

Rwanda: Poverty Reduction Strategy Paper Annual Progress Report

Poverty Reduction Strategy Papers (PRSPs) are prepared by member countries in broad consultation with stakeholders and development partners, including the staffs of the World Bank and the IMF. Updated every three years with annual progress reports, they describe the country's macroeconomic, structural, and social policies in support of growth and poverty reduction, as well as associated external financing needs and major sources of financing. This country document for **Rwanda**, dated **October 2004**, is being made available on the IMF website by agreement with the member country as a service to users of the IMF website.

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to publicationpolicy@imf.org.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
700 19th Street, N.W. • Washington, D.C. 20431
Telephone: (202) 623-7430 • Telefax: (202) 623-7201
E-mail: publications@imf.org • Internet: <http://www.imf.org>

Price: \$15.00 a copy

**International Monetary Fund
Washington, D.C.**

REPUBLIC OF RWANDA



MINISTRY OF FINANCE AND ECONOMIC PLANNING

Directorate of Strategic Planning and Poverty Reduction Monitoring

P .Box 158 KIGALI

Tél. : (250) 577 994- 570523

Fax : (250) 577 581- 570522

E-mail : mfin@rwanda1.com

**POVERTY REDUCTION STRATEGY
ANNUAL PROGRESS REPORT**



October 2004

TABLE OF CONTENTS

ACRONYMS	5
ACRONYMS	5
EXECUTIVE SUMMARY	7
INTRODUCTION	14
I. OVERALL PRS FRAMEWORK	16
1. MACROECONOMIC PERFORMANCE	16
1.1. <i>Real Sector Performance</i>	17
1.1.1. Agriculture	17
1.1.2. Industry	17
1.1.3. Services	18
1.1.4. Price Developments	19
1.2. <i>Fiscal Developments</i>	19
1.2.1. Revenue Collection Performance	20
1.2.2. Expenditure Developments	21
1.2.3. Fiscal Deficit Financing	21
1.3. <i>Balance of Payments</i>	22
1.3.1. Exports	22
1.3.2. Imports	23
1.3.3. Current Account Balance	24
1.4. <i>Debt Management and HIPC Completion Point</i>	25
2. PUBLIC FINANCE MANAGEMENT	26
2.1. <i>Core Public Finance Management Reforms</i>	26
2.1.1. Legal and Regulatory Framework	26
2.1.2. Deconcentration of budget and accounting responsibility	26
2.1.3. Creation of an integrated finance management information system	27
2.1.4. Consolidation of the MTEF	27
2.1.5. Improving treasury management	27
2.1.6. External and internal audit and control	27
2.1.7. Procurement	27
2.2. <i>Fiscal Decentralization</i>	28
2.2.1. Budget Transfers	28
2.2.2. Local Revenue Collection	28
2.3. <i>2003 Budget Execution</i>	29
2.3.1. Revenue	29
2.3.2. Expenditure	29
2.3.3. Analysis	31
2.4. <i>Crosscutting issues</i>	33
3. MONITORING, EVALUATION AND PARTICIPATION	34
3.1. <i>Institutional Setup</i>	34
3.2. <i>Priority Program Monitoring and Evaluation System</i>	35
3.3. <i>Monitoring of Household Living Conditions</i>	36
3.4. <i>Participatory and Community Based Monitoring & Evaluation</i>	36
3.5. <i>Harmonisation & Co-ordination of Aid</i>	37
II. PRS PRIORITY SECTORS	39
4. RURAL DEVELOPMENT AND AGRICULTURAL TRANSFORMATION	39

4.1.	<i>Agricultural production and animal husbandry</i>	39
4.1.1.	Development of exports crops	41
4.1.2.	Modern agricultural inputs: improved seeds and fertilizers	41
4.1.3.	Animal husbandry and livestock development	42
4.1.4.	Research, extension and marketing	43
4.1.5.	Planning	44
4.2.	<i>Land, Environment, Forest resources, Soil and Water Management</i>	45
4.2.1.	Land	45
4.2.2.	Environment Policy	46
4.2.3.	Forest resources	46
4.2.4.	Soil and Water Management	46
4.3.	<i>Credit and off-farm employment</i>	47
5.	HUMAN DEVELOPMENT – EDUCATION	48
5.1.	<i>Priority Delivery Areas</i>	48
5.1.1.	Early Childhood Care and Development (ECCD)	48
5.1.2.	Primary Education	49
5.1.3.	Secondary Education	50
5.1.4.	Tertiary Education	50
5.1.5.	Science and Technology	51
5.1.6.	Technical Education	52
5.1.7.	Mass Education and Functional Literacy	52
5.2.	<i>Planning, Management and Financing</i>	52
5.2.1.	Planning and Management	52
5.2.2.	Public expenditure on education	53
5.2.3.	Monitoring and Evaluation (M&E)	53
6.	HUMAN DEVELOPMENT – HEALTH	55
6.1.	<i>Sector Performance Review in 2003</i>	55
6.1.1.	Management and Governance of the Health System	56
6.1.2.	Financing of the Health Sector	56
6.1.3.	Delivery of High Impact Health Services	57
6.2.	<i>Policy Process</i>	58
7.	ECONOMIC INFRASTRUCTURE DEVELOPMENT	59
7.1.	<i>Transport and Telecommunications</i>	59
7.2.	<i>Energy</i>	59
7.3.	<i>Water and sanitation</i>	60
7.4.	<i>Housing and Urbanisation</i>	61
8.	HUMAN RESOURCES AND CAPACITY BUILDING	62
8.1.	<i>Employment</i>	62
8.2.	<i>The Public Sector</i>	64
8.3.	<i>Vocational Training</i>	64
8.4.	<i>Public Sector Reform</i>	65
8.5.	<i>Public-private sector partnership</i>	66
9.	PRIVATE SECTOR DEVELOPMENT	67
9.1.	<i>Promotion of Private Investment and Entrepreneurship Development</i>	67
9.2.	<i>Financial Sector</i>	67
9.3.	<i>Privatisation</i>	68
10.	GOOD GOVERNANCE	70
10.1.	<i>Security</i>	70
10.2.	<i>National Unity & Reconciliation</i>	71
10.3.	<i>Human Rights</i>	72
10.4.	<i>Criminal Justice System and Gacaca</i>	72
10.5.	<i>Decentralisation</i>	73

10.6. Constitutional Reform & Democratisation..... 75
10.7. Accountability & Transparency..... 75
10.8. Cross-cutting issues in the governance sector..... 75
ANNEXES..... 77

ACRONYMS

➤ AfDB	African Development Bank
➤ AGOA	African Growth Opportunity Act
➤ BNR	Banque Nationale de Rwanda (Rwanda National Bank)
➤ BSHA/F	Budget Support Harmonization Agreement/Framework
➤ CBTI	Capacity Building and Technical Input plan
➤ CDC	Community Development Committee
➤ CDF	Common Development Fund
➤ CEPEX	Central Public Investments and External Finance Bureau
➤ CFAA	Country Financial Accountability Assessment
➤ COMESA	Common Market for East and Southern Africa
➤ CPAR	Country Procurement Assessment Review
➤ DEF	District Education Fund
➤ DFID	Department for International Development
➤ DHS	Demographic & Health Survey
➤ DIP	Decentralisation Implementation Programme
➤ DMU	Decentralisation Management Unit
➤ DPCG	Development Partners Co-ordination Group
➤ DRC	Democratic Republic of Congo
➤ EC	European Commission
➤ ECCD	Early Childhood Care & Development
➤ EFA	Education For All
➤ EICV	Enquete Intégrale sur les Conditions de Vie des Ménages (Household Living Conditions Survey)
➤ EMIS	Education Management Information System
➤ EPMR	Expenditure and Performance Monitoring Report
➤ ESSP	Education Sector Strategic Plan
➤ Ex-FAR	Ex-Forces Armées Rwandaises
➤ FARAP	Financial Accountability Review and Action Plan
➤ FMAPM	Financial Management and Accounting Procedures Manual for Local Administrations
➤ GDI	Gross Domestic Investment
➤ GDP	Gross Domestic Product
➤ GEPS	Gender in Education Policy and Strategy
➤ GoR	Government of Rwanda
➤ H&A	Harmonization & Alignment
➤ HARPP	Harmonization & Alignment in Rwanda of Projects and Programmes
➤ HIPC – AAP	Heavily Indebted Poor Countries – country Assessment & Action Plan
➤ HLF	High Level Fora
➤ HLI	Higher Learning Institute
➤ HMIS	Health Information Management System
➤ HRDA	Human Resource Development Agency
➤ ICT	Information & Communication Technology
➤ IGF	Inspection Générale des Finances
➤ IMF	International Monetary Fund
➤ JRES	Joint Review of the Education Sector
➤ JSPR	Joint Sector Programme Review
➤ LIC's	Low Income Countries
➤ LT	Long Term
➤ MDG	Millennium Development Goal
➤ MFI	Micro Finance Institution
➤ M&E	Monitoring & Evaluation
➤ MIFOTRA	Ministry of Public Service, Skills Development and Labour
➤ MIGEPROF	Ministry of Gender and Women Promotion
➤ MINAGRI	Ministry of Agriculture and Livestock
➤ MINALOC	Ministry of Local Government, Community Development & Social Affairs
➤ MINADEF	Ministry of Defense
➤ MINECOFIN	Ministry of Finance and Economic Planning
➤ MINEDUC	Ministry of Education, Science, Technology and Scientific Research
➤ MINICOM	Ministry of Commerce
➤ MINIJUST	Ministry of Justice
➤ MININFRA	Ministry of Infrastructure
➤ MININTER	Ministry of the Interior
➤ MINISANTE	Ministry of Health
➤ MIS	Management Information System
➤ MLA	Monitoring Learning Achievements
➤ MSCBP	Multi Sector Capacity Building Programme
➤ MTEF	Medium Term Expenditure Framework
➤ NCHE	National Council For Higher Education

➤	NDIS	National Decentralisation Implementation Secretariat
➤	NDSC	National Decentralisation Steering Committee
➤	NEC	National Electoral Commission
➤	NEPAD	New Economic Partnership for African Development
➤	NGO	Non Governmental Organisation
➤	NHRC	National Human Rights Commission
➤	NIS	National Investment Strategy
➤	NTB	National Tender Board
➤	NURC	National Unity & Reconciliation Commission
➤	OAG	Office of the Auditor General
➤	OBL	Organic Budget Law
➤	OECD/DAC	Organisation for Economic Co-operation & Development / Development Assistance Committee
➤	ONAPO	Office National de Population (National Population Office)
➤	PER	Public Expenditure Review
➤	PETS	Public Expenditure Tracking Survey
➤	PFM	Public Finance Management
➤	PPA	Participatory Poverty Assessment
➤	PPMER	Projet de Promotion des Petites et Moyennes Entreprises Rurales (Project for the Promotion of Small & Medium Sized Rural Businesses)
➤	PRS APR	Poverty Reduction Strategy Annual Progress Report
➤	PRSC	Poverty Reduction Support Credit
➤	PRSP	Poverty Reduction Strategy Paper
➤	PSIA	Poverty & Social Impact Analysis
➤	PTA	Parent Teacher Association
➤	QUIBB	Enquete sur les Indicateurs de base du bien-etre (Basic Welfare Indicators Survey)
➤	RALGA	
➤	RDF	Rwandan Defense Forces
➤	RDRC	Rwanda Demobilisation & Reintegration Commission
➤	RES	Rural Economy Strategy
➤	RNIS	Rwandan National Institute for Statistics
➤	ROSC	Report on the Observance of Standards and Codes
➤	RRA	Rwanda Revenue Authority
➤	SG	Secretary General
➤	SFAR	Student Financing Agency for Rwanda
➤	SIBET	Système Informatique du Budget de l'Etat (Information System for the State Budget)
➤	SPPMD	Strategic Planning & Poverty Monitoring Department
➤	ST	Short Term
➤	SWAP	Sector Wide Approach
➤	TA	Technical Assistance
➤	TAC	Textbook Approval Committee
➤	TDM	Teacher Development & Management
➤	TIG	Travaux d'Intérêt Général (Works for the General Interest)
➤	TPR	Taxe Professionnel
➤	UBPR	Union des Banques Populaires Rwandais (Rwanda Union of Popular Banks)
➤	UNDP	United Nations Development Programme
➤	UPE	Universal Primary Education
➤	VAT	Value Added Tax
➤	VSW	Vulnerability Support Window
➤	WB	World Bank

EXECUTIVE SUMMARY

1. Annual PRS Progress Report Process

Rwanda's PRSP was finalised and endorsed by all internal and external stakeholders in June 2002. In June 2003, a first Annual Progress Report (APR) was published. This report is the second Annual Progress Report of Rwanda's PRSP process, reporting progress made in PRS implementation from June 2003 until June 2004¹.

The 2004 APR is an important progress marker in Rwanda's long-term vision to reduce the proportion of Rwandans living below the poverty line from 60% to 25% and raise per capita incomes from \$250 to above \$1000². It represents an analysis of progress to date under the 2002 PRSP and sets out in detail government initiatives, which contribute to the goal of poverty reduction. It is also a policy document in the sense that, since line ministries have for the first time been directly responsible for reporting on action in their priority areas, forward planning and budget priorities have been more closely represented than ever before.

This second APR takes a more forward looking approach than the first APR, reflecting changes in the environment since 2002 and ongoing activities at the sector level. This broader and more ambitious view needs to be carefully balanced with the need to retain coherence in the overall PRS framework.

Rwanda's second PRS APR was produced in a consultative and participatory manner. The APR process was officially launched on March 21, 2004 and drew on substantial contributions from line ministries, donors, provinces, civil society and the private sector. Parliamentarians and representatives of decentralized entities also contributed to the review process. The drafting of the report was coordinated around existing GoR-donor cluster arrangement with the leadership of the lead sectoral ministry in close collaboration with the facilitating donors. Drafting teams for the different chapters of the progress report included government officials, donor representatives, civil society, the private sector and MINECOFIN focal point. These teams coordinated meetings and consultations with all stakeholders in their respective sectors to produce chapters in line with their terms of reference³. MINECOFIN centralised and edited the whole document, to ensure harmony and coherence with the priority areas of the PRSP.

This year donors made a joint assessment of the draft report and gave joint comments at its validation, which were subsequently incorporated in the final report. This was a very important development in the PRS annual review process.

The report is divided into three parts. The first section of the report presents the overall PRS framework, comprised of chapters on the Macro Economic Environment (chapter 1), Public Finance Management (chapter 2), Monitoring and Evaluation (chapter 3).

Section 2 reports on progress made and the current outlook of the six broad priority sectors identified in the 2002 PRSP: Agriculture (chapter 4), Human Development – Education (chapter 5), Human Development - Health (chapter 6), Economic Infrastructure (chapter 7), Human Resources and Capacity Building (chapter 8), Private Sector Development (chapter 9) and Good Governance (chapter 10).

¹ However, where appropriate, progress over the whole of 2003 might be considered too (e.g. PFM chapter on fiscal year 2003)

² PRSP, June 2002

³ "Terms of Reference for the PRSP's Second Progress Report Sectoral Drafting Teams", SPPMD, MINECOFIN, May 2004.

Section 3 groups all the annexes, dominated by annex C, the PRSP Policy Matrix (page 79). The policy matrix reports on progress in 2003 and envisaged progress/activities in following years in the main areas in each sector, whilst more detailed analysis is located in the main text.

Crosscutting issues, identified as (1) gender, (2) technology, (3) environment, (4) HIV/AIDS, (5) inequality and (6) harmonisation and co-ordination are as much as possible covered within the relevant chapters. For example, the Monitoring, Evaluation and Participation chapter gives the overview on Harmonisation & Co-ordination issues, whilst progress against HIV/AIDS is outlined in the Health chapter.

2. Major achievements during 2003

The year 2003 saw the end of the transition with a New Constitution developed through broad consultation and adopted by a referendum. Following adoption of the Constitution, democratic presidential and parliamentary elections were held and a reform of the Judiciary system started. Rwanda also maintained its commitment to peace in the Great Lakes region and in Africa at large, continued with the professionalisation of the army and the police and the process of demobilization and reintegration. Progress was also made in community-based hearings for those accused of genocide (gacaca process) with substantive legal and structural reforms in the gacaca system. Commitment to good governance was also reflected in the continued emphasis for national unity and reconciliation, respect of human rights and creation of the office of the ombudsman to fight corruption and assure voice of the people. The decentralization process was also further strengthened with decentralizing down to sector level. This will go along way to ensure that services are brought closer to the grassroots population for effective service delivery. These programs and governance institutions will be further strengthened in 2005.

In 2003, macroeconomic performance fell short of expectations. After an extended period characterized by a strong expansion of economic activity, real GDP growth has slowed to 0.9%. Following exceptionally strong growth in 2002, food production fell well below the expected level, owing to poor rains. A 15 percent growth in the construction sector moderated the slowdown in economic activity. At the same time, a drop in export earnings combined with an increase in demand for foreign exchange led to a 15% depreciation of the Rwanda franc against the US\$. Imported inflation and the increase in food prices, along with the growth of the money supply, resulted in an average inflation rate of 7.7%.

Progress was made in 2003 on the reform of public finance management. In addition to the Organic Budget Law, which was drafted, providing for a modern PFM system, the Government developed and adopted a Financial Accountability Review and Action Plan, FARAP. However, constraints to strong PFM still need to be addressed. The consequence of necessary and unavoidable expenditures on presidential and legislative elections and the referendum in 2003 was that expenditure exceeded its target level for the year. Predictability and timing of external grants has also impacted on financial deficit management with election expenses falling during a period of low external financing.

Fiscal Decentralisation to local government has been relatively disappointing, with slow progress towards meeting the target of 10% of National Domestic Revenue devoted to the Common Development Fund. MINALOC is now working with partners to improve the transfer system and local budgeting, whilst pilot studies are underway to assess the potential for raising local revenue.

During 2003, progress was also made toward the development of sector strategies that will form the basis for the full review of the PRSP scheduled for 2005. The strengthening of the linkages

between the sector strategies and the MTEF, along with improved coherence between the PRS and Budget cycle, will allow better coordination and alignment behind PRS priorities.

The GoR also sought to reinforce the monitoring and evaluation function through measures including the establishment of a national statistics institute; the integration of the recurrent and development budgets monitoring into the new public books; while the joint monitoring system has been piloted in 2003 before its extension to all line ministries in 2005. Finally, PRS monitoring and evaluation will continue to be informed by a set of planned surveys and enriched by information originated from community-based (decentralised) PRS monitoring, for which a framework has been developed in 2004.

Agricultural transformation and rural development is at the heart of Rwanda's PRSP. Unfortunately, over 2003, the weak performance of this sector caused by bad rains has contributed to an increase in the vulnerability of poor households (the QUIBB 2003 survey reveals that more than 50% of households judge their living conditions to have deteriorated compared to 2002⁴) despite the improvement in livestock production. The sector strategy, as set in the PRSP, is based on transforming agriculture and raising rural incomes by encouraging the use of modern inputs on priority crops. However, there are signs that the rate of use of fertilisers, that was already very low, decreased (from 5% in 2001 to 1.4% in 2003⁵) while most of the improved seeds produced were for Irish potatoes. This may explain that Irish potatoes together with rice are the only priority food crops to have witnessed increased production in 2003. Rice production increased due to an expansion of cultivated areas (claimed marshlands). The Government is committed to laying the foundations upon which the export sector can flourish.

The strategy for the future (and the medium-term expenditure framework) will emphasise programs geared towards increasing the productivity of the existing agriculture-based economy but also assisting the development of non-traditional forms of economic activity and exports. First, in the agriculture sector, the government will increase the productivity of agriculture through use of modern inputs and the strengthening of productive capacities⁶.

Given the importance of export-led growth for Rwanda's economic future it is vital that efforts are stepped up in developing and implementing the strategy for this area. The strategy has been developed in 2004 and will be strengthened by the results of a diagnostic study under the Trade related integrated framework. In 2005, the strategy will be fully elaborated around improving the productivity of Rwanda's exportable agriculture sector, increasing non-agricultural exports and the construction and rehabilitation of infrastructure which can so often be an important barrier to trade. This will also involve the creation of the Export Processing Zone to be built on the outskirts of Kigali and provisions for the development of tourism.

Crucial to sustainable rural development is the land issue, on which consultations continued in 2003 and 2004. The land law was approved by Cabinet and is now under discussion in Parliament. To ensure sustainability of the strategy, the Government has created the Rwandan Environmental Management Agency in MINITERE, which implements the nation's policy for environmental protection, giving priority to the development of an information system and institutional strengthening within the environment sub-sector.

The satisfactory implementation of the agriculture and rural development strategy will require increased efforts in research, extension and marketing services, thereby implying the strengthening

⁴ MINECOFIN, QUIBB 2003, March 2004

⁵ The figure for 2001 is from EICV 2001 whilst the one for 2003 are from the QUIBB 2003.

⁶ Increased provisions are made in the 2005 Budget programs of seed and chemical fertilizer supply and for livestock rearing, concentrating on vaccinations and artificial insemination

of the MINAGRI human capacities and related decentralised services. The strategy also ensures that the shortage of financial resources in rural areas is addressed; in this regard, various credit schemes were established in 2003 while a microfinance policy has been developed in 2004. The GoR also envisages transfers to districts for this purpose, in 2005, whilst restructuring of BRD with the new agricultural fund to be operational by end-2004 will channel resources to the agricultural sector. The HIMO programme developed in 2003 has started operations; it is expected to help recapitalise rural areas.

Much progress was made in the area of human resource development. In 2003, the education sector made significant progress in relation to planning, coordination of interventions and decentralisation of services through the elaboration of its Education Sector Strategic Plan (ESSP) and its roll-out to all provinces in 2003–2008, an EFA strategy, the start of developing a strategy for science and technology, and the holding of Joint Reviews in the Education Sector (JRES) bringing together all stakeholders.

The fee free primary education and the GoR capitation grant effective from 2003 considerably improved access to primary education and the Government will have to build new schools to meet the rise in the participation rate. The construction of new lower secondary schools increased the transition rate to secondary education, although the 9-year basic education policy is expected to further increase this rate, putting even more pressure on the Government for the construction of new classrooms. However, this alone, will not achieve the educational goals and more needs to be done to enhance quality of both primary and secondary education on curriculum development, qualified teachers and educational material (lack of textbooks being the main reason of dissatisfaction of students), adult literacy, and the capitation grant system (to increase access for the poorest students to education). In the area of girls' education, efforts shall be made to improve access for girls to quality academic programs and scientific streams.

In tertiary education, the main developments in 2003 include the passing of the Higher Education Bill and the establishment of the Students Financing Agency for Rwanda (SFAR) that are expected to improve governance of the tertiary education sector whilst increasing private participation and allowing increased access for those from poor households. In 2003, three private higher learning institutions were opened and one more in early 2004, bringing the number to 8 (excluding the 6 public institutions). The GoR has taken measures since 2003 to reduce public expenditure on non-academic costs thereby reducing unit cost.

Most of Youth Training Centres (for vocational training) are inadequately funded and need rehabilitation. The education's long-term strategy stresses the necessity to have one technical school (well-equipped and well staffed) in each province, and a vocational training centre in each district. In 2003, a study on Technical Education and the labour market was conducted and the recommendations adopted have been used in the development of a draft policy and strategy for technical education.

The Health sector also achieved significant progress in planning and coordination through the development, in collaboration with stakeholders, of the Health Sector Strategic Plan (HSSP), which is scheduled for final adoption during 2004.

Indicators from the health information management system show signs of improvement during 2003. Malaria continues to be the main cause of morbidity, followed by respiratory infections. The Government's strategy in the fight against diseases is geared toward achieving health related MDGs through prevention, increased access to health services and improved quality. In general, the DPT3 coverage rate was excellent, utilisation of health services has improved to 0.33 consultations per capita/year and the proportion of the population covered by *mutuelles de sante* (regarded by the

Government as the main mechanism to expand financial protection against health risks) has increased from 4% to 7% over the year and the Government has designed a scale-up programme to expand the schemes to all provinces over the coming years.

Quality of services remains a concern, as despite the respective 10% and 7% increase in numbers of physicians and nurses working in the public sector, in 2003, there is a huge bias in distribution of health professionals towards well-off urban areas. MINISANTE has taken a major step in reforming the incentive structure (including salary supplements) for doctors and nurses to encourage personnel to work in rural areas.

In the area of child health, during 2003, the vaccination coverage rate varied between 80 and 95% for all antigens in most of the provinces. The DPT3 coverage rate was 89%. With strong support from donors, the programme continued to deliver the combination vaccines of five antigens to reduce injection equipment and time. Reducing the maternal mortality rate towards the MDGs is perhaps the greatest challenge for the Government in the health sector owing to the high cost of delivering quality major obstetrical services. Moreover, the rate for deliveries assisted by qualified staff shows a decline. MINISANTE has, therefore, developed a reproductive health policy in close partnership with stakeholders promoting family planning and the use of health services by women. In the Medium term, the government aims to reduce child mortality by 50%, reduce maternal mortality by 40% and increase use of curative services by the poor by 300%. To achieve these goals it will be necessary to massively increase access to basic health services for the indigent population. This requires the transfer of funds to the Province and Administrative District level to provide health services and products, which have, thus far, not been provided by the government, and have been subject to fees.

As mentioned above, malaria remains the main cause of morbidity and the fight against it is a priority for GoR's Poverty reduction strategy. New anti-malarial drugs were introduced with subsidies to improve accessibility of the poor to these drugs. The promotion of insecticide treated mosquito nets at subsidised prices and targeting in particular pregnant women and children under five is a core strategy implemented in close collaboration with partners. In 2003, the proportion of children under five sleeping under an ITN is estimated to have risen to 18 percent.

According to the 2004 UNAIDS Report on the Global AIDS epidemic, the adult HIV prevalence rate at the end of 2003 in Rwanda is 5.1% (between a low estimate of 3.4% and high estimate of 7.6%). The prices of Anti Retro Viral (ARV) drugs have been continuously reduced so as to improve accessibility of PLWAs to ARVs and HIV/AIDS issues have been integrated into the relevant sector strategic plans to ensure the cross-cutting nature of the disease is taken into account by the entire Government system and not just the health sector.

Economic infrastructure development is an important requirement for a poverty reduction strategy based on sustained development of productive capacities and better quality of life. This includes transport, ICT, energy and water.

The construction of new roads and bridges and the rehabilitation and maintenance of existing ones has been the priority. The rehabilitation work of tarmacked roads started in the second semester of 2003 and the periodic maintenance of non-tarmacked roads continues as well as the regular maintenance of national roads. During 2003, some bridges were rehabilitated and others constructed. Though the emphasis is on the conservation of existing roads, the present state of the Rwandan road network requires extension. In this respect, technical studies for construction of new roads have been undertaken. Work has started in 2004 for the rehabilitation of Kanombe International Airport. There is need for the strategy in this sector to clearly show the expected rate of economic return and social impact on which decisions are based to construct new roads. At the

same time, the construction and maintenance of feeder and communal roads should be better taken care of in the decentralisation process (CDF, HIMO public works).

ICT development is a cornerstone of the government's Vision 2020. Priority programmes of the "NICI Plan" were identified and, in the future, provisions will be made for its coordination and implementation. Further provisions for ICT will be included in each individual ministry's strategic plan. The process to privatise RwandaTel continues and two telecommunication companies (AFRITEL and ARTEL) started operating especially in the rural areas.

In the Energy sector, the usual shortage of electricity has been aggravated in 2004 by an energy crisis. The long-term solution implies increased production of electricity and exploitation of new and renewable sources of energy. Meanwhile, on the short to medium term Rwanda is still depending on imports of energy and fuel at high prices and though the current energy crisis has been partially addressed through the purchase of generators in 2004, this will have continuing implications for the future with the purchase and storage of the fuel needed to run these generators. This is also expected to impact on the cost of electricity, with implications for the rural electrification policy. It is therefore envisaged to subsidise the "lifeline" tariff for low-use customers.

Wood-energy represents approximately 94% in the energy balance and is especially consumed for cooking. It is the most accessible resource for the majority of the population whose purchasing power is still very low. The new and renewable energy sources have not yet been fully exploited. Negotiations with private companies on the extraction of methane gas are in the final stages and production of electricity and related gas products is expected to begin by 2006. UPEGAZ will further elaborate the government strategy for exploiting the reserves of Lake Kivu.

The water sector strategy aims at increasing access to and supply of this vital public utility. During 2003, progress include a draft law on water resource protection, water and sanitation policy, and the sanitation code, the establishment of a geographic information and management system for the sector (GIS) and studies and works on drinking water in various districts. However, the water supply system still requires extensive up-grading and rehabilitation in the cities and must be extended in the rural areas to be consistent with the Government's long-term objective of increasing the current servicing rate of 54% in drinking water and 8% in sanitation to 85% in 2015 for drinking water and sanitation. Private firms will be contracted to ensure the long term sustainability of the rural water supply systems while strengthening the decentralization of water sources management. The Urban Water Supply and Sanitation (UWSS) program will increase urban coverage from 73% to 78% and reduce leakage from 43% to 23% by 2007. Another program aimed at increasing sanitation and hygiene education in schools and at home will also be undertaken.

Access to decent housing is a fundamental component of the PRSP. Given the high number of vulnerable households without shelter estimated at 192,000 in 2001, only 12,000 families could receive housing under the *imidugudu* programme due to financial constraints. Two studies have been undertaken on *imidugudu* that will be finalised by end 2004 and a donors' roundtable to mobilise resources is envisaged afterwards.

The implementation of the Rwanda poverty reduction strategy may be hampered by weaknesses in institutional capacity if they are not addressed. The major achievements in this sector in 2003 were the design and partial implementation of the public sector reform strategy. The Public Service Reform essentially tries to enhance effectiveness across all Public Service Agencies. The strategy clarifies broad functional requirements and provides a strong framework for identifying needs, budgeting, managing and evaluating capacity building programmes. The public sector capacity building programme is an integral part of the reform programme.

The private sector is regarded as the engine for economic growth and the Government is committed to creating an enabling environment for its development. Strategic measures undertaken include a “one-stop shop” for investors, the refinement of the investment code, restructuring of the Centre for Support of Small and Medium Sized Enterprises (CAPMER), creation of an Arbitration Centre, dealing with commercial disputes, and the establishment of a Commercial Chamber to be completed in 2004. An Accounting Law is currently being drafted, three commercial courts will be established in 2005 and the creation of a National Accounting Commission and Regulation Agency is envisaged for 2005-2006.

In its efforts to facilitate access to credit and establish a sound financial system, the Government has established a regulatory framework for micro-finance activities and is in the process of developing a policy whilst two commercial banks (BCR and BACAR) have been privatised in 2004. The BRD has also been restructured to ensure that credit is channelled towards priority sectors and, in this regard, an Agricultural Guarantee fund is being established that will be managed by this bank. BRD has just finalized its business plan based on its new mission of becoming the economic arm of the government. A window for the refinancing of micro-finance was also created to promote micro-finance activities in the country.

The privatisation process is ongoing and out of 69 firms to be privatized, 36 enterprises have been effectively sold to private entrepreneurs as of June 2004.

This APR has demonstrated remarkable progress both in terms of the new consultative process used and the high level of details presented. A consequence of these improvements has been a slower delivery of the report than anticipated. It is hoped that with the new consultative processes established, and a clear calendar established for each stage in the report writing process, delays to future publications would be significantly reduced.

Going forward it will be important to make further progress in monitoring and reporting on progress within sectors, requiring improved evidence based analysis to support prioritisation of development needs. Detailed analysis of poverty reduction progress carried out in consultation with other partners will be required to underpin the new PRSP in 2005.

Whilst extensive efforts were made to consult the voices of non-state actors and the poor in this report, future reports will try to highlight their specific contributions.

INTRODUCTION

Rwanda's PRSP was finalised and endorsed by all internal and external stakeholders in June 2002. In June 2003, a first Annual Progress Report (APR) was published. This report is the second Annual Progress Report of Rwanda's PRSP process, reporting progress made in PRS implementation from June 2003 till June 2004⁷.

Whereas the first APR reported against the full 2002 PRSP, this second APR takes a more forward looking approach, reflecting changes in the environment since 2002 and ongoing activities at the sector level. However, this implied flexibility, needs to be carefully balanced with the need to retain coherence in the overall PRS framework. This report addresses such issues and is as such, a first step towards a more comprehensive evaluation of the PRS process covering 2002-2005, which will lead to Rwanda's second full PRSP in 2005.

Reflecting these changes, this second PRS APR has a slightly different outline. This report is divided into three parts. The first part of the report presents the overall PRS framework, comprised of chapters on the Macro Economic Environment (chapter 1), Public Finance Management (chapter 2) and Monitoring & Evaluation (chapter 3).

The second part of the report gives a description of progress made and outlook of the priority sectors. This comprises chapters 4 to 10 reflecting advancements in the six PRSP priority areas as described in the 2002 PRSP. Human development is split into two chapters. Agriculture is covered in chapter 4, education in 5, health in 6, infrastructure in 7, human resources and capacity building in 8, private sector in 9 and governance in chapter 10. These two first parts make up the main body of the text.

The third part groups all the annexes, dominated by annex C, the PRS Policy Matrix. Indeed there have been a lot of updates in strategic planning in the areas of Public Finance Management, Monitoring & Evaluation, Health, and Human Resources & Capacity Building. The first column of this matrix is linked to the original objectives of the 2002 PRSP while subsequent columns report on progress in 2003 and envisaged progress/activities following years. The idea is still to have the policy matrix report on the main issues in the sector, while in the main text one can find the analysis underpinning these issues.

Crosscutting issues, identified as (1) gender, (2) technology, (3) environment, (4) HIV/AIDS, (5) inequality and (6) harmonisation and co-ordination are as much as possible covered under the different chapters. However, there are certain chapters, which discuss these issues more than others. As such, the M&E chapter gives the overview on harmonisation & co-ordination issues, while the health chapter is the one elaborating most on HIV/AIDS.

Rwanda's second PRS APR, was drawn up in a very participatory manner. The process began during a high profile seminar on the 21st of April 2004 where Governors of all the Provinces and Secretary Generals from each Ministry, donors, civil society, members of parliament and the private sector participated. In the workshop there was an agreement on the areas of PRSP implementation to be reviewed, the methodology of evaluating progress in implementation of the PRSP and the calendar to be followed. A technical workshop was organized as a follow-up to this workshop where drafting teams for each sector under review and the terms of reference were agreed on. Each of the aforementioned chapters was assigned a lead ministry, a lead donor and an MINECOFIN focal point to organise meetings and consultations with all stakeholders in their respective sectors

⁷ However, where appropriate, progress over the whole of 2003 might be considered too (e.g. PFM chapter on fiscal year 2003)

and come up with a draft of the chapter⁸. After this work was done, MINECOFIN centralised and edited the whole document, to ensure harmony and coherence with PRSP priority areas.

This year donors made a joint assessment of the draft report and gave joint comments at its validation, which were subsequently incorporated in the final report. This was a very important development in strengthening the participatory process in the PRS annual progress report process.

⁸ For this, general Terms of Reference for the chapters were elaborated (“Terms of Reference for the PRSP’s Second Progress Report Sectoral Drafting Teams”, SPPMD, MINECOFIN, May 2004).

I. OVERALL PRS FRAMEWORK

1. Macroeconomic Performance

Introduction

This chapter examines economic performance since the last APR in 2003. It is in the context of this macro-economic background that broad progress towards poverty reduction can be assessed and sector progress interpreted. A key challenge for future reports will be to analyse the macro-data in terms of broad trends in poverty and inequality.

The macroeconomic situation in 2003 was extremely disappointing when compared to the 9.4% growth experienced in 2002. The Rwf 17 billion reduction in real agricultural output in 2003 is largely responsible and tells the story of a severe climatic shock, hampering progress against poverty reduction and impacting heavily on economic growth. Severe as this shock was, it would have been difficult in any circumstances to replicate the progress of 2002, a particularly good year for weather. A more accurate medium-term picture may be obtained by examining agricultural growth from 2001, which averages at 5.1% per year to 2003. Thus, from a poverty perspective, the chief concern might be over coping with fluctuations, rather than a long-term shortfall in food (population growth is around 3%).

The broader macro-economic picture for 2003 shows sustained progress in revenue collection, as well as growth in industrial and service sectors. Inflation has been higher than anticipated, averaging over 10% in the second half of 2003, whilst increased spending on vital structural reforms (notably elections) contributed to widening fiscal deficits. The trade balance worsened due to a combination of decreasing commodity exports and increased imports of consumption goods.

The macroeconomic outlook for 2004 is for the economy to rebound towards the 6% medium-term growth target with 5.1% growth. The current account deficit is expected to improve somewhat, however, inflation is projected to remain high. Key measures to attain the 2004 targets include export promotion, improvement in external resource mobilization and consolidating the structural reforms.

Macroeconomic Performance in 2003

Table 1.1. below reveals that macroeconomic performance in 2003 was marked by low real GDP growth of 0.9%⁹. This was significantly lower than the medium term target of 6%, but put in the context of strong 9.4% GDP growth in 2002, growth averaged 5.1% over these two years. The slowdown was mainly due to climatic shocks that adversely affected agricultural production. The combination of increasing agricultural prices with imported inflation led to an annual average inflation of 7.7%, higher than the target of 3%.

Fiscal performance was characterized by improved domestic revenue collections, while the spending level exceeded the planned expenditure for the year. This led to a fiscal deficit excluding grants of -12.1% of GDP¹⁰. This complicated the monetary policy since it was necessary to rely on central bank financing to cover the unprogrammed expenditure and shortfall of external disbursement.

⁹ An earlier figure of 2.4% was revised downwards due to overestimating fruit and vegetable production.

¹⁰ The fiscal deficit excluding repayments of debt principal was -10.6% of GDP.

Table 1.1: Real GDP performance (2001-2004) constant 1995 prices

GDP Rwf billion	2001	2002	2003		2004	
			est	growth	proj	growth
Agriculture	260.06	299.09	286.93	-4.1%	287.48	0.2%
Of which: Food crop	218.19	255.90	244.39	-4.5%	241.79	-1.1%
Industry	106.24	112.53	120.47	7.1%	129.80	7.7%
Mining and quarrying	1.41	1.33	1.21	-8.6%	2.81	131.4%
Manufacturing	50.18	53.11	52.09	-1.9%	53.57	2.8%
Of which: Food, beverages, & tobacco	41.08	43.30	41.01	-5.3%	41.89	2.2%
Electricity, gas, & water	1.62	1.75	2.03	15.9%	1.78	-12.6%
Construction	53.04	56.34	65.13	15.6%	71.65	10.0%
Services	215.00	224.06	234.67	4.7%	257.25	9.6%
Wholesale & retail trade, rest. & hotels	47.60	48.15	48.30	0.3%	50.41	4.4%
Transport, storage, communication	42.45	45.34	46.39	2.3%	55.12	18.8%
Finance, insurance, real estate, business	15.18	15.68	17.31	10.4%	17.84	3.0%
Public administration	44.55	45.17	48.03	6.3%	52.16	8.6%
Non-profit organizations	5.11	5.36	5.63	5.0%	5.63	0.0%
Others	60.11	64.35	69.02	7.2%	76.08	10.2%
Less: Imputed bank service charge	10.87	11.25	12.49	11.0%	12.87	3.0%
Plus: Import duties	9.72	11.17	11.79	5.5%	12.65	7.3%
GDP	580.16	635.60	641.36	0.9%	674.30	5.1%

1.1. Real Sector Performance

1.1.1. Agriculture

Growth in agricultural output (value terms) dropped from 15% growth in 2002 to -4.1% in 2003. This was due mainly to the considerable decline in the growth of food crop production (from 31.5% in 2002 to -4.5% in 2003). Total export crop production also decreased despite improved commodity prices on international markets. Rwandan export crop growth (coffee + tea) in volume and value terms was of

-15.5% and -1.4% respectively. This poor performance was mainly due to the considerable decrease in coffee productivity, from 648 tons/ha in 2002 to 464 tons/ha in 2003.

The slowdown in agricultural production has been associated with increased food prices. Since 87% of Rwandan household's main source of income stems from agriculture and most of them have limited means of preserving the value of their assets (cash, labour, production) in an inflationary environment, it can be deduced that their level of vulnerability increased over 2003.

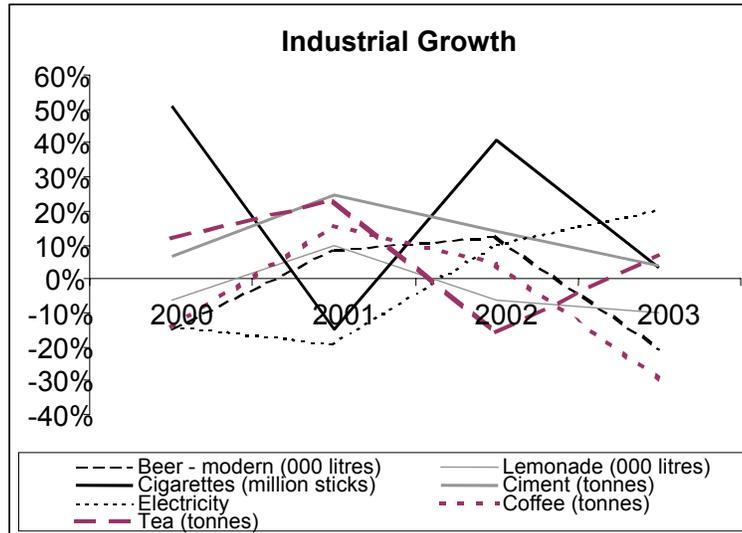
1.1.2. Industry

The industrial sector accounts for almost 20% of GDP, within which construction and food, drink and tobacco manufacturing are the largest components.

Table 1.1 shows that the 7.1% industrial growth in 2003 was led almost solely by the construction sector, which registered a 15.6% growth. The production of other major components decreased, except for tea production. Figure 1.1. below reveals that the worst performing industries, which experienced an actual decline in output, were coffee, beer and lemonade production, which saw output decline by 29%, 21% and 10% respectively. The poor performance of these industries is the result of continual depreciation of the Rwandan Franc against both the dollar and the euro. The

depreciation over the year amounted to 15%. A combination of this depreciation and high cost of petroleum products contributed to a price increase of intermediate goods.

Figure 1.1: Industrial growth trends



Source: MINECOFIN

However, construction and public works grew by 15.6% in value terms over 2003. The strong growth witnessed by this sector is explained by the high level of large scale construction works conducted during the course of the year for example, building complexes of CARITAS, BCDI, BANCOR, CSR, new hotels such as Akagera Lodge, Intercontinental and the Kivu Sun.

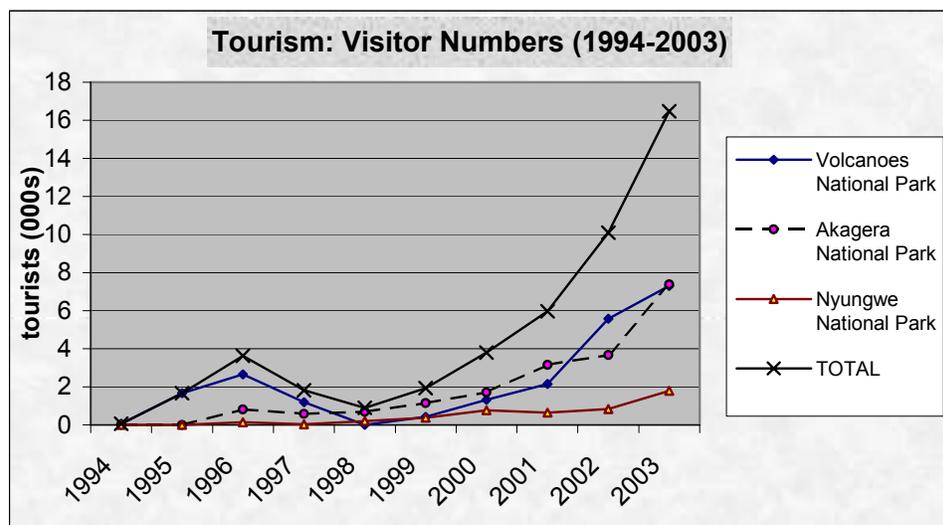
1.1.3. Services

In 2003, we observed a net growth across sectors. In the financial sector, real growth was 10.4%, and in transport, storage and communications 2.3%. Wholesale and retail trade grew the slowest, at 0.3% growth.

The growth in the financial sector was largely due to both the buoyant credit market in 2003, which acted to increase revenues for commercial banks from interest payments and also a reduction in inter-bank interest charges for the commercial banks.

Tourism is one of the sectors that the Government is trying to develop as a means of attracting foreign currency and, in addition, in November 2003, Rwanda sought further to promote itself as a tourist destination by having a stand at the International Tourism Exhibition. The results of these efforts are promising, since the sector has developed beyond expectations, achieving better results than targeted in the tourism development strategy. The figure below shows clearly how this sector has been progressively developing since 2000.

Figure 1.2: Tourist numbers (1994-2003)



Source: ORTPN

1.1.4. Price Developments

Whilst inflation in 2003 averaged 7.7%, from August 2003 onwards, the average annualised inflation rate was recorded above 10%, peaking in November at 12.2%, and recorded at 11.7% in December¹¹. This was partly the result of the adverse weather conditions that impacted on crop production and thereby food prices and the depreciating Rwandan franc that caused inflation. Other inflationary pressures came from the growth in the money supply that occurred mainly – but not only – due to exceptional financing needs of the Government. Inflationary pressures in 2003 affected all categories of goods. However, inflation at the end of 2003 and the beginning of 2004 were mainly related to increases in the prices of imported goods.

The significant exchange rate depreciation of the Rwf in 2003 (15% against the dollar) not only fuelled inflation but also had a direct impact on production decisions. As such, manufacturing production decreased in 2003, as the depreciation caused prices of imported energy sources and intermediate goods to rise.

1.2. Fiscal Developments

This section describes fiscal development in general whilst more details are presented in section 2.3 of the Public Financial Management chapter, which focuses on expenditure performance.

The fiscal program for 2003 was to widen the tax base and to consolidate on the tax reforms undertaken in previous years. The total domestic revenue as a share of GDP increased from 12.4% in 2002 to 13.4% in 2003. Expenditure increased from Rwf 186.6 billion in 2002 to Rwf 207.2 billion in 2003. Delayed donor disbursements to finance elections and unprogrammed spending, among other factors, contributed to the fiscal deficit peaking at around Rwf 25 million in August 2003.

¹¹ Statistics department figures. Inflation is calculated by comparing the average of the consumer price index over the previous 12 months, compared to the average of the 12 months preceding.

1.2.1. Revenue Collection Performance

Domestic Resource collection during 2003 exceeded the planned amount, growing as share of GDP, whilst external resource disbursements were below expectations. Starting with domestic resources, total revenues rose from 101bn Rwf in 2002 to 122bn Rwf in 2003. Within this, total tax revenue for 2003 was 114,65 billion Rwf, which implied a growth rate of 21.2% compared to 2002 collection and revenues of 3,75 billion Rwf above target. Non-tax revenue (largely composed of dividends paid by public enterprises and administrative duties) rose from 6.6bn Rwf in 2002 to 7.7bn Rwf in 2003. The collections grew from 12.7% in 2002 to 13.4% in 2003.

This strong revenue collection performance was mainly due to gains in *direct taxes* due to taxes on private enterprises, TPR, the widening of the tax base and a general sensitization campaign for taxpayers' compliance¹². The broadening of individual income tax led to a collection increase from Rwf 11 billion in 2002 to Rwf 16 billion in 2003.

Within "*Taxes on goods and services*", excise taxes performed below target with 90.9%, whilst VAT collection attained 98.6%, masking an appalling 35% collection rate in the provinces. It should be noted that both excise tax and VAT increased substantially in absolute terms, the first mainly due to an extension in the product range subject to excise taxation¹³, the second still benefiting from the effects of the increase in VAT from 15% to 18% in October 2002. This contributed significantly to the rise in revenues seen in 2003.

However, tax collections from companies registered an absolute shortfall, mainly due to poor collections from large companies. In 2003 tax collection from companies totalled Rwf 15.7 billion as compared to Rwf 17 billion in 2002. Of this, collections from large companies were Rwf 9.3 billion in 2002, while only Rwf 8.2 billion was collected in 2003. Much as under performance in this sub sector is an investment concern, studies to establish the real cause are still being carried out.

Taxes on international trade performed well in the light of the short run expected loss due to entrance into COMESA in 2003 and the resulting tariff reduction of 90% on goods imported / originating from COMESA countries. Tax collections from imports actually increased from Rwf 13 billion in 2002 to Rwf 18 billion in 2003. Factors explaining this rise include: an increase in the highest import (non-COMESA) tariff rate from 25% in 2002 to 30% in 2003; depreciation of the Rwandan franc by around 15% in 2003; and increased value of imports.

The application of the reduced tariff (90%) on goods that originate from COMESA member countries will have had a negative impact on revenue collection, initially estimated at up to Rwf 4 billion in 2003. While Rwanda stands to benefit in the long run from intra-COMESA trade, it is important that local industries adjust to the new competition challenges brought in by the application of this policy.

Given the estimated \$4bn revenue loss from joining COMESA, the above factors which contributed in improved collection would not be sufficient to explain fully the \$5 billion increase in revenues. Thus it is likely that improvements in efficiency of revenue collection occurred during 2003.

To consolidate on the increase in domestic revenue collection, further efforts will be important in tax base expansion and consolidation of revenue administration.

¹² These efforts have resulted in the increased number of new registered companies (1,761 in 2001; 2,348 in 2002; and 3,382 in 2003).

¹³ The extension of the product range subject to excise taxation included automobiles and powdered milk and the excise tax rate on industrial beer rose from 40% to 57%. The revenue impact of all the policy measures was an increase of excise tax collections from Rwf 14.4 billion in 2002 to Rwf 16.2 billion in 2003.

The shortfall between budgeted and received foreign financing, was 16.7 billion Rwf. This was mainly due to capital grants and current loans being significantly below target. Current loans suffered from non-disbursement of a 20 million USD loan and from the lag in the demobilisation programme.

1.2.2. Expenditure Developments

Key Finding: expenditure exceeded the 24.7% of GDP target, reaching 25.5% in 2003¹⁴. A full analysis of expenditure execution is given in the Public Financial Management Chapter, section 2.3.2.

1.2.3. Fiscal Deficit Financing

External financing (net) decreased from Rwf 29.88 billion in 2002 to Rwf 5.76 billion in 2003. The decline was due to a decrease in external current loans from Rwf 25.92 billion to Rwf 6.7 billion. Domestic financing stood at Rwf 12.71 billion in 2003 as compared to -2.46 billion in 2002. The monetary implication of this domestic financing was a 9.6 % increase of reserve money leading to excess liquidity in the system. With efforts to mop-up the excess liquidity by the central bank, the interest rates on treasury bills rose to 13% towards the end of 2003. These developments together with poor export performance had an adverse impact on foreign exchange market.

¹⁴ Despite the fact expenditure was below target in absolute terms (see Table 1.2), GDP was even further below target in 2003, thus revenue as a percentage of GDP was higher than envisaged.

Table 1.2: Fiscal performance (2001 – 2003)

Rwf Billion	2001 outturn	2002 revised budget	2002 outturn	2003 budget	2003 outturn
Resources	149,60	163,86	172,64	200,01	199,22
Tax and non-tax revenue	86,20	101,74	101,17	117,90	122,34
Tax Revenue	79,50	93,94	94,58	110,90	114,65
Non-Tax Revenue	6,70	7,80	6,60	7,01	7,69
Current grants - external	33,90	30,02	39,37	46,71	52,50
Capital grants - external	29,50	32,10	32,10	35,40	24,38
Expenditure & Net Lending	158,05	183,71	186,55	222,20	207,21
<i>of which Priority Expenditure</i>	39,83	52,31	53,10	60,20	64,76
Current	107,45	126,31	129,40	151,09	154,20
Capital	50,00	56,40	56,14	65,11	49,60
Domestic	3,50	6,90	6,64	10,41	8,37
External	46,50	49,50	49,50	54,70	41,24
Net lending	0,60	1,00	1,01	6,00	3,40
Domestic arrears	15,00	7,80	12,65	9,15	12,00
Financing Gap	23,30	27,65	27,42	31,34	18,47
Foreign	23,20	20,73	29,88	20,63	5,76
Current loans - external	15,40	15,67	25,92	15,70	6,67
Capital loans - external	17,00	17,40	17,40	19,30	16,86
Amortization (paid)	-9,20	-12,34	-13,44	-14,37	-17,77
Domestic	0,10	6,92	-2,46	10,72	12,71
% of Budget funded by grants*	34,8%	30,5%	33,6%	33,4%	32,4%
% of Budget funded by loans**	17,8%	16,2%	20,4%	14,2%	9,9%
Domestic fiscal deficit***/GDP	-2,7%	-3,2%	-3,7%	-4,9%	-4,6%
Overall deficit****/GDP	9,5%	9,8%	10,2%	11,7%	9,0%

* (current grants + capital grants)/(Expenditure & Net Lending + arrears + amortization (paid))

** (current loans + capital loans)/(Expenditure & Net Lending + arrears + amortization (paid))

*** domestic revenue - (recurrent expenditure excluding external interest payments + internally financed capital expenditure)

**** domestic revenue minus total expenditure (excluding arrears)

N.B. Expenditure & Net Lending excludes repayments of principal on domestic and foreign debt. Once these have been accounted for, figures for expenditure are consistent with the text.

Source: MINECOFIN

1.3. Balance of Payments

The external trade balance declined from a deficit of \$136.7 million in 2002 to \$153.7 million in 2003. On the export side, disappointing production of Rwanda's principal primary commodities in 2003, notably coffee, contributed to the worsening of the trade deficit along with a much weakened international market for coltan. Higher consumption, especially non-food consumption contributed to around half the increase in imports, proving very inelastic in response to the exchange rate depreciation experienced throughout 2003.¹⁵

1.3.1. Exports

In terms of value, the level of exports fell by 5% from \$67.44 million in 2002 to \$64.09 million in 2003. Tea and coffee are the main export crops and account for 35% and 24% of total exports respectively. Tea maintained a positive growth rate in terms of overall value of 2.3%, due to an

¹⁵ The continual depreciation of the Rwandan Franc against both the dollar and the Euro is likely to have had an adverse effect on the trade deficit (measured in Rwf and relative to GDP), since many domestic manufacturers are reliant on foreign imports and may not have been able to adjust their consumption away from these increasingly expensive goods.

increase in market price of 4%. The case for coffee, however, is different. The rise in coffee prices of 26% was not sufficient to outweigh the fall in production volumes and these two effects resulted in an average export crop reduction in value terms of about -5.2%.

Coltan exports also declined in value terms during 2003. As coltan prices plummeted by 32%, mining activities slowed and total volumes declined by 33% yielding an overall decline in coltan export value of 54%.

Rwanda's exports are gradually becoming more diversified and this trend continued in 2003. As well as tea and coffee, exports of cassiterite tin, hides and re-exports all grew in value terms by 219%, 43% and 17% respectively. In addition, special mention should also be made about the handicrafts sector, which, although accounting for less than 1% of total exports, is a labour intensive industry and one whose development is thus strongly promoted through the Poverty Reduction Strategy. In 2003 handicraft exports grew by 143% and international demand was such, that had there not been supply constraints, growth could have been even stronger. In 2004 it is hoped that constraints in the supply of raw materials will be lifted and handicrafts will be able to continue expanding.

The continual diversification of the export base is a positive sign since it means that Rwanda, by reducing dependence on only a few export goods, is gradually reducing its vulnerability to external shocks.

1.3.2. Imports

Rwandan imports experienced a significant increase in 2003. In terms of value the level of imports grew by 6.7% in 2003 (from \$204.2 million in 2002 to \$217.8 million in 2003). A weak industrial base and a high dependence on external energy sources are the prime reasons for high imports in Rwanda. Food imports, as a share of the total, continue to be below levels attained in the late 1990s, reflecting the Rwandan move to self-sufficiency in food.

Table 1.3: The Current Account (\$ million)

Exports	2002	2003	Growth 2003	Projected outturn	
				2004	Growth 2004
Coffee	16.08	15.24	-5.2%	29.46	93.3%
Tea	22.02	22.52	2.3%	22.22	-1.3%
Cassitereand tin	1.41	4.49	219.2%	20.12	348.1%
Coltan	13.95	6.37	-54.3%	5.42	-15.0%
Womfram	0.52	0.23	-56.1%	0.09	-60.5%
Hide	2.64	3.78	43.1%	2.41	-36.3%
Pyrethre	1.05	1.28	21.9%	-	-100.0%
Others	9.77	10.19	4.3%	9.92	-2.6%
Total	67.44	64.09	-5.0%	89.64	39.9%
Imports					
Capital goods	(37.92)	(40.72)	7.4%	(44.48)	9.2%
Intermediate goods	(45.30)	(43.84)	-3.2%	(37.67)	-14.1%
Energy products	(40.40)	(40.53)	0.3%	(44.66)	10.2%
Consumption	(124.41)	(134.18)	7.9%	(144.30)	7.5%
Food	(25.20)	(28.33)	12.4%	(38.45)	35.7%
Other consumpt. goods	(99.21)	(105.85)	6.7%	(105.85)	0.0%
Other adjustments	(30.48)	(30.98)	1.6%	(34.26)	10.6%
Total (cif)	(278.51)	(290.25)	4.2%	(305.36)	5.2%
Frieght and Insurance	(74.36)	(72.50)	-2.5%	(75.82)	4.6%
Total (fob)	(204.15)	(217.75)	6.7%	(229.54)	5.4%
Trade Balance	(136.71)	(153.66)	12.4%	(139.90)	-9.0%
% GDP	-7.7%	-9.2%		-8.1%	
Services					
Non factor services	(140.65)	(124.55)	-11.4%	(137.34)	10.3%
factor services	(19.05)	(30.34)	59.3%	(25.28)	-16.7%
Total	(159.70)	(154.89)	-3.0%	(162.62)	5.0%
Transfers					
Private transfers	24.52	31.83	29.8%	28.18	-11.5%
Official transfers	170.80	195.05	14.2%	287.24	47.3%
Total	195.32	226.88	16.2%	315.42	39.0%
Current Account (ex official transfer	(271.89)	(276.72)	1.8%	(274.35)	-0.9%
% GDP	-15.4%	-16.6%		-15.9%	
Current Account Balance	(101.09)	(81.67)	-19%	12.89	-116%
% GDP	-5.7%	-4.9%		0.7%	

Source: BNR, MINECOFIN

1.3.3. Current Account Balance

The above factors contributed to the current account balance worsening from a deficit of -15.4% GDP in 2002 to -16.6% GDP in 2003. However, the current account balance including transfers remained at -4.9% of GDP in 2003 (as compared to -5.7% of GDP in 2002) due to an increase of both private and official transfers.

1.4. Debt Management and HIPC Completion Point

The net present value of external debt stock over exports (EDT/XGS) and the debt-service to exports (TDS/XGS) ratios are often used to measure the sustainability of a country's external debt. For EDT/XGS, the threshold is 150% and 15% for TDS/XGS. In Rwanda, EDT/XGS accounted for 299.9% in 2003.

Table 1.3: External Debt (US\$ million)

Designation	2001	2002	2003	2004 (Proj.)
Total Outstanding	1,336.1	1,401.0	1,432.8	1,485.5
Multilateral debt	1,185.2	1,249.0	1,273.6	1,338.2
Bilateral debt	150.4	151.5	158.6	146.8

Source: IMF 2004

Debt relief under HIPC completion point awaited towards the end of 2004 would represent additional resource flows into the economy. Funds that would be committed to debt service now become available for new productive investments in the economy. Since 1999, Rwanda is awaiting a relief of US\$ 452 millions on NPV basis. With reference to debt-sustainability analysis, Rwanda was expected to attain the HIPC cut-off-point of 150% from 2000 onwards. However, factors such as the falling export prices are exogenous to the country's economy. In view of this, creditors should make additional efforts to provide committed debt relief and this would make the external debt of Rwanda sustainable.

However, there has been debt relief accorded by multilaterals under HIPC initiative. This relief accounted for US\$ 22.93million in 2003 as detailed in the table below.

Table 1.4: Multilateral debt relief under HIPC (US\$ million)

Year	2001	2002	2003
IDA	12.14	14.00	15.03
IMF	8.59	4.22	0.00
AfDB	3.17	6.12	6.20
EU	-	1.23	1.70
Total	23.90	25.57	22.93

Source: BNR 2004

2. Public Finance Management

Sound public financial management is of critical importance in delivering policies outlined in the PRSP. The Medium Term Expenditure Framework (MTEF) is the main tool used to translate policy choices into budget allocations.

This chapter examines progress and challenges experienced in the key areas of Core Public Financial Management Reforms, Fiscal Decentralisation and Budget Execution. In particular, much progress was made in 2003 on the reform of public finance management. In addition to the Organic Budget Law draft, providing for a modern PFM system, the Government developed and adopted a Financial Accountability Review and Action Plan, FARAP. The Government has also created a PFM Reform Steering Committee to coordinate the implementation of this action plan.

Constraints to strong PFM still need to be addressed. A consequence of necessary expenditures on elections and the referendum last year was that expenditure exceeded its target level of 24.7% GDP, reaching 25.5% GDP in 2003. However, barring these one-off expenses, budget execution was broadly on target, if sometimes uneven, for instance due to delays in demobilisation / reintegration process. Predictability and timing of external grants has also impacted on financial deficit management with election expenses falling during a period of low external financing.

Fiscal Decentralisation to local government has been relatively disappointing, with slow progress towards meeting the target of 10% of National Domestic Revenue devoted to the Common Development Fund. MINALOC is now working with donors to improve the transfer system and local budgeting, whilst pilot studies are underway to assess the potential for local revenue raising.

2.1. Core Public Finance Management Reforms

2.1.1. Legal and Regulatory Framework

The Organic Budget Law (OBL) was drafted in 2003, submitted to cabinet and approved and is expected to be voted on by Parliament by end-2004. It is important to note that following the draft of the OBL, a subsidiary framework, financial instructions have been drafted and adopted by Cabinet in September 2004.

2.1.2. Deconcentration of budget and accounting responsibility¹⁶

A key element of the reform agenda is to deconcentrate responsibility for budget preparation and execution to other Government budget agencies (including ministries, agencies and provinces). As such, budget agencies will be formally responsible for preparing their budgets, executing them within the regular ceilings set by MINECOFIN, and accounting for their expenditures. MINECOFIN's role will shift from centralised control of all aspects of the expenditure process to liquidity management, oversight of the PFM system, and consolidation of financial reporting and accounting. This requires the creation of additional capacity at budget agency level for public accounting and internal audit. In MINECOFIN, it requires the introduction of a networked software package to enable oversight, and additional capacity for coordination and consolidation of internal audit and public accounting. In 2003, progress was made in this regard; in particular, the

¹⁶ This refers to the ability of Ministries and Provinces to conduct their own budgeting and accounting, rather than passing power to any decentralised entity. As such it is useful to draw a distinction between deconcentration and decentralisation (see section 2.2).

first post-1994 consolidated public accounts were produced. In 2004, recruitment and training of public accountants and internal auditors for budget agencies has started.

2.1.3. Creation of an integrated finance management information system

A key tool in the PFM system is an integrated finance management information system to enable oversight and consolidation by MINECOFIN. Expenditure reporting is currently incomplete, particularly for the development budget. In 2003, significant progress was made through the design of tailor made software (Public Books), building on the existing SIBET (Système Informatique du Budget de l'Etat), and the networking of key institutions (RRA, NTB, CEPEX) and other budget agencies. Work also started in CEPEX (with support from the AfDB) on establishing systems to ensure that information on externally financed projects is fully recorded. This system will be piloted and tested in 2004 – in time for full implementation in 2005. It will enable both expenditure reporting and standardized public accounting.

2.1.4. Consolidation of the MTEF

The Medium Term Expenditure Framework (MTEF) approach to budgeting has been in place since 2001. The MTEF aims at making budgeting more strategic and linking budgets to outputs and is now a well established practice in Ministries, Provinces and central agencies. Rwanda's MTEF system was further strengthened in 2003 through the design of a common programme nomenclature for the recurrent and development budgets, while districts prepared MTEFs for the first time. Success in linking strategic plans with the budget will mainly come through the development of sector strategies results. The Education sector is the best example to date, while during 2004 the health sector will pilot a system of results-based budgeting. Finally, work continues to harmonize the budget and project support.

2.1.5. Improving treasury management

Cash-flow management in the context of unpredictable budget support flows, multiple bank accounts and weak domestic financial markets is a major challenge. As a result, the spending requirements of budget agencies are not matched during the year with available resources, leading to the accumulation of arrears and the non-realization of planned activities. The Government has since 2001 adopted a "cash budget" approach, but this has not fully solved the problem. In 2003, the Government created a Treasury Management Committee that meets on a weekly basis to review treasury developments. In addition, progress has been made in implementing the recommendations of IMF missions, including the rationalization of bank accounts. Key issues for 2004 and beyond are the creation of a Cash Management Unit, better budget calendars, the development of additional financial instructions and further movement towards a Single Treasury Account system, as envisaged in the Organic Budget Law.

2.1.6. External and internal audit and control

External audit is a key element in PFM. In 2003, the Office of the Auditor General (OAG) continued to operate effectively. In addition, with the adoption of the new Constitution, the legal framework was clarified, ensuring that the OAG reports to Parliament and formally abolishing the Cour des Comptes which previously duplicated some functions of the OAG. Responsibility for internal audit has been formally vested in the IGA (Inspection Générale et Audit), which falls under MINECOFIN responsibility.

2.1.7. Procurement

Public procurement has been deconcentrated to budget agencies, with oversight by the National Tender Board (NTB). This system continued to work relatively well in 2003, although as the OAG synthesis audit report established, there are cases of agencies by-passing procurement regulations and the NTB. In 2004, a national procurement code was adopted by Cabinet and submitted to

Parliament, and the capacity of the NTB will be further strengthened. In addition, the World Bank has carried out a Country Procurement Assessment and Review (CPAR), the recommendations of which will be a basis for drawing a procurement action plan.

2.2. Fiscal Decentralization

2.2.1. Budget Transfers

The decentralization process involves two crucial transfer systems: first, the Central Government transfers 3% (moving to 5% in 2005) of National Domestic Revenue to the local administrations to be used for recurrent costs; and second, the Common Development Fund (CDF) mandated to channel 10% of National Domestic Revenue to Local Governments for capital expenditures. A number of weaknesses are still to be overcome, most notably, the absorption capacity of respective districts needs to be addressed. In May 2004, a draft of the Budget Preparation Manual was drawn up and a local Government Finance Unit is being set up.

There is also lack of budgeting capacity at local government level. While MINALOC has received budgets for 2004 from 95 of the 106 Local Governments, many of these budgets were poorly put together and/or highly unrealistic. Furthermore, although almost the entire recurrent budget commitment is being disbursed, less than half of the CDF's 10% target is being distributed (4.5% in 2004 and 5.16% projected in 2005), due partly to inadequate capacity at Local Government levels to submit proposals, and partly to inflexibility on the part of the CDF towards funding projects that the local administrations really want.

Table 2.1: Fiscal decentralisation (Rwf billion)

Rwf billion	2001 (revised)	2002 (revised)	2002 (executed)	2003	2003 (executed)	2004	2005 (Prelim.)
Total Budget of Rwandan Ministries	96.80	96.60	103.20	117.50	152.35	134.00	135.50
Total Budget of Rwandan Provinces		22.00	20.12	25.60	25.22	30.50	33.30
Total Budget of Rwandan Districts		3.37	2.70	5.53	5.62	7.27	11.07
of which... Recurrent Transfer*		1.37	1.70	1.53	1.53	3.28	4.07
CDF**		2.00	1.00	4.00	4.09	5.50	7.00

* Goods & services for Districts = 3% of revenue in 2004 and 5.3% revenue after 2005.

** Gradually moving towards 10% of previous year's revenue. (4.5% in 2004 and 5.16% in 2005)

Source: MINECOFIN

To overcome some of the above difficulties, MINALOC is working with development partners to draw up sophisticated equalisation formulas for the transfer system, which will incorporate issues of resource endowments, poverty and population size, as well as some performance indicator element. To improve budgeting and finance management, MINALOC has produced a Financial Management and Accounting Procedures Manual for Local Administrations in Rwanda (FMAPM), which has been circulated to all Local Governments.

2.2.2. Local Revenue Collection

Local governments have been granted the responsibility for local revenue collections to supplement central Government transfers. Presently, own-revenues mostly account for only a very small percentage of a Local Government's overall revenues. In order to establish the revenue potential of local administrations, a pilot revenue potential study was carried out in late 2003 in the Ruhengeri Province and is now in the process of being extended to other provinces.

2.3. 2003 Budget Execution

This section focuses on 2003 budget execution whilst explaining these trends in a medium term framework. This section should be read in conjunction with section 1.3 on ‘Fiscal Developments’, located in the Macroeconomic chapter that goes into more details describing developments in revenue collection. An overview of the Government of Rwanda’s budgetary framework can be found in Table 1.1, in that chapter¹⁷.

2.3.1. Revenue

(see macro chapter for detailed analysis)

Key finding: Revenue collection performance improved considerably, from 12.7% GDP in 2002 to 13.4% in 2003.

2.3.2. Expenditure

In 2003, Government expenditure reached 25.5% of GDP, exceeding the 24.7% target for the year, owing largely to exceptional political developments: demobilization and reintegration, Gacaca, feeding prisoners and transfers to Districts and Provinces. Substantial rises in priority sector spending in education (from Rwf 32.4 billion in 2002 to Rwf 41.6 billion in 2003) and health (from Rwf 4.2 billion in 2002 to Rwf 11 billion in 2003) also contributed.

Figure 2.1 shows execution rates by spending categories. Recurrent spending was 8 billion Rwf above target. However, the development budget execution rate was 79%, a substantial improvement compared to the poor 62% in 2002¹⁸. Total expenditures for which a visa was given (“ordonnancements”) were 10 billion Rwf more than what was actually paid for in 2003 (“paiements”) which means this amount will have to be paid in 2004 as arrears.

Delays in the demobilisation process meant that total spending on *salaries* at the end of 2003 stood at 44 billion Rwf, slightly over the 42.1 billion target, much of which is due to larger than anticipated military salaries. Other unplanned salary spending includes extra hiring of police officers, the impact of the new senate and the fact that certain institutions had not budgeted very well the impact of TPR.

Conversely, delays in demobilisation have meant that some savings were realised in *exceptional expenditure* (which bears the cost for the actual demobilisation process). Only 51% of the demobilisation / reintegration budget was realised. In total, exceptional expenditure rose from Rwf 30.5 billion in 2002 to Rwf 40.3 billion in 2003, although this rise was largely budgeted (see Annex A for a detailed overview).

¹⁷ It should be noted that the figures in Table 1.1 are “payments” based (which allows more easily for comparing with other years), whilst the graphs in this section give data on “ordonnancements” basis.

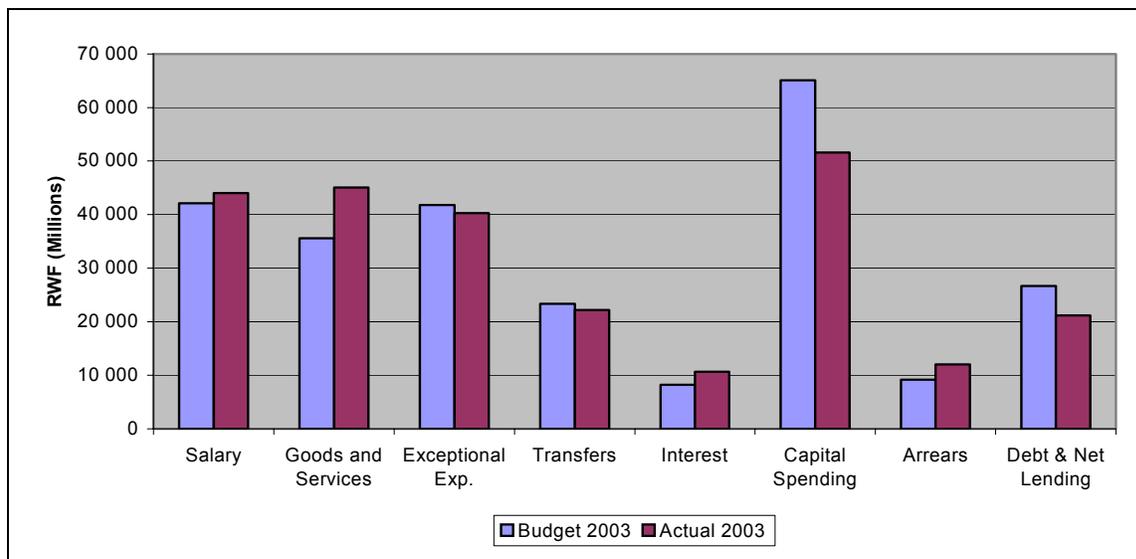
¹⁸ It should be noted however, that the amount budgeted for already takes into account a less than 100% execution rate, i.e. considering historical performance. On top of that, execution rates are calculated on the basis of a sample of the projects in the budget and not all projects are included in the budget. Of the 51,6 billion Rwf executed, 10,4 billion was funded from domestic resources.

Goods and Services is the category where most overspending occurred, mainly through spending on the referendum and elections. Purchases of goods and services rose from Rwf 35.8 billion in 2002 to Rwf 45.1 billion in 2003.

Other big spending categories such as *debt repayment* and *transfers* were on or below target. Net Lending was less than envisaged, as the Government benefited from a reimbursement from Rwandatel equal to 2.4 billion Rwf, whilst the main spending item in this category was the recapitalisation of the Banque Commerciale du Rwanda (BCR).

Overall capital expenditure decreased from Rwf 56.14 billion in 2002 to Rwf 49.6 billion in 2003. Domestic financing of capital expenditure accounted for Rwf 8.37 billion in 2003 compared to Rwf 6.64 billion in 2002 whilst foreign financed capital expenditure declined from Rwf 49.5 billion in 2002 to Rwf 41.24 billion in 2003.

Figure 2.1: Budget Execution 2003 by Main Spending Category (Actual and Budgeted)

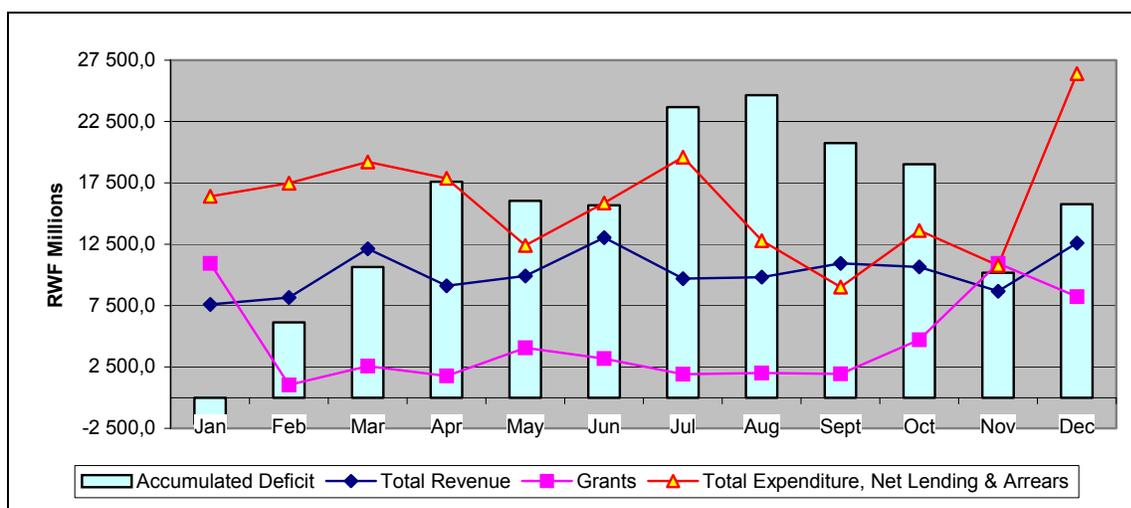


Source: MINECOFIN

2.3.3. Analysis

Figure 2.2 shows monthly inflows and spending activities of Government. Total (domestic revenue) is very flat, with spikes at the end of each quarter reflecting tax collection in private enterprises. Hikes in expenditure can be found in March-April, July-August and December. The first can be traced to increases in spending on Goods and Services, mainly related to the referendum on the Constitution. The end of the year mainly saw an increase in arrears payments, whilst the July-August period saw a substantial increase in exceptional expenditure linked to the elections. It is also significant that this was the period where the accumulated deficit reached its peak, which can be related to the non-materialisation of grant support for the elections. Indeed, grant disbursements were almost at their lowest point during that period. Also significant is that a substantial amount of grants were only disbursed in November-December (36% of the total amount of grants). Even though the overall execution rate of grant support was above target, this fact made effective liquidity management for the treasury much more difficult.

Figure 2.2: GoR Total Revenue and Total Expenditure for 2003¹⁹



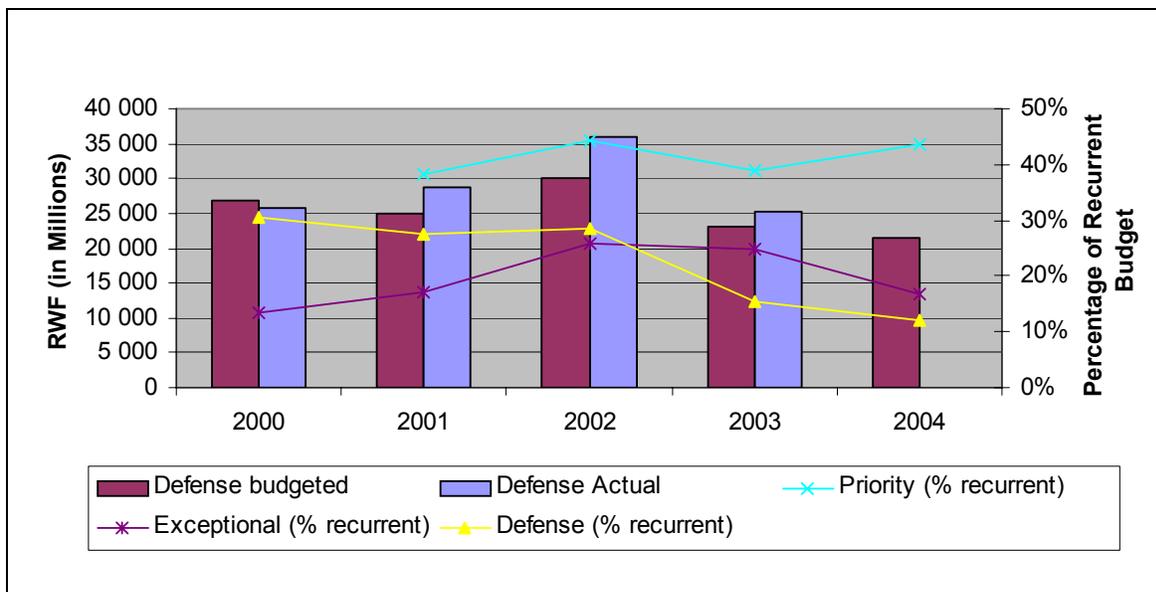
Source: MINECOFIN

Figure 2.3 illustrates three key spending categories in a medium term perspective²⁰: priority expenditure (linked to the PRS priorities), exceptional expenditure (linked to Rwanda's post-conflict situation) and defence spending. As a percentage of recurrent spending, exceptional expenditure peaked in 2003 and is expected to gradually decrease in the years to come. This was anticipated as 2003 heralded the end of the transition period resulting in referendum and election related spending, slightly crowding out priority spending. However, priority expenditure, which is ring fenced and crucial for PRS implementation, is very much set to pick up again in 2004. As a percentage of GDP, priority spending has steadily increased – by more than 0.1% of GDP per year as is agreed upon under the PRGF agreement (see Annex B for detailed data on priority spending). Finally, defence spending as a percentage of recurrent spending went significantly down in 2003.

Figure 2.3: Priority, Exceptional and Defence Expenditure

¹⁹ The accumulated deficit is calculated on the basis of : total expenditure (recurrent & capital) + net lending + arrears – total domestic revenue – grants.

²⁰ Priority Spending is not included for 2000 as the definition of priority spending has undergone some change since then.



Source: MINECOFIN

(in billions RWF)	2003 Budget	2003 Actual	2003 %	2004 Budget
Governance and Sovereignty	113,82	107,19	94%	130,50
1 General Administration	73,0	69,0	94%	90,4
<i>of which debt, interest, net lending & arrears</i>	44,1	47,0	107%	57,8
2 Defence	27,9	24,8	89%	28,2
3 Justice, Public Order & Safety	12,9	13,4	104%	11,9
Production and Environment	4,9	3,1	62%	5,2
4 Environmental Protection	0,7	0,3	36%	0,8
5 Agriculture	2,9	1,8	63%	3,0
6 Industry Commerce Tourism	1,3	1,0	73%	1,4
Infrastructure	6,3	6,2	98%	5,3
7 Fuel and Energy	0,4	0,3	68%	0,4
8 Transport & Communication	5,0	5,2	103%	4,2
9 Land Housing, Community Dev.	0,7	0,6	91%	0,5
10 Water & Sanitation	0,2	0,1	53%	0,2
Human and Social Development	61,9	61,1	99%	55,7
11 Youth, Culture, Sports	1,2	1,2	98%	1,3
12 Health	8,0	7,6	95%	7,5
13 Education	33,9	38,1	113%	36,6
14 Social Protection	18,8	14,3	76%	10,3
Total	186,9	177,6	95%	196,7

Table 2.2 shows budget execution per sector for the recurrent budget. The overall execution rate of 95% is largely satisfactory. However this aggregate number masks interesting discrepancies. In particular, the poor execution rates of the Production and Environment sector vs. the impressive performance of the Human & Social Development Sector. This can indeed be traced back to the existence of better sector strategies in the latter sector, and shows the need of a renewed effort in the former. A detailed breakdown of budget

execution by ministry is given in Annex C²¹.

²¹ Figures differ due to the inclusion of debt and net lending in table 2.2.

2.4. Crosscutting issues²²

Since resources for the Rwandan Government are extremely scarce, and given limited capacity, it has proven hard for policy makers to take into account cross-cutting issues into the budget cycle. Even where these issues have been taken into account, the still erratic way of implementing the National budget, makes it hard to see short term results of these policies.

Gender is the crosscutting area which has probably received most attention during the Budget cycle. First of all, the criteria to prioritise expenditures for poverty reduction actions were agreed upon in the 2002 PRSP. One of these relates to gender concerns. One way of implementing this criteria has been the Rwandan Gender Budget Initiative (RGI) which was rolled out in 5 provinces for the 2004 budget, alongside consolidating the progress made in the 5 pilot ministries that were covered in the 2003 budget.

It would be useful to approach **environmental** issues in the same way, but care has to be taken to not overburden line ministry staff. At the moment environment issues are taken into account in most project formulations, and certain donors, such as the World Bank make it a pre-requisite to have an environmental impact assessment done before starting any new project.

It is in general very hard to determine the impact of a budget on **inequality**. It was shown in Rwanda's last big household survey that Rwanda scores quite badly on standard inequality measures (GINI coefficient of 0.455). It is expected that the steady increase in expenditure on priority programmes, including programmes such as primary health care, universal education and agricultural services will contribute to reducing this inequality. The use of Public Expenditure Reviews and Public Expenditure Tracking Surveys, which are envisaged in some sectors for 2004, should allow analysis of equity of expenditure, particularly through benefit-incidence analysis. Measurable improvements of inequality, captured by indicators like the GINI coefficient, which measures income inequality, will nevertheless take time and be necessarily linked to other processes which the budget can stimulate, but not take over, such as private sector development.

Technology (in particular ICT) was an important issue in Section 2.1, where the importance of computerised public financial management systems was stressed. **Harmonisation** is also an important cross-cutting theme for PFM, in the context of predictable financing which aligns with planned activities. A key achievement in 2003 was the signing of the Budget Support Partnership Framework. Further work is currently being done in harmonising certain financial aspects of project support.

²² This section on cross-cutting issues also serves for the macro chapter.

3. Monitoring, Evaluation and Participation

A comprehensive Monitoring & Evaluation framework is absolutely key in tracking Rwanda's PRSP process. This chapter elaborates on Rwanda's M&E framework structured around five sections. The first section reports on the overall institutional set up of the M&E system. The second section focuses on monitoring the performances of priority programs at all levels. The third section describes the monitoring of household living conditions and other poverty related information. The fourth section narrates the progress made in the development of participatory and community based monitoring and evaluation and the last section deals with general harmonisation and co-ordination issues.

3.1. Institutional Setup

Institutional strengthening and capacity building in the M&E has been progressing as the planning and budgeting processes continue to improve. Currently, MINECOFIN oversees the coordination of PRSP M&E system. This is done in conjunction with its stakeholders by issuing guidelines and preparing consolidated reports on macroeconomic and growth policies, annual budget execution and annual PRS implementation progress report. The Department of Statistics within MINECOFIN is equally responsible for the co-ordination of surveys and the standardization of data from different sources. The statistics department is being reformed into the Rwandan National Institute for Statistics (RNIS) and the legislation governing its activities is now with Parliament.

In the planning area, sector strategy processes were strengthened, and performance reviews were reinforced and extended to all sectors, thus improving the linkages between the planning and budgeting processes with the public services delivery and utilization. Training and capacity building in planning units both at central government and local levels received attention in 2003 and will continue. In the area of public finance management, the cash management committee was set up to speed up the cash planning based budget execution. The monitoring of project implementation has continued to be strengthened by CEPEX.

In 2004 a needs assessment will be carried out and used to prepare an M&E strategy and a subsequent implementation plan and guidelines which will then be adopted by a wide range of stakeholders. Through this kind of stakeholder consultations, under the leadership of the Poverty Observatory, a regular review mechanism will be set up to monitor the development of M&E system in Rwanda to constantly check whether it serves the information needs for government institutions, the general public and other development partners.

A key challenge will be to address the interface between PRS information needs, information needed for sector strategy formulation and implementation, and monitoring of district development plans. To achieve this, government is planning to develop and strengthen the Management Information System linking the policy level to the service provider agencies in key sectors as it was successfully done in education and health. MINECOFIN and MINALOC have developed a district PRS monitoring framework which will help local government to manage a reliable data base covering the implementation of poverty related priority programs.

To supplement information produced through MINECOFIN and the sector ministries' administrative systems, a wide range of studies are regularly conducted in the area of tracking public funds from the central level to frontline service providers as well as the assessment of performances of those agencies in producing services accessible to the population. The citizen

report card technique is being developed in Rwanda to measure the level of satisfaction and public services users' perceptions. This will feed into the policy design and implementation process.

3.2. Priority Program Monitoring and Evaluation System

In the guidelines for the development of sector strategies, a comprehensive sectoral M&E system is considered a crucial element. Two main elements underpin this; firstly, more results oriented sector strategies through improved use of the MTEF and secondly, the development of a Management Information System (MIS). The education & health sectors are ahead in this, but other priority PRS sectors such as agriculture and infrastructure will be actively supported to come up with sound M&E systems. The MIS of different sectors will be developed and strengthened for collecting and managing sectoral indicators from which a list of indicators can be chosen to monitor poverty indicators deemed crucial for the PRS process. The reference year for this will be 2001.

Inputs and outputs are very closely linked to the budgetary process. Inputs for the recurrent budget are currently tracked through the SIBET system and a regular report on budget execution is produced. Monitoring results for 2003 are reported in the PFM chapter. Monitoring of inputs for the development budget is currently done in a different format for which CEPEX is responsible. It is expected that the newly installed information system, PublicBooks, will integrate the two budgets and will be operational from January 1, 2005.

The SIBET system is providing detailed information of budget execution. However, as for monitoring the outputs specified in the MTEF, information is often unavailable especially for those sectors in which the management information system is weak. Indeed, without a well integrated financial and operations monitoring system it is difficult to assess the impact of public spending on the quality and access to public services. At this stage this analysis is possible in some sectors and the objective in the short run is to have all sectors provided with a sound monitoring and evaluation system.

A well coordinated PRS monitoring system is paramount to the production and usage of financial and impact information. To address this, a Joint Monitoring System (JMS) was originally piloted in 2002 with 3 ministries and 2 provinces²³. The pilot had some successes but was hindered by the poor predictability of budgetary resources. This made it very difficult for ministries/provinces to plan budget activities, and was exacerbated by the late disbursement of donor funds. It was found that the predictable and timely delivery of budget resources was a prerequisite for this type of monitoring. MINECOFIN's improvement of the annual Cash Budget²⁴ will be key in this respect.

This year the government has been re-piloting the monitoring system in two ministries²⁵. MINEDUC has taken the lead and intends to monitor only the recurrent budget, with the development budget to be included when capacity is increased. The system aims to monitor the physical output of priority sub-programmes in the Ministry's budget. The aim of monitoring is to highlight whether the expenditure reflects the budget agreed in parliament and the strategies expressed in the PRSP. If this is not the case, then the system will help both the spending agency and MINECOFIN to trace the implementation problems. This system should be able to be rolled-out to the other ministries & provinces by August/September 2004, with the intention of monitoring of all ministries by 2005.

²³ Ministries: MINEDUC, MINISANTE, and MININTER. Provinces: Gitarama and Kigali-Rural. See the June 2003 PRS Progress Report for further discussion.

²⁴ The annual Cash Plan projects the monthly cash availability by Ministry and Province, and is updated every quarter. Currently, the Cash plan is created and distributed to spending agencies for comments and revision.

²⁵ MINEDUC and MINISANTE

Pending the improvement of the JMS, other complementary work is ongoing. In 2002 public expenditure reviews (PER's) were carried out in the transport and agriculture sector, while more work is being undertaken in 2004 in the form of Public Expenditure Tracking Surveys (PETS) in the health, education, water and agriculture sectors.

Of course in the end what is of interest is the improvement of the population's living conditions. Budget monitoring is nevertheless crucial in the sense that it is what the GoR controls. Indeed, outcomes and impacts depend – sometimes to a very large degree – on circumstances the GoR does not have power over. Nevertheless a Poverty & Social Impact Analysis (PSIA) for the tea sector will be finalized by end-2004 and a draft proposal for a PSIA on agricultural input use.

3.3. Monitoring of Household Living Conditions

The newly established Rwandan National Institute for Statistics (RNIS) will be responsible for surveys. Indeed, administrative reporting systems which focus on inputs and outputs will continue to feed the publication of the Rwanda Development Indicators published on an annual basis. The administrative data from frontline service providers will feed into the district PRS monitoring indicators and at the provincial level the PRS monitoring indicators will capture information from the household surveys.

Once the legal and institutional framework of the RNIS has been defined, its managers and staff will need to be trained. Training will also be extended to ministry staff responsible for statistics. The public sector capacity building programme (supported by the World Bank and DFID) will help in this respect.

Table 3.1.: Planned Surveys

	2003	2004	2005	2006
Census	report available			
QUIBB	survey carried out	report available		
Informal Sector Survey		survey carried out	report available	
EICV II		survey initiated	finalize survey	report available
DHS II		survey initiated	finalize survey	report available
Baseline Agricultural Survey				survey initiated

Source: MINECOFIN

A lot of data has been generated in Rwanda and efforts are ongoing to make them more user friendly and accessible for all stakeholders. The 2003 Rwanda Development Indicators were published in early 2004 and are available on CD-ROM and the internet. A lot can still be gained from linking such databases to UN databases such as DevInfo, especially with the view of monitoring the MDG's.

3.4. Participatory and Community Based Monitoring & Evaluation

The participation of stakeholders at different stages of the PRS cycle is considered key for its success. Promoting the use of participatory approaches in M&E allows one to gain a dynamic picture of poverty and to monitor access, usage and satisfaction with public services. It enables to evaluate poverty alleviation policies and programmes by adopting the perspective of the beneficiaries and allowing their input into decision-making. An effective sharing of information

throughout the entire process is essential if informed participation is to occur. District planning, Ubudehe/PPA and Citizen Report Cards are discussed in turn.

A crucial aspect of decentralization is the ability of *districts* to plan, implement and monitor their development. This requires the calculation of a range of indicators at cellule, secteur and district level which adequately cover the service delivery continuum and other critical dimensions. To this end a District Profile Database and training are envisaged for every district. The Poverty Observatory has recently commenced this by piloting a data collection exercise in 8 districts with the collaboration of the Statistics Department, MINALOC and other ministries. In 2004, this will be rolled in all districts under the financing of the PRS trust fund from World Bank, UNICEF and other donors especially those involved in the decentralization process. A simple computerized system will be developed at district and province level and will be fed by administrative data and other sources of information.

Ubudehe is a collective action programme that is being rolled out in Rwanda in all cells. As part of the 2001 PPA exercise, it effectively funds one collective activity per cell to the amount of 1,000 euros. The information coming out of the Ubudehe process is very useful. As such, this methodology should become an important source of information to feed into the district M&E systems. Ubudehe effectively takes the standard PPA methodology one step further, in the sense that it actually does something about the problems a community identifies. In that sense, a possible subsequent PPA exercise should build upon the Ubudehe approach.

User satisfaction is a critical indicator to assess public sector performance. The 2003 QUIBB had such a component, but from 2004 a process will be launched specifically aimed at assessing user satisfaction, through the Citizen Report Cards methodology.

3.5. Harmonisation & Co-ordination of Aid

This section gives an overview of issues relating to harmonization, alignment & co-ordination of aid in Rwanda. The need to make more efficient use of development resources and to reduce administrative burdens placed on beneficiary governments²⁶ is reflected in various national and global agreements²⁷. Ways to improve aid efficiency through improved harmonization, alignment & co-ordination is common to these agreements. Ownership by the recipient country and the need for donors to align behind national planning, budgeting and reporting mechanisms constitute key guiding principles.

The GoR has restated in several fora and meetings its preference for predictable budget support as the primary modality of assistance. The GoR believes that clear budget support, when accompanied with accountable and transparent institutions, will deliver superior results compared to the traditional project approach. Further, the GoR encourages budget support donors to reduce and streamline conditionalities – for example by drawing solely on PRS indicators for evaluation purposes.

The past year, has seen an increasing momentum supporting a harmonization & alignment agenda in Rwanda. The main framework for this is the Development Partners Co-ordination Group (DPCG) co-chaired by MINECOFIN and the UNDP. Two technical working groups: the Budget Support Working Group and “Harmonization & Alignment in Rwanda of Projects & Programmes

²⁶ Between 1/1/2003 and 30/04/2004, MINECOFIN received 143 different missions, mainly from budget support donors, a number which is certainly understated as there is currently no mechanism to keep track of this, while visits to the macro department were not reported.

²⁷ Such as the Monterrey Consensus (2002), the Rome Declaration on Harmonization (2003) and the Strategic Partnership for Africa (SPA).

(HARPP)” have been set up. There are also Government - donor sector cluster groups which have played some role in elaboration of sector strategies. These groups have worked with diverging degrees of efficiency and clear functional mechanisms will have to be designed to make them function more effectively.

The main achievement in the review period regarding *budget support* was the signing of the budget support harmonization framework in November 2003. The framework provides for donor harmonization and alignment to the national planning, budgeting and reporting mechanisms. Regular meetings have taken place since, with most progress made on the PFM pillar, with a joint review in March 2004 and the setting up of a Secretariat within Government to push ahead with the reforms. However, the PFM exercise also provided an example of limited co-ordination as 5 of the 6 budget support donors had PFM related missions/reports in the first quarter of 2004. The reduction of this type of working procedures is a specific objective of the Agreement.

The work of HARPP is still in its infancy, but there is strong interest from the donor community to come up with some generally agreed principles governing project support, to make administrative procedures less time consuming for Government. The GoR together with its development partners are currently in the process of agreeing upon a framework for HARPP, which will be translated into a three year action plan.

The working group will also work on issues such as measuring aid effectiveness. For this purpose a proposal is currently in the pipeline for using the OECD/DAC survey on harmonization & alignment to assess aid effectiveness in Rwanda. The PRSP review next year will come up with a revised list of aid effectiveness indicators. Indeed, GoR has expressed its interest in developing this work into a case study analysis on aid effectiveness in Rwanda, which could then be presented to High Level Forum such as the 2005 Paris Meeting.

II. PRS PRIORITY SECTORS

This second part of this year's PRS Annual Progress Report, focuses on the six priority areas identified in the 2002 PRSP. In order of importance, these were (with the chapter in brackets):

1. Rural Development & Agricultural Transformation (chapter 4)
2. Human Development (education chapters 5 & health chapter 6)
3. Economic Infrastructure (chapter 7)
4. Good Governance (chapter 10)
5. Private Sector Development (chapter 9)
6. Reinforcing Institutional Capacity (chapter 8)

4. Rural Development and Agricultural Transformation

The Rwandan economy depends heavily on agriculture, which presently contributes about 45% of the GDP (2003), employs more than 90% of the active population and contributes more than 80% of total foreign earnings. The Poverty Reduction Strategy emphasizes the importance of increasing agricultural productivity and raising rural incomes and this section, therefore reviews the performance of the sector against these objectives.

The strategies towards the objectives of the sector are:

- The transformation and modernization of agriculture through the professionalization and specialization of the sector;
- The development of commodity chains by the selection of a few priority;
- The promotion of competitiveness of agricultural products by the promotion of export crops and their regionalization in order to reduce production costs and optimize the comparative advantage;
- The development of entrepreneurship through partnership with the private sector and encouraging it to be part of the process of agricultural transformation.

4.1. Agricultural production and animal husbandry

In 2003, the agricultural production declined, registering a growth rate of -1% against 15% in 2002. Unfavourable climatic conditions that caused total food crop production to decrease of -4.5% in 2003 (this compare to a 31.5% growth in 2002) are blamed for this situation. Production of four out of the top five more consumed food crops (ranked by importance sweet potatoes, beans, bananas and cassava with the exception of Irish potatoes) decreased, thereby possibly increasing the vulnerability of Rwandan poor households.

In order to maximise rural households incomes, the Ministry of agriculture has identified priority crops that are actually or potentially competitive. Table 4.1 below presents the evolution of the production of these crops from 1995 to 2003 and table 4.2 presents the productivity in 2002 and 2003.

Table 4.1: Production of priority crops (1995-2003)

Crop \ Year	Rice (MT)	Maize (MT)	Soybeans (MT)	Irish Potatoes (MT)	Beans (MT)	Coffee (MT)	Dry tea (MT)	Fruits & Vegetables (MT)
1995	2 300	55 600	900	137 700	126 300	21 820	3 956	135 500
1996	6 596	66 595	3 302	195 381	174 347	15 230	7 755	189 219
1997	9 805	83 427	6 779	229 625	133 715	14 820	12 968	156 221

1998	7 935	58 618	9 831	181 138	153 917	14 260	15 129	78 350
1999	8 919	54 912	8 898	175 889	140 426	18 333	12 710	82 983
2000	14 503	62 502	13 922	957 198	215 347	16 089	13 717	205 675
2001	17 866	80 979	16 336	1 012 269	242 157	18 260	15 166	211 038
2002	20 522	91 686	17 088	1 038 931	246 906	19 426	11 941	233 643
2003	24 425	78 886	19 869	1 099 549	239 394	14 412	12,959	287 620
% Change (2002-2003)	19.0	-14.0	16.3	5.8	-3.0	-25.8	8.5	23.1

Source: MINAGRI

Table 4.2: Average agricultural productivity

Year	2002	2003
Maize		
Production (MT)	91,686	78,886
Acreage (Ha)	104,628	103,100
Productivity	876	765
Rice		
Production (MT)	20,522	24,425
Acreage (Ha)	6,423	7,666
Productivity	3,195	3,186
Soybeans		
Production (MT)	17,088	19,864
Acreage (Ha)	31,289	36,067
Productivity	546	551
Beans		
Production (MT)	246,906	239,394
Acreage (Ha)	358,002	356,899
Productivity	690	671
Irish Potatoes		
Production (MT)	1,038,931	1,099,549
Acreage (Ha)	124,972	124,972
Productivity	8,313	8,798
Coffee		
Production (MT)	19,426	14,412
Acreage (Ha)	30,000	31,072
Productivity	648	464
Tea		
Production (MT)	14,543	
Acreage (Ha)	12,500	12,500
Productivity	1,163	-
Imported Fertilizers (MT)	20,845	
Meat (MT)	39,126	43,589
Milk (MT)	97,981	112,463
Eggs (MT)	2,434	3,402
Artificial insemination (livestock)	5,734	9,054

Source: MINAGRI

One can see that only four priority crops registered a higher increase in 2003 than in 2002, whilst production for the other three (maize, beans, coffee) decreased. The long term trend from 1995 for all crops is generally an increase in production. Between 2002 and 2003 rice production increased by 19% (reducing imports) due to the expansion of cultivated areas. However, for most of the crops, productivity declined in 2003.

4.1.1. Development of exports crops

Over the past years, the Government has been taking steps towards unleashing the export of coffee and tea. The strategy focus on adding productivity of and value of these traditional exports.

For coffee, emphasis has been put on investing in high-quality specialty coffee production and the construction of washing stations. Coffee washing stations increased to 16 (in 2003) from 5 (in 2002). Though total coffee production declined in 2003, the production of high-quality coffee (fully washed) increased from 28 MT (green coffee) in 2002 to 333 MT in 2003. Better organization of producers' associations, a greater involvement of the private sector, and the replacement of old coffee trees will increase coffee production in the near future.

Tea production increased from 11,941 MT in 2002 to 12,959 MT in 2003, partly due to an increase of the price of green leaves. Within the framework of privatization in the tea sector, the Pfunda tea factory has been privatized, while the Mulindi factory will be placed on the market again in 2004. The process of privatizing the tea estates of Mata, Kitabi, Gisakura and Shagasha will also begin in 2004. In order to protect the interests of tea producers, 45% of the shares will be offered to nationals of which 10% will go to tea associations/cooperatives. Moreover, the Government sold 13.45% of its shares in the private tea estate of Sorwathé, while the 23% remaining will be sold to a tea producers association.

However, the tea sector is confronted with low capacity and ageing of the machinery in the factories. One of the big challenges in this sector will be the gradual transformation of OCIR-THE, from an agency that has been intervening in providing subsidies and investment in the sector to one of being a regulatory agency, without compromising the viability of the tea estates.

The Smallholder Cash and Export Crop Development Project that has just started will give the necessary support to coffee and tea producers of 4 provinces where it operates (Kigali-Ngali, Gikongoro, Kibuye and Kibungo) in order to increase high quality coffee and tea production.

Beside the promotion of traditional exports, attention has been paid to the need for diversification of exports to reduce vulnerability to external shocks. The volume of horticultural flowers exported increased from 72.98 MT in 2002 to 74.65 MT in 2003, however the volume of fruits and vegetables exported decreased from 63.8 MT to 41.65 MT.

The Government is committed to increase its exporting capacity. In this regard a comprehensive export promotion strategy, that takes into account the various aspects such as infrastructure development, market information and financing needs, has been drafted. The challenge on the medium term lays in its implementation.

4.1.2. Modern agricultural inputs: improved seeds and fertilizers

The use of modern inputs is central to the improvement of agriculture productivity, however the QUIBB 2003 finds that few farmers use modern inputs: only 0.7% use imported improved seeds and 13.8% use locally improved seeds (mainly Irish potatoes). After a law was passed on seed multiplication in order to encourage professional seed multiplication, has been carried out with farmer associations and administrative policies to regularly inspect the quality of seeds have been developed. In 2003, there were 1,783 MT of improved seeds produced and distributed to farmers. 1,123 MT of these improved seeds were of Irish potatoes as opposed to 900 MT in 2002, somewhat explaining the increase in production of this crop despite the climatic shock. Transfers will be made to decentralised level in order to seasonally avail seeds those farmers who could not store them. The sustainability could be ensured by giving them in the form of in kind credit.

On the other hand, the QUIBB 2003 survey also suggests that the use of fertilisers has decreased since only 1.4% of households use chemical fertilisers (compared to 5% in the EICV 2001). Following the liberalisation of the fertilisers market, its importation doubled in 2002 compared to 2001. However, in 2003, fertilisers imports and use decreased probably due to the closure of the PDMAR project that was facilitating distribution of fertilisers and the depreciation of the Rwf against the dollar that significantly increased the price of fertilizers. The MINAGRI opened a line of credit with the National Bank of Rwanda (BNR) to facilitate the importation of chemical fertilizers. The GoR envisages distribution of fertilisers, among others, through the restructured rural sector support project.

Not all farmers are ready to use chemical fertilisers and for those engaged in subsistence agriculture, the use of manure (they represent 62.6% of households against 36% not using fertilisers of any kind at all) will be necessary to increase productivity while preparing the soil for future use of modern fertilisers. Therefore, the GoR emphasize the reconstitution of livestock in rural areas. The following section deals with development of livestock.

4.1.3. Animal husbandry and livestock development

Activities implemented in this sector aimed at livestock improvement by encouraging imports of improved breeds and use of artificial insemination as well as disease eradication. They are also directed towards increased promotion of poultry and fishing products.

At the end of 2003 livestock numbers in Rwanda were 991,697 head of cattle, 1,270,903 goats, 371,766 sheep, 211,918 pigs, 2,482,124 poultry birds and 498,401 rabbits.

To reduce the gap between the supply (estimated at ½ of requirements) and demand, the following actions aiming to increase productivity were implemented in 2003:

Genetic improvement:

- 9,054 artificial inseminations were carried out in 2003 as opposed to 5,734 in 2002 and 1,547 births from artificial inseminations were recorded;
- 26 genetically improved bulls were distributed in the provinces of Kibungo and Umutara (the results will be known within 2 years);
- 316 heifers (251 Jersey and 65 Friesian) were imported;
- 465 Boer goats were imported from South Africa.

Improvement of animal nutrition:

- 7,302 ha of pastures (from a total of 129,073 ha) were improved

Restocking the country with small ruminants:

- 6,800 goats were distributed to lead farmers in the provinces of Ruhengeri and Gisenyi.

Promotion of poultry:

- 3,600 breeder birds were imported;
- 60,784 layer chicks were distributed in rural areas;
- 64,826 broiler chicks were distributed in rural areas.

Recognizing the economic impact of animal diseases, the MINAGRI reinforced its capacity to monitor internal and cross border livestock and animal product movements. To this end, 7 control stations and 4 quarantine stations were put in place. A national veterinary laboratory is operational to help in the control of livestock diseases.

Livestock vaccinations:

- 456,000 head of cattle were vaccinated against foot and mouth disease;
- 105,000 head of cattle were vaccinated against PPCB;
- 6,000 head of cattle were vaccinated against nodular dermatitis; and
- 40,000 head of cattle were vaccinated against anthrax.

Fish stocking in lakes and rivers

- Muhazi lake was stocked with 125,000 *Tilapia nilotica* fish for the third phase, totalling 425,000 fish stocked in this lake during a 2 year period;
- Cyimpima dam in Rwamagana was stocked with 80,000 *Tilapia nilotica* fish;
- 40,000 *Tilapia nilotica* fish were stocked in various ponds in rural areas.

Within the framework of fishing associations, 75 fishermen were trained in fishing techniques and in legislation governing fishing and aquaculture in Rwanda.

Table 4.3 below gives the comparison of 2002 and 2003 with respect to animal production.

Table 4.3: Situation of animal production

Year	2002	2003	Percent change (%)
Production			
Milk	97,981 MT	112,463 MT	12
Meat	39,126 MT	43,589 MT	10
Fish	7,612 MT	8,144 MT	6
Eggs	2,434 MT	3,402 MT	31
Honey	819 MT	908 MT	9

Source: MINAGRI

4.1.4. Research, extension and marketing

Among the main obstacles identified to the development of priority crops and the proper use of modern inputs are related to the inadequacy of research and extension services.

The inadequate link between research and technology transfer. For this reason, ISAR, the institute responsible for adaptive research is being restructured to better serve the needs of farmers.

The lack of an adequate extension services system. The major extension strategy has consisted of addressing the most crucial needs of training in the sector. In 2003, 450 technicians were trained as trainers on animal husbandry, rice production, production techniques and crop conservation, formation of association, small project management and project funding. Forty radio broadcasts and 8 video productions on agricultural techniques were produced. For organic and inorganic fertilizers, 550 demonstration plots were established in 8 provinces and about 10 farmers' committees were also established.

However, the QUIBB survey shows that in 2003, 94% of households involved in agriculture did not attend demonstrations by agronomists. The implementation of the strategy is hampered by the lack of a clear link between the decentralized services and the central services of the MINAGRI (means are limited at the central and decentralized level) as well as the operators in the sector; In addition to the ministry staff, each district requires an extension agent if the strategy is to be successful. An effective working relationship must be reinforced between extension agents, NGOs, farmers associations, the private sector and local authorities.

Beside research and extension services, there is a need for a market information system to serve farmers with information on the evolution of the market. MINAGRI is monitoring market prices internally but there more efforts should be done towards making available information on the evolution of regional markets (particularly with Rwanda joining the COMESA free trade area)

4.1.5. Planning

An Agricultural Policy document has already been produced and the sectoral strategy is under elaboration and will be finalized before the end of 2004. It is crucial for the success of the entire poverty reduction strategy that attention is paid to the integration of the agricultural transformation and rural development strategies under the lead of MINAGRI. However, the shortage of human resources in the MINAGRI and the lack of reliable statistics remains a major challenge.

In 2003, a technical diagnosis of data production of the present information and agricultural statistics system revealed several deficiencies of which: the rarity and lack of relevant data produced in relation to the needs; the uncertain reliability of some data; the irregularity and discontinuity of the series; the limited accessibility and distribution of the existing data for users; and the quasi-total dependence of the production of statistical data on donor funding.

In March 2003, a support project for the division of statistics, whose objectives are a rehabilitated agricultural statistics system, a database and agricultural information management system, a basis sample and new survey methodologies, started operating.

It is worthy to note that the budget allocated to agriculture has been decreasing in percent of GDP and the Government is committed to increase allocations for this sector over the medium-term.

Agricultural productivity

Main achievements:

- ♦ Increase in the production of some priority crops and horticultural products;
- ♦ Efforts to promote improved seed multiplication started.

Major challenges:

- ♦ The adoption and implementation of a sustainable strategy for export products (traditional and non- traditional);
- ♦ Increase efforts for seeds multiplication as well as research and extension services for priority crops
- ♦ Increase the proper knowledge and use of fertilizers.

Livestock

Main achievements:

- ♦ Genetically improved breeds are gradually introduced to farmers;
- ♦ Restocking of livestock has reached or exceeded 1990 levels;
- ♦ Animal production and animal health is generally increasing.

Major challenges:

- ♦ The market for animal products is not satisfactory, especially for goats, fish and honey;
- ♦ Achieving higher productivity;
- ♦ Efficient control of animal diseases.

Research, extension and marketing

Main achievements:

- ♦ Training of lead farmers was conducted

Major challenges:

- ♦ Training more farmers continues to be a challenge;
- ♦ The development of traditional or new exports opportunities;
- ♦ The availability of market information for producers.

Planning

Main achievements:

- ♦ Efforts in the restructuring of the statistical data collection system

Major challenges:

- ♦ Shortage of human resources in the MINAGRI;
- ♦ Ensure efficient coordination of the agriculture transformation and rural development strategy under the lead of MINAGRI
- ♦ The availability of reliable information for producers and operators in the sector.

4.2. Land, Environment, Forest resources, Soil and Water Management

Environment and agricultural production in Rwanda have an important interface.

4.2.1. Land

National consultations on land policy and a land law have been ongoing for most of 2003 and 2004 and a law on the expropriation has been drafted and adopted by Cabinet. The actual land law is currently under debate in Parliament. The law exempts agricultural land from taxes. There has been progress in land planning and management through better mapping of and creation of a database on land use and this has resulted in less bureaucracy in terms of acquiring title deeds. Mechanisms for resolving land related and other disputes (*Abunzi*) has been established in 2004 through a recent reform of the justice system.

4.2.2. Environment Policy

An environment policy was developed and adopted by Cabinet and the Environment organic law voted on by Parliament in June 2003. In 2004, a draft law establishing the Rwanda Environment Management Authority (REMA) was adopted by Cabinet. Policies on the management of plastic wastes have been adopted and studies on bio-diversity and an environmental information system are in progress.

4.2.3. Forest resources

A national forestry policy has been developed and a national forest protection agency and funds have been established. In 2003, the Rwandan Forestry Management Support Project (PAFOR) opened a line of credit of Rwf 500 million to promote private investment in the forestry sector. In 2003, 57 million trees were produced and planted throughout the country and a census revealed the existence of 31 private associations operating nurseries. Forest areas expanded from 503,763 ha in 2002 to 527,653 Ha in 2004. Forest fires have been reduced by about 70% and 110 local authorities from six provinces were trained in forest management practices. A Higher Forest and Wood Products School will be opened in collaboration with the Ministry of Education.

4.2.4. Soil and Water Management

A National Soil Conservation Commission has been established. Between 2002 and 2003, the area under terracing increased from 6,164 ha to 6,916 ha and anti-erosive ditches that were rehabilitated increased from 13,359 km to 14,213 km. Rice schemes were expanded from 5,369 ha to 6,020 ha with most of the new ones being in Umutara Province. In 2002, training documents on different soil conservation techniques were published and in 2003, 152 members of the district soil conservation committees were trained and 2,900 ha of flood prone valleys were rehabilitated and developed.

A survey on the rational and sustainable development of swamps and valleys in Rwanda was carried out in 2003 and a detailed plan for the development of 6,000 ha is in progress while work on another plan for 1,550 ha will be initiated soon. The finalization of these surveys is planned for the end of 2004 and the execution of the work is planned for the beginning of 2005. Valley dams and flood water harvesting will be initiated, especially in the *imidugudu*, in order to improve the use of this substantial water source that often goes to waste.

Main achievements:

- ♦ Mobilization campaigns resulted in 57 million trees being produced and planted in 2003
- ♦ The study and development of a Master Plan on Marshlands. It will be necessary to consider the construction of water dams to improve marshland use during the dry season;
- ♦ Creation of REMA,
- ♦ Environment policy developed and environment law voted

Major challenges:

- ♦ Capacity and insufficient sensitisation on environment protection
- ♦ Water management and soil conservation
- ♦ Comprehensive protection of hillsides that also affects valleys (sedimentation, hydrology).

4.3. Credit and off-farm employment

In order for the strategy to succeed, it is important that rural households have access to resources and that the transformation of agriculture be integrated in the broader framework of rural development thereby creating space for off-farm incomes generating activities and production of non-agricultural goods and services.

In order to facilitate imports of fertilisers, a credit line was opened with BNR whilst the GoR made available funds (RwF 124 million) through the Banques populaires for microfinancing of seasonal credit to ensure improved access of rural households to financial and in-kind resources.

A regulatory framework for the sector of microfinance was established and a national microfinance policy has been developed during the course of 2004.

The GoR also envisages to transfer funds to decentralised entities, through the budget, for seasonal credit to purchase seeds, meanwhile the BRD has been restructured with two new instruments to assist the Government implement its strategy by supporting the private sector: a microfinance scheme to refinance microfinance institutions and associations and an Agricultural guarantee fund, both to be operational by end-2004.

The HIMO programme that was elaborated in 2003 started to operate in 2004 in coherence with the CDF and Ubudehe programmes. It will be further strengthened with the second phase of the rural sector support project and the adoption of the rural development strategy. These includes using the HIMO approach for terracing, marsh management, construction of feeder roads, protection of hillsides, etc. thereby simultaneously developing needed infrastructure and boosting rural off-farm employment.

5. Human Development – Education

The Government of Rwanda considers education as a fundamental human right and an essential means that guarantees all Rwandans – women and men, girls and boys – to realize their full potential. The development of human resources (see also chapter 8), is one of the principal factors in achieving sustainable economic and social development. Education and training are bases for achieving development and poverty reduction in Rwanda.

Basic literacy in the 3R's and development skills are critical in the fight against poverty, and constitutes a core education priority. The second core education priority of the GoR are the internationally agreed targets such as Education For All and the Millennium Development Goals – improved primary completion rates by 2015 and Gender Equity in education by 2005. The Government places special emphasis on basic education as a priority area within the PRSP because of the strong correlation between primary education, improved economic opportunities, better health, and fewer children. These relationships are especially strong in relation to girls' education.

In 2003 MINEDUC and partners finalized the Education Sector Strategic Plan (ESSP) 2003–2008. This is a forward-looking, rolling development plan intended to make the Education Sector Policy operational and an instrument to guide all operations of the sector. The second Joint Review of the Education Sector (JRES) held in April 2004, reviewed progress made in the Education Sector towards GoR's poverty reduction goals and forms the basis of this chapter. In general, JRES brings together MINEDUC and stakeholders to:

- monitor progress towards poverty reduction goals using key agreed indicators and actions;
- improve donor coordination and harmonization through consultations with all stakeholders.

This chapter is made up of two sections. Firstly, different priority areas as defined in the PRSP with regard to the education sector, are discussed. Secondly, the overall framework of the education sector, including the budget and M&E are discussed in detail. [Table 5.2](#), at the end of the chapter summarises 2000-2004 key performance indicators.

5.1. Priority Delivery Areas

5.1.1. Early Childhood Care and Development (ECCD)

Access to ECCD is an important factor in increasing retention and achievement in subsequent levels of education. It is also an enabling factor in supporting girls to attend school regularly and giving mothers time to participate in poverty reduction activities – rather than having them care for younger siblings (Gender, Education and Poverty Review, MINEDUC 2003). The ESSP has a target of 30,000 children accessing ECCD by 2008. It is expected that provision will continue to predominantly be through the private sector. However, the GoR will continue to regulate standards, objectives and teacher training. A draft policy on ECCD is expected before end 2004.

Currently, only about 1% of children under 7 are registered for the ECCD programme. A study commissioned by MINEDUC and funded by UNICEF recommends the integration of ECCD at household and community levels and emphasizes the importance of building on traditional methods, using existing health care and private sector participation. The challenge for the GoR is to look for ways to support the gaps in private provision so that ECCD does not remain the preserve of children from wealthy households.

5.1.2. Primary Education

Table 5.2 shows that great strides have been made in improving enrolment/access indicators. Rwanda's gross primary enrolment figures increased from 99.9% in 2001 to 110.2 % in 2003. This is considerably higher than the Sub-Saharan average of 75% (MINEDUC 2003). This accomplishment can directly be attributed to GOR's new policy on fee free primary education that was introduced last year and constitutes an important achievement in the fight against poverty. However, enrolment rates vary significantly across provinces.

Moreover, the quality of primary education still remains a great concern. For example, primary completion rate for the 1998 – 2003 cohort was only 38.1%; the repetition rate was 20.6% and the drop out rate was 15.2%. With the target of attaining Universal Primary Education by 2010 and Education For All by 2015, the issue of quality is a major challenge. School feeding programmes are currently in place to improve access and retention.

The quality of primary education in Rwanda is affected by a shortage of qualified teachers, a heavy curriculum and lack of appropriate instructional material. Indeed, the continued shortage of *teachers* has led to large classes and a double shift system. However, there have been tremendous efforts to increase the number of qualified teachers. Nationwide, the proportion of qualified teachers has increased from 81.2% in 2002 to 85.2 % in 2003. While the overall teacher/pupil ratio is 65.8, the qualified teacher/pupil ratio reduced from 72.7 in 2002 to 70.3 in 2003, however, this ratio is still higher than what is required to ensure quality teaching. MINEDUC conducted research in 2003 on teacher development and management, the findings and recommendations of which will inform policy formulation on these issues.

The quality of primary education is also compromised by the quality of the *curriculum*, which was last revised in 1996. However, a six-year School Curriculum Revision Plan 2003–2008 to revise the Rwanda Primary and Secondary Curricula, effective from 2003 is being implemented.

Because quality of achievement depends greatly on appropriate *textbooks*, a textbooks policy was put in place in 2002 under which books were to be supplied to primary schools at a target of one textbook for every three pupils. There is also a Textbooks Approval Committee (TAC) that is responsible for approving books for use in schools. In 2003 MINEDUC supplied books for French (P1 – P3), English (P4 – P6) and STE (P1 – P6). Supply of textbooks to all primary school remains a challenge as more than 50% (QUIBB 2003 survey) of students who are satisfied identified shortage of textbooks as the reason (note that 100% of students from private primary schools identified this as reason).

Achievements

- EFA Plan of Action finalized and in place from June 2003;
- ESSP 2003 –2008 finalized and in place from July 2003;
- Fee free primary education and government capitation grant effective from September 2003; elimination of fees lead to substantial increase in enrolments;
- Announcement of universal 9- year basic education
- Decentralisation process on course.

Challenges

- Increased financial demands;
- Increased wage bill for teachers;
- Further reducing the shortage of qualified teachers
- Supply of textbooks to all primary schools in all subjects.

5.1.3. Secondary Education

Secondary education is important in terms of its links to longer term strategies for poverty reduction and human resources development. Rwanda's current gross secondary school enrolment rate has increased gradually from 7% in 1998 to 13.9% in 2002. The transition rate from primary, though still low, has shown encouraging improvement from 43.0% in 2001/2002 to 54.2% in 2002/2003.

Currently, 48% of total secondary school pupils are *girls*. However, there are differences in equity in terms of school-type and by region. Fewer girls access public secondary schools (40% - to verify with MINEDUC) yet public schools have far greater resources than private secondary schools. Such gaps have consequences for inequality in career opportunities. Secondary education in Rwanda remains less accessible to the *poor* households. It is estimated that less than 5% of secondary school children are from the poorest 20% of households (MINECOFIN).

In October 2003, MINEDUC opened 94 new lower secondary schools throughout the country. This has contributed to an increase in access to secondary school opportunities and consequently the transition rate from primary to secondary has increased noticeably. Children from poor families can attend those schools where they do not need to board and thereby avoid paying boarding fees that are typically Rwf 21,000 (and above) per term. Government's new policy of 9-year basic education to cover the first 3 years of secondary school, will further improve access.

The continued shortage of qualified teachers is still a major problem. The rate of qualified *teachers* at the secondary education level for 2003 is 52.1%, which represents a slight improvement compared to 2002 (51.9%). Among the measures being taken to address this problem is the training of teachers through distance learning programmes at the Kigali Institute of Education (KIE), where 500 serving secondary school (A2) teachers are expected to complete their upgrading course this year.

Currently only 20.5% (even worse for girls) secondary school (second cycle) students are taking the various *science* combinations. MINEDUC plans to establish 12 secondary schools as centres of excellence in science and ICT. In 2003, through the Human Resources Development Project rehabilitation/extension of 6 schools started and so far 4 have been completed. These schools will be provided with laboratory equipment and computers. MINEDUC has also started a project aimed at improving the teaching of science in the first secondary school cycle.

Lack of *educational materials* and resources is also a constraint. The secondary school curriculum is very heavy, but there are no adequate teaching materials. Procurement and supply of textbooks for secondary schools is yet to be addressed as more than 60% of the students who are not satisfied at the secondary level cited lack of textbooks as the reason.

Achievements

- Announcement of 9-year basic education;
- Establishment of 94 new lower secondary schools.

Challenges

- Continued low transition rate to secondary schools;
- Inadequate supply of educational materials
- Further reducing the shortage of qualified teachers

5.1.4. Tertiary Education

At the policy level, some of the significant steps taken by the GoR on Higher Education in 2003 are the passing of the Higher Education Bill, the establishment of the Students Financing Agency for Rwanda (SFAR) and the process of establishing the National Council for Higher Education (NCFHE). These policies will help in the governance of Higher Education.

In 2003, the *number* of students in the 6 public higher learning institutions was 12,211, while the 4 private higher learning institutions who responded to the MINEDUC questionnaire accounted for 8,182 students²⁸. However, the total number of students is more than 20,393, following the opening of three other private higher learning institutions in 2003; those are UNATEK in Kibungo Province, UCK in Gitarama Province and UNIR in Ruhengeri Province. It is also useful to mention that another private HLI-UPB located in Byumba Province opened in February 2004. In terms of *gender* balance in higher education, for the academic year 2003, male students in public institutions represented 73.2% of the total. Private institutions however, show higher enrolment for female students, 51.6% of the total.

Despite this rapid expansion of higher education, transition from secondary to tertiary education is still very low and access by students from *poor* households is limited because of poor education backgrounds especially in the rural primary and secondary schools. The Cost and Financing of Higher Education study shows that public higher learning institutions have 961 *staff members*, of which 256 are expatriates. This poses a serious sustainability challenge since expatriates are paid high salaries. As such, the government has continued to train local staff abroad to replace expatriate staff.

The GoR has taken measures since 2003 to reduce public expenditure on non-academic costs in higher education and this effort is continuing in order to bring the student unit cost to a reasonable level. This will also enable the government to establish a balanced system of expenditure between the three sub-sectors of education (primary, secondary and higher).

Achievements

- Process of establishing the National Council for Higher Education;
- Putting in place of the Higher Education Bill;
- The establishment of the Students Financial Agency for Rwanda;
- Reduction of unit cost of public higher education.

Challenges

- Ensuring a good match between the numbers and skills mix of graduates leaving the education system and the economy's capacity to absorb them into productive employment;
- Ensuring that there is access to higher education by those from the poor households.

5.1.5. Science and Technology

Science, Technology and Research are key elements in the Government's Poverty Reduction Strategy, and are considered to be tools for economic and social progress and a means towards sustainable development through wealth creation. MINEDUC has started the process of developing policy and strategy in this area.

Efforts have been made to promote Information and Communication Technology (ICT) as a means of enhancing the learning process. The government recognises the need to adopt a realistic and achievable ICT strategy in education that focuses on achieving education outcomes. The Centre for

²⁸ UNR, KIST, KIE, KHI, and ISAE (public), UAAC, ULK, UNILAK and ISPG (private).

Innovation and Technology Transfer (CITT) was opened in 2003 at KIST, while the same institution has in the recent past successfully run ICT technician training. In 2003 Higher Learning Institutions were requested to identify programmes that have direct relevance to rural economic transformation. This process is ongoing.

5.1.6. Technical Education

Technical schools are considered vital for national development as they provide important skills for middle level technicians needed in industrial and other specialised service sectors. Technical education is offered in technical schools in the second cycle of secondary education, while vocational training is mainly offered in the Training Centres for youths. Most of these Youth Training Centres are actually inadequately funded and need rehabilitation. The education's long-term strategy stresses the necessity to have one technical school (well-equipped and well staffed) in each province, and a vocational centre in each district.

The cost of implementing this policy, although high, is justified by the fact that these technical skills are critical to development and poverty reduction. Beneficiaries themselves can contribute through cost sharing arrangements. In 2003 there were 4,269 students in technical schools. This figure represents 6.1% of the total number of students in the second cycle of secondary education. In 2003 a study on Technical Education and the labour market was conducted and the results discussed at a workshop attended by various stakeholders. The recommendations adopted have been used in the development of a draft policy and strategy for technical education.

5.1.7. Mass Education and Functional Literacy

The PRSP considers literacy a critical development priority. Currently the public sector is responsible for the largest literacy initiative in the country. It reaches about 15,000 - 20,000 people annually (0.4% of the illiterate population). The ESSP has amongst its policy objectives, the provision of education to all Rwandans through functional literacy. The aim is to increase the adult literacy rate from the current 58.8% (QUIBB 2003) to 75% by the year 2008. Plans are underway to carry out a diagnostic study to inform the development of an appropriate policy in this subsector. The challenge is to formulate and implement a comprehensive and coherent strategy for adult literacy to reach EFA targets while reducing disparities (the QUIBB 2003 estimates that 46.2% of women are illiterate against 35% of men. The gap is wider in rural areas).

5.2. Planning, Management and Financing

5.2.1. Planning and Management

Careful planning, effective and efficient management will guarantee efficient delivery of education and training, while sound resource allocation is mandatory if the sector is to make tangible progress. The GoR is committed to use the Sector Wide Approach (SWAP) to develop education services in order to achieve the sector's long-term objective of delivering universal access to equitable and high quality education. MINEDUC leads this education sector development process. The Ministry has been working with partners in the preparation of the ESSP 2003 – 2008 and appropriate resource allocation (through the MTEF) in line with the PRS.

Needs in terms of institutional and human resource capacity, crucial for all Government agencies, are even more urgent, given that MINEDUC is in the process of *decentralising* some of its administrative functions to provinces, districts and schools. In 2003, training for district inspectors and education officers was conducted in all provinces on *carte scolaire* (school maps), strategic

planning and MTEF. In addition, training was given on school management in some provinces and this will continue until all provinces are covered. In late 2003, MINEDUC rolled out the ESSP planning process to provinces, which now all have at least a draft education strategy. Moreover, further efforts are directed towards clarifying the roles and responsibilities in service delivery and monitoring of education in the context of decentralisation.

5.2.2. Public expenditure on education

The GoR has undertaken significant efforts to channel resources to the education sector. However, for all sub-sectors in education to contribute effectively towards poverty reduction, more resources are needed. Table 5.1 presents the proportion of public recurrent expenditure allocated to the education. Though increasing in nominal terms, the education budget decreased in 2003 as a share of total recurrent expenditure in favour of reallocation to other social expenditure (health and social protection as overall social spending increased). The higher allocations to primary education within the education budget are done at the expenses of secondary education (however, this is somewhat compensated when considering the overall budget by higher development budget allocations to the secondary).

Table 5.1: Allocation of education recurrent budget (%)

Sub-sector	2002	2003
Education (share of total recurrent budget)	25.2	23.3
Primary (share of education recurrent budget)	39.7	47.6
Secondary (share of education recurrent budget)	13.5	5.9
Tertiary (share of education recurrent budget)	37.4	37.6
Education Not Classified above (share of education recurrent budget)	9.4	8.9

Source: MINECOFIN

The GoR conducted a Social Sector Expenditure Review in 1999. Within this framework, the GoR aimed to further increase the share of the education budget and to seek additional resources from external partners, in order to increase spending on primary and secondary levels. At the same time, the GoR is committed to reducing recurrent costs for secondary and tertiary education through mechanisms such as cost sharing, promoting non-residence, providing loans, and increasing parent and community participation. Even though MINEDUC has just concluded a study on cost and financing of higher education, there is a need to carry out comprehensive studies on Cost and Financing of the Education sector as a whole to better inform planning.

With respect to primary education, a recent assessment showed that the GoR's goal of "achieving universal primary education by 2010," will cost some Rwf 218 billion between 2000-2005, (central government contribution: 63%). The GoR has declared primary education free and compulsory, which necessitates active partnerships in financing education, including contributions from parents, communities (and eventually local governments) and donor agencies, along with special measures to ensure access for the poor.

5.2.3. Monitoring and Evaluation (M&E)

Table 5.2 below summarises key performance indicators for Rwanda for 2000/2001 – 2003/2004. All achievements have benefited from good partnerships with all stakeholders. The ESSP set out indicators as a key component of the monitoring system. Sector performance will be informed by both quantitative and qualitative data and the ESSP will be continually reviewed based on the outcomes of these assessments. This will ensure a comprehensive evaluation framework providing

timely, relevant and evidence based information for decision-making. The M&E will be part and parcel of the Education Management Information System.

Table 5.2: Key education performance indicators

	2000/2001	2001/2002	2002/2003	2003/2004
<i>Input Indicators</i>				
Government spending on education as % of total public expenditure	30	27	23.7	24.2
Ratio of higher education to primary education unit costs	141	137	112	89
<i>Output Indicators</i>				
Pupil: teacher ratio (at primary)	51	58.9	65.8	66.9
Pupil: textbook ratio				
Non-salary recurrent spending as a % of recurrent spending for primary education				27.9
% Primary teachers certified to teach according to national standards	62.7	81.2	85.2	88.2
% Male qualified	62.1	80.8	84.4	87.1
% Female qualified	63.3	81.6	86.0	89.3
% Secondary teachers certified to teach according to national standards	49.7	51.9	52.1	50.95
% Male qualified	90.4	90.9	90.5	89.95
% Female qualified	9.6	9.1	9.5	10.2
<i>Outcome Indicators (primary education)</i>				
Gross enrolment rate (%)	99.9	103.7	128.4*	134.1*
Net enrolment rate (%)	73.3	74.5	91.2*	95.4*
Completion rate (%)	24.2	29.6	38.1	44.9
Average repetition rate (%)	31.8	17.2	20.6	
Average drop out rate (%)	14.2	16.6	15.2	
Transition to secondary (%)	37.0	43.0	53.0*	54.2*
Ratio of students to qualified teachers	772.6	70.6	70.3	75.8
<i>Impact Indicators</i>				
Youth literacy rate (15 – 24) (%)	52.4			

*Rates based on World Bank calculation formula

Source: MINEDUC

Achievements

- Development and launching of the ESSP and its roll out to provinces;
- Draft Education Strategic Plans for all provinces.

Challenges

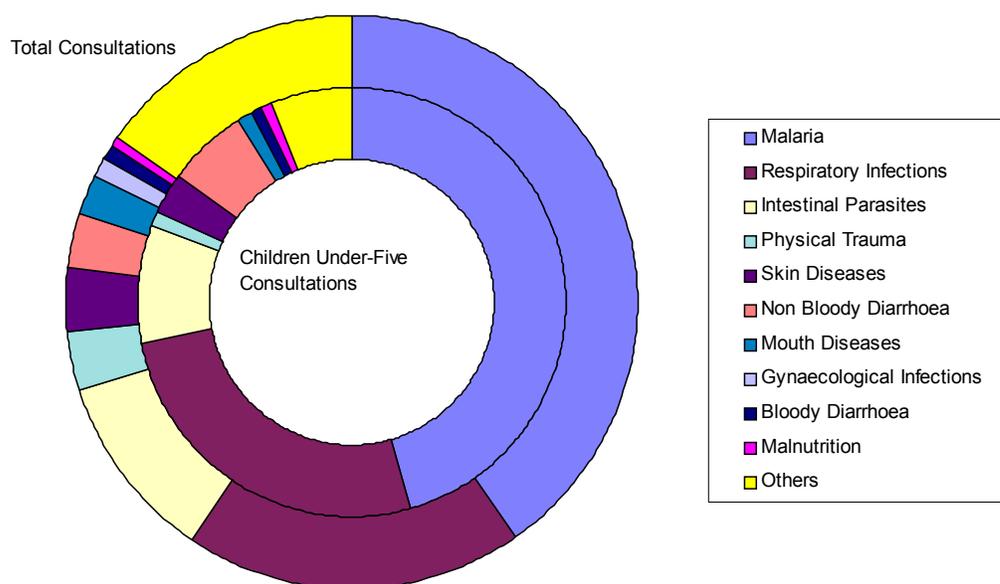
- How to cope and control the likely increase in teachers' wage bill;
- Ensuring a proper balance in public spending on education;
- Providing a workable strategy and legal framework for the decentralization process;
- Ensuring effective implementation of the ESSP.

6. Human Development – Health

6.1. Sector Performance Review in 2003

Figure 1 shows the main causes of morbidity in health facilities for children under five and the total population. Malaria continues to be the main cause of morbidity, followed by respiratory infections.

Figure 6.1: Morbidity by disease in the health facilities in 2003



Source: MINISANTE

Current indicators from the health information management system show signs of improvement during 2003. DPT3 coverage remains excellent, and the utilisation of health services has improved to 0.33 consultations per capita/year. The proportion of the population covered by mutuelles has increased from 4% to 7% over the year. However, the estimated rate for deliveries assisted by qualified staff shows a decline.

Table 6.1: Selected health indicators 2001-2003 (percentage)

Indicators	2001	2002	2003
DPT3 coverage	77.0	82.0	89.4
Utilization rate of curative health services	25.0	28.0	33.4
Rate of severe malnutrition for children under five	24.0	24.0	24.0
Assisted deliveries by qualified staff	30.5	38.8	35.5
Mutuelle coverage rate	-	3.0	7.0

Source: MINISANTE

6.1.1. Management and Governance of the Health System

The Ministry of Health, in collaboration with stakeholders revised the Health Sector Policy as part of the process to move towards a sector-wide approach (SWAp). The development of the Health Sector Strategic Plan (HSSP) has been ongoing and is scheduled to be costed and presented for final adoption during 2004. To improve eventual implementation of the HSSP, the Medium Term Expenditure Framework programmes have been restructured in line with the Health Sector Policy with a view to making the tool more results orientated.

Performance based payment schemes in which health providers are encouraged under contract to improve performance of their services have been successfully piloted in Cyangugu and Butare provinces supported through donor funding. Results from the monitoring of the projects have been encouraging, particularly in terms of providing lessons on mechanisms to finance and promote decentralisation in the health system.

In 2003, there were 168 physicians and 2157 nurses working in the public sector, representing an increase of 10 percent and 7 percent respectively on the previous year. These figures, however, do not reveal the huge bias in distribution of health professionals towards well-off urban areas. Faced with a high concentration of health professionals in Kigali City, the Ministry of Health has taken a major step in reforming the incentive structure for doctors and nurses to encourage personnel to work in rural areas, where the quality of service is worst and the majority of poor live. Salary supplements have been introduced for only those working in rural areas.

6.1.2. Financing of the Health Sector

The reduction in the disparity of essential drugs prices across the country and ensuring financial access to these drugs is an important concern for the Ministry of Health. Whilst progress has been made in defining the list of essential drugs, no clear pricing policy has been developed to ensure there is transparency for consumers in pharmaceutical and contraceptive commodities prices supplied through the public sector.

A pricing policy for some essential health services has been defined, namely those for tuberculosis, malaria and epidemic catastrophes. The pricing policy of other services, that includes subsidies to ensure access by the poor, has by and large not progressed and remains to be carried out during 2004 and 2005. A pricing policy for HIV/AIDS related services is being developed and is expected to be implemented towards end of 2004.

Mutuelles are regarded by the Government as the main mechanism to expand financial protection against health risks. After successful pilots since 1998, the Ministry of Health has promoted the establishment of mutuelle schemes. The proportion of the population covered by such schemes increased to 7 percent in 2003. The Government has designed a scale-up programme to expand the community health insurance schemes to all provinces over the coming years. A detailed proposal has been submitted to create a national coordination unit (as an executive secretariat) to oversee policy and implementation of the three year national mutuelle support programme. The Ministry is cognisant of the need to carry out a best practice study on mutuelles to provide technical recommendations and guide the scale-up programme.

As the SWAp process progresses the Government expects to enhance the management of external resources and expand budgetary support so as to channel resources more directly towards the development of the health system. In 2003, a detailed mapping of donor activities and resources was conducted to highlight gaps and duplication of efforts. Towards the end of 2003, Rwanda's second National Health Accounts exercise commenced and this will inform the Government's future financing policy.

In nominal terms, the Government has increased the Ministry of Health budget successively over the years from Rwf 3.7 billion in 2002 to Rwf 8.2 billion in 2004.

6.1.3. Delivery of High Impact Health Services

Child Health

During 2003, the vaccination coverage rate varied between 80 and 95% for all antigens in most of the provinces. The DPT3 coverage rate was 89 percent according to the Health Monitoring Information System (HMIS), confirming the programme as one of the most successful in Africa. With strong support from donors, the programme continues to deliver the combination vaccines of five antigens to reduce injection equipment and time. Several strategies have been employed in order to achieve the excellent results. These included training of health personnel, supervision, monitoring of activities, strengthening the maintenance of equipment and the logistics of the vaccination programme.

The Integrated Management of Childhood Illnesses strategy, as promoted by UNICEF and WHO, was introduced at the beginning of 2003 in selected provinces.

Maternal and Reproductive Health

Reducing the maternal mortality rate towards the Millennium Development Goal in 2015 is perhaps the greatest challenge for the Government in the health sector owing to the high cost of delivering quality major obstetrical services. The Ministry of Health has developed a reproductive health policy in close partnership with stakeholders. IEC/BCC activities have been ongoing, promoting family planning and the use of health services by women.

Malaria

The case control of malaria has been markedly improved with the introduction of new anti-malarial drugs and subsidies to improve accessibility of the poor to these drugs. The promotion of insecticide treated mosquito nets is a core strategy to ensure prevention of the disease and is being implemented in close collaboration with partners. In 2003, 269,000 insecticide treated nets (ITN's) and 391,000 impregnation kits were distributed at subsidised prices, targeting in particular pregnant women and children under five. According to the sentinel site survey, the proportion of children under five sleeping under an ITN has risen to 18 percent.

Epidemiological surveillance has enabled the control of epidemics and steps have been undertaken to introduce a surveillance system in the private sector and national reference hospitals.

IEC activities contribute towards the control of malaria, and are particularly important in the promotion of ITN. Inter-sectoral collaboration has enabled the sensitisation of the private health sector and the involvement of bilateral and multilateral cooperation agencies.

HIV/AIDS and TB Control

According to the 2004 UNAIDS Report on the Global AIDS epidemic, the adult HIV prevalence rate at the end of 2003 in Rwanda is 5.1% (between a low estimate of 3.4% and high estimate of 7.6%). The prices of Anti Retro Viral (ARV) drugs have been continuously reduced so as to improve accessibility of PLWAs to ARVs. At the end of 2003, 3000 patients were on ART. The Ministry of Health has put in place a prevention of mother to child transmission (PMTCT) programme that covered six provinces in 2001 and has been expanded to all provinces and health districts in 2003.

IEC/BCC activities have been ongoing using media such as radio, television and newspapers to better inform the population. A HIV surveillance study was carried out during 2003, so that policy makers can better understand the nature of the disease in Rwanda.

HIV/AIDS issues have been integrated into the relevant sector strategic plans to ensure the cross-cutting nature of the disease is taken into account by the entire Government system and not just the health sector.

The Tuberculosis and Leprosy control programme continued with the integration of tuberculosis control activities in the existing health services so that currently over 50% of the health facilities are capable of detecting tuberculosis while all health centres offer anti-TB treatment.

The ever-increasing bacteriological cure rate reflects a good follow-up during case management and the failure rate of around 1% is evidence that the treatment regime is efficacious and that the DOTS strategy is being observed properly.

Mental Health

With the war and genocide of 1994, mental health problems became a major public health problem. As an urgency, the Ministry of Health and NGOs defined a strategy to respond to the problem of psychological ill health of the population. The Ministry of Health decided not only to treat the persons suffering from mental ill health but also to help the communities in caring for them better. It is in this context that the psychosocial consultations services of Ndera Neuropsychiatric Hospital and the district hospitals have been strengthened in order to ensure the clinical management of mental illnesses.

6.2. Policy Process

The Ministry of Health over the last year has taken a strong lead in the sector strategy process. The first activity undertaken was the revision of the Health Sector Policy, which was finalised early 2004 in close collaboration with donors and other stakeholders at the January health sector cluster meeting. The policy is awaiting adoption by the Cabinet.

The development of the Health Sector Strategic Plan has been ongoing and the strategy will be ready to be implemented in 2005. The process to develop the plan has been inclusive and participative using the sector wide approach to reinforce collaboration and partnership. Strategies have been elaborated within a sub-sector structure during numerous workshops over the last six months. The strategy process has encountered bottlenecks relating to poor coordination within the sector. These have been overcome through collective workshops and strong support to planning from budget support donors. There continues to be a disconnect when it comes to planning between health system development and the activities of some programmes within the sector and this has surfaced during the strategic planning process.

There has been little involvement of the private sector during the strategic planning process. Strategies have, however, been put in place to integrate the private sector more into the process through the development of private-public partnership, contracting out to private clinics, and the inclusion of the private sector into the Health Information System.

7. Economic Infrastructure Development

7.1. Transport and Telecommunications

Roads and bridges construction, rehabilitation and maintenance have been a priority. The rehabilitation program of tarred road network has been pursued. The rehabilitation works of 186 km of tarred roads started in the second semester of 2003 and continues. The periodic maintenance of 87 km of non-tarred roads continues and regular maintenance of 3000 km national roads. The routine maintenance of the national roads has been made on the whole national road network. The repairing and maintenance of bridges has continued. For the year 2003, at least 12 bridges on national roads have been rehabilitated and 5 bridges were constructed and 23 bridges on non tarred roads were constructed. 6 km of stone paved roads in Kigali city were constructed using local materials and high intensive labor. This will continue in other non-tarred roads.

Technical studies for the reconstruction of the Cyangugu-Bugarama road (45 km), Gashora bridge and for the rehabilitation of 70 km of non-tarred roads connected to this road have been completed. Works will start in 2004. Studies for the rehabilitation of 523 km of the tarred roads Gitarama-Ngororero (46 km), Kigali-Ruhengeri-Gisenyi (150 km), Butare-Cyangugu (154 km), Kayonza-Rusumo (93 km) and Kigali-gatuna (80 km) will start in the beginning of 2004.

Though a particular emphasis is put on the conservation of the existing by maintenance or rehabilitation interventions, the present state of the Rwandan road network requires extension. In this optics detailed studies for asphaltting 58 km of the road Kicukiro-Nyamata-Nemba, those for the asphaltting of 92 km of the national roads Ngororero-Mukamira (54km) and Ntendezi-Mashyuzabugarama (38 km) will start in 2004. Feasibility studies of the Nyanza-Kibungo road (130 km) have been completed. The technical studies to rehabilitate the Kanombe International Airport have been completed and implementation is due to begin in 2004. A national air Service Company, Rwandair Express, was acquired in 2003. It links Rwanda to the global world. The Civil Aviation Authority was set in place. 23 bus were purchased by Onatracom and the Kigali-Kampala-Kigali line (1000 km) is operational since 2003.

In communication, the activities to establish priority activities of “NICI Plan” were established and the E-government project was put in place. In collaboration with International Union of telecommunications (IUT), the Government has initiated multiservice telecenters construction project. The process to privatize Rwandatel continues and 2 companies in telecommunication (Rwandatel and ARTEL) operated also in the rural areas. (Rwandatel: 48 “centraux téléphoniques”, Artel: 103) National Post Office set up some *cyber café* and started express-transporting of mail and people all over the country.

7.2 Energy

Following the deficit of power and energy that experiences our country, national production and importation of electricity (236 GWh/year) could not meet the demand (245 GWh/year), about 4% less than what was planned for the year 2003. Only the budget (direct and semi direct) of the Technical Service Electricity of ELECTROGAZ permitted to reach this result (Indicators). Kabarondo-Kayonza-Kiziguro Electricity line was rehabilitated. Studies to interconnect Rwanda and the neighboring countries in energy were done.

The wood-energy represents more than 94% in the energy balance and is especially consumed for cooking. It is the most accessible resource for the majority of the population whose purchasing power is still too low. The new and renewable energy sources of which the Methane Gas whose country has an important deposit in the Kivu Lake is not yet exploited. For Methane Gas, a pilot unit installed in Rubona Cap (Gisenyi, near the Bralirwa) in 1963 still runs and produces gas that is sold to the brewery. In 2003, 31,233 Nm³ have been produced. Negotiations with private companies on gas exploitation are in the final stages and production of electricity and related gas products is expected to begin by 2006.

The main constraints pertaining to this sector are lack of adequate resources, institutional and legal framework. The construction of energy infrastructures requires huge resources that the country cannot afford without the support of external stakeholders. The Rwandan private sector is not yet very active in the sector of energy and it has been difficult to mobilize foreign direct investment in the energy sector. Thus the energy sector didn't benefit from sufficient financial means during these two decades for the implementation of programs.

Oil Products consumed in Rwanda are imported. They put a severe strain on the budget and take 60 to 80% of the foreign exchanges of the country. In 2003, about 100,000 MT have been imported for an amount equivalent to 19,796,000,000 RWF.

The process of encouraging private sector to invest in energy development continues. In gas exploitation, the Government of Rwanda has initiated some negotiations with two private companies (Dane and Cogelgas). UPEGAZ and RURA are in place in 2003, and the Electrogaz management contract was signed between the Government of Rwanda and Lahmeyer International (LI).

In general, there is a need to train and strengthen national capacity in energy sector, especially in gas exploitation which reserves are among the most important in the world. In order to extend energy in place an incitative legal and regulation framework, and establish a Rural Electrification Agency.

7.3. Water and sanitation

Achievements

- Updated draft of the law on water resource protection, water and sanitation policy and the sanitation code
- Establishment of an information and management system for the sector (GIS)
- Study of rural drinking water adductions in 3 pilot districts (Ngarama, Save and Nyamasheke) within the PEAMR
- Studies and starting of works of rural drinking water adductions (Districts Gasabo and Buliza) in the framework of the project 8 ex-communes around Kigali
- Study of Rehabilitation and extension study of the Bugesera-Karenge rural drinking water adductions
- Survey of rehabilitation and extension of Butare rural drinking water adductions
- Monitoring of the exploitation of the Bugesera-South rural drinking water adductions
- Humure (Byumba:) drinking water adductions project was achieved
- Rehabilitation and construction of 3 boreholes in Nkombo and launching of the construction of 20 others
- Rural drinking water adductions works in Bwisige (actual district of Rebero) Byumba for 6,000 persons

- Effective starting Rural drinking water adductions works of Mukingi in the province of Gitarama
- Rural drinking water adductions works of Murambi (Byumba) for 11,600 persons were achieved
- Establishment of a drinking water adduction and sanitation program in rural areas with as target, to pass from the present servicing rate of 54% in drinking water and 8% in sanitation to 85% in 2015 for drinking water and sanitation. A launching phase has been funded by the ADB.

Constraints

- Insufficient financial resources
- Insufficient human resources in quantity and quality
- Weakness of the legal and institutional framework
- Lack of sufficient knowledge of the real situation of the sector
- Intervention by the private sector still minimal
- Decentralization not yet well established

7.4. Housing and Urbanisation

Access to decent housing within the framework of villages called *imidugudu* which will shelter, in the Vision 2020, 70% of the rural population has been recognized as a fundamental component in the strategy to combat poverty. Given the high number of vulnerable households without shelter estimated at 192,000, about 12,000 families received housing under the *imidugudu* programme.

The supply of building materials could not spread to a wider population due to budgetary constraints. Moreover, the mobilization of pledged funds through a donor's round-table has not yet been possible, as it depends on two studies in progress; the "development study of pilot villages" and the "socioeconomic study on the viability of the *imidugudu* villages". The final reports of these studies are awaited before the end of 2004.

In the sector of urbanisation and public infrastructure, activities have been concentrated on the rehabilitation and construction of the new buildings, the elaboration of the Kibuye Master Plan, and the topographic surveys and parcelling of plots.

Achievements

- 186 km of tarmacked roads rehabilitated and work continuing;
- 12 bridges on national roads were rehabilitated.
- Kabarondo-Kayonza-Kiziguro electricity line was rehabilitated.
- 12,000 vulnerable families got houses
- Drinking Water Adduction in Bwisige District was constructed (6,000 persons are disserved)
- Drinking Water Adduction in Murambi/Umutara was constructed (11,600 persons are disserved)
- Rehabilitation and construction of 3 boreholes in Nkombo (Cyangugu) and launching of the construction of 20 others.

Challenges

- Lack of sufficient resources (financial and expertise)

8. Human Resources and Capacity Building

Rwanda's long-term growth depends heavily on the capacity of its human capital to develop and manage competitive businesses and provide services within the context of regional and global integration and the Vision 2020. It is worth noting that institutional capacity building is one of the 6 priority areas of the Rwanda PRSP.

This section reflects on the progress made in 2003 in the domain of institutional capacity for providing essential and improved public services and on the creation of an enabling environment for private sector led economic growth. More specifically, the report will address progress in the development of vocational/technical and professional skills.

The Ministry of Public Service, Skills Development and Labour (MIFOTRA) is the primary custodian of the PRS objectives in line with the human resource development and institutional capacity building. The current Human Resource Development Agency (HRDA) is about to be reformed into the HIDA (Human Resource Institutional Development Agency). A proposed set up of HIDA is currently with Cabinet and will shortly be submitted to Parliament. The HIDA will be the key institutional arrangement to implement the Multi-sector Capacity Building Programme (MSCBP).

The MSCBP will improve coordination of key capacity building interventions and will facilitate efforts to strengthen institutional capacity building. This has been a significant development, which should enhance the management of capacity building initiatives in the future and lead to reduced poverty. The first part of the MSCBP will focus on the public sector, and is expected to commence in November 2004. Further strengthening of capacity for undertaking policy analysis and formulation will be achieved through the Institute for Policy Analysis & Research (IPAR). Further, Cabinet adopted a draft document on social security funds.

8.1. Employment

Employment is considered a significant factor both for income generation and as a deterrent against anti-social behaviour, particularly amongst Rwanda's large youth population. The main institutional achievement of 2003 was the enactment of the Labour Law, and the signing of the tripartite Memorandum of Understanding for Social Dialogue between the Public Sector, the Private Sector and Civil Society Organisations. [Table 8.1a](#) and [8.1b](#) below show employment for various sectors in 2003.

Table 8.1a: Employment status and economic activities in Rwanda for 2003

Activity	% of Total	Number employed	% Male	% Female
Agriculture	86.67%	2 949 592	41,3%	58,7%
Fishing	0.10%	3 468	97,3%	2,7%
Industrial activities	0.16%	5 328	69,3%	30,7%
Production activities	1.28%	43 643	75,6%	24,4%
Electricity & water production & distribution	0.08%	2 667	89,6%	10,4%
Construction	1.26%	42 885	97,1%	2,9%
Commerce repairing	2.64%	89 699	63,4%	36,6%
Hotels & Restaurants	0.20%	6 836	66,2%	33,8%
Transport & communication	0.93%	31 562	93,7%	6,2%
Financial intermediaries	0.07%	2 400	65,0%	35,0%
Administration & defence	0.27%	28 064	80,1%	19,9%
Education	0.82%	39 734	57,1%	42,9%
Health & social activities	0.17%	14 575	51,6%	48,4%
Collection service activities	0.43%	18 487	76,9%	23,1%
Domestic personnel employment	0.54%	86 295	47,5%	52,5%
Territorial associations	2.54%	3 718	66,5%	33,5%

Source: MINECOFIN, National census 2002

Table 8.1b: Employment per sector for 2003

Sector	% of Total	Number employed	% Male	% Female
Public	1.98%	67 461	62,8%	37,2%
Parastatal	0.47%	15 865	70,3%	29,7%
NGO	0.35%	11 829	71,3%	28,7%
Cooperatives	0.30%	10 315	71,5%	28,5%
Others private	94.77%	3 225 071	44,0%	56,0%

Source: MINECOFIN, National census 2002

The tables above illustrate the domination of men in employment. Banking and insurance sectors employ 31% women, while electricity, water and gas sectors have only 5% women employees. Women are predominantly represented in the agriculture sector. It should be noted that most of traditional female tasks are not captured in these data. Girl's education at the primary level is a PRS priority, but initiatives to build women's skills and professional capacity are not fully articulated as PRS objectives. It is difficult to come up with sound figures on informal sector employment and thus a survey of the informal sector is scheduled for 2005 to bridge the gap currently affecting information.

Underemployment remains a significant challenge for Rwanda's development. It is however encouraging that labour-intensive public works related to non-agriculture employment such as construction and transport are growing fast. In 2003 one of Rwanda's ambitious programmes was set up with the aim of creating employment opportunities targeted at the poor. The stated objective of PDL-HIMO (a multisectoral infrastructure labour intensive programme) is to create, within the 5 years of its duration, 322,000 direct jobs, and 564,000 induced jobs. This would then result in 65,000 permanent jobs being created. The 5-year budget for PDL-HIMO programme is estimated at US\$ 205 million.

Unfortunately, the scheme has been slow to take off. The major reason for this is the delay in disbursements. Nevertheless 9 pilot districts were identified and in three of them afforestation projects have started. Furthermore, PDL-HIMO is now fully staffed and has 4 regional support offices in Gikongoro, Gisenyi, Kigali Ville and Umutara each staffed with a regional co-ordinator,

an agricultural and civil engineer and a secretary. Sensitization of decentralized entities on the HIMO approach is ongoing. Some districts have even adopted the HIMO philosophy using own funds, instead of specifically earmarked PDL-HIMO funds.

Staff at different government agencies are currently in the process of looking for synergies between CDF, Ubudehe and PDL-HIMO. However, this process has been less than satisfactory.

8.2. The Public Sector

Rwanda still needs to develop a comprehensive national human resource development strategy. Significant progress has been made in strengthening institutions of higher learning such as KIST, KIE and KHI and vocational centres. In 2003, mainly through HRDA related funding programmes, 184 staff in these institutions received Masters degrees. Table 8.2 gives an overview of some training activities by different public institutions in 2003.

Table 8.2: Public Sector Training Initiatives, 2003

Trained by	Realised	Planned
MIFOTRA	1238	
Directly by RIAM	551	1087
Other organisations through RIAM	1068	
HRDA	366	539
RRA Capacity Building	513	

Sources: MIFOTRA, RIAM, MINECOFIN, RRA

MIFOTRA trained people in areas such as languages, secretarial and computer skills, project management and labour laws. RIAM offered different management courses, while institutions such as Gitarama Province, Lawyers Without Borders, and different ministries made use of RIAM facilities for their training needs. HRDA supported long term postgraduate courses, while the RRA ran a large training programme in areas as diverse as Customer Care, Criminal Prosecution Procedures, Strategic Management, and GATT Valuation.

8.3. Vocational Training

The PRS notes the importance of vocational training to reduce poverty amongst the youth. The PRS objective is to give life skills to the Rwandan youth so that they can increase their incomes through employment and export these skills within the region. Technical and Vocational training are particularly important for alleviating poverty amongst women who have had only limited access to formal education in the past. In 2003 MIFOTRA put some effort into rehabilitating and equipping public training centres and establishing private ones.

The main objective of MIFOTRA was to socially and professionally integrate school drop-outs by offering them both vocational training and entrepreneurship skills so that they can be employed and create jobs on their own. The main activities here were to:

- Update and elaborate vocational training programmes;
- Rehabilitate and equip vocational training centres;
- Train the trainers in vocational training centres;
- Encourage the private sector to invest in vocational training centres;
- Control the standards and norms of private vocational training centres; and
- Follow up and reinforce the production associations set up by the trained youth.

In 2003, MIFOTRA was able to accomplish the various activities listed below:

- Train 5,214 students who completed different programmes;

- 24 youth productive associations were created and sustained;
- 22 government vocational training centres were rehabilitated and equipped;
- 29 private vocational training centres were supervised and offered permits;
- 119 teachers were trained in different programmes;
- 14 vocational training programmes were updated²⁹.

8.4. Public Sector Reform

A major development in 2003 was the design and partial implementation of the public sector reform strategy. The objectives of the strategy in the short term are to:

- Enhance the organisational structures of the public service in a decentralised framework;
- Elaborate the attributes of each ministry in accordance with updated organisational structures to remove duplication of work;
- Elaborate the organisational chart and framework of Gitarama Province and its districts to act as a yard stick to other provinces and their districts in restructuring programme;
- Analyse, and evaluate MIFOTRA performance to evaluate their effectiveness in work implementation.

The Public Service Reform essentially tries to enhance effectiveness across all Public Service Agencies. A result of elaborating the attributes of every agency, and the possible mismatch with qualifications of existing staff is in the short run to reduce the size of the civil service. However this goes hand in hand with programmes addressing the needs of redundant civil service staff. Support initiatives have been taken in the areas of access to credit, health insurance and the Caisse Sociale (social security agency).

On the aggregate level, the total wage bill will not be reduced. As such, monetary retention incentives will be created. Monetary gains will also be made through harmonising salary levels across Government agencies, including semi-autonomous agencies and parastatals³⁰. Other (non-monetary) incentives include the obligatory annual training modules and the availability of the necessary equipment for all public servants.

The strategy clarifies broad functional requirements and provides a strong framework for identifying needs, budgeting, managing and evaluating capacity building programmes. Each government entity will however need to undertake its own capacity building needs assessment within its new structural framework.

The public sector capacity building programme expected to start November 2004 (to be managed by the HIDA), is an integral part of the reform programme, which will coordinate and assure better value for capacity building initiatives across central government. For local government, the Ministry of Local Government (MINALOC) has developed a capacity building programme for citizens as well as local government authorities. Based on an assessment of generic needs, it outlines a plan to develop knowledge and training material, to deliver training courses and to review and evaluate the functioning of local organs with a view to identifying further capacity building needs. This will be a useful instrument for supporting the coherence and effectiveness of capacity building initiatives in the future.

²⁹ Electricity, Vehicle wiring, Engine Mechanics, Carpentry, Construction, Agriculture, Plumbing, Welding, Cooking and food conservation, Tailoring, Repairing of domestic equipment, Painting cars, Driving, Artisanal

³⁰ However, certain Government institutions will still be allowed to give premiums, but it will not be possible to fund such extra payments via the Government treasury.

8.5. Public-private sector partnership

Partnership between the private sector, civil society and government is the foundation on which the PRS is built and on which it is delivered. This approach also goes for Human Resources & Capacity Building. The PRS highlights the importance of capacity building in the private sector and civil society to enhance competitiveness of the economy as a whole. As such, the development of the national human resource development strategy, envisaged for 2004-2005, will benefit from the participation of private sector and civil society organizations, while the MSCPB also includes a module for the private sector.

It is difficult to establish what progress has been made by the private sector and civil society in capacity building due to poor data availability. However, significant achievements can be deduced from the increase in private sector and civil society activity. Table 8.3 below shows some of these activities – these are examples and should not be considered exhaustive. However, one can for example infer the increased activity in the Frequentation centre compared to 2001.

Table 8.3: People trained by Private Sector & Civil Society

Number of people trained by:	2001	2002	2003
Private Sector			
E-ICT Training Centre			1173
Frequentation Centre (French Training Centre)	417	730	999
Travel Centre			120
Civil Society			
CCOAIB			94

Source: MIFOTRA

These training institutions try to diversify the entrepreneurial skills in the private and public sector labour force. However, the government and development partners are charged with the duty to provide an enabling environment for their competitiveness since their services are essential for poverty reduction and economic development.

9. Private Sector Development

The private sector is regarded as an engine for economic growth and development and the Government is committed to developing this sector. Strategic measures that have been taken to promote the private sector include, but are not limited to, creating a conducive environment for substantial private sector development. A key recent step towards boosting private sector development were the steps taken to join COMESA in 2003, following with full free-trade area membership in early 2004.

9.1. Promotion of Private Investment and Entrepreneurship Development

The Rwanda Investment Promotion Agency (RIPA) which has now become the Rwanda Investment and Export Promotion Agency (RIEPA) has a “one-stop shop” for existing and potential investors. An investment code has been refined to cater for export promotion and tax incentives to promote private investment are now provided for under the income tax law. This will substantially improve the investment process and create an enabling environment. However it is important to note that what is available in the national accounts is an estimate of investment because private investment is computed as a residual. This means that it is difficult to capture the real data on private investment.

Public-Private sector partnerships continue to blossom and a department solely dedicated to further such partnerships has been created within MINICOM. Micro-Finance institutions have been encouraged to extend their services to a wider spectrum of micro-enterprises both in rural and urban areas. A Centre for Support of Small and Medium Sized Enterprises (CAPMER) has been created purposely to facilitate development of small and medium enterprises.

An Arbitration Centre, dealing with commercial disputes, has now been established and the establishment of a Commercial Chamber is to be completed in 2004. An Accounting Law is currently being drafted and the creation of a National Accounting Commission and Regulation Agency is envisaged for 2005-2006.

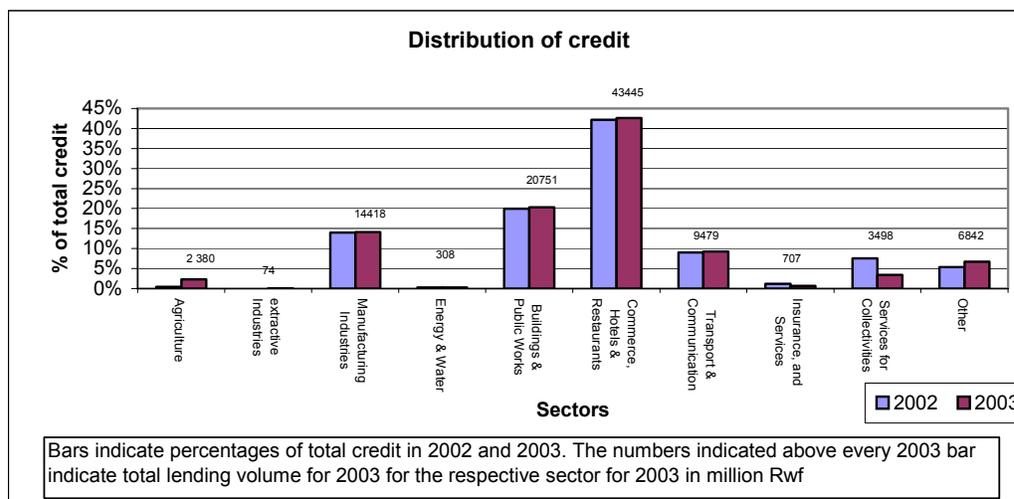
9.2. Financial Sector

A sound financial system is important for private sector led growth and development. The banking industry has been strengthened in many respects over the past few years. Prudential regulations of the banking system were tightened to ensure banks compliance to rules and avoid potential non-performing portfolios that are detrimental to private sector development.

Access to credit has been generally increasing though it is very costly because of high interest rates and collateral. However, there is no empirical evidence to suggest the real impact of high interest rates on business. In pursuit of increasing access to business financing, especially micro-enterprises, the Government is designing a micro-finance policy framework which takes account of both development and regulation aspects.

Figure 9.1 shows how the overall distribution of credit has remained similar from 2002 to 2003, still dominated by Commerce, Hotels and Restaurants and Building and Manufacturing sectors. In growth terms, agricultural credit expanded the most rapidly, albeit from a very low base, with credit to Services for Cooperatives declined significantly over the year.

Figure 9.1: Credit Distribution by Sector

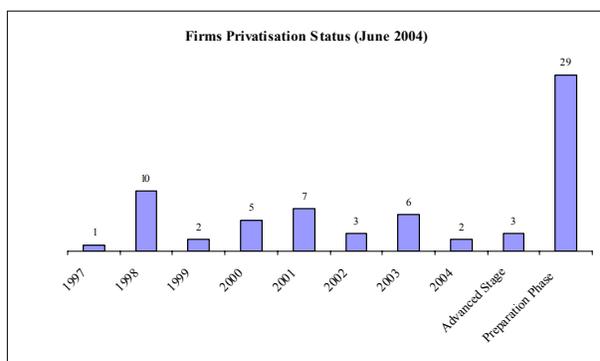


Source: BNR 2004

9.3. Privatisation

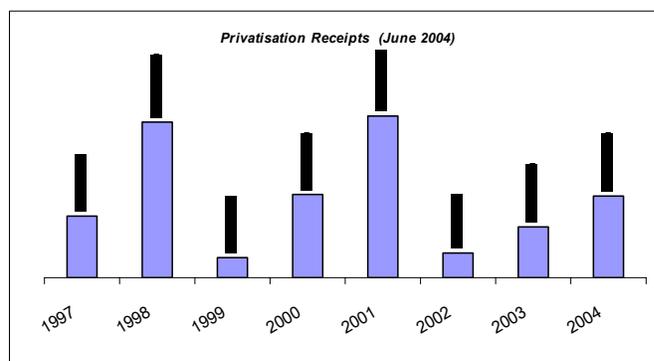
Inefficient and loss-making public enterprises divert resources away from pro-poor investments. Privatization of inefficient state enterprises has been identified as a major tool to lower business costs, improve quality and expand access to goods and services. Out of 69 firms to be privatized, 36 enterprises have been effectively sold to private entrepreneurs as of June 2004. In addition, nine state-owned companies are being liquidated. In 2003, privatization receipts accounted for Rwf 367.5 million. To date, most of the proceeds from privatization have been used to repay the debts of the privatized companies and have been re-invested in other state-owned firms.

Figure 9.2: Privatisation status of firms



Source: Privatisation secretariat

Figure 9.3: Privatisation receipts



It is still questionable whether privatization leads to job creation or losses. It is likely to lead to some job losses in the short term as parastatals are often over-staffed, but in the long term it is expected to create new jobs through investment, innovation and increased productivity. A sample of privatized companies in the table below shows a slight increase in overall employment after privatization.

Table 9.1: Privatisation impact on employment

Company	No. of employees before privatisation	No. of Employees after privatisation	% change
Gikondo Coffee Factory	80	42	-48%
INR	105	25	-76%
KSW	285	335	+18%
Tabarwanda	123	53	-57%
Karuruma Smelting Factory	0	25	n/a
Kinigi Lodge	0	14	n/a
Ovibar	45	32	-29%
Sopyrwa	48	102	+113%
Total	606	628	+4%

Source: Privatization Secretariat 2003

Privatized utilities such as telecoms, water and electricity often have limited or no incentives for the private sector to address the needs of the poor; consumers are charged market prices for services and this excludes the poor. However, currently in Rwanda, the poor particularly in rural areas have limited direct access to piped water, electricity and telecommunications, even before privatization. So it is hoped that the privatization and liberalization of these sectors will lead to network expansion and increased access for the poor. The recently established Rwanda Utilities Regulatory Agency (RURA) has to ensure that private utilities do not abuse their market power and impose monopolistic prices on society.

10. Good Governance

Strengthening good governance is a critical priority for Rwanda due to its history. It is also a key variable in poverty reduction and sustainable economic growth. This sector is made up of several sub-sectors whose achievements and progress made over the review period will be discussed. In turn, we will be looking at (1) Security (defence, police, demob) ; (2) National Unity & Reconciliation; (3) Human Rights; (4) Criminal Justice System & *Gacaca, prison*; (5) Decentralisation, CDF & Ubudehe; (6) Constitutional Reform & Democratisation; and (7) Accountability & Transparency.

10.1. Security

The Ministry of *Defence* has taken the lead in efforts not only to safeguard the nation's sovereignty and collaborate with other security agents, such as the police, to reinforce internal security, but also in contributing to poverty reduction by aiding the population with projects such as repairing bridges, and providing military doctors & nurses to GoR hospitals.

Achievements include troops being withdrawn from the DRC, and the setting up of a Joint Verification Commission to ensure this. The local defence statute has been passed which will contribute to the nation's security. MINADEF has developed a 5 year strategic plan which includes continued strengthening of capacity and the professionalisation of the RDF and modernisation of their equipment.

To help consolidate peace in the Great Lakes Region, foster reconciliation within Rwanda, and contribute to poverty reduction in the country, the GoR has designed a demobilization programme on which progress made in the review period is as follows:

Demobilisation, Reinsertion and Reintegration: Between July 2003 and June 2004, 4,363 ex-combatants from the RDF and 887 members of armed groups were demobilised, raising the total number to 15,203 (76%) for the RDF, and 4,318 (19%) of the armed groups. Each demobilised ex-combatant is given a basic needs kit worth Rwf 50,000 on discharge. In addition, 2,417 settled eligible ex-FAR were registered and brought into the programme, bringing their total number registered to 12,258, i.e. 82% of the expected 15,000. Together with the demobilised ex-RDF, they were paid Recognition of Service Allowances which range from Frw 150,000 for a private to 500,000 for a colonel. To assist them in establishing sustainable livelihoods, 3,988 ex-RDF and 1,268 ex-armed group members were given a reintegration grant worth Rwf 100,000 each. To bring them on board, 4,753 ex-FAR were sensitised on national programmes and other pertinent issues, including joint social and economic ventures with the other programme beneficiaries. Implementation of a Vulnerability Support Windows (VSW) was carried out starting with stage I³¹ ex-combatants and 7,400 of them received the VSW grants bringing the total number of beneficiaries to 11,098, for an amount of frw2.13bn.

Special Groups: To ensure equality of opportunities and access, guidelines on gender mainstreaming were dispatched to local authorities and province offices. The Medical Rehabilitation programme was launched and by the end of 2003, 792 disabled and 645 chronically ill ex-combatants had undergone medical rehabilitation and treatment for chronic illnesses at different hospitals. During 2003, 65 child ex-combatants were repatriated with adult members of

³¹ The RDRC programme is carried out in 2 phases, stage I ran from 1997 to early 2001, while stage II is planned from December 2001 to 2005. In total 78,692 RDF, ex-FAR and members of armed groups are to be covered by the programme.

armed groups mainly from DRC, bringing the total to 554 (22% of the expected). By end 2003 a centre to rehabilitate these children had been identified and rented.

Forward Planning 2004: The demobilisation of armed groups has been slower than expected. Plans are to intensify the sensitisation programme for Rwandan armed groups, especially those in the DRC.

The socio-economic reintegration of ex-combatants has not been closely monitored due to insufficient human resources. Nevertheless, the Reintegration Unit is already restructured and has expanded, and the Monitoring and Evaluation Unit has been reinforced with recruitment of M&E Officers in each of the Provinces and Kigali City. In addition, RDRC will involve more community based implementing partners to help in speeding up sustainable socio-economic reintegration of ex-combatants.

Concerning the *national police*, several achievements have been made during the review period:

- Road accidents have been reduced by 30% due to increased police in the traffic department
- MININTER has developed a Human Rights Training Handbook for law enforcement agencies
- Police have carried out community sensitisation and awareness programmes
- A Police Training School has been developed in Gishali and a National Police Academy set up in Ruhengeri

Over the next year MININTER will finalise its 5 year strategic plan and efforts will continue in strengthening and professionalizing the police force.

10.2. National Unity & Reconciliation

Unity and Reconciliation is the basis for durable peace, security, human rights, and poverty reduction. The National Unity and Reconciliation Commission (NURC) began its operations in March 1999. Since then several achievements have been made. Looking particularly at progress in the review period:

- May 2004 saw the holding of an NURC conference
- Civic solidarity camps (*ingando*) have been extended to government officials, students, released prisoners and others.
- Intensive work has taken place on the use of non-violent methods in conflict management in targeted cells. The training is based on a manual adapted specifically to Rwandan culture & society.
- Men and women together with the authorities are trained in conflict management at the community level.
- District authorities have been assisted by those trained in conflict management to settle legal disputes.

In terms of forward planning, 2004 sees the *Gacaca* trials get fully underway nationwide. A national plan is also to be developed to consolidate the ‘conflict management and transformation’ aspect into all government initiatives at the cell level such as *Gacaca*, *Ubudehe*, and the mediation committees³². Efforts will continue to promote work in relation to national unity and reconciliation

³² These committees are envisaged in the Constitution and their elected members will be responsible for mediating between parties certain disputes involving matters defined by law prior to the filing of a case to the court of first instance.

e.g. strengthening council decision making at secteur level, and carrying out an opinion survey on land issues.

10.3. Human Rights

The National Human Rights Commission (NHRC) is an independent national institution responsible for:

- Monitoring and examining the violations of human rights committed on Rwandan territory by State organs, by persons under the protection of the State, organizations or individuals;
- Carrying out investigations and directly submit the violations committed to competent jurisdictions; and
- Educating and sensitizing the population on human rights.

Efforts have been made over the review period to ensure the effective independence of the NHRC through being directly accountable to Parliament. Further, Rwanda is making great progress in ratifying human rights instruments such as the Rights of the Child. All mayors and vice-mayors have been trained in children and women's rights and conflict prevention and resolution. The population is being educated about children's rights and punishments for infractions and 14,340 women and children have received legal assistance from NGOs (e.g. Haguruka), and training in non-violent methods of conflict management coupled with micro-projects at cell level has helped community members to combat violence, poverty, inequality, exploitation and exclusion. This training ensures equitable access to resources, and decision making based on a system of social justice. The mediators trained in conflict management have made sure that instead of fines and punishments previously inflicted to community members, conflict management techniques are used in the targeted cells.

Over the next year, work will continue in the area of human rights promotion, particularly at decentralised level. Further training will take place, and clearly defined human rights indicators are to be developed.

10.4. Criminal Justice System and Gacaca

The new Constitution adopted in 2003 has introduced several changes in the *justice sector*, such as:

- The Supreme Court, as well as the courts planned for in the Constitution and other laws, is charged with judicial power
- The judiciary is independent from the legislative and executive powers
- The judiciary is administratively and financially independent
- The decisions of the judiciary must be respected by those concerned, and can only be contested through legal channels
- The Constitution has instituted the Superior Magistrates Council
- The Constitution plans for conflict mediators (*Abunzi*) to operate before cases go to the ordinary courts. The elections for those mediators were held in 2004.
- The Constitution has instituted the Prosecutor's Office which is financially and administratively independent but placed under the Ministry of Justice.

All the above elements seek to ensure: (1) justice for those to be tried, (2) remove the culture of impunity, (3) unity and reconciliation within the Rwandan community, (4) promote community participation in the area of justice (notably gacaca), and (5) fight against corruption.

Several laws have been adopted determining the structure and functioning of the Justice system.

Objectives for the next year include: strengthening ICT capacities of MINIJUST, continuing legal reform of existing laws (including commercial laws) and the introduction of new ones and setting up judiciary institutions (including adequate personnel) to follow provisions in the Constitution.

During the review period, hundreds of people were trained and sensitised about *gacaca*. Nearly 15,000 families of *gacaca* judges have benefited from free health care under the costs of the National Service for *Gacaca* Jurisdiction. The process has an important labour component in the form of alternative punishments – *travaux d’interet general* (TIG) – which contributes to the general development of the nation.

The programme particularly encourages female candidates for judge positions³³. An ICT Programme has been initiated, however it is not as yet decentralised. Plans are underway to establish a documentation centre for storage and analysis of data and information resulting from the *gacaca* courts. Plans for next year include: strengthening the capacity of the judges, sensitising prison inmates and the population and continuing with the third phase of the process involving the trials nationwide.

With regard to *prison services*, MININTER has made much progress:

- Kigoma prison has been constructed in Gitarama which accommodates 7,500 detainees in an internationally accepted facility
- The prison tender council has been decentralised to districts
- Sensitisation of prison inmates about *gacaca* was carried out

However, rehabilitation and construction of adequate facilities for the Judiciary must continue. Prisons are being shifted from cities, creating new modern prisons and establishing Biogas initiatives in all prisons. Cabinet is to pass a draft law for the management of national prison services, and an IT network is being developed between prisons and the Ministry of Justice.

10.5. Decentralisation

Decentralisation is an essential component of good governance for poverty reduction. It is identified as a priority in the PRSP and is part of the Government of Rwanda’s drive in bringing decision making power to the level where results are most felt. The first phase of institutionalising decentralised governance by articulating and establishing the policies and legal frameworks has largely been achieved.

The second phase, focusing on implementation and consolidation, is currently underway. The National Decentralisation Implementation Secretariat (NDIS) is to oversee the whole process. Main achievements in this area include:

Achievements

- A 5 year Local Governments Capacity Building Programme has been developed.
- A National Decentralisation Steering Committee (NDSC) and the National Decentralisation Implementation Secretariat are being put in place.
- Within the Public Sector Reform programme, MINALOC is being restructured in order to make it more streamlined and professionalized.
- The CDF/decentralisation cluster is being developed and strengthened.
- 95% of local governments have developed a 5 year development plan.

³³ Many women in Rwanda already occupy positions of responsibility.

- Decentralisation Support Units have been established in all Ministries and Provinces
- Clear definition of roles and responsibilities at national, provincial, local government and grass-root levels
- A coordination mechanism for projects & programmes is being developed.

Forward Planning (including developing further the above achievements)

- Clear links of the civil service structure between central and local governments elaborated and operational
- M&E capacity within MINALOC, Provinces & local governments to be strengthened.
- Established linkages between planning at local, provincial and national levels
- Sectoral budgeting for basic services to be fully decentralised
- Provincial and local government plans and planning frameworks adapted to decentralised tasks, budgets, responsibilities and authorities
- Partnership framework between MINALOC & donors involved in decentralisation, for better coordinating M&E and capacity building activities, to be established.
- Efficient & effective information networking & documentation services to be established
- Strengthening of forums (bringing together Civil Society, Private Sector, Donors, Ministries and other stakeholders) to be emphasized.

The CDF outlined six main objectives which it aimed to accomplish in the review period. Looking at each in turn, one can gauge the progress made and the impact on poverty reduction.

Objective 1) Put in place basic administrative infrastructure in close proximity to the population for improved service delivery. Under this objective the CDF planned to finance the construction of 208 secteur offices, and managed to complete this target.

Objective 2) Reinforce the capacities of the decentralised structures, local operators and communities through the construction of productive and revenue generating infrastructure. The CDF planned to finance 92 such buildings (markets, abattoirs, etc.), 35 of these have been accomplished and 57 still remain to be constructed.

Objective 3) Increase access to rural areas. The CDF planned to finance 46 road projects and 51 bridge construction projects. Out of these 20 road projects and 24 bridge projects were accomplished.

Objective 4) Develop energy and communication infrastructure in order to facilitate economic development. The CDF planned to finance 26 solar energy installations, 8 micro-hydro-electric plants, and 8 extensions of existing electricity lines. So far 18 solar energy installations and 5 extensions were accomplished.

Objective 5) Ensure the economic development of natural resources without damaging the environment and bio-diversity. The CDF planned to finance 2 marshland reclamation projects and 1 soil protection project. The two marshland reclamation projects were achieved.

Objective 6) Contribute to the improvement of the population's health and hygiene through the provision of potable water and sanitation. The CDF planned to finance the construction of 46 water supply lines, 15 of these have been completed.

In spite of these achievements there are still limitations which need to be surmounted and challenges to be overcome. The main challenges are:

- CDC's, Local Government and grass-root Councils need strengthening

- Inadequate funding and delayed disbursement of central government grants
- Weak supervision of service delivery at local government level, inadequate sector budgets, weak financial management capacities
- Enhancing the information flow between and among all established structures
- Strengthening of coordination, monitoring and evaluation mechanisms at all levels.

In a recent survey³⁴ carried out by the International Rescue Committee and the National Unity and Reconciliation Commission it was shown that public opinion is very supportive and has high expectations of the decentralisation process.

Funding in the amount of 10 million euros has been secured for rolling out *Ubudehe* nationwide. The workplan to implement the programme is now finalised and implementation will start in September 2004. To make *Ubudehe* sustainable, a five-year plan is in the process of being developed which will incorporate both government and donor funds. The second phase of *Ubudehe* also involves the need for data collection and analysis at sector level and dissemination of this data to firstly feed into the national planning process and secondly for continuous community monitoring. *Ubudehe* is working closely together with CDF and PDL-HIMO programmes.

10.6. Constitutional Reform & Democratisation

The three key events in the review period were the referendum on the Constitution in May 2003, the parliamentary elections of June 2004, and the Presidential elections of August 2003 which were all successfully held. The nation's new Constitution was officially adopted on June 4th 2003. As a result of the new Constitution several changes have been introduced, most notably formally separating the judiciary from the executive and the legislature. Elections of mediation committee members and speakers have taken place at the sector level.

10.7. Accountability & Transparency

The office of the Ombudsman was created in 2003 and is currently drafting a strategic plan that outlines its means of combating corruption. The Government of Rwanda should continue to strengthen the Offices of the Ombudsman and the Auditor General. Internal audit offices will also be strengthened, and the awareness of the general public regarding anti-corruption initiatives increased.

During the review period the broadcasting law was amended to increase the number of private radio licences from two to five, and teaching capacities and curriculum at the School of Journalism, at the National University, have been enhanced. A strategic plan for the media is being drafted and should be finalised by end-2004, while there are plans for further liberalisation of the media (e.g. television).

10.8. Cross-cutting issues in the governance sector

Achievements

- 50 local governments have been given computers
- MINALOC website has been established
- The Constitution and other laws have been effectively gender mainstreamed
- Parliament is composed of 45% women (including lower chamber and senate)
- 32% of the Cabinet members are women

³⁴ 97% of sample think that decentralisation will improve basic health care services, 90% of the sample think that decentralisation offers more guarantees of establishing primary schools, 93% of respondents recognise that the population now discusses development initiatives at the grassroots level in deliberative assemblies

- 41% of the Supreme Court judges are women

Forward Planning (including developing further the above achievements)

- Monitoring and evaluation as well as capacity building coordination
- Ensure that district projects take into account the gender dimension and environmental impacts

ANNEXES

Annex A : Exceptional Expenditure 2003

EXCEPTIONAL EXPENDITURE 2003 (RwF million)	Budget 2003	Actual 2003	% executed
Demobilisation/Reintegration/Reinsertion	13 711	7 007	51%
Supplies for Prisoners	1 352	1 727	128%
GACACA	2 131	2 689	126%
Victims of Genocide Fund (FARG)	5 895	3 930	67%
Orphans Assistance	448	461	103%
Assistance to & reinsertion of Vulnerable Groups	380	626	165%
Support to local Initiatives (education)	61	57	93%
Support to orphanages and ENA	87	76	87%
Reinsertion of displaced groups from Gishwati	180	317	176%
Reinsertion of Street Children & Children Rights	48	36	75%
CFJM operation	1	1	63%
Good Governance Commissions			
Human Rights National Commission	730	628	86%
Constitutional Commission	658	639	97%
Commission for Unity and Reconciliation	569	484	85%
Electoral Commission/referendum/Elections	7 306	13 938	191%
Office of the Ombudsman	168	28	17%
National Commission for the Fight Against AIDS	215	201	93%
Educational Institutes			
KIST	1 952	2 227	114%
KHI	556	573	103%
KIE	1 335	1 282	96%
Special exceptional road works	1 000	1 771	177%
Special exceptional health expenditure (rapid reaction for epidemics)	3 015	1 613	53%
Other originally not budgeted for under Exceptional Expenditure			
TIG		45	
Total	41 797	40 356	97%

Annex B : Priority Expenditure (Rwf million, excl CDF and Exc. Exp.)

Programme	2001 Actual	2002 Budget	2002 Actual	2003 Budget	2003 Actual	2004 Budget
Ministry of Internal Affairs	3 521	4 296	4 641	4 739	5 917	6 492
NATIONAL POLICE SERVICES	3 095	3 422	3 542	4 103	5 360	5 738
PRISONS	426	874	1 099	636	557	754
Ministry of Agriculture	1 485	1 819	2 285	2 142	1 237	2 151
AGRICULTURAL PRODUCTION	797	1 008	1 264	1 000	803	1 042
LIVESTOCK PRODUCTION	455	451	511	686	306	777
FORESTRY RESOURCES	77	141	241	192	50	31
SOIL CONSERVATION AND WATER SYSTEMS MANAGEMENT	107	73	73	92	50	84
AGRICULTURAL EXTENSION AND MARKETING	49	146	196	172	28	216
Ministry of Commerce	437	773	777	768	604	1 068
PROMOTION OF TRADE AND COMMERCE	177	67	33	34	24	80
EXPORT PROMOTION		465	241	212	148	176
INDUSTRIAL DEVELOPMENT AND ARTISANAL PROMOTION	260	241	503	522	432	811
Ministry of Education	25 045	11 966	12 576	12 878	16 083	20 388
PRE-PRIMARY AND PRIMARY EDUCATION	10 731	1 859	2 044	1 849	4 290	2 674
SECONDARY EDUCATION	4 629	599	884	853	1 127	3 158
TERTIARY EDUCATION	7 839	8 119	8 279	8 019	8 909	11 761
SCIENTIFIC AND TECHNOLOGICAL RESEARCH	275	463	463	605	468	723
INSTITUTIONAL SUPPORT		926	906	1 552	1 288	2 071
Ministry Youth and Sports	830	556	556	421	472	379
YOUTH MOBILISATION	70	50	50	53	159	52
CULTURAL PROMOTION	249	169	169	172	113	92
VOCATIONAL TRAINING	211	179	179			
CONSERVATION OF ARCHIVES						28
RESEARCH, ACQUISITION AND CONSERVATION OF THE NATIONAL HERITAGE		158	158	196	199	207
Ministry of Health	5 180	3 690	3 963	4 601	5 738	8 213
PRIMARY HEALTH CARE		754	928	1 431	1 897	3 549
SPECIALIST CARE FOR MAJOR HEALTH PROBLEMS		1 680	1 757	2 359	2 315	3 430
DEVELOPMENT OF HEALTH STRUCTURES		101	101	392	325	710
IMPROVEMENT IN HEALTH MANAGEMENT SERVICES		1 155	1 177	419	1 202	524
Ministry of Infrastructure (Minitraco and Minerena)	692	2 764	4 196	3 313	2 654	5 138
DEVELOPMENT AND MODERNISATION OF COMMUNICATION INF	57	145	145	340	139	3 790
IMPROVEMENT IN TRANSPORT SERVICES	113	163	163	208	154	326
RATIONALISATION AND MANAGEMENT OF URBAN LAND	162	47	570	113	53	121
DEVELOPMENT OF TRANSPORT INFRASTRUCTURE (see note 1)	56	2 069	2 069	2 275	2 081	745
ENERGY	30	44	465	45	22	54
WATER AND SANITATION	126	131	619	150	76	
MINING AND OTHER GEOLOGICAL PROGRAMMES	54	70	70	80	40	
METHANE GAS UNIT	94	95	95	103	89	103
MIGEPROF	463	249	320	286	165	287
SUPPORT PROGRAMMES FOR PROMOTION AND DEVELOPMEN	211	192	260	178	112	141
PROMOTION OF GENDER IN DEVELOPMENT	40	47	47	52	44	78
PROMOTION OF SOCIO-ECONOMIC EQUITY	13	10	13	57	9	69
MIFOTRA (Ministry of Public Service)	85	448	420	501	293	503
CIVIL SERVICE REFORM	85	380	380	374	235	419
EMPLOYMENT AND SOCIAL SECURITY PROMOTION		68	40	127	58	84
MINITERE (Ministry of Lands and Resettlement)	328	609	759	684	267	688
LAND PLANNING AND MANAGEMENT	53	328	578	377	107	337
PLANNING AND SUPERVISION OF HOUSING AMENITIES	249	183	83	193	123	
CONSERVATION AND PROTECTION OF THE ENVIRONMENT	26	98	98	113	37	351
MINALOC (Ministry of Local Government)	1 761	3 845	6 591	6 448	8 643	12 746
DECENTRALISATION	1 514	177	1 547	249	2 543	3 431
COMMUNITY DEVELOPMENT	30	78	2 123	565	430	386
SOCIAL REINSERTION	134	83	83	49	25	
FAMILY REHABILITATION	5	14	14	14	10	
MASS EDUCATION	78	107	107	27	14	
PROMOTION OF CHILDRENS RIGHTS		16	16	18	8	
SOCIAL PROTECTION						152
DISTRICT TRANSFERS IN RECURRENT BUDGET		1 370	1 701	1 526	1 526	3 278
DISTRICT TRANSFERS IN DEVELOPMENT BUDGET (CDF)		2 000	1 000	4 000	4 088	5 500
EXPORT PROMOTION						7 473
PROVINCES PROGRAMMES		21 293	21 293	23 416	22 692	28 057
TOTAL (excl. Export promotion)	39 826	52 308	58 377	60 196	64 764	86 110

Annex C: Ministerial Budget Execution

MINISTERIAL BUDGET EXECUTION 2003 (1),						
RwF million	2003 Recurrent	2003 actual Recurrent	Recurrente xecution	2003 Capital	2003 actual Capital	Capital execution
01 AN	2 083	1 885	91%	1 800	14	1%
02 PRESIREP	11 603	11 386	98%	595	0	0%
04 PRIMATURE	894	673	75%	0	0	NA
05 COURS SUPREME	1 893	1 029	54%	320	433	135%
06 MINADEF	23 089	23 986	104%	516	190	37%
07 MININTER	5 013	5 802	116%	1 000	505	51%
08 MINAFFET	2 962	2 863	97%	18	0	0%
09 MINAGRI	2 369	1 305	55%	7 423	5 223	70%
10 MINICOM	1 159	835	72%	471	410	87%
12 MINECOFIN (3)	22 229	27 974	126%	10 919	8 963	82%
13 MINIJUST	2 153	1 846	86%	2 623	1 107	42%
14 MINEDUC	16 749	18 929	113%	7 796	8 488	109%
15 MIJESPOC	779	830	107%	961	618	64%
16 MINISANTE	7 616	6 183	81%	3 113	3 055	98%
18 MININFRAST	4 681	4 663	100%	15 625	13 854	89%
19 MIGEPROF	419	292	70%	2 535	1 038	41%
20 MIFOTRA	1 006	568	56%	758	503	66%
22 MINITERE	941	553	59%	1 303	105	8%
23 MINALOC	9 736	7 488	77%	7 340	7 106	97%
PROVINCES	25 641	24 483	95%	0	0	NA
TOTAL	143 015	143 572	100%	65 115	51 611	79%

(1) Salaries, goods&services, transfers and exceptional expenditure

(2) Base ordonnancements

(3) excl. net lending, interest payments, debt & arrears

Annex C: PRS Policy Matrix

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
PRSP Priority Area 1: Agriculture and Rural Development						
I. Agriculture and Export Promotion						
Export Promotion Institutional Framework	Strategies developed and adopted by Cabinet for promotion of coffee and tea. Need for these to be integrated into a comprehensive export promotion strategy	Export Promotion Strategy and action plan adopted by Cabinet and institutional framework defined	Export Promotion Action Plan operationalized as demonstrated by the reorganization of RIEPA to integrate and Export Promotion Department	Complete and adopt strategy to strengthen Bureau of Standards to ensure compliance with national and international standards based in Action Plan for Trade & Export Promotion	Increased export receipts and improved productivity of export crops <u>Coffee</u> : receipts increase from USD 15 million (in 2003) to USD20 million (in 2007) <u>Tea</u> : receipts increase from USD 22.5 million (in 2003) to USD 39 million (in 2007)	
		Agriculture Guarantee Fund (AGF) appropriated in budget and completed design of disbursement mechanism to support agricultural exports for 2004	Formalize institutional mechanism of the Agriculture Guarantee fund (AGF) to finance both the rural sector and export promotion	Publish evaluation report on the implementation of the Agriculture Guarantee Fund	Increased export receipts and improved productivity of export crops	
	International Agriculture Trade Show organized in Mulindi		Action plan for development of non-traditional exports – i.e. horticulture, hides/skins—completed and adopted	Implementation of the Action Plan for development of non-traditional exports.	Increase of non-traditional export receipt	
		Start the establishment of an Export Processing Zone (including an Environmental Impact Assessment)	Establish the Export Processing Zone.	Monitoring of the impact of the Export Processing Zone	Increase in exports, revenue and job creation	
Sustainable Increases in Agro-pastoral production and productivity	Sector policy document started to be developed before further elaboration of a sector strategy. In 2003, with the support of EU, a draft rural sector development strategy was produced. Need refinement and adoption by all stakeholders.	Comprehensive agriculture and rural development strategy study launched Agriculture and Rural Development Policy adopted	Comprehensive agriculture and rural development strategy completed and action plan adopted	Satisfactory execution of the first year implementation of the agriculture and rural development action plan according to agreed milestones and indicators	Increased agriculture growth from –0.7% in 2004 to 6.6% by 2006.	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	OUTCOMES
			Identify agriculture related legislation which needs to be updated	Update agriculture related legislation and submission to cabinet	All agriculture related legislation are coherent with the new land law
	450 technical staff were trained on modern agriculture techniques and demonstration on input use on 550 fields.	Continue training and demonstration on modern agriculture techniques	Review input and extension policy and incorporate incentives to small holders	Implementation of reviewed extension policy	Increased use of modern farming techniques by farmers
		Complete review of existing legislation on Forestry, and develop strategy for sustainable supply of wood energy Complete development of Comprehensive Strategy for alternative energy			
			Increase share allocation of agriculture in total budget from 4% to 5% Complete program and action plans for identified priority commodities	Increase share allocation of agriculture in total budget from 5% to 6% Allocate sustainable resources in the budget to finance priority commodities action plan	Budget allocation to agriculture increased to 10% by 2010 Increase production and export for priority commodities. Increased farmer revenue.
	Some crops were identified as priority by Minagri (rice, maize, Irish potatoes, soybeans, beans, coffee and teas). However, 3 out of 7 experienced a decrease in production.		Elaborate a strategy and action plan for strengthening farmers' cooperatives/associations Completed Agricultural Research Strategy adapted to needs of the farmers	Operationalize action plan to strengthen farmers cooperatives (marketing, fertilizer, best practice etc) Implement Agricultural Research Strategy by allocating resources in the budget	Increased capacity of producer associations Research products are used and benefit directly to the farmers

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	Envisaged Actions for 2006	
Coffee	Environmental policy adopted by Cabinet and environmental organic law voted by Parliament. A draft law establishing Rwanda Environmental Management Authority (REMA) has been submitted to Parliament	Rwanda Environmental Management Authority (REMA) established	Environmental law adopted by cabinet and submitted to Parliament Completion of Environmental Impact Assessment (EIA) Guidelines	REMA elaborates an action plan indicating programs requiring environmental assessment and disseminates EIA guidelines	Better integration of environmental impact in all government programs.	
	11 washing stations operating	Coffee Guarantee Fund established at BNR	Monitor the use of the Coffee Guarantee Fund by Coffee operators through commercial banks	Monitor the use of the Coffee Guarantee Fund by Coffee operators through commercial banks	Coffee export receipts increase and higher number of washing station financed.	
Tea	Fully washed coffee production increased from 28 tons in 2002 to 333 tons in 2003 and the number of washing stations increased from 5 in 2002 to 12 in 2003	Completed coffee development strategy. Hire specialist marketing firm to promote Rwandan coffee on global market Production of fully washed coffee increases from 333 tons in 2003 to 700 tons in 2004 and the number of washing stations increases from 12 in 2003 to 16 in 2004.	Implement Coffee Development Strategy by availing resources to farmers (micro-finance and STABEX).	Impact evaluation of the Coffee Development Strategy for year one.	Increased unit average value of coffee exports and share of fully washed coffee in total exports	
		Define Tea Development Strategy and action plan	Update Tea Development Strategy based on 2004 implementation Restructure OCIR Thé to perform its new function as a regulatory agency	Update Tea Development Strategy based on 2005 implementation	Increased average unit value (and quality) of tea exports	
		Put in place mechanism for monitoring quality of green leaf and analyze bottlenecks to quality improvements. Design mechanism for selection and establishment of clones Devise and implement a pricing policy providing incentives for improved quality of green tea leaves	Complete feasibility study and evaluation of necessary factory expansion			

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
PRSP Priority Area 2: Human Resource Development & Improving Quality of Life					
I. Health					
Objectives					
<p>1) Improvement in coverage with high impact interventions contributing to reduce under five and maternal mortality, as well as the burden of HIV/AIDS, malaria and tuberculosis;</p> <p>a) Immunization coverage (DPT3) will increase to 85% in 2006 and 90% of the districts will attain at least a 80% DPT3 coverage rate</p> <p>b) Use of insecticide treated bed nets by pregnant women will increase from 10% in 2003 to 30% in 2006 and % of children <5 increases from 18% to 40%;</p> <p>c) Use of assisted deliveries will rise from 30% in 2003 to 40% in 2006 nationally;</p> <p>d) Use of condoms will increase by 5% and DOTS by 3%</p> <p>2) Public spending on health increases from 6.2% of total budget in 2003 to 10% in 2007 and conditional block grants to: (i) at least 60% of the Administrative Districts and covering on average 60% of the population for the purchase of household/community services; (ii) at least 6 Provinces covering on average at 50% of the population for the underwriting of performance based contract for services delivered through Health Centres; and (iii) all AD in at least 6 Provinces for contracting of accredited 'mutuelles' to provide expanded access to health care to the indigent.</p> <p>3) Expansion in the degree of autonomy of public providers to at least 80% of health centres and 15% of public hospitals including improved governance arrangements and mechanisms for community and community and civil society participation.</p>					
A. Improve Management of the Health Sector -including resource allocation and purchasing- and Equity & Efficiency of Government Health Expenditures					
Develop results oriented MTEF for the health sector	MTEF Health programs revised and integrated in Health Sector Policy	Develop results oriented MTEF, ensuring linkages with planning, costing, monitoring tools & annual budget and integrating results of simulations from planning and costing tool (Marginal Budgeting for Bottlenecks) in 2005 budget	Prepare 2006 issue paper on the basis of the planning and costing tool and develop 2006 budget using the results oriented MTEF	Prepare 2007 issue paper on the basis of the planning and costing tool and develop 2007 budget using the results of the MTEF.	MTEF and annual budget are linked and allow monitoring of resources and results
Develop a decentralization plan for the health sector, including appropriations and transfer mechanisms & an allocation formula for providing funds to districts		Publish a draft plan, including proposals for appropriations and transfer mechanisms for decentralized units including proposal for budget transfers to provinces of at least 4% of budget	Publish decree establishing appropriations and transfer mechanisms for decentralized units including proposal for budget transfers to provinces of at least 10% of budget	Establish appropriations and transfers in 80% of provinces/districts, including proposal for budget transfers of at least 20% of budget	Legal framework for decentralized management of health, education, water and energy sector' budgets Needs based allocation formula contributing to redirecting resources to poor districts

Policy Matrix					
SUB-OBJECTIVES / ACTION AREAS	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	OUTCOMES
Ensure that all public sector health centres function autonomously with appropriate accountability mechanisms		Ensure that 80% of health centres report community participation in management of health facilities (i.e. overseeing management of proceeds of drug sales)	Publish decree clarifying roles and responsibilities of health centres in the autonomous management of facilities, and develop new accountability and voice mechanisms for the poor	Prepare an institutional feasibility study for a Hospital Care Fund, involving risk pooling, purchasing and accreditation Identify and disseminate best practices in accountability and voice mechanisms	All public health centres have management autonomy and are using performance agreements to provide a package of health services
Design and implement performance based payment schemes	Performance Based Payment Schemes implemented with donor funding in 2 provinces	Carry out performance based payment schemes for high impact services (e.g. immunization, assisted deliveries) in Butare and Cyangugu with donor funding; make provisions for transferring at least 50% of the cost to 2005 budget; Increase DPT3 Coverage to 80%	Carry out a comparative review of the 2 pilot schemes and ensure 2006 budget covers at least 75% of their cost	Seek endorsement of recommendations of comparative review and expand scale up to at least 3 additional provinces with government funding	Performance based payment schemes are implemented in at least 5 provinces and 2005 and 2006 budgets incorporate progressively payment schemes
Implement Conditional transfers		2005 draft budgets includes resources for: i) conditional transfers to at least 2 pilot provinces for purchasing of health services at the health centre level covering 60% of the population in the provinces (ii) conditional transfers in at least 2 Provinces to cover the premium payments in mutuelles for the identified indigents; (iii) and transfers of conditional grants to 60 % of administrative districts (AD) of which at least 50% are rural districts) for the purchase of community health services	Preliminary Evaluation of decentralization of Resource Allocation and Purchasing The 2006 draft budget includes resources to expand: i) conditional contracts for the purchase of health centre services in at least 2 additional provinces ii) payment of mutuelles premium for the indigent in all AD in at least 2 additional Provinces iii) conditional grants for the purchase of household/community services in 80% of the AD of which at least 60% are rural AD.	Impact Evaluation of decentralization of Resource Allocation and Purchasing The 2006 draft budget includes resources to expand: i) conditional contracts for the purchase of health centre services in at least 2 additional provinces ii) payment of mutuelles premium for the indigent in all AD in at least 2 additional Provinces iii) conditional grants for the purchase of household/community services in 80% of the AD of which at least 60% are low income AD.	Increased proportion of public resources transferred to rural populations
Improve incentives for health workers to serve in remote areas		Introduce salary supplements for health workers assigned to	Transfer responsibility for management of salary	Establish a scheme requiring minimum service of young	Proportion of nurses assigned to rural areas

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
		remote areas	supplements for health workers assigned to remote areas to districts	graduates		increases from 40% in 2003 to 65% in 2006 Proportion of doctors assigned to rural areas increases
B. Improve Financing of the Health Sector Through Pooled Mechanisms and External Sources						
Ensure transparency in pharmaceutical prices supplied through the public sector	Define list of essential drugs.	Publish list of essential drug prices supplied by CAMERWA & suggested margins for sales to health facilities	Draft a national plan & policy for the pricing of essential drugs in collaboration with CAMERWA	Implement solutions in collaboration with CAMERWA		List of prices of essential drugs published annually & audits carried out to ensure policy is enforced
Standardize pricing of essential health services taking into account affordability concerns	Tuberculosis treatment is free for all.	Publish policy on price of HIV/AIDS and related illnesses services benefiting from public subsidy, including exemption policies	Publish and disseminate on national radio and newspaper of decree establishing policy on prices and exemptions for essential health services benefiting from public subsidy with particular attention to MCH/FP	Publish monitoring report assessing implementation of health services pricing policy and impact on the poor.		High impact interventions and catastrophic illnesses are subsidized by public funds and prices are standardized
Expand financial protection against health risks through the micro-insurance schemes (mutuelles) in a sustainable manner	Micro-insurance schemes expanded further to the population	Implement micro-insurance schemes covering 7% of the population, and prepare a scale up plan for 2004-07	Expand micro-insurance schemes according to scale up plan, including contracting of the mutuelles by 25% of districts receiving block grants from central government	Continue expanding micro-insurance schemes, including contracting of the mutuelles by 50% of districts receiving block grants from central government and publish report on progress in implementing scale up plan.		Percentage of the population covered by mutuelles is increased from 7% to 15%
C. Improve Delivery of High Impact Health Care Services						
Improve child health and nutrition	Define package for CHW including malaria treatment/prevention, diarrhoea and acute respiratory illnesses. DPT3 coverage above 80% IMCI Strategy introduced	Incorporate the immunization financial sustainability plan (FSP) into the Health Sector Strategic Plan and MTEF and maintain DPT3 coverage above 80%	Increase government share in purchase of vaccines and injection equipment and increase rate of DPT3 coverage	Increase government share in purchase of vaccines and injection equipment and increase rate of DPT3 coverage		Percentage of children who receive one dose of vitamin A increases from 69% to 80%. 90% of districts have DPT3 coverage rate of at least 80%. Government share in purchase of vaccines and injection equipment

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
Increase coverage of major obstetrical services; increase use of modern family planning methods	Information, Education and Communication activities for reproductive health developed and implemented Draft reproductive health policy developed and disseminated	Publish and distribute in all facilities skill norms and guidelines for pre-natal counselling, management of obstetrical emergencies, and use of modern FP methods	Increase the percentage of midwives assigned to rural areas from 17% in 2004 to 30% in 2005.	Increase the percentage of rural midwives assigned to rural areas to 45% in 2006.	Contraceptive prevalence rate increased from .3% in 2004 to 6% in 2006. Reduce maternal mortality from 1071 to 803 per 100,000 live births in 2006	
Reduce morbidity & productivity losses due to malaria	Malaria drugs subsidized and strategic plan developed Coverage of ITN for children under five increase to 18% Creation of five new sentinel sites	Publish policy on anti-malarial drug (ACT) and insecticide treated bed net pricing and subsidy scheme (private and public)	Ensure that 35% of districts have trained promoters in malaria prevention and case management and ensure that budget reflects the purchase of these high cost drugs to be provided at subsidized prices, ensuring cost to consumers is maintained at current or lower levels according to RBM plan	Design and test malaria epidemic early warning system and ensure that budget reflects cost of purchasing new high cost anti-malarial drugs, ensuring cost to consumers is maintained at current or lower levels according to RBM plan	Percentage of pregnant women using impregnated bed nets increases from 10% to 30% in 2006 and % of children <5 increases from 18% to 40%. Reduce the malaria fatality rate for children under five from 1% to 0.5% in 2006	
Scale up prevention activities in an effort to reduce the risk of HIV transmission and expand access to treatment	HIV/AIDS cross-cutting cluster established HIV Surveillance Survey carried out Information, Education and Communication activities for HIV/AIDS developed and implemented 3,000 patients received ART Treatment	Conduct IEC/BCC campaigns in all districts and ensure free distribution of condoms to select groups (youths, taxicab drivers, military)	Conduct IEC/BCC campaigns in all districts and ensure free distribution of condoms to select groups (youths, taxicab drivers, military, police)	Conduct IEC/BCC campaigns in all districts and ensure free distribution of condoms to selected groups (youths, taxicab drivers, military, police)	Percentage of youth 15-19 reporting condom use in most recent act of premarital sex	
2. Education		Establish 40 Voluntary Counselling and Testing (VCT) sites	Expand the number of sites offering integrated VCT services from 40 to 70	Increase number of integrated VCT centres to 117	Increase in % of antenatal clients who bring partners for VCT from 24% to 35%	
Objectives: <ol style="list-style-type: none"> 1) Primary completion rate reaches 72% for males and females by 2008; 2) <i>Tronc commun</i> completion rate reaches 17% for males and females by 2008; 3) Primary net Enrolment Rate will increase from 75% to 90%; 4) Primary drop out rate will decrease from 17% to 10%; 						

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
A. Contextualize the Education Sector Strategic Plan within a fiscally sustainable long-term (2015) financing framework					
Articulate a fiscally sustainable long-term national education sector strategy	<p>ESSP incorporating EFA Action Plan finalized with costs (ESSP). Roll out of ESSP begun.</p> <p>Removal of primary school fees and introduction of capitation grant (300RwF per pupil)</p> <p>Secondary budget raised from 17% to 18% in 2003 budget (query – expenditure)</p>	<p>Complete education policy simulation model (Excel model base year completed and structure defined)</p> <p>Complete document on a fiscally sustainable sector strategy that indicates GoR's preferred scenario for achieving Universal Primary Completion. Agree how the 2005 Budget and 2005 – 2007 MTEF will reflect this decision. (Completed document containing decision and process).</p>	<p>Finalize, adopt and publish official document on long-term fiscally sustainable sector financing strategy & revise ESSP accordingly during 2005 JRES</p> <p>MTEF 2006-2008 ceilings and 2006 Budget are consistent with the sector financing strategy. (Present official government draft budget document to all stakeholders in July 2005)</p>	<p>MTEF 2007-2009 ceilings and 2007 Budget are consistent with the sector financing strategy. (Present official government draft budget document to all stakeholders in July 2006)</p>	<p>Targets for recurrent spending by level of education are met (e.g. at least 50% of total for primary and about 20% for higher education)</p> <p>MTEF consistent with long term financing strategy, published annually from 2005 onwards</p>
B. Develop and implement policies to improve equity and quality focusing on 9-year basic education					
Make and implement plans to improve access and retention in basic education for girls, and disadvantaged children.	<p>Guidance and counselling piloted in 16 primary schools</p> <p>Catch up pilot centres started in 3 primary schools (centres functioning in Ruhengeri, Gitarama, Byumba)</p> <p>Study on gender, education and poverty initiated (First draft completed)</p> <p>Majority of children over ten are out of school</p> <p>Lower learning achievements of girls</p>	<p>Education component of the policy for OVCs discussed with stakeholders and incorporated into the Education Sector Strategic Plan (ESSP) (JRES Aide Memoire)</p> <p>Gender, Poverty and Education Review report discussed (JRES Aide memoire)</p>	<p>On the basis of an evaluation of existing pilots initiatives, prepare and develop a national strategy that targets children who never attended or who do not complete primary school (Evaluation report; draft National Strategy)</p> <p>Prepare and adopt a Gender in Education Policy and Strategy (GEPS)</p>	<p>Adopt strategies and cost in 2007 Budget and 2007 – 2009 MTEF.</p>	<p>Educational indicators for OVCs and girls improving at least as fast as rest of population during 2004 - 2006</p> <p>ESSP and MTEF include costed strategies to address needs of girls and disadvantaged children</p>

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	Envisaged Actions for 2006	
Education contributes to the prevention of HIV/AIDS and the impact of HIV/AIDS on whole sector service delivery addressed	<p>Draft policy on HIV/AIDS completed (Draft Policy)</p> <p>Study on impact of HIV/AIDS in the Education Sector completed (Report)</p> <p>Focal points in each province established</p> <p>Syllabus for primary French revised (Syllabus)</p> <p>Rehabilitation of 6 TTCs started and 4 completed;</p> <p>Teachers' guide and pupil textbooks for Civics developed (Sample Teachers guide and textbook)</p> <p>Syllabus for political education under development and teachers' guides approved by TAC (Syllabus and Teachers' Guide)</p> <p>Syllabus for technical education under development (Workshop conducted)</p> <p>Textbooks supplied: French 1-3; STE 1-6 (Textbooks in schools)</p>	<p>Sensitisation</p> <p>Provision of teaching materials</p> <p>Support to ANTI HIV/AIDS Clubs in all schools</p> <p>Strengthen the unit responsible for HIV AIDS</p>	<p>Sensitisation</p> <p>Provision of teaching materials</p>	<p>Sensitisation</p> <p>Provision of teaching materials</p>	<p>Published TDM Policy</p> <p>Primary pupil/teacher ratio improves to 50:1 in 2006</p> <p>The ratio of curriculum compliant textbooks per pupil in primary is 1:3 in 2006 in core subjects.</p> <p>Baseline profiles of primary learning achievements in core subjects available by gender, region and poverty quintile.</p>	
<i>Support effective teaching and learning</i>	<p>Syllabus for primary French revised (Syllabus)</p> <p>Rehabilitation of 6 TTCs started and 4 completed;</p> <p>Teachers' guide and pupil textbooks for Civics developed (Sample Teachers guide and textbook)</p> <p>Syllabus for political education under development and teachers' guides approved by TAC (Syllabus and Teachers' Guide)</p> <p>Syllabus for technical education under development (Workshop conducted)</p> <p>Textbooks supplied: French 1-3; STE 1-6 (Textbooks in schools)</p>	<p>Identify policy recommendations for teacher development and management (TDM). (JRES Aide Memoire).</p> <p>Curriculum Development Plan 2005-2007 and Textbook Plan 2003-2012 are used as basis for MTEF 2005-2007 and 2005 Budget</p> <p>Establish task force to plan for the Monitoring of Learning Achievement (MLA)</p>	<p>Formulate budget implications for TDM policy (TDM budget document)</p> <p>Kinyarwanda, maths and social studies textbooks for P1-P6 purchased and distributed to schools.</p> <p>Develop and cost action plan for MLA (Action plan progress report)</p>	<p>Adopt policy on TDM and cost it in 2007 Budget, and 2007 – 2009 MTEF.</p> <p>English, French and Elementary Science and Technology (STE) textbooks for P1-P6 purchased and in schools</p> <p>Analysis and report prepared based on MLA data (report)</p>	<p>Published TDM Policy</p> <p>Primary pupil/teacher ratio improves to 50:1 in 2006</p> <p>The ratio of curriculum compliant textbooks per pupil in primary is 1:3 in 2006 in core subjects.</p> <p>Baseline profiles of primary learning achievements in core subjects available by gender, region and poverty quintile.</p>	
Develop fiscally sustainable sub-sector policies and strategies within the framework of the Education Sector Policy and Education Sector Strategic Plan, based on evidence of what works, and is affordable.	<p>Intention to move to nine year fee free basic education announced</p> <p>94 new TC schools opened</p>	<p>Studies undertaken to examine costs, feasibility and implementation options of the move from 6 to 9 year basic education (Draft studies).</p>	<p>MTEF includes costed strategy for nine year basic education (MTEF 2006 – 2009)</p>	<p>Nine year basic education strategy under implementation (MTEF 2007-2009)</p>	<p>Transition rates from primary to secondary improve equitably for girls and boys, across the whole country.</p>	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
	<p>A study on ECCD home and community based learning and psychosocial care for 0-6 year olds concluded (Report August 2003)</p> <p>Study on technical education and labour conducted (Report)</p>	<p>Identify initial strategies in the 2005 – 2007 MTEF (2005 – 2007 MTEF)</p> <p>Conduct a feasibility study in preparation for the development of a National Literacy Programme. Identify initial strategies for inclusion in the 2005 – 2007 MTEF (Report, 2005 - 2007 MTEF).</p> <p>Develop affordable scenarios for technical vocational education and training, including the improvement of youth associations (Scenarios paper discussed by end 2004)</p>	<p>Draft policy and strategy for National Literacy Programme discussed at 2005 JRES)</p> <p>MTEF includes costed strategy for National Literacy Programme (MTEF 2006 – 2009)</p> <p>Publish policy and costed strategy for technical and vocational education and training (Draft policy and strategy discussed at JRES).</p> <p>Develop policy and strategy for Early Childhood Care and Development (ECCD) (Draft policy and strategy)</p> <p>Conduct feasibility study for Open and Distance Learning/E-Learning (Report)</p> <p>Conduct feasibility study on options for promoting science, technology and ICT in the education sector (Report)</p>	<p>National Literacy Programme under implementation (MTEF 2007 – 2009)</p> <p>TVET included in 2007-2009 MTEF</p> <p>ECCD included in 2007 – 2009 MTEF</p> <p>Develop policy and strategy for Open and Distance Learning and E Learning (Draft policy and strategy)</p> <p>Develop policy and strategy for STR and ICT in education (Draft policy and strategy)</p>	<p>Greater percentage of children from poorest families enter secondary education</p> <p>Increased number of participants in adult education classes</p> <p>ESSP revised to include feasible and sustainable sub-sector policies and strategies.</p>
<p><i>C. Strengthen management and accountability at all levels to improve efficiency in pro-poor service delivery</i></p>					

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
Implement higher education financing and governance reforms	<p>SFAR approved by Cabinet and established (Director appointed)</p> <p>Study on costs and financing of Higher Education started (TORS and consultant contracted)</p> <p>HE Bill developed</p>	<p>Set up National Council for Higher Education (NCHE) and Student Finance Agency of Rwanda (SFAR).</p> <p>Complete cost and financing study on higher education. Develop viable formula funding model for higher education (HE). MTEF 2005-2007 ceilings and 2005 Budget are consistent with the formula funding model.</p>	<p>Action plan for exit strategy of expatriate lecturers from HE institutions in place and started (Action plan under implementation)</p>	<p>Progress report on public unit costs in HE, separately by field of study and institution, and by pedagogical inputs and student welfare (Progress report)</p> <p>Cost benefit analysis relating the above public inputs to graduated students' activities and prospects for generating economic growth (Report)</p>	<p>NCHE is operational</p> <p>HE sub-sector ceilings (MTEF) and formula funding mechanism determine the number, type and costs of publicly funded students.</p>
Improve public expenditure tracking	<p>Capitation grant released to all primary schools (JRES Aide Memoire)</p>	<p>System of transfer of capitation grant to schools is operational (Report).</p> <p>First quarter expenditure and performance monitoring report (EPMR) available for Central MINEDUC spending (Financial and performance report)</p>	<p>Report on funding and poor use of Capitation Grant, District Education Fund (DEF) and FARG during 2004 (Report)</p> <p>Annual EPMR available for Central MINEDUC spending during 2004 incorporates recommendations from Public Expenditure Tracking System for improving current system (Report)</p>	<p>Analysis and report on impact and performance of Capitation Grant, DEF and FARG based on Education Management Information System, EMIS (Analysis and Report)</p> <p>Annual EPMR reported against MTEF budget lines for central and decentralized education sector spending during 2005 (Financial and performance report)</p>	<p>Annual tracking study report produced starting 2006</p> <p>Annual EPMR published starting 2006</p>

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
Increase capacity for pro-poor sector management	23 schools constructed in 10 districts through CDCs from HRDP funds (Report)	Prepare human resource strategy to implement the ESSP taking account of decentralization and civil service reform (TORS and interim report).	Define and implement a matrix of roles and responsibilities of Central, Provincial, District and school decision-makers, including Parent Teacher Associations and Boards of Governors, with specific reference to teacher management (recruitment and deployment).	Central and decentralized capacity strengthening and training plan under implementation (Plan and funding).	Human resources strategy implemented
<i>Improve local management of schools</i>	Some secondary head teachers have received some school management training (VVOB)	Implications of fee-free primary in terms of teachers, textbooks, classrooms and capitation grant incorporated into 2005 budget and 2005-2007 MTEF (Evaluation of impact of fee-free primary/2005 budget). Local education managers (Provinces, Districts, Schools) identify critical school management issues (Issues paper)	Minimum primary school package (teachers, textbooks, classrooms, capitation grant) agreed and modalities for financing identified (Report discussed at 2005 JRES). Guidelines for improved school management developed, specifying roles and responsibilities of Parent Teacher Associations (PTAs) for primary schools, and Boards of Governors (BoGs) (Guidelines). School management training plan developed and under implementation (Training Plan under implementation)	Minimum primary school package under implementation (Funding in 2006 Budget, 2006 – 2009 MTEF). PTAs and BoGs established in Primary and Secondary Schools (%schools with operational PTAs and BoGs) Modalities agreed for the development and implementation of School Improvement Plans (% schools with SIPS)	Minimum school package implemented. School improvement plans operational
<i>D. Provide timely information to improve monitoring and accountability for results at all levels</i>					
Comprehensive EMIS operational at all levels, and informs decision making	First Joint Review of Education Sector Annual School Census	Correctly designed Education Management Information System-Global Positioning System (EMIS-GPS) with	Fully functional EMIS in place (First statistical abstract for Jan. 2005 published).	Report on overall education sector progress since 2000 based on data from EMIS and household surveys with	EMIS operational Statistical abstract published and distributed

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	Envisaged Actions for 2006	
	informs data collection	school id codes ensuring linkages with existing data and systems, including those for poverty monitoring under MINECOFIN management. (EMIS report with draft questionnaires)	School-level data from annual school census available at central level (Data available) Disaggregated data relevant for education sector analysis available at MINEDUC and to all Provinces & Districts (National Exam results by school, household survey data, summary profile of key District education indicators relative to regional and national averages, etc.)	special attention to progress in education access and attainment amongst the poor (Report) Summary profile of key District Education Indicators relative to regional and national averages based on EMIS data (Report available to all Districts and Provinces) Statistical abstract published and distributed annually. JRES 2007	Progress report on education of the poor. Regular data/statistics available to decision makers for all levels of education	
3. Vocational Training	Currently, 49 training centers are operational among which 22 are public and 27 others private; Mechanisms for regular follow up have been set up; About 26 final students	JRES 2004 includes education stakeholders and feeds into PRS progress report. Design policy and \ or principles regulating vocational training in Rwanda, Promote training co-operation between – Rwanda Training Centers and those existing in foreign countries;	JRES 2005 used by budget support agencies and an increasing number of project support agencies to monitor sector performance and informed by poverty education report. Promote creation of youth training centers in all districts in line with 2020 vision; Set up legal framework in the sake of vocational training centers' leaving students for their accessibility to the micro-credits enabling them	To put in place a national institutional frame work for guidance and coordination of vocational training in the country including accreditation (establish vocational training authority) Facilitate rehabilitation of the	JRES annual	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	Envisaged Actions for 2007	
<p>3. Water and Sanitation</p> <p>Objectives</p> <ol style="list-style-type: none"> 1) Increase the effective access to safe drinking water in rural areas from about 40% of the population in 2003 to 56% of the population by 2007 (66% of the population by 2010); 2) Increase the rate of functionality of water supply systems from 65% in 2003 to 75% in 2007; 3) Increased coverage rate of water supply in Kigali city from the present 73% to 78% by 2007; 4) Stronger impact on health through improved hygiene practices and facilities 5) Adoption and subsequent implementation (from 2006 onwards) of a program of coordinated interventions and investments in the sector, focused on the integrated and sustainable development of Rwanda's water resources and protection of its environment, along with the establishment of a comprehensive Water Information System. <p>OBJECTIVE 1: INTEGRATED AND SUSTAINABLE MANAGEMENT OF WATER RESOURCES</p> <p>Legal, institutional and regulatory framework</p>	<p>associations are supported both by MIFOTRA and FRSP & ONGS</p>		<p>to start with their business ventures</p>	<p>existing vocational training institutions</p> <p>Put in place a deliberate government policy to promote investment in vocational training</p>		
<p>Capacity building at central and decentralized levels (district & sub-basins)</p>	<p>Draft of water policy, water law and sanitation code were updated</p> <p>24 Staffs have participated in Training session (12 in Autocad, 7 in procurement, 1 integrated water resources management, 4 in DST (Decision Support Tool), 4 in GIS</p>	<p>Draft Water Policy validated by MINITERE and other stakeholders.</p> <p>MINITERE has drafted a Water Policy and the draft has been approved by Cabinet</p> <p>Publication of the draft Water Policy by MINITERE.</p>	<p>Adoption by Cabinet and submission to Parliament of the new Water Law on integrated management and protection of water resources.</p> <p>MINITERE has initiated institutional reforms at national, regional and local levels.</p> <p>Recruitment of staff by MINITERE on the basis of the recommendations of the diagnostic study on human resources and training needs at central and decentralized levels.</p>	<p>Effective implementation of the decentralization policy for the management of water resources and water infrastructure.</p> <p>Completion and publication of the evaluation report on progress in capacity building and continuation of implementation of activities.</p>	<p>1. Water and Sanitation policy document available</p> <p>2. Water and sanitation policy is applied</p> <p>3. An established political, legal, regulatory and institutional framework for integrated water resources management and effective institutional reforms.</p> <p>Senior and mid-level staff recruited and trained.</p>	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
Program of coordinated interventions and investments		To carry out and publish a Water and Sanitation MTEF for the period 2005-2007 Initiation of the study on the investment program for sustainable WRM and protection of the environment.	Review and update the Water and Sanitation MTEF 2006-2008 MINITERE adopts the investment plan for sustainable WRM and protection of the environment, and integrates this plan in the 2006-2008 MTEF.	Review and update the Water and Sanitation MTEF 2007-2009 Implementation of the investment plan for sustainable WRM and protection of the environment.	MTEF is updated annually The investment plan for sustainable WRM and environment protection is adopted and implementation has been initiated.	
Development of water needs in other economic sectors	Initiation of a study on the assessment of water needs in agriculture, livestock, industry, transport and energy Water database on initiated	Publication of the various reports on water needs in other economic sectors			Evaluation reports on water needs in other economic sectors is available to all stakeholders.	
Establishment of a Water Information Centre (WIC) accessible to users of water information	Finalization of projects documents within the Nile Basin Initiative (NBI)	Conceptualization of the Water Information System (WIS) and its associated institutional framework (WIC). The beginning of the implementation of projects related to environment protection, applied training and energy exchange	Adoption and implementation of the WIS/WIC investment program by MINITERE The beginning of the implementation of projects related to water management Preparation subsidiary investment project	Continued implementation of the WIS/WIC investment program by MINITERE Continue the Implementation of subsidiary investment project	The operational WIS is the reference information system for coordinated development and integrated WRM A favorable framework for the trans-boundary investment is set up Poverty reduction and environment protection	
<i>Strengthen the sub-regional cooperation</i>						
OBJECTIVE 2 : INCREASE ACCESS TO SAFE WATER AND SANITATION SERVICES						
<i>Sector coordination and policy dialogue</i>		MINITERE/DEA, in consultation with donors and stakeholders, has completed the first joint rural WSS sector review and established a framework for coordinated support and policy dialogue.	MINITERE has created a rural water supply and sanitation agency at the end of 2005	Key stakeholders endorse the sector-wide approach for rural WSS at the annual joint WSS sector review. Regular meetings of donor group on water to implement the sector-wide approach	Rural WSS agency established and operational	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
<i>Decentralization of the water supply and sanitation services</i>		MINITERE/DEA has organized a workshop for stakeholders (Districts and Provinces) to discuss modalities for Decentralization and privatization of WSS Services	MINITERE and other partners have adopted a strategic development framework for decentralized WSS at district level. All 11 Provinces have established fully staffed and trained provincial support units to advise districts on implementation of WS systems.	MINITERE/DEA has produced and published a manual with procedures and guidelines for districts use concerning planning, implementation and sustainable management of water supply and sanitation infrastructure and investments.		An operational framework for policy dialogue and sector coordination All districts have developed WSS plans, listed in their CDPs, and are capable to implement and manage WSS projects with assistance of the Provincial Support Units.
<i>Sustainable management of water supply systems</i>	A guidelines model for social mobilization related to the management of WS systems by beneficiaries was developed	MINITERE/DEA has validated the guidelines models by all partners in the sector MINITERE/DEA has recruited a consultant for the development of contract models, guidelines and standards to assist the districts in contracting private operators for the management of local WS systems.	MINITERE/DEA has published the models, guidelines and standards for privatization of the management of local WS systems, the 11 provinces have trained at least 2 staff in each district in its implementation, and implementation has commenced in at least 4 districts (with new or rehabilitated systems) in each of 4 pilot provinces	Privatization of the management of 15 % of the rural water supply systems in addition to the existing 10%		In 2007, 25 % of the water supply systems are managed by local private operators. The functionality of water supply systems increases from 65% in 2003 to 75% in 2007
Rehabilitation and extension of WSS in rural area	- WSS study in 3 pilots districts - WS study in Gasabo and Buliza districts - Rehabilitation and	Rehabilitation, extension and new constructions rural WS	Rehabilitation, extension and new constructions rural WS	Rehabilitation, extension and new constructions of rural WS		Coverage rate in rural WS increases from 44% to 54%

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
	<p>extension study of Bugesera Karengwe WS</p> <p>Execution of work:</p> <ul style="list-style-type: none"> - Humure WS (Byumba) - Rehabilitation of 3 boreholes in Nkomo and the launching of work in others 20 - ex commune of Bwisige WS - beginning of work Mukingi WS in Gitarama - beginning of Murambi WS in Byumba 					
Increase the water production capacity in Kigali city, Gitarama and Cyangugu Center		The Government has decided on the optimal solution for increasing the production capacity in Kigali city, and has initiated its detailed design and tendering.	The construction contract for expansion of the water production capacity in Kigali city has been awarded and construction has started.	The construction for expansion of the water production capacity in Kigali city (50% completion)	Increased coverage rate of WS in Kigali city, Gitarama and Cyangugu centers from the present 73% to 78% by 2007.	Policy framework for WSS for urban poor adopted and implemented
Establishment of a reference point in WSS		The launching of study on WSS infrastructures inventory in urban and rural areas and their functionality	Construction of expansion work in Gitarama and Cyangugu	GOR has finalized the policy paper and framework regarding WSS services to the urban poor, along with the corresponding investment program.	WSS infrastructures Inventory updated and reviewed periodically	
Increase the water production capacity in Butare city	Rehabilitation and extension study of WS network in Butare city	The launching of rehabilitation and extension piped WS work in Butare City	The completion of piped WS work in Butare City		Increased coverage rate of WS in Butare city from the present 35% to 80%	
OBJECTIVE 3 : INTENSIFY HYGIENE EDUCATION AND SANITATION						

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
Ensure sanitation of rain and used water			To update the master plan of rain water purification of Kigali City	APD study and DAO for the development of MPAZI and Rugunga Comparative study concerning the choice of the optimal solution for collection and development for solid wastes	Master plan available Detailed studies available Development of modern garbage dump is going on 4 pilot units established in Kigali	
				To develop a national rain water purification master plans for all the provinces	Master plan available	
<i>Basic Hygiene in Rural Areas</i>	Development of a document in appropriate sanitation technologies	To carry out plans and cost for latrines and reservoirs in schools and communities. Promotion and dissemination of appropriate sanitation technologies in rural area	Dissemination of appropriate technologies through the construction of pilot latrines Promotion and dissemination of appropriate sanitation technologies in rural area	Continuation of dissemination of appropriate technologies Promotion and dissemination appropriate sanitation technologies in rural area	Inventory Document on Sanitation appropriate technologies is available Increase of the use of chlorinated containers and hand washing habits in rural schools (503 Schools, 218 Health centers and 89 others public facilities) and 15000 households	
			The HAMS Committee has prepared a strategy for promoting improved hygiene practices in schools and in close households and increasing the use of chlorinated containers and hand washing habits in rural public schools (84 schools, 28 health center and 25 others) and 7500 households	Sensitization in use, construction and supply of hygiene related facilities (chlorinated containers and hand washing places in rural public schools (184 schools, 85 health centers and 89 others) and 7500 households		
PRSP Priority Area 3: Economic Infrastructure						
1. Energy						
Objectives						
<ol style="list-style-type: none"> 1) Eliminate grid power shortages; 2) Functional, predictable regulatory framework; 3) Strengthen institutional and human resource capacity 						
Increase the Energy Supply to Meet Demand						

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
Mitigate power supply shortages	Negotiations on PPA with Private Investors in Methane Gas Project	Procurement of new thermal capacity Temporary duty/tax reduction for Electrogaz diesel use Fuel procurement/ storage plan developed.	New thermal capacity commissioned Tender/contract documents for network rehabilitation and demand side management programs. Implementation of an emergency action plan Power and Gas strategy adopted	Revised power trade agreements and Sinelac	Load shedding reduced, then eliminated. Domestic lake levels stabilized.
Improve Urban & Rural Access to Electricity					
Rehabilitate and expand urban and rural network to promote increased reliability and access to electricity	Kaborondo-Kayonza-Kiziguro line rehabilitation + substation.	Draft Electrogaz near-term investment plan, including a network rehabilitation, proposed.	First phase investments in network rehabilitation begun.	Indicative master plan for electricity network expansion prepared by Electrogaz and approved by MinInfra Second phase investments in Electrogaz network rehabilitation begun.	At least xx,000 new Electrogaz connections. Electrogaz line losses reduced to in urban network and in rural network
Use of off-grid electricity services, including mini-grids and solar PV systems firmly demonstrated for expanding access in areas too remote for main grid access	Rural electrification study and pre-feasibility studies begun. (UNIDO, others) Pre- Feasibility Study on Hydro electrical power plants and Solar energy	Draft Rural Electrification Policy proposed. Technical and business plans, and tender documents, for micro hydro pilot projects prepared.	Contracts for first two micro hydro projects issued. Construction of two micro hydro pilots begun. PV procurement packages for Ministries of Health & Education prepared. PV packages procured and installed by at least one Ministry (health or education)	Micro-hydro program initiated. Both ministries (health & education) procure additional solar PV packages	Local micro-hydro capability and demand revived. Consumer satisfaction with solar PV system equipment and service (via surveys) (To be developed by MinEdu, MimiSante)
Rational Use of Energy Resources					

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
Improve the efficiency of woodfuel and charcoal conversion/use and promote fuel switching via demonstration and pricing signals		Survey of charcoal producers and sellers	Kiln/carbonization/stove efficiency program begun Studies for switching from wood and charcoal to peat, papyrus, and other fuels for urban households and commercial/institutional customers.	Fuel switching pilots begun		
Indigenous energy resource assessment	Assessment of micro-hydro sites.		Micro hydro assessment complete Tree inventory completed		Resource data available for microhydro development Basis for woodfuel strategy developed	
Objective 4: Improve Energy Sector Governance & Management						
Accelerate energy sector reforms to promote transparency and accountability of stakeholders and to encourage investment (including by the private sector), especially to expand access	Management contract for Electrogaz effective.	Fuel cost financing plan including strategy for fuel cost pass-through adopted and announced.	Energy Sector Policy adopted by Cabinet and associated electricity & gas legislation drafted (circulated for public comment) Approval by RURA of revised Electrogaz tariffs and Electrogaz Management Contract "performance indicators" adjusted. Rural Electrification Policy drafted "Citizens Report Card" on electricity service adopted.	Passage of electricity and gas legislation Adoption of regulatory rules to promote public participation and accountability.	Transparent regulatory tariff setting mechanism demonstrated Clear rules and roles for electricity and gas sector investment, oversight, etc. established	
Strengthen institutional and human resource capacity			Training/Human Resource plans developed for MinInfra, RURA, and Electrogaz.	HR/training plans implemented.	Accelerated policy development and implementation	
Objective 5 : Mitigate Environmental, Health, And Safety Impacts of Energy Production And Use						
Assess effectiveness of regulatory standards and, where necessary strengthen them to ensure appropriate mitigation of environmental, social, health, and safety impacts related to energy production and use		Terms of reference for assessment prepared	Standards review and compliance study complete with comments from MinInfra and Mini-Terre incorporated.	Implementation started of review and compliance study recommendations	safeguard compliance reporting by licensees for energy production and sale Sustainable lake water	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
2. Transport						levels
Institutional and Regulatory Framework	Amendments made to the Traffic Act		Transport Sector Policy and Strategy adopted by Cabinet Draft Law on Bus Stations elaborated and adopted by Cabinet	Publication of Bus Station Law in Official Gazette		
Road Maintenance and Rehabilitation		Feasibility study to tar 151 km of national roads	Feasibility studies to construct/rehabilitate 500 km of roads	Construction/ rehabilitation completed		Better transport system
Other Transport Works		Feasibility study of new Bugesera Airport	Other required studies to undertake construction of new Bugesera Airport			
	Railway Isaka-Kigali feasibility study resource mobilization started	Railway Isaka-Kigali feasibility study resource mobilization continues	Railway Isaka-Kigali feasibility study initiated	Railway Isaka-Kigali feasibility study concluded		
PRSP Priority Area 4: Governance						
1. Security	Troops have been withdrawn from DRC and are maintaining security in the country <i>Imidugudu</i> helps improve security in local areas Strengthened human capacity of the security agencies (police and military) 5 year Defense Strategic Plan A training program for demobilized soldiers has been undertaken by civil society	Maintain consistent dialogue with all stakeholders to find a lasting solution to the interahamwe and ex-far threat Professional RDF and modernization of their equipment is in progress Strengthening human capacity of the security agencies Passing of the Local Defense statute ‘Management and transformation of conflicts’ component to be included in the national training program (<i>ingando</i>) Reinsertion and reintegration of the demobilized soldiers	Strengthening human capacity of the security agencies. Reinsertion and reintegration	Evaluation of impact of		Professional security agencies (police and army). Reduced share of defense
2. Demobilization						

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
3. National Unity and Reconciliation	<p>More troops demobilized and reintegrated</p> <p>May 2004 NURC Conference</p> <p>Civic solidarity camps (<i>Ingando</i>) extended to government officials, students, released prisoners and others</p> <p>Intensive work on the use of non-violent methods in conflict management has taken place in targeted cells.</p> <p>Men and women together with the authorities are trained in conflict management to be mediators at the community level. The training is based on a manual adapted specifically to Rwandan culture and society.</p> <p>District authorities have been assisted by those trained in conflict management to settle legal disputes</p>	<p>Develop a national plan to consolidate the 'conflict management and transformation aspect' into all government initiatives at the cell level such as <i>Gacaca</i>, <i>Ubuguhu</i> and the Mediation Committees</p> <p>Continue to promote work related to unity and reconciliation</p> <p>Strengthening council decision making at sector level</p> <p>Opinion survey on land issues</p>	<p>of the demobilized soldiers</p> <p>Emphasis on intensive work on the use of non violent methods in conflict management by way of civic solidarity camps.</p>	<p>demobilization and reintegration program.</p> <p>Continue activities of unity and reconciliation.</p>	<p>spending in the budget</p>
4. Human Rights	<p>65 vice-mayors and 20 children and women's rights and conflict prevention and resolution</p> <p>2,600 people informed about children's rights and punishments for infractions against these</p>	<p>Human rights indicators to be developed and clearly defined</p> <p>Promotion of human rights in decentralized entities.</p> <p>Training of further vice-mayors in the rights of women and children</p>	<p>Monitor Human Rights indicators and disseminate them at decentralized level</p>	<p>Monitor Human Rights indicators</p>	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
5. Criminal Justice System & Gacaca	<p>14,304 women and children received legal assistance</p> <p>Training in non-violent methods of conflict management coupled with micro-projects at the cell level</p> <p>Mediators trained in conflict management</p>	<p>Rehabilitation and construction of adequate facilities for the Judiciary system.</p> <p>Constitution plans for conciliators charged with mediation between conflicting parties prior to going to tribunals. Training of mediatory committees</p> <p>Finalize the Justice Sector Strategy</p> <p>Shifting prisons from cities, creating new modern prisons and establishing Biogas initiatives in all prisons</p> <p>Cabinet to pass draft law for the management of national prison services</p> <p>Launching of Gacaca trials</p>	<p>Put in place judicial structures and required personnel as stipulated by the constitution.</p> <p>Amending the existing laws and drafting new ones in conformity with the constitution.</p> <p>Adoption of Justice Sector Action Plan</p>	<p>Sensitizing the population about the new structures and strengthening human resources capacity.</p> <p>Publication and dissemination of laws</p>	
	<p>Current efforts to professionalize the Ministry of Justice and the Judiciary underway</p> <p>Creation of the Magistrates Superior Council, the Prosecutor's Office (under MINIJUST) and the High Council of the Prosecutor's office as stipulated in the new Constitution</p> <p>Construction of Kigoma prison in Gitarama which accommodates 7500 detainees in an internationally accepted detention facility</p> <p>Decentralized the prison tender council to the districts</p> <p>Sensitization of prison inmates about Gacaca</p> <p>Gacaca: 83,448 cases to be transmitted to gacaca jurisdictions</p>				

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
6. National Police	<p>The third phase of Gacaca was officially launched in June 2004</p> <p>Road accidents have been reduced by 30% due to increased police in the traffic department</p> <p>MININTER have developed a Human Rights Training Handbook for law enforcement agencies</p> <p>Police have carried out sensitization/awareness program for communities</p> <p>Police Training School developed in Gishali and National Police Academy set-up in Ruhengeri</p>	Strengthening and professionalizing of the Police Force.	Strengthening and professionalizing of the Police Forces (recruitment of additional 1,000 policemen/women)	Strengthening and professionalizing of the Police Forces (recruitment of additional 1,000 policemen/women)	Evaluation of Gacaca process.	Increased security of the population nationwide
7. Decentralization	<p>95% of districts have produced their 5 year development plan</p> <p>100% have completed their 3 year MTEF (pending revision)</p> <p>Transfers from central government have increased from 1.5% to 3%</p> <p>Nationwide local government capacity assessment</p>	Increased percentage of domestic revenue allocated to CDF (currently <10%)	Fiscal census of local government revenues	Participatory reviews of tax structure in all Districts.		Strengthening planning management capacity for implementation of decentralization

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	Envisaged Actions for 2006	
	<p>5 year Decentralisation implementation program approved by Cabinet in March 2004</p>	<p>Operationalisation of the 5year Decentralisation implementation plan</p> <p>Strengthen population to local and national sub-national government and grass root administrative structures accountable</p> <p>Promote civil society, public partnerships and public sector private partnerships in planning, implementation, monitoring and evaluation of decentralization process</p>	<p>Harmonise sectoral policies with vision 2020 and MDG objectives</p> <p>Effective monitoring and evaluation tools and mechanisms developed and operational</p> <p>Fiscal and financial management capacities of local governments enhanced</p>	<p>Accountable efficient and effective public office holders and civil servants through effective and efficient implementation of Capacity building programs and strategies for preventing and combating corruption</p> <p>Further strengthening established coordination and collaboration mechanisms, monitoring and evaluation structures</p> <p>Social capital development and social accountability the norm</p>	<p>Empowered grass root activities</p> <p>Empowered local governments</p> <p>Efficient and effective coordination and collaboration</p>	
	<p>CDF funded the construction of 208 sector offices</p> <p>CDF provided funding for 188 projects in the areas of revenue generating infrastructure (markets, slaughter houses etc.) roads bridges, energy, water supply and environmental protection. 90 of these projects have been completed or are on going</p> <p>Training was organized in project management including a gender component for those responsible for those micro-projects</p> <p>Ubudehe training carried out in 6 provinces</p>	<p>CDF to increase disbursement rate in financing district development projects</p> <p>Strengthen partnership and coordination with ubudehe and PDL-HIMO under the CDF</p>	<p>Capacity (operational and strategic) development of CDCs and administrative structures</p> <p>Elaboration of development plans and sectoral budgets of decentralized entities by CDCs</p>	<p>Strengthening CDF capacities and capabilities to undertake budget support of local governments</p>	<p>Increase 80% funding of local development initiatives (individual groups)</p> <p>80%Community development plans/programmes funded through budget support</p>	
		<p>Training carried out national wide and identify viable projects to be funded in all cellules</p>				

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
9. Constitutional Reform and Democratization	National Electoral Commission published a clear action program	Second phase of <i>UbuDehe</i> data collection and analysis at sector level and dissemination. Civic education regarding elections is enhanced, coordinated and harmonized Civic education draft policy and program elaborated	Continuous community monitoring of UbuDehe and its impact.	Continuous community monitoring of UbuDehe and its impact	
	August 2003 – Presidential election successfully held September 2003 – Parliamentary elections successfully held	Elections of mediation committees, women councils and speakers at sector level	Elections of all “conseillers” at sector level organized	Municipal elections organized	Accountable leadership at decentralized level
10. Accountability and Transparency	Office of the Ombudsman created in 2003 and is operational. Local authorities benefited from training in conflict management which improves efficiency in service delivery	Law establishing the Ombudsman office is published in the Official Gazette and mediators elected in all cellules and sectors. Internal audit offices strengthened Increase awareness on anti-corruption initiatives Hold forums grouping Government Institutions with Civil Society around the PRSP monitoring and evaluation ensuring a participatory process Strengthening the parliamentary oversight of the executive Strengthening district council oversight of the executive	Production and publication of action plan of the Ombudsman office Review all institutions of transparency and accountability Enact laws and codes that facilitate the enforcement of transparency and accountability	The Office of the ombudsman reviewed by sampling at least 15 % of the declaration of assets for staff handling procurement Publication of District financial statements. Equip and strengthen the sector level participatory as an effective administrative entity. Participatory reviews on ensures of transparency and accountability at central and local /grass root level	Number of filed complaints resolved by Ombudsman increased by 100%
11. Gender and Governance	The Constitution of June 2003 and other laws were	CDF is to be gender sensitive.	To sensitize all decentralized entities to include gender		

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
	<p>effectively gender mainstreamed</p> <p>Parliament is composed of 45% women (including lower chamber and Senate)</p> <p>32% of the Cabinet members are women</p> <p>41% of the Supreme Court judges are women</p> <p>Population has been further sensitized about gender concepts</p> <p>The capacities of women are being developed</p>	<p>Local government plan to incorporate a gender perspective</p> <p>The number of women in decision making positions at decentralized level is to be increased</p> <p>A data bank on gender related statistics to be established</p>	<p>activities in their community development plans</p>		
12. Civil Society and Media	<p>Broadcasting law has been amended to increase the number of private radio licenses from two to five</p> <p>Teaching capacity and curriculum of the School of Journalism at the National University have been enhanced</p>	<p>A database on civil society organizations to be established</p> <p>Strategic plan for the media drafted</p> <p>Draft law on faith based organizations to be finalized</p> <p>Official launch of private radio stations.</p>	<p>Workshop on civic electoral observations</p>		
13. Public Service					
Human Resource Management & Capacity Building.	<p>Training of civil servants countrywide and abroad in the area of human resources management, procurement, project elaboration and management.</p> <p>In the area of capacity building, training sessions</p>	<p>Put in place instruments to establish institutional arrangements to implement the MSCBP (establish HIDA)</p> <p>Put in place a legal framework enabling good running of human resources development activities within</p>	<p>Enhance oversight and coordination of HRD & ICB interventions through a stronger HIDA.</p> <p>Develop an integrated, comprehensive national human resource development policy and frame work to</p>	<p>Strengthen capacity of MDAs to implement activities under the MSCBP</p> <p>Develop the legal framework and instruments (laws and regulations) to implement the human resource development policy (in the public sector)</p>	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
	<p>organized by civil society associations and cooperatives and Rwandan private sector federation</p>	<p>the country ;</p> <p>Put in place mechanisms to manager and coordinate financial resources allocated to human resource development in public sector institutions;</p> <p>Facilitate the private sector, the civil society and design appropriate mechanisms for HR development skills within the country</p>	<p>implement a policy (to cover the public sector, private sector and civil society)</p> <p>Strengthening the capacity of existing local training institutions (RIAM..)</p> <p>Strengthen capacity of policy analysis and formulation through the Institute of policy analysis and research (IPAR)</p>	<p>Develop guidelines for the implementation of the human resource development policy in the private sector and civil society organizations</p> <p>Create enabling environment for the private sector to invest in local training</p> <p>Strengthening good functioning of IPAR</p> <p>Skills assessment and gap-filling programs for priority sectors</p>	
Employment Creation	<p>The labor law enacted and regulations to implement it are in place.</p> <p>Tripartite memorandum of understanding for social dialogue duly signed.</p>	<p>Set mechanisms related to the implementation of the Labor code and to all the pertaining legislation;</p> <p>Finalize and adopt guidelines outlining the employment policy ;</p> <p>Facilitate social dialogue based on a three-party convention signed between (public \ private sector, and civil society)</p>	<p>Establish mechanisms for efficient collection and analysis of data concerning labor statistics in the country</p>	<p>Strengthening institutional capacity to monitor labor movement.</p>	
Remuneration Policy and Social Security	<p>Adoption of the draft document on social security funds by cabinet;</p>	<p>Popularization of laws on social security mechanisms after the adoption by the Parliament</p>	<p>Put in place a compressive national remuneration policy (covering public sector, private sector and civil society)</p>	<p>Develop a comprehensive a social security policy detailing out pension and terminal benefits as well as performance recognition for personnel who leave public</p>	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
Trade Agreements					including Internet access	technology Reduced costs to business start-ups
	To become full member of COMESA Free Trade Area, Rwanda further reduced customs duty from 80% in 2002 to 90% in 2003.	Rwanda is full member of COMESA free-trade area Initiate study on impact for Rwanda to join SADC, EAC, COMESA and ECCAS.	Initiate discussions to join the East African Community		Strategy for improved support to micro-enterprise completed and adopted	Increased trade and regional integration
		Preparation and adoption of Trade Policy Review	Implement policies and practices as recommended by Trade Policy Review	Progress Report on implementation of policies and practices as recommended by Trade Policy Review.		Compliance of Rwanda with WTO regulations
Property Rights		Study on advantages/disadvantages of EU Economic Partnership Agreement on Rwandan Economy.	Start negotiations with EU on Economic Partnership Agreement	Continue negotiations with EU on Economic Partnership Agreement with a view of finalizing in 2008		Increased trade and regional integration
	AGOA agreement signed	Develop strategy for the promotion of AGOA among Rwandan businesses and for the provision of support in accessing the US market and overcoming non-tariff barriers (quality standards, origin of input regulations etc).	Monitor implementation of strategy for the promotion of AGOA	Monitor implementation of strategy for the promotion of AGOA		Increased textile exports to USA and other products
	Arbitration Centre established	Land law adopted by Cabinet and submitted to Parliament	Land Law under discussion in Parliament	Land Law published in Gazette Surveying of properties completed and registration of titles initiated		Increased land registration titles issued in new system Security in land tenure Capital formation in rural areas

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
Agribusiness and Micro-enterprise Promotion	CAPMER (Centre for the Support of Small and Medium Sized Enterprises) restructured CAPMER Business Plan completed	Study of micro-enterprises in Rwanda completed	Complete survey of informal sector and initiate the Investment Climate Survey Environmental impact study completed which outlines impact on agriculture and environment and involves community	Strategy for improved support to micro-enterprise completed and adopted	Reduce time to create a business from 42 days to less than 20 days	
	Creation of Agribusiness suppliers association		Strategy for agribusiness support completed			
Tourism	Renovation of three major hotels underway (Kigali, Gisenyi and Akagera)	Three major renovated hotels opened – Kigali, Gisenyi and Akagera	Establish mechanism for monitoring tourism	Evaluate impact of tourism on economic growth	Increased revenue from tourism	
			Tourism Promotion Strategy and action plan to sensitize population: education on the importance of sustainable tourism for Rwanda's tourist sites	Implementation of Tourism promotion action plan		
2. Financial Sector Reform			Completion of an audit risk assessment of all BNR operations	Banks in compliance with prudential regulation as indicated by monitoring reports of the BNR	Increased access to credit by small and medium enterprises Share of micro-finance credit in total credit	
	Restructuring of commercial banks Full audit of three banks completed Strengthened supervision and internal audit at BNR through operationalizing the new Internal Audit Department, notably by the adoption of an audit charter and training programs Annual on site inspection of commercial banks began	Strengthened internal audit at Banque Nationale du Rwanda (BNR) through operationalizing the new Internal Audit Department, notably by the adoption of an audit charter External audit of BNR completed Completion of Financial sector assessment Finance and banking school	Publication of Financial Sector Strategy including an action plan to strengthen micro-finance intermediation, supervision and regulation;	Framework in place for monitoring and supervision of all micro-finance institutions: including a live database; forms and processes for	Completed policy and regulatory framework along with Institutional mechanisms for micro-finance development, monitoring and regulation Increase availability of rural micro-finance and improved access by	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
	<p>Accelerated loan recovery procedures accelerated. Banks agreed to share information on defaulters</p> <p>Financial sector assessment initiated</p> <p>BNR extended supervision to cover micro-finance</p>	<p>opened</p> <p>BRD business plan approved by cabinet</p> <p>UBPR restructuring and recapitalization completed</p> <p>Regulation for discount house completed</p> <p>Review of bank lending procedures</p> <p>Audits continue for commercial banks</p> <p>Continued restructuring of commercial banks</p> <p>Public awareness campaign for borrowing opportunities</p>	<p>Micro-finance policy and regulatory framework adopted by Cabinet</p> <p>Reach agreement with banks on action plan to ensure that all prudential regulations are respected</p> <p>Continued public awareness campaign</p>	<p>micro-finance reporting and standardized institutionalized;</p> <p>Regulations in place and micro-finance institutions in compliance</p> <p>Creation of credit bureau</p> <p>Continued public awareness campaign</p>	<p>cooperatives and producer associations</p> <p>Reduction in cost of borrowing/lending and overall transaction costs</p>	
Housing Finance	<p>CHR developed a business plan</p>	<p>Recapitalization of Caisse Hypothecaire du Rwanda (CHR) as indicated by sale of previously government owned housing assets</p>	<p>Banque Nationale du Rwanda accredits Caisse Hypothecaire du Rwanda (CHR) to mobilize savings</p> <p>Management streamlined</p> <p>CHR to increase equity to become a bank and GOR to reduce share of equity</p>	<p>CHR fully accredited as a housing bank</p> <p>Increased proportion of population having access to housing</p>	<p>Fully operational housing bank in place</p>	
Caisse Sociale (CSR)		<p>Financial restructuring and business plan of Caisse Sociale du Rwanda (CSR) adopted by Board of Directors and by cabinet</p> <p>Agreement reached on payment by government of CSR arrears</p>				
3. Privatization						
Privatization of productive enterprises	6 enterprises privatized:	Pfunda Tea Factory and	Good faith negotiations	Good faith negotiations	12 additional state owned	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
	including tea factories and Electrogaz. 1 enterprise liquidated Rwanda Utilities Regulatory Agency established	CNPE Kabuye. brought to the point of sale to qualified buyers,	reached for the privatization of RWANDA TEL ¹ and initiate privatization process for Scierie de Wisumo and Gisakura; Kitabi; Mata; Shagasha tea factories	reached for Gisakura; Kitabi; Mata; Shagasha tea factories and Scierie de Wisumo and initiated privatization process of Gisovu, Nyabihu, Rubaya, Mulindi tea factories		enterprises privatized by December 2007 Increased private sector-led growth
PRPS Priority Area 6: Social Capital for Vulnerable Groups						
Resettlement of vulnerable groups	Resettlement of 1,200 vulnerable households in <i>imidugudu</i>	3,500 houses built for vulnerable groups	Support to vulnerable groups to build 20,000 houses for themselves			Provide living facilities to vulnerable groups
Area 7: Macroeconomic Management, Fiscal & Monetary Policy and Public Expenditure Management						
1. Public Finance & Macro Management						
<p>Objectives:</p> <ol style="list-style-type: none"> 1. Achievement of PRGF fiscal targets 2. Improved adherence to Finance Law in budget execution 3. No accumulation of new arrears past first quarter of new fiscal year. 4. Improved management, supervision and transparency in public expenditure and financial management as assessed by annual PRS Review 5. Fiscal Revenue is at least 13 percent of GDP during FY 2004-2006; 6. Public spending on PRSP priority programs increase at faster rate than overall expenditures 7. Public Spending on Health increases from 6.2% in 2003 to 10 % in 2007; 8. Public Spending on Education increases from 21.4 in 2003 to 25% in 2007 						
Macro Indicator Performance	Average inflation 2002 at 2%, 2003 at 7.7% Growth 2002 at 9.4%, 2003 at 0.9%	Maintain adequate macroeconomic framework including bring inflation back to target level (4%), and increase growth to target level 6%	Maintain adequate macroeconomic framework, including maintaining low inflation and high growth	Maintain adequate macroeconomic framework including maintaining low inflation and high growth		Maintain fiscal deficit at less than 11.2% of GDP over FY 2004-2005-2006
Coordination of PFM reforms	Adoption of Financial Accountability Review and Action Plan (PFM).	An inter-ministerial committee for the coordination of PFM reforms has been established by ministerial decree	The committee monitors progress in implementing PFM reforms through quarterly meetings and semi-annual reports presented to donors under the harmonized budget support framework.	The committee monitors progress in implementing PFM reforms through quarterly meetings and semi-annual reports presented to donors under the harmonized budget support framework.		The government's mechanism to coordinate and monitor its reform program functions well. Institutionalized PER/PFM evaluation system and process

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
Legal and Regulatory Framework	Organic Budget Law drafted	Organic Budget Law adopted by Cabinet and submitted to Parliament	Organic Budget Law published in Official Gazette;		Laws and regulations for PFM comply with Generally Accepted Accounting Principles	
		Financial Instructions drafted and adopted by Cabinet	Publish Financial Instructions and organize training for all users.		Laws and regulations for PFM comply with Generally Accepted Accounting Principles	
			Draft Manual of financial management procedures prepared	Finalize, adopt and publish Manual of financial management procedures	Laws and regulations for PFM comply with Generally Accepted Accounting Principles	
Budget Preparation and Operations						
Integration of Recurrent and Development Budget	Harmonization of recurrent and development budget	MINECOFIN adopts a budget classification system that harmonizes recurrent and development expenditures and establishes a database for programming external aid	Budget 2006 integrates development and recurrent expenditures.	Budget 2007 integrates development and recurrent expenditures	Full Consistency between development and recurrent expenditures	
		Government establishes a database for programming external aid	Quarterly report of donor disbursements for development expenditures adhering to a format harmonized with Government accounting procedures.		Budget and Public accounts reflect recurrent and development expenditures including donor financed projects	
Results Oriented Budgeting		2005 Budget Framework Paper available, consistent with macro-framework, 2005-2007 medium term expenditures framework and PRSP priorities; and detailed output oriented medium term expenditures frameworks for education and health	Submitted draft 2006 budget law to cabinet, consistent with macro-framework, 2006-2008 medium term expenditures framework and PRSP priorities, including detailed and output oriented medium term expenditures frameworks for education, health, water and energy	Submitted draft 2007 budget law to cabinet, consistent with macro-framework, 2006-2008 medium term expenditures framework and PRSP priorities, including detailed and output oriented medium term expenditures frameworks for education, health, water and energy	Improved linkage between MTEF and PRS Consistency of budget and MTEF process	
Expenditure Review and Monitoring		A timetable of sectoral PERs to be carried out is developed	Published Public Expenditures Review on FY04 budget execution for	Published Public Expenditures Review on FY05 budget execution for	Starting with 2006, incidence of public expenditures in health,	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	Envisaged Actions for 2006	
Integrated Financial Management System		2003 budget execution report submitted to Auditor General and presented to Parliament	Health and Water sectors 2004 budget execution report submitted to Auditor General and presented to Parliament	energy and education sectors 2005 budget execution report submitted to Auditor General and presented to Parliament	education, and water is measured annually Starting with 2006, Government accounts will be assessed as fully auditable by OAG	
		Public Books software designed and commence piloting.	Finalization for system design of PUBLICBOOKS.	Operation of the PUBLICBOOKS data management system, integrating data from SIBET, RRA, CEPEX, and BNR and preparation for integration of Districts and National Tender Board.	PUBLICBOOKS system facilitates the regular reconciliation of fiscal and monetary data related to the Government's transactions. Automatic and simultaneous production of public accounts	
Treasury	Creation of a Government Portfolio Unit in Treasury Department	Define tasks and responsibilities of Cash Management Unit Recruit staff for the Cash Management Unit	Introduce zero-balanced drawing accounts for Budget users in the BNR		Well defined and operational treasury management committee.	
	Closing of all government accounts in commercial banks	Prepare terms of reference for Treasury Management Committee and appoint its members	Prepare, adopt and publish new procedures for opening and maintaining government bank accounts, establishing a Single Treasury Account that consolidates existing accounts	Establish zero balance drawing accounts for government account operations coming from commercial banks	Introduction of a Single Treasury Account increases control by Government of its treasury accounts through the reduction in government accounts	
	Start negotiations on payment of "Caisse Sociale" arrears.	Updating of all outstanding claims of arrears and define action plan to settle them	Start implementing payment plan of arrears	Continue implementing payment plan of arrears	Reduced arrears for Government	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
Debt Management	Training given to key government staff on debt management	Re-establish and clarify the terms of reference of the debt sub-committee with the aim of improving the monitoring of debt management and addressing the problem of reconciling information.	Initiate consolidation of link between the Debt Departments of BNR and MINECOFIN			Improved debt database reconciled with BNR
	HIPC Interim Debt relief: Negotiations concluded with some members of Paris Club (Koweit Fund, Austria and USA)	HIPC Completion Point reached	Undertake relevant debt sustainability analysis of the Rwandan economy and produce debt policy			Improved recording of debt information, along with ex-ante analysis of risks and constraints related to internal and external socio-economic dynamics HIPC Completion point reached
Reporting of Public accounts	2002 account have been submitted to OAG.	2003 Budget execution report submitted to the OAG and presented to parliament within constitutional deadline. 2003 accounts have been submitted to the OAG and presented to parliament within constitutional deadline	Streamlined reporting system in accordance with the OBL and financial instructions. Develop standard District financial report to be published quarterly and annually			Starting with 2006 accounts, Government accounts assessed as fully auditable by OAG
Reinforcement of the Government's accounting function		MINECOFIN approves the design of the SIBET II system that uses a harmonised budget classification system as a basis and enables the integration of the recurrent and development budget Installation of the SIBET II system has commenced Spending agencies receive responsibility for	Prepare and implement new procedures for accounting for budget expenditure transactions in spending ministries Conduct training on SIBET II system for budget users Ministries receive responsibility for accounting	All spending agencies prepare accounting reports on budget expenditures transactions according to the SIBET II system A technical Advisor and a firm of accountants help in the preparation of accounts and related training for accounting agencies Provinces receive	The SIBET II system facilitates the regular reconciliation of fiscal and monetary data related to the Government's transaction Accounts are produced quarterly and annually by all spending agencies	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
		<p>commitments</p> <p>Accounting system initiated at the district level</p> <p>MINECOFIN produces the accounts for the year ended 31 December 2003</p> <p>MINECOFIN launches the recruitment of TA for PFM reforms</p>	<p>function and internal audit.</p> <p>MINECOFIN produces the accounts for the year ended 31 December 2004</p> <p>MINECOFIN has prepared a training plan for accountants in spending agencies</p>	<p>responsibility for accounting function and internal audit.</p> <p>Develop and implement a formula funding model for district finance</p> <p>Computerize district accounting system, integrated into PUBLICBOOKS</p> <p>MINECOFIN produces the accounts for the year ended 31 December 2005</p>	<p>The SIBET II system facilitates the regular reconciliation of fiscal and monetary data related to the Government's transaction</p> <p>Regular preparation of accounts and their submission to the Office of the Auditor General</p>
Decentralised accounting		<p>Terms of reference for the local government finance unit</p> <p>Develop standard district financial report to be published annually</p>	<p>Local government finance unit created within MINECOFIN</p> <p>At least 10% of the districts have published their financial report</p>	<p>At least 40% of the districts have published their financial reports</p>	<p>Improved local fiscal accounting, management, planning and reporting</p>
Internal audit		<p>The draft OBL includes provisions for the establishment of an internal audit function within spending agencies and clarifies the role of the IGA</p>	<p>Internal Audit Manuals that set out the roles and responsibilities of internal auditors are drafted, and recruitment of internal auditors in ministries has</p>	<p>Internal Audit Manuals are adopted and published and selected ministries have appointed audit committees</p>	<p>The Internal Audit services ensure compliance with the PFM legal and regulatory framework,</p>

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
External Audit		<p>2003 accounts are certified by the Auditor General</p> <p>The OAG has prepared a document setting out the strategy for the development and strengthening of the office</p>	<p>2004 accounts are certified by the Auditor General</p> <p>Publication of 2003 accounts of Ministries and autonomous agencies</p> <p>OAG commenced implementation of its development strategy, particularly the training of its officers</p>	<p>All internal auditors have been trained</p> <p>OAG reports that internal auditors of entities audited keep 75% of audit files in a satisfactory manner.</p> <p>2005 accounts are certified by the Auditor General</p> <p>Revised law on OAG is published in the Official Gazette</p> <p>Implementation of the OAG's development strategy continues</p> <p>Audits are conducted in good conditions, audit reports are comprehensive and include recommendations; action is taken against offending parties.</p>	<p>The Office of the Auditor General provides fiduciary assurance & enhances public financial accountability meeting its Constitutional mandate</p>	
Resource Mobilization	Domestic revenue collection as percentage of GDP increased from 12% in 2002 to 13% in 2003.	Income tax law and Customs Law approved by Cabinet and submitted to Parliament	Finalise study on tax-revenue activities in Districts.	Implementation of recommendations of 2004 study on tax-revenue activities in Districts.	Improved domestic revenue collection and proportion of district revenue collected by Districts	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
2. Procurement	Budget Harmonization Agreement signed between GoR and all budget support donors. Overall outcome: 1. The Public Procurement Law and the Procurement Manual of Procedures containing the national bidding standard are adopted and enforced 2. At least 80 % of the amount in value of public contracts are awarded through competitive process 3. At least 5,400 staff/ day of training have been delivered to staff of procuring entities by December 2006 4. At least 50 % of the contracts contained in the procurement plans of 2006 have been signed within the time schedules indicated in the plans 5. An independent appeal mechanism is effectively available to aggrieved bidders.				
Legislative and regulatory Framework	Public Procurement Law drafted	Public Procurement Law and CPIP (Country Procurement Issue Paper) recommendations are adopted by Cabinet and submitted to Parliament	Public Procurement Law complying with best practices published in the Official Gazette Publish procurement manual and guidelines Regulations and Standard Bidding documents guides have been issued and are available on NTB website	All tenders are passed in compliance with new procurement law	Transparent public procurement system in place and adequately enforced.
Central Institution and Capacity Building	Establishment of NTB Board of Directors with representatives from private sector.		Adoption by the NTB of a capacity building action plan	Updating of the threshold for NTB review taking into account the procurement capacities of the procuring entities Establish in NTB a database of technical specifications of commonly used equipments and works (health centers, primary schools, gravity water schemes) At least 2/3 of the Ministries and procuring entities including districts have the draft of their procurement plan for 2007 available by	Government has the capacity to effectively operate and monitor public procurement At least 5,400 staff / days of procurement training have been provided to procuring entities by December 2006

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	Envisaged Actions for 2006	
Procurement Operation and Market Performance			Mandate publication by public procuring entities of their annual procurement plan and recourse to professional expertise for design and supervision of construction activities above the equivalent of US\$ 15,000	Setting up of a MIS to monitor contract management and implementation of the procurement plan by procuring entities. At least 50% of the contracts in the 2006 procurement plans have been signed respecting schedules in the plans.	Oct.2006	At least 80 % of the amount in value of public contracts are awarded through competitive process
<i>Integrity of the Public Procurement System</i>		Staff handling procurement matters are required to declare their assets to the office of the ombudsman	Produce and publish code of ethics for staff handling procurement matters Mandate NTB and OAG to conduct Post Procurement Review and audits Establish an independent appeal mechanism	Firms and individuals engaged in fraudulent practices are punished and the list of debarred firms and individuals for fraudulent and corrupt practices is published on the NTB web site Post Procurement Reviews and audits are conducted, audit reports are comprehensive and include recommendations; action is taken against offending parties		Sanctions for fraud and corruption in public procurement are effectively applied At least 10 % of the contracts not subject to prior review have been subject to post procurement reviews and audits Independent appeal mechanism is available to and availed upon by aggrieved bidders
Area 8: Coordination and Monitoring of the PRSP						
OBJECTIVE 1: DEVELOPMENT OF COMPREHENSIVE M&E SYSTEM AND PERFORMANCES OF PRIORITY PROGRAMS						
Formulate M&E plan for PRS and produce annual PRS report	List of core indicators for priority programs finalized	Needs assessment completed and used to prepare draft M&E plan including guidelines	M&E plan and guidelines reviewed and published	M&E guidelines disseminated to key stakeholders and implementation of M&E plan		Annual M&E reports produced by at least 80% of districts

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	Envisaged Actions for 2006	
Design general management information system (MIS)	Final 2002 PRS Progress report (APR) available and endorsed by Joint Staff Assessment (IMF-WB)	Final 2003 PRS report (APR) available	Produce and publish the 2004 PRS report (APR) and endorsement by JSA of 2003 PRS Report	Produce and publish the 2005 PRS report (APR)	PRs monitoring report published before September 30, of each year	
		Publish report on review of monitoring systems currently in use	Financial monitoring system integrating recurrent and development budgets established General MIS designed with logical and physical links into existing financial and sectoral information management systems	Existing and emerging databases linked through the use of interfaces and logical data links and allowing easy retrieval and cross-sectoral analysis of information at different levels	General MIS established with effective links of financial, sectoral and district databases	
Develop proposal for impact evaluation		Draft PRS impact evaluation proposal developed	Information dissemination and communication strategy designed to enhance upward and downward information flows and inter-sectoral information exchanges PRS impact evaluation proposal reviewed and adopted	Implementation of information dissemination and communication strategy	Increased use of monitoring information at all levels, especially the local levels	
M&E capacity building		Capacity building needs assessment conducted	M&E training plan established	Impact evaluation conducted	Published impact evaluation	
			Training of individual MDAs	Training of individual MDAs	Regular and timely reporting Improved quality of data and analysis	
Stronger link between resources used and results		Follow up of results-oriented MTEF for education and health sectors; Training in monitoring of Poverty Program outputs for all sectors	Publication of Monitoring report on implementation of Output-oriented MTEF for health, education water and energy sectors	Start monitoring of output-oriented MTEF in 20 districts	Implementation of PRS on a contractual approach	
	Tea PSIA initiated	Carry out the PETS for health, agriculture and water sectors; Finalize the PSIA in the tea sector	Carry out PSIA on agricultural inputs	Carry out PETS in health, education, agriculture and water sectors	Monitoring focusing on actual results rather than use of resources	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix					OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006		
Develop sectoral M&E frameworks and key indicators	Establishment of a monitoring system of social indicators to track MDGs in Health, Education and water & sanitation	Develop sectoral M&E frameworks, including a core set of indicators, based on policy matrix and results-oriented MTEF	M&E frameworks developed in all priority sectors	M&E frameworks regularly updated during JSRP	Up-to-date M&E frameworks for all sectors	
Set up of sectoral management information systems	Education and health sectors have put in place an MIS.	Determine monthly, quarterly and annual key monitoring indicators in each sector	Develop MIS in water, infrastructure, agriculture and commerce sectors	Review and improve MIS	Sectoral databases are operational and linked to each other as well as to general and district databases	
Joint sectoral performance reviews	Joint Education Sector Review carried out.	Production of annual report and 2003 joint sectoral health sectors indicating resources used, results achieved and including updated policy matrix	Production of annual report and 2004 joint sectoral reviews for the, education, health, water and energy sectors indicating resources used, results achieved and including updated policy matrix	Production of annual report and 2005 joint sectoral reviews for the agriculture, education, health, water and energy sectors indicating resources used, results achieved and including updated policy matrix	SWAPs are consolidated and based on evidence Improved intersectoral information sharing and collaboration Better coordination of PRS	
OBJECTIVE 2: MONITORING OF HOUSEHOLD LIVING CONDITIONS						
Legal and institutional framework of Rwandan National Institute of Statistics (RNIS)	Law establishing RNIS adopted by Cabinet and submitted to Parliament	Parliament commission discuss the law establishing RNIS	Publication in the Official Gazette of law establishing RNIS and RNIS is operational.	Training of RNIS managers and staff	Well defined RNIS legal framework	
		Set up a research committee to identify research and evaluation needs through JSRP	Training of managers and officers in sectors, RNIS in analysis and interpretation of data from different sources Improve RNIS database to increase access to information by the adoption of a more user-friendly format	Training of managers and officers in sectors, RNIS in analysis and interpretation of data from different sources	Improved analysis and integration of information from different sources Better use of monitoring data in policy and policy formulation Increased use of RNIS database	
Surveys carried out by RNIS on households living conditions	DHSII carried out.	Realize an informal sector survey Initiate survey on household living conditions (EICV II);	Finalize EICV II and DHS III and publish results of the informal sector survey	Initiate basic agriculture survey Publish results of EICV II and DHS III	Satisfy PRS process needs in terms of data requirements	

SUB-OBJECTIVES / ACTION AREAS	Policy Matrix				OUTCOMES
	Progress made in 2003	Envisaged Actions for 2004	Envisaged Actions for 2005	Envisaged Actions for 2006	
Improve access to data, indicators and survey instruments	Rwanda 2003 Development Indicators	initiate health and demographic survey (DHS III) Rwandan Development Indicators made available by RNIS (internet, CD-ROM, etc).	Quarterly statistical reviews by RNIS Survey instruments and indicator definitions to be posted on website	Quarterly statistical reviews by RNIS Update of websites	Data, indicators, indicator definitions, survey instruments are available on Internet
OBJECTIVE 4: COMMUNITY BASED MONITORING AND EVALUATION					
District Profile Database	Community-based monitoring system put in place in 8 pilot districts.		Core set of indicators are tracked at decentralized levels in 50% of the districts Start training in District Profile Database in some districts and sectors	Core set of indicators are tracked at decentralized levels in all districts Training in 100 districts/sectors	All districts track a core set of indicators All districts have their own database consolidated and linked to sectoral and general databases
Ubudehe approach and Participatory Poverty Assessment (PPA)	Ubudehe rolled out nationwide	Ubudehe process pilots in 5 districts	Information from <i>ubudehe</i> process is used in 25 districts	Information from <i>ubudehe</i> process is used in the whole country PPA II is carried out	Development initiatives and projects better respond to local needs Participatory approach is streamlined
Citizen report cards		Draft questionnaires of citizen report cards survey available	Publish baseline of citizen report cards survey	Conduct follow-up survey of citizen report cards	Citizen report cards results disseminated to the public and used in PRS monitoring to assess user satisfaction with services

REPUBLIC OF RWANDA

Kigali, 10 MARS 2005
N° 240/05/10/MIN



MINISTRY OF FINANCE AND
ECONOMIC PLANNING
P.O. BOX 188 KIGALI
TEL: +250-575756 - FAX: +250-577581
E-MAIL: mfin@rwanda1.com
Minister's Office

Mr. Rodrigo de Rato
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A

ORIG: PDR
CC: MD
MS. KRUEGER
MR. CARSTENS
MR. KATO
MR. ONDO MANE
AFR
FIN
LEG
SEC
MR. TEJA
MR. MALDONADO

RE: PROGRESS IN PRSP IMPLEMENTATION IN LATE 2004 AND EARLY 2005

Dear Mr. Rato

Rwanda's PRSP was finalized and endorsed by all internal and external stakeholders in June 2002. Two Annual Progress Reports, reporting progress in PRS implementation until June 2004, have been published so far. The purpose of this letter is to give a brief update on progress in the second half of 2004 and early 2005.

Macroeconomic Policies

Economic growth recovered in 2004, despite frequent power cuts and unchanged agricultural production. Strong activity in construction, transport, and communication raised growth to about 4 percent in 2004, compared with a weak expansion of less than 1 percent in 2003. The recovery fell short of the growth target of 6 percent, but the performance was still remarkable considering the ongoing electricity crisis and weak agricultural production. At the same time, rising food and energy prices pushed annual inflation to 10 percent at end-2004.

The external current account deficit declined significantly in 2004. Exports rebounded mainly because of a strong coffee harvest, while imports of intermediate and capital goods slowed down. At the same time, donor assistance was higher than programmed. As a result, the value of the franc increased vis-à-vis Rwanda's main trading partner currencies and the real exchange rate appreciated by about 10 percent at end-2004.

Fiscal and monetary policies remained on track. Strong revenue performance, reflecting further substantial improvements in tax administration, resulted in an increase in the revenue to GDP ratio to almost 14 percent. At the same time, the government restrained spending and allocated more resources to priority sectors. In particular, priority spending (including electricity) increased by over 1½ percent of GDP. [Please see attached table on priority spending in 2004]. Overall, the domestic fiscal balance (excluding demobilization spending) at 5.3 percent of GDP was only about ½ percent of GDP more expansionary than in 2003. Monetary policy remained supportive to maintaining macroeconomic stability and international reserves increased to 5.8 months of imports at end-2004, reflecting in part the World Bank's PRSC disbursement. Moreover, credit to the private sector grew by 10.7 percent at end-2004, implying a small increase in real terms.

Selected Structural Policies

We have made progress in the area of public expenditure management. In particular, the government has

- submitted the *organic budget law* to parliament in August and subsequently finalized supporting *financial regulations*, which are expected to significantly strengthen budget processes and expenditure control.
- created a cash management unit as well as a treasury committee and closed dormant bank accounts to improve cash management.
- presented the 2005 budget with statements of tax expenditure, public enterprise budgets, government equity holdings, and consolidated district budgets,
- issued in early March 2005 draft instructions by the Public Accounts Department for routine reconciliation, and published December reconciliation statement for the Treasury and the Rwanda Revenue Authority accounts.

Spending to solve the electricity crisis is a priority and the government took firm actions to reform Rwanda's energy sector during the course of 2004. In particular, to address the acute shortages, the government procured new fuel-generated thermal capacity to raise the power supply. To solve the underlying structural problems, a medium- and long-term investment plans for urban and rural electricity was prepared, which will be partly financed by a World Bank project loan as well as from a budgetary transfer. To improve governance and management, an energy sector policy (including a proposal for fuel cost pass through) was approved by the Cabinet in December 2004. As production by the additional fuel-based generators is costly, the electricity tariff was increased by about 100 percent at the beginning of 2005.

The government has also advanced its **export promotion strategy**. In September, Cabinet endorsed a strategy, which identified short-term measures for the coffee and tea sectors and created an inter-ministerial monitoring structure. In particular, the measures aim at improving

access of growers to input factors and building an international marketing presence for Rwandese tea and coffee. Moreover, for 2005, budget allocations have been increased, including for coffee, tea, tourism, horticulture, and handicraft.

Financial sector reform remains a priority. Action plans were signed in June with the commercial banks to bring them in compliance with prudential norms and all banks but one have been in compliance in December 2004. Moreover, the privatization of two commercial banks at end-December 2004 is expected to further improve the soundness of the banking system.

Sincerely yours



Donald KABERUKA
Minister for Finance and Economic Planning



Priority expenditure Spending in 2004 (in millions rwf)

Recurrent

Internal affairs	5 648,30
Agriculture	1 408,61
Commerce	912,32
Education	22 188,23
Youth and Sport	381,46
Health	8 026,20
Transport and Communication	3 991,05
Road Fund	2 676,53
Other	1 314,52
Gender	147,27
Public Service	220,85
Land and Natural Resources	414,80
Local Government	3 081,25
Districts	2 527,55
Others	553,70
Provinces	27 340,15
Community Service Works (TIG - MINIJUST)	69,57
Public Works (HIMO - MINALOC)	217,50
Export promotion	2 190,46

Sub Total **76 238,02**

Development

Community Development Fund (CDF)	2 062,50
Emergency Generators	11 756,30
Export promotion	1 687,66
Agriculture Guarantee Fund	200,00

Sub Total **15 706,46**

Total **91 944,48**