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# INTERNATIONAL DEVELOPMENT ASSOCIATION

# INTERNATIONAL FINANCE CORPORATION

# MULTILATERAL INVESTMENT GUARANTEE AGENCY

# COUNTRY PARTNERSHIP STRATEGY

# FOR

# THE REPUBLIC OF RWANDA

# FOR THE PERIOD FY2014-2018

May 1, 2014

East Africa Department 2
Africa Region

International Finance Corporation

Multilateral Investment Guarantee Agency

**The date of the last Country Assistance Strategy was August 7, 2008.**

## CURRENCY EQUIVALENTS

(Exchange Rate Effective April 1, 2014)
Currency Unit = Rwanda Francs (Rwf)
US$1.00 = 677.660 Rwf

## FISCAL YEAR

July 1-June 30

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| AAA | Analytical Advisory Activities |
| AfDB | African Development Bank |
| BNR | National Bank of Rwanda |
| CAS | Country Assistance Strategy |
| CPI | Consumer Price Index |
| CPIA | Country Policy and Institutional Assessment |
| CPS | Country Partnership Strategy |
| DFID | United Kingdom Department for International Development |
| DHS | Demographic and Health Survey |
| DIME | Development Impact Evaluation Initiative |
| DOL | Division of Labor |
| DPO | Development Policy Operation |
| DSA | Debt Sustainability Assessment |
| EAC | East African Community |
| EDPRS | Economic Development and Poverty Reduction Strategy |
| EICV | Integrated Household Living Condition Survey |
| FARG | Genocide Survivors Support Fund |
| FDLR | Forces Démocratiques de Libération du Rwanda |
| FIRST | Financial Sector Reform and Strengthening Initiative |
| FONERWA | National Climate and Environment Fund |
| FSC | Financial Stability Committee |
| FSDP | Financial Sector Development Plan |
| GAFSP | Global Agriculture and Food Security Program |
| GDP | Growth Domestic Product |
| GEF | Global Environment Facility |
| GNI | Gross National Income |
| GPSA | Global Partnership for Social Accountability |
| ICT | Information and Communications Technology |
| IDA | International Development Association |
| IFC | International Finance Corporation |
| IMF | International Monetary Fund |
| INT | Institutional Integrity |
| kWh | Kilowatt hour |
| LAFREC | Landscape Approach to Forest Restoration and Conservation |
| LWH | Land Husbandry, Water Harvesting and Hillside Irrigation |
| MDG | Millennium Development Goal |
| MFI | Micro Finance Institutions |
| MIGA | Multilateral Investment Guarantee Agency |

| | |
|---|---|
| MINAGRI | Ministry of Agriculture and Animal Resources |
| MINECOFIN | Ministry of Finance and Economic Planning |
| MINICOM | Ministry of Commerce and Industry |
| MININFRA | Ministry of Infrastructure |
| MOU | Memorandum of understanding |
| MSME | Micro, Small and Medium Enterprise |
| MTEF | Medium Term Expenditure Framework |
| MW | Megawatt |
| NCD | Non-Communicable Diseases |
| NISR | National Institute of Statistics of Rwanda |
| NPL | Non-Performing Loan |
| NURC | National Unity and Reconciliation Commission |
| ODA | Official Development Assistance |
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Financial Management |
| PforR | Program for Results |
| PPP | Public Private Partnership |
| PRGFs | Poverty Reduction and Growth Facilities |
| PSCF | Peace, Security and Cooperation Framework |
| PSI | Policy Support Instrument |
| RDB | Rwanda Development Board |
| RHA | Rwanda Housing Authority |
| RRA | Rwanda Revenue Authority |
| RURA | Rwanda Utility Regulatory Authority |
| RWF | Rwanda Francs |
| SME | Small and Medium-size Enterprise |
| SNEL | Société Nationale d'Electricité |
| SPP | Standard Power Purchasing |
| TVET | Technical and Vocational Education and Training |
| UNODC | United Nations Office on Drugs and Crime |
| VUP | Vision 2020 Umurenge Program |
| WBG | World Bank Group |
| WDI | World Development Indicators |

| | **IDA** | **IFC** | **MIGA** |
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# REPUBLIC OF RWANDA COUNTRY PARTNERSHIP STRATEGY: EXECUTIVE SUMMARY

1. **Rwanda's progress has been rapid in recent years, building on a two-decade-long turnaround which has been remarkable in both its pace and breadth.** A highly strategic approach to development has galvanized domestic and external resources around nationally-defined goals and delivered high rates of economic growth, a significant decline in poverty, a reduction in inequality and progress in nearly all developmental outcomes. Rwanda has done extremely well to reap the post-conflict dividend, and now it is time to focus on challenging second-generation economic reforms of export diversification, structural transformation, regional integration and financial sector deepening. Alongside this economic transformation, the Government will need to boost the incomes of the poorest to maintain the gains in poverty reduction and oversee the social and institutional transitions that come with rapid economic change. This strategy sets out how the combined World Bank Group resources can best help Rwanda achieve its poverty reduction and shared prosperity goals.

## Poverty reduction and shared prosperity

2. **Efforts in reducing both poverty and inequality - from high starting points – have been impressive.** The poverty headcount dropped, with the share of population living below the national poverty line falling from 59 percent in the early 2000s to 45 percent in 2011. In Kigali, home to 10 percent of Rwanda's population, the incidence of poverty decreased from 22.7 percent in 2001 to 16.8 percent in 2011. Starting from a much higher base, the rest of the country experienced a 15 percentage point drop in poverty. The poverty gap ratio, which takes into account the distance separating the poor from the poverty line, dropped by almost 10 percentage points, from 24.4 percent in 2001 to 14.8 percent in 2011. This implies that those who still live below the poverty line are now closer to it than they were in 2001, which bodes well for future poverty reduction. Inequality, as measured by the Gini coefficient, fell from 0.52 to 0.49.

3. **Though growth was strong throughout the last decade, it is only in the last five years that there has been an effective translation into poverty reduction**. The first half of the decade (2001-2006) was characterized by high growth in Kigali and low, pro-rich growth in the rest of the country, leading to an increase in inequality and modest poverty reduction. The second half of the decade (2006-2011) experienced higher overall growth, mainly concentrated in rural areas, and recorded an exceptionally strong growth rate for the poor, in particular the extremely poor. The net result is a decade of strong growth and poverty reduction during which welfare gains were realized at each point in the distribution and were relatively higher for the poor. The agriculture sector has seen household-level agricultural production more than double between 2001 and 2011, accounting for 35 percent of the national's reduction in poverty.

## Government's Visions and Aspirations

4. **The Government's medium term vision and targets are set out in a series of sectoral, locality-specific and overarching strategic development plans.** The medium term goals are set out in the second Economic Development and Poverty Reduction Strategy (EDPRS 2), which aims to accelerate private sector-led growth and further reduce poverty, including extreme poverty. It seeks to do so while reducing aid-dependency and increasing self-reliance. The four thematic areas are: (i) *economic transformation*, to achieve high and sustained growth and restructure the economy towards services and industry, (ii) *rural development*, to bring the national poverty rate below 30 percent, (iii) *productivity and youth employment*, to ensure growth and transformation are supported by appropriate skills, and (iv) *accountable governance*,

to improve service delivery and increase citizen participation in and satisfaction with delivery of development. These thematic areas are supported by eight foundational issues which are long-term ongoing priorities and seven cross-cutting issues[1].

5. **The Government has set demanding targets across the four thematic areas.** These include targets for economic growth, reduction of poverty and extreme poverty, increases in the installed electricity capacity, promotion of exports, shifts towards a more urbanized population, enhancements in access to infrastructure, improvements in the quality of the labor force, creation of jobs and SMEs and improved quality of public services. Though some targets are very ambitious, the direction established by the results framework of the EDPRS 2 accords strongly with Bank Group and IMF assessments of the priority challenges. Taken together, the targets represent a highly ambitious agenda for inclusive growth over the coming years.

6. **Projections show that poverty targets, though demanding, are attainable – but only if past patterns of growth in consumption and reduction in inequality are repeated in the future.** Growth alone is unlikely to reduce poverty sufficiently, and therefore a balanced approach that emphasizes rapid growth for the lowest two quintiles of the population will be crucial. While the vision for the future emphasizes the need for off-farm employment to be created for an increasingly urbanized population, an anchor in agricultural productivity and rural development will remain important to achieve this balance.

7. **Accelerating growth and creating jobs through the intensification and deepening of the private sector lies at the heart of the development challenge and implies significant action at policy and investment levels**. The imperative for job creation is extremely strong; the total non-farm labor force increased from 442,000 in 2001 to 1.4 million in 2011. About 100,000 formal and informal jobs are currently created per year, which is only half the annual growth needed to maximize benefits from the demographic dividend.

8. **Despite the very strong performance with respect to the investment climate, multiple challenges remain.** The private sector is relatively small and weak, and geography, low productivity and high energy costs make Rwanda expensive for enterprises dependent on sea ports or energy-intensive processes. The domestic market is relatively limited and expanding trade has been hampered by cross-border tensions and inefficiencies. Enterprise surveys—and feedback from the private sector during the consultations for this CPS—confirm key challenges, highlighting access to finance and availability of land as the most severe constraints, followed by infrastructure (electricity and transport) and labor skills. Other issues relate to the arbitrary, uncertain and unpredictable way in which certain areas of regulation are enforced.

## Strategic options

9. **The resources of the WBG are modest relative to the financing needs of the EDPRS.** Selectivity in using IDA and close collaboration with IFC and MIGA are critical in delivering the maximum impact with these limited funds. The CPS identifies a set of principles used in defining future areas of engagement in Rwanda, comprising: i) alignment with the twin goals of growth and poverty reduction; ii) comparative advantage relative to other donors; iii) opportunity to maximise internal WBG synergies and present a coherent 'one Bank Group' approach; iv)

[1] The foundational issue areas are macroeconomic stability, demographics, food security, basic education, primary health care, rule of law, PFM, and decentralization; cross cutting issue areas are capacity building, environment, gender, regional integration, HIV/AIDS and non-communicable diseases (NCDs), disaster management, and social inclusion.

client demand; v) risk especially with respect to capacity constraints both on the side of Government and the WBG. **Based on this approach, the CPS identifies selected priorities for WBG support within three main themes.**

10. **The first theme has as its objective: '*accelerating economic growth that is private-sector driven and job-creating*'.** This includes IDA investments and analytical work in energy (to tackle high costs and low reliability which are major barriers to enterprise development) and urban development (to enable the Government's industrial strategy and also help reduce poverty which is lower in urban areas). It envisages active investment by IFC in the financial sector, supported by analytical work by both IFC and the World Bank. IFC also foresees direct investments in the private sector by IFC, alongside potential MIGA guarantees. Both IFC and the WB will engage in policy and analytical work in private sector development, leveraging of public-private partnerships (PPPs) and investment climate work.

11. **The second theme is: '*improving the productivity and incomes of the poor through rural development and social protection*'.** With 80 percent of the labor force dependent on agriculture, this sector is key to increasing incomes. This needs investments in agricultural productivity (partly because of limited scope for expanding cultivable land area), nutrition (to combat child malnutrition in rural areas), rural roads and IFC investments in horticulture, agribusiness and microfinance. In social protection, IDA will support an expansion of Rwanda's social protection system, notably the flagship Vision Umurenge Program. Support will also help strengthen core service delivery and the effective management and harmonization of Rwanda's social protection system. There will be additional investments for specific vulnerable groups (for example, demobilized ex-combatants or victims of gender-based violence).

12. **The third theme comprises: '*Supporting accountable governance through public-financial management and decentralization*'.** This supports the Government's objective of decentralising decision-making and making Government more open and participatory in its processes. This will include likely IDA investment in PFM, fiscal decentralization, statistical systems and open data. A team is currently considering the viability of a Program for Results operation that would drive results in areas of public financial management, fiscal decentralization, statistical capacity and open data.

13. **Working across these themes is the need to invest in and promote greater regional integration**. Rwanda's size and location will mean that stronger integration with regional economies will be vital for further growth. There are two elements to this. The first relates to the need to expand markets for potential investors, to the need to turn "land-locked" into "land-linked" in the interests of competitiveness. Countries of the region represent potential markets for exports, managers of transport corridors and facilitators of cross-border trade. As such regional integration is as foundational to the future growth path as having a sound domestic investment climate. Secondly, regional integration and cross-border investments will hopefully bring with it greater political stability and security in the region.

14. **Rwanda has expressed its interest in a number of cross-border investments in the Great Lakes region to make use of regional IDA resources.** These include the financing of hydropower generation on the borders with DRC and Burundi and improved transport connections. IFC and MIGA stand ready to engage in such projects where a private sector role exists (e.g., the Rusizi 3 Power Generation project). Some of IFC's Rwanda-based clients already serve both the domestic market and those of neighboring countries, particularly eastern

DRC. Looking East, Rwanda has expressed interest in a number of projects that could provide faster access to the sea or more reliable access to affordable energy.

### Delivering for results

15. **IDA allocations for the CPS period remain indicative at this stage.** The working assumption is that allocations will be similar to those in the past, perhaps a little higher in recognition of the improving CPIA score and the switch from a mix of grants and credits to credits only. As such, IDA may commit approximately US$200-250 million a year during IDA17, likely spread across three investment operations, two PforR operations and one series of three DPOs. In addition, regional IDA should be leveraged for some priority investments.

16. **Budget support has been a highly effective instrument for the delivery of predictable, flexible financing to a reform-minded government who spent the resources well.** But fluctuations in aid flows have to be managed carefully, and this CPS anticipates different combinations of instruments that offer some flexibility in the financing that is delivered. This CPS proposes less emphasis on development policy lending. The Government has requested more of the IDA17 allocation in the form of program for results (PforR) operations. While the previous CAS disbursed 66 percent in the form of budget support, this CPS is likely to disburse the same proportion as a mix of PforR and Development Policy Operations.

17. **IFC has ten deals outstanding in Rwanda with committed volume of US$38 million**. They envisage that their investments will rise to US$120m by the end of the strategy period, the bulk of which would be in the financial sector. IFC expects to engage in the financial sector through a local currency credit line, a local currency bond issue and supporting the establishment of a microfinance bank. In the infrastructure sector they have identified likely support to the Rusizi III power generation project, Lake Kivu methane extraction projects and Kigali Bulk Water Supply. With respect to manufacturing, IFC is considering investment for a mix-use commercial building in Kigali. IFC's Advisory Services portfolio has been highly valued and regularly received acknowledgement for innovation and impact through the IFC awards schemes. The Rwanda Entrepreneurship Development Program, the Rwanda Investment Climate Program and the Efficient Security Markets Initiative (ESMID) have been particularly useful.

18. **MIGA currently has two active projects (KivuWatt and Bakhresa Grain Milling) in Rwanda (total gross exposure of $110 million.** MIGA is open for business across all of its Political Risk Insurance product lines, including Transfer Restriction, Expropriation, Breach of Contract and War and Civil Disturbance, as well as the Non-Honoring of Sovereign Obligations.

### Managing Risks

19. **Risks to growth and poverty reduction arise from variable climatic conditions, and the private sector response to government reforms.** Stepping up measures to make agriculture more climate-resilient, for instance through the construction of irrigation facilities and terracing which the Bank is supporting, will be critical. Support for the private sector is targeted at taking advantage of a better business environment. **External risks relate to the pace of regional integration and the potential for regional conflict, more-rapid-than expected tapering of donor inflows, and a prolonged slump in the global economy.** Th**e CPS** seeks to mitigate the risks on the regional integration side through regional projects, the exposure to fluctuations in aid flows through the choice of instruments and the aid dependence through measures to improve domestic revenues.

# I. Introduction

1. **Rwanda's progress has been rapid in recent years, building on a two-decade-long turnaround, which has been remarkable in both its pace and breadth**. This Country Partnership Strategy (CPS) is presented to the Board at a time when Rwanda commemorates the twentieth anniversary of the Genocide against Tutsi. In Rwanda, it is a period of intense reflection on the past successes and mistakes and, looking forward, of discussion and debate regarding the future.

2. **A highly strategic approach to development, which has galvanized domestic and external resources around nationally defined medium- and long-term goals, has delivered economic growth, a significant decline in poverty, and a reduction in inequality (refer to Box 1).** Non-material measures of wellbeing have also improved, with impressive progress across a sweep of Millennium Development Goals (MDGs). Of particular note is the progress in advancing gender equality, including in complex areas of political empowerment – Rwanda now has the most female representation in parliament in the world.

3. **While Rwanda has done extremely well to reap the post-conflict dividend, these gains are largely exhausted.** It is time to focus on challenging second-generation reforms of export diversification, structural transformation, regional integration, and financial sector deepening. Economic growth has been strong, but the Government recognizes that structural transformation is needed to underpin the transition to middle-income status. A shift from the current growth path, which is led by public investment dependent on high levels of donor financing, to a growth path that has the private sector at the vanguard of growth, will be one of the most fundamental elements of the transformation.

4. **Intensifying regional integration, looking both east and west, will ease some of the bottlenecks that the economy faces.** Looking to the Great Lakes region, the recently signed Peace, Security and Cooperation Framework (PSCF) provides opportunities for shared investments that could generate more reliable and affordable power, facilitate trade, and expand markets for Rwanda's exports. Looking to the East African Community (EAC), there are opportunities for infrastructure investments that make transport corridors more functional and power imports more affordable, so reducing costs for businesses investing in Rwanda and improving competitiveness.

5. **A medium-sized client of the World Bank Group (WBG), Rwanda has regularly been presented as a success story for the rewards of efficient donor harmonization and budget support.** Over the last Country Assistance Strategy (CAS) period, 66 percent of the World Bank commitments were in the form of budget support, reflecting the balance of aid modalities adopted also by other multilateral and bilateral donors. By all accounts, evidence suggests this is a country where development assistance has had a positive, sustainable impact.

6. **Recent delays in delivering financing through budget support have exposed the vulnerabilities associated with delivering aid through these mechanisms.** The choice and balance of financing instruments is under re-consideration by many donors — in particular a move away from "general" budget support — and donor coordination mechanisms are being re-drawn as a result. Both donors and the Government remain committed to finding a mechanism that provides space for efficient and effective dialogue on issues of developmental importance. Reducing dependence on donor assistance and expansion of the currently narrow, undiversified

export base will be important to minimize the vulnerability of growth to fluctuations in foreign exchange revenues.

**Box 1: Delivering development: how has Rwanda done it?**

Rwanda's performance since the Genocide twenty years ago has been remarkable in terms of social and economic outcomes. How have they done this and can others learn from the experience? Some important factors include the following:

- **An imperative to re-build from the worst possible situation, innovating where necessary.** At one level, there was no alternative *but* to deliver. The country had been devastated in every aspect and the new Government quickly realized the importance of reviving and restoring confidence in the economy and the fabric of society. During this period, much was achieved through a combination of innovative institutional delivery and participatory community-based approaches that rebuilt the collective spirit of Rwandans.
- **A clear vision, motivated by challenging objectives, supported with resources which do not leak**. A series of strategies and plans developed over the last twenty years have consistently targeted poverty reduction and social and human development outcomes. The attack on corruption and improvements in public financial management (for example, the introduction of a meaningful MTEF) meant that public resources were spent on achieving the vision. Clarity on the end goals has been an important unifying force across Government at different levels and across executive and administrative branches. The development of strong statistical systems has allowed progress to be monitored, adjustments to be made and accountability to be enforced.
- **Contracts for results that cascade through the system and high standards of government effectiveness**. The drive for results has very strong support and leadership from the highest levels in Government. The President's Office and the Prime Minister's Office have driven the culture of performance. They track progress made towards EDPRS goals to hold government staff accountable for achieving results through the agreement of performance contracts (the *imihigo*), which specifies the results to be delivered over the coming year and are now formalized around strategic indicators and targets linked to the EDPRS and MDGs. Rwanda uses incentives such as national pride in combination with consequences for insufficient performance (loss of job for example) to motivate officials. The Annual National Leadership Retreat provides official reporting in front of peers and the President himself on performance against EDPRS goals and retreat-specific actions from the previous year[2]. This has proven very effective in achieving results. Through the National Dialogue Council *"Umushyikirano"* coordinated by the Prime Minister and Chaired by the President, citizens debate issues relating to the state of the nation, the state of local government and national unity.
- **A desire for learning and a cycle of experimenting, measuring, learning, adapting that generates powerfully productive home-grown solutions:** Beginning with simple budget monitoring and expanding into a more sophisticated monitoring system, processes have been developed over time that inform the accountability relationships between the top level of government, line ministries and districts. These are formalized with established monthly, quarterly, and annual reports between groups to measure progress towards the EDPRS targets. As part of efforts to reconstruct Rwanda and nurture a shared national identity, the Government of Rwanda drew on aspects of Rwandan culture and traditional practices to enrich and adapt its development programs to the country's needs and context. The result is a set of home-grown, culturally-customised solutions (e.g. *Gacaca, Umushyikirano, etc*) which have translated into sustainable mechanisms for addressing Rwanda's social and economic development challenges.

7. **The Government's national strategies are highly ambitious.** It is seeking an exit from low-income status by 2020, a reduction of the nationally estimated extreme poverty rate to 9 percent by 2017, and GDP growth rates of 10.2 percent per annum (11.5 percent by 2020). The sectoral targets that cascade from these goals are no less challenging. The collection of goals and targets defined by Government across the broad range of national and sectoral strategy provides a strong sense of alignment with WBG corporate goals for extreme poverty reduction and shared prosperity and represent a strong framework to which the WBG can align.

[2] These retreat-specific actions are generally associated with problem areas in achieving the EDPRS or MDG goals and identification of strategies to overcome them.

8. **Acknowledging the progress to date, the prospects and visions for the future, and the emerging development challenges, this CPS highlights the role for the WBG in supporting the achievement of national objectives and WBG corporate goals.** The CPS has been prepared jointly by a team from IDA, IFC and MIGA and represents a shared view of how resources across the whole WBG can best be leveraged. It draws on considerable background analytical work, which is partially summarized in Annex 3. Mirroring the timeframes of the Government's own strategies, this CPS is presented as a five-year strategy that has room for mid-term adjustment to ensure continued relevance. It reflects input from in-country consultations with Government partners (including representation of local government), the private sector, development partners, civil society, and academia.

# II. Rwanda's Progress and Prospects

## A. Economic developments and challenges

9. **Strong policies have helped Rwanda achieve outstanding economic progress from a low starting point**. Prudent fiscal and monetary policies geared towards maintaining macroeconomic stability, coupled with an emphasis on building institutional capacity, on promoting good governance, and on creating a business-friendly environment, contributed to low inflation and average annual economic growth in excess of 8 percent over the last decade. From a regional perspective, Rwanda's macroeconomic performance has generally outperformed its peers and earned the country a spot on the list of the 10 fastest-growing economies in the world. Public debt remained modest and reserve buffers kept the economy resilient to macroeconomic shocks.

10. **The World Bank and IMF share the positive assessment that Rwanda's macroeconomic policy framework is adequate and macroeconomic management is effective.** Quick and appropriate fiscal and monetary responses to the global financial crisis in 2009 and to the short-term aid shortfall in mid-2012/early 2013[3] illustrate the capacity for effective management of macro shocks. Rwanda has been under IMF programs since early 2000s including two Poverty Reduction and Growth Facilities (PRGFs) in 2000s. The IMF successfully concluded the Policy Support Instrument (PSI) at the end of 2013 and embarked on a new PSI program for another 3 years. The new PSI represents a continuation of the authorities' prudent approach to macroeconomic policy. The fiscal framework aims to mobilize domestic revenues and adjust spending to available resources, while protecting priority spending and minimizing domestic financing to leave ample space for private sector growth. On the monetary side, the BNR remains committed to low inflation and financial sector stability and is building its capacity to achieve these objectives

### Real Sector Developments

11. **Rapid growth over the past decade has seen GNI per capita rise dramatically from US$185 to US$620[4].** The economy is dominated by the services sector, which accounted for 45 percent in 2013, followed by the agriculture sector (33 percent) and the industry sector (15

[3] The aid shortfall created a fiscal gap amounting US$230 million (equivalent to 3 percent of GDP) in the first half of FY2012/13, although more than half US$140 million was disbursed in the second half.

[4] Between 2002 and 2012, current US$ based on Atlas Method.

percent)[5]. The volume of Official Development Assistance (ODA) increased from US$360 million in 2002 to US$0.9 billion in 2012 (13 percent of GNI) and these substantial inflows of foreign aid have stimulated the services sector through Government expenditures. The services sector, most notably trade, transportation and communications, contributed to more than half of the increase in GDP between 2008 and 2013.

12. **The aid shortfall and resulting delays in budget expenditures in the second half of 2012 resulted in lower credit growth to the private sector and contributed to a deceleration in growth during 2013**. Real growth decelerated from 7.3 percent in 2012 to 4.6 percent in 2013, while growth in the services sector slowed from 10.8 percent in 2012 to 3.6 percent in 2013.

## External Sector

13. **Rwanda's balance of payments is characterized by negative current account and positive overall balance (at 1.5 percent of GDP), as large trade deficits in the current account are offset by grant aid inflows.** This positive overall balance of payments has enabled Rwanda to increase the level of foreign reserves from US$142 million in 2002 to US$1.1 billion in 2013. As aid flows faltered in the second half of 2012, the current account deficit increased from 7.2 percent in 2011 to 11.4 percent of GDP before settling again at around 7 percent in 2013.

14. **Exports have expanded by 40 percent since 2012, mostly driven by an increase in major export products such as coffee and minerals.** This increase in exports combined with a slow growth in imports has resulted in an export to import ratio of 54 percent. The resumption of aid in the first half of 2013 (including budget support operations totaling US$140 million) and the issuance of Eurobonds amounting to US$400 million in April 2013 have also contributed to the recovery of the external position.

15. **In general, the last decade saw a steady strengthening in the export sector; exports of goods increased by 24 percent on an annual basis and reliance on traditional exports (coffee, tea and minerals) fell from over 90 percent to 70 percent.** Tourism is now the largest export item in Rwanda. Though still just below 5 percent of total exports, the share of manufactured products in the export basket tripled in dollar value between 2007 and 2011 with a particular increase in light manufactured products (milled products, hides and skins, and beverages). Re-exports are also beginning to play a more prominent role in Rwanda's export basket, including petroleum products and vehicles.

## Inflation, Monetary, Exchange Rate, and Financial Sector Policies

16. **Rwanda's monetary and exchange rate policy framework is consistent with macroeconomic stability and growth targets.** The National Bank of Rwanda (BNR) has strengthened the liquidity management framework to enhance the effectiveness of monetary policy and improve the monetary policy transmission mechanism. The BNR recently introduced a more flexible monetary targeting framework by introducing a reserve money band of ±2 percent around the central reserve money target. In the wake of the aid shortfall, the BNR kept its benchmark policy rate unchanged at 7.5 percent between May 2012 and mid-June 2013 to anchor inflation expectations from substantial Government borrowing on the domestic market.

[5] The remaining share (6 percent) is due to adjustment items.

Inflation rates have been stable and reasonable in recent years. In 2013 inflation fell to 4.2 percent from 6.3 percent in 2012.

17. **Exchange rate policies have permitted greater exchange rate flexibility since the introduction of an exchange rate corridor framework in March 2010.** The exchange rate regime is classified as de facto crawl-like and de jure floating. The BNR started to use a market-based exchange rate calculated as a weighted average of foreign exchange interbank rates and intervention transactions rate in December 2010. In 2012, the overall foreign exchange risk exposure for banks was set at ±10 percent of their core capital in line with practice in most of East African Community (EAC) countries.

18. **The financial sector remained stable until the first half of 2013, and appears fairly resilient to shocks.** As of June 2013, the capital adequacy ratio (total capital to risk weighted assets) of the banking sector remained stable at 23.1 percent, well above the 15 percent minimum stipulated by the regulations.

### Fiscal Policies and Developments

19. **Fiscal policy is consistent with a macro framework that is focused on maintaining stability while promoting economic growth.** The composition of public expenditure is well-aligned to the national goals of growth acceleration and poverty reduction identified in the second Economic Development and Poverty Reduction Strategy (EDPRS 2). The medium-term fiscal policy framework aims towards fiscal consolidation through increased revenue mobilization and expenditure prioritization, including infrastructure projects. Actual budget expenditures remain above 90 percent of planned expenditures. Information on the budget and its execution is open to the public. The website of the Ministry of Finance and Economic Planning (MINECOFIN) includes information on Budget Execution Report for the FY2012/13 as well as the 2013/14 Approved Budget.[6]

20. **At 29 percent of GDP, Government expenditures represent a large share in the economy and are underpinned by development assistance.** Tax revenues have increased, from a low base, by more than 2 percent of GDP in the past decade to reach 14 percent in FY2012/13. The introduction of a new Value-Added Tax Law and improvements in taxpayer services such as electronic filling and payments have helped in this regard. Aid accounted for between 40-50 percent of the total revenues over the last decade, and when it fluctuates the Government has taken appropriate measures to protect non-discretionary spending such as wages and social expenditures and maintain a prudent fiscal position.

## B. Macroeconomic outlook and debt sustainability

21. **Bank staff estimates that Rwanda's economy will grow at 6 percent in 2014, as the impact of the resumed aid inflows and resulting government expenditures filters through.** The inflation rate is projected to remain moderate, though poor recent harvests will possibly generate some inflationary pressure.

22. **Rwanda's risk of debt distress rating has improved from moderate to low in the latest Debt Sustainability Analysis (DSA) in response to a broadened export base.** The total public debt outstanding at the end of 2013 stood at 21.5 percent of GDP and the DSA shows that

[6] http://www.minecofin.gov.rw/index.php?id=2

Rwanda's external debt remains below the indicative thresholds under all scenarios examined. The DSA further acknowledges that the authorities have made progress on enhancing their debt management capacity. A major development was the preparation and presentation by the authorities of their own DSA in October 2012[7].

23. **Balance of payments vulnerability is expected to decline in the medium term, but in the near term the current account balance will depend on aid inflows**. The current account is expected to remain in deficit over the medium term, but deficits are expected to narrow as some of the large strategic investment projects come to completion and exports continue to grow. While exports are vulnerable to fluctuations in international commodity prices, the Government expects that the implementation of the recently approved National Export Strategy, which provides a framework for increasing exports, will yield early results in terms of the diversification of exports. To finance the current account deficit, foreign direct investment (FDI) is expected to increase from 2.2 percent in 2012 to 4.7 percent of GDP in 2018. International reserves are projected to exceed 4 months of imports after 2015.

24. **The IMF's new 3 year PSI is optimistic on fiscal sustainability issues, projecting the state budget to significantly improve in the medium-term**. Under these projections, the domestic revenues to GDP ratio will increase from 16 percent in 2012/13 to 19.2 percent in 2017/18, while the grants to GDP ratio will decrease from 7.9 percent to 5.4 percent during the same period. As such, the share of grants in the revenues will decrease from 33 percent in 2012/13 to 22 percent in 2017/18, indicating reduced aid dependency.

**Table 1: Key Macroeconomic Indicators**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|
| **Real Economy (annual % changed, unless stated otherwise)** | | | | | | | | |
| GDP (nominal, local currency) | 11.0 | 17.0 | 14.0 | 10.0 | 12.1 | 12.7 | 13.9 | 14.3 |
| Real GDP (%) | 6.3 | 7.5 | 7.3 | 4.6 | 6.0 | 6.7 | 7.5 | 7.5 |
| CPI (end of period, %) | 0.2 | 8.3 | 3.9 | 3.6 | 5.0 | 5.0 | 5.0 | 5.0 |
| Imports of Goods | 8.5 | 44.5 | 25.6 | -5.9 | 16.0 | 3.6 | 7.4 | 2.7 |
| Exports of Goods | 37.2 | 44.0 | 27.3 | 19.0 | 6.5 | 8.0 | 18.2 | 9.1 |
| **Fiscal Accounts 1/ (% of GDP)** | | | | | | | | |
| Expenditures | 26.9 | 26.7 | 29.0 | 30.1 | 29.5 | 28.4 | 26.6 | 26.7 |
| Revenues and Grants | 23.7 | 25.5 | 23.9 | 25.7 | 26.6 | 25.9 | 24.4 | 24.6 |
| Revenues (incl. tax and non-tax) | 13.2 | 14.4 | 16.0 | 16.6 | 17.2 | 18.5 | 18.8 | 19.2 |
| Grants | 10.5 | 11.1 | 7.9 | 9.1 | 9.5 | 7.4 | 5.6 | 5.4 |
| General Government Balance (w grant) | -3.2 | -1.2 | -5.1 | -4.4 | -2.9 | -2.5 | -2.2 | -2.1 |
| General Government Balance (w/o grant) | -13.7 | -12.3 | -13.0 | -13.5 | -12.4 | -9.9 | -7.8 | -7.5 |
| PPG (end of period) | 27.5 | 33.5 | 25.4 | 29.7 | 29.1 | 28.3 | 28.4 | 28.2 |
| **Balance of Payments (% of GDP)** | | | | | | | | |
| Current Account Balance | -5.4 | -7.2 | -11.4 | -7.2 | -12.1 | -12.4 | -10.0 | -9.3 |
| Excluding Official Transfers | -17.1 | -18.8 | -19.0 | -16.2 | -18.8 | -17.1 | -15.2 | -13.9 |
| Imports | 19.2 | 24.5 | 27.6 | 24.8 | 26.9 | 25.6 | 25.0 | 23.1 |
| Exports | 5.7 | 7.3 | 8.3 | 9.4 | 9.4 | 9.3 | 10.0 | 9.8 |
| Foreign Direct Investment | 0.8 | 1.7 | 2.2 | 2.2 | na | na | na | na |
| Gross Reserves (in millions US$, eop) | 813 | 1,050 | 843 | 1,135 | 896 | 1,021 | 1,126 | 1,225 |
| In months of next year's imports | 4.5 | 5.1 | 4.1 | 4.8 | 3.7 | 4.0 | 4.1 | 4.2 |
| Short-term external debt (% of reserves) | 1.7 | 1.6 | 2.5 | 2.6 | n/a | n/a | n/a | n/a |
| External Debt | 14.5 | 17.8 | 17.0 | 21.5 | 22.7 | 24.3 | 24.8 | 23.9 |

*1/ On a fiscal year basis (July-June), For example column ending in 2012 refers to 2012/13.*
*Source: Rwandan Authorities, IMF staff estimates and projection, and World Bank staff estimates.*

[7] A structural benchmark in the current PSI (IMF Country Report no. 13/77).

## C. Poverty reduction and social development

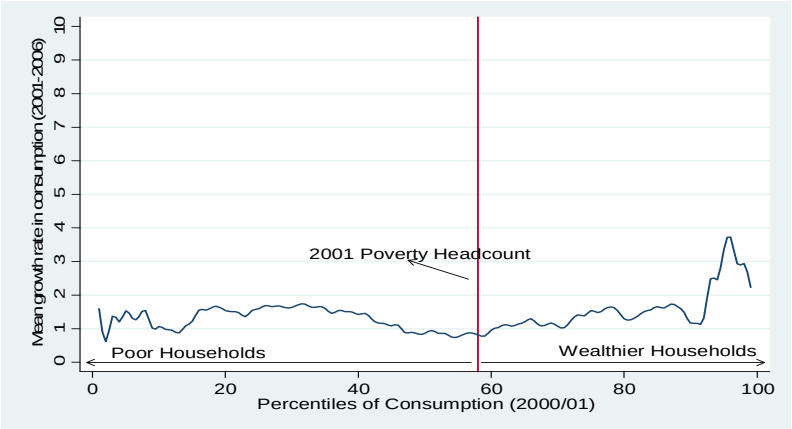
25. **A strong focus on homegrown policies and initiatives contributed to a significant improvement in access to services and in human development indicators.** Analysis from the Bank's Rwanda Economic Update shows how the considerable inflows of foreign aid have been effectively used in support of socio-economic development. The strong growth was accompanied by substantial improvements in living standards, evidenced by a two-thirds drop in child mortality and the attainment of near-universal primary school enrolment. There has been impressive progress towards meeting the MDGs (Annex 4).

26. **Particularly notable have been the efforts in reducing both poverty and inequality from high starting points.** The poverty headcount dropped, with the share of population living below the national poverty line falling from 59 percent in the early 2000s to 45 percent in 2011. In Kigali, home to 10 percent of Rwanda's population, the incidence of poverty decreased by six percentage points, from 22.7 percent in 2001 to 16.8 percent in 2011. Starting from a much higher base, the rest of the country experienced a 15 percentage point drop in poverty. The poverty gap ratio, which takes into account the distance separating the poor from the poverty line, dropped by almost 10 percentage points, from 24.4 percent in 2001 to 14.8 percent in 2011. This implies that those who still live below the poverty line are now closer to it than they were in 2001, which bodes well for future poverty reduction. Inequality, as measured by the Gini coefficient, reduced from 0.52 to 0.49. Annex 3 provides a more elaborate analysis.

27. **There is much to learn from the past growth path regarding the effective transmission of growth into poverty reduction.** Though growth was strong throughout the last decade, it is only in the last five years that there has been an effective translation into poverty reduction. Growth incidence curves (Figure 1 and Figure 2) show how different the growth patterns were in the first and second halves of the decade with respect to their capacity to reduce poverty. The different poverty performance between the first and second halves of the decade can largely be explained by differences in the magnitude and nature of growth. The first half of the decade (2001-2006) was characterized by high growth in Kigali and low, pro-rich growth in the rest of the country, leading to an increase in inequality and modest poverty reduction. The second half of the decade (2006-2011) experienced higher overall growth, mainly concentrated in rural areas, and recorded an exceptionally strong growth rate for the poor, in particular the extremely poor. The net result is a decade of strong growth and poverty reduction during which welfare gains were realized at each point in the distribution and were relatively higher for the poor.

**Figure 1: Consumption by the Non-Poor outpaced that of the Poor in early 2000s**

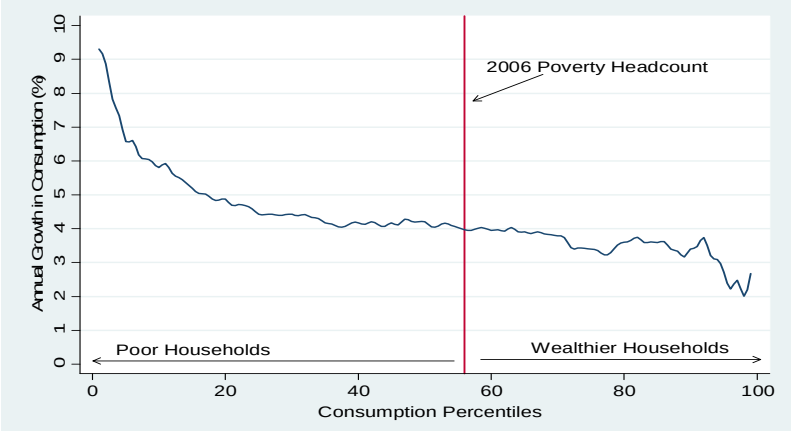
*(Growth-Incidence Curve for Rwanda, 2001-2006)*




Source: EICV1 and EICV2

**Figure 2: While Consumption of the Poor Grew outpaced that of the Non-Poor in late 2000s**

*(Growth-Incidence Curve for Rwanda, 2006-2011)*

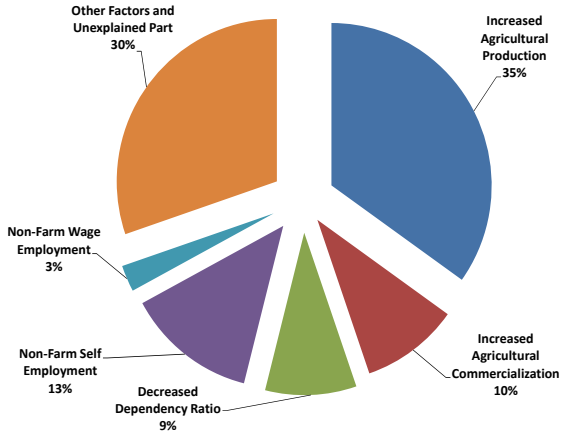



Source: EICV1 and EICV2

28. **Poverty reduction over the past decade has mainly been driven by improvements in agriculture and rural development.** Household-level agricultural production more than doubled between 2001 and 2011, accounting for 35 percent of the reduction in poverty (Figure 3). Households also produced progressively for the market, witnessed by an increase of the share of the harvest sold from 13 percent in 2001 to 21 percent in 2011. This increased commercialization of agricultural activity accounts for a further 10 percent of the reduction in poverty. At the same time, households have reduced risk by diversifying in non-farm income activities. The fraction of households with an occupation outside agriculture more than doubled from 30 percent in 2001 to 70 percent 10 years later. This progressive move towards self-employment in small nonfarm businesses has particularly been important, explaining 13 percent of the overall reduction in poverty. The sharp drop in fertility observed over the past five years has led to smaller families and decreased dependency ratios, increasing household disposable income.

**Figure 3: Agriculture Accounted for the Bulk of National Poverty Reduction**

*(Contribution of the Various Factors to Poverty Reduction between 2001 and 2011, percent)*

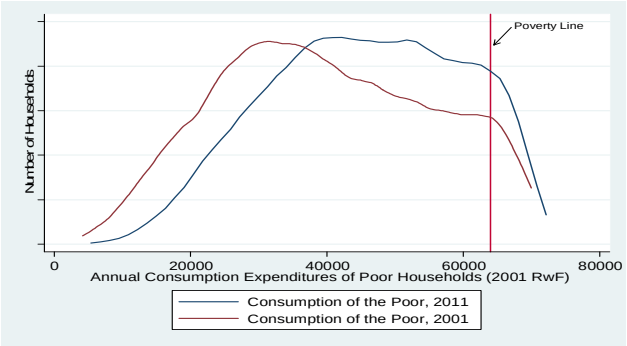



Source: EICV1 and EICV3 and World Bank staff calculations, 2014

29. **Can these rates of poverty reduction continue or even be accelerated over the next five years and more**? Many of the poor are now clustered just below the poverty line, meaning that a small increase in consumption can push these households over the threshold (Figure 4). This bodes well for the future pace of poverty reduction as the "bulge" approaches and crosses the line. Equally important, the share of poor households located far below the poverty line (with consumption expenditures of less than half the poverty line) has decreased by substantially from 38 percent in 2001 to 22 percent in 2011. Although much remains to be done, this means that the poorest of the poor are sharing the benefits of growth.

**Figure 4: The Poor Have Moved Closer to the Poverty Line Between 2001 and 2011**

*(Consumption of the Poor, 2001 and 2011)*



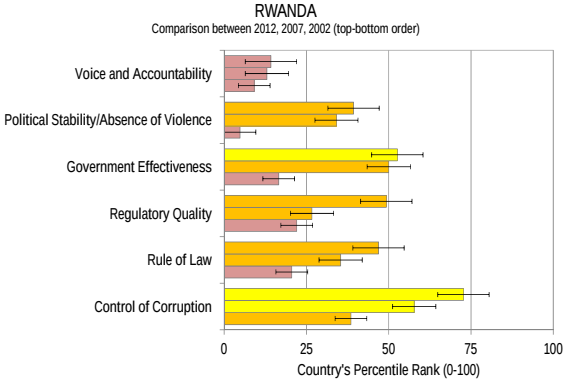

Source: EICV1 and EICV3 and World Bank staff calculations, 2014.

## D. Governance and Institutions

30. **Rwanda has achieved remarkable progress in rebuilding the core institutions of the state over the last two decades**. It has established a political settlement and maintained national security since the Genocide in a very difficult environment. Such a fast progression to peace and security from violence is in stark contrast with many conflict affected countries, which often grapple for some time with the challenge of establishing their legitimacy and authority across their territorial boundaries and protecting citizens' basic security. Evidence suggests a high level of personal security; the homicide rate stands at 5.1 per 100,000 (2009 data) and United Nation Office on Drugs and Crime (UNODC) data indicate that Rwanda's rate is significantly lower

than for neighboring countries. At the same time, Rwanda scores well on indicators of government effectiveness and control of corruption (see Figure 5), including in a comparative sense in terms of other countries in the region.

**Figure 5: Effective Government, but low on Voice and Accountability**




*Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010). The Worldwide Governance Indicators: Methodology and Analytical Issues*
*The Worldwide Governance Indicators are available at: www.govindicators.org*
*Note: The Worldwide Governance Indicators (WGI) are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.*

31. **As part of its development vision, the top leadership has pursued vigorously a zero tolerance approach to corruption, which has been fundamental to the strong growth and service delivery performance recorded over the past decade.** Transparency International has ranked Rwanda as the least corrupt country in the East Africa Community (EAC) and among the least corrupt in Africa, a trend also consistently reflected in the Mo Ibrahim Index for the last 10 years. A raft of oversight institutions has been established to control corruption and promote integrity and there is a constitutionally upheld asset declaration process for public officials, although this is not public. Legal and administrative sanctions are imposed to ensure performance and discipline in the system, with several senior officials tried in the courts in recent years and police officers dismissed for soliciting bribes.

32. **The Government has also taken the approach that to deliver results it must drive forward radical and ambitious public sector reform**. It radically restructured the administration early on in the recovery phase in 1998-1999 through a large-scale downsizing with over 6,000 civil servants being dismissed because they were not qualified and over 6,500 being removed from the payroll as 'ghost workers'. Salaries to the much smaller number of staff were increased by 40 percent to eliminate the incentive for supplementing income through petty corruption. From 2000 in tandem with significant fiscal, political and administrative decentralization reforms, central Government ministries were unbundled to create flatter and considerably downsized structures and bring service delivery closer to the grassroots for enhanced performance and accountability.

33. **Rwanda's public administration nevertheless still faces a number of significant institutional capacity challenges that will affect long term resilience and overall governance capacity if left unaddressed.** The skills deficit is still significant and many of the new institutions lack the right staff and coordination mechanisms. The incentives for attraction, promotion and retention of staff require improvement to counter the high (by regional standards) vacancy and turnover rates.

34. **Rwanda scores much lower on voice and accountability governance indicators than on other aspects of governance.** For example the Press Freedom Index of Reporters Without Borders ranks Rwanda 156 out of 178 countries for 2012 and Freedom House ranks Rwanda 178 out of 197 countries in its 2012 World Press Freedom Index. The IREX Media Sustainability Index indicates a downward trend since 2008. The constitution upholds a free press and a number of private radio stations operate in Rwanda, while a set of new laws are making their way through Parliament to take forward a process of media reform including moving towards self-regulation, which allows journalists to determine what to publish without outside interference. However, international human rights organizations have expressed concern over restrictions on journalists and civil society. National civil society advocacy is relatively underdeveloped in Rwanda, perhaps as a corollary to the firm Government presence.

35. **In regard to the horizontal checks and balances on the exercise of executive power, Rwanda's constitution provides for a robust, autonomous legislative role**. For example, the legislature can override the President's objections to ordinary laws with a two-thirds majority, and the majority of deputies in the Lower Chamber of Deputies are elected by universal suffrage while a certain number have to be women (the upper house, the Senate is composed of indirectly elected members and some presidentially appointed members). A Public Accounts Committee was recently established to improve financial oversight and standing committees are playing a growing role. Nevertheless, Parliament remains a new institution that is still building its capacity and potential to act as a channel for national debate on constituent and party concerns. Its oversight role is strongly determined by the nature of political and civil society.

36. **From a barely functional judiciary in 1994, progress in capacity building has been considerable.** Recent improvements in the formal justice system include an increased presence of defense lawyers at trials, improved training for court staff, enhanced oversight by an inspectorate office in the Supreme Court, and revisions to the legal code. By the end of 2008 there were 266 judges of which 36 percent were women. Bar association membership exceeds 850 advocates (having started with 37 in 1997). A high backlog of cases in ordinary courts has been an ongoing challenge for Rwanda's justice system. For example in 2007 there were 54,409 backlogged cases against 31,126 tried. In addition justice has been decentralized and made more accessible through the *Abunzi* mediators at the lowest local Government 'cell' level. Nevertheless, in terms of fulfilling its potential as an oversight institution, according to Freedom House's 2010 report on Rwanda, the judiciary has yet to secure full independence from the executive.

## E. Sustainability

### Protecting the Environment

37. **The combination of Rwanda's size, topography, population density, and natural resource base suggest that the projected rapid growth rates may present risks for environmental sustainability.** Though direct investment by the WBG in the environment sectors is likely to be limited,[8] the WBG can play a significant role in promoting sustainability along the rapid growth path envisaged in national strategies. A study has been undertaken to explore some of the "big picture" trade-offs that might occur between the pursuit of rapid growth

[8] The Government has support from other primary development partners in this sector and is unlikely to request IDA resources for this sector.

and the imperative for environmental sustainability and sound natural resource management over coming years. It will also explore where resource constraints or negative externalities could potentially hinder growth in key sectors and highlight how we can mainstream climate resilience and environmental sustainability though our sector operations.

38. **Changes associated with rapid growth paths are likely to have some consequences for natural resources and the environment.** Sustaining growth of even 7.5 percent per annum implies changes in terms of how land and other natural resources are used. There might be negative pressures on the environment (for example, through increased pollution) or reduced pressures (for example, through efficiency gains, reduced pressure on wood for fuel and through fertility decline). The study undertaken alerts the WBG to the potential implications of the growth path and possible ways that mitigations and sustainability can be built into the sector operations that we will be supporting. Annex 6 provides a preliminary overview of the findings of a rapid environmental review.

39. **Based on the WBG's ongoing engagements, the CPIA and other sources, however, it is clear that the Government of Rwanda takes environmental challenges seriously.** The Government has already developed environmental, climate change and green growth strategies and action plans and is initiating associated reforms and improvements in procedures and practices. Ensuring a "Green Economy" is an explicit part of the growth pillar of the EDPRS 2. A new National Climate and Environment Fund (FONERWA) is being set up to facilitate the mainstreaming of climate change and environment activities, and guidelines have been developed on adaptation for several key sectors. A significant knowledge base is being developed. An environment and climate change atlas has been published in 2011 and another being drafted on ecosystems and climate. These strategies and information base, built on an existing environmental legal/regulatory system, will be important tools to guide proposed WBG sectoral investments in a direction that promotes growth while ensuring environmental sustainability.

## III. Government's Vision and Aspirations

40. **Rwanda's purposeful and practical approach to setting and robustly pursuing a national vision and then aligning resources to it is arguably one of the most distinctive in Africa.** The vision and targets are set out in a series of sectoral, locality-specific, and overarching strategic development plans. The clearest aggregation of medium-term goals is set out in the second Economic Development and Poverty Reduction Strategy (EDPRS 2). The elaboration of the EDPRS 2 involved extensive discussions and consultations with the Rwandan population, including youth, private sector, civil society, and academia. A communications strategy was tailored to solicit feedback and ideas from citizens from every socioeconomic category.[9] To ensure the broadest possible participation, two *Umuganda* days (the last Saturday of each month when all citizens engage in community work) were used to solicit citizens' views and contributions to the EDPRS 2.

41. **The overall objectives of the EDPRS 2 are to accelerate private sector-led growth and further reduce poverty, including extreme poverty**. It seeks to meet these objectives

[9] Communications included a customized EDPRS 2 website, a toll-free SMS line, focus group discussions and country-wide road shows with brochures, banners, billboards and radio and TV coverage.

while reducing aid-dependency and thus increasing self-reliance by focusing on 4 thematic areas: (a) *economic transformation* to achieve high and sustained growth and restructure the economy toward services and industry, (b) *rural development* to bring the national poverty rate below 30 percent, (c) *productivity and youth employment* to ensure growth and transformation are supported by appropriate skills, and (d) *accountable governance*, to improve service delivery and increase citizen participation in and satisfaction with delivery of development. These thematic areas are supported by 8 foundational issues,[10] which are long-term, ongoing priorities for which substantial progress was already achieved during EDPRS 1 and 7 cross-cutting issues.[11]

42. **The Government has set demanding targets across the four thematic areas.** These include targets for economic growth, reduction of poverty and extreme poverty, increases in the installed electricity capacity, promotion of exports, shifts towards a more urbanized population, enhancements in access to infrastructure, improvements in the quality of the labor force, creation of jobs and SMEs, and improvements in the quality of public services. Though some targets may not be achieved in absolute levels, the sense of direction established by the results framework of the EDPRS 2 accords strongly with WBG and IMF assessments of the challenges that need to be tackled over the coming period. The approach sets a robust framework that has guided the CPS and results framework.

43. **Strategies and strategic targets are taken seriously in Rwanda, with mechanisms established to convert medium-term goals into annual plans, budgets, and specific performance contracts that hold ministers and their teams accountable for delivery.** The top government leadership takes measures to ensure clear delivery targets and monitoring processes for national strategies. These strategies and targets are effectively communicated to all levels of government, as well as to non-state players and external partners. An annual National Leadership Retreat convenes the entire government to review progress and set clear priorities and targets for the year ahead (refer to Box 1).

44. **Taken together, the targets set in the EDPRS2 represent a highly ambitious agenda for inclusive growth over the coming years.** In order to achieve middle-income status by 2020, Rwanda must achieve a targeted average annual real GDP growth of 11.5 percent between 2012 and 2020. Attainment of the target would require a significant acceleration from the already high growth rates in the last decade. As such, for modeling purposes the WBG and the IMF are using forecasted rates more in line with past trends (as used for example in their Debt Sustainability Analysis and the recent Joint Staff Advisory Note). Together the IMF and the World Bank identify two key challenges to attaining the growth target: (a) the funding and implementation of public and private investment in view of prospects for declining—at least in relative terms—official external financing; and (b) the sustainability of planned policies in light of the compression of public and private consumption that would be consistent with a re-allocation of public and private resources into investment.

45. **The EDPRS 2 looks to the private sector to drive growth and job creation over the medium term.** Over the past five years, improvements in the investment climate have not unlocked the desired significant increase in private investment. The private sector development

[10] The foundational issue areas are macroeconomic stability, demographics, food security, basic education, primary health care, rule of law, PFM, and decentralization.

[11] The cross-cutting areas are capacity building, environment, gender, regional integration, HIV/AIDS and non-communicable diseases (NCDs), disaster management, and social inclusion.

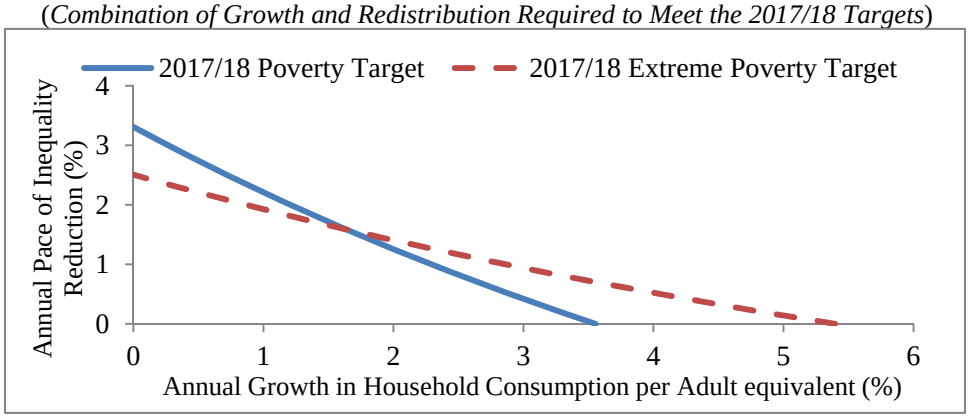
strategy acknowledges the challenges involved. The economic transformation theme of the EDPRS 2 aims to drive down the cost of doing business by removing key bottlenecks in infrastructure and energy. While the EDPRS 2 defines the role of the public sector as a catalyst for private sector-led growth, performing this role will require significant financing, including leveraging public-private partnerships (PPPs) where feasible. This suggests a delicate task for Government in prioritizing its investment programs while taking into account proper sequencing and linkages between them, as well as to ensure that adequate financing is available to support private investment.

46. **Meeting export targets will require accelerated regional integration and diversification of both products and markets**. The East African Community countries are at the final stage of adopting an EAC Monetary Union Protocol, which will set macroeconomic convergence criteria, among others, as a precondition for accession to the single currency area. It will also establish a transition period toward the single currency area, during which countries will align their economies to the set criteria and adjust their policies accordingly. The Government, already appreciating some benefits from greater regional integration since entering the common market in 2009, actively pursues implementation of the protocol. Results of a recent "scorecard" show significant achievements so far.

47. **Reproduction of past growth rates alone will not be enough to reach poverty reduction targets – a reproduction of past reductions in inequality is also needed.** Figure 6 shows the combinations of household consumption growth (horizontal axis) and inequality reduction (vertical axis) that are needed to achieve the poverty target (steeper curve) and extreme poverty target (gentler slope) by the end of the second EDPRS 2 in 2018.[12] In the absence of redistribution (no reduction in inequality) household consumption will need to grow by 3.6 percent per year between 2011 and 2018 to reduce poverty to their target level of 30 percent. This is higher than both the growth in consumption observed over the past decade (2.5 percent) and the growth observed between 2006 and 2011 (3 percent). However, if inequality could be reduced at an average rate of 1 percent per year (the annual rate of inequality decline between 2006 and 2011), the poverty target would be attained with consumption growth of less than 2.3 percent. Annex 3 provides a fuller analysis.

[12] These simulations are based on the poverty curves developed by Ferreira and Leite (2003). The simulations are purely mechanical and we present them for illustrative purposes. They should be interpreted with caution.

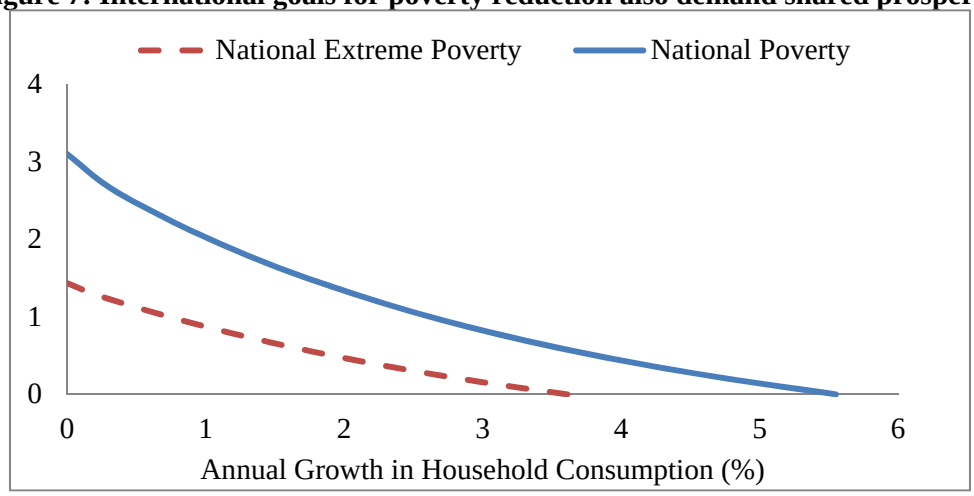
**Figure 6: Inequality Reduction will be Key in Attaining the EDPRS2 Poverty Targets**
(*Combination of Growth and Redistribution Required to Meet the 2017/18 Targets*)




Source: EICV3; World Bank staff calculations, 2014.

48. **Shaping the Post-2015 agenda, the WBG Development Committee has endorsed the global goal of eradicating extreme poverty within a generation**. This targets reducing the proportion of people living below the international poverty line of US$1.25 per day to no more than 3 percent by 2030. Not all countries can be expected to meet this goal, and so it is not a "binding" target in that sense for Rwanda. But still it is illustrative to at least consider—*what will it take for Rwanda to seek to meet the ambitious global goal?* Using poverty lines based on national datasets rather than the international poverty line (US$1.25 per day), projections (see figure 7) suggest a similar combination of growth in household consumption and inequality reduction will be needed to meet national targets. It will take a reproduction of past rates of growth and inequality reduction in order to meet these global international goals in Rwanda.

**Figure 7: International goals for poverty reduction also demand shared prosperity**




Source: EICV3; World Bank staff calculations, 2014.

49. **Clearly progress on inequality reduction – not just growth - will determine to a large extent whether Rwanda will meet the poverty targets of the Second EDPRS.** While the poverty targets in the EDPRS 2 are ambitious, they can realistically be attained if Rwanda keeps up its strong shared growth performance of the past 6 years. This suggests that investments that actively seek to raise the productivity and incomes of the lowest groups will be needed to approach this target. Emphasis within the EDPRS 2 on scaling up social protection and

intensifying the rural transformation are aligned with this challenge. Beyond the need to tackle inter-household inequality, attention to within-household disparities will also be important (including gender inequality, see Box 2).

**Box 2: Empowering women**

The Government of Rwanda has made significant gains in its commitment to achieving gender equity. The 2003 Rwandan Constitution enshrines the principle of gender equality by providing 30 percent quotas for women's representation in decision-making structures. The Government has also included gender as a cross-cutting theme in their Vision 2020 and EDPRS. The overall goal is that by 2020 "girls and boys will have achieved equity of voice, participation, and access to every area of economic growth and poverty reduction represented in national policy and law". The specific target areas are:

- Gender equity in halving the proportion of people living below the poverty line by 2015,
- Gender equity in a reduced income disparity,
- Gender equity in increased GDP per capita,
- Gender equity within the increased average GDP growth rate, and
- Gender equity in progress toward the MDGs.

There are indications that the status of women is improving in some sectors. Rwanda has a consistently improving score on the UNDP Gender Inequality Index (positioned at 73 out of 167 countries). In 2013 Rwanda had the world's highest women's participation in parliament at 64 percent, up from just 17.1 percent 15 years earlier. The Rwanda National Police Service has achieved 37.5 percent women in leadership positions. In local-level government, women still are under-represented – only 6.7 percent of mayors are women – although 43 percent of local government positions and 30 percent of judgeships are held by women.

Despite successes, women in Rwanda still face challenges. More female-headed households live in poverty than those headed by males (47 percent compared to 44 percent, respectively). Women's literacy rates are lower than men's (60 percent compared to 70 percent, respectively), which further constrains already limited opportunities in terms of accessing resources, creating and managing small businesses, and participating in the overall decision-making processes in the households. And gender-based violence among women and girls remains an area of serious concern. In 2010 at least 56 percent of women aged 15-49 years had experienced physical or sexual violence.

This CPS draws upon the findings of the Bank's Gender Assessment (2012) and discusses this and other key analyses to inform the strategy.

# IV. Development Challenges

50. **The Government uses the ambitious nature of its goals as a driving force for change. It recognizes that the higher the ambition, the greater the challenges.** To a large extent, challenges are well described in the EDPRS 2. During the consultation process for the EDPRS 2 and in sector working groups, many discussions have centered on how best to tackle the challenges.

## A. From public-led to private-led growth

51. **Accelerating growth and creating jobs through the intensification and deepening of the private sector lies at the heart of the development challenge and implies significant action at policy and investment levels.** The targets for economic growth, export growth, and enterprise growth suggest a significant restructuring of the economy. Progress in these goals will underpin progress in the poverty targets to an important degree, through their implications for rural development and job creation. The imperative for job creation is extremely strong; the total non-farm labor force increased from 442,000 in 2001 to 1.4 million in 2011. About 100,000 formal and informal jobs are currently created each year, which is only half the annual growth needed to maximize benefits from the demographic dividend.

52. **Despite the strong performance with respect to the investment climate, multiple challenges complicate progress.** The private sector is still relatively small and weak, with a narrow manufacturing base, small financial sector, and an underdeveloped services sector. Local business registrations have increased, but only around 40 percent of these firms are active. Informality prevails as only 13,000 of 123,000 firms operating are in the formal sector. Geography, low productivity, and high energy costs make Rwanda an expensive place for enterprises dependent on seaports or energy-intensive processes. As a small economy, the domestic market is relatively limited; expanding markets on a significant scale beyond borders has been hampered by cross-border tensions and inefficiencies.

53. **Enterprise surveys highlight access to finance and availability of land as the most severe constraints followed by infrastructure (electricity and transport) and labor skills.** Other issues relate to the arbitrary, uncertain, and unpredictable way in which certain areas of regulation are enforced. Issues that are identified by the private sector (including during the consultations for this CPS) include tax administration, post-implementation problems (e.g. misunderstandings regarding incentives related to energy and land titles) and potential competition issues (real or perceived).

54. **It will be particularly important that public investment decisions leverage private investment to the maximum extent possible.** Recent research by the World Bank suggests that public investment in Rwanda still "crowds in" private investment, but at ratios that are less favorable than in some other neighboring countries. This indicates that there is room for improvement in the management of public investment, in particular with respect to ensuring robust, independent project selection processes (including thorough appraisal and cost benefit analysis) to ensure that the returns are maximized from scarce investment resources. Poor public investment choices can not only crowd out private investment, but also erode fiscal space and debt sustainability over time. Attention to smooth implementation will also be important.

## B. Sharing prosperity

55. **Ensuring that growth translates into further poverty reduction will require directed investment, including cash transfers, toward improving the incomes of the poorest.** The EDPRS 2 envisages considerable investment in agriculture – focusing on agricultural productivity and rural infrastructure – to drive transformation of livelihoods in rural areas. Despite recent gains, the move from subsistence to commercial agriculture remains a challenge. Food is about 70 percent of output, farm productivity is low, and plot sizes are small (about 0.3 hectare), leaving it hard to make space for mainstream commercial agriculture. Irrigation is not yet widespread; use of improved seed is still constrained; and, though rising, only one-third of farmers are using fertilizers.

56. **Generating a serious private agribusiness sector will entail investment in value chains and agro-processing and a shift toward higher-value crops, which require specialized technical know-how and value-chain expertise.** The rewards in terms of poverty reduction and boosting exports could be considerable however. Tea and coffee already contribute to half of all exports, involving 500,000 households in coffee production and 60,000 households in tea production. However, only 29 percent of coffee is washed despite the 60 percent price premium accorded to washed coffee. Branding, traceability, and certification are key for developing a viable horticulture export industry, but low-income farmers will find these activities costly and will need support.

57. **For the poorest groups, expansion and improvements of the social protection system will remain critical.** A thoughtful government roadmap embodied in the EDPRS and National Social Protection Strategy sets out the key steps toward improving the social protection system, including the introduction of stronger targeting mechanisms, a scale-up of coverage, and a determined focus (and EDPRS target) on promoting an exit from the poorest categories.

## C. Financing the development effort

58. **At a price tag of Rwanda Francs (RWF) 9.9 trillion (US$15 billion), adequate financing of the development strategy will pose its own challenges of intensifying domestic revenue collection and management of external revenue sources.** Despite an improving trend, Rwanda's tax revenue-to-GDP ratio at 14.2 percent in 2013 was well below the regional average of 25 percent and the Government has embarked on a comprehensive tax reform strategy. Boosting domestic revenue mobilization raises several challenges; broadening the tax base, introducing comprehensive tax regimes for agriculture and mining, and strengthening property taxation and enhancing revenue administration are all prerequisites. Given the intensity of the financing gap and the expected relative decline in external concessional financing, efforts to prioritize and sequence public investments by the Government will be important.

## D. Ensuring institutions and capacity keep pace with growth

59. **Managing the wide-ranging consequences of rapid growth will require flexibility, strong feedback loops, and capacity to respond to unforeseen developments.** Rapid economic growth is an overwhelmingly positive force for generating sustainable change for poor populations. Nevertheless, if targets are reached – or even nearly reached – the changes that the Rwandan economy and society will have undergone as part of this process will be significant. People will be earning livelihoods differently from before, living in different places from before, using their assets (especially land and human capital) differently from before, moving around differently, structuring families differently, consuming differently, aspiring differently, and relating to other stakeholders – both non-state and state actors – differently. Natural resources will be used differently as the economy is dominated less by subsistence agriculture and more by commercial agriculture and off-farm activities. As growth becomes driven more by private sector growth, the role of the state in the economy will need to adapt, taking on a role as facilitator more than owner. Institutions will need to respond to these changes. Keeping pace with the changes could be a challenge.

60. **Building the capacity of government staff and institutions will be critical to managing this change process well.** The strength of capacity at the top levels of leadership in central government agencies has not yet cascaded down fully – neither to the lower levels of seniority in the central agencies nor to many of the local agencies that are frontline implementers of policy or deliverers of services. It will be important for the National Capacity Building Secretariat to enhance its facilitation and support to all the priority sectors (energy, agriculture, private sector development, environment and natural resources, urbanization and transport) to undertake capacity-building diagnostics and to design the proposed sector capacity building plans throughout the EDPRS 2 period.

61. **Enhancing district-level capacity will be foundational for achieving goals associated with the "accountable governance" pillar of the EDPRS2.** This is true particularly for those goals that strive for greater citizen participation in the development process and those related to

the quality of service delivery. The newly approved decentralization policy is an excellent starting point and implies considerable efforts in strengthening effectiveness at the district level and in reforming the mechanics of center-district relations.

## V. Strategic Options for the CPS: Leveraging WBG Assets

62. **Though Government goals and the associated challenges suggest potential for considerable WBG engagement, maximizing impact with limited WBG resources demands focus and boundaries.** The Government maps the flows of development assistance carefully and is directive in matching donors and sectoral financing needs. The mapping provided by Government provides a useful tool in identifying the comparative advantage for the WBG and in the application of selectivity. In defining the CPS going forward and, in particular, in deciding where the core of IDA will be spent, the principles applied in identifying the most fruitful areas for WBG engagement in Rwanda covered the following:

- *Is there strong alignment with the twin goals and complementary nationally defined goals for poverty reduction? Will engagement in this area unblock major impediments to progress?*
- Given the flows of other donor resources and WBG skills and experience in Rwanda, *does WBG have a comparative advantage in this area that will allow it to make a difference?*
- *Does engagement in this area allow WBG to maximize all three of its institutions in the most synergistic way?*
- *Is there demand from the client for engagement by WBG in this sector?*
- *What are the risk levels of achieving impact in this sector, in particular with respect to capacity constraints on the Government and WBG side?*

63. **Table 2 summarizes the discussions that have taken place within the country team, with the client and with other development partners with respect to WBG's potential role in addressing core development constraints.** The left column lists constraints to achieving key poverty objectives as identified through WBG analytical work and Government strategies. Any sectors that "failed" the first line of screening with respect to alignment to poverty reduction (for example, cultural heritage) are left out of the table. In general, the low scores for comparative advantage reflect the dominance of other donors in these sectors and the expectation that they will continue to finance these sectors at the same level and same high quality. For example, the combination of global funds and bilateral financing from USAID in the health sector suggests little value added in directing IDA toward the sector. In this respect, a low rating for comparative advantage does not refer to the competencies of the WBG in general. Rather it reflects the contextual, relative advantage of the WBG given the resources that other donors are bringing to Rwanda.

**Table 2: WBG's Potential Role in Addressing Core Development Constraints**
**Criteria for Selectivity**

| *Constraints to poverty reduction* | *Alignment* | *Comparative advantage* | *Within-WBG synergies* | *Client demand* | *Risk* |
|---|---|---|---|---|---|
| National Transport | ◑ | ○ | ◑ | ○ | ◑ |
| Energy | ● | ● | ● | ● | ◑ |
| ICT | ● | ○ | ● | ○ | ◑ |
| Rural (agriculture and infra) | ● | ● | ● | ● | ○ |
| Environment | ● | ○ | ○ | ○ | ● |
| Water | ● | ○ | ○ | ○ | ● |
| Urban Development | ● | ● | ● | ● | ● |
| Youth/Skills | ● | ◑ | ○ | ○ | ● |
| Financial Sector | ● | ◑ | ● | ●/○ IFC/IDA | ◑ |
| Private Sector Development | ● | ◑ | ● | ◑ | ◑ |
| Health | ● | ○ | ○ | ○ | ◑ |
| Education | ● | ○ | ○ | ○ | ◑ |
| Social Protection | ● | ● | ◑ | ● | ◑ |
| Accountable Governance | ● | ● | ○ | ● | ◑ |

● = High ◑ = Medium ○ = Low

64. **Based on an analysis of needs and comparative advantage, the choices of sector engagement for the WBG align well with the Government requests.** WBG has been asked to lead the development partners in energy and urban development sectors, be actively engaged (but not lead) in the rural development sector, and to operate through low-transaction cost modalities in the social protection sector. The Government also asked that the World Bank work with DFID, KfW and the EU to support progress on public financial management (PFM) and decentralization. IFC believes it will be able to invest primarily in the financial sector, supported by both IFC advisory and World Bank analytical work. Indeed, financing for financial institutions is likely to be IFC's main (but far from only) investment activity in Rwanda in the medium term.

65. **The analysis suggests the following 3 themes will guide WBG engagement in Rwanda:**

- ***Theme 1: Accelerating economic growth that is private-sector driven and job creating,*** incorporating WBG investments and analytical work in energy, financial sector development, urban development, regional integration, direct investments in the private sector, public-private partnerships, and investment climate (including export competitiveness and other private sector development policy work);
- ***Theme 2: Improving the productivity and incomes of the poor through rural development and social protection,*** including investments in the national safety nets and smaller investments in activities that promote social cohesion and peacebuilding,

agricultural productivity (including rural roads), and IFC investments in horticulture, agribusiness, and microfinance;

- ***Theme 3: Supporting accountable governance through public financial management and decentralization,*** including likely IDA investment in fostering stronger results in public financial management, fiscal decentralization, in statistical systems and open data**.**

## A. Theme 1: Accelerating economic growth that is private-sector driven and job creating

66. **Structural transformation is needed to move the economic growth path from one that is dominated by ODA-financed public investment to one that is fully driven by the private sector**. This is an imperative for sustainability of the growth path but is also vital for job creation. With an estimated 200,000 people entering the job market annually, the private sector will be a primary provider of livelihoods and an important driver of poverty reduction. Despite the high scores for a supportive regulatory environment in the Doing Business ranking, the private sector is currently still weak and underdeveloped. The WBG will tackle the key bottlenecks that have restricted private sector investment through a combination of IDA investments (in energy, urban development, and regional integration), IFC investments (in the financial sector and possibly – crossing over with the second thematic area – in agribusiness) and IFC advisory/World Bank analytical work to strengthen the regulatory framework to increase predictability and reduce regulatory risks.

67. **A propitious investment climate with predictable rules that attract investors and reward them on their own merits is a key component for ensuring healthy, efficient and sustainable private sector development.** Policies that ensure open markets, an environment that reduces entry costs and operational risks, policies that minimize distortions on the level playing field, and rules that prevent anticompetitive business practices are key areas for a growth-enhancing market regulatory framework. The WBG will support the Government of Rwanda to develop an effective institutional and regulatory framework to effectively implement competition and investment policies that foster competitive markets and productivity.

### Energy

68. ***Why is energy so important for private sector-led growth?*** There is significant survey data from enterprises in Rwanda to suggest that the high cost and low reliability of energy is one of the primary bottlenecks to the enterprise development. Likewise, there is ample evidence that rural electrification has benefits in terms of consumption (as small, rural business activity requires electricity) and human capital accumulation. Insufficient generating capacity, limited transmission networks, and high cost of electricity are major constraints on investment. There is a clear sense that overcoming this constraint will bring about a lasting, structural shift in the economy. Power prices are high (despite subsidies) at 22¢ to 24¢ per kilowatt-hour (kWh) relative to neighbors: tariffs in Kenya are 15¢ per kWh; Uganda, 17¢ per kwh; Tanzania, 5¢ per kwh), undermining Rwanda's competitiveness. Electricity consumption is currently about one-tenth of the Sub-Saharan average, with coverage of about 18 percent of population.

69. **Increased access to electricity is key to the countries' poverty reduction and economic growth and broad-based welfare gains.** The plans for expansion require US$3-5 million financing per megawatt (MW), or about US$800 million annually, and will include both experimental (methane) and high-risk (geothermal) energy sources. The current installed

electricity generation capacity is about 110MW, with available capacity of about 95MW and peak demand of 90MW. The system is operating without a reserve margin resulting in poor reliability and availability of supply. The Government has ambitious plans to expand the generation capacity to meet the country's projected demand. The plan is to increases total installed capacity over the next 5 years from 110MW in 2013 to about 563MW by 2018, with connections forecast to leap from 200,000 to 1,200,000 and biomass use to drop from 86 percent to 65 percent by 2017. These targets are not beyond reach; a committed capacity of 76.5MW is expected to be commissioned by June 2014. Memoranda of Understanding have been signed for an additional capacity of about 200MW in the next 4-5 years.

70. **To leverage funding for energy generation, the Government proposes mostly private sector-led investment.** This offers the WBG opportunity to leverage funding and enhance collaboration among the WBG in supporting increased electricity generation. There is also need to balance public investments in the sector without crowding out the private sector. For a number of these investments, discussions are advanced and some projects already under construction. In some instances, the Government may require support to reach financial closure on some of the proposed generation investments, which might include a combination of IDA partial risk guarantees and MIGA guarantees, IFC loans as well as other WBG financial products. In addition, IDA resources may be required to undertake upstream assessments, such as feasibility studies and transaction advisory services, especially geothermal due diligence subject to confirmation of the resource. IFC is tentatively predicting investments in the energy sector of approximately US$30 million over the CPS period. IFC investment climate activities will also support private sector participation in renewable energy, including the Rwanda Development Board (RDB), Rwanda Utility Regulatory Authority (RURA), and Ministry of Infrastructure (MININFRA) to strengthen capacity to deal with investment proposals. It will also expand the work on feed in tariffs currently prevailing for hydro, solar and small-scale biomass in order for more standard power purchases to be developed. MIGA's traditional political risk insurance coverage against transfer and convertibility restrictions, expropriation, breach of contract and war and civil disturbance can help leverage cross-border investment, in particular for critical infrastructure, such as power, water and transportation. During the CPS period, MIGA will actively look for opportunities in these sectors as well as in agribusiness.

71. **In the long-term, the integration of Rwanda's power sector within the East African Power Pool is indispensable.** Rwanda is a member of the Nile Basin Initiative and the East Africa Power Pool. However, apart from its share in existing regional hydro plants,[13] Rwanda is not connected to any regional transmission network apart from the small bilateral power interchanges with Uganda. Rwanda's location would allow it to benefit from the interconnected power network within the proposed East African Power Pool. In light of Rwanda's current high-generation costs and energy resource constraints, regional integration would unlock the benefits of regional hydropower, geothermal, wind and natural gas resources, substantially reducing overall generation investment costs. Several regional interconnection lines are at various stages of development; Rwanda-Uganda and Uganda-Kenya are expected to be commissioned in 2015 while other interconnections between Rwanda-Tanzania, Rwanda-Burundi, and Rwanda-DRC

[13] Presently Rwanda purchases power from the Rusizi I plant (with import capacity of 3.5 MW) of SNEL of DRC, and Rusizi II (with import capacity of 12 MW), owned by Sinelac (jointly owned by Rwanda, DRC, and Burundi).

will form part of the Rusumo and Rusizi hydro projects. Rwanda has initiated discussions to import 50MW from Uganda and has made initial contacts with Ethiopia.

72. **With an emphasis on using private sector resources for generation, the comparative advantage of IDA may well be to focus on strengthening the overall performance of the sector and on distribution, areas unlikely to attract the private sector.** Recent changes to the institutional structures – the separation of the former utility into two distinct entities to cover electricity and water separately – suggests the need for considerable institutional strengthening. A recent grid audit study highlights many important priorities for investment in order to improve the functionality and expand the outreach of the network. It provides a solid starting point for possible IDA investment in this area.

### Urban development

73. ***Why is urban development a priority for the inclusive growth agenda?*** In a region with low levels of urbanization, Rwanda is among the least urbanized countries in Sub-Saharan Africa with an urbanization rate of about 15 percent. Of the roughly 1.6 million urban dwellers, about 1 million live in Kigali. From previously high average annual growth rates of 9 percent (due in large part to the influx of post-genocide returnees), Kigali's growth has decelerated to a still-rapid 4 percent per year. The remainder of the urban population (roughly 600,000) is dispersed across provincial towns in 27 districts. These are small urban centers, and not more than 10 towns have sufficient density to truly reflect urban attributes and functions. The most viable towns are located near borders, at the intersection of national roads leading to borders, or in the vicinity of Kigali. Rubavu, Musanze, Muhanga and Huye are growing rapidly. Despite a current low level of urbanization, the country is poised for an urban transformation.

74. **The Government of Rwanda aims to expand the share of the industrial sector from 16 percent to 26 percent of GDP by 2020 while continuing to improve the productivity and value addition in the agriculture sector.** While agriculture employs 80 percent of the workforce and represents 33 percent of GDP, the Government's industrial policy aims to sustain 8 percent annual growth and to create 1.8 million non-farm jobs by 2020. Given land constraints, this goal must be met through expansion of commerce, industry, construction, and services sectors in urban centers.

75. **The Government is pursuing a policy of more balanced, sustainable urban development.** Kigali has emerged as Rwanda's national business, service, industrial and administrative hub; it accommodates 30 percent of employment and 10 percent of the population. Within this environment, however, the Government is concerned about the potential negative consequences of economic and population concentration in one city, which can lead to economic weaknesses in other regions; regional social imbalances across the country; and congestion, pollution, slums, and other negative externalities—within the primary city—that can become unmanageable. Therefore maintaining the attractiveness of Kigali while developing the economic potential of secondary cities is the Government's central challenge of this policy. The urban strategy is therefore centered on developing six secondary urban centers for a more balanced urban growth. The role and function of these towns will depend on their size, but their development can have a significant impact on developing the economy and reducing migration to Kigali, if managed properly.

76. **The policy to spur urbanization also has the potential to reduce poverty.** Though analytical work on the poverty impacts of urbanization is scarce, ongoing work in the Rwanda

Poverty Assessment suggests positive impacts. Between 2006 and 2011, poor households in urban areas were 14 percentage points more likely to exit poverty than poor households in rural areas. The rate of chronic poverty (households who were below the poverty line in both 2006 and 2011) was also three times lower for urban (14 percent) than for rural households (42 percent).[14] In addition, urbanization is typically linked to lower fertility, higher female labor force participation, and higher investments in children's education.

77. **The WBG work in the urban sector in Rwanda is in the earliest stages, making the prediction of future investments imprecise.** The team is exploring the use of IDA in providing the necessary infrastructure for the sustainable development of secondary cities. This would incorporate work that supports the goals set out in the private sector development strategy and would also focus on the governance environment for effective management of secondary cities. IFC is currently considering investments in housing units for Kigali and the possibility of opening a mortgage finance facility. IFC has also been investigating the possibility of a PPP transaction for the bulk water supply for Kigali. Though design of the entry points for the WBG is still preliminary, the opportunities for a strongly collaborative effort between IDA and the IFC are clearly present.

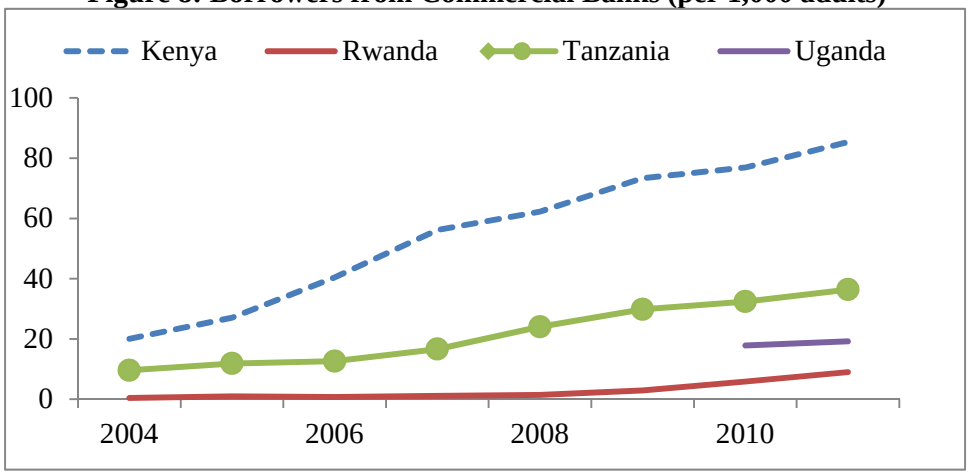
78. **IFC is rolling out some of its IT-based activities to cities across the country as part of its investment climate work.** This will include establishment of on-line construction permit applications at the two or three of the 6 secondary cities with sufficient absorptive capacity. One stop centers for construction permit administration are being established in each location through the Rwanda Housing Authority (RHA) to handle the predicted increased number of applications for construction permits and manage the lack of resources at the district level.

### Financial Sector

79. ***Why the focus on the financial sector?*** Insufficient access to affordable credit is listed as the biggest constraint for businesses in the enterprise survey. Figure 8 illustrates how constrained borrowing from commercial banks is relative to other countries in the sub-region. Widespread informality hinders financial sector growth, and only 7 percent of adults are covered by a credit bureau. Bank penetration, saving rates, uptake of microfinance products, and mobile platforms are all low compared to regional peers.

[14] Similar results are found for urbanization in Tanzania: see Luc Christiaensen, Joachim De Weerdt, and Yasuyuki Todo, Urbanization and Poverty Reduction, The Role of Rural Diversification and Secondary Towns (Policy Research Working Paper 6422, World Bank, April 2013).

**Figure 8: Borrowers from Commercial Banks (per 1,000 adults)**




*Source*: BNR; World Bank staff calculations, 2014

80. **The World Bank, IFC, and MIGA have all been active in the financial sector.** The World Bank's role has been more through the provision of technical assistance and analytical work than through investment; the first Financial Sector Development Plan (FSDP) provided extensive guidance to the BNR in many aspects of financial sector development, and about 90 percent of the recommendations (of which there were several hundred) have been implemented. The Cabinet has now approved the second FSDP (FSDP II). Both FSDPs were based on Financial Sector Assessment Programs carried out jointly by the World Bank and the IMF. The World Bank is providing considerable support to FSDP II implementation using programmatic trust funds.

81. **Through a US$2 million FIRST-funded technical assistance program,[15] the legal and regulatory framework and supervisory capacity of the financial sector are being strengthened and Rwanda's crisis preparedness, resilience, and financial stability are being improved.** Financial inclusion for individuals as well as micro, small, and medium-size enterprises (MSMEs) will be supported through technical assistance provided through the Financial Inclusion Support Framework (US$2-3 million). This program will address demand as well as supply-side challenges, stretching from financial education and consumer protection to support for legal and regulatory reforms related to financial inclusion and improving schemes for supporting MSME financing.

82. **For the IFC, the financial sector provides an opportunity for investments in small enterprises.** Opportunities for IFC to invest directly in enterprises that seek to operate in Rwanda have been constrained by the small size of these projects. The bulk of the private sector comprises small firms who are making small investments that are not bankable for IFC participation. IFC anticipates investments in the financial sector in the order of US$20 million a year over the CPS period. The approach would be to deepen the engagement with local banks and micro-finance institutions, leveraging both advisory and investment services to expand finance (both in volume and in range of products) to MSMEs with a full range of trade and supply chains, long-term and local currency products. The Access to Finance engagement will

[15] FIRST: Financial Sector Reform and Strengthening Initiative

focus on MSME bankability and risk management. IFC will also consider engagement in the housing finance market.

83. **Recognizing that the investment rate is insufficient to drive the rates of growth that are foreseen, IFC also aims to provide support in developing capital markets.** The current reliance on imported capital (government debt, donors, foreign direct investment) implies foreign exchange risk for those seeking finance. Domestic capital markets can provide more reliable financing for the private sector and could be a source of lower-cost, longer-term local currency financing for Rwandan and possibly for regional players too small to issue in Nairobi or Johannesburg. IFC will provide advice on capital market development, with the Access to Finance team providing support to develop capital market infrastructure (including rating agencies, custodians, electronic trading platform, regulatory capacity, corporate governance and brokers). IFC Treasury is in discussion with Government to launch a local currency bond.

## B. Theme 2: Improving the productivity and incomes of the poor through rural development and social protection

84. **As Bank analysis of poverty shows, growth alone will not be sufficient to reach poverty targets.** International and national goals for poverty reduction are only attainable with a strategy that builds the incomes of the poorest quintiles and ensures that the prosperity that is generated by growth is adequately shared. Activities under this theme are chosen to deliver maximum impact on the incomes of the poorest and most vulnerable groups in Rwanda.

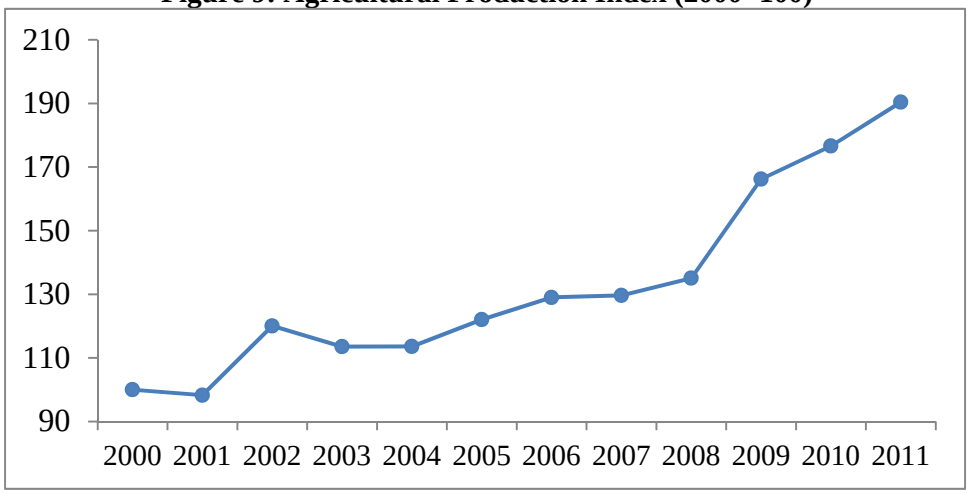
### Rural Development

85. **Close to 80 percent of the Rwandan labor force depends on agriculture for a living.** The fastest and most effective way to raise the standards of living of the majority of the population is therefore to increase incomes from agriculture. The improvements in agriculture have played a major role in the rapid poverty reduction Rwanda experienced over the past decade. 35 percent of the reduction in poverty in Rwanda can be attributed to increased agricultural production while an extra 10 percent can be explained by increased commercialization of agricultural produce (refer to Figure 3). This makes agriculture the single most important driver of the 14 percentage-point drop in poverty over the past decade.

86. **Between 2000 and 2011, aggregate agricultural production almost doubled, with most of the increase happening since 2008 (Figure 9).** This can be traced back to the Government's renewed focus on agriculture under the first EDPRS (2008-12). Since 2008, the Government has embarked on an ambitious plan to modernize and raise the productivity of agriculture, which has led to significant gains in productivity of the selected priority crops: between 2008 and 2011, yields (production per hectare) of maize increased by 225 percent, rice by 34 percent, wheat by 129 percent, cassava by 90 percent, potatoes by 66 percent, and bananas by 62 percent.[16]

[16] FAOSTAT, 2013.

**Figure 9: Agricultural Production Index (2000=100)**




*Source*: MINAGRI; World Bank staff calculations, 2014.

87. **Intensifying agricultural productivity will remain central in the IDA program.** Given the limited scope to expand cultivable land area, improved productivity of agricultural land is critical for income generation. IDA will support a whole suite of interventions aimed to boost productivity based around soil conservation and land husbandry. This will include progressive and radical terraces, soil fertility management, and soil erosion control. It will also include measures that reinforce farmer resilience to shocks (irrigation and water management), the expansion of agricultural mechanization (currently stands at 12 percent), and the optimization of inputs to improve soil fertility and seed quality.

88. **Investments will also facilitate a transition from subsistence to more commercial farming practices, tackling under-employment in rural areas and raising rural incomes.** IDA will support strengthening the enabling environment to attract and retain private investment, encourage entrepreneurship, and facilitate market access. This will include modalities to increase production via facilitating contract farming, satellite farming, consolidated land leasing, and cooperatives. Public-private partnerships and risk management in value chains would be supported. Priority value chains, both agricultural food and export crops, will be supported along with strengthening cross-border trade channels. Support will be provided for whole value chains from research, planting material, production, extension, post-harvest, value addition in processing, and market analysis of supply and demand. Support will also be provided to expanding both the provision of and access to agriculture finance. Key market-oriented infrastructure, including irrigation, post-harvest handling and storage, and rural feeder roads will be supported to facilitate greater production and market access.

89. **Nutrition components in WBG agriculture work will remain, given the persistent challenge of child malnutrition in rural areas.** IDA will support food-insecure households in nutritious home garden practices and diversifying food production by scaling-up the current kitchen gardens program, promoting intercropping, and developing and expanding bio-fortified food crops.

90. **IFC intends to focus advisory services and possible investments on the development of horticulture and other agribusiness ventures.** While IFC is aware of the obstacles, it remains hopeful that potential transactions with sponsors will materialize. MIGA looks to support new projects in the agribusiness sector for which it has an active pipeline. IFC is

considering investment in the tea sector and currently providing advisory services. IFC also expects to be involved in the provision of financial services to the rural sector through the financing of a greenfield microfinance institution as well as through conventional financial services.

### Social Protection

91. **Rwanda has made important gains in protecting the most vulnerable groups by stabilizing their livelihoods and providing many with an exit from poverty.** IDA's support under this CPS period will focus on consolidating past progress while introducing and scaling up measures that are fundamental to further strengthening of Rwanda's social protection system. This support will be fully aligned with Rwanda's 2013 National Social Protection Strategy and the 2013 EDPRS 2, and carried out in close coordination with the other main donors in the social protection sector.

92. **IDA will support expanded coverage of Rwanda's social protection system, notably the flagship Vision 2020 Umurenge Program (VUP).** This program was launched in 2008 as the principal tool for reaching the poor and extreme poor and fostering an exit from poverty. The program has four main components: (a) direct support cash transfer program to support extremely poor labor constrained households; (b) public works component to provide wage-based temporary employment to poor households; (c) financial services for the poor; and (d) community sensitization and capacity building. The VUP direct support cash transfer program is present in 58 percent of sectors and currently serves over 44,000 households; the VUP public works program is present in 43 percent of sectors and currently serves over 89,000 households.

93. **An ambitious, ongoing expansion of VUP program coverage will be a core area of Bank support.** This expansion of coverage will be informed by strengthened poverty targeting to ensure that those most in need are served. Continued reforms to the poverty targeting system will be supported to ensure the prioritization of the poorest households, coupled with a priority expansion to sectors in the poorest 30 percent of districts.

94. **Reforms will also include a focus on early childhood development to help tackle the issue of inter-generational poverty, ensuring a strong base for Rwanda's future development.** Malnutrition affects over 40 percent of children under age 5 in Rwanda, and poverty is disproportionally concentrated among children. Ensuring sustainable graduation from poverty requires investments in productivity, beginning in the earliest years. These reforms will focus on the complements between income support and behavioral changes among parents to ensure that children receive both appropriate protection and are supported to make needed investments in health, nutrition and cognitive stimulation.

95. **Support will also include a continued focus on strengthening core service delivery elements central to the effective management and improved harmonization of Rwanda's social protection system.** This will include a focus on an improved management information system, a strengthened beneficiary registry, and improved payment systems in line with global good practice. It will also include a continued focus on increased harmonization and transparency across the main social protection programs, notably VUP, the Genocide Survivors Support Fund (FARG), the Rwanda Demobilization and Reintegration Program, and the Decentralization Funding Program. An emphasis on performance management, evaluation, and learning will connect support for reforms to analytical work on poverty, and will include work

using the Integrated Household Living Condition (EICV) Survey to assess the benefit incidence and contributions of the flagship VUP program to poverty reduction.

96. **Neither IFC nor MIGA are likely to be heavily involved in the social protection sector,** but IFC's engagement in the microfinance sector and support for MSME through conventional bank financing provides part of the support needed as people exit out of social protection.

97. **Beyond the poverty–targeted safety net, smaller amounts of IDA are likely to be targeted towards other vulnerable groups**. This includes work to scale up a successful one-stop shop for victims of gender-based violence across the nation. It also involves a continuation of highly successful work with ex-combatants who had been fighting in eastern DRC against the Rwandan state. The latter provides support to ex-fighters seeking to give up weapons and resume more peaceful livelihoods and ensures that they have the tools and resources to reintegrate effectively into their communities.

## C. Theme 3: Supporting accountable governance through public financial management and decentralization

98. **Literature indicates that decentralization, done well, brings benefits to populations in terms of quality of service delivery and a stronger match between services needed and services provided.** Even with a decade of positive developments, the Government recognizes that much remains to be done to reach the country's goals in terms of democratic, participatory, local governance and effective citizen-centered service delivery. One of key priorities in the EDPRS 2 is to further improve the quality of service delivery through improved citizen participation. This will require greater administrative capacity (building skills, planning, M&E and PFM systems) and strengthened accountability for performance at the both central and subnational level. Subnational capacity building and PFM are considered foundational cross-cutting issues that need to be addressed to improve decentralized service delivery.

99. **Low volumes of revenues and a weak link between availability of district-level resources and service delivery indicators are major challenges for fiscal decentralization in Rwanda.** A powerful argument for decentralizing responsibility for service delivery to subnational governments is their proximity to and understanding of local needs. Sufficient fiscal resources and discretion over service delivery responsibilities are core features of effective decentralization, but discretionary revenues (sum of block grants and own revenues) in Rwanda constitute only 30 percent of total revenues. Earmarked transfers, over which subnational governments generally have limited control, account for more than 60 percent of total revenues. Service delivery indicators are only partially taken into account in the current allocation formulas.

100. **Progress on administrative decentralization varies across sectors.** The Government recognizes the need to improve the clarity of roles and responsibilities between national and subnational entities while deepening the overall devolution of power. Beyond clarifying roles, however, there is an overwhelming need for strengthened capacity at subnational levels; there are challenges in recruiting, attracting, and retaining staff even in central government, but the

constraints at subnational level are particularly trenchant.[17] These gaps affect priority sectors for service delivery, such as agriculture.

101. **There is an acknowledged need for further political decentralization, in particular intensifying citizen participation, expanding the role of civil society organizations, and encouraging fiduciary accountability.** The Citizens Report Card exercise (2012) revealed that citizen participation was particularly weak in areas such as participation in the district budgetary process (27 percent). One such participation mechanism, the Joint Action Development Forum through, for example, the broader use of ICT and community radio, could be backed up by stronger efforts to inform citizens on their rights to participate and by a legal framework for access to information. Fiduciary accountability systems at local government level require significant attention; weak internal controls in financial management and reporting are identified by the 2010 PEFA.[18]

102. **The Government has requested inclusion in the Bank's Global Partnership for Social Accountability (GPSA) program**. A call for proposals focused on the promotion of social accountability in service delivery resulted in several applications, though none from Rwanda has yet been successful. Government and Bank-financed investments alike would benefit from increased monitoring and oversight by non-state stakeholders.

103. **There are ongoing discussions with the Government regarding IDA support to Government's efforts to promote accountable governance**. Building on achievements made through the decentralized service delivery policy operation in 2013, a team is preparing a Program for Results (PforR) operation that would drive results in areas of public financial management, fiscal decentralization, statistical capacity, and open data. Government strategies and expenditure programs to promote accountable governance in these areas already exist and the team is currently constructing realistic disbursement-linked indicators from these strategies. IDA's work on accountable governance will be oriented, to a considerable degree, toward improving state effectiveness in local-level government. Synergies emerge in IFC's plans to decentralize its progress in investment climate work to local authorities. While the Government has made impressive strides in passing legislation that improves the investment climate, implementation can be patchy at local government levels (in particular with respect to local tax administration and some elements of investor aftercare). Transparent regulations, firm feedback mechanisms, and capacity building for local offices that deliver services to the private sector will be an important part of the investment climate work going forwards.

## D. Across the Three Themes

104. **The process of preparing this CPS has been a joint one; and, though business plans are not firmed up yet, there are a number of concrete ideas on collaborative work among the WBG institutions.** IFC's likely focus on investments in horticulture/agribusiness, the financial sector and the infrastructure sectors (especially energy) provide a sound basis for productive synergies within the WBG. Areas of cooperation include water supply, the power sector and agriculture. Increased use of MIGA guarantees offers reassurance for foreign investors, including investors into public-private partnerships, and thus can support the

[17] The National Skills Audit in 2009 identified a 60% skills gap in the country and a serious shortage of human capital in the public sector with gaps concentrated in the professional cadre.

[18] According to the Auditor General's Report for Districts of 2011, none of 30 districts received a clean audit.

Government's efforts to attract foreign direct investment into the country. During the CPS period, MIGA will continue to seek opportunities to support private investments into Rwanda, in particular in EDPRS 2 target areas. In addition, MIGA's Small Investment Program offers political risk insurance that would be appealing to smaller and medium-sized investment in the agribusiness and tourism sectors. There are, however, limitations in the extent to which IFC and MIGA can "lead the market" since it is the existence of domestic and international sponsors looking to do specific deals that largely determine how their business volumes develop.

### Regional integration: Foundation for future growth

105. **Rwanda's size and location will mean that stronger integration with regional economies will be vital for further growth.** There are two elements to this. The first relates to the need to expand markets for potential investors to turn "land-locked" into "land-linked" in the interests of competitiveness. Countries of the region represent potential markets for exports, managers of transport corridors, and facilitators of cross-border trade. Secondly, regional integration and cross-border investments will hopefully bring with it greater political stability and security in the region.

106. **Rwanda has expressed its interest in a number of cross-border investments in the Great Lakes region to make use of regional IDA resources.** These include the financing of hydropower generation on the borders with DRC and Burundi (Rusizi 1, 2, and 3) and improved transport connections (for example, the rehabilitation of Kamembe airport in the south-west, which serves a largely regional market). IFC and MIGA are also interested in engaging in such projects where a role for the private sector exists (for example, the Rusizi 3 Power Generation Project). Some of IFC's Rwanda-based clients already serve both the domestic market and those of neighboring countries, particularly eastern DRC.

107. **A prerequisite for regional integration and cross-border investment is regional peace and security.** Last year's signing of the Peace, Security and Cooperation Framework for the Great Lakes Region, the historic visit by the UN Secretary General and WBG President, and the recent defeat of one of many rebel groups in eastern DRC all provide a call for more stability in the region. However, an estimated 1,200 members of the *Forces Démocratiques de Libération du Rwanda* (FDLR) remain outside of Rwanda, primarily in eastern DRC. The continued presence in eastern DRC of FDLR and Rwandese associated with the 1994 Genocide is an ongoing destabilizing factor in the region and remains of great concern to the Government of Rwanda. IDA continues support to the Government in demobilizing Rwandan combatants fighting in eastern DRC and providing adequate resources to ensure ex-combatants reintegrate peacefully into their communities.

108. **Looking East, Rwanda has expressed interest in a number of projects that could provide faster access to the sea or more reliable access to affordable energy.** The longer-term health of the energy sector in Rwanda, with some initiatives underway, will require that they are able to purchase power from the sub-region. Likewise, improving the functionality of transport corridors could enhance the competitiveness of Rwanda-based businesses. A pipeline for possible projects in the EAC is under preparation.

109. **IDA support to regional integration is strongly backed by the work of the wider WBG.** Beyond IFC and MIGA engagement in investments in cross-border, the investment climate work will continue with a tax law compliance project to improve the ease of doing

business within the EAC and support on addressing legal inconsistencies with the EAC common market protocol as identified through the Common Market Scorecard.

### Maximizing externalities for the development agenda

110. **Selectivity implies limited activity in some sectors that are of priority to reducing poverty (refer to Table 2).** The process of mapping donor financing to sectors results in a careful allocation of external financing across the Government's development goals and objectives. Annex 7 (and associated tables 15 and 16) demonstrates the division of labor across donors and gives confidence that other sources of funds are being channeled into sectors where IDA is less active. Human development sectors, for example, are well-financed through multiple other sources.

111. **Inclusion of particular lenses across the WBG portfolio may help to maximize externalities for the development agenda and ensure that selectivity does not result in critical omissions from the WBG.** We do not foresee new standalone IDA investments in either skill development, ICT or climate resilience, but recognize the opportunities these sectors offer for a sustainable growth path. As part of the CPS preparation process, environment, education and ICT teams have advised on ways in which operations in priority sectors could seek to mainstream these issues across the portfolio. In the case of climate resilience, a study has been prepared that identifies the specific entry points under each sector for IDA engagement.

# VI. Implementation for Results

112. **The Rwanda country program as a whole has a strong track record (the Completion Report rates achievement of objectives as "satisfactory"), and the portfolio is currently performing well (as it has done in the past).** There are no national IDA projects performing below a "moderately satisfactory" rating. The Government does not appreciate poorly performing projects and, in general, is swift to take action before projects become categorized as problematic. The Government's drive to deliver applies as much to IDA-financed operations as to domestically financed investments and the implementation of the portfolio benefits from the Government's focus on results.

## A. Lessons Learned

113. **A number of features have underpinned the strong performance of the portfolio and provide positive lessons for the future**. The Completion Report highlights the importance of strong Government engagement in the operations and investments. Operations in Rwanda are strongly directed by client demand, and this serves as a good foundation for solving problems as they arise during implementation. The move in the previous CAS toward fewer larger operations that were highly selective in terms of sectors of engagement allowed WBG to concentrate resources on achieving impact. This is an approach that has been carried through to this CPS. An effective architecture for Government-donor dialogue has assisted donors to avoid some of the pitfalls of duplication that exist in other countries and has actively promoted strong collaborative mechanisms across donors.

114. **The draft Completion Report has captured lessons where projects have not performed so well.** For many projects, procurement processes become a bottleneck. The lack of skills and high turnover in procurement staffing on the government side requires constant hand-holding by Bank staff to avoid delays. On the Bank side, the lack of skills based in the Rwanda

office limits participation by procurement staff in Bank missions and undermines efficient mission planning. The procurement team in the Rwanda office is currently being strengthened to better tackle the workload. Investments managed by country-based task team leaders tend to perform better than those led from a distance. National projects, which tend to perform much better than regional projects, are more likely to be managed from within country and in part because they tend to be simpler in design.

115. **There has been less success than foreseen in mainstreaming capacity building across the portfolio.** In practice the portfolio has tended to deliver on capacity building more with respect to implementing WBG investments than tackling more systemic skill deficits. This CPS is taking a more deliberate approach to integrating skills building across the operational portfolio.

116. **Consistent with their positions on bilateral budget support, some shareholders became less supportive of delivering IDA to Rwanda through budget support.** Until recently, budget support has been a highly effective instrument for the delivery of predictable, flexible financing to a reform-minded government that spent the resources well. This trend changed last year, when several bilateral development partners either suspended or delayed their budget support. This sudden switch in position brought with it delays to delivery of IDA that in turn caused severe fiscal difficulties. Though the revenue shortfalls were well managed by the Government, subsequent budget cuts have taken their toll in the form of depressed growth rates.

117. **Given the change in attitudes towards budget support, the Government has asked the World Bank to consider alternative, more predictable modalities for delivering IDA in the future.** This new partnership strategy anticipates different combinations of instruments that might both protect the Government from volatility in financing flows and, at the same time, still offer some flexibility in the financing that is delivered. While the previous CAS was anchored around budget support, this new CPS proposes less emphasis on development policy instruments. In its place, the Government has requested that WBG disburse part of their IDA17 allocation in the form of program for results (PforR) operations. While the previous CAS disbursed 66 percent in the form of budget support, this CPS is likely to disburse the same proportion as a mix of PforR and development policy operations.

## B. WBG Portfolio

118. **The current IDA portfolio in Rwanda comprises 8 IDA projects and 3 budget support operations with net commitment of $575 million with undisbursed balance of $328 million, as of mid-April 2014.** With the inclusion of trust funded operations, the number of projects rises to 9, net commitments to US$640 million and the undisbursed balance to US$355 million. Rwanda also participates in 5 regional projects with a national commitment amount of at least US$189 million. Annex 10 provides an overview of the portfolio. IDA16 allocation for Rwanda was SDR400 million which is approximately US$617 million, a 54.7 percent increase from IDA15 (SDR258.5 million).

119. **IFC has 10 deals outstanding in Rwanda with committed volume of US$38.34 million**. IFC envisages that its investments will rise to US$120 million by the end of the CPS period, the bulk of which would be in the financial sector. IFC expects to engage in the financial sector through a local currency credit line and local currency bond issue and to support the establishment of a microfinance bank. In the infrastructure sector, IFC has identified likely

support to the Rusizi 3 power-generation project, Lake Kivu methane extraction projects, and Kigali Bulk Water Supply. With respect to manufacturing, IFC is considering investment for a mix-use commercial building in Kigali. In agribusiness, IFC intends to support the tea sector and horticulture either with direct investments and advice, or indirectly through partner banks. IFC's Advisory Services portfolio has been highly valued; the Rwanda Entrepreneurship Development Program, the Rwanda Investment Climate Program, and the Efficient Security Markets Initiative (ESMID) have been particularly useful.

120. **MIGA currently has two active (KivuWatt and Bakhresa Grain Milling) in Rwanda with total gross exposure of US$110.1 million.** MIGA remains open for business in Rwanda across all of its political risk insurance product lines, including Transfer Restriction, Expropriation, Breach of Contract, and War and Civil Disturbance, as well as the Non-Honoring of Sovereign Obligations.

## C. Proposed Lending and Knowledge work

121. **IDA allocations for the CPS period have not yet been determined and remain indicative**. However, the assumption made during CPS preparation is that allocations going forward will be similar to those in the past. As such, the team is expecting to commit approximately US$200-250 million a year during IDA17[19], likely spread across three investment operations, 2 PforR operations, and 1 series of three development policy operations. Proposed lending for the coming year is presented in table 3. Actual allocations will depend on (a) total IDA resources available; (b) the country's performance rating, GNI per capita, and population; (c) the terms of IDA assistance (grants/credits) and the allocation deductions associated with Multi-lateral Debt Relief Initiative (MDRI) annual debt service foregone; (d) the performance, other allocation parameters, and IDA assistance terms for other IDA borrowers; and (e) the number of IDA-eligible countries.

**Table 3: Proposed Lending Program**

| **IDA in US$ million** | **FY14** | **FY15** |
|---|---|---|
| **Accelerating economic growth that is private-sector driven and job-creating** | | |
| Agriculture | 50.9 | |
| Agriculture (P4R) | | 100.0 |
| Rural Feeder Roads | 45.0 | - |
| Energy (Regional) | 113.3 | 90.0 |
| **Improving the productivity and incomes of the poor through rural development and social protection** | | |
| Support to Social Protection System | 70.0 | 65.0 |
| Demobilization and Reintegration (AF) | 8.8 | |
| Women's Health and Empowerment | 10.0 | |
| **Supporting accountable governance through public-financial management and decentralization** | | |
| Public Sector Governance (PFM, Decentralization and Statistics) (P4R) | | 100.0 |
| **Total** | **298.0** | **355.0** |

*Note*: (i) The outer year pipeline will be firmed up during CPS Progress Report preparation.
(ii) Should the commitments proposed in FY15 be high relative to actual allocations, there may be scope to accommodate these higher levels through front-loading from FY16 and FY17.

[19] Should the commitments proposed in FY15 be high relative to actual allocations, there may be scope to accommodate these higher levels through front-loading from FY16 and FY17.

122. **In Rwanda, with a results-oriented leadership, it seems sensible to re-balance the portfolio to disburse against measurable and verifiable results.** The agriculture sector and decentralization agenda are strong candidates for trying this approach to IDA delivery, which is as yet untested in Rwanda. Two operations are already under preparation. It is hoped that the tighter linkage of financing to results will give all Board members confidence that IDA is being used for delivery of developmental goals.

123. **Tracking results, whether at CPS or project level, requires strong statistical systems which can generate high-quality data in a timely fashion.** The building blocks for a sound statistical system are largely in place in Rwanda, with a strong statistical agency that conducts high-quality household surveys (Box 3). These surveys provide data on many of the results that are important for tracking progress against Government strategies. Most notably, there is a Living Standards Management Study (LSMS)-style survey about to go into the field (the third in its series), and another survey planned for 2016/17. As such, WBG will be well placed to track important social and poverty outcomes over the timeframe of this CPS framework. The WBG will continue to support the development of these systems over the framework period, including improving the quality of administrative data that might be important for measuring results in any PforR operations.

**Box 3: If you can't count it, it doesn't count...**

The National Institute of Statistics of Rwanda (NISR) was established in 2005. Since its inception, NISR implemented two Integrated Household Living Conditions Surveys (EICV), two Demographic and Health Surveys (DHS) and one interim-DHS, two Comprehensive Food Security and Vulnerability and Nutrition Analysis Surveys, one Population and Housing Census, three National Agricultural Surveys and many smaller surveys covering specific topics. The Institute also produces on a regular basis the Consumer Price Index (CPI) and a host of other routine economic statistics. Together with development partners, the World Bank is supporting the NISR in its rapid development through its contribution to the basket fund for the National Strategy for the Development of Statistics.

NISR produces core economic statistics (national accounts and CPI) on a regular and timely basis. The CPI is published each month on the NISR website. National accounts are on quarterly basis and published on the NISR website by the 15$^{th}$ of the previous month of the subsequent quarter. The National Bank of Rwanda produces monetary statistics on a monthly basis. Monetary statistics are regularly published on the BNR website while trade statistics are available upon request. Fiscal data are produced on quarterly basis by the Ministry of Finance (MINECOFIN). Since 2012, they are unregularly published on the MINECOFIN website

NISR has been remarkably constant in the production of key data. Censuses are implemented every 10 years (last one in 2012) and every five years there has been a large socioeconomic household survey (EICV) with data on poverty (2001, 2006, and 2011). The next poverty survey is scheduled for 2013/14. DHS surveys were implemented in 2000, 2005, and 2010, with an interim one in 2008. The next DHS is planned for 2014/15.

124. **The country team proposes a mid-term review of the five-year CPS after 2.5 years.** This will provide an opportunity to revisit the strategy and propose course adjustments, should they be needed. The team has proposed a results framework for the CPS, which is aligned with the EDPRS2 and has the support of IFC and MIGA. A summary is included in Table 4 and an elaborated version is available in Annex 1.

**Table 4: Summary of CPS 2014-18 Results Framework**

| | |
|---|---|
| **Theme 1: Accelerating economic growth that is private-sector driven and job-creating** | **Capacity Building, ICT, Gender, and Environment** |
| Outcomes:<br>• Increased generation and access to electricity.<br>• Development plans for secondary cities developed.<br>• Improved environment for private sector investments.<br>• Increased integration into the EAC regional markets. | |
| **Theme 2: Improving the productivity and incomes of the poor through rural development and social protection** | |
| Outcomes:<br>• Improved agriculture productivity and sustainability.<br>• Improved access of rural/small farmers to inputs, financing and markets.<br>• Improved agriculture value chains/linkages.<br>• Improved rural roads condition and connectivity to market centers.<br>• Enhanced local government tax generation and administration.<br>• Enhanced effectiveness and expanded coverage of social protection system. | |
| **Theme 3: Supporting accountable governance through public-financial management and decentralization.** | |
| Outcomes:<br>• Improved delivery of decentralized services.<br>• Strengthened accountability. | |

125. **Analytical work will, for the large part, be used to inform and support the lending program.** Nevertheless the WBG will continue to undertake AAA and knowledge work in other excluded areas outside the core six areas of operation where our engagement is considered to have spillover effects on our current focus areas. As examples, this might include mining, regional integration, ICT and skill development. An indicative program for AAA and knowledge work is presented in Table 5.

**Table 5: Proposed AAA program**

| FY2014 | FY2015 |
|---|---|
| **Theme 1: Accelerating Economic Growth** | |
| • Rwanda Economic Updates<br>• Joint Staff Assessment Note<br>• FPD Policy Notes | • Urban Sector Note<br>• Energy Sector PER<br>• Rwanda Economic Updates<br>• Investment Climate (includes competition policy and other PSD)<br>• Financial Sector Strengthening and Inclusion |
| **Theme 2: Improving Productivity and Incomes of the Poor** | |
| • Agriculture Policy Note<br>• Land Sector Study<br>• Health Systems Strengthening - IE | • Rwanda Jobs and Employment Study<br>• Agriculture Sector Dialogue<br>• HD Dialogue<br>• Developing a Child Sensitive SP System |
| **Theme 3: Accountable Governance** | |
| • Support to Capacity Building | • Public Sector Governance (NLTA)<br>• Rwanda use of country systems |
| **Cross-Cutting Knowledge Work** | |
| • Poverty Assessment<br>• Competition Assessment | • Social and Economic Monitoring<br>• Poverty Assessment<br>• Development of Risk Profiles |

126. **Contributing to the broader knowledge about what works to eradicate poverty in Rwanda, impact evaluation has been, and will continue to be, an important element of the portfolio.** Several of the ongoing and planned operations have, or plan to have, gold-standard impact evaluation components, which are being managed in collaboration with DIME (Box 4). This is true of WBG work in agriculture, rural roads, and access to energy, and the work with the Adolescent Girls Initiative. The development policy operation series in the social protection has likewise supported Government-led impact evaluation work.

## VII. Managing Risks

127. **The main internal risks to growth and poverty reduction arise from variable climatic conditions and the private sector response to government reforms.** Agriculture is the main employer and driver of poverty reduction but remains vulnerable to the vicissitudes of unpredictable weather patterns and regional droughts and floods, which can significantly affect output and progress on poverty reduction. Stepping up measures to make agriculture more climate-resilient, for instance through the construction of irrigation facilities and terracing, will be important for attaining EDPRS 2 targets. More broadly the hope for even more rapid GDP growth rests on the private sector (including external investors) stepping up to the plate, and in recent years the response has been a touch muted.

128. **The main external risks relate to the pace of regional integration and the potential for regional conflict, more-rapid-than-expected tapering of donor inflows, and a prolonged slump in the global economy.** As a landlocked country, Rwanda is critically dependent on closer integration with its neighbors to facilitate imports and exports and drive economic growth. While strong progress on regional integration could drive economic growth across the region and boost regional stability, renewed tensions and conflict could stall integration — adversely affecting Rwanda's plans to become a regional hub — as well as donor flows with adverse implications for growth. Rwanda's high reliance on foreign aid makes its development strategy vulnerable to reductions in aid flows. While Rwanda is fairly insulated from the global economy a prolonged slump would nevertheless have a negative impact on growth prospects through lower demand for goods and services, as well as through more constrained availability of external financing.

## VIII. Conclusions

129. **The resources of the World Bank Group are modest relative to the ambitions and challenges implied in the strategic plans of the Government of Rwanda.** Using these resources to maximum impact demands selectivity and high levels of collaboration between the sister organizations. If WBG is going to maximize efficiency in delivery, resources will have to be delivered through a mix of instruments that balance the need for Government flexibility in the use of financing against the concerns of certain shareholders who believe that tracking of funds is useful.

130. **The proposed WBG strategy to engage in energy, urban, agriculture, financial sector, social protection, and accountable governance optimizes the resources of all WBG elements.** With the possible exception of the accountable governance work, both IFC and IDA resources will be used in all of these areas, and considerable overlap with MIGA's own

priorities. The process of preparing this CPS has clarified multiple areas for close collaboration and presents a coherent “One Bank Group” approach to supporting Rwanda’s development over the next five years.

# Annexes

## Annex 1: Results Matrix

**EDPRS 2 Goal: Sustain Rapid Economic Growth and Facilitate the Process of Economic Transformation by Increasing the Internal and External Connectivity of the Rwandan Economy.**

| Country Development Goals | Development Challenges | CPS Objectives and Outcome Indicators | Bank and Partner Program |
|---|---|---|---|
| **Theme 1: Accelerating economic growth that is private-sector driven and job-creating** | | | |
| Access to adequate and reliable electricity services is key to Rwanda's economic growth by increasing enterprises' productivity and competitiveness and job creation.<br><br>Increased electricity generation capacity to 563 MW, with private sector investment.<br><br>Accelerated access to electricity, water, roads, and land to priority sectors of the economy and/or large investors. | Lack of sufficient electricity supply is handicapping business and reducing growth. Continued investments in power generation facilities will increase the reliability and lower the cost of electricity, thus contributing to the achievement of the country's economic development goals. Improving the quality of supply of electricity will lower costs and improve the profitability of business enterprises. At the same time, the ability of public institutions, e.g. hospitals and schools, to deliver quality services will be enhanced. | **1. Increased generation and access to electricity**<br>*Outcome Indicators*<br>Indicator 1: Installed Generation Capacity (MW)<br>Baseline [*2013*]: 110 MW<br>Target [*end of FY18*]: 250 MW<br>Indicator 2: National Access to Electricity (%)<br>Baseline [*2013*]:18%<br>Target [*end of FY18*]: 35%<br>*Milestones*<br>**Generation Capacity**<br>i. Developers/contractors for the construction of power plants selected<br>ii. Finance Close attained/public funding secured<br>iii. Power plants' construction progress<br>iv. Generation capacity (MW) commissioned<br>**Electricity Access**<br>i. National Electrification Plan prepared<br>ii. Funding secured<br>iii. Annual work plans<br>iv. Annual cumulative connections<br>IFC:<br>Indicator 1: Support new Generation Capacity of 100 MW<br>Indicator 2: MW generated through hydro and solar<br>Baseline [*2013*]: Hydro: 110 MW, Solar: 0<br>Target [*end of FY18]:*210 MW, | ***Financing***<br>Ongoing:<br>1.Regional Rusumo Falls Hydroelectric Project<br>2.Increased Access to Electricity<br>3.Governance for Competitiveness TA Project (G4C)<br>MIGA: Lake Kivu Methane Generation Project<br>Planned/Proposed:<br>IDA<br>1.Electricity Sector Strengthening Project<br>2.Rusizi Regional Project<br>3.Support to Private Power Generation (*IDA PRG and MIGA Guarantees, IFC loans as well as other WBG financial products*)<br>IFC<br>1. At least one IPP committed or PPP mandate signed.<br>2. IFC IC: Support to RDB, RURA, and MININFRA to strengthen capacity to deal with renewable energy proposals; improving the FIT in hydro, solar and small scale biomass; development of regulations for third party (open) access to private and/or captive power.<br>**AAA/ESW**<br>1.Energy Sector Performance Review (Public Sector Expenditure Review)<br>2.Increased Electricity Access Impact Evaluation |

| Country Development Goals | Development Challenges | CPS Objectives and Outcome Indicators | Bank and Partner Program |
|---|---|---|---|
| Physical development planning and economic development combined and coordination of all development sectors strengthened.<br>A network of cities and urban centers created that provide services and attract economic activities countrywide. | Addressing the challenge of urban planning and providing municipal services to that that move from rural areas in response to economic growth and improved incomes. | **2. Development plans for secondary cities developed**<br>*Outcome Indicators*<br>Indicator 1: Urban planning and management guidelines for secondary cities developed and adopted<br>IFC<br>Indicator 1: Funding mechanisms for affordable housing developed | ***Financing***<br>Ongoing: None<br><br>Planned/Proposed:<br>IDA: Urban Development Project<br>IFC:<br>1. IT-based activities to cities across the country as part of its investment climate work<br>2. Financing and advice for mortgage system and housing developers<br>3. C3P advise Kigali Water project<br>***AAA/ESW***<br>Planned<br>1.Urban Sector Note |
| Increased private sector investment and financing<br><br>Accelerated structural changes in the financial sector, in particular to increase long term savings and access to international finance.<br><br>Strengthened business environment through regulatory reform to spur medium and large investors in priority and emerging sectors of the economy. | Small and nascent private sector, constrained by a number of factors: limited access to finance, low skills, etc. | **3. Improved environment for private sector investments.**<br>*Outcome Indicators*<br>Indicator 1: On-line construction permitting at secondary cities<br>Baseline [*2013*]: 0<br>Target [*end of FY18*]: 3<br>Indicator 2: Improvement in competition policy performance indicators<br>Baseline [*2013*]: 0<br>Target [*end of FY18*]: 3<br>IFC:<br>Indicator 1: Enabling environment for PPPs established<br>Indicator 2: Raise Financial Market commitment volumes to $80 million through 2017<br>Indicator 3: Local currency issuance<br>*Milestones*<br>i. # of training workshops<br>ii. improved feedback from private sector<br>iii. # of reforms to competition policy framework<br>iv. # of best practice measures adopted in public procurement processes<br>v. indicators of improved transparency of investment | ***Financing***<br>Ongoing: G4C, IFC Advisory Services<br>IFC Investment Services, ICA<br>IFC IC:<br>1. Use of IT solutions to improve predictability and cost of government services to business<br>2.Targeted support for investment promotion in agribusiness (tea and horticulture) and tourism<br>***AAA/ESW***<br>Ongoing<br>1.NLTA on Competition Policy<br><br>Planned/Proposed:<br>1.NLTA on PPP legal and institutional framework and capacity building<br>2.Financial Sector Strengthening and Inclusion |

| Country Development Goals | Development Challenges | CPS Objectives and Outcome Indicators | Bank and Partner Program |
|---|---|---|---|
| | | incentives | |
| Transformed logistics system with a strategic focus on exports. | Rwanda's internal trade and competitiveness of exports are constrained by high transport costs and an insufficient logistics system. | **4. Increased integration into the EAC regional markets.**<br>*Outcome Indicators*<br>Indicator 1: Number of tourist arrivals from EAC markets.<br>Baseline[*2012*]: 362,433<br>Target [*end of FY18*]: 521,904<br>IFC:<br>Indicator 1: One tax administration project<br>Indicator 2: Dispute resolution framework<br>Indicator 3: Launch business licensing portal | ***Financing***<br>Ongoing: EATTFP, RCIP , G4C, FSDP2, FIRST, and Advisory Services<br><br>Planned/Proposed:<br>IFC: Advisory Services, ICA |
| **Theme 2: Improving the productivity and incomes of the poor through rural development and social protection** | | | |
| Increased productivity and sustainability of agriculture. | Agricultural smallholders dominate the scarce land available; and the smaller the land holding, the poorer the land holder is more likely to be. 36% of households own 6% of farm land, with an average of only 0.11 ha per household. | **5. Improved agriculture productivity and sustainability**<br>*Outcome Indicators*<br>Indicator 1: Marshland and Hillside area under irrigation<br>Baseline [*2013*]: 25,490 ha<br>Target [*end of FY18*]: 40,000 ha<br>Indicator 2: Area of land developed with progressive, bench or radical terraces<br>Baseline [*2013*]: 848,538 ha<br>Target [*end of FY18*]: 1,050,000 ha<br>*Milestones*<br>i. Annual increases of irrigated area (ha)<br>ii. Annual increases in terraced land area (ha)<br>IFC:<br>Indicator 1: $15 million-$20 million in financing | ***Financing***<br>Ongoing: RSSP3, LWH, LVEMP<br><br>Planned/Proposed:<br>IDA: Agric. P4R<br>IFC:<br>1. Direct IFC financing for aggregators, and commercial farms. Indirect support for small farms.<br>2. Advice to financial institutions, public sector, PPPs.<br>3. Support enhanced public private dialogue to support investment and growth in export sectors.<br>***AAA/ESW***<br>Ongoing: Agriculture Policy Note, Rwanda Land Sector Study<br>Planned/Proposed:<br>1. Financial Sector Strengthening and Inclusion |

| Country Development Goals | Development Challenges | CPS Objectives and Outcome Indicators | Bank and Partner Program |
|---|---|---|---|
| | Smallholder farmers face numerous challenges along the entire agriculture production chain: limited market information, skills, financing, etc. | **6. Improved access of rural /small farmers to inputs, financing, and markets.**<br>*Outcome Indicators*<br>Indicator 1: Provide $15 million-$20 million in agriculture sector loans/financing<br>Indicator 2: Access to crop and livestock insurance (of which, to women).<br>Indicator 3: Number of smallholder farms that meet new market standards for selected products (of which, # women)<br>*Milestones*<br>i. Annual percent increase in agriculture sector loans.<br>ii. Annual increases in crop/livestock insurance policies. | ***Financing***<br>Ongoing: RSSP3, LWH, LVEMP, IFC Advisory Services/Investments<br>Planned/Proposed:<br>IDA: Agric. P4R<br>IFC:<br>1. Financing and advice to financial institutions<br>2. Investment in horticulture (tea)<br><br>***AAA/ESW***<br>Ongoing: Agriculture Policy Note, Rwanda Land Sector Study |
| Better linkages between large firms and small firms | | **7. Improved agriculture value chains**<br>*Outcome Indicators*<br>Indicator 1: Production of priority food crops increased.<br>Baselines [*2013*]:<br>Maize 573,038 MT<br>Wheat 75,913 MT<br>Rice 84,079 MT<br>Beans 452,828MT<br>Irish potatoes 2,172,421MT<br>Cassava 2,716,421 MT<br>Targets [*end of FY18*]:<br>Maize 1,696,239 MT<br>Wheat 287,760MT<br>Rice 188,760 MT<br>Beans 749,381MT<br>Irish potatoes 4,001,225MT<br>Cassava 3,826,748MT<br>Indicator 2: Increase of value addition captured within country for coffee and tea export crops.<br>Baseline [*2013*]: Coffee – 35%, tea – 25%<br>Target [*end of FY18*]: Coffee – 55%, tea – 40%<br>Indicator 3: Number of horticulture cooperatives with linkages to global firms Increase of value addition. | ***Financing***<br>Ongoing: RSSP, LWH, G4C, IFC Investment/Advisory Services<br><br>Planned/Proposed:<br>IDA: Agriculture P4R<br><br>IFC: Financing for aggregators and commercial farms. Advice for branding, traceability, certification for horticulture |

| Country Development Goals | Development Challenges | CPS Objectives and Outcome Indicators | Bank and Partner Program |
|---|---|---|---|
| | | Baseline [*2013*]: 1<br>Target [*end of FY18*]: 15<br>*Milestones*<br>i. Annual increase in production of food crops.<br>ii. Annual increase in percentage of fully washed coffee.<br>iii. Annual increase in percentage of tea direct sales versus the Mombasa Auction. | |
| Quality road network and rural feeder roads extended and in good condition | Addresses access and connectivity of rural areas, in the selected districts, and enhances the development impacts of investments in agriculture. | **8. Improved rural roads condition and connectivity to market centers**<br>*Outcome Indicators*<br>Indicator 1: # roads in good and fair condition as a share of total classified road network<br>Baseline [*2013*]: 15%<br>Target [*end of FY18*]: 43%<br>Indicator 2: share of rural population with all-season access<br>Baseline [*2013*]: 15%<br>Target [*end of FY18*]: 47% | ***Financing***<br>Ongoing: Rural Roads Project<br><br>Planned/Proposed<br>IDA: Rural Roads Project (AF) |
| Enhanced rural settlements which facilitate access to basic services, farm and off-farm economic activities through integrated district land use plans. | Rwanda is predominantly rural with around 1.4 million hectares of arable land. Nearly 98% of total land area is categorized as rural, with around 54% classified as arable and the urban area being only 1.5% of total country surface[20]. Addresses the need for better rural land use planning. | **9. Enhanced local government tax generation and administration.**<br>*Outcome Indicators*<br>i) Indicator 1: Amount of district revenues from 3 taxes. | Planned/Proposed<br>Program for Results operation on Public Sector Governance focusing on PFM, Decentralization and Statistics (FY2014/15)<br>IFC IC:<br>Improving local government tax administration to support RRA in collecting and redistribute district taxes. |
| Expand social protection coverage of the poor<br><br>Harmonized social protection interventions to | Limited coverage of the poor by social protection, notably the flagship Vision Umurenge Program (VUP).<br><br>Fragmented social assistance | **10. Enhanced effectiveness and expanded coverage of social protection system**<br>*Outcome Indicators*<br>Indicator 1: SP staff within MINALOC recruited as a % of total SP staff needed to implement the National social Protection Strategy (NSPS) as stipulated by law | ***Financing***<br>Ongoing: SSPS3<br><br>Planned/Proposed:<br>Social Protection DPO/P4R (including support to expand the VUP) |

[20] Rwanda Natural Resource Authority, 2012

| Country Development Goals | Development Challenges | CPS Objectives and Outcome Indicators | Bank and Partner Program |
|---|---|---|---|
| enhance effectiveness and promote graduation from poverty. | programs. Weak but growing management and implementation capacity across the main social protection programs. | (of which women)<br>Baseline [*2012*]: 95% (30% women)<br>Target [*end of FY18*]: 97% (32% women)<br>Indicator 2: VUP Direct Support (DS) coverage: (a) Number of Sectors; (b) Number beneficiary households (of which, female headed households).<br>(a) Baseline [*2012*]: 120 Sectors<br>Target[ *end of FY18*]: 300 Sectors<br>(b) Baseline [*2012*]: 19,583 households (60% female headed)<br>Target[ *end of FY18*]:>30,000 households (63% female headed)<br>Indicator 3: VUP Public Works coverage: (a) Number of Sectors. (b) Number of beneficiary households (of which female headed households)<br>(a) Baseline [*2012*]: 120 Sectors<br>Target[ *end of FY18*]: 210 Sectors<br>(b) Baseline [*2012*]: 66856 households<br>Target [*end of FY18*]: 85,000 households | ***AAA/ESW***<br>Planned/Proposed<br>1.Developing a Child Sensitive SP System |
| **Theme 3: Supporting accountable governance through public-financial management and decentralization** | | | |
| Enhance accountable governance by promoting citizen participation and mobilization for delivery of development, strengthening public accountability and improving service delivery | The EDPRS 2 rightly identifies, pre-requisite, challenges and strategic direction to achieve the EDPRS 2 goals on Accountable Governance. In Rwanda, as a result of decentralization commenced in 2000, subnational governments are in charge for provision of public services. Nevertheless, both quality and quantity of service delivery need to improve further through strengthening effectiveness and efficiency of decentralization (including policy framework such as clarification of roles and responsibilities, capacity | **11.Improved delivery of decentralized services**<br>*Outcome Indicators*<br>Indicator 1: Citizens satisfied with (timeliness and quality of) service delivery at the local level<br>Baseline [*2012*]: 70.4%<br>Target [*end of FY18*]: 85%<br>*Milestones*<br>i. Increase in % of staff positions filled in revised organizational structures (DPO outcome indicator);<br>ii. Improvement in PEFA PI-23 on availability of information on resource received by service delivery unit (DPO outcome indicator)<br>iii. Increase number of Districts and Sub-District entities with service delivery charters (Governance and Decentralization JSR)<br>**12.Strengthened accountability**<br>*Outcome Indicators*<br>Indicator 1: Citizens satisfied with decentralization and | ***Financing***<br>Ongoing: Quality of Decentralized Service Delivery Support DPO<br>Planned/Proposed:<br>IDA:<br>1.Program for Results operation on Public Sector Governance focusing on PFM, Decentralization and Statistics<br><br>***AAA/ESW***<br>1.Programmatic AAA on Making Decentralization Work for Improved Service Delivery |

| Country Development Goals | Development Challenges | CPS Objectives and Outcome Indicators | Bank and Partner Program |
|---|---|---|---|
| | development of local governments, improvement of government accountability and transparency, and enhancement of fiduciary accountability of local governments). Furthermore, limited citizen participation and ownership of development process have resulted in weak public accountability (including one for service delivery). | participation (EDPRS 2 Goal)<br>Baseline [*2012*]: 77%<br>Target [*end of FY18*]: 90%<br>Indicator 2: Citizens satisfied with access of public information (EDPRS 2 Goal)<br>Baseline [*2012*]: 57%<br>Target [*end of FY18*]: 80%<br>*Milestones*<br>i. % of citizens who participate in the district budgetary process (DPO outcome indicator);<br>ii. Publication within three months of year-end consolidated fiscal reports for the general government (PFM SSP)<br>iii. Increase proportion of the value of procurement tendered competitively (PFM JSR)<br>iv. Increase proportion of MDAs receiving unqualified audit opinion (PFM JSR) | |

*Targets: [*to be achieved by the end of FY18*]

**Annex 2: CAS Completion Report**

**Country: Rwanda**
**Date of CAS: August 7, 2008**
**Date of CAS Progress Report: February 9, 2011**
**Period Covered by CAS Completion Report: FY09-13**
**CAS Completion Report Prepared by: Peter Isabirye, with inputs from Rwanda Country Team**

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# I. Introduction

## A. Context

1. **This report presents an assessment of the Country Assistance Strategy (CAS)[21] for the Republic of Rwanda for the period FY09-12.** However, since the Government's Economic Development and Poverty Reduction Strategy (EDPRS, 2008-12)–on which the CAS was based–was extended by one year to end June 2013 to enable preparation of the second EDPRS (2013-18); the CAS had to be extended, as well. Whereas no specific reference to extension was made; the 2011 CAS Progress Report (CASPR) determined that the overall objectives, as set out in the CAS, remained valid and relevant. Therefore, this CAS Completion Report (CASCR) and the "CAS period" cover FY09-13.

2. **The CAS Completion Report evaluates program performance and highlights key lessons learnt.** The CASCR evaluates performance of the CAS program implementation by (i) program performance in influencing CAS outcomes as laid out in the results matrix, and (ii) Bank's performance in designing and managing the implementation of the program. It deals with issues relating to the relevance, results, and impact of the Bank's activities and draws lessons for developing the forthcoming Country Partnership Strategy (CPS).

3. **The report is based on various reference documents[22], discussions with the Country Team, and evaluations by the Independent Evaluation Group (IEG).** Overall, CAS performance was ***satisfactory*** and Bank performance, ***superior***. Key lessons learned include the need for strong country ownership, a highly selective program, and use of more flexible financing instruments. After the introduction, section II covers CAS program performance, section III evaluates the Bank's performance, while section IV, highlights key lessons learned and suggestions for the new CPS.

## B. Summary of performance

4. **CAS outcomes are rated as satisfactory.** Across a broad range of engagement areas, the CAS program achieved results in line with expectations. The Bank's program of ongoing portfolio of projects, new lending, program of Analytical and Advisory Activities (AAA), policy advice, Technical Assistance (TA) Trust Funds, IFC investments and advisory services, and MIGA guarantees achieved the stated CAS objectives and assisted the government to meet its goals. The CAS made significant progress towards all expected outcomes, achieving eighteen (18) out of twenty two (22) stated outcome indicators. Only one outcome indicator was not achieved while the rest were either mostly achieved or partially achieved. Nonetheless, a few areas such as capacity building within Government and the private sector and slow implementation of regional projects remained a challenge. The capacity building filter and Minimum

[21] The CAS was jointly prepared by the World Bank Group – WBG (IDA, IFC, and MIGA).

[22] Project Appraisal Documents, Implementation Support Reports, Aide Memoires, Back-to-Office Reports, Economic and Sector Work, Implementation Completion and Results Reports, etc.

Integrated Trade Expansion Program (MITEP) TA program were not achieved, while support for economic and financial analysis of public investments has not been significant. These limitations, notwithstanding, the CAS achieved almost all set objectives.

5. **The World Bank Group performance in designing and managing implementation of the CAS program is rated as superior.** The program was designed under the core principles of alignment with the country's development goals, high selectivity, good identification of critical risks and mitigation measures, increased coordination within the WBG and with other development partners, strong results framework, and appropriate interventions. The Bank closely supervised the program—with 57% of Task Team Leaders based in the Country Office—ensuring quality of new and ongoing operations, disseminating knowledge services, and adequately responding to the country's changing needs and priorities.

6. **The WBG program was well aligned with the country's priorities stated in its EDPRS and remained almost as planned at CASPR**. Implementation was sensitive to the country context, while at the same time accommodative of changing circumstances such as the food and global financial crises. In this respect, Rwanda accessed funding under the Global Food Price Response Program and the Crisis Response Window. The Bank responded promptly and effectively to unexpected events such as the aid shock in FY13. The use of programmatic Development Policy Lending (DPL) operations, as the main lending instrument, enabled enough flexibility to the country in the way it allocated its resources to priority sectors in order to meet set development targets. In addition, it helped to foster better donor coordination, improved harmonization, and reinforced support for the country's reform program among the different budget support donors. The International Finance Corporation (IFC)'s engagement maintained a strategic focus on the quality of the business environment and finance, while the Multilateral Guarantee Agency (MIGA) provided political risk insurance guarantees to private foreign investors in the energy sector, financial sector, and agribusiness.

7. **Delivery improved with a shorter lag between Board approval and effectiveness, mainly through Additional Financing (AF) and DPL operations, but slow implementation still remains an issue** (as reflected in the Skills Development Project, Governance for Competitiveness TA Project, Transport Sector Development Project and most of the regional projects). The Bank continues to be one of Rwanda's key development partners (DPs) delivering results across a broad range of engagement areas in collaboration with other donors.

**C. Progress made towards achievement of Rwanda's development objectives**

8. **Rwanda's long term development objectives are articulated in its Vision 2020.** The objective of Rwanda Vision 2020 is to become a lower middle income economy (US$900 per capita)[23] operating as a knowledge-based services hub by 2020. The medium term strategy (EDPRS) assigned the highest priority to accelerating growth to create employment and generate exports. It was framed around three strategic flagship programs[24]: (i) growth; (ii) Vision 2020 *Umurenge Programme (VUP),* and (iii) governance. The flagship on growth targeted economy-wide improvements in productivity. Its goal is to transform Rwanda's economy from subsistence agriculture towards an increase in commercial agriculture, as well as manufacturing and services. VUP focuses on ensuring growth is shared by creating economic opportunities for the poorest Rwandans. It has three components: (i) public works, (ii) credit packages, and (iii) direct supports. The governance flagship seeks to strengthen political and economic governance, and build institutions and capacity of the state. It envisages a wide range of reforms to

[23] Revised to US$1,240 under EDPRS 2 (2013-2018), 2013.

[24] EDPRS, 2007 and Rwanda CAS, 2009.

strengthen public sector institutions and capacity, and also includes aspects needed to create an attractive business environment such as strengthening commercial justice systems, regulatory and administrative frameworks, and promoting principles of good corporate governance.

9. **Rwanda, over the last decade, has delivered a "triple crown"—posting robust growth, substantially cutting poverty, and reducing inequality**. During CAS preparation, it was noted that Rwanda had fully exhausted the growth effects of its post conflict reconstruction and growth had slowed. It needed a much higher development path in order to put its long term development aspirations within reach, projecting required annual average gross domestic product (GDP) growth rate of 8 percent against an estimate of 6 percent in 2007. Five years later, Rwanda registered impressive progress. Average real growth was slightly over 8 percent; household consumption per adult-equivalent grew at 2.5 percent per annum and was stronger for the poor than for the non-poor; the poverty headcount was cut by 12 percentage-points over the last five years to reach 45 percent in 2011; and inequality dropped, with the Gini measure down from 0.52 to 0.49. Social indicators have improved—child mortality dropped by two-thirds, primary school completion rates tripled to 79 percent, and enrollment in primary school is just shy of universal.

10. **More than a million people have been lifted out of poverty.** Rwanda experienced one of the most exciting and fastest periods of growth and socio-economic progress over the last ten years; it was one of the ten fastest growing economies in the world during the 2000 decade[25]. More than a million people were lifted out of poverty, population growth is stabilizing, and the country is making significant progress towards achieving the Millennium Development Goals (MDGs) and middle income status. The triple crown of sustained economic growth (8 percent average), poverty reduction (12 percent), and a reduction in income inequality (0.03) was achieved over the first EDPRS period.

11. **Remarkable socio-economic progress was achieved during the first EDPRS period.** Economic activity was driven by a large increase in agricultural output, increase in prices of Rwanda's main exports, and strong domestic demand financed through development assistance. Rwanda remained relatively insulated from the slowdown in the advanced economies. Though inflation rose sharply in 2011, it has still remained in single digit and has been the lowest among East Africa Community (EAC) countries. In 2012, high growth was sustained and inflation remained relatively modest, although risks from instability in commodity prices and aid flows remain.

12. **An outstanding performance in improvements to the investment climate as measured by Doing Business (DB).** Combined with sound policies for macroeconomic stability, Rwanda made impressive improvements to its investment climate, especially from 2005 to present. The World Bank Doing Business publication recognized Rwanda as one of the top ten reforming countries in the world in its 2006 and 2011 reports and as the global top reformer in 2010—ahead of countries like the United Arab Emirates and Columbia. In that year, Rwanda's overall ease of Doing Business ranking jumped an unprecedented seventy-two places, from 139 to 67. The improvements continued, and in the latest report, *Doing Business 2014*, Rwanda ranked 32$^{nd}$ globally from 52$^{nd}$ in DB 2013. Rwanda's investment climate, as measured by the Doing Business report compares overwhelmingly better than its EAC neighbors: Tanzania (145$^{th}$), Burundi (140$^{th}$), Uganda (132$^{nd}$), and Kenya (129$^{th}$).

13. **In spite of the impressive achievements made during the first EDPRS period, significant development challenges still remain**. Though significantly reduced, head count and extreme poverty remain high and persistent, particularly in rural areas. According to the third Integrated Household Living Condition Survey (EICV III), 2012, poverty in rural areas still stands at 48.7 percent compared to 22.1

[25] World Development Indicators, 2012

percent in urban areas. Moreover, there are significant variations in poverty reduction across the country with the poorest district having 73 percent of its population living below the poverty line[26]. Women are more affected by poverty than men, and inequality continues to be comparatively high.

14. **Given the extent of reforms, investment has responded insufficiently.** Domestic entry has surged, while foreign investment has been stunted. Small local businesses reacted very positively to business environment, in terms of entry into the market. Foreign and domestic private investments in Rwanda have not met expectations that come with improvements in the business environment. Indeed, comparing private sector's gross fixed capital formation (GFCF-private) between Rwanda and its peers shows that investment in Rwanda has been moderate. GFCF-private has increased by 3.8 percent points as a share of GDP between 2004 and 2011, and on average by 0.5 percentage points annually[27].

15. **Private sector growth and competitiveness is constrained by low skills and labour productivity across all sectors of the economy, and structural transformation constrained by key infrastructure gaps.** Lack of skills is a particular issue to large firms with more than 100 employees (45 percent of which reported inadequate educated workforce as a constraint in 2011). The 2009 National Skills Audit reported an average 61.5 percent skills deficit and severe skills gap in the private sector in Rwanda. The most significant infrastructure constraint to firms of all sizes is electricity which is costly, even by EAC regional comparison (at $0.24/kWh compared to $0.17/kWh in Uganda, $0.15/kWh in Kenya, and $0.05kWh in Tanzania). Whereas generation has doubled from installed capacity of 55MW in 2007 to 110MW currently, it is still much less than the anticipated minimum demand of 563MW in the medium term. In addition, Rwanda's internal trade and competitiveness of exports are constrained by high transport costs and an insufficient logistics system that has not grown in parallel with the increasing demand to trade. For example, according to the report on Doing Business in the East Africa Community 2012, an exporter from Rwanda pays US$3,275 to transport a container of cargo to the port. This compares to US$2,965 in Burundi, US$2,880 in Uganda, US$2,055 in Kenya, and US$1,255 in Tanzania. Importers pay US$4,990 to transport a container from the port compared to US$4,855, US$3,015, US$2,190, and US$1,430 in Burundi, Uganda, Kenya, and Tanzania, respectively. Among others, Rwanda still faces challenges of high aid dependence and the risk of high unemployment, especially among the youth.

## II. CAS Program Performance

### A. Overview

16. **This section covers CAS program performance.** The evaluation, summarized in Annex 1, is based on the outcomes and indicators as updated in CASPR, 2011, and highlights the effectiveness of the CAS in achieving its stated objectives. It states key achievements under each CAS outcome, cross-cutting issues, and ends with an overall assessment.

17. The **CAS sought, primarily, to contribute to the first objective of significantly raising growth and creating jobs**. A secondary objective was to consolidate specific elements of Rwanda's social progress by tackling selected aspects of social vulnerability. It focused on two strategic themes: (i) promoting Rwanda's economic transformation for sustainable growth and (ii) decreasing social vulnerability. It was results-based and included twenty three (23) monitoring indicators and forty one (41) milestones. Updates made at CASPR left twenty two (22) outcome indicators and thirty nine (39)

[26] EICV III, NISR, MINECOFIN.

[27] Rwanda Private Sector Development Policy Note, Upcoming.

milestones[28]. Progress made in terms of achieving the CAS outcomes are described (in part B) below, following a brief assessment of the role played by DPL operations, non-lending TA, and aid effectiveness.

18. **The DPL operations played a key role in terms of the focus areas and the policy actions they supported.** The need to substantially raise the GDP growth rate and reduce social vulnerability were key objectives of the DPLs, each of which had linkages to at least one CAS outcome. The Poverty Reduction Support Financing (PRSF 4-8) supported the EDPRS flagship programs on growth and governance, while a companion series of three DPLs—the Community Living Standards Grants/Credits (CLSG/Cs)—supported the VUP with a focus on social protection and the health sector and improving service delivery to the poorest and most vulnerable. Specific programs supported under the growth flagship program were: (i) enhancing the skills of the population including through a shift away from Technical and Vocational Education Training (TVET) to Post-Basic Education (PBE); (ii) increasing access to infrastructure services, specifically energy, water, and transport through (a) improving cost-effective and operational efficiency in the energy sector; (b) developing a framework for integrated and sustainable management of water resources; (iii) increasing rural road access by improving the condition of the classified district road network; (iv) raising agricultural productivity and production; and (v) broadening and deepening the financial sector. Under Governance: (i) strengthening the public financial system and its management at the central and local levels; (ii) improving the capacity and transparency of procurement methods; (iii) pursuing implementation of budget and fiscal decentralization reforms; (iv) deepening civil service reforms and incentives to build skills and retention. The CLSG/C program supported the Government of Rwanda's social protection and health policy reforms designed to reduce extreme poverty, initially in 30 pilot Sectors[29], and to expand access to high-impact health, nutrition, and population interventions at the community level. The program also helped Rwanda integrate international good practice within its poverty-reducing policies.

19. **The implementation completion and results reports (ICRs) for the second PRSF series (PRSF 4-7) and the CLSG/C series rated achievement of their development objectives as satisfactory**. The PRSFs had highly satisfactory performance with respect to implementation and outcomes, as well as the overall relevance of the operations. The CLSG/C program fully achieved its development objectives. Significant results were achieved in reducing maternal and child mortality, and reducing the total fertility rate through increased use of family planning, which should lead to further progress in poverty reduction in future. According to the fourth Demographic and Health Survey, 2010, maternal mortality reduced from 750 per 100,000 lives in 2005 to 476 in 2010; 98% of pregnant women received prenatal care, up from 94% in 2005; the percentage of deliveries assisted by skilled providers increased from 39% to 69%, and the percentage of deliveries in health facilities increased from 30% to 69% over the same period. The proportion of married women using a modern method of contraceptive increased from 35% in 2007/08 to 45% in 2010/11, and total fertility rate for women aged 15-49 for the three years preceding the survey dropped from 6.1 in 2005 to 4.6 in 2010. The social protection sector has significantly evolved, with strong achievements in policy development. Community health reforms have also been deepened and further developed.

20. **Through the various DPLs, harmonization and collaboration with other development partners was also enhanced under the CAS,** in particular through mechanisms such as (i) the Common Performance Assessment Framework (CPAF) developed with the Government and other development partners to harmonize budget support and the related dialogue; and (ii) the preparation of Sector-Wide Approach (SWAps) particularly in the sectors where the Bank was a lead donor (energy and agriculture).

[28] One indicator (i.e. on rural access) was dropped at CASPR–since the operation supporting it would be slipped to beyond the CAS period–and a new proposed new outcome was not developed. Two milestones were dropped. See Annex 1

[29] A Sector is an administrative unit below a district.

21. **Provision of knowledge products and playing key leadership roles have been at the center of the WBG operations.** The Bank has provided non-lending TA (NLTA) and undertaken economic and sector work (ESW) to underpin its operations. Regular macroeconomic monitoring through the Rwanda Economic Update (REU) is closely linked to the flagship program on growth. The Bank's leadership role has been particularly significant in advancing policy dialogue between the Government of Rwanda and other development partners such as through the Budget Support Harmonization Group (BSHG); Joint Budget Support Reviews (JBSRs); co-chairing (together with government) sector working groups (SWGs) of agriculture, energy, public finance management (PFM), and capacity building and employment; and participating in other SWGs.

22. **The Bank has played a key role in shaping the aid effectiveness agenda over the years and is a major champion of the Paris Declaration and Accra Agenda for Action.** The Bank maintained a country-driven development model enabling the mainstreaming of aid effectiveness principles at the country level—by aligning CAS with the EDPRS, results-driven strategies, use of country systems (in PFM), and mutual accountability. Enhancing quality and effectiveness of aid continues to be of significant importance to Rwanda's development agenda. The progress made in the area of the Single Project Implementation Units (SPIUs), Project Treasury Single Account (TSA), as well as other institutional capacity strengthening such as public financial reform has facilitated the increased use of country systems by development partners. Rwanda is indeed recognized globally as one of the countries that utilize and manage aid effectively. The confidence in Rwanda's systems and commitments to reform was evident in the increased volume of budget support to approximately US$390 million in FY12 from US$278 million in FY11.

**B. Progress by strategic engagement theme/pillar (towards CAS outcomes)**

23. **The CAS was framed around five outcomes under the two strategic themes.** The outcomes were: (i) agriculture production–particularly for food crops–sustainably raised, (ii) improved access to and quality of key infrastructure services, (iii) improved environment for sound private sector development, (iv) capacity to manage public resources–at central and local levels–strengthened, and (v) significant health and social risks–to vulnerable groups and to social cohesion in Rwanda–are mitigated

24. **Overall, progress towards achievement of CAS outcomes has been very strong.** Eighteen (82 percent) of the specified CAS outcome indicators were achieved, two outcome indicators (9 percent) were mostly achieved, one (4.5 percent) was partially achieved, and one (4.5 percent) was not achieved. Progress on the milestones has also been strong with 77 percent achieved, 3 percent mostly achieved, 15 percent partially achieved, and 5 percent not achieved. When reviewed in terms of achievement of, or progress towards the results specified in the CASPR matrix, performance was strongest in raising agriculture productivity, access to electricity, and reducing social vulnerability (Table 1).

**Annex Table 1: Achievement of CAS Outcomes and Milestones**

| | Outcomes | | | | | Milestones | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Achieved | Mostly Achieved | Partially Achieved | Not Achieved | Total | Achieved | Mostly Achieved | Partially Achieved | Not Achieved | Total |
| **Strategic Theme 1: Promoting Rwanda's Economic Transformation for Sustained Growth** | **14** | **2** | **1** | **1** | **18** | **27** | **1** | **5** | **1** | **34** |
| **%** | **78** | **11** | **5.5** | **5.5** | | **79** | **3** | **15** | **3** | |
| 1.1: Agriculture production–particularly for food crops–sustainably raised | 3 | - | - | - | 3 | 4 | - | 1 | - | 5 |
| 1.2: Improved access to and quality of key infrastructure services | 5 | - | - | - | 5 | 10 | 1 | 1 | - | 12 |
| 1.3: Improved environment for sound private sector development | 5 | 1 | - | - | 6 | 9 | - | 3 | 1 | 13 |
| 1.4: Capacity to manage public resources–at central and local levels–strengthened | 1 | 1 | 1 | 1 | 4 | 4 | - | - | - | 4 |
| **Strategic Theme 2: Decrease Social Vulnerability** | **4** | **-** | **-** | **-** | **4** | **3** | **-** | **1** | **1** | **5** |
| **%** | **100** | **-** | **-** | **-** | | **60** | **-** | **20** | **20** | |
| 2.1: Significant health and social risks–to vulnerable groups and to social cohesion in Rwanda–are mitigated | 4 | - | - | - | 4 | 3 | - | 1 | 1 | 5 |
| **Total** | **18** | **2** | **1** | **1** | **22** | **30** | **1** | **6** | **2** | **39** |
| **%** | **82** | **9** | **4.5** | **4.5** | | **77** | **3** | **15** | **5** | |

***Promoting Rwanda's Economic Transformation for Sustained Growth***

***CAS Outcome 1.1: Agricultural production–particularly for food crops–sustainably raised - <u>Achieved</u>***

25. **Support focused on increasing agricultural productivity and commercialization.** Given that 85 percent of Rwandan working adults work in agriculture, increasing agricultural productivity and commercializing production would be critical to achieving Rwanda's development goals. In this respect, the World Bank embarked on the investment lending support first using a three phased Adaptable Program Loan (APL), the Rural Sector Support Project (RSSP) that has focused on intensifying production in the marshlands, since 2001. This was followed by the Land Husbandry, Water Harvesting and Hillside Irrigation (LWH) Project that started in 2010 and focuses on increasing productivity on hillsides and developing parts of these hillsides for irrigated horticulture production. The CAS placed strong emphasis on use of sustainable approaches to increase agriculture productivity, and the RSSP—then in the first year of its second phase—was a key instrument for delivery. RSSP 2's sound project design and effective implementation—involving marshland rehabilitation (an additional 3,324 ha of irrigated marshland)[30], hillside development (benefitting 10,000 ha), and the creation and strengthening of 81 cooperatives—created positive synergies between project components. RSSP 2 would continue to expand irrigated area in cultivated marshlands and increase the use of sustainable land management (SLM) practices. SLM would further be supported through the Integrated Management of Critical Ecosystem Project (IMCEP), the regional Lake Victoria Environment Management Project (LVEMP) and

[30] This also included construction of 8 dams, 164 km of primary canals, 160 km of secondary canals, 70 km of drainage canals, and 44 km of access roads.

the multi-partner platform provided by TerrAfrica, which would be used to carry out analytical work to support Government of Rwanda in developing a programmatic investment framework for SLM.

26. **Marshlands have been rehabilitated; hillsides developed; and yields of maize, rice, and potato improved.** Since the beginning of RSSP 1 in 2001, over 6,500 hectares of marshlands have been rehabilitated or developed, and nearly 26,000 hectares of hillsides have been sustainably developed. Over the CAS period, maize yields have improved from 1.6 tons/ha to nearly 5.0 tons/ha; while rice yields have improved from 3.0 tons/ha to 6.30 tons/ha; and potato yields have improved from 7.0 tons/ha to nearly 20 tons/ha. In addition, a number of rural infrastructures have been built to link productive areas to markets. Project implementation (RSSP 2), was and (RSSP 3) continues to be highly satisfactory, leading to key achievements in marshland rehabilitation, hillside development, and strengthening of agricultural cooperatives. Several enabling factors led to these accomplishments, even given the initial delays resulting from exogenous factors. The RSSP 2 target was significantly exceeded (18,675 tons vs. 11,194 tons, by 167 percent). The main drivers of this significant increase in rice production were the project's marshland investments, which regulated and increased the water supply and permitted two cropping seasons, and the project's "software" support, including provision of appropriate intensification technologies and improved inputs.

27. **A number of direct beneficiaries—also disaggregated by gender—have benefited from the two projects.** So far, of the 57,000 people who benefited from the first two RSSP series, 42 percent are females as are 48 percent of the 19,828 people who have benefited from the LWH. The impact created by these two programs is creating transformation in rural Rwanda. Results from the 2010-11 household survey clearly indicate that the reported poverty reduction of 12% between 2005-06 and 2010-11 and the corresponding more than one million pulled out of poverty are mainly attributed in part to improved agriculture production, increased number of agro businesses, and increased farm wage employment.

28. **Implementation of the IMCEP led to improved ecosystem management interventions and establishment of a coordination mechanism.** The IMCEP promoted the adoption of ecosystem management interventions through capacity strengthening, the formulation and implementation of community-based integrated ecosystems management plans (watershed management plans and wetland catchment management plans). At the time of project closure, in June 2011, an inter-ministerial committee had been established as a mechanism for marshland coordination. In addition, four watershed management plans had been prepared, against two originally targeted.

29. **Through its strong leadership in the sector, the Bank has played a key role in providing technical assistance and policy advice.** It helped refine the design of the LWH and was able to leverage— and administers— resources from other donors to support the program: (i) Global Agriculture and Food Security Program-GAFSP ($50 million), United States Agency for International Development-USAID ($12.5 million), and (iii) Canadian International Development Agency-CIDA ($8 million).

30. **Sustainable intensification technologies have been adopted.** Whereas limited support for SLM was received from TerrAfrica, farmers in RSSP2 and LWH targeted areas have adopted sustainable marshland or hillside intensification technologies. According to the Impact Assessment survey (2012), 98 percent of the beneficiary farmers had adopted at least two improved sustainable technologies[31] by October 2012. The LVEMP is having implementation capacity challenges and no significant achievements have been made yet.

[31] Adoption of sustainable intensification technologies is defined for the purpose of the RSSP as adoption of at least two of the following practices: soil fertility management (including appropriate use of organic and/or inorganic fertilizer), integrated pest management (IPM), conservation tillage, contour bunding, construction of erosion control structures including terraces, vegetation strips, and agroforestry practices.

*CAS Outcome 1.2: Improved access to and quality of key economic infrastructure services - Achieved*

31. **Electricity generation has doubled.** The World Bank's supported Urgent Electricity Rehabilitation Project (UERP) focused on helping improve Rwanda's electricity generation capacities. Accordingly, the 20 MW Heavy Fuel Power Plant in Jabana, became operational in May 2009. This plant, together with other domestic and regional hydro plants, constitute the back-bone of the Rwandan electricity supply and has enabled the government to eliminate load shedding and phase-out part of the rental diesel generators with maintained supply quality. Energy generation has doubled from installed capacity of 55MW in 2007 to 110MW currently.

32. **Electricity access has also doubled from 6 percent in 2009 to 13 percent in 2012.** The UERP was followed by support for an electricity rollout program—the Rwanda's Electricity Access Rollout Program (EARP) —whose objective is to increase the number of households connected to the electricity grid to 350,000 by 2013 from the initial 110,000 in 2009. The EARP is implemented in a sector-wide approach (SWAp) with the assistance of Energy Sector Management Assistance Program's Africa Renewable Energy Access (AFREA) Program, since 2009. The number of customers so far connected had increased to about 332,000 households (13 percent national coverage) by December 2012, the third year of the program implementation. The electrification program helped to bring benefits in rural areas such as improved lighting thereby extending the number of working hours and reduced spoilage of fresh products due to availability of refrigeration and cooling. Rural electrification also greatly contributed to improved service delivery, especially in health, education, and administrative offices.

33. **Emphasis is now returning to increasing generation capacity.** The Sustainable Energy Development Project provides advisory and technical support, including micro hydropower feasibility studies. The IFC has provided loans to the private developers, and MIGA has provided a guarantee to the 25MW Kivuwatt methane plant. The Energy SWAp is in place and the twining between Electrogaz (Electricity, Water and Sanitation Authority –EWSA) and the Tunisian Utility STEG was successfully concluded.

34. **Under transport, rehabilitation of the Kigali-Ruhengeri road was completed in September 2012 and provisional hand over to the Government of Rwanda was made.** IDA provided an additional $11 million to cover cost overruns. Completion of rehabilitation of this road is of significant functional/commercial importance because it is part of the Northern Corridor (and integrates into the transport infrastructure of the East African network) and is an integral part of the EDPRS with the potential to generate sustained employment through periodic or routine road maintenance works. The regional East Africa Trade and Transport Facilitation Project has experienced excessively long implementation delays due to safeguard issues on the Rwandan side of the border at Gatuna and a risk of cancellation is still inevitable if no significant progress is made. Access within Kigali, Huye and Musanze was improved. The East Africa Road Network Project (FY10) was not delivered and there has been limited Bank engagement on the regional rail project being spearheaded by Africa Development Bank (AfDB). The Rural Roads Project was slipped to FY14 due, in part, to extended discussions with Government of Rwanda over wider design standards (with inherent safeguard issues) it had enacted, earlier in the project preparation process.

35. **The eRwanda Project supported several studies[32] which became the foundation and accelerated preparation of the Regional Communications Infrastructure Project (RCIP).** Approval of RCIP, on September 30, 2008, promptly corresponded with the launch of international submarine fiber-optic cables in East Africa (EASSy, TEAM, SEACOM) and terrestrial fiber-optic backbone

[32] Assessment of East Africa Submarine Cable Project", "Preliminary Study on National Connectivity Options", and "Detailed Study on National Connectivity Options"

networks (from the Rwandan national backbone to the submarine cable points in Mombasa and Dar es Salaam). Under an enabling environment, several advisory contracts have been completed and others are underway. Advisory work on interconnection and infrastructure-sharing has been completed and the results have been implemented in regulatory decisions, which are expected to have significant positive impacts in the sector. This work was implemented in response to direct requests from the Government and has met the client's needs. RCIP support has also funded in-house advisory and technical support on ICT, broadband, and e-Government. The primary output under connectivity was the pre-purchase of capacity for the Government and thereby strengthening the overall broadband connectivity for Rwanda. Significant progress has been made and some work has also been undertaken in connecting district offices with local area networks (LANs). However, the roll-out of broadband services and supply of broadband connectivity to institutions has been delayed by the Government since its broadband access network strategy has not yet been finalized.

***CAS Outcome 1.3: Improved environment for private sector development – Achieved***

36. **Improved perception of the investment climate.** With Bank support under the Competitiveness and Enterprise Development Project (CEDP), a total of 13 commercial laws[33] were reviewed, finalized and enacted. The project enabled the creation of three fully functional commercial courts and an Arbitration Centre to settle business disputes and reduce the time taken to enforce court decisions. The time taken to settle a commercial dispute in the Commercial Court was decreased from 394 days in 2003 to 230 days in 2011. The high success rate in legislative reform could not be totally attributed to the project as some of the reforms pertaining to Doing Business indicators were, as from 2008, also funded by the IFC Rwanda Investment Climate Reform Project (RICRP). As a consequence, the time and cost to set up a business significantly decreased and Rwanda was ranked 8th globally in the 2012 Doing Business Report in the 'Starting a Business' indicator. The CEDP funded the Doing Business Reform Unit and paved the way for the IFC RICRP in terms of legislative and investment promotion reforms.

37. **The performance of the banking and non-banking sectors was improved.** Access to financial services was enhanced through improved service delivery of private commercial banks, micro finance institutions (MFIs), and new financial products such as leasing were introduced. CEDP's initial financing contributed to the improvement of the quality of services offered by the financial sector in Rwanda. The main achievements include: (i) improvement of the portfolio management of Rwanda Commercial Bank (BCR) after its privatization process; (ii) a better performing Popular Bank of Rwanda (UBPR) after its restructuring and recapitalization; (iii) introduction of a new chart of accounts for the banking sector; (iv) a Credit Reference bureau; (v) the successful implementation of the Automated Clearing House (ACH) and Real Time Gross Settlement System (RTGS); and (iv) regular on site and off site supervision of commercial banks and MFIs, including saving and credit cooperatives (SACCOs). All banks now comply with the minimum capital requirement of US$ 8.6 million and required minimum Capital Adequacy Ratio of 15 percent. There is now a more efficient banking system in Rwanda and the performance of the non-banking sector also improved.

38. **The CEDP significantly contributed to improve the perception of Rwanda as an investment destination.** Through the reforms in the business environment, financial sector, and public utilities, the CEDP helped improve investor perceptions on Rwanda. It also supported investment promotion campaigns to attract foreign investors in Rwanda. The share of private investment to GDP increased from

[33] The legislations are: (1) Law establishing commercial courts, (2) Law on Arbitration, Mediation and Conciliation in Commercial Matters, (3) Law Establishing the Business Registration Services Agency, (4) Labor code, (5) Law on mortgages, (6) Law on securities in movable property, (7) Insolvency law, (8) Companies acts, (9) Competition and Consumer Protection Law, (10) Draft bill on Provisions applicable on Privately Financed infrastructures, (11) Contract Law, (12) Condominium Law; (13) Law on electronic transactions. The 14th which is Negotiable Instruments Law has not yet been enacted

7 percent in July 2008 to 10.2 percent by end 2012.[34] Export of goods and services continued to grow over the CAS period, except for 2009 (due in part to the financial crisis) and were 14.3 percent of GDP by end 2012. Note, however, that the Minimum Integrated Trade Expansion Program (MITEP) was cancelled at Government's request.

39. **The project financed the establishment and strengthening of the capacity of several institutions in Rwanda.** Support was given to the judiciary, regulatory bodies, institutions providing support to enterprises and SMEs, banks including the Central Bank, specialized training schools, investment promotion and facilitation agencies, and the Private Sector Federation. The knowledge and experience gained by the beneficiaries through CEDP should contribute to sustain the reforms and even deepen the reforms in the business environment and financial services sector.

40. **To ensure the sustainability of investment climate reforms, the Government continues to finance the Doing Business unit which was created under Rwanda Development Board (RDB) to oversee Rwanda's performance with regard to the IFC-World Bank Doing Business indicators.** The Bank's current operation—Governance for Competitiveness TA Project—contributes to sustaining the achievements of the previous project through continued support to selected government agencies in the areas of export diversification and competitiveness for the horticulture and tourism sectors. The special economic zone (SEZ) is an additional activity supported by the WBG which is geared to promote the industrial sector as well as ease access to land and utility services.

41. **IFC, MIGA, and World Bank activities strategically complemented each other particularly in the private sector development and energy sectors.** IFC has been involved in improving the country's private investments through advisory services and investments, with its strategy focused on improving the investment climate; building the capacity of SMEs and micro enterprises; and supporting development of projects in the financial, tourism, food processing, and infrastructure sectors. IFC made investments in a number of areas including: energy; construction and real estate; food and beverages; accommodation and tourism services; and finance and insurance. IFC also provided a local currency SWAP facility to the National Bank of Rwanda to provide up to $50 million local currency equivalent for long term financing (up to 7 years) of projects in Rwandan Francs.

42. **IFC's Rwanda Investment Climate Reform Program supported reforms to improve the regulatory environment, build institutions, and attract private sector participation in key sectors.** The main achievement is the improvement of Rwanda's Doing Business ranking; moving from being among the top five reformers in sub-Saharan Africa in Doing Business 2009 to the world top reformer in 2010 and second top reformer in 2011. Rwanda has since continued to perform exceptionally well. The Rwanda Entrepreneurship Development Program supported SME competitiveness through building capacity, creating linkages with larger firms, and promoting stronger entrepreneurship among the youth and women. It facilitated the establishment of a privately owned SME Solutions Center, which provided incubation facilities for up to 32 businesses in partnership with Raizcorp, a South Africa-based successful incubation model. IFC also provided Infrastructure Advisory Services for the development of a public private partnership (PPP) to support a 25,000 $m^3$/day plant for bulk water supply to Kigali City.

43. **MIGA provided guarantees for improvements in Rwanda's financial sector including helping to**: (i) improve retail banking services and functionality in areas such as accepting international VISA cards; (ii) satisfy capital adequacy requirements laid down by the National Bank of Rwanda; (iii) increase the number of ATMs in use in Rwanda; (iv) define a card strategy that incorporates the use of national ID cards as credit/debit cards; and (v) strengthen lending to SMEs and facilitate equity

[34] IMF Estimates

investments in greenfield projects that are seen as central to Rwanda's growth. It also provided a guarantee to a methane gas to power project.

***CAS Outcome 1.4: Management of public resources at central and local levels strengthened- Mostly Achieved.***

44. **Improved public financial management**. The Bank's supported Public Sector Capacity Building Project (PSCBP) financed a range of technical assistance, consultancies, and equipment to support the Government's public finance management (PFM) and procurement reforms. The PFM Reform Coordinator and staff of the PFM secretariat were financed through the PSCBP. The development of the Integrated Financial Management Information System (IFMIS) blueprint and the rollout of IFMIS, supporting software and hardware, and IFMIS training were also supported by the project. Training was provided for government accountants in all budget agencies on how to produce financial reports, and consolidated statements. This led to an increase in the number of agencies that complete annual financial reports from a low of 16% of government ministries, departments and agencies (MDAs) in 2008 to 75% of MDAs submitting timely reports by end of 2011. Procurement coaches were recruited to train staff in strategic Ministries such as MINIFRA, MINEDUC and MINISANTE to improve the management of high value contracts.

45. **Improved accountability and efficiency of human resources**. Wages and salaries constitute a significant portion of the Government budget, and are estimated at 12.7 percent of Government expenditure. In this regard, the rollout of the Integrated Personnel and Payroll system (IPPS) financed by the PSCBP is an integral element in improving accountability and transparency. The IPPS has helped to minimize the risk of ghost workers. PSCBP support for upgrading the IPPIS on pay, leave, promotion, and termination has allowed the Government to ensure that wages and salaries are captured accurately, potential manual entry errors or data manipulations are eliminated, and matches with data captured in the IFMIS systems managed by the PFM Secretariat in MINECOFIN. The project also formalized the IPPIS user group and trained 282 members from public institutions on how to use the IPPIS. The training included Human Resource Directors, Directors of planning and IT officers. At the close of the project in December 2011, 55 out of 94 (58.5%) public institutions were integrated into the IPPIS. A quality assurance review of the IPPIS was also done and validated.

46. **The roll out of the citizen charters and service directories supported by the project is aimed at improving accountability and responsiveness of Government to citizens.** The work on the citizen charters began under the original PSCBP and was carried over into the restructured project. A total of sixty (60) Citizen Charters have been rolled out in English and Kinyarwanda and posted on MDA websites, exceeding the target of fifty five (55).

47. **The project provided support for the development of the Rwanda Public Sector Pay and Retention Policy and Implementation Strategy, as well as the situational and cost benefit analysis that inform the policy.** The strategy was adopted by Cabinet in January 2012. The policy aims to address the structural issues of public service pay policy priorities and the critical issue of staff turnover in the public service, which have been continuously identified as an obstacle to achieving the Government's development objectives. Implementation of the pay policy covers the period 2011/12 – 2017/18. Of critical importance is that the policy allowed the Government to improve the wages of public teachers, which have been an obstacle to the attainment of education outcomes as poorly paid teachers are less motivated.

48. **The Public Sector Management Strategy 2012-17 has been developed and approved by Cabinet.** The Bank supported updating of the Strategy as well as the development of the Human Resource Management and Development Policy. The policy was reviewed in November 2011 during a

leadership workshop with representatives of the ministry of public service and labour (MIFOTRA). An administrative procedures manual for public servants was developed under the project and made available in two versions; French and English.

49. **Support for capacity building in economic and financial analysis has been constrained by slow project implementation**. Moreover, the continued existence of serious capacity constraints across sectors/projects (and amidst a number of efforts to address them) has highlighted the difficulties of capturing, measuring, and aggregating data about successful capacity building efforts. However, the establishment of a Public Sector Capacity Building Secretariat by Government and supported by the PSCBP has assisted in coordinating and mainstreaming capacity building into government and donor programmes.

***Decrease Social Vulnerability***

***CAS Outcome 1.5: Significant health and social risks–to vulnerable groups and to social cohesion in Rwanda–are mitigated - Achieved***

50. **Strengthened national social protection system to cushion vulnerable families from shocks.** Through the Support to Social Protection System (SSPS) series of operations and drawing on lesson from its predecessor, the Community Living Standards series, the World Bank has helped to expand the Vision 2020 Umurenge Program (VUP)—the Government's main safety net program—to cover 43 percent of the country's 416 geographical sectors in 2012, up from just 7 percent when it was launched in 2008. The number of poor people benefiting from the program has grown from less than 10,000 to over half a million in the same period. In addition, the SSPS operations have been critical to helping Government enhance the effectiveness and increase coverage of its overall social protection systems by supporting establishment and improvement of key areas like the impact evaluation, targeting effectiveness, the management information system, and the harmonization and coordination of the main programs.

51. **The SSPS program expansion is also gender sensitive consistent with the Government policy on family and gender promotion.** Under the VUP, 68 percent of households which benefit from cash transfers are women headed households, while 46 percent of participants in public works are women.

52. **A number of ex-combatants and armed group members were demobilized and reintegrated.** Through the Demobilization and Reintegration Program, all 26,585 ex-combatants under the Rwandan Defense Forces and 10,640 Armed Group members had been demobilized and reintegrated by November 2012 and a total of 7,282 reintegration grants were provided between 2009 and 2012.

**C. Cross-cutting**

53. **Crosscutting issues of gender, HIV/AIDS, environment, etc. did not feature prominently in the CAS.** It was assumed that they would be mainstreamed into individual (project) operations. More broadly, teams prepared strategies for integrating these issues into their operations for instance in agriculture (RSSP/LWH) a gender action plan was developed, while a gender strategy and a HIV/AIDS strategy were developed under the Transport Sector Development Project to guide inclusion of these issues into investments in the transport sector in the country.

**D. Overall CAS Assessment.**

54. **Overall, program performance is rated as satisfactory.** The program achieved almost all the stated CAS objectives and assisted the government to achieve its goals. It had exceptional development impacts in increasing agriculture output, access to electricity, and support for social protection programs. There were no major shortcomings and no violations of safeguard issues were identified in the program.

## III. Evaluating Bank Performance

55. **This section evaluates Bank performance.** It looks at (i) CAS design and (ii) CAS implementation. Among other things, it covers relevance of CAS objectives and their alignment with country development objectives; design of WBG interventions for achieving CAS objectives (including selection of areas of engagement and instruments, adequacy and appropriateness of interventions, consistency between financing and AAA, synergy across WBG, and consideration of other development partners' programs); strength of the results framework; and identification of critical risks and their mitigation measures. It also looks at quality of supervision (including managing program risk and quality of the portfolio); quality of preparation of new projects and AAA; relevance, quality and dissemination of AAA; responsiveness to changing country circumstances, priorities and demands; WBG efforts for improving coordination with other development partners; and attention to safeguard and fiduciary issues.

### A. CAS Design

56. **The CAS was aligned with the EDPRS, was highly selective, and focused on increased donor harmonization.** The CAS supported implementation of the EDPRS and its results framework was directly aligned with EDPRS development outcomes. The support program was prepared in a highly consultative manner involving government, other development partners, private sector, and civil society organizations. It focused Bank engagement on EDPRS areas, primarily growth and selected social areas. It supported progress on MDGs 1 on poverty and hunger; as well as MDG 4 on child mortality; and MDG 5 on maternal mortality. Under the second theme, support was targeted to public works and direct assistance and health program focused on community health focusing on child and maternal mortality risks, and demobilization and reintegration. The selectivity was based on the Government of Rwanda's preference for the Bank's engagement. It significantly reduced areas where the WBG provides support, with no new IDA financing in a number of sectors[35] where other donors were already engaged or expected to contribute financing, for better harmonization of donor support. Selectivity was further confirmed when, in July 2010, the Government finalized a division of labor (DoL) exercise, which aimed to limit each development partner's investment operations to three sectors**.** The DoL confirmed the Bank's priority engagement in three sectors—agriculture, energy, and transport (including ICT)—as well as some cross-sector areas.

57. **Jointly prepared by the WBG and more targeted within the areas of intervention.** The design sought to draw on synergies within the WBG and catalyze higher volumes of private sector resources to support Rwanda's development. IFC was to continue its focus on supporting Government of Rwanda to improve the investment climate; build the capacity of micro, small and medium enterprises; and support development of projects with high impact in the financial, tourism, agribusiness, and infrastructure sectors. MIGA's increasing role was expected to grow with guarantees in the micro finance, financial, and energy sectors.

58. **The design involved increasing the use of development policy lending (DPL), which was in line with the Rwanda's aid policy and the country's good performance.** The annual PRSG (budget support) would remain the main DPL instrument. Through the DPL instrument, the Bank would support efforts to strengthen capacity to design reforms and programs, to implement them effectively, to monitor their impact and feed results into further policy and program refinement. Capacity building was planned to be interwoven through the entire CAS program through the application of the "Capacity Building Filter". The filter would include measures to help build public sector capacity and strengthen the participation of civil society in development. It would be used to streamline capacity building efforts into all Bank operations and analytic work.

[35] Primary education, water and sanitation, HIV/AIDS, urban development and public service reform.

59. **Investment Project Financing was envisaged to be used much less, mainly for delivering large infrastructure including regional programs and areas where IDA financing would help leverage additional resources.** Analytic and advisory activities (AAA) and technical assistance (TA) services would be used more strategically to complement financial operations. More specifically, they would be used to respond more to the demand and provide real time advice and support to Government. Trust Fund resources would be used to strengthen partnerships and complement IDA resources. The design also incorporated new ways of doing business which would enhance WBG effectiveness such as the use of country system.

**B. CAS implementation**

60. **Overall CAS implementation was satisfactory.** The CAS was implemented nearly as designed. DPLs were the main lending instrument comprising at least 50 percent of annual commitments and 70 percent in annual disbursements. Investment Project Financing was used more flexibly either for Adoptable Program Lending (as was the case in Agriculture –RSSP) or for Additional Financing (as was the case in transport and energy). The Bank's interventions remained in its core areas of engagement, with close collaboration with IFC and MIGA in the private sector, agribusiness/horticulture, and energy.

61. **The DPL operations provided substantial financing to Rwanda's budget, including during the 2008 crisis.** The DPLs—totaling $618.2m[36] —were a cornerstone of the World Bank's support to implement the EDPRS. Since Rwanda depends on highly concessional financing, not just to cover an ambitious investment program, but also to cover parts of the recurrent budget expenditures, budget support grants provide a preferred contribution to Rwanda's overall financing needs. The Government of Rwanda looks to the World Bank and other development partners as a source of continued financing in meeting these needs. The Bank was also successful in using the PRSFs to leverage additional concessional funding for Rwanda, including US$10 provided through the Global Food Crisis Response Program, US$29.8 million from the Crisis Response Window, and US$24 million from the IDA-15 buffer fund. This also points to the responsiveness of the WBG to changing circumstances, priorities, and demands of Rwanda. The CLSG/C series leveraged $12 million grant from the Health Results Innovation Trust Fund (HRITF) supported by the Governments of Norway and the Great Britain and managed by the World Bank.

62. **The Bank's strong engagement through the PRSF series was successful in fostering better donor coordination, improved harmonization, and reinforced support for reforms among the country's budget support donors:** the World Bank, African Development Bank, and bilateral donors — all partners in the Budget Support Harmonization Group and part of the semi-annual joint budget support reviews (JBSR). Over the course of the series, the Bank was instrumental in supporting the establishment and implementation of the Common Performance Assessment Framework (CPAF) process. While the CPAF contains a number of outcome indicators, which other donors use as their condition for budget support disbursement, the policy actions formulated in the CPAF are by design more process-oriented. For Government, the goal of these policy actions is to be able to monitor if key milestones are being achieved, thus, helping the Government to track progress over the year towards fulfillment of key outcome indicators. The process nature of many prior actions contravenes World Bank good practice, but should also be seen in the context of strong country ownership of the reform process. Some of the policy actions supported by the series are highlighted in section II, paragraph 16, above.

63. **The success of the PRSF series was also largely helped by its ability to base its design on strong sector dialogue.** This was facilitated through engaging the sector specialists early in the process and ensuring participation in sector dialogue through the sector working groups (SWGs). This has helped to: (i) ensure the PRSF reflects substantive policy agreements reached at the sector level; (ii) strengthen

[36] See table 2 below.

the capacity of sector ministries to present their needs and priorities during national level policy discussions and budget negotiations; and (iii) facilitate coordination of the Bank's inputs into the CPAF policy discussions in a timely manner. Representation of key sector staff in-country has been crucial in contributing to this process.

64. **Three main trust funds (TFs) are linked to ongoing IDA operations (transport, LWH, demobilization) and were leveraged to either meet a financing gap or scale up IDA operations.** Three stand-alone TFs were to meet specific needs of the Government: statistical capacity building, economic empowerment of young girls and environmental sustainability, while another TF was used to support continue capacity building efforts under the VUP program, following closure of the investment operation, DCDP in 2009.

65. **The analytical pieces undertaken met the objectives of feeding into new IDA operations.** The Country Education Status report and Post-Secondary Education were used in the design of the Skills Development project, and the just in time policy notes, mainly in the finance and private sector development were used during investor conferences in energy and agribusiness/horticulture to showcase the investment potential in those areas. Regular economic monitoring is done through the biannual Rwanda Economic Update. More could probably have been done in the area of AAA and TA, but all analytic work needed to originate from and be decided within the SWGs. The capacity building filter was not realized, mainly due to design issues.

66. **Nearly the entire program was delivered, albeit with a few slippages and adjustments.** Slippages mainly occurred in the first fiscal year of the CAS, some due to challenges beyond the control of the program (i.e. the non-applicability of the Indigenous policy and the need for confirmation from TF contributing donors delayed preparation of the Energy Access and Demobilization/Reintegration projects, respectively). Nonetheless, the slippages and adjustments did not significantly affect delivery of the program. Two region operations – East Africa Road Network and East Africa Power Pool for FY10 and 11, respectively, were not delivered.

67. **Implementation of the ongoing program is satisfactory**. Of the ten ongoing operations (including TFs) only one (1) is rated moderately satisfactory (MS) on achievement of the development objective (DO) and three (3) as moderately satisfactory (MS) on implementation progress (IP). The rest are rated satisfactory (S) for both DO and IP. Disbursement ratio has been upward of 20 percent, annually. Nineteen operations (9 DPLs and 10 IPFs) have closed during the CAS period and IEG has reviewed implementation completion and results reports (ICRs) for ten of them. Annex Table 2 below shows a satisfactory performance. The Bank pays close attention to monitoring and regularly reported on the quality of the portfolio, quickly addressing issues as they arose. There was no violation of safeguard policies and great efforts were taken to address fiduciary issues. Nonetheless, implementation capacity challenges still remain mainly in fiduciary (financial management and procurement) and monitoring and evaluation.

68. **Overall, Bank performance is rated as superior.** The Country Survey[37], conducted in 2012 confirmed just as much.

[37] Rwanda Country Survey, 2012

**Annex Table 2: Operations/ICRs completed over the CAS period FY09-FY13**

| Project ID | Name | Amt. ($ mil) | Key dates | | ICR Ratings | | IEG Review | |
|---|---|---|---|---|---|---|---|---|
| | | | Approval | Closing | O | BP | O | BP |
| **DPLs** | | | | | | | | |
| P106083 | Fifth Poverty Reduction Grant (PRSG V) | 80.0 | 03/17/09 | 06/30/10 | S | S | | |
| P113241 | Sixth Poverty Reduction Grant (PRSG VI) | 115.8 | 03/30/10 | 06/30/11 | | | | |
| P117495 | Seventh Poverty Reduction Grant (PRSG VII) | 104.4 | 02/24/11 | 06/30/12 | | | | |
| P122247 | Eight Poverty reduction Facility (PRSF VIII) | 125.0 | 11/29/11 | 06/30/12 | | | | |
| P145114 | Quality of Decentralized Service Delivery (DPO) | 50.0 | 05/14/13 | 06/30/14 | | | | |
| P106834 | First Community Living Standards Grant (CLSG I) | 6.0 | 04/02/09 | 06/30/10 | S | S | | |
| P117758 | Second Community Living Standards Grant (CLSG II) | 6.0 | 03/16/10 | 06/30/11 | | | | |
| P122157 | Third Community Living Standards Credit (CLSC III) | 6.0 | 03/22/11 | 06/30/12 | | | | |
| P126877 | First Support to Social Protection System (SSPS I) | 40.0 | 03/20/12 | 03/30/13 | | | | |
| P131666 | Second Support to Social Protection System (SSPS II) | 50.0 | 03/14/13 | 06/30/14 | | | | |
| P115816 | Education for All- First Truck Initiative (EFA-FTI) | 35.0 | 10/09/09 | 06/30/10 | S | MS | S | MS |
| **Investment Lending** | | | | | | | | |
| P071374 | Multi-Sec HIV/AIDS Program (MAP) | 43.4 | 03/31/03 | 10/30/08 | S | S | MU | MS |
| P075129 | Emergence Demobilization and Reintegration Project | 30.5 | 04/25/02 | 12/31/08 | S | S | MU | MS |
| P045091 | Human Resources Development Project (HRDP) | 35.0 | 06/06/00 | 12/31/09 | MU | MU | MU | MU |
| P060005 | Urban Infrastructure and City Management Project | 20.0 | 11/10/05 | 12/31/09 | HS | S | HS | S |
| P090194 | Urgent Electricity Rehabilitation Project (UERP) | 25.0 | 01/27/05 | 04/30/10 | S | S | S | S |
| P098926 | eRwanda | 10.0 | 09/07/06 | 12/31/10 | S | S | MS | MS |
| P074102 | Decentralization and Community Development Project | 20.0 | 06/15/04 | 12/31/10 | S | S | S | S |
| P057295 | Competitiveness and Enterprise Development Project | 46.6 | 04/19/01 | 07/31/11 | MS | MS | MS | MS |
| P066386 | Public Sector Capacity Building Project (PSCBP) | 20.0 | 07/08/04 | 12/31/11 | MS | MS | MS | MU |
| P105176 | Second Rural Sector support Project (RSSP II) | 35.0 | 06/24/08 | 10/31/12 | HS | HS | | |

O – Outcome rating, BP – Bank performance

## IV. Lessons Learnt and Suggestions for New CPS

69. **This section highlights key lessons learned during the CAS period and suggestions for the new CPS.** They include program selectivity, use of more flexible financing instruments, good results framework, decentralized project supervision, delivering as one WBG, and the need to build capacity within Government.

70. **Having a highly selective program helped to focus the design of the CAS in key strategic areas where the WBG would add value.** The CAS program targeted few areas, essential to Rwanda's continued growth and development aspirations. Government's strong commitment to effective use of aid through increased donor coordination and country ownership, further helped achieve selectivity. The various aid coordination mechanisms helped maintain the dialogue and focused the reforms. The Bank's program continues to be strong and delivering development impacts across a broad range of areas. The WBG's partnership with the government and the development community is strong, and provides a conducive environment to achieve development outcomes. The WBG should maintain a demand-driven strategic focus within a framework of selectivity with priority to areas where it can contribute the most to addressing Rwanda's development challenges.

71. **Use of general budget support was effective in a number of ways but is vulnerable to donor sentiments.** A key lesson learned from the DPLs was that they proved to be effective in advancing Government-owned reforms. The PRSF series provided important support to the Government to operationalize the EDPRS by translating its objectives into priority actions, while the CLSC/SSPS series supported the Government of Rwanda's social protection system. As the DPLs progressed, so the reform agenda evolved, but remained overall broad. This is attributable to the breadth of the Bank's policy dialogue with Government, but also reflects the recognition by policy-makers of the utility of the budget support instrument in helping to move the reform process forward. That notwithstanding, the unpredictable reaction by donors to delay or cut aid over real or perceived political risks has budgetary implications and could have negative impacts on achievement of a country's development objectives. The uncertainty that surrounded budget support operations in FY13, showed Rwanda's vulnerability to aid shocks. It presented valuable lessons for quick reprogramming and designing of more flexible financing mechanisms to respond to fast-changing country environment, as well as a rethink of future aid architecture.

72. **Another key lesson learned from the successful implementation of the CAS is the importance of capacity building**. Given the capacity constraints of a small, but reform-oriented Government, the principles of selectivity, ownership and predictability are emphasized in Rwanda. A complex budget support framework requires 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 PFM, the health, education and agriculture sectors. Another example pertained to the issue of lack of capacity on the side of Government in fiscal decentralization. That is why part of the supported reform program of the PRSF series focused on capacity building, including to sub-national levels of government in planning. This work is now being carried forward under the Quality of Decentralized Service Delivery DPO. Regarding project implementation, however, capacity constraints leading to slow implementation (including regional projects as most affected) still remain, highlighting the need to rethink capacity building approaches, going forwards.

73. **A number of products were delivered as one WBG.** In energy, financial sector, tourism, and agribusiness, WBG teams worked jointly to deliver the Investor Conference on horticulture and tea in 2010, the Energy Forum in 2012, and different knowledge products across the private sector. Delivering as one WBG has helped create synergy within the institution and yielded significant benefits for the client. It demonstrated what could be achieved when delivering as one WBG.

74. **Much of project supervision was decentralized**. In countries with limited institutional capacity, having the TTL in the field can help to resolve issues as they raise with either the Implementing agencies or Government and ensure a constant implementation pace. For a greater part of the CAS period, nearly 60 percent of TTLs were based in the country office. However, the trend has since changed, with many operations now managed from outside the country office.

75. **The CAS had a good results framework.** It focused on a few key indicators, some drawn directly from the country's own strategy monitoring framework and CPAF. This eased monitoring as data would be available through different government agencies and the EDPRS' central monitoring team at MINECOFIN.

76. **A final lesson is that adequate stakeholder engagement is essential to enhance results and outcomes.** The Rwanda Country Survey 2012, demonstrated strong appreciation by different stakeholders of the Bank's engagement. Recognition was made of its strong engagement in policy dialogue and commitment to supporting different government programs in order to achieve results and development outcomes.

**Annex Table 3: Summary of CAS Program Self-evaluation**

| CAS Outcomes/Cluster of Outcomes and Outcome Indicators (baseline and targets) | Outcomes Status at CAS CR | Milestones Status and Evaluation Summary | Lending and Non-lending Activities that contributed to the outcome | Lessons and Suggestions for the new CAS |
|---|---|---|---|---|
| ***Promoting Rwanda's Economic Transformation for Sustained Growth*** | | | | |
| **Outcome 1.1: Agricultural production–particularly for food crops–sustainably raised.** | **Achieved** | | | |
| • Production of rice in targeted marshlands increased by at least 100% by 2012 relative to the baseline (8,757 tons). [2009.] | • **Achieved**. [18,675 tons by October 31, 2012.] The target was achieved at 113%. Baseline was finalized once all marshlands to be developed under the project were approved, which was by MTR. | • At least 1,400 additional hectares of irrigated marshlands have been rehabilitated or developed by 2010 (EDPRS/PSTA indicator).<br>**Achieved.** [3,324 additional hectares were developed by October 2012 - 6434 ha total from the 2008 baseline of 3,110 ha.]<br>The target was achieved at 100%. RSSP 2 brought 3,324 ha of new marshland into operation. Nine sites were developed under RSSP 2, including seven sites rehabilitated or extended and two sites newly developed. Eight dams were built in five sites, while on other sites, only rehabilitation works took place.<br>• At least 4,200 additional hectares of hillsides have been sustainably developed by 2010 (EDPRS/PSTA indicator).<br>**Achieved**. [10,096 additional ha by October 2012 for a total of 24,581 ha from the 2008 baseline of 14,485 ha.]<br>The target was achieved at 102%. During RSSP 2, 10,096 additional ha | **IDA Closed:**<br>• RSSP II (FY08)<br>• Integrated Management of Eco-Systems – GEF (FY05)<br>**IDA Ongoing:**<br>• RSSP III (FY12)<br>• Land Management, Water Harvesting & Hillside Irrigation (FY10)<br>• PRSG/C series<br>**Others (IFC & Trust Funds):**<br>• GAFSP additional financing to LWH (FY10)<br>• USAID/CIDA additional financing to LWH (FY11)<br>• IFC investment in Bakhresa<br>**AAA:**<br>• Multi-year Agricultural Policy TA (FY08 – | • The strong, demonstrated commitment of Government at various levels, and effective mechanisms to sustain that commitment, are vital for success and essential to embark on a scaling up phase. Throughout RSSP 2, Government provided strategic guidance and enacted laws that continue to sustain advances under the RSSP series.<br>• Close implementation support by the Bank and sector was invaluable for resolving implementation challenges. A full-time Bank international staff member in the field and fulltime local staff dedicated to supporting implementation gave the client continuous access to the Bank, and issues were resolved rapidly and responsively.<br>• The marshland investment model developed in RSSP offers a basic framework for replication |

| CAS Outcomes/Cluster of Outcomes and Outcome Indicators (baseline and targets) | Outcomes Status at CAS CR | Milestones Status and Evaluation Summary | Lending and Non-lending Activities that contributed to the outcome | Lessons and Suggestions for the new CAS |
|---|---|---|---|---|
| | | (for a total of 24,581 ha) were protected against soil erosion using erosion control structures such as terraces, conservation tillage, and contour bunding or by planting permanent crops or permanent vegetation. The baseline includes all hillside ha developed by RSSP 1 (August 2008)<br>• Milestones to increase farmer access to finance.<br>**Achieved.** [The PRSG series supported the operationalization of a microfinance credit fund.]<br>• Extension Strategy fully operationalized in 30 districts by 2009.<br>**Not Applicable.** [According to PRSGV, Belgium took the lead to support extension services.] **Dropped.** | FY12)<br>• Sustainable Land Management (TerrAfrica; FY10)<br>• Regional Agriculture Research TA (FY09)<br>**Other Donors:**<br>• IFAD, EU, Belgium, AfDB, UK, US, Netherlands, Japan | throughout Rwanda.<br>• Approaches that enhance farmers' business skills, promote value chains, and link farmers to financial institutions provide inclusive, sustainable benefits<br>• A programmatic approach (financing mechanism) is advantageous to consolidate, scale up, and sustain project benefits from a previous phase, while ensuring clear criteria and initiatives for new interventions.<br>• It is difficult to leverage coordination and resources across sectors without clearly defining the roles and establishing *a priori* the required commitment for inter-sectoral coordination. It is also important to build capacity and raise awareness on the functions of wetlands for particular sectors, and to the economy as a whole. In the IMCE project, the lack of inter-sectoral coordination was part of the reason that it was changed from a *partially-blended* to a *standalone* GEF operation. Operations blending GEF and IDA financing should be examined carefully during preparation for viability and implications on design and implementation arrangements. |
| • At least 50% of farmers in targeted areas have adopted sustainable marshland or hillside intensification technologies by 2012 (2008 baseline 25%). | • **Achieved.**<br>**[**Farmers' adoption of sustainable technologies was measured directly in the Impact Assessment survey (2012). By the end of the RSSP 2, 98 percent of the beneficiary farmers had adopted at least two improved practices] | • Common SLM Programmatic Framework Roadmap and Country SLM Investment Framework (CSIF) developed by 2010.<br>**Partially Achieved.** [TerrAfrica indicator – status unclear. | | |
| • Increase in use of Mineral Fertilizer from 14,000 MT in 2006 to 47,600 MT in 2011/2012. [Revised | • **Achieved.**<br>[46,000 MT of fertilizer used in 2011/2012.] | • A charter for fertilizer importers/wholesalers, dealers, retailers is developed in Rwanda by 2009.<br>**Achieved.** [PRSGVI supported the | | |

| CAS Outcomes/Cluster of Outcomes and Outcome Indicators (baseline and targets) | Outcomes Status at CAS CR | Milestones Status and Evaluation Summary | Lending and Non-lending Activities that contributed to the outcome | Lessons and Suggestions for the new CAS |
|---|---|---|---|---|
| CPAF Indicator] | | development of an action plan for a private sector-led fertilizer distribution system.] | | |
| **Outcome 1.2: Improved access to and quality of key infrastructure services.** | **Achieved** | | | |
| *Transport:*<br>• 50% of paved roads in good condition (average IRI less than 4m/km) by 2012 up from 23% in 2007. | • **Achieved.** [Joint Transport Working Group report of 2011 indicates that 95 % of the paved road network is in good condition]. | *Transport:*<br>• 83 km of the Kigali-Ruhengeri section of Kigali-Gisenyi road rehabilitated. **Achieved.** [The rehabilitation of the Kigali-Ruhengeri road was completed in September 2012 and the road is serving the target population along the regional corridor.]<br>• 550 km of paved trunk roads maintained by 2011.<br>• Complete and adopt the Transport Master Plan (TMP) by 2010. (CPAF policy action.) **Not achieved.** [Preparation of Transport Master Plan was completed in September 2012.Completion and adoption of the TMP is a FY12 CPAF policy action.]<br>• Complete District/Rural Road Condition Inventory by 2009 (CPAF policy action). **Partially achieved.** [Road condition inventory for all classified district roads has been completed in 2009/2010. However, no data has been collected for rural roads. Road condition inventory] | **IDA Closed:**<br>• PIGU (FY05)<br>**IDA Ongoing:**<br>• Transport Sector Development Project (FY08) incl. Africa Catalytic Growth Fund<br>• Regional: East Africa Trade and Transport Facilitation Project (FY06)<br>• PRSG/C series<br>**Others (IFC):**<br>• IFC investment in Intraspeed Rwanda<br>**Other Donors:**<br>• AfDB, China, EC, | |
| • Population having access to paved roads<br>o Kigali: from 59% in 2005 to 69% in 2009 and onwards;<br>o Huye: from 12% in 2005 to 22% in 2009 and onwards. | • **Achieved**. [Kigali 70%; Huye 47% as of December 2009.] Since 2006 IDA support has enabled the Rwandan cities of Kigali, Huye and Musanze to improve service provision to their citizens. For example, in Kigali and Huye, 535,580 people have gained access to paved roads. In Musanze, 70,258 people have gained access to an improved health center, school and multipurpose hall facilities. By 2009, 15- | | | • The City Contract approach can be an efficient tool to facilitate improvements in service delivery and municipal and urban management, and to accompany decentralization, even within a limited timeframe. The City Contract approach is flexible and proved highly effective in focusing activities on results in a context marked by a combination of lack of capacity and rapidly evolving decentralization.<br>• Bank safeguard policies can be used as a basis for a constructive dialogue on management of social and environmental impacts of development efforts in general, bringing about changes that reach beyond the project context. |

| CAS Outcomes/Cluster of Outcomes and Outcome Indicators (baseline and targets) | Outcomes Status at CAS CR | Milestones Status and Evaluation Summary | Lending and Non-lending Activities that contributed to the outcome | Lessons and Suggestions for the new CAS |
|---|---|---|---|---|
| | 27 percent of municipal budgets were allocated to infrastructure and facilities maintenance, from a baseline in 2006 of 2.5 percent in Kigali City, 2 percent in Huye district and 7 percent in Musanze district. This increase demonstrates the improved ability of these cities to continue to deliver and maintain services to their inhabitants. | • Implementation of priority district/rural road maintenance program launched by end 2009. **Achieved.** [Program was launched and implementation is ongoing. MININFRA, under the TSDP, has created a total of 283 cooperatives of road side dwellers and trained 11,322 rural people to carry out routine maintenance works. RTDA and RMF have concluded maintenance contracts with LCAs, in a form of community contracting for maintenance of about 801 km of roads that has engaged 3,041 people. In addition, LCAs are carrying out maintenance works on two multi-year maintenance contracts.] | | Clearly demonstrating the benefits of a market-based land valuation and participatory approach to determining compensation led to changed approaches to slum upgrading and resettlement, with a focus on the needs of the affected populations.<br>• Delegated contract management arrangements proved to be efficient in delivering quick results on the ground in the Rwandan context, where the Government has an express desire to keep the administration lean and the numbers of permanent staff on the government payroll to a minimum. |
| *Energy:*<br>• Reduction of unplanned outages (outages in minutes per month) from 2,530 (in 2006) to 1,898 from 2009 onwards. Achieved | • **Achieved.** [As of end-December 2009 there has been no load shedding in the Electrogaz Network.] | *Energy:*<br>• Jabana Thermal power plant (20 MW) in service by 2009. **Achieved.**[Jabana power plant became operational in May 2009]<br>• Birembo substation completed and in service by 2009. **Achieved.** [Birembo substation was completed in 2009 and is in service.]<br>• SWAP in the energy sector in place and first investment prospects financed by 2009. **Achieved.** [SWAP MOU signed in July 2008 and investment prospects signed.]<br>• Improved tariff structure in place (i.e. | **IDA Closed:**<br>• UERP (FY05)<br>**IDA Ongoing:**<br>• Electricity Access (FY10)<br>• PRSG/C series<br>**IDA Pipeline:**<br>• Energy Additional Financing (FY13)<br>**Others (IFC, MIGA & Trust Funds):**<br>• MIGA Guarantee to ContourGlobal/KivuWat t Ltd. ( FY11)<br>**Other Donors:**<br>• EC, AfDB Netherlands, | • Electricity shortages need to be addressed from both supply side (generation) and demand side (energy efficiency) as they complement each other.<br>• In countries and sectors with limited experience and institutional capacity, the WBG can provide considerable value added by decentralizing project supervision and implementation support resources to country offices. The proximity of the project TTL to the PCU considerably accelerated the pace of implementation and |
| • 120,000 additional households connected to electricity by 2012 (2006 Baseline 91,332) (CPAF). Achieved | • **Achieved.** [Number of electricity subscriptions was 332,000 by December 2012.] | | | |

| CAS Outcomes/Cluster of Outcomes and Outcome Indicators (baseline and targets) | Outcomes Status at CAS CR | Milestones Status and Evaluation Summary | Lending and Non-lending Activities that contributed to the outcome | Lessons and Suggestions for the new CAS |
|---|---|---|---|---|
| | | eliminates cross-subsidies from water, reflects cost structure of electricity, and differentiates between different customer types) by end 2009.<br>**Achieved.** [Tariff study completed in October 2010. Adoption of different customer categories ongoing. Cross-subsidies to be addressed after corporate reforms of EWSA expected by end of 2013.]<br>• Billing to supply ratio raised from 78% to 84% from 2009 onwards.<br>**Achieved**. [Collection ratio raised to 95% by June, 2013 according to EWSA operating statistics] | Belgium, GTZ | disbursement of funds while further leveraging the results towards new Bank operations |
| *ICT:*<br>• ICT composite network coverage increased from 75% in 2006 to 100% in 2012. | • **Achieved.** [82% national coverage -100% in urban areas and 79% in rural areas] | *ICT:*<br>• Technical, financial and corporate structure of Backbone system in place by 2010.<br>**Achieved.**<br>• At least 10 public internet access points developed by eRwanda by 2010.<br>**Achieved.** [A total of 34 access points developed by 2010: 22 for public usage; 12 for use by local governments.]<br>• Price of wholesale international E1 capacity link decreased by 20% by 2010.<br>**Achieved.** [28% reduction – from US$10,000 in 2008 to US$7,200 in 2010] | **IDA Closed:**<br>• eRwanda (FY06)<br>**IDA Ongoing:**<br>• RCIP II (FY09)<br>**Other Donors:**<br>SIDA, EU, DfID, USAID, UNDP, Belgium, South Korea | • Top-level political leadership support and commitment from every level of the government led to Rwanda's ICT success.<br>• The eRwanda project was a "boutique" eGovernment project that was small, innovative and unique at the World Bank**.** The ICT buses are an innovative solution to reach to people in rural areas. |

| CAS Outcomes/Cluster of Outcomes and Outcome Indicators (baseline and targets) | Outcomes Status at CAS CR | Milestones Status and Evaluation Summary | Lending and Non-lending Activities that contributed to the outcome | Lessons and Suggestions for the new CAS |
|---|---|---|---|---|
| **Outcome 1.3: Improved environment for sound private sector development.** | **Achieved** | | | |
| *Financial Sector*<br>• International Financial and Reporting Standards implemented by all financial institutions by 2012. | • **Achieved.** [ICPAR is responsible for disseminating the IFRS. IFRS were implemented by all banks and are under implementation phase in the non-banking financial sector.] | *Financial Sector*<br>• ICPAR assisted in implementing new accounting law and standards by 2010.<br><br>**Partially achieved.** [ICPAR was created in early 2009, and started to organize training on auditing and standards. Its capacity is still very low.] | | |
| • Time to process a check reduced from 3 days (2008) to 1 day in 2012. | • **Achieved.** [Check processing takes 1 day since 2012.] | • Automated clearing house (ACH) and Real Time Gross Settlement implemented to modernize the payment system by 2010.<br>**Achieved.** [A real time settlement system (Rwanda Integrated Payments Processing System -RIPPS), encompassing the Automated Clearing House (ACH), the Real Time Gross Settlement (RTGS) and the Central Securities Depository was implemented and went live in February 11.]<br>• Leasing Law amendment adopted by cabinet by 2009 (IFC).<br>**Achieved**<br>• 8 Financial Institutions launching leasing products by 2009 (IFC).<br>**Achieved.** | | |
| *Business Environment* | • **Achieved.** [According | *Business Environment* | **IDA Closed** | • The Business Plan Competition |

| CAS Outcomes/Cluster of Outcomes and Outcome Indicators (baseline and targets) | Outcomes Status at CAS CR | Milestones Status and Evaluation Summary | Lending and Non-lending Activities that contributed to the outcome | Lessons and Suggestions for the new CAS |
|---|---|---|---|---|
| • Number of days required to obtain a construction license reduced from 275 days (2007) to 180 by 2012 (IFC). | to the World Bank's Doing Business report 2013, getting a construction permit now takes 164 days. Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of different permits] | • Licensing system simplified by reducing the number of overall licenses from more than 300 in 2008 to 250 by 2010 (IFC).<br>**Achieved.** [The number of licenses was 185 as of October 2010.]<br>• 14 Commercial Laws updated in line with international best practice by 2010.<br>**Partially achieved**. [13 commercial laws were reviewed, finalized and enacted. Under the CEDP project, three fully functional commercial court and an Arbitration Centre to settle business disputes and reduce the time taken to enforce court decisions. Time taken to settle a commercial dispute in the Commercial Court was reduced from 394 days in 2003 to 230 days in 2011. IFC also supported the review, as from 2008, on areas that focused specifically on the Doing Business indicators. As a consequence, the time and cost to set up a business significantly decreased and Rwanda was ranked 8th globally in the 2012 Doing Business Report in the 'Starting a Business' indicator. The Competition and Consumer Protection Law have been adopted and a competition authority established at MINICOM; Draft bill on provisions applicable on privately | • Competitiveness and Enterprise Dev. & Additional Financing (FY08)<br>**IDA Ongoing:**<br>• Governance for Competitiveness TA Project (FY12)<br>• PRSG/C series<br>**Others (IFC& MIGA):**<br>• IFC Leasing Development Program (FY 07)<br>• IFC investment in Hotel Milles Collines<br>• IFC investment in Tourism Promotion Services<br>• IFC investment in Ecobank<br>• FIRST Initiative: second Phase (FY09)<br>**AAA:**<br>• Financial Sector Assessment Program (FSAP) update (FY11)<br>• Multi-year Just-in-time Policy Notes (FY09-12)<br>• Employment and Growth Policy Note (FY11)<br>• Study on EAC (FY11)<br>• Investment Climate Assessment (FY09) | enabled potential entrepreneurs throughout Rwanda to be aware of the support services provided to SMEs to start their project. Through this competition, participating SMEs were given mentoring and hand holding services to conceptualize their business ideas and prepare bankable projects.<br>• Rwanda was positioned as a pocket of excellence in doing business reforms and would facilitate the replication of the successful reform experiences across the region through bilateral and regional South-South Exchange programs.<br>• |
| • Time required to export reduced from 60 days (2007) to 40 days in 2012 (IFC). | • **Achieved**. [29 days in 2012. In 2009, extended opening hours, implementation or improvement of electronic data interchange (EDI) or risk-based inspections in the, transportation sector, led to a reduction in export and import time. In 2010, Rwanda improved trading times with administrative changes such as increased operating hours and enhanced cooperation at the border along with the removal of some | | | |

| CAS Outcomes/Cluster of Outcomes and Outcome Indicators (baseline and targets) | Outcomes Status at CAS CR | Milestones Status and Evaluation Summary | Lending and Non-lending Activities that contributed to the outcome | Lessons and Suggestions for the new CAS |
|---|---|---|---|---|
| | documentation requirement for importers and exporters. In 2011, Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors leading to an improvement in the trade logistics environment.] | financed infrastructure and the Contract Law are still in the process of being updated.] | **Advisory Services IFC:**<br>• Entrepreneurship and SME Development Program<br>• Investment Climate Reform Program<br>• Efficient Securities Markets Institutional Development (ESMID)<br>• Credit Reporting program<br>• Privatization of Rwanda Air<br>**Other Donors**<br>AfDB, DfID, USAID, Netherlands | |
| *Skills Development*<br>• Primary school pupil to qualified teacher ratio reduced from 73:1 in 2006 to 61:1 in 2012 (CPAF). | • **Mostly Achieved.** [62:1 in 2012 versus 67:1 in 2008. The ratio increased from 58:1 in 2011. This was despite 2,344 teachers having been recruited in 2011/12 and progress having been made on policy actions of establishing a package of incentives for teachers. The latter was approved and includes a 10% salary rise and ongoing construction of 416 houses to | *Skills Development*<br>• National Skills Development Policy, including a Post-Basic Education policy in place by 2010.<br>**Achieved.** [Education Sector Strategic Plan for 2010-2015 finalized in 2010.]<br>• National Skills audit completed by 2009.<br>**Achieved.** [Skills audit completed in 2009.]<br>• 3,000 teachers hired on contract basis until TDM adopted.<br><br>**Not achieved.** [2,000 teachers hired by 2008, but only 750 in early 2009.] | **IDA Closed:**<br>• HRDP (FY00)<br><br>**IDA Ongoing:**<br>• Skills Development (FY11)<br>• PRSG/C series<br><br>**Others (IFC):**<br>• IFC Africa Schools Rwanda Program (FY09)<br><br>**Other Donors**<br>• AfDB, DfID, Belgium, | |

| CAS Outcomes/Cluster of Outcomes and Outcome Indicators (baseline and targets) | Outcomes Status at CAS CR | Milestones Status and Evaluation Summary | Lending and Non-lending Activities that contributed to the outcome | Lessons and Suggestions for the new CAS |
|---|---|---|---|---|
| | accommodate 3,328 teachers. The increase in the ratio is attributed to primary school teacher moving to teach at secondary level, going for further studies to upgrade their skill and some leaving the profession.] | • Develop and cost Teacher Development and Management (TDM) Strategic Plan by 2010.<br><br>**Achieved**. [TDM was adopted in 2009.]<br>• Targets for classrooms rehabilitation and constructions under EFA FTI financing met.<br>**Achieved.** [Increase in classroom constructions from 2,315 in 2008 to 3,076 in 2010.]<br>• Targets for procured textbooks under EFA FTI financing met.<br>**Achieved.** [Purchase and distribution of over 1.6 million textbooks between 2009-2010.]<br>• Targets for trained teachers under EFA FTI financing met.<br>**Achieved.** [Exact targets were not available, but EFA-FTI contributed to increase in training of teachers, inspectors, directors and parent teacher associations.] | Netherlands, UNICEF, EU | |
| • Transition from basic education (TC) to upper secondary education raised from 82% in 2006 to 92% in 2012 (CPAF) | • **Achieved.** [96% in 2011/12. The target was achieved as a result of the implementation of the 12 Years Basic Education (12YBE) Strategy] | | | |
| • Skills Development indicator TBD as part of the planned ESW and the new operation. [Will insert once developed.] | • **Not developed Dropped** | | | |
| **Outcome 1.4: Capacity to manage public resources–at central and local levels–strengthened** | **Partially Achieved** | | | |
| • Proportion of audited public agencies receiving unqualified public audit opinions increased from 1.7% in | • **Not Achieved.** [5%, Dec 2011.] | *Overall effectiveness/service delivery*<br>• Increased number of MDAs that have service delivery directories published.<br>**Achieved.** [21 out of 40 in 2010 from zero in 2008.] | **IDA Closed;**<br>• PSCBP (FY05)<br>• MDTF for PFM Reforms (FY05) | • The successful implementation of policy and institutional reforms requires adequate capacity in key areas. This factor will need special attention in the formulation of |

| CAS Outcomes/Cluster of Outcomes and Outcome Indicators (baseline and targets) | Outcomes Status at CAS CR | Milestones Status and Evaluation Summary | Lending and Non-lending Activities that contributed to the outcome | Lessons and Suggestions for the new CAS |
|---|---|---|---|---|
| 2009 to 7% in 2011. [Revised Indicator] | | • MIFOTRA agrees with all PRSG ministries on staffing levels and ministerial structures for optimal performance within fiscal limits. **Achieved.**<br>*PFM*<br>• Increased number of budget agencies that produce annual financial statements within stipulated timeframe. **Achieved.** [In 2011 100% of budget agencies produced statements – 75% on time from 17% in 2008.]<br>• Number of projects from the district development plans implemented under the DCDP (disaggregated by type). **Achieved.** [Select facilities built or rehabilitated by type under the project are: health: 11; classrooms: 420; Water tanks: 131.] | • DCDP (FY04)<br>• eRwanda (FY07)<br>**IDA Ongoing:**<br>• PRSG/C series<br>**Others (Trust Funds)**<br>• Economic Empowerment of Young Women – Adolescent Growth Initiative<br>• Statistics for Results (FY12)<br>• Social Risk Management of Climate Change<br>**AAA:**<br>• Public Expenditure Management (Multi-year)<br>• Capacity Building (FY11)<br>**Other Donors:**<br>• DFID, UNDP, Belgium, GTZ, SIDA, USAID. | future programs.<br>• Public sector reform requires flexibility, and Bank instruments do not always allow for that. Public sector reforms heavily depend on the political economy in which they operate and there will always be winners and losers in a reform process. Strategic directions can rapidly change after ministerial changes, or as government ministries are restructured. This has can affect the commitment to the reforms and the project development objectives<br>• Project designs which involve community-driven development processes need to nurture and support the huge potential that exists at the community level. However, it is unrealistic to think that communities have the infrastructure and fiduciary capacity to deliver services and monitor progress without significant training and continuous guidance. Future project designs should consider what communities are willing and able to contribute instead of setting rigid criteria (e.g. x percent contribution to civil works) which does not acknowledge the diversity of |
| • Proportion of the value of procurement tendered competitively or justified increased from 86% in 2008 to 89% in FY12 (CPAF). [Revised Indicator] | • **Not Achieved.** [75% of the value of procurement tendered competitively or justified in 2011/12 | | | |
| • Finalization of a new national payment and retention policy by 2011. [New Indicator] | • **Partially Achieved** **[**Approval of P&R policy by Cabinet was done in Feb. 2012.] | | | |
| • Percentage of Districts which achieve a minimum of 80% of their service delivery and sustainable local development targets for which they are responsible as assessed by/in the IMIHIGO assessment report increased from 60% in 2006 to 75% in 2012 (CPAF). [Revised Indicator.] | • **Achieved.** [100% in 2011/12.] | | | |

| CAS Outcomes/Cluster of Outcomes and Outcome Indicators (baseline and targets) | Outcomes Status at CAS CR | Milestones Status and Evaluation Summary | Lending and Non-lending Activities that contributed to the outcome | Lessons and Suggestions for the new CAS |
|---|---|---|---|---|
| | | | | communities both across and within countries. |
| ***Decrease Social Vulnerability*** | | | | |
| **Outcome 2.1: Significant health and social risks–to vulnerable groups and to social cohesion in Rwanda–are mitigated** | **Achieved** | | | |
| *Maternal and Child Health*<br>• % of under five children using Insecticide Treated Long Lasting mosquito nets increases from 16% in 2006 to 85% in 2012 (CPAF) | • **Not Achieved.** [72.4% of children under five were using LLIN in 2010. DHS, 2010. | *Maternal and Child Health*<br>• Pilot reducing "ticket moderateur" and introducing conditional cash transfers for children less than 5 and pregnant women by 2010.<br>**Achieved.** [As of October 2010 a pilot initiative removing "ticket moderateur" for children under five has been implemented in two health centers in two districts. Pregnant women are exempted from paying the "ticket moderateur".]<br>• Annual per capita allocation to Performance Based Financing (PBF) for health facilities and community health cooperatives reaches US$ 2.25 by 2010 (CPAF).<br>**Achieved.** [US$2.99 in 2011/12.] | **IDA Closed;**<br>• DCDP (FY04)<br>• CLSG/C series<br>**Ongoing:**<br>• Support To Social Protection System series<br>• PRSG/C series<br>• RDRP2 (FY10)<br>**AAA:**<br>• Rwanda Health Study (FY08)<br>• Human Resources for Health (FY08)<br>• Social Protection Study (FY08)<br>• Youth and Gender in post-conflict (FY08)<br>• Social Risk Management of Climate Change (FY11)<br>• Youth Employment Study (FY12)<br>• On Demand Policy Notes in the Social Sectors | • The programmatic approach to the VUP support by donors and Rwanda Government facilitated strong results on the ground. While this approach presents significant donor coordination demands and challenges, results proved beneficial to all stakeholders and allowed timely and quality response to Government demands as program implementation expanded.<br>• Targeting is a key element of implementing successful social protection interventions.<br>• Continuous systems analysis and taking corrective action should be part and parcel of the implementation process.<br>• Valuable lessons can be learned from a process evaluation of pilot implementation<br>• Capacity building through learning by doing process was effective both to the Community Development Committees (CDCs), communities |
| • % of assisted births in an accredited health facility increased from 28% in 2006 to at least 60% in 2012 (CPAF). = | **Achieved.** [66.6% in DHS, 2010.] | | | |
| *Social Protection/Implementation of Vision 2020 Umurenge program*<br>• Percentage of eligible households granted public works in a | • **Achieved.** [54% of eligible households were employed in 2011/12.] | *Social Protection/Implementation of Vision 2020 Umurenge program*<br>• Participatory Assessment is completed by end 2009 of whether income-generating activities, direct support, public works and micro credits have been successful. | | |

| CAS Outcomes/Cluster of Outcomes and Outcome Indicators (baseline and targets) | Outcomes Status at CAS CR | Milestones Status and Evaluation Summary | Lending and Non-lending Activities that contributed to the outcome | Lessons and Suggestions for the new CAS |
|---|---|---|---|---|
| sample of VUP pilot Sectors is 35% each year in 2008-2012. (CPAF) [Revised Indicator.] | | **Partially achieved.** [M&E survey was conducted and report is being finalized. The survey was not participatory.]<br>• Lessons of VUP pilot in 30 sectors are incorporated and extended to at least another 60 sectors by end 2009.<br>**Achieved.** [Lesson have been incorporated and extended to 90 sectors.]<br>• Procedures for identifying vulnerable households, mode and amount of social assistance transfers and public works implemented by end 2009.<br>**Achieved.** [Procedures have been agreed, incorporated in operational manuals for each of the VUP components and are being implemented.] | (TBD)<br>**Other Donors:**<br>UNICEF, Belgium, DFID, Germany, USAID, SIDA | and local government staff.<br>• Participatory processes promote demand side governance.<br>• Parallel technical assistance support to a development policy lending operation is key to successful reforms. |
| *Reintegration of ex-combatants*<br>• Up to 26,675 RDF and 11,292 Armed Group members and dependents received reinsertion and/or reintegration support by 2012. [Updated Indicator.] | • **Achieved.** [All 26,585 RDF and 10,640 AG demobilized by Nov. 30, 2012 (RDF -22,675 during the previous project – 3910 during the current project, since 2009 and AG -7091 from previous project 3,549 from current project - since 2009)<br>From January 1, 2009 to November 30, 2012, a total of 7,459 ex-combatants have been demobilized, including | | | |

| CAS Outcomes/Cluster of Outcomes and Outcome Indicators (baseline and targets) | Outcomes Status at CAS CR | Milestones Status and Evaluation Summary | Lending and Non-lending Activities that contributed to the outcome | Lessons and Suggestions for the new CAS |
|---|---|---|---|---|
| | 3,910 from RDF and 3,549 from Armed Groups.<br>Over the same period, a total of 7,282 reintegration grants have been provided to ex-combatants, including to 125 ex-combatants demobilized under the previous project.] | | | |

**Annex Table 4: Planned Lending Program and Actual Deliveries (FY09-13)**

| CAS PLANS (08/07/2009) | | | STATUS | |
|---|---|---|---|---|
| | | US$(M) | | US$(M) |
| | | IDA | | IDA |
| 2009 | Poverty Reduction Strategy Grant (PRSG) V | 70.0 | Actual | 80.0 |
| | Health/Social Protection DPL | 6.0 | Actual (Community Living Standard Grant I) | 6.0 |
| | Electricity Access Roll-Out | 40.0 | Forwarded to FY10 | - |
| | Lake Kivu Methane Guarantee | 5.0 | Dropped | - |
| | Rwanda Demobilization and Reintegration Program | 8.0 | Forwarded to FY10 | - |
| | *Regional: Communications Infrastructure Project* | 8.0 | Actual | 8.0 |
| | **Subtotal** | **137.0** | | **94.0** |
| 2010 | PRSG VI | 86.0 | Actual | 86.0 |
| | Land Husbandry Water Harvesting & Hillside Irrigation. | 35.0 | Actual | 34.0 |
| | Transport Sector Development Project (Additional Financing) | 25.0 | Forwarded to FY11 | - |
| | | 25.0 | FY12 (Transport Sector Project) | - |
| | Rural Roads | 8.0 | *FY12 (East Africa Transport Links)* | - |
| | *Regional: East Africa Road Network* | 7.0 | *Forwarded to FY11* | - |
| | *Regional: L.Victoria Environmental Management Project* | | Additional Actuals | |
| | | | Second Emerg. Demob. & Reint. Proj (from FY09) | 8.0 |
| | | | Electricity Access Roll-Out (from FY09) | 70.0 |
| | | | Community Living Standard Grant (CLSG) II | 6.0 |
| | | | *Regional: E. Africa Public Health Laboratories.(not in CAS)* | 5.0 |
| | **Subtotal** | **186.0** | | **209.0** |
| **Subtotal FY2009-2010** | | **323.0** | | **303.0** |
| **PROGRESS REPORT PLANS (02/09/2011)** | | | **STATUS** | |
| 2011 | PRSG VII | 81.0 | Actual | 104.4 |
| | *Regional: Rusumo Falls Hydro* | 10.0 | Forwarded to FY13 | - |
| | *Regional: E. Africa Power Market* | 4.0 | Forwarded to FY12 | - |
| | | | Additional Actuals | |
| | | | Transport Sector Development Project (AF) | 11.0 |
| | | | Skills Development Project (from FY12) | 30.0 |
| | | | Community Living Standards Grant III | 6.0 |
| | | | *Regional: L. Victoria Env'tal Management Proj. (from FY10)* | 5.0 |
| | **Subtotal** | **95.0** | | **156.4** |

| CAS PLANS (08/07/2009) | | | STATUS | |
|---|---|---|---|---|
| 2012 | PRSF VIII | 70.0 | Actual | 125.0 |
| | Agriculture (Additional Financing) | 30.0 | Rural Sector Support Project, Third APL | 80.0 |
| | Energy (Additional Financing) | 30.0 | Forwarded to FY13 | - |
| | Skills Development | 10.0 | Already in FY11 | - |
| | | | <u>Additional Actuals</u> | |
| | | | Support to Social Protection Systems DPL (not in CAS) | 40.0 |
| | | | Governance for Competitiveness TA Project (not in CAS) | 5.0 |
| | **Subtotal** | **140.0** | | **250** |
| **Subtotal FY2011-2012** | | **235.0** | | **406.4** |
| 2013 | PRSF IX | 90.0 | Reprogrammed (Quality of Decentralized Service Delivery) | 50.0 |
| | Second Support to Social Protection Systems PDL | 10.0 | Actual | 50.0 |
| | Rural Roads | 45.0 | Forwarded to FY14 | - |
| | Energy (Additional Financing) | 60.0 | Actual | 60.0 |
| | *Regional: Rusumo Falls Hydro* | 10.0 | Forwarded to FY14 | - |
| | **Subtotal FY2013** | **215.0** | | **160.0** |
| | **Total FY2009-2013** | **773.0.0** | | **869.4** |

**Annex Table 5: Planned Non-lending Services and Actual Deliveries (FY09-13)**

| CAS PLANS (08/07/2009) | | STATUS |
|---|---|---|
| 2009 | Multi-year Public Expenditure Management TA<br>Multi-year Agriculture Policy TA<br>Investment Climate Assessment<br>Multi-year Education Policy Analysis<br>*Regional Agriculture Research TA* | Actual<br><br><u>Additional Products</u><br>Multi-year Just-in-time Policy Notes (FPD)<br>Health Study<br>Rwanda Payment System<br>Telecoms Sector Policy Dialogue TA |
| 2010 | Multi-year Public Expenditure Management<br>Multi-year Agriculture Policy TA<br>Multi-year Education Policy Analysis<br>Sustainable Land Management (TerrAfrica)<br>Procurement and Financial Management Assessment | <br>Forwarded to FY11<br>Dropped<br><br><u>Additional Products</u><br>Financial Sector Development Project (FSDP) II<br>Education Country Status Report<br>Social Protection Study<br>Petroleum Exploration Capacity Building<br>Support to PPP in ICT Sector<br>DeMPA Assessment |
| **PROGRESS REPORT PLANS (02/09/2011)** | | **STATUS** |
| 2011 | Multi-year Public Expenditure Management TA<br>Multi-year Agriculture Policy TA<br>Multi-year Education Policy Analysis<br>Country Economic Memorandum | Dropped<br>Actual<br><u>Additional Products</u><br>Sustainable Land Management<br>Financial Sector Assessment Program (FSAP) update<br>Employment and Growth Policy Note (Dropped)<br>Capacity Building (Rwanda Capacity Filter –Sector Analysis)<br>Poverty Monitoring (Dropped)<br>Post-Basic Education Study<br>Social Risk Management to Climate Change<br>Health System Strengthening<br>Rwanda Economic Update<br>Policy Guidance via Just in time Policy Notes (FPD)<br>Implementing Risk-based On-site Inspection of the Insurance Sector<br>TA for Rwanda Energy Sector<br>Rwanda Investment Promotion TA |
| 2012 | Multi-year Public Expenditure Management TA<br>Multi-year Agriculture Policy TA<br>Multi-year Education Policy Analysis | <u>Additional Products</u><br>Financial Sector assessment Update<br>Youth Employment Study<br>On Demand Policy Note in Social Sectors<br>Social Safety Nets Strengthening TA<br>Rwanda Economic Updates<br>Improving Delivery of Affordable Urban Housing in Rwanda<br>Rwanda ICR ROSC<br>Land Sector Study<br>PPAIF – Independent Review of Rwanda's Energy Generation Investments |

| CAS PLANS (08/07/2009) | | STATUS |
|---|---|---|
| 2013 | Multi-year Just-in-time Policy Notes (FPD)<br>Rwanda Economic Updates<br>MTDS Rwanda<br>Health System Strengthening – HRBF pilot activities Impact Evaluation<br>Rwanda Fiscal Decentralization | FY14<br>Rwanda Economic Updates<br>Health System Strengthening – HRBF pilot activities Impact Evaluation |

## Annex Table 6: Ongoing Portfolio at CAS Completion (June 30, 13)

| Country Name | Project ID | Project Short Name | Board Approval | Orig Closing | Rev Closing | Net Comm Amt ($m) | IDA Net Comm Amt ($m) | Disb in FY ($m) | Tot Undisb Begin FY ($m) | IDA Undisb Bal ($m) | Tot Disb ($m) | Tot Undisb Bal ($m) | DO Rating | IP Rating |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rwanda | P079414 | RW-Transport Sector Development | 08/28/2007 | 06/30/2012 | 12/31/2013 | 22 | 22 | 8.6 | 14.9 | 6.3 | 15.3 | 6.3 | S | MS |
| | P097818 | RW - Sustainable Energy Dev. Proj (GEF) | 10/15/2009 | 01/31/2014 | 01/31/2014 | 8.3 | 0 | 1.8 | 5.3 | 0.0 | 4.8 | 3.5 | S | S |
| | P111567 | Rwanda Electricity Access Scale-up Proj. | 10/15/2009 | 01/31/2014 | 06/30/2016 | 130 | 130 | 11.4 | 36.6 | 84.1 | 44.6 | 84.1 | S | S |
| | P112712 | RW Emergency Demob and Reintegration | 08/27/2009 | 12/31/2012 | 12/31/2013 | 8 | 8 | 0.1 | 1.2 | 1.1 | 6.9 | 1.1 | S | S |
| | P114931 | RW:Land Husband,Water Harvest,Hill Irrig | 12/22/2009 | 06/30/2014 | 12/31/2015 | 34 | 34 | 8.4 | 23.6 | 15.1 | 17.4 | 15.1 | S | S |
| | P118101 | RW: Skills Development Project (FY11) | 03/29/2011 | 05/31/2016 | 05/31/2016 | 30 | 30 | 0.6 | 27.0 | 26.4 | 2.6 | 26.4 | MS | MS |
| | P124629 | Rwanda SFR | 03/06/2012 | 06/30/2014 | 06/30/2014 | 10 | 0 | 5.6 | 10.0 | 0.0 | 5.6 | 4.4 | S | MS |
| | P124785 | Rwanda Land, husbandry water harvesting | 02/22/2011 | 12/31/2015 | 12/31/2015 | 50 | 0 | 13.3 | 39.5 | 0.0 | 23.8 | 26.2 | S | S |
| | P126440 | RW: Third Rural Sector Support Project | 03/01/2012 | 10/30/2017 | 10/30/2017 | 80 | 80 | 14.7 | 77.4 | 62.8 | 15.6 | 62.8 | S | S |
| | P127105 | Governance & Competitiveness TA Proj | 01/26/2012 | 04/30/2015 | 04/30/2015 | 5 | 5 | 1.1 | 4.9 | 3.8 | 1.1 | 3.8 | S | S |
| | P116360 | RW-Promoting Economic Empowerment of Adolescent Girls and Young Women | 09/12/2011 | 06/30/2014 | 06/30/2014 | 2.7 | 0 | 0.3 | 2.1 | 0.0 | 0.7 | 1.9 | # | # |
| **Rwanda** | | | | | | **380** | **309** | **65.9** | **242.5** | **199.7** | **138.4** | **235.7** | | |
| Africa | P079734 | 3A-E Afr Trade & Transp Facil (FY06) | 01/24/2006 | 09/30/2011 | 09/30/2014 | 229.02 | 229.02 | 17.6 | 134.6 | 117.1 | 120.1 | 117.1 | MU | MU |
| | P106369 | RCIP - Phase 2 - Rwanda Project | 09/30/2008 | 01/31/2014 | 01/31/2014 | 24 | 24 | 5.2 | 16.7 | 11.5 | 11.8 | 11.5 | S | MS |
| | P111556 | 3A-East Afr Publ Hlth Laborat Net (FY10) | 05/25/2010 | 03/30/2016 | 09/30/2017 | 78.66 | 78.66 | 15.6 | 66.2 | 50.6 | 27.8 | 50.6 | S | MS |
| | P118316 | 3A-Lake Victoria Phase II, APL 2 | 06/13/2011 | 06/30/2017 | 06/30/2017 | 30 | 30 | 0.6 | 26.7 | 26.1 | 1.9 | 26.1 | MS | MS |
| **Africa** | P121611 | Fin Sec Dev + Regionalization Proj-FSDRP | 01/31/2011 | 03/30/2014 | 03/30/2014 | 16 | 16 | 1.6 | 14.2 | 12.5 | 3.5 | 12.5 | MU | MU |
| | | | | | | **377.68** | **377.68** | **40.6** | **258.4** | **217.8** | **165.0** | **217.8** | | |

## Annex Table 7: IFC Investment Operations Program

| Rwanda | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Committed - IFC($M) | | | | | | |
| | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 |
| Rwanda | 20.8 | 29.5 | 32.2 | 54.2 | 56.8 | 41.8 | 41.5 |
| | Committed - B Loan Participant ($M) | | | | | | |
| | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 |
| Rwanda | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 20.8 | 29.5 | 32.2 | 54.2 | 56.8 | 41.8 | 41.5 |

## Annex Table 8: IFC Committed and Disbursed Outstanding Portfolio

MIS

International Finance Corporation

Report Run Date: 01/10/2014

**Statement of IFC's Committed and Outstanding Portfolio**

*Amounts in US Dollar Millions*

Accounting Date as of : 12/31/2013

Page 1

Region(s):Sub-Saharan Africa

Country(s) : Rwanda

| Commitment Fiscal Year | Institution Short Name | LN Cmtd - IFC | ET Cmtd - IFC | QL + QE Cmtd - IFC | GT Cmtd - IFC | RM Cmtd - IFC | ALL Cmtd - IFC | ALL Cmtd - Part | LN Out - IFC | ET Out - IFC | QL + QE Out - IFC | GT Out - IFC | RM Out - IFC | ALL Out - IFC | ALL Out - Part |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2014 | AB Rwanda | 0 | 0.90 | 0 | 0 | 0 | 0.90 | 0 | 0 | 0.90 | 0 | 0 | 0 | 0.90 | 0.00 |
| 2011/ 2012 | BP Rwanda | 0 | 0.80 | 0.80 | 0 | 0 | 1.60 | 0 | 0 | 0.57 | 0.34 | 0 | 0 | 0.90 | 0.00 |
| 2009/ 2010 | Bakhresa Rwanda | 6.41 | 0 | 0 | 0 | 0 | 6.41 | 0 | 6.41 | 0 | 0 | 0 | 0 | 6.41 | 0.00 |
| 2011/ 2012/ 2013/ 2014 | Ecobank Rwanda | 0 | 0 | 0 | 3.77 | 0 | 3.77 | 0 | 0 | 0 | 0 | 3.77 | 0 | 3.77 | 0.00 |
| 2007 | Intraspeed | 0 | 0 | 4.40 | 0 | 0 | 4.40 | 0 | 0 | 0 | 4.40 | 0 | 0 | 4.40 | 0.00 |
| 2012 | KCB R | 4.05 | 0 | 0 | 0 | 0 | 4.05 | 0 | 4.05 | 0 | 0 | 0 | 0 | 4.05 | 0.00 |
| 2011 | MSC Ltd | 9.63 | 3.00 | 0 | 0 | 0 | 12.63 | 0 | 6.13 | 3.00 | 0 | 0 | 0 | 9.13 | 0.00 |
| 2007 | Mille Collines | 1.41 | 0 | 0 | 0 | 0 | 1.41 | 0 | 1.41 | 0 | 0 | 0 | 0 | 1.41 | 0.00 |
| 2008/ 2010/ 2011 | TPS (R) | 1.60 | 2.95 | 0 | 0 | 0 | 4.55 | 0 | 1.60 | 2.95 | 0 | 0 | 0 | 4.55 | 0.00 |
| 2011 | UOB Rwanda | 1.49 | 0 | 0 | 0 | 0 | 1.49 | 0 | 1.49 | 0 | 0 | 0 | 0 | 1.49 | 0.00 |
| Total Portfolio | | 24.58 | 7.65 | 5.20 | 3.77 | 0 | 41.21 | 0 | 21.08 | 7.42 | 4.74 | 3.77 | 0 | 37.01 | 0.00 |

**Annex Table 9: MIGA Guarantees**

| FY | Project name | Sector | Gross Exposure ($) | Guarantee Holder |
|---|---|---|---|---|
| 2012 | ContourGlobal KivuWatt | Infrastructure | 95,377,709 | ContourGlobal Africa Holdings S.a.r.l. |
| 2012 | Bakhresa Grain Milling (Rwanda) Limited | Manufacturing | 2,700,000 | S.S.A. Bakhresa, M.S. Bakhresa and A.S.S. Bakhresa |
| 2012 | Bakhresa Grain Milling (Rwanda) Limited | Manufacturing | 9,690,000 | S.S.A. Bakhresa, M.S. Bakhresa and A.S.S. Bakhresa |
| 2012 | Bakhresa Grain Milling (Rwanda) Limited | Manufacturing | 2,375,000 | S.S.A. Bakhresa, M.S. Bakhresa and A.S.S. Bakhresa |
| **TOTAL** | | | **110,142,709** | |

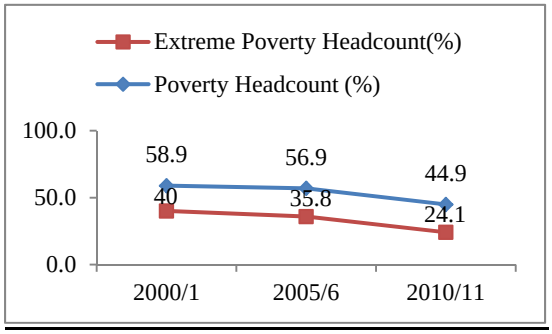
## Annex 3: A Diagnostic of Growth, Poverty, and Shared Prosperity

1. **During the 2000s, Rwanda has become one of the ten fastest-growing economies in the world.** GDP grew at more than 8 percent per annum between 2001 and 2011, mostly driven by domestic demand supported by public expenditures financed through foreign aid. Strong growth was translated into a rapid reduction in poverty from 59 percent in 2001 to 45 percent in 2011. In addition, growth over the past decade was pro-poor, leading to a modest decline in inequality. Poverty reduction has mainly been driven by a strong increase in agricultural production and the diversification into non-farm employment. Nevertheless, the poverty rate remains high, and there is room to address the high levels of inequality (including in access to service delivery). Sustaining the high rate of growth and poverty reduction requires shifting from an aid-dependent, public sector-led development process toward growth driven by the private sector. This shift will happen mainly through addressing constraints to conducive business climate, effective/efficient use of public resources accompanied by domestic resource mobilization, investing in human capital, well-managed urbanization, achieving accountable governance through more effective decentralization to ensure greater equality in public service delivery, and continued investments in agriculture and social protection.

### I. Trends in Poverty Reduction and Shared Prosperity

2. **Rwanda achieved solid progress on poverty reduction over the past decade.** The share of the population below a nationally defined basic-needs poverty line dropped from 59 percent in 2001 to 45 percent in 2011 (Annex Figure 11). Extreme poverty, defined as the share of the population living below the food poverty line, declined by 16 percentage points, from 40 percent in 2001 to 24 percent 10 years later.[38] The decline was accompanied by a reduction in the poverty gap ratio. The distance between the poor and the poverty line declined from 24 percent in 2001 to 15 percent in 2011 indicating that the poor are now closer to the poverty line, which bodes well for future poverty reduction (Annex Figure 2).

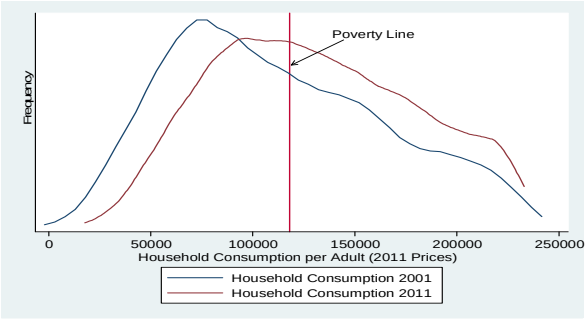
**Annex Figure 1: Poverty in Rwanda is on the decline**




*Source:* EICV1, EICV2 and EICV3.

**Annex Figure 2: The Poor Have Moved Closer the Poverty Line between 2001 and 2011**

(Kernel Density Estimation of Household Consumption, 2000 and 2011)



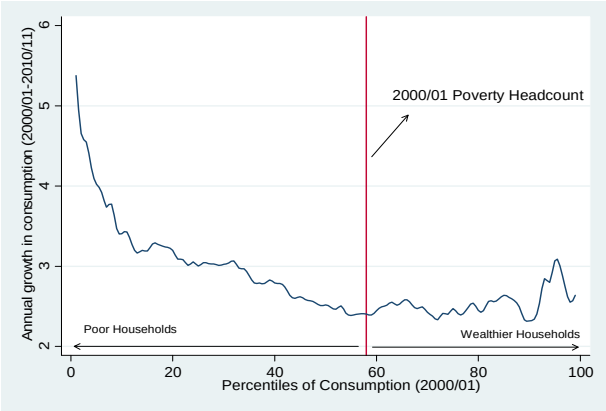

3. **Growth over the past decade was pro-poor.** The mean growth in household consumption of the bottom 40 percent between 2001 and 2011 amounted to 3.4 percent per year, exceeding the overall growth rate of 2.8 percent. Growth was particularly high for the poorest 20 percent of households, which grew by 3.7 percent per year (Annex Figure 3). The pro-poor pattern of growth resulted in a modest

[38]Extreme poverty as defined by the World Bank's $1.25 a day line stood at 63 percent in 2011.

decline in inequality: the Gini coefficient decreased from 0.51 in 2001 to 0.49 in 2011(Annex Figure 4. Despite the decrease, inequality remains high.

**Annex Figure 3: The poor grew faster than the non-poor between 2001 and 2011…**

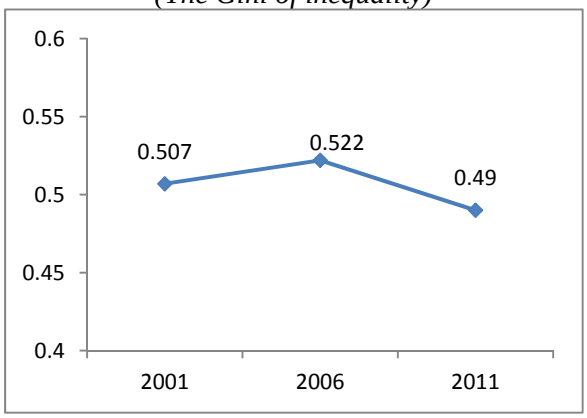
*(Growth-Incidence Curve for Rwanda, 2001-2011)*




*Source: EICV1 and EICV3*

**Annex Figure 4: Leading to a reduction in inequality**

*(The Gini of inequality)*




*Source: EICV1, EICV2 and EICV3*

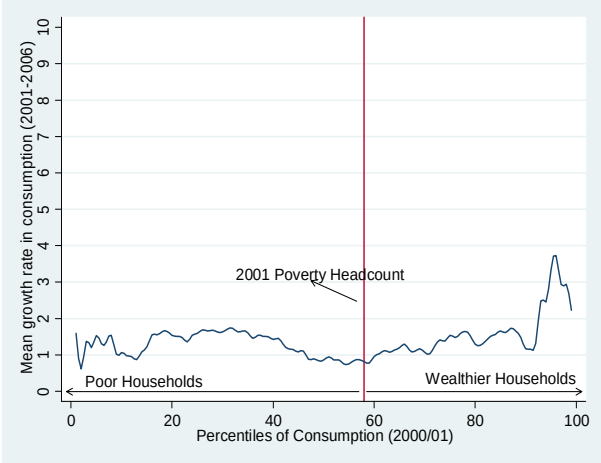
4. **The combination of solid growth and inequality reduction boosted shared prosperity.** The shared prosperity indicator, a combination of growth in average incomes and the share accruing to the bottom 40 percent increased by 37 percent between 2001 and 2011.[39] Despite the modest reduction in inequality, more than three-quarters of the increase in shared prosperity was due to growth and the remaining quarter was due to the reduction in inequality. Similarly, almost all of the reduction in poverty (99 percent) over the past decade can be attributed to growth in mean incomes rather than inequality reduction. Growth has been the main driving force for poverty reduction.

5. **Progress on poverty and shared prosperity can largely be attributed to the strong performance since 2006.** Household consumption growth was pro-rich between 2001 and 2006, leading to an increase in inequality (Annex Figure 5). As a result, poverty dropped by only two percentage points during this period (Annex Figure 1) despite household consumption growing at 2 percent per year. Since 2006 however, the distribution of growth changed and benefited the poor more than the non-poor (Annex Figure 6): the bottom 40 percent grew at an annual rate of 5.4 percent between 2006 and 2011, substantially faster than 3.7 percent growth rate of the top 60 percent. As a result, inequality decreased rapidly and poverty fell by an impressive 12 percentage points.

[39] Shared prosperity indicator as defined in David Rosenblatt and Tamara J. McGavock, A Note on the simple algebra of the shared prosperity indicator (Policy Research Working Paper 6645, World Bank, October 2013). The shared prosperity indicator does not have an intuitive interpretation nor does it have an upper bound. For the sake of completeness, Rwanda's shared prosperity indicator increased from 29,650 in 2001 to 40,692 in 2011.

**Annex Figure 5: The Non-Poor Grew Faster than the Poor between 2001 and 2006…**

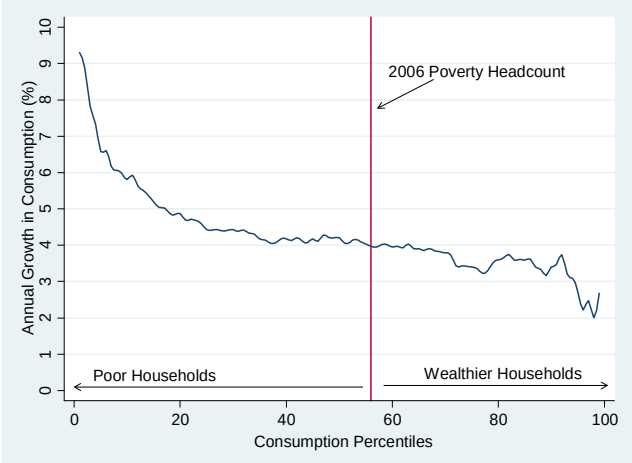
*(Growth-Incidence Curve for Rwanda, 2001-2006)*




*Source: EICV2 and EICV3*

**Annex Figure 6: While the Poor Grew Faster than the Non-Poor between 2006 and 2011**

*(Growth-Incidence Curve for Rwanda, 2006-2011)*



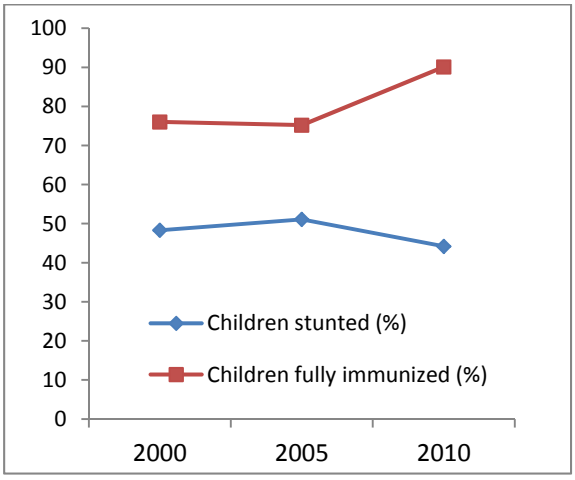

*Source: EICV2 and EICV3*

6. **The reduction in poverty was accompanied by improvements in non-monetary measures of welfare as well.** The fraction of children between 12 and 23 months with full vaccination coverage increased from 76 percent in 2000 to 90 percent in 2010, while child mortality rates dropped spectacularly: under-five mortality more than halved from 196 (per 1,000 live births) in 2000 to 76 in 2010 and infant mortality decreased from 107 to 50 (Annex Figure 7). Access to education improved at both the primary and secondary level, though net attendance in secondary school remains low at 20 percent (despite having doubled since 2000). Despite a modest decline over the past decade, the rate of chronic malnutrition remains high at 44 percent, jeopardizing human capital accumulation of the future labor force.

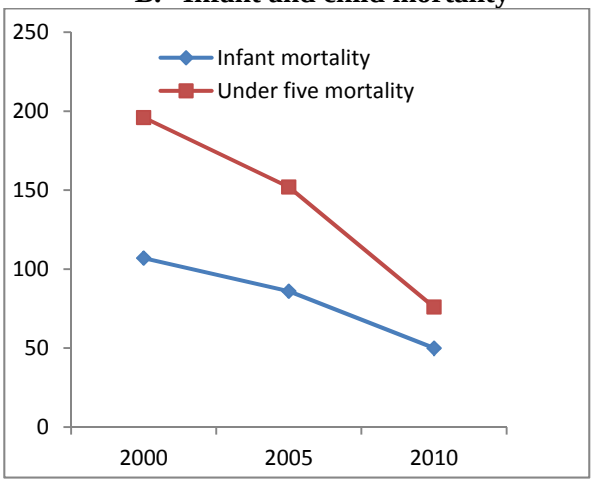
**Annex Figure 7: Health and education indicators improved between 2000 and 2010**

*(Evolution of selected health and education indicators, 2000-2005-2010)*

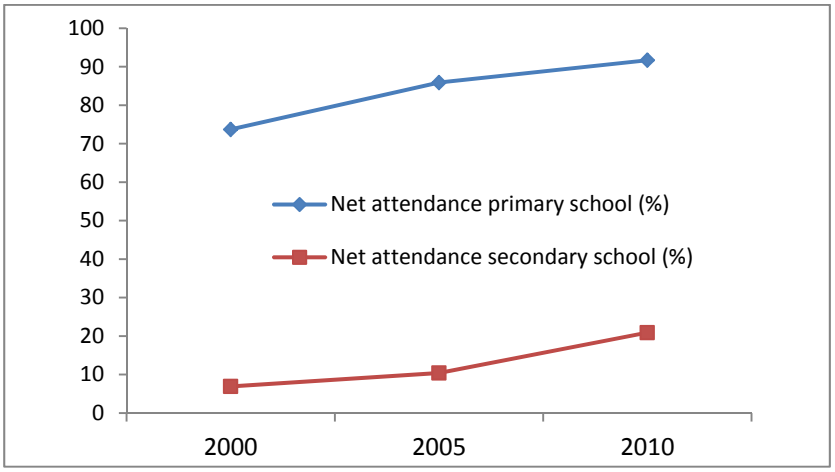
**A. Child health**




**B. Infant and child mortality**



**C. Net school attendance**




Source: DHS, 2000, 2005, 2010

7. **Access to basic services has increased over the past decade.** Nevertheless, important challenges remain to deliver basic services to the poorest citizens (Annex Table 10). Electrification, for example, has mostly benefitted the wealthiest households. While the proportion of wealthy families with access to electricity rose from 18 percent in 2006 to 39 percent in 2011, less than 1 percent of households in the first two quintiles of the income distribution (the poorest 40 percent) have access to electricity. On the other hand, other services, education, health, and water and sanitation have shown more income-neutral or even pro-poor increases in access. Access to improved sanitation, in particular, has increased by more than 50 percent among the poorest 20 percent compared to 12 percent among the richer 20 percent. Access to safe drinking water has also increased at a (slightly) faster rate among the poor while health insurance has increased by almost 60 percent in all consumption quintiles, with a slightly more pronounced increase for women (from 44 percent to 70 percent).

**Annex Table 10: Households' Access to Services (%)**

| Access to Services | Electricity | | Safe Drinking Water | | Improved Sanitation | | Health Insurance | |
|---|---|---|---|---|---|---|---|---|
| | 2005/06 | 2010/11 | 2005/06 | 2010/11 | 2005/06 | 2010/11 | 2005/06 | 2010/11 |
| Rwanda | 4.3 | 10.8 | 70.3 | 74.2 | 58.5 | 74.5 | 43.3 | 68.8 |
| Q1 | 0.0 | 0.4 | 66.6 | 68.4 | 42.4 | 64.7 | 33.2 | 52.9 |
| Q2 | 0.2 | 0.8 | 66.7 | 71.4 | 51.1 | 72.1 | 37.6 | 61.4 |
| Q3 | 0.1 | 2.1 | 67.2 | 71.5 | 55.6 | 71.9 | 45.5 | 69.3 |
| Q4 | 0.6 | 5.6 | 68.9 | 73.2 | 60.9 | 74.7 | 47.7 | 74.5 |
| Q5 | 17.8 | 38.8 | 79.6 | 84.0 | 76.6 | 85.6 | 51.5 | 84.5 |

Source: EICV 3

8. **Similarly, there is great inequality to access to services across districts.** For example, usage of sector administration provided by sub-district varies from 6 percent in Rusizi District to 98 percent in Nyabihu District (Annex Table 11). Large differences across districts are also observed in access to health services (e.g., health centers and district hospitals). The large inequality across districts reiterates the importance of bringing the state closer to citizens through sustained decentralization efforts.

**Annex Table 11: Poverty headcount and access to services in 2011**

| | *Poverty headcount* | *Population accessing district hospital* | *Population accessing health centers* | *Population accessing sector administration* |
|---|---|---|---|---|
| Highest district (Nyabihu) | 73.3% | 94.1% | 99.0% | 97.5% |
| Lowest district (Rusizi) | 8.3% | 3.2% | 31.9% | 5.6% |
| National average | 44.9% | 37.8% | 91.1% | 58.2% |

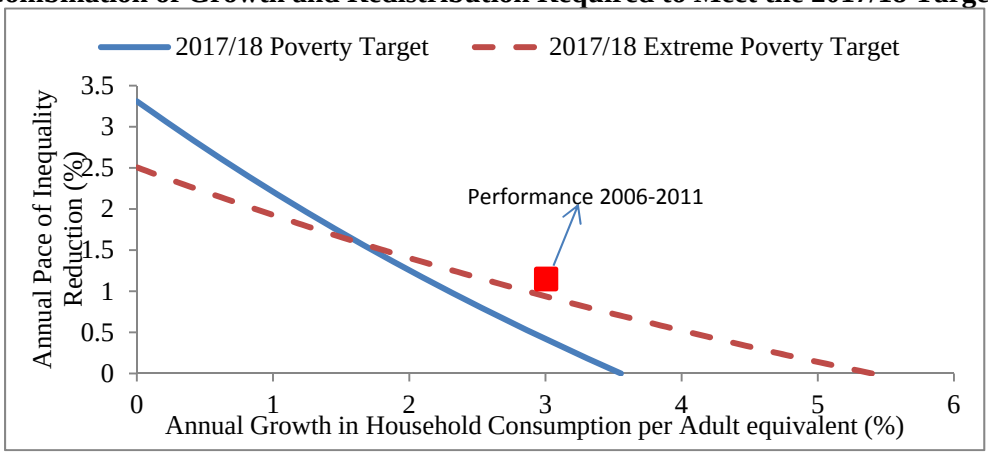
Source: EICV 3

9. **The second Economic Development and Poverty Reduction Strategy (EDPRS 2) sets ambitious poverty targets.** The goal is to push the share of the population poor down from 45 percent in 2011 to below 30 percent by the end of 2017 and to reduce the share of the extreme poor from 24 percent to below 9 percent. Achieving these ambitious targets will require continued strong growth in household consumption as well as a further reduction in inequality.

10. **Maintaining the progress achieved between 2006 and 2011 would enable Rwanda to attain the poverty targets of the EDPRS 2**. In the absence of inequality reduction, household consumption will have to grow by 3.6 percent per annum between 2011 and 2017/18 if poverty is to be reduced to 30 percent (horizontal intercept of blue curve in Annex Figure 8).[40] This growth rate is higher than the actual growth in the past decade (2.5 percent) and the growth in the second half of the decade (3.0 percent). However, if inequality were to drop modestly by 0.7 percent per year between 2011 and 2017/18, annual consumption growth of 2.6 percent would be sufficient to attain the poverty target. If inequality is reduced by 1 percent per year (the same rate observed between 2006 and 2011), the poverty target would be attained with consumption growth of less than 2.3 percent. The extreme poverty target (red curve in Figure 8) would be attained with an annual growth in household consumption of 2.8 percent and an annual inequality reduction of 1 percent. This largely corresponds with the performance observed between 2006 and 2011 (annual consumption growth of 3 percent and inequality reduction of 1 percent, the red square in Annex Figure 8).

[40] These simulations are based on the poverty curves developed by Ferreira and Leite, Policy Options for Meeting the Millennium Development Goals in Brazil: Can micro-simulations help? (Policy Research Working Paper Series 2975, World Bank, 2003). The simulations are purely mechanical and we present them for illustrative purposes. They should be interpreted with caution.

**Annex Figure 8: Inequality Reduction will be Key in Attaining the EDPRS 2 Poverty Targets (Combination of Growth and Redistribution Required to Meet the 2017/18 Targets)**




Source: EICV 3; World Bank Staff Calculations, 2014

## II. The Drivers and Constraints to Aggregate Growth

11. **The strong growth in household consumption and poverty reduction was led by strong aggregate growth.** Between 2006 and 2013, annual average GDP growth rate reached 7.2 percent, the highest in EAC countries. A highly strategic approach to development, which has galvanized domestic and external resources around nationally defined medium- and long-term goals, has delivered economic growth. GDP per capita[41] however remains low (US$620 in 2012, among the bottom 10 percent countries in the world) although it almost doubled from US$320 in 2006. Despite high growth, economy's structure did not change significantly. The public sector plays a critical role (e.g. the public sector accounted for more than half of the total investment), the non-tradable sectors are dominant, and investment other than construction is limited. It is time to focus on the challenging second-generation reforms of export diversification, structural transformation, regional integration, and financial sector deepening through an increased role of the private sector.

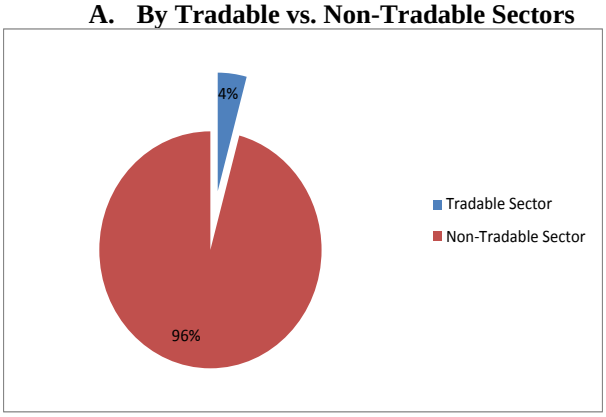
### A. Drivers of growth

12. **Growth in Rwanda has been driven by the non-tradable sector while the contribution from the tradable sector (export crops, manufacturing, and mining) has been limited (**Annex Figure 9-**A).** This is reflected in the high-service sector contribution (54 percent) to the overall growth followed by agriculture (21 percent) and industry (18 percent) as well as in growth decomposition by expenditure items. (Annex Figure 9-B). While consumption was the main driver of the growth, investment (especially non-construction) had a limited contribution (Annex Figure 9-C). Prudent macroeconomic management and resulting macroeconomic stability (e.g., low and stable inflation rates between 2010 and 2013) have been an important factor supporting high growth. For example, the authorities successfully contained the impacts of the 2008/09 global financial crisis and the 2012 aid decline through monetary and fiscal policy reactions. Despite authorities' prompt and adequate repose to the aid decline, growth decelerated to 4.6 percent in 2013 due to the lagged effect of the aid shock.

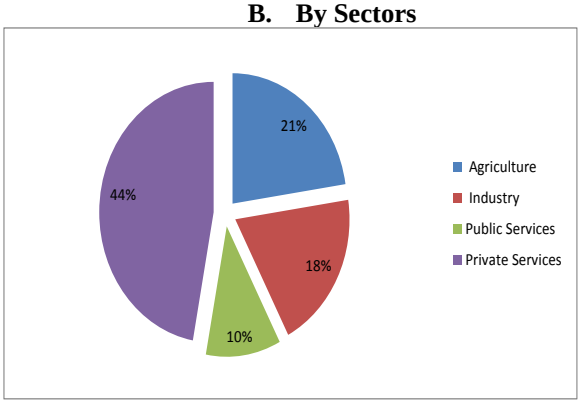
[41] Current US$ calculated based on the Atlas method.

**Annex Figure 9: Contributions to Growth in 2006-13**

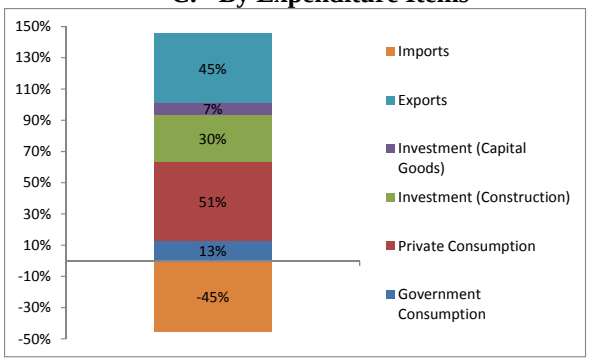
**A. By Tradable vs. Non-Tradable Sectors**




**B. By Sectors**




**C. By Expenditure Items**




Source: NISR, World Bank Staff Calculations , 2014

13. **Foreign aid and effective use of it have played a critical role in growth and macroeconomic stability.**[42] Net official development assistance (ODA) as a share of GDP remained high at 20 percent in 2011 or 93 percent of gross fixed capital formation, though it declined from over 150 percent in the early 2000s. Aid flows into Rwanda have been redistributed through public expenditures. In the past decade, foreign aid (accounting for 30-40 percent of the budget) has supplemented low domestic tax collections and created fiscal space. While the direct impact of public expenditures has been relatively small (public service contributed 10 percent to the increase in GDP between 2006 and 2013 as illustrated in Figure 10), public expenditures stimulated private services such as trade and real estate. Foreign exchange inflows through aid have also financed the negative current account balance (excluding official transfers) and made the overall balance of payments positive in the past decade.

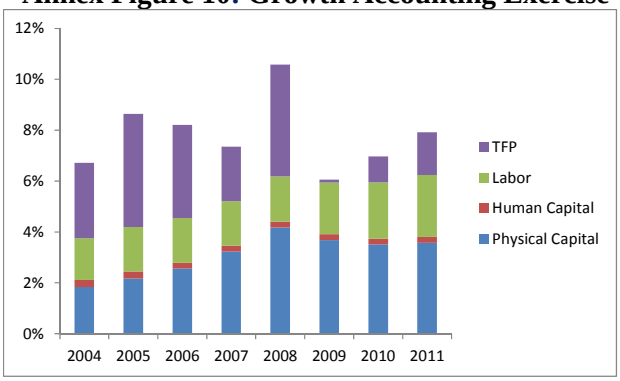
14. **Though growth was high, it has not stimulated a significant transformation of the economy.** Between 2006 and 2013, the sectoral composition of the economy changed only marginally. The economy is led by services (45 percent) followed by agriculture (33 percent).[43] While the share of industry somewhat increased due to construction (15 percent), manufacturing remains low at 5 percent (Annex Figure 10). In the expenditure account, while the share of investment increased from 16 percent in 2006 to 25 percent in 2013, this was mainly due to investment in construction while investment in capital goods increased only marginally (Annex Figure 11) and public investment financed by foreign aid accounted for more than 50 percent of the total investment. On exports, while the share of exports

[42] Rwanda's performance on aid effectiveness is the best among 77 participating countries in Yoichiro Ishihara, "Identifying Aid Effectiveness Challenges in Fragile and Conflict-Affected States" (World Bank Policy Research Working Paper No.6037, 2012).

[43] More than 60 percent of poor households had an income-earning activity outside of agriculture in 2011. This seems to be reflected in the increase in the share of services.

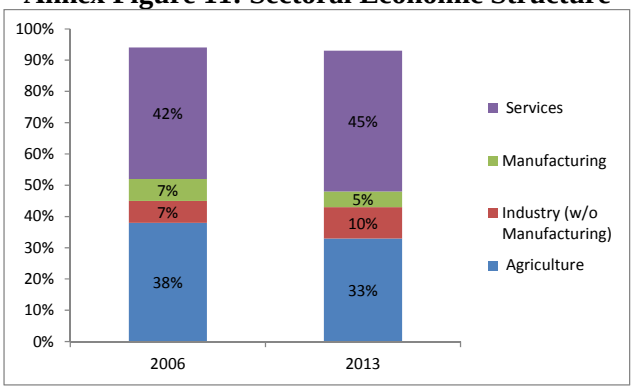
increased to 17 percent in 2013, there has been little progress on export diversification. The share of traditional products (coffee, tea, and minerals) accounted for almost 60 percent in 2013.

**Annex Figure 10: Growth Accounting Exercise**




Source: World Bank Staff Calculations , 2014

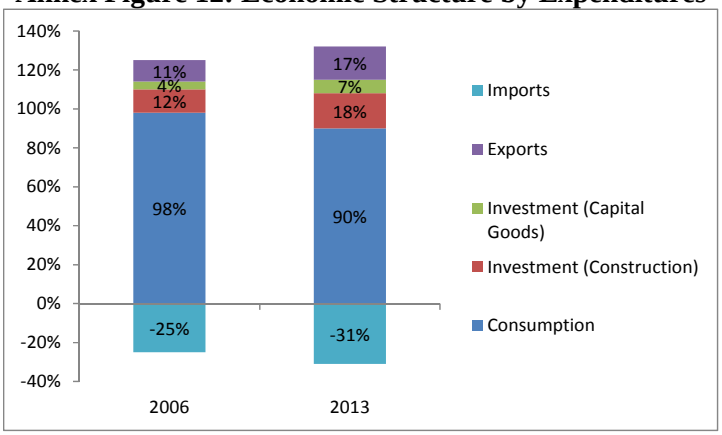
**Annex Figure 11: Sectoral Economic Structure**




Source: NISR, World Bank Staff Calculations , 2014

15. **Rwanda's growth accounting exercise** measures the contributions of different factors **such as capital stock, labor, quality of labor (measured by average year of schooling) and total factor productivity (TFP).** The exercise shows that physical capital and total factor productivity were the main drivers of growth. Although the investment rate as a share of GDP remains low, stocks of physical capital have accumulated from a low base (Annex Figure 12).

**Annex Figure 12: Economic Structure by Expenditures**



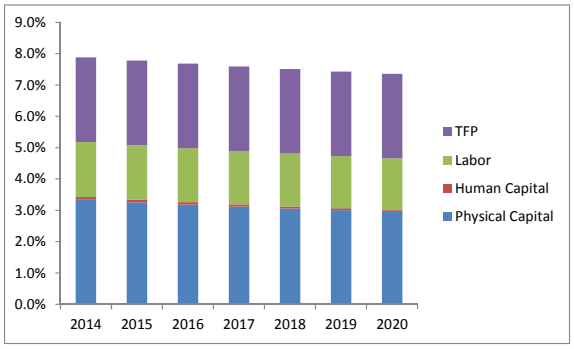

Source: NISR, World Bank Staff Calculations , 2014

## B. Constraints to accelerated and sustained growth

16. **Rwanda's medium-term development goals require growth to be even higher than it was in the past.** The Vision 2020 goals include GDP per capita of US$1,240, poverty rate below 20 percent, and urbanization rate of 35 percent by 2020. To achieve these goals, the EDPRS 2 envisages an annual GDP growth rate of 10.2 percent, which presents an ambitious leap from historic performance. However, the growth pattern of the past decade (stimulating domestic demand through large aid inflows and effective use of it) is unlikely to be replicated in the future. Given a possible decline in the share of aid in the economy in coming years, roles of public expenditures are expected to shift from driving growth to catalyzing it. The 2012 aid decline and resulting economic slowdown in 2013 have demonstrated the negative impacts of aid fluctuation.

17. **A growth potential estimate suggests that Rwanda will sustain a high growth rate (7-8 percent) in the medium term** (Annex Figure 13.[44] This estimate assumes more than 3 percent of growth comes from contribution from physical stocks (i.e., increase in investment is required) together with maintaining high total factor productivity.

**Annex Figure 13: Potential Growth Rate (2014-20)**




Source: World Bank Staff Calculations , 2014

18. **In order to achieve accelerated and sustainable growth, it is imperative to transform the drivers of growth from the public to the private sector by removing key constraints to private investment.** At the same time, for the public sector to play a catalytic role in achieving private sector-led growth, it is important to mobilize domestic resources to create fiscal space and prioritize expenditures through improved public financial management (PFM). Fast growing, non-resource-rich countries typically have sustained investment rates of 25 percent of GDP or higher and bulk of it comes from the private sector. In contrast, more than half of Rwanda's investment (at 24 percent of GDP) is from the public sector financed by foreign aid. Foreign aid accounts for 30-40 percent of the budget as the tax to GDP ratio remains at 14 percent of GDP (much lower than Sub-Saharan Africa's average at 25 percent). Since foreign aid as a share of GDP is likely to decline in the medium term, it is essential to accelerate domestic resource mobilization.

19. Several factors have constrained private investment in Rwanda, including:

- ***Small financial sector***. Access and cost of borrowing money is one of top constraints to conducive business climate.[45] This reflects small financial sector in Rwanda. For example, the number of borrowers from commercial banks is much lower than other EAC countries.
- ***Weak infrastructure, particularly electricity*.** Firms in Rwanda pay the highest electricity costs in the region at US$0.24 per kilowatt-hour (kWh) compared to US$0.15 per kWh in Kenya, and US$0.17 per kWh in Uganda; businesses experience on average 10 power outages per month. Availability and cost of electricity is ranked as the third most serious problem facing Rwanda.[46] And as Rwanda is a land-locked country, the limited transport infrastructure makes transport of goods very expensive; it is more expensive to bring goods from Dar es Salaam to Kigali than from Europe to Dar es Salaam. The lack of adequate electricity supply and transport routes is a major barrier to investment in manufacturing capacities.

[44] World Bank. 2014. Rwanda Economic Update 5: Seizing Opportunities for Growth, with a Special Focus on Harnessing the Demographic Dividend.

[45] For example, Rwanda Prosperity Ecosystem Survey: Evaluating Rwanda's Business and Investment Climate 2013.

[46] Rwanda prosperity ecosystem survey: evaluating Rwanda's Business and Investment Climate, Private Sector Federation business survey, 2013.

- ***Low human capital and qualified workers.*** As the services sector has been expanding faster than education enrolment, skills have become a binding constraint to growth. Business surveys show that firms are finding it increasingly difficult to hire workers with the right skills and often hire foreign-skilled labor. At the same time, the share of the working-age population is increasing; but taking advantage of this 'demographic dividend' only works if accompanied by an increase in skills, particularly for new market entrants and youth. Enhancing human capital requires improving the quantity (enrolment) and quality of education, but also of health services since labor productivity is directly tied to health outcomes.

20. **While removing the obstacles to private sector development is imperative,** there is also scope to stimulate the economy through improving the effective and efficient use of public resources, increasing agriculture/non-agriculture productivity, and leveraging urbanization.

- ***Improving PFM***. Mobilizing domestic resources through tax policy and administration reforms from the low base at 14 percent of GDP in FY2012/13 will secure fiscal space for public expenditures in general and public investment in particular. Building on the progress to date, domestic resource mobilization should be accompanied by other elements of public financial management such as a tighter link between planning and budget and improved public investment management. Furthermore, given the disparity of access to public services across the districts, public expenditures should be allocated so that they adjust the disparity.
- ***Productivity gains in the agriculture sector.*** Smallholder farms and reliance on rain-fed production characterize agriculture in Rwanda, which accounts for one-third of GDP and 70 percent of employment. Small farms face challenges accessing input and output markets owing to weak rural infrastructure and low use of irrigation as well as limited market information. Various policy actions could raise productivity in the sector, including legislative reform, investment in rural infrastructure, and land administration reform.
- ***Productivity gains in the non-agriculture sector***. Despite its performance demonstrated in the Doing Business indicators, private non-farm sectors show evidence of various bottlenecks to productivity growth and investment. Business surveys point to numerous layers of bureaucracy of the public sector and weak coordination between public institutions, which is particularly affecting foreign investors' decision to invest in Rwanda. Two areas of the business environment that particularly stand out are land acquisition and tax payment. Investors report long delays caused by the public sector in acquiring land. In addition, the transparency of the tax system seems to be weak with numerous taxes and payments required from both the central and district governments.
- ***Leveraging urbanization.*** The continued population growth and high population density (highest in Africa) provides a strong rational for Rwanda to leverage urbanization for economic growth and poverty reduction. If managed well, urbanization would result in productivity enhancements in the non-farm economy owing to the agglomeration effects of demand for consumption and labor supply. In parallel, a reduction in the rural population would yield productivity enhancements in farming as well given the labor surplus and high rates of underemployment that currently characterize the agricultural sector.

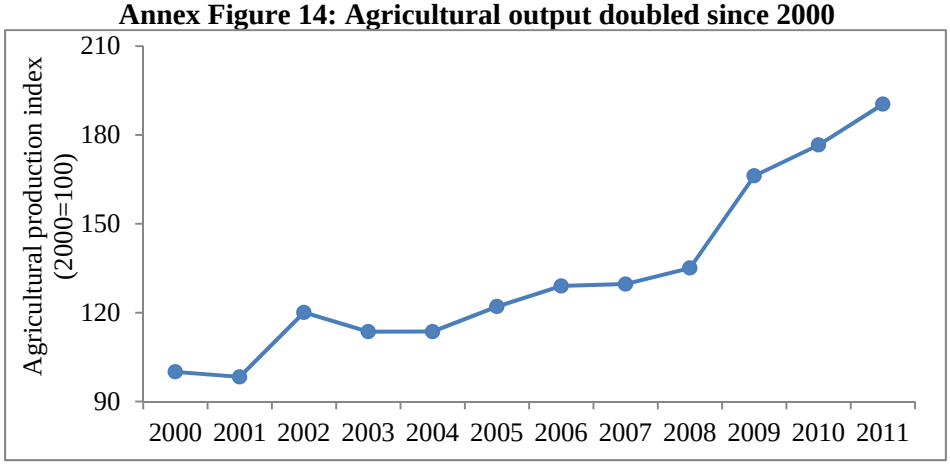
## III. Drivers of Poverty Reduction and Shared Prosperity

21. **Agriculture has been the main driver of household consumption growth and poverty reduction in Rwanda over the past decade[47].** Consistent with strong public investments in agriculture, particularly since 2007/8, aggregate agricultural output almost doubled between 2000 and 2011 (Annex

[47] World Bank. 2013. Rwanda Economic Update 4: Maintaining Momentum, with a special focus on Rwanda's pathway out of poverty.

Figure 14. The increase in production accounted for 35 percent of the total reduction in poverty between 2001 and 2011. Increased commercialization of agriculture, as witnessed by the rising share of harvests sold on local markets, explains another 10 percent. The improvements in agriculture have greatly impacted the main income source of the poor: Poor households' income from agriculture almost doubled between 2006 and 2011[48]. Taken together, the improvements in agriculture accounted for close to half (45 percent) of the total reduction in poverty between 2001 and 2011.

**Annex Figure 14: Agricultural output doubled since 2000**

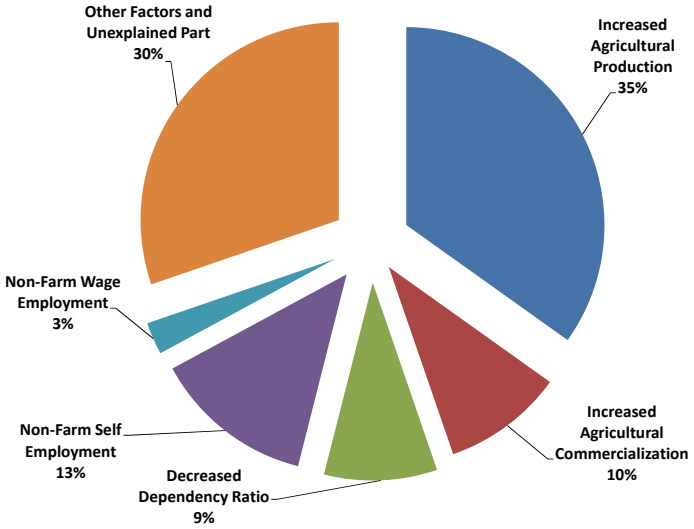



*Source: FAOSTAT, 2014*

22. **Rapid diversification into non-farm activities has been the second main driver of poverty reduction.** While only 20 percent of poor households had an income-earning activity outside of agriculture in 2001, this had increased to more than 60 percent by 2011. This evolution has been particularly salient for self-employment in small non-farm businesses, the so-called household enterprises. The diversification into non-farm activities has reduced income risk, as poor households no longer uniquely depend on agriculture, and hence on the vagaries of unpredictable weather patterns, to generate income. The diversification into non-farm self-employment emerges as the second main driver of poverty reduction, explaining 13 percent of the total reduction over the past decade (Annex Figure 15). The progressive uptake of non-farm wage employment has been important for poverty reduction in Kigali but has been of only marginal importance on the national level given Kigali's small contribution to overall poverty.

[48] NISR. 2012. EICV3 Thematic Report: Income. National Institute of Statistics of Rwanda.

**Annex Figure 15: Agriculture Accounted for the Bulk of National Poverty Reduction**
*(Contribution of the Various Factors to Poverty Reduction between 2001 and 2011, percent)*




*Source:* EICV1 and EICV3 and World Bank calculations

23. **Favorable demographics gave an extra boost to poverty reduction.** The total fertility rate (the average number of children a woman can expect to have at the end of the reproductive period) dropped from 5.8 in 2000 to 4.6 in 2010. This drop in fertility led to a decrease in average household size and in the youth dependency ratio (the number of economically dependent children per working-age adult in the household). The drop in the youth dependency ratio, from 1.0 in 2001 to 0.9 in 2011, increased household disposable income and accounted for 9 percent of the reduction in poverty.

24. **The drop in fertility holds a longer-term promise as well.** As a result of the sharp decline in fertility, the share of the labor force in the total population is projected to increase substantially over the coming decades (from 53 percent in 2010 to 64-67 percent by 2050). Combined with a declining youth dependency ratio, the rapidly growing labor force has the potential to significantly boost output and growth.[49] Reaping this demographic dividend will however require strong job creation to accommodate the burgeoning labor force.

## IV. Sustainability of Growth and Poverty Reduction

25. **For sustainability, Rwanda's model for economic development demands an environmentally friendly approach.** Substantial parts of Rwanda's economy, in particular its agriculture and mining sectors, have direct impact on the environment. Hence, the country will face trade-offs in developing these sectors, and improved management of environmental and natural resources will be needed in order to support sustained growth. Input requirements (water, energy, land, raw materials) will need to keep pace with projected rapid growth, while minimizing negative environmental externalities. The Government takes environmental challenges seriously. A study is underway to explore some of the "big picture" trade-offs that might occur between the pursuit of rapid growth and the imperative for environmental sustainability over coming years.

26. **There are several risks to the sustainability of growth and poverty reduction, both internal and external ones.** The main internal risks arise from variable climatic conditions and the private sector response to government reforms. Agriculture is the main employer and driver of poverty reduction but

[49] World Bank. 2014. Rwanda Economic Update 5: Seizing Opportunities for Growth, with a Special Focus on Harnessing the Demographic Dividend.

remains vulnerable to the vicissitudes of unpredictable weather patterns and regional droughts and floods, which can significantly affect output and progress on poverty reduction. Favorable weather conditions will be a sine qua non for attainment of the EDPRS 2 targets. The important role given to the private sector in the EDPRS 2 is challenging given the modest performance of the private sector over the past years. In case the private sector does not respond well to reforms, the ambitious targets elaborated in the EDPRS 2 would be adversely affected.

27. **The main external risks to sustainability relate to a more-rapid-than-expected tapering of donor inflows, the pace of regional integration and the potential for regional conflict, and a prolonged slump in the global economy**. As a landlocked country, Rwanda is crucially dependent on closer integration with its neighbors to facilitate imports and exports and drive economic growth. While progress on regional integration could drive economic growth across the region and boost regional stability, renewed tensions and conflict could stall integration, adversely affecting Rwanda's plans to become a regional hub, as well as donor flows with adverse implications for growth. Rwanda's high reliance on foreign aid makes its development strategy vulnerable to the uncertainty of donor flows. While Rwanda is fairly insulated from the global economy, a prolonged slump would nevertheless have a negative impact on growth prospects through lower demand for goods and services and more constrained availability of external financing.

## V. Priority Areas for Rwanda

28 **Accelerating the rates of growth and poverty reduction from their already high levels will require a significant restructuring of the economy.** Achieving private sector-led growth will require addressing constraints to a more conducive business climate by removing key bottlenecks in energy and infrastructure. Sustaining or even accelerating the rate of poverty reduction will require continued growth in agricultural productivity and an extensive and effective social protection system to support the incomes of the poorest and most vulnerable.

29 **Several priorities for mid-term sustained growth and poverty reduction in Rwanda emerged from undertaking the analysis for this diagnostic and the CPS consultations with stakeholders.** In addition to addressing constraints to a more conducive business climate, other areas of priority are effective/efficient use of public resources together with domestic resource mobilization, investing in human capital, instituting well-managed urbanization, achieving accountable governance through enhanced PFM and more effective decentralization to ensure greater equality in public service delivery, and continuing investments in agriculture and social protection

### A. Energy and transport

30 **Turning the private sector into the driver of growth will require a substantial reduction in the costs of energy and transport.** The current high costs of energy and transport undermine the competitiveness of Rwandan firms and Rwanda's attractiveness as a destination for foreign direct investment, constraining growth, and job creation. The need for significant enterprise development is particularly important given the rapidly increasing labor force: an estimated 200,000 people will join the labor force each year over the EDPRS 2 period, which is almost double the rate of job creation in the past. A vibrant private sector will be needed to absorb this burgeoning labor force.

### B. Agriculture, rural development and social protection

31 **Agriculture has been the main engine of poverty reduction in the past and is likely to remain so in the near term.** The main Government programs in agriculture currently do not even cover half of arable land, and productivity remains below the average of Sub-Saharan Africa. Irrigation and fertilizer use are still low despite recent gains; and increased agricultural mechanization, currently at 12

percent, could result in strong productivity bumps. Addressing these issues while also building appropriate rural infrastructure (feeder roads, markets, post-harvest storage facilities) and specialized agricultural skills have the potential to significantly increase productivity and agricultural incomes and, hence, result in sustained rapid poverty reduction.

32 **While improvements in agriculture and rural infrastructure will go a long way in increasing the incomes of the poor, they are unlikely to reach most destitute households.** The poorest households are often landless or have landholdings that are grossly insufficient to provide for even their most basic food needs, which means improvements in agriculture will largely bypass them. These households either need direct support to their incomes or the opportunity to participate in wage employment in public infrastructure projects. The government's flagship social protection program (Vision 2020 Umurenge Program) currently covers half of the country's 416 sectors, and a targeted and evidence-based scale-up could result in more poverty reduction and continued pro-poor growth.

### C. Urbanization

33 **The high and increasing pressure on land and the need to create substantial off-farm employment offer strong incentives for urbanization.** Well-managed urbanization could be an important catalyst for accelerated growth, improved service delivery, and non-farm job creation. Research shows urbanization is associated with higher economic growth rates and creation of nonfarm jobs, which Rwanda will sorely need in light of increasing pressure on arable land. In addition, urbanization to secondary towns (as opposed to urbanization to the capital), a key element of the Government's strategy on urbanization, is linked to accelerated poverty reduction.[50] Urbanization is also associated with lower fertility levels and high levels of investments in children's health and education, which are all conducive to nurturing a productive future labor force.

### D. Decentralization and PFM

34 **Despite strong improvements in delivery of basic services, there remains a large inequality in service delivery across districts.** Access to basic health facilities (health centers) varies from 32 percent of the population in certain districts to almost 100 percent in other districts. Similarly, while in certain districts nearly everyone has access to the local administration (sector administration), this drops to a mere six percent for other districts. Decentralization, if done well, can provide a stronger match between services delivered at local levels and services actually needed, and hence benefit local populations in terms of quality of service delivery and improved living standards. This should be supported by improvements in PFM, both at the national and subnational level, to optimize allocation of scarce resources to sub-nationally identified priority areas.

### E. Education and skills

35 **Formal education and skills levels in Rwanda are low.** The median level of education of the labor force amounts to the fourth grade of primary school, and over 16 percent of the labor force have never been to school. The situation is however improving for the younger generations: net enrolment in primary school stands at 92 percent while gross enrolment in secondary school more than doubled in only five years (41 percent in 2011 up from 20 percent in 2006). Despite these positive evolutions, the Rwandan labor force is projected to remain relatively low-skilled over the foreseeable future.[51]

[50] Luc Christiaensen, Joachim De Weerdt, and Yasuyuki Todo, Urbanization and Poverty Reduction, The Role of Rural Diversification and Secondary Towns (Policy Research Working Paper 6422, World Bank, April 2013).

[51] It is estimated that approximately 20 percent of the labor force will have secondary education by 2020. The mean years of schooling is projected to be 5.6 (World Bank EdStats projections).

36 **Rwanda cannot afford to wait for the current generation of children to complete their schooling and enter the labor market.** The skills of the current labor force need to be improved to allow workers to increase their productivity and facilitate the move from subsistence agriculture toward a higher-value, market-oriented mode of production or into higher-productivity, non-farm occupations. This could consist of basic skills training for farm workers in functional and financial literacy, specialized agricultural skills, and targeted vocational training to build basic skills for employment in labor-intensive subsectors (construction, transport, light manufacturing).

### F. Child health and nutrition

37 **Despite recent improvements, the rate of chronic malnutrition in Rwanda remains high.** Forty-four percent of children under five years of age are stunted, down from 51 percent in 2005; and almost one in five suffers from severe chronic malnutrition. Stunting in early childhood has consequences that last for a lifetime. Poor nutrition in early childhood is causally linked to increased mortality, disease and disability, worse educational outcomes, and lower productivity and income as adults. The first 1,000 days of a child last forever; consequently, the high incidence of malnutrition in Rwanda's human capital risks jeopardizing the health and well-being of it future citizens as well as its future labor force, with negative implications for productivity and economic growth.

38 **Data on malnutrition shows that poverty is not the only culprit.** While poor children are more at risk, 25 percent of children in the richest 20 percent of households are stunted. Similarly, some of the poorest districts in Rwanda have the lowest rates of chronic malnutrition. This highlights the need for improved nutrition education on appropriate feeding and care practices.

## Annex 4: Rwanda and the MDGs

**Poverty has significantly declined in Rwanda over the past decade, but challenges remain.** While the poverty headcount (the proportion of the population living below the national poverty line) decreased by 14 percentage points between 2001 and 2011, 45% of the population lives below the poverty line.[52] Therefore, despite the drop in poverty, Rwanda is unlikely to achieve the 2015 MDG-1 target for poverty and hunger eradication (Table 3)[53]. The poverty headcount is much higher in rural areas (49%) than urban areas (22%). Extreme poverty (the fraction of the population living below the food poverty line) dropped by 16 percentage points over the past decade, but 24% of the population was still in extreme poverty in 2011. Inequality slightly improved, reflected in a Gini coefficient of 0.49 in 2011 compared to 0.52 in 2006. The decline in poverty occurred during a period of high growth rates in Rwanda but also during intermittent periods of food price inflation.

**While notable progress has been made in a wide range of health and primary education indicators, children malnutrition and stunting remains a very serious health problem (**Annex Table 12**).** The 2009 Comprehensive Food Security and Vulnerability Analysis (CFSVA) and Nutrition Survey showed that Rwanda has made progress in terms of increasing food security but indicated that more investments are needed to sustain this progress. It is notable that the observed decline in poverty between 2006 and 2011 was accompanied by a decline in the proportion of female-headed households among the poorest income quintiles. This appears to show that female-headed households are becoming less vulnerable, which corroborates the excellent performance of Rwanda with regard to the achievement of MDG-3 on gender equality.[54] With regard to MDG-7 on environmental sustainability, Rwanda's natural resources are under pressure from the growing population, which is most evident in land degradation, soil erosion, declines in soil fertility, deforestation, wetland degradation, and a loss of biodiversity. Further economic development will increase environmental pressures by increasing energy consumption, pollution, and urbanization. Progress in increasing the proportion of the population that has access to safe drinking water and improved sanitation facilities is still too slow to reach the set targets.

**The 2010 Rwanda Demographic and Health Survey (DHS) and the EICV3 have shown that maternal and child health has improved dramatically, and HIV prevalence has been contained at 3% since 2005.** Under-five mortality decreased more than threefold since the early 2000s, hitting the mark of a two-thirds reduction in child mortality targeted by MDG 4. Progress in health indicators was mainly sustained by increased access to health care, largely due to the increased proximity of health centers to residential areas. However, more progress still needs to be made with respect to nutrition. Nationwide, 44% of children under the age of 5 are stunted, and 17% are severely stunted. In regard to education, Rwanda has made progress in expanding access, with net primary school enrollment having increased from 76% in 2001 to 99% in 2011. Also, the primary school completion rate increased from 24% in 2001 to 79% in 2011. If this progress continues, there is a possibility of the related MDG target being achieved by 2015. However, indicators for secondary and tertiary education are still lagging behind and there is a challenge to improve the quality of teaching, for example the primary school pupil to qualified teacher ratio stood at 62:1 in 2011/12.[55]

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[52] NISR (2012), The Third Integrated household Living Conditions Survey (EICV3) available at http://statistics.gov.rw/images/PDF/Main%20EICV3%20report.pdf

[53] The 2010 MDG country report set the goals to be met by 2015 in accordance with national priorities and through the implementation of the EDPRS.

[54] Within education, gender parity in literacy rates and gender enrollment parity at the primary level have been achieved. Within the public arena, the number of woman in politics, parliament, and all decision-making bodies has sharply increased over the last decade, supported by the government's target of 30% female representation. For example, to date, women hold 56% of the seats in Rwanda's Parliament, the highest percentage of female lawmakers in the world.

[55] USAID Task Order 7 Early Grade Reading and Mathematics in Rwanda, February 2012 indicated that many pupils were not receiving adequate instruction in the important skills needed to read and interpret text. The complexity of this effort is increased by the change in 2008 from French to English as the medium of instruction.

**Annex Table 12: Progress against MDGs**

| Goals | Indicators | 2000 | 2005 | 2008 | Latest data | 2015 Target |
|---|---|---|---|---|---|---|
| **Goal 1a: Eradicate extreme poverty and hunger:** *Reduce by half the proportion of people living on less than a dollar a day* | Proportion of population below the national poverty line | 58.9 | 56.7 | -- | 44.9 (2011) | 23.8 |
| **Goal 1b: Eradicate extreme hunger***: Reduce by half the proportion of people who suffer from hunger* | Prevalence of underweight children under 5 years old (%) | 20.3 | 18.0 | 15.8 | 11.4 (2010) | 14.5 |
| | Proportion of the population below minimum level of dietary energy (%) | -- | -- | -- | 24.1 (2011) | 17 |
| **Goal 2: Universal primary education***: Ensure that all boys and girls complete a full course of primary schooling* | Net enrollment ratio in primary education | -- | 84.0 | 94.2 | 98.7 (2010/11) | 100 |
| | Primary completion rate, total (% of relevant age group) | -- | 49.2 | 74.5 | 79 (2010/11) | 100 |
| **Goal 3: Promote gender equality and empower women***: Eliminate gender disparity in primary and secondary education preferably by 2005 and at all levels by 2015* | Ratio of girls to boys in primary and secondary education (%) | 96.0 | 100.2 | -- | 101.1 (2008) | n/a |
| | Seats occupied by females in Parliament (%) | 17.0 | 48.8 | 56.3 | 56.3 (2011) | 50 |
| **Goal 4: Reduce child mortality***: Reduce by two-thirds the mortality rate among children under 5 between 1990 and 2015* | Mortality rate, under-5 (per 1,000) | 196.0 | 152.0 | 103.0 | 54 (2012) | 47 |
| | Mortality rate, infant (per 1,000 live births) | 107.0 | 86.0 | 62.0 | 38 (2012) | 28 |
| **Goal 5: Improve maternal health**: *Reduce by three-quarters the maternal mortality ratio* | Maternal mortality ratio (modeled estimate, per 100,000 live births) | 1071.0 | 720.0 | 540.0 | 476 (2012) | 325 |
| | Births attended by skilled personnel (% of births) | 31.3 | 38.6 | 52.1 | 69 (2010) | 90 |
| **Goal 6: Combat HIV/AIDS, malaria, and other diseases***: a) Halt and begin to reverse the spread of HIV/AIDS and b) halt and begin to reverse the incidence of malaria and other major diseases* | HIV prevalence | 3.8 | 3.1 | -- | 3 (2010) | n/a |
| ***Goal 7:* Ensure environmental sustainability***: a) Integrate the principles of sustainable development into country policies and programs and b) reverse loss of environmental resources.* | Proportion of land covered by forest (%) | 13.9 | 15.6 | -- | 17.6 (2010) | 25 |
| | Improved water source (% of population with access) | 67.0 | 66.0 | 65.0 | 74.2 (2011) | 82 |
| | Improved sanitation facilities (% of population with access) | 40.0 | 49.0 | 54.0 | 74.5 (2011) | n/a |

*Sources:* Millennium Development Goals Progress Report, Rwanda Country Report 2010, DHS2010, EICV3, WDI, CPAF Matrix

**Access to basic services has increased significantly among poor rural households.** In Rwanda, 98% of the poor live in rural areas. Between 2006 and 2011, access to public primary education among the rural poor increased from 68% to 75%, and access to health centers from 63% to 81% (Annex Table 13). It is worth noting that these improvements have taken place during the same period in which decentralization was accelerated.

**Important challenges remain to deliver basic services to the poorest citizens (**Annex Table 14**).** Electrification, for example, has mostly benefitted the wealthiest households. While the proportion of wealthy families with access to electricity rose from 18% in 2006 to 39% in 2011, about 1% of households in the first two quintiles of the income distribution (the poorest 40%) have access to electricity. On the other hand, other services, education, health, and water and sanitation, have shown more income-neutral or even pro-poor increases in access. Access to improved sanitation, in particular, has increased by more than 50% among the poorest 20% compared to 12% among the richer 20%. Access to safe drinking water has also increased at a (slightly) faster rate among the poor while health insurance has increased by almost 60% in all consumption quintiles, with a slightly more pronounced increase for women (from 44% to 70%).

**Annex Table 13: Access to Services by Poor Household in Rural Areas (%)**

| | Use | | Satisfaction rate | |
|---|---|---|---|---|
| | 2006 | 2011 | 2006 | 2011 |
| Public Primary Education | 67.5 | 74.7 | 61.7 | 74.8 |
| Health Centre | 63.1 | 80.6 | 74.1 | 84.7 |
| District Office | 35.8 | 55 | 68.6 | 74.8 |

*Source: NISR*

**Annex Table 14: Households' Access to Services (%)**

| Access to Services | Electricity | | Safe Drinking Water | | Improved Sanitation | | Health Insurance | |
|---|---|---|---|---|---|---|---|---|
| | 2005/06 | 2010/11 | 2005/06 | 2010/11 | 2005/06 | 2010/11 | 2005/06 | 2010/11 |
| Rwanda | 4.3 | 10.8 | 70.3 | 74.2 | 58.5 | 74.5 | 43.3 | 68.8 |
| Q1 | 0.0 | 0.4 | 66.6 | 68.4 | 42.4 | 64.7 | 33.2 | 52.9 |
| Q2 | 0.2 | 0.8 | 66.7 | 71.4 | 51.1 | 72.1 | 37.6 | 61.4 |
| Q3 | 0.1 | 2.1 | 67.2 | 71.5 | 55.6 | 71.9 | 45.5 | 69.3 |
| Q4 | 0.6 | 5.6 | 68.9 | 73.2 | 60.9 | 74.7 | 47.7 | 74.5 |
| Q5 | 17.8 | 38.8 | 79.6 | 84.0 | 76.6 | 85.6 | 51.5 | 84.5 |

*Source: NISR*

Similarly, there is great inequality to access to services across Districts. For example, usage of sector administration provided by sub-district varies from 6% in Rusizi District to 98% in Nyabihu District. Large differences across districts are also observed in access to health services (e.g. health centers and district hospitals). The large inequality across districts reiterates the importance of bringing the state closer to citizens.

## Annex 5: Counting Rwanda: the state of statistics and data

The National Institute of Statistics of Rwanda (NISR) was established in 2005. Since its inception, NISR implemented two Integrated Household Living Conditions Surveys (EICV), two Demographic and Health Surveys (DHS) and one interim-DHS, two Comprehensive Food Security and Vulnerability and Nutrition Analysis Surveys, one Population and Housing Census, three National Agricultural Surveys and many smaller surveys covering specific topics. Besides that the institute also produces on a regular basis the Consumer Price Index (CPI) and a host of other routine economic statistics. Together with Development Partners, the World Bank is supporting the NISR in its rapid development through its contribution to the basket fund for the National Strategy for the Development of Statistics.

- **Core Statistics**: NISR produces core economic statistics (national accounts and CPI) on a regular and timely basis. The CPI is published each month on NISR's website. National accounts are on quarterly basis and published on NISR's website by the 15th of the last month of the subsequent quarter. Trade and monetary statistics are produced on monthly basis by the National Bank of Rwanda (BNR). Monetary statistics are regularly published on BNR's website while trade statistics are available upon the request. Fiscal data are produced on quarterly basis by the ministry of finance (MINECOFIN). Since 2012, they are unregularly published on MINECOFIN's website

- **Quality, coverage and frequency of key data**: NISR has been remarkably constant in the production of key data. Censuses are implemented every 10 years (last one in 2012) and every five years there has been a large socioeconomic household survey (EICV) with data on poverty (2001, 2006 and 2011). The next poverty survey is scheduled for 2013/14. DHS surveys were implemented in 2000, 2005 and 2010, with an interim one in 2008. The next DHS is planned for 2014/15.

- **Administrative data:** Most line ministries have a Management Information System to keep track of important data in their sectors. Administrative data systems are largely uncoordinated and quality is believed to vary substantially across ministries. An assessment conducted by NISR in the framework of the elaboration of the second National Strategy for the Development of Statistics (2014-2018) revealed that most administrative records require strengthening. The Open Data Readiness Assessment conducted in June 2013 also identified problems of sharing of administrative data between ministries, with lengthy ad hoc procedures to obtain data from other ministries.

- **Data access:** NISR has made solid progress in recent years in establishing a National Data Archive (NaDa) and designing an interactive open data portal. Microdata from all recent household surveys can be downloaded from the NISR website through NaDa after registration. In June 2013, the Government of Rwanda and the WB conducted an Open Data Readiness Assessment (ODRA) to evaluate the feasibility and willingness to put all non-confidential government data (statistical and administrative) in the public domain through an open data portal. The findings and recommendations of the ODRA were largely adopted and the government is in the process of drafting an Open Data policy.

- **Capacity and reliance on external consultants**: Although a dynamic and ambitious institute, NISR lacks the capacity to independently fulfill its mission. A recent capacity assessment showed only 14 percent of NISR professional staff has a Master's degree and not a single one has a PhD. The bulk of staff (81 percent) has Bachelor's degrees. NISR depends on external international consultancy firms for the implementation of key surveys and the analysis of complex survey and census data, which substantially pushes up survey costs. Although this leads to quality data in the short-run, it begs the question of long-run sustainability. Note however that NISR is currently implementing a five-year capacity building program.

- **The World Bank's contribution to statistics in Rwanda:** The WB has been supporting the statistics agenda in Rwanda since 2012 through the Statistics for Results Facility (SRF). The SRF funding, amounting to US$ 10 million, is part of a Basket Fund for the National Strategy for the

Development of Statistics (2010-2014) together with DfID and the European Union. Through the basket fund, the WB has supported data production, data dissemination and capacity building. The SRF project has recently been restructured to address some start-up difficulties and to include additional activities in the framework of NSDS 2 preparation. The closing date has also been extended to June 30th, 2015. A recent independent evaluation of the SRF in Rwanda revealed stakeholders' belief that SRF has played a significant role in giving statistics a more powerful and relevant role in economic and social management in Rwanda both in terms of technical support and finance.

## Annex 6: Environmental Review of Challenges and Opportunities for Rwanda to Grow Sustainability

**A rapid assessment of environmental and natural resource issues was conducted, focused on the key areas of Bank assistance to Rwanda's development strategy.** This review showed several important issues and areas of potential trade-offs, where improved management of environmental and natural resource issues can be built into ongoing investments in the agriculture, energy, urban and SME sectors. To support sustained growth, attention will be needed to ensure that priority sector input requirements (water, energy, land, raw materials) can keep pace with projected rapid growth, while minimizing negative environmental externalities. In agriculture, Government plans call for rapid and large improvements in productivity and some shifting to higher value crops and value added processing. With limited land, expansion or intensification toward one crop or subsector may mean less area available for traditional or food crops. Trade-offs in land use will need to be carefully managed. Rapid expansion in some subsectors (e.g., horticulture or tree crops for export) may require more fertilizer or pesticides or improved practices to assure that expansion or intensification do not exacerbate erosion or contamination of water supplies. Water and energy demand balancing and trade-offs will also be important to consider in the context of the Government's strong interest to develop the minerals sector, which is growing rapidly from a currently low base. Transport, logistics and investment climate improvements may make some kinds of deposits more economically viable. The Government will need the capacity to negotiate and monitor mining sector transactions and to ensure that natural capital exploitation is transformed into produced and human capital as an investment in future growth. As urbanization accelerates in Rwanda's effort to promote six new urban centers, it will be important to ensure that water and air pollution and solid waste are properly managed.

**Rwanda's environmental legislation is decent, but there may be a need to strengthen capacity to implement, including timely review of investment proposals to ensure that good environmental regulations do not become a bottleneck to investment and growth.** Decentralized municipal governments will also need the capacity and resources to manage these issues, and the associated spatial planning that will create more livable urban environments. Rapidly growing energy demand can be met partially through increased reliance on renewable resources, but special attention will be needed to monitor the demand and supply of fuel wood and charcoal to ensure that sustainably grown timber is available to meet these needs and that growth does not accelerate encroachment into the protected areas that harbor Rwanda's natural heritage and biodiversity, which sustain the tourism economy. Climate change will pose a new threat to Rwanda, particularly the need to build resilience into plans for development in the agriculture, energy and urban sectors.

**Environment and natural resource issues also offer some interesting opportunities for Rwanda to apply ICT and create new jobs in environmental monitoring and management, especially in the newly urbanizing areas and in the rural areas.** There are also potential wins by incorporating green spaces in Rwanda's spatial planning and urban planning initiatives, using greener materials and approaches in housing and infrastructure development and including innovative energy generation and management (recycling, landfills and biogas generations) in urban planning. The table below details some of the challenges and opportunities summarized here.

| Environmental/NR Challenges & Opportunities in the Bank's Assistance to Rwanda | | | |
|---|---|---|---|
| | **Challenges** | **Opportunities** | **Links to WBG Portfolio** |
| **Agriculture and Land** | ▪ Extreme topography and population density makes land scarce and subject to high risk of erosion, as well as land slides and flooding in some areas. Other areas also experience drought. All will be subject to more variation, less predictability under climate change, with the possibility of more frequent extreme events.<br>▪ Remaining large natural habitat blocks are all within protected areas and relatively well protected. Conversion of wetlands has continued in recent years, but classification system has been introduced to regulate which can be subject to exploitation. Remaining natural wetlands are also affected by agricultural run-off and sediment, and related water hyacinth infestations, which offer some potential for biomass energy production.<br>▪ Rapid, large improvements in productivity and shifts to higher value crops and value added processing may create land pressures and trade-offs among competing land uses, including traditional or food crops. | ▪ With little room for additional expansion of agricultural frontier, Rwanda plans intensification and increased productivity to contribute to future growth. This will require increased use of modern inputs, changes in traditional practices, and better management of soil and water resources to prevent erosion and water pollution.<br>▪ Improved land husbandry already recognized as national priority and benefitting from major programs of investment (mainly in the form of terracing with associated improvements in composting, agroforestry and protection of drainage lines).<br>▪ Potential opportunities to enhance SLM under agricultural programs with complementary landscape management elements including, using watershed and climate resilience factors in targeting criteria, improved agroforestry and woodlots, promotion of low-impact tree & estate crops, additional focus on drylands in the east, integrated pest and nutrient management, green infrastructure for wetland and slope protection. | ▪ Major land husbandry investments under RSSP and LWH projects.<br>▪ LVEMP is carrying out some riparian and watershed habilitation activities.<br>▪ LAFREC aims to implement a forest-friendly restoration program in the Gishwati-Mukura landscape, complementing agricultural investments.<br>▪ Opportunities to identify and pursue win-win measures to enhance SLM elements within new agriculture programs, incorporating environment, watershed and landscape issues.<br>▪ Agriculture investments will benefit from analysis of the cross sectoral energy and water implications of crop changes and value added production processes (water for washing, energy for drying and processing) |
| **Urban** | ▪ Urban growth will exacerbate concentrated pollution sources and associated health impacts.<br>▪ Sanitation and waste management provision remains inadequate.<br>▪ Development on steep lands is highly vulnerable to floods and land slips. | ▪ Rwanda's effort to direct urban develop into six urban core/pole areas offers the chance to manage rapid urbanization and concentrate resources on planning, service delivery and well designed housing and urban infrastructure in a few locations.<br>▪ Clean, green cities (including green spaces) have the potential to attract the highly mobile knowledge professionals required to drive a modern knowledge services economy.<br>▪ Several urban centers retain wetland habitats, which offer opportunities to include green space in urban development / spatial plans. | LVEMP will assist in collecting information on point-source pollution sources & loads, supporting cleaner production activities, and providing some investments in sanitation planning and facilities.<br>▪ Urban and housing investments can contribute to Rwanda's spatial planning efforts and assess and adopt Resilient / Green Cities approaches. |

| Environmental/NR Challenges & Opportunities in the Bank's Assistance to Rwanda | | | |
|---|---|---|---|
| | **Challenges** | **Opportunities** | **Links to WBG Portfolio** |
| **Energy** | ▪ High reliance on woodfuels and biomass energy has the potential to deplete soils of needed nutrients.<br>▪ Imported hydrocarbons in current energy mix are a high cost alternative.<br>▪ Fuel wood and charcoal production rely on access to land and planted trees.<br>▪ Hydropower development is an opportunity that needs to be managed properly with respect to downstream safety, upstream watershed management, and social issues associated with land acquisition. | ▪ Rwanda is developing domestic renewable (or low impact) energy sources (e.g. methane) which can help to reduce pressure on biomass fuel sources.<br>▪ Since most natural forests remain in protected areas, woodfuels are already sourced mostly from plantations, where efficiency and productivity can be improved, which is also potentially an opportunity for the private sector<br>▪ Opportunities to improve sustainability of hydropower investments through investments in upper watershed management, which can contribute also to local livelihoods. | ▪ Energy sector investments will benefit from sound planning, consideration of cross sectoral trade-offs (alternative uses of land and water)<br>▪ Energy sector improvements could also focus on small scale, distributed energy production approaches that improve on resource use efficiency or provide cleaner alternatives to wood/biomass fuels, currently in widespread use. LAFREC could contribute on improving woodlot management.<br>▪ Energy sector analysis could focus on the implications of more rapid growth and urbanization in terms of the types and locations of needed energy and the potential for alternative and renewable development. |
| **SMEs** | ▪ SMEs may operate below the scale at with EIAs are conducted, but cumulative impacts can still be significant or widespread (e.g., engine repair)<br>▪ Existing environmental regulations and monitoring systems may need to be reconsidered to ensure appropriate applications to SMEs, particularly for high polluting/high impact subsectors, which could benefit from further study.<br>▪ Some additional study could be focused on potential impacts of small scale but rapidly growing subsectors that will accompany modernization and urbanization. | ▪ There are attempt to concentrate industries in industrial parks in Kigali, where impacts can be more readily monitored and managed.<br>▪ Cleaner production approaches can provide simple but significant win-wins.<br>▪ IT / crowd-sourcing tools to help monitoring and incentivize improved performance.<br>▪ Growth potentials in eco-friendly sectors - tourism, tree & estate crops, rural energy, IT | ▪ Growth strategy for tourism & horticulture as part of private sector development project.<br>▪ LVEMP will be collecting information on point-source pollution sources & loads, and supporting cleaner production activities.<br>▪ Opportunities to include questions in SME surveys to identify extent of SMEs with significant environmental issues, coverage of existing regulatory systems and awareness of / demand for cleaner production, awareness and compliance with existing regulations. |
| **X-cutting institutions** | ▪ Small country, with limited numbers of technical specialists available.<br>▪ Limited routine environmental monitoring.<br>▪ Capacity to manage and decentralize environmental regulation under rapid growth and urbanization may be limited. | ▪ Development of IT infrastructure and expertise provides opportunities for innovative uses in monitoring and crowd-sourcing.<br>▪ Build environmental management and monitoring capacity in the sectors and municipalities where it needs to be applied and regularly managed, not just in central environmental agencies. | ▪ Incorporate environmental management capacity development within sector interventions.<br>▪ Consider innovations in ICT that can be effectively incorporated into existing investment plans at sectoral and urban level. |

## Annex 7: Donor Coordination

**The Government of Rwanda takes a firm approach to managing development assistance with a view to maximizing the impact of aid on strategic development targets.** With development assistance underpinning about 40 percent of budget expenditures in some years, there is clear importance accorded to ensuring that synergies are optimized and duplication is minimized. The Government provides guidance to development partners with respect to breadth and preferred sectors of engagement, an approach that was introduced in 2010 following an initial internal review of donor engagement across different sectors (donor mapping) in 2008. The results showed that Rwanda's more than 30 DPs were not equitably distributed across EDPRS sectors; there was donor overcrowding is some areas (mainly human development sectors) and underfunding in others (infrastructure).

**Rwanda's donor division of labour (DOL) is an attempt by the Government of Rwanda to reduce transaction costs and improve aid effectiveness**. The Government's guidance is that each development partner engage in a maximum of three sectors. The allocation of sectors among different donors was guided by several factors, including: (i) budget gaps in EDPRS priority sectors, (ii) ability of donor(s) to provide the Government's preferred aid modality/type, (iii) a track record in the sector/contribution to key development results, (iv) mandate of the donor, (v) donor's record against a range of aid effectiveness indicators, and (vi) donor expertise and global experience.

**Although the guidance proposes a maximum of three sectors per donor, it allows the use of delegated cooperation/silent partnership agreements**. This provides a phased approach through which a given donor could continue to support in a number of sectors (in the medium term), while at the same time taking steps to streamline policy dialogue and reporting. The DOL excludes: (i) sector budget support, (ii) basket funds, (iii) support to exceptional expenditures such as demobilization, regional projects, and emergency assistance, and (iv) support to NGOs and private sector entities (the latter being the reason why IFC and MIGA are not guided by the DOL).

**The areas of engagement identified through the WBG strategic planning process fit within the framework for donor mapping**. The strategy proposes that IDA will be directed to projects in urban and energy sectors, through program for results to agriculture and accountable governance and through policy operations to the social protection. The World Bank therefore occupies four sectors, though social protection does not "count" because it will be in the form of budget support. Our fifth area, accountable governance, is considered a cross-cutting area and therefore is in addition to the sector engagement. Tables 1 and 2 below show the proposed DOL among non-UN Agencies and UN Agencies as of October 2013. The priorities of this strategy are reflected in the DOL.

**Interface between the Government and development partners takes place at sector level, through the sector working group, and at a cross-sector level in the Development Partner Consultative Group (DPCG)**. The shift away from budget support has led both development partners and Government to reconsider the roles of these groups. At the time of writing, terms of reference for both the sector and cross-sector levels are under discussion. For the DPCG, the structure and modus operandi of the group is also under discussion.

**Within the framework of aid coordination and policy dialogue, the role of the lead donor is critical, including being in regular contact with the client and coordination with other donors**. It calls for significant allocation of resources in terms of time, finances, and technical skills. The Government asks that lead organizations have technical skills based in country. The World Bank has been asked to lead in energy and urban development and to take an active role in agriculture (where we have handed the lead to the EU). The WB also leads in PFM, alongside DFID and participates in the Private Sector Development and social protection sector working group.

**Annex Table 15: Proposed Division of Labor for EDPRS2 Sectors (Non-UN Agencies)**

| | Education (Including TVET) | Agriculture (Including feeder Roads ) | Health | Transport | Water and Sanitation | Energy | Private Sector D. & Youth | Social Protection | ICT | Justice Reconciliation Law & Order | Environment | Urban & Rural Settlement | Decentralization & Governance | PFM (Including Economic Governance) | Financial sector |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Belgium** | B | | X | | | X | | | | B | | | X | | |
| **Germany** | X | | | | | | X | | | | | | X | S | S |
| **Netherlands** | | | | | S | | X | | | X | | | X | | |
| **Sweden** | | | | | | | | | | | | | | | |
| **UK** | X | B | | | | | | X | | | S | | | S | X |
| **USA** | X | B | X | | | | X | | | | | | S | | |
| **AfDB** | | | | X | S | X | X | | | | | | | | S |
| **EC** | | X | | | | X | | B | | | | | X | S | |
| **EIB** | | | | | X | X | | | | | | | | | X |
| **WB** | | X | | | | X | | B | | | | X | | X | |
| **Switzerland** | | X | X | | S | | X | | | | | | | | |
| **Global Fund** | | | X | | | | | | | | | | | | |
| **France** | X | | X | | | S | | | X | | | | | | |
| **Luxembourg** | | | X | | | | | | | | X | | | | |
| **Japan** | S | X | | S | X | X | | | | | | | | | |
| **Korea** | X | X | S | | | | | | X | | | S | | | |
| **China** | S | | X | X | | X | | | | | | | | | |
| **India** | X | X | | | | X | S | | | | | | | | |
| **Kuwait Fund** | | | X | X | | X | | | | | | S | | | |
| **Saudi Fund** | | | X | X | | X | S | | | | | | | | |
| **BADEA** | | | | X | X | X | S | | | | | | | | |
| **OPEC Fund** | | | | X | S | X | X | | | | | | | | |
| **ABU Dhabi** | | | | X | | X | | | | | | X | | | |

- **B**->represents silent partners providing Sector Budget Support
- **S**->represents delegated operations
- **DoL**-> excludes Basket funds and regional operation as well as support to NGOs

**Annex Table 16: Proposed Division of Labor for EDPRS2 Sectors (UN Agencies)**

| | Education (Including TVET) | Agriculture (including feeder roads) | Health | Transport | Water & Sanitation | Energy | Private Sector Development and | Social Protection | ICT | Justice, Reconciliation, Law & Order | Environment | Urban and Rural Settlement | Governance and Decentralisation | PFM (including Economic Governance) | Finance Sector |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FAO | | X | | | | | | | | | X | | | | |
| ILO | | | | | | | X | X | | | | | | | |
| UNDP | | | | | | | S | S | | X | X | | X | | |
| UNEP | | | | | | X | | | | | X | S | | | |
| UNESCO | X | | | | X | | S | | X | | | | S | | |
| UNFPA | X | | X | | | | X | S | | | | | | | |
| UNHCR | X | | S | | | | | X | | S | X | | | | |
| UN-HABITAT | | | | | S | S | X | | | | X | X | | | |
| UNICEF | X | | X | | S | | | X | | S | | | | | |
| UNIDO | | S | | | | X | X | | | | X | | | | |
| UN Women | | | | | | | | X | | X | | | X | | |
| WFP | X | X | S | | | | | X | | | | | | | |
| IFAD | | X | | | | | X | | | | X | | | | |
| WHO | S | S | X | | X | | | X | | | | | | | |
| UNECA | | | | | | X | | | | | | | | | |
| IOM | X | | | | | | | X | | | X | | | | |
| UNV | | | | | | | X | | | | | | X | | |
| UNAIDS | | | X | | | | X | | | X | | | | | |
| UNCDF | X | | | | | | | | | | | | S | | X |
| ITC | | | | | | | X | | S | | | | | | X |
| UNCTAD | | | | | | | X | | S | | | | | X | X |

- **B** -> represents silent partners providing Sector Budget Support
- **S** -> represents delegated operations
- **DoL**-> excludes Basket funds and regional operation as well as support to NGOs

## Annex 8: Client and Stakeholder Consultations

**World Bank and IFC staff held joint consultations with a range of stakeholders on the contextual analysis and framework for this partnership strategy.** Consultations took place over a week in mid-December, 2013 and collectively involved126 individuals representing 58 organizations. The team is grateful to the National University of Rwanda for hosting the consultations with academia in Huye, to the Deputy Speaker of Parliament, for hosting consultations in Parliament with parliamentarian and to the Private Sector Federation for convening the consultations with the representatives from domestic and foreign enterprises. Other consultations, with civil society, development partners and with Government partners took place in the World Bank offices. All these consultations were well-attended and vibrant in discussion, some going well over the allotted two-hour sessions.

**Information from these direct consultations is supplemented by the findings of the FY 13 Country Opinion Survey in Rwanda.** In general, the findings of the latest Opinion Survey – which draws on a sample beyond government to include academia, the private sector, multi-laterals, the media and local government - show clear signs of improvement in perceptions related to the work of the World Bank. The FY13 data suggest a noticeable improvement in how aligned the Bank's priorities are with country development priorities, how realistic the Bank's support is, the level of respect with which the Bank treats stakeholders and the degree to which the Bank's conditions are reasonable, as well as way the Bank collaborates with government, donors and stakeholders. The data also notes improvement on how fund disbursement has improved since 2006.

**Key themes arising from the Country Opinion Survey and direct consultations were as follows:**

- **Strong endorsement for both the analytical underpinnings and strategic focus:** Government, parliamentarians and development partners were supportive of the priorities being set for IDA and cautioned against moving beyond the suggested areas of investment (urban, rural, energy, financial sector, social protection and accountable governance). Both Government and development partners felt that areas that were neglected by IDA were well-covered by other development partners. The private sector particularly welcomed the emphasis on energy and financial sector development, along with the advisory work that promotes private sector development across the thematic areas. Civil society and some development partners emphasized the need to incorporate demand-side governance mechanisms in the World Bank's Governance work.
- **Appreciation for the joint World Bank Group approach.** In particular, development partners, Government and representatives of the private sector felt the stronger bonds between IFC and the World Bank would be useful. There were requests for more presence by MIGA and for more proactivity in advertising the range of instruments and resources available across the World Bank. Group. The private sector had a specific set of suggestions for IFC in terms of what kind of instruments might work well in terms of access to finance, capital market developments and approaches to direct investments. Access to finance is constrained by the perception by financial institutions that loans to smaller firms are high risk and the private sector was keen to see a focus on risk reduction. Government urged IFC to invest in higher-risk ventures.
- **High demand for capacity building within the public sector and for skill development more generally.** The private sector highlighted the constraints they faced with respect to dealing with low capacity institutions, with a particular focus on tax administration authorities. Parliamentarians emphasized the need for developing skills throughout the public sector system and Government asked that WB projects adopt a more strategic approach to skill development. Civil society groups highlighted the need for capacity-building at sub-national levels of Government. This emphasis on skills and capacity echoes the findings of the Opinion Survey where 27 percent of stakeholders reported that inadequate government capacity is one of the greatest obstacles to reform.

- **Interest in diversified financing instruments.** Parliament emphasized the problems that had been caused by non-delivery or delayed delivery of budget support over the previous year and asked that the World Bank consider instruments that are predictable and reliable. Government partners proposed proportions of one-third projects, two-thirds a mix of program for results and development policy operations. Development partners emphasized the need for the WB to match financing instruments with an ability to continue to engage in the broader policy dialogue. Civil society requested more direct financing of NGOs; they welcome the GPSA but find it inadequate relative to financing needs. Both the private sector and Government asked that the WBG work together to deliver more quickly on PPPs.
- **Across all respondents in Opinion Survey, the Bank's overall effectiveness in Rwanda received a mean rating of 6.4, slightly lower than the mean effectiveness rating received in the FY '06 country survey (6.7).** Respondents from local governments had the highest ratings for the Bank's overall effectiveness whereas respondents from PMUs/consultants/contractors on Bank supported projects and bilateral/multilateral agencies had significantly lower ratings. Effectiveness ratings varied across sectors, however, and respondents in FY13 country survey gave significantly higher mean effectiveness ratings for the Bank's effectiveness compared to respondents in the FY'06 country survey in the following sectors: energy/natural resource management, global/regional integration, urban development, information and communications technology, social protection, transport, and law and justice. Some caution is needed in interpreting these perceptions, since the Bank has not actually been active in some of these sectors accorded high ratings.
- **Stakeholders overwhelmingly identify the World Bank's greatest value-added in relation to its financial resources (54 percent), the survey findings show clear recognition of the importance of the Bank's work in capacity development.** There were significant stakeholder group differences in their ratings of the effectiveness of the World Bank's knowledge work and activities. For the most part, respondents from private foundations and civil society organizations tended to have the highest ratings for the Bank's effectiveness in these areas whereas respondents from bilateral/multilateral agencies tended to have significantly lower ratings.

## Annex 9: Selected Indicators of Bank Portfolio Performance and Management

### CAS Annex B2 - Rwanda
### Selected Indicators* of Bank Portfolio Performance and Management

**As Of Date 2/11/2014**

| Indicator | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| ***Portfolio Assessment*** | | | | |
| Number of Projects Under Implementation [a] | 10 | 9 | 8 | 9 |
| Average Implementation Period (years) [b] | 3.1 | 2.4 | 3.2 | 3.2 |
| Percent of Problem Projects by Number [a, c] | 0.0 | 11.1 | 0.0 | 0.0 |
| Percent of Problem Projects by Amount [a, c] | 0.0 | 10.3 | 0.0 | 0.0 |
| Percent of Projects at Risk by Number [a, d] | 10.0 | 11.1 | 0.0 | 0.0 |
| Percent of Projects at Risk by Amount [a, d] | 2.9 | 10.3 | 0.0 | 0.0 |
| Disbursement Ratio (%) [e] | 28.6 | 28.6 | 24.9 | 19.3 |
| ***Portfolio Management*** | | | | |
| CPPR during the year (yes/no) | | | | |
| Supervision Resources (total US$) | | | | |
| Average Supervision (US$/project) | | | | |

| Memorandum Item | Since FY 80 | Last Five FYs |
|---|---|---|
| Proj Eval by OED by Number | 59 | 9 |
| Proj Eval by OED by Amt (US$ millions) | 1,347.7 | 184.4 |
| % of OED Projects Rated U or HU by Number | 39.0 | 11.1 |
| % of OED Projects Rated U or HU by Amt | 28.0 | 19.4 |

a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

# Annex 10: Operations Portfolio (IBRD/IDA and Grants)

**CAS Annex B8 - Rwanda**

**Operations Portfolio (IBRD/IDA and Grants)**

**As Of Date 4/21/2014**

**Closed Projects** **76**

**IBRD/IDA** *

| | |
|---|---|
| Total Disbursed (Active) | 283.40 |
| of which has been repaid | 0.00 |
| Total Disbursed (Closed) | 1,137.87 |
| of which has been repaid | 63.16 |
| Total Disbursed (Active + Closed) | 1,421.27 |
| of which has been repaid | 63.16 |
| Total Undisbursed (Active) | 327.86 |
| Total Undisbursed (Closed) | 0.00 |
| Total Undisbursed (Active + Closed) | 327.86 |

**Active Projects**

| Project ID | Project Name | Last PSR Supervision Rating: Development Objectives | Last PSR Supervision Rating: Implementation Progress | Fiscal Year | Original Amount in US$ Millions: IBRD | IDA | GRANT | Cancel. | Undisb. | Difference Between Expected and Actual Disbursements [a/]: Orig. | Frm Rev'd |
|---|---|---|---|---|---|---|---|---|---|---|---|
| P146452 | 3rd Support to the Soc. Prot. System D | # | # | 2014 | | 70 | | | 70.22243 | | |
| P145114 | Decentralized Service Delivery DPO | # | # | 2013 | | 50 | | | | | |
| P127105 | Governance & Competitiveness TA Prc | MS | MS | 2012 | | 5 | | | 2.969252 | 4.313766 | |
| P112712 | RW Emergency Demob and Reintegrat | S | S | 2010 | | 8 | | | | -0.029816 | |
| P126877 | RW-Support to Social Protection Syste | S | S | 2012 | | 50 | | | | | |
| P079414 | RW-Transport Sector Development | S | MS | 2008 | | 22 | | | 4.363203 | -6.317013 | 4.682987 |
| P126498 | RW: Feeder Roads Development | # | # | 2014 | | 45 | | | 45.42388 | 0.1333333 | |
| P118101 | RW: Skills Development Project (FY11) | MS | MS | 2011 | | 30 | | | 22.67076 | 15.774195 | |
| P126440 | RW: Third Rural Sector Support Projec | S | S | 2012 | | 95.9 | | | 61.66554 | -9.726235 | |
| P114931 | RW:Land Husband,Water Harvest,Hill | S | S | 2010 | | 69 | | | 47.40874 | 12.112994 | 0.739776 |
| P111567 | Rwanda Electricity Access Scale-up Pr | MS | MS | 2010 | | 130 | | | 73.13417 | 13.186484 | 11.18648 |
| **Overall Result** | | | | | | **574.9** | | | **327.858** | **-109.7844** | **16.60925** |

# Annex 11: Statement of IFC's Held and Disbursed Portfolio

## B8 (IFC) for Rwanda

**Rwanda**
**Committed and Disbursed Outstanding Investment Portfolio**
**As of 1/31/2014**
**(In USD Millions)**

| | | Committed | | | | | Disbursed Outstanding | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FY Approval | Company | Loan | Equity | **Quasi Equity | *GT/RM | Partici pant | Loan | Equity | **Quasi Equity | *GT/RM | Partici pant |
| 2013 | Ab rwanda | 0 | 0.9 | 0 | 0 | 0 | 0 | 0.9 | 0 | 0 | 0 |
| 0/00 | Bakhresa rwanda | 5.79 | 0 | 0 | 0 | 0 | 5.79 | 0 | 0 | 0 | 0 |
| 2011 | Bp rwanda | 0 | 0.8 | 0.8 | 0 | 0 | 0 | 0.57 | 0.34 | 0 | 0 |
| 2007 | Intraspeed | 0 | 0 | 4.4 | 0 | 0 | 0 | 0 | 4.4 | 0 | 0 |
| 2011 | Kcb r | 4.03 | 0 | 0 | 0 | 0 | 4.03 | 0 | 0 | 0 | 0 |
| 2007 | Mille collines | 1.33 | 0 | 0 | 0 | 0 | 1.33 | 0 | 0 | 0 | 0 |
| 2011 | Msc ltd | 9.6 | 3 | 0 | 0 | 0 | 6.1 | 3 | 0 | 0 | 0 |
| 2008 | Tps (r) | 1.6 | 2.95 | 0 | 0 | 0 | 1.6 | 2.95 | 0 | 0 | 0 |
| 2011 | Uob rwanda | 1.48 | 0 | 0 | 0 | 0 | 1.48 | 0 | 0 | 0 | 0 |
| | **Total Portfolio:** | **23.83** | **7.65** | **5.2** | **0** | **0** | **20.33** | **7.42** | **4.74** | **0** | **0** |

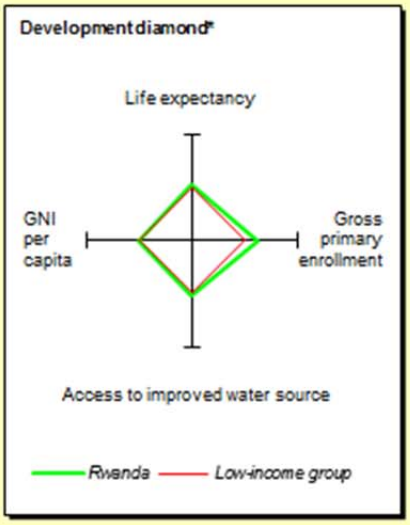
* Denotes Guarantee and Risk Management Products.
** Quasi Equity includes both loan and equity types.

## Annex 12: Rwanda at a Glance

# Rwanda at a glance

3/15/14

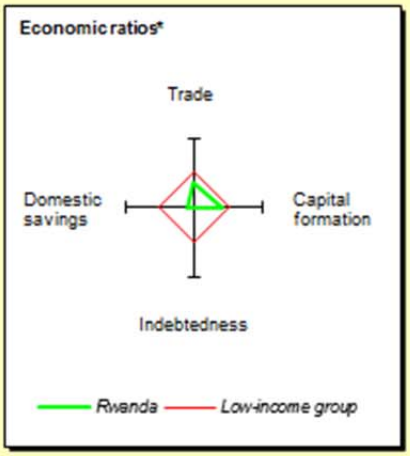
| POVERTY and SOCIAL | Rwanda | Sub-Saharan Africa | Low-income |
|---|---|---|---|
| **2012** | | | |
| Population, mid-year *(millions)* | 11.5 | 911 | 846 |
| GNI per capita *(Atlas method, US$)* | 600 | 1,350 | 590 |
| GNI *(Atlas method, US$ billions)* | 6.9 | 1,230 | 499 |
| **Average annual growth, 2006-12** | | | |
| Population *(%)* | 2.8 | 2.7 | 2.2 |
| Labor force *(%)* | 3.2 | 2.9 | 2.6 |
| **Most recent estimate (latest year available, 2006-12)** | | | |
| Poverty *(% of population below national poverty line)* | 45 | .. | .. |
| Urban population *(% of total population)* | 19 | 37 | 28 |
| Life expectancy at birth *(years)* | 63 | 56 | 62 |
| Infant mortality *(per 1,000 live births)* | 39 | 64 | 56 |
| Child malnutrition *(% of children under 5)* | 12 | 21 | 22 |
| Access to an improved water source *(% of population)* | 71 | 64 | 69 |
| Literacy *(% of population age 15+)* | 66 | 60 | 61 |
| Gross primary enrollment *(% of school-age population)* | 134 | 100 | 108 |
| Male | 132 | 104 | 111 |
| Female | 135 | 96 | 106 |




**KEY ECONOMIC RATIOS and LONG-TERM TRENDS**

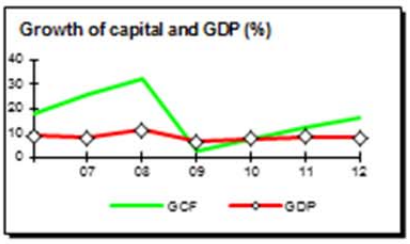
| | 1992 | 2002 | 2011 | 2012 |
|---|---|---|---|---|
| GDP *(US$ billions)* | 2.0 | 1.7 | 6.4 | 7.1 |
| Gross capital formation/GDP | 15.6 | 13.5 | 21.4 | 22.8 |
| Exports of goods and services/GDP | 5.6 | 7.0 | 13.5 | 13.2 |
| Gross domestic savings/GDP | 2.9 | -3.2 | 4.1 | 2.4 |
| Gross national savings/GDP | 8.0 | 7.3 | 17.1 | 11.5 |
| Current account balance/GDP | -7.7 | -4.4 | -12.8 | -16.3 |
| Interest payments/GDP | 0.6 | 0.4 | 0.1 | 0.1 |
| Total debt/GDP | 42.2 | 86.6 | 17.4 | 17.9 |
| Total debt service/exports | 17.9 | .. | .. | .. |
| Present value of debt/GDP | .. | .. | .. | 12.7 |
| Present value of debt/exports | .. | .. | .. | .. |

| | 1992-02 | 2002-12 | 2011 | 2012 | 2012-16 |
|---|---|---|---|---|---|
| *(average annual growth)* | | | | | |
| GDP | 4.8 | 7.9 | 8.2 | 8.0 | .. |
| GDP per capita | 0.1 | 5.2 | 5.3 | 5.0 | .. |
| Exports of goods and services | 6.1 | 12.6 | 47.7 | 34.3 | .. |

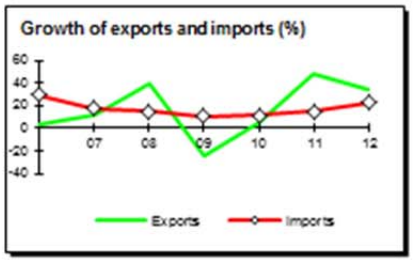



**STRUCTURE of the ECONOMY**

| *(% of GDP)* | 1992 | 2002 | 2011 | 2012 |
|---|---|---|---|---|
| Agriculture | 33.2 | 35.4 | 32.1 | 33.0 |
| Industry | 18.7 | 13.9 | 16.4 | 15.9 |
| Manufacturing | 12.1 | 7.5 | 6.6 | 5.9 |
| Services | 48.1 | 50.7 | 51.6 | 51.1 |
| Household final consumption expenditure | 82.6 | 89.4 | 86.9 | 89.4 |
| General gov't final consumption expenditure | 14.5 | 13.8 | 9.1 | 8.2 |
| Imports of goods and services | 18.3 | 23.7 | 30.8 | 33.6 |




| *(average annual growth)* | 1992-02 | 2002-12 | 2011 | 2012 |
|---|---|---|---|---|
| Agriculture | 6.6 | 4.4 | 4.7 | 3.0 |
| Industry | 2.8 | 9.9 | 17.6 | 7.2 |
| Manufacturing | 0.6 | 6.5 | 8.1 | -2.9 |
| Services | .. | 10.2 | 8.1 | 11.5 |
| Household final consumption expenditure | 4.3 | 7.9 | 5.5 | 5.9 |
| General gov't final consumption expenditure | 2.2 | 7.6 | 4.5 | 14.6 |
| Gross capital formation | 9.1 | 15.8 | 12.1 | 16.1 |
| Imports of goods and services | 4.6 | 15.2 | 14.4 | 22.9 |

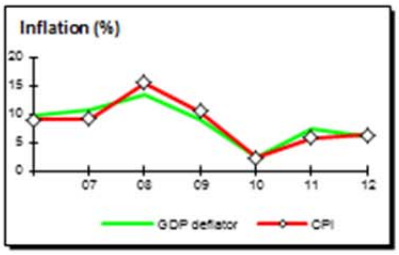



Note: This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

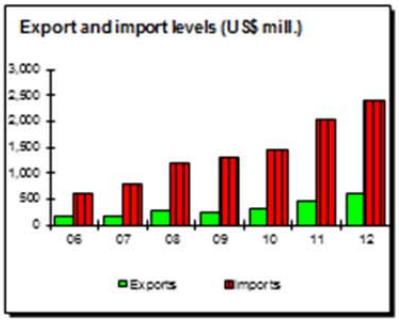
## PRICES and GOVERNMENT FINANCE

| | 1992 | 2002 | 2011 | 2012 |
|---|---|---|---|---|
| ***Domestic prices*** | | | | |
| *(% change)* | | | | |
| Consumer prices | 9.6 | 2.0 | 5.7 | 6.3 |
| Implicit GDP deflator | 7.3 | -5.3 | 7.4 | 5.9 |
| ***Government finance*** | | | | |
| *(% of GDP, includes current grants)* | | | | |
| Current revenue | 16.3 | 21.5 | 25.8 | 22.9 |
| Current budget balance | -0.5 | 4.3 | 10.5 | 8.7 |
| Overall surplus/deficit | -8.1 | -3.0 | -0.7 | -4.0 |



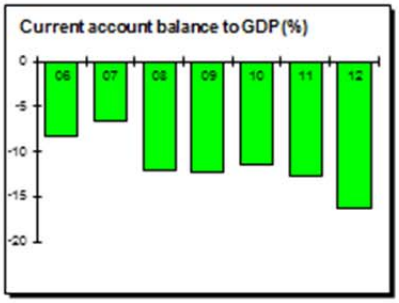

## TRADE

| | 1992 | 2002 | 2011 | 2012 |
|---|---|---|---|---|
| *(US$ millions)* | | | | |
| Total exports (fob) | 69 | 67 | 464 | 591 |
| Coffee | 35 | 15 | 75 | 61 |
| Tea | 21 | 22 | 64 | 66 |
| Manufactures | 2 | .. | 15 | 33 |
| Total imports (cif) | 319 | 284 | 2,038 | 2,408 |
| Food | 29 | 30 | 208 | 228 |
| Fuel and energy | 37 | 42 | 360 | 398 |
| Capital goods | 69 | 68 | 465 | 589 |
| Export price index *(2000=100)* | 62 | 48 | 94 | .. |
| Import price index *(2000=100)* | 98 | 102 | 123 | .. |
| Terms of trade *(2000=100)* | 63 | 47 | 76 | .. |



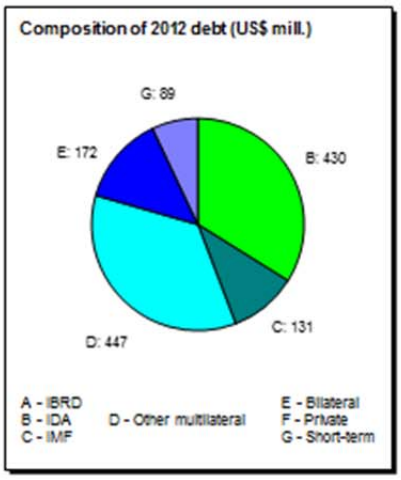

## BALANCE of PAYMENTS

| | 1992 | 2002 | 2011 | 2012 |
|---|---|---|---|---|
| *(US$ millions)* | | | | |
| Exports of goods and services | 114 | .. | .. | .. |
| Imports of goods and services | 372 | 396 | 2,184 | 2,475 |
| Resource balance | -259 | -249 | -1,641 | -1,805 |
| Net income | -10 | -19 | -52 | -74 |
| Net current transfers | 112 | 195 | 881 | 722 |
| Current account balance | -157 | -73 | -812 | -1,157 |
| Financing items (net) | 116 | -27 | 1,096 | 962 |
| Changes in net reserves | 41 | 100 | -284 | 195 |
| ***Memo:*** | | | | |
| Reserves including gold *(US$ millions)* | 79 | 244 | 1,050 | 848 |
| Conversion rate *(DEC, local/US$)* | 133.9 | 475.4 | 600.3 | 614.3 |




## EXTERNAL DEBT and RESOURCE FLOWS

| | 1992 | 2002 | 2011 | 2012 |
|---|---|---|---|---|
| *(US$ millions)* | | | | |
| Total debt outstanding and disbursed | 857 | 1,452 | 1,103 | 1,269 |
| IBRD | 0 | 0 | 0 | 0 |
| IDA | 408 | 826 | 392 | 430 |
| Total debt service | 21 | 19 | 20 | 23 |
| IBRD | 0 | 0 | 0 | 0 |
| IDA | 5 | 2 | 5 | 6 |
| Composition of net resource flows | | | | |
| Official grants | 190 | 213 | 936 | 732 |
| Official creditors | 72 | 76 | 211 | 84 |
| Private creditors | -1 | 0 | 0 | 0 |
| Foreign direct investment (net inflows) | 2 | 3 | 106 | 160 |
| Portfolio equity (net inflows) | 0 | 0 | 31 | 7 |
| World Bank program | | | | |
| Commitments | 19 | 110 | 161 | 85 |
| Disbursements | 32 | 73 | 138 | 41 |
| Principal repayments | 2 | 0 | 2 | 3 |
| Net flows | 30 | 73 | 136 | 38 |
| Interest payments | 3 | 2 | 2 | 3 |
| Net transfers | 27 | 71 | 134 | 35 |




Note: This table was produced from the Development Economics LDB database. 3/15/14

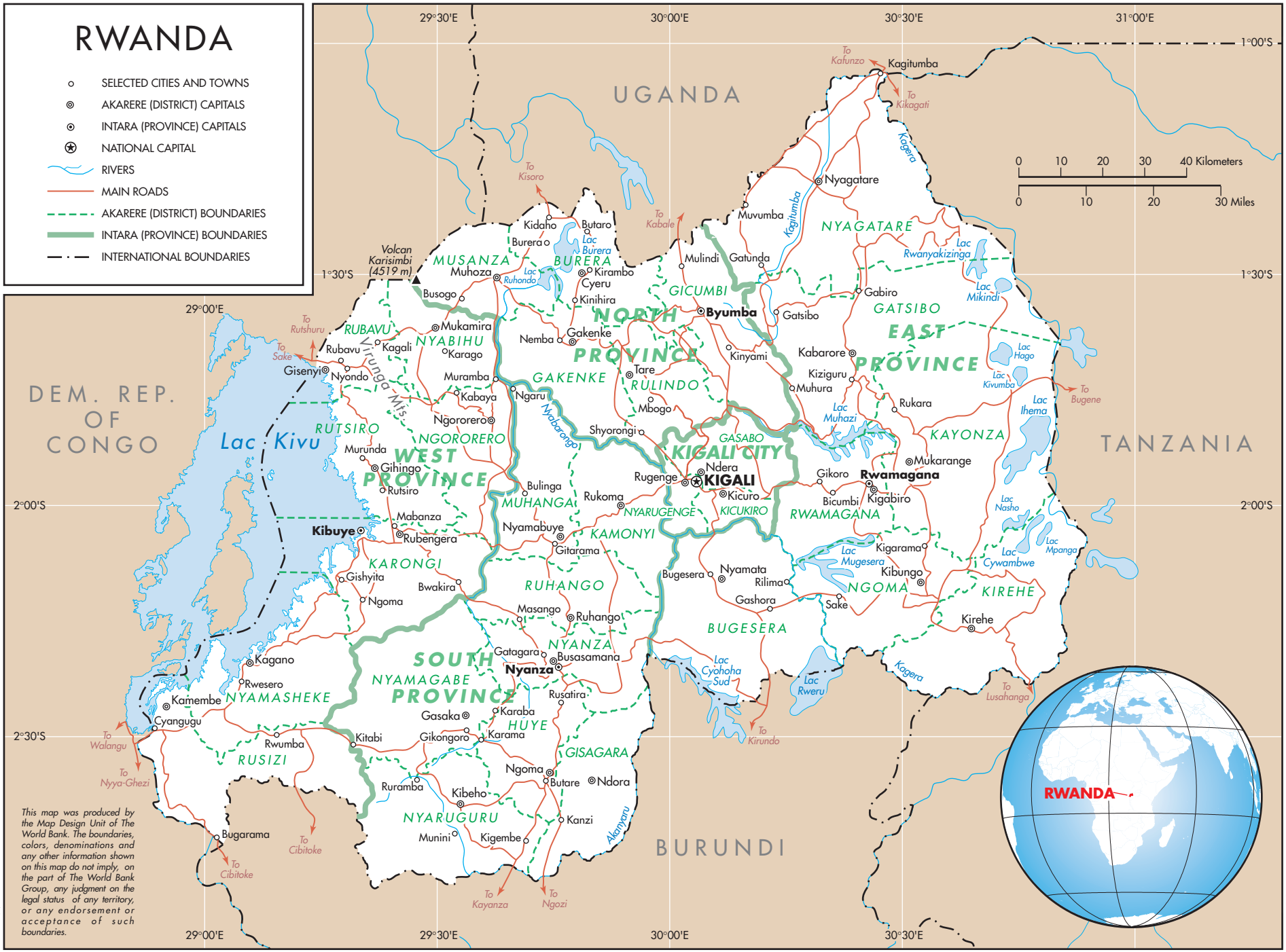
# Annex 13: IFC Investment Operations Program

**Annex B3**

**Rwanda: IFC Investment Operations Program**

| | 2011 | 2012 | 2013 | 2014* |
|---|---|---|---|---|
| **Original Commitments (US$m)** | | | | |
| IFC and Participants | 27.25 | 18.10 | 17.09 | 6.75 |
| IFC's Own Accounts only | 27.25 | 18.10 | 17.09 | 6.75 |
| **Original Commitments by Sector (%)- IFC Accounts only** | | | | |
| ACCOMMODATION & TOURISM SERVICES | 4.22 | | | |
| COLLECTIVE INVESTMENT VEHICLES | 5.87 | | | |
| CONSTRUCTION AND REAL ESTATE | 47.71 | | | |
| FINANCE & INSURANCE | 20.18 | 100 | 100 | 100 |
| TRANSPORTATION AND WAREHOUSING | 22.02 | | | |
| **Total** | 100 | 100 | 100 | 100 |
| **Original Commitments by Investment Instrument (%) - IFC Accounts only** | | | | |
| Equity | 16.88 | 0 | | 13.49 |
| Guarantee | 11.01 | 72.37 | 100 | 86.51 |
| Loan | 72.11 | 27.63 | | |
| Quasi loan | | 4.42 | | |
| **Total** | 100 | 104.42 | 100 | 100 |

* Data as of February 01,2014


RWANDA
SELECTED CITIES AND TOWNS
AKARERE (DISTRICT) CAPITALS
INTARA (PROVINCE) CAPITALS
NATIONAL CAPITAL
RIVERS
MAIN ROADS
AKARERE (DISTRICT) BOUNDARIES
INTARA (PROVINCE) BOUNDARIES
INTERNATIONAL BOUNDARIES
UGANDA
DEM. REP. OF CONGO
TANZANIA
BURUNDI
Lac Kivu
Volcan Karisimbi (4519 m)
Virunga Mts
Kigali
Byumba
Kibuye
Nyanza
Rwamagana
Kagitumba
Nyagatare
Muvumba
Mulindi
Gatunda
Gabiro
Gatsibo
Kinyami
Kabarore
Kiziguru
Muhura
Rukara
Mukarange
Gikoro
Bicumbi
Kigabiro
Kigarama
Kibungo
Kirehe
Nyamata
Rilima
Gashora
Sake
Bugesera
Rugenge
Ndera
Kicuro
Rukoma
Shyorongi
Mbogo
Tare
Rulindo
Nemba
Gakenke
Kinihira
Cyeru
Kirambo
Butaro
Kidaho
Burera
Muhoza
Busogo
Mukamira
Karago
Muramba
Kabaya
Ngororero
Ngaru
Bulinga
Nyamabuye
Gitarama
Masango
Ruhango
Gatagara
Busasamana
Rusatira
Karaba
Karama
Gikongoro
Gasaka
Kitabi
Rwumba
Cyangugu
Kamembe
Rwesero
Kagano
Bugarama
Ruramba
Kibeho
Munini
Kigembe
Kanzi
Butare
Ndora
Ngoma
Bwakira
Gishyita
Ngoma
Mabanza
Rubengera
Murunda
Gihingo
Rutsiro
Rubavu
Kagali
Nyondo
Gisenyi
Lac Ruhondo
Lac Burera
Lac Rwanyakizinga
Lac Mikindi
Lac Hago
Lac Kivumba
Lac Ihema
Lac Muhazi
Lac Nasho
Lac Mpanga
Lac Cywambwe
Lac Mugesera
Lac Cyohoha Sud
Lac Rweru
Kagera
Kagitumba
Akanyaru
Nyabarongo
To Kafunzo
To Kikagati
To Kisoro
To Kabale
To Rutshuru
To Sake
To Bugene
To Lusahanga
To Kirundo
To Walangu
To Nyya-Ghezi
To Cibitoke
To Kayanza
To Ngozi
NORTH PROVINCE
EAST PROVINCE
WEST PROVINCE
SOUTH PROVINCE
MUSANZA
BUREERA
GICUMBI
NYAGATARE
GATSIBO
RUBAVU
NYABIHU
GAKENKE
RULINDO
GASABO
KIGALI CITY
KAYONZA
RUTSIRO
NGORORERO
MUHANGA
NYARUGENGE
KICUKIRO
RWAMAGANA
KAMONYI
KARONGI
RUHANGO
NGOMA
KIREHE
BUGESERA
NYANZA
NYAMAGABE
NYAMASHEKE
HUYE
GISAGARA
RUSIZI
NYARUGURU
1°00'S
1°30'S
2°00'S
2°30'S
29°00'E
29°30'E
30°00'E
30°30'E
31°00'E
0 10 20 30 40 Kilometers
0 10 20 30 Miles
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