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# Scoping Study on Integrating Poverty Reduction, Environmental and Economic Concerns into National Development Planning

## Rwanda Report

March 2016



## EXECUTIVE SUMMARY

The objective of this study is to assess the extent to which Rwanda has adopted integrated approaches in its development planning process and transitions to more inclusive, greener economies; and identify the remaining gaps with a view to strengthen and deepen knowledge on integrated development approaches for Rwanda, for UNDP and for sister agency programming, including PAGE and PEI. The study uncovers the underpinning factors behind the success Rwanda is registering in terms of economic growth and poverty reduction and the role of integrated approach in terms of development planning and implementation.

During the last ten years, Rwanda has experienced one of the fastest periods of growth and socio-economic progress in its history. Rwanda was ranked number 10 among the fastest growing economies in the world during the decade of 2000-2010. At the same time more than a million people have been lifted out of poverty. Population growth is stabilizing and the country has made great strides towards achieving the Millennium Development Goals and realizing the national vision of becoming a middle income country by 2020.

Rwanda's economy has been growing steadily at about 8% since 2001 with GDP per capita more than tripling from US\$ 211 in 2001 to US\$ 718 in 2014. Food crop production growth was more than twice that of population growth between 2007 and 2014. Over the period 2011 – 2014 business establishments in Rwanda increased by 24.4% mainly in rural areas. According to the National Institute of Statistics of Rwanda, this was a result of several mechanisms implemented by the Government of Rwanda such as agriculture intensification with policies like crop intensification on consolidated land which resulted in food crop production growing more than twice compared to population growth between 2007 and 2014.

The implementation of the livestock improvement policy through Girinka which is a programme resulted in improved nutrition and income from milk, biogas from the dairy cow waste as well as increased yields through the use of fertilizer from the biogas digestion residual sludge; roof rainwater harvesting for domestic and kitchen garden irrigation are some of the homegrown GoR instruments used in integrated implementation of the objective of the Agriculture policy; energy diversification with renewable sources policy objective of the energy policy; land and water husbandry policy objectives of the Agriculture, Water and Land policies and others.

The same institute indicate that improvement of the doing business environment by the government of Rwanda resulted in an increment of 24.4% business establishments mainly in rural areas from 2011 to 2014 and 34.5% new jobs were created by the businesses, 47.9% in rural areas compared to 22.4% in urban areas.

Education initiatives such as the implementation of education for all agenda with programs like 9 and 12 years basic education resulted in improvement of net attendance in secondary school from 17.8% to 23% and from 1.7% to 3% for tertiary education. As a result literacy has also improved from 74.9% to 77.8%. In housing, the Government of Rwanda initiated Nyakatsi program resulted in the improvement of housing conditions of most Rwandan low income earners. Households with grass roofing (nyakatsi) dropped to 0.4% in 2014 from 2.2% in 2011 while roofing with metal sheet increased from 54.4% to 61.1%. Other programs include electricity roll out program (EARP) and water, sanitation programs which resulted in increment of access to electricity from 10 to 20% between 2011 and 2014 and improved sanitation (toilets) increasing from 74.5% in 2011 to 83.4% in 2014; while households with access to improved sources of drinking water increased from 74.2% to 84.8%.

Rwanda has made progress toward the promotion of gender equality resulting in noticeable poverty eradication. In fact, Rwanda's legal framework has led to equal right and access to property and inheritance. This plays a substantial role in overcoming economic hurdles and especially securing women's land rights. These include among others, the 1999 law on matrimonial regimes, liberalities and succession which gives girls and women the same right to inherit as boys and girls. The systematic land registration which guarantees that land is registered in the name of both husband and wife has led to 18%5 of land registered on women, 26% registered on women and 54% co-owned by women and men

Additionally, concrete programmes to improve women's participation in the economic sector including incubation centers for small and medium enterprises (SMEs) in both rural and urban areas, with a focus on women and youth were established. Women and youth's financial inclusion through the village Credit and Saving Scheme (Umurenge SACCO) has also been prioritized by the Government. All these efforts have led to 40% and 42% Women's participation in SACCO Umurenge and cooperatives respectively

Concerns about environmental degradation and climate change impacts that were undermining the efforts towards sustainable economy and society motivated the Rwandan Government to develop more focused policies and create specialized institutions to address environment and climate change issues. As Ministries are more involved in policy development, there was a need of technical institutions to support implementation of policies and laws. This led to the establishment of the Ministry of Environment in 2003, Rwanda Environment Management Authority (REMA) in 2006 and the Rwanda Natural Resources Authority (RNRA) in 2011, National Fund for Environment and Climate Change (FONERWA) in 2012, with a view to achieve a more sustainable and integrated management of environment and natural resources, as well as improved technical support from national to sub-national levels.

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## **ABBREVIATIONS AND ACRONYMS**

FONERWA:	Environment and Climate Fund
IPAR:	Institute of Policy Analysis of Rwanda
MINAGRI:	Ministry of Agriculture and Animal Resources
MINALOC:	Ministry of Local Government
MINECOFIN:	Ministry of Finance and Planning
MINEDUC:	Ministry of Education
MINICOM:	Ministry of Trade and Industry
MININFRA:	Ministry of Infrastructure
MINIRENA:	Ministry of Natural Resources
MoH:	Ministry of Health
NISR:	National Institute of Statistics of Rwanda
PAGE:	Partnership for Action on Green Economy
PEI:	Poverty-Environment Initiative
PSF:	Private Sector Federation
RAB:	Rwanda Agriculture Board
RBC:	Rwanda Biomedical Centre
RCA:	Rwanda Cooperative Agency
RDB:	Rwanda Development Board
REB:	Rwanda Education Board
REG:	Rwanda Energy Group
REMA:	Rwanda Environment Management Authority
RNRA:	Rwanda Natural Resources Authority
RSDI:	Rwanda Sustainable Development Initiative
UNDP:	United Nations Development Programme
WASAC:	Water and Sanitation Corporation
WB:	World Bank

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## BACKGROUND

In 2000, the Government of Rwanda launched a national development program under the name of VISION 2020, whose main objective was to transform Rwanda into a knowledge-based middle-income country, thereby reducing poverty, health problems and making the nation united and democratic.

During the last ten years, Rwanda has experienced one of the fastest periods of growth and socio-economic progress in its history (MINECOFIN, 2013). Rwanda was ranked no 10 among fastest growing economies in the world during the decade of 2000-2010. At the same time more than a million people have been lifted out of poverty (MINECOFIN, 2013). Population growth is stabilizing and the country is making great strides towards achieving the Millennium Development Goals and middle income status.

This was the result of the above mentioned Vision 2020 being converted into action by a series of medium-term strategic plans. Poverty Reduction Strategy (PRSP) which was finalized in 2001 covering the period of 2002-06 was the Government of Rwanda (GoR)'s first systematic assessment of the actions needed to reduce poverty and generate pro-poor economic growth. It was followed by the first Economic Development and Poverty Reduction Strategy (EDPRS I) covering the period of 2008-2012. Since 2013, Rwanda has been implementing its second Economic Development and Poverty Reduction Strategy (EDPRS II 2013-2018) which have following general objective: "accelerating progress to middle income status and better quality of life for all Rwandans through sustained growth of 11.5% and accelerated reduction of poverty to less than 30%".

One of the principles which guided the formulation of EDPRS II was the experience and lessons learnt from EDPRS I. This resulted in the enrichment of EDPRS II using a certain number of other principles such as innovation, inclusiveness and engagement, district led development and sustainability among others. In addition to ownership by a wide range of stakeholders at national level being a key success factor for EDPRS I, inclusiveness and sustainability have been integrated as driving factors in elaborating EDPRS II.

The links between natural capital and the ecosystem services and the multi-dimensional links to poverty have been recognized by Government and long term programmes of actions defined in the Green Growth and Climate Resilience Strategy and in the medium term EDPRS II priorities for pursuing a Green Economy approach within the Economic Transformation thematic area including integration of NCA and PES into economic planning, value chain improvement for off-farm youth employment and enhanced rural settlements that have integrated food, water and energy self-sufficiency.

Considering the Rwandan context, it would be of great benefits to understand the underpinning factors behind the success Rwanda is registering in terms of economic growth and poverty reduction and the role of integrated approach in terms of development planning and implementation. Initiatives and locally developed

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solutions are seen as the most efficient drivers of community development. These include the UNEP/UNDP supported Poverty Environment Initiative (PEI) which provides a practical approach and tangible tools to build government capacity to mainstream and include environment, poverty reduction and CCD concerns in policy, planning and budgeting. Therefore, the world can obviously learn from Rwanda, especially the good practices that can inspire other countries development.

It is in this regard that this scoping study was initiated in 10 countries including Rwanda under a global initiative with funding from European Commission to UNDP through the Partnership for Action on Green Economy (PAGE) to strengthen and deepen knowledge on integrated development approaches for partner countries. Other pilot countries are: Kyrgyzstan, Tajikistan, Bangladesh, Maldives, Vietnam, Paraguay, Peru, Ethiopia and Kenya.

## **1. THE POVERTY – ENVIRONMENT NEXUS**

### **1.1 Poverty Overview**

#### **1.1.1 National and sub-national trends in income poverty**

Rwanda's economy has been growing steadily at about 8% since 2001 with GDP per capita more than tripling from US\$ 211 in 2001 to US\$ 718 in 2014. Food crop production growth was more than twice that of population growth between 2007 and 2014. Over the period 2011 – 2014 business establishments in Rwanda increased by 24.4% mainly in rural areas. In rural areas the increase was 38.1% compared to 7.3% in urban areas. During the same period, 34.5% new jobs were created by the businesses, 47.9% in rural areas compared to 22.4% in urban areas. Education outcomes between 2011 and 2014 are also improving with net attendance in secondary education increasing from 17.8% to 23% and that for tertiary education almost doubles from 1.7% to 3%. As a result literacy has also improved from 74.9% to 77.8%. However, net attendance in primary education dropped slightly to 87.9%.

Both fertility and dependency are dropping; with nutrition indicators among children improving; overall stunting dropped from 44.2% to 37.9% between 2010 and 2014/15 while that for the poorest quintile improved also dropping from 54% to 48.6%.

Housing conditions are also improving. Households with grass roofing (nyakatsi) dropped to 0.4% in 2014 from 2.2% in 2011 while roofing with metal sheet increased from 54.4% to 61.1%. Access to electricity almost doubled during the same period to about 20%. Water and sanitation improved as well with households using improved sanitation (toilets) increasing from 74.5% in 2011 to 83.4% in 2014; while during the same period households with access to improved sources of drinking water increased from 74.2% to 84.8%.

Household assets for example ownership of mobile phones increased from 45.2% in 2011 to 63.6% in 2014. For the poorest quintile (bottom 20%), ownership of mobile phones doubled during the same period from 17.6% to 36.4%.

Following the above context, there was systematic improvements at macro level for the whole country both since 2001 and in the recent past since 2011 when poverty was last measured. There also have been similar and in some cases faster improvements in rural areas, among the poorest quintiles (bottom 20%) of the population and small businesses. As a result poverty has reduced from 44.9% in 2011 to 39.1% in 2014 which followed similar reduction between 2006 and 2011 where poverty dropped from 57.14% to 44.9%.

**Table 1: Incidence of income poverty for the last 10 years (2005 to 2014) in Rwanda**

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	% change over 10 years
Poverty incidence (%)	57.14	56.7	54.34	51.98	49.62	49.62	44.9	43	41.1	39.1	<b>18.04</b>

Source: NISR, 2015

According to the National Institute of Statistics of Rwanda (NISR), income poverty is estimated using poverty line which has three main indexes: Consumption index, cost of living index and food / non food index. Estimation of <sup>1</sup>income poverty in Rwanda started in a regular manner since 2001 when the first Household Living Condition Survey (*Enquête Intégrale sur les Conditions de Vie des Ménages- EICV1*) was undertaken. In 1983-1985, a previous similar survey called National Household Budget and Consumption was conducted in Rwanda.

Income poverty was estimated and analyzed as the main objective of all successive EICV's surveys, EICV2, 3 and 4. However, the surveys also provided a rich set of complementary social-economic indicators that facilitate understanding changes in households living conditions. As for EICV2 carried out in 2005/6 and EICV3 carried out in 2010/11 poverty was estimated using the poverty line derived from EICV1 after deflating the consumption expenditure in both surveys so as to reflect prices that prevailed in 2001. As for EICV4 carried out in 2013/2014 it has been deemed necessary to update the poverty line. It has been a long time since 2000/1 and many changes in the socio-economic structure of the country have taken place.

### 1.1.2 Multidimensional poverty

According to the results from the fourth general census in 2012, MPI and Average Intensity of Deprivation among the Poor at national level was 45% and variation was relatively small going from 41% to 46% although average deprivation tends to be higher in places where the percentage of poor people is also high. Here the MPI was simply calculated by multiplying headcount and the average deprivation which gave 0.167 at the national level.

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<sup>1</sup> Monetary

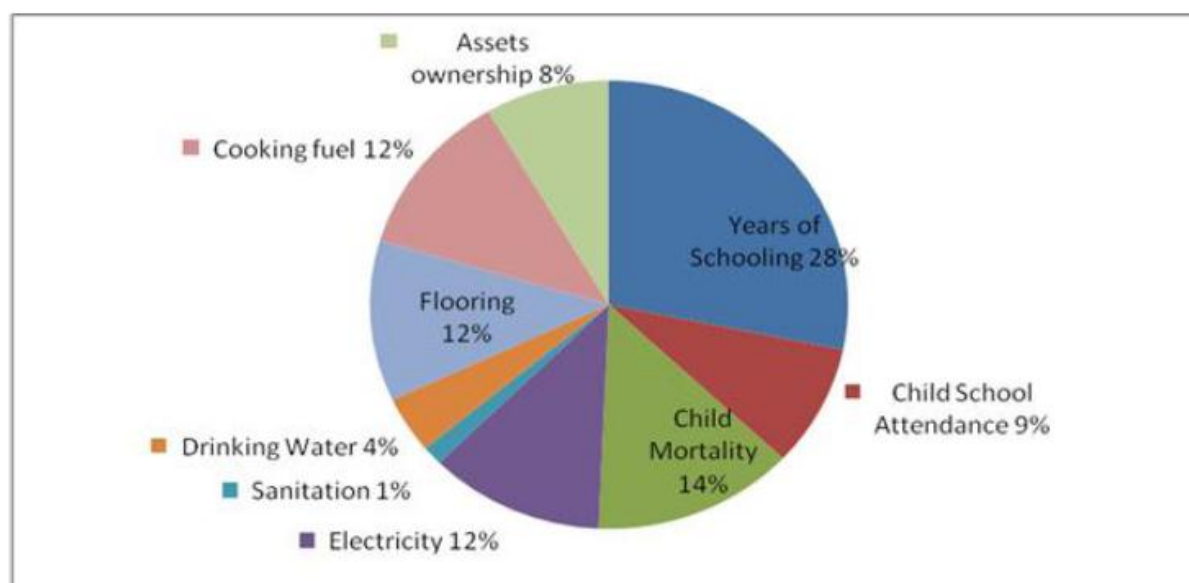
Table 2 shows the same trend as at national level when looking at the percentage of poor people. However some differences exist at particular regions. For example the average intensity of poverty is the lowest in Kigali, at the middle level in the Southern and Northern provinces and higher in the Western and Eastern provinces.

Table 2: MPI by province (rural vs. urban)

Province and Area of residence	Headcount (proportion of poor people) (H)	Average Intensity of Deprivation among the poor (A)	Multidimensional Poverty Index (MPI=HxA)
<b>Rwanda</b>			
Urban	0.150	0.432	0.065
Rural	0.416	0.450	0.187
Total	0.373	0.449	0.167
<b>Kigali City</b>			
Urban	0.088	0.414	0.037
Rural	0.343	0.440	0.151
Total	0.150	0.429	0.064
<b>South</b>			
Urban	0.187	0.434	0.081
Rural	0.401	0.446	0.179
Total	0.384	0.445	0.171
<b>West</b>			
Urban	0.243	0.447	0.109
Rural	0.444	0.452	0.201
Total	0.419	0.451	0.189
<b>North</b>			
Urban	0.190	0.420	0.080
Rural	0.384	0.439	0.168
Total	0.367	0.438	0.161
<b>East</b>			
Urban	0.212	0.442	0.094
Rural	0.434	0.460	0.200
Total	0.418	0.459	0.192

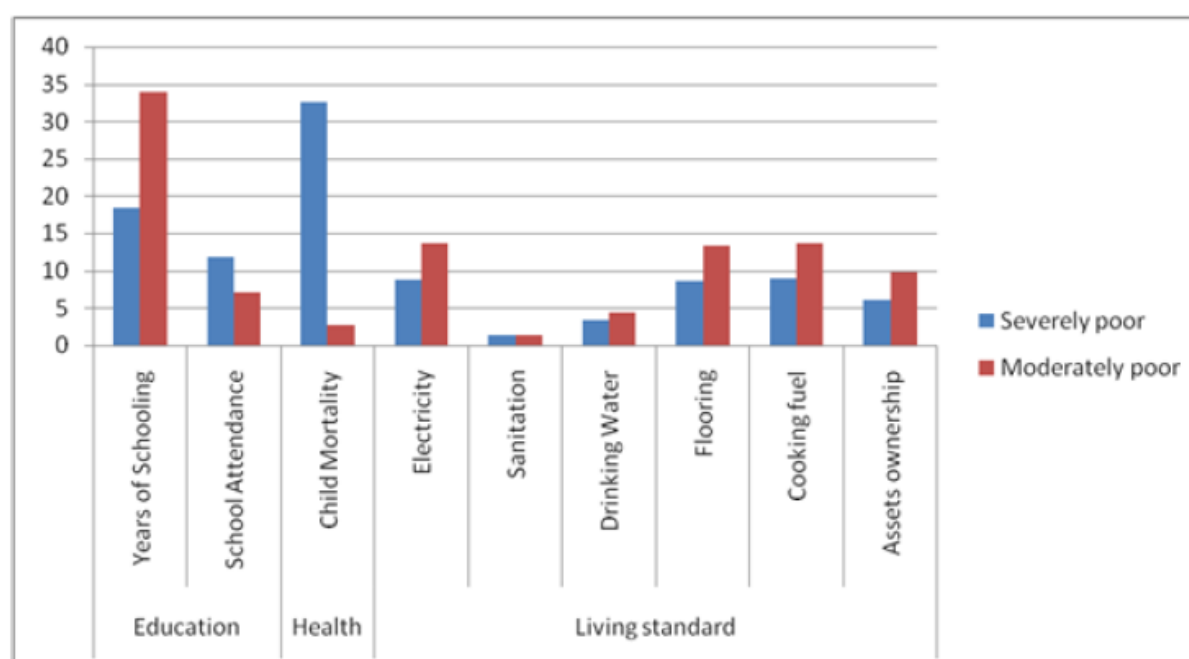
Source: NISR, 2012

Figure 1 illustrates the contribution of several indicators (each taken individually) to multidimensional poverty at national level and in percentage terms. Years of schooling take the biggest share with a contribution of 28% of overall poverty while sanitation and drinking water have the lowest contribution of 1% and 4% respectively. Indicators like child mortality, asset ownership, flooring, electricity and cooking fuel have almost the same share (8 to 14%) with an above-neutral contribution.



**Figure 1: Contribution (%) of indicators to multidimensional poverty at national level**

The 2012 general census also revealed that the main contributors in regard to the severely poor category are child mortality, years of schooling and school attendance while for the moderately poor, the main contributors are years of schooling, cooking fuel and electricity. Considering the education dimension, years of schooling are more important for the moderately poor while school attendance is more important for the severely poor. In health, child mortality has a high contribution for severely poor while it is very low for moderately poor. In living standards, almost all indicators are comparatively higher for the moderately poor than the severely poor.



**Figure 2: Contribution of indicators to poverty per poverty level/category (Source: NISR, 2012)**

### 1.1.3 Gender and poverty

Rwanda has made progress toward the promotion of gender equality resulting in noticeable poverty eradication. In fact, Rwanda's legal framework has led to equal right and access to property and inheritance. This plays a substantial role in overcoming economic hurdles and especially securing women's land rights. These include among others, the 1999 law on matrimonial regimes, liberalities and succession which gives girls and women the same right to inherit as boys and girls. The systematic land registration which guarantees that land is registered in the name of both husband and wife has led to 18% of land registered on women, 26% registered on women and 54% co-owned by women and men<sup>2</sup>.

Additionally, concrete programmes to improve women's participation in the economic sector including incubation centers for small and medium enterprises (SMEs) in both rural and urban areas, with a focus on women and youth were established. Women and youth's financial inclusion through the village Credit and Saving Scheme (Umurenge SACCO) has also been prioritized by the Government. All these efforts have led to 40% and 42% Women's participation in SACCO Umurenge and cooperatives respectively<sup>3</sup>.

However, despite these efforts, women still constitute the majority of the poor with about 47% of women-headed household poor, compared to the 44% average for all poor households. Additionally, women are still disproportionately financially excluded (32.2% female compared to 22.4% for men), without sufficient capital or adequate collateral to obtain loans and other financial services. Women are also predominantly employed in subsistence farming (82%) compared to men (61.4%) and continue to bear the burden of unpaid care and household work which limits their involvement in productive activities and, thereby reducing their income levels and pushing them deeper in poverty<sup>4</sup>.

### 1.1.4 Challenges facing poverty eradication

Although ideal settings or enabling environment for poverty eradication are in place for Rwanda including adequate policy framework, political stability and good will, good governance and anti corruption mechanisms. There exist some challenges that face the poverty eradication move for the country. These include a large number of poor people (39.1% in 2014), high population growth (2.9% per annum), dependence on exports for foreign currency earnings and difficulties in mobilizing domestic financial resources for the development of the private sector.

<sup>2</sup> GMO, 2014. Gender Monitoring Office, Annual Report for 2013-2014

<sup>3</sup> Same

<sup>4</sup> Same

## 1.2 Ecosystem Services and Poverty Alleviation

### 1.2.1 Forests, protected areas and biodiversity

Natural forests and manmade forests cover a total area of 330,576 ha of which 215,739 ha are natural forests and 114,837 ha represent forest plantations. In addition to these forest resources recognized as so according to FAO definition of forests; there are other forest resources composed of small wood lots (with an area of less than 0.5ha) and other trees outside forest (generally referred to as agro forestry trees) which are believed to represent countrywide an area of 222,520 ha equivalent<sup>2</sup> to conventional forests. Thus the total area of national forest cover is 553,098 ha representing 21% of total country area. While natural forests occur on 8% of total country area against 13% for manmade forest, any extractive utilization of natural forests is prohibited and forest plantations cater for all needs of Rwandans.

Forests are a key component of the life-support system in view of both the products and services they provide. This is particularly so in Rwanda where forests protect watersheds, thus making agriculture viable, and meet the energy needs of the bulk of the population. Furthermore, forests generate direct monetary income (revenues) for households, public entities and the country in general.

In addition to wood fuel, Rwandans use woods as building material or raw material for furniture; it is assumed that each Rwandan consumes annually 1.1 m<sup>3</sup> of local forest products.

We note also that fire wood, trees for others uses are harvested from man-made forests, whereas all natural forests are protected, they host a rich biodiversity, serve as the backbone of our tourism industry and support invaluable ecological functions such as water and soil protection.

Rwanda is home to the *Gorilla beringei graueri*, which is one of the world's rarest species of gorilla. By collaborating with the Democratic Republic of Congo and Uganda in a shared commitment to ecosystem restoration, Rwanda has helped to restore the population of this critically endangered species to a slight increase in the Virungas National Park. In addition to the ecological benefits of preserving a threatened species, this scheme to protect the Rwandan mountain gorilla is also generating substantial revenues from tourism. The country's booming tourism industry, which now accounts for the biggest share of national GDP, is driven primarily by the flagship gorilla. After a decline in tourism in the 1990s, gorilla visitation has since increased from less than 1200 tourists in 2000 to a record of 7417 visitors in 2004. With visitors paying US \$375 each to see the gorillas, these tourists have generated over \$3 million in revenue every year since 2005. This has also contributed to the creation of many new jobs to cope with the management and maintenance of the National Park and its related touristic activities.



### **1.2.2 Land and agriculture**

Rwanda is a landlocked country situated in the central part of Eastern Africa with a total surface area of 26,338 km<sup>2</sup> and some 1,385,000 ha potentially arable land. Known as the country of a thousand hills due to its geographical location between two mountain ranges, Rwanda lies in the heart of the African continent. The terrain is mountainous and well irrigated by numerous rivers and lakes, supporting varied wild life. The lowlands have been eroded and their natural vegetation is disappearing as a result of excessive use.

Most of the cultivated land is under food crops grown twice a year with a total annual harvesting area of almost 1,500,000 ha. The area covered by lakes and rivers is estimated at about 135,000 ha, while marshlands occupy around 170,000 ha. The landscape of the country is characterized by very steep hills and high mountains, with an average altitude of around 1,800m above sea level. Rwanda economy is largely agrarian. The sector contributes around 34% to the national GDP with 70% share on exports, 80% of the employment and provides 90% national food needs.

Although the sector has recorded great achievement over the last decade, it still faces challenges which would hamper it in contributing to poverty reduction. These include: Low involvement of the private sector in agriculture sector, Low investments, limited capacity of local private entrepreneurs in agriculture infrastructure, access to finance such as reluctance of financial institutions in lending agriculture, limited skills in key agro intensification technologies such as irrigation, mechanization, breeding, post harvest, public investment and funding of agriculture projects.

### **1.2.3 Wetlands, lakes and rivers**

Wetlands, lakes and rivers occupy a total of 135,000 Ha or 8% of the country's surface area (RADA, 2005). These include 101 lakes (1,495 km<sup>2</sup>), 861 rivers totaling 6,462 Km (REMA, 2010) and a network of disconnected wetlands. At least 3 of the largest lakes are shared – Lake Kivu (shared with DRC), Lake Cyohoha south and Lake Rweru (shared with Burundi). The in-land lakes are sustained by inflows from the dense network of rivers, streams and wetlands. These river systems have been affected by extensive agriculture and human settlements, as evidenced by heavy siltation and sedimentation in nearly all rivers.

Wetlands are among the most productive aquatic ecosystems in Rwanda, performing valuable ecological, social and economic functions. They serve as reservoirs and purifiers of fresh water. They attenuate peak flows, storing water and releasing it back gradually and allowing for year round stream flow. They act as flood buffers and sink for sediments (including clay soluble inorganic nutrients); regulate climate; and contain large deposits of peat valued for its energy potential. Most importantly, wetlands help to maintain the quality of surface and ground water and regulate micro-climatic conditions through moisture recirculation, and cooling of surrounding areas.

In extreme drought conditions, wetlands have supported food security, and large tracts of wetlands are under flood plain production of cereals, vegetables and other crops. Wetlands provide unique habitats to biodiversity especially for rare or threatened species, and are the only remaining biodiversity hotspots outside the three national parks and protected natural forests. They act as spawning and feeding grounds for fish, and support artisanal fisheries. They have become an important source of raw materials for the fast growing *Agaseke* (basket) sub-sector.

These resources, however, face enormous pressures from agriculture, human settlements and urbanization. Sediment load and biochemical pollution is an indicator of the declining capacity of wetland ecosystems to regulate water flow and filter physical and chemical pollutants. Indeed, recent inventories have reported that only 41% of wetlands remain in natural conditions, as most wetlands have been transformed into permanent agricultural fields.

Rwanda's main challenge in this regard, relates to establishing a balance between protecting wetlands to sustain the socioeconomic and ecological benefits, and continuing reclamation for agriculture. Efforts have been made to delineate and protect critical wetlands, but the complexity and inter-connected nature of wetland systems require holistic intervention.

#### **1.2.4 Groundwater**

Ground water accounts for 86% of safe drinking water supply for rural areas. In the Eastern and parts of the Southern Province, most people depend on boreholes. Ground water resources in Rwanda are estimated to discharge about 66 m<sup>3</sup>/second and about 22,000 sources have been recognized. Extensive borehole drilling and shallow well construction have mostly been done in the eastern province since 1994. As of 2009, there were at least 400 boreholes and wells in various parts of the country. Although ground water is deemed safer than surface water, increasing pollution from agro-inputs (through leaching and erosion), and declining ability of ecosystems to naturally purify water, raise quality concerns.

#### **1.2.5 Minerals**

Mining sector contributes substantially to the exports from Rwanda. It is considered the second foreign export earner after tourism. It has been growing at a rate of at least 10% every year since 1999. The major minerals exported from Rwanda are metal stones (cassiterite, coltan and wolframite). In the last three years, mineral exports recorded USD 96.4M (2010), USD 15.4M (2011) and USD 136.1M (2012). The sub-sector's contribution to GDP is to increase from 1.2% to 5.27% (10% growth rate per each year) up to 2017/2018. Current status (extent and quality) and trends over the past 10 year.

### **1.2.6 Key challenges and gaps**

Natural capital faces enormous pressures from agriculture, human settlements and urbanization. Sediment load and biochemical pollution is an indicator of the declining capacity of natural capital such as wetlands known as ecosystems to regulate water flow and filter physical and chemical pollutants. Indeed, recent inventories have reported that only 41% of wetlands remain in natural conditions, as most wetlands have been transformed into permanent agricultural fields (MINAGRI, 2010).

Rwanda's main challenge in this regard, relates to establishing a balance between protecting wetlands to sustain the socioeconomic and ecological benefits, and continuing reclamation for agriculture. Efforts have been made to delineate and protect critical wetlands, but the complexity and inter-connected nature of wetland systems require holistic intervention. In order to solve this challenge, the GoR has made several efforts as to generate reliable data which would assist in its integrated water resources management agenda. According to the department of integrated water resources management under Rwanda Natural Resources Authority (RNRA), these efforts include:

The establishment of catchment management committees at district level, the design of management plans for 9 main catchments, modernization of 53 three gauging stations countrywide etc. Although efforts have been made in regulating the water sector in general, there still gaps in regard to water abstraction in the face of limited flow/recharge rates and quality which is directly linked to the absence of reliable.

## **2. POLICY, REGULATORY AND INSTITUTION FRAMEWORK**

### **2.1 Existing Regulations, Policies, Strategies and Plans**

#### **2.1.1 Integrated regulations, policies, strategies and plans**

In general, Rwanda has three main integrated development planning tools. These are: the Vision 2020, the Economic Development and Poverty Reduction Strategy - Phase II (EDPRS II) and the Green Growth and Climate Resilience Strategy (GGCRS).

#### **Vision 2020**

Launched in 2000 by the Republic of Rwanda, Vision 2020 has been and still the main planning tool and reference document when comes to integrated development planning accross all sectors of the economy. The vision's main pillars are: Good governance and a capable state, human resource development and a knowledge based economy, a private sector-led economy, infrastructure development, productive and market oriented agriculture, regional and interanation economic integration. In addition to the above main pillars, the vision also adresses cross cutting issues like gender equity, natural resources, environment and science, technology and ICT<sup>5</sup>.

#### **Economic Development and Poverty Reduction Strategy-Phase II (EDPRS II)**

EDPRS II follows EDPRS I which was an integrated medium term (5 years from 2008 to 2012) strategic plan based on the long term vision 2020. The ultimate goal of EDPRS II is: "Accelerating progress to middle income status and better quality of life for all Rwandans through sustained average GDP growth of 11.5% and accelerated reduction of poverty to less than 30% of the population". In order to achieve this goal, EDPRS 2 makes a distinction between emerging priorities reflected in thematic areas and ongoing priorities under foundational issues. The combination of these priorities provides the framework for the EDPRS 2 strategy. There are four thematic areas<sup>6</sup>, each designed to address specific objectives in line with the overall goal of EDPRS 2:

- Economic transformation with sustained average GDP growth of 11.5%,
- Rural development leading to less than 30% poverty,
- Productivity and youth employment through increased output per worker and creation of 200 000 off farm jobs per annum,
- Accountable governance with more than 80% of service delivery and increased citizen participation.

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<sup>5</sup> MINICOFIN, 2000. Rwanda Vision 2020

<sup>6</sup> MINICOFIN, 2013. Economic Development and Poverty Reduction Strategy –Phase II (EDPRS II) 2013-2018

### **District Development Plans (DDPs)**

In the Rwandan administrative and development context, districts are considered as the corner stone when it comes to community development and overall implementation of government policies, strategies and programs. In this regards, district developments plans (DDPs) are designed every five to reflect collective development aspirations taking into account local (district) **needs and priorities in all sectors of the economy**. The implementation of these plans is solely carried out by districts themselves although they can get technical and financial support from sector ministries and other funding entities.

### **Land reform**

‘Land is Rwanda's most important asset for production and livelihoods, and is the foundation of the country’s economy’. Rwanda has been implementing land reform since 1999, a process that started on pilot phase, and the roll-up at the national level was officially launched at the beginning of 2010. Rwanda land process is known as the ‘Land Tenure Regularization Process (LTRP). Rwanda government has put in place a number of legal provisions that promote equality in land rights and recognize the importance of land in poverty eradication and sustainable development. Further, LTRP has a potential to contribute to the value of rural land and the rights of women.

#### **2.1.2 Poverty and social development**

In Rwanda, poverty reduction and social development are mainstreamed and integrated into national development planning. In this regard, policy and strategies have been prepared and approved at central government level in order to guide the implementation of those two important agendas. They include:

**Community development policy (revised).** The revised community development policy aims to mobilise and empower the Rwandan community to exercise its powers in decision making in order to promote its development, commensurate with the progress of decentralization. The policy is formulated in response to the challenges the community still confronts: extreme poverty, illiteracy, a culture of deference to authority and the widespread use of traditional farming methods which constrains significant sustainable development<sup>7</sup>.

**National Strategy for Community Development and Local Economic Development.** This strategy covers the period of 2013 to 2018. It has been designed as a specific one in the field of community development leading to poverty reduction. The strategy has its roots in the long term vision 2020 and EDPRS II and is considered as one of its implementation tools. The overall goal of this National

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<sup>7</sup> MINALOC, 2008. Community Development Policy

Strategy for Community Development and Local Economic Development is to promote inclusive local socio economic development and poverty reduction in Rwanda<sup>8</sup>.

**National Social Protection Strategy.** This strategy aims at Ensuring that all poor and vulnerable people are guaranteed a minimum income and access to core public services, those who can work are provided with the means of escaping poverty, and that increasing numbers of people are able to access risk sharing mechanisms that protect them from crisis and shocks.

The Strategy defines social protection across two main dimensions:

- As a Social Protection Sector, which essentially comprises the system of regular and predictable cash transfers that will provide income support to those living in poverty and vulnerable to falling into poverty;
- As a means of ensuring access to other public services – such as health and education – by enabling poor households to overcome the financial barriers that they may face.

In addition the Strategy sets out a number of social development initiatives and complementary activities to social protection focused on helping poor households graduate out of poverty. The Social Protection Strategy will play an important role in enabling the government to tackle poverty and inequality across Rwanda. It complements other sector strategies already in place, and is focused on enabling Rwanda to achieve its commitments as set out in the Economic Development and Poverty Reduction Strategy (EDPRS). This Strategy focuses mainly on programmes delivered by MINALOC; social protection programmes provided by other sectors – such as free education, the mutuelle de santé or community health insurance and subsidized fertilizer inputs – are set out in the strategies of those sectors, but highlighted in the same strategy<sup>9</sup>.

### 2.1.3 Green economy

#### **Green Growth and Climate Resilience Strategy**

Rwanda's Green Growth and Climate Resilience Strategy was launched in 2011 as one of the key steps to a sustainable, secure future and to ensure the country is prepared for the risks associated with climate change and population growth, while also managing the environment in a sustainable manner.

This Strategy is seen as the first attempt at plotting a climate resilient and low carbon development pathway for Rwanda starting from 2012 up to 2050. It is the start of a continuous process which is described in the Enabling Pillars and it will be implemented through the Programmes of Action. The

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<sup>8</sup> MINALOC, 2012. National Strategy for Community Development and Local Economic Development

<sup>9</sup> MINALOC, 2011. National Social Protection Policy

next step is to set up and make sure that institutional arrangements functioning. These include; the Technical Coordinating Committee, the National Fund for Climate and Environment (FONERWA), and the Centre for Climate Knowledge for Development (CCKD). These institutions will utilize the Sector Wide Approach and work closely with development partners, civil society, academia and the private sector. The Technical Coordinating Committee will facilitate the incorporation of the Strategy into Vision 2020, EDPRS II and sector policies. The main objectives<sup>10</sup> of the strategy are:

- To achieve Energy Security and a Low Carbon Energy Supply that supports the development of Green Industry and Services,
- To achieve Sustainable Land Use and Water Resource Management that results in Food Security, appropriate Urban,
- Development and preservation of Biodiversity and Ecosystem Services,
- To achieve Social Protection and Disaster Risk Reduction that reduces vulnerability to climate change impacts.

In order to achieve these objectives, the strategy has 14 programmes of actions applicable in all sectors of the economy. These programs are:

- Sustainable intensification of agriculture,
- Agricultural diversity in local and export markets,
- Integrated Water Resource Management and Planning,
- Integrated approach to land use planning and sustainable land use management,
- Low carbon energy mix powering the national grid,
- Sustainable small scale energy installations in rural areas,
- Green industry and private sector development,
- Climate compatible mining,
- Efficient resilient transport systems,
- Low carbon urban systems,
- Ecotourism, conservation and payments for ecosystem services,
- Sustainable forestry, agro forestry and biomass energy,
- Disaster management and disease prevention,
- Climate data and projections.

Through this Strategy, Rwanda has taken a big step towards achieving socio-economic development that is resilient to economic, social and environmental shocks related to population growth, oil price and climate change.

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<sup>10</sup> GoR, 2011. Green Growth and Climate Resilience Strategy

#### **2.1.4 Private sector**

##### **Private Sector Development Strategy**

In 2013, the Government of Rwanda through the Ministry of Trade and Industry approved a 5 year Private Sector Development strategy (2013-2018). In line with EDPRS 2 and Vision 2020, the PSDS will contribute to achieve the following<sup>11</sup>:

- Industrial output to grow by 14% per annum and reach the share of 20% of GDP by 2020.
- Services to grow by 13.5% per annum and reach the share of 55% of GDP by 2020.
- Increasing Private Sector Investments from 10% in 2012 to 13.4% in 2015 and 20% in 2020.
- Exports to grow by 28% per annum
- 200,000 off farm jobs created annually

The private sector has a very big role to play in achieving these targets and has to become the engine of growth.

Vision of the PSDS:

“An entrepreneurial, innovative and competitive private sector that delivers broad-based and inclusive economic growth, resulting in many more and better paid jobs for Rwandans.”

Mission of the PSDS:

“Unlock the constraints to private sector led investment and growth through an ongoing process of policy reform and dialogue that will allow an expansion in the quantity and quality of investment in Rwanda. This investment will need to deliver more secure, well-paid jobs for Rwandans by increasing the number of jobs created, be they from large or small and medium enterprises.”

As seen above, the PSDs emphasize the role of the private in reducing poverty specifically in creating sustainable jobs for Rwandans and contribute to a broad-based inclusive growth.

In recent years, Rwanda private companies have started corporate environmental and social responsibility initiatives. In fact, through partnership between the Government of Rwanda and the International Organization for Standardization (ISO) several companies have been introduced to CESR initiatives from awareness rising up to certification with ISO 26000. Among these, investments in basic education infrastructure development, financial support to local schools and provision of scholarships have been registered as initiatives undertaken by private companies.

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<sup>11</sup> MINICOM, 2012. Private sector Development Strategy



Regarding supporting a business climate of sustainability innovation and leadership in micro- small and medium enterprises. The Government of Rwanda through the Ministry of Trade and Industry has created and put in place Resource Efficiency and Cleaner Production (RECPC) in order to prevent generation of industrial wastes and harmful emissions and enhance productive use of resources.

More than 500 people have undertaken RECP related activities; 130 persons from different government and private institutions have been trained on the best practices of the program, and 40 national local experts were trained as trainers. At the same time more than 40 industries and SMEs are implementing Resource Efficient and Cleaner Production principles in their daily businesses.

### **2.1.5 Fiscal policy**

#### **The National Fund for Climate and Environment – FONERWA**

FONERWA is meant to be the financial engine of green growth in Rwanda for the next 50 years and provides both technical and financial support to green economy projects. It aims to sustainably and equitably provide direct access to environment and climate finance according to Thematic Financing Windows. The Thematic Financing Windows categorize priority investment areas in line with the national environment and climate objectives outlined in the national strategies and policies.

FONERWA's operations begun in 2012 and the Fund have already raised Rwf 59 billion (USD 85.6 million). So far, four public CFPs have been completed and the sixth CFP was announced in December 2014. 891 project documents have been submitted for funding. 18 FONERWA funded projects have been approved and are currently being implemented in a variety of development areas including investments in renewable energy, natural resource and ecosystem management and electronic waste management.

## Fossil Fuel Subsidy Reform

In 2011, Rwanda changed its fuel pricing formula which increased the pass-through of global world prices and essentially eliminated fuel subsidies. Although energy reforms in the country are still in the early stages, the government is committed to transforming the energy sector. Reforms have already begun in the power sector with the goal of providing cheaper and more reliable electricity to 100% of the population by 2020 using renewable energy, gas and peat. The reforms have liberalized the power industry by opening it up to allow participation by private companies. In 2011, the Electricity Law was passed which regulates power production, transmission, distribution and sale, and aims to attract private investment. Further, the Electricity Development Strategy 2011-2017 was also developed in order to operationalize the acceleration of power generation and achieve 50% household connectivity by 2017. In support of these measures, in 2012, the Rwandan government also introduced a Renewable Energy Feed-in Tariff (REFIT) for small and medium-sized power producers. It guarantees purchase of their supply by the Energy, Water and Sanitation Authority (EWSA), Rwanda's national power supplier, as well as access to the national grid. It is effective for three years, after which suppliers have an opportunity to renew the REFIT. This thus ensures that they will receive returns on their investments.

## 2.2 Institution Framework

A clear institutional framework is critical for effective integration of poverty, environmental and economic concerns into national development planning at national and sub-national levels. It facilitates implementation and coordination across stakeholder institutions, and ultimately strengthens its governance.

**Ministry of Finance and Economic Planning (MINECOFIN).** A key role of MINECOFIN is to ensure planning and budgeting for integrated development planning including socio economic and environmental concerns with the ultimate goal of contributing to enhanced and sustainable productivity of all sectors resulting in overall poverty reduction. This objective has emerged in actual practice in recent years, following initiatives from Rwanda Environment Management Authority (REMA) such as the UNDP/UNEP Poverty Environment Initiative (PEI)<sup>12</sup>, informational studies highlighting economic linkages to environment and climate and environmental investments,

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<sup>12</sup> PEI program has had a consistent and deep impact on environment and climate activities in Rwanda. This work includes economic impact assessments of wetland restoration and piloting of a 'Green Village' in Rubaya Cell in Northern Rwanda. Under the same programme, a green village toolkit was developed following the Ministry of Local Government's request. This tool will be used to support each district to implement green village.

requirements for environmental impact assessments (EIAs) for public and private capital and the development of FONERWA, among others.

### PEI Rwanda

PEI Rwanda programme focuses on enhancing the contribution of sound environmental management to poverty reduction, sustainable economic growth and the achievement of the MDGs. Thereby the country program is contributing to the achievement of national development goals and the overall PEI Programme outputs. The programme is jointly led by the Ministry of Environment Natural Resources, the Environment Management Authority, the Ministry of Finance and Economic Planning. In addition various sector ministries such as Local Government and Good Governance, Agriculture, Infrastructure, Energy, Transport, Communications and Commerce are involved in the project implementation. The programme contributes to improving the capacity of the Ministry of Finance, planning officers and key productive sectors to include poverty-environment targets in policies, plans, budgets and monitoring systems.

***The National PEI Steering Committee (Program Board):*** the Committee provides overall oversight for the implementation of the project. The Committee is jointly chaired by the Director General REMA and co-chaired by the Director General MINECOFIN/Planning. The Steering Committee is responsible for the programme plans and revisions and ensures management for development results best value for money, fairness, integrity, transparency and effective international competition. MINECOFIN's co-chairmanship enhances government ownership and increases consolidated budget for the ENR sector and climate and environment activities.

<sup>13</sup> ***National PEI Technical Committee:*** A national technical Committee provides technical guidance for the implementation of the programme and oversees programme monitoring. MINECOFIN is represented on this committee with the National Institute of Statistics,

MINECOFIN has played a key role in establishing FONERWA, a vehicle through which environment and climate change finance is channeled, programmed, disbursed and monitored in Rwanda. As a national basket fund, FONERWA is both an instrument to facilitate direct access to international environment and climate finance, as well as streamline and rationalize bilateral and domestic finance. MINECOFIN participates in the Fund Managing Committee and Technical Committee<sup>14</sup>.

### FONERWA Governance Structure

***Fund Managing Committee (FMC):*** FMC is responsible for the monitoring and directing of the Fund's activities. It is the highest organ in the Government of Rwanda for FONERWA management and oversight. The Director General of REA chairs the FMC and the co-chair is identified by the development partners on a rotational basis.

<sup>13</sup> PEI Programme Document. 2014

<sup>14</sup> FONERWA Programme Document, 2014

MINECOFIN is a member of the FMC with other government representatives including RNRA, REMA, MINAGRI, EWSA, MINICOM and MINALOC.

**Technical Committee:** The membership comprises selected representatives from national institutions with particular emphasis on representation from MINECOFIN, MINALOC, National Capacity Building Secretariat (NCBS), and representatives from the private sector, civil society and development partners. The Committee reviews action plans and budget allocations, procurement plans as well as develop a shortlist of projects/programmes that have met basic criteria at the Secretariat level, for the approval by the FMC.

**FONERWA Secretariat:** The Secretariat provides facilitation for the central coordination of FONERWA. The Fund Management Team leads and staff the Secretariat which is responsible for day-to-day management of the Fund.

**Ministry of Local Government (MINALOC).** Special mention is due to the Ministry of Local Government. Among other areas, this ministry leads to the process of decentralisation and social protection. In this regard, MINALOC coordinates the Vision Umurenge Programme (VUP) activities<sup>15</sup> – a flagship program under Vision 2020 – and Integrated Development Programme (IDP)<sup>16</sup>, among others, which provide resilience and green development support to vulnerable households and communities. The ultimate objective of VUP is to create social protection program targeting poor people in VUP Sectors. VUP activities are done mainly through community works - these are the activities that are contributing to increase poor people monetary income and scale up community's resilience to climate change.

**Ministry of Natural Resources (MINIRENA).** As the ministry responsible for environment, climate change and natural resources, MINIRENA provides overall political direction and policy oversight, guides the preparation of the sector budget and defends it in cabinet. Implementation of sector priorities is undertaken by the sub-sectors organized under two national agencies. Environment and climate change priorities are implemented by REMA whereas Land, Forestry, Water Resources Management and Mining priorities are executed under the mandate of RNRA. MINIRENA is the

<sup>15</sup> VUP activities: Ecosystem rehabilitation, land productivity, access to drinking water, watershed management including planting trees, terraces, irrigation plots, feeder/access roads, as well as construction of different types (classrooms, health facilities, training centres, business workshops, and village settlements).

<sup>16</sup> IDP is one of the pillars of EDPRS I and aims to reinforce capacity of poor producers and communities for sustainable economic development through activities including: specialization of cultures, land consolidation, post harvest processing, sustainable land management, rain water harvesting, sustainable land management, etc.

lead sector in resource mobilization within the ENR Sector Wide Approach (SWAp). The SWAp is a partnership forum between the GoR and key donors that aims to strengthen inter/intra sectoral coordination and rationalization of donor initiatives to avoid duplication of efforts.

The concerns about environmental degradation and climate change impacts that were undermining the efforts towards sustainable economy and society motivated the Rwandan Government to develop more focused policies and create specialized institutions to address environment and climate change issues. As Ministries are more involved in policy development, there was a need of technical institutions to support implementation of policies and laws. This led to the establishment of the Ministry of Environment in 2003, REMA in 2006 and the Rwanda Natural Resources Authority (RNRA) in 2011, FONERWA in 2012, with a view to achieve a more sustainable and integrated management of environment and natural resources, as well as improved technical support from national to sub-national levels.

## **2.3 Key Challenges**

### **2.3.1 Infrastructure**

According to the Diagnostic Trade Integration Survey, the poor state of infrastructure and low production is the major binding challenges to pro-poor growth and economic transformation in Rwanda. These not only undermine private returns but also increase the cost of finance. According to firm survey subjective measures, the state of infrastructure, access and cost of finance, tax rates and skills of workers are ranked as higher business obstacles when compared to factors that affect appropriability such as macroeconomic instability, corruption and anti-competitive practices.

For the private sector, infrastructure constraints that have been cited as major impediments for increased performance include but not limited to Availability, cost and reliability of power supply, insufficient quality feeder roads to have access to raw materials and insufficient regional road/railway infrastructure to connect to the ports.

### **2.3.2 Inequality in incomes and assets**

Another impediment to the translation of growth into sustainable economic transformation in Rwanda is inequality. According to the 2010 ILO report, one of the most important challenges facing Rwanda today is to make development inclusive through reversing the trend of high and increasing income and asset inequality. This is because 40 per cent of the rural households have less than 0.3 hectares of land and for these rural households, non-farm sources of income are a must if they are to achieve sustainable economic transformation. The unequal land distribution and the existence of a large number of near-landless agricultural households imply that a dynamic development of agriculture will only be pro-poor if there are strong links to the non-agriculture sector, with strong growth in this sector. Given that the transforming traditional agriculture is critical for growth, economic transformation and poverty reduction, farmers need to acquire education, skills and knowledge in order to improve traditional practices and to access productive non-farm employment.

### **2.3.3 The impact of land /agricultural policies on economic transformation in Rwanda**

Rwanda's land and agricultural reform is one of the key policies that have impacted economic transformation and the livelihoods of poor people. This land reform policy is aimed at increasing agricultural productivity on land by replacing subsistence farming by a fully monetized, commercial agricultural sector by 2020. The Strategic Plan for the Transformation of Agriculture (SPAT) provides the operational framework for agricultural development within the EDPRS. However, SPAT strategies seem to be tailor-made for larger farmers whose farm structure and risk-coping abilities.

### **3. NATIONAL DEVELOPMENT PLANNING AND IMPLEMENTATION**

#### **3.1 Key Features of the Rwandan Economic Growth and Overall Poverty Reduction**

Rwanda's economy has been growing steadily at about 8% since 2001 with GDP per capita more than tripling from US\$ 211 in 2001 to US\$ 718 in 2014. According to the National Institute of Statistics of Rwanda, this was a result of several mechanisms implemented by the Government of Rwanda like agriculture intensification with policies like crop intensification on consolidated land which resulted in food crop production growing more than twice compared to population growth between 2007 and 2014 (NISR, 2015).

The implementation of the livestock improvement policy through Girinka which is a programme resulted in improved nutrition and income from milk, biogas from the dairy cow waste as well as increased yields through the use of fertilizer from the biogas digestion residual sludge; roof rainwater harvesting for domestic and kitchen garden irrigation are some of the homegrown GoR instruments used in integrated implementation of the objective of the Agriculture policy; energy diversification with renewable sources policy objective of the energy policy; land and water husbandry policy objectives of the Agriculture, Water and Land policies and others.

The same institute indicate that improvement of the doing business environment by the government of Rwanda resulted in an increment of 24.4% business establishments mainly in rural areas from 2011 to 2014 and 34.5% new jobs were created by the businesses, 47.9% in rural areas compared to 22.4% in urban areas.

Education initiatives such as the implementation of education for all agenda with programs like 9 and 12 years basic education resulted in improvement of net attendance in secondary school from 17.8% to 23% and from 1.7% to 3% for tertiary education. As a result literacy has also improved from 74.9% to 77.8%. In housing, the Government of Rwanda initiated Nyakatsi program resulted in the improvement of housing conditions of most Rwandan low income earners. Households with grass roofing (nyakatsi) dropped to 0.4% in 2014 from 2.2% in 2011 while roofing with metal sheet increased from 54.4% to 61.1%. Other programs include electricity roll out program (EARP) and water, sanitation programs which resulted in increment of access to electricity from 10 to 20% between 2011 and 2014 and improved sanitation (toilets) increasing from 74.5% in 2011 to 83.4% in 2014; while households with access to improved sources of drinking water increased from 74.2% to 84.8%.

### **3.2 Overview of the National Development Planning Process**

#### **3.2.1 Macroeconomic management and tools**

The Formulation and monitoring of macroeconomic policies, including issues relating to analysis and projections are done by the Ministry of Finance and Economic Planning (MINECOFIN). This concerns the four core macroeconomic sectors, real sector, fiscal sector, monetary sector, and external sector. Subsequent policies such as debt policy, regional integration and others relevant also constitute an important part of the process. The resultant Macroeconomic framework is a consistent set of overall economic policies, objectives and targets defined in the Vision 2020 and in the EDPRS.

#### **3.2.2 Real sector**

The real sector deals with the total output (composed by agriculture, industry and services sectors), the Consumer Price Index (CPI) and the Producer Price Index (PPI). The real sector attempts to explain changes in these aggregates and to guide policymakers in their pursuit of economic objectives and efforts to respond to unanticipated changes in the economic environment. Both the analysis of events and the design of appropriate policies require accurate economic information and statistics that are made available in a systematic and timely fashion. GDP projections are discussed with the National Institute of Statistics of Rwanda (NISR) and the National Bank of Rwanda (BNR) for accuracy and consistency.

#### **3.2.3 Monetary and financial sector**

The Monetary policy is exclusively under the control of the central bank (BNR). The goal of monetary policy is set out in the National Bank of Rwanda (BNR) Law which requires the BNR to conduct monetary policy in a way to deliver price stability and in low inflation environment. According to article 5 of the same law, the main missions of the National Bank of Rwanda shall be:

1. To ensure and maintain price stability;
2. To enhance and maintain a stable and competitive financial system without any exclusion;
3. To support Government's general economic policies, without prejudice to the two missions referred to in Paragraphs 1° and 2° above.

In pursuing the goal of medium-term to long term price stability, the National Bank of Rwanda agrees with the Government on the objective of keeping consumer price inflation low and stable. This formulation allows short-run variation in inflation while preserving a clearly identifiable performance benchmark over time.

To achieve the price stability objective, the BNR currently operates in a flexible monetary targeting framework with the monetary base as operating target, broad money aggregate as an intermediate target and inflation as the ultimate goal. The BNR monitors movements in monetary base



on daily basis in line with the targets as set in the annual monetary program. In that exercise, the BNR uses several policy instruments mainly open market operations, discount rate and reserve requirement. The key repo rate (policy rate) set by the monetary policy committee is used to signal the stance of monetary policy.

#### **3.2.4 External sector**

The external sector has to do with the balance of payments. The Balance of payment is produced by the National Bank of Rwanda which is also the main source for BOP data. BOP projections are used to inform the three other sectors in the framework (the fiscal sector, the real sector and the monetary sector). The macro policy unit liaises with the statistical department in National Bank of Rwanda, and also with line ministries, in order to ensure that required BOP data are available for the ongoing economic assessments and reports in a timely manner.

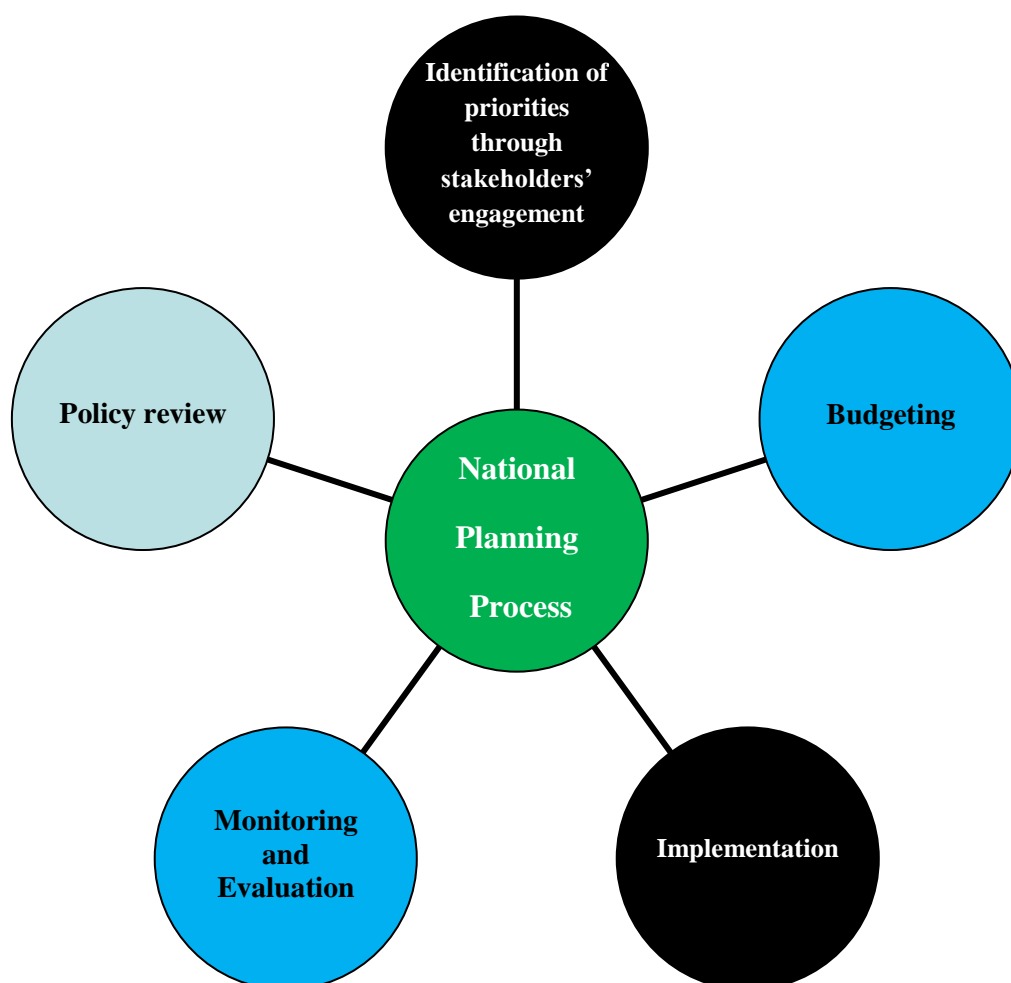
#### **Macroeconomic projection tools**

Based on interviews with MINECOFIN staff, there are tools that are applied for projections in the short to medium term while others are used to forecast the longer term. For the short to medium term, the main tool used is based on the financial programming models- developed by IMF. This tool is slightly modified to take into account the specificities of Rwandan economy but keeps the same principles. The advantage of this tool is its simplicity (being an excel based model).

For the long term, a Partial equilibrium model is used. The advantage of this is that it integrates household level data which allow integrating projections of poverty levels based on EICV data and other economic performance indicators.

### 3.3 National Planning Process and Framework

Planning refers to the process of deciding what to do and how to do it. In Rwanda, planning process involves the following steps<sup>17</sup>:



**Figure 3: Overall national development planning process in Rwanda**

<sup>17</sup> MINECOFIN, 2014. National Simplified Planning Guidelines

### **3.3.1 Identifying priorities**

Priorities are identified at the beginning of the planning process. This is done by consulting strategic documents (Vision 2020, EDPRS, Sector Strategic Plans, Ministries' Strategic Plans etc.), identifying gaps and weaknesses and incorporating other priority-setting processes (Presidential pledges, Government 7 year program, Cabinet decisions, National dialogue recommendations, and Leadership retreat recommendations).

At the beginning, consultation meetings are done with key stakeholders including Development partners through the Sector Working Groups and Joint Sector Reviews, with private sector and civil society. There are numerous sector working groups at national level: Agriculture Sector, Health Sector, Justice Sector, Education Sector, Private Sector Development and Youth Employment etc.

It is important to note that the relationship between both the EDPRS and Sector Strategic Plans (SSPs) and between SSPs and District Development Plans (DDPs) is an interactive process. The EDPRS sets the framework for other plans but is also a product of those plans. Similarly, while SSPs set the policy framework for DDPs, subsequent revisions take note of local priorities as specified in DDPs. That is, for Ministries, MTEFs should translate the overarching Sector strategies to individual institutional 3-year plans and provisional resource allocations while districts' MTEFs should reflect DDP priorities.

### **3.3.2 Planning**

Plans define clearly the activities which are taken in the following year, clearly based on the priorities set out. Typically in a Sector and District planning exercise, each planning unit, at the Sector and District, City of Kigali, prepare a plan for execution of each of their functions and responsibilities after consultations with all stakeholders, including citizens.

Planning is the basis of resource allocation, and therefore takes place before Budget submissions. Therefore Budget Agencies begins planning at the beginning of the fiscal year. After the first planning and Budget Call Circular is issued, Budget Agencies starts to develop their Annual Action Plans (AAPs), Strategic Issues Papers (SIPs), Project Profile Documents (PPDs) and Project investment Programmes based on the relevant SSPs or DDPs, with respect to the initial ceilings given.

Ministries take the lead in planning coordination as follows:

- ▶ Drafting Action Plans of Agencies and consolidate strategic actions to produce a single action Plan (SAP);
- ▶ Guide districts on the expected outputs by holding central and local government consultations coordinated by MINALOC & LODA with strong collaboration of MINECOFIN;
- ▶ Consultations with the private sector to ensure opportunities and barriers to private sector investment and engagement with plans are anticipated and resolved;

The action plans includes outcomes and their targets (usually set up in the EDPRS), outputs for that specific fiscal year, the indicators of achievements and their related targets, the key activities to achieve the outputs, the tentative budgets and the key stakeholders that will take part in the implementation.

### **3.3.3 Mainstreaming Crosscutting Issues in planning**

Crosscutting issues are issues being mainstreamed in all sector specific strategies and district plans over the period covered by EDPRS 2. These include gender, environment, capacity building and employment.

#### **3.3.3.1 Gender**

The government of Rwanda has a strong commitment to ensure gender equality is dealt with as a priority. The Rwandan constitution enshrines equal rights for men and women and complementarity in national development. This is further exemplified in the country's medium and long term plans – Vision 2020 and Economic Development & Poverty Reduction Strategy (EDPRS) 2013-2018 in which gender equality is given a strong focus as a cross cutting issue.

The Gender Responsive Budgeting program was launched as one of tools to mainstream gender perspectives in sector and district medium term plans and budgets. As part of its activities to fulfill its mandate to promote gender equality, the Ministry of Gender and Family Promotion (MIGEPROF), seeks to enhance the capacities of the different sectors in gender analysis, planning and budgeting in collaboration with the various relevant stakeholders.

MINECOFIN as the Ministry responsible for planning and managing the nation's economy, it plays a critical role in engendering budgets at national and decentralized level by undertaking initiatives to ensure the successful implementation of the National gender-mainstreaming strategy and also undertake the following:

- ▶ Ensure that sufficient resources are allocated to actions provided in the National Gender mainstreaming strategy;

- ▶ Coordinate the Gender Responsive Budgeting process to ensure that sufficient resources are allocated to gender issues identified in the strategy;
- ▶ Setting up gender budgeting guidelines to serve as guide to developing sector ministries and district budgets that are compliant with gender equality standards within the strategy;
- ▶ Facilitate resource allocation for the implementation of the strategy;
- ▶ Develop and disseminate planning guidelines that takes gender concerns within the private sector into account.

The role of sector ministries is to set up a comprehensive monitoring and evaluation system that will first track the progress in implementing the interventions defined in the gender mainstreaming strategy and provide capacity to staff in charge of implementing the interventions as defined in the strategy.

The Gender Monitoring Office (GMO) with the mandate of monitoring compliance of gender equality principles ensures: the development tools that facilitate the monitoring of results achieved; conduct periodic sector assessment on the implementation of the strategy; develop guidelines for periodic reporting by different stakeholders; and hold different institutions accountable through scrutinizing reports from different institutions.

### **3.3.3.2 Environment**

Rwanda recognize environment as a key development challenge, the government has included it as a sector and also among the four cross-cutting issues in the EDPRS – the others being gender, social protection and HIV/AIDS. While the importance of environment has been recognized, It is has been also vital that environmental issues are adequately addressed in the EDPRS by looking at how to effectively mainstream environment into development strategies and specifically in the EDPRS. Environment is closely linked to poverty and economic growth which are the key pillars of EDPRS; environmental degradation impacts more the poor.

The Government of Rwanda has taken significant steps to ensure balance between economic development and environmental protection, as well as to prevent environmental degradation. Notable among the measure taken is the ban of manufacturing and use of polythene bags. The Government has established a clear legal and institutional framework for environmental protection. Rwanda Environmental Management Authority is the principal agency responsible for the management of the environment in Rwanda and coordinates, monitors and supervises all activities in this field. In addition, projects that affect the environment are subject to an Environmental Impact Assessment (EIA) prior to obtaining authorization for their implementation. Before commencing implementation of business projects, investors are required to cross-check whether their projects are required to

undergo an EIA. The Environmental Impact Assessment (EIA) is defined as a systematic process to predict, identify, and evaluate the environmental effects of proposed actions and projects. The process is used to prevent and mitigate adverse impacts, enhance positive impacts and assist the rational use of natural resources to maximize the benefit of socio-economic development projects and ensuring sustainable development.

Once adverse impacts are identified from the proposed project, advance corrective measures can be incorporated into the project which helps developers to minimize environmental risks and financial costs. However, options are considered for the projects where damage is irreversible to assist developers to invest in profit making ventures which would have been lost due to environmental problems. The process ensures financially and economically efficient projects with guarantee to attain long term profits. Activities and projects that have to undertake an environmental impact assessment highlights some projects as follows; construction and repair of international and national roads, large bridges, industries, factories, hydro-dams and electrical lines, public dams for water conservation, rain water harvesting for agricultural activities and artificial lakes, large hotels public building which accommodate more than one hundred daily, extraction of mines and public land fills among others.

### **3.3.3.3 Capacity Building**

Capacity building is an integral component of the development plans of all sectors. As it is stipulated in the ultimate success of EDPRS 2 will depend on the capacity of sectors, delivery institutions and districts to deliver under each of the thematic areas of EDPRS 2. Each sector strategy is accompanied by a capacity building strategy that direct the capacity building interventions over the next five years and Sub-Sector Working Group on Capacity Building are expected to have a dedicated sub-Sector Working Group on Capacity Building that brings together all public and private stakeholders to encourage cooperation across programmes and avoid duplication of efforts.

In collaboration with the Public Sector Capacity Building Secretariat (PSCBS) which focuses on developing capacity across all delivery agencies involved in the value chain of identified priority programmes of each sector in order to achieve tangible outcomes, each sector provides skills gap and proposed interventions. Currently, the priority sectors/areas for capacity building B under EDPRS2 are: energy (electricity generation and distribution); agriculture (crop intensification programme, mechanization and irrigation); private sector development (investment promotion and deal conversion); environment and natural resources (increasing revenue from mining); urbanization (implementation of master plans of current and potential urban centers); and transport (aviation, railway and maritime).

The capacity building activity is expected to:

- ▶ Strengthen institutional and organizational capacities across all sectors delivering development actions,
- ▶ Develop pro-active and flexible mechanisms that enable critical skills to be available in emerging or new sectors,
- ▶ Provide a pool of young, fully qualified Rwandan experts in critical skill areas able to deliver on priority national programmes.

#### **3.3.3.4 Employment**

Jobs are crucial to the achievement of economic development and social progress and considered as the main route through which people work their way out of poverty. Putting employment promotion at the top of the structural transformation agenda ensures a more inclusive pattern of economic growth and sustainable development.

Job creation has become a strategic priority of development policy and planning at macro and sectoral levels. Addressing the employment challenge in a timely and adequate manner will be contingent on the prioritization of employment in the development and structural transformation processes, while at the same time ensuring that there are significant quantitative and qualitative improvements in the employment content of economic growth.

The Government of Rwanda calls for strategic interventions to increase the demand for labour through the achievement of high, sustainable and stable economic growth; ensuring that the pattern of economic growth is employment-friendly and giving special attention to reducing poverty and vulnerability.

The National Employment Programme of the Government of Rwanda was designed to serve in creating sufficient jobs that are adequately remunerative and sustainable across the economy, equipping the workforce with vital skills and attitude for increased productivity that are needed for the private sector growth, and provide a national framework for coordinating all employment and related initiatives and activities in the public, private sector and civil society.

The principles and aim of the NEP are derived from the thematic orientation, objectives and strategy of the Second EDPRS and the goals of the NEP are consistent with the long-term vision of the Government to develop and transform the country's economic and social structures toward the achievement of a middle-income status by 2020 which, inter alia, entails creating a productive middle class and fostering entrepreneurship (Vision 2020).

The challenge of employment promotion which is being addressed by the NEP is grounded in the overall national development process and the structural transformation of the economy over the next five years. Given that almost all of the new jobs to be created under the National Employment Programme will have to come from the private sector, emphasis is placed on interventions that provide an enabling environment for private sector development.

#### **3.3.4 Budgeting**

While plans establish a policy framework and desired outputs and outcomes, they are meaningless unless disciplined by hard budget constraints and translated into actual budgets. Therefore another critical element of the planning process is the financial management of those plans. After Planning Consultations and the initial ceilings, the next step is the Budget consultations within Sectors and then between Sectors/Budget Agencies and MINECOFIN.

#### **3.3.5 Implementation**

Based on the lessons of the past, EDPRS 2 implementation is well coordinated, focused and aggressive. This means the appropriate sequencing of activities, the clear assignment of responsibilities, coordination led by Ministries with their Implementing Agencies, the Districts, and the private sector.

#### **3.3.6 Monitoring**

Monitoring as a continuous process of collecting and analyzing data to compare how well a project, program, or policy is being implemented against expected results. This results in a continuous flow of information throughout the course of the project so as to guide the revision of plans and budgets at all levels. This monitoring activity then facilitates evaluation.

##### **3.3.6.1 Monitoring at central level**

At the Central level, the GoR make use of a number of mechanisms to monitor the implementation, these include: EDPRS clusters, Industrial Development and Export Council, Joint Sector Review and Sub Sector Working Groups.

##### ***3.3.6.1.1 Clusters of the EDPRS***

The EDPRS policy matrix is structure on 3 major strategic objectives of increasing economic growth, managing population growth rate and enhancing population development and enhancing gains through governance. The strategic objectives are in harmony with the three EDPR clusters namely economic, social and governance. These clusters are expected to meet on regular basing to monitor the implementation of key activities for the attainment of EDPRS targets.



Economic Cluster covers the macro and financial sector alongside the economic sectors of agriculture, infrastructure (energy, transport, ICT and STI) private sector development as well as environment and natural resource management.

Social Cluster covers education, health, social protection, youth and water and sanitation.

Governance Cluster brings together four working groups related to the areas of public Financial Management, justice, reconciliation, law and order, decentralization, community participation, empowerment, transparency and accountability, capital building and employment promotion.

### ***3.3.6.1.2 Industrial Development and Export Council (IDEC)***

The Industrial Development and Export Council is a high-level council and a strong monitoring mechanism for overseeing implementation of activities related to export growth and industrial development by identifying and removing bottlenecks in the decision making process. IDEC is chaired by MINICOM and meets on a monthly basis to oversee flagship projects and priority actions to drive implementation of NES actions and ensure proper monitoring.

The main responsibilities of IDEC are the following:

- a) Policy Oversight for implementation of the range of policies and strategies related to industrial development including the Industrial Policy, National Export Strategy, SME Policy, Trade Policy and other related policies.
- b) Coordinate the national action plans for the implementation of these policies, such as cluster strategic plans, and cross-cutting interventions in the areas of financing, infrastructure, skills, capacity building and technology, trade facilitation, standards and quality assurance, and business environment.
- c) Ensure that the Agencies and Institutions are delivering on the actions and strategies in the broad area of product diversification and value addition are held to account for achieving the set targets if the goals and the vision of these policies are to be met.
- d) Monitoring the implementation of cluster strategic plans and the design of new interventions in financing, infrastructure, skills, trade facilitation and the business environment. The monitoring and evaluation is carried out in all sectors involved in industrial development, export promotion and SME development by the respective Ministries and agencies through:
  - ▶ Tracking of implementation of agreed upon Action Plans.
  - ▶ Carrying out annual review of policy implementation that is prepared for the Prime Minister.
  - ▶ Organizing of regular public private dialogue (PPD).

- ▶ Establishing an annual private sector conference to communicate progress and share development plans.
  - ▶ Putting in place mechanisms for regularly receiving updated data on industrial performance.
  - ▶ Link performance measures to incentive packages offered to private sector firms
- e) Ensure the prioritization of promotion and development of the export sector.
- f) Study and discuss implementation reports from the Technical Implementation Committee presented by the secretariat to the Council, make decisions based on these reports and ensure the financial, technical and other needed support are available for the proper delivery of the activities in the developed action plans.
- g) Undertake resource mobilization for the promotion of the export sector.

#### Consultations

- ▶ The Council meet quarterly, or more often as deemed necessary.
- ▶ All decisions of the Council are taken by consensus.
- ▶ The Council may invite any person who may contribute ideas, to attend its meeting depending on the agenda.
- ▶ The Council may establish derivative committees on chosen issues. Membership of these committees may include members not on the Council.

The council established a Secretariat to prepare the monthly Technical IDEC meetings. The Secretariat follows up on the flagship export projects in dialogue with focal points in the relevant Ministries and private sector and by other means necessary such as site visits, follows up on IDEC indicators incorporating NES indicators and action plan in dialogue with the focal points in the relevant Ministries and private sector; Identifies where there are coordination failures and address with the relevant Ministries outside of IDEC in advance of any IDEC meeting; and provides recommendations and supporting analysis on decisions that need to be taken at the technical committee. The IDEC Secretariat is comprised of representatives from the office of the President, Prime Minister's Office, Ministry of Economic Planning and Finance and Rwanda Development Board.

#### ***3.3.6.1.3 Sector working groups***

As Rwanda's second EDPRS II sets out the nation's medium term strategy (2013 to 2018) for social and economic advancement to be implemented through a combination of Sector Strategic Plans and District Development Plans; Sector Working Group is the ultimate forum established for monitoring

the performance of the sector strategies and policies. In this case, we can highlight more on Private Sector Development and Youth Employment (PSDYE) to serve as an example in explaining how SWG operates. The main objectives of PSDYE SWG are to:

- ▶ Provide a forum for dialogue, ownership and accountability of the development agenda by all stakeholders at Sector level.
- ▶ Build synergies in policy and strategy formulation, implementation and provide a framework for regular reviews.

The wide range of activities considered within the SWG means that beneficiaries are diverse, stakeholders are numerous, and coordination is fundamental. The SWG is chaired by a government institution and co-chaired by one of the development partners. The private sector is essential to the success of the PSDS therefore it included in the entire range of stakeholders.

### Sub Sector Working Groups

Following recommendations of the EDPRS-I Self-Assessment exercise (2011) and the institutional framework of the PSDS, it was agreed in the PSDYE sector's Joint Sector Review to establish three Technical Sub-Groups to lead coordination of implementation, monitoring and evaluation at the technical level and to report to the wider Sector Working Group. Sub Sector Working Groups are formed based upon the programmes of the PSDS.

### Organizational structure

The Sub Sector Working Groups which lead coordination of implementation, monitoring and evaluation at the technical under three groups namely:

- ▶ Industry and Exports;( Chaired by MINICOM, co-chaired by Trade Mark East Africa)
- ▶ Productivity and Employment; (chaied by MIFOTRA and co-chaied by GIZ)
- ▶ Investment and Regulation(chaired by RDB co-chaired by world Bank)

Each of the PSDS programmes is allocated to a Sub Sector Working Group. As with the SWG, a Chair and Co-Chair are appointed for each of the three groups, being a government institution and Development Partner respectively.

### Responsibilities

Sub Sector Working Groups are, in general, responsible for coordinating the implementation; monitoring and evaluation of PSDS programmes at the technical level, and provide inputs and updates to the Sector Working Group ahead of the quarterly SWG meetings.

Specifically, the Sub Sector Working Groups:

- ▶ Monitor and provide inputs to the development of detailed implementation plans for each programme of the Private Sector Development Strategy (PSDS) based upon the allocation of programmes to Sub-Groups;
- ▶ Track performance of PSDS programmes and detailed implementation plans in accordance with the monitoring and evaluation framework set out;
- ▶ Provide quarterly progress updates on key indicators and activities for the assigned programmes for discussion in Sector Working Group meetings and any additional inputs required for Joint Sector Reviews (JSRs);
- ▶ Identify implementation challenges and develop steps for their resolution with clear timeframes and responsibilities;

- ▶ Monitor stakeholders' activities and identify outstanding technical assistance needs (e.g. studies, capacity building) within the Technical Sub-Group's area of focus that would contribute towards PSDS programme outcomes, as well as to identify potential funding sources including from Government institutions, Development Partners (including the planned Technical Assistance Pool for the sector) or other stakeholders;
- ▶ Provide the central technical-level forum for discussion of sector diagnostics (including studies), projects, strategies and policies relating to the Sub Sector working Group's area of focus, to increase ownership, maximize synergies, and avoid duplication.

Involvement of the private sector is vital in monitoring the impact of policy, developing effective implementation plans, identifying key issues for discussion and resolution, and identifying any emerging policy reform areas. This is done through the inclusion of private sector organizations in Sub Sector Working Group, such as PSF (utilizing the relevant Chambers of Commerce) and others, as well as by linking Sub-Groups to the Public-Private Dialogue (PPD) process led by RDB. The PPD Secretariat assists in suggesting topics for discussion in Sub Sector Working Group meetings on a needs basis.

#### **3.3.6.1.4 Joint Sector Review**

The Joint Sector Review forums bring together all Sector Working Group (SWG) stakeholders to engage in policy dialogue and to ensure ownership, accountability and transparency of the EDPRS 2 implementation and monitoring process. The main objectives of the Joint Sector Review are to:

- ▶ Assess progress in achieving sector objectives with focus on fiscal year targets for EDPRS 2 core indicators and selected sector indicators and their corresponding policy actions.
- ▶ Present and discuss budget execution performance.
- ▶ Review progress in achieving EDPRS 2 midterm targets.
- ▶ Review progress against implementation of recommendations the JSR meetings.
- ▶ Highlight priority areas for the next fiscal year that will inform the planning and budgeting process for institutions in the sector.
- ▶ Update stakeholders on key issues within the sector such as; new sector policy developments, Status of analytical works conducted.

#### **JSR Participants**

- ▶ Representatives of the Lead sector Ministry
- ▶ SWG Co-chair of the sector (Lead Development Partner)
- ▶ Representatives of MINECOFIN
- ▶ Representatives of other concerned line ministries and GoR institutions

- ▶ Representatives of the Strategic Planning Unit in the Office of the President
- ▶ Representative of the Office of the Prime Minister
- ▶ A representative of the National Institute of Statistics (NISR)
- ▶ Representatives of Development Partner organizations participating in the Sector
- ▶ Representatives of Private sector operating in the sector
- ▶ Representatives from civil society organizations involved in the sector
- ▶ Other representatives as deemed appropriate by the Chair and co-Chair

The Permanent Secretary of the Lead Sector Ministry is the Chair of the Joint Sector Review while the Head of Cooperation of the Lead Donor in the sector is the Co-chair. The Chair and co-chair to decide on the composition of the technical working groups and invite representatives to participate in the preparation of the Sector working group documents and Joint Sector Review meetings.

### **3.3.6.2 Existing monitoring mechanism between central and local government**

#### ***3.3.6.2.1 Integrated development programme***

The Rwanda's Integrated Development Programme (IDP ) is an implementation framework that draws together key interventions within the EDPRS 2 in a co-ordinated and integrated approach aiming primarily at fast tracking broad based economic growth at meso and micro levels. The programme converges most of the four EDPRS2 programmes namely (1) Economic transformation, (2) Rural development, (3) Productivity and Youth employment and (4) Accountable governance, and focuses them at the meso-and micro- levels, i.e. District, Sector, Cell and Umudugudu level, for short to medium term transformational impact.

The Pillars are ranked according to, not their socioeconomic importance, but to their structural weight (relative Influence/Dependence relationships), the most influential being in the first positions and the most dependent in the last positions. In this document, the Pillars are ranked or sequenced according to, not their socioeconomic importance, but their structural weight (relative Influence/Dependence relationships). This means that strategically, successful implementation and development of the most influential pillars has positive impacts and facilitates achievement of those on which they have influence. The IDP implementation is done in a coordinated and integrated approach under four clusters through combination of pillars which are closely linked and dependent to each other, as follows:

#### **Cluster 1: Governance**

The cluster combines Good governance and Leadership Development and Social Protection pillars. The Good governance and Leadership Development pillar includes service delivery, justice, youth and gender, community development and policing. The lead ministry is MINALOC, supporting ministries being MININTER, MIGEPROF, MYICT, MINIJUST, MINECOFIN and other ministries and agencies as associated members including MINISANTE, MINEDUC, MINAGRI, RGB, RSSB, Insurance companies, RALGA, RLDSF, FARG and RDRC.

### **Cluster 2: Natural Resources Management and Basic Infrastructure**

The cluster combines Resettlement, Water and Sanitation, Energy and Transport, Environment and Natural Resources and ICT promotion pillars. The coordinating Ministry is the Ministry of *Infrastructure* in close collaboration with MINALOC (especially in charge of Resettlement component), MINIRENA, MINAGRI, MYICT and MINECOFIN. Other Ministries and Agencies contribute in implementation of pillars in this cluster. These include MININTER, RDB, RNRA, REMA, RURA, EWSA, RTDA, ONATRACOM, Rwanda Housing Authority (RHA), Rwanda Resettlement Task Force (RSTF), BDF, Commercial Banks, Micro-finance Institutions, Private Sector and Civil Society Organizations.

### **Cluster 3: Agribusiness**

The agribusiness cluster comprises Land productivity and Post-harvest, Processing & Marketing pillars. The Ministry of Agriculture and Animal Resources (MINAGRI) coordinates implementation of this cluster in close collaboration with MINICOM, MINIRENA, MINEDUC, MINALOC and MINECOFIN. For effective implementation, other Ministries, Agencies and partners are consulted for their expertise. Among them are; MININFRA, MIFOTRA, RAB, NAEB, RDB, RCA, RNRA, BDF, RBS, Commercial Banks, Micro-finance Institutions, Insurance Institutions, Private Sector and Civil Society Organizations.

### **Cluster 4: Entrepreneurship and Employment**

The cluster comprises (3) Skills development, (4) Cooperative and MSMEs Development, (5) Access to Finance and Insurance and (12) Off-Farm Employment pillars. The Ministry of Trade and Industry (MINICOM) leads in the Coordination of this cluster, working closely with MINEDUC, MIFOTRA, MINAGRI, MYICT, MINALOC and MINECOFIN. Agencies are also associated in the implementation of cluster pillars namely RDB, WDA, RCA, RURA, RSSB, BNR, RNRA, BDF, RBS, Commercial Banks, Micro-finance Institutions, Insurance Institutions, Private Sector and Civil Society Organizations.

Several entities at central and decentralized levels are responsible for managing implementation of the IDP. They include:

- ▶ IDP Inter-Ministerial Steering Committee (IMSC) at Central level
- ▶ IDP Coordination Team at MINALOC level
- ▶ IDP Cluster Working Groups at Line Ministry Level
- ▶ Pillar Committee in line Ministry
- ▶ District Vice Mayors FED Committee at Provincial Level
- ▶ IDP Cluster Working Groups at District Level
- ▶ JADF Bureau at Sector Level
- ▶ CDC Bureau at Cell Level
- ▶ Development Commission Bureau at Umudugudu Level.

The IDP is funded from National budget allocations, intergovernmental fiscal transfers to local government and Local Governments' own revenues as well as from Private sector whose share in financing for economic growth is expected to increase over the entire EDPRS2 period both through PPPs and development of privately owned businesses.

The IDP Monitoring and Evaluation (M&E) framework comprises the M&E arrangements for each pillar with objective of tracking implementation of the various IDP pillars throughout the country for enhanced accountable results-based programme management. The M&E of the IDP is aligned with the M&E calendar and mechanisms put in place at the national level for the entire EDPRS2 and highlight progress and achievements of IDP, its gaps and risks as well as proposals for improvements.

#### ***3.3.6.2.2 Joint Action Development Forum***

The Joint Action Development Forum is a multi-actor platform established at the district level or at the lower administrative level called sector. A system of forums at district and sector level linked to the Ministry of Local Government and specific line Ministries at national level. The JADF is also part of a wider system of checks and balances in the planning and monitoring of services and development. The JADF aims at functional accountability in the implementation of development activities between development partners.

The joint action forums are put in place to achieve full participation of the citizens in the local development process through their representatives from the public, private and civil society. It is a space for inclusive dialogues and accountability where the voices of the people, including the marginalized and the vulnerable, can be heard and met by responsive authorities and service providers. The JADF mechanism oversees the installation of (sub-) commissions such as economic



development, education, health, infrastructure (with eventually sub commission for water and sanitation), governance. These (sub-) commissions are expected to report to the general assembly of the JADF.

### **Structure**

The JADFs select committees at district and sector level to prepare for the meetings and propose action plans for the implementation and follow up. Each committee consists of President, Vice president, Treasurer and advisors. Some JADFs also have a permanent secretariat paid by member contributions or in some cases a particular development partner active in the district.

### **Responsibilities**

Joint action is not just a task but a process that requires cooperative spirit, common agendas, a culture of working together and bearing joint ownership and responsibility for challenges, activities and outcomes.

- ▶ Joint action is important for achieving poverty reduction and good governance objectives at local level. Its basic principles are the following:
  - ▶ Collaboration among parties
  - ▶ Mutual respect, equality and confidence among actors involved in joint action
  - ▶ Engagement of all actors, crucial for combating collective problems
  - ▶ Respect for partners' identity, seeking complementary roles and synergies
  - ▶ Shared responsibility and consensus building for development decisions
  - ▶ Transparency Two main aspects of government's decentralization policy mentioned above favor the JADF:
    - Administrative reforms placing most government functions at district level and
    - Liberalization which embraces the private sector's development role.

### **3.3.7 Accountability and ownership of the priorities**

#### **3.3.7.1 Imihigo / performance contracts**

The imihigo at National level (Ministries, Districts and private sector) is composed of 2 key areas:

- Joint planning/imihigo areas e.g. exports, urbanization, job creation, etc highlighting the transformative actions to be undertaken by each institution. The overarching results/outcomes and transformational outputs required are identified and through a consultative process agreed with stakeholders building on what was done throughout the planning process.
- Core planning areas: these are the critical results that are to be delivered by a specific institution in relation to its mandate e.g. improving quality of health care for MINISANTE, improving teacher-pupil ratio for MINEDUC and implementing key projects in various sectors for Districts. Core planning result areas are not exhaustive but are specific and measurable.

The private sector plays an increasing role in the delivery of EDPRS 2. As such the transformational role of the private sector is highlighted based on discussions undertaken in the planning process. These include MoUs signed with the private sector for example on exports, new initiatives on off-grid connections, private education, affordable housing projects, improving quality of service delivery among others. Private sector representatives is part and parcel of signing and monitoring of imihigo.

Sub- District level imihigo is composed of community-specific priorities as well as key cross cutting national priorities such as; addressing drop outs, subscription to a medical insurance scheme, maintaining security, addressing malnutrition and promoting hygiene and sanitation among others. Communities lead in identifying the issues that are relevant and priority to them while MINALOC identifies the issues that are of national importance that are to be integrated.

### 3.3.7.2 Principles of imihigo

Results-oriented – focus is not on processes and routines but on what is to be delivered,

Coordination - promoting joint planning across Ministries, Districts and the private sector. Taking collective responsibility to deliver, holding each other accountable and motivating each other to deliver,

Transformational - innovative, challenging and impactful,

Sustainable - ensuring the key foundational things are given attention and results achieved in the past are not compromised,

Spurring Excellence: the spirit of competition to achieve outstanding things

- Accountability: value for money and efficiency are given high importance
- Clear - easy for everyone to understand what needs to be done and by whom
- Timely – finalized in a timely manner to allow appropriate allocation of resources and sufficient time to begin implementation

### 3.3.7.3 Reforms under the second generation of imihigo

These principles and lessons learnt suggest the following reforms to the process to deliver the next generation of imihigo:

- Imihigo preparation follows clearly from the annual planning and budgeting process<sup>18</sup> to ensure that deliverables have been fully thought through and match budgets and resources.
- Focus on medium term results or outcomes. Imihigo to be annual but with a focus on medium term results for two years where applicable. Some actions implemented today have an impact in subsequent years; this distinction is made in the revised imihigo.
- Introduction of Joint Signing of higher level imihigo by Ministers, District Mayors and the private sector where relevant, to promote enhanced coordination and peer monitoring. These higher level imihigo is defined annually as critical areas of focus required for fast delivery of the Country's development and poverty reduction aspirations.
- Increased involvement of clusters in the development and quarterly follow up of Imihigo. Cluster leads coordinate the monitoring of imihigo and joint responsibility on targets to create positive energy for delivery.
- Imihigo preparation at district level to have more engagement of the citizenry with a robust communication plan that climaxes in the Mayor's presentation and signing of imihigo before the citizens. This promotes ownership and reignite the spirit of imihigo ownership critical to delivery.

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<sup>18</sup> As set out in the Annual Planning and Budget Calendar established by the Organic Budget Law on state finance and Property.

- Sub-District level imihigo to be revived to allow households, communities and leaders to work together to address specific development issues facing them and to stimulate the spirit of home grown solutions.
- Introduce an innovative reward system e.g. Replace trophies with rewards such as a specific budget allocation for community projects, rewarding most innovative community.

#### **3.3.7.4 Joint imihigo coordination framework**

Imihigo 2 coordination framework entails a distinct lead Institution under each level of Imihigo process from preparation, to monitoring and evaluation together with partners well clarified.

**Preparation:** The Ministry of Finance and Economic Planning (MINECOFIN) ensures that strategic interventions agreed upon during the annual planning and budgeting process form the basis for imihigo priorities. MINECOFIN also coordinates the process of Imihigo preparation. This is done in close collaboration with other members of the National Imihigo Coordination Team include Strategic Policy Unit (SPU) in the Office of the President, Government Action Coordination Unit (GACU) in the Office of the Prime Minister and the Ministry of Local Government (MINALOC). MINALOC guides the preparation of sub-District imihigo and issue detailed guidelines and timeframes for the conduct of the exercise in line with the national roadmap.

**Monitoring:** Imihigo monitoring entails quarterly tracking of progress to ensure that implementation challenges are identified and rectified on time and thus avoid stalling of projects and National development in general. MINECOFIN tracks progress quarterly through established mechanisms such as the Dashboard and the Government Command Center as well as a bi-annual review of progress including field visits. Progress is then discussed by Clusters based on this information. The cluster lead Minister is responsible for collection of progress reports on imihigo deliverables as well as holding cluster members accountable for their roles. Cluster leads highlight areas where specific institutions may hamper cluster performance and measures taken to address challenges observed during monitoring. MINALOC provides a monitoring framework for sub-District imihigo.

**Evaluation:** Imihigo evaluation is performed by an independent and competent firm to provide external opinion as well as recommendations for continued improvements. Although Ministries and Districts are till assessed on their individual imihigo, ranking is given less emphasis. Instead, each gives an honest assessment of their successes and failures, and the lessons learned. Imihigo at sub-District level is evaluated by the communities themselves and administrative entities such as the Village, Sector and the Cell.

**Technical Working Groups:** Technical Working Groups representing the relevant institutions are responsible for each Joint Imihigo, as follows (head of the Working Group in italic):

Exports: *DG Planning MINICOM* and IDEC Technical Group, LODA, PSF

Agriculture: *DG Planning MINAGRI*, DDG NAEB, DDG RAB, Director Planning RTDA, DG Trade MINICOM, PSF Chamber for Agriculture, LODA.

Energy: *Energy Division Manager, MININFRA*, Director of Planning REG, WASH coordinator MININFRA, LODA, DG Industry MINICOM, Head of Manufacturing Division RDB, Chamber for Energy PSF, LODA.

Job Creation: NEP technical committee (includes PSF), LODA.

Urbanization and Improved Settlement: *DG Planning MININFRA*, Principal Urban Planner, DG and Head of Division Rural Settlements RHA, DG Planning MINALOC, Directors of Planning in RTDA, WASAC and REG, Director Planning MINIRENA, DDG Land RNRA, DDG RMF, PSF Chamber of Real Estate Developers, LODA.

Social Protection: *DG Social Protection MINALOC*, DG Planning MINAGRI, Coordinator of Girinka programme RAB, DG Planning MINISANTE, DG Planning MINEDUC, DG REB, Director Planning MIDIMAR, Director Planning MIGEPROF, LODA.

Service Delivery: *DG Territorial Administration MINALOC*, Director Research RGB, RDB, Director Planning MIFOTRA, DG ICT MYICT, LODA.

Each group is supported by focal points in MINECOFIN Planning, GACU/PMO and SPU.

### **3.3.7.5 Evaluation**

This stage refers to the systematic assessment of the impact of an on-going or completed project or program, its design, implementation and results. It is the process of determining the worth or significance of an activity, policy or program. An evaluation provides information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors.

To measure the level of achievement of different programs vis a vis set targets in different strategies including MDGs, various surveys and census are conducted by NISR mainly but also by other line institutions. The Population census, the EICV, DHS, Establishment census, Enterprise survey etc are conducted at different intervals to assess the performance vis a vis selected targets. Sector Working Groups (SWGs) commission and manage evaluations, including *ex ante* evaluations to assess whether planned programmes and projects can be easily evaluated.

### **3.3.8 Other tools for planning and evaluation**

#### **3.3.8.1 Umushyikirano/National Dialogue Council**

The word Umushyikirano translates to a meeting where participants are able to exchange ideas, share experiences and question each other. Today Umushyikirano is known as the National Dialogue Council.

As part of efforts to reconstruct Rwanda and nurture a shared national identity, the Government of Rwanda drew on aspects of Rwandan culture and traditional practices to enrich and adapt its development programs to the country's needs and context. The result is a set of Home Grown Solutions - culturally owned practices translated into sustainable development programs. One of these Home Grown Solutions is Umushyikirano.

Governed by the Rwandan Constitution (Article 168), Umushyikirano is a forum where participants debate issues relating to the state of the nation, the state of local government and national unity. The Office of the Prime Minister is responsible for the overall co-ordination of Umushyikirano.

Umushyikirano is an annual event chaired by the President of Rwanda that gives Rwandans from all walks of life the opportunity to ask questions directly to their leaders. The event is attended by members of the Cabinet and Parliament, representatives of the Rwandan community abroad, local government, media, the diplomatic community and others invited by the President. Those unable to attend in person at Rwanda's parliament building can participate via telephone, SMS, Twitter and Facebook as well as follow the debate live on television and radio.

Umushyikirano aims to be a leading example of participatory and inclusive governance. It is hoped that by directly engaging with their leaders, Rwandans feel part of the decision making that affects their lives. Umushyikirano also serves as a forum for Rwandans to hold their leaders and government to account.

Each year about one thousand people attend the event in person, while thousands more follow the proceedings through live TV coverage, online and radio. At the event, Rwandans have the opportunity to ask questions of their leaders. Each Umushyikirano has a theme and participants are asked to pose questions related to that theme or any other development issue. Once a participant has asked a question, either in person, via Twitter, Facebook, SMS, the web or phone, the leader responsible for that area responds. All questions asked are recorded. e.g.: in 2012, a total of 11,127 questions, comments and proposals were received. The main achievements of Umushyikirano are considered to be the participation of Rwandans in national decision making and the fast-tracking of government programs and citizen priorities based on the resolutions tabled each year.

### **3.3.8.2 National leadership retreat**

The national leadership retreat (nlr) provides yet another unique opportunity for leaders to reflect on Rwanda's progress and identify concrete strategies to accelerate the achievement of national priorities. The retreat therefore discusses sectors that still require improvement in delivery of leaders' promise at all levels to Rwandans. Against this backdrop, imihigo as a key pillar of Rwanda's governance is discussed to examine how accountability measures can be improved by linking imihigo to growth targets. The retreat usually takes place at the end January, early February and is chaired by his Excellency the president of the republic of Rwanda. So far, 12 national leadership retreats have taken place.

#### 4. KEY OPPORTUNITIES AND ENABLING ACTIONS

There exist opportunities for integrated development in different sectors in Rwanda. These include but not limited to:

##### **Agriculture**

Rwanda's economy is heavily dependent on the agriculture sector, and the agricultural sector is identified as one of the main motors for growth under Vision 2020 and EDPRS-II (MINAGRI, 2013a). The development of the sector is primarily guided by Rwanda's Strategic Program for the transformation of Agriculture III (PSTA III) which is complemented by other strategies, such as the National Post Harvest Staple Crop Strategy (PHSCS) and National Export Strategy. Rwanda Green Growth and Climate Resilience Strategy highlights key programs and strategic actions which would see the agriculture sector contributing to the achievement of the green growth agenda. Opportunities exist in the implementation of these programs and the strategic actions as stipulated under the same strategy. In this sector, opportunities could be found in initiatives aiming at:

- Scaling up land and water husbandry practices under the crop intensification program to reach 100% coverage in land conservation, increase hill side and small scale irrigation while minimizing the expansion of irrigation in marshlands and the rehabilitation of existing irrigation schemes to improve water use efficiency and productivity;
- Mainstreaming Agro-ecology Practices into the Ongoing Crop Intensification Program with focus of soil fertility management, improvement of soil quality and research oriented to agro ecology practices. This will improve the soil quality and fertility, improve the efficiency of inorganic fertilizers through an integrated soil nutrient management, and reduce soil acidification and pollution of waterways;
- Strengthening the National Post Harvest and Value Addition Capacity through support to private entrepreneurs in value addition and post-harvest loss reduction and in exploring new niche markets for sustainably produced products. This will contribute to the creation of new jobs, contribute to import substitution and improve farmer's income.

Other opportunities exist in developing and adoption of new strategies aiming at using more efficiently its limited resources, adapting to climate change, reducing gas emissions and sustaining social, economic and environmental benefits for its population. Rwanda will continue to invest in its Crop intensification program to sustain the current growth but at the same time test and introduce new green technologies that can contribute to increase the performance of the program.



## Energy

As of 2012 only about 18% of households in Rwanda have access to electricity, of which over 90% comes from the Rwanda Energy Group (on-grid). Of these 67% of urban households have access to electricity, but only approximately 7% of rural households. This indicates a large deficit in access to electricity across the country (NISR, 2014).

Existing electricity generation capacity in Rwanda stands at 156 MW in 2014 and expected 174MW in 2015, and based on current in-progress planning is expected to reach 611 MW by the end of 2018. This consists of the following generation capacities as defined in the Sustainable Energy for All Action Agenda for Rwanda (MININFRA, 2015).

Future generation capacity in Rwanda is primarily expected to consist of a mix of generation from hydro, diesel/HFO, methane, peat, solar, and imports. Though there is planning for additional generation from geothermal, biogas, and solid waste based sources (AfDB, 2013). Peat is seen as an abundant domestic energy resource in Rwanda with an estimated reserve of 155 million tons of peat and theoretical potential for power generation of 1,200 MW (MININFRA, 2015). Peat is expected to contribute significantly as a fuel for power generation in Rwanda. With current planning of 130 MW installed capacity through 2017, and an additional 100 MW beyond that.

Increasing the share of renewable sources in the Rwandan electricity generation subsector is one of the main strategic actions planned under the Rwanda's Green Growth and Climate Resilience Strategy for the energy sector. Opportunities exist in all initiatives (actions, programs and strategies) aiming at:

- Minimizing fuel imports by shifting diesel and HFO plant away from base load generation to run during peak hours only;
- Reducing environmental impacts by shifting away from peat-fired generation;
- Promoting energy efficiency as an essential element to Rwanda's energy strategy which is needed to ensure that energy supply and access targets can be met at an affordable cost.
- Promoting off grid solutions in rural areas thus reducing transmission and distribution costs in rural areas.

## Services

The GoR has invested in reducing the proportion of Rwandans working in agriculture by increasing off-farm employment opportunities. Most unproductive jobs are in the agricultural sector. In 2001, the EICV1 survey showed that 85% of the working population was classified as subsistence farmers as their main job (EICV 1). This progressively declined to 71% in 2006 (EICV2) and 65% in 2011 (EICV3). This trend shows that there is progress in creating formal off-farm jobs. While economic growth over the last decade has created more productive jobs, most employed Rwandans remain in

underemployment (i.e. employment that offers too little income to afford decent living). Under the EDPRS 2, the government plans to strengthen the linkages between the rural and urban economies. However, it needs to pay more attention to socio- cultural barriers. Transforming the rural economy into a commercial cash economy requires more than investing in infrastructure and other economic fundamentals. To break the socio-cultural barriers that constrain economic development, the government and its development partners will have to invest more in increasing general and functional literacy, establishing a savings culture, and increasing the labour productivity of rural workers. Despite Rwanda's homogeneity, these issues tend to be localized, which underscores the need to strengthen decentralization especially implementation of the LED strategy. Exposure will be very critical to changing mind-sets, so that people can develop the interest, will and confidence to doing what is needed to diversify livelihoods and income sources from agriculture. Small businesses provide one of the few opportunities for women to diversify away from agriculture (Strode *et. al.*, 2009). It is important to help them identify appropriate opportunities, empower them with entrepreneurial knowledge and business skills and extend affordable credit to enable them to start and manage micro-enterprises.

### **Tourism and Hospitality**

The government of Rwanda has identified the tourism sector as one of the priority export sectors in achieving Vision 2020, and as a contributor to the eradication of poverty. Tourism is the fastest growing sector in Rwanda, and the government has invested in product development and global marketing. In 2009, a 10-year Sustainable Tourism Master Plan was developed with support from the United Nations World Tourism Organization (RDB, 2012), which projected to increase tourist arrivals from about 980,000 in 2008 to over 2 million in 2020, and to triple tourism earnings from about US\$ 200 million to over US \$600 million. Projections for boosting tourism attractions through initiatives like cultural tourism and infrastructure such as the Kivu Belt Tourist Circuit, cable car in the volcanoes national parks are also enabling actions for opportunities in the tourism sector. In addition, the recent launch of a single tourist visa for visitors to the East African countries (Rwanda, Uganda, Kenya) and marketing East Africa as a single destination are expected to boost tourism development in Rwanda. Tourism presents enormous opportunities to generate off-farm jobs for all socioeconomic categories of Rwandans. Each of Rwanda's 30 districts has unique natural and cultural endowments that are potential tourist attractions. However, three out of every four tourism and hospitality business establishments are located in Kigali. For some regions notably the Eastern Province, the potential is virtually unexploited.

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## **ANNEX**

### **Annex 1: List of Stakeholders**

#### **Ministries**

MINAGRI

MINALOC

MINECOFIN

MINEDUC

MINICOM

MININFRA

MINIRENA

MoH

#### **Government agencies**

NISR

RAB

RBC

RCA

RDB

REB

REG

REMA

RNRA

WASAC

**UN agencies**

UNDP

WB

**Civil society and Private Sector**

RSDI

IPAR

PSF

## Annex 2: Questionnaire

Questionnaire for “Scoping Study on Integrating Poverty Reduction, Environmental and Economic Concerns into National Development Planning”

*Please tick the right box (es) in front of questions*

Name of the respondent.....Institution.....

Mission of the institution/organization.....

.....  
.....  
.....

### Section A: Policy framework

1. Are there integrated<sup>19</sup> strategies, policies, regulations or plans referred to when planning at national or institution level?

Yes ☐ No ☐

If yes, .....  
which  
ones? .....  
.....

2.

2. Are there strategies, policies, regulations or plans on poverty or social development referred to or included when planning at national or institution level?

Yes ☐ No ☐

If yes, .....  
which

---

<sup>19</sup> Inclusive and/or cross cutting



ones? .....

.....

3. Are there strategies, policies, regulations or plans on green economy referred to or included when planning at national or institution level?

Yes ☐ No ☐

If yes, which .....

ones? .....

.....

4. Does your institution/organization face challenges or gaps when adoption integrated policies, strategies and plans focused on poverty-reducing sustainable development?

Yes ☐ No ☐

If yes, which

ones?

## Section B: National Development Planning and Implementation

5. Does any central government entity assist your institution when defining your planning goals toward the country's overall development agenda?

Yes ☐ No ☐

If .....

yes, .....

which .....

one?

6. Are there integrated decision-making tools used when planning at national or institution level?

Yes ☐ No ☐

If yes, Long-term macroeconomic models Integrated diagnostics  
which  
one?

Threshold-21	<input type="checkbox"/>	Strategic Environmental Assessments, Poverty Social Impact Analysis	<input type="checkbox"/>
Computable General Equilibrium and Systems Dynamics	<input type="checkbox"/>	Labour Market and Economic Assessments	<input type="checkbox"/>
MDG Simulations	<input type="checkbox"/>		

7. Are there cross-sectoral policy making working groups when planning at national level?

Yes ☐ No ☐

If .....  
yes .....  
, .....  
wh .....  
ich .....  
on .....  
e? .....

8. Are there challenges in designing or adoption integrated policy making instruments at national or institutional level?

Yes ☐ No ☐

If yes, .....  
which  
ones?

9. Are there evidence of innovation approaches and mechanisms that have been adopted to address poverty and sustainability simultaneously and that have resulted in the adoption of integrated development policies, plans and strategies?

Yes ☐ No ☐

If yes .....  
examples? .....

10. Are there challenges, gaps and bottleneck to integrated policy design and adoption?

Yes ☐ No ☐

If yes, which .....  
ones? .....

11. What role does your institution play as implementation partner in achieving national development objectives?

.....  
.....  
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.....  
.....

.....

12. Which mechanisms exist to support integrated development approaches?

.....

.....

13. Does Rwanda have sufficient means to implement an integrated sustainable development agenda?

Yes ☐ No ☐

If no what .....  
mechanisms .....  
would you  
propose?

14. Are there monitoring and evaluation systems and approaches in place for integrated development approaches?

Yes ☐ No ☐

If yes how are .....  
findings being .....  
feed into policy .....  
development? .....

.....

.....

.....

.....

15. What are the challenges facing uptake and implementation and key opportunities for integrated development approaches?

.....

.....

16. How do you think can Rwanda transition to integrated development planning and implementation?

.....

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**Thanks for your cooperation**