Turning Vision 2020 into Reality

From Recovery to Sustainable Human Development

National Human Development Report • Rwanda 2007

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Turning Vision 2020 into Reality: From Recovery to Sustainable Human Development.
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FOREWORD

It is my pleasure to introduce the Rwanda Human Development Report 2007, with the theme "Turning Vision 2020 into Reality: From Recovery to Sustainable Human Development".

Important economic change has taken place in the last 12 years of development in our country. From 1995 onwards, we were engaged in reconstruction and rehabilitation of the national economy after the conflict and genocide. By 1999, when the Enhanced Highly Indebted Poor Countries Initiative was being started, Rwanda had carried out economic reforms to qualify for the decision point in 2000.

This was the year in which His Excellency Paul Kagame, President of the Republic, announced a National Programme for Fighting Poverty in Rwanda. After 2001 Rwanda had a Poverty Reduction Strategy Paper that represented a domestic commitment to alleviate poverty.

Since 2003, an Annual Progress Report on our Poverty Reduction Strategy has been carried out, indicating progressive development and remarkable recovery of our economy. Policy reform and efforts to keep within limits of debt sustainability have also accelerated. By 2005, when the first-generation Poverty Reduction Strategy was completed, Rwanda also reached the completion point under the Highly Indebted Poor Countries Initiative.

As the Rwanda Human Development Report 2007 is being released, we are in the process of compiling our second Poverty Reduction Strategy – the Economic Development and Poverty Reduction Strategy (EDPRS) which will last five years. Rwanda is now firmly on a path to development and the country is looking at how our growth, extreme poverty eradication and governance strategies are contributing to our long-term Vision 2020.

The publication and dissemination of the Rwanda Human Development Report 2007 is a timely and useful contribution to the ongoing debate about how to translate the development goals in Vision 2020 and the Millennium Development Goals into effective policies and concrete action plans.

James Musoni
Minister of Finance and Economic Planning and
Chair, National Steering Committee of NHDR

PREFACE

The first global Human Development Report was published in 1990, with the single goal of putting people at the centre of the global development debate. Every year since then, these reports have addressed global challenges from a people-centred perspective, with a very simple message: human development is about much more than the rise or fall of national incomes. It is about creating an environment in which people can develop their full potential and lead productive, creative lives in accordance with their needs and interests. Development is thus about expanding the choices people have to lead lives that they value. From this perspective, economic growth is only a means – albeit a very important one – of enlarging people's choices.

In Rwanda, economic development has been occurring in the context of post-genocide recovery and reconstruction. The previous National Human Development Report (NHDR) for Rwanda, published in 1999, focused on post-genocide reconstruction and reconciliation. Since 2000, Rwanda has embarked on a development phase which focuses on poverty reduction, economic growth and strengthening of democratic governance. It is in this respect that the new National Human Development Report 2007 looks at the long-term human and economic development challenges facing Rwanda as it moves from recovery to long-term sustainable development.

Rwanda has experienced a remarkable recovery since the war and genocide in the early 1990s, achieving one of the highest growth rates in the region. However, as the country moves from recovery to sustainable development, it will need to find new sources of growth and address some key structural bottlenecks. This report outlines these challenges and gives policy recommendations for development partners in Rwanda to work together to achieve national development goals as outlined in Vision 2020 and the MDGs.

This report is the result of a collaborative effort between a diverse array of stakeholders in Rwanda. We are deeply grateful for the insight, suggestions and analysis provided by our colleagues and partners at various stages during the NHDR preparation. The report is intended to stimulate debate and dialogue around a set of issues facing Rwanda as it sets out to achieve its national development objectives.

Moustapha Soumaré
UN Resident Coordinator and
UNDP Resident Representative Rwanda

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LIST OF ABBREVIATIONS

BNR	National Bank of Rwanda
CSO	Civil Society Organisation
DFID	Department for International Development
DHS	Demographic and Health Survey
EDPRS	Economic Development and Poverty Reduction Strategy
EICV	Enquête Intégrale sur les Conditions de Vie des Ménages (Household Living Conditions Survey)
FDI	Foreign Direct Investment
GBV	Gender-based Violence
GDP	Gross Domestic Product
GoR	Government of Rwanda
HDI	Human Development Index
HIPC	Highly Indebted Poor Countries
HIV/AIDS	Human Immuno-deficiency Virus/Acquired Immuno-deficiency Syndrome
IDA	International Development Association
IMF	International Monetary Fund
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MIGEPROF	Ministry of Gender and the Promotion of Family
MINAGRI	Ministry of Agriculture
MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education
MINISANTE	Ministry of Health
MTEF	Medium Term Expenditure Framework
NDP	National Decentralisation Policy
NEPAD	The New Partnership for Africa's Development
NGO	Non-governmental Organisation
NHDR	National Human Development Report
NHRC	National Human Rights Commission
NPV	Net Present Value
NURC	National Unity and Reconciliation Commission
ODA	Official Development Assistance
OECD-DAC	Organisation for Economic Cooperation and Development – Development Assistance Committee
PRIMATURE	Office of the Prime Minister
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Program
RoR	Republic of Rwanda
SNV	Netherlands Development Organisation
SWAP	Sector Wide Approach
TB	Tuberculosis
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNEP	United Nations Environment Programme
UNESCO	United Nations Education and Scientific and Cultural Organisation
UNIFEM	United Nations Development Fund for Women
UNICEF	United Nations Children's Fund
WHO	World Health Organisation

INTRODUCTION

After a long and difficult process of recovery from the genocide, one of the worst atrocities in Africa, Rwanda is now firmly on the path of resurgence and economic development. In recent years, all the key institutional and legal instruments have been put in place to facilitate Rwanda's long-term development. Six years ago, Rwanda elaborated on its national development vision, Vision 2020, which translates its international development commitments, such as the Millennium Development Goals (MDGs), into a comprehensive national development plan. In 2003, Rwanda adopted a new constitution that guarantees basic political freedom and human rights for all. In the same year, Rwanda held its first parliamentary and presidential elections. In May 2005, Rwanda successfully completed the Highly Indebted Poor Countries (HIPC) process and became eligible for substantial debt relief. Shortly afterwards, the country initiated its Economic Development and Poverty Reduction Strategy, which constitutes the way it plans to operationalise its development goals.

Today, Rwanda finds itself at a crossroads in its development process. After a successful transition from emergency to stabilisation and recovery, Rwanda now needs to find the path that will set the country on course for achieving the objectives laid out in Vision 2020. This transition will create new challenges for Rwanda and require the country to find new sources of growth for long-term human and economic development. Furthermore, it needs to establish mechanisms for managing the profound structural transformation of the economy and society that will be required in order to achieve Vision 2020. In this report, we review in depth some of the key challenges Rwanda will face over the coming years and we discuss possible solutions.

The main argument of this report is that achieving the Millennium Development Goals in Rwanda is possible, even with reasonable assumptions of economic growth and development assistance. Rwanda presents all the necessary fundamental attributes to showcase the potential of the new Post-Millennium Declaration. Rwanda's experience shows that even war-ravaged least-developed countries can make progress towards achieving sustainable long-term development. The country is sufficiently small to consider the option of scaling up aid to the levels required to achieve the MDGs. Despite the war, the country is strongly institutionalised and has a functioning central state. Finally, Rwanda has comparatively low levels of corruption and a fairly effective public administration.

Achieving the MDGs in Rwanda will require a fundamental rethink of the structure of development assistance. Rwanda already receives more foreign aid than most African countries, at US$55 per capita, yet the impact of this aid on poverty reduction and economic growth is limited. If Rwanda is to achieve the MDGs and Vision 2020, then "business as usual" must be replaced by a bold new partnership for development. This will involve donors committing to provide the necessary resources to Rwanda over a sufficiently long period. This will be necessary to enable the country to undertake the "Big Push" of investment that is required to break the cycle of poverty facing some of the more vulnerable groups. More importantly, the resources must be aligned with national priorities; and they must be predictable, coordinated and streamlined in order to enable the government to optimise their use for poverty reduction. On the other hand, the Government of Rwanda needs to make long-term commitments to adhere to the strategies set out in the EDPRS and to align its national policies with the MDGs. To ensure the sustainability of the Big Push, Rwanda must strengthen its institutional and legal framework and continue the progress made in the area of governance.

This second National Human Development Report for Rwanda examines some of the most pressing development concerns facing the country. This report is the result of a collaborative process involving a wide variety of stakeholders including the Government of Rwanda, the National University of Rwanda, donors, civil society groups, private sector representatives and non-governmental organisations (NGOs). The report was independently prepared with the objective of being nationally owned and inclusive to a variety of stakeholders.

The NHDR is based on a human development approach. Human development refers to the expansion of choices and capabilities facing people to live the lives they choose. The strength of the human development approach is its ability to place people in the centre of analysis, and to move beyond focusing only on income or economic growth. A human development analysis gives us insight into understanding the uneven development process in Rwanda.

Rwanda has experienced substantial growth over the past decade, but this growth has achieved only modest progress towards poverty reduction and meeting the MDGs. A human development approach allows us to examine the important inter-linkages between economic progress and other aspects of social welfare that affect the quality of life and choices faced by the majority of the population. As we examine the future development path for Rwanda, it is vitally important that we move beyond merely examining long-term sources of growth and look towards promoting broad-based sustainable human development for all.

Before starting our analysis, we review some fundamental principles that are key to the study, by focusing on the importance of and interrelation between Vision 2020, the MDGs, the EDPRS and the HIPC Initiative.

VISION 2020 AND THE MDGS

The MDGs outline global consensus of what constitutes the minimum core of a sound development strategy. These were never meant to set out a final and exhaustive one-size-fits-all development strategy. As such, the MDGs lay the normative ground for international development assistance and play an important role in structuring development around key issues, enabling a more streamlined and results-oriented approach to human development.

The Millennium Declaration, which was adopted by 197 heads of state in 2000, emphasised the need to localise the MDGs by developing national development strategies that are based on the MDGs, but are adapted to suit national realities and priorities. The fact that the second Millennium Development Goal on education excludes tertiary education, for instance, was never meant to imply that developing countries should exclude tertiary education from their development strategies. Indeed, tertiary education is crucial to long-term economic development, as well as to strengthening democracy and achieving social cohesion. By singling out primary education, the MDGs established the minimum development threshold, assuming that countries would integrate these core principles into their own comprehensive and more ambitious development strategies.

Vision 2020 constitutes a perfect example of a localised MDG-based development strategy. There is no incompatibility between the MDGs and Vision 2020. Vision 2020 targets are virtually identical to MDG targets in all sectors where there is an overlap, even though their interpretation sometimes differs. Indeed, as we will see in Chapter 2, Vision 2020 and the MDGs are mutually reinforcing and necessary complements of each other. Furthermore, Vision 2020 is broader than the MDGs in terms of scope. Even though the MDGs will continue to be the basis of discussions with development partners, this should in no way detract the government from pursuing the development objectives set forth in Vision 2020.

EDPRS AND HIPC COMPLETION

In May 2005, Rwanda became the 18th country to reach the completion point under the Highly Indebted Poor Countries Initiative. After a long period of assessment of needs and performance under the HIPC framework, Rwanda reached the decision point for HIPC in 2003. Here, under the HIPC framework, it was decided that Rwanda would be eligible for debt relief, provided that it could fulfil a number of criteria. Between 2003 and 2005 Rwanda underwent a number of reforms and tests to ensure that the additional resources made available through the HIPC Initiative would be well utilised, and that debt would be maintained at sustainable levels afterwards.

One of the conditions required under the HIPC scheme was that the country should elaborate and implement a Poverty Reduction Strategy Paper (PRSP). The first cycle of the PRSP was completed in 2005, leading to the completion of the HIPC debt relief initiative for Rwanda. The second cycle of the PRSP process, called the Economic Development and Poverty Reduction Strategy (EDPRS), marks an important strategic and symbolic landmark in Rwanda's road to recovery from the devastation caused by the war and genocide.

Symbolically, the completion under the HIPC Initiative marks the end of the transition from recovery to the development phase. With the EDPRS, Rwanda is now turning to the future and to the challenge of creating the conditions for sustainable long-term economic development. Up until the PRSP, Rwanda's growth had largely been based on recovery and reconstruction. Given Rwanda's extremely low starting point and the "catching-up" phase drawing to a close, Rwanda's economy has slowed down. One of the major challenges of the EDPRS will be to outline new sources of broad-based growth required for Rwanda to operate a successful transition towards long-term human and economic development.

As we will see in Chapter 3, the impact of debt relief on Rwanda has been limited. While the reduction in the debt service has meant a permanent release of around US$60 million in domestic revenue per year for Rwanda, the HIPC framework has imposed a new set of restrictions on the Rwandan economy aimed at ensuring debt sustainability. The criteria used to evaluate debt sustainability under the HIPC framework, the Net Present Value (NPV) of debt-to-export ratio, are very restrictive given the country's extremely narrow export base. This means that Rwanda's financing options for achieving the MDGs are going to be limited in the coming years, and Rwanda will need the continued assistance and support of its development partners to ensure the financing of its development strategy through grants.

AN ACCOUNTABLE DEVELOPMENT PARTNERSHIP

The main argument of this report is that the MDGs can be achieved in Rwanda, even with reasonable assumptions about economic growth and aid.

Achieving this will necessitate a break with the "business as usual" approach to development assistance, and the creation of a bold new partnership for development, which is based on the principle of mutual accountability. In this framework, development partners will commit to providing sufficient resources, and of sufficiently good quality, to enable the government to implement its long-term development vision. The government, in turn, commits to aligning national policies with the MDGs and strengthening the governance and institutional structure required to ensure an effective and fair utilisation of resources. The argument proceeds in four steps:

1. In order to operate a successful transition from recovery to long-term growth, Rwanda will have to tackle the three major challenges (agriculture, population and income distribution) that could compromise the sustainability of its development.

Between 2001 and 2006, Rwanda's poverty rate decreased from 60.2% to 56.9% of the population. Yet, at the end of the period there were 600,000 more people living in poverty in Rwanda. This is because Rwanda's population growth is outpacing the rate of poverty reduction, and economic growth has not been sufficiently pro-poor. Achieving human development will require enhancing the quality of growth. In the most densely populated country in Africa, population growth in Rwanda is putting additional pressure on scarce land through over-cultivation and soil erosion. In order to break the cycle of decreasing agricultural productivity, population growth and poverty, Rwanda needs to invest four times more resources than it is currently. This should enable the agricultural sector to become an engine of economic growth generating the surpluses of capital and labour needed to fuel the development of other sectors.

2. Rwanda's long-term development challenges can be tackled through a targeted public investment strategy that promotes human development and eases key bottlenecks in the economy.

Unlike many of its neighbours, Rwanda has limited land, natural and mineral resources on which to base its development strategy. Rwanda must invest in its people and build the country's human capital to be able to decrease poverty in the long run. Investing in education will help build the basis of a knowledge economy, but will also strengthen the social capital and help create the conditions for long-term peace and democracy.

Investing in health can help ease some major constraints, such as malaria and HIV, that are weighing on Rwanda's development, reducing the productivity of its labour force and preventing numerous households from undertaking investments. Reducing child and maternal mortality will also be a major factor, indirectly helping to reduce the fertility rate and thus population growth. Investing in women can help maximise the impact of development strategies in the agricultural sector, where they constitute the majority of the labour force. It can also help improve the quality of education and health interventions, in which women play a major role.

3. It is possible, with reasonable assumptions about economic growth and aid flows, to finance the Big Push in investments needed to break the poverty trap, provided that the quality of aid is substantially improved.

In order to overcome the trap of decreasing agricultural productivity, poverty and population growth, Rwanda will need a Big Push of investments across a range of key sectors, so as to ease the constraints to long-term economic development.

After reviewing Rwanda's financing options, we argue that the Big Push is achievable within reasonable assumptions about economic growth and increased aid flows. Rwanda's narrow tax base and small export sector prevent it from raising domestic revenue through debt or taxation. Therefore, Rwanda will need the support of its development partners for a sufficiently long period of time to put the country on a trajectory of sustainable long-term economic growth. More important than the quantity of aid is its quality. Currently, most of the aid comes in the form of small uncoordinated projects that are often neither on budget nor on plan, and are only vaguely aligned with the MDGs. Also, resources are not systematically programmed and sequenced so as to increase the country's absorptive capacity.

4. In order to ensure the sustainability of its long-term development strategy, and to make optimal use of additional resources, Rwanda must maintain progress on governance and adopt a comprehensive approach to social change management.

The profound transformation of the Rwandan economy and society that is required to achieve Vision 2020 will put new strains on the country's fragile social capital, which is still recovering from conflict and genocide. To enable Rwanda to successfully meet and manage the inevitable structural tensions arising from rapid social change, it is crucial that achievements in the area of good governance are consolidated and strengthened over the coming years. This will require Rwanda to continue improving the quality and effectiveness of governance. It will also need to further deepen the democratisation process by strengthening the capacity of civil society, the media and the wider political sphere, which represent the pillars of a truly open and vibrant democratic society. The donors will also have to play a part in improving aid management and ensuring that aid flows are sufficient, predictable and of sufficient quality to meet the challenge of the MDGs in Rwanda.

1. GROWTH AND POVERTY: MEETING VISION 2020 THROUGH BROAD-BASED SUSTAINABLE GROWTH

Rwanda has experienced a remarkable recovery since the 1994 genocide that devastated the country's human and physical capital, as well as its social and institutional fabric. Since the end of the emergency period, growth rates have averaged 5.8% per annum, making Rwanda one of the top performers in Africa and an example of successful post-conflict reconstruction. This economic success has enabled significant progress in the fight against poverty, with poverty rates dropping from over 70% at the end of the war to 56.9% in 2006.

Rwanda's challenge over the next decade will be to operate a successful transition from recovery and reconstruction-based growth to a broad-based and sustainable growth that will allow it to maintain past performance levels up to the year 2020 and beyond.

In this chapter, we will take a hard look at the facts surrounding poverty and growth in Rwanda, and address some of the major challenges the country faces in order to achieve its long-term development objectives. The analysis identifies three key issues:

1. THE AGRICULTURAL CHALLENGE: Current investments in agriculture are insufficient to meet MDG 1 and Vision 2020.

Economic growth has so far come almost exclusively from the service and manufacturing sectors, as agricultural performance has remained highly volatile and dependent on rainfall. In order to sustain growth rates in the long term, Rwanda will need to modernise the agricultural sector in order to initiate the transition from a subsistence-based agriculture to one that will be capable of generating the surpluses of labour and capital needed to fuel economic development. This means lifting people out of the poverty trap, where they are currently unable to meet their minimum nutritional requirements and unable to invest in improving their overall situation.

2. THE POPULATION CHALLENGE: High population growth is eroding economic growth and destroying the environment.

Due to population growth, the number of Rwandans living in poverty has increased in absolute terms by more than half a million since 2001, despite progress in reducing the poverty rates. In order to reduce poverty and initiate the take-off of the economy, Rwanda must break the downward cycle of land fragmentation, over-cultivation and decreasing agricultural productivity, which has locked a large part of the population out of the development process. In order to sustain current performance levels, Rwanda will need to adopt a comprehensive and integrated approach to natural resource management that will enable it to anticipate and respond to challenges posed by population growth, urbanisation, climate change and environmental degradation.

3. THE INCOME DISTRIBUTION CHALLENGE: Soaring inequality is threatening poverty reduction and economic growth.

Rwanda's high growth rates are deceptive in that they hide large and growing inequalities between social classes, geographic regions and gender (see Chapter 2.3).

These disparities cut across all sectors and undermine Rwanda's progress towards the MDGs in all areas from health to education and even poverty reduction. Rwanda's recent growth has largely bypassed the rural poor, leading to a concentration of wealth at the top of the income distribution, and an increase in the country's Gini coefficient from 0.47 to 0.51 from 2001 to 2006.

Despite growth, we observe an increase in the depth of poverty in several areas and a deterioration of living conditions at the bottom of the income distribution. As a consequence of rising inequality, we estimate that Rwanda could soon have exhausted its ability to reduce poverty rates through economic growth alone. Growing inequality is not only an obstacle to poverty reduction and sustainable economic growth; it could also undermine social peace.

1.1. POVERTY AND HUNGER: THE AGRICULTURAL CHALLENGE

While the agricultural sector is unlikely to be the main source of long-term growth for Rwanda, it will need to increase its capacity to provide for the

Table 1: Estimates of Real GDP (1995 prices)

Rwf billion, 1995 prices	Real value			Growth rate	
	2003	2004	2005	2004	2005
Agriculture	**285.49**	**289.36**	**306.25**	**1.4%**	**5.8%**
Food crops	243.42	241.79	259.43	-1%	7.3%
Industry	**120.17**	**128.80**	**143.07**	**7%**	**11.1%**
Mining	1.21	1.88	2.31	55%	23.2%
Manufacturing	51.79	55.32	65.34	7%	18.1%
Construction	65.13	70.02	73.52	8%	5.0%
Services	**235.00**	**253.24**	**266.86**	**8%**	**5.4%**
Wholesale and retail	48.13	48.77	50.06	1%	2.7%
Transport and communication	46.39	52.00	54.44	12%	4.7%
Finance	17.31	20.90	24.14	21%	15.5%
Adjustments	-0.70	-3.06	-5.51	33.6%	80.0%
GDP	**639.95**	**668.35**	**710.67**	**4%**	**6.3%**

Source: RoR 2005n

vast majority of its population who are dependent upon agriculture for their livelihoods. Experience from emerging economies has shown that the agricultural sector is, if not the engine of long-term economic growth, at least a necessary condition.

The boom in South-East Asia's agricultural sector started in the late 1960s, and that of South Asia in the late 1970s. In the same period, agricultural productivity has been decreasing in much of sub-Saharan Africa, including Rwanda. In order to achieve Vision 2020, Rwanda must invest in the 79.6% of its labour force who are currently employed in agriculture, to enable them to become engines of small and medium enterprise development, investment and economic growth, rather than recipients of food aid.

1.1.1. Poverty and the Legacy of Conflict

Poverty in Rwanda can only be understood in light of the profound disruption and trauma caused by the 1994 genocide, which killed one in seven Rwandans and led to the displacement of a third of the population.

As a result, Rwanda currently has one of the world's largest orphan populations (1.26 million according to Census 2002) and one of the world's highest proportions of female-headed households (35.2%, Census 2002).

The majority of these heads of households are widows (56%, Census 2002). After the genocide, more than a million people who had gone into exile in previous decades started returning to Rwanda, followed by the people displaced by the 1994 conflict. All these groups were faced with resettlement problems, including reconstructing infrastructure and the economy (Musahara and Huggins 2004).

The damage caused by the 1994 conflict was the culmination of a long period of mismanagement and conflict, which had hampered Rwanda's development since its independence. It is estimated that the 1990-1993 war cost the pre-genocide government up to $100 million a year, a budget as large as that of Uganda. It surpassed the budget for education and military personnel, and increased five-fold between 1990 and 1993 (Chossudovsky and Galand 1996, Baechler 1999). Chossudovsky and Galand estimate from records that US$4,671,533 or Rwf640,338,414 was spent on machetes and other implements in 1992 alone. By 1994, a million machetes had been imported and were bought in preparation for the genocide. The army, which was a force of some 5,000 men, expanded to 30,000 in 1991 and to 50,000 in 1992 (Jones 2001: 39).

Since the genocide of 1994, Rwanda's economy has experienced an admirable recovery. Most economic indicators have surpassed or are approaching pre-1994 levels. Agricultural production has passed the 90% mark compared with pre-war levels. The education sector has performed better than in the periods before the genocide (RoR 2003, RoR 2006). Enrolment in the tertiary sector is over triple that of the entire post-independence period. Poverty, which was estimated at about 77% in 1995, decreased to 60.4% in 2001 (GoR 2002a) and to 56.9% in 2006 (EICV2). The proportion of Rwandans living below the extreme or food

BOX 1: THE AGRICULTURAL CHALLENGE

- Rwanda's head-count poverty rate has decreased from 60.2% to 56.9% from 2001 to 2006, but **there are 600,000 more Rwandans living in poverty** than there were five years ago.
- Despite a decrease in acute malnutrition among children under five, from 7% to 4%, **chronic malnutrition has increased from 43% to 45%** of children in the past five years.
- 78% of Rwandan households present some vulnerability in access to or consumption of food. **28% of Rwandan households are food insecure.** In Bugesera, 40% of households are food insecure.
- Rwanda needs to **quadruple its investments in agriculture** to US$15 per capita per year if it is to break the cycle of hunger and poverty needed to meet MDG 1.

poverty line was estimated at 41.6% (RoR 2002c), decreasing to 36.6% in 2006 (EICV)[1].

However, as Table 2 shows, poverty levels in Rwanda remain well above pre-war levels, especially in rural areas, where more than 62% of the population still lives in poverty (using the national poverty line which was set at Rwf90,000 in 2006, or US$0.44 per day in nominal terms). Furthermore, even though poverty has decreased significantly in relative terms since the end of the war, Rwanda's efforts at reducing poverty have been hampered by strong population growth. Despite a sizeable decline in the *proportion* of people living in poverty, the *absolute number* of Rwandans living below the poverty line has actually increased from 4.8 million in 2001 to 5.4 million in 2006 (RoR 2006k).

In human development terms, Rwanda's progress remains fragile. While Rwanda has made real progress in health and education since the war (see Chapter 2), it will take some time before these efforts translate into substantial improvements in the Human Development Index (HDI), given the level of indicators that are used to construct this index (adult literacy and life expectancy). Furthermore, Rwanda's progress on the global HDI ranking (see Table 3) is partly driven by the fact that several of its peers at the bottom of the HDI ranking have experienced violent conflict in recent years, which have led to a decrease in their HDI index (and thus a corresponding improvement in Rwanda's relative HDI ranking).

Table 2: Changes in the Head Count Index

Year	Rural	Urban	HCI average
1990	50.3	16.8	47.5
1994	82.4	27.5	77.8
1995	76.6	25.5	72.4
1996	75.3	25.1	71.1
1997	74.1	24.7	70.0
1998	70.7	23.6	66.8
1999	69.3	23.1	65.4
2001	67.9	22.6	60.43
2006	62.5	23.3	56.9

Source: RoR 2002a:14, EICV2 2006 Preliminary results

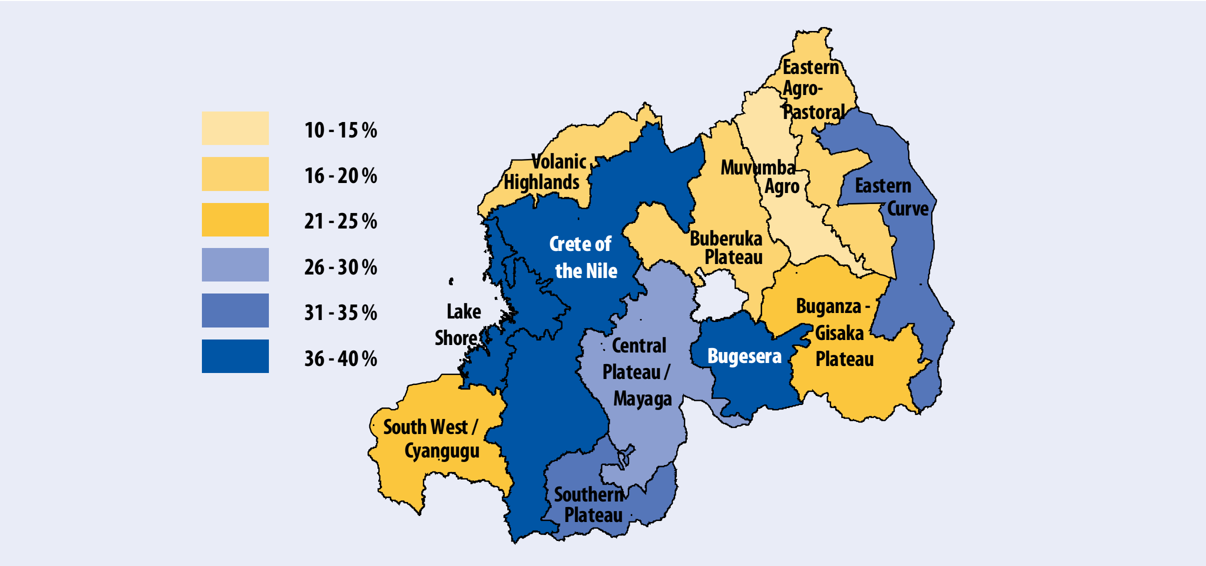
Table 3: Evolution of the Human Development Index in Rwanda

Year	HDI index (rank)
1975	0.342
1980	0.388
1985	0.401
1990	0.339
1995*	0.337
2000	0.426
2004	0.450 (158/177)

Source: UNDP 2006. Estimate based on pre-war figures

1. The first, and extreme or "food poverty" line is based on the cost of a "food basket" providing 2,500 kcal per adult equivalent per day, using January 2001 constant prices. This poverty line or threshold, below which individuals or households were considered extremely poor, was estimated at Rwf45,000 in 2001 (Rwf63,500 in 2006). A second poverty line, incorporating non-basic food needs, was estimated at Rwf64,000 (Rwf90,000 in 2006). Individuals below this poverty line were taken to constitute the poor. At national level these figures compare with the average consumption level in this period, estimated at just over Rwf78,000 per adult equivalent per year.

Figure 1: Percentage of Food-Insecure Households by Food Economy Zone



Source: Comprehensive Food Security and Vulnerability Assessment (CFSVA 2006)

1.1.2. Agricultural Production and Food Security

According to the EICV2 (the Preliminary Poverty Update Report, Integrated Living Conditions Survey, National Institute for Statistics, Rwanda 2006), agriculture employs close to 80% of the population. Halving the number of people below the poverty line, which is the first MDG objective, greatly depends on what happens in this sector. In the period 2000-2005, food production improved overall. However, a decrease in some essential food crops, such as Irish potatoes and beans, constitutes a cause for concern (see Table 4).

Despite improvement in the production of commercial cash crops, food insecurity remains a real concern, and the consumption of calories per capita has not registered significant improvement in recent years. According to the Food and Agriculture Organization of the United Nations (FAO), supplies cover 87% of calorie needs, 70% of protein needs and 22% of lipid requirements. Major sources of protein and nutrition remain insufficient. Consumption of milk is still low at 12 litres per capita per annum, while the FAO recommends 220 litres. Meat consumption is 4.8kg per capita per year against the recommended 50kg (RoR 2006k).

The 2006 Comprehensive Food Security and Vulnerability Assessment showed that 28% of households across the country were food insecure (poor consumption and weak food access), rising to as much as 40% in the Bugesera region, and the western Lake Shore region (see Figure 1). Only 22% of surveyed households were considered to be food secure (good consumption and/or access), with all other households presenting some form of vulnerability either in terms of consumption or access to food.

In 2005 alone, more than 110,000 people – especially in the Eastern Province – experienced serious food shortages. Food insecurity is particu-

Table 4: Production in Priority Crops 2000-2005 (in Tons)

Crop/year	2000	2001	2002	2003	2004	2005
Rice	14,503	17,866	20,522	24,425	46,190	62,164
Maize	62,502	80,979	91,686	78,886	89,219	97,251
Soybeans	13,922	16,336	17,088	19,869	11,631	16,350
Irish potatoes	957,198	1,012,269	1,038,931	1,099,549	682,598	750,256
Beans	215,347	242,157	246,906	239,364	200,225	199,648
Coffee	16,098	18,260	19,426	14,412	27,000	18,000
Dry tea	13,717	15,166	11,941	12,959	13,100	15,500
Fruit and vegetables	205,675	211,038	233,643	287,620	407,511	407,205

Source: RoR 2006

larly pronounced in the most vulnerable groups, including female- and widow-headed households (37% food insecure versus 25% for male-headed households) and elderly-headed households (35% food insecure) (CFSVA 2006). There has been a significant improvement in the rate of acute malnutrition from 7% of children under five in 2000 to 4% by 2005, indicating a decrease in the incidence or impact of severe food shortages. However, the number of underweight children remains high, with large differences reported between provinces. In 2002, infantile malnutrition (under-five underweight) was estimated at 24%, with Gikongoro in the Southern Province having as much as 50% and Kibuye (East) and Butare (South) 48%. By 2005, under-five malnutrition had barely decreased to 22% (DHS 2005). Stunting, which gives an indication of chronic malnutrition due to inadequate food or recurrent illness, increased from 43% to 45% between 2000 and 2005 (see Table 5).

Table 5: Nutritional Situation of Children in Rwanda

	2000	2005
Height for age	43	45
Weight for height	7	4
Weight for age	24	22

Source: RoR 2005b

1.1.3. The Role of Agriculture in Development

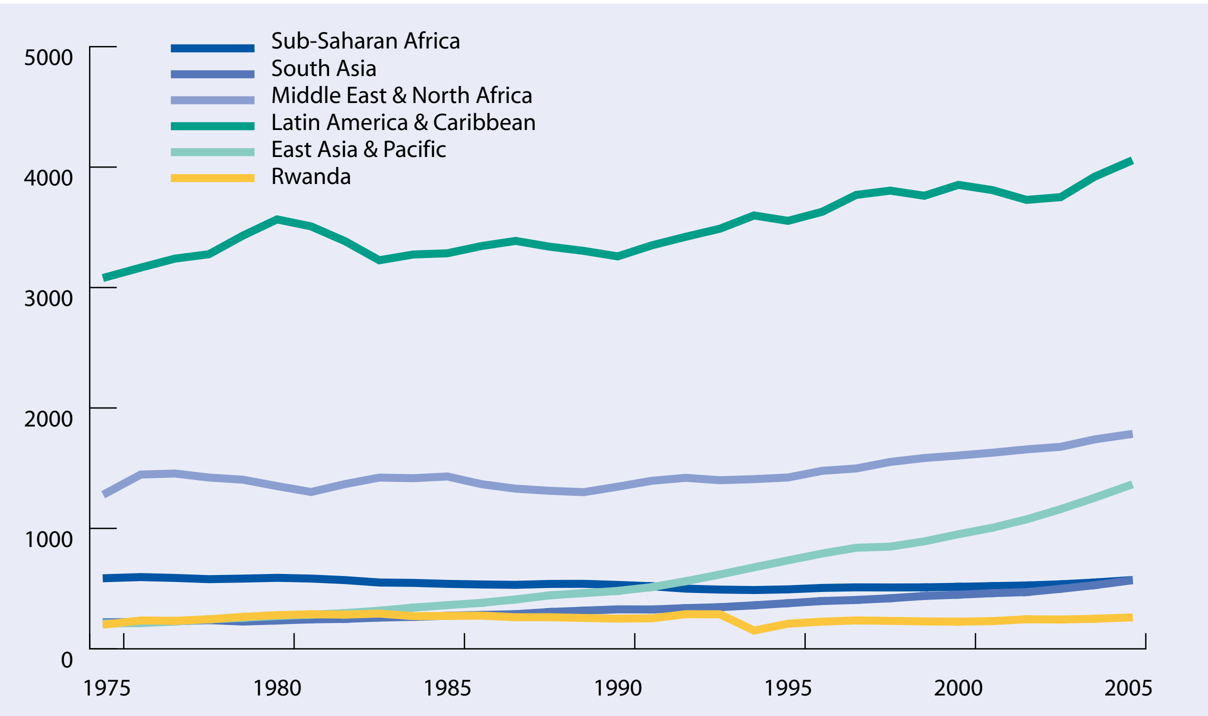
One of the lessons emerging from the Asian experience is that agriculture is the starting point of a successful growth strategy; the necessary – if not sufficient – condition for long-term growth.

Whether we are talking about newly industrialised countries, such as Taiwan, emerging economies, such as Thailand, or high-tech knowledge-based economies, such as part of India, they all have in common the fact that these countries invested heavily in the agricultural sector long before they started exhibiting the impressive growth rates that we observe today. This does not mean that a successful agricultural strategy will guarantee economic success, but rather that as long as the majority of the population relies on agriculture for their livelihoods, the economy will not be able to free up sufficient human and financial resources to enable the development of non-agricultural sectors.

Figures 2 and 3 show a very interesting and revealing parallel: between 1975 and 2005, gross domestic product (GDP) per capita (in constant international $) more than doubled in South Asia and increased fivefold in East Asia.

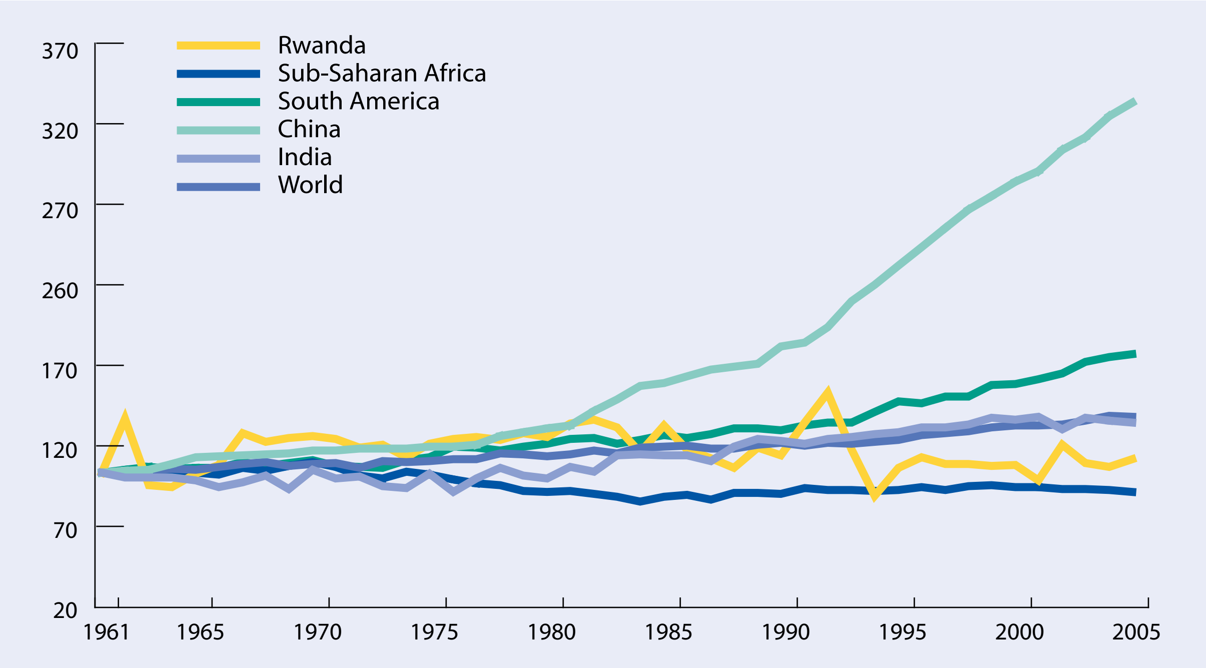
In the same period, sub-Saharan Africa's GDP per capita declined by 3%. In the same period, food production per capita has been increasing

Figure 2: GDP Per Capita, Regional Average (1975-2005)



Source: World Bank 2006, *World Development Indicators*

Figure 3: Food Production Per Capita Index (1961-2005)*



Source: Food and Agriculture Organization of the United Nations (FAO) 2006. FAOSTAT Online Statistical Service.
* Per cent of 1999-2001 average food production per capita.

in aggregate across the world – mainly driven by increases in South and East Asia.

As shown in Figure 3, China and India have been able to sustain increases in food production per capita while sub-Saharan Africa experienced declining food production per capita. Rwanda's level of food production was significantly higher than the average in sub-Saharan Africa from the late 1970's until the mid 1980s. Since then, however, Rwanda's agricultural output per capita has been volatile and since 1994 it has not recovered to pre-war levels.

While these facts do not constitute proof of causality, there is little doubt that the failure of many countries in sub-Saharan Africa to involve the majority of their population in the national development process has inhibited economic as well as human development.

If Rwanda is to achieve its stated development objective of becoming a middle-income country by 2020, then it will have to start by targeting the 80% of adults who currently work in agriculture as their main occupation (EICV2). According to data from EICV2, 71% of working adults were classified as subsistence farmers. More than a quarter of cultivating households cultivate less than 0.2ha of land (see Table 6). This means that, at current and projected levels of productivity, they are not capable of producing sufficient food to feed their families (the minimum farm size estimated to feed a Rwandan family is 0.7ha). Addressing chronic hunger and the vulnerabilities of this population is a public policy priority. Addressing this issue will require massive investments in the agriculture sector in order to reduce the vulnerability of agriculture to climatic risk, and improve agricultural yields.

The average Rwandan farmer currently uses only 4kg of fertilisers per hectare of land. This is 10 times less than the minimum required to achieve MDG 1 and almost 100 times less than the levels reached in some industrialised countries. Furthermore, research has shown that improving agricultural yields requires a minimum integrated package of mutually complementary inputs (fertilisers, extension services, irrigation, tools, etc.). If the package is incomplete, or if the inputs are below the minimum required threshold, then the interventions are likely to fail. In other words, there is not a linear relationship between agricultural inputs and yields, but a minimum threshold of investments that needs to be reached in order to make the required breakthrough in terms of unlocking agricultural potential. This means that in agriculture, as in several other sectors, we cannot expect to achieve the MDGs "on the cheap".

Table 6: Indicators of Poverty and Vulnerability in Rwanda

Province	Share of population	Incidence of food poverty	Landless	< 0.2 hectares of land
Butare	8.2	75.5%	5.9%	61.7%
Byumba	9.5	65.7%	2.4%	25.3%
Cyangugu	7.6	72.0%	13.0%	37.3%
Gikongoro	6.3	80.2%	3.2%	59.0%
Gisenyi	9.5	68.5%	7.2%	26.0%
Gitarama	10.5	61.8%	3.4%	25.2%
Kibungo	8.2	62.3%	1.7%	11.5%
Kibuye	5.7	79.4%	2.7%	31.2%
Kigali rural	11.4	74.0%	7.8%	17.1%
Kigali urban	7.4	20.6%	88.8%	6.6%
Ruhengeri	11.7	83.7%	5.3%	35.9%
Umutara	3.9	62.2%	4.8%	8.5%
National	100	67.8%	11.5%	28.9%

Source: PRSP 2002 and Poverty Profile 2002

Currently, Rwanda invests barely 3% of its budget in agriculture. This is three times less than the standard of 10% recommended by FAO for sub-Saharan Africa. The recent EDPRS Needs Assessment showed that, in absolute terms, Rwanda needs to invest at least US$15 per capita to bring agricultural productivity up to the minimum standards required to achieve the MDGs. At current levels of public spending this would represent twice the proportional spending recommended by FAO for Sub-Saharan Africa. However, the EDPRS Needs Assessment has shown that the investments needed in agriculture represent about 10% of the total investments needed to achieve the MDGs in Rwanda. These figures dramatically illustrate the challenge faced by Rwanda to achieve the MDGs and Vision 2020, and the need for increased and better targeted aid flows.

1.2. ENVIRONMENTAL SUSTAINABILITY: THE POPULATION CHALLENGE

Given the fragility of Rwanda's agricultural sector, it is clear that the success of Rwanda's economic development over the medium to long term will be intimately linked to the fate of its natural environment. Rwanda's natural environment is being threatened by population growth and it is likely that these problems will be exacerbated in the future by climate change. Inadequate water management and recurrent drought are already having an impact on the country's energy production and are undermining the competitiveness of Rwanda's fledgling industry. It is important to note that drought was cited as a major cause of food insecurity in the 2006 Food Security and Vulnerability Assessment (58% of food-insecure respondents had suffered through a drought).

Finally, urbanisation is likely to generate a new set of environmental needs, such as waste and wastewater management.

To respond to these challenges, Rwanda will need to devise an ambitious and coherent response that covers all sectors of the economy, and offer an integrated strategy to deal with the management of environmental and climatic risk, as well as with predictable consequences of population growth and soil degradation.

1.2.1. Poverty and Environment

Rwanda's recent history dramatically illustrates the complexity of the interdependence between human and economic development, environmental degradation and population growth.

While it would be wrong to reduce the historical tragedy of the genocide to a merely economic phenomenon, there is evidence to suggest that the problem of overpopulation and deteriorating agricultural productivity did play a part in exacerbating tensions that existed since at least the colonial period (see Verwimp 2003). The conflict itself also had devastating effects on the environment, ranging from the direct effects of combat and destruction (pollution of rivers and lakes, land mines, etc.) to the long-term consequences on arable land and forests of the massive population displacements that took place after the war. For countries like Rwanda, where the livelihoods of people are intimately linked to natural resources,

BOX 2: THE POPULATION CHALLENGE IN FIGURES

- Rwanda has the highest population density in Africa at **over 350 inhabitants per square km**, and the population is growing at 3.5% per year.
- The **average plot size for farming is 0.81 ha** in Rwanda. FAO estimates that 0.9 ha is required to satisfy the nutritional needs of a household (EICV2).
- **Access to safe water sources has been stagnant in the past five years** in Rwanda, decreasing by 6.5 percentage points in Kigali, despite heavy public investments in water and sanitation.
- **95.5% of rural households still depend on firewood** for cooking, while Rwanda lost 50.2% of its forest cover between 1990 and 2005.

preserving the environment is not only a normative imperative (spelt out, for instance, in MDG 7), but gets to the root of what we mean by human development.

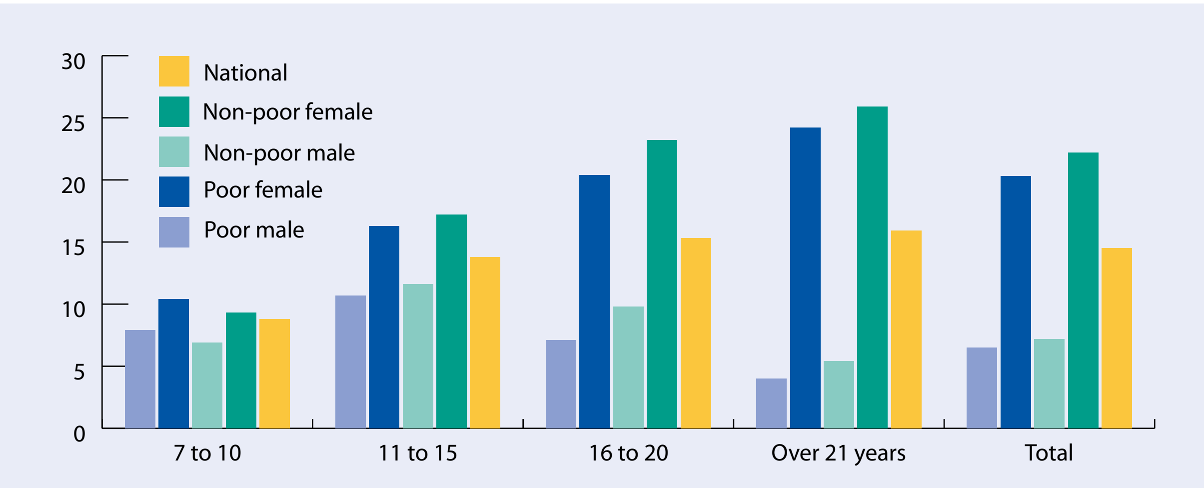
Rwandan children, for instance, currently spend just under eight hours a week fetching water and wood for cooking (EICV2). This is time that is lost to education and personal development. Walking over long distances to fetch water or wood can also pose a security risk, especially for girls. While the data do not provide us with a time-series to see the changes in time-use since EICV1, deforestation and water scarcity may undermine educational and health achievements in the future.

In Table 7 we have listed some of the key linkages between environmental degradation and human wellbeing in Rwanda, using the United Nations Environment Programme's (UNEP) ecosystem framework. The findings underline the importance of environmental preservation, not only for the achievement of MDG 7, but for almost all other MDGs.

Economic development, combined with population growth, is creating a new set of environmental problems that will need to be integrated into national planning. In particular, Vision 2020's ambition to move people off the land, in order to reduce pressure on the land and facilitate the development of the industrial and service sectors, will create new challenges for urban and environmental planners.

Rwanda has one of the lowest rates of urbanisation in the world but it has been rising over the past 10 years. Urbanisation may already account for the sharp decrease in access to protected water sources in Kigali, from 88% to 81.6% between EICV1 and EICV2. Only 15% of liquid waste is managed by the city council and about 55% of households in urban areas have no facilities for treating solid waste.

Figure 4: Time Spent on Domestic Activities Per Week – Children 11 to 15 Years Old



Source: RoR 2006, National Institute of Statistics, "Preliminary Poverty Update Report EICV2"

Table 7: Ecosystem Problems and Areas Affected in Rwanda

Sources	Relation to the poor	Areas most affected	Major threat or stress
Natural resource mgmt. and livelihoods	% of the poor dependent on subsistence agriculture	Nationwide, especially Ruhengeri, Gisenyi, Byumba, Butare and Kibuye	Decreasing agricultural yields
Land and soil degradation	Declining yield and per cent of the poor living on marginal lands	Gitarama, Gikongoro, Butare, Byumba, Ruhengeri, Gisenyi, Umutara Kibungo, Bugesera	Over cultivation Gully erosion Over cultivation and semi arid land
Access to land	% landless or with <2ha	Nationwide, especially Butare, Gisenyi, Cyangugu, Gikongoro	Land fragmentation
Access to water	% of poor with access to safe water or distance to sources	Kibungo, Mayaga, Bugesera, Ruhengeri	Dry spells and water deficits
Access to water for irrigation	% poor farmers with access to sustainable irrigation facilities	Umutara, Kigali Ngali, Bugesera, Kibungo	Low water withdrawals and utilisation
Forest/wood resources	% poor using forest resources, especially wood for fuel	Gisenyi, Ruhengeri, Cyangugu	Deforestation and over exploitation of forests
Ecosystems	% of the poor living in ecological fragile land, availability of medicinal herbs, wild fruit etc	Umutara, Byumba, Kigali Ngali, Butare, Gikongoro, Gitarama, Gisenyi, Ruhengeri, Cyangugu and Gitarama	Land fragmentation
Fishing	Declining fish stock Poor access to fish stock and protein	Umutara, Cyangugu, Gisenyi and parts of Ruhengeri	Unsustainable utilisation of the fish resource potential
Environmental health related diseases	Water borne diseases Indoor pollution	Nationwide, especially Kigali City	Water pollution
Sanitation	Access to sustainable sanitation	Kigali City, Byumba, Butare, Ruhengeri	Diseases
Air pollution	% poor affected by respiratory diseases	Nationwide, especially Kigali City	Diseases
Natural disasters	Poor under threat of natural disaster	Gisenyi, Ruhengeri, Kibuye, Cyangugu, Umutara, Kigali Ngali/Bugesera, Byumba, Kigali City, Kigali Ngali	Landslides and volcanic eruptions Drought Floods
Housing	Poor living in substandard housing	Nationwide, especially urban areas	In urban areas, includes solid waste management

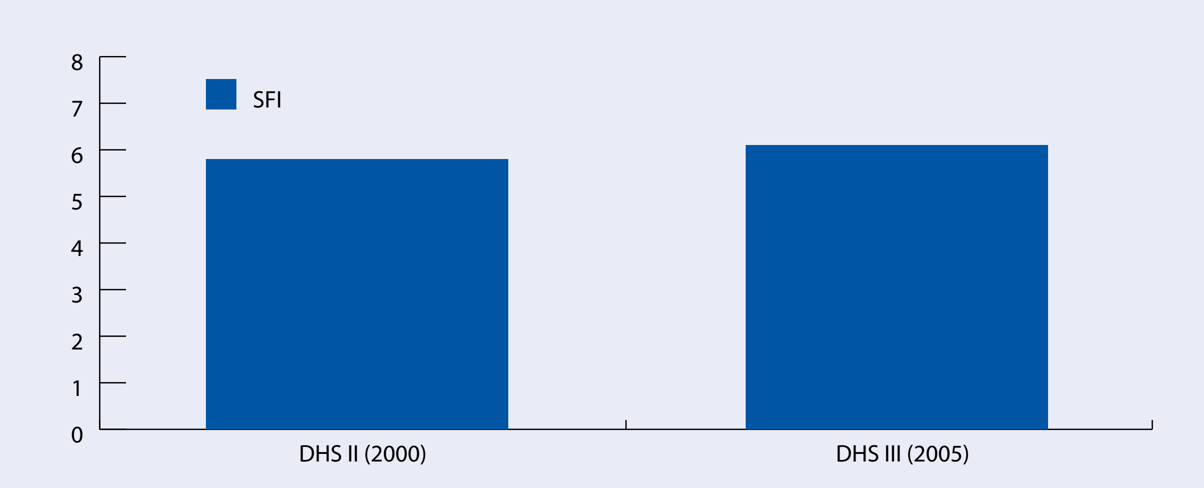
Source: Adapted from UNEP/GoR 2004 and PEM 2

The 2006 Global Human Development Report on water showed that Rwanda has made more effort than many of its African peers on water and sanitation management in recent years, dedicating about 1% of GDP to this sector (more than doubling in 2007) against 0.5% on average for sub-Saharan Africa. However, as the latest EICV results show, these efforts still fall short of the investments required to achieve the MDGs. The EDPRS Needs Assessment has shown that Rwanda would have to invest US$7 per capita on average between now and 2015 if it is to achieve the targets set in the Millennium Declaration of universal access to free and clean water. At projected rates of population growth, that represents a 50% increase on current investments in water and sanitation, which are already high. Furthermore, for investments to be effective, user fees need to be removed and other obstacles to water access tackled through targeted interventions and community-based management systems. The EICV2 showed that, despite considerable investments in the water and sanitation sector in recent years, access to clean water sources did not increase between 2001 and 2006 (it even decreased slightly, from 64.4% to 64.2%). This may in part be explained by the existence of user fees.

1.2.2. Population Growth and Environmental Degradation

Stemming Rwanda's population growth is crucial to stopping the vicious cycle of decreasing agricultural productivity, land fragmentation and over-cultivation, which have kept Rwandan agriculture from reaching the levels of productivity that are

Figure 5: SFI in 2000 and 2005



Source: RoR 2005b

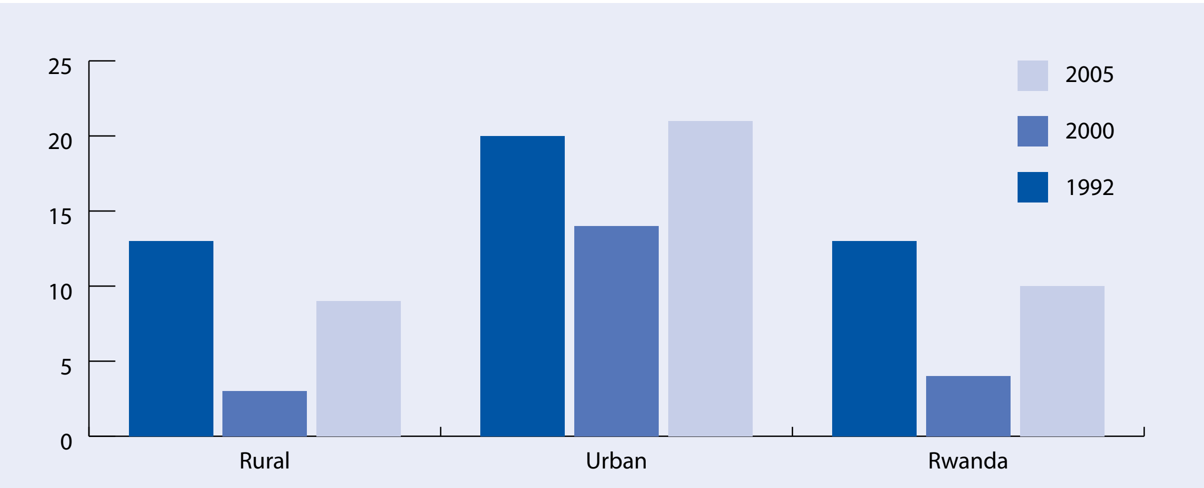
required to start generating surpluses or enabling people to move off the land.

Rwanda has experienced sustained population growth. The population of Rwanda in 1934 was 1,595,400 and is estimated to be 8.9 million today (UNCTAD 2006), with population growth still running at 3.5% per year according to the latest EICV. The density of the population is already in excess of 350 per square kilometre, making it the most densely populated country in Africa and one of the 10 most densely populated countries in the world. The DHS (Demographic and Health Survey) of 2005 reports that the synthetic fertility index (SFI), which represents the number of babies per woman at the end of her fertility life, is higher in rural areas (6.3 children per woman) than in urban areas where it is 4.9. Also, that index has increased (see Figure 5) over the past two DHSs. It is estimated that the population of Rwanda will reach over 13 million by the year 2020 if nothing is done to reduce the high fertility rate.

Interestingly, the DHS reports a stable birth rate at 43.8% since the end of the war (against 39.8% in 1992), despite a rise in the number of women who want birth control (42% in 2005 against 33% in 2000). Only 17% use either traditional or modern contraceptive methods (RoR 2006a). This rate is very low compared with other countries in the region whose contraceptive utilisation rate was 27.3% in 2002 (RoR 2002b).

The average land size in Rwanda, 0.76 in EICV1 and 0.81 in EICV2, was below the minimum

Figure 6: Utilisation of Modern Contraceptive Methods in Rwanda for Married Women



Source: DHS 2005

required to satisfy the nutritional needs of a household (FAO establishes the minimum land size required to feed a household at 0.9ha). Indeed, the 2006 Food Security and Vulnerability Assessment showed a strong link between food insecurity and land size (farmers with less than 0.1ha were twice as likely to be food insecure as those with 0.5ha). In 2006, more than a quarter of households cultivated less than 0.2 ha of land. The current levels of population growth are likely to increase pressure on the land even further. Furthermore, research has shown a strong link between land fragmentation, over-cultivation and decreasing agricultural productivity. Clay (1996) found over-cultivation to be the main cause of falling productivity (over 48%) with soil erosion causing at least 15% of the decline.

The problem of soil erosion has itself been greatly exacerbated in Rwanda by the increasing pressure on the land caused by rapid population growth: due to the unavailability of land, people are choosing to cultivate on steeper slopes, or on land previously covered by forests or wetlands. Rwanda's hilly topography makes the agricultural sector particularly vulnerable to soil erosion, especially in the Northern Volcanic regions and the Central and Southern Highlands, where agriculture is often conducted on steep slopes.

On average, 27% of land cultivation is undertaken on slopes of more than 20 degrees, 23% on slopes between 10 and 20 degrees, 16% on slopes between 5 and 10 degrees, and 34% on slopes between 0 and 5 degrees. Data show that Rwanda loses in excess of a million tons a year, which is equivalent to denying the livelihoods of 40,000 people depending on soil every year.

Loss of humus is to the tune of 10.1 MT per hectare and can increase to 36 MT/ha on 5% of the soils and more than 68% MT/ha on 1% of the soils.

Population growth accounts for some of the decline in Rwanda's forest cover in recent years. There is evidence to show that gross forest cover has decreased sharply in recent years. Of primary forests, which covered 80% of the country in the past, only 5 to 8% is left. In the 1980s, the deforestation rate was 2.3% or 2,000 hectares per year, while in the mid 1990s some natural forests were destroyed because of the war and massive population displacement. Gishwati has been depleted by almost 98% and hardly 50 hectares remain.

Biodiversity and natural assets are threatened by the continuing decline of traditional forest cover. Rwanda has 999 known species of birds and mammals, 0.4% of which are endemic and 3% threatened. Out of 2,288 species of vascular plants 1.1% are endemic. Between 1990 and 2005, Rwanda lost 50.2% of its forest and woodland habitat. By 2005, biomass stock in forest above the ground was 75 million tons, and 13 million tons below the ground.

1.2.3. The Cost of Environmental Degradation

Environmental degradation has high human as well as economic impact. The current energy crisis, exacerbated by environmental degradation, has affected not only the rate of economic growth, but has also impacted on the livelihoods of the people.

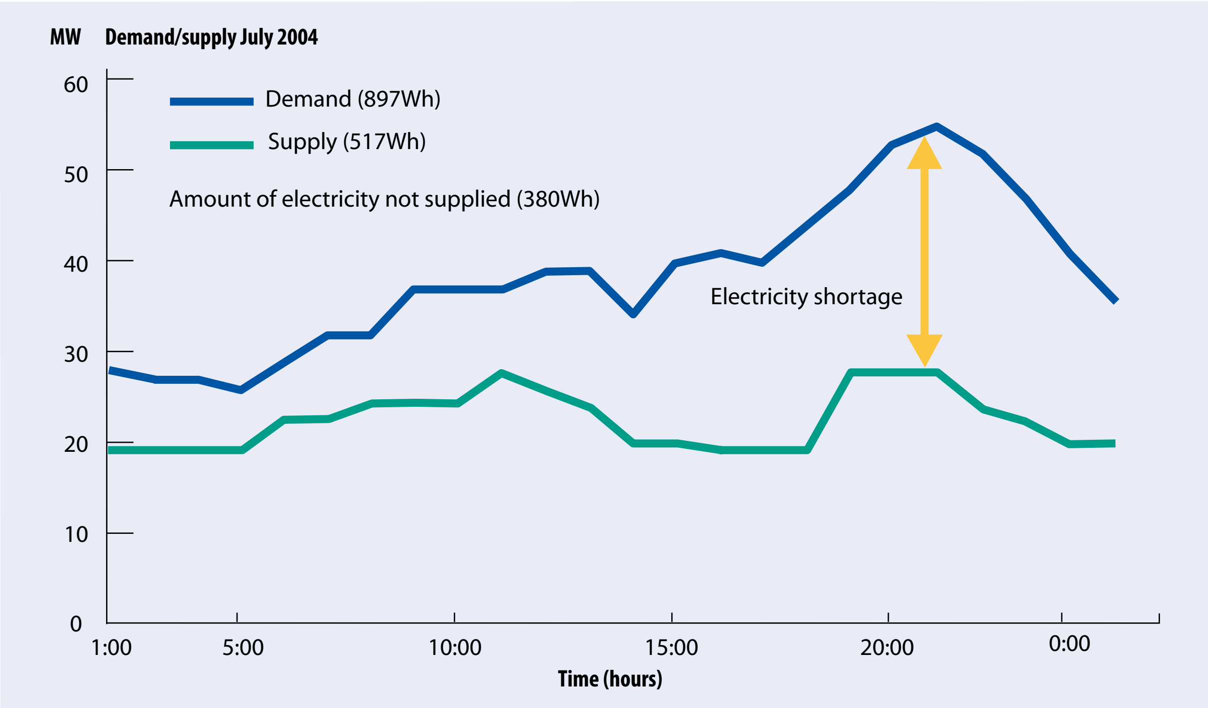
One example of environmental degradation is the declining water levels in lakes, which provide the majority of electricity in the country. Since the beginning of 2000, the water levels of the two lakes that supply Ntaruka and Mukura hydropower stations have been declining. Electrogaz needs to supply the amount of electricity given on the top graph line in Figure 7. Electrogaz is only able to supply the amount of electricity that is indicated by the line slightly below. The gap between the two lines constitutes the electricity shortage. Electricity shortage has necessitated load shedding. Frequent power shortages have led to some individuals, production companies and firms purchasing their own generators.

As a consequence of the power shortage, tariffs have risen from Rwf48 to Rwf120 per unit of power consumption (an increase of 250%). Recently, the Government of Rwanda decided to purchase diesel-powered generators. By the second quarter of 2006 the cost of diesel is estimated to be US$65,000 per day (EIU 2006). The impact of the energy crisis has been felt by all sectors of the economy and has diverted scarce government resources.

1.3. REACHING THE POOR: THE INCOME DISTRIBUTION CHALLENGE

With GDP per capita standing at less than US$250 per year, Rwanda could not hope to eliminate extreme poverty through redistribution alone, even if it were to redistribute resources exactly equally between the entire population. Hence, in Rwanda,

Figure 7: Electrogaz Power Demand/Supply



Source: Electrogaz

growth is a condition *sine qua non* for improvement in the living standards of the population. In fact, since the war, Rwanda's impressive growth rates have played an important role in reducing poverty levels from an estimated 77% in 1995 to 56.9% in 2006 (EICV2).

As the poverty head-count ratio decreases, however, Rwanda will have to reach further down the income scale to reach the remaining poor. In 1994, with poverty rates estimated at over 80%, the poor belonged to the top 20% of the population; today, with poverty rates of 56.9%, we have to go down to the 3rd income quintile to find the poor.

This means that it will become increasingly difficult for Rwanda to reduce poverty rates through economic growth alone, especially if growth fails to trickle down the income distribution.

In this section we will argue that in order to sustain past rates of poverty reduction over the coming years, Rwanda will need to take active measures to address the issue of income distribution. At current levels, inequality is not only undermining poverty reduction efforts, but it could even threaten the sustainability of economic growth.

1.3.1. Poverty and Inequality

Looking at the poverty head-count alone can be very misleading in a country like Rwanda, where more than half of the population lives under the poverty line.

This means that the poverty head-count is affected only by the changes of income in the upper half of the income distribution and tells us very little about how the majority of Rwandans are faring. Indeed, with close to 60% of the population living in poverty, a person living just below the poverty line would actually be one of the better-off people in society. Hence, if one were to focus solely on the poverty head-count ratio as a measure of wellbeing of the population, one would risk designing policies that, while reducing the absolute poverty rate, would actually favour the "rich" (relatively speaking).

Indeed, it is easier to reduce poverty statistics by helping the people who are living just below the poverty line than by focusing on the very poor, who have a larger distance to travel to cross the poverty line. In theory, it would even be possible to reduce the poverty rate by redistributing income from the very poor to those who are living just below the poverty line, so as to make the latter cross the poverty line.

In order to get a fuller picture of wellbeing across the whole population, we would thus also need to look at the depth of the poverty index, which measures how far below the poverty line

BOX 3: THE INCOME DISTRIBUTION CHALLENGE IN FIGURES

- The average income of the top 20% of the population has almost doubled since 1996, while the **income of the bottom 20% has remained stagnant in the past 10 years**.
- Rwanda's Gini coefficient, measuring economic inequality, has almost doubled in the last 20 years, placing Rwanda among the **top 15% most unequal countries in the world**.
- If income distribution had remained constant since the war, then the average annual **income would have been more than double what it is today** among the bottom 20% of the population.
- Despite rapid economic growth, **poverty increased in one province and deepened in two provinces** since 2001, due to rising inequality. At current inequality rates, it is estimated that further growth could increase the gap between rich and poor without decreasing poverty.

the average poor person finds himself. If we look at the change in the depth of poverty in Rwanda since the last EICV, we get a more complex and more worrying picture of the evolution of poverty. While the depth of poverty has decreased overall in Rwanda since EICV1, the change is negligible and we find that in two out of five provinces, as well as in urban areas outside of Kigali, the depth of poverty has actually increased since 2001 (see Table 8 below), meaning that the average poor household in these areas is worse off today than it was five years ago.

Table 8: Depth of Poverty by Location (% of Poverty Line)

	EICV1	EICV2
By stratum		
Kigali	34.4%	29.3%
Other urban	36.0%	37.3%
Rural	42.1%	40.4%
By province		
City of Kigali	39.9%	32.1%
Southern Province	42.5%	42.7%
Western Province	40.0%	41.0%
Northern Province	42.4%	40.1%
Eastern Province	41.5%	36.1%
National	**41.5%**	**40.0%**

Source: computed from EICV1 and EICV2

Unsurprisingly, we find that the two provinces that have seen a worsening depth of poverty are also the two provinces that have seen the fastest rise in their Gini coefficient, which measures inequality in the distribution of income (see Table 9).

While incomes have been rising overall in Rwanda, we observe that they rise faster at the higher levels of income than for poor people. The negative impact of inequality on poverty reduction – and its potential to wipe out the benefits of economic growth – are dramatically illustrated by the case of the Southern Province, where the poverty head-count ratio increased despite a rise in average consumption of 4.3% per year (the second highest in the country after the Eastern Province). By contrast, the Northern Province saw inequality decrease slightly from 0.417 to 0.407 and saw a reduction in the incidence and depth of poverty, despite experiencing the slowest average consumption growth (1.2% per year).

The problem of rising inequality is not new in Rwanda (see Ansoms and Marysse, 2004). As Table 10 shows, inequality has been rising in Rwanda since the 1980s. In fact the problem of rising inequality was much more pronounced in the decade preceding the war than it has been since the war (Bisten and Yanigizawa 2004). However, in the 1980s, inequality rose from a very low level by international standards. Now, however, Rwanda's Gini coefficient has reached levels that are very high, even by African standards. The EICV2 calculates the Gini coefficient at 0.51, which has put Rwanda among the top 15% of most unequal countries in the world (on the basis of the 2005 Global Human Development Report).

Research has shown that the cost of inequality for poverty reduction can be enormous, and the benefit of reducing inequality can be equally large. Simulations done in the 2005 Human Development Report showed that relatively small transfers from the richest quintile (of the order of 4 to 5% of income in middle income countries and

Table 9: Consumption Growth Rates and Inequality (2001-2006)

Estimated annualised	Consumption growth rate, 2000/01 to 2005/06	Gini coefficient	
		EICV1	EICV2
By stratum			
Kigali	2.1%	0.486	0.474
Other urban	1.5%	0.521	0.515
Rural	3.7%	0.374	0.439
By province			
City of Kigali	1.7%	0.520	0.499
Southern province	4.3%	0.394	0.510
Western province	2.0%	0.418	0.465
Northern province	1.2%	0.417	0.407
Eastern province	6.1%	0.382	0.434
National	**3.0%**	**0.473**	**0.508**

Source: EICV1 and EICV2

Table 10: Income Distribution – Percentage Shares of GDP per Quintile of Population

Year	Bottom 20%	2nd 20%	3rd 20%	4th 20%	Top 20%	Implied Gini coefficient
1985	9.7	13.2	16.5	21.6	39.1	29
1990	7.6	11.3	15.1	20.9	45.3	37.1
1995	6.5	10.4	14.3	20.6	48.3	41.2
2000	5.4	9.4	13.6	20.2	51.4	45.4

Source: World Bank (2004a)

10 to 15% in low-income countries) could double the income of the poorest quintile and could have a significant impact on the incidence of poverty (dividing the poverty rate by four or five!).

1.3.2. The Changing Face of Inequality in Rwanda

Inequality in Rwanda is not only rising, it is changing in nature: it is becoming increasingly rural and increasingly detrimental to the poorest and most vulnerable groups in society.

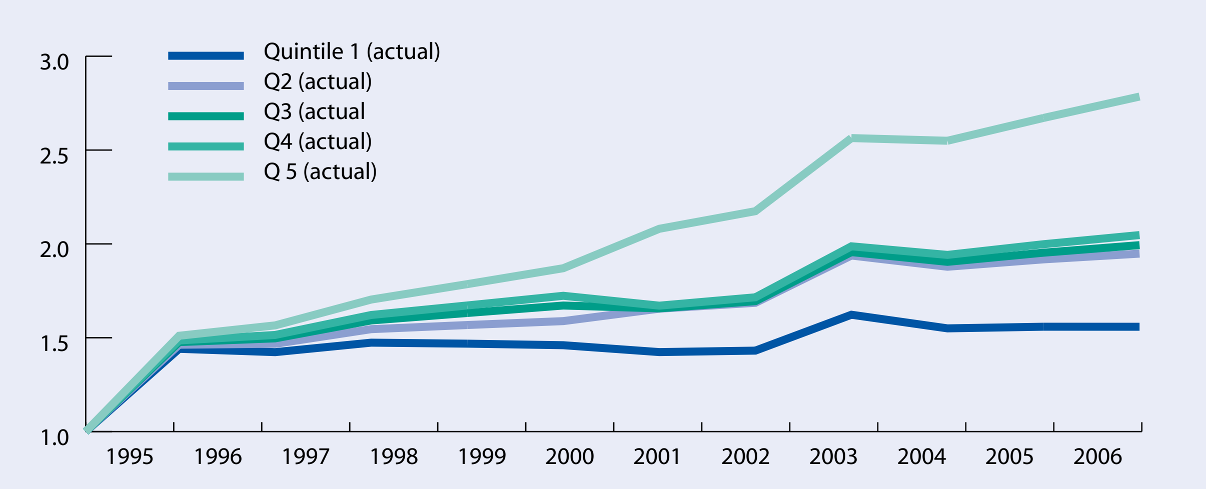
Since the war, two new features of Rwandan income distribution have emerged very strongly. First, the top income quintile has distanced itself very sharply from the rest of the population, with incomes taking off as the rest of the population have seen only modest rises in income. Secondly, we observe that the bottom quintile seems to be falling behind the rest of the population: the poorest of the poor are becoming poorer in relative and sometimes even in absolute terms. Figure 8 shows the evolution of incomes per income quintile in Rwanda since the war in constant 1995 Rwf, using 1995 as a base year. The graph clearly shows the growing gap between the top income quintile, whose incomes have been multiplied almost by three since 1995, and the rest of the population for whom incomes have risen much more slowly. While there is some element of "trickle down" of growth to poor Rwandans, the "trickle" seems to be inversely proportional to income, and does not appear to reach down to the bottom of the income distribution. In fact, the average income of the bottom 20% of the population, expressed in constant Rwf, has barely changed since 1996.

Figure 9 shows the evolution of average income in the bottom income quintile using a synthetic approximation of actual incomes[2], and compares it with what the evolution would have been, had the growth been distribution-neutral (i.e. if the income share of the bottom quintile had remained unchanged throughout the period).

Average income in the bottom quintile was estimated at Rwf17,400 per person in 1996. By 2006 the average income of the bottom quintile

2. Unfortunately, the preliminary EICV2 report does not report average income/expenditure figures per quintile, or the actual income share of each quintile. Hence, this estimate is based on a combination of MINECOFIN data on aggregate income or GDP in constant 1995 prices, with EICV2 estimates of income distribution. Consequently, it is likely that the absolute income figures cited here for 2006 will differ from the nominal expenditure figures declared by households in the EICV. However, the evolution of incomes per quintile over time should be accurate insofar as aggregate income figures and income distribution figures are accurate.

Figure 8: Evolution of income Per Quintile (1995-2006), Base Year 1995



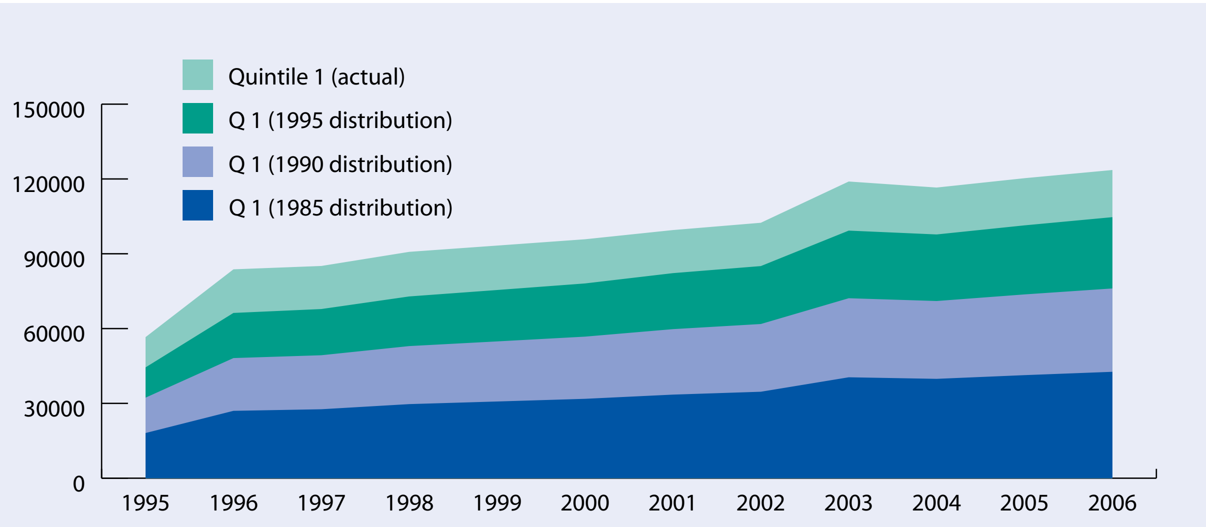
Source: Income distribution data: World Bank (2004a), EICV1, EICV2; GDP data: MINECOFIN (2007)

had barely increased to Rwf18,900 (in constant Rwf); an improvement of less than US$3 per person per year at the current exchange rate. If the bottom quintile had maintained the same share of total income as in 1995, its average income today would have been over Rwf28,600 per person per year.

Because of the profound changes that have taken place since the war it is difficult to make comparisons with the pre-war period. However, Figure 9 illustrates the potential income that the bottom quintile could have had if inequality had remained at 1990 and 1985 levels. In the best case scenario (if inequality had remained unchanged since 1985), people in the bottom quintile would have an average income of Rwf42,600 a year today (more than double their current income), given the growth rates that Rwanda has experienced since 1995. That represents a "virtual loss of income" of Rwf23,000 per person per year to the bottom quintile, due to rising inequality.

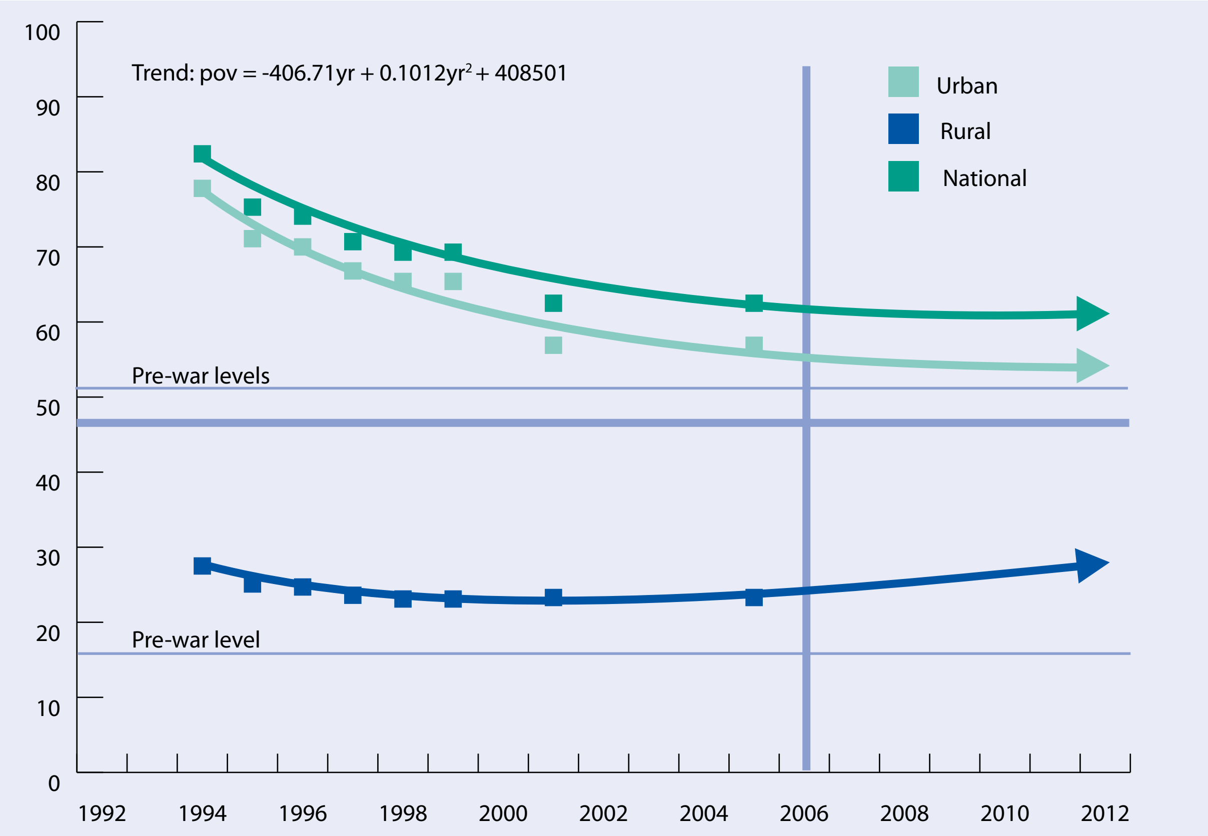
As Figure 8 shows, almost all the growth generated in the last few years has gone to the top quintile, leaving the average income of the bottom four quintiles in society virtually unchanged since 2003 (even decreasing slightly in the case of the bottom quintile) despite vigorous economic growth. The EICV2 results show that the average

Figure 9: Actual and Potential Average Income of the Bottom Quintile (1995-2006)



Source: Income distribution data: World Bank (2004a), EICV1, EICV2; GDP data: MINECOFIN (2007)

Figure 10: Five-year Prediction of Poverty Rates, Based on 1995-2006 Trends



Source: RoR 2002a:14, EICV2

income of a poor person has remained virtually unchanged since 2001 at Rwf150 per day against Rwf146 per day in 2001.

This means that inequality levels have now become so high in Rwanda that they are affecting not only the depth of poverty, but the efforts that have been made since the war to reduce the poverty head-count ratio.

As Figure 10 shows, while the poverty ratio has been decreasing constantly since 1995, the rate of poverty reduction has been slowing down in recent years. The estimate based on 1995-2006 trends shows that Rwanda might be nearing the end of its capacity to reduce the poverty head-count through growth alone, given the current type of economic growth. In fact, as shown in Figure 10, if current trends are confirmed, Rwanda might not be able to recover to pre-war poverty levels within the next five years, if inequality continues to rise at the same rate as in the previous years.

1.3.3. Inequality and Growth

The rise in inequality does not only undermine Rwanda's efforts to reduce poverty. In the long run, high inequality is likely to hamper Rwanda's economic growth. Some economic theories have argued in the past that a temporary rise in income inequality is necessary at the beginning of the development process, in order to enable the elite to accumulate sufficient resources to undertake essential investments in industry, a phenomenon described as the "Kuznets curve".

Lately, however, a theoretical consensus has been emerging around the evidence that inequality has more negative than beneficial effects on economic development. Persson and Tabellini (1994), for instance, have shown in cross-country analysis of the relation between inequality and growth that one standard deviation increase in equality is associated with an increase in growth of a half to 1%. The negative externalities of inequality range from negative effects of excessive concentration of resources on the purchasing power of consumers, and hence on the size of the domestic market, to reduction in the investment rate due to the inability of poor people to save.

As noted by the 2005 Global Human Development Report, extreme inequality can weaken political legitimacy and corrode institutions, leading to higher political instability caused by popular movements of discontent in countries with large gaps between the rich and the poor. Indeed, if we observe the countries in East and South-East Asia that have experienced strong economic performance over the past decades, one of the common features between them is that they all have relatively equal income distributions. Importantly, these countries have in most cases been able to maintain low inequality rates (with Gini coefficients ranging from the low 0.30s to low 0.40s in most countries) despite their strong economic growth, meaning that growth was typically well distributed across the population. These low inequality rates are often accompanied by higher investments in human capital, since better off populations are typically in better health and better able to invest in education.

Importantly, it is often pointed out that the success of Asian countries is not due primarily to their ability to achieve high growth rates, but rather to their ability to sustain those growth rates over long periods of time. The ability of those countries to redistribute the fruits of growth has undoubtedly played a role in this, since it has allowed for relatively stable political and hence economic environments. Latin America, on the other hand, which has historically had much higher levels of inequality, has had a disappointing economic performance over the past few decades. And interestingly, we note that the recent economic resurgence of several Latin American countries is being accompanied by strong popular pressure to improve the distribution of income on the continent.

If Rwanda is to sustain current rates of economic growth over the coming decades, in order to achieve Vision 2020, it will need to address the issue of rising inequality so as to strengthen its internal market. This is particularly important for a landlocked country, which is naturally handicapped in international competition.

More importantly, lower inequality is necessary to strengthen investments in human capital by households and by the state, thus laying the foundation for a knowledge-based economy oriented towards technology and other services that are less dependent on international transport costs. Last but not least, of course, controlling distortions in the distribution of income is essential to maintain the social peace that Rwanda has been able to achieve since the war.

Large rises in the income gap between rich and poor could easily damage the country's fragile social fabric that is still recovering from the damage inflicted by the genocide.

Rising to this challenge will require strong political leadership to (a) broaden the sources of growth so as to include more people in the development process and (b) undertake large and well targeted programmes to correct the inevitable distortions created by rapid economic growth, both through direct investments in human capital (see next chapter) and through direct transfers aimed at improving the livelihood and economic potential of the poor.

2. SOCIAL SERVICES: ACHIEVING GROWTH BY INVESTING IN PEOPLE

Unlike many of its neighbours, Rwanda does not possess vast expanses of land or ample natural or mineral resources on which to base its development strategy. The main asset in Rwanda is its people. Hence, to meet the targets of Vision 2020, Rwanda must invest in its people in order to expand their capacities to enable them to become active and productive members of society. In this chapter, we will argue that sustained and well targeted investments in key social sectors can make a major difference in overcoming the challenges identified in Chapter 1 (agriculture, population, inequality), provided that they are sufficiently well distributed to enhance human development and the formation of human capital.

Investments in human capital are investments that are naturally pro-poor. Growth in a service- and knowledge-based economy is dependent on human development. As the greatest success stories of the past decades – for instance, Japan, Korea, Taiwan and the new emerging economies – have shown, there is no necessary contradiction between growth and equity.

Long-term sustainable growth requires the ability to replace the "vicious circle" of poverty, hunger and population growth by a "virtuous circle" whereby investments in human capital strengthen economic growth and economic growth enables sustained investments in human capital. In this chapter we will focus on three key areas of intervention, which we believe to have the highest potential impact on the development challenges identified in Chapter 1:

1. EDUCATION: Investing in education is vital in order to achieve the Vision 2020 objective of transforming Rwanda from a subsistence agricultural economy into a service- and knowledge-based economy.

This will require large and well balanced investments across the whole spectrum of education levels to enable human capital formation that is both sufficiently broad and of sufficiently high quality to cater for the demands of a growing service economy. In particular, an expansion of resources and effort needs to be directed towards increasing the number of children (especially girls) transitioning from primary to secondary school and then completing secondary school.

2. HEALTH: Investments in health can reduce the cost of disease, increase labour productivity and reduce population growth.

Preventable diseases such as HIV/AIDS and malaria are enormous burdens on the Rwandan economy, both in terms of direct costs to poor and vulnerable households (e.g. cost of treatment) and in terms of lost labour and labour productivity. Most importantly, Rwanda's high rates of infant and child mortality and low life expectancy are one of the major reasons for the observed fertility rates. Investments in health can thus have a significant economic return, but can also contribute to reducing Rwanda's population growth, which constitutes a threat to the environment, agriculture, and to the economy.

3. GENDER: Engendering development policies can increase their impact and improve the contribution of women to economic development.

Despite remarkable progress in recent years in improving the representation of women in decision-making, the gap between men and women remains vast in terms of human development. The exclusion of women from social and economic progress is a net loss to the Rwandan economy and to the society. To be broad-based, pro-poor and sustainable, Rwanda's development must include women, who are the custodians and depositories of Rwanda's natural and human capital: they till most of its land, care for its children and supervise the education of the country's next generation.

2.1. EDUCATION: INVESTING IN KNOWLEDGE

Despite its numerous remaining challenges, the education sector is, in many ways, an example of what well-planned, coordinated and targeted investments can achieve in terms of human and economic development. Rwanda's education sector has managed to pull itself up from total devastation to levels of achievement that, for several indicators, surpass pre-war achievements.

BOX 4: KEY FACTS AND FIGURES ABOUT THE EDUCATION SECTOR

- **Net enrolment in primary schools rose from 73.3% to 85.9%** between 2001 and 2005 and gender parity in enrolment has been achieved.
- Quality remains a challenge in primary education, however, as the **pupil/teacher ratio has risen from 54 to 69** between 2001 and 2005.
- Secondary school enrolment remains a major challenge, with **barely 10% net enrolment nationally, dropping to a mere 7.9% in rural areas**.
- Access to the Education for All Fast Track Initiative should guarantee adequate funding to the education sector over the coming years. However, there may be inter-sectoral issues to address with this additional funding as **the Rwandan Government already spends more than twice as much on education as it does on health**.

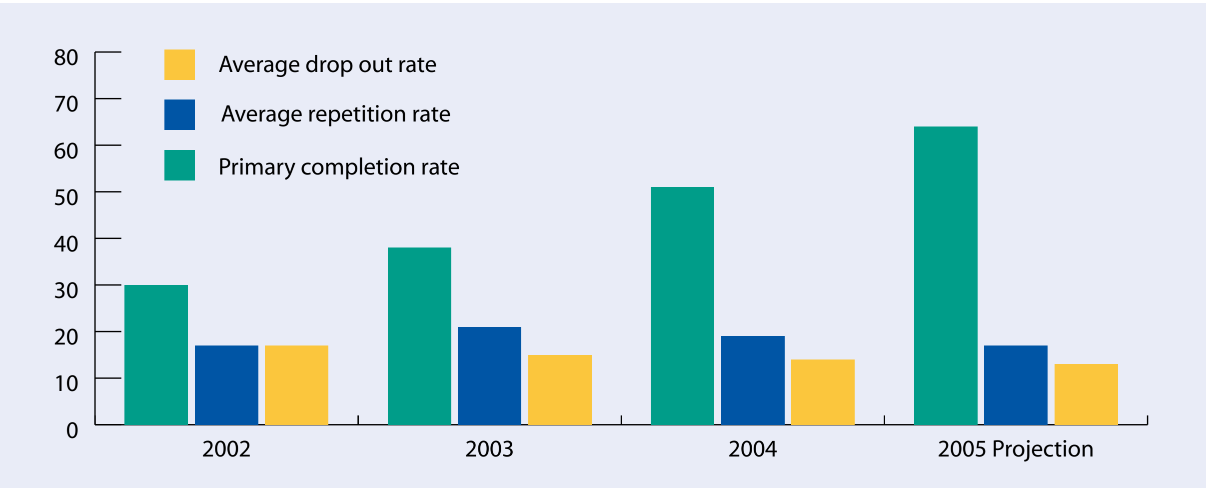
In a country that lacks most forms of natural and mineral wealth, and where overpopulation and deteriorating agricultural productivity is an issue, investments in education are vital to the success of long-term economic development. Rwanda is rising to the challenge by investing heavily in educating its people, as well as in research and development, in order to achieve the objectives it has set in Vision 2020 of transforming Rwanda into a service-based economy that heavily depends on human capital.

A solid and broad education system, with a quality curriculum, can also play an important role in strengthening the bases of democracy, as well as fostering long-term peace through dialogue and awareness. In this section we discuss some of the challenges that the sector will face in coming years to maintain, consolidate and deepen the successes of the past few years.

Some of the key challenges we identify include:

1. Improving the quality of education in the face of rapid scaling up of the number of students.
2. Planning and catering for a scale-up of secondary education as a consequence of rising completion rates in primary education.
3. Improving equity in access to, completion of and achievements in education to ensure broad participation in human capital formation.
4. Achieving the right balance between expenditures at different levels of the education system and maintaining the quality of investments in the face of rapid scaling up of financial resources.

Figure 11: Promotion, Repetition and Dropout Rates for P1-P5



Source: RoR 2006b

Table 11: Availability of Basic Educational Inputs in Rwanda

	2000/2001	2001/2002	2002/2003	2003/2004
Pupil/teacher ratio at primary school	51	58.9	65.8	66.9
% Primary teachers certified to teach according to national standards	62.7	81.2	85.2	88.2
% Secondary teachers certified to teach according to national standards	49.7	51.9	52.1	50.95

Source: RoR, 2004g

2.1.1. MDG 2: Universal Primary Education

Education is one of the sectors that have shown the best results in recent years, even surpassing pre-war performance. After the introduction of fee-free primary education, the gross enrolment rate is currently well over 100% (140% in EICV2). Part of this increase is accounted for by the catching up of out-of-age children who were unable to attend school during the war, as well as repetition rates of up to 20% that pushed up enrolment figures in the past. Importantly, the net enrolment rate has risen from 73.7% in 2001 to 85.9% in 2005, indicating that Rwanda is well on track to achieve some of the key MDG targets for education. Parity in enrolment was also confirmed, with girls' enrolment overtaking boys' enrolment at 86.9% versus 84.8%.

Despite these impressive achievements, several challenges remain to achieve universal primary education by 2015. First, while Grade 1 enrolment has shot up to unprecedented levels, it has been much harder to maintain children in school throughout the primary school cycle. Estimates for 2004 put dropout rates at 15.2%. This is probably due to the continued high cost of education to poor households, despite the elimination of school fees. Costs associated with schooling range from school materials to uniforms, as well as the opportunity cost to households of lost labour. It is estimated that up to 30% of Grade 1 entrants never finish Grade 4. High dropout rates also mitigate gender parity, which has been achieved at the enrolment level. By 2004 it was estimated that only 16% of girls finished primary school.

Rwanda's education sector has partly been a victim of its own success in recent years, with quality standards being undermined by the rapid growth in the quantity of students. The greatest challenge for the education sector today in terms of quality is the high number of pupils per teacher, especially

Table 12: Situation of Primary Education by School Year and Sex (2000-2005)

Sex/school year	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Total	**1,476,272**	**1,534,510**	**1,636,563**	**1,752,588**	**1,857,841**
% Boys	50	49.8	49.5	49.2	49.1
% Girls	50	50.2	50.5	50.8	50.9
Gross enrolment rate	1	1.04	1.28	1.31	1.37
GER Boys	1.02	1.06	1.29	1.31	1.37
GER Girls	0.98	1.02	1.28	1.31	1.38
NER Boys	0.73	0.74	0.9	0.92	0.92
NER Girls	0.75	0.75	0.92	0.95	0.95
Teachers					
Total	**28,698**	**26,024**	**27,319**	**28,254**	**29,033**
% Male	0.49	0.5	0.5	0.48	0.46
% Female	0.51	0.5	0.5	0.52	0.54
Qualified	17,995	21,123	23,271	23,112	25,255
% Male	0.61	0.81	0.84	0.87	0.94
% Female	0.63	0.82	0.86	0.89	0.94
Teacher/pupil ratio	51	58.9	65.8	66.9	66
Qualified teacher/pupil ratio	82	72.6	70.3	75.8	73.6

Source: RoR 2006

in primary education. Between 1999 and 2005, the ratio increased from 54 to 69 due to the rapid increase in enrolment rates. This number is very high compared with other countries in the region; the average for sub-Saharan Africa is 50.3 (World Bank 2006). There has been an improvement in the student/qualified teacher ratio, which decreased from 102 to 73.6. However, this ratio remains very high by international standards, as the norm established by the United Nations Education and Scientific and Cultural Organisation (UNESCO) (2006) is 40 pupils per teacher. The lack of qualified teachers is largely a consequence of the war and genocide. It is encouraging to note, however, that the percentage of primary teachers certified according to national standards increased from 62.7 in 2000 to 88.2 in 2003, and is expected to rise further over the coming years as new generations of teachers are trained.

2.1.2. Education for All: Secondary Education

While significant progress has been made in recent years towards achieving MDG Goal 2 of universal primary education, enrolment at the secondary level remains a challenge. According to the latest EICV, net enrolment rates at the secondary level drop to about 10% nationally and 7.9% in rural areas. While this constitutes an improvement with respect to the previous EICV (6.9% urban and 5% rural enrolment), these levels remain very low by international standards. Furthermore, the period saw a significant deterioration in gender parity at the secondary level, from 1.21 girls per boy to 0.89 girls per boy.

Adequate performance of secondary education is of course crucial for the achievement of Vision 2020 objectives, which aim to transform Rwanda's economy into a knowledge-based economy. But recent research has also shown that a secondary education system also is important for the achievement of MDG 2 on primary education. The reason is that many parents hesitate to send their children to primary school if they think that the children will not be able to attend secondary school. Hence, if Rwanda is to maintain current performance levels in the education sector, and progress towards MDG and Vision 2020 objectives, it will need to increase investments in secondary education further to meet the challenge posed by new cohorts of children graduating from primary school as a result of increased primary enrolment rates. The plans to extend fee-free schools to lower secondary schools constitute an important step in this direction. Indeed, the cost of secondary education is currently 38 times higher on average than the cost of primary education, up from 28 times five years ago (see Table 14).

The trends in education expenditures seem to confirm the earlier observations regarding a growing gap between rich and poor. First, EICV2 shows that the increase in the average cost of education expenditures is not due to an increase in the median expenditure (i.e. the expenditure of an "average" person), but rather to the rapid

Table 13: Situation of Secondary Education by School Year and Sex (2000-2005)

School year	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Total	**141,163**	**157,210**	**179,153**	**203,551**	**218,517**
% Girls in public schools	45.6	44.0	47.2	49.1	52.9
% Girls in private schools	56.3	56.6	52.8	50.9	47.1
Gross enrolment rate		11.2	13.4	15.4	16.6
NER		6.5	10.2	10.6	-
Dropout rate	14	9.6	9.2	9.8	
Teachers					
Total	**5,453**	**6,329**	**7,058**	**7,750**	**7,610**
% Male	81.4	81.2	80.8	80.1	79.8
% Female	18.6	18.8	19.2	19.9	20.2
Qualified					
% Male	90.4	91.0	90.5	89.8	86.7
% Female	9.6	9.0	9.5	10.2	13.3
Qualified teacher/student ratio	52.1	47.8	49	51.5	55.5

Source: RoR 2006n

increase in expenditures among the top quintile, where about half of all children attended private schools. Moreover, we observe that secondary education expenditures in the bottom quintile have decreased by more than a third to Rwf20,916. Unfortunately, the preliminary EICV report does not report enrolment rates by income quintile, which makes it difficult to see whether this is due the introduction of subsidies or educational assistance for poor households or whether it is due to the fact that the observed growth in income inequality is translating into worsened human development achievements for the lower income groups.

Table 14: Median Education Expenditure Per Student in Secondary Education in Past 12 Months, by Consumption Quintile (Rwf)

Quintile	EICV1	EICV2
Lowest	32,344	20,916
Second	32,373	47,972
Third	27,315	60,195
Fourth	51,300	63,700
Highest	66,834	81,971
All	**50,920**	**68,298**

Source: EICV1 and EICV2 data. Notes: (1) Figures do not include students on vocational "post-primary" courses. (2) All values are expressed in January 2006 prices using the consumer price index (CPI).

2.1.3. Public Investments in Education

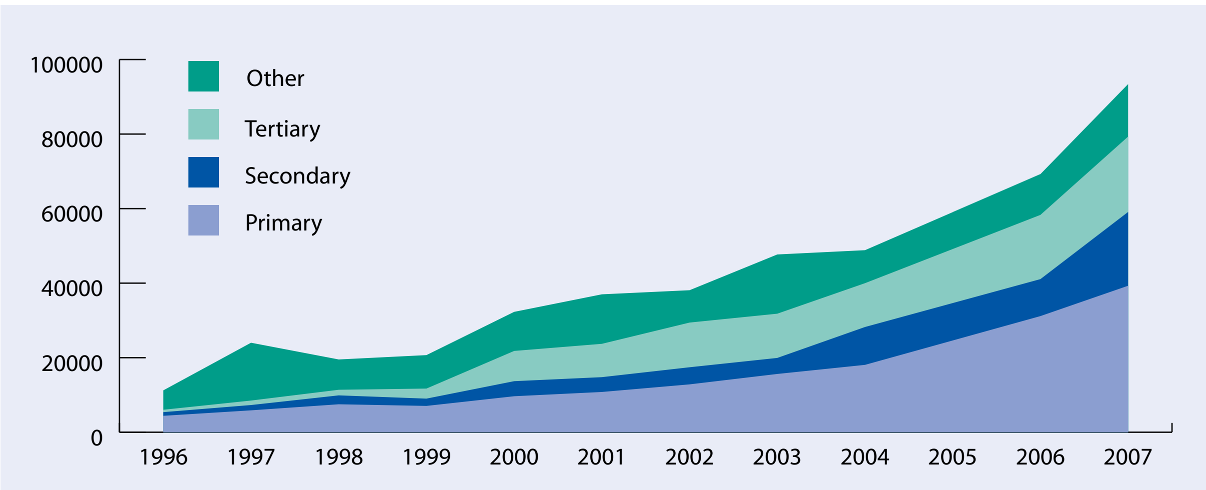
Government and donors have put more effort and resources into the education sector in recent years than perhaps into any other sector in Rwanda. And these investments have already started bearing fruit as the results reported above have shown.

Education is already the single largest budget posted in the national budget, receiving US$125 million in 2006, and expenditures are projected to increase by over 40% this year, to US$169 million.

More important than the amount of resources however, is the quality of funding. Indeed, total funding going to the education sector is comparable to overall resources in the health sector. The major difference, however, is that most of the resources in the education sector are both on budget and on plan, thanks to the progress that has been made in strengthening donor coordination and alignment on national policy, notably through the establishment of a Sector Wide Approach for education.

However, these successes will create new needs and challenges for the education sector. Capital investments in schools, for instance, will create their own running costs for maintenance and for staffing if the investments are to be sustainable. Furthermore, as we have seen, the quantitative improvements in terms of the number of students who are attending schools are creating new qualitative challenges, notably in terms of the number of students per teacher. Hence, in order to consolidate and perpetuate the immense progress that has been made in a short time in the education sector in Rwanda, it will be necessary to guarantee a predictable and substantial level of funding to the sector. It is hoped that Rwanda's access to the Education for All Fast Track initiative will help to

Figure 12: Education Expenditures by Level (1996-2007)



improve the long-term financing of the education sector strategic plan.

In the past there have been large variations in donor contributions to the education sector (see RoR 2004f), because of shifts in donor priorities, political issues or even delays in disbursement. The importance of regularity and predictability of funding will grow rapidly, as the post-war reconstruction phase gives way to a phase in which salaries and other recurrent costs will make up a larger share of total costs in the education sector.

The EDPRS Needs Assessment shows that the investments required in the coming years to achieve the MDG and Education for All targets will rise steadily to reach over US$30 per capita towards the end of the EDPRS period.

The other big challenge for the education sector will be to ensure that, as funding levels increase, the quality of investments and expenditures does not decrease due to inadequate planning or absorptive capacity constraints.

The Public Expenditures Tracking Survey (PETS) that was carried out in 2002 has already highlighted the fact that increases in levels of expenditure did not necessarily translate into higher educational outputs, as only a small part of the funds reached the poor and isolated groups. Equity and balance in spending will remain an issue over the coming years, as the availability of new funds will attract the interest of different groups. There have already been concerns in the past over excessive funding to tertiary education, which is well above sub-Saharan African levels.

While tertiary education is important to achieve the objectives set in Vision 2020 and the MDGs, past experience has shown that investments in the tertiary sector are very expensive and that to build a tertiary education system that is of sufficient quality to fuel the needs of the a growing economy is an extremely difficult and lengthy process. Hence, investments in the tertiary sector should be carefully chosen and planned.

Discussions over repartition of education sector funds are likely to intensify as the rate of completion of primary education and transition to secondary level improves, increasing the need for financing to secondary education. As Figure 14 shows, however, significant efforts have been made in recent years to increase the share of expenditures on primary education, and the 2007 budget shows a doubling of expenditures planned for secondary education, from Rwf 9 billion in 2006 to over Rwf 19 billion in 2007. Consequently, the share of tertiary education expenditures in the education budget is expected to fall from 24.8% to 21.7% this year. However, when expenditures on research and development and unclassified expenditures are included, we actually observe a slight rise in higher education expenditures (from 28.1% to 29.7%).

The main challenge for Rwanda with respect to the education sector might be to replicate the successes of the education sector in other sectors.

The 2004 QUIBB (*Questionnaire des Indicateurs de Base des Bien-etre*, or Qualitative Indicators Survey) has already shown that education expenditures might be affecting expenditures negatively in other priority areas. It is hoped that as strategic planning improves in other sectors, donor coordination and alignment will follow suit. However, experience has shown that education is one of the "easier" sectors to plan for because of the well-defined nature of its targets and interventions.

Replicating the success of the education sector will require significant effort and goodwill from donors, as well as strong leadership from the government. Successfully increasing funding to other sectors might also pose new problems at the macro level in terms of inflation, exchange rates, etc. These issues will be looked at in more detail in Chapter 3.

2.2. HEALTH: INVESTING IN LIFE

A child born in Kibungo today has a one in four chance of dying before reaching the age of five and a child born into a poor (bottom quintile) family is twice as likely to die before five than a child born into a rich (top quintile) family (see Figure 15). When the results of action, or inaction, are literally counted in human lives, there can be no excuse for not doing what is needed to stop the daily tragedy of preventable death; especially since the experience of places such as Kerala in Southern India or Cuba has shown that it is possible to reduce infant mortality rates well into the teens, even with the limited means of a low-income country.

Enormous efforts have been made in recent years to improve service delivery and funding of the health sector in Rwanda, with public spending on health more than doubling over the last few years. However, Rwanda's starting point is extremely low. Much of its human and institutional capacity was decimated during the genocide

BOX 5: KEY FACTS AND FIGURES ABOUT THE HEALTH SECTOR

- Under-five mortality **decreased from 196% to 152%** between 2000 and 2005, thus recovering to pre-war levels.
- A child born into a poor (bottom quintile) family **has a one in five chance of dying before reaching the age of five**, twice as much as a child born into a rich (top quintile) family.
- Malaria is the leading cause of morbidity and mortality in Rwanda. **Children under the age of five account for 35% of all malaria-related deaths**.
- HIV prevalence among women in Kigali is 8.6%, meaning that a woman living in Kigali is **nearly eight times more likely to get infected with HIV** as a man living in the Northern Province.

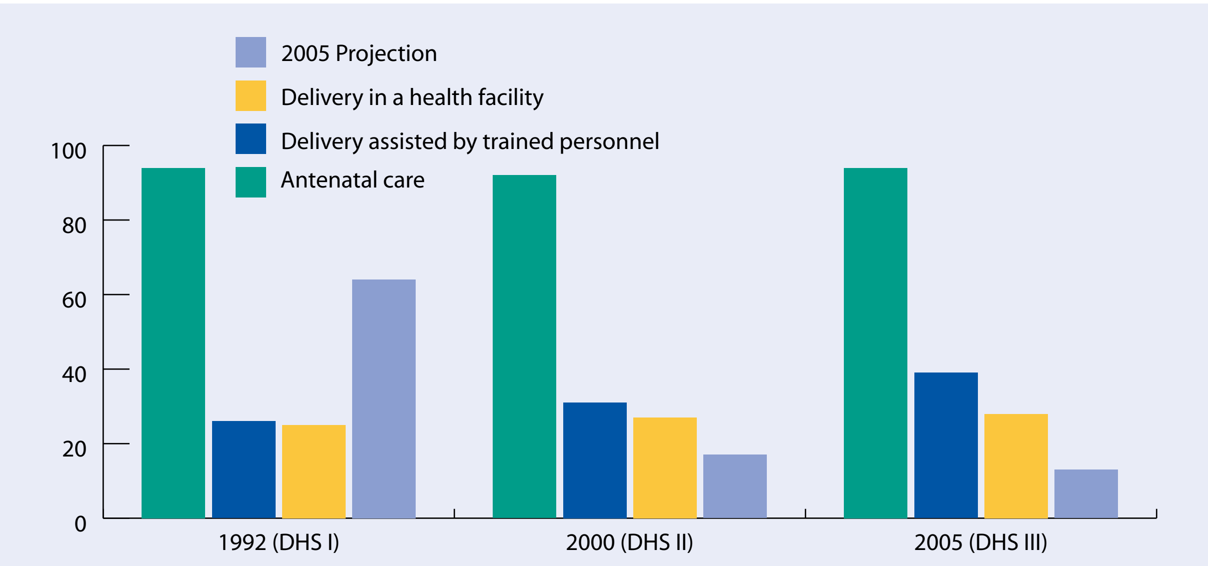
and its health system is only now emerging from the ashes of war and years of neglect. Despite an impressive rebound after 1994, many of Rwanda's health indicators remain below pre-war levels and well below African standards.

Given the enormity of the challenge facing the country, public efforts – particularly by donors – still fall short of what would be required to achieve the health MDGs. Rwanda needs more, better coordinated and aligned aid to the health sector, and it needs to spend it in a more equitable and effective way.

Investing in health is not only a moral obligation and an international commitment; it is a vital element of a well balanced and sustainable development strategy. The aggregate cost of preventable illness to the Rwandan economy – in terms of lost labour productivity, medication, and loss of life – is enormous. AIDS has already left thousands of children orphaned and is keeping many more adults out of work and unable to support their already vulnerable households. Malaria, which is one of the biggest killers in Rwanda, is rising, costing the economy millions of lost labour days every year.

Most importantly perhaps, for Rwanda, is the fact that research has shown that reducing infant mortality is the surest and most effective way of reducing population growth, as the likelihood of losing a child is the strongest incentive for women to want more children. Investments in health are thus sure to produce significant returns to the economy, provided that they are well spent and that they reach those most in need.

Figure 13: Percentage of Women Assisted by a Professional While Delivering



Source: RoR 2005i

2.2.1. MDGs 4 and 5: Reducing Infant and Maternal Mortality

Few women have access to health facilities due to expensive health care and geographic barriers. In general, the cost of health care services deters women from seeking medical services.

The figures reported by the DHS show that, even though 94% of pregnant women visit health facilities, only a few of them are either assisted by qualified personnel or deliver in a health facility, as shown in Figure 13.

The low rate of assisted delivery and access to obstetric care is one the main causes of death for women of reproductive age (15-44). This explains why maternal mortality levels in Rwanda remain among highest in the world.

Between 1995 and 2000, approximately 1,071 women died per 100,000 live births per year, but this figure declined to the level of 750 per 100,000 live births in the year 2005 (DHS 2005), below the average of 830 in sub-Saharan Africa (WHO 2005).

As delivery is covered by the *mutuelles* health insurance scheme, it is likely that the rapid increase in coverage will contribute to increasing the rate of deliveries in health centres and could thus play an important part in reducing maternal mortality rates in the coming years. However, since *mutuelles* insurance does not cover more complicated interventions and requires beneficiaries to pay 10% of the total cost for hospital delivery, the impact could be limited for poor women and for complicated deliveries.

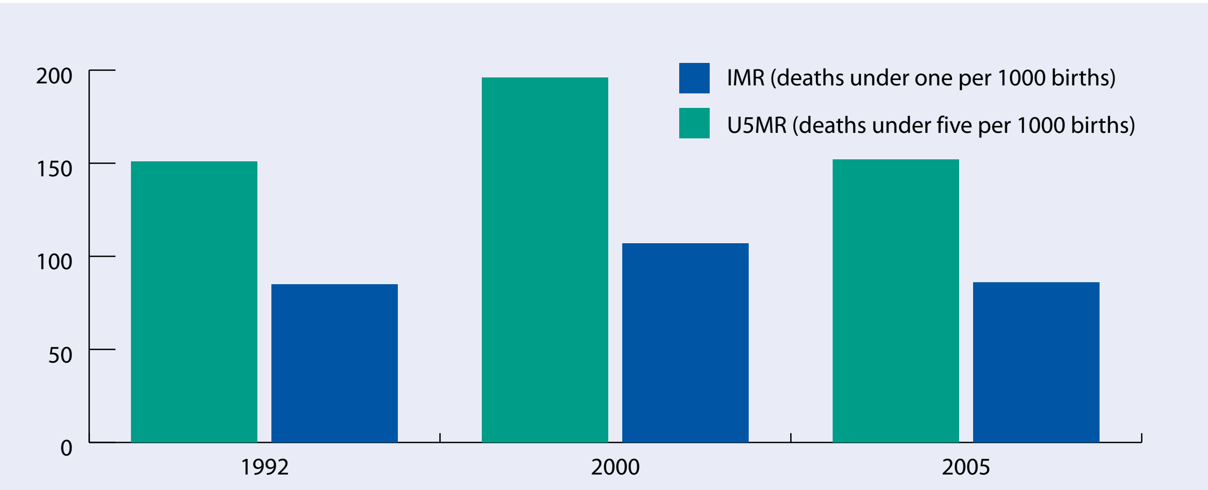
Similarly, Rwanda is among the countries that have the highest under-five mortality rate (U5MR), 152%, and infant mortality rate (IMR), 86%. While the rate has fallen dramatically around the globe the situation had worsened over the years in Rwanda, mainly as a consequence of the 1994 war. However, Rwanda has performed exceptionally well in the post-war period, and by 2005, the levels had fallen back almost to 1992 levels (see Figure 14). However, given the enormous setback caused by the disruption of the war, Rwanda still has a long way to go to achieve the targets set by the MDGs.

It is important to mention that these national rates hide huge variations in mortality between provinces. A child born in the Eastern Province is nearly twice as likely to die in his first year of life as a child born in Kigali (see Table 15). In the year 2005, Kibungo registered the highest U5MR and IMR; more than one in every four children born in Kibungo (26.8%) dies before reaching the age of five.

There is also a wide difference in under-five and child mortality between the richest and poorest quintile of the Rwandan population. A child born into a poor family (bottom quintile) is almost twice as likely to die before the age of five as a child born into the top income quintile.

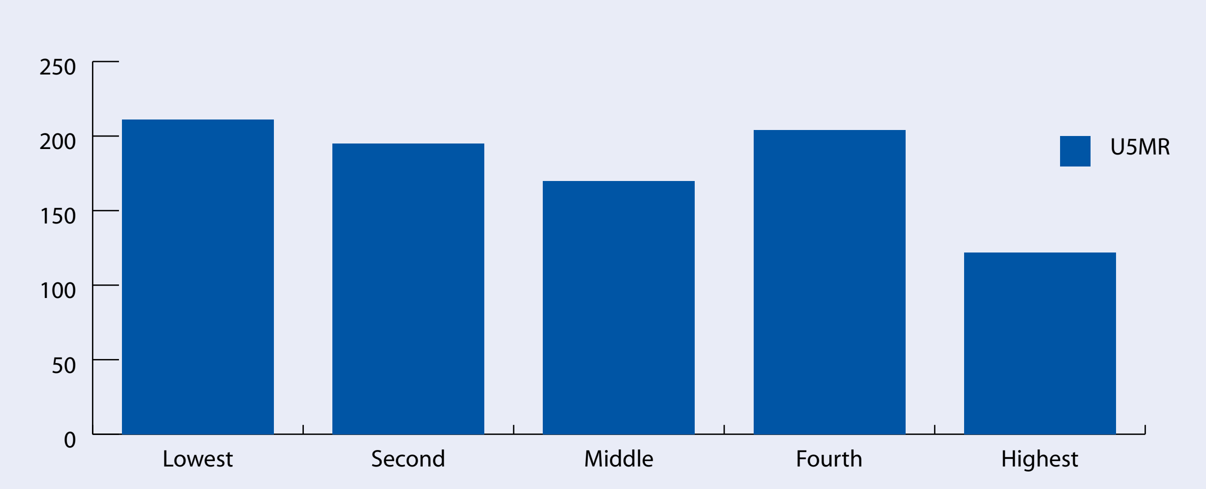
As Figure 15 shows, the inequalities in income distribution found in Chapter 1 translate directly into health achievements, as we observe a large gap in under-five mortality rates between the top income quintile and the rest of the population.

Figure 14: Under-five Mortality and Infant Mortality (1992 to 2005)



Source: RoR 2005b

Figure 15: Under-five Mortality Rate by Wealth Quintile



Source: DHS 2005. Note: The Demographic and Health Surveys do not collect information on income or consumption. The wealth indices are calculated through a principal components analysis using information on housing characteristics, access to water, sanitation facilities and household consumer durables. The surprising result in this figure (fourth quintile having higher infant mortality rates than lower quintiles) may be due to the non-income aspect of the wealth index.

Table 15: Geographic Disparities in Infant and Child Mortality Rates

	Kigali	Rural	Eastern Province
U5MR (per 1000)	124	192	233
IMR (per 1000)	68	108	125

Source: DHS 2005

Ironically, the main cause of high morbidity and mortality rates among children is malaria (registering 37% deaths among under-fives), which is relatively easy to cure and preventable at a comparatively low cost, for instance, through the distribution of mosquito nets.

Malaria is followed by anaemia, acute respiratory infection and diarrhoea, all of which have been shown to be preventable through comprehensive and well coordinated interventions to improve water and sanitation, access to improved cooking fuel and simple health interventions, such as re-hydration salts.

Other reported causes of child mortality include malnutrition and HIV/AIDS; it is believed that the prevalence of the latter is underestimated due to the difficulty of diagnosing the disease in children (RoR 2005b).

The DHS further shows that the vaccination rate is about 75% for children aged between 12 and 23 months. Bacillus Calmette Guerin (BCG), an anti tuberculosis vaccine, and the diphtheria, tetanus and pertussis (DPT) vaccine covered 97% and 87% respectively, while 97% and 86%, respectively, received vaccination against polio and measles. These results suggest that Rwanda could see significant improvements in its health-related MDG indicators in the coming years if the increase in investments is (a) well targeted to address the main causes of mortality and (b) well distributed to ensure access to care by those who are most exposed to these health risks.

2.2.2. MDG 6: Stopping the Spread of HIV and Malaria

Malaria is the most prevalent disease in Rwanda. According to QUIBB (RoR 2004d) malaria afflicts 17.3% of school children, 18.2% of old people and 16.2% of women.

Malaria has been the leading cause of death among children and pregnant women. In 2003, almost 59.9% of all deaths in district hospitals were due to malaria. It is estimated that many more malaria-related deaths go unreported. In 2005, the DHS estimated that 35% of all malaria-related deaths occurred among children under the age of five.

Another great burden on the health system is HIV/AIDS, which affects 3% of the Rwandan population, according to the estimates of the 2005 DHS. While the progression of HIV/AIDS has been slower than some initial estimates had projected, the disease is sufficiently widespread to constitute a major cause of concern. Worryingly, the DHS results indicate a feminisation of the disease, as well as the appearance of very significant pockets of contamination in parts of the country, notably in Kigali. Nationally, we find that the prevalence rate for women is almost 56% higher than for men. In Kigali, the prevalence rate for women reaches 8.6%. A woman living in Kigali is almost eight times more likely to be infected by HIV than a man living in the Northern Province.

One of the reasons for a higher prevalence among women is the fact that many survivors of the 1994 genocide were raped and infected by HIV/AIDS and/or other sexually transmitted diseases. However, the continued feminisation of the disease may also be accounted for by other social and medical factors which have been observed in many sub-Saharan African countries. Women are more likely to be infected with HIV because of physiological factors – related to the mode of transmission, but also to social factors, such as the lack of empowerment of women to make choices about matters related to sex. The prevalence rate is higher for pregnant women in urban areas than for those in rural regions. The prevention of mother-to-child transmission (PMTCT) programme, which has been set up by the Ministry of Health, aims to reduce mother-to-child transmission of HIV using preventive and treatment interventions. Currently, the transmission rate is 10.3% and 30% respectively, with and without medical intervention (TRAC, 2003). At the end of 2001, about 264,000 children were orphaned because of AIDS. It is also estimated that HIV could increase infant mortality to 107 per 1,000 live births and that most of these children come from poor families. In 2005, the awareness about HIV transmission was 99% and 90% respectively for men and women, yet the use of condoms was only 3% and 5% for women and men, respectively (RoR, 2005b).

Major hurdles remain to translate awareness into behavioural change and to remove the economic and social barriers to access to preventive measures. The fact that 96% of women knowingly expose themselves to the risk of transmission, for instance, shows deep-seated gender inequalities and a dangerous disempowerment, which explains in part the observed feminisation of the disease (see below).

2.2.3. The Cost of Health

Currently, 60% of Rwandans live within 5km of a health facility, while 85% live within 10km. Only 44% of the population is covered by health insurance (dropping to 30% in the bottom quintile, EICV2). However, as the mandatory health insurance scheme, *mutuelles de sante*, is scaled up, it is expected that access to health care should improve. Importantly, the provision of free health insurance for indigents should go a long way towards improving equity in access. Despite remarkable improvements in access over recent years, coverage remains an issue, as the *mutuelles* scheme only covers a small number of the most common health issues. Given its limited resources, the country faces a stark choice between equity and quality, as it can chose either to extend access to a greater proportion of the population (e.g. through subsidies), or to improve coverage of the scheme to cover a larger number of health problems.

Table 16: Number of Mutual Health Insurance Schemes in Rwanda, by Year of Establishment

Date	Number of mutual health insurance schemes
1996-1997	1
1998	6
1999	59
2003	88
August 2003	188
November 2004	226
End December 2005	354

Source: RoR 2006p

Table 17: Mutual Health Insurance Coverage at the End of 2005

Province	Rate of subscription in December 2005
Butare	32.7%
Byumba	52%
Cyangugu	47.3%
Gikongoro	50.2%
Gisenyi	48.7%
Gitarama	39%
Kibungo	25%
Kibuye	56%
Kigali Ngali	40.6%
Kigali City	48.3%
Umutara	58.1%
Ruhengeri	31.7%
Average	44.1%

Source: RoR 2006p

Table 18: Government Spending on Health Care

National budget	2000	2001	2002	2003	2004*	2005*	2006*	2007*
Health expenditure (millions, Rwf)	3,660	4,147	6,273	6,365	8,468	13,568	34,166	48,389
Health expenditure as % of total public expenditure	3.1	3.6	5	6.2	N/A	N/A	8.4	9.5
Health expenditure per capita (US$)	(1.2)	(1.2)	(8.0)	(8.0)	1.9	3.03	7.5	10.3

Source: RoR, 2004g. Note: Per capita expenditure from before 2004 may not be comparable due to changes in the exchange rate and population calculations.

The Government of Rwanda has demonstrated great commitment through policies and actions to improve family planning and maternal, neonatal and child health in Rwanda. The Ministry of Health aims to contribute to the promotion of the health status of the population of Rwanda to achieve Vision 2020, which supports the objectives of health for all and primary health care. The Government of Rwanda has adopted a policy of decentralisation and put more emphasis on primary health care so as to reinforce community participation in health care.

The current health care delivery system is run by both the public and private sectors. In Rwanda, there are 385 health centres, 34 district hospitals and four national referral hospitals belonging to the public, private and non-governmental sectors. According to the WHO reports, government spending represented 43.5% of the total health expenditure in 2004 (WHO 2006).

Since 1995, the private medical sector in Rwanda grew considerably; there were 329 private health facilities in Rwanda in 1999, the majority (52%) of which were concentrated in Kigali (Rwanda SPA Survey 2001). Non-profit NGOs and religious institutions, collectively known as *Agréé*, commonly work in close collaboration with the Ministry of Health (MINISANTE) and seek to strengthen the public sector delivery system, especially by reaching less accessible areas and/or vulnerable populations. In 2001, 40% of primary and secondary health facilities were run by the non-profit sector.

It is pertinent to mention that large numbers of the Rwandan population continue to use traditional medical services. Moreover, most health centres and hospitals at district level lack the necessary equipment for performing basic medical procedures.

The Government of Rwanda has taken significant steps in recent years to improve service delivery in the health sector, including the adoption of the Health Sector Policy 2005, the Health Sector Strategic Plan 2005-2009, malaria eradication commitments under the Abuja Summit Declaration, the Consensus on fighting HIV/AIDS by the African Development Forum, PRSP-I, MTEF 2002, the National Decentralisation Policy 2003, the National Reproductive Health Sector Strategy for 2005-2009, the Health Strategic Issues Paper and National Family Planning 2006-2010.

One of the main challenges for the health sector is the lack of qualified personnel, which is largely a consequence of the genocide in which a large number of health staff were killed or exiled. Although the number of physicians and nurses has increased, most districts still have an average of 1.4 doctors per 100,000 population which is far below the World Health Organisation norm of 10 per 100,000 population. The nursing situation is better, with the ratio of nurses to the population being 19 per 100,000 against a WHO standard of 20 per 100,000 (RoR 2005f). It should be noted, however, that a large number of nurses are still unqualified. Despite progress in recent years, large disparities remain in health service delivery between the

Table 19: Expenditures on Primary and Secondary Health Care and Specialised Health Care

	2003	2004	2005
Primary and secondary health care	41.82%	31.58%	21.22%
Specialised health care	33.92%	53.52%	40.62%

Source: computed from records of MINECOFIN, RoR, July 2006

BOX 6: KEY FACTS AND FIGURES ABOUT GENDER EQUALITY

- Rwanda enjoys the world's highest rate of female representation in parliament as **48.8% of parliamentarians** are women.
- Rwanda has already **achieved and surpassed gender equality in primary school enrolment**.
- Rwanda ranks **119th out of 177 countries on the Gender Development Index**.
- The national commitment and the commended achievements in parliament and other decision-making positions have not yet translated into any major differences for the vast majority of women in Rwanda – **female headed households have a higher and deeper incidence of poverty**.
- More than one-third of Rwandan women (35%) reported having experienced acts of spousal violence—physical, sexual, or emotional (DHS 2005).
- The legacy of war still weighs heavily on the condition of women in Rwanda: the 2002 Census found **35.2% of Rwandan households headed by women, 56% of whom are widows**.

rural and the urban areas. The Ministry of Health reports that 83% of health professionals work in urban areas, and only 17% work in the rural parts of the country (RoR 2005). Low basic salaries and the lack of an effective incentive structure to entice providers to serve rural areas can explain this phenomenon.

The budget for health has been increasing steadily since 2000 and is predicted to rise further in 2007 by almost 40% to Rwf48,389 billion, which is close to US$10 per capita. While this still falls far short of the average of US$34 for developing countries and US$12 for sub-Saharan Africa, it represents tremendous progress for a country whose health infrastructure was virtually annihilated by the war. If Rwanda is to achieve the objectives set in Vision 2020 and the MDGs, however, it will need to increase its investments in the health sector even further. Health sector expenditures are still about half of public expenditures on education, at 9.5% of total budget against 18.4% for education. Furthermore, the recent Public Expenditure Review for Health (MINISANTE 2006) showed that the health sector is still far behind the education sector in terms of improving strategic planning, alignment between planning and budgeting processes and coordination.

Non-adherence to the sector strategic plan – in particular overspending on King Faycal Hospital – and a bias in public expenditures towards tertiary healthcare were cited as key obstacles to progress in the health sector. The study also highlighted the problem posed by massive, uncoordinated donor interventions in the health sector. More than half the health sector funding comes from donors and NGOs and is typically off budget and often off plan. Donor interventions are too often driven by donor country priorities (e.g. HIV/AIDS) and are not aligned with national priorities or actual needs. Hence, in health, more perhaps than in any other sector, the donors bear a significant part of responsibility for removing the obstacles to achieving the MDGs.

The EDPRS Needs Assessment that was carried out in 2006-2007 showed that even if donor funds were included (and assuming that they were aligned on national plans) current financing in the health sector would still fall short of the minimum of US$25 per capita that would be required during the duration of the EDPRS to bring the health system up to the coverage rate required to achieve the MDGs (including the cost for health *mutuelles*). Importantly, this figure does not include many of the specialised interventions in malaria and HIV/AIDS that are currently carried out in large part by donors and NGOs. The Needs Assessment shows that adding those interventions could add up to US$10-12 to the national health bill.

2.3. GENDER: INVESTING IN WOMEN

Rwanda has the world's highest rate of female representation in parliament. Similarly, Rwanda has already achieved gender parity in both primary and secondary school enrolment. Yet these achievements have not translated into major differences for the majority of women.

Higher and deeper incidence of poverty for women indicate that deep inequalities still remain between men and women in terms of human development achievements.

In this section, we will look at the reasons behind this apparent paradox and try to understand what barriers must be overcome in order to ensure that improved political representation of women can be translated into real human development achievements for Rwandan women.

2.3.1. Gender and Poverty

As noted earlier in this report, growth coupled with narrow levels of inequity is a good driver for human development. A more inclusive development strategy is possible if inequality of opportunities between the rich and poor sections of the population and between men and women is addressed.

The Government of Rwanda has, during the past five years, shown a strong commitment to gender equality through deliberate efforts to engender policies and laws towards an equitable society.

This commitment to the promotion of gender equality and equity is explicit in the country's Vision 2020 and Poverty Reduction Paper Strategy (PRSP1), which clearly state that gender equity and equality, as well as the empowerment of women to participate fully in decision-making processes, is fundamental for poverty reduction and sustainable human development. The formulation of the next PRSP in Rwanda has also provided an opportunity to work in a sector-wide manner to achieve these kinds of changes. The Ministry of Finance (MINECOFIN) has clearly stated the government's commitment to address gender as a crosscutting issue within the EDPRS process and the sectors show keen interest in achieving the mainstreaming of these issues. Despite these political commitments, however, major differences remain between the human development achievements of women and men in Rwanda.

While the detailed poverty profile from EICV2 should provide updated poverty figures by gender, the previous EICV had already shown that poverty in Rwanda was heavily biased against women. In 2002 the extreme poverty rate (unable to meet their food needs) among women was 42.16%, against 41.05% for men, while the simple poverty rate was 61.16%, compared with 59.28% for men (RoR 2002a). A significant part of this difference is due to the high rate of female-headed households, 35.2% according to the 2002 census. Widows accounted for 56% of female-headed households, which shows that this situation is largely a legacy of the war (women represent 52.3% of the Rwandan population).

The incidence of poverty was 7.3 percentage points higher in female-headed households than in male-headed households and the differential for extreme poverty was even larger. An estimated 62.15% of women-headed households were poor, compared with 54.32% for male-headed households, and 43.5% fell in the category of the poorest, against 35.08% of male-headed households (GoR 2002b). EICV2 results showed that the poverty differential between women- and men-headed households may have fallen slightly, to 60.2% versus 55.8%.

Table 20: Poverty Indices by Gender and Residence

	Overall poverty			Extreme poverty		
	P0: incidence	P1: depth	P2: severity	P0: incidence	P1: depth	P2: severity
National	**56.83%**	**23.17%**	**12.32%**	**37.78%**	**12.90%**	**6.13%**
Male	54.32%	21.31%	10.99%	35.08%	11.41%	5.20%
Female	62.15%	27.10%	15.12%	43.50%	16.06%	8.10%
Kigali urban	**10.44%**	**2.66%**	**1.02%**	**3.70%**	**0.82%**	**0.30%**
Male	7.88%	2.08%	0.77%	2.72%	0.63%	0.19%
Female	17.40%	4.25%	1.69%	6.35%	1.33%	0.58%
Other towns	**17.80%**	**5.41%**	**2.31%**	**8.77%**	**2.12%**	**0.82%**
Male	13.69%	4.25%	1.73%	7.21%	1.55%	0.52%
Female	27.15%	8.05%	3.63%	12.32%	3.40%	1.51%
Rural areas	**61.68%**	**25.33%**	**13.52%**	**41.35%**	**14.18%**	**6.75%**
Male	59.56%	23.49%	12.16%	38.72%	12.64%	5.78%
Female	66.08%	29.14%	16.33%	46.82%	17.38%	8.78%

Source: RoR 2002f

More worryingly, the data shows that the differential between men and women increases further down the income distribution. In other words, there are not only more poor women than men, but those who are poor tend to be significantly poorer than poor men. Table 20 shows incidence (P0), depth (P1) and severity (P2) of poverty by gender of the household head and residence. The data shows that while the poverty incidence among women is 14% higher than among men, the distance of an average poor woman's income to the poverty line is 27% more than the distance of a poor man to the poverty line. When we look at the severity of poverty the differential between men and women rises to 37% nationally, meaning that a disproportionate amount of the people at the very bottom of the income distribution are women. In urban areas the differential rises to 100%, meaning that there are two poor women for every poor man.

As noted on a global level, the commitment to gender equality needs to be matched by true mainstreaming throughout all levels of development planning. It is not only with regard to education and health that gender is important. By improving analysis on gender in *all* sectors it is possible to reach targets by ceasing to overlook half of the population. In Rwanda, 86.3% 9 of the women work in agriculture (EICV2). Yet, due to lack of data and analysis of this data, women, their choices and capacities are usually not analysed when designing responses to agricultural problems. Sex-disaggregated data or analysis on who uses seed input, fertilisers or insecticides could, for instance, assist in targeting interventions better.

In the financial sector, it has been proven that women are much more likely to invest in their families and their children's education when accessing credit (Kabeer 2005, HDR) and that they have a better record of repaying loans, especially when they receive training at the same time (Momsen 2004, Mayoux 2003). Targeting women and analysing their potential for economic growth in Rwanda could help in achieving the goal of poverty reduction.

In the water and sanitation sector, limited access to clean water affects women unequally; and women are important in the progress of the achievement of changing sanitation behaviours. Girls who fetch water from great distances, away from safe areas, are more exposed to gender-based violence and through that, to HIV infection. Gender inequalities stop women from participating in sanitation solutions and distort the effective demand in decision-making on sanitation (HDR 2006).

The proposition put forward here is that gender actually is *instrumental* to achieving human development. Hence, including gender in policy analyses as well as actions makes great sense, and this has been realised by both the Government of Rwanda as well as development partners. It is now time to start making the right choices, following this understanding and the policy commitments made, and change "business as usual".

2.3.2. MDG 3: Achieving Gender Equality

The progressive realisation of gender rights underpins most actions towards the achievement of the United Nations Millennium Development Goals (MDGs) and is explicit within MDG 3: promote gender equality and empower women.

The reasonably good performance on gender in the education sector provides a positive outlook

Table 21: Inequality Between Girls and Boys in the Education Sector

	Female (%)	Male (%)
Literacy rate	47.8	58.1
Access to apprenticeship	5.8	9.1
Short training (vocational training)	2.6	7.3
Have never attended school or literacy centre	25	17
Rate of dropout in primary school	15.2	7.9
Obtaining scholarship	23.5 (for the NUR) 26.6 (for KIST) 21.3 (for ISAE)	
Gender balance in the public sector	34. 6	65.4

Source: MIGEPROF, cited in Mukarugwiza, 2006

Table 22: Mean Number of Hours Spent During a Week on Domestic Duties

Age group	Poor		Non-poor		National
	Male	Female	Male	Female	
7 to 10	7.9	10.4	6.9	9.3	8.8
11 to 15	10.7	16.3	11.6	17.2	13.8
16 to 20	7.1	20.4	9.8	23.2	15.3
Over 21 years	4.0	24.2	5.4	25.9	15.9
Total	**6.5**	**20.3**	**7.2**	**22.2**	**14.5**

Source: EICV2

for the achievement of the third MDG. With the target to “eliminate gender disparity in primary and secondary education by 2005 and at all levels of education by 2015” there is hope that it is possible for Rwanda to achieve this MDG. There is hardly any difference in the enrolment rates for girls and boys in both primary and secondary level education. Nevertheless, the indicators put in place to measure the progress for this MDG give some reason to be cautious.

In the MDG Status Report of 2003, it is noted that despite the equal levels of enrolment of boys and girls in secondary level education, the gap is considerable when moving on to tertiary level education. In 2002 only 34% of the students were girls (MDG Status Report 2003, p. 17). Hence, remaining disparities between boys and girls in the education sector still represent a concern and show that social practices need to be addressed to fully respond to the inequalities in education in Rwanda.

Dropout rates for girls are more than double those of boys and constitute a real problem for the achievement of MDG 3. As Table 22 shows, girls contribute significantly more to domestic duties in all age groups. In combination with a cultural bias towards sending sons to school rather than daughters, dropout rates remain an important problem for the achievement of MDG 3. However, this issue also threatens the sustainability of the other MDGs as it has been found that women’s education and participation in cash paid work is determining for a range of indicators that contribute to the MDGs, such as fertility rates, child mortality, child nutrition and reproductive health (Kabeer, HDR 2005). Depriving girls of education could hinder the long-term realisation and continuation of MDG 2, 4 and 5.

One can also note that although Rwanda has an outstanding representation of women in parliament (48%), in the economic sector only 33% of all women in Rwanda were engaged in wage employment in the non-agricultural sector in 2000 (MDG Status Report 2003).

As the government is hoping for expanding growth with the objective of poverty reduction and achievement of MDG 1, it is essential to ensure that growth and investment strategies in Rwanda include analyses on gender. By including deliberate and concrete plans on how to involve more women in wage employment in growth strategies and private sector policies, more progress could be made in achieving the MDGs.

Equally, it is important to understand the links between gender inequalities and infection risks, in order to reduce the prevalence rate of HIV among women, which is over 30% higher (3.6%) than among men (2.6%). When women cannot negotiate their own choices with regard to sex and the use of condoms as contraceptives, their exposure to infection increases. Unequal power relations, both within the household and outside, exacerbated by cultural and social practices, can pose a real threat to the response to HIV.

In the environment sector, women can be seen to be promoters of new solutions, holding inherent knowledge about the environment they live in. With their input, sustainable solutions to development could be catalysed and better understood.

On issues of human rights and gender-based violence one can note that the government is engaged in a process of legal and judicial reform, conducive to the consolidation of the promotion of gender equity[3].

Discriminatory gender laws are systematically being identified and revised to make them coherent with the new constitution, which is gender-sensitive. For example, in 1999 a law was adopted on matrimonial regimes and succession, resulting

3. The National Gender Policy, 2004.

in equal rights to ownership of property and inheritance for both men and women (N° 22/99)[4]. In September 2006 a bill against gender-based violence was tabled in parliament by the Forum for Women Parliamentarians and will soon be adopted into law.

These changes are important and constitute positive progress and good performance on the government's commitments to gender issues.

In addition to ratifying the Convention on Discrimination Against Women (CEDAW), as well as other regional and international conventions on women's rights, the Government of Rwanda has adopted the Beijing Platform of Action and established a Beijing follow-up committee to monitor progress on and ensure implementation of the Beijing Plan of Action.

In 2004, a National Gender Policy was formulated and formally adopted to provide a strategic framework to guide initiatives to promote gender equality and equity.

Despite the commitment of the government, women leaders and different gender advocates, gender-based violence (GBV) remains a serious problem in the country. An important aspect that makes the situation worse is the extreme poverty of families and the continued dependency of women on the males in the family, which makes them more vulnerable to many different forms of abuse and violence.

In 2006 the national police registered almost 3,000 cases of abuse, physical assault, rape or homicide against women, and yet many cases still go unreported, especially in rural areas, because of strong cultural beliefs[5]. The crime analysis reports from the National Prosecutions Office indicate that GBV is among the most serious crimes affecting the country today, partly due to the legacy of the genocide but also due to poverty and cultural beliefs[6].

One of the only sources of national data on domestic violence is the 2005 RDHS-III survey, which included a domestic violence module. It contained questions designed to assist in estimating the prevalence of domestic violence and describe its characteristics in Rwanda. Nearly a third of women (31%) have experienced physical violence since age 15, with significantly higher rates among divorced or separated women (46%) (DHS 2005). The husband/partner was the perpetrator of the acts of physical violence 66% of the time (ibid.). More than one-third of Rwandan women (35%) reported having experienced acts of spousal violence—physical, sexual, or emotional. Sexual violence was reported by 13% of women ever married with much higher rates in urban areas (19.8% versus 11.9% in rural areas) (ibid).

4. Official Gazette No 22 of 15/11/1999.
5. Report by Morris Muligo, Criminal Investigation Department, Rwanda National Police (2006).
6. Crime analysis report, Office of the Prosecutor General, 2006.

2.3.3. Translating Political Commitments into Development Results

The Government of Rwanda's implementation of a series of policies as well as the nation's adoption of a constitutional framework providing quotas for women in government have resulted in an unprecedented number of women being elected or appointed to decision-making positions at all levels.

To increase female political representation, quotas were introduced in local and national government through the adoption of a new constitution in 2003 by referendum. The constitution, in article 187,[7] also established women's councils at all political levels to promote affirmative action, particularly in local administration.

Participation of women at all levels of governance in Rwanda has yielded dramatic results and women are now visible in the political arena to an unprecedented degree. Following the 2003 elections, Rwanda's parliament is now close to gender parity with 48.8% of the seats in the House of Deputies and 34.6% of the seats in the Senate held by women, for a total representation of 45.3% women legislators – the highest number of seats in parliament held by women in the world.

More recently, as a result of elections held in the first quarter of 2006, the percentage of women now occupying decision-making positions in Rwanda's local government administration (cell, sector and district levels combined) has increased from 28% in 2003 to 40.2%[8].

At the regional level, 40% of Rwanda's provinces are governed by women[9] and within the judiciary, women comprise 44.4% of Supreme Court judges

7. The National Constitution of Rwanda, 2003.
8. National Report on the 2006 Local Elections. Republic of Rwanda, National Electoral Commission (NEC): Kigali, April 2006.
9. Beijing Secretariat and Ministry of Gender and the Promotion of Family (MIGEPROF). "Pourcentage des Femmes dans les Instances de Prise de Décision". Republic of Rwanda, MIGEPROF: Kigali, March 2006.

Table 23: Women in Decision-making Positions

Levels Year	2000			2001			2002			2003		
	M	F	% F	M	F	%F	M	F	%F	M	F	%F
Ministers and state secretaries	18	3	14.3	21	4	16.0	21	4	16.0	19	9	32.1
General secretaries	16	5	23.8	16	5	23.8	16	5	23.8	16	2	11.1
Members of parliament	54	14	26.0	58	16	27.6	57	17	29.8	41	39	48.8
Senators	-	-	-	-	-	-	-	-	-	14	6	30.0
Mayors of provinces	12	0	0.0	12	0	0.0	11	1	9.1	11	1	9.1
Mayors of districts	151	2	4.0	151	2	1.3	151	4	2.6	106	2	1.9

Source: RoR 2004g

nationally, including the court's president[10]. Data from 2003 showed, however, that the share of women in positions of responsibility has a tendency to decrease at the lower echelons of the institutional structure (see Table 23).

In addition to these quotas, the constitution also provides for the establishment of a Gender Observatory in article 185, to monitor and make recommendations to national organs in order to promote gender equality, non-discrimination and equal opportunities for women. However, four years after the constitution was adopted, the Gender Observatory is not yet established, although there are some ambitions to follow through on this during 2007.

This institution would provide a better instrument for the government and the Ministry of Gender and the Promotion of Family (MIGEPROF) to hold sectors and national organs accountable with regard to gender issues and advancing the potential for change.

The national commitment to gender equality in the constitution and through the institutions created to support this commitment have resulted in a high representation of women in decision-making positions. Along with the legal reforms, these changes hold the potential to alleviate the unequal share of the challenges facing the population that are shouldered by the women of Rwanda. Despite these changes, data collected from the EICV2 survey show that substantial gender inequalities persist. Hence, the national commitment and the commended achievements in parliament and other decision-making positions have not yet translated into any major differences for the vast majority of women in Rwanda.

As mentioned in relation to gender-based violence, there are cultural and social constraints on women in Rwanda. These also affect women in parliament and other decision-making levels. The empowerment of women to participate fully in decision-making processes also requires their ability to use formal power structures to effectively voice concerns and shape policies. These women leaders require assistance to learn the rules, as well as how to use and change the rules of the decision-making "game", in order to have an impact on discourse and decisions at all levels, to influence policies and the allocation and use of resources for sustainable poverty reduction.

However, the discrepancy between the success of the number of women representatives and the situation for women constituents out in the country, who they are presumed to represent, indicates that more needs to be done in order for these successes to benefit a larger proportion of Rwandan women. Neither the constitutional and institutional frameworks, nor the high percentage of women within these institutions should be perceived as an end in themselves. Real success needs to be measured by the degree to which these instruments allow women as a group to thrive and benefit equally from the visions set out for the country's development. Not only do women in decision-making positions need to learn how to best utilise the opportunities their position offers, but it is equally important that they strive to understand and to represent the interests and the priorities of women constituents to truly ensure that their numbers make a difference for all women in Rwanda.

The National Women's Council, with its decentralised structure, provides an opportunity for a strong link between women in rural areas and their representatives at cell level as well as sector, district, provincial and national levels. Nevertheless, it is

10. Beijing Secretariat and Ministry of Gender and the Promotion of Family (MIGEPROF). "Pourcentage des Femmes dans les Instances de Prise de Décision".Republic of Rwanda, MIGEPROF: Kigali, March 2006.

BOX 7: GENDER WORKING GROUP RECOMMENDATIONS FOR EDPRS SECTOR WORKING GROUPS

- Establish specifications of the gender data that each sector/district will be required to collect and analyse annually (paying particular attention to gender priority outcomes and actions).
- Establish and publish a 2007 gender status baseline report with annual updates based on sector/district returns and a summary statement in the annual EDPRS review and in the New Partnership for Africa's Development (NEPAD) review.
- A network of approved gender analysis specialists who can be contracted by sectors/districts to assist them with their gender policy, implementation and monitoring.
- Gender disaggregated budgets and accounts – allowing the NEPAD reporting to include budget and outturn data, the Joint Budget Support Review to report against gender budgets, the District Performance Contracts to give gender disaggregated data and the Minister of Finance to give gender disaggregated budget information in presenting his annual budget to Parliament.

equally important to encourage and benefit from alternative voices, not formulated by the women in power, but by interest groups operating from a different perspective and representing complementary aspects of the lives of women in Rwanda. Both women in power and individual poor women might find it difficult to reach out to each other and civil society and non-governmental organisations could provide a link between different groups.

The extreme circumstances which emerged after the genocide and during the post-conflict period compelled many women to change the traditional gender roles which prevailed before the conflict. After 1994 many women found themselves without husbands or male relatives to provide for them, and they were forced to handle many tasks which they had not before been considered suitable for. As in many other war-ridden countries, the post-conflict phase presented a new outlook for women and for their perceptions of reality (Powley 2004).

With the state apparatus in ruins, women started to provide for themselves, helping each other through small organisations, which grew into a strong civil society representation. There are over forty women's organisations represented in the umbrella organisation *Pro-femmes Twese Hamwe*. Yet these organisations are by virtue of their origin mainly service oriented, designed to support individual women when their personal capacities are insufficient. There has been some substantial collaboration between government institutions and women representatives with NGOs in advocacy work, specifically in proposing and advocating for law changes such as the law on inheritance and property rights, and the current bill on gender-based violence. However, women's organisations in Rwanda need to be further supported and encouraged to engage in up-stream policy advocacy, in order to provide the government and representatives at various levels of decision-making with a better insight into what women in Rwanda can offer to the development agenda and what their main concerns for development and poverty reduction are. Moreover, the government in general and women representatives in particular need to link with these organisations in order to provide better services, and target national strategies in a more efficient manner. This means involving these organisations, and women in general, in policy discussions and planning processes for sectors where women and gender issues traditionally are not considered. Equally, development partners should provide the support needed for such a process.

A majority of partners express their commitment to gender equality, but it can be argued that this commitment has yet to be demonstrated in action. As development partners engage in capacity building and support to many of the government's institutions, one can note that MIGEPROF today only has three regular staff, with deficient equipment and ICT facilities, which consequently limits the capacity of the ministry significantly. Similarly, the EDPRS process has yet to see any clear action which supports and facilitates the mainstreaming of gender into the various sector plans which are being formulated, as well as the overall strategic planning in the EDPRS and the Long Term Investment Framework. Development partners could argue that they are prioritising their support in line with government preferences. However, as this commitment has been clearly stated through the various constitutional and institutional policies, strong development partner support for gender equality should not be mired by government priorities. It is up to both the government and its partners to make reality of their commitments and start prioritising gender issues as part of their agendas.

The genocide and the post-conflict phase resulted in a change in gender roles and of the perception of women in Rwandan society. This change created a momentum, from which a strong constitutional and institutional framework could develop, committing the government to gender equality and equity. It ensured that women were elected to reach the highest number of women representatives in parliament in the world. As Rwanda is moving further from the emergency phase, and its social fabric begins to regain its former strength, it is important that the gains and the opportunities created by the changes in gender roles are not lost. The momentum for continued change needs to be revitalised, and supported by the various actors in the development arena.

3. MACROECONOMIC FRAMEWORK : POST-HIPC FINANCING STRATEGIES TO ACHIEVE VISION 2020 AND THE MDGS

In this chapter we will argue that Rwanda will need a "Big Push", a comprehensive and long-term investment package, in order to overcome the poverty trap of declining agricultural productivity, overpopulation and poverty identified in Chapter 1. We will argue that the nature of the development challenges Rwanda faces is such that a minimum threshold of investments will have to be reached before we can see a substantial impact on Rwanda's poverty and growth.

Given Rwanda's narrow domestic resource base and modest export sector, the country's financing options to support the necessary investment strategy are limited. Hence, meeting the MDGs in Rwanda will require donors to abide by their international commitments to improve both the amount of resources available for development financing, and the quality and effectiveness of aid flows to the country. Equally important will be Rwanda's commitment (a) to strengthen the alignment of national policies on the MDGs, within the comprehensive development framework provided by Vision 2020, (b) to strengthen the consistency between budgetary allocations and sector strategies, and (c) to ensure that the additional resources made available reach the poorest and most vulnerable sections of the population. We proceed in three logical steps to identify what it will take to overcome the challenges identified in Chapter 1:

1. INVESTMENTS: Rwanda needs a Big Push of investments in order to reach the minimum threshold required to break the poverty trap.

The EDPRS Needs Assessment has helped to define with some level of accuracy the investments needed to achieve the MDGs and Vision 2020 objectives. Total investment needs are estimated at approximately US$140 per capita per year over the EDPRS period, just for the MDG-related interventions. Given the extent of poverty and the small size of the private sector, the bulk of these investments would have to be carried out by the public sector. This would imply a substantial and rapid scaling up of public investments from current levels to around 50% of GDP. While the required investment levels are not out of line with what has been observed in other parts of the world, notably in East and South-East Asia, the scale-up would have to be carefully planned and monitored in order to avoid negative externalities, such as crowding out of private investments, absorption capacity bottlenecks and corruption.

2. FINANCING: The Big Push is achievable with reasonable increases in ODA, provided that the quality of aid is substantially improved.

Given Rwanda's narrow tax base and the small size of its export sector, the country's domestic financing options are limited if Rwanda is to comply with the criteria of debt sustainability defined in the context of the HIPC framework. Meeting the minimum threshold of investments will require additional long-term commitments of aid to Rwanda of the order of US$10-24 per capita per year. However, we will see that the critical factor in Rwanda is not the quantity, but the quality of aid. Progress in revenue collection and debt relief in recent years, as well as increases in Official Development Assistance (ODA), mean that Rwanda is close to covering its investment needs to achieve the MDGs. However, currently, only a fraction of this aid is on plan, and even less is on budget; most of it is not aligned with the MDG objectives and is not adequately targeted to reach the poorest sections of the population.

3. AID MANAGEMENT: The quality and predictability of aid must be radically improved if Rwanda is to achieve the MDGs and Vision 2020.

At US$55 per person (US$100 for every Rwandan below the poverty line) current aid levels would be sufficient to double the average income of the poor in Rwanda! Yet, the number of Rwandese living in poverty has grown by 600,000 in the past five years. This shows that current aid flows are fundamentally misaligned to achieve their stated aims of reducing poverty and achieving the MDGs. We argue that, if Rwanda is to achieve the MDGs, donors have a particular responsibility

BOX 8: THE BIG PUSH IN FIGURES

- Rwanda needs to invest **US$140 per capita per year over the EDPRS period** to stay on track to achieve the MDGs.
- Investments in **agriculture, health and energy need to quadruple over the next five years** if Rwanda is to meet the MDGs.
- **Education and health account for more than half of Rwanda's investment needs** over the next five years.
- Rwanda needs to **raise its investment rate to 50% of GDP** to build sufficient physical and human capital to break the poverty trap.

to radically improve the quality of aid and align it with the MDGs. Scaling up of aid will also pose new challenges to aid management in Rwanda, in terms of inflation and exchange rate management. Finally, we argue that the scale-up must be accompanied by a strengthening of mechanisms that reduce the volatility of aid flows, as well as contingency measures to prevent a sudden reversal of aid flows in case of political instability.

3.1. INVESTMENTS: A BIG PUSH TO OVERCOME THE POVERTY TRAP

The systematic and detailed Needs Assessment that has been carried out in the EDPRS has helped to show with some degree of precision what investments are required in each sector to achieve the objectives defined by the MDGs and Vision 2020.

The findings of the Needs Assessment confirm that current levels of investments are inadequate in a number of sectors, such as agriculture and health, to achieve the stated objectives. In other sectors, such as education and water and sanitation, there will be a need to scale up investments over the coming years to sustain current rates of progress under growing demographic pressure. Finally, some sectors, such as habitat and social protection, have to improve the quality of their spending in order to be better aligned with MDG objectives.

The EDPRS Needs Assessment has highlighted the need for a significant increase in national investments in order to break the poverty trap and to set the country on a trajectory of growth and poverty reduction. But more importantly, the Needs Assessment highlights the fact that the objectives are attainable, and it highlights the importance of (a) reducing fragmentation of interventions and strengthening the alignment of development partners behind nationally led strategies, (b) strengthening the linkage between planning and budgeting processes to ensure that budget allocations reflect the real needs identified by the sector strategy, and (c) strengthening monitoring and evaluation and the accountability framework to ensure that responsible institutions are held accountable for delivering the results required to achieve the MDG and Vision 2020 objectives.

3.1.1. Strengthening the Link between Planning and Budgeting

The most important contribution of the MDGs has been to provide a normative framework for development issues, thus establishing a common platform for dialogue in a field that has too often been entrenched in ideological struggles.

This new consensus on the high-level objectives of development has itself enabled convergence on a number of important operational issues, from the need for increased aid flows (Monterrey Consensus) to commitments on improving the quality of aid (Paris Declaration on Aid Coordination and Rome Declaration on Harmonisation and Alignment), as well as debt relief initiatives, including the Highly Indebted Poor Countries (HIPC) Initiative.

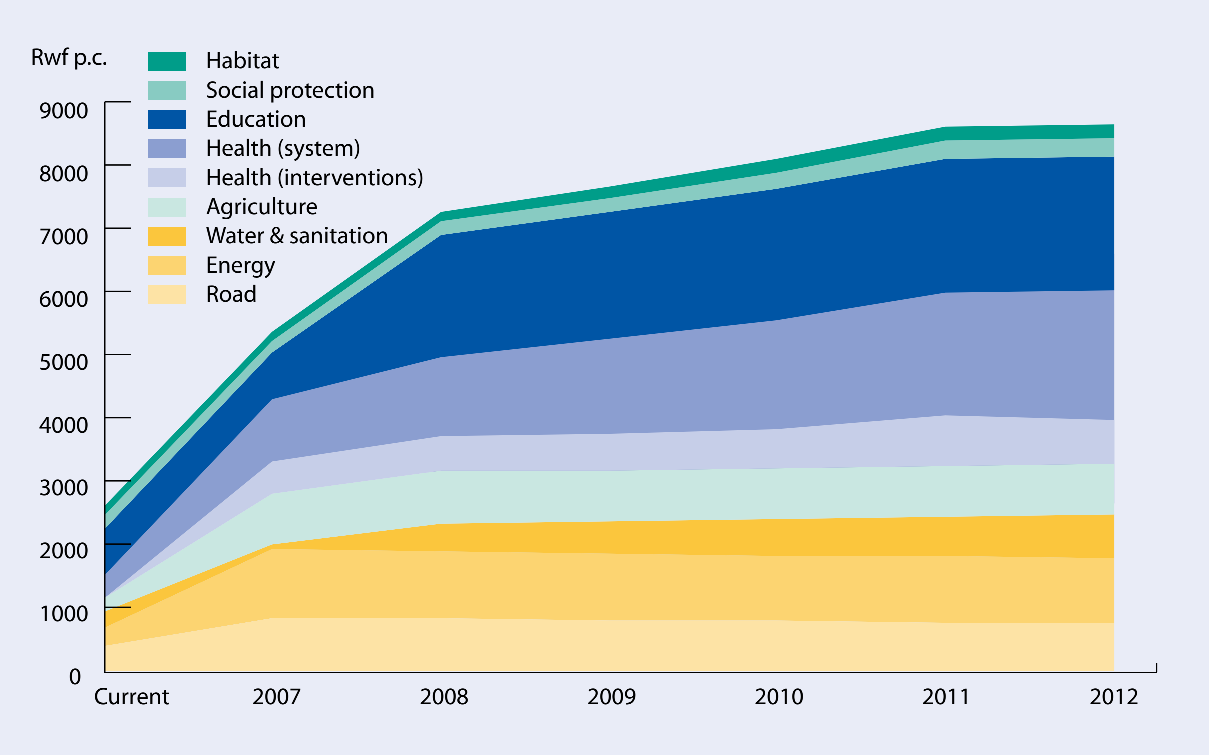
However, the MDGs had long remained an abstract statement of intentions with no operational link to country level development strategies and programmatic tools. As a result, Poverty Reduction Strategy Papers (PRSPs) often failed to take into account the MDG objectives, and Medium Term Expenditure Frameworks (MTEFs) were too often designed as resource management tools aimed at optimising the utilisation of limited resources rather than as roadmaps to meet international commitments. As noted by a World Bank evaluation, lack of clear, target-based costing also undermined the quality of the strategies: "Many PRSPs have not been reliably costed and fail to provide strategic prioritisation. The hard choices in prioritising actions over the short to medium term have not been made in most PRSPs" (World Bank 2004, cited in Vandemoortele and Roy 2004).

With the second PRSP, Economic Development and Poverty Reduction Strategy (EDPRS), Rwanda has bridged many of the weaknesses of the first generation PRSPs. This is partly due to progress in advancing international consensus on key development issues, but also to the progress made by Rwanda in translating its international commitments into a comprehensive and coherent vision that is adapted to national realities. Furthermore, much progress has been made in recent years in developing programming tools that can translate the high level objectives into operational objectives. These tools were used to carry out the EDPRS Needs Assessment, which breaks high level MDG and Vision 2020 objectives down into clear and costed interventions.

Hence, the EDPRS Needs Assessment has helped to establish the missing link between the vision and the programmes that are supposed to operationalise the vision. Most importantly, it has helped to link strategic outputs with budgetary allocation by showing what investments are required to achieve different objectives. Furthermore, the rigorous analysis of needs and cost will constitute an important instrument for strengthening accountability, as the Needs Assessment shows clearly "what money can buy" in Rwanda, i.e. what different actors can be expected to deliver with the resources they are allocated. As such, the Needs Assessment could become the basis for future performance contracts with ministries and districts, modelled on the performance contracts that have been passed by mayors.

The example of the education sector has already shown how important these programming tools can be in fostering consensus around necessary interventions, and in promoting better coordination and alignment of donors on national strategies. Over the years it is hoped that the development and strengthening of these tools in each EDPRS sector will help to generate the same momentum towards developing Sector Wide Approaches, with unified implementation plans and financing strategies, in every key area of intervention needed to achieve Vision 2020.

Figure 16: Per Capita Investments Needed to Achieve the MDGs (2007-2012)



Source: EDPRS Needs Assessment (2006)

3.1.2. Findings of the EDPRS Needs Assessment

Figure 16 shows the investment path needed to achieve the MDGs, as estimated in the EDPRS Needs Assessment. The total resource bill for these interventions is estimated at around Rwf50,000 in 2007, rising to more than Rwf85,000 by 2012. That would represent an average investment of US$140 per head for the next eight years at the current exchange rate, just to cover MDG-related interventions.

Even though the MDGs cover a wide spectrum of sectors, everyone will understand that a national development strategy cannot be solely based on the MDGs. Additional resources will be needed to fund national defence, law and order, as well as to fund large infrastructure or other projects that are vital for development without being included in the MDGs. The above estimate, for instance, does not include the costs for tertiary education, which currently represent close to a third of the total education budget.

In line with other needs assessments that have been done in sub-Saharan Africa, we find that the largest sector in terms of investment needs is the health sector, which represents over 28% of total spending over the five-year period. It must be noted, however, that health is also one of the sectors for which there are typically most different sources of financing options available to a country, ranging from cost recovery, through user fees, to NGO and church-based care, and private sector care.

The current models estimate the total needs, without looking at the possible sources of funding, which will be considered in Section 3.1.3. Even if we were to remove the specialised interventions (e.g. HIV/AIDS) that are currently largely covered by NGOs and non-state actors, the total resource needs for scaling up the health system (infrastructure and human resources) to meet the needs of the growing population, would still require 20% of the total MDG envelope.

The second largest expenditure post is education, which accounts for close to a quarter of all spending over the studied period. Education is followed by infrastructure and agriculture at 10.4% of total spending. It is interesting to note that the present estimate for agriculture corresponds to the FAO recommendations for agricultural spending.

The smallest expenditures are recorded in the social protection sector, 3.1% of overall expenditures, as well as habitat, which accounts for 2.4% of expenditure over the studied period.

While these represent a relatively small percentage of overall expenditures, they play a crucial role in addressing the issue of inequality and achieving the MDGs, since they typically target the poorest of the poor, who have been left out of the development process (see Chapter 1). Even relatively small transfers, for instance through a conditional cash transfer scheme, could make a major difference to the lives of the very poor, and help to integrate them into the development process.

Social protection includes key nutrition interventions aimed at reducing food insecurity. Hence, it plays an important role in achieving MDG 1 as well guaranteeing access of poor people to important MDG-related interventions in other sectors, such as education, health, etc. Social protection also includes food/cash for work programmes, which can play an important role in contributing to large labour-intensive infrastructure projects, such as terracing of hills or construction of rural roads, which are crucial to achieve Vision 2020. The importance of the housing sector will also grow over the coming years, as a result of projected urbanisation.

The sectors that would require the largest increase in funding, as compared with current levels are, unsurprisingly, agriculture and health, as well as energy, all of which would require four times the current investments. They are followed by the education sector, that is projecting a 2.5 times increase in investments from an already high starting point. Habitat[11], infrastructure and water and sanitation need 50%, 75% and 90% more investments, respectively, while social protection increases by 12% only over the studied period. It is important to note, however, that these estimates are based on MDG needs and would thus require a major re-prioritisation of spending in those sectors that are not currently aligned with the MDGs.

If we include the non-MDG-related expenditures, and assuming that sectors do not reprioritise downwards in non-MDG-related expenditures, the total investment cost of the EDPRS increases substantially by more than a third. In a sector such

11. Current expenditures on housing are calculated as housing development, land and community development, and land, housing and community amenities. We have excluded street lighting, which accounts for over a third of all housing expenditures, but are not considered priority for achieving the MDGs. It must also be noted that other housing expenditures are not necessarily targeted at slum dwellers or those most in need.

Table 24: Social Service: Comparative Indicators

Country	Col (1)	Col (2)	Col (3)	Col (4)	Col (5)	Col (6)
Rwanda	31	8	2	3.1	2.8	69.2
Burundi	25	88	1	2.1	3.6	50.4
Tanzania	36	90	4	2.1	-	77.1
Uganda	39	79	14	3.4	2.5	68.9
Kenya	44	87	5	1.7	6.2	84.3

Source: UNDP 2004. Key: Col (1): Birth attended by skilled health personnel, 1995-2002. Col (2): population with sustainable access to improved sanitation, 2000. Col (3): physician per 100,000, 2003. Col (4): public expenditure on health as % of GDP, 2001. Col (5): public expenditure on education as % GDP, 1999-2001. Col (6): literacy rate % of 15 years and above, 2002.

as water and sanitation, for instance, non-MDG-related investments represent more than two-thirds of all planned EDPRS investments.

The investment figures that have been found for Rwanda are slightly higher than the average investment needs found in other countries, which range between US$105 per capita in Bangladesh to US$120 in Tanzania. A large part of this difference is accounted for by the lower starting point of Rwanda in many areas, as exemplified by the extremely low access to hygienic sanitation facilities (see Table 24).

Much of Rwanda's infrastructure and human capital was decimated during the war and genocide. Hence, many more resources will have to go into reconstruction, and most importantly, into training new generations of teachers and doctors, for instance.

Another significant difference is the costing methodology that was used for education, which differs from the methodologies used in other countries. While the methodology developed in Rwanda is more detailed and more tailored to local needs, it includes some costs that are not directly attributable to the MDGs, such as vocational and technical training. These methodological differences may explain why Rwanda's estimations for education are more than 50% higher than those observed in other sub-Saharan African countries.

3.1.3. Scaling Up Investments

The findings of the EDPRS Needs Assessment highlight the need for scaled up investments in Rwanda in order to achieve the MDGs and Vision 2020.

While it may be possible to calibrate the findings of the EDPRS Needs Assessment and negotiate the appropriateness of different interventions of choices of technique, experience from other countries has shown it will be difficult to press down the resource envelope significantly. One of the solid conclusions that is emerging from the work that has been done around the issue of attaining the MDGs is that significant and sustained resource transfers will be required to enable the poorest African countries to exit the poverty trap in which many of them find themselves, caught in a downward spiral of decreasing revenue and inability to invest in development.

Furthermore, while some sectors, such as education or water and sanitation, for instance, exhibit fairly linear relations between investments and outputs, others are such that they will need to reach a minimum threshold of investments before a significant impact on MDG indicators will be seen. Hence, while it may be possible to achieve, say, half the MDG targets in education by investing only half the estimated resources needed in sectors such as health or agriculture, such an approach is likely to fall short even of a partial achievement of the MDGs. This is because those sectors require an integrated investment package to address a whole range of interrelated issues, all of which need to be in place for the system to function.

In agriculture, for instance, it is not enough to increase the usage of fertilisers in order to see a substantial increase in yields. In order to make a difference to agricultural productivity, it is necessary to provide a complete package of services, ranging from fertilisers, to irrigation systems, to extension services and mechanisation.

Similarly, there are inter-sectoral linkages, which mean that it is impossible to focus only on some MDG sectors, because health indicators, for instance, will be influenced not only by investments in the health sector, but also by hygiene teaching in the education sector and adequate nutrition in the agricultural sector. In conclusion, in order to achieve the minimum threshold of investments

Table 25: Rwanda Macroeconomic Indicators

	2001	2002	2003	2004	2005
GDP, growth (%)	**6**	**6.7**	**9.4**	**0.9**	**6**
Inflation (%)	3.9	3.4	2	7.4	6.9
Money (M2) growth(%)	14.5	9.2	11.4	15.2	11
Gross investment (% of GDP)	17.5	18.4	16.9	18.4	21.3
Of which, private investment (% of GDP)	11.6	11.8	12	12.8	12.6
National savings (% of GDP)	1.2	2.5	0.3	-0.8	-0.1
Of which, private national saving (% of GDP)	4.2	5.4	4.5	4.1	6.1
Total government revenue (% of GDP)	**9.7**	**11.4**	**12.2**	**13.9**	**15.1**
Total government expenditure (% of GDP)	18.7	21	21.3	26.1	28.5
Overall balance before grants (% of GDP)	-8.9	-9.5	-91	-10.4	-12.2
Overall balance after grants (% of GDP)	**0.7**	**-1.3**	**-1.9**	**-2.5**	**-2.2**

Sources: IMF (2003), IMF (2004d) and IMF (2006)

required to begin making a difference to poverty in Rwanda, it will be necessary to design a comprehensive package of investments stretching across all sectors of the economy.

The question now, is how to mobilise sufficient resources and how to programme those investments to maximise their impact on growth and poverty reduction and minimise negative externalities on the economy.

It is important to note that the Needs Assessment estimates the total envelope of investment needs across sectors for achieving MDG and Vision 2020 objectives. It does not look at the possible sources of financing, which can range from cost recovery, through user-fees, to private investments to public investments, domestic and foreign, and even NGOs or church-based organisations. Hence, in the end, only a fraction of the total investment needs might have to be covered through the national budget. Consequently, it would not be appropriate to compare the estimated investment needs against current levels of public spending. However, it would be appropriate to contrast the estimated resource envelope against total domestic investments, as a percentage of GDP.

Even if we were to assume a 10% GDP growth rate over the next five years, the investments needed just to achieve the MDGs would still represent close to half of Rwanda's GDP.

This would represent a massive increase in investment levels from the current investment rate of 21.3% (see Table 25). It is important to note that even though investment rates of 50% of GDP seem high by sub-Saharan African standards, these are not unrealistic figures by international standards. Several countries in East and South-East Asia, for instance, have sustained investment levels well in excess of 40% of GDP for long periods of time. Indeed, this is undoubtedly one of the keys to the sustained success of these economies.

The major difference with Asia, however, is that in the case of Rwanda the overwhelming majority of these investments would have to be covered by public investments, given the near inexistence of a private sector, as well as the extremely low investment capacity of households.

MDG financing studies done in other African countries have shown that private domestic investment capacity generally does not exceed 10% of the total resource envelope needed to achieve the MDGs in low-income countries. Furthermore, as will be seen in Section 3.2, Rwanda's capacity for mobilising domestic resources, even through public investments, is limited by the country's extremely narrow tax base and small export sector. Hence, a large part of the investment needs would have to be covered by foreign aid flows.

While there is overwhelming evidence on the crucial role of investments in sustaining economic growth, the evidence on the impact of public investments – and aid money in particular – on economic performance is more mixed. The conclusion that seems to emerge from the available research is that there are ways of programming public investments in low-income countries so as to minimise the negative impact on the private sector (e.g. crowding out of private investments) and on macroeconomic variables, such as inflation and the exchange rate.

For instance, while public investments in commercial ventures have met with mixed success, evidence seems to suggest that investments in infrastructure can have a significant impact on long-term economic performance. In particular, investments in energy, aimed at reducing the cost of energy and increasing its availability, can play a major role in enabling the development of a competitive industrial and service sector, as well as the development of small and micro enterprises (Canning and Bennathan, 2000). Evidence also suggests that there may be significant gains to growth from investments in transport aimed at reducing transport costs and facilitating regional integration, as well as enabling the creation of a domestic market through the connection of remote areas of the country to the main network (Calderon and Serven, 2004).

As argued in Chapter 2, it is not only capital investments, aimed at raising the capital/output ratio, that matter. Investments in human capital are equally important to create the foundations of sustainable and broad-based economic growth, especially in a landlocked country like Rwanda, where the growth strategy is based on the development of the service sector rather than on the development of an industrial sector.

Available research has estimated the average impact on per capita growth of an increase of 1% of GDP in social sector public investment spending is in the range of 0.5 to 1% over a five-year period (Gupta et al 2006). It is important to note that investment in human capital is often made through the social sectors and is often made through recurrent expenditures, rather than through capital expenditures.

Furthermore, capital expenditures create their own needs for recurrent expenditures, for staffing and maintenance. Hence, it is important to have an appropriate balance between capital and recurrent expenditures and to plan for a gradual increase in the share of recurrent expenditures over time so as to guarantee the sustainability of the investment strategy.

3.2. FINANCING: SCALING UP THE QUANTITY AND QUALITY OF AID

Once the investment needs have been identified, it is necessary to define a financing strategy that will support the scale-up in investments.

The financing strategy can use a number of instruments, ranging from cost recovery, through user fees, to private sector investments, to domestically or externally financed public investments and debt. Given the extent of poverty in Rwanda and the small size of the private sector, it is likely that the first two options will be limited as a source of financing, at least in the initial stages of the development process.

The analysis carried out in this section will show that Rwanda's narrow tax base and export base limit the country's financing options, either through domestic tax revenue or debt.

Hence, we argue that the scaling up of investments to meet the MDG objectives will require a scaling up of aid to Rwanda. Interestingly, however, the analysis reveals that more than the quantity of additional resources, it is the quality of aid that will determine whether or not Rwanda is able to meet its development objectives.

In order to enable the implementation of a long-term development strategy geared towards achieving the MDGs and Vision 2020, donors will need to improve the predictability and stability of aid flows to Rwanda. The additional resources will have to be aligned on national strategies and go through budget, sector support and Sector Wide Approaches (SWAPs) rather than through small projects.

Finally, appropriate monitoring mechanisms will have to be put in place to ensure that the resources reach the intended objectives and beneficiaries, so as to avoid a further widening of the gap between rich and poor in Rwanda.

3.2.1. Raising Domestic Revenue

While we recognise the need for a Big Push to lift Rwanda out of poverty and enable the country to initiate a successful development process, and while we also know that such a push could not possibly be financed from domestic revenue alone, it is important to remember the importance of domestic financing towards meeting the long-term development objectives.

First, the national development strategy should be designed so as to gradually reduce dependency on foreign aid, and to enable the country to take over the investment functions required to sustain a development process over the long term.

Secondly, the ability to meet the objectives set by Vision 2020 and the MDGs will depend not so much on the amount of resources that the country is able to mobilise, as on the ability to sustain those high levels of investments over a sufficiently long period of time to reach the critical threshold

BOX 9: RWANDA'S FINANCING OPTIONS IN FIGURES

- Rwanda's public revenue has already reached the 15% of GDP ceiling recommended by the IMF, meaning that future increases in revenue will have to come from economic growth and from growth-neutral and pro-poor taxes, such as taxes on urban real estate. Currently, **public revenue can only cover three months of Big Push per year**.
- The decrease in debt service through the HIPC Initiative represents **a permanent release of over US$60 million per year of domestic revenue** to Rwanda. However, this represents less than three weeks of Big Push every year.
- The HIPC Initiative has imposed new restrictions on the Rwandan economy, limiting its ability to raise new debt. At current export levels, Rwanda's financing ability through new debt is limited to **US$205 million in NPV, roughly enough to cover four months worth of Big Push**.
- Rwanda will need between **US$10-24 per capita per year in additional aid** over the EDPRS period to cover the financing gap to meet the MDGs. The bigger challenge will be to ensure that the two-thirds of aid that currently comes in project form is on budget, on plan, and in line with MDG targets.

required to durably set the country on a sustainable growth trajectory.

Research has shown that aid flows are highly volatile and unpredictable. Even though efforts have been made in recent years by major donors to improve the predictability of aid flows to Rwanda – notably through the Department for International Development's (DFID) 10-year commitment on minimum financing – these commitments remain conditioned on a number of criteria that could expose the country to the threat of withdrawal of aid at short notice. Bulir and Hamann (2005) estimate that aid flows are up to 40 times more volatile than fiscal revenues.

Ironically, experience has shown that aid flows are the most unpredictable in the countries that are most dependent on aid. This is due to the fact that low-income countries often have fragile states and unstable political environments, which cause them to fail to meet donor standards for disbursement of aid.

While Rwanda has managed to achieve political stability, the regional context remains unpredictable and should prompt donors and the government to factor the risk of sudden changes in aid flows into their financing plans.

Rwanda has made impressive strides in raising revenue collection in recent years from about 10% of GDP just after the war to 15% today. These impressive achievements have played a major role not only in strengthening the internal financing ability of the government, but also in building confidence of donors in the sustainability of the country's development strategy and thus in prompting further increases in aid flows from donors.

However, Rwanda's ability to mobilise additional resources through increases in revenue collection may be nearing a ceiling. International Monetary Fund (IMF) standards suggest a target of 15% of GDP in revenue collection for low-income countries. Given the narrow income base of low-income countries, it is feared that increases in tax collection efforts beyond 15% of GDP could have harmful effects on economic growth.

Indeed, there have been concerns in recent years that rapid increases in revenue collection have been based in part on an increase in repressive measures, such as fines. Furthermore, the lack of institutional capacity in low-income countries often prompts governments to rely on import and export duties for domestic revenues (an estimated 30% of total revenue, Agbeyegbe, Stotsky and WoldeMariam, 2004), which can have a negative impact on economic growth.

Hence, in coming years, Rwanda will have to focus more on improving the quality of tax collection, rather than the quantity. This means that Rwanda's ability to mobilise additional resources in coming years will be limited by economic growth, insofar as the aim is to maintain tax revenue at around 15% of GDP, and by its ability to diversify the sources of domestic revenue.

Table 26: Indicators of Debt and Relief

	2002	2003	2004	2005	2006*	2007*
Debt burden (million US$)	1476.8	1572.4	1685.3	1510.0	354.0	478.4
TDS % GDP	85.3	93.4	91.9	70.7	15.0	18.7
Debt service due (million US$)	48.4	44.6	56.5	56.0	61.4	69.9
Total debt relief (million US$)	32.5	29.1	38.2	30.6	9.3	8.6
Debt service after HIPC (million US$)	15.9	15.5	18.3	16.8	3.9	4.9
Debt service due (%)						
% of XGS	36.5	32.0	29.8	24.6	24.7	25.7
% of gov. revenue	22.9	19.6	22.1	17.4	18.5	19.1
% of gov. expenditure + net lending	13.2	11.1	11.8	9.2	9.3	10.0
Debt service after HIPC (%)						
% of XGS	12.0	11.1	9.6	7.2	5.0	5.0
% of gov. revenue	7.5	6.8	7.2	5.2	1.2	1.3
% of gov. expenditure + net lending	4.3	3.9	3.8	2.8	0.6	0.7
Ratios						
NPV of debt (million US$)	395.933	398.4	452.0	283.1	162.7	225.3
NPV of debt to export ratio (%)	270.3	285.6	239.4	149.8	65.6	82.9

Source: PRGF Review (2005:10) and PRGF Review (2006)

One untapped source of revenue that has not yet been explored, for instance, is *taxes on urban construction and real estate*. A tax on urban property could have beneficial effects on long-term economic growth, as well as on inequality.

Economic growth figures have shown that the construction sector accounts for a large part of economic growth (RoR 2004a). Economic growth based on real estate is generally of low quality, however, creating few lasting investments that improve the long run productivity of the economy. Furthermore, rapid growth in real estate can easily create speculative bubbles that can have very damaging effects on the economy. There is already evidence of sharp rises in the prices of real estate in Kigali. A tax on real estate could help redirect investments towards more productive sectors of the economy, and help reduce the risk of a sharp decline in real estate prices, that could spread to the rest of the economy.

Finally, taxing urban real estate could play a significant role in redistributing resources from the very rich, who are able to engage in real estate speculation, to the poor.

3.2.2. HIPC Relief and Debt Management

The second possible source of increased revenue for Rwanda comes from the debt relief initiatives undertaken under the Highly Indebted Poor Countries (HIPC) Initiative, and the Multilateral Debt Relief Initiative (MDRI).

The debt relief initiative is important because it constitutes a permanent release of domestic resources that can be used by the government to plan for increased expenditures in key areas requiring sustained interventions. Rwanda became the 18th country to reach completion point under the Heavily Indebted Poor Countries Initiative in May 2005.

The debt relief offered under the HIPC framework has played a role in increasing the domestic fiscal space available to Rwanda, since Rwanda's debt burden fell from 93.4% of GDP before the completion point to 15% after (see Table 26). Concretely, this relief amounts to a net release of domestic resources estimated at around US$65 million for 2007[12], if we compare the projected debt service due by Rwanda in 2007, with actual debt service after HIPC relief.

In absolute numbers these figures are significant, if we consider, for instance, that the total health budget for 2006 was a mere Rwf34 billion, approximately US$60 million.

Furthermore, before the debt relief initiative, debt servicing had become a real burden on the Rwandan economy: by the year 2000 Rwanda was spending almost the same amount on debt servicing as on education (RoR 2004f). If we compare these figures with the investment needs required to

12. Note that since the debt relief has occurred already, this amount is already counted in the 2006 and 2007 budgets and therefore does not amount to additional resources with respect to future budgets.

achieve the MDGs, however, the resources released by the HIPC Initiative are far from sufficient.

We estimated the investment needs for the MDGs at an average value of US$140 per capita per year over the EDPRS period. At projected population levels, this would represent over US$1.4 billion per year, that is, more than 20 times the effective amount of funds released to the current budget thanks to the HIPC Initiative.

To put these figures in perspective, we can note that the education sector has estimated that it will need to invest around US$32 per capita per year over the next five years in order to be on track to meet the MDGs. At current population levels that represents over US$300 million or close to five times as much as the decrease in debt service estimated for 2007.

Furthermore, the HIPC Initiative comes with a number of conditions and controls aimed at ensuring (a) that the release of funds is utilised for the intended purpose and (b) that debt is maintained at a sustainable level after the cancellation of debt so as to prevent the country from falling back into the debt trap after the completion point. As noted by the Economic Commission for Africa (ECA), the criteria used to measure debt sustainability in the HIPC framework mean that Rwanda will be prevented from taking on substantial amounts of new debt over the coming years:

"The use of exports in the HIPC debt sustainability ratios means that the level of debt to exports will be high for countries with low exports, such as Rwanda. This has increased the debt relief, but it also means reductions in new borrowings to maintain the sustainability of debt… Clearly, adherence to HIPC debt ratios has hidden costs that may easily outweigh the benefits." (ECA 2003)

Hence, on aggregate, it is not clear whether the HIPC Initiative will increase or decrease Rwanda's domestic financing options over the medium term. After reaching completion point, Rwanda is expected to maintain its debt to export ratio below 150%, in order to comply with sustainability criteria. Given Rwanda's narrow export base, this is very restrictive.

In 2006, the total value of Rwanda's exports of goods and services represented US$248.2 million and the Net Present Value (NPV) of its outstanding debt stood at US$162.7 million, or 65.6% of its exports. If Rwanda is to comply with the debt sustainability criteria established by the IMF, it cannot increase its debt more than to a NPV of US$372 million.

If we compare this with the financing needs to achieve the MDGs, we see that Rwanda's margin for taking new loans is extremely restricted. At current export value, Rwanda could, for instance, take out a new loan of US$205 in NPV (the nominal value of the loan would depend on the conditions of the loan), roughly enough to finance the education sector for eight months. Even if we were to assume a growth of 10% in exports over the next five years, Rwanda could not hope to increase its debt stock to more than US$600 in NPV by 2012, that is, less than three months worth of scale-up towards the MDGs.

Furthermore, as we will see in Chapter 3, the scale-up of aid required to finance the investment gap to reach the MDGs is likely to have some negative externalities on exports in the short to medium term, as a consequence of the inevitable appreciation of the currency as a result of the inflow of aid. Hence, we are unlikely to see double-digit growth figures for exports in the next few years if the scale-up in aid is successful.

The IMF is projecting export growth of between 6 and 8% for 2008 and 2009 (PRGF Review 2006). These figures highlight the importance of broadening the criteria for evaluating debt sustainability in countries with a low export base, such as Rwanda, and of using use case-by-case analysis of the general macroeconomic and policy environment in order to avoid the HIPC Initiative becoming yet another straightjacket on the development of low-income countries.

Furthermore, given the restrictions imposed on Rwanda's ability to take up new loans after the HIPC completion, it will be crucial for donors to comply with their international commitments on financing for development to ensure that Rwanda is able to meet the development objectives defined by the MDGs as well as by its own Vision 2020.

3.2.3. Estimating the Financing Gap

On the basis of the existing information, we can now calculate the financing gap for the achievement of the MDGs in Rwanda. The four sources of financing identified so far are (1) private funding through cost recovery or private sector investments, (2) tax revenue, (3) debt and debt servicing reduction due to debt relief, and (4) Official Development Assistance.

We have estimated the total financing needs, just to achieve the MDGs, at US$140 per capita per year on average for the duration of the EDPRS. At projected population levels, that would represent a total envelope of US$1.4 billion per year, or approximately 55% more than the 2007 budget. While no detailed MDG financing analysis is available for Rwanda yet, evidence from other countries suggests that financing capability of individual users and the private sector are extremely limited in sub-Saharan Africa (around 10% of the total investment costs).

Furthermore, we have seen that Rwanda's narrow tax base means that Rwanda cannot easily raise tax revenue beyond the current level of 15% of GDP. We will thus assume that future increases in tax revenue will come from economic growth rather than from an increase in the share of public revenue.

Finally, we have seen that the debt sustainability criteria imposed under the HIPC framework are very restrictive, given Rwanda's small export base. Here, we will assume that, once Rwanda reaches a debt/export ratio of 150% (the IMF projects this to happen by 2010, see PRGF Review 2006), new debt will be contracted only insofar as the export base is expanded.

Figure 17 below shows the estimated funding gap required to meet the MDG investment needs, with the assumption of a 10% growth in GDP and exports (and hence in tax revenue and debt). Figure 18 shows the estimated funding gap with the more conservative assumption of a 5% growth in GDP and exports.

We call these "rough financing scenarios" because they are not based on a detailed analysis of the country's domestic financing capabilities (e.g. through a diversification of the tax base or involvement of the private sector), but on rough assumptions drawn from the literature and existing evidence for Rwanda.

With the assumption of a 10% growth in exports and revenue, it is estimated that the state could take on an additional US$171 million in debt each year (although this would raise the debt servicing expenditures over time) and could increase yearly tax collection by US$217 million to US$574 million by 2012.

In the low growth scenario, public revenue would rise by US$98 million to US$455 million by 2012, and debt would grow by US$108 million per year.

The total need for external financing is estimated at US$665 million per year on average

Figure 17: Rough Financing Scenario for the Big Push in Investments (10% Growth)

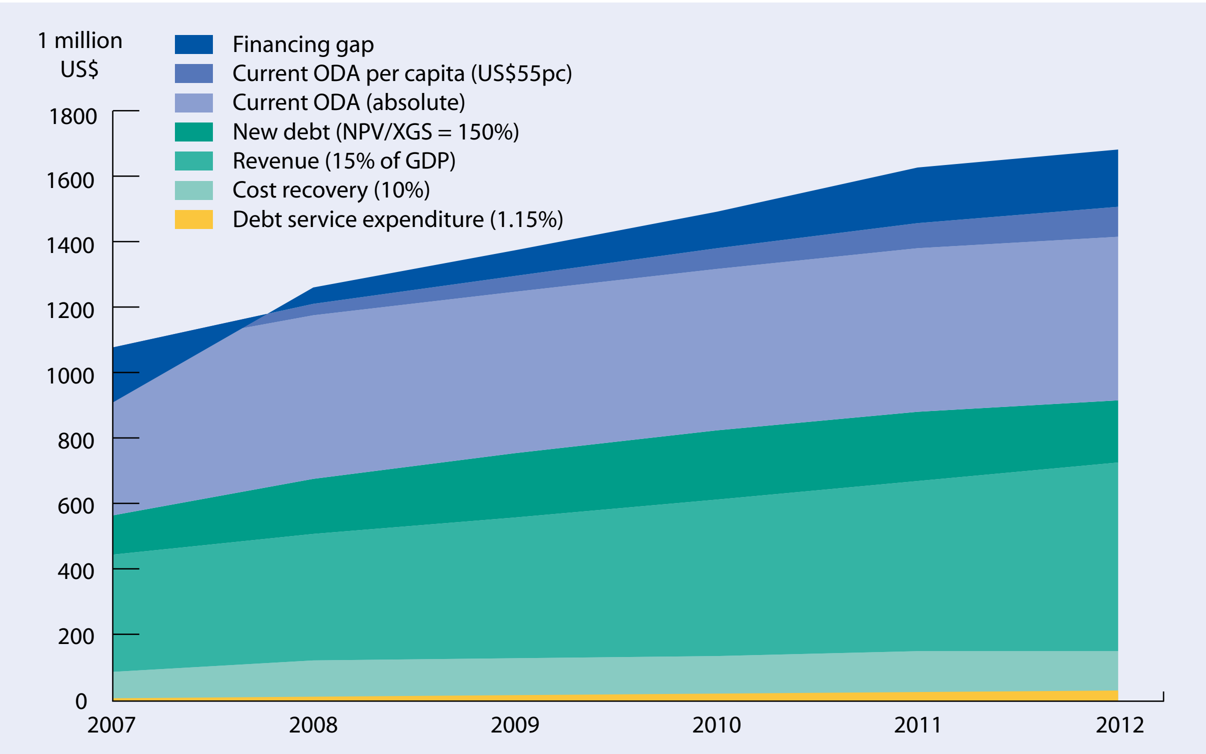
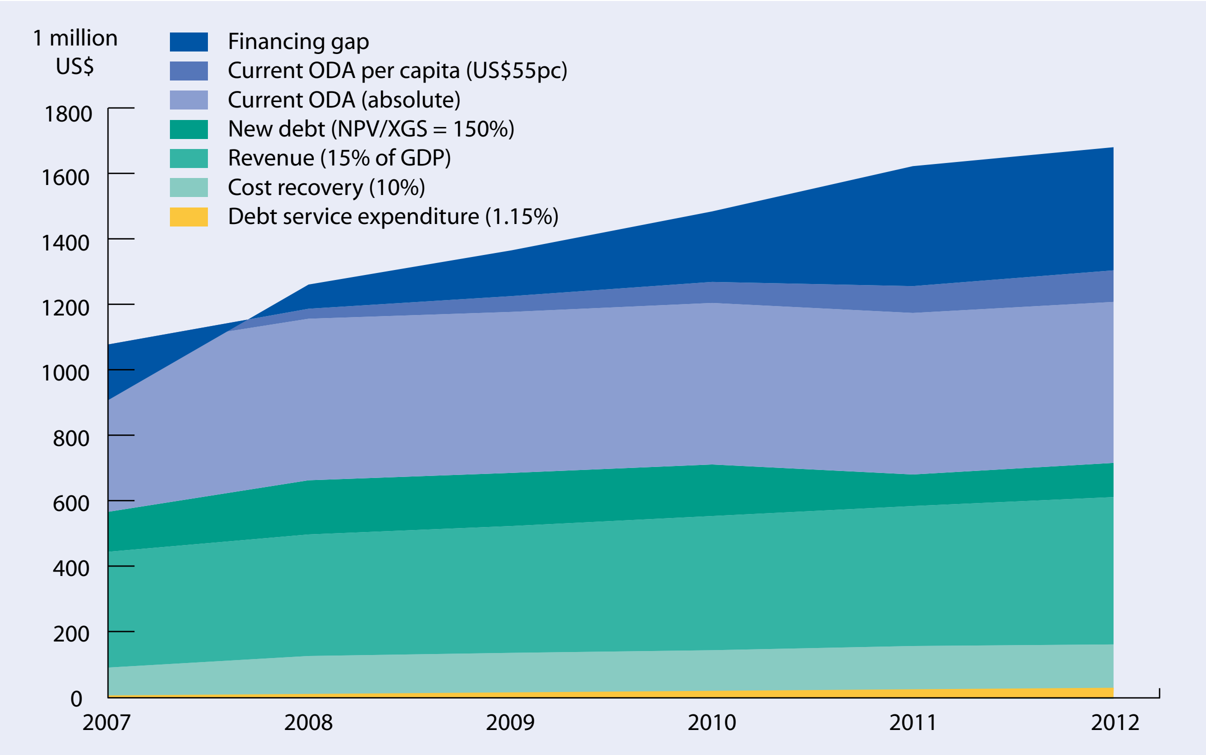


Figure 18: Rough Financing Scenario for the Big Push in Investments (5% Growth)



Source: Own calculations based on PRGF Review (2006) and EDPRS Needs Assessment

over the EDPRS period in the optimistic scenario (against US$822 million in yearly domestic resource mobilisation) and US$807 million in the low growth scenario (US$680 million yearly in domestic resource mobilisation). The financing gap will grow from US$335 million in 2007 (US$36 per capita) to US$753 million in 2012 (US$69 per capita) in the optimistic scenario and to US$1.01 billion in 2012 (US$93 per capita) in the low growth scenario.

While these might seem like large amounts, it is worth noting that the optimistic scenario would require only a 33% increase on current levels of aid, from the current US$497 million (MINECOFIN 2007), whereas the pessimistic scenario would require a 62% increase. In per capita terms, the required increase would be a mere US$10 per capita from the current US$55 per capita in the optimistic scenario and US$24 per capita in the pessimistic scenario.

Interestingly, we see that the financing gap is negative in the first year (-US$178 million), indicating that Rwanda currently receives sufficient external funding to achieve the MDGs, and even to have spare resources for non-MDG-related investment. This finding dramatically illustrates the bigger problem Rwanda faces today, namely the low quality of aid.

Rwanda is already one of the most aid dependent countries in the world at US$55 per capita per year in ODA. Yet, we see mitigated impact on economic growth and disappointing results in terms of poverty reduction. This is because much of the US$497.6 of aid reaching Rwanda today is neither on budget, nor on plan, let alone being aligned with the MDGs.

The United Nations Development Programme (UNDP) 2005 Baseline Survey estimated that more than two-thirds of all aid coming in to Rwanda comes in the form of projects and is, for the most part, neither on budget nor on plan. There is a real risk that a rapid scaling up of aid flows could lead to a further deterioration in the quality of aid and, hence, to an increase in wastage, duplication and inefficiency. In order to be effective, the scale-up would need to be accompanied by serious commitments by donors to improve the quality of aid.

The empirical research on the relation between aid flows and economic growth is inconclusive and there is plenty of evidence to suggest that larger aid flows have a negligible or negative impact on economic growth (see Mosley, 1980, and Singh, 1985).

Even if we disregard the technical difficulties in proving causal relations from aid to growth – given that aid is often given to crisis countries and least-developed countries precisely in response to growth failures – it would be wrong for several reasons to base a conclusion on existing empirical evidence.

First of all, existing estimates show that the scale-up in aid that would be required to achieve the MDGs goes far beyond the existing aid received by any of the low-income countries, with the exception of some crisis or conflict situations where aid is targeted towards security and humanitarian aid rather than towards development. Furthermore, as argued in Section 3.1, the existence of the poverty trap means that the investments required to achieve the MDGs might need to reach a minimum threshold before any substantial impact on growth and development can be observed. Hence, existing studies, which look at marginal or incremental effects of aid increases on growth might not be able to capture the threshold effect of large increases in aid.

Secondly, aid flows have often been of extremely poor quality in the past. First, aid has often been, and continues to be, guided by political or geopolitical considerations, rather than by objective criteria of need or development objectives. Secondly, aid has often come in the form of donor driven projects that were not aligned with national priorities and were poorly coordinated.

Third, aid flows have too often been erratic and unpredictable and thus inadequate for developing long-term strategic development objectives. It is only in recent years, following the end of the cold war and the post-Millennium Declaration processes, that a consensus has started to emerge among some key donors on the need for better quality aid. The aid coordination processes initiated in Rwanda have shown that this is a long and difficult process and that donors still have a long way to go before meeting the standards of quality required by the Organisation for Economic Cooperation and Development's Development Assistance Committee (OECD-DAC) guidelines and the different standards and declarations on aid effectiveness.

Finally, it is important to know that there are many different types of aid flows, with many different objectives. Economic growth is but one of the many objectives of aid, albeit a very important one for the sustainable attainment of the MDGs. First, much of the aid today goes to humanitarian emergencies and crisis or post-crisis countries. The primary aim of those aid flows is not to spur long-term economic growth, but rather to provide a palliative response to very immediate and urgent needs and to prevent death. Secondly, much of the aid today goes to strengthening such things as institutional capacity, democratic governance and education, for instance, which have an intrinsic value, defined in international conventions and declarations, that is separate from their immediate effect on economic growth. While it is expected that most of those interventions will have an important impact on economic growth, this impact may only become evident over the very long run.

This being said, it is important to recognise that large increases in aid flows can have some perverse incentives and negative externalities that will have to be anticipated in order to be prevented.

First, there need to be checks in place to prevent additional aid flows being spent on unproductive or counter-productive areas, such as defence, and to prevent a disproportionate increase in consumption versus investments (both physical and human capital investments). This suggests that channelling additional resources through sector budget support, SWAPs or other funding mechanisms that are tied to the execution of specific programmes might be more beneficial than channelling them through general budget support.

Secondly, evidence suggests that large increases in aid flows can create disincentives for governments to strengthen domestic tax collection. Hence, the increases in aid should be accompanied by sustained efforts to continue to strengthen Rwanda's tax collection system and to improve the quality of revenue, as well as the share of domestic to foreign revenue over the long run.

Finally, there is evidence from several countries that suggests that increases in aid can undermine debt sustainability. Debt relief and availability of foreign aid can create incentives for governments and individuals to take up new debt, and large inflows of foreign currency can lead to an appreciation of the exchange rate and thus undermine the competitiveness of exports. Hence, if the increase in aid leads to an excessive appreciation of the exchange rate, it can increase the debt to export

BOX 10: RWANDA'S AID MANAGEMENT IN FIGURES

- At US$55 per capita per year, **Rwanda currently receives enough aid to double the income of all the poor people in Rwanda** (US$100 for every Rwandan living below the poverty line).
- Almost 10% of ODA (**US$50 million per year) goes to defence and public order**, almost twice the amount going to agriculture.
- The share of aid going through **direct budget support increased from 27% to 44%** from 2004 to 2005.
- Rwanda currently receives **over US$30 million per year in food aid** and spends over US$100 million on social protection – encompassing more than 80 stand-alone donor projects of less than US$300,000 each.

ratio beyond sustainable levels. Section 3.3.2 will look in more detail at how this problem can be prevented.

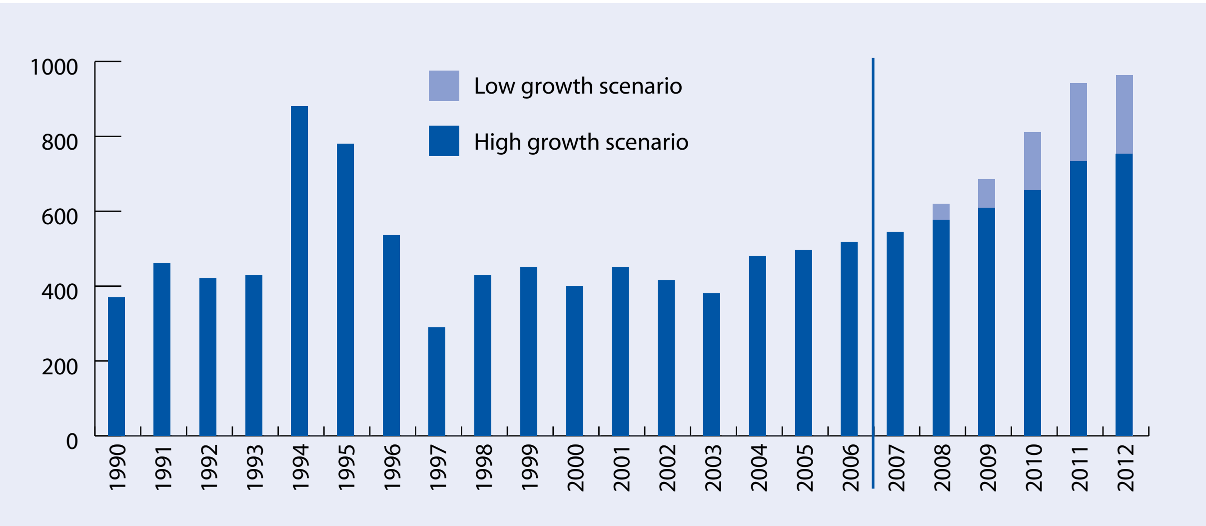
In conclusion, we would say that scaling up of aid is a necessary but insufficient condition to meet the investment needs required to achieve the MDGs and Vision 2020. Equally important as availing sufficient resources will be improving the quality of aid given to Rwanda, so as to ensure that the aid is geared towards the achievement of the MDGs.

1. Aid flows must be more predictable and contingency measures should be put in place to avoid sudden withdrawal of aid.
2. Commitments to increase aid must be sufficiently long-term to enable the government to develop long-term investment strategies.
3. Aid must be aligned on national priorities and strategies, as defined by the EDPRS, and should come in the form of pooled programme support, sector budget support and through SWAPs, rather than through projects.
4. The aid increase must be supported by a credible exit strategy and a plan for scaling up domestic revenue and private investments and scaling down aid.

3.1. AID MANAGEMENT: BREAKING WITH "BUSINESS AS USUAL"

In 2005, Rwanda received US$497 million dollars in Official Development Assistance (see MINECOFIN 2006). This represents US$55 per capita, or US$100 for every Rwandan living below the poverty line, enough to double the average income of the poor in Rwanda! Yet, the number of Rwandans living in poverty increased by 600,000

Figure 19: ODA to Rwanda, 1990 to 2004



Data source: OECD-DAC International Development Statistics and own computations based on EDPRS Needs Assessment between 2001 and 2006. In other words, the aid that is reaching Rwanda is failing to achieve its primary stated objective, namely to reduce poverty. In this section we will contrast the evidence on current ODA flows to Rwanda against the findings of the EDPRS Needs Assessment. This will show that there is a large gap, not only in the amount of resources needed to achieve international commitments, but also more fundamentally in the quality of those resources and their alignment with the MDGs.

Much progress has been made in recent years at the international level to define standards of aid quality and effectiveness to meet the challenge of the MDGs, and much effort has been made in Rwanda to translate those standards into national policy and institutional frameworks that are suited to the local context. It is now time to start turning these engagements into reality on the ground so that the aid coming into Rwanda can be put to work to make a real difference to the lives of Rwandans and to help the country achieve the MDGs and Vision 2020. Rwanda's selection as a pilot country for UN reform is an important development in this respect: a more effective, streamlined and focused UN can play an important role in acting as a technical and neutral interface between the donor community and the government so as to improve the coordination and alignment of aid in Rwanda around the MDGs.

3.1.1. Aligning Aid with the MDGs

Figure 19 shows the evolution of Official Development Assistance flows to Rwanda since 1990, as well as the projected increases in ODA needed to achieve the MDGs in Rwanda, based on the EDPRS Needs Assessment.

As the figure shows, the increase in aid flows required to achieve the MDGs are not out of line with historical trends over the studied period, specifically if we consider the high growth scenario, in which the self-financing capacity of the Rwandan government would be greater.

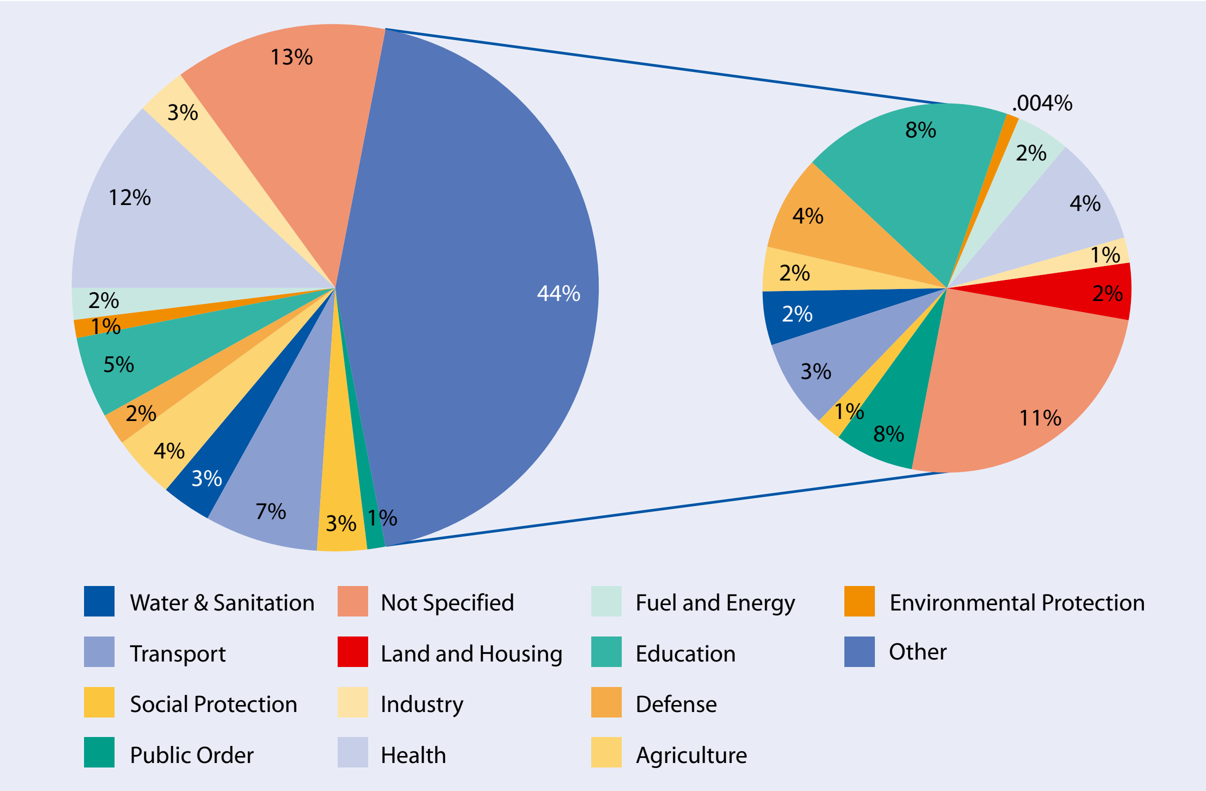
Looking at the quantity of aid reaching the country is extremely misleading, however, because the aid that reaches Rwanda is not currently aligned with the MDGs, is not adequately targeted towards the poor and is not efficiently coordinated or monitored. Increasing aid flows to Rwanda under these conditions is likely to increase the waste and distortions created by large inflows, without having the desired impact on poverty or on the MDGs. Rwanda's donors need to fundamentally rethink the way in which assistance is given to Rwanda if current aid flows are to have an impact, let alone if they are to seriously consider the option of scaling up aid to Rwanda, as would be required to achieve the MDGs.

To put Rwanda's ODA figures into perspective, we can note that, on the basis of poverty rates cited in the EICV2, the ODA currently received by Rwanda represents approximately US$100 or Rwf55,000 in aid for every person living under the poverty line. That is approximately Rwf151 per poor Rwandan person per day. The EICV2 showed that the average income of a poor person in Rwanda is Rwf150 per day. While it is, of course, not possible or desirable to dedicate all aid to direct poverty reduction, as opposed to infrastructure or institution building, these figures are interesting in that they show that Rwanda receives enough assistance to double the average income of the poor, and thus to pull the vast majority of them out of poverty. The question then is why is Rwanda's aid failing to reduce poverty?

The easy excuse for this state of affairs, often heard from donors, would be that the Rwandan government is pursuing policies that are not sufficiently pro-poor or aligned with the MDGs to allow aid to have an impact on poverty. Indeed, as we have shown throughout this report, there is room for improving the poverty impact of budgetary allocations in sectors such as social protection, housing, and education, for instance. However, this can in no way constitute an excuse for the observed lack of impact of ODA: by increasing the share of aid going through direct budget support from 27% of aid in 2004 (UNDP 2005 Baseline Survey) to 44% in 2005 (MINECOFIN 2006), while at the same time increasing the total amount of ODA to the country, the donors have shown that they broadly endorse the policy direction taken by the government, and must thus take full responsibility for the possible failures in government policy.

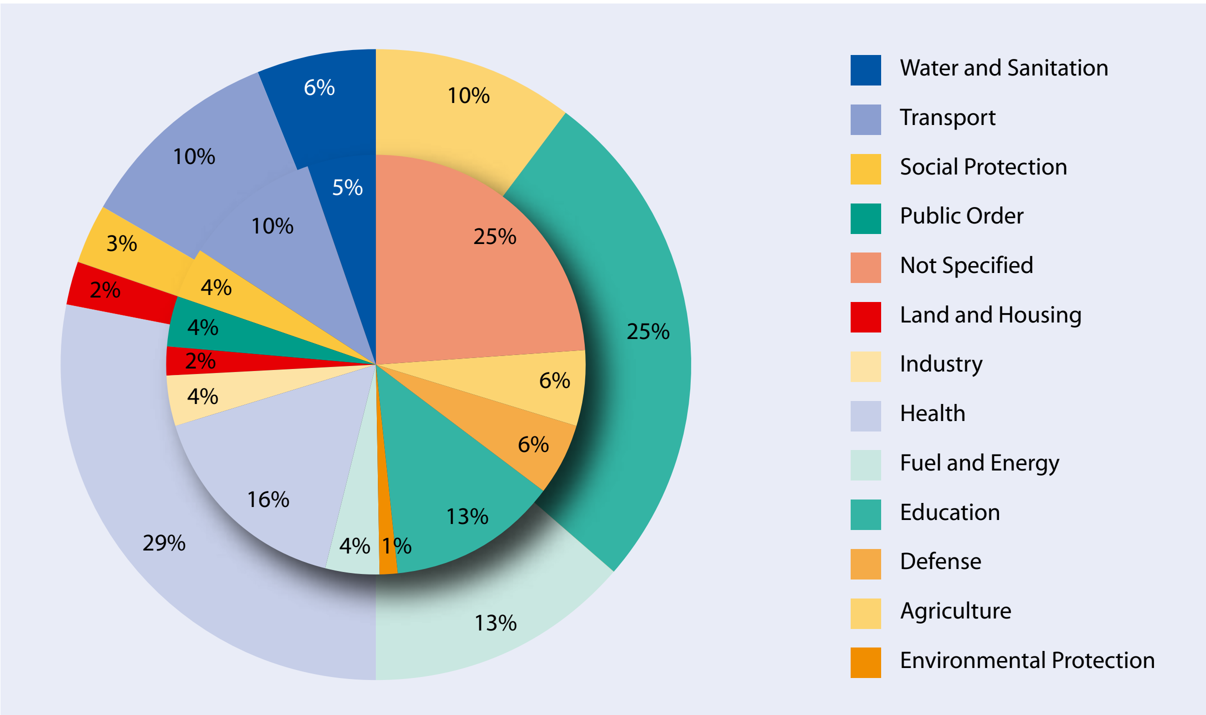
Figure 20 shows the distribution of aid by sector, including the money going through General Budget Support (small right hand side circle), which is distributed according to the proportions allocated in the national budget. The first thing that is evident from this analysis is that the aid that is coming to Rwanda is not aligned with the MDGs.

Figure 20: ODA Distribution Per Sector, Including General Budget Support (2005)



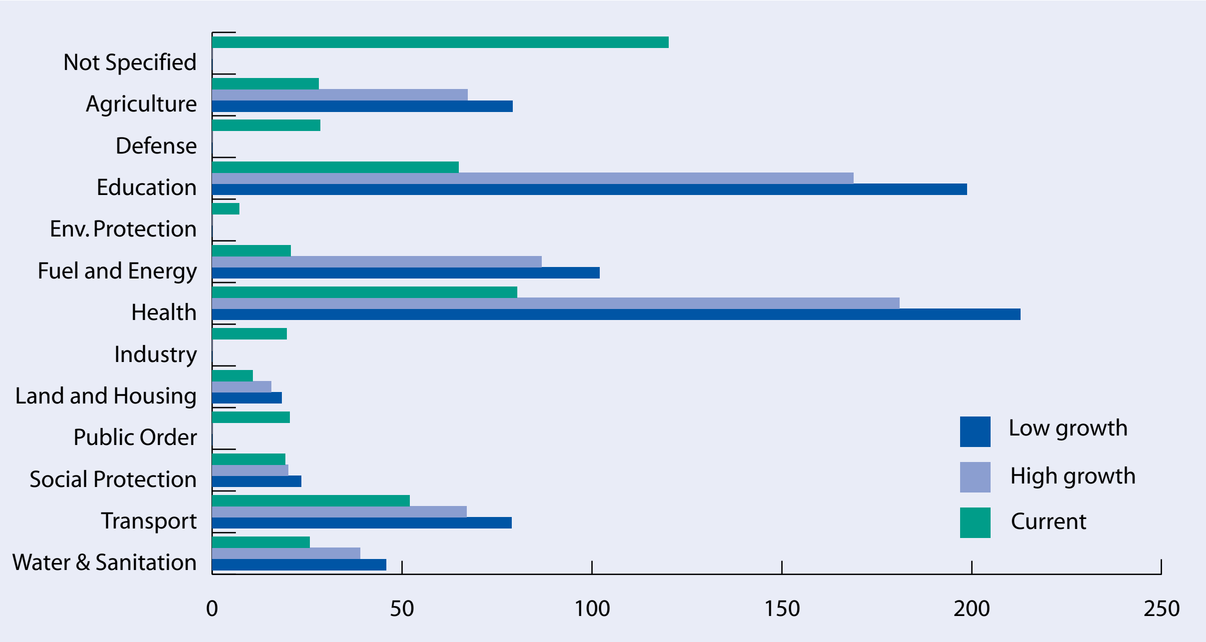
Source: MINECOFIN 2006

Figure 21: MDG Based (Outer Circle) Versus Actual (Inner Circle) Distribution of Aid



Source: MINECOFIN 2006 and EDPRS Needs Assessment

Figure 22: Current Versus Needed ODA Per Sector



Source: MINECOFIN 2006 and EDPRS Needs Assessment

Figure 21 compares the actual distribution of ODA (inner circle), combined project and budget support, with the "ideal" distribution of ODA (outer circle), as defined by the EDPRS Needs Assessment. It is evident from this graph that the aid that reaches Rwanda is not adequately aligned with the MDGs, even at the very macro level of ensuring that the proportions allocated to each sector are consistent with the identified needs. Sectors such as agriculture, health, education (2005 figures) and even energy would need double or triple the share of ODA that they are currently receiving. On the other hand, we see that 10% of the ODA that reaches Rwanda currently goes to security and law and order. That represents US$50 million per year, as much as the government's total budget for agriculture and social protection combined for 2007.

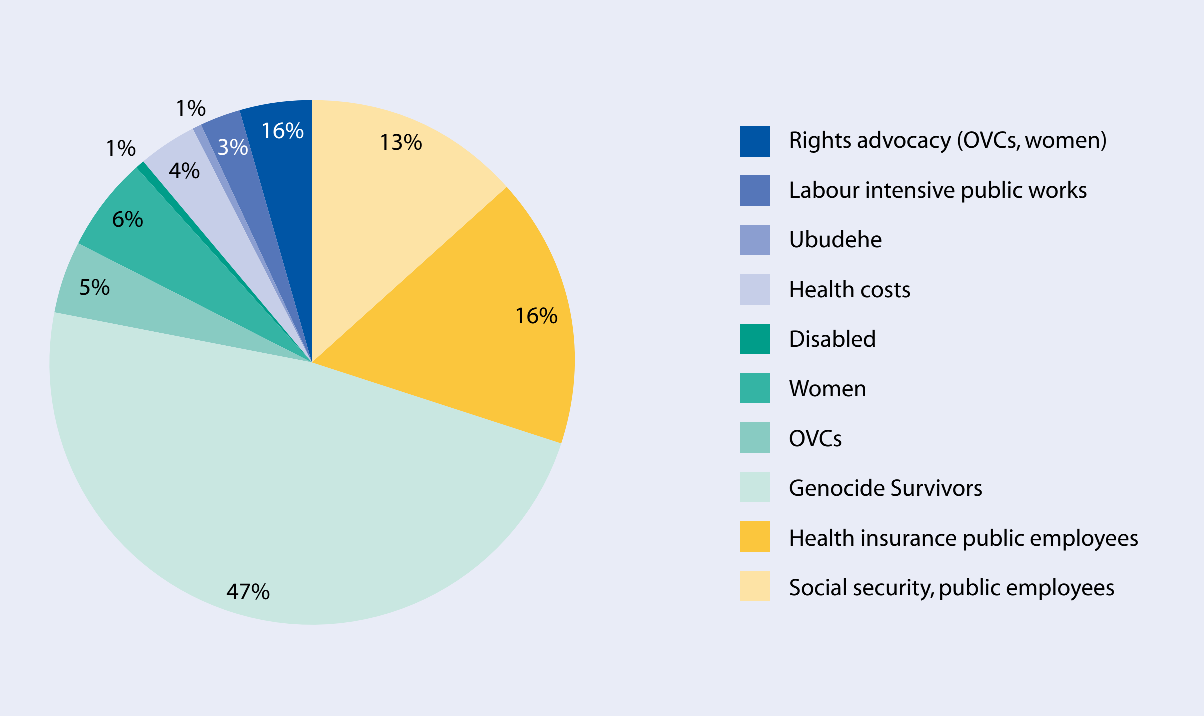
While no one would argue against the importance of the security sector in a country emerging from genocide, it is clear that an ODA spending of US$50 million per year on security is inappropriate for achieving the MDGs.

Donors could either chose to reallocate resources from that sector to MDG sectors, or, if they want to maintain security spending at current levels, they would need to scale up ODA to more than what has been estimated in the EDPRS Needs Assessment.

Figure 22 shows the current ODA spending per sector (2005 figures) compared with the amount needed in each sector in order to achieve the MDGs under the high and low growth scenarios, respectively. The estimations confirm that the largest scale-ups are required in health, education, agriculture and energy[13]. These figures are still very inadequate to address the needs to achieve the MDGs in Rwanda. The reason is that they only consider the quantity of aid required for each sector. In health, for instance, we know that the EDPRS Needs Assessment estimated that close to two-thirds of the investments needed in health would need to go to strengthen the health system (building hospitals, training doctors, etc.). The Public Expenditure Review that was carried out in the health sector, however, showed that most of the aid money for health currently comes in the form of projects for specialised interventions for specific diseases (specifically HIV/AIDS). Hence, it does not contribute to strengthening the national health system. Furthermore, the quantities allocated to different diseases are not proportional to the actual needs of the country, or observed epidemiological patterns, but are determined by the priorities of donor countries.

13. The environment sector has been excluded from this estimation due to methodological incompatibility between the estimation methods used. An environment model is currently under development to estimate the needs to achieve MDG 7.

Figure 23: 2006 Government Expenditures on Social Protection, by Beneficiary



Source: Foster 2006

Similarly, the Public Expenditure Review carried out in social protection showed that more than two-thirds of all funds in this sector were going through off-budget donor programmes that were scattered over more than 80 different projects worth less than US$300,000, with no apparent coordination mechanism or monitoring system. As a result, large distortions were observed in the allocation of resources, with close to a third of all social protection funds being spent on food aid for recurrent and increasingly predictable droughts (see Figure 24), whereas less than 25% of on-budget expenditures (barely US$1 per capita) were reaching vulnerable groups, other than genocide survivors (see Figure 23).

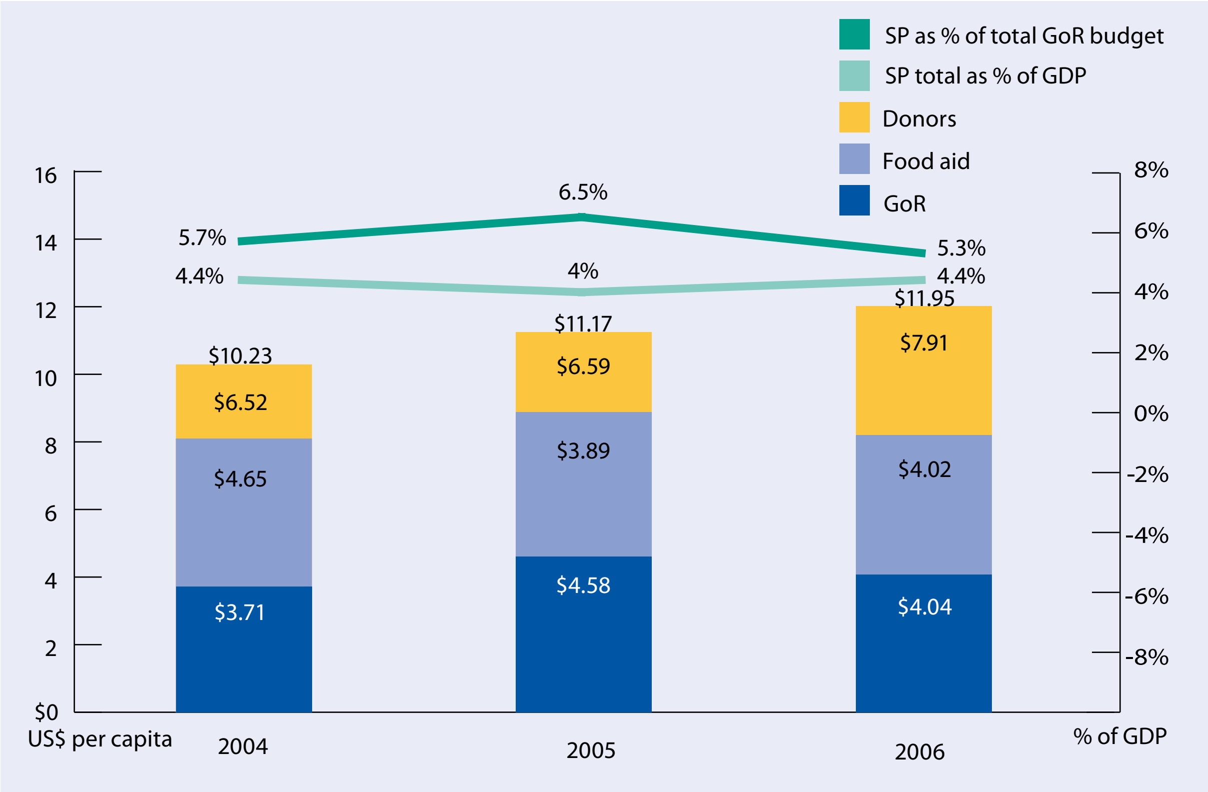
On aggregate, this represents a substantial loss of resources to the Rwandan development strategy, of the order of 4.4% of GDP (approximately US$106 million per year, excluding NGOs), which could be used to make a substantial difference to poverty reduction and economic growth, if resources were properly aligned with national development objectives and targeted towards the poor (see Foster 2006). To put these figures into perspective, current spending on social protection would be enough to feed close to a million (961,417) Rwandan adults for one year (EICV2 estimate of the price of the minimum food basket needed to provide 2500kcal/day), or to build 266 new health centres in the country (EDPRS Needs Assessment for Health).

The succinct analysis conducted in this section has already shown that there is a fundamental misalignment between the aid coming into Rwanda and the needs of the country in terms of poverty reduction and the MDGs. The analysis has not even looked at how the money is spent in each sector.

Especially for the funds that are going through projects, we will typically find that a large proportion of the resources go to international consultants, equipment and overheads, and other costs not included in the EDPRS Needs Assessment. In order to ensure that the aid that currently reaches Rwanda can be made to work for the MDGs and for the poor it would be necessary to *carry out a detailed ODA audit in order to see how ODA flows can be aligned with the MDGs.*

In 2006, the cabinet approved Rwanda's Aid Policy, the first such policy to be adopted anywhere in Africa. This policy, which is the centrepiece for future aid management practices, codifies the principles of the Paris Declaration on Aid Effectiveness, while adapting it to Rwanda's own realities. The aid policy document thus provides the necessary framework to guide donors towards

Figure 24: Social Protection Expenditures (Per Capita, % of GDP and % of GoR Budget)



Source: Foster 2006

sound management of ODA. At the same time, the EDPRS process has provided the necessary strengthening of sector strategic plans that was required by donors before aligning their funds on national policies.

Finally, the EDPRS Needs Assessment provides a detailed and rigorous analysis of investment needs required to achieve the MDGs and Vision 2020 in each sector. Hence, all the instruments are in place in Rwanda today to operationalise the principles of the Paris, Rome and Monterrey declarations, which aimed to ensure that the structure of ODA would change to fit the needs created by the MDGs. Furthermore, the experience of the education sector in Rwanda has already shown what alignment and coordination can do to improve the impact of aid and initiate progress towards the MDGs. If the MDGs are to be achieved in Rwanda, it is important that this unique opportunity is seized to replicate the experience of the education sector, by, for instance, operationalising the EDPRS through a number of clearly defined SWAPs, articulated around the objectives and strategies defined in the EDPRS.

3.1.2. Managing a Scale-Up of Aid

A rapid and substantial increase in the amount of aid flowing into any country can have very destabilising effects on the economy if the scale-up is not carefully planned or monitored. Hence, it will be crucial for the financing strategy to include an in-depth analysis of the risks and impact of scaling up aid on key economic variables such as inflation, debt, exchange rates, interest rates, private investments, etc.

In this section we will argue that it is possible to maintain macroeconomic stability while scaling up aid, provided that the scale-up is carefully sequenced and that adequate sterilisation measures are taken to avoid hikes in the exchange rate. Most importantly, perhaps, it is important to ensure that the scale-up leads to a predictable flow of additional resources so as to enable the government to undertake a long-term investment strategy oriented towards long-term development objectives. Hence, we argue that the scale-up should be accompanied by adequate monitoring and dispute resolution mechanisms aimed at preventing a sudden reversal of aid flows in case of political instability.

Towards Pragmatic Management of Inflation

Rapid scaling up of investments and of foreign aid flows will necessarily place new pressures on the economy and could create macroeconomic imbalances if the scale-up is not carefully managed.

Hence, it will be important to involve the appropriate technical expertise and the relevant international financial institutions in the preparation of a scale-up plan that will allow the government maximum flexibility in the usage of the additional resources, while guaranteeing that possible negative externalities are kept to a minimum. In this respect, it is important to note that after decades of ideological antagonism between the proponents of orthodox monetary and fiscal policy, on the one hand, and defenders of expansionary policies, on the other, a much more nuanced and pragmatic view seems to be emerging on both sides of this debate, helped perhaps by the normative consensus of the Millennium Declaration, which has forced people to look for new solutions to meet the international commitments of the MDGs.

The first and most important tenet of the new consensus on how to manage a scale-up in resources is that attention should focus not on maintaining inflation at permanently low levels, as in the past, but rather on managing the inflationary pressures in a manner that will respond adequately to the particular circumstances of each economic context:

"IMF (2005) argues that although high inflation is clearly harmful to economic growth, the gains from continued moderate inflation on growth are ambiguous. The negative effect on growth of high inflation stems from the associated increase in inflation uncertainty, which clouds price signals and limits both the quantity and the quality of investment. On the other hand, moderate inflation can enhance real wage flexibility. Furthermore, if nominal prices are inflexible, an excessively low inflation target can render an economy more vulnerable to prolonged downturns in case of adverse supply shocks. Therefore, an inflation target below five per cent may not be appropriate." Gupta et al (2006)

As argued by Gupta et al, some inflationary pressure is inevitable as a consequence of increasing domestic demand, spurred by the availability of new resources. However, the additional inflationary pressure may not necessarily be detrimental to the economy, provided the changes in inflation are controlled and anticipated. In fact, evidence from Asian countries has shown that economies can, under some circumstances, sustain inflation rates of up to 30% without any noticeable adverse effect on economic growth (Pasha and Palanaviel 2004).

Furthermore, evidence has shown that the relation between inflation and growth tends to be non-linear, with either no effect or a positive effect of an increase of inflation on growth, at low initial levels of inflation. This suggests that there may be some room for more expansionary monetary policy in Rwanda, in response to a scale-up of aid flows, since the country has traditionally had a fairly low inflation rate. However, recent increases in inflation, partly as a consequence of higher aid flows, suggest that caution is necessary to avoid a destabilisation of the macroeconomic framework.

There are several instruments available to government to respond to increased inflationary pressure following increases in the inflow of foreign aid. What strategy it chooses and which instruments it uses will depend on the specific objectives of the intervention and on the initial macroeconomic situation. In fact, higher aid flows can even be used to reduce inflation levels, if inflation is seen to be excessively high. This would be done by selling the additional foreign exchange generated by higher aid flows, so as to sterilise the monetary impact of fiscal deficit, without using the additional resources to finance new imports.

As noted by Gupta et al (2006), such a response could also allow for a decrease in domestic debt and interest rates. However, the absorption of foreign currency through the central bank is likely to increase the exchange rate, and hence have a detrimental effect on export growth.

If, on the other hand, the government chooses to spend the additional resources on imports, the additional aid flows will have no effect on domestic demand, and hence on the inflation rate, or on the exchange rate. In most cases, however, higher aid flows lead both to an increased domestic demand, through spending on salaries, etc., and to a widening of the current account deficit, as part of the additional resources available to the economy are spent on imports.

Preventing Dutch Disease

One of the most common concerns heard in the context of scaling up is the risk of so called "Dutch Disease". This term describes a phenomenon whereby a sudden increase in aid flows leads to an appreciation of the real exchange rate, either as a direct effect of the central bank's selling of foreign currency or as an indirect effect of higher inflation, when the exchange rate is fixed or pegged. Practically, the appreciation of the exchange rate results from an expansion of the demand for domestic non-tradable goods as a consequence of the availability of new resources in the economy, which, under the assumption of no excess supply in the domestic market, would lead to an increase in the price of domestic goods relative to the price of tradable goods, which is set by the international market. This is particularly true for the case of aid flows, given that they often target spending in social sectors, which offers non-tradable domestic goods, such as education and health.

The importance of Dutch Disease should not be underestimated if the option of scaling up aid is to be seriously considered. Indeed, evidence from a number of sub-Saharan African countries shows that the long-term impact of overvaluation of the real exchange rate on economic growth can be significant. In several cases, evidence points to aid as one of the causal factors of the observed increases in the exchange rate (see, for instance, Hausmann, Pritchett and Rodrik 2004). The most direct effect of an overvalued exchange rate, of course, is that the country's export sector becomes uncompetitive as domestic goods become more expensive than foreign goods. This can have a long-term impact on economic growth and on the ability of the country to end dependency on foreign aid. But the overvaluation of the exchange rate can also have equally serious indirect effects on debt sustainability, which is calculated as a percentage of export earnings, as well as on domestic investments, if investments are carried out by the export sector. Large inflows of foreign currency might also crowd out private investments if the central bank decides to raise interest rates to avoid a hike in inflation.

The fear of Dutch Disease should not, however, prevent donors from scaling up aid, since there are a number of ways in which Dutch Disease can be controlled and mitigated. Indeed, there are examples of countries, such as Ethiopia in the 1990s, that have received relatively large increases in foreign aid – though not comparable to those proposed for achieving the MDGs in Rwanda – without major damage to the export sector.

The theory of Dutch Disease relies on the assumption that the economy is working at full capacity and that an inflow of additional resources will lead to excess demand in the economy. This problem can be countered by scaling up the demand for non-tradable domestic goods gradually, as the supply capacity of the domestic economy increases. Hence, initial increases in public spending would have to go mainly towards imports (e.g. medicines or capital goods) and towards investments aimed at easing constraints in the domestic production system (e.g. infrastructure or training of skilled workers). Once the domestic supply capacity has been enhanced to meet additional or specialised demand, the share of domestic goods in public spending can gradually be allowed to increase. It must also be noted that in an economy like Rwanda's, which suffers from widespread underemployment, there can be significant scope for making better use of idle resources without increasing pressure on domestic prices (e.g. through mass employment schemes, such as Haut Intensite de Main d'Oeuvre). Finally, the impact of scaling up on the exchange rate can be mitigated by trade liberalisation aimed at improving the flexibility of the export sector to respond to changes in international and domestic demand.

In addition to these structural interventions, there are a number of monetary policy tools available to the government to manage the effects of increases in aid flows in the short run. These include domestic sterilisation, either through sales of government securities or sterilisation bonds, increased reserve requirements for commercial banks, and transfer of public sector deposits from commercial banks to the central bank. The central bank can also choose to use foreign sterilisation measures, through the sale of international reserves. While we shall not discuss these different instruments in detail, it is important to note that the narrow base of Rwanda's private sector and commercial banking system means that Rwanda's flexibility for using these stabilisation measures is limited if it wants to avoid negative impacts on investments and economic growth.

In conclusion, we will say that Rwanda's best option in response to a large increase in aid flows might be to use a combination of different sterilisation measures to manage short-term hikes in the exchange rate, while accepting a moderately higher exchange rate over the medium term. In the long term, careful investment in the country's human and physical capital should ease current constraints and enable the development of a robust domestic economy, capable of producing both to meet stronger domestic demand as well as the demand of regional and international markets.

Preparing an Exit Strategy

Preparing a scaling down scenario and a clear exit strategy from the start is at least as important for the long-term success of the Big Push as the initial rise in aid flows. A sustained rise in the level of public investments is likely to create a whole series of new costs, as well as expectations by the public. Capital investments, for instance, create new recurrent costs for maintenance, as well as for recruitment of additional civil servants to deliver services to the public. At the same time, citizens who have been accustomed to free education and subsidised health care are unlikely to accept a sudden deterioration in the quality of public service if and when donors pull out.

Hence, scaling up aid will create a whole new range of costs and political risks for the state, which have to be carefully monitored and managed in order to avoid negative consequences that could be even greater than the benefits of scaling up. This is especially the case if, after a few years, the country is considered to perform less well than expected due to governance problems, or to unanticipated adverse conditions, which might lead donors to conclude that the scale-up has been unsuccessful, and thus to pull out earlier than anticipated. Depending on the scale and the rapidity of the scale-down, one could easily imagine that the consequences of such a scenario could be highly destabilising and even catastrophic for a fragile post-conflict country like Rwanda.

There might be an incentive for a government accustomed to high levels of foreign aid to maintain high levels of public expenditures even after the withdrawal of aid. This can, of course, lead to an unsustainable increase in debt, to an increase in inflation or to crowding out of private investments. Hence, the IMF recommends creating 10-year scaling up scenarios for the achievement of the MDGs, followed by 10-year "scaling down" scenarios, describing a gradual return to "normal" levels of foreign aid (see Gupta et al 2006). The idea behind the Big Push argument is that a significant frontloading of investments is required to help very poor countries break the downward spiral of poverty. Hence, it is anticipated that the temporary increase in public investments, financed through foreign aid, will enable the development of domestic revenue sources that will be able to sustain the investment effort over the long run, as required to achieve sustainable economic growth.

The scale-down should include a strategy for maintaining macroeconomic balance as aid flows decrease. Hence, the decrease in aid flows should not be more rapid than the decrease in public spending and the increase in domestic revenue. Secondly, the strategy should include a plan for gradually increasing the share of private investments so as to allow for a sustained investment rate, while decreasing the share of public investments. Finally, it is important that the strategy includes a gradual move from capital expenditures to recurrent expenditures, as there will be a growing need for the state to sustain high levels of public expenditures in social sectors, such as education and health, partly as a result of previous capital expenditures, while a growing share of capital expenditures will have to be carried by the private sector.

Reducing the Volatility of Aid Flows

Predictability and consistency is one of the major components of quality that is required to ensure that aid flows are effective in enabling poverty reduction and the achievement of the MDGs.

As Figure 19 above shows, aid flows to Rwanda have varied enormously since the war, from close to US$1 billion at the end of the genocide to less than US$300 million, just a few years later. Furthermore, we notice that regional crises, particularly that of the Democratic Republic of Congo, have led donors to withhold aid on several occasions, leading to substantial decreases in aid flows in 1998 and 2004.

This uncertainty has prevented the government from implementing a sustained and coherent long-term investment strategy.

The inability of the government to plan for the long term, due to the unreliability of foreign assistance, is clearly evidenced by the artificial division of the national budget into recurrent and development expenditures, where vital investments in physical and human capital are considered as "extras" to be carried out if and when donor funds allow.

As we have shown in Chapter 3, the Big Push required to break the poverty cycle and achieve the MDGs cannot easily be separated into recurrent and development expenditures, however: (1) most investments in human capital occur through recurrent expenditures (e.g. teacher's salaries), and (2) many development expenditures require an increase in recurrent expenditures (e.g. for maintenance and staffing).

Hence, the Big Push in investments which is required to achieve the MDGs in Rwanda will require a predictable and sustained flow of ODA for a sufficiently long period of time to enable the government to implement a coherent long-term investment strategy. Some donors, like DFID, have already made long-term commitments to enable Rwanda to improve its long-term development planning.

However, even these commitments are subject to a number of conditions on good governance and security that could lead to a sudden withdrawal of aid in the case of "non-compliance" with stated principles. Some dispute resolution and contingency measures are planned in the Aid Policy to prevent such eventualities. However, these measures remain largely focused on fiduciary controls, and are vague when it comes to disputes of a political or military nature.

Strengthening dispute resolution and contingency mechanisms is essential to ensure that Rwanda's progress towards the MDGs is sustained over the long term and that the implementation of the EDPRS is not halted mid-way by a sudden reversal of aid flows. Rwanda has enjoyed a very stable security situation in recent years, and regional security seems to be improving. However, the Great Lakes region remains volatile, and it is important to anticipate all eventualities to prevent a situation in which even a minor crisis could degenerate into a major security threat due to the government's extremely high dependence on foreign aid.

The 2005 Global Human Development Report showed that political instability and volatility in aid flows can feed off each other, and have devastating effects on development and on security, when aid is withdrawn suddenly, thus aggravating already precarious economic and political circumstances. Ironically, it is often the countries that are the most vulnerable and in need of assistance that are the most likely to suffer from stop-and-go aid flows, which render long-term development planning impossible.

The year 2006 has seen governance and ownership emerge as key issues in Rwanda. At the 2006 Government of Rwanda and Development Partners Meeting, H.E. the President of the Republic called on development partners and the government to engage in serious dialogue with regard to issues of governance. He also requested of donors that principles of ownership be respected in order for Rwanda to be given enough political space to govern. The year 2007 marks a unique opportunity for the government and its donors to collaborate in order to ensure that all see eye to eye on issues of governance and on how to move forward on these. The elaboration of a monitoring mechanism with mutually agreed indicators of progress on delicate issues, such as governance, human rights and security is an essential element of the government's and donors' commitments to improve dialogue and ensure the viability of Rwanda's long-term development strategy to achieve the MDGs and Vision 2020.

3.1.3. Making UN Reform Work for Rwanda

This report has identified Rwanda's development challenges for the achievement of Vision 2020 as constituting an indivisible continuum from security, to governance, to human rights and to development and poverty reduction.

The United Nations system has a unique breadth and depth of expertise stretching across this vast spectrum of areas, as well as specialised technical expertise in a wide array of sectoral issues vital to the achievement of the MDGs. Hence, the United Nations system, as a neutral and trusted partner, could play a vital role in creating the necessary continuity and coherence in the partnership between donors and the government to ensure the viability and sustainability of Rwanda's long-term progress towards the MDGs and Vision 2020. At the same time it is clear that the United Nations system, as it stands today, is not sufficiently equipped, coordinated or effective to add value to the development process in Rwanda.

Rwanda's selection as a pilot country for the ambitious "One UN" reform plan – for the implementation of the recommendations submitted to the Secretary General by the High Level Panel on System-Wide Coherence – constitutes a unique opportunity to redefine the role of the UN in the development process and enable it to add value to the development process in Rwanda:

1. The UN system has sufficient objectivity and credibility to play an important role in *monitoring progress towards the MDGs*, as well as in areas such as security, human rights and governance.
2. As a neutral and trusted development partner, the UN can play an important role in establishing *early warning systems, mediating dispute resolution* initiatives and preventing reversals of aid flows.
3. The technical expertise of specialised agencies can help to *coordinate donor interventions around internationally agreed standards and objectives,* such as the MDGs, by, for instance, leading the establishment of SWAPs.
4. Finally, the breadth of expertise and the extensive field presence of various UN agencies mean that they can play an important role in *filling capacity gaps and building the necessary capacity* to ensure the sustainability of the drive to achieve the MDGs in Rwanda.

The UN system's lack of internal coordination, lack of programmatic coherence, lack of funding, and lack of organisational efficiency currently prevent it from intervening effectively in any of the above mentioned areas. However, the UN has taken numerous steps to harmonise its activities in Rwanda. The UN Country Team has begun to work on its five-year plan, the United Nations Development Assistance Framework (UNDAF), which lays the foundation for its programme of cooperation with Rwanda. The UNDAF is being developed in a way that will ensure its full alignment with the EDPRS and the MDGs. Moreover, the UN Country Team is making an effort to ensure an increase in joint programming and sound division of labour based on the principle of comparative advantages. Likewise, the UN is moving forward with its Harmonised Approach to Cash Transfers (HACT). This approach seeks to regulate activities in order for time and money to be refocused to more productive ends and aims to increase national ownership by using national systems and national institutions wherever possible.

With the "One UN" initiative, the donors have a unique opportunity to show that the UN can make a difference to the development process in the country by providing the missing link to ensure the coherence and unity of the development process, across the whole spectrum of partners and sectors, that is required to achieve the MDGs. At the same time, the UN system in Rwanda has a central responsibility to show that it produces a consistent and coherent results-oriented system-wide strategy that breaks with the tradition of agency-based planning. By changing their funding habits, the donors can also play an important role in creating the necessary incentives for UN agencies to opt for integrated sector-wide strategies rather than for small, uncoordinated projects. The establishment of an MDG fund at country level, as recommended by the High Level Panel on System-wide Coherence, is an important first step that the donors and UN agencies can take to operationalise the recommendations of the panel and enable the UN system to truly "deliver as One" and show that the UN can make a difference in enabling countries like Rwanda to achieve the MDGs.

4. GOVERNANCE AND PEACE : A SOCIAL CHANGE MANAGEMENT STRATEGY FOR VISION 2020

The last and possibly most important piece of the Rwandan MDG puzzle is that of governance: no matter how much aid flows are available, no country can hope to attain the MDGs unless it has a sound and accountable governance framework to ensure that the resources are effectively and transparently utilised to benefit those in need.

Rwanda enjoys a very favourable institutional and policy environment. However, large inflows of additional aid can have distorting and even destabilising effects, as they can create new special interests and competition for control over resources. Scaling up aid and investments to achieve the MDGs requires strong governance structures, to ensure that the country has the capacity to effectively use the additional resources. It is thus crucial to ensure that the progress that has been made in recent years on the front of good governance and democratisation is maintained and consolidated in the coming years.

In this chapter, we will argue for a comprehensive approach to governance, stretching from state effectiveness, to participation and to justice, considering all these as indivisible elements of an integrated system of social change management. Rwanda has enjoyed remarkable security in recent years and has been able to establish the foundations of lasting peace. Implementing the radical changes needed to accelerate development towards Vision 2020, will, however, create profound social transformations and put new pressures on the country's social capital. Dealing with the structural tensions arising from any process of social transformation requires a solid political and institutional structure that is capable of channelling differences and transforming them into a positive engine of change. We will focus, in particular, on three aspects that are crucial for the achievement of the objectives set forth in this report:

4. PUBLIC MANAGEMENT: Maintaining progress on good governance is essential to ensure progress towards Vision 2020.

Rwanda has made significant progress in recent years in improving the quality of governance by strengthening the rule of law, and implementing public sector reforms, decentralisation and anti-corruption measures.

This has enabled an increasingly effective management of public resources and significant improvements in service delivery. In the coming years, we argue, attention will have to be focussed on deepening these reforms and consolidating their institutionalisation so as to ensure continued progress.

5. DEMOCRATIC GOVERNANCE: Continuing to deepen democratic governance is essential to ensure long-term peace and stability.

Because of Rwanda's violent history and fragile social fabric, democratic governance remains one of the most delicate, but also most important, elements of Rwanda's development process. In this section, we analyse the difficult trade-offs Rwanda faces between long-term peace and short-term stability and argue that a carefully managed democratisation process can be an essential element of a comprehensive social change management strategy.

6. JUSTICE: Strengthening the rule of law and broadening access to justice is essential for reconciliation, as well as for social and economic development.

Rebuilding a fair, independent and accessible justice system is a vital element of Rwanda's long-term reconstruction effort. Much progress has already been made in clearing the backlog of genocide-related cases through the *Gacaca* process. Attention now needs to turn to the consolidation of a formal justice system that is oriented towards the post-reconstruction phase and is supportive of Rwanda's economic, social and political development objectives.

4.1. PUBLIC MANAGEMENT: EFFECTIVELY DELIVERING DEVELOPMENT RESULTS

As stated in Rwanda's Vision 2020, governance is the foundation of lasting peace and development. Good governance is instrumental in ensuring that the state is able to effectively deliver on its responsibilities towards its citizens. But governance is also about accountability and enabling people to resolve their differences through open discussion and public debate.

As such, governance is crucial to ensuring the sustainability of the development process over the long term by providing a means for society to manage the tensions created by social change in an open and constructive manner.

In recent years, the Government of Rwanda has embarked on a series of important institutional reforms aimed at strengthening good governance and public service delivery.

The Public Sector Reform and the National Decentralisation Policy (NDP) were started simultaneously in 2000, whereas the anti-corruption agenda was initiated officially with the setting up of the Ombudsman's Office in 2004. The ongoing reforms are targeting the improvement of individual and institutional performances and should first and foremost help the Government of Rwanda to deliver better services to all citizens of the country. They are also meant to introduce a new organisational culture for a results-oriented, effective and efficient state.

4.1.1. Decentralisation

Decentralisation is one of the leading reforms under way in Rwanda and is at the heart of poverty reduction strategies and achieving the MDGs. Indeed, successful decentralisation entails improving the welfare of communities, promoting innovation and participation, delivering basic services and creating grassroots structures for transparency and accountability.

Over the past five years, some significant milestones have been reached in decentralisation:

- The National Strategy Framework on Strengthening Good Governance for Poverty Reduction has been drafted.
- The decentralisation policy has been drafted.
- The decentralisation legal framework has been put in place.
- New administrative structures and management systems, among which is a system of decentralised financial management and accounting, have been put in place.
- The capacity of local elected leaders and local technicians has been strengthened.

The NDP is now in its second phase and is focused on service delivery and fiscal decentralisation.

The vision for the second phase of decentralisation is to have modern, coherent and efficient local governments, with skilled and professional staff and sound public financial management, accountable to the population, able to effectively deliver services through strengthened cross-sectoral coordination and to promote local economic development.

A new territorial subdivision is in place and the number of provinces, districts and sectors have been reduced in order to alleviate the burden on limited human and financial capacities for the implementation of the decentralisation policy.

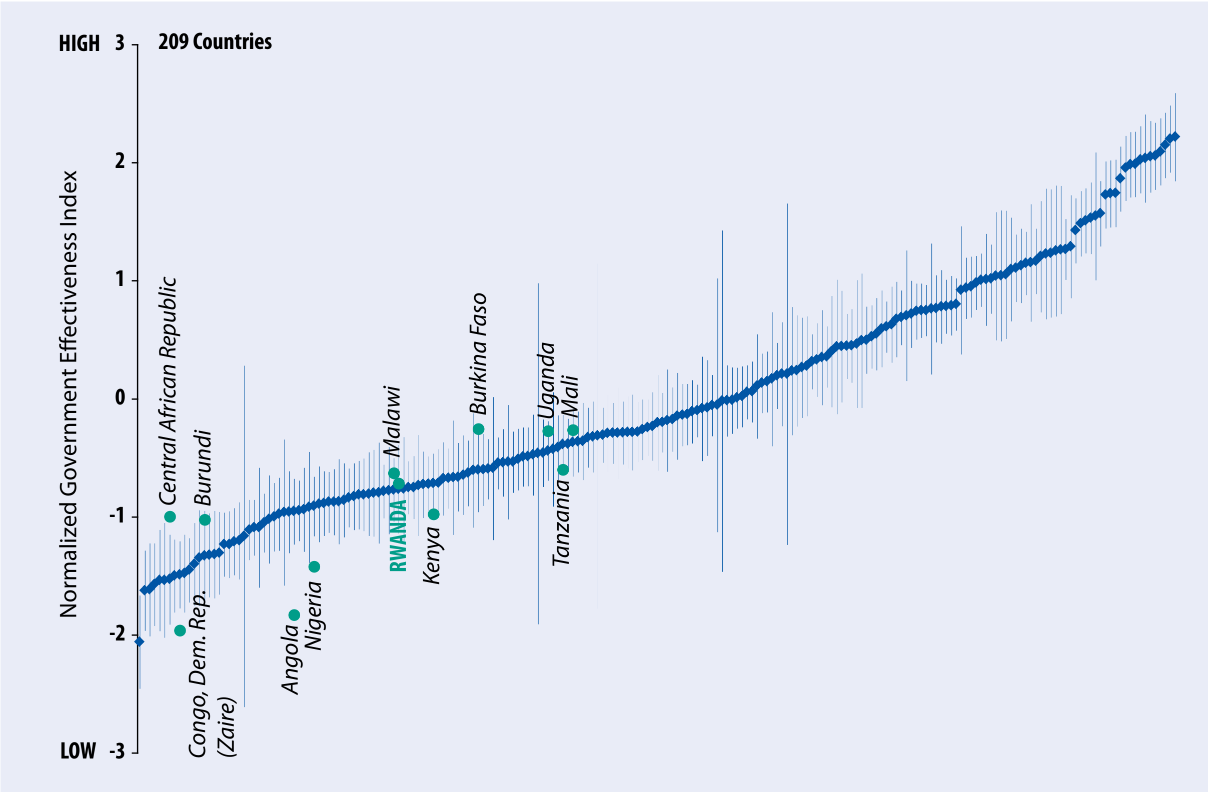
There is still a long way to go in implementing the decentralisation reform:

- The re-conversion programme for retrenched staff (due to territorial reform) is a difficult process and requires support from all stakeholders.
- Capacity building for the newly elected local leaders is also a long-term endeavour and should go beyond training to assist local governments in organisational and institutional development.
- The devolution of powers and financial resources to local governments has a long way to go before being completed.
- The continued harmonisation of accounting and financial management frameworks at the central and decentralised levels needs to continue.
- There is still weak capacity with regard to raising revenue at the local level.
- Donors' support needs to be revisited in line with current reforms.

Table 27: Restructuring of Local Government: New Territorial Divisions

Phase I		Phase II	
Territorial division	No of structures	Territorial division	No of structures
Central government	1	Central government	1
Provinces/Kigali City	12	Provinces/Kigali City	5
Districts/towns	106	Districts	30
Sectors	1545	Sectors	416
Cells	9165	Cells	2148

Figure 25: Government Effectiveness Index (2003-2005 Average)



Source: Kaufmann, Kraay and Mastruzzi (2005)

Disclaimer: The governance indicators presented here reflect the statistical compilation of responses on the quality of governance given by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries, as reported by a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The aggregate indicators in no way reflect the official position of the World Bank, its executive directors, or the countries they represent. As discussed in detail in the accompanying papers, countries' relative positions on these indicators are subject to margins of error that are clearly indicated. Consequently, precise country rankings should not be inferred from this data. The same disclaimers apply to all graphs.

4.1.1. Public Sector Reform

Figure 25 shows Rwanda's position on a global ranking of government effectiveness[14]. The World Bank Institute index is constructed on the basis of a survey of existing expert assessments. It is therefore subjective and liable to sharp year-on-year changes. The problem is accentuated for low-income countries, for which there are typically less studies available on which to compute the score. Hence, the results should be viewed with caution. Despite its shortcomings, the indicator can provide a good snapshot of a country's position relative to other countries, as well as its evolution over time. Here, we have computed the average score over a three-year period, so as to avoid the spurious conclusions resulting from drastic year-on-year changes. The green dots represent the 1996 value of the score and is represented for comparison. On the graph, we have highlighted a number of African countries in the proximity of Rwanda or with similar levels of income.

As is apparent in the graph, Rwanda performs relatively well in terms of government effectiveness, compared with several of its neighbours. Despite the enormous capacity challenge that Rwanda faces, largely as a result of the genocide, the country is ranked at par with countries such as Kenya and Malawi, far ahead of richer countries such as Nigeria and Angola. Rwanda's ranking in term of government effectiveness (bottom 25% of countries) is significantly better than its ranking in terms of GDP. This shows that Rwanda has comparatively effective institutional structures.

A number of landmark reforms have been carried out over the past five years in the area of public sector reform, including:

14. Note: Blue markers represent estimates for the governance indicators (2003-2005 average). The thin vertical lines represent standard errors around these estimates for each country in a worldwide sample. The green dots represent the chosen year comparators (1996).

- High government institutions (Parliament, the Supreme Court, the Office of the Prime Minister) and key ministries have been restructured (new organisational charts).
- Restructuring of staff has been carried out in the central and local public administration. This involved rightsizing the staff complement and retraining and redeployment where necessary.
- A capacity building programme for the whole public administration has been rolled out.
- Individual and institutional performance evaluation systems have been put in place.
- A new salary scale has been set up.
- The public service transport system has been revamped (no official cars).

The transition period has created some difficulties, due to a shortage of staff and readjustments. However, it is expected that the numerous reforms that have been carried out in the past few years should start to bear fruit soon. As the new civil service is put in place, based on the principles of client and results oriented service delivery, we should expect to see positive changes in the governance effectiveness indicators.

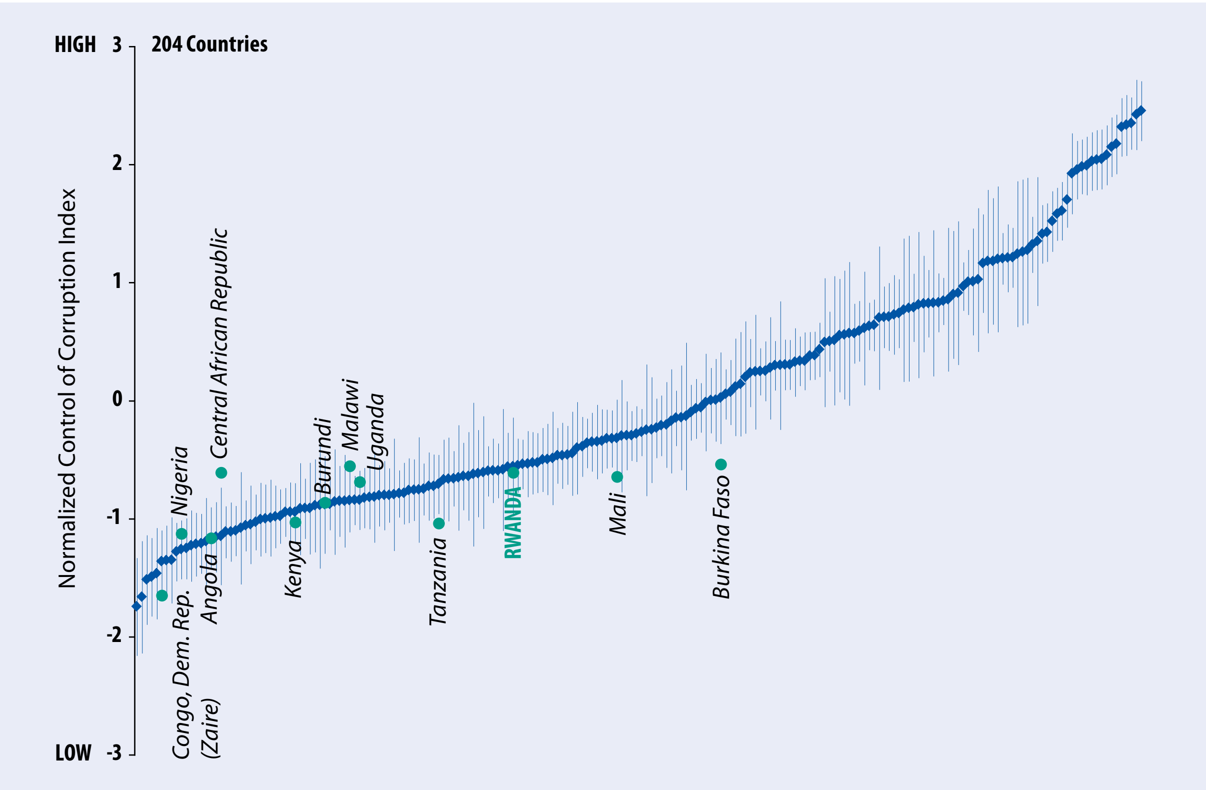
Challenges are still daunting, however, and public service reform is always a long-term endeavour. Although the reconversion programme is under way, the issue of career redeployment and training is far from being complete. The linkage and harmonisation between the decentralisation reform agenda and public service reform is still a challenge for the government. In the medium term, Rwanda's biggest challenge will be to rebuild the capacity of its civil service, which was decimated by the war and genocide. A coordination agency (the Human and Institutional Development Agency, HIDA) has been put in place but needs more support in order to draft a national strategy and policy in the area of capacity building.

4.1.1. Corruption

Control of corruption is one of the areas in which Rwanda has performed very strongly in recent years. It is also one of the areas that are most crucial for the achievement of the MDGs.

Corruption is one of the most visible forms of state failure, and hence one that has the most corrosive effect on the legitimacy of government and trust in democracy. But corruption also has a direct negative effect on service delivery, as resources are diverted from the public to the private sphere. Finally, corruption can have a negative impact on

Figure 26: Control of Corruption index (2003-2005 Average)



Source: Kaufmann, Kraay and Mastruzzi (2005)

BOX 11: KEY RECOMMENDATIONS TO STRENGTHEN GOVERNANCE AND CONFLICT PREVENTION

- Establish **joint monitoring mechanisms on governance** to assess progress towards strengthening democratisation.
- Strengthen the **capacity of the media and civil society** to act as a positive and constructive counter-balance to political power.
- Establish a **crisis early warning system** to monitor structural causes of tension and prevent any future crisis before it arises.
- **Mainstream conflict prevention into development planning** to eradicate the root causes of tensions and prevent the unforeseen emergence of new structural tensions due to rapid economic and social development.

income distribution, since it leads to a concentration of wealth in the hands of those who control political power.

Rwanda's progress in the control of corruption is truly remarkable, since the country ranks 127th out of 204 countries surveyed in the World Bank indicators (see Figure 26), better than all the other countries in Eastern and Central Africa. These results confirm the findings from the respected anti-corruption NGO, Transparency International, which ranked Rwanda 85th out of 153 countries.

Furthermore, Rwanda has taken significant steps in recent years to institutionalise the fight against corruption and to strengthen the safeguards that have been put in place to control corruption:

- The National Tender Board (a semi-autonomous government body that oversees all public procurement transactions and issues) has been put in place to strengthen public procurement.
- The Office of the Auditor General has been put in place to oversee public finances.
- The Office of the Ombudsman has been put in place.

The challenge in the coming years will be to deepen the accountability measures that support the anti-corruption effort and to strengthen the institutionalisation of this effort. At the moment, the fight against corruption is highly dependent on strong political leadership.

This means that the advances in the fight against corruption could easily be undone, for instance, if there is a change of leadership in the next general election. In the long run, the only way to guarantee effective control of corruption will be to strengthen the accountability mechanisms to ensure that citizens have the capacity to investigate, denounce and, if necessary, replace their mayors, ministers or parliamentarians who abuse public office. This will require strengthening the capacity of actors, at all levels, to play an active role in the fight against corruption. Parliament, for instance, can play an important role in overseeing government action and reporting back to their constituencies.

Other actors who can add value are the civil society organisations (CSOs), both national and international. In Rwanda most national non-governmental organisations (NGOs) lack the capacity to deal with corruption issues and the Rwanda chapter of Transparency International (a national NGO) has just been set up. The private press (media) is not fully developed. The media needs to be more professional and develop investigative skills in order to significantly contribute to fighting corruption.

4.1. DEMOCRATIC GOVERNANCE: TOWARDS A GENUINE POLITICAL DIALOGUE

Building a functioning state that is able to serve the needs of its population effectively is a necessary first step in the establishment of an open and progressive society. Building a truly democratic society that is able to thrive on its differences and make progress through the constructive tension of public debate is a much longer term endeavour. It requires the existence of a vibrant civil society, an inquisitive media that is able to hold politicians accountable, and a political class that is able to represent the needs and aspirations of its constituents. In a country emerging from violent internal strife and genocide, this is a very delicate exercise which needs to be carefully managed in order to prevent a revival of ethnic tensions and polarisation.

Yet, it is clear that Rwanda's long-term stability and success will depend on its ability to institute a genuine, idea-based, political dialogue, not tainted by ethnicity, where ideas can be freely exchanged and differences can be resolved peacefully and constructively. In this section, we will look at the difficult trade-offs Rwanda faces in ensuring that progress towards the long-term objective of democracy can be sustained, without compromising the imperative of political stability and national unity in the short term.

4.1.1. Politics

Rwanda's Vision 2020 clearly states the central importance of democratic governance for national unity and progress:

"A capable state, characterised by the rule of law that supports and protects all its citizens without discrimination is indispensable for wealth-creation and development. Rwanda is dedicated to the rights, unity and wellbeing of its people and will ensure the consolidation of the nation and its security. It also means a state respectful of democratic structures and processes and committed to the rule of law and the protection of human rights in particular. People's participation at the grassroots level will be promoted through the decentralisation process, whereby local communities will be empowered in the decision-making process, enabling them to address the issues that affect them the most. A reconstruction of the nation of Rwanda and its social capital, anchored on good governance and an effective and capable state is considered a minimal condition to stimulate harmonious development of all sectors." (Vision 2020)

After focusing on the restoration of peace and stability in the 1990s, the government has cautiously embarked on a gradual process of democratisation. In 2001, the first local elections were held, followed by general elections (presidential and legislative elections) in 2003. The latter – in accordance with the Arusha accords – marked the end of a nine-year transition period in which the country was governed by a government of national unity. Though certain irregularities were noted by international observers, the event marked an important first step in the establishment of Rwanda's democracy. Another significant step was the adoption of Rwanda's new constitution in a national referendum in 2003. The new constitution guarantees fundamental human rights and political freedom, while instituting essential institutional safeguards aimed at preventing a resurgence of ethnic polarisation of political life in Rwanda.

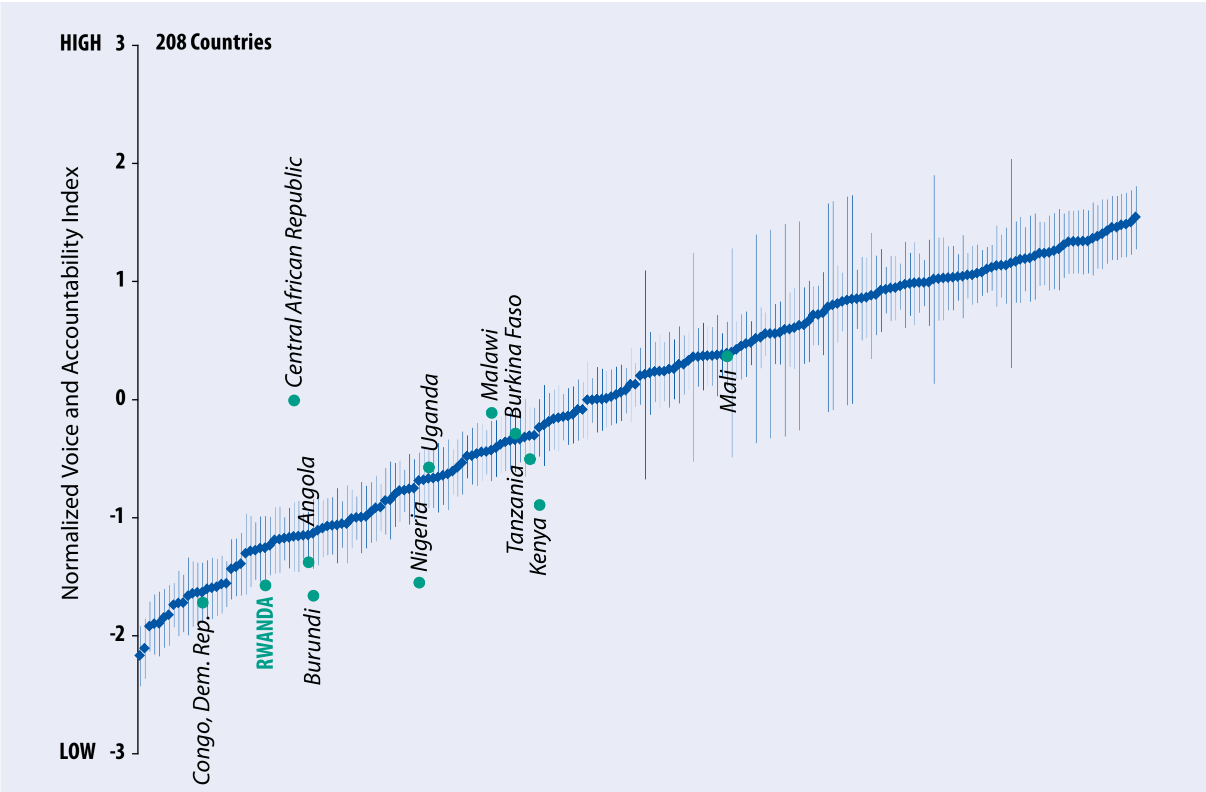
A central element of this constitution is the Forum of Political Parties, which according to Article 56 of the constitution and Article 51 of the political party law, is responsible for:

- facilitating exchange of ideas by political organisations on major issues facing the country;
- consolidating national unity;
- advising on national policy;
- acting as mediators in conflicts arising between political organisations; and
- assisting in resolving internal conflicts within a political organisation upon request by that political organisation.

As in many post-conflict societies, the emphasis on consensus building is central to the organisation of political life. Rwanda's organic law governing political organisations and politicians, for instance, states that the role of the Forum of Political Parties is to "reinforce the principle of power sharing"; "educat(e) politicians and other citizens in the culture of considering an opponent not as an enemy but as one to collaborate with through constructive ideas"; and "allow political organisations' members to restore and strengthen the citizens' confidence in political organisations and politicians." (NDI 2003). Furthermore, the constitution is careful to ensure balanced representation at all levels, so as to prevent abuse of power by one party. For instance, it states that the cabinet must consist of representatives from several different parties, and that the larger party is not allowed to occupy more than half of the cabinet's seats. The constitution also provides that the President, Prime Minister, and President of the Lower House cannot all belong to the same party (Freedom House 2006).

Despite these advances, political freedom remains one of the most challenging and delicate aspects of Rwandan development, as is evident by the fact that Rwanda continues to rank at the bottom of the world ranking in terms of political freedom. In the 2006 Freedom House report, Rwanda received a score of 6 out of 7 (lowest) on political freedom and 5 out of 7 on civil liberties. These results are also reflected in the World Bank Institute's index of voice and accountability, where Rwanda ranks in the bottom 13% of countries, with only the Democratic Republic of Congo ranking lower among the sample of countries we have chosen (see Figure 27).

Figure 27: Voice and Accountability Index (2003-2005 Average)



Source: Kaufmann, Kraay and Mastruzzi (2005)

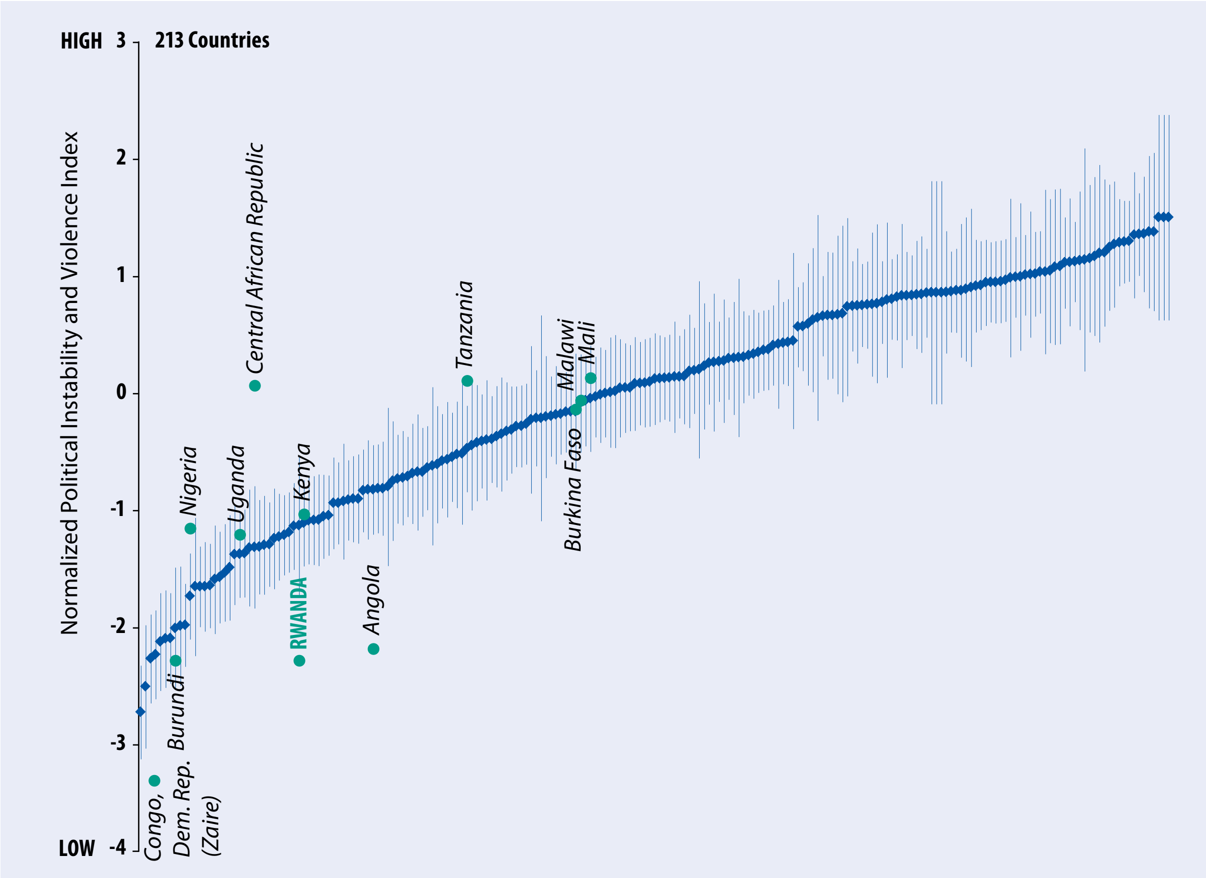
Given Rwanda's history, however, and the obvious risks involved in rapid democratisation, it would be unfair to judge Rwanda's progress on the front of democratic governance in terms of how it is faring compared with other countries that have not experienced the destruction and trauma of genocide. Rwanda's democratic progress must be assessed in terms of how far the country has come since it emerged from the abyss of total destruction in 1994. Here we see that much progress has been made in recent years. Despite the constraints of post-conflict democracy, Rwanda's voice and accountability score has improved by 20% since 1996, from a very low level (equal to that of Zimbabwe or Iraq). In the coming years, it is important to ensure that this tendency is maintained and accelerated so that the democratic process is consolidated and deepened.

The low level of political freedom also translates into a low assessment on political stability (see Figure 28). This assessment is separate from a security assessment, due to the fact that countries that lack the channels for peaceful dissent can be more prone to instability. However, here again, it is the trend, rather than the absolute position that should retain our attention. In 1998, Rwanda's ranked 7th lowest in the world on its political stability index, together with Burundi, Afghanistan and Sierra Leone. In less than 10 years, the country improved to the 33rd lowest position, between Kenya and the Philippines. Rwanda's political stability index has improved by 50% since 1998!

The challenge of managing the Rwandan democratisation process can hardly be overstated. The country's short experience of multi-party democracy before the war saw a rapid degeneration of the political sphere into a forum of hate and propaganda. Given the country's violent history, there is a real risk that an excessively rapid process of democratisation could crystallise ethnic tensions. However, the long-term success of Rwanda's development strategy will depend on its ability to break the historical cycles of violence that have affected the country since independence. It will only be able to do this by establishing a genuine idea-based political dialogue, not tainted by ethnicity, where people are able to resolve their differences through democratic debate.

The difficulty of finding the right balance between security and democracy, between open

Figure 28: Political Stability Index (2003-2005 Average)



Source: Kaufmann, Kraay and Mastruzzi (2005)

dialogue and the prevention of ethnic polarisation, is highlighted, for instance, in NEPAD's 2005 peer review of Rwanda, which noted with concern the apparent "desire to obliterate distinctive identities", including that of the minority Batwa, and criticised the lack of open political dialogue in what is qualified as a "'rehearsed' participation in public affairs as determined by political authorities".

4.1.1. Civil Society and the Media

In the long run, the quality of Rwanda's democracy will depend largely on the ability to create a strong and vibrant civil society.

Civil society plays a vital role in democratic societies, helping to drive political dialogue and generate new ideas. Civil society also acts as a check on political power, holding elected officials accountable and denouncing abuses. Finally, civil society can play a crucial role in structuring interest groups and providing a channel for expressing dissent and aspirations. As such, they can provide mechanisms for people to resolve differences by peaceful means.

Rwanda's civil society is extremely weak, partly due to the destruction caused by the war and the general lack of human, financial and administrative capacity in the country. Amnesty International (2006), for instance, reported that civil society organisations faced difficulties in operating due to financial constraints and complicated administrative procedures for registration and authorisation. The development of Rwanda's civil society has also suffered restrictions that were imposed after the war to prevent a resurgence of divisionist ideology in the country. As late as 2004, the parliament recommended that five NGOs and several religious groups be banned and also called for action against several international NGOs operating in Rwanda, after an investigation into the spread of "genocide ideology" in Rwanda (HRW 2005). These events highlight the difficulty of developing a strong civil society in a post-genocide context, where the need for strengthening democratic institutions is weighed against the problem of maintaining security and stability and preventing a polarisation of the political debate.

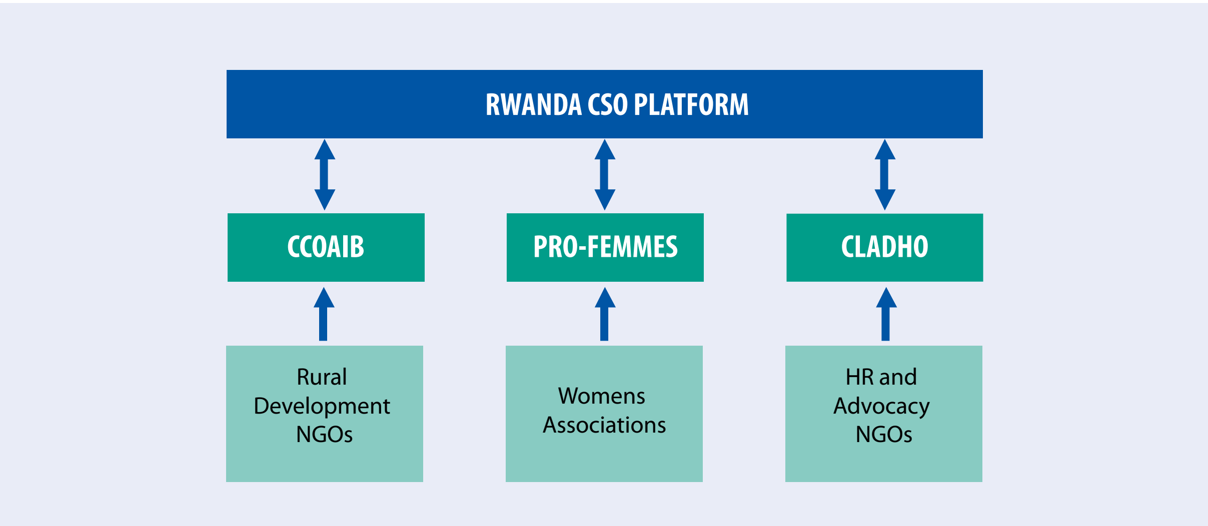
BOX 12: RECOMMENDATIONS FROM THE NATIONAL DEMOCRATIC INSTITUTE'S PRE-ELECTORAL ASSESSMENT MISSION

- A structured programme should be developed to strengthen political parties through training in leadership development and message development, internal and external communication, organisational management and structure, constituency outreach, and support to women and youth wings.
- Non-partisan civic education should be conducted at the grassroots level.
- Efforts should be made to help citizens understand and articulate their rights and responsibilities in a democratic system, with instruction and discussion on the role of political parties.
- Concerted steps should be taken by civic leaders to build the capacity of civil society organisations dedicated to promoting citizen participation, transparency, good governance, and civic education.
- Civic awareness and governance training should be extended to newly elected legislators, who should be encouraged to interact with constituents as frequently as possible.
- Action should be taken by the executive and legislative branches to clarify the mandate of the Consultative Forum of Political Organisations and ensure its independence from the ruling party.
- Wherever possible, proceedings of the Forum should be made public. In the promotion of civic education, for example, the Forum could hold meetings at the grassroots level to inform and engage the broader public in its proceedings.

As Rwanda enters its sustainable development phase, efforts will have to focus on strengthening the capacity of civil society to operate as a positive and constructive engine of progress in Rwandan society, while preventing the re-emergence of polarised politics. Box 12 presents some key recommendations of the pre-electoral assessment of Rwanda's political environment made by the National Democratic Institute in 2003. These recommendations have been echoed by the 2005 NEPAD Peer Review Mechanism, which highlighted the importance of recognising "the need for political parties and civil society to operate freely" and noted concerns about limits on political space (NEPAD 2005).

Currently, Rwanda's CSOs are organised into thematic groups or umbrella organisations that are meant to structure their organisations on the basis of their area of activity (see Figure 29). CCOAIB (Conseil de Concertation des Organisations

Figure 29: Structure of Rwanda's CSOs



d'Appui aux Initiatives de Base), Pro-femmes and CLADHO (Collectif des Ligues et Associations de Défense des Droits de l'Homme) are umbrella organisations and are coordinated by the Rwandan CSO Platform. A formal secretariat of the latter has been put in place recently. This well-structured organisation of Rwandan CSOs could be a good starting point for partnering with other development partners, especially donors and multilateral agencies, in order to organise capacity-building activities that are tailored to the specific needs of each type of organisation. Individual Rwandan NGOs and CBOs have a good knowledge of the country's challenges and can contribute to poverty reduction and MDG strategies if they are given the necessary resources and are supported to improve their planning and advocacy skills.

The media can play an equally important role, not only in holding public officials accountable, but also in providing a forum for political debate. Rwanda's constitution provides for freedom of the press. However, given the country's history, and given the pivotal role that the media played during the genocide in inciting hatred and planning massacres, there are many checks in place to prevent the utilisation of the media for propagation of divisive ideologies. The law explicitly prohibits "any propaganda of ethnic, regional, racial, or divisive character or based on any other form of divisionism"; inciting "divisionism" is punishable by up to five years in prison. Amnesty International reported several cases of intimidation on Rwandan journalists in 2006 and incriminations on charges of inciting divisionism.

Rwanda's media is also plagued by lack of capacity and lack of training in investigative journalism. Freedom House's Press Freedom Report (2006), for instance, cites the lack of a strong private sector as a problem for the development of the media, which relies on advertisements for funding. As a result, most newspapers are unable to print on a regular basis, and only one is able to print daily.

The lack of diversified advertisement sources also makes the media vulnerable to financial pressure from the government, as it is largely dependent on advertisements from the public sector.

Finally, the development of independent media has been hampered by the lack of printing infrastructure, which means that all press is dependent on the only – government run – printing press available. Some newspapers have resorted to printing abroad to avoid restrictions, but this increases costs.

As a consequence of these legal, political and economic constraints, Rwanda ranked very low on the 2006 Freedom of the Press ranking, receiving a total score of 85 out of a maximum of 100 for no press freedom (Freedom House 2006b). However, once again our focus should be on the direction of progress and on ensuring that the pace of progress is maintained. While many of the countries ranking as low as Rwanda on these indicators have been on a downward spiral of authoritarian rule, Rwanda is actually emerging from extreme state failure and is gradually moving up the ladder of political freedom. Thus, the focus should be on providing sufficient support to help sustain this progress and setting up the necessary control and monitoring mechanisms to ensure that the country stays on track in its progress towards democracy.

4.1.1. Mainstreaming Conflict Prevention in Development

In addition to having intrinsic and instrumental value for poverty reduction and development, democracy is an essential element of a comprehensive strategy aimed at creating social stability and peace by providing channels for peaceful resolution of tensions and expression of dissent.

All processes of social transformation create winners and losers and thus have the potential of creating social tensions. This is all the more true for a country like Rwanda, that is emerging from a conflict and genocide that severely damaged the country's social capital and created wounds that will take generations to heal.

The national development project spelt out in Vision 2020 calls for profound social transformation and a total restructuring of the economy and society to bring the country into the 21st century. Such an ambitious project will necessarily create major social challenges for the country and will require a coherent approach to social change management, to manage the inevitable tensions, special interests, etc., created by rapid economic development and growth.

Rwanda has made major progress on unity and reconciliation since 1994, and restoring trust and dialogue have become a national priority. The national Policy of Unity and Reconciliation was finalised in September 2006. The social change management strategy that is required to ensure the sustainability of Vision 2020 goes beyond reconciliation. It is a forward-looking strategy that covers all sectors and considers the root causes of possible tensions. The integration of conflict prevention was limited in the previous Poverty Reduction Strategy Paper (PRSP 2002-2006). During the EDPRS launching workshop in early 2006, the National Unity and Reconciliation Commission (NURC) therefore suggested the explicit integration of peace and reconciliation in the different sectors. These are some examples of factors that need to be considered when mainstreaming conflict prevention in the EDPRS:

- *Economic/population growth ratio* is still unfavourable (respectively 3 to 6% and 2.6 to 3.5% per year). This weakness is worsened by land scarcity.
- *Youth Employment:* the economy does not create enough formal jobs to employ all the youth that come on the job market every year, including university graduates. High youth un- or under-employment can be a factor of instability.
- *Land Reform:* in line with Vision 2020 objectives, the new land policy calls for consolidation of land for a more effective and modern agricultural sector. While necessary, this is a highly sensitive process that must be carefully managed and monitored to ensure that the burden of change is fairly distributed among the population[15].
- *Agriculture:* close to 90% of the population live off subsistence agriculture, many of them below the food poverty line. Taking people off the land, as is stated in Vision 2020, will require the creation of off-farm employment and safety net mechanisms to prevent further increases in rural poverty.
- *Poverty and distribution of income:* poverty is still above 1993 levels and economic trends are raising inequality between rich and poor and between urban and rural areas.

Furthermore, history has shown that large inflows of foreign aid can create new tensions as special interest groups compete for control over resources. Rwanda itself has often been cited as a classic example of development failure, where significant inflows of aid in the 1980s and early 1990s fuelled corruption and bad governance and helped to exacerbate the political tensions that culminated in the 1994 genocide (see Uvin, 1998). Hence, it is essential that development partners are fully part of this process so as to ensure that their aid contributes to strengthening stability and peace, and not reviving tensions and contributing to future instability.

Mainstreaming crisis prevention has progressively emerged as a key focus area in the global commitment towards monitoring the Millennium Development Goals . The joint World Bank-DFID programme on Poverty Reduction Strategies in conflict-affected countries, for instance, recently published the report "Toward a conflict-sensitive poverty reduction strategy", presenting several country cases (including Rwanda) and recommendations for conflict-sensitive PRSs (World Bank 2005b).

An increasing number of crisis prevention tools and complementary mechanisms have been developed. At the regional level, the International Conference of the Great Lakes Region calls for peace implementation and conflict prevention[16]. The Peace and Security Council of the African Union serves as a decision-making body for crisis prevention and management, while the NEPAD and the Common Market for Eastern and Southern Africa (COMESA) initiatives also foster inter-state dialogue through regional integration processes and good governance.

At the country level, a broad range of policies and actions have been implemented, in line with Vision 2020 commitments towards sustainability. They can be grouped in four pillars: (1) justice and reconciliation (*Gacaca*, the National Human Rights Commission, the Supreme Court, NURC), (2) governance (elections, civil service reforms, the Ombudsman, decentralisation), and (3) poverty reduction.

History has shown us that reconciliation is a particularly complex process, deeply rooted in peoples psyche and affecting their everyday lives (particularly the most marginalised). For these reasons, a comprehensive and strategic approach to crisis prevention was needed, anchored on a

15. As stated in the USAID 2002 Conflict Vulnerability Assessment, land reform "could have immeasurable implications in the post-genocidal context" if small landholders were "left poor and landless", as a result of consolidation, while a "small minority of landholders prosper".

16. The heads of state and governments of the 11 member states, when signing the Dar-es-Salaam Declaration on 20 November 2004, expressed their conviction that there is need for "Reestablishment of interstate and intrastate relations based on trust, revitalisation of cooperation and integration, within the framework of a regional and inclusive vision for the promotion of sustainable peace, security, democracy and development" (§ 13).

thorough analysis of the root causes of conflict. Such an approach allows the assessment of the impact of policies and ongoing programmes on peace and reconciliation and the adjustment of the responses to the identified risks. The PRSP Evaluation Report presents a few key recommendations related to peace and reconciliation:

- Continued commitment of the government in strengthening the legal system to maintain security, reconciliation, law and order, which provide the essential foundations for political and economic stability.
- The EDPRS chapter on justice/reconciliation/law/order should follow the Medium Term Expenditure Framework 2007-2009 with its four service lines and programmes and should have a monitoring and evaluation (M&E) framework with clear and measurable key performance indicators.
- Special attention must be given to ensure that the indicators in the justice sector specifically indicate whether the poorest are gaining access to legal services. Only an appropriate medium term expenditure framework (MTEF) with a comprehensive set of poverty indicators and clear mechanisms for monitoring can lead to a stronger correlation between justice sector spending and its impact on poor groups or areas. A clear strategy should be elaborated on how to ensure and measure access to justice for the poor and how this relates to poverty reduction.
- As the justice sector will be the main actor in enacting laws tackling cross-cutting challenges, it is crucial to develop this analysis capacity. PRSP1 and the subsequent Annual Progress Reports lack clear evidence on how human rights and reconciliation were mainstreamed in all thematic areas. In the elaboration of the EDPRS chapter the sector working group should define a strategy to mainstream a rights-based approach with clear targets linked to an identification of rights-holders and duty-bearers.
- The PRSP1 framework did not clearly spell out how good governance mechanisms contribute to poverty reduction and peace building. The link and interdependence between these three elements should be clarified in the EDPRS.

The government is committed to mainstreaming peace and reconciliation. It has also recognised that achieving the goals laid out in the EDPRS will require maintaining internal security and keeping peace with neighbouring countries. In comparison with the “first” PRSP, the approach will be more systematic. The justice and reconciliation sector, supported by a strong coordination structure, has in particular registered encouraging progress and has already presented valuable proposals, including transitional justice, conflict management, resolution and early warning tools. Another key achievement in terms of prevention is the integration of social protection as a specific sector in the EDPRS.

A conflict analysis has been undertaken by a national consultant (Kayumba 2006). Such studies usually help to identify disputes and inequities (human rights abuses, social and gender inequalities) that, if unaddressed, could fuel conflict. They are an essential instrument to ensure that the identified potential causes of conflict are addressed in development assistance frameworks.

Among drafted recommendations, it is suggested to use the NURC as an oversight body instead of a mere implementation organ. NURC’s mission would therefore focus more on coordination, monitoring and evaluation and ensuring that peace and reconciliation activities are decentralised in all sectors.

Due to a number of constraints, the mainstreaming exercise as a whole is still incomplete. The time taken to reach consensus on the status of peace and reconciliation resulted in low involvement in the PRSP evaluation and weakened the integration of peace and reconciliation into the different sector log frames. The conflict analysis should be shared with stakeholders to raise awareness, ensure common understanding and promote dialogue.

Since EDPRS log frames don’t comprehensively address peace and reconciliation, further efforts should also focus on working on specific measures and points of attention, building capacities for monitoring and evaluation and assessing the impact of activities on tensions. For the justice and reconciliation sector, for instance, some key activities are very sensitive and require continuous dialogue and attention (e.g. reparation of genocide and war victims, through a National Reparation and Conflict Transformation Fund) so as not to fuel resentment among the population. In the environment sector, some actions may have an important impact on population (e.g. reforesting the Gishwati area, access to land title ownership) and therefore require adequate monitoring.

BOX 13: SUGGESTED FUNCTIONS FOR THE NATIONAL CRISIS EARLY WARNING SYSTEM*

- Conduct a capacity needs assessment and a capacity building strategy for crisis prevention actors.
- Support and coordinate the preparation and review of crisis preparedness and contingency plans.
- Supervise and coordinate contingency, peacekeeping and peace-building activities in case crisis occurs.
- Support mobilisation of resources.
- Conduct in-depth research, through qualitative and quantitative approaches, to monitor threats to human security (situation reports on critical issues, country files, and participative field studies).
- Promote peace and reconciliation as well as democratic practices, human rights and good governance.
- Issuing warnings and policy options through timely and widespread communication that can be used to prevent crisis.
- Permanent liaison/forum with international organisations, governments and their representatives, military and defence institutions, humanitarian agencies, NGOs, academics and universities, media and individuals.
- Publications, seminars, workshops, conferences.

*See: Protocol to the establishment of the Peace and Security Council of the African Union, adopted on July 2002, and Institute for Security Studies, African Security Analysis Programme (ASAP), http://www.iss.co.za/Res/Asap/Aewp/aewp1.html, page accessed on 25 January, 2007.

Building capacities for joint monitoring and evaluation

Development partners can assist government efforts in strengthening key institutions (ministry departments, local authorities, national institutions, civil society organisations) involved in crisis prevention, and setting up appropriate and inclusive M&E mechanisms.

Early warning systems have also proved to be reliable and efficient in some countries to monitor trends and to create spaces for policy dialogue. Different models exist that Rwanda could draw upon. In Rwanda, NURC and the disaster management unit hosted in the Office of the Prime Minister (PRIMATURE) could provide leadership and coordination of such mechanisms for peace and reconciliation.

Like conflict analysis, monitoring and early warning must be regarded as more than just the provision and sharing of information. This requires building the appropriate capacities to analyse, identify, monitor (during EDPRS annual reviews) and formulate plausible policy options to relevant decision-makers with the involvement of all stakeholders. They are also essential tools to enhance the linkage between development and conflict.

4.1. JUSTICE: A MEANS TOWARDS RECONCILIATION AND DEVELOPMENT

Rebuilding Rwanda's justice system is a task of Herculean proportions.

At the end of the genocide, only 12 prosecutors remained in the entire country[17] as most of them had either been killed or fled the country. At the same time, the new Rwandan government faced the biggest backlog of justice ever experienced by any country: the department of *Gacaca* jurisdiction estimated that as many as 760,000 people could be prosecuted for involvement in the genocide (one in four of the 1994 adult population).

Despite the almost insurmountable nature of the challenge, the Rwandan government, in little more than a decade, has been able to restore the basis of a functional justice system that is capable of upholding the rule of law.

17. www.inkiko-gacaca.gov.rw

BOX 14: KEY RECOMMENDATIONS TO STRENGTHEN JUSTICE AND RECONCILIATION

- Continue reforms of business law to cut red tape and **strengthen legal protection of property rights, investments and credit** to encourage private sector development and foreign investments.
- Strengthen access to justice by providing **free legal aid**, especially for the poor and disadvantaged, and develop a legal aid regulatory framework.
- Allow sufficient time in the judgment phase of the *Gacaca* process to **permit adequate preparation of defence and appeals processes** and strengthen psychosocial support and protection systems for participants in *Gacaca*.
- Continue **strengthening the capacities of the National Human Rights System** and the Mediation Committees or *Abunzi*.

Of course, given the extent of the devastation, many hurdles remain to establish a justice system that meets international standards of fairness and independence and fulfils the goals of Vision 2020. First, a whole new generation of judges must be trained to fill the posts left empty after the genocide. Currently, most *Gacaca* judges, for instance, do not have formal legal training. Secondly, the reform and streamlining of the legal system must continue in order to create a legal system that is supportive of economic growth and private sector development. Access to justice for the poor is another major issue that must be tackled in order to ensure that growing economic inequalities do not translate into legal inequalities that could create a sentiment of unfairness and discrimination. Lastly, in order to enable Rwandan society to get closure and turn towards the future, the backlog of genocide-related cases must be swiftly cleared without compromising the quality of the restorative process.

4.1.1. Strengthening the Justice System to Enable Development

The provision of a stable legal framework that provides legal certainty for both foreign and domestic investors is indispensable for wealth-creation and development of the country.

The regulatory system should be sufficiently streamlined to encourage people to do business. At the same time, however, it must provide adequate protection to investors against fraud, corruption, expropriation, etc. There has been a rise in Foreign Direct Investments (FDI) from US$5 million in 2001 to US$7.7 million in 2004 (World Development Indicators 2006). FDI, while improving, is of low quality and highly volatile.

Despite the enormous challenges facing the justice sector, much progress has already been achieved in improving the regulatory framework, making it more supportive of economic growth and private sector development. A specialised chamber of commerce is being created to oversee business law reform and to identify and eliminate legislative and regulatory constraints to investment and the development of a strong private sector.

Rwanda's progress on this front was most clearly evidenced by the World Bank's *Doing Business Report 2006*, which showed that it takes on average 16 days to start a business in Rwanda, the same as the OECD average, against a regional average of 62 days. Rwanda also ranked better than the regional average on issues of taxation, contract enforcement and property registration. However, Rwanda lost points on protection of investments, legal impediments to access to credit and export procedures. As a result, Rwanda ranked 158th out of 175 countries.

This shows that, while the country has made much progress in removing legal barriers to investments and streamlining procedures for doing business, Rwanda still needs to strengthen its regulatory environment to provide better legal protection to investors and a more even enforcement of legal rights. These findings are confirmed by the World Bank Institute's governance indicators, which show that Rwanda's regulatory burden has improved by 15% since 1996 to reach the 155th

Figure 30: Regulatory Burden Index (2003-2005 Average)

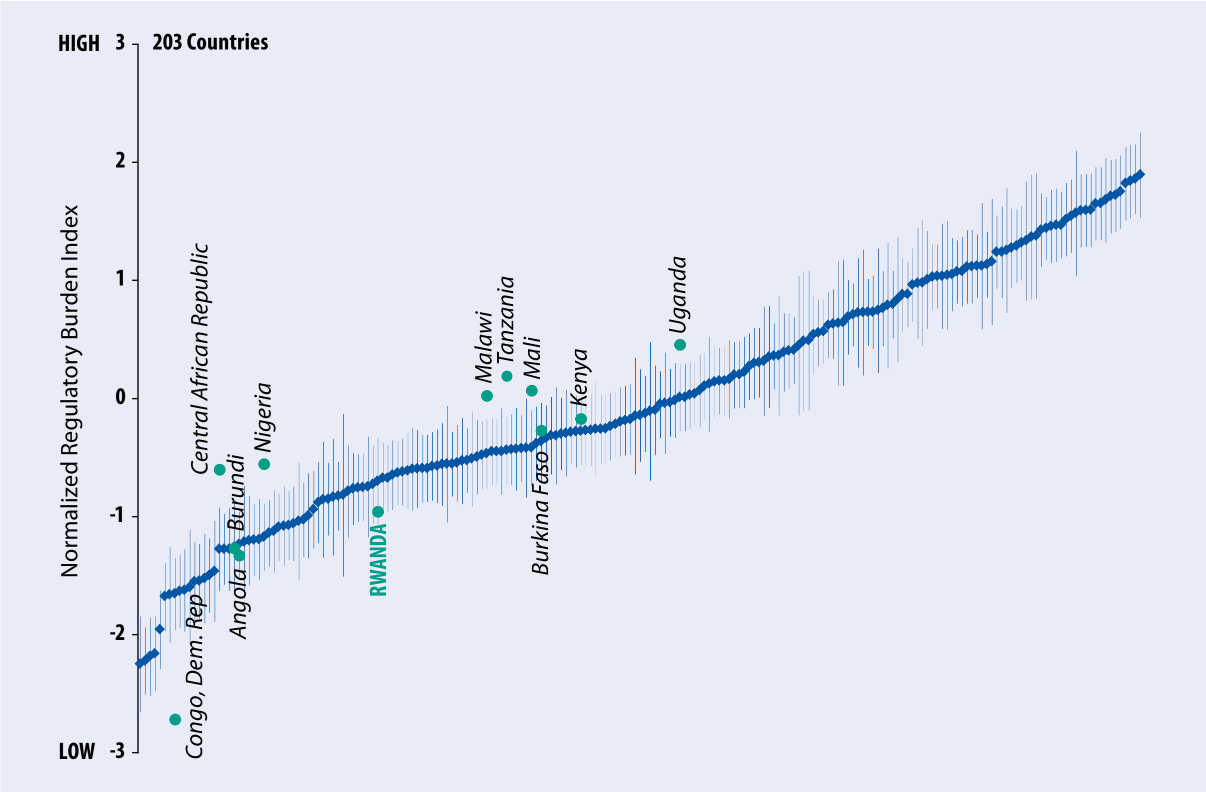


Figure 31: Rule of Law Index (2003-2005 Average)

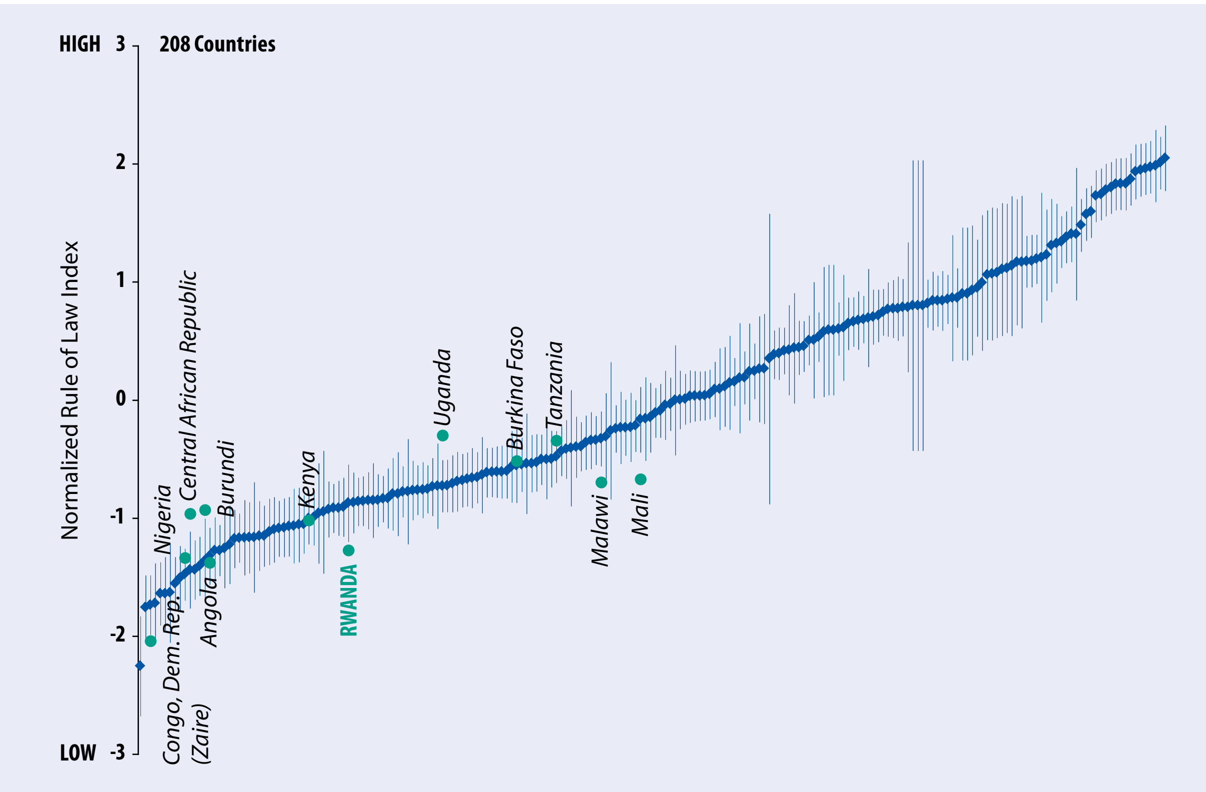
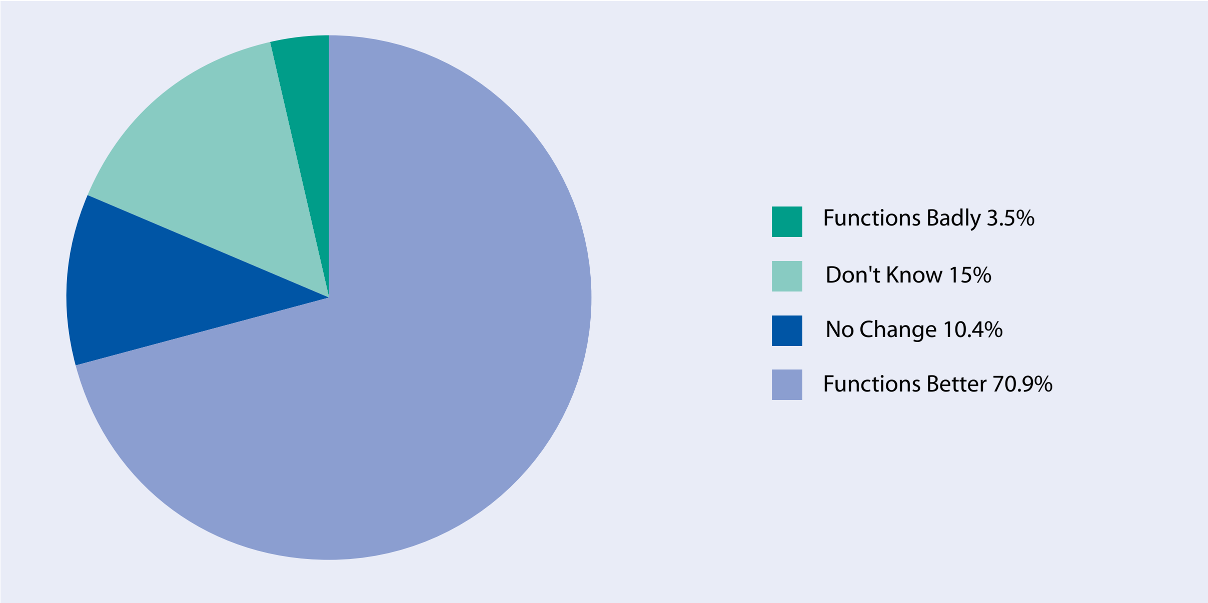


Figure 32: Comparison of the Two Systems, Before and After the Reform



Source: Survey on the performance of Rwandan Courts two years after the reform, Supreme Court Rwanda with the financial support of UNDP, 2005

position out of 203 countries (see Figure 30). On the rule of law indicator, however, Rwanda ranked only 166th (between Albania and Indonesia) out of 208 countries, but improved by a staggering 31% from a very low starting point (index value of -1.27, similar to Congo and Burundi, see Figure 31).

Rwanda has undertaken a number of reforms in recent years to strengthen the rule of law and guarantee adequate legal protection to all Rwandan citizens and foreign investors. The 2003 constitution guarantees a formal separation between judiciary, executive and legislative powers – the judiciary also enjoys administrative and financial autonomy. An independent Office of the Prosecutor General of the Republic has also been created.

Because of capacity constraints, the reform of the judiciary has been slow. Between 2002 and 2004, most of the court system was unable to operate normally as sweeping reforms, aimed at increasing their efficiency, were implemented, replacing large numbers of staff and introducing new procedures. The administrative and decentralisation reform implemented in 2006 again stalled the operations of the judiciary in the first months of 2006, as jurisdictions had to be harmonised with the new territorial divisions. According to Human Rights Watch, these delays created a backlog of more than 12,000 pending penal cases in 2006, which were in addition to the 70,000 genocide cases that were deemed to be too serious to be processed by the *Gacaca* system, and were scheduled to be tried through the conventional court system (Human Rights Watch 2007a).

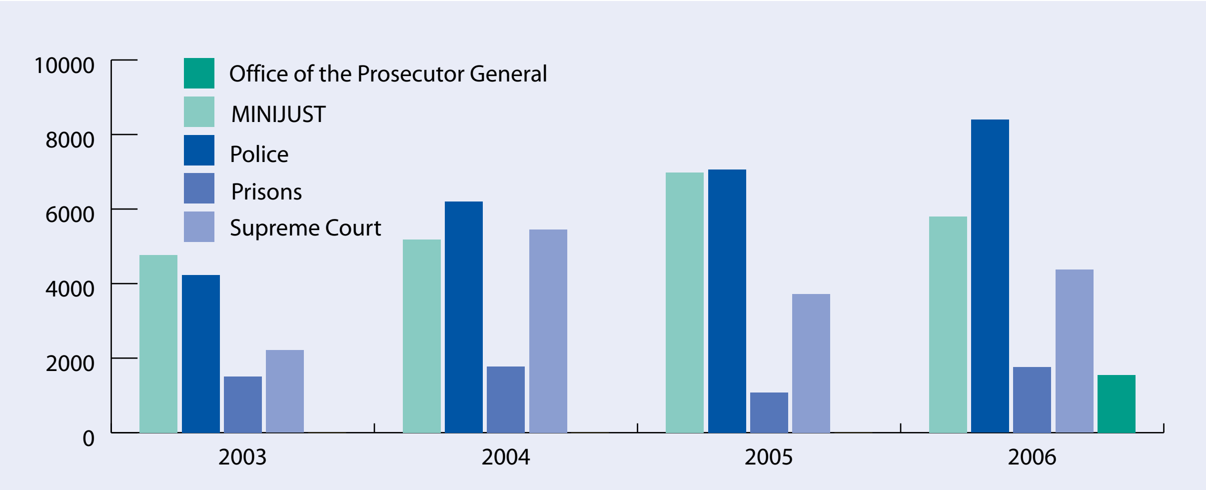
Despite these transitional difficulties, the sweeping changes that Rwanda's judiciary has undergone in recent years are thought to have improved the effectiveness and performance of the judiciary, as evidenced by the findings of a survey carried out by the Supreme Court in 2005 (see Figure 32).

The survey also revealed several remaining shortcomings of the judiciary, including:

1. Lack of sufficient information on the functioning of the courts.
2. Inadequate reception services to people who go to courts.
3. Slowness in the accomplishment of judicial activities.
4. Low accessibility to courts.

The survey also indicated that court users are in need of procedures that are flexible and simple. Problems in the justice sector are often linked to deficient enforcement of judgments. It is critical to continue supporting the capacities to enforce civil court decisions. To this effect, there has been a gradual reorganisation of the Rwandan National Police towards a community policing approach. This approach established mechanisms to ensure accountability of law enforcement officers towards local people and to monitor the quality of delivered services.

Figure 33: Budget Allocations to the Justice Sector (2003-2006)



Source: Justice Sector PRSP1 Self-Evaluation Report, Government of Rwanda, 2006

An important evolution was the creation of a justice sector in which national institutions, development partners and civil society coordinate and harmonise their policies and actions.

It is important to note that the EDPRS sector working group on justice identified the following high-level objectives: promote universal access to justice, eradicate genocide ideology and build the culture of law, ensure transparency and accountability, reinforce mediation, unity and reconciliation mechanisms in conflict resolution, and ensure safety, law and order. Figure 33 shows the allocation of budget resources within the justice sector between 2003 and 2006, with a doubling of the police budget.

4.1.1. Improving Access to Justice

Effective and efficient enforcement systems are key to protecting disadvantaged people and form a precondition for accountability and the elimination of impunity. From a justice sector perspective, poverty can be defined as "the non-fulfilment of a person's rights to a range of basic capabilities"[18].

One of these basic capabilities is access to justice. The justice sector is a very important aspect of the overall government strategy for poverty eradication. With regard to the justice sector, it is crucial to reflect on whether the poor have received improved access to justice over the past years. The government's National Legal Assistance Strategy states that: "The provision of accessible quality legal services to the public is an important contribution to the promotion of constitutional human rights, the rule of law, good governance and economic development of the country. The rights to legal representation and the right to equality before the law are rendered meaningless unless the poor and indigent persons who cannot engage a lawyer are afforded free legal services. Nor can justice be done without regard to economic status without free legal aid for the poor"[19].

Article 16 of the Rwandan constitution states that "(a)ll human beings are equal before the law. They shall enjoy, without any discrimination, equal protection of the law." Article 11 points out that economic and social status and vulnerability (physical or mental disability) should not obstruct the right to equal protection of the law:

"All Rwandans are born and remain free and equal in rights and duties. Discrimination of whatever kind based on, inter alia, ethnic origin, tribe, clan, colour, sex, region, social origin, religion or faith, opinion, economic status, culture, language, social status, physical or mental disability or any other form of discrimination is prohibited and punishable by law." (Art.11)

In practice, however, many obstacles remain to ensuring equal protection before the law. A baseline survey on access to justice in Rwanda,[20] commissioned by the Ministry of Justice and the Legal Aid Forum, reveals the limited geographical

18. Government of Rwanda (2006), *Justice Sector PRSP1 Self-Evaluation Report*.

19. Government of Rwanda – Ministry of Justice, (2005), *National Legal Assistance Strategy*.

20. Legal Aid Forum, MINIJUST, UNDP (2007), *Building the Foundation for Access to Justice in Rwanda*. A report of the Legal Aid Baseline and Needs Analysis Survey.

Table 28: Barriers of Access to Legal Services

Barriers of access to legal services	NGO		Legal aid		Advocates		Police		Judges		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
A. Poverty	27	42.2	11	64.7	12	92.3	11	68.8	10	50	71	54.6
B. Limited legal services	15	23.4	6	35.3	2	15.4	2	12.5	5	25	30	23.1
C. Limited number of lawyers	18	28.1	2	11.8	2	15.4	1	6.3	2	10	25	19.2
D. Legal framework	0	0	6	35.3	2	15.4	0	0	5	25	13	10.0
E. Ignorance	56	87.5	14	82.4	10	76.9	11	68.8	12	60	103	79.2
TOTAL											**130**	

spread of legal aid services and a high need for such services in rural areas. Even in urban areas, where many legal aid providers are located, citizens are not aware of the existence of legal aid services. Many people are not aware of the law and their legal rights. The survey indicates that mostly poor people (38%) and disadvantaged groups (women, 33.8%) have no access to justice. Judges, advocates and legal aid providers expressed the need to amend the existing laws and put in place a policy framework to enhance access to justice. There should also be a national mechanism to ensure the quality of legal service provision that will document, monitor and share information. A frequent problem mentioned from the client's perspective is the non-execution of judgments.

One of the aims of the survey was to provide baseline information for the national scaling up of the pilot project, "Maison d'Accès à la Justice" (MAJ). The aim of this project at district level is to coordinate and harmonise existing initiatives of CSOs, universities and the Bar Association with a view to improving access to justice by the surrounding population, especially the poor and vulnerable. The MAJ is a first stop for clients and will serve as a point of orientation and redirection to the right resources, for example the Bar Association for legal representation in courts. Apart from legal advice the MAJ will disseminate effective information and raise legal awareness. In accordance with the decentralisation policy, each district should have a MAJ in the medium term.

Informal and traditional mechanisms of justice are often more accessible to poor and disadvantaged people and may have the potential to provide speedy, affordable and meaningful remedies to the poor and disadvantaged. In Rwanda the Committees of Mediators, or *Abunzi*, are a traditional means of meting out justice. In the process of the legal reforms it was noticed that the majority of cases subjected to courts had a value lower than a million Rwandan francs (approximately US$2,100). In the penal field, infringements like the removal or displacement of landmarks, simple theft, insults and petty crimes constituted a great number of cases presented to the courts. Often it was a dif-

Table 29: Legal and Policy Review Recommendation by Legal Aid Providers and Key Informants

Legislative and policy reforms recommended to improve access to justice	LAP		Judges		Advocates		NGO		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
A. Revision to law on the Bar	7	41.2	3	15	0	0	2	3.1	12	9.2
B. Revision family/succession laws	1	5.9	1	5	2	15.4	5	7.8	9	6.9
C. Revision of jurisdiction of *Abunzi* on criminal matters	1	5.9							1	0.8
D. Develop and implement legal aid policy	1	5.9	5	25	2	15.4	18	28.1	26	20.0
E. Revision land laws							4	6.3	4	3.1
F. Protection of witnesses										
G. Combat culture of impunity	1	5.9	1	5			3	4.7	5	3.8
H. Access to justice houses			1	5					1	0.8
I. Improve access to justice for vulnerable groups			6	30			16	25	22	16.9
TOTAL									**130**	**100**

ficult and time-consuming process to establish evidence. As a result many courts, which already had to deal with a huge backlog of cases, were even further overburdened. A more simple mechanism, closer to the population, was sought. The *Abunzi* system, established by the constitution, provides a framework for obligatory mediation prior to litigation in any court of law. In addition to reducing the caseload in courts, it has provided a cheap and easier process of obtaining legal remedies for the general population by bringing justice closer to the people. Instead of the fines and other punishments which had previously been meted out to community members, conflict management techniques are used in the mediation process.

4.1.2. Reconciliation and Human Rights

After the war, the government faced the biggest backlog of penal cases ever experienced by any country: it is estimated that many as 760,000 people could be prosecuted for involvement in the genocide (one in four of the 1994 adult population). At the same time, the country's conventional court system had been decimated by the genocide, in which a large number of judges and prosecutors were killed. Faced with this almost insurmountable dilemma, the government decided to reintroduce a traditional court system called *Gacaca*. The *Gacaca* system is particularly well suited to deal with post-conflict traditional justice because is a participatory, community-based restorative justice system that encourages openness and dialogue between perpetrators and victims as a means to resolve issues through reconciliation rather than punishment. *Gacaca* courts have an indigenous history in Rwanda, where people used to sit together in *Gacaca* and settle their disputes.

The *Gacaca* system is the cornerstone of the government's national reconciliation strategy. It recognises the fact that justice is the only means to bring closure to a society that has been affected by atrocities on such a large scale. At the same time, it builds on the recognition – acquired notably through the South African and Cambodian experiences with truth and reconciliation commissions – that the judicial process must be accompanied by a restorative process that can allow perpetrators and victims to work through their trauma and grief in order to achieve, if not forgiveness, at least acceptance. The *Gacaca* system has attracted significant international attention, particularly from other post-conflict low-income countries that are eager to benefit from the Rwandan experience on how to deal with transitional justice issues in a post-conflict, low capacity environment.

Some researchers have also noted that the *Gacaca* system can play an important role in building Rwanda's fledgling democracy, by "training" people in the exercise of open debate and peaceful resolution of differences. As is mentioned above, *Gacaca* is a restorative process that effectively fosters tolerance of opposition. It helps to promote participation and contestation and encourages the Rwandan people to voice their concerns openly. The *Gacaca* process channels the people's discord through a peaceful dispute-resolution process, rather than through violence, thus demonstrating the potential for democratic contestation to serve as an alternative to violent conflict (Wierzynska 2004).

The *Gacaca* system officially began in 2005 to gather information on crimes committed between 1 October 1990 and 31 December 1994. In July 2006 *Gacaca* trials were started nationwide. The government has committed to complete the process before the end of 2007. Several human rights organisations (see HRW 2007a, Amnesty International 2006) have expressed concerns that an excessively speedy completion of the *Gacaca* process could compromise the fairness and transparency of the judgements, given capacity constraints that have created delays in organising adequate defence and appeal mechanisms (see PRI 2006, and Avocats sans Frontière, ASF).

The completion of the *Gacaca* process is an important step in the transition from recovery to sustainable human development, which will enable the Rwandan society to obtain closure on one of the darkest periods in its history, and start looking towards the future. Hence, it is important that the process is completed within a reasonable time frame, so as not to delay Rwanda's progress towards Vision 2020. At the same time, it is crucial to ensure that the quality of the restorative process is not compromised by an excessive focus on the timetable, which could undermine the capacity of *Gacaca* to bring genuine reconciliation and long-term peace to Rwanda.

Despite the obvious financial constraints the government faces, it is also important to ensure that the restorative element, as opposed to the judiciary element, is given sufficient weight in the *Gacaca* process, by for instance providing psychosocial counselling to help participants deal with the trauma generated by the process, as well as strengthening community-based mediation mechanisms in association with *Gacaca*. The continued killings of genocide survivors and witnesses in relation to *Gacaca* processes shows that the process – while indispensable for bringing the definitive justice and closure needed to break the cycles of violence that have affected Rwandan society for generations – is a very delicate one, that carries the risk of reigniting past tensions if it is not properly controlled (see HRW 2007b).

The *Gacaca* process is only one element, although an important one, of the strategy put in place by the government to foster long-term peace and reconciliation. In addition to *Gacaca* a National Unity and Reconciliation Commission (NURC) was created, mandated to undertake civic education (*Ingando*) and mainstream reconciliation in government policies. NURC supports and empowers community-based reconciliation initiatives, while the National Human Rights Commission (NHRC) is mandated to promote and protect human rights.

Over the past few years the NHRC has strengthened its capacities to promote and protect human rights in Rwanda, increasingly in partnership with civil society groups. The NHRC is however still perceived by some as lacking capacity and independence (see USSDR 2004). The NHRC reports annually to Parliament but depends on the Ministry of Justice for its budget. The NHRC is also involved in monitoring the *Gacaca* process and evaluating government policies with respect to human rights. Rwanda has taken steps to ratify significant numbers of international human rights treaties and integrate human rights into the national legislation. The lack of a national human rights action plan inhibits coordination and harmonisation of efforts in the promotion and protection of human rights.

5. CONCLUSION

Rwanda is at a crossroads in its development. After a successful recovery and stabilisation process in the 1990s and a successful transition from emergency to development, Rwanda now needs to find the path that will set the country on course for achieving the objectives laid out in Vision 2020.

This transition will create new challenges for Rwanda and requires the country to find new sources of growth for long-term human as well as economic development. In this report, we reviewed in depth some of the key challenges Rwanda will face over the coming years, and we discussed possible solutions.

The main argument of this report is that the MDGs can be achieved in Rwanda, even with reasonable assumptions about economic growth and aid. Achieving this will require us to break with the "business as usual" approach to development assistance, and create a mutually accountable partnership for human development. This partnership should bridge the two missing links of development assistance in Rwanda: the link from aid to national development strategies and the link from public spending to the MDGs and targeting the most vulnerable in society.

Our analysis proceeded by examining (1) the main development challenges facing Rwanda, (2) strategies to target these challenges, (3) identifying the cost and financing options, and (4) policy priorities for the future. The main findings and policy recommendations are summarised below.

THE CHALLENGE: In order to operate a successful transition from recovery to long-term growth, Rwanda will have to tackle three major challenges (agriculture, population and income distribution) that could compromise the sustainability of its development.

Due to population growth the number of Rwandans living in poverty has increased in absolute terms by more than half a million since 2001, despite progress in reducing overall poverty rates. In order to reduce poverty and initiate the take-off of the economy, Rwanda must break the downward cycle of land fragmentation, over-cultivation and decreasing agricultural productivity, which has locked a large part of the population out of the development process.

THE STRATEGY: Rwanda's long-term development challenges can be addressed through a targeted public investment strategy that builds human development and eases key bottlenecks in the economy.

Rwanda is investing heavily in educating its people, as well as in research and development in order to achieve the objectives it has set in Vision 2020 of transforming the Rwandan economy into a service-based economy.

A solid and broad education system, with a quality curriculum can also play an important role in strengthening the bases of democracy, as well as fostering long-term peace through dialogue and awareness.

An integral component of this strategy will be increasing the transition and retention rates to secondary school (especially of girls).

Preventable diseases, such as malaria and HIV/AIDS are enormous burdens on the Rwandan economy, both in terms of direct costs to poor and vulnerable households and in terms of labour productivity.

Enormous efforts have been made in recent years to improve service delivery and funding of the health sector in Rwanda. Despite an impressive rebound after 1994, many of Rwanda's health indicators remain below pre-war levels and well below African standards. Given the enormity of the challenge facing the country, public efforts – particularly by donors – still fall short of what would be required to achieve the health MDGs. Rwanda needs more, better coordinated and aligned aid in the health sector, and it needs to spend it in a more equitable and effective way.

Despite remarkable progress in recent years to improve the representation of women in decision-making, the gap between men and women remains vast in terms of human development.

The exclusion of women from social and economic progress is a net loss to the Rwandan economy, to the society and to half its population. To be broad-based, pro-poor and sustainable, Rwanda's development must include the women, who are the custodians and depositories of Rwanda's natural and human capital: they till most of its land, care for its children and supervise the education of the country's next generation.

THE COST: It is possible, with reasonable assumptions about economic growth and aid flows, to finance the Big Push in investments needed to break the poverty trap, provided that the quality of aid is substantially improved.

In order to overcome the trap of decreasing agricultural productivity, poverty and population growth identified in Chapter 1, Rwanda will need a Big Push of investments across a range of key sectors, so as to ease the constraints to long-term economic development.

The nature of the development challenges Rwanda faces is such that a minimum threshold of investments will have to be reached before we can see a substantial impact on Rwanda's poverty and growth.

The Big Push is achievable with reasonable increases in ODA, provided that the quality and predictability of aid is substantially improved.

THE FUTURE: In order to ensure the sustainability of its long-term development strategy, and make optimal use of additional resources, Rwanda must maintain progress on governance and adopt a comprehensive approach to social change management.

In this report, we argue for a comprehensive approach to governance, stretching from state effectiveness, to participation and justice, considering all these as indivisible elements of an integrated system of social change management. Strengthening democratic governance is essential to ensure progress towards Vision 2020 and to support long-term peace and stability. Rebuilding a fair, independent and accessible justice system is a vital element of Rwanda's long-term reconstruction effort. Much progress has already been made in clearing the backlog of genocide-related cases through the *Gacaca* process. Attention now needs to turn to the consolidation of a formal justice system that supports Rwanda's economic, social and political development objectives.

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STATISTICAL ANNEX

Extreme Poverty Headcount by Location 2000-2005

	Extreme Poverty Headcount (Share of Population, %)		Share of Extreme Poverty Headcount (%)	
By Stratum	**2000**	**2005**	**2000**	**2005**
Kigali	8.4	6.3	1.7	1.3
Other Urban	28.5	25.3	5.4	6.3
Rural	45.7	40.9	92.9	92.5
By Province				
City of Kigali	15.4	11.1	3.7	2.9
Southern	45.9	47.2	27.7	32.7
Western	41.8	40.9	24.2	26.8
Northern	47.2	40.8	24.3	20.3
Eastern	41.7	28.7	20.1	17.3
By Old Province				
City of Kigali	8.4	6.3	1.7	1.3
Kigali Ngali	54	26.4	13.3	7.3
Gitarama	34.5	31.2	8.8	8.4
Butare	52.5	53.4	10.5	13.3
Gikongoro	56.5	62.9	8.7	11.1
Cyangugu	45.2	40.9	8.3	7.5
Kibuye	47.1	41.7	6.5	6.7
Gisenyi	36	42.3	8.3	12.1
Ruhengeri	49.4	41.1	13.9	11.1
Byumba	43.8	43.3	9.8	9.8
Umutara	33.2	24.1	3.3	3.9
Kibungo	33.2	30.1	6.9	7.5
Total	**41.3**	**36.9**	**100**	**100**

Source: Republic of Rwanda. 2006. *Preliminary Poverty Update Report.* National Institute of Rwanda, Kigali.

Gross Domestic Product by Kind of Activity in constant 2001 prices (in billion Rwf)

	1999	2000	2001	2002	2003	2004	2005
Gross Domestic Product	**632.5**	**683.8**	**741.8**	**823.0**	**825.4**	**868.8**	**931.0**
Agriculture	**238.2**	**254.5**	**276.9**	**318.3**	**303.5**	**303.8**	**318.5**
Food crop	202.8	218.2	237.6	277.9	263.8	259.2	275.7
Export Crop	7.9	7.5	8.5	8.7	7.1	11.2	8.5
Livestock	15.8	16.5	17.6	18.1	18.6	19.1	19.6
Forestry	9.2	9.6	10.4	10.7	11.0	11.2	11.5
Fisheries	2.6	2.6	2.9	2.9	3.0	3.1	3.2
Industry	**91.6**	**93.1**	**105.0**	**110.4**	**113.7**	**127.8**	**136.8**
Mining and quarrying	1.5	2.1	5.6	4.3	3.4	5.0	6.6
Manufacturing	46.7	46.6	51.3	56.3	56.4	60.0	62.3
Of which: Food	10.1	10.7	13.3	12.9	12.8	15.6	16.0
Beverages and tobacco	20.1	18.5	18.7	22.2	20.0	20.3	22.7
Textiles and clothing	3.0	3.5	3.6	3.6	3.5	3.7	3.7
Wood, paper and printing	1.3	1.3	1.4	1.7	2.1	2.1	2.6
Chemicals, rubber, plastics	2.8	2.8	3.0	3.3	3.6	3.8	3.9
Non metallic minerals	4.2	4.5	5.6	6.4	6.8	6.8	6.6
Furniture and other	5.2	5.4	5.7	6.3	7.7	7.7	6.9
Electricity, gas and water	4.2	3.7	3.3	3.8	4.2	3.5	4.1
Construction	39.2	40.7	44.8	46.0	49.8	59.3	63.9
Services	**266.7**	**297.3**	**317.4**	**345.2**	**360.9**	**389.3**	**424.9**
Wholesale and retail trade	61.2	69.2	73.6	80.1	78.1	84.3	92.0
Hotels and restaurants	6.4	6.6	6.9	6.8	7.8	7.9	9.0
Transport, storage, communication	32.5	37.8	43.1	47.5	47.5	53.1	58.8
Finance, insurance	17.2	21.1	22.0	23.0	29.9	35.0	38.7
Real estate, business services	67.8	70.0	72.3	75.9	80.1	82.5	89.4
Public administration	50.1	52.9	55.0	56.0	60.2	61.5	64.1
Education	19.3	22.8	25.6	35.4	33.4	39.6	46.5
Health	11.0	11.2	12.7	13.7	16.1	17.1	16.3
Other personal services	1.1	5.8	6.1	6.8	7.9	8.3	10.1
Adjustments	**36.1**	**39.0**	**42.5**	**49.1**	**47.3**	**47.9**	**50.7**
Less: Imputed bank service charge	-10.8	-11.7	-12.5	-12.0	-13.9	-16.5	-18.3
Plus: VAT and other taxes on products	46.9	50.7	55.0	61.0	61.2	64.4	69.0

Source: NISR MINECOFIN 2007. Available for download at http://www.statistics.gov.rw/?rubrique26

Macroeconomic Indicators

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Output and Prices																
GDP growth (annual %)	-2.4	-2.5	5.9	-8.1	-50.2	35.2	12.7	13.8	8.9	7.6	6.0	6.7	9.4	0.9	4.0	6.0
Agriculture, value added (% of GDP)	32.5	32.1	33.2	33.7	49.8	44.0	47.2	46.0	45.5	41.9	41.4	40.5	41.4	41.3	41.2	42.3
Services, etc., value added (% of GDP)	42.8	46.9	48.1	47.9	29.1	40.0	34.7	35.4	35.8	38.7	38.1	37.9	37.3	37.4	38.1	37.3
Industry, value added (% of GDP)	24.6	20.9	18.7	18.3	21.2	16.0	18.1	18.6	18.7	19.4	20.5	21.6	21.3	21.3	20.7	20.5
Manufacturing, value added (% of GDP)	18.3	16.1	12.1	11.5	17.2	10.2	11.5	12.0	11.2	10.6	11.3	11.7	11.2	8.9	8.0	8.2
Inflation, consumer prices (annual %)	4.2	19.6	9.6	12.4	..	..	7.4	12.0	6.2	-2.4	4.3	3.0	2.3	7.1	12.0	9.1
Inflation, GDP deflator (annual %)	13.5	15.0	7.3	13.9	17.2	51.3	10.9	15.6	2.2	-3.5	3.3	0.2	0.0	8.7	12.0	7.1
External Sector																
Trade (% of GDP)	19.7	25.4	23.8	25.7	71.1	31.0	32.2	33.5	28.8	29.1	32.9	34.3	32.2	35.8	38.7	41.5
Exports of goods and services (% of GDP)	5.6	7.3	5.6	5.2	6.3	5.2	6.0	7.8	5.6	5.9	8.3	9.2	7.7	8.3	10.3	10.6
Imports of goods and services (% of GDP)	14.1	18.1	18.3	20.5	64.8	25.8	26.2	25.7	23.2	23.2	24.6	25.1	24.5	27.5	28.4	31.0
External balance on goods and services (% of GDP)	-8.5	-10.7	-12.7	-15.3	-58.5	-20.7	-20.2	-17.9	-17.6	-17.3	-16.2	-15.8	-16.9	-19.3	-18.1	-20.4
External debt, total (DOD, current US$ in thousands)	711,731	809,898	857,064	908,962	954,027	1,030,888	1,045,353	1,112,852	1,227,858	1,293,609	1,272,821	1,284,881	1,437,019	1,539,953	1,655,701	1,518,395
Public and publicly guaranteed debt service (% of GNI)	0.6	0.9	0.7	0.8	0.4	1.5	1.1	0.9	0.7	1.0	1.2	0.9	0.8	1.1	1.3	0.9
Present value of debt (% of GNI)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	14.941	18.273

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Government Finance																
Revenue, excluding grants (% of GDP)	10.8	10.9	10.6	..	..	..	..	..	..	..	..	..	..	..	..	..
Tax revenue (% of GDP)	8.8	9.3	9.0	..	..	..	..	..	..	..	..	..	..	..	..	..
Taxes on goods and services (% of revenue)	27.1	23.4	25.2	..	..	..	..	..	..	..	..	..	..	..	..	..
Taxes on international trade (% of revenue)	20.5	20.8	22.6	..	..	..	..	..	..	..	..	..	..	..	..	..
General government final consumption expenditure (% of GDP)	10.1	12.1	14.5	14.3	11.2	10.3	11.5	9.6	10.0	11.0	10.5	11.7	11.8	15.1	12.9	13.3
Gross national expenditure (% of GDP)	108.5	110.7	112.7	115.3	158.5	120.7	120.2	117.9	117.6	117.3	116.2	115.8	116.9	119.3	118.1	120.4
Current account balance (% of GDP)	-3.3	-1.8	-4.1	-6.5	-9.6	4.4	-0.6	-3.4	-4.2	-7.3	-5.2	-6.0	-7.3	-5.8	-1.9	-2.4
Money and Credit																
Money and quasi money (M2) as % of GDP	14.5	13.6	13.1	13.4	22.9	14.8	15.5	14.0	14.5	14.7	15.1	16.0	16.4	17.0	18.0	19.5
Money and quasi money growth (annual %)	5.6	5.5	12.4	2.5	-3.7	69.5	8.6	29.1	3.5	7.9	15.6	11.2	12.6	15.4	30.0	18.0
Domestic credit provided by banking sector (% of GDP)	17.1	13.0	15.2	17.9	28.5	13.0	10.2	12.5	12.7	13.9	12.5	12.6	11.1	13.5	10.8	9.7
National Income Accounts																
Gross savings (% of GDP)	11.3	12.3	7.9	5.7	2.9	12.3	9.3	4.3	5.2	9.4	12.4	12.5	10.2	10.6	17.6	19.3
Gross fixed capital formation (% of GDP)	14.6	14.0	15.6	16.7	10.0	13.4	14.4	13.8	14.8	17.2	17.5	18.4	16.9	18.4	20.5	22.4

Source: World Bank World Development Indicators CD-ROM 2006

Rwanda Milllennium Development Goals Indicators

Rwanda - MDGs	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Proportion of population below $1 (1993 PPP) per day																	
Population below $1 (PPP) per day consumption, percentage											51.7						
Purchasing power parities (PPP) conversion factor, local currency unit to international dollar				54.828													
Population below national poverty line, total, percentage				51.2													
Population below national poverty line, urban, percentage																	
Population below national poverty line, rural, percentage																	
2. Poverty gap ratio (incidence x depth of poverty)																	
Poverty gap ratio											20						
3. Share of poorest quintile in national consumption																	
Poorest quintile's share in national income or consumption, per cent																	
4. Prevalence of underweight children under five years of age																	
Children under 5 moderately or severely underweight, percentage			29.2								27.2						
Children under 5 severely underweight, percentage			5.9								6.7						
5. Proportion of population below minimum level of dietary energy consumption																	
Population undernourished, percentage		43					51						36				

Rwanda - MDGs	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Population undernourished, number of people		2800000					2800000						3000000				
6. Net enrolment ratio in primary education																	
Net enrolment ratio in primary education, both sexes		66										72	73.5	77.8	73.2		
Net enrolment ratio in primary education, girls		65.7										72.8	74.7	79.3	74.8		
Net enrolment ratio in primary education, boys		66.4										71.2	72.3	76.4	71.5		
7. Proportion of pupils starting grade 1 who reach grade 5																	
Percentage of pupils starting grade 1 reaching grade 5, both sexes		59.9								45.4	39.1	40	46.6	45.8			
Percentage of pupils starting grade 1 reaching grade 5, boys		61									38.3	39.2	44.9	42.9			
Percentage of pupils starting grade 1 reaching grade 5, girls		58.9									39.9	40.7	48.3	48.7			
Primary completion rate, both sexes		32.9								29.2	22.4	23.6	28.5	37.3	37.4		
Primary completion rate, boys		36								30.2	24.3	25.3	29.6	38	38		
Primary completion rate, girls		29.7								28.2	20.5	21.9	27.4	36.7	36.8		
8. Literacy rate of 15-24 year-olds																	
Literacy rates of 15-24 years old, both sexes, percentage	72.7														77.6		
Literacy rates of 15-24 years old, women, percentage	67.4														76.9		

Rwanda - MDGs	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Literacy rates of 15-24 years old, men, percentage	78														78.5		
9. Ratio of girls to boys in primary, secondary and tertiary education																	
Gender Parity Index in primary level enrolment		0.97								0.98	0.97	0.98	0.99	1	1.02		
Gender Parity Index in secondary level enrolment		0.75								1	0.94	0.96		0.88	0.89		
Gender Parity Index in tertiary level enrolment											0.48	0.48	0.49	0.56	0.62		
10. Ratio of literate women to men, 15-24 years old																	
Women to men parity index, as ratio of literacy rates, 15-24 years old	0.86														0.98		
11. Share of women in wage employment in the non-agricultural sector																	
Share of women in wage employment in the non-agricultural sector	14.6																
12. Proportion of seats held by women in national parliament																	
Seats held by women in national parliament, percentage	17.1							17.1	17.1	17.1	17.1	25.7	25.7	25.7	48.8	48.8	48.8
Total number of seats in national parliament	70							70	70	70	70	70	74	74	80	80	80
Seats held by women in national parliament	12							12	12	12	12	18	19	19	39	39	39
Seats held by men in national parliament	58							58	58	58	58	52	55	55	41	41	80
13. Under-five mortality rate																	
Children under five mortality rate per 1,000 live births	173					209					203				203		

Rwanda - MDGs	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
14. Infant mortality rate																	
Infant mortality rate (0-1 year) per 1,000 live births	103					124					118				118		
15. Proportion of 1 year-old children immunized against measles																	
Children 1 year old immunized against measles, percentage	83	89	82	74	25	84	76	66	78	78	74	69	69	90	84		
16. Maternal mortality ratio																	
Maternal mortality ratio per 100,000 live births	1300					2300					1400						
17. Proportion of births attended by skilled health personnel																	
Births attended by skilled health personnel, percentage											31.3						
18. HIV prevalence among pregnant women aged 15-24 years																	
HIV prevalence rate, men 15-49 years old, in national based surveys																	
HIV prevalence rate, women 15-49 years old, in national based surveys																	
HIV prevalence rate among pregnant women,15-24 years old, attending antenatal care in clinics in capital cities												9.8					
People living with HIV, 15-49 years old, percentage												5.1		3.8		3.1	
AIDS deaths												21000		25000		21000	

Rwanda - MDGs	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
19. Condom use rate of the contraceptive prevalence rate																	
Condom use to overall contraceptive use among currently married women 15-49 years old, percentage			0.9								3						
19.a Condom use at the last high-risk sex																	
Condom use at last high-risk sex, 15-24 years old, men, percentage											55				41		
Condom use at last high-risk sex, 15-24 years old, women, percentage											23				28		
19.b Percentage of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS																	
Men 15-24 years old, who know that a person can protect himself from HIV infection by consistent condom use, percentage											76						
Women 15-24 years old, who know that a person can protect himself from HIV infection by consistent condom use, percentage											63						
Men 15-24 years old, who know that a healthy-looking person can transmit HIV, percentage											69						
Women 15-24 years old, who know that a healthy-looking person can transmit HIV, percentage											64						

Rwanda - MDGs	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Men 15-24 years old with comprehensive correct knowledge of HIV/AIDS, percentage											20						
Women 15-24 years old with comprehensive correct knowledge of HIV/AIDS, percentage											23						
19.c Contraceptive prevalence rate																	
Contraceptive use among currently married women 15-49 years old, any method, percentage			21.2								13.2						
Contraceptive use among currently married women 15-49 years old, modern methods, percentage			12.9								4.3						
Contraceptive use among currently married women 15-49 years old, condom, percentage			0.2								0.4						
20. Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14 years																	
AIDS orphans (one or both parents)												160000		220000		210000	
Ratio of school attendance rate of orphans to school attendance rate of non orphans											0.8						
21. Prevalence and death rates associated with malaria																	
Notified cases of malaria per 100,000 population																	

Rwanda - MDGs	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Malaria death rate per 100,000 population, ages 0-4																	
Malaria death rate per 100,000 population, all ages																	
22. Proportion of population in malaria-risk areas using effective malaria prevention and treatment measures																	
Children under 5 sleeping under insecticide-treated bed nets, percentage											5						
Children under 5 with fever being treated with anti-malarial drugs, percentage											12.6						
23. Prevalence and death rates associated with tuberculosis																	
Tuberculosis prevalence rate per 100,000 population	252										555	601	625	648	660		
Tuberculosis death rate per 100,000 population	40.1										86.6	93.1	96.4	100	101.8		
24. Proportion of tuberculosis cases detected and cured under DOTS (internationally-recommended TB contral stategy)																	
Tuberculosis detection rate under DOTS, percentage						33.7	33.2	39.1	51.8	43.6	33	26.7	30.3	33.9	29.4		
Tuberculosis treatment success rate under DOTS, percentage							61.4	68.2	71.5	67.1	61.2		58.3	67.4			
25. Proportion of land area covered by forest																	
Land area covered by forest, percentage	12.9										13.9					19.5	
26. Ratio of area protected to maintain biological diversity to surface area																	
Protected area to total surface area, percentage	3.9408	3.9408	3.9408	3.9408	3.9408	3.9408	3.9408	3.9408	3.9408	3.9408	3.9408	3.9408	3.9408	3.9408	7.6234	7.6234	
Protected areas, sq. km.	1038	1038	1038	1038	1038	1038	1038	1038	1038	1038	1038	1038	1038	1038	2008	2008	

Rwanda - MDGs	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
27. Energy use (kg oil equivalent) per $1,000 GDP (PPP)																	
Energy use (Kg oil equivalent) per $1,000 (PPP) GDP																	
28. Carbon dioxide emissions per capita and consumption of ozone-depleting CFCs (ODP tons)																	
Carbon dioxide emissions (CO2), metric tons of CO2 per capita (CDIAC)	0.0747	0.0699	0.0762	0.0852	0.0873	0.0906	0.0897	0.0859	0.0783	0.0756	0.0714	0.0699	0.069	0.0687			
Carbon dioxide emissions (CO2), thousand metric tons of CO2 (CDIAC)	530	478	487	502	483	493	509	531	536	567	573	586	594	602			
Carbon dioxide emissions (CO2), metric tons of CO2 per capita (UNFCCC)																	
Carbon dioxide emissions (CO2), thousand metric tons of CO2 (UNFCCC)																	
Consumption of ozone-depleting CFCs in ODP metric tons	30.2	29.2	28.5	27.5	19.8	26.5	30.2	34.4	37.7	30.1	30.1	30.1	30.1	30.1	27.1		
Consumption of all Ozone-Depleting Substances in ODP metric tons	30.335	29.337	28.634	27.69	19.929	26.642	30.391	34.659	37.915	30.358	30.374	30.39	30.408	30.408	27.388		
30. Proportion of population with sustainable access to an improved water source, urban and rural																	
Proportion of the population using improved drinking water sources, total	59														74		
Proportion of the population using improved drinking water sources, urban	88														92		

Rwanda - MDGs	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Proportion of the population using improved drinking water sources, rural	57														69		
31. Proportion of population with access to improved sanitation, urban and rural																	
Proportion of the population using improved sanitation facilities, total	37														42		
Proportion of the population using improved sanitation facilities, urban	49														56		
Proportion of the population using improved sanitation facilities, rural	36														38		
32. Proportion of households with access to secure tenure																	
Slum population as percentage of urban, percentage	82.2											87.9					
Slum population in urban areas	295920											437111					
36. ODA received in landlocked developing countries as a proportion of their gross national incomes																	
ODA received in landlocked developing countries as percentage of their GNI	11.32	19.02	17.33	18.2	95.56	54.05	34.1	12.51	17.66	19.44	17.93	17.77	20.73	20.16	25.77		
ODA received in landlocked developing countries, million US$	291.16	361.59	351.45	356.05	716.32	702.09	466.65	229.6	350.08	373.19	322.02	298.52	355.04	333.37	467.5		
43. Debt relief committed under HIPC Initiative																	
Debt relief committed under HIPC Initiative, cumulative million US$																1400	

Rwanda - MDGs	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
44. Debt service as a percentage of exports of goods and services																	
Debt service as percentage of exports of goods and services and net income from abroad	10.7	12.4	14.6	14.8	6.5	20	19.2	13.5	30	39	24.9	14.1	12	11.1	9.8		
45. Unemployment rate of young people aged 15-24 years, each sex and total																	
Youth unemployment rate, aged 15-24, both sexes							0.7										
Youth unemployment rate, aged 15-24, women							0.5										
Youth unemployment rate, aged 15-24, men							1										
Ratio of youth unemployment rate to adult unemployment rate, both sexes							1.4										
Ratio of youth unemployment rate to adult unemployment rate, women							1.7										
Ratio of youth unemployment rate to adult unemployment rate, men							1.4										
Share of youth unemployed to total unemployed, both sexes							45.3										
Share of youth unemployed to total unemployed, women							48.5										
Share of youth unemployed to total unemployed, men							43.6										

Rwanda - MDGs	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Share of youth unemployed to youth population, both sexes							0.6										
Share of youth unemployed to youth population, women							0.4										
Share of youth unemployed to youth population, men							0.8										
47. Telephone lines and cellular subscribers per 100 population																	
Telephone lines and cellular subscribers per 100 population	0.17	0.19	0.2	0.19	0.19	0.13	0.19	0.2	0.24	0.33	0.73	1.09	1.32	1.86	1.91		
Telephone lines and cellular subscribers	10381	11298	11763	11000	10000	6900	10254	11621	15825	23651	56568	86500	107496	156285	161700		
48. Personal computers in use per 100 population and Internet users per 100 population																	
Internet users per 100 population	0						0	0	0.01	0.07	0.06	0.25	0.31	0.37	0.45		
Internet users	0						50	100	800	5000	5000	20000	25000	31000	38000		
Personal computers per 100 population																	
Personal computers																	

Source: United Nations Statistics Division, Millennium Development Goals Indicators. Available at http://mdgs.un.org/unsd/mdg/Default.aspx. Note: These figures have not been updated with newly available national statistics from the DHS 2005 or EICV2 survey).

PILLARS OF VISION 2020

NO	PILLARS
1	GOOD GOVERNANCE AND A CAPABLE STATE
2	HUMAN RESOURCE DEVELOPMENT AND A KNOWLEDGE-BASED ECONOMY
3	A PRIVATE SECTOR-LED ECONOMY
4	INFRASTRUCTURE DEVELOPMENT
5	PRODUCTIVE AND MARKET ORIENTED AGRICULTURE
6	REGIONAL AND INTERNATIONAL ECONOMIC INTEGRATION

THE MILLENNIUM DEVELOPMENT GOALS

NO	MDG
1	ERADICATE EXTREME POVERTY AND HUNGER
2	ACHIEVE UNIVERSAL PRIMARY EDUCATION
3	PROMOTE GENDER EQUALITY AND EMPOWER WOMEN
4	REDUCE CHILD MORTALITY
5	IMPROVE MATERNAL HEALTH
6	COMBAT HIV/AIDS, MALARIA, AND OTHER DISEASES
7	ENSURE ENVIRONMENTAL SUSTAINABILITY
8	DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

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