



ECONOMIC DEVELOPMENT AND POVERTY REDUCTION STRATEGY II

2013 - 2018



Abridged version
MAY 2013

SHAPING OUR DEVELOPMENT

ECONOMIC DEVELOPMENT AND POVERTY REDUCTION STRATEGY II (EDPRS 2)

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Foreword



*His Excellency Paul Kagame
President of the Republic of Rwanda*

Rwanda has made good progress over the last two decades since the enormous challenges faced in the aftermath of a genocide that destroyed the entire social and economic fabric of this country. Rwandans have benefited from rapid economic growth, reduced poverty, more equality and increased access to services including health and education. This has been possible only through the hard work and dedication of millions of Rwandans supported by friends of Rwanda. Our progress strengthens the belief that our development ambitions towards the Vision 2020 can be achieved with our concerted efforts.

The Second Economic Development and Poverty Reduction Strategy (EDPRS 2) is a launch into the home strait of our Vision 2020. We are faced with new challenges of ensuring greater self reliance and developing global competitiveness. Conscious of these challenges, we forge ahead knowing that working together, we always

overcome.

The EDPRS 2 period is the time when our private sector is expected to take the driving seat in economic growth and poverty reduction. Through this strategy we will focus government efforts on transforming the economy, the private sector and alleviating constraints to growth of investment. We will develop the appropriate skills and competencies to allow our people particularly the youth to become more productive and competitive to support our ambitions. We will also strengthen the platform for communities to engage decisively and to continue to develop home grown solutions that have been the bedrock of our success. These are fundamental principles as we work to improve the lives of all Rwandans in the face of an uncertain global economic environment.

As we take this important step ahead in our future, let us increase our determination to become

makers of history, to shape our development and elevate Rwanda into a new era of prosperity that will be celebrated for generations through our joint efforts.

H.E. Paul KAGAME
President of the Republic

Where have we come from?

PRSP- (2002-2006)

This was the Government of Rwanda (GoR)'s first systematic assessment and establishment of the actions needed to reduce poverty and generate pro-poor economic growth. It was elaborated in a post-conflict environment where the main emphasis was on managing a transition from emergency relief to rehabilitation and reconstruction.

Six broad areas were identified as priorities for action: rural development and agricultural transformation, human development, economic infrastructure; governance, private sector development and institutional capacity-building.

As a result of the interventions implemented,

good progress was registered; with major gains in social sectors including Health and education. In terms of non-income poverty, the PRSP was much more successful. Infant, under-five and maternal mortalities all decreased by 20 to 30%, poverty also reduced from 58.9% to 56.7%. Extreme poverty fell by 4.2 percentage points, from 40% to 35.8% between 2001 and 2005, while income inequality as measured by the Gini coefficient, rose from 0.505 to 0.522.

EDPRS 1- (2008-2012)

Based on the experience of PRSP, it was evident that the social sectors (particularly health and education) had made significant progress, while the productive sectors including agriculture, infrastructure and industry remained a challenge.

Under EDPRS 1, priority was therefore, given to accelerating growth, creating employment and generating exports. These were outlined in three flagship programmes: Growth for Jobs and

Exports, the Vision 2020 Umurenge (VUP), and Good Governance.

The achievements under EDPRS 1 have been described as the perfect development “hat trick” of growth, poverty reduction and reduction in inequality which have put Rwanda back on track to achieve the Millennium Development Goals (MDGs). Economic growth averaged 8.2% over the period while poverty reduced from 56.7% to 44.9% allowing more than 1,000,000 Rwandans to be lifted out of poverty in less than five years. Income inequality also reduced to 0.49 in 2011 below the level of 2001.



Projects like Gira Inka, played a key role in reduction in poverty among Rwandans

Where do we want to be?

Overarching goal of EDPRS 2

“Accelerating progress to middle income status and better quality of life for all Rwandans through sustained average GDP growth of 11.5% and accelerated reduction of poverty to less than 30% of the population”

Rapid Economic Growth (Avg. GDP growth of 11.5%)

+

Reduce Poverty to under 30%

=

Better quality of life for all Rwandans

OBJECTIVES	VISION 2020 TARGETS
Rapid economic growth to Middle Income status	* GDP per capita of \$1240 * Avg. GDP growth of 11.5%
Increased poverty reduction	* Poverty reduced to 20% * Extreme poverty eliminated
More off-farm jobs, more urbanisation	* 1.8 million new off-farm jobs * 35% of population urban
Reduced external dependency	* Exports growth of 28% p.a.
Private sector as engine of growth	* Private sector takes dominant share of investment

How do we get there?



EDPRS 2 makes a distinction between emerging priorities reflected in thematic areas and ongoing priorities under foundational issues. The combination of these priorities provides the framework for the EDPRS 2 strategy.

There are four thematic areas each designed to address specific objectives in line with the overall goal of EDPRS 2:

Economic Transformation



Avg. GDP growth of 11.5%

Rural Development



less than 30% poverty

Productivity and Youth Employment



200,000 off farm jobs p.a
Increased output per worker

**Accountable
Governance**



**More than 80%
service delivery**

**Increased citizen
participation**

FOUNDATIONAL/UNDERPINNING ISSUES

Economic Transformation:



The Kigali Convention Center, a necessary infrastructural boost

This thematic area targets accelerated economic growth and restructuring of the economy towards more services and industry as we move towards middle income country status. Five priority areas will spearhead this thematic strategy.

Priority 1: Increase the domestic interconnectivity of the Rwandan economy through investments in hard and soft infrastructure by meeting the energy demand of the private sector; increasing access to public goods and resources in priority sectors of the economy; and deepening the integration of key value chains.

Priority 2: Increase the external connectivity of Rwanda's economy and boosting exports by building a new international airport, expanding RwandAir, and finalising plans for an appropriate regional railway connection; transforming Rwanda's logistics system and strengthening export promotion.

Priority 3: Transform the private sector by increasing investment in priority sectors. The investment process will target large investors in priority sectors of the economy; accelerate measures to increase long-term savings, transform the financial sector for increased access to long term international and domestic financing for private sector, strengthen tax and regulatory reform to spur medium and large enterprise growth.

Priority 4: Transform the economic geography of Rwanda by facilitating urbanisation and promoting secondary cities. Six Secondary Cities will be developed as poles of growth and centres of non-agricultural economic activities. This will require investment in specific hard and soft infrastructure and strategic economic projects that will trigger growth of these cities and enhance linkages to other towns and rural areas. Affordable housing will also be a key element of increased attractiveness of these cities. Kigali will continue to be developed as a regional hub.

Priority 5: Pursue a 'green economy' approach to economic transformation. The green economy approach favours the development of sustainable cities and villages. Key innovations include: piloting a green city, piloting a model mine, attracting investors in green construction, Interventions will focus on green urbanisation and the promotion of green innovation in industrial and private sectors.

Cross-cutting Focus Areas:

- 1. Private Sector Growth**
- 2. Growth of Exports & Increased Foreign Earnings**
- 3. Increased Self-reliance - innovative financing sources + exports**
- 4. Driving off-farm employment through development of secondary cities (package of infrastructure and economic investments)**

Rural Development:

This thematic area is focused on ensuring that poverty is reduced from 44.9% to below 30% by 2018. This will be achieved through focus on increased productivity of agriculture which engages the vast majority of the population and ensures sustainable poverty reduction. Enhanced



Gira Inka, one of the projects put in place to reduce extreme poverty in Rural areas

linkages of social protection programs will also be developed with particular attention to increasing graduation. Four priority interventions will lead this strategy:

Priority 1: Integrated approach to land use and human settlements. Two functions will be strengthened in this priority. The overall land use allocation for development and the decentralised process of land allocation and management. A major consideration is ensuring that rural settlements are revisited to ensure greater access to economic opportunities and basic services.

Priority 2: Increase the productivity of agriculture by building on the sector's comparative advantage. The focus is therefore on irrigation and land husbandry, proximity advisory services for crops and livestock and connecting farmers to agribusiness.

Priority 3: Enable graduation from extreme poverty by monitoring graduation through a

database across social protection programmes, supporting financial products, services and literacy for the poorest, strengthening Umurenge SACCOs, and improving the coverage and targeting of core social protection programmes such as VUP. Graduation will also mean linking the poorest to economic activity through the provision of skills.

Priority 4: Connect rural communities to economic opportunity through Improved Infrastructure. Interventions will include a feeder roads programme and information and communications technologies (ICT) expansion for rural areas with the aim of linking communities to markets, the electrification programme, modern biomass and other cooking methods, and full coverage of quality water and sanitation.

Productivity and Youth Employment:

This thematic area is focused on ensuring that growth and rural development are underpinned by appropriate skills and productive employment, especially for the growing cohort of youth. The main objective is the creation of at least 200,000 new jobs annually moving towards the Vision 2020 objective of 50% of the workforce engaged in off-farm sectors. Four priority interventions will lead the way.



Vocational studies are playing a unique role in nurturing the productivity of the youth

Priority 1: Develop skills and attitudes by reviewing and reforming national education curricula, establishing Sector Skills Councils, strengthening TVET, internships, promoting adult literacy and short course basic skills training, a tripartite funding system for on-the-job training, and a youth entrepreneurship mentoring programme.

Priority 2: Promote technology with a focus on accelerating innovation by internet and mobile phone infrastructure and improving ICT skills.

Priority 3: Stimulate entrepreneurship, access to finance and business development by increasing off-farm employment, productivity and new job creation driven by the private sector. The government will consolidate, rationalise, and expand different business support programmes into an Integrated National Employment Programme to boost entrepreneurship and job creation.

Priority 4: Labour market interventions.

Government will improve the efficiency of labour markets by assisting job seekers match to job providers through Employment Service and Career Advisory Centres.

Accountable Governance:

The objective of this thematic area is to improve the overall level of service delivery and ensure citizen satisfaction above 80%. It also focuses



Improving the overall level of service delivery is key in ensuring accountable governance

on increased citizen participation as a way of ensuring ownership and feedback for efficiency and sustainability. The following strategic priority areas for intervention have been identified:

Priority 1: Strengthen citizen participation and demand for accountability by using “home grown initiatives” to promote citizen participation; using ICT and radio to promote participation and development communication; strengthening the media and civil society organisations to better fulfil their developmental role and strengthening administrative decentralisation.

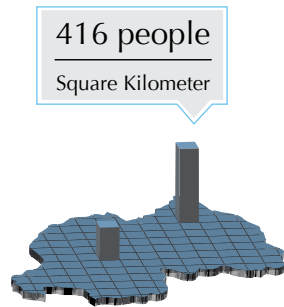
Priority 2: Improve service delivery. To revitalise service delivery in the public sector as well as in the private domain, the Government will embark on development of a customer-centred service delivery culture, the design of policies and the establishment of standards of Customer Services.

Foundational Issues have been some of the success stories of EDPRS 1 for which sustainability is a

key objective. These are areas in which Rwanda has made significant progress and which remain important for sustainable development and long term competitiveness. Eight key areas have been identified as ongoing priorities within this strategy.

- i. **Macroeconomic stability.** Public spending will be targeted to priority investments that demonstrate strong linkages to; growth of the economy, stimulating private sector development, and poverty reduction. Prudent policies will continue to be pursued to ensure a stable economy including stable exchange rate, prices and sustainable debt management.
- ii. **Demographic issues:** Policies will be focused on sustainable population growth especially as Rwanda has the highest population density in Africa of 416 people per square kilometre. The efforts that have led to positive results in reducing fertility from 6.1 to 4.6 children

per woman will be critical. These include; increased access to contraceptives, better access to health and education as well as sensitization on reproductive health issues.



iii. Food security and malnutrition. Increasing agricultural productivity and production through increased uptake of modern inputs and adoption of modern farming practices to meet growing food demand. Malnutrition will be addressed through coordinated and scaled-up community based nutrition programmes and information campaigns

across the country particularly for children under 2 years.

- iv. Literacy, early childhood development and basic education.** The objective is to have all infants and young children fully achieve their developmental potential. Communities will be the base for early childhood development centres. As free education is scaled up from nine years to twelve years (full primary and secondary cycle) , more emphasis will be put on improving the quality of education and increased partnership with the private sector.
- v. Quality, demand and accessibility of primary health care.** The focus will be on improving the quality of health care services, including the management of hospitals, while continuing to expand geographical and financial accessibility.
- vi. Rule of Law, unity and reconciliation, security and stability (including regional**

peace and stability). Domestic and regional peace and stability will play a significant role in Rwanda’s development process. On-going measures will include strengthening the legal and policy framework; and developing institutional capacity to respond to, investigate and prevent crime. Furthermore, support to international and regional peacekeeping initiatives and operations will be pursued. Unity and reconciliation will also be strengthened through entrenching community based dialogue.

vii. Strengthening effectiveness of public finance management. This will target increase of resource mobilisation from domestic and alternative sources of finance, scaling up of the implementation of the Integrated Financial Management Information System, enhancing capacity for effective planning, budgeting, implementation and accountability at the National and District levels.

viii. Consolidating decentralisation. This will be pursued through deepening participatory, democratic and accountable local governance systems, building capacity for effective local service delivery, leveraging regional integration, using ICT to deliver services efficiently and effectively, increasing citizen’s empowerment.

Cross Cutting Issues (CCIs):

These issues have been mainstreamed in all the sector strategies and district plans over the period of EDPRS 2 and include the following;

- a) Capacity building:** through prioritising institutional and individual capacity development within sectors and Districts to deliver under each of the thematic areas and foundational issues.
- b) Environment and climate change:** major

areas of attention will be mainstreaming environmental sustainability and reducing vulnerability to climate change.

- c) **Gender and family:** The main issues include reducing poverty levels among men and women, malnutrition, reducing gender based violence and other related conflicts at both family and community level.
- d) **Regional integration:** This will be explored for increased access to opportunities for regional trade, finance, investment and to bridge the skills gap in priority areas.
- e) **HIV/AIDS and NCDs prevention and treatment** through regular sensitisation regarding HIV, voluntary counselling, testing, prevention of mother to child transmission, condom distribution and facilitating access to treatment.
- f) **Disaster management** includes investment

in rapid response disaster management equipment, early warning systems and awareness campaigns.

- g) **Disability & Social Inclusion** include ensuring accessible infrastructure and information for people with disabilities.

How much will it cost?

The estimated total cost of implementing EDPRS 2 is RWF 9,929 billion, which is spread across the five years between 2013/14 to 2017/18.

The overall purpose of costing EDPRS 2 is to prioritise budget allocations and public expenditure towards the EDPRS 2 core programmes. The costing of EDPRS 2 priorities guides the development of the medium term expenditure framework and orients public spending. The decision on actual spending will be made through the annual planning and budgeting process. The financing depends on the availability of funds and the relative priority given to the various initiatives set out in EDPRS 2 in that particular year.

How do we know we are getting there?

The EDPRS 2 has clear indicators and targets that will be monitored throughout its implementation. The EDPRS 2 will be subject to a mid-term review and an end period evaluation. Indicators, targets and actions will also be monitored at the National and District levels through the annual planning and budgeting process. District will engage with communities in setting, monitoring and evaluating targets set.

Table 1: Selected EDPRS 2 Monitoring indicators

EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE VALUE (2012)	2015/16 TARGET	2017/18 TARGET
EDPRS 2 GOALS					
Increased national income	GDP per Capita	US\$	644	837	1,000
Reduced poverty	Population below the poverty line	Percent	44.9	30.2	< 30
Reduced extreme poverty	Population below the poverty line living in extreme poverty	Percent	24	15	9
ECONOMIC TRANSFORMATION					
Increased electricity generation capacity	Electricity generated	Mega Watts	110	349	563

EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE VALUE (2012)	2015/16 TARGET	2017/18 TARGET
Accelerated growth exports	(a) Exports to GDP (Value of exports goods and services)	Percent	14.9	21.1	27.2
		(Value M\$USD)	1029.9	2,053.80	3,401.50
Managed increase in urbanisation through development of secondary cities	Population living in urban areas of proposed secondary cities	Percent	3.5	6.3	8.2
RURAL DEVELOPMENT					
Increased graduation from extreme poverty	Category 1 or 2 beneficiary households who move to Category 3 to 6	Percent	9.8	30	50

EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE VALUE (2012)	2015/16 TARGET	2017/18 TARGET
Enhanced rural settlements that facilitate access to basic services	Rural households living in planned (integrated & economically viable) settlements	Percent	37.5	56	70
Increased access to basic infrastructure for rural households	(a) Rural households with access to electricity	Percent	5	50	70
	(b) District earth road Class 2 (Feeder road) upgraded to gravel road	Km	71.6	1,530	2,550
PRODUCTIVITY AND YOUTH EMPLOYMENT					
Availability of critical skills for service and industrial sectors	Employers satisfied with university graduates	Percent	75.1(2011)	88	95

EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE VALUE (2012)	2015/16 TARGET	2017/18 TARGET
Increased entrepreneurship and business development	New SMEs ₍₁₎ registered annually	No.	9,000	13,500	17,000
Increased employment in off-farm sector	Off-farm jobs created	No.	1.4m (2010/11)	2.0m	2.4m
ACCOUNTABLE GOVERNANCE					
Increased citizen satisfaction in participation in planning processes and solving their own problems	(b) Citizens satisfied with gender parity in leadership	Percent	78.9	80	81
Improved public service delivery	Citizens satisfied with (timeliness and quality of) service delivery at the local level	Percent	70.4	75	85

EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE VALUE (2012)	2015/16 TARGET	2017/18 TARGET
FOUNDATIONAL AND CROSSCUTTING ISSUES					
Reduced population growth	Total Fertility Rate (TFR)	Rate	4.6	4	3.4
Enhanced food security and nutrition	Maize and beans existing as food reserve	Metric Tons	15,909	66,909	100,909
Improved education quality and learning outcomes across all levels of education	(a) Pupil: qualified teacher (Primary)	Ratio	62:1	52:1	48:1
	(b) Pupil: qualified teacher (Secondary)	Ratio	34:1	32:1	30:1
Reduced Infant Mortality	Infant Mortality Rate	/000	50 (2010)	28	22
Reduced Maternal Mortality	(a) Births taking place in health facilities (HC+DH)	%	63 (2011)	74	82

EDPRS OUTCOME	OUTCOME INDICATORS	UNIT	BASELINE VALUE (2012)	2015/16 TARGET	2017/18 TARGET
Increased use of modern contraceptives	Contraceptive utilization of modern methods by women in unions aged between 15-49 yrs	Percent	45 (2010)	62	72
Enhanced rule of law, accountability and business competitiveness environment	(a) Adult population with confidence in the Rule of law	Percent	73.3 (2012)	74	> 75
	(c) Adult population with confidence in the control of corruption, transparency and accountability	Percent	77.1 (2012)	78	79
Increased awareness of the benefits of financial services and products	Adult population accessing financial services	Percent	72	80	>85



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