THE REPUBLIC OF RWANDA

ECONOMIC DEVELOPMENT AND POVERTY REDUCTION STRATEGY 2013 – 2018

SHAPING OUR DEVELOPMENT

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ACRONYMS AND GLOSSARY

Acronyms

AIDS	Acquired Immunodeficiency Syndrome
BCC	Behaviour Change Communication
BLCF	Business Linkages Challenge Fund
BDF	Business Development Fund
BNR	Banque Nationale du Rwanda/ National Bank of Rwanda
BPO	Business Process Outsourcing
BRD	Banque Rwandaise de Développement/ Rwanda Development Bank
BRT	Bus Rapid Transit
CFSVA	Comprehensive Food Security and Vulnerability Assessment
CBO	Community Based Organisation
CCIs	Cross Cutting Issues
CEPGL	Communauté Economique de Pays de Grands Lacs/Economic Community for Great Lakes Countries/
COMESA	Common Market for Eastern and Southern Africa
CIP	Crops Intensification Programme
CSO	Civil Society Organisation
CPAF	Common Performance Assessment Framework
CRC	Citizen Report Card
DPCG	Development Partners' Coordination Group
DDP	District Development Plan
DPCG	Development Partners' Coordination Group
DRC	Democratic Republic of Congo
DRR	Disaster Risk Reduction
EAC	East African Community
EARP	Electricity Access Rollout Programme
ECD	Early Childhood Development
EDPRS	Economic Development and Poverty Reduction Strategy
EICV	Enquête Intégrale sur les Conditions de Vie des ménages (Integrated Household Living Conditions Survey)
EWSA	Energy, Water and Sanitation Authority
FARG	Fonds d'Assistance Aux Rescapés du Génocide / Genocide Survivors Assistance Fund
FDI	Foreign Direct Investment
FFS	Farmer Field Schools
FONERWA	National Fund for Environment and Climate Change
GBV	Gender Based Violence
GDP	Gross Domestic Product
GoR	Government of Rwanda
Ha	Hectare
HIMO	Haute Intensité de Main-d'œuvre/ Labour Intensive Works Program
HIV	Human Immunodeficiency Virus
HLIs	Higher Learning Institutions
ICT	Information and Communication Technology
IDEC	Industrial Development and Export Council
IFC	International Finance Corporation
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization

IT	Information Technology
JADF	Joint Action District Forum
JBSR	Joint Budget Support Review
KIST	Kigali Institute of Science and Technology
KLP	Kigali Logistics Platform
Km	Kilometre
Kwh	Kilowatt hour
LAIS	Land Administration Information System
LTR	Land Tenure Regularization
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MFI	Microfinance Institution
MIFOTRA	Ministry of Public Service and Labour
MIGEPROF	Ministry of Gender and Family Promotion
MINAFFET	Ministry of Foreign Affairs and Cooperation
MINAGRI	Ministry of Agriculture
MINALOC	Ministry of Local Government
MINEAC	Ministry of the East African Community
MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education
MINICOM	Ministry of Trade and Industry
MININFRA	Ministry of Infrastructure
MINIRENA	Ministry of Environment and Natural Resources
MINISANTE	Ministry of Health
MMT	Mobile Money Transfer
MSMEs	Micro, Small, and Medium Enterprises
MW	Mega Watt
MYICT	Ministry of Youth and Information Communication Technology
NAEB	National Agriculture Export Board
NCD	Non Communicable Disease
NFA	Net Foreign Assets
NGO	Non-Government Organisation
NSC	National Steering Committee
NTB	Non Tariff Barriers
NICI III	Rwanda National Information Communication Technology Policy and Action Plan III 2011 - 2015
NISR	National Institute of Statistics, Rwanda
ODA	Overseas Development Assistance
OSBP	One-Stop-Border Posts
OSC	One Stop Centre
PSCBS	Public Sector Capacity Building Secretariat
PPD	Public Private Dialogue
PPP	Public Private Partnership
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSDS	Private Sector Development Strategy
PTA	Prospective Target Areas
PMTCT	Prevention of Mother-To-Child Transmission
PWD	People with Disabilities
RBM	Results-Based Management

RLDSF	Rwanda Local Development Support Fund
RDB	Rwanda Development Board
RDRC	Rwanda Demobilisation and Reintegration Commission
REMA	Rwanda Environmental Management Authority
RHA	Rwanda Housing Authority
RNRA	Rwanda Natural Resources Authority
RSSB	Rwanda Social Security Board
RTDA	Rwanda Transport Development Agency
RURA	Rwanda Utilities and Regulatory Agency
RwF	Rwandan Franc
SACCO	Savings and Credit Cooperative
SEZ	Special Economic Zone
SMEs	Small and Medium Enterprises
SMS	Short Message Service (Mobile text message)
SWG	Sector Working Group
SSP	Sector Strategic Plan
TFP	Total Factor Productivity
TVET	Technical and Vocational Education and Training
TWG	Thematic Working Group
UCS	Ubudehe Credit Scheme
USD	United States Dollar
VCT	Voluntary Counselling and Testing
VSLA	Voluntarily Savings and Loans Association
VUP	Vision 2020 Umurenge Programme
WAN	Wide Area Network
WDA	Workforce Development Authority
WUA	Water Users' Association
YEGO	Youth Empowerment for Global Opportunity

Glossary of Kinyarwanda terms

Abunzi	Mediators
Agaciro	Dignity
Akagari	Cell (administrative unit)
Gacaca	Truth and reconciliation traditional courts
Girinka	One cow per poor family programme
Imihigo	Performance contracts
Inteko z'Abaturage	Citizen forums
Ubudehe	Community-based and participatory effort towards problem solving
mUbuzima	Mobile phone application to link community health workers to a national management information system
Umudugudu	Village
Umuganda	Community work
Umugoroba w'Ababyeyi	Parents' evening
Umurenge	Sector (administrative)

FOREWORD

Rwanda has made good progress over the last two decades since the enormous challenges faced in the aftermath of a genocide that destroyed the entire social and economic fabric of this country. Rwandans have benefited from rapid economic growth, reduced poverty, more equality and increased access to services including health and education. This has been possible only through the hard work and dedication of millions of Rwandans supported by friends of Rwanda. Our progress strengthens the belief that our development ambitions towards the Vision 2020 can be achieved with our concerted efforts.

The Second Economic Development and Poverty Reduction Strategy (EDPRS 2) is a launch into the home strait of our Vision 2020. We are faced with new challenges of ensuring greater self reliance and developing global competitiveness. Conscious of these challenges, we forge ahead knowing that working together, we always overcome.

The EDPRS 2 period is the time when our private sector is expected to take the driving seat in economic growth and poverty reduction. Through this strategy we will focus government efforts on transforming the economy, the private sector and alleviating constraints to growth of investment. We will develop the appropriate skills and competencies to allow our people particularly the youth to become more productive and competitive to support our ambitions. We will also strengthen the platform for communities to engage decisively and to continue to develop home grown solutions that have been the bedrock of our success. These are fundamental principles as we work to improve the lives of all Rwandans in the face of an uncertain global economic environment.

As we take this important step ahead in our future, let us increase our determination to become makers of history, to shape our development and elevate Rwanda into a new era of prosperity that will be celebrated for generations through our joint efforts.

H.E. Paul KAGAME

President of the Republic

EXECUTIVE SUMMARY

1. **During the last ten years Rwanda has experienced one of the most exciting and fastest periods of growth and socio-economic progress in its history**. It was tenth fastest growing economy in the world during the decade from 2000. At the same time more than a million people have been lifted out of poverty. Population growth is stabilising and the country is making great strides towards achieving the Millennium Development Goals and middle income status. A perfect developmental "hat trick" of sustained economic growth (8% average), poverty reduction (12% points) and a reduction in income inequality were achieved over the EDPRS 1 period. There were key lessons learned from the EDPRS 1 Self assessment Report from both success and shortcomings that have shaped the EDPRS 2 elaboration.

Positive Lessons Learned from EDPRS 1

2. **Ownership of the EDPRS** by a wide range of stakeholders at national level has been a key factor of success. The EDPRS 2 has integrated inclusiveness and sustainability as driving factors in elaborating the strategy.

3. **Home-grown initiatives** turned into success stories in strengthening delivery of EDPRS 1. These include: Umuganda (community work), Gacaca (truth and reconciliation traditional courts), Abunzi (mediators), Imihigo (performance contracts), etc. Scale up of home grown solutions forms an integral part of the EDPRS 2 with particular focus on identifying innovations.

4. **Community-based solutions,** working closely with the population, have made possible fast-track and cost effective implementation and increased demand for accountability, in education with the 9YBE construction of classrooms, the Crop Intensification Programme (CIP) in agriculture, and community based health care programmes. This approach supporting community empowerment and involvement will be scaled up and supported in the EDPRS 2.

5. **Use of ICT solutions improved service delivery.** Some of the biggest successes in service delivery and investment climate reforms have centred on ICT solutions such as online registration of businesses, online filing of tax claims among others. The EDPRS 2 targets taking Rwanda to the brink of middle income status requiring even greater performance in service delivery from both public and private sectors. ICT is considered an important aspect in developing the knowledge based economy.

6. **An adequate institutional and legal framework for implementation,** but with flexibility to change or adapt has proven effective (e.g. RDB, REB, EWSA, etc). In many instances, merging institutions with closely complementary mandates has reduced duplication of efforts and improved coordination. Innovation within the institutional framework has been fully considered and teased out in the EDPRS 2, key areas identified for reform geared towards increased efficiency of delivery include: the National Employment programme, the Urbanisation and Rural Settlements institutional framework and the Investment process.

Lesson Learned on Shortcomings, Addressed in EDPRS 2

7. **Some sectors at the end of EDPRS 1 still lacked exhaustive and well articulated strategies:** the EDPRS 2 has been developed based on a comprehensive elaboration process that included stakeholders from the District level to the National level. The EDPRS 2 is developed taking into consideration: 30 District Development Strategies, City Development Plan for Kigali City, 16 Sector Strategies at National level and 4 Thematic Area Strategies.

Development of these strategies concurrently allowed for better streamlining of plans at all levels.

8. **Insufficient coordination and communication** across sectors as well as between central and local government entities. In general, Districts and Sectors both expressed need for better sharing of information and improved coordination for implementation among others. The EDPRS 2 introduced Four Thematic Areas: Economic Transformation, Rural Development, Accountable Governance and Productivity and Youth Employment. These thematic areas level planning ensured that planning was driven by commonly understood goals and objectives. The focus on joint planning and cross sectoral action was further emphasised.

9. **Insufficient involvement of the private sector** in some areas affected the quality of policy dialogue and engagement of private sector in implementation. The EDPRS 2 required that every sector identify private sector players and engage them in developing their respective strategies. This was achieved and taken forward as a principle for the EDPRS 2 including the refinement of Public Private Dialogue and the adoption of private sector investment targets for line Ministries.

10. **Mainstreaming cross cutting issues needed strengthening.** While Sectors and Districts acknowledged progress in integrating cross cutting issues they also highlighted the need for more tools and guidance on effectively mainstreaming cross cutting issues into their plans, budgets and M&E. The EDPRS 2 considered guidelines from lead institutions on all seven cross cutting issues for integration into Thematic, Sector and District Strategies. The development and collection of specific disaggregated indicators will be further developed moving forward.

11. **Weak M&E systems.** Districts and Sectors pointed out the need for an integrated M&E system that links the different sub-systems. By developing a strong linkage between M&E outcomes from the thematic, to sector and district level, the EDPRS 2 provides a platform for increased effectiveness of the M&E system. The planned introduction of an integrated electronic M&E system for District and National level will further facilitate the M&E process during EDPRS 2.

Rationale for the EDPRS 2 Elaboration

12. **Challenges:** A range of challenges confront medium and long term development aspirations but are balanced by exploitable opportunities. Poverty and inequality are high; land, a basic resource for many people's rural livelihoods and for new productive activity, is pressured by increasing population density, and demographic trends and the growing youth share of population requires 200,000 jobs to be created each year. Yet the labour force is characterised by low skills and productivity; the private sector is constrained by its small scale and lack of suitable infrastructure; and delivery of development faces horizontal (across sectors) and vertical coordination (centre to district to community) challenges.

13. On the other hand a number of **opportunities** exists, Rwanda's favourable dependency ratio can provide a demographic dividend based on its youthful labour force and the demands for goods and services arising from increasing urbanisation. Domestic political and economic stability and an attractive regulatory environment are positive for private investment and doing business. The improving literacy and numeracy of the population provides the basis for a more skilled national workforce. The existing decentralised modalities for development and service delivery, often based on traditional institutions, are platforms for increased engagement of citizens in planning and delivery. Increased regional integration can massively expand market potential and economies of scale. Rwanda's alertness and pro-activeness in environment mainstreaming can provide a natural centre for green growth and investment.

14. Under EDPRS 2, these challenges will be addressed and opportunities will be pursued through the four Thematic Strategies of Economic Transformation, Rural Development, Productivity and Youth Employment and Accountable Governance while continuing the success stories of EDPRS 2 through foundational Issues.

Thematic Area Priorities for EDPRS 2

Economic Transformation

15. This thematic area targets accelerated economic growth (11.5% average) and restructuring of the economy towards more services and industry as we move towards middle income country status. The main targets relate to: strategic infrastructure investment for exports, increased private sector financing for increased exports coverage of imports, urbanisation and green economy approach for sustainability. Five priority areas will spearhead this thematic strategy.

16. **Priority 1: Increase the domestic interconnectivity of the Rwandan economy** through investments in hard and soft infrastructure by meeting the energy demand of the private sector; increasing access to public goods and resources in priority sectors of the economy; and deepening the integration of key value chains.

17. **Priority 2: Increase the external connectivity of Rwanda's economy and boosting exports** by building a new international airport, expanding RwandAir, and finalising planning for an appropriate railway connection along the Central Transport Corridor to Dar-es-Salaam or to Uganda; transforming Rwanda's logistics system and strengthening export promotion.

18. **Priority 3: Transform the private sector by increasing investment in priority sectors.** The investment process will target large foreign investors in priority sectors of the economy; accelerate measures to increase long-term savings, transform the financial sector for increased access to long term international and domestic financing for private sector, strengthen tax and regulatory reform to spur medium and large enterprise growth and attract large investors.

19. **Priority 4: Transform the economic geography of Rwanda by facilitating urbanisation and promoting secondary cities.** Six Secondary Cities will be developed as poles of growth and centres of non-agricultural economic activities. This will require investment in specific hard and soft infrastructure and strategic economic projects that will trigger growth of these cities and enhance linkages to other towns and rural areas. Affordable housing will also be a key element of increased attractiveness of these cities. Kigali will continue to be developed as a regional hub.

20. **Priority 5: Pursue a 'green economy' approach to economic transformation.** The green economy approach favours the development of sustainable cities and villages. Key innovations include: piloting a green city, piloting a model mine, attracting investors in green construction, Interventions will focus on green urbanisation and the promotion of green innovation in industrial and private sectors.

Rural Development

21. This thematic area is focused on ensuring that poverty is reduced from 44.9% to below 30% by 2018. This will be achieved through focus on increased productivity of agriculture which engages the vast majority of the population and ensures sustainable poverty reduction. Enhanced linkages of social protection programs will also be developed with particular attention to increasing graduation. Four priority interventions will lead this strategy:

22. **Priority 1: Integrated Approach to Land Use and Human Settlements.** Two functions will be strengthened in this priority. The overall land use allocation for development and the decentralised process of land allocation and management. A major consideration is ensuring that rural settlements are revisited to ensure greater access to economic opportunities and basic services.

23. **Priority 2: Increase the Productivity of Agriculture** by building on the sector's comparative advantage. The focus is therefore on irrigation and land husbandry, proximity advisory services for crops and livestock and connecting farmers to agribusiness.

24. **Priority 3: Enable Graduation from Extreme Poverty** by monitoring graduation through a database across social protection programmes, supporting financial products, services and literacy for the poorest, strengthening Umurenge SACCOs, and improving the coverage and targeting of core social protection programmes such as VUP. Graduation will also mean linking the poorest to economic activity through the provision of skills.

25. **Priority 4: Connect Rural Communities to Economic Opportunity through Improved Infrastructure.** Interventions will include a feeder roads programme and information and communications technologies (ICT) expansion for rural areas with the aim of linking communities to markets, the electrification programme, modern biomass and other cooking methods, and full coverage of quality water and sanitation.

Productivity and Youth Employment

26. This thematic area is focused on ensuring that growth and rural development are underpinned by appropriate skills and productive employment, especially for the growing cohort of youth. The main objective is the creation of at least 200,000 new jobs annually. Four priority interventions will lead the way.

27. **Priority 1: Develop Skills and Attitudes** by reviewing and reforming national education curricula, establishing Sector Skills Councils, strengthening TVET, internships, promoting adult literacy and short course basic skills training, a tripartite funding system for on-the-job training, and a youth entrepreneurship mentoring programme.

28. **Priority 2: Promote Technology** with a focus on accelerating innovation by internet and mobile phone infrastructure and improving ICT skills.

29. **Priority 3: Stimulate Entrepreneurship, Access to Finance and Business Development** by increasing off-farm employment, productivity and new job creation driven by the private sector. The government will consolidate, rationalise, and expand different business support programmes into an Integrated National Employment Programme to boost entrepreneurship and job creation.

30. **Priority 4: Labour Market Interventions.** Government will improve the efficiency of labour markets by assisting job seekers match to job providers through Employment Service and Career Advisory Centres.

Accountable Governance

31. The objective of this thematic area is to improve the overall level of service delivery and ensure citizen satisfaction above 80%. It also focuses on increased citizen participation as a way of ensuring ownership and feedback for efficiency and sustainability. The following strategic priority areas for intervention have been identified:

32. **Priority 1: Strengthen Citizen Participation and Demand for Accountability** by using "home grown initiatives" to promote citizen participation; using ICT and radio to promote participation and development communication; strengthening the media and civil society

organisations to better fulfil their developmental role and strengthening administrative decentralisation.

33. **Priority 2: Improve Service Delivery.** To revitalise service delivery in the public sector as well as in the private domain, the Government will embark on development of a customer-centred service delivery culture, the design of policies and the establishment of standards of Customer Services.

Foundational Issues

34. Foundational issues reflect long-term ongoing priorities where, in many cases, significant progress has already been made during EDPRS 1. These shall be of continued focus for the nation in order to lay a firm foundation for the emerging priorities designed and implemented under the thematic areas.

a) Macroeconomic stability. Public investment will be targeted priority investments that demonstrate strong linkages to enabling the growth of the economy, stimulating private sector development, and poverty and inequality reduction. Prudent macroeconomic policies will continue to be pursued.

b**) Demographic issues:** policies focused on sustainable population growth as evidenced in the success of the reduced fertility and population growth will continue to be pursued.

c) Food security and malnutrition. This remains an important issue to be addressed through coordinated, strengthened and scaled-up community based nutrition programmes and information campaigns across the country.

d) Literacy, early childhood development and basic education. The objective is to have all infants and young children fully achieve their developmental potential. More emphasis will be put on the role of partnerships with the private sector to increase available options for education.

e) Quality, demand and accessibility of primary health care. The EDPRS 2 will be on improving the quality of health care services, including the management of hospitals, while continuing to expand geographical and financial accessibility

f) Rule of Law, unity and reconciliation, security and stability (including regional peace and stability). Domestic and regional peace and stability will play a significant role in Rwanda's development process. On-going measures will include strengthening the legal and policy framework; and developing institutional capacity to respond to, investigate and prevent crime. Furthermore, support to international and regional peacekeeping initiatives and operations will be pursued. Unity and reconciliation will also be strengthened through entrenching community based dialogue.

g) Strengthening effectiveness of public finance management. This will focus on the continued increase of resource mobilisation from domestic and alternative sources of finance, scaling up of the implementation of the Integrated Financial Management Information System, enhancing capacity at the National and District levels.

h) **Consolidating decentralisation.** This will be pursued through deepening participatory, democratic, accountable local governance systems, building capacity for effective local service delivery, leveraging regional integration, using ICT to deliver services efficiently and effectively, increasing citizen’s empowerment.

Cross Cutting Issues (CCIs)

35. These issues have been mainstreamed in all the sector strategies and district plans over the period of EDPRS 2 include the following;

a) Capacity building: through prioritising institutional and individual capacity development within sectors and Districts to deliver under each of the thematic areas and foundational issues.

b) Environment and climate change: major areas of attention will be mainstreaming environmental sustainability into productive and social sectors and reducing vulnerability to climate change.

c) Gender and family: The main issues include reducing poverty levels among men and women, malnutrition, reducing gender based violence and other related conflicts at both family and community level.

d) Regional integration: This will be explored for increased access to trade, finance, legislation, health regulation, agricultural standards, environmental safeguards and education qualifications.

e) HIV/AIDS and NCDs through regular sensitisation regarding HIV, voluntary counselling, testing, prevention of mother to child transmission, condom distribution.

f) Disaster management includes investment in rapid response disaster management equipment, early warning systems and awareness campaigns.

g) Disability & Social Inclusion include accessible infrastructure and information, media practitioners will develop standards for reporting news accessible to people with disabilities.

Consultations and Shareholders Views

36. **Following the lessons learned from EDPRS 1, Sector Strategic Plans and District Development Plans have been elaborated simultaneously to ensure coherence** among the national planning documents. They have been developed with a common direction on how each shall contribute to meeting MDGs, 7YGP and Vision 2020. The figure below is a visual summary of the methodology followed under EDPRS 2 elaboration.

37. **EDPRS 2 is about each Rwandan playing his or her part** in the development of the country and all Rwandans benefitting from it. Hence the title: *"uruhare rwacu, mu bukungu bwacu"*. This has been prioritised by the engagement of all concerned stakeholders right from the planning phase in order to enhance implementation. In this regard, citizens were widely consulted to solicit their views through forums such as *Umuganda* and focus group discussions.

38. **A robust EDPRS 2 Communication Strategy was implemented under the theme: "GIRA IJAMBO"** that included various activities among others; a customised EDPRS 2 website (www.edprs.gov.rw), toll free SMS line (2018) for contribution of ideas, road shows were conducted country wide with brochures, banners, billboards, radio and TV Spots. A theme song for the EDPRS 2 was also developed calling the youth to participate in their development. Activities under the communication strategy are planned to go on for at least two years of EDPRS 2 implementation, to ensure that majority of the population understand what EDPRS is about and thus own the national development agenda.

39. **Focus group discussions and consultative meetings have been held with the population** including: youth, private sector, civil society (international and local),

academicians and students to ensure all categories of the population were well informed and able to give their suggestions as to how the EDPRS 2 should be shaped.

40. **Overall guidance to the strategy was provided by the National Steering Committee** composed of Ministers, Province Governors and the Mayor of Kigali City assisted by a technical steering committee composed of Permanent Secretaries and Development Partners.

Implementation and Monitoring and Evaluation

41. **EDPRS 2 implementation will need to be well coordinated, focused and aggressive** through the various levels of operationalisation. This will require adequate sequencing (from short term to medium term interventions) and inter-relatedness of actions under the thematic and sector strategies and district plans, the clear assignment of responsibilities and roles in their implementation, and coordination with non-state actors, especially insisting on the centrality of private sector participation and national ownership.

42. **Implementation will prioritise foreign exchange savings** (exports and expansion of available products on local market to reduce import bill), increasing private sector investment involvement and improving efficiency in the raising and use of public funds and rapid delivery in the public sector.

43. **Central government will continue to be responsible for coordination** of Government programmes to ensure effective implementation and monitoring of the EDPRS 2 and to ensure that national level policies and local priorities are well aligned whereas local government will be responsible for coordination of EDPRS 2 implementation at district level.

44. **Given the M&E experience of EDPRS 1 and the results of the self-assessment, the EDPRS 2 framework has definitive M&E Plans**. The Monitoring Plan is designed to facilitate tracking of progress at the national level and also at the three levels of the EDPRS 2 conceptual framework (Thematic, Sector and District levels) so as to ensure the evaluability of the EDPRS 2 both during, and at the end of its implementation. Clear indicators have been defined and subsequent implementation plans will be developed at all levels. These will guide annual planning and budgeting. The development of an electronic M&E system will further facilitate the collection, tracking and analysis of information. The evaluative function will be given greater importance with a series of priority analytical work already identified to be conducted to inform the EDPRS 2 implementation.

45. The implementation of the EDPRS 2 has been costed by Districts, Sectors and Thematic areas. **The cost of delivery is estimated at RWF 9,929 Billion**.

EDPRS 2 costs	RWF
Cost of the initiatives linked to the thematic areas	4,738 billion
Cost of the initiatives in the foundation sectors	3,292 billion
Cost of support functions (such as wage bill, defence)	1,899 billion
Total government expenditure during EDPRS 2	**RWF 9,929 billion**

46. **Financing the EDPRS 2 will require investment as a percentage of GDP to increase from 21.3% in 2013 to 29.7% in 2017**. Growth is expected to be driven by a scaling up of public investment and measures taken to encourage private investment initially. Public investment will increase at the beginning of the period to 15.0% of GDP in 2015 as the government undertakes strategic investments to boost productivity and increase access to resources in priority sectors of the economy, but will fall thereafter as the private sector becomes the driver of growth. Private investment is expected to increase throughout the

period reaching 15.4% of GDP in 2017, and by the end of the period, private investment is expected to take over as the main source of investment.

47. **New and innovative sources of financing will be pursued** including an increase in both external debt and foreign direct investment, encouraging international capital flows, strategic government portfolio management, setting up of equity funds, expanding the *Agaciro* sovereign fund and attracting Green Economy financing. High non-debt inflows including Foreign Direct Investment (FDI), other forms of foreign investment and remittances will ensure that the current account deficit can be financed without resorting to exceptional financing whilst maintaining the Net Foreign Assets (NFA) at four months of prospective imports of goods & services.

1. SHAPING RWANDA'S FUTURE

Introduction

1.1 **Rwanda is experiencing one of the most exciting and fastest periods of growth and socio-economic progress in its history.** It was the tenth fastest growing economy in the world during the decade from 2000. At the same time more than a million people have been lifted out of poverty. Population growth is stabilising and the country is making great strides towards achieving the MDGs and middle income status.

1.2 **Post genocide, adversity was turned into opportunity by creating a national vision i.e. "Vision 2020"** which is a translation of Rwandans' aspirations for the future of their country and society. The Vision presents a framework and key priorities for Rwanda's development and a guiding tool for the future, and is ambitious to overcome poverty and foster unity and reconciliation. Vision 2020 has been made operational by a series of medium-term national Poverty Reduction and Economic Development Strategies.

1.3 **The energy and determination invested in the concept and implementation of the Vision generated an economic recovery which has impacted dramatically on growth, incomes and poverty.** Long-term indicators tell the story of socio-economic rebound after a major upheaval. Average annual economic growth averaged more than 10% in the decade after 1995. Since 2000, this momentum has been sustained culminating in a perfect developmental "hat trick" of sustained economic growth, poverty reduction and a reduction in income inequality by the end of the EDPRS 2 period. Despite the disruptions caused by the 2008-9 global financial crisis, during 2005-11, annual economic growth grew by a robust 8%, annually, the headcount poverty and extreme poverty ratios both fell by nearly 12 percentage points, taking a million people out of poverty, and income inequality declined. In short, Rwanda has been "on the move", and has provided real improvements in living standards for its population.

1.4 **This Second Economic Development and Poverty Reduction Strategy (EDPRS 2) is a five year plan designed to accelerate the progress already achieved and to shape the country's development in the future.** It will build on those policies from EDPRS 1 which have been effective in accelerating growth, creating employment and generating exports. In addition, EDPRS 2 will innovate determinedly to strengthen policy and strategy approaches and to ensure continuing achievement by more engagement of the private sector.

1.5 **The overarching goal for EDPRS 2, derived from Vision's long-term goal of "creating a productive middle class and fostering entrepreneurship" is**:

<u>Overarching Goal of EDPRS 2</u>

"Accelerating progress to middle income status and better quality of life for all Rwandans through sustained growth of 11.5% and accelerated reduction of poverty to less than 30% of the population"

1.6 **The EDPRS 2 is guided by the revised targets of the Vision 2020 adopted in May 2012** which outlined the clearly the objectives to be achieved as a pre-requisite for rapid growth and poverty reduction.

Table 1.1 Key Vision 2020 Targets

Objectives	Vision 2020 targets
Rapid economic growth to Middle Income status	➢ GDP per capita of $1240 ➢ Avg. GDP growth of 11.5%
Increased Poverty reduction	➢ Poverty reduced to 20% ➢ Extreme poverty eliminated
More off-farm jobs, more urbanisation	➢ 1.8 million new off-farm jobs ➢ 35% of population urban
Reduced external dependency	➢ Exports Growth of 28% p.a.
Private Sector as engine of growth	➢ Private sector takes dominant share of investment

The Context for EDPRS 2

The Changing Face of Poverty Reduction Strategies

1.7 **Vision 2020 has been converted into action by a series of medium-term strategic plans.** The first was the **Poverty Reduction Strategy (PRSP)** finalised in 2001, which covered the period 2002-6. This was the Government of Rwanda (GoR)'s first systematic assessment of the actions needed to reduce poverty and generate pro-poor economic growth. It was followed by the first **Economic Development and Poverty Reduction Strategy (EDPRS)** covering the period 2008-12.

1.8 **PRSP 2002-6** was elaborated in a post-conflict environment where the main emphasis was on managing a transition from emergency relief to rehabilitation and reconstruction. Six broad areas were identified as priorities for action: rural development and agricultural transformation: human development, economic infrastructure; governance, private sector development and institutional capacity-building.

1.9 **Despite strong economic growth, poverty fell during the PRSP period by only 2.2 percentage points.** More than half the population continued to live below the national poverty line. Extreme poverty[1] fell by 4.2 percentage points between 2001 and 2005, but still afflicted more than one third of the population. While income inequality as measured by the Gini coefficient, rose from 0.47 to 0.51.

1.10 **In terms of non-income poverty, the PRSP was much more successful.** Infant, under-five and maternal mortalities all decreased by 20-30%. Progress has continued under EDPRS so that the associated health MDG targets for 2015 have already been achieved by 2012 or are on track. Access to education has improved with the implementation of the nine year basic education program while completion rates have also increased significantly for

[1] Defined as the income required to provide food requirements of 2,100 calories per day.

both boys (79%) and girls (82%) by 2012. Governance progress was made through a range of constitutional reforms, the holding of presidential and legislative elections in 2003, local elections in 2006 and the roll-out of the *gacaca* community courts to resolve the post-genocide legacy.

1.11 **EDPRS 1 (2008-12)** marked a distinct change in the approach to development. A key conclusion of the PRSP experience was that the social sectors (particularly health and education) had been well addressed, but the real economy i.e. the sectors dealing with the production of goods and services, had not. Priority was, therefore, given to accelerating growth, creating employment and generating exports. These were to be catalysed through public investment in infrastructure, and through regulatory reform. They were intended to reduce the costs and risks of doing business and to create an attractive environment for private sector investment and activity.

1.12 **The policy and strategy focus under EDPRS 1** was, therefore to (a) accelerate growth and diversification by giving a bigger role to the private sector, and (b) further decentralise governmental functions to take developmental decision-making closer to the people, accompanied by strengthened accountability mechanisms.

1.13 **These priorities were reflected in three flagship programmes:** the Programme for Sustainable Growth for Jobs and Exports, the Vision 2020 *Umurenge* Programme (VUP), and the Governance Programme. The VUP was aimed at providing a decentralised, integrated programme designed to impact on rural poverty reduction.

Achievements under EDPRS 1

1.14 **As mentioned, remarkable socio-economic progress has been made during EDPRS 1.** The economy grew strongly, and significant poverty reduction was achieved. Economic activity was driven by a large increase in agricultural output, robust exports, and strong domestic demand. Fortunately, Rwanda has remained relatively insulated from the slowdown in the advanced economies. Though inflation rose sharply in 2011, it has still remained in single digits and has been the lowest in the region. In 2012, high growth was sustained and inflation remained relatively modest, although risks from instability in commodity prices and aid flows, remain.

Steady Growth Across All Sectors

1.15 **Economic growth for the EDPRS 1 period 2008–2012 exceeded ambitious expectations.** Real GDP growth averaged 8.2% annually, which translated into GDP per capita growth of 5.1% per year (Table 1.2).

Table 1.2 Output and Growth Rates 2008 to 2012

Gross Domestic Product (GDP)

		2008	2009	2010	2011	2012
GDP	Rwf billions, constant 2010 prices	2,879	3,059	3,280	3,551	3,833
	USD millions, constant 2010 prices	4,938	5,246	5,625	6,089	6,573
GDP per capita	Rwf '000s, constant 2010 prices	293	302	315	331	348
	USD, constant 2010 prices	502	519	540	568	644

	Annual Growth Rates					
	2008	**2009**	**2010**	**2011**	**2012**	**Average Annual Growth rate**
Real Gross Domestic Product (GDP)	11.2%	6.2%	7.2%	8.3%	8.0%	8.2%
Real GDP per capita	8.1%	3.2%	4.2%	5.2%	4.9%	5.1%

Source: MINECOFIN

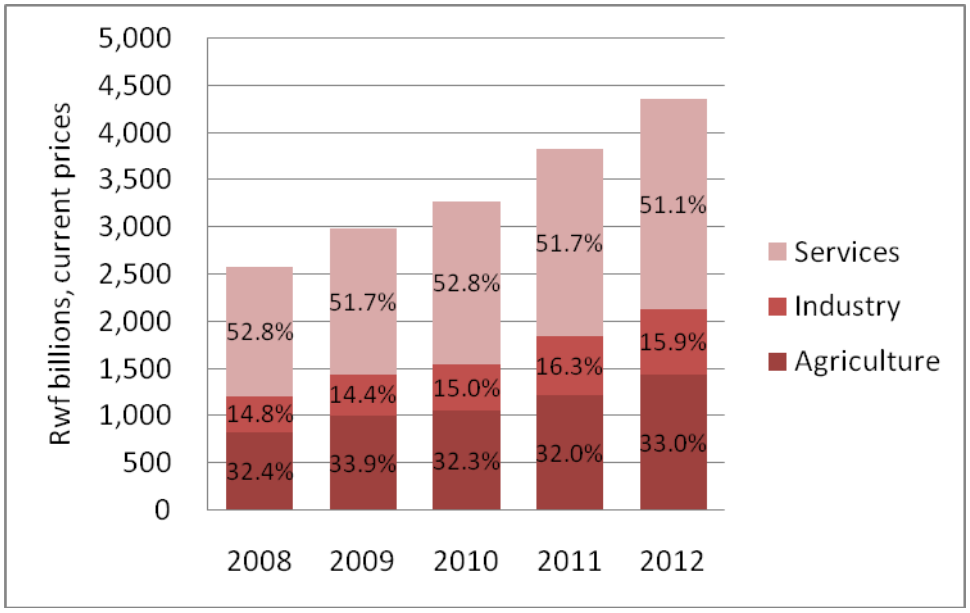
1.16 **The economy experienced a short period of difficulty following the global financial crisis in 2008-9, when GDP growth fell to 6.2% in 2009.** However, growth well in excess of population growth returned during 2010-2012, permitting significant real increases in per capita incomes. Rwanda was shielded from the worst effects of the global downturn because of its relatively low level of integration with the worst affected western economies, and its fiscal stimulus policies implemented in 2009 and 2010. Overall, the economy proved resilient to the global dip in 2009, helped by a rebound in commodity prices for its exports.

1.17 **Strong and balanced economic performance has derived from sustained growth across all sectors of the economy.** Services have been the main driver of growth. The sector grew at an average of 10.0% per year and produced around 52% of national output during the EDPRS 1 period. The main expansion areas were telecommunications with increased mobile phone and internet use, wholesale and retail trade and transport. Expansion of services accounted for just over half of total GDP growth (53%) during the EDPRS 1 period.

1.18 **The industrial sector grew at an average rate of 9.8% per year during EDPRS 1**, driven by a rapid expansion of construction, which grew at 15.0% annually. The industrial sector produced 15.4% of national output between 2008 and 2012. Investment flows for construction from the diaspora, have been an important contributor. The rapid growth was achieved despite the sector, in particular construction, being hit hard by the global downturn in 2009. Industrial growth contributed 20% of total growth during EDPRS 1.

1.19 **Agriculture grew at 5.4% sustained by higher than expected expansion of food production**, mainly thanks to scaled-up public investments such as the crop-intensification programme (CIP). The agriculture sector contributed 32.7% of GDP and 28% of total growth.

Figure 1.1 Sector Output and Shares of GDP



Source: MINECOFIN

1.20 **Thus, the highest growth rate was in the services sector, which remained the main contributor to growth.** Despite high rates of growth, structural transformation of the economy towards higher productivity industry and services was limited during the EDPRS 1 period.

1.21 **Strong performance of the productive sectors was underpinned by several key factors supportive of business.** Prudent and stable macro-economic and market-oriented policies sustained business confidence. Regulatory frameworks were improved and enforced, thereby facilitating business activity, providing transparency in government-private sector interactions. A strong anti-corruption stance simplified and reduced the cost of business transactions. And high levels of consumption and public investment, supported by international aid, fuelled economic activity.

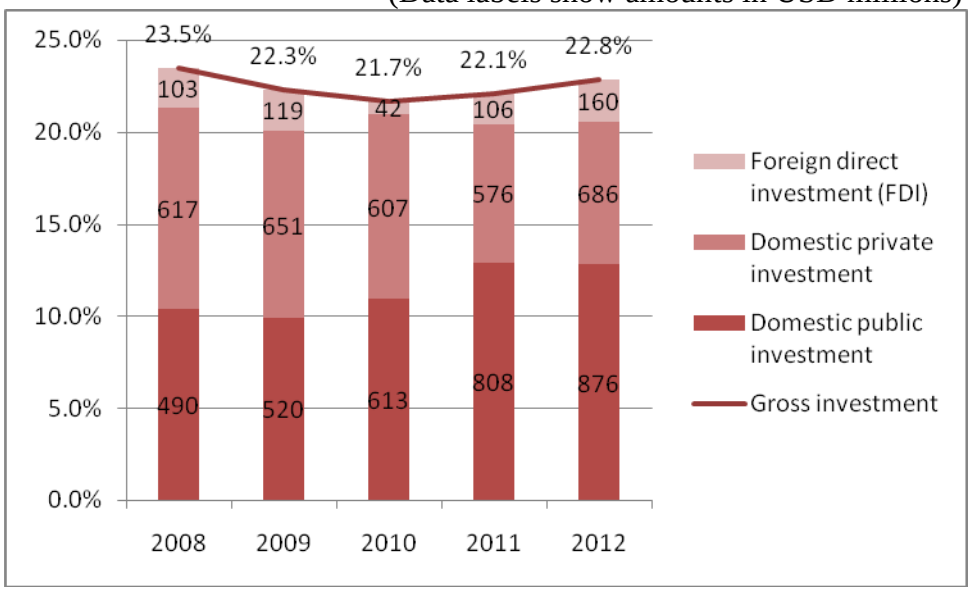
1.22 **According to the World Bank's Doing Business Report for 2012,** Rwanda progressed from 58th to 45th position in the ease of doing business rankings worldwide. This performance makes Rwanda the second most reformed economy in the world over the last five years and the third easiest for doing business in Africa, as well as being the first in the East African Community (EAC).

1.23 **Gross investment in the economy averaged 22.5% of GDP from 2008 to 2012,** just short of the EDPRS target for 2012 of 24.4%. High levels of gross investment were achieved through a scaling up of public investment which reached 12.8% of GDP in 2012. This was a major component of government's fiscal stimulus. A number of strategic infrastructure investments to promote private sector growth were also identified and financing initiated.

1.24 **In 2012, out of a gross investment of USD1,562 in the economy, USD876 million was public investment and USD686 million was domestic private investment.** USD160 million was Foreign Direct Investment (FDI), a steep increase after hovering around USD100 million in three out of the four years. In general, the increasing volumes of public investment were not able to leverage significant additional FDI during this period.

Figure 1.2 Domestic and Foreign Investment as a Percentage of GDP

(Data labels show amounts in USD millions)



Source: MINECOFIN

Gains in Income and Non-Income Poverty Reduction

1.25 **While Rwanda's population is still growing, its rate of growth is stabilising.** The provisional results for the fourth Population Census for 2012 give a total resident population of 10.5 million, compared with 8.1 million in the 2002 Census, implying an annual population growth rate of 2.6%. Population density has increased from 321 to 416 persons per sq.km between 2002 and 2012, the highest in Africa.

1.26 **High growth rates combined with stabilising population growth has contributed to poverty reduction.** The poverty headcount ratio declined from 56.7% in 2005/06 to 44.9% in 2010/11 with significant poverty reduction experienced particularly in rural areas where the rate fell from 61.9% to 48.7%.

1.27 **The reduction in poverty was supported by a combination of improved agricultural incomes, off-farm job creation, reduction in household sizes, and public and private transfers[2].** Agricultural incomes were enhanced by productivity gains for staple and cash crops, and by commercialisation in the agricultural sector, which covers more than 70% of employment. Use of fertilisers tripled in tonnage terms from 2006 to 2011, and the share of marketed agricultural output increased from 21.5% to 26.9%. At the same time, the number of non-farm jobs increased by 50-60%.

1.28 **Improved income levels resulted in reduced income inequality.** The Gini coefficient, a conventional measure of income inequality, declined from 0.52 in 2005/06 to 0.49 in 2010/11, below the level in 2000/01 (0.51). Nevertheless, persistent inequality between men and women in accessing economic resources remains one of the main challenges in addressing rural poverty.

1.29 **In terms of gender equality, Rwanda has continued to register progress.** Women representation in decision making positions makes Rwanda the world leader in the proportion of women in Parliament (56.3%). In addition, a conducive policy and legal framework for mainstreaming gender in socio-economic sectors at all levels is in place (existence of a

[2] The Evolution of Poverty in Rwanda from 2000 to 2011, Results from the Household Surveys (EICV 3), NISR

national gender policy, gender sensitive laws such as Gender Based Violence (GBV) law, inheritance law, land law, etc.). Pro-poor and gender friendly programmes such *Girinka* were initiated as well as gender mainstreaming programmes/projects such as the Gender Responsive Budgeting Initiative.

1.30 **Increased monetisation of the economy and the rural world in particular, has led to reduced financial exclusion.** This has dropped significantly since 2008 (Finscope 2012). In 2008, 52% of adults (i.e. 18 years or older) were financially excluded. By 2012, this had reduced to 28%. In 2008, 21% of adults were served by formal finance institutions; and by 2012, this proportion increased to 42%. The increase in inclusion has been helped by an uptake of banking products offered by non-bank formal financial institutions (such as *Umurenge* SACCOs and insurance companies).

1.31 **Significant gains were also recorded in non-income dimensions of poverty.** Child mortality declined from 86 to 50 infant deaths per 1,000 live births, and maternal mortality from 750 to 476 per 100,000 live births between 2006 and 2011. More children attend school across the country with net enrolment for primary school reaching 96.5%, and net enrolment for girls being higher than for boys. Net enrolment for lower secondary school is still low, but gross enrolment has increased from 10% to 48.6%. However, children from poorer families are far less likely to attend secondary school than the better off, though the gap is closing. Access to clean drinking water and sanitation increased in all provinces to 71% to 75% coverage respectively.

1.32 Electrification has expanded to cover 13% of households, compared with 3% in 2006, but is still largely limited to urban areas.

Table 1.3 Targets and Achievements of EDPRS1

Priority area	Indicator	Baseline 2006	Target 2012	Actual 2011/12
Growth and poverty reduction	1. Real GDP growth (% annual)	6.5	8.1	8.2 (2008-12)
	2. Export growth (% annual)	10	15	25.1 (2008-12)
	3. National investment (% of GDP)	16.3	24.4	22.5
	4. Share of population living in poverty (%)	57	46	44.9
	5. Share of population living in extreme poverty (%)	37	24	24.1
	6. Poverty incidence among people living in female-headed households (%)	60	48	47.0
	7. Employment in agriculture (% reporting as main occupation)	80	70	71.6
	8. Number of new jobs created		140,000	177,362
Widen and strengthen the Financial Sector	9. Private Sector credit (% of GDP)	10	13.9	14.5
	10. Financial depth (broad money/GDP)	20	22.5	21.3
Develop skills	11. Pupil/teacher ratio in primary schools	73:1	60:1	62.1
	12. Gross secondary school enrolment	10	30	38.0
Raise agricultural	13. % of agricultural land protected	40	90	92.0

Priority area	Indicator	Baseline 2006	Target 2012	Actual 2011/12
productivity and ensure food security	against soil erosion			
	14. Area under irrigation (hectares)	15,000	24,000	24,131
	15. Use of mineral fertiliser (MT)	14,000	47,600	46,000
	16. Livestock in intensive systems (%)	16	55	60
Land and Environment	17. Forestry coverage (%)	20	22.7	24.5
	18. Land titles issued	8,000	7 million	4.2 million
	19. Area of land protected to maintain biological diversity (%)	8	9.6	10.1
Build infrastructure	20. Households with access to electricity (number of households)	70,000	270,000	308,326
	21. Electricity generation (off/on grid, MW)	45	120	110
	22. Classified national road network in good condition (%)	11	63	68
	23. ICT penetration rate (%)	26	40	44
Improve health status and reduce population growth	24. Infant mortality (deaths per 1,000 live births)	86	70	50
	25. Maternal mortality (deaths per 100,000 live births)	750	600	487
	26. Population covered by health insurance schemes (%)	70	90	89
	27. Women aged 15-45 using modern contraceptive techniques (%)	10	44	47.7
	28. Incidence of HIV among 15-24 year olds (%)	1	0.5	NA
	29. Total Fertility Rate (children per woman)	6.1	4.5	4.6
Increase access to safe drinking water and sanitation	30. Access to safe drinking water (% of population)	64	83	71
	31. Access to hygienic sanitation	38	63	74.5
Strengthen governance, security and the rule of law	32. Share of population expressing satisfaction/confidence in decentralised governance (%)	85	100	68

Sources: NISR, MINECOFIN.

Emerging Challenges for EDPRS 2

1.33 **Head count and extreme poverty, though significantly reduced during EDPRS 1, remains high and persistent, particularly in rural areas.** Though poverty reduced more in rural areas than urban areas in 2008-2011, poverty in rural areas still stands at 48.7%, compared to 22.1% in urban areas (EICV). Although all provinces experienced reductions in poverty during EDPRS 1, there was significant variation in the level of poverty reduction between different districts and in all provinces (Table 1.4). In Rwanda's poorest district, Nyamagabe, 73% of people live below the poverty line (Figure 1.3).

1.34 **Rwanda's poverty profile indicates that women are more affected by poverty than their male counterparts**, with 47% of female headed households being poor compared to 44.9% of all households. A key challenge for EDPRS 2 is, therefore, to ensure sustained growth and poverty reduction nationwide and among all groups. Focus is also required on the persistence of poverty which remains high throughout the rural areas. The depth of poverty indicators, i.e. the proportion by which poor households fall below the poverty line, show that despite improvements, many households in rural areas are far below the poverty line while others continue to be vulnerable to shocks particularly in the agriculture sector.

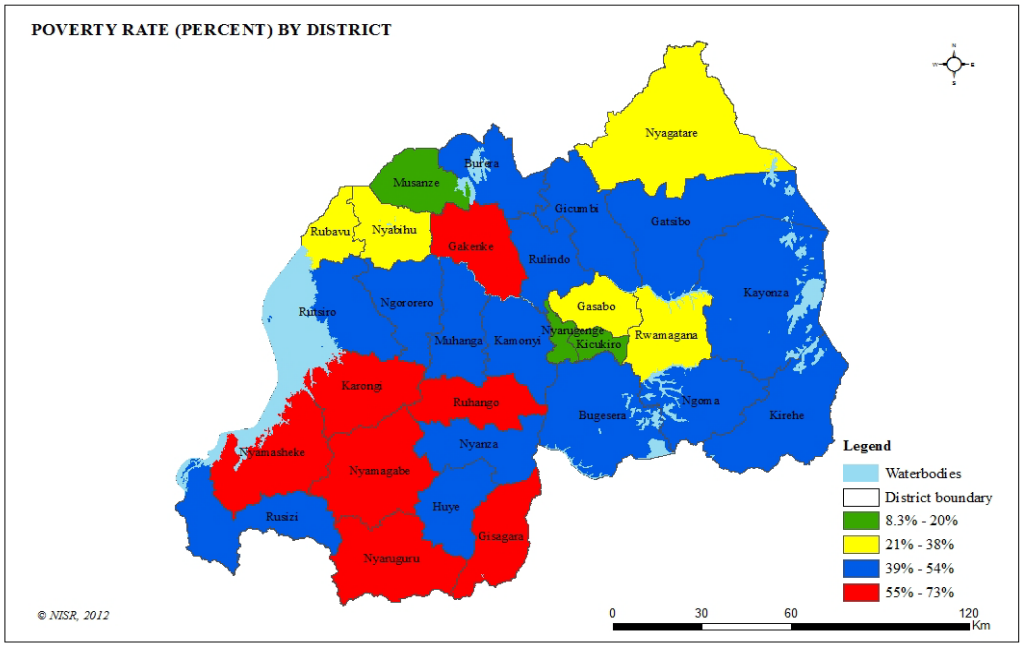
1.35 **Rwanda also continues to have comparatively high inequality.** Although inequality, as measured by the Gini coefficient, has reduced in the last five years to a level lower than in 2000/2001 (EICV), it remains high when compared to other Sub-Saharan Africa countries. Inequality will only continue to reduce if Rwanda can ensure that the extreme poor and the poor, particularly in rural areas, have access to the benefits of economic growth and jobs, and that they are not left behind in Rwanda's development story.

Table 1.4 **Poverty & Extreme Poverty Headcount (EICV 3)**

Province	2000/01		2005/06		2010/11	
	Poor	Extreme Poor	Poor	Extreme Poor	Poor	Extreme Poor
Kigali City	22.7%	14.5%	20.8%	12.9%	16.8%	7.8%
Southern Province	65.5%	44.7%	66.7%	44.9%	56.5%	31.1%
Western Province	62.3%	40.4%	60.4%	37.7%	48.4%	27.4%
Northern Province	64.2%	46.5%	60.5%	39.1%	42.8%	23.5%
Eastern Province	59.3%	39.4%	52.1%	29.9%	42.6%	20.8%
Urban			28.5%	16.0%	22.1%	10.4%
Rural			61.9%	39.5%	48.7%	26.4%
Total	**58.9%**	**40.0%**	**56.7%**	**35.8%**	**44.9%**	**24.1%**

Source: EICV

Figure 1.3 Level of Poverty by District (EICV 3)



1.36 **Rwanda is the one of the most densely populated countries in Africa and land is perhaps Rwanda's scarcest resource**. Rwanda's demographic reality, whilst an opportunity,

carries risks and pressures for the Rwandan economy. Current population density in Rwanda stands at 416 people per square km (NISR 2012). More than ever the demographic shift necessitates better use of scarce land resources, which today is dominated by smallholder farms. Smallholders in rural areas hold four to five plots that make up a mean land size average of approximately 0.59 hectares, with the median value at 0.33 hectares. This restricts both the productivity of land and the ability of rural populations to escape poverty. This enhances the need for modern farming methods to increase agricultural productivity, increased off farm employment to release land for scaled-up agriculture, and leveraging the process of urbanisation.

1.37 **The demographic trend necessitates 200,000 jobs to be created each year for new entrants into the workforce.** This compares to a total of 396,000 waged jobs in the formal economy today, meaning that Rwanda will need to see a significant increase in both formal and informal jobs over the period of EDPRS 2. Only if Rwanda's job market entrants are used productively in the economy can Rwanda's growth be sustained and accelerated. This in turn requires a transformation of economic structures to spur the movement of people away from scarce agricultural land into higher productivity non-agricultural activities that provide jobs and facilitate the movement of people to urban areas.

1.38 **Private sector growth and competitiveness is constrained by low skills and labour productivity in all sectors of the economy.** The number of formal sector firms reporting inadequate skills as a major constraint has doubled since 2006, indicating that this is a growing problem. Lack of skills is a particular issue for large firms with more than 100 employees, 45% of which reported an inadequately educated workforce as a constraint in 2011. The 2009 National Skills Audit reported an average 61.5% skills deficit and severe skills gaps in the private sector in Rwanda.

1.39 **The private sector needs transforming to enable it play its role as engine of economic growth.** The private sector is key to the economic transformation process. However, Rwanda's private sector remains small and nascent, dominated by micro and small enterprises (99.5% of firms) which provide low returns to investment and struggle to grow. The activities of the private sector have been highly undiversified though a recent increase in non-traditional exports such as manufactures is gradually reducing dependency on a few traditional commodities (tea, coffee, mining).

1.40 **Private firms and the process of structural transformation are constrained by key infrastructure gaps.** The most significant infrastructure constraint to all sizes of firms relates to electricity, which is costly by comparison to the region (at $0.24/kwh compared to Kenya's $0.15/ kwh, Uganda's $0.17/kwh, and Tanzania's $0.05/kwh) and insufficient in quantity. Current installed capacity is 110MW against an anticipated minimum demand of 563MW in the medium term. In addition, Rwanda's internal trade and the competitiveness of its exports are constrained by an insufficient logistics system that has not grown in parallel with the increasing demand for trade. Rwanda is substantially dependent on its neighbours for land transportation of goods from Mombasa and Dar es Salaam which is constrained by costly connectivity.

1.41 **Transforming Rwanda's economic structure will take time beyond EDPRS 2. In the meantime, Rwanda needs to address the extensive challenges facing the rural population to make inroads into poverty.** The majority of the 9.1 million people living in rural areas today will likely continue to live and work in rural areas during EDPRS2. Rural households are more than twice as likely to be in poverty and extreme poverty, than an urban household. 62% of waged farm workers are in poverty, compared with just 22% of waged off-farm workers. Therefore, the EDPRS challenge of poverty reduction is a challenge of

accelerated poverty reduction in rural areas, in the context of the limitations of land, skills, infrastructure and connectivity of rural populations.

1.42 **The delivery challenges of EDPRS 2 require enhanced coordination and a step change in the performance of the public and private sector.** Service delivery is crucial for both the public and private sectors and is part of government's social contract with citizens. Service delivery has been marked as an area for improvement where satisfaction with public services was rated at 64.5% on average for all key sectors. With the anticipated increased role of the private sector in contributing to growth and poverty reduction, quality of service delivery and customer centred services will take on more importance. Improving private and public sector performance will require incentives and mechanisms for engaging private sector, citizens and communities to provide input and feedback for enhanced delivery. During the EDPRS 1 period significant achievements were registered and more could be delivered with improved coordination and communication across sectors as well as between central and local government entities.

Opportunities for EDPRS 2

1.43 **While Rwanda's development targets may seem ambitious, they remain achievable**. Rwanda has the potential to grow rapidly and to exceed the levels of growth, poverty reduction and development experienced during EDPRS 1 if opportunities are sustainably exploited and developed. The track record of past achievements has strengthened confidence and belief of the population in their ability to deliver on development ambitions.

1.44 **Rwanda is primed to reap the demographic dividend**. Rwanda has just entered its demographic window of opportunity, a period in which the age dependency ratio of the population decreases, i.e. the number of dependents (young and old) decreases as a share of the total population, thereby increasing the economic opportunities for its working age population. The preliminary census results from 2012 show that population growth has slowed in the last 10 years and the 2010 DHS showed that fertility rates have dropped from 6.1 children per woman to 4.6 between 2006 and 2010. However for this demographic potential to be realised, productive employment opportunities have to be created, and competent and skilled youth workforce has to be developed.

1.45 **Growing urbanisation offers an opportunity for increased off-farm employment and development of cities**. According to the World Bank, Rwanda has the fastest rate of urbanisation among African countries, with the proportion of people living in urban areas increasing nearly threefold between 1990 and 2011. Urbanisation is widely associated with increased off-farm activity, which would alleviate some of the pressures on the land from rising population density. While the urbanisation rate is growing, the level remains relatively low. This is a unique opportunity for Rwanda to avoid mistakes made by other middle income countries by pro actively managing the urbanisation process and mitigating risks of urban sprawl, divided cities, high urban unemployment and high urban poverty.

1.46 **A strong investment climate including stability, peace and security in the country is a foundation for growing investment and trade**. The continued reforms in the doing business environment has laid the foundations for Rwanda to develop into a top investment and trade destination within Africa. The prolonged period of peace and stability also provides a reassurance to investors. To reinforce this opportunity, Rwanda will need to identify, prioritise and strengthen viable export sectors.

1.47 **Functioning decentralised systems provide a valid platform for citizen service delivery and participation**. Rwanda has a well functioning and detailed decentralised system that goes to community level (*Umudugudu*). This includes a lot of community level

engagement in programmes like *Ubudehe* (social protection) and *Umuganda* (community works). These existing home-grown systems can be strengthened and used as opportunities for real engagement with the community where community development and policy related issues can be discussed via appropriate feedback mechanisms.

1.48 **Regional integration provides an outlet for Rwanda's landlocked nature**. With Rwanda now a part of regional communities like the East African Community (EAC), Common Market for East and Southern Africa (COMESA) and the Countries of the Great Lakes (CEPGL), a host of markets and opportunities are opened if Rwanda invests in the right infrastructure for increased connectivity. It also provides a forum for Rwanda to address and advocate for the implementation of priority projects like the regional railway.

1.49 **Rwanda as a leader in environment and climate change awareness is a natural centre for green investments**. Rwanda has taken important steps at a high level to recognise the importance of the environment and climate change. The adoption of the National Green Growth and Climate Change Adaptation Strategy highlights the centre stage this issue has taken in GoR policy making. With the changing international environment giving more recognition of climate change as a global issue, Rwanda stands to gain by moving rapidly and quickly to ensure sustainability of interventions through environment mainstreaming, ecosystem protection and rehabilitation as well as tapping into the growing international pool of green investments.

1.50 **Growing financial literacy and inclusion is a pathway to increased savings and reduced vulnerability**. With more than 70% of the population now using a form of financial services, the monetisation of the economy is increasing and the country is on path to increase savings, integrate into regional and global markets and break the cycle of persistent and generational poverty. More of the population will now be able to invest in their future through education and entrepreneurship while reducing dependence.

Principles of EDPRS 2

1.51 **The above presentation of Rwanda's achievements, opportunities and challenges, together with the** lessons about the need for improved cross-sector co-ordination from EDPRS 1, have resulted in the organisation of EDPRS 2 around four thematic areas, which reflect the emerging priorities for EDPRS 2:

- **Economic transformation** for accelerated economic restructuring and growth striving for middle income country status;
- **Rural development** to address the needs of the vast majority of the population and ensure sustainable poverty reduction and rural livelihoods;
- **Productivity and Youth Employment** to ensure that growth and rural development are underpinned by appropriate skills and productive employment, especially for the growing cohort of youth;
- **Accountable Governance**, to underpin improved service delivery and citizen participation in the development process

1.52 **EDPRS 2 and its four thematic areas have been built from five principles** derived from the lessons and experience of EDPRS 1 and the overarching ambitions set for EDPRS 2. These principles are:

- **Innovation:** emphasising new ways of thinking, working and delivering <u>because</u> the *status quo* will not be adequate to achieve Rwanda's ambitious targets.

- **Emerging priorities:** identifying thematic strategies which encompass new priorities, including new ways of doing business, to drive the achievement of Vision 2020 targets.
- **Inclusiveness and Engagement:** creating ownership of development at all levels and providing learning and feedback mechanisms to improve solutions.
- **District-led Development:** creating strong, mutually supporting linkages between district and sectoral strategies, and supporting administrative standardisation and efficiency.
- **Sustainability:** ensuring that programmes and targets achieved from EDPRS 2 are sustained over the long term in their economic, social and environmental dimensions.

Box 1.1 Five Lessons to Build on from EDPRS 1

Ownership of the EDPRS by a wide range of stakeholders at national level has been a key factor of success. The EDPRS 2 has integrated inclusiveness and sustainability as driving factors in elaborating the strategy.

Home-grown initiatives turned into success stories in strengthening delivery of EDPRS 1. These include: Umuganda (community work), Gacaca (truth and reconciliation traditional courts), Abunzi (mediators), Imihigo (performance contracts), etc. Scale up of home grown solutions forms an integral part of the EDPRS 2 with particular focus on identifying innovations.

Community-based solutions, working closely with the population, have made possible fast-track and cost effective implementation and increased demand for accountability, in education with the 9YBE construction of classrooms, the Crop Intensification Programme (CIP) in agriculture, and community based health care programmes. This approach supporting community empowerment and involvement will be scaled up and supported in the EDPRS 2.

Use of ICT solutions improved service delivery. Some of the biggest successes in service delivery and investment climate reforms have centred on ICT solutions such as online registration of businesses, online filing of tax claims among others. The EDPRS 2 targets taking Rwanda to the brink of middle income status requiring even greater performance in service delivery from both public and private sectors. ICT is considered an important aspect in developing the knowledge based economy.

An adequate institutional and legal framework for implementation, but with flexibility to change or adapt has proven effective (e.g. RDB, REB, EWSA, etc). In many instances, merging institutions with closely complementary mandates has reduced duplication of efforts and improved coordination. Innovation within the institutional framework has been fully considered and teased out in the EDPRS 2, key areas identified for reform geared towards increased efficiency of delivery include: the National Employment programme, the Urbanisation and Rural Settlements institutional framework and the investment process.

1.53 The thematic areas will coalesce the work of multiple sectors around a set of common objectives (or outcomes), thereby increasing the likelihood of effective delivery. Together with their sub-themes, the thematic areas are presented in (Table 1.5), and are elaborated in the following chapters.

1.54 **Recognising that Rwanda cannot lose focus on gains made during the last two decades, the Foundational Issues area of EDPRS 2 have been put in place to sustain momentum on areas that provide critical underpinnings for the thematic areas.** The foundational issues span a range of critical issues for Rwanda's development including macro-economic stability, food security and malnutrition, early childhood development and basic education, quality and accessibility of primary healthcare, decentralisation and public financial management. They represent areas that currently are not the new, emerging priorities in Rwanda's economic journey, but they are, nevertheless, key ingredients in the mix needed for the success of that journey (see Chapter 6).

1.55 **EDPRS 2 has involved much active District involvement in elaboration and expects to put an increased focus on district implementation.** EDPRS 2 purposefully places an equal focus on Sector Strategic Plans and District Development Plans, and on the interface between them, in order to move to a development model that is tailored to the differential needs of different parts of the country. More details of district development transformational priorities are provided in Annex 4.

Table 1.5 Summary of Thematic Areas and Priorities for EDPRS 2

Economic transformation for rapid growth	Rural Development	Productivity and youth employment creation	Accountable Governance
1. Increasing the domestic interconnectivity of the economy through investments in hard and soft infrastructure 2. Increasing the external connectivity of the economy and boosting exports 3. Transforming the private sector by increasing investment in priority sectors 4. Transform the economic geography of Rwanda by facilitating and managing urbanisation and promoting secondary cities as poles of economic growth 5. Pursuing a 'green economy' approach to economic transformation	1. Integrated approach to land use and rural settlements 2. Increasing the productivity of agriculture 3. Enabling graduation from extreme poverty. 4. Connecting rural communities to economic opportunity through improved infrastructure.	1. Improving skills and attitudes 2. Applying technology and ICT. 3. Enhancing entrepreneurship and business development 4. Improving labour market interventions	1. Strengthening citizen participation in delivery and demand for accountability 2. Service delivery

The Structure of the EDPRS 2 Document

1.56 This structure of the following chapters of the EDPRS 2 document is as follows. Chapters 2-5 present the thematic areas of Economic Transformation, Rural Development,

Productivity and Youth Employment, and Accountable Governance. These will spearhead the innovations and interventions to take place under EDPRS 2. These chapters explore the factors which are expected to drive progress, and present the thematic areas objectives and the interventions that will be applied to attain the objectives.

1.57 Chapter 6 presents the foundational and cross-cutting issues which underpin and span the thematic areas. Chapter 7 sets out the implementation institutional arrangements that will be put in place to execute EDPRS 2. The chapter includes a Monitoring and Evaluation (M&E) plan, direction and timing for performance monitoring and evaluation to ensure that objectives are achieved. Chapter 8 presents the macroeconomic framework for EDPRS 2 and identifies EDPRS 2 costs and financing requirements.

2. ECONOMIC TRANSFORMATION

Introduction

2.1 **The main objective of the Economic Transformation thematic area is to propose an ambitious, prioritised and coherent cross-sectoral strategy to sustain rapid growth and facilitate Rwanda's process of economic transformation to meet Vision 2020 revised targets.** This strategy builds on a decade of sustained rapid economic growth and evidence of incipient Economic Transformation in Rwanda's economy. It is a process that encompasses all the main sectors of the economy – private sector, agriculture, energy, transport, finance, urbanisation, the environment and natural resources. Economic Transformation is impossible to achieve without sustained rural development, improvements in skills and labour productivity, and accountable governance. The detailed objective of the Economic Transformation thematic area is:

Economic Transformation Objective for EDPRS 2

"Sustain rapid economic growth and facilitate the process of economic transformation by increasing the internal and external connectivity of the Rwandan economy.

This will be achieved through improved infrastructure, exports, and more integrated supply-chains, while meeting demand in the energy sector, planting the seeds of a green economy, and better managing the process of urbanisation"

What is Economic Transformation?

2.2 **Economic Transformation is the process of sustained high economic growth during which the fundamentals of an economy change, shifting from a traditional and low productivity agricultural base and a rural labour-force, to a more industrial, diversified and high productivity urban economy**. It is a multi-decade process, spanning one or two generations in the case of fast growing East Asian economies, during which a country grows from lower income status to a modern high-income economy, through changes in infrastructure, industries, technologies and institutions.

2.3 **While there is consensus on the direction and some of the ingredients of Economic Transformation, there is no clear recipe for success.** The main lessons this strategy takes from recent research and the experience of other countries are: (i) Governments play a pro-active role in facilitating and accelerating the process of economic transformation; (ii) however, there is no single recipe for success: other fast growing economies that have experienced economic transformation relied on home-grown, often unconventional, policies; (iii) the process of economic transformation is characterised by: greater international integration, increased investment and savings, a stable macro-economic environment, a commitment to market driven processes for resource allocation, increased urbanisation and the non-negligence of environmental issues; and lastly (iv) targeting and prioritisation is important – in addition to general incentives and securing a stable business environment, governments should identify priority sectors in which they can improve hard and soft sector-specific infrastructure.

Strategic Framework for Economic Transformation

2.4 **The overall targets for the Economic Transformation thematic areas for EDPRS 2 include: (i) 11.5% per annum real growth over the duration of EDPRS 2; and (ii) a change in Rwanda's economic structures reflected through increased investments, exports, savings, private sector credit, and manufacturing, accompanied by an increase in urbanisation**. In order to achieve these high-level targets, the GoR proposes a comprehensive Economic Transformation strategy that is framed around a multi-sectoral common vision and approach.

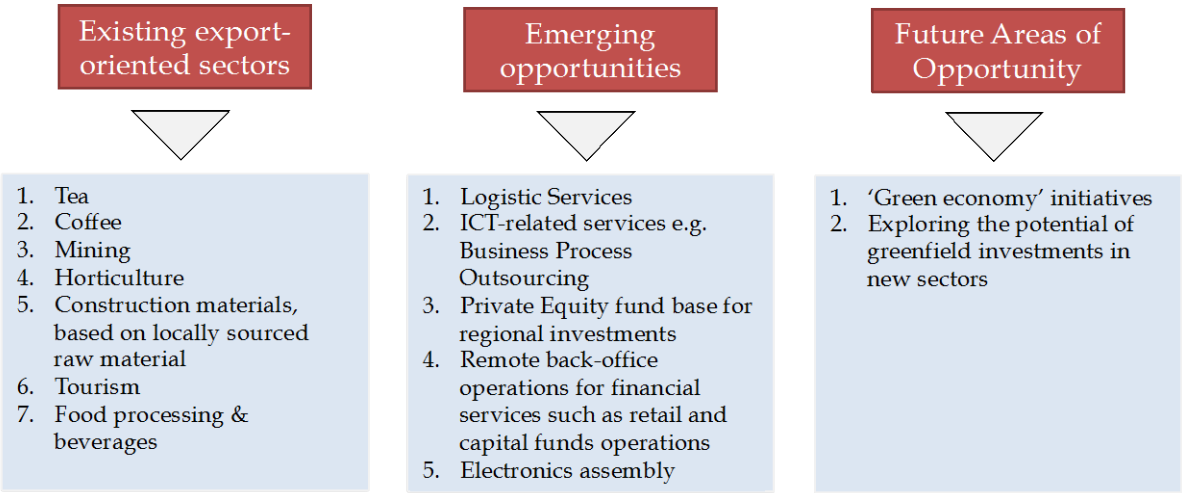
2.5 **Given limited public resources and the sector/location-specific nature of economic constraints, this strategy is based on the premises that a country's journey to Economic Transformation is impossible to achieve without strategic and pro-active involvement of the public sector in catalysing private sector growth.** Under EDPRS 2, the GoR will prioritise general incentives to strengthen the business environment and alleviate high-level constraints to the economy. It will also invest in soft and hard infrastructure in: a) priority sectors of the economy, both existing and emerging; and b) geographic areas of opportunity.

2.6 **Priority Sectors**: This strategy prioritises interventions and investments in specific sectors of the economy. These include: (i) existing export-oriented sectors; (ii) emerging sectors, in particular in the knowledge economy; and (iii) potential new sectors of interest for Greenfield investments, for which further research is necessary. The policy mix for each of these three types of priority sectors is different:

- In existing sectors that have already contributed to boosting exports growth, many of the sector-specific constraints are known and can be addressed through targeted soft and hard infrastructure investments in order to maintain and/or further stimulate exports growth.
- Emerging sectors will require intensive and targeted engagement with potential investors in order to develop a clear understanding of what type of soft and hard public investments are required to jump-start private sector investment in these sectors and attract FDI.
- GoR will earmark funding and build the institutional capacity to continuously explore the market potential for new Greenfield opportunities, as yet unknown, with the aim of developing a clear value-proposition for investment in Rwanda. Note that the prioritisation of sectors will not preclude investment into other sectors that emerge as critical.

2.7 Priority sectors are summarised in Figure 2.1.

Figure 2.1 Opportunity Areas for Prioritisation under EDPRS 2



2.8 **Geographic Focus**: this strategy will also target priority geographic areas for investment and export promotion policies. The geographic focus of the Economic Transformation strategy under EDPRS 2 can be broken down into three categories:

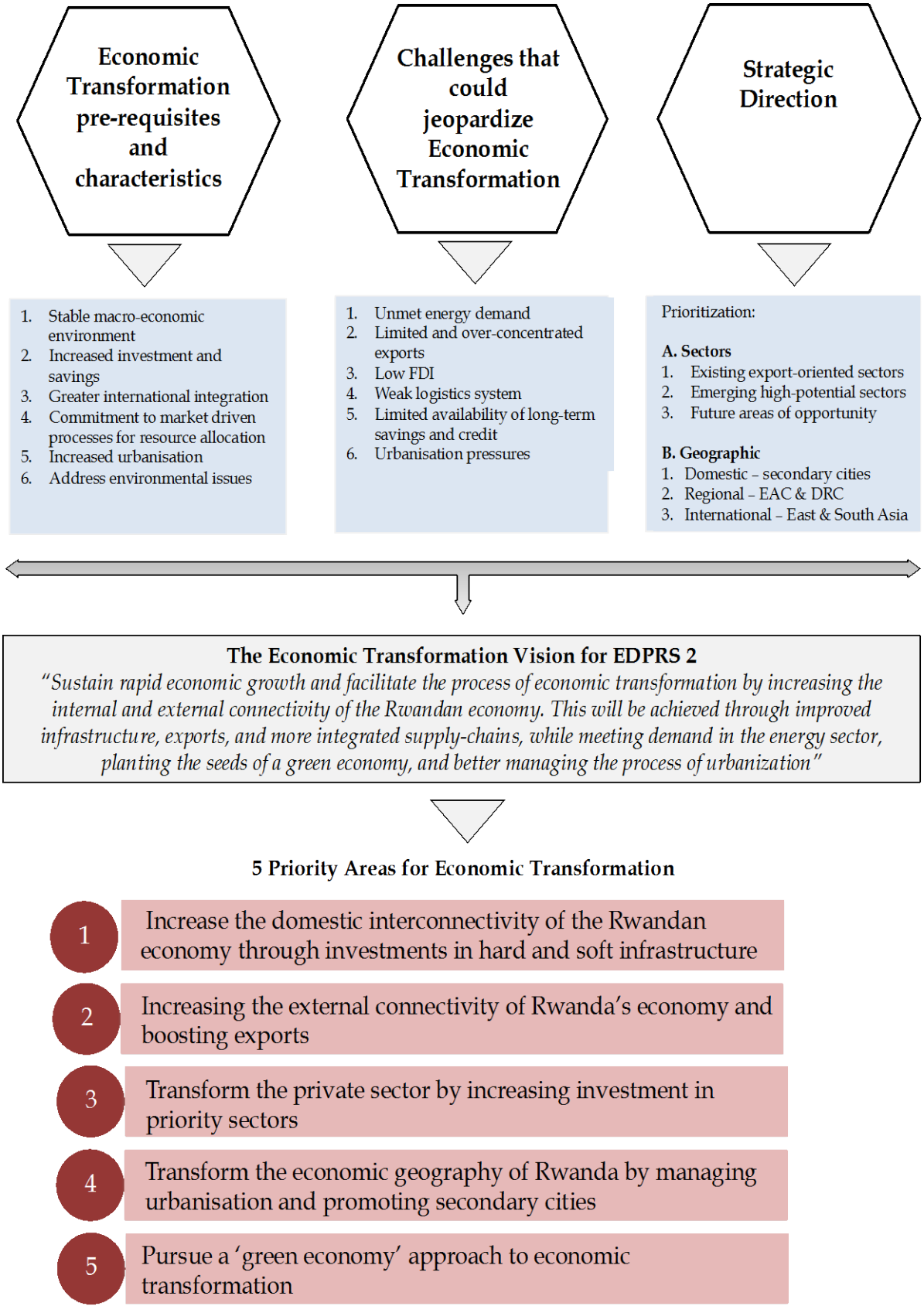
i. **Domestic:** In order to reshape the economic geography of urbanisation and economic development in Rwanda, geographic poles of investment have been selected based on a comprehensive assessment of the economic potential of chosen secondary cities.

ii. **Regional:** this Economic Transformation theme is based on the belief that the broader EAC region will be one of the fastest growing regions of the world over the next decade. Therefore, EDPRS 2 will prioritise deeper regional integration within the EAC community and will focus investments on increasing connectivity to Rwanda's economic neighbourhood including DRC.

iii. **International:** a strategic decision under EDPRS 2 is to deepen investment and export promotion ties with the broader East and Southern Asia region, while continuing to invest in growing ties with existing financial hubs. This geographic focus will help diversify Rwanda's export destination mix and grow inward foreign direct investment.

2.9 To meet the vision and achieve the high-level targets of Economic Transformation, the thematic area has five priorities (see Figure 2.2). These are described and developed into specific interventions in the following sections. These priority areas are impossible to achieve without the foundational and cross-cutting factors such as macroeconomic stability, human capital, access to education and health, gender mainstreaming, managing the demographic dividend, strong public financial management and good governance (see Chapter 6 for more details).

Figure 2.2 Approach used to develop the Vision and Priority Areas for the Economic Transformation Strategy



Five Priority Areas

Priority 1: Increase the domestic interconnectivity of the Rwandan economy through investments in hard and soft infrastructure

2.10 Rwanda's high growth rate, combined with increasing population density, has put pressure on the country's connectivity infrastructure and on its national resources, in particular land. The three main interventions for this priority area will be to (i) meet the energy demand of the private sector; (ii) increase access to public goods and resources in priority sectors of the economy; and (iii) deepen the integration of key value chains.

Priority 2: Increase the external connectivity of Rwanda's economy and boosting exports

2.11 Increasing the external connectivity of Rwanda's economy and boosting exports is a key priority of EDPRS 2 and a powerful tool to spur economic growth, raise living standards and reduce poverty. To achieve this, this priority area proposes the following three interventions: (i) bringing transformational change to Rwanda's external connectivity by building a new international airport, expanding RwandAir, and finalising planning for the establishment of a railway connection; (ii) transforming Rwanda's logistics system, with a strategic focus on exports and re-exports to Burundi and Eastern DRC; and (iii) strengthening export promotion, while investing in soft and hard sector-specific infrastructure to accelerate growth in the commodity and tourism sectors, and facilitating the increasing export orientation of firms in Rwanda's manufacturing and agro-processing sectors.

Priority 3: Transform the private sector by increasing investment in priority sectors

2.12 The small size of Rwanda's formal private sector is a major limiting factor to future prospects for economic growth. The private sector needs to undergo significant structural transformation to be able to become the main driver of economic growth and create the large number of jobs the Rwandan economy requires. The three proposed interventions to transform the private sector will be to (i) strengthen the investment process to pro-actively target large foreign investors in priority sectors of the economy; (ii) accelerate structural changes in the financial sector by increasing long-term savings with the objective of increasing credit to the private sector; and, (iii) significantly strengthening the business environment through tax and regulatory reform to spur medium and large enterprise growth and attract large investors.

Priority 4: Transform the economic geography of Rwanda by facilitating and managing urbanisation for increased growth countrywide

2.13 Urbanisation is being addressed as a new sector in EDPRS 2 because of its importance in economic transformation and moving to a high productivity economy. Increasing income segregation and over-concentration in Kigali, regional imbalances due to the small size and limited development of secondary cities, and weak national coordination of the urban system have made sustainable urbanisation a key priority area for EDPRS 2. Rwanda is today amongst the least urbanised countries in the world, but with one of the highest population densities and urbanisation rates. To transform the economic geography of Rwanda and manage the process of urbanisation, the strategy has three high level objectives: (i) Integrated development planning and management (ii) Develop secondary cities as poles of growth (iii) Developing financing and supply options for affordable housing

Priority 5: Pursue a 'green economy' approach to economic transformation

2.14 EDPRS 2 incorporates a 'green economy' approach to economic transformation - reducing economic costs and benefiting future generations through exploiting new 'green'

economic opportunities. Significant resources are allocated to a number of high impact interventions in priority sectors. Many of these will reduce costs, create jobs and also have large positive environmental impacts. This priority area will focus on two targets related to (i) green urbanisation and (ii) the promotion of green innovation in industrial and private sectors.

Priority Area 1: Increase the domestic interconnectivity of the Rwandan economy through investments in hard and soft infrastructure

2.15 Rwanda's high growth rate, combined with increasing population density, has put pressure on the country's connectivity infrastructure and on its national resources, in particular land. To meet future demand and accelerate economic transformation, Rwanda needs to: (i) meet the energy demand of the private sector; (ii) increase access to public goods and resources in priority sectors of the economy; and (iii) deepen the integration of key value chains. To achieve these three objectives, EDPRS 2 proposes interventions that will:

a. Increase Rwanda's electricity generation capacity to 563 MW, leveraging large-scale private sector investment;

b. Give preferential access to electricity, water, roads, and land to priority sectors of the economy and/or large investors;

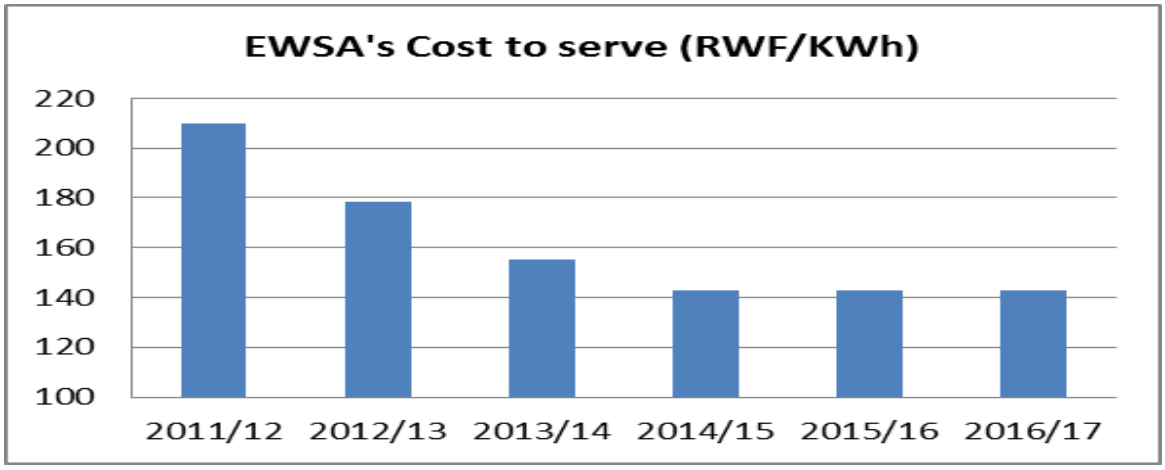
c. Increase inter-linkages between large firms and suppliers in priority sectors, leading to increased investments by large firms in upstream activities

Outcome 1.1: Increased electricity generation capacity to 563 MW leveraging large-scale private investment

2.16 To increase energy generation to meet projected future demand and better develop Rwanda's indigenous sources of energy, EDPRS 2 proposes two measures: (i) the development of a clear roadmap for investment in electricity generation; and (ii) a new approach to leveraging private sector investment in the sector.

2.17 **Investments and planning in the electricity sector under EDPRS 2 will be based on a clear roadmap for investment aimed at delivering increased access to electricity and sufficient generation to meet all of Rwanda's energy demand.** This roadmap will take a long-term view as investments that are made now will impact on tariffs for many years to come. It will also prioritise incremental improvements in energy generation rather than one big project that might materialise in 5-7 years, thereby bringing forward the increase in generation capacity. The objectives of this roadmap are to: (i) meet demand for electricity using a balanced mix of energy sources; (ii) gradually eliminate subsidies to the electricity tariff, freeing up public funds for other investments; and (iii) prioritise public investments with a clear view on when and how funds are invested to ensure value for money (iv) reduce the cost of energy to facilitate business.

Figure 2.3 Projected decline of cost of energy as key projects mature



Source: EWSA, MININFRA

2.18 **Public finance will also be used to de-risk electricity generation projects for the private sector and thereby attract a wider range of investors on better terms.** There are three parts to this: (i) proving the technical and economic feasibility of resources in geothermal, hydro, peat and methane (expected to cost over $100m in public investment), financed by an energy development fund with donor support; (ii) putting in place systems to effectively project demand for electricity; and (iii) restructuring the procurement process following the guidelines of the Energy Policy (2012), shifting towards a more competitive and transparent procurement strategy, minimising unsolicited proposals, and encouraging local private sector involvement.

Outcome 1.2: Accelerated access to electricity, water, roads and land to priority sectors of the economy and/or large investors

2.19 To stimulate investments in priority sectors especially by large firms and to reduce the risk of delays in the delivery of electricity, roads or land to large-scale investments, three key interventions are proposed: (i) creation of a task force with the authority to fast-track the provision of public services and infrastructure for priority investment projects; (ii) an expansion of targeted economic zones, including the finalisation of the Kigali Special Economic Zone (SEZ) programme with an associated Technopole, and the development of four provincial industrial parks; and (iii) development of a clear mechanism to guide the process of land allocation for investment projects, based on a collaborative process between investors, the Rwanda Development Board (RDB), relevant Ministries, districts and land owners.

2.20 **To reduce delays and risks related to coordination failures and the pressure on existing assets, the GoR will fast-track the provision of electricity, water, roads and land to priority investments.** Prioritisation will be coordinated and monitored by an inter-ministerial task force, including the Rwanda Development Board (RDB). Ministries and the private sector will have the option of calling upon this task-force to consider fast-tracking public service delivery for specific or potential future investments in key priority sectors and by large firms.

2.21 **The GoR will also improve access to public services by reviewing and finalising the SEZ programme (including a Technopole in the Kigali SEZ) and investing in four provincial industrial zones in Huye, Rusizi, Nyabihu and Bugesera**. The delivery of these projects will contribute to several national objectives under EDPRS 2: (i) facilitating access to key public services for investors in priority sectors of the economy; (ii) attracting large firms and investors; and (iii) reshaping the economic-geography of Rwanda by investing in economic zones outside the capital.

2.22 **A clear mechanism to guide the process of land-allocation for investment projects is currently being developed, based on a collaborative process between investors, RDB, relevant Ministries, districts and land owners.** This mechanism will provide transparency and clarity on how investors can navigate the process of accessing, leasing or purchasing land for investment projects.

Outcome 1.3: Increased private sector investment targeted at strengthening value chain inter-linkages in priority sectors

2.23 To further integrate value chains and support ongoing investments to strengthen inter-linkages between processors and suppliers, two interventions are proposed: (i) a business linkage challenge fund to leverage private sector investments in upstream activities in priority sectors of the economy; and (ii) a supplier development programme.

2.24 **To encourage private sector investment in the agro-processing sector, a Business Linkages Challenge Fund (BLCF) will be established.** The BLCF will allocate grants, on a competitive basis, to large businesses that propose to support the strengthening of business linkages with SMEs. This will provide new opportunities for growth, improving competitiveness and helping them invest and create jobs.

2.25 **Furthermore, a supplier development programme in the hospitality and tourism, retail, construction services, agribusiness and mining sectors led by the RDB will also be established.** The purpose is to work with large domestic and foreign owned companies in Rwanda to identify opportunities that address existing supply constraints through a combination of company support and FDI promotion that would enhance the ability to compete in the EAC and the wider global market.

Priority Area 2: Increasing the external connectivity of Rwanda's economy and boosting exports

2.26 **Increasing the external connectivity of Rwanda's economy and boosting exports is a key priority of EDPRS 2 and a powerful tool to spur economic growth, raise living standards and reduce poverty.** During EDPRS 1, Rwandan exports increased at a very rapid pace more than doubling between 2009 and 2011 in nominal terms. Nonetheless, as a share of GDP exports of goods and services have remained low (13% of GDP in 2011) and have not grown on par with imports, leading to an increase in the trade deficit reaching 19% of GDP in 2011. The main issues Rwanda's external sector faces are: (i) low external connectivity, characterised by an airport operating almost at saturation capacity, no railway connection to the ports of Mombasa or Dar es Salaam, and a deficient logistics (ii) costs related to the geographic isolation and low connectivity of the economy, in particular high transportation costs and non-tariff barriers; and (iii) the vulnerability of the export sector to terms of trade shocks due to high concentration on few traditional exports.

2.27 **For Rwanda to achieve the goal of 28% annual real exports growth, EDPRS 2 proposes to prioritise interventions that will:**

a. Bring transformational change to Rwanda's external connectivity by building a new international airport, expanding RwandAir, and finalising planning for the establishment of a railway connection;

b. Transform Rwanda's logistics system, with a strategic focus on exports and re-exports to Burundi and Eastern DRC;

c. Invest in soft and hard sector-specific infrastructure to accelerate growth in the commodity and tourism sectors, and facilitate the increasing export orientation of firms in Rwanda's manufacturing and agro-processing sectors.

Outcome 2.1: Increased trade through improved air and rail services to and from Rwanda

2.28 EDPRS 2 prioritises two interventions to increase Rwanda's external connectivity during the 2012-2018 period: (i) Rwanda will complete phase 1 of the development of a major new international airport in Bugesera by 2017; and (ii) invest in an ambitious expansion of RwandAir during the EDPRS 2 period. The GoR will also pro-actively lead the effort to finalise planning and procurement for a railway connection, for which construction will start before the end of EDPRS 2.

2.29 **Phase 1 of the development of Bugesera airport will be finalised by 2017, leveraging private sector investment**. Estimated to cost more than US$600m (phase 1) this airport will be the single largest investment in Rwanda's history and is the second most important infrastructure priority after investments in the electricity sector. Bugesera International Airport will provide an ultra modern airport for Rwanda with the flexibility to expand and develop to become a hub airport within the East Africa region. Once completed, phase 1 of this airport will include a 4.2km runway as well as cargo and passenger terminals capable of handling 3 million passengers annually.

2.30 **In addition to the airport, the GoR will also invest in an ambitious expansion of RwandAir during the EDPRS 2 period.** The GoR aims to make RwandAir a profit making company by 2018 and expand its annual turnover from the current US$46m to more than US$350m during the same period. Objectives include: (i) to expand its fleet from 7 to 12 aircraft including 3 wide bodied aircraft; (ii) increase destinations from the current 13 to at least 25; (iii) achieve and maintain IOSA certification, thereby strengthening operational management and safety control standards; and (iv) significantly strengthen branding. Increased connectivity will support Rwanda's tourism sector and improve the country's business environment.

2.31 **Planning and procurement will be finalised for a railway link, connecting Rwanda to neighbouring EAC countries, with construction to start before the end of EDPRS 2.** The GoR will initiate engagement with neighbouring EAC partners to finalise agreements on the construction of a railway link. The objective under EDPRS 2 will be to finalise feasibility, planning and procurement for railway by 2017, with an eye to starting construction before the end of the EDPRS 2 period.

Outcome 2.2: Transformed logistics system with a strategic focus on exports and re-exports to Burundi and Eastern DRC

2.32 The following interventions seek to transform Rwanda's logistics system and strategically position this system to strengthen Rwanda's growing exports and re-exports to Burundi and Eastern DRC. The proposed interventions include: (i) establishing an integrated logistics system based on a Kigali Logistics Platform linked to Regional Logistics Centres; (ii) improving the sea-land logistics system by building off-dock container depots; (iii) finalising One-Stop Border Posts at all Rwandan border posts to facilitate both large and small-scale cross border trade; and (iv) increasing efforts to remove Non-Tariff-Barriers (NTBs) on the Northern and Central Corridors.

2.33 **The key to transforming Rwanda's logistic system will be the establishment of an integrated logistics system based on a Kigali Logistics Platform, linked to Regional Logistics Centres and supported by an e-freight exchange system.** These centres, to be established in conjunction with the private sector through PPP arrangements, will provide distribution and logistics services at selected locations for transit goods arriving from Mombasa and Dar es Salaam, with final destination in Rwanda, Eastern DRC or Burundi. The central part of this integrated system is the Kigali Logistics Platform (KLP). This platform will have cross-docking features for higher value products, and will serve DRC, Burundian and Rwandan traders. It will be integrated to the Kigali SEZs and will be supported by an e-freight exchange system that will provide information on truck-loads to operators, improving the efficiency of the system and reducing coordination failures leading to trucks travelling empty. The KLP will be directly linked to two Regional Logistics Centres in Rusizi and Nyabihu.

2.34 **This will be complemented by improvements in the sea-land logistics system through the building of off-dock container depots in Mombasa and Dar es Salaam.** The inefficiencies of the Mombasa and Dar ports significantly increase the cost and time for Rwandan exports. The off-dock inland containers depots in Mombasa and Dar es Salaam will be built on land owned by Rwanda to counter long port times, providing the opportunity to store and to engage in value added services on products while waiting for on-dock processing. Management of the container depots will be outsourced to a private operator.

2.35 **Improvements to the logistics system will also include One Stop Border Posts (OSBPs) at every Rwandan border, thereby facilitating both large and small-scale cross border trade.** This will reduce transportation costs and time for cross-border exports and exports using land-sea routes through the Northern and Central Corridors. OSBPs are an interim measure to reduce trade costs between countries, prior to the full implementation of the EAC common market for goods in which trade is to be free-flowing.

2.36 Finally, the monitoring of NTBs needs to be institutionalised while continuing to work with EAC countries and institutions to steadily reduce NTBs on the northern and central transport corridors. This will reduce transportation costs and delays related to exports, imports and re-exports. NTBs currently include port delays, weighbridges, corruption and lack of harmonised standards. Monitoring of NTBs will be institutionalised within MINICOM and MINEAC thereby better positioning Rwanda to negotiate the removal of NTBs both through the EAC forum and bilateral agreements with neighbouring countries.

Outcome 2.3: Accelerated Growth of Exports

2.37 This strategy focuses on five major interventions to strengthen export promotion and enhance sector-specific hard and soft infrastructure in key export sectors in line with decisions by the IDEC forum (December 2012). These include: (i) review of the institutional set-up for export promotion and strengthen the export promotion department at RDB; (ii) overhaul Rwanda's mining sector on the basis of a new mining law, a new mining model contract for investors, and targeted investments in exploration; (iii) invest in a major tea expansion programme, increasing the area under production by 18,000ha by 2018; (iv) engage in a large and systematic expansion of extension services and capacity building in the coffee sector, modelled on successful approaches tested domestically; and (v) finalise the Kivu belt and invest in developing a tourism circuit.

2.38 **The GoR will review the institutional set-up for export promotion and strengthen the export promotion department at RDB, with the objective of becoming more pro-active at targeting potential export markets and linking domestic firms to export opportunities.** The new institutional set-up, to be finalised by the start of EDPRS 2, will be based on shared targets and clear responsibilities between RDB (the lead institution for export promotion) and line Ministries/agencies, which will play a pro-active role in the entire export promotion process, leveraging their sector-specific know-how and promoting export promotion efforts overseas (see the new institutional arrangements for investment promotion under Outcome 3.1). The new institutional set-up will be supported by a stronger export promotion department at RDB, with greater resources (both human and capital) to conduct pro-active export promotion activities in target markets. Specific programmes to link domestic firms to export opportunities will include a US$5m export development fund to be managed and tested by RDB and the continuation of the Trade Linkages Programme. This will help agro-processing and manufacturing companies in Rwanda link with potential buyers in potential export destinations, in particular in the region. Export Councils will be the channel through which government and industry interact and collaborate towards the formulation of an export 'vision' for the various sub-sectors and assist in the identification and implementation of the most appropriate levers with which to realise these visions.

2.39 **The first sector specific intervention will be to overhaul Rwanda's mining sector through new regulations, systems and an enhanced understanding of mining resources.** EDPRS 2 prioritises the finalisation and implementation of the Rwanda's new Mining Law currently under development. One of the main transformations this new law will bring is an overhaul of the concessions strategy in the mining sector and the merging of the prospecting and exploration licenses. This new legal framework will be strengthened by better information and transparency about the sector and its potential. The GoR commits to increasing investments in exploration in prospective target areas (PTAs) for mining, including petroleum exploration, based on a clear exploration strategy. This improvement in the business environment will be accompanied by measures to improve transparency in the sector and comply with international best standards (including environmental standards).

2.40 **In the tea sector, Government will support a large-scale tea expansion programme, expanding the tea production area by 18,000ha.** Areas for the new factories and tea plantations have been identified in a number of districts in the south and west of the country where acidic soils and agro-climatic conditions are ideal for tea production. The target is a doubling of tea production in the country by 2018 by working with communities and farmers to support a shift to tea production in 14,000ha of Greenfield sites in addition to

4,000ha in areas surrounding existing factories or factories that are currently under development (five factories are currently being built on 7,500ha of new tea plantations).

2.41 **To increase productivity in the coffee sector, capacity building and research will be intensified.** The biggest constraint in the coffee sector is low productivity, largely caused by sub-optimal agronomic practices and diseases/pests. The National Agriculture Export Board (NAEB) is already in the process of extending training to 10,000 coffee farmers per year using the Farmer Field School approach (FFS). Replicating capacity building models that have worked can lead to transformational change in the coffee sector. Capacity building will also be targeted at coffee washing stations, extending the 2010 Turnaround Programme and building on its initial successes to support cooperatives.

2.42 **Proactive targeting of export-oriented investment in new and emerging sectors: Business tourism, BPO, financial services, and light manufacturing**. Investment in knowledge-based sectors will help to transform the economy and society of Rwanda, moving it away from dependence on primary agriculture and farm-based jobs towards higher value-added employment and middle incomes. Rwanda's position as a multilingual country will also be advantageous in attracting investments in Business Process Outsourcing (BPO) and financial services (funds administration, retail support) which are potential employers of thousands of youth. Light manufacturing will be explored particularly in IT assembly. Proactive targeting of investors will be supported by ongoing research to assess and develop the required regulatory reforms, skills, technology and infrastructure to fully exploit these sectors.

2.43 **Finally, to enhance tourism in Rwanda the Kigali Convention Center and the Kivu Belt Tourism Master Plan will be completed, significantly contributing to diversifying Rwanda's tourism offering**. The Kigali Convention Center with world class conference facilities to be operational in 2014 will be host to regional and international conferences that will stimulate demand and exports from the service industry. Finalising the Kivu Belt road will also achieve a number of key objectives under EDPRS 2: (i) connecting a number of important secondary cities to domestic markets and Eastern DRC; (ii) spurring investments in the tourism sector along the Kivu Belt; and (iii) creating a national tourism circuit, enabling travellers to combine a visit to the Virunga National Park, Lake Kivu, Nyungwe Forest and other notable touristic sites in one circuit.

Priority Area 3: Transform the private sector by increasing investment in priority sectors

2.44 **In 2011, Rwanda's formal private sector employed a mere 4% of the country's labour force, and only 0.5% of firms had more than 30 employees**.[3] The small size of Rwanda's private sector is a major limiting factor to future prospects for economic growth and economic transformation. A cautionary sign of this was the falls in private domestic and foreign investment in 2010 and 2011. The private sector overall needs to undergo significant structural transformation to be able to become the main driver of economic growth and create the large number of jobs the Rwandan economy requires. Rwanda's public sector can contribute to this transformation through the following proposed interventions during EDPRS 2:

a. Strengthen the investment process to pro-actively target large foreign investors in priority sectors of the economy;

[3] EICV 3 (2012)

b. Accelerate structural changes in the financial sector, in particular measures to increase long-term savings, with the objective of increasing credit to the private sector to 30% of GDP by 2017;

c. Significantly strengthen the business environment through tax and regulatory reform to spur medium and large enterprise growth and attract large investors.

Outcome 3.1: Increased private sector investment and financing

2.45 To radically increase foreign direct investment in priority sectors of the economy especially by large firms, this strategy identifies key interventions that will transform Rwanda's investment process, by: (i) strengthening the institutional set-up to lead the investment process; (ii) transforming and better funding investment promotion with a revamped strategic focus; and (iii) finalising and implementing the New Investment Code.

2.46 **It is a national priority to strengthen the GoR's institutional set-up to better manage the investment process.** The key to ensuring an effective institutional set-up to achieve national investment targets is clarifying the roles and responsibilities of the RDB and other Ministries / government agencies. Process reform, will be based on six principles:

- RDB will remain the lead institution on large foreign investment (both PPPs and general FDI) and will consolidate specialised investment related competencies while line ministries and related implementation agencies will play an active role in the entire investment process, leveraging their technical sector specific know-how and supporting investment promotion efforts overseas (investment process guidelines are currently being developed in each sector);
- Sector related investment promotion targets will be the joint responsibility of ministries, related implementation agencies and RDB (these targets will be reviewed during quarterly meetings co-chaired by RDB and the respective Ministry);
- The incentive structure for RDB, Ministries and implementation agencies will focus not only on reaching investment targets (in terms of the value of the investment), but also ensuring that Rwanda is attracting quality investors;
- There will be a clear distinction between the institutional set-up for PPP projects and general FDI, as these entail different institutional roles and responsibilities;
- The strengthened institutional set-up will avoid duplication and ensure that the investment process is consistent across government;
- The new institutional set-up will include a mechanism to resolve internal issues across agencies/Ministries in addition to the proposed task force to fast track the provision of public services and investments for priority investment projects.

2.47 **Transforming and better funding investment promotion will involve pro-actively targeting markets, leveraging Rwanda's network of commercial attachés, creating a core marketing division within RDB, and funding research into emerging sectors**. Increasing resources to support targeted investment promotion over the next five years in addition to funding research into the potential of new or emerging sectors in Rwanda, aimed at pro-actively attracting investors in priority markets. Pro-activity will be achieved by:

- Creating an Investment Promotion Taskforce and a core Marketing Division within RDB to pro-actively target key markets. The Marketing Division will have significantly enhanced resources (people, funds, tools and systems). The Task-Force

will oversee: a) investment promotion activities; b) the activities of a network of outsourced agents, working together with commercial attachés and diplomats; and c) allocate funding for research into the feasibility of attracting investment in new sectors.

- Creating a research framework that RDB will use towards targeted research into the potential for new or emerging sectors in Rwanda, either in response to growing interest expressed by investors or by looking into new sectors with potential, in particular to stimulate growth in the knowledge economy.

2.48 **The New Investment Code will also be finalised, advertised and implemented during the EDPRS 2 period.** A new Investment Code with a robust package of incentives for investors is currently under development. Options to be considered under the new Investment Code include fiscal incentives with a sectoral or geographic focus, fiscal or alternative incentives for exporters, incentives around capital gains and dividend taxation, and other incentives to encourage firms to establish their international or regional headquarters in Kigali. The Investment Code will ensure that domestic firms are not at a disadvantage when competing in the market.

Outcome 3.2: Accelerated structural changes in the financial sector, in particular measures to increase long-term savings and access to international finance, with the objective of increasing credit to the private sector to 30% of GDP by 2018

2.49 To stimulate growth in long term savings and credit to the private sector EDPRS 2 proposes interventions that will: (i) significantly increase long-term savings in the economy; (ii) contribute to diversifying and intensifying credit to the private sector; and (iii) position Rwanda as a potential regional financial service centre.

2.50 **To increase long-term savings this strategy supports expanding pension and contractual saving funds, strengthening the RSSB, creating new collective investment schemes and developing the bond market.** The policy-mix to increase long-term savings will include: (i) enactment of the Pension Law to establish the basis for private pension plans and improve the financial sustainability of the RSSB; (ii) enactment of the Trust Law to change the provisions for collective schemes to create a new range of investment options for Rwandans; (iii) consolidating the RSSB by strengthening governance and administration; improving investment management and performance; and strengthening risk and cash management; and (iv) developing the bond market ensuring the regular issuance of government bonds to give banks greater access to long-term funds.

2.51 **An increase in savings will need to be accompanied by measures to stimulate credit to the private sector, in particular by leveraging the credit guarantee programme and strengthening credit history.** The policy-mix to increase credit to the private sector will include: (i) encouragement of commercial bank lending by testing and then exponentially increasing the size and scope of the current BDF credit guarantee programme; and (ii) creation of a creditor profile electronic system that will enable commercial banks to verify potential lenders' credit history.

2.52 **Position Rwanda as an attractive financial service centre in the region.** Achieving this will involve close cooperation between financial sector regulators, banks, and the Services Development Department at the RDB. Policy options that will be considered include: (i) favourable corporate income taxation for financial service firms; (ii) a review of

withholding tax on interests and dividends for firms in the financial sector; (iii) a review of capital gains taxation; (iv) pro-actively attracting private equity funds for investments in the region; and (v) the creation of a task force to coordinate efforts towards this objective.

Outcome 3.3: Strengthened business environment through regulatory reform to spur medium and large enterprise growth and attract large investors in priority and emerging sectors

2.53 To enhance the business environment for the private sector, EDPRS 2 will focus on (i) tax reform, (ii) double taxation agreements, (iii) district level business environment reforms, (iv) improving the insolvency process, (v) facilitating the free flow of highly skilled labour and (vi) strengthening public-private dialogue mechanisms.

2.54 **Tax reform with the aim of providing additional incentives for investment is a priority under EDPRS 2 and will be carried out in conjunction with the passing of a new investment code.** Additional research, to be completed by December 2013, will identify potential interventions to: (i) enact revenue enhancing reforms to restructure the corporate and personal income tax system, leading to a reduction in rates but also an increase in the tax base; (ii) reform the turnover tax rate for SMEs - currently SMEs opting for the simple lump-sum turnover tax face very high marginal tax rates, making this taxation system highly regressive and putting them at a significant disadvantage; and (iii) review VAT, withholding tax and non-deductible expenses policies to ensure that they do not put domestic firms at a disadvantage but rather encourage investment. In addition to research and the eventual implementation of these reforms, the GoR will create Tax Business Advisory Panels to provide businesses with an opportunity to voice their concerns over tax administration procedure and to suggest practical alternatives.

2.55 **To position Rwanda as an attractive financial services investment destination, Rwanda will pursue double taxation agreements with all strategic partners**. Combined with targeted initiatives under consideration in the new Investor Code, such as fiscal incentives for firms in priority sectors, double taxation agreements will improve the attractiveness of Rwanda as an investment destination.

2.56 **EDPRS 2 will focus on district-level business environment reforms targeted at alleviating licensing constraints, access to land and construction permits.** In coordination with districts, RDB will study options to apply national level business reforms at the district level. Areas that require further research include: (i) reducing the time and cost for the delivery of operating permits at the district level, potentially through the creation of RDB One Stop Centres (OSCs) within district offices; (ii) better coordination of the forced closure of a business across government institutions; (iii) accelerating the process of land acquisition for private investors; and (iv) accelerating the implementation of OSCs for construction permits in districts. Research is to be completed by December 2013 and will result in a clear, timed and targeted plan to address some of the major constraints companies face at the district level.

2.57 **At the national level, Doing Business reforms will be strengthened by improvements in the insolvency process.** A good rate of business failure can be an economic asset to a country (sometimes known as “creative destruction”), provided bankruptcies do not tie up large amounts of capital in failed businesses thereby creating ‘blockages’ in the financial system. To address this, a programme of reform will be implemented which should include: expediting bankruptcy procedures; developing a framework for out-of-court debt negotiations; developing methods for insolvency laws. An improved insolvency regime will further strengthen Rwanda’s Doing Business brand.

2.58 **Rwanda will also build on its on-going policy to improve the free flow of highly skilled labour from within and outside the EAC.** Rwanda's immigration policy has proved successful in attracting high skilled labour from the region and abroad and has played a significant role in alleviating the skills constraints, in particular in the finance, professional services and manufacturing sector. This policy will be extended and strengthened during EDPRS 2. The EAC Common Market includes provision for the free movement of labour for citizens of EAC countries. In addition, free trade in services allows sole traders to move and set up in each Member State. In addition, working visas for those outside the EAC will be expedited for those with skills in areas where Rwanda is in deficit.

2.59 **Finally, Public Private Dialogue (PPD) forums to review sector specific regulations and investments will be enhanced.** Different sectors of the Rwandan economy face very specific regulatory challenges, a number of which are affected by regulations at a regional level through the EAC. These will be addressed on a continual basis, by the implementation of the PSDS and extensive, regular consultation with private sector stakeholders. This will include enhancing the current Public Private Dialogue (PPD) forum, with representation from a cross section of the private sector and senior Ministry level officials. RDB will be the secretariat for the forum.

Priority Area 4: Transform the economic geography of Rwanda by facilitating and managing urbanisation, and promoting secondary cities as poles of economic growth

2.60 **Urbanisation is being addressed as a standalone sector in EDPRS 2, which was not the case in EDPRS 1**. Increasing income segregation and overconcentration in Kigali, regional imbalances due to the small size and limited development of secondary cities and weak coordination of the urban planning and management system have made sustainable urbanisation a key priority area for EDPRS2.

2.61 Rwanda is amongst the least urbanised countries in the world, but with a high population density and population growth. To transform the economic geography of Rwanda and manage the process of urbanisation, three high level objectives are pursued:

- Integrated development planning and management
- Development of Secondary Cities as poles of growth
- Establishment of financing and supply Options for affordable housing

Outcome 4.1: Integrated development Planning and Management

2.62 **Integrating and coordinating economic and physical planning.** A functional planning system, coordinating actors at the central and the local government level, with clearly defined roles, participatory implementation and a strong monitoring component will be developed. This will ensure a well-managed and balanced urbanisation process integrating climate change adaptation and mitigation strategies, as well as other human, social and economic considerations. This will require strengthening the alignment of development interventions to developed land use master plans and strengthened monitoring of economic planning to ensure spatial planning is well addressed.

2.63 **Develop urban settlements around economic activities**. The urbanisation and rural settlement policy together with the urban development and management procedures will also

be revised to match the pace of anticipated growth that requires ultra-modern settlements centred on economic opportunities with potential to grow into towns and cities.

2.64 **Establish and strengthen One Stop Centres in all Districts;** in order to ensure quick service delivery, districts one stop centre will be operationalised. The interventions to ensure this happens include; i) Reinforcing capacity in Districts one stop centres to manage and issue construction permits within 30 days and iii) strengthen a system for the districts to monitor development on the ground.

Outcome 4.2: Develop Secondary Cities as poles of Growth

2.65 **Many public services that are easily available in Kigali, such as inner-city public transport, business registration services, specialised healthcare services, and multiple schooling options, are not available in other cities**. Yet, opportunities for investment and potential for a viable social life are also attractive outside of the capital. While Kigali City needs continuous support to improve management of service provision to an exponentially growing population, the GoR intends to simultaneously support the development of a network of secondary cities while Kigali City will be developed as a regional hub.

2.66 **Six Secondary cities Huye, Muhanga, Musanze, Nyagatare, Rubavu and Rusizi will be developed as regional centres of growth and investment.** Six cities have been selected based on agreed criteria as poles of increased urbanisation and growth. The development of these cities will ensure more balanced regional growth and opportunities for increased access to off farm employment for a larger proportion of the rural population. To increase attractiveness of these cities strategic investments and economic projects will be undertaken including investment in interconnectivity of the road network linking these urban areas and secondary cities to rural areas. The system for local revenue collection will also be strengthened.

2.67 **Integrated public transport systems for Kigali City as a regional hub.** Kigali will invest in implementing an integrated multimodal transport development strategy that is centred around three non-mutually exclusive phases: (i) the first phase will focus on improving existing modes of public transport services, by piloting the standardization of scheduled bus services and an integrated ticketing system under a route franchising approach in Kigali City; (ii) the second phase will involve soft and hard infrastructure aimed at introducing high occupancy vehicle lanes (HOV), establishing more than 90km of Dedicated Bus Lanes (DBLs) in Kigali City, and scaling-up successful pilots related to scheduling and ticketing; and (iii) the last phase will involve designing a detailed Bus-Rapid-Transit (BRT) system for Kigali and finalising a 17km BRT corridor by 2018.

4.3 ***Financing and supply options for affordable housing***

2.68 **Housing demand is highest among low income earners making up more than 90% of the demand.** Kigali City alone is projected to require at least 35,000 housing units annually. To address the rising cost of housing and growing demand private sector investment will have to be channelled to large scale investments which require access to affordable financing options.

2.69 **Mobilisation of large scale private investment in affordable housing and Funding mechanisms to support the mortgage finance industry.** This will entail close collaboration between BRD, RHA and RSSB. Policy options to ensure access to viable financing options include: (i) a BDF guarantee scheme for affordable housing loans; (ii) housing loan products for SACCOs to be provided by BRD based on a peer group guarantee scheme as well as traditional collateral; (iii) making operational the affordable housing fund; (v) exploring the possibility of floating a "housing bond" issue; (vi) mobilizing and linking housing cooperatives to large scale private investors vii) engaging in large scale PPP housing projects.

Priority Area 5: Pursue a 'green economy' approach to economic transformation

2.70 **EDPRS 2 incorporates a 'green economy' approach to economic transformation - reducing economic costs through exploiting new 'green' economic opportunities.** Significant resources are allocated to a number of high impact interventions in priority sectors. Many of these will reduce costs, create jobs, and also have large positive environmental impacts.

2.71 **Two specific areas are promoted; green urbanisation and the promotion of green innovation in industrial and private sectors.** These have been singled out because they link closely to other economic transformation themes (especially urbanisation, exports and private sector development), and could open up new 'transformative' economic opportunities such as markets for environmental goods and services. They also require dedicated support because their potential has been little explored in the Rwandan context.

Outcome 5.1: Increased level of "green" investment and environmentally sustainable urban development that exploits 'green' economic opportunities

2.72 Rapid urbanisation will occur in Rwanda in the next five years, with 35% of the population envisaged to live in urban areas by 2020. This is likely to have huge economic and environmental impacts, through increased pressure on urban infrastructure, such as transport and solid and liquid waste management systems. This could push up costs but it also represents an opportunity to transform urban development and the urban economy. The National Land-use Master Plan, Kigali City Master Plan, plans for secondary cities and District Development Plans, provide a timely opportunity to promote some of these ideas through the planning system. New global funds also exist that could help to support the development of such approaches in Rwanda.

2.73 **The first step in benefiting from this opportunity will be to build an early case for green urbanisation in Rwanda.** Analytical work will be conducted on the following elements: 1) information on existing initiatives; 2) cost benefit analysis of potential design options for developing green urban areas (i.e. types of technologies to be promoted); 3) analysis of policy and incentive mechanisms in the sector (i.e. regulatory structure for incentivising the industry); 4) analysis of key capacity constraints to the implementation of green urbanisation; 5) analysis of potential institutional structures for implementing green urbanisation (e.g. roles of local government and city authorities); 6) initial feasibility study for locating a green city pilot.

2.74 **Once this has been achieved, a Centre of Excellence on green urbanisation that supports research and skills development will be established.** The mandate of the centre will include: 1) Supporting research and development on green building materials and technologies, establishing local supply chains, ensuring sustainable land-use planning,

making sure infrastructure is resilient to climate change and developing conceptual master plans for green urbanisation; 2) building skills and capacity in the construction sector; 3) communication and outreach, particularly linking government, researchers, the private sector and developers, to identify cost-effective incentives for promoting green infrastructure, technology and construction; 4) support in the definition of construction standards with the Rwanda Bureau of Standards; 5) identification of financing opportunities, developing business plans and proposals (linking to FONERWA); 6) and building stronger relationships between MININFRA, RHA and industry and trade sector. Ideally, the Centre could operate as a limited profit or for-profit centre attached to a university that has an existing architecture and environment programme as well as environmental engineering facilities (KIST or Umutara).

2.75 **One of the objectives, with MININFRA as the lead Ministry, will be to develop a conducive regulatory environment to support green urban development.** The regulatory framework will respond to the development challenges of climate change and environmental degradation. Regulatory instruments will be developed (e.g. energy efficiency requirements in building codes; grants and rebates for renewable technology etc.) in collaboration with the responsible Ministries and institutions. This will provide the regulatory base for green urban development, which would find application in any new settlement development, or in urban renewal projects.

2.76 **Finally, the flagship project for green urbanisation will be to work towards the development of a pilot 'green' city**. EDPRS 2 will initiate a pilot green city to test and promote a new approach to urbanisation that will be a demonstration of sustainable cities for the future. Activities that will be carried out to develop the pilot include: 1) feasibility study, building on the findings of the study outlined in intervention 1 above; 2) development of master plans (with the responsible planning authorities and target groups) that demonstrate environmental impacts, combined with economic sustainability of approaches; 3) identification of funding sources from domestic and global sources (linking to FONERWA); 4) initiating the pilot (by 2018).

Outcome 5.2: High environmental standards and sustainable green innovation in the industrial and private sectors

2.77 **The main institutional driver of this effort will be a proposed Environment and Climate Change Innovation Centre.** The centre will have a mandate to promote transformational green innovation in the industrial and private sectors. The scope of the centre will include: 1) support to research and development through links to industry and academia in Rwanda and internationally; 2) promoting technology transfer in priority sectors through business advice and training; 3) linking innovation with finance through identifying international funding sources, supporting proposal development and providing seed funding (FONERWA will play an instrumental role in this area); 4) providing analyses and information on market and sector trends. This will build on and link to existing institutions – specifically the National Industrial Research and Development Centre, the Cleaner Production Centre, and the Centre of Excellence described under Outcome 5.1

2.78 **One of its roles will be to propose reforms that will incentivise green technologies and innovation.** Countries that have been successful in developing environmental industries, have put in place ambitious regulatory and incentive frameworks (e.g. import duty exemption on green products, tax rebates etc.). EDPRS 2 will initiate this

process to review and reform existing regulations and policies, and to build an enabling policy environment for private sector and industry.

2.79 **The Environment and Climate Change Innovation Centre will also work towards piloting promising 'green' technologies.** EDPRS 2 will support pilots of innovative technologies that are likely to provide large-scale environmental and economic benefits. Technical and financial support will be provided through the Centre and FONERWA respectively.

2.80 **Finally, establishing a pilot 'model' mine will also be considered**. The mining sector is a key strategic priority for in EDPRS 2 but has significant environmental impacts, which will increase as the sector grows. Rwanda has the potential to promote a state of the art 'green' mining sector. Feasibility studies on the potential to develop a 'model' mine, fully funded through green investment, that incorporates renewable energy systems, water treatment systems, forestry outgrower schemes and a local training centre.

2.81 Priority Area Outcomes together with Interventions are at Annex 1.

3. RURAL DEVELOPMENT

Introduction

3.1 Given the prevalence of poverty and the range of socio-economic factors that affect rural areas, rural poverty reduction requires comprehensive treatment. For growth to be sustainable and its benefits to be equitably distributed, it should be broad-based, multi-sectoral and inclusive of the Rwandan rural labour force, which is predominantly engaged in agriculture. Inclusive growth recognises that, while targeted social protection may redistribute income to the poorest in the short-run, effective and sustainable poverty reduction requires improvements in productivity across both farm and off-farm employment activities. This requires supporting households with secure rights to land, access to markets and resources and an enabling environment for businesses and individuals.

Rural Development Objective for EDPRS 2

Sustainable poverty reduction is achieved through broad-based growth across sectors in rural areas by improving land use, increasing the productivity of agriculture, enabling graduation from extreme poverty, and connecting rural communities to economic opportunity through improved infrastructure

What is Rural Development?

3.2 **Rural development is defined as the process of improving the quality of life and economic wellbeing of people living in rural areas.** The primary objective of rural development is to reduce rural poverty. Targeting rural poverty reduction also means focusing on strengthening social cohesion and reducing inequality. Poverty reduction is a complex process and many factors will determine whether economic growth is associated with poverty reduction, such as the initial level of inequality, the composition of growth (which sectors grow) and how inequality changes over the period of growth. Given Rwanda's geographical and demographic composition, sustained economic growth requires large gains in poverty reduction and *vice versa*.

3.3 **Rural Development emphasises the foundations and linkages of rural growth and the coordination between sectors such as land, infrastructure, agriculture and rural finance, while at the same time understanding the need for broader urban and rural linkages.** Off-farm job creation and large-scale investment to open up the economy are also essential. These aspects are addressed in the Productivity, Youth and Employment Thematic Strategy and the Economic Transformation Thematic Strategy. The combination and coordination of these focus areas will catalyse rural development in Rwanda.

3.4 **The analysis of EDPRS 1 experience suggests a number of recent trends and factors at play in Rwanda**. Firstly, agricultural production across households, driven by the Crop Intensification Programme (CIP), has increased despite a decline in the average land size cultivated by households. Secondly, much of this additional production has been marketed, fuelling the commercialisation of agriculture. In 2011, households sold around 25% of their output compared with 18% in 2005. These two factors have meant higher incomes for the average agricultural household. Third, the contribution of off-farm income to rural households has increased, particularly wage and self-employed income. Fourth, there has been a decline in average household size leading to reduced consumption needs.

3.5 To understand further the nature of poverty, some more facets of rural poverty are explained:

3.6 **The Rural Nature of Poverty**: As the name implies, rural development focuses on rural areas. In Rwanda, around 9.1 million people, i.e. 85% of the total population live in rural areas. Many of the poor and extreme poor reside in this demographic group. Poverty remains largely a rural and agricultural phenomenon with rural and urban poverty at 48.7% and 22.1%, respectively. Rural households are more than twice as likely to either poor or in extreme poverty than urban households.

3.7 **Inequality is Still High Despite Decreasing:** As measured by the Gini coefficient, inequality has reduced in the last five years to a level lower than in 2000/2001. Thus, poorer households (predominantly rural) have become better off in proportional terms and at a faster rate than less poor households. However, the Gini index remains high and there is a need to ensure that inclusive growth takes place in rural areas.

3.8 **Land Size and Poverty**: Rwanda is predominantly rural in its landscape with around 1.4 million hectares of arable land. Land categorised as rural is nearly 98% of total land area, with around 54% classified as arable, and the urban area being only 1.5% of total country surface (RNRA 2012). Agricultural smallholders dominate the scarce land available in Rwanda. And the smaller the land holding, the more likely the land holder to be in poverty. Smallholders hold an average of four to five plots that make up a mean land size average of approximately 0.59 hectares, with a median value of 0.33 hectares. However, the average picture does not show how skewed land distribution is in Rwanda. 36% of households own 6% of the farm land, with an average of only 0.11ha per household. In addition, women provide the bulk of labour in the crop sector, but function mainly at subsistence level with insufficient skills, access to markets and control over land and other agricultural facilities.

3.9 **Rural Livelihoods and Poverty**: The prevalence of poverty is associated with low productivity in subsistence agriculture. Poverty is highest by far (76.6%) among households (often landless) who obtain more than half their income from working on other people's farms. The next poorest group is those with diversified livelihoods who obtain more than 30% or more of their income from farm wage work (76.2%). Women are more likely to fall into the category. Given the transition of some men to off-farm employment, there are now more women involved in agricultural subsistence production than before EDPRS 1.

3.10 Agriculture can also offer a pathway out of poverty. Improving productivity and increasing sales of produce is an important income earner for smallholders. A study on Rwanda by IFPRI supports this: "economy wide growth led by the agriculture sector has a greater effect on poverty reduction than does the same level of growth driven by the non-agricultural sector"[4] (IFPRI 2009).

3.11 **Rural and Urban Linkages**: The connection between poverty and rural-urban linkages and urbanisation, are important considerations in Rwanda. Economic growth has spurred internal migration and it is estimated that 19% of the population migrated within the country during EDPRS 1. Additionally, the higher the wealth of the family, the more likely the individuals are to move. The size of the poverty differential between urban and rural areas will to some extent explain the level of migration. Therefore it will be important to strengthen the economic interdependence between rural and urban areas. Urban areas provide markets for rural products. And centres for processing, distribution and information and concentration and agglomeration of people and activities lead to high levels of social and economic development

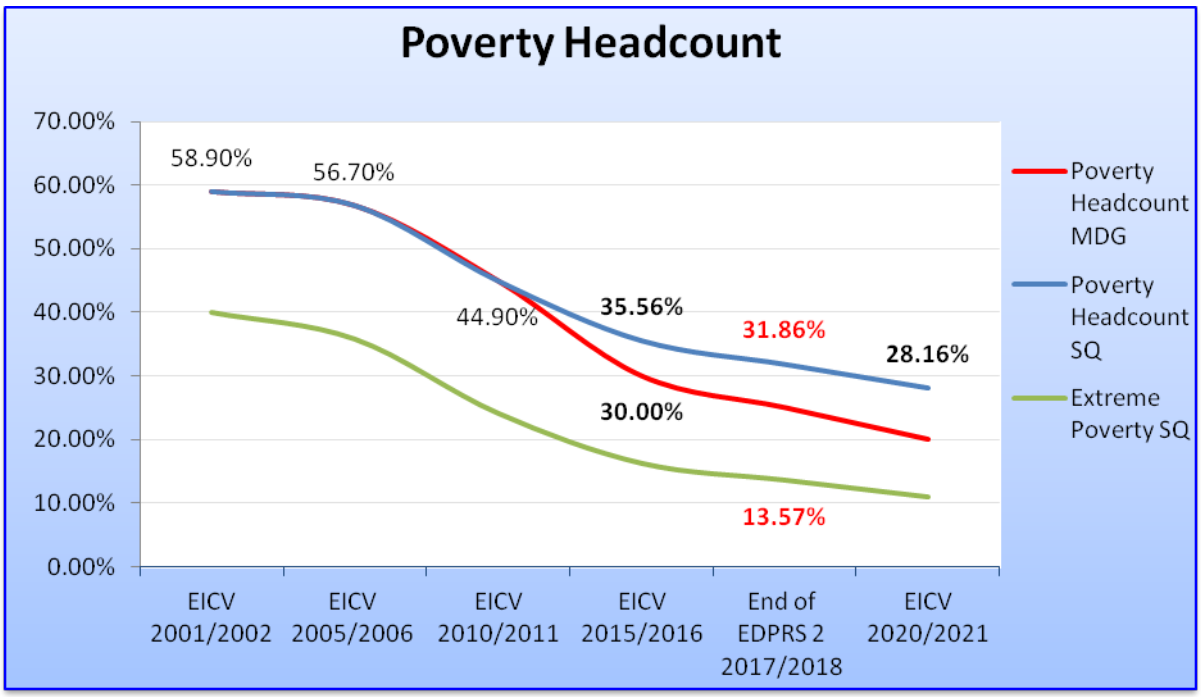
[4] De Janvry and Sadoulet (2010) looking at numerous countries, show growth in agriculture leads to three times as much poverty reduction than GDP growth outside of agriculture

Strategic Framework

Strategic Framework for Rural Development

3.12 The objectives for Rural Development are derived from the overarching objectives of EDPRS 2 – sustained poverty reduction and economic growth. The current headcount poverty ratio is 45% and extreme headcount poverty is 24%, with the EDPRS 2 target set at 30% and 9%, respectively. Two projections are presented in Figure 3.1, one (the red line) based on meeting the MDG target by 2015 with less than 30% poverty by 2015/2016, and the other measure (the blue line) showing the continuation of the Status Quo (the rate at which poverty declined between EICV 2 2005/06 and EICV 3 2010/11). On the latter measure, headline poverty will reach 32% by 2017/2018, just above the goal of 30%. On current trends, extreme poverty will reduce to 14% by 2017/18. Therefore the reduction in headcount poverty over the next five years will require a ***greater reduction*** than ever before to meet the targets of EDPRS 2. In terms of rural poverty, even with urban growth (and assuming urban migration reduces overall headcount poverty), rural poverty needs to decrease substantially faster than it did in EDPRS 1 to reach the EDPRS 2 target.

Figure 3.1 Poverty Reduction Projections (MINECOFIN)

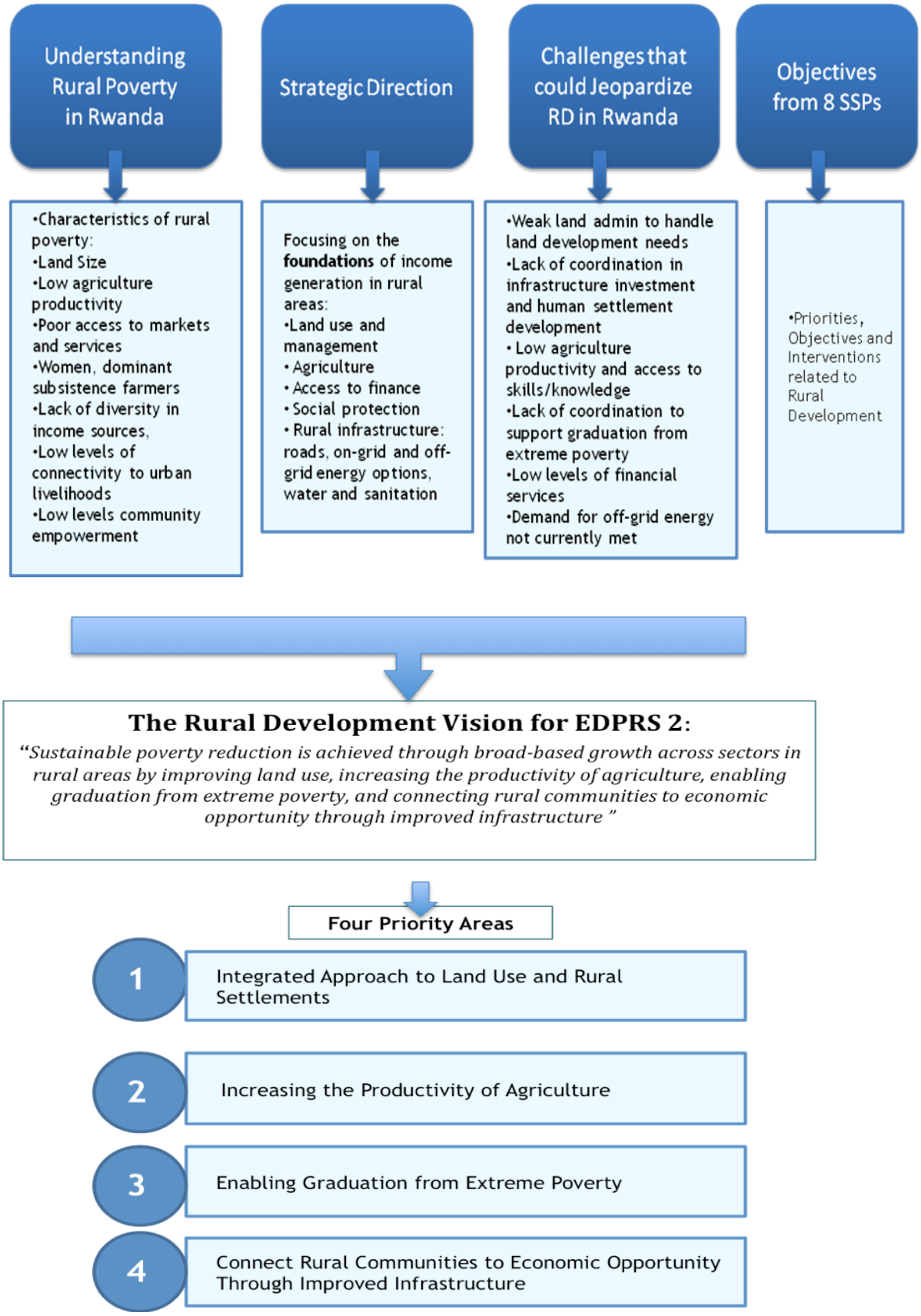


Source: MINECOFIN 2013

Note: SQ = status quo,

3.13 The approach to meeting the overall objective of Rural Development will have four areas of focus. These four priority areas are summarised in Figure 3.2 and developed into specific interventions in the following sections.

Figure 3.2 Rural Development Strategic Framework



Four Priority Areas:

Priority Area 1: Integrated Approach to Land Use and Human Settlements

3.14 Given land scarcity, land allocation for agriculture, industry and settlements will be a key factor in determining growth in rural areas in EDPRS 2. The challenge is how to manage and administer a range of land use issues, from dealing with land allocation to dealing with land disputes amongst smallholders. The more efficient the system, the more investment and income generation that is likely to occur. Therefore, there is a need to strengthen two functions: firstly, overall land use allocation for development, and secondly the decentralised process of land allocation and management. Growth in quality human settlements will depend on effective land management and the pull framework of infrastructure and services in rural areas.

Priority Area 2: Increase the Productivity of Agriculture

3.15 The agricultural sector has great potential to reduce poverty and ensure that growth is inclusive. Since the scope to expand cultivable land area is limited, improved productivity of agriculture land is critical for income generation. Rwandan agriculture seeks to move from being a largely subsistence to a commercialised sector, building on the sector's comparative advantage and supporting skills and knowledge for smallholder farmers. A progressive shift towards harnessing the potential of the private sector will be the main instrument for achieving greater productivity and incomes in agriculture. The focus is therefore on irrigation and land husbandry, proximity advisory services for crops and livestock and connecting farmers to agribusiness through smallholder aggregation farming models.

Priority Area 3: Enabling Graduation from Extreme Poverty

3.16 While social protection has a key role to play in stabilising assets, incomes and capabilities in the poorest households, it is not sufficient in isolation to enable graduation from poverty. While expansion of the Vision 2020 Umerenge Programme (VUP) will focus on the poorest sectors in districts, given the widespread nature of rural poverty and the budgetary implications of relying on cash transfers, sustained graduation from poverty will be achieved through ensuring stronger linkages to complementary public programmes and private sector job opportunities to ensure that households are able to strengthen their livelihoods. Investment in facilitating income-generating activities on and off-farm will be crucial to providing these opportunities. Additionally, financial access and education can provide people with the knowledge and skills needed to graduate.

Priority Area 4: Connecting Rural Communities to Economic Opportunity through Improved Infrastructure

3.17 Rural infrastructure investments are critical for rural communities to grow. For optimal impact, these investments should connect up economic opportunities. The supply of public goods in this area will leverage private sector investment. Feeder and secondary roads are needed to improve agriculture produce marketability. The electrification programme for EDPRS 2 promotes twin strategies for universal access, facilitating 100% of the population to be connected through on-grid and off-grid solutions. While all households will require access to modern energy sources, the levels of consumption for some are too low to justify a grid connection. Therefore off-grid options, such as solar and biogas, are the most economical and sustainable options for poor households. Supporting biomass and other modern cooking sources will also support rural households. And finally, ICT and water and sanitation will reach rural communities through public and private investment.

Priority Area 1: Integrated Approach to Land Use and Human Settlements

3.18 **The efficient allocation of land for agriculture, industry and settlement will be a key factor in determining growth in rural areas in EDPRS 2**. A strong institution (land administration arrangements) to manage the process of land allocation and land rights is required to optimise land use and protect Rwandan's most prized asset. The challenge for Rwanda is how to manage and administer effectively a range of land use issues, from dealing with land allocation, land appropriation, monitoring and land leasing to private investors, to dealing with land disputes amongst smallholders. There is a need to strengthen two functions: firstly, land use allocation powers (who determines the allocation) and the process of land allocation.

3.19 **Rural households are split between human settlements and isolated rural households**. The proportion of the population currently living in human settlements (planned, unplanned or agglomeration) is around 60%. Isolated or scattered rural settlement accounts for approximately 40% of all rural households. *Imudugudu* are planned settlements consisting of between 100 and 200 houses on 10 to 20 hectares. Scattered rural living means that such households are unable to connect to modern services. And connecting communities to modern infrastructure and services is much easier and more cost-effective in grouped and serviced settlements.

3.20 **According to a survey conducted by MINALOC in 2012, distance from agriculture plots, poverty and lack of planning of the newly proposed site are the three main reasons for people not moving to a settlement (with or without infrastructure)**. For the 60% that reside in settlement (planned or unplanned) sites, the provision of basic infrastructure is still very low. Additionally, only 9% of villages surveyed have layout plans that assist housing and infrastructure development in the village.

3.21 **The incentives for rural populations to move to formal settlements will be mostly created by pull factors.** For individual households making settlement decisions, the economic and social benefits of living in a formal settlement must outweigh those of living in a scattered settlement. The benefits will include: access to economic opportunities, access to safe water and sanitation, to electricity and social services such as schools and health centres. There are economic and social costs of resettlement to the households which include the cost of moving location, distance to farmland, construction of new housing[5], and possible social difficulties in the new location.

Outcome 1.1: Improved land rights and land administration

3.22 **Secure land ownership is a key determinant of agricultural investment and income generation.** Evidence from Rwanda and elsewhere has shown that tenure security drives investment in land. Households with formal land titles are more likely to invest in soil erosion protective measures, particularly female-headed households. Land titling has led to increased trading of land. In the last five years, buying and selling of land has become widespread, with local land markets being highly active. 84% of households feel they have the right to sell any part of their land or use it as a guarantee (World Bank 2011). However, the capacity of local government (district, sector, cell and village level) to support the rural population in land management is limited.

[5] New regulations or higher standard may imply high short-term costs for rural households.

3.23 **The National Land Policy requires secure tenure rights for all landholders** and registering land holding is mandatory in Rwanda according to the Organic Land Law. Land reforms in the last five years sought to improve land tenure security through a transparent and equitable system of land administration. The Land Tenure Regularization (LTR) Programme provided for full legal recognition of rights for the 11 million land parcels in Rwanda, giving title certificates to land holders. By the end of 2012, LTR has demarcated and adjudicated 10.4 million parcels. Ten million of these are recorded in the database, 8.5 million parcels have been through an objections and corrections phase, and over 4 million parcel titles are approved for issue. However, more is to be done to continue building the land administration system and capacity.

3.24 **Consolidating secure land tenure for all land claimants through systematic land administration will be pursued.** The land registration processes for the 10.4 million parcels and issuance of leases will be completed under EDPRS 2. Clear and secure land ownership is critical to production and livelihoods for the rural population and is the number one determinant of rural investment and growth. The system will be strengthened by connecting the national land registry to decentralised land administration institutions, connecting the district land bureau to web based systems, and building their capacity in land administration. There will also be measures to connect land registration to mortgage registration processes which are essential for access to finance.

Outcome 1.2: Enhanced rural settlements which facilitate access to basic services, farm and off-farm economic activities through integrated district land-use plans

3.25 **The Master Plan provides a general framework and guidance for rational land use and identifies areas suitable for agriculture and other forms of land use.** The National Land Use Master Plan was approved by Cabinet in 2011 and adopted by Parliament in 2012. However, while the overall framework exists for the country to develop systems for land use planning, at the district and village level land use planning has not yet been completed.

3.26 **Effective land use planning at the district level will facilitate investment** and empower districts to design their economic future. This system will provide the spatial planning tool for agriculture, industry and commercial development in rural areas. At the same time, it can provide feedback loops to central level on the challenges of design and implementation. Given the size and complexity of land to be managed, strengthening local level functions will be critical to support the land planning system. Decentralisation support in terms of technical assistance and budgetary resources will be required.

3.27 **Land and settlement planning and management at the district or sector level will determine the success of resettlement**. To ensure attractive *pull* factors for formal settlements, Government will utilise district land use plans to coordinate public infrastructure (such as water and electricity) with growing settlements (both existing and new). Regulations for settlement in rural and urban areas, including on construction standards, guidelines for amenities and appropriate density guidelines will be developed covering the requirements of all existing laws and regulations. Citizens will be incentivised to live in productive well-maintained settlements where services and commerce will be accessible. Leadership and clear implementation responsibilities of key institutions will be central in supporting the mapping of settlement sites. Additionally, the 'green village' concept will be developed for grouped settlement planning focusing on environmental sustainability and local-level climate resilience for land use planning and development at the village level.

3.28 **A framework for coordinated land use planning through District Land Use Plans will be implemented.** Integrated planning and implementation will allow coordinated investment and implementation of government and private sector investments. The existing One Stop Centres (OSCs) and Land Bureaus will be supported to design and oversee implementation of district land use plans. Relevant ICT equipment and land mapping tools will be put in place. The interaction of District Land Use Plans with the *pull* factors of infrastructure and services will incentivise quality human settlements to grow. Coherence in terms of infrastructure investments, both private and public, at central level and in district development plans will be needed. And policy coherence will mean aligning a range of central and district level plans including the National Land Use and Development Master Plan (2010), the National Settlement Policy (2009), the Strategic Transport Master Plan (2012) the National Urban Housing Policy (2004), EARP II (2013-2017), the Irrigation Master Plan (2010), and the Water and Sanitation Policy (2012).

3.29 **Village layout plans will be designed and implemented through a community-led process.** District land use plans will provide the overall guidance for village level layout. These will ensure that the planning of land, infrastructure and agriculture investments is harmonised at the lowest level possible. More importantly, communities will be empowered to design their own settlements with technical support. This will be supported through measures for citizen feedback and other accountable governance measures. Technicians in OSCs and Sector/District Land Bureau offices will support rural communities in cell layout plan development so as to integrate infrastructure such as water and energy, based on the principles outlined in the District Land Use Plans. Compensation and support will be required for households in vulnerable zones or on land needed for large-scale infrastructure plans.

3.30 **The regulatory framework for land use planning will be monitored and enforced.** Guidelines for land use planning and monitoring for districts will be developed. Districts and sector administration will be responsible for enforcing plans after approval by their communities and guided by the relevant tools at national and district level. District offices will support and enforce the local district guidelines to ensure that agriculture and non-agriculture land is protected for social, economic and environmental reasons.

3.31 **Accessing quality and affordable housing will be an important element of rural development**. Cost-effectiveness and the availability of improved local construction materials will be pursued. Government will provide some pilot housing sites to support the growth of rural quality settlements. Supporting construction through the private sector, cooperatives and other institutions will enable more off-farm jobs to be created.

Priority Area 2: Increasing the Productivity of Agriculture

3.32 **The agricultural sector remains the sector with the greatest potential to reduce poverty in Rwanda and ensure that growth is inclusive in EDPRS.** Since the scope to expand cultivable land area is limited, improved productivity of agriculture land is paramount for income generation and rural transformation. Income generation and household food security are intertwined as households need to be able to generate enough money to buy nutritious and quality food. However, agriculture labour productivity is still very low. Workers in agriculture are characterised by high-under employment with 68% working less than 36 hours in a week. Women, who dominate agriculture subsistence, are particularly vulnerable in this respect.

3.33 **Rwandan agriculture will move from a largely subsistence to a commercialised base building on the sector's comparative advantage.** While staple crops will continue to be important for nutrition and smallholder incomes, over the longer term, the climate, and

favourable endowments of water and labour favour high-value crops. These products are labour intensive, require technical and value chain expertise and can generate high levels of income per hectare. Promoting high-value products to diversify smallholder farming and satisfy increasing urban, domestic and regional incomes and diets, will be a priority.

3.34 **A progressive shift towards enhancing the role of the private sector across ar range of functions, will be the main instrument for achieving greater productivity and incomes in agriculture**. The private sector will be supported to take responsibility for value chain exploitation, management of facilities, quality control, farmer advisory services, input marketing and investment. Mechanisms for private sector investment are stronger coordination between RDB and the MINAGRI to ensure that government works to facilitate and crowd-in investment. At the same time, the public sector will play a strong role in policy, monitoring and regulation, facilitating partnerships and providing infrastructure. The public sector's support will be provided through training programmes for farmers, risk-reducing financial guarantees, sharing the cost of agricultural advisory services, and supporting investments in hillside irrigation and terracing and research. These will support capacity development across the entire sector to improve the productivity and quality of agriculture and livestock farming.

Outcome 2.1: Increases Productivity and Sustainability of Agriculture

3.35 Irrigation has the potential to triple crop production compared to rain fed agriculture. Rural areas are particularly vulnerable to climate change as Rwandan agriculture is mainly rain-fed. The increased demands of commercial agriculture will also place significant pressure on water resource management. Irrigation not only helps raise yields but prolongs the effective growing periods in areas with dry seasons. This allows for multiple cropping (two to four crops a year) where previously only a single crop could be grown. The security provided by irrigation gives farmers confidence to invest in additional inputs that are needed to intensify production. However, the technical and management challenges to making irrigation systems work are complex. Increasingly private sector participation will be emphasised for the sub-sector.

3.36 **Irrigation will be expanded to increase productivity and enhance food security.** The target for the EDPRS 2 is to develop a total of 100,000 ha under irrigation of which 65,000 ha will be marshland and 35,000 ha will be hillside irrigation. Hillside irrigation development is a challenge which will require special attention. Public sector investment will be the main driver, with continuing efforts in developing small-scale irrigation based on water catchment areas and training the Water Users Associations (WUA), where farmers cooperate to operate and maintain the irrigation infrastructure. Effective operation and maintenance is particularly important given the high cost of investments and the relatively low levels of expertise in maintenance of irrigation systems in Rwanda. In terms of public sector investment, MINAGRI will develop 60,000 additional ha of irrigated land, two-thirds marshland and one-third hillside. In terms of private sector irrigation development, 20,000 ha of land will be availed for development. Government will facilitate investment in private irrigation schemes (a minimum of 25 ha and a maximum of 500 ha) and assist farmers in understanding the schemes. A unit within MINAGRI, working with RDB, will be set up to facilitate private investments in irrigation.

3.37 **Land husbandry methods will also be improved.** 90% of cropland is on slopes of 5% to 55%, and land husbandry and terracing are important to increase productivity. Actions will prioritise scaling up of successful experiences with both progressive and radical terraces,

accompanied by an intensified programme of integrated soil fertility management and erosion control. Agro-forestry and soil research will also be supported by MINAGRI to help harness the sustainability of farming systems.

Outcome 2.2: Increased public and private advisory service to farmers for agriculture and animal husbandry skills development

3.38 While the promotion of improved seeds and inorganic/organic fertiliser under EDPRS 1 has increased the use of these inputs from a very low base, many farmers still do not use fertiliser and the application practices are not optimally carried out. Agriculture research, technology, knowledge and skills are key to improving productivity. Currently, the outreach of advisory services is very low in Rwanda. It is estimated that 32% of households receive information through this channel (BTC 2012). Poor quality of delivery and/or information is the second constraint. Promotion of accessible extension and advisory services[6] is a priority since knowledge intensive agriculture is needed to improve productivity. There is a need for a greater role for private services and more market-orientated approaches. Additionally, the sector needs greater farmer participation in defining issues and priorities, and the advisor should become a facilitator in the farmer's learning process.

3.39 **Develop sustainable private agro-inputs distribution and sales networks**. Demonstrations, trials and seeing the results of increased application of inputs have allowed farmers to see the benefits of input application over the past five years. In some areas of the country, poor smallholder farmers are already paying for fertilisers. Experience from one private credit and extension provider suggests that charging smallholder farmers the full cost of fertiliser plus around a 10-15% handling margin, depending on the extension package offered, is feasible. This approach has proved successful, with a rapidly expanding client base, high repayment rates and good farmer retention in the programme, demonstrating that subsidies may be reduced without adversely affecting food security and income generation.

3.40 **Farmer Field Schools (FFS) and farmer learning platforms will go nationwide.** Public investment in FFS will be scaled up to reach at least 150,000 farmers to utilise locally-driven ways to improve productivity and income generation. FFS trainers and facilitators, particularly women, will be trained to work with farmers. Additional crops will be added to broaden the supply of what is available to farmers. Inputs and better farming practices will increase productivity as their correct application and use becomes more widely known. Fee collection for FFS will be examined to increase the sustainability of the approach.

3.41 An important addition to public agriculture advisory services will be the introduction of Farmer Promoters and Animal Health Workers. The concept is based on the model of community health workers that has been successful in the health sector, with model farmers facilitating improved skills at the village level. Training of government extension agents, primarily sector and district agronomists and vets, will be enhanced. The provision of targeted services requires an array of methods and tools for training. It should go beyond simple facts sheets and be market-orientated. Priority value chains and commodity sub-sectors require continually updated reference materials. Additionally, District Agricultural Platforms can be initiated to facilitate information exchange. These low cost events, often on

[6] Extension refers to the supply of undifferentiated information and messages from the centre to all farmers, while advice implies analysing farmers' needs and constraints and providing information and training that responds to these needs.

farmer's fields, promote peer-to-peer exchanges and allow programme providers such as FFS to assess their advisory services.

3.42 **Agricultural private sector advisory services will also be promoted.** In growing private sector advisory services, the current fertiliser and seed systems will be reformed. This is already underway with moves to phase out price controls on fertiliser, ending the monopoly of agro-dealers, and phasing out the transport subsidy during EDPRS 2. Having sustainable private sector providers charging farmers the full cost of fertiliser and other inputs will promote the sustainability of the sector and will incentivise improved private supply and advisory services. Government expenditure on input subsidies will decrease, though they may have a residual role as social protection to the poorest. In the seed sector, government will promote private sector seed systems by selling seeds to farmers and investing in quality seed certification and inspection services. This will raise standards and induce private investment.

Outcome 2.3: Farming Models scaled up to link to agro-processing

3.43 **Making the transition to commercial farming requires rethinking agriculture and livestock systems.** To improve incomes of smallholder farmers, it is essential to connect them to value chains and investment opportunities. To generate value, agricultural products will need to have quality, quantity and reliability. Production in bulk is required and cooperatives in Rwanda have already attempted to aggregate smallholder production. Post-harvest management skills are also vital for farmers to become market-orientated. Training and investment in the areas of drying, processing and storage management will be made to transform smallholders into commercial agents.

3.44 **Different farmer models along with appropriate skill training in post-harvest management will be utilised depending on the context**. Land consolidation is not the only model, though cooperative farming will continue to be promoted and the model of farming can change to fit the situation. A conducive environment will be supported for farmers to be able to bulk their production under different models of commercial farming. GoR will explore pilots with processors that connect farmers to agribusinesses and large scale investors.

3.45 **Experimentation with contract farming[7], nucleus estate farming, consolidated land rental and corporate farming will be encouraged.** ***Contract Farming*** is one way to aggregate and market smallholder farmer and livestock production. Contracts signed with traders and processors allow farmers to invest in inputs. Government will work to educate both parties of the benefits of working together and will promote a partnership policy which mitigates partnership risks through confidence building, particularly at the first stage. Another model is ***Nucleus Estate Farming*** which is where a large nucleus farm produces a high-value product, and serves as a demonstration and service provider for surrounding smaller farms (out-growers). Outgrowers agree to plant the same crop, follow the same cultivation procedures and sell to the same buyer. This is already being utilised by a handful of companies in Rwanda. The key to success appears to be provision to out-growers of high-yielding varieties and rental/leasing of farm machinery with training in post-harvest management and guaranteed purchase. The ***Consolidated Land Rental model*** is another model currently being used by the private sector in Rwanda. This involves allowing an agriculture entrepreneur to reach a lease agreement with a number of farmers. The lease, ideally for not less than 10 years, allows small farmers to be hired to work on their land, and

[7] Under contract farming, a marketing agent, exporter or processor makes purchases from substantial numbers of small famers

they would receive at a minimum the revenues they previously took from the land. The government does not need to guarantee any part of the agreement as the risk is borne by the investor.

Priority Area 3: Enabling Graduation from Extreme Poverty

3.46 **The target for the end of EDPRS 2 is for less than 10% of Rwandan households to be in extreme poverty from 24% (2011**). The extreme poor tend to be in larger households with livelihoods predominantly based on waged farm work. The poorest households tend to be larger households having no land or very small landholdings, low levels of literacy[8] and poor access to services. Children living in these households are at higher risks of malnutrition (stunting). Additionally, according to the CFSVA 2012, food insecure households are those with small landholdings who tend to be headed by women, elderly and uneducated. While gains in agriculture and off-farm employment opportunities will play a key role in poverty reduction, effective government support to those in extreme poverty will be critical to protect the poorest, mitigate the worst effects of poverty and support graduation out of extreme poverty.

3.47 **Social protection will be critical to enabling some of the poorest households to graduate out of extreme poverty in a sustainable way**. The social protection concept in Rwanda has four elements. Firstly, it is *protective,* i.e. it provides essential support to those living in poverty. Secondly, it is *preventive,* i.e. it puts in place a safety net that can be activated to prevent people falling into poverty. Third, it is *promotive,* i.e. it seeks to support poor people's investment so that they can pull themselves out of poverty. Fourth, it is *transformational,* i.e. it aims to improve the social status and rights of the marginalised, particularly women.

Outcome 3.1: Increased and sustained graduation from core social protection programmes by connecting economic opportunities and financial services

3.48 **Sustained graduation from poverty requires strong linkages to complementary public programmes and private sector job opportunities**. Requirements for graduation include improvements in the quality of public services, activities to enable poor people to access jobs or undertake investments (including skills training), and commitments to tackle discrimination and secure basic rights and entitlements. Financial education can also provide people with the knowledge and skills to graduate from poverty and core social protection programmes. Empowering women in the household and in the community is particularly important. This depends on the potential for employment and income generation in agriculture and non-agriculture activities in rural areas, which are addressed by the Rural Development Strategy and the Youth Productivity and Employment Strategy.

3.49 **The graduation vision for the flagship social protection programme, is to enable the poor to stabilise their assets and incomes and accumulate savings**. Extremely poor VUP beneficiaries have access to combinations of direct support, public works and financial services that can help them become less poor. They exit from the VUP's direct support or public works programmes once they move out of *Ubudehe* category 2 (a proxy for movement out of extreme poverty). Once exited from the VUP's social protection programmes, there are services available to help keep the households out of extreme poverty and enable them to

[8] Those in quintile 1 have significantly lower literacy rates, with 57.6% of those aged 15 years or more and 75.6% from 15 to 24 years of age. This is compared with quintile 3 with 67.6% and 83.6% respectively.

further strengthen their livelihood. These include the VUP financial services, complementary programmes and market based credit.

3.50 **Financial services will be targeted to the poor to allow them to graduate into using formal financial services**. Supporting these services will assist the sustainability of formal institutions such as SACCOs and microfinance banks. Impressive results in financial inclusion have been driven by the outreach and membership drive of SACCOs across rural areas in Rwanda. Informal financial channels such as VSLAs often provide the stepping stone to formal financial inclusion for those in poverty. Of those unbanked, 80% claim to have insufficient money to justify a bank account. VSLAs and Micro Finance Institutions (MFIs) allow poor households to see the impacts of savings and loans and to obtain basic financial literacy skills such as cash-flow management. Facilitating the growth of these informal financial services will be critical to sustainably achieve the 80% financial inclusion target for 2017.

3.51 **Products that cater to the needs of rural clients will be critical to increase inclusion and use of financial products**. Mobile Money Transfers (MMT), agent banking and micro-insurance, are beginning to improve the lives of the rural poor. Branchless banking includes remittances, transfers, payments and insurance. Mobile network operators are beginning to supply this area with low-cost products. Mobile money transfers have already demonstrated savings in travel costs and remittance and transaction fees. To encourage this, the legal/policy framework on transaction limits and different categories of MMT will be improved. Building financial capabilities through financial education and financial literacy will ensure that clients understand the products.

3.52 ***Umurenge* SACCOs will be strengthened.** SACCOs have contributed the most to increasing financial inclusion and mobilising savings with 22.3% of adults using its products and services. To ensure sustainability of SACCOs the following activities will be prioritised; i) consolidating and reducing risk: small *Umurenge* SACCOs could be in danger of collapse due to poor infrastructure and may be voluntarily moved into District SACCOs; ii) supporting higher lending for SACCOs: there is a need to strengthen the size of the capital for agricultural and non-agriculture cooperatives; iii) provide the *Umurenge* SACCOs with better access to the payment system and interbank services; iv) evaluate district SACCOS in terms of their branch network and their sustainability. Regulation is also important in relation to the currently very high costs to the poor of receiving benefits through SACCOs. BNR will review its Regulation on the Organisation of Microfinance Activity to strengthen requirements in priority areas.

3.53 **Further efficiency gains are to be made through harmonising social protection measures** as set out in the Harmonisation Policy 2012:

- Improving the targeting and exit guidelines for social protection programmes
- Implementing updates and redefine *Ubudehe* categorisation
- Poverty and impact surveys to understand poverty in Rwanda
- Well publicised and accessible appeals and complaints mechanisms
- Raising awareness of communities on targeting procedures and their entitlements.

Outcome 3.2: Improved targeting and effectiveness of social protection interventions

3.54 **Under EDPRS 1, the VUP, the flagship social protection programme, was expanded to reach the poorest households in 180 sectors with direct support, and 150**

sectors with public works by 2012/2013. VUP support still only reached approximately 5% of the population and significant numbers of extreme poor have still not benefited from the programme.

3.55 **Understanding and monitoring graduation will be developed through a single database across social protection programmes.** Sustainable graduation means viable pathways out of poverty that enable people to exit core social protection support and progress to complementary social development programme that build skills and resilience. Household graduation will be monitored to ensure that there is adequate understanding of the factors contributing to graduation while ensuring support services are provided all through the process. This will be reinforced by development of a social protection database across government which will enable tracking of household progress across multiple programmes, reduce fragmentation of interventions, and avoid duplication of efforts while providing a comprehensive system. The aim is to have the social protection M&E system functional by 2015/2016.

3.56 **The coverage and targeting of the extreme poor through core social protection programmes such as VUP Direct Support and VUP Public Works will be increased.** Government will seek to scale up and improve the targeting of the core social protection programmes to double, from 5% to 10% of the population, the number of those in extreme poverty receiving direct support and public works. Targeting improvements will be made to social protection programmes including VUP, to take advantage of district poverty headcount data and to strengthen the *Ubudehe* categorisation process. The poorest districts and sectors will receive coordinated and targeted support to bring efficiencies in reaching the poorest households.

Priority Area 4: Connecting Rural Communities to Economic Opportunity through Improved Infrastructure

3.57 **Infrastructure is critical for rural communities to grow. For optimal impact, these investments will connect communities to areas of economic opportunities**. Road transport development in EDPRS 1 focused on improving and rehabilitating the road network. With 14,000 km of national, district, feeder and urban roads, Rwanda's road density is high at 0.53km of road per square km. The main national paved roads are of relatively high quality but the quality of unpaved roads, maintained through community works such as HIMO, is generally poor. The level of services in the transport sector has improved but remains poor although it is an important element in connecting people and moving goods.

3.58 **Despite being one of the most densely populated countries in Sub-Saharan Africa**, **only 4% of rural households use electricity as the main source of lighting (EICV3).** Connected rural households consume below 30kWh/year/capita, well below urban consumption and ten times less than the Sub-Saharan African average at 478 kWh/year/capita[9]. In the future, productivity increases through the use of small-scale technology at household enterprises or SMEs will depend on the provision of energy. The typical rural household requires energy for a cell phone, radio and lights. These types of consumption may be suited to solar and micro-grid which are much more economical than on-grid solutions.

3.59 The energy used for cooking is currently dominated by biomass in the form of wood fuel used by over 90% of rural households. Biomass is an important source of rural

[9] Rwandan households consumes on average about 42 kWh/year/capita compared with 478 kWh in Sub-Saharan Africa and 1,200 kWh for developing countries as a whole.

employment, and low-cost energy for households and small industries and it reduces large-scale importation of alternative sources of energy.

3.60 **Rural populations are becoming more connected to each other through the use of ICT devices.** This major success is primarily through mobile phones owned by an estimated 45% of households (EICV3). This contributes to increased economic interaction and for demand-driven services such as agricultural market information and mobile banking. Mobile money enables transfers to those in poor areas and facilitates trading.

3.61 **Water supply and sanitation play a critical role in preventive healthcare and socio-economic development in rural areas**. Ready access to water reduces the time spent searching for water and may improve educational outcomes. Evidence suggests women/girls bear more of the cost of distant water sources in Rwanda. And hygiene and sanitation is a strong complement to effective access to clean water.

Outcome 4.1: Quality road network and rural feeder roads extended

3.62 Feeder and secondary roads are needed to improve agriculture produce marketability. A study revealed that farmers within 7-10km of a main road receive 85-160% higher price for their produce than those further away (OTF 2010). The predominant modes of transport used by farmers have been human transport (head loading or drawn carts) or bicycles/motorbikes. The use of motorised vehicles such as trucks or buses to transport bulked production to market has been constrained by the lack of road access and poorly maintained feeder and unpaved roads. It is estimated that farmers lose, in direct costs, between USD40-106 million a year due to the lack of feeder roads (OTF 2009). Farmers are likely to respond to better transport facilities. Production in areas with feeder road programmes increased by 81% compared to non-feeder road areas where growth was just 15% (OTF 2010).

3.63 The quality of Class 1 national and district unpaved roads is poor. This impedes district-level transport, limits access, extends travel times and pushes up costs along the value chain. The poor quality of roads mean that most rural transport is provided by large buses with 60 seat capacity as it is difficult to operate mini bus services on unpaved roads particularly in the rainy season. Private operators are reluctant to provide services because of high operating costs, poor quality of roads and low passenger demands. Districts with the worst levels of public transport services seem to relate to high poverty levels. According to EICV 3, the main reason for low levels of public transport use, are high costs and transport not being proximately available.

Table 3.1 Road Development (Transport Sector Strategy 2012)

Roads	Total length (Km)	Good Condition %
National Paved Roads	1,172	97.5
National Unpaved Roads	1,688	39.9
Overall National Roads (paved + unpaved)	2,860	63.5
District Roads Class 1	1,836	32.6

Source: Ministry of Infrastructure

3.64 **Rural areas with economic potential will be connected to market through feeder roads.** To improve productivity, road programmes will connect areas of economic

potential to markets. District feeder roads will be implemented under a National Framework for Feeder Road Development that will be coordinated by MININFRA (RTDA), MINAGRI and the Districts. The programme promotes local labour, materials, equipment and finance to create off-farm jobs. The strategy will prioritise training and capacity development for small-scale contractors and supervisors in road engineering and construction management. During EDPRS 2, the target is to upgrade 2,550km of district Class 2 feeder roads and 7,000km of farm to market roads. The programme will target poorly connected areas with high agricultural production potential. This will also utilise local labour-based approaches such as HIMO.

3.65 **Capacity and knowledge of communities of road works will be improved.** Four hundred communities will be trained in HIMO public works construction, operation and maintenance. The aim for road quality is to move from 37% to 60% of roads being in good condition over EDPRS 2 and much of this will rest in good operation and maintenance practices by district-level institutions.

3.66 **Transport services will be improved to include waterways and rivers and increased kilometres of scheduled rural bus routes**. The number of scheduled kilometres of rural bus routes will be increased from 1,600km in 2012 to 8,100km in 2017. The length of unpaved road network will gradually be reduced from 12,675km to 11,768km through upgrading works while the quality of unpaved road network in good condition will be increased from 11% (2012) 39% in 2017. Diversification of transport services will be undertaken with studies for 3 ports in Lake Kivu completed and possibilities explored and navigability for Akagera and Rusizi assessed for implementation.

Outcome 4.2: Access to electricity for the rural population

3.67 **The electrification programme for EDPRS 2 promotes twin strategies facilitating 100% of the population to be connected through on-grid and off-grid solutions**. While all households will require access to modern energy sources, the levels of consumption for some are too low to justify a grid connection. Off-grid options may offer the most economical and sustainable option for poor households, particularly given the settlement structures in Rwanda.

3.68 **The Electrification Access Rollout Programme (EARP) will ensure on-grid networks connect the bulk of the population in settlements and urban centres**. EARP will continue to construct the backbone of the power supply system to rural areas and will align generation capacity and demand to achieve an efficient tariff. It will focus initially on viable clients, i.e. those who can make productive use of energy and those who can afford to pay for the cost-covering connection fee. In terms of household connections, approximately 48% of the total population will be within feasible range of the grid.

3.69 **For the remaining households (over 1.2 million), off-grid solutions represent an attractive cost-effective option**. These households are likely to have low-demand profiles and would have strong incentives to use solar products or micro-grids powered by micro-hydro. Off-grid electricity solutions have proved highly effective in countries elsewhere and this is an area where private sector innovation may decrease costs.

3.70 **Electrification rollout will include on-grid electrification.** The EARP will target around 45% of households with direct connections by 2017. Once the network has been extended and covers large rural centres, connection costs will be significantly reduced per connection. The EARP network will also seek to connect industrial, mining, agriculture and commercial opportunities to the electricity grid.

3.71 **But rapid growth in private sector solar products will be encouraged.** The EARP phase 2 includes off-grid provision for the approximately 52% of rural households who may be out of range of the national grid during the next five years. GoR in partnership with the private sector will support the rapid dissemination and sales of solar systems (up to 1.2 million units) through a large-scale awareness programme of the benefits of solar power for rural households. Given the growing market, the quality of solar products is improving and cost decreasing. It costs around USD50 for a high-quality lantern with phone charging, to USD200 for a home solar system. The regulatory environment and importation duties and standards on solar products will be reviewed where appropriate. Clear information on EARP II will also be provided to encourage off-grid producers to target clients in off-grid areas.

3.72 **Off-grid micro hydro generation will be expanded.** Micro hydropower projects will generate electricity for communities located in isolated areas away from the national grid, but with hydro potential. These provide higher levels of power than solar systems but at a high investment and maintenance and operation cost. Local and international investors will be encouraged to invest in micro-hydro power projects through improved incentives to exploit local energy resources.

3.73 **Energy education for the population will be provided.** A grid connection is not the only source of energy and the rural population will be sensitized on the relative costs and benefits of alternative technologies to induce households to make informed decisions. Areas that will be off-grid in the next five years, will be facilitated to access affordable alternatives at the community level.

Outcome 4.3: Rural households using efficient cooking methods

3.74 **Given the high energy and economic costs of Kerosene and Liquefied Petroleum Gas (LPG) for rural households, over 85% of Rwanda's primary cooking energy source comes from biomass**. The internal wood market is worth more than USD150 million and is an important source of off-farm jobs. Firewood and agricultural residues are used by 86% of the population as the primary fuel for cooking. Wood, primarily eucalyptus, and charcoal are used with urban households using predominantly charcoal. According to EICV 3, 50% of urban households use charcoal compared to 3.7% of rural households. Charcoal has the advantage of relatively higher energy content and can be stored. Rural areas supply the urban centres with charcoal. Some 49% of the retail value of charcoal, sold in Kigali, stays in rural areas and 51% is used to transport and distribute the charcoal product (MARGE 2008).

3.75 **Biomass is the most economic option for rural households but should be used in a sustainable, safe and efficient manner**. However, the biomass trade lacks clear regulation which can sometimes stifle trade. Cooking efficiency is low in rural households mainly due to lack of adequate technologies. Less than 50% of households use improved cooking stoves. Rwanda is well placed to benefit from global policy on energy efficiency and climate change financing[10]. Biomass use, from biogas systems to improved cooking stoves, represents important potential sources for carbon financing.

3.76 **Sourcing of wood for fuel will be improved.** Sources of biomass will be supported and regulated to ensure a sustainable supply of wood. High yielding trees such as eucalyptus will be planted in areas with no competing productive land to provide wood fuel and

[10] FONERWA in Rwanda manages low-carbon growth and climate change related finance – see Priority 5 of Economic Transformation Theme.

charcoal. Working together, MININFRA and MINIRENA will ensure that there is an equitable balance between forest protection and wood supply. Rural communities will be supported in wood production through training and workshops in seed handling, tree nursery management, forest harvesting, wood processing, timber drying and forest extension.

3.77 **Biogas and alternative sustainable biomass sources will be promoted.** The Biogas Programme for households and Institutional Biogas programme will be expanded and delivered at the district level. The biogas digester represents an important long-term opportunity for household and communities if managed properly. In tandem, there is a need to encourage private sector innovation to help expand this sub-sector. Alternative sources of fuel for cooking are peat, rice husks (paddy consists of 20% husk and 80% rice) and coffee husks. Agriculture residues can use wood stoves. This market is currently under-developed in Rwanda but in Africa as a whole it has seen a large growth.

3.78 **Use of improved energy efficient cooking stoves will be promoted.** It is estimated that the fuel consumption (cost) for improved cooking stoves may be 30-70% lower than for traditional stoves. Working with the private sector the aim is to deliver 400,000 improved cook stoves to *Ubudehe* Categories 1 and 2, utilising a model integrating community based workers to deliver the product together with training packages. The distribution of the stoves will be at an affordable cost to these households. Private sector companies will be involved in the value chain from production to distribution and marketing. This will also be linked to investing and testing green technologies and utilising green financing opportunities.

Outcome 4.4: Connectivity by rural communities to relevant information

3.79 ICT allows rural people to connect to a range of social, employment and trading opportunities. The sector is private sector led though the Government can facilitate its growth in rural areas through putting in the basic infrastructure such as internet connectivity. Market information systems for farmers covering trade and price information, can improve the efficiency of the market. However, use of these products is very low compared to countries in the region such as Kenya.

3.80 **ICT expansion and products for rural areas will be supported.** The private sector will be encouraged to design ICT services for rural areas, especially mobile phone based systems. The combination of mobile money products and mobile phone sales will allow rural households to communicate and conduct cashless transfers in rural areas or between rural and urban areas. Mobile phones are low-cost and can also have radio and internet services which can allow for further knowledge generation in rural areas.

3.81 **Agriculture information systems will reach more farmers.** E-soko phase 2 will provide farmers with timely (daily) agriculture and livestock market price information as well as other services for farmers. The private sector will be engaged to develop more products for the agriculture sector.

Outcome 4.5: Increased access to water and sanitation facilities

3.82 **During EDPRS 1, water and sanitation services have improved significantly for rural communities.** These are among the most cost-effective ways to reduce the spread of hygiene related diseases. Access to clean water with improved sources of drinking water has reached 71% of the population a 7 percentage point improvement since 2005/2006. However, there are differences across regions, with Kigali access to clean water above 90% and some

parts of the Eastern and Western Province below 60%. Sanitation services (through public and household latrines) reached 74.5% of the population. The goal for EDPRS 2 is to ensure universal access to water and sanitation.

3.83 **The quality of water delivery will be improved.** This will be achieved by assisting districts to plan, design, finance and implement water infrastructure projects. The possibilities for community involvement and private sector management in distribution, will be further explored alongside increased public investment. The aim is to ensure that households across rural areas in Rwanda are within 500m of an improved water source.

3.84 **Sanitation in rural areas will be improved.** Household sanitation coverage will be improved for the remaining households and communities through local capacity building and public investments for certain public buildings such as schools and markets. District sanitation plans will be designed to promote improved planning and resource allocation.

3.85 Priority Area Outcomes and Interventions are in Annex 1.

4. PRODUCTIVITY AND YOUTH EMPLOYMENT

Introduction

4.1 **This chapter, focused on jobs and productivity, pulls together interventions from 6 sectors**; Private Sector Development, Education, Youth, ICT, Financial Sector Development, and Social Protection. The key challenges facing Rwanda in this area are high levels of underemployment in rural areas, insufficient non-farm jobs being created, and high cost, uncompetitive skilled labour for firms in urban areas.

4.2 **Productivity is the underlying driver of wages and incomes.** The priorities of this theme focus on increasing worker productivity by encouraging a shift from agriculture to industry and services, and creating the conditions for higher worker productivity within each sector, in conjunction with the other three EDPRS Thematic Strategies on Rural Development, Economic Transformation, and Accountable Governance.

4.3 **Jobs are central to all of our lives. We spend most of our time at work, trying to make a living**. And it's not just about what we earn. Our work fundamentally defines who we are as people, with important implications for our social relations and psychological well-being.

4.4 **The overarching goal in this thematic area is to move Rwanda from an agriculture-based economy to an industry and services-based economy**. Vision 2020 aims for half of the Rwandese workforce to be working off-farm by 2020, up from just 28% today. This is because non-farm workers are five times more productive than farm workers, and are 50% less likely to be in poverty. Reaching this goal will require creating an additional 200,000 non-farm jobs per year.

Key terms

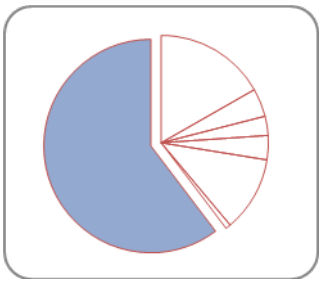
Productivity – There are several ways of defining productivity – in this chapter "productivity" refers to labour productivity – the amount of output produced per worker.

Youth – In Rwanda the definition of youth is all those aged 14-35

Employment, Unemployment, and Underemployment – By the ILO definition, anyone working at least 1 hour per week is "employed." As a result, unemployment in low-income countries with weak social safety nets such as Rwanda is typically very low. The main challenge in countries like Rwanda is *underemployment*, where people work fewer hours than they would like to each week.

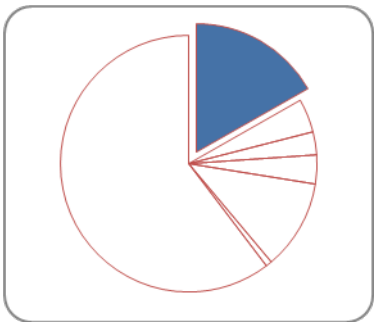
What do Rwandans do?

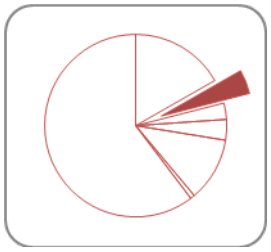
4.5 **Overall of the working age population (those aged above 16), 84% are in employment and 16% are not working.**



4.6 Farm workers make up 60% of the working age population. This represents 3.5 million people whose main occupation is farming. They are mostly poor, live in rural areas, have low education, and are underemployed, working an average of around 26 hours per week.

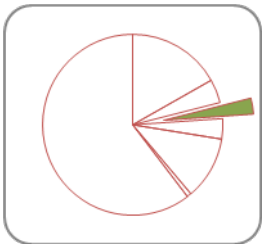
4.7 **Informal workers make up 17% of the population**. There are almost 1 million people whose main activity is in the informal sector. These workers carry out a variety of activities, the largest portion of which is retail or petty trade. Other prominent service industries include maids and tailors, construction workers, and drivers. Most informal sector workers have not completed primary school. Their income is generally higher than farm workers but not as high as formal sector workers.





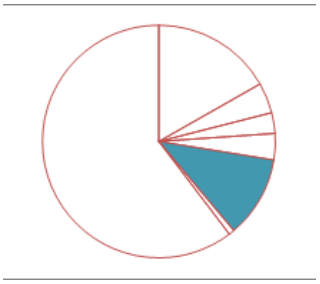
4.8 **Workers in the formal (private) sector are just 4% of the population.** There are around 250,000 people working in the formal private sector, just under half of whom live in cities. They are most likely to be high income, live in urban areas, and have secondary and tertiary education. They work in similar industries to the informal sector, but work for slightly larger formal sector firm. Typical occupations include drivers, mining workers, retail, and construction. This category includes some professional white-collar workers but these are small in number – for example, there around 4,000 accountants working in Rwanda.

4.9 **Workers in the public sector make up 3% of the population.** This group is mostly made up of teachers, nurses, the military, and government officials. These workers also tend to have relatively high income and levels of education.



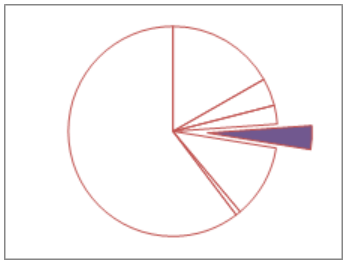
Who doesn't work in Rwanda?

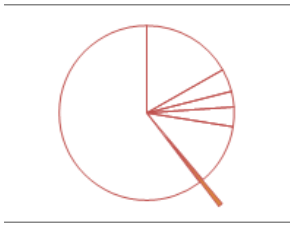
4.10 There are three main groups of people who are not working: the "inactive" (comprised of elderly, disabled people, and domestic workers), students, and the unemployed.



4.11 **The largest group of people not working are students, who make up 11% of the working age population).** The majority of these 667,000 people are still completing secondary school, but some are also in tertiary.

4.12 **The 215,000 "inactive" people make up 3.7% of the population.** These are mostly the elderly, disabled, and domestic workers. Most live in rural areas.





4.13 **The smallest group is the long-term unemployed, just 46,000 people (0.8% of the population)**. These people typically have a secondary school qualification, live in Kigali, and come from a relatively high-income family. Many are "queuing" for a formal sector job rather than engaging in informal sector activity or starting their own business.

What is Productivity and Youth Employment?

4.14 **This thematic area is focused on labour productivity** – output per worker – rather than any broader measure of productivity such as Total Factor Productivity (TFP). Rising labour productivity is vital for higher incomes at the individual level, and for economic growth at the national level. Rising productivity is also a key driver of innovation. The fundamental conditions for improved productivity are the same as those for entrepreneurship and job creation in general, i.e. the rule of law and a stable business environment.

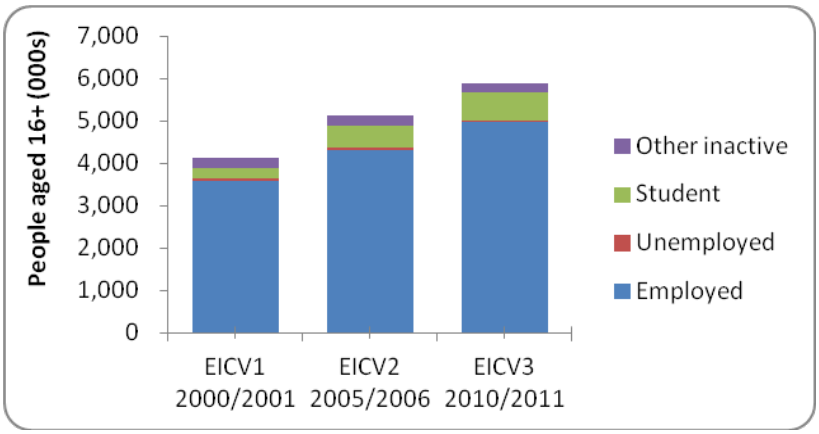
4.15 **Education, skills and technology are the key drivers of productivity. There is strong evidence of a causal relationship between skills and growth in incomes**. This evidence reveals that it is not just the years of education that contribute to economic growth, but the quality of the education that is received and the skills that people acquire. The resources allocated to improving the quality of education throughout the entire school system are of vital importance. It is also critical that we measure learning outcomes and not just school enrolment (though this is also important).

4.16 **Jobs are the key link between economic growth and poverty reduction**. In order to ensure that growth is inclusive and broad-based, businesses need to be expanding and

taking on new hires, individuals need the skills and capital to engage in the economy, and employers and job-seekers need to be able to find each other.

4.17 **Employment has remained high despite increasing numbers entering the workforce**. This has been because of a strong and growing economy and investment in infrastructure.

Figure 4.1 Large increases in Employment and Students



Source: EICV 1 – EICV 3

4.18 **The majority of new off-farm jobs are in micro, small, and medium sized enterprises (MSMEs) in the informal sector**. Over 90% of firms in Rwanda are informal, and have 3 or fewer employees (NISR 2012). The sectors with the largest non-farm job growth in the past 5 years have been retail (30,000 net new jobs per year), construction (16,000), government (14,000), and transport (7,000). This reflects rising incomes and increased demand for goods and services, increased urbanisation fuelling housing demand, and a large expansion in government provided education and healthcare. Despite being non-farm, most of these jobs (82%) have been created in rural areas. Young people and those with some basic education are more likely to be employed off-farm than older uneducated people.

4.19 **Net attendance rates at secondary school level have doubled over EDPRS1, from 10.4% to 20.9%, showing rapid progress, but still a long way to go to get to universal enrolment.** Gross attendance rates (including those above age 18) are twice as high at 41%.

Strategic Framework

4.20 **The interventions for the Productivity and Youth Employment thematic area have been chosen in order to address the key challenges and contribute to the attainment of the objective of ensuring good jobs for all.** The interventions are able to provide a comprehensive solution through the life cycle of each Rwandan.

4.21 **The primary focus is on creating opportunities for the 77% of the population in the farm or informal sector to prosper, and for the students currently in education to find a decent job when they graduate.** Attention is also paid to reducing urban unemployment, which represents a waste of skills.

4.22 **The first thing necessary to obtain a decent productive job is to have the right skills.** The right skills need to be built upon a solid foundation of effective ECD and primary schooling which equips students with the necessary cognitive and non-cognitive skills. It is crucial that these investments are made in building skills for the future, but this chapter

focuses on the interventions focused on higher level skills which will have an impact over the short-term.

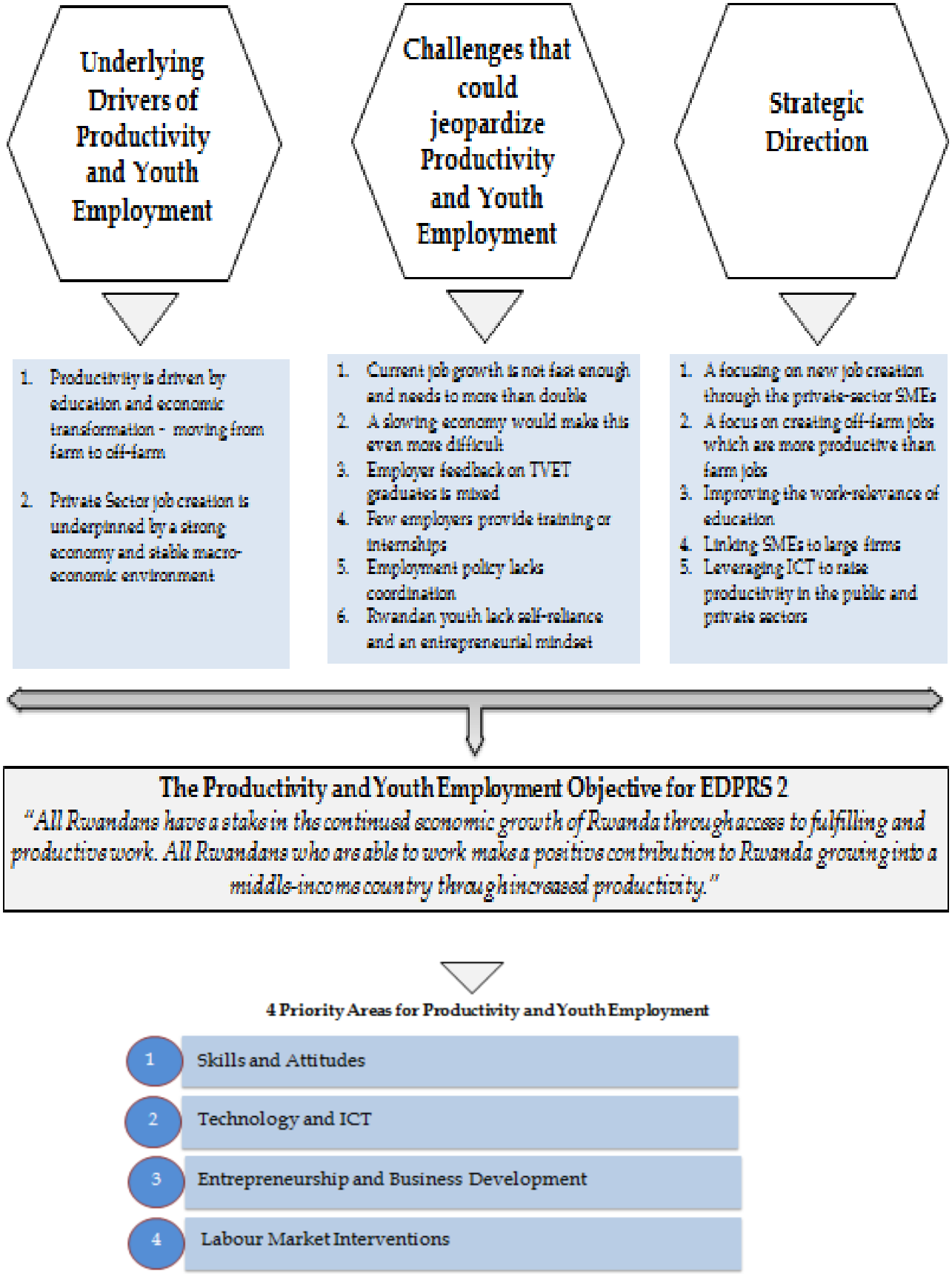
4.23 **As well as the right skills, the right tools are necessary to create decent productive jobs.** The government will focus on expanding access to ICT and other technologies which can enable higher productivity. But skills and tools are useless if there are no jobs. Ensuring continued strong economic growth, further improvements to the business environment, and direct support to entrepreneurs, will be crucial to supporting private sector job creation. Finally, in order to ensure that urban unemployment is kept to a minimum, there need to be effective support services that can match job-seekers to vacancies.

4.24 **The priorities set out in this chapter focus on creating jobs in the non-farm sector**. Increasing agricultural productivity will be crucial for releasing surplus labour and creating demand for new non-farm jobs in rural areas, but interventions associated with agricultural productivity are contained in the *Rural Development* chapter.

4.25 **There are three transition which need to be made** for success in productivity and youth employment:

- the movement of farm workers into microenterprises and SMEs;
- the growth and formalisation of existing small businesses;
- the growth and expansion of the formal sector.

Figure 4.2 Strategic Framework for Productivity and Youth Employment



Four Priority Areas

Priority 1: Skills and Attitudes

4.26 S**kills are a key driver of productivity and wage increases.** As well as increasing productivity and incomes, skills development will be essential for staffing the business requirements of emerging sectors of the economy anticipated in the *Economic Transformation Theme*. Some key sectors in need of building critical skill for economic transformation include transport, energy, mining, hospitality (including basic mastery of international languages such as English and French), IT and trade logistics while some sectors will require the development of basic skills for massive job creation, including literacy and numeracy, skills related to trade, construction, transport, agro-processing and light manufacturing. Improved literacy will contribute to better access to skills and information for farmers in the *Rural Development Theme*. A more informed citizenship will contribute to the demand-side of accountability for the *Accountable Governance Theme*.

4.27 The attitude of young people is also a driver of their productivity. Many Rwandan youth lack a culture of Entrepreneurship while some youth perceive a certain kind of jobs as jobs for second zone citizens. This further translates into a negative attitude towards learning skills related to those perceived blue-collar jobs.

Priority 2: Technology

4.28 **The development of Information and Communications Technologies (ICT) has applications in every sector of the economy, and cuts across the other priorities of the thematic area.** Improving the internet and mobile phone infrastructure will continue to bring down the costs of sharing information, which has been shown in other countries to increase business efficiency, agricultural and labour market efficiency through quick price and information sharing, and reduce communication and payments costs for consumers. Encouraging the growth of the mobile money sector through responding to the specific needs of businesses in the sector, will facilitate access to financial services. There are also substantial numbers of jobs that can be created directly by the sector, through sales, repairs, servicing, and software development.

Priority 3: Entrepreneurship, Access to Finance and Business Development

4.29 **The top priority to increase off-farm employment and productivity is new job creation, driven by the private sector.** This priority will depend crucially on the foundations of a solid macroeconomic environment. Achieving new job creation relies critically on the *Economic Transformation Thematic Area* to drive economic growth, on the *Rural Development Theme* to improve agricultural productivity and free up labour to move into the non-farm sector, as well as to increase rural incomes and market demand for new products, and on the *Accountable Governance Theme* for the essential rules of the game and underpinnings for the market and effective service delivery.

4.30 **Creation of a National Employment Programme.** In addition to getting the foundations right, the government will consolidate, rationalise, and expand different business support programmes into a National Integrated Employment Programme to boost entrepreneurship and job creation.

Priority 4: Labour Market Interventions

4.31 **A key emerging challenge in Rwanda is unemployment amongst skilled youth especially in urban areas**. Although the number of unemployed is relatively small, it represents an important waste of human capital, and suggests that graduates may not be

obtaining the skills that firms need. It is important that the labour market operates as efficiently as possible, and that job-seekers are able to find the job vacancies that exist. There is a key role for government in smoothing this search process through active labour market policy, assisting job seekers to find vacancies through Employment Service Centres, Career Advisory Services for students, and collecting viable statistics on employment and labour.

Priority Area 1: Critical Skills and Attitudes for Service and Industrial Sectors

4.32 **All skills need to be built upon a solid foundation of basic skills such as literacy, numeracy, language and social skills, developed through quality Early Childhood Development (ECD) and primary education**. Basic education is foundational for the whole EDPRS 2. The interventions included in this chapter focus on those interventions in education and skills which can create an impact over the next five years, focused on the higher level skills and work-focused training. These interventions will be key to capacity building for priority sectors during EDPRS 2. Education personnel and teachers with skills in inclusive and special needs education will be increased in number in order to promote social inclusion.

Outcome 1.1: Curricula for educational institutions meeting skills requirements of employers

4.33 **As Rwanda moves towards universal secondary education and 12 full years of basic education, it is crucial that those graduating from secondary school are equipped with the right skills to ensure that they can obtain productive work after graduation.** This will require a careful review of the school curriculum to ensure that the key transferable soft skills that employers need are being provided to all secondary graduates, academic skills as well as communication and team-work skills.

4.34 **A work-focused school system will have a significant impact on the employability and productivity of the workforce, providing skills that are transferable to situations commonly experienced in employment**. 'Soft' skills in problem-solving and interpersonal communication as well as specific skills in basic literacy and numeracy, language skills including a basic mastery of international languages, ICT and financial literacy, are essential to a productive workforce. A strong focus on Maths, science and English will be fundamental to laying this foundation in the school system. Investors are attracted to destinations where the local labour force has the required skill set at a competitive price, and education can also have a large role in fostering an entrepreneurial skill set.

4.35 **The Education Sector will conduct a comprehensive review and reform of the national curricula from primary through to higher education,** to ensure that students are being equipped with job-oriented skills. In addition to the basic human right of access to education, schooling should be judged according to how much value added students receive in terms of their economic potential, i.e. their gain in productivity. In terms of aligning with market needs, higher secondary schools will integrate entrepreneurship in their curriculum.

4.36 **Sector Skills Councils will be established to provide a forum for feedback and discussion** to ensure that employers' voices are heard throughout the policy-making process for skills and TVET policy. The first Sector Council has already been established in the mining sector, with plans to roll out councils for the other seven priority RDB sectors (construction, agriculture, energy, trade & manufacturing, financial services, ICT, and tourism). RDB has identified four key objectives for every Sector Skills Council. These are:

reducing skills gaps and shortages; improving productivity and business performance; increasing opportunities to boost the skills and productivity of everyone in the sector's workforce, including action on equal opportunities; and improving quality and relevance of training for employment.

Outcome 1.2: Graduates prepared for job market with critical skills needed

4.37 As well as ensuring that the curriculum is right, there will be a new focus on ensuring the quality of education across the system. Many of the core skills that employers need and that higher learning is based on are learnt at primary school – literacy, numeracy, and non-cognitive social skills. In addition, there will be an expansion in TVET, and an expansion in internship, apprenticeship, and industrial attachment programmes.

4.38 **Technical and Vocational Education & Training (TVET) will provide specific skills to meet labour market demand.** Currently there is a low but increasing number of students in Rwanda enrolled in TVET. In order to ensure TVET courses are successful, their design must be demand-driven, and the education and PSD sectors must coordinate to ensure this is fulfilled. The Sector Skills Councils will give private sector employers a voice in the entire policy process of design, provision, and evaluation of employment-focused education. Focus will be on training for priority sectors with high potential for job growth including priority export sectors contained in the Economic Transformation Thematic Area such as construction, tourism, and food processing. Course offerings will also be tailored to local needs depending on the location of vocational training centres.

4.39 **Work experience opportunities through internships, apprenticeships and industrial attachments will be pursued.** Both academic and technical students can benefit from work experience whilst still enrolled in full-time education (or directly after) through internships and apprenticeships. In addition to gaining specific skills, this can increase the individual's awareness of the skills demanded by firms and can help them decide which subsector of employment suits them. Whilst current initiatives exist led by individual private firms, some education institutions and RDB, widespread access and take-up of productive internships requires a national programme to mobilise the private sector. Without getting the private sector on board, any initiative will not succeed. Mobilisation will target large national and international firms, but also local smaller firms through district initiatives. The education sector will be responsible for information dissemination to students, although TVET institutions and HLIs may consider a more active role.

Outcome 1.3: Access to skills training for adults

4.40 **In addition to the foundation of skills offered by the mainstream system of schooling, there is also a need for education focused on adults**. Rwanda cannot afford to wait for the current generation of children to enter the labour market, and needs to provide farm workers with the basic skills and education they need to move into the non-farm sector in the short to medium-term. As well as basic adult literacy training provided by the Ministry of Education, other government agencies are also involved in the provision of specific job- and business-focused training as part of the consolidated Integrated Employment Programme.

4.41 **Adult literacy will help create a more productive work force.** The majority of agricultural workers have no education qualifications and adult illiteracy remains an issue.

Often basic literacy skills are required in off-farm employment, including for access to further training and finance. Basic financial literacy courses will also be provided, focusing on short "rule of thumb" courses on financial access and management, which have been proven to increase earnings. More than 3 million people are targeted to be reached out by literacy courses and the national financial literacy campaign.

4.42 **Short-term basic skills training courses will create new skills or augment existing skills.** Many off-farm jobs require technical skills or prior experience that may be difficult to acquire in rural communities. Local level initiatives to increase access to skills and training will help equip rural workers with productivity and employability-enhancing skills. These should target competitive labour intensive subsectors such as agro-processing, retail, construction, transport, hospitality, and light manufacturing.

Outcome 1.4: Decreased critical skills gaps

4.43 **Diaspora and international talent can relieve job market bottlenecks and add value to the productivity of the work force.** Whilst investing in skills for the future, Rwanda will seek to fill temporary skills by attracting skilled individuals in priority sectors from the Rwandan diaspora, the EAC, and the international community, through identifying the talent that exists in the diaspora, encouraging return and skills transfer, and advertising critical skills vacancies internationally.

4.44 **Student loans will be focused on critical skills areas**. In order to get the investment Rwanda needs to achieve Economic Transformation, there needs to be enough skilled workers available at a competitive price. The priority sectors for Economic Transformation are existing sectors such as agriculture, construction, tourism, and food processing. Investment will also be made into the administrative and IT skills which will be necessary for a range of emerging opportunities such as in BPO and financial services.

Outcome 1.5: Changing attitudes to work

4.45 A key part of the challenge in reducing underemployment and unemployment amongst the young in Rwanda is to do with attitudes. Youth attitudes towards work are still poor, young people tend to overlook certain kinds of job such as blue-collar, in preference of white collar office jobs. This further translates into a negative attitude towards learning skills related to those perceived blue-collar jobs. There is also lack of an Entrepreneurship culture among Rwandan Youth.

4.46 **A national Youth Mentorship programme will be developed,** with the goal of raising awareness amongst the youth about the opportunities that are available, in both the private sector and through government schemes, and to inculcate a culture of hard work, entrepreneurialism and independence. Modelled on the successful community health worker programme, local government will coordinate a network of successful entrepreneurs to provide regular monthly guidance sessions with youth in which they can impart knowledge and skills.

4.47 **Improving equality in attitudes to work for women will enhance the productivity of the work force.** The 2010 National Gender Policy aims to significantly reduce the number of women involved in the care economy through training and facilitating access to credit. The government will also run a campaign to improve women's position in

the labour market and to change attitudes towards the kind of jobs that men and women can do.

Priority Area 2: Technology and ICT

4.48 The ICT sector has a key cross-cutting role to play in supporting businesses, skills, and public service delivery. Development of ICT capacity will be essential for reaching the Vision 2020 goal of transforming Rwanda into a knowledge-based economy.

4.49 For the private sector, mobile phones have been shown to increase market efficiency by providing quick easy access to market prices in different locations, so producers can ensure that they are getting the best price for their product without travelling long distances. In addition all businesses can benefit from cheaper communications and mobile money transfers. Technology such as electronic cash registers, accounting software, and e-payments can increase business efficiency, and mobile money also eases access to financial services. Finally, the developing ICT industry can be a source of good quality jobs directly servicing business and consumers, in sales, hardware repair, and software development. The use of automation in the manufacturing sector of Rwanda has got the potential to increase efficiency and productivity.

4.50 Rwanda has a shortage both in terms of the quality and quantity of skilled personnel to drive ICT development as well as achieve VISION 2020 targets to develop required skills for a knowledge-based society. Skills development is a national priority and also a foundation for the achievement of NICI III as well as VISION 2020.

4.51 Rwanda will continue to collaborate with the EAC on regional ICT infrastructure and regulatory requirements. This will include improving Rwanda's broadband networks and reducing connectivity costs through the Regional Connectivity Infrastructure Programme (RCIP), and harmonising cyber laws through the EAC Legal Framework on Cyber Laws.

Outcome 2.1: More productive private sector

4.52 **Improving Private Sector Efficiency through accelerated technological innovation.** Rwanda will deploy last mile connectivity (Access Network) through a PPP framework, to ensure that businesses can get access to high-speed internet at low cost. To encourage the development of mobile money banking, regulations will be harmonised with regional and international operators. One important aspect of improving efficiency through the use of IT technology is related to cashless financial transactions. There will also be business opportunities for the private sector from the outsourcing of Government ICT-related support work, and through public-private partnerships developed to promote infrastructure and to promote and facilitate the acquisition of services developed by the ICT Private sector.

4.53 **A complimentary area of focus will be improving ICT Skills**. This will build ICT professional skills and leverage ICTs in education in order to accelerate skills development. The scope of the skills development is twofold: first, build ICT professional skills that will increase innovation in the ICT industry and enable all sectors of the economy; and second, to leverage ICT in education. For schools, MYICT will ensure that all schools are connected to ICT infrastructure, that technical support is available, and that teachers are trained in basic ICT skills. ICT Professional Certification courses will also be incorporated into the teaching curriculum at institutions of higher learning.

Outcome 2.2: More productive public sector

4.54 **The public sector will become more efficient in delivering public services.** Rwanda is currently experimenting with a range of innovative ICT deployments to improve the efficiency of public service delivery. SMS-based data collection systems are being piloted by MINISANTE for birth and death registrations and MINEDUC for live school attendance records. These innovations will be evaluated and scaled up across the country of they are shown to be effective. Plans are also made for a Land Administration Information System (LAIS). All government offices (including local government) will be equipped with appropriate ICT infrastructure and applications. Hospitals and health centres will have improved connectivity, including RapidSMS and *mUbuzima* systems. In order to improve its efficiency in delivery, the public sector has been promoting e-transactions; this will be further strengthened through the review of processes and systems requirements to encourage, wherever possible, the systematic use of e-transactions such as e-procurement, e-tax filling and payments in addition to the already existing e-business registration and visa applications. The government will further encourage the development of a paperless public administration.

Priority Area 3: Entrepreneurship, Access to Finance and Business Development

4.55 The most important priority for growth, jobs and productivity is that Rwanda maintains a stable macroeconomic policy and continues to improve its business environment. Growth in incomes creates demand for goods and services, which create jobs and incomes for other Rwandans. However as well as ensuring these fundamentals are present, government can also go further, and target policies specifically to unlock the demand side constraints to growth for household micro enterprises and SMEs, as well as attracting large labour-intensive firms.

4.56 This Thematic Area presents a consolidated single Integrated Employment Programme, pulling together and rationalising all of the individual public sector job creation, skill and employment financing projects that have been run by different government agencies.

4.57 At present the majority of Rwandans work in agriculture, which is also the sector with the lowest wages and lowest labour productivity. Moving large numbers of citizens from agriculture to the off-farm sector is crucial for reducing poverty, achieving economic transformation, and attaining the Vision 2020 goals. Poverty rates for those working in agriculture are 60%, compared to just 23% for those working off-farm. The numbers of people involved in this transition are too large for targeted government employment programmes to cover everyone. The route out of agriculture for the majority will be gaining access to private sector jobs generated by a growing economy, accessed through basic education.

Outcome 3.1: Increased MSME businesses

4.58 Existing informal sector SMEs represent a large source of jobs. If the business environment for these firms can be improved, they can become more profitable, increase in size, and enter the formal sector – and in doing so create more jobs and contribute more to government revenues. At present there are over 1 million informal sector household enterprises in Rwanda, and less than 300,000 jobs in the formal private sector. Existing large enterprises account for less than 5% of off-farm employment.

4.59 **Reducing barriers to entry will support micro enterprise creation and sustainability.** Rwanda has made strides in creating a business environment conducive to private sector growth as reflected in the World Bank's Doing Business Rankings, but this particularly benefits large firms and new investors. This rapid reform must be replicated at the household and SME level if a foundation of innovative and job-creating local firms is to be created. Rules on planning and zoning can restrict access by household and micro enterprises to operating locations close to foot traffic and customers (World Bank 2011, Sommers 2012). Government will review the operating environment for informal sector microenterprises with a view to removing constraints, as well as establishing new forums for dialogue with small businesses.

4.60 **Improving access to finance will help small enterprises.** Finance enables farmers and off-farm producers to invest in capital and technology whilst protecting against risk during low turnover periods. SACCOs and other micro credit institutions can play a major role through communal saving and lending. The Financial Sector Development Strategy outlines in detail how the financial sector will be strengthened, improving access to financial services for firms of all sizes. Access to finance is an important constraint for firms of all sizes in Rwanda. Specific activities include both direct intervention through the encouragement of further growth of SACCOs, and building the market infrastructure and financial institutions necessary to promote private sector development. The ICT Sector Strategy also focuses on getting up to speed with regional standards on mobile money as a means of financial inclusion. Efforts will also be made to mobilise domestic resources, through exploring measures such as establishing an alternative investment market for SMEs, approaches for enhancing private equity and venture capital funds, and establishment of a Rwanda Fund of Funds.

4.61 **Limited experience of local small businesses and lack of awareness of opportunities in off-farm employment, call for mentoring, awareness and market information.** In addition to Business Development Centres, RDB will also run outreach programmes, providing market information to farmers and potential entrepreneurs about different opportunities. RDB will also look at business activities in other EAC countries to identify opportunities for borrowing business ideas which are not operating in Rwanda at present and which could be transplanted. Specific attention will also be paid to ensuring adequate access to mentoring and advice for women as they are currently less likely than men to make the shift from farm to off-farm work.

Outcome 3.2: Higher productivity amongst MSMEs

4.62 **Integrated business development services linking to grants and loans, will provide both capital and training.** As well as improving financial inclusion and financial environment in a broad sense, the government will also provide capital to promising firms directly through a range of different schemes, such as the credit guarantees offered by the Business Development Fund (BDF) and the challenge fund. The Integrated Employment Programme for EDPRS 2 has a strong focusing on scaling up the provision of credit and grants to start-ups, entrepreneurship training, and coordinated support across government agencies. A key challenge for this programme will be identifying enterprises with high potential for growth in productivity and employment for targeted support.

4.63 **Direct interventions to support business development are most effective when they combine access to finance alongside training and mentorship.** The most effective training for micro and small enterprises is based on simple "rules of thumb" for improving

basic accounting practices. The Business Development Centres established by RDB in each district will provide business incubation, training, mentorship, access to IT facilities, and other government services. Monitoring and evaluating the impact of policies focused on supporting household enterprises will be particularly important as this is an area in which there is relatively weak evidence about which interventions are effective. Clear criteria will also be established about when support should end.

4.64 **Cooperatives and associations allow for bulking up of activities and economies of scale.** Many micro-level enterprises serving small and fragmented markets find it hard to reach a point where they benefit from economies of scale. Organising producers, traders and household/micro enterprises into associations and cooperatives will provide increased access to support services such as credit facilities, training opportunities, market information, and advocacy (*see* World Bank Rwanda Economic Update, Nov 2011)

4.65 **SME Product Clusters can drive development through knowledge sharing, innovation derived from cross-fertilisation, and economies of scale.** Many of the constraints to SMEs are common such as access to finance, high energy costs, and low skills. However there are also specific challenges facing different product clusters. In order to prioritise government support to SMEs, MINICOM carried out a study in 2011 to identify the most competitive sectors in each district. A detailed assessment was then made of the needs for the top product cluster in every district, along with a set of strategic interventions designed to address these challenges. The EDPRS District Development Plans incorporate these specific interventions.

Outcome 3.3 Better linkages between large firms and small firms

4.66 Although large firms currently provide only a small amount of employment in Rwanda (5% of off-farm employment), attracting large firms and ensuring that they are connected to SMEs through backwards linkages can be a source of new jobs. Developing supply chains will be prioritised so that SMEs can benefit from engaging with large firms. Many large firms in Rwanda are "vertically integrated," where they are forced into producing their own inputs as they cannot find supplier firms in Rwanda.

4.67 **Labour-intensive investment and ensuring linkages to SMEs, will be targeted.** RDB will focus on job potential as well as productivity and revenue potential in its proactive engagement and search for new investors in Rwanda. Targeted investment promotion (domestic and foreign) towards large firms will provide opportunities for direct and indirect job creation. The government will also establish supply chain linkages between large firms and local MSMEs, through improving on existing business directories to ensure that all SMEs are included in one online directory and are easy to find. Training for SMEs will be provided on how to bid for contracts with large firms and engage with big business, including through district SME product clusters.

Priority Area 4: Labour Market Interventions

4.68 A key emerging challenge in Rwanda is unemployment amongst skilled youth in urban areas. Although the number of unemployed is not large relative to the number of underemployed in the farm sector, this is an important waste of human capital, and also suggests that graduates may not be obtaining the skills that firms need.

4.69 The overall youth unemployment rate stands at 2.6% (16-24 year olds) compared to a national rate of 0.9%. However in urban areas unemployment is much higher (13% in Kigali), and is concentrated amongst secondary senior graduates (15%) and university graduates (6%). The numbers of secondary graduates is going to increase, as the Education

Sector Strategy plans for universal provision. Currently 11% of the population aged 16 and over are students, representing 5% growth a year since 2006.

4.70 It is important that the labour markets operate as efficiently as possible, and that job-seekers are able to find the job vacancies that exist. There is a role for government in smoothing this search process, for instance through the establishment of the job information centre, and development of a system of monitoring labour and job information.

Outcome 4.1: Reduced unemployment

4.71 **The first Employment Service Centre is in the process of being established in 2013 by Kigali City Council.** The Centre will provide a place for employers to advertise their job vacancies to job seekers, and provide guidance and counselling about the labour market to job seekers in Kigali. The Centre will also provide information to employers about the skills that are available. The effectiveness of the Employment Service Centre will be evaluated with a view to expansion to other major cities. Similar job advice and job vacancy advertising services will also be provided through the National integrated employment programme.

4.72 **The establishment of Career Advisory Service Centres run by higher education institutes and universities.** RDB provides training and capacity building on how to run these services, which are then provided by the education institutes. These centres provide information to graduates about the labour market, give advice and counselling about job search, applications, and interviews. RDB will push for the expansion of these services to major secondary school and TVET providers. Existing tertiary institute Advisory Centres will also be made accessible and advertised to secondary school graduates.

4.73 **Social protection can play a key role in supporting labour market activity by individuals, both through the direct VUP public works scheme, and through direct cash and in-kind social protection support.** Social protection supports labour market activity by allowing households to manage and deal with the consequences of risk and negative shocks to their income. A social safety net can allow households to make risky investments with large but uncertain pay-offs. Without such safety nets, households can be stuck in poverty traps. Supporting households through shocks can also ensure that children are not withdrawn from school in order to work, damaging investment in their future productivity. VUP support will continue to be expanded to larger numbers of people to increase its coverage of the poor.

4.74 Development of a system of monitoring labour and job information. The labour management information system will be fully operationalised to ensure statistics on employment and job creation can be monitored effectively and provide pointers to policy makers of emerging issues and allow observation of progress.

4.75 Priority Area Outcomes together with Interventions are to be found at Annex 1.

5. ACCOUNTABLE GOVERNANCE

Introduction

5.1 **The first pillar of Vision 2020 is good governance and a capable state.** Social and economic transformation is equally about the state as it is about markets. The role of the state and the way it governs and accounts for itself is indispensable in creating the service culture and values for wealth-creation and quality of living. The main objective of the EDPRS 2 Accountable Governance thematic area is to advance a prioritised approach to governance that is capable of promoting and strengthening accountable governance in Rwanda. GoR is committed to strengthening public accountability, transparency and efficiency in deploying resources and delivering services. Over the period of EDPRS 1 and the PRSP, promoting good governance has been central to Rwanda's development strategies. Accountable governance is even more central than in the past because of its ability to facilitate citizens' participation and empowerment whereby local communities are enabled to participate meaningfully in making decisions on issues/projects that affect them most, and thereby help ensure that development is sustainable and poverty is reduced.The broad objective of the accountable governance thematic area is:

Accountable Governance Objective for EDPRS 2
"Enhance accountable governance by promoting citizen participation and mobilisation for delivery of development, strengthening public accountability and improving service delivery".

The objective envisages empowering Rwandan citizens by engaging them in formulating, executing, monitoring and evaluating policies and strategies for accelerated growth and poverty reduction. This also implies raising their awareness of development policies and allowing citizens to be dynamic drivers in a really participatory way of the development agenda. Accountable governance underpins all the other themes since citizen participation is an essential ingredient of sustainability of development programmes.

What does Accountable Governance mean for Rwanda?

5.2 **Accountable governance is a subset of the broader good governance principles and values drawn from good political, economic and corporate governance.** In particular, accountable governance focuses on the political and administrative accountability of public office holders (elected representative and government officials) to citizens. Accountable governance is underpinned by democratic mechanisms that enable citizens to play an active role in decisions that affect their lives.

5.3 **The governance programme under EDPRS 1 achieved substantial progress in areas such as decentralisation, public financial management, the promotion of democracy, unity and reconciliation, regional integration and the fight against corruption**. Achievements were also registered in access to justice, legal aid and resolving the case backlog by use of traditional tools such as *Gacaca* courts and *Abunzi*, traditional Rwandan ways of resolving disputes through locally applied reconciliation methods.

5.4 **During EDPRS 2, Rwanda will focus on the improved service delivery**, further decentralising services closer to citizens, on participation of citizens in planning and delivery of development for improved citizen centeredness of the development agenda and process.

5.5 The key elements of accountable governance for Rwanda involve

- public accountability;
- citizen empowerment and participation in decision making;
- and ensuring effective service delivery.

5.6 **In other words, Public accountability for Rwanda means ensuring that citizens and communities and stakeholders (CSOs, donors), monitor and track government actions and question their impact on development**. Public accountability will also mean participatory monitoring and evaluation of EDPRS 2 and of other national development programmes (such as the Government 7 Year Plan 2010-2017) from the community level.

5.7 **Citizen empowerment and participation in decision making at the grass roots level** entails more frequent and interactive engagement between local level leadership and citizens at all levels supported by key players (NGOs, CSOs, CBOs, development partners and communities). This requires the development of appropriate mechanisms to build community capacity, to allow them to identify, assess and assert their priorities in local development planning, and to hold their leaders to account.

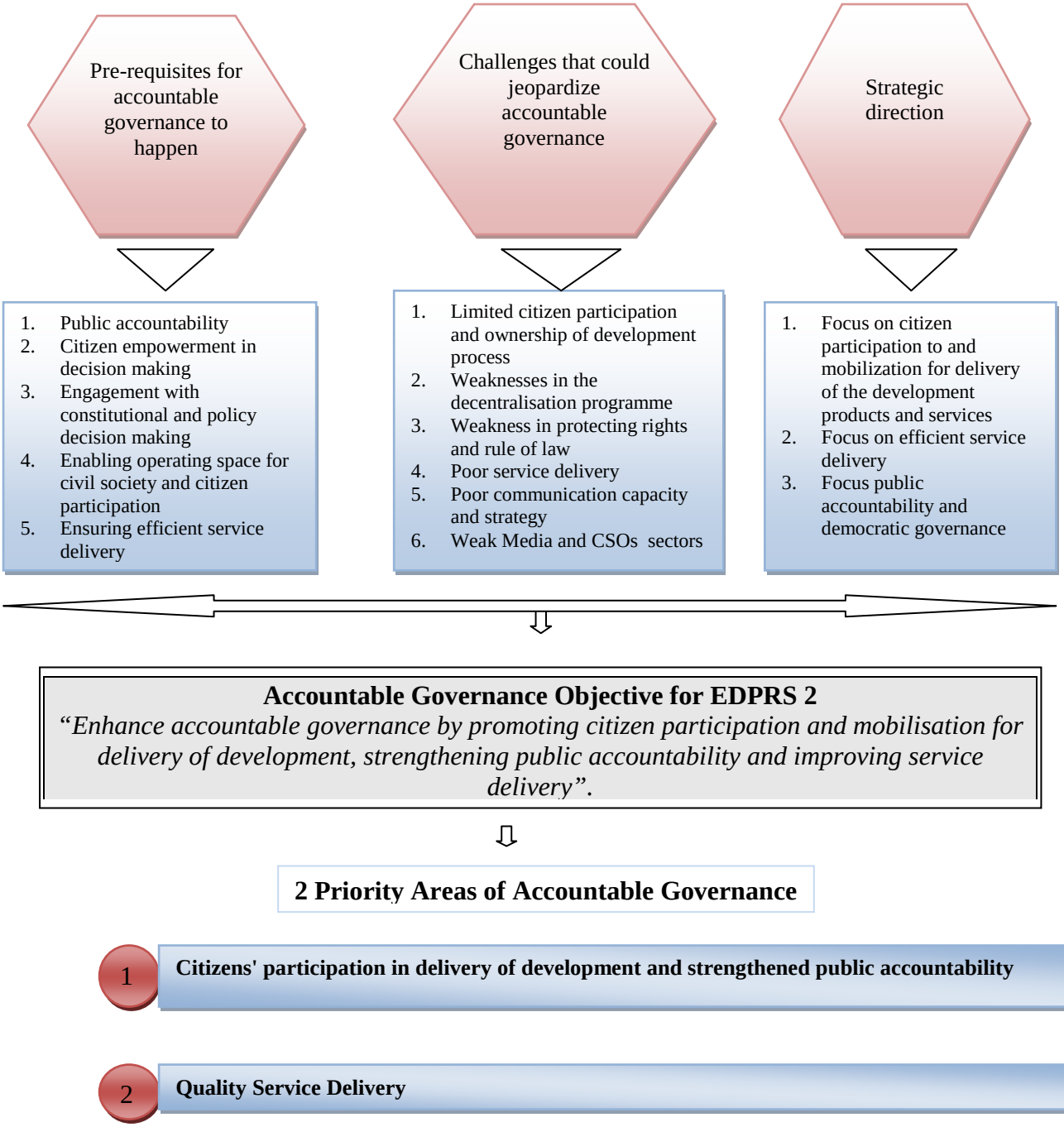
5.8 **Ensuring effective service delivery** is also critical for Rwanda and part of the public accountability delivered to the citizens. Indeed, service delivery will be emphasised in all domains including for the private sector. Decentralisation policy for the public sector has been accelerated due to the overarching objective of taking services close to the citizens in an efficient manner.

Strategic Framework

5.9 **Evidence from citizen score cards shows that one of the main weaknesses under EDPRS 1 was that little effort was put into mainstreaming citizen participation thereby empowering citizens to ask questions, especially of their elected, decision making representatives. S**ervice delivery was also identified as an area for improvement in the future with general satisfaction measured at below 70%.

5.10 **EDPRS 2 will target selected priority areas to address these challenges in the next five years.** The main task is to ensure the accountability of institutions by allowing citizens more free access to information and providing and enabling the right forums for raising questions, thereby strengthening the relationship between citizens and the institutions that affect their lives. To achieve the broad objective and high level outcomes of Accountable Governance, the proposed strategy prioritises two areas of focus. The two priority areas are detailed in Figure 5.1 below and the corresponding interventions are developed in the section that follows.

Figure 5.1 Approach Used to Develop the Objective and Priority Areas for the Accountable Governance Strategy



5.11 **The specific objectives of Accountable Governance are to:**

(1) Maximize citizens' participation and ownership of the national development process, and strengthening demand for accountability

(2) Ensure quality service delivery through providing appropriate feedback from citizens to support growth and poverty reduction

5.12 In order to achieve these objectives the following strategic priority areas for interventions have also been identified. 1) Strengthening citizen participation, awareness and demand for accountability, and 2) Ensuring service delivery.

Priority Area 1: Strengthening Citizen Participation, awareness and demand for accountability

5.13 **One of the justifications for strengthening citizen and community participation is the need to understand and develop the critical connections between participation, accountability and quality and sustainability of service delivery.** Rwanda has been conscious of this fact and has demonstrated the need for increased participation through several policies and strategies. These have included the decentralisation policy itself, creation of the Citizen Report Card (CRC) system, establishment of the Office of the Ombudsman, existence of the national dialogue, public accountability days, district Joint Action Development Forums (JADFs), etc.

5.14 Citizen participation in decentralisation includes consulting and listening to local people and being open to local innovation. It is also about letting citizens participate directly in decision-making at their local level. Citizen participation in development projects generates better outcomes, because of increased ownership, and improved conceptualisation and implementation of projects. Accountability is reinforced when there is better understanding of development programmes, hence the need for enhanced information and communication mechanisms.

5.15 As citizens are participating more actively in the planning processes and in delivery of development programs and as their awareness increases through improved development communication, ownership will also augment with the demand for accountability. To further reinforce this, improvement is planned for in the area of information impartiality, independence and involvement of media and CSOs.

5.16 To increase citizen participation, awareness and demand for accountability, three sets of interventions are proposed: 1) using "home grown initiatives" to promote citizen participation; 2) using ICT to promote participation and development communication; and 3) strengthening administrative decentralisation.

Outcome 1.1: Increased citizen participation in planning processes and solving their own problems

5.17 **Using "home grown" initiatives to promote citizen participation**. Home grown solutions were a success story of the EDPRS 1. These included programmes like *Ubudehe, Gacaca, Umuganda,* and *Girinka* among others. These programmes were founded on national and community values and cultural principles, and have been found to be cost effective and sustainable. EDPRS 2 strategies will encourage the active engagement of the citizenry to identify and promote community development programmes based on the same values and principles.

5.18 Some of the innovations will involve strengthening "home grown" and existing programmes such as the *Umuganda* and *Umugoroba w'Ababyeyi*. For example, monthly

Umuganda and *Imihigo* exercises can be linked to provide an avenue for citizen participation not only for community and planning processes, but also as an opportunity for feeding back to community and district authorities, including on the monitoring and evaluation of community development projects. These 'home grown' initiatives and their participatory processes will also provide an opportunity to promote gender equity and address issues of disability, youth and social inclusion.

Outcome 1.2: Enhanced information flows and participation of the population through established and new channels

5.19 **ICT will be used to promote participation and the development of communication with the citizenry**. Information technology will play a critical role in communication and will help bridge the gap between leaders and citizens. To empower the latter, they will be given free access to information through, for example, the use of mobile based applications such as twitter, that allow interaction and feedback to be promoted.

5.20 To promote local economic development through citizen participation, **local community radio stations will** be further exploited as sources of local information, discussion and exchange of ideas on key issues pertaining to local community development.

Outcome 1.3: Strengthened accountability

5.21 **The CSOs and media will harness the potential for using local radio stations, thereby strengthening their own outreach and civic accountability**. For the purpose of providing anonymous feedback, suggestion boxes will be installed at every cell (*Akagari*) for the local communities to raise issues pertaining to their lives. The CSOs will be expected to manage the boxes to raise the profile of citizen opinion forming and to hold leaders accountable. The strengthening of demand for accountability will also involve interventions aimed at furthering professionalism and development of the media sector by focusing on practical institutional building, enhancing content development skills, extensive hands-on training and mentoring in the full range of journalistic skills through the school of journalism. Action has already been taken to ensure greater responsibility in the media through self-regulation. A law ensuring free access to information has been voted by Parliament and sensitization will continue about easing access to public information.

5.22 **Accountability will further be strengthened through decentralised institutions and capacity building of districts**. With respect to administrative decentralisation, a key policy objective is to match resource allocation with strengthened capacity of districts to plan, implement, monitor and report. District councils will be encouraged to hold regular interactions with constituents to update them on development programmes and to consult them on future plans. Capacity building including sensitisation, training and monitoring, will be provided to the JADFs and citizen assemblies/forums at district and community level.

Priority Area 2: Service Delivery

5.23 **Service delivery is a priority that cuts across the public as well as the private sector.** Rwanda is targeting this area to improve its standing as a regional hub of excellence for service/customer care. A culture of efficient and effective service delivery in both public and private sectors will accelerate Rwanda's progress towards the development targets set out in the revised Vision 2020. Rwanda takes the issue of service delivery seriously in recognition of the fact that public service delivery is the most important function of government officials, who must be accountable to the citizens that they are employed to serve.

5.24 A citizen service charter has been passed by the Ministry of Local Government (MINALOC), where detailed standards for services rendered at the district level, sector level and cell level are set out, but more effort will be needed to put this in practice. There will be a need to create performance indices to measure progress, not only in public sector but also in the private sector, as Rwanda aims to be a regional hub in excellent service/customer care.

5.25 **The main challenges for service delivery highlighted by citizen perception surveys conducted on five key elements, indicate that problem solving skills and timeliness were perceived as among the worst service delivery and customer care elements**. District level services were indicated as needing the most improvement with 33% dissatisfaction.

5.26 **New approaches will be employed based on creating customer satisfaction in delivering public as well as corporate services**. To revitalise service delivery in the public sector as well as in the private domain, the GoR will embark on the following three interventions: 1) development of a customer-centred service delivery culture as part of regular capacity building; 2) the design and entrenchment of policies, processes and culture of customer service; 3) the establishment an Institute of Customer Services.

Outcome 2.1: Improved citizens' scores on the provision of services

5.27 **For the development of a Service Delivery Culture, the main tools for reporting on service delivery such as Citizen Report Cards and Service Charters have already been designed up to decentralised level**. Several campaigns have already been conducted and there are signs of improvement, as citizens are more aware now of the standards that should be in place. This will further be integrated into the civic education programme, school curriculum and tertiary education to build a new generation that is customer centred and sensitive to the ways of service delivery in the modern era.

5.28 **Integrating use of ICT in monitoring service delivery**. ICT is a viable tool available for citizens to provide affordable and easily accessible feedback on implementation of policies and the nature of service delivery. Social media platforms and web-based applications will be promoted with particular emphasis on applications that can be accessed through mobile phones given the fast accelerating penetration rate.

Outcome 2.2: Improved awareness of service delivery standards and rights

5.29 **A Five Star reward and recognition programme will be created for institutions that demonstrate exceptional customer services.** Forums for customer and citizen review of performance will be established including radio, mobile and internet based forums where best performers will be rewarded and poor performers exposed. The results of these reviews will include an annual index of customer satisfaction that will be applicable to both the public and private sector. An appropriate package of incentives and rewards will be developed for institutions that demonstrate exceptional performance in different categories, sizes and locations. Excellent service delivery will be promoted as something to aspire to in the Rwandan private and public sector.

5.30 **Facilitating building of the necessary skills and culture for service delivery will be strengthened under the RDB.** RDB will also influence employers who will support the training of customer service professionals, including setting national customer service professional standards. It will also be responsible for professional training and activities such as creating customer service benchmarks and an annual index of customer satisfaction that will be applicable to both the public and private sector. Thus, a culture and ethos of customer

service will be entrenched through making training the norm for public and private sector employees.

5.31 Priority Area Outcomes together with Interventions are at Annex 1.

6. FOUNDATIONAL AND CROSS-CUTTING ISSUES

Introduction

6.1 **EDPRS 2 makes a distinction between thematic areas, foundational issues, cross cutting issues and sectors**. The thrust of EDPRS 2 is to point strategic directions and the sets of emerging priorities that are critical at this stage of transitioning to middle income country status. The emerging priorities are grouped under four thematic strategies with corresponding priorities and interventions. Foundational issues reflect long-term ongoing priorities where, in many cases, significant progress has already been made during EDPRS 1. Health and education, public finance management (PFM) and justice, peace and stability are prominent amongst the latter. Sector strategies cover both emerging priorities and the ongoing priorities embodied in foundational issues. Foundational issues in the EDPRS2 are not defined as sectors, but can rather be thought of as strategic areas that constitute the bedrock of Rwanda's sustainable development over the long term.

6.2 **This section discusses a number of areas identified through the consultative elaboration process as the most important foundational and cross cutting issues (CCIs).** The CCIs include: regional integration, gender, disability and social inclusion, disaster management, environment and climate change, HIV/AIDS and non communicable diseases and capacity building. An overview of the foundational and cross cutting issues is presented below.

Foundational Issues

Macroeconomic Stability

6.3 **Over the period 2002-2012, the Rwandan economy has grown at an average of 8.3%, inflation has been restrained to single digits, and the exchange rate has been largely stable.** Ensuring a stable macroeconomic environment will continue to be important as a tool for social protection and productive activity. Investor confidence in the Rwandan economy has been highlighted in the investor perception survey as one of the key factors in investor decisions.

6.4 **The EDPRS 2 will consider various incentive packages in terms of both fiscal and monetary policy to stimulate private sector development, these interventions will be undertaken with prudence.** Public investment will be targeted at priority investments that demonstrate strong linkages to enabling the growth of the economy, stimulating private sector development, and poverty and inequality reduction while maintaining sustainable levels of public debt.

Demographic Issues

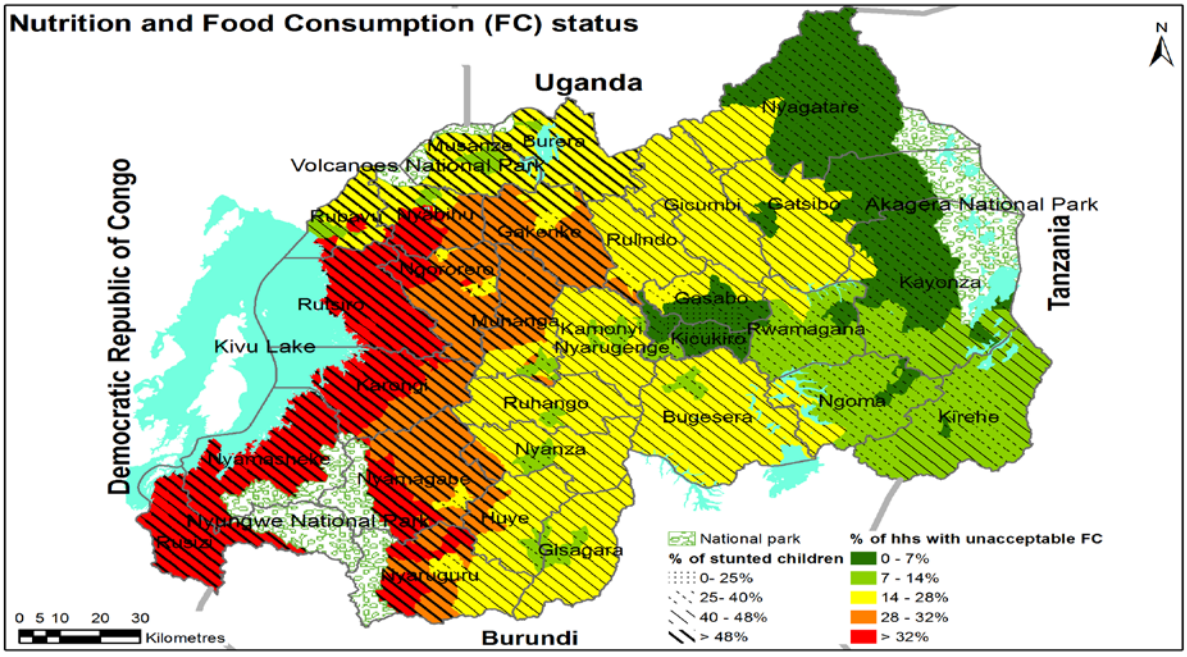
6.5 **Rwanda has strategically chosen to look at its population as a vital human resource, the desired outcome for which is a creative, healthy and wealthy population.** The 2012 census showed annual population growth for Rwanda slowing from 3.2% in 2002 to 2.6% in 2011, though it remains among the highest in Africa. Over the same period, the population has increased from 8.1 million to 10.5 million while population density increased from 321 persons per square kilometre to 416 persons per square kilometre. This is the highest in Africa and among the highest in the world. The decline in the population growth rate indicates the success from the sustained campaign on responsible family planning, the increased uptake of contraceptive methods for both men and women, and improved living conditions including universal access to health and basic education.

6.6 **Population growth remains an important issue for Rwanda due to limited land and increased rate of urbanisation, which imply greater pressure on the environment and infrastructure.** Strengthening responsible family planning programmes, promoting contraceptive use and ensuring a healthy population will be important in ensuring a productive population that can contribute to the goals of the EDPRS 2. Specifically interventions will focus on environmental protection, pro-active and innovative infrastructure planning to anticipate population pressures, improving quality of education and health, improved security and strengthening social safety net mechanisms to reduce vulnerability. Innovations in reproductive health include: engaging the private sector more to provide family planning services in a youth friendly manner and integration of ICT and social media platforms to reinforce communication and behaviour change campaigns.

Food Security and Malnutrition

6.7 **With an increasing urban population, rising rural and urban consumption, and food shortages in neighbouring countries, food security takes on increasing relevance**. Rwanda was able to achieve food self-sufficiency in 2010 through significant increases in the production of staple crops driven by the CIP and stronger regional market integration. The supply of food, as measured by kilocalorie availability, has increased over the last ten years from 65% to 129% of needs. However household food consumption remains an important foundational issue: 44% of children under five years, and 47% of children under two years old suffer from chronic malnutrition (stunting) according to the Household Demographic Survey (DHS 2010). Figure 6.1 provides an overview of stunting and food consumption patterns country wide.

Figure 6.1 CFSVA 2012 Nutrition and Food Consumption Map



6.8 **Reducing Rwanda's chronic malnutrition rates for children under two years old from 47% is a prerequisite for Rwanda's continued economic and inclusive development.** Chronically malnourished (stunted) children perform less well in school and

are economically less productive as adults. Research studies estimate that malnourished children risk losing 10% of their lifetime earning potential, while malnutrition can cause countries to lose up to 3% of GDP.

6.9 **Poverty and education levels, especially of the mother, are important factors for chronic malnutrition**, but stunting is a multi-faceted problem and for some districts the high levels of stunting can still not be fully explained. An underlying factor is the feeding practice. where 78% of children between 12-23 months are fed on low-nutrient diets. The cycle of malnutrition often continues through generations, furthermore, the physical and mental damage associated with poor foetal growth and stunting are irreversible after the age of two. Intervention to minimise the impact of malnutrition needs to start from conception and continue until the child is two years old. Hence the EDPRS 2 emphasis on the early 1,000 days of a child's life.

6.10 **Under EDPRS 2, poor maternal, infant and child feeding practices will be addressed through coordinated, strengthened and scaled up community based nutrition programmes** and information campaigns across the country. Early detection of stunting will be achieved through interventions like growth monitoring and nutrition education for mothers and caretakers. Chronically malnourished children will be referred to a programme for moderate malnutrition (within the community) or to health facilities for severe malnutrition. In addition, supporting the implementation of existing district plans to eliminate malnutrition will be a priority. Communication campaigns to diversify household food production and consumption, e.g. kitchen gardens, will be undertaken. Agriculture and social protection interventions will be linked to reach the most vulnerable children, e.g. through school feeding programmes like One Cup of Milk per Child. Programmes on bio-fortified foods will also be developed and the food security information system will be strengthened.

6.11 **Household food security relates very much to the stability of rural incomes in the face of seasonality and crop failure**. The priority will be to strengthen existing initiatives that have increased productivity and have generated strong agricultural growth, both through agricultural and animal resource intensification and training of farmers. The second key strategic priority is value chain development (including nutrition-sensitive value chains, e.g. milk), strengthening markets for agricultural products, empowering small-holder farming systems, attracting increased private sector investment and reducing post-harvest losses. In addition, interventions will be directed to the areas with lowest food consumption and highest rates of malnutrition particularly in the districts which have high levels of extreme poverty.

Early Childhood Development (ECD) and Basic Education

6.12 **The long term future of Rwanda will be built on the next generation whose development will impact on the pace of development in the next 25 to 50 years**. While EDPRS 2 focuses on the next five years, it takes into consideration the importance of developing physiological and cognitive capacities at an early stage of childhood development. The Vision for the ECD Policy is that all infants and young children will fully achieve their developmental potential: mentally, physically, socially and emotionally.

6.13 **ECD is recognised as a vital foundation for learning, particularly for children from more disadvantaged backgrounds who are less likely to start school at the correct age**. This leads to a large number of over-aged children in schools, placing a large burden on school finances and infrastructure. Provision of pre-primary education through targeted school readiness programmes or more general pre-primary education will help to ensure that children are ready to start school on time and have begun to develop basic skills that provide

a foundation for learning at primary school and beyond. Studies have shown that investments in this area can be a highly cost-effective approach to prevent inequalities later in life and to support future learning. Key priorities in this area are the roll out of a one year school readiness programme for 5 and 6 year olds across all districts, expanding to a three year programme over time for 4 to 6 year olds. Training of ECD care givers will also be emphasised as well as development of community driven programmes that adhere to national ECD standards and guidelines.

6.14 **During EDPRS 1, the large scale, innovative and cost effective 9 Year Basic Education (9YBE) programme was a significant achievement in facilitating access of all children to basic education,** and was internationally recognised, winning the Commonwealth Education Good Practice Awards for 2012. The primary level NER continues to improve for both girls and boys and, at 96.5%, has surpassed the 2012 target of 95%. If progress continues to be made, Rwanda will be on track to meet the MDG target of 100% net enrolment by 2015. The NER for girls (98%) remains higher than for boys (95%). The primary school completion rate indicator has reached 72.7% which is a significant improvement on the baseline figure of 52.5% in 2008, but still falls short of the 2012 target of 78%.

6.15 **However, the quality of primary education has not been able to match the pace of improvements in access**. The qualified teacher to pupil ratio at primary level stands at 62:1, which is an improvement from the 2008 figure of 73:1. In the future, alternative measures of education quality, such as the Learning Assessment in Rwanda (LARS) survey or Early Grade Reading/Numeracy Assessment (2011) will be developed.

6.16 **The key challenge for the sector during EDPRS 2 lies in consolidating, advancing and accelerating the quality improvement measures already made.** Interventions during EDPRS 2 will focus on further reductions in average class sizes and pupil-teacher ratios, an improved curriculum supported by better and more readily available teaching and learning materials, and improved examination and assessment systems. A higher calibre of new teacher recruits together with teachers who are better trained, better equipped and resourced, better supported and managed, are strategies which will address the challenge of quality improvements.

6.17 **EDPRS 2 education interventions will also emphasise the role of partnerships with the private sector,** expansion of internships, competency-based curricula, strengthening the development of catalytic and entrepreneurial skills in the curricula, and provision of careers guidance. Increased public private partnerships will also increase financing available for education, especially to support the implementation of the 12YBE strategy.

Improving Quality, Demand and Accessibility of Healthcare

6.18 **Rwanda is on track to achieve the health related MDGs which was a major success story of EDPRS 1. Under EDPRS 2, they remain a priority for the country.** Access to health has been a major achievement with over 90% of the population now covered by medical health insurance. A major focus of the EDPRS 2 will be on improving the quality of health care services, including the management of hospitals, while continuing to expand geographical and financial accessibility through construction of health centres, support to the most vulnerable or extremely poor through social protection mechanisms, and increased availability of drugs, vaccines and consumables. The growing private sector and non-profit organisations, which combined contribute about 33% of total health facilities, will continue to play an important role in expanding access to and improving the quality of health care

services. Government will facilitate the private sector to play a greater role in the delivery of health care services.

6.19 **Accessibility in remote areas has been improved with the development of community health programmes.** However, 27% of the population still needs more than an hour to reach the closest health facility (<5km). Around 51 out of 416 sectors (12%) are still without a health centre and 15% of health centres still have no electric power.

6.20 G**eographical accessibility will continue to be improved by investing in the expansion of health infrastructure** including equipping health centres and hospitals, construction of new health centres and developing the feeder road networks to facilitate transportation and electrification of remaining health centres. Community level access will also be supported with the training of community health workers (CHW), strengthening CHW cooperatives, mobilising communities for their full participation in healthcare provision through, e.g. dialogue with religious leaders and engagement of civil society organisations in key health related issues like contraceptive use and personal and environmental hygiene.

6.21 **To improve financial accessibility**, some key interventions will be: reducing fragmented implementation of health insurance, continuing to improve allocation and targeting of financial subsidies to the poorest, as well as ensuring that charges reflect ability to pay.

6.22 **Strengthening of health personnel capacity, including training and recruitment of health personnel** in hospital management, specialised treatments, financial and procurement management, are important aspects of continued health sector development. In 2011 the doctor to population ratio was estimated at 1 doctor for 17,240 people. The gap to attain the doctor to patient norm is estimated to be 930 additional doctors. To bridge this gap, the programme on Continuing Professional Development (CPD) will be strengthened and extended to all health professionals, and the quality of the training institutions will be further improved by reinforcing international partnerships with external training institutions. Performance based financing will be reviewed with a view to further improvements stimulated by other forms of incentives, financial and non-financial.

Rule of Law, Unity and Reconciliation, Security and Stability

6.23 **With the prioritisation of economic transformation, domestic and regional peace and stability will play a significant role in Rwanda's development process**. Growth in the EDPRS 2 period hinges on expansion of exports and development of the private sector through an investor friendly and supportive approach. This will require more openness to global markets and opportunities, strengthened regional integration, a continued peaceful and stable environment within the country and stability with neighbouring countries. Rwanda will continue to ensure a stable and peaceful domestic environment while supporting international and regional initiatives for peace and dialogue for conflict resolution. These will include support to peacekeeping operations around the world. Rwanda is currently the highest contributor of peacekeeping forces in Africa.

6.24 **The strengthening of the rule of law goes hand in hand with strengthening universal access to justice**. Ongoing measures will include: strengthening the legal and policy framework including anti-corruption measures; enhancing community participation and awareness of crime prevention; developing institutional capacity to respond to, investigate and prevent crime. Furthermore, reinforcing legal aid mechanisms, improving case management procedures and information systems, awareness raising and application of

human rights standards, rehabilitating and improving detention facilities and conditions will also be undertaken.

6.25 **Unity and reconciliation is a complex process that can take considerable time, over several generations**. To continue the progress in restoring relationships and rebuilding trust among Rwandans that was shaken by the 1994 genocide against the Tutsi, dialogue at grassroots level where people share the same culture, language and history will be promoted as well as in schools and higher learning institutions. National as well as international writers will continue to be encouraged to record and publish factual accounts of Rwandan history and genocide. Existing efforts to sustain the process of reconciliation including conducting a reconciliation barometer, developing reconciliation forums, organising a national summit on reconciliation and the promotion of the "Rwandan" identity will be supported.

6.26 **Part of the reconciliation process is to eradicate the culture of impunity**. Rwanda will increase efforts to bring the remaining suspects of the Tutsi genocide in 1994 before Rwandan courts. The efforts will include establishing and publicising a database of suspects with outstanding warrants. The role of the Rwandan diaspora in this process will be reinforced. To facilitate research and protect historical accuracy, a documentation centre on genocide judgments will be established.

Strengthening the Effectiveness of Public Finance Management (PFM)

6.27 **Rwanda's public finance management system is the platform for the efficient management of the nation's resources**. Its reporting, audit and oversight functions are essential elements in providing effective Accountable Governance.

6.28 **A number of significant improvements in PFM have taken place in the last five years.** This has been evidenced by improved scores in the Public Expenditure and Financial Accountability (PEFA), sector public expenditure review reports, public expenditure tracking survey reports and independent mid-term and end term evaluations of the Public Financial Management Strategy (2008-2012).

6.29 **This has resulted in increased usage of GoR procurement and financial management systems through increased budget support**. Notable improvements have been recorded in the entire PFM cycle through economic planning and budgeting, resource mobilisation, procurement and budget execution, accounting and financial reporting, audit and legislative oversight. In addition, the cross cutting issues in PFM which include training and capacity building, implementation of an integrated financial management system, and fiscal decentralisation have been strengthened. Through sustained efforts in training and capacity building and development of financial systems, public entities including districts are able to prepare and execute annual budgets and submit financial reports within the prescribed statutory deadlines. In addition, the audit scope and legislative scrutiny of public finances has increased. The combined effect of these efforts is increased efficiency, transparency and accountability in the use of public resources.

6.30 **The priorities for the next stage of PFM reforms are drawn from the experiences in implementation of the first PFM Strategy (2008-2012).** In addition to sustaining the achievements in the last five years, the sector has identified four priority areas in the next five years: (i) increased resource mobilisation from domestic and alternative sources of finance, with the objective of meeting increased public expenditure and making Rwanda progressively self reliant; (ii) scaling up of the implementation of the Integrated Financial Management Information System (IFMIS); (iii) strengthening PFM systems at the sub-national level including Districts and subsidiary units (sectors, schools, health facilities) to support fiscal decentralisation service delivery; and (iv) enhanced training,

professionalisation and capacity building across all PFM disciplines to sustain the reforms in the long run. Monitoring and evaluation mechanisms to track progress and service delivery to clients, will also be strengthened.

Consolidating Decentralisation

6.31 **The decentralisation process began in 2000 with the original decentralisation policy.** This resulted in the creation of districts and the subsequent transfer of implementation and delivery of a wide range of services to the districts. This will continue to be an integral part of Rwanda's development process moving forward. The revised National Decentralisation Policy of 2011 seeks to establish and empower decentralised administration in the areas of devolution, delegation and de-concentration. The overall goal is the deepening and sustaining of grassroots-based democratic governance and the promotion of equitable local development. This will be done by enhancing citizen participation and strengthening the local government system, while maintaining effective functional and mutually accountable linkages between central and local governments entities, thereby forming an important element of Accountable Governance.

6.32 **The focus for decentralisation under EDPRS 2 will be on the following strategic areas:** (i) building fiscally stronger Local Governments through locally owned Local Economic Development (LED) strategies; (ii) deepening participatory, democratic and accountable local governance systems (iii) building capacity for effective local service delivery and ensuring efficient services delivery through further sectoral decentralisation (iii) leveraging regional integration to expand opportunities for youth employment creation, local economic empowerment, cross-border trade and security (iv) consolidating national unity, cohesion and peace through resilient, synergetic local systems; (v) using ICT to deliver services efficiently and effectively, increasing citizen's empowerment through participation, as well as promoting transparency and accountability.

6.33 **The government will continue to empower local government entities closest to the population** especially at cell and village levels by establishing legal and regulatory frameworks that allow them to deliver services efficiently. The Government aspires that by bringing services closer to the population, citizens will have a more direct role in their management, and have a greater role in decision making.

6.34 **Particular focus in the EPDRS 2 will be on clarifying and streamlining the process of sectoral decentralisation in areas of weakness.** Sectoral decentralisation is being undertaken differently depending on the sector and specific service or function. Some sectoral agencies, notably education, health, agriculture and infrastructure, have established direct presence at provincial and district levels. But many of the sectoral service functions are parallel and have not integrated with local government systems. This will also entail allocating resources to decentralised entities which are matched with responsibilities.

Cross-Cutting Issues

Capacity Building

6.35 **The current approach to Capacity Building (CB) is holistic and focuses on capacity creation, capacity utilisation and capacity retention.** These are executed at three levels: the individual, the organisational and the institutional environment levels. From lessons learned from EDPRS 1, the level of coordination of CB across all sectors needs further improvement in terms of synergy and harmonisation in approach and practice. Under EPDRS 2, CB will be an integral component of the development plans of all sectors. The

ultimate success of EDPRS 2 will depend on the capacity of sectors, delivery institutions and districts to deliver under each of the thematic areas of EDPRS 2.

- **Sector Capacity Building Strategy:** Each sector strategy shall be accompanied by a **capacity building strategy** that will direct the capacity building interventions over the next five years
- **Sub-Sector Working Group on Capacity Building:** Each Sector should have a dedicated sub-Sector Working Group on Capacity Building that brings together all public and private stakeholders to encourage cooperation across programmes and avoid duplication of efforts
- **Strategic Capacity Building Initiative (SCBI)**: SCBI is a framework, administered by the Public Sector Capacity Building Secretariat (PSCBS), that focuses on developing capacity across all delivery agencies involved in the value chain of identified priority programmes of each sector in order to achieve tangible outcomes. The approach involves hiring experts to coach and mentor Rwanda counterparts in critical skill areas within the sectors. This matching of technical assistance with local counterparts encourages the principal of skills and knowledge transfer. Currently, SCBI is being piloted across energy, agriculture, private sector development and mining with a view to expansion into other areas identified in EDPRS 2.

6.36 The sector strategies, District Development Plans and the District Capacity Building Plans all provide additional information about their specific capacity building initiatives.

6.37 **The priority sectors/areas for CB under EDPRS 2** are: energy (electricity generation and distribution); agriculture (crop intensification programme, mechanisation and irrigation); private sector development (investment promotion and deal conversion); environment and natural resources (increasing revenue from mining); urbanisation (implementation of master plans of current and potential urban centres); and transport (aviation, railway and maritime).

6.38 CB activity will be expected to:

- Strengthen institutional and organisational capacities across all sectors delivering development actions,
- Develop pro-active and flexible mechanisms that enable critical skills to be available in emerging or new sectors,
- Provide a pool of young, fully qualified Rwandan experts in critical skill areas able to deliver on priority national programmes.

Environment and Climate Change

6.39 **Rwanda's economy is heavily dependent on its environment and natural resources,** and the livelihoods of rural (and increasingly urban) communities depend on access, use and management of such resources. Without sound environmental management, development activities in key sectors such as agriculture, industry, infrastructure, commerce, and energy can lead to significant environmental degradation that can undermine economic growth. Economic impacts are likely to be exacerbated by climate change, which through increased floods, landslides and droughts, is likely to increase damage to infrastructure and property. Research has estimated that climate change could result in additional net economic costs (on top of existing climate variability) for Rwanda that are at least equivalent to a loss of almost 1% of GDP each year by 2030.

6.40 **Achieving sustainable economic growth in Rwanda will require the prudent use of natural resources and ensuring that climate resilience is built into economic planning**. Mainstreaming environmental sustainability provides an opportunity for improved and sustained livelihoods of present and future generations of Rwandans.

6.41 **The GoR has made significant progress towards mainstreaming environmental sustainability, for example through the Budget Call circular that has included environment and climate change mainstreaming guidelines for sectors**, the increasing use of strategic environmental assessment, and successful pilots of rural 'climate proofed' settlement development. However, there is need for improvement, particularly in terms of the capacity to implement and enforce environmental policy, and to factor in complex, cross-cutting environment and climate change issues into strategic planning.

6.42 **The national Green Growth and Climate Resilience Strategy, approved by Cabinet and developed with various sectors, promotes cross sector interventions** to mainstream environment and climate change while addressing national priorities. The strategy is supported by a fund for environment and climate change (FONERWA) to facilitate access to sustainable financing and support implementation. The EDPRS 2 considers these strategic tools as entry points for guiding specific interventions within national sector strategic plans and their implementation. Attention is also placed on robust monitoring and evaluation systems, such as the green accounting framework, which will be essential in ensuring more effective policy implementation and to demonstrate the economic benefits of environmental protection.

6.43 P**riority areas for environment and climate change as cross cutting issues** are (i) mainstreaming environmental sustainability into productive and social sectors; (ii) reducing vulnerability to climate change and (iii) preventing and controlling pollution. Key sectors expected to deliver on these include agriculture, energy, environment and natural resources, infrastructure, health, private sector and financial sector.

Family and Gender

6.44 **Rwanda is committed to placing the family at the centre of development,** the care and protection of children, of gender equality, and as a prerequisite to achieve equitable and sustainable development for women and men, girls and boys. Gender equality and family promotion were firmly entrenched in both PRSP and EDPRS 1 and will continue as cross cutting themes in EDPRS 2. These approaches have transformed the socio-economic and political lives of men and women of Rwanda, and have earned the country the highest position in promoting gender equality in the world. EDPRS 2 will ensure that the achievements realised in the past years are sustained and that new approaches and innovations towards family and gender are promoted.

6.45 **As part of its support to the ethos of family, GoR has launched an innovative child care reform process** that aims to close residential care institutions and reintegrate vulnerable children into family environments and to provide quality support to the most vulnerable families. The reform envisages the expansion of social services, by recruiting, training and deploying professional social workers at decentralised level to mentor and support village-based childcare volunteers. This will be an entry point for strengthening an evidence-informed child protection system focusing on improving interventions that respond to the most vulnerable children in Rwanda, including victims of violence, exploitation, discrimination, neglect and abuse.

6.46 **The Rwanda economy will be more productive when all women and men are full participants, and when the needs of all groups with special needs are addressed.** Women represent 52% of the population, yet despite progress, they do not participate fully in socio-economic and political spheres of life. EDPRS 2 will focus on strategies that address the needs of all groups to realise rapid economic growth. EDPRS 2 will mainstream gender and family in planning, budgeting and in all development programmes/projects at national and local levels. Sector strategies and district plans will focus on interventions that reduce poverty levels among men and women, and reduce gender based violence, malnutrition and other related conflicts at both family and community level.

6.47 **Improving the economic status of men and women requires a holistic and multi-sectoral approach.** EDPRS 2 will focus on sector strategies that enable women and men to participate, access, control and benefit equally from growth processes in a way that recognises their different needs. This will enhance access to economic resources and opportunities in terms of jobs (especially off-farm), financial services, and property ownership, skills development and market information. Key sectors to deliver on economic empowerment are the productive sectors of agriculture, infrastructure, private sector, ICT, environment and natural resources.

6.48 **Rwanda has registered good progress in promoting political participation of women.** The Government is committed to consolidating these and achieving much more. Nonetheless, EDPRS 2 still requires embarking on strategies to increase effective participation of women in leadership and decision making especially in the private sector. Gender Based Violence (GBV) prevention and response will be pursued to ensure that GBV is drastically reduced and that victims access appropriate services which free all Rwandans from all forms of violence and discrimination.

6.49 Wherever possible, EDPRS 2 thematic outcome indicators will be disaggregated by gender.

Regional Integration

6.50 **Rwanda has identified regional and international economic integration as a key element to its long term development path as the sixth pillar of Vision 2020**. EDPRS 1 found that sectors needed a framework to capture the benefits, develop opportunities and mitigate risk from regional integration. The Rwandan economy will be in a position to benefit and be competitive within the East African Community (EAC) and the wider region, with regional integration mainstreamed into central and local government plans.

6.51 **Rwanda is a member of three key regional integration arrangements**: the EAC, the Common Market for Eastern and Southern Africa (COMESA), and the Economic Community of the Great Lakes Countries (CEPGL). It is also dealing with a tripartite agreement between EAC, COMESA and the Southern African Development Community (SADC), is a member of the African Union and has international trade agreements such as those with the EU and USA. Each integration arrangement has varying commitments with the most advanced being the EAC. As part of the EAC, Rwanda is implementing a Customs Union and a Common Market. A Monetary Union with plans for a Political Federation, is also being negotiated. This far reaching agenda has implications issues for all sectors, with the free movement of goods, services, capital and labour being prominent.

6.52 **The aim of increased integration is to improve Rwanda's opportunities to achieve faster growth and poverty reduction**. Specifically, deepening regional integration will help overcome Rwanda's key development constraints of being a landlocked country with a small market size, energy constraints and limited human capital. The EAC offers the

chance to become linked with neighbouring countries and international ports; to increase its potential market from 10 to 130 million people with a combined GDP of around USD80 billion; to implement EAC energy generation and interconnectivity projects; and to benefit from education facilities and skilled labour from EAC Partner States.

6.53 **Due to the wide reach of the EAC, there will be relevant regional integration issues for each sector within EDPRS 2**. These range through trade, finance, legislation, health regulation, agricultural standards, environmental safeguards and education qualifications. The majority of the priority EAC issues will fall under Economic Transformation and five sectors: Private Sector Development (PSD), Finance, Justice, Energy, and Transport. PSD will take advantage of the EAC supporting the sector goal to develop a competitive business environment whilst overcoming constraints to trade such as Non-Tariff Barriers (NTBs). Policy actions will focus on the EAC tariff structure revisions, and improving market access through tripartite free trade agreement together with COMESA and the Southern African Development Community (SADC). Finance policy will focus on ensuring that there is stronger regulatory framework that supports enhanced competition in regional and international financial centres and a stronger regulatory framework that supports savings. Justice policy will focus on ensuring that Rwandan laws are harmonised with EAC instruments and approximated with EAC Partner State's laws. Transport policy will deal with regional projects concerning roads, rail, water and air transport.

HIV/AIDS and NCDs

6.54 **Rwanda has made extensive gains in the prevention of HIV using five integrated components** (VCT, PMTCT, Male circumcision, BCC, HIV Treatment) for scaling-up prevention and treatment. The health sector continues to contribute to the national efforts to halt the spread of HIV and AIDS by 2015 through education of individuals and families about HIV/AIDS, providing motivation for counselling, distribution of condoms, and making sure that all patients with HIV/AIDS or Tuberculosis receive and adhere to treatment and support. Key intervention include regular sensitisation regarding HIV, voluntary counselling and testing, prevention of mother to child transmission, condom distribution etc.

6.55 **The conditions in which people live and their lifestyles influence their health and quality of life.** With Non Communicable Diseases (NCDs), current evidence indicates that five types of NCD, cardiovascular diseases, cancers, chronic respiratory diseases diabetes and injuries, make the largest contribution to mortality in the majority of low- and middle-income countries and require concerted, coordinated action. These diseases are largely preventable by means of interventions that tackle shared risk factors, namely: tobacco use, alcohol abuse, unhealthy diet, physical inactivity, road safety use, and environmental carcinogens. These risk factors have economic, social, gender, political, behavioural, and environmental determinants. Improved understanding and public education of the risk factors and their determinants will provide opportunities for the prevention and control of NCDs.

6.56 **For the NCDs, the priority areas are prevention and control of NCDs** in general and in the workplace through increased sensitisation and awareness of the dangers and risks, and by promoting healthy nutrition and living.

Disaster Management

6.57 **Rwanda is no exception to the increased global impact of natural and other disasters**. Disaster Management requires a systematic strategy to address the effectiveness of preparedness, response and recovery. Disaster Risk Reduction (DRR) and Disaster Management is a complex development issue which requires political and legal commitment,

public understanding, scientific knowledge, careful development planning, responsible enforcement of policies and legislation, people-centred early warning systems, and effective disaster preparedness and response mechanisms. Multi-stakeholder and effective DRR will help in providing and mobilising knowledge, skills and resources required for mainstreaming DRR into development programmes.

6.58 **GoR has committed to internationally agreed conventions for acceleration of development such as the MDGs and the Hyogo Framework for Action 2005-2015**. The success of EDPRS as a conduit for development programmes, cannot be assured when there are unpredictable disasters, unless such events are well mitigated. The vision "to build a Disaster Resilient Nation" will therefore require consolidated efforts and good understanding of each actor's responsibilities.

6.59 **DRR and Disaster Management will touch all priority areas and is mainstreamed in all priority sectors.** The most important are: agriculture, infrastructure, education, environment and natural resources, private sector development, energy, urbanisation, information communication technology, health, youth and social protection. Measures include investment in rapid response disaster management equipment, early warning systems, and awareness campaigns directed to residents of vulnerable areas.

Disability and Social Inclusion

6.60 **Rwanda does not intend to leave any of its citizens behind in its development**. As such, specific steps will be taken to ensure that people with disabilities (PWDs) and other disadvantaged groups are able to contribute actively to the country's development and to benefit from it.

6.61 **Key interventions will include accessible infrastructure** whereby both the private and public sector will be required to ensure easy access to all new buildings. In terms of access to information, media practitioners will develop standards for reporting news accessible to PWDs, including training in sign language.

6.62 **The legal and regulatory framework will also be reviewed to ensure that it does not discriminate against PWDs** where the Constitution already has provisions for their protection. Education personnel and teachers with skills in inclusive and special needs education will be increased in number. And assistive devices and appropriate learning resources will be scaled up.

7. IMPLEMENTATION AND MONITORING AND EVALUATION

Implementation

7.1 **EDPRS 2 will be implemented in a challenging period when the global economy is characterised by uncertainty**, with many developed countries likely to continue facing recessions. For Rwanda, commodity prices, which constitute the larger share of its exports, are projected to remain low. Furthermore, volumes of ODA are also projected to reduce over the short to medium term.

7.2 **Achieving these ambitions with limited financial means calls more than ever for increased coordination in delivery.** This includes the creation of a national Monitoring and Evaluation Framework, and the harmonisation of actions by institutions put in place to give strategic direction to the process, both for implementation and for monitoring and evaluation. Based on the lessons of the past, EDPRS 2 implementation will need to be well coordinated, focused and aggressive through the various levels of operationalisation. This will translate into adequate sequencing (from short term to medium term interventions) and inter-relatedness of actions under the thematic and sector strategies and district plans, the clear assignment of responsibilities and roles in their implementation, and coordination with non-state actors, especially insisting on the centrality of private sector participation and national ownership.

7.3 **As the implementation of EDPRS 2 progresses, structures will need to remain flexible enough to adapt to the changing environment, and evolve to remain relevant while improving their performance.** Institutional arrangements for strategic oversight, implementation, coordination and monitoring and evaluation of the EDPRS have therefore been reviewed and, institutions that emerged during the EDPRS 1 implementation period have been rationalised so as to reduce the burden particularly of reporting.

7.4 **The recommendation is for a core set of institutions with specific roles and responsibilities with respect to strategic guidance, coordination, implementation and monitoring and evaluation.** Other institutions will receive information on progress against EDPRS targets and results of other evaluative exercises to assist them in their own coordination activities. The proposed institutional arrangements and responsibilities for implementation, monitoring and evaluation are set out in Table 7.1 below

Sequencing of Actions

7.5 **The priorities for EDPRS 2 are set out in the Thematic Strategies**. As part of the general coordination of its implementation, some general principles will be adopted so as to ensure proper sequencing of actions and optimal use of resources. For example, speedy impact on expanding exports and reducing imports, reducing dependency on foreign aid, and ensuring sustainability of the EDPRS 2 are outcomes which will improve the current external balance account of the country.

7.6 **Over the first year therefore, interventions in areas that can yield fast results in terms of bringing in or saving foreign exchange flows will be priorities**. In this regard, some sectors (e.g. agriculture, in which increased production also increases agro-business including agricultural exports, and the construction industry with its demand for cement and other construction material and the mining industry) are more amenable to quick wins. These sectors will be allocated priority status for resourcing

7.7 **The role of the private sector is at the heart of the EDPRS 2.** Actions to be given precedence for early implementation are those directed at engaging the private sector and

ensuring the facilitation of its contribution in the various development sectors. These include actions aimed at encouraging private activity and investment in areas traditionally considered as social (e.g. as providers of health and education services).

7.8 **MDGs-related interventions, with fast impact on poverty reduction, are another set of priorities for the country,** which has set itself specific targets related to achievements under the MDGs framework. Over the last decade, Rwanda has made a lot of progress against the MDG targets but still needs to ensure that the pace of progress is sustained, that targets set for 2015 will be attained and will continue to be emphasised, especially when accelerated delivery is needed. One example is the necessity to further reduce the share of people living in poverty to 30% by 2015, and below by the end of EDPRS 2 period. Actions to further increase agricultural productivity are considered a good candidate for the early years of the EDPRS 2.

7.9 **In the current context of reducing foreign aid, reforms in Public Financial Management will continue to aim at improving efficiency** in the raising and use of public funds. Interventions that increase revenues for the State will therefore be given priority during the first years of the EDPRS 2 period. These kinds of interventions will help ensure sufficient funding of the spending needs under the EDPRS 2.

7.10 **EDPRS 2 is also designed to harmonise development and development actions from the national to sub-national levels**. Districts will therefore play an integral role in the implementation strategy. District monitoring and evaluation activities will be closely tied to those of the Sectors. Districts will coordinate their development activities with those of Sectors and will receive close guidance on the expected results and output to be achieved annually. In this way, Sectors will be assured that their planned achievement targets will be met.

Roles and Responsibilities

7.11 **The structure for the implementation of the EDPRS 2 is dictated by the need for increased coordination**, while not changing too drastically the institutional environment to avoid losing experience acquired during the implementation of the EDPRS 1. While planning and coordination is the responsibility of the Thematic Working Groups (TWG), implementation will continue to be done at Sector and district level.

7.12 **The traditional roles of Ministries, Districts and Agencies in implementation as budget agencies remain unchanged**. The Prime Minister's Office is responsible for coordination of Government programmes and as such will work closely with MINECOFIN to ensure effective implementation and monitoring of the EDPRS 2. The annual leadership retreat will be aligned to the needs of the EDPRS 2 while focusing on specific areas with arising annual priorities. Working with MINECOFIN, the Ministry in charge of local administration (MINALOC) will continue to be responsible for ensuring that national level policies and local priorities are well aligned. For this purpose, central government–local government meetings will be held on a regular basis.

7.13 **Increased coordination between the public sector and private sector actors will be needed for the successful implementation of the EDPRS 2.** An effective Public Private Dialogue platform will be ensured to address concerns raised by the private sector. Public services are to become more responsive to private sector needs and this calls for increased engagement with private actors in all sectors. In the past, Sector Working Groups (SWGs) were responsible to ensure engagement of the private sector. However, this didn't happen adequately. Under the EDPRS 2, specific sessions of Public-Private actors in the same sector will be organised under the leadership of the Rwanda Development Board and the Private

Sector Federation. At the district level, these regular consultations will be conducted with districts investment groups (IGs). For specific programmes, private actors will be involved in the regular management of implementation, e.g. TVET programmes.

7.14 **Alignment and coordination of all interventions to the priorities of the EDPRS 1 made it a success.** It is important that we build on this for EDPRS 2 implementation good practice. The donor division of labour, revised according to EDPRS 2 sectors, will ensure good coordination and avoid duplication between donors. This will be done under the framework of joint programming encouraged by the Busan principles, allowing donors to plan their interventions together with Government. Once the division of labour has been decided at national level, joint programming will be taken further at the SWG level.

7.15 **The Joint Action District Forums (JADF) will be responsible for coordination of EDPRS 2 implementation at district level**. However, the division of labour among development partners, particularly NGOs and CSOs in the districts, will need to be strengthened and aligned to the District Development Plans (DDPs) priorities.

Communication for Ownership and Participation in Implementation

7.16 **An important aspect of implementation and sustainability of the EDPRS 2 is the participation and contribution of the population in the delivery of the development results expected under this Strategy**. This will be made possible by the emphasis that EDPRS 2 puts on communication for development under its Accountable Governance theme. A critical challenge that needs to be tackled in the quest to mainstream development communication into the national planning system, is knowledge of the country's planning architecture, opportunities and calendar for citizens' engagement.

7.17 **Information dissemination on the medium-term development agenda at all levels**, and related documents such as Annual Progress Reports on the EDPRS, on the DDPs and District *Imihigo*, as well as annual reports on *Imihigo* achievements at sub-district level, will be used as the basis for development dialogue. This will target specific groups such as CSOs, communities and the general public. As part of the Accountable Governance thematic area, the existence of channels for feedback from the general public about public programmes and service delivery will be ensured. These channels will also be used as a basis to manage expectations for public expenditure while promoting behavioural change towards community contributions to the delivery of development outcomes and plans.

Monitoring and Evaluation

7.18 **Key to the implementation arrangements for EDPRS 2 is the Monitoring and Evaluation Framework** supported by National Monitoring and Evaluation (M&E) Policy. The EDPRS 2 Monitoring and Evaluation Framework differs in several ways from that used for EDPRS 1. First of all, the EDPRS 1 Framework was largely focused on the Monitoring function and particularly on the Common Performance Assessment Framework (CPAF).

7.19 **The focus on EDPRS 1 Monitoring Matrix reduced the monitoring of other national priorities** elaborated in the sector matrices. Further, the EDPRS 1 Monitoring Matrix and CPAF both consisted of a large number of indicators that placed a burden on the monitoring process, especially with no electronic monitoring system in place.

7.20 **The EDPRS 1 self-assessment identified that districts and Sectors have expressed the need for a fully integrated M&E system** that links the different sub-systems. The self-assessment also stressed the need for strengthened sector monitoring frameworks so

as to improve sector management. It further found that monitoring mechanisms should be strengthened at the district level. The self-assessment also revealed that there was the need for sharing progress reports on indicators especially from the districts.

7.21 The **Monitoring Plan is designed to facilitate tracking of progress at the national level and also at the three levels of the EDPRS 2** conceptual framework, i.e. Thematic, Sector and District levels, so as to ensure the evaluability of the EDPRS 2 both during and at the end of its implementation. The Monitoring Plan also integrates the tracking process for outcomes established at the three levels and also those associated with the Foundational Issues that will be addressed by Sectors. The Monitoring Plan also seeks to reduce the national reporting burden by limiting the number of indicators that will be measured at this level.

7.22 **The Evaluation Plan outlines the strategy for evaluating the relevance and effectiveness of the EDPRS 2 and the efficiency with which its results have been achieved.** This Plan is designed to enhance the on-going policy making, planning and budgeting processes at the thematic, Sector and district levels.

Principles

7.23 The underlying principles of the M&E Framework are:

a) Harmonisation
b) Accountability
c) Participation and Inclusiveness
d) Comprehensiveness
e) Manageability
f) Evaluability
g) Capacity Development

7.24 ***Harmonisation:*** The M&E Framework for EDPRS 2 will be harmonised with the Strategy's planning framework. The planning framework consists of three levels, i.e. the higher level thematic areas, the Sectors and districts. As such, outcomes of the EDPRS 2 will be interlinked from the three planning levels and, by extension, the monitoring plan will ensure similar harmonisation.

7.25 ***Accountability:*** The M&E Framework will include components of regular reporting to citizens of Rwanda at special forums held at the sub-district level. Feedback from these forums will be used as part of the evidence-based planning process.

7.26 ***Participation and Inclusiveness:*** The M&E Framework is designed to facilitate reporting and data collection from all planning and administrative levels of Rwanda on EDPRS 2 priorities. These reporting arrangements will be outlined in the National Planning, M&E Policy and Implementation Plan.

7.27 ***Comprehensiveness*****:** The M&E Framework will include arrangements for monitoring and evaluation of development policies, programmes and projects covered by EDPRS 2.

7.28 ***Manageability*****:** Developing a set of indicators with appropriate means and capacity for M&E is emphasised throughout the EDPRS2. The EDPRS 2 thematic, sector and district indicators have been selected so as to take advantage of existing data collection systems as much as possible, while minimising the need for developing entirely new systems. Prioritisation of indicators ensures that the M&E system is not over burdening.

7.29 ***Evaluability:*** Under the Monitoring Plan of the M&E Framework enough information will be produced to allow for the EDPRS 2 to be evaluated at all levels, i.e. national, thematic, Sector and district levels.

7.30 ***Capacity Development***: Capacities for monitoring, data collection, analysis, reporting, dissemination and the conduct of evaluations will be developed at the national/Sector and sub-national/district levels for implementation of the M&E Plans.

Monitoring Plan

7.31 **Monitoring will take place at the thematic, Sector and district levels and also at the national level.** At the highest level, monitoring will be of the EDPRS Monitoring Matrix. Themes, Sectors and districts have their respective frameworks.

7.32 **The National Institute of Statistics (NISR) will be integral to the monitoring process. NISR will provide data for the construction of indicators** through its census and survey programme. NISR will execute a planned schedule of surveys and censuses to meet data and information needs for EDPRS 2. In addition, NISR will provide capacity support to Sectors and district in order to strengthen administrative data systems. NISR will also compile the meta-data for monitoring indicators for the EDPRS 2.

National Level Monitoring

7.33 **The national monitoring framework, in the form of the EDPRS 2 Monitoring Matrix, consists of a priority set of thematic and foundational indicators** that are core to the EDPRS 2 expected outcomes. It will inform the preparation of a Common Performance Assessment Framework (CPAF) that will be used for mutual accountability between the GoR and its development partners in line with Busan and Paris Declaration.

Integrated Thematic, Sector and District Monitoring

7.34 **At the thematic, Sector and district levels, the monitoring framework reflects the inter-linkages between the three levels**, as consistent with the EDPRS 2 conceptual framework. Thematic monitoring is at the outcome level and is done for all four themes, i.e. Economic Transformation, Rural Development, Youth Employment and Productivity and Accountable Governance. Thematic outcome indicators have been developed and annual targets against which achievements will be monitored have been set.

7.35 **Thematic and sector outcomes are strongly linked to ensure that priority targets are achieved.** Sector monitoring will form the basis of monitoring outcomes at the thematic level. In addition, because Sector Outputs will largely be achieved through district implementation, linkage between district and sector outcomes will be ensured. Foundational Issue outcomes will also be monitored at sector and district level.

Monitoring Tools

7.36 A set of indicators will be presented in the National, Thematic, Sector and District Monitoring Frameworks as follows:

- EDPRS 2 Monitoring Matrix
- Thematic Area Monitoring Matrix
- Sector Monitoring Matrix (with linkages to Thematic Outcomes and covering key Foundational Issues)
- District Monitoring Matrix (with linkages to Sector and Thematic Outcomes)

7.37 ***EDPRS 2 Monitoring Matrix**:* The EDPRS Matrix is the national level framework for a core set of key monitoring indicators. These indicators are drawn from the Sector Frameworks in consultation with sector working groups. These will be updated and reviewed on annual basis.

7.38 ***Thematic Area Monitoring Matrix*:** Outcome indicators will be developed and monitored for the four Thematic Strategic Plans on an annual basis. These indicators will correspond to priority interventions.

7.39 ***Sector Monitoring Matrix**:* The Sector indicator framework consists of outcome indicators of both thematic and foundational nature with corresponding priority interventions and outputs. Institutions will be assigned specific outcomes to monitor and outputs to deliver in their respective institutional strategic plans and annual work plans. This encompasses monitoring progress of the MDG targets.

7.40 ***District Monitoring Matrix**:* Outcome indicators have been identified in the DDPs, relating to thematic and sector outcomes. This matrix will be monitored on annual basis showing key interventions and outputs to be delivered.

7.41 In addition to the above-mentioned frameworks, Aid Effectiveness will also be monitored through the Development Partner Assessment Framework (DPAF).

Evaluation Plan

Sector Evaluations

7.42 **Complementing the EDPRS 2 Monitoring Plan is the Evaluation Plan**. The Evaluation Plan will be implemented at two levels, i.e. at the Sector and national levels. Sectors will prepare annual evaluation plans for their policies, programmes and projects. Large investment projects will be particularly targeted for evaluation of their cost-effectiveness and social and economic benefits.

7.43 **Sector evaluation plans will also include evaluations of policies, programmes and projects implemented at the district level**, since Sector Outcomes are for the most part implemented at the district level. Execution of all Sector evaluations will be managed by SWGs.

7.44 **Prioritisation of initial evaluation work will be on informing priorities of the EDPRS 2**. Formative evaluations will be an essential part of Sector evaluation plans so as to assess the design of important projects, programmes and policies before roll-out.

National Level Evaluation of EDPRS 2

7.45 As part of the strategy for the institutionalisation of M&E into the planning processes of MINECOFIN to improve evidence-based Planning at the national level, EDPRS 2 will be subjected to a mid-term assessment in the year 2015 and a terminal evaluation in 2017.

7.46 **The mid-term assessment will evaluate progress towards the achievement of the thematic outcomes**. This assessment will reflect the adequacy (relevance and effectiveness) of the overall and sector strategies developed to achieve those outcomes. The mid-term assessment will also determine the cost of achieving the thematic outcomes.

7.47 **The terminal evaluation will examine the relevance and effectiveness of the EDPRS 2,** including its Thematic and Sector strategies and also, the District strategies utilised to achieve Sector targets. The cost-effectiveness of delivery of the results of the EDPRS 2 will also be evaluated at this time.

Institutional Arrangements

7.48 Institutional arrangements for monitoring and continuous feedback, via reports and evaluations, into the planning and evaluation of the EDPRS 2 will involve a core set of institutions responsible for coordination, strategic oversight and conceptual direction with respect to policy and programme adjustment based on emerging evidence from the M&E system.

7.49 Oversight functions will lie with the Parliament, Cabinet, EDPRS 2 National Steering Committee (NSC), PS' Forum and Development Partners' Coordination Group (DPCG) and Leadership Retreat.

7.50 MINECOFIN will facilitate implementation and monitoring of the EDPRS 2. MINECOFIN will collaborate with MINALOC to ensure provincial and district actions are taken in a timely manner and aligned to agreed priorities.

7.51 Thematic Working Groups will coordinate technical functions that cover more than one SWG. They will also ensure that sector plans are fully aligned to achieve thematic priorities on an annual basis. TWGs, SWGs and the Joint Action District Forums (JADFs) will be the main organs under the monitoring framework and the NISR will also play a key role in providing data for monitoring.

7.52 Other government institutions will also be associated with the monitoring and evaluation system as they would be provided with information and data so as to carry-out their own functions. The Prime Minister's Office will be the main recipient of regular and relevant quarterly data and information. Other ministries, departments and agencies will also be responsible for both supplying and receiving data and information.

7.53 The evaluation function will provide regular feedback on policies and programmes as they are implemented. Evaluations will be commissioned and undertaken at several levels. TWGs shall commission and manage evaluations that relate to their respective themes. SWGs will also commission and manage evaluations, including *ex ante* evaluations to assess the evaluability of planned programmes and projects for respective sectors.

7.54 Table 7.1 outlines the roles and responsibilities of each of these institutions in the strategic orientation, coordination and monitoring and evaluation and implementation of the EDPRS 2. All coordination arrangements for the implementation of the M&E framework for EDPRS 2 will be outlined in a national M&E Policy. The Policy will also set out the Terms of Reference for the functioning of all institutions involved in the M&E functions. In addition, the national M&E Policy sets out the reports that will be produced, timelines and responsibility for reporting.

Institutional Arrangements – Evaluation

7.55 The mid-term assessment and terminal evaluation will be carried out by MINECOFIN. The mid-term assessment will however be conducted as an internal exercise, managed by TWGs in collaboration with MINECOFIN. Independent evaluators will be contracted for the terminal evaluation.

7.56 In addition to the mid-term assessment and terminal evaluation, sectors will annually identify projects and programmes for assessment or evaluation. Sectors will identify the budget for use in the conduct of any assessments or evaluations they plan to conduct. They will utilise monitoring reports of SWGs and recommendations from JADFs to determine their annual evaluation programme.

7.57 Since Sectors will be responsible for undertaking evaluations on behalf of thematic areas and districts, they will be responsible for setting priorities for their evaluations,

ensuring that unanswered questions of TWGs on result areas set out in thematic outcomes will be speedily addressed.

Capacity Development

7.58 The EDPRS 1 self-assessment and the SWG process also revealed capacity gaps in the GoR for M&E. M&E Frameworks for EDPRS 2 are based on Results-Based Management (RBM) principles and practices whose capacities are currently not fully integrated. In order to ensure adequate monitoring, evaluation and reporting, MINECOFIN will develop capacities at all levels in:

- Planning, Monitoring and Reporting
- Report Writing
- Evaluations
- Communications and Dissemination of Policy Information
- ICT
- Management of M&E Function

7.59 Training in planning, monitoring and reporting, including in report writing will take place for all planners and for officers responsible for monitoring at the District level. Special training and advocacy, through seminars and workshops, will be done for the media including operators of local language radio stations and other producers of information, particularly at the district and lower geographic levels.

7.60 Since significant emphasis is being placed on automation of the implementation, monitoring and reporting under EDPRS 2, an electronic platform will be put in place. This platform will be designed to ensure that information for feedback into the planning process will be readily available from districts and Sectors as SWGs and JADFs perform their semi-annual monitoring exercises.

7.61 Secondly, the system will provide a database of official government statistics for the preparation of annual progress reports. These progress reports will be presented to the highest consultative and decision-making bodies, such as Cabinet, the PS' Forum and DPCG.

7.62 Finally, competencies in performing the evaluative function for EDPRS 2 will be built, at the national and sub-national levels. An essential component of training for M&E will be in the management of national integrated M&E systems and management of evaluations.

7.63 The National M&E Policy is the harmonising framework for implementation and monitoring and evaluation of EDPRS 2. The aim of the Policy is to establish a common basis for implementation of the National Integrated Planning, Monitoring and Evaluation System, initially for EDPRS 2 and later for all other development frameworks. The Policy is also prepared in the spirit of reinforcing accountability within Government and to the population.

7.64 Plans for implementation and monitoring for EDPRS 2 involve a significantly simplified approach that identifies a single responsible institution or organ to perform specific functions of (1) strategic orientation and oversight (2) coordination and monitoring and (3) implementation. Terms of reference for these organs and institutions will be set out in the National M&E Policy.

Table 7.1 Institutional Arrangements for EDPRS 2 Coordination, Monitoring and Reporting

INSTITUTIONS & ORGANS	STRATEGIC OVERSIGHT AND COORDINATION	IMPLEMENTATION, MONITORING AND EVALUATION
1. Parliament	Provide oversight for the implementation process and endorse annual monitoring progress reports. Parliament will also vote budgets in line with EDPRS 2 programmes and projects	
2. Cabinet	Approve the final EDPRS 2 and implementation plans. Receive regular monitoring reports on progress in EDPRS 2 implementation and give feedback for policy and programme adjustment. Approve annual progress reports for presentation to Cabinet	
3. National Steering Committee	Provide oversight for thematic and intersectoral and central and local government coordination and address any challenges that may arise. The NSC will also receive monitoring reports, including the annual progress report and also make recommendations on thematic priorities.	
4. PS' Forum	Approve work plans upon recommendation of MINECOFIN/NDPR. Work plans will be designed to show sector linkages to thematic outcomes. Approve JSR reports and annual progress reports on work plans. Present annual progress reports to	

INSTITUTIONS & ORGANS	STRATEGIC OVERSIGHT AND COORDINATION	IMPLEMENTATION, MONITORING AND EVALUATION
	NSC and Cabinet for onward presentation at the Leadership Retreat and Parliament	
5. Leadership Retreat	Identify selected priority outcomes from EDPRS 2 that are to be implemented in the coming year and approve related priority actions	
6. Thematic Working Groups	Ensure coordination between thematic and inter-sectoral levels Ensure that the sum of sector level interventions meet the thematic and overall EDPRS 2 objectives Address challenges in relation to linkages	Monitor sector progress on EDPRS 2 thematic outcomes and prepare summary reports on progress against thematic priorities and outcomes for presentation to PS' Forum, NSC and Leadership Retreat Provide quality assurance for sector and district reports Commission evaluations of effectiveness of thematic priorities and also make recommendations for sector evaluations.
7. DPCG & JBSR		Provide technical advice on implementation arrangements for EDPRS 2. Facilitate the achievement of thematic and sector priorities, particularly through participation in monitoring activities Give feedback on the EDPRS 2 Annual and Semi-annual Progress Reports before submission to PS'

INSTITUTIONS & ORGANS	STRATEGIC OVERSIGHT AND COORDINATION	IMPLEMENTATION, MONITORING AND EVALUATION
		Forum Produce JBSR reports
8. Sector Working Groups & JSRs	Give guidance on priorities for implementation of the sector strategies, actively incorporating district priorities.	Support the development of sector Monitoring and Evaluation frameworks in line with sector strategies Conduct Joint Sector Reviews on EDPRS 2 Monitoring Matrix and prepare reports. Prepare evaluation plans showing priorities for evaluations and associated budgets. Commission and manage sector evaluations
9. Joint Action Development Forum (JADF)		Monitor progress on DDP implementation Monitor implementation of priority actions of districts towards the achievement of sector and higher results Align and coordinate development partner interventions at District levels

INSTITUTIONS & ORGANS	STRATEGIC OVERSIGHT AND COORDINATION	IMPLEMENTATION, MONITORING AND EVALUATION
10. MINECOFIN	Facilitate implementation and monitoring of EDPRS 2 & gives monitoring reports to PMO regularly Coordinate working of TWGs, SWGs and JADFs Ensure prepared annual action plans and budget are aligned to EDPRS 2	Consolidate thematic and sector reports into Annual and Semi-annual Progress Reports Prepare a database of sector-focused research and make findings widely available to all other government institutions Disseminate key information from monitoring re ports, using all types of media, including website and social media
11. Ministry of Local Government	Coordinate provincial and district actions with respect to implementation of DDPs and EDPRS 2 ensuring inter-sectoral coordination at the lower geographic levels through Integrated Development Plan (IDP) Provide oversight for the preparation and quality assurance of the *Imihigo* and district annual action plans	Monitor progress of DDPs through participation on JADFs Evaluate *Imihigo*
12. Prime Minister's Office (PMO)	Coordination of Implementation across central government institutions	Monitor and evaluate performance contracts at the sector level, reinforcing MINECOFIN/NDPR efforts at achieving EDPRS 2 targets Commission and manage EDPRS 2 mid and end-term evaluations
13. Public-Private Dialogue (PPD)	Propose strategic issues to be considered annually for growth of private sector	Under the leadership of RDB and PSF, engage with sectors on areas/issues of specific/sector interest

8. MACROECONOMIC FRAMEWORK AND COSTINGS

Macroeconomic Framework

8.1. **The EDPRS2 macro scenario presented is based on assumptions leading towards Rwanda achieving middle income status** by 2020 while lifting a large share of the population out of poverty. This is achieved through accelerating GDP growth during the EDPRS 2 period, driven by a scaling up of both public and private investment in the priority sectors, in line with the Strategy for Economic Transformation discussed in more detail in Chapter 2.

The Real Sector

8.2. As economic transformation happens, GDP growth is projected to accelerate from 7.5% in 2013 to 12.2% in 2017, and averages 10.2 % over 2013-17. Per capita GDP is forecast to reach USD 1,000 by the end of the EDPRS 2 period (Table 8.1).

Table 8.1 Output and Growth Rates under Optimistic Scenario

Gross Domestic Product (GDP)

		2012	2013	2014	2015	2016	2017	2020
GDP	Rwf billions, constant 2012 prices	4,363	4,691	5,132	5,677	6,324	7,094	10,388
	USD millions, constant 2012 prices	7,062	7,593	8,306	9,190	10,237	11,484	16,815
GDP per capita	Rwf '000s, constant 2012 prices	416	434	462	497	540	591	807
	USD, constant 2012 prices	644	703	747	805	874	956	1,306

Annual Growth Rates

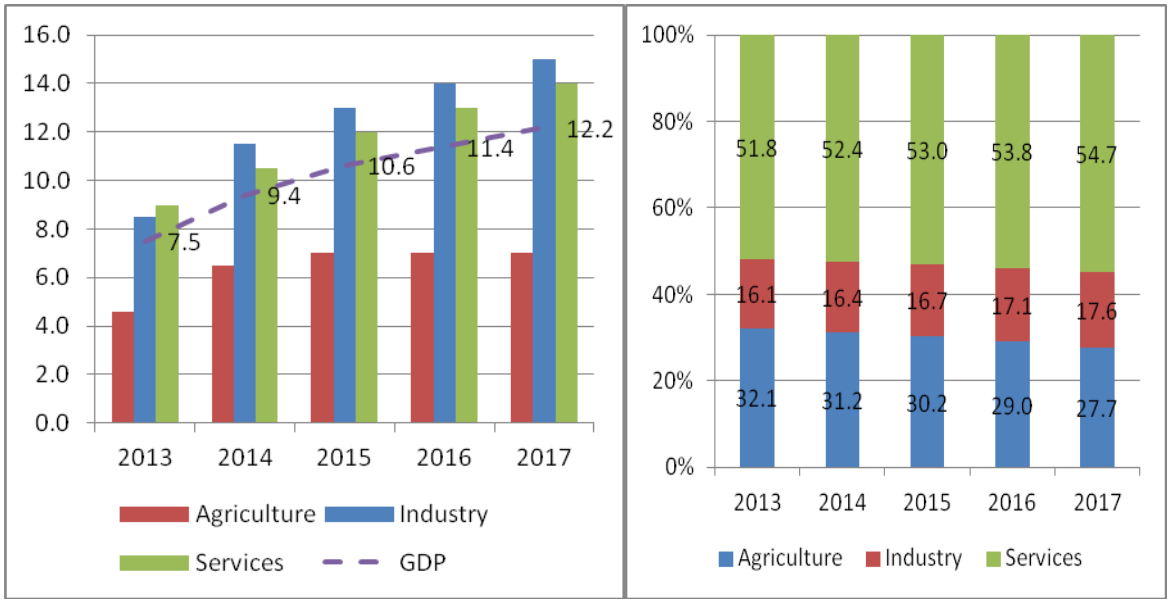
	2012	2013	2014	2015	2016	2017	Average Annual Growth rate 2013 to 2017	2013 to 2020
Real Gross Domestic Product (GDP)	8.0%	7.5%	9.4%	10.6%	11.4%	12.2%	10.2%	11.5%
Real GDP per capita	4.9%	4.5%	6.4%	7.7%	8.5%	9.4%	7.3%	8.7%

Source: MINECOFIN staff estimates and projections.

8.3. **Crowding-in of private investment will bring increased growth in all three sectors of the economy.** However, the rapid growth rates required for economic transformation to happen, will stem mainly from the emphasis put on value addition and diversifying the economy towards services production, and growth of industry which

currently represents the smallest share of GDP, will be experience the highest growth, averaging 12.4% per year. The services sector will continue to be the main driver of overall growth of economic activity, averaging 11.7% over the EDPRS period and growth in agriculture is projected to remain higher than 6% on average through the EDPRS 2 period (Figure 8.1).

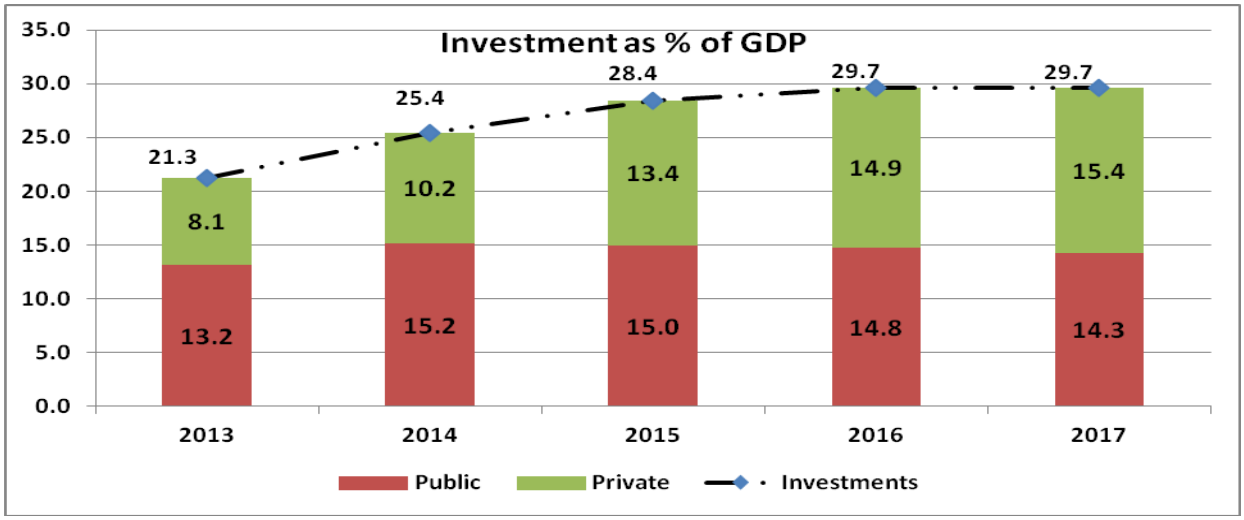
Figure 8.1 Sector Growth Rates and Shares of GDP



Source: MINECOFIN staff estimates and projections.

8.4. **This accelerated growth under the EDPRS 2 will require a significant increase of gross investment**. An initial scaling up of public capital expenditure will be necessary to finance strategic investments aimed at boosting the productivity of the economy and crowding in private investment in priority sectors. Public investment will rise to 15.0% of GDP in 2015 and decrease afterwards as a share of GDP (Figure 8.2). Private investment is projected to overtake public investment in 2016 to more than 15% of GDP by 2017 as public interventions targeted at further reducing the risk and cost of doing business bear fruit.

Figure 8.2 Public and Private Investments as a Percentage of GDP



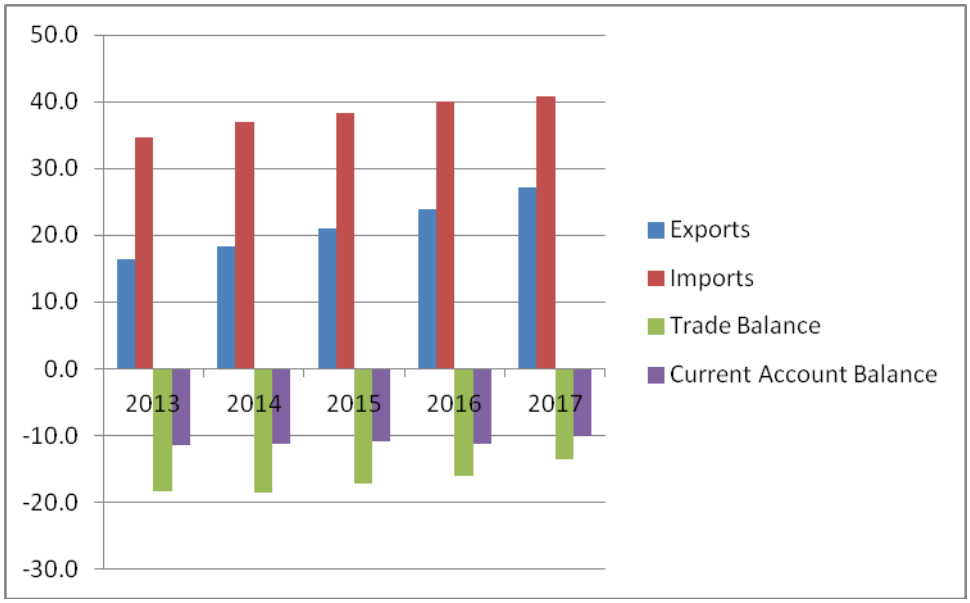
Source: MINECOFIN staff estimates and projections.

The External Sector

8.5. **In line with the emphasis on value addition and services, exports growth averages 28% per year between 2013 and 2017**. Exports will be stimulated by interventions that increase the external connectivity of Rwanda's economy and boost exports, such as the building of a new airport, completion of the Kigali Convention Center, and the transformation of Rwanda's logistics system focusing on exports to Burundi, the EAC and central Africa. In particular, high growth of services exports is expected, averaging around 34% per year.

8.6. **With increased investments, the demand for imports of capital and intermediate goods will also grow**. Imports are expected to grow at an average of 17.6% per year to support industry. Despite high import growth, the current account deficit is expected to improve over the period, from 10.6% in 2013 to 9.4% in 2017, as the trade deficit is reduced by the rapid growth of exports (103Figure 8.3).

Figure 8.3 Exports, Imports and the Current Account (percentage of GDP)



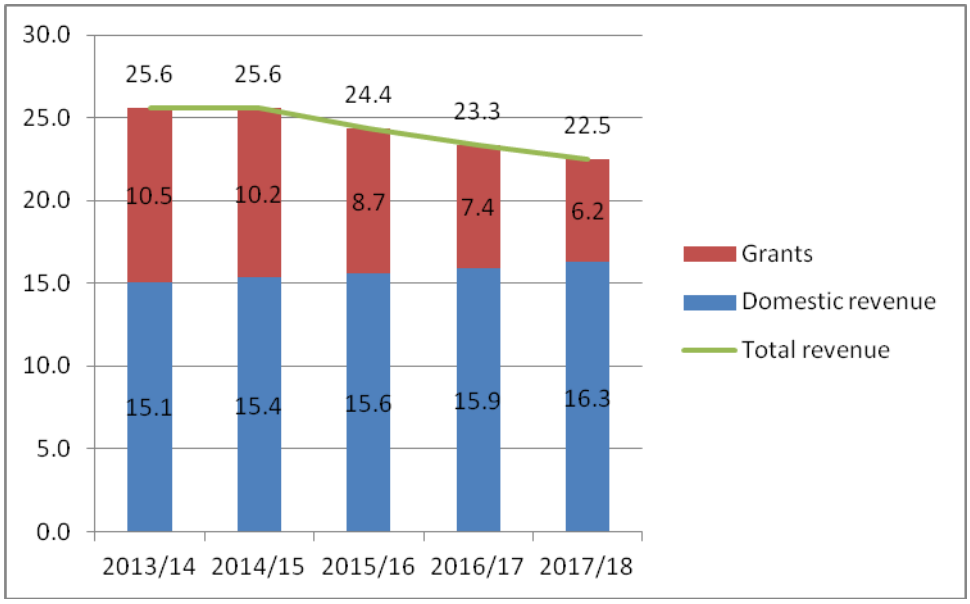
8.7. **Financing of public and private investment needed for EDPRS 2 is reflected in an increase in both external debt and foreign investment**. The total external debt stock is projected to reach 31.2% of GDP in EDPRS 2 but to decline afterwards with public external debt stock projected at 24.2% of GDP and the private debt stock at7.0% of GDP in 2017.

8.8. **Foreign investment in the form of FDI and portfolio and equity flows are projected to grow rapidly as the business environment becomes more attractive**. FDI is projected to rise from 2.3% of GDP in 2012 to 3.8% of GDP at the end of EDPRS 2.

The Fiscal Accounts

8.9. **Exports and investment growth render the economy less dependent on aid.** This is further translated into the fiscal accounts as external grants are projected to stay constant in nominal terms at USD650 million each fiscal year corresponding to a decline from 10.5% of GDP in 2013/14 to 6.2% of GDP in 2017/18, (Figure 8.4). Domestic revenues are projected to increase from 15.1% of GDP in 2013/14 to 16.3% of GDP in 2017/18.

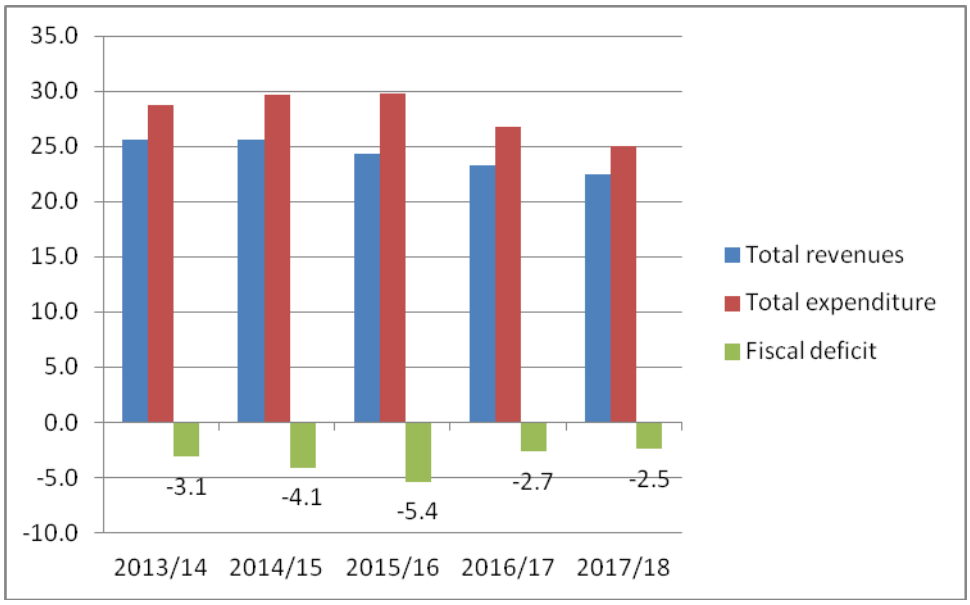
Figure 8.4 Government Revenues as Percentage of GDP



Source: MINECOFIN staff estimates and projections.

8.10. **Total expenditure as a percentage of GDP will initially rise to fund public investment,** but decline after 2015/16 as capital expenditure is reduced. The fiscal deficit will initially increase to 5.4% of GDP in 2015/16 and decline thereafter (Figure 8.5).

Figure 8.5 Government Expenditures and Fiscal Deficit



Source: MINECOFIN staff estimates and projections.

The Monetary Sector

8.11. **Money stock is assumed to grow in line with economic activity in order to keep inflation low and stable**. As public financing by the domestic banking sector will be minimised, credit to the economy is projected to average more than 18% of GDP during the EDPRS 2 period, ensuring sufficient funding for the expansion of private sector activity.

8.12. Bearing in mind the challenging international environment and uncertainties characterising the domestic and global economy underpinning the EDPRS2 macroeconomic framework, 'alternative' scenarios will be developed and updated every year under the Policy

Support Instrument programme with the International Monetary Fund as more information becomes available.

The Cost of Implementing EDPRS 2

Summary costs

Cost of the initiatives linked to the Thematic Areas	RWF 4,738 billion
Cost of the initiatives linked to Foundational Issues	RWF 3,292 billion
Cost of support functions (such as wage bill)	RWF 1,899 billion
Total government expenditure during EDPRS 2	**RWF 9,929 billion**

Note: *These costs do not include the costs of EDPRS 2 initiatives expected to be privately funded.*

8.13. **Costing of the EDPRS 2 was done through Sector Strategic Plans and District Development Plans.** When planning for EDPRS 2, each sector was required to prepare a Sector Strategic Plan (SSP), and each district was required to prepare a District Development Plan (DDP). Each sector and district developed its own costing according to their specific needs assessment following uniform guidelines issued by MINECOFIN. The cost information presented (all in 2012/13 constant prices) reflects each of the sectors' and districts' estimates of what it will cost to implement the outputs described in their strategies. District costs have been integrated and presented within sector outcomes to which they will contribute through implementation of DDPs. The expenditures that are not costed as part of the strategies, such as the wage bill, routine recurrent expenditure for ministries and other similar have been analysed and projected based on existing trends and requirements for efficient delivery of public service functions.

8.14. **The overall purpose of costing EDPRS 2 is to prioritise budget allocations and public expenditure towards the EDPRS 2 core programmes**. The costing of EDPRS 2 priorities guides the development of the medium term expenditure framework and orients public spending. The decision on actual spending will be made through the annual planning and budgeting process. The financing depends on the availability of funds and the relative priority given to the various initiatives set out in EDPRS 2 in that particular year.

Total Costs for EDPRS 2 initiatives

8.15. **The estimated total cost to the government of implementing EDPRS 2 is RwF 8,030 billion,** which is spread fairly evenly across the five years 2013/14 to 2017/18. Table 8.2 shows the yearly evolution of costs during the EDPRS 2 period, and also the split between thematic areas and foundational issues.

Table 8.2 Total Cost of EDPRS 2 Showing Thematic Areas and Foundation Sectors (RwF million)

Total EDPRS 2 (RWF million)	2013/14	2014/15	2015/16	2016/17	2017/18	Total	% of the Total
Thematic Areas	1,078,684	1,057,029	957,624	848,162	796,528	4,738,026	59%
Foundational Sectors	644,321	627,897	638,727	669,328	712,193	3,292,467	41%
Total	**1,723,005**	**1,684,926**	**1,596,351**	**1,517,490**	**1,508,721**	**8,030,493**	100%

Breakdown of Costs by Thematic Area

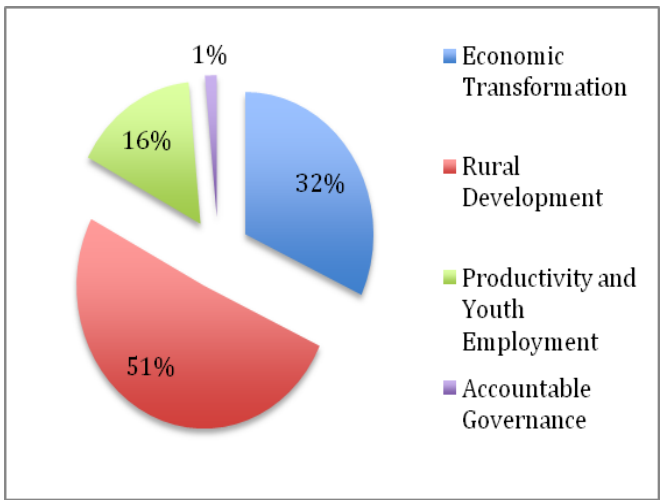
8.16. **The costs in SSPs and DDPs have been aligned to the four Thematic Areas and the Foundational Issues**. The implementation of the programmes and projects within the four thematic areas will largely determine the transformative impact that EDPRS 2 will have on Rwanda's economy, on rural development, on youth development, and on accountable governance. Table 8.4 below shows the shares of EDPRS 2 costs linked to the four Thematic Areas.

Table 8.3 Total Costs by Thematic Area **(RWF million)**

Total EDPRS 2 (RWF million)	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Economic Transformation	284,774	380,100	390,187	261,488	197,416	1,513,966
Rural Development	635,519	514,674	410,987	419,978	425,659	2,406,818
Productivity and Youth Employment	145,383	133,104	146,845	156,517	164,424	746,273
Accountable Governance	13,009	29,151	9,605	10,178	9,028	70,970
Total	**1,078,684**	**1,057,029**	**957,624**	**848,162**	**796,528**	**4,738,026**

8.17. **Largest spending is projected to cover Economic Transformation and Rural Development.** Over the next five years, the cost of programmes and projects falling within the thematic areas of Economic Transformation and Rural Development collectively account for over 80% of the total projected costs of the four thematic areas. This is in line with EDPRS 2 goals of promoting economic growth while also accelerating poverty reduction. Figure 8.6 highlights the percentage breakdown of the total thematic area costs over the five years of EDPRS 2 between the four thematic areas:

Figure 8.6 Percentage Share of Total Thematic Costs over the Duration of EDPRS 2 by Thematic Area



Source: MINECOFIN

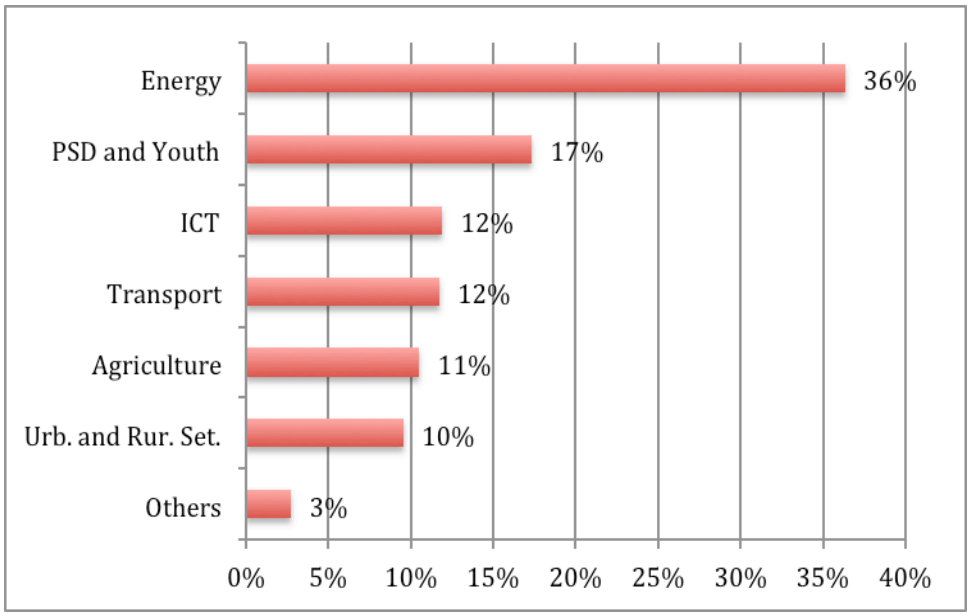
8.18. **All Sectors and Districts will contribute to all thematic areas**. From Table 8.4 to Table 8.7 each national sector envisages contributing to at least one of the four thematic areas. This further reinforces the interlinked nature of the EDPRS 2.

Table 8.4 Breakdown of Economic Transformation Thematic Area by Sectors (RwF million)

Total EDPRS 2 (RWF million)	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Energy	116,707	136,107	169,118	104,184	23,992	550,109
PSD and Youth	46,374	52,022	55,168	54,703	54,263	262,530
ICT	21,605	67,232	67,169	11,880	11,880	179,764
Transport	45,385	58,363	32,850	18,023	22,413	177,034
Agriculture	20,180	24,040	28,170	36,578	50,149	159,117
Urbanisation and Rural Settlements	28,826	28,826	28,826	28,826	28,826	144,128
ENR	1,952	5,120	4,938	3,238	1,771	17,019
Finance	2,246	2,391	2,448	2,556	2,623	12,264
Decentralisation	1,500	6,000	1,500	1,500	1,500	12,000
Total	**284,774**	**380,100**	**390,187**	**261,488**	**197,416**	**1,513,966**

8.19. **For Economic Transformation, Energy and Private Sector Development (PSD) emerge as the leading sectors**, accounting for more than half the total cost (see Figure 8.7). In the Energy sector, most of the costs are derived from survey and assessing the feasibility and subsequent development of projects such as geothermal, methane, and peat that promote Rwanda's self-reliance in power. For PSD, initiatives to promote economic opportunity such as credit expansion to facilitate businesses, development of SEZs and an integrated logistics system figure as prominent cost drivers.

Figure 8.7 Percentage Contribution of Sectors to the Cost of Economic Transformation



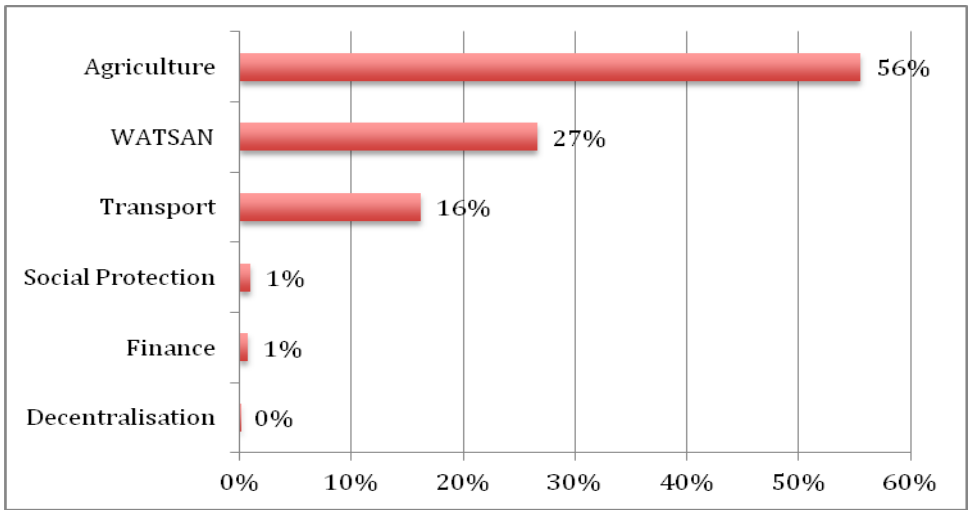
Source: MINECOFIN

Table 8.5 Breakdown of Rural Development Thematic Area by Sectors (RwF million)

Total EDPRS 2 (RWF million)	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Agriculture	266,075	278,413	256,972	265,997	269,108	1,336,564
WATSAN	288,182	150,093	67,332	67,332	67,332	640,270
Transport	72,958	77,844	78,189	79,100	81,797	389,889
Social Protection	4,339	4,361	4,386	4,723	4,748	22,556
Finance	3,925	3,923	4,109	2,826	2,674	17,458
Decentralisation	40	40	-	-	-	80
Total	**635,519**	**514,674**	**410,987**	**419,978**	**425,659**	**2,406,818**

8.20. **Better land use, increased agricultural productivity, and improved connectivity form the backbone of the Rural Development Strategy**. Consequently, Agriculture accounts for more than half the total costs for this thematic area (see Figure 8.9). Increasing the network of feeder roads, developing radical and progressive terraces, increasing access to better inputs by farmers are envisaged as the way forward to promoting rural development, and are consequently the cost drivers for this thematic area.

Figure 8.8 Percentage Contribution of Sectors to the Cost of Rural Development



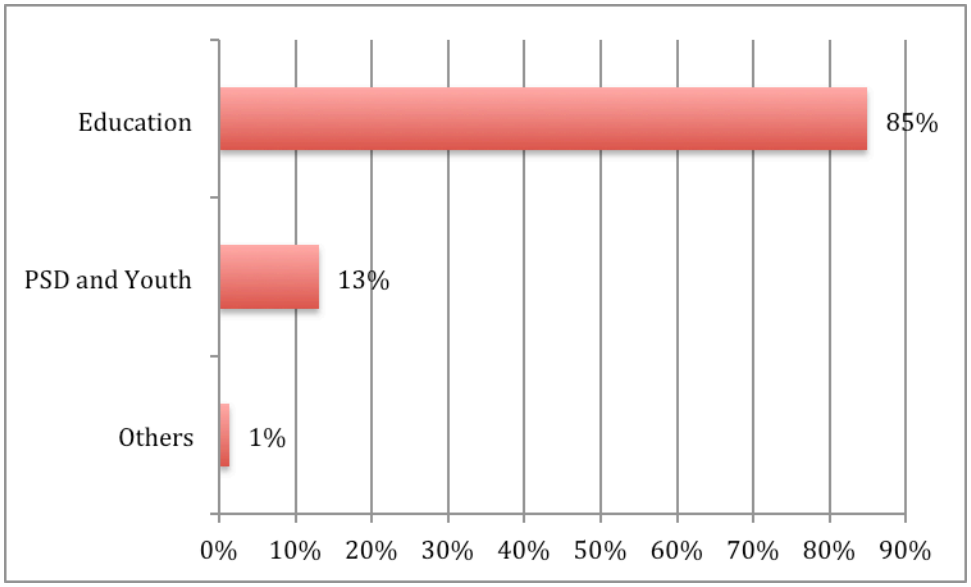
Source: MINECOFIN

8.21. **For Productivity and Youth Employment, Education sector takes the lion's share.** (see Figure 8.9). The scale up to 12 year basic education and the increased drive for skills development through TVET contribute to the prominence of education share of costs in this thematic area. Also, Private Sector Development and Youth account for around 13% of the total costs especially with scale up of BDF and strategic investments in priority export sectors.

Table 8.6 Breakdown of Productivity and Youth Employment Thematic Area by Sectors (RwF million)

Total EDPRS 2 (RWF million)	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Education	128,320	114,556	120,922	132,097	138,398	634,293
Youth	7,138	7,499	15,029	13,537	15,833	59,036
PSD	6,956	8,080	7,889	8,155	7,620	38,700
ICT	2,209	2,159	2,159	2,008	2,008	10,543
Finance	760	810	846	720	566	3,701
Total	**145,383**	**133,104**	**146,845**	**156,517**	**164,424**	**746,273**

Figure 8.9 Percentage Contribution of Sectors to the Cost of Productivity and Youth Employment



Source: MINECOFIN

8.22. **Decentralised functions which form the focal points for service delivery and participation take up the largest proportion of Accountable Governance**. The Accountable Governance strategy lays great emphasis on citizens' participation, strengthened public accountability, and quality service delivery. A key component of this is promoting accountability through decentralised institutions, and use of ICT in public and private sector to promote participation and enhance service delivery.

Table 8.7 Breakdown of Accountable Governance Thematic Area by Sectors (RwF million)

Total EDPRS 2 (RwF million)	2013/14	2014/15	2015/16	2016/17	2017/18	Total	% of the Total
Decentralisation	9,953	26,095	9,605	10,178	9,028	64,859	91%
ICT	3,056	3,056	-	-	-	6,111	9%
Total	**13,009**	**29,151**	**9,605**	**10,178**	**9,028**	**70,970**	**100%**

Breakdown of Costs by Foundational Issues

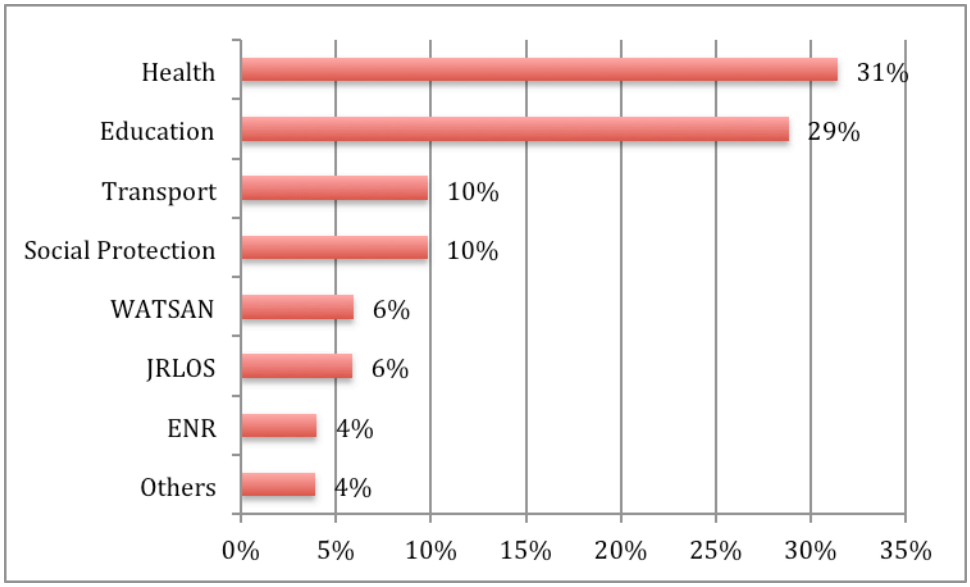
8.23. **Health and Education remain significant in the Foundational Issues**. The foundational issues are on-going programmes that contribute directly to long-term development that are prerequisites for the existence of EDPRS 2. These foundational issues provide the base for the realisation of the EDPRS 2 goals. Table 8.8 gives a breakdown of the EDPRS 2 costs that the sectors have allocated to foundational issues:

Table 8.8 Breakdown of Costs of Foundational Issues by Sectors (RwF million)

Total EDPRS 2 (RWF million)	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Health	199,730	198,251	201,132	218,868	216,235	1,034,216
Education	169,693	164,899	181,401	199,628	233,762	949,382
Transport	46,871	72,769	57,914	64,669	81,718	323,940
Social Protection	50,999	60,310	69,004	69,726	73,311	323,350
WATSAN	87,623	40,224	38,499	22,699	6,900	195,945
JRLOS	35,573	38,788	38,204	39,438	41,803	193,806
ENR	22,301	22,027	23,753	28,132	32,613	128,826
ICT	15,636	14,958	12,866	10,568	10,332	64,361
PFM	11,932	11,932	11,932	11,932	11,932	59,658
Agriculture	2,755	2,286	2,719	2,371	2,421	12,552
Finance	538	464	490	509	534	2,535
PSD and Youth	500	500	500	500	500	2,500
Decentralisation	171	490	313	288	133	1,395
Total	**644,321**	**627,897**	**638,727**	**669,328**	**712,193**	**3,292,467**

8.24. As expected, Health and Education account for about 60% of total foundational costs (see Figure 8.10) especially the costs for continuing of pre-primary and primary education with improved curriculum, measures to improve the quality of education and the sustained efforts towards achieving the MDGs in both health and education.

Figure 8.10 Percentage Contribution of Sectors to the Cost of Foundational Issues



Source: MINECOFIN

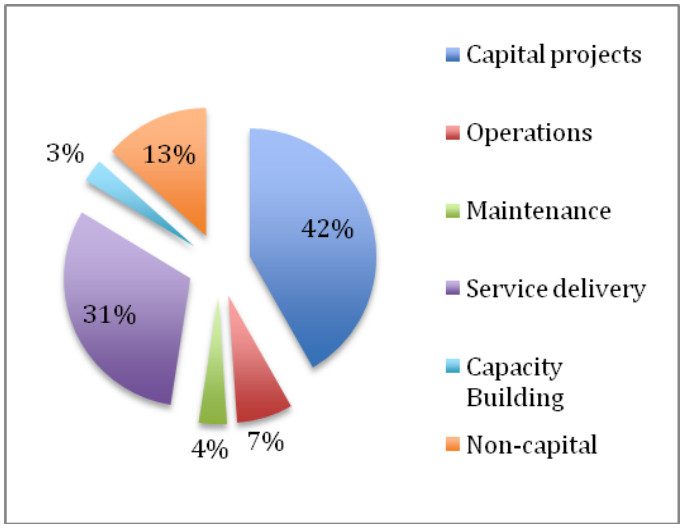
8.25. For EDPRS 2, the costs from sectors and districts are classified as projects under six categories: Capital, Operational, Maintenance, Capacity Building, Service Delivery, and Non-capital projects. Based on these divisions, the costs of EDPRS 2 are presented below in Table 8.9.

Table 8.9 Total Cost of EDPRS 2 by Type of Expenditure (RwF million)

Total EDPRS 2 (RWF million)	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Capital projects	867,144	761,265	672,595	568,397	479,341	3,348,742
Operations	102,573	112,059	116,346	120,824	125,300	577,102
Maintenance	49,838	60,994	63,261	55,397	60,533	290,022
Service delivery	443,896	471,295	481,703	521,791	578,836	2,497,522
Capacity Building	55,264	65,256	36,820	37,239	40,798	235,377
Non-capital	204,291	214,062	225,631	213,846	223,898	1,081,727
Total	**1,723,005**	**1,684,931**	**1,596,356**	**1,517,495**	**1,508,707**	**8,030,493**

8.26. **The focus is on development expenditure and service-delivery.** This emphasis on capital and service-delivery is derived from the country's ambition to fast track its development and reach middle-income status by 2020, and is reflected in the priorities set out under the thematic strategies. For instance, the Economic Transformation strategy specifically outlines both capital-intensive and service delivery initiatives such as increasing the domestic and external connectivity of Rwanda, and providing improved infrastructure. Similarly, the Productivity and Youth Employment strategy emphasises the development of critical skills and attitudes, and encouragement of entrepreneurship through initiatives such as increased access to finance. Figure 8.11 below displays relative shares of the different kind of expenditure in EDPRS 2 costs.

Figure 8.11 Percentage Share of Different Types of Projects in EDPRS 2 Costs



Source: MINECOFIN

Breakdown of Costs by Sector

Overall spending is dominated by Productive and Social Sectors including Education, agriculture, health, water and sanitation, transport and energy which combined account for around 80% of required costs. This demonstrates the overall importance across sectors given to the overarching goals of growth and poverty reduction. The Table 8.10 shows how each sector has allocated its EDPRS 2 costs to thematic areas and foundational issues.

Table 8.10 Projected Sector Cost Division between Thematic Areas and Foundation Sectors (RwF million)

Sector	Contribution to Thematic Areas					Contribution to Foundational Issues					Total for 5 years	% of total
	2013/14	2014/15	2015/16	2016/17	2017/18	2013/14	2014/15	2015/16	2016/17	2017/18		
Education	128,320	114,556	120,922	132,097	138,398	169,693	164,899	181,401	199,628	233,762	**1,583,676**	20%
Agriculture	286,255	302,453	285,142	302,575	319,256	2,755	2,286	2,719	2,371	2,421	**1,508,233**	19%
Health	0	0	0	0	0	199,730	198,251	201,132	218,868	216,235	**1,034,216**	13%
Transport	118,344	136,207	111,039	97,123	104,210	46,871	72,769	57,914	64,669	81,718	**890,864**	11%
WATSAN	288,182	150,093	67,332	67,332	67,332	87,623	40,224	38,499	22,699	6,900	**836,215**	10%
Energy	116,707	136,107	169,118	104,184	23,992	0	0	0	0	0	**550,109**	7%
PSD and Youth	60,468	67,601	78,086	76,395	77,716	500	500	500	500	500	**362,766**	5%
Social Protection	4,339	4,361	4,386	4,723	4,748	50,999	60,310	69,004	69,726	73,311	**345,906**	4%
ICT	26,870	72,446	69,328	13,887	13,887	15,636	14,958	12,866	10,568	10,332	**260,779**	3%
JRLOS	0	0	0	0	0	35,573	38,788	38,204	39,438	41,803	**193,806**	2%
ENR	1,952	5,120	4,938	3,238	1,771	22,301	22,027	23,753	28,132	32,613	**145,844**	2%
Urb. And Rur. Set.	28,826	28,826	28,826	28,826	28,826	0	0	0	0	0	**144,130**	2%
Decentralisation	11,493	32,135	11,105	11,678	10,528	171	490	313	288	133	**78,334**	1%
PFM	0	0	0	0	0	11,932	11,932	11,932	11,932	11,932	**59,658**	1%
Finance	6,930	7,124	7,403	6,102	5,863	538	464	490	509	534	**35,958**	0%
Total	**1,078,685**	**1,057,029**	**957,625**	**848,162**	**796,528**	**644,321**	**627,897**	**638,727**	**669,328**	**712,193**	**8,030,495**	**100%**

ANNEX 1 THEMATIC PRIORITIES AND OUTCOMES MATRICES

Economic Transformation

THEMATIC PRIORITY	THEMATIC OUTCOME	INTERVENTIONS	LEAD SECTORS/ INSTITUTIONS
PRIORITY AREA 1: Interconnectivity of Rwanda's economy through investments in hard and soft infrastructure	1.1 Increased electricity generation capacity to 563 MW, leveraging large-scale private sector investment	• Create a clear roadmap for investment aimed at delivering increased access to electricity and sufficient and economic generation • Target public finance allocated to the electricity sector to de-risk projects for the private sector and thereby attract a wider range of investors on better terms.	Energy MINIFRA, EWSA, RDB
	1.2 Accelerated access to electricity, water, roads, and land to priority sectors of the economy and/or large investors	• Fast-track the provision of electricity, water, roads and land to investments priority investments so long as these investments adhere to agreed upon development criteria • Improve access to public-services by finalising the special economic zones programme, and investing in four provincial industrial zoned • Development of a clear mechanism to guide the process of land-allocation for investment projects, based on a collaborative process between investors, RDB, relevant Ministries, districts and land owners. • A national policy designed to give accelerated access to electricity, water, roads, and land to priority sectors of the economy and/or large investors approved	RDB, MINICOM, MINECOFIN, MININFRA (EWASA, RTDA) MINALOC, Districts, MINAGRI (NAEB), MINERENA
	1.3 Increased private sector investment targeted at strengthening value chain inter-linkages in priority sectors	• Business Linkages Challenge Fund to encourage private sector investment in the agro-processing sector. • Supplier development programme in the hospitality and tourism, retail, construction services, agribusiness and mining sectors led by	RDB

THEMATIC PRIORITY	THEMATIC OUTCOME	INTERVENTIONS	LEAD SECTORS/ INSTITUTIONS
		the RDB. Domestic supply constraints and value chain inter-linkages in priority sectors of the economy strengthened	
PRIORITY AREA 2: External connectivity of Rwanda's economy and boosting exports	2.1 Increased trade through improved air and rail services to and from Rwanda	• Complete Phase I of the construction of Bugesera International Airport, including cargo facilities, to be operational by 2017 • Expand RwandAir, targeting an annual turnover of US$350m by 2018, based on more aircraft and an increase in the number of destinations • Plans for railway connection finalized and construction starts before end of EDPRS 2 period	RDB, MININFRA, RwandAir
	2.2 Transformed logistics system with a strategic focus on exports and re-exports to Burundi and Eastern DRC	• Establish an integrated logistics system based on a Kigali Logistics Platform, linked to Regional Logistics Centres, and supported by an e-freight exchange system • Improve the sea-land logistics system by building off-dock container depots in Mombasa and Dar es Salaam • Build One-Stop Border Posts (OSBPs) in every Rwandan border post to facilitate both large and small-scale cross border trade. • Institutionalise the monitoring of Non-Tariff Barriers (NTBs) and work with EAC countries and institutions to steadily reduce NTBs on the Northern and Central Corridors	MININFRA, RTDA, MINICOM
	2.3 Accelerated growth of exports	• Overhaul Rwanda's mining sector through new regulations, systems and an enhanced understanding of mining resources • Invest in a large-scale tea expansion programme, making six new factories operational and expanding the tea production area by 18000ha, while ensuring farmers are able to move out of poverty.	Mining (MINERENA), Tea/Coffee (MINAGRI and NAEB), Kivu Belt (MININFRA, RDB), export orientation of agro-processing and

THEMATIC PRIORITY	THEMATIC OUTCOME	INTERVENTIONS	LEAD SECTORS/ INSTITUTIONS
		• Intensification of capacity building and research in the coffee sector • Finalise the Kivu Belt national road to complete the tourism circuit in Rwanda, thereby significantly contributing to the national objective of diversifying Rwanda's tourism offering. • Support an increase in the export orientation of firms in the agro-processing and manufacturing sectors by establishing an export growth fund within RDB, continuing the Trade Linkages Programme, linked to Export Councils	manufacturing sector (RDB)
PRIORITY AREA 3: Transform the private sector by increasing investment in priority sectors	3.1 Increased private sector investment and financing	• Strengthen the institutional set-up to pro-actively lead and prioritise the investment process • Transforming and better funding the investment promotion process with a revamped strategic focus. • The New Investor Code will be finalised, advertised and implemented during the EDPRS 2 period	RDB, MINICOM, MINECOFIN
	3.2 Accelerated structural changes in the financial sector, in particular measures to increase long-term savings and access to international finance, with the objective of increasing credit to the private sector to 20% of GDP by 2017	• Enactment of the Pension Law • Enactment of the Trust Law to change the provisions for collective schemes • The RSSB consolidated by strengthened governance and administration; improved investment management and performance; and strengthening risk and cash management. • The bond market (ensuring the regular issuance of government bonds to give banks greater access to long-term funds) developed? • Commercial bank lending increased thereby	MINECOFIN, RSSB, BDF, BNR

THEMATIC PRIORITY	THEMATIC OUTCOME	INTERVENTIONS	LEAD SECTORS/ INSTITUTIONS
		strengthening the current credit guarantee programme and reducing collateral obligations • Create a creditor profile electronic system that will enable commercial banks to verify potential lenders' credit history	
	3.3 Strengthened business environment through regulatory reform to spur medium and large enterprise growth and attract large investors in priority and emerging sectors of the economy	• Tax reforms (with the aim of providing additional incentives for investment, in conjunction with the passing of a new investor code) put in place • Double taxation agreements with all strategic partners (in order to attract investment and start positioning Rwanda as an attractive financial services investment destination) signed • District-level business environment reforms (targeted at alleviating licensing constraints, access to land and construction permits) implemented • Insolvency process simplified • Flow of highly skilled labour from within and outside the EAC facilitated • Enhance public private dialogue (PPD) forum to review sector specific regulations	RDB, MINICOM, Districts, DG Immigration and Emigration
PRIORITY AREA 4: Transform the economic geography of Rwanda by facilitating and managing urbanisation and promoting secondary	4.1 Physical development planning and economic development planning combined and coordination of all development sectors strengthened	• An in depth review of the urban planning system • Clear urban planning and management guidelines	MININFRA (RHA, RTDA), MINALOC, MINERENA

THEMATIC PRIORITY	THEMATIC OUTCOME	INTERVENTIONS	LEAD SECTORS/ INSTITUTIONS
cities as poles of economic growth	4.2 A network of cities and urban centres created that provide services and attract economic activities countrywide	• National investments in infrastructure planning and development • Develop integrated public transport systems in major urban areas; • Develop funding mechanisms, especially related to affordable housing, and develop the mortgage finance industry	
PRIORITY AREA 5: Green Growth	5.1 Increased level of "green" investment and environmentally sustainable urban development that exploits 'green' economic opportunities	• Build the case for green urbanisation in Rwanda • Establish an institutional structure – a Centre of Excellence- to promote and develop green urban areas and technologies • Reform policies to support green urban development • Develop a pilot 'green' city	MINERENA, REMA, FONERWA
	5.2 High environmental standards and sustainable green innovations in the industrial and private sectors incentivised	• Develop an Environment and Climate Change Innovation Centre • Build a regulatory environment that incentivises green technologies and innovation • Pilot promising 'green' technologies • Pilot a 'model' mine	MINERENA, REMA, FONERWA

Rural Development

THEMATIC PRIORITY	THEMATIC OUTCOME	INTERVENTIONS	LEAD SECTORS/ INSTITUTIONS
Priority Area 1: Integrated Approach to Land Use and Rural Settlements	1.1 Improved land rights and land administration 1.2 Enhanced rural settlements which facilitate access to basic services, farm and off-farm economic activities through integrated district land-use plans	• Securing land tenure for all land claimants through systematic Land Administration. Coordinated Land Use Planning through District Land Use Master Plans • Layout plans of villages designed through a consultative process • Land Use Planning is Monitored and Enforced • Supporting the Growth, Quality and Affordability of Rural Housing	MINIRENA/RNRA, MININFRA, MINALOC/TF Rural Settlements
Priority Area 2 Productivity and Sustainability of Agriculture	2.1 Increased Productivity and Sustainability of Agriculture 2.2 Increased Private and Public Advisory Services to Farmers, especially women and youth, for Agriculture Skill Development 2.3 Farming Models scaled up to link farmers and cooperatives to agro-processing	• Irrigation Developed by Public and Private Sector • Land Husbandry Approach promoted across Rwanda • Farmer Field School scaled up • Training of GoR extension workers • Setting up farmer promoters and animal health works • Promote private extension/ advisory services in fertiliser and seed to support privatisation • Models of bulking production implemented	MINAGRI, RDB

Annex 1: Thematic Priorities and Outcomes Matrices

THEMATIC PRIORITY	THEMATIC OUTCOME	INTERVENTIONS	LEAD SECTORS/ INSTITUTIONS
Priority Area 3 Graduation from Extreme Poverty	3.1: Increased and sustained graduation from core social protection programmes for male and female headed households by connecting them to economic opportunities and financial services	• Multi-sector graduation opportunities are promoted • Understanding and monitoring graduation • Supporting effective informal financial services that are useful for the poorest to increase inclusion • Supporting Financial Products for the Rural Poor • National Financial Education and Literacy Strategy • Strengthen Umurenge SACCOs	MINALOC, MINEDUC, MINICOM
	3.2: Improved targeting and effectiveness of social protection interventions especially women and child headed households	• Increasing the coverage of the extreme poor through VUP Direct Support and VUP Public	
Priority Area 4 Connecting Rural Communities to Economic Opportunities Through Improved Infrastructure	4.1 Quality road network & rural feeder roads extended and in good condition	• Feeder Road Construction • Capacity and Knowledge for Communities in Road Works	MININFRA, MINAGRI
	4.2 Increased access to electricity for rural households	• Targeted grid electrification • Encourage rapid growth in private sector solar products • Scale-up of off-grid micro hydro generation • Ensure energy education for the population	MININFRA/ESWA
	4.3 Increased rural households use of efficient cooking sources and methods	• Improve sourcing of wood and charcoal sector support • Promote biogas and alternative sustainable biomass sources • Promotion of improved cooking stoves	MININFRA, MINISANTE

THEMATIC PRIORITY	THEMATIC OUTCOME	INTERVENTIONS	LEAD SECTORS/ INSTITUTIONS
	4.4 Increased connectivity by rural communities, particularly rural women and youth farmers, to relevant information including market information	• Pilot SMART Village • Support ICT expansion and Different types of products in rural areas • Support agriculture information systems in reach of farmers	ICT, MINAGRI
	4.5 Increased access to water & sanitation facilities in rural areas	• Quality of water delivery improved • Private sector management of water supply increased • Sanitation coverage is improved in rural areas	MININFRA/ESWA

Productivity and Youth Employment

THEMATIC PRIORITY	THEMATIC OUTCOME	INTERVENTIONS	LEAD SECTORS/ INSTITUTIONS
PRIORITY AREA 1: Critical Skills and Attitudes for Service and Industrial Sectors	1.1 Curricula of educational institutions meeting skill requirements of employers	• Review of secondary school curriculum • Sector Skills Councils	Education, MINEDUC, WDA
	1.2 Male and female graduates prepared for job market with critical skills needed	• Expansion in availability of quality TVET • Internships and apprenticeships	Education, MINEDUC, WDA
	1.3 Access to skills training for adults, particularly male and female youth and women	• Adult literacy • Short courses • Tri-partite funding system for employee training	Education, MINEDUC, WDA, Private Sector Development
	1.4 Decreased critical skills gaps among men and women	• Attracting diaspora and international talent • Scholarships in critical skills	Education, WDA, MINEDUC, MIFOTRA, MINICOM, RDB
	1.5 Changing attitudes to work	• National Youth Mentorship programme • Campaign to improve Women's position in labour market	Youth, MYICT, MIGEPROF, MIFOTRA
PRIORITY AREA 2: The Role of ICT	2.1 A more productive private sector	• Investment in IT infrastructure through PPPs • Ensure all educational institutions connected to ICT infrastructure	ICT, Private Sector Development, Education
	2.2 A more productive public sector	• Experiments in improving public service delivery through ICT, such as m-health, data collection through SMS, and mobile extension services	ICT, Education, Health
PRIORITY AREA 3: Entrepreneurship, Access to Finance and Business Development	3.1 Increased MSME businesses	• Removing Barriers to Entry for Microenterprises • Access to finance for small businesses • Mentoring, information and awareness	Energy (MINIFRA, EWSA, RDB)
	3.2 Higher productivity amongst MSMEs	• Integrated business development services • Business training • Encouraging cooperatives and associations • SME Product Clusters	Private Sector Development, RDB, MINICOM

THEMATIC PRIORITY	THEMATIC OUTCOME	INTERVENTIONS	LEAD SECTORS/ INSTITUTIONS
	3.3 Better linkages between large firms and small firms	• Proactive targeting of labour-intensive investment • Supply chain linkages • Knowledge transfer partnerships	Private Sector Development, RDB, MINICOM
PRIORITY AREA 4: Labour Market Interventions	4.1 Reduced unemployment among men and women	• Employment Service Centres • Career Advisory Services	Kigali City Council, MIFOTRA, RDB, Higher Education Institutes, MINEDUC, WDA, TVET Centres, Schools

Accountable Governance

THEMATIC PRIORITIES	THEMATIC OUTCOMES	INTERVENTIONS	LEAD SECTORS/ INSTITUTIONS
Priority Area 1: **Citizens' Participation, awareness and demand for accountability**	1.1 Increased participation by women and men in planning processes and solving their own problems	• Encourage "home grown" initiatives to promote citizen participation	Decentralized Sector RGB
	1.2 Enhanced information flows to, and participation of, women and men through established and new channels	• Use ICT to promote participation and development communication	Decentralisation Sector RGB
	1.3 Strengthened accountability	• Regular district council meetings with citizenry on development issues • Capacity Building for JADFs and citizen assemblies	Decentralisation Districts
Priority Area 2: Service Delivery	2.1 Improved citizens' scores on the provision of services	• Development of a service delivery culture	All sectors RDB
	2.2 Improved awareness of service delivery standards and rights	• Creating a Five Star reward and recognition programme for institutions that demonstrate exceptional customer services • Establish an Institute of Customer Services	All sectors/RDB

ANNEX 2 EDPRS 2 MONITORING MATRIX

	EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE (2012) VALUE	2015/16 TARGET	2017/18 TARGET	Responsibility for Reporting	DATA SOURCE (MoV)
	EDPRS 2 GOALS							
1.	Increased national income	GDP per Capita	US$	658	837	1,000	MINECOFIN	NISR
2.	Reduced poverty	Population below the poverty line	Percent	44.9	30.2	< 30	MINECOFIN/NISR	EICV
3.	Reduced extreme poverty	Population below the poverty line living in extreme poverty	Percent	24	15	9	Social Protection Sector	EICV
	ECONOMIC TRANSFORMATION							
4.	Increased electricity generation capacity	Electricity generated	Mega Watts	110	349	563	Infrastructure (Energy)	EAPR Records
5.	Accelerated growth exports	(a) Exports to GDP (Value of exports goods and services)	Percent (Value M$USD)	14.6 (1029.9)	21.1 (2,053.8)	27.2 (3,401.5)	Private Sector and youth Employment	BNR
		(b) Non-traditional exports/Total merchandise exports	Percent (Value M$US)	56 (332.1)	60 (649.6)	60 (978.8)	Private Sector and youth Employment	BNR

	EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE (2012) VALUE	2015/16 TARGET	2017/18 TARGET	Responsibility for Reporting	DATA SOURCE (MoV)
6.	Increased private sector investment and financing	(a) FDI/ GDP	Percent (Value M$US)	2.3 (159.8)	3.5 (313.1)	4.5 (473.4)	Private Sector and Youth employment	MINECOFIN
		(b) Private investment/ GDP	Percent (Value M$US)	10 (693.5)	13 (1,253.7)	15 (1.864.9)	Private Sector and Youth employment	FPC Census (BNR/RDB)
		(c) Credit to the private sector/ GDP	Percent	15.6	18	20.2	Financial Sector	BNR
7.	Managed increase in urbanisation through development of secondary cities	Population living in urban areas of proposed secondary cities	Percent	16	26	32	Urbanization and rural settlements	NISR & MININFRA
8.	Increased access to basic infrastructure at the urban level	(a) Urban households with access to electricity	Percent	46	57	70	Infrastructure (Energy)	EICV3
		(b) Urban households within 200m of an improved water source	Percent	59.9	95	100	Infrastructure (Watsan)	MININFRA

	EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE (2012) VALUE	2015/16 TARGET	2017/18 TARGET	Responsibility for Reporting	DATA SOURCE (MoV)
		(c) Urban households with access to improved sanitation facilities	Percent	83	95	100	Infrastructure (Watsan)	MININFRA
	RURAL DEVELOPMENT							
9.	Increased graduation from extreme poverty	Category 1 or 2 beneficiary households who move to Category 3 to 6	Percent	9.8	30	50	Social Protection	NISR, MINALOC
10.	Increased productivity and sustainability of agriculture	Area under irrigation (Marshland & Hillside)	Ha	25,490	34,196	40,000	Agriculture	MINAGRI
11.	Enhanced rural settlements that facilitate access to basic services	Rural households living in planned (integrated & economically viable) settlements	Percent	37.5	56	70	Urbanization and Rural Settlement (MINALOC)	NISR, MINALOC

	EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE (2012) VALUE	2015/16 TARGET	2017/18 TARGET	Responsibility for Reporting	DATA SOURCE (MoV)
12.	Increased access to basic infrastructure for rural households	(a) Rural households with access to electricity	Percent	5	50	70	Infrastructure (Energy)	NISR, MININFRA
		(b) Rural households within 500m of an improved water source	Percent	47.6	90	100	Infrastructure (Watsan)	NISR, MININFRA
		(c) Rural households with access to improved sanitation facilities	Percent	73	95	100	Infrastructure (Watsan)	NISR, MININFRA
		(d) District earth road Class 2 (Feeder road) upgraded to gravel road	Km	71.6	1,530	2,550	Infrastructure	RTDA, MINAGRI

	EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE (2012) VALUE	2015/16 TARGET	2017/18 TARGET	Responsibility for Reporting	DATA SOURCE (MoV)
	PRODUCTIVITY AND YOUTH EMPLOYMENT							
13.	Availability of critical skills for service and industrial sectors	Employers satisfied with university graduates	Percent	79.4 (2010	> 90	> 90	Education	HEC Study, MINEDUC
14.	Increased entrepreneurship and business development	New SMEs[11] registered annually	No.	9,000	13,500	17,000	Private Sector and Youth Employment	MINICOM
		Value of credit to SMEs by banks and MFIs/SACCOs	RWF billions	161	453	882	Private Sector and Youth Employment	BNR
15.	Increased employment in off-farm sector	Off-farm jobs created	No.	1.4m (2010/11)	2.0m	2.4m	Private sector and Youth Employment	NISR, MIFOTRA

[11] Baseline relates to all businesses, however the majority of registered businesses are SMEs. Targets are for SME growth.

	EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE (2012) VALUE	2015/16 TARGET	2017/18 TARGET	Responsibility for Reporting	DATA SOURCE (MoV)
	ACCOUNTABLE GOVERNANCE							
16.	Increased citizen satisfaction in participation in planning processes and solving their own problems	(a) Citizens satisfied with decentralization and participation	Percent	76.7	80	90	Governance and Decentralization Sector	RGBSC, GMO
		(b) Citizens satisfied with gender parity in leadership	Percent	78.9	80	81	Governance and Decentralization Sector & Districts	RGB, MINALOC
17.	Improved public accountability and democratic governance	Citizens satisfied with access to public information	Percent	57	70	80	Governance and Decentralization Sector	RGSC
18.	Improved public service delivery	Citizens satisfied with (timeliness and quality of) service delivery at the local level	Percent	70.4	75	85	Governance and Decentralization Sector & Districts	RGB
	FOUNDATIONAL AND CROSSCUTTING ISSUES							
19.	Reduced population growth	Total Fertility Rate (TFR)	Rate	4.6 (2010)	4.0	3.4	Health	DHS/HMIS, MINISANTE
20.	Enhanced food security and nutrition	Maize and beans existing as food reserve	Metric Tons	15,909	66,909	100,909	Agriculture	MINAGRI, MINISANTE

	EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE (2012) VALUE	2015/16 TARGET	2017/18 TARGET	Responsibility for Reporting	DATA SOURCE (MoV)
21.	Equitable access to 12 years basic education	(a) Transition from primary to lower secondary (Girls/Boys)	Percent	84.9/87.7	87.0/87.0	89.0/89.0	Education	EMIS, MINEDUC
		(b) Transition from lower secondary to upper secondary (girls/boys)	Percent	97.8/94.0	96.0/96.0	96.0/96.0	Education	EMIS, MINEDUC
22.	Improved education quality and learning outcomes across all levels of education	(a) Pupil: qualified teacher (Primary)	Ratio	62:1	52:1	48:1	Education	EMIS, MINEDUC
		(b) Pupil: qualified teacher (Secondary)	Ratio	34:1	32:1	30:1	Education	EMIS, MINEDUC
23.	Reduced Infant Mortality	Infant Mortality Rate	/'000	50 (2010)	28	22	Health	DHS/ HMIS MINISANTE
24.	Reduced Maternal Mortality	(a) Births taking place in health facilities (HC+DH)	%	63 (2011)	74	82	Health	HMIS, MINISANTE
		(b) Maternal Mortality Rate	/100,000	476	268	220	Health	HMIS, MINISANTE
25.	Reduced child mortality	Mortality rate for 0-5-year age-group	/'000	76	50	42	Health	HMIS, MINISANTE

	EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE (2012) VALUE	2015/16 TARGET	2017/18 TARGET	Responsibility for Reporting	DATA SOURCE (MoV)
26.	Increased use of modern contraceptives	Contraceptive utilization of modern methods by women in unions aged between 15-49 yrs	Percent	45 (2010)	62	72	Health	DHS, HMIS, MINISANTE
27.	Reduced Mother-to-Child transmission of HIV	Sero-positivity for HIV among Pregnant Women attending Ante-natal Clinics	Percent	1.5	1.0	0.6	Health	TRACNET, MINISANTE
28.	Enhanced rule of law, accountability and business competitiveness environment	(a) Adult population with confidence in the Rule of law	Percent	73.3 (2012)	74	> 75	JRLOS	RGB
		(b) Adult population with confidence in Safety and security	Percent	91.3 (2012)	92	93	JRLOS	RGB

	EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE (2012) VALUE	2015/16 TARGET	2017/18 TARGET	Responsibility for Reporting	DATA SOURCE (MoV)
		(c) Adult population with confidence in the control of corruption, transparency and accountability	Percent	77.1 (2012)	78	79	JRLOS	RGB
		(d) Adult population with confidence in the Respect for Human Rights (Political Rights and Civil Liberties)	Percent	73.6 (2012	75	76	JRLOS	RGB
29.	Increased awareness of the benefits of financial services and products	Adult population accessing financial services	Percent	72	80	>85	Financial	MINECOFIN - FinScope Survey, NISR
30.	Increased use of modern payment systems	Payment transactions done electronically	Percent	41.5	65	75	Financial	BNR
31.	Improved resource base	Tax revenue/GDP	Percent	13.6	14.7	15.5	PFM	RRA, Macro

	EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE (2012) VALUE	2015/16 TARGET	2017/18 TARGET	Responsibility for Reporting	DATA SOURCE (MoV)
32.	Increased effectiveness of delivery of District Development Targets	Districts achieving a minimum of 80 % of their service delivery and sustainable local development targets	Percent	75	85	95	Governance and Decentralization	MINALOC
33.	Reduction of capacity gaps across sectors in line with national development priorities	Skill requirement levels available within priority sectors to deliver EDPRS 2	Percent	25	50	70	MINECOFIN/PSCB Sect.	MINECOFIN/PSCBS

ANNEX 3 EDPRS 2 MONITORING MATRIX SECONDARY INDICATORS (Baselines and targets to be developed in EDPRS 2)

	EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	Responsibility for Reporting
	ECONOMIC TRANSFORMATION			
1.	Increased access to basic infrastructure at the urban level	Urban District feeder roads in good condition	Km	Infrastructure
2.	Increased level of green investments	(a)Value of Green investments (FDI)	M$US	ENR/Private Sector & Youth Employment
	RURAL DEVELOPMENT			
3.	Increased productivity and sustainability of agriculture	Yield of 6 priority crops (or better combined productivity measure)	Rwf/Ha	Agriculture
	PRODUCTIVITY AND YOUTH EMPLOYMENT			
6.	Availability of critical skills for service and industrial sectors	(a) Percentage of TVET Graduates employed after Six months of Graduation	Percent	MINEDUC/WDA
		(b) Employers satisfied with TVET graduates	Percent	MINEDUC/WDA
		(c) University Graduates employed one year after graduation	Percent	MINEDUC/WDA

	EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	Responsibility for Reporting
7.	Increased entrepreneurship and business development	SMEs still in business two years after start-up (SME Survival)	Percent	Private sector and Youth employment
8.	Reduced under-employment among youth	(a) Off-farm working population 16 to 35 years under-employed (*working <35 hours/week*)	Percent	Private Sector and Youth Employment
		(b) Off-farm working population 16 to 35 years *extremely* under-employed (*working <16 hours/week*)	Percent	
9.	Increased overall employment	Jobs created annually	No.	
10.	Enhanced linkage of labour supply and demand	Job seekers matched to job opportunities	Percent	Private Sector and Youth Employment
	ACCOUNTABLE GOVERNANCE			
11.	Enhanced media performance to facilitate development	Media development barometer	Percent	RGB
	FOUNDATIONAL ISSUES			
12.	Increased utilization of financial services	Adult population with bank accounts	Percent	Financial

ANNEX 4 DISTRICT ECONOMIC TRANSFORMATION PRIORITIES

CITY OF KIGALI

DISTRICT	PRIORITIES
GASABO	Improve urbanization settlement as per Gasabo master plan through Developing Affordable Houses in collaboration with Private Sector & other Partners like Rwanda Social Security Board
	Promote private sector investment through tourism development and establishment of Business development centres to Tap into Investment Opportunities like Kigali Conventional Center
	Improve the Transport Network in the District by; Constructing Fly-Overs in high Density areas to reduce Traffic Jam & ease doing business, Create dedicated bus lanes on expanded roads, Secure 17 km of land and Construct Rapid Bus Terminals
	Sensitize, Train and Mobilize Citizens and Private Sector to tap into Investment Projects in the Special Economic Zone in order to Create Forward & Backward Linkages (Between SMEs and Large Firms in the Special Economic Zone)
NYARUGENGE	Fast Track Implementation of Nyarugenge District Master Plan Projects Such as; Development of Nyabugogo Modern Market, Construction of Business Centres in Muhima and Nyarugenge & Mobilizing Private Sector to invest in those Projects
	Promote Tourism within the District by Developing Existing Potentials like Mt. Kigali (Historical Site where some Kings built Palaces in the past Centuries),
	Improve the Urbanization and Settlement Patterns in the District through Development of Phase 1 of Central Business District (CBD) in Muhima, Construction of Residential Townships in Kanyinya, Akumunigo and Rugarama
KICUKIRO	Improve road networks through; Construction & Rehabilitation of existing Roads in conjunction with transport Sector, developing road Junctions & Fly-Overs, Expanding the Width of Existing Main Roads and attracting More Private Companies in the Public Transport System
	Facilitate and Partner with the Private Sector in the construction of; Six Higher learning Institutions and rehabilitation and construction of Eight Modern Markets.
	Promote Urbanization & Group Settlements by; Developing identified sites through availing the necessary Infrastructure, Partnering with Private Sector to construct affordable housing and promotion of pro- poor Building Materials such as Provision & Training of Cooperatives on the use of Hydro foam machines
KIGALI CITY	Improve Road Network in the City to enhance Trade through; Construction of 6 road Junctions, developing dedicated bus lanes, develop the Rapid Bus Terminal Corridor and Build the Capacity for Civil Engineers
	Promote Urbanization & Group Settlements by establishing a Land Bank to; facilitate affordable housing Projects, public parks and plazas among other projects
	Improve the city road network by constructing both asphalt (30km) and stone paved roads (100km), rehabilitating existing poor roads (29.5km) and liaising with Central Government Agencies like MININFRA to avail enabling infrastructure such as electricity to reduce the cost of doing business for Private Investors

NORTHERN PROVINCE

DISTRICTS	PRIORITIES
BURERA	Mobilize Private sector in tourism development by Constructing three hotels on hills overlooking Ruhondo and Burera lakes
	Modernizing agriculture by Increasing Wheat and Irish potatoes production as priority crops to food security
GAKENKE	Modernized agriculture with focus on coffee production for export sector
	Enhance partnership with private sector with strong focus in mining sector (existence of Coltan, Wolfram, Cassiterite minerals)
GICUMBI	Infrastructure development by constructing the district industrial park
	Transforming agriculture by increasing productivity of wheat and Milk for cross border trade development
	Mobilizing private sector in creation of factory for Urugarika rock processing in construction products(tiles)
MUSANZE	Modernize agriculture with special focus on promoting agro processing industries for the main district products for exports (Irish potatoes, wheat and pyrethrum)
	Facilitate Private Investors in the District to Promote and improve Tourism by liaising with relevant central government agencies to avail necessary infrastructure like roads and electricity and Partner with higher learning institutions to develop and avail a pool of competent and skilled personnel in tourism and hospitality
	Finalize Musanze district land use master plan and the district detailed physical master plan and enforce their implementation to position the District as a secondary City and attract private sector to develop low cost houses in the district
RULINDO	Construction materials development as an input to the building of peripheral area of Kigali City
	Promote Private sector investment in use of alternative sources of energy(solar and biogaz) for electricity connectivity
	Construct Base-Kabasaza bridge and maintaining the main district roads(17km of Kirenge-Nyirangarama and 9 km of Ngoma-Cyuga) to facilitate access to market for fruits and vegetables production

SOUTHERN PROVINCE

DISTRICTS	PRIORITIES
NYAMAGABE	Construction of Integrated value addition chain for tea and wheat production as results of increased land use consolidation
	Promote the public private partnership in livestock processing by constructing 5 pig processing plants targeting meat market in Rusizi and DRC
	Improve the road infrastructure by rehabilitating Kaduha-Musebeya-Uwinkindi-Kitabi road (69.9 km) to connect with Karongi district
KAMONYI	Increase value addition for local production by constructing transformation units for honey and pineapples. Promote business by constructing Nkoto modern market.
	Work with private investors to establish low cost houses catered for district population as well as people from Kigali City
NYARUGURU	Improve inter-district transport by constructing tarmac road Matyazo-Kibeho-Akanyaru connecting to Huye District
	Develop industry and services to support growth of religious based tourism within Kibeho city.
MUHANGA	Construction and operationalization of Agakiriro Center (handcraft and exploitation of mining and quarries).
	Processing of mining products to be done especially in areas not suitable for agriculture
RUHANGO	Construction of electricity lines in Bweramana-Mwendo- Kinihira-Mbuye and Kabagali (5 electricity lines) for boosting business in different trade centers
	Increasing productivity of priority crops (maize, cassava, rice and beans) by increasing the use of fertilizers for both food security exports to Burundi.
NYANZA	Construct feeder roads on 169km in all sectors of Nyanza District to facilitate distribution and marketing of farmers products
	Increase population access to electricity by Constructing an electricity line of Busasamana-Rwabicuma-Nyagisozi.
GISAGARA	Promote pig rearing for development of meat market with focus on pork production. .
	Support initiation of 30000 SMEs, including those initiated by people with disability, youth, women and historical marginalized people as an improved social protection measure.
HUYE	Promote Public Private Partnership in layout and development of district industrial park
	Attract private investors in the development of pharmaceutical industry within the District.
	Extension of electricity infrastructure to Rwaniro and Kigoma sector and supply electricity to 25 new villages to attract education investments.

WESTERN PROVINCE

DISTRICT	PRIORITY
KARONGI	Increase production and crop productivity for selected export crops (Tea and Coffee); and livestock production (fishes in cages and Isambaza, cattle, bees and small livestock) and slaughter houses construction
	Promote tourism activity on Lake Kivu and other tourism sites (Karongi Environment Museum, Akarwa k'Amahoro, Source du Nil, Chapeau de Napoleon, Nyungwe Forest) in relation to the implement the Kivu belt project
NGORORERO	Increase the mining productivity (through modernized mining and establishing a mining center)
	Increase agricultural and livestock production (mainly promoting Tea and coffee for export, maize and cassava)
	Urbanize Ngororero and Gatumba centers and develop at least one model settlement (umudugudu) in every sector
RUTSIRO	Increase crop production and productivity of both cash and food crops (Coffee, Tea, Maize, Fruits and Honey), post-harvests handling storage system as raw materials for agro-processing industries
	Develop the tourism through the construction of tourism infrastructures (Roads, hotels and beaches around Lake Kivu and Eco lodges near Gishwati and Mukura forest)
	Increase ICT penetration and awareness of ICT, and enhance access to its utilization for private and public institutions for economic transformation and rural development (all sectors).
RUBAVU	Implement the Kivu belt project (construct roads, modern ports, hotels) to smooth tourism, promote cross border trade (mainly to North Kivu) and inter connection between Rubavu, Karongi, Rutsiro Nyamasheke, and Rusizi
	Increase agricultural and livestock production (build carrots juice transformation unities in Nyakiliba, Rugerero sectors; modern slaughterhouse construction, Leather collection and preparation, exportation of processed meats (pigs and Cows, poultry)
	Enhance urbanization through development and implementation of the City's Master Plan (hard: roads, hotels, artificial park, and soft infrastructure) and develop water transport and tertiary services.
RUSIZI	Implement the Kivu belt project (construct roads, modern ports, hotels) to smooth tourism, promote cross border trade (mainly to south Kivu) and inter connection between Rusizi, Nyamasheke, Karongi, Rutsiro and Rubavu.
	Develop business infrastructure while focusing mostly on feeder roads, airport extension, shipping, shipyard and industrial park (i.e. Cement and rice)
NYAMASHEKE	Agriculture promotion for increasing tea productivity as an input to tea agro processing unities in the region plus horticulture, passion fruits and macadamia promotion
	Promoting the fishing production and aquiculture as source of off farm jobs
NYABIHU	Increase agricultural productivity for both food crops and export crops (pyrethrum, wheat, Irish potatoes and maize) and increase agro-processing units
	Implement the Provincial Industrial Park through zoning, infrastructure Development (Agro-Processing Units: Wheat and Maize Processing Plants), Modern markets construction and Mobilizing the Private Sector to invest in Hotels Services.

EASTERN PROVINCE

DISTRICT	PRIORITIES
NYAGATARE	Establishment of Agro, Livestock and Animal Feeds Plants to develop diary industry
	Urban and rural Infrastructure Development (tarmac roads (20km,) feeder roads (300km) Housing and electrification to tap rural-urban forward and backward linkages
	Position Nyagatare District as a secondary City focusing on the livestock and diary and building materials
GATSIBO	Coffee processing plant, maize processing, Leather Industry and shoe making plant
	Develop diary industry through transformation of Milk Collection Centers into diary business centers
	Modern settlement &Agakiriro business center
KAYONZA	Promotion of mining sector (wolfram coltam and casselite) in Rwinkwavu sector. Increase access to electricity and rural water coverage to support in the agro processing plus feeder roads to boost agricultural growth and SMEs
	Support youth cooperatives in all sectors of districts, TVET construction and youth centers in Mukarange sector and this will support youth employment.
RWAMAGANA	Modern settlement & Agakiriro business center
	Increase production and promotion of export crops (floriculture currently at 300 ha
	Develop tourism through the construction of tourism infrastructures (4 new hotels and beaches around Lake Muhazi.
NGOMA	Agakiriro development centre to increase off-farm jobs
	Attract private investors in industrial development with focus on Palm oil processing &Paper factory
	Urban and rural road network (Construction of 15 Km of tarmac roads, construction of 11.68 Km of stone paved roads, rehabilitation of 350 km of feeder roads and upgrading (asphalt) of 53 km road from Ngoma to Ramiro (Bugesera District to improve urban and rural accessibility and easy movement of persons, goods and services
KIREHE	Modern settlement & Agakiriro business center in Nyakarambi town
	1 cross border Market, 3 Hotels, 1Roadside station, Kibungo Investment Group to be created in support of investment
	Developing urbanization and settlement in Mulindi, Kiyanzi, Gatore, Nganda and Rwanteru sectors
BUGESERA	Promote tourism activity on virgin sites around the lakes; Rumira, Mirayi, Kirimbi and Kodogo.
	Promote private investment in Fish farming in the 9 existing lakes& Fish ponds
	Infrastructure development: (Construction and operationalization of Industrial park and Hotels and guest houses targeting Bugesera Airport opportunities and it will attract business, investors, services providers and tourists. This will boost off- farm jobs