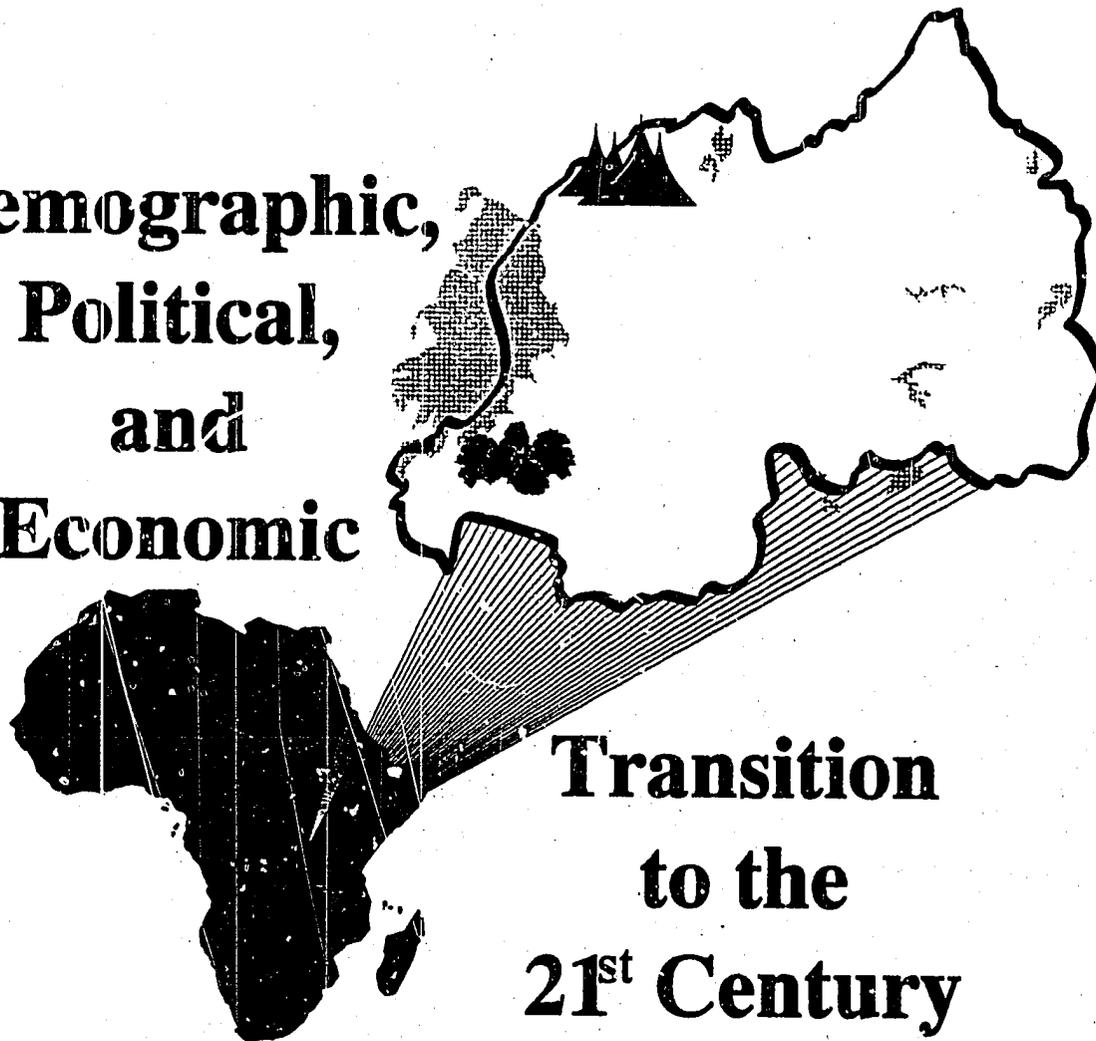


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Country Program Strategic Plan for Rwanda

**Demographic,
Political,
and
Economic**



**Transition
to the
21st Century**

Kigali



May 1992

EXECUTIVE SUMMARY

Background

Rwanda is one of the most densely populated and intensively cultivated countries in the world. It has exceptionally strong rural, subsistence traditions and has only recently begun to experience a shift to off-farm employment. Laying the base for the twenty-first century, the government initiated significant policy reforms - establishing an aggressive population policy calling for a growth rate of 2 percent by 2010, launching a wide reaching economic reform targeted at encouraging private sector investment and employment, and taking dramatic steps to begin a process of democratic liberalization to make the political process responsive to the people of the country. Rwanda is a country in demographic, political, and economic transition as it looks to the twenty-first century. The development challenge is to assist this transition.

Agriculture

Rwanda maintained an exceptional growth rate since independence, based almost entirely on agricultural production. It enjoys very good soils and adequate rainfall distributed between two growing seasons which permit two crops each year. Unfortunately, it has reached the limits of agricultural growth. In the 1980's economic growth in the agricultural sector was negative. The population density has reached a level where there is inadequate land to allow over 90 percent of the people to remain on small subsistence farms. The past was agricultural - - the future is increasingly non-farm production.

The agricultural past was built on an intensive and productive subsistence agriculture. However, the reality of population growth rates over 3 percent has hit home. The average farm size has declined to less than one hectare per household and one quarter of the farm population has less than a half hectare - insufficient to produce adequate food crops for the family. Consumption patterns have changed to cope with the increased population density and there is increasing reliance on more productive root crops as caloric sources. Unfortunately, these lower-quality calories have led to increasing malnutrition in the rural areas. The potential for opening new lands is very limited with 85 percent of the cultivable land already under cultivation. Farm families are beginning to make the shift to off-farm employment with over one fourth of their income coming from off-farm sources. The future will see the trend toward off-farm employment and production accelerate.

Population

Rwanda is snared by the demographic legacy of the 1970's and 1980's. The children produced by the very high birth rates of this period are flowing into the labor force and the land for agricultural employment doesn't exist. The increasingly successful family planning

ion pressure : are cri tury. In modeling development scenarios, it is not possible to define reasonable assumptions for productivity which offer a solution in the absence of an effective family planning program. Reduction of the population growth rate to near 2 percent is essential.

Private Sector

Expansion of the nascent private sector to provide off-farm employment is the only solution for absorbing the rapidly growing labor force. Past efforts have focussed heavily on the large-scale, often parastatal, industries and neglected the medium and smaller-scale industries. Despite this neglect, the services sector, largely medium and smaller-scale industries, managed a growth rate exceeding 4 percent, the fastest growing sector of the Rwandan economy. Approximately a quarter of a million people are employed in the modern sector in Rwanda, a large proportion in the informal sector, and an estimated 40,000 persons will be added to this work force each year. The largest share of the modern sector is occupied with purchasing, processing, and marketing agricultural products or agricultural inputs to serve the predominantly agricultural majority of the population. As the traditional, subsistence way of life on the hills accelerates its transformation into an increasingly commercialized production, these services must expand to keep pace.

Rwanda's overwhelming rural agricultural tradition has resulted in a dearth of private sector support services that are found in most countries. Professional accounting, audit, marketing, or technology services are lacking. Associations of businessmen, both for mutual support and for representing business with government, are just beginning to form. Credit systems are geared primarily to the handful of large firms and parastatals. While government policies are beginning to become more supportive of smaller businessmen, the tax code is archaic and inequitable, licensing restrictions remain onerous for small business, and movement control restricts the flexibility of the labor force. We believe that the Government of Rwanda is prepared to address these key issues and make the private sector the engine of growth for the new century.

Economic and Political Liberalization

The Government of Rwanda has taken dramatic steps toward political liberalization. A long-standing one-party state led by a strong president with wide sweeping powers, in 1990 Rwanda began to modify this political perspective. It legalized opposition parties and encouraged their formation, it permitted the opposition press to flourish, and most recently it established an interim, coalition government to lead the country to open elections at all levels in 1992. We expect that the new coalition government will be effective in negotiating a peace settlement with the invaders in the north and in establishing peace and stability domestically. The process of political liberalization will continue through the coming decade.

The economic reform process, led by a devaluation of the Rwandan Franc, also moved apace over the past year. Import policies have been liberalized, the foreign exchange market has become a transparent system, and import taxes have been standardized. On the other hand, the continuing war in the north has adversely affected the government's performance on the budget. Strict budget controls have not been instituted and a reduction of the government deficit has not been made. Further, the war has inhibited the benefits of the structural adjustment program as investor confidence remains low and imports are stagnant. Rwanda's economy is highly dependent upon regional trade - which the recent instability of the region has greatly constrained. Success of the economic reform program is thus inextricably linked to the political liberalization process and resolution of the regional conflicts.

USAID Response

The USAID Mission defined its response to the constraints and opportunities discussed above in the context of: its manageable interest, the comparative advantages the US has, the significance of potential people-level impacts, and complementarity of other donor and government activities. We defined a program which focuses on family planning, governance, and private sector development.

USAID determined that economic growth in the nascent private sector was the appropriate path for the transition of Rwanda from traditional production systems to modern ones. Achieving this growth requires that USAID address three factors:

- **Decreasing the population growth rate;**
- **Increasing the participation in and transparency of the political system; and**
- **Increasing real income in the private sector.**

The analyses shows that real economic growth is not possible without slowing the rapid rate of population growth. The demographics of the population will already be pouring more workers into the labor force than there are jobs and unless the population growth rate is brought down there is no hope of catching up. The USAID population program will be directly focussed on family planning and reproductive health activities and will build upon our successes in this sector over the past 10 years. Our objective in this portion of the strategy is to increase the use of modern contraceptive methods. We will address both the supply side of the equation and the demand side. On the supply side, private sector family planning programs will be introduced through NGOs, contraceptive social marketing and community-based distribution. Expanding the number of public sector centers will continue and short-term, long-term, and male and female methods will be incorporated. On the demand side, the focus will be on increasing the integration of family planning services into the national primary health care system to increase referrals and benefit from the synergy

menting a new strategy of information, education, and communication to promote the use of family planning. In presenting the family planning and reproductive health message, the relationship between HIV/AIDS prevention and family planning methods will be emphasized.

We are convinced that popular participation in the political process and the increased transparency this brings to government are essential for economic growth. We have chosen to focus on accountability of the government, both in a financial sense and in a political sense. Our objective for this component of the strategy is to increase the accountability of government. Good governance requires reliable financial accountability and well defined financial responsibility. The strategy, therefore, calls for a major effort to improve the budget process and related internal controls of the Government of Rwanda. Good governance also requires that the decision process of government be transparent. Accomplishing this requires that the legislators be made aware of their civic responsibility and that respectable public interest groups take a role alongside the press to keep the populace informed of government actions. Finally, democracy can only be effective with full participation of the population. The strategy calls for the development of grass roots organizations and teaching the population their civic rights and responsibilities. Since democracy is most pure and effective at the level closest to the population, the strategy calls for support to the decentralization effort to put resources as close as possible to the population.

Growth in the private sector is a key component of the strategy. The strategy foresees a heavy emphasis on the medium and smaller-scale enterprises, many of which are in the informal sector. The commercial private sector is very small in Rwanda but we believe it is capable of rapid growth to provide off-farm employment for those people who will be displaced from farming as a result of the land scarcity. Special emphasis will be placed on agro-processing and marketing which have extensive linkages to the 90 percent of the population living in rural areas and will begin to pull them into more commercialized agricultural activities. The strategy also calls for efforts to fill the vacuum in financial and business services for the medium and smaller-scale enterprises to provide the means for these enterprises to grow. In order to accomplish these objectives, the policy dialogue begun in the late 1980's will continue and special emphasis will be placed on developing the services infrastructure necessary for a dynamic medium and smaller enterprise sector such as accounting, audit, marketing, technology transfer, business management, and entrepreneurial training firms. We recognize the importance of assuring that development of the emerging private sector remains sensitive to appropriate protection of natural resources. Therefore, the strategy will continue the work begun in 1989 to develop an appropriate legal and regulatory framework for rational use of natural resources.

These three components, family planning, governance, and private sector, constitute the strategy for assisting Rwanda through the transition to a growing modern economy for the twenty-first century.

The Mission chose two important targets of opportunity to pursue during the strategy period: conserving biodiversity, and reducing the rate of HIV/AIDS transmission. We have several years of experience with biodiversity through the very high profile gorilla protection and high altitude rainforest programs and we believe these should continue. HIV/AIDS infection rates in Rwanda are among the highest in the world and we believe that the United States has a distinct comparative advantage in assisting with a prevention program.

Management

The Mission proposes that this strategy be performance based and that judgments on the size and breadth of the program be made based on successful implementation of the economic and political reform programs. A series of programmatic scenarios are presented to give structure to this decision process. These scenarios call for the program to be reduced to family planning and PVO activities if the reform process is abandoned.

The Mission proposes an ambitious design schedule for 1993 and 1994 to put the major pieces of the strategy on line early in the strategy period. We believe that the needs are urgent and that the transition has already begun. We need to be ready with our support for the process.

The Mission will make some adjustment in its staff utilization to implement the new strategy, particularly the increased emphasis on the private sector and decreased emphasis on agricultural production. We anticipate utilizing current staff in revised positions to meet most of these needs.

The largest single constraint to successful implementation of the strategy is a dearth of USDH staff. The program has grown from approximately \$5 million in development assistance through the 1980's to \$20 million at present, with almost no increase in staffing levels. Recent audit reports and the internal control assessment indicate significant vulnerability on financial controls in projects. The analytical abilities of the Mission are severely constrained by the lack of a program economist. Finally, there is an overall lack of depth in the Mission particularly in the controller's office where we have been without any USDH for the past six months. Additional staff was requested with full support of the Ambassador, the Africa Bureau, and the Africa Bureau of the State Department but the request was refused by the Under-Secretary for Management. The Mission is exploring contract possibilities to meet a portion of the needs. However, there are many tasks that must be performed by USDH staff and we are reaching the limit of our ability to cope.

Given adequate staff resources, we believe the proposed strategy is within our manageable interest, emphasizes the strengths of the United States, compliments other donor programs, and will have significant people level impacts. It will help Rwanda make the demographic, political, and economic transition to the twenty-first century.

Rwanda

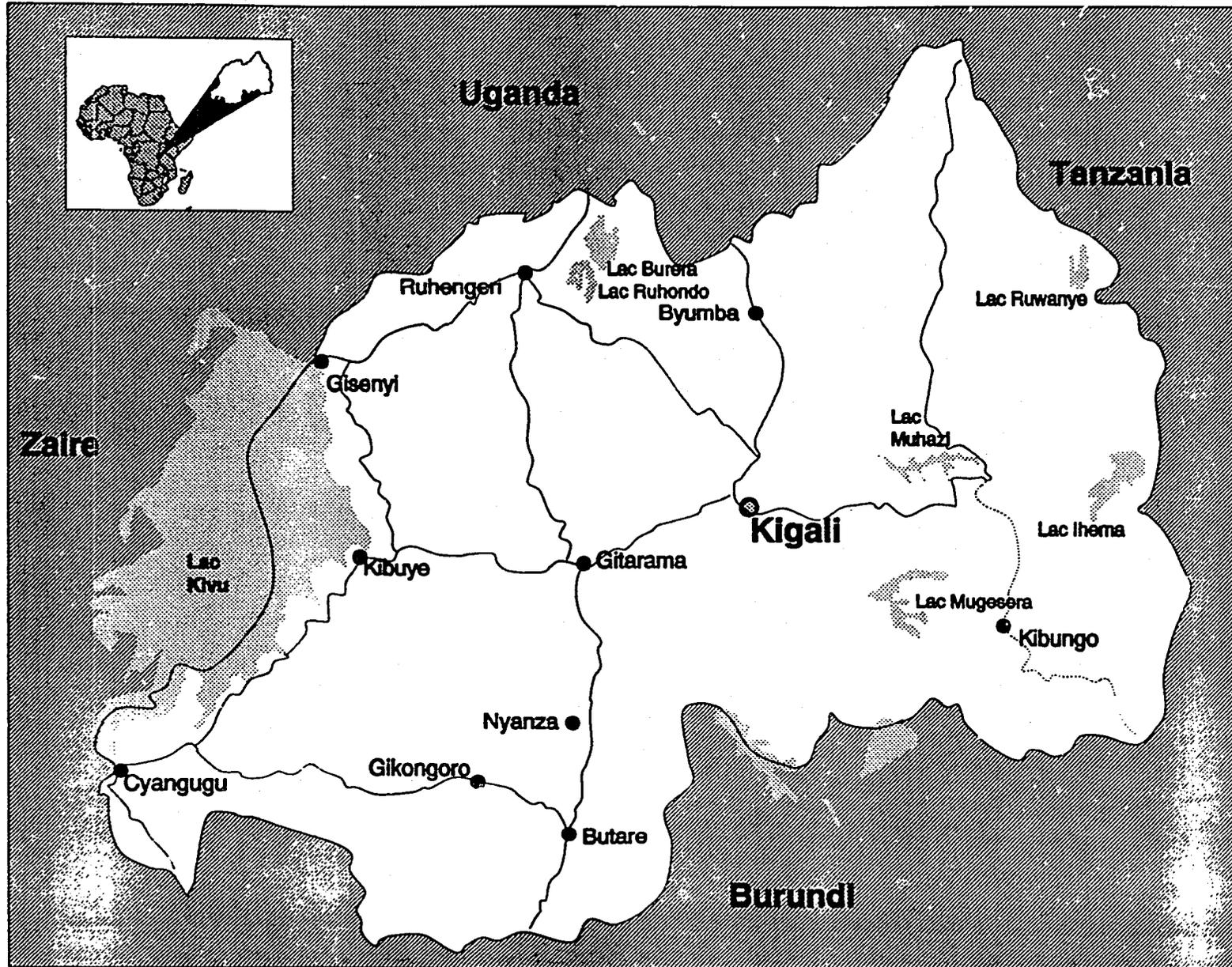


Table of Contents

Executive Summary	i
Map	vi
Table of Contents	vii
Key Data	ix
Acronyms	x
I The Rwandan Economic and Political Environment.....	1
Summary.....	1
Physical	2
Social	3
Demographics	4
Physical Quality of Life	5
Macro-Economic Overview.....	7
Structure of the Economy	10
Agriculture	12
The Non-Farm Sectors.....	18
Private versus Public Sector	21
Formal vs Informal Sector	22
Political Dimensions	23
US Interests.....	24
II Constraints and Opportunities for Sustainable Development	25
Summary.....	25
Population & Health	27
Natural Resources & Agriculture	28
Off-farm Private Sector.....	29
The Enabling Environment.....	30
III Other Donor Activities	32
IV Lessons from the Rwandan Experience	34
Summary.....	34
Population and Health	35
Agriculture	35
Natural Resources.....	36
Private Sector	37
Policy	37
Local Non-Governmental Institutions.....	38
Management.....	38
V Program Logical Framework	39
Summary.....	39
Goal - Increase Participatory Economic Growth	40
Component 1 - Population.....	41
Component 2 - Governance.....	44
Component 3 - Private Sector.....	46
Targets of Opportunity	49
Program Implications.....	50
Strategic Scenarios	51

Summary.....	53
Program Management	53
Staffing.....	54
Monitoring, Evaluation, and Reporting.....	56

Annexes

I	Program Objective Trees.....	I 1-4
II	Preliminary Program Impact Indicators	II 1-4
III	Strategic Choices	III 1
IV	Macroeconomic Data Table.....	IV 1
V	Bibliography.....	V 1-5

List of Tables

Selected Economic Indicators.....	7
Structure and Growth of Production.....	10
Farm Size.....	12
Land Use.....	13
Marketed and Subsistence Production	14
Indices of Crop Production.....	16
Farm Labor Off-Farm.....	16
Types of Off-Farm Employment	17
Employment On and Off-farm.....	18
Public & Private Sector Contributions to GDP	22
Donor Programs	32
Program Implications.....	51
Strategic Scenarios.....	52
USDH Staff	55

Rwanda

Some Key Data

Physical

Surface Area.....	2.6 million ha
Parks & Reserves.....	450,000 ha
Cultivable Area.....	1.4 million ha
Cultivated Area	1.2 million ha
Average Altitude.....	5,000 ft
Average Rainfall	30 in

Demographics

Population (1991).....	7.2 million
Pop Growth Rate.....	3.1%
Pop Density.....	708 persons per sq mi
.....	6 persons per cult ha
Pop. in Agric.....	93%
Ave. Farm Family Size.....	5-6 persons

Economy

GDP (1989).....	\$2.2 Billion
GDP per Capita (1989).....	\$318
Share of GDP in Agriculture (1989).....	37%
Growth Rate (1980-89).....	1.5%
Agriculture	-1.4%
Industry	1.6%
Manufacturing.....	1.3%
Services	4.7%

Finance

Total Government Expenditures (1991).....	35.5 Billion RF
Expend as % of GDP.....	17.8 %
% of expend for Defense	37 %
% of expend for Social Services	22 %
% of expend for Economic Services	23.2 %
Budget Deficit (1991).....	10.5 Billion RF
Inflation Rate (1991).....	15 %

Social Factors

Health

Life Expectancy at birth (1989).....	49 yrs
Infant Mortality (1989)	118/1000
Daily Calorie Supply (1988).....	1,786 Calories

Education

Literacy - total (1985)	47%
Literacy - female (1985)	33%
Primary Enrollment - total (1988)	64%
Primary Enrollment - female (1988)	66%
Secondary Enrollment - total (1988)	6%
Secondary Enrollment - female (1988)	5%
Higher Education Enrollment (1988).....	<0.1%

ACRONYMS

AEPRP	-	Africa Economic Policy Reform Program
AIDS	-	Acquired Immune Deficiency Syndrome
ARTS	-	Analysis of Reform and Technical Services Project
CLUSA	-	Cooperative League of the USA
DFA	-	Development Fund for Africa
DHS	-	Demographic and Health Survey
DIG	-	Democratic Initiatives and Governance Project
EEC	-	European Economic Community
FAO	-	Food and Agriculture Organization
FSN	-	Foreign Service National
GDP	-	Gross Domestic Product
GNP	-	Gross National Product
GOR	-	Government of Rwanda
HIV	-	Human Immuno-deficiency Virus
HRDA	-	Human Resources Development Assistance Project
IBRD	-	International Bank for Reconstruction and Development
IEC	-	Information, Education and Communication
IMF	-	International Monetary Fund
MAPS	-	Manual for Action in the Private Sector
MCH/FP	-	Maternal Child Health/Family Planning
NGO	-	Non-Governmental Organization
ODA	-	Overseas Development Agency
ONAPO	-	National Population Office
PRIME	-	Policy Reforms in Manufacturing and Employment
PRISM	-	Performance Information System for Strategic Management
PVO	-	Private Voluntary Organization
RIM	-	Rwanda Integrated Maternal Child Health/Family Planning Project
SME	-	Small to Medium Enterprise
STD	-	Sexually Transmitted Disease
UNDP	-	United Nations Development Program
UNFPA	-	United Nations Population Fund
UNICEF	-	United Nations Children's Fund
USDH	-	U.S. Direct Hire
USG	-	United States Government
USIS	-	United States Information Service
WFP	-	World Food Program
WHO	-	World Health Organization

CPSP

USAID/Rwanda

I THE RWANDAN ECONOMIC AND POLITICAL ENVIRONMENT

Summary

Rwanda is unique in Africa with its small size and its dense population. Nevertheless, Rwanda grew steadily and rapidly from independence in 1962 to the mid-1980s when it slipped into a continuing economic and financial crisis. In economic terms, it grew at rates well above those observed throughout much of Africa and at rates greater than population growth. With no readily apparent natural resources, Rwanda grew on the back of agricultural crop production. Its primarily subsistence farmers adapted to the growing land pressures by bringing more land into cultivation, by cultivating more intensively, and by altering their cropping and consumption patterns. It earned its hard currency from coffee and tea. Relative to its immediate neighbors, it was politically and economically stable, and thus served as a platform for regional economic activities, almost entirely through informal channels.

The economic downturn, continually increasing population pressures, and - most recently - security problems have placed considerable stress on the Rwandans. Per capita incomes by the end of 1991 were below levels attained 10 years earlier. Farmers are already cultivating 85 percent of the total cultivable area. Agricultural Rwandans are looking for employment in non-farm activities to supplement their incomes. A growing percentage of farms have become too small to produce enough to meet the household's needs and very little land is available for new exploitation. The youth on the farms recognize that many will be forced to seek employment off the farm. In confronting the continuing economic crisis, the government launched a comprehensive structural adjustment program in late 1990. However, the armed incursions in the north and related domestic security problems have lowered economic confidence to the point that the benefits of structural adjustment have not been realized despite the high price paid. Domestic pressures led to the government initiating a political reform process, which has continued despite rebel incursions. The free press and significant political activism pushed the government into a multi-party coalition. Indeed, Rwanda today is in full transition to the twenty-first century.

Physical

Rwanda does not have readily apparent assets, such as minerals, oil or unexploited agricultural areas, that could easily finance a high rate of economic growth. The absence of such assets, its small size, long distance from ocean ports, and high population density present a somber picture of Rwanda's prospects for rapid growth.

Rwanda is Africa's fourth smallest country (only 10,169 sq. miles, roughly the size of Maryland) and often has been called "the Switzerland of Africa" to invoke the image of a small, mountainous, high-altitude country. More correctly, Rwanda is universally hilly, with an average altitude of approximately one mile. The hills are characterized by steep slopes, flat ridges, and numerous small mountain streams. In turn, the hills are intersected by deep valleys with marshy wetlands at the bottom.

Its greatest natural resource is the relatively high quality of its land. Roughly 65 percent of Rwanda's land has been concluded to be "good to excellent" for agricultural crop production. Rainfall is considered to be sufficient for agricultural purposes, with the key being its timely distribution rather than its total quantity per year. There are two rainy seasons (February-May and September-December) which permits two harvests in most parts of the country. Except for in the east where the tsetse fly is found, Rwanda is also very conducive to animal production.

Land has become a fixed resource in Rwanda. There are no new significant undeveloped or unexploited land areas that can be easily brought into agricultural production. Significantly, roughly one-fifth of Rwanda's land area has been set aside by the Government as national parks and reserves. Two parks, Nyungwe Forest and Volcanos Park, are important as regional watersheds and as sources of biological diversity, both plant and animal. The largest park, Akagera Park, with poor soils and tsetse fly infestation, is a game park of limited value for crop or livestock production. Altering the current proportion of cropland to national parks and reserves must be weighed against the long-term environmental impact. The potential impact also extends to areas in neighboring countries which derive benefits from the reserves and watersheds.

Except for its land, Rwanda has few exploitable natural resources, such as minerals, oil, or timber reserves. Exploitation of the few mineral resources has been hampered by the high cost of exporting goods to developed countries (roughly \$300 per ton to

Europe in 1990/91). Rwanda's primary source of energy is wood. There is some hydro-electrical production (a low 4.1 kilowatts per 1,000 people), but no petroleum production or processing. Trucks bring all petrol, oil and lubricants from ocean ports, the nearest being 750 miles (1,200 km) away. Rwanda's one potential natural resource is also controversial: the dissolved methane gas at the bottom of Lake Kivu. While the environmental implications of pumping the methane out of the lake remain unclear, the government continues to do so and, with support from several donors, has started another major effort to use the methane to fuel factories along the lake.

Social

An increasing share of farm households is unable to meet their needs from farm production and are forced to seek off-farm activities. The traditional pattern of an isolated and independent farming existence is changing. While generally seen as lagging behind much of Africa, rural Rwandans are becoming ever more integrated into the monetized economy.

Two social features continue to have lingering effects on the current environment for development. Firstly, Rwanda has neither villages, nor their corresponding organizational structures, as are commonly found in Africa. Rwandans do not have the tradition of marketing and commerce as is seen throughout West Africa. Nearly all rural families live in self-contained farm compounds. The relentlessly hilly terrain has been noted as a factor which induced this decentralized and self-reliant pattern. Isolationist tendencies encouraged families to be self-sufficient, and served to slow the integration of rural Rwandans into the monetized market economy. Not surprisingly, Rwandan social structures are based on the dominance of the family as a governing unit. Within the family unit, the precedence is patrilineal. Thus, if a farm's land is to be divided, it is allocated among the family's males.

Secondly, Rwanda still feels the ill-effects of its long-abolished, ethnic-based (Tutsi-Hutu) caste system. The area's indigenous population consists of three ethnic groups. The Hutu, about 85 percent, are originally farmers of Bantu origin. The Tutsis, who comprise roughly 14 percent of the population, are originally a pastoral people of Nilotic origin, who migrated to the region some 500 years ago. The Twa (1 percent) are considered to be the remnants of the very earliest settlers of the region. While there was some social mobility between the groups, particularly Tutsis and Hutus, the general pattern was that Tutsis herders dominated the Hutu farmers in a relationship

similar to that which existed between lords and serfs during medieval times. However, in 1959, with the support of Belgium, the Hutus rose against the Tutsis and took control of the administrative structures. By independence in 1962, the new Hutu power structure was firmly entrenched. Serious violence accompanied this reversal in power and resulted in massive out-migrations of Tutsis to Uganda and Zaire. Tensions continued over the years with sporadic flare-ups, but relative to such tensions in neighboring countries, they had not been socially or economically disruptive. This all changed in October 1990, when rebels, many of whom are of Tutsi origin and based in Uganda, invaded the northeast portion of the country. This continuing undeclared war is the most serious threat to Rwanda's social and economic stability since independence.

Ethnic tension has been noted as a contributing factor explaining the slow growth of the indigenous non-farm private sector. With Hutus controlling government, the broad pattern was that Hutus found employment in government and public enterprises while Tutsis were largely left to find employment in what remains, the private sector. Thus, private sector entrepreneurs carried a social stigma and operated under suspicion of being exploiters. In recent years, however, this stigma has faded as new entrants into the labor force are finding their prospects for productive lives as farmers are increasingly limited. Therefore the ethnic composition of the private sector is becoming more balanced.

A new social order is emerging as economic and land pressures force changes in the way of life on the hillsides. The newly liberalized political system is encouraging these changes and we see social structures in a period of transition.

Demographics

The population growth rate is now estimated 3.06 percent per annum, based on the just-released preliminary data from the 1991 national census. This rate is a major revision downward from the previous estimate of 3.6 percent, which was based on the 1978 census and the 1983 World Fertility Survey. The 1991 census estimates a total population of 7.2 million. Since the 1991 census is so recent and the overall population figure is significantly lower than what was expected, officially revised demographic data will not become available until late 1992. Current estimates indicate that the hypothetical average Rwandan female will bear 8.4 children. Even though the growth rate has been revised from being "very high" to "high," the

pressure towards an accelerating population growth rate continues due to Rwanda's gender composition and age distribution. There are more females than males and more children than active adults. Consequently, each year an increasing number of females enter the age of reproduction and, in the absence of population programs, the population growth rate would increase each year.

The high growth rate further exacerbates Rwanda's already extremely high population density. Averaging approximately 385 people per square kilometer of cultivated land, with some areas exceeding 450 persons, it is second only to Bangladesh among the predominantly agricultural countries of the world. Over five rural people are dependent upon each hectare of cultivated land. The population density figures are all the more striking when realizing that 93 percent of all Rwandans (6.7 million people) live in rural areas in small, largely self-contained farming homesteads. Only 400,000 Rwandans are classified as living in urban areas. A number of reports, such as USAID's SIP, argue that the small absolute size of Rwanda's towns, including the capital Kigali, and the early stage of Rwanda's development make the rural-urban distinction much less meaningful.

The role of religion has often been noted as a factor in keeping the population growth rate high. Christians, two-thirds of whom are Catholic, comprise three quarters of the population with animists accounting for the bulk of the remainder. However, all Rwandans, regardless of their religious preferences, are becoming acutely aware of the impact the growing population on their livelihoods.

Rwanda is in the midst of a demographic transition. The growth rate is beginning to drop, average family size is getting smaller, the desired family size is beginning to moderate, and family planning programs are accelerating. However, the dynamics of the population pyramid dictate that the inexorable growth of population will continue for the immediate future.

Physical Quality of Life

UNDP's Index of Human Development, which is based on life expectancy, literacy, and per capita income, ranks Rwanda at 109. While higher than neighboring Burundi (119) or Zaire (110), Rwanda is lower than Uganda (102), which is still recovering from its years of devastating internal strife. The low level of the current index demonstrates that the substantial and sustained economic growth of the 1960s and 1970s was

insufficient to overcome the fact that Rwanda started from a very low base. It still has very long way to go to reach a desirable quality of life.

Overall health in Rwanda remains poor, mirroring the grim demographic figures. The hilly terrain, and the lack of villages and market centers, combine with a low government priority on health to limit access to health care. Only 27 percent of Rwandans live within a one-hour walk of a health center. Estimates of those using either a public or private health system range between 40 percent and 60 percent. Life expectancy is a low 49 years (50.0 for men and 48.5 for women). Infant mortality is very high at 119/1000. One in five children die before the age of five.

Chronic malnutrition (weight for age) and stunting (height for age) are widely prevalent. One USAID-supported study found that about 30 percent of children in several age groups were either moderately or severely malnourished. The reasons for malnutrition remain unclear, as evidenced by the conflicting data and reports. Low birth weights, increasing reliance on low quality calorie sources and lack of knowledge concerning good nutrition are all factors. Malnutrition does not appear to be correlated with household income. Data from the most recent budget and consumption survey revealed malnutrition to be equally prevalent in high-income rural households in agriculturally-fertile areas and in low-income agriculturally poor areas. Therefore addressing this important issue appears to require a long term nutrition education program as opposed to a targeted feeding program.

Further adding to the dismal picture are estimates of average caloric intake. According to FAO, Rwandans consume only 1,786 calories per day, which is only 80 percent of its recommended minimum daily intake. Domestic per capita food production has declined during the 1980s. Caloric consumption is low, but probably not as low as suggested by the official statistics. Data collection efforts still do not monitor regional movements of food by the informal sector, although the available studies indicate it is very important.

Rwanda's trained human resource base is small. The 1978 census revealed that out of 2.6 million workers, 32 percent had at least a primary education, but only 2.3 percent had a secondary education or beyond. In absolute terms, the implication is more striking: In 1978, only 61,500 Rwandans had a high school education. The literacy rate in Rwanda is 47 percent, but clearly biased against females, whose level of literacy is only 33 percent. Closely linked to literacy is education. Rwanda has performed respectably at the primary level. Roughly 64 percent of the eligible children

were in primary school in 1988, up from 59 percent in 1980. The equity of the system has also improved. In 1965, there were only 69 females per 100 males, but by 1986, there were 97 females per 100 males. Unfortunately, Rwanda has not been as successful in the areas of secondary education. Only 6 percent of the relevant age group are in secondary school.

Macro-Economic Overview

In the 1960's and 1970's, Rwanda pursued prudent financial policies which resulted in sustained growth in per capita income, low inflation rates, and one of the lowest levels of external indebtedness in Africa. However, in the 1980's the government responded to external shocks and the collapse of coffee prices on the world market by increasing controls over the economy instead of adjusting to the new external environment and maintaining the competitiveness of the economy. A decade of interventionist policies led to an adverse environment for the efficient use of resources, discouraged the development of the private sector, and did not prevent a decline in per capita income. Nevertheless, Rwanda's debt service burden remains light, with a debt service ratio of 17.4 percent, projected to decline to 10 percent by the year 2000. Table 1 below provides a summary of leading economic indicators and a more complete table is provided in annex IV.

	1980-85	1986-89	1990	1991
Growth Rates				
GDP	2.9	-0.2	-1.2	-2.9
GDP per capita	-7	-3.8	-4.8	-6.5
Consumption per capita	-2.6	-4.8	-9.5	-10.5
CPI	6.6	0.9	9.1	15.0
Imports of goods (1985 US\$)	9.2	-1.5	-22.2	8.9
Export of goods (1985 US \$)	1.6	0.9	33.3	-5.5
	1980	1985	1990	1991
Ratios to GDP				
Gross Investment	16.1	17.3	11.6	13.2
National Savings	4.0	14.7	2.5	-0.5
Government Revenue (including all grants)	13.4	15.0	15.9	20.7
Total Government expenditures	11.6	18.7	24.9	28.1
Overall Deficit (-)				
(including capital grants)	1.8	-3.7	-10.3	-11.0
(excluding all grants)	0.8	-6.5	-12.6	-14.8
Current Account	-13.4	-10.3	-11.1	-13.0
Debt Service Ratio (%)	4.7	7.5	17.4	20.4
Exports GNFS/Imp GNFS (%)	51.7	48.0	38.7	37.0

Source - WB Mission Feb, 1992

In 1990 two, almost simultaneous, events changed the entire character of the economy. The government decided to break with past economic policies and initiate a structural adjustment program, and rebels invaded the country from Uganda. In late 1990 (literally in the midst of the invasion) the government implemented some of the most important and politically difficult reform measures:

- Devalued the Rwandan Franc by 40 percent;
- Increased the interest rate on one year deposits from 6 to 12 percent;
- Increased the maximum lending interest rate from 12 to 19 percent;
- Increased petroleum prices by 79 percent on average;
- Established minimum import duties of 10 percent and a maximum rate of 100 percent; and
- Nearly doubled the sales tax rate.

In 1991, despite the continuing war in the north, the government implemented additional key measures under the structural adjustment program:

- Liberalization of the foreign exchange allocation system;
- Elimination of all export taxes except coffee;
- Elimination of import prohibitions designed to protect local industry;
- Elimination of import quotas;
- Adoption of a simplified tariff structure;
- Virtual abolition of controls on profit margins and prices;
- Elimination of legislation requiring government approval to start a private business; and
- 50% increase in water and electricity rates.

The economy has not responded to these dramatic steps to encourage private investment and liberalize trade. The war and internal political stresses have lowered investor confidence and led to a "wait and see" attitude. Internal transport has been

disrupted by security measures and roadblocks, and external trade has been routed away from the least expensive and most convenient northern corridor. Furthermore, the costs of increasing the military forces at least four fold and continuing to fight against the rebels has drained the government coffers and led to increasing budget deficits. Military outlays, which had averaged only 2 percent of GDP during the decade prior to the invasion, reached 4.5 percent of GDP in 1990 and 7 percent in 1991. This amounts to over one third of the government budget and, as a result, development spending, outside of external grant funds, has declined significantly with the social programs being particularly hard hit.

The inflation rate increased to 9 percent in 1990 and to 15 percent in 1991, largely due to the major devaluation. Towards the end of 1991 and early 1992, the inflation rate seems to be decelerating to about 10 percent and it is expected to decline further during the coming year. The costs of structural adjustment are being felt across the entire population with higher fuel prices increasing the prices of all traded goods, and the devaluation leading to higher prices for many of the key items in rural areas (school books, medicines, etc.) as well as for urban consumers.

The balance of payments situation has also been negatively affected. Export earnings declined by 6.7 percent in 1991, mainly reflecting tumbling coffee prices, the primary export. Despite continued low civilian imports, overall imports increased by 10.5 percent in 1991 due to increased military imports. The resource gap for 1991 increased to 12.9 percent of GDP compared with 7.9 percent in 1990. However, higher than expected capital flows rebuilt net reserves from virtually zero at the end of 1990 to \$101.5 million or 3.8 months of imports at the end of 1991.

In sum, the macro-economic picture is bleak despite the dramatic progress on structural adjustment. Reaching a peace agreement and halting the budget hemorrhage caused by heavy military expenditures is essential for the adjustment program to begin having positive impacts. Domestic security and political stability, through the democratic process which has been initiated, is also an essential component to restore investor confidence and restart the economy. The appropriate economic steps have been taken -- the complimentary political steps are now needed to accomplish the economic transition.

Structure of the Economy

As in most developing countries, the composition of the economy, as measured by share of GDP, has been shifting out of agriculture (Table 2). As a group, the non-farm sectors grew rapidly, between 3 percent and 5 percent per year in real terms during 1980-87. Between 1987 and 1989, their combined growth rate slowed but remained over 3 percent per year while agriculture declined.

Sector	Share of GDP			Annual growth	
	1965	1938	1989	1965-1980	1980-1989
GDP	100	100	100	4.9	1.5
Agriculture	75	38	37	--	-1.4
Industry	7	22	23	--	1.6
(manufacturing)	(2)	(15)	(15)	--	1.3
Services, etc.	18	40	41	--	4.7

Source: adapted from WB WDR -1991

The structure of the Rwandan economy is clearly in transition from the traditional agricultural base to a more commercialized structure. Each sector is changing and the dynamic of this change is the key to understanding the economy. Three themes emerge repeatedly in analyses of Rwanda's economy, regardless of the sector or sub-sector focused upon. They are:

- the very low level of technology and entrepreneurial skills;
- the beginnings of economic diversification forced by the pressure of population growth; and
- the dependence of Rwanda on regional trade linkages.

The following sectoral analyses will explore the first two themes in detail. The third theme, the dependence on regional trade, deserves special attention in a more general sense.

Rwanda has traditionally been a hub of regional trade, especially serving eastern Zaire. Much of its small manufacturing sector serves markets in Zaire. Cross-border trade in foodstuffs has been the food security buffer with flows of food, almost entirely through informal channels, meeting food needs in Zaire, Uganda, Burundi and Rwanda. Survey data suggest that extensive trade in staple foods such as sweet potatoes,

white potatoes, and beans serves to let each of the countries produce those crops where they have a comparative advantage.

Trade with neighboring countries is generally viewed to be significantly under reported. The 1991 World Bank agricultural assessment noted that no data on unofficial imports from its neighbors are available or reported in the official statistics. Yet crop-specific studies support the widely-held perception that regional trade is very important. For example, in 1986 -- considered to be a fairly good crop year -- roughly 50 percent of all beans and sorghum sold were imported. During the 1989 crop failure, the government re-opened the border and permitted bean imports. Within several months beans prices had dropped back to their historical levels. Similarly, Rwanda has been periodically charged with exporting more coffee than it produced, with the surplus coming from Uganda and Zaire.

USAID rapid appraisals with businesses convey the same sense of under-accounting. Of the larger importers and manufacturers surveyed, all indicated that exports or re-exports accounted for between 20 percent and 40 percent of their business. While few engaged directly in exporting, many noted the high proportion of their sales were to businesses located in the border towns of Cyangugu, Gisenyi, and Ruhengeri (before the war). Others carried specific product lines targeted to regional markets (e.g., Dutch batiks and small hammer mills for the eastern Zaire).

A second critical aspect of regional trade is the imported materials and major official exports which must transit either Uganda and Kenya or Tanzania to reach the ocean ports. This transit of goods is risky, expensive, and time consuming. Unfortunately, it is beyond Rwanda's ability to have much control over these tenuous routes to the world markets.

Thus the importance of regional trade to all the sectors is seen in anecdotal evidence but is not fully documented in official trade statistics. The unrest in the region has severely constrained the regional trade and made the world trade routes more difficult. The lack of infrastructure along the world trade routes complicate development of the modern sector. However, Rwanda's efforts to change these situations must be limited to continued negotiations with its neighbors.

Agriculture

Rwanda is predominantly agricultural and agriculture is overwhelmingly traditional and small farm. While the agricultural share of GDP has been in steady decline, the sector provides the primary livelihood for 90 percent of the population. The very high population density and social preferences have resulted in a fairly homogenous rural population in terms of farm size, income distribution, and ethnicity. Nearly 60 percent of all farm families (roughly 5 or 6 per family) live on less than one hectare of land (see table 3). In the most densely populated and highly fertile soil areas of the central plateau, along Lake Kivu and in the belt of volcanic soils, average farm size is less than one-half a hectare. Land is more equally divided than most countries, although signs of "large" land owners (5 or more hectares) and landless classes are emerging.

Size of Landholding	Distribution of Households	Total
less than 0.5 hectares	25.7%	
0.5 to 1.0 hectares	31.9%	57.6%
1.0 to 2.0 hectares	24.6%	
2.0 or more hectares	17.8%	42.4%
TOTAL	100.0%	100%

Sources: DSA 1990, 1991.

Land tenure is not a priority issue for most farmers. The government maintains the right of eminent domain. However, in practice, most landholdings are governed by a combination of traditional law and modern regulations. Landholders have usufruct rights to continuously cultivated land and most cultivated land can be passed on to the male heirs. The exception to this is the wetlands. These potentially very productive but ecologically fragile lowlands, which account for eight percent of cultivated land, are more closely controlled by the government.

Several farming systems have been identified. Nevertheless, certain common features remain. The average farm has about one hectare, but it is scattered between five or six plots. Families have plots on the middle slope of hillsides, in a valley marsh, and, increasingly, on hill crests. Production is primarily foodcrops for self-consumption. Hill crests, which tend to be poorer soils (highly acidic or aluminum toxic), also serve as pasture. As Table 4 shows, farmers have been increasing land in crops by reducing land in pasture and in forests. Pasture areas, other than those which are not completely infertile, are disappearing. The cattle population is also believed to be

decreasing as small livestock (primarily poultry and goats) are increasing. Today, less than one-third of farm families own cattle.

Use	1965	1980	1987
Cropland	26%	40%	45.0%
Food crops	--	--	42.4%
Export crops	--	--	2.6%
Pasture	34%	19%	16.0%
Forest	23%	21%	20.0%
Other	17%	20%	19.0%

Source: adapted from WB 1991

Production technologies are primitive: the hoe, pick, machete, and women's backs. Studies of farm labor since the 1950s show that women work much more than men. Both work in the fields, but with some degree of specialization. Men largely control the cash crops and cattle; women, the food crops and small stock. Attempts to maintain soil fertility include extensive use of manure. Fallowing has virtually disappeared from all but the largest farms. Anti-erosion and reforestation measures have been introduced with some degree of success. There is no use of animal traction and the use of modern inputs is, for all intents and purposes, nonexistent. An extensive World Bank review in 1991 concluded that techniques for applying modern inputs in Rwanda are still at very early stages of development, and that research to date has succeeded in developing only a few improved varieties of traditional food crops that are more productive and resistant than local varieties. Fertilizer is used almost exclusively on tea and on donor-funded projects. Similarly, pesticides are largely limited to coffee production. Yields are low, but typical of those obtained with traditional labor-intensive cultivation.

Basic cropping mixes vary by climatic zone. Traditional staples are beans, sweet potatoes, cassava, sorghum, beer bananas and edible bananas. Research on cropping patterns shows farmers give priority to self-consumed food crops. Where farms are small, the tendency has been to substitute tuber production for cereals and peas -- a method of coping with the given land and technology. Tubers provide more calories and are less subject to crop failure. Unfortunately, Rwandans' diets appear to be losing variety, a factor causing malnutrition rates to rise. Cash crops have traditionally been bananas and sorghum for beer plus export crops. However, subsistence crops, such as Irish potatoes, beans, and sorghum are becoming increasingly important as "cash" and "export" crops. Home-brewed beer remains the largest cash output produced on the farm. Coffee is grown by half of all farms. Tea is grown, but to a far

smaller degree. Very few farms specialize, in spite of indications that specialization would lead to higher incomes.

The marketing of agricultural production still consists primarily of exchanges of products in the rural areas. However, growing urban and semi-urban population and regional specialization in some products such as potatoes and cooking bananas have expanded market potentials in Rwanda. Nonetheless, the volume of the food crops marketed compared with national production is relatively small, and the markets are thin, given that more than half the national food crop production is still self-consumed. (see Table 5).

	Total Production			Marketed Production			Subsistence Production		
	Quantity Tons	Value 000 RF	%	Quantity Tons	Value 000 RF	%	Quantity Tons	Value 000 RF	
Bananas	2,265,699	29,454,087	66	1,495,361	19,439,693	34	770,338	10,016,394	
Beans	270,972	7,587,216	28	70,453	1,972,684	74	220,519	6,174,532	
Peas	20,148	826,068	28	5,641	231,281	72	14,057	594,787	
Groundnuts	17,213	1,618,022	48	8,262	776,628	52	8,951	841,394	
Soybeans	5,697	199,395	42	2,393	83,755	58	3,304	115,640	
Sorghum	193,197	4,829,925	44	85,007	2,125,175	56	108,190	2,704,750	
Maize	89,590	1,702,210	28	25,085	476,615	72	64,505	1,225,595	
Alfalfa	599	23,260	28	168	6,720	72	431	17,240	
Wheat	5,504	192,640	45	2,477	86,659	55	3,027	105,945	
Rice	8,440	211,000	80	6,752	163,800	20	1,688	42,200	
Potato	892,890	88,928,900	30	267,867	2,678,670	70	625,023	6,250,230	
Sweet Potato	268,668	3,761,352	46	123,587	1,730,218	54	145,081	2,031,134	
Manioc	469,562	7,512,992	47	220,674	3,531,104	53	248,868	3,961,888	
Colocase	41,369	620,535	34	14,066	210,990	66	27,304	409,560	
Yam	6,530	124,070	27	1,763	33,497	73	4,767	90,573	
Total	4,556,105	71,493,582	51	2,309,975	35,552,525	49	2,246,130	34,039,847	

Source DSA 1986 and IBRD 1991

As seen in Table 5 the share of marketed output is significant for some crops, notably bananas. Furthermore the value of marketed production is significant at over 35 billion Rwandan Francs.

The prices of food crop products are characterized by seasonal and geographical fluctuations. The seasonal variations are due to both the difficulty of storing many of the crops as well as the normal demands for cash to repay short-term debts at the time of harvest. The geographic variation generally reflects the differences in transport costs, although in some cases the thinness of the market seems to amplify the expected variation.

The food market has, for the most part, been in the hands of private traders. A recent World Bank study concluded that there were nearly 10,000 merchants, most involved in some aspect of the food trade. Over 8,500 of these were retail merchants and two thirds of them were located outside Kigali. This plethora of small merchants is the backbone of the agriculture trading system.

Rwanda has a long history of government intervention in the food crop market. At various points in the past, the government used fixed prices, transportation taxes, margin limitations, taxation of the commercial sector, direct market intervention by parastatals, promotion of marketing cooperatives, and limits on trade with neighboring countries to try and control the markets. However, in 1991, the government relaxed their constraints and the market for most commodities is operating relatively freely.

Coffee, with over 60 percent of total exports, and tea, with one sixth of total merchandise exports, are the keys to hard currency earnings in Rwanda. The government predominates in the marketing of these two critical crops with parastatal agencies undertaking nearly all the marketing of coffee and a large portion of the marketing of tea.

In light of the low technology utilized in Rwandan agriculture, the distribution of agricultural inputs remains at a pre-market stage. The demand for agricultural inputs has not reached a level where a market has developed. The majority of inputs are currently provided either through government parastatals for export crops or through donor rural development projects. However, the burden of distributing inputs cannot be absorbed indefinitely by the government and donors. As the intensification of agriculture continues and a greater demand for inputs builds, the same commercial private sector operators as now provide the marketing of production will have to be brought into the input marketing process.

Agricultural production expanded substantially in the 1960s and 1970s, with per capita caloric production having increased by some 23 percent. By the end of the 1980s, however, per capita caloric production declined to the levels of the 1960s (see Table 6). If Rwanda's farm families had not substituted production from cereals and legumes to tubers, experts generally believe that per capita caloric production today would have been even lower.

	1965-67	1975-77	1980-82	1983-85	1986-88
Food Crops	100	159	204	207	198
Export Crops (a)	100	184	262	313	388
Population	100	137	162	178	197
Calories (per person per day)	100	115	122	115	98

(a) Impressive growth aided by the very low base in 1965-67.

Source: adapted from WB 1991.

Increasingly unable to be self-sufficient in food production, farm families are seeking off-farm employment to supplement income. By some estimates, nearly one-third of all farms are too small to feed an average-sized family. Forty-six percent of all farm families have some off-farm employment. Off-farm revenue now accounts for an average of 16 percent of the total income of farm households. In poorer families, off-farm revenue already accounts for 30 percent of total household income. Roughly 28 percent of an average farm household's labor, which was defined to include all family members between the age of 15 and 64, is devoted to off-farm activities (Table 7). This amounts to about 124 days per year per family.

Size of Landholding	Percent of Household Labor to Off-farm Activities
less than 0.5 hectares	36%
0.5 to 1.0 hectares	22%
1.0 to 2.0 hectares	21%
2.0 or more hectares	21%
AVERAGE PER FARM HOUSEHOLD	28%
	equivalent to 124 days/family/year

Sources: Clay, Kayitsinga, Kampayana 1990; and adapted from DSA, 1991.

Roughly two-thirds of all off-farm activities are non-agricultural, such as artisanal production, manual labor, or commerce, according to survey data (see Table 8). Another 30 percent of off-farm activity is agriculture-related, such as working as laborers on other peoples' farms or plantations.

Type of Employment	Distribution of Off-farm Work
Agricultural (e.g., laborers)	30.0%
Non-Agricultural	66.0%
Artisanal	18.9%
Manual Laborer	12.8%
Commerce	16.4%
Public sector Employment	5.6%
Other Salaried Employment	12.3%
Misc. Other Employment	3.1%

Source: Clay, Kayitsinga, Kampayana 1990.

This level of non-farm activity is significant. It reflects Rwandans coping by becoming more integrated in the monetized non-farm economy -- and major adaptation in light of their historical social tendencies. Like the small family farm in the U.S., the isolated self-sufficient farm in Rwanda is a thing of the past. The Rwandan rural population is in the midst of transition from traditional subsistence production to a more diversified income strategy.

Farm families themselves judge their future as farmers to be limited. One survey revealed that over 80 percent of the parents saw difficulties for their children who wanted to continue farming. Nearly four-fifths of the farm youth surveyed indicated that they knew they would not inherit enough land for even a subsistence farming future. A recent survey found that for most farms under 2 hectares, the available land per male child was insufficient to support a family --- and 79 percent of Rwanda's farms are less than 2 hectares (Table 3 on page 12).

In assessing options for their future livelihoods, over 40 percent of the surveyed youth were looking to non-farm activities. Youth from relatively wealthier farm families choose non-farm occupation and vocational-professional training strategies for their future. Those from relatively poorer farm families saw their future more as farm laborers or renters of land, or in migration. Of those expecting non-farm occupations, roughly 63 percent expect to start small businesses and 37 percent expect to be laborers. Over 20 percent set the goal of vocational education training as the first step even though lacking the requisite basic education.

Migration has long been an option chosen by Rwandans. Whether permanently or temporarily, roughly 45.6 percent of young men in Rwanda leave the family farm for other rural areas [68 percent], urban areas [22 percent] or neighboring countries [10 percent]. Of those going to urban areas, two out of three go to the capital, Kigali.

Emigration has perhaps been an even more important outlet for Rwandans wanting land. By some estimates, one to two million ethnic Rwandans now live in Zaire and Uganda and Tanzania. During the 1989 crop failure in southern Rwanda, reportedly thousands emigrated to Burundi and elsewhere. The livelihood of Rwanda's rural farm youth, regardless of their expectations, will be dependent in large part on the structure and trends in the non-farm economy.

The Non-Farm Sectors

Through either full-time or part-time employment Rwanda's non-farm sectors -- manufacturing, commerce (including services), mining, and government -- provide income to nearly 40 percent of all Rwandans in the work force. (Table 9).

Sector of Primary Employment	1989 Employment Survey	
	--000--	% of total
TOTAL EMPLOYMENT	3,167	100.0%
FORMAL, of which	173	5.5%
Public	88	2.8%
Parastatal	27	0.9%
Private	58	1.8%
INFORMAL, of which	2,994	94.5%
Rural Farm	2,737	86.4%
Rural Off-farm	187	5.9%
Urban	70	2.2%
Memo Item:		
Total Full-time Non-Farm Employment	430	13.6%
Total Part-time Non-Farm Employment	848	26.8%
Population Engaged in Non-Farm Activity, Full or Part-time	1,278	40.4%

Source: MINIPLAN, 1990, and DSA 1990.

Currently, full-time employees in these sectors are less than a half million but this is growing at a rate of nearly 10 percent per year. Overall, Rwandan firms are small. There are some 7,000 registered (e.g., formal sector) firms. The vast majority employ less than 30 people and have annual sales of less than \$385,000. Despite the inherent differences between manufacturing and commerce, survey work suggests that a number of their problems, constraints and policy issues are similar. The government framework has affected each firm individually, the linkages among them, and their links to the rural agricultural sector.

Industrial activity in Rwanda is manufacturing (70 percent), the remainder being scattered among primarily mining, construction, and the provision of water and electricity. More than 50 percent of manufacturing activity is accounted for by a few agro-industrial firms, mainly processing food and beverages -- typical of countries at Rwanda's early stage of development. Inefficient import substitution industries, until late 1990 protected with a wide array of protective tariff and non-tariff barriers, account for the remaining industrial activity. Thirty firms, many of which are public or mixed enterprises, account for 40 percent of the value added in manufacturing. Another 40 percent of the value added in manufacturing comes from small firms in beverages, tailoring and basket making.

Modern manufacturing employs 2 percent of the work force. Of that force, 69 percent work in public enterprises or mixed companies. In 1986, it was estimated that more than 90 percent of the 127,000 employed full-time in manufacturing worked in small firms. Part-time, home brewing remains the most important single agro-processing activity in Rwanda. In the early 1980s, before the economic crisis began in 1986, the manufacturing sector grew by one-third, an estimated 4 percent per year. The proportion of small firms has undoubtedly increased. The country's economic crisis has clearly hurt large, formal-sector firms, many of whom are dependent on imports, more than smaller firms. Between 1983 and 1986 alone, 75 new manufacturing firms were created/registered, 67 of which were private firms. However, the continuing economic crisis takes its toll. In 1987 a USAID/PRIME study found 9 percent of large firms were utilizing a quarter or less of their capacity. In 1989, the MAPS survey found it to have increased to 16 percent. By mid-1991, a USAID appraisal estimated that probably 30-40 percent of medium and larger firms were using less than a quarter of their capacity. Idle capacity has translated into fewer jobs at those companies.

Mineral exploitation is not in Rwanda's future. Production, limited to small amounts of wolfram and cassiterite, virtually ceased in mid-1980s when the mining company, a public enterprise, went bankrupt. Although production recommenced on a very small scale, the government is assessing options to privatize what remains.

Rwanda's larger manufacturers have been found to be, for the most part, inefficient due to the policy-induced distortions of the 1980's such as foreign exchange rationing and undervaluation, low interest rates, preferential tariff system, etc. The PRIME study found 13 of 15 manufacturing activities were inefficient users of the country's resources, as measured by domestic resource cost (DRC). The World Bank study

suggested 12 of 20 manufacturing activities were inefficient users of resources. The studies also indicated that the more inefficient activities were also the more highly protected by government policies, as measured by nominal and effective rates of protection. Examples included cement, corrugated iron, detergents, sugar, cigarettes, plastic and leather shoes, and wheat flour. Efficient industries included beer, hoes, toilet paper, and macaroni production. Not surprisingly, with these policy-induced distortions, the import dependence of Rwandan businesses is significant. Twenty percent of small and micro enterprises reported that 50 percent or more of their raw materials and intermediate inputs, excluding labor, were imported. It appears that Rwandan businesses have not been developing adequate linkages backwards into the economy for their inputs. Government policies prior to structural adjustment encouraged import and capital intensive investment. It is too early to discern the change in investment patterns caused by the new policies.

Commerce and services are dominated by small firms and account for 42 percent of GDP in 1986 (27 percent by private and 15 percent by public firms). The 4.7 percent annual growth of services since 1965 results primarily from continued increases in marketed agricultural production, government-stimulated manufacturing output, and imports of consumer and intermediate goods. The other important factor has been donor foreign aid flows and staff. These flows stimulated directly public consumption which, in turn, stimulated the growth in commerce and services. The large investments in transportation, utilities, and communications by government and donors also helped.

The major categories of commercial activities, by order of employment, are small shopkeeping, restaurants and hotels, small transporters, including buses and taxis, personal services, tourism, larger transporters, larger retail stores, and finance and insurance. In the first half of the 1980s, similar to the growth in manufacturing, the number of registered retailers increased by 50 percent to over 9,600. According to the MAPS surveys, it reflected the relatively greater profitability of commerce over manufacturing.

Parastatal-mixed companies play the dominant role in several parts of sector. They dominate formal export crop marketing. Three parastatals handle some 92 percent of Rwanda's official exports. Communications and utilities are almost solely the purview of the public parastatals. Banking and insurance services are dominated by mixed companies and parastatals. There are three commercial banks, two saving banks, one development bank, and three insurance companies. These formal sector financial

institutions do not appear to be addressing the needs of most individuals and small businesses. Consequently, small, informal grass-roots saving societies have begun to emerge, the largest outlet having over 1,400 members.

The majority of transport services are provided by small operators owning a half-ton pick-up truck. They move most of the goods throughout the countryside and neighboring countries. Vehicle capacity is not a problem, except for a brief period at the start of the coffee harvest. While unpaved tracks serving the population in the hills are difficult in the rainy seasons, the paved transport system is one of the most extensive and most effective in Africa. A 1987 study showed a large degree of market integration among Rwanda's major cities and towns, reflecting the effectiveness of the current road system. A more significant problem is transport links to the coast which are poorly maintained and risky, thus causing very high transport costs for external trade. Several large parastatal transport firms exist and focus on moving goods to and from the coast. Nevertheless, transport costs are high, due to the total dependence on imported finished petroleum products brought in by truck. The main road network of over 1,000 km means that Rwanda has one of the highest densities of road per sq. km. It is very well maintained, by western standards. An overwhelming percentage of the population lives within 15 km of an all-weather road.

The non-farm sectors of the economy are beginning to flourish. The adjustment of the macroeconomic framework will encourage further growth of the sector. This growth is an imperative for the future of the Rwandan economy in order to meet the perceived needs of the rapidly growing population. The transition of the non-farm sectors is expected to accelerate during the coming decade.

Private versus Public Sector

Private firms account for more than three quarters of the economy. As shown in Table 10, the private sector is predominant in agriculture and provides the majority of GDP in industry and commerce as well.

Table 10			
Contribution to GDP by Public and Private Shares, 1989			
Sector	Share of GDP	Private Share	Public Share
Agriculture	37 %	95 %	5 %
Industry (a)	22 %	67 %	33 %
Commerce(b)	39 %	66 %	34 %
TOTAL	100 %	78 %	22 %
<i>(a) manufacturing accounts for 15 percent of GDP.</i>			
<i>(b) Includes services, transport, and finance.</i>			
<i>Source: MAPS 1989.</i>			

In 1986, when total GDP was estimated at \$193.3 million, public enterprises were responsible for 15 percent, the government for 7 percent, and the private sector 78 percent.

Despite a high degree of protection and subsidies, most public enterprises have incurred significant losses. The government has 62 public enterprises, including 30 mixed enterprises of which the GOR has majority holdings in 19. These public enterprises are currently under review with privatization of many expected in the near future.

Government and parastatal enterprises have been significant employers as shown in Table 9 on page 18. Two thirds of modern sector official employment is provided by the public sector and one third by the private sector. It is the informal sector and part-time employment where the private sector comes into its own at this time. As we look to the future, we expect to see transition continue and this imbalance corrected as the private sector grows faster than the public sector and some public sector commercial activities are moved to the private sector.

Formal vs Informal Sector

As shown in Table 9, the formal sector accounts for only 5 percent of total employment, the remaining 95 percent are employed in the informal sector. Agriculture employs over 85 percent of the informal sector participants leaving 15 percent in the non-agricultural informal sector. The majority of the non-farm informal sector employment is part time employment in rural areas with only some 70,000 persons employed in the urban informal sector. By comparison the formal private sector employs less than 60,000 persons.

The formal sector has existed in a protectionist environment for several years and has come to be dependent on the tariff protections to permit inefficient production. Now

that the protections are being removed, the formal sector firms are finding it essential to readjust their planning to achieve efficiencies or they will close. Expansion in the formal private sector will come through two routes: private takeovers of parastatal firms, and movement of current informal firms into the formal sector. Given the recent changes in licensing and regulatory policies, it is expected that the movement from the informal sector to the formal sector will be accelerated.

The informal sector has not been surveyed in any detail and the amount of information is limited. A more intensive effort to define the magnitude, constraints and potentials of this sector will be undertaken in the Mission analyses over the strategy period.

Political Dimensions

The political dimensions of development in Rwanda are critical. Political liberalization is inextricably linked to the economic liberalization. Neither can be successful without the other. When compared to its neighbors, Zaire, Burundi, and Uganda, Rwanda has been more politically stable. This has undoubtedly contributed to the relative regional importance of Rwanda and, in turn, the country's economic performance.

As noted previously, Tutsi-Hutu tensions have continued to the present. However, by the late 1970s-early 1980s, a new Hutu-Hutu political tension emerged on the scene and, to a certain extent, displaced ethnic tensions as the prime focus of political competition. The tension is one of regional imbalance and grew as the president's home region (i.e., the Gisenyi and Ruhengeri Prefectures) in northern Rwanda began to be seen as benefiting disproportionately in terms of development investments and representation in government. At one point, by the mid-1980s, half of all the cabinet ministers were from the northern prefectures. Government hiring practices were viewed as favoring candidates from the north. Thus, Hutus from the south, west, and east became increasingly disgruntled by the disproportionate role played by the northern Hutus.

While the October 1990 invasion flamed long-standing Tutsi-Hutu tensions, the dissatisfaction with the president's political party, MRND, is such that regional Hutu-Hutu tensions remain prominent. Indeed, the current political reform process owes much of its dynamism to broad-based desire for change throughout Rwanda.

The dynamism of political liberalization over the past year has been striking as Rwanda has come from a strong single party state to a multiparty coalition government preparing for open multiparty elections in 1993. This movement to an openly democratic political system depended upon an ambitious reform program including:

- **Revising the constitution to permit a multiparty system;**
- **Passing a political parties law under which 14 different political parties have been established;**
- **Freeing of the press which led to establishment of over 50 private newspapers;**
- **Promulgation of a new press law;**
- **Permitting independent labor unions;**
- **Drafting a revised electoral law; and**
- **Forming the coalition government containing the four major parties after long interparty negotiations.**

This new political openness is essential to permit a negotiated peace in the north and to maintain domestic calm. The change has been dramatic with political rallies by numerous parties occurring regularly, with broad and open discussion of politics by the population, with often critical articles in the independent press, etc. There is a clear sense of optimism as Rwanda moves through the political transition.

US Interests

The United States interest in Rwanda contains four primary components:

- **Supporting the democratic process;**
- **Supporting economic development and structural adjustment;**
- **Ending the war between the Government of Rwanda and the rebels in the north; and**
- **Encouraging respect for human rights and a solution to the regional refugee problems.**

All four of these primary objectives are inter-related and focused on the political and economic liberalization of the country. The USAID program has been primarily focused on the economic development and structural adjustment objective in the past and we anticipate that it will be more broadly supportive of the democratic initiative in the future.

The United States has not taken a lead role in helping Rwanda solve its problems but rather has emphasized being supportive of the initiatives of other countries and the Rwandans themselves. We foresee continuing this model of operation as we help Rwanda make the political and economic transition to the twenty-first century.

II CONSTRAINTS AND OPPORTUNITIES FOR SUSTAINABLE DEVELOPMENT

Summary

Rwanda is a country with few options. There are no quick fixes to resolve the development problems that are becoming increasingly critical. Already the most densely-populated country in Africa, the three percent population growth rate must be reduced. With average land holdings reduced to less than 1 hectare per family of five to six, there is insufficient land for distribution to each of the children. As we look to the twenty-first century, the fertile land and abundant rainfall will no longer be sufficient to support the burgeoning population in an economy based primarily on subsistence agriculture. Rwandans have already begun to expand their horizons beyond their own farms as nearly half of them seek off-farm employment, and recent surveys show that farmers realize that the future for their children will not be found in owning their own land and farming. This trend will accelerate in the future.

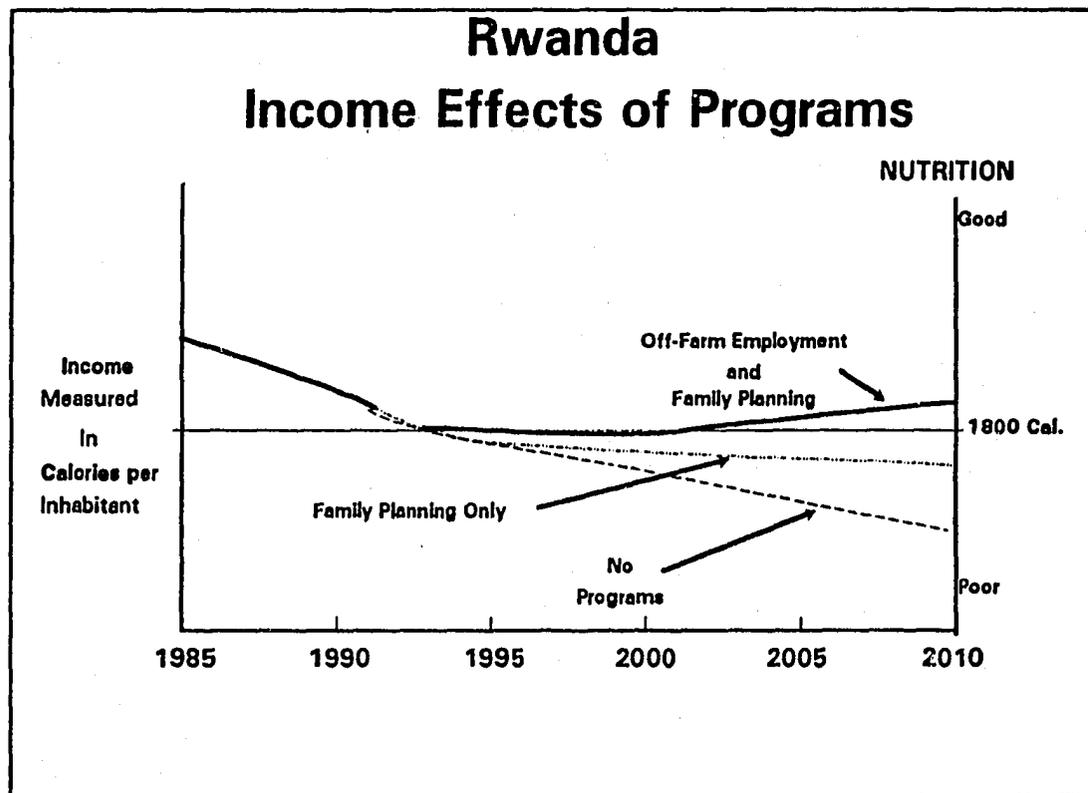
The agricultural system in Rwanda is primarily one of marginal subsistence -- there is little use of inputs, and only a small share of production is marketed. The land is very heavily cultivated in both of the two rainy seasons and over 85% of the potentially cultivable land is under cultivation. The remaining hectarage is largely found in areas, such as the wetlands, which require significant capital investment to be farmed. Growth rates in the agricultural sector have been negative in recent years and we expect that this trend will continue.

As a small land-locked country, Rwanda's economic well being is closely linked to its neighbors in a regional context. In addition to its dependence on Uganda, Tanzania,

and Kenya for its external trade routes, regional trade with Burundi, Zaire, and Uganda in agricultural products and manufactured goods - much of it through undocumented, informal sector trade - provides a food security buffer as well as significant economic activity.

Recent developments in Rwanda are encouraging. The Government of Rwanda's population policy sets ambitious goals for controlling the population growth rate. The economic reform and structural adjustment program initiated in 1990 lay the base for investment in the non-farm sector. The significant political liberalization embodied in the acceptance of multiparty democracy and appointment of a multiparty coalition government recognizes the inextricable link between economic and political liberalization. Our challenge is to maximize the benefits of these admirable new policies and accelerate the process of implementing the programs needed to realize the full benefits.

Our analysis indicates that Rwanda is on the brink of major changes, necessitated by the demise of agriculture as the employer for the growing population. The Futures Group analysis of population and natural resources graphically illustrates the particular issues facing Rwanda. The following graph is their summary:



It is evident that population is an essential part of any development scenario for Rwanda. It is also clear that agriculture development alone will not be sufficient as we move to the twenty-first century. The off-farm sector must be developed rapidly to provide a livelihood for those that must leave the farm.

Population & Health

Rwanda is among the most densely-populated countries in the world with over seven million people in its 10,000 square miles. Declining trends in nutrition levels are noticeable among the population as they cope with reduced land area per family by shifting to lower quality calorie sources. Chronic malnutrition has become endemic. In this small country, the constraint of rapid population growth must be addressed as a precondition to sustainable development. The population growth rate has decreased to just over 3.0 percent in 1990, and the Government of Rwanda's ambitious population policy calls for a reduction in this rate to 2.0 percent by 2010. An active family planning program has been implemented since 1980; the contraceptive prevalence rate has increased from virtually zero to 13 percent, and current demand for family planning services has yet not been met. To achieve the government goal of reducing the population growth rate to 2 percent, the contraceptive prevalence rate must rise to the level of nearly 50 percent by the year 2000. Intensive efforts must be made to spread family planning in the rural areas and thereby reduce family size.

Rwanda has a full range of health problems - life expectancy of 49 years, under five mortality of over 200/1000, low utilization of public health facilities, etc. The AIDS epidemic is damaging the social structure of urban nuclear families and wreaking havoc on the economic potential of the nation by decimating major portions of the most productive segment of society. Surveys have established that 33 percent of the adult population in Kigali are infected with the HIV virus. Time series data indicate that the rural areas lag temporally behind the urban areas but they may reach even higher prevalence rates within a few years unless serious efforts are devoted to providing the knowledge and means to prevent further spread of infection. The health infrastructure does not yet provide ready access to all the rural population, and a history of "vertical programs" has led to an inefficient delivery system. Reproductive health status is poor, and sexually transmitted diseases (with related higher risk of HIV infection) are prevalent in a large portion of the population. Malnutrition and lack of

routine health services lead to the high childhood mortality and inhibit the family planning effort. While the government gives high priority to the health program and is including it in the "social safety net" under structural adjustment, much remains to be done.

Natural Resources & Agriculture

Rwanda has a rich and varied natural resource base. On average, a mile in altitude, it is characterized by hilly, steep, heavily-cultivated terrain. The hills are broken by large expanses of wetlands in the valleys, about half of which are cultivated. High volcanic mountains dominate the north border and the east border has a more arid high altitude plain. The variety of terrain and rainfall in the country leads to a remarkable biodiversity including many plant and animal species which are unique to this region. The government has devoted special efforts to preserving its natural resources and biodiversity with nearly one fifth of this small, heavily-populated country devoted to parks and reserves. In the cultivated areas, there is evidence of an increasing awareness of the need to preserve the natural resource. Over the past 10 years, farmers and rural communities have increasingly devoted plots of land to tree planting and soil conservation methods have begun to be accepted. Unfortunately, given the constantly increasing population pressures, these efforts have only sufficed to slow the deterioration of the land resource.

Among the primarily agricultural countries of the world, Rwanda's population density is second only to Bangladesh. Over 85% of potentially cultivable land is currently intensively cultivated, producing at least two crops per year. The remaining 200,000 hectares of potential expansion lands is found in permanent pasture which is critical to the livestock industry, or in wet lands which require significant capital investment and intensive management to be productive. Rwanda's land resource is effectively at its limits.

Agricultural production is the way of life for over 90 percent of the population. However, it is an agricultural system in which technology levels are low, fallow lands have been brought under continuous production to keep pace with population growth, more than half the families have holdings of less than one hectare, and coffee and tea are the only export products of note. Growth in the agricultural sector during the decade of the 80's was -1.4 percent and we do not see prospects for changing this trend. The population developed a sophisticated "coping" system and shifted consumption to

lower quality but higher yielding root crops for their caloric source. As a result, malnutrition is becoming increasingly common and a recent survey found moderate or worse malnutrition in thirty percent of the children in some age groups. Intensification of agriculture is not the solution for Rwanda. A recent analysis by the Futures Group showed that, even with the most optimistic assumptions for intensification combined with very optimistic demographic projections, the outlook for the year 2010 would be dismal, with total available calories barely above the FAO minimum of 1800 per capita. Diversification of agricultural exports, intensification of production, and appropriate sustainable use of the natural resources are important, but, without increasing off-farm employment, they do not solve the problem of Rwanda's future.

Off-farm Private Sector

With negative agricultural growth through the 1980's, private sector generation of off-farm employment is the only solution to Rwanda's dilemma. Over 40,000 persons are added each year to the non-agricultural labor force. Significant expansion of the non-farm private sector is essential to provide a livelihood for these new entrants.

The formal industrial sector is small, with only 100 companies employing over 30 persons each, and is dominated by parastatals. Data from the past 20 years shows that this sector has not expanded rapidly despite significant government investment. A primary constraint is its reliance on imported materials embodying a very high transport cost and considerable risk in the long transportation chain. Dirigist policies have served as another damper on the enthusiasm of potential investors. The MAPS analysis in 1990 showed little promise of significant expansion in this portion of the sector.

The informal sector and medium and smaller-scale enterprises, encompassing both manufacturing and services, offer the best opportunity for sustained growth. As the primary sector continues the trend of declining importance as a growth center and employer, the informal sector is expected to continue its growth. The services sector, over half of which is medium and smaller-scale enterprises, is the leading segment of the private sector with an annual growth rate of over four percent through the 1980's. We also see the scope for increasing artisanal manufacturing to provide agricultural tools and materials which are often imported at present.

There is significant potential for policy revisions to address many of the constraints on the private sector. The leading issue among entrepreneurs is taxation, where an often

arbitrary tax system is applied which, while it puts little revenue into the government coffers, places a heavy burden on the medium and smaller-scale businesses. The issue of access to foreign exchange seems to have been overcome by the 1990 devaluation but export policy and licensing and registration of firms remain problems to be dealt with. A pervasive issue is the high cost of imported equipment and materials and government imposed administrative procedures for imports. This high cost is a result of inadequate transport facilities in the port countries and is not a problem that can be addressed on a bilateral basis.

One of the big constraints to private sector development is the lack of basic entrepreneurial skills and experience. Little effort has been devoted to developing an entrepreneurial class in Rwanda and there are no institutions providing more than very fundamental book-keeping skills. Furthermore, many of the support services that are taken for granted in many countries do not exist in Rwanda. For example, there are no certified accounting firms capable of undertaking even the most rudimentary commercial audit in Rwanda. Neither is there any system of commercial courts or commercial law for Rwanda.

Another constraint is the dispersion of the rural population. Rwanda is not a country of villages, the farmers live on the hills near their farms. Thus, there are no natural centers for business activity in the rural areas. Periodic markets serve the commercial sector, but small manufacturing and more permanent services sector enterprises have no evident locale for their enterprise. Creation of "poles of development" in market towns will be one of the emphases of the future.

The nascent private sector is characterized by medium and smaller-scale businesses which are often highly vertically integrated. The same individual or family is often the producer, processor, transporter, and marketer of the product. While they have progressed one step beyond producing banana beer for their local market, the estimated 250,000 smaller-scale businesses must be provided with the skills and the means to advance further in the commercial market to maintain and accelerate the growth in this sector.

The Enabling Environment

Over the past two years the Government of Rwanda has proved itself prepared to take the difficult steps toward economic and political liberalization. It has discovered that

these two processes must go hand in hand in order to realize the benefits of its policy changes. When it initiated the structural adjustment process in 1990, the positive benefits of devaluing the Rwandan Franc, liberalizing the import system for most commodities, and committing to controlling government spending were not realized because the internal and external political environment did not engender confidence in the system. The government courageously addressed the domestic political problems by moving to a more open political system - first, by opening the system to opposition parties, then by encouraging a proliferation in the press, and most recently, by creating a multiparty coalition government to serve in the transition to elections next year. It is anticipated that the existence of the coalition government will resolve many of the problems on the internal security front and that the rebels from Uganda will agree to negotiate a peace settlement with the new government. If these two events happen, investor confidence should return, and the economy should gain some dynamism. Furthermore, a resolution to the war against the rebels in the north will permit the government to reduce military spending and adhere more closely to budget targets.

The government has demonstrated its willingness to adapt policies for structural adjustment and has taken steps to implement many of them despite the war. Rwanda is on the early part of the structural adjustment curve and "fatigue" has not set in as it has in many countries. They remain pragmatically open to further initiatives to build on the basic foundations of the structural adjustment program that has been established. The new opposition party Prime Minister reaffirmed the government commitment to following through on economic reform in his speech at the formation of the new government and we predict a continued emphasis on putting the reforms in place.

Government policies in other key sectors are unusually enlightened. In the population sector, they have established one of the most ambitious goals in the world - to reduce population growth to 2 percent by 2010 (the World Development Report of 1991 predicts it will increase to over 4 percent during that time period). In the field of natural resources and biodiversity, despite its high population density, it has one of the highest percentages of protected lands in Africa, and one of the lowest rates of deforestation.

Rwanda recognizes its biggest development constraints - the economy, political stability, population growth, and the environment - and is prepared to take steps to deal with each one of them. The great potential for meaningful development comes from

this shared perception of the needs and the willingness to address the difficult problems.

III OTHER DONOR ACTIVITIES

Rwanda receives less foreign assistance per capita than most other countries in Africa with a level of \$34 per capita by 1989. The total ODA in 1989 was \$238 million or about 11 percent of GNP. There are 15 to 20 active donors but many are small donors with programs of less than one million dollars per year. The nine major donors, four multi-lateral and five bilateral, provide 70 percent of the official development assistance.

The programs of the donors are spread widely across all the sectors as shown in Table 11.

Table 11 Donor Programs

Donor	1988-91 average disbursement (\$000)	Major Sectors									
		A G R I C	H U M R E S	T R A N S P	R U R D E V	H E A L T H	I N D U S T R Y	N A T R E S	M A N A G E M E N T	E N E R G Y	P R I V E S E C
IBRD	34,207	X		X	X	X	X	X			X
EEC	30,900	X	X		X						
AFDB	9,345			X							
UNDP	8,946								X		
France	25,466	X	X			X		X			
Germany	20,261	X	X	X		X					
Belgium	18,059	X	X		X	X				X	
USA	12,652	X				X		X			X
Canada	12,579	X	X		X						

It is evident from the table that donor programs are concentrated in certain sectors particularly in the agricultural sector where 7 of the 9 major donors are active. Donor coordination, therefore, should be strong to assure that the programs are complimentary. Unfortunately, donor coordination is little more than lip service in Rwanda. Rwanda is classified as a "Round Table" country and the UNDP takes the lead on preparing for donor consultations. While there is a round table meeting tentatively scheduled for early July, there has been little discussion among the donors

and government leading up to this session. On a sectoral level, there is little coordination. The agriculture sector is particularly weak in coordination with each donor preferring to go forward with their own favored program. In the health sector, particularly in the population activities, there is more coordination on an informal basis among the donor practitioners.

The Government of Rwanda's ability to coordinate among donors has been hampered by the recent shifting of donor coordination - first from the Ministry of Foreign Affairs to the Ministry of Plan, and then; after about 6 months, shifting it back to the Ministry of Foreign Affairs. While the Minister of Plan had begun to discuss means of coordinating donors, it remains to be seen what will be done now that the responsibility for coordination has been changed again.

It is evident from the chart presented above that some sectors do not receive much attention from the donors. It is particularly noteworthy that only the World Bank and USAID have been active in working with the private sector. While other several other donors have small private sector programs, they focus almost exclusively on specific technical and vocational training. The close relations between the Bank and USAID should permit good coordination within this sector in the future.

In the population program, there are four key donors involved, the United Nations Family Planning Agency (UNFPA), the World Bank, the Germans, and USAID. Recently, coordination has improved as the donors have taken a greater responsibility for the exchange of ideas, information and plans. Of particular note are the alternative models of delivery systems being tried on a pilot basis by the Germans and USAID. Both programs are collecting similar data to permit comparison of the effectiveness of the models as Rwanda determines which model is the best here.

On the macro-economic front, we believe that the close coordination from the past year between the Bank and the Fund and USAID will continue to assure a mutually supportive set of programs. The World Bank is enhancing its coordination role on the macro-economic front through the Special Program of Assistance. In addition to its routine briefings of the donor community as their appraisal and review teams pass through the country, they invited donor participation on the team for the last review of the public investment program.

In the democracy and governance area, the embassies who are most concerned with the emerging democracy have established an informal working group at the

ambassadorial level to review planned actions and coordinate activities. As time passes and more programs are established this may become more formalized.

In sum, donor coordination is a very ad hoc activity in Rwanda. There is no effective over-all coordination mechanism and coordination is dependent upon the initiative of individual donors. The USAID Mission will focus attention on enhancing coordination as it applies directly to our programs in population, governance, and private sector development by encouraging other leading donors to absorb that responsibility. With the staff constraints we have, we cannot assume the leadership role for such a broad undertaking as donor coordination.

IV LESSONS FROM THE RWANDAN EXPERIENCE

Summary

USAID has actively supported Rwandan development since the time of independence in 1962. The program has grown steadily throughout that period from a few hundred thousand dollars a year to the current level of twenty million dollars per year. Our assistance has shifted through many sectors of involvement starting with education, urban infrastructure and public safety and evolving into agriculture and population. The most successful of our interventions were in the population sector where we played a leading role in establishing the National Population Office (ONAPO), establishing a very aggressive population policy, and initiating the rapid growth of contraceptive use. Our success in other sectors, particularly agriculture, has been less outstanding as we have tried a broad range of interventions ranging from research to extension training to production with marginal success. We have had ten years of experience with developing the institutional support for cooperatives and the local cooperatives union has been successful, becoming a self sufficient and very active institution for training and support. Over the past few years, USAID initiated several efforts to stimulate private sector development. We had considerable success with a program to introduce non-traditional commercial crops such as sunflower, mushrooms, and traditional rice, and several entrepreneurial training programs have been greeted with enthusiasm .

In terms of macro-economic and democratic policies, USAID is a relative new comer to supporting positive government changes. Our first program assistance for economic reform was in 1985 with increasing support provided in 1991. We consider this program, undertaken in collaboration with the IBRD and IMF, has been successful in en-

couraging the correct changes in economic policy. On the political front, USG financial support in the past was limited to USIS programs and human rights funds. Recently, USAID has become much more deeply involved in supporting the emerging new democratic social order but it is too early to judge its effectiveness.

Population and Health

The USAID program in health began in the mid 1970's with the training of rural health workers and in the late 1970's the first population initiative was launched. In the 1980's we were supporting health and population programs across the board with the population initiative, a maternal child health initiative and a child survival initiative. While these programs were considered successful, the Mission decided in 1986 to concentrate its program in the population sector where other donor interest was less and where we had unique ability to be in the lead. Since that time nearly all our efforts have been focussed on ONAPO and building its capacity to expand the population program. USAID has been extremely successful in sensitization of the leadership of Rwanda to the need for a strong population program as demonstrated by the aggressive population policy which calls for reducing population growth to two percent by 2010. We have played a major facilitating role in pushing the contraceptive prevalence rate up to 13 percent and now have opened the door for private sector distribution mechanisms to become active. Our assessment is that the time is ripe to reintegrate the provision of family planning services into the primary health care services at the local level to assure more complete national coverage and to benefit from the synergy of related programs. We plan to continue to build on these successes in the population sector.

Agriculture

We had more limited success in agriculture and nutrition programs. Our first major initiative in agriculture was to focus on marketing by creating a parastatal marketing board to provide price stabilization and security stocks. This program, which lasted for about 10 years through the mid 70's to the mid 80's ultimately fell victim to our reluctance to support parastatals and to the fact that such a small percentage of food crops were marketed. USAID also made significant investments in agricultural research including a 10 year program in farming systems research which is just finishing. These investments have not been judged successful due to the lack of any extension service to distribute improved technologies, and an excessive emphasis on

high technology packages which farmers are unable to afford without large subsidies which the government cannot provide. The most successful activity in the sector has been the creation of a strong economic research unit in the Ministry of Agriculture which is able to undertake both routine annual crop reporting and specific surveys related to agriculture. The success of this ten year effort can be judged by the high demand from other donor groups for contracts with this unit to undertake surveys.

USAID implemented PL-480 programs equal to or exceeding the development assistance levels until the late 1980's. These programs were aimed at supporting the parastatal marketing program and undertaking both emergency and targeted feeding programs. In the late 1980's they were discontinued due to the ending of the parastatal marketing project, survey results that questioned the efficiency of these kinds of programs to address chronic malnutrition, and the problems of management of PL-480 programs.

Our lack of success in the agricultural sector can be attributed to our limited understanding of the dynamics of Rwandan small holders, a multitude of donors with limited coordination, limited Government of Rwanda support for the research which was the heart of our efforts, our failure to find a package of interventions which were both necessary and sufficient, and lack of a sufficiently developed agricultural market to absorb surplus production and give cash returns. The result has been a lack of significant and measurable impact within the sector and therefore we propose to phase out of these kinds of interventions tied to public sector support.

Natural Resources

While there were research programs through the mid 1980's in fish culture and wetlands development, the USAID interventions in natural resources began in earnest only in the late 1980's when the Natural Resources Management Project began. It is too early to be able to measure the full impact of the program but we have done a preliminary assessment. The program has attracted significant interest from interest groups in the United States and the several biodiversity projects which have been financed appear to be proceeding well. The environmental policy activity is applying many of the successful methods from the population policy activity and appears to be having an impact. The agro-forestry components appear to be subject to many of the same constraints as the other parts of the agriculture portfolio - compounded by the war in the north - and have not lived up to expectations.

Our assessment is that there is limited but important potential for interventions in this sector. The biodiversity activities enjoy a sufficiently high profile and are successful in their small way and should be encouraged and expanded. The environmental policy initiative is critical to establish parameters for future development of the private sector and has been successful. Therefore, this activity should be continued. The remaining activities in this sector should be phased out.

Private Sector

Mission experience in private sector activities began only in the mid 1980's with one project to develop non-traditional commercial agriculture and several activities to train entrepreneurs. The project has established several cooperatives of several thousand persons and sunflower oil, mushrooms, and commercialized rice are being produced. It is still too early to determine if these enterprises will continue now that the project is complete but there is reason for optimism. The entrepreneurial training activities generated a great deal of interest and participation rates were high. At least one association of graduates of the courses has been formed and is actively supporting entrepreneurial development both on a policy level and among its members. However, all the trainees agree that "one-time" training programs are insufficient. Solid follow-up and ongoing support services for entrepreneurs will be required to take full advantage of the training provided.

Our assessment is that there are opportunities in this sector for significant USAID assistance in the future -- even in the population sector through contraceptive social marketing. The private sector is nascent and ready to grow. Our experience shows us that the sector has a dynamism which should be capitalized upon.

Policy

Our support for economic policy reform began in 1985 with a mixed project and program assistance approach to encourage policy changes in support of small and medium-scale enterprises. This program, which is nearing completion, has been very successful in initiating consideration of this portion of the sector and many basic policy changes have been undertaken. As a result of this intervention, USAID has become the major donor in supporting this sub-sector. In 1991, a second economic policy reform package was undertaken, this time in conjunction with the World Bank's structural adjustment program. The \$25 million provided by USAID made us one of

the leading donors in the program and we were a critical contributor to the financing package which allowed the structural adjustment program to move forward. It has had very positive results in terms of policy changes made and we are still watching for the economic effects which should be coming out of it.

On the political policy front, the traditional efforts of the USG have been through diplomatic channels and USIS. These efforts have been successful as Rwanda recently moved to a multi-party system and to a coalition government accompanied by a more open press. USAID, over the past year has provided limited support primarily for observation trips and training and therefore it is difficult to assess our success. However, it is important to note that three of the ministers in the new government were participant trainees under earlier USAID training programs. We believe that USAID can play a much more significant role in shaping the political policies of Rwanda to keep pace with the changes in economic policy.

Local Non-Governmental Institutions

USAID does not have experience with a broad range of local institutions but has excellent experience with a sustained effort with one large local non-governmental organization. For over 10 years, USAID, working with the Cooperative League of the USA (CLUSA), supported first the creation, then the strengthening, of the local league of cooperatives. This organization has come to be one of the leading development organizations in the country and is currently fully self sufficient. CLUSA provides only periodic visits and minimal support to the organization. The organization plays a major role in developing other local institutions, provides training in rudimentary accounting and organizational skills, and is beginning to take a leading role in defining how an apolitical non-governmental organization fits into the new democratic pluralism. It is clearly a success story for USAID.

Management

The USAID program in Rwanda has experienced steady growth from under \$1 million in the 1960's, to \$2 to \$3 million in the 1970's, to \$5 to \$10 million in the 1980's, to \$20 million or more in the 1990's. Approximately half of the assistance in the years before 1990 was in the form of food assistance which has ceased in the 1990's. Non-project assistance in support of economic reforms was added in the late 1980's and has become nearly half of the mission's portfolio. Rwanda went from being a

"regional program" in the early 1970's to a small country program in the 1980's to a category 1 and focus country in the 1990's. The staff resources have not kept pace with the expansion of the portfolio. During the 1960's and early 1970's the program was run with no staff in Kigali. In 1976, an AID Representative was assigned and the office added a program officer by 1979. In the early 1980's it had a staff of five and by 1990 it had increased to eight. The staff resources to implement the program have always been a constraint and the project portfolio has been adjusted to address the problem. In 1985, the mission hit its peak with 22 management units made up of 11 regional or centrally funded projects, 10 bilateral projects and one non-project activity for a budget of \$11 million. Since that time, the program has been consolidated -- there are now eight bilateral projects, two regional or centrally funded projects, and one non-project assistance activity for a budget of \$20 million. Recent audits of USAID/Rwanda programs show that insufficient staff time is being devoted to the financial management and control of the portfolio. Our assessment is, based on our experience, at least two additional staff persons are needed to properly implement the program.

V PROGRAM LOGICAL FRAMEWORK

Summary

The Program Logical Framework was developed on the basis of the preceding analysis with particular emphasis on consideration of other donor activities, USAID and Rwandan experience of the past, the comparative advantage that the US may have in providing certain assistance, and the Mission's management capabilities. To cope with the uncertainties of the future, the Mission proposes a set of four scenarios with a different magnitude of program resources and staff resources for each scenario. We also propose decision criteria to determine which scenario is the most appropriate for Rwanda.

The program strategy emphasizes growth in this highly traditional economy. Econometric analysis of future growth potential indicates that, in order to achieve a significant per capita growth, the high rate of population growth must be dealt with. Secondly, our perception is that political liberalization and movement to democratic pluralism are essential compliments to the economic reforms necessary to accomplish

the growth we are looking for. In order to achieve this growth, we propose to emphasize support for the nascent private sector, with particular reliance on the informal sector. We believe, based on previous experience and on numerous perceptive analyses, that the emphasis has to be on generating off-farm employment as opposed to a focus on agricultural production. Our strategy is formulated based on this set of realities.

We propose two targets of opportunity. The first is to continue to support the protection of biodiversity by continuing our high-profile, successful efforts that encourage the involvement of US private voluntary organizations in conservation programs in the National Parks and Reserves of Rwanda. Secondly, we propose to increase our involvement in addressing the problem of HIV/AIDS in Rwanda, a country with one of the highest infection rates in the world.

Annex I presents the objective tree for the proposed program, annex II presents a summary of the preliminary program impact indicators, and annex III provides a concise summary of strategic choices and other donor activities.

Goal - Increase Participatory Economic Growth

The goal of the USAID/Rwanda program is to increase participatory economic growth. This goal was chosen from among several possibilities. A social "safety net" program emphasizing education and health was considered. The education sector was dismissed due to the heavy involvement in the sector of the Belgians, the French, the Canadians, and the IBRD and the fact that US educational approaches are significantly different from the European model now in use and supported by the other donors. In regards to health, our decision was that we could be far more effective focussing our efforts on a small portion of the sector (population) in direct support of a growth orientation. A food security approach was also considered but dismissed at the goal level because, in the long term, food security depends on economic growth and we believe it is preferable to address the core issues of growth. Short-term food security is assured by the active participation of the EEC, the Canadians, the WFP, and the IBRD. A natural resources management focus was considered as well but the analyses indicate that without significant growth in the non-farm sector, the picture for natural resources is bleak. Thus, we believe that natural resources management, with the exception of biodiversity concerns, is best treated as a cross-cutting theme of our growth strategy.

The participatory economic growth goal encompasses both increasing GDP and encouraging broad distribution of the benefits of this growth. Increasing per capita incomes will give the people of Rwanda the ability to afford better health care and educational facilities, and provide them the resources to assure their own food security. Therefore we believe that this strategy provides the best, long-term solution to Rwanda's development.

Achievement of this goal will be measured through review of GDP data supplemented by surveys to define the distribution of incomes. USAID has financed the establishment of two statistical departments, one in the Ministry of Agriculture and one in the Ministry of Plan, which will be able to undertake the data collection and analysis.

Achievement of this goal is dependent upon decreasing the population growth rate. All the analyses indicate that there is no reasonable prospect of accelerating economic growth sufficiently to increase per capita incomes if the population growth rate continues at over 3 percent per annum. Our experience in Rwanda shows us that the economic reforms necessary to boost the economy are inextricably linked to political reforms. The instability in the country constrains the positive effects of economic reforms and the only solution for the instability is political reform. Therefore, increasing participation in and transparency of the government and political system becomes a second major contributor to achieving economic growth. Economic growth is clearly dependent on increasing incomes, and the third component of our strategy is increasing real incomes in the private sector.

Component 1 - *Population*

Slowing the population growth rate is an essential condition for economic growth. Given the limited and already highly utilized resource base of Rwanda, it cannot sustain a 3 percent annual population growth rate which would double the population to over 14 million persons by 2010. Therefore, the strategy has as a subgoal, decreasing the population growth rate. The Government of Rwanda has announced an aggressive official policy of reducing the population growth rate to 2 percent by the year 2010. This will require increasing the contraceptive prevalence rate from the current 13 percent of married couples of reproductive age to nearly 50 percent. Therefore the Mission decided to focus on this key factor in implementing its population program. Our strategic objective is therefore to increase the use of modern contraceptive practices as measured by contraceptive prevalence rate. Other health interventions

that will contribute to raising family confidence that babies they have will survive were considered, but rejected as outside the USAID manageable interest, except as they directly relate to reproductive health. Other donors, UNICEF, WHO, IBRD, the Canadians, the Belgians, and the French are active in providing child survival, hospital care, water and sanitation, and other rural health support. USAID's emphasis will be focussed on family planning and reproductive health. Achievement of the sub-goal of decreased population growth will be measured through the measurement of Total Fertility Rate in the DHS surveys. The strategic objective of increasing the use of modern contraceptive methods will be measured by a change in contraceptive prevalence from 13 percent in 1992 to 24 percent in 1997 as measured by program statistics and DHS surveys.

Ten years of experience in family planning in Rwanda indicates clearly that, to achieve a massive increase in contraceptive usage, it will be necessary to address both the supply and demand side of the equation. Therefore, the two targets in our population sector strategy are:

- ⊙ **Increase the Availability of Quality Family Planning Services; and**
- ⊙ **Increase the Demand for Family Planning Services.**

The strategy for such a dramatic increase in modern contraceptive use must be broad, encouraging all delivery mechanisms for services and for information. The proposed strategy to achieve the targets is crafted with this need for breadth balanced against the Mission's manageable interests.

A key aspect for the achievement of both targets is to more closely integrate the family planning program into the Ministry of Health service delivery mechanisms. For the past ten years, the emphasis has been on strengthening the National Population Office (ONAPO) to spread the message on family planning. It has been very successful in promulgating an enlightened policy and developing demand for services. However, the time has come to press for greater integration of service delivery into the national health services to assure adequate delivery of quality services. This process is being initiated in four regions with USAID's new integrated maternal child health care and family planning project and will be accelerated in future population projects.

On the supply side, nongovernmental distribution mechanisms must now be encouraged to flourish. Community-based distribution programs and contraceptive social

marketing for both family planning and HIV/AIDS and other sexually transmitted diseases prevention must be initiated and encouraged. The number of contraceptive methods and services must be expanded to permit a greater choice by prospective users. Longer term contraceptives such as Norplant, voluntary sterilization, and IUDs appear to be in demand and the number of qualified suppliers of these services must be expanded. In addition to exploiting the growing demand for vasectomies, the linkage between condom use and both HIV/AIDS prevention and family planning offers greater potential to meet the need to get men more involved in the family planning process.

On the demand side, in addition to integrating health and family planning services, major emphasis must be given to improving the supervision of providers to improve the quality of services which leads to greater client confidence and increased service utilization. Counselling and referral services will be considerably enhanced by the increased integration. Family planning, reproductive health, HIV/AIDS, and sexually transmitted diseases are all interrelated and service providers need to be trained to understand these inter-relationships and begin to offer their services as a package. Maternal care services, both prenatal and postnatal, need to be enhanced and linked into the referral system to encourage birth spacing and use of family planning. Promotional efforts to expand the knowledge of family planning services and emphasize the benefits of family planning must be expanded. Better IEC strategies need to be developed emphasizing the concept of integrated health care dealing with family planning in conjunction with HIV/AIDS, sexually transmitted diseases, and integrated services. Private sector suppliers of services need to initiate their own market development and advertising campaigns emphasizing the multiple benefits of contraceptive use. All of these approaches are incorporated within the population strategy.

A combination of periodic Demographic and Health Surveys, ONAPO data, and a strengthened health information system in the Ministry of Health will be used to monitor this component of the strategy. Key factors to be monitored include the contraceptive prevalence rate, couple years of protection provided through both the public and private sectors, the number of service delivery points providing family planning services in both the public and private sectors, and the knowledge base of both men and women concerning family planning methods. See Annex II for a more detailed table of indicators to be monitored.

Component 2 - Governance

Achieving economic growth requires the implementation of significant economic reforms. However, over the past year in Rwanda, we have seen the positive impacts of significant economic reforms taken in 1989/90 dissipated by internal and external political strife. Rather than treat this as an assumption in our strategic thinking, we have built it into the strategy as a major component of our program. We therefore include as a **sub-goal to increase participation in and transparency of the government and political systems**. Throughout the past year uncertainty about the political situation and the war in the north has severely damped economic activity. We are convinced that the government's recent opening of multipartism with a coalition government and legalized political opposition parties along with a freer press will start the process of regaining the confidence of the private sector which is essential for growth to occur. However, this is just the commencement of a long process to democratic pluralism under which the government is responsible to its constituents. Therefore we have chosen as a **strategic objective to increase the accountability of government**. Other alternatives were considered, such as encouraging the development of political parties, integrating the security forces into the emerging democracy, focussing on the election process, etc., but rejected because they were outside the legislative authority, too short term in nature, or other donors were already actively engaged. Private German foundations and much of the diplomatic community are engaged in encouraging the emerging parties, the French and the Belgians are working with the police and military on their role in the democracy, and the Canadians and the Germans are assisting in structuring the upcoming election process.

We believe that placing our focus on the financial accountability, increased transparency and increased popular participation in the political process will have the greatest long-term payoff in improving the governance of Rwanda. Therefore we have defined three governance targets:

- ⊙ **Improve Financial Accountability and Control in Government;**
- ⊙ **Increase the Transparency of Government Policies; and**
- ⊙ **Increase Popular Participation in the Political Process.**

The current structural adjustment program is floundering due to the lack of accountability and control of the budgetary process. The budget deficit has not been con-

trolled and arrears have accumulated, many without the knowledge of the Ministry of Finance. Allocation of budgetary resources to the most important programs has been impossible to achieve as ministries spend outside their budgets. A proper system exists in the statutes of Rwanda but is not enforced. It is in serious need of reform and such reform will be a condition of future structural adjustment and stabilization programs. Multi-lateral institutions such as the IBRD and the IMF prefer to deal with the problem through the establishment of conditions which require adherence to appropriate practices but are unwilling to put people in place for hands-on assistance in defining and implementing the control procedures. We do not believe that this will be sufficient. We believe this is of such great importance that USAID should take the risk of becoming deeply involved. We understand that it is a very risky undertaking but we believe that it is so critical to the development prospects in Rwanda that we should take the risk. We would anticipate undertaking an analysis of the requirements for reform of the budgetary process from preparation of the budget to disbursement and then using a blend of project and non-project assistance to implement the reforms. We would also plan to focus efforts on developing an adequate audit and control structure within the government with sufficient judicial backing to be effective.

We believe that democratic pluralism must be based on full disclosure of government proceedings so that the electorate is well informed. To accomplish this the legislative and judicial processes need to be strengthened to provide adequate controls over the executive branch. Public interest groups and the press must be encouraged to take up a "watch-dog" role in guiding the government actions. This will require working with other donors to provide civics training, technical training, human rights sensitization, and encouragement to indigenous NGOs, business associations, environmental action groups, human rights organizations, press associations, legal associations, etc., who will take a role in informing the populace of political issues through apolitical fora.

The emerging democracy requires a new social contract between the population and the government. The local population must be actively involved in governing itself for the new democratic system to work. The public interest groups discussed above will be instrumental in providing civics education programs and civic awareness to the population so they know their rights and responsibilities. Further, we believe it is important to bring democracy as close to the population as possible by support for decentralization in the government so the population can see democracy at work.

Monitoring of progress on this objective will, in many cases, be less precise than on the population objective. The Mission proposes to use an approach similar to the

ocus countries exercise designed by AID/W and rank many of the factors on a scale of 1 to 10 so that subjective changes can be reported. The exact definition of the factors which make up these scales will be developed in the coming year after reaching agreement on the strategy. The financial accountability target will be measured much more precisely by monitoring the budget deficits, the accumulation of arrears, etc. using IMF/IBRD data. The success of decentralization will be measured by tracking the percentage of budget expenditures controlled at the local levels and popular participation will be measured by collecting data on the number of public interest groups and indigenous NGOs which are formed and the number of people active in the political parties. In most cases this data will be gender disaggregated. See Annex II for a more detailed table of indicators to be monitored.

Component 3 - *Private Sector*

While the other components of the proposed strategy are necessary supporting elements, this component is the basis for growth. We have established as a subgoal to increase real income in the private sector. We considered the options of having a pure employment focus at the subgoal level but decided that this focus could lead to inefficient production decisions or massive employment generation programs with little economic returns if decision making were skewed by an employment bias. We also considered focussing on improving public sector industrial efficiency but decided that the IBRD was taking sufficient action on that front and we preferred to follow the DFA mandate of broad-based development. Two focus areas were possible routes to achieve this sub-goal - increasing on farm agricultural production and emphasizing off-farm, income-generating activities. Review of the data and analyses presented in the preceding analytical sections led us to determine that the longer term growth potential in Rwanda must come from off-farm activities and that intensification of agricultural production, while necessary, does not provide a solution for the twenty-first century. Therefore we defined our strategic objective as increasing the commercial output by medium and smaller scale enterprises. The IBRD is initiating a large research program and an agricultural extension program which will be providing assistance to the subsistence sector and the Belgians and the French continue their agricultural research assistance for these activities. However, the large proportion of the production by farmers for autoconsumption is outside our strategy. We will remain interested in and supportive of only those crops that are marketed or processed by the private sector.

The MAPS analysis and several other reviews of the private sector in Rwanda indicate that the potential for growth in the next 10 years is in the informal sector as opposed to the formal industrial sector. Therefore we have defined our target group as "medium and smaller scale enterprises" which includes the micro-enterprises as well as SMEs. Two targets are focussed on the informal sector:

- ⊙ **Expand the Financial and Business Services Sector with Medium and Smaller-Scale Enterprises; and**
- ⊙ **Expand Agricultural Processing and Marketing with Medium and Smaller-Scale Enterprises**

The requirements to achieve each of these targets are essentially the same - improve the policy and regulatory environment, encourage sustainable exploitation of natural resources, and expand business services demanded by the private sector.

The policy and regulatory environment has improved greatly over the past few years but much more remains to be done. The IBRD is actively pursuing a broad ranging policy agenda for the private sector led by an effort to privatize parastatals. We have defined a set of policy interventions which is complimentary to the bank's efforts and where we can make a significant impact with our more limited resources.

One primary constraint lies outside the Mission's manageable interest but could be dealt with on a regional basis - transportation and regional markets. Transportation cost is the most often cited constraint to business development in each of the surveys that has been done. The route is tenuous, tortuous, often unreliable, and always expensive. It is not a problem we can deal with bilaterally because the problems lie outside Rwanda's borders but it is one the Africa Bureau should consider as a regional initiative affecting Rwanda, Burundi, Zaire, and Uganda as well as the entry points - Kenya and Tanzania. Our analysis shows that regional trade - much of it informal - is of tremendous importance to Rwanda. Little has been accomplished in the efforts to create regional trade organizations and while we can have some effect by encouraging the Government of Rwanda to press for arrangements, it would be far more effective if the Africa Bureau made this a regional emphasis in conjunction with the transport initiative discussed above.

Based on the MAPS analysis, the Mission identified the following policies for initial emphasis under the strategy: business taxation which is currently highly arbitrary, the

contracts and subcontracts which are currently given little status in the courts, and further liberalization of registration procedures to ease entry into the formal sector for small and medium enterprises. The issue of a rational tax system which is equitably applied is probably the most significant of these policies. We anticipate working closely with the IBRD in addressing these policy constraints.

The strategy particularly carries the cross-cutting theme of natural resources management and specifically defines a subtarget to address this issue. Under the strategy we want to continue to encourage the sustainable exploitation of the resource base. We intend to continue to pursue the establishment of an appropriate legal and regulatory framework to oversee the environmental implications of investments by both the private and public sectors. We plan to encourage the formation of private environmental action groups to maintain environmental and natural resource management consciousness. Finally, we will encourage full consideration of tourism development in the emerging environmental regulations to gain monetary returns from the 20 percent of Rwanda's land area which is devoted to natural parks and reserves. We believe that this tourism development can be done through small and medium-sized businesses and we will seek a code which encourages their investment programs.

One of the serious constraints on expansion of the small and medium-sized business sector which was identified by the MAPS study was a serious lack of business services and related skills. Marketing skills, business plan development abilities, auditing and accounting capability, and entrepreneurial training are largely lacking in Rwanda. Our challenge is to develop the means to provide training in these critical business skills. We anticipate that the private sector will seek to apply new agricultural technologies, particularly in diversifying to non-traditional crops. We intend to encourage this technology transfer. A unique constraint in Rwanda is the lack of small communities. The farm population lives dispersed among the hills with no town center to be a focal point for small, local business. The government has adapted a strategy of creating market town infrastructure in areas where periodic markets are now being held to provide a locale for local businesses serving the rural population. We have financed some pilot activities under the government plan and we will be evaluating their success and, if they are successful, we will include expansion of the market town infrastructure program in our future program under this strategy.

Monitoring of progress under this strategic objective will be based on a combination of macro level data on growth, Government of Rwanda data on business registration and credit, and periodic surveys similar to those initiated under the PRIME project. Special

emphasis will be given to rigorous surveys of the informal sector to develop a reliable baseline and routinely monitor changes in the sector. See Annex II for a more detailed table of indicators to be monitored.

Targets of Opportunity

The strategy incorporates two targets of opportunity which were selected because of their unique importance in Rwanda and specific interests expressed by AID/W. Both relate tangentially to the core of the strategy but we prefer to highlight them as specific targets. They are:

- ⊙ **Conserve Biodiversity; and**
- ⊙ **Reduce the Rate of HIV/AIDS Transmission.**

The conservation of biodiversity target of opportunity calls for a continued effort to improve the management of national parks and reserves. This will include continuation and potential expansion of current efforts to assist the programs with the mountain gorillas and with the high-altitude tropical rain forests. Research, park management, wildlife and conservation education programs, etc., will be continued. Emphasis will be placed on the linkage between these efforts and the expansion of tourism under the private sector component of the strategy, but not to the exclusion of more scientific inquiry into the biodiversity aspects of the parks and reserves.

The HIV/AIDS target of opportunity is a direct response to the extremely high infection rate in Kigali. US support for the HIV/AIDS program in Rwanda has been primarily through the National Institutes of Health and has been oriented towards research. Under this target of opportunity, we would begin to work with the National AIDS Prevention Program and, in coordination with the WHO and the Germans, provide services to slow the transmission of the virus. Specific interventions will be in the areas of reinforcing the prevention and treatment of STDs, condom social marketing, and IEC campaigns directed at reducing the numbers of risky sex encounters. Special efforts will focus initially in Kigali where the prevalence rate is the highest and proceed to other urban and rural programs in subsequent years. Continued research, both technical and social, will be conducted under the strategy. Strengthening links between the HIV/AIDS program and the family planning program will be emphasized whenever possible. Messages prepared for family planning will contain AIDS mes-

sages where appropriate and aiming in near
planning will incorporate an AIDS prevention module.

Program Implications

Implementation of the above strategy will require some changes in the USAID portfolio. Of particular note will be the phasing out of the agricultural production research portfolio which consists of the Farm Systems Research Project (ending in 1992) and redesigning the Natural Resources Management Project to either phase out the fisheries and wetlands components or shift them to more commercialized production. The agro-forestry component of the natural resources project will also be redesigned and either eliminated or focussed on more commercial production methods.

The activities under our AEPRP for structural adjustment will be more precisely focussed on the policy initiatives identified under the governance and private sector strategic objectives and the final design of the new Analysis, Research, and Technical Services project will be specifically supportive of the new strategy.

In the health sector, the Integrated MCH/FP project now under design is fully consistent with our emphasis on integrated services in the strategy and the ongoing MCH/FP II project does not require adjustment.

The Democracy in Governance project, currently under design, is our initial activity to address the governance objective. It incorporates an emphasis on popular participation, the press, civic awareness, and strengthening the judicial and legislative processes.

As we look to future programs, we foresee a new family planning project in 1995, major project and non-project initiatives to address the need for budgetary rigor within the government in 1993 and 1994, project and non-project assistance for tax reform in 1993 and 1994, and an entrepreneurial development project in 1995. For the targets of opportunity, the biodiversity concerns will be addressed through the redesign of the natural resources project and a follow-on conservation project in 1994. The HIV/AIDS initiative is particularly urgent and we intend to design a new program to begin in late 1993.

The following table provides an indicative programming summary for the years 1992-97.

Programmatic Implications

Strat. Comp	Program	Amount	1992	1993	1994	1995	1996	1997
Population	MCH II	10 Mill	<-XX	XXXX	XXXX	XXXX		
	RIM	8 Mill	X	XXXX	XXXX	XXXX	XXXX	XXXX
	Fam Plan I	15 Mill				X	XXXX	XXXX
Governance	DIG	8 Mill	X	XXXX	XXXX	XXXX	XXXX	
	ARTS Proj	8 Mill	X	XXXX	XXXX	XXXX	XXXX	XXXX
	Budget Proj	15 Mill		X	XXXX	XXXX	XXXX	XXXX
	Budget NPA	30 Mill			X	XXXX	XXXX	
	116 (e)	1 Mill	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Private Sector	HRDA Trn	3 Mill		X	XXXX	XXXX	XXXX	XXXX
	ARTS NPA	12 Mill	X	XXXX	XXXX			
	Tax Proj	3 mill		X	XXXX	XXXX		
	Tax NPA	10 Mill			X	XXXX		
	Entrep. Dev	10 Mill				X	XXXX	XXXX
Biodiversity	NRMP	13 Mill	<-XX	XXXX	XXXX			
	Conservation	10 Mill			X	XXXX	XXXX	XXXX
HIV/AIDS	AIDS Proj	6 Mill		X	XXXX	XXXX	XXXX	XXXX

Strategic Scenarios

There is a great deal of uncertainty in the development environment in Rwanda. Therefore we propose the following four strategic scenarios as a means of strategically defining our response to the dynamism of the situation. We are currently at what we term the medium option and the scenarios define criteria for either moving to a more optimistic scenario or declining to less optimistic ones. They also define what our programmatic responses and level of financial and staff resources would be under the various scenarios. In general, if Rwanda slows the pace of political and economic reform, the first level of response is to cut non-project assistance, drop the budget reform initiative and reduce the private sector portfolio because without progress on reforms these components have diminished chance of success. If the reform program breaks down completely, the portfolio would be reduced to just population and PVO activities. Population remains the lead sector under all scenarios. It is a critical need and the appropriate policy environment already exists so it is dependent on the political and economic reform process. The table on the following page provides a concise summary of these scenarios.

	High option	Medium Option	Moderate Option	Low Option
Decision Criteria	<ul style="list-style-type: none"> • political reform accelerates <ul style="list-style-type: none"> - elections within 12 months, - war ends, - military reduced • economic reform accelerates <ul style="list-style-type: none"> - GOR reduces deficit and implements other priority reforms, - IMF/IBRD sign new agreements, - business confidence rises sharply 	<ul style="list-style-type: none"> • political reform continues at current pace <ul style="list-style-type: none"> - elections within 12-18 months, - war scales down • economic reform continues at current pace <ul style="list-style-type: none"> - GOR reduces deficit, - IMF/IBRD sign new agreements, - business confidence rises 	<ul style="list-style-type: none"> • political reform slows from current pace <ul style="list-style-type: none"> - elections delayed, - internal unrest continues, - war scales down • economic reform continues slow <ul style="list-style-type: none"> - current GOR budget deficit continues, - IMF "shadow program", - IBRD slows development of Structural Adjustment Credits, - business confidence remains low 	<ul style="list-style-type: none"> • political reform process breaks down <ul style="list-style-type: none"> - transition government collapses, - war expands, - military expands • economic reform ceases <ul style="list-style-type: none"> - current GOR deficit grows, - no IMF/IBRD agreements, - no Rwandan business confidence
Resource Levels	<p>DFA Status Focus</p> <p>Funding OYB: \$25-30 mill PA: \$ 8-12 mill NPA: \$18-22 mill</p> <p>Staffing USDH: 15-18 FTE</p>	<p>DFA Status Focus</p> <p>Funding OYB: \$15-20 mill PA: \$ 6-10 mill NPA: \$10-14 mill</p> <p>Staffing USDH: 10-12 FTE</p>	<p>DFA Status Watch</p> <p>Funding OYB: \$7-9 mill PA: \$7-9 mill NPA: none</p> <p>Staffing USDH: 6-8 FTE</p>	<p>DFA Status Non-Focus</p> <p>Funding OYB: \$2-5 mill PA: \$2-5 mill NPA: none</p> <p>Staffing USDH: 2-4 FTE</p>
Population Strat. Obj.	- current portfolio	- current portfolio	- current portfolio	- current portfolio
Governance Strat. Obj.	- DIG project, - significant new program on budget and fiscal reform, - 116(e)	- DIG project, - less ambitious budget reform, - 116 (e)	- DIG project, - 116(e)	- 116(e) only
Income Private Sect. Strat Obj.	- ARTS (PA&NPA) - expand local HRDA programs, - tax reform - accelerate entrepreneur dev. - develop financial sector initiative	- ARTS (PA&NPA), - current HRDA, - tax reform - entrepreneur dev - defer financial sector	- ARTS (PA only), - current HRDA	- ARTS for PVO component only
Targets of Opportunity	<ul style="list-style-type: none"> • Biodiversity continues • HIV/AIDS becomes full program 	<ul style="list-style-type: none"> • Biodiversity continues • HIV/AIDS becomes full program 	<ul style="list-style-type: none"> • Biodiversity continues • HIV/AIDS as a limited intervention 	<ul style="list-style-type: none"> • Biodiversity continues through PVOs • HIV/AIDS through centrally managed activities only

VI MANAGEMENT CONCERNS

Summary

The program growth in USAID/Rwanda can be viewed as explosive. Development assistance levels have increased from roughly \$5 million per year when the last strategy was prepared to \$20 million or more currently. Rwanda has gone from being a small country program to being a category one, focus country. Unfortunately staffing has not kept pace with the program growth. With a staff of eight USDH, we are limited in how large a program we can handle. The strategy presented in this CPSP is predicated on a staff of at least 10 USDH. The lack of appropriate staff will be the most critical constraint on the management side.

Program Management

The 1991 Internal Control Review and two recent audits indicate that the Mission must tighten up its financial controls on projects and programs. Vulnerabilities on local currency disbursements and cash advances are particularly worrisome and must be dealt with forcefully. Simultaneously with resolving these control weaknesses, we must reduce the micro-management burden on project managers.

The Mission is beginning to implement several initiatives which address these conflicting concerns. Firstly, we are creating a Project Support Unit which will not only provide administrative support to contract teams but also provide financial management systems, training, and oversight for all projects. Secondly, we will structure the responsibilities of contractors by focussing attention on life of project and annual work plans as the major control points for examining the project activity. Thirdly, we will be requiring all contractors to prepare operations manuals detailing how they will meet their responsibilities for internal control procedures. Fourthly, we are moving to utilizing grants and Federal Reserve Letters of Credit wherever appropriate to lessen the accounting burden in the Mission. Concurrent with this effort, we will be examining all future contracts to define methodologies for making the contractors more responsible for implementing the project rather than just providing technical inputs. Finally, we have initiated, and will accelerate, a proactive non-federal audit program with fol-

low-up by the audit firms to help the projects resolve accounting and internal control problems.

As we move to implement the new strategy, several principles will guide our determination of implementation mechanisms for the programs to control the management burden. We will emphasize larger projects and use non-project assistance whenever appropriate to absorb larger amounts of funds. In non-project assistance, we will utilize local currency generations as program budget support rather than as project activities. We will, whenever possible, insist on a single prime institutional contractor to implement a program so that the mission will be responsible for just one institution. The use of personal services contractors to implement projects will be discouraged. The use of multiple buy-ins to central projects to obtain services for project implementation will be curtailed to reduce the burden of coordination from the mission. Successful implementation of these principles will enable the mission to keep the number of management units under control.

The new strategy includes two new areas of emphasis, the private sector, and democracy and governance. We believe that the private sector initiatives, since they are closely related to agro-processing and marketing, can be managed by the current agriculture office staff with support from the program office FSN economist. The democracy and governance project is clearly the provenance of the program office with significant contributions from the director's office. The democracy initiative requires close coordination and cooperation with the Country Team and the Post Democracy Committee and we have received assurances that this cooperation will continue. The governance initiative with its emphasis on the budget process of the Government of Rwanda will be the key responsibility of the program economist. We believe we can manage the program at the Medium Option with the staff discussed below.

Staffing

The staff at USAID/Rwanda has not been augmented to keep pace with the program increases. Many of the internal control weaknesses arise from having insufficient staff. The staff of the mission is as follows:

USDH Staff

Office	Position	Status	Responsibilities
DIR	Director	filled	Management, Policy Direction, Government liaison, other donors
PRM	Prog. Off.	filled	Program strategy, Program monitoring, Economic analysis, Non-Project Assistance, Policy Guidance, Analytical agenda
	Asst. Prog. Off.	filled	
	Prog. Economist	Refused	
PDO	Proj. Dev. Off.	filled	Project design and documentation, Project Implementation monitoring, Contracting, Participant Training, Women in Development
ADO	Ag. Dev. Off	filled	Agriculture, Natural Resources, Private Sector
HPO	Health/Pop Off.	filled	Health, Population, AIDS/HIV
	CDC TAACS	filled	
CONT	Controller	vacant	Mission operating budget control, accounting, audit coordination, project financial reviews
	Dep Controller	refused	
EXO	Exec. Off.	filled	Administration, management, FAAS liaison

It is clear from the above table that one of the most difficult issues is the lack of depth in all offices except for the Program Office. Whenever one staff person is away on leave - an average nearly three months a year with annual leave, home leave, TDYs and training - another staff person must drop a major portion of his or her own responsibilities to pick up the functions of the missing person which must be undertaken by a USDH. As a result, the activities in several offices are disrupted. This is especially critical in the controller's office where the time consuming certification of vouchers must be undertaken by a USDH. We need to add more depth to this office if we are to be able to implement the required financial controls for the larger program and to meet the operational needs of the Mission.

The Program Officer currently serves concurrently as Mission economist as well as de-facto Deputy Director. Implementation of the new strategy requires that a full time program economist be added to manage the new budget initiative, manage the monitoring program, and enhance the economic analysis capability of the Mission. Lacking this position, we will have to drop our budget initiative and reduce our analytical agenda.

The Department of State categorizes Rwanda as a small embassy program (SEP) post. Therefore, staff increases for all agencies must be approved at the level of the Under-Secretary for Management. The request for the two essential positions discussed

above - fully supported by the Ambassador, the AF Bureau of State, and AID/W, was refused by the Under-Secretary. If the State Department cannot be convinced of the need to link staffing levels to program levels, we will be forced to adjust program levels downward to accommodate staff availability.

We have investigated using contracted expatriate staff to meet the needs of the new strategy. This could be accommodated for the program economist, albeit in a less than perfect solution as there are many routine tasks that this person would be unable to undertake as a non-USDH. However, a contractor could take responsibility for general oversight of the budget reform initiative, implementing the program monitoring system, managing the analytical agenda, enhancing economic analysis, and increasing economic reporting. On the other hand, a contractor - unless designated as a certifying officer - could not meet the needs of the controller's office. It would not lift the burden from the USDH controller and would not give the needed depth in the office.

The scenario table in section V above shows our assessment of the staff which are necessary and sufficient to implement the strategy at the various levels. If staff is constrained, we propose to move to the level commensurate with the staff available.

Monitoring, Evaluation, and Reporting

Following approval of the strategy in this CPSP, the Mission will spend the next year developing a monitoring system to follow impacts of the program, and an analytical agenda to identify the studies and analyses needed to implement the strategy and monitor its impacts. Data collections systems will be built into all new projects beginning with the Analysis, Research, and Technical Services project and the Integrated MCH/FP project which are under design now. High priority will be given to surveying the informal sector to establish an appropriate baseline for monitoring purposes. Priority will also be given to developing the specific criteria to be included in measuring the indicators based on a scale of 1 to 10. The Mission evaluation plan will be shifted to focus on impacts and lessons learned for future programs rather than the mechanics of implementation. These evaluations will be meshed into our impact reporting.

We are planning to utilize the PRISM activity for a mission buy-in to provide the technical support required to put the monitoring system in place. The Ministry of Agricul-

ture's statistics department which USAID has supported for many years will be the key unit for much of the monitoring and field survey work and we are considering using the Food Security Project to continue supporting this institution. Health and population statistics will be generated by the new project using both a health information system and DHS surveys.

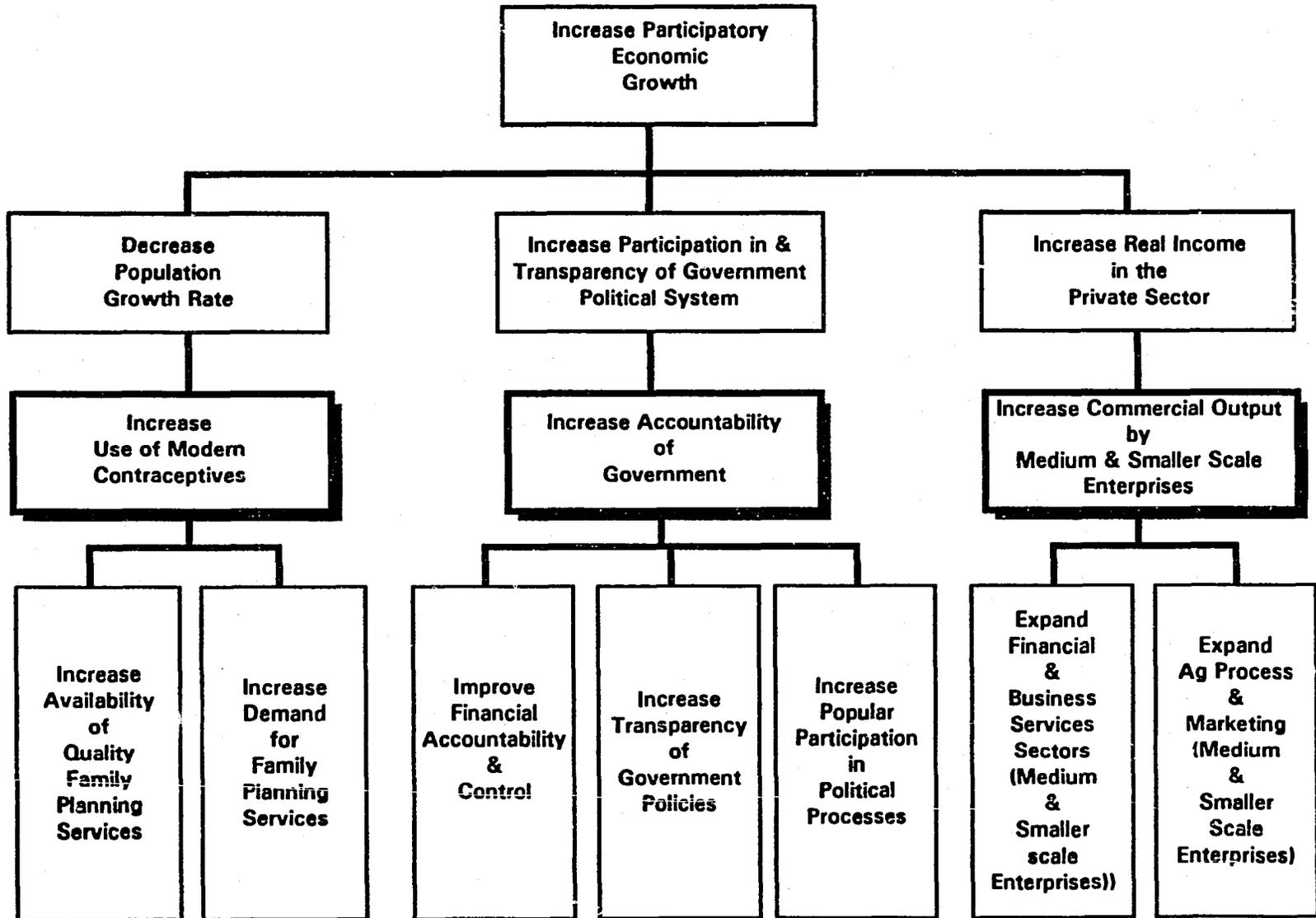
USAID/RWANDA CPSP PROGRAM OBJECTIVE TREE

PROGRAM GOAL

SUB-GOALS

STRATEGIC OBJECTIVES

TARGETS



1. Conserve Biodiversity - improved management of national parks & reserves
2. Reduce rate of HIV/AIDS transmission - targetted IEC, condom social marketing, and STD programs in large urban centers

58

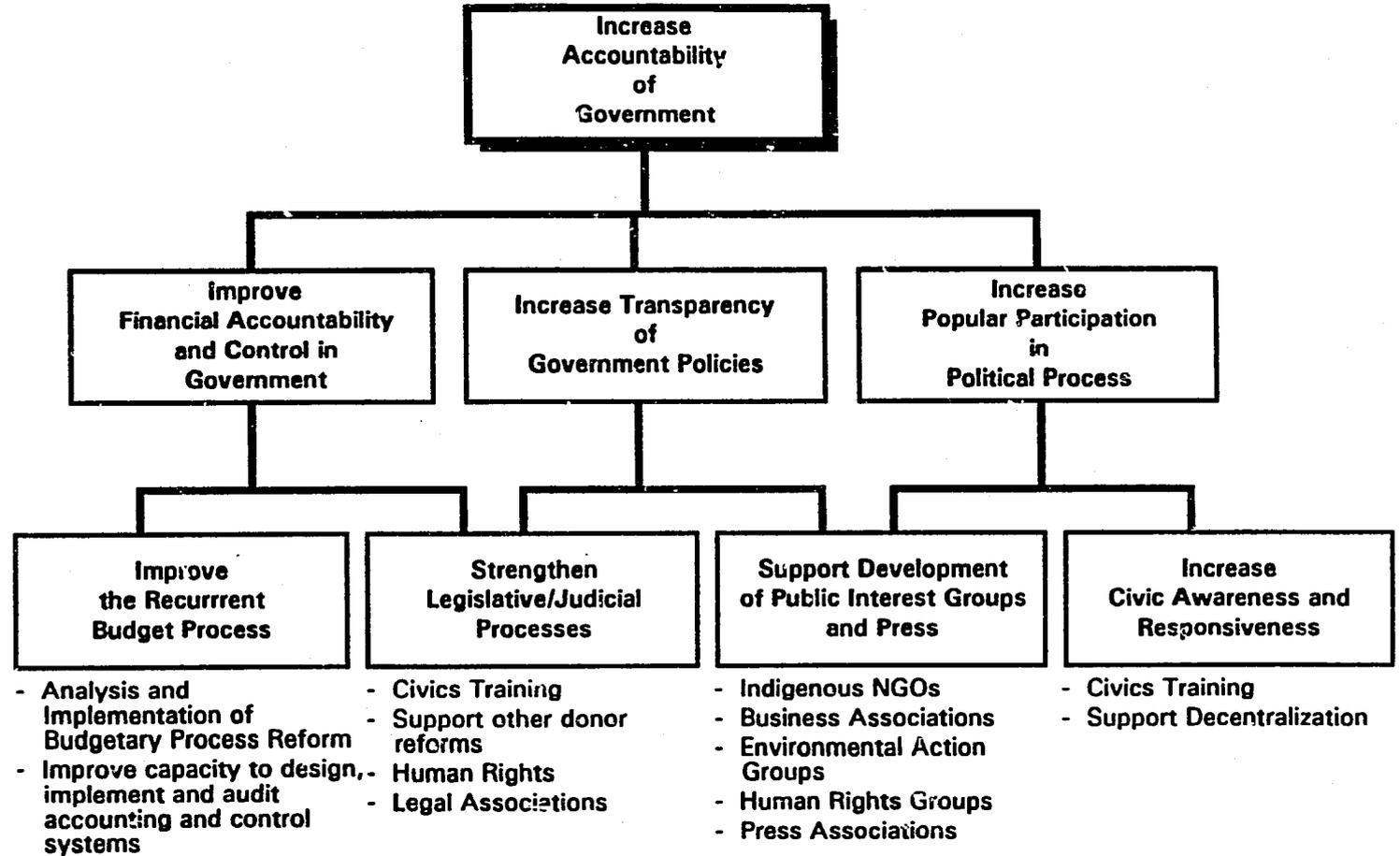
USAID/RWANDA STRATEGIC OBJECTIVE TWO:

GOVERNANCE

STRATEGIC OBJECTIVE

TARGETS

SUB-TARGETS



STRATEGIC OBJECTIVE

**Increase Commercial Output
by
Medium & Smaller Scale
Enterprises**

TARGETS

**Expand Financial & Business
Services Sectors
(Medium & Smaller Scale
Enterprises)**

**Expand Ag Processing & Mktg
(Medium & Smaller Scale
Enterprises)**

SUB-TARGETS

**Improve Policy &
Regulatory
Environment**

- Further policy & regulatory changes on registration, entry and exit, taxation, contracts, and marketing (both domestically and regionally)
- Reduce or limit the role of parastatals

**Develop Appropriate Legal
& Regulatory Framework
for Rational Exploitation
of Natural Resources**

- Modify legal framework
- Establish regulatory capacity to monitor and evaluate NRM issues affected by business activities
- Tourism development

**Strengthen Indigenous
Entrepreneurship**

- Marketing skills
- Identifying and adapting production technologies
- Market information
- Credit
- Auditing and accounting
- Entrepreneurial training
- Market town infrastructure
- Business plan development incorporating NRM concerns
- Cooperative development
- Regional Markets

Preliminary Program Impact Indicators

		Item	Indicator	From	To	Source
Goal		Increase Participatory Economic Growth	Real Economic Growth Rate Distribution ?????	1.5% per annum in 1980-1989 ?????	4% per annum in 1996 ?????	IBRD & IMF reports IBRD & IMF Reports
Sub-Goal	SG1	Decrease Population Growth Rate	Total Fertility Rate	8.5 in 1990	6.9 in 1997	ONAPO & DHS surveys
Strategic Objective						
	SO1	Increase Use of Modern Contraceptives	Contraceptive Prevalence Rate Couple Years of Protection	3.7% in 1988 13,400 in 1988	24% in 1997 150,000 in 1997	ONAPO & DHS ONAPO & Import data
Target						
	T1.1	Increase Availability of Quality Family Planning Services	# of service delivery points # of service delivery points offering 5 or more methods	280 in 1991 25 in 1991	1,200 in 1997 110 in 1997	ONAPO ONAPO
	T1.2	Increase Demand for Family Planning Services	Desired Family size* % of couples desiring FP *	6.0 in 1990 (5 m.) ___ in 1988	5.0 in 1997 (4 m.) ___ in 1997	DHS & ONAPO DHS & ONAPO
Subtarget						
	ST1.1	Increased Private Sector Delivery	# Active NGO # Priv. Service Deliv. Pts. # of Couple Yrs of Prot. through FS	2 in 1991 0 in 1991 0 in 1991	6 in 1997 300 in 1997 40,000 in 1997	ONAPO ONAPO ONAPO & Import data
	ST1.2	Increased Public Sector Delivery	# Couple yrs of Prot through pub sect # sites for longer term methods	13,400 in 1988 25 in 1991	110,00 in 1997 110 in 1997	MOH & ONAPO MOH & ONAPO
	ST1.3	Increased Integration of FP/Health Services	# of Serv Deliv Pts offering integ. services	0 in 1991	100 in 1997	MOH & ONAPO

* = Gender disaggregated data

	ST1.4	Increased Promotion of FP/MCH	# of referrals to Health Centers for FP services % of women knowing a source of long term modern contraceptive method % of men knowing of contraception	__ in 1991 __% in 1988 __% in 1993	__ in 1997 __% in 1997 __% in 1997	MOH data DHS DHS
Sub-Goal	SG2	Increase Participation In and Transparency of Government. Political System	Proper Elections # of political parties	None in 1992 13 of which 4 significant in 1992	All levels in 1993 and continuing after >1. significant in 1996	Embassy
Strategic Objective						
	SO 2	Increase Accountability of Government	Freedom of association and opposition by civil groups, NGOs, Press and business groups Adherence to government budgets	4 on scale of 1 to 10 in 1992 2 on scale of 1 to 10 in 1992	3 on scale of 1 to 10 in 1997 7 on scale of 1 to 10 in 1997	Embassy reporting Human Rights Groups USAID annual review
Target						
	T2.1	Improve Financial Accountability and Control	Budget deficit Government Financial control Agencies	10 % in excess of IMF targets in 1991 1 on a scale of 1 to 10 in 1992	Within IMF targets in 1995 5 on a scale of 1 to 10 in 1997	IMF review USAID survey
	T2.2	Increase Transparency of Government Policies	Public Knowledge of Nat'l Government responsibilities	2 on scale of 1 to 10 in 1991	5 on scale of 1 to 10 by 1997	Mass Media, surveys
	T2.3	Increase Popular Participation in Political Processes	% participation in political parties *	40% in 1992	80% in 1997	USAID Surveys

* = Gender disaggregated data

Annex II

Subtarget						
ST2.1	Improve Recurrent Budget Process	Controls	No controls over unapproved expenses in 1991	Control system to prevent unauthorized expenses by 1995	USAID review	
		Arrears	Total arrears of 15 bill RF in 1991	Outstanding arrears to 5 Bill by 1996	IMF budget review	
ST2.2	Strengthen Legislative/Judicial Processes	% of Trained Legislators	0% in 1992	60% in 1997	Training records	
		Judicial Knowledge and enforcement of legal code	2 on scale of 1 to 10 in 1992	5 on scale of 1 to 10 in 1997	Embassy/USAID assessment	
ST2.3	Support Development of Public Interest Groups and Press	Independent Press	4 on scale of 1 to 10 in 1991	8 on scale of 1 to 10 in 1997	USIS/Embassy reporting	
		# of active public interest groups	25 in 1992	___ in 1997	DIG project reporting	
ST2.4	Increase Civic Awareness and Responsiveness	% population given civics training *	1% in 1992	10% in 1997	DIG project reporting	
		decentralization of government	10% of budget controlled at regional level in 1992	20% of budget controlled at regional level in 1997	DIG project reporting	
Sub-Goal	SG3	Increase Real Income in the Private Sector	Share of non-farm income in GDP	60% in 1988	>70% in 2000	IBRD Annual Report
			Growth of income per capita	1.2% per annum in non-farm sectors in 1985-1989	1.7% per annum in non-farm sectors in 1997	IBRD Annual Report
Strategic Objective						
SO 3	Increase Commercial Output by Medium and Smaller Scale Enterprises	Value of Goods marketed	125 Bill RF in 1992	132 Bill RF in 1997	IBRD GDP + USAID data	
		% of people having significant off farm emplmnt *	6.7% in 1988	7.1% in 1997	Nat'l Census, GOR reports	

* = Gender disaggregated data

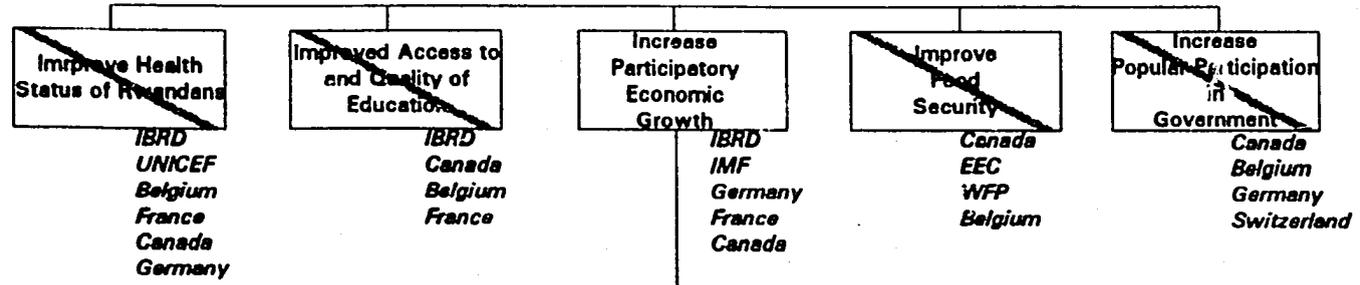
S					
T3.1	Expand Financial & Business Services Sector (Medium and Smaller Scale Enterprises)	share of credit to medium and smaller scale enterprises *	20% in 1992	35% in 1997	GOR & USAID surveys
		# business services enterprises *	20 in 1992	36 in 1997	GOR & USAID surveys
T3.2	Expand Agricultural Processing and Marketing (Medium & Smaller Scale Enterprises)	Rate of formation of new non-farm businesses (manufacturing & services)	20 per year in 1992	35 per year in 1997	GOR & USAID surveys
		Value of output by existing enterprises	___ RF in 1992	___ RF in 1997	GOR & USAID surveys
Subtargets					
ST3.1	Improve Policy and Regulatory Environment	Commercial code	no code in 1992	5 on a scale of 1 to 10 in 1997	USAID survey
		Income Tax rates Administrative procedures	55 & 80% in 1992 3 on scale of 1 to 10 in 1992	44 & 64% in 1996 7 on scale of 1 to 10 in 1997	Official Gazette USAID surveys
ST3.2	Develop Appropriate Legal/Regulatory Framework for rational exploitation of Natural Resources	National Environmental code	No code in 1992	5 on a scale of 1 to 10 in 1997	USAID review
ST3.3	Strengthen Indigenous Entrepreneurship	# trained entrepreneurs *	45 in 1991	150 in 1997	GOR & USAID surveys
		# entrepreneur associations *	3 in 1991	7 in 1997	GOR
		# of entprs. active in mkt towns *	___ in 1992	___ in 1997	USAID surveys

* = Gender disaggregated data

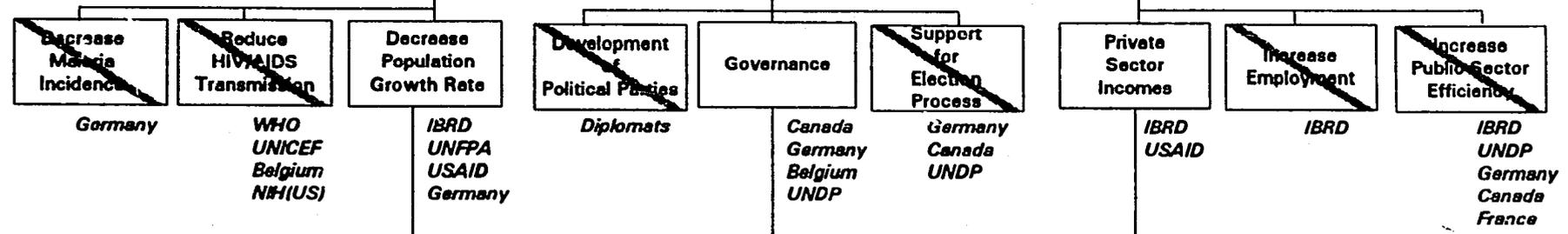
Annex II

USAID/RWANDA CPSP STRATEGIC CHOICES & OTHER DONORS

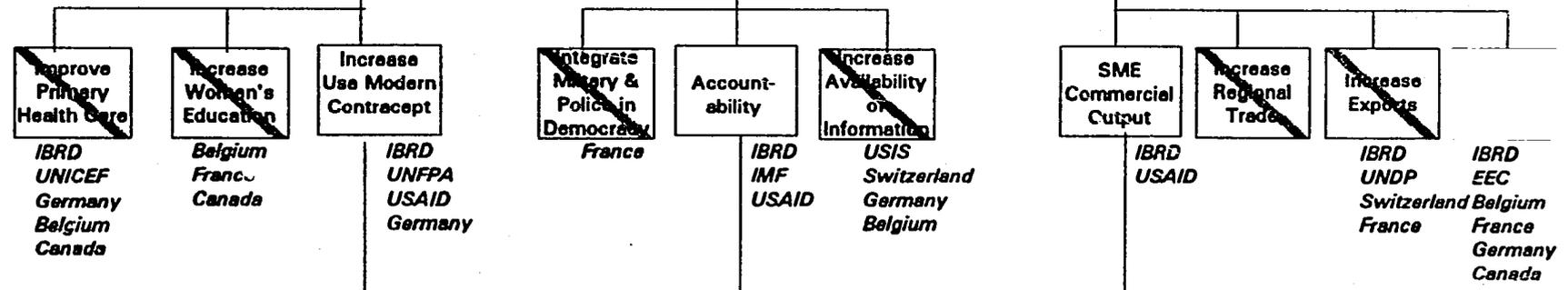
PROGRAM GOAL



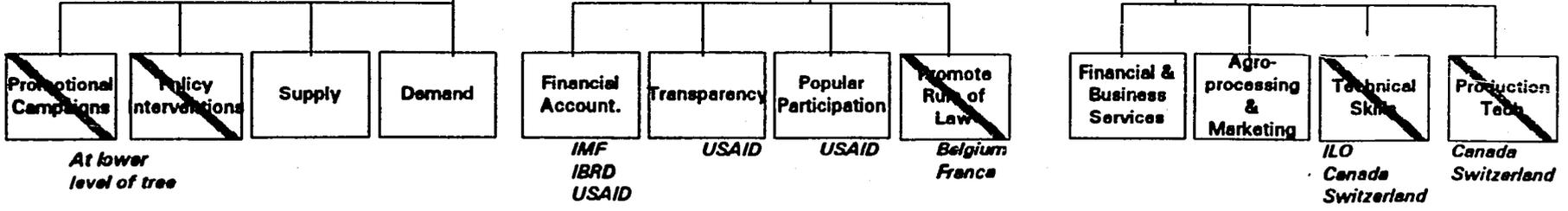
SUB-GOALS



STRATEGIC OBJECTIVES



TARGETS



RWANDA - KEY INDICATORS
(in percent except otherwise indicated)

	1986	1987	1988	1989	1990	1991 (Prel)	1992 (Proj)	1993 (Proj)	1994 (Proj)	1995 (Proj)
Growth Rates										
GDP	5.5	(0.3)	0.3	(5.8)	(1.2)	(2.9)	3.9	3.8	3.8	3.9
Gross Domestic Income (GDY)	6.2	(4.3)	2.6	(5.7)	(5.0)	(5.5)	7.1	3.5	4.1	4.3
GDY per capita	2.4	(7.7)	(1.1)	(9.0)	(8.4)	(8.9)	3.3	(0.2)	0.4	0.5
External Debt										
Debt Service (mill. US\$)	19.4	27.6	27.5	27.1	23.1	26.8	36.2	36.3	39.2	41.2
of which: interest (mill. US\$)	5.4	7.4	9.4	7.8	7.7	9.2	11.7	12.3	12.6	12.7
Debt Service Ratio	8.5	16.5	17.1	18.3	16.0	19.2	27.1	23.1	21.6	19.7
Debt./GDP	22.1	26.5	26.5	27.7	31.4	37.6	42.0	43.3	43.3	42.8
Ratios to GDP										
Gross Investment	15.9	15.6	15.7	15.6	11.6	13.2	14.7	14.5	14.7	15.0
Domestic Savings	8.3	6.3	6.4	6.3	2.8	(1.1)	(0.4)	0.7	1.8	2.9
National Savings	8.2	6.2	6.3	6.2	2.5	(0.5)	(0.4)	1.1	2.3	3.5
Public Investment	9.2	12.4	11.3	10.1	7.1	8.8	10.3	9.9	9.7	9.8
Private Investment	6.7	3.2	4.3	5.5	4.5	4.4	4.4	4.6	5.0	5.4
Public Savings	2.0	(0.5)	(0.5)	0.3	(5.3)	(4.4)	(3.4)	(0.7)	1.2	1.9
Government Revenues	13.8	13.5	12.8	14.0	12.2	13.5	13.6	14.4	14.8	14.9
Government Revenues and Grants	16.5	18.5	18.8	20.5	18.3	21.9	24.7	23.7	22.9	22.6
Government Expenditure	21.2	26.5	24.3	24.3	26.8	28.6	28.3	26.1	24.3	23.7
Fiscal Deficit (incl. grants)	(4.7)	(8.0)	(5.5)	(3.8)	(8.6)	(6.7)	(3.6)	(2.4)	(1.5)	(1.0)
Fiscal Deficit (excl. grants)	(7.4)	(13.1)	(11.5)	(10.3)	(14.6)	(15.1)	(14.7)	(11.7)	(9.6)	(8.8)
Fiscal Deficit (excl. current grants)	(7.4)	(131.0)	(6.6)	(4.7)	(9.8)	(10.5)	(9.1)	(5.6)	(4.1)	(3.4)
External Sector										
Export volume growth rate	17.8	1.5	(21.5)	2.7	35.4	(2.4)	(17.6)	10.2	5.4	5.5
of which coffee	27.4	12.0	(26.1)	(16.6)	60.3	(12.2)	(30.0)	14.3	4.0	4.0
Exports GINFS/GDP	11.7	7.8	6.9	6.8	6.8	9.6	8.2	8.6	9.2	9.7
Import volume growth rate	8.0	(7.1)	(0.1)	(6.0)	(11.6)	(3.5)	10.7	3.8	3.9	4.1
Imports GINFS/GDP	21.2	19.4	18.1	17.3	17.2	25	24.2	23.4	23	22.7
Current Account (mill. US\$) (2)	(186.2)	(252.9)	(263.2)	(231.3)	(227.6)	(213.0)	(261.0)	(262.2)	(265.3)	(269.6)
Current Account/GDP (2)	(9.6)	(11.7)	(11.3)	(10.6)	(10.7)	(14.7)	(16.0)	(14.4)	(13.4)	(12.5)
Net Official Reserves (mill. US\$)	144.6	134.4	97.8	55.7	(2.2)	33.1	98.6	141.7	152.3	163.7
(months of imports)	5.0	4.6	3.2	1.9	(0.1)	1.1	3.0	4.0	4.0	4.0
Money and credit										
Domestic credit	(1.7)	23.1	23.7	15.9	13.2	(3.3)	---	---	---	---
Government	(8.6)	149.5	25.0	24.5	66.2	2.7	---	---	---	---
Private sector	(0.3)	(0.3)	23.1	11.9	(14.4)	(9.3)	---	---	---	---
Money and quasi-money (M2)	13.6	10.3	7.4	(4.8)	6.3	49.9	---	---	---	---
Interest rate (one-year savings deposits)	5.0	5.0	5.0	5.0	12.0	---	---	---	---	---
Miscellaneous										
Inflation rate, annual average	(8.9)	6.0	2.6	4.6	9.1	15.0	5.0	5.0	4.0	4.0
Real effective exchange rate change	(9.2)	(0.2)	1.4	(0.8)	(8.2)	(37.0)	---	---	---	---
Ratio of Exports GINFS/Imports GINFS	55.2	40.1	39.5	39.2	39.4	38.6	33.8	37.0	39.8	42.5

Sources: World Bank - Data provided by the Rwandese authorities; and World Bank staff estimates and projections.

(1) Investment projections are preliminary and subject to revision after finalization of the PIP for 1992-94. GDY is influenced adversely by terms-of-trade deterioration in 1989-91, and positively by a partial terms-of-trade improvement in 1992, arising from a slight increase in world price of coffee combined with a decline in the price of imported petroleum products.

(2) Excluding official grants

ANNEX V

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