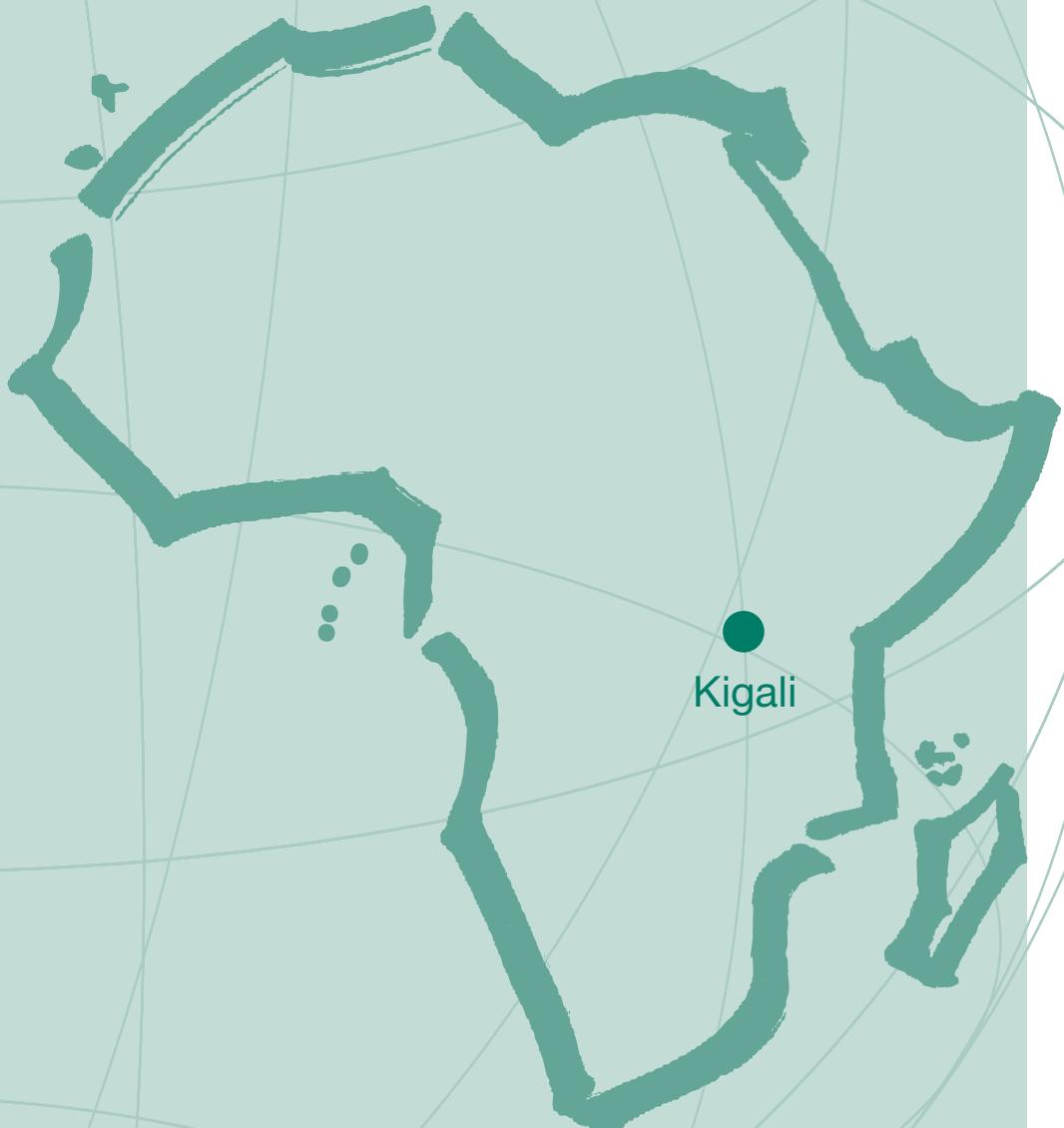


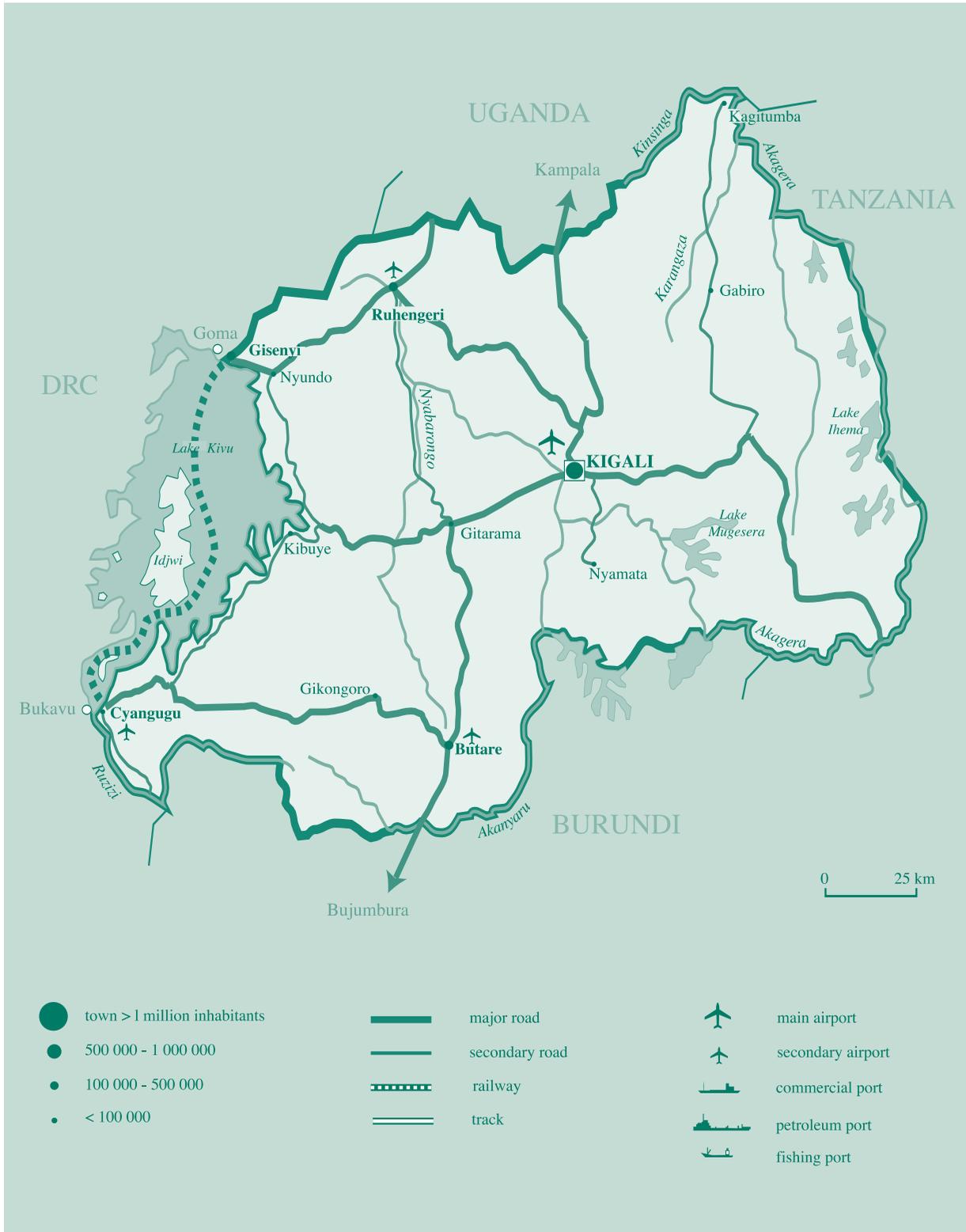
# Rwanda



## key figures

|   |       |
|---|-------|
| • Land area, thousands of km <sup>2</sup> | 26    |
| • Population, thousands (2006)            | 9 230 |
| • GDP per capita, \$ PPP valuation (2006) | 1 672 |
| • Life expectancy (2006)                  | 44.4  |
| • Illiteracy rate (2006)                  | 35.1  |

# Rwanda



# Rwanda

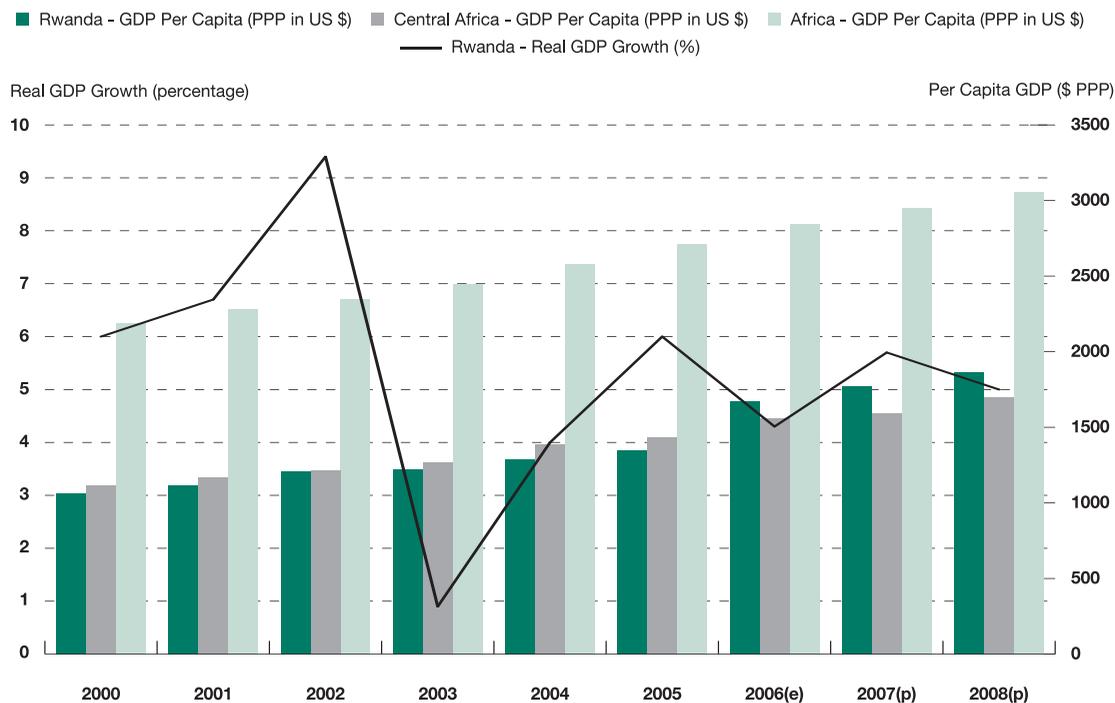
**R**WANDA HAS MADE CONSIDERABLE PROGRESS in rebuilding its economic and social infrastructure since the end of the 1994 war. Its achievements towards establishing nationwide security and a less corrupt government are acknowledged by most international donors. Real GDP grew by 6.3 per cent in 2005 and is estimated to have increased by 4.3 per cent in 2006. More robust growth is expected over the 2007-08 period based on strong performances in the mining and construction sectors. While Rwanda's recent economic performance has been encouraging, growth in output has not been strong enough to make a significant impact on poverty reduction. According to a preliminary report on poverty and living conditions in Rwanda, carried out in 2005/06, the proportion of individuals in abject poverty declined from 60.4 to 56.9 per cent

over the 2000/01-2005/06 period. Access to health services has improved and the government is likely to achieve the Millennium Development Goals (MDGs) aimed at reducing maternal and child mortality. In the education sector, increases in gross primary education and net primary school enrolment are contributing to making the target of universal primary education achievable by 2015. The government has also had substantial success in reaching the MDGs related to gender parity in primary education and containment of the spread of HIV/AIDS.

**Tax revenue has increased but so must private investment to achieve higher growth rates and the transformation of agriculture.**

In order to accelerate growth and make a lasting impact on poverty, the government is in the midst of

**Figure 1 - Real GDP Growth and Per Capita GDP**  
(\$ PPP at current prices)



Source: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/261576673650>

launching a new Economic Development and Poverty Reduction Strategy, (EDPRS), which is to follow the just completed Poverty Reduction Strategy Paper (PRSP). The EDPRS is expected to focus on ways to stimulate broad-based economic growth which are not covered in the PRSP. The EDPRS, which will be launched in 2007, provides a comprehensive analysis of the causes of poverty and focuses on six pillars: *i*) the transformation of the agricultural sector as an important objective to reduce poverty; *ii*) human development through improved education and health; *iii*) economic infrastructure; *iv*) human resources and capacity building; *v*) private sector development; and *vi*) good governance.

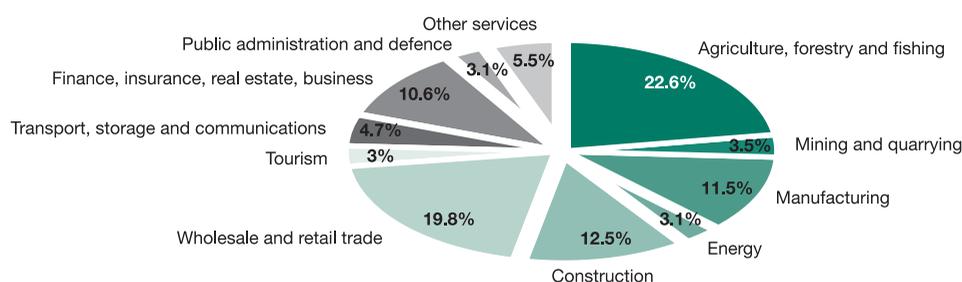
## Recent Economic Developments

Real GDP growth in 2006 is estimated to have been 4.3 per cent, down from 6.3 per cent in 2005. This GDP growth performance has been due to the healthy performance of the agricultural sector, which grew by 5.8 per cent in 2005. In 2006, agricultural output is expected to maintain its robust growth rate. This is particularly due to the fact that ample rainfall was expected in Rwanda. Growth in the economy has also been supported by the healthy performance of the mining sector and, to a lesser extent, the construction sector. Growth in the manufacturing sector on the other hand was not as strong as in 2005 due to a number of factors ranging from regional competition, to high electricity prices and interruptions in the supply of energy.

The agricultural sector accounted for 43.1 per cent of total real domestic product in 2005. Agriculture remains the backbone and most important sector of the Rwandan economy. It provides the primary subsistence livelihood for 90 per cent of the population of 9.2 million. However, the agricultural sector has undergone minimal structural transformation over the years resulting in low productivity

Agriculture in Rwanda is susceptible to the vagaries of the climate, due to the absence of sufficient irrigation and water storage systems. To address this problem, the Rwandan Ministry of Agriculture has introduced a number of medium-term measures to increase food production. First, the government intends to carry out a large scale study into the potential for rolling out a national irrigation system across Rwanda. Secondly, given that inadequate rainfall has been a major cause of poor harvests in recent years, the government is seeking the means to provide irrigation by working on hillside rain water catchment and household level irrigation methods. Thirdly, the government has plans to reclaim swampland in order to facilitate a major increase in rice production. Rice was chosen as a government priority crop in 2004, because of its limited vulnerability to rainfall and its suitability for planting in marshlands. Fourthly, the Ministry of Agriculture has instituted an ongoing programme to reduce soil erosion. In 2005, 37 per cent of the arable land was covered in the programme, followed by 50 per cent in 2006. Finally, the Ministry of Agriculture is working on several projects, including a livestock development programme, with the assistance of an NGO. The project

Figure 2 - GDP by Sector in 2005 (percentage)



Source: Authors' estimates based on National Institute of Statistics data.

<http://dx.doi.org/10.1787/722744888848>

has already provided fifteen thousand additional head of cattle, which were distributed to farmers in 2005.

In 2005, growth in Rwanda's industrial sector was a strong 11.1 per cent and appears to have been robust in 2006 as well. Manufacturing has led the way in the industrial sector with 18 per cent growth in 2005. The largest sub-sector within manufacturing was the food beverages and tobacco sector which is estimated to have experienced strong growth in 2006 as well, due, in part, to the granting of additional licenses for the brewing of alcoholic products. The performance of the other sectors was mixed for several of the larger industries. In 2005, the production of sugar increased by a sizable 61.3 per cent, electricity by 28 per cent, soft drinks by 28.8 per cent and beer by 19.3 per cent. On the other hand, cement production declined by 6.5 per cent while textiles decreased by 13.2 per cent. Cigarette production rose by 4.7 per cent. The

production of beer and soft drinks accounted for over 70 per cent of total manufacturing output. The growth in these components was attributable to increased demand for these products. Furthermore, the relative stability of the Rwandan franc during the year made it easier for producers to import raw materials. Growth in the services sector was estimated at about 6 per cent in 2005, primarily driven by the information, communication and technologies (ICT) sector and the finance and tourism sectors. In the finance sub-sector, growth in private sector credit was over 20 per cent during the year. Within the tourism sub-sector, the number of non-resident foreign visitors grew by 23 per cent in 2005. However, the total number of visitors to national parks fell in 2005, due to a reduction in the number of visits by Rwandan nationals. Nevertheless, the number of foreign visitors continued to increase. Tourism revenues grew by around 12 per cent in 2005.

**Table 1 - Demand Composition** (percentage of GDP)

|                                | 1998                                  | 2005         | 2006(e)                    | 2007(p)     | 2008(p)    |
|--------------------------------|---------------------------------------|--------------|----------------------------|-------------|------------|
|                                | Percentage of GDP<br>(current prices) |              | Percentage changes, volume |             |            |
| <b>Gross capital formation</b> | <b>14.8</b>                           | <b>19.0</b>  | <b>4.8</b>                 | <b>17.9</b> | <b>7.9</b> |
| Public                         | 6.8                                   | 10.1         | -4.0                       | 30.0        | 9.5        |
| Private                        | 8.0                                   | 8.8          | 15.0                       | 6.2         | 6.0        |
| <b>Consumption</b>             | <b>100.9</b>                          | <b>99.4</b>  | <b>5.2</b>                 | <b>4.8</b>  | <b>4.6</b> |
| Public                         | 9.7                                   | 12.6         | 5.5                        | 3.9         | 3.9        |
| Private                        | 91.2                                  | 86.8         | 5.2                        | 4.9         | 4.6        |
| <b>External sector</b>         | <b>-15.7</b>                          | <b>-18.4</b> |                            |             |            |
| Exports                        | 5.6                                   | 11.4         | 6.6                        | 5.5         | 6.7        |
| Imports                        | -21.3                                 | -29.8        | 8.5                        | 7.2         | 4.5        |

**Source:** Authors' estimates based on National Institute of Statistics data.

<http://dx.doi.org/10.1787/888040616351>

Total gross capital formation was 19 per cent of GDP in 2005 and is estimated to have increased by 4.8 per cent in 2006. Total domestic investment has recovered to its pre-war levels and is satisfactory when compared with that of the other countries within the sub-Saharan region. Since long-term sustainable growth requires private investment, the strong growth in private gross capital formation registered in 2006 and expected for 2007 and 2008 augurs well for the future.

## Macroeconomic Policies

### Fiscal Policy

The government achieved an overall surplus of 0.7 per cent of GDP in 2006 with the addition of grants. This is as a result of a strong increase in revenues and grants which were recorded at 28.2 per cent and 29.2 per cent of GDP in 2006 and 2005, respectively.

However, the government recorded a fiscal deficit of 13.4 per cent of GDP excluding grants. The increase in revenue was due to an increase in tax collection. Taxes, as a share of domestic product, rose significantly from 12.9 per cent in 2004 to about 14.7 per cent in 2005. The strong performance in tax revenue can be attributed to the comprehensive tax reforms undertaken in recent years as well as the strong improvement in tax administration and compliance. The tax reform was based on an increase of the “pay as you earn” (PAYE) tax base as well as strong 2005/06 performances in the collection of domestic taxes such as direct taxes and VAT. The robust performance in domestic taxes indicates that the revenue structure is gradually shifting from international trade taxes to more stable sources of domestic taxes such as income taxes and VAT on goods and services. The weak growth in international taxes in recent years is partly due to the flow of COMESA goods. Improved taxpayer compliance, tax administration capacity, training of staff, targeted technical assistance and the provision of computer systems and hardware have helped the tax administration to maximise revenue collection while steadily reducing the cost of tax collection. To improve further tax compliance, the government is looking at strengthening taxpayer education and service delivery functions.

Government expenditure including net lending grew strongly and accounted for 27.5 per cent of GDP

in 2006, compared to 28.5 per cent in 2005. Both current and capital expenditures grew robustly, with the former (excluding interest) accounting for 17.8 per cent of GDP and the latter accounting for 9 per cent of GDP in 2006. This was an improvement compared to 2005 when the level of exceptional expenditures had risen almost 94 per cent compared to a year earlier, and transfers had increased by 42.7 per cent. This was due to the introduction of the fiscal decentralisation law and the receipt of an increased allocation by certain districts. Net lending in 2005 was considerably lower than in 2004 as the government sought to repay the external loans of its public enterprises. Arrears payments in 2005 decreased compared to 2004.

Domestic revenue collection increased again in 2006, reflecting strong economic growth and improvements in the performance of the Rwanda Revenue Authority. However, the rate of increase was nowhere near the significant gains achieved in 2004 and 2005. This indicates that the government’s spending plans for the 2006 budget were based on the continued support of its development partners since external grants continued to account for about 50 per cent of government revenue. A fiscal surplus (including grants) of 0.7 per cent of GDP is estimated in 2006; excluding grants this surplus becomes a fiscal deficit of 13.4 per cent. With the exclusion of grants, deficits of 13.3 per cent of GDP and 14.7 per cent of GDP are projected for 2007 and 2008.

**Table 2 - Public Finances** (percentage of GDP)

|   | 1998        | 2003        | 2004        | 2005        | 2006(e)     | 2007(p)     | 2008(p)     |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Total revenue and grants<sup>a</sup></b> | <b>15.9</b> | <b>19.2</b> | <b>25.8</b> | <b>29.2</b> | <b>28.2</b> | <b>27.6</b> | <b>27.9</b> |
| Tax revenue                                 | 10.1        | 10.3        | 12.8        | 13.6        | 13.3        | 13.1        | 12.9        |
| Grants                                      | 5.3         | 8.0         | 11.9        | 14.1        | 13.4        | 13.1        | 13.6        |
| <b>Consolidated expenditure<sup>a</sup></b> | <b>18.9</b> | <b>20.2</b> | <b>26.1</b> | <b>28.5</b> | <b>27.5</b> | <b>28.8</b> | <b>28.9</b> |
| Current expenditure                         | 12.1        | 13.8        | 15.9        | 17.9        | 17.8        | 17.2        | 16.9        |
| <i>Excluding interest</i>                   | <i>11.2</i> | <i>13.0</i> | <i>14.8</i> | <i>17.1</i> | <i>17.0</i> | <i>16.6</i> | <i>16.4</i> |
| Wages and salaries                          | 4.7         | 4.6         | 4.6         | 4.3         | 4.1         | 4.0         | 3.9         |
| Interest                                    | 0.9         | 0.8         | 1.1         | 0.9         | 0.8         | 0.6         | 0.5         |
| Capital expenditure                         | 6.8         | 6.2         | 8.5         | 10.1        | 9.0         | 10.9        | 11.4        |
| <b>Primary balance</b>                      | <b>-2.0</b> | <b>-0.2</b> | <b>0.9</b>  | <b>1.6</b>  | <b>1.5</b>  | <b>-0.5</b> | <b>-0.4</b> |
| <b>Overall balance</b>                      | <b>-3.0</b> | <b>-1.0</b> | <b>-0.2</b> | <b>0.7</b>  | <b>0.7</b>  | <b>-1.1</b> | <b>-1.0</b> |

a. Only major items are reported.

Source: Domestic authorities’ data; estimates (e) and projections (p) based on authors’ calculations.

<http://dx.doi.org/10.1787/208776177301>

## Monetary Policy

Monetary policy in Rwanda is conducted by the National Bank of Rwanda (NBR). Rwanda does not participate in a regional monetary union. The objective of monetary policy is to achieve price and exchange rate stability. Energy prices experienced a significant increase of 45.4 per cent in 2005, driven by price increases in fuel and lubricants, electricity and charcoal. Despite the slowdown in inflation in 2005, money supply increased by 16.5 per cent in 2005 reflecting significant increases in the volume of net foreign assets within the banking system. Net foreign assets increased by 28.7 per cent, while credit to the economy increased by 18.6 per cent. The high growth of the money supply, which is higher than the inflation rate and real growth combined, was due to an improvement in the monetisation of the economy, caused by an expansion in the activities of the savings and credit co-operatives and other micro-finance institutions. The inflation estimate in 2006 was 6.5 per cent

During 2005, the banking system experienced excess liquidity. As a result, bank demand for foreign exchange was not enough to absorb the liquidity created by the expansion of local government expenditure. This prompted the NBR to engage in monetary intervention by increasing treasury bill issues in order to absorb the excess liquidity in the banks, while at the same time increasing NBR's reserves. Although the significant issue of treasury bills by the NBR put some pressure on interest rates, they did not rise significantly above the reference level but it was enough to have an adverse effect on credit to the private sector. The

liquidity of the banking system due to the significant volume of external resources, the good performance of the export sector and an increase in private transfers resulted in an appreciation of the Rwandan Franc (RWF). The RWF appreciated by 2.4 per cent to the dollar, 10.9 per cent to the Euro and 14.1 per cent to the British pound. The real appreciation of the RWF thereby affected the country's export diversification strategy by weakening the external competitiveness of Rwanda's export products

The gross official reserves of the central bank increased from \$14.5 million in 2004 to \$408 million in 2005 due to the significant volume of the external resources of the banking system. This covered 7.1 months of imports of goods and services. Gross official reserves are estimated to have increased to \$418.4 million in 2006, implying an import cover of 6.8 months of goods and services.

## External Position

Rwanda's current account deficit, excluding official transfers, decreased slightly from 19.4 per cent of GDP in 2005 to around 19.1 per cent of GDP in 2006. No significant change is expected in 2007 and 2008 and the current account deficit, excluding official transfers, is projected to average about 20.1 per cent of GDP.

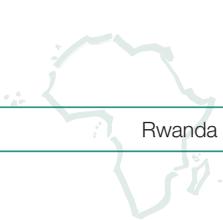
Total exports increased from \$97.9 million in 2004 to \$125 million in 2005 and are projected to have increased to \$137 million in 2006. Coffee is currently the most important export crop in Rwanda, with tea coming a close second. In 2005, coffee and tea together

Table 3 - **Current Account** (percentage of GDP)

|                                | 1998        | 2003         | 2004        | 2005        | 2006(e)     | 2007(p)     | 2008(p)     |
|--------------------------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Trade balance                  | -8.6        | -9.9         | -9.7        | -10.7       | -10.5       | -10.1       | -10.0       |
| Exports of goods (f.o.b.)      | 3.2         | 3.7          | 5.4         | 5.8         | 6.0         | 5.7         | 5.7         |
| Imports of goods (f.o.b.)      | 11.8        | 13.6         | 15.1        | 16.5        | 16.4        | 15.8        | 15.7        |
| Services                       | -7.1        | -7.6         | -7.5        | -7.8        | -6.8        | -6.3        | -4.1        |
| Factor income                  | -0.4        | -1.8         | -1.8        | -1.3        | -1.1        | -0.6        | -0.6        |
| Current transfers              | 9.8         | 8.7          | 16.3        | 16.2        | 14.2        | 12.0        | 11.1        |
| <b>Current account balance</b> | <b>-6.2</b> | <b>-10.6</b> | <b>-2.8</b> | <b>-3.5</b> | <b>-4.2</b> | <b>-5.0</b> | <b>-3.6</b> |

Source: Domestic authorities' data; estimates (e) and projections (p) based on authors' calculations.

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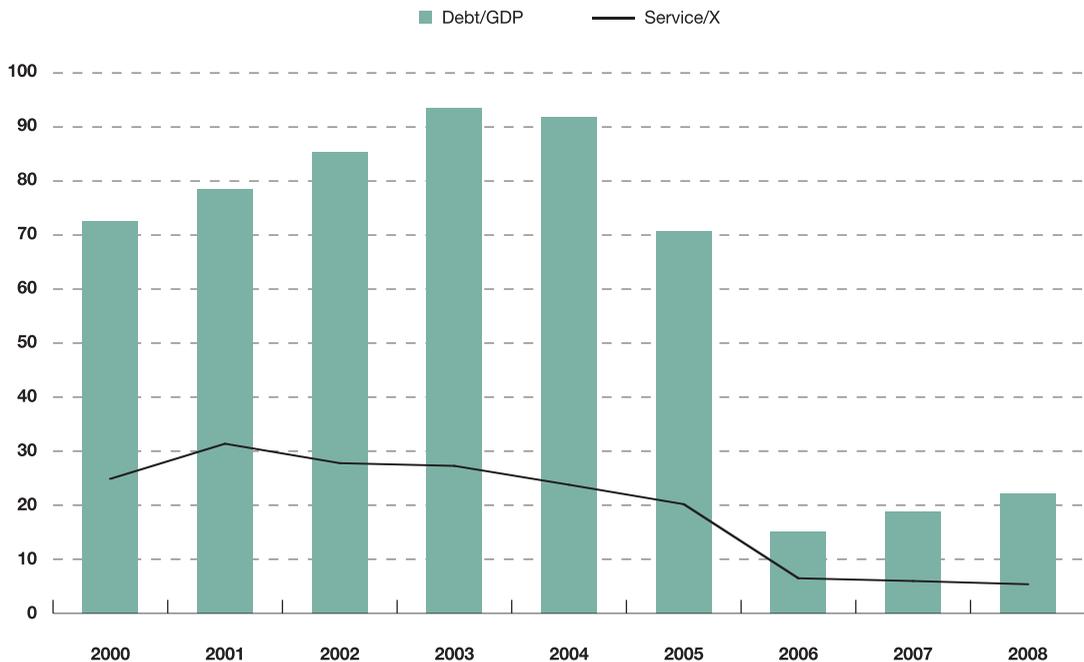


accounted for 50 per cent of export receipts. The coffee harvest declined in 2005 because the coffee trees needed to regenerate after the bumper harvest in 2004. There was a substantial improvement in the average price of coffee, around 71.8 per cent, leading to a substantial rise in the export value of Rwandan coffee. The price of tea remained stable at \$1.6/kg, while growth in the value of tea exports rose from \$21.6 million in 2004 to \$24.4 million. This was due to a larger tea harvest. Cassiterite and coltan both accounted for about 30 per cent of exports. There was a significant increase in the value of cassiterite exports which increased from \$15.9 million to \$ 17.9 million as a reduction in price was compensated by an increase in volume. A robust increase in production, coupled with a reasonable increase in price, enabled the exports of coltan to rise from \$13 million in 2004 to \$29.8 million in 2006. The total value of Rwanda's exports of goods swelled by \$23 million, with wolfram contributing \$2.6 million, while re-exports contributed \$17 million and other

products contributed \$3.2 million. Imports soared over the 2004-05 period rising from \$275.9 million in 2004 to an estimated \$440.5 million in 2005, representing an increase of 29.9 per cent. As a result, Rwanda's trade deficit increased from 9.7 per cent of GDP in 2004 to 10.7 per cent of GDP in 2005. The trade deficit is estimated to have been 10.5 per cent of GDP in 2006 and is expected to remain at about the same level in 2007 and 2008.

In April 2005, Rwanda reached the completion point of the Enhanced Highly Indebted Poor Countries' (HIPC) Initiative. As a result, Rwanda became eligible for debt relief of \$1.4 billion in nominal terms under the Multilateral Debt Relief Initiative (MDRI). Total external debt, after relief, is projected to be \$354 million by the end of 2006, which compares to \$1.5 billion by the end of the previous year. In terms of GDP, this represents a decrease from 70.7 per cent in 2005 to 14.8 by the end of 2006.

**Figure 3 - Stock of Total External Debt** (percentage of GDP) **and Debt Service** (percentage of exports of goods and services)



Source: IMF.

<http://dx.doi.org/10.1787/201835431743>

## Structural Issues

### Recent Developments

Rwanda is now engaged in an ambitious privatisation exercise. This follows years of strong government involvement in many aspects of the economy. The government is now embracing the private sector with deliberate and systematic policy. Private businesses, schools, universities and tour farms are now competing with state-owned enterprises. The government's privatisation programme started with the enactment in 1996 of Law No.2 on Privatization and Public Investment. As of end-December 2006, 70 out of a total of 104 public enterprises have been privatised, four have been removed from the list and 14 remain to be privatised. In addition, the management of two other companies had been contracted out. Most of the privatised enterprises were small, with a few exceeding \$1 million in sale price. The privatisation of the telecommunication company, Rwandatel, is the largest to have taken place. Rwandatel was bought by Terracom Sarl, a US Company, for \$20 million. Several enterprises have also been liquidated. The assets of three of these enterprises have been sold for \$2 million. The enterprises which are at an advanced stage of privatisation in 2006 include three rice factories (Rwamagana, Gikonko and Bugarama), which were attributed to three co-operatives. The buyers have entered into a joint venture with an Australian economic operator who will invest \$1.5 million to rehabilitate and modernise the Rwamagana and Gikonko rice factories. In addition, the two tea plantations and factories of Rubaya and Nyabihu, in the West Province and the Hotel Regina of Gisenyi as well as the Guest House Urumululi Lodge of Byumba in the hotel and tourism sector have been sold. Others were the cement factory of Rwanda (CIMERWA), the Gatumba mine concession, some SMEs, notably two banks, the State-owned mining company REDEMI, and the State's 30 per cent stake in Bralirwa, a brewery which is one of the largest businesses in the country. The privatisation exercise has increased government revenue and freed up resources. More important, the private sector firms have made huge investments of capital and technical know-how which benefit Rwandans.

The most ambitious public sector reform currently being undertaken by the Government of Rwanda is the widespread programme of reform of the national public finance management system, which includes an expansive decentralisation process. The purpose is to enhance the government's ability to use public expenditure to achieve its objectives for growth and poverty reduction established in Vision 2020 and the EDPRS.

The government's 2007 budget was released in November 2006. Infrastructure, communications and transport have been accorded the highest priority, followed by energy, water and sanitation, soil protection and Community Development Fund (CDF) infrastructure. In transport and communication, Rwanda plans to reinforce international trade by modernising the road, river and lake networks. Major modernisation projects to be carried out by 2015 are the Kanombe and Bugesera airports and the Kigali-Isaka railway. In terms of river and lake transport development, the government plans to make Lake Kivu and other lakes like Akagera navigable. The rehabilitation of road, river, lake and air transport is crucial to the country's economy in view of the high cost of transport.

The Rwandan government considers the development of the private sector a key element in its economic development and poverty reduction strategy. The government believes that the private sector should be the engine of the economy's growth. Rwanda's private sector is small but growing. The sector consists of family businesses, small and medium-sized enterprises (SMEs), a few large companies and co-operatives. The Rwanda Private Sector Federation (RPSF) is playing an important role in building a successful Rwandan private sector, as is the centre for the support to small and medium-sized enterprises (CAPMER). RPSF nurtures the private sector, providing business development services and working together with other stakeholders to promote the creation and development of SMEs.

According to the World Bank's "Doing Business Index" for Africa, Rwanda has a relatively good business

climate in comparison to its East African neighbours and is in first place in the index for business creation. Business procedures in Rwanda are quick and efficient, although the cost is significantly higher than elsewhere. Registering property in Rwanda is also easy. The small number of procedures required allows for faster processing at relatively modest cost. Rwanda is ranked as less business friendly in terms of employment practice, however, coming second only to Tanzania for employment rigidity and second to none for redundancy costs. The enforcement of contracts in Rwanda is still difficult.

In the financial sector, there were several developments in the supervision and regulation fields in 2005 which aimed to improve the sector's efficiency. Several new licenses were issued to Micro Finance Institutions (MFI). In addition, following agreement on the Financial Sector Assessment Programme (FSAP) with the World Bank and IMF, the central bank is taking steps to strengthen banking supervision. In particular, amendments to banking law were submitted to parliament in September 2006 with the objective of bringing the legal framework for banking supervision into line with international practices.

To help improve agricultural performance, the government has elaborated a strategic plan to reform and promote the sector. The objectives of the plan are: *i)* to reinforce professionalism and specialisation; *ii)* to select export and other priority crops and to regionalise their production so as to reduce production costs and optimise comparative advantages; and *iii)* develop partnerships with the private sector so as to encourage its participation in agricultural transformation.

In the field of national resource management, a new land law called "the organic law" was finally adopted by parliament and signed into effect in 2005. The law exempts agricultural land from taxes. Progress has also been made in land planning and management through better mapping and the creation of a land use database and this has led to less bureaucracy in acquiring title deeds. In the environment area, the "environment organic law" was adopted by parliament and the law establishing the Rwandan Environment Management Authority is currently being debated in the Senate.

## Access to Drinking Water and Sanitation

Rwanda can be characterised as a country subject to water stress with a supply of renewable water per capita of 1 104 m<sup>3</sup> in the period 2004-07. The government of Rwanda has progressively sought to improve water supply and sanitation management since 1999, when it held the first consultation on water and sanitation in the country. A revised National Water Policy was adopted in 2004. Programmes have been developed and prioritised within the Economic Development and Poverty Reduction Strategy, (EDPRS), and targets developed for the MDGs by 2015.

The national water and sanitation strategy is best illustrated in the government's dynamic new policy, whose objectives are *i)* to increase access to safe drinking water; *ii)* to extend access to sanitation services; *iii)* to manage the water resources in a sustainable and integrated manner and; *iv)* to reinforce human and institutional capacity. Responsibilities will be delegated to communities and districts. Decision-making will be decentralised; restricting the focus of the central government to planning, regulation, promotion, monitoring and oversight. With active community participation at all stages of the project cycle, the government wants to ensure a demand-driven approach.

The 2005/06 Integral Survey on Households' Living Conditions (EICV2) survey concluded that 64 per cent of the population had access to safe drinking water in 2005, while access by the urban and rural population to safe water was estimated at 66 per cent and 57 per cent, respectively. With respect to improved sanitation services, the rate of access in 2005 is estimated at 8 per cent for rural areas and 10 per cent for urban areas.

The government of Rwanda has identified water and sanitation as one of its top priorities in its Vision 2020 programme and Economic Development Poverty Reduction Strategy (EDPRS). It aims to increase the rate of access to drinking water for both urban and rural populations by 85 per cent by 2015, and 100 per cent by 2020. With respect to sanitation services, the objective is to increase the rate of access for both urban and rural areas to 65 per cent in 2015 in keeping with

the MDGs and to provide universal access to improved sanitation by 2020. It is estimated that \$820 million will be needed to achieve the MDGs. As a step in that direction, Rwanda's public investments in water and sanitation doubled in 2006 from an already reasonable level of about 1 per cent of GDP in 2005.

In a bid to mobilise external resources, a joint task force has been setup around the water and sanitation sector strategy. With the government already having doubled its budgetary commitments to the sector, there

is strong donor support led by the World Bank, the African Development Bank (AfDB), the UK Department for International Development (DFID) and the Dutch and Belgian governments among others. The AfDB for example has recently committed \$18 million for rural water supply and sanitation initiatives. The government has also streamlined Electrogaz, a national water and utility agency, and agreed a five-year contract for its management with a private sector operator in an effort to reduce costs and improve service delivery.

**Table 4 - Household Access to Drinking Water and Sanitation by Source/Type**  
(percentage)

|                                 | City of Kigali | Other Urban  | Rural        | National     |
|---------------------------------|----------------|--------------|--------------|--------------|
| <b>Drinking water source</b>    |                |              |              |              |
| Free public standpipe           | 5.4            | 25.5         | 29.9         | 27.7         |
| Protected spring                | 5.0            | 12.3         | 22.7         | 20.5         |
| Purchased from vendor           | 53.1           | 26.5         | 8.8          | 13.6         |
| Electrogaz                      | 18.0           | 9.5          | 0.2          | 2.3          |
| <b>Subtotal</b>                 | <b>81.6</b>    | <b>73.7</b>  | <b>61.6</b>  | <b>64.2</b>  |
| River/stream/lake/pool          | 5.7            | 12.7         | 19.4         | 17.8         |
| Unprotected spring              | 4.7            | 4.6          | 10.2         | 9.3          |
| Bore hole                       | 6.3            | 7.0          | 6.0          | 6.1          |
| Plain well                      | 0.5            | 1.1          | 1.6          | 1.5          |
| Other                           | 1.2            | 0.8          | 1.1          | 1.1          |
| <b>Subtotal</b>                 | <b>18.4</b>    | <b>26.3</b>  | <b>38.4</b>  | <b>35.8</b>  |
| <b>Total</b>                    | <b>100.0</b>   | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |
| <b>Sanitation facility type</b> |                |              |              |              |
| Enclosed pit latrine            | 80.3           | 63.1         | 55.1         | 57.7         |
| Open pit latrine                | 11.6           | 26.9         | 37.7         | 34.8         |
| None                            | 2.1            | 7.0          | 6.7          | 6.4          |
| Flush toilet                    | 6.0            | 2.8          | 0.2          | 0.8          |
| Other                           | 0.1            | 0.1          | 0.3          | 0.3          |
| <b>Total</b>                    | <b>100.0</b>   | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

Source: EICV2 (December 2006).

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## Political Context and Human Resources Development

One of the major indications of Rwanda's determination to pursue good governance has been its commitment to the African Peer Review Mechanism (APRM). Rwanda completed the peer review process at the 5<sup>th</sup> Summit of the APR Forum in Banjul, the Gambia, in June 2006.

In order to bring service delivery and democratic processes closer to the grass-roots, the government introduced and implemented a new territorial and administrative policy in 2005. The policy reduced the number of provinces from 11 to five, the number of districts from 106 to 30, and the number of sectors from 1545 to 450. Coupled with progress on governance and decentralisation, these changes facilitated the organisation of the local and municipal elections in February 2006.

Pursuing the process of healing and reconciliation, the government officially reversed its long-standing support for the death penalty and decided to push for its abolition in 2006. A bill to that effect was passed in January 2007 which will save the lives of more than 600 people convicted of genocide.

At regional level, the Congolese government's efforts against the anti-Rwandan government militia based in Democratic Republic of Congo have somewhat reduced tension between the two countries. There are also increasing signs of rapprochement with Uganda. There was the possibility of a visit by the president of Uganda in early 2007 to strengthen relations. Despite ethnic tensions, relations with Burundi are also warmer than at any period since independence. Both governments have a shared interest in bringing peace to their countries.

In the field of governance, there have been a number of achievements in recent years. A primary one has been activation of the second phase of the government's five-year decentralisation programme, which is intended to enhance the population's participation in decision-making processes. It will allow for a better allocation of resources in favour of local government. Disbursements from the Common Fund, one of the main sources of financing to the districts, were, however, below expectations. This hampered the efficient running of the rural administrations since the rural districts could not mobilise sufficient resources to run their operations given their lack of an adequate local economic base to generate their own revenues in order to support administrative overheads. Other achievements include: a national summit organised by the National Unity and Reconciliation Commission (NURC) in May 2004, to bring 1 000 Rwandans together to review progress in reconciliation and debate the way forward; elaboration by the NURC of a new action plan in July 2004; the training of more than 720 community volunteers around the country to help NURC promote reconciliation at local level; and, in June 2006, the release for country-wide consultations of a draft National Policy on Unity and Reconciliation.

In spite of its record on governance, the Rwandan government's international standing and its support

from Western countries have waned because of concerns about political liberty at home and the government's controversial involvement in the east of the DRC. These concerns have also been echoed by the 2005 report of the African Peer Review Panel of Eminent Persons (APR Panel) on Rwanda, which was gentler on the government than previous documents have been. However, the APRM still called for the political scene to be more open to competing ideas. Nevertheless, donors commend the government for its relatively good record on poverty reduction and economic governance reforms.

Rwanda continued to make progress on gender issues and on poverty reduction. The country's first Interim Poverty Reduction Strategy Paper (IPRSP) in 2000 hardly addressed any gender issues, even though women accounted for some 60-70 per cent of the post-genocide population. The 2000 paper glossed over women's needs in the post genocide era. Today, more than a decade after the genocide and despite the government's efforts, Rwanda ranks 122<sup>nd</sup> out of 140 countries in the 2005 UNDP gender-related development index. This shows that there is still more work to be done in order to narrow gender gaps. Nevertheless, the PRSPs launched in 2002 and 2004 and the current EDPRS are among the most gender-sensitive documents ever produced.

The systematic mainstreaming of gender issues in these papers and the commitment of the Rwandan government to their attainment is promising. Nevertheless, major challenges still exist. Some of these challenges include: lack of integration of gender in policies, programmes, laws and projects; lack of gender expertise at all levels; insufficient development of gender-related performance indicators: the continuing weak socio-economic and political status of women; insufficient gender-specific data in all areas and a lack of action on gender issues on the part of institutions.

In order to address these challenges, the government has been pursuing a number of key policy objectives since 2004. First, it is seeking to ensure that gender problems are systematically integrated in government policies and sectoral programmes at local and national

level. It has put into place mechanisms aimed at co-ordinating and popularising gender policies. Gender focal points, equipped with knowledge on gender integration, are already operational in ministries and other institutions. Gender promotion strategy databases have been created to allow for an effective system of follow-up and evaluation using gender-specific data. Secondly, to promote a legal framework guaranteeing gender equality and equity in all aspects of life, existing legislation relating to women has been revised and new laws for the promotion of women's equality have been proposed. Public awareness campaigns are improving comprehension of the laws; new programmes for the promotion of women are operational; the capacities of women's councils and associations have been strengthened through the provision of suitable working facilities. Thirdly, there is a need to establish mechanisms to co-ordinate the work of all the principal figures involved in the promotion of gender equality and the strengthening of women's capacities.

Although poverty remains pervasive in Rwanda, some progress has been made in reducing it, notably in the domains of health, education and HIV/AIDS. According to a preliminary poverty update report conducted over the period 2005-06, poverty has declined due to growth in consumption per capita in real terms at an average rate of 3 per cent. Based on comparable measures of consumption and poverty lines, the surveys indicated that the proportion of individuals in poverty declined from 60.4 to 56.9 per cent over the period 2000/01-2005/06. Extreme poverty also declined. While poverty has decreased, economic growth in recent years has been associated with an increase in inequality. The Gini coefficient, which measures inequality, has increased from 0.47 to 0.51, suggesting that growth was unequally distributed. Poverty declined most in urban areas in proportional terms. In the rural areas, poverty declined from 66.1 per cent to 62.5 per cent.

Progress in rural areas is critical to having an overall impact on poverty since 90 per cent of the poor inhabit the rural areas. Uneven distribution, coupled with high levels of inequality, moderated the impact on poverty reduction. The ownership of many durable

goods has increased, although many items remain rare. Poorer households increasingly own such basic items as radios. Some 53 per cent of households now own a radio, although only 6 per cent own a telephone. The proportion of the population living in female- and widow-headed households has declined. Poverty levels in these groups are higher than average, but have declined by more than in the population as a whole.

Notable improvements have also been made in health, education and housing. In the health sector, the frequency of medical consultations has increased marginally, despite a rise in the incidence of reported illness. However, the use of ante-natal services has increased significantly and differences in utilisation between poorer and less poor households have narrowed. Some 47 per cent of individuals are now covered by health insurance, the vast majority by mutual insurance arrangements. This seems to have substantially reduced out-of-pocket payments for health care. Users are satisfied with government services. Satisfaction is highest in district administrations with respect to primary education and health services. Satisfaction is lowest, however, on drinking water supplies.

Significant progress has been made in education. Enrolment in primary schools has increased substantially from 74 to 86 per cent over the period 2000/01-2005/06. Both the urban and rural populations have witnessed an increase in enrolment rates. However, many children in primary schools are above the official primary school age range, due to late entry and delays in their schooling. A small fraction of children complete primary education and go on to secondary education. The secondary school net enrolment rate has shown only a small increase over the period, from seven to 10 per cent. In the rural areas, only 8 per cent of children aged 13 to 18 years are in secondary education. Household expenditure on primary school students has remained roughly constant after adjustment for inflation at an average RWF1 845 per student per year. Uniforms are the largest single element of educational expenditure. The cost of secondary schooling is much higher, with households spending an average of around RWF68 000 each year on secondary school students.

Wealthier households spend much more than poorer households on secondary schooling.

In housing, the survey revealed that the number of dwellings has increased by 280,000 during the period 2000/01-2005/06. The increase has been roughly equal proportionately between the different zones, comprising the City of Kigali and other urban and rural areas. However, the number of dwellings in other urban areas has increased at a slightly faster rate. The roofing material used by households provides a good indication of their status. Corrugated iron roofs are found mostly in urban areas. Ninety-seven per cent of households in the City of Kigali have a corrugated iron roof compared with 55 per cent in other urban areas. In other urban areas, another 32 per cent of households use tiles for their roofs, while, in rural areas, 50 per cent use tiles, 40 per cent corrugated iron and the others thatch. The use of tiled roofs has slightly increased in Rwanda and that of thatch fallen. Corrugated iron roofs still accounted for 44 per cent of all roofing materials during the period of the survey, however.

The prevalence rate of HIV-positive people among adults aged 15-49 in Rwanda is now 3.1 per cent. The prevalence rate is higher among women (3.6 per cent) than men (2.3 per cent). In the same vein, the prevalence is considerably higher in urban areas (7.3 per cent) than in rural areas (2.2 per cent).

About 200 000 HIV-positive Rwandans needed antiretroviral (ARV) drugs last year, according to the Treatment and Research Aids Centre (TRAC). Of these, around 50 000 HIV needed urgent treatment, although only 3 200 or 1.6 per cent of those in need were able to get access to ARV drugs. The Government is urging Rwandans to undergo voluntary HIV testing since it has plentiful supply of ARV drugs. Health centres are used by TRAC to detect HIV early within the population. The population can communicate with TRAC through hotlines. TRAC is concerned, however, that many parents do not take their children for HIV

testing. TRAC runs 256 health centres nationwide which provide ARVs and 234 other health centres involved in the prevention of mother-to-child HIV transmission. TRAC is faced with a shortage of personnel to administer HIV medication in various health centres. It also has a problem ensuring that vulnerable HIV positive people get adequate food.

Labour-market reform is also quite high on the government's agenda. It has been engaged on labour market reforms since 2003 in an attempt to achieve two main objectives. One is to tackle the inherent skills deficiency in the labour force and the other is to ensure Rwanda's integration in the East African Community (EAC) by bringing its skills level up to that of other community members. As a first step in the reform process, the government has drawn up an employment policy. This has been accompanied by the establishment of a national labour council, comprising stakeholders from the ministries, women's organisations, trade associations, NGOs and others, who meet regularly to discuss and make recommendations on issues pertaining to trade unions and the labour market in general. In addition to the policy, the government is revising the existing labour code to provide a conducive legal and regulatory environment for private investors. It is giving priority to labour and employment policy, strategic planning and an accompanying action plan, women's employment, the labour code, skills auditing and vocational training centres. Some of the reforms in these areas have been completed but others are still in progress.

Unemployment is not a serious problem in Rwanda. However, pockets of unemployment exist among unskilled people. Among skilled people, there is no shortage of work. Indeed, there is competition for their services from the Democratic Republic of Congo and Uganda. To tackle what unemployment there is, the government is in the process of creating a vocational training centre with the aim of training people particularly for middle management jobs.