicators

	Thresholds 1/	Rwanda's ratios	
		2005	2006-26 2/
NPV of debt in percent of:			
Exports	150	59	153
GDP	40	6	18
Debt service in percent of			
Exports	20	6	4

1/ Policy indicative thresholds as used in the joint IMF-World Bank LIC DSA framework for a medium policy performance. The quality of policies and institutions are measured by the World Bank's CPIA index.

2/ Simple average.

⁷ The LIC DSA methodology differs from the HIPC methodology in a number of aspects, notably (i) the current year exports are used as denominators for estimating the debt-to-exports ratio rather than the backward looking three-year moving average of exports; (ii) the use of the WEO exchange rate projections instead of exchange rates at the end of the base year; and (iii) a 5 percent discount rate instead of currency specific discount rates.

⁸ Real GDP growth was on average 7 percent during the past nine years, reflecting mostly the catch up effect after the genocide. The medium-term growth rates assumed in this DSA reflect higher investment financed from aid inflows and are consistent with an average ICOR of 4. Greater efficiency reflected in an increase in total factor productivity (with a corresponding decrease in the ICOR) could lead to higher long-term growth rates.

Box 1. Macroeconomic Assumptions

The macroeconomic assumptions are as follows:

Real GDP growth is projected at 5.5 percent from 2011 onward (increasing gradually from 3 percent in 2006¹¹) as growth-enhancing sectoral strategies take effect and investment in human capital (health and education sectors) starts to pay off. Specifically, growth is expected to be generated by boosting productivity in the agriculture and export sectors (mostly tea and coffee) by improving water management, controlling soil erosion, intensifying the use of fertilizer, integrating livestock development into land farming, and enhancing extension services. In addition, measures to facilitate trade and reduce transaction costs would contribute to export growth. Over the long term, investments in infrastructure and human capital are expected to boost growth in the services sector.

Per capita GDP is projected to increase gradually from 3.2 percent in 2005 to reach 2.7 percent by 2021 as the population is expected to grow by 2.7 percent on average between 2004–26.

Inflation is projected to fall to 5 percent in 2006 and stay at that level from then onward.

Exports of goods and services would grow at a nominal rate of about 9 percent until 2013 in U.S. dollar terms as the export promotion strategy takes effect and stabilize thereafter at about 8 percent. **Imports of goods and services** would increase by 6 percent on average over the period 2005–26, mostly due to growing demand for capital good imports from the private sector.

The **primary fiscal deficit** would range from 2 to 4 percent of GDP. **Central government tax revenue** would increase from 14.1 percent of GDP in 2005 (excluding one-off revenue) to 18.4 percent of GDP by 2026, mostly on account of a widening of the tax net to the non-monetized sector. **Non-interest expenditure** would remain relatively stable at about 26 percent of GDP throughout the projection period.

The **current account deficit** (including grants) is projected to gradually tighten from about 11 percent of GDP in 2006 to 3 percent of GDP in 2026. Excluding grants, it is projected to gradually improve from 21 percent of GDP in 2006 to about 6 percent of GDP in 2026.

Gross borrowing and official grants are projected to decrease gradually with gross borrowing on average slightly below 4 percent of GDP and official grants on average above 7 percent of GDP. Thus, *in line with the historical average*, two-thirds of external financing will be in the form of grants.

¹¹ The growth rate in 2006 reflects poor rains, which are expected to depress agricultural production.

8. **Shocks to the small export base⁹ would substantially worsen Rwanda's NPV of debt-to-exports ratio.** If exports were to grow by less than one standard deviation in 2007, Rwanda's NPV of debt-to-exports ratio would increase to above 200 percent in 2008 peaking at over 300 percent in 2018, while staying above the threshold throughout the projection period. Given the substantial fluctuations¹⁰ in Rwanda's export prices in the last few years, this scenario is comparable to recent history. This is also reflected in the "historical" scenario.¹¹ If the key macroeconomic variables remained at historical values, Rwanda would experience a sharp increase in the risk of debt distress with projected external debt-to-export

⁹ Exports of goods and services were about 11 percent of GDP in 2005.

¹⁰ In the last ten years, export prices fell sharply in some years (for instance, by more than 20 percent in 1998 and 2001) and increased strongly in others (for instance, by more than 20 percent in 1997 and 2000). The overall export prices index fell by about 30 percent since 1995.

¹¹ The "historical" scenario is calculated on the basis of performance during 1997 to 2004.

ratios following an explosive upward path (Chart 1) as the average historical export growth was only 3½ percent.¹²

9. **Rwanda's debt dynamics would also deteriorate considerably if external financing is delivered on less favorable terms.** A 2 percentage point increase in interest rates on all new borrowing (reflecting borrowing at less concessional terms) starting in 2006 would increase Rwanda's NPV of debt to export ratio steadily, breaching the threshold by 2010 and remaining above 250 percent from 2017 onward.¹³ This indicates that Rwanda will have to depend to a large extent on grants to finance its development efforts.

III. Public Debt Sustainability Analysis

10. A public debt sustainability analysis was not undertaken since it would not provide any significant additional insights, given that the consolidated domestic debt of the treasury and the National Bank of Rwanda (NBR) is minor (less than 5 percent of GDP at end-2005). Preventing an increase in domestic debt and thus a crowding out of private investment is a key objective of the new PRGF arrangement. To this end, there is an agreement that any pressures for a real appreciation of the exchange rate from a scaling up of external aid will be accommodated through a nominal exchange rate appreciation. This will maintain low inflation while raising absorption and thus avoid an increase in domestic debt.¹⁴

IV. Conclusion

11. **Although the MDRI lowers Rwanda's immediate risk of debt distress, Rwanda's debt situation could quickly become unsustainable without a high and sustained level of grant financing and strong export growth.** As shown in the DSA, even with a substantial share of grants in gross government financing Rwanda's external debt situation becomes unsustainable in the medium term. Given Rwanda's relatively small export base, a terms of trade shock or the failure to increase exports could result in an unsustainable deterioration in the debt indicators. Thus overall Rwanda is considered to be at a high risk of debt distress.

12. **The analysis suggests that structural reforms should focus on better protecting Rwanda against shocks.** The government is using the recently completed Diagnostic Trade Integration Study (DTIS) along with an export promotion action plan to design reforms and measures to improve trade facilitation. Specifically, there will be an increased focus on nontraditional and high value exports such as horticulture and washed coffee. The Agriculture Sector Strategy has also identified areas of investment to support improved

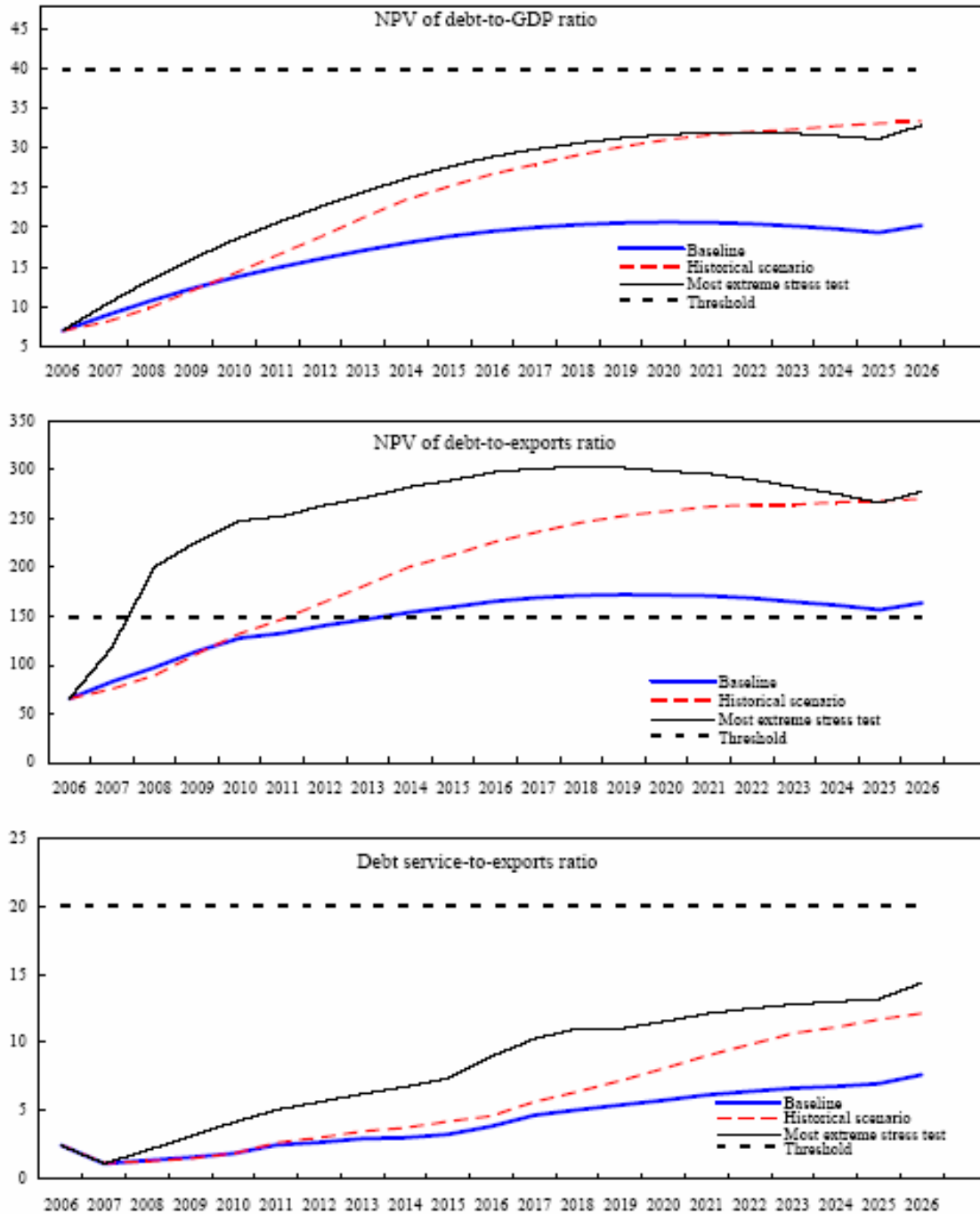
¹² Historical real growth rates were actually higher than the projected growth rates owing to the catch up effect after the genocide.

¹³ This 2 percent increase in interest rates would be equivalent to lowering the grant element to below 35 percent from 2009 onward (which is below the grant element of 50 percent required under the new PRGF).

¹⁴ The 2006 program envisages a reduction in consolidated domestic debt.

production and extension for farmers. Moreover, with support from both the EU and the World Bank, investments in road construction should help reduce the costs of transport as should regional projects through the Nile Basin Initiative, and a recently approved regional Bank project on transport. In addition, Rwanda recently joined COMESA, and is expected to join the Eastern Africa Community later this year. These investments and reforms are expected to assist in increasing real growth, while strengthening and diversifying the export base. The implementation of prudent debt management and the efficient allocation of donor funds will also play a critical role in ensuring that debt remains sustainable in the long term.

Figure 1. Rwanda: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2006–26 (In percent)



Source: IMF Staff projections and simulations.

Table 3a. Country: External Debt Sustainability Framework, Baseline Scenario, 2006-2026/
(In percent of GDP, unless otherwise indicated)

	Actual		Projections																						
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026		
External debt (contingent) ^{1/}	93.2	72.9	150	18.7	22.1	25.0	27.5	29.7	31.6	33.3	34.8	36.0	38.1	37.8	37.2	36.5	36.6	34.6	36.0						
Of which: public and publicly guaranteed (PPG)	93.2	72.9	150	18.7	22.1	25.0	27.5	29.7	31.6	33.3	34.8	36.0	38.1	37.8	37.2	36.5	36.6	34.6	36.0						
Change in external debt	-0.2	-20.3	-57.9	3.7	3.3	2.9	2.5	2.2	1.9	1.7	1.5	1.2	-0.1	-0.3	-0.5	-0.7	-1.0	-1.0	1.4						
Identified net debt-creating flows	-6.9	-13.7	0.8	3.8	1.8	0.2	-0.3	-1.1	-1.3	-1.9	-1.9	-0.9	-0.9	-0.8	-0.8	-1.4	-1.4	-1.4	0.3						
Noninterest current account deficit	4.1	4.7	11.6	8.9	8.0	7.1	6.9	6.4	6.3	6.1	6.2	5.9	5.4	5.3	5.1	4.7	3.6	3.3	3.3						
Deficit in balance of goods and services	18.2	20.5	22.8	20.4	19.5	18.1	18.1	17.3	17.2	16.7	16.3	16.3	13.8	13.2	12.5	11.8	11.2	10.7	10.7						
Exports	10.3	10.7	10.5	10.7	10.9	10.7	10.7	11.2	11.4	11.6	11.7	11.8	12.0	12.1	12.1	12.2	12.3	12.4	12.4						
Imports	28.6	31.2	33.4	31.1	30.3	28.8	28.8	28.5	28.6	28.3	28.0	28.1	25.8	25.2	24.7	24.1	23.4	23.1	23.1						
Net current transfers (negative = inflow)	-4.6	-16.9	-12.3	-12.9	-12.7	-12.1	-11.3	-11.0	-10.5	-10.1	-9.6	-9.3	-7.2	-6.9	-6.5	-6.3	-6.8	-6.5	-6.5						
Other current account flows (negative = net inflow)	1.4	1.1	1.1	1.4	1.2	1.1	0.2	0.1	-0.3	-0.4	-0.5	-1.1	-1.1	-1.0	-0.9	-0.8	-0.8	-0.9	-0.9						
Net FDI (negative = inflow)	-3.8	-8.5	-9.0	-4.6	-6.5	-5.9	-6.2	-6.2	-6.3	-6.6	-6.6	-8.2	-4.7	-4.5	-4.3	-3.9	-3.4	-3.2	-3.2						
Endogenous debt dynamics ^{2/}	-7.3	-12.9	4.9	-0.6	0.7	-0.9	-1.1	-1.2	-1.3	-1.4	-1.5	-1.5	-1.7	-1.7	-1.6	-1.6	-1.6	-1.6	-1.5						
Contribution from nominal interest rate	0.4	0.2	0.1	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3						
Contribution from real GDP growth	-3.4	-4.8	-2.0	-0.6	-0.8	-1.0	-1.2	-1.4	-1.5	-1.6	-1.7	-1.8	-2.0	-1.9	-1.9	-1.9	-1.9	-1.9	-1.8						
Contribution from price and exchange rate changes	-4.3	-8.4	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Residual (3-4) ^{3/}	6.7	-6.5	-8.7	0.0	1.6	1.7	2.8	3.2	3.2	3.6	3.4	3.1	0.8	0.5	0.3	0.1	0.4	0.5	1.1						
Of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0						
NPV of external debt ^{4/}	...	6.2	6.9	8.8	10.6	12.2	13.7	14.9	16.0	17.1	18.0	18.8	20.7	20.6	20.5	20.2	19.8	19.4	20.2						
In percent of exports	...	58.5	65.6	82.9	97.7	114.2	127.8	132.6	140.6	146.9	154.1	159.4	171.6	170.9	168.6	164.8	161.2	156.5	163.7						
NPV of PPG external debt	...	6.2	6.9	8.8	10.6	12.2	13.7	14.9	16.0	17.1	18.0	18.8	20.7	20.6	20.5	20.2	19.8	19.4	20.2						
In percent of exports	...	58.5	65.6	82.9	97.7	114.2	127.8	132.6	140.6	146.9	154.1	159.4	171.6	170.9	168.6	164.8	161.2	156.5	163.7						
Debt service-to-exports ratio (in percent)	10.5	6.3	2.5	1.1	1.4	1.6	1.9	2.5	2.7	3.0	3.0	3.3	5.8	6.2	6.4	6.7	6.8	7.0	7.6						
PPG debt service-to-exports ratio (in percent)	10.5	6.3	2.5	1.1	1.4	1.6	1.9	2.5	2.7	3.0	3.0	3.3	5.8	6.2	6.4	6.7	6.8	7.0	7.6						
Total gross financing need (billions of U.S. dollars)	26.0	-2.3	0.9	113.1	71.6	37.2	28.8	14.8	12.0	-4.0	-2.1	47.7	93.1	112.9	120.7	128.0	88.3	85.5	92.1						
Noninterest current account deficit that stabilizes debt ratio	4.3	25.0	69.5	5.2	4.7	4.1	4.5	4.2	4.4	4.4	4.7	4.7	5.5	5.7	5.6	5.4	4.5	4.3	1.9						
Key macroeconomic assumptions																									
Real GDP growth (in percent)	4.0	6.0	3.0	4.3	4.5	4.9	5.2	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5						
GDP deflator in U.S. dollar terms (change in percent)	4.8	9.9	7.1	3.8	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9						
Effective interest rate (percent) ^{5/}	0.5	0.3	0.1	0.3	0.4	0.5	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8						
Growth of exports of G&S (U.S. dollar terms, in percent)	36.0	20.2	8.9	9.5	8.8	5.5	6.9	12.9	9.2	9.6	8.2	8.8	8.5	7.8	8.2	8.6	8.0	8.2	0.0						
Growth of imports of G&S (U.S. dollar terms, in percent)	13.0	27.1	18.1	0.9	4.0	1.5	7.1	6.7	7.7	6.5	6.5	8.0	5.4	5.1	5.2	4.8	4.8	5.7	0.0						
Grant element of new public sector borrowing (in percent)	...	...	54.9	56.2	56.1	56.5	56.9	56.9	56.9	56.9	56.9	56.9	56.9	56.9	56.9	56.9	56.9	56.9	56.9						
Memorandum item																									
Nominal GDP (billions of U.S. dollars)	184.7	213.6	237.1	253.2	270.4	290.5	320.3	335.8	360.2	388.6	417.6	448.7	646.2	694.8	747.3	803.3	864.9	928.3	929.3						

Source: Staff simulations.

1/ Includes both public and private sector external debt.

2/ Derived as $(r - g - \rho)(1 + \rho)^t$ times previous period debt ratio, with r = nominal interest rate, g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in reserves and debt relief), changes in gross foreign assets, and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Assumes that NPV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years.

Table 3b. Country: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2006–26
(In percent)

	Projections												
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2020	2025	2026
NPV of debt-to-GDP ratio													
Baseline	7	9	11	12	14	15	16	17	18	19	21	19	20
A. Alternative Scenarios													
A1. Key variables at their historical averages in 2007-26 1/	7	8	10	12	14	16	19	21	23	25	31	33	33
A2. New public sector loans on less favorable terms in 2007-26 2/	7	10	13	16	18	21	23	24	26	28	32	31	33
B. Bound Tests													
B1. Real GDP growth at historical average minus one standard deviation in 2007-08	7	9	11	12	14	15	16	17	18	19	21	20	20
B2. Export value growth at historical average minus one standard deviation in 2007-08 3/	7	10	13	15	16	18	19	20	20	21	22	20	21
B3. US dollar GDP deflator at historical average minus one standard deviation in 2007-08	7	10	14	17	18	20	22	23	24	26	28	26	27
B4. Net non-debt-creating flows at historical average minus one standard deviation in 2007-08 4/	7	11	15	17	18	19	20	21	22	23	23	21	22
B5. Combination of B1-B4 using one-half standard deviation shocks	7	12	18	20	21	23	24	25	26	27	27	25	26
B6. On-time 30 percent nominal depreciation relative to the baseline in 2007 5/	7	12	15	17	19	21	23	24	25	27	29	27	28
NPV of debt-to-exports ratio													
Baseline	66	83	98	114	128	133	141	147	154	159	172	157	164
A. Alternative Scenarios													
A1. Key variables at their historical averages in 2007-26 1/	66	75	89	111	132	147	165	182	201	213	238	268	270
A2. New public sector loans on less favorable terms in 2007-26 2/	66	96	121	149	172	183	198	211	224	234	264	252	266
B. Bound Tests													
B1. Real GDP growth at historical average minus one standard deviation in 2007-08	66	83	98	114	128	133	141	147	154	159	172	157	164
B2. Export value growth at historical average minus one standard deviation in 2007-08 3/	66	118	201	227	248	253	264	272	283	290	299	266	278
B3. US dollar GDP deflator at historical average minus one standard deviation in 2007-08	66	83	98	114	128	133	141	147	154	159	172	157	164
B4. Net non-debt-creating flows at historical average minus one standard deviation in 2007-08 4/	66	104	141	157	169	171	177	182	188	191	193	169	176
B5. Combination of B1-B4 using one-half standard deviation shocks	66	110	163	182	197	199	207	212	219	224	226	200	208
B6. On-time 30 percent nominal depreciation relative to the baseline in 2007 5/	66	83	98	114	128	133	141	147	154	159	172	157	164
Debt service ratio													
Baseline	2	1	1	2	2	2	3	3	3	3	6	7	8
A. Alternative Scenarios													
A1. Key variables at their historical averages in 2007-26 1/	2	1	1	1	2	3	3	4	4	4	8	12	12
A2. New public sector loans on less favorable terms in 2007-26 2/	2	1	2	3	4	5	6	6	7	7	12	13	14
B. Bound Tests													
B1. Real GDP growth at historical average minus one standard deviation in 2007-08	2	1	1	2	2	2	3	3	3	3	6	7	8
B2. Export value growth at historical average minus one standard deviation in 2007-08 3/	2	1	2	3	4	5	5	5	5	6	11	12	13
B3. US dollar GDP deflator at historical average minus one standard deviation in 2007-08	2	1	1	2	2	2	3	3	3	3	6	7	8
B4. Net non-debt-creating flows at historical average minus one standard deviation in 2007-08 4/	2	1	2	2	3	3	3	3	3	4	7	8	9
B5. Combination of B1-B4 using one-half standard deviation shocks	2	1	2	3	3	4	4	4	4	4	8	9	10
B6. On-time 30 percent nominal depreciation relative to the baseline in 2007 5/	2	1	1	2	2	2	3	3	3	3	6	7	8
Memorandum item:													
Grant demand assumed on residual financing (i. e., financing required above baseline) 6/	56	56	56	56	56	56	56	56	56	56	56	56	56

Source: Staff projections and simulations.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/ local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

ANNEX 9: LIST OF GOVERNMENT COMMITMENTS

	Governance area	Prospective commitments	Timeframe (by end)	Source
1.	Political democratic governance			
	- Human rights	<ul style="list-style-type: none"> • Government to provide regular reporting on implementation of treaty provisions relating to human rights • Number of filed complaints resolved by Ombudsman to reach 80% by 2008 • Respect for Human Rights is assured in the Gacaca jurisdictions • Number of filed complaints resolved by National Human Rights Commission to reach 80% by 2008 • NGOs free to participate to monitor human rights • 90% of Local Defence Forces trained in Human Rights 	<ul style="list-style-type: none"> • 2007 • 2008 • 2006-2008 • 2008 • ongoing • 2008 	<ul style="list-style-type: none"> • APRM PoA • Ombudsman Annual Report • Gacaca reports • NHRC Annual Report • MINALOC
	- Fundamental freedoms: freedom of expression	<ul style="list-style-type: none"> • Adoption of new Press Law, new High Council of The Press's Law, new ORINFOR's Law (Rwanda Bureau of Information) • Facilitation of accessing information for grassroots leaders and Secondary School students (radio's for all secteurs and 90 secondary schools). • Increased press conferences by Government Officials • Favourable environment for private media, including continued operation of private newspapers and international and national television and radio stations • Continued strengthening of capacity of the media to address their weaknesses and improve their performance. Training journalists on: <ol style="list-style-type: none"> 1. media law, regulatory instructions and code of ethics, 2. Management of press enterprises. • Strengthening Media Associations' role in advocacy and oversight: <ol style="list-style-type: none"> 1. organisation of a regional workshop on media auto regulation, 2. establishment of a media observatory organ . 	<ul style="list-style-type: none"> • 2006, 2007 • 2006 • From 2006 • 2006 onwards • From 2007 • From 2007 	<ul style="list-style-type: none"> • Law Texts • Primature/Mininfor Action Plan 2006 • 2005 Akagera Retreat (II) Recomm. 34 • media situation 2008-2010 • High Council of the Press • Association Rwandaise des Journalistes (ARJ) and the Maison de la Presse • Primature/MinInfor Action Plan 2006

	Governance area	Prospective commitments	Timeframe (by end)	Source
		<ul style="list-style-type: none"> 50% of grassroots communication Officers trained to address the problem of media literacy 	<ul style="list-style-type: none"> From 2008 	
	- Electoral process	<ul style="list-style-type: none"> Free and fair 2008 parliamentary elections Free and fair 2010 presidential elections Freedom to form new political parties (subject to constitutional safeguards) ensured for 2008 and 2010 elections. International observers invited to observe 2008 and 2010 elections. NGOs free to monitor presidential and parliamentary elections. 	<ul style="list-style-type: none"> 2008 2010 2006-2010 2008+2010 2008+2010 	<ul style="list-style-type: none"> Constitution Constitution
	- Principles of constitutional democracy	<ul style="list-style-type: none"> Publication of parliamentary proceedings Publish regular reports of the Forum of Political Parties in order to increase transparency Continued police recruitment to increase ratio of number of police officers to Rwandan population 	<ul style="list-style-type: none"> From 2007 From 2007 2006 onwards 	<ul style="list-style-type: none"> APRM PoA APRM PoA PRS Annual Progress Report
2.	Political governance - rule of law			
	- Judicial and law enforcement system	<p>Rwanda Legal System</p> <ul style="list-style-type: none"> Reduce backlog of cases in the judiciary by 50% from 2006 baseline Dissemination of existing laws : publication, radio programmes and better quality of enacted laws Continued Training of law authorities (including judges) <p>Gacaca</p> <ul style="list-style-type: none"> Gacaca rolled out and then phased out Training of Inyangamugayo (169 000 judges) NGOs free to participate in monitoring of Gacaca process <p>Genocide Justice –Negotiations with ICTR over transfer of cases finalised.</p> <ul style="list-style-type: none"> Special court facilities Legal framework to enable transfers Prison facility 	<ul style="list-style-type: none"> From 2006 From 2006 From 2006 2008 2007 From 2006 2006 2007 2008 	<ul style="list-style-type: none"> Supreme Court Action Plan to reduce backlog MINIJUST Justice Sector Strategic Framework Gacaca Strategic Plan MINIJUST

	Governance area	Prospective commitments	Timeframe (by end)	Source
3.	Control of corruption	<ul style="list-style-type: none"> • New procurement laws adopted and implemented • Annual Auditor General's report submitted to Parliament and cases of alleged corruption prosecuted. • Establish anti-corruption body • Public sensitisation on the dangers of injustice and corruption (including prevention activities) • Surveys on the levels of corruption • Adopt an anti-money laundering law • 100% of top Government officials to have declared their wealth status to Ombudsman • Sensitisation on the fight against corruption throughout civic society 	<ul style="list-style-type: none"> • 2007 • From 2006 • 2008 • 2008 • 2008 • 2007 • 2006 (and on-going) • from 2006 	<ul style="list-style-type: none"> • CFAA • APRM PoA • APRM PoA • APRM PoA (Ombudsman) • APRM PoA/MINALOC • Ombudsman • MINEDUC/NHRC • MINALOC / Ombudsman
4.	Government effectiveness			
	- Institutional capacity	<ul style="list-style-type: none"> • Human Resource and Institutional Capacity Development Agency (HIDA) fully operational • Functional reviews of key ministries completed • Civil service salary reform completed (including non-core civil servants) • Enforce district performance contracts • Finalise revised Decentralisation Implementation Plan (DIP II) • Develop medium-long term local government capacity building strategy • Increase % of budget allocated to local government • Ensure participation of donors and Non-State Actors in elaboration and monitoring of EDPRS • Adopt and implement an Aid Policy based on Paris Declaration commitments • Update the statistical system, improve the statistics capacity and improve the publication system 	<ul style="list-style-type: none"> • 2006 • 2007 • 2006 • From 2006 • 2007 • 2007 • From 2006 • From 2006 • From 2006 • From 2006 	<ul style="list-style-type: none"> • HIDA annual report • HIDA/MIFOTRA • IMF PRGF • District Performance Contracts • Decentralisation reform roadmap • Decentralisation reform roadmap • National Budget Law • EDPRS final report • MINECOFIN / DPCG • NISR

	Governance area	Prospective commitments	Timeframe (by end)	Source
	- Public finance management	<ul style="list-style-type: none"> • To train all public accounts and internal auditors from ministries, agencies, local government (provinces & districts) • Develop and implement Rwanda Public Accounting System through financial regulations and manuals • Produce consolidated public accounts for FY 2006 • Treasury reforms <ul style="list-style-type: none"> - Establish or inventory of all governments accounts in all commercial banks; - Closure of all dormant government accounts in those banks - Putting in place a single Treasury Account - Monitoring of Projects accounts. • Facilitate and ensure adoption of Public Procurement Code by Parliament • Adoption of law establishing Rwanda Public Procurement Regulatory Authority + Agency established • Fiscal decentralisation policy adopted • Revise budget presentation and classification • Produce quarterly budget execution reports • Integrate project execution reporting into SmartGOV/PIP module • Connect all budget users (incl. districts to E-procurement and develop interface with SmartGov Partial integration of the current and development Budget • Conduct annual public expenditures review in at least 2 priority sectors 	<ul style="list-style-type: none"> • 2006 (and on-going) • 2006-2007 • 2007 • 2007 • 2007 • 2007 • 2007 • 2006 • 2006 • 2006-2007 • 2007 • 2007 • 2006 • 2007 • 2007 • 2006 	<ul style="list-style-type: none"> • PFM Reforms Action Plan • PFM Reforms Action Plan • PFM Reforms Action Plan • PFM Reforms Action Plan • PFM Reforms Action Plan • PFM Reforms Action Plan • PFM Reforms Action Plan • PFM Reforms Action Plan • PFM Reforms Action Plan • PFM Reforms Action Plan • PFM Reforms Action Plan • PFM Reforms Action Plan • PFM Reforms Action Plan • PFM Reforms Action Plan • PFM Reforms Action Plan • Budget

5. Economic governance			
- Private sector/market friendly policies	<ul style="list-style-type: none"> • Adoption of new banking law • Adoption of business law. • Establish commercial courts • Establish registration services agencies • Adopt revised national labour and employment policy and law • Formulate strategies to reduce the cost of doing business in Rwanda • Establish a network of Business Development Centres for SMEs • National SME policy developed • Development of a single goods custom declaration document • Implement key provisions of land law • Decentralise land registry to district level 	<ul style="list-style-type: none"> • 2007 • 2007 • 2007 • 2007 • 2007 • From 2006 • 2007 • 2007 • 2007 • From 2007 • 2007 	<ul style="list-style-type: none"> • IMF PRGF • IMF PRGF • IMF PRGF • IMF PRGF • APRM PoA • APRM PoA • RPSF Strategic Plan • APRM PoA • APRM PoA • APRM PoA
- Management of natural resources	<ul style="list-style-type: none"> • Finalise survey of mineral deposits (Mineral deposit map) • Privatisation of mining concessions exploitation • Sign concession agreements for management of mines 	<ul style="list-style-type: none"> • 2008 • 2008 • 2007 	<ul style="list-style-type: none"> • MINITERE • MINITERE • MINITERE
6. Internal and external security			
- Internal stability / conflict	<ul style="list-style-type: none"> • Implementation of Land Law <ul style="list-style-type: none"> ○ Adoption and publication of Land law ○ 80% of related decrees adopted by Cabinet ○ Creation of related institutions <ul style="list-style-type: none"> ▪ National Land Centre ▪ Land Commission ▪ Land Office • Positive contribution to Disarmament, Demobilisation, Repatriation, Resettlement and Reintegration Unity and Reconciliation • Presentation of a national strategy to promote Reconciliation and Unity, including <ul style="list-style-type: none"> ○ Capacity Building of Community partners based 	<ul style="list-style-type: none"> • Ongoing • 2006 • 2007 • 2007 • 2007 • 2007 • 2007 • 2007 • 2007 • 2007 	<ul style="list-style-type: none"> • MINITERE • MINITERE • MINITERE • MINITERE • MINITERE • Demobilisation Commission / NURC • NURC • NURC

1 Ingando is the kinyarwanda name for unity and reconciliation solidarity camps.

		<ul style="list-style-type: none"> o Support to community initiatives related to unity and reconciliation (in all districts) • Civic education and community education through Ingando1 for students, National Leaders and Youth survivors of Genocide • Development of Nkumba Peace Centre to promote regional exchange programs • Facilitate reintegration of released suspects of genocide after the Gacaca proceedings • Increased visibility of Unity and Reconciliation Activities: <ol style="list-style-type: none"> 1. Cultural festivals highlighting Unity and Reconciliation policy 2. National Unity and Reconciliation summit 3. Radio Programs and Newsletter IGORORA 	<ul style="list-style-type: none"> • 2008 • 2007 • 2008 • 2007 • 2008 	<ul style="list-style-type: none"> • NURC • NURC • NURC • NURC • NURC
	- External threats and global security	<ul style="list-style-type: none"> • Rwanda to honour commitments under international agreements (Lusaka etc.) • Participation in the Joint Verification Mechanism • Continued troop contributions to Peace Keeping Operations 	<ul style="list-style-type: none"> • Ongoing • Ongoing • Ongoing 	
7.	Social governance	<ul style="list-style-type: none"> • EDPRS integrates MDGs • Complete and analyse Integrated Household Living Conditions Survey, and integrate results into EDPRS • Develop key performance indicators in key sectors, and clarify monitoring and evaluation system at central and local government level • Implement policy of fee free basic education <ul style="list-style-type: none"> ▪ Primary net enrolment rate to increase from 93% in 2005 to 95% in 2008. ▪ Average drop-out rate in primary school reduced from 14% in 2005 to 8% in 2008. • Implement national strategic plan for HIV/AIDS, reducing prevalence rate from the DHS baseline of 3% (2005) • % of health districts with minimum staffing levels increase from 30% to 50%. • Further improve health care utilisation through mutuelles de santé (increase coverage from 2005 baseline to 50%). • Define policy on mutuelle membership for the most 	<ul style="list-style-type: none"> • 2007 • 2007 • 2007 • 2008 • 2008 • 2008-2009 • by 2010 • by 2008 • by 2007 	<ul style="list-style-type: none"> • EDPRS • EDPRS and EICV Report • EDPRS • Education Sector Strategic Plan • Education Sector Strategic Plan • Next DHS, National HIV/AIDS plan • Health Sector Strategic Plan • Health Sector Strategic Plan • Health Sector Strategic Plan

		<ul style="list-style-type: none"> vulnerable (including disabled, orphans etc.) % of girls enrolment in tertiary institutions to increase from 2005 baseline 	<ul style="list-style-type: none"> by 2007 	<ul style="list-style-type: none"> Education Sector Strategic Plan
8.	International and regional context			
	- Regional integration ²	<ul style="list-style-type: none"> Strong commitment to the relaunch of the CEPGL Strong commitment to entry negotiations EAC Take decision on rationalising membership of regional economic communities. 	<ul style="list-style-type: none"> 2007 2006-7 2007 	
	- Involvement in regional peer review mechanisms (e.g. APRM)	<ul style="list-style-type: none"> Complete APRM process Integrate APRM Plan of Action into EDPRS 	<ul style="list-style-type: none"> 2007 2007 	
	- Migration	<ul style="list-style-type: none"> Hold annual diaspora conferences Work with UNCHR to repatriate Rwandan refugees 	<ul style="list-style-type: none"> Ongoing Ongoing 	
9	Quality of partnership			
	-Political dialogue	<ul style="list-style-type: none"> Define terms of reference and calendar for Article 8 dialogue Agree set of political benchmarks in context of Article 8 dialogue 	<ul style="list-style-type: none"> From 2007 2007 	
	-Programming dialogue	<ul style="list-style-type: none"> Widespread consultation with both State and Non-State Actors in recent Evaluation of EC-Rwanda cooperation over period 1996-2005. Widespread consultation with both State and Non-State Actors in 10th EDF programming exercise 	<ul style="list-style-type: none"> 2006 2006 	<ul style="list-style-type: none"> Consultation reports Consultation reports
	-Non state actors	<ul style="list-style-type: none"> Finalise law on NGOs 	<ul style="list-style-type: none"> 2007 	<ul style="list-style-type: none"> MINALOC

² Where Rwanda is very much committed to regional integration, regarding Central Africa as well as Eastern Africa, some of the actions mentioned here are by definition of a regional nature and are thus not completely in the hands of the Government.