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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A PROPOSED GRANT

IN THE AMOUNT OF SDR 73.9 MILLION
(US $115.8 million equivalent)

(INCLUDING SDR 19 MILLION IN PILOT CRW RESOURCES)

TO THE

REPUBLIC OF RWANDA

FOR A

SIXTH POVERTY REDUCTION SUPPORT GRANT

March 3, 2010

Poverty Reduction and Economic Management 3
Country Department Eastern Africa 2
Africa Region

RWANDA - Government Fiscal Year
July 1 – June 30

Currency Equivalents
(Exchange Rate Effective as of December 31, 2009)
Currency Unit = Rwandan Franc
US$ 1.00 = FRw 571
1 SDR = US$ 1.56769

Weights and Measures
Metric System

ABBREVIATION AND ACRONYMS

AfDB	African Development Bank
APR	PRSP Annual Progress Report
BADEA	Arab Bank for Economic Development in Africa
BNR	National Bank of Rwanda (*Banque Nationale du Rwanda*)
BSHG	Budget Support Harmonization Group
CAPMER	Center for Support to Small and Medium Enterprises in Rwanda
CAS	Country Assistance Strategy
CDF	Common Development Fund
CEM	Country Economic Memorandum
CEO	Chief Executive Officer
CFAA	Country Financial Accountability Assessment
CIP	Crop Intensification Program
CLSG	Community Living Standards Grant
CNDP	Congrès National pour la Défense du Peuple
COMESA	Common Market of Eastern and Southern Africa
CPAF	Common Performance Assessment Framework
DFID	Department for International Development (UK)
DPCG	Development Partners Coordination Group
DPO	Development Policy Operation
DRC	Democratic Republic of the Congo
DSA	Debt Sustainability Analysis
DTIS	Diagnostic Trade Integrated Study
EAC	East Africa Community
EDPRS	Economic Development and Poverty Reduction Strategy
EICV	Enquête Intégrale des Conditions de Vie
EU	European Union
FDI	Foreign Direct Investment
FDLR	Democratic Forces for Liberation of Rwanda (*Forces Démocratiques de Libération du Rwanda*)
FSDP	Financial Sector Development Plan
GDP	Gross Domestic Product
GoR	Government of Rwanda
GTZ	German Technical Cooperation
HIDA	Human Resources Institutional Development Agency
HIPC	Heavily Indebted Poor Countries (Initiative)
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ICT	Information and Communications Technology

IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPPIS	Integrated Personnel Payment Information System
IWRM	Integrated Water Resources Management
JICA	Japanese International Cooperation Agency
LTIF	Long-Term Investment Framework
LWH	Land husbandry, Water Harvesting and Hillside Irrigation
MDG	Millennium Development Goal
MIFOTRA	Ministry of Public Service and Labor
MINAGRI	Ministry of Agriculture
MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education, Science, Technology, and Scientific Research
MINICOM	Ministry of Commerce
MININFRA	Ministry of Infrastructure
MINIRENA	Ministry of Natural Resources
MINISANTE	Ministry of Health
MINISTR	Ministry of Science, Technology and Science Research
MIS	Management Information System
MONUC	United Nations Observer Mission in the Democratic Republic of Congo (*Mission de l'Organisation des Nations Unies en République Démocratique du Congo*)
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
NBR	National Bank of Rwanda
NPL	Non Performing Loans
NPV	Net Present Value
NTB	National Tender Board
OBL	Organic Budget Law
OFID	OPEC Fund for International Development
O&M	Operations and Maintenance
ORTPN	Office of Tourism and National Parks
PAF	Performance Assessment Framework
PBE	Post-basic education
PBF	Performance-based Financing
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PETS	Public Expenditures Tracking Survey
PFM	Public Financial Management
PHRD	Japan Policy and Human Resources Development Trust Fund
PLWHA	People Living with HIV/AIDs
PRGF	Poverty Reduction and Growth Facility
PRSG	Poverty Reduction Strategy Grant
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Assessment
PSTA	Strategic Plan for Agricultural Transformation
PTA	Parent Teacher Association
RECO	Rwanda Electricity Company
REMA	Rwanda Environment Management Authority
RIAM	Rwanda Institute of Administration and Management
RIEPA	Rwanda Investment and Export Promotion Agency
RIMS	Rwanda Industry and Manufacturing Survey

RITA	Rwanda Information Technology Authority
RPPA	Rwanda Public Procurement Authority
RWASCO	Rwanda Water and Sanitation Corporation
SIDA	Swedish Aid Agency
SMARTGoV	Government's software for preparation and monitoring of the budget (part of the IFMIS)
STI	Science Technology and Innovation
SWAp	Sector-wide Approach
SWG	Sector Working Group
SWOT	Strengths, Weaknesses, Opportunities and Threats
TDM	Teacher Development and Management
TVET	Technical and Vocational Education and Training
UBPR	Union des Banques Populaires
UN	United Nations
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VUP	Village Umurenge Program
WB	World Bank
WIS	Water Information System
WSS	Water and Sanitation Strategy

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REPUBLIC OF RWANDA
POVERTY REDUCTION SUPPORT GRANT

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OPERATION AND PROGRAM SUMMARY
REPUBLIC OF RWANDA
SIXTH POVERTY REDUCTION SUPPORT GRANT

Borrower	Republic of Rwanda
Implementing Agency	Ministry of Finance and Economic Planning
Financing Data	Grant amount of SDR 73.9 million (US $115.8 million equivalent)
Operation Type	Programmatic (3rd of 4), single-tranche
Main Policy Areas	• Investment and business climate, including financial sector development • Human capital and skills development • Infrastructure – policy environment and investment • Agriculture productivity • Public expenditure and financial management
Key Outcome Indicators	• Transition from basic education to upper secondary education • Percent of employees satisfied with performance of TVET • Number of households and firms with access to electricity • MW of electricity generated • Percent of classified District Road Network in Good Condition • Arable land protected against soil erosion • Credit to the private sector (as share of GDP) • Percent of Districts achieving minimum of 80 percent of their development targets • Percent of budget agencies that achieve at least 80 percent of their targets in their work plan • Percent of households with access to clean drinking water and sanitation
Program Development Objective(s) and Contribution to CAS	The proposed operation contributes to the strategic outcomes of the CAS by focusing support on two EDPRS flagship programs–Growth for jobs and Exports, and Governance. It adopts policies and reforms that support more efficient governance and contribute to broad based growth by easing the key constraints posed by low agriculture productivity, low skills base, and the high cost of infrastructure services in Rwanda. Specifically, it aims at: (i) sustainably raising agricultural production; (ii) increasing access to infrastructure services; (iii) strengthening the framework for post-basic education, to build a skilled workforce and promote science and technology; (iv) deepening the financial sector including capacity building measures to facilitate increased access to finance by micro-enterprises; (v) strengthening the management of public resources at the central and local levels. The operation complements the sector budget support, Community Living Standards grant, to support continued reforms in health and the implementation of the Village Umurenge Program (VUP), as well as the Education for all Fast Track Initiative, to improve quality of education at the primary and post basic-education levels. PRSG-6 preparation capitalizes on the much improved, fully government-led donor coordination, a direct result of the budget support program in Rwanda. It draws from the Common Performance Assessment Framework (CPAF) for monitoring the EDPRS, to reduce the transaction costs of Government reporting to donors on the use of aid funds.
Risks and Risks Mitigation	The main risks to the program are: (i) continued instability in the Great Lakes sub-region and the effects on economic stability and donor support; (i) Government capacity to implement the EDPRS; (iii) continued global economic slowdown. Both the governments of Rwanda and the Democratic Republic of Congo are working together to address the problem of instability along their shared borders. This has lowered the potential for flare ups, although risks remain. Internally Rwanda's security and political situation remains stable. Risks associated with capacity weaknesses in the country's fiduciary framework, will be addressed through the PFM Action Plan. The second PRSG series (covering PRSG 4 to 7), supports the GoR's capacity building efforts in these areas. The downside risk to Rwanda's economic growth should the global slowdown persist would arise from a likely increase in the external account deficit from a reduction in export earnings. The Bank is monitoring the situation and providing additional finance of $29.8 million through the Crisis Response Window. Government will continue its policy of identifying areas for contingent spending as more external resources become available. Government will continue to protect priority spending from reductions in overall spending, expand the tax base and improve the efficiency of the tax system.
Project ID Number	P113241

INTERNATIONAL DEVELOPMENT ASSOCIATION
PROGRAM DOCUMENT FOR A
PROPOSED SIXTH POVERTY REDUCTION SUPPORT GRANT (PRSG-6)
TO THE REPUBLIC OF RWANDA

I. INTRODUCTION

1. The proposed Sixth Poverty Reduction Support Grant (PRSG-6) continues to support the Government of Rwanda as it implements measures to foster broad based growth in the context of enhanced decentralization reforms. PRSG-6 is the third operation in the second series of PRSGs (beginning with PRSG-4). It forms an integral part of the Bank's Country Assistance Strategy (CAS), approved by the Board of Executive Directors on September 26, 2008 in support of the Government's Economic Development and Poverty Reduction Strategy (EDPRS). The EDPRS covers the period 2008-2012 and takes stock of a decade of achievements in rehabilitation and reconstruction. It presents a strategy focused on accelerating growth and human development, with an emphasis on decentralization, and a greater role for the private sector. The EDPRS priorities are articulated through three flagship programs aimed at promoting sustainable growth and poverty reduction and improving governance.

2. **Alignment to the Common Performance Assessment Framework (CPAF) is being improved with PRSG-6**. The CPAF was developed during PRSG-5 implementation, under the leadership of the Government of Rwanda (GoR) and in close collaboration with donors and other development partners. The policy measures and indicators have been prioritized based on consultations and discussions held both through the sector reviews and sector working groups, as well as the Joint Budget Support Group. Prior actions and triggers for PRSG-6 are taken directly from the CPAF and reflect the broad based consultation undertaken in-country in its preparation. It also reflects the principles elaborated in the Partnership Framework that accompanies the CPAF.

3. **To fully align with EDPRS implementation, particularly the ongoing refinement of the CPAF, this second series of PRSGs will include a seventh operation**. Initially, the second series was to cover, PRSG-4 to PRSG-6, covering the years 2008 to 2009/10. However, an additional operation (PRSG-7) will be used to bridge the transition to a new fiscal year while ensuring complete alignment between the PRSG series and the CPAF. This will enable the PRSG preparation cycle to be aligned with the CPAF review process. Specifically, the PRSG concept note and preparation stage would be informed by the forward reviews and identification or choice of prior actions would be informed by the backward review, covering one year of EDPRS implementation. The operation could also be timed to go to the Board around February/March to ensure disbursement sometime between July and October of the same calendar year, (or the first quarter of the Government's fiscal year). PRSG-7 would therefore enable full alignment between the PRSG preparation cycle and the CPAF review process, as well as the disbursement of funds in line with the newly adopted EAC fiscal year that begins in July and ends in June.

II. COUNTRY CONTEXT

4. **Rwanda's Vision 2020 and its Economic Development and Poverty Reduction Strategy (EDPRS), spanning the period 2008-12, seeks to transform Rwanda from a low-income agriculture-based economy to a knowledge-based service oriented economy by 2020**. It envisages real growth of 8 percent annually, to be achieved through: (i) deepening reforms, including in the business environment; (ii) investing in major infrastructure (power, transport, and ICT); (iii) increasing agricultural productivity; and (iv) investing in skills development needed for economic modernization. The GoR is also keen to

ensure that growth is broadly shared in order to mitigate any risks to the erosion of Rwanda's hard won political and social stability.

5. **Rwanda's progress in building internal security and political stability is vulnerable to continued political instability in Eastern DRC.** In mid-January 2009, a joint operation of the Rwandan Defense Force (RDF) and the Democratic Republic of Congo (DRC) armed forces (FRDC) was successfully launched. The joint force focused on controlling activities of the FDRL (Forces Démocratiques de Libération du Rwanda), an anti-Government militia, and the arrest (on January 22, 2009), of Laurent Nkunda, head of the CNDP (Congrès National pour la Défense du Peuple), an anti-Government, DRC militia. This has helped reduce instability in Eastern DRC.

6. **Rwanda's vulnerability to fluctuations in Official Development Assistance (ODA) became more profound when Germany, Netherlands and Sweden suspended disbursements of budget support**. The governments of the Netherlands and Sweden suspended disbursements of budget support early in 2009, due to a UN report published shortly after the joint DRC-Rwanda operation was launched, and which pointed to Rwanda's responsibility with regard to the security situation in eastern DRC. In the case of Germany, disbursement was late due to technical reasons. Germany disbursed its budget support in February 2009. The Netherlands and Sweden continue to provide aid through project support. In recent years, ODA reached 26 percent of GDP and $64 per capita, but the GoR also recognizes that public resources alone will not suffice to fund its development needs. As a result, it is promoting public-private partnerships (PPP), as part of its Public Investment Policy, to leverage private resources.

A. RECENT ECONOMIC DEVELOPMENTS

Recent Growth Performance

7. **Rwanda's US $4.5 billion economy has remained resilient over the last five years, sustaining macroeconomic stability and real GDP growth despite the global economic slowdown and exogenous shocks that affected agricultural productivity**. The economy grew by 11.2 percent in 2008. The high growth rate in 2008 was due to strong growth across all sectors. By 2009, the lagged effect of the global financial crisis had hit the industry and services sectors. Agriculture has so far been resilient to the shock. The sector grew by 11 percent in 2009, as a result of the expansion of the crop intensification program (CIP), coupled with favorable weather. These trends contributed to an estimated average annual GDP growth for the period 2005-09 of 7.38 percent, which is just below the EDPRS target of 8 percent.

Table 1: Real sector growth and contribution to GDP, 2005-09

Sector	2005		2006		2007		2008		2009 (Estimate)	
	% GDP	Growth Rate	% GDP	Growth Rate	% GDP	Growth Rate	% GDP	Growth Rate	% GDP	Growth Rate
Agriculture	40.9	6.5	38.4	2.8	37.4	2.7	36.6	8.7	39	11
Industry	13.5	9.3	13.8	11.7	14.2	9.1	14.9	16.3	14	0.2
Services	40.4	11.9	42.0	13.3	42.7	7.3	42.8	11.5	41	-1
Adjustments	5.4	-	5.4	-	5.1	-	4.4	-	5.2	-
Total GDP (Billion RWF)	**1571**	**7.2**	**1716**	**7.3**	**1811**	**7.9**	**2014**	**11.2**	**2081**	**3.3**

Source: National Institute of Statistics, Ministry of Finance, and staff estimates. Note: Base year is 2006.

8. **However, compared to other countries in the region, and Sub-Saharan Africa on average, Rwanda has experienced a relatively more severe reduction in growth trends in 2009, which pose a serious threat to poverty reduction**. The World Economic Outlook estimates a 4 percentage point decrease in growth for Sub-Saharan Africa (SSA) on average to an estimated level of around 1 percent

growth in 2009. In the Great Lakes region, growth is expected to slow from 5.8 to 4.3 percent, or a reduction of 1.5 percentage points. In Kenya, Tanzania and Uganda, growth is expected to slow down by roughly 2 percentage points for each country, leading to estimated growth levels in 2009 of 2, 5 and 7 percent, respectively. These trends contrast with the severe reduction in growth for Rwanda from 11.2 percent in 2008 to an estimated 3.3 percent growth rate in 2009. This represents a 7.9 percentage point reduction in growth between 2008 and 2009, or is close to a 4 percentage point lower level of growth in 2009 compared to the average growth of 7.5 percent between 2005 and 2008. These trends raise substantial risks to meeting the target of halving poverty by 2020 since the EDPRS estimates that GDP will need to grow by at least 8 percent per annum to achieve this target. The sharp slowdown in growth is also reflected in the fact that Rwanda has qualified for significant access under the pilot Crisis Response Window of IDA.

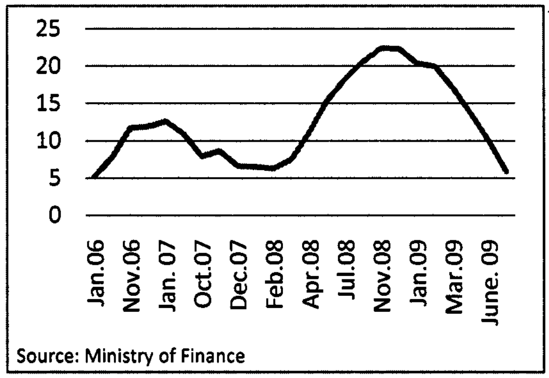
9. **The 3 to 4 percentage point reduction in GDP growth, from 5-year historical trends to levels estimated for 2009 is due both to the global crisis and domestic liquidity issues.** Lower projected growth between 2008 and 2009 results from a substantial stagnation in the industry and services sector (as shown in Table 1). The agriculture sector has been able to maintain recent growth increases as a result of government programs and favorable weather. Continued investment under the Government's Crop Intensification program has helped to raise productivity and mitigate the effects of the global crisis.

10. Overall, the global financial crisis, has led to lower export performance, GDP growth and revenues. The impact of the global economic and financial crisis is expected to manifest through three main channels: (a) declining external demand for Rwandan goods and services (mainly for tourism and mineral exports); (b) slumping commodity prices, particularly for minerals; and (c) scarcer financial inflows, including Foreign Direct Investment (FDI). To date, the global crisis has had a limited effect on FDI, tourism and remittance receipts. The situation for these areas will continue to be closely monitored, as there are likely to be larger lagged effects. However, there has been a substantial impact on export receipts which dropped by 32 percent in the first six months of 2009, while exports of goods and services are projected to decrease by 25 percent (f.o.b., US Dollar terms) in 2009 compared to 2008. Lower export growth as well as the stagnation in the industry and services sectors stems both from the liquidity constraints that arose in the latter part of 2008 due to structural issues in the banking sector coupled with the effect of the global financial crisis on domestic expectations. Credit to the private sector dropped by as much as 24 percent or from FRw 94.4 billion in the first half of 2008 to FRw 71.7 billion over the same period in 2009. The details of the issues that contributed to tight domestic liquidity are outlined below (under the section that provides an overview of financial and monetary performance).

11. **Prudent implementation of macro-economic policies and protection of priority spending has enabled the Government to manage the impacts of the crisis.** Government adopted various measures in order to protect priority spending and limit the extent of the growth slowdown: (i) it reduced spending in non-priority areas (while maintaining priority spending); (ii) it drew down foreign reserves; and (iii) it allowed the fiscal deficit to widen. Policies aimed to reduce inflation and improve the liquidity situation were also adopted and are discussed in further detail below.

12. **Inflationary pressures decreased in 2009 as international commodity and food prices fell and government managed the exchange rate leading to its improved flexibility while increasing the coordination between monetary and fiscal policies.** Slow growth in housing and food prices led to a decline in inflation by July 2009 to 5.8 percent, down from the high level of 22.3 percent in December 2008. Finally, both the global slowdown as well as government policies to contain prices contributed to the reduction in inflation. Government policies included: (i) controlling consumer prices for fuel (at the pump) by offering taxation subsidies to importers; (ii) tightening monetary policy to reduce broad money growth from 30 percent in 2008 to around 11 percent in 2009; and (iii) tightening fiscal policy by reducing expenditures. As a result, the annual average and end of period (December 2009) inflation rates are 12.0 percent and 6.0 percent respectively.

Figure 1: Trend in Inflation

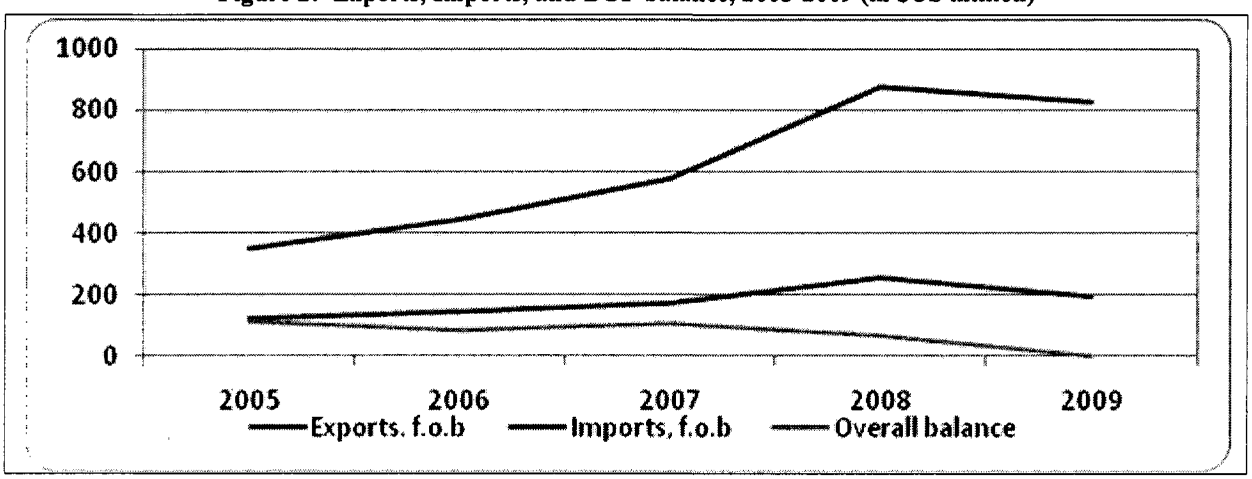


Source: Ministry of Finance

External Balance

13. Import growth exceeded the increase in exports leading to a deterioration of the balance of payments in 2008 and 2009. The growth in imports is primarily led by consumer goods . The fall in exports in 2009 is due to slowing global demand and will be partially offset by a 6 percent reduction in imports. Due to the slight decline in coffee and tea prices, it is projected that the value of their exports (coffee and tea) will increase moderately from US$ 46.9 million and US$ 40 million respectively in 2008, to US$ 50.6 million and US$ 47.9 million respectively in 2009. Foreign Direct Investment (FDI) and other capital inflows are also estimated to be lower in 2009, resulting in the deterioration of the overall balance of payments, which is estimated to be in a deficit of US$ 27.4 million in 2009, compared to a surplus of $64.7 million in 2008.

Figure 2: Exports, Imports, and BOP balance, 2005-2009 (in $US million)



Source: Rwanda authorities and IMF, Estimates.

Table 2: Selected economic indicators, 2005-2011

	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
					Estimate	Projected	
Economic growth and inflation(percentage change)							
Real GDP (percentage change)	7.2	7.3	7.9	11.2	3.3	5.0	5.8
Real GDP (per capita)	5.4	5.4	5.7	8.9	1.2	3.1	3.7
Consumer price index (eop)	5.6	12.2	6.6	22.3	6.0	5.0	5.0
Broad money(M2)*	17.2	31.5	30.8	24.2	-2.4	14.0	-
Central government budget (percent of GDP)							
Revenue	13.5	13.3	13.6	14.9	12.5	13.3	13.7
Grants	12.6	10.7	9.9	11.5	12.6	9.8	8.6
Government expenditure and net lending	25.6	24.5	24.9	26.7	27.0	26.2	25.5
Current expenditure	16.1	16.3	16.8	15.1	15.6	15.3	15.3
Capital expenditure	9.1	7.6	8.6	11.0	11.2	10.6	10.0
Domestic fiscal balance (excl. demobilization spending)	-3.8	-4.5	-5.3	-5.3	-7.3	-5.8	-6.1
Overall balance (payment order)							
After grants	0.6	-0.4	-1.5	0.5	-1.2	-3.1	-3.2
Before grants	-12.0	-11.1	-11.3	-11.0	-13.8	-12.9	-11.8
National accounts (percent of GDP)							
Gross domestic investment	21.6	20.4	21.0	24.1	22.6	22.5	22.0
Of which: Private	12.5	12.8	12.4	13.1	11.4	11.9	12.0
Gross national savings	9.4	6.9	7.9	8.6	4.8	5.6	6.7
Current account bal.(excl. grants)	-12.2	-13.5	-13.1	-15.5	-17.8	-16.8	-15.3
Balance of payments (percent of GDP)							
Exports of goods and services	13.7	12.3	12.2	14.9	9.0	10.4	11.2
Imports of goods and services	26.7	27.5	27.7	31.2	27.1	27.4	26.7
Current account balance (incl. grants)	2.3	-4.7	-2.4	-5.5	-6.6	-9.5	-9.0
Overall balance	4.6	2.9	3.2	1.5	-0.4	-0.5	-0.1
External debt (percent of GDP)	63.0	17.1	16.8	15.2	16.7	19.2	20.6
External debt service (percent of exports of G&S)	6.4	2.9	2.4	1.1	2.9	2.6	3.3
Gross official reserves (months of imports of G&S)	6.2	5.6	4.8	4.7	5.5	4.4	4.0
Nominal GDP (billions of Rwandan francs)	1440	1716	2049	2565	2942	3277	3650

Sources: Rwandan authorities; IMF and Bank staff estimates.
**Note*: M2 is defined to be currency in circulation and deposits. The ratio of M2/reserves is defined as broad money (M2) as a ratio to foreign exchange reserves. M2 targets for 2009 allow private sector credit growth of about 20 percent. M2-multiplier is defined as broad money (M2) as a ratio to base money.

14. **There was a widening of the current account deficit in 2009 compared to 2008, due in part to a worsening in the terms of trade.** The current account deficit (including official transfers) is estimated to have worsened from 5.5 percent of GDP in 2008 to about 6.6 percent of GDP in 2009, driven by the continued slowdown in global demand. Accrual of the special SDR allocation from the IMF helped to reconstitute foreign reserves from a level of 4.7 months of imports at end-2008 to 5.5 months of imports by end-2009. Indications are that over the fiscal year 2010/11 (beginning in July 2010), the ongoing global financial crisis could result in lower export receipts and a possible financing gap. So far,

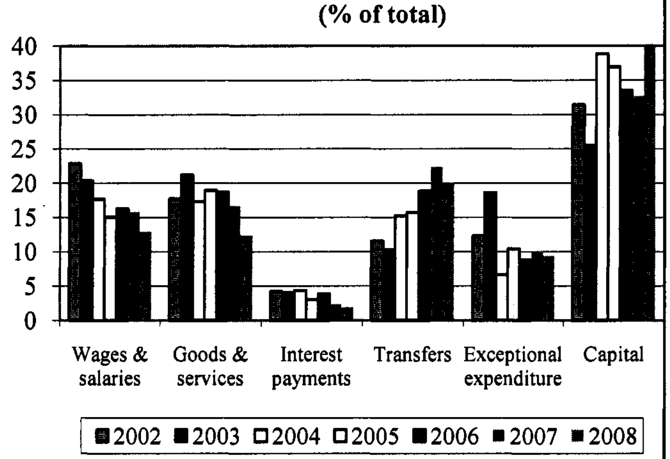
donors have indicated that they will maintain their level of support going forward. Government on the other hand has based their projections of foreign financing on firm donor commitments, which are lower than that indicated by donors because some are now at the end of their country assistance frameworks, and are in the midst of launching new ones. Although not foreseen at this time, a widening of the current account deficit could be made worse if there were to be decreases in donor grants (assuming recovery from the global financial crisis were delayed). This would pose significant risks to the Government's program, making it difficult to continue to protect priority spending.

15. **To ensure Government's ability to protect priority spending, additional funds from the pilot Crisis Response Window of $29.8 million will be disbursed under PRSG-6, bringing the total amount of the operation to $115.8 million.** In light of the sharp slowdown in growth, particularly in the formal sectors, the CRW funds made available through the operation will be used by government to maintain and accelerate poverty reducing spending in education, agriculture, and infrastructure. In education, the government will accelerate the 9-year basic education program for the payment of teachers' salaries, capitation grants, books and other materials and feeding costs. In agriculture, the government will help maintain the Government's planned activities under the Crop Intensification program to improve agriculture productivity with an emphasis on capacity support to farmers in the use of improved inputs and access to rural finance. As shown above, Government interventions to improve agriculture productivity and access to markets have been instrumental in mitigating the effects of the crisis and improving Rwanda's resilience to external shocks. In the infrastructure sector, the government will support investments to improve the road network with an emphasis on road maintenance, particularly in rural areas. The CRW funds will therefore ensure that ongoing efforts in these areas are not compromised, particularly if the global slowdown persists. The funds will be directed toward protecting the poor and vulnerable, thereby laying the foundation for returning to higher growth rates.

Fiscal Performance

16. **The expansionary fiscal stance of the past year or two has slowed down in 2009.** Total expenditure and net lending remained more or less at the same level in 2009 as in 2008. Availability of the Crisis Response Window funds, will enable Government to protect priority spending programs in education. In addition, spending increases in priority sectors of health, agriculture and transport that occurred in 2008 have also been maintained in 2009 (see Table 3). Government has also continued to support an increasing transfer of funds to the Districts and to maintain investments (as shown by the trend in transfers in Figure 3). However, slowing growth and lower inflation will lead to a decline in revenues to historical levels (from 14.9 percent of GDP in 2008 to an estimated 12.5 percent in 2009). This will result in a widening of the fiscal deficit before grants from 11 to 13.8 percent.

Figure 3: Central Government Expenditures, 2002-08 (% of total)



17. **A gradual reduction in resources was planned for the period 2009/10, (compared to disbursements in 2008), based on anticipated lower levels of revenues and external resources.** The 2009/2010 budget submitted to Parliament envisaged a reduction in spending of around 0.4 percent of

GDP (or 1 percent of GDP during the period January to June 2009). In addition, to maintain priority spending, Government drew down foreign reserves. Looking beyond 2010/11, Government has made note of some financing gaps in key programs, (particularly in education, see paragraph 15, above). Additional funds will therefore be needed to ensure continued protection of priority spending in line with the EDPRS priorities and to provide a buffer against potential future shocks. In response to this additional need, the Bank applied to and received through the Crisis Response Window (CRW), an additional US $29.8 million, to be disbursed through the PRSG-6 operation.

Table 3: Consolidated Recurrent Expenditures, 2002-8
(% of total, incl. debt flows)

	2002	2003	2004	2005	2006	2007	2008	Jan-Jun. 2009
Primature	..	..	1.7	0.6	0.9	0.8	0.8	0.7
Internal affairs	..	..	3.8	3.8	3.3	2.6	2.7	2.1
Agriculture	1.5	1.1	3.8	4.6	4.2	2.5	4.5	6.1
Education	23.7	17.6	15.1	15.3	15.5	21.3	19.2	18.1
Health	5.2	3.8	6.3	8.2	14.4	6.0	6.2	6.9
Infrastructure	3.0	4.4	9.6	13.7	9.5	10.1	13.3	10.6
o/w road maintenance	2.8	2.1	1.1	1.7	1.8	..	..	..
Land, Natural Resources, Environment	..	..	1.6	4.0	4.9	2.9	0.8	1.0
Local administration	..	..	4.9	8.9	8.5	5.9	8.6	8.3
o/w CDF	2.3	3.7	0.8	1.1	0.4	..	..	..
Minicom	..	..	0.9	1.3	1.8	1.4	1.4	0.8
All other Ministries	..	..	52.2	39.6	36.9	46.4	42.6	45.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: MINECOFIN, Budget Department and World Bank Staff estimates.
Note: CDF stands for the Common Development Fund. This is an investment fund that channels resource to Districts.

Monetary and Financial Sector Policies and Performance

18. **In the financial sector, aside from the liquidity ratio, financial indicators remained within their prudential benchmarks; and the stability of the banking sector has at present not been adversely affected by the global financial situation.** All 8 commercial banks have been in compliance with the minimum capital requirements of approximately US $9.2 million. Reported foreign exchange exposure ratios have been within the prudential BNR benchmarks. The quality of the loan portfolio remained at historical levels with a slight worsening in 2009 of the share of non-performing loans out of the total loan portfolio (to 13.6 percent by October 2009, compared to 12.6 percent in December 2008). There has been a 7 percent depreciation of the exchange rate in the first nine months of 2009. The lower demand for foreign exchange in the private sector has helped to counter the large appreciation that occurred in 2008 (i.e. 22 percent appreciation) due to high domestic inflation. However, if the global financial crisis were to persist, it could adversely impact the availability of credit in the banking sector, thereby compromising Rwanda's competitiveness.

19. **Rwanda's financial sector moved from a situation of a structural excess liquidity to a potential structural liquidity deficit partly due to efficiency gains from ongoing reforms in the sector as well as NBR's low interest rate policy**. The past policy of low interest rates led to strong credit growth in 2007-08 while discouraging savings. As a result, credit to the private sector increased above 30 percent in late-2008. The global financial situation also contributed to these trends. Low nominal interest rates combined with high inflation encouraged depositors to look for better yielding investments, which resulted in partial withdrawal of deposits from the banking system.

20. **The liquidity shortages exposed weaknesses in risk management and governance of commercial banks, i.e. a mismatch in credit maturities (for bank borrowing and lending).** This prompted the banks to tighten credit standards leading to a decline in credit growth. The liquidity problems in the banking sector became apparent in the fourth quarter of 2008, as the loan-to-deposit ratios increased and banks reduced their purchases of NBR and government's financial instruments.

21. **In response to the tightening liquidity situation, the BNR injected liquidity of approximately 1.5 percent of GDP in the economy**. This was aimed at providing immediate liquidity, sustaining credit expansion, and boosting economic growth in 2009. Government repaid FRw 18 billion worth of T-bills by end-2008 and reduced the reserve requirements from 8 to 5 percent. Also, during the first part of 2009, government eased its low interest rate policy. This caused the average real interest rate for deposits to increase, although it remained negative. The stock of private sector credit increased to FRw 7.1 billion in June 2009, and remained above its mid-2008 level (of FRw 5.1 billion).

22. Despite the injection, broad money supply (M2) growth slowed and is projected to be negative in 2009. Growth of broad money (M2) is projected to have slowed from a level of 24.2 percent in 2008 to a contraction of 2.4 percent in 2009. This contrasts with growth of 30.8 percent in 2007, and reflects the tighter monetary policy and reduction in the monetary overhang.

23. **Reserve money remains the anchor of the monetary program.** GoR's reserve money objective consists of an active use of interest rate policy supported by a proper communication strategy to help anchor interest rate expectations, reduce volatility, and strengthen the monetary policy transmission mechanism. The quantitative targets for reserve money were rebased to reflect the reduction of the reserve requirement and to accommodate a buffer of excess reserves (FRw 4 to 5 billion) that would support the efficient operations of the payments system and the inter-bank market for short-term liquidity.

Debt Sustainability

24. **The most recent DSA dated December 2008, concludes that Rwanda is now at a moderate risk of debt distress owing to recent debt relief and its narrow export base**. With the exception of the net present value of exports to debt which breaches the threshold of 150 under extreme stress tests, all debt indicators remain below their respective thresholds. Exogenous shocks to exports or imprudent borrowing on non-concessional terms could cause a rapid deterioration in the medium-term outlook. A more recent and preliminary assessment presented in the sixth review of the PRGF indicated that the medium-term external debt sustainability has improved since the December 2008 assessment, and that the non-concessional borrowing, for upgrading and rehabilitation of roads in and around Kigali, would not significantly worsen the debt outlook (see Box 1).

25. **The amount of domestic debt is small and expected to decline further as the BNR limits the use of domestic debt instruments and instead relies mainly on foreign exchange sales for sterilization so as to increase exchange rate flexibility**. Greater flexibility of the nominal exchange rate will be essential to ensure the adherence to quantitative monetary targets while containing excessive real

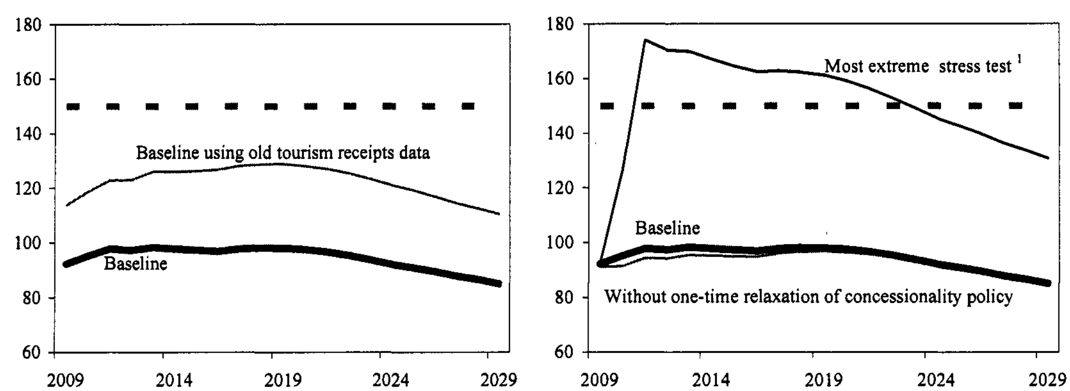
appreciation of the Rwandan franc. In addition, the GoR remains committed to limiting external debt and keeping to a minimum 50 percent grant element.

26. **GoR has taken steps to prevent the reemergence of unsustainable debt by preparing a debt management strategy with limits for loans, government guarantees and contingent liabilities that will guide future borrowing.** The Government continues to take strong steps to improve debt management practices. In 2008, the GoR developed and published a Debt Policy and Medium Term Debt Strategy. This ensures conformity to the best practice in public debt and the associated management of risk(s) to reduce the possibility of falling into an unsustainable debt position. The Bank is providing technical support in the implementation of the strategy. In addition, Government has undertaken complementary reforms to ensure that public spending is effective and sustains growth. Specifically, a Public Financial Management (PFM) action plan was recently adopted which aims to consolidate and strengthen reforms to improve the implementation of the MTEF and the budget monitoring system. A framework for implementing a Public Investment Program (PIP) was also recently elaborated and adopted in February 2009. The aim is to ensure good coordination of investment across and within sectors, establish an analytical and information base for prioritizing investments and support the strengthening of capacity in this area.

Box 1: Rwanda: Update of Selected DSA Indicators

The ratio of the PV of external public and publicly guaranteed debt to exports of goods and services (traditionally the weakest DSA indicator for Rwanda) has improved considerably. Part of this improvement is attributable to the change in estimation methodology for tourism receipts. The old methodology yields lower receipts compared to the recently adopted methodology. There has been some concern expressed by the authorities and staffs of both the Bank and the Fund on the potential over-estimation of tourism receipts. The Bank and Fund staffs support the authorities' efforts to refine these estimates. Nevertheless, whether the new or old methodology for estimating tourist receipts is employed, Rwanda remains at a moderate risk of debt distress.

Rwanda. External PPG Debt-to-Exports Ratio Under Alternative Scenarios



Note: [1] Export value growth at historical average minus one standard deviation in 2010-2011.

Source: Joint IMF World Bank Debt Sustainability Analysis, January 2008; and Sixth Review Under the Three Year Arrangement of the PRGF, August, 2009.

B. Medium Term Prospects and Financing Requirements

27. **The GoR's medium term outlook for real GDP growth has been revised downward slightly to roughly 5 percent.** Growth will continue to be based on increased productivity in the agricultural and

mining sectors, and strong public and private sector investment activity. This outlook is contingent on favorable weather conditions in the next few years, continued implementation of policies to promote commodity export and successful implementation of the medium-term policy agenda as outlined in the EDPRS on five fronts: (i) carrying out Government's planned investments in infrastructure; (ii) improving agricultural yields, supported by actions in the new fertilizer strategy; (iii) sustaining progress on the private sector development program; (iv) accelerating overall export growth and diversifying the export base; and (v) taking actions aimed at enhancing the efficiency of investment as outlined in the new Public Investment Policy.

28. **A projected annual GDP growth of between 5 and 6 percent would be sustained through increased public and private sector investments to improve agriculture productivity and address infrastructure constraints to growth**. Reflecting the strong emphasis that GoR is placing on public infrastructure investment, overall investment rates are projected to rise fairly steadily from about 21 percent of GDP in 2007, to about 24 percent of GDP by 2011. Public investment will increase from 8.6 percent in 2007 to close to 10 percent of GDP by 2011. With the private sector's engagement in the social sectors and also in infrastructure expected to be strengthened, private investment would also trend upward gradually to about 12 percent of GDP per year, in the medium-term.

29. **Strong import growth stemming from higher capital imports associated with the expanding public investment program, is expected to outpace moderate expansion in exports, resulting in a higher current account deficit.** Export volumes led by receipts from traditional exports and tourism, are forecasted to increase at a relatively slower rate as the GoR implements its export promotion strategy. This is expected to widen the external current account deficit considerably from about 5 percent of GDP (including grants) in 2008, to about 9 percent of GDP (including grants) by 2011.

30. **Government capital spending would increase strongly over the medium term,** in line with the need for increased investment to accelerate and sustain growth, causing the overall fiscal balance to remain in deficit. The deficit (including grants) would widen to about 3.2 percent of GDP by 2011, up significantly from under 1.5 percent in 2007. This increase would be due to higher investments.

31. **The share of priority spending will increase annually by about 2 percent of GDP depending on the availability of sufficient resources**. More resources will be dedicated to public infrastructure, agriculture, education, health and water. Increased spending in the education sector will go towards improving delivery of primary and post-basic education and vocational training and skills development. In the heath sector, focus will be on financing programs to improve primary health care, financing of the mutuelle scheme and purchase of drugs. Infrastructure spending will be geared towards addressing the issue of limited and insufficient energy through construction of the hydro power dams, the generation of power from the Lake Kivu Methane gas power plant, and rehabilitation of infrastructure, including in the water and transport sectors. At the decentralized level, transfers to districts are projected to increase as the Government implements its fiscal decentralization policy, with increases in capitation grants in education and performance based financing in the health sector, feeder roads financing in the transport sector and funds to cover district overhead costs.

32. **Beyond the allocation of funds for poverty related expenditure, improving the efficiency of such spending and its targeting to the poor remains a significant challenge**. The GoR is therefore focusing on improving the prioritization and efficiency of expenditures. Efforts are being made to strengthen the institutional framework for the Public Investment Program. To date, a public investment policy has been adopted and guidelines for identifying investment selection criteria and project prioritization that maximize the returns on investment, and safeguards public debt sustainability are being developed. The Government has also embarked on the process to institutionalize public expenditure reviews with the aim of strengthening public expenditure management and monitoring of spending. The

intent is to strengthen the expenditure prioritization process within sectors and improve accountability of line ministries.

33. **Over the medium term, budgetary grants will continue to be the main source of financing for the EDPRS.** The projected increase in investment will continue to rely on grant financing. To date, the global financial crisis has not had an adverse effect on donor commitments. Table 4 summarizes commitments over the medium term. Precise comparisons are difficult to make since projections are now based on the newly adopted fiscal year (July to June) as opposed to the previously used calendar year. Although, current commitment levels have not yet been affected by the global slowdown, projections beyond 2010/11 are based on firm commitments and assume lower levels of disbursements. Government is prepared to limit spending and draw down on reserves should there be a reduction in commitments due to a sudden deterioration of global economic conditions; or perceived violation by donors of the underlying principles of the Partnership Agreement –as occurred with the recent DRC-Rwanda joint security operation.

Table 4: Donor Budget Support Commitments, 2008-2011 (USD million)

	Jan.-June 2009 Actual	**July 2009-June 2010**	**July 2010-June 2011**	**July 2011-June 2012**
General Budget Support*	**140.9**	**246.6**	**171.3**	**162.3**
World Bank	**78.7**	**86**	**81**	**70**
AfDB	34.3	33		
DfID		54.9	50.2	50.2
EC	15.2	51.1	40.1	42.1
Germany	12.7	6.5		
COMESA (CET)		15.2		
Sector Budget Support	**14.9**	**131.5**	**57.2**	**31.7**
Other Budget Support	**22.6**	**57.6**	**53.2**	**54.3**
Total	**178.5**	**435.8**	**281.7**	**248.3**

Source: MINECOFIN and Donors.
*Note: Figures for July 2009-June 2010 is net of potential CRW funds of $29.8 million.

34. **Consistent with the medium-term policy objective of maintaining macroeconomic stability, the Central Bank is expected to contain inflationary pressures from any fiscal expansion and scaled-up external assistance.** Average inflation is expected to decline from around 15 percent in 2008, due to rising food, transport and energy prices, to single digits by 2009-10. The reduction in inflation reflects the price pass through from declining international food prices and domestic policy. Projections are that with strong implementation of monetary policy, inflation could decline to about 5.2 percent per annum during 2009-12.

35. **The above medium-term outlook assumes that Rwanda continues to be able to cushion itself from the adverse impacts of economic shocks.** The impact of the recent global slowdown on Rwanda's economic growth rates, over the medium term, will depend on how strongly the drivers of growth –i.e. agriculture and services— are impacted. Some of the large scale investments that are expected to be funded from external borrowing and investment in the energy and agriculture sectors will be critical for growth. These could be adversely impacted if the global economic slowdown persists and external resources become increasingly scarce. All of this could potentially lead to stronger adverse growth effects in the medium to longer term.

Table 5: Financing Plan, 2009-12 (millions USD)

	2007	2008	2009	2009/10	2010/11	2011/12	2010-12*
	Actual	Actual	Estimated		Projected		

Financing requirements (incl. IMF)	569	726	1021	967	880	896	2743
Current account deficit (excl. off. transfers)	446	699	974	982	868	866	2716
Long-term amortization (excl. IMF)	8	7	9	12	16	20	48
Change in official reserves (increase +)	113	44	140	-27	5	9	-13
Change in other foreign liabilities (increase +)	1	-24	-102	0	0	0	0
IMF repayments	0	0	0	0	1	1	2
Change in arrears (decrease -)	0	0	0	0	0	0	0
Financing source	569	725	1021	967	880	896	2743
Private flows	23	-6	117	123	107	138	368
FDI	82	103	112	106	105	120	331
Other private financing flows (net)	-60	-110	6	17	2	18	37
Public sector	543	728	900	844	774	757	2375
Official transfers	363	446	625	523	354	340	1217
o/w PRSG IV-VIII a/		70	80	116[1]	81	70	237
Official capital grants	92	172	148	180	210	191	581
Debt forgiveness	0	0	0	0	0	0	0
Long-term disbursements excl. IMF	88	110	127	141	210	226	577
of which IDA	58	66	80	78	47	64	189
IMF purchases	3	4	4	0	0	0	0
Financing gap	0	0	0	0	0	0	0

Sources: World Bank and International Monetary Fund staff projections.
Note: 1. PRSG VI disbursements (for 2009/10) include projected amount for Rwanda of $29.8 million, from the Crisis Response Window, on top of the originally committed amount of $86 million. 2. Figures are summed over the fiscal year 2010-12.

Adequacy of the Macro-Economic Policy Framework

36. **Overall, the medium term macro-economic framework is assessed to be sound and adequate to support the Government's program.** As noted in the completed sixth review of the IMF's PRGF, the medium-term outlook, including inflation, economic growth and financing remains favorable. GoR will continue with policies to mitigate the negative impacts of global and external shocks. It will exercise prudence in implementation of macro-economic policy with a focus on ensuring coordinated fiscal and monetary policies. Government will also continue to pursue policies that support private sector led growth through the development of a Public Investment Program, implementation of the Financial Sector Development Plan and the Rural Development Program. Investments are planned to improve agriculture productivity, reduce soil erosion and improve irrigation. There is also evidence that the investments in the energy sector aimed at reducing the dependence on thermal power is paying off with the progress made in power generation in the Lake Kivu electricity project. This along with investments in the Nyaborongo hydro-power project will help reduce the cost of energy to firms and households. GoR is also now in the process of developing a strategic plan for post-basic education to address the issue of skills development. These measures should help to expand productivity and establish the foundation for long-term sustainable growth.

III. GOVERNMENT'S PROGRAM

37. The Economic Development and Poverty Reduction Strategy (EDPRS), the Government's second-generation PRSP elaborates a development plan for 2008-2012, and was launched in September 2007. It outlines the strategies and actions to stimulate rapid growth leading to a reduction of poverty in line with the Government's national vision document (Vision 2020) and the MDGs. The EDPRS contains

three flagship programs: (i) Sustainable Growth for Jobs and Exports; (ii) Vision 2020 Umurenge; and (iii) Governance. Monitoring of the program takes place in the context of the Joint Budget Support Review (JBSR). In 2008, the Government conducted the first JBSR that was based on the established Common Performance Assessment Framework (CPAF). This section reports on overall progress under the three main pillars of the EDPRS as well as on participation, coordination and monitoring mechanisms for the EDPRS.

38. The flagship ***Growth for Jobs and Exports*** aims to make the Rwandan business environment regionally and internationally competitive, establish strong foundations for private sector growth, and raise agricultural productivity. The flagship addresses four main constraints to private sector growth: (i) scarcity of an educated, skilled and healthy labor force and the limited ability of the private sector to innovate; (ii) poor state of infrastructure and the resulting high costs of doing business; (iii) low use of improved inputs and access to finance in the agriculture sector which in turn undermines productivity; and (iv) a narrow and under-developed financial sector. Under the EDPRS, the Government aims to take actions to promote investment in human capital and infrastructure, deepen and broaden the financial sector and accelerate the provision of agricultural services and related infrastructure.

39. ***Vision 2020 Umurenge*** focuses on accelerating poverty reduction with a pro-poor national growth strategy. It is a decentralized and integrated rural development program that is being piloted in thirty of the poorest sectors (imirenge) of the country and will subsequently be scaled-up. It has three complementary components: (i) publicly funded, socially productive, labor-intensive employment for landless Rwandans without job opportunities; (ii) social assistance for landless people incapable of work; and (iii) improved access to credit for input purchases or micro-enterprise development by members of households assisted through elements (i) and (ii).

40. Finally, the ***Governance*** flagship aims to build Rwanda's reputation as a country with improved transparency, accountability and efficiency in implementation of public programs. The GoR intends to attract private investment by building up Rwanda's reputation as a country with zero tolerance of corruption. Plans are to develop, over the next five years, a regional comparative advantage in 'soft infrastructure', or those aspects of governance related to well-defined property rights, efficient public administration, transparency and accountability in public financial management and regulatory matters.

Progress in EDPRS Implementation

41. Progress in EDPRS implementation is jointly monitored by budget support donors and Government through the Joint Budget Support Review (JBSR). **The JBSR's November 2009 overall assessment, for the period January to June 2009 (mini-budget) period, concluded that there was good progress in implementing the EDPRS**. Close to two-thirds of the policy actions contained in the CPAF (see Annex 4, and the attached Common Performance Assessment Framework), were fully met, with significant progress toward meeting just under another third of the policy actions. The review noted the prudent interventions adopted by Government to manage the macro-economic impacts of the global slowdown, as discussed above, in the previous section. It also noted the progress made in aligning with the EAC budget cycle and tariff structure, with the aim of fostering regional integration. This has involved aligning the fiscal year to that of the East African Community (EAC), aligning laws with the EAC and Common Market for Eastern and Southern Africa (COMESA) laws, establishing the revenue implication of joining, as well as applying for compensation to the COMESA Fund. These actions have contributed to a wider choice of goods and lower prices resulting from lower costs of imports for consumers, access to wider markets for producers, as well as enhanced trade facilitation procedures and price advantages for goods produced in the region (compared to goods produced outside the customs union) for importers and exporters. In the private sector, the strong progress in reforms to reduce the cost

of doing business led to Rwanda achieving the largest improvement in ranking across all countries included in the World Bank's Doing Business index (i.e. Rwanda's ranking improved from 143 to 67).

42. **Under the *Growth for Jobs and Exports* flagship progress was rated as satisfactory by the JBSR**. The flagship focuses on skills development and STI, the agriculture, infrastructure and private sector development sectors, with the aim to achieve the following outcomes: (i) enhance the skills of the population to support growth; (ii) improve economic infrastructure; (iii) raise agriculture productivity and increase value added exports; (iv) support private sector development with an emphasis on broadening and deepening the financial sector. In the area of skills development, Government has taken actions to strengthen post-basic education and is currently updating the Education Strategic Plan (ESSP) and the **Long Term Strategic and Financing Framework (LTSFF)** to enable a comprehensive approach to the sub-sector and greater responsiveness to the needs of the private sector. Government has also taken actions to improve agriculture productivity through adoption of the Crop Intensification Program and has adopted reforms and made investments to promote increased access to economic and infrastructure services. In the agriculture sector, this has involved investments to improve irrigation, water management and soil conservation. In the infrastructure sectors (i.e. energy, road transport, water supply and sanitation), the focus has been on investments to expand supply and improve operations and maintenance. This has included reforms to promote public-private partnerships (PPPs) and provide incentives for engagement of the private sector, including institutional and legal reforms to improve the overall business and investment environment. Particular focus in the infrastructure sector has involved initiating reforms to ensure sustained financing for operations and maintenance.

43. In the area of private sector development, a number of laws have been passed over the past year, to reduce transaction costs to doing business in Rwanda and improve regional competitiveness, leading to Rwanda's ranking as a top reformer of 2009 by the Doing Business Report. A new company law was passed to simplify business start-up and strengthen minority shareholder protection by requiring greater corporate disclosure, director liability, and shareholder access to information. Entrepreneurs can now start a business in two procedures and three days. Rwanda has also enacted new laws in order to improve regulations to ease access to credit. Other reforms removed bottlenecks to registering property. The time required to register property has now been reduced by 255 days, by decreasing the number of days required to transfer property. Rwanda introduced reforms in 7 out of the 10 areas studied by Doing Business: starting a business, employing workers, registering property, getting credit, protecting investors, trading across borders, closing a business.

44. **In the case of the VUP, the program has reached an estimated 315,221 people**. These include people living in extreme poverty, genocide survivors, persons with disabilities, historically marginalized people, the elderly, refugees and returnees, orphans and vulnerable children. Services provided include support for shelter, education and health, as well as income generating activities, social assistance and public works. In the area of social protection, through the rolling out of the VUP the targets related to providing assistance to eligible vulnerable households were met. A major challenge has been the inadequate staffing levels, which hamper development, coordination and oversight of service delivery across the sector as a whole.

45. **Progress in primary social service delivery, which complements the Growth and VUP flagships was assessed as commendable by the JBSR**. In primary education, significant progress was made in key areas, including fast-tracking 9-year basic education. Despite good progress in improving the student to qualified teacher ratio at the primary level, the net enrolment rate is stabilizing at 94.2 percent. Progress in improving the primary completion rate was below target, and the transition rate to upper secondary education has been disappointing. Measures to increase the quality of education continue to be a priority. Some progress was made in improving access to safe drinking water, with access rates estimated to be 3 percentage points higher in 2008 compared to planned targets. Excellent

results were achieved in the health sector, where most results indicators exceeded their targets. Over 45,000 health care workers were trained and commissioned, 91 percent of the Rwandan population are enrolled in a health insurance scheme, and 65 percent of pregnant women delivered in health facilities. Free family planning services have been established and all health centres now provide outreach services for immunization and piloting in-kind incentives for birth delivery in a health facility. An important challenge for the health sector is to continue to address the issue of off-budget aid. Going forward, some areas that need attention include the introduction and sustainability of providing pneumococcal and rotavirus vaccines to reducing child mortality, strengthening nutritional strategies, and delivering high impact interventions through provision of quality community and family health services.

46. **Progress in the governance cluster was assessed as satisfactory**. In the area of decentralization, district capacity needs assessment and plans were completed. In capacity building and employment promotion, most policy actions were completed, though no statistical data is available on the national labor force or job creation. In the Justice sector, substantial achievements include the reduction in the backlog of cases and a reduction in prison overcrowding. In the area of PFM, a reform strategy and action plan was approved in 2008, and institutional arrangements established to monitor progress in its implementation. In the case of civil service reform, a restructuring exercise was carried out for central and local government institutions to promote an effective and results oriented public administration that is responsive to the basic needs and problems of the population.

47. **The JBSR highlighted the substantial variation in budget execution rates across sectors and stressed the need for greater capacity to plan and implement.** The JBSR also noted the need for more staff and measures that promote staff retention, particularly in the areas of infrastructure and private sector development. Another issue raised across all sectors is the need to strengthen and consolidate MIS systems and for sectors to strengthen information collection and management to inform planning and assessment of progress. In the governance area, key priorities for the future include the timely start of the next PEFA and the expected first annual revision of the Joint Governance Assessment. In general, the JBSR noted some key areas in need of capacity support that impacted on budget execution rates. These are: i) delays in the procurement of goods and services on part of both the Government and development partners; ii) high rates of staff turnover in the ministries as well as development partner agencies; iii) weaknesses in the formulation of appropriate policy actions.

Implementation Arrangements –Participation, Coordination, Monitoring and Evaluation

48. **Participation**. Monitoring and evaluation of the EDPRS is based on the EDPRS Results and Policy Matrix, developed at the national level for monitoring the EDPRS, (over roughly a 12 month period) with inputs from each of the 15 SWGs of the EDPRS. SWGs monitor and report on their respective sector results and policy matrices. SWGs are able to participate in national policy discussions with donors through the Common Performance Assessment Framework (CPAF). Each SWG is chaired by a lead Government institution (at the level of the Permanent Secretary of the ministry) and co-chaired by a Lead Donor. Membership is comprised of key Government agencies and development partners, including government technical staff at the central and local levels, civil society, farmers' organizations, and NGOs engaged in activities in the relevant sector. Sector priorities are then raised and discussed and strategies, developed, implemented and monitored through the SWGs. The interests and needs of local communities are represented through the results of the Ubudehe process (community based planning and monitoring reports), imihigo or performance contracts between District Mayors and the President, citizen report cards and score cards, and direct participation of civil society organizations such as farmer groups.

49. **Coordination**. Budget support donors coordinate with Government to jointly monitor progress in EDPRS implementation through use of the CPAF. In line with the intention to give a more prominent role to the different sector working groups and to increase the focus of the overall Joint Budget Support

Review, consultations and discussions were held at sector level prior to the November 2009 review. Sectors produced sector performance reports, which were subsequently discussed in joint sector reviews. Based on these discussions, summaries of sector performance over the period January to June 2009 were drafted and signed by the respective lead ministry and lead development partner. These summaries looked at EDPRS and CPAF performance as well as budget execution, and it was recommended that there should be more narrative assessment of progress in the sector.

50. Government and budget support donors appreciated this new approach and expressed satisfaction with the work done in most of the sector working groups. While for some sectors the working groups have been functioning very well for a number of years already, for some others, real progress was realized in bringing together all sector stakeholders and discussing policy issues. Nevertheless, two sectors – (i) Transport and (ii) Decentralization, Community Participation, Empowerment, Transparency and Accountability – could profit from renewed energy from the lead ministry and the lead donors to make the working groups function effectively. Government and budget support donors expressed their joint commitment to strengthen these sector working groups.

51. **Monitoring and Evaluation**. Rwanda's performance is impressive when looking at the number of indicator targets which have been met, as well as the number of policy actions which have been implemented. From a monitoring and evaluation perspective, the number of indicators for which data was available marks impressive progress in putting in place an EDPRS monitoring framework. Many sectors are now in a position to systematically monitor progress towards achieving the EDPRS targets. However, continued support is needed to strengthen the national statistical, monitoring and evaluation system. In particular, the experience with monitoring some of the indicators in the CPAF has highlighted the need to have well defined indicators that can be measured in a timely fashion. In some sectors under the growth flagship, the choice and definition of certain indicators made it impossible to measure and report on progress. As a result, indicators were either deleted (as in the water sector, indicator related to water sources complying with standards) or modified. In the transport sector, the indicator on progress in the number of District Roads in good condition was modified. It was also the case with the indicator to measure fertilizer use in the agriculture sector which was modified to focus on a more measurable indicator related to fertilizer imports.

IV. BANK SUPPORT TO THE GOVERNMENT PROGRAM

A. LINK TO THE CAS AND OTHER BANK OPERATION

52. The proposed operation, in alignment with the EDPRS and the CAS themes, continues to focus on three main areas: (i) promoting sustainable growth and private sector development supported by science, technology and innovation; (ii) increasing capacity to implement the Governments decentralization program and budget reforms, with particular attention to strengthening district reporting; and (iii) continuing to support improvements in service delivery with a focus on economic and infrastructure services and on increasing the availability of skilled labor. The PRSG builds on and complements a solid base of a well-performing IDA portfolio. There are currently 11 active projects in Rwanda and several sectoral investment projects are planned to complement the support of the PRSG series in the key focal areas of infrastructure development and capacity building including the Electricity Access Roll-Out project, Transport Sector Development Project and the Land Husbandry, Water Harvesting and Hillside (LWH) Irrigation project. In particular, the LWH will be used to pilot different approaches to providing rural finance and complements the broader financial sector reforms supported under the PRSG series. The HIV/AIDS Great Lakes Initiative contributes to the reduction of HIV infections and is focused on the prevention, care, and treatment of HIV/AIDS for mobile, and vulnerable groups such as refugees, transport sector workers, and highly affected/infected populations within the region. In addition, Rwanda participates in three regional infrastructure projects (see Annex 2).

53. **The regional projects are designed to strengthen Rwanda's links to regional markets through improved trade facilitation and a reduction in the cost of doing business regionally.** The **East Africa Trade and Transport Facilitation Project** supports specific measures targeted at the EAC to strengthen implementation of the customs union and related market; improve efficiency of the supply chains in and out of the region and along the main trade routes; support the development of an integrated system and common database linking customs departments in the member states, and Rwanda to the EAC Customs directory in Arusha. **The Regional Trade Facilitation Project** is targeted at the COMESA and addresses the concerns of risks related to a lack of policy continuity and consistency by providing insurance against the risk of a reversal in the government's policies which negatively affects business. The insurance facility also covers losses resulting from the occurrence of war and civil disturbance, thus addressing the second component of country risk that impedes increased private sector capital flows to the region. The **Regional Communications Infrastructure Project** aims to reduce the cost of doing business in Rwanda and contribute to the government's ability to implement e-Government. It will support investments and technical assistance to lower prices for international capacity and extend the geographic reach of broadband networks.

54. **Two additional projects are under preparation. The Eastern Africa Transport Link Project** will support the upgrading of specific and critical transport links between EAC countries and will focus on road, railway and lake transport (planned Board date in 2011). The **Eastern Africa Regional Aviation Project** will focus on improvement of aviation safety and security amongst EAC countries. Specifically, it will help implement the safe skies for Africa program in the East Africa region and provide enhanced security at key international airports in the region (planned Board date in 2012).

55. Finally, a parallel programmatic DPO series supports the GoRs implementation of social protection and community health strategies. This operation will complement the PRSG focus on growth and poverty reduction, particularly in rural areas. The PRSG series will therefore be more focused on economic and infrastructure related constraints to growth, on measures to improve the supply of skilled labor, and on deepening reforms in service delivery. In addition, the PRSG will support the implementation of recommendations arising from the Science Technology and Innovation (STI) report that are key to the transformation of the economy.

B. COORDINATION WITH THE IMF AND OTHER DONORS

56. **Coordination with the IMF**: The Bank team coordinates closely with the Fund reviews. The aim is to ensure coordination and consistency in the macroeconomic and structural policy programs of the PRSG and IMF's Poverty Reduction and Growth Facility (PRGF). The PRSG's focus on structural and institutional reforms to improve the quality of spending and program implementation and to support growth complements the IMF's areas of focus as it leads the macro dialogue.

57. **Coordination with Other Donors:** Donor coordination takes place within the context of the bi-annual Joint Budget Support Reviews (JBSR) and the related Sector Reviews which inform it. Key coordination mechanisms including the Development Partners Coordination Group (DPCG), the Budget Support Harmonization Group (BSHG), and Sector Working Groups (SWGs) and cross sector Clusters or Implementation Working Groups have been formed by Government. These groups have been involved in preparatory consultations and joint review of the implementation of Rwanda's Poverty Reduction Strategy through the biannual joint budget support donor missions that were initiated in 2004.

58. **The PRSG continues to seek synergies with other donor programs and projects through continued support to the use and development of sector-wide approaches, currently being undertaken in the context of Sector Working Groups** (SWGs). In addition, as of the 2009 budget year, all budget support donors, including the Bank, rely solely on the CPAF to design and monitor their programs of support to Government. The framework for alignment is outlined in the revised Partnership Agreement, including procedures and modalities for a multi-donor approach to budgetary support. This was signed by the Government and the key budget support donors in October 2008.

C. ANALYTICAL UNDERPINNINGS

59. **PRSG-6 builds on analytical work carried out over the last few years, as well as ongoing analytical work on public expenditure management to support Pillar 1 (Jobs for Growth and Exports), and Pillar 3 (Governance) of the EDPRS.** Analytical work completed includes the FY07 Country Economic Memorandum, the FY07 Agriculture Policy Note, and the FY07 Public Expenditure and Financial Accountability Assessment. The Multi-year TA public expenditure review (PER) currently underway will play a major role in implementation of PRSG activities by informing the prioritization of measures to improve the quality of spending in the PRSG series. It is also providing technical assistance to the Government for the institutionalization of the PER process. A Debt Sustainability Analysis (DSA) update, recently completed in close collaboration with the IMF and in consultation with the Government aims to ensure debt is managed consistent with macroeconomic stability. The program also builds on analytical work carried out by the Government including the FY06 Poverty Report and the Financial Sector Development Plan. These are summarized in Table 6 below.

60. **The areas of focus under this second series of PRSGs are defined by the results of key analytical work that examined the sources and constraints to growth as well as measures needed to improve the overall business and investment environment.** In particular, the Country Economic Memorandum (CEM), Diagnostic Trade Integrated Study (DTIS) and the Investment Climate Assessment (ICA) identified the constraints to growth, exports and investment emphasizing the need to build and maintain the stock of infrastructure and skills. The CEM highlights the problem posed by the high level of maintenance costs with low cost recovery that affects upkeep of the infrastructure network and its efficiency. This also has an impact on investments. In the road sector, maintenance is constrained by the lack of road maintenance funds. In the electricity sector, poor maintenance has contributed to high transmission losses and frequent outages. It also highlighted the importance of agriculture in sustaining growth over the medium term and the Agriculture Policy Note (APN) identified poor input use, water management and soil conservation along with insufficient capacity support to farmers as the most critical constraints to address in order to raise productivity.

61. **The ICA and the FIAS study of informal enterprises both highlighted the need to improve financial intermediation and build capacity of micro-enterprises to access micro-finance.** The study identifies the low level of capacity in business development skills and lack of information on the kinds of credit instruments that are available and how to access these. The Financial Sector Development Plan (FSDP) identified the need to develop the microfinance sector as critical to monetizing and deepening the financial sector. The report highlights the importance of developing the payment system if Rwanda is to reduce the predominance of cash transactions, particularly given the country's vision of developing the tourism sector and a service based economy.

62. **For the infrastructure sectors (i.e. energy, water, transport), strategic frameworks and policies have been elaborated and the institutional frameworks established.** For example, the report on water legislation and institutions led to the drafting and approval of the water law by Parliament, the implementation of which is being supported under this PRSG series. The report on water data management stresses the need for further capacity building in developing and monitoring activities in the

water sector through the use of a management information system (MIS) to improve data collection, analysis, and reporting. The aim is to improve coordination for the development of an integrated water resources development and management.

63. A critical constraint now is sustainability and maintenance of the infrastructure and ensuring there is a sound institutional and regulatory framework in place to attain this. To that end, upcoming and completed studies—tariff study in electricity and water; PERs in transport –help to prioritize specific areas of reform to be supported under the PRSG.

64. **In the area of skills development, a comprehensive and well costed strategy for post-basic education is being developed and development partners are engaged through the economic sector working group, as the coordinating body**. The costing is being undertaken within a context of updating the overall costing of the education sector strategic plan to reflect revised targets for the sector. The revised targets reflect the strong achievements and incorporate the needs of the private sector. It recognizes that the strategy for strengthening post-basic education and skills development is broader than a focus on TVET. The Bank's analytical work through the Country Status Report Update and the ESW on post-basic education and training serves as input for the government's post-basic education strategy as well as for the revision of the Education Sector Strategic Plan. In addition, following on the ESW work on post-basic education, a project on skills development is planned as well as further AAA in the area of skills development and post-basic education, and their linkages to labor demand.

65. ***Governance and Fiduciary Work***. Ongoing and existing analytical work on fiduciary arrangements set out action plans for improvements in public financial management and public procurement, providing important insights for the preparation of this operation. These works include the FY07 Public Expenditure and Financial Accountability (PEFA) assessment, which highlights the importance of continuing to support capacity in pubic financial accounting and reporting particularly at decentralized levels, MTEF development, and procurement. Annex 3 presents a summary of the PEFA indicators. The recently completed Public Financial Management (PFM) Action Plan outlines a costed plan for reforms to strengthen PFM capacity. These will be key areas of support under the PRSG series.

66. **Non-lending activities will continue to play a major role in the implementation of PRSG activities, and will focus on capacity building**. As mentioned previously, a technical assistance in support of improving public expenditure management is currently underway. In addition, a Multi-year Agriculture Policy technical assistance is ongoing to complement financial operations and investment projects in the sector. Finally, a project on skills development is planned to complement the policy reforms in post-basic education to be supported under the PRSG series, as well as the EFA-FTI that is focused on raising quality of education at the primary education level.

Table 6: Analytical Underpinnings for PRSG 4-7

Policy Areas and PRSG-6 Measures Influenced	Related Study
Poverty Analysis	EICV II
Education Revision of the Long Term Strategic and Financing Framework (LTSFF) and Education Sector Strategic Plan (ESSP)	Country Status Report (update) Post Basic Education and Training in Rwanda Strategy for Vocational and Technical Education and Skills Development Feasibility Studies Informing the Higher Education Law, Teacher Development, and Management Policy Impact evaluation of performance-based contracts
Water Cabinet approval of the Recipient's Policy for water supply and Sanitation services which defines guiding principles, and overall sector objectives to ensure sustainable and affordable access to safe water supply, sanitation and waste management services for all Rwandans and the Recipients National Strategy for water supply and sanitation services, which sets a coherent approach to implementing intended policy goals in addressing sector challenges	Report on Water Legislation and Institutions Report on Water Data Management Water Sector Tariff Study (ongoing)
Private Sector Development and Growth Establishment of tariff that reflects cost structure of the energy and water sectors and that promotes equity Establishment of fuel levy to support road maintenance	Country Economic Memorandum Agriculture Policy Note Multi-year Agriculture Policy TA Rwanda Industry and Manufacturing Survey (RIMS) FIAS Study on the Factors that Cause Enterprises to Remain Informal Investment Climate Assessment Debt Sustainability Analysis Update Science and Technology Needs Assessment Labor Market and Growth Study
Transparency and Accountability Capacity support and development to decentralized government (with a focus on PFM and planning) Establish practice of preparing procurement plans with budget submissions to improve planning and budget execution Integration of the payroll MIS with the public financial management system in central government	Public Expenditure and Financial Accountability (PEFA) assessment GoR Citizen Report Cards/Community Report Cards Technical Assistance for Public Expenditure Management (ongoing) Public Financial Management Strategy and Action Plan
Energy Establishment of tariff that reflects cost structure of the sector	Energy Sector Tariff Study
Transport Establishment of fuel levy to support road maintenance	Transport Sector Policy Assessment (ongoing) Assessment of Road Fund (ongoing) Transport Sector Public Expenditure Review

67. **Aside from ongoing and completed analytical works, several studies are planned to support the PRSG agenda including**: (i) a labor study focused on skills development, training and employment generation, to improve understanding of the employment and poverty effects of past growth, has been launched; and (ii) further ESW within the framework of the Multi-Year Education Policy Analysis to underpin the skills development agenda is underway.

D. LESSONS LEARNED FROM PREVIOUS PRSGS

68. **A number of lessons are emerging from implementation of the PRSG series.** First, a key lesson highlights the importance of capacity support for program design, elaboration of reforms, identification and measurement of outcome indicators. Strong capacity support has led to substantial progress in reforms for example, in the health, education and agriculture sectors. This is an approach that will be adopted for the infrastructure sectors. This approach is further reinforced by ensuring that the relevant TLLs from the sectors form part of the PRSG team. Second, the greater participation of sectors in policy discussions in-country, anchored around the Common Performance Assessment Framework (CPAF) and budget support has also greatly facilitated progress in reforms. This coupled with Bank TLLs who are part of the PRSG team has helped to: (i) ensure the PRSG reflects substantive policy agreements reached at the sector level; (ii) strengthen the capacity of sector ministries to present their needs and priorities during national level policy discussions and budget negotiations; (iii) facilitate coordination of the Bank's inputs into the CPAF policy discussions in a timely manner.

69. **Adherence to the Paris Declaration and Accra Agenda through the Partnership Agreement or Memorandum of Understanding (MoU) between government and the 5 budget support donors has helped to substantially reduce transaction costs in preparing the PRSG series.** The updated MoU signed in September 2008 between the government and 7 donors providing general budget support, including the World Bank, builds on the earlier 2003 memorandum, which constituted a breakthrough in donor harmonization in Rwanda. The MoU is based on a set of principles: (i) mutual accountability to promotion of peace, stability, good governance and rule of law; (ii) predictability and alignment with domestic systems; (iii) joint monitoring of policy actions and expected outcomes in the program through the Common Performance Assessment Framework (CPAF) with no separate reporting to donors; and (iv) mutual accountability between government and development partners[1]. The exercise of joint monitoring through the CPAF and alignment with domestic systems has reduced transactions costs and helped to strengthen local budget and PFM processes and institutions.

70. **The 10th JBSR, completed November 2009, noted the substantive progress made in the review process and in harmonization.** Review of EDPRS implementation through the CPAF was first put into effect in April 2009. Since then, Government and donors have reported that the CPAF has helped to streamline processes, harmonize the monitoring and reporting framework amongst partners and align it with the Government's national poverty reduction strategy. All partners have stressed the value the framework brings to the JBSR process in terms of rigour, clarity and consistency in monitoring Government progress in the implementation of the EDPRS. This improved rigour, clarity and consistency has helped to greatly facilitate coordination in preparing the PRSG series.

71. However, challenges remain in the process for elaboration of policy actions in the CPAF. In this regard, the 10th JBSR resolved to address and take into account during future rounds of assessment of policy actions, the need to: i) strengthen the phrasing of policy actions so as to make them more unambiguous, clear and focused; ii) ensure policy actions better reflect the main reforms that government is pursing in the sectors; iii) increase the evidence-base for policy actions, and their linkage to the CPAF indicators.

72. **The CPAF emphasizes stability, ensuring a fixed goal post for monitoring and evaluation of outcomes, but a little more flexibility may be required to ensure policy actions are well defined and reflect the rich reform program of the government.** Currently, the Partnership Framework stipulates

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[1] A copy of the Partnership Agreement can be obtained from the following website: http://www.devpartners.gov.rw/docs/index.php?dir=Coordination+Structures%2FBSHG%2FJBSR_VIII+%28Sept+2008%29%2F.

that Policy actions and targets of the CPAF are to be revised on an annual basis during the forward-looking Joint Budget Support Review (which now takes place in March, under the revised budget calendar). The forward-looking or planning review allows signatories to discuss proposed budget allocations, forthcoming activities in relation to public financial management reforms, and the revision of the contents of the CPAF. A backward-looking or evaluation review of performance is undertaken jointly within the four months that follow the end of the Government fiscal year in question (roughly by October). During the backward-looking review, signatories discuss the progress and challenges encountered in the implementation of the EDPRS over the previous year, including budget execution and audited Government accounts of the year before and outcomes achieved. A challenge that arose again during the past review is the fact that some policy actions are not well defined or do not reflect the most recent critical reforms completed by Government. Yet, there has been resistance to incorporating into the CPAF substantive policy reforms completed by Government. Looking ahead to 2010/11, this issue will become more critical as the number of policy actions (as stipulated in the Partnership Agreement) will be restricted to two for each CPAF indicator. It will therefore be important to have in place a system for ensuring the CPAF reflects the most critical and current reforms, is adaptable to a much more fluid international economic context, and that policy actions are well defined.

73. **The process for elaborating and prioritizing policy actions has posed a substantial challenge to the Bank in preparing the PRSG**. It has been a particular challenge for the World Bank because it is the only donor that relies strictly on individual policy actions as justification for disbursement of funds. Other donors focus on the outcome indicators or the percentage of policy actions completed during the review period, based on the overall scoring methodology[2]. The Bank also evaluates the outcome indicators but they are employed to monitor progress broadly and to evaluate the program in the critical areas that it supports.Only the completed policy actions, which reflect the agenda set and implemented by government, trigger disbursement. Alignment to the CPAF requires choosing triggers and prior actions directly from the CPAF. However, these actions are often not well articulated, particularly for the infrastructure sectors (such as transport and water resources) or private sector development (which are among the focus areas of the PRSG). This is in contrast to the education and health sectors where there has been a longer track record of sector wide approaches and evidenced based policy dialogue. The result is that often, the analytical work from which actions should be derived has yet to be completed, and therefore is included as critical actions in the CPAF even though it is only implementation that would lead to change and results.

74. **The above factors limit the timely use of the CPAF as an instrument of policy dialogue and therefore pose a substantial constraint to the preparation of Bank PRSGs and other DPOs.** . For example, in the infrastructure sector, the recent separation of Electrogaz into a water and electricity utility is a substantial reform (that was not previously foreseen when the CPAF was prepared). Yet, it will have a significant impact on the operation of the public utility for water and energy in terms of improving efficient operation of the two utilities and reducing or making transparent the cross-subsidies that were previously in effect. This is a reform Government undertook and completed on its own initiative. However, there has been resistance (both on the side of government and other budget support donors) to reflecting this reform in the CPAF (because it was not previously included in the CPAF), even though the reform has been completed. Instead, the focus of the CPAF is on the next actions that are needed to be completed. Establishing a tariff structure will be a critical area of reform, but before this can be achieved a tariff study (for both electricity and water) that will provide options for a tariff structure will first need

[2] The overall scoring methodology of the CPAF policy actions and indicators is based on a traffic light system as follows: green-fully met; yellow— not met but with significant progress; red— under-performed; grey – no target set in the CPAF. The percent of total policy actions or outcomes achieved are then calculated to inform the overall assessment of progress.

to be completed. As a result, the CPAF action focuses on the study, which is at least one step removed from the targeted outcomes.

75. **The above factors not only pose a challenge to preparation of this operation, but will have some implications for how the EDPRS is evaluated.** A static CPAF may enable evaluators to easily check off what has been completed in the CPAF and report on what outcomes were achieved. However, it will not provide insight into how outcomes were achieved, or which actions were critical in achieving the outcomes. This approach would therefore limit lessons that could be learned or insights gleaned from actions that contributed to growth or the achievement of particular outcomes related to the MDGs or the Vision 2020 targets. In order to achieve that level of understanding on how targets were achieved, it would be necessary to ensure that the most critical actions that impact on an outcome indicator are captured in the CPAF. This will ensure the CPAF is truly a useful instrument for planning and monitoring or evaluating the EDPRS.

76. **Moving ahead, a first step to strengthening the CPAF will be to ensure it reflects the Government's strong policy reform program.** It is important to first stress the need to maintain stability in the outcome indicators to limit the risk of the CPAF becoming a moving target thereby limiting effective evaluation. However, not capturing key reforms in the CPAF also will limit the potential of the framework for demonstrating the Government's commitment to reforms. A specific guideline would be to include in the CPAF completed key and substantial reforms that likely have a strong impact on the relevant outcome indicators. This could be achieved by allowing revisions in wording of existing actions (during the backward review). This would facilitate the use of the CPAF as an evaluation tool for the EDPRS. No new forward looking (i.e. not yet completed) policy actions would be proposed during the backward review. New and forward looking policy actions would be proposed during the forward looking review for the following fiscal year. During the forward looking review, proposals at the sector working group level and from the JBSR for revising the CPAF would be adopted. Implementation of this approach would require clear terms of reference and guidelines to be issued by MINECOFIN to the sector working groups. It would also require strong capacity support from development partners.

77. **Strong capacity support, particularly for the infrastructure sectors would be needed for improved policy formulation and coordination between the SWGs and the JBSR.** In addition to policy formulation, coordination to ensure agreements at the SWG are adequately reflected in the CPAF is also affected by low capacity of some SWGs. One suggestion is for MINECOFIN to organize sensitization or information workshops with the SWGs to inform them of the required processes for submission of policy actions and revisions to the CPAF. In addition, MINECOFIN would ensure a representative attends key SWG meetings. This would help to increase MINECOFIN's understanding of agreements reached at the SWG level and enable it to provide quality control upstream. In addition, it would enable the SWG to better lobby or present its needs to MINECOFIN in a timely manner.

V. THE PROPOSED SIXTH POVERTY REDUCTION SUPPORT GRANT

78. **The proposed sixth poverty reduction support grant (PRSG-6) is more closely aligned with the Common Performance Assessment Framework, which is prepared with Government leadership in consultation with development partners.** Overall, PRSG-6 continues to follow the areas of reforms identified under PRSG-4 in the agriculture, infrastructure and social sectors. However, PRSG-6 is now more focused on post-basic education recognizing that a more comprehensive approach to skills development is needed beyond a focus on TVET. It also reflects the fact that primary education is now the focus of the Education for all Fast Track Initiative (EFA-FTI). The program development objective is

to adopt policies and reforms that support more efficient governance and contribute to broad based growth by easing the key constraints posed by low agriculture productivity, low skills base, and the high cost of infrastructure services in Rwanda. Specific actions being supported under PRSG-6 and PRSG-7 are summarized below for the main areas being monitored under the PRSG-6, covering two flagships. The first flagship is *Growth for Exports and Jobs* which covers actions to: Enhance the skills of the population; Improve cost-effective and operational efficiency in the energy sector; Develop a Framework for Integrated and Sustainable Management of Water Resources; Increase Rural Road Access by Improving the Condition of the Classified District Road network; Raise Agricultural Productivity; and Broaden and Deepen the Financial Sector. The second flagship covered is Economic Governance and Implementation Capacity which aims to strengthen the: Public Financial Management System; Capacity and Transparency of Procurement Methods; and Implementation of Budget and Fiscal Decentralization Reforms; Civil Service Reforms and Incentives to Build Skills and Retention.

A. GROWTH FOR JOBS AND EXPORTS

(i) Invest in Human Capital to Enhance the Skills for Growth

Enhance the Skills of the Population

79. **Under the skills policy area, the development of the post-basic education (PBE) system continues to be a key focus for Government.** The sector wide approach in use in the education sector along with the medium term expenditure framework that accompanies the Education Sector Strategic Paper (ESSP) ensures continued progress in improving outcomes at the primary level and linking this to secondary and higher education. Development partners' support to reforms and outcomes at the basic level are mainly financed through the Education For All Fast Track Initiative (EFA-TI).

80. **The policy framework for TVET is in place with the publication of the policy (a prior action under PRSG-5)**. However, many TVET institutions still lack adequate resources and up-to-date curricula and equipment. TVET teachers often have inadequate pedagogical and technical training, with just under two-thirds of teachers in technical schools being qualified. There is also a need to improve the links to the industrial sectors and strengthen the demand-driven response to the private sector. GoR therefore plans to expand the TVET system taking into consideration the demand for its graduates and capacity of the system to deliver quality training. The focus of TVET expansion will be on providing high quality demand-driven training. This in turn requires strong links to corresponding industrial sectors, investment in up-to-date equipment and teaching materials, and appropriate curricula and teaching methods that include among others, adequate practical experience and assessment. TVET teachers will be provided with opportunities for pedagogical training. Implementation of this new approach to TVET policy was launched in January 2008 with Cabinet establishment of the Workforce Development Authority will now have regulatory oversight of TVET. In consultation with other stakeholders from the public and private sectors, WDA will also develop a national qualifications framework including setting quality standards. In summary, WDA responsibilities will include: identification of TVET subjects; development of standards and curricula; inspections; establishing a labor market information system to support demand driven training; training of vocational and technical teachers; training of trainers; examination and certification; seeking investors in vocational and technical training; supporting entrepreneurship development; and the establishment of a National TVET Qualification Framework. It is establishing subsidiary Integrated Polytechnic Regional Centers in each Province and Kigali City.

81. **There has been good progress in implementing the institutional and policy framework for TVET, however, analytical work completed as part of the update of the medium term policy and expenditure framework for the education sector highlights the need to have a more integrated approach to skills development and PBE.** Both Government and key stakeholders have agreed that the

approach to skills development requires a comprehensive treatment of post-basic education (PBE). Through the education sector working group, stakeholders have agreed that the approach needs to ensure all aspects and levels of the education sector are aligned to support the strengthening of PBE. In addition, there is an emphasis on ensuring that it is demand driven and responds to the needs of the private sector.

82. **In recognition of the need to look at PBE in a coherent manner in order to provide Rwanda with the skills it needs to diversify the economy, MINEDUC is developing a Post Basic Education (PBE) Strategy**. Key issues in post-basic education are:

- increasing equitable access to a more diversified student body,
- providing quality education,
- increasing the relevance and adaptability of programs to labor demand,
- improving the opportunities for vertical and horizontal student mobility within the PBE system
- establishing well-coordinated, effective and efficient management systems,
- establishing sustainable financing mechanisms

83. **A strategic framework has been elaborated for post-basic education (PBE) that incorporates the above issues with an emphasis on improving quality in secondary and higher levels of education including TVET**. The next critical step is costing of this strategy or action plan for PBE. Work is ongoing on the costing exercise and is expected to be completed by the second quarter of 2010. The Bank is working with other stakeholders (including key donors such as DFID and UNICEF, which head the sector working group, JICA,GTZ, and the Netherlands) to provide support to Government in this area.

84. **In addition, other reforms related to STI have been adopted to strengthen post-basic education and promote skills development and innovation**. Reforms have focused on establishing the institutions to support the STI policy, and ensure it is linked to the education system, such as: (i) Cabinet approval in September 2009, to establish the National Council for Science Technology and Innovation (NCSTI) that will be involved in the implementation of the cross-sector STI policy; (ii) the transfer of responsibility for science and technology from the Ministry of Science, Technology and Scientific Research (MINISTR) to MINEDUC. Cabinet also approved the establishment of a new Directorate General for STI within MINEDUC and recently appointed a new Director General (DG). Vacancies for additional staff (around 6 positions) of the new DG have been advertised. The DG will among others serve as a secretariat for the NCSTI.

85. **PRSG 4 and 5 supported reforms designed to lay the foundation for a comprehensive program to enhance the skills of the labor force**. Among the results achieved are the establishment of the National Council for Higher Education and the development of a technical and vocational education and training (TVET) system that reflects the needs of the labor market. The PRSG-5 supported the publication of the TVET Policy in 2008. Based on the policy, the development and costing of the TVET strategic plan is being developed in two parts - one for technical education that was led by JICA which has been completed; and another for vocational training which is being led by GTZ. Given it has to wait for the PBE plan, the TVET strategic plan is to be developed early in 2010. The basis for the development of the integrated TVET strategic plan is: (i) the concept paper for an integrated TVET program (issued in late 2008); (ii) the strategic plan for technical colleges; and (iii) the post-basic education costed strategy, which is to include post-basic TVET.

86. There are no prior actions under PRSG-6 for this sector. The trigger for PRSG-7 will be to ***Revise the Long Term Strategic and Financing Framework (LTSFF) and Education Sector Strategic Plan (ESSP) including the costing of PBE programs***. Other actions will include the development and

costing of the TVET strategic plan and an employers' survey to establish a baseline for employment of TVET graduates and adequacy of their training. The related indicator will be the proportion of employers satisfied with the performance of TVET graduates and the transition from basic to upper secondary education. Table 9 summarizes progress made so far in these indicators.

(ii) Improve Economic Infrastructure

Increase Electricity Access and Supply

87. **In the energy sector, the focus is on reforming the institutional framework for stronger engagement of the private sector and sustainable financing of operations and maintenance with the aim of increasing access and availability to services.** The GoR has formulated four objectives for development of the energy sector to ensure increased availability and access of energy for growth and improved service delivery:

(i) Increased access through extension and densification of the national electricity grid in order to connect at least 16 percent of the population or 350,000 connections to electricity by 2012. This includes reliable energy supply to 100 percent of health facilities and administrative offices, at least up to the sector administrative level, and 50 percent of all schools.

(ii) Introduction of cost reflective tariffs through the adoption of cheaper energy sources and the reduction of technical losses (from the current level of 20 to 15 percent by 2012) as well as the promotion of energy efficiency.

(iii) Diversification of energy sources and ensuring a secure energy supply by exploring the potential of local energy sources such as wind, geothermal, solar, and methane gas potential and the substitution of biomass with modern forms of energy.

(iv) Establishing an appropriate legal and institutional framework with related capacity building to promote increased private sector participation and facilitate increased coordination among various stakeholders in the sector.

88. **The GoR has either met or exceeded the above targets over the past year, in the energy sector.** In the case of electricity, the number of on/off grid electricity connections increased from 91,332 in 2006 to 110,000 connections in 2008 against a projected target of 100,000 connections. The number of megawatts of electricity achieved was 56 megawatts in 2008 against a projected target of 50 megawatts. A comprehensive strategy for the sector has been adopted within the framework of a SWAp (supported by the Bank, as donor as well as other key donors such as Netherlands, Belgium, AfDB, JICA and the EU). Donors are also supporting specific areas related to investments to support rural electricifation (Belgium, EU) and both hydro (OFID/BADEA) and micro-hydro (Germany and UNIDO). See also Annex 6 which provides an overview of donor activities in the areas of support of the PRSG. The legal and institutional frameworks have been established for effective operation of the restructured energy sector, and reforms are ongoing to ensure effective engagement and regulation of the private sector.

89. **In 2008, the ministry produced a strategic note on tariff, taxes and subsidies to look specifically at the cross subsidies in the sector.** The result was positive in so far as it found that recurrent subsidies could be gradually reduced and eventually eliminated as new cheaper electricity generation comes on line. This year, the ministry is going further with a full tariff and cost of service study. The outcome of this major piece of work will inform the level of "cost reflective" tariff that will be a function of operational cost, investment needs and depreciation. It will also recommend a new structure

and tariff for various customer groups balancing the cost of service and socio-economic considerations to protect the poor and support economic growth. The study is expected to be completed early in 2010.

90. **PRSG-4 and 5 supported Government actions to establish a transparent regulatory framework to engage the private sector, reduce in service cost and introduce a sustainable framework for coordination and financing of investments in energy**. The law on Electricity and Gas, governing concessions on electricity generation from the Lake Kivu project which aims to improve overall availability/supply of energy and support implementation of a transparent regulatory framework for engaging the private sector has been approved by Parliament. In addition, an MoU for the Energy sector SWAp was signed and a financing and coordination mechanism adopted to support the National Electricity Rollout Program. The program finances both on-grid and off-grid investments. Around 80 percent of financing will be used for investment in the grid line. The remaining 20 percent will be used for off-grid investments based on population density and proximity of households to the grid. Particular measures have been designed to reach poorer households through indirect services and centralized electrical or community centers. The former involves ensuring sustainable electricity to schools, health centers and community centers. Centralized electrical or community centers will provide areas where individuals can go for basic services (such as cell phone charging, use of computers, etc.), for a minimal fee. Government is also developing alternate sources of energy, with a focus on ensuring access in rural areas to energy that is affordable and environmentally friendly.

91. **As part of the effort to improve the transparency in management and governance of the utility, the water and energy utility (Electrogaz) was separated into two and the Rwanda Electrical Corporation (RECO) was created**. Earlier this year, ex- ELECTROGAZ - the Utility for water and electricity was unbundled into two separate utilities and two new corporations were created: Rwanda Water and Sanitation Corporation (RWASCO) and Rwanda Electricity Corporation (RECO), operating under the responsibility of MININFRA. The creation of RECO and RWASCO will enable more transparent and efficient tariff systems, thereby promoting improved alignment with operating costs. Government is in the process of staffing RECO to make it operational.

92. **As prior action for PRSG-6 the project Management Directorate for implementation of the National Electricity Rollout program was established in the Rwanda Electricity Corporation and made operational**. The PMD will be the unit charged with implementation of the Electricity Rollout Program and it will form a central unit of the newly established Rwanda Energy Corporation (RECO). The PMD will consolidate within the corporation all existing project-specific Project Coordination Units. Interim staff is in place who will already proceed with management of the program, while the recruitment process for permanent staff is underway. Recruitment of management staff for the PMD will soon be completed.

93. **The next needed action is to deepen reforms to develop the medium term spending and financing framework to promote efficiency and sustainability in service delivery**. A strategic and costed action plan enabling participation of local private subcontractors is to be developed. The Bank, as the lead donor agency in this area, is actively engaged in the development of the overall program as well as the action plan. Sustainability of the plan will require sound financing mechanisms for operations and maintenance. The SWAp already lays a sound foundation for the development of an MTEF. A sound tariff structure will be needed to ensure continued sustainability. ***PRSG-7 will have two triggers: (i) Tariff study (including revised tariff structure) completed and validated by Rwanda Utility Regulations Agency and MININFRA; (ii) Remove taxes on LPG to promote its use and reduce dependence on charcoal.***

Develop a Framework for Integrated and Sustainable Management of Water Resources and Ensure sustainable and affordable access to safe water supply and sanitation

94. **The main regulatory framework for water resources management has been established.** The water law was gazetted, and MINIRENA has initiated drafting of the decrees to implement the Water Law. This Law defines the regulatory framework for the use, conservation, protection and management of water resources and will allow improved planning in the water sector. Also, a natural resources board will be established to ensure effective coordination in management of Rwanda's natural resources. This Board will cover the following aspects: land, forestry, mining and water resources management. MINIRENA is currently establishing the MoU for the Sector Wide Approach (SWAP) for natural resources, to support coordination and financing, and which will include water resources management.

95. **In line with the more coordinated approach for integrated water resources management, there has been a consolidation of responsibility for all aspects of water and sanitation management under one ministry.** The responsibility for water and sanitation facilities and services is now under the Ministry of Infrastructure (MININFRA), which is also responsible for energy, transport, urban development and public works. The Ministry of Environment and Natural Resources (MINRE) is now responsible for water resources management. RWASCO has been created and the Water Law signed by the President. The drafting of the bylaws have been initiated. First drafts exist and have already been discussed in the thematic water resources management SWG.

96. **In addition to the above reforms, donors are also supporting investments to construct and rehabilitate water supply and sanitation facilities.** As noted in Annex 6, the key donors engaged in these areas are: AfDB, Australian Development Agency, Arab Fund, European Commission, JICA, UNICEF, the Netherlands, and the UN Habitat.

97. **PRSG 4 and 5 have supported reforms to improve planning and financing of maintenance.** Under PRSG-4, water supply and water resources management were mainstreamed in the budget starting with the 2008 budget. Another area of support has been toward development of the water information system (WIS) and the management information system (MIS). The MIS, (i.e., database for water supply and sanitation housed in MININFRA), is an inventory of facilities, users, quantity consumed (in rural and urban areas). The establishment of the MIS is completed and a National inventory of water supply and sanitation infrastructure has been prepared. The WIS (i.e., database for water resources housed in MINIRENA) monitors water levels, some springs, and some groundwater points. These databases will form the basis for development of a decision support system (DSS) tool to facilitate planning and allocation of water among users. The Bank is providing support toward its development through the regional project Kagera River Basin Management project. Information in the database will be used to calibrate the data for planning and will form inputs to the DSS. Further actions in developing the DSS will proceed once the water law is gazetted and decrees (by-laws) drafted to clarify which institution will be responsible for planning and allocation of water resources.

98. **Within the context of the above institutional and legal reforms, a much needed national strategy for water and sanitation has been completed.** Water Supply and Sanitation Policy (WSSP) presents the sector's approach on how to achieve the vision 2020, MDG and EDPRS objectives and breaks them down into concrete principles, objectives and actions. The objectives and statements articulated in the WSSP will be elaborated in a related Strategic Action Plan - which will be translated into action through investment projects/programs and related institutional development activities. The updated WSSP elaborates on key institutional reforms: (i) decentralization of responsibilities for rural WSS services; (ii) private sector participation; and (iii) the emerging sector wide-approach (SWAp). The policy defines sanitation in a broader sense by including solid waste and storm management. The policy document does not cover water resources management which is now under a different Ministry

(MINIRENA). With the separation of WSS services (under the MINIFRA) from water resources Management (MINIRENA), the mandate of the two ministries is now clear: WWS services are focussed on service delivery, (and thus represent water use - others are energy and agriculture). On the other hand, MINIRENA is responsible for water abstraction, discharge/pollution and development and management of water resources in an integrated manner, as well as transboundary water sources.

99. The sanitation strategy, which is an integral part of the W&S policy, articulates a coherent approach, guiding principles and objectives in addressing sanitation challenges. It provides a harmonized regulatory framework. It elaborates on the need for technological options, institutional arrangement and the need for behavioral changes. The institutional responsibilities are shared between the MINFRA and Ministry of Health. The strategy should facilitate the allocation of more resources to this program. There has been insufficient attention to the specific needs related to water sanitation as reflected by the low levels of resources allocated to this area. **There are two prior actions under PRSG-6**: (i) **Cabinet approval of the Recipient's: (a) Policy for water supply and sanitation services, which defines guiding principles and overall sector objectives to ensure sustainable and affordable access to safe water supply, sanitation and waste management services for all, and (b) National strategy for water supply and sanitation services, which sets forth a coherent approach to implementing intended policy goals in addressing sector challenges**; (ii) **Strengthen urban water supply monitoring through the adoption of key performance indicators that enables assessment of technical and financial performance of the water utility**. These actions have been achieved.

100. **To support the ongoing institutional reforms to reorganize the provision of water supply and sanitation services, Government has also established key technical and financial indicators to be monitored and reporting arrangements for operation of the new utility, RWASCO** (see Table 7 below). Specifically, the reporting format and frequency (twice - in January and July each year) have been defined. A monitoring framework is now in place for RWASCO and the required data base (value for base year and targets for the period 2009-12) is currently being developed.

101. **The next critical step will be the elaboration and adoption of a tariff structure to ensure effective operation and maintenance of the newly restructured water utility.** This is critical to ensure financial viability of RWASCO and would allow for full cost recovery and efficient service delivery and expansion without the need for annual budgetary support from the treasury. The tariff setting mechanism will take into consideration affordability and social constraints (poverty focus) or equity as major policy priorities. ***The trigger for PRSG-7 is the design of a tariff framework for urban water supply services that promotes efficiency, reliability, equity and sustainability of water use.*** To that end, under the overall direction of MINIFRA, a consultant will review the current urban water tariff and make recommendations (with options) on tariff structure and level for government consideration as well as regulatory mechanisms for oversight of the tariff system, including periodic reviews. The above actions will help to strengthen coordination, planning, implementation and monitoring leading to improved service delivery and eventually, increased access to clean drinking water and improved sanitation.

Increase Rural Road Access by Improving the Condition of the Classified District Road network

102. **Faced with a huge backlog of roads in need of rehabilitation, priority has been put on maintenance and rehabilitation of the road network, including feeder roads in rural areas.** Decentralized **administration** for road maintenance already commenced with direct disbursements of funds to districts by MINECOFIN. The Bank is providing financing for rehabilitation of the 83 km Kigali-Ruhengeri road under the Transport Sector Development Project (TSDP). Under the East Africa Trade and Transport Facilitation Project (EATTFP), the Bank is also financing the preparation of the feasibility studies of the construction of Isaka dry port, and the navigability of Akagera River. In

addition, a second transport project is planned during FY11. These efforts complement Government efforts to complete feasibility studies on regional projects related to the railway line, lake and river transport via Lake Victoria, Kivu and Akagera, and the Bugesera International Airport, all aimed at lowering transport costs. Also, several projects to rehabilitate the railway along the northern corridor to Uganda have been launched. Plans are to implement some of these projects through PPP arrangements, and others, through coordination with neighboring countries such as Tanzania and Burundi.

103. **GoR is also focused on the development of capacity in planning, project implementation, monitoring and evaluation for the sector**. A key action needed is the completion of the necessary assessments required to classify the road network as well as develop and maintain a related database. There has also been progress in ensuring a pool of qualified professionals in the sector through plans to establish the M.Sc. training program for Transport sector staff. MINIFRA is working with the Kigali Institute of Science Technology (KIST) and international universities to plan and run the courses in Rwanda with support of the TSDP.

104. **In addition, Government is working to restructure the implementing agency through the establishment of a Transport Development Board**. The board once established will be responsible for planning and execution of transport infrastructure with initial focus on the road asset. Regarding the road network, the Road Act will define responsibility for the management of the various classes of roads between the Road Transport Development Agency (RTDA) and districts and other owners such as Forest and Wildlife departments and the private sector (tea, coffee plantations). The current estimate of the length of the entire network is 41,000 km but this will be confirmed through a study to be included in the proposed new FY11 Transport Sector Support Project. The study will also build on ongoing surveys of the condition of national roads funded by the EU. It will provide comprehensive information of the condition of the entire network using an internationally recognized scale.

105. **The PER found that spending was generally aligned with EDPRS priorities in the transport sector**. The percentage of the national budget used for the transport sector (99 percent of which is roads) has grown from about 1 percent to over 6 percent surpassing the targets for 2012. The total budget for the infrastructure sector (as percentage of the national budget) now stands at 22 percent against the 19.7 percent targeted by 2012. The two main expenditures are rehabilitation, on the capital side, and maintenance for the recurrent budget. The review notes the continuing need for improved management of information across sub-sectors given the fact that almost two thirds of the transport sector expenditures are donor-funded.

106. **PRSG-4 and PRSG-5 supported the establishment of a framework for regular maintenance and rehabilitation of the road network through the adoption of the Road Maintenance Strategy**. The strategy includes a framework for maintenance and decentralization of District/Rural roads. Implementation of the strategy has progressed through the decentralized administration for road maintenance, with direct disbursements of funds to districts by MINECOFIN. The establishment of a Transport Development Agency (with an autonomous National Road Agency) has already been adopted by the Parliament. The new Agency will be responsible for managing the national road infrastructure comprising about 4,500km of national (trunk) and district (primary) roads while MINIFRA will concentrate on policy and macro planning for the sector. Capacity continues to be built through the Road Maintenance Fund; its strategic plan was adopted in April 2009. An MoU for the Sector Wide Approach (SWAP) in the Transport Sector was signed in June 2009 between GoR and Development Partners (WB, EU and AfDB). Donors are also supporting investments in rehabilitation (EU, AfDB, BADEA), construction (AfDB) and capacity building (EU). Annex 6 provides an overview of the investments in this area by donors.

107. **Financing to ensure sustainability in maintenance will be a critical factor for the upkeep of the road network.** As a result, Government moved to increase the fuel levy collected through the Road Fund. Therefore, as **prior action for PRSG-6 the government progressively increased the Fuel Levy up to 10 US cents.** In 2009, over the period June to August, the levy was increased to its current level of U.S. 11 cents per liter. The related indicator is the percent of Classified District Road Network in Good Condition.

108. Moving forward there are three critical actions needed to support effective management of funds from the fuel levy:

a) Allocation (following administrative procedures to be defined by MINECOFIN or amendment of the Road Act) of the estimated US$18-20 million annual fuel levy collection amongst National and Rural roads.

b) Signing of the annual performance agreements for fuel levy funds allocated to National and Rural roads, between the Road Fund on the one hand, and the Road Agency and Districts both of whom are responsible for the management of the overall road network, on the other.

c) Transfer of responsibility for execution of road works from the Road Fund to the Agency and District road administration. The Road Fund should retain the function of mobilizing funds and their distribution to the Agency and Districts against agreed annual or periodic programs and follow up with technical and financial audits to ensure funds are distributed and utilized efficiently for the intended purpose.

109. The above issues will be discussed with Government in the context of the upcoming joint sector and budget reviews in April, with the aim of strengthening the policy focus of the CPAF in this area.

(iii) Raise Agriculture Productivity

110. **The PRSG supports the Government's main areas of focus in agriculture, to strengthen soil and water conservation and irrigation, and reforms to develop a private sector led fertilizer distribution system.** Under the Land Husbandry, Water Harvesting, and Hillside Irrigation (LWH) Program, feasibility studies and detailed designs, including assessment of pilots and mapping, have been completed for 8 sites (exceeding the target of 4) out of 34 sites for watershed management including assessment of pilots and mapping of areas in need of protection by watershed management and terracing. The selection of the consultancy firms to carry out the feasibility studies and detailed designs for the remaining sites is expected to be completed in 2009. Other notable achievements include the completion of the Agriculture Sector MTEF 2009-2011, signing of an MoU for the Agriculture SWAp, the development of the Fertilizer Strategy and the Crop Intensification Program (CIP) – a program to promote improved use of fertilizer and other inputs, and completion of the Irrigation Master Plan.

111. **Other donors support overall implementation of the Government's strategic program in agriculture and rural development, including specific investments to build rural infrastructure to promote increased access to markets, improved water and soil management, and extension services** (see Annex 6). IFAD, Belgium and DFID provide direct project support to the implementation of the Government's program and strategy. Belgium is also engaged in a national program to support extension. IFAD supports community based watershed management and export crop production and marketing. AfDB is engaged in integrated lakes management and rural infrastructure development. The Netherlands and FAO are involved in extension and food security activities, and JICA supports investments in water management. The EU provides sector (as well as general) budget support and also has projects to support increased exports and stabilize export earnings. Finally, UNDP is engaged in soil and land management.

112. Donor and government activities are coordinated through the strong and effective operation of the SWG. The above mentioned areas of donor support contribute to the key goal of raising agricultural productivity and support the Government's programs geared toward improved input use, particularly fertilizer and seeds. It also supports Government measures to improve irrigation, water management and soil conservation.

113. **The PRSG-6 is supporting Government actions to strengthen the private fertilizer distribution system.** The development and implementation of an action plan to promote private sector-led fertilizer procurement and distribution system has started with the commissioning of a study to draw lessons from the pilot system in Season 2009 A (September 2008 to January 2009). A draft action plan was formulated and shared with the Agriculture Sector Working Group. The SWG found that the study did not adequately incorporate all the important lessons learned from the pilot voucher system and recommended that further work is needed. The Bank, along with the Government, is co-chair of the SWG and is providing regular support in the development of the action plan. **The prior action for PRSG-6 is to develop an action plan for a private sector-led fertilizer distribution system based on key lessons from 2009**. This action is achieved. The wording for this action has been modified slightly from the previous operation (by the agriculture SWG) with the aim to more precisely reflect the actions being taken to put in place the private sector-led system.

114. **Follow-up actions to the development and costing of the capacity support and the private-sector led fertilizer distribution system will require the amendment, endorsement and discussion of the fertilizer strategy with key stakeholders in country** (through the Agriculture Sector Working Group). It is important to ensure there is an exit strategy for MINAGRI in input distribution and subsidization. To this end, there is also a need to finalize the action plan for fertilizer distribution to ensure there is adequate incorporation of lessons learned (based on the successfully completed evaluation study for 2009A). Particular attention needs to be paid to the features that promote private sector leadership in the distribution system. Accordingly, an assessment of changes introduced on-the-ground into the system in 2009A would be an important input into the finalization of the action plan for fertilizer distribution.

115. **Along with efforts to improve private sector engagement and distribution of improved inputs, there is also a critical need to support farmers in their effective use of these inputs.** The overall framework for strengthening extension is being supported by the Belgians who are financing the national extension strategy. In addition, the Bank has commissioned an extension assessment study for the LWH project to diagnose the extension system and look at specific gaps to be filled in LWH sites. To complement the actions to improve the extension system, there will be a need to elaborate a strategic action plan for capacity support to farmers. Therefore, ***the trigger for PRSG-7 is to develop, cost and initiate an action plan for capacity building of private sector agro-dealers in input procurement and distribution, particularly at decentralized levels.***

(iv) Broaden and Deepen the Financial Sector

116. **The financial sector remains weak, and much remains to be done to build capacity and professionalism in the industry if it is to play a significant role in providing financial services to a broad cross section of urban and rural Rwandans.** The Government, along with the World Bank and several other development partners are providing support to strengthen the sector (prudential oversight, training, MIS, refinancing lines, audit, etc.).

117. **The PRSG supported the Government's efforts to improve access to financial services, with a focus on micro-finance and rural finance.** Under PRSG-4, a policy on microfinance and a related law, in line with international good practice, was developed. PRSG-5 supported the signing of an MoU

was between BNR and MINAGRI to fund investments in the rural sector, through the second Rural Investment Facility (RIF 2). The Bank is also supporting the modernization of the payment systems by assisting BNR in introducing a Real Time Gross Settlement system and Automated Clearing House, which are expected to be operational in 2010.

118. **A critical action to support increased banking and monetization of the economy is the development of the payment system.** The PRSG-6 trigger as defined in the PRSG-5 program document was to adopt an appropriate legal and regulatory framework for national payment systems, credit bureau, and secured transactions. The wording of the prior action was revised to reflect the fact that the regulation on Payment Services Providers is ready and waiting to be published. However, this can only happen after the Payment Systems law is gazetted because it is the basis for the regulation. The draft Payment Systems law has been approved by Parliament and is waiting to be gazetted. **The prior action for PRSG-6 is adoption by Parliament of a law governing payment systems in the financial services sector, and development by the central bank of proposed regulations governing payment service providers in the financial services sector.** This action is achieved.

119. **The Bank will also support Government's efforts to improve access to finance, particularly rural finance.** A recent DFID-financed financial access survey shows that Rwanda is characterized by a high level of financial exclusion. Little over 50 percent of Rwandan adults have access to any form of financial services and only 14 percent of the adult population is banked. These figures are worse for rural women and men, than for urban. The results of the survey have prompted DFID and the Government to recently propose a financial access trust to better focus and coordinate Government and development partner financial access initiatives through a company limited by guarantee (CLG) model. The PRSG series will continue to support policy reforms to promote increased access to rural finance by households. ***The triggers for PRSG-7 are a comprehensive framework of support to SMEs (including consolidation of financing mechanisms) is designed by MINECOFIN and adopted by Cabinet; and publish the Regulation governing Payment Service Providers.***

120. **The above policy actions complement some of the activities being supported under the LWH, such as:** (i) pilot rural and agricultural finance products (e.g. targeted savings, insurance and leasing); (ii) financial literacy for rural women and men; (iii) capacity building for financial access in rural organizations (e.g. cooperatives developed through LWH support).

B. IMPROVE ECONOMIC GOVERNANCE AND DEVELOP IMPLEMENTATION CAPACITY

Strengthen the Public Financial Management System

121. **In the area of PFM, a reform strategy and action plan was approved in 2008, and institutional arrangements established to monitor progress in its implementation, including the incorporation of seven PFM indicators into the CPAF.** In that regard, a PFM Reform Steering Committee chaired by the Permanent Secretary and Secretary to the Treasury, MINECOFIN was re-constituted to oversee and coordinate PFM reforms. In addition, a PFM reform coordination secretariat has been established.

122. Progress in PFM reforms was also made in the areas of debt management and financial reporting and audits. The Debt Management Strategy was completed towards the end of 2008, and has been adopted by the Government of Rwanda. A debt manual is currently being drafted that will help to make the strategy operational. Government also completed a financial reporting template that is used by all Budget Agencies when preparing year-end financial statements. According to the Auditor General's report for the year ending December 31 2007, issued in 2009, only fourteen institutions failed to submit financial statements for the year 2007. An Internal Audit Charter was adopted and published on the website in 2008. The Charter also has a code of ethics for the internal audit staff. In 2008, a total of 88 Internal Audit Reports were produced (66 at the central government level and 22 and local government level) representing about 30 percent of budget agencies, and a significant improvement over the previous year. An estimated 85 percent of districts and only about 30 percent of central government agencies submitted internal audit reports. The quality of audit reports remains a challenge. To address it, the Office of the Chief Internal Auditor has started a process of standardized reporting and is now in the process of recruiting a firm to help build its capacity to conduct payroll, financial, value-for-money, systems and risk-based audits.

123. **The OAG is now finalizing the audit report covering FY ended Dec 31, 2008; however it needs substantial capacity support**. The OAG is investing in training for its staff but the skills acquired are rare on the market, which makes it difficult for OAG to retain those who have accumulated relevant experience and useful training. At this time, OAG does its audits with at least 50 percent of staff being new recruits. To complete the audits and produce quality reports, the office relies on technical assistance. OAG's capacity to retain technical assistance has so far depended on its partnership with the Netherlands Court of Audit, and until recently, with the Swedish Audit Office, through a support project to OAG. The project is due to end in 2010 and a reduction in the quality of the audit work could be the immediate impact if OAG is no longer able to hire technical assistance thereby relying on its staff whose stability has been difficult to ensure.

124. In the PFM reform area, overall, the ongoing challenge remains building capacity in public accountancy and managing the transition from the current budgeting and accounting systems to an integrated financial management information system. An important aspect of the PFM Reform Strategy is to professionalize government PFM staff, through enrollments into the ACCA professional qualification. The first intake had a very poor pass-rate, but GoR is incorporating lessons learnt into a revised design for this activity. Progress on this activity has been slow, given the rather complex and technical nature. A second phase is currently in the procurement process. The main donors supporting reforms and capacity in the PFM Action plan are: World Bank, EU, GTZ, AfDB, DFID, Netherlands, and Sweden.

125. **The PRSG series has focused support on Government actions to improve transparency through the strengthening of the budget monitoring and reporting system**. The Public Books module of SmartGov has not been finalized. The Government conducted a Quality Assurance Review on the IFMIS, in April, which indicated some shortcomings. The report showed that user involvement and testing lags behind the momentum of the IT development, and specific user interests and needs of ministries for financial information requires greater attention. Consequently, the GoR has revised its roll out plan. The roll out plan now is to be piloted it in key Ministries by 2010, and rolled out to central government and integrated with the payroll system by 2011, then rolled out to districts in 2012.

126. **Development of the IPPIS is extremely important in strengthening the government's ability to manage resources within the public sector**. Overall, IPPIS development appears to be progressing satisfactorily. It provides a framework for interaction between MINECOFIN and MIFOTRA, which is the backbone of a well performing resource management system. However, there is scope for this important relationship to be further explored and strengthened. A progress review was conducted by Adam Smith International (ASI) earlier this year and found key gaps with regards to the need to document system functionalities and instructions for use of the system. Currently the payroll information contains large data gaps and plans are in place to undertake a national census to obtain missing data. The census is fairly low in technical requirements and plans appear to have been reasonably well done. However, once again, it will be important to ensure coordination and mainstreaming of the census exercise into all the functions of MIFOTRA and the IPPIS.

127. **One test of the IFMIS system will be the ability of budget agencies to use it to produce financial statements**; however, there is still some work to be done before this is achieved. Most budget agencies have submitted fund accountability statements for 2007 and 2008 in line with a financial reporting template developed by Government with assistance from Price Waterhouse Coopers. Budget agencies did not use Public Books to prepare their fund accountability statements. Government has used the same template for the consolidation of financial statements for the year ending December 31 2007. The same template will also be used for the 2009 statements.

128. **The PRSG has supported development of the IFMIS and capacity development for implementing procurement reforms at the central level of government**. The completion of the PublicBooks software will facilitate the improvement of budget preparation, reporting, and accountability in budget agencies, and increase transparency. In the effort to strengthen capacity and transparency of procurement methods, the PRSG has supported the publication of regulations, standards and bidding documents. Bidders on public procurement contracts now have access to independent recourse to appeal contract awards. In line with this achievement, Government is now publicly publishing the independent review of appeals (which was previously an internal Government document).

129. **The prior action for PRSG-6 is adoption of the Payroll Module (subsystem) of the integrated personnel payment information system installed in central government ministries**. This action is achieved. It would be impossible to produce a truly consolidated financial statement without also fully capturing wages and salaries in the system. Ensuring that wages and salaries are captured will improve transparency and eliminate potential errors that could arise through manual entry or manipulation of data. **The *trigger for PRSG-7 is to complete the piloting of the IFMIS in central government and integrate it with the IPPS (Payroll module)*.**

Strengthen Capacity and Transparency of Procurement Methods

130. **The needed institutional and legal reforms for establishing a modern procurement system within international good practice has been achieved in Rwanda**. A procurement law was adopted in April 2007, and the RPPA established in February 2008, with the aim of establishing an institutional framework for oversight of procurement that is in line with internationally accepted standards. Rwanda is a proposed pilot for the use of country systems and has made progress in some key areas that include: (i) the imminent approval of the new organization chart of RPPA; (ii) the integration of procurement controls in the action plan for internal audit by the Chief Internal Auditor's Office; (iii) the preparation of draft codes of conduct by RPPA, specific to procurement staff; (iii) the elaboration of a mechanism for measuring staff performance including procurement as part of the public service performance management; and (iv) launching the process of recruiting a consultant for the preparation of a user guide procurement manual. The next critical step involves capacity development and support for procurement practices. An indication of that capacity will be the ability of procuring agencies to submit plans to MINECOFIN and the level of transparency in the system.

131. **The prior action for PRSG-6 is that at least eighty percent (80%) of all procurement agencies submit a procurement plan that is consistent with their allocated budget proposal, to MINECOFIN, and RPPA publishes at least 60 percent of such plans on its website**. The procurement law indicates that procurement planning is mandatory. However, despite several reminders sent by RPPA, some procuring entities still are not enforcing this requirement. As a corrective measure, the Bank and GoR missions suggested that budget approval be conditional on submission of a procurement plan. This will be controlled by MINECOFIN since it is the institution that approves budgets. Consequently, as of the first half of 2009, roughly 88 percent of budget agencies have submitted procurement plans, as compared with 52 percent in 2008.

132. In order to reinforce progress made to improve procurement practices and transparency, the ***trigger for PRSG-7 is amend the procurement law to increase efficiency and transparency of public procurement.*** Following reforms to establish the RPPA, amendment of the law is necessary to ensure its provisions are in line with: (i) the new mandate of the recently created RPPA; and (ii) the COMESA framework in this area. It would also clarify the scope of the law, definitions of certain procurement methods such as restricted tendering, prequalification, application of confidentiality, appeal procedures, definitions of those subject to this law, participation of government owned entities in bidding, broadening of fraud and corruption definitions, and ensure the consistent use of terminology in general. ..

Strengthen Implementation of Budget and Fiscal Decentralization Reforms

133. **Since the initiation of fiscal decentralization reforms in 2006, there has been a steady increase in the absolute and relative amount of transfers to local governments.** Transfers have increased from 8.8 percent of total budget to an estimated 13 percent in 2008. However, there is the issue of a multiplicity of earmarked grants that constrain efficient planning and autonomy of the districts, and strains capacity. A draft Fiscal Decentralization Strategy has been prepared and is under review. There is an ongoing initiative to streamline and rationalize these transfers. But, effective rationalization can only take place when an effective system for reporting on achievements has been adopted by the Districts. This will first require a reinforcement of capacity at the local level.

134. PRSG-4 supported the adoption of a budget software at District levels and the production of the first budget execution report by Districts (for the period January to June 2007). Government has also adopted various community based monitoring and accountability arrangements to promote increased accountability. For example, the Joint Action Forum (which brings together stakeholders involved in service delivery at the District level, including NGOs and civil society) to improve coordination of district interventions, produces a District Performance Review which is published on the Government's website. The production of citizen report cards is another means of engaging the local citizens in improving service delivery. **The prior action for PRSG-6 is conduct an assessment of service delivery at local level with Citizen Report Cards and Community Score cards.**

135. **The results of the nationally representative Citizen Report /Community Score cards rank administration highest and infrastructure and agriculture services the lowest in terms of satisfaction.** Administration received a 72 percent satisfaction rate. The next highest score went to health (at 68 percent), followed by education, justice, hygiene and sanitation all of which received satisfaction rates above 50 percent. Infrastructure, and in particular rural roads, received a satisfaction rate of 49 percent and agriculture of 44 percent. However, the satisfaction rates for infrastructure and agriculture improved by roughly 9 percentage points compared to the 2008 exercise. The report explains that the high satisfaction rate for administration is likely due to the decentralization process and local government being closer to the citizens. Communities appreciated this. However, the report noted that the rankings may be highest for those areas where citizens are not aware of what they should expect in terms of services. The report suggests that the ranking for administration may be lower during next year's exercise, following the publication and dissemination of the Citizens' Charter by MIFOTRA. The Charter will summarize the roles and responsibilities of government officials to citizens. MINALOG is currently disseminating results of the score cards to the sector ministries. Further action will be taken following full dissemination of results to sector ministries and discussion at cabinet level. Local government capacity to implement and respond to citizen needs is one area that will need improvement.

136. **Government has take steps to build local capacity.** In 2009, a new local Administrative structure was developed where staff numbers will be increased especially at the sector and cell levels to reinforce local capacities. In this new structure the cell will have two staffs and the number of staff at Umurenge level will increase from five staffs to nine. There has also been a variety of capacity building

training events for community development committees and Tax Advisory councils. In the area of own revenue generation, and in line with the new structures, there was a modification of the Presidential decree no 02l01 of 31/03/2008 establishing the list of fees charged by the Districts and determining their limit, which has been approved by Cabinet. A consultancy to help build districts' capacity for revenue mobilization is ongoing and on track. Reporting by districts is one of the areas that is still challenging due to the chart of accounts and budget classification that has not yet been harmonized. GoR intends to strengthen consultations with districts on budget allocations, which have been quite weak in the past. Finally, the Ministerial order determining the use of funds allocated at sector level was developed and approved by Cabinet. The PRSG series will continue to support efforts to strengthen local reporting capacity. ***The trigger for PRSG-7 will be to adopt and operationalize a comprehensive 5-year capacity building strategy for local government.***

Adopt Civil Service Reforms to Build Skills, Incentives and Retention

137. **The main issues related to the civil service are as follows**: (i) underdeveloped core systems related to management information, monitoring and performance management systems—which are currently being developed by MIFOTRA; (ii) understaffing of central ministries in key policy areas; (iii) existing organizational structures adopted by most ministries that are not aligned with their functional responsibilities. PRSG-5 supported the completion of functional reviews in six ministries (i.e. Finance and Planning (MINECOFIN), Public Service and Labor (MIFOTRA), Education (MINEDUC), Infrastructure (MININFRA), Land and Environment (MINITERE), Health (MINSANTE) which is informing reforms to the career progression and remuneration system of the civil service. It is also being used to strengthen the coordination of functions and structures of ministries.

138. Support under the PRSG will complement the technical assistance being provided under the Bank's Public Sector Capacity Building Project (PSCBP) to support skills development and staff retention in the civil service, and strengthen coordination of functions and structures. Triggers under the PFM section are focused on developing the IFMIS and integrating this with payroll and HR which will complement the areas of support related to civil service reform and facilitate the availability of information to enable rigorous audits of MIFOTRA. **The prior action for PRSG-6 is Cabinet approval of the organic framework reflecting agreement between the Ministry of Public Service and Labor and all central government ministries on staffing levels and ministerial structures for optimal performance within fiscal.** Following a restructuring exercise, new 'cadre organiques' with agreed numbers of staff and required job profiles for the central and local government institutions were approved by the Cabinet in June 2009. MINECOFIN and MIFOTRA have agreed that the impact of these reforms is within fiscal limits. The Government also recognizes that to recruit talented, skilled, hardworking and dedicated people into public service, and retain their services over time, it is critical to develop a comprehensive and affordable pay and retention policy. Therefore, ***the trigger for PRSG-7 is pay and remuneration policy drafted and endorsed by key stakeholders on civil service reform and adopted by Cabinet.***

Table 7: Evolution of Prior Actions for PRSG-6 to Align with the CPAF

PRSG-6 Trigger (as proposed in the PRSG-5 Operation)	Evolution to PRSG-6 Prior Action	Comments
Actions in the PRSG that were Changed or Added		
Develop and Cost TVET Strategic Plan		**Action is modified**: The action as defined under PRSG-5 has been modified and will be a trigger for PRSG-7. The modified wording is now as follows: Revise the Long Term Strategic and Financing Framework (LTSFF) and Education Sector Strategic Plan (ESSP) to include greater focus on and cost of PBE and linkages to the labor market and STI. This new action now encompasses all aspects of post-basic education including TVET. The change was needed to allow a more comprehensive treatment of skills development encompassing all forms of post-basic education. The ESSP and LTSFF are under development. The plan will be completed early in 2010.
Establish a unit cost reflective tariff for electricity generation	Project Management Directorate for implementation of the National Electricity Rollout program established in the Rwanda Electricity Corporation and made operational	**Met:** The institutional structure for the Project Management Directorate (PMD) has been approved and interim staff appointed. Establishment of the PMD is critical for operationalizing the Electricity Rollout program. Recruitment for permanent staff is currently ongoing. This action replaces the action on establishing cost-reflective tariffs. Due to delays in launching the tariff study, the action related to the establishment of the tariff has been postponed to PRSG-7. The tariff study is now projected to be completed end-June 2010. .
.	Cabinet approval of the Recipient's: (i) Policy for water supply and sanitation services, which defines guiding principles and overall sector objectives to ensure sustainable and affordable access to safe water supply, sanitation and waste management services for all, and (ii) National strategy for water supply and sanitation services, which sets forth a coherent approach to implementing intended policy goals in addressing sector challenges Adoption of key performance indicators enabling assessment of the technical and financial performance of the Recipient's water utility, thereby strengthening urban water	**Met**. The sanitation strategy has been prepared and the national water and sanitation policy updated, validated at the sector working group level and submitted to Cabinet. The key elements of the Sanitation Strategy have been used to update the Water and Sanitation Policy (WSP). The WSP outlines government's vision for the sector, institutional framework and key actions to achieve the MDG and government targets for the sector. The policy clearly separates the issue of solid waste, drainage and waste water. It also outlines a vision for sanitation policy in urban and rural areas, rural water supply and the professionalization of service providers and private sector development aspects, including regulation. **Met**. The key technical and financial indicators to be monitored along with the reporting format and frequency (twice - in January and July each year) has been elaborated by the utility. The utility has put in place a monitoring framework and prepared the required data base (value for base year and targets for the period 2009-12). This work has linkages with the AfDB funded study on M&E systems for the water sector and the draft consultant report is being reviewed by MINIFRA.
	Progressively increase the fuel levy from Rwf. 23.43 to 62 (or US 11 cents equivalent) by Sept 2009	**Met**: This action is a result of policy discussions which identified the criticality of putting in place a sustainable source of finance for road maintenance. The fuel levy was increased from FRw 23.43 to 33.27, 54 and 62 in July, August and Sept, respectively. At FRw 62, it is equivalent to 11 US cents and accounts for about 7.2 percent of the fuel pump price.
Adopt appropriate legal and regulatory framework for national payment systems, credit bureau, and secured transactions	Adoption by Parliament of a law governing payment systems in the financial services sector, and development by the central bank of proposed regulations governing payment service providers in the financial services sector	**Met:** The Payment Systems Law has been passed in Parliament and is waiting to be gazetted. In the meantime, the regulations to accompany the law have been completed and will be issued as soon as the Payment Systems Law has been gazetted.

All procuring agencies submit a procurement plan to MINECOFIN with their budget proposal and RPPA publishes the procurement plans on its website	At least eighty percent (80%) of all procurement agencies submit a procurement plan that is consistent with their allocated budget, to MINECOFIN, and RPPA publishes at least 60 percent of such plans on its website.	**Met**: 88% of all government agencies have submitted procurement plans that are consistent with their budget. In addition, RPPA has published consolidated procurement plans for 60 percent of those procurement plans submitted to MINECOFIN. Due to capacity and technical constraints related to the development and maintenance of the website and preparation of plans not all plans were submitted (as initially targeted). As a corrective measure, WB and GoR missions have noted the need for additional capacity support. Government has also decided for the next budget year, as an additional incentive, budget approval will be conditional on submission of a procurement plan.
Actions in the PRSG that remain unchanged or that have modified wording		
Develop and implement action plan to promote emergence of private sector-led fertilizer procurement and distribution system	Develop action plan for private sector-led fertilizer distribution for September 2009-January 2010 harvesting season based on key lessons from the September 2008-January 2009 harvesting season; action plan endorsed by the Ministry and shared with the Rural Sector Working Group.	**Met**: The development, adoption and implementation of the action plan has started with the pilot auction and is currently being refined. Over the four auctions related to Season 2009A, 10 bidders submitted winning bids. These bidders represented a mix of private fertilizer dealers, cooperatives, and middlemen.
PublicBooks pilots completed and rolled out to all budget agencies and integrated with the payroll system	Payroll Module (subsystem) of the integrated personnel payment information system installed in central government ministries	**Met**: Due to lack of Internet connection, the payroll module is currently centrally run by MIFOTRA. Once the fiber optic system is in place, it will be rolled out to all Government institutions. The Public Books module underwent quality assurance review in April 2009. The review indicated some shortcomings and consequently the GoR has revised its roll out plan to all Government institutions. The roll out plan now is to be piloted in key Ministries in 2010, and roll out to central government and integrate it with the payroll system by 2011, then roll out to districts in 2012.
Adopt and operationalize a comprehensive 5-year capacity building strategy for local government	Conduct an assessment of service delivery at local level with Citizen Report Cards and Community Score cards	**Met**: The assessment of service delivery has been completed and is used as a basis to improve service delivery and accountability to communities. The main results of the report are that satisfaction with government services is highest in education and health and lowest in infrastructure, particularly rural roads and agriculture. This action replaces the previous one related to capacity building for local government. Due to staff turn-over and ongoing administrative reforms related to decentralization, work to consolidate various needs assessments and strategies for supporting capacity at the local level has been delayed. However, some aspects have already begun implementation. For example, a variety of capacity building training events, for community development committees and Tax Advisory councils have been completed.
MIFOTRA agrees with PRSG ministries on staffing levels and ministerial structures for optimal performance within fiscal limits	Cabinet approval of the organic framework reflecting agreement between the Ministry of Public Service and Labor and all central government ministries on staffing levels and ministerial structures for optimal performance within fiscal	**Met**: Following a restructuring exercise, new 'cadre organiques' with agreed numbers of staff and required job profiles for the central and local government institutions were approved by the Cabinet in June 2009.

Table 8: Prior Actions for PRSG-6 and Triggers for PRSG-7

EDPRS Areas of Support	Operations Aligned to the CPAF		
PRSG 5 to 7 Outcomes to be Monitored	**Prior Actions by end of 2008 PRSG-5**	**Prior Actions by end of 2009 PRSG-6**	**Indicative Triggers/ Prior Actions by end of 2010 PRSG-7**
Invest in Human Capital and Skills for Growth and Promote STI	Publication, of the Policy on Technical and Vocational Education and Training (TVET)		Revise the Long Term Strategic and Financing Framework (LTSFF) and Education Sector Strategic Plan (ESSP) to include greater focus on and cost of PBE and linkages to the labor market and STI
Improve Economic Infrastructure	Submission to Parliament of a new law on electricity and gas	Project Management Directorate for implementation of the National Electricity Rollout program established in the Rwanda Electricity Corporation and made operational	Tariff study (including revised tariff structure) completed and validated by Rwanda Utility Regulations Agency and MININFRA Remove taxes on LPG to promote its use and reduce dependence on charcoal
	Establishment of a water and sanitation management information system, including a national inventory of water and sanitation infrastructure	Cabinet approval of the Recipient's: (i) Policy for water supply and sanitation services, which defines guiding principles and overall sector objectives to ensure sustainable and affordable access to safe water supply, sanitation and waste management services for all, and (ii) National strategy for water supply and sanitation services, which sets forth a coherent approach to implementing intended policy goals in addressing sector challenges. Adoption of key performance indicators enabling assessment of the technical and financial performance of the Recipient's water utility, thereby strengthening urban water	Design of a tariff framework for urban water services that promotes efficiency, reliability, equity and sustainability of water resources
	Adopt a Road Maintenance Strategy (including the framework for maintenance and decentralization of District/Rural Roads)	Progressively increase the fuel levy from Rwf. 23.43 to 62 (or US 11 cents equivalent) by Sept 2009	
Raise Agricultural Productivity and Value Added Exports	Completion of feasibility studies on watershed management in at least four (4) out of the thirty-four (34) sites identified for watershed management and terracing under the Land Husbandry, Water Harvesting, and Hillside Irrigation Program,	Develop action plan for private sector-led fertilizer distribution for September 2009-January 2010 harvesting season based on key lessons from the September 2008-January 2009 harvesting season; action plan endorsed by the Ministry and shared with the Rural Sector Working Group.	Develop, cost and initiate action plan for capacity building of private sector agro-dealers in input procurement and distribution, particularly at decentralized levels
Broaden and Deepen the Financial Sector	The signing of an MoU between BNR and MINAGRI to support investments in the rural sector under the second Rural Investment Facility (RIF 2)	Adoption by Parliament of a law governing payment systems in the financial services sector, and development by the central bank of proposed regulations governing payment service providers in the financial services sector	A comprehensive framework of support to SMEs (including consolidation of financing mechanisms) is designed by MINECOFIN and adopted by Cabinet Publish the Regulation governing Payment Service Providers
Develop and Enhance the Public Financial Management System	Completion of development of the PublicBooks software	Payroll Module (subsystem) of the integrated personnel payment information system installed in central government ministries	Complete the piloting of the IFMIS in central government and integrate it with the IPPS

Strengthen Capacity and Transparency of Procurement Methods	Publish the independent review (appeal) panel report	At least eighty percent (80%) of all procurement agencies submit a procurement plan that is consistent with their allocated budget, to MINECOFIN, and RPPA publishes at least 60 percent of such plans on its website	Amend the procurement law to increase efficiency and transparency of public procurement
Strengthen Implementation of Budget and Fiscal Decentralization Reforms		Conduct an assessment of service delivery at local level with Citizen Report Cards and Community Score cards	Adopt and Operationalize a comprehensive 5-year capacity building strategy for local Government
Adopt Civil Service Reforms to Build Skills, Incentives and Retention		Cabinet approval of the organic framework reflecting agreement between the Ministry of Public Service and Labor and all central government ministries on staffing levels and ministerial structures for optimal performance within fiscal limits	Pay and remuneration policy drafted and endorsed by key stakeholders on civil service reform and adopted by Cabinet

Box 2: Good Practice Principles on Conditionality

Principle 1: Reinforce country ownership
The Government of Rwanda has a strong track record in committing to and implementing reforms. The PRSG supports the Government's program, the Economic Development and Poverty Reduction Strategy (EDPRS), which was developed in a participatory manner involving extensive consultation of a wide range of stakeholders (including civil society, farmers organizations, and NGOs). The process was led by a National Steering Committee, comprised of Ministers and Governors, providing high level guidance. The Bank has actively supported the Government in this process. Furthermore, Government coordination with development partners and its preferred modality for donor funding is defined in the Aid Policy that articulates the Government's vision for improved aid management and policies.

Principle 2: Agree up front with the government and other financial partners on a coordinated accountability framework
The Government and the budget support donors have agreed on a common assessment framework for public financial management (PEFA). In addition, under the Government's leadership and working closely with development partners, a common performance assessment framework (CPAF) was completed and adopted in 2008. The CPAF is based on the policy matrix of the EDPRS and represents a time bound and monitorable action plan. PRSG-4 was a transition operation toward development of the CPAF. Under PRSG-6 alignment with the CPAF review process has been improved and with PRSG-7, there will be full alignment with the CPAF review process.

Principle 3: Customize the accountability framework and modalities of Bank support to country circumstances
The PRSG series is fully aligned with the EDPRS priority areas. It benefits from the extensive consultations that were led by Government in identifying priority areas for the EDPRS. These consultations were conducted within the Government's participatory planning framework or ubudehe process. PRSG preparation also benefits from the extensive consultations through the sector working groups of the EDPRS implementation process. Each key sector of the EDPRS (and therefore of the PRSG) coordinates its sector policies through a sector working group (SWG). SWG membership includes both government and non-government representation (i.e. donors, civil society, local organizations and NGOs). The PRSG should be seen as the overall umbrella for Bank support and policy dialogue, which is complemented by specific projects providing focused investment assistance. Rwanda has established a track record in budget support and project implementation, therefore budget support is seen as the ideal instrument to address a broader range of issues with reduced transaction costs while at the same time strengthening the Government's systems.

Principle 4: Choose only actions critical for achieving results as conditions for disbursement
The PRSG focuses on a few selected triggers and prior actions, representing critical steps for implementing the Government's program. They are based on the EDPRS policy matrix and evolved from extensive discussion with the Government and other relevant stakeholders.

Principle 5: Conduct transparent progress reviews conducive to predictable and performance-based financial support
A full review of the program takes place in line with the reviews agreed in the Partnership Framework between the Government of Rwanda and the budget support donors. Joint budget reviews take place twice a year, aligned with the budget cycle. A secretariate in MINECOFIN has taken over the lead role in coordination and preparation of the reviews. A harmonization calendar is in place, providing the time line for key reviews. In addition, sector working groups (SWGs) conduct sector reviews, aligned with the budget cycle, and which form the basis for the Joint Budget Review (JBSR).

VI. OPERATION IMPLEMENTATION

A. POVERTY AND SOCIAL IMPACTS

139. The Government is committed to understanding the distributional and poverty reducing impacts of the areas of focus of the PRSG operation as well as the potential impacts of specific policy actions supported under this operation. Analysis undertaken in the context of the CEM highlighted the importance for growth and poverty reduction of investments and reforms to ease infrastructure constraints (particularly in rural areas), and improve agriculture productivity. In terms of skills development, recent analysis estimates 24 percent of inequality in Rwanda arises from differences in educational attainment which causes significant earning gaps so that public policy directed at expanding education can have an equalizing role in the future. These studies support the focus of this series of PRSGs aimed at improving skills.

140. **In the case of PRSG-6, the specific policies or reforms that may have potential poverty and social impacts pertain to reforms to: (i) develop a private sector led fertilizer distribution system; (ii) increase user fees or tariffs for delivery of economic services**. The design of a private sector led fertilizer distribution system has demonstrated positive effects for those crops and areas where the program has been piloted. The design of the system takes into account differences in access between men and women tied to differences in access to micro-credit and assets for borrowing. A component of the program targets fertilizer vouchers to small holder wheat and maize producers, a significant proportion of which are women. Overall, yield increases have contributed to an average growth in the agriculture GDP of 10 percent over 2008 and the first half of 2009. This contrasts with the average trend growth of 3.4 percent over the period 2004 to 2007. In addition, these growth trends enabled Rwanda to not only be self-sufficient in basic food production, but also to export goods to neighboring countries, including during the recent food price crisis. The program has also led to improved fertilizer use and higher yields for the key food crops targeted. This has contributed to the recently measured improvements in food security. Based on data from the NISR, in 2006, 7 percent of households were considered as having poor food consumption scores and 28 percent had moderate scores. As of 2009, 4 percent of households now have poor food consumption scores and 17 percent have moderate scores.

141. **In the case of the energy sector, results from an analysis of the poverty and social impacts of the previous increase in the flat energy sector tariff rate is being used to inform design of the tariff to be sensitive to the needs of the poor while also covering costs**. The tariff structure will be based on a block life-line system. Lower tariffs for households in the poorer income brackets will increase the uptake rates of the electricity roll-out program, making it affordable for a large proportion of households and enabling them to connect and consume electricity. Analysis completed so far shows that affordability will be the main barrier to achieve Government's target (as outlined in the Vision 2020) of 35 percent access to electricity. Further in depth analysis is planned on the precise structure of the lifeline and the implications for covering costs and ensuring equitable access for poorer households. The needed tariff study, along with the design and implementation of the tariff is one of the actions being supported under the PRSG VI operation.

142. **In the water sector, the ongoing tariff study will make a clear distinction between average tariffs and average household income for all users**. The average tariff is the relevant concept in assessing the financial viability of utilities and service providers, while the tariff for an average household is the most relevant concept in assessing affordability. The latter takes into account poverty considerations and is typically much lower than the former because of cross-subsidies between user groups and the use of increasing-block tariffs. The affordability of the water tariff structure will be assessed by comparing the water bill with average household income and with the income of a household

living at the poverty line. The results of this work will inform the design of a water tariff that allows coverage of operating costs while accounting for equity.

143. **In the roads sector, the 10 US cents increase in the fuel levy adopted this year, is not expected to have any adverse poverty impact**. Expectations are that more roads will be maintained in good condition thereby easing market access and reducing transport costs for agricultural produce. In addition, the increased fuel levy will have no impact on the pump price because Government has simply reduced its taxes as it increased the levy. Changes in the pump price will therefore come mainly from changes in international prices for fuel.

144. **In general, the assessment of the poverty and social impact of the measures proposed by the EDPRS and supported by the PRSG is carried out in the context of Rwanda's EDPRS monitoring system**. It involves an analysis of the household living conditions and demographic health surveys and, among other things, poverty trends and dynamics every five years. The surveys which cover the entire country provide a rich source of information on household socio-economic characteristics, including consumption expenditures, employment, and access to social services, etc. The surveys will be complemented by annual integrated poverty assessments to enable mid-course adjustments towards reaching identified goals and targets set over a 5 year period.

B. IMPLEMENTATION MONITORING AND EVALUATION

145. **Monitoring and evaluation arrangements will continue to rely on government arrangements with the aim of strengthening government capacity and institutions**. The Government has developed in close collaboration with partners, including the Bank, a results and performance framework integrated into the planning and budgeting processes for monitoring the EDPRS. The integrated results framework/monitoring system consists of three components: a National Results and Policy Matrix; a Common Performance Assessment Framework; and a Development Partners' Assessment Framework. It has also designed appropriate institutional settings to monitor its implementation, in which responsibility for the overall monitoring of the EDPRS rests with MINECOFIN's Strategic Planning Unit. In addition, the Budget Monitoring and Reporting unit reports on spending of the budget and related outputs. This unitalso ensures that the sector spending plans are incorporated into the macro-MTEF, and budget. The Bank will work closely with these two units to monitor spending and outputs achieved under the PRSG series.

146. **To improve monitoring systems, the Bank has supported the Government's efforts to build quality and institutional capacity**. Alongside the PRSG, the Bank is implementing grants from the Trust Fund on Statistical Capacity Building, the Belgian Poverty Reduction Partnership Trust Fund aimed at enhancing statistical capacity, and the support to the National Institute of Statistics through the Statistics for Results initiative. Finally, the Bank's ongoing investment projects each have an M&E component that supports both the project and the relevant sectoral ministry.

Table 9: Overview of Outcome Indicators to be Monitored under the PRSG Series

Indicator	Baseline (2006)	Actual 2008	Target 2009/10	Target 2010/11	Target 2011/12	Data Source
Credit to the private sector (as % of GDP)	10	14	12.2	13.1	13.9	National Accounts BNR Monetary Survey
Number of households and firms with access to electricity	91,332	110,000	139,000	200,000	270,000	MININFRA Report, and ELECTROGAZ Report
MW of electricity generated	45	74.4	80	90	130	Mininfra
% Classified District Road Network in Good Condition	15	no data	28	36	43	MININFRA, DISTRICTS
Percent of population with access to clean drinking water	64	73	75	80	83	EICV, MINIRENA, Districts, Water utility
Percent of population with access to hygienic sanitation	38	45	50	60	63	Districts, MINISANTE MINIRENA, EICV DHS
Percent of water supply systems operated by private service providers	Targets currently under elaboration.					
% of water systems recovering 100% of O&M costs	Targets currently under elaboration.					
Utility Performance Indicators • Billing efficiency (%) • H.H. Connections with meters • Technical losses (%) • Commercial losses (%)	Targets currently under elaboration.					
Proportion of arable land protected against soil erosion	40	44.5	50	60	70	Agriculture Household Survey/Enquete agricole
Mineral Fertilizer used (MT)	14,000	n/a	30,800	39,200	47,600	EICV (benchmark) and BNR and RRA (Customs) for annual statistics
Transition from basic education (TC) to upper secondary education	82	78.6	82	83	85	EMIS & LTSFF
Percent of employees satisfied with performance of TVET graduates	n/a	n/a	9	9.5	10	LMIS & MINEDUC
Percent of Districts achieving minimum of 80 percent of their service delivery and development targets for which they are responsible	60	67	65	70	75	Annual Imihigo reports
Percentage of Performing Budget Agencies	No baseline coordination unit in place late 2008	20	25	30	35	Coordination Unit (PM office)

147. **The monitoring and evaluation of the PRSG series draws from the CPAF which was finalized in December 2008.** Table 9 summarizes the expected outcomes and related indicators and targets. Monitoring of these indicators will rely on the Government system. Definition of each indicator along with measurement and data source has been outlined by the National Institute of Statistics. The Bank will therefore monitor the key indicators and the overall CPAF in close collaboration with Government and other budget support donors.

C. GRANT AMOUNT, DISBURSEMENTS AND ACCOUNTS AND AUDIT

148. **A single-tranche grant of SDR 73.9 million (USD 115.8 million equivalent) would be made available upon effectiveness. The proposed grant will follow the Bank's disbursement procedures for development policy operations.** Grant proceeds will be disbursed against satisfactory implementation of the development policy program and not tied to any specific purchases or be subject to procurement requirements. Once the Bank's Board approves the grant and it becomes effective, and at the request of the Recipient, IDA will disburse the proceeds of the grant into an account designated by the Recipient that forms a part of the country's foreign exchange reserves at the Banque Nationale du Rwanda. The Recipient shall ensure that upon the deposit of the grant proceeds into said account, an equivalent amount is credited in the Recipient's budget management system, in a manner acceptable to IDA. The Recipient will report to IDA on the amounts deposited in the foreign currency account and credited in local currency to the budget management system with an indication of the exchange rate applied. IDA reserves the right to request an audit of said account. If the proceeds of the grant are used for ineligible purposes (i.e. to finance goods or services on the standard negative list), as defined in the Financing Agreement, IDA will require the Recipient to promptly upon notice from IDA, refund an amount equal to the amount of said payment to IDA. Amounts refunded to IDA upon such request shall be cancelled. The administration of this grant will be the responsibility of the Ministry of Finance and Economic Planning.

149. **Within two business days, the National Bank of Rwanda will credit the Rwanda Franc equivalent of the grant proceeds to the consolidated account maintained on behalf of GoR which finances budgeted expenditures.** The Director of Treasury will be notified accordingly. The NBR will not impose any charges or commissions on GoR for these transactions. The conversion from US$ to Rwanda Franc will be based on the prevailing exchange rate on the date that the funds are credited to the consolidated account. GoR, through the MoF, will: (i) provide written confirmation within 30 days to the Bank that an amount equivalent to the grant proceeds from the Bank has been credited to the consolidated account, with an indication of the exchange rate applied; (ii) provide evidence that the Rwanda Franc equivalent of the grant proceeds was recorded as financing for GoR budget; and (iii) ensure that the Rwanda Franc equivalent of the grant proceeds are subject to controls to ensure its use for eligible budgeted public expenditures only.

D. FIDUCIARY ASPECTS

150. **The public financial management system is reasonably adequate to support the PRSG.** In addition, a key focus of this operation is related to continued support to strengthening the Government's public financial and expenditure management and procurement systems. Areas of support under the PRSG have been summarized in the previous section. Assessments of the fiduciary aspects are largely based on results from the PEFA and indicate that public financial management and procurement systems have been improving steadily in line with government commitment to reform (as outlined in its Financial Accountability Review and Action Plan) and the dialogue between the Government and donors has been constructive. Government has also recently completed a PFM Action Plan to ensure comprehensiveness and consistency of reforms. This plan has been endorsed by key donors engaged in supporting the Government's reform agenda. Fiduciary assessments are also based on results from recently completed

PERs in the education, health, agriculture, and water sectors, 2004 HIPC Assessment and CPAR, as well as the 2005 CFAA. In addition, the most recent safeguards assessment of the National Bank of Rwanda (NBR) was completed by the IMF in the context of the PRGF arrangement approved on June 12, 2006. The update assessment was completed on January 26, 2007 and proposed recommendations to address continuing vulnerabilities in the external audit and financial reporting areas. The implementation of these measures is being monitored under the Fund program[3]. Finally, the Bank is undertaking a policy driven technical assistance PER to provide capacity building support to Government in expenditure analysis and monitoring.

E. ENVIRONMENTAL ASPECTS

151. Under Operational Policy 8.60, on Development Policy Lending, the Bank is required to determine whether specific country policies supported under the operation are likely to cause **significant effects** on the country's environment, and, in the event of such likely effects, assess country systems for reducing any such adverse effects and enhancing such positive effects. In the event of **significant gaps** in the analysis, **or shortcomings** in the country systems, the Bank is required to identify how such gaps or shortcomings would be addressed before or during program implementation, as appropriate.

152. Following these policy requirements, specific country policies supported by the PRSG 6 are **not** likely to cause significant effects on Rwanda's environment, forests and other natural resources. On the contrary, any likely adverse effects are expected to be **minor and manageable** through the existing Bank framework in place for the PRSG 6 areas of support.

153. In the current PRSG series, such minor environmental effects may arise through measures to support irrigation, watershed management and terracing, rural road maintenance, and fertilizer distribution. An extensive Environmental Assessment and Social Analysis undertaken during PRSG 1 remains relevant in this regard. As with the first series of PRSGs, the current series (PRSG 4 to 7) will rely on two areas to address potential environmental concerns: (i) continued strengthening of the overall framework for environmental management in Rwanda; and (ii) environmental management assessments undertaken in the context of other Bank projects.

154. **There continue to be improvements in the framework for environmental management in Rwanda over the last decade resulting in noticeable improvements in the institutional framework during the last five years**. Since 2004, MINIRENA has had the responsibility for the environment, mines, land, forest, and water resources. For policy formulation and implementation, MINIRENA relies on a number of specialized public agencies including REMA (environmental agency), REDEMI (mining), and the National Land Center (land use planning and delivery of titles). Over the last four years, MINIRENA has secured the adoption of several pieces of legislation by the national assembly, including laws on forests, land, water, environment, and mining that will improve the management of natural resources. However, MINIRENA is facing tremendous challenges and many operational constraints. **The lack of adequate staffing both at the central and district level is a noticeable hindrance to effective policy implementation and coordination**. The capacity constraint seems particularly severe at the district level where most of the responsibilities for sectoral policy implementation are located. This second series of PRSGs, through policy discussions and the budget support review will support Government's efforts to strengthen capacity in the key agencies charged with environmental management. This will complement the program of small grants for environmental capacity building

[3] The sixth and final review under Rwanda's three-year PRGF arrangement expired in August 2009. Government requested that a successor Fund arrangement start July 1, 2010, to align with their new budget cycle (July-June). In the interim, they have reached an agreement with the Fund on a macroeconomic framework for 2009/10, with indicative targets for monitoring purposes.

provided by UNEP that is being used to build in a framework for environmental assessments in key ministries. Policy discussions under the PRSG series have focused on reforms to strengthen the institutions for environmental management. This is also taking a much longer view that has involved the incorporation and mainstreaming of improved environmental stewardship into the medium-term expenditure framework of MINIRENA.

155. **The capacity issue is further impacted by the recent restructuring that has moved the EIA function from REMA to the Environment Compliance unit in the Rwanda Development Board.** This recent reform was undertaken to align EIA process and procedures with the newly instituted Rwanda Development Board (RDB) that oversees overall coordination of business reforms and regulations. For example, receipt of an EIA clearance is one of the requirements for setting up a business. However, environmental standards enforcement and audit functions remain within REMA. The RDB has created the one stop center for business registration which also integrates the EIA clearance process and helps to minimize clearance procedures for businesses. Given this new and unusual set up whereby the RDB is charged with issuing EIA permits to assess the existence or degree of conflict of interest, the Bank has requested an institutional assessment.

156. More work is needed to incorporate **budget allocations in a medium term framework that translates the objectives of the ministry's 2005-2010 Strategic Plan into measurable actions and results on an annual basis**. Government has begun to move in that direction through efforts to explicitly include the sector in the bi-annual budget review process. Progress in reforms in the sector and implementation of program and policies are monitored jointly through the process of environmental sector reviews as well as during the Joint Budget Support Review. Appropriate resources will need to be allocated to well-targeted capacity building activities at the central and district level, and to cross-sectoral technical support aimed at addressing the environmental management needs of the second and subsequent series of PRSGs. The focus will be on a long-term sustained support to building capacity to address environmental concerns in the implementation of the EDPRS.

157. **Environmental management assessments undertaken in the context of other Bank projects will also help to address any potential environmental concerns for the proposed policy areas of the PRSG.** In the case of irrigation and marshland development, Government has developed the environmental framework for marshland development. Policies to support the development of irrigation schemes will require adequate resources to control the incidence of water-borne diseases, pollution of surface and groundwater by agrochemicals, water-logging and salinization of soils, and population resettlement. In that context, the PRSG will rely on completed environmental assessments for the Rural Sector Support Project which has supported the development of marshlands. Further assessments will be completed in the context of the proposed Lake Victoria Project and the Land Husbandry, Water Harvesting, and Hillside Irrigation (LWH) Project which is a comprehensive land-husbandry, water-harvesting and hillside-irrigation initiative for commercialized and professional agriculture have been completed. The Environmental Impact Assessment, Environmental and Social Safeguard Framework, the Resettlement Policy Framework, the Pest Management Plan have all been completed to the satisfaction of the Bank and have been publically disclosed. In the case of support to development of the fertilizer procurement and distribution system, the focus is on building institutional capacity for improved fertilizer distribution. Currently, the total level of fertilizer use is so small and the amounts to be stimulated are projected to be barely 40 percent of the country's total needs. Therefore, the quantity of fertilizer distributed is not expected to be large enough to have significant adverse environmental impacts while having substantial positive impacts on productivity. In addition, as part of the RSSP 2, training will be provided to communities in proper handling and application of these materials as part of local capacity building. Finally, the road maintenance strategy includes a framework for addressing environmental assessments in line with the law and regulations of the Rwanda Environmental Management Agency.

Specifically, maintenance contracts are required to include clauses to ensure HIV/AIDS awareness and prevention, environmental protection and labor standards.

158. In sum, while the proposed operation is expected to have **no significant adverse effects** on the environment, country systems have adequate capacity, and appropriate arrangements have also been made through Bank work, as outlined above, to address any such minor effects that might arise. The operation therefore complies fully with the requirements of OP 8.60.

F. RISKS AND RISK MITIGATION

159. **There are four main risks potentially associated with the program as follows:** i) macroeconomic and financial sector risk; ii) regional/country risk; ii) program risk; and iv) fiduciary risk.

160. **Macroeconomic and Financial Risk.** This is rated moderate to low risk given the GoR's record in macroeconomic management. Overall GoR's record has been rated as satisfactory as evidenced also through the satisfactory completion of reviews under the PRSG. Risks to the program could arise through continued reductions in world commodity prices that compromise export earnings coupled with a reduction in grants should there be a resurgence of the global recession. Rwanda was not directly affected by the toxic assets that led to the global financial crisis, but the impact of the crisis is now being transmitted to the economy through lower exports, FDI and tourism receipts. Exports of goods and services have declined by 32 percent.

161. To mitigate the potential balance of payments risk Government has reduced expenditures and will draw down on its reserves, as necessary. Government will continue its policy of identifying areas for contingent spending should more external resources become available. It will also continue to protect priority spending from any potential reductions in overall spending. Finally, it will continue with measures to expand the tax base and improve the efficiency of the tax system. Mitigation of this risk is achievable as long as GoR continues to implement reforms to increase investment to support growth. There are indications that the recession is subsiding globally and this will reduce the macroeconomic risk to the program. However, the uncertain path of recovery will continue to pose a risk to macroeconomic and financial stability.

162. **More recently, ongoing structural problems in the financial sector have been magnified as a result of commercial banks' response to negative real interest rates that were initially set by the NBR to lower the cost of sterilization.** The trend toward negative interest rates was further exacerbated when inflation hit 20 percent in 2008 as a result of strong domestic demand and high international prices. Banks responded by implementing aggressive lending practices which exacerbated an already existing problem related to a mismatch between bank's assets and liabilities. This led to a liquidity problem as banks became wary of lending to one another. To ease the credit constraint the NBR injected liquidity of about 1.5 percent of GDP into the system in late 2008 and early 2009. However, many banks also raised interest rates to attract time deposits as they attempted to rectify the problem of maturity mismatch between assets and liabilities. This resulted in credit tightening. Government's commitment to strengthening supervision in the sector, with support from the IMF, should help to address this issue.

163. **In terms of the large injections of liquidity that has been evident in the past, Government policy actions have demonstrated the commitment to employ policies that maintain the flexibility of the exchange rate while sterilizing the excess liquidity.** In terms of any appreciation of the exchange rate and the likely effects on exports, it will be critical to put in effect policies to improve the supply response, ease the constraints to productivity and support increased absorption. This is the main area of focus of the PRSG operation. In addition, Government has demonstrated through its management of previous injections of liquidity into the economy, its commitment to use market based instruments to

ensure that inflation is contained and any potential exchange rate appreciation is well managed. Furthermore, up until early 2009, the level of gross reserves in months of imports has been between 5 and 6, providing adequate import coverage and underlining the government's commitment to prudent macroeconomic management.

164. However, there may be a need for Government to take on some concessional loans, on a selective basis, to enable the necessary investments to generate growth. The World Bank and the IMF will continue to support the Government in managing macroeconomic reform and investing in infrastructure development to ensure continued growth and productivity. In the context of the low income country debt sustainability framework, the Bank and Fund will continue to monitor the evolution in Rwanda's debt indicators which are currently substantially below set thresholds.

165. **Regional/Country Risk**. Instability in the Great Lakes Region continues to be a risk to Rwanda's economic stability and to the consolidation of development progress. Success in addressing this risk requires the strong engagement of the governments in the region as well as the international community. The signature on November 9th 2007 of a Joint Communiqué between the Governments of Rwanda and the Democratic Republic of Congo with the objective of resolving the question of the presence of Rwandan combatants on Congolese territory, in a collaborative manner, is an important step forward. In January 2008, the Government of DRC signed a peace accord with over 20 militia groups operating in the country.

166. At the international level, both the United Nations and the African Union have continued to support the establishment of peace in the region. UN Security Council Resolution 1804, adopted in March 2008, exhorts the FDLR and all Rwandan armed rebel groups to lay down their weapons and return to Rwanda. The recent high-level meeting in Nairobi in November 2008, which reiterated the importance of implementing the above agreements, is further evidence of the diplomatic efforts of the international community to find a lasting solution. The Tripartite Plus Joint Commission continues to work toward identifying measures to counter the negative forces operating in the region. Following the flare up of fighting in Eastern DRC in late 2008, some budget support donors who constitute a small share of overall budget support suspended their budget support due to their uncertainty over Rwanda's compliance with the underlying principles of the Budget Support Partnership Agreement Framework, related to the promotion of peace and security in the region (Article 18 of the partnership MoU signed between GoR and Budget Support donors in April 2008). Since then these donors have begun discussions with the Government with a view to resolving the issues of contention.

167. **On January 20, 2009, the Governments of DRC and Rwanda begun a joint military operation to disarm the FDLR, within the framework of an accord signed between the two countries on December 5, 2008**. The joint DRC-Rwanda campaign to disarm FDLR was followed by a military operation by DRC, also logistically supported by MONUC, aimed at dismantling FDLR bases and repatriating those who are willing to go back to Rwanda. The operation is still ongoing. Indications are that it is a success, at least in terms of weakening the FDLR. Another positive development is the integration of CNDP's rebel group, formerly led by General Nkunda, into the regular DRC forces. Rwanda and DRC cooperated to have the former CNDP rebel leader arrested and talks have been underway on possibilities of his extradition or other ways to bring him to justice.

168. The joint DRC-Rwanda campaign was supported by the EU, and viewed as a sign of improving relations between the two countries. The joint initiative demonstrates the willingness of both Rwanda and the DRC to find a lasting solution to the problems of instability in the region. If successful, this could mark an important breakthrough in achieving greater peace and stability for the region

169. **Currently, Rwanda's internal security and political situation remains stable.** However continued effort is needed to address the remaining political effects of the 1994 genocide. Constraints surrounding the Gacaca system have given rise to contentions both by victims and perpetrators of the genocide, and highlighted the need to strengthen ongoing efforts to build a strong judiciary. Government efforts to continue to open the political space also need to continue. As part of this effort, a law on NGO groups has been revised in line with international experience.

170. **Program Risk.** Predictability of donor funding, the ability to mobilize donor funding and debt sustainability continue to be the main program risks. DFID's three-year rolling program within an overall 10-year commitment provides a good model for enhancing the long-term predictability of donor funding. There has been a general move toward budget support, and the recent suspension of disbursements by a few budget support donors is not foreseen for now to have any substantial adverse effects on the program due to the small share of the amounts. However, the recent global slowdown could pose a risk to the past increasing trend to budget support for the country. Improvements in frontloading by donors will help the GoR to plan and implement its budget in a more sustainable manner. In the short-term, the Bank has worked to help the GoR access the Catalytic Fund for Africa and through this PRSG-6 operation, the Crisis Response Window funds for mitigating the effects of the global financial crisis. Over the long-term, the GoR will need to continue to focus on mobilizing additional grant financing, which is critical if the GoR is to remain within prudent debt sustainability limits.

171. **Fiduciary Risk.** The rapid decentralization undertaken by the GoR has heightened potential procurement and public financial management risks (related to low capacity) since only limited accompanying fiduciary measures were included in the reform. However, the GoR has committed to accelerating its efforts to address these risks. The GoR is drafting an easy-reference guide for procurement, along with a technical assistance "hotline" for procurement officers. This is part of the e-procurement activity being sponsored by this series of PRSGs.

172. GoR is also accelerating the implementation of the Rwanda Expertise Scheme that is training accountants, to be deployed at decentralized levels, in the Rwanda public accounting system, and sponsoring the best among them for professional accountancy qualification. Following an unsuccessful attempt of training public accountants and internal auditors in 2007 which resulted in extremely low pass rates, GoR scaled down the number of trainees and retained only a pilot of 20 students who have now gone half-way through the training program, with reasonable pass rates. If this trend continues, more trainees will be identified in 2010 with the aim of ensuring there is a critical mass of qualified accountants in the public sector by 2012. Furthermore, this series of PRSGs is supporting the adoption and implementation of a comprehensive 5-year capacity building strategy for local government, which includes measures to strengthen public financial management at the local level.

Annex 1: Areas of Support under PRSG 5 to 7 – Taken from the Common Performance Assessment Framework

OUTCOMES/ OUTPUTS	TRANSITION OPERATION	ACTIONS AND OUTPUT TARGETS (TAKEN FFROM THE COMMON PERFORMANCE ASSESSMENT FRAMEWORK – CPAF, 2009-2012)						
	Prior Actions by the end of 2008 PRSG-5	Prior Actions by the end of 2009 PRSG-6	Triggers/ benchmarks by End-June 2010 (PRSG-7)	Indicator	CPAF Baseline (2006)	2008 Actual	2009 Target	2010 Target
EDPRS Flagship Area 1: Growth for Jobs and Exports								
A. Enhance the Skills of the Population (CPAF Outcome 2.7)								
Develop a strategic and institutional framework to implement reforms in post-basic education	Develop Post basic education strategy and ensure ICT in education policy	Roll out EMIS to districts and prepare school based roll out	**Revise the Long Term Strategic and Financing Framework (LTSFF) and Education Sector Strategic Plan (ESSP) to include greater focus on and cost of PBE and linkages to the labor market and STI**	Transition from basic education tronc commun (TC) to upper secondary education (%)	82	78.6	82	83
TVET responsive to needs of the private sector established	**Publish TVET Policy**	Develop and Cost TVET Strategic Plan Conduct employers' survey to establish baseline information on employment of TVET graduates and adequacy of training (Rwanda Workforce Authority)		Proportion of employees who are satisfied with the performance of TVET graduates	n/a	n/a	9	9.5
B. Build Economic Infrastructure (CPAF Outcome 1.3)								
B.1. Improve cost-effectiveness and operational efficiency of the energy sector								
Increase Access to Electricity for Enterprises and Households to serve as an engine or growth and poverty reduction	**Submit Law on Electricity and Gas to Parliament** Prepare strategic note on electricity tariff, taxes and incentives	**Project Management Directorate for implementation of the National Electricity Rollout program established in the Rwanda Electricity Corporation and made operational**	**Tariff study (including revised tariff structure) completed and validated by Rwanda Utility Regulations Agency and MININFRA** **Remove taxes on LPG to promote its use and reduce dependence on charcoal**	# of hhs/enterprises with access to electricity MW generated Improved tariff structure in place (i.e. eliminates cross-subsidies from water, reflects cost structure of electricity, and differentiates between different customer types)	91332 45 No	110000 74.5 No	139000 80 Yes	200000 90 Yes
B.2. Develop a framework for Integrated and Sustainable Management of Water Resources and ensure increased access to sustainable and affordable access to water supply and sanitation services								

OUTCOMES/ OUTPUTS	TRANSITION OPERATION	ACTIONS AND OUTPUT TARGETS (TAKEN FFROM THE COMMON PERFORMANCE ASSESSMENT FRAMEWORK – CPAF, 2009-2012)						
	Prior Actions by the end of 2008 PRSG-5	Prior Actions by the end of 2009 PRSG-6	Triggers/ benchmarks by End-June 2010 (PRSG-7)	Indicator	CPAF Baseline (2006)	2008 Actual	2009 Target	2010 Target
Framework in place to ensure effective management of integrated water resources and increased access to Sustainable Water Resources	Establish a water and sanitation management information system, including a national inventory of water and sanitation infrastructure Put in place an Institutional and Legal Framework for Integrated Water Resources Management Conduct Water resource assessment to facilitate investment for economic production	Cabinet approval of the Recipient's: (i) Policy for water supply and sanitation services, which defines guiding principles and overall sector objectives to ensure sustainable and affordable access to safe water supply, sanitation and waste management services for all, and (ii) National strategy for water supply and sanitation services, which sets forth a coherent approach to implementing intended policy goals in addressing sector challenges Adoption of key performance indicators enabling assessment of the technical and financial performance of the Recipient's water utility, thereby strengthening urban water	A performance monitoring framework for urban water supply services is in use by RWASCO (including technical and financial indicators and monitoring arrangements)	Percent of households with access to clean drinking water % of water systems recovering 100% of O&M Utility Perfomance Indicators: Billing efficiency (%) Hh connection with meters Technical losses (%) Commercial losses (%)	64 TBD TBD	73 TBD TBD	75 TBD TBD	80 TBD TBD
B.3. Reduce Transport Costs and Achieve Sustainable Financing of Road Maintenance								
Improved strategic framework to support increased transport investments and reduced maintenance costs	Adopt the Transport Policy by Cabinet Adopt a District/Rural Road Maintenance and Decentralization strategy as part of the Road Maintenance Strategy	Complete District/Rural Road Condition Inventory as part of Transport Master Plan (TMP) Progressively increase the fuel levy from Rwf. 23.43 to 62 (or US 11 cents equivalent) per liter by Sept 2009		Classified District Road network in good condition (%)	11	28	19	23
C. Raise Agricultural Productivity (CPAF Outcome 1.4)								
Improved planning and predictability of funding for the agriculture sector, to allow for more effective	Complete feasibility studies of at least 4 out of 34 sites for watershed management including assessment of pilots and mapping of areas in need of protection by	Develop action plan for private sector-led fertilizer distribution for September 2009-January 2010 harvesting season based on key lessons from the September 2008-	Develop, cost and initiate action plan for capacity building of private sector agro-dealers in input procurement and distribution, particularly at decentralized	Arable land protected against soil erosion (%) Mineral Fertilizer used	40 14,000	44.5 n/a	50 30,800	60 39,200

OUTCOMES/ OUTPUTS	TRANSITION OPERATION	ACTIONS AND OUTPUT TARGETS (TAKEN FFROM THE COMMON PERFORMANCE ASSESSMENT FRAMEWORK – CPAF, 2009-2012)						
	Prior Actions by the end of 2008 PRSG-5	Prior Actions by the end of 2009 PRSG-6	Triggers/ benchmarks by End-June 2010 (PRSG-7)	Indicator	CPAF Baseline (2006)	2008 Actual	2009 Target	2010 Target
spending on improved inputs distribution, irrigation, water and soil management	**watershed management and terracing** Implement fertilizer strategy with a clarification of public and private roles	**January 2009 harvesting season; action plan endorsed by the Ministry and shared with the Rural Sector Working Group** Begin implementation of first 10 watershed management sites under LWH (RADA and Districts)	**levels**					
D. Deepen and Broaden the Financial Sector (CPAF Outcome 1.1)								
Increase access to finance and credit for the private sector	**The signing of an MoU between BNR and MINAGRI to support investments in the rural sector under the second Rural Investment Facility (RIF 2)**	**Adoption by Parliament of a law governing payment systems in the financial services sector, and development by the central bank of proposed regulations governing payment service providers in the financial services sector**	**A comprehensive framework of support to SMEs (including consolidation of financing mechanisms) is designed by MINECOFIN and adopted by Cabinet** **Publish the Regulation governing Payment Service Providers**	Credit to the Private Sector	10	14	12.2	13.1
EDPRS Flagship Area 3: Governance								
E. Enhanced Government Capacity, Accountability and Transparency (CPAF Outcome 3.0)								
E.1. Strengthen Public Expenditure and Financial Management								
Reinforce the accounting and internal audit function	**Complete development of PublicBooks**	**Payroll Module (subsystem) of the integrated personnel payment information system installed in central government ministries** Conduct training for short term skills enhancement course and ACCA part 1 Test PublicBooks and roll it out on pilot basis	**Complete the piloting of the IFMIS in central government and integrate it with the IPPS (Payroll module)** RES for Accountants and Internal Auditors adopted and implemented	Operation of an IFMIS integrating budget, payroll Each budget agency submits complete set of Financial Statements for the preceding fiscal year within timeframe stipulated by the law Index on quality and timeliness of annual financial statements (PEFA)	No No C+ (2007)	No Yes	Yes Yes B-	Yes Yes B-
E.2. Improve Transparency of the Public Procurement System								

OUTCOMES/ OUTPUTS	TRANSITION OPERATION	ACTIONS AND OUTPUT TARGETS (TAKEN FFROM THE COMMON PERFORMANCE ASSESSMENT FRAMEWORK – CPAF, 2009-2012)						
	Prior Actions by the end of 2008 PRSG-5	Prior Actions by the end of 2009 PRSG-6	Triggers/ benchmarks by End-June 2010 (PRSG-7)	Indicator	CPAF Baseline (2006)	2008 Actual	2009 Target	2010 Target
Develop the Institutional and Legal Framework to Support Capacity in Procurement	**Publish the independent review (appeal) panel report** Train Procurement officers at all levels on new procurement law	Conclude partnership agreement with learning institution in Kigali to develop curricula to provide basic training in procurement **At least eighty percent (80%) of all procurement agencies submit a procurement plan that is consistent with their allocated budget, to MINECOFIN, and RPPA publishes at least 60 percent of such plans on its website**	**Amend the procurement law to increase efficiency and transparency of public procurement**	Percent of value of procurement tendered competitively or justified (%)	73	86	87	88
E.3. Strengthen Fiscal Decentralization								
Enhance Local Government Capacity	Develop and endorse District Capacity Building Needs Assessment and Plan	**Conduct an assessment of service delivery at local level with Citizen Report Cards and Community Score cards**	**Adopt and Operationalize a comprehensive 5-year capacity building strategy for local Government**	% of Districts achieving minimum of 80 percent of their service delivery and development targets	60	62	65	70
E.4. Adopt Civil Service Reforms and Incentives to Build Skills and Retention								
Institutional Capacity Developed to support Improved Staff Incentives and Retention	**MIFOTRA completes functional reviews in 6 key ministries (MINECOFIN, MIFOTRA, MINEDUC, MININFRA, MINITERE, MINISANTE)** MIFOTRA completes comparative pay study MIFOTRA establishes database to monitor turnover rate in public entities	**Cabinet approval of the organic framework reflecting agreement between the Ministry of Public Service and Labor and all central government ministries on staffing levels and ministerial structures for optimal performance within fiscal**	**Pay and remuneration policy drafted and endorsed by key stakeholders on civil service reform**	% of budget agencies that achieve at least 80 percent of their target outputs in their annual work plan	No baseline-coordination unit put in place 2008	20	25	30
Put in place Monitoring Framework for the EDPRS and Capacity for Monitoring				Institutional Framework for M&E of the EDPRS or CPAF in place and operational	No	Yes	Yes	Yes

Annex 2: Active and Planned World Bank Projects in Rwanda

Active Projects	Approval Date	Closing Date		Amount (US$m)	Instrument
Closed 12/31/09					
Rural Sector Support II	24 June 08	31 Oct 12		35.0	APL
Competitiveness & Enterprise Development	19 Apr 01	31 Jul 11		46.68	SIL
Decentralization and Community Development	15 Jun 04	12/31/2010		20.0	SIL
Public Sector Capacity Building (being extended)	08 Jul 04	12/31/2011		20.0	TAL
Urgent Electricity Rehabilitation	27 Jan 05	04/30/2010		25.0	SIL
Integrated Management of Critical Ecosystems	30 Jun 05	12/31/2010		4.3	GEF
Closed 12/31/09					
eRwanda	07 Sep 06	31 Dec 10		10.0	TAL
Transport Sector Development	28 Aug 07	30 Jun 12		11.0	SIL
Regional Projects					
HIV/AIDS Great Lakes Initiative	15 March 05	12/31/2010		20	APL
East Africa Trade and Transport Facilitation	27 Dec 05	30 Sep 11		15	SIL
Regional Trade Facilitation	03 Apr 01	30 Jun 11		7.5	SIL
Regional: Communications Infrastructure Project	30 Sep 08	31 Jan 14		24	APL
	Approval Date		**Closing Date**	**Amount (US$m)**	**Instrument**
Electricity Access Roll-Out Active	10/15/2009		01/31/2014	70	SIL
					APL
Demobilization & Reintegration II Active	08/27/2009		12/31/2012	8	ERL
Land Husbandry, Water Harvesting and Hillside Irrigation Active	12/22/2009		06/30/2014	34	SIL

Annex 3: PEFA Summary of Indicators

	Score	Explanation
PI-1 Aggregate expenditure out-turn compared to original approved budget	B	Actual expenditure deviated from budgeted expenditure by an amount greater than 5% in two out of the last three years, but by less than 10% in all of the last three years.
PI-2. Composition of expenditure out-turn compared to original approved budget	D	Variance in expenditure composition exceeded overall deviation in primary expenditure by 10 percentage points in at least two out of the last three years.
PI-3. Aggregate revenue out-turn compared to original approved budget.	A	Actual domestic revenue exceeded the budgeted amount by 10% in 2004 and by 6% in 2005 and 2006.
PI-4. Stock and monitoring of expenditure payment arrears.	D+	The stock of arrears exceeds 10% of total expenditure. Score D and data on the stock of arrears is generated annually.
PI-5. Classification of the budget	A	Budget formulation and execution is based on functional, administrative, economic, and program (plus sub-program) classifications. Although some inconsistencies do exist in the existing classification detail, the current classification system is broadly consistent with GFS/COFOG standards.
PI-6. Comprehensiveness of information included in budget documentation.	D	The provisions in the OBL would be sufficient for a score of 'A'. Based on 2005, the score for this indicator would be 'C'. For 2006, however, partly as a result of the absence of a BFP, none of the 9 benchmarks was fulfilled and a score of 'D', was therefore applied. It should be noted, however, that this is an indicator for which the score could quite easily and quite quickly improve given the existing MTEF infrastructure and the practice until 2006 of preparing a detailed BFP.
PI-7. Extent of unreported government operations	D+	MINECOFIN data show extra-budgetary revenue to be around 4% of total expenditure. More than 50% of grant-funded projects are included in fiscal reports and information on loan-funded projects is captured through CEPEX systems.
PI-8. Transparency of Inter-Governmental Fiscal Relations	B	The horizontal allocation of almost all transfers (at least 90% by value) from central government is determined by transparent and rules based systems. Based on discussions with district government representatives in May and ceilings from MINECOFIN, line ministries communicate information on likely grant allocations to district governments around July / August. Information on the likely resources from the CDF is passed on to the districts around August. Sub-national government financial reporting to central for 2006 was not consistent with central government sectoral reporting (although 2007 appears to be).
PI-9. Oversight of aggregate fiscal risk from other public sector entities	D+	All major autonomous government agencies (AGAs) and public enterprises (PEs) submit financial reports to Government annually. Government representatives on the governing boards of the major AGAs and PEs 'oversee the interests of the Government'. Accounts for most PEs are audited by external auditors. Brief reports are prepared by a unit in the Treasury focusing mainly on dividend payments. Otherwise, information relating to fiscal risk associated with AGAs / PEs is not consolidated into reports. Although local governments are now required to provide financial reports in standard format to the central government, as yet there are no formal arrangements for this information to be monitored or consolidated into reports.
PI-10. Public Access to key fiscal information	C	Public access to key fiscal information is poor. The report of the OAG is made public (although only through presentation to Parliament and on request from the OAG), but none of the other 6 types of information are currently accessible to the public. With regard to in year budget execution reports and end-year financial statements, lack of public access is a function of the fact that these documents have not been prepared in the first place.
PI-11. Orderliness and participation in the annual budget process	B+	A clear budget calendar exists and has been generally adhered to in the years immediately prior to 2006, although there was some slippage in 2006 (plus the absence of a BFP in that year) and slippage in completion of final proposals in previous years. The budget circular is comprehensive and clear and includes ceilings for the recurrent budget. Cabinet-approved ceilings are issued before finalization of submissions by Ministerial departments and agencies (MDAs). The last 3 Budget Laws were all approved by the legislature and gazetted before the end of the previous year.

PI-12. Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	Whilst forecasts of fiscal aggregates for the forthcoming MTEF period were carried out, a BFP describing the link was not prepared and the MTEF collapsed into an annual budget process. DSAs have been undertaken in each of the last two years. Costed sector strategies exist for sectors representing approximately 28% of primary expenditure. Recurrent cost implications of investment decisions are only included in forward budget estimates for health and education.
PI-13 Transparency of Taxpayer Obligations and Liabilities	A	Taxpayers' obligations are clearly spelt out in five key pieces of legislation and are further articulated through Ministerial Orders and Commissioner General Rules. The RRA has a dedicated Taxpayer Services Division which ensures all relevant information on tax obligations, liabilities, etc. is made readily available in an accessible format to the general public. An appeals mechanism exists, although some issues relating to fairness need to be addressed.
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	B+	A unique tax identification number (TIN) is assigned to each taxpayer for identification and compliance purposes but is not linked with other registration/licensing functions. Penalties are sufficiently high for deterrence and are consistently administered. Tax audits and fraud investigations are managed and reported according to a comprehensive and documented audit plan.
PI-15 Effectiveness in collection of tax payments	D+	Formally, debt collection efforts are extremely poor and total arrears are high because legislation requires 'noncollectible' taxes to remain on the books of the RRA. This will change once draft legislation which allows 'non-collectable' arrears to be removed from the books is enacted. Tax payments are made either through commercial banks or directly to RRA headquarters. Transfer to the Treasury is efficient and reconciliation is regular and timely.
PI-16. Predictability in the availability of funds for commitment of expenditures	B+	An annual cash plan is prepared and updated quarterly. MDAs are provided reliable information on commitment ceilings at least quarterly in advance. Significant in-year adjustments to the budget are normally restricted to one budget revision which requires Parliamentary approval.
PI-17 Recording and management of cash balances, debt and guarantees.	B	Domestic and foreign debt records appear to be complete and reconciled each quarter. Reports do not include information on debt stocks. Operation of the Single treasury account (STA) results in daily calculation and consolidation of all cash balances. The Minister of Finance exercises sole authority to borrow, but clear limits consistent with provisions in the OBL still have to be established.
PI-18. Effectiveness of payroll controls	D+	The payroll is regularly updated with changes in personnel information, with some delays in a minority of cases. Retroactive adjustments are frequent with MIFOTRA operated payrolls, but are rare for Defense and Police payrolls. Authority to change the MIFOTRA operated payrolls is both restricted and clear, although the audit trail is weak. No payroll audits have taken place in the last three years.
PI-19 Competition, value for money and controls in procurement.	B	NTB data show that 73% of contracts were let on the basis of open competition in 2006. Procurement rules require open competition and state when less competitive methods of procurement can be used. NTB records do not consistently and clearly justify cases of single source tendering. A process (defined by legislation) for submitting and addressing procurement process complaints is operative, including reference to an external Public Procurement Review Panel. Data on resolution of complaints is not yet accessible to public scrutiny.
PI-20. Effectiveness of internal controls for nonsalary expenditure	D+	Commitment and payment records are maintained on Smartgov and Internal Audit and OAG staff review expenditure for budgetary compliance. The OBL, financial regulations (FRs) and a manual describe the main internal financial controls, although lack of availability of documentation and training suggests these have yet to be properly implemented in practice. Non-compliance with established internal financial controls, however, is reported to be widespread in reports from both internal auditors and the Auditor General.
PI-21. Effectiveness of Internal Audit	C+	The internal audit function is operational for at least the most important central Government entities. Much of the work is taken up with transaction testing, although some specific audit assignments focus on systemic issues. Internal audit reports are well structured providing observations, risks and recommendations for each of the audit findings. Quarterly reports are produced for the main line ministries and a quarterly summary report is produced by the Chief Internal Auditor. Line ministry officials are positive about the role of internal audit. Prompt and comprehensive action is taken by many (but not all) managers in

		response to audit recommendations.
PI-22 Timeliness and regularity of accounts reconciliation	B+	Bank reconciliation for all Treasury managed bank accounts take place monthly, usually within 4 weeks from the end of the month. No suspense accounts or advances are utilized.
PI-23. Availability of information on resources received by service delivery units	D	Systems for transfer of central government resources direct to the accounts of primary schools and basic health units provide information on a substantial component of resources received by service providers. There is no systematic collection, however, of information on *all* resources (financial and otherwise) received by service providers and no special surveys have been carried out in the last three years.
PI-24. Quality and Timeliness of in-year budget execution reports	D+	The OBL requires the preparation of monthly and quarterly budget reports. Regular in-year budget reports (other than Flash Reports) have not been consistently produced over the last several years and have not included information on all aspects of budget execution when they have. The last reasonably comprehensive report was prepared for the period January to March 2006. There were no material concerns over the accuracy of the data in this report.
PI-25. Quality and timeliness of annual financial statements.	C+	The accounting function in Rwanda has been weak and there has been little tradition of account keeping in the GoR. To meet the new accounting requirements in the OBL, MINECOFIN hired an international firm of accountants to assist the Government in preparing public accounts for 2006. Rwanda's first consolidated government statement was presented to the Auditor General in June 2007. Some information on revenue, expenditure and bank account balances appears to be complete, but the omissions are not significant. IPSAS standards (modified cash basis) are applied.
PI-26. Scope, nature and follow-up of external audit.	D+	To date, it has not been possible for the OAG to audit consolidated financial statements or to provide an opinion on the financial statements of individual institutions because of their absence. 17 out of 32 institutions, accounting for less than 50% of total expenditures, were covered in the latest audit report. Audit reports have been presented to Parliament within the statutory required timeframe, but more than 8 months after the end of the period covered. Actions are taken to implement the Auditor General's recommendations.
PI-27. Legislative scrutiny of the annual budget law.	C+	The legislatuture's review would normally cover fiscal policies, medium term fiscal framework, medium term priorities, and details of expenditure and revenue, although the absence of a Background to the Budget in 2006 meant that the medium term fiscal framework and medium term priorities may not have been covered well in that year. The legislature has over two months to review budget proposals. Clear rules exist for in-year budget amendments by the executive, but information has not been provided to the Team on the extent to which, in practice, these are respected and administrative reallocations occur. Simple procedures exist for review of the budget and are generally respected.
PI-28. Legislative scrutiny of external audit report	D+	Scrutiny of audit reports is completed within 12 months of their receipt. Although hearings on key findings take place with responsible officers from the audited entities as a routine, the Committee does not yet carry out hearings of an in-depth nature. Actions are recommended to the executive, some of which are implemented.
D-1 Predictability of Direct Budget Support	B+	In no more than one out of the last three years has direct budget support outturn fallen short of the forecast by more than 10%. There were no in-year disbursement delays for GBS in 2005 and a cumulative (weighted) delay of only 17.8% in 2006.
D-2 Financial information provided by donors for budgeting and reporting on project and programme aid	D	Less than half of donors provide budget estimates for disbursement at least three months prior to the start of the coming fiscal year. Quarterly reports are not produced by donors for at least 50% of externally financed projects in the budget within two months of end of quarter.
D-3 Proportion of aid that is managed by use of national procedures	D	Less than 50% of aid funds to central government are managed through national procedures.

Annex 4: Letter of Development Policy

REPUBLIC OF RWANDA

MINISTRY OF FINANCE AND
ECONOMIC PLANNING
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Kigali, ... 04 FEV. 2010

N° ..364/10/10/MIN

Robert B. Zoellick, President
The World Bank
1818 Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Mr. Zoellick,

Subject: Letter of Development Policy for the Sixth Poverty Reduction Support Grant

1. On behalf of the Government of Rwanda, I am requesting a grant in the amount of US$115.8 million from the International Development Association, to support the continuing reform program under the proposed Sixth Poverty Reduction Support Grant. The aforementioned grant will help to meet financing requirements that Rwanda faces to implement its Economic Development and Poverty Reduction Strategy (EDPRS).

2. This Letter of Development Policy provides a summary of the Government's development program and reinforces the commitment of the Government of Rwanda to foster economic growth and accelerate poverty reduction.

The Program

3. As articulated in the Government's national vision document, Vision 2020, and the Economic Development and Poverty Reduction Strategy (covering the period 2008-12), Rwanda aims to make the transformation from a low-income agriculture-based economy to a knowledge-based service oriented economy by 2020. In order to achieve this goal, the economy needs to expand at a real growth rate of 8 percent per annum through: (i) deepening reforms, including in the business environment; (ii) investing in major infrastructure (power, transport, and ICT); (iii) increasing agricultural productivity; and (iv) investing in skills development. The Government aims to promote economic growth that is broadly shared in order to mitigate any risks to the erosion of Rwanda's hard won political and social stability.

4. The EDPRS consists of three flagship programs: (i) Sustainable Growth for Jobs and Exports, which includes agriculture, infrastructure, and private sector development; (ii) Vision 2020 Umurenge (a decentralized integrated rural development program designed to address extreme poverty); and (iii) Governance. A key instrument for monitoring the program is the

Joint Budget Support Review (JBSR). In 2008, the Government conducted the first JBSR that was based on the established Common Performance Assessment Framework (CPAF) that enables joint government and donor review of the EDPRS.

5. The JBSR is convened by the Government and the development partners that provide general and sector budget support, which together form the Budget Support Harmonization Group. The JBSR assesses the implementation of the EDPRS for the previous fiscal year. The last JBSR which took place in November 2009 reviewed the implementation of the program for fiscal year 2009, which was only six months long (January 1 June 30, 2009) due to Rwanda's transition to the EAC budget calendar. The next JBSR, to be held in the first half of calendar year 2010, will review future CPAF policy actions.

6. The JBSR constitutes the culmination of a thorough review process conducted at the level of the sector working groups (SWGs), which are responsible for coordination and monitoring of the EDPRS. Each SWG includes representation from various levels of government, both project and budget support donors engaged in the sector, NGOs, and civil society organizations. The SWG conducts a Joint Sector Review prior to the JBSR. During this process, sector summaries that detail the main achievements, challenges and next steps in each sector are produced jointly and adopted by the development partners and the Government in each SWG. The Joint Sector Reviews form the basis of the JBSR.

7. Government and development partners recognize that much progress has been made in strengthening the overall review process through the JSRs at the level of the SWGs, and that as a result consultations at the JBSR are now more specific and in-depth. The JSR process is seen as a useful instrument in strengthening mutual accountability in achieving the objectives laid out in the EDPRS. Overall, the review process is found to be satisfactory. Highlights of accomplishments are summarized below along with progress in indicators are included as an attachment to this Letter of Development Policy.

Overview of Recent Developments

8. Rwanda's economic performance has been strong over the past few years. Average real GDP growth was 8.4 percent during 2005-2008, exceeding the EDPRS target of 7 percent. In 2008, the economy registered its highest growth rate in four years, 11.2 percent. The high growth rate in 2008 benefitted from a growth rate of over 16 percent in the industrial sector, the highest increase in more than five years. The agriculture sector also saw very strong growth of almost 10 percent – the best performance in the sector for six years, partly due to the expansion of the crop intensification program. Agricultural growth has played a very strong role in achieving an average annual real GDP growth of 8.6 percent for the period 2004-08. In 2009, however, GDP growth is projected to slow down considerably as a result of the global economic crisis and domestic liquidity issues.

9. The lower projected growth rate results mainly from lower commodity export growth, which has declined by 32 percent in the first six months of 2009. Furthermore, the liquidity constraints that occurred in the latter part of 2008 due to structural issues in the banking sector coupled with the effect of the global financial crisis on domestic expectations has resulted in stagnation in the industry and services sectors. Compared to the first half of 2008, credit to the private sector dropped by 24 percent in the first six months of 2009. To address the tightening liquidity situation, the BNR injected liquidity of approximately 1.5 percent of GDP, in order to sustain credit expansion and boost economic growth in 2009. This has helped to ease the liquidity situation.

10. Given the lower projected donor financing for the first half of 2010, we foresee an increase in the deficit of 2 percent of GDP. We therefore find particularly welcome, the additional funds of $29.8 million, under the Crisis Response Window which supplements the originally planned amount of $86 million for the PRSG-6 operation. This will help to ensure that we are able to continue to protect priority spending to support activities to: (i) improve agriculture productivity and build famer capacity in the use of improved inputs; (ii) maintain activities related to maintenance of the rural road network; and, in particular, (iii) fill the financing gap for the 9-year basic education program. Specifically, receipt of these funds will enable us to accelerate the 9-year basic education program, including the one child one computer project. Funds will be used for the payment of teachers' salaries, capitation grants, provision of books and other materials and feeding costs. The implementation of these programs has resulted in scaling up of education sector expenditures considerably and the Fast Track Initiative funds are not enough to cater for these outlays.

11. The overall review of recent performance, conducted jointly with budget support donors in November 2009, shows a good rate of progress in the implementation of the EDPRS. In the economic cluster, progress in the implementation of CPAF policy actions was assessed to be good, with 21 out of the total 28 policy actions fully met, translating to a 75 percent achievement rate. For the remainder of policy actions, 5 were partially met and 2 not met. Key reforms achieved include laws passed in the financial sector on secured transactions in the payment system. In the agriculture sector, a draft land consolidation decree was developed, the seed law adopted, and an assessment of the Crop Intensification Program conducted. In the infrastructure sector, technical specifications for rural electrification were developed, a transport reform package was adopted by cabinet and the fuel levy (to be used in financing road maintenance) was substantially increased. In the private sector, the strong progress in reforms to reduce the cost of doing business led to Rwanda achieving the largest improvement in ranking across all countries included in the World Bank's Doing Business index (i.e. Rwanda's ranking improved from 143 to 67). In the Environment, Land and Water Resources sector, the draft law establishing the Rwanda Energy and Water Development Board, which would help improve coordination in the related sub-sectors, was submitted to Parliament. The main challenge to the cluster was the pace of Government spending which was slower than projected. These have now been resolved and spending now continues at planned levels. There is need for more staff and measures that promote staff retention, particularly in the areas of infrastructure and private sector development. There is also a need for sectors in the cluster to strengthen information collection and management to inform planning and assessment of progress.

12. Within the social cluster, progress on the implementation of policy actions has been commendable, and the majority of policy actions were fully implemented. Progress in the health sector has been considerable with four out of six policy actions having been fully met, including establishing free family planning services, and all health centres now provide outreach services for immunization and piloting in-kind incentives for birth delivery in a health facility. An important challenge for this sector is to continue to address the issue of off-budget aid. In the Water and Sanitation sector, there has been progress in the implementation of policy actions over the last year. But in order to meet the MDGs, further efforts of Government and development partners including more effective policies and increased funding are needed. In the Education sector, significant progress was made in key areas, including fast-tracking 9-year basic education. A number of new strategies were launched, including the revision of the Education Sector Strategic plan for 2010-2015 with a strong focus on post-basic education. A key challenge relates to addressing the serious financing gap foreseen from 2010/11 onwards, while key priorities include the roll-out of the teachers'

development and management strategy and TVET reforms. The Social Protection and VUP sector were successful in scaling up VUP support. Progress on the implementation of the microfinance policy has been slow. A key priority for this sector is to address the significant staffing constraints. A number of cluster wide issues were discussed during the JBSR, including the need to strengthen and consolidate MIS systems. Development partners and Government also agreed on the importance of development issues related to youths, including linkages with other sectors, which should be adequately addressed.

13. As for the governance cluster, satisfactory progress was made against the mini-budget period CPAF policy actions. However, implementation of the policy actions was slower than expected. Less than half of the policy actions were fully met. Nevertheless, most policy actions saw progress towards being achieved. Major developments during the mini-budget period include the adoption of the labor law, approval by parliament of the law establishing the National Law Reform Commission, submission of the electoral code to cabinet and the adoption by cabinet of new organizational structures for central and local government institutions following the functional reviews. Key priorities for the future include the timely start of the next PEFA, the expected first annual revision of the Joint Governance Assessment (which was originally due at the end of 2009), the JRLO Public Expenditure and User Surveys, and the adoption of the new Electoral Code and NGO law.

Macroeconomic Management

14. The Government remains committed to macroeconomic stability by continuing to exercise prudence in implementation of macroeconomic policy with a focus on ensuring coordinated fiscal and monetary policies. The Government has taken strong steps to improve debt management practices by preparing a Debt Management Strategy with limits for loans (keeping to a minimum of 50 percent grant element), as well as guidelines on government guarantees and contingent liabilities that guide future borrowing. A debt manual that will help in the translation of the debt strategy into operation is currently under preparation.

15. To contain inflationary pressures, the Government has taken some measures including: (i) controlling pump prices by offering taxation subsidies to importers; (ii) tightening monetary policy to reduce broad money growth from 30 percent in 2008 to around 11 percent in 2009; and (iii) tightening fiscal policy by reducing expenditures. As a result, the annual average inflation rate for 2009 is projected at 12 percent (as compared to 15 percent in 2008), while the end of period (December 2009) inflation is projected at 6 percent.

16. Based on anticipated lower levels of revenues and external resources (compared to disbursements in 2008), the 2009/2010 budget submitted to Parliament envisaged a reduction in spending of around 0.4 percent of GDP. Furthermore, to maintain priority spending, the Government drew down foreign reserves. However, disbursement from the IMF helped to rebuild the level of foreign reserves to 5.5 months of imports by end-2009.

17. In PFM, the Government developed a financial reporting template that is now being used by all Budget Agencies when preparing year-end financial statements. In 2008, a total of 88 Internal Audit Reports were produced (66 at the central government level and 22 local government), representing about 30 percent of the budget agencies. For improved control of the payroll, the initial migration from the previous management information system to the new Integrated Personnel Payment Information System (IPPIS) database, which integrates human resources and payroll systems, was launched and Government began paying the salaries of the Central Government, Judiciary and Legislature through the IPPIS in February 2009.

Economic Development

18. In the agricultural sector, the Government has adopted key initiatives to increase productivity through adoption of the Crop Intensification Program, development of the fertilizer strategy, and implementation of the private-sector distribution system of auction and vouchers in 2008. As a result of these actions, the sector has registered strong growth in the production of key food security and export crops.

19. Based on the reforms we implemented in 2008, the Doing Business Report 2010 named Rwanda the top reformer, globally. Rwanda introduced reforms in 7 out of the 10 areas reviewed by Doing Business. These are: starting a business, employing workers, registering property, getting credit, protecting investors, trading across borders, and closing a business. Under the topic "ease of doing business," Rwanda improved its position by 76 places, moving from 143rd in 2009 to 67 in 2010. The time required to register property has been reduced by 255 days. Entrepreneurs can now start a business in two procedures and three days. Getting credit was made easier with the new secured transactions act and insolvency act that allowed a wider range of assets to be used as collateral. Moreover, out-of-court enforcement of collateral has become available to secured creditors, who also now have top priority within the bankruptcy procedure. Rwanda has also improved the time to transport goods across borders by implementing an administrative change such as increased operating hours and enhanced cooperation at the border as well as the removal of some documentation requirements for importers and exporters.

20. The Government continues to reform the commercial laws and institutions. In 2008 it introduced a new company law, which simplified business start-up and strengthened minority shareholder protection by requiring greater corporate disclosure, director liability, and shareholder access to information. Employing workers was made easier by abolishing the maximum duration for fixed-term contracts and allowing unlimited renewals of such contracts.

Conclusion

21. In closing, let me reiterate the Government's strong commitment to its objective to reduce poverty in Rwanda and foster sustainable growth that is broad-based. To this end, the Government will continue to adopt policy measures and implement reforms in a manner that is technically and administratively feasible and consistent with the EDPRS. It is therefore, the Government's hope that IDA will approve the requested Grant to assist in the implementation of the envisaged program.

Yours Sincerely,

John Rwangombwa
Minister of Finance and Economic Planning

Common Performance Assessment Framework (CPAF) 2009																		
EDPRS STRATEGIC OBJECTIVES	EDPRS STRATEGIC OUTCOMES (Results)	INDICATORS	EXPECTED PERFORMANCE								PUBLIC POLICY ACTIONS							
											EDPRS Described Policy Action	Key Policy Benchmarks/Outputs by Year						Responsibility Centre
			Baseline 2006	Targets 2008	Actual 2008	Targets 2009/2010	Targets 2010/2011	Target 2011/2012	Target 2012/2013	Source of Data		2008	2009 Jan-June	2009/2010	2010/2011	2011/2012	2012/2013	
1. Increased Economic Growth	Macroeconomic stability consistent with private sector led growth																	
	Make the Business Climate the most competitive in the region																	
	1.1 Enhanced business climate	1.1.1 Index on business environment	36%		38%	56%	62%	68%	74%	World Bank Doing Business Report	Implement strategies to improve business and investment climate in Rwanda	Establish commercial registration agency. Legislate Bills on Companies, Contracts, Secured Transactions, Business Registration and Insolvency. Implement RADDEX system to ease cross-border trade with Tanzania and Uganda. Levy taxes on imports at FOB values.	Operationalize Commercial Registration Agency Effectively apply all modules of Asycuda and reinforce valuation unit in customs	Effectively apply all modules of Asycuda and reinforce valuation unit in customs	Review taxation of petroleum products to improve incentives for fuel traders and stimulate business	Consolidate tax reforms and ensure RRA completes tax assessments and pay back tax refunds on time	Consolidate tax reforms and ensure RRA completes tax assessments and pay back tax refunds on time	MINICOM, RRA
		1.1.2 Score of Investor Perceptions of regulatory issues, licensing burden, corruption and dispute resolution	Baseline data not available		79%					RDB reports	Create a condusive environment for both local and foreign investors	Business Licencisng reform Identification and approval of quick win reforms on licencing by Cabinet	Implementation of the "quick wins" reform Review all licenses, simplify and streamline the most cumbersome ones to reduce time and	Monitor and evaluate the implementation of the licensing reform	Design database infrastructure, create a comprehensive and central electroninc registry of all business licences and build capacity of a relevant government unit to staff	Establish a premanent regulatory reform unit for quality review of new licenses and business regulations in the future (based on RRA system)	Establish and operationalize industrial resolution committee	MINICOM

													procedures taken to issue licences Conduct baseline survey on investor perceptions		and maintain it.			
		1.1.3 Credit to private sector (as % of GDP)	10	11.4	14	12 2	13.1	13.9	14.7	BNR Monetary Survey	Implement Financial Sector Development Plan	Implement the National Microfinance (MF) Strategy and Law. Establish MF Credit fund, and MF capacity building fund. MoU signed between BNR and MINAGRI for the implementation of the final phase of the Rural Investment facility (RIF 2)	Operationalize MF credit fund and complete feasibility study of establishing a rural micro-insurance company Adopt appropriate legal and regulatory framework for national payment systems, credit bureau, and secured transactions .	A comprehensive framework of support to SMEs (including consolidation of financing mechanisms) is designed by Miinecofin and adopted by Cabinet Publish the Regulations governing Payment Service Providers	Review and simplify collateral requirements to encourage rural banking system. Sign contract with a supplier for the implementation of the Rwanda Integrated Payments Processing System (RIPPS)	Ensure full compliance with MF strategy. Continue to strengthen the housing bank and conduct a feasibility study for possible housing bank credit guarantee program.	Continue development of the commercial banking system and expand capital market advisory council to include equities. Prepare a draft securities law for capital markets	FSDP Secretariat
	1.2 Economic infrastructure built	1.2.1 Number of electricity subscriptions	91,332	100,000	110,000	139,000	200,000	270,000	350,000	Mininfra and electrogaz	Increase Access to Electricity for Enterprises and Households to serve as an engine for socio-economic development	Update national energy policyElectricity network expansion rollout program is initiated by MININFRA Prepare strategic note on electricity tariff, taxes and incentives (Mininfra)Sign MoU with Development Partners as 1st output of SWAp	Choose technico-economic technology for rural electrification (Electrogaz and Mininfra)Completion of the initial phase of implementation of the National Electricity Access Program, as evidenced by the establishment, under the Rwanda Electricity Corporation	Law establishing an autonomous Energy and Water Board submitted to Parliament Tariff study (including revised tariff structure) completed and validated by RURA and MININFRA	Develop a strategic and Costed Action Plan to Maximize the participation in the local electricity distribution system by local private subcontractors Enter into emission reduction purchase agreement with a carbon credit purchaser to generate additional income	Second Phase 2013-17 of the Electricity Rollout Developed and endorsed by Cabinet	Integrate energy component in District annual budget planning	MININFRA, Electrogaz, Rural and districts,

												, and operationalization, of a program management directorate					
		1.2.2 MW of electricity installed	45MW	50 MW	74.445	80 MW	90 MW	130 MW	160 MW	MININFRA		Sign contract between Mininfra and at least 2 IPPs for generation of electricity Submit Laws on Electricity and Gas to parliament	Diversify energy sources (methane gas, hydro power & solar Commission 20 MW Heavy Fuel Oil power plant) Sign contract between Mininfra and at least 1 IPPs for generation of electricity	Sign contract between Mininfra and at least 1 IPPs for generation of electricity Remove import duties on LPG to promote its use and reduce dependence on charcoal	Performance contract linked to management incentives signed between Government and the Energy Utility and made effective Study on technical and commercial losses is commissioned	Lake Kivu Stability Monitoring institution for sustainable exploitation of the methane gas is operational	Commission Nyabarongo 27.5 HPP	MININFRA, Electrogaz, private sector and districts
		1.2.3 Percentage of Classified National Road network in good condition	11%	16%	18%	19%	23%	27%	31%	MININFRA	Initiate the rehabilitation and maintenance of classified road network	Adopt the Transport Policy and Road Maintenance Strategy Commence and complete Periodic Maintenance of 80km of the 780km of National Earth Roads	Commence and complete Rehabilitation of at least 20km of the 271km of Paved Roads Complete Periodic Maintenance of at least 120km (cum) of the 780km of National Earth Roads Establish Axle Load control system for 50% of the National Paved Road Network Commencement of Transport Master Plan study Cabinet adoption of	Complete Periodic Maintenance of at least 240km (cum) of the 780km of National Earth Roads Progressively increase the Fuel Levy up to RWF 62	Complete Periodic Maintenance of at least 460km (cum) of the 780km of National Earth Roads Establish axle load control system for the national paved road netwrok	Complete Periodic Maintenance of at least 660km (cum) of the 780km of National Earth Roads Complete and adopt the Transport Master Plan (TMP).	Complete Periodic Maintenance of the 780km of National Earth Roads	MININFRA, Electrogaz, private sector and districts

													road sector reform package covering an autonomous road agency as part of the proposed Transport Board, and Road Act.					
		1.2.4 Percentage of Classified District Road network in good condition	15%	22%		28%	36%	43%	50%	MININFRA, DISTRICTS	Establish multi-annual road maintenance contracts to be managed by Districts	Districts sign Multi Annual (3 year) Output and Performance Based Road Contracts (OPBRC's) with at least 2 contractors Adopt a District/Rural Road Maintenance and Decentralisation Strategy as part of the Road Maintenance Strategy	Districts sign Multi Annual (3 year) Output and Performance Based Road Contracts (OPBRC's) with at least 1 more contractor	Districts sign Multi Annual (3 year) Output and Performance Based Road Contracts (OPBRC's) with at least 2 more contractors Complete District/Rural Road Condition Inventory	Districts sign Multi Annual (3 year) Output and Performance Based Road Contracts (OPBRC's) with at least 3 more contractors	Districts sign Multi Annual (3 year) Output and Performance Based Road Contracts (OPBRC's) with at least 4 more contractors	Districts sign Multi Annual (3 year) Output and Performance Based Road Contracts (OPBRC's) with at least 4 more contractors	MININFRA, DISTRICTS
	1.3 Increased agricultural productivity	1.3.1 Proportion of arable land sustainably managed against soil erosion	40%	45%	44.5%	50%	60%	70%	80%	Land Commission report (benchmark) Monitoring of District Performance Contracts Annual report of MINAGRI and MINIRENA	Develop and implement programmes for erosion control through sustainable land management	Complete feasibility studies for at least 4 out of 34 sites for watershed management Including an assessment of existing pilots as well as a mapping of	Feasibility studies for an additional 14 sites identified under the LWH for sustainable land and watershed management are tendered, contracted	Feasibility studies for the latter 14 sites are completed and made available by MINAGRI. Strategy for mass sensitisation on proposed	Work tendered, contracted and initiated on 10 LWH watershed management sites (which includes SLM, irrigation and watershed community development) previously	Publish report on land consolidation progress evaluation. Publish evaluation report of first 20 watershed communities and develop	Publish evaluation report on the latter 10 watershed communities and develop recommendations to further support watershed communities.	MINAGRI: RAB

												areas that need protection by watershed management and terracing	and initiated by MINAGRI. Publish Land consolidation ministerial decree.	land consolidation developed and endorsed by MINAGRI and shared with the Rural Cluster.	identified in feasibility studies. Evaluate and publish findings on implementation of soil erosion control at the district level.	recommendations to further support watershed communities.		
		1.3.2 Mineral Fertilizer used (MT)	14,000	22,400		30,800	39,200	47,600	56,000	EICV (benchmark) and BNR and RRA (Customs) for annual statistics	Operationalise National Input Strategy	Implement fertilizer strategy with a clarification of public and private roles. Develop Seed Law	Develop an action plan for private sector-led fertilizer distribution based on key lessons from 2009A. Action plan is endorsed by the Ministry and shared with the Sector Working Group Extend fertilizer demonstration plot program to include at least one per sector in rural areas Publish and adopt ministerial decree on land consolidation.	Publish results and lessons learned of an evaluation study of the fertilizer strategy, including adoption and constraints to fertilzier use. Develop, cost and initiate an action plan for capacity-building of private sector agro-dealers in input procurement and distribution, particularly at decentralized levels.	Amend, endorse and share with Agriculture Sector Working Group, the fertilizer strategy -- including the exit strategy for MINAGRI in input distribution and subsidisation -- based on the evaluation study.	Develop a charter for fertiliser importers/wholesalers, dealers, retailers in Rwanda.	Undertake and publish an assessment of the fertilizer strategy, including impact of exit strategy on access and sustainability of fertilizer use and private sector participation.	MINAGRI:RAB
		1.3.3 Production of key food security crops (1,000 MT cereal equivalents)	1611.8	1773.3		1854.1	1934.8	2015.6	2096.4	Enquete Agricole for benchmark and Crop Assessment for Annual trends	Improve production of key crops through multiplication centres and mother gardens for multiplica	Establish demonstration sites and farmer field schools for key crops in appropriate districts. Mapping of sectors where farmerfield	Draft and endorse an agriculture mechanisation strategy Adoption of seed policy and action plan by cabinet Draft, cost and validate the 5-year	Agriculture Mechanisation Strategy costed and tasked within the Ministry. Draft and publish a capacity-building plan for	IPM strategy formulated, endorsed, costed, tasked and activities undertaken within MINAGRI and shared with the Agriculture Sector	Assess and share report on private sector involvement in the distribution and supply of seeds with Agriculture Sector Working	Review and endorse changes to the Agriculture Mechanisation Strategy with emphasis on private sector involvement.	MINAGRI: RADA

											tion in districts and sectors	schools can be established. Support feasibility studies of two new tea factories.	action plan to implement the Seed Policy.	seasonal planning and crop-monitoring for district staff.	Working Group. Cost, task and undertake activities of capacity-building plan for district staff in seaonal planning and crop monitoring.	Group. Publish an evaluation report on the seasonal crop monitoring system.	Review and endorse Seed Policy with emphasis on private sector involvement .	
	1.4 Optimal utilisation of natural resources	1.4.1 Percentage of area of privately owned land held under written title	1%	3%	1.26%	10%	40%	60%	80%	MINIRENA /National Land Centre	Protect land rights and simplify land administration to facilitate investments in land	Develop and produce aerial photography and digital ortho maps to guide systematic land registration (National Land Centre)	Production of orthophotos for 75% of the country. Completion of assessing existing conditions in the country, marked by submission of a report of survey	Develop the National Land use master plans to guide land use management decisions Land tenure regularisation national roll-out	Develop Land use plans, at subnational level, to guide land use management decisions Land tenure regularisation	Regularise Land tenure administration and land use management in all Districts Capacity building at districts to maintain the regularised land administration systems	Put in place mechanism for Institutional capacity strengthening to support the new reforms in land management (MINIRENA and Land Centre)	MINIRENA, All Disticts, National Land Centre
		1.4.2 Percentage Area of land protected to maintain biological diversity	8%	8.40%	8.5	8.80%	9.20%	9.60%	10%	MINIRENA /REMA	Map, assess and rehabilitate degraded ecosystems and protected areas	Map and assess all degraded areas and rehabilitate 5% of critically degraded ecosystems (MINITERE working with REMA)	Rehabilitate of critically degraded ecosystems, repairing the bank of sebeya and Nyaborongo rivers , the shores of lake Kivu and Muhazi including side basins of Rweru, Kamiranzovu, Mugesera and Akagera	Map and assess all degraded areas and rehabilitate 8% of critically degraded ecosystems (including protected areas (MINIRENA working with REMA)	Map and assess all degraded areas and rehabilitate 12% of critically degraded ecosystems (including protected areas (MINIRENA working with REMA)	Map and assess all degraded areas and rehabilitate 16% of critically degraded ecosystems (including protected areas (MINIRENA working with REMA)	Map and assess all degraded areas and rehabilitate 25% of critically degraded ecosystems (including protected areas (MINIRENA working with REMA)	MINIRENA, REMA, ORTPN, NAFA, Districts
	Improved population health for better quality of life																	
2 Managing population growth rate and enhacing population	***2.1 Enhanced Family planning***	2.1.1 Percentage of women aged 15-49 using modern contraceptives;	10%	25%	27%	32%	38%	44%	50%	HMIS	Scale up FP services	Population and family planning promotion policy published including IEC strategy;	Promulgation of new tariffs establishing free FP services;	Full funding of family planning program at US$0.3 per capita per year from Rwanda's budget	Establishment of 5 youth health centres providing comprehensive family planning services; Training of all	FP integrated into IMIHIGO, national BCC campaign conducted	Evaluation of family planning program published	MINISANTE

develop ment												Increae number of youth friendly facilities to 30% of facilities			associations of promoters conducted			
	2.2	***Under 5 Child mortality rate (per 1000)***																
	Improve d health and nutritio n status	2.2.1 Percenta ge of children fully imunised	75%	80%	80.4%	85%	90%	92%	95%	HMIS	Outreach services for immunisa tion at communit y level	10% of health centres do outreach services for immunizati on	15% of health centres do outreach services for immunizati on	25% of health centres do outreach services for immunizati on	50% of health centres do outreach services for immunization	75% of health centres do outreach services for immunizatio n	100% of health centres do outreach services for immunizatio n	MINISA NTE
		2.2.2 Percenta ge of under five children using Insectici de Treated Long Lasting mosquit o-nets	16%	65%	60% (DHS 2007/0 8)	70%	75%	80%	85%	HMIS	Free distributi on of LLNets to under Five	All IMIHIGO include use of bed nets by children less than 5 as performanc e indicator	Conduct national campaign for free moskito-nets for under five children, pregnant woman and other vulneble groups (PLHIV, Old people, etc,)	LLINs and ACT, pricing and distribution policy published; plan for elimination of malaria published	Implement plan of elimination including environmenta l measures, bio-larvicides and 2 LLINS by household	70% of households have two LLINs	80% of households have two LLINs	MINISA NTE
		Maternal Mortality rate (per 100,000 live births)																
		2.2.3 Percenta ge of assisted births in an accredite d health facility	28.2%	35%	63%	40%	45%	50%	> 60%	HMIS	Develop incentive mechanis ms to increase deliveries in health facilities	Include assisted delivery in 2008 IMIHIGO	Pilot in kind incentive for birth delivery in health facility	Increase price of PBF for assisted deliveries by 50% and implement conditional cash transfers for assisted deliveries in pilot districts	Publish demand policy for assisted deliveries	Evaluate pilot of Conditional Cash transfers for assisted deliveries	Implement conditional cash transfers for assisted deliveries in 20 districts	MINISA NTE
		2.2.4 Utilisati on Rate of primary health care services (all visits at health centres, private dispensa ries and visits by commun ity health workers)	0.70	0.75	0.86	0.80	0.85	0.95	1.00	HMIS	Reduce barriers to utilisation of services	Report on financial access to health care in Rwanda published	Promulgate Ministerial decree on mutuel ticket moderateur variable based on social economic category	Pilot reducing "ticket moderateur " and introducing conditional cash transfers for children less than 5 and pregnant women	Evaluation of reduced "ticket moderateur " and onditional cash transfert pilot for child health is published	National Policy on "ticket moderateur" and conditional cash transfer for maternal and child health services published on the basis of evaluation	National policy on "ticket moderateur" and conditional cash transfert f published	MINISA NTE

	2.3 Strengthened health financing and pro-poor approaches	2.3.1 Per capita allocation to PBF for health facilities and community health cooperatives	1.2$	1.45$	1.4$	1.85$	2.25$	2.65$	2.9$	HMIS	Scale up PBF in all health facilities	Health facilities receive about 1$ per capita per year in PBF including assisted delivery Community health policy implementation plan and budget, including partners' programs, are approved by the Ministry of health Community PBF strategy is approved by Ministry of Health Credible health sector MTEF that supports community health and nutrition policy reforms including community PBF, CHW training and incentive strategy for maternal health, is drafted by MoH and submitted to MINECOFIN	Evaluation of District steering committees conducted and descriptive report of impact evaluation published	Pilot in kind incentive for birth delivery in health facility	PBF is established in 100% of health facilities in the country transferring at least 2$ per capita per year	Evaluation of PBF procedures published including revised comprehensive formula elaborated	Allocation of funding to facilities in function of revised formula based on balance between input and ouput	MINISANTE
	2.4 Improved Access to Safe Drinking Water	2.4.1 Percentage of population with access to clean drinking water	64%	70%	73%	75%	80%	83%	86%	EICV MINIRENA, DISTRICTS, ELECTROGAZ		Prepare 5 district water supply master plansConstruct 517 KM of new water	Continue to prepare 3 district water resources master plans Construct 490 km new	Water supply and sanitation services policy and strategy submitted to and approved	Produce MIS report twice a year (December and June).Construct 1130 protected Water	Construction of 400 km of new Water Network and rehabilitate 320 km of Water	Performance assessment for private operators. Construct 280 km of new Water network and	MININFRA and DISTRICTS

		(within 500 meters in rural areas & 200 meters in urban areas)										supply systemsIniti ate rain water harvesting projects in 8 districtsCon struct 150 undergroun d drills (MINITER E , Kigali City and Southern Province)	water supply systemsDraf t water supply and sanitation policy prepared and organize the workshops (provincial and national level) for discussion with all partners Strengthen urban water supply monitoring through the adoption of key performanc e indicators that enables assessment of tecnical and financial performanc e of the water utility	by CabinetCon struct 310 km of new Water Network; 220 protected Water springs and 331,1km rehabilitate d Network Water utility to complete a study outlining a tariff framework for urban water supply services that promotes efficiency, reliability, equity and sustainabilit y of water resources.	springs, 450 km of new Water Network and rehabilitate 200 km of Water Network The tariff framework is submitted to MININFRA for review and adopted by RURA	Network	300km of Water Network rehabilitated	
	2.5 Improv ed sanitati on status	2.5.1 Percenta ge of populati on with access to hygienic sanitatio n facilities	38%	45%	45%	50%	60%	63%	65%	DISTRICTS MINISANT E MINIRENA EICV DHS	Develop and promote sanitation facilities and hygiene.	Construct sanitation facilities in pilot imidugudu, public places including schools, roads, health centers, markets, district headquarter s, in Western and Southern provinces MINITERE working with MINISAN TE and Districts to have promoted policy, laws on water	One third of Sanitation facilities in pilot sectors completed in each Province Prepare the sanitation strategy taking into account the water and sanitation policy . Carry out an Inventory of the existing technology in Rwanda. Put in place the appropriate d techonlogie s and disseminate in rural	Construct 9043 ECOSAN latrines in public places Put in place PHAST and HAMS Committees where they don't exist.	Construct 12,000 ECOSAN latrines in public places and at the household level Put in place the norms and standards of sanitation in Rwanda	Construct 12,000 ECOSAN latrines and 1,000 Biogas latrines in public places and at the household level Rreinforce capacities of decentralize d entities in management of sanitation facilities	Construct 13,000 ECOSAN latrines and 1,500 Biogas latrines in public places and at the household level Dissseminai on of norms and standards of sanitation	MININF RA, MININF RA and DISTRIC TS

												and sanitation, PHAST and HAMS (West and South provinces) to reinforce community and schools capacity in basic hygiene.	areas. Carry out an Inventory of the towns without sanitation master plans. Prepare hand book on hygiene and sanitation for teacher and handbook on HAMS					
	Promote a knowledge based society																	
	2.6 Enhanced population skills	2.6.1 (i) Primary school completion rate	51,7%	55%	53%	56%	59%	62%	65%	EMIS & LTSFF	Ensure classroom construction, qualification and motivation of teachers and provide textbooks with pupil textbook ratio of 1:1 in core subjects to ensure completion rate	Develope EMIS Phase I and M&E phase I.Revise construction norms and distribute in schools	Approval of Special Education Needs PolicyPublish education quality standardsAdoption of a framework and procedures for decentralized procurement and school level selection of text books as set out in the text book policyIssuance of an inviation to publishers for the submission of proposals of teachinng and learning materials for inclusion in the national approved list of such materials	Awarded textbook status given to publishers for up to 4 textbooks per subject G1-G12Number of schools with textbook selection committee established; primary 1926/2408; secondary; 1159/1449250 textbook evaluators trainedDevelop and cost Special Education Needs strategic plan	Put in place MLA to measure quality of education Make EMIS Operational in schoolsOrganize an international workshop on quality and equity	Evaluate the distribution and Utilization of textbooksEvaluate the use of EMIS at all levels	M&E system fully functional	MINEDUC
		2.6.1 (ii) Primary school completion for			53%	55%	58%	60%	62%	MINEDUC	Launch actions to promote girls' anticipati		Adoption of a girls' education policy including	Core gender sensitive indicators available				

		girls									on and learning achievement		measures for improved gender disaggregated data collection and analysis Adoption of a cost calculated strategic plan for the implementation of the girls' education policy	Girls' education policy disseminated to every district including awareness raising workshops with relevant stakeholders including NGO, FBO and school administrators [1]				
		2.6.2 Primary school pupil to qualified teacher ratio	72.7:1	72:1	67:1	65:1	64:1	62:1	60:1	EMIS & LTSFF	Provide sufficient and properly qualified and well motivated teachers	Publish teacher development and management policy and recruit 1000 teachers	Adoption of a Teacher Development and Management Policy (TDMP) establishing an entity for the oversight of teacher services professionalization Adoption of a cost calculated strategic plan for the establishment of a coordinated in-service teacher education structure	Deputy CEO for TDM appointed under the Rwandan Education Board Guidelines for INSET of teachers developed				MINEDUC
		2.6.3 Transition from basic education (TC) to upper secondary education	82%	84%	78.6%	82%	83%	85%	86%	EMIS & LTSFF	Expand post-basic education (including upper secondary, TVET and HE)	Develop post basic education concept note	Carry out analytical work and studies on post basic education as part of the country status report process	LTSFF and ESSP revised to include greater focus on and cost of PBE and linkages to the labor market and STI Roll out EMIS to districts and prepare school				MINEDUC

														based roll out				
		2.6.4 Proportion of employers who are satisfied with the performance of TVET graduates	n/a	n/a	n/a	9%	9.5%	10%	12%	LMIS & MINEDUC	Ensure TVET strategic policy and plan to indicate which new courses/schools to be established and which cources to be improved / expanded to accommodate more students in response to market demandConduct employer s'survey	Publish TVET policy		Develop and cost TVET strategic planConduct employers' survey to establish baseline information on employment of TVET graduate and adequacy of training (Rwanda Workforce Development Authority)		Conduct follow up survey on employment of graduates and adequacy of TVET training (Rwanda Workforce Authority)	Carry out Impact evaluation of TVET on economic development	MINEDUC
	Combat poverty and extreme poverty																	
	2.7 Improved Social Safety Net	2.7.1 The percentage of households in the bottom two categories of extreme poverty according to UBUDEHE classification	No baseline survey to be conducted in 2009		28.6% (VUP survey)					MINALOC (VUP program)	Government to begin to implement and operationalize the VUP Policy Framework in the 30 pilot districts	Government has committed budget allocations to implement the VUP program in at least 6 pilot sectors and established a core management team to implement the VUP policy framework.	Government has committed budget allocations to implement the VUP program in at least 15 pilot sectors and ensured coordination of all social protection activities, in accordance with National Social Protection Policy Baseline survey to be conducted	Government has committed budget allocations to implement the VUP program in at least 30 pilot sectors and ensured coordination of all social protection activities, in accordance with National Social Protection Policy	Government to continue support of VUP and to ensure coordination of all social protection activities, in accordance with National Social Protection Policy	Government to continue support of VUP and to ensure coordination of all social protection activities, in accordance with National Social Protection Policy Assess overall reduction in extreme poverty between end-2008 & end-2011	Government to continue support of VUP and to ensure coordination of all social protection activities, in accordance with National Social Protection Policy	MINALOC
		2.7.2 Percentage of eligible	0	35%	35%	35%	35%	35%	35%	VUP reports, CDF reports,	Establish and implement a Public	Finalise budget allocations for VUP	Policy on public works applied in	Scale up public works in according	Continue scale up VUP public works program in	Evalute social protection intervention	Produce and disseminate final report on social	MINALOC

		households granted public works								District Social Affairs Department reports, EICV for data for 2010	Works policy framework (encorporating good international practice) underpinned by training at local government level.	public works in line with EDPRS priorities and complete the implementation manuals of PW programmes incorporating international good practice.	accordance with international good practice in respect of: wage rates (relation to market wage less than 1); community selection of projects; voluntary savings and direct payment of wages, and with budget allocations reflecting EDPRS priorities.	to international good practice in respect of: wage rates (ration to market wage less than 1); community selection of projects; voluntary savings and direct payment of wages, and with budget allocations reflecting EDPRS priorities.	accordance with the international good practice policy on wage rates, community selection of projects, voluntary savings and direct wage payments.	s undertaken	protection interventions	
		2.7.3 Percentage of eligible households granted direct support in VUP sector				60%	70%	80%	80%	MINALOC, MINISANTE, MINEDUC, MIGEPROFE, MIJESPOC, CSOs, EICV for data for 2010, other external studies	Incorporate direct support activities into all district and imirenge plans, and in JADFs at District and Umurenge level	Finalise budget allocations for VUP direct support packages in line with EDPRS priorities and complete the implementation manuals of DS programmes incorporating international good practice.	Policy of direct tranfers applied in accordance with international good practive policies in respoect of transparent communication systems for determining eligibility of clients and timely payment of benefits, with budget allocations reflecting EDPRS policy priorities.	Scale up VUP direct supports according to international good practice and ensure coordination of all social protection activities in accordance with the national social protection policy.	Carry out household expenditure survey to assess impact of transfers	Evalute social protection interventions undertaken	Produce and disseminate final report on social protection intervention	MINALOC
		2.7.4 Number of vulnerable households accessing credit and savings faciliites	0	0	0	6390	25560	46575	88500	MINALOC	Implement and Operationalize the VUP policy		Policy of microfinance applied in accordance with international good practive policies	Scale up VUP microfinance in according to international good practice	Continue scale up VUP public works program in accordance with the international good practice policy on wage rates, community selection of projects, voluntary	Roll out microfinance activities targeting poor and vulnerable in all sectors	Evaluate microfinance activities targeting poor and vulnerable	MINALOC, MINICOM

															savings and direct wage payments.			
	Promote justice, decentralisation and public sector management 2																	
3. Enhanced gains through good governance	**3.1 Effective coordination of national labour force**	3.1.1 Number of new non-farm jobs created (cumulative target) (indicative) 2								MIFOTRA National Employment Agency and WDA reports	National employment policy and strategy disseminated and implemented	Implement programme to take at least 300 youth from universities on internship; at least 300 youth and 500 women in enterprenership; Collaborate with CAPMER, RIAM and Women Council to establish RWoDA	Implement programme to take at least 120 youth from universities on internship;* Submit the labour code to Cabinet	Seek approval for National Employment Agency	Submit to Parliament the National Employment Agency Acts;	Operationalise National Employment Agency	Conduct impact evaluation of national employment promotion policy	MIFOTRA WDA RIAM RDB/CAPMER MIGEPROF MIJESPOC CNF CNJ
											Strengthen Youth savings & credit institutions and enhance employment of youths through cooperatives (MIJESPOC, MINICOM, NYC & BNR)	Strengthen district wide 5 Youth savings&credit schemes Prepare 50 diversified youth cooperatives	Strengthen district wide 5 Youth savings&credit schemes Operationalise 40 youth cooperatives	Operationalise 50 youth cooperatives	Operationalise 100 youth cooperatives	Operationalise 120 diversified youth cooperatives	Operationalise 50 youth cooperatives	MINIOUTH, MINICOM & NYC
	3.2 Enhanced Local Governments Capacity	3.2.1 Percentage of Districts which achieve a minimum of 80% of their service delivery and sustainable local development targets for	60%	62%	67%	65%	70%	75%	80%	Annual Imihigo reports	Strengthen local government capacities to improve access to quality services, sustain socio-economic development, manage and coordinate sector strategies	Develop and endorse District Capacity Building Needs Assessment and Plans	Adopt comprehensive 5-year capacity building strategy for Local Governments	Monitor & evaluate the implementation 2009/2010 Imihigo at district level and prepare the 2010/2011 Imihigo, Conduct an asssessment of service delivery at local level with Citizen	Set up basket fund for Capacity Building in local governments Adopt and initiate implementation of a consolidated and prioritized 5 year District Capacity Building plan	Implement strategy to accompany LGs into the third phase of decentralisation process	Implement effective MIS to monitor LG performance	MINALOC, MIFOTRA, HIDA

	which they are responsible												Report Cards and Community Score Cards				
3.3 Enhanced citizen participation in decision making	3.3.1 Percentage of citizens who feel that they participate actively in local decision making and that local government is listening to and addressing their priority concerns.	65%	68%		72%	75%	78%	80%	NURC, IRC opinion survey	Reinforce mechanisms for inclusive citizen's participation in local decision-making and governance processes	Improve electoral regulatory framework for elections	Develop sensitisation and mobilisation strategy to promote citizens' awareness and participation.	Scale-up the Itorero program by training 70,000 Rwandans	Improve regulatory environment to support freedom of expression and political rights	Reinforce public and private media capacities to promote citizen's voice and freedom of expression	Improve communication systems for open-access to information on public affairs, decisions and opportunities and regulatory framework	MINALOC, NEC, MININFOR, ORINFOR, Primature
3.4 Improved public accountability	3.4.1 Percentage of Performing Budget Agencies	No baselines, coordination Unit only put in place late 2008		20%	25%	30%	35%	40%	Coordination Unit (PM office) report	Increase the capacity of budget agencies to deliver on their annual work plan outputs	Implementation of a robust reporting system enabling accurate information to be conveyed to Government decision makers in a timely fashion.Develop the capacity of the Coordination Unit to use tools and techniques to assist budget agencies in driving delivery	Develop a capacity building planConduct a baseline study on service delivery MIFOTRA agrees with all central ministries on staffing levels and ministerial structures for optimal performance within fiscal limits.	Pay and remuneration policy drafted and validated by key stakeholders on civil service reform	MIFOTRA establishes HRM and HRD policies, procedures and tools			MIFOTRA
	3.4.2 Percentage of corruption cases processed by the prosecuti	100 cases entered in NPPA, 47% of them are	60% of cases entered are treated	75% of cases entered are treated	80% cases entered are treated	85% cases entered are treated	85% cases entered are treated	85% of cases entered are treated	NPPA data system	Increase efficiency in overall justice system	Set up an effective coordination between institutions in charge of fighting against	Popularise laws on corruption and accountability Effective	Accelerate the procedures of pursuits and penalties of the authors of	Popularise laws on corruption and accountability Effective	Popularise laws on corruption and accountability Effective	Popularise laws on corruption and accountability Effective	National Public Prosecution Authority (NPPA)

	on	treated									corruption.	application of legal instruments on anti corruption; Accelerate the procedures of pursuits and penalties of the authors of corruption Put in place the organic frame of NPPA and a specialized unit pursuing economic and financial crimes	corruption; Reinforce the specialized unit pursuing economic and financial crimes (number of its staff and trainings).	application of legal instruments on anti corruption Accelerate the procedures of pursuits and penalties of the authors of corruption .	application of legal instruments on anti corruption Accelerate the procedures of pursuits and penalties of the authors of corruption .	application of legal instruments on anti corruption Accelerate the procedures of pursuits and penalties of the authors of corruption	
3.5 Improved access to quality justice	3.5.1 Number of cases processed by the civil, penal (excl. Genocide), and commercial courts			Civil: 20,684; Penal: 12,756; Commercial: 1869	20% increase from previous year	20% increase from previous year	20% increase from previous year	20% increase from previous year	Courts data system	Increase efficiency in overall justice system	Submit Promulgation on law to establish Commercial Courts to Parliament. Conduct assessment of fiscal and commercial laws (MINIJUST and MINICOM). Establish 4 Commercial Courts and Train 8 Commercial Court staff (Supreme Court) Establish Law Reform Commission Put in place Legal aid	Carry out justice sector needs assessment. Reinforce Justice sector technical committees at District level through capacity building. Establish bureaux of justice in 6 districts	JRLO Users Perceptions Survey published Train 12 Commercial Court staff (Supreme Court)	Continue construction of 1 Commercial Courts and train 10 Commercial Court staff Establish bureaux of justice in seven districts	Complete construction of 1 commercial courts, Carry out assessment of commercial justice system and train 10 staff of commercial courts Complete construction of ILPD completed. Establish bureau of justice in 6 districts	Complete construction of 1 commercial courts, Carry out assessment of commercial justice system and train 10 staff of commercial courts Reinforce justice sector technical committees at District level	MINIJUST, MINICOM, Supreme Court Civil Society, RNP, INS

											framework. Put in place Bureaux of justice in 4 districts						
		3.5.2 Percentage of Prisoners relevant to actual Jail Capacity	140%	135%	130%	125%	110%	100%	100%	National prison service (NPS)	Increase productive capacity of prisons and ease the pressure on prison infrastructure	Continue expansion of Butare prison Acceleration of TIG activitiesSpeeding up of judgement execution	Continue expansion of Butare prison Begin construction of Butamwa prisonAcceleration of TIG activitiesSpeeding up of judgement execution	Begin construction of Kigombe prison (which will later be occupied by Gisenyi and Ruhengeri prisons)	Transfer of Gikongoro prisoners to Butare PrisonContinue construction of Butamwa prisonContinue construction of Kigombe prison Transformation of some prisons into schools and production centres, Acceleration of TIG activitiesSpeeding up of judgement execution	Construction of Nyamasheke prisonKigali central prison and Remera prison to be transferred to Butamwa prisonContinue construction of Kigombe prison Transformation of some prisons into schools and production centres, Acceleration of TIG activitiesSpeeding up of judgement execution	Continue construction of Nyamasheke prisonComplete construction of Kigombe prisonTransformation of some prisons into schools and production centres, Acceleration of TIG activitiesSpeeding up of judgement execution	MININTER
		3.5.3 Average time minors stay in prison before trial			To be established	10% reduction	10% . reduction	10% reduction	10% reduction	Rwanda Correctional Services / NPPA	Increase efficiency in overall justice system			Finalise legal aid study	Finalize Legal Aid Policy			MINIJUST, MININTER
		3.5.4 Proportion of Registered Human Rights Cases processed by NHRC	35%	40%	63%	70%	75%	80%	80%	NHRC reports	Sensitize and educate the population on Human rights	At least 300 members of religious groups are sensitized Human rights clubs in secondary schools are trained on human rights At least 2 teachers in all secondary schools are trained on human rights	At least 2 cooperatives for Handicapped persons are trained on human rights Members of the National Women Council (Conseil national des Femmes) at national level are trained on Human rights Members of	Monitoring of human rights observation in Gacaca judgements and in TIG Received complaints are addressed and victims of violations of Human Rights are restored their rights	Monitoring of human rights observation in Gacaca judgements and in TIG Members of youth organizations are trained at sector and district level. Received complaints are addressed and victims of violations of Human Rights are restored their	Received complaints are addressed and victims of violations of Human Rights are restored their rights Authors of Human Rights Violations' are brought to Justice Training of all coordinators at cell levels	Security organs are trained on Human rights Visit detention centers to ensure observation of human rights Received complaints are addressed and victims of violations of Human Rights are restored	MINIJUST

												Received complaints are addressed and victims of violations of Human Rights are restored their rights Authors of Human Rights Violations' are brought to Justice	youth organizations are trained at sector and district level. Received complaints are addressed and victims of violations of Human Rights are restored their rights Authors of Human Rights Violations' are brought to Justice		rights Authors of Human Rights Violations' are brought to Justice	Members of youth organizations are trained at sector and district level.	their rights Authors of Human Rights Violations' are brought to Justice	
	3.6 Enhanced public financial management	3.6.1 Index for multiyear perspective in fiscal planning, expenditure policy and budgeting	C+ (2007)			B-			B	Budget reports PEFA Reports	Public Financial Management Follows International Best Practices	Prepare an MTEF implementation guidelines Conduct an assessment of improving Budget Classification	Introduce and mainstream gender budgeting Align budget calendar to EAC practices Debt management strategy approved by Cabinet	Revitalise MTEF and integrate it into budget process Improve budget structure and classification to align with GFS 2001 throughout the Government	Study, introduce and Strengthen performance-based budgeting, Maistream Gender Budgeting	Enact a Law on freedom of Information Improve Development Budgeting by Intergrating closely Sector Strategies, public investment programming [PIP] and Recurrentr Costs	Enhance capacity building of budget agencies in gender budget mainstreaming, performance budgeting, budget classification and MTEF Publish information on resource available to primary service units, for example health, education	Budget Unit
		3.6.2 Index of effectiveness of payroll controls	D+(2007)			C+			B-	IPPS implementation reports PEFA Reports	Public Financial Management Follows International Best Practices	IPPIS System Technical Requirements and Functional Requirements Specification carried-out.System Gap Analysis carried-	Carryout Data Cleaning from Legacy Systems and Migrate to IPPIS Database.	Payroll Module (Subsystem) of the IPPIS installed in central Government ministriesIntegrate HR and Payroll Subsystems	Rollout IPPS to CG ministries & agencies and Districts following prioritization sequence.Interface/Link IPPS with Smartgov	Continue with IPPS Maintenance, Technical support & System Upgrade. Release IPPIS Major Version II	Continue with IPPS Maintenance, Technical support & System Upgrade. Release IPPS Major Version III	MIFOTRA

												out.HR-Module (Subsystem) accomplished						
		3.6.3 Index on quality and timeliness of annual financial statements	C+ (2007)			B-			B+	PEFA reports	Public Financial Management Follows International Best Practices	Update and refine the short and long term capacity building needs assessment Complete development of PublicBooks software	Conduct training for short term skills enhancement course and ACCA part 1Test PublicBooks and roll it on pilot basisEach Budget Agency submits a Fund Accountability Statements for the FY2007	Conduct training for short term skills enhancement course and ACCA part 1&2IFMS piloted in key CG ministries	RES for Accountants & Internal Audors adopted and implemented Complete IFMS roll out in CG and integrate with IPPS	RES for Accountants and Internal implemntation sustained.IFMS rolled out to districts and IFMS produces financial statements for all CG ministries and 50% of districts & 50% of Government agencies and submitted within time frame stipulated by the Law	Ensure 50% of all budget agencies maintain a fixed assets register.Complete roll out of IFMS to Districts and IFMS produces financial statements for all CG ministries and agencies and all districts	Public Account Unit
		3.6.4 Percentage of Internal audit reports submitted	20% of all budget agencies submit internal audit report	25% of all budget agencies submit internal audit report	30% of all budget agencies submit internal audit report	40% of all budget agencies submit internal audit report	45% of all budget agencies submit internal audit report	50% of all budget agencies submit internal audit report	55% of all budget agencies submit internal audit report	Internal audit reports	Public Financial Management Follows International Best Practices	Provide training on systems audit	Adopt and publish internal audit manuals and internal auditors code of ethics	Build Capacity for conducting Risk Based Systems Audits. Develop and adopt proposals for the Establishment of Audit Committees	Conduct Systems Based Audits and value for money and IT (Computer-aided audit techniques) audits Pilot Establishment of Audit Committees	Conduct performance value for money audits Roll out establishment of Audit Committees	Conduct performance IT (Computer-aided audit techniques) audits	Internal Audit
		3.6.5 Percentage of Government expenditure audited by OAG	50% both CG entities & districts	50% both CG entities & districts	60% both CG entities & districts audited	65% both CG entities & districts	65% both CG entities & districts	70% both CG entities & districts	75% of CG ministries & agencies; 70% of Districts.	OAG reports	Public Financial Management Follows International Best Practices	Develop a staff retention strategy Support development of for qualifies staff	Install improved audit software	Strengthen specialised audit (payroll audit) Implement staff retention strategy	Continue training of all auditors in IT audit techniques and sampling	Strengthen and improve quality control Strenghten Value for Money Audits	Continue improving quality control	OAG
		3.6.6 Percentage of Public enterpris	Limited submission by GBEs	43% of GBEs submit fiscal reports	100% of GBEs submitted	100% of GBEs submit fiscal	100% of GBEs submit fiscal	100% of GBEs submit fiscal	100% of GBEs submit fiscal	Treasury reports	Public Financial Management Follows	Develop a strategy for government portfolio managemen	Analyse and compile reports on fiscal risks posed by	Implement and monitor the government portfolio	Review the existing laws establishing GBEs fully owned by the	Implement and monitor the revised law on management	Continue implementing and monitoring the revised	Treasury

		e submitting fiscal reports	and no consolidated reports	; all reports consolidated	fiscal reports ; all reports consolidated	reports ; all reports consolidated	reports ; all reports consolidated	reports ; all reports consolidated	reports ; all reports consolidated		International Best Practices	t (with clear guidelines on borrowing) Gather annual financial statements from all GBEs	GBEs	management strategy	GoR to increase pay-out ratios	of government business enterprises fully owned by GoR	law on management of government business enterprises fully owned by GoR	
		3.6.7 Proportion of the value of procurement tendered competitively or justified	73%	75%	86%	87%	88%	89%	90%	RPPA reports	Public Financial Management Follows International Best Practices	Train procurement officers at all levels on new procurement law. Publish the independent review (appeal) panel report. Develop the institutional and legal framework to support capacity in procurement	Conclude partnership agreement with learning institution in Kigali to develop curricula to provide basic training in procurement	Recruit Procurement Coaches to provide on-job training to MDAs All procuring agencies submit a procurement plan to MINECOFIN with their budget proposal and RPPA publishes the procurement plans on its website.	Amendment of the procurement law to increase transparency and efficiency of public procurement Enter into a twinning arrangement with School of Finance to introduce professional training in Procurement.	Establish a website and connect all budget agencies to E-procurement and carry out procurement audit . Provide professional training to procurement officers across government at certificates level *Produce and* publish code of ethics for staff handling procurement matters	Establish the association of professional procurement personnel. Provide professional training to procurement officers across government at diploma level	RPPA

Notes:
* Where relevant, indicators will be disaggregated by gender in annual reporting
*Exogenous factors will be taken into consideration when assessing performance

Annex 5: Fund Relations Note

Rwanda—Assessment Letter for the World Bank

January 14, 2010

This letter provides an assessment of macroeconomic developments in Rwanda in 2009 and prospects for Fund involvement in 2010 and beyond. Performance against the authorities' 2009/10 macroeconomic framework prepared in collaboration with Fund staff has been broadly satisfactory. Structural reforms were implemented as expected, although some key fiscal indicative targets were missed.

Relations with the IMF

The sixth and final review under a three-year PRGF arrangement for Rwanda was completed in July 2009 and the arrangement expired in August 2009. For monitoring purposes, the authorities prepared, in collaboration with Fund staff, a macroeconomic framework for 2009/10, with quarterly indicative targets. A Fund mission visited Kigali during October 27–November 10, 2009 to review recent developments and performance against the 2009/10 macroeconomic framework. The authorities indicated their intention to request Fund support for their economic program, starting on July 1, 2010, to align the program with the new budget cycle (July-June). A Fund mission is planned for March 2010 to discuss the authorities' program.

Recent Developments

Economic growth slowed sharply in 2009, from the very high rate in 2008. Real GDP growth in 2009 is estimated at 3 percent, compared to 5.3 percent projected in mid-2009, and down from 11.2 percent in 2008. The slowdown reflects mainly a downturn in construction, financial services, commerce and tourism, sectors of the economy particularly vulnerable to the global slowdown and the tightened domestic liquidity conditions. Balance of payments pressures have so far been avoided due to higher aid flows. Inflation in 2009 has declined to single digits.

While the fiscal program remained on track through June 2009, performance was mixed in the third quarter of 2009 reflecting delays in donor disbursements and challenges in budget execution and management.

- Total revenues were in line with budgeted amounts through end-September 2009, as a significant shortfall in non-tax revenues (mainly fertilizer receipts and drivers licenses) was offset by higher-than projected collection of taxes on goods and services and international trade taxes. Total expenditures were also kept within budgeted amounts. The authorities made a capital contribution in a new convention center, which was not included in the budget, and was offset by lower domestically-financed capital expenditures.

- However, three out of seven indicative fiscal targets were missed at end-September 2009. The ceiling on net credit to the government was missed owing to shortfalls in donor budgetary support, while accumulation of domestic arrears was also higher-than-expected owing to delays in payments to suppliers pending an overhaul of procurement practices;

the payments are now being regularized. Priority spending was also slightly below target at end-September arising in part from lower domestically-financed capital spending.

The monetary program remained on track through end-September. The authorities are effectively using repo operations to meet reserve money targets on a monthly average rather than end-quarter basis as recommended by Fund staff. Bank liquidity has improved, as deposit interest rates have become positive in real terms, but banks remain cautious in extending credit amid recent higher levels of non-performing loans (the ratio of NPLs to total loan portfolio increased from 12.6 percent in December 2008 to 13.6 percent in September 2009). Credit to the private sector has continued to decline in 2009, falling by 4 percent (y-o-y) in October this year. The central bank lowered its key policy rate from 9 percent to 7.5 percent on December 18, 2009 to help spur credit to the private sector. At the same time, banks are cleaning up their balance sheets and improving risk management, with assistance from the Fund. The central bank has also stepped up its banking supervision, while continuing to make progress in its effort to widen access to financial services

The Rwandan franc has been relatively stable in 2009 reflecting in part the low demand by the private sector for foreign exchange. The central bank is taking measures to create a more effective interbank foreign exchange market, but progress has been slow. The real effective exchange rate depreciated by 7 percent in the first nine months of 2009—reflecting the decline in the inflation rate—reversing in part the large real appreciation that occurred in 2008.

Structural reforms were implemented as expected. On the fiscal front, customs administration continues to improve with the recent introduction of cargo scanners. With significant assistance from donors, the government is redoubling its efforts to improve its public financial management system, including by enhancing the coverage of externally financed projects and audits of government accounts. On the financial side, a census of micro financial institutions was undertaken with a view to provide proper oversight and enhance public access to credit. The current social security system is also being reviewed with a view to enhance the efficiency and depth of the financial sector. The authorities also implemented the legal and instructional framework necessary for a private credit bureau to be fully operational in early 2010.

Outlook

Looking forward, the economy is expected to gradually recover starting in 2010, albeit a somewhat more sluggish pace than previously expected, due to negative spillovers from 2009. Real GDP growth of around 5 percent is expected for 2010. The recovery will come from another good agricultural harvest, a gradual pick up in construction and services contingent on a turnaround in private sector credit growth—and completion of on-going infrastructure projects in water and electricity sectors. Inflation is expected to remain in single digits. The overall balance of payments is expected to deteriorate slightly in 2010 from lower transfers and a pickup in imports resulting from the domestic recovery, although international reserves should remain at comfortable levels. Despite a reduction in spending (as percent of GDP) and unchanged revenues, the overall fiscal balance (including grants) is projected to widen in 2010. Staff supports the fiscal stance, which was earlier endorsed by the Fund Board in the context of the sixth PRGF review. The fiscal deficit is expected to narrow over the medium term,

In the period ahead, the authorities need to step up efforts to mobilize domestic resources and ensure sufficient policy flexibility to maintain macroeconomic stability. Specifically, efforts are needed to expand the tax base to the informal sector and accelerate the recovery of budgeted 2009/10 non-tax revenues, namely fertilizer receipts and drivers licenses. At the same time, the authorities should continue to strengthen foreign exchange operations to allow the exchange rate to adjust as needed to changes in economic fundamentals. Likewise, proactive monetary policy and positive real interest rates will help to control inflation and deepen the financial sector.

Annex 6: Rwanda— Non-Bank Donor Activities in PRSG Areas of Focus

Sector— CPAF Outcome [1]	**Indicator(s)**	**Non-Bank Donor Interventions in Support of the Government's Program**	
		Main Donor	**Activities**
Agriculture - Increased agricultural productivity	Proportion of arable land protected against soil erosion Mineral Fertilizer used (MT)	IFAD	Supports the implementation of PSTA II (the strategic plan to transform agriculture), Kirehe Community Based Watershed Management Project, and a project to support perennial and export crops
		AfDB	Agriculture Development in Bugesera, integrated lakes management, and rural infrastructure development in Bugesera
		Belgium	Seed Chain support, National Extension System support, horticulture chain support, implementation of PSTA II, access to good planting materials for roots and tubers, small livestock development, tubers and fruit production, and Integrated Pest Management.
		The Netherlands	Project to support participatory agricultural research
		UK	Implementation of PSTA II
		FAO	Transboundary Food Security Project, Integrated Pest Management, and multiplication of cassava planting materials
		Japan	Land Husbandry and Water Harvesting and Project to support continuous crop evaluation
		WFP	Radical terracing project
		EU	Market information system, decentralized agriculture sector budget support, central budget support, and STABEX (European Commission compensatory finance scheme to stabilize export earnings of the ACP countries)
		GEF UNDP	Soil and Land Management
Education - Enhanced population skills	Transition from basic education (TC) to upper secondary education Percent of employers satisfied with performance of TVET graduates	DFID, JICA, GTZ	Support to the education sector is coordinated through a sector-wide approach (SWAp), financed through the Education-For-All Fast Track Initiative. DFID is the co-lead donor for the SWG and also provides technical support to the STI program. JICA and GTZ focus their support on technical vocation and training, with an emphasis on capacity support.
Energy - Increase electricity access and supply in sustainable and cost-efficient manner[i]	Number of households and firms with access to electricity MW of electricity generated	Belgium	Electrification Project for the Rural Population through Renewable Energy
		European Union	Increase rural energy access through public-private partnerships
		Germany	Private Sector Micro-hydro Power Supply
		OFID/BADEA	Rehabilitation of three hydroelectric power plants in Mukungwa, Gihira and Gisenyi

		UNIDO	Small Scale Hydropower
Transport - Increase rural road access by improving the condition of the classified national and district road network[i]	% Classified District Road Network in Good Condition Percentage of Classified National Road network in good condition	European Commission	Ruhengeri-Gisenyi (rehabilitation), Kigali-Gatuna (rehabilitation), capacity building (spearheading sector budget support)
		AfDB	Road construction and rehabilitation, Dar-Isaka Railway upgrade and construction of Isaka-Kigali (Rwanda) and Isaka-Musongati-Gitega railway in Burundi.
		BADEA	Providing funds for road rehabilitation/maintenance
Water - Improved access to clean drinking water and sanitation	Percent of households with access to clean drinking water Percent of households with access to hygienic sanitation facilities	African Development Bank	National Rural Water Supply and Sanitation Programme
		Austrian Development Agency	40% funding for the Water Supply and Sanitation Fund (RWSSF/FEA).
		Belgium	Funding for PEPAPS, Gisagara, Huye, Nyagururu Districts, development and rehabilitation of water supply infrastructures, reinforcement of Technical capacities in watsan sector, development and installation of hygienic sanitation facilities.
		Arab Fund	Butare Water Supply Phase II
		European Commission	Drinking Water Supply in Bugesera/Karenge, Water Supply Programme in rural sector Southern Province Nyaruguru-Huye and Gisagara Districts 9 (PEPAPS), Rwanda Water Supply & Sanitation Fund (RWSSF)
		JICA	Construction of water supply facilities, improve operational management of water supply and sanitation systems by providing capacity to operators to run systems sustainability
		UNICEF	WASH program: Aim to increase access to safe drinking water and improve hygiene and sanitation for 800,000 people in Burera, Musanze, Nyabihu and Rubavu districts
		the Netherlands	WASH program funding channeled through UNICEF
		UN Habitat	Facilitated the formulation of a consolidated program for Water for African Cities Phase II (WAC II) in Rwanda for the city of Kigali
Financial sector - Enhanced Business environment	Credit to private sector as share of GDP	DFID	DFID is currently engaged in a £10m 4 year program to improve access to financial services for over 500,000 individuals through targeted initiatives. These include improving the capacity of the financial sector to provide innovative financial services for the poor, supporting financial literacy, technology development for mobile phone banking and ensuring an appropriate legal and regulatory structure for the delivery of financial services to the poor
		US	Agricultural Finance
PFM - Enhanced Local government Capacity	Percent of Districts achieving minimum of 80 percent of their service	Multi-donor Trust Fund (including budget support donors –EU,	Donors are supporting implementation of the PFM Action plan which also includes reforms at the District level as well as the

Improved Public Accountability	delivery and development targets for which they are responsible Percentage of performing budget agencies	AfDB, DFID, Germany), as well as Netherlands, Belgium, Sweden provide support	central levels of government
Procurement		African Capacity Building Foundation	Provides financing for procurement professionals to enroll in Masters program in specialized institutions
		African Development Bank	Short term training for staff involved in projects funded by the institutions
Decentralization		Belgium	Capacity building both at the central and local governments, civil society organizations (CSOs) strengthening, social and cultural development and community development activities
		Germany	General support to decentralization phase 2 and sector budget support through CDF targeting local infrastructure development activities
		Canada	Small rural development project in 1-2 districts in the Northern Province particularly support to Canadian volunteer NGOs
		UK	Technical assistance to the National Decentralization Implementation Secretariat (NDIS) and Vision 2020 Umurenge (VUP) management team at the central level
		UNDP	Some technical assistance through consultancy for NDIS through NDIS support project
		European Union	Some activities supported by CDF and VUP programs
Civil Service Reform		UK	Support has included set up of the IPPIS data-center and software, development of the payroll module and the basic HR modules currently in place. The development and roll out of the system is continuing, with support by DFID and the Bank. GoR is carrying out a census of government employees which DFID is supporting - the payroll and human resource information collated through this exercise will form an important part of the data for the IPPIS.
		Belgium	Provides trainings for civil servants.
		UNDP	Has been supporting the agency functional reviews as well as some human resource management activities.

[1] Note that outcome here is based on EDPRS description of sector goals and explicit indicators in the CPAF.

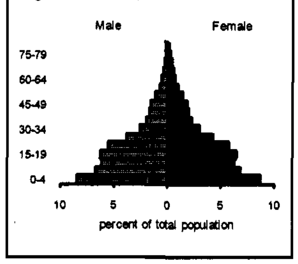
Annex 7: Rwanda at a glance

Rwanda at a glance

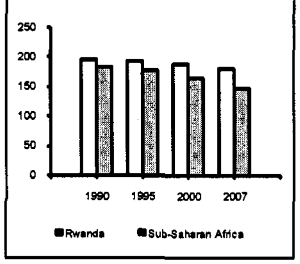
11/28/09

Key Development Indicators	Rwanda	Sub-Saharan Africa	Low income
(2008)			
Population, mid-year (millions)	9.7	800	1,296
Surface area (thousand sq. km)	26	24,242	21,846
Population growth (%)	2.8	2.4	2.2
Urban population (% of total population)	18	36	32
GNI (Atlas method, US$ billions)	*4.0*	761	744
GNI per capita (Atlas method, US$)	*410*	951	574
GNI per capita (PPP, international $)	*860*	1,869	1,489
GDP growth (%)	11.2	6.2	6.4
GDP per capita growth (%)	8.2	3.8	4.2
(most recent estimate, 2003–2008)			
Poverty headcount ratio at $1.25 a day (PPP, %)	77	51	..
Poverty headcount ratio at $2.00 a day (PPP, %)	90	73	..
Life expectancy at birth (years)	*50*	*51*	57
Infant mortality (per 1,000 live births)	109	89	80
Child malnutrition (% of children under 5)	18	27	28
Adult literacy, male (% of ages 15 and older)	..	71	72
Adult literacy, female (% of ages 15 and older)	..	54	55
Gross primary enrollment, male (% of age group)	146	99	100
Gross primary enrollment, female (% of age group)	149	88	89
Access to an improved water source (% of population)	65	58	68
Access to improved sanitation facilities (% of population)	*23*	*31*	39

Age distribution, 2007

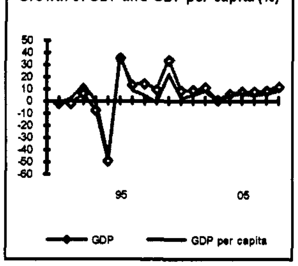


Under-5 mortality rate (per 1,000)



Net Aid Flows	1980	1990	2000	2008 a
(US$ millions)				
Net ODA and official aid	154	288	321	713
Top 3 donors (in 2007):				
United Kingdom	0	1	53	95
United States	7	13	23	91
European Commission	21	36	49	79
Aid (% of GNI)	13.2	11.2	18.7	21.0
Aid per capita (US$)	30	40	40	75

Growth of GDP and GDP per capita (%)



Long-Term Economic Trends	1980	1990	2000	2008
Consumer prices (annual % change)	7.2	4.2	3.9	15.4
GDP implicit deflator (annual % change)	3.1	13.5	2.8	17.4
Exchange rate (annual average, local per US$)	92.8	82.6	389.7	546.9
Terms of trade index (2000 = 100)	..	78	100	69

	1980	1990	2000	2008	1980–90	1990–2000	2000–08
					(average annual growth %)		
Population, mid-year (millions)	5.2	7.2	8.0	9.7	3.2	1.1	2.5
GDP (US$ millions)	1,163	2,584	1,735	4,457	2.2	-0.2	6.7
		(% of GDP)					
Agriculture	45.8	32.5	37.2	37.4	0.5	2.5	3.5
Industry	21.5	24.6	13.6	14.1	2.5	-3.8	8.8
Manufacturing	15.3	18.3	7.0	4.5	2.6	-5.8	5.4
Services	32.6	42.8	49.2	48.5	3.6	-0.9	8.3
Household final consumption expenditure	83.3	83.7	88.9	82.1	1.2	1.3	6.5
General gov't final consumption expenditure	12.5	10.1	11.0	10.2	5.2	-1.7	5.1
Gross capital formation	16.1	14.6	18.3	24.1	4.3	1.4	12.4
Exports of goods and services	14.4	5.6	7.5	14.9	3.4	-3.8	11.8
Imports of goods and services	26.4	14.1	25.7	31.2	2.6	5.0	11.1
Gross savings	13.3	11.3	13.1	18.6			

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available.
a. Aid data are for 2007.

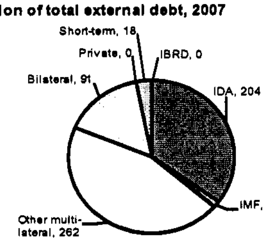
Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	**2000**	**2008**
(US$ millions)		
Total merchandise exports (fob)	90	257
Total merchandise imports (cif)	328	881
Net trade in goods and services	-291	-727
Current account balance	-90	-244
as a % of GDP	-5.2	-5.5
Workers' remittances and compensation of employees (receipts)	..	..
Reserves, including gold	191	596

Central Government Finance		
(% of GDP)		
Current revenue (including grants)	20.2	27.1
Tax revenue	9.7	13.5
Current expenditure	13.2	15.1
Overall surplus/deficit	0.8	0.5
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows		
(US$ millions)		
Total debt outstanding and disbursed	1,272	679
Total debt service	35	19
Debt relief (HIPC, MDRI)	..	..
Total debt (% of GDP)	73.3	15.2
Total debt service (% of exports)	214	2.8
Foreign direct investment (net inflows)	8	103
Portfolio equity (net inflows)	0	0

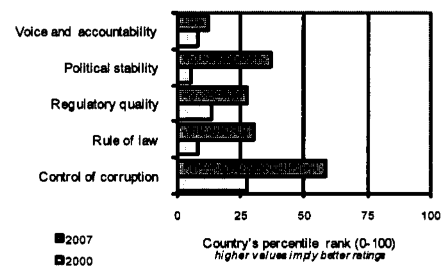
Composition of total external debt, 2007



US$ millions

Private Sector Development	**2000**	**2008**
Time required to start a business (days)	–	14
Cost to start a business (% of GNI per capita)	–	108.9
Time required to register property (days)	–	315
Ranked as a major constraint to business	**2000**	**2007**
(% of managers surveyed who agreed)		
Electricity	..	*31.8*
Tax rates	..	*26.9*
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	*8.1*	*9.2*

Governance indicators, 2000 and 2007



Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure	**2000**	**2007**
Paved roads (% of total)	8.3	*19.0*
Fixed line and mobile phone subscribers (per 100 people)	1	7
High technology exports (% of manufactured exports)	*0.6*	16.3

Environment		
Agricultural land (% of land area)	68	*79*
Forest area (% of land area)	13.9	*19.5*
Nationally protected areas (% of land area)	..	*8.1*
Freshwater resources per capita (cu. meters)	*1,084*	976
Freshwater withdrawal (billion cubic meters)	0.2	..
CO2 emissions per capita (mt)	0.07	*0.07*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

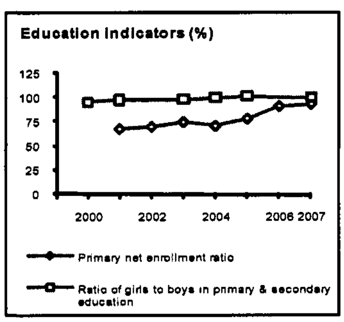
World Bank Group portfolio	**2000**	**2008**
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	–	–
Disbursements	–	–
Principal repayments	–	–
Interest payments	–	–
IDA		
Total debt outstanding and disbursed	692	242
Disbursements	37	41
Total debt service	11	2
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	2	..
of which IFC own account	2	..
Disbursements for IFC own account	0	..
Portfolio sales, prepayments and repayments for IFC own account	0	0
MIGA		
Gross exposure	–	–
New guarantees	–	–

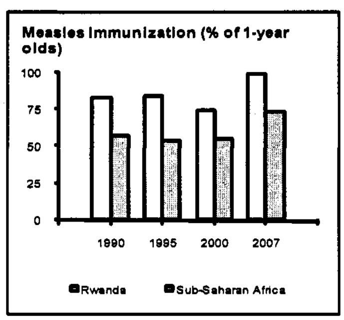
Note: Figures in italics are for years other than those specified. 2008 data are preliminary. 11/28/09
.. indicates data are not available. – indicates observation is not applicable.

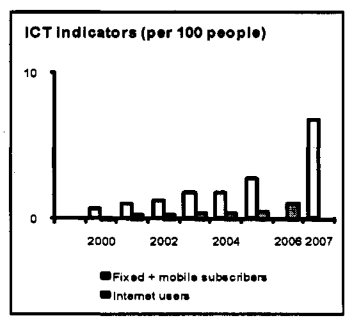
Development Economics, Development Data Group (DECDG).

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

Rwanda	1990	1995	2000	2007
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at $1.25 a day (PPP, % of population)	..	..	76.6	..
Poverty headcount ratio at national poverty line (% of population)	..	*51.2*	60.3	..
Share of income or consumption to the poorest qunitile (%)	..	..	5.3	..
Prevalence of malnutrition (% of children under 5)	*24.3*	..	20.3	*18.0*
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	*67*	..	*68*	94
Primary completion rate (% of relevant age group)	37	..	21	*35*
Secondary school enrollment (gross, %)	8	..	10	18
Youth literacy rate (% of people ages 15-24)	*75*	..	78	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	*92*	..	96	100
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	32	33	..
Proportion of seats held by women in national parliament (%)	17	*17*	17	49
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	195	193	189	181
Infant mortality rate (per 1,000 live births)	117	115	113	109
Measles immunization (proportion of one-year olds immunized, %)	83	84	74	99
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	*1,300*
Births attended by skilled health staff (% of total)	*26*	..	31	*39*
Contraceptive prevalence (% of women ages 15-49)	*21*	*14*	13	*17*
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	9.2	7.0	4.7	2.8
Incidence of tuberculosis (per 100,000 people)	167	241	348	397
Tuberculosis cases detected under DOTS (%)	..	34	32	25
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	65	64	65	*65*
Access to improved sanitation facilities (% of population)	29	26	25	*23*
Forest area (% of total land area)	12.9	13.4	13.9	*19.5*
Nationally protected areas (% of total land area)	..	..	..	*8.1*
CO2 emissions (metric tons per capita)	0.1	0.1	0.1	*0.1*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	0.1	0.1	0.2	0.2
Mobile phone subscribers (per 100 people)	0.0	0.0	0.5	6.5
Internet users (per 100 people)	0.0	*0.0*	0.1	*1.1*
Personal computers (per 100 people)	..	..	*0.1*	*0.3*







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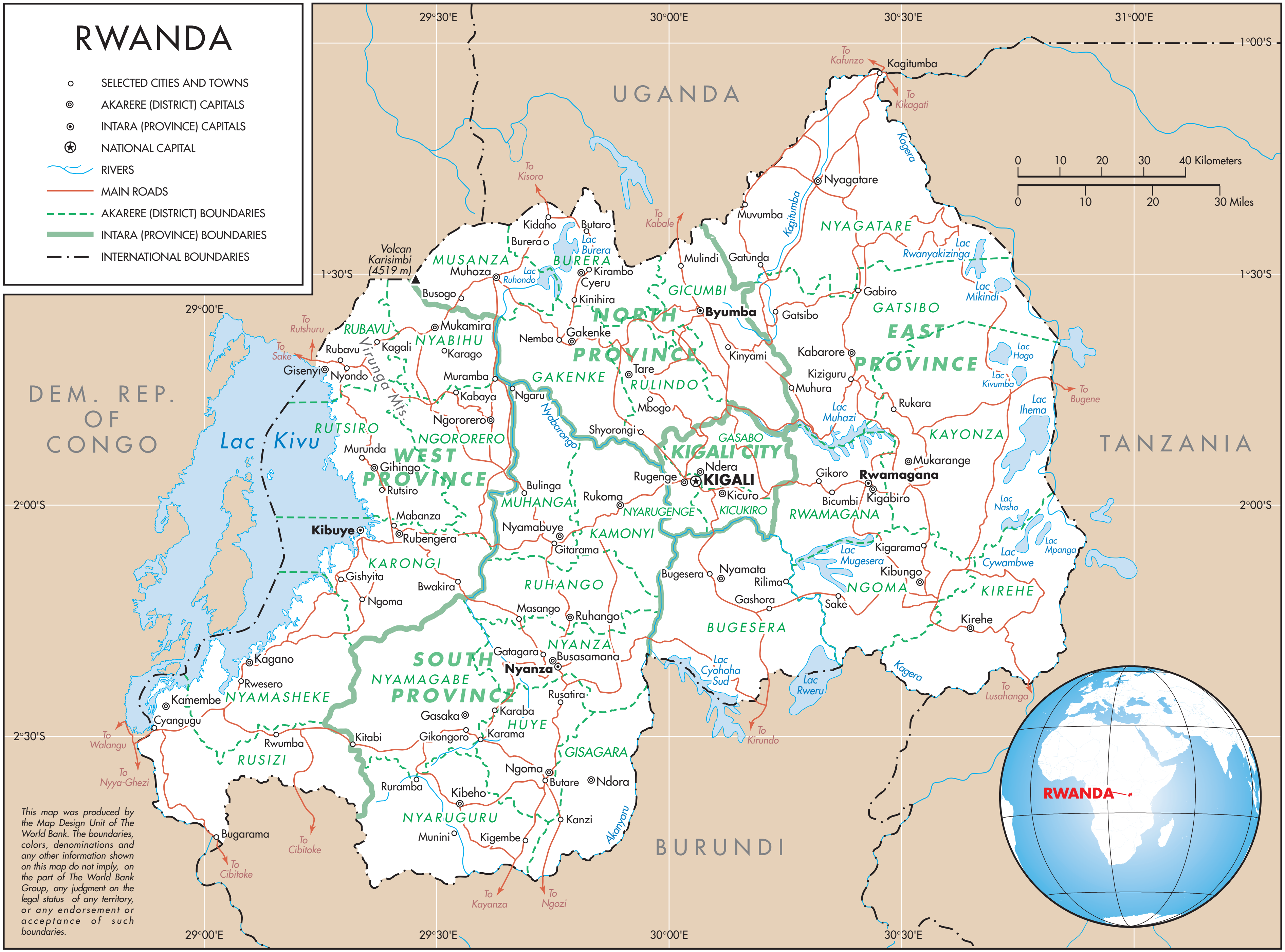
Development Economics, Development Data Group (DECDG).

MAP SECTION



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