Development Effectiveness Review 2012

RWANDA

Country review
ACKNOWLEDGEMENTS

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Note: In this report, “$” refers to US dollars.

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### Abbreviations

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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADER</td>
<td>Annual Development Effectiveness Review</td>
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<td>ADF</td>
<td>African Development Fund</td>
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<td>AfDB</td>
<td>African Development Bank</td>
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<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<td>CPIA</td>
<td>Country Policy and Institutional Assessment</td>
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<td>CSP</td>
<td>Country Strategy Paper</td>
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<td>EAC</td>
<td>East African Community</td>
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<td>ESIA</td>
<td>Environmental and Social Impact Assessment</td>
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<td>ESW</td>
<td>Economic and Sector Work</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GNI</td>
<td>Gross National Income</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>MDG</td>
<td>Millennium Development Goal</td>
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<tr>
<td>NGO</td>
<td>Non-governmental Organisation</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>PCR</td>
<td>Project Completion Report</td>
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<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
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<tr>
<td>REC</td>
<td>Regional Economic Communities</td>
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<tr>
<td>SME</td>
<td>Small and Medium-sized Enterprise</td>
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<tr>
<td>UA</td>
<td>Units of Account</td>
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<tr>
<td>USD</td>
<td>United States Dollars</td>
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### Weights and measures

<table>
<thead>
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<th>Unit</th>
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<tr>
<td>ha</td>
<td>hectares</td>
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<tr>
<td>km</td>
<td>kilometres</td>
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<tr>
<td>m³</td>
<td>cubic metres</td>
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<tr>
<td>MW</td>
<td>megawatts</td>
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</table>
Boosting productivity in agriculture

Rwanda has made boosting agricultural productivity the centrepiece of its strategy for growth and poverty reduction. The African Development Bank’s operations helped improve land use of over 100,000 hectares and helped train nearly 60,000 people to use improved technology.
For many years, the international development community has recognised the importance of strong country ownership and leadership to achieving economic growth and poverty reduction. In Africa today, we are encouraged to see a growing number of governments with a clear national development vision that reflects the needs and aspirations of their societies.

Among these African states, Rwanda stands high. As a small and landlocked country with a deeply troubled history, Rwanda faces some formidable development challenges. Yet it is blessed with a shared determination to maximise its opportunities for national development. Rwanda has set itself the ambitious goal of becoming a Middle-Income Country and has been single-minded in its pursuit of this vision. In a broad range of areas, from boosting agricultural productivity to transforming its business environment and extending access to health and education services, the Government has shown an impressive ability to deliver results. Through these and many other initiatives, Rwanda has already achieved some of Africa’s most impressive figures on poverty reduction.

The African Development Bank has been proud to support the Government of Rwanda with its national development agenda. We have been active in Rwanda since 1974 with major investments in infrastructure, agriculture and education. We have provided general budget support to enable the Government to pursue its own development priorities. And we have been an active partner in policy dialogue and aid coordination.

This Development Effectiveness Review of our Rwanda country programme reviews our contribution to Rwanda’s national development. It forms part of a series of country and thematic reviews that complement the Annual Development Effectiveness Review we first issued in 2011. This review serves a number of purposes. First, it presents our operations and our results in an accessible way for our partners, as part of our commitment to transparency and accountability. Second, it is a management tool that will help us in our continuing efforts to ensure our Rwanda country programme and our development partnership with Rwanda are as effective as possible. Finally, it serves as a mining tool for the many lessons and good practices from Rwanda that we would like to share across Africa.

We wish Rwanda every success in its national development agenda and remain firmly committed to helping in every way we can.

Zondo Thomas Sakala
Vice President Operations in charge of Country and Regional Programmes & Policies
Smart management of the environment
Rwanda has integrated environmental targets into its Economic Development and Poverty Reduction Strategy and adopted an Environment and Natural Resources Sector Plan (2009–2013) to guide the sustainable management of the environment and natural resources.
Executive summary

This Development Effectiveness Review of our Rwanda country programme is the first of its type for the African Development Bank (AFDB or Bank). Since 2011, we have produced an Annual Development Effectiveness Review assessing the Bank's overall contribution to Africa's development results. It is accompanied by a series of reviews addressing particular thematic areas or parts of our portfolio. This is the first of the series of country reviews that will cover our operations in all our 54 Regional Member Countries. In the course of 2013, we are planning to prepare three more country reviews covering our activities in Tunisia, Senegal and Zambia. We are proud to have worked in partnership with the Government of Rwanda on its production.

We use a Results Measurement Framework to track our contribution to Rwanda's development. The first level of the Framework measures Rwanda's development progress over the past five years across seven different areas. The second level presents the combined results of Bank operations in each of these areas, to assess how we have contributed to these development results. We are of course only one actor among many in Rwanda and there are limits to the extent that we can attribute development results to our own efforts. Nonetheless, we show how our operations have helped support Rwanda's development agenda, as well as present some of the more innovative features of our programming. The third level looks at the health of our Rwanda portfolio and how well we manage our operations, while the final level looks at our own effectiveness as an organisation.

Like other publications in our Development Effectiveness Review series, this report is written for a general audience, to make us more transparent and accountable to our partners and stakeholders. It is also an important management tool, helping to ensure that our operations and our own organisation are continuously improving.

Rwanda's development progress

Rwanda has set itself the goal of becoming a middle-income country by 2020, while maintaining national unity and ensuring inclusive growth and development. For a small, land-locked country with a troubled past, this is a deeply ambitious goal, requiring no less than the social and economic transformation of the country.

In the decade since the publication of its Vision 2020 document, Rwanda has already made considerable progress towards this goal. It has averaged 8% economic growth since 2000, demonstrating a healthy resilience in the face of adverse global economic conditions. In contrast to a pattern often seen, this growth has been broadly inclusive in nature, with income inequality falling over the past five years. Ambitious government programmes to tackle rural poverty have played an important part in ensuring balanced development. As a result, the proportion of people living under the national poverty line declined from 57% in 2005 to 45% in 2011, representing over a million Rwandans who lifted themselves out of poverty.

Agricultural programmes have been at the heart of the Government’s development agenda. More than 86% of the population lives from agriculture, but land use is highly fragmented. The Government has sought to boost agricultural productivity by strengthening property rights, consolidating land use and investing in irrigation systems and terracing to bring more land under cultivation. Its flagship Crop Intensification Programme has introduced new seed varieties and cultivation techniques, while trebling the use of mineral fertilisers. Its ‘one cow per poor family’ programme has helped increase food security and incomes for the most vulnerable.

Infrastructure plays a vital role in the development of Rwanda, a small and landlocked country. While all provinces have seen a reduction in poverty, there have been regional variations. Poverty reduction has been most extensive in the capital, Kigali, and in the northern provinces that are better connected to national and regional markets. The southern and western provinces, however, are more isolated and relatively poorly served by infrastructure. Rwanda has identified access to electricity as one of the most pressing constraints on its development. While the household electrification rate has doubled since 2006, it remains low at only 11%. The government has set ambitious targets to increase generation capacity, which will call for major investment in the coming years.

Regional integration is key to Rwanda’s national development plans. The country hopes to position itself as a technology and communications hub for the East African region. It has joined the East African Community (EAC) Customs Union and invested in more efficient customs administration. While Rwanda’s trade with the EAC has more than doubled since it joined in 2007, this trade has been dominated by the import of goods into Rwanda, causing in part its trade balance to deteriorate.

To take advantage of the opportunities provided by regional integration, Rwanda is investing in building its productive capacity. Rwanda has been one of the leading performers internationally at improving its business environment. It has reformed its laws

Over a million Rwandans lifted themselves out of poverty between 2005 and 2011, with the poverty rate dropping from 57% to 45%.
Summary performance scorecard 2011

**LEVEL 1: DEVELOPMENT IN RWANDA**
- Economic growth and poverty reduction
- Infrastructure
- Agriculture and food security
- Private sector development and investment climate
- Regional integration and trade
- Human development
- Governance

**LEVEL 2: AFB’s CONTRIBUTION TO RWANDA’S DEVELOPMENT**
- Water and sanitation
- Transport
- Energy
- Agriculture
- Private sector
- Education

**LEVEL 3: HOW WELL AFB MANAGES ITS OPERATIONS IN RWANDA**
- Portfolio performance
- Quality at entry
- Paris Declaration indicators of effective aid
- Knowledge management
- Gender mainstreaming

**LEVEL 4: HOW EFFICIENT AFB IS AS AN ORGANISATION IN RWANDA**
- Decentralisation
- Business processes and practices
- Transparency and accountability

For Level 1 Rwanda’s relative performance is measured by comparing its progress with progress in peer ADF countries; for Level 2 the Bank’s performance is measured by comparing expected and actual achievements for all operations that have been completed; for Level 3 and 4 the Bank’s progress is measured against its progress in achieving its 2012 targets set out in the Bank Results Measurement Framework.

- **Made progress**: More than half of the indicators in the group improved over baselines or reference groups.
- **Little progress**: Results are mixed, with equal number of indicators showing improvement or little/no progress.
- **Progress stalled or regressed**: More than half of indicators in the group stalled or regressed over two or more review periods.
- **Progress could not be measured**

and institutions to provide greater protection to investors, improve access to credit and facilitate cross-border trade. The time and costs involved in starting a new business have been reduced dramatically. The challenge is now to bring more of Rwanda’s small and medium-sized enterprises into the formal sector, where they will have better access to credit and public services and greater potential for growth.

Finally, the Government has placed the development of human capital through better education at the heart of its development strategy. Its health programmes have successfully reduced maternal mortality by 35% and under-five mortality by half. Nearly 90% of the population now enjoys health insurance coverage. The Government also aims to position Rwanda as a knowledge-based economy and a service hub for East Africa. It has made major progress in expanding access to basic education and is close to achieving both universal primary enrolment and gender parity. Like other African countries, however, Rwanda faces a continuing challenging in ensuring that its young people are equipped with the skills they need to succeed in the labour market.

Overall, Rwanda has made major progress in implementing its Economic and Poverty Reduction Strategy (EDPRS) 2008-2012. Built around three flagship programmes — promoting sustainable growth, tackling poverty and vulnerability and promoting good governance — the EDPRS headline target on income poverty was achieved a full year ahead of schedule, and a recent review found that more than 85% of its targets have been achieved or are on track. Rwanda is now in the process of preparing the next iteration of its EDPRS.

In its quest to becoming a middle-income country by 2020, Rwanda is building skills and capacity to position itself as a technology and communications hub for the East African region.
AfDB’s contribution
The Bank has been an active partner of the Rwandan Government since 1974. We have an active portfolio of 22 operations, with total commitments close to $400 million, of which $234 million were approved between 2009 and 2011. Our country programme focuses on three principal sectors — energy, transport, and water and sanitation — but we also provide support in a range of other areas, from boosting agriculture to improving the business environment to promoting science and technology.

In Rwanda, transport costs are currently $165/tonne/km, almost twice the regional average. We have therefore placed infrastructure development, in particular transport, at the heart of our Rwanda country strategy, totalling almost 20% of our active portfolio.

We have invested in major transport corridors and feeder roads, providing almost two million people with improved access to transport. The results of our investments can be seen in reduced journey times within Rwanda, and between Rwanda and its trading partners. For example, our Kicukiro-Kirundo Road Project between Rwanda and Burundi, which includes developing a more efficient border post, reduced the journey time from six hours in 2006 to one hour at the completion of the project. In our transport projects, we also seek to improve access to public services and economic infrastructure. For example, our Gitarama-Ngororo-Mukamira road project, completed in June 2012, helped provide nearly 900,000 people with all-weather access to primary schools, hospitals, rural markets and agricultural production centres.

We have also invested in energy infrastructure, to provide Rwandan households and businesses with more reliable and affordable electricity connections. We have installed over 400 km of transmission and distribution lines, providing new connections to 111,000 people. We helped rehabilitate Kigali’s electricity distribution network, reducing power outages and losses.

We have also helped improve water and sanitation systems, providing more than 750,000 people with improved water and sanitation services since 2009. We are helping to build technical and managerial skills in the responsible authorities, to ensure that the infrastructure is well constructed and properly maintained.

In agriculture, we provided financial support for the Government’s ‘one cow per poor family’ project — a highly innovative initiative that has helped boost rural incomes, reduce child malnutrition and increase primary school enrolment among girls. It has also spurred the growth of Rwanda’s dairy and meat industries. We have also invested in improving the productivity of Rwanda’s lake and pond fisheries.

In education, we have helped expand the Rwandan education system through constructing or equipping more than a thousand classrooms and related facilities and providing nearly nine million textbooks as well as teaching materials. In particular, we have focused on promoting skills in science and technology through higher education and vocational training, especially among girls.

We have supported the Kigali Institute of Science and Technology, one of Rwanda’s premier institutions for scientific education, including with the provision of scholarships and outreach programmes for girls and young women.

The Kicukiro-Kirundo Road Project reduced the journey time from six hours to one between Rwanda and Burundi, contributing to boosting regional trade.

In the area of Governance, we have been an active participant in budget support processes, including policy dialogue and performance reviews. This has enabled us to provide the Government with advice and support on macroeconomic management and on important parts of its reform programme, such as improving the climate for the private sector and the financial system, strengthening the management of public finances, and enhancing the Government’s capacity to deliver quality services. In accordance with the Government’s preferences, budget support made up 37% of approvals between 2008 and 2010.

The management of our portfolio
Our Rwanda country programme ranks relatively well on measures of quality and efficiency, with a number of innovative measures boosting performance in recent years. At present, all our Rwanda operations are rated satisfactory. A review of our 2008-2011 Country Strategy Paper found that 43% of the outcomes in our results and monitoring matrix had been achieved as of mid-2011, with another 33% showing strong progress. Our disbursement ratio is significantly better than the Bank average, reflecting efficient implementation thanks to good partnership at the country level. These are good results, but with scope for improvement.

With the support of the African Development Bank, Rwanda has boosted its annual milk production to 365,000 tonnes, while reducing its imports by 85%.

We have a very healthy partnership with the Government of Rwanda. Rwanda is an energetic proponent of improvements in aid effectiveness at both the international and national levels. It has an aid policy setting out its preferences for the delivery of aid and a well-developed national aid architecture. The Budget Support Harmonisation Group provides a common platform for dialogue between the Government and budget support donors. It monitors progress on EDPRS implementation using a Common Performance Assessment Framework, through which Government and development partners are jointly accountable for the achievement of national development goals. As co-chair of the Budget Support Harmonisation Group in 2008 and 2011, the Bank helped develop this methodology. The AfDB country team currently co-chairs the Water Sector Working Group and participates actively in a number of others, including energy, transport, agriculture and education.
The readiness filter has significantly improved the efficiency of AfDB operations in Rwanda, dividing for example time taken to process procurement documents by four.

AfDB ranked in the top 5 of the 15 development partners assessed in the latest Donor Performance Assessment Framework monitoring exercise.

The Government and development partners have agreed on a donor division of labour, to reduce transaction costs in the management of aid flows. Our country programme is closely aligned to this division of labour and to the Government’s national and sector development strategies.

The Government monitors donor performance against their commitments on the volume and quality of aid, using a Donor Performance Assessment Framework. The assessment for 2010/11 found that the Bank met 14 out of 21 aid effectiveness targets for which data were available. This placed us among the top 5 of the 15 development partners assessed and on a par with the World Bank.

An important element of our support to Rwanda is the production of high-quality knowledge products that contribute to national development policy. In 2011, we produced two new knowledge products, and we plan to raise this to four in 2012. Together with other budget support donors, we have undertaken a range of joint analytical work on the budget process and public financial management. We have conducted studies on regional integration in East Africa, and we are currently working with the Government on a series of studies, including reviews of the transport and energy sectors, to inform the next iteration of the country strategy.

The management of our own organisation

We are in the process of decentralising the management of our portfolio to the country level. We have made good progress in building up staff capacity in our Rwanda Field Office. However, the delegation of functions remains to be further strengthened. We see this as an important step for the coming period, to enable us to become more flexible and responsive to the needs of our partner country.

The readiness filter has significantly improved the efficiency of AfDB operations in Rwanda, dividing for example time taken to process procurement documents by four.

We have worked closely with the Government to streamline our business processes and increase the efficiency of our operations. In recent years, we have experienced delays in project start-up and implementation, for reasons that included non-fulfilment of loan conditions (particularly for regional and private-sector operations), procurement delays and a lack of capacity among contractors. We have now introduced a range of measures to address these challenges, including more realistic loan conditions and more rigorous procurement plans. We are paying more attention to assessing capacity constraints in Executing Agencies and introducing capacity development into project implementation plans. The Government has adopted a ‘Readiness Filter’ for public-sector operations, which ensures that new projects are ready to move to implementation before they are approved. We have also seen significant improvements in the quality of procurement processes and the efficiency of disbursement.

The way forward

We are committed to continuing to improve the quality of our support to Rwanda. With the strong leadership shown by the Government and the solid foundations we have established in our programming to date, there is no reason why we should not be ambitious in our goals.

There are a number of key priorities to address in the coming period. First, we will continue to increase the selectivity of our operations, in accordance with the division of labour agreed between the Government and development partners. We will focus our assistance on energy, transport and water and sanitation, while acting as a silent partner in education. We will also continue to pursue some cross-cutting areas such as economic governance and private-sector development. Overall, we anticipate having a small number of larger projects, to reduce transaction costs and maximise impact.

We will press ahead with decentralising management responsibility to our Rwanda Field Office. In the coming period, we will appoint additional staff, to ensure that all our priority sectors can be effectively covered from country level. We will increase the proportion of tasks managed by the Field Office, while continuing to bring in additional expertise where required from our Regional Centre in Nairobi.

We will extend the Readiness Filter to cover regional operations, which remain a source of delays in project commencement and implementation. We will simplify our loan conditions while working closely with regional partners to ensure that necessary conditions are achieved expeditiously.

We will continue to identify and address bottlenecks in project implementation. This means working closely with Executing Agencies to analyse potential capacity constraints on project implementation and address them as early as possible through targeted support. Increasing our own capacity in the Rwanda Office will boost the resources we have available to provide this support. We also pay close attention to the capacity constraints of contractors.

Finally, we propose to scale up our non-lending operations, including our analytical work and advisory services. We will produce timely and relevant knowledge products to support the next iteration of the national development strategy. Working with other development partners, we will continue to invest in diagnostic work on country systems, to help inform the Government’s reform efforts.
Strengthening Rwanda’s financial sector
Rwanda passed a new Payment System Law to improve the flow of finance in the economy, and a number of key components are already in place, such as an Automated Clearing House. The African Development Bank has helped strengthen the financial sector and broaden access to financial services through advice, policy and technical support.
Rwandan’s vision for their nation’s future is a bold one. We pride ourselves on setting, and achieving, ambitious goals for the development of our country. The last five years has seen a million Rwandans — or 12% of the population — pull themselves out of poverty. Our goal is to transform Rwanda into a Middle-Income Country by 2020. Already, we have succeeded in reducing the poverty rate from 57% to 45%, which means that 200 000 Rwandan families now live with more dignity. This socio-economic transformation is not yet complete and the Government continues to pursue policies that directly address the needs of our entire population. Recording tangible results in economic growth and investment must come in tandem with the betterment of the entire population.

Since 1974 the African Development Bank has been a valued partner of Rwanda, making a major contribution to our national development. It has been among major investors in infrastructure, helping Rwanda build its network backbone so we become better connected. It has helped boost our agricultural production through investments in livestock and related facilities. It has invested directly in the Rwandan people through its support to science and technology. It has provided technical and financial support on macroeconomic reform and improvements to the business environment. The African Development Bank’s Rwanda country team has provided valued advice and helped improve aid coordination and strengthen our policy dialogue with development partners.

As we embark on the development of our second Economic Development and Poverty Reduction Strategy, we will continue to foster and leverage our relationships with our development partners. Our strategy will focus on Economic Transformation for Rapid Growth, Rural Development, Productivity and Youth Employment and Accountable Governance. All these will lead to fast and sustained poverty reduction for our population.

We look forward to the advice and support of the African Development Bank to ensure that we continue to build on our earlier successes. I am convinced that, with the support of the African Development Bank and our other international partners, we will achieve our national vision of middle-income status.

John Rwangombwa
Minister of Finance and Economic Planning
Republic of Rwanda
Simplifying business regulations has encouraged investments in construction and real estate development, which have been among the driving forces of Rwanda’s economic expansion. Through its operations, the African Development Bank has contributed an additional $10 million in annual turnover to the Rwandan private sector.
This Country Development Effectiveness Review is a new type of publication for the African Development Bank (AfDB or the Bank). It examines the development challenges facing a particular country and reviews the Bank’s contribution to addressing them. It also looks at how effectively we manage our operations and our own organisation in that country. This review is the first of the series of country reviews that will cover operations in all our 54 Regional Member Countries. In the course of 2013, we are planning to prepare three more country reviews covering our activities in Tunisia, Senegal and Zambia.

We are proud to have collaborated with the Government of Rwanda on this first edition of our Country Development Effectiveness Review series. In recent years, Rwanda has been one of Africa’s leading performers on poverty reduction. Through an ambitious set of pro-poor policies and programmes, Rwanda has lifted nearly 1 in 10 of its citizens out of poverty over the past five years. There are many lessons that Africa can draw from Rwanda’s experience.

The Bank has been an active partner of the Rwandan Government since 1974. We have an active portfolio of 22 operations, with total commitments close to $400 million. Under our Country Strategy 2008-2011, we focused our investments in the infrastructure sector, particularly transport and energy. We also supported the Government of Rwanda in a wide range of other areas, from agriculture to the business regulatory environment to the promotion of science and technology.

The review provides us with an opportunity to examine the quality of our development partnership with Rwanda and our contribution to the country’s development results. To measure our performance, we use a Results Measurement Framework (RMF) that tracks our performance across four dimensions (see Table 0). Data from the RMF are discussed throughout the document, together with a simple traffic-light rating showing our rate of progress towards our targets.

The four chapters of this review present the results from each of these four levels. The first chapter examines Rwanda’s development progress over the past five years across a range of areas, such as infrastructure, agriculture and governance. Based on data generated through the Government’s own monitoring systems, we review Rwanda’s achievements and discuss some of the outstanding challenges.

The second chapter looks at the Bank’s operations in each of these areas and at the contribution we have made to Rwanda’s development results. We are of course only one actor among many in these areas, and there are limits to the extent that we can attribute development outcomes to our own efforts. Nonetheless, we present the results from our operations and discuss how they have contributed to the Government’s development agenda. We also discuss some of the innovative features of our operations.

The third chapter looks at the health of our Rwanda portfolio and how well we are managing our operations. The final chapter reviews our own effectiveness and efficiency as an organisation, including our on-going efforts to decentralise our operations to the country level to ensure we are fully equipped to participate in country-led development processes.

Like the other publications in our Development Effectiveness Review series, this Country Review is written in an accessible way for a general audience, in order to make us more transparent and accountable to our partners and stakeholders. It is also an important management tool, helping to ensure that our operations and our own organisation are continuously improving.

### Table 0: AfDB’s Results Measurement Framework

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<th>Level 1</th>
<th>What development progress is Rwanda making?</th>
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<td>Level 2</td>
<td>How well is AfDB contributing to development in Rwanda?</td>
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<td>Level 3</td>
<td>Is AfDB managing its operations in Rwanda effectively?</td>
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<td>Level 4</td>
<td>Is AfDB managing itself efficiently as an organisation in Rwanda?</td>
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Unlocking Rwanda’s potential
For a small and landlocked country such as Rwanda, the quality of its roads plays a vital role in its economic development. The Kicukiro — Kirundo road has for example reduced the travel time from Rwanda to Burundi from six hours to one and helped boost cross border trade between the two countries.
At the turn of the millennium, Rwanda set itself the goal of becoming a middle-income country by 2020, while maintaining national unity and ensuring inclusive growth and development. This was a deeply ambitious goal, requiring no less than the social and economic transformation of the country.

In the decade since the publication of the Vision 2020 document, Rwanda has already made great strides towards its goal. The Government’s crop intensification programmes have helped boost agricultural productivity, increasing food security and incomes for the rural poor. Rwanda has been one of the outstanding performers internationally on improving the business environment through reforms to its laws and institutions. The Government’s sound macroeconomic management has provided a good foundation for private-sector growth. Peace, security and national reconciliation have been enhanced. Rwanda’s administration has established a reputation for integrity, with Rwanda among the best performers in Africa on standard measures of corruption.

There are, of course, many outstanding challenges. Rwanda is a small and landlocked country and needs to work hard to attract private investment. Although its ‘doing business’ ranking has improved dramatically, from 150th in the world in 2008 to 45th in 2011, the cost of doing business remains high as a result of elevated energy costs and poor national and regional transport connections. As a result, the nascent private sector has yet to play its expected role as the driver of growth.

In this chapter, we review Rwanda’s development progress over the past decade, looking at seven areas: growth and poverty reduction, infrastructure, agriculture, private-sector development, regional integration, education and governance.

Growth and poverty reduction
Rwanda has enjoyed sustained economic growth, averaging 8% over the decade from 2000 to 2010. GDP per capita grew from $264 in 2005 to $360 in 2011. Despite the backdrop of global economic turmoil and high fuel and food prices, growth returned to a very healthy 8.6% in 2011, exceeding the initial projection of 7.0%. This demonstrates resilience in the face of adverse global economic conditions. However, a slowdown is expected in 2012 as a result of the Government’s fiscal consolidation programme, which will reduce aggregate demand.

One of the most important drivers of growth in Rwanda has been agriculture. The Government’s Crop Intensification Programme has helped boost agricultural productivity, leading to sustained growth in agricultural output. Since its launch in 2008, the Programme has focused on land use consolidation, improving access to fertiliser and seed, providing finance and supporting farmers with post-harvest activities and marketing. High prices for the country’s two main agricultural exports, coffee and tea, have provided an extra boost. Higher agricultural productivity has led to increases in farm wages and employment — a major driver of poverty reduction in rural areas.

The other main driver of growth has been services. Public and private investment, construction, the financial sector, tourism and public health and education are all growing strongly. As a result, services have overtaken agriculture as the largest sector of the national economy.

A remarkable feature of economic growth in Rwanda has been its inclusive nature. Often, high economic growth is associated with increased income inequality. In Rwanda, income inequality as reflected by the Gini index has fallen over the past five years, from 52 in 2005 to 49 in 2011 — a period when Africa as a whole was trending in the other direction.

An estimated 600 000 jobs were created between 2000 and 2006, including many non-farm jobs. In recent years, however, employment creation in the private sector has been disappointing. Youth unemployment has emerged as a particular concern.
Table 1: Development in Rwanda (Level 1)

This table summarises Rwanda’s development progress between 2005 and 2011. The selected indicators come from both Rwanda’s Economic Development and Poverty Reduction Strategy and the Bank’s Results Measurement Framework and cover areas where the Bank provides support and advice: economic growth, regional integration etc.

For each indicator progress is measured as follows:

- **Strong progress**: progress is higher than its peer ADF countries;
- **Slow progress**: progress is lower than its peer ADF countries;
- **No progress**: progress has slipped compared to baseline;
- **Data are not available to measure progress.**

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>RWANDA</th>
<th>LOW INCOME COUNTRIES (ADF)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ECONOMIC GROWTH AND POVERTY REDUCTION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP per capita (2000 constant USD)</td>
<td>264</td>
<td>360</td>
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<tr>
<td>Population living below USD 1.25/day at PPP* (%)</td>
<td>57</td>
<td>44.9</td>
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<tr>
<td>Income inequality as reflected by the Gini index* (income disparity)</td>
<td>52</td>
<td>49</td>
</tr>
<tr>
<td><strong>INFRASTRUCTURE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classified road network in good condition* (%)</td>
<td>11</td>
<td>60</td>
</tr>
<tr>
<td>Access to safe drinking water* (% of population)</td>
<td>70</td>
<td>74</td>
</tr>
<tr>
<td>Household electrification rate* (% of households)</td>
<td>4.3</td>
<td>10.8</td>
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<tr>
<td>Fixed lines and mobile phone subscribers (per 1000)</td>
<td>27</td>
<td>338</td>
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<tr>
<td>Internet users (per 1000)</td>
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<td><strong>AGRICULTURE AND FOOD SECURITY</strong></td>
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<tr>
<td>Fertiliser consumption* (kilograms per hectare of arable land)</td>
<td>11</td>
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<tr>
<td>Agricultural land (% of total land area)</td>
<td>76</td>
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<tr>
<td>Food production index (1999–2001 = 100)</td>
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<td>119</td>
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<tr>
<td>Agriculture, value added (% of GDP)</td>
<td>41.5</td>
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<td>Agricultural population (%)</td>
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<td><strong>PRIVATE SECTOR DEVELOPMENT AND INVESTMENT CLIMATE</strong></td>
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<tr>
<td>Global Competitiveness Index ranking (1 to 7)</td>
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<tr>
<td>Cost of business start-up (% GNI per capita)</td>
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</tr>
<tr>
<td>Time required for business start-up (days)</td>
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<td><strong>REGIONAL INTEGRATION AND TRADE</strong></td>
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<tr>
<td>Total trade (as % of GDP)</td>
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<tr>
<td>Ratio of exports to imports (%)</td>
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<td>37</td>
</tr>
<tr>
<td>Trade of goods with Africa (million USD)</td>
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<td>356</td>
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<tr>
<td><strong>HUMAN DEVELOPMENT</strong></td>
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<td>Under-five child mortality (per 1000 live births)</td>
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<td>76*</td>
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<tr>
<td>Maternal mortality (per 100 000 live births)</td>
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<td>487*</td>
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<td>Pupil-teacher ratio, primary (%)</td>
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<td>School enrolment, primary (%) (% gross)</td>
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<tr>
<td>School enrolment, secondary (%) (% gross)</td>
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<tr>
<td>Ratio of girls to boys in primary and secondary education (%)</td>
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<td>101.2</td>
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<td><strong>GOVERNANCE</strong></td>
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<td>Worldwide Governance Indicators avg. Score (2.5 to 2.5)</td>
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<td>-0.25</td>
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<tr>
<td>Mo Ibrahim Index</td>
<td>50</td>
<td>52</td>
</tr>
<tr>
<td>Transparency International - Corruption index (1 to 10)</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

.. = data not available; AfDB = African Development Bank; ADF = African Development Fund; GDP = gross domestic product; GNI = gross national income; PPP = purchasing power parity; USD = United States dollars.


Notes: ADF countries are the 39 lower-income AfDB member countries that qualify for concessional funding. They are Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo Republic, Democratic Republic of the Congo, Côte d’Ivoire, Djibouti, Eritrea, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Sao Tomé and Principe, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Tanzania, Togo, Uganda, Zambia, and Zimbabwe. Cape-Verde and Angola are in transition.

In 2008, Rwanda embarked on the implementation of its second generation poverty reduction strategy, entitled the ‘Economic Development and Poverty Reduction Strategy’ (EDPRS). The EDPRS sets out the country’s development objectives for 2008–2012. It was developed through extensive participation from national stakeholders and enjoys strong support across the country. It is built around three flagship programmes, which promote sustainable growth for jobs and exports, tackle poverty and vulnerability and promote good governance.

The EDPRS set the overarching target of reducing the share of the population living in poverty from 57% in 2005–06 to 46% in 2012–13. This target was achieved a full year before the end of the implementation period. A recent review of progress found that, overall, more than 85% of the EDPRS target had been achieved or were on track. These achievements were underpinned by a strong legal and institutional framework for implementation, some useful home-grown initiatives to boost performance (see Box 1.3 on Imihigo performance contracts) and the use of information and communication technology to boost service delivery. The review also pointed to a number of shortcomings that still need to be addressed, including strengthening some of the sector strategies, mainstreaming cross-cutting issues, improving coordination and communication across government and ensuring sound monitoring of results.

Rwanda has begun the process of preparing its next generation five-year EDPRS.

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Rwanda has begun the process of preparing its next generation five-year EDPRS.

Promoting inclusive growth means tackling three different types of disparities: geographic (where), economic (what), and social (who).

- **Where?** Between 15% and 20% of inequality in Africa is attributable to differences between economic regions. Urban centres and coastal zones are moving ahead, while rural areas lag behind, held back by poor infrastructure, limited access to markets and low agricultural productivity. At the same time, rapid urbanisation is creating a new, urban face of poverty with attendant social problems. In Rwanda, while all regions have enjoyed some progress in poverty reduction, the southern and western regions are more isolated from markets and relatively poorly served by infrastructure (especially electricity). As a result, their agricultural potential is lower and they have been less successful at diversifying their economies into non-agricultural activities.

- **What?** If growth is concentrated in a limited number of sectors, such as the extractive industries or a dominant agricultural commodity, its benefits will be concentrated in a few hands. For example, in 2009 Angola’s exports were 97% crude oil, Burkina Faso’s almost 80% raw cotton and gold, and Zambia’s 74% copper. Diversifying the economy creates more opportunities for people to participate, leading to more robust and inclusive growth. In Rwanda, there has been some diversification from agriculture into services, but the private sector has yet to become a major engine of growth (see Figure 1.1).

- **Who?** Inequality in Africa has important social dimensions. Women make up 70% of agricultural labour and produce around 90% of the food. However, these are low-paid and low-status jobs. Outside agriculture, only 8.5% of jobs are held by women. Inequality also has an important intergenerational dimension, with young people making up 72% of Africa’s poor. Africa’s youth bulge is growing dramatically; by 2050 almost 400 million Africans will be between 15 and 24 years old. In Rwanda, youth unemployment has emerged as a serious concern, with over 42% of young Rwandans either without work or underemployed in subsistence agriculture. One of the drivers of youth unemployment is a mismatch between the education system and the skills required for young Rwandans to compete in the labour market.
The figure below maps Rwanda’s export diversification over the past 30 years. Each box represents a product. The size of the box shows its share of Rwanda’s exports. The larger the size of the box, the larger the share of exports. In 1980, Rwanda’s exports consisted mostly of coffee (75%). Since then, Rwanda’s economy has diversified significantly, making the country more resilient to shocks. By 2009 coffee represented only 13% of exports, and while keeping a strong focus on agriculture, Rwanda had promoted new sectors, creating additional job opportunities. The extractive industries have emerged as a major new export, and the Government has made boosting mining exports one of its national development priorities.

As a result of these reforms, the time required to start a new business in Rwanda has declined dramatically, from 18 days in 2005 to only 3 in 2011. The cost of business start-up has likewise declined from more than twice per capita GNI to just 5%. From 58th in the world rankings for ease of starting a business in 2006, it reached 8th place in 2011 (see Figure 1.3). In other areas, including enforcing contracts and registering property, the rate of improvement has been less dramatic.
Rwanda’s 2010 Investor Perception Survey measured investor perceptions on a range of issues that impede or facilitate investment. It showed a marked improvement in the composite result, from 60 points out of 100 in 2009 to 81 points in 2010, suggesting growing investor confidence in Rwanda’s political and legal systems.

Overall, Rwanda’s ranking in the 2011 Global Competitiveness Index is up 10 places on its 2010 result, at 70th out of 142 countries, with a rating of 4.19 out of a possible 7. This puts Rwanda third among low-income countries in Africa. Its success is attributed to strong and well-functioning government institutions and efficient labour markets. However, its performance in areas such as wage determination, hiring and firing practices, pay and productivity, and labour market rigidity showed only minor improvement and in a few cases slipped backwards.

Despite significant improvement in the institutional and regulatory environment, the Rwandan private sector has yet to emerge as a major driver of growth and poverty reduction. Most of the private sector remains informal. As of June 2011, 88% of Rwanda’s SMEs were in the informal sector, where they have little access to credit and public services and limited potential for growth. They also contribute little to national tax revenue. Other factors inhibiting private-sector growth include poor transport connections, expensive and often unreliable energy connections and deficiencies in core business competencies such as business planning and management.

Rwanda’s financial sector remains highly concentrated, although competition is increasing through expansion in the numbers of both domestic and foreign banks. The network of branches expanded from 105 in 2009 to 136 in 2011. The banking system is assessed as stable and sound, but with limited financial depth. There is also a growing network of local savings and credit cooperatives providing financial services beyond the major urban centres.

**Infrastructure**

For a small and landlocked country such as Rwanda, the quality of its infrastructure plays a vital role in its economic development (see Figure 1.2). Good transport connections are required to enable the country to integrate with the larger economies around it, helping it to achieve the economies of scale it needs to become internationally competitive. Good communications networks are vital to the country’s goal of becoming a service economy.

Rwanda’s national development strategy is supported by a home-grown system of performance contracts known as imihigo. They are binding agreements made annually since 2006 between government agencies and the President, containing commitments to achieving specific national development targets. The targets are agreed through a consultative process that builds ownership of EDPRS programmes. Imihigo agreements create a strong system of accountability within government and between government and citizens. Local authorities and civil servants are regularly called upon to explain their performance, creating high levels of discipline within the administration and ensuring that Rwanda’s institutions remain focused on delivering results.

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2 A grey bullet indicates that Rwanda’s progress could not be measured.
hub for the East African market. And Rwanda needs reliable and affordable power if the private sector is to flourish.

Rwanda has identified access to electricity as one of the most pressing constraints on economic growth and urban development. The energy sector has received over 8% of total expenditure under the EDPRS. Electricity generation capacity increased from 45 MW in 2006 to 97.4 MW in 2011, while the number of electricity connections increased from 91,000 in 2005 to 215,000 in 2010–11, ahead of the EDPRS target. However, although it has more than doubled since 2006, the household electrification rate\(^3\) remains low, at only 10.8%. In the poorest districts, it can be as low as 3% (see Figure 1.4). Rwanda’s businesses report unreliable and costly electricity supplies as among the most important constraints on their development. The Government of Rwanda has set itself the ambitious goal of boosting generation capacity to 1000 MW by 2020, which will require a substantial acceleration in the rate of investment.

The transport sector has proved to be one of the keys to inclusive growth in Rwanda. It is essential to linking farmers to their markets.

The communications network is another key enabler of regional integration. ICT has spread rapidly in Rwanda, in particular telephony. The number of fixed line and mobile phone subscribers increased from just 27 per 1000 inhabitants in 2005 to 338 in 2011. The EDPRS target is 500 by 2012. Internet use has also improved dramatically, from only 5.4 users per 1000 in 2005 to 74.5 in 2011.

Water supply is important both as an input to agribusiness and as a Millennium Development Goal (MDG) in its own right. The percentage of the population with access to clean water has grown steadily, from 70% in 2005 to 74% in 2011 (see Figure 1.5).

Figure 1.4 Low access to electricity and poverty go hand in hand

Box 1.4 Making tracks towards regional integration

Rwanda has launched a major railway project, designed to transform the economic landscape. In one of its largest ever infrastructure projects, it will construct 494 km of regional railway connecting Kigali with Gitega and Musongati in Burundi and Isaka and Keza in Tanzania. The project is designed to foster economic integration within the East African Community. By bringing down transport time and costs, it will reduce the cost of imported goods in Rwanda. It will also give Rwandan businesses in agriculture, mining, industry and commerce easier and quicker access to regional markets and to international ports in Mombasa and Dar es Salaam. While the focus of the investment will initially be on freight, it is anticipated that passenger traffic will increase over time, encouraging regional travel and tourism.

Across Rwanda’s regions, the density of the road network correlates closely with progress on poverty reduction. Transport is also an important part of the service sector, contributing 7% of GDP. In its Vision 2020 document, Rwanda has identified closer economic integration with the East African Community as key to its growth strategy. This calls for intensive investment in regional connectivity.

It also calls for greater investment in road maintenance. In 2006, only 11% of the classified road network was rated as in good condition. By 2011, that proportion had reached 60%, well above the EDPRS 2012 target of 31%. Nevertheless, the local, unpaved road network is still in a dire state, with as little as 15% in good condition. This is well short of the EDPRS 2012 target of 50%, and calls for a major increase in resources.

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Rates of access to improved sanitation are similar. While this is solid progress, capital investment in new water and sanitation facilities needs to be followed up with increased spending on maintenance, to ensure their sustainability.

**Agriculture and food security**

A shortage of agricultural land is one of the roots of poverty in Rwanda, one of Africa's most densely populated countries. More than 86% of the population is dependent on agriculture for their livelihoods. However, half of these households own less than half a hectare of land, with landlessness an increasing problem. The size of landholding is closely correlated to the standard of living, with those owning the least land generally being the poorest.

To overcome this constraint, the Government of Rwanda has made boosting agricultural productivity the centrepiece of its strategy for growth and poverty reduction. To encourage investment, it introduced a new land law in 2005 that granted security of tenure to all private landholders. It has been organising farmers into cooperatives, to consolidate land use and support marketing of produce. It has invested in irrigation systems for marshlands and terracing for the highlands, increasing the land available for agriculture from 76% of Rwanda's total land area in 2006 to 81% in 2011. The proportion of agricultural land protected against soil erosion rose from 40% in 2006 to 87% in 2011.

The Government's flagship Crop Intensification Programme has introduced new seed varieties and cultivation techniques. Through a sustained campaign and subsidies, it increased the use of mineral fertilisers from 11 kg per hectare in 2006 to 30 kg in 2011.

The results of this strong focus on agriculture have been an increase in production of key food security crops from 1611 MT in 2006 to 3000 in 2011. The overall food production index has increased by 20% over the past decade. In its Vision 2020, Rwanda set the objective of reducing the share of agriculture in the national economy to about 25% by 2020, in favour of services and industry. By 2011, agricultural value-added as a proportion of GDP had declined to around 35%, suggesting that this structural transformation is taking place as planned.

As in many other African countries, however, it has proved a challenge to maintain the quality of education during this period of rapid expansion in the school system. Learning assessments show that too many children are leaving primary school without a solid foundation of literacy and numeracy. Some two-thirds of Rwandans over the age of 15 are literate, but there are significant variations between urban and rural areas. It has proved challenging to recruit qualified teachers in specialist areas like maths and science to serve outside the main urban centres. The Government has allocated additional budgetary resources to create performance incentives for teachers.

The Government has set itself the ambitious goal of expanding basic education from 9 to 12 years, including investing in a system of technical and vocational training to meet the future needs of the labour market. The focus will be on growth sectors such as mining, energy and agriculture. It is also working to build entrepreneurial and management skills to support the private sector. To that

Rwanda has demonstrated that intensive investment in agricultural productivity can be a major driver of poverty reduction.
Parity between girls and boys at primary level has been achieved in Rwanda.

Rwanda has also achieved some impressive results in health, particularly maternal and child health. A 2010 survey revealed that **maternal mortality** had declined from 750 deaths per 100,000 live births in 2006 to only 487 in 2010 — a decline of 35% — while **under-five child mortality** has been cut in half, to 76 per 1000 births. These results have been achieved through health programmes that have expanded skilled birth attendance and vaccination and introduced integrated management of childhood diseases. There has been a dramatic expansion in the provision of health services, with 89% of Rwandans now covered by health insurance. Notwithstanding this progress, significant numbers of Rwandan women still report difficulties with accessing or affording health care, with women from the poorer southern provinces and those without education facing the greatest difficulties. The continued development of national infrastructure will help further improve access, while more investment in clean water, sanitation and good hygiene practices will produce further gains in public health and poverty reduction.

**Regional integration**

Rwanda recognises that regional integration is essential to its goal of achieving middle-income status. The Vision 2020 commits the country to pursuing an open and liberal trade regime and to encouraging foreign investment. It seeks to position Rwanda as a technology and communications hub for the East Africa and Great Lakes regions, with special economic zones for ICT-based production and a focus on promoting trade and commerce.

To that end, Rwanda has adopted the Common External Tariff under the East African Community (EAC)\(^4\) Customs Union and has amended its legislation to permit the free movement of labour and capital under the EAC Common Market. To facilitate trade with the EAC, Rwanda has adopted a series of international best practices in its customs administration.

Over 70% of all customs clearances are now automated through a single electronic customs window. There are one-stop border posts at the Uganda and Burundi borders and electronic cargo tracking has been introduced. These measures ensure the speedy clearance of goods and people across national borders, reducing the costs of trade.

As a result, Rwanda’s trade with the EAC has more than doubled from $200 million when it joined in 2007 to over $500 million in 2010. However, this has come about mainly through increased import of consumer goods and intermediate products into Rwanda. Rwanda’s major exports to the EAC, including cereals, tea, coffee and vegetables, increased only marginally over this period, from $40 million to $54 million, leading to persistent trade deficits. Rwanda is also a signatory to the Common Market for Eastern and Southern Africa (COMESA) Free Trade Area protocol. It offers 100% mutual tariff concession to the other signatories. Rwanda’s trade with COMESA has also increased substantially, although with imports exceeding exports.

While Rwanda has made good progress on the legal and institutional side of regional integration, it still has some way to go to reap the economic benefits. Its **total trade as a proportion of GDP** stands at 49% — an increase on five years ago, but well behind the Sub-Saharan African average of 77%. Its primary export destinations are mainly outside Africa, with 40% to Asia, 26% to Europe and 16% to North America. **Trade of goods with Africa** has increased from $168 million in 2005 to $356 million in 2011, but with imports predominating. The **ratio of exports to imports**\(^5\) has in fact declined as a result of trade liberalisation, from 51% in 2005 to only 37% in 2011. This suggests a need for more efforts to boost private-sector development, to take advantage of the opportunities of regional integration.

**Governance, security and the rule of law**

Promoting good governance, the third of the EDPRS flagship programmes, is a priority running across Rwanda’s national development agenda. The goals include consolidating peace, security and national unity through continuing national reconciliation, respect for human rights and good relations with neighbouring countries. Promoting justice and the rule of law is key both to consolidating democracy and promoting efficient markets. The Government is also working hard to strengthen the capacity of the administration through sound public financial management, decentralisation and a strong focus on service delivery.

Rwanda emerged from the turbulence of the 1990s with major deficits in core institutions. Against that baseline, it has made impressive progress in building an effective state. Its decentralisation programme has helped make the administration more responsive to the needs of citizens. It has progressively transferred responsibilities and financial resources to elected local authorities, while investing in developing their administrative and financial management capacity. Through its *Imihigo* performance contracts (see Box 1.3) and other mechanisms, it has been deepening the democratic culture at the local level, promoting increased citizen empowerment and public voice in local governance. A 2011 survey found that

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\(^4\) The East African Community includes Burundi, Kenya, Rwanda, Tanzania and Uganda, with its headquarters in Arusha, Tanzania.

\(^5\) A red bullet indicates that Rwanda’s progress has slipped compared to baseline.
74% of citizens felt able to participate actively in local decision making and that local governments responded to their priority concerns. This is up from 65% in 2006.

In the area of justice and the rule of law, there was an 8% reduction in the crime rate over each of the past two years, exceeding the 5% annual reduction targeted in the EDPRS. In the World Bank Governance Indicators on the rule of law, Rwanda went from a ranking of 7.7 out of 100 in 2000 to 46 in 2010.

The successful introduction of the Rwanda Revenue Authority led to an increase in tax collection from 9% of GDP in 1998 to 14% in 2009. Rwanda entered the new millennium with little or no capacity in public financial management, but since then has made solid progress in putting into place sound systems for budget formulation and execution. The budget is now assessed as a credible instrument, corruption is well below the regional average and fiduciary risk is assessed as on a declining trend. In recent years, key reforms have included the introduction of a new chart of accounts, an integrated financial management information system, a new payroll system and the introduction of a National Tender Board to oversee public procurement. External audit coverage increased from 50% in 2009 to 70% in 2010. A new Public Accounts Committee in the parliament has recently been established and is actively following up on issues identified in Auditor-General reports.

Overall, the most recent Public Expenditure and Financial Accountability (PEFA) assessment reported improvements in several areas since 2008, including compliance with international best practice in budget credibility, transparency and comprehensiveness. However, a May 2011 mid-term review of the Government’s PFM Reform Strategy found continuing weaknesses in budgetary control mechanisms, internal audit and the quality and timeliness of financial reporting. An insufficient number of qualified personnel, including accountants and procurement officers, was identified as the main factor behind these weaknesses.

Overall, Rwanda has recorded impressive progress on governance. Its average score on the Worldwide Governance Indicators increased from -0.96 to -0.25 on a scale from -2.5 to +2.5. This represents a significantly faster rate of improvement than the average for low-income countries in Africa. On the Mo Ibrahim Index, Rwanda rose from 50 in 2005 to 52 in 2011, ahead of the East African average of 46, giving it a rank of 25th out of 53 African countries (see Figure 1.6). Importantly, the Rwandan administration has established a reputation for integrity. In its 2011 Corruption Perceptions Index, Transparency International ranked Rwanda 49 out of 182 countries globally — the highest ranking among Africa’s low-income countries.

Conclusion
Rwanda’s national development agenda is nothing if not ambitious. As a small and landlocked country with a troubled past, it faces a daunting array of development challenges. It has, however, displayed an impressive level of determination to overcome these challenges and achieve its goal of middle-income country status.

Alongside other African countries, it has achieved robust economic growth in recent years, averaging 8% since 2000. Unlike the situation of many other countries, however, this growth has been genuinely inclusive. Through sustained investments in programmes such as crop intensification, Rwanda has ensured that growth has benefited a broad spectrum of society, lifting a million Rwandans out of poverty. The country has been one of the leading performers internationally on improving its business environment and has made sustained progress on building a capable, accountable and responsive state.

The challenges, however, remain considerable. To achieve its goals, Rwanda needs to overcome major infrastructure deficits and to provide reliable and affordable power to households and businesses, as well as better transport connections to link producers to markets. It needs to equip its young people with the skills they need to be competitive in regional markets, and it needs to build a vibrant private sector able to take advantage of the opportunities offered by regional integration.

In the next chapter, we turn to what the Bank is doing to help Rwanda meet these challenges.
During the period 2009–2011, the Bank Group approved 8 public sector lending operations in Rwanda for a total commitment of $186 million and 5 private sector operations for a total commitment of $48 million. This map plots the geographic locations, possibly multiple, of Bank operations approved during this period.¹

¹ To increase the transparency of its operations and better allocate its resources across the continent, the Bank is geo-coding its entire portfolio.
In this chapter, we review how well the African Development Bank is supporting Rwanda in achieving its national development goals. We are one of the largest providers of development finance to the country, with total commitments close to $400 million. In accordance with our Country Strategy Paper, the largest share of our investment in Rwanda goes towards strengthening infrastructure, mainly transport and energy, in order to reduce poverty. But we also support a range of other sectors, including agriculture, the private sector, health and education. This chapter presents the performance of current and recent Bank operations in each of the development spheres discussed in the previous chapter, with examples of some of the more innovative aspects of our support.

Measuring the Bank’s contribution to development in Rwanda

AfDB is only one player among many in Rwanda’s development. The Government of Rwanda exercises strong leadership of the national development agenda and is supported in its efforts by a significant number of development partners. Furthermore, Rwanda’s development is influenced by countless decisions made by individual firms and households, by structural factors in the economy and by external shocks like changes in fuel prices or global economic conditions.

Given this dynamism, it is very difficult to attribute overall development results to the work of a single institution. In this chapter, to assess our contribution to Rwanda’s development, we build up our results from the project level. The 31 indicators in Level 2 of our Results Measurement Framework for Rwanda capture aggregate outputs from Bank projects that were completed between 2009 and 2011 and for which we have Project Completion Reports. The indicators provide a picture of our progress in delivering our country strategy.

But these indicators capture only some of the results our work. To give a fuller picture, we also present a number of examples of Bank support in operation, to illustrate some of the more innovative aspects of our work.

Water and sanitation

Ensuring the equitable and sustainable use of water resources is a priority for the Government of Rwanda and a key goal for AfDB’s Rwanda portfolio. By helping to finance the Government’s investments in water and sanitation across the country, we aim to improve health outcomes, alleviate poverty, promote socio-economic development and safeguard the environment. There are also important linkages between water and sanitation and health outcomes, with recent data revealing that 7 of the top 10 causes of morbidity in Rwanda are related to the availability of clean water and sanitation and good hygiene practices.

Alongside our investment in water and sanitation systems, we are helping to promote a competitive market in water and sanitation, to ensure efficient delivery of services. We are also helping to deepen technical and managerial skills, so that infrastructure is well constructed and property maintained. Working in partnership with the Government, we have helped develop a National Water and Sanitation Data Bank to improve planning and management. We also help co-ordinate external assistance to the sector.

Box 2.1 Rural water supply and sanitation: ownership in action

In 2003, the Bank embarked on a programme of rebuilding and expanding water systems, as part of a larger investment to strengthen rural infrastructure. As well as investing in new water systems, the programme helped train local authorities and prepare the way for future investments through the development of water and sanitation master plans. Our current Rural Water Supply and Sanitation Programme builds on these successes. Our projects are owned by local communities, which participate in the planning and execution of projects and contribute with their labour. As well as bringing improved water and sanitation to more than half a million people, the programme has invested substantially in building local capacities to ensure the sustainability of the investments.
Table 2: How AfDB contributes to Rwanda’s development (Level 2)

This table presents the contribution the Bank is making to development through its operations in Rwanda. The Bank’s performance is measured by comparing expected and actual achievements for all operations that have been completed:
- Bank operations achieved 95% or more of what was expected at the beginning;
- Bank operations achieved 60%-94% of what was expected at the beginning;
- Bank operations achieved less than 60% of what was expected at the beginning;
- Data are not available to measure performance.

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2009-2011</th>
<th>2012-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expected</td>
<td>Delivered</td>
</tr>
<tr>
<td>WATER AND SANITATION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boreholes wells drilled/rehabilitated and equipped (number)</td>
<td>115</td>
<td>116</td>
</tr>
<tr>
<td>Drinking water transmission and distribution pipes constructed (km)</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Pumping stations and intake structures (number)</td>
<td>202</td>
<td>139</td>
</tr>
<tr>
<td>Latrines constructed or rehabilitated (number)</td>
<td>3353</td>
<td>3583</td>
</tr>
<tr>
<td>Workers trained in the maintenance of water facilities (number)</td>
<td>6050</td>
<td>11217</td>
</tr>
<tr>
<td>People with new or improved access to water and sanitation (number)</td>
<td>535503</td>
<td>765326</td>
</tr>
<tr>
<td>TRANSPORT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roads constructed, rehabilitated (km)</td>
<td>111</td>
<td>121</td>
</tr>
<tr>
<td>Feeder roads constructed, rehabilitated, or maintained (km)</td>
<td>905</td>
<td>708</td>
</tr>
<tr>
<td>Staff trained/recruited for road maintenance (number)</td>
<td>106</td>
<td>260</td>
</tr>
<tr>
<td>Staff educated in road safety and HIV transmission (number)</td>
<td>15000</td>
<td>164474</td>
</tr>
<tr>
<td>People with improved access to transport (number)</td>
<td>900000</td>
<td>1821474</td>
</tr>
<tr>
<td>ENERGY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Length of transmission and distribution lines rehabilitated or installed (km)</td>
<td>447</td>
<td>444</td>
</tr>
<tr>
<td>Staff trained/recruited in the maintenance of energy facilities (number)</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>People with a new electricity connection (number)</td>
<td>1500</td>
<td>1500</td>
</tr>
<tr>
<td>Population benefiting from new or improved electricity connections (number)</td>
<td>111021</td>
<td>111021</td>
</tr>
<tr>
<td>AGRICULTURE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural marketing and production facilities constructed or rehabilitated (number)</td>
<td>102</td>
<td>100</td>
</tr>
<tr>
<td>Land with improved use (replanted, reforested, landscaped, etc.) (ha)</td>
<td>75150</td>
<td>100737</td>
</tr>
<tr>
<td>Heads of livestock provided/vaccinated (number)</td>
<td>150000</td>
<td>171035</td>
</tr>
<tr>
<td>Staff recruited or trained (number)</td>
<td>24</td>
<td>47</td>
</tr>
<tr>
<td>Rural population trained/recruited/using improved technology (number)</td>
<td>41425</td>
<td>59280</td>
</tr>
<tr>
<td>Rural household reached (number)</td>
<td>750</td>
<td>1800</td>
</tr>
<tr>
<td>Plants introduced: seedlings, trees (million)</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>Total population benefited (number)</td>
<td>..</td>
<td>120000</td>
</tr>
<tr>
<td>PRIVATE SECTOR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SME effect (turnover from investments) ($ million)</td>
<td>..</td>
<td>10</td>
</tr>
<tr>
<td>SME supported as a result of project (number)</td>
<td>..</td>
<td>64</td>
</tr>
<tr>
<td>Total jobs created for investee projects and sub-projects (number)</td>
<td>..</td>
<td>3978</td>
</tr>
<tr>
<td>Total jobs created for women (number)</td>
<td>..</td>
<td>1162</td>
</tr>
<tr>
<td>EDUCATION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classrooms and educational support facilities constructed/equipped (number)</td>
<td>1067</td>
<td>1041</td>
</tr>
<tr>
<td>Textbooks and teaching materials supplied (number)</td>
<td>8733529</td>
<td>8733529</td>
</tr>
<tr>
<td>Teachers and other education staff trained/recruited (number)</td>
<td>343</td>
<td>343</td>
</tr>
</tbody>
</table>

- = data not available; ha = hectares; km = kilometres; MW = megawatts; m³ = cubic metres; NGO = non-governmental organisation; SME = small and medium-sized enterprise;
1 Results expected come from private-sector operations approved only in or after 2009, when the ex-ante assessment of development outcomes and additionality (ADOA) was launched. The numbers may therefore appear lower than they actually are. Over the next few years the expected results will climb as more operations from 2009 and later begin to reach their full operating maturity. This will also allow for a baseline for closed projects to assess the achievement of targets.

Note: This table does not capture the Bank’s contribution to results in Rwanda through direct budget support to reforms for strengthening the private sector environment and public financial management. Measuring the results of general budget support presents a methodological challenge that the Bank and other development institutions are still working to overcome.

Source: African Development Bank.
We have a range of measures in place to boost the quality of our operations. Working with the Government and other partners, we jointly review our activities in the sector each year to assess the quality of results and our rate of progress towards our joint targets. These joint reviews enable us to identify opportunities to improve national policies and institutions. We also assess the performance of individual projects, ensuring that technical standards are being achieved and that financial management and procurement are sound. This robust joint monitoring is key to achieving the best returns on investment.

Overall, the performance of our water and sanitation projects between 2009 to 2011 has been very creditable. Our investments enabled more than 765 000 people (143% more than our target) to have new or improved access to water and sanitation. Prospects for the maintenance of the infrastructure are also positive; the same period saw almost twice many as workers trained in the maintenance of water facilities as expected. All other targets for water and sanitation were met or exceeded, except construction and rehabilitation of pumping stations and intake structures, where 139 out of a planned 202 were completed.

As seen in the previous chapter, 74% of the population in Rwanda has access to safe drinking water and improved sanitation. Our current country strategy seeks to increase this to 95% by 2016.

**Transport**

Transport costs in Rwanda are $165/tonne/km, almost twice the regional average. Improving national and regional transport linkages is essential for linking farmers and other entrepreneurs to markets and lowering the costs of doing business. It also improves access to public services such as health care and agricultural extension.

We have therefore made infrastructure development — and particularly transport — the first pillar of our Rwanda country strategy. Infrastructure investments made up almost 20% of our active portfolio in 2011.

Over the past three years, we constructed, rehabilitated or maintained 708 km of feeder roads and 121 km of main roads. As a result, almost 2 million people were provided with improved access to transport — more than twice our target for the period. We have also trained Government officials in road maintenance and provided them with equipment.

The results of our investments can be seen in reduced journey times within Rwanda, and between Rwanda and its trading partners. For example, the Kicukiro-Kirundo Road Project supports an important trade and communications route between Rwanda and Burundi. The project constructed 97 km of road and a one-stop border post in Nemba that includes a computerised freight clearance system. The project also rehabilitated 254 km of rural roads, of which 94 km were in Rwanda. The project significantly reduced journey times from 6 hours in 2006 to 1 hour at the completion of the project, with time spent at the border cut by more than half. About 300 000 people now benefit from a reduction in transport costs of up to a third.

Our investments enabled more than 750 000 people to benefit from new or improved access to water and sanitation.

Our transport projects also help facilitate access to public services and economic infrastructure. For example, the Gitarama-Ngororero-Mukamira road project, completed in June 2012, was intended to open up farm and industrial production areas. We helped reconstruct 49 km of main roads and 90 km of feeder roads. Primary schools, hospitals, health centres, rural markets and agricultural production centres (particularly tea plantations) were all connected to the main asphalt road, improving access for nearly 900 000 people. To help mitigate any unintended effects from the investment, we provided awareness raising to 164 000 people on road safety, environmental protection and HIV/AIDS.

The Kicukiro-Kirundo Road Project constructed 97 km of road and a one-stop border post, reducing travel time from six hours to one between Rwanda and Burundi.

In the coming years, the Bank will support the upgrading of a further 85 km of gravel roads to tarmacs, helping to reach the target of 90% of the classified national road network rated as in ‘good condition’ by 2016. We also stand ready to support the Government of Rwanda in developing the regional rail network. An East African Railway Master Plan was adopted in October 2009. The Governments of Rwanda, Tanzania and Burundi are now engaged in the design of the Isaka-Kigali/Keza-Musongati Railway Project.

**Energy**

Over the past few years, the Bank has dramatically expanded its role and vision in the areas of energy, environment and climate change. This fits well with the priority the Government of Rwanda places on improving access to clean, cost-effective and reliable energy supplies, in order to allow the country to reach its economic potential.

At present, Rwanda’s power tariff of $0.18/kwh is well above the already high regional average of $0.10–0.12/kwh. Our energy projects are therefore focused on boosting energy production, to increase access and affordability.

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2 A green bullet indicates that AfDB achieved 95% or more of its planned target in 2011.
3 A yellow bullet indicates that AfDB achieved between 60% and 94% of its planned target in 2011.
Between 2009 and 2012, our operations enabled 111,000 people to benefit from new electricity connections. We installed or rehabilitated 444 km of transmission and distribution lines. Over this period, the proportion of the population with access to reliable electricity increased to 14.4%.

The electricity distribution network in the city of Kigali has been fully rehabilitated and most of the distribution stations can now be operated by the National Control Centre. Power outages and electricity losses have decreased. With the completion of Rukarara Hydro Power plant, generation capacity increased from about 74 MW in 2008 to 93.5 MW in 2011.

In addition to our investments in power infrastructure, we helped update the Kigali Electricity Master Plan. We also prepared a number of studies, such as on electricity pricing, which were shared with Government as a contribution to policy development.

Our objectives for 2012–16 include supporting further increases in power generation to 139 MW in 2016. At the same time, we will seek to support a reduction in power tariffs from $0.18/kwh in 2010 to $0.16/kwh by 2014.

Agriculture
Investing in agriculture is one of the most direct ways in which the Bank promotes inclusive growth. Raising the productivity of agriculture is critical to increasing farm incomes and addressing rural poverty as well as achieving food security and reducing Africa’s exposure to volatile international food prices.

With the support of the African Development Bank, Rwanda has boosted its annual milk production to 365,000 tonnes, while reducing its milk imports by 85%.

Rwanda has demonstrated that intensive investment in agricultural productivity can be a major driver of poverty reduction. Intensive government programmes have boosted agricultural productivity through land reform and crop intensification. Rwanda is one of the few countries to meet NEPAD’s recommendation of devoting 10% of national expenditure to agriculture.

Our activities aim to improve agricultural productivity and thereby target rural poverty and food insecurity, in line with Rwanda’s Agriculture Sector Strategy. We supplied or vaccinated more than 171,000 livestock. Through our support for Government extension programmes, nearly 60,000 people were trained to use improved technology. In addition, we trained over a thousand veterinarians, and more than 400 farmer co-operatives were formed or made operational. Since June 2011, we have been supporting agriculture through a sector budget support operation.

We have also invested in improving the productivity of Rwanda’s lake and pond fisheries. Our Inland Lakes Integrated Development and Management Support Project (PAIGELAC) helped the Government to restore the fisheries sector, both capture fish in Rwanda’s inland lakes and aquaculture. We have helped stock 15 inland lakes with tilapia fingerlings, provided training in fisheries management and fishing techniques, and provided a range of infrastructure including cold storage, drying racks and smoking ovens. We have helped prevent erosion around the lakes through the construction and reforesting of terraces, which also boosts agricultural production. We have supported 147 cooperatives with pond aquaculture, managing a total of 195 ha of rehabilitated ponds, as well as 43 cooperatives engaged in tilapia farming in 385 cages in the lakes. By 2012, the project aims to expand fisheries production to 17,400 per year.

Our agricultural programmes have been accompanied by a range of measures to improve environmental protection. The Government of Rwanda has been a leading actor on environmental issues, through some progressive schemes such as the banning of plastic bags. The Bank contributed by funding the provision of almost 33 million plants (seedlings and

Box 2.2 Changing the life of people: the Dairy Cattle Development Support Project

Our Dairy Cattle Development Support Project was first designed by the Government of Rwanda to develop the dairy cattle industry in the aftermath of conflict. At the time, very few Rwandans owned livestock. The Government’s approach was to provide one cow for every poor family, focusing on widows and female-headed households. Recipients were required to pass on a female calf to their neighbours, free of charge. In Rwandan tradition, a gift of cattle creates a strong bond of friendship. This innovative process helped not only to reduce poverty and income inequality, but also to cement ties within communities. The project also introduced several innovations such as modernised milk marketing and a biogas scheme, which converts animal waste into fuel for domestic use.

The project gave poor households access to milk for consumption and sale, and to manure for their crops. According to Ministry of Health officials, the one cow per poor family programme has helped to reduce infant mortality by lowering child malnutrition. Furthermore, families benefiting from the programme are more likely to educate their children, leading to higher enrolment rates for girls in particular.

With the support of this project, Rwanda has boosted its annual milk production to 365,000 tonnes, well above the target, while reducing its milk imports by 85%. The increased milk production has in turn spurred the growth of other agro-industries, including the Inyange Dairy Industry, which processes 40,000 litres of milk per day, and the Ruyenzi Dairy, which has a capacity of 30,000 litres per day. Annual meat production has grown to 56,000 metric tonnes, well in excess of the target. Overall, Rwanda’s cattle population has increased from just 162,000 in 1994 to 1.2 million today.
trees) and improving land use (e.g., through reforestation) for over 100,000 hectares.

Private-sector development

To make lasting inroads into poverty, Rwanda needs to create jobs and livelihood opportunities in the private sector. It needs to move more of its workforce from low productivity subsistence agriculture into areas that generate greater value and therefore higher wages. Private-sector development is also key to increasing public revenue, to reduce aid dependence and enable the country to finance its own development. The development of SMEs, especially in manufacturing, is key to achieving these goals. At present, Rwanda’s private sector is dominated by small, informal enterprises.

The Bank has been supporting the Rwandan Government to create an enabling environment for private-sector development. We have funded the establishment and operation of four commercial courts. Two expatriate judges were recruited for a year to transfer skills to local judges, 19 local judges have studied for Masters degrees in South Africa, and local training has been provided to judges and registrars. More efficient courts will lead to greater security of property and contracts, thereby helping to attract investment.

We also funded the establishment of 30 business development service centres, to support SME growth and competitiveness. These centres were privatised in 2011 to enhance efficiency and ensure sustainability. The Rwanda Development Board is currently assisting the operators of these centres to develop business plans to mobilise resources and to guide the provision of business advisory services. Our private-sector operations have supported 64 SMEs and facilitated the creation of 4,000 new jobs (including 1,160 for women). Our efforts have contributed an additional $10 million in annual turnover to the Rwandan private sector.

The Bank has also helped strengthen the financial sector and broaden access to financial services through advice and technical support. A comprehensive framework of support to SMEs (including the consolidation of financing mechanisms) was adopted by the Cabinet in June 2010. A new Payment System Law has been passed, to improve the flow of finance in the economy. Implementation of integrated payments processing is on-going, with a number of key components already in place, including an Automated Clearing House and a Central Securities Depository. We also provided Rwandan banks with lines of credit, gave grants to the Private Sector Federation and supported the 2009 conversion of the Banque Populaire into a commercial bank. We supported the Government of Rwanda with analytical work and policy advice on strengthening competitiveness and enterprise development leading to the elaboration of the 2011 National Export Strategy.

Education

The Bank’s Human Capital Development Strategy 2012–2016 was developed to meet increasing demand from our Regional Member Countries for interventions in education, health and social protection. The strategy has a strong focus on improving access to and equity in key public services, to ensure they contribute to social and economic inclusion. In the education sector, we specialise in higher education and training, making us well placed to tackle the issue of youth employment. We have been working with a range of African countries to adapt their higher education curricula to emphasise science, technology and entrepreneurship.

In Rwanda, the Bank has been a strong supporter of the Government’s efforts to ensure that the education system meets the needs of the labour market. From the post-genocide reconstruction phase through the rapid expansion of Rwanda’s education system, our education projects have contributed to fulfilling national development priorities and meeting Rwanda’s Millennium Development Goals.

Our education projects have supported the construction and/or equipping of 1041 classrooms and educational support facilities. We funded the supply of nearly 9 million textbooks and teaching materials and the training and recruitment of 343 teachers.

Box 2.3 Promoting science and technology among Rwandan girls

AFDB’s Education III project has a strong focus on science and technology, particularly for girls. It built 972 classrooms and 34 fully equipped science and technology laboratories. It procured 180,000 textbooks. It supported the Kigali Institute of Science and Technology (KIST), one of Rwanda’s premier institutions for science and technology, with the development of a strategic plan.

One component, the Equal Opportunity Project, was designed to provide young women with skills in science and technology, to make them more employable. It focused on technical areas including design, land surveying, architecture and urban planning. Scholarships and outreach programmes were provided for girls, together with an innovative preparatory programme for women unable to meet the admissions criteria for institutions of higher learning in science and technology. The one-year preparatory programme has provided academic and life skills to 192 young women. Altogether, the project has trained over 3500 technicians and engineers, of whom 1168 were women.

4 A grey bullet indicates that performance could not be measured.
Box 2.4 Building skills to become a technology hub for the East African region

In October 2007, the Connect Africa Summit recommended the establishment of five Centres of Excellence in each sub-region of Africa that would support the development of a critical mass of science and technology skills required for the development of Africa. Rwanda is spearheading the initiative for the East Africa Region with the opening of an Information and Communication Technology Centre of Excellence in Kigali. The Government of Rwanda has strategically targeted Carnegie Mellon University to establish and operate a master’s degree-granting programme in Rwanda because of its strong culture of research and innovation. The reputation of Carnegie Mellon University and the quality of education that will be delivered will be unique in the region and should attract the best students from the world to come to study in Rwanda. With this critical mass of expert skills, Rwanda is paving its way to becoming a leader in developing the breakthrough ICT solutions needed for the future of Africa.

Source: Carnegie Mellon University

Through our Education III Project, which ran from 2000 to 2009, we supported the Government in a wide-ranging programme of reforms designed to boost access to primary education, improve the skills of teachers and strengthen technical and vocational training. We also helped build up the central and local institutional capacities required to manage a decentralised education system. Working with a number of other development partners, we helped boost overall primary enrolment from 1.4 million pupils in 2000 to 2.2 million in 2008. The project also supports the Kigali Institute Science and Technology (KIST) with a study on training needs and support for new facilities, equipment and teaching materials. Over the life of the project, KIST used these resources to train more than 3500 technicians and engineers (including 1168 women) in scientific and technological fields.

Box 2.5 A leading success story on supporting business

Between 2008 and 2011, AfDB supported Rwanda’s reform efforts with a series of general budget support operations. We provided financial support and policy advice to improve the climate for the private sector and the financial system, strengthen the management of public finances and enhance the government’s capacity to deliver quality services. Among many reforms undertaken over this period, the Rwanda government introduced online business registration and an electronic land registry system which helped boost investor confidence (Rwanda’s Investment Perception Index reached 72% in 2011, ahead of its target) and led to increased bank lending to the private sector. Moreover, the Bank provided support through the Competitiveness and Enterprise Development Projects (CEDP I and II) which led to the establishment of the Rwandan Development Board, a high-level national institution with the mandate of spearheading increased investments and promoting trade in Rwanda. Strong country ownership was a key factor in this success.

The Bank also contributed sector budget support totalling $15 million between 2007 and 2010. To avoid duplication with other development programmes, the Bank’s contribution focussed on building on the gains from the Education III project by supporting training in scientific and technological skills at the higher education level. We supported the development of seven science and technology-related sector policies. We helped introduce science and technology-related indicators into the Education Management Information System (EMIS). At the conclusion of our support, science streams in secondary school included 49% girls, as compared to only 22% in 2004.

To address the acute shortage of advanced skills in ICT, the Bank in collaboration with Carnegie Mellon University is also supporting the establishment of a regional ICT centre of excellence. The centre will address the limited capacities in hardware and software engineering, network design and large scale ICT project management.

Under our Country Strategy Paper 2012–2016, we will continue to help Rwanda to improve access to specialised technical and vocational training, to equip young people with the skills required by the labour market and help Rwanda in its goal of becoming an ICT hub for the East African region. We will help the Government of Rwanda with its ambitious plans for the sector, including extending free basic education to 12 years for all Rwandan children.

Economic and financial governance

The Government of Rwanda has clearly indicated budget support as a preferred aid modality. General budget support provides the Government with a flexible pool of resources to support implementation of its EDPRS. Multi-donor budget support in Rwanda is also a pillar of the national aid architecture, providing an annual cycle of dialogue, commitments and joint performance reviews by which the Government and development partners hold each other to account. It encourages development partners to arrive at common positions, streamlining the policy dialogue and reducing transaction costs for the Government.

Since 2007, the Bank has had four policy-based operations (PBOs) in Rwanda, with a fifth currently under preparation. PBOs are disbursed directly into the national budget as part of multi-donor budget support. The Bank has played a prominent role in the budget support process, taking on the co-chairmanship of the Budget Support Harmonisation Group in 2008 and again in 2011.

Through this process, we have ensured that the issues we regard as critical to the success of the national development agenda are addressed in the policy dialogue. Our focus has been on public financial management and improving the business environment. Together with other development partners, we have played our part in Rwanda’s remarkable progress in improving its business
environment, rising from 139th place internationally in 2006 to 45th place in 2012.

**Conclusion**

Over the past three years, AfDB has made a substantial contribution to Rwanda’s impressive development results. By creating new economic opportunities through our investments in transport and electric power, and through interventions directly targeting poverty and food insecurity, our support has helped change the lives of many Rwandans.

Lessons learned from our 2008–2011 Country Strategy suggest that we need to focus on fewer but larger catalytic interventions. The Government and development partners have agreed on a donor division of labour. The Bank is assigned three priority areas: water and sanitation; transport and ICT; and energy. By concentrating in these areas, we can reduce transaction costs, increase efficiency in project implementation and add the greatest value to the achievement of Rwanda’s development objectives.

The next chapter looks at some of the management tools we use to ensure our portfolio is effective and to track our results.
The African Development Bank support to the one cow per poor family programme through its Dairy Cattle Development Support Project has significantly improved rural livelihoods and contributed to lift over one million people out of poverty.
Level 3: How well AfDB manages its operations in Rwanda?

The third level of our Results Measurement Framework contains 17 indicators that help us to monitor the performance of our portfolio in Rwanda. We measure whether our operations are being appropriately managed and supervised. We track disbursement rates to see whether implementation is moving forward as planned, and we keep an eye on underperforming projects to see if the resources can be better used elsewhere. We monitor a number of the commitments we made under the Paris Declaration on Aid Effectiveness — an area on which the Government of Rwanda places considerable emphasis. We also look at our contribution to knowledge generation.

We note that the relatively small size of our Rwanda country programme, with just eight new public-sector operations approved in the period covered by this review, means that the data need to be interpreted with care, as the results may be disproportionately affected by the performance of a single operation.

Performance of the Bank’s portfolio
At the end of 2011, the Bank’s Rwanda portfolio consisted of 22 operations for a total commitment close to $400 million, of which $234 million were approved in the period covered by this report 2009 to 2011. Over the same period, total disbursements of Bank financed operations in Rwanda amounted to $211 million. Over the life of our last Country Strategy Paper, 2008 to 2011, the average size of our public-sector operations was $16.9 million, compared to a Bank-wide average of $32 million.

As figure 3.1 shows, around 70% of the portfolio was concentrated in four sectors as at end of 2011. Agriculture and transport were the largest, absorbing each around 20% of approvals, followed by private sector finance and energy, each around 15%. Following the division of labour agreed between the Government of Rwanda and development partners, we are in the process of rebalancing our programme to prioritise transport, energy and water and sanitation.

We use a number of management tools to improve the performance of our portfolio. First, we are committed to increasing the level of supervision of our operations. Our goal is that all operations should be formally supervised twice a year1, so as to identify any problems early on and allow corrective action to be taken. This target was reached in 2011. We had no projects at risk (that is, where implementation is not progressing or the project is unlikely to achieve its intended objectives) in our portfolio. Two of our operations were eligible for cancellation in 2011, which is within our target of 10%. In one case, more than 180 days elapsed between project approval and signature, while in the other the disbursement deadline had elapsed. In recent times, the Bank has been taking a more proactive approach to cancelling such projects, in order to free up the resources for other uses.

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1 A green bullet indicates that AfDB has made good progress and is on track to achieving its target.
Table 3: How well AfDB manages its operations in Rwanda (Level 3)

This table presents the Bank’s progress in achieving its 2012 targets for portfolio management:

- Good progress has been made, and we are on track to achieve our target;
- Little progress has been made and we are at risk of not achieving our target;
- No progress has been made, or we have moved even further away from our target;
- Data are not available to measure performance.

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>RWANDA</th>
<th>ADF COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations formally supervised twice a year (%)</td>
<td>50</td>
<td>100</td>
</tr>
<tr>
<td>Problem projects in ongoing portfolio (^1) (%)</td>
<td>..</td>
<td>0</td>
</tr>
<tr>
<td>Disbursement ratio of ongoing portfolio (%)</td>
<td>21</td>
<td>27</td>
</tr>
<tr>
<td>Operations eligible for cancellation (%)</td>
<td>..</td>
<td>9</td>
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</table>

QUALITY AT ENTRY

<table>
<thead>
<tr>
<th></th>
<th>RWANDA</th>
<th>ADF COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget support disbursed on schedule (%)</td>
<td>..</td>
<td>100</td>
</tr>
<tr>
<td>Time elapsed from approval to first disbursement (months)</td>
<td>18</td>
<td>7</td>
</tr>
<tr>
<td>Operations that disclose ESIA on time (%)</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Operations rated satisfactory (%)</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

PARIS DECLARATION INDICATORS OF EFFECTIVE AID

<table>
<thead>
<tr>
<th></th>
<th>RWANDA</th>
<th>ADF COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development resources recorded on budget (%)</td>
<td>86</td>
<td>99</td>
</tr>
<tr>
<td>Predictable disbursements (%)</td>
<td>83</td>
<td>83</td>
</tr>
<tr>
<td>Use of country systems (%)</td>
<td>54</td>
<td>85</td>
</tr>
<tr>
<td>Parallel project implementation units (number)</td>
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<td>0</td>
</tr>
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</table>

KNOWLEDGE MANAGEMENT

<table>
<thead>
<tr>
<th></th>
<th>RWANDA</th>
<th>ADF COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exiting projects with a timely PCR (%)</td>
<td>75</td>
<td>67</td>
</tr>
<tr>
<td>PCRs rated satisfactory (^3) (%)</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>New ESW and related papers (^2) (number)</td>
<td>0</td>
<td>2</td>
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GENDER MAINSTREAMING

<table>
<thead>
<tr>
<th></th>
<th>RWANDA</th>
<th>ADF COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCRs with gender-disaggregated data (%)</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>New projects with at least one gender indicator (%)</td>
<td>67</td>
<td>100</td>
</tr>
</tbody>
</table>

.. = data not available; AfDB = African Development Bank; ADF = African Development Fund; ESIA = Environmental and Social Impact Assessment; ESW = economic and sector work; PCR = Project Completion Report.

\(^1\) Baseline is 2010

\(^2\) Cumulative value for the period for target

\(^3\) Target is Bank wide and not specific to Rwanda operations. Where baseline was above target, the latter was set arbitrarily 20% higher than baseline for the purpose of this reporting exercise only.

\(^A\) Target set in Rwanda’s Donor Performance Assessment Framework for FY 2011-2012

Notes: ADF countries are the 39 lower-income AfDB member countries that qualify for concessional funding. They are Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo Republic, Democratic Republic of the Congo, Côte d’Ivoire, Djibouti, Eritrea, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Sao Tomé and Príncipe, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Tanzania, Togo, Uganda, Zambia, and Zimbabwe. Cape-Verde and Angola are in transition.

Source: African Development Bank.

Overall, the quality of our Rwanda portfolio is satisfactory and improving. A review of our 2008–2011 Country Strategy Paper found that 43% of the outcomes in our results and monitoring matrix had been achieved as of mid-2011, with another 33% showing strong progress. These are good results, but with scope for improvement.

In September 2011, the portfolio was given an overall rating of 2.4 (on a scale of 3), representing an improvement from the 2.2 rating a year before. We continue to experience some delays in project start-up and implementation for a number of reasons,

Division of labour and a well-structured policy dialogue have increased the focus of the portfolio in Rwanda, leading to higher impact.

We track our disbursement rate, as a measure of overall resource use across our operations. At present, our disbursement ratio \(^2\) in Rwanda stands at 27%, above AfDB average of 18%. This reflects the good design of operation and efficiency in implementation thanks to good partnership at the country level.

\(^2\) The proportion of funds disbursed over the undisbursed balance
including non-fulfilment of loan conditions for private-sector and regional operations, delays in completing bid evaluations and a lack of capacity among contractors. We are introducing a number of measures to address the challenges, including more realistic loan conditions and more rigorous procurement plans. We are also paying more attention to capacity assessments of our implementing partners and introducing capacity development into project implementation plans. The Government’s new directive limiting the number of contracts that can be awarded to a single firm is also expected to help.

Quality at entry of Bank operations

Quality at entry is our term for whether our projects are technically sound and designed to maximise development impact. Quality at entry is extremely important to our overall effectiveness, as errors in design are often difficult to correct once implementation is underway. We have found that larger design teams with a broader range of skills lead to higher quality scores and more efficient implementation. In recent years, we have introduced Readiness Reviews — a new assessment tool for measuring the quality of project concept notes and appraisal reports.

We use a number of indicators to build up a picture of our quality at entry. The proportion of operations rated satisfactory in Rwanda stands at 100% — a reflection of a strong commitment to quality on the part of the Rwandan Government and the Bank’s country team. The time elapsed from approval to first disbursement fell by more than half, from 18 months in 2009 to only 7 months in 2011 — well ahead of our target of 11 months. However, the delay for effective start of regional projects is still relatively high, at 13 months, due mainly to the additional time required to fulfil cross-country conditions. All our budget support was disbursed on schedule.

Aid effectiveness

The Government of Rwanda has been an energetic proponent of improvements in aid effectiveness, playing a leading role at the international level in promoting the principles and commitments in the Paris Declaration on Aid Effectiveness and its successor instruments. Rwanda has an aid policy setting out its preferences for the delivery of aid and a well-developed national aid architecture, with the Development Partners Coordination Group acting as the highest-level coordination body.

The Budget Support Harmonisation Group provides a common platform for dialogue between the Government and budget support donors on the national development strategy and budgetary processes. It monitors progress on implementing the EDPRS using a Common Performance Assessment Framework. In place since 2008, this framework enables Government and development partners to be jointly accountable for the achievement of national development goals. As co-chair of the

Budget Support Harmonisation Group in 2008 and 2011, the Bank helped develop the assessment scoring methodology.

These high-level bodies are supported by a series of sector working groups and thematic clusters. The AfDB country team currently co-chairs the Water Sector Working Group and participates actively in a number of others, including on energy, transport, agriculture and education. We have also organised a series of events jointly with the Government to foster dialogue with parliamentarians and other national stakeholders on topical issues such as fiscal decentralisation, funding for the Strategic Investment Programme and macroeconomic developments.

The Government and development partners have agreed on a donor division of labour, to reduce transaction costs in the management of aid flows. Our country programme is closely aligned to this division of labour and to the Government’s national and sector development strategies.

The Government has invested substantial effort into developing information systems on aid flows. A Development Aid Database was launched in 2006 to support harmonisation and alignment. The Ministry of Economics and Finance monitors donor performance against their commitments on the volume and quality of aid, using a Donor Performance Assessment Framework. This unique instrument is a powerful tool for promoting mutual accountability.

Development Effectiveness Review 2012 – RWANDA COUNTRY REVIEW

Figure 3.2 Portfolio performance

Figure 3.3 Quality at entry

Figure 3.4 Paris Declaration indicators
The assessment for 2010–11 found that the Bank met 14 out of 21 aid effectiveness targets for which data were available. This placed AfDB among the top 5 of the 15 development partners assessed and on a par with the World Bank.

For the purposes of our Results Measurement Framework, we use our own survey and assessment methodology. It showed that 99% of our aid was recorded on budget in 2011, up from 86% in 2009. Our predictability of disbursements was steady at 83% (well above the overall Bank average of 57%). Eight-five per cent of our aid was spent through country systems, helped by a relatively high proportion of budget support in the country programme (37% of approvals between 2008 and 2010). This is a very creditable set of results on aid effectiveness.

The Government and development partners are revising the donor performance assessment framework to take into account the new commitments made at the 4th High-Level Forum in Busan in December 2011. In the coming period, we will align our Results Measurement Framework for Rwanda to the new assessment methodology.

Knowledge management
An important element of our support to Rwanda is the production of high-quality knowledge products that contribute to national development policy. In 2011, we produced two new knowledge products, and we plan to raise this to four in 2012. Our East Africa Regional Department carried out a study on regional integration in the East African Community, including a case study on Rwanda. This informed the development of our Regional Integration Strategy Paper for East Africa, which mapped out opportunities and challenges and helped shape our portfolio in areas such as infrastructure development and capacity building. We also carried out a study on domestic resource mobilisation in East Africa, with Rwanda as a case study, which contained a series of recommendation on how to strengthen tax policy and administration.

Together with other budget support donors, we have also undertaken a range of joint analytical work on the budget process, including Public Expenditure Reviews, Public Expenditure and Financial Accountability reviews and Fiduciary Risk Assessments. This diagnostic work has contributed to the design of the Government’s public financial management reform programme.

We are working with the Government on a series of studies to inform the preparation of the next iteration of the EDPRS. Studies of the transport and energy sectors will help identify long-term investment needs and financing options. A study on SMEs will explore options for improving their access to the capital markets, while a growth diagnostics study being conducted in partnership with the Bank’s Research Department will explore sources and drivers of growth, in support of Rwanda’s vision of achieving middle-income status. In addition, the Bank is directly helping the National Institute of Statistics strengthening its coordination capacity.

Project Completion Reports (PCRs) are a tool we use to capture experiences and lessons from completed operations to inform new programming. Of the three projects that closed in 2011, two produced a timely PCR, both of which were rated satisfactory.

Conclusion
Overall, the Bank’s Rwanda portfolio is in robust shape, with almost all our performance indicators showing good progress. Both the quality and efficiency of our operations are relatively high, but with scope for improvement. We are introducing a range of measures to reduce delays, particularly in our private-sector and regional operations.

The development partnership in Rwanda is a very healthy one. The Government of Rwanda exercises strong leadership of the national development agenda and is committed to maximising the value of its external assistance. The Bank country team supports this leadership by playing an active role in the national aid architecture.

We can point to a number of good practice examples from Rwanda. The CPAF process for setting joint development objectives and monitoring their achievement is very effective, while the DPAF is a strong tool for ensuring mutual accountability.
Improving living conditions with infrastructure

Access to clean water has grown steadily in Rwanda, reaching over 74% in 2011. African Development Bank investments enabled more than 750,000 people to benefit from new or improved access to water and sanitation.
Level 4: How efficient AfDB is as an organisation in Rwanda

The final level of our Results Measurement Framework measures how well we manage our own organisation. We use seven indicators measuring our performance in three areas: the decentralisation of our operations to the country level, the efficiency of our business processes, and the transparency with which we operate.

Decentralisation
For some years, AfDB has embarked on an extensive process of decentralising the management of our operations to the country level. Our Decentralisation Roadmap responds to the clear preference of our Regional Member Countries that we locate more staff and functions at the Field Office level. Decentralisation puts us closer to the communities we serve and makes us better placed to participate in country-led development processes. It is particularly important in countries where we provide budget support, such as Rwanda, where the quality of our assistance is linked to our ability to engage actively in policy dialogue and performance reviews.

Since 2011, we have increased the size of our Rwanda Office from 7 to 10 professional staff. All of the sectors where we have operations are now overseen by sector specialists in-country, with the exception of energy where we plan to recruit a specialist in the coming period. Moreover, with our East Africa Regional Centre located in Nairobi, the Field Office can call on additional expertise much more readily.

This expanded presence in-country has enhanced the quality of our development partnership with Rwanda. We have taken on a prominent role in the national aid architecture, co-chairing the Budget Support Harmonisation Group in 2008 and 2011. We also co-chair the Water and Sanitation Sector Working Group. A strong Field Office also contributes to better coordination with other development partners. For example, we have financed two road projects jointly with the Arab Bank for Economic Development in Africa and the OPEC Fund for International Development.

However, the delegation of functions to the Field Office by sector departments at the Bank’s headquarters has moved relatively slowly. Of 22 active operations in our Rwanda portfolio, only two of the task managers are located in the Field Office and only 14% of project tasks are managed from the Field Office. Our experience bears out the importance of the Bank’s decentralisation plans, as task managers at the country level are better placed to respond swiftly to requests from Government.

The Field Office is, however, taking on the leadership of our diagnostic work, such as the preparation of the Country Programme Performance Review and Project Completion Reports, and the generation of new knowledge products such as the ongoing energy and transport sector reviews.

Box 4.1 The readiness filter: an innovation to boost efficiency

A key innovation in the management of our Rwanda portfolio has been the introduction of a Readiness Filter in partnership with the Government of Rwanda. This filter specifies measures that must be taken before the commencement of a new operation to ensure that it proceeds towards the first disbursement without delay. This includes ensuring that:

- project implementation plans are ready;
- counterpart funds are available for the first year;
- key project staff are identified (e.g., project manager, procurement expert, financial management specialist, M&E specialist);
- environmental, social, financial management and procurement policies have been complied with;
- bidding documents for the first year are ready for Board approval; and
- suitable indicators are chosen for tracking results.

1 A yellow bullet indicates that progress toward this target is starting to stall or regress.
Level 4: How efficient AfDB is as an organisation in Rwanda

Business processes and practices

At the corporate level, the Bank has introduced a range of measures in recent years designed to streamline our business processes and increase the efficiency of our operations. Across the Bank as a whole, these reforms are delivering results, with the average time required for procurement reduced by a third and our administrative costs steadily falling (see ADER 2012).

The Government of Rwanda has been a strong partner in our efforts to increase the efficiency of our country portfolio. One very useful innovation has been the introduction of a readiness filter for all public-sector operations. This is a checklist of measures that must be taken for any new project prior to its approval, to ensure that it moves quickly to the implementation phase. Some of these measures are summarised in Box 4.1.

We have also been working in partnership with the Government to implement our Country Portfolio Improvement Plan, which we developed jointly in 2010. Under this Plan, we have introduced a number of innovations in the management of the portfolio, including regular project management meetings, additional support by our Field Office to the Executing Agencies and the restructuring of a number of our operations. Although the full impact of these measures has yet to be quantified, there has clearly been a significant boost in the efficiency of implementation of operations selected for restructuring.

Across the Rwanda portfolio, we see significant improvements in the quality and efficiency of procurement processes. The percentage of procurement documents rejected fell to only 5% in 2011, compared to 50% the year before, while the time taken to process procurement documents fell from 60 to 15 days. We have also seen improvement in disbursement processes, with the average time taken to process and pay disbursement requests declining from 25 to 17 days, while the share of incomplete disbursement requests fell to just 10%.

**Table 4: How efficient AfDB is as an organisation in Rwanda (Level 4)**

This table presents the Bank's progress in achieving its 2012 targets for organisational performance:

- Good progress has been made, and we are on track to achieve our target;
- Little progress has been made and we are at risk of not achieving our target;
- No progress has been made, or we have moved even further away from our target;
- Data are not available to measure performance.

<table>
<thead>
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<th>INDICATOR</th>
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<th>Latest 2011</th>
<th>Target 2012</th>
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<tbody>
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<td>Decentralisation</td>
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<tr>
<td>Projects task managed from the field office (%)</td>
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<td>35</td>
</tr>
<tr>
<td>Downtime of Wide Area Network in field office (hours)</td>
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<td>75</td>
<td>150</td>
</tr>
<tr>
<td>Business processes and practices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of procurement documents rejected (%)</td>
<td>50</td>
<td>5</td>
<td>..^</td>
</tr>
<tr>
<td>Time taken to process procurement documents (days)</td>
<td>60</td>
<td>15</td>
<td>..^</td>
</tr>
<tr>
<td>Average time taken to process and pay disbursement requests (days)</td>
<td>25</td>
<td>17</td>
<td>..^</td>
</tr>
<tr>
<td>Average share of incomplete disbursement requests (%)</td>
<td>30</td>
<td>10</td>
<td>..^</td>
</tr>
<tr>
<td>Transparency and accountability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project audits submitted on time (%)</td>
<td>..</td>
<td>42</td>
<td>80</td>
</tr>
</tbody>
</table>

^ - data not available, AfDB = African Development Bank, ADF = African Development Fund; IT = information technology; UA = Units of Account.

^ No specific target is set at this stage.

Source: African Development Bank/Government of Rwanda

**Figure 4.1 The readiness filter has had a positive impact on efficiency**

- Procurement documents rejected (%)
  - 5%
  - Up to 60%
- Time taken to process procurement documents (days)
  - 5-15
  - Up to 60
- Average time taken to process and pay disbursement requests (days)
  - 17
  - 25
- Average share of incomplete disbursement requests (%)
  - 10
  - 30

A green bullet indicates that AfDB is on track to achieving its target.
We are continuing to look for opportunities to strengthen the management of the portfolio. In 2011, we organised a workshop for Executing Agencies to equip them with the skills needed to identify and address challenges in project implementation. We continue to work with them to develop realistic, time-bound plans for improving project performance, particularly for public-private partnerships and projects approaching the end of their cycle.

**Conclusion**

Once again, we can see that active participation from the Government of Rwanda in the management of our portfolio is yielding dividends, with the efficiency of our business processes increasing substantially in recent years. We see the readiness filter, in particular, as an example of a good practice that could be replicated in other countries.

The readiness filter has significantly improved the efficiency of AfDB operations in Rwanda, dividing for example time taken to process procurement documents by four.

Decentralisation remains in a transitional phase. We have increased the capacity of our Field Office, enabling us to be more responsive to the Government and to play a more active role in policy dialogue and aid coordination. However, the delegation of management authority to the country level is still to be accomplished.
Enrolling women in science and technology
The African Development Bank funded Education III project has supported the Kigali Institute of Science and Technology in developing new courses, with special focus on enrolment of young women.
This Development Effectiveness Review of our Rwanda country programme illustrates both the impressive progress that Rwanda has made in recent years on its national development agenda, and the contribution AfDB has made in supporting those results. It contains numerous useful lessons both for other African countries and for AfDB as a development agency. It also outlines some of the directions we will take in the coming period to ensure that our development partnership and our operations in Rwanda continue to improve.

Rwanda’s development challenges
As a small and landlocked country with a troubled past, Rwanda faces some major development challenges. However, it has displayed an impressive determination to overcome these challenges and achieve its goal of becoming a middle-income country. Alongside other African countries, Rwanda has achieved robust economic growth over the past decade, averaging 8% since 2000. Unlike the situation in most other countries, however, this growth has been broadly inclusive. Through targeted programmes to address rural poverty, Rwanda has succeeded in reducing income inequality. As a result, the last five years have seen a million Rwandans — or 12% of the population — lift themselves out of poverty.

Progress on poverty reduction in Rwanda is closely linked to the quality of infrastructure connections. Growth has been fastest in the capital and in the northern regions, where producers are better linked to national and regional markets. It has been slowest in the southern and western regions, which have poorer infrastructure connections. The electrification rate also remains very low, calling for major investment.

Rwanda has been one of the leading performers internationally at improving its business environment. The time and costs involved in starting a new business have been reduced dramatically. But Rwanda’s private sector has yet to emerge as a major driver of growth. A large majority of Rwanda’s SMEs remain in the informal sector, where they have little access to finance and other services and thus limited potential for growth.

As a result, employment growth has been disappointing. Youth unemployment has emerged as a particular concern, with 42% of young Rwandans unemployed or underemployed, many of them in subsistence agriculture. While Rwanda has made impressive progress on expanding access to basic education, the challenge is to equip young people with the skills they need to succeed in the labour market.

AfDB’s contribution
AfDB has made a significant contribution to development results in Rwanda. We have been one of the major financiers of infrastructure development. We have invested in transport corridors and feeder roads, helping to provide more than 2 million people with improved access to transport. We have invested in energy, building electricity transmission lines, helping to upgrade the distribution network in Kigali and providing 111 000 households with new electricity connections.

In agriculture, we have support the Government’s drive to boost agricultural productivity through investments in improved land use and livestock distribution, resulting in substantial increases in milk and meat production. We have also invested in Rwanda’s lake and pond fisheries.

In accordance with the Government’s preferences, budget support plays an important part in our Rwanda portfolio. We have been actively involved in policy dialogue and performance assessment processes around the multi-donor general budget support operation. This has enabled us to provide the Government with advice and support on macroeconomic management and on important parts of its reform programme, such as improving the business environment and strengthening the financial sector.

In education, we have provided financial support to assist with the expansion of the Rwandan school system, constructing...
over a thousand classrooms and supplying 9 million textbooks and teaching materials. Our focus has been on promoting skills in science and technology in higher education and vocational training, particularly among girls. We have supported the Kigali Institute of Science and Technology, one of Rwanda’s premier institutions for scientific education, including with the provision of scholarships and outreach programmes for girls.

The quality of our support
We have a very healthy partnership with the Government of Rwanda, based on a well-developed national aid architecture and strong country ownership of the national development agenda. We have been an active participant in policy dialogue and performance assessment processes. As co-chair of the Budget Support Harmonisation Group, we helped develop the Common Performance Assessment Framework, which promotes the joint responsibility of Government and development partners for the delivery of development results.

The quality of our portfolio has been satisfactory and improving over the years. A review of our 2008–2011 Country Strategy Paper found that 43% of the outcomes in our results and monitoring matrix had been achieved as of mid-2011, with another 33% showing strong progress. These are good results, but with further scope for improvement.

The efficiency of our Rwanda portfolio is relatively high, with a disbursement ratio considerably better than the Bank average. We continue to experience some delays in project start-up and implementation, however, for reasons including non-fulfilment of loan conditions (particularly for regional and private-sector operations), procurement delays and a lack of capacity among contractors.

In partnership with the Government of Rwanda, we have introduced a number of innovations to reduce the delays. In particular, the readiness filter, which ensures that new projects are ready to move to implementation before they are approved, has been an important innovation that could be replicated in other countries.

We are in the process of decentralising the management of our portfolio to the country level. We have made progress in building up staff capacity in the Rwanda Field Office. However, this has not yet been followed up by the delegation of functions to the country level. We see this as an important step for the coming period, to enable us to become more flexible and responsive to the needs of our partner country.

The way forward
We are committed to continuing to improve the quality of our support to Rwanda. With the strong leadership shown by the Government and the solid foundations we have established in our programming to date, there is no reason we should not be ambitious in our goals.

There are a number of key priorities to address in the coming period. First, we will continue to increase the selectivity of our operations, in accordance with the division of labour agreed between the Government and development partners. We will focus our assistance on energy, transport and water and sanitation, while acting as a silent partner in education. We will also continue to pursue some cross-cutting areas such as economic governance and private-sector development. Overall, we anticipate having a small number of larger projects, to reduce transaction costs and maximise impact.

We will press ahead with decentralising management responsibility to our Rwanda Field Office. In the coming period, we will be appointing additional staff, to ensure that all our priority sectors can be effectively covered from the country level. We will increase the proportion of tasks managed by the Field Office, while continuing to bring in additional expertise where required from our Regional Centre in Nairobi.

We will extend the readiness filter to cover regional operations, which remain a source of delays in project commencement and implementation. We will simplify our loan conditions while working closely with regional partners to ensure that necessary conditions are achieved expeditiously.

We will continue to identify and address bottlenecks in project implementation. This means working closely with Executing Agencies to analyse potential capacity constraints on project implementation and address them as early as possible through targeted support. Increasing our own capacity in the Rwanda Office will boost the resources we have available to provide this support. We also pay close attention to the capacity constraints of contractors.

Finally, we propose to scale up our non-lending operations, including our analytical work and advisory services. We will produce timely and relevant knowledge products to support the next iteration of the national development strategy. Working with other development partners, we will continue to invest in diagnostic work on country systems, to help inform the Government’s reform efforts.
About this publication
The Development Effectiveness Review 2012: Rwanda Country Review is a report on the performance of the African Development Bank’s (AfDB) in Rwanda. It reviews development trends in the country and explores how AfDB’s operations have contributed to development results over the past three years. It also looks at how effectively AfDB manages its operations and its own organisation in Rwanda.

About the African Development Bank Group
The AfDB Group is a multilateral development bank whose shareholders include 54 African countries and 27 non-African countries. The AfDB Group’s primary objective is to contribute to the sustainable economic development and social progress of its regional members, individually and jointly. It does this by financing a broad range of development projects and programmes through public-sector loans, including policy-based loans, private-sector loans, and equity investments; by providing technical assistance for institutional support projects and programmes; by making public and private capital investments; by assisting countries with development policies and plans; and by supplying emergency assistance.