AFRICAN DEVELOPMENT BANK GROUP

RWANDA

BANK GROUP COUNTRY STRATEGY PAPER 2017 – 2021

EARC/RWFO DEPARTMENTS

October 2016

TABLE OF CONTENTS

CURRENCY EQUIVALENTS

As at October 12, 2016

Currency	=	Rwandan Franc (RWF)
UA 1.00	=	USD 1.3958 (United States Dollar)
UA 1.00	=	EUR 1.2506 (Euro)
UA 1.00	=	RWF 1,125.68
USD 1.00	=	RWF 806.47
EUR 1.00	=	RWF 900.10

WEIGHTS AND MEASURES

Metric System

GOVERNMENT FISCAL YEAR

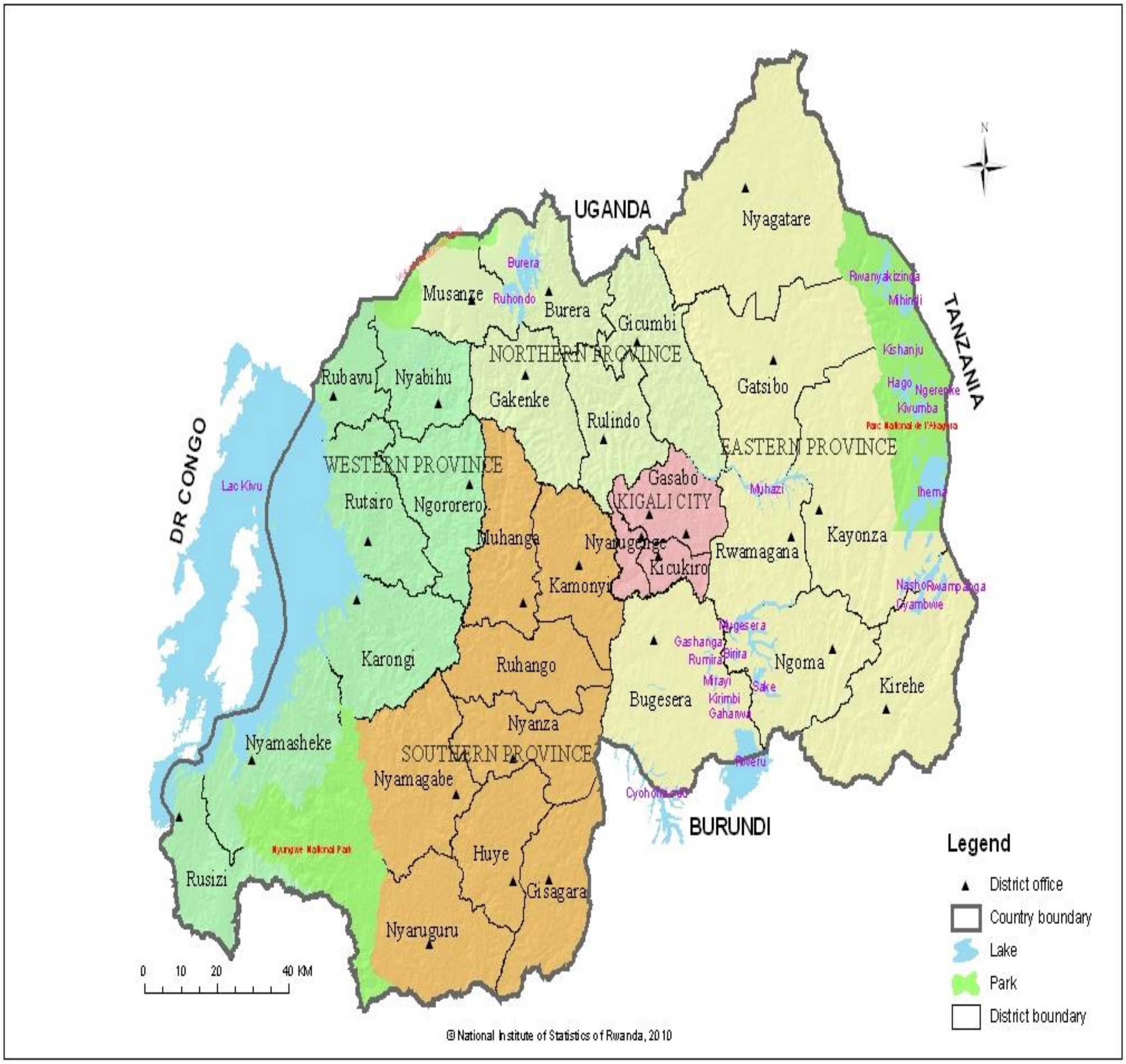
July 1- June 30

ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
ALSF	African Legal Support Facility
AREI	Africa Renewable Energy Initiative
ATA	Bank's Strategy for Agricultural Transformation in Africa
AU	African Union
BDF	Business Development Fund
CAR	Capital Adequacy Ratio
CFRA	Country Fiduciary Risk Assessment
CO_2	Carbon dioxide
CODE	Committee on Operations and Development Effectiveness
COMESA	Common Market for Eastern and Southern Africa
CPIP	Country Portfolio Implementation Plan
CPPR	Country Portfolio Performance Review
CR	Completion Report
CSP	Country Strategy Paper
DB	Doing Business
DBDM	Development and Business Delivery Model
DfID	Department for International Development
DoL	Division of Labor
DPs	Development Partners
DPCG	Development Partners Coordination Group
DRC	Democratic Republic of Congo
DRM	Domestic Resources Mobilization
EAC	East African Community
EARC	Eastern Africa Regional Resource Centre
EDPRS	Economic Development and Poverty Reduction Strategy
EICV 4	Rwanda Integrated Living Conditions Survey 4
ESSP	Energy Sector Strategic Plan
ESW	Economic and Sector Work
EU	Delegation of the European Union
FCS	Fiscal Consolidation Strategy
FDI	Foreign Direct Investment
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GEF	Global Environment Facility
GGCRS	Green Growth and Climate Resilience Strategy
GHG	Green House Gas
GLR	Great Lakes Region
GoR	Government of Rwanda
ICGLR	International Conference on the Great Lakes Region
ICT	Information and Communication Technology
IDEV	Independent Evaluation Department
IMF	International Monetary Fund
ILP	Indicative Lending Program
ISA	Bank's Industrialization Strategy for Africa
JICA	Japan International Cooperation Agency

JfYA	Bank's Strategy for Jobs for Youth in Africa
KPI	Key Performance Indicator
KRR	Key Repo Rate
KSEZ	Kigali Special Economic Zone
kWh	Kilowatt Hour
LED	Local Economic Development
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MSMEs	Micro, Small and Medium Enterprises
MTR	Medium Term Review
MWh	Megawatt Hour
NAPA	National Adaptation Programmes of Action
NDEA	Bank's Strategy for the New Deal on Energy for Africa
NEP	National Employment Program
NIP	National Industrial Strategy
NPL	Non-Performing Loan
ODA	Official Development Assistance
PAPs	Persons Affected by the Project
PCG	Partial Credit Guarantee
PEFA	Public Expenditure and Financial Assessment
PFM	Public Financial Management
PRG	Partial Risk Guarantee
PSI	Policy Support Instrument
PSDS	Private Sector Development Strategy
PSDYE	Private Sector Development and Youth Employment
QaE	Quality at Entry
RBF	Results-Based Framework
RI	Regional Integration
RISP	Regional Integration Strategy Paper
RO	Regional Operation
RSF	Risk Sharing Facility
RWFO	Rwanda Field Office
SADC	Southern Africa Development Community
SBS	Sector Budget Support
SDGs	Sustainable Development Goals
SE4All	Sustainable Energy for All
SEEP	Skills, Employability and Entrepreneurship Programme
SEFA	Sustainable Energy Fund for Africa
SREP	Scaling-up Renewable Energy Programme
SSA	Sub-Saharan Africa
SWG	Sector Working Group
TA	Technical Assistance
TSSP	Transport Sector Strategic Plan
TVET	Technical and Vocational Education and Training
TYS	Ten Year Strategy
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar
VAT	Value-Added Tax
WSSP	Water Sector Strategic Plan

MAP OF RWANDA



Disclaimer**:** This map is for illustration purposes and use of the readers of the report to which it is attached. The names used and the borders shown do not imply on the part of the African Development Bank any judgment concerning the legal status of a territory nor any approval or acceptance of these borders.

EXECUTIVE SUMMARY

1. **Rwanda's has overcome the 1994 Genocide and has established itself as a leading reformer with one of the highest real GDP growth rates globally.** Following the end of the genocide against the Tutsi in 1994, Rwanda has made significant progress towards political stabilization, reconciliation and the rule of law. Real GDP growth averaged a robust 7.9% between 2000 and 2015 and poverty has been reduced from 56.7% in 2005/06 to 39.1% in 2013/14. Real GDP per capita more than tripled from USD 207 in 2000 to USD 718 in 2015. Sustained implementation of reforms, a prolonged period of peace and political stability, and unwavering donor support have contributed to the impressive socio-economic development.

2. **However, the structural transformation of Rwanda's economy has been slow as growth continues to be generated mainly by low value added and low productivity economic activities. The country's current growth pattern may, therefore, not be adequate to reach middle income status by 2020 as envisaged by the Government.** Over the past 15 years, the relative contributions to GDP of the agriculture, services and industry sectors have changed only slightly: in 2015, services contributed about 47% of GDP, compared to 44% in 2000, thus a small increase. Agriculture contributed 33% of GDP in 2015, hence lower than the 37% 15 years ago. The industry sector's share in GDP increased marginally during this period, from a low 12% in 2000 to 14% in 2015. Growth in the services sector was driven by trade and real estate activities, with high value sectors like ICT and financial services making a minimal contribution to GDP growth. In the agriculture sector, food crops, livestock and livestock products led growth, whereas the contribution of processed export crops has been negligible. In the industry sector, growth was driven by construction. The contribution of manufacturing to GDP to growth is still small. Hence, Rwanda's leading growth drivers are characterized by low value added and low productivity economic activities. The current growth pattern may, therefore, not be adequate to drive the country towards middle income status by 2020 as envisaged by the Government. Consequently, Rwanda needs to adjust its economic model and implement appropriate policies and measures to make the process of economic transformation more dynamic to support higher living standards for the majority of the population and to achieve Rwanda's middle income ambition.

3. **The Government of Rwanda (GoR) is responding to these challenges and opportunities and is implementing several measures under the second Economic Development and Poverty Reduction Strategy (EDPRS II) 2013-18 to accelerate economic transformation.** The GoR has established a strong policy, legal, regulatory and institutional framework to fast track economic transformation. As an example, the 2011 National Industrial Policy (NIP) is being implemented to promote economic transformation and the creation of 1.4 million new off-farm jobs by 2020. Under the NIP, the GoR is developing the Kigali Special Economic Zone and industrial parks across the country to catalyse industrialization. Skills development programs are also being implemented to build a productive workforce required to support high value added production. Furthermore, a new Investment Code was adopted in 2015 to among other things, promote private investments in the EDPRS II strategic sectors (such as such as industry, agribusiness, agro-industry and ICT). A GoR study, funded by the African Development Bank (the 'Bank') is underway to inform improvements in tax policy and administration necessary to boost business growth in high value added economic activities. However, these multiple interventions need effective coordination to maximize development impact and the Bank, as co-chair of the Private Sector Development and Youth Employment sector working group, is supporting the GoR to put in place the required improvements.

4. **The Bank's new CSP 2017-21 is timely and provides an opportunity to consolidate and augment its previous support to Rwanda, which has made an important contribution to the country's socio-economic progress. However – while ensuring continuity is important – the Bank will introduce several innovations in the new CSP to best support Rwanda's economic transformation process and development ambitions.** The Bank under the CSP 2012-16 has successfully supported Rwanda to improve its energy and transport infrastructure and promote enterprise growth, generating commendable results and thereby contributing significantly to Rwanda's overall socio-economic development. However, going forward, the Bank needs to innovate and scale-up its support to accelerate Rwanda's economic transformation

and achieve its ambitions to become a middle income country. In particular, in addition to providing continued support to further improve the enabling environment through investments in infrastructure and skills development, more direct and targeted support needs to be provided to existing and new businesses to engage in high value added economic activities, notably to agri-businesses. Also, greater attention will be given under the new CSP to partnership arrangements between the GoR, the Bank, the private sector, civil society and other Development Partners with a view to mobilizing co-financing, increasing private investment as well as generating business for the Bank. To this end, the Bank will – as a convener, connector and catalyst – use an innovative mix of standard and new risk-sharing financing and aid delivery instruments from its public and private sector windows to increase access to finance for the EDPRS II strategic sectors. It will also give greater attention to policy advice to the Rwandan authorities as well as technical assistance to the private sector, thereby strengthening the Bank's positioning as a knowledge-based institution. Another innovation relates to the selection and design of new infrastructure projects: priority will be placed on cross-sectoral green infrastructure operations to unleash transformative and environmentally sustainable, resilient growth in rural areas and secondary cities, and to support the development of industrial zones across the country as growth poles, thereby reducing Rwanda's high spatial disparities. Furthermore, new infrastructure projects will include specific components to support youth employment and gender equality. Also, skills development will innovatively target strategic sectors with strong potential for high value added activities, value chain development, exports and productive formal wage employment. Last but not least, the new CSP is underpinned by a series of 12 analytic briefs and additional studies undertaken by the Bank and other stakeholders.

5. **In response to Rwanda's overarching development challenge, the main objective of the new CSP 2017-21 is to accelerate the country's economic transformation process, thereby boosting inclusive private sector-led growth and creating higher value-added formal wage employment.** To achieve this objective, the Bank will focus on improving Rwanda's enabling business environment through continued investments in the country's infrastructure on one hand, while strengthening Rwanda's skills base on the other hand, to meet the demands of businesses that engage in transformative value-adding economic activities. At the same time, the Bank will increase its direct support including improving access to finance to private enterprises to engage in high value added economic activities. Consequently, the new CSP is articulated around two complementary pillars: **Pillar-1 – Investing in energy and water infrastructure to enable inclusive and green growth;** and **Pillar-2 – Developing skills to promote high value added economic activities and economic transformation.** Bank support under the two pillars is mutually reinforcing and will be provided through its public and private sector windows. The CSP 2017-21 resource envelope is adequate, notably given Rwanda's access to the Bank's ADB window, to allow the Bank to deliver tangible developmental results from its support under the two pillars in a selective manner.

6. Specifically, support from the public sector window under both pillars will focus on putting in place a more enabling environment for private businesses, both in terms of infrastructure services as well as human capital/skills. Support from the private sector window will not only provide additional infrastructure finance (notably through Public-Private Partnerships) but also provide targeted support at enterprise level to businesses engaged in value added economic activities and value chain development. As a general principle, co-financing will be mobilized to complement the Bank's own resources. Additionally, the Bank will provide policy advice (e.g., through Bank staff and/or trust funded technical assistance) on 'soft' issues related to economic transformation, such as strengthening the governance and coordination framework for economic transformation and value adding industries. Policy advisory support will also be provided to enhance the implementation of the GoR's market linkages program which aims to increase Rwanda's linkages with regional and international markets and value chains. The Bank's recently approved corporate strategies will provide the anchor for the Bank's support under the new CSP. These corporate strategies are designed to strengthen the operationalization of the Bank's new High 5 priorities and to scale up the implementation of its Ten Year Strategy. The new CSP also supports the realization of the Sustainable Development Goals.

I. INTRODUCTION

1. **Rwanda's has overcome the 1994 Genocide to become a top reformer and one of the fastest growing countries globally.** Following the end of the genocide against the Tutsi in 1994, Rwanda has made significant progress towards political stabilization, reconciliation and the rule of law. Sustained implementation of reforms and a prolonged period of peace and political stability have contributed to impressive socio-economic development. As a result, real GDP growth averaged 7.9% during 2000-15, making Rwanda one of the fastest growing countries globally. Poverty and income inequality have also been reduced significantly. However, Rwanda is still ranked among the low human development countries at 163 out of 188 countries in 2014 according to the 2015 Human Development Index and its 2020 middle income ambition is constrained by several challenges, particularly the slow process of economic transformation.

2. **The African Development Bank's (the 'Bank') Country Strategy Paper (CSP) 2017-21 was prepared at a time when it became clear that more emphasis needs to be placed on accelerating Rwanda's economic transformation process**. As indicated in the CSP 2012-16 Completion Report[1], the Bank successfully supported Rwanda to improve its energy and transport infrastructure and promote enterprise growth, generating commendable results which have significantly contributed to Rwanda's overall socio-economic development. However Rwanda's current sources of growth are dominated by low value added production and can therefore not sustainably contribute to high living conditions for the majority of the population. Therefore, while consolidating the achievements of the Bank's CSP 2012-16 and ensuring continuity, the new CSP 2017-21 will be innovative and place more emphasis on promoting higher value added economic activity and the creation of more formal and productive wage employment. The new CSP is aligned with Rwanda's Vision 2020, the second Economic Development and Poverty Reduction Strategy (EDPRS II) 2013-18 and the Bank's Ten-Year Strategy (TYS) 2013-22 and has been informed by extensive consultations with the Government of Rwanda (GoR) and other stakeholders. The new CSP is also aligned with other Bank Group priorities including the High 5s[2] and the new Development and Business Delivery Model (DBDM) that seek to fast track the implementation of the TYS. It also supports the realization of the Sustainable Development Goals (SDGs). The CSP mid-term review envisaged in 2019 will provide an opportunity to re-examine the CSP's strategic focus to ensure alignment with the GoR's priorities following the completion of EDPRS II at the end of 2018.

II. COUNTRY CONTEXT AND PROSPECTS [3]

a. Political Context

3. **Rwanda has made progress in improving political stability, civil liberties and political rights but further progress is required in improving participation and human rights**. The most recent Rwanda Governance Scorecard produced by the Government and peer-reviewed by internationally renowned governance professionals[4] reports improvements on indicators for rule of law, political rights and civil liberties, participation and inclusiveness as well as safety and security in 2014 compared to 2012. Election observers confirmed that the 2013 parliamentary elections and 2016 local government elections were free and fair. In preparation for the 2017 presidential elections, nationwide consultations on constitutional reforms were conducted in 2015 to, among other things, address term limit aspects. The resulting constitutional amendments were endorsed in a national referendum in December 2015[5]. The country's ranking on Transparency International's Corruption Perceptions Index improved from 50 out of 176 countries in 2012 to 44 out of 168 countries in 2015. Rwanda's ranking on the Mo-Ibrahim Index of African Governance also improved from 15/52 in 2012 to 9/54 in 2015, which is better than the 2015 rankings for its East African Community (EAC) partner states (Burundi 43/54; Kenya 12/54; Tanzania 18/54; and Uganda 19/54). Furthermore, Rwanda ranks higher than the African average on safety and rule of law, sustainable economic opportunity, and human development but lags behind on participation and human rights. Despite progress made in recent years, the 2016 Freedom in the World Report also indicates that Rwanda's scores on political

rights and civil liberties are low and have remained unchanged at 6 and 5 (1 = highest; 7 = lowest), respectively in 2012 and 6, respectively in 2015[6].

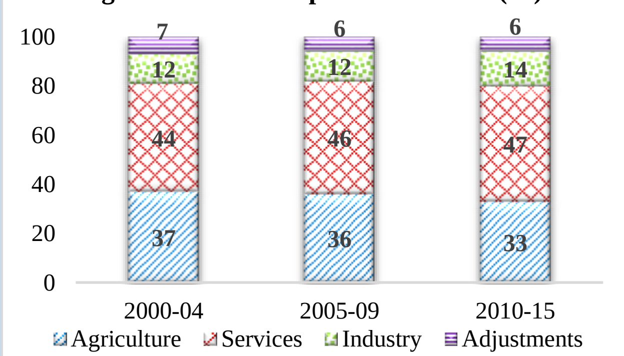
4. **Insecurity and instability in the Great Lakes Region (GLR) has implications on Rwanda's stability and thus requires close attention**. In particular, the civil unrest in neighbouring Burundi and the eastern Democratic Republic of Congo (DRC) has implications on Rwanda's stability. The insecurity in eastern DRC has moderated but any recurrence of conflict will adversely affect Rwanda's trade given that DRC and more broadly the GLR are among the country's major trade partners. Instability in Burundi also has several implications for Rwanda, including security and refugee burdens for border communities. However, Rwanda's active participation in regional peace initiatives under the International Conference on the Great Lakes Region (ICGLR) and African Union (AU) has the potential to generate lasting solutions to the instability and insecurity in the GLR.

b. Economic Context

5. **Rwanda has achieved high real GDP growth for more than one decade and a half, averaging 7.9% during 2000-15, leading to an increase in real GDP per capita from USD 207 to USD 718 over that period. However, the economic transformation process has been slow as growth has mainly been generated from low value added and low productivity economic activities.** The services and agriculture sectors have been the leading growth drivers during this period and grew at average rates of 10% and 6% respectively. Growth in the services sector was driven by trade and real estate activities, with high value added sectors like ICT and financial services making a minimal contribution to GDP growth. Food crops, livestock and livestock products led growth in the agriculture sector, while the contribution of processed export crops has been negligible. Growth in the agriculture sector, which employs 70% of the workforce, remains vulnerable due to weather fluctuations. The industry sector grew at an average rate of 9%, largely driven by construction. Manufacturing (primarily of food, beverages and metal products) is slowly emerging as a contributor to growth in the industry sector and has grown at an average rate of 6.9% during the 2000-15 period. Consequently, Rwanda's growth has been characterized by low value added and low productivity economic activities. Rwanda's current growth pattern may, therefore, not be adequate to lead the country to middle income status by 2020 as envisaged by the GoR. With regard to GDP utilization, public investments (13.3% of GDP in 2015, largely financed by external assistance) contributed to growth in industry (mainly construction) and bolstered domestic demand, notably services. Foreign direct investment (FDI) increased from 1.7% of GDP in 2011 to 4% in 2015, which is also similar to the average for Sub-Saharan Africa (SSA)[7]. Real GDP growth is projected to reduce slightly from 6.9% in 2015[8] to 6.8% in 2016 due to lower commodity prices and a weak global economy. High dependence on aid is also a major downside risk to the economic outlook.

6. **The structure of Rwanda's economy has changed only slightly during the period 2000-15: accelerating economic transformation will require a greater focus on high value added economic activities.** The shares of GDP for the industry and services sectors have both slightly increased during 2000-15 (Fig. 1), while the share of GDP for the agriculture sector has slightly reduced. The share of manufacturing in GDP has remained stable at about 6%. Given that the agriculture sector continues to be characterized by low productivity and low value added activities[9], the shift in GDP composition reflects a structural change of the Rwandan economy towards higher value added activities. However, that shift and the pace of economic transformation respectively, have been slow and far below

Fig. 1. Sectoral Composition of GDP (%)



Source: National Institute of Statistics Rwanda potential over the past 15 years. Therefore, the country needs to adjust its economic model and implement appropriate policies and measures to accelerate the economic transformation process. Whereas high levels of public investments remain crucial in creating the enabling environment for economic growth, more private investments specifically in high value added economic activities are equally important. Continued high levels of public investment necessitate increased domestic resources mobilization (DRM) to reduce aid dependency and maintain debt sustainability. Increasing private investment requires not only addressing persistent infrastructure bottlenecks (particularly energy, transport and water) and improved public infrastructure service delivery, but also reducing skills gaps in response to private sector needs, as well as increasing access to finance to facilitate the acquisition of modern production technologies. Robust legal and regulatory frameworks and the implementation of clear and transparent policies to incentivize and attract both domestic and foreign investors are equally important. Additionally, targeted structural policies and specific programs in support of promising businesses are required to promote high value added economic activities, notably in the EDPRS II strategic sectors such as industry (sub-sectors like manufacturing, energy, and agro-industry), agribusiness and ICT. These sectors also have a strong potential for export growth and job creation. The specific measures comprise promoting tailor-made financing schemes, establishment of business linkages to promote value chain development, and harnessing ICT for transformative technology transfer.

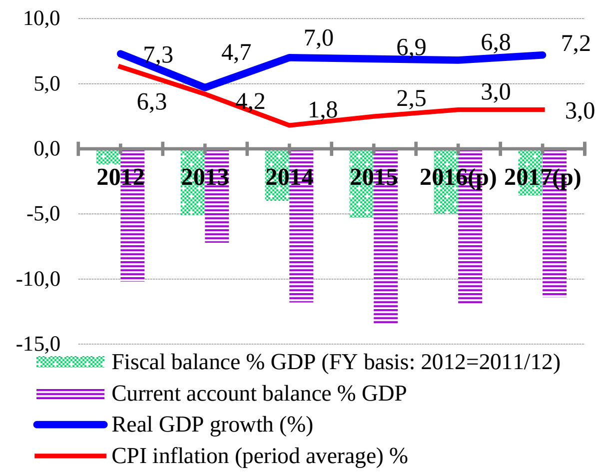
7. **The GoR has established a strong policy, legal, regulatory and institutional framework to respond to these opportunities**. For instance, the 2011 National Industrial Policy (NIP) – whose implementation is spearheaded by the Ministry of Trade and Industry – aims to promote economic transformation to support the creation of 1.4m new off-farm jobs by 2020. The NIP focuses on increasing domestic production, improving export competitiveness and strengthening the enabling environment for industrialization, notably by addressing skills and infrastructure constraints. A new Investment Code was adopted in 2015 to among other things, promote private investments in the EDPRS II strategic sectors. As part of the NIP's implementation, the GoR is developing infrastructure and other required services for the Kigali Special Economic Zone (KSEZ) and industrial parks across the country and these interventions have already attracted private investment in key sectors such as construction materials, light manufacturing, agro-processing and agribusiness[10]. The GoR is also developing infrastructure and other services in six secondary cities to transform these trade and transport corridors into regional growth poles and centres of local economic development[11].

8. **Macroeconomic management is anchored on the IMF Policy Support Instrument (PSI) and performance under the PSI has been satisfactory.** The 5th review under the PSI program was successfully completed in June 2016[12], with 2 of the 3 planned structural benchmarks being met. The IMF also approved an 18-month USD 204 million Stand-by Credit Facility to support GoR in preserving external sustainability and mitigate the macroeconomic impact of the lower international commodity prices on the Rwandan franc and foreign exchange reserves.

9. **Public spending has increased in tandem with the increased investments in infrastructure leading to persistent fiscal deficits, particularly in light of the low DRM. The risk of debt distress remains low although safeguarding debt sustainability requires fast tracking export diversification.** The GoR's fiscal consolidation strategy (FCS) focuses on prioritizing public spending and increasing DRM. The implementation of revenue mobilization measures, since 2011/12, such as the introduction of gaming and mineral royalty taxes increased tax revenues from 13.4% of GDP in 2012/13 to an estimated 15.4% in 2015/16, which is still short of the 25% EAC target. Total domestic revenues increased from 14.4% of GDP in 2011/12 to 16.8% in 2015/16 indicating that non-tax revenues have remained largely unchanged. Total spending increased from 26.6% of GDP in 2011/12 to 29% in 2015/16 and public spending has prioritized investments in growth enhancing sectors of transport, energy, water and agriculture. This contributed to an increase in capital and total spending, leading to a rise in the budget deficit (on payment order basis) after grants from 1.2% of GDP in 2011/12 to 5% in 2015/16 (Fig. 2 below). In line with the FCS, GoR is implementing cautious fiscal policy in 2016/17, which includes postponing non-priority expenditure with a

high import content to help preserve the foreign exchange reserves. Enhanced DRM will be necessary to support the sustained investments in public infrastructure, particularly in light of GoR's ambition of reducing aid dependency. Total public debt grew from 22.6% of GDP in 2012 to 34.9% in 2015 due to the increased disbursement of concessional loans by multilateral partners. However, the June 2016 IMF/ World Bank Debt Sustainability Assessment confirms that the risk of external debt distress remains low. Nonetheless, preserving debt sustainability requires fast tracking export diversification and a revised National Export Strategy (NES II) 2015-18 is being implemented to guide these efforts.

Fig 2. Selected Macroeconomic Indicators



Source: AfDB Statistics Department

10. **Progress has been made in economic and financial Governance but improvements in human capacities and audit infrastructure are still needed.** The Bank's 2016 Country Fiduciary Risk Assessment (CFRA) reports that Rwanda has a medium overall residual fiduciary risk with adequate Public Financial Management (PFM) systems and low risk in public procurement (Annex 4). The Bank's Country Policy and Institutional Assessment shows steady improvements in the overall and governance cluster ratings between 2012 and 2015 (Annex 3). The 2015 Public Expenditure and Financial Assessment (PEFA) also confirms the continuous improvement of Rwanda's PFM systems, notably with regard to sound fiscal management. Reform priorities identified in the CFRA include improvements in human capacities and audit infrastructure.

11. **Monetary policy has mirrored the central bank's primary objective of ensuring low inflation**. The central bank's policy rate (Key Repo Rate, KRR) was reduced from the 7.5% held since June 2012 to 7.0% in June 2013 and further to 6.5% in June 2014 as inflation decreased. Inflation increased between 2014 and 2015, partly due to rising food prices, but is projected to remain below the central bank's 5% target in 2016. As a result, the KRR has been maintained at 6.5% until the end of Q3 2016.

12. **The narrow export base is a major source of external vulnerabilities and also explains Rwanda's persistently high current account deficit.** Increased export receipts contributed to a reduction in the trade deficit from 17.6% of GDP in 2012 to 16.0% in 2014. However, lower commodity prices decreased the mineral (coltan, cassiterite and wolfram) and total export earnings in 2015 relative to 2014. The largely unprocessed exports of coffee, tea and minerals accounted for 36.9% of total exports in 2015, 7.6% points lower than in 2012, which increased the vulnerability to reductions in commodity prices. The sustained reduction in international oil prices lowered the cost of energy imports between 2014 and 2015, resulting in reduced imports and decreasing the trade deficit to 15.2% of GDP in 2015. Tourism receipts have remained stable at 3.9% of GDP in 2012 and 2015 while remittances decreased from 2.4% of GDP in 2012 to 1.9% in 2015. Moderate growth in tourism and reduced remittance inflows contributed to an increase in the current account deficit, including grants (Fig. 2). Gross international reserves decreased from 4.1 months of imports in 2012 to 3.6 months in 2015 due to reduced export earnings and other inflows but are projected to remain above 3 months in 2016 and 2017. The reduced international reserves led to the 7.5% depreciation of the Rwandan Franc against the US Dollar between December 2014 and December 2015[13].

13. **The private sector is characterised by informal enterprises, most of which are engaged in low value added activities. Thus, more needs to be done to position the private sector as a leading engine of transformative growth.** Private business establishments grew by 24.4% to over 148,000 between 2010/11 and 2013/14. However, 94.7% of the businesses are informal and the majority of the businesses are engaged in trade (52%) and accommodation and food service activities (30%). Only 7% of the businesses are engaged

in manufacturing. The private sector's contribution to GDP remains small, with private investment accounting for 12.4% of GDP in 2015. Over 90% of Rwanda's workforce is employed in the private sector, indicating that the majority of the workforce is engaged in low value adding and low productivity economic activities. The Micro, Small and Medium Enterprises (MSMEs) account for over 98% of the establishments and provide 80% of private sector employment (Annex 9). The major challenges to private sector development include the high cost of energy, transport and water; skills gaps and mis-match and limited access to affordable finance which constrains the acquisition of modern production technologies. The 2012 GoR skills audit reveals a skills gap averaging 43% of the labor force, primarily in technical and vocational education and training (TVET) while the 2013 Business and Investment Climate Survey undertaken by the Private Sector Federation reports a lack of adequate skills in strategic sectors such as industry/manufacturing, tourism and ICT. A 5-year PSDS Implementation Plan (IP) was adopted in 2015 to address these bottlenecks and promote private investments in high value added production and industrialization. Furthermore, a National Employment Program (NEP) 2014-18 is being implemented to develop the skills and other capacities required to promote enterprise growth. The NES II programs like the export growth fund aim to support business to break into regional and continental value chains and markets. However, the implementation of these strategies and programs needs to be effectively coordinated to maximize development impact. The Bank's operations under CSP 2012-16 have supported the implementation of the PSDS and the NEP[14]. As co-chair of the Private Sector Development and Youth Employment sector working group, the Bank is supporting the GoR to improve coordination of interventions aimed at promoting private sector development and industrialization.

14. **Competitiveness and the business regulatory environment have been improved steadily but further improvements in competiveness will require addressing the infrastructure bottlenecks and developing skills required to promote high value added production.** In spite of ranking 62 out of 189 countries in 2015 compared to 55 out of 189 countries in 2014 on the Doing Business index, Rwanda is now ranked the third most competitive country in SSA due to the sustained implementation of business regulatory reforms. Rwanda ranked 58 out of 140 on the 2015 Global Competitiveness Index (GCI) compared to 62/144 and 66/148 in 2014 and 2013 respectively. Further improvements in the GCI ranking will require addressing infrastructure bottlenecks and developing skills to improve labor productivity, notably in the high value added economic activities.

15. **The Financial Sector benefits from a strong legal, regulatory and strategic framework. However, insufficient capacities on both the capital demand and supply sides is a key constraint to increasing access to finance particularly for MSMEs**. The commercial banking sub-sector continues to dominate the financial sector, accounting for 67% of total financial sector assets in 2015 which is 3.8% points higher compared to 2011. The banking sector remains liquid, profitable and well capitalized. Financial inclusion has grown with the share of the adult population with access to formal and informal financial products increasing from 72% in 2012 to 89% in 2016. However, challenges persist, notably limited financial products and insufficient capacities on both the capital demand and supply sides (e.g., inadequate advisory, legal and ratings services to facilitate MSMEs access to capital markets). The Bank has provided lines of credit to various commercial banks for on-lending to MSMEs, thereby improving access to finance.

16. **Inadequate infrastructure continues to be a major cause of the high cost of doing business, thereby subduing private business activity and further economic transformation.** EDPRS II identifies investments in infrastructure, especially transport, energy and water, as a key vehicle to achieving economic transformation. The 2014 Bank's Growth Diagnostics Study[15] confirms EDPRS II's emphasis on the need to scale up infrastructure investments to reduce the cost of doing business and increase value added in agriculture, industry, and service sectors. Furthermore, realizing the 2020 middle income vision necessitates scaling up investments in reliable, affordable and environmentally sustainable energy, transport, and water and sanitation infrastructure and services[16]. The Bank's transport investments during the CSP 2012-16 period amount to UA 160.61m (42% of all CSP 2012-16 approvals). As a result, for CSP 2017-21, the GoR

requested the Bank to replace its support to transport with interventions in water and sanitation which is also a key bottleneck to Rwanda's economic transformation objectives.

17. **Energy generation capacity has been increased but more investments are required to achieve the EDPRS II and universal electricity access targets.** Rwanda has made considerable progress in accelerating electricity access through on-grid and off-grid solutions as well as fast-tracking regional grid integration to access more affordable power from neighbouring countries. Implementation of the Energy Sector Strategic Plan (ESSP) 2013-18 has increased electricity access and generation capacity. However, while national electricity access has increased from 18.6% in 2012 to 24.5% in 2015 (23% on-grid and 1.5 off-grid), it remains below the 70% target by 2017/18 (48% on-grid and 22% off-grid). Generation capacity has increased from 110.8 MW in 2012 to 186 MW in 2015, but is also still short of the targeted 563MW by 2017/18[17]. Fossil fuels account for 60% of the energy mix, leading to high average electricity tariffs of USD 0.21/kWh compared to the average tariffs in Tanzania (USD 0.10/kWh), Uganda (USD 0.13/kWh) and Kenya (USD 0.18/kWh). An energy sector reform has been implemented since August 2014 to improve the sector's productivity and efficiency, including the realization of cost-reflective tariffs by 2018/19. A strong regulatory framework is in place and is headed by the Rwanda Utilities Regulatory Authority. Sustained support to the energy sector is still necessary to achieve the EDPRS II targets and universal electricity access by 2025 as articulated in the Bank's Strategy for the New Deal on Energy for Africa (2016-25).

18. **Strong progress has been made in improving transport infrastructure and services.** EDPRS II prioritizes increasing domestic and external connectivity to deepen regional integration and promote private sector development. Furthermore, investments in integrated multi-modal transport systems have been prioritized under EDPRS II to improve efficiency and transform the capital city Kigali into a regional logistics hub. The Transport Sector Strategic Plan (TSSP) 2013-18 is being implemented to improve transport infrastructure and services and strong progress has been made in achieving the TSSP targets. For instance, the share of national roads (paved and unpaved) in good condition increased from 63.2% in 2012/13 to 72.6% in 2014/15 and the 80% target for 2018 is expected to be achieved. The Bank is currently financing several transport projects (Annex 12b), which jointly with interventions from the 7 other development partners (DPs) in the transport sector (Annex 8a) are expected to contribute to the realization of the TSSP objectives.

19. **Sustainable access to safe water and sanitation services is important in reducing poverty, promoting industrial growth and accelerating economic transformation.** Several interventions are being implemented under EDPRS II and the Water Sector Strategic Plan (WSSP) 2013-18 to ensure universal and sustainable access to safe water and sanitation services by 2020. This is expected to improve public health thereby contributing to reductions in poverty and also facilitate industrial growth. For instance, while access to water and sanitation has increased from 78% and 74.5% respectively in 2013 to 84.5% and 83.4% respectively in 2015, this progress is not sustainable due to the inadequate water supply and dilapidated water distribution infrastructure. The current water demand in Kigali of between 150,000 to 200,000 m^3 per day exceeds water supply capacity of 90,000 m^3 per day. Non-revenue water (water losses) is also high at 40% of water produced largely due to the old distribution infrastructure. Businesses and industries mitigate the inadequate water supply by investing in costly water solutions such as underground water tanks and water delivery trucks which increases the cost of doing business. Furthermore, the industrial zones and secondary cities across the country require reliable water supply and sanitation services to support industrialization and sustainable urbanization respectively. Under the WSSP, the GoR is promoting the development of integrated water and sanitation projects, such as water projects with irrigation components to maximize developmental impact and also reduce reliance on rainfall in the agriculture sector. The Bank has supported the implementation of the WSSP and contributed to improvements in access to water and sanitation. However, additional Bank Group support will be required to consolidate these achievements.

20. **Agriculture remains an important contributor to GDP and employment and thus a major vehicle for achieving transformative, spatially balanced inclusive growth.** The agriculture sector is characterized by low productivity, inadequate access to agricultural finance, and a heavy dependence on

(erratic) rainfall, which implies a significant exposure to the impacts of climate change (Annex 16). The Strategic Plan for Agricultural Transformation-III (2013-18) is being implemented to address these challenges and has prioritized the promotion of private sector investments in agricultural value chains to drive agro-based industrialization and economic transformation. Furthermore, Land Consolidation and Land Tenure Regularization Programs have been implemented to improve land availability and security. The Bank is supporting the GoR to develop an agricultural finance program. This program, which is expected to be ready in Q4 2016, will inform the Bank's support to improving agriculture finance and is envisaged to focus on the deployment of risk sharing facilities to de-risk commercial bank lending to the sector. Bank support through its Skills, Employability and Entrepreneurship Program (SEEP) will enable youth and women entrepreneurs to engage in agri-business and agro-industry.

21. **Rwanda has made major investments in digital technologies but the development of complementary ICT skills is required to catalyse innovation, transformative technology transfer and ICT-enabled services**. Rwanda has invested in over 4,500km of fibre optic cable and 3G mobile internet connectivity is available across the country. As a result, internet penetration has increased from less than 1% in 2000 to over 12% in 2016. The SMART Rwanda 2020 Masterplan, adopted by Cabinet in 2015, guides the development of relevant skills and other capacities required to leverage these ICT investments to bolster innovations, export-oriented operations like logistics, electronics assembly and ICT-enabled services such as business process outsourcing. The Bank's on-going ICT Regional Centre of Excellence project is supporting the realization of the GoR's ICT aspirations through the development of science and technology skills.

22. **Regional integration remains one of Rwanda's key priorities and several regional economic integration (RI) and cooperation protocols and agreements have been signed and ratified.** This is expected to enhance Rwanda's access to regional and global markets, capital and affordable electricity through the Eastern and Southern Africa Power Pools. Rwanda is also a signatory to COMESA-EAC-SADC Tripartite Free Trade Area agreement. According to the 2014 East African Common Market Scorecard, Rwanda ranks second after Kenya in terms of freedom of movement of capital. Progress has also been made in implementing agreements within the framework of the Northern Corridor Integration Projects, particularly in easing the movement of persons, goods and the joint mobilization of resources for transformative operations. As a result, the share of Rwanda's formal imports from the EAC has increased from 24.9% in 2013 to 25.4% in 2015 with the share of formal exports remaining stable at 21%. As a landlocked country located about 2,000km from the major ports of Dar es Salaam and Mombasa, the high transport costs, representing up to 40% of export and import values compared to the 12% and 36% for Kenya and Uganda respectively, are a major bottleneck to Rwanda's regional integration efforts. The Bank's on-going support to regional operations (Annex 12b) are contributing to the realization of Rwanda's RI objectives.

c. Social Context and Cross-Cutting Themes

23. **Poverty and income inequality have been reduced significantly and strong progress has been made towards the Millennium Development Goals (MDGs). The GoR has also embarked on national consultations to mainstream the SDGs into national policies and strategies.** Poverty has been reduced from 56.7% in 2005/06 to 39.1% in 2013/14 and income inequality, as measured by the Gini coefficient, also decreased from 0.52 to 0.45. These achievements are due to the implementation of targeted measures including social protection and comprehensive job creation and enterprise development interventions. However, poverty rates are over twice as high in rural areas (61.9% in 2005/06 and 43.7% in 2013/14) as in cities (28.5% in 2005/06 and 15.9% in 2013/14). Rwanda has achieved most MDGs except for three indicators, namely poverty headcount, malnutrition for children under-5 and share of women in off-farm waged employment (Annex 14). The ongoing SDG national consultations, which aim to identify approaches to mainstreaming the SDGs into planning frameworks, reveal that inclusive growth, sustainable infrastructure development and financing for development will remain key priorities. Accelerating economic transformation will lead to the creation of more formal and high productivity jobs thereby contributing to further reductions in poverty.

24. **Gender equality and women empowerment have been promoted and results have been achieved. However, gender disparities still exist in access to higher education and economic activity as well as political representation at the local government level**. Parity between boys and girls in primary education has been achieved and gender disparities in secondary education enrolment have been reduced. However, girls are less likely than boys to progress to higher education, particularly in science and technology. Inequalities also exist in access to economic opportunities. For instance, while the share of women in waged off-farm employment increased from 18.1% in 2010/11 to 27.3% in 2013/14, it remains short of 50% parity target. Furthermore, more women (82%) than men (66%) are engaged in agriculture. The share of women parliamentarians increased from 56% in 2010 to 64% in the most recent Parliamentary elections in 2013. In addition, 38%, 35% and 50% of the members of the Senate, Ministers and Judiciary respectively are women. However, similar achievements in political representation also need to be made at the local government level where only 10% of the district Mayors are female. Several factors explain women's limited participation in economic activities, including the higher burden of household work on women partly due to the limited access to infrastructure. For instance, only 24.5% and 11% of all households have access to electricity and water respectively on their premises which increases the time spent by women on collecting firewood and water.

25. **The GoR is implementing a holistic National Employment Program (NEP) to address youth unemployment, although emphasis needs to be placed on more productive, formal employment creation.** The youth (population aged 16 to 30 years) account for 27.6% of the population and 61% of the youth are underemployed[18] (work less than 35 hours per week) in informal activities including subsistence agriculture due to skills gaps and mismatch (paragraph 13) and limited formal productive job growth. For instance, 94.7% of businesses in Rwanda are informal and are engaged in low productivity activities such as trade and food service activities. Therefore, addressing underemployment requires creating more formal productive employment by promoting high value added economic activities including agribusiness and agroindustry. The GoR is implementing the NEP to develop a more productive work force. However, more attention needs to be placed on developing skills for the higher value adding sectors and addressing other key constraints to high value added businesses such as access to finance, technology and market linkages.

26. **A robust climate change, environment and green growth institutional and policy framework is in place and is expected to guide Rwanda's transition to sustainable economic transformation.** Rwanda's 2011 Green Growth and Climate Resilience Strategy (GGCRS) establishes a 2050 vision of a climate resilient and low carbon economy which sustainably harnesses agriculture, services and industry sectors for job creation and poverty reduction[19]. Rwanda has ratified several international conventions including the United Nations Framework Convention on Climate Change (UNFCCC, 1998) and has submitted National Adaptation Programmes of Action (NAPAs) to UNFCCC in 2006 and 2012. Rwanda developed its Intended Nationally Determined Contributions (INDCs) in 2015 confirming the country's commitment to reducing greenhouse gas (GHG) emissions. A robust legal, regulatory, and policy framework is in place and is rigorously enforced to guide the sustainable management of natural resources, the environment and climate change (Annex 16)[20]. The Bank has mobilized several climate investment funds (Annex 12a) to support the implementation of the GGCRS.

III. STRATEGIC OPTIONS, PORTFOLIO PERFORMANCE AND LESSONS

a. Country Strategic Framework

27. **Economic Development and Poverty Reduction Strategy II (EDPRS II) 2013-18:** EDPRS II provides a medium-term framework for implementing the Vision 2020 priorities and guides GoR's efforts to realise the Vision 2020 middle income goal. Achieving accelerated real GDP growth and reducing poverty from 46% and 39.1% in 2010/11 and 2013/14 respectively to less than 30% are central to the EDPRS II and Vision 2020 objectives. The strategy has four thematic areas of *Economic Transformation*, *Rural Development*, *Productivity and Youth Employment* and *Accountable Governance* and augments the country's achievements during EDPRS I (2008-12)[21]. The key gains under EDPRS I include high real GDP growth,

averaging 8% and one million Rwandans being elevated from poverty. Addressing infrastructure bottlenecks especially in energy, transport and water to reduce the cost of doing business and unlock the contribution of the private sector to economic transformation is a major priority under EDPRS II. Improved competitiveness will also contribute to the creation of the targeted 200,000 off-farm jobs per annum[22]. Several sector strategies (section II.b) are being implemented to ensure that the EDPRS II objectives are realized.

28. **The EDPRS II MTR is underway and is expected to be completed at the end of 2016 to inform the required national strategic refinements for the remainder of the EDPRS II period**. Preliminary assessments indicate that the GoR has put in place strong measures to accelerate progress across the four EDPRS II themes. For instance, under the economic transformation theme, a 5-year PSDS IP was adopted in 2015 to holistically guide the GoR's approach to promoting transformative private investments in high value added production, in line with the National Industrial Policy (NIP) 2011[23]. The NIP underscores skills and infrastructure development as critical enablers for industrialization in Rwanda. Under the PSDS IP, the GoR is scaling-up infrastructure investments for the KSEZ, secondary cities, and industrial parks across the country to attract and promote domestic and foreign investments[24]. These measures which aim to improve the spatial distribution of investment opportunities will also contribute to a reduction in the high poverty rates in rural areas relative to the capital city Kigali. The NEP is also being implemented to among other things, develop the skills necessary to drive high value added economic activities.

b. Aid Coordination, Harmonization and Bank Positioning

29. **The aid coordination architecture is well structured to facilitate country dialogue and the implementation of EDPRS II.** An elaborate aid architecture is in place and the Development Partners Coordination Group (DPCG) is the highest-level coordination forum in Rwanda. A Donor Division of Labor (DoL) framework was adopted in 2010 and revised in September 2013 to enhance alignment with the EDPRS II themes and priorities. Consistent with the 2010 DoL, the 2013 DoL (Annex 8a) limits DP support to three core sectors in line with a particular DP's track record in a sector, mandate, and expertise. The Bank retained two of its core sectors, that is, energy and transport, while water and sanitation was replaced with private sector development and youth employment (PSDYE). The Bank is co-chairing the transport and PSDYE sector working groups (SWGs) and the energy access sub-SWG[25]. The Bank has therefore developed a comparative advantage in infrastructure and private sector development. The GoR informed the Bank during the CSP preparation mission in March 2016 that the 2013 DoL is being revised within the framework of the on-going EDPRS II MTR, and that the Bank will be mapped to water and sanitation as an active partner. The Bank co-chaired the water and sanitation sector under the 2010 DoL and is expected to play a leading role in this sector following the revision of the 2013 DoL.

30. **Aid harmonization has been improved and progress continues to be registered in the implementation of the Paris and Busan commitments especially the use of national budget and procurement systems**. The Bank was the 6th largest Official Development Assistance (ODA) provider to Rwanda in 2013/14, accounting for 9.4% of total ODA[26]. The World Bank and EU invest in agriculture and energy whereas the leading bilateral DPs focus, among other things, on human development and social protection (Annex 8a). Annex 8b summarizes the progress made in implementing selected indicators as captured by the Donor Performance Assessment Framework. Use of the sector budget support (SBS) instrument has increased the share of Bank support disbursed using country systems. Under the DPCG, the Bank actively participates in activities to enhance the implementation of EDPRS II such as the 2014/15 assessment of SWGs[27].

c. Strengths and Opportunities, Weaknesses and Challenges

31. **Rwanda's overarching development challenge today is to make growth more transformative in order to generate value adding, productive formal wage employment.** Rwanda's strengths and opportunities, weaknesses and challenges – most of which are similar to those identified in CSP 2012-16 –

are discussed in detail in the preceding sections and summarized in Box 1 and Annex 5 (Box A5.1). Rwanda's overarching development challenge today is to accelerate economic transformation: growth needs to be made more transformative and spatially balanced, based on higher value-added economic activity and more productive, formal wage employment, with the private sector playing the central role.

Box 1: Strengths, Opportunities, Weaknesses and Challenges

Strengths and Opportunities

- Macroeconomic stability, economic and financial governance – supported by IMF programs.
- Agriculture sector with significant potential for higher value added activity and formal productive jobs. Investments in infrastructure and skills training to enhance agricultural productivity, notably in agribusiness and agroindustry, will increase the sector's contribution to structural transformation.
- ICT and regional logistics hub – Rwanda's investments in ICT have the potential to spur high value added production and contribute to its transformation into a logistics hub.
- Tourism – leading foreign exchange earner and measures underway to enhance its contribution to GDP and employment.
- Youthful population – measures are underway to transform the youthful population into an economic dividend.
- Regional Integration (RI) and trade – Rwanda's active participation in RI activities under COMESA and EAC will increase intra-regional trade and support the development of transformative regional infrastructure.

Weaknesses and Challenges

- Slow economic transformation – GDP shares for industry and service sectors have increased, albeit at a slow pace, with potentials for higher value added economic activity untapped.
- Infrastructure bottlenecks – particularly in the energy and water sectors continue to constrain private sector development (PSD). Coordination of the various PSD and industrialization interventions also needs to be enhanced to maximize impact.
- Skills gaps/mis-match. Lack of adequate skills in strategic sectors with high potential of high value added production such as industry/manufacturing, agribusiness/agro-industry, tourism and ICT.
- Limited private sector engagement in high value added activities due to limited access to finance, technology and markets.
- Instability and insecurity in the Great Lakes Region could potentially disrupt trade and generate spill-overs such as refugee influx with corresponding humanitarian challenges.

d. Key Findings of the 2015/16 Country Portfolio Performance Review (CPPR)

32. **Characteristics of the Bank' Group's 2012-16 Portfolio**. A total of 13 operations (11 public and 2 private sector operations) – 10 of which are task managed by the Rwanda Field Office (RWFO) – were approved during the CSP 2012-16 period, yielding a total commitment of UA 383.52 million (Annex 12a). CSP 2012-16 covered two ADF circles, that is, the last two years of ADF 12 and ADF 13, yielding a total ADF resource envelope of UA 221.15 million[28]. Three non-concessional loans, including one loan from the ADB public sector window, were also approved during CSP 2012-16 period.

33. **Size and composition of Bank Group's ongoing portfolio**. As at 20th October 2016, the Bank Group's active portfolio in Rwanda comprised 19 operations with total net commitment of UA 432.55 million. The portfolio consists of 7 public sector operations (see Annex 12b), 2 private sector operations and 10 multinational operations. Infrastructure (transport-49%, energy-23% and water-3%) accounts for 75% of the on-going portfolio. Other sectors with on-going operations include private sector (4%), multisector (8%), human development (6%), agriculture (4%), and financial sector (1%).

34. **Bank Group's portfolio performance.** The overall performance of the Bank Group's portfolio is rated satisfactory with an assessment score of 3.4 (on a scale of 1 to 4) and improvements (Annex 12c) have been registered across the portfolio's key performance indicators (KPIs). The time taken from approval to first disbursement is consistent with the Bank- wide KPI of 6 months. Support from the Eastern Africa Regional Resource Centre (EARC) in financial management and procurement has enhanced portfolio management.

35. **Quality at entry (QaE) and compensation of Persons Affected by the Project (PAPs) are the major drivers of implementation delays.** Absence of feasibility studies for some operations – leading to low QaE and delays in the procurement processes have hindered implementation leading to low disbursement rates. Furthermore, start-up delays related to compensation of PAPs have also contributed to project

implementation delays particularly for the Rubavu-Gisiza and Base-Gicumbi-Rukomo road projects. The Bank and GoR agreed in 2014 to undertake phased compensation of PAPs in line with the project implementation plan. However, processing delays are still being experienced in the compensation of PAPs largely due to the inadequate number of GoR staff that are allocated to the compensation exercise.

36. **Portfolio Issues and Improvement Plan.** The 2015/16 Country Portfolio Improvement Plan was jointly prepared with GoR in March 2016 and identifies measures to improve project QaE and project readiness for implementation. The key portfolio performance actions (see Annex 13) include: (i) loans to be signed within three months after approval; (ii) fulfilment of all conditions related to first disbursement within 3 months following approval; (iii) expropriation will continue to be undertaken in phases and the first phase should be completed within 3 months after Board approval; and (iv) provision of continuous training and capacity development and in procurement, contract and project management for the executing agencies[29].

e. Key findings of the CSP 2012-16 Completion Report (CR)

37. **The CSP 2012-16 directly responded to Rwanda's main development priorities as articulated in EDPRS II,** notably addressing the infrastructure bottlenecks and strengthening the entrepreneurial base. For instance, energy and transport infrastructure accounted for 62% of the value of operations approved during the CSP 2012-16 period. Support was also provided to promote enterprises including those owned by the youth and women.

38. **The CSP 2012-16 assistance program was successfully implemented.** The total commitments of UA 383.52 million under the CSP 2012-16 are more than double the UA 163.02 million that was envisaged in the original CSP document. RWFO mobilized UA 84.21 million in additional resources from trust funds managed by the Bank and co-financing from other partners (Annex 12a). Furthermore, 13 lending and 6 non-lending operations were approved and completed respectively during the CSP 2012-16 period, which exceeds the 8 lending and 4 non-lending operations foreseen in the original CSP document. This reflects the Bank's flexibility in responding to Rwanda's emerging development needs and priorities. Furthermore, 14 out of 16 outputs and 10 out of the 13 outcomes have been achieved and the remaining outputs and outcomes are expected to be achieved under CSP 2017-21. Impressive results have been generated in particular the increased access to infrastructure and the establishment of MSMEs. The CR of the CSP 2012-16 combined with the 2015/16 CPPR, as well as the pillars proposed for the new CSP 2017-21, were approved by the Bank Group's Committee on Operations and Development Effectiveness (CODE) in September 2016 (website).

39. **The CR concluded that the Bank has distinguished its partnership with the GoR in at least three areas, thereby developing a comparative advantage and establishing itself as the go-to-DP in infrastructure and private sector development.** The first area is the relevance of Bank's support to Rwanda's national development priorities. EDPRS II and several studies (e.g., the Bank's 2014 Rwanda Growth Diagnostics Study) identify infrastructure bottlenecks as key constrains to private sector development and economic transformation. As a result, the Bank's support prioritized infrastructure development which accounts for 63% of the on-going portfolio. Second, the Bank has supported several regional energy and transport infrastructure operations to improve national and regional connectivity, integrate Rwanda with regional markets and to deepen regional integration. Third, complementary non-lending activities including demand-led knowledge work, advisory services via the African Legal Support Facility (ALSF) and technical assistance (TA) were delivered to enhance the developmental impact of the Bank Group's interventions in Rwanda. The Bank generated knowledge through its 2013 energy and transport sector reviews to inform the respective sector strategic plans under EDPRS II and also underpin country policy dialogue. As co-chair of SWGs, the Bank jointly leads policy dialogue in these SWGs with the GoR[30].

f. Lessons learned from the CSP 2012-16 Completion Report and CPPR 2015/16

40. **The Bank achieved good results from its assistance program during CSP 2012-16. However, more emphasis needs to be placed on supporting Rwanda to accelerate economic transformation**

under the new CSP 2017-21. The CPPR (section III.d) and CSP 2012-16 CR (section III.e) generated several lessons to inform CSP 2017-21 as summarized in Box 2 and discussed in detail in Annex 5 (Box A5.3). At strategic level, the key emerging lesson is that the Bank under the CSP 2012-16 has rightly supported energy and transport infrastructure and private sector development and achieved good results. However, going forward, the Bank under the new CSP needs to put more emphasis on economic transformation in order to support Rwanda's longer-term development ambitions.

Box 2: Lessons Learned

i. The Bank's previous support has contributed well to Rwanda's socio-economic progress. However, going forward, greater attention needs to be placed on private sector-led transformative and spatially balanced (hence inclusive) economic growth. In this regard, Rwanda's agricultural potential, notably in agribusiness and agroindustry, will play a key role.

ii. Flexibility and pro-activeness in responding to the GoR's financing needs is important in safeguarding priority public spending. This flexibility should be sustained under CSP 2017-21 and the range of lending and non-lending instruments also need be diversified to crowd-in private investment and finance.

iii. Emphasis on fewer but larger, transformative and integrated interventions reduces transaction costs and maximizes development impact. Given Rwanda's small ADF and ADB allocation, integrated operations with cross-sectoral interventions and outcomes should be prioritized.

iv. Systematically mainstreaming gender in Bank operations and the measurement of the corresponding outcomes will promote gender-balanced inclusive growth. Explicit gender targets and systematic frameworks to monitor progress will ensure that Bank operations promote gender equality and women empowerment.

v. The development of partnerships including through the Bank's co-chair of SWGs and sub-SWGs has several benefits, and should thus be maintained. These benefits include: raising the Bank's profile as a convener, catalyst and knowledge broker; enhancing country policy dialogue; and facilitating the mobilization of co-financing.

IV. BANK GROUP STRATEGY 2017-21

41. **The Bank's new CSP 2017-21 is timely and provides an opportunity to consolidate and augment its previous support to Rwanda, which has made an important contribution to the country's socio-economic progress. However – while ensuring continuity is important – the Bank will introduce several innovations to the new CSP to best support Rwanda's economic transformation process and development ambitions.** The Bank under the CSP 2012-16 has successfully supported Rwanda to improve its energy and transport infrastructure and promote private sector development, generating commendable results and thereby contributing significantly to Rwanda's overall socio-economic development. However, as the analysis in previous sections has shown, despite the country's successful socio-economic development for more than one and a half decades, Rwanda's economic transformation has not been dynamic enough to support higher living standards for the majority of the population and to meet its ambition to achieve middle income status. Therefore, going forward, the Bank needs to innovate and scale-up its support to accelerate Rwanda's economic transformation process through private sector-led, spatially balanced inclusive economic growth. Rwanda's agriculture sector has a key role to play in this regard. In particular, in addition to providing continued support to further improve the enabling environment through investments in infrastructure and skills development, the Bank needs to provide more direct and targeted support to existing and new private sector businesses to engage in high value added economic activities, notably to agri-businesses. Also, greater attention will be given to partnership arrangements between the GoR, the Bank, the private sector as well as other Development Partners with a view to mobilizing co-financing, increasing private investment as well as generating business for the Bank. In this regard, the Bank will – as a convener, connector and catalyst – use an innovative mix of standard and new risk-sharing financing and aid delivery instruments from its public and private sector windows. It will also give greater attention to policy advice to the Rwandan authorities as well as to the private sector, thereby strengthening the Bank's positioning as a knowledge-based institution. Another innovation relates to the selection and design of new infrastructure projects: priority will be placed on cross-sectoral green infrastructure operations to unleash transformative and environmentally sustainable,

resilient growth in rural areas and secondary cities, and to support the development of industrial zones across the country as growth poles. This will contribute to a reduction in the high poverty rates in the rural areas relative to the capital city Kigali, thereby reducing Rwanda's high spatial disparities. Furthermore, new infrastructure projects will include specific components to support youth employment and gender equality. Also, skills development will innovatively target strategic sectors with strong potential for high value added activities, value chain development, exports and productive formal wage employment. Last but not least, the new CSP is underpinned by a series of 12 analytic briefs and additional studies undertaken by the Bank and other stakeholders. The following sections present the Bank's strategy 2017-21 for Rwanda.

a. Rationale and Strategic Selectivity – Prioritizing the areas where the Bank can achieve the highest developmental impact

42. **As demonstrated above, Rwanda enjoys many strengths and opportunities, but also faces challenges and weaknesses – first and foremost, the slow pace of economic transformation.** Therefore, strong Bank support to accelerate the economic transformation process is warranted. However, in order to ensure the most effective use of Bank resources accessible by Rwanda (section IV.f.), the areas in which it can contribute to the highest developmental impact in line with GoR priorities need to be carefully identified. To put the new CSP's strategic and operational choices (i.e., 'pillars' and 'projects') on a rational basis, a set of selectivity criteria has been developed (Annex 5):

i. Consultations with the GoR and country stakeholders;
ii. Rwanda's most pressing developmental challenges;
iii. Alignment with Rwanda's development framework and Bank Group corporate strategies;
iv. Need to consolidate the Bank's past achievements and comparative advantage;
v. Complementarity with the sectorial focus of other DPs' activities;
vi. Lessons learned from CSP 2012-16; and
vii. Knowledge work.

43. **The most important selectivity criterion is the consultations with the GoR and other country stakeholders including the private sector and civil society organizations on the CSP's areas of focus**. In particular, during the CSP consultations in March 2016, the GoR asked the Bank to replace its support to transport with water and sanitation (section II.b) to address the water supply deficit and catalyze industrial development in the country's industrial zones and secondary cities. The GoR also asked the Bank to support measures that accelerate economic transformation including addressing the impediments to firm-level productivity for private sector businesses such as skills gaps, limited access to finance, and inadequate business linkages to promote value chain development (Annex 7).

44. **An equally important selectivity criterion is the alignment of the CSP with Rwanda's development framework and the Bank's corporate strategies.** The CSP is aligned with Rwanda's Vision 2020 and EDPRS II which emphasize economic transformation, productivity and employment (section III.a). The CSP is also consistent with the Bank's TYS with its twin objectives of inclusive and green growth as well as its core operational priorities of infrastructure, private sector development, skills and technology (section IV.b). The CSP is in line with the Bank's High-5 strategic priorities as articulated in the Bank corporate strategies for the New Deal on Energy for Africa 2016-25, Jobs for Youth in Africa 2016-25, Agricultural Transformation in Africa 2016-25, and Industrialization Strategy for Africa 2016-25[31]. The CSP 2017-21 will be implemented in line with the Bank's DBDM which among other things, underscores the need to improve efficiency to fast track results delivery. Annex 15 illustrates the linkages between the SDGs, TYS and High 5s. The CSP also takes into account CODE's recommendations of September 2016 (website). Other selectivity criteria comprise the Bank's comparative advantage and the complementarity of its support with that of other DPs (section III.b) and lessons learned from CSP 2012-16 (section III. e-f). The CSP is supported by several knowledge products including analytic briefs prepared by the Bank in 2016 and studies by the GoR

and other DPs. Annex 6 presents the main findings from the 12 analytic briefs and the full briefs are available through this website.

b. CSP Objective and Strategic Pillars

45. **In response to Rwanda's overarching development challenge, the main objective of the new CSP 2017-21 is to accelerate the country's economic transformation process, thereby boosting inclusive private sector-led growth and creating higher value-added formal wage employment.** To achieve this objective, the Bank will focus on improving Rwanda's enabling business environment through continued investments in the country's infrastructure on one hand, while strengthening Rwanda's skills base on the other hand, to meet the demands of businesses that engage in transformative value-adding economic activities. At the same time, the Bank will increase its direct support including improving access to finance to private enterprises to engage in high value added economic activities. Consequently, the new CSP is articulated around two complementary pillars: **Pillar-1 – Investing in energy and water infrastructure to enable inclusive and green growth;** and **Pillar-2 – Developing skills to promote high value added economic activities and economic transformation.** Bank's support under the two pillars is mutually reinforcing and will be provided through the Bank's public and private sector windows. The new CSP's resource envelope is adequate, notably given Rwanda's access to the Bank's ADB window, to allow the Bank to deliver tangible developmental results from its support under the two pillars in a selective manner.

46. Specifically, support from the public sector window under both pillars will focus on putting in place a more enabling environment for private businesses, both in terms of infrastructure services as well as human capital/skills. Support from the private sector window will not only provide additional infrastructure finance (notably through Public-Private Partnerships) but also provide targeted support at enterprise level to businesses engaged in value added economic activities and value chain development (e.g., manufacturing, energy, agribusiness/agro-industry, and ICT). As a general principle, co-financing will be mobilized to complement the Bank's own resources. Additionally, the Bank will provide policy advice (e.g., through Bank staff and/or trust funded technical assistance) on 'soft' issues related to economic transformation, such as strengthening the governance and coordination framework for economic transformation and value adding industries (e.g., the regular updates of the Industrial Policy and the corresponding legal and regulatory frameworks; and industrial standards). Policy advisory support will also be provided to enhance the implementation of the GoR's market linkages program which aims to increase Rwanda's linkages with regional and international markets and value chains. The Bank's strategy under each of these two pillars is presented in the following sections. The results expected from the CSP both at mid-term in 2019 and completion in 2021 are captured in the Results-Based Framework (RBF) in Annex 2. The CSP's RBF also highlights the indicators that contribute to the realization of the four High-5 corporate strategies.

PILLAR 1

Investing in energy and water infrastructure to enable inclusive and green growth

47. **Main objective.** The main objective of the Bank's Assistance Strategy under this pillar is to contribute to a reduction in the cost of doing business to further enhance the enabling environment for private investment and economic transformation through improved access to affordable and reliable energy and water supply. Bank support under Pillar 1 is consistent with the TYS's operational priority of infrastructure development and the Bank's High 5s (namely '*Light-up and Power Africa*', *'Feed Africa'*, '*Industrialize Africa*', '*Integrate Africa*' and '*Improve the Quality of Life for the People of Africa'*). The Bank's operations under this pillar will also support Rwanda to achieve the SDGs (particularly Goal 6 'Ensure access to water and sanitation for all' and Goal 7 'Ensure access to affordable, reliable, sustainable and modern energy for all').

CSP outcomes: increased access to affordable and reliable energy and water supply and sanitation

48. **The Bank's support to the energy and water sectors will contribute to increased access to affordable, sustainable and reliable energy and water supply, thereby consolidating the foundation for sustained economic transformation and private investment.** The Bank's energy sector interventions will complement ongoing investments to increase access to affordable, reliable and sustainable electricity by scaling-up investments in energy generation, transmission and distribution. This is in line with Rwanda's ESSP 2013-18 and will also support the Bank's *Light-up and Power Africa* strategic priority in line with the Bank's Strategy for the New Deal on Energy for Africa (2016-25). Investments in regional energy projects including transmission lines will be supported to allow Rwanda to benefit from more affordable power from the Eastern and Southern Africa Power Pools, thereby supporting the *Integrate Africa* strategic priority. In line with Rwanda's WSSP 2013-18, support to the water sector will focus on accompanying Rwanda's efforts to improve water supply and sanitation for households in rural and urban areas, industrial use, and irrigation. The dilapidated water distribution infrastructure will be rehabilitated and expanded to reduce water losses.

49. **Rural and urban households, industrial zones and secondary cities will benefit from the improved energy and water supply and sanitation services**. Overall, increased access to affordable and reliable energy and water supply and sanitation will not only improve household welfare, thereby supporting inclusive growth, but also strengthen the enabling environment for increased private investment in businesses engaging in value added economic activities. Generation of more productive formal wage employment will also be enhanced, thereby reducing underemployment and supporting economic transformation. Improved energy and water supply to households, industrial zones and enterprises in secondary cities will reduce the cost of doing business for business start-ups and existing as well as new enterprises, thereby boosting productivity and competiveness. Enhanced competitiveness is expected to increase access to regional and global value chains and export markets. Furthermore, affordable and more reliable energy and water supply to the industrial zones, which is among the key enablers identified in the Bank's Industrialization Strategy for Africa, will allow entrepreneurs to scale-up high value added production, thereby creating jobs and accelerating economic transformation. Specifically, Bank assistance will contribute to the flagship program on 'Promote and drive enterprise development' under the Industrialization Strategy for Africa. Bank support under Pillar I will also contribute to the implementation of the flagship programs in the Bank's strategy for the New Deal on Energy for Africa, notably the flagships on 'Promote bottom-of-the-pyramid access programs', 'Regional and sub-regional project acceleration program', and 'Country-wide energy sector transformation' (Box 3).

50. **As an innovation to maximize the contribution of the Bank's interventions towards inclusive growth, operations under Pillar 1 will seek to provide all-inclusive cross-sectoral development support.** In particular, support to the water and sanitation sector will also consist of components to catalyze local economic development, notably rural infrastructure such as irrigation services for smallholder farmers and local communities in proximity to increase agricultural productivity and generate rural employment. The increased supply and reliability of water for production will reduce the impact of weather fluctuations on agriculture productivity. Investments in energy and water will also support one of the key enablers (Box 3) identified in the Bank's strategy for Agricultural Transformation in Africa ('Increased investment in hard and soft infrastructure') and will contribute to food security and the *Feed Africa* strategic priority. Given that over 70% of the population is engaged in agriculture, growth in the agriculture sector will also support the *Improve the Quality of Life for the People of Africa* strategic priority by contributing to the implementation of the flagship program on Agriculture under the Jobs for Youth in Africa Strategy.

51. **Bank investments under Pillar 1 will also contribute to Rwanda's transition to a low-carbon green economy** by prioritizing renewable and clean energy sources such as hydropower and methane, in line with the SE4All and Africa Renewable Energy Initiatives (Annex 2). This will reduce dependence on expensive fossil fuels, cut down on the energy imports – thereby decreasing the current account deficit – and Green House Gas (GHG) emissions. Some of the key energy outcomes expected to be realized by the

completion of the CSP in 2021 comprise: electricity access increased to 56% of the population and reduction in GHG emission intensity of installed capacity (tonnes of CO_2/ MWh) by 10% (Annex 2) in line with Rwanda's INDC and the Bank's strategy for the New Deal on Energy for Africa, notably the flagship program on energy efficiency (Box 3). Therefore, Bank operations will seek to ensure alignment with Rwanda's INDCs. The key water and sanitation outcomes include access to clean water and hygienic sanitation facilities increased to 98% of the population and non-revenue water reduced to 23% of water production.

52. **Gender equality will be mainstreamed and measures to ensure sustainability of the Bank's new energy and water and sanitation operations will be incorporated into project designs**. Consistent with the 2010 National Gender Policy, gender assessments will be undertaken during project preparation to inform designs that maximize the Bank's contribution to gender equality and women empowerment. Energy and water and sanitation operations will include components on skills training to ensure that women and youth benefit from temporary construction jobs or acquire longer term skills to prepare them for careers in the job intensive construction industry. Where feasible, labor intensive construction approaches will be pursued to expand job opportunities for the youth. This approach will contribute to gender-balanced inclusion. Project RBFs will include gender disaggregated indicators to facilitate the monitoring of the Bank's contribution to gender equality. As appropriate, projects will include components to improve the capacities of GoR agencies to mainstream gender. As a result, at least 33% of the additional 50,000 households[32] with access to electricity by the end of the CSP in 2021 will be headed by women. Furthermore, a minimum of 50% of the over 1 million additional people with access to improved water supply will be women[33]. The long term sustainability of Bank operations will be ensured by including components that support the Ministry of Infrastructure as well as the energy and water and sanitation utilities to strengthen infrastructure maintenance.

53. **Complementarity/synergy with on-going Bank operations and those of other DPs.** The proposed energy and water and sanitation operations will complement the on-going Bank interventions in these two sectors (Annex 12b) as well as operations from other DPs notably the World Bank and JICA in the energy and water and sanitation sectors respectively. The Bank will pursue co-financing opportunities with these and other DPs. The aid architecture (section III.b) will continue to facilitate DPs' coordination and harmonization to maximize the developmental impact of aid on the EDPRS II objectives.

Box 3: Contribution of the CSP Pillar 1 to the Bank's corporate High-5 Strategies

Flagship Programs – New Deal on Energy for Africa

- **Promote bottom-of-the-pyramid access programs**: an energy access program comprising off-grid and on-grid last mile interventions will be implemented with special focus on the bottom of the pyramid consumers.
- **Energy efficiency**: Bank's energy investments will contribute to a reduction in GHG emission intensity of installed capacity (tonnes of CO_2/ MWh) by 10%.
- **Regional and sub-regional project acceleration program**: regional energy projects will be implemented to link Rwanda with the Eastern and Southern Africa power pools. Capacities will also be strengthened to enable the relevant agencies to effectively implement these regional operations and contribute to the required technical and regulatory harmonization.
- **Country-wide energy sector transformation**: energy operations will provide all-inclusive solutions e.g., support to optimize on-grid supply to reduce system losses, access for the bottom of the pyramid and green mini grids to boost rural electrification.

Key Enabler – Agricultural Transformation in Africa

- **Increased investment in hard and soft infrastructure**: energy and water investments will increase the feasibility and cost competitiveness of agricultural production, agri-business and agro-industry, thereby enabling industrialization and job creation.

Flagship Program – Industrialization Strategy for Africa

- **Promote and drive enterprise development**: access to affordable and reliable energy and water supply will reduce the cost of doing business for existing and new businesses, thereby promoting their growth and enabling high value added production.
- **Develop efficient industry clusters**: energy and water access will improve competitiveness and contribute to the development of industry clusters in high potential sub-sectors like textile/ garment manufacturing, construction materials and agro-industry.

Flagship Programs – Jobs for Youth in Africa

- **Flagship programs in Agriculture, Industrialization and ICT**: reliable and affordable energy and water will facilitate the expansion of small and large enterprises in these sectors, leading to the creation formal jobs for the majority of Rwandans.

PILLAR 2

Developing skills to promote high value added economic activities and economic transformation

54. **Main objective.** Under Pillar 2, the main objective of the Bank's Assistance Strategy is to support Rwanda in accelerating economic transformation through the development of skills that promote high value added economic activities. Emphasis will be placed on developing skills for industry sub-sectors as well as other sectors which have a strong potential for high value added production, exports and job creation. Bank support under Pillar 2 is aligned with the TYS's operational priorities of private sector development, and skills and technology as well as three of the Bank's High 5 strategic priorities (namely *'Feed Africa'*, '*Industrialize Africa*' and '*Improve the Quality of Life for the People of Africa*'). The Bank's operations under this pillar will also support Rwanda to achieve the SDGs (particularly Goal 8 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all' and Goal 9 'Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation').

CSP outcomes: Jobs created in high value adding enterprises and growth in value added per worker

55. **Bank interventions under Pillar 2 will promote the development of demand-led skills necessary to catalyze private investments and high value added economic activities, thereby promoting economic transformation.** Building on the Bank's SEEP[34], the Bank's assistance under Pillar 2 will focus on skills required to drive growth in the EDPRS II strategic sectors (such as industry, agribusiness, agro-industry and ICT). Support to skills development will be augmented with interventions to increase access to finance for these strategic sectors (section IV.c) to maximize their contribution to economic transformation. Bank support under Pillar 2 will be aligned with relevant national policies and programs which prioritize the development of employable skills and promote high value added production and industrialization. These policies and programs, which include (section II.b) the NIP (2011), Workplace Learning Policy (2015), PSDS (2013-18), and NEP (2013-18), focus on fast tracking the realization of Vision 2020 and EDPRS II objectives, notably economic transformation and job creation[35].

56. **Enterprises engaging in value added economic activity will benefit from the improved skills base.** Overall, improved skills and competencies will directly benefit existing and new enterprises engaging in value added economic activities and contribute to the generation of more productive formal wage employment, thereby supporting economic transformation. Specifically, the Bank will support the development of a skilled workforce for industry sub-sectors such as manufacturing (textile, garment and leather), energy (renewable/off-grid), and construction (mid-level technicians such as artisans and masons). Skills will also be developed for the mining sector and other job intensive sectors like ICT, tourism, agri-business/agro-industry and the related value chains. This strategic focus is in line with the Bank's strategies (Box 4) for the New Deal on Energy for Africa (notably the flagship program on 'Country-wide energy sector transformation') and Agricultural Transformation in Africa (particularly the enablers for 'Improved agribusiness environment' and 'Increased inclusivity, sustainability and nutrition'). The other Bank strategies include the Industrialization Strategy for Africa (especially the flagship programs on 'Promote and drive enterprise development' and 'Develop efficient industry clusters') and the Jobs for Youth in Africa strategy (particularly the Agriculture, Industrialization and ICT flagship programs). The Bank's assistance under Pillar 2 will prioritize the youth and women to promote gender-balanced inclusive growth.

57. **In general, the policies and programs supported by the Bank under Pillar 2 will boost business growth, particularly in Rwanda's high value growth sectors thereby increasing private investments, value added in industry and contribute to job creation**. MSMEs and large companies, particularly in the EDPRS II high growth sectors[36], will benefit from a skilled workforce. In addition to the jobs created by the expanding MSMEs, the labor force including youth and women will be equipped with skills to create own employment thereby addressing the high underemployment rates in Rwanda and contributing to gender-balanced inclusive growth. Increased labor productivity will also enhance economic competiveness and

contribute to growth in FDI and the associated linkages such as technology transfer and increased access to foreign markets, regional and global value chains. This will also deepen regional integration and trade. Focus on the EDPRS II sectors with strong potential for export growth and diversification will also contribute to Rwanda's resilience to external shocks that primarily arise from a narrow export base. The key outcomes expected to be achieved under Pillar 2 by the completion of the CSP in 2021 include 10% growth in industry value added per worker, 15,500 MSMEs created as start-ups in high value added economic activities – at least 30% and 20% owned by women and youth, respectively and 35,000 off-farm jobs in high value adding enterprises created, at least 50% going to youth and women (Annex 2).

58. **Complementarity/synergy with ongoing Bank operations and those of other DPs.** The Bank's on-going SEEP-III focuses on the implementation of reforms to enhance skills development and promote entrepreneurship development for job creation. The proposed skills development operation will augment SEEP-III by supporting the implementation of policies and programs that promote the development of skills required to position the private sector as a leading driver of inclusive and transformative economic growth. Other DPs including Sweden, Germany, Switzerland and Korea are also providing support to skills development and co-financing opportunities will be pursued with these DPs. Coordination and harmonization, for maximum developmental impact, will continue to be ensured through the PSDYE SWG that is co-chaired by the Bank and other relevant SWGs such as the TVET sub-SWG co-chaired by Germany.

Box 4: Contribution of the CSP Pillar 2 to the Bank's corporate High-5 Strategies

Flagship Programs – New Deal on Energy for Africa

- **Country-wide energy sector transformation**: skills will be developed for the energy sector (in renewable and off-grid energy), contributing to holistic energy solutions, including for the bottom of the pyramid consumers, and rural electrification.

Key Enablers – Agricultural Transformation in Africa

- **Improved agribusiness environment**: development of relevant agribusiness skills will enable private-sector led development of agribusiness. Capacity building around quality standards for exports will promote regional agribusiness related trade.
- **Increased inclusivity, sustainability and nutrition**: skills training, particularly for the youth and women in agri-business, agro-industry, value chains will support the development of a young class of future agriculture entrepreneurs ('*agripreneurs*').

Flagship Programs – Industrialization Strategy for Africa

- **Promote and drive enterprise development**: by addressing skills gaps and mismatch – major constraints to enterprise growth in Rwanda, the Bank will enable both the existing and new enterprises to expand and engage in high value added activities.
- **Develop efficient industry clusters**: skills development (a key pre-requisite for efficient industry clusters) will support the development of industry clusters in high potential sectors like textile/ garment manufacturing, construction, and agro-industry.

Flagship Programs – Jobs for Youth in Africa

- **Agriculture**: skills training and mentorship will be provided to the youth and women to enable them launch agriculture-based enterprises in high potential value chains such as leather, textile and garments thereby promoting agro-industrialization
- **Industrialization**: skills training for industry sub-sectors with a high potential for high value added production (manufacturing, energy, construction, mining) will develop a competitive and productive workforce required to advance industrialization.
- **ICT**: in addition to skills training in ICT, support will be provided to reforms aimed at promoting digital literacy, logical thinking, and complex problem-solving in learning institutions to develop and launch a generation of tech-enabled youth.

c. Bank Group Support through the Private Sector Window

59. **Bank's assistance from the private sector window will be complementary to its support from the public sector window. The Bank will give priority to increasing private investments through intensifying its efforts as a convener, connector and catalyst and use of innovative financing instruments.** First, Bank support from the public sector window will help establish a more enabling environment for businesses engaging in value added activities through improved infrastructure and a better skilled workforce, thereby incentivizing and attracting local and foreign investors. In addition, Bank assistance under the private sector window will provide direct and targeted support to private enterprises with high potential for value added production and job creation. Support from the private sector window will notably comprise innovative financial instruments that facilitate risk sharing and de-risk commercial bank lending to the high growth sectors (section IV.b). As a general principle, co-financing will be mobilized to complement the Bank's own resources (Annex 1a). TA will also be provided to domestic private businesses to improve

their technical competencies, thereby allowing them to competitively participate in the implementation of GoR and Bank operations. Second, lines of credit and equity will be provided to financial institutions for onward lending to MSMEs, youth and women including those engaged in exports and smallholder high-value agriculture. Bank support from the private sector will also provide additional infrastructure finance including through private-public partnerships to leverage supplementary resources for Rwanda's development. Partnerships with private companies will be developed including through the provision of catalytic seed capital to promote technology transfer, private investment and finance. This will allow the Bank to enhance its role as a convener and connector by bringing together prospective investors to mobilize funding for the TYS and High 5 strategic priorities. Among others, this will include the organization of business development/investment conferences with the GoR, private sector investors, civil society and other DPs. In addition to supporting the flagship programs under the New Deal on Energy for Africa, Industrial Strategy for Africa and Jobs for Youth in Africa (section IV.b), these private sector interventions will also catalyze key enablers under the Strategy for Agricultural Transformation in Africa, in particular 'Expanded agricultural finance'; 'Improved agribusiness environment'; and 'Inclusivity, sustainability and nutrition'. The Bank will also promote the implementation of programmes to strengthen start-up and existing MSMEs such as the GoR's SME Growth Support Programme, with emphasis on supporting customized and targeted demand-led business advisory and development services including in specialized skills such as engineers, agronomists, and ICT. Value chain development and agro-industry will also be promoted, notably through the community processing and integrated craft processing centers[37].

d. Bank Group Indicative Lending Program (ILP)

60. **The Bank Group's ILP for CSP 2017-21 has been informed by consultations with the GoR on the operations required to accelerate economic transformation in Rwanda and the envisaged resource envelope.** Annex 1a provides the ILP for Rwanda during the period 2017-19 and Annex 1b present's the ILP's contribution to the High 5s[38]. The ILP for the second semester of the CSP, i.e., 2020-21 will be firmed up during the CSP mid-term review (MTR) in 2019. In addition to assessing implementation progress of the CSP, the MTR will provide an opportunity to re-examine the CSP's strategic focus and to amend the pillars and Results-Based Framework (RBF) as necessary, to ensure alignment with national development priorities following the completion of EDPRS II at the end of 2018.

e. Non-Lending Activities

61. **The Bank Group's non-lending support, including policy advice, will continue to be demand-led, ensure complementarity with the lending program and remain selective to effectively inform country policy dialogue, the GoR's investment choices and the Bank Group and other DPs' programming options**. Demand-led knowledge work will be undertaken, in line with the proposed strategic pillars[39] (Annex 1a), to inform country dialogue around the pertinent reforms and corresponding investments required to achieve the EDPRS II objectives. Given the CSP's focus on accelerating economic transformation, the Bank will work with the GoR, other DPs, private sector and civil society to fill the existing knowledge gaps in areas such as green and transformative inclusive development. This knowledge work will also be used to underpin the Bank's operations to ensure that the TYS, High 5s and other priorities such as gender are integrated in its support to Rwanda. Furthermore, the Bank will provide policy advice (e.g., through Bank staff and/or trust funded TA) on pertinent 'soft' such as strengthening the coordination framework for economic transformation, and value adding industries. As co-chair of the PSDYE SWG, the Bank will work with the GoR to ensure that relevant policies and strategies such as the 2011 Industrial Policy are regularly updated to effectively accommodate emerging development priorities. Policy advisory support will be provided to enhance the implementation of the GoR's market linkages program which aims to enhance Rwanda's linkages with regional and international markets and value chains. The Bank will also scale up its support to the GoR through the ALSF and other TA for the negotiation of complex transactions and PPP deals.

f. Financing the CSP

62. **The Bank's lending and non-lending programs will be financed by a range of instruments including ADF, ADB, Africa Growing Together Fund (AGTF), Africa50 and Trust Funds** (Annex 1a). The CSP 2017-21 period covers two ADF cycles, i.e., the ADF-14 cycle (2017-19) and the first two years of the ADF-15 cycle (2020-21). Rwanda's annual ADF allocation amounts to UA 47 million which yields an indicative ADF envelope of UA 235 million during the entire CSP 2017-21 period. Rwanda's Operational Country Limit (OCL) under the ADB window will be utilized for operations under the two pillars (Annex 1a)[40]. Co-financing will be mobilized to augment the Bank's own resources (Annex 1a). Innovative financial instruments such as RSF instruments, Partial Risk Guarantees, Partial Credit Guarantees, and local currency bonds will be used to mobilize funding from other financiers including DPs and the private sector. Emphasis will also be placed on using PPPs as a financial vehicle[41]. Additional regional operations/public goods will be identified under the Bank's RISP for Eastern Africa (2017-21) thereby facilitating the mobilization of extra resources for Rwanda. This resource envelope will allow the Bank to deliver tangible developmental results (Annex 2) from its support under the CSP's two pillars.

g. CSP Monitoring and Evaluation

63. **The RBF will provide the basis for the monitoring and evaluation (M&E) of the results achieved from the Bank's assistance program**. The RBF (Annex 2) is aligned with EDPRS II and presents the outcomes and outputs envisaged by mid-term in 2019 and at the end of the CSP in 2021. The indicators in the CSP's RBF that contribute to the realization of the four High-5 corporate strategies are also highlighted in Annex 2. Bank diagnostics such as the annual CPPRs will track implementation progress for the planned operations whereas the CSP MTR in 2019 will examine the progress made in implementing the strategy at mid-term. The CSP MTR will also provide an opportunity to refine the pillars and/or RBF as necessary. The results achieved during the entire CSP period 2017-21 will be assessed by the CSP CR in 2021. Rwanda's elaborate aid coordination and harmonization architecture (Section III.b) will also support the M&E of the CSP's implementation progress. These M&E frameworks will allow the Bank to engage different stakeholders and beneficiaries in the CSP's M&E and implementation. The Bank has supported the GoR to improve the quality of statistics and production of gender disaggregated statistics under the Statistical Capacity Building Program and Global Strategy to improve Agriculture and Rural Statistics.

h. Country Dialogue

64. **The Bank will continue to use its privileged position as co-chair of various SWGs to lead dialogue on areas that support the realization of the EDPRS II and CSP objectives**. Four main areas for dialogue are foreseen, namely: (i) portfolio implementation and performance; (ii) institutional, regulatory and other reforms in energy, water and sanitation infrastructure development as well as industrialization to ensure 'green' infrastructure development, enhance private investment and finance, and to strengthen financial governance and fiduciary safeguards[42]; (iii) performance on the CPIA and (iv) approaches to promoting gender-balanced entrepreneurship development and integrating LED, rural and agriculture transformation in GoR and Bank Group operations. Active participation in donor coordination and leadership of SWGs will consolidate the Bank's position as the go-to-partner and strategic role as convener, catalyst, and connector.

i. Risks and Mitigation Measures

65. The primary risk to the implementation of CSP 2017-21 relates to Rwanda's high dependence on aid and the weaknesses in the global economic outlook. For instance, while the share of the budget financed from aid has reduced, it remains high at 40%. Furthermore, sustained reductions in international commodity prices will affect export earnings, further depreciating the Rwanda Franc. To mitigate the high aid dependence, the IMF PSI program is supporting improvements in public revenue mobilization. The GoR is also implementing reforms to promote export growth. The Bank's investments in energy and water infrastructure will contribute to a reduction in the cost of doing business, catalysing private investment and finance, thereby reducing aid dependency. Other risks and the proposed mitigating measures are discussed in Annex 5, Box A5.4.

V. CONCLUSION AND RECOMMENDATIONS

66. Rwanda has made important strides towards realizing its vision of transforming from subsistence agriculture to an inclusive economy that is increasingly reliant on high value-added economic activities. The Bank's CSP for Rwanda seeks to accompany Rwanda to accelerate this transformation by improving the energy and water and sanitation infrastructure and developing the required skills to catalyse high value added production and industrialization for job creation. The Boards of Executive Directors are invited to consider and approve the Rwanda CSP 2017-21.

ANNEXES

Annex 1a: Indicative Lending and Non-lending Program†

Year	Projects Name	Sector	Financing Source (UA, million)								Co-financing
			ADB Private	ADB Public	AGTF	ADF	RO	Climate Funds	Trust Funds	Total	
Pillar I: Investing in energy and water infrastructure to enable inclusive and green growth										**528.57**	**170**
Lending											
2017	Water Supply and Sanitation in Secondary Cities	Water		90	40	25				155	
2017	Scaling Up Energy Access-II	Energy				35				35	
2018	Mutobo Water Supply	Water		60	30					90	
2018	Nyabarongo II Multipurpose Hydropower Project	Energy		90	45					135	
2019	Lake Kivu Methane-to-Power Project	Energy	50							50	170
2019	Rwanda/Uganda and Rwanda/Tanzania 400kV Electricity Interconnector‡	Energy				25	37.5			62.5	
Non-lending											
2017/18	Sustainable Energy For All Investment Prospectus	Energy						0.3		0.3	
2017/18	Rwanda Green mini grid projects preparation study	Energy						0.6		0.6	
2018	Rwanda Forest Investment Plan	Energy/ Natural Resources						0.17		0.17	
Pillar II: Developing skills to promote high value added economic activities and economic transformation										**155.25**	
Lending											
2018	Skills Development Operation (Sector Budget Support Operation)	Private Sector Development				55				55	
2018	Promoting private investment and high value added economic activities project	Private Sector Development	100							100	
Non-lending											
2017/18	Assessment of Bank Group support to Skills and Entrepreneurship Development in Rwanda	Private Sector Development							0.25	0.25	
	TOTAL		**150**	**240**	**115**	**140**	**37.5**	**1.1**	**0.25**	**683.82**	**170**

†Operations for the period 2020-21 will be programmed during the CSP mid-term review in 2019. All lending operations have feasibility studies. ‡The Rwanda/Uganda and Rwanda/Tanzania Regional Electricity Interconnector will allow Rwanda to import more affordable clean and renewable energy (hydro and geothermal energy) from the Eastern Africa Power Pool. The Bank is working with the Government to prepare feasibility studies for a Risk Sharing Financial (RSF) Instrument to increase access to agricultural finance and an agribusiness program for the youth in Rwanda. Consistent with the 2015/16 Country Portfolio Performance Review recommendation that all operations should have feasibility studies before they are included in the Indicative Lending Program (ILP), the RSF instrument and youth agribusiness program will be included in the ILP after the respective feasibility studies are completed. This will ensure high project quality at entry and minimize start-up delays for maximum developmental impact.

Annex 1b: Contribution of the Indicative Lending and Non-lending Program to the High 5s

Year	Operation	Sector	Light Up and Power Africa	Feed Africa	Industrialize Africa	Integrate Africa	Improve the Quality of Life for the People of Africa
<u>Pillar I: Investing in energy and water infrastructure to enable inclusive and green growth</u>							
			Lending				
2017	Water Supply and Sanitation in Secondary Cities	Water		●	●		●
2018	Scaling Up Energy Access-II	Energy	●	●	●		●
2018	Mutobo Water Supply	Water		●	●		●
2018	Nyabarongo II Multipurpose Hydropower Project	Energy	●	●	●		●
2019	Lake Kivu Methane-to-Power Project	Energy	●	●	●		●
2019	Rwanda/Uganda and Rwanda/Tanzania 400kV Electricity Interconnector	Energy	●	●	●	●	●
			Non-lending				
2017/18	Sustainable Energy For All Investment Prospectus	Energy	●	●	●		●
2017/18	Rwanda Green mini grid projects feasibility study	Energy	●	●	●		●
2018	Rwanda Forest Investment Plan	Energy/ Natural Resources	●	●			●
<u>Pillar II: Developing skills to promote high value added economic activities and economic transformation</u>							
			Lending				
2018	Skills Development Operation	Private Sector Development	●	●	●		●
2018	Promoting private investment and high value added economic activities	Private Sector Development		●	●		●
			Non-lending				
2017/18	Assessment of Bank Group support to Skills and Entrepreneurship Development in Rwanda	Private Sector Development		●	●		●

Annex 2: CSP 2017 – 21 Results-Based Framework

Notes: As part of the National Employment Program (NEP) 2014-18, the Government has established extensive monitoring and reporting instruments including the NEP Labor Market Information System, annual labor force surveys and two-yearly household living conditions surveys. National accounts data are also produced on a quarterly basis. These data and instruments informed the baselines for the RBF and will also be used in monitoring the implementation of the CSP at mid-term and end-term.
The relevant High 5 corporate strategy that each indicator contributes to is indicated in brackets: **NDEA** = New Deal on Energy for Africa (2016-25); **ATA** = Agricultural Transformation in Africa (2016-25); **ISA** = Industrialization Strategy for Africa (2016-25); and /**JfYA** = Jobs for Youth in Africa (2016-25)

Strategic Objectives (EDPRS)	Constraints hindering achievement of desired outcomes	Final Indicators (by end-2021)		Midterm Indicators (by end-2019)		Bank Group Interventions during CSP period (on-going & proposed)
		Outcomes	Outputs	Outcomes	Outputs	
Pillar I: Investing in energy and water infrastructure to enable inclusive and green growth						
Energy						
Electricity and other Energy Supply Increased	Inadequate generation, transmission and distribution infrastructure Skills and competences to manage complex projects and contracts in Rwanda is low Rate of assimilating women into construction and installation activities in the energy sector may be challenging due to cultural stereotyping of the genders.	Percentage of total households with access to electricity increased from 23% on-grid and 1.5% off-grid in 2015 to 46% on-grid and 10% off-grid (**NDEA**) System technical losses reduced from 23% in 2015 to 18% (**NDEA**) 3,000 direct jobs created in the civil works and installation of electricity equipment (Rusumo, Rusizi and SEAP), at least 30% of which go to female workers (**JfYA**) Greenhouse gas emission intensity of installed capacity reduced by 10% from the 2013 figure of 0.504 tonnes CO_2/MWh (**NDEA**)	80 MW added to the national grid, increasing generation from renewable energy sources from 96MW in 2015 to 176MW (**NDEA**/**ATA**/**ISA**/**JfYA**) 300km of 220kV transmission lines constructed (**NDEA**) 800km Medium Voltage lines and 1500km of Low Voltage lines and 4 substations constructed/upgraded (**NDEA**) 300 schools, 50 health centres, 50 administrative offices and 50,000 households (at least 33% women headed) connected to electricity (**NDEA**) 300 people in the districts of Nyamasheke, Karongi, and Ruzizi) trained in entrepreneurship and climate change adaptation activities (50% of those trained being women) – under the SEAP to ensure that Bank investments in energy contribute to inclusive and green growth (**ATA**/**ISA**/ **JfYA**) 6 markets rehabilitated in 3 districts (Nyamasheke, Karongi, and Ruzizi) with 30% of stalls going to women and 20% going	Percentage of total households with access to electricity increased from 23% on-grid and 1.5% off-grid in 2015 to 33% on-grid and 8% off-grid (**NDEA**) 1,500 direct jobs created in civil construction and installation of electricity equipment (Rusumo, Rusizi and SEAP) at least 30% of which go to female workers (**JfYA**) Greenhouse gas emission intensity of installed capacity reduced by 5% from 2013 figure of 0.504 tonnes of CO_2/MWh (**NDEA**)	40 MW added to the national grid, increasing generation from renewable energy sources from 96MW in 2015 to 136MW (**NDEA**/**ATA**/**ISA**/**JfYA**) 170km of 220kV transmission lines constructed (**NDEA**) 464km medium voltage lines and 710km of low voltage lines, and 2 substations constructed/upgraded (**NDEA**) 179 schools, 29 health centres, 25 administrative offices and 25,000 households (at least 33% women headed) connected to electricity (**NDEA**) 150 people in the districts of Nyamasheke, Karongi, and Ruzizi trained in entrepreneurship and climate change adaptation activities. (50% of those trained being be women) – under the SEAP to ensure that Bank investments in energy contribute to inclusive and green growth (**ATA**/**ISA**/ **JfYA**) 3 markets rehabilitated in 3 districts (Nyamasheke, Karongi, and Ruzizi) with 30% of stalls going to women and 20% going	**Proposed new lending interventions** Scaling-Up Energy Access Project-II and Electricity system reinforcement; Nyabarongo II Multipurpose Hydropower Project Lake Kivu Methane-to-Power Project Rwanda/Uganda and Rwanda/Tanzania 400kV Electricity Interconnector **Ongoing lending interventions** Scaling-Up Energy Access Project (SEAP) including a component of climate change adaptation and capacity building. Regional NELSAP Interconnection project; Regional Rusomo Falls Hydropower Project;

Strategic Objectives (EDPRS)	Constraints hindering achievement of desired outcomes	Final Indicators (by end-2021)		Midterm Indicators (by end-2019)		Bank Group Interventions during CSP period (on-going & proposed)
		Outcomes	Outputs	Outcomes	Outputs	
			to the youth – under the SEAP to ensure that Bank investments in energy contribute to inclusive growth. (JfYA)		to the youth – under the SEAP to ensure that Bank investments in energy contribute to inclusive growth (JfYA)	Regional Ruzizi III Hydropower Project
					Feasibility study for green mini grid projects completed (NDEA/ATA/ISA/JfYA)	**Proposed new non-lending intervention** Sustainable Energy Fund for Africa (SEFA) grant for the preparation of feasibility study for green mini grid projects in Rwanda
					SE4All Investment Prospectus completed (NDEA/ATA/ISA/JfYA)	**Proposed new non-lending intervention** Sustainable Energy For All (SE4All) grant to prepare an Investment Prospectus for sustainable energy in Rwanda
			Forest Investment Plan completed (NDEA/ATA)			**Proposed new non-lending intervention** Strategic Climate Fund grant to prepare Rwanda's Forest Investment Plan
Water and Sanitation						

Strategic Objectives (EDPRS)	Constraints hindering achievement of desired outcomes	Final Indicators (by end-2021)		Midterm Indicators (by end-2019)		Bank Group Interventions during CSP period (on-going & proposed)
		Outcomes	Outputs	Outcomes	Outputs	
Increased sustainable access to safe water and improved sanitation facilities	Limited financial and human resources to achieve the required water and sanitation investment targets; Limited participation of women both in the management of water and sanitation infrastructure	Proportion of the population with access to clean drinking water increased from 84% in 2015 to 98% Proportion of the population using hygienic sanitation facilities increased from 83.4% in 2015 to 98% Non-Revenue Water reduced from 40% of water produced in 2015 to 23% (**ATA**/**ISA**) Increased participation of women in water community activities (at least 50% of all water and sanitation committee members will be female)	1,131,814 people (588,543 women) with access to water (in Kigali and 6 secondary cities) (**ATA**/**ISA**) Daily water production increased by 83,212 m^3 /day (40,000m^3 /day in Kigali, 43,212m^3/day in 6 cities) (**ATA**/**ISA**) 120 water vending kiosks constructed in the 6 secondary cities (with 80 kiosks managed by women) (**JfYA**) Kigali industrial zone connected to water supply and to a semi-centralised sewerage system (**ATA**/**ISA**) 626,106 people (325,575 women) with access to hygienic sanitation facilities (in Kigali and 6 secondary cities) (**ISA** / **JfYA**) 1 Analytical Laboratory constructed in Kigali to analyse water quality and ensure suitability for consumption and industrial use (**ISA**)	Proportion of the population with access to clean drinking water increased from 84% in 2015 to 90% Proportion of the population using hygienic sanitation facilities increased from 83.4% in 2015 to 90% Non-Revenue Water reduced from 40% of water produced in 2015 to 32% (**ATA**/**ISA**)	697,814 (362,863 women) extra people with access to water (in Kigali and 6 secondary cities) Daily water production increased by 50,212 m^3 /day (40,000m^3 in Kigali, 10,212m^3/day in 3 cities) (**ATA**/**ISA**) 60 water vending kiosks constructed (with 40 kiosks managed by women) (**JfYA**) 4 industrial zones (Musanze, Nyagatare, Rubavu and Muhanga) connected to water supply systems (**ISA** / **JfYA**) 469,661 people (244,223 women) with access to hygienic sanitation facilities (in Kigali and 3 secondary cities) (**ISA** / **JfYA**)	**Proposed new lending interventions** Water Supply and Sanitation Program in the City of Kigali and 6 Secondary Cities Mutobo Water Supply Project **Ongoing lending interventions** Kigali Bulk Water Project Lake Victoria Water and Sanitation Project

Strategic Objectives (EDPRS)	Constraints hindering achievement of desired outcomes	Final Indicators (by end-2021)		Midterm Indicators (by end-2019)		Bank Group Interventions during CSP period (on-going & proposed)
		Outcomes	**Outputs**	**Outcomes**	**Outputs**	
Relevant Ongoing Interventions under Pillar I (carried over from CSP 2012-16)						
Transport						
Ensure adequate national and regional transport links	Limited transport options to external markets High transport costs to sea ports due to long distances and poor infrastructure in transit countries	Percentage of classified national road network as "in good condition" increased from 72.6% in 2014/15 to 90% (**ATA**/**ISA**/**JfYA**) Travel time on Kagitumba-Kayonza-Rusumo road reduced from 6 hours in 2015 to 3 hours (**ATA**/**ISA**/ **JfYA**) At least 1,500 direct cross-border trade jobs created (50% going to females) at the Kagitumba and Rusumo cross-border markets with the same number of traders trained in entrepreneurship and cross-border trading formalities (**ATA**/**JfYA**)	185 km of gravel roads upgraded and 208km rehabilitated to asphalt concrete standard (**ATA**/**ISA**/**JfYA**) Two cross-border markets constructed, one at Kagitumba and the other one at Rusumo (**ATA**/**JfYA**) At least 100,000 people in the Kagitumba-Kayonza-Rusumo project region (50% female) and 100 schools sensitized about HIV/AIDS/STI, environmental management, gender, road safety and drug abuse (**NDEA**/**ATA**/**ISA**/**JfYA**) 45,000 trees planted and protective structures (retaining walls, riprap brickwork, gabions) constructed in slope areas along Kagitumba-Kayonza-Rusumo road (**NDEA**/**ATA**/**ISA**/**JfYA**)	Percentage of classified national road network in good condition increased from 72.6% in 2015 to 80% by 2019 (**ATA**/**ISA**/ **JfYA**) 4,500 direct jobs created during the civil works for the Base-Gicumbi-Rukomo-Nyagatare road, at least 40% of which go to female workers (**JfYA**) Travel time on the Base-Gicumbi-Rukomo-Nyagatare road reduced from 3 hours in 2014 to 1 hour (**ATA**/**ISA**/**JfYA**)	124 km of gravel roads upgraded to asphalt concrete standard (**ATA**/**ISA**/**JfYA**) At least 50,000 people in the Kagitumba-Kayonza-Rusumo project region sensitized about HIV/AIDS/STI, environmental management, gender, road safety and drug abuse (**NDEA**/**ATA**/**ISA**/**JfYA**) 5,000 trees planted and protective structures (retaining walls, riprap brickwork, gabions) constructed in slope areas along Kagitumba-Kayonza-Rusumo road (**NDEA**/**ATA**/**ISA**/**JfYA**) Environmental Management Procedures Manual prepared to ensure sustainable transport infrastructure development (**NDEA**/**ATA**/**ISA**/**JfYA**)	**Ongoing lending interventions** Regional Kagitumba-Kayonza-Rusumo Base-Gicumbi-Rukomo-Nyagatare Road Project Regional Rubavu-Gisaza Road Project

Strategic Objectives (EDPRS)	Constraints hindering achievement of desired outcomes	Final Indicators (by end-2021)		Midterm Indicators (by end-2019)		Bank Group Interventions during CSP period (on-going & proposed)
		Outcomes	Outputs	Outcomes	Outputs	
Pillar II: Developing skills to promote high value added economic activities and economic transformation						
Create an enabling environment for private investment, export growth and economic transformation Develop relevant skills for productive employment and high value added production	Slow economic transformation Skills gaps and mis-match in key EDPRS II sectors of industry, ICT, agribusiness	Value added per worker in industry increased from USD 2,418 in 2014 to USD 2,660 (**ISA** / **JfYA**) 15,500 MSMEs created as start-ups in high value added economic activities – at least 30% and 20% owned by women and youth respectively (**ATA**/**ISA**/**JfYA**) 35,000 off-farm jobs created in high value adding enterprises, at least 50% going to youth and women (**JfYA**)	25,000 entrepreneurs (unskilled, semi-skilled, unemployed higher learning institutions graduates) trained under various programs such as Critical Massive short-term vocational training, Rapid Response training, Skills Re-conversion program (for key EDPRS II sectors – industry, agri-business/agro-industry/ value chains, ICT), at least 50% of whom are youth and women (**ATA**/**ISA**/**JfYA**) Skills upgraded for 10,000 crafts persons and artisans, at least 50% of whom are women (**ISA** / **JfYA**) Technical and vocational education and training graduates increased from 70,747 in 2015 to 100,000, at least 50% being women (**ATA**/**ISA**/**JfYA**) Skilled professionals in biomedical engineering and e-Health increased from 33 in 2013 to 500 (40% women) (**ISA** / **JfYA**)	Value added per worker in industry increased from USD 2,418 in 2014 to USD 2,539 (**ISA** / **JfYA**) 7,500 MSMEs created as start-ups in high value added economic activities – at least 30% and 20% owned by women and youth respectively (**ATA**/**ISA**/**JfYA**) 15,000 off-farm jobs created in high value adding enterprises, at least 50% going to youth and women (**JfYA**)	10,000 entrepreneurs (unskilled, semi-skilled, unemployed higher learning institutions graduates) trained under various programs such as Critical Massive short-term vocational training, Rapid Response training, Skills Re-conversion program (for key EDPRS II sectors – industry, agri-business/agro-industry/ value chains, ICT), at least 50% of whom are youth and women (**ATA**/**ISA**/**JfYA**) Skills upgraded for 5,000 crafts persons and artisans, at least 50% of whom are women (**ISA** / **JfYA**) Technical and vocational education and training graduates increased from 70,747 in 2015 to 85,000, at least 50% being women (**NDEA**/**ATA**/**ISA**/ **JfYA**)	**Proposed new lending interventions** Skills Development Operation Promoting private investment and high value added economic activities project **Ongoing lending interventions** Skills, Employability and Entrepreneurship Program-III Support to Skills Development in Science and Technology Regional ICT Centre of Excellence; Biomedical Sciences Centre of Excellence
					Assessment of Bank Group support to Skills and Entrepreneurship Development in Rwanda completed (**NDEA**/**ATA**/**ISA**/**JfYA**)	**Proposed new non-lending intervention** Trust fund grant for an Assessment of Bank Group support to Skills and Entrepreneurship Development in Rwanda

Annex 3: Country Policy and Institutional Assessment Ratings 2004-15

Year	Economic Management (Cluster A)				Structural Policies (Cluster B)				Policies for Social Inclusion / Equity (Cluster C)												
	Fiscal Policy	Monetary Policy	Debt Policy	**Average-Cluster A**	Financial Sector Development	Trade Policy	Business Regulatory Environment	**Average - Cluster B**	Gender Equality	Equity of Public Resource Use	Building Human Resources	Social Protection and Labor	Environmental Policy and Regulations	**Average - Cluster C**	**Average: Governance**	Infrastructure Development	Regional Integration	**Infrastructure and Regional**	**CPIA A-C Avg Score**	**CPIA A-D Avg Score**	**CPIA A-E Avg Score**
2004	4	4	3.5	3.83	3	4	3.5	3.5	4	4	4	3	3.5	3.7	3.7				3.68	3.68	
2005	4	4	4	4	3	3	3	3	4	4	3	3	4	3.6	3.7				3.53	3.58	
2006	4	4	4	4	3.5	3.5	3.5	3.5	4	4	3.5	3.5	4.5	3.9	3.7				3.8	3.78	
2007	4.5	4.5	4	4.33	3.5	3.5	3.5	3.5	4.5	4	4	3.5	4.5	4.1	3.9				3.98	3.96	
2008	4.5	4.5	4	4.33	3.5	4	4	3.83	4.5	4.5	4.5	3.5	4.5	4.3	3.9				4.16	4.09	
2009	4.5	4..5	4.5	4.5	3.5	4	4.5	4	4.5	4.5	4.5	3.5	4.5	4.3	3.8				4.27	4.15	
2010	4.5	4.5	4.5	4.5	3.5	4	4.5	4	4.5	4.5	4.5	3.5	4.5	4.3	3.9				4.27	4.18	
2011	4.5	4.5	4.5	4.5	3.5	4	4.5	4	4.5	4.67	4.5	4	4.5	4.4	4.1				4.3	4.25	
2012	5	5	4.5	4.83	4	4	4.67	4.22	4.83	4.5	4.83	4.3	5	4.73	4.4				4.57	4.56	
2013	5	5	4.5	4.83	4	4	4.67	4.22	4.83	4.67	5	4.3	5	4.76	4.6	5.3	4.5	5.03	4.61	4.6	4.69
2014	5	5	5	5	4.5	4.5	4.83	4.61	4.83	4.67	5	4.3	5	4.76	4.65	5.1	4.75	4.98	4.79	4.76	4.8
2015	5	5.5	5	5.17	4.67	4.5	4.83	4.67	4.67	4.67	5.17	4.3	5	4.76	4.65	5.1	4.75	4.98	4.86	4.81	4.85

Country Policy and Institutional Assessment: Governance Rating 2004-15

Year	Property Rights and Rule Based Governance	Quality of Budgetary and Financial Management	Quality of Public Administration	Efficiency of Revenue Mobilization	Transparency, Accountability and Corruption in Pub. Sector	**Governance (Cluster D)**
2004	3.50	4.00	3.50	4.00	3.50	3.70
2005	3.50	4.00	3.00	4.00	4.00	3.70
2006	3.50	3.50	3.50	4.00	4.00	3.70
2007	3.50	4.00	4.00	4.00	4.00	3.90
2008	4.00	4.00	3.50	4.00	4.00	3.90
2009	4.00	4.00	3.50	4.00	3.50	3.80
2010	4.00	4.00	3.50	4.00	4.00	3.90
2011	4.50	4.00	3.50	4.50	4.00	4.10
2012	4.75	4.50	4.13	4.50	4.33	4.40
2013	4.75	4.50	5.00	4.25	4.50	4.60
2014	4.75	5.13	4.38	4.50	4.50	4.65
2015	4.75	5.13	4.38	4.50	4.50	4.65

Annex 4: 2016 Country Fiduciary Risk Assessment

1. Performance of the Public Financial Management (PFM) systems

1.1 Budget

GoR capacities for formulating, executing and controlling annual budgets within a Medium-Term Expenditure Framework (MTEF) are in place and operating adequately. The budget continues to be guided by GoR medium and long term strategy within the context of Vision 2020 and the EDPRS2. This is reflected at central and local levels, as well as at agencies level.

Credibility of the Budget
Over the past three years **GoR expenditure budgets have been realistic, and GoR has produced a credible budget, underscoring budget discipline, and reflecting a strong link between budget formulation and execution** as exemplified by the comparison of revenue estimates to actual outruns; this underscores the positive performance of the revenue authority. Donor funded operations are adequately forecasted and outflows timely accounted for. The increasing technical expertise and experience in forecasting helps fine tune revenue estimates which forms part of the three-year projections of Medium Term Budget Framework Paper submitted to Parliament. Stock of expenditure arrears albeit not insignificant continue to be monitored in relation to total departmental expenditure and focus has been on reducing said arrears. In Rwanda, development assistance by way of general budget support and/or sector budget support remains relatively high (approximates a third of total government expenditures), as such predictability of overall budget support has an important impact on central government revenue outruns. To this effect on the forecasted disbursements as well as actual outflows, development partners do provide reliable, complete information. **There however remain areas of improvement including controlling budget outrun** to fall below five (5%) percent, as well as **further addressing expenditure arrears at central level.**

Comprehensiveness and transparency of the budget
The level of comprehensiveness of budget documentation continues to improve over the years. The coverage of central government operations is comprehensive as defined in IMF-Government Finance Statistics (GFS). The chart of accounts for the Central Government budget monitoring is derived from and is an extension to the GFS 2001 standard. Budget formulation and execution is currently based on administrative, fund source, program, economic, and geographic segments that produces consistent documentation according to GFS/Classification of Functions of Government (COFOG) standards at the functional as well as sub-functional level. Intergovernmental fiscal relations are transparent and MDAs get sufficiently reliable data for efficient planning and budgeting. Donor funds are reflected in the budget as well as in financial reporting documentation although gaps remain for few donor funded projects expenditures / operations that are not fully captured or accounted for, as they continue to use standalone reporting tool. The Ministry of Finance and Economic Planning (MINECOFIN) monitoring of the fiscal risks continue to improve along its oversight of fiscal risks arising from Government Business Enterprises (GBEs)/ State Owned Enterprises (SOEs); there is a need to further strengthen the recording of government debts, ensure greater / exhaustive inclusion of donor funded project cash balances into the consolidated government cash balance, and improving the ability to capture commitments in IFMIS.

The fiscal information and documents available to the Public covers the budget cycle i.e. budget formulation and planning, budget execution, and external scrutiny. However areas of improvement remain regarding transparency, public participation, and oversight in order for the Public to have access to key budget and fiscal information in Rwanda in a comprehensive, transparent, and timely manner as reflected by the Open Budget Index (OBI) score of 36, 25, and 52 out of 100 in 2014 for the three aforementioned categories; GoR needs to continue making inroads to improve said elements; including the timely publishing of large contracts.

Policy-based budgeting
Orderliness and participation in the annual budget process is effective for Rwanda. A clear and detailed annual budget calendar is in place and is generally adhered to. The calendar highlights key stages of the preparation process along with the specific roles of key stakeholders, and the calendar allows up to six (6) weeks for Ministries, Departments, and Agencies (MDAs) to complete their revenue and expenditure estimates. For the

expenditures, the MTEF sets the main sectoral allocation and ensures that such allocations are in line with policy targets. Planning and Budget Call Circulars (P&BCC) along with the Budget Framework Paper, first submitted to Cabinet and subsequently to Parliament, sets a medium-term resource envelope and clarifies the costs of strategic policy options while they provide earlier notification of ceilings to MDAs. Debt sustainability analysis for external and domestic debt contracted or guaranteed by the Government is carried out every year since 2013, the external debt to GDP stood approximately at 27% of which domestic debt of 6% of GDP for the same year. The process is closed by the submission of final performance contracts (*Imihigo*) and Public Investment Program (PIP), and by Parliament's approval of the budget before the start of the budget year (PI-11).

Predictability and control in budget execution:
The legal framework for taxation is clear, comprehensive and well established. All tax laws, ministerial orders, and/or Commissioner General Orders are readily available on a single document in Kinyarwanda, English, and French. Tax exemptions are equally regulated by Law and the Rwanda Revenue Authority (RRA) continues to educate and support tax payers through various programs including the activation in 2012 of a 24-hour client service call center. Tax audits are planned and implemented on a risk basis and monitored on their cost-effectiveness.

Except for the stock of tax arrears, regarding transparency of taxpayer obligations and liabilities; the effectiveness of measures for taxpayer registration and tax assessment; and the effectiveness in collection of tax payments, RRA continues to build on its strengths and increase simplification notably on Tax appeals mechanism. Revenue collections are transferred daily (except for commercial banks related ones, 48 hours) from the main RRA account to Treasury-controlled bank accounts, and reconciled monthly and quarterly. With regards to periodic reconciliations, the Assessment team noted that where exceptions exist RRA ensure that process included in the quarterly reconciliations.

Available evidence indicates that in-year budget execution reports are produced quarterly and posted to the MINECOFIN website, with some delays. Departments prepare procurement plans and annual performance plans (*Imihigo*) which are submitted to MINECOFIN.

Overall fiduciary risk rating for the budget component is low. Detailed analysis of the fiduciary risk is shown in Table 1.

1.2 Treasury

Upon budget approval by Parliament, expenditure commitments can commence for MDAs, each prepares an annualized cash forecast (both recurrent and capital expenditures), sub-divided into quarters and updated on a rolling basis for actual monthly cash allocations. Cash management is the responsibility of the Treasury Directorate at MINECOFIN. The Consolidated Fund (CF) Account or the Treasury Main Account is the main central government account managed by the Treasury. **The Treasury operates a Treasury Single Account (TSA) system that allows it to ascertain in real time and on a daily basis the total GoR cash position**. Linked to the Consolidated Account is the RRA Revenue Account (zero balance) that receives domestic tax revenues collected from commercial banks and linked to the CF account (automatic transfer of daily balances), are MDA internally generated fund accounts. While most donor funded operations project accounts are linked to the TSA platform / are now incorporated into the TSA platform; some donor financed projects and programs operate bank accounts which do not form part of the banking arrangements of the central government.

Debt management continues to improve and GoR has developed a debt sustainability strategy. Debt and guarantees are under the stewardship and authority of MINECOFIN, which manages the debt portfolio through a computerized system (Debt Management and Financial Analysis Systems – DMFAS) that is fairly comprehensive, omitting only some public enterprise and PPP related debts, and reports are issued regularly on debt service, debt stock and operations. Under MINECOFIN's authority as defined by Article 46 of the Organic Budget Law (OBL) No. 12/2013, budget reallocations are authorized only in the second semester of the year and only up to 20% of approved budgets, excluding staff emoluments, and as approved by Parliament.

Overall fiduciary risk rating for the Treasury component is low. Detailed analysis of the fiduciary risk is shown in Table 1.

1.3 Internal controls

Internal controls are generally comprehensive, codified, sound, understood, and adequately implemented. GoR's Manual of Government Policies and Procedures: Financial Management and Accounting (PPFMA) is currently being updated to replace the 2007 manual and take into account number of financial management reforms that the Government has carried out since 2007 including updating the reporting framework for donor-funded projects and in line with the Organic Law of State Finances and Property and the Financial Regulations 2015.

Controls in personnel and payroll administration have strengthened. Audit trails are present for changes to personnel and payroll records. The four (4) major public service payrolls are well controlled and operate effectively. They are the 'Central Government Payroll', the 'Payroll for Teachers', both of which are partly decentralized and managed by the Ministry of Public Service and Labor (MIFOTRA) using the Integrated Payroll and Personnel Information System (IPPS), while the Ministry of Defense and the Ministry of Internal Security (the police) manage the other two. Payroll and expenditure commitment controls are robust. There are very few expenditures occurring outside of IFMIS. Expenditures are made in line with financial management and accounting procedure manual.

The government has a Government Internal Audit Unit headed by a Chief Internal Auditor (CIA) within MINECOFIN, there are also Internal Auditors staff in all Districts and GBEs, reporting to the entity's Audit Committees. The unit and the CIA prerogatives are defined and strengthened in the OBL and audit are generally conducted using a risk-based approach as defined by the approved annual audit programs. The CIA has a mandate to coordinate all internal auditors nationally; move into any entity to conduct an audit; use existing staff to focus on areas of audit interest; and influence the audit program of any government entity. Procedures, guidelines, charters, practice framework, computerized audit tools, and strategic planning are in place and are sound and adhere to international standards. Audit findings are discussed with auditees at the conclusion of each audit and action plans are agreed and followed up. There are however some areas of improvement, including but not limited to enhancing the capacity of the office of CIA to i) carry out information technology (IT) audits through rather than around the computerized system (IFMIS), ii) transmit Internal Audit (IA) reports to the Office of the Auditor General of State Finances (OAG), and iii) ensure greater compliance of Management response to IA findings.

Overall fiduciary risk rating for the internal control component is medium. Detailed analysis of the fiduciary risk is shown in Table 1.

1.4 Accounting, Recording, and Financial Reporting

The Government accounting and reporting system is governed by the financial regulations under the Organic Law on State Finances and Property. GoR and decentralized entities Financial Statements ought to be prepared using a modified cash basis of accounting of the International Public Sector Accounting Standards (IPSAS); while Public Institutions ought to adhere to the International Financial Reporting Standards (IFRS). The GoR annual Consolidated Financial Statements cover MDAs and other budget entities. GoR has adopted a roadmap to move to the full accrual basis of IPSAS by 2020 or latest 2022. For Accounting, Recording and Financial Reporting system there remains areas for improvement. The key areas to address include i) implementation of the road map for migrating to full IPSAS accrual, ii) upgrading IFMIS with the Fixed Assets Management module, and iii) adopting the rules and procedures, reporting template for Subsidiary Entities Accounting and Financial Reporting System (SEAS) while operationalizing the said system for the specialized subsidiary entities.

The existing chart of accounts does not currently allow for expenditures classification by projects' components, activities or categories without manual retreatments; neither has the IFMIS fixed assets module been fully implemented and deployed, as such record keeping for fixed and other assets remains a work in progress. This area will be strengthened with the implementation of full IPSAS accrual.

Reconciliation of Treasury bank accounts as well as acquittal of cash advances to staff for official duties remains robust, noting that suspense accounts are not utilized in Rwanda. Reconciliations take place at a minimum monthly and within two weeks of the period end. In-year budget execution reports, which only show expenditure at the payment level but not at the commitment stage, are produced and published with some delay.

The Accountant General Office continues to make progress in preparation the Consolidated Financial Statements, ensuring timely submission, while some weaknesses remain in terms of formatting and adherence to GAAP as evidenced by the qualified opinions issued by the OAG for half (50%) of the audited Financial Statements (FS) for 2014/15 from 36% the previous years. This however denotes a positive trajectory and indicate that inroads are being made in terms of remedial issues to address OAG's identified weaknesses and that Government entities are progressively embracing appropriate financial management practices. Annual financial statements are prepared by each department and are audited. The Auditor General (AG) submits consolidated statements for departments to Parliament.

Overall fiduciary risk rating for the internal control component is Substantial. Detailed analysis of the fiduciary risk is shown in Table 1.

1.5 External audit

The external audit arrangements are adequate and follow international standards, and covers 100% of Central Government expenditures (MDAs including payroll) and 82% of total expenditures (including GBEs: Boards / Universities, and non-budget agencies) for 2014/15 (81% the previous year). The constitution of the Republic of Rwanda articles 165/166 and Articles 6 and 14 of Law no 79/2013 of 11/09/2013 govern the operation of the OAG under the Leadership of the AG. The laws provide among other things the mandate, responsibilities, independence, tenure, remuneration and termination of the AG. The Act requires submission of audit reports to the Legislature nine months after the expiration of the financial year and prior commencement of the session devoted to the examination of the budget of the following year. The Auditor General's reports now cover both financial, regulatory, and performance audits.

OAG submits annually and in a timely manner audit reports to both chambers of Parliament covering audits of the State Consolidated Financial statements, financial statements of public entities as well as performance audits conducted during the period. The audits have been produced and submitted in a timely manner for the last three years.

In terms of implementation of OAG recommendations, Article 69 of Organic Law No. 12/2013 of 12/09/2013 on State Finances and Property requires each Chief Budget Manager and Directors of public bodies to implement recommendations of the Auditor General, however for 2014/15 the implementation rates was 51% for all public entities, which remains an area of concern.

There are however some areas for improvements, notably i) publishing of the full OAG audit reports, presently only an executive summary is published on the website; and ii) root cause analysis followed by defining and implementation specific mechanisms to ensure follow-up of OAG recommendations.

Parliamentary oversight include consideration and commenting on the Budget Framework Paper, Sector committees examine budget submissions and make recommendations to the plenary for consideration and approval, with no specific power to amend estimates according to the PEFA (Public Expenditure and Financial Accountability) study, it generally has about two months to examine the submitted budget. A Public Accounts Committee (PAC), chaired by a member of the opposition was established in 2011. Aided by a technical team the PAC analyses the OAG reports (within eight months for the past three years – PEFA) and hearings are covered on live national television and radio. The PAC prepares a report that includes recommendations, which is presented to the plenary session of the Chamber, then passed to the executive for action.

Overall fiduciary risk rating for the external audit component is Low. Detailed analysis of the fiduciary risk is shown in Table 1.

Table 1: Detailed Fiduciary Risk Assessment

Elements	Average Capacity Development Score	Initial Risk Assessment	Mitigation measures	Residual Risk
1. Budget	**2.52**	**Low**	- GoR to continue improving Public access to key budget and fiscal information -Improve forecasting within policy-based budgeting and consolidation of use of MTEF -Streamline processes and implementation to control budget outrun to fall below five (5%) percent, as well as further address expenditure arrears at central level - Further strengthen the recording of government debts	L
1.1 The Budget sub-system capacity is adequate to plan (formulate) budgets for programs and/or projects	2.70	Low		
1.2 The Budget sub-system capacity is adequate to execute budgetary control of programs and/or projects	2.63	Low		
1.3 Transparency and public participation in budget preparation and access to budget execution information.	2.25	Medium		
2. Treasury	**2.73**	**Low**	-Improving collection of tax arrears and scaling up the use of Electronic Billing Machines (EBMs); - Rolling-out the newly implemented local government taxation software to districts and sub-districts; -Consolidate TSA platform improvements with increased automation for reconciliations including donor financed projects and programs operated bank accounts -Enhance debt portfolio management through a computerized system - DMFAS and interlinking further to IFMIS while ensuring comprehensiveness with inclusion of all public enterprise and PPP related debts	L
2.1 The Treasury sub-system capacity is adequate to manage the inflow of resources and disbursements of aid funds.	2.75	Low		
2.2 The Treasury Single Account (TSA) is an appropriate and reliable way to administer aid funds	2.71	Low		
3. Accounting Recording and Reporting	**1.48**	**Substantial**	-Implement roadmap for adoption of IPSAS accrual as the government's GAAP by 2020/2022; -Deployment of IFMIS to districts and sub-district's levels, while on a short term availing to end users & integrating the planning phase to the IFMIS modules; -Further staffing of revenue/accounting centers with accounting technicians (CAT) nationwide; - update and disseminate GoR's financial management manual including reporting framework for donor-funded projects; -Allow for expenditures classification by projects' components, activities or categories without manual retreatments as part of financial reporting upgrade; -Upgrading IFMIS with the Fixed Assets Management module; -Adopting the rules and procedures, reporting template for Subsidiary Entities Accounting and Financial Reporting System – SEAS - while operationalizing the said system for the specialized subsidiary entities.	M
3.1 The Financial Accounting sub-system is sound and capacity is adequate to record program and/or project transactions and account for their progress and financial status.	1.75	Medium		
3.2 Financial Management information systems have flexibility to accommodate specific reporting requirements of programs and projects and have procedures in place to ensure timeliness and quality of information produced.	1.5	Substantial		
3.3 The Financial Accounting sub-system has an integrated Fixed Assets module for the proper recording and control of assets purchased with program / project funds.	0	High		
3.4 The Accounting sub-system maintains up to date records of the country's borrowings; and the accounting systems are secured against deliberate manipulation of data and/or accidental loss of or corruption of data.	2.17	Medium		

Elements	Average Capacity Development Score	Initial Risk Assessment	Mitigation measures	Residual Risk
3.5 The Accounting systems are secure against deliberate manipulation of data and/or accidental loss of or corruption of data.	2.0	Medium		
4. Internal Control 4.1 The Internal Control sub-system capacity is adequate to control the financial operations of programs and projects. 4.2 Competition, value for money and controls in procurement are adequate. 4.3 The Internal Audit function capacity is adequate.	**2.38** 2.33 2.5 2.33	**Medium** Medium Medium Medium	-CIA to enhance its capacity for IT audits to initiate audits through the IFMIS system. -Continue recruiting specialized expertise in IT while certifying staff -Fully deploy and operationalize audit tool (TeamMate) -Finalize risk management policy & manual for ERM / RCM	
5. External Scrutiny and Audit 5.1 The SAI has the level of "independence" needed to enable it to fulfill effectively its functions. 5.2 The SAI has the capacity to meet its audit mandate 5.3 Scope of an SAI audit is comprehensive	**2.83** 2.83 2.83 2.83	**Low** Low Low Medium	-OAG will continue 100% coverage of central government expenditures and over 80% of overall expenditures, along with statutory audits to parliament - scaling up performance audits and external reviews of sub-districts & State Owned Entities (semi-autonomous government agencies, schools, utilities, hospitals etc.) -OAG to put a mechanism to ensure implementation of audits recommendations - OAG to continue training for improvement of quality of FS and increasing % of overall unqualified opinions to MDAs. - OAG to continue building its capacity for IT audits to further audit through the IFMIS system.	Low
6. Overall Fiduciary Risk	**2.39**	**Medium**		**Medium**

Risk Assessment based on the average development score

Below 0 and 0.75	High
Between 0.76 and 1.50	Substantial
Between 1.51 and 2.50	Medium
Between 2.51 and 3.00	Low

2. Assessment of Rwanda Procurement Systems

2.1 Introduction

In Rwanda, Public procurement plays a critical role in effective public expenditure management. Rwanda public procurement is regulated by Law No. 12/2007 of 23/03/2007, modified and completed by Law N°05/2013 of 13/02/2013. The subsequent regulations issued in 2008 and national standard bidding documents were revised in 2014 to reflect the changes in the Law. The procurement legal and regulatory framework generally complies with international standards so as to make a profitable use of public funds in a more effective and transparent manner.

The Rwanda Public Procurement Authority (RPPA) becomes a fully regulatory body in 2011. As such, all procurement proceedings are subject to regular monitoring by the Rwanda Public Procurement Authority to ensure compliance with the prevailing Procurement legal framework. RPPA also delivers training to procurement officers and tender committees in the ministries, departments and agencies. In addition, the RPPA follows up and undertakes annual procurement audits in accordance with its mandate. Under the revised Law, Public Procurement regulations and the code of ethics in public procurement are established by a Ministerial Order whereas the RPPA issues standard procurement documents and guidelines aimed at achieving the objectives and duties prescribed by the Law. Therefore, the necessary institutions and mechanisms are in place for internal control of the public procurement environment. A significant portion of public spending occurs through the public procurement process with annual procurement amount of about US$0.8 billion. Therefore, it is very crucial to assure a sound and transparent system of public procurement because of its impact on the economic and governance issue. To that effect, the Government of Rwanda has introduced e-Procurement that will offer a huge potential for increased efficiency in addition to transparency and compliance. The implementation of the pilot phase for the use of e-procurement system will start on 1st July 2016 in nine (9) ministries.

Rwanda has made the greatest progress globally since 2005 in narrowing the gap with global good practices. This progress is reflected in the 2015 Transparency International report, which showed that in 2 years Rwanda advanced from the 49th position (2013) to the 44th position (2015) on the Transparency International's CPI ranking. The business environment has also significantly improved ranking Rwanda in the World Bank Doing Business 2015 Report, as one of the two top performers in Sub-Saharan Africa in the ease of doing business. Access to information and communication is relatively developed in Rwanda with easy access to internet. The internet access has even been extended to the local level through the installation of telecenters in Districts through the performance contract policy "Imihigo" that is undertaken between local authorities and the central government. Following the decentralization of procurement to the local entities, the Government has made considerable efforts in strengthening the capacity of Procurement Officers at the district level with respect to staffing and required training.

This assessment draws from discussions with representatives from various sectors and procuring and Government entities such as the Ministry of Finance (MINECOFIN), the RPPA, the Office of the Auditor General (OAG), Accountant General, and other line ministries involved in the implementation of Bank-financed operations in Rwanda as well as from the review of the following reports: Rwanda Public Financial Management Performance Report (PEFA-PR 2010); Independent Evaluation of Implementation of PFM Reform Strategy 2008 – 2012 (Nov. 2012); Donor Fiduciary Risk Assessment of General Budget Support (GBS) in Rwanda (February 2012); The Bank's Rwanda Summary Report on the Country Procurement Assessment (2016); Report of the Auditor General of the State of Finances for the year ended 30 June 2015 and the RPPA Annual Activity Report 2014/15.

2.2 Legislative and Regulatory Framework

Public procurement is regulated by Rwanda Law No. 12/2007 enacted in 2007 and revised in 2013. Rwanda Procurement Law is generally consistent with international standards as it contains most elements of modern procurement legal and regulatory framework. The RPPA revised the national standard bidding documents and Procurement Manual to incorporate the provisions of Law N°05/2013 of 13/02/2013 modifying and completing Law No. 12/2007 of 23/03/2007. The revised Law improves the existing legal framework based on lessons learnt since 2007. It prescribes open competitive bidding as the default method for procurement of goods, works and consulting or other services by procuring entities using public funds. Under the revised Law, there is also a requirement to seek a waiver from RPPA if noncompetitive procurement methods are contemplated. To that effect, the RPPA shall give the authorization after receiving a reasonable justification from the procuring entity accompanied by "a confirmation from the supervising Minister that such procurement is in public interest". The RPPA has been tasked to follow up the implementation of procurement contracts in order to report those poorly performed in all Procuring Entities and to apply legal penalties for contractors that fail to honor their contractual obligations. Those penalties include among others the debarment of companies involved in fraud and corruption. Based on 2014/2015 RRPA Annual Activity Report, open tendering (both national and international) was the most used and was 74.65% in number and 84.80% in amount compared to the previous Fiscal Year where open tendering (both national and international) was used with 67.75% in number and 89.72% in amount. This demonstrates significant compliance with the law with respect to methods of procurement.

2.3 Institutional Framework and Management Capacity

The RPPA mainly focusses on regulatory measures, monitoring and capacity building in public procurement entities. Since 14 February 2011, the RPPA has exited from conducting procurement activities for Procuring entities pursuant to circular No. 791/11/10/TC of the Minister of Finance. This major change is consistent with international best practices.

For effective management of public procurement, the Law establishes a Tender Committee and a Procurement Unit in each Procuring Entity with the responsibility to conduct bids opening; evaluate bids; recommend tender award, provide recommendations on all issues relating to public procurement and to approve tenders to be awarded through other methods than open competitive one. The Procurement Unit is responsible for carrying out the procurement process from planning to the completion of the contract execution. Following the decentralization of the transaction function, the Government through the Ministry of Finance has been implementing the PFM reform strategy (2008 – 2012) to ensure that residual risks are duly mitigated. Pillar 3 of the PFM reform strategy was on procurement and the objective was to 'improve competition, value for money, controls and transparency in public procurement". According to the Independent Evaluation of the Implementation of the PFM reform strategy 2008 – 2012 prepared in November 2012, pillar 3 achieved the objectives with high scores. The phase II of the PFM reforms is currently ongoing to sustain the objectives achieved in the first phase. With the support of RPPA, most sub-national entities (districts) are now submitting their procurement plans to RPPA on time. During the financial year 2014/2015 as of 30 June 2015, all the 56 audited Procuring Entities (PEs) provided their annual procurement plans. The introduction by the RPPA of a Procurement Publication System (PPS) has facilitated the automation of the publication of procurement plans and this could even be further simplified with the future use of e-procurement system.

In regard to capacity-building in public procurement in FY 2014/2015, the RPPA conducted training, coaching, and job training; and provided technical support to public servants (Chief Budget Managers and Procurement Officers). In terms of training, a total of one thousand one hundred and five (1,105) staff from different PEs were trained on public procurement law and procedures. As part of short courses in Public Procurement, CIPS and Master's in public procurement, 282 procurement practitioners were trained at the College of Business and Economics on seven modules. RPPA also undertook the assessment of the capacity of a number of Procuring Entities at all levels to take stock of the staff complement and qualifications of civil servants involved in public procurement; and to identify the skills set and qualifications of those staff with the aim to initiate relevant programmes to fill skill gaps and professionalize the procurement function in Rwanda. The stocktaking exercise revealed that a good number of PEs are still weak in public procurement operations.

Consequently, despite the tremendous progress, challenges still remain in the area of implementation of the findings of the training needs assessment. As a result, the second phase of the PFM Strategy identified 4 key priorities to be addressed in the next 5 years, including Priority No. 3 – Strengthening PFM Systems and capacities at sub-national levels (Districts, sectors, schools, health facilities) and Priority No.4 – Enhanced training, professionalization and capacity building across all PFM disciplines (an agenda carried forward from the outgoing PFM Reform Strategy 2008-2012). Overall, the institutional framework is satisfactory.

2.4 Procurement Operations and Market Practices

The Government has generally made concerted efforts in advancing the private sector agenda and this is evidenced in the World Bank 2015 Doing Business report which ranks Rwanda second in Sub-Saharan Africa and 62 out of 189 countries worldwide. The Government of Rwanda is eager to set up effective mechanisms for the partnerships between the public and private sector. The Government also encourages open dialogue and participation of the private sector and civil society in the decision process as exemplified by the inclusion of the private sector representative in the RPPA Board of Directors and the Independent Review Panels for resolution of complaints. A number of initiatives supported by the Government are in place to boost the private sector. For instance, Rwanda Development Board (RDB) is implementing additional reforms that are expected to reduce the cost of doing business for the private sector. This includes automating processes and procedures to enable businesses to get services online including access to permits, property registration and the legal services, among others. As such, time to access a construction permit has reduced to 20 days from 50. Time required to apply and obtain the survey plan, occupation permits and freehold titles was also reduced from 30 to only three days, and the services were now made free of charge, according to RDB. The country's investment promotion body also announced that this year will see its online systems upgraded and more services added, removing all unnecessary requirements and procedures. The property registration and transfer will be effected in one day, while employee registration normally done with Rwanda Social Security Board (RSSB), and Value Added Tax registration will all be done simultaneously online with the company incorporation at RDB. The new reforms, mostly tackling key thematic areas of the World Bank Doing Business benchmark, are said to aim at not only improving on global doing business standards but also ensuring sustainability of local and foreign businesses in the country.

However, while Rwanda's business community applauds the reforms as important to making the business environment conducive, it still decries complexities arising from liquidation and business closure processes, alongside delays in execution of judgments blamed partly on lack of information. The community is therefore calling for examination of loopholes in the legal and policy framework while others could necessitate concerned institutions to dialogue and find solutions. In EAC, the move towards a fully-fledged Customs Union (Single Customs Territory (SCT)) supposes free circulation of goods, elimination of internal tariffs, application of a Common External Tariff, free circulation of goods within the region, internal customs border controls, non-application of Rules of Origins and removal of non-tariff barriers (NTBs). In the opinion of the private sector community, the way businesses are handling in the regional context make the regional integration a long-term prospective particularly with regards to the persistent application of rule of origin in trade and tendering processes. The community is therefore calling for policies to create business environment conducive to implementation of SCT, which will remove the application of Rules of Origin from EAC and work on harmonizing the Tripartite (COMESA-EAC-SADC) Rules of Origin.

RPPA also has a unit dealing with dialogue with private sector and civil society, which is a positive progress in strengthening communication with stakeholders. Nevertheless, data on actual participation of local private sector companies in public procurement is not readily available; therefore RPPA should start collecting and publishing statistics in its annual activity report showing the participation of local industries and entrepreneurs in public procurement. RPPA has updated and published reference prices for supplies (materials and office supplies, office equipment, food products, generators, water tank, IT equipment and vehicles), works (construction materials, plumbing materials, electrical materials, paints and prefabricated materials in cement, clays (e.g. tiles) and water tanks) and non-consultancy services (cleaning services, insurance cost and hotels). RPPA also elaborated and published the guide of reference prices on design and supervision of construction works. RPPA hopes that these reference prices will enable procuring entities to procure at reasonable prices. This guide can be found on the RPPA website.

2.5 Integrity and Transparency

RPPA plays a key role in procurement oversight and monitoring, being part of the control systems for public procurement. It carries out a major audit exercise which looks at the levels of compliance with procurement rules. In Fiscal Year 2014/2015, Rwanda Public Procurement Authority carried out procurement audits in 56 Procuring Entities (PEs) over 70 that were planned i.e. 80%. Also 1,144 tenders awarded by different procuring entities were audited in order to assess the level of compliance with the law and regulations. In addition, a performance and value for money assessment of the Rwanda Public Procurement System was conducted and its report has been published. The objective of the audits was to determine whether the procedures, processes and documentations were in conformity with the law No12/2007 of 27/03/2007 on public procurement as revised in 2013 and the Ministerial order No 001/08/10/MIN of 15/01/2008 establishing regulations on public procurement and standard bidding documents, the RPPA circulars and international best practices in public procurement. The aim was to identify weaknesses of PEs in complying with the law and regulations to enable appropriate measures, including implementation of appropriate capacity building strategies to be taken. These audits are comprehensive and cover the whole procurement cycle in relation to compliance with the law and procedures and methods used with appropriate recommendations on weakness and irregularities observed. In all procuring entities audited, the audit showed that there is an improvement in all procurement indicators compared with results of audits carried out during the last 3 fiscal years, i.e. 2012-2013; 2013-2014 and 2014-2015. RPPA does produce and publish reports with instances of fraud and corruption. During the fiscal year 2014-2015 investigations were carried out and various cases were concluded on different irregularities done in public procurement. A total of ninety six (96) cases were reviewed leading to the debarment of sixty three (63) companies in total. Among them, forty (40) were debarred for forgery and use of forged documents; while twenty three (23) were debarred for poor and non-performance of contracts.

The Office of the Auditor General (OAG) also pinpoints mismanagement related to the financial management and procurement. For instance, the parliamentary Public Accounts Committee summoned 129 officials from central and local government, and government enterprises to explain their role in the loss of funds, mismanagement and the discrepancies highlighted in the 2013/14 Auditor-General's report. The 2014/2015

Audit Report noted the increase in number of entities obtaining unqualified audit opinion on their financial statements is an indicator that Government entities are progressively embracing appropriate financial management practices. Of the 157 reports issued, 61 reports (39%) got unqualified opinion on compliance aspects. These included 12 Ministries, 29 Government projects, and 20 Other Central Government entities. However, the Audit report identified prevalent weaknesses in contract management, which resulted in increased costs to Government projects, significant delays in completion and lack of value for money for most of those projects. The Report therefore recommends that the supervision and monitoring of projects should be strengthened by Chief Budget Officers and Supervisors as part of their fiduciary responsibilities.

It should be noted that procurement oversight functions are being mainstreamed in all oversight institutions i.e. Internal Auditor, OAG, Ombudsman Office, by building the procurement capacity of the relevant staff and the inclusion of appropriate provisions in their Standard Operating Procedures and Manuals. However, there is need to improve coordination among various auditing entities (RPPA, Chief Internal Auditor, Auditor General, Ombudsman) to build on existing complementarities; increase the efficiency of the complaints mechanism, improve follow up by the procuring entities on the auditors' recommendations and make better use of administrative sanctions.

The revised procurement law established a National Independent Review Panel (NIRP) at the National Level and Independent Review Panels at the District level for the purpose of conducting independent reviews of complaints and rebuttal of the procurement process. Independent Review Panels are composed of seven (7) members for a term of office of four (4) years. They are chosen from the Public Sector, Private sector and civil society. Members from the Public Sector shall not exceed three (3). Members of the Independent Review panel at the National level are appointed by a Ministerial Order while those of the different Independent Review Panels at the District level are appointed by the District Council. The appointees comprise experts in public procurement, law, construction, economics and information technology. The appeal mechanisms are well articulated and generally working well. When an appeal is introduced, the procurement process is suspended until a decision is taken by the Panel within 30 days. Procuring Entities or complainants may request NIRP to reconsider its decision in case there is additional information not taken into account by the Panel during its review. During the Financial Year 2013/2014, NIRP received 79 dossiers among which 74 appeals. Among the received appeals, 71 were analysed and 19 of them were found admissible and justified. NIRP 2013/2014 Report observed that the increasing number of cancellation of procurement proceedings is due to poor drafting of tender documents and unfair evaluation of bids. The trends show an increase in the cases of complaints received, which is an indication of the confidence of the bidders in the procurement system except at the District level where more sensitization of the private sector community should be done by RPPA. Therefore, there are adequate systems and oversight entities in place which guarantee the integrity and transparency of the procurement system.

2.6 Ethics and Anti-Corruption

Rwanda Anti-Corruption Policy dated June 2012 represents the country's commitment to achieve good governance through preventing and fighting corruption. It focuses on people, systems and organizations and on building culture where integrity is valued and corruption rejected. Anti-Corruption policy and related actions are managed by a number of public institutions. The primary anti-corruption agency is the Office of the Ombudsman, which is constitutionally independent and carries out a wide mandate in fighting corruption. Other institutions, which core functions are also related to anti-corruption action although they have other mandates, include: the National Public Prosecution Authority, the Rwanda National Police, the Office of the Auditor General and the Rwanda Public Procurement Authority. The anti-corruption policy applies to all ministries and other central administrative units, government projects and programs, districts, provinces and Kigali City, parastatals, private sector, civil society and all citizens. In addition to the Anti-Corruption Policy, the organic law no. 61/2008 of 10/09/2008 on the leadership code of conduct published in the official Journal n° 24 of 15th December 2008 (coupled with other anti-corruption laws) provided details on what is forbidden for public officials to avoid conflict of interest. Significant progress has been made in the establishment of mechanisms to support integrity and transparency of the public procurement system and these include: (i) Rwanda 's ratification of the UN Convention on Anti-Corruption; establishment of dispute resolution procedures and a complaints mechanism that allows bidders' access to Independent Review Panels established under the Public Procurement Law; (iii) there are provisions and mechanisms to address violations of the law including those resulting from conflict of interest and fraud and corruption; (iv) administrative and criminal remedies are identified in the law and there is evidence that these provisions are vigorously applied. As a result, Rwanda has improved its CPI (Corruption

Perception Index) score globally advancing from the 49th position in 2013 to 44th in 2015, a remarkable progress demonstrating Government's commitment.

The Procurement Law specifically makes provisions with respect to Anti-Corruption Measures and Conflict of Interest. It provides for the debarment of bidders and prescribes punishment for officials contravening it, while making reference to the Statutes of the Rwanda Public Service as well as any other existing laws. During the Fiscal Year 2014-2015, ninety six (96) companies were investigated. Among those, sixty-three (63) were debarred for forgery and use of forged documents and other deviations. Implementation of the sanction mechanism is a positive development in enhancing ethics and anti-corruption in public procurement.

2.7 Conclusion

In conclusion, Rwanda has acceptable public procurement legal framework, which is based on the UNCITRAL model, and it is quite robust and covers all aspects of public procurement at all levels of Government. Reasonable oversight and accountability exist to enable the country to implement public procurement in a transparent and efficiency manner to achieve value for money. **Overall risk rating is low**.

Annex 5: Criteria that has informed the CSP's strategic focus

Box A5.1: Strengths and Opportunities, Weaknesses and Challenges

Strengths

i. **Macroeconomic stability, economic and financial governance.** Macroeconomic stability is underpinned by the IMF Policy Support Instrument Program (PSI) and performance under the PSI has been satisfactory. In addition, strong progress has been made in improving public sector governance including addressing corruption. This has ensured that resources mobilized domestically and externally are effectively utilized to support the country's development objectives.

ii. **Agriculture sector is a leading contributor to employment and exports**. Investments in infrastructure and skills to enhance agricultural productivity, notably in agribusiness and agroindustry will increase the sector's economic contribution.

iii. **Robust climate change and green growth framework.** EDPRS II mainstreams environmental management and climate change and recognizes the relationship between sustainable environmental management and poverty. Furthermore, the 2011 Green Growth and Climate Resilience Strategy establishes a 2050 vision of a climate resilient and low carbon economy. This framework is being used to ensure that the agriculture, services and industry sectors are sustainability harnessed for job creation and poverty reduction.

iv. **Youthful population.** The youth (population aged 16-30 years) account for about 27.6% of the population, with females accounting for 52% of the youth and 77.7% of the youth reside in rural areas. The National Employment Program is guiding the implementation of activities to address youth employment such as improving access to quality and in-demand Technical and Vocational Education and Training and gainful employment opportunities. These measures are promoting gender equality and empowerment and economic inclusion.

v. **Tourism.** Public and private investments in hospitality infrastructure such as the Kigali Convention Centre and the Marriot Hotel and the implementation of the country's Meetings, Incentives, Conferences, and Events strategy are driving growth in tourism, currently the leading foreign exchange earner. On-going energy and transport investments for instance in the Kivu Belt tourism corridor – a tourism enclave around Lake Kivu – will generate further growth in tourism.

Opportunities

vi. **ICT and Regional logistics hub.** Rwanda's digital technologies have the potential to spur industrialization and economic transformation. Furthermore, on-going and planned transport investments along the central and northern corridors could potentially transform Rwanda into a regional logistics hub and also contribute to the country's economic transformation objectives.

vii. **Regional Integration (RI) and trade.** Rwanda is centrally located at the heart of the African continent and is proactively supporting and participating in RI initiatives notably under COMESA and EAC. This, in addition to its sustained investments in regional infrastructure and business regulatory reforms will deepen RI, increase regional trade, consequently contributing to a reduction in the country's large trade deficit.

Weaknesses

viii. **Slow economic transformation.** Although the GDP shares for industry and services sectors have increased between 2000 and 2014, the agriculture sector is still a major source of employment and exports. This indicates that whereas resources are being deployed away from the low- to the higher productivity sectors and activities, this transition needs to be accelerated to generate the required economic transformation to private sector led growth.

ix. **Limited private sector development and engagement in higher value added economic activities**. The private sector is yet to lead growth as envisaged in Rwanda's Vision 2020 and EDPRS II primarily due to infrastructure bottlenecks, limited access to finance, technology, and market linkages. Investments in infrastructure need to be sustained to reduce the cost of doing business and more need to be done to improve access to finance including through innovative risk sharing instruments for the high growth strategic sectors. The coordination of the various PSD and industrialization interventions also needs to be enhanced to maximize impact.

x. **Skills gaps and mis-match.** The 2012 GoR skills audit reveals a skills gap averaging 43% of the labor force, primarily in TVET. The 2013 Business and Investment Climate Survey undertaken by the Private Sector Federation reports a lack of adequate skills in strategic sectors with high potential of high value added production, more formal and productive employment such as industry/ manufacturing, tourism and ICT.

xi. **Infrastructure bottlenecks.** Especially in the transport and energy sectors, have been identified by EDPRS II as key constraints to Rwanda's economic transformation to inclusive and green growth. For instance, Rwanda's average power tariffs at USD 0.21/kwh are in excess of the already high regional averages of USD 0.10 – 0.18/kwh and transportation costs amount to up to 40% of the value of imports and exports. Thus, additional investments are required in energy and transport.

Challenges

xii. **Instability and insecurity in the Great Lakes Region (GLR).** The GLR consists of some of Rwanda's key trade partners and continued instability will undermine Rwanda's trade flows and subsequently, economic growth and development. Furthermore, the insecurity in Burundi could generate significant spill-over effects such as an influx of refugees with corresponding humanitarian challenges. Peace initiatives under the International Conference on the GLR and African Union have the potential to yield sustainable solutions to this instability.

Box A5.2. Selectivity criteria that has informed the CSP's strategic choices

i. **Outcome of stakeholder consultations.** Discussions with the Government and country stakeholders identified imperatives for accelerating economic transformation, particularly by addressing bottlenecks in energy and water infrastructure and catalysing high value-added production including through skills development. CSP 2017-21 will focus on these areas.

ii. **Rwanda's overarching developmental issues/challenges.** The most pressing developmental challenge is to accelerate economic transformation by promoting value added economic activities and more productive formal wage employment. Addressing this challenge will require improving infrastructure notably in energy, water and transport and providing direct support (skills development, access to finance) to enterprises in high growth potential sectors

iii. **Alignment with Rwanda's strategic framework.** As discussed in Section III.a, the CSP is aligned with the Vision 2020 and the second Economic Development and Poverty Reduction Strategy (EDPRS II) 2013-18. The CSP's strategic focus will be re-assessed at midterm review in 2019 to ensure alignment with the national development priorities post EDPRS II.

iv. **Alignment to the Bank's corporate strategic framework**, notably the Bank's TYS 2013-22 with its dual objectives of inclusive and green growth. The interventions proposed in CSP 2017-21 mirror these objectives as well as the TYS strategic priorities or High 5s.

v. **Complementarity with the sectorial focus of DP activities.** A review of on-going development partner's support in Rwanda indicates that investments in the energy and water sectors need to be sustained to achieve Rwanda's 2020 and EDPRS II objectives. The Bank's proposed support to energy and water infrastructure development under CSP 2017-21 therefore seek to augment the Government's efforts to scale-up the required investments.

vi. **Building on the Bank's past achievements, comparative advantage and aid effectiveness.** The Bank's long standing support to energy and water infrastructure as well as private sector development and youth employment sectors has yielded several key results. This confirms that the Bank has significant comparative advantage in these two sectors. Given the need to reduce the cost of doing business to improve economic competitiveness, additional investments in energy and water are necessary to achieve Rwanda's 2020 middle income vision and transformation of the economy to inclusive and green growth.

vii. **Lessons learned.** The CSP 2012-16 completion report (CR) generated several lessons which have informed CSP 2017-21, notably on the need to shift the focus of Bank support to promoting high value added economic activities to accelerate economic transformation. Other key lessons relate to the need to prioritise cross-sectoral operations and ensuring high project quality at entry to maximise the developmental impact of the Bank's support to Rwanda.

viii. **Portfolio performance.** The 2015/16 CPPR extensively examined the on-going portfolio and concludes that the performance of the portfolio is rated satisfactory. As a result, all proposed operations fall within sectors where project implementation has largely been satisfactory.

ix. **Drawing on knowledge work.** The design of the Bank's CSP 2017-21 for Rwanda has been informed by various knowledge products including those conducted by the Bank, Government and other Development Partners as discussed in section IV.a. In particular, several analytic briefs have been prepared to generate knowledge on sectors and thematic areas of relevance to Rwanda's developmental context. The knowledge products include analytic briefs on: Inclusive Growth, Green Growth, Governance, and Political Economy Analysis including an assessment of the key drivers of fragility. Other sector/thematic briefs include: Productivity for MSME Growth and Job Creation – the role of TVET; Agriculture, Transport, Energy, Private Sector Development, Gender, and Water and Sanitation.

Box A5.3: Lessons Learned

Regarding Strategy

i. ***The Bank's previous support to energy and transport infrastructure and enterprise growth has contributed to Rwanda's socio-economic progress, although greater attention needs to be placed on economic transformation going forward***. In particular, in addition to establishing the enabling environment (e.g. via investments in energy and water) for businesses to engage in high value added activities, targeted support (notably skills development, access to finance) to such businesses is needed. This innovative approach will allow Rwanda to harness the progress made in improving the business regulatory environment.

ii. ***Flexibility and pro-activeness in responding to the GoR's financing needs is important in safeguarding priority public spending.*** The Bank's pro-active reaction to re-program a general budget support (GBS) into a sector budget support (SBS) operation during the suspension of GBS in 2012/13 ensured that priority spending on human development and job creation was sustained. This flexibility should be sustained under CSP 2017-21 and the range of lending and non-lending instruments also need be diversified to crowd-in private investment and finance;

iii. ***Rigorous selectivity with emphasis on fewer but larger, transformative and integrated interventions reduces transaction costs and maximizes development impact***. Given Rwanda's small ADF and ADB allocation, integrated operations with cross-sectoral interventions and outcomes should be prioritized;

iv. ***Systematically mainstreaming gender in Bank operations and the measurement of the corresponding outcomes will promote gender-balanced inclusive growth***. Explicit gender targets and systematic frameworks to monitor progress will ensure that Bank operations promote gender equality and women empowerment;

v. ***The development of partnerships including through the Bank's co-chairmanship of sector working groups (SWGs) and sub-SWGs has several benefits*** including raising the Bank's profile as a convener, catalyst and knowledge broker; enhancing country policy dialogue; facilitating aid coordination and harmonization; and enabling the mobilization of co-financing. The Bank should therefore seek to maintain this privileged position during the CSP 2017-21 period;

Regarding portfolio

vi. ***High project quality at entry (QaE) and project readiness for implementation expedite project implementation and the realization of programmed results***. Instruments like the project preparation facility should be harnessed to improve project QaE;

vii. ***Rigorously enforcing the readiness filter (RF) for regional operations (ROs) will avert some of the implementation bottlenecks that are currently affecting the ROs***. Rigorous application of the RF to ROs will ensure that project management teams, implementation and procurement plans are in place prior to Board approval;

For the Government

viii. ***Streamlining processes such as procurement, contract management and compensation of persons affected by the project (PAPs) accelerates implementation progress and guarantees the timely delivery of programmed development results***. Embarking on advance procurement prior to Board approval and strengthening contract management capacities and rigorously implementing the phased compensation of PAPs will expedite project implementation and guarantee the timely delivery of results;

ix. ***The national regulatory and legal framework presents opportunities for promoting inclusive growth***. For instance, including provisions in the public procurement legislation on the mandatory use of a minimum share of local labor and specification of activities to be undertaken by youth and women in certain contracts will enhance inclusive growth;

For Development Partners (DPs)

x. ***Sustained engagement and dialogue is useful in safeguarding mutual accountability and resolving any impediments to the provision of external support***. The commitment to dialogue during the 2012/13 GBS suspension allowed DPs to swiftly identify options for disbursing the suspended GBS to preserve priority human development spending; and

xi. ***Rwanda's development cooperation framework is well-structure and transparent and SWGs are an integral part of this framework.*** However, the SWGs can be strengthened to maximize their potential, for instance by enhancing focus on delivery and ensuring joint (GoR/ DPs) responsibility for development results.

Box A5.4: Risks to the Implementation of the CSP and the Proposed Mitigation Measures

<table>
<tr><th colspan="2">Inadequate project and contract management capacities</th></tr>
<tr><td>Medium likelihood of occurrence
o Weak project and contract management capacities in the Executing Agencies (EAs) could delay the timely completion of procurement processes notably for infrastructure projects, leading to delays in project implementation and delivery of the programmed development results.</td><td>Mitigation measure (expected impact: high
o The Bank's infrastructure projects will include TA components to support capacity development in project and contract management. In addition, at least one fiduciary clinic will be held annually to transfer fiduciary knowledge and skills to the EAs.</td></tr>
<tr><th colspan="2">Re-orientation of national priorities after the 2017 Presidential elections</th></tr>
<tr><td>Low likelihood of occurrence
o Presidential elections are due in 2017 and the new Government could choose to re-orient the national priorities upon which CSP 2017-21 is anchored.</td><td>Mitigation measure (expected impact: high)
o The outcome of the December 2015 referendum signals Rwanda's preference for continuity and stability. Thus, deviation from the current national development path is unlikely.</td></tr>
<tr><th colspan="2">Instability and insecurity in the Great Lakes Region (GLR)</th></tr>
<tr><td>Medium likelihood of occurrence
o Instability in the GLR, in particular the insecurity in Burundi could potentially disrupt trade and other economic activities given that GLR countries comprise Rwanda's key trading partners. Furthermore, the insecurity in Burundi could generate significant spill-over effects such as an influx of refugees.</td><td>Mitigation measure (expected impact: high)
o Rwanda's participation and contribution to peace initiatives under the ICGLR and AU are expected to contribute to pragmatic and lasting peace and security solutions. DPs, including the Bank, are providing humanitarian support to reduce the fiscal burden on GoR related to the increase in refugees.</td></tr>
<tr><th colspan="2">Vulnerability to climate change</th></tr>
<tr><td>Medium likelihood of occurrence
o Rwanda's agriculture is heavily dependent on rainfall which increases the impact of climate change on agriculture productivity. Given that the agriculture sector contributes 33% of GDP and employs 69.7% of the workforce, if mot mitigated, climate change will negatively affect economic transformation and livelihoods for the majority of the population</td><td>Mitigation measure (expected impact: high)
o Rwanda has a robust climate change and green growth framework which includes the EDPRS II and the 2011 Green Growth and Climate Resilience Strategy which establishes a 2050 vision of a climate resilient and low carbon economy. The Government established a Fund for Environment and Climate Change (FONERWA) in 2012 and an estimated USD 100 million has mobilized by the end of 2015 to support interventions that promote the green economy. This framework is being used to ensure that the agriculture, services, and industry sectors are sustainability harnessed for economic transformation, formal productive employment and poverty reduction.
o The Bank is currently developing a Green House Gas (GHG) accounting and reporting tool to guide the selection of project designs which minimize GHG emissions, reduce resource intensity and thereby boost the implementation of the GGCRS.</td></tr>
<tr><th colspan="2">High dependence on aid in the midst of global economic uncertainties</th></tr>
<tr><td>Medium likelihood of occurrence
o While the share of the budget financed from aid has reduced, it remains high at 40% and any abrupt reductions in aid as was the case in 2012/13 could have significant negative macroeconomic and development effects.
o Reductions in international commodity prices will affect export receipts from primary exports of coffee, tea and minerals decreasing the foreign exchange reserves and depreciating of the Rwanda Franc</td><td>Mitigation measures (expected impact: high)
o The IMF PSI is supporting improvements in public revenue mobilization. In addition, the export growth and diversification reforms are underway.
o The Bank will expand the suite of financing instruments to reduce fiscal pressures. In addition, the Bank's investments in energy and water infrastructure will contribute to a reduction in the high cost of doing business, thus catalysing private investment and finance.</td></tr>
</table>

Annex 6: Key messages from the Analytic Briefs underpinning the CSP

1. Transport Sector	**2. Governance**	**3. Energy Sector**	**4. Private Sector**
○ Road transport is the predominant form of transport in catering for over 90% of freight traffic and passenger travel. To improve efficiency and transform the capital city Kigali into a regional hub, the Transport Sector Strategic Plan (TSSP) 2013-18 under EDPRS II is putting emphasis on integrated multi-modal transport systems. Several strategic investments in air (e.g. the Bugesera airport, fleet expansion for the national carrier RwandAir) and railway (the central and northern corridor railways) transport are at various stages on implementation (RwandAir) and resource mobilization. ○ The Bank is partnering with the GoR to develop the integrated multimodal transport system. The Bank funded a transaction advisor for the Dar es Salaam-Isaka-Kigali-Musongati (DIKM) railway project who designed of the financing model, among others. The Africa50 fund provides a potential financing source for the DIKM and the northern corridor railway under the Northern Corridor Integration Projects framework. ○ Strong progress has been registered in the implementation of the TSSP. E.g., the share of national roads (paved and unpaved) in good condition increased from 63.2% in 2012/13 to 72.6% in 2014/15 and the 80% target for 2018 is on track to being achieved. The Bank is currently financing several national and regional road transport projects which are expected to contribute to the realization of the TSSP targets.	○ Good governance and a capable state is one of the six key pillars of Vision 2020. Three medium term development strategies, have all prioritized good governance as a central theme for maintaining and consolidating peace and security, promoting unity and reconciliation, upholding the rule of law and human rights, and ensuring that citizens are actively engaged in governance and accountability activities. ○ As a result of this national commitment to governance and accountability, several achievements have been made in political, economic and financial governance and the business regulatory environment. This progress is corroborated by various international and regional indexes including the Gallup Law and Order index, Transparency International's Corruption Index, Mo-Ibrahim Index on African Governance, and the Bank's Country Policy and Institutional Assessment. ○ Further improvements in economic and financial governance will require addressing the following weaknesses: (a) lack of a critical mass of qualified officials finance officers and certified accounting technicians), especially at the local government (LG) level; (b) inadequate internal controls; (c) low compliance with procurement rules especially at LG level; and (d) slow deployment of the internal audit function across government.	○ The installed generation capacity by December 2015 of 186 MW is still inadequate to meet demand. However, there is vast endogenous potential energy resources comprising 400 MW of hydropower, 310MW of methane gas-to-power and about 700MW of readily available peat. Thus, more energy investments are still required to harness this potential and to achieve universal electricity access by 2025 ○ Heavy reliance on costly emergency petroleum-based power generation has led to high electricity production costs; which is around 50% higher than the average tariff in East Africa, and over 20% higher than the Sub-Saharan Africa average. ○ Biomass accounts for 97% of all domestic energy consumption and other fuels including Liquefied Petroleum Gas (LPG) account for less than 1%. Annual deaths from household air pollutants are estimated at 5,680 deaths, 94% of which are children. The SE4All Action Agenda indicates that with proper Government policies, LPG usage could be increased to 3% of domestic energy by 2020 and 13% by 2030. This will supplement other efforts on use of more efficient cook stoves.	○ Private sector development (PSD) is central to Rwanda's economic transformation objectives as articulated in Vision 2020 and EDPRS II. To fast track the realization of these objectives, a 5-year PSDS Implementation Plan was adopted in 2015 and it aims to holistically address the PSD weaknesses and challenges and also harness the strengths and opportunities. The major challenges to PSD include the high cost of energy, transport and water; skills gaps and mis-match ○ Over 90% of Rwanda's workforce is employed in the private sector. Private business establishments have increased 24.4% to over 148,000 between 2010/11 and 2013/14. MSMEs account for over 98% of the establishments and provide 80% of private sector employment. ○ MSMEs are a major vehicle for achieving inclusive growth. For instance, the share of private sector jobs created in rural areas increased from 47.4% in 2011 to 52.2% in 2014. MSMEs also accounted for 73% of the jobs created between 2011 and 2014. ○ GoR is placing emphasis on promoting private investments in industry and infrastructure and other services are being developed in the KSEZ and other industrial zones across the country. The NEP is also being implemented to develop the pertinent skills required to catalyze high value creation.
5. Political Economy	**6. Green Growth**	**7. Inclusive growth**	**8. Agriculture sector**
○ Rwanda has initiated several policies and programs to promote socio-economic development during the period 2005-15, which have contributed to security and stability, high economic growth and a significant reduction in poverty. As a result, Rwanda is generally considered as a country that has made the most significant and successful steps out of conflict. ○ The country has sustained gains in almost all social, economic and governance indicators since the approval of CSP 2012-16.	○ A robust framework for green growth is in place, anchored on the Green Growth and Climate Resilience Strategy (GGCRS). The GGCRS has yielded several benefits including mainstreaming climate change across all sectors and supporting climate and low carbon development funding. Furthermore, the GGCRS is guiding the development of climate resilient and energy efficient infrastructure, energy efficient cooking solutions and is expected to guide Rwanda towards sustainable green growth.	○ The GoR has proactively pursued inclusive growth using through various measures including provision of social safety nets to the poorest households, increasing agricultural productivity, job creation via the NEP, development of secondary cities to transform these trade and transport corridors into regional growth poles and centers of local economic development, and targeted supported to the poorest	○ Agriculture is a major contributor to GDP, employment and exports. Thus, the sector is a key vehicle for achieving inclusive growth. However, the agriculture sector is characterized by low productivity owing to the heavy reliance on rainfall, limited access to agricultural finance and insufficient availability of arable land. ○ Under the EDPRS II, the GoR is implementing the Strategic Plan for Agricultural Transformation-III (2013-18) to respond to these challenges.

Rwanda scores better than the African average on the indicators of safety & rule of law, sustainable economic opportunity and human development. However, Rwanda scores lower than the African average on participation and human rights. ○ A national unity government, which is aimed at fostering unity and reconciliation, is in place. The overall stability of the government indicates that this objective has been achieved. The key weaknesses and challenges include land pressures especially given Rwanda's high population density, regional risks arising from the instability and insecurity in eastern DRC and Burundi, and the heavy dependence on aid.	○ However, coordination, monitoring and reporting is critical. The lead agencies such as the Ministry of Natural Resources need to establish robust coordination mechanisms for the various green growth action programs to ensure that the GGCRS and SDG objectives are realized. ○ "Natural Capital Accounting" will establish the basis for costing user fees for ecosystems across sectors such as energy, mining and agriculture. A World Bank study to develop the methodology for natural capital accounting is underway and is expected to be completed by 2018. ○ Green growth is central to the Bank's assistance program. E.g., the Bank mobilized USD 0.84 million in 2015 from SEFA to prepare studies for mini-hydro projects. This intervention also supports the GoR's rural electrification efforts and is expected to contribute to the growth in off-grid electricity access from 1.5% in 2015 to 22% by 2020.	districts including through development finance and skills training. These measures have contributed to the marked reductions in poverty and income inequality ○ However, further progress towards inclusive growth will require address the infrastructure bottlenecks, improving agriculture productivity to drive high value added production in agro-industry/ agribusiness and related value chains, addressing skills deficits and mismatch and ensuring gender equality in the labor market. ○ MSMEs including those in agriculture employ the bulk of the work force. Thus, promoting enterprise growth by addressing the underlying bottlenecks (such as skills gaps, inadequate business advisory services, access to finance) will contribute to inclusive growth.	○ Private investment and finance especially in agricultural value chains is important for the realization of the sector's objectives. This is expected to drive agro-based industry and economic transformation. However, this requires innovative financial instruments that de-risk commercial bank lending to agriculture. The Bank is supporting the GoR to improve agriculture finance including via risk sharing facilities to leverage commercial bank financing. This support will complement the Bank's on-going interventions aimed at enabling youth and women entrepreneurs to engage in agri-business/ agro-industry and related value chains. ○ Limited availability and security of arable land are being addressed through the Land Consolidation and Land Tenure Regularization Programs respectively.
9. Gender	**10. TVET/ Labor Productivity**	**11. Social Sector**	**12. Water Sector**
○ Rwanda is internationally recognized for the efforts made and results achieved in promoting gender equality and the advancement of women. A solid institutional framework on gender equality has been developed through the enhancement of Government agencies and expertise, and developing policy that foster gender equality. Progressive legislation has also been developed, including the commitment to equality in the Constitution, which largely protects women from discrimination. The labor force participation rate for both men and women is high, as is the share of women in decision making in national structures such as the Parliament and Judiciary. ○ Further advancements in gender equality and women empowerment will require addressing several challenges including: ensuring parity in access to post-primary education and skills training, equal access to income and resources, increasing parity in decision making at local government levels, supporting women to actively participate in family planning decisions and reducing gender based violence.	○ Shortfalls in business competencies, especially in TVET, are key constraints to private sector competitiveness and economic transformation in Rwanda. This is confirmed by several diagnostics. E.g., the 2013 Business and Investment Climate Survey showed that graduates lack basic skills and practical experience (primarily in industry/ manufacturing, tourism, and ICT) needed for jobs and business development. About 29% of formal sector firms surveyed by the 2014 World Bank enterprise survey identified inadequate skilled workforce as a major constraint, compared to an average of 24% in the EAC. The 2012 Rwanda skills survey revealed a skills gap (mostly in TVET) averaging 43% of the labor force. ○ In recognition of the contribution of education, skills and technology to productivity growth, the GoR has prioritized TVET in EDPRS II. Increasing labor productivity is vital for higher and sustainable incomes and for driving transformative inclusive growth. EDPRS II aims to improve the business environment for MSMEs to promote their growth and profitability. The GoR has also	○ Rwanda have achieved all MDGs at the goal level and the respective indicators have been met, except for poverty headcount, malnutrition for under 5's and waged women employment. Extreme poverty and some health targets even been even exceeded. A two-thirds drop in child mortality and almost universal primary school enrolment have also been registered. These achievements are due to the implementation of targeted measures including social protection, programs to improve agriculture productivity, and holistic job creation and enterprise development programs. ○ However, in spite of the significant reduction in poverty, poverty rates are over twice as high in rural areas as in cities. To address this rural/ urban poverty disparity, the GoR is developing infrastructure and other services for six secondary cities to transform to transform these trade and	○ Rwanda is a water-scarce country, with a per capita fresh water availability of less than 1000m^3 much lower than the 4000m^3 average for Sub-Saharan Africa. this therefore calls for the sustainable management of the available water resources if socio-economic development is to be realized. ○ To fast track the realization of the water and sanitation targets, the Government is implementing national water supply and sanitation policies and strategies which envisage bigger and more integrated water and sanitation projects to be implemented in partnership with other stakeholders including development partners, private sector, and local communities. ○ While access to water and sanitation has improved, ensuring sustainability requires scaling-up water supply which currently meets about 50% of water demand and reducing the non-revenue water (water losses) which currently very high at 40% of water production due to the

○ Generating knowledge on gender gaps and best practices to address these gaps is important and will inform the appropriate design of Government and other stakeholder's intervention to promote gender equality and women empowerment.	embarked on an ambitious reform agenda to improve skills relevance and employability, with emphasis on: (i) the implementation of a 9 year quality basic education policy in order to build strong foundations for TVET; (ii) the promotion of a demand-driven TVET with increased private sector participation in policy formulation and governance; (iii) the design of a TVET qualification framework to facilitate the recognition and transfer of learners' knowledge and skills; and (iv) the promotion of outcome-based planning and monitoring with tracer and employer surveys.	transport corridors into regional growth poles and centres of local economic development. ○ The low unemployment rate (13.2%) masks serious challenges in the labor market including dominance of employment in subsistence in agriculture and job insecurity in the service sector. The unemployment rate also increases with the level of education, indicating a significant mismatch between available jobs and skills.	dilapidated water distribution infrastructure. ○ Rwanda's high urbanization rate (projected at 35% by 2020) will require commensurate investments in water and sanitation facilities including in the 6 secondary cities. The 6 secondary cities and industrial zones across the country also need sustainable and reliable access to water supply to foster business and industrial growth and transform these secondary cities and industrial zones into regional growth poles.

Additional Knowledge Work underpinning the CSP 2017-21

Rwanda Energy and Transport Sector Reviews and Action Plans, 2013. African Development Bank.

Rwanda Growth Diagnostics Study, 2014. African Development Bank.

Rwanda Poverty Assessment, 2015. World Bank.

East African Common Market Scorecard, 2014. East African Community Secretariat/ World Bank

Annex 7: Summary of emerging messages from consultations with Stakeholders

Government Authorities

- Infrastructure bottlenecks continue to drive the high costs of doing business which limits investment growth. Progress has been made in improving transport infrastructure, but more needs to be done to improve electricity access and water infrastructure particularly for the industrial zones and secondary cities;
- Energy electricity access at 24.5% in 2016 is still short of the 70% EDPRS II target. Furthermore, current water supply capacity meets about 50% of water demand and non-revenue water (water losses) exceed 40% of the water produced. Thus, the Bank should replace transport with support to water and sanitation;
- Accelerating economic transformation will also require addressing impediments to firm-level productivity (skills gaps, access to finance, and business linkages to scale-up value chains);
- Secondary cities have the potential to promote inclusive growth and transform into regional industrial centers and growth poles, but currently lack the necessary infrastructure.

Development Partners

- The Bank's focus on energy and water infrastructure development is consistent with the country's most binding constraints;
- MSMEs should be prioritized to allow Rwanda achieve its economic transformation objectives. Support to the development of skills demanded by the private sector, improving access to finance and developing business linkages to promote agri-business/ agro-industry and related value chains are some of the key interventions that will drive economic transformation
- Opportunities for co-financing and collaboration exist, notably in infrastructure development and supporting MSMEs as a vehicle to transformative inclusive growth, and should be exploited.
- Cross-sectoral interventions which offer integrated development solutions have the potential to maximize development outcomes. Furthermore, interventions that effectively target youth and women will also ensure inclusive growth.

Private Sector and Civil Society Organizations

- Support to infrastructure development should be augmented with interventions that allow MSMEs to grow and also engage in higher value added production;
- Business development (via improving access to finance, business advisory support), development of employable skills, and improving market access/ linkages are key for business growth and economic transformation. Skills gaps are particularly high in the EDPRS II high-potential sectors of manufacturing (textile, garment and leather), energy (renewables/off-grid), construction (mid-level technicians such as artisans, masons, plumbers), ICT (repair, parts assembly), tourism (language, soft skills), and agri-business/ agro-industry.
- CSOs have an important role to play in promoting transformative inclusive growth, but need to be supported to undertake advocacy work and programs in support of youth and women empowerment;
- The Bank should consider undertaking more regular business development activities to, among other things, publicize the various opportunities and financial instruments for supporting private sector development.

Annex 8a: 2013 Donor Division of Labor in Rwanda

DPs	Education (Including TVET)	Agriculture (Including feeder Roads	Health	Transport	Water and Sanitation	Energy	Private Sector D.& Youth	Social Protection	ICT	Justice Reconciliation Law & Order	Environment	Urban & Rural Settlement	Decentralization& Governance	PFM (Including Economic Governance)	Financial sector
Belgium	B		X			X				B			X		
Germany	X						X						X	S	S
Netherlands					S		X			X			X		
Sweden	X						X				X				
UK	X	B						X			S			S	X
USA	X	B	X				X		X				S		
AfDB				X	S	X	X								S
EC		X				X		B					X	S	
EIB					X	X									X
WB		X				X		B				X			
Switzerland		X	X		S		X								
Global Fund			X												
France	X		S			X									
Luxembourg			X								X				
Japan	S	X			X	X									
Korea	X	X	S						X			S			
China	S		X	X		X									
India		S				X	X								
Kuwait Fund			X	X		X						S			
Saudi Fund			X	X		X	S								
BADEA				X	X	X	S								
OPEC Fund				X	S	X	X								
ABU Dhabi				X		X						X			
FAO		X									X				
ILO						X	X								
UNDP										X	X		X		
UNEP											X				
UNESCO	X										X	S			
UNFPA			X				X								
UNHCR	X							X							
UN-HABITAT							X				X	X			
UNICEF	X		X		X										
UNIDO						X	X								
UN Women								X		X					
WFP		X						X							
UNAIDS			X							S					
IFAD		X						X							
WHO	S	S	X	X				X							
UNECA						X			X						X
UNCDF															X
IOM	X							X			X				
UNV			X							S					

B→ represents partners providing Sector Budget Support; S→ represents silent partnerships through delegated cooperation; DoL excludes Basket funds, Regional Operations, and support to NGOs.

Annex 8b: Progress on Implementation of the Paris and Busan Declarations on Aid Effectiveness

Selected indicators		2012/13		2014/15	
		All DPs	**AfDB**	**All DPs**	**AfDB**
3	% of ODA recorded in the national budget	72	68	60	74
5a	% of ODA disbursed using Government of Rwanda budget execution procedures	60	100	49	100
5b	% ODA disbursed using Government of Rwanda procurement systems	70	100	62	100
6	Number of **parallel** PIUs	0	0	0	0
7	Predictability (% of aid delivered in year for which it was scheduled)	87	100	98	100
10a	% of total missions that are joint	54	100	n/a	n/a
10b	% of donor analytical work that is coordinated	100	100	n/a	n/a

Source: MINECOFIN. n/a = data were not captured by the DPAF; DPs = Development Partners

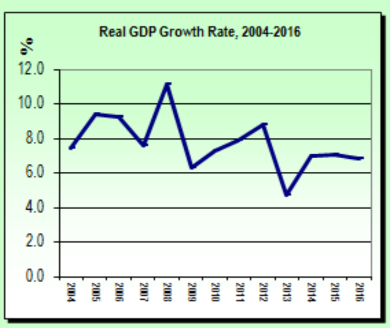
Annex 9: Definition of Small and Medium Enterprises in Rwanda

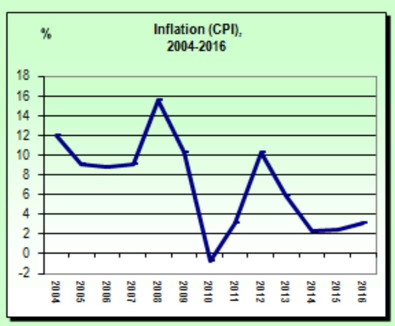
Size of enterprise	Net capital investments (millions of RwF)	Annual turnover (million RwF)	Number of Employees
Micro-enterprise	Less than 0.5	Less than 0.3	1 to 3
Small-enterprise	0.5 to 15	0.3 to 12	4 to 30
Medium-enterprise	15 to 75	12 to 50	31 to 100
Large enterprise	More than 75	More than 50	More than 100

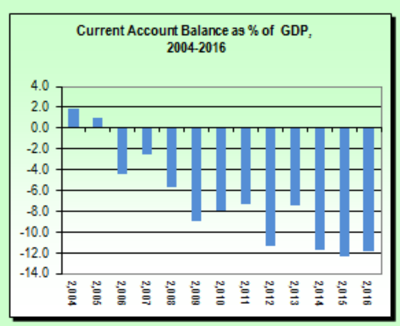
Source: Ministry of Trade and Industry, 2014; USD = RWF 786.33 as of August 16, 2016
Note: to be classified as an SME, two of three conditions have to be met: (i) net capital investments, (ii) annual turnover, or (iii) number of employees.

Annex 10: Selected Macroeconomic Indicators

Indicators	Unit	2000	2011	2012	2013	2014	2015 (e)	2016 (p)
National Accounts								
GNI at Current Prices	Million US $	1,925	6,228	6,923	7,422	7,939	...	...
GNI per Capita	US$	240	590	640	670	700	...	...
GDP at Current Prices	Million US $	1,735	6,407	7,220	7,522	7,903	7,859	8,245
GDP at 2000 Constant prices	Million US $	1,735	4,112	4,474	4,683	5,011	5,365	5,730
Real GDP Growth Rate	%	6.5	7.9	8.8	4.7	7.0	6.9	6.8
Real per Capita GDP Growth Rate	%	0.7	5.2	6.2	2.2	4.5	4.6	4.4
Gross Domestic Investment	% GDP	18.3	23.5	25.9	26.5	26.0	25.4	26.0
Public Investment	% GDP	6.2	12.2	11.8	13.1	13.0	12.7	12.7
Private Investment	% GDP	12.1	11.4	14.1	13.4	13.0	12.8	13.4
Gross National Savings	% GDP	15.0	15.7	12.8	17.0	11.8	11.9	14.7
Prices and Money								
Inflation (CPI)	%	3.9	3.1	10.3	5.9	2.4	2.5	3.0
Exchange Rate (Annual Average)	local currency/US$	389.7	600.3	614.3	646.6	681.9	729.0	772.3
Monetary Growth (M2)	%	71.3	...	...	...	...	...	...
Money and Quasi Money as % of GDP	%	25.0	...	...	...	...	...	...
Government Finance								
Total Revenue and Grants	% GDP	20.4	24.8	25.3	23.2	28.7	24.2	22.3
Total Expenditure and Net Lending	% GDP	19.7	27.9	26.5	28.5	33.2	29.0	26.8
Overall Deficit (-) / Surplus (+)	% GDP	0.8	-3.1	-1.2	-5.3	-4.0	-5.0	-4.9
External Sector								
Exports Volume Growth (Goods)	%	-3.5	18.4	21.1	9.6	8.6	1.9	7.4
Imports Volume Growth (Goods)	%	-22.1	19.4	12.3	3.4	10.0	6.5	6.1
Terms of Trade Growth	%	-1.0	110.2	5.1	8.5	-5.3	-4.8	1.8
Current Account Balance	Million US $	-56	-473	-817	-557	-929	-968	-978
Current Account Balance	% GDP	-3.2	-7.4	-11.3	-7.4	-11.8	-12.3	-11.9
External Reserves	months of imports	5.4	5.8	4.1	5.3	4.8	4.7	...
Debt and Financial Flows								
Debt Service	% exports	15.8	3.8	9.4	17.7	5.3	6.0	6.0
External Debt	% GDP	82.5	15.7	14.2	19.9	25.0	26.6	27.5
Net Total Financial Flows	Million US $	318	1,257	944	1,200	841	...	...
Net Official Development Assistance	Million US $	321	1,263	879	1,086	1,034	...	...
Net Foreign Direct Investment	Million US $	8	119	255	258	268	...	...





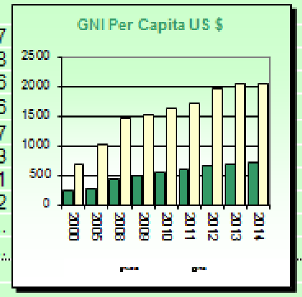


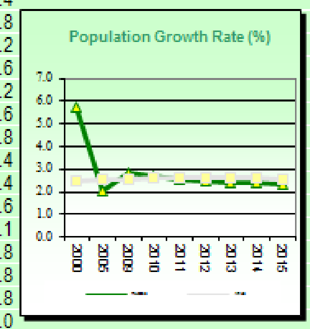
Source : AfDB Statistics Department; IMF: World Economic Outlook, October 2015 and International Financial Statistics, October 2015;
AfDB Statistics Department: Development Data Portal Database, March 2016. United Nations: OECD, Reporting System Division.

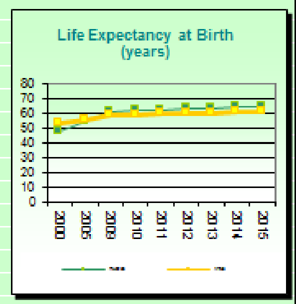
Notes: ... Data Not Available (e) Estimations (p) Projections Last Update: April 2016

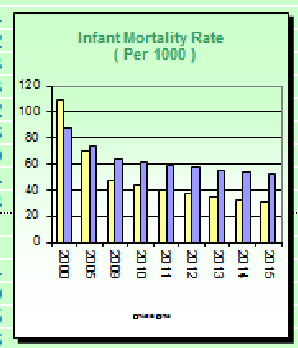
Annex 11: Comparative Socio-Economic Indicators

	Year	Rwanda	Africa	Develo-ping Countries	Develo-ped Countries
Basic Indicators					
Area ('000 Km²)	2016	26	30,067	94,638	36,907
Total Population (millions)	2016	11.9	1,214.4	3,010.9	1,407.8
Urban Population (% of Total)	2016	32.0	40.1	41.6	80.6
Population Density (per Km²)	2016	481.7	41.3	67.7	25.6
GNI per Capita (US $)	2014	700	2 045	4 226	38 317
Labor Force Participation *- Total (%)	2016	84.9	65.6	63.9	60.3
Labor Force Participation **- Female (%)	2016	86.3	55.6	49.9	52.1
Gender -Related Development Index Value	2007-2013	0.950	0.801	0.506	0.792
Human Develop. Index (Rank among 187 countries)	2014	163	...	...	...
Popul. Living Below $ 1.90 a Day (% of Population)	2008-2013	60.3	42.7	14.9	...
Demographic Indicators					
Population Growth Rate - Total (%)	2016	2.4	2.5	1.9	0.4
Population Growth Rate - Urban (%)	2016	6.1	3.6	2.9	0.8
Population < 15 years (%)	2016	40.6	40.9	28.0	17.2
Population >= 65 years (%)	2016	2.9	3.5	6.6	16.6
Dependency Ratio (%)	2016	76.8	79.9	52.9	51.2
Sex Ratio (per 100 female)	2016	92.0	100.2	103.0	97.6
Female Population 15-49 years (% of total population)	2016	25.8	24.0	25.7	22.8
Life Expectancy at Birth - Total (years)	2016	65.3	61.5	66.2	79.4
Life Expectancy at Birth - Female (years)	2016	67.8	63.0	68.0	82.4
Crude Birth Rate (per 1,000)	2016	30.5	34.4	27.0	11.6
Crude Death Rate (per 1,000)	2016	6.6	9.1	7.9	9.1
Infant Mortality Rate (per 1,000)	2015	31.1	52.2	35.2	5.8
Child Mortality Rate (per 1,000)	2015	41.7	75.5	47.3	6.8
Total Fertility Rate (per woman)	2016	3.7	4.5	3.5	1.8
Maternal Mortality Rate (per 100,000)	2015	290.0	495.0	238.0	10.0
Women Using Contraception (%)	2016	54.3	31.0	...	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2004-2013	5.6	47.9	123.8	292.3
Nurses and midwives (per 100,000 people)	2004-2013	68.9	135.4	220.0	859.8
Births attended by Trained Health Personnel (%)	2010-2015	90.7	53.2	68.5	...
Access to Safe Water (% of Population)	2015	76.1	71.6	89.3	99.5
Healthy life expectancy at birth (years)	2013	56.6	54.0	57	68.0
Access to Sanitation (% of Population)	2015	61.6	39.4	61.2	99.4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2014	2.8	3.8	...	...
Incidence of Tuberculosis (per 100,000)	2014	63.0	245.9	160.0	21.0
Child Immunization Against Tuberculosis (%)	2014	99.0	84.1	90.0	...
Child Immunization Against Measles (%)	2014	98.0	76.0	83.5	93.7
Underweight Children (% of children under 5 years)	2010-2014	11.7	18.1	16.2	1.1
Daily Calorie Supply per Capita	2011	2 148	2 621	2 335	3 503
Public Expenditure on Health (as % of GDP)	2013	2.9	2.6	3.0	7.7
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2015	133.6	100.5	104.7	102.4
Primary School - Female	2010-2015	135.1	97.1	102.9	102.2
Secondary School - Total	2010-2015	39.1	50.9	57.8	105.3
Secondary School - Female	2010-2015	40.9	48.5	55.7	105.3
Primary School Female Teaching Staff (% of Total)	2010-2015	53.3	47.6	50.6	82.2
Adult literacy Rate - Total (%)	2010-2015	71.2	66.8	70.5	98.6
Adult literacy Rate - Male (%)	2010-2015	74.7	74.3	77.3	98.9
Adult literacy Rate - Female (%)	2010-2015	68.3	59.4	64.0	98.4
Percentage of GDP Spent on Education	2010-2014	5.0	5.0	4.2	4.8
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2013	47.9	8.6	11.9	9.4
Agricultural Land (as % of land area)	2013	74.7	43.2	43.4	30.0
Forest (As % of Land Area)	2013	18.9	23.3	28.0	34.5
Per Capita CO2 Emissions (metric tons)	2012	0.1	1.1	3.0	11.6









Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports. *last update : August 2016*

*Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)*
*** Labor force participation rate, female (% of female population ages 15+)*

Annex 12a: Operations approved during the CSP 2012-16 period

Operation	Planned	Amount (Million UA)									Approval date	Closure date	Remarks
		ADF	ADB Public	ADB Private	RO	NTCF	Other	Total	Co-financing (EU-AIF)	Co-financing (JICA)			
Pillar I: Infrastructure development								**230.88**	**26.67**	**40.00**			
1. Rubavu-Gisiza Road Project	Yes	18.02			27.03			45.05			27-Jun-12	31-Dec-17	Ongoing
2. Scaling-up Energy Access Project	Yes	27.36						27.36			26-Jun-13	31-Aug-18	Ongoing
3. Rusumo Falls Hydropower Project	Yes	8.384			10.5	6.5		25.384	10.51		23-Nov-13	31-Dec-18	Ongoing
4. Base-Nyagatare Road Project	Yes		49.03					49.03			19-Nov-14	31-Dec-19	Ongoing
5. Rusizi-III Hydropower Project	Yes	7			10.5			17.5			16-Dec-15	31-Dec-22	Ongoing
6. Kagitumba-Kayonza-Rusumo Road Project	Yes	44.06			22.5			66.56	16.16	40.00	22-Jun-16	31-Dec-20	Not yet effective
Pillar II: Private Sector Development								**143.21**					
7. Skills, Employability, and Entrepreneurship Program-I (SEEP-I)	No	25.61						25.61			3-Apr-13	30-May-14	Completed
8. Support to Rwanda Integrated Household Living Conditions Survey	No	0.82						0.82			18-Dec-13	30-Mar-16	Completed
9. SEEP-II	Yes	49						49			7-May-14	30-May-16	Completed
10. EAC Centre of Excellence in Biomedical Sciences Project	No	5			7.5			12.5			3-Oct-14	30-Dec-19	Ongoing
11. Access Bank Rwanda (Line of Credit)	No			4.38				4.38			15-Jun-15	30-Jun-19	Ongoing
12. Kigali Bulk Water‡	No			15				15			16-Dec-15	30-Dec-18	Ongoing
13. SEEP-III	Yes	35.9						35.9			13-Jul-16	30-Jun-17	Ongoing
Complementary financing (additional mobilized resources to supplement ADF & ADB)								**9.42**	**1.62**				
14. TA Rwanda Road Maintenance Fund (Nigeria Technical Cooperation Fund)	No					0.42		0.42			1-Mar-13	31-Dec-18	Ongoing

15. Support to Local Government Revenue Mobilization (Governance Trust Fund)	No						0.32	0.32			1-Oct-14	31-Dec-16	Ongoing
16. Support to Skills Development in Energy Sector (FAPA)	No						0.8	0.8			30-Nov-13	16-Dec-16	Ongoing
17. Access Bank Rwanda (FAPA)	No						0.11	0.11			15-Jun-15	30-Jun-19	Ongoing
18. Emergency Humanitarian Assistance to Refugees from Burundi (Emergency Assistance Fund)	No						0.73	0.73			9-Nov-15	9-Nov-16	Ongoing
19. Climate Change Adaptation Project (Global Environmental Facility)	No						6.44	6.44			16-Dec-15	16-Dec-17	Ongoing
20. Green mini-grid projects (Sustainable Energy Fund for Africa)	No						0.604	0.604			23-Dec-15	23-Dec-17	Ongoing
21. Support to operationalize the Nile Equatorial Lakes Subsidiary Action Plan (NELSAP) grid	No								1.62		15-Mar-15	15-Dec-16	Ongoing
Total		221.15	49.03	19.38	78.03	6.92	9.00	**383.52**	**28.29**	**40.00**			

Notes:

- ‡ The Base-Nyagatare road is Rwanda’s inaugural loan from the ADB public sector window and the Kigali Bulk Water project is the first independent water supply project in Rwanda which is aimed at promoting private sector investments and finance in the water sector in particular and to catalyze private sector development in general.

- Abbreviations/ acronyms: EU-AIF = European Union Africa Infrastructure Trust Fund; JICA = Japan International Cooperation Agency; FAPA = Fund for African Private Sector Assistance; NTCF = Nigeria Technical Cooperation Fund; RO = Regional Operations Window.

- Supplementary resources: A total of UA 84.21 million was mobilized from trust funds and co-financing, including UA 6.92 million from NTCF; UA 9.00 million from various trust funds; UA 28.29 million from EU-AIF and UA 40 million from JICA.

Annex 12b: Bank's ongoing Portfolio in Rwanda as at 20th October 2016

	Project	Instrument	Total approved (UA)	Date Approved	Closing Date	Disb. Rate (%)	Updates on projects with zero disbursements
	TRANSPORT						
1	Base Nyagatare		49,030,000	19-Nov-14	31-Dec-19	10.2	
	SUB-TOTAL TRANSPORT		**49,030,000**			**10.2**	
	ENERGY						
2	Scaling Up Energy Access Project	ADF Grant	11,871,000	26-Jun-13	31-Aug-18	33.9	
	Scaling Up Energy Access Project	ADF Loan	15,494,000	26-Jun-13	31-Aug-18	11.3	
	SUB-TOTAL ENERGY		**27,365,000**			**21.1**	
	SUB-TOTAL INFRASTRUCTURE		**76,395,000**			**14.1**	
	HUMAN DEVELOPMENT						
3	Support to Skills Dev in Science & Tech	ADF loan	6,000,000	11-Nov-08	31-Oct-17	54.4	
4	Regional ICT Centre of Excellence	ADF Loan	8,600,000	14-Dec-10	30-Jun-17	42.7	
5	Support to the Energy Sector (FAPA)	FAPA Grant	800,000	30-Nov-13	16-Dec-16	60.9	
6	EAC-Centre of Excellence in Biomedical (CEBE) Sciences	ADF Loan	12,500,000	26-Sep-14	30-Dec-19	0.8	Recruitment of consultancy firm to design and supervise CEBE campus is underway and disbursements expected to follow
	SUB-TOTAL HUMAN DEVELOPMENT		**27,900,000**			**25.2**	
	MULTISECTOR						
7	SEEP III	ADF Loan	35,900,000	13-Jul-16	30-Jun-17	100	
	SUB-TOTAL MULTI-SECTOR		**35,900,000**			**100**	
	Total National Operations - Public		**140,195,000**			**34.6**	
	PRIVATE SECTOR						
8	Access Bank (LoC)	ADB Loan	4,379,562	15-Jun-15	30-Dec-16	50.0	
9	Kigali Bulk Water	ADB Loan	14,598,540	16-Dec-15	30-Dec-18	0.0	Start-up delays caused by prolonged discussions between the project sponsor and Government regarding the off-take currency (USD vs Rwandan Franc). This issue is expected to be resolved by November 2016 paving way for 1st disbursement
	SUB-TOTAL PRIVATE SECTOR		**18,978,102**			**23.1**	
	Total National Operations - Public + Private		**159,173,102**			**34.6**	
	MULTINATIONAL						

10	Rwanda-(Nyamitanga-Ruhwa-Ntendezi-Mwityazo Rd)	ADF grant	50,620,000	16-Dec-08	30-Dec-16	80.29	
11	Regional Rusumo Falls	ADF Loan	25,384,000	23-Nov-13	31-Dec-18	0.1	Start-up delays experienced due to poor quality at entry. Actions being taken include expediting procurement of joint construction supervision consultant for the three countries, and compressing pre-construction phase as much as possible without compromising quality.
12	Ruzizi III	ADF Loan	17,500,000.00	16-Dec-15	31-Dec-22	0	Protracted negotiations with the project sponsor delayed signature of the project agreement –which has now been initialled and effectiveness conditions already fulfilled. Evidence of the fulfilment of conditions precedent to first disbursement was submitted to the Bank on 16th September 2016 and is currently under review
13	NELSAP Interconnection	ADF grant	30,470,000	27-Nov-08	31-Dec-17	84.4	
14	Bugesera Multinational Agriculture Project	ADF loan	14,980,000	25-Sep-09	31-Dec-16	87.8	
15	Rubavu-Gisiza road Project	ADF loan	40,525,000	27-Jun-12	31-Dec-17	30	
	Rubavu-Gisiza road Project	ADF grant	4,525,000	27-Jun-12	31-Dec-17	19.6	
16	Sustainable management of woodlands and restoration of natural forests of Rwanda	ADF grant	4,015,424	29-Nov-11	31-Dec-17	64.7	
17	Lake Victoria Water & Sanitation Prog.	ADF grant	15,110,000	17-Feb-10	31-Dec-17	67.3	
18	Kagitumba Kayonza Rusumo Road Project	ADF loan	66,560,000	22-Jun-16	31-Dec-20	0	Loan Agreement signed on July 13, 2016 and currently under Parliamentary ratification. 1st disbursement expected in Q4 2016
19	Payment and Settlement Systems Integration Project	ADF grant	3,690,000	5-Dec-12	1-Jun-17	38.1	
	SUB-TOTAL MULTINATIONAL		**273,379,424**			**54.8**	
	GRAND TOTAL		**432,552,526**			**47.4**	

Note: The 2015/16 Country Portfolio Improvement Plan (Annex 13) has been agreed to jointly with the Government to expedite portfolio implementation and disbursements in line with PD 02/2015. Therefore, disbursements are expected to increase in line with the Bank's key performance indicators.

Annex 12c: Selected Portfolio Key Performance Indicators

Indicator	**2012**	**2013**	**2014**	**October 2016**
Problem Projects (%)	0	0	0	0
Potentially Problematic Projects (%)	0	0	0	0
Projects-At-Risk	0	0	0	0
Commitments-At-Risk (%)	0	0	0	0
Portfolio rating (scale of 1 – 4)	2.4	2.5	2.53	3.4
Av. time from approval to effectiveness (months)	4	8	3	3
Av. time from approval to first disbursement (months)	12	14	11	6
Disbursement rate (%)	39	46	35	47.4
Av. age of active portfolio (Years)	3.4	3.5	3.2	3.8
Av. project size (UA, million)	13.9	15	18.3	22.7
Percentage of projects task managed from the Field	14	17	50	50

Annex 13: 2015/16 Country Portfolio Improvement Plan

N°	Main Issues/Challenges/ Constraints	Recommendation/Remedial Action	Responsible Party	Timeframe	Status
1. PROJECT IMPLEMENTATION, MANAGEMENT & REPORTING					
1.1	**Project start up delays**	All projects included in the IOP to have adequate feasibility studies (to improve project quality at entry) and Country Team clearance not to be provided for projects with poor readiness review ratings	AfDB	FY 2016/17	
	Ensure timely entry into force of the loan	Loans to be signed within a period of three months from Board approval	AfDB/MINECOFIN	FY 2016/17	
		Ratification of the loans within 2 months after final signature from the Bank	MINECOFIN	FY 2016/17	
		Provide Bank's response to ensure entry into force and first disbursement conditions within two weeks following receipt of complete documentation	AfDB	FY 2016/17	
		Fulfil all conditions related to 1st disbursement within 6 months from Board approval	MINECOFIN	FY 2016/17	
		Ensure that expropriation (compensation of persons affected by the project) is done 3 months after Board approval (for the first phase)	MINECOFIN	FY 2016/17	
1.2	**Provision of regular trainings to the EA's**	Organize at least one fiduciary clinic per year.	AfDB	FY 2016/17	
1.3	**Strengthen Capacity of the SPIU**	Assess the capacity of the SPIU and provide training based on the identified needs	GoR	Immediate and continuous	
2. FINANCIAL MANAGEMENT & DISBURSEMENT					
2.1	**Delays in submission of disbursement requests**	Reduce the time between receipt of invoices and submitting disbursement request to AfDB to a 21 maximum of working days	Implementing Agencies	Immediate and continuous.	

N°	Main Issues/Challenges/ Constraints	Recommendation/Remedial Action	Responsible Party	Timeframe	Status
2.2	**Delays in replenishment of special account and processing direct payment**	Reduce the time between receipt of disbursement requests with complete documentation and processing payment to a maximum of 10 working days for direct payment; Maximum of 21 working days for replenishment of special account.	AfDB	Immediate and continuous.	
2.3	**Delays in justification of advances to Special Accounts**	Submit statement of expenditure to the Bank at least once every 6 months even if no expenditure is made.	Implementing Agencies	Immediate and continuous.	
3. PROCUREMENT					
3.1	**Poor Contract Management**	Organize at least one training on contract management for the SPIU/tender committee for projects with complex contracts	GoR	Immediate and continuous.	
3.2	**Delays in bid evaluation.**	Reduce the time between bid opening and submission of bid evaluation report to AfDB to a maximum of 21 calendar days.	Implementing Agency	Immediate and continous	
		Reduce the time between receipt of complete documentation and communicating the Bank's decision to a maximum of 15 working days.	AfDB	Immediate and continous	
3.3	**Delays in contract implementation and non-adherence to implementation schedules**	Closely monitor the procurement activities and level of compliance with targets set in the procurement plans.	GoR	Immediate and continous	
4. MONITORING, EVALUATION & REPORTING					
N°	**Main Issues/Challenges/ Constraints**	**Recommendation/Remedial Action**	**Responsible Party**	**Timeframe**	**Status**
4.1	**Poor quality of result reporting in the Quarterly Progress Reports**	Organize one training on results reporting	Bank	3rd quarter 2016	
4.2	**Delays in implementation of projects**	Organize quarterly portfolio review meetings with the implementing agencies	GoR/AfDB	Every quarter	

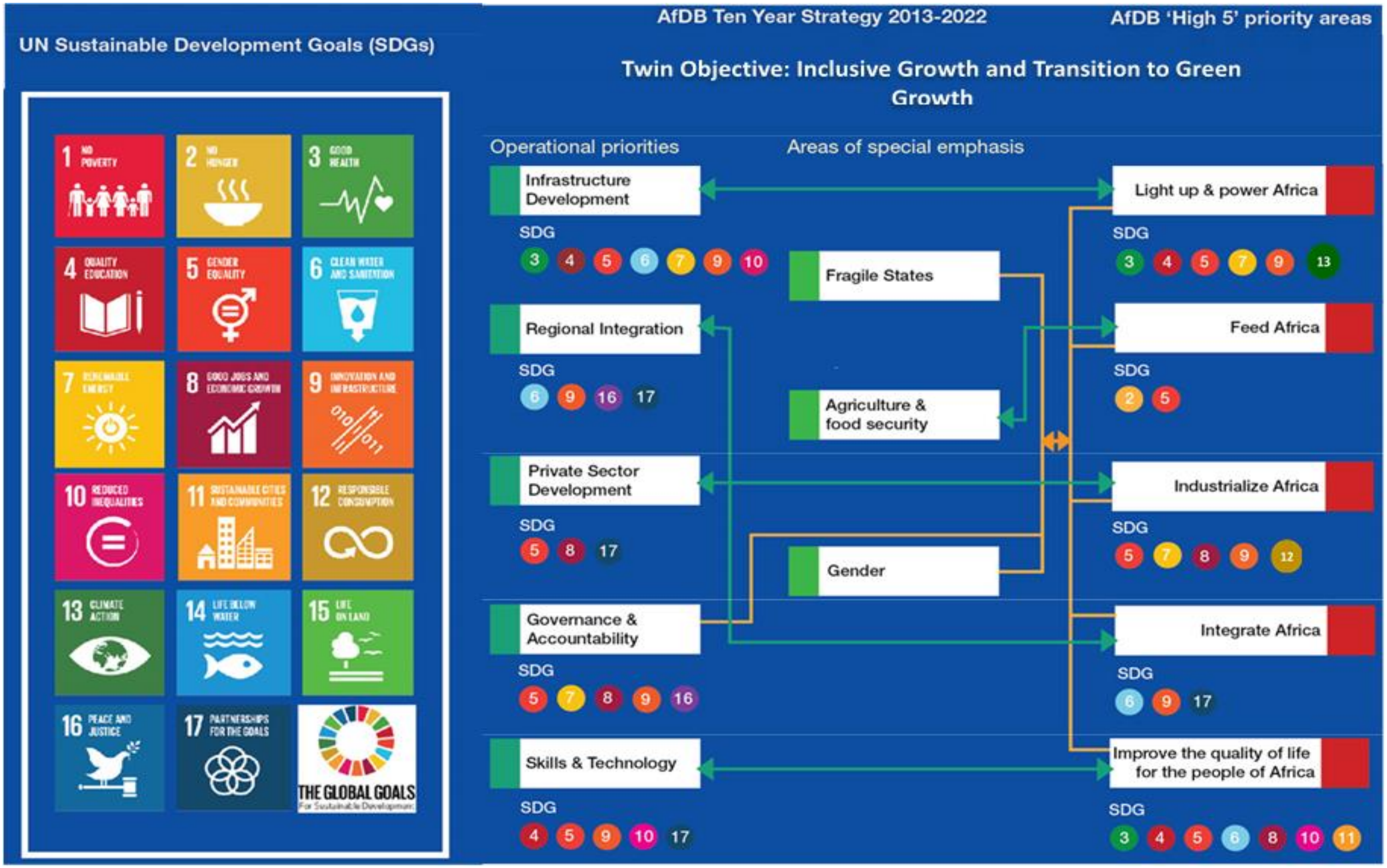
Annex 14: Progress Towards Achievement of MDGs

MDGs/ Vision 2020 Indicators	2000 Baseline	Targets	Latest Value (2014-2015)
Goal 1: Eradicate extreme poverty and hunger			
Poverty (% below national poverty line)	58.9	23.8	39.1
Child malnutrition (% of under-5s underweight)	24.3	12.2	9
Child malnutrition (% of under-5s stunted)	42.6	24.5	38
Child malnutrition (% of under-5s wasted)	6.8	2	2
Proportion (%) of the population below minimum level of dietary energy consumption	40	20	16.3
Goal 2: Achieve Universal Primary Education			
Literacy level (% of 15-24 year olds)	57.2	100.0	77.8
Primary school net enrolment (%)	72.6	100.0	96.8
Primary school completion rate (%)	22.0	100.0	78.6
Gender Gap in primary education (%)	0.0	0.0	0.0
Goal 3: Promote Gender Equality and Empower Women			
Gender Gap in Literacy (%)	10.0	0.0	0.1
Share of women in wage employment in the non-agricultural sector (%)	7.6	50.0	27.3
Seats held by females in parliament (% of seats)	…	50.0	64%
Goal 4: Reduce child mortality			
Children immunized against measles (% of 11-23 month-old)	84	100.0	95
Under 5 mortality rate (per 1,000 births)	196.2	50.1	50
Infant mortality rate (per 1,000 births)	107	35	32
Goal 5: Improve Maternal Health			
Maternal mortality rate (per 100,000 births)	1,071.0	268	210
Births attended by skilled health personnel (% of births)	31.3	…	90.7
Goal 6: Combat HIV/AIDS, Malaria, and other Diseases			
HIV prevalence amongst women 15-49 & men 15-54	…	1	3
Specific mortality associated with malaria (%)	15.9	…	4.1
Proportion of children under 5 sleeping under an insecticide-treated bed net (%)	5	…	80.3%
Goal 7: Ensure Environmental Sustainability			
Ratio of area protected to maintain biological diversity to surface area (%)	…	10.0	12.0
Proportion of population using an improved drinking water source (%)	64.1	82	84.8
Proportion of population using an improved sanitation facility	51.5	74.5	83.4
Goal 8: Develop A Global Partnership for Development			
Proportion of ODA to basic social services (education, primary health care, nutrition, safe water and sanitation)	55.5	…	44.3
Internet users (per 1000 people)	4.3	…	75
Mobile cellular subscriptions (per 1000 people)	15.6	…	334
Telephone lines (per 1000 people)	2.6	…	3.7

Sources: Government of Rwanda

On-track	Strong potential to achieve	Off-track

Annex 15: Linkages between SDGs, Ten Year Strategy and High 5 Strategic Priorities



Annex 16: Rwanda Climate Fact Sheet

General climate context of the country/region

One of the current major concerns of mankind is climate change. Rwanda has experienced a temperature increase of 1.4°C since 1970, higher than the global average, and can expect an increase in temperature of up to 2.5°C by the 2050s from 1970. Rainfall is highly variable in Rwanda but average annual rainfall may increase by up to 20% by the 2050s from 1970. Rising temperatures and increasingly unpredictable rainfall patterns are combining with anthropogenic factors to create additional shocks and stresses on already perturbed ecosystems. This is attributed directly or indirectly to human activities which lead to the increased emission of greenhouse gases that include CO2, N2O, and CH4. In Rwanda, observed climate change is linked to the general circulation of winds and the variation of temperatures in the Central Africa region where Rwanda is located. Rwanda is a mountainous and densely populated country and its economy, which is agriculture based, is still substance in nature, which leads to serious environmental degradation due to overexploitation of the soil. An integrated management of this natural resource is necessary in order to achieve a sustainable development within the current framework of climate change.

The National Energy Policy and Strategy adopted in May 2011 proposed strategies that would adopt an integrated approach considering energy mix development from biomass, biofuels, renewable sources (hydro, wind, solar, and geothermal), natural gas (e.g. methane from Lake Kivu) and petroleum. With the Country's energy supplies also dependent on climate-linked sources, the Government vision expects that by 2020, Rwanda would have reduced the quantity of wood used as a source of energy from 90% to 40%. The energy generated form available hydraulic potential, in addition to that of methane gas, should meet the energy needs for future development activities in the country, when compared to the 2002 baseline.

Within the framework of 2020 vision, and especially in the government's recent Strategic Plan for Poverty Reduction (PRSP), some objectives have been adopted to ensure a growth rate of energy consumption of 9.6% per year, to ensure a rural electrification rate of 30% and to enable the population from 6% to 35% to have access to electricity. Rwanda can meet its expanding energy needs at lower cost by developing its renewable energy resources instead of relying on costly fossil fuel imports. This will have substantial benefits in providing a cheaper source of electricity to enable its electricity access goals, as well as leading to an improvement in environmental performance. The Rwanda Sustainable Energy for All (SE4All) Action Agenda set's out an ambitious agenda to universal energy access for both electricity and clean cooking solutions, increased share of renewables in the energy mix and improved energy efficiency.

Regarding the meteorological data in Rwanda, the meteorological service has a large historical databank (managed by the CLICOM climate software) that goes back to 1906 and from more than 50 operational stations before 1994. After that date, a few additional stations were put into service between 1998 and 2000 for civil aviation purpose. The Rwanda Meteorology Agency (RMA) and the Rwanda Natural Resources Authority (RNRA) share national responsibilities for providing weather, climate and hydrological information services. These two institutions are already receiving support to modernize from the World Bank's Rwanda Landscape Approach to Forest Restoration and Conservation Project. Rwanda's Environment and Climate Change Fund (FONERWA) and a Dutch-funded integrated water resources management program.

Under the effect of global warming, the country could experience an increasing number of effects of the impact of climate change, namely, those related to the reduction in water levels of rivers and lakes, floods, landslides , erosion, and droughts making community life conditions more precarious and unstable in vulnerable areas. It is thus in this context that a national action plan of adaptation to these various natural and human disasters is indispensable, to ensure better living conditions for people in vulnerable areas and contribute to the overall development of the country.

Recent climate trends

Climate changes that Rwanda has been facing during the last couple of years have had an impact on water resources by causing floods as well as droughts leading to reduction of river discharges, the decline of water levels in lakes and rivers, the drying up of springs, loss of aquatic biodiversity and the reduction of power/energy generation**.**

Frequent heavy rainfall has caused runoff on steep slopes, which, coupled with the natural fragility of the soils and other anthropogenically induced factors in land use, such as deforestation, has led to a significant amount of soil being washed away into valleys and lowlands.

Future climate scenarios
The projected GHG emissions mitigation in the industry sector are based on the following:

- substitution of fuel by Kivu Lake methane gas,
- substitution of one quarter firewood used in institutions through biogas, the use of furnaces of high energy performance in institutions, and
- afforestation to increase the quantity of firewood and the quantity of forests to sequestrate greenhouse gas emissions.

As for agriculture, land use and land use change and forestry, the GHG emissions mitigation scenarios take into account the demand in wood in the forthcoming 40 years.

Trends in extreme weather scenarios (natural disasters such as floods and droughts)
During the past 30 years, Rwanda has experienced climate change in terms of frequency, intensity and persistence of extreme changes such as heavy rain-falls, heat waves, drought and climate events such as El Nino and La Nina. The frequency of rainfalls deficits reached 16%. The occurrence of rainfall deficits and excess has significantly increased in recent years.

As mentioned earlier, rainfall is highly variable in Rwanda but average annual rainfall may increase by up to 20% by the 2050s from 1970. This is expected to lead to increasing rainfall intensity, leading to a higher frequency of floods and storms resulting in landslides, crop losses, health risks, and damage to infrastructure, as well as an increase in temperatures resulting in proliferation of diseases, crop decline and reduced land availability that impacts on food security and export earnings. The table below provides an indication of the average annual loss from various natural disasters.

Average Annual Loss by Hazard

Hazard	**Absolute** (Million US$)	**Capital stock** (%)	**Gross Fixed Capital Formation** (%)	**Social expenditure** (%)	**Total Reserves** (%)	**Gross Savings** (%)
Earthquake	12.68	0.096	0.697	1.421	1.184	1.066
Flood	17.68	0.134	0.972	1.981	1.652	1.487
Multi-Hazard	30.36	0.230	1.670	3.402	2.836	2.553

Source: http://www.preventionweb.net/countries/rwa/data/ (accessed on 2nd June 2016). The Average Annual Loss is the expected loss per annum associated to the occurrence of future perils assuming a very long observation timeframe.

Country vulnerability/most vulnerable sectors
Rwanda's geographical location, its relief, population density and socio-economic indicators make it vulnerable to natural and anthropogenic risks. Given the high population density (445 persons/km^2 in 2015) and the fact that about 92 % of the active population are farmers, there is strong pressure on land (0.6 ha per household), water, flora, fauna, and other non-renewable resources. All this leads to consequences such as soil and wetlands degradation, soil erosion, fertility reduction, deforestation, loss of biodiversity and pollution.

Rwanda is highly vulnerable to climate change, as it is strongly reliant on rain-fed agriculture both for rural livelihoods and for exports of mainly tea and coffee. With the highest population density in Africa, adaptation concerns are central. In recent years, extreme weather events in Rwanda increased in frequency and magnitude and in some parts of the country, led to losses including human lives. For instance, the 2015 Global Climate Risk Index reports that Rwanda's death toll from climate related extreme events was 7.85 in 2013 and 7.65 in 2012 per 100,000 inhabitants with economic losses estimated at USD PPP 11.51 million and 7.3 million respectively. Floods and landslides were increasingly reported in the high altitude Western and Northern Provinces, whereas droughts made severe damages in the Eastern Province.

Climate projections for Rwanda were worked out for the period of 2010-2100 taking 1971-2007 as the base line period. The MAGICC model (model for the assessment of climate change caused by greenhouse gas emissions) was used to develop climate estimates of Rwanda in relation to the data of that baseline period. Three models, namely PCM_00, IAP_97 and LMD_98, were found to best represent the climate projections, with all three models predicting an average increase in minimum, average and maximum temperatures towards the years 2020-2100. The increase in the annual average maximum temperatures could reach 3.3 °C although adaptation efforts could significantly offer substantial reductions.

For rain, projections show that both models, IAP_97 and LMD_98, respect the variability of the two wet seasons during the months of March, April, May and September-October-November, but with a growing shift that reaches 50 mm in April and December for the models LMD_98 and IAP_97 respectively.

For the average potential evapotranspiration, the outputs of the models IAP_97 and LMD_98 show that the annual potential evapotranspiration will increase each year. For IAP_97, it is expected that it will reach 1,351 mm towards 2020, 1,432mm towards 2050 and 1,682mm towards 2100.

Health: Rwanda is not immune to shocks and natural disasters related to climate. One of the manifestations of these disasters is the impact they have on the health sector in causing transmissible diseases such as malaria, cholera, water borne diseases and non-transmissible diseases such as meningitis. Erosion, landslides, floods and prolonged droughts are other disasters affecting human health and these could be exacerbated by climate related incidents.

Water resources: Rwanda has a dense hydrographic network with ± 2 km/km2. The Country is generally well endowed with water sources from discontinuous aquifers of Precambrian terrains. The total supply of drinking water in 2009 in Rwanda was estimated at 73.81% of the Rwandan population, while the average consumption per capita was estimated at 54.7 liters per capita per day. The industrial sector is still less developed in Rwanda, although water needs could rise from 1.3 to 6.1 million m^3. Water demand in agriculture is limited to irrigation which is rarely practiced in Rwanda (mainly in rice growing). The current water needs, for intensive crop growing, are estimated at140 m^3. Water consumption for cattle remains low and represents about 10% of total needs. The water needs by the end of 2020, assessed on the basis of the methodology and the evolution of surface areas and livestock for 2020, are estimated at 840 m^3/year.
Vulnerability to climate change in the sector of water resources is evident, given a high frequency of prolonged droughts and heavy rainfalls causing runoff, which coupled with the natural fragility of soils and deforestation, erodes a significant amount of land into valleys and lowlands; this explains the important flooding causing losses, not only in human lives and material, but also in biodiversity. To remedy this, three fundamental adaptation measures are possible: increase water supply, reduce demand for water resources and manage, both the demand and the supply, differently.

Agriculture: Since the 80s, the country's agricultural sector faces a series of unique constraints. Because of a high population density, land is still insufficient when most farmers mostly practice rain fed agriculture (the use of organic and non-organic fertilizer, is still very low). According to climate scenarios for Rwanda, the and with the projected average air temperature increase from 1 to 3^o C by the year 2100, this will have several implications on agriculture. The projection of agricultural production from 2000 to 2100, made using the coefficients proposed by the DSSAT Model, shows, among selected major crops, a sharp increase of cereals and a slight increase of groundnuts. If temperatures continue to rise, this could reduce expected production unless irrigation is maximized. The current efforts to increase food production defined in the Strategic Plan for Agricultural Transformation-III (PSTA-III) 2013-18 and the Crop Intensification Program (CIP) are characterized by a high dependency on carbon based agricultural inputs, such as fertilizers, pesticides, which together with the mechanization can have a negative impact on soil quality and increase gas emissions. The Government of Rwanda will continue its CIP in the foreseeable future, but it seriously consideration should be given to the promotion of sustainable practices on all farmland by 2030, as farmers get used to these new practices. It is important that Government considers scaling up the ongoing efforts in greening agriculture especially: expanding irrigation, land and water husbandry activities and mainstreaming agro ecology, as well as the strengthening of the national post-harvest and value addition capacity to ensure that higher incomes accrue to the farmers.

Forests: Several types of vegetation are encountered in Rwanda and include: mountain rain forest (1500-3000 m) and degraded sub-mountain forest (1500-2000 m), the grassland savannah in the central plateau (1600-2000 m), lowland savanna, xerophile forest and forest (1300-1600 m), marsh vegetation of medium and high altitudes (1300-2500 m), and alpine and subalpine vegetation of volcanic terrains (3000-4500 m). The main dominant tree species and of socio-economic importance are the *Eucalyptus spp.* and *Pinus spp.* while *Grevillea robusta* ranks first in Agroforestry. Regarding vulnerability, the height and distribution of rainfall and high evapotranspiration during the vegetative period, will limit the availability of bio-climatic conditions of these three species of trees in lower areas (planar and hilly areas). On the contrary, in high lands areas, other factors such as extreme winds and floods will affect them.

The high cost of electricity has meant that some segments of the population still resort to wood as a source of energy, which leads to deforestation and hence to the diminution of sinks of greenhouse gas emissions. The SE4All Action Agenda sets out a series of priority actions centered on end use targets of improved cooking efficiency and reduced charcoal use and supply targets of improved charcoal yields and productivity of forestry.

Existing national/regional climate change policy/strategic framework

Having ratified the UN Framework Convention on Climate Change, Rwanda has therefore an obligation to take precautionary measures to anticipate, prevent and mitigate the causes of climate change and limit their adverse effects. To attain this target, it is necessary that these policies and measures take into account the diversity of socio-economic contexts of the country.

In the case of Rwanda, policies and measures have been taken by the government to prevent and reduce the causes of climate change and mitigate their effects, for sustainable socio-economic development. While making sure that the environment is protected, these policies and measures among others seek to promote rational utilization of energy resources, increasing access by the population to clean energy at a more reasonable cost, satisfy the energy needs in different sectors (industry, services, and agriculture), improve transport services and enhance protection of forest cover. The Government vision expects that by 2020, Rwanda shall have reduced the use of wood in the energy balance from 90% to 40%. The hydraulic potential associated with that of methane gas should meet the population needs in electric energy in all development activities in the country with a supplement of 125MW compared to 2002. As part of Vision 2020 and especially the second Economic Development and Poverty Reduction Strategy (EDPRS II) 2013-18, the Government set itself the objectives of maintaining a growth rate in electricity consumption at 9.6% per year, to ensure a rural electrification rate of 30% and to enable the population to have electricity from 6% to 35%.

Country/regional adaptation policy and related activities

Rwanda has been committed to addressing the challenge of climate change since 1998 when it ratified the United Nations Framework Convention on Climate Change (UNFCCC) and later the Kyoto Protocol in 2003. The country submitted its Initial National Communication to the UNFCCC in 2005, National Adaptation Programs of Action (NAPA) in 2006, and the Second National Communication in 2012. The Third National Communication is under preparation. Rwanda's long term vision is to become a climate resilient economy, with strategic objectives to achieve Energy Security and low carbon energy supply that supports the development of Green Industry and Services; Sustainable Land Use and Water Resource Management that result in Food Security, appropriate urban development and preservation of Biodiversity and Ecosystem Services, as well as ensure social protection, improved health and disaster Risk reduction that reduces vulnerability to climate change impacts.

The priority adaptation actions have been identified in Rwanda's Green Growth and Climate Resilient Strategy (2011), are on-going and will be partially or fully achieved by 2050. Many of the actions specified under the sectors programs have both mitigation and adaptation benefits.

In terms of adaptation to climate change, the EDPRS 2008-2010 has incorporated the NAPA priorities and has developed several strategies for adaptation to climate change in different sectors, with particular emphasis on investment in early warning systems and seasonal weather forecasts.

Several strategies for adaptation to climate change and mitigation of GHG emissions have been proposed; these include afforestation, reforestation, forest management, reduced deforestation, management of timber products, use of forest products to replace oil,(bio energy), improvement of tree species to increase biomass productivity and carbon sequestration, and improved technologies for remote sensing for the study of vegetation and soil, the potential for carbon sequestration and for mapping of land use and land use change.

In Rwanda, several measures of adaptation to climate change in the area of human health exist even if some are very expensive, and include, among others, preparation of risk maps, and information systems for hydro-agro-meteorological warning, professional capacity building in health sector, use of improved latrines, culture to wash hands after using the toilet, creation of non-farm job in areas vulnerable to climate change and affecting agricultural production, increase irrigated agriculture on a large scale, reviving storage, processing, and preservation techniques, of foodstuffs (food security stock in each administrative area), habitat planning in order to avoid flood areas and steep slopes with high risk for landslides (Musanze, Nyamasheke, Rusizi, Nyabihu ,and Rubavu).

Like many developing countries, Rwanda has had to face a severe energy crisis in electricity. It nevertheless managed to develop strategies to cope with this challenge through the use of bulbs with low energy consumption, exploitation of its methane gas resources for energy generation and through the use of supplementary thermal energy sources.

A vision for 2050 based on the Green Growth and Climate Resilience Strategy envisages Rwanda as a developed climate-resilient, low carbon economy, with a strong services sector, low unemployment and low levels of poverty. It would be a country where agriculture and industry have a minimal negative impact on the environment, operating in a sustainable way, and enabling self-sufficient basic necessities for all living in it. By 2050, development will be achieved with low carbon domestic energy resources and practices, reducing the country's contribution to climate change while allowing it to be independent of imported oil for power generation. Finally, Rwanda will have the robust local and regional knowledge to be able to respond and adapt to changes in the climate and the resulting impacts.

Institutional framework and main actors involved

At the institutional level, the Ministry of Natural Resources (MINERNA) is the Ministry responsible for designing the state policy related to environment protection, conservation and management, while the Rwanda Environment Management Authority (REMA) is the official organ in charge of implementing this policy. A successful outcome of this policy requires the collaboration between REMA and all potential stakeholders: departments in ministries, public institutions, schools and research institutions, international bodies and nongovernment organizations.

Recommended projects or programs for AfDB interventions.

Within the context of the CSP, in addition to what the country already plans to do in the area of climate change, the AfDB can best provide support in ensuring that climate change issues are mainstreamed in its financed operations and projects that it will finance during the CSP period. The AFDB can also play a role in capacity building on climate change issues as a way of developing national capacity for adequate response.

In 2011, the Cabinet adopted the Green Growth and Climate Resilience Strategy (GGCRS) for Rwanda. This strategy recognizes Rwanda's high vulnerability to climate change due to its dependence on rain-fed agriculture and provides a process for mainstreaming climate resilience and low carbon development into key sectors of the economy. The strategy puts forward several programs of action for building climate resilience and promoting low carbon development pathways, such as in the areas of sustainable intensification of small scale farming, agricultural diversity of markets, sustainable land use management, integrated water resources management, disaster risk management and disease prevention, climate data and projections, resilient transport systems, and low carbon urban systems.

In May 2014, the Climate Investment Fund (CIF) Expert Group approved Rwanda's expression of interest to develop investment plans for both the Pilot Program for Climate Resilience (PPCR) and the Forest Investment Plan (FIP). Accordingly, Rwanda is eligible to receive grant funding of up to USD 250, 000 for the preparation of the FIP Implementation Plan (IP) and USD1.5 million to prepare the Strategic Program for Climate Resilience (SPCR).

Through the PPCR strategic investment, the Government of Rwanda seeks to address some of the key challenges and barriers for the efficient management of its water resources and pave the way for a more green and resilient development path. The PPCR investments will help to scale-up ongoing efforts of the Government to address priority water resilience issues in Rwanda including encroachment of wetland habitats, high population density, lack of hydrological monitoring and poor communication and awareness among stakeholders.

Annex 17: List of Stakeholders consulted

#	Name	Function	Agency
1	Mr. Godfrey Kabera	Director General – National Development Planning and Research	MINECOFIN
2	Mr. Ronald Nkusi	Director External Finance Unit	MINECOFIN
3	Mr. Eric Rwigamba	Director General Financial Sector Development Directorate	MINECOFIN
4	Ms. Stella Nteziryayo	Ag Director – Debt Management Office	MINECOFIN
5	Mr. Patrick Murara Shyaka	Accountant General - AG	MINECOFIN
6	Mr. Marcel Mukeshimana	Deputy AG - Public Accounts	MINECOFIN
7	Mr. Reuben Karemera	Deputy AG – Treasury	MINECOFIN
8	Mr. Richard Migambi	E-Procurement Project Manager	MINECOFIN –AG Office
9	Ms. Jeanette Rwigamba	Ag. Director of Budget Management & Reporting Unit	MINECOFIN
10	Mr. Emmanuel Kubwimana	Fiscal Decentralization Team Leader	MINECOFIN
11	Mr. Jonathan Nzayikorera	Director of Fiscal Decentralization	MINECOFIN
12	Mr. Jean De Dieu Rurangirwa	IFMIS Project Coordinator	MINECOFIN – AG Office / SMART IFMIS
13	Mr. Alexis Kamuhire	Chief Internal Auditor	MINECOFIN
14	Mr. Pierrot Cyubahiro Karemera	Financial Management Specialist	MINECOFIN – AG Office / ISMARTFMIS
15	Ms. Mireille Bivegete	Private Sector Financing Officer, External Finance Unit	MINECOFIN
16	Mr. Isaac Rugamba	Intern, External Finance Unit	MINECOFIN
17	Mr. Richard Migambi	E-Procurement Project Manager	MINECOFIN
18	Mr. Kevin Kavugizo Shyamba	Director Microfinance Supervision Department	National Bank of Rwanda (BNR)
19	Mr. Bonavanture Sangano	Director, Non-Bank Supervision Department	BNR
20	Mr. Obadiah Biraro	Auditor General	Office of the Auditor General of State Finances (OAG)
21	Ms. Goretti Ingabire	Director of Performance Audit	OAG
22	Eng. Robert Nyamvumba	Energy Division Manager	Ministry of Infrastructure
23	Mr. Nathan Gashayija	Director General - Coordination of EAC Affairs	Ministry of East African Community (MINEAC)
24	Mr. Jacob Hodari	Director - Planning, Monitoring and Evaluation	MINEAC
25	Mr. Jean Pierre Niyitegeka	Director - Social, Governance Affairs	MINEAC
26	Ms. Sara Nunez Evora	Technical Adviser and ODI Fellow	MINEAC

#	Name	Function	Agency
27	Mr. Vincent Munyeshyaka	Permanent Secretary	Ministry of Local Government (MINALOC)
28	Mr. Egide Rugamba	Director General – Planning, Monitoring and Evaluation	MINALOC
29	Mr. Saidi Sibomana	Deputy Director General – Planning, Monitoring and Evaluation	Local Administrative Entities Development Agency
30	Mr. Jean Louis Uwitonze	Director General – Planning, Monitoring and Evaluation	Ministry of Trade and Industry (MINICOM)
31	Ms. Olivia Zank	Private Sector Development and Youth Employment Coordinator	MINICOM
32	Mr. Innocent Musabyimana	Permanent Secretary	Ministry of Agriculture and Animal Resources (MINAGRI)
33	Dr. Octave Semwaga	Director General – Strategic Planning and Programme Coordination	MINAGRI
34	Mr. John Bosco Murangira	Director Economic Empowerment	Ministry of Gender and Family Promotion
35	Mr. Serge Kamuhinda	Chief Operating Officer	Rwanda Development Board (RDB)
36	Mr. Grace Mutsinzi Bwatete	Head of Single Project Implementation Unit	RDB
37	Mr. Napthal Kazoora	Head of Special Economic Zone Authority of Rwanda	RDB
38	Mr. Emmanuel Kamanzi	Managing Director	Energy Distribution Company Limited (EDCL)
39	Mr. Morris Kayitare	Director of Primary and Social Energy Development	EDCL
40	Mr. Stephen Ruzibiza	Chief Executive Officer	Private Sector Federation (PSF)
41	Ms. Yvette Mukarwema	Chief Operations Officer	PSF
42	Mr. William Babigumira	Head of Special Project Implementation Unit	PSF
43	Mr. Augustus Seminega	Director General	Rwanda Public Procurement Authority (RPPA)
44	Mr. Pierre Celestin Sibomana	Acting Director of Capacity Development	RPPA
45	Ms. Anna Mugabo	Director General – Labor and Employment	Ministry of Public Service and Labor (MIFOTRA)
46	Mr. Kenny Osborne	Deputy Head of Office	DFID
47	Kate Cooper	Officer	DFID
48	Mr. Johan Cauwenbergh	Head of Cooperation	EU Delegation
49	Rose Mukankomeje	Director General	Rwanda Environment Management Authority (REMA)
50	Ms. Rehemah Namutebi	Fund Manager	Fund for Environment and Climate Change (FONERWA)
51	Mr. Bright Ntare	Program Manager	FONERWA
52	Mr. Patrick Mutimura	Private Sector Specialist	FONERWA
53	Mr. Benoit Piret	Resident Representative	Belgian Technical Cooperation
54	Ms. Claire Schamps	Program Assistant	Embassy of Belgium

#	Name	Function	Agency
55	Mr. Mirco Gaul	Country Project Manager	GIZ, Energizing Development
56	Mr. Razvan Sandru	Adviser	GIZ, Energizing Development
57	Mr. Robert Mathu	Executive Director	Capital Market Authority (CMA)
58	Mr. Eric Bundugu	Deputy Executive Director	CMA
59	Mr. Pierre Celestin Rwabukumba	Chief Executive Officer	Rwanda Stock Exchange
60	Dr. Marie Christine Gasingirwa	Director General for Science, Technology and Research	Ministry of Education
61	Mr. Richard Tusabe	Commissioner General	Rwanda Revenue Authority (RRA)
62	Ms. Agnes Kanyangeyo	Deputy Commissioner Planning and Research	RRA
63	Mr. Sylivere Ntirampeba	Director of Planning and Product Development Unit	Ministry of Youth and ICT (MYICT)
64	Mr. Beniot Ngabonziza	Director of Youth Empowerment and programs Coordination Unit	MYICT
65	Ms. Josephine Nyiranzeyimana	Principal Senior Technologist in Charge of Private Sector Development	MYICT
66	Mr. William Furaha	Youth Empowerment Program Manager	MYICT
67	Ms. Josephine Umamariya	Country Director/ Chairperson	Action Aid Rwanda/ Network of International NGOs in Rwanda
68	Mr. James Butare	Head of Programmes and Policy	Action Aid Rwanda
69	Ms. Christelle Karekezi	Head of Fundraising	Action Aid Rwanda
70	Mr. Yusuf Murangwa	Director General	National Institute of Statistics of Rwanda (NISR)
71	Mr. Yahya Hassani	National Strategy for the Development of Statistics Coordinator	NISR
72	Mr. Habimana Dominique	Director of Statistical Methodology, Research and Publication Unit	NISR
73	Mr. Sibomana Oscar	Ag Director of Directorate of Economic Statistics	NISR
74	Ms. Nadia Munezero	Planner	NISR
75	Mr. Innocent Musabyimana	Director of Planning and M&E	Ministry of Natural Resources (MINIRENA)
76	Mr. Benon Rutaro	M&E Officer	MINIRENA
77	Ms. Naiza Hamisi	Coordinator Special Project Implementation Unit	MINIRENA
78	Mr. John Munga	Secretary General & Secretary to the Governing Council	Institute of Certified Public Accountants of Rwanda - ICPAR
79	Mr. Jean Paul Munyandamutsa	JADF National Coordinator	Rwanda Governance Board
80	Ms. Solange Uwizeye	Director of Governance & Service Delivery Monitoring	Rwanda Governance Board
81	Mr. Sibylle Kamikazi	Principal Researcher Home Grown Initiatives (HGIs)	Rwanda Governance Board

#	Name	Function	Agency
82	Mr. Prince Kayigire	Principal Researcher – Applied Research & Global Governance	Rwanda Governance Board
83	Mr. Alex Kanyankole	Chief Executive Officer	Development Bank of Rwanda
84	Ms. Jacky Mugwaneza	Executive Secretary	Rwanda Bankers Association (RBA)
85	Mr. Vincent Bayingana	Executive Assistant	RBA
86	Mr. Damien Mugabo	Director General	Rwanda Cooperative Agency
87	Mr. Jean Bosco Iyacu	Technical Manager	Access to Finance Rwanda
88	Mr. John Peter Rwema	Executive Director	Association of Microfinance Institutions in Rwanda
89	Mr. Innocent Bulindi	Chief Executive Officer	Business Development Fund (BDF)
90	Mrs. Janet Kanyambo	Fund Manager	BDF
91	Mr. Livingstone Nkuusi	Branches Coordinator	BDF
92	Mr. Jonathan Gatera	Director General (DG)	Rwanda Social Security Board (RSSB)
93	Dr. Solange Hakiba	Deputy DG, Benefits	RSSB
94	Mr. John Bosco Sebabi	Deputy DG, Funds Management	RSSB
95	Dr. Kadri Alfah	Country Manager, Rwanda	East Africa Exchange
96	Mr. Sudeep Desaraju	Director Corporate Development	BBOXX Capital Rwanda Ltd
97	Ms. Laure Beaufils	Head of Office	DFID
98	Ms. Catherine Duric	Policy and Programme Officer	DFID
99	Mr. Mark Montgomery	Governance Team Leader	DFID
100	Ms. Marcia Musisi-Nkambwe		USAID
101	Mr. Yasser El-Gammal	Country Manager	World Bank
102	Mr. Attaher Maiga	Representative	FAO
103	Mr. Dong Ku Lee		Korea
104	Ms. Clara Anyangwe	Representative	UN Women
105	Ms. Fatou Aminata Lo	Deputy Representative	UN Women
106	Mr. Myungshyn Lee		KOICA
107	Mr. Young Joun Youn		KOICA
108	Mr. Ryutaro Murotani		JICA
109	Mr. Ted Maly		UNICEF
110	Mr. Stefan Sckell	Head of Cooperation	Germany Embassy

#	Name	Function	Agency
111	Ms. Mandy Hupfer	Deputy Head of Cooperation	Germany Embassy
112	Mr. Giancarlo de Picciotto		Swedish Development Cooperation
113	Mr. Mikael Bostrom		Swidish International Development Agency
114	Mr. Lamin Manneh	Resident Representative	UNDP
115	Ms. Danila Boneva		UNDP/ MINECOFIN
116	Mr. Johan Cauwenbergh	Minister Counsellor/ Head of Cooperation	Delegation of the European Union to Rwanda
117	Mr. Carlos Lietar		Belgium Embassy

ENDNOTES

[1] ADB/BD/WP/2016/133 and ADF/BD/WP/2016/91.

[2] The CSP is aligned with the High 5s (Light-up and Power Africa, Feed Africa, Industrialize Africa, Integrate Africa and Improve the Quality of Life for the Power of Africa) as articulated in the Bank Strategies for the New Deal on Energy for Africa (2016-25), Jobs for Youth in Africa (2016-25), Agricultural Transformation in Africa (2016-25), and the Industrialization Strategy for Africa (2016-25). The CSP is also aligned with other Bank strategies and policies including the Regional Integration Policy and Strategy (2014-23), Private Sector Development Strategy (2013-17), Gender Strategy (2014-18) as well as other relevant policies and strategies.

[3] A detailed analysis of Rwanda's Country context and prospects that has informed the CSP is available together with the Analytic Briefs through this website.

[4] The Rwanda Governance Scorecard (RGS) is produced by the Rwanda Governance Board, a Government agency. It is produced every two years and the most recent publication dates back to 2014. The RGS is peer-reviewed by internationally renowned governance professionals.

[5] The National Electoral Commission indicated in December 2015 that 6.16 million Rwandans, representing over 98% of the registered voters, voted in favour of the constitutional amendments in what electoral observers reported as an orderly election. According to the 2003 Constitution, any changes to Article 101 of the Constitution which concerns presidential term limits (and are established at a maximum of two seven-year terms) can only be endorsed by the population through a referendum. The revised constitution maintains the presidential term limits but reduces the length of a single term from seven to five years, also renewable only once. However, this change will be preceded by a transitional period of a seven-year presidential term. The transition will commence at the end of the current presidency in 2017. The incumbent and any other candidate will be eligible to seek election for the transitional mandate and the subsequent five year terms. The 2015 referendum is the fourth to take place since 1961 (removal of a monarchy), 1978 (multiparty dispensation) and 2003 (outgoing Constitution).

[6] Rwanda's 2015 scores on political rights and civil liberties (6 and 6 respectively) are only higher than Burundi (7 and 6 respectively) but lower compared to Tanzania (3 and 4 respectively), Kenya (4 and 4 respectively), and Uganda (6 and 5 respectively).

[7] The Central Bank's 2015 Foreign Private Capital in Rwanda publication indicates that most FDI inflows in 2014 were from Mauritius (USD 113.6 million), Switzerland (USD 106.3 million), and the United States (USD 70 million). Jointly, these three sources accounted for 51.7% of total foreign private inflows in 2014. ICT, mining, finance and insurance, and tourism are the leading FDI sectors.

[8] Real GDP growth decreased from 8.8% in 2012 to 4.7% in 2013 following the suspension of budget support amounting to 1.2% of GDP before recovering to 7% and 6.9% in 2014 and 2015 respectively. Rwanda's major development partners suspended their budget support disbursements amounting to 1.2% of GDP and 3.5% of the fiscal year 2012/13 budget, following a United Nations report that Rwanda was supporting insurgents in the eastern Democratic Republic of Congo. Rwanda refuted these allegations. The Government adopted several measures to address the immediate impact of these aid cuts, particularly by postponing non-priority spending and borrowing from the domestic financial market. This policy response generated at least three outcomes. **First, economic activity slowed**. Real GDP growth decreased from 8.8% in 2012 to 4.6% in 2013. **Second, growth in private sector credit was moderate**. The GoR's use of the overdraft facility at the central bank and treasury bills to bridge the funding gap crowded-out private sector borrowing which slowed the expansion in services and construction, the two key growth drivers in 2012. Growth in credit to the private sector was moderate at 10.8% in 2013 compared to the 35% in 2012. **Third, the Rwandan Franc depreciated**. The use of foreign exchange reserves to meet high import demand in the midst of reduced aid inflows contributed to a 4.5% depreciation of the Rwandan Franc against US Dollar at the end of 2012. The local currency depreciated by 6.1% against the US Dollar at end of 2013 due to high demand for intermediate and capital goods imports. The suspended disbursements resumed in March 2013.

[9] Value added per worker increased from USD 559, USD 1,970 and 2,318 in agriculture, industry, and services respectively in 2011 to USD 705, USD 2,418 and USD 2,885 respectively in 2014.

[10] Several strategies are being implemented to fast track the realization of the National Industrial Policy objectives. These include the Domestic Market Recapturing Strategy (2015-20) to support value addition and industrialization, the National Export Strategy II (2015-20) to grow and diversify the export base, and National Employment Program (2014-18) to develop a skilled workforce required to support high value added production.

[11] The selected cities are either border towns or are located near major transport interchanges and include Musanze in Northern Province, Rubavu and Rusizi in Western Province, Muhanga and Huye in Southern Province, and Nyagatare in Eastern Province. To further enhance the legal and regulatory environment, the Bank is currently funding a GoR study to inform improvements in tax policy and administration that are required to catalyse enterprise growth in high value added economic activities.

[12] Rwanda's second Policy Support Instrument (PSI) was approved in December 2013 following the completion of the first PSI that was approved in June 2010. The IMF completed the 5th review under the PSI on 8 June 2016 and approved an 18-month arrangement under the Stand-by Credit Facility (SCF) for SDR 144.18 (about USD 204 million or 90% of Rwanda's quota). The IMF also approved the extension of the current PSI up to the end of 2017. The SCF will augment the GoR's efforts to ensure external sustainability and mitigate the macroeconomic impact of the reduced global demand and lower international commodity prices on the Rwandan franc and foreign exchange reserves. The first disbursement of SDR 72.09 million (about USD 102 million) is available immediately following the IMF approval. Two (416 sub-national entities produce financial reports using a uniform template and issuance of a 15-year government T-bond) structural benchmarks (SB) were met as programmed while the third SB (publication of quarterly reports of budget execution within 60 days of end of each quarter) was implemented with delay – met a month after it was due. The GoR is also expected to implement cautious fiscal policy, including postponing non-priority public spending – particularly public expenditure with a high import content – to help preserve the foreign exchange reserves.

[13] The FRw depreciated by 6.9% between December 2015 and August 2016 which is higher than the 4.6% depreciation at the end of August 2015. A flexible exchange rate policy is being implemented to ensure alignment between the demand and supply of foreign currency – allowing the FRw to depreciate in line with changes in demand and supply of foreign currency – and thereby reduce pressure on the foreign exchange reserves.

[14] The Private Sector Development Strategy (PSDS) 5-year Implementation Plan (IP) identifies three core programs: Export Development, Investment Implementation, and Entrepreneurship Growth and two cross-cutting components of Infrastructure for Growth and Institutional Capacity for delivery of the PSDS. The National Employment Program (NEP) prioritizes the development of employable skills to support high value added production and job creation. Bank Group support under CSP 2012-16 focused on energy and transport infrastructure development and private sector development and thus directly contributed to the implementation of the PSDS IP and NEP.

[15] The 2014 African Development Bank's Growth Diagnostics study underscores the need to sustain investments in key infrastructure such as road, energy and water infrastructure to reduce the cost of doing business and spur private sector development. Increased private investment and finance will diversify the financing mix, reduce dependence on aid and reverse the current appreciation of the real exchange rate (as measured by domestic against world prices). Correction of the overvaluation of the real exchange rate will support growth in the tradable sector including export agriculture, import substitutable manufacturing, and services contributing to expansion in employment creation in the formal sector. This will lead to broad-based (inclusive) economic transformation.

[16] The 2015 World Bank Poverty Assessment reveals a negative relationship between access to infrastructure and poverty. The 2013 Africa Competiveness Report reveals that inadequate infrastructure reduces Africa's annual growth by at least 2%. Furthermore, adequate infrastructure is estimated to increase productivity for African firms by up to 40%. These findings underscore the need for the Bank's sustained investments in energy, transport and water and sanitation infrastructure.

[17] The Energy Sector Strategic Plan (ESSP) 2013-18, whose preparation was informed by the Bank's 2013 Energy Sector Review and Action Plan, is being implemented to respond to the energy sector reform and investment needs. Moreover, to address the persistent energy poverty in the rural areas, the Government has ramped up its efforts to promote greater private sector participation in the provision of off-grid electricity solutions and has established policies to allow for greater access to Climate Investment Funds.

[18] According to the 2016 Pilot Rwanda Labour Force Survey, the unemployment rate in Rwanda was 13.2% in February 2016. However, the unemployment rate is higher among the youth (16-30 years) at 15.9% than among the adults at 10.6%.

[19] According to the Green Growth and Climate Resilience Strategy (GGCRS) 2011: '*Rwanda's long term version is to become a climate resilient economy, with strategic objectives to achieve Energy Security and a Low Carbon Energy Supply that supports the development of Green Industry and Services; Sustainable Land Use and Water Resource Management that result in Food Security, appropriate Urban Development and Preservation of Biodiversity and Ecosystem Services, as well as to ensure Social Protection, Improved Health and Disaster Risk Reduction that reduces vulnerability to climate change impacts*.' The Bank is currently developing a Green House Gas (GHG) accounting and reporting tool to account for and report on GHG emissions from the contraction and operation of natural assets

associated with the implementation of the Bank's operations. This will facilitate the selection of project designs which minimise GHG emissions, reduce resource use intensity and thereby boost the implementation of the GGCRS.

[20] As a result, over 16% of the critically degraded ecosystems including wetlands (56,118 hectares – ha), lakeshores (2,454 ha), riverbanks (1,432 ha), and watersheds (1,266 ha) have been mapped, rehabilitated, and are fully protected by the law. Furthermore, during the 28th Meeting of Parties to the Montreal Protocol in October 2016, 197 countries agreed on the Kigali Amendment to the Montreal Protocol under which developed countries will start phasing down hydrofluorocarbons (HFCs) by 2019 while the developing countries will phase out at a baseline of 2024-2026 and a freeze date of 2028. Rwanda has set January 2017 as its baseline year to phase out HFCs, signalling its strong commitment to sustainable development and environmental protection. The Kigali Amendment is expected to contribute to a reduction in global warming and thereby limit temperature increases to 1.5 degrees Celsius.

[21] Several sector strategies were developed in 2013 to support the implementation of EDPRS II's overarching objectives at the sector level. These sector strategies include the Private Sector Development Strategy (2013-18); Transport Sector Strategic Plan (2013-18) and the Energy Sector Strategic Plan (2013-18). Mid-term reviews for the sector strategies are underway and are expected to feed into the EDPRS II mid-term review which is planned to be completed in 2017. The findings from these mid-term reviews will information the preparation of EDPRS III.

[22] The 4th Household Living Conditions Survey or *Enquête Intégrale sur les Conditions de Vie des Ménages* (EICV-4) undertaken in 2013/14 shows that 146,000 jobs were created annually during the period 2011 – 2014, indicating that the EDPRS II target of 200,000 off-farm jobs is on track to being achieved.

[23] The National Industrial Policy (NIP) 2011 aims to promote economic transformation, with industry accounting for 26% of GDP by 2020, the national investment rate increasing to 30% of GDP and with 1.4 million off-farm jobs created. The NIP has three pillars, namely: increased domestic production, improved export competitiveness and an enhanced enabling environment for industrialization—notably by addressing skills and infrastructure constraints.

[24] Over 450 hectares of serviced industrial land (equipped with electricity, water, access roads and ready-for-use factory units where applicable) are being developed and the target is to develop 752 hectares by 2018. These interventions have already catalysed industrial growth in electronics assembly, textile/ garment manufacturing, construction materials and agro-industry.

[25] The Bank's co-chair of sector working groups (SWGs) and sub-SWGs has generated several results. As co-chair of the PSDYE SWG, the Bank contributed to the preparation of the 5-year PSDS IP which consolidates all interventions required to promote private sector development and thus maximizes synergies, avoids duplication of efforts and facilitates resource mobilization. In the transport SWG, the Bank leveraged its role as co-chair to mobilize co-financing from European Union (EU) Africa Infrastructure Trust Fund (AIF) and the Japan International Cooperation Agency (JICA) (see Annex 12a) for the 208km Kagitumba-Kayonza-Rusumo multinational road project. For the energy access sub-SWG, the Bank utilized its position as co-chair to lead and coordinate Rwanda's Sustainable Energy for All (SE4All) and has supported the preparation of its 2030 Action Agenda.

[26] Official Development Assistance (ODA) to Rwanda's public sector increased from USD 908 million in 2012/13 to USD 1.04 billion in 2013/14. This increase is partly due to the disbursement of general budget support that was suspended in 2012/13.The share of total ODA provided bilateral development partners (DPs) increased from 39% in 2012/13 to 47% in 2013/14. The 7 major DPs, including AfDB, accounted for 84% of total ODA in 2012/13 and 2013/14. This ODA captures support from 14 Development Partners (DPs) and 7 UN agencies that participated in the Donor Performance Assessment Framework assessment in 2012/13 and 2013/14. These – listed from largest to least contributor of ODA: USA (18.8% of total ODA), World Bank (15.2%), Global Fund (13.5%), United Kingdom (12%), European Union (11.2%), African Development Bank (9.4%), Belgium, Japan, UN, Netherlands, Germany, South Korea, Switzerland, Canada, and Sweden. The UN agencies comprise – presented here in alphabetical order: IFAD, IOM, UNCDF, UNDP, UNFPA, UNICEF, and WFP. Financing from the One UN Fund is also included. In line with the Donor Division of Labor, the Bank's support has prioritized infrastructure (energy, transport and water) development which accounts for 63% of the ongoing operations. The World Bank and EU also invest in transport and energy whereas the leading bilateral DPs focus, among other things, on human development and social protection. Rwanda could potentially be affected by Britain's exit from the EU through two transmission channels. The first channel is aid – Britain's High Commissioner to Rwanda has indicated that UK's commitment to spend 0.7% of gross national income on international development is enshrined in law and that UK is committed to the global target of achieving zero extreme poverty by 2030, among other things. The second channel is through trade – UK accounted for only 1.7% of Rwanda's total exports in 2014 and 2015, thus, the impact via trade is expected to be minimal. The Bank is closely monitoring developments and will work with other partners to support the GoR to meet any resulting shortfalls in line with Rwanda's operational country limit.

[27] The 2014/15 assessment was aimed at identifying areas for improving the efficiency and relevance of SWGs to the EDPRS II objectives. The assessment reveals that Rwanda's development cooperation framework is well-structured and transparent and that SWGs are a 'cornerstone' of this framework. Furthermore, the role of SWGs is clearly defined and thus, of benefit to both the GoR and DPs. This facilitates stakeholder consultation, reduces transaction costs, and improves coordination and harmonization. Overall, the assessment concludes that SWGs provide an important forum for dialogue on policy and implementation and monitoring of progress. The assessment recommends that realizing the full potential of SWGs, especially in light of the uncertainty around future aid levels, there is need to strengthen the partnership between GoR and DPs, enhance the focus on delivery and to ensure joint responsibility for results. Three key recommendations from the assessment have been adopted by the DPCG to achieve this objective: (i) getting the basics right, which includes clear and early agenda setting and communications, having dedicated secretariat support, and DPs and GoR should use the SWG as their main conduit for policy dialogue; (ii) all SWGs should map stakeholder activities in their sectors by incorporating information from CSOs, international NGOs and the private sector; and (ii) use electronic document storage and management to enhance archiving and access.

[28] Rwanda's ADF allocation increased from UA 120.87 million under ADF-12 to UA 140.96 million under ADF-13, largely due to Rwanda's strong performance on various components of the Country Policy and Institutional Assessment.

[29] The Bank is also providing technical assistance to the Rwanda Transport Development Agency to enhance its capacity in contract and project management.

[30] Country dialogue, among other things, focuses on the implementation of key sector reforms such as the energy sector reforms which commenced in August 2014 with the support from World Bank Group. These reforms are still underway and are expected to contribute to improvements in energy sector efficiency and also crowd-in private investment and finance.

[31] The CSP 2017-21 is also aligned with other Bank Group strategies including the Gender Strategy 2014-18; Private Sector Development Strategy 2013-17; and Regional Integration Policy and Strategy (2014-23).

[32] According to the most recent 4th Rwanda Household Living Conditions Survey undertaken in 2013/14, female headed households account for 25.5% of all households in Rwanda.

[33] Increased access to water and sanitation will have at least two contributions to gender equality and women empowerment: (i) reduce the amount of time spent by women and girls collecting water, thereby increasing their participation in economic activities, education and leisure; and (ii) reduce incidence of water borne diseases thereby reducing time poverty among women who disproportionately bear the burden of caring for sick family members.

[34] Strong progress has been demonstrated in the Government's reform program that is supported by SEEP I and II, notably in the area of skills and entrepreneurship development. Key reforms implemented include: (i) the consolidation of all job creation interventions under the National Employment Programme (NEP) and (ii) enhancing SMEs' productivity and competitiveness by strengthening business advisory services and the decentralization of the Business Development Service function to all the 30 districts. Entrepreneurship development through value addition and enhancing technology has also commenced through the Community Processing Centres and Integrated Crafts Production Centres. However, all these initiatives are still in early stages of implementation and there is need to sustain the reform the momentum which calls for continued Bank Group support to ensure that these initial gains are consolidated.

[35] The specific GoR interventions to be supported under Pillar 2 include: (i) internships, industrial attachments, and apprenticeships; (ii) the rapid response training program which seeks to develop skills on-demand by industrialists and entrepreneurs; and (iii) strengthening Sector Skills Councils to facilitate the private sector's participation in the identification of the required competencies, design of curricula, and sustainable financing of skills development and training including TVET.

[36] The Private Sector Development Strategy Implementation Plan (2014-18) identifies lack of skills as '*a significant constraint to businesses across all of Rwanda's high growth sectors'*.

[37] Business Advisory and Development Services implemented under the National Employment Program and other Government programs such as the SME Growth Support Program cover a wide range of business activities including start-up, launch, and sustained business advisory services to ensure business survival and growth. Community processing and integrated craft processing centers have been established by the GoR to facilitate access to technology and promote innovation and productivity growth for artisans, crafts-persons and other producers. These centers are operated under a public-private partnership model.

[38] Policy Based Operations (PBOs), investment projects and other development delivery modalities (such as TA and advisory services) will be used in the delivery of the Bank Group's assistance program in Rwanda. Use of these instruments will be governed by the relevant Bank guidelines and policies such as the Bank's Policy Based Operations guidelines.

[39] The Government of Rwanda requested the Bank for support to undertake project preparation studies for two operations that aim to promote agribusiness and agroindustry, namely: (i) Risk Sharing Financial instrument to increase agricultural finance; and (ii) Enable Youth Empowerment in Agribusiness Program. The Bank's Agriculture Sector Department is spearheading the mobilization of resources for these studies which will be undertaken in 2016.

[40] There is primarily one condition for Rwanda to access resources from the ADB sovereign window and this relates to ensuring that the loans are consistent with the country's non-concessional borrowing headroom as established by the IMF PSI programme.

[41] The Bank has embarked on the process of establishing a regional Public-Private Partnership (PPP) Advisory and Knowledge Hub in Nairobi, Kenya. This Hub will be designed to serve as centre of excellence for the Bank's Regional Member Countries in the Eastern Africa region. The Hub will provide technical support for project preparation, financing, management, monitoring, training and capacity building to Government agencies in charge of PPP activities. The Hub is expected to be operational by the end of 2016.

[42] Dialogue will also include discussions with the Government and other stakeholders on the need to review national regulatory and legal framework such as the public procurement legislation to ensure that considerations that promote inclusive growth are included. Such considerations could include on the mandatory use of a minimum share of local labor and specification of activities to be undertaken by the youth and women.