African Development Bank
African Development Fund

RWANDA

2008-2011

Country Strategy Paper

Country and Regional Department - East A (OREA)
September 2008

TABLE OF CONTENTS

This report was prepared by Mr. Steve Kayizzi-Mugerwa (Lead Economist, OREA), Mr. Diko Mukete (Resident Representative, RWFO), Mr. Leonard Rugwabiza (Country Economist, RWFO), Mr. Chukwuma Obidegwu (Consultant, RWFO), Ms. Patricia Laverley (Country Programme Officer, OREA), and Mr. Lamine Barrow (Country Programme Officer, RWFO). Further inquiries on this report should be addressed to Mr. Aloysius Ordu, Director, OREA (Extension 2064).

ACRONYMS AND ABBREVIATIONS

ADB:	African Development Bank
ADF:	African Development Fund
APRM:	African Peer Review Mechanism
AWF:	African Water Facility
BSHG:	Budget Support Harmonization Group
CEPEX:	Central Public Investment and External Finance Bureau
CEPGL:	Economic Community of the Great Lakes Countries
COMESA:	Common Market for Eastern and Southern Africa
CPIA:	Country Policy and Institutional Assessment
CPR:	Country Portfolio Review
CSP:	Country Strategy Paper
DAC:	Development Assistance Committee
DFID:	Department for International Development
DRC:	Democratic Republic of the Congo
DSA:	Debt Sustainability Analysis
EAC:	East African Community
EDPRS:	Economic Development and Poverty Reduction Strategy
ESW:	Economic and Sector Work
EU:	European Union
GDP:	Gross Domestic Product
GFATM:	The Global Fund to Fight Aids, Tuberculosis and Malaria
GFCF:	Gross Fixed Capital Formation
HDI:	Human Development Index
HIPC:	Highly-Indebted Poor Countries
HIV/AIDS:	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ICA:	Infrastructure Consortium for Africa
ICT:	Information and Communications Technology
IMF:	International Monetary Fund
IPAR:	Institute for Policy Analysis and Research
JGA:	Joint Governance Assessment
MDG:	Millennium Development Goal
MDRI:	Multilateral Debt Relief Initiative
MINECOFIN:	Ministry of Finance and Economic Planning
MOU:	Memorandum of Understanding
MTEF:	Medium-Term Expenditure Framework
ODA:	Official Development Assistance
OECD:	Organization of Economic Cooperation and Development
NPV:	Net Present Value
PEFA:	Public Expenditure and Financial Accountability
PEPFAR:	President's Emergency Plan for Aids Relief
PFM:	Public Financial Management
PIC:	Public Investment Commission
PRSP:	Poverty Reduction Strategy Paper
PTA:	Preferential Trade Area
RPF:	Rwanda Patriotic Front
RWFO:	Rwanda Country Office
SSA	Sub-Saharan Africa
STI:	Science, Technology and Innovation
SWAp:	Sector-wide Approach
UA:	Unit of Account
UBPR:	Union des Banques Populaires du Rwanda
USD:	United States Dollar
USA:	United States
VAT:	Valued Added Tax

I. INTRODUCTION

1.1 The last CSP for Rwanda covered 2005 to 2007. This CSP provides coverage for 2008-2011. It assesses Rwanda's development prospects and challenges, the Government's strategic options, and the role that the Bank could play, in collaboration with the Government and other development partners, in helping the country realize its development objectives. In particular, the report describes: (a) what we have learnt from implementation of the previous CSP; (b) what results we want to achieve and how to deliver them; (c) how we will address the balance between knowledge and lending; and (d) how we will work closely with others.

1.2 Rwanda's economy suffered considerable damage during the civil war and the genocide of the mid-1990s. Since then, the Government has resettled and reintegrated millions of internally displaced people and returning refugees, restored peace and security, and revived economic activity. It has set up institutions for national reconciliation and good governance, and began to implement a long-term development strategy, *Vision 2020*, which has poverty reduction and good governance at its core. The Government aims to transform Rwanda into a middle income country by 2020.

1.3 The first Poverty Reduction Strategy Paper (PRSP) was introduced in 2000 as a medium-term strategy for implementing *Vision 2020*. Its priorities were agricultural transformation, economic infrastructure, human development, institutional capacity building, good governance, and private sector development.

1.4 Progress was achieved during the first PRSP in improving basic services, reducing gender disparities, and in reform implementation. Growth was not high enough and extreme poverty remained a serious concern. The second PRSP, *Economic Development and Poverty Reduction Strategy* (EDPRS), adopted in 2007, places emphasis on shared growth, expansion of economic infrastructure, employment creation, and protection of vulnerable groups.

1.5 This CSP is fully aligned with the EDPRS. It acknowledges that the country's key development challenges, including being landlocked, poorly integrated into regional and global economies, densely populated, under environmental distress, and located in a politically unstable region, are formidable. It also recognizes that overcoming these challenges will require a great deal of effort from the Government.

1.6 The CSP concurs with the Government's argument that many of these obstacles can be overcome by adequate planning and prioritization, resource mobilization, and determined leadership. The CSP highlights the immense benefits that could result from strengthening domestic capacities and deepening policy reforms to enhance productivity, regional integration, and competitiveness.

II. COUNTRY CONTEXT AND PROSPECTS

2.1 Political, Economic, and Social Context

Political Context

2.1.1 The Rwanda Patriotic Front (RPF) is the dominant political party in the country, but the Government includes key ministers from other parties, notably the Prime Minister, as well as independents. In 2003, a new constitution replaced the power sharing arrangement reached in 1993, between the Rwanda Patriotic Front (RPF) and the Government at the time, under the *Arusha Peace Accord*.

2.1.2 The constitution's power sharing provisions require that the President, Prime Minister, and Speaker of the Senate come from different political parties. Parliamentary elections are scheduled to take place in September 2008, and the next presidential election in 2010.

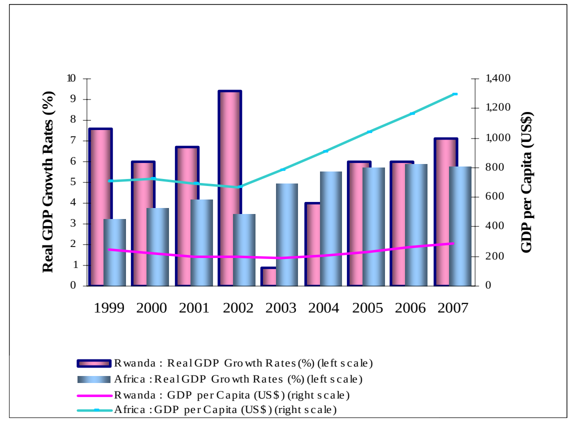
2.1.3 In terms of political stability, civil liberties, and political rights, Rwanda has come a long way since the mid-1990s and is now comparable to the average for Sub-Saharan Africa. Political tensions and conflicts within the Great Lakes Region have receded in recent years. A peace process is under implementation but the disarmament and reintegration of rebel forces continue to be challenges in the region.

2.1.4 Rwanda became a member of the East African Community (with Burundi) in July 2007. The country participated as observer in the Commonwealth Heads of State meetings in Kampala in 2007, and has applied for Commonwealth membership.

Economic Context

2.1.5 Since the mid-1990s, the Government has focused on the 4Rs—reconciliation, reform, reconstruction, and regional stability. Reconciliation enabled the return of peace and economic revival. Political and economic reforms attracted support from the donor community, enabled reconstruction and increased social services. Regional stability was important for Rwanda's trade and economic and cultural linkages with the rest of the region.

Graph 1. Recent Economic Outcomes

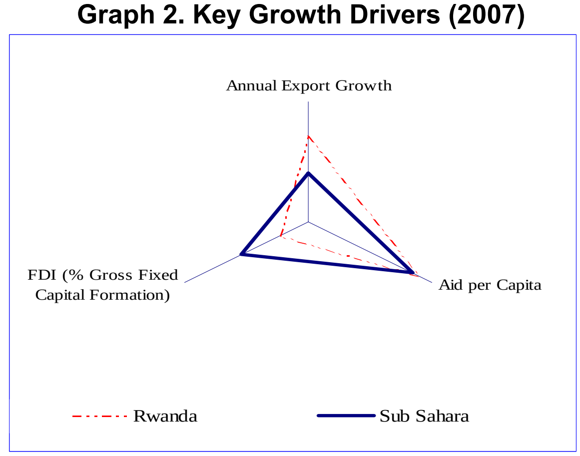


Source: ADB Statistics Department, 2008.

Growth and Growth Drivers

2.1.6 Rwanda's economy grew annually by 10 percent between 1995 and 2002, due to reconstruction activity and structural reforms, but by an average of 5 percent since then. Growth was estimated at above 7 percent in 2007, with similar levels projected in the medium-term.

Graph 2. Key Growth Drivers (2007)



Source: African Economic Outlook, ADB-OECD 2007/2008.

2.1.7 Aid inflows, FDI, and remittances have risen as a result of reforms and improved economic conditions. Exports have increased but from a low base. FDI inflows remain below the Sub-Saharan Africa average. In contrast, Rwanda receives relatively more aid per capita than its neighbors (Graph 2).

2.1.8 Agriculture comprises 44 percent of GDP. Its growth rate reached 12 percent in the early 2000s but has stagnated since. In 2007, the Government delivered 2000 metric tones of high-yielding seeds to farmers under its Crop Intensification Project. By May 2008, food production had increased by 14 percent over a similar period in 2007.

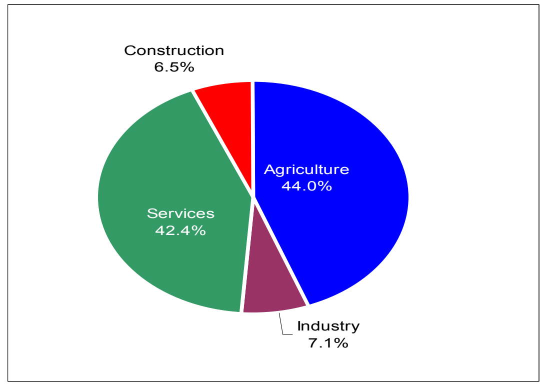
2.1.9 Industry, including manufacturing and mining, is about 7 percent of GDP. Manufacturing is about 6 percent of GDP and achieved 10 percent annual growth rate in the last 3 years, mainly as a result of increased private investment. Manufacturers mostly target the domestic market. The construction sector has become a major source of employment and growth in Rwanda's urban sector. It accounted for 6.5 percent of GDP and grew by 10 percent annually in the last decade. The services sector commands about 42 percent of GDP, growing by 7 percent annually. The provision of financial and ICT services, and their share of the economy is increasing, but from a low base.

Macroeconomic Management

2.1.10 Inflation has been relatively low since 2000, but with some volatility, from less than 1 percent in 2003 to 12 percent in 2006, but core inflation has been more stable, ranging between 5-7 percent. Energy and food prices increased rapidly in the first half of 2008, but local food prices remained relatively stable. The National Bank of Rwanda sold foreign exchange to control liquidity and inflationary pressures, arising partly from increased aid. The IMF completed its third review under the three-year Poverty Reduction Growth Facility (PRGF) initiative in early 2008, and noted that the country's fiscal program remained broadly on track, with strong growth.

2.1.11 In recent years, Rwanda financed fiscal deficit before grants of over 12 percent of GDP, thanks to donor support. At 14 percent of GDP in 2007, the government's revenue was comparable to Tanzania and Uganda, but was lower than Kenya. Trade taxes have declined in importance, while that of VAT has increased. The Rwanda Revenue Authority, established in 1997, simplified the tax system and has strengthened tax administration.

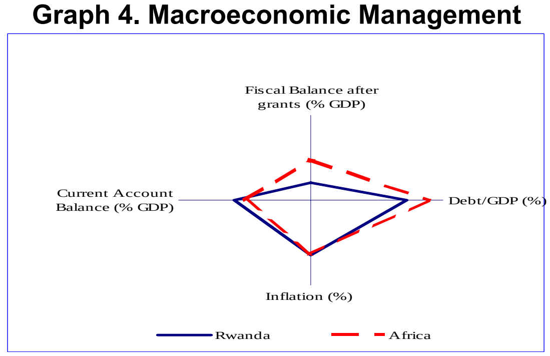
Graph 3. GDP by Sector (2007)



Source: ADB Statistics Department, 2008.

2.1.12 Rwanda's export revenues tripled between 2003 and 2007 to US$ 170 million, with the share of traditional exports, coffee and tea, declining to about 50 percent. On the other hand, mineral exports including coltan, cassiterite, and wolfram, rapidly increased to 35 percent of export earnings in 2007. Imports, comprising mainly intermediate goods and energy (petroleum products account for 25 percent of total imports), rose by more than two-fold to US$ 571 million. The current account deficit is financed by aid, FDI, concessional loans, and remittances.

Graph 4. Macroeconomic Management



Source: ADB Statistics Department, 2008.

2.1.13 Rwanda's external debt declined by 54 percent of GDP within one year to only 17 percent of GDP by 2006, a direct result of the Multilateral Debt Relief Initiative (MDRI). Total debt relief amounted to US$ 1,226.6 million. The remaining debt of US$ 477 million represents a debt-to-exports ratio (in Net Present Value terms) of 54 percent, compared to more than 100 percent for some other Sub-Saharan countries. However, a Debt Sustainability Analysis (DSA) conducted by the IMF and World Bank in 2007 indicated that Rwanda remains at risk of debt distress because of its limited export base (Graph 4).

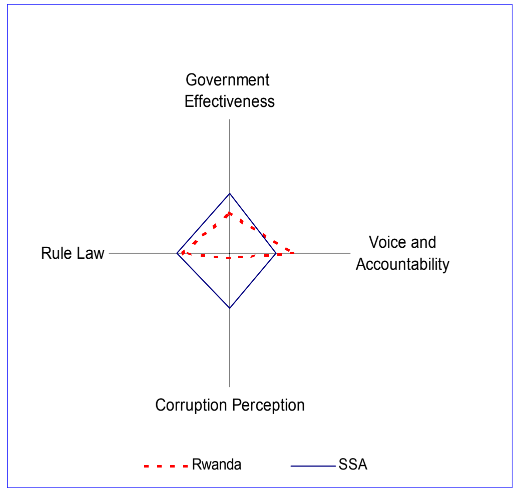
Governance

2.1.14 The Rwandan Government has a policy of zero tolerance for corruption and allegations regarding public officials are routinely investigated and brought to the courts. Rwanda ranks better than its neighbors in Transparency International's Corruption Perception Index as well as on the Ibrahim Index of African Governance (Graph 5). The Joint Governance Assessment (JGA) by the Government and donors noted that progress has been made but recognizes that much more needs to be done, especially in the area of institutional strengthening. A recent Bank Group Governance Profile of the country reached similar conclusions.

2.1.15 Public Financial Management (PFM) reforms have focused on capacity building for accounting and audit functions, and management of public investment at various levels of decentralized government. An Organic Budget Law, a new procurement code and oversight institutions have been created. A Public Expenditure and Financial Accountability (PEFA) assessment, completed in October 2007, and a Fiduciary Risk Assessment (FRA) conducted by DFID and the Bank in 2008, found Rwanda's PFM systems to be sound and the overall level of fiduciary risk in Government moderate. Building on recent gains, the Government is preparing a PFM action plan to develop institutional capacity, particularly in the areas of financial management and reporting, and strengthening budget execution oversight.

2.1.16 A major challenge to the justice system in Rwanda was how to try the over one hundred thousand genocide suspects. Twelve thousand *gacaca* courts were created by the Government to expedite the process, and the trials are expected to be completed by the end of 2008.[1]

Graph 5. Governance Rankings



Source: World Bank 2006, Governance Indicators, Transparency International, 2006, Corruption Perceptions Index.

2.1.17 To foster and monitor good governance, a number of institutions have been created, including the National Unity and Reconciliation Commission, Human Rights Commission, National Electoral Commission, the Auditor General, National Tender Board and Ombudsman. Recent legal reforms include the abolition of the death penalty and introduction of the writ of *habeas corpus*. The 2003 constitution provides for the independence of the judiciary.

2.1.18 The Government's Decentralization Policy is the basis for sustainable governance reform in the countryside. Decentralization allows greater proximity of the population to public officials and has potential to raise accountability. A considerable amount of flexibility has been built into the system, including service charters/citizen contracts in some provinces to form the basis for monitoring and accountability.

[1] *Gacaca* builds on traditional and participatory forms of justice, which encompass the whole community.

Business Environment and Competitiveness

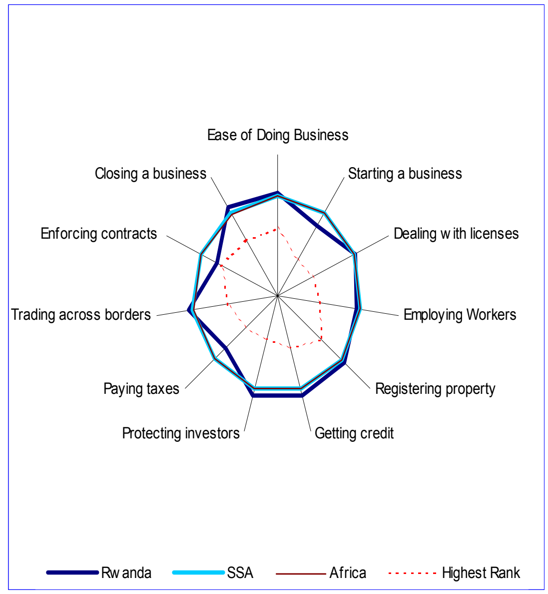
Business Environment

2.1.19 In spite of a strong record of economic reforms, including those to promote private investment and improve the regulatory environment, Rwanda ranks low (150 of 178 countries) on the World Bank's 2008 Ease of Doing Business Survey. This compares to Kenya at 72, Uganda at 118, Tanzania at 130, and Burundi at 178. Problematic areas include the registration of business, land titling, access to credit, protection of investors, closing a business and trading across borders. However, the country ranks high (44) on enforcing contracts and on procedures for paying taxes (50). (See Table 1 and Graph 6.)

2.1.20 The Government is aware that its way of doing business is an important determinant of the business environment. The country's ranking on the Ease of Doing Business Index has been included in the monitoring and performance criteria for the EDPRS.

2.1.21 The Government has more than halved the number of procedures, now 8 on average, required to process land acquisition, exports and imports. In addition, the Rwanda Development Board is being established to consolidate the operations of 5 agencies, with a view to streamlining investment and export promotion services offered to investors.

Graph 6. 2008 Ease of Doing Business



Source: Ease of Doing Business, World Bank, 2008.

2.1.22 It plans to launch two agencies in 2008, the Rwanda Commercial and Registry Services and the Office of Registrar of Land Titles, to register businesses and intellectual property, securitize assets, and simplify land registration.

Table 1. Rwanda: 2008 Ease of Doing Business Rankings

Selected Indicators	Rwanda	Sub-Sahara (SSA)	Africa	Highest Rank
• Ease of Doing Business	150	136	134	27
• Starting a business	63	126	122	8
• Dealing with licenses	124	112	112	9
• Employing Workers	95	117	117	11
• Registering property	137	121	122	26
• Getting credit	158	114	114	13
• Protecting investors	165	112	112	9
• Paying taxes	50	104	108	11
• Trading across borders	166	130	124	17
• Enforcing contracts	44	116	116	33
• Closing a business	178	121	117	26

Source: Ease of Doing Business, World Bank 2008.

Competitiveness

2.1.23 Rwanda has achieved some of the basic requirements for “factor driven” economies to be competitive vis-à-vis similar countries. It has created and reformed its public institutions. Macroeconomic stability was achieved in the past decade, and increased social spending has raised human capital through better healthcare and provision of primary education.[2] However, economic infrastructure remains a binding constraint on further improvement.

2.1.24 Industrial and household demand for electricity is not met and there is little surplus in the region for import. The cost of electricity is about US 0.21 cents per kilowatt hour, compared to US 0.08 cents in Kenya and Uganda, and US 0.06 cents in Tanzania. Poor roads in transit countries and inefficient port services in Mombasa and Dar es Salaam have raised costs for Rwandan traders.[3] Transporting a 40-foot container from Kigali to Mombasa costs around US$4000, but without insurance. This is comparable to transporting the container from the US to Mombasa. Rwanda’s entry into the East African Community and its support of regional transport and energy infrastructure are targeted at increasing its competitiveness.

2.1.25 To compete at the level of efficiency–driven economy, Rwanda will require “efficiency enhancers” in a range of other areas. The country’s emphasis on education in science and technology is impressive. It has reached a level of “technological readiness” comparable to, or better, than that of her neighbors. The domestic market is small, however, and other attributes of an efficiency-driven economy, labor and goods market efficiency, will likely take time to achieve. Even here, membership of the East African Community is a good complement.

2.1.26 With regard to the role of the financial sector, recent policies have sought to accelerate the development of microfinance institutions, promotion of long-term savings and investment, and modernization of the payment system. The Banque Populaire (UBPR), a cooperative bank, which holds over 50 percent of all personal accounts, has been restructured and the holdings of other commercial banks have been strengthened. In 2008, a Capital Markets Authority and a Stock Exchange were established.

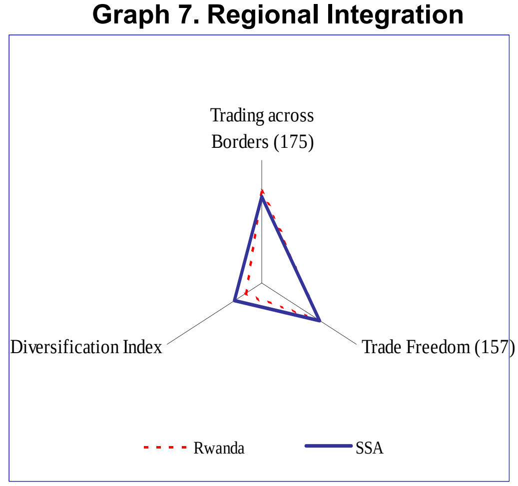
Regional Integration and Trade

2.1.27 Rwanda’s membership of the East African Community brings a bilingual tradition that could serve as a bridge between Anglophone and francophone countries in the region. The country is now a member of the East African Court of Justice, East African Legislative Assembly, and the East African Development Bank. Although incurring initial revenue losses, Rwanda will be allowed 5 years to adjust to the EAC tariffs.

2.1.28 Rwanda is also a member of the Common Market for Eastern and Southern Africa (COMESA), and the Economic Community for the Countries of the Great Lakes (CEPGL). It was one of the first countries to subject itself to the African Peer Review Mechanism (APRM).

2.1.29 In view of the history of commercial and cultural linkages between Rwanda, Burundi and the Democratic Republic of Congo (DRC), the return of peace and stability in the region presents significant opportunities for economic revival, as well as boosting trade and economic integration. Rwanda was ranked at 166 (out of 175) on trading across borders and more could be done in this area (Graph 7).

Graph 7. Regional Integration



Source: World Bank, Ease of Doing Business 2008, African Economic Outlook, ADB-OECD 2006/2007.

[2] See World Economic Forum (2008)—other levels are “efficiency-driven” and “innovation-driven”.
[3] This is according to a clearing agent in Kigali, SDV TRANSAMI.

Social Inclusion, Gender, and Environment

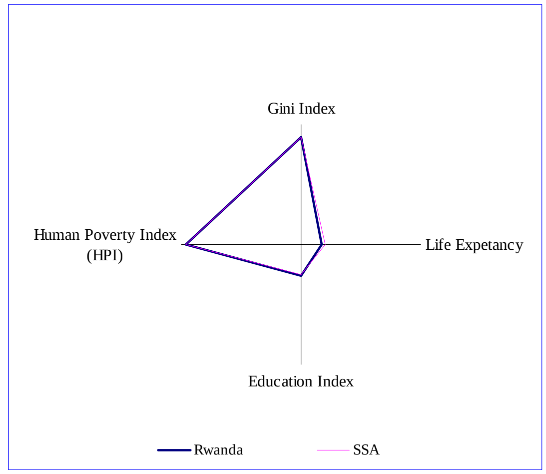
Social Inclusion and Equity

2.1.30 A recent household survey for 2005/2006 showed that 56.9 percent of the households were below the poverty line, compared to 60.4 percent in 2000/2001. It showed that inequality had increased between 2001 and 2006, with the Gini coefficient rising from 0.47 to 0.51.

2.1.31 Rwanda has made progress in many areas of social welfare. Although from a low base, social indicators show substantial progress in primary and secondary school enrollment, gender equality, adult literacy, infant mortality, and prevention of the spread of HIV/AIDS. Immunization rates for children are among the highest in the region. Adult HIV/AIDS prevalence has recently been estimated to be about 3 percent, much lower than in 2000 when it was 11 percent.[4] A number of recent innovations in the health sector including the decentralization of healthcare, contracting service providers on performance basis, and community based low-cost health insurance schemes (*mutuelles*), have helped improve overall access to health services (Graph 8).

2.1.32 Rwanda is on track to meet all targets under MDG 2 (achieve universal primary education), MDG 3 (promote gender equality), MDG 4 (reduce child mortality) and parts of MDG 6 (combat AIDS, malaria and other diseases). It is also likely to achieve MDG 7 (ensure environmental sustainability). However, the Government recognizes that meeting the MDGs on income poverty, inequality, access to basic infrastructure services, and malnutrition will be very challenging, but addressing them constitutes key commitments of the EDPRS.

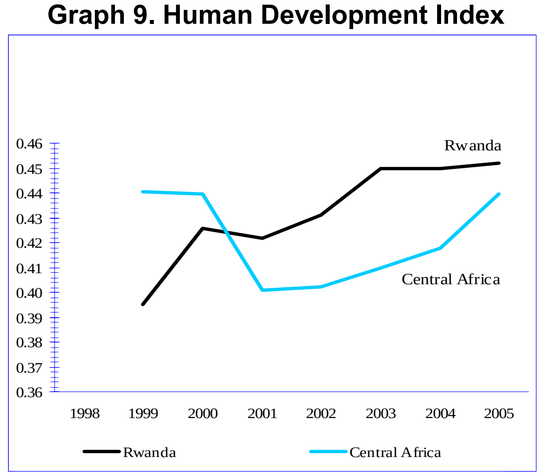
Graph 8. Policies for Social Inclusion



Source: ADB Statistics Department, 2008.

2.1.33 Since the late 1990s, the country has shown steady improvement in the Human Development Index—a reflection of the restoration of peace and the improvements in social service provision. Rwanda's performance on the HDI in the past decade has been better that its neighbors in Central Africa (Graph 9). However, even among these countries, more peaceful conditions in recent years have led to an upward swing in their average HDIs.

Graph 9. Human Development Index



Source: ADB Statistics Department, 2008.

[4] The 2000 rate of 11 percent was based on the prevalence rates among hospital patients.

Gender Issues

2.1.34 A recent Bank Group Gender Profile of Rwanda indicates that the country has achieved notable gains. Under the Law of Matrimonial Regimes, Donations, Succession and Liberalities (1999), women enjoy equality with men in property ownership and inheritance, while the Organic Land Law ensures equality in land ownership. In the political field, the share of women in positions of influence (including the Cabinet and Parliament) is about 40 percent. In education, girls have reached parity with boys in net enrollment in primary schools and the share of women in public tertiary institutions will reach 38 percent by 2011.

2.1.35 However, women's participation in formal employment remains low. In the public sector, where women are better represented, their share of total employment is about 35 percent.

2.1.36 In 2000/2001, female-headed households comprised 51 percent of all households but 67 percent of the poor. In 2005/2006, their share of households had fallen to 43 percent, but accounted for 60 percent of the poor. One major cause of poverty is poor access to productive activities outside agriculture. Among the new initiatives, microfinance is proving popular among women's groups in the countryside, although women entrepreneurs in urban areas are still constrained in their access to credit.

Environment and Climate Change

2.1.37 The combination of high population growth, poverty, and a vulnerable ecosystem has aggravated the country's exposure to the effects of climate change. Given its hilly terrain and attempts by the population to bring more land under cultivation, parts of the country have been subjected to deforestation and soil degradation. The Government estimates that 40 percent of arable land is too fragile for cultivation and that two-thirds of the soil needs protection measures. The Government has formulated a National Wetland Conservation program and identified four wetlands for which integrated management is a priority. Rwanda is a signatory to several international agreements aimed at environmental protection, including the Convention on Biological Diversity, the United Nations Framework on Climate Change and the Kyoto Protocol.

2.1.38 The country uses a multi-pronged approach to managing the environment. Land reclamation and environment boosting measures such as tree planting continue to be important. The Government has designated an Annual Tree Planting Day. The Government also sees urbanization as a means of relieving pressure on the countryside.

2.2 Strategic Options

2.2.1 Country Strategic Framework

Rwanda's Vision 2020

2.2.1.1 Rwanda's Vision 2020 framework was completed in 2000 following consultations with key stakeholders. It envisages Rwanda as a middle income economy with a healthier and better educated population, life expectancy increasing to 55 years, full literacy, and income per capita income of US$ 900 by 2020.

Box 1. Thrusts and Targets of Rwanda's Vision 2020

Strategic Objectives
(i) Maintenance of macroeconomic stability; (ii) Transformation from agrarian to a knowledge-based economy; (ii) Fostering entrepreneurship and creating a productive middle class; (iii) Wealth creation and reduction of aid dependency.

Pillars
(i) Good Governance and a capable state; (ii) Human resource development, with emphasis on science, technology; (iii) Private sector innovation with private sector-led development; (iv) Infrastructure development; (v) Productive high value and market-oriented agriculture; and (vi) Regional and international integration.

Selected Performance Targets
(i) Annual growth rate of 8 percent; (ii) Population growth of 2 percent; and (ii) Investment rate of 30 percent of GDP, with private sector accounting for most of it.

Key Outcome Targets
(i) 100 percent literacy by 2020; (ii) Infant mortality halved (50 per 1000 births) by 2020; (iii) Life expectancy increased by 6 years to 55 by 2020; and (iv) Income inequality reduced by 25% to 0.35 by 2020.

Source: Government of Rwanda, Vision 2020.

Economic Development and Poverty Reduction Strategy (EDPRS)

2.2.1.2 The EDPRS is a medium-term strategy for 2008-2012 aimed at putting Rwanda on the path to meeting the MDGs and the Vision 2020 targets. It comprises three "flagship" themes: (i) Sustainable Growth for Jobs and Exports; (ii) Vision 2020 *Umurenge*; and (iii) Good Governance.

Flagship 1: Sustainable Growth for Jobs and Exports

2.2.1.3 This flagship aims to boost growth by enhancing competitiveness, private sector investment and innovation, agricultural productivity, exports, and ICT competences. These require measures to lower the costs of doing business, including promotion of technical education, to alleviate the shortage of skilled labor and enhance private sector innovation, and capacity building programs in science, technology, and innovation. Other measures include improving economic infrastructure, adopting modern technologies to enhance productivity, and strengthening the financial sector.

Flagship 2: Vision 2020 *Umurenge*

2.2.1.4 This flagship addresses extreme poverty and vulnerability in the rural areas. It has three components: (i) public works aimed at creating off-farm employment and building community assets; (ii) encourage development of cooperative and small and medium-sized enterprises (SMEs), with access to credit to foster entrepreneurship; and (iii) provision of social services and assistance to landless families that are unable to participate in public works programs.

Flagship 3: Good Governance

2.2.1.5 The coverage of this flagship includes maintenance of peace and security; improved relations with all countries; promotion of national unity and reconciliation; justice, human rights and the rule of law; and decentralization and service delivery. It complements ongoing programs aimed at creating well-defined property rights, business friendly regulations, efficient public administration, and the elimination of corruption.

2.2.2 Challenges and Weaknesses

2.2.2.1 Rwanda's agriculture has potential to form the basis for the transformation of the rest of the economy. For this to happen, agricultural productivity must increase to the level of neighboring countries and beyond. Since average land availability per household is only about 0.3 hectares, more intensive farming techniques and commercialization will be required. This transformation will require in turn, not only good planning on the part of Government, but also investments in human resources, water management facilities, and increased use of fertilizer and high-yielding seed varieties. The condition of rural feeder and trunk roads will need to improve to lower the cost of market access.

2.2.2.2 Recent business community surveys and analytical work, including the Country Economic Memorandum carried out by the World Bank show that infrastructure bottlenecks are hampering economic growth in Rwanda.[5] High cost of electricity, long distance to the sea, poor state of regional infrastructure, and significant non-tariff barriers imply high costs of doing business.

2.2.2.3 Another challenge relates to raising the stock and quality of human resources. The success of the many planned interventions in Rwanda's EDPRS will depend on how quickly the country can train professionals, technicians, and other skilled workers. To alleviate the skills shortage, Rwanda declared its labor market open to workers from the region in 2007. This might help ameliorate the immediate shortages. However, technical capacities are in short supply in the region and Africa as a whole, and Rwanda will need to train its own people.

2.2.2.4 Although armed conflict in the region has receded, but threats to peace and security remain. The presence of dissidents in the region is a major obstacle to peace and stability (Box 2).

2.2.3 Strengths and Opportunities

2.2.3.1 Rwanda's membership of the East African Community, a market of 120 million people, opens up opportunities for trade, educational and cultural exchanges. It will strengthen Rwanda's voice in the determination of regional policies and in negotiation with international trade partners. A number of regional projects to enhance Rwanda's international connectivity and access to the sea are under preparation. Notable examples are a Bank-funded feasibility study for the Isaka-Kigali railway, with scope for extension to Bujumbura, and the construction of the Eastern and Southern Africa Submarine Cable System (EASSy), which will establish backhaul terrestrial links to the submarine cable for Rwanda and other landlocked countries. Furthermore, after years of conflict and instability, peace is being consolidated in Burundi and DRC, two traditional trading partners of Rwanda.

2.2.3.2 The development of ICT technical competence and critical infrastructure is a key element of the Government's strategy to transform Rwanda into a knowledge-based economy and services hub. Already, Eastern DRC depends on companies based in Kigali for ICT and related services. The Rwandan Government is putting emphasis on science and technology at all levels of the education system.

2.2.3.3 Rwanda also has untapped potential in other areas. The success of niche tourism, already demonstrated by mountain gorillas, could be extended to the hot springs/spurs to the west of the country. Rwanda's topography and climate are well-suited to the production of high quality coffee, tea, flowers, and horticulture products. The Rwandan Government is promoting exports of these high-value products, and early results of market acceptance of gourmet coffee and tea exports are encouraging and yielding positive results. The methane gas deposits in Lake Kivu, estimated at 50 billion cubic meters or 50 million tons of oil equivalents are also being explored for development. Mineral exploration, including oil in the Kivu Graben, and exports are on the increase.

[5] See World Bank (2005): *The Rwanda Industry and Manufacturing Survey* and World Bank (2007): *Rwanda: Towards Sustained Growth and Competitiveness*.

Box 2. Summary of Key Development Challenges and Weaknesses in Rwanda

- Landlocked with poor access to seaports
- Inadequate economic infrastructure
- High population pressure
- Dependence on a low productivity agriculture
- Land scarcity
- Shortage of technical skills
- A region prone to conflict.

CPIA Ratings

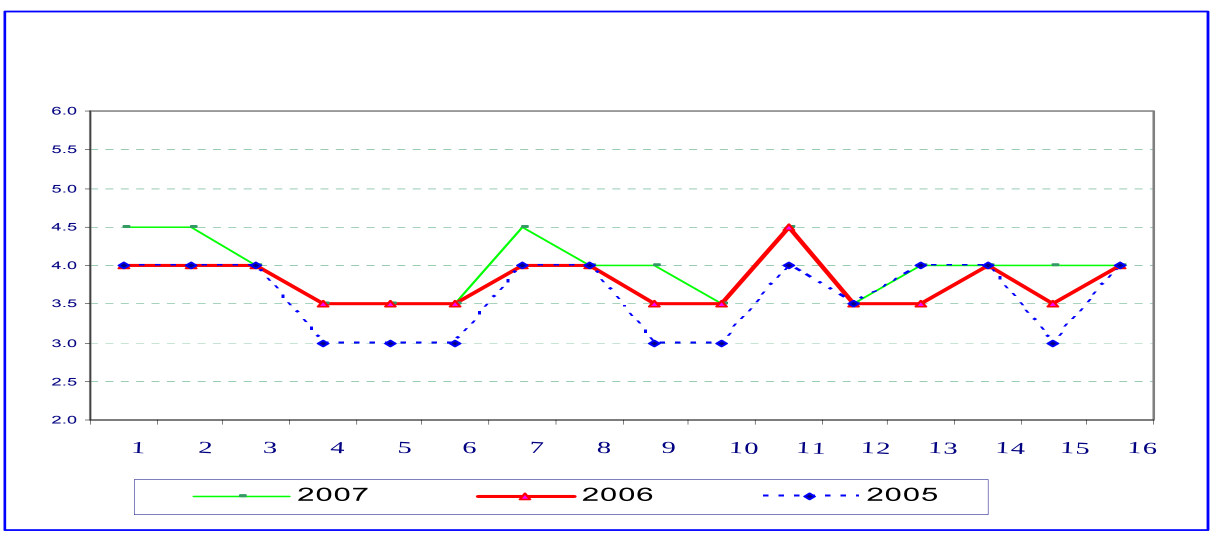
2.2.3.4 Rwanda's recent economic performance has been a good indication of its underlying country strength. Rwanda has scored well on the Bank's Country Performance and Institutional Assessment (CPIA) index in the areas of economic management and policies for social inclusion (above 4 of possible 5). It has also shown improvements over the sample period in public sector management and institutions, and in structural policies.

2.2.3.5 Structural and "legacy" areas such as regional integration, regulatory frameworks and social protection require institutional building, legislation, regulatory mechanisms, and good implementation. Invariably, progress here has been slower, as it bears on the nature of the political and legislative processes.

Table 2. Rwanda's CPIA Ratings 2005-2007

Year	A. Economic Management			B. Structural Policies			C. Policies for Social Inclusion / Equity					D. Public Sector Management and Institutions					Overall Rating
	1 Macro	2 Fis cal	3 Debt	4 Regional Int./Trade	5 Fin. Sec.	6 Business Reg. Frame	7 Gender Equality	8 Equity Pub. Resource	9 Human Resources	10 Social Protection	11 Environmt.	12 Property Rights	13 Budget Managemt.	14 Revenue Mobilization	15 Public Admin.	16 Corruptn Pub. Sector	
2005	4.0	4.0	4.0	3.0	3.0	3.0	4.0	4.0	3.0	3.0	4.0	3.5	4.0	4.0	3.0	4.0	3.58
2006	4.0	4.0	4.0	3.5	3.5	3.5	4.0	4.5	3.5	3.5	4.5	3.5	3.5	4.0	3.5	4.0	3.78
2007	4.5	4.5	4.0	3.5	3.5	3.5	4.5	4.0	4.0	3.5	4.5	4.5	4.0	4.0	4.0	4.0	3.98

Graph 10. Trends in Rwanda's CPIA Ratings



2.3 Recent Developments in Aid Coordination/Harmonization and ADB's Positioning in the Country

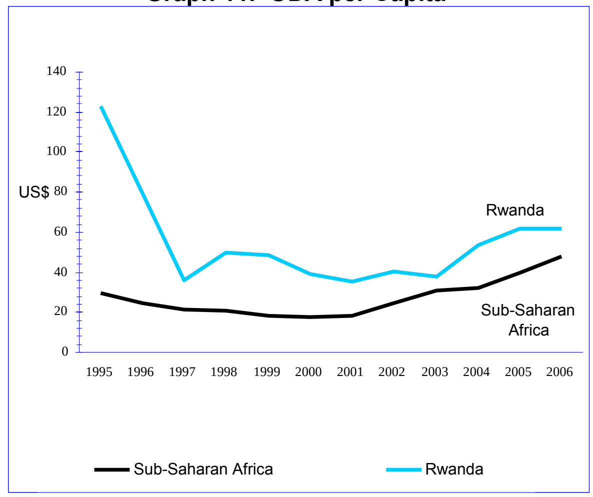
Aid Coordination and Harmonization

2.3.1 The post-1995 boom in donor support leveled off by the end of the decade. However, development assistance increased steadily since 2002 and was estimated at US$ 695 million in 2007, about US$ 65 per capita. During 2005-2007, ODA contributed about 50 percent of the budget. The 10 main donors accounted for about 85 percent of total ODA, while multilateral donors accounted for nearly 50 percent. In recent years, vertical funds such as GFATM, the US President's Emergency Plan for Aids Relief (PEPFAR) and the Clinton Foundation have emerged as major donors to the country. Annex V shows donor sector presence and division of labor, with indication of lead and active donors. The Bank has been a lead donor in Budget Support and the Water and Sanitation donor coordination groups. It also plays an active role in eight other areas.

2.3.2 Rwanda's Aid Policy identifies budget support as the preferred modality of aid delivery and advocates for increased use of country systems. There is an ongoing SWAp in the education sector,[6] a similar arrangement in the health sector is under preparation, while a memorandum of understanding to introduce a SWAp in the energy sector was recently signed by the Government and participating development partners, including the Bank.

2.3.3 Aid coordination in Rwanda is strong, with the Ministry of Finance and Economic Development (MINECOFIN) playing a central role. Several meetings are held each year to harmonize aid delivery. The Budget Support Harmonization Group (BSHG), for which the Bank was co-chair for the first half of 2008, discusses budget and public financial management issues with the Government on a regular basis.

Graph 11. ODA per Capita



Source: OECD, Africa Strategic Outlook, 2004-2005.

2.3.4 The Government and development partners have developed a Common Performance Assessment Framework (CPAF) to monitor the EDPRS during 2008-2012. Donors also consult closely in the preparation of their assistance strategies, and increasingly share analytical and economic and sector work (ESW). The Bank has collaborated with DFID on a Fiduciary Risk Assessment, and at the request of the Government, is working with DFID and World Bank on growth analytics for Rwanda.

2.3.5 For the Bank Group, interim results from the 2008 Monitoring Survey on Paris Declaration indicate that assistance is better aligned to national priorities and the predictability of disbursement has improved. However, there has been limited or no progress in coordinating technical assistance with others, using country systems to deliver financing and fielding joint missions with other donors.

[6] The Fast Track Initiative supported by DFID, ADB, Belgium, and Netherlands.

ADB's Positioning

2.3.6 The Bank Group's current portfolio comprises of 13 active operations for a total commitment value of UA 180.9 million, out of which UA 93.6 million, representing 51.7 percent, is disbursed. By sector, 34.3 percent of the portfolio is infrastructure, 26.6 percent agriculture and natural resources, 20.9 percent human development and 18.2 percent multi-sector operations. Four projects entered the portfolio during the previous CSP (2005-2007). The growing share of infrastructure illustrates the high priority given to increasing access to basic infrastructure services, and enhancing Rwanda's competitive-ness through regional integration.

2.3.7 The Bank is also supporting two regional operations: (i) Isaka (Tanzania)-Kigali Railway Study and (ii) Mayange-Nemba Road Project linking Rwanda and Burundi, for a total commitment value of UA 16.96 million. Other operations managed by the Bank include Rainwater Harvesting in Bugesera funded by the African Water Facility, and Good Governance and Capacity Building in the Eastern Province, funded by the Nordic Trust Fund.

Results of Previous CSP

2.3.8 In preparing this CSP, the Country Team noted that the focus of the previous CSP and the instruments used for the Bank's interventions were appropriate. The quality of the Bank's portfolio improved during the last CSP period as reflected in the sharp increase in disbursements from 12.1 percent in late 2005 to 50.8 percent by mid-2008, and the achievement of better compliance with fiduciary and reporting requirements. The average project age declined from 5.5 to 5.2 years between 2005 and 2008.

2.3.9 The Rwanda Field Office (RWFO), established in 2005, has improved project supervision and reduced the turnaround time in the processing of procurement and disbursement requests. The improved field presence also meant increased aid coordination and harmonization (for budget support operations, organizing of joint mission for sector evaluations and co-financing of projects (e.g., water and sanitation, transport, energy), and better alignment and predictability of disbursements.

2.3.10 In partnership with other donors, the Bank Group supported the implementation of the Government's Poverty Reduction Strategy through the provision of budget support and debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiatives (MDRI), reducing the budgetary gap while allowing increased priority spending. The budget support operations also played a crucial role in improving economic governance, building capacity by supporting private sector development reforms, and strengthening of country public financial management and procurement systems, and by providing budget support to the education sector.

2.3.11 Bank Group operations during the 2005-2007 CSP period also supported the Government's development objectives through increased agricultural productivity, diversification, and reducing vulnerability of the poorest farmers. The One Cow Per Poor Family initiative was a particularly successful intervention. Bank Group interventions also focused on: (a) human development through funding the elaboration of the strategy to fight HIV/AIDS; (b) water and sanitation programs that helped to reduce the incidence of diseases from unhygienic conditions; and (c) transportation infrastructure to lower the cost of doing business in Rwanda.

2.3.12 In terms of the Paris Declaration targets and taking into account the status of the Bank's portfolio at end of the previous CSP, Table 3 highlights the evolution of performance with a comparison to the World Bank. The results show that despite the progress achieved, some challenges remain.

Table 3: Trends in Rwanda's Portfolio Performance

Performance Indicators			ADB Rwanda 2005	ADB Rwanda 2007	ADB Overall 2007	World Bank Rwanda 2007
Implementation and Impact	o	Project Cycle from Identification to Effectiveness (days)	345	549	n.a.	227
	o	Age (years)	3.7	5.2	4.2	4.8
	o	Disbursement Rate (%)	12	51.6	18	44.1
	o	Average Project Size (US$ M)	16.3	18	18.3	35.4
	o	Projects at Risk (%)	30.0	23.5	38.4	0
Harmonization and Alignment	o	% Support relying on RMCs PFM and Proc. Systems	n.a.	54	10	85 (55) [1]
	o	% Aid provided as Programme-Based Approaches	n.a.	54	n.a.	57
	o	Leader of Donor Working Groups in the Field	n.a.	2	n.a.	4
	o	Total Number of Joint ESWs	n.a.	2	n.a.	n.a

1/ Eighty-five percent (85%) of World Bank projects use the country's PFM system and fifty-five percent (55%) use the country's procurement system.

Portfolio Improvement Plan

2.3.13 As part of the CSP dialogue, the Rwandan Government, including oversight agencies, line ministries, officials of Project Implementation Units, and the Bank Group carried out a comprehensive assessment of the portfolio. Lack of project readiness for implementation at entry was identified as a critical problem in Rwanda's portfolio and this problem is expensive for Rwanda. First, it leads to delays between Board approval and effectiveness. Only two projects in the current portfolio were declared effective within 12 months of Board Approval; in a number of cases effectiveness delays exceeded 15 months. Second, implementation delays are common. Six of the current projects in the portfolio have been extended beyond the originally planned closing dates. Third, capital flows are delayed (less disbursements than originally envisaged). Lack of project readiness at entry is expensive for Rwanda as it ultimately means delay in the delivery of development benefits to the beneficiaries. It is also costly for the Bank Group in two important ways: (i) supervision resources were expended for a much longer period than originally envisaged—over five years in most cases; and (ii) missed opportunities to develop a robust pipeline of new projects and to carry out rigorous analytical work and other knowledge services to inform the lending program.

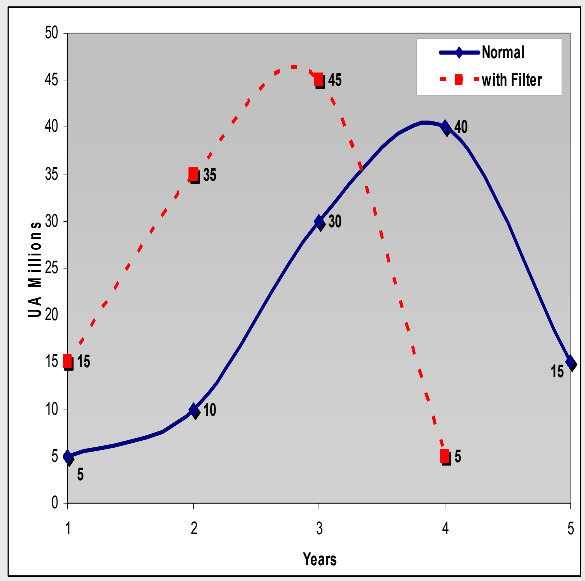
2.3.14 For the above reasons, the Rwandan Government and the Bank agreed to a four-point Portfolio Improvement Plan for this CSP period. The Government agreed to adopt a project implementation "readiness filter" for enhanced quality at entry (See Box 3). The Public Investment Commission that is being established in the Ministry of Finance with focal points in each line ministry will play an important role in enhancing the focus on results. The Bank agreed to work with other donors to strengthen the capacity of the new Public Investment Commission and the CEPEX (the oversight agency that monitors project implementation progress). Agreement was reached to conduct Annual Country Portfolio Reviews, jointly with the Rwandan Government and with the other development partners.

Box 3. Project Implementation "Readiness Filter"

This box shows the key elements for ensuring implementation readiness and the associated disbursement profile:

- Ensure that project implementation plan is ready
- Counterpart funds are available for the first year
- Designated project staff are identified by appraisal (i.e., project manager, procurement expert, financial management specialist, and an M&E specialist)
- Compliance with environmental, social, financial management and procurement policies
- Bidding documents for the first year are ready by Board approval
- Ensure that projects are designed with appropriate indicators for tracking results.

Graph 12. Impact of Readiness Filter on Disbursement Profile



Source: African Development Bank, Country and Regional Programs – East A (OREA), 2008.

Lessons Learned

2.3.15 The lessons from the Bank's previous CSP for Rwanda for the period 2005-07 are as follows:

(i) The previous CSP was neither reviewed at mid-term nor at completion. In the absence of these reviews, required adjustments were not indicated and lessons of experience went undocumented. The "evaluability" of experience was limited. It will be important to ensure that all reviews are duly undertaken during the implementation of the new CSP.

(ii) The previous CSP was launched before the Bank's emphasis on knowledge dissemination and ESW. It is clear, however, that many projects in the Rwanda portfolio—notably in agriculture, social protection and HIV-AIDS—would have benefited from sector studies to improve design and implementation. More analytical work on sources of growth was also desirable—in light of the Government's projections.

(iii) With the establishment of the Country Office, the Bank's local visibility has increased, enabling it to provide leadership in the Water and Sanitation donor group, and more recently, in the Budget Support Harmonization Group. It has leveraged its support by mobilizing co-financing from other donors.

(iv) Greater selectivity is important for future Bank interventions in Rwanda. During ADF IX, the Bank had 16 active projects in its portfolio, many quite small, spread over at least 5 sectors. During the previous CSP (2005-2007) the number of sectors in which the Bank was engaged decreased, but with increased focus on infrastructure.

(v) In spite of the Bank Group's emphasis on private sector development and public and private partnerships in previous CSPs, there are currently no private sector projects in the Bank's portfolio. During the new CSP, financing from the Bank's private sector window will be an important complement to public sector projects.

(vi) Rwanda's entry into the East African Community has heightened the importance of regional projects—especially infrastructure. Although the combination of the Bank Group's public and private sector windows indicates great potential for sustained intervention, co-financing opportunities need to be sought to ensure effective and timely delivery of support.

III. BANK GROUP STRATEGY FOR RWANDA

3.1 Rationale for Bank Group Intervention

3.1.1 The new CSP for Rwanda is timely in several respects. It coincides with the ADF-XI cycle and follows the launch of the EDPRS (in November 2007), a key milestone in the implementation of Vision 2020, and for achieving the MDGs. Other development partners in Rwanda (including IDA, DFID, the EU, and Sida) are also defining their own country assistance strategies/business plans. This provides a unique opportunity for close consultations and harmonization of support.

3.1.2 As a first step in the new strategy formulation process, the Bank had discussions in Kigali with the Rwandan authorities in October 2007 (during the ICT summit) and at the Development Partners Meeting in November 2007. The Government indicated its preference for fewer, but bigger, better focused and results-oriented donor operations. As in the previous CSP, alignment with the national development strategy (EDPRS), subject to Bank Group resources and comparative advantage, is the key guiding principle (see Box 4).

3.1.3 The choice of pillars for the new CSP derives from discussions with the Government and other stakeholders, including donors, on the nature of collaboration Rwanda sought from the Bank Group during the ADF-XI cycle and implementation of its development strategy. It became clear that the Bank's support would be best focused on the first flagship of the EDPRS (Growth for Jobs and Exports).

Pillars for Bank Group Support

Pillar I: Economic infrastructure

3.1.4 For a landlocked country, roads are a lifeline for the economy. Rural roads, especially, are important for opening up the countryside for improved access to markets and services, boosting non-farming activities, and thus with direct poverty alleviation effects. Improved national and regional transport networks are crucial trade links with the world. The demand for energy in Rwanda has outstripped supply while the cost of electricity is much higher than in neighboring countries, with knock on effects on the already high costs of doing business. An adequate supply of water and sanitation services is also crucial for both production and social welfare. ICT improvements will be crucial for Rwanda's competitiveness and development of a service hub in the region.

Pillar II: Competitiveness and Enterprise Development

3.1.5 This pillar supports skill enhancement particularly in science, technology, and innovation (STI) needed to raise private sector productivity, innovation and competitiveness and contribute to the technological transformation of productive activities. For Rwanda to raise living standards and become a regional hub for high value services, based on the use of superior technologies and management practices, it needs to expand its pool of skilled people.

Box 4. Key Principles to Guide Country Strategy: Suggested by the Government of Rwanda

- Complete alignment with the EDPRS
- Clear criteria for prioritization
- Comparative advantage of the donor agency
- Basis for resource allocation between national and regional programs
- Selectivity of new projects entering the portfolio
- Adoption of the project "readiness filter".

3.2 Deliverables and Targets

Analytical Work

3.2.1 Many impediments to growth in Rwanda might not be amenable to lending activities, requiring instead analytical work and advisory services. The Bank will undertake analytical work and policy advisory services in conjunction with the Government and other donors (see Table 4 below).

3.2.2 The Bank, in collaboration with DFID, IDA and the Government, is undertaking analyses of impediments to growth in Rwanda. The exercise will involve identifying growth constraints and how they can be removed, with a view to prioritizing Government actions under the EDPRS. A division of labor has been agreed upon, with the Bank focusing on the impact of infrastructure provision—including rural roads, regional networks, energy and ICT. DFID and the World Bank will focus, among others, on rural development, education, and the financial sector. During 2008, the Bank Group and the Government of Rwanda applied for and received a grant, worth $248,300, from the Japanese Policy and Human Resources Development Trust Fund. This will be used to strengthen domestic analytical capacity for the implementation of the EDPRS, including the policy work to be undertaken by the Institute for Policy Analysis and Research (IPAR).

Institutional Support

3.2.3 Rwanda's comprehensive strategy for development requires better institutional capacities and a larger stock of skilled workers. The Bank's support will focus on strategic interventions to: (i) improve key functions of the public sector, notably procurement capacity and managing for results; (ii) help raise the profile of leading national institutions in training and research in areas of EDPRS focus; and (iii) leverage the efforts of other donors. In particular, the Bank will work closely with the World Bank and other donors to strengthen capacity in the Strategic Planning Unit in the Office of the President. The unit advises the President of the Republic on policy matters, based on evidence-based assessments, provides analytical support to line ministries, agencies and local government, and identifies strategic perspectives on emerging issues facing the country.

Table 4. Bank's Indicative Non-Lending Program for 2008-2011
Economic and Sector Work
2008
1. Portfolio Improvement Plan **(completed during CSP dialogue mission)**
2. Needs Assessment for Skills Upgrade in Science and Technology **(Ready for Dissemination)**
3. DFID/ADB Fiduciary Risk Assessment **(Completed)**
2009
4. Economic Integration—Toward an Enlarged Market
5. Country Portfolio Review
6. DFID/ADB Fiduciary Risk Assessment
2010
7. DFID/ADB Fiduciary Risk Assessment
8. Growth Analytics (with DFID/World Bank)
2011
9. CSP Completion Report
10. Country Portfolio Review
11. New CSP (2012-2015)
Capacity Building
2009
12. Institute of Policy Analysis and Research (IPAR)
2010
13. Strengthening Procurement Capacity, CEPEX and new Public Investment Commission

Lending Operations

3.2.4 Rwanda's ADF-XI allocation increased to UA 98.6 million from UA 56.6 million under ADF-X; it will also benefit from the Bank Group's regional operations window. Table 5 presents the indicative lending program for 2008-2010. It includes support to science and technology, enterprise development, budget support, and a range of private sector and regional operations, with emphasis on economic infrastructure (Pillar I).

3.2.5 This is reinforced by regional programs focused on transport infrastructure, ICT, energy, water and sanitation, agriculture, and a number of lines of credit through regional development banks. These operations will be designed to foster greater competitiveness (Pillar II).

3.2.6 Accelerating the implementation of investment projects to deliver results will remain the key priority during this CSP period. While disbursements have significantly risen in 2007 and 2008, challenges remain in the delays in project execution and the rapidly growing commitments of Rwanda's aid flows. The Government of Rwanda fully recognizes what needs to be done. It has adopted the implementation readiness filter (See Box 3) to ensure better preparedness of new entrants into the portfolio and to facilitate expeditious processing during the CSP period. It is vital that the Bank's Country Team also adheres to the project design principles outlined in the implementation "readiness filter".

3.2.7 The Bank Group's private sector strategic priorities will focus on supporting Rwanda's competitiveness. In particular, (a) focusing on the capacity building of the Rwanda Private Sector Federation; (b) investing in a Cement Project to meet the growing demand in the construction and manufacturing sectors; (c) investing in the Methane Gas Project at Lake Kivu in partnership with IFC and other private sector entities; and (d) supporting SMEs, including women entrepreneurs, through lines of credit, equity, and technical assistance to the East African Development Bank and the PTA Bank.

3.2.8 The completion of the Isaka-Kigali Railway Study also offers potential for Bank Group's private sector participation in the proposed East African Railway Project during the CSP period. Other viable private sector investments will be supported in the country with strong demonstration and mobilization efforts. The Bank Group's strategic focus on the manufacturing, energy, and the financing sectors will directly address bottlenecks to improving enterprise competitiveness and encourage private sector participation in infrastructure.

Table 5. The Bank Group's 2008-2011 Indicative Lending Program for Rwanda

Project Title	Planned Board Approval	Indicative Amount	Area/Country/Region Covered
Public Sector Window (in UA million) – National Operations			
Education			
1. Support to Science and Technology	2008	6.00	Countrywide
Governance/Private Sector Development			
2. Competitiveness and Enterprise Development	2008	5.00	Countrywide
3. Institutional Support for Strategic Policy Unit	2008	1.00	Countrywide
4. General Budget Support III	2009	28.05	Countrywide
Water Supply & Sanitation			
5. Rural Water Supply and Kigali Sanitation Project	2009	13.30	Kigali and Rural Areas
National Operations Sub-total		**60.05**	
Public Sector Window (in UA million) – Regional Operations[1]			
Agriculture and Natural Resources			
6. Bugesera Natural Resources Development Project	2009	4.95	Burundi/Rwanda
Transport and Communication			
7. Burundi- Rwanda Road Project	2008	16.30	Bujumbura/Ruhwa/ Ntendezi/Kibuye/Gisenyi
8. NBI-NELSAP Interconnection Project	2008	10.15	DRC/Burundi/Kenya/Rwanda/ Uganda
9. Isaka-Kigali Railway Study	2009	0.50	Burundi, Rwanda, Tanzania,
10. Regional ICT Center of Excellence	2009	6.60	East Africa
Regional Operations Sub-total		**38.55**	
Total ADF-XI Country Allocation		**98.60**	
Private Sector Window (in US$ million) – National Operations			
Capacity Building			
11. Rwanda Private Sector Capacity Building	2008	7.00	Countrywide
Energy			
12. Methane Gas Project – Lake Kivu	2010	41.00	East Africa
Manufacturing			
13. Cement Project	2009	20.00	Countrywide
National Operations Sub-total		**68.00**	
Private Sector Window (in US$ million) – Regional Operations[2]			
Financial Sector			
14. PTA Bank (Line of Credit/Equity/Technical Assistance)	2008	57.80	COMESA
15. East African Development Bank (Line of Credit/Technical Assistance)	2009	41.00	East Africa
Regional Operations Sub-total		**98.80**	

Notes: [1/]The figures indicated for the regional public sector operations represent the country's burden sharing from its ADF-XI allocation.
[2/] The regional private sector operations shown are lines of credit and technical assistance offered to subregional development banks in which Rwanda is a beneficiary member country.

3.3 Monitoring and Evaluation of the CSP

3.3.1 The CSP results monitoring matrix draws on the Government's EDPRS monitoring matrix and the Common Performance and Assessment Framework, a subset of the latter, was developed by the Government and donors to monitor specific aspects of the EDPRS. The log frame will be used to track progress and results achieved under the two pillars of the CSP. Monitoring the results of the CSP will rely on the Government's systems of M&E, including MINECOFIN and other line ministries (Annex 1).

3.3.2 The Bank Group will work with CEPEX, the Government's Project Monitoring Unit, to prepare regular monitoring reports on each project in the portfolio. These reports will inform the discussions during the joint portfolio reviews with the Government and will be important in reviews of the CSP.

3.4 Country Dialogue Issues

3.4.1 During the dialogue mission to Kigali, the Bank Group sought understandings on three key issues: (i) Government priorities and whether the Bank's understanding was correct; (ii) Appropriateness of the pillars on which Bank support was to be based in the CSP for 2008-2011; and (iii) How best to improve the Bank's portfolio.

3.4.2 The Government appreciated the succinctness with which the Bank Group discussed its understanding of Rwanda's vision and development strategy and indicated that the CSP pillars were appropriate. It noted, however, that the country's financial needs were huge in relation to available resources and requested the Bank Group to consider augmentation of the planned financing.

3.4.3 The Bank Group agreed that the country's resource needs were immense. It advised that other sources for co-financing, for example, from the EU, Japan, and the Gulf States could be sought. The Bank also highlighted the financing opportunities available at its private sector window, as well as other initiatives based within the Bank, the Infrastructure Consortium for Africa (ICA), and the African Water Facility (AWF).

3.4.4 The Bank Group also underlined the importance of using the limited resources as efficiently as possible. The Bank Group's proposed portfolio improvement plan was, as indicated above, welcomed by the Government, which is itself putting in place institutions, notably a Public Investment Commission, to ensure quality at entry and managing for results. The Government fully endorsed the Bank Group's plans for periodic reviews of the country portfolio as well as the CSP.

3.5 Potential Risks and Mitigation Measures

3.5.1 In macroeconomic terms, Rwanda has established a good record of performance in the past decade and the risk of policy reversal is negligible. The recent oil and food price shocks, and the Kenyan crisis which disrupted the flow of goods and services, raise concerns over the adequacy of existing safeguards. The country is largely self-sufficient in basic foods, with the modest deficit covered mostly by regional imports. Thanks to the recent increase in agricultural output, Rwanda has been shielded from the more serious impacts of the recent global food price escalation. On the other hand, all the oil-related products are imported. The Government influences domestic fuel prices by adjusting the fuel tax. This has implications for tax revenue but helps to dampen prices. It has resisted food price controls in favor of timely delivery of seeds and fertilizer to farmers. The Government has requested the Bank for assistance to address these challenges and modalities for delivery are being discussed.

3.5.2 Agriculture is the mainstay of the Rwandan economy, a fact reinforced by the recent food crisis. Land reform is currently ongoing. However, transforming subsistence agriculture to commercial farming, an important goal of Vision 2020, is a multifaceted issue with important political overtones. The Bank's lending toward the improvement of rural infrastructure will help create off-farm opportunities, and reduce poverty. There is also a need for joint analytical work on the Government's plan to encourage urbanization.

3.5.3 Managing the environment is a real challenge to Rwanda. Rapid population growth has put pressure on land, forest and water resources, while recent shifts in weather patterns have made it harder for households to earn a living, especially in the more arid areas of the country. In the long-term, it will be necessary to improve access to modern energy sources, through rural electrification, and to reduce the pressure on land by promoting non-farming activities in rural areas.

3.5.4 Presidential elections are planned for 2010. While there is no presumption that they will be anything but peaceful, regional examples have shown that national elections harbor the risk of increased agitation and sometimes violence.

3.5.5 Donors have played an important role in Rwanda's recovery and performance. There is a risk, however, of overdependence on aid, while the associated appreciation of domestic currency is often cited as a possible impediment to export growth. This risk is clear to the Government, although for now, there are no alternatives to aid. In the medium to long-term the expansion of economic infrastructure will enhance domestic productivity and reduce pressure on the production of agricultural and manufactured goods.

IV. CONCLUSION AND RECOMMENDATION

4.1 This Bank Strategy Group for Rwanda comes at a critical time. The country has recently embarked on its second comprehensive medium-term development strategy (2008-2012). In the last decade, much has been achieved in restructuring the economy, improving revenue, service provision, and governance, but much more needs to be done to eliminate poverty and to attain middle income status.

4.2 The CSP has identified economic infrastructure as key to growth and economic integration, but it also underlines the importance of investments in knowledge and capacity building to raise competitiveness, not the least in the private sector. The Government concurs with the Bank Group's assessment and with the strategies it has proposed for delivering support to the country. The Board is requested to give due consideration and approval of this Country Strategy Paper for Rwanda.

ANNEXES

Annex I. Rwanda's 2008-2011 CSP Results Monitoring Matrix

Strategic Objectives (EDPRS)	Constraints to achieving the desired outcomes	Final Outcome Indicators (2011)	Final Output Indicators (2011)	Midterm Outcome Indicators (2009)	Key Actions and Mid-term Output Indicators (2009)	ADB Interventions Ongoing and proposed in the CSP*
PILLAR I - Economic Infrastructure						
Transport Sector						
Ensure adequate international and regional transport links	• Limited transport options to external markets. • High transport costs to sea ports due to long distances and poor infrastructure in transit countries	• Private sector resources mobilized • Construction of the initial phase of the Isaka-Kigali railway commenced	• Railway strategy and regional gauge standard adopted		• Feasibility studies for railway links to Isaka, Tanzania	**Ongoing** • Rwanda-Burundi Road Project • Tanzania-Burundi-Rwanda Railway feasibility study **Pipeline** • Burundi-Rwanda-DRC Roads Project • Burundi-Rwanda-Tanzania-DRC Railway Study • Isaka-Kigali Railway Project
Transport costs reduced	• Inadequate road maintenance funding and implementation	• Road and maintenance fund operational	• Adopt a district/rural road maintenance strategy		• Adopt a second generation road maintenance fund (RMF) and a business plan	
Energy Sector						
Electricity and other energy supply increased	• High cost and inadequate supply of electric power • High cost of energy compared to neighboring countries • Electricity supply mainly from hydro and high cost diesel fuels	• Electricity generation increased to 90 MW • Electricity cost reduced from current $ 0.22 to regional levels of $ 0.10 • 194,776 households and enterprises with access to electricity by 2010 from 91,332 in 2006	• GoR signs contract with at least 2 IPPs for electricity generation • Commission 9.5 MW Rukara hydro power plant.	• Electricty generation increased to 80 MW from 45 MW in 2006	• Adoption of laws on electricity and gas regulation by Parliament to encourage private sector participation in the energy sector • Commission 20MW Heavy Fuel Oil Power plant	**Pipeline** • Methane Gas Project-Lake Kivu • NBI-NELSAP Interconnection Project (DRC-Burundi-Kenya-Rwanda-Uganda) • Electrification project • *Growth analytics* • *Economic integration*

Strategic Objectives (EDPRS)	Constraints to achieving the desired outcomes	Final Outcome Indicators (2011)	Final Output Indicators (2011)	Midterm Outcome Indicators (2009)	Key Actions and Mid-term Output Indicators (2009)	ADB Interventions Ongoing and proposed in the CSP*
			Water supply and sanitation			
Increased access to safe water	• Inadequate supply and access (distance) to safe drinking water and sanitation facilities • Weak capacity for management of water facilities	• 83% of population has access to clean drinking water	• Construct over 3000km of new water supply systems in urban and rural areas	• 75% of population has access to clean drinking water (within 500m in rural areas and 200m in urban areas, from 64% in 2006	• Prepare 11 district water supply master plans • Construct 980km of new water supply systems • Initiate rain water harvesting projects in 8 districts	**Ongoing** • Rural water and sanitation project **Pipeline** • Rural Water Supply and Kigali Sanitation Project
Promote and develop sanitation facilities and hygiene	• Limited access to improved sanitation facilities	• 63% of population using hygienic sanitation facilities	• Reinforce capacities of decentralized entities to manage sanitation facilities	• 50% of population using hygienic sanitation facilities by 2009 from 38% in 2006	• Construct pilot sanitation facilities in public schools, roads, health centers, markets and district headquarters in each province	
Integrated and sustainable water resource management	• Lack of institutions and capacity for management of water resources for multipurpose use (households, power, irrigation, transport)	• 60% of water resources to comply with water quality standards of the Rwanda Bureau of Standards • A least 90 percent of spring catchments protected according to national standards	• Implement at least two local IWRM&D plans for economic development in the Nyaborongo and Muvumba river basins • Establish local water management associations in all districts	• 45% percent of water resources to comply with water quality standards of the Rwanda Bureau of Standards (RBS) from 25% in 2006. • At least 80% of the 25000 spring catchments protected according to national standards	• Prepare a water resources management master plan based on the integrated water resources management and development (IWRM&D) approach • Operationalize the water information system	
			Integrated Rural Infrastructure			
Protection of farm land from soil erosion	• Loss of fertility due to soil erosion	• 80 percent of farmland protected from soil erosion	• Implement the plans for 20 of the 34 sites studied, establish 34 watershed management committees and review performance of first 10 plans implemented	• 50% of farmland protected from soil erosion	• Prepare feasibility studies of 34 watershed management	**Ongoing** • Dairy Cattle Devt Project (PADBEL) • Internal Lakes Devt Project (PAIGELAC) • Bugesera Agricultural Devt Project (PADAB

Strategic Objectives (EDPRS)	Constraints to achieving the desired outcomes	Final Outcome Indicators (2011)	Final Output Indicators (2011)	Midterm Outcome Indicators (2009)	Key Actions and Mid-term Output Indicators (2009)	ADB Interventions Ongoing and proposed in the CSP*
Use of marshlands for agriculture	• Human and financial capacity to develop the marshlands for agricultural production in an environmentally sound way	• 18,000 hectares of marshland developed for agricultural use	• Reclaim 60,000 hectares of marshlands in line with existing environment plans. • Review environmental management framework for marshlands	• 14,000 hectares of marshland developed for agricultural use	• Develop environmental management framework for marshlands. • Conduct feasibility studies for 2000Ha of marshlands	**Pipeline** • Rwanda Burundi Bugesera Development Project
Intensify livestock production	• Lack of specific policies and extension services for livestock production	• Livestock intensive systems increased to 53%.	• Feasibility study of the long lasting/UHT milk plant conducted by the private sector.	• Livestock intensive systems increased to 38% from 16 % in 2006	• Adopt policies on animal nutrition and disease control. • Evaluate the One Cow per poor household program and the animal husbandry and grazing policy	
PILLAR II - Competitiveness and enterprise development						
Private Enterprise Development and Competitiveness						
Create an enabling environment for private sector and export development	• Despite impressive policy and institutional reforms, surveys show that the regulatory environment remains an obstacle to business investment	• Rank 140 in "Doing Business Report" • Strategic exports revenue increased from $165 million in 2006 to $337 millions in 2010	• Effective commercial courts with trained staff established.	• Ranked 150 in "Doing Business Report" from 158 in 2006	• Investment code to facilitate private investments and promote exports revised	**Ongoing** • PRS budget support (PASSRP II) **Pipeline**: • CEDP II • Direct Budget Support (PASSRP III) • Cement project • *Fiduciary Risk Assessment* • *Strengthening procurement capacity*
Reduce the cost of doing business	• High cost of doing business and poor infrastructure services (transport, energy, water, and telecoms) and costly access to external markets	• Ratio of investment to GDP of 21% in 2011	• Industrial parks established in each province • 12 business development services for SMEs established by GoR and Private Sector Federation to disseminate best practices	• Ratio of investment to GDP of 18%from 16% in 2006	• Develop industrial master plan • Apply all modules of Asycuda and reinforce the customs valuation unit to improve customs processing	

Strategic Objectives (EDPRS)	Constraints to achieving the desired outcomes	Final Outcome Indicators (2011)	Final Output Indicators (2011)	Midterm Outcome Indicators (2009)	Key Actions and Mid-term Output Indicators (2009)	ADB Interventions Ongoing and proposed in the CSP*
Deepen the financial sector and broaden access to financial services	• Low domestic savings and poor intermediation. • High cost of finance and lack of medium-to long-term credit instruments • Limited credit access by households and small and SMEs	• Financial depth measured by the ratio of broad money (M2) to GDP increased from 20% in 2006 to 22.5% in 2012 • Credit to the private sector increased to 13.9 % of GDP	• A comprehensive national payments system is introduced • The Banques Populaire (UBPR) converted to a commercial bank • Loan guarantee programs established in commercial banks to increase lending to SMEs	• Credit to private sector increased to 12.2% of GDP from 10 % in 2006	• Establish Capital Markets Advisory Council to oversee the development of long-term financial instruments • Establish micro finance institutions (MFI) capacity building fund • Adopt microfinance law	
Skills Development and Innovation						
Develop skills for productive employment and to spur private sector innovation	• Education system was traditionally not oriented to the needs of the private sector • Generally low human capital with low technical skill base due to the genocide and the orientation of the education system • .Scarcity of instructors for tertiary education and TVETs	• Gross enrollment rate in higher education increased from 3.2% in 2006 to 4.5% in 2012. Students enrolled in science and technology increased from 21% percent to 30%. • 38% of students in higher education are females • Expanded access to specialized technical and vocational education and training (TVET) increased from 8250 students in 2006 to 135,000 in 2012.	• Six centers of excellence in science and technology established. • Capacity building fund to support science, technology and innovation (STI) established. • Follow-up survey of firms and agencies on the employment and adequacy of the training of TVET graduates conducted	• 34 percent of higher education students are female from 30 percent in 2006.	• Establish National Commission for Science, Technology and Innovation (NCSTI) to coordinate actions on STI • Develop and cost Technical and Vocational Education and Training (TVET) plan and conduct a survey of employers to establish a baseline on employment prospects of TVET graduates and the adequacy of the training program	**Ongoing** • Education Sector Budget Support • Primary school and KIST rehabilitation (Education III) **Pipeline** • Support to science and technology in higher education • Rwanda Private Sector Capacity Building Project • *Institutional Support to Strategic Policy Unit –Institute for Policy Analysis*

"*"Note that items in italics in this column refer to ESWs and associated non-lending activities.

Annex II. Alignment and Harmonization of Aid Delivery in Rwanda

Indicators	**Comment on Rwanda's Recent Experience**
1. Partners have operational development strategies	Yes, Rwanda has Vision 2020, PRSP, EDPRS, and an MTEF.
2. Reliable country systems that adhere to broadly accepted good practices (or are under development)	Recent PEFA and other assessments indicate that Rwanda's country systems (PFM) are good.
3. Aid flows are aligned to national priorities	The Government's submission to OECD-DAC on 2005 aid flows indicated that half of the flows bypassed the budget, increasing the risk of misalignment.
4. Strengthen capacity by coordinated support	Donors undertake a variety of capacity building efforts, but often with a narrow focus on their aid flows.
5. Use of country procurement systems, which adhere to broadly accepted good practices	Excepting budget support, donors' use of country's procurement and PFM systems is low.
6. Strengthen capacity by avoiding parallel implementation structures	More donors are using the implementation structures of the line ministries—minimizing "ring-fenced" PIUs.
7. Aid is more predictable	Direct budget support is predictable.
8. Aid is untied	A substantial portion of the aid to Rwanda is still tied.
9. Use of common arrangements	This is the case with the budget support groups, which provides the largest share of aid.
10. Joint missions and analysis	The multilaterals, notably the World Bank, IMF and the African Development Bank, share analysis. The World Bank, DFID and the Bank have recently held joint consultations and undertaken joint analyses. There is as yet no joint assistance strategy among donors. A fiduciary risk assessment was undertaken jointly with AfDB and DFID in 2008.
11. Results oriented-formats	Budget support donors and other donors contributed to the Common Performance Assessment Framework (CPAF).
12. Mutual Accountability	An independent monitoring framework for aid relationships has not yet been established.

Source: OECD-DAC, Government of Rwanda, and Development Partners.

Annex III. Comparative Economic and Social Indicators (1990-2007)

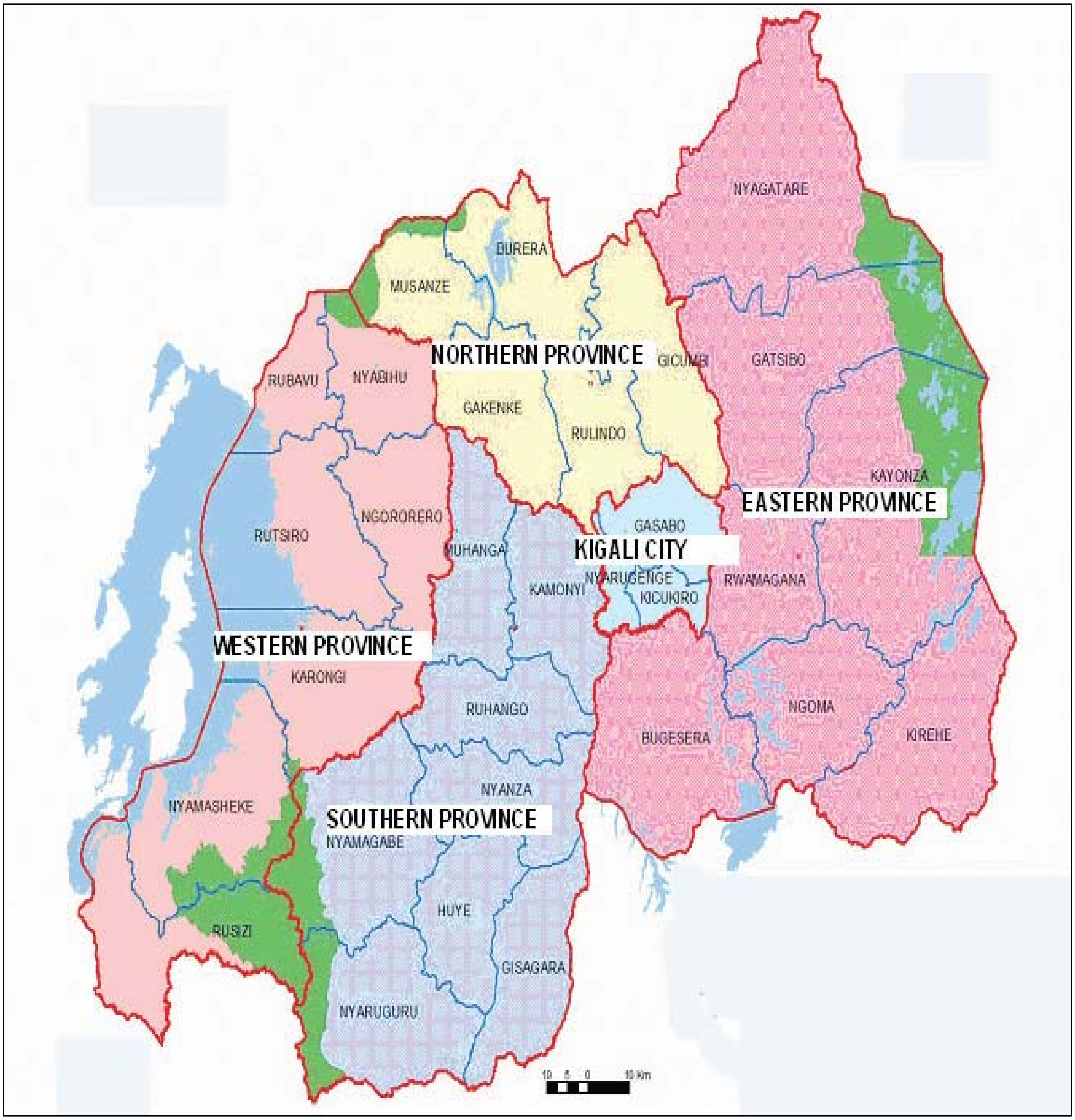
Rwanda - Development Indicators				
Social Indicators	Rwanda		Africa	Developing countries
	1990	2007 *		
Area ('000 Km²)	26		30,323	80,976
Total Population (millions)	7.3	9.7	963.7	5,448.2
Population growth (annual %)	-0.1	2.7	2.3	1.4
Life expectancy at birth, total (years)	32	46	54	65
Mortality rate, infant (per 1,000 live births)	127.3	112.4	85.3	54.1
Physicians per 100,000 People	…	2.7	39.6	78.0
Births attended by skilled health staff (% of total)	28.0	38.7	50.4	59.0
Immunization, measles (% of children ages 12-23 months)	83.0	95.0	75.4	78.0
School enrollment, primary (% gross)	69.6	140.0	96.4	91.0
Ratio of girls to boys in primary education (%)	98	104	91	84
Illiteracy rate, adult total (% of people ages 15 and above)	46.7	25.3	33.3	26.6
Access to Safe Water (% of Population)	59.0	74.0	62.3	80.0
Access to Sanitation (% of Population)	37.0	42.0	45.8	50.0
Human Develop. Index Value (0-1)	0.339	0.452	0.514	0.691
Human Poverty Index (% of Population)	...	...	36.8	…
	Rwanda			
Economy	1990	2000	2006	2007
GNI per capita, Atlas method (current US$)	360	250	250	…
GDP (current Million US$)	2,592	1,794	2,490	2,822
GDP growth (annual %)	0.4	6.0	6.0	7.1
Per capita GDP growth (annual %)	0.5	-0.5	2.8	2.1
Gross Domestic Investment (% of GDP)	11.7	17.5	21.4	23.3
Inflation (annual %)	4.2	3.9	8.9	8.9
Budget surplus/deficit (% of GDP)	-7.2	0.7	-0.5	-0.4
Private Sector Development & Infrastructure	1990	2000	2006	2007
Time required to start a business (days)	…	…	18	16
Investor Protection Index (0-10)	…	…	3	3
Main telephone lines suscribers (per 1000 people)	1	2	…	…
Internet users (per 1,000 people)	…	1	…	…
Roads, paved (% of total roads)	9	…	…	…
Railways, goods transported (million ton-km)	…	…	…	…
Trade, External Debt & Financial Flows	1990	2000	2006	2007
Export Growth, volume (%)	24.0	19.7	18.7	14.3
Import Growth, volume (%)	-13.6	-14.4	13.8	25.6
Terms of Trade (% change from previous year)	-20.7	7.4	-3.4	1.6
Trade Balance (mn US$)	-125.0	-157.8	-295.4	-385.0
Trade balance (% of GDP)	-4.8	-8.8	-11.9	-13.6
Current Account (mn US$)	-210.7	-44.6	-190.8	-163.1
Current Account (% of GDP)	-8.1	-2.5	-7.7	-5.8
Debt Service (% of Exports)	…	24.9	3.4	1.4
External Debt (% of GDP)	25.4	72.5	14.6	14.7
Net Total Inflows (mn US$)	282.6	318.2	548.5	…
Net Total Official Development Assistance (mn US$)	287.9	321.5	584.9	…
Foreign Direct Investment Inflows (mn US$)	7.7	8.1	15.0	…
External reserves (in month of imports)	1.5	5.2	6.7	…

Source: ADB Statistics Department, based on various national and international sources

* Most recent year

Last Update: August 2008

Annex IV. Political Map of Rwanda 2007



Source: Rwanda National Institute of Statistics.

Annex V. Development Partners' Sector Presence

Sector Group	AfDB	Australia	BADEA	Belgium	Canada	China	European Commission	France	Germany	IMF	Italy	Japan	Luxemburg	Netherlands	Norway	Sweden	Switzerland	UK (DFID)	UN System	US (USAID)	World Bank
Agriculture, Livestock, and Forestry	●	●		●	●	●	●	●	●		●	●		●					●	●	◙
Economic Governance and Budget Support	◙			●			●		●	◙		●		●		●		●	●		●
Education	●	●		●	●	●	●	●	●			●		●		●		◙	●		●
Energy	●		●	●			●		●					●					●		◙
Environment and Climate Change	●			●			●		●					●					◙		●
Health and HIV/AIDS	●	●		◙		●	●	●	●		●		●			●	●	●	●	●	●
ICT/ Science and Technology	●																	●			◙
Public Administration and Capacity Building		●					●			●								●	●		◙
Political Governance				●	●		●		●					●	●		●	●		●	
Private Sector Development	●						●		●										●	◙	●
Reintegration/Community Development					●							●		●					●	◙	●
Roads and Transportation	●		●			●	◙		●			●		●		●				●	●
Water and Sanitation	◙	●		●			●		●			●		●					●		●

◙ **Current Lead Donor/Chair**

● **Active Donor**

Annex VI. Rwanda: Attainment of MDGs and National Development Targets

MDG	Vision 2020 and MDG Indicators	2000 Baseline	Target MDG 2015	Latest Value (2005 & 2006)	Meet Goals?
MDG 1 : Eradicate extreme poverty and hunger	Poverty (% below national poverty line)	60.4	30.2	56.9	Unlikely
	Child malnutrition (% of under-5s underweight)	24.5	14.5	22.5	Unlikely
	% of the pop. below min. level of dietary energy consumption	41.3	20.7	36	Likely
MDG 2 : Achieve universal primary education	Literacy level (% of 15 - 24 year olds)	57.4	100	95	Very likely
	Primary school net enrolment (%)	72	100	95	Very likely
	Primary school completion rate (%)	22	100	51.7	Very likely
	Gender gap in primary education (%)	0	0	0	Very likely
MDG 3 : Promote gender equality	Gender gap in illiteracy (%)	10	0	0.1	Very likely
	Seats held by females in Parliament (% of seats)		50	48.8	Very likely
MDG 4 : Reduce child mortality	Children immunized against measles (% of 11-23 month-old)				Very likely
	Under 5 mortality rate (per 1,000 births)	196	50	152	Likely
	Infant mortality rate (per 1,000 births)	107	28	86	Very likely
MDG 5 : Improve maternal health	Maternal mortality rate (per 100,000 births)	1,071	268	750	Very likely
	Births attended by skilled health personal (% of births)			28	Unlikely
MDG 6 : Combat AIDS, malaria and other diseases	HIV prevalence (%)	13.9		3.5	Inconclusive
	Modern contraception (condom use) prevalence				Inconclusive
	Among 15-24 year-olds (%)	4		39	Inconclusive
	Proportion of population aged 15-24 years with comprehensive				
	correct knowledge of HIV/AIDS (%)			54	Inconclusive
	% of school attendance of orphans to school attendance of non-orphans			0.92	Very likely
	% of population with advance HIV infection with access to ARVs				Very likely
	Prevalence of Malaria (%)			2.4 to 4.9	Very likely
	Specific mortality associated with malaria (%)	51.1		37.7	Very likely
	% of children under 5 sleeping under insecticide-treated bed nets			59.7	Very likely
	Prevalence and death rates associated with tuberculosis (%)			6	Very likely
	% of tuberculosis cases detected/cured under directly-observed treatment				Very likely
MDG 7 : Ensure environmental sustainability	Forested land as % of land area		25		Very likely
	% Area protected to maintain biological diversity to surface area (%)		10	12	Unlikely
	% of the population with sustainable access to improved water source		82	64	Very likely
	% of the population with access to improved sanitation			8	Likely
MDG 8 :Develop a global partnership for development	Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation)				Inconclusive
	Proportion of official bilateral HIPC debt cancelled				Inconclusive
	Debt Service as a Percentage of Exports of Goods and Services			10.6	Very likely
	Telephone Lines And Cellular Subscribers per 100 Population			2.3	Unlikely
	Personal Computers in Use and Internet Users per 100 population			0.6	Unlikely

Source: Rwanda National Institute of Statistics, Millennium Development Goals, Country Report 2007.

Bibliography

African Development Bank (2008), *Rwanda Gender Profile*, Tunis.

African Development Bank (2008), *Rwanda—Country Brief*, 2008 Annual Meetings, Maputo, Mozambique.

Ibrahim Foundation (2008), *Ibrahim Index of African Governance*, London.

International Monetary Fund (IMF) (2008), *Third Review Under the PRGF*, Staff Report, Washington, D.C.

Lahmeyer International and Electrogaz (2004), *Analysis and Projection of Rwanda's Electricity Demand, Final Report*, Kigali.

Ministry of Finance and Economic Planning (MINECOFIN), *2007 Budget Statements*, Kigali.

Ministry of Finance and Economic Planning (MINECOFIN), 2007 Background to the Budget, Kigali.

Ministry of Finance and Economic Planning (MINECOFIN), (2000), *Vision 2020*, Kigali.

Ministry of Finance and Economic Planning (MINECOFIN), (2002) *Poverty Reduction Strategy Paper*, Kigali.

Ministry of Finance and Economic Planning (MINECOFIN), (2007) *Economic Development and Poverty Reduction Strategy*, Kigali.

Ministry of Finance and Economic Planning (MINECOFIN) and the UNDP (2007), *Turning Vision into Reality, National Human Development Report;* Kigali.

National Bank of Rwanda (NBR), 2007 Economic Reports, Kigali.

Organization of Economic Cooperation and Development (2007); *African Economic Outlook*, Paris.

Republic of Rwanda (2007), *Millennium Development Goals: Towards Sustainable Social and Economic Growth*, Kigali.

Transparency International, *2007 Corruption Perceptions Index*, Geneva.

UNCTAD (2006), *Rwanda—Investment Policy Review*, New York and Geneva.

World Bank (2005), *Rwanda Industry and Manufacturing Survey*, Washington, D.C.

World Bank (2007), *Rwanda: Towards Sustained Growth and Competitiveness*, Country Economic Memorandum, Washington, D.C.

World Economic Forum (WEF), (2008), *Global Competitiveness Report*, at www.reform.weforum.org.