Rwanda

Key figures

- Land area, thousands of km²: 26
- Population, thousands (2007): 9,725
- GDP per capita, USD at constant 2000 prices (2007): 264
- Life expectancy (2007): 46.2
- Illiteracy rate (2007): 25.3
Rwanda has made considerable progress in recovering from the 1994 war, exhibiting impressive growth averaging about 8 per cent a year during the period 1996-2005. In 2007, GDP growth is estimated at 4.9 per cent, down from the 5.3 per cent registered in 2006. The slowdown was due to poor growing conditions which caused agricultural output to fall. Growth is expected to slow further to 4 per cent in 2008, but to accelerate to 5.6 per cent in 2009.

Poverty levels are still high and figures indicate that in 2005/06, 56.9 per cent of the population were living below the poverty line, a drop from 60.3 per cent in 2000/01, and 41.3 per cent of the population were living in abject poverty. Rwanda’s economy is still heavily aid-dependent, as is reflected in large fiscal and current account deficits. During the period 1994-95, aid flows peaked at around USD 700 million a year, but then averaged around USD 340 million annually since 1997. Currently, external aid continues to finance about half of Rwanda’s total budget.

In November 2007, the government launched a second generation poverty reduction strategy, Rwanda’s Economic Development and Poverty Reduction Strategy (EDPRS) that sets out the country’s objectives, priorities and major policies for the next five years (2008-12). The strategy provides a medium-term framework for achieving the country’s long-term development goals.
The EDPRS breaks with the past in two ways. First, the strategy redefines the country’s growth and development priorities to emphasise accelerating growth of GDP and exports to create employment. Second, it aims to consolidate and extend the decentralisation of public spending, accompanied by robust accountability mechanisms. The EDPRS also recognises the key role of the private sector in accelerating growth in order to reduce poverty.

The priorities of the strategy are embodied in three related programmes: Sustainable Growth for Jobs and Exports, Vision 2020 Umurenge and Governance. The first emphasises a public investment programme aimed at reducing the operational costs of doing business in the country, which is expected to stimulate private investment. Vision 2020 Umurenge is a highly decentralised integrated rural development programme designed to accelerate extreme poverty reduction in Rwanda. It is currently being piloted in 30 of the poorest sectors (imirenge) of the country.

**Recent Economic Developments**

The agricultural sector accounted for 54.6 per cent of total real domestic product in 2006 followed by wholesale and retail trade at 12.1 per cent of GDP. The construction and manufacturing sectors each accounted for about 8 per cent.

In 2007, real GDP growth is estimated at 4.9 per cent, down from the 5.3 per cent recorded in 2006. This slowdown, reflecting a decline in agricultural output by 1.3 per cent in 2007 due to poor growing conditions, is expected to continue into the first half of 2008. However, growth in the manufacturing, construction and other services sectors was robust in 2007. In particular, the food, beverages and tobacco sector is estimated to have experienced growth of about 5.2 per cent in 2007, as a result, in part, of the granting of additional licences for the brewing of alcoholic products.

A further decline in real GDP growth rate to 4 per cent is projected for 2008 because of continued weakness in the agricultural sector. There are prospects for a rebound of agricultural production in the latter part of 2008 and in 2009, buttressed by expected buoyant growth in industry and services with real GDP expected to grow by 5.6 per cent in 2009.

The primary sector is projected to grow by 3.4 per cent in 2008 and 5.7 per cent in 2009 in real terms. Growth in agriculture is expected to be underpinned by a number of reforms in the agricultural sector, designed to increase the levels and intensity of input use and thus to raise productivity, such as the fertiliser subsidisation policy, policies to promote water harvesting and terracing, and provision of extension services. The emphasis in the EDPRS on exports is

[Figure 2 - GDP by Sector in 2006 (percentage)](http://dx.doi.org/10.1787/318085813703)

Source: Authors’ estimates based on data from the National Institute of Statistics and the National Bank of Rwanda.
Rwanda is expected to lead to agricultural export growth of 15 per cent per annum. More emphasis is to be placed on increasing value added, for example, by exporting more fully washed coffee.

Growth in the construction industry in 2008 and beyond will continue to benefit from increased infrastructure investment; for example an export processing zone, industrial parks and private housing are all currently on the drawing board. Mining is projected to continue to benefit from international demand and higher prices in 2008 and 2009.

Total gross capital formation as a percentage of GDP, which stood at about 21.4 per cent in 2006, is estimated to have increased by 19 per cent in 2007. The exceptionally rapid growth in 2007 reflects a substantial increase in public investment financed by a large infusion of aid inflows in 2006 and 2007. Furthermore, even higher growth in private capital formation was registered in 2007 (20 per cent) and moderate growth is expected to continue in 2008 and 2009. Growth in private consumption is expected to pick up in 2009 but its contribution to GDP growth is expected to be partially offset by an increase in imports. This is a reflection of the increasing demand for imports of capital and intermediate goods and petroleum products.

### Macroeconomic Policies

#### Fiscal Policy

In Rwanda fiscal policy is aimed at strengthening and consolidating macroeconomic stability while providing adequate resources to the productive and social sectors in line with the objectives of the EDPRS.

Moderate growth during the past few years coupled with an improved performance of the Rwanda Revenue Authority brought total domestic revenue to 28.1 per cent of GDP in 2007. Further increases are expected to be derived primarily from PAYE and consumption taxes (VAT and excise duties). The government intends to use this budgetary leeway to finance urgent priority items such as the higher salaries required to replace lower qualified staff with better qualified professionals in schools and in new district hospitals. Additional financing will also be earmarked for road maintenance to replace the shortfall in contingent grants for this purpose, and for imports of fertiliser and purchase of improved seeds for farmers.

Domestic revenues are expected to stabilise as a share of GDP at about their current levels in 2008 and 2009. This is because there is little scope for further improvements in tax collection, and there is likely to

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**Table 1 - Demand Composition**

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<tr>
<th>Percentage of GDP (current prices)</th>
<th>Percentage changes, volume</th>
<th>Contribution to real GDP growth</th>
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<tbody>
<tr>
<td>1999</td>
<td>2006</td>
<td>2007(e)</td>
</tr>
<tr>
<td><strong>Gross capital formation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>6.3</td>
<td>8.6</td>
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<tr>
<td>Private</td>
<td>10.9</td>
<td>12.8</td>
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<tr>
<td><strong>Consumption</strong></td>
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<tr>
<td>Public</td>
<td>11.0</td>
<td>13.5</td>
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<tr>
<td>Private</td>
<td>89.0</td>
<td>84.7</td>
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<tr>
<td><strong>External demand</strong></td>
<td></td>
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<tr>
<td>Exports</td>
<td>-17.3</td>
<td>-19.6</td>
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<tr>
<td>Imports</td>
<td>-23.2</td>
<td>-31.5</td>
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<tr>
<td><strong>Real GDP growth</strong></td>
<td></td>
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<td></td>
<td>4.9</td>
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**Source:** National Institute of Statistics and the National Bank of Rwanda data; estimates (e) and projections (p) based on authors’ calculations.

http://dx.doi.org/10.1787/321354581581
be some erosion of import duties because of trade liberalisation and a changing composition of imports. A study on the widening of the tax base is currently under way, and this approach may prove politically more palatable than raising tax rates. The budget for 2008, the first year of the EDPRS, provides for a nominal increase of 18 per cent compared with the 2007 budget. The 2008 budget focuses on improving agriculture (plus 37 per cent), energy and health (plus 29 per cent), infrastructure (plus 20 per cent), education (plus 6 per cent). Taken together overall expenditure, including net lending, is estimated to average about 28.5 per cent of GDP in 2007. Capital expenditure grew from 8.6 per cent of GDP in 2006 to 9.6 per cent in 2007, while a slight decline was registered in current expenditure (from 18.5 per cent of GDP in 2006 to 18.2 per cent in 2007).

Although increases were recorded in revenue and grants in 2007 (28.1 per cent of GDP as against 27.3 per cent in 2006), a more than proportional increase in total expenditure led to an overall deficit of 0.4 per cent of GDP. Taxes as a share of domestic product recorded a slight decline in 2007 (13.9 per cent) when compared with the 14.1 per cent recorded in 2006.

### Monetary Policy

The main objective of monetary policy has been to contain headline inflation to the single-digit level and core inflation (excluding food and fuel) to below 5 per cent. However, in 2007, the CPI showed a year-on-year increase of 10.2 per cent while core inflation reached 9.4 per cent at the end of December 2007. This may be explained by increases in health and education fees, as well as increases in petrol prices (occasioned by rising international oil prices), and the pass-through of higher food prices to restaurants. Broad money exceeded indicative limits during most of 2007 by a wide margin, because of an increase in private sector credit intended mainly for investment and higher net foreign assets of both the National Bank of Rwanda (NBR) and commercial banks reflecting significant increases in aid inflows.

Net foreign exchange reserves have risen sharply by about 28 per cent since the end of 2006 and stood at about USD 406 million at the end of 2007. This increase was mainly due to the disbursement to the government by donors of budget support funds of USD 157.9 million. At this level the foreign exchange reserves are estimated to be sufficient to cover about 5.1 months of imports. Further increases in foreign exchange reserves are projected to take place in 2008 and 2009.

As a result of the large donor disbursements and foreign exchange flows through the commercial banks (export receipts and grants to domestic non-governmental organisations, NGOs) the nominal exchange rate has maintained its trend of small...
appreciation during the first half of 2007. At the end of December 2006, the average exchange rate was USD 1=RWF 548.7 (Rwandan francs). By the end of June 2007, the average rate amounted to USD 1=RWF 546, indicating an appreciation of 0.6 per cent.

For most of 2007, the BNR continued its flexible exchange rate policy, intervening mainly to smooth short-term fluctuations.

The BNR has started preparations for a transition from an auction system to an inter-bank based market to enhance exchange rate flexibility and dynamism in the foreign exchange market, and enable both the BNR and commercial banks to develop innovative financial instruments. Accordingly, the BNR issued instructions in June 2007 that will improve the auction procedures, and also abolished Article 10, which allowed the BNR to check whether the foreign exchange purchased at the auction was used in accordance with regulations. In addition BNR has also issued amendments to the foreign exchange regulations that address further regulatory constraints and reduce reporting requirements.

**External Position**

Coffee remains the most important export product and is also expected to drive future export growth. However, traditional exports, such as coffee and tea, underperformed in 2007 compared with 2006, while minerals benefited from rising international demand and higher prices.

Exports from the mining industry are predicted to rise, benefiting from near term high prices and demand which are then projected to stabilise over the medium term. Exports of hides and skins are also projected to increase. The price per kilogramme will rise as raw exports decline and processed exports increase. Horticulture is a key area of export diversification; the export of flowers is estimated to rise 26 per cent per annum on average over the next two years.

The tourism sector has grown steadily to become the second source of export earnings (behind coffee but ahead of tea and mining).

Exports as a percentage of GDP declined slightly from the 5.7 per cent recorded in 2006 to 5.3 per cent in 2007. The trade deficit, therefore, continued to widen as imports as a percentage of GDP were reported to have grown to 17.8 per cent over the same period. Major contributors to the increase in imports were capital and intermediate goods for development purposes.

However, the current account deficit is estimated to have fallen from 7.7 per cent of GDP in 2006 to 5.3 per cent of GDP in 2007 because of a large increase in official transfers. The deficit is expected to average about 6.6 per cent of GDP in 2008 and 2009.

Rwanda attained the completion point of the HIPC initiative in April 2005, thereafter becoming eligible for the implementation of the Multilateral Debt Relief Initiative (MDRI) regarding multilateral debt cancellation. As a result of this, the debt stock of Rwanda which stood at USD 1.5 billion at the end of

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<th>Table 3 - Current Account (percentage of GDP)</th>
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<td>1998</td>
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<td>---------------------------------------------</td>
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<tr>
<td>Trade balance</td>
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<tr>
<td>Exports of goods (f.o.b.)</td>
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<tr>
<td>Imports of goods (f.o.b.)</td>
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<td>Services</td>
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<td>Factor Income</td>
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<tr>
<td>Current transfers</td>
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<td>Current account balance</td>
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Source: Domestic authorities’ data; estimates (e) and (p) projections based on authors’ calculations.
2005 declined to USD 362.8 million at the end of 2006, representing 14.6 per cent of GDP. This is, however, estimated to increase slightly to USD 416.4 million (14.7 per cent of GDP) in 2007. As of April 2007, total debt relief obtained under the MDRI assistance package was SDR 52.74 million (Special Drawing Rights) of which MDRI accounted for SDR 20.19 and HIPC for SDR 32.55. Similarly, as at April 2007, there were 12 ongoing International Development Agency (IDA) programme operations with a commitment value of about USD 347 million, and an undisbursed balance of about USD 162 million.

Government policy is to engage only in prudent borrowing so as to maintain debt sustainability. This excludes borrowing to finance public deficits on recurrent expenditures and revenues. A limit has been set on project loans at an average of about USD 38 million per year. A large part of the annual amount represents draw-down of existing commitments. Based on these assumptions, external debt payments have been projected at annual rates of RWF 5.2 billion and RWF 2.2 billion for principal and interest respectively during the medium term, representing on average about 1.5 per cent of exports of goods and services.

Rwanda is currently exploring the possibility of joining the East African Community (EAC) Customs Union Protocol by June 2009. Initial efforts are being focused on trade policy harmonisation with a particular emphasis on developing a list of sensitive products (including those where higher tariffs could adversely affect the poor). This implies that the interim Eastern African Economic Partnership Arrangement (EPA) with the European Union and any successor agreement would also apply to Rwanda.

**Structural Issues**

**Recent Developments**

Rwanda is engaged in an ambitious implementation of its privatisation and trade policy. During the 10 years
to the end of December 2006, 70 of a total of 104 public enterprises had been privatised, four had been removed from the list and 14 remained to be privatised. In addition, the management of two other companies had been contracted out. Several enterprises have also been liquidated. Most of the privatised enterprises were small, with only a few exceeding USD 1 million in sale price. The privatisation of the telecommunication company Rwandatel was the largest to take place. Rwandatel was bought by Terracom Sarl, a US company, for USD 20 million. The enterprises which were at an advanced stage of privatisation in 2006 included three rice factories (Rwamagana, Gikonko and Bugarama), which were sold to three co-operatives. The buyers have entered into a joint venture with an Australian economic operator who will invest USD 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 Urumuli Lodge of Byumba in the hotel and tourism sector have been sold. Other sales were of the cement factory of Rwanda (CIMERWA), the Gatumba mine concession, some small and medium-sized enterprises (SMEs), 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.

Furthermore, the Rwanda Private Sector Federation (RPSF) is playing an important role in nurturing the private sector, mainly through the Centre for the Support of Small and Medium-sized Enterprises (CAPMER) which provides business development services. In addition, a large number of new micro-finance institutions (MFI) were licensed to serve the poor who hitherto have had no access to the services of the normal banks.

According to the World Bank’s Doing Business index for Africa, Rwanda has a relatively good business climate in comparison with 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. But Rwanda is ranked as less business-friendly in terms of employment practices, coming second to Tanzania for employment rigidity and for redundancy costs. The enforcement of contracts in Rwanda is still difficult. A three-year project started in May 2007 in partnership with the private sector and with funding from the Investment Climate Facility for Africa (ICF) to address some of the legal and regulatory constraints facing businesses, in particular commercial dispute resolution, and business and land registration reform.

In December 2005, a Multi-Sector Capacity Building Programme (MSCBP) established a framework to guide all capacity building initiatives in the country, one of the most important of which is the Public Sector Capacity Building Project (PSCBP). The overall co-ordination of the PSCBP is the responsibility of the national Human Resources and Institutional Capacity Development Agency (HIDA) which became operational in April 2005. A major reform of public sector management is also under way, entailing an extensive decentralisation of responsibilities. It has now become mandatory to produce complete progress reports as part of financial reporting by budgetary agencies (line ministries, provinces and autonomous agencies). In this regard, the agencies are required to produce the following monthly: i) bank reconciliation statements; ii) budget execution reports; and iii) statements of revenue and expenditure. But disbursements from the Common Fund, one of the main sources of financing to the districts, still remain below expectations, something that continues to hamper efficient administration in rural districts.

In the financial sector there have been several developments in supervision and regulation since 2005 aimed at improving efficiency. Following agreement on the Financial Sector Assessment Programme (FSAP) with the World Bank and the International Monetary Fund (IMF), the central bank is taking steps to strengthen banking supervision. Amendments to the banking law were submitted to parliament in September 2006 with the objective of bringing the legal framework for banking supervision into line with international best practices.
Transformation of the Union des Banques Populaires du Rwanda (UBPR) – a large microfinance network – into a commercial bank is under way. By being able to offer bill payment services the new bank is expected substantially to increase access to banking services in rural areas. Similarly, to facilitate the development of a capital market and provide adequate regulation for market participants, the National Bank of Rwanda is planning, among other things, to: i) reissue a portion of existing treasury bills as bonds and securitize part of the long term debt owed by the government to the Social Security Fund of Rwanda (CSR), the “Caisse Sociale du Rwanda” to create a yield curve and avenues for longer-term investments for institutional investors such as the pension funds; ii) develop legal regulatory and operational guidelines; iii) establish a Capital Markets Advisory Council to oversee the debt and equity markets; and iv) prepare a consolidated regulatory and supervisory framework for non-bank financial institutions (NBFIs).

For purposes of national resource management, the land law entitled “Organic Law No. 08/2005 of 14/07/2005” was approved in 2005. Among other things, the law exempts agricultural land from taxation in order to leave more resources in the hands of farmers for investment. Progress has also been made in land planning and management through better mapping and the creation of a land use database. This measure has reduced the time required to register changes in land titles. In the area of the environment, the environment organic law (“loi organique sur la protection et la gestion de l'environnement”) has been adopted by parliament and the law establishing the Rwandan Environment Management Authority (#16/2006 of 03/04/06) has been in force since April 2006.

The problem of intermittent interruptions in the supply of electricity has been temporarily stabilised by providing rental generators. As at the end of 2007, a heavy fuel oil generator is expected to replace some of these expensive rental power generators. Electrogaz’s management is being strengthened and its financial situation is expected to improve in the medium term. A structured tariff has been introduced, and further adjustments will be made when cheaper power sources become available. The Lake Kivu methane gas pilot project is expected to become operational in the course of 2008, although the expansion of the project may be delayed by a legal dispute with other shareholders. Feasibility studies and discussions on financing options for various hydro dams continue, including on a regional basis. More than 30 micro-dam projects are under way, and the government is also designing the long distance transmission and local distribution networks to increase access.

Technical and Vocational Skills Development

Technical and vocational education and training (TVET) in Rwanda have been delivered by different providers at various qualification levels. Technical education is offered at upper secondary school level, both by public schools under the ministry in charge of education and by private schools and those belonging to faith-based organisations. In 2006, junior secondary schools with technical courses accommodated only 37,388 students compared with 83,330 students at the upper secondary level. In addition, vocational training schools (VTS) had the capacity to accommodate only 7,366 trainees.

In 2006, the 31 combined public and private technical schools had an enrolment of 7,786 students of which girls accounted for 17 per cent in 12 disciplines. Professional education with an enrolment of 22,708 students was offered in 79 schools providing accountancy and 26 schools for office management. There were 4,324 students enrolled in 19 agricultural schools. In nursing schools 2,570 students were enrolled. In total 37,388 students were enrolled in these courses, which represents 45 per cent of all upper secondary school students. Of these students 51 per cent were female. The total TVET enrolment is skewed by large numbers in the fields of accountancy and secretarial/administration, which represent 54 per cent of the whole TVET enrolment and as many as 68 per cent of all female students are enrolled in these two business options.

Initial vocational training is offered to primary school leavers. In 2006, there were 54 initial vocational
training schools (VTS), 32 of which were private. Enrolment in all 20 optional/trades in VTS is around 7,366 of which 45% per cent are women.

It is not known how many Rwandans actually have access to relevant initial and continuing TVET including formal, non-formal and informal TVET. It is certain that demand exceeds by far the current supply and that the majority of the young population is not reached by TVET. According to the July 2006 final report on self-evaluation for the Poverty Reduction Strategy Paper (PRSP) 1, about 170,000 young people start working life each year without sufficient qualifications.

About 58% per cent of teachers in the existing 31 technical schools have A1 and above and are formally qualified for their tasks to train the middle-level workforce. However, their performance is often inadequate because their practical technical competencies, pedagogical preparation and motivation are underdeveloped. In initial vocational training, the shortage of qualified teachers and instructors also represents a severe constraint to the quality improvement. All staff have relatively low formal qualifications (A3, A2) without any special preparation for their teaching function.

The low reputation of TVET teachers is aggravated by low salaries. Similarly qualified employees in enterprises receive salaries three to four times higher. Under-funding is a structural problem in the TVET sector. Before 2006 there were very few resources allocated to TVET and there was no specific budget classification for it. Even now the budget allocation is still very low. Even when augmented by fees ranging from RWF 25,000 to 80,000 per quarter and occasional income generated by commercial activities within schools, resources are not adequate to ensure high quality TVET. Deficiencies in equipment and teaching materials are common. Most of the private technical secondary schools tend to offer business and commercial courses, because computers are the only equipment needed. But focusing primarily on these programmes does not match the needs of the labour market. Most programmes of the Youth Training Centres (YTC) also suffer from poor facilities and shortage of training materials. Training fees ranging between RWF 7,000 and 15,000 per quarter hardly alleviate the problem.

Results from two studies conducted in 2006 show that only 52% per cent of 25 interviewed enterprises were satisfied by the graduates’ performance. All entrepreneurs emphasised the need for graduates to have more practical skills. Of the employers 54% per cent expressed a preference for on-the-job training for their workers. Enterprises also expressed a wish to be involved in curriculum developments.

In response to the evaluation of PRSP 1 in 2007 the government decided to initiate a major reform of TVET. It decided to establish the Rwanda Workforce Development Authority (RWoDA), which will provide a strategic response to the skills development challenges facing the country across all sectors of the economy. The national task force charged with the mandate to set up RWoDA was appointed by the cabinet in May 2007. The activities carried out and services rendered by RWoDA are to be decentralised to the provincial level. In this respect, five regional Work Force Development Centres are to be established.

The Rwanda TVET Policy was finalised in November 2007; with the following having being identified as major expected outcomes: i) a change in the poor image of TVET as a second class option; ii) the making of initial and continuing TVET more profitable by adding courses to promote the priority sectors and meet demand, creating production units and new forms of consultation and developing partnership between TVET institutions and enterprises; iii) an increase in the quality and capacity of TVET institutions by strengthening the existing institutions to meet minimum quality standards and creating new institutions and courses which meet demand; and iv) a contribution to economic and social development, thus improving the lives of Rwandans.

To contribute to the national science, technology and innovation policy and to better respond to the needs of the labour market, a key TVET policy objective is to have around 100 training schools well distributed in all districts by 2010, and to have 12 technical schools.
A very important mechanism for raising quality standards will be the introduction of national occupational standards as well as an appropriate examination and certification system, when RWoDA eventually becomes operational in 2008.

Continuing vocational training as designed in the new TVET policy will be organised in such a way that every person in the formal and informal labour market can enter specific training modules tailored to their needs. The existing resource constraints will be addressed through a combination of cost savings, by increasing efficiency in TVET, such as co-operative schemes, stimulating private investment in TVET and raising other financial resources through income-generating activities.

Private TVET institutions contribute considerably to skills development through in-company training, apprenticeships and forms of co-operative programmes and vocational training delivered by NGOs, faith-based organisations and private commercial training institutions. They will be strengthened through: implementing accreditation in an appropriate manner; facilitating access to land and buildings; harmonising the planning of public TVET with the non-public activities; maintaining continuing consultation processes with representatives from the non-public TVET providers in order to formulate sector and district specific development schemes for TVET; making labour market information, occupational standards and other relevant information available to the private sector; and ensuring that private providers of TVET have access to curriculum guides and teaching materials.

The major interest of parents and learners is the guarantee of finding a job or acquiring the capacity to create self-employment upon completion of training. Enterprises are interested in having access to manpower that meets their needs. It is also in the government’s interest to amortise its investment in human resources under the form of taxes paid by enterprise and employees. For this reason, in addition to their financial contribution parents will be expected to be involved in the implementation of training programmes and play an active role in the TVET school management boards that are to be established as provided for in the new design of TVET planning and programming under the TVET policy of 2007. An inter-ministerial committee, the Workforce Development Council, will determine the appropriate structure for these management boards, and the Workforce Development Authority will oversee their functioning in order to reach a new level of TVET responsiveness and quality. Responsibilities for various aspects of TVET in the relevant ministries have been clarified and streamlined.

While the Rwanda Workforce Authority (RWoDA) is being established, the department of technical education and training in the Ministry of Education is to be strengthened to address urgent issues in technical education. In the long term, the government will also establish the Technical Education and Training Authority in Rwanda (TETAR) for technical education and training (all fields of industrial training, agro-veterinary, business studies, etc). The two TVET authorities, when operational, will have shared responsibilities. Among their more important tasks will be to establish three instruments critical for future TVET development: i) a national TVET qualifications framework (NTQF) that will ensure mobility and skills development at all levels and include classifications for all economic sectors; ii) national occupational standards that will describe the competence a person has to reach in order to be considered as “qualified” at a given level in a given field; and iii) a national examination and certification framework.

The private sector, as the main beneficiary of TVET and recognising its own responsibility for delivering a qualified workforce, is to participate individually and/or through its representatives (Private Sector Federation, chambers, professional associations) in the programming, planning, executing, evaluating and financing of TVET. Changing recruitment policies in favour of qualified graduates is a challenge to be faced in order to improve productivity and competitiveness. The private sector will play an active role in the development of TVET and will not only be associated with it, as was the case previously.

At the local level, the district is responsible for coordinating the implementation of the vocational training
policy. The district is to decide on the establishment and location of vocational training schools; supervise recruitment of staff; co-ordinate partnership activities; promote access of people with disadvantaged backgrounds to continuing training combined with employment promotion programmes; and ensure the link between vocational training and the district development plan. If vocational training is in line with the district and sector development, this enhances employment possibilities for graduates and will ensure that vocational training impacts on economic productivity and competitiveness.

**Political Context**

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 Fifth 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. Under the policy, the number of provinces was reduced from 11 to five, the number of districts from 106 to 30, and the number of service sectors from 1545 to 450. Coupled with progress on governance and decentralisation, these changes facilitated the successful conduct of local and municipal elections in February 2006.

To advance the process of healing and reconciliation, the government supported a move in parliament to abolish the death penalty. A bill to that effect which was passed in January 2007 is expected to save the lives of more than 600 people convicted for genocide. At the regional level, the efforts by the government of the Democratic Republic of Congo against the anti-Rwandan government militia based there have somewhat reduced the tension between the two countries. Diplomatic and economic relations with Uganda are also now being strengthened and relations with Burundi have been improving.

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 were also echoed in 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.

**Social Context and Human Resources Development**

Rwanda continued to make progress on poverty reduction and on gender equality. The current EDPRS has gone a long way in mainstreaming gender issues into the growth and development processes in Rwanda by including gender issues in all sectors of the strategy.

In December 2006 the National Institute of Statistics (NIS), with the support of the DFID-funded project, published a Preliminary Poverty Update Report giving the main results of the second household survey, the Enquête intégrale sur les conditions de vie des ménages de Rwanda (EICV: Integral survey of households’ living conditions in Rwanda) of 2005/07 and comparing the findings with the results of the earlier survey conducted in 2000/01. The December 2006 report revealed that, over the period between the surveys, household consumption grew at 3 per cent per annum per adult, while poverty fell from 60.4 per cent in 2000/01 to
56.9 per cent in 2005/06, a reduction of 3.5 percentage points. There were important regional dimensions to this: the poverty headcount fell substantially in Eastern Province, fell by smaller amounts in Northern Province and the City of Kigali, and actually rose slightly in Southern Province. Calculations show that 68 per cent of the total reduction in poverty was accounted for by the poverty reduction in Eastern Province. An important part of the story was an increase in inequality as measured by the Gini coefficient. The level of inequality was already high in 2000/01, with a Gini coefficient of 0.47, and rose to 0.51 in 2005/06. The high initial level of inequality, and the fact that inequality worsened over this period, were important factors making the consumption growth less effective in terms of poverty reduction – in more technical terms, lowering the growth elasticity of poverty reduction. Inequalities rose in Southern and Western provinces in particular. Even though the consumption growth rate was positive in Southern Province, poverty also rose. With sustained efforts by the government, latest reports from the UN on the Millennium Indicators show that Rwanda is on course towards achieving the Millennium Development Goals targets on universal primary education, gender parity, reduction in child mortality and environmental sustainability.

Notable improvements have also been made in health, education and housing. In the health sector, the frequency of medical consultations has increased, since almost half the population is now covered by health insurance, the vast majority by mutual insurance arrangements. The health insurance scheme mitigated the occurrence and adverse effect of catastrophic health expenditure that is now associated with health sector reforms in most developing countries. Similarly, the use of pre-natal services has increased significantly and differences in utilisation between poorer and less poor households have narrowed. But the 2005/06 integral survey on households’ living conditions (EICV2) revealed that only two-thirds of households have access to safe drinking water.

Significant progress has been made in education. According to national sources, enrolment in primary schools has increased substantially, from 74 to 86 per cent over the period 2000/01 to 2006/07. 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, because of late entry and delays in their schooling. A small fraction of children completes primary education and goes on to secondary education. The secondary school net enrolment rate has shown only a small increase over the period, from 7 per cent 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 RWF 1 845 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 RWF 68 000 each year on secondary school students. Wealthier households spend much more than poorer households on secondary schooling. According to the Fast Track Initiative Assessment of September 2006, unemployment among Rwandans with only some primary education is as high as 61 per cent compared to the sub-Saharan average of 29 per cent.

In housing, the survey revealed that the number of dwellings increased by 280 000 during the period 2000/01-2005/06. The increase has been roughly proportionate 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 prevalence rate of HIV-positive people among adults aged 15 to 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). 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-positive patients 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 supplies of ARV drugs. Health centres are used by TRAC to detect HIV early within the population. The population can communicate with TRAC through hotlines. The centre is concerned, however, that many parents do not take their children for HIV testing. It 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 high on the government’s agenda. It has been engaged in 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 into 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 relating 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.