

## **Rwanda: Poverty Reduction Strategy Paper Progress Report**

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**REPUBLIC OF RWANDA**

**MINISTRY OF FINANCE AND ECONOMIC PLANNING**

Directorate of Strategic Planning and Poverty Reduction Monitoring

# **Poverty Reduction Strategy Paper Progress Report**

June 2003

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### LIST OF ABBREVIATIONS

AGOA	African Growth and Opportunity Act
CDF	Common Development Fund
CEPEX	Central Public Investment and External Finance Bureau
DfID	Department for International Development
EICV	Enquête Intégrale sur les Conditions de Vie
EU	European Union
GDP	Gross Domestic Product
GIS	Geographical Information System
HIPC	Heavily Indebted Poor Countries
ICT	Information Communication Technology
IMF	International Monetary Fund
MTEF	Medium Term Expenditure Framework
NEPAD	New Partnership for Africa's Development
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PRS-PR	Poverty Reduction Strategy –Progress Report
MIFOTRA	Ministry of Public Services
MIS	Management Information System
MIJESPOC	Ministry of Sports and Culture
MINAGRI	Ministry of Agriculture
MINALOC	Ministry of Local Government
MINEDUC	Ministry of Education
MINERENA	Ministry of Minerals
MINECOFIN	Ministry of Finance and Economic Planning
MINICOM	Ministry of Commerce
MINIFRA	Ministry of Infrastructure
MINIJUST	Ministry of Justice
MINISANTE	Ministry of Health
NBR	National Bank of Rwanda
PSIA	Poverty and Social Impact Assessment
RIPA	Rwanda Investment Promotion Agency
SIDA	Swedish International Development Authority
SPA	Strategic Partnership for Africa
SWAPs	Sector Wide Approaches
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WHO	World Health Organisation

## EXECUTIVE SUMMARY

The PRS Implementation evolves around four principles: Policy Coherence, Prioritisation, Learning Process, and Partnership. This paper reports on progress in implementing these principles in various policy areas. It mainly shows key achievements and challenges in the different sectors with regard to actions stated in the PRSP.

Chapter 2 details Rwanda's recent macroeconomic performance and outlook, progress in public expenditure management as well as in the sector strategies process. With respect to macroeconomic performance, key accomplishments in 2002 include real GDP growth of 9.4%, an annual inflation rate of 2%; and continued improvement of tax collection beyond expectations. Prospects are a decline in real GDP growth rate to 3.2%, well below the period average and a rise in inflation to 4.7% in 2003 due to poor rains. The challenges in this area include reaching at least real GDP growth of 7–8% necessary over the next 15 years for sustainable poverty reduction, improving the trade balance through exports growth and financing of the poor.

Chapter 2 also assesses public expenditure management. The Government has managed to maintain fiscal discipline while promoting measures for poverty alleviation. It has met the criterion for recurrent priority spending under the PRGF and these expenditures have been increasing over the last three years. Budget ceilings under the MTEF were much better adhered to during budget preparation. A key problem has been the difficulty in implementing budgets due to the uncertainty of external assistance. The cash budget system has therefore been felt as an impediment to achieving outputs planned under the MTEF. Moreover, the recurrent and development budgets still need to be integrated.

Finally, Chapter 2 reports on the progress in the sector strategies process—Policy coherence has been advanced through the adoption of eight clusters to address sector challenges and strategies. The process of developing sector strategies is well advanced in some sectors. Clear guidelines have recently been produced by MINECOFIN. However, the progress is still uneven across sectors.

In Chapter 3, the implementation of sectoral actions is reviewed. In the sector of rural transformation and agricultural development, during 2002, the government liberalized the fertilizer market, encouraged fertilizer imports, and promoted growth of priority crops. In 2003, the government will move to privatise the Mulindi and Pfunda tea estates, encouraging further private involvement in the sector. The development of an export crop strategy, the operationalisation of the labour intensive public works programme to recapitalise the rural economy and the need for strengthened human capacity are key challenges in the sector.

In the human resources sector, there was progress to report in education and health. In education, the net enrollment rate for primary school was 75% in 2002, and will be above the target 76% in 2003. To address the shortage of qualified teachers in secondary schools, the government established a distance-learning program and a program to train 350 new secondary school teachers. For tertiary level education, a student loan program has been initiated. The major problem for all levels of education is the transitional rate. The primary education sector faces high drop out and repetition rates. Less than 20% of poor Rwandese households have access to secondary level education. Tertiary education faces the challenges of gender parity and financing.

In the health sector, the detection rate for malaria dropped from 13,115 cases per 100,000 in 2001 to 11,076 cases per 100,000 in 2002. The immunization rate for childhood diseases was 80%. In the HIV/AIDS area, there was a drop in the price of anti-retrovirals to a minimum of Rwf 30,000 per month in 2002. HIV/AIDS education efforts have boosted awareness of the disease to 70% of the population. Challenges remain in that malaria continues to have a high prevalence rate; HIV/AIDS has now reached a prevalence of 13.5% in the population; and there remains a shortage of health agents and limited financial access to healthcare services by the poor, especially in rural areas. As youth below age 25 constitute more than half the population, efforts to address challenges in education and health will have a widespread positive impact on the economy.

Progress recorded in economic infrastructure in 2002 included: the reconstruction and rehabilitation of some roads; the upgrading of Kanombe Airport terminal building; the enlisting of two companies to exploit methane gas; and the expansion of rural water supply to more than 160,000 Rwandans together with increased involvement of the private sector and communities. Key challenges in the sector the availability of transport and energy for the rural area, the need for more resources and increased expenditure prioritisation and integration of the labour intensive approach to the sector strategy.

Good governance is a crucial feature of the nation's future development. In 2002, gacaca courts were established in 11,000 sites with over 258,000 judges. In May 2003, the Constitution was approved with a wide margin of support in a national referendum. Presidential and Parliamentary elections are slated for August and September 2003, respectively. The government maintained its commitment to security and peace by withdrawing 23,000 Rwandese troops from the Democratic Republic of the Congo and by demobilizing and reintegrating nearly 50,000 troops. However, there is a need to further the decentralization process through the *ubudehe* and greater socio-economic reintegration of demobilised soldiers, released prisoners, returnees and poor households.

Chapter 3 also considers actions to create a favourable environment for private sector development, where Rwanda made progress in 2002. Key achievements are related to the increased representation and participation of the private sector in policy formulation, financial sector reforms and privatisation. Challenges in this sector are the finalisation and implementation of the strategy to unleash the private sector together with removal of the constraints to investment (legal, administrative, utilities and skills development).

Chapter 4 gives a review of poverty monitoring and analysis. The PRSP's monitoring and evaluation framework for poverty alleviation revolves around Input and output monitoring, performance and Impact monitoring and partnership in monitoring. A key achievement in this area is the monitoring of recurrent budget execution through the SIBET system and the piloting of a joint outputs monitoring system. However, there are a number of challenges such as to cover execution of the development budget, the weakness in reporting on outputs achievements with relation to inputs utilisation. Another key challenge will be the development of an inclusive poverty monitoring and analysis strategy and framework with sector indicators accepted by all stakeholders.

## **1. INTRODUCTION**

### **1.1. OBJECTIVES**

Rwanda's Poverty Reduction Strategy Paper (PRSP) was produced in November 2001 following extensive consultations with all stakeholders and based on participatory assessments and quantitative surveys on households living conditions. The Joint Staffs of the World Bank and International Monetary Fund endorsed the strategy in July 2002, as a sound basis for concessional assistance.

This is Rwanda's first PRS progress report, based on developments in 2002 and, where possible, in 2003. As a consequence the report cannot demonstrate a direct causal link between PRS implementation during the period reviewed and impact on reduction of poverty. Instead, this report focuses on progress achieved in the adoption of the PRS as the national planning framework and associated medium-term, processes and actions.

In describing and analysing achievements and processes associated with PRS implementation, this report aims to share with all our stakeholders the strengths and weaknesses, successes and constraints that we have faced in implementing the PRS. Our wish is that the lessons and discussions that so arise should inspire and stimulate improved execution in the future.

This report is intended to address the need for information and our [Government's] accountability to the Rwandan population whose priorities are identified in the PRSP. In particular, this report and its subsequent discussion should address those Rwandans living in poverty who will be the primary beneficiaries of progress in PRS implementation. We aim to reinforce popular ownership of the strategy and by broadening the monitoring and evaluation of commitments by all stakeholders in poverty reduction, to promote mutual accountability.

This first PRS-Progress Report is the first step of a process of annual assessments of interventions and actions towards poverty reduction in Rwanda.

### **1.2. METHODOLOGY**

This report is based on various sources of information, notably:

- Performance analyses for 2002 conducted in health and agriculture sectors and the energy, water and sanitation sub-sector as well as a joint review in the education sector.
- Other sectoral performance data are drawn from routine administrative reporting systems of government ministries and agencies.
- Data on macroeconomic performance and prospects is drawn from the bi-annual economic bulletin of the MINECOFIN together with the Government of Rwanda memorandum of economic and financial policies, produced following the February 2003 IMF mission.
- Data are also drawn from the 2002 budget execution report and reports of the public expenditure reviews conducted in 2002 in the transport and agriculture sectors.
- In preparing for this report, the government commissioned a light participatory survey exploring the degree to which grass root populations express their satisfaction with public services and private initiatives towards poverty reduction.

- Finally, the report takes into account recommendations of the annual Government of Rwanda and Development Partners meetings and those of the October 2002 Strategic Partnership for Africa (SPA) mission to Rwanda.

Therefore, the process of preparing and producing the report entailed a number of steps. This began with performance analyses for 2002 being conducted ministries responsible for the priority sectors of health, education, agriculture and energy, water and sanitation. Seminars were then organised for all stakeholders in respective sectors to validate the reports of these analyses, while a joint review took place in the education sector. Successive drafts of the reports were circulated and comments from different sources taken into account. On production of the first draft, a national seminar was organised to validate the process of this PRS-PR and allow open the debate on the report in order to improve it and identify weaknesses to be addressed. Finally, a simplified version of this report will be translated in Kinyarwanda shortly and largely circulated among the population.

### **1.3. PRINCIPLES AND CONTENT**

Implementation of the PRS has been and will continue to be guided by the following key-principles:

- Policy coherence, horizontally between sector strategies and vertically between national policies, sector strategies and decentralised entities development plans,
- Needs and expenditure prioritisation, to ensure that strategies are consistent with the availability of resources,
- Continuous learning, through regular monitoring and evaluation to allow the development of evidence-based and results-oriented policies,
- Partnership, to ensure that all stages of the PRS, from formulation to monitoring and evaluation via implementation are fully inclusive and participatory

As noted above, this Progress Report will focus on achievement in PRS priority sectors, on the processes of their execution and constraints in implementation. It also makes recommendations for public action required to address any identified shortfalls. We also strongly recognise the importance of identifying progress in impact terms and where possible we have sought to identify change in certain impact indicators.

This report consists of three chapters; the first on Rwanda's macroeconomic framework, public expenditure management and sector strategy process; the second discussing progress and constraints with regard to strategies, programmes and actions in priority sectors and crosscutting issues and, finally, the third chapter sets out monitoring of PRS implementation and poverty analysis.

## **2. MACROECONOMIC FRAMEWORK, PUBLIC EXPENDITURE MANAGEMENT AND THE SECTOR STRATEGY PROCESS**

This chapter addresses the context within which the PRS is being implemented. It sets out national frameworks for macroeconomics and public expenditure and examines planning for the PRS, including the sector strategy process. More detailed sectoral discussions follow in the next chapter.

### **2.1. MACROECONOMIC PERFORMANCE AND OUTLOOK**

The PRSP recognises that economic growth is a prerequisite for long-term poverty reduction in Rwanda. The challenge lies in achieving and stabilising real economic growth between 7–8% over the next 15 to 20 years. Rwanda's medium-term macroeconomic objectives are therefore to (i) achieve annual real GDP growth of at least 6 percent; (ii) keep annual average inflation at 3 percent; and (iii) maintain gross international reserves equivalent to at least six months of imports. (For an overview of Rwandan economic and financial variables, see Annex 1).

The year 2002 was favourable in this regard. Real GDP Growth was as high as 9.4 percent (2.4 percentage points higher than programmed) compared to 6.7% in 2001. The good results mainly reflect an exceptional harvest in subsistence crops due to good rain and above average performance of the construction sector. From a longer-term perspective, the fall in export prices for coffee and coltan were worrying. For 2003, provisional first quarter figures are encouraging: harvests are better than first expected, the construction boom continues, whilst electricity output, a reliable indicator of strong economic activity, registered a marked increase (+25.7% during the first four months over the corresponding period of 2002). The tertiary sector also continues to show strong performance. As a whole, the Rwandan authorities are confident that the conservative objective set for growth in the 2003 programme (+3.2 %) will be met, and may even be exceeded.

In general, the macroeconomic framework continues to be strengthened. Regular Debt Sustainability Analyses (DSA) are being conducted, a macroeconomic model is being developed (in the context of a Poverty and Social Impact Analysis or PSIA, see Annex 2) and partners have identified sources of growth as a key area for future research in Rwanda<sup>1</sup>.

#### **Monetary policy**

During the first half of 2002, inflation remained subdued and below the 3% target. However, due to rising prices of petroleum products on world markets, the increase in VAT, a dry season that increased prices of locally produced goods and an accelerating Rwandan Franc depreciation, inflation reached 6.2% by the end of the year.

Excessive growth in the money supply is considered as one of the major causes of inflation. Broad money grew by 12.4%, 5.5% higher than targeted. In 2002, shortfalls in expected foreign assistance, in the first half of the year, pushed the Government to rely on credit from the banking sector. This, together with weak exports performance led to an important depreciation of the Rwandan franc in the second half of the year and rising interest rates in the monetary market as the central bank acted to tighten liquidity conditions during the last quarter. Credit to the economy grew by 14.3%, one percent above target.

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<sup>1</sup> a.o. the World Bank's Poverty Report on Rwanda that will be finalised in 2003.

For 2003, average inflation is projected at 4.7%, well above the 3% target. Figures at the end of April show that consumption prices have risen by 2.6%, which means that if, as expected, prices continue to rise, even the 4.7% projection will not be met. Consequently, together with strong economic performance, it will be very difficult to attain the target set for the money supply growth.

Financing the poor remains a challenge to the Rwandan banking system. Agriculture only attracted 2% of bank credit in 2002, despite the existence of the Union des Banques Populaires du Rwanda (UBPR), which was created precisely to inject capital into the rural areas. An important reason for low take-up is that domestic savings are virtually non-existent, partly due to the central role of a non-monetised informal sector in rural areas. However, some progress was made in 2002–2003. The Common Development Fund (CDF) continues to aim at improving resource co-ordination at the decentralised level, the NBR has put in place a legal and regulatory framework for micro-finance and PI-HIMO, the labour intensive public works programme (see Box 2), intends to contribute to recapitalisation of the rural economy.

### **Fiscal Policy**

Fiscal policy is an important aspect of macroeconomic stability. Annex 3 gives a comprehensive overview of Rwanda's fiscal policy for 2001–2004. The 2002 domestic fiscal deficit was kept within the limits agreed under the PRGF program except for exceptional outlays related to troop withdrawal from the DRC. The deficit before grants was placed at 11.0%<sup>2</sup> of GDP compared to 9.5% in 2001. The target for 2003 is 11.3%. The overall fiscal deficit was financed in a non-inflationary as it was more than covered by external grants and loans. Overall grants amounted to RwF 71 million, whilst total net loan disbursements amounting to RwF 32 billion.

A recurrent problem is the delay in the disbursement of external funds. In 2002, this was largely due to protracted negotiations between Rwanda and the IMF over the new PRGF agreement and postponement of the World Bank's IRC and the EU budget support.

Domestically, the tax base, while still small, continues to be strengthened. Tax Revenue collection was stronger than expected. Domestic revenue increased to 12.2% of GDP in 2002 up from 11.4% of GDP in 2001. The increase was mainly due to raising the VAT rate from 15% to 18% and improved collection on income taxes, despite the reduction in corporate income tax from 40% to 35%. Various revenue-enhancing measures were taken with adoption of the 2003 Budget (see Box 1 below) and domestic fiscal revenue is projected to increase to 13.4 percent of GDP in 2003. Turnover declared at Rwanda Revenue Authority (RRA) for VAT filing increased by 15% during the first quarter of 2003 over the corresponding period of 2002.

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<sup>2</sup> 9.9% when the DRC troop withdrawal expenditure is excluded.

### Box 1: Tax Framework 2002–2003

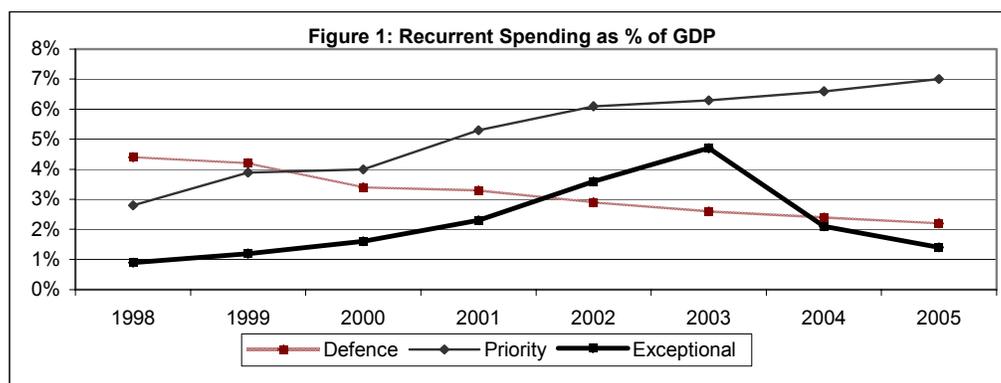
#### Taxes introduced in 2002

- Increase in VAT from 15% to 18%
- Import duty rates for COMESA members reduced by 80%
- Reduction in the corporate income tax rate from 40% to 35%

#### New taxes introduced with budget 2003

- tax on professional remuneration (TPR)
- extension of product range subject to excise taxation (cars and powdered milk)
- increase in the excise tax rate on industrial beer from 40 to 57%
- adjustment in the structure of taxes on international trade (see further)

As Figure 1 shows, the composition of expenditure is increasingly towards PRSP priority programmes<sup>3</sup> (for an overview see Annex 4A), whilst the decrease in military expenditure reflects the impact of demobilisation programmes and troop withdrawal from the DRC. Exceptional expenditure, that spending specifically related to Rwanda's need to deal with its unique post-conflict situation (for an overview see Annex 5), peaks in 2003 due to constitution, elections and gacaca related activities, and is then projected to decline in 2004 and 2005.



Source: Ministry of Finance Flash Reports 1998–2001, Finance Law 2002–2003, PEMR.

The discussion on the optimal fiscal deficit, critical for a post-conflict country like Rwanda, is ongoing with the International Financial Institutions. In this regard, the PSIA (Poverty and Social Impact Analysis) presents a convincing case for increased frontloading of essential public expenditure (see Annex 2). The Government of Rwanda strongly believes that current public expenditure levels must be increased in order to set a sustainable base for poverty reduction and social stability and to deliver its commitments to Rwandan citizens. Activities most strongly related to this aim such as the HIMO labour intensive public works programme (see Chapter 3, Box 2), the *mutuelles* health insurance scheme and rural electrification will be given priority as additional funding becomes available. It has to be acknowledged, however, that absorption capacity is still very low; as such, the target growth for foreign-financed capital expenditure was set at 6.5%. However, one of the key underlying issues regarding

<sup>3</sup> The most visible way in which PRSP implementation is financed are the priority programmes in the recurrent budget. These programmes are effectively the translation of the PRSP objectives into financing needs.

absorption is a lack of coherency and co-ordination between development projects and Government priorities. Progress in this area is reported later in the report.

### **Trade and investment**

The continued decline in international prices for tea and especially coffee and coltan, has increased the vulnerability of Rwanda's balance of payments. The 2% decline in imports, mainly due to an 11% decline in food imports related to exceptionally good harvests in 2002, did not cover the 28% decrease in exports. As such, the external current deficit increased from 15.9 percent of GDP in 2001 to 17.2 percent in 2002. This has led to a strong decline in Rwanda's terms of trade. Encouraging is the growth in non-traditional exports such as pyrethrum, hides and skins, cement and UTEXRWA products<sup>4</sup>.

In 2002, coverage of exports by imports was only 36%. Foreign savings more than fully covered this deficit, allowing the BNR to increase its gross international reserves from the equivalent of 5.8 months of imports in 2001 to 6.3 months in 2002. The target for 2003 is 7.4 months. The deficit on the external current account is expected to rise to 18.7% of GDP in 2003. This projection largely stems from an increase in imports, related to petroleum for strategic reserves and service payments linked to an increase in external assistance. A modest improvement in international prices and a robust growth of coffee and tea export volumes is expected.

In the medium term, the high level of external account deficit will remain a concern. In light of this, a substantial effort is being devoted to expanding and diversifying the export base, including through greater concentration on the specialty coffee market, privatisation of tea estates, the intensified use of fertilizer to increase yields in the production of export crops, and through the replenishment of Rwanda's ageing tree stocks.

Meanwhile, government has continued to promote economic openness as an incentive to economic growth. With a view of joining COMESA in January 2004, Rwanda has started to reduce interborder tariffs. Further, Rwanda will be able to benefit from the AGOA agreement that aims at enhancing trade and investment between the U.S. and Sub-Saharan Africa. The areas of focus in Rwanda are those in textiles and handcrafts.

As mentioned, domestic savings and investment are very weak. However, a significant increase in domestic savings will be required to finance the necessary increase in domestic investment to redress macroeconomic imbalances. In the medium run, ODA inflows should gradually be reduced to make place for an increased inflow of foreign investment. This is expected to be enhanced by the prospects of a return to stability in the Great Lakes Region and the continued implementation of prudent macroeconomic policies.

#### **Achievements in the macro-framework**

- Main macro targets for 2002 were met, 2003 targets are expected to be slightly missed
- 2002 Monetary and Fiscal Frameworks adapted due to unpredictable flow of funds
- Domestic resource collection is strengthening

#### **Challenges**

- Trade Balance worsened and exports development is a big challenge
- Financing the poor remains a challenge

<sup>4</sup> Consequently, the share of Rwanda's three main exports in the total export volume declined from 91.1% in 2001 to 76.7% in 2002.

## **2.2. PRSP IMPLEMENTATION THROUGH SOUND PUBLIC EXPENDITURE MANAGEMENT**

The major link between PRSP implementation and public expenditure management is the Medium Term Framework (MTEF). The MTEF, introduced in 2000, links the planning framework with the available resources over the medium term (Annex 3) and aims for a budget geared towards results and poverty reduction. To be successful in this aim, as was noted in the PRS, Rwanda requires additional expenditure as well as more sharply focused strategies. Yet the current macro framework leaves little room for shifting resources strategically. The PRSP calculated costs for more expansionary financing frameworks based on estimates by the various sector ministries and the PSIA examined these in more detail. In addition, the National Investment Strategy (NIS) identifies anticipated funding gaps in certain sectors to reach PRSP objectives, of which 56% are in the infrastructure sector (see Chapter 3 for more detail on specific sectors).

Currently, the monitoring part of the Public Expenditure Framework needs strengthening to be able to check if the programmes retained in the finance laws reached their stated objectives. Government then intends to further build the macro-economic case for the poverty-reducing effect of increased expenditure, linked with the monitoring framework outlined in Chapter 4.

### **Progress made in public expenditure management in 2002**

The Ministerial budget submissions for the MTEF 2002–2005 were accompanied by Strategic Issues Papers, in which ministries explicitly linked their strategic planning choices to their budget submission. In addition, the papers addressed linkages between ministerial and sector wide activities.

The accuracy of preliminary budget ceilings noticeably improved, as budget discipline increased amongst ministries and provinces. Budget committees were established as a way of preserving continuity in budget preparation and addressing the high turnover in government staff.

Progress was made in the Budgetary Classification system (by sector; programme and sub-programme; economic item) as it was replicated at Central, Province and District level. Importantly, Government has launched a process of gender budgeting in five pilot ministries and this is due to roll-out to provinces.

### **Fiscal decentralisation**

Fiscal decentralisation is ongoing. From 2002 onwards, provinces were given independent budgets, and districts will receive 1.5% of last year's domestic revenue for recurrent expenditure. The CDF will eventually channel 10% of last year's domestic revenue to districts for development purposes. The CDF was given legal status and has produced a procedures manual. The reporting system of financial operations of the districts is being devised and detailed breakdowns of CDF expenditure will subsequently accompany the national budget. New taxes were introduced to be collected and used at the district level, devolving real responsibility from the centre; districts now collect property tax, licensing fees and tax on rent.

At the provincial level, ministries have identified specific activities to be decentralised to Province offices and the transfer of finances and staff will proceed throughout 2003–2004. In the 2003 budget, provinces received a relative rise in their share of the recurrent budget, whilst this trend is forecast to continue in the MTEF’s preliminary ceilings for 2004–2006<sup>5</sup>.

Table 2.1: Fiscal Decentralisation Through the Recurrent Budget and the CDF

	2001 (revised)	2002 (revised)	2003	2004 (prelim.)
Total Budget of Rwandan Ministries	96,8	96,60	117,5	100,5
Total Budget of Rwandan Provinces		22,00	25,60	26,60
Total Budget of Rwandan Districts		3,37	5,53	7,27
recurrent*		1,37	1,53	1,77
CDF**		2,00	4,00	5,50

\* 1,5% of last year's domestic revenue

\*\* gradually moving towards 10% of last year's domestic revenue

### Challenges: development budget and budget monitoring

One of the major problems in both budget preparation and execution is the integration of the development budget with the recurrent budget. Integration, meaning that decisions on spending priorities and sector strategies can be made on full sector wide information is a necessary part of effectively implementing the PRS. To date, better integration has been impeded by the intensive restructuring of CEPEX, problems in reconciling the different classification methods in the two budgets and the nature of donor projects that, in some cases, operate completely outside of national systems.

Whilst budget preparation procedures, seem robust and well recognised, in particular for the recurrent budget, throughout government agencies, budget execution has yet to reach an equivalent standard, especially in regard to output monitoring.

In 2002 most recurrent budget expenditure on inputs was captured in the SIBET (Système Informatique du Budget de l’Etat) database (see Annex 4a). The 2003 budget will widen coverage of the previously off-budget revenue by including receipts from the semi-autonomous agencies. However, there is still very little detailed information on the execution of the development budget.

To strengthen monitoring outputs, a Joint Monitoring System was set up to monitor the outputs specified in each ministry/province MTEF. However, the problem of predictability of the funds available to Government makes it very difficult for ministries to adhere to this system. In this respect, the cash budget, whilst succeeding in maintaining arrears within reasonable limits, also acts to prevent smoothing out of this unpredictability.

Despite this, Government believes that the cash budget can and should do more in reducing uncertainty regarding the flow of funds from the centre to line ministries. In order to protect spending on long-term strategic considerations, government plans to issue clear guidelines on how monthly cash releases are to be determined. In addition, cash plans will be linked more explicitly with the Finance Law and better participation and communication with line ministries in preparing and implementing these cash plans will be promoted. The recent revival of the Cash Budget Committee within MINECOFIN is a first step towards this.

<sup>5</sup> It should be noted that all province programmes have been identified as priority programmes.

## **Budget execution: priority programmes**

Within the framework of priority programmes (for an overview of priority programmes, see Annex 4), criteria for prioritisation (see Annex 1) are currently being revisited to make them more concrete and user friendly for government agencies.

Figures in Annex 4 on the recurrent budget, taken from SIBET, show that for priority programmes, budget execution reached 102%, whilst attaining 106% for programmes that fall outside PSR priorities. This is not immediately worrying, as non-priority programmes often contain the running costs for the priority programmes, which are likely to suffer less from implementation and absorption capacity problems. However, some key PRSP ministries such as MINAGRI, MINEDUC and MINISANTE did succeed in performing better on their priority programmes.

It has to be noted that these aggregate figures hide the fact that most ministries did not reach the spending level aimed for in the Finance Law (the sector chapter gives more details on budget execution).

More importantly, these figures do not highlight the timing of disbursement. This was the main problem in the execution of the budget. Some government agencies did not receive any funds in the first quarter. Budget support from the World Bank and the EU did not arrive until September.

One of the PRGF criteria is to increase priority spending with 0.1% of GDP. This target was met for both 2001 and 2002 and is envisaged to grow to 6.2% in 2003. Priority programmes have so far been successfully protected from in-year budget cuts, especially during the budget revision.

Whilst this mechanism shows commitment to these programmes, it does not allow for much flexibility. Indeed, spending on non-PRSP-priority programmes, by definition decreases, whilst they are often needed to keep the priority programmes running. These observations might well call for rethinking the priority programme system as it is currently carried out for next year's budget preparation within the framework of the revision of the full PRSP.

CEPEX has started to ensure that projects are planned within priority programs defined in the sector planning process, as their execution is currently not parallel to existing programme implementation. Progress in the sectoral planning process will further strengthen government capacity to prioritise and to improve resource allocation.

## **Institutional and legal framework**

In 2002, the Government of Rwanda continued to stress actively accountability and transparency. Following recommendations of a study on government bank accounts completed in 2002, information was included in the 2003 budget to ensure that budget submissions include more detail on the sources and uses of government funds. New guidelines for opening, closing and monitoring government bank accounts were issued in 2002. The office of the Auditor General completed audits of 2001 accounts of 34 public sector entities including 10 ministries along with 13 projects in 2002. The "*cours des comptes*" will be brought into this agency, expanding it substantially. The Inspector General of Finance continues to do internal auditing work within MINECOFIN and many government

ministries have their own internal auditors. The National Tender Board continues to handle government transaction and was given a legal status by the Prime Minister Decree of 30<sup>th</sup> October 2003. The Office of the Ombudsman will monitor corruption and social injustices.

Meanwhile the Organic Budget Law has been drafted and will complement the Financial Law to provide a legal framework for the accountability of State funds. Government is studying means of improving government accounting and financial reporting in addition to the existing SIBET system. An effective use of the Financial Management and Accounting Procedures Manual for Local Governments will ensure accountability in fiscal decentralisation and use of CDF money.

In general, issues to do with financial management, of which the most important ones are mentioned above, are being addressed within the integrated and coherent framework of the Financial Accountability Review and Action Plan (FARAP).

**Achievements in public expenditure management**

- MTEF is very good in budget preparation
- Share of priority programmes in budget continue to rise as planned
- Budget ceilings were much better adhered to
- Establishment of budget committee in each ministry

**Challenges**

- The PRS remains under-resourced; PSIA recommendations should be taken into account
- Put in place and /or strengthen pro-poor programmes (HIMO, CDF...)
- Development and recurrent budget still need to be integrated
- Budget execution monitoring remains a challenge a.o. due to problems with the cash budget and lack of capacity to plan towards results
- Legal and regulatory framework governing the budget process is still a challenge

**2.3. PRSP IMPLEMENTATION THROUGH SECTOR STRATEGIES AND PARTNERSHIP**

The Rwandan PRSP is based on the participation of all development stakeholders in the design, implementation and monitoring of poverty reduction policies and programmes. Organisations of civil society, NGOs, church organisations, the private sector and external partners all participated in consultations and drawing up the PRSP. Starting from the adoption of the PRSP in November 2001, development partners have begun to buy into PRSP priorities and guiding principles. The translation of the document in French and a popularised version in Kinyarwanda helped in widening the knowledge of the PRSP context at the grassroots level.

Within government, the dynamic linkage between PRSP, PRGF, MTEF, NIS and the budget is expected to grow stronger over the coming year. A group comprised of major departments within MINECOFIN and MINALOC (DIG) is meeting on a regular basis to oversee MTEF implementation. Also, a system of desk officers was set up in order to improve communication between the key PRSP co-ordinating agencies within MINECOFIN (SPPMD, budget and CEPEX) and line ministries.

Partnership between government and external actors is being promoted through initiatives such as the Annual Development Partners Conference and active enhancement of Public – private partnership (see Chapter 4). In the African context, Rwanda will soon become a

member of both COMESA and the East African Community, while it has been an active pioneer in the New Partnership for African Development (NEPAD).

### Sector strategies and clusters

Sector Strategies, the aim of which is to capture all spending in one sector and define a coherent, poverty-focused strategy together with all partners in the sector, is the principal tool for implementing the PRSP.

Progress in development of sector strategies has been slower than planned due to constraints in human and financial resources and some inertia within the government system to this new approach, but some sectors, education and the HIV/AIDS cluster have made significant progress. To guide progress, the MINECOFIN has produced guidelines that enable government agencies to develop sector strategies by December 2003.

Thematic clusters between government agencies and ministries were recently formed to promote co-ordination and coherence. The cluster composition can be found in Table 4, adapted from Table 5.1. In the PRSP. A recent development is the sub-division of some clusters, for example education and health, in order to advance progress.

Table 2.2: Composition of Clusters

Cluster	Governmental Members Institutions	Facilitating Ministry	Donor
1. Agriculture, rural development, land and environment	MINAGRI, MINITERRE, MININFRA, MINALOC, MIGEPROFE	MINAGRI	World Bank
2. Infrastructure and ICT	MININFRA, MINICOM, MINITERRE, MIGEPROFE	MININFRA	European Union
3. Social Sector	MINEDUC, MINISANTE, MIGEPROFE, MIJESPOC, MINALOC, MININFRA, MIFOTRA	MINEDUC	DfID
4. Human Resources and Capacity Building	MIFOTRA, MINEDUC, MINALOC, MIGEPROFE	MIFOTRA	SIDA (Sweden)
5. Private Sector, Industry	MINICOM, MINAGRI, MININFRA, MIGEPROFE	MINICOM	USAID
6. Governance	MINALOC, MININTER, MIGEPROFE, MINIJUST, MINAFFET, MINADEF, MIGEPROFE, CNURC, CNDH, CNE, C.CONSTITUTIONNELLE	MINALOC	UNDP
7. CDF/Decentralisation	MINALOC, MIFOTRA, MINITERRE, MINAGRI, MININFRA, MIGEPROFE	MINALOC	The Netherlands
8. HIV/AIDS	MINISANTE, MINEDUC, CNLS, MIJESPOC, MINALOC, MIGEPROFE, MINADEF	MINISANTE	USAID

#### Achievements in sector strategies

- In 2002 the PRSP process was especially strengthened across government, with special attention for the decentralised structures
- Some success stories are emerging in sector strategies
- Clusters will reinforce the sector strategy process and improve co-ordination amongst partners
- The PRS process is being inserted into the budget cycle.

#### Challenges

- Sector strategies are still uneven across sectors

### **3. PROGRESS FOR PRIORITY SECTOR STRATEGIES AND POLICIES**

#### **3.1. RURAL DEVELOPMENT AND AGRICULTURAL TRANSFORMATION**

##### **a. Policy issues and strategy**

Rwanda's Vision 2020 sets a goal of reducing the population working in agriculture from 90% to 50% in two decades and transform the subsistence economy into a market-based economy. The PRSP objective by 2015 is to raise out of poverty half of the population living below the poverty line. For these objectives to be achieved the poverty reduction strategy focuses on the intensification, diversification and transformation of the agricultural sector.

The development of agriculture poses a great challenge to policy makers. Agriculture is mainly subsistence, characterised by smallholdings and low soil productivity due to over cultivation and low use of modern inputs. Increased agricultural production is geared to attaining food self-sufficiency, and increasing rural incomes.

Currently growth in agricultural production is at the mercy of good weather. The challenge ahead is the introduction of technology-based production to sustain high growth rate in the sector and to improve the management of natural resources. The strategy has been to protect hills and marshlands as it has been established that lack of soil protection on hillsides has had negative effects to reclaimed marshlands.

The fertiliser market has been liberalized and efforts to promote seasonal credit were put in place. However, the access and use of fertiliser is still low for the majority of farmers. The emphasis has been the creation and strengthening of associations and cooperatives as channels for marketing and extension services. The legal framework for participation of the private sector in seed multiplication and distribution was defined in 2002.

Livestock development policy in agriculture is centred on four elements. These are to ensure increased supply of animal feed, provide veterinary services, restocking and improving the quality of animal breeds. Rwanda has witnessed alarming rates of deforestation due mainly to movement of people and of livestock. The household demand on wood is substantial and the rate of reforestation has been relatively low.

##### **b. Priority programmes**

The performance of priority programmes in this section is assessed according to two important aspects. These are the level of adherence to the policy orientation described above and the possible outcome with regard to poverty reduction. The distribution of agriculture growth across provinces and income groups will be viewed.

#### ***Agricultural production***

Agricultural production performances can be evaluated by analysing past trends in production and in particular the change in output between 2001 and 2002 for priority crops as can be seen in Table 5.

Table 3.1: Trends of Production of Priority Crops

Crop	Rice	Maize	Soya	Potatoes	Beans	Coffee (tonnes)	Dried Tea (tonnes)
1995	2,001	55,600	0	137,700	126,300	21,952	5,414
1996	6,596	66,595	0	195,381	178,697	15,285	9,057
1997	9,805	83,427	4,279	229,625	141,815	14,830	13,239
1998	7,935	58,618	9,831	181,138	153,917	14,268	14,874
1999	8,921	54,912	4,707	175,889	140,425	18,817	12,669
2000	11,363	62,502	7,034	954,418	215,347	16,098	14,481
2001	17,697	92,129	17,140	988,982	289,983	18,268	17,817
2002	24,539	78,465	19,216	1,097,503	244,623	-	-
Source: MINAGRI							

It can be seen that with the exception of maize and beans, priority crops registered positive change between 2001 and 2002. The long-term trend for all the crops since 1995 generally remains upwards.

It is important to note that in future monitoring input use and relative productivities is necessary for priority crops. Meanwhile market prices for the priority crops are noted to have fluctuated over time and across-regions. Noteworthy also is that two of the priority crops namely potatoes and beans are among the top three commodities consumed by the poor as evidenced by the Rwanda poverty profile.

To promote professional seed multiplication a law on seed multiplication, inspection and marketing has been voted by Parliament. A 500 tonnes seed storage facility and a seed-cleaning unit have been constructed in 2002. Of 1,600 tonnes produced for the purpose in 2002, some 1,200 tonnes were distributed to farmers. Seed multiplication was used all over the country by mostly by farmers' associations. Administrative arrangements have been put in place to carry out seed quality inspection on a regular basis.

The volume of fertiliser imports doubled in 2002. MINAGRI has put in place a line of credit with NBR in order to facilitate traders to import chemical fertilisers. In 2002, the government made available funds amounting to RwF 123,983,131 with the Banques Populaires for micro financing for seasonal loans.

In 2002 training to farmers in use of modern inputs was continued. Government through MINAGRI has introduced guarantee funds and subsidised repayment schemes on agri-business using financial support from World Bank and USAID. Adaptive research has been developed for priority crops. ISAR the centre charged with agricultural research is being restructured.

For coffee, emphasis was put in investing in high quality crops and construction of washing stations. In 2001, the production of fully washed coffee was 50 tonnes and it fell to 32 tonnes in 2002. It is expected that the more effective organisation of producers associations, greater participation of the private sector and replacement of old coffee trees will increase the coffee output in the near future.

In the tea sector, the Mulindi and Pfunda tea estates will be privatised in 2003: 55% of shares will go to a strategic investor, while the other shares will remain within the country. Of this remaining 45%, 10% will be owned by farmers' associations/co-operatives. Further, the government has sold 13.45% of its shares in the private tea estate Sorwathe, while a remaining 23% will be sold to a farmers' association. The quality of tea leaves and the

application of fertiliser have deteriorated following the reduced intervention by OCIR-Thé. Other identified constraints are under capacity and the ageing machinery in processing plants. Furthermore, recent data show that about 800 ha of plantations are old and 500 ha in Mulindi have been destroyed by bad drainage. Privatisation is expected to increase efficiency in the sector and to provide solutions to these problems.

One of the big challenges of the sector will be the gradual transformation of OCIR-Thé from intervening in areas such as subsidising and investing towards a more supporting and regulating agency, without jeopardising the viability of the plants. Production in 2001 was 18000 tonnes and is targeted to reach 35000 in 2010.

**Achievements under agricultural production**

- Remarkable increase in output for majority of crops and exports
- Efforts to promote select seed multiplication started

**Challenges**

- Developing a sustainable export crop strategy- traditional and non-traditional crops
- Use of fertiliser is crucial to increased productivity

*Livestock development*

According to MINAGRI estimates for various livestock related products, effective demand is currently ½ of the total requirements. The current level of production meets only 39% of milk, 86% of meat, 55% fish and 10% of eggs. The apparent gap in supply and demand reflects the need to raise the levels of productivity in the sub sector.

To improve productivity in the sub sector new cross and hybrid herds were introduced. The result of this is an increase in milk production despite the decline in the total number of cattle. However the number of cross herds is not enough (less than 1% compared with 98.4% of local breed) and a national programme for artificial insemination and increasing animal food supply continues to get priority attention in policy. Credit schemes were put in place to facilitate acquisition of livestock.

Animal health is a key element of livestock development. Recognising the economic impact of animal diseases, their hindrance to access to international markets the Government of Rwanda, undertook serious measures during 2001 to 2002, to put in place strong and sustainable control mechanisms to eradicate the diseases especially those by livestock international organisation.

Moreover, MINAGRI strengthened the capacity to monitor internal and cross border movement of livestock and a national veterinary laboratory to verify the effective eradication and control of the diseases. The results from the laboratory are ordinarily preconditions for the issuance of a certificate from international livestock organisation.

Fish production increased from 40,000 tonnes to 365,000 tonnes in 2002. Programme to plant fish in Lake Bugesera has continued. In Lake Kivu, however the need is to enforce the law regulating fishing practices. Fishing in Lake Muhazi is expected to start in September 2003.

**Key achievements**

- Improved breeds are gradually being introduced to the farmers
- Livestock restocking reached or passed the 1990 level
- Animal products are generally increasing

**Challenges**

- The market for animal products is not satisfied
- Achieving increased productivity in livestock sector
- Effective control of livestock diseases

***Forestry resources***

To foster forestry management and protection, a forestry policy started being evolved in 2002. Its aim is to allow for optimal utilisation of forestry products. It is planned that 100,000,000 trees shall be planted on 62,500 ha. Rwanda Forestry Management Support Project (PAFOR) has a line of credit of RwF 500 million to promote private sector to invest in forestry sector. In 2002, 32,200,000 tree seedlings were planted and an inventory showed the existence of 31 associations dealing in nurseries privately.

**Achievements under forestry resources**

- Sensitisation campaigns led to planting of more trees in 2002

**Challenges**

- Reforestation and proper use of woods are perpetual challenges

***Management of water and soil***

There is an important interface between the environment and agricultural production in Rwanda. A National Soil Conservation Commission has been established. In this regard, a number of technicians were trained in forestry management in 2002. A study on marshlands was completed in 2002 and another for 1650 ha is underway.

Already in 2002 350 ha of marshland was rehabilitated and reclaimed. A study to develop a Master plan on Marshlands was carried out. Rice schemes were rehabilitated and a new area in Umutara province was developed for rice growing. Retention dams, valley dams/tanks and water harvesting especially in *imidugudu* will be created.

**Achievements under management of water and soil**

- Study and development of a master plan of marshland is a useful step

**Challenges**

- Management of water and soil conservation is important challenge to productivity in Rwanda
- A major challenge is the comprehensive protection of hillsides that also affects conditions in the valley

### ***Extension and marketing***

Government through MINAGRI continued to promote marketing and commercialisation in agriculture. Extension services are being strengthened and decentralised. A major strategy has been to meet the most pertinent training needs in the sector. In 2002, 150 technicians underwent Training of Trainers Course (TOT). Other training to technicians was 46 in animal husbandry, 20 in rice production and 51 farmers and technicians were trained in post harvest conservation.

Also, 1,000 people were trained in forming associations, running small projects, production techniques and financing projects. Efforts are underway to promote the private sector in extension provision through specialised service agencies, farmer cooperatives and associations.

For both organic and inorganic fertiliser 3,200 plots were used all over the country to demonstrate their advantages. Some 11 farmers associations were visited by Ministerial officials with the intention of advocating for the use of associations in improving agricultural marketing.

Development of traditional and new export opportunities will be necessary for commercialisation. Market Information System on regional and international requirements shall enhance the marketing process.

#### **Achievements and challenges**

- Training efforts were made

#### **Challenges**

- The challenge is the trainers to train the farmers
- Availability of market information to producers

### ***Planning***

On the planning level, MINAGRI has been designated as a facilitator in the planning process of the agricultural sector with the lead donor being the World Bank. It is expected that a sector strategic plan will be produced in 2004 with a proper costing of the financing requirements for the sector. The rural development strategy is being developed under the facilitation of the MINAGRI.

In view of the vital role the sector is expected to play in poverty reduction, MINAGRI will undertake some internal strengthening. A human resource shortage in MINAGRI is a challenge that should be addressed. Besides personnel in the ministry, every district requires an extension officer if the strategy has to be operationalised. An effective working relation structure between extension officers, NGOs, farmers associations, private sector and local leadership needs to be strengthened.

The findings from the Public Expenditure Review conducted in 2002 showed that agriculture faces shortages of financial and human resources. The average deficit between programmed and allocated funds was about 39% for the 2002–2003 budget. It was 40% in the 2000 budget.

### **Box 2: Employment Promotion and Labour-Intensive Public Works**

In order to promote employment and monetisation in the rural area, the Government has recently developed a multisector programme of labour-intensive public works.

**Main areas of intervention include:**

- Roads infrastructure
- Agricultural and environment protection infrastructure
- Water supply
- Schools and health infrastructure
- Other specific labour-intensive programmes
- Labour-intensive programmes in urban area

**The operational strategy goes through:**

- Support to districts in drawing community development plans
- Capacity building at all levels
- Broad participation and involvement of all ministries and other private sector agencies
- Popular participation

## **3.2. HUMAN RESOURCE DEVELOPMENT**

### **3.2.1. Education**

#### **a. Policy issues and strategy**

The main long-term priority in the Education sector is quality basic Education for All. Targets are Universal Primary Education to be achieved by year 2010 and Educational for All (EFA) by 2015<sup>6</sup>. Issues of equity and functional literacy are given special attention. Access and equity at all education levels should be coupled with ensuring quality and relevance so that education can fully play its vital catalyst role in economic growth and poverty reduction. Current strategies put emphasis on skills development giving special attention to science and technology, especially ICT. Strategies underpinning this policy are the reform of teaching methodology, revision of curriculum, adequate provision of pedagogical material, teacher training and inspection of schools. Institutional capacity building at decentralised level and community participation are key cross-cutting issues. Priority for new facilities is given to districts with acute shortage of education centres and infrastructures<sup>7</sup>.

#### **b. Priority programmes**

##### *Primary and pre-primary education*

The level of development of pre-primary education is still limited. The first Joint Review has endorsed that pre-school education must be expanded and given priority, especially in the rural areas. In 2002, the number of pupils was a mere 18,399. Two studies aimed to provide detailed information on this education level were carried out in 2002 in collaboration with UNICEF and the World Bank.

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<sup>6</sup> For Rwanda to achieve the Basic Education target, the repetition rate should be reduced substantially to less than 5% and the drop out rate to less than 2% in 2015.

<sup>7</sup> Construction is a key area of concern. Of the current primary pupil population, only 50% is catered for, while 25% is under sheeting.

Table 3.2: Major Changes in Primary Education

Indicator	2001	2002	2003 Prel.
Number of boys (%)	50.0	49.8	49.5
Number of girls (%)	50.0	50.2	50.5
Gross Enrolment Rate (%)	99.9	103.7	108.9
Gross Enrolment Boys (%)	101.9	105.8	109.9
Gross Enrolment Girls (%) <sup>8</sup>	98.2	102.3	108.0
Net Enrolment (%)	73.3	74.5	81.7
Net Enrolment boys (%)	72.9	74	80.9
Net enrolment girls (%)	74.9	74.9	82.3
Transition to secondary	-	37	40
Promotion rate (%)	54.0	66.2	-
Repetition rate (%)	31.8	17.2	-
Drop out rate	14.2	16.6	-
Teachers (nos.)	28,698	26,024	-
Teachers-male (nos.)	14,034 (48.9%)	12,975 (49.9%)	13,450
Teachers-female (nos.)	14,664 (51.1)	13,049 (50.1)	13,562
No of qualified teachers	17,995 (62.7)	21,123 (81.2)	22,997
Students/teacher ratio	51.0	58.9	59.9
Students/qualified teacher ratio	82	72.6	70.3
No. of schools	2,142	2,172	2,177
No. of classrooms	27,339	27,735	28,503

Source: Monitoring Education Performance in Poverty Reduction in Rwanda, MINEDUC.

Primary education has exhibited some considerable progress as can be noted from Table 3.2. The gross enrolment rate is now almost 100%. However, the good achievements have been dampened by relatively high drop out rates of up to 16.6%. In 2002, the net enrolment rate rose to 74.5% (from 73.3% in 2001). In 2003, the rate has gone up to 82%, which compares favourably with the 76% projection. This figure is expected to rise further due to the abolition of the RwF 300 annual school fee from September 2003 onwards. Whilst the government will subsidise schools for that amount, there will still be the issue of an initial worsening of the teacher/pupil ratio, which will need to be addressed. The trade off between teaching quality and broad access will be the main challenge.

Expanding teacher training and raising the supply of textbooks are priorities in primary education. In 2002, there were 2,217 pre service students in Teacher Training Colleges (TCC's) and 1,013 in KIE and NUR. New teacher and pupil books have been distributed, especially in P4 and P6<sup>9</sup>, but given the dire needs of textbooks in Rwanda this was a modest action compared to the target of one book for at least three pupils. This aim is certainly an important one that will have to be monitored in the future.

A large part of funds reaching the primary education level is spent on salaries. As such, government's focus on access, quality and efficiency is jeopardised by resource constraints. This situation needs to be addressed, especially in the light of the planned extension of basic education to 9 years.

<sup>8</sup> Gross primary school enrolment ratio is the ratio of total enrolment, regardless of age, to the population of the age group that officially corresponds (6-12) to the level of education shown.

<sup>9</sup> P6 stands for the 6<sup>th</sup> form in Primary School.

**Achievements**

- EFA plan development is in final stage
- Net enrolment rate has increased and is expected to increase more with the abolition of annual fees
- Number of textbooks per pupil has risen

**Challenges**

- Expected increase in pupils and the subsequent need for more teachers needs to be balanced with non-wage costs
- The target on number of textbooks per pupil still have to be met
- Drop out rate and repetition rate are still very high

*Secondary education*

Secondary education is still relatively underdeveloped and access is restricted for the poor as less than 5% of secondary schoolchildren are from the poorest 20% of households<sup>10</sup>. A way to assist the more gifted pupils is being worked out through Community Development Committees. The transitional rate from primary to secondary school in 2002 was 37%, with very few of them studying sciences. To address this issue, each district has set up an education fund, with money from bursaries (managed by MINALOC beforehand) and FARG. Parents are encouraged to participate in this set up.

Distance learning is growing in importance, and in 2002 KIE received equipment to facilitate the programme. A programme for 350 teachers was started. For quality control, the Ministry emphasized inspections. In 2002, 189 secondary schools were inspected. Currently the plan is to train 7 inspectors in the O.K. and 126 locally.

**Achievements**

- Considerable growth in teacher training and distance learning
- Education funds have been set up in districts, proposal to support gifted students are underway

**Challenges**

- Transition rate to secondary education is still low, especially for the poorest.

*Tertiary education*

Tertiary education will continue to be an important source of rare human resources in a post genocide situation. The transition from secondary to tertiary is still very low and access of pupils from poor households is limited. On the relative cost of tertiary education, public expenditure on non-pedagogical costs was reduced. Cost sharing schemes, such as student loans are being established and work is ongoing to find innovative financing ways. Promotion of private initiatives will be key in decreasing unit costs. As most higher learning institutes are only just being established, local staff need to be trained, especially in science. One solution to be explored is the hiring of expatriate staff on short-term contracts for training and lecturing.

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<sup>10</sup> EICV data

**Achievements**

- Reduction of average public expenditure on non-pedagogical costs
- Cost sharing schemes are being established

**Challenges**

- Staff need to be adequately trained, possibly through the hiring of expatriate lecturers

*Science and technology in education*

Research is reported by MINEDUC to be still underway to determine the relevance of technologies to the lives of the poor. Research need to be reoriented towards needs of the population.

*Vocational training*

This sub sector appears to be suffering from under-resourcing. Most vocational training centres also require rehabilitation although some rehabilitation work is reported in 2002. Another challenge is revisiting the content and form of skills provided with the view of matching them with demand in the labour market; a labour market survey addressing these issues will be carried out.

*Popular education and functional adult literacy*

In 2002, functional adult literacy was developed into a National Programme and primary school buildings will be used as centres of learning with NGOs being drawn in the programme through regular meetings. The ultimate task is to ensure adult functional literacy and young people education programme are linked to economic livelihood opportunities in a life long learning perspective.

*HIV/AIDS education*

HIV/AIDS education has been incorporated in programs such as in civics. Education and related material and teachers' guides for primary and secondary schools on HIV/AIDS have been prepared. Anti-AIDS clubs were established in all secondary schools and higher learning institutions. In 2002, 84 teachers were trained in HIV/AIDS sensitisation.

**Planning and financing**

In 2002, MINEDUC developed a Sector Status analysis that has provided inputs to a Sector policy and Strategic plan for 2003–2008. A robust approach is ensured by the adoption of a Sector Wide Approach in Education (SWAp), including all partners in the sector to participate in the drafting and agreement of one integrated education strategic plan with a global monitoring framework where all partners agree on the indicators to be followed (see Table 3.2 and Chapter 4).

The First Joint Review of the Education Sector was held in early 2003. Some key recommendations in line with basic education include a reduction in the number of subjects taught and transforming schools into community learning and development centres. For non-formal education one of the major concerns is to improve functional literacy whereas at

secondary level technical and vocational education were emphasised. The most important issues in tertiary education are cost sharing and gender parity. As regards teachers' circumstances, a teacher supply and demand survey was thought to provide useful insights.

The education sector is a main priority both for the Government and for its partners. Of the total amount of priority spending, the education share has been consistently more than 50% (Table 3.3). Even though in the envisaged 2003 budget the share of education in total recurrent and development spending is going down, in absolute figures it is still increasing. Absorption capacity as measured by recurrent budget execution has gone up since 1998, helped by well thought out training programmes.

Table 3.3: Education expenditure

	1998	1999	2000	2001	2002	2003*
%allocation in total recurrent expenditure	16,9	23,0	25,4	23,2	25,8	
%allocation in total development expenditure	8,9	12,6	12,6	12,3	17,1	11,6
%share in priority programmes				62,6	51,7	
%Recurrent budget execution	79,7	96,9	96,1	97,6	108	
<i>p.m. Total recurrent expenditure (RwF bio.)</i>	75,3	86,5	89,3	107,4	129	149,7
<i>p.m. Total Development expenditure (RwF bio.)</i>	92,9	71,2	66,2	50	56,1	64,9

\*Figures for 2003 are not outturns

Source: Ministry of Finance and Economic Planning, Flash Reports 1998-2001

### 3.2.2. Health

#### a. Policy issues and strategy

The long-term objective of the health sector is to have a healthy population as a precondition for fully using Rwanda's human resources in developing the country in a sustainable way. Specific goals for 2015 are reducing under-five mortality rate by 2/3 and maternal mortality rates by 3/4 and decreasing the fertility rate from 5.8 to 4. The incidence of the leading causes of mortality, namely malaria and AIDS, will be reduced by half in the same period. MINISANTE developed a health policy, in 2000, which is currently being reviewed. The Ministry is drafting its strategic plan using the Sector Wide Approach (SWAp) and benefits in the process from wide consultations with health sector partners. Situational analyses, co-ordinated by health district agents were carried out with extensive participation of health committees at the grassroots level. Policy directions derived from this process are implemented by the health district, which is the health system's operational unit at the decentralised level.

Table 3.4 gathers indicators of the health information system (covering public facilities only). In 2002, the rate of service utilisation improved marginally from 0.24 to 0.28 consultations per person per year<sup>11</sup>. Over the period there was also an increased usage of qualified personnel (although it remains low), and increased vaccination coverage.

<sup>11</sup> The WHO recommends a target of 0.35 – 0.40 for developing countries like Rwanda

Table 3.4: Performance of the Health Sector

Indicator	Evolution 2001	2002	2003 (targets)	Source
Rate of utilisation of health services	0.25	0.28	(0.30)	HIS Health Centre Annual
Rate of coverage of DTC-PO3 vaccination	77	85	(90)	HIS Health Centre Annual
Birth attended to qualified personnel (%)	32	35	(37)	HIS Health Centre Annual
Access to mutuelles (%)	15	20	25	HIS Health Centre Annual

Source: Performance Monitoring of Health Sector Indicators for Poverty Reduction, 2003; p.30, MINISANTE.

Note: HIS is Health Information System.

#### b. Priority programmes

There are four priority programmes, which are (1) provision of basic health care; (2) specialised interventions into major health problems; (3) development of health infrastructure and financing mechanisms; and (4) improvement in management of health services. The major interventions are disease control and development of the health system.

#### ***Disease control***

*Malaria:* In 2002, there was a 4.4% increase in new cases of malaria (equivalent to 12,490 per 100,000). Difficulties in isolating the underlying reason remain; possibly the result of a worsening situation or improved diagnosis/detection. In 2002, a new treatment scheme was introduced and anti-malaria drugs were subsidised by 60%. The multisectoral roll back malaria approach was extended to include the participation of the private sector and subsidisation of mosquito nets for pregnant women and under-five children throughout the country. Sensitisation on the use of mosquito nets continued, whilst general coverage by mosquito nets was estimated to be 12%, a 2% increase from 2001.

*Tuberculosis.* Detection was available in 50% of health facilities in Rwanda while 100% are reported to have used the appropriate treatment with failure rates of less than 1%. This is attributed to the use of DOTS (Direct Observed Treatment Short course) method. (Source: PNLT, Programme National de Lutte contre la Tuberculose)

*Childhood diseases.* In 2002, the immunisation rate was on average above 80% for all antigens, one of the best in Sub Saharan Africa. The strategy used was that of outreach to catchment areas. The year 2002 was the first in the implementation of the new vaccine combination GAVI (Global Alliance for Vaccines and Immunization).

*Diseases with epidemic potential.* Meningitis was reported to have struck in almost half of the country in 2002 but was contained by a massive vaccination campaign. Cholera cases are still reported on the shores of Lake Kivu and Ruhengeri. The lethality rate for all outbreaks was less than 10%. In WHO norms, this means that diseases with epidemic potential were effectively handled.

*HIV/AIDS:* A multi-sectoral approach in the fight against HIV/AIDS has shifted the focus from a simple health issue to an economic and national challenge. The Ministry of Health is responsible for treatment and research while the National Commission Against HIV/AIDS (CNLS) is charged with sensitisation and resource mobilisation at national, provincial, district

and community levels. The Association of People Living with Aids has strengthened with strong emphasis on income generating projects. The price of ARV's fell from an average of 160,000 RwF per month in 2001 to a minimum of 30,000 RwF per month in 2002. This has boosted accessibility to the drugs by the relatively poor.

In 2002, some private sector enterprises and organisations started programmes to assist and cover the ARVs costs of their employees. HIV/AIDS awareness in Rwanda is estimated to have risen to 70% of the population. The prevalence rate is estimated at 13.5%. In 2002, the prevention programme for HIV incidence from seropositive mothers was extended to 10 provinces of the country against 5 provinces covered in 2001. Popular radio-dramas continued to promote the campaign of disease prevention.

*Reproductive health.* The national fertility rate is estimated at 5.8. In 2002, a national reproductive health policy was prepared. The sensitisation campaign on family planning continues in health centres, media and special clinics. The percentage of births attended by qualified health personnel increased from 32% to 35%. A study on factors behind preference by pregnant women to deliver at home instead of health centres was carried out and results will be implemented in 2003. The opportunity to include reproductive health in functional literacy is being considered in tandem with the education sector through the sector-wide approach.

**Achievements**

- Malaria drug subsidy offered, mosquito net coverage increased
- Control of tuberculosis through DOTS
- Good vaccination coverage for child diseases
- Anti-HIV/AIDS campaign has intensified through multisector approach and access to ARV improved by lowering prices

**Challenges**

- Malaria is still a number one cause of morbidity and mortality
- Mitigation of diseases with epidemic potential
- Change of behaviour to address the HIV/AIDS pandemic that has become an economic concern

***Development of the health system***

*Health district development.* In 2002, the focus was on the decentralisation of health services and on community participation. National referral hospitals continue to depend on the Ministry of Health budget. In terms of infrastructure development, one health centre was rehabilitated and completed while two more were rehabilitated but not yet completed. In 2002, eight health centres were constructed and five of them officially opened. Moreover, one District hospital was constructed and the CHK Radiology unit completed.

*Pharmaceutical sector development.* A list of pharmacies licensed for operation by MINISANTE was released in 2002. Inspectors tracked down falsified drugs. CAMERWA is a national institution that promotes the supply of essential drugs using a list provided by MINISANTE. It has been responsible for provision of drugs and ARV at affordable prices. In 2002, the supply of drugs was relatively efficient given that on average there was no shortage lasting more than 1 week in a month. It is intended to decentralise the services of CAMERWA as it becomes more efficient.

*Human resources and access.* In 2002, 15 doctors and 160 nurses were recruited, but acute shortage is still noticeable in Health Districts. Human resource development especially training is a major contribution to quality improvement in the health sector. In 2002, eight grants for advanced specialisation overseas were granted. A project to receive Cuban doctors placed in rural areas was initiated. In terms of physical access the number of people per doctor declined considerably from 54,500 in 2001 to 50,000 in 2002 while the number of people per nurse also declined from 5,555 to 5,000. Access will also improve through the use of rural health workers and rural ambulances will be set up in 2003. (Source: SIS/MINISANTE, Système d'Information sur la Santé)

*Health Sector financing.* As mentioned in Chapter 2, the health sector is one of Rwanda's sectors with the most serious underfunding issues. Whilst it figures under the PRSP core programmes<sup>12</sup>, it does not succeed in attracting adequate funds for reaching the objectives of these programmes. One of the problems is the erratic character of development aid to the sector. As can be seen from Table 4, shares of the health sector in the total development budget have been steadily reduced since 1998. A problem in the development budget is the attention HIV/AIDS gets. Whilst HIV/AIDS has to be addressed as a major problem, the overwhelming attention it gets from donors risks neglecting other parts of the sector.

In the 2003 budget, these problems were acknowledged and health received additional funding in the form of exceptional expenditure. This money was mainly used for the primary health care strategy, but is clearly only a temporary measure and underfunding will need to be handled in a more structural way. The start of the Sector Wide Approach is a first step in this process.

Efforts are made in cost recovery through user fees, but there is clearly a trade off between affordability and access. *Mutuelles* or health support systems have been adopted by many Rwandans and are developing into a convenient system of cost sharing in the health system. Financial mechanisms for health services were maintained, i.e., fixed fees, state subsidies and RAMA. Salary increase modalities were devised. In 2002, the introduction of contractual approach to financing in the health sector was initiated.

The execution rates of the health budget show an increasing trend. Together with the mentioned underfunding problem, this makes a strong case for more spending on priorities such as the *mutuelles* and the *animateurs de santé*.

Table 3.5: Health Expenditure

	1998	1999	2000	2001	2002	2003*
%allocation in total recurrent expenditure	3	3,4	4,7	4,2	4,4	
%allocation in total development expenditure	7,8	16,1	13,5	8,4	7,6	5
%share in priority programmes				13	10,4	
%Recurrent budget execution	98,1	79,4	96,1	107,8	128	
<i>p.m. Total recurrent expenditure (RwF bio.)</i>	75,3	86,5	89,3	107,4	129	149,7
<i>p.m. Total Development expenditure (RwF bio.)</i>	92,9	71,2	66,2	50	56,1	64,9

\*Figures for 2003 are not outturns

Source: Ministry of Finance and Economic Planning, Flash Reports 1998-2001

<sup>12</sup> PRSP Chapter 4, core programme 3: "Malaria and HIV/AIDS prevention, and support to health *mutuelles* and *animateurs*".

**Achievements**

- Access to health services realised modest improvements
- *mutuelles de santé* are improving access to health

**Challenges**

- Availability of doctors in rural areas is still a major challenge as only 1 out of 5 doctors is in rural areas

### 3.3. ECONOMIC INFRASTRUCTURE

#### a. Policy issues and strategy

In this sector, emphasis is put on:

- Maintenance and rehabilitation of the rural road network to promote trade
- Encouraging greater competition in air transport
- Reduction of the cost of electricity by increasing domestic production
- Rural electrification to promote economic activities
- Encouraging competition in the area of communication

For better coordination of activities in the sector, the Government decided, in early 2003, to merge the Ministry in charge of water, energy and natural resources with that in charge of transport, public works and communication into one ministry in charge of infrastructure.

There a clear need for more investment in this sector and lack of financing is often cited as a constraint to achievement of the sector objectives. Analysis of the scenarios presented in the PRSP (more than 50% of the proposed increases under the two additional scenarios are for economic infrastructure) shows the significant financing need but also the necessity for better prioritisation with specified return rates in terms of impact on poverty as well as a clear identification of outputs expected from activities the ministry undertakes<sup>13</sup>. The public expenditure review in the transport sector, conducted in 2002, noted that some outputs are not well identified according to the Ministry mission of policy formulation rather than direct execution. Moreover, the review also revealed constraints due to the cash-budget system in achieving outputs planned in the MTEF. A study is ongoing on ways to achieve increased involvement of the private sector in the infrastructure sector as well as a public-private partnership.

#### b. Priority programmes

##### *Road transport*

This sub-sector received, through the national road fund (FER) in charge of road maintenance, the most important share of the sector budget allocation. Main roads that were maintained and rehabilitated are Butare—Cyangugu and Nyakizu-Nshili.

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<sup>13</sup> Rwanda PSIA: the impact of an increase in public expenditure, April 2003 and Public expenditure review in the transport sector, July 2002

Roads of Kigali-Gitarama (48 km) and Kibuye-gisovu (43 km) were rehabilitated while tarmacing of the road Gitarama-Kibuye (42 km) was completed.

Feasibility studies were conducted for rehabilitation of Gitarama-Butare-Akanyaru (111 km) and Kigali-Kayonza (75 km) roads. With regard to other bitumised roads [such as Bazirete-Gisenyi-Nyundo (12.8 km), Giticyinyoni-Munindi-Musasa, Kigali-Kayonza and national roads in Kigali-ville (12 km) and elsewhere, etc.] and roads to be built, progress consisted mainly of preparatory works and technical studies.

The ministry started, in 2002, to decentralise roads maintenance and, from October 2002, agreements were signed with decentralised entities for the rehabilitation of 2983 Km of national roads over three months (the maintenance will involve private sector and associations). Increased population participation in roads and bridges maintenance is expected through the labour intensive public works (HIMO) programme mentioned in Box 2.

Some national non-bitumised roads in very bad state were rehabilitated in the course of the year, [notably Gikongoro-Murambi, Butare-Kibeho, Butare-Akanyaru Bas continuing in 2003, Rugende-Karenge, Rwamagana-Gishali, Kibeho-Ndago-Munini (29 km), Ruhango-Gitwe (17 km), Pindura-Bweyeye (30 km), Kicukiro-Pont kanzenze] while for others, work are ongoing or were postponed to 2003 [Butare-Akanyaru Bas and Cyegera-Nyamiyaga (20 km)] due to relative shortage of equipment.

#### *Air transport*

Feasibility studies for the rehabilitation and extension of Kanombe airport are completed and works are to begin in 2003. It is envisaged to internationalise Kamembe airport in 2003.

#### *Grass root transport and communication*

One element of the community based activities ubudehe is to mobilise local resources in managing community roads. The activities can also be carried out through the public works programme (HIMO) mentioned above, which has been designed in 2003.

#### *Energy for the formal sector*

Priority programmes include an electrification master plan, increased energy production, promotion of methane gas and alternative sources of energy.

A contract has been signed with a private firm for the private management of Electrogaz to be effective by end-June 2003. Meanwhile, in 2002, economic and financial studies were conducted for the rehabilitation of Mukungwa, Gihira and Gisenyi centrales as a first step in the effort to increase production. Feasibility studies were also conducted for rehabilitation of lines and grid extension. Implementation of the project is now under the responsibility of Electrogaz. Negotiations are ongoing under the Nile Basin Initiative for the construction of a barrage at Rusumo falls in order to promote regional integration of the energy sector.

Extraction and use of gas methane continued on a modest scale for use in the brewing industry. Two companies signed with the government in 2002 to assist in exploitation of methane gas.

### *Energy for poor households and rural enterprises*

MININFRA has conducted, in 2002, feasibility studies for rural electrification through the use of micro-centrales and geothermal energy.

### *Communication infrastructure*

Privatisation of Rwandatel is on the drawing board and is expected at the end of 2003. The operation will increase competition in the telecom sector and allow more access to telephone services, including in rural areas through the support of a Universal Access Fund. Meanwhile promotion of private investment in telecommunication has started.

### *Water and sanitation*

The MININFRA is developing a Water Sector Strategy. A seminar on Water Resource Management was conducted in 2002, which offered recommendations on better sectoral coordination. The service in charge of water sources management in MININFRA has been undergoing enhancement (human and equipment) during 2002 and using the GIS a Hydro-geological map has began being drawn in November 2002. A revision of the Law on Water to address water resource management issues is ongoing.

In 2002, efforts were increased to enhance rural water supply and 160,000 people obtained access to potable water for the first time, mainly in three provinces (Umutara, Cyangugu and Gitarama). The rural water provision network continued to be rehabilitated in different places and more rehabilitation is envisaged for 2003. To improve the maintenance of water provision infrastructure in rural areas, the MININFRA has made efforts towards sensitisation for community management of these infrastructures. In addition to sensitisation campaigns and training of the population in water management, the MININFRA also encouraged participation of local authorities and the population into the planning of water and sanitation infrastructure locations.

Urban water supply will be improved by strengthening the institutional capacity to manage the system. Electrogaz, the public utility in charge of water provision in urban areas is being restructured and its management will be privatised. Projects for the rehabilitation of urban water provision infrastructure in Kigali and other towns are envisaged after this.

A conference on Sanitation was held in 2002 and sensitisation took place in five provinces. Sewerage systems were built in Kimironko and Kibungo prisons. As mentioned above, some population were trained in water management and sanitation in some districts as pilot cases. Concerning sanitation in urban areas, especially a number of places in Kigali, some private sector initiative are supplementing the lack of proper public sector sanitation service.

**Key achievements**

- Ongoing maintenance of roads through the FER
- Progress in promoting private involvement in gas exploitation
- Contract for private management of Electrogaz to be signed by end-July

**Challenges**

- Need for better targeting and prioritisation in view of insufficiency of available resources for maintenance of the entire roads network
- Use of labour intensive approach for roads and bridges maintenance
- Development of means of transport and communication at the grass root level
- Development of alternative sources of energy
- Need for rural electrification

### 3.4. GOOD GOVERNANCE

#### a. Policy issues and strategy

Building good governance is a critical priority for Rwanda as a response to the recent experience of genocide and long standing political instabilities. For Rwanda, good governance is a key variable in achieving poverty reduction and sustaining economic growth.

Box 3 shows a summary of policy issues and recent action that reflect on the progress of the policy on governance in Rwanda.

**Box 3: Governance and its Importance for Poverty Reduction in Rwanda**

Government considers seriously the role of good governance in the economic transformation of Rwanda.

- ✓ A five-year plan has been designed.
- ✓ Demobilising the army and improving the national policy, as well as to ensure the state of national security is stable.
- ✓ To promote and foster national reconciliation.
- ✓ Respect human rights through ratifying international conventions and promotion civic education.
- ✓ In promoting justice and rule of law, there is introduced *gacaca* traditional courts and related legislation such as work in place of incarceration (TIG).
- ✓ Decentralisation in terms of delegation, devolution and deconcentration of power and empowering CDCs and setting up of CDF.
- ✓ Reforming the civil service

#### b. Priority programmes

An important action in the review period was the establishment of *gacaca* courts and giving them legal authority. The courts will provide employment to 258,208 local based judges. Some Training of Trainers course has been given to 780 of those judges. With 11,000 sites set up in 2002, the courts will provide another functional infrastructure at grassroots level. Indeed up to 30,000 prisoners were released and are awaiting the courts. The action is part of justice but also releases labour to households headed by the ex-prisoners. About 36% of local judges are women, an action that promotes gender sensitivity.

The courts being an adaptation of the traditional ways of resolving conflict are expected to be another means of reconciliation especially promoting the habit of telling the truth in Rwanda. Gacaca courts will inject into the rural economy RWF 47,542,809,721 budgeted to run them.

**Constitution** making has demonstrated the will of the government in promoting democratic process and promoting popular participation among Rwandans. In 2002, wide-ranging consultations were carried out inside and outside the country. Finally, in May 2003, the process was capped by a referendum. General elections are planned to take place before end-November 2003. Meanwhile there is an ongoing review of all laws.

A critical aspect of governance is the maintenance of **security** in Rwanda and in the region. The National Police is being strengthened and reformed to focus more on community involvement in safeguarding their own security. Already the rate of crime is estimated to have gone down by 20% because of community sensitisation to security. Rwanda has been an ardent supporter of the Lusaka Peace Agreement. The 38 battalions (about 23,000) of Rwandese Armed Forces in the Democratic Republic of the Congo were repositioned in Rwanda. Some 20,000 RPAs and 25,000 ex-FARs were demobilised and reintegrated into civilian life in 2002 and more will be demobilised to reduce the defence expenditure. Each demobilised soldier receives cash grants in excess of RWF 300,000 that is directed towards supporting them in livelihood activities. Between RWF 150,000 and 500,000 is recognition of service allowance (RSA) and RWF 1000,000 is reintegration fund, moneys paid within 6 months of demobilisation. A vulnerable support window (VSW) is a facility that offers professional training to the demobilised soldiers especially who have become as result of combat disabled. Savings are expected to help build a smaller but professional army and in terms of budget allocations, poverty reduction.

Unity and National **Reconciliation** Commission continues to be a strong partner in poverty reduction and promotion of participatory processes. Rwandans know through government action that reconciliation is imperative for development.

The **Human Rights** Commission has already published its annual report reporting interventions in violations of basic human rights as well as socio-economic rights. It has managed to open offices in all the provinces and with the conclusion of the Constitution will lead on developing clear indicators of human rights for monitoring purposes.

New organigrams for **civil servants** in central government line ministries were established and are being implemented. Some ministries were combined and other functions realigned. Some 509 members were redeployed particularly to decentralised units of government.

### **Decentralisation**

Decentralisation is identified as a priority in the PRSP. It is part of the Government of Rwanda's drive in bringing decision-making power to the level where results are most felt. The Government level responsible for elaborating decentralised development plans is the district.

The first phase of the democratic decentralisation effort, institutionalising decentralised governance by articulating the policies and legal frameworks, has been largely achieved. The second phase focusing on implementation is now underway.

Most issues to do with fiscal decentralisation have been covered in Chapter 2. Suffice to say here that, together with the increasing flow of funds from the centre to decentralised government entities, there is a huge capacity requirement. Training is underway but coverage of training is still very uneven.

Apart from channelling funds to districts and identifying sound programmes, the CDF will also play a redistributing role in allocating funds according to the relative population, poverty and existing programmes the district has. Further, CDF programme identification and approval procedures take into account PRSP priorities.

Ubudehe (see Box 4) is to become the main planning tool gathering information at the community (cell) level and as such informing the development of the planning process at district level. The province will perform the function of gathering information and take on more practical implementing tasks from the ministries (e.g. currently in the education sector).

All districts have currently produced an MTEF (three-year plan) and are in the process of completing their five-year plans.

The final goal is a planning process, where information from the grassroots level makes its way up to the central level through an iterative process. The exact channels for this are in the process of being developed—mainly through “Rwanda’s five-year decentralisation implementation programme”. Annex 9 shows how the different government levels will work together, where RALGA (Rwanda Association of Local Government Administrations) will be the focal point for training efforts.

The link between the sector strategies and decentralisation will be crucial in achieving the PRSP goals. For this, a decentralisation focal point has been established in each ministry, which will be assisted by a decentralisation support unit.

#### **Box 4: Ubudehe mu Kurwanya Ubukene**

Rwanda’s decentralisation process goes down to the lowest administrative structure: the cell. The Ubudehe approach makes the community come together to identify their problems, prioritise them, find solutions and eventually implement the retained approach, and this all in a participatory way through institutions that have been set up by the population themselves.

Funds for implementing these collective actions (e.g., buying goats for manure, water systems, drainage ...) have been coming forward and now the whole province of Butare has been through this process, while in six other provinces people have been trained at the cell level to implement this methodology. Unfortunately, the envisaged information centre has not been set up due to lack of funds, but instead district experts (e.g., agronomists) help the cell to address technical problems.

Two evaluations were carried out regarding Ubudehe and both were favourable to the approach, philosophy and commitment of all actors involved. This opens the way for rolling out the programme nationwide. The remaining provinces will be funded in 2004 (at the moment € 1000 are foreseen for each cell). It is planned that cells will continue to be funded—for two or three years, and that afterwards the cell will be able to make it’s own demand through the CDF channel.

**Key achievements**

- The government has restored peace and security, consolidated the rule of law and constitutionalism and respect of human rights
- A new Constitution was adopted in May 2003
- Decentralisation of decision making and planning has been undertaken
- Prerequisites for long-term reconciliation have been laid
- The Government has laid an institutional frame for accountability and transparency

**Challenges**

- Genocide cases are to be finished in integrated approach involving reconciliation through gacaca
- General elections to take place by end-2003

### **3.5. PRIVATE SECTOR DEVELOPMENT**

#### **a. Policy issues and strategy**

The role of the private sector as the engine of economic development of Rwanda has been made clear by government. The long-term policy objective is the emergency of a healthy private sector that leads economic growth in Rwanda. The promotion of the private sector in Rwanda is based on investment promotion, strengthening the financial sector, privatisation and improving the legal environment. The strategic areas are tourism, agro-industry, handicrafts and strengthening the export capacity of co-operations.

#### **b. Priority programmes**

*Investment promotion and private sector representation.* In 2002, the Government through RIPA (Rwanda Investment Promotion agency) sponsored studies on the creation of an Export Promotion Zone. In 2002, the Private Sector Federation (PSF) organised an international trade fair and a number of national ones in different provinces. In 2003, the Government organised an international investment conference in an effort to attract foreign investment to Rwanda. A study to identify the constraints on investment has been commissioned by the RIPA in 2003. The RIPA is also preparing a draft revision of the law on investment and is harmonising procedures with Rwanda Revenue Authority as regard to tax exemptions granted to investors. In addition, in 2003, the Government nominated a Secretary of State in charge investment promotion, tourism and cooperatives in order to emphasise the need for and coordinate investment promotion activities. The “partnership forum” for public-private partnership has been put in place as the appropriate framework for mutual consultation and increased private sector representation has been realised through participation in various policy-formulation working groups.

*Financial sector reform.* The performance of the financial sector has been a major concern to the government. In 2002, The NBR carried out audits of three commercial banks. As a result, restrictions were placed on two banks and supervision was increased. The Banque Commerciale du Rwanda (BCR) had its restructuring plan approved and is undergoing a recapitalisation that will lead to the offer for sale of the bank by end-2003. The banking sector’s stock of non-performing loans decreased in 2002 due to accelerated loan recovery procedures (voie parée) and the resolution of associated administrative constraints. An audit of the NBR was conducted in 2002. The arbitration Centre has been strengthened with the

assistance of the Ministry of Justice and donors. It has been granted legal authority and additional judges have received further training in order to adequately staff the Centre. The recapitalisation of the Caisse Hypothécaire, which has been restructured into a housing bank, is still pending.

*Privatisation.* Privatisation is a government policy aiming at increasing economic efficiency and improving the role of the private sector in the economic development of Rwanda. Out of 77 companies to be privatised 37 have already been sold. The government will sign a 5-year contract for the management of Electrogaz with a private operator by the end of July 2003. The aim of the operation is to increase the revenue of Electrogaz and the number of connections to the water and electricity networks in the country. The sale of a majority stake of Rwandatel to a strategic investor is expected by the end of 2003 and in the tea sector, two units, Mulindi and Pfunda, will be privatised in 2003. This will pave the way for the privatisation of the whole sector in subsequent years. Furthermore, the Rwanda regulation agency has become operational. One of the challenges of privatisation will be to find a way of fostering Rwandans' participation in order to create a class of entrepreneurs.

*Other sectors.* A centre to cater for the development of small and medium enterprises CAPMER was restructured into a private non-profit organisation and will be given legal status in 2003 to become fully operational. The legal reforms needed by the private are still to be identified and a challenge in this area is the full operationalisation of the mechanism for tax appeal. A Bureau of Standards was established and is charged with control of quality in manufacturing and goods being sold. The development of a Mining Code accommodating also small miners has been a continuous challenge for the last 5 years. The Ministry in charge of mines and quarries has to intensify the regulation of artisanal mining in relation to environmental conservation, as is the case with quarrying. Tourism is getting an increasing attention from the Government and the office (ORTPN) charged with tourism has increased publicity on tourism on its web site. In addition, a strategy for the development of tourism in Rwanda has been developed in a participatory manner. Another key achievement, in 2002, is the development and adoption by the Government of a strategy for the coffee sector. A tea sector strategy is also being drawn.

**Key achievements**

- Increased private sector representation in policy formulation and public-private partnership
- Considerable investment promotion activities through RIPA in collaboration with the PSF
- Significant progress in financial sector reform and privatisation
- Progress in the formulation of a comprehensive strategy to unleash the private sector in Rwanda

**Challenges**

- The 'one stop shop' still have to be made fully operational
- Finalisation of a strategy to unleash the private sector and integrate it with other sector strategies
- Setting up and operation of a mechanism for tax appeal
- Privatisation to be conducted in a way that fosters Rwandans' participation

### 3.6. CROSS CUTTING ISSUES

*Technology:* Technology especially ICT is a major priority to enhance the capacity of the human resources and to reduce the cost of doing business. Rwanda Information Technology Authority (RITA) was established. The ICT plan is now being implemented and ICT is a mandatory function in every institution of higher learning. In addition, networks will be extended to every district and school in the next 5 years. Research is reported by MINEDUC to be still underway to determine the relevance of technologies to the lives of the poor.

*Gender:* Gender equality is a key policy of the Rwandan Government. MIGEPROFE continued to advocate and plan for gender development in 2002. The ministry has prepared a National Gender Policy and a strategic plan in a participatory manner, which are ready to be presented to Cabinet. Working modalities and training needs for gender focal points in ministries and provinces have been defined as a part of the implementation of the strategic plan. The gender budgeting initiative framework is in place to insure that PRS implementation takes gender concerns into consideration. The initiative was launched as a pilot project in five ministries in the 2003 national budget, whilst all provinces have been trained for using the methodology in the 2004 budget.

MIGEPROFE mobilized various women's organizations and provided them with technical and financial assistance to integrate gender issues into the new Constitution. 30% of the new senate will be women and women's issues will be taken forward by the gender Commission and the gender Observatory. The Ministry contributed to the National Functional Plan by incorporating the girl in Education for All Plan of Action in Rwanda. Out of RwF 408,316,663 budgeted for in the 2002 financial law for gender RwF 345,248,000 was released (84.5%).

*Employment:* Employment is at the heart of the Rwandan public and private sector development policy. MIFOTRA is developing a National Employment Policy and youth employment will receive appropriate attention. Vocational Training is being promoted by MINEDUC to address the question of youth unemployment.

The PRS noted the importance of vocational education centres in poverty reduction for the youth but a critical problem has been their state of disrepair. In 2002, some rehabilitation work was completed. The content and form of skills provided will be reviewed and it is planned to establish one centre in each district.

*Capacity building:* Capacity building has been mentioned in various parts of this report. To reiterate, the importance of capacity building in Rwanda is closely related to the process of post genocide reconstruction. People, equipment and processes were destroyed during the genocide. The strategy has been to incorporate capacity building in every sector strategy. The PRSP suggested creating an enabling environment consisting of inbuilt incentives to retain the skills accumulated in capacity building. The latter strategy has been caused by high turnover of trained personnel in key ministry to better paid jobs in the private sector or in NGOs

*Environment:* In 2002 an environment policy and draft bill was drawn. A draft bill for the proposed Rwanda Environment Management Authority was also prepared. Government continued to strengthen and collaborate with various players in environment protection. MINITERRE has commissioned different studies on environment impact of some economic activities in Rwanda throughout the year 2002. District committee on Environment and

Hygiene/Sanitation were constituted. Government of Rwanda has prepared a convention reflecting the environmental awareness in Rwanda and has ratified the international conventions on environment.

*Imidugudu:* Government has continued to promote the group settlements *imidugudu* and to promote capacity in the planning and management of Imidugudu including support to design a Scheme of Land Utilisation and cadastral plans for the towns. The Cabinet approved the report on resettlement and housing needs for the vulnerable produced through the “Brookings Initiative process”. Some NGOs continued to support building houses in imidugudu. ADRA has completed 450 houses but this cannot satisfy the needs for 192,000 homeless households identified by the study. A donor conference to mobilise the remaining funds is planned for 2003.

*Intra rural and rural—urban differentiation:* Vision 2020 strongly advocates for reduction of inequality over the next two decades and the PRSP continued to promote pro-poor growth through agriculture transformation and other economic sectors wherein the majority of the poor generate incomes and access paid jobs. Addressing inequality is an important part of poverty reduction. Changes in inequality over time in Rwanda are difficult to ascertain due to differing methodologies and specific contextual factors. Whereas inequality may not be as a serious issue in Rwanda as in some other countries in the region existence of differentiation in the rural sector and between the rural and urban sector is certainly notable. It is planned to analyse the trend and levels of inequality in the next budget consumption survey due in 2005.

Levels of inequality in living conditions are quite notable within rural areas probably reflecting high land inequality with many households farming very small areas of land. The apparent rise in differentiation can be attributed to the war and genocide and massive movements of populations. For security and business purposes and in accordance with the Arusha agreement the returnees and those who were better off favoured to live in the urban areas.

## **4. POVERTY MONITORING AND ANALYSIS**

The PRSP set out a framework and tools for monitoring, analysis and evaluation of the poverty reduction process. The logical framework contains inputs and outputs indicators as well as result-indicators and indicators of poverty reduction policies and programmes impact on living conditions.

### **4.1. INPUTS AND OUTPUTS MONITORING**

As already mentioned in Chapter 2, in 2002 most expenditure of the recurrent budget on inputs was captured in the SIBET (Système Informatique du Budget de l'Etat) database (see Annex 4A). The system still has to cover execution of the development budget.

As for monitoring outputs, a Joint Monitoring System was set up to monitor the outputs specified in each ministry/province MTEF. However, the problem of predictability of the funds available under the cash budgeting makes it hard for ministries to adhere to this system.

In 2002, public expenditure reviews were conducted in the transport and agriculture sectors. These, together with public expenditure tracking surveys are an important source of information on resource utilisation from the central Government to decentralised entities. A second round of tracking surveys is being prepared.

### **4.2. OUTCOME AND PERFORMANCE MONITORING**

Table 4.1 below presents outcome indicators with 2001 as baseline. Information on these indicators comes from administrative sources and/or surveys. Ministries of health and education normally produce reliable information and have adopted the GIS to localise interventions. However, because of limited capacity, some ministries have problems in reporting progress in their sectors. It is, therefore urgent to strengthen administrative reporting system in these ministries.

The Statistics directorate in the MINECOFIN, which is undergoing a restructuring that is expected to enable planned studies and surveys to be conducted, is currently conducting a CWIQ survey. The survey will allow projections of poverty trends on the basis of a multivariate analysis realised in 2002. This year, the survey was refined to include issues of satisfaction with public services, thereby, paving the way to the introduction of the citizen report card in the poverty monitoring system. In addition, provincial poverty profiles were produced in 2002 based on data from the EICV survey. However, capacity must be strengthened within provinces to enable them produce these profiles annually (Annex 11 shows indicators comparable between provinces).

Table 4.2 is intended to show trends in main performance indicators in relation to priority programmes. The targets will be further refined during the process of formulation of sector strategies and decentralised development plans in 2003. Moreover, the Ubudehe process may be used in the future to monitor interventions towards poverty reduction at the grass root level.

### 4.3. PARTNERSHIP

To be more effective in promoting continuous learning from all stakeholders, poverty monitoring and evaluation should be inclusive.

The clusters and the sector strategies resulting from them will facilitate co-ordination of interventions and coherence between PRS and budget cycles. Annex 6 proposes a framework to be aimed for in the medium term, which integrates the budget and the PRS cycles. The first 3 months of the year would be spent on sector reviews, drafted by the clusters themselves, feeding into the annual PRS progress report. After the PRS progress report, the donor conference and PRGF mission would take place, such that cluster recommendations could be discussed and taken into account before starting the budget preparation of the next year. At that time, donors should commit funds for the following budgetary year, to improve on predictability. Finally, the mid-year budget review, happening mainly due to the high unpredictability of resource flows, should go as it effectively reduces the annual budget to a six monthly one and consumes scarce resources. Budget execution would be reported on quarterly by ministries.

The most effective way in which government partners can insert themselves in this framework is through predictable budget support. Indeed, from an efficiency point of view, it is clear that budget support, if accompanied by credible institutions enhancing transparency and accountability, is superior to the traditional project approach<sup>14</sup>. This can happen through the central government system or through The Common Development Fund (CDF).

Championing this approach, the Government of Rwanda favours funding criteria and conditionalities extracted from the PRSP process; this means donors using a common set of indicators to streamline reporting requirements. This annual report provides a first step towards such a monitorable set of indicators, which would be reported upon in the annual PRS progress report. Government has recently developed a range of indicators to monitor progress in aid co-ordination (see Annex 7).

It is envisaged that the PRSP review of 2004 will closely follow this scheme. Whilst the process leading up to that document will be more participatory than the current progress report, no new PPA will be conducted, though more use will be made of poverty and planning related information at the decentralised level. A more concrete proposal for next year's cycle, together with the monitoring framework, will be proposed at the annual donor conference, which for 2003 is scheduled for October.

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<sup>14</sup> Budget support was also heavily supported by the OECD Strategic Partnership for Africa (SPA) mission to Rwanda.

**Table 4.1: Outcome and Proxies Poverty Monitoring Indicators**

Item	2001 Baseline	2002	2003	Source
<b>Health/Nutrition</b>				
Infant Mortality Rate/1000	107	107	95	DHS
➤ Vaccination/100	77	85	90	SIS
➤ Malnutrition<5ans	29	25	-	SIS
Maternal Mortality Ratio/100,000	1071	1071	950	DHS
➤ Births attended by qualified personnel	31%	33%	35%	SIS
➤ Rate of contraceptive use	7%	8%	9%	
➤ Rate of antenatal care	30%	35%	45%	DHS and SIS
HIV/AIDS Incidence rate	11.2	13.5	10.5	SIS
➤ Use of condom	-	5%	-	SIS
➤ Rate of STD's cases	16,2%	17%	16%	SIS
Malaria				SIS
➤ Use of mosquito nets	10%	13%	16%	SIS/PNIL
➤ Malaria new cases/100.000	13,175	14,175	-	SIS/PNILP
Rate of use of health services				
➤ Distance to health centre	4,000m	4,000m	4,000m	SIS
➤ Population /doctor	55,000	50,000	45,000	DHS
➤ Population/Nurse	5,500	5,000	4,500	DHS
➤ Access to mutuelles	15%	20%	25%	DHS
Quality of health services				DHS
➤ Annual rate of consultation/population	0.24	0.28	0.30	DHS
➤ nurses/health centre	2	2	3	SIS
<b>Education</b>				
Literacy rate	52.36%	-	-	EICV
Female	47.79%	-	-	
Men	58.06%	-	-	
Level of instruction of the population				
Primary schools				
Gross Enrolment rate	99.9%	103.7%	108.9%	MINEDUC
Girls	98.2%	102.3%	108.0%	
Boys	101.9%	105.8%	109.9%	
Net Enrolment rate	73.3%	74.9%	82%	MINEDUC
Girls	74.9%	74.9%	82.3%	
Boys	72.9	74.0%	80.9%	
Drop-out rate	14,2%	16.6%	-	MINEDUC
Repetition rate	31.8%	17.2%	-	
Promotion rate	54,0%	66,2%	-	
Transition rate from primary to secondary	37,0%	-	-	
Ratio Pupils/qualified teacher	82	72.6	70.3	
Ratio Pupils/teacher	51	58,9	59,9	MINEDUC
Secondary schools				
Gross Enrolment rate	141,163	157,210	-	
Female	50,22%	49,48%	-	MINEDUC
Male	49,78%	50,52%	-	
Ratio students/ qualified teacher	52.1	47.8	-	
Ratio students/ teacher	24,8	22,8	-	
<b>Income/Consumption Poverty</b>				
Poverty incidence rate	64.1%	-	-	EICV
Unemployment rate	-	-	-	
<b>Agricultural and Productivity</b>				
Maize				
• Production (tonnes)	92,129	91,673	81,195	MINAGRI
• Acreage (ha)	89,053	11,864	13,864	
• Productivity per ha	1.03	7.72	5.86	CPI
• Average market price	77	55	-	
Rice				

**Table 4.1: Outcome and Proxies Poverty Monitoring Indicators**

Item	2001 Baseline	2002	2003	Source
<ul style="list-style-type: none"> <li>• Production (tonnes)</li> <li>• Acreage (ha)</li> <li>• Productivity per ha</li> <li>• Average market price</li> </ul>	17,697	22,032	26,943	MINAGRI
Soya	4,275	5,455	5,955	
<ul style="list-style-type: none"> <li>• Production (tonnes)</li> <li>• Acreage (ha)</li> <li>• Productivity per ha</li> <li>• Average market price</li> </ul>	4.14	4.04	4.52	
	276	236	-	CPI
<ul style="list-style-type: none"> <li>• Production (tonnes)</li> <li>• Acreage (ha)</li> <li>• Productivity per ha</li> <li>• Average market price</li> </ul>	6,584	17,278	19,487	MINAGRI
	29,543	31,416	32,416	
Beans	0.22	0.55	0.60	
<ul style="list-style-type: none"> <li>• Production (tonnes)</li> <li>• Acreage (ha)</li> <li>• Productivity per ha</li> <li>• Average market price</li> </ul>	133	-	-	
Irish potatoes	0.87	0.65	-	
<ul style="list-style-type: none"> <li>• Production (tonnes)</li> <li>• Acreage (ha)</li> <li>• Productivity per ha</li> <li>• Average market price</li> </ul>	93	80	-	CPI
	988,982	1,038,858	1,121,466	MINAGRI
	108,983	119,017	-	
	9.07	8.73	-	
<b>Coffee</b>	41	37	-	CPI
<ul style="list-style-type: none"> <li>• Production (tonnes)</li> <li>• Acreage (ha)</li> <li>• Productivity per ha</li> <li>• Average market price</li> </ul>	18,267.7	19,4670	-	MINAGRI
	-	-	-	
<b>Tea</b>	-	-	-	
<ul style="list-style-type: none"> <li>• Production (tonnes)</li> <li>• Acreage (ha)</li> <li>• Productivity per ha</li> <li>• Average market price</li> </ul>	209	-	-	
	17,817,480	14,947,973	-	MINAGRI
	-	-	-	
Imported fertiliser volume( tonnes)	-	-	-	
<b>Meat (tonnes)</b>	-	-	-	
<ul style="list-style-type: none"> <li>• Average market price per kilo</li> </ul>	732	-	-	
<b>Milk ( tonnes)</b>	13,000	-	-	
<ul style="list-style-type: none"> <li>• Average market price per litter</li> </ul>	35,748	39,126	-	MINAGRI
	596	-	-	
<b>Eggs(tonnes)</b>	63,484	97,981	-	
<ul style="list-style-type: none"> <li>• Average market price per unit</li> </ul>	228	-	-	
Insemination artificial (cattle)	7,308	7,612	-	
Food aid needs forecast	37	-	-	
(1,000 t cereal-equivalent)	9,325	5,721	-	
	36	197	-	
Cattle	814,124	960,450	-	
Small livestock	1,3080,3873	1,428,168	-	
Poultry and rabbits	1,550,934	2,921,078	-	
<b>Housing and settlements</b>				
Population with Access to Safe Water	41.2	-	-	RDI
Population with Access to hygienic facilities	87.2	-	-	RDI
<b>Employment/Wages</b>				
Wage Rate of Casual Labour (On-Farm)	-	-	-	
Active population	62.5	-	-	
<b>Public Expenditure Data (Health and Education)</b>				RDI and MINECOFIN
Health % of Total Gov Expenditure	0..5	-	-	
% ∑ budget	3.6	-	-	
Education % of GDP	3.5	-	-	
% ∑ budget	17.4	-	-	



## 5. ANNEXES

### Annex 1: Selected Economic and Financial Indicators 1995–2004

Table 3. Rwanda: Selected Economic and Financial Indicators, 1995-2004

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
							Est.	Est.	Rev. Prog.	Rev. Prog.	
(Annual percentage changes, unless otherwise indicated)											
Output and prices											
Real GDP growth	35.2	12.7	13.8	8.9	7.6	6.0	6.7	9.4	6.0	6.2	6.2
GDP deflator	51.3	10.9	15.6	2.2	-3.5	3.3	0.2	0.0	3.2	3.7	3.5
Consumer prices (period average)	48.2	13.4	11.7	6.8	-2.4	3.9	3.4	2.0	4.5	3.0	3.0
Consumer prices (end of period)	38.4	8.7	16.6	-6.0	2.1	5.8	-0.2	6.2	3.0	3.0	3.0
External sector											
Export, f.o.b (in U.S. dollars)	56.8	22.9	50.0	-31.0	-3.3	44.7	4.0	-28%	7%	11%	8%
Imports, f.o.b (in U.S. dollars)	-47.2	9.9	30.1	-7.8	-2.7	-3.6	6.4	-2%	6%	6%	2%
Government finance											
Revenue	283.4	70.5	47.3	13.7	-3.6	7.9	25.5	17.4%	16.7%	11.5%	10.0%
Total expenditure and net lending	161.3	37.1	15.1	7.1	7.7	4.2	20.0	21%	14.6%	-3.7%	7.8%
Current expenditure	89.7	32.7	14.6	17.6	14.2	3.8	20.4	15.1%	23.1%	-10.6%	3.7%
Money and credit 1/											
Domestic credit 2/ 3/	15.3	-2.6	42.1	9.9	12.9	0.8	1.1	-4.0%	-19.1%		
Money and quasi money (M2)	73.7	8.2	47.5	-3.9	6.6	14.4	10.0	12.4%	9.0%		
Reserve money	43.1	21.5	14.6	-11.0	13.5	-6.4	9.1	12.3%	11.7%		
Velocity (ratio of GDP to M2; end of period)	5.3	6.1	5.5	6.3	6.2	5.9	5.7	5.7	5.7		
Interest rate (one-year savings deposits, in percent; end of period)	12.0	11.0	11.4	10.0	10.1	11.6	10.2	9.2			
(In percent of GDP, unless otherwise indicated)											
Government finance											
Total revenue	6.8	9.3	10.4	10.6	9.9	9.7	11.4	12.3%	13.1%	13.2%	13.2%
Total expenditure and net lending	20.5	22.5	19.6	18.9	19.6	18.7	21.0	23.2%	24.3%	21.3%	20.9%
Capital expenditure	8.1	9.3	8.2	6.8	6.3	6.0	6.6	2.3%	4.6%	2.1%	1.4%
Current expenditure	12.4	13.2	11.5	12.1	13.3	12.6	14.2	15.0%	16.9%	13.7%	12.9%
Primary fiscal balance 4/	-3.3	-1.8	0.3	0.0	-2.2	-0.6	-0.1	-1.7%	-3.8%	0.5%	1.2%
Augmented current balance 5/	-4.5	-2.9	-0.3	-1.3	-3.8	-2.6	-2.7	-4.2%	-3.9%	-1.0%	-0.4%
Overall balance (payment order)											
Including grants	-2.4	-5.8	-2.5	-3.0	-3.8	0.1	-1.1	-2.4%	1.3%	0.7%	1.2%
Excluding grants	-13.7	-13.2	-9.2	-8.3	-9.7	-8.9	-9.5	-11.0%	-10.7%	-8.0%	-7.6%
External sector											
External current account balance											
Including official transfers	-3.0	-6.7	-9.5	-9.6	-7.4	-5.0	-5.9%	-7.3%	-10.4%	-11.0%	-10.1%
Excluding official transfers	-19.0	-19.3	-17.4	-17.0	-16.7	-16.3	-15.9%	-17.1%	-18.5%	-16.4%	-14.8%
External debt (end of period) 6/	82.2	80.4	61.6	58.3	65.3	72.1	77.3	82%	85%	77%	71%
Gross reserves (in months of imports of G&S)				4.4	4.7	5.2	6.0	6.7	8.3	8.0	7.9
Memorandum items:											
Nominal GDP (in billions of Rwanda francs) 1/	339.1	424.1	558.3	621.3	644.9	705.7	754.3	825.2	902.8	994.8	1,093.4
Nominal exchange rate (period average; per U.S. dollar)	262.2	306.5	302.4	312.3	333.9	389.7	443.0	475.4	521.0	521.0	532.6

Sources: Rwandese authorities; and staff estimates and projections.

1/ All numbers are based on current exchange rates.

2/ As a percent of the beginning-of-period stock of broad money.

3/ The 2001 rates of growth assume that the excess external budgetary support at end-2000 would be used in its entirety to finance additional social expenditure during 2001.

4/ Revenue excluding grants; minus current expenditure except interest due and except exceptional social expenditure.

5/ Revenue excluding grants; minus current expenditure (excluding external interest), domestically-financed capital expenditure and net lending.

6/ After rescheduling. On a disbursed basis, including arrears, rescheduling and new debt.

7/ On a post HIPC basis and based on assumptions about expected new borrowing. HIPC assistance is assumed to be delivered unconditionally as of 1999. The exports denominator is calculated using a three-year back

8/ Financing gap after taking into account identified financing expected during the course of the year.

## **Annex 2: Rwanda's PSIA on the Optimal Fiscal Deficit**

The PSIA in Rwanda emerged out of a difficult set of negotiations with the International Financial Institutions over Rwanda's optimal fiscal deficit. Those supporting the constraining expenditure scenario now being implemented through the MTEF, are mainly concerned about the possibility of boosting expenditure to levels that could only be sustained by inflationary financing, *if donor funding was reduced*. Other reasons are the risk of increased indebtedness, a possible real exchange rate appreciation (Dutch Disease) and the negative effect this would have on trade competitiveness, the weak implementation capacity of government and the risks of expenditure going to non PRSP-priority areas.

The PSIA, however, argues that the optimal deficit depends on both the financing and the composition of expenditures and does not therefore give a single number for the optimum deficit, but rather, an approach to defining a prudent fiscal strategy. For grants, none of the macroeconomic arguments appears strong enough to warrant turning down free money. For loans, the critical judgement is the likely availability of funds in the future. The paper shows supporting evidence for the claim that it would be reasonably prudent to base a borrowing strategy on a significantly higher level of indebtedness than the ratio proposed under the HIPC initiative. As for the composition of expenditure, a distinction needs to be made between cost-incurring and cost-reducing measures. The most serious macroeconomic risk here is the bidding up of Government's own costs (especially wages), reducing the real impact of extra public spending.

The current focus on the deficit excluding grants is unhelpful, as there needs to be flexibility to use grants as they become available. Under the current agreement, the IMF asks to save unexpected grants

The PSIA taught some lessons. First, the process of negotiation might benefit from the participation of a wider range of stakeholders. The IMF's approval of macroeconomic programmes is effectively treated by some donors as a veto. Secondly, the government's own capacity to engage in the debate needs to be reinforced by improved macroeconomic analysis and forecasting, specifically related to pro-poor growth. The simulations used in the macroeconomic model built for this paper, could definitely kickstart this process. Adapted from "The Impact of increases in public expenditure on poverty in Rwanda" (PSIA)

**Annex 3: Budgetary Framework 2001–2005 and 2002 Budget Execution  
(In billions of Rwandan francs)**

	2001	2002	2002	2003	2004	2005
	outturn	revised budget	outturn (prelimin.)	budget	projection	projection
<b>Resources</b>	<b>185,00</b>	<b>207,64</b>	<b>215,96</b>	<b>252,03</b>	<b>250,51</b>	<b>216,80</b>
Tax and non-tax revenue	86,20	101,74	101,17	117,90	132,20	145,20
Domestic financing	3,00	10,71		17,02	0,00	0,00
<i>of which, HIPC interim</i>		10,70				
<i>of which, overdraft at BNR</i>				10,02		
<i>of which, dev. bonds (recapitalisation of BCR)</i>				4,00		
<i>of which, treasury bills</i>	3,00	0,01		3,00		
Current grants - external	33,90	30,02	39,37	46,71	42,01	0,00
Capital grants - external	29,50	32,10	32,10	35,40	40,40	46,50
Current loans - external	15,40	15,67	25,92	15,70	14,00	0,00
Capital loans - external	17,00	17,40	17,40	19,30	21,90	25,10
<b>Expenditure</b>	<b>185,00</b>	<b>207,64</b>	<b>215,09</b>	<b>252,03</b>	<b>237,70</b>	<b>248,10</b>
Current	107,30	126,31	129,40	151,09	136,10	141,20
Wages (civil, military)	38,90	42,34	40,12	42,12	43,80	48,20
Goods and services	29,40	32,64	33,48	35,60	37,10	40,60
Interest payments	6,20	7,67	8,36	8,23	9,60	9,60
<i>of which, domestic</i>	1,30	2,18	3,21	2,15	2,30	2,30
<i>of which, external</i>	5,00	5,48	5,15	6,08	7,30	7,30
Transfers	15,10	21,15	19,02	23,34	25,10	27,90
Exceptional social exp.	17,70	22,51	28,42	41,80	20,50	14,90
<i>of which, extra expenditures:</i>				13,21		
<i>(for referendum/elections)</i>				(6.70)		
<i>(for health programme)</i>				(3.00)		
<i>(for roads programme)</i>				(1.00)		
<i>(for demobilisation)</i>				(2.51)		
<i>(for DRC retreat)</i>			10,10			
Capital	50,00	56,40	56,14	65,11	74,50	85,90
Domestic	3,50	6,90	6,64	10,41	12,20	14,30
<i>of which, Common Development Fund</i>		2,00	2,00	4,00	5,50	7,00
External	46,50	49,50	49,50	54,70	62,30	71,60
Net lending	0,60	1,00	1,01	6,00	1,00	1,00
<i>of which, recapitalisation of BCR</i>				5,00		
<i>of which, Rwandatel</i>				1,00		
Debt	12,10	16,13	15,90	20,67	19,10	20,00
External debt repayments	9,20	12,34	13,44	14,37	15,60	16,50
Domestic debt repayments	2,90	3,79	2,46	6,30	3,50	3,50
<i>of which, treasury bills</i>	0,56	3,79		5,05	3,50	3,50
<i>of which, development bonds</i>				1,25		
Domestic arrears	15,00	7,80	12,65	9,15	7,00	0,00
<b>Domestic Fiscal Balance*</b>	<b>-20,20</b>	<b>-26,98</b>	<b>-30,72</b>	<b>-43,52</b>	<b>-9,80</b>	<b>-4,00</b>
<b>Overall Budget Deficit (excluding grants)**</b>	<b>-71,70</b>	<b>-81,97</b>	<b>-85,37</b>	<b>-104,30</b>	<b>-79,40</b>	<b>-82,90</b>
<b>Financing Gap</b>	<b>0,0</b>	<b>0,0</b>	<b>0,9</b>	<b>0,00</b>	<b>12,8</b>	<b>-31,3 ***</b>

\* domestic revenue (excl. grants) minus current expenditure (excl. external interest), minus domestic capital, minus net lending

\*\* domestic revenue minus total expenditure (excluding debt and arrears)

\*\*\* current grants and loans not yet programmed for 2005

**Annex 3: Budgetary Framework 2001–2005 and 2002 Budget Execution**  
(In billions of Rwandan francs)

<b>Recurrent Budget Grants</b>			
DFID	12.98	13.87	10.22
EU	12.21	12.50	12.50
Sweden	1.03		
Bilaterals (demobilisation)	3.81	5.78	0.95
HIPC Initiative	10.70	14.57	18.34
<b>Subtotal</b>	<b>0.00</b>	<b>46.71</b>	<b>42.01</b>
<b>Recurrent Budget Loans</b>			
World Bank	13.98	10.00	10.00
World Bank (demobilisation)	1.69	5.70	4.00
ADB			
<b>Subtotal</b>	<b>0.00</b>	<b>15.70</b>	<b>14.00</b>
N.B. Exchange rate assumption: Rwf/US\$ = 500.00			
<b>GDP ratios</b>			
Nominal GDP (figures from PRGF)	754.3	906.4	970.9
Domestic revenue/GDP	11.4%	13.0%	13.6%
Priority expenditure/GDP	5.3%	6.2%	6.3%
Overall deficit/GDP	9.5%	11.5%	8.2%
Overall deficit/GDP (excluding extra exceptional exp. & net lending to BCR)		9.50%	

### Annex 4A: Ministerial Budget Execution

MINISTERIAL BUDGETS 2002-03 (RwF million) ***	Finance Law 2002*	Exec. 2002	Priority program-med	% Priority program-mes 2002	Priority executed	Execution rate priority program-mes	Execution rate non-priority program-mes	Finance Law 2003	% Priority program-mes 2003	Budget execution 2002**	Priority program-mes growth 2002-03
01 AN	1,307	1,036		0%			79%	2,083			
02 PRESIREP	7,115	6,268		0%			88%	11,603			
04 PRIMATURE	981	503		0%			51%	894			
05 COURS SUPREME	2,562	1,816		0%			71%	1,893			
06 MINADEF	30,068	35,979		0%			120%	23,089			
07 MININTER	5,734	5,258	4,295	75%	3,857	90%	97%	5,013	4,739	95%	10%
08 MINAFFET	2,885	2,622		0%			91%	2,962			
09 MINAGRI	2,067	1,493	1,819	88%	1,350	74%	58%	2,369	2,142	90%	18%
10 MINICOM	1,078	931	773	72%	646	84%	93%	1,159	768	66%	-1%
12 MINECOFIN (excluding net lending, interest payments, debt and arrears)	7,486	9,691		0%			129%	22,229			
13 MINIJUST	1,815	1,513		0%			83%	2,153			
14 MINEDUC	15,760	17,147	11,965	76%	13,186	110%	104%	16,749	12,879	77%	8%
15 MIJESPOC	844	690	556	66%	408	73%	98%	779	420	54%	-24%
16 MINISANTE	3,691	4,728	3,691	100%	4,728	128%	NA	7,616	4,601	60%	25%
18 MININFRAST (MINITRACO + MINIRENA)	3,080	4,200	2,764	90%	3,900	141%	95%	4,681	3,313	71%	20%
19 MIGEPROF	402	328	250	62%	188	75%	92%	419	286	68%	14%
20 MIFOTRA	652	567	448	69%	366	82%	99%	1,006	501	50%	12%
22 MINITERE	789	488	608	77%	170	28%	176%	941	684	73%	13%
23 MINALOC (including CDF)	8,298	8,338	3,845	46%	4,873	127%	78%	9,736	6,448	66%	68%
PROVINCES	22,040	20,123	21,293	97%	19,423	91%	94%	25,641	23,416	91%	10%
Total	118,654	123,319	52,307	44%	53,095	102%	106%	143,015	60,196	42%	15%

\* Revised budget.

\*\* Base ordonnancements.

\*\*\* Salaries, goods and services, transfers and exceptional expenditure.

NOTE: For both 2002 and 2003, MINEDUC, MINISANTE and provinces budgets are completely covered by priority and exceptional expenditure.

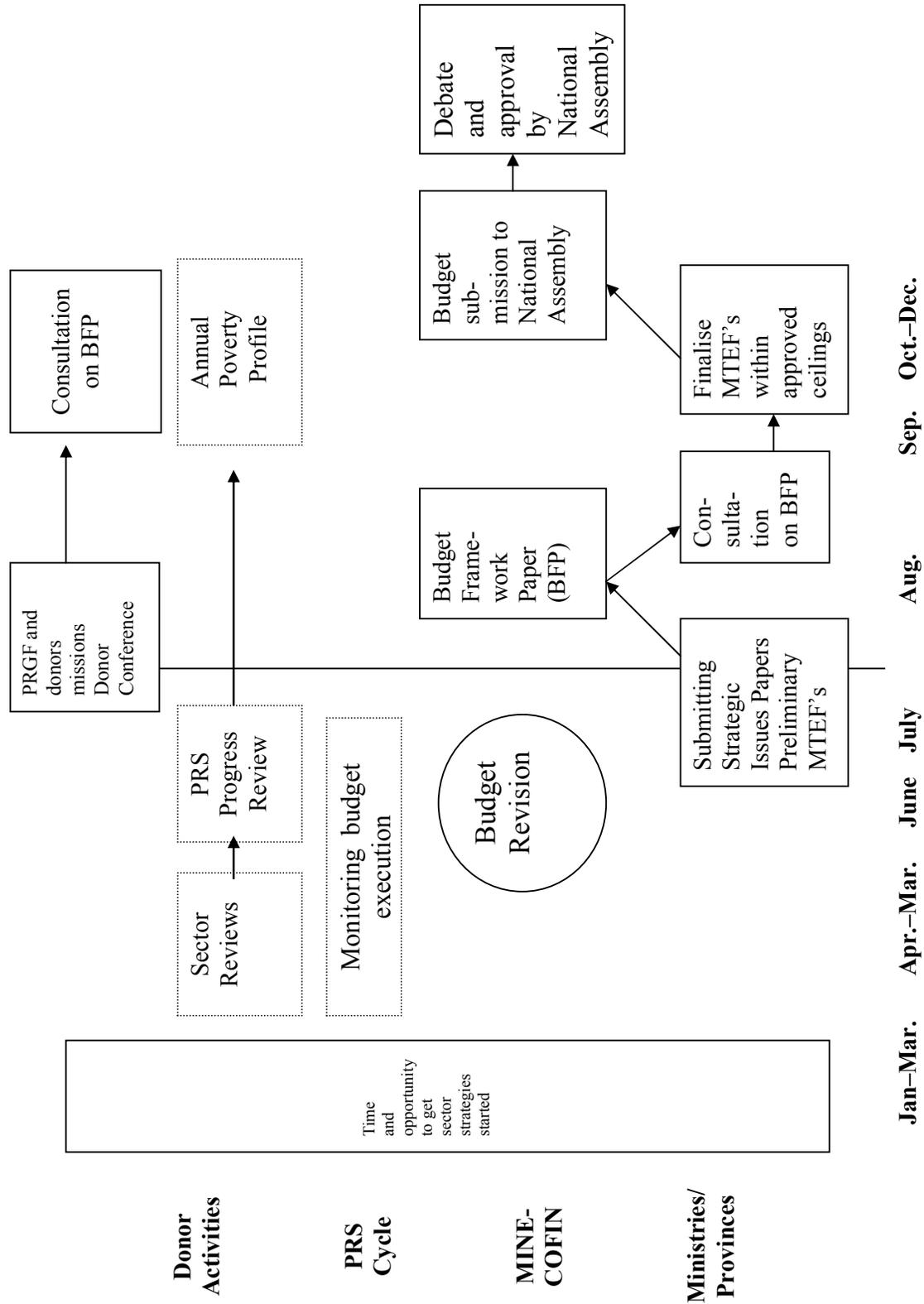
**Annex 4B: Expenditure on Priority Programmes in 2002**  
(In millions of Rwandan francs, excluding exceptional spending)

Programmes	2002		
	Budget révisé	Dépenses ordonnancées	Depenses payees
<b>MININTER</b>	<b>4,295</b>	<b>3,857</b>	<b>3,698</b>
Police nationale	3,422	3,085	3,006
Prisons	874	772	691
<b>MINAGRI</b>	<b>1,819</b>	<b>1,350</b>	<b>1,262</b>
Production agricole	1,008	879	848
Développement de l'élevage	451	354	326
Ressources forestières	141	41	31
Gestion conservatoire des eaux et des sols	73	29	26
Vulgarisation et commercialisation	146	47	32
<b>MINICOM</b>	<b>773</b>	<b>646</b>	<b>619</b>
Promotion du commerce	67	19	19
Développement industriel et promotion de l'artisanat	465	420	394
Promotion des exportations	241	208	207
<b>MINEDUC</b>	<b>11,965</b>	<b>13,186</b>	<b>12,396</b>
Enseignement pre-primaire et primaire	1,859	3,585	3,413
Enseignement secondaire	599	1,099	985
Enseignement supérieur	8,119	7,198	6,739
Recherche, science et technologique	463	383	381
Appui institutionnel	926	921	879
<b>MIJESPOC</b>	<b>556</b>	<b>408</b>	<b>384</b>
Mobilisation des jeunes	50	42	33
Promotion culturelle	169	129	121
Apprentissage des métiers	179	120	114
Recherche, acquisition, conservation et valorisation du patrimoine physique et non physique	158	117	117
<b>MINISANTE</b>	<b>3,691</b>	<b>4,728</b>	<b>4,367</b>
Prestation des soins de santé de base	754	968	827
Intervention spécialisée aux problèmes majeurs de santé	1,680	2,572	2,430
Développement des structures de santé	101	114	71
Amélioration de la gestion des services	1,155	1,075	1,039
<b>MININFRAST (EX-MINIRACO + EX-MINERENA)</b>	<b>2,764</b>	<b>3,900</b>	<b>3,828</b>
Développement et modernisation des infrastructures de communication	145	74	51
Amélioration des services de transport	163	112	97
Aménagement et gestion rationnelle de l'espace urbain	47	39	36
Développement des infrastructures de transport (voir note 1)	2,069	3,411	3,406
Energie	44	33	26
Eau et assainissement	131	121	117
Mines et géologie	70	33	30
Unité gaz méthane	95	77	66
<b>MIGEPROF</b>	<b>250</b>	<b>188</b>	<b>95</b>
Appui à l'autopromotion de la femme	192	148	66
Promotion de l'approche du genre dans le développement	47	34	26
Promotion de l'équité socio juridique	10	6	3

**Annex 5: Budget Execution 2002 and Planned Budget 2003 Exceptional Expenditure**

	2002 budget	2002 budget execution	% executed	2003 budget	2002-2003 growth
Demobilisation/reintegration/reinsertion	12,700	5,519	43%	13,711	8%
Retreat of military troops from DRC		10,933			
Supplies for prisoners	1,300	1,433	110%	1,352	4%
GACACA	2,043	1,485	73%	2,131	4%
Victims of Genocide Fund (FARG)	4774	4,577	96%	5,895	23%
Orphans assistance	586	586	100%	448	-24%
Assistance to vulnerable groups	90	175	194%	374	316%
Reinsertion of vulnerable groups	50		0%	6	-88%
Support to local initiatives (education)	50	124	248%	61	22%
Support to orphanages and ENA	56	133	238%	87	55%
Reinsertion of displaced groups from Gishwati	50	115	230%	180	260%
Reinsertion of street children	100	272	272%	48	-52%
CFJM operation	1	1	50%	1	0%
Good Governance Commissions	3,037	3,062	101%	9,431	211%
Human Rights National Commission	669	669	100%	730	9%
Constitutional Commission	630	630	100%	658	4%
Commission for Unity and Reconciliation	565	481	85%	569	1%
Electoral Commission/Referendum/Elections	999	999	100%	7,306	631%
Office of the Ombudsman	174	72	41%	168	-3%
National Commission for the Fight Against AIDS	223	210	94%	215	-4%
Educational Institutes	3,795	3,839	101%	3,843	1%
KIST	2,128	2,294	108%	1,952	-8%
KHI	502	463	92%	556	11%
KIE	1,165	1,082	93%	1,335	15%
Special exceptional road works				1,000	
Special exceptional health expenditure				3,015	
Other (2002 not on basis of revised 2002 budget)	849,126				
<b>Total</b>	<b>29,705</b>	<b>32,254</b>	<b>109%</b>	<b>41,797</b>	<b>41%</b>

**Annex 6: MTEF and PRS Cycles**



### **Annex 7: Assessment Criteria for Performance of Government Agencies and Donors**

For the national part, comparisons between government agencies will be based on the following criteria:

1. Existence of a global policy accepted by all stakeholders and based on a comprehensive diagnostic of the sector.
2. Existence of strategies accepted by all stakeholders for the main components of the sector.
3. Degree to which ceilings are kept in the budget and MTEF preparation.
4. Capacity to implement priority programmes (number of programmes implemented / total number of priority programmes).
5. Degree of achievement of projected outputs.
6. Capacity to conduct participatory annual performance reviews.
7. Capacity to measure results and share information with all partners.
8. Respect of the schedule for policies and strategies revision.

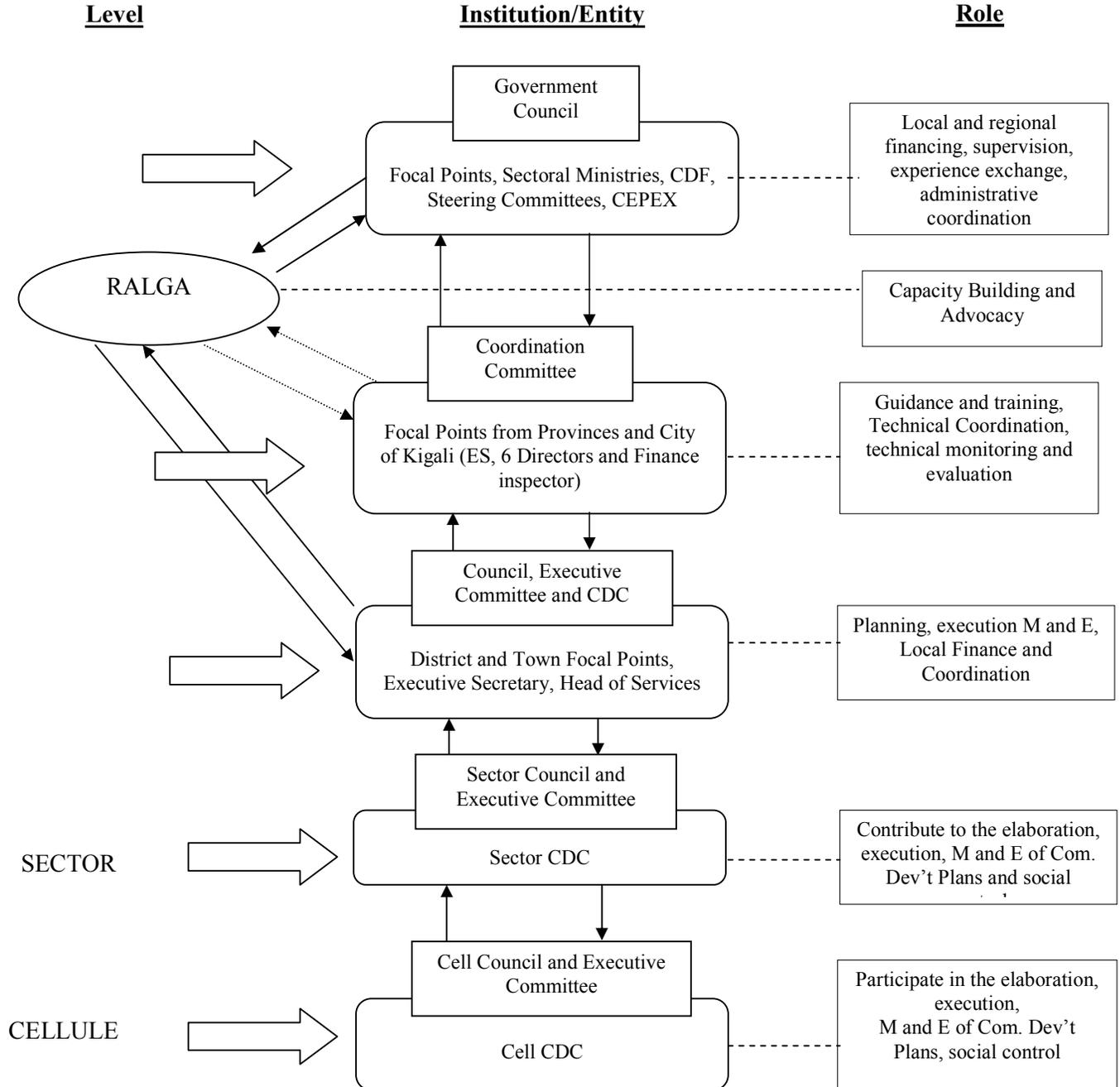
At the international level, criteria for assessing development partners' practices are:

1. Number of conditionalities per donor.
2. Share of budgetary support in the overall envelope of the donor for the current year.
3. Volume of effective disbursement compared to overall envelope programmed for the period.
4. Deciding power of the resident missions (in giving non-objection agreement, etc.).
5. Number of supervision and evaluation missions per donor per year.
6. Time requested for conclusion of financing agreements (documentation, preparation, negotiations and signing the agreement).
7. Volume of disbursement compared to the annual envelope.
8. Respect of disbursement schedule.
9. Degree of use of NTB services for procurement.
10. Degree of use of the Auditor General services.

**Annex 8: Cultivation by Province**

Area cultivation by province in 2000 and 2001 (ha), production in tonnes and productivity t/ha																									
	Butare		Byumba		Cyangugu		Gikongoro		Gisenyi		Gitarama		Kibungo		Kibuye		Kigali R		Ruhengeri		Umutara		Total		
	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	2000-2001	
<b>Maize (Maize)</b>																									
Area	5280	8213	8830	7200	15400	8630	3400	7660	5890	12070	6400	89053													
Production	8403	6859	9142	7207	15774	8725	6170	10117	8702	19162	11603	111864													
Productivity	5043	5979	9142	3868	13664	3198	4828	7267	7802	16249	15088	92129													
Productivity	926	7142	9142	3870	13300	1489	2040	5920	4088	10617	5760	62502													
Productivity	0,96	0,73	1,04	0,54	0,89	0,37	1,42	0,95	1,32	1,35	2,36	1,03													
Productivity	0,11	1,04	0,80	0,54	0,84	0,17	0,33	0,59	0,47	0,55	0,50	0,56													
<b>Riz (Rice)</b>																									
Area	1320	924	1745	0	0	384	935	396	316	4275	4275														
Production	5758	6120	5880	0	0	500	4050	510	749	17697	17697														
Productivity	4,36	6,62	3,34	0	0	285	128	300	140	11363	11363														
Productivity	2,65	0	0	0	0	1,30	4,33	1,29	2,40	4,14	4,14														
Productivity	0,39	0,80	0,52	0,39	0,81	0,37	0,61	0,43	0,57	0,76	0,45	0,56													
<b>Haricot (Beans)</b>																									
Area	26300	35485	16800	12600	30800	43080	37400	21110	53640	38430	17550	332005													
Production	35356	36878	25518	18255	31808	51384	36800	29768	53612	42815	19404	381598													
Productivity	26442	31150	21140	12058	30167	34516	24157	20194	40651	36540	12968	289983													
Productivity	3963	29413	13201	7200	25760	18885	22400	12666	30420	32619	8780	215347													
Productivity	1,01	0,88	1,26	0,96	0,98	0,80	0,65	0,96	0,76	0,95	0,74	0,87													
Productivity	0,39	0,80	0,52	0,39	0,81	0,37	0,61	0,43	0,57	0,76	0,45	0,56													
<b>Soja (Soya)</b>																									
Area	5950	833	1650	8100	1400	8430	1700	2050	1980	1570	440	29543													
Production	7003	646	1811	5964	586	5623	2808	3162	1550	1544	719	31416													
Productivity	4482	452	1477	2770	381	2617	1655	1549	930	365	462	17140													
Productivity	3139	250	1363	3263	735	1863	765	1126	796	451	88	13839													
Productivity	0,75	0,54	0,90	0,34	0,27	0,68	0,97	0,76	0,47	0,23	1,05	0,58													
Productivity	0,45	0,39	0,75	0,55	1,25	0,33	0,27	0,36	0,51	0,29	0,12	0,44													
<b>Irish potatoes</b>																									
Area	3940	12363	1680	12600	26600	4790	5100	8240	2980	29900	790	108983													
Production	3325	12077	1351	13753	28650	3683	6208	9362	2500	35541	2567	119017													
Productivity	15542	99002	7646	106422	257850	22097	28490	67930	14702	355755	13546	988982													
Productivity	19700	111263	8820	97875	266000	26800	21250	65920	17880	315400	3510	945418													
Productivity	3,94	8,01	4,55	8,45	9,69	4,61	5,59	8,24	4,93	11,90	17,15	9,07													
Productivity	5,92	9,21	6,53	7,12	9,28	7,28	3,42	7,04	7,15	8,87	1,37	7,94													

**Annex 9: Development Strategies**  
**PRSP – CDF – UBUDEHE – PI-HIMO – RURAL ECONOMY STRATEGY**



**Annex 10: Revised Policy Matrix**

Policy Area	Key Issues/Objectives	Actions	Progress Made	Dates/Targets for Actions
<b>Policy Matrix Section 1: Rural Development, Agricultural Transformation and Employment Generation</b>				
<b>Agricultural Transformation</b>				
Planning and institutional structure	<p>Insufficient human resources</p> <p>Existing interventions are not integrated into a sector strategy</p> <p>Costings of needs on the development budget have not been fully articulated.</p>	<p>Put in place a unit for Planning, Monitoring and Evaluation and Statistics</p> <p>Public Expenditure Review for Agriculture</p> <p>Agriculture sector to develop a Sector Strategy</p> <p>Costings have been estimated for extension; more work on costing labour-intensive public works must be undertaken by MINAGRI.</p> <p>Seasonal agricultural surveys on production and land use will be conducted.</p> <p>Put in place an early warning system for food security</p>	<p>Public expenditure Review has been conducted</p> <p>A sector strategy is being planned through a Rural Development Strategy. The strategy has however, only recently been started up.</p> <p>Management in place for public works and provisional strategy elaborated. Projects identified mainly through CDF</p>	<p>By end 2003</p> <p>Ongoing 2003</p> <p>Ongoing</p> <p>End of each season</p> <p>Operational end of 2003</p> <p>Ongoing</p>
Research	<p>Greater research capacity is required to promote exports and intensification</p>	<p>Research will prioritise rice, maize, potatoes, soya and beans. Adaptive research within the context of existing farming systems will be encouraged.</p>	<p>Bi-weekly collection of food prices</p> <p>Agricultural show</p>	
Seed improvement	<p>Need to increase quantity and quality of improved seeds</p> <p>Insufficient research capacity</p>	<p>Seed multiplication at local level, and seed subsidies</p> <p>Formulation of a National Seed Policy, development of legislative and regulatory structures</p> <p>Privatise seed production company</p>	<p>production, infrastructure, distribution, quality inspection activities up</p> <p>Law on seed multiplication, inspection and marketing voted by Parliament</p>	<p>2002: Production target met, 75% distributed</p> <p>2003</p> <p>2003-07</p>
Livestock	<p>Most households have less livestock than in the 1990s; there is need to restock and upgrade, partly because of the importance of manure in mixed farming systems and to raise food security.</p>	<p>Support to restocking of livestock, including improved breeds, is provided by credit schemes (see below).</p> <p>Support to extension and marketing see below, particularly milk.</p> <p>Improve animal health and genealogy, through disease eradication and artificial insemination</p> <p>Increase fish and honey production</p>	<p>next to credit schemes, a lot of Ubudehe collective actions provide goats for manure</p> <p>vaccination food and mouth, laboratory tests on other diseases. Livestock movement system and quarantine posts set up.</p> <p>fish production up by 4%, Honey production from 0 to 819 tonnes.</p>	<p>Ongoing</p> <p>2002: Artificial insemination for 5721 animals and 309 exotic/cross-breed cattle imported</p> <p>2003: 15000 inseminations, 50% more cattle imported, 5 provinces vaccinated</p> <p>restricted fishing in Lake Kivu for at least 6 months</p>

**Annex 10: Revised Policy Matrix**

Policy Area	Key Issues/Objectives	Actions	Progress Made	Dates/Targets for Actions
Extension	<p>Lack of knowledge has been found to be a major constraint to new technologies especially fertiliser. Many agronomes posts are vacant.</p> <p>Low capacity of farmer associations</p>	<p>Six agronomists to be employed in each district and facilitated to carry out demonstration plots and farmer training to encourage farmer-farmer extension. Use media for information distribution.</p> <p>Link with information centre to be developed under ubudehe programme.</p>		<p>Inputs: all vacant posts to be filled by end-2002. Outputs: number of farmers trained.</p> <p>Outcomes: new technologies adopted. Committees put in place by 2004</p> <p>Commodity chains established in appropriate provinces in 2003</p> <p>International Agricultural Show in Kigali in July 2003</p>
Marketing	<p>Low level of coordination of interventions</p> <p>Urgent strategic need to increase the use of new inputs</p> <p>Shortage of processing facilities</p> <p>Shortage of input availability in some markets</p> <p>Output price collapses have been observed in recent years, discouraging farmers from entering the market.</p> <p>Market information system exists but is threatened with discontinuation.</p>	<p>Increase capacity building. Put in place farmer committees</p> <p>Strengthen national extension system</p> <p>MINAGRI to monitor inputs continually and identify constraints.</p> <p>Mostly private sector, including privatised and liquidated enterprises. Some public support to milk collection. Rural electrification will help.</p> <p>Promotion of inputs and credit to traders</p> <p>Farmers will be encouraged to form farmers' groups.</p> <p>Ensure that market information system continues</p>	<p>3200 demonstration plots used</p>	<p>Outcomes: fertiliser imports and usage to be monitored; aim of 5,000 tonnes increase each year.</p> <p>30 grain storage facilities distributed in 2003</p> <p>Several basic structures for storage and marketing conservation of farm produce</p>
Environmental infrastructure	<p>There has been a serious decline in decline in environmental protection by farmers since 1990</p>	<p>Programmes in swamp management and agro-forestry have been agreed.</p> <p>Expansion in terracing, swamp management, agro-forestry, and water catchment management envisaged as part of the labour-intensive public works programme, to be managed at a local level. Implementation will ensure that common or individual property rights are clearly assigned to ensure that e.g. terraces are properly maintained.</p>	<p>Comprehensive programme undertaken in 2002 needs to be consolidated</p> <p>Study Completed</p> <p>Some marshland reclaimed in Bugesera</p>	<p>Achievements of 2002 maintained</p>
Coffee	<p>Coffee production has declined since 1990 and quality is low. Washing stations owned by the parastatal OCIR-Cafe are in poor repair hence the quality of the coffee is low.</p>	<p>The coffee market has been liberalised and all export taxes removed. A strategy to revive coffee production has been adopted. Coffee washing stations and processing plants are being privatised. Some washing stations may be transferred to farmers groups. OCIR-Cafe is to be transformed into an industry-based organisation.</p>	<p>Pilot washing stations in Butare</p> <p>6.35% increase in production (95% of target)</p>	<p>Increase coffee production to 22,900 tonnes by 2003 (8% increase) and to 26,700 tonnes by 2005</p>

**Annex 10: Revised Policy Matrix**

<b>Policy Area</b>	<b>Key Issues/Objectives</b>	<b>Actions</b>	<b>Progress Made</b>	<b>Dates/Targets for Actions</b>
Tea	Tea sector requires new private investment. The terms of privatisation will be designed to protect producers' interests	Privatisation programme to be implemented Producers will receive shares in the privatised factories and plantations. A Tea Board will have a supervisory role in the industry.	2 tea factories will be privatised by end 2003. Government also sold some of its share in Sorwathe. 10% of the shares of the two tea factories to be privatised will go to farmers' associations/co-operatives Tea Board needs progressively shed its investment tasks to private investors and focus on its regulatory activities.	2002: 49% increase in production (80% of target), 10% increase in production in 2003, 35,000 tonnes in 2010
Forestry	High level of deforestation due to high use of wood for fuel	Reforest empty areas Ensure good forest management through a forest inventory and updating the Forest Law Use and value forest products efficiently through training technicians and sensitising the population	National tree planting day (529,569 trees planted). 52 million seedlings planted. Presidential and Ministerial decrees were put in place. Launch of a new Forestry management support (PAFOR). Less than targeted number of technicians trained due to lack of available/good people.	Each Sector has 50,000 trees planted between 2003-08 Ongoing
Water and soil management	Poor use of marshlands	Develop marshlands Provide advice and training to farmers on soil and water conservation	Integrated strategy being developed addressing rational utilisation, training, irrigation, anti-erosion, monitoring activities	20,000 ha by 2007 2003: 1/3 of each province has anti-erosion structures, 400 ha planted with gross bands, retention dams 60% of houses, at least 30 valley dams, at least 50 ha irrigated
<b>Land</b>				
Planning	The legal basis of property rights in Rwanda is unclear and needs to be clarified. Land use will require public planning given the shortage of the resource.	Land policy and draft land act are being considered at the political level. Security of tenure, encouragement of a market in land, and elimination of discrimination are crucial objectives. Government will conduct a cadastral survey and develop a national land use plan as soon as resources permit.		Policy decision during 2002. Ongoing, will intensify as the policy is developed. By end-2004, depending on resources.
Implementation of policy and dispute resolution	Land disputes have been found to be an important source of conflict in the URC consultations.	MINITERE will sensitise the population about the objectives of the land policy and people's land rights.		Ongoing, will intensify once land act is in place.

**Annex 10: Revised Policy Matrix**

<b>Policy Area</b>	<b>Key Issues/Objectives</b>	<b>Actions</b>	<b>Progress Made</b>	<b>Dates/Targets for Actions</b>
	There will be a need for cost-effective mechanisms of dispute resolution and title allocation that are accessible to communities.	Mechanisms to be developed as part of the strategy for implementing the land act, expected before end-2004.		After passing of land act, but policy options need to be considered at an early stage because of fiscal constraints.
Legal framework	Microfinance needs a legal framework	Legal framework being prepared by NBR	Legal Framework has been completed by BNR	2001-2
Sector coordination;	There are many diverse initiatives by Government, banks and NGOs, which do not add up to a coherent programme. The fiscal costs of different approaches to supporting microfinance are not known.	Study on coordination for the sector to be undertaken. A study of the costs of different programmes is needed, to establish best practice.		2001-2
Meeting different needs for credit (note that most of the schemes mentioned here serve more than one need)	Seasonal credit for agricultural inputs and marketing Credit for small projects, e.g., livestock. Credit for small enterprises Credit for medium-scale enterprises providing spin-off benefits for the poor	Credit line for traders in agricultural inputs has been established at NBR. Some marketing credit is provided to coffee farmers through the Banques Populaires OCIR-Café provides some inputs as credit in kind. Various NGO schemes operate; also the Funds for women under MIGPROFE and the poverty-reduction project in Butare, Gikongoro and Kibuye will fund livestock. Recapitalisation of Banques Populaires An Agricultural Credit Guarantee Fund is to be explored.	Ubugdehe has funded a lot of livestock projects in Butare and is expected to do so in 2003 in other provinces too	Ongoing
<b>Off-Farm Employment</b>	Increasing agricultural incomes will increase demand for non-agricultural goods and services. High rural unemployment needs interim measures. This coincides with a need for rural infrastructure to promote agricultural transformation and to protect the environment.	Government plans a major expansion of public works programmes in the short run, including rural infrastructure and rural roads.	Labour intensive Public Works (PI-HIMO) team has been set up. Some projects have been identified. Funding has been coming, but still needs further scaling up.	A provisional strategy has been developed but need clear costing of activities and impact

**Annex 10: Revised Policy Matrix**

Policy Area	Key Issues/Objectives	Actions	Progress Made	Dates/Targets for Actions
<b>Policy Matrix Section 2: Human Resource Development and Improving the Quality of Life</b>				
<b>Health</b>				
Planning	Health sector strategy under development	Fully costed sector strategy to be developed. Support required to health regions and districts.	SWAp has commenced although in its infancy. Health sector policy is finalised and health sector strategic plan is being formulated. Budget is gradually being decentralised down to districts.	Sector Strategy early 2004
Quality	There was a shortage of skilled staff after the genocide	HIV/AIDS programme must be mainstreamed across all sector strategies. Training programme will be continued.	HIV/AIDS cross-cutting cluster group has been established. Links with other sectors have been established and strengthened. The price of anti-retroviral drugs was reduced continuously. Newly recruited: 15 doctors, 5 A1 nurses, 153 A2 nurses. Human resource needs remain acute.	Ongoing
Access	Access to health services by the poor is too low.	Mutuelles being encouraged. Pilot schemes are being studied to identify best practice. Some more subsidy may be needed for the schemes to attract a larger proportion of patients. Possible increase in subsidy to some drugs in order to increase access for the poor. Health animateurs to be promoted. Consideration is being given to allowing them to administer some basic curative services.	Mutuelle scheme expanded further. A National Coordination Committee to improve the regulatory framework and management put in place in 2003. New malaria drugs are subsidised 60% by government. TB drugs remain free, and drug to treat HIV-related opportunistic infections is free. A package of activities for animateurs has been decided upon including treatment/prevention of malaria, diarrhoea and acute respiratory illnesses.	Ongoing, to be extended in 2004  Ongoing
Prevention	Most illness in Rwanda is preventable, often by cheap public actions.	Multi-sectoral HIV programme to be implemented Bed-nets to be promoted perhaps with more generous subsidy Health information to be energetically promoted including use of radio drama shows Animateurs to raise awareness of preventive health, particularly condoms and malaria information.	HIV/AIDS policy and strategy elaborated and implementation to start 2003. Strategic plan has received large donor support and is almost fully funded. The coverage rate of mosquito nets increased to 12%. Subsidised nets for pregnant women and children under five. Remains a core programme needing extra funding to subsidise nets. IEC activities major component of prevention activities in malaria. HIV/AIDS, TB, and reproductive health. Radio shows broadcast on malaria.	Implementation of strategy 2003  Ongoing distribution. Target 2003: 12,500 malaria cases/100,000.  Ongoing

**Annex 10: Revised Policy Matrix**

<b>Policy Area</b>	<b>Key Issues/Objectives</b>	<b>Actions</b>	<b>Progress Made</b>	<b>Dates/Targets for Actions</b>
			Training of animateurs has been extensive in IEC programme. (figure available in 2002 Annual Report) See below See above	Ongoing
Reproductive health and family planning	Many women would like to have fewer children, and this is important for national development	Adult literacy programme Link with health information		
<b>Education</b>				
Planning	Sector strategy needed to achieve Basic Education for All (EFA) by 2015	Sector strategy to be developed EFA Plan to be developed	Sector Strategic Plan development (ESSP) in final stage. Subsector plans were developed through SWAP working groups  EFA plan development in final stage. There has been series of consultations led by EFA National Committee.	ESSP to be completed and presented to all partners in April 2003 in Joint Review EFA plan to be completed.  Later in the year to be presented to all provinces and guide preparations of Education plans in provinces  A second Joint Review in october/november 2003
Early childhood care and development	Provides the foundation for primary education	Policy to be developed with private sector and CSOs	Two studies on ECCD were done. One in collaboration with UNICEF another with WORLD BANK to provide background information	ECCD policy to be developed and a strategic plan (5 yrs).  In the same SWAp spirit all partners in ECCD shall be involved
Primary education	Quality is challenged by the ambitious curriculum	Teacher training programme to continue, including in-service training.  Access to textbooks to be expanded, providing one book for three students in every course in each of the next three years if resources permit  Non-wage funds to be provided to schools for flexible spending on basic maintenance and pedagogical inputs  Review primary curriculum  Monitor pupil attainment	Teacher training, both preservice and inservice continued. Total number of students in TTCs increased.  Inservice training was provided for teachers  Text books were provided but not enough  Curriculum being revised	Equiping 6 TTCs to be done through HRD project  More teachers to be trained through inservice training  More books to be supplied in order to reach the target of book for 3 pupils  Ongoing  MLA study to be scaled up in the remaining 9 provinces

**Annex 10: Revised Policy Matrix**

Policy Area	Key Issues/Objectives	Actions	Progress Made	Dates/Targets for Actions
Secondary education	<p>Secondary enrolment is low.</p> <p>Very little access for the poor: less than 5% of secondary schoolchildren are from the poorest 20% of households.</p>	<p>Unit costs to be kept under review to see if there are ways of educating more children for the same resources.</p> <p>Need to consider targeting expenditures in the light of the findings on the incidence of secondary education. Bursaries for gifted students exist; these could be means-tested and extended. Public funding may be targeted on secondary schools in poorer rural areas</p> <p>Review curriculum</p> <p>Use distance learning for teacher training</p>	<p>Efforts to keep under review to see if there are way of educating more children for the same resources started .</p> <p>New policy options such as to encourage day schools, increase student teacher ratio, etc. are under discussion for approval</p> <p>Bursaries for best performers have been proposed.</p> <p>First group of CDCs of poor districts to work with MINEDUC through its HRD project, has been identified</p> <p>In 2001 curriculum for key streams in technical and professional schools were developed.</p> <p>Teacher Training through distance learning for 350 teachers started</p>	<p>One of the major policies in EFA in Rwanda is to move from six to nine years of basic education; this means THAT number of children in Tronc Communites shall increase.</p> <p>Efforts to reduce cost under discussion since 2002 shall be implemented</p> <p>MINEDUC, has started working with CDCs of poor districts in rehabilitation/extension of secondary schools</p> <p>Review of curriculum will continue</p> <p>Distance learning to continue</p>
Science and technology	<p>Some differences between boys and girls in access to public sector secondary education, and big gap in the tertiary sector.</p> <p>Tertiary enrolment is very low and highly educated people are in short supply</p> <p>Access to tertiary education for people from poorer backgrounds is particularly limited.</p> <p>Skills shortages in public sector</p>	<p>Government will explore incentives (e.g. making fees lower for girls) to encourage more women to attend upper secondary and tertiary institutions.</p> <p>Student loans system to be expanded.</p> <p>Public expenditure on non-pedagogical costs to be reduced</p> <p>Research for poverty reduction</p> <p>Civil service reform.</p>	<p>Affirmative action to girls who perform very well in cost sharing policy</p> <p>Student loan scheme started</p> <p>public expenditure on non-pedagogical costs reduced</p>	<p>study on how girls can perform better in primary , Tronc commun and Senior Six examinations will be done and Implementation of results to start.</p> <p>What started in 2002 to continue</p>
		<p>Research programme to focus on technologies relevant to the lives of the poor including traditional medicines, fertiliser and transport</p>	<p>Research in technologies relevant to the lives of the poor has been conducted</p>	<p>Research to continue</p>

**Annex 10: Revised Policy Matrix**

<b>Policy Area</b>	<b>Key Issues/Objectives</b>	<b>Actions</b>	<b>Progress Made</b>	<b>Dates/Targets for Actions</b>
<b>Vocational Education</b>	Vocational training centres for young people exist, but funding is low and many centres need rehabilitation There is need of a link with private employers in order to ensure that the skills provided are marketable	Rehabilitate centres and finance non-wage recurrent costs. Create mechanisms ensuring that the skills are marketable, and tracking employment of graduates from their programmes	There has been some rehabilitation of some centres	Rehabilitation to continue
<b>Popular education and functional adult literacy</b>	About half the adult population are illiterate	Develop the programmes of functional adult literacy and adult education into a national programme Coordinate better with NGOs in the sector Train primary teachers in adult education	Functional adult literacy and adult education programme has been developed into a national programme Regular meetings with NGOs has started Programme to use primary schools for adult education under discussion	Implementation of the plan as indicated in EFA plan to start Better coordination mechanisms to be done. Primary schools shall be used for adult education
<b>Girls' education</b>	Girls' participation in schools lags behind boys. Girls' education has very high social and economic returns	Gender sensitisation for teachers and communities Increase number of female teachers Improve school environment for girls, i.e. separate dormitories, toilets etc.	Gender sensitisation for teachers and communities done through different meetings Female teachers increased Study on girls education done in five provinces	Refer above
<b>HIV/AIDS Education</b>	Education has a big role to play in reducing the spread of HIV and providing care and support	Promote HIV/AIDS education Study HIV/AIDS impact on education sector	HIV/AIDS education integrated in different curriculum such as CIVICS Books and other teaching materials supplied Club ANTISIDA established in all secondary schools and higher learning institutions 84 teachers trained Teachers' guides for primary and secondary schools prepared Study HIV/AIDS impact on education sector done	Follow up of the teaching of CIVICS and STE in schools Strengthen peer education text books to be distributed to all secondary schools About 40 special trainers for provinces to be trained.

**Annex 10: Revised Policy Matrix**

<b>Policy Area</b>	<b>Key Issues/Objectives</b>	<b>Actions</b>	<b>Progress Made</b>	<b>Dates/Targets for Actions</b>
Water and sanitation	<p>One third of the rural water infrastructure is in need of rehabilitation.</p> <p>There are some serious shortages of services in new settlements, including cases where people have to walk 20 to 25 km. to find water.</p>	<p>Elaborate Investment proposals based on sector strategy for improved access to water supply and sanitation in rural and urban areas.</p> <p>These will include rehabilitation of existing infrastructure and may include some new investment for areas where existing infrastructure is very distant, possibly including water harvesting.</p>	<p>Communities to be involved in designing and managing projects under a demand-led approach. Most costs of investment to be borne by the public sector, but communities will manage and maintain facilities.</p> <p>Sensitisation done in some provinces for maintenance to be assured by communities. Participation of communities in choosing locations of the various infrastructure</p>	<p>Output: access to safe water. Outcome: water source used: volume of water used: time spent collecting water.</p> <p>Ongoing</p>
Planning	Interventions have not been coordinated	Develop sector strategy		By end-2003
Rural water supply		Strengthen community participation for management and maintenance of rural water systems.	See above	Ongoing
Urban water supply	<p>No system of solid waste disposal in urban areas.</p> <p>Urban water supply meets only 50% of the demand.</p>	<p>Build institutional capacity of urban administrations to manage sanitation services.</p> <p>Expedite the restructuring of Electrogaz</p> <p>Some urban infrastructure will be rehabilitated.</p>	Electrogaz is being placed under private management. Private sector role in financing to be determined.	By end-July 2003
<b>Resettlement and Housing</b>				
Rehousing	Previous approaches to rehousing were not affordable for the whole of the target population.	Roofing kits to be provided to those who need rehousing; also support for water-harvesting. Houses will be built by beneficiary households or communities.	Donor Round Table Conference to be organised Houses continued to be built for some households in imidugudu	Ongoing, 2002-2004
<b>Policy Matrix Section 3: Economic Infrastructure</b>				
<b>Road transport</b>				
<b>Infrastructure</b>	<p>High costs of internal and external transport are an obstacle to commercialisation.</p> <p>About 400 km. of main roads need rehabilitation</p> <p>An extension of the bituminised road network is needed.</p> <p>Public transport needs development</p>	<p>Develop a transport sector investment strategy and an action plan for medium-and long-term development.</p> <p>High priority for spending on maintenance and rehabilitation of roads and bridges; strengthen local management of maintenance. Emphasis on Labour-intensive works (HIMO)</p> <p>Implement programme of road upgrading, depending on resources</p> <p>Create public/private partnership</p>	<p>A PER was conducted in 2002 in the transport sector, a study commissioned by the ministry (done by Scautoroute) but the sector strategy is awaited</p> <p>Main roads were maintained and rehabilitated as Butare Cyangugu and Nyakizu-Nshuli, local management strengthened through agreement reached with local authorities, this sector is taken into account in the HIMO strategy</p> <p>Upgrading of some roads but need for more investment.</p>	<p>End-2003</p> <p>Ongoing</p> <p>More financing is coming through donors support (more agreements reached)</p>

**Annex 10: Revised Policy Matrix**

<b>Policy Area</b>	<b>Key Issues/Objectives</b>	<b>Actions</b>	<b>Progress Made</b>	<b>Dates/Targets for Actions</b>
<b>Railways and Air Travel</b>		Kanombe airport is being rehabilitated. A new road-rail link is to be opened up through Issaka and the extension of the railway to Kigali will be considered	Technical study for Kanombe airport rehabilitation completed and works to start soon	Rehabilitation to start in 2003
<b>Grass-Roots Transport</b>	Rural tracks  Intermediate forms of transport are required to carry produce between households and the market.	The ubudehe programme will provide funds that could be used to support local transport needs.  KIST is working on improved forms of local transport.  Donkeys may be promoted.		2002  Ongoing
<b>Energy for the Formal Sector</b>	High energy costs are a serious constraint on formal sector expansion	Investment in new power generation and better management of Electro-gaz are needed to bring energy costs down.  Methane gas to be exploited.	Some public support to investment in Electro-gaz is needed.  Electro-gaz to be put under private management	Ongoing  End-July 2003
<b>Energy for Poor Households and Rural Enterprises</b>	Very low access to electricity for economic activity in rural areas.  Low-cost stoves can reduce costs of fuel to households and protect the environment	Rural electrification to be promoted by grid extension and/or building of microcentrales  Promotion of improved stoves	Urgent core programme, requiring extra resources  Some extra resources needed.	Studies to be conducted in 2004 on the better mean to extend rural electrification
<b>Develop Communications Infrastructure</b>		Promotion of private investment in all telecommunication market segments through open competitive licensing regime, and build institutional capacity for policy development and sector regulation.  Rwandatel to be offered for sale.  Ensuring financial self-sufficiency of Office National des Postes (ONP) for sustained delivery of affordable services.	Increased private participation through new investors  Decision to privatise taken by the Cabinet and the process is well advanced  Law on the National post office is being revised	Law was passed in May 2001; regulatory reform ongoing.  To be privatised by end-2003  2003
<b>Policy Matrix Section 4: Governance</b>				
<b>Security</b>	Internal and external security has greatly improved since 1997. To ensure this progress is maintained, regional conflicts need to be resolved.	Rwanda strongly supports the Lusaka Framework for peace in the Great Lakes region. Peace in the region will permit a reduction in military expenditures.	Withdrawal of troops from DRC	2003
<b>Demobilisation</b>	Returning troops need support	RPA veterans will receive a transitional cash package. All returning soldiers will receive support to their reintegration, organised through	More demobilised and re-integrated	2002-2003

**Annex 10: Revised Policy Matrix**

<b>Policy Area</b>	<b>Key Issues/Objectives</b>	<b>Actions</b>	<b>Progress Made</b>	<b>Dates/Targets for Actions</b>
<b>National Reconciliation</b>	National reconciliation is a requirement for sustainable poverty reduction.	the community receiving them. The Unity and Reconciliation Commission (URC) was established in March 1999 and has undertaken major national consultations. A national summit is held regularly and the URC undertakes civic education, conflict mediation and community initiatives.	Continued to organise sensitisation campaigns ingando (civic solidarity camps)	Activities are ongoing
<b>Human Rights</b>	The Government is committed to establishing a culture in which human rights are respected and abuses are reported and punished	The Human Rights Commission's 4-year plan of action includes materials and skills development, civic education and sensitisation, and monitoring and reporting of human rights including investigating allegations of abuses since May 1999.	Successful completion of the Constitution. HRC to develop other indicators	2003-2004
<b>Criminal Justice System and <i>gacaca</i></b>	107 000 people are in prison awaiting trial for genocide-related crimes	Elections to the <i>gacaca</i> courts have been held and trials are due to begin in 2002. Sector strategy to be developed.	Trials have begun and are ongoing	2002-2004 End-2003
<b>National Police</b>	The police force has to be rationalised and restructured. The civilian police (LDF) needs to be adequately financed, as the ratio of police personnel to civilians is still very low.	Prison investment to be carried out A community policing approach is being adopted and mechanisms are being developed to ensure that the police forces are accountable to local people and to monitor the quality of service delivery.	Communities to cooperate closely with the local police.	To be decided once prisoner numbers are known Crime rates (based both on crime reported to the police and on households' reports of their experiences)
<b>Constitutional Reform and Democratisation</b>	Rwanda is currently using the Arusha agreement as a guide to constitutional procedures.	The Legal and Constitutional Affairs Commission was formed in late 1999 to draft a new constitution. Comprehensive review of existing legislation	The new Constitution was adopted in May 2003 after a referendum The review of existing law has been launched	2003-2004
<b>Decentralisation</b>	Rwanda is decentralising service delivery of major public services to the district level Fiscal and capacity constraints in the decentralised structures.	National elections to be held Districts have prepared budgets and proposals for the CDF; further capacity building to be carried out Fiscal transfers have been introduced to match the increase in district responsibilities. Modalities for the Community Development Fund are being finalised.	Budgetary provision being made CDF will need extra resources.	2003 Improved capacity at district levels, 2002 onwards 2002 2002 onwards
<b><i>Ubutwaha mu kurwanya ubukene</i> programme</b>	Decentralisation will be extended down to the cellule level	Implement the <i>ubutwaha</i> programme in all cellules throughout the country	All Butare province was covered, extension to other provinces is ongoing (depending on availability of funds)	2002 onwards

**Annex 10: Revised Policy Matrix**

<b>Policy Area</b>	<b>Key Issues/Objectives</b>	<b>Actions</b>	<b>Progress Made</b>	<b>Dates/Targets for Actions</b>
<b>Civil Service Reform</b>	Public Sector reform is required to increase motivation and capacity	Increase capacity through training Computerise human resource management Encourage private sector and civil society participation Reclassify public servants and regulate arrears		2002-2003
<b>Accountability and Transparency</b>	Accountability and transparency are vital to ensuring human rights and effective governance	Carry out actions outlined in the public audits Disseminate public information Build auditing skills at district levels		2002 onwards
<b>Policy Matrix Section 5: Private Sector Development</b>				
<b>Investment Promotion</b>	Low level of private investment	RIPA has established a one-stop shop for investors, and will fund studies to identify constraints. Restructure CPMER (Centre de Promotion des Petites et Moyennes Entreprises) to provide services to support SMEs.	Cabinet decision on CAPMER to become a Not-for-Profit Organisation (ASBL). Draft business plan ready	Ongoing August 2003
Private sector representation	Strengthen dialogue between the public and private sector.	The operational capacity of the newly established Private Sector Federation is being strengthened. PSF will also carry out studies on potential competitive advantages. Increased private sector representation to be achieved in the sector strategy process in each sector.	Operational capacity strengthened, study being carried out in collaboration with the RIPA Increased representation effective through participation in various working groups and through the "public/private partnership forum"	Ongoing Sector Strategy participation to be monitored closely in 2003
<b>Financial Sector Reform</b>				
	Following events of the early 1990s, the financial soundness of the financial system was severely damaged.	Restructuring of commercial banks is ongoing and will continue. Full audits of three banks On-site inspection of all banks every year. Carry out a review of bank lending procedures NBR will strengthen supervision and the bank regulatory framework. External audit of NBR An Arbitration Centre has been established and commercial tribunals are being developed and will be given legal authority	Efforts ongoing, especially regarding BCR 3 audits were done Accelerated loan recovery procedures were reinstated. Tender for financial sector study was issued. NBR's bank supervision extended to micro-finance. Banker's association agreed on information sharing agreement on defaulting borrowers Centre has been given legal authority, was strengthened and staffed	2002 2004 March 2002
	Commercial legal reform is needed to ensure that contracts are enforceable			

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<b>Policy Area</b>	<b>Key Issues/Objectives</b>	<b>Actions</b>	<b>Progress Made</b>	<b>Dates/Targets for Actions</b>
	Other financial institutions need reform	Caisse Hypothecaire to develop business plan as a housing bank Debts owed to Caisse Social by Government are under negotiation		December 2001 Ongoing
<b>Commercial Justice Reform</b>	Legal obstacles exist for private investments	Government to consult private sector on their needs A Commercial Court will be set up	Public-Private Sector Forum set up (Partnership Forum)	2002-2003 2002
<b>Privatisation</b>	Explore options to accelerate privatisation and increase the participation of Rwandese in the process.	Acceleration of privatisation process in accordance with the timetable A privatisation trust fund is being considered to widen Rwandese ownership in privatised companies.	More companies will be privatised in 2003 compared to 2002. Work on widening Rwandese ownership in privatised companies will intensify June-Sept 2003.	37 companies out of 72 have been sold.
	Improved service delivery by utilities	Electrogaz (water, electricity) to be put under private management. Offer 51 percent of Rwandatel (telecommunications) to a strategic investor. Multi-regulatory agency to be established.	Management Contract with private company has been signed On track, regulatory framework has been put in place. Agency has been established but still have to be operationalised	December 2001 By end 2003 Ongoing
<b>Specific Sectors</b>				
<b>Manufacturing</b>	The Government needs to ensure that standards are harmonised	Office Rwandaise de Normalisation has been established and will monitor standards.		Ongoing
<b>Mining</b>	Artisanal mining requires some regulation for environmental and safety aspects Mineral potential requires exploration Legal structure requires clarification	Better management of the quarries Government will support exploratory studies Mining Code to be developed, which must take into account small-scale mining	Some extra funding needed	Ongoing 2004 2002-2003, depending on resources
<b>Tourism</b>	Sector strategy needed	Sector strategy to be developed to ensure that national parks are protected, a legal framework is developed and Rwanda's image is promoted and enhanced.	Comprehensive tourism sector strategy elaborated	2002
<b>Artisanal activities</b>	Legal framework needed	Legal framework and a support network to be developed	Law on artisans' organisational structure, government policy and a 5-year plan elaborated To be included in sector strategies.	Pass law, policy and 5-year plan through Cabinet and Parliament 2002-2006 plan has been developed.
<b>Services</b>	Rwanda seeks to develop competitive advantage in this sector.	ICT strategy to be implemented as a cross-cutting strategy.		

**Annex 10: Revised Policy Matrix**

Policy Area	Key Issues/Objectives	Actions	Progress Made	Dates/Targets for Actions
<b>Policy Matrix Section 6: Social Capital for Vulnerable Groups</b>				
<b>Disadvantaged and Vulnerable Groups</b>	Genocide survivors have needs for educational, medical, housing and legal costs. Trauma and social isolation are important dimensions.	The Victims of Genocide Fund receives 5% of Government revenue and provides assistance to survivors in all these areas. A survey of genocide survivors has recently been conducted. The management of the fund has been decentralised.	Ongoing	
Other disadvantaged groups	Funds for disadvantaged groups are operated by MINALOC	Funds have been decentralised and will deal with associations		
Social solidarity fund	A fund for social solidarity has been proposed to streamline existing initiatives and encourage private participation.	To be explored.	The fund would aim to attract funds from private sector as well as public support	To be discussed 2001-2002
<b>Policy Matrix Section 7: Macroeconomic Management, Fiscal and Monetary Policy and Public Expenditure Management</b>				
<b>Macroeconomic Stability and Incentives for Growth</b>				
	High and sustainable growth needs to be achieved and inflation kept low	Maintain low inflation Increase economic growth	Average inflation in 2002 was 2.0% Economic growth of 9.4% in 2002	Inflation projected to be 4.7% in 2003 GDP growth of 3.2% projected for 2003
	Incentives for growth require economic openness	Rwanda has entered COMESA and is reducing tariffs accordingly Rwanda will explore opportunities under AGOA Removal of anti-export bias to be pursued through fiscal reforms (see below) Real exchange rate to be monitored	Tariff reductions are on scheme Rwanda to focus on textiles and handicrafts	Rwanda will enter COMESA on 1 <sup>st</sup> of January 2004
<b>Resource Mobilisation</b>				
	Government needs to increase the revenue share of GDP while improving efficiency and equity of tax regime	See Table 5.3.	Domestic tax base is expanding fast. Tax collection continues to improve.	Introduction of TPR is deemed pro-poor. More research needed on fiscal impact of local government tax collection on the poor
	Rwanda's external debt is unsustainable	Maintain debt at sustainable levels. The preparation of the PRSP is an important part of the process of achieving debt relief.	Extra debt relief will be asked for as Rwanda will only achieve the NPV of debt-to-exports ratio of 150% in 2008	NPV of debt-to-exports ratio of 150%

**Annex 10: Revised Policy Matrix**

Policy Area	Key Issues/Objectives	Actions	Progress Made	Dates/Targets for Actions
	There are substantial domestic arrears.	An inventory of domestic arrears is being compiled and a plan for paying off these arrears and addressing their causes has been developed. Government will seek assistance for reducing the domestic debt burden including arrears.	Verified domestic arrears are in the process of being eliminated.	
<b>Pro-Poor Public Expenditures</b>	Expenditure programme for poverty reduction is needed.	An unconstrained expenditure programme for poverty reduction has been developed based on costings estimated prepared by ministries during 2001. It is presented as Annex 7 of the PRSP.	Participatory approach has been used in the determination of the priority areas. PSIA debate on optimal fiscal deficit ongoing Priority programmes reflected in budget. 2004-2006 relates Development Budget spending to recurrent budget	Will be done again for the full revision of PRSP in 2004 Recurrent and Development Budget to be fully integrated
	Protecting budget allocations to pro-poor and priority programmes.	Using the MTEF approach, this programme will be implemented, as resources permit, through the budget, and will be reflected in revisions of the forward recurrent and capital projections including the PIP for 2002-2004. Priority programmes have been redefined for the 2002 Budget: see Annex 6. The share of expenditures going to these programmes will continue to increase.	Priority Programmes are projected to go up by 0.1% of GDP for the next 3 years. Have been successfully protected from in-year budget cuts.	
<b>Public Expenditure Management</b>				
	Although sectoral policies exist, sector strategies require development in most sectors	All sectors to develop strategies over the next two years within the general framework provided by the PRSP. These plans will refine the existing costings and expenditure programme, and will produce an integrated plan for recurrent and development expenditures in each sector.	Sector Strategies on track for Education, Health and HIV/AIDS	Agricultural sector strategy needs strengthening.
<b>Policy Matrix Section 8: Coordination and Monitoring of the PRSP</b>				
Implementation of the PRSP	The PRSP will be implemented through sector strategies and the MTEF	Development of sector strategies and detailed costings to feed into the annual budget in all sectors	GOR, coordinated by the SPPMD, clusters agreed on, guidelines produced	2004
Monitoring the implementation of the PRSP and the evolution of poverty	Both the implementation of the proposed actions and the evolution of poverty indicators need to be monitored	A system of poverty monitoring indicators has been developed and will be further refined. Regular surveys will be undertaken, including the household living conditions (EICV), the Population Census, the Core Welfare Indicators Questionnaire (CWIQ), and the Demographic and Health Survey (DHS) The Observatoire will liaise with sectoral ministries in disseminating results and ensuring feedback into policy.	First PRSP-PR elaborated; a comprehensive monitoring strategy to be developed Observatoire/Statistics Department which is being restructured for the purpose of efficacy, CWIQ conducted in 2003, other needed surveys identified To be part of the participatory monitoring strategy	2003 2002 onwards 2003

Annex 11: Summary Indicators by Province														
Indicateurs	Provinces										National			
	Butare	Byumba	Cyangugu	Gikongoro	Gisenyi	Gitarama	Kibungo	Kibuye	Kigali Ngali	Ville de Kigali		Ruhengeri	Umurata	
Paupvrit	Incidence de la paupvrit extrme (%)	52.04	44.60	45.96	56.83	34.68	34.5	31.88	48.32	52.82	4.52	52.31	32.84	41.64
	Profondeur de la paupvrit extrme (%)	18.35	15.82	18.00	22.27	9.10	10.5	9.30	15.32	20.60	0.97	18.14	12.06	14.40
	Incidence de la paupvrit alimentaire (%)	75.5	65.7	72.0	80.2	68.5	61.8	62.3	79.4	74.0	20.6	83.7	62.2	67.8
	Incidence de la paupvrit globale (%)	73.62	65.82	64.26	77.18	53.50	53.7	50.8	72.48	70.88	12.27	70.27	50.52	60.29
	Profondeur de la paupvrit globale (%)	31.95	27.47	28.97	35.92	19.75	20.5	18.65	28.76	33.12	3.21	31.16	20.99	25.36
	Population vivant dans la paupvrit extrme (%)	48.56	41.51	40.99	53.07	29.18	31.7	26.79	42.65	47.78	3.70	47.14	30.84	37.78
	Population vivant dans la paupvrit (%)	22.46	22.14	19.08	22.05	19.75	18.41	19.78	24.06	17.45	6.74	19.09	16.50	19.05
	Population non-paupvre (%)	28.98	36.35	39.94	24.87	51.05	49.89	53.43	33.29	34.77	89.56	33.77	52.85	43.17
	Coefficient de Gini	0.429	0.417	0.433	0.365	0.364	0.346	0.356	0.324	0.411	0.427	0.392	0.392	0.451
	Contribution à la paupvrit nationale (%)	10.01	10.37	8.1	8.06	8.43	9.4	6.91	6.9	13.40	1.51	13.64	3.27	--
Santé infantile	Mortalité infantile (en /oo)	127.7	141.7	82.6	120.7	119.3	123.1	142.8	111.9	118.5	79	102.1	116.1	117.4
	Mortalité juvénile (en /oo)	124	82.6	82.2	95	90.10	75.8	146.2	87.8	85.8	66.4	93.9	134.9	101.2
	Mortalité infanto-juvénile (en /oo)	235.8	158	158	204.2	198.60	189.6	268.2	189.9	194.2	140.2	186.6	235.3	206.7
	Taux de Vaccination complète (%)	81.6	73.5	79.4	84.6	80.0	87.4	71.2	77.0	65.9	64.8	76	69.3	76.0
	Taux de morbidité lié aux: Infections respiratoires (%) Diarrhée (%)	25.2	20.6	16.0	27.1	18.8	23.3	21.8	17.9	26.4	19.9	18.8	15.7	21.2
Santé de la VIH/SIDA	Taux de malnutrition chronique (%)	18.4	18.8	18.4	24.5	15.0	16.8	18.2	13.9	17.2	13.5	14.1	14.3	16.9
	Taux de malnutrition chronique (%)	48.2	47.1	39.9	49.7	42.0	42.4	44.3	48.0	22.8	42.2	38.8	39.8	42.6
VIH/SIDA	Connaissance des mesures preventives du VIH/SIDA													
	Au moins deux méthodes (%)	86.6	84.2	88.2	85.5	84.4	85.3	83.9	78.0	82.1	89.1	83.1	78.2	84.2
	Utilisation du Condom (%)	92.2	87.3	91.9	90.5	94.6	93.2	91.4	91.4	91.4	89.2	94.4	92.2	91.7
	Disposé à être tester (%)	0.9	1.3	1.4	0.5	1.1	0.5	1.2	0.7	2	7.2	1.4	0.4	1.4
	Taux de prévalence contraceptive (%)	10.2	3.9	3.8	1.7	4.1	4.2	8.4	0.8	7.3	26.8	6.0	0.0	6.4
reproduction	Disposé à être tester (%)	47.8	60.8	48.3	48.3	39.6	55.2	56.0	41.8	52.4	46.2	37.4	46.6	48.7
	Taux de prévalence contraceptive (%)	61.0	60.1	58.5	69.5	56.5	52.4	76.1	60.5	63.1	55.9	51.3	60.2	60.1
	Consultation prénatale par un personnel formé	11.1	13.8	11.3	10.6	12.4	14.9	16.7	8.2	17.1	31.8	7.7	8.4	13.2
	Lieu d'accouchement	88.6	94.7	92.4	91.1	89.3	95.2	93.4	87.4	93.4	91.9	94.9	91.9	92.3
	Accouchement assisté par	24.7	18.8	35.7	12.1	26.7	30.7	26.1	15.6	25.9	71.0	23.1	26.9	26.5
Santé de la	Personnel formé	73.8	80.4	63.1	87.7	73.1	68.3	72.5	83.6	73.9	28.2	75.8	71.4	72.6
	Accoucheuse traditionnelle	34.4	23.8	43.4	17.1	30.1	34.6	34.1	15.9	29.5	74.5	25.9	34.6	31.3
	Parent/autre	42.5	51.6	38.9	55.3	43.1	39.1	41.9	49.0	43.6	18.6	44.1	44.6	43.4
	Parent/autre	14.9	20.1	12.2	23.6	24.8	20.5	16.7	30.7	20.8	3.9	26.7	17.9	20.5



Annex 11: Summary Indicators by Province														
Indicateurs	Provinces										National			
	Butare	Byumba	Cyangugu	Gikongoro	Gisenyi	Gitarama	Kibungo	Kibuye	Kigali Ngali	Ville de Kigali		Ruhengeri	Umutara	
Qualité de l'habitat	AR	3.02	3.15	1.25	0.56	17.87	1.98	10.29	0.53	2.23	54.79	1.57	1.92	8.1
	FLR	21.2	11.94	23.85	17.01	11.28	23.27	29.7	15.78	28.84	5.51	10.99	41.4	18.7
	SA	4.63	10.15	36.10	9.73	15.68	9.97	8.9	25.46	12.04	6.83	40.5	1.68	15.9
	Principal combustible: (%)	23.1	17.5	34.3	25.4	22.1	29.3	38.3	20.5	36.2	8.6	31.7	46.6	27.6
	Bois	95	95.57	95.45	98.9	94.9	95.5	98.6	98.7	96.29	14.8	93.6	96.8	90.2
	Charbon	4.34	1.11	2.25	0.76	4.6	2.25	1.28	1.28	1.41	82.2	2.3	1.83	8.4
	Lampion	57.5	70.24	43.92	43.01	47.3	80.6	81.9	44.8	70.98	37	58.4	81.9	59.2
	Feu de bois	31.9	17.68	25.04	41.67	39.41	8.03	7.54	43.98	17.08	--	32.72	3.32	20.1
	Electricité	1.62	2.00	2.81	0.9	2.46	0.85	0.84	0.75	1.51	45.19	1.3	--	5.1
	Statut d'occupation des maisons: Propriétaire (%)	89.4	96.8	95.4	88.1	96.8	94	96.1	93.9	90.3	48.3	94.3	92.8	89.9
Habitat	Principaux matériaux de construction: (%)													
	Mur:	67.94	74.99	69.46	80.67	22.66	37.9	82.3	20.71	63.83	9.03	60.1	67.67	54.9
	BA	10.4	15.31	19.59	9.01	68.8	39.5	5.36	76.5	12.98	18.15	27.56	13.22	26.5
	BAC	9.6	2.79	3.25	3.74	4.76	16.87	1.27	0.73	11.47	39.85	1.99	6.82	8.6
	Tuile	62.21	22.47	5.32	77.1	64.3	70.05	1.01	70.2	14.65	0.65	47.8	1.17	38.9
	Tôle	22.5	56.57	72.37	10.86	20.8	18.31	72.9	18.72	69.7	96.87	28.67	61	44.7
	Terre:	82.3	92.60	89.64	92.6	87.5	80.98	93.74	94.04	87.98	28.61	92.7	95.38	80
	Ciment	12	6.86	7.76	6.7	11.0	13.31	5.7	3.55	10.98	69	5.43	4.5	
	Type de logement: isolé abritant un seul ménage (%)	87.3	92.9	96.7	93.37	91.8	71.8	98.9	93.3	89.19	52.29	93.6	93.7	88.2
	Mode d'évacuation des déchets ménagers (%)	54.3	3.43	38.2	20.7	25.88	17.35	36.78	38.84	20.88	11.5	12.35	55.88	26.5
Environnement	Jeter	39.5	95.83	59.9	78.6	61.1	80	62.8	78.75	50.7	86.2	41.11	69.1	
	Utilisation de latrines:													
	Latrines non-protégées (%)	32.18	64.5	26.6	38.05	36.6	35.6	60.99	49.1	57.7		30.7	52.0	41.3
	Latrines protégées (%)	56.08	30.3	64.1	51.55	53.5	54.1	35.75	46.3	35.37	81.68	62	35.0	50.4
	Pratique de boisement (%)	36.4	61.68	34.1	33.4	56.8	26.9	63.6	63.6	37.04		18.3	41.19	51.9
	Superficie boisée (en ha)	0.65	4.4	4.9	1.7	4.4	3.8	9.37	10.91	2.14		4.3	2.1	4.3
Ménage sans terre (%)	5.9	2.4	13.0	3.2	7.2	3.4	1.7	2.7	7.8	88.8	5.3	4.8	11.5	

Annex 11: Summary Indicators by Province													
Indicateurs	Provinces											National	
	Butare	Byumba	Cyangugu	Gikongoro	Gisenyi	Gitarama	Kibungo	Kibuye	Kigali Ngali	Ville de Kigali	Ruhengeri		Umuhanga
Superficie par ménage (en ha)	0.4	0.8	0.72	0.5	0.7	0.9	1.0	0.64	0.45	--	0.7	0.65	0.76
Superficie cultivée par province (en ha)	66,396	76,135	33282	72,504	68,683	115,038	124220	47100	111,338	--	67,888	3,165	814,238
Ménage avec une superficie cultivable <0.2ha (%)	61.7	25.3	37.3	59.0	26.0	25.2	11.5	31.2	17.1	6.6	35.9	8.5	28.9
Exploitation agricole irriguée (%)	21.8	4.7	2.9	7.7	7.5	13.6	4.1	5.9	19.5	23.1	6.1	5.0	9.8
Principal statut d'occupation des terres: (%) – propriétaires	78.4	87.4	81.87	74.03	90.7	80.3	83.86	88.38	85.1	68.4	86.8	92.0	97.5
- Locataires	15.5	7.7	15.37	19.40	6.2	12.3	8.85	8.64	5.4	7.9	9.3	6.4	10.51
Utilisation des intrants agricoles (%)	10.45	2.4	9.0	7.7	9.8	2.8	1.8	0.7	2.49	--	2.7	1.7	6.8
Possession du bétail (%)	69.96	62.6	54.01	76.33	44.8	78.88	72.5	67	61.35	8.59	54.92	60.9	60.0
Type de bétail possédé (%)													
Caprins	30	47	40	35	13.0	40	32	36	40		11	44	32
Volailles	25	44	31	12	24.0	34	31	24	27		10	35	27
Bovins	22	15	21	23	6.0	52	7	22	28		8	20	20

Légende: FPG = Fontaine Publique Gratuite; AR = Achat Robinet; FLR = Fleuve/Lac/Rivière; SA = Source Aménagée; PNC = Pisé non cimenté; BA = Briques Adobes; BAC = Briques Adobes Cimentées; HO = Homme; FE = Femme.

Source: EICV 2001; EDS 2000, Statistiques Agricoles 2000