Part I - ANALYSIS OF NATIONAL DEVELOPMENT PLAN (EDPRS II)

1. Reference documents

The Government of Rwanda (GoR) has elaborated the Economic Development and Poverty Reduction Strategy II 2013/14 – 2017/18 (EDPRS II), which builds on two prior medium term national development strategies. To a large degree, the EDPRS II overlaps with the 2nd term in office (2010 – 2017) of President Paul Kagame, while at the same time bringing the country close to the targets spelled out in Vision 2020, which sets out Rwanda's longer term development aspirations, in particular the goal to achieve middle income country status. The EDPRS II is supported by a range of sector strategies, which were elaborated in tandem with the EDPRS II drafting process. All these documents together provide the basis for the current analysis.

2. Country constraints, challenges and perspectives

2.1 *Governance*

Judging by the World Bank Institute's (WBI) Worldwide Governance Indicators for Rwanda, Rwanda performs quite well – significantly better than the average performance of low-income countries – on all dimensions of governance[1] with the exception of Voice and Accountability. Furthermore, Rwanda's performance on each of these dimensions has steadily improved since WBI began constructing the Worldwide Governance Indicators in 1996, again, with the exception of Voice and Accountability for which the trend appears flat. Rwanda's governance challenges thus seem to lie largely within the realm of "Voice and Accountability", which is defined as the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. Some have argued that, despite Rwanda's generally strong performance on political stability and a low risk of conflict in the near-term, gradual improvement on such measures of governance is essential to Rwanda's long-term stability and thus sustaining the remarkable socio-economic progress that has been achieved since the tragedy of the 1994 genocide.[2]

The EDPRS II offers a reasonably strong statement of principles of "accountable governance" and some of the challenges in achieving it in Rwanda. However, its depiction falls short of the GoR's own conception of "good governance and a capable state," the first pillar of its Vision 2020, which "also means a State respectful of democratic structures and processes and committed to the rule of law and the protection [of] human rights in particular." Indeed, the protection of human rights is not addressed in EDPRS II, and providing an "enabling operating space for civil society," a key element of the EDPRS II definition of "accountable governance" in an earlier draft, was ultimately removed. Despite a promising recent shift in the media sector from government to self-regulation, Rwanda's overall performance on the IREX Media Sustainability Index (MSI) fell consistently between 2008 ("Near Sustainability") and 2010 ("Unsustainable Mixed System"), the most recent year for which

1 The Worldwide Governance Indicators are grouped into the following dimensions: (a) Voice and Accountability; (b) Political Stability / Absence of Violence; (c) Government Effectiveness; (d) Regulatory Quality; (e) Rule of Law; and (f) Control of Corruption.

2 See Omar Shahabudin McDoom, "Rwanda's Exit Pathway from Violence: A Strategic Assessment," Background Case Study for World Development Report 2011, April 2011, and Jennifer G. Cooke, "Rwanda: Assessing Risks to Stability," Report of the CSIS Africa Program, June 2011.

data is available.[3] Overall Rwanda's domestic record on human rights remains much stronger for economic and social rights than for civil and political rights (see for example Rwanda's freedom House ratings amongst other sources). At the regional level and in relation to Eastern DRC specifically, there has been serious concern regarding Rwanda's alleged support in 2012 for the M23 rebels who – together with other rebel groups including FDLR - have committed serious human rights abuses in Eastern DRC. [4]

2.2 Economic vulnerability and potential, including regional integration

Rwanda has registered strong economic growth in the recent past, averaging 8.1% over the period EDPRS I period 2008-2012. Macroeconomic management has been sound, as evidenced by a solid track record on a series of IMF programmes. At a macroeconomic level, key vulnerabilities are its dependence on a few primary export commodities, high aid inflows, and low domestic resource mobilisation.

As part of developing the private sector development strategy, one of the key inputs for the economic growth part of the EDPRS II, a growth diagnostic was undertaken. The analysis singled out the following key challenges: (i) limited levels of entrepreneurship; (ii) concentration of exports, (iii) low levels of private investment, and (iv) growth not reducing under-employment. Further scrutiny identified the following as key binding constraints to economic growth:

- Access to finance
- Electricity and transport
- Lack of adequate numbers of appropriately skilled workers
- Co-ordination and market failures

The infrastructure constraints in particular are worth highlighting. At 20 kWh, per capita electricity consumption in Rwanda is one of the lowest in the region. An expansion of economic output, particularly in higher productivity sectors, is not possible without a significant increase in electricity generation and distribution. Furthermore, Rwanda is evidently at a disadvantaged position as regards trade, with long transportation routes to the Indian Ocean ports and non tariff trade barriers along the way. These increase the cost of production and put Rwanda a comparative disadvantage to its EAC neighbours. While Rwanda is very committed and active in the EAC to promote regional integration, it is dependent on the commitment of the other member states to address challenges.

The EDPRS II highlights additional challenges and constraints for economic development, including high poverty in rural areas; high inequality; scarcity of natural resources; high population density; an increasing demand for jobs in the face of strong population growth; weaknesses of the private sector, including a small and undiversified formal sector dominated by SMEs and with an extremely low number of firms with more than 30 employees; low foreign direct investments; and poor service delivery.

3 The MSI serves as a reference for the GoR on media and freedom of speech. See Hon. James Musoni, “Rwanda’s Governance Progress & Challenges,” Presentation to the Development Partners’ Meeting, 4-5 November 2010. These data precede the current media reforms and the five laws that were passed to support the process.

4 See, for example, the U.S. Department of State’s “Country Reports on Human Rights Practices for 2012” or the U.K.’s Foreign & Commonwealth Office’s “Human Rights and Democracy: The 2012 Foreign & Commonwealth Office Report.”

On the other hand, the EDPRS II considers the following as opportunities for Rwanda to achieve rapid economic growth: a strong rule of law, the “demographic dividend“ (a large proportion of the population are of working age); growing urbanisation; a strong investment climate; functioning decentralized systems; regional integration and international cooperation; growing financial literacy; and the country’s leadership in environmental awareness.

Regional integration and cooperation is well elaborated, both in terms of the economic aspects - EAC, COMESA, CEPGL, SADC, AU and its trade agreements with USA und EU.

Rwanda tries to position itself as a regional trading hub, and there are signs of increasing exports to the eastern DRC. However, this potential opportunity could be influenced by instability in the DRC. The EDPRS II states in the context of the foundational issue "Rule of Law, Unity and Reconciliation, Security and Stability" that “Growth … will require a continued peaceful and stable environment within the country and stability with neighbouring countries. Rwanda will continue to ensure a stable and peaceful domestic environment while supporting international and regional initiatives for peace and dialogue for conflict resolution.”

While the EDPRS II identifies some of the challenges characterising the private sector, little analysis is undertaken to understand the reasons why the rate of private investment gradually declined between 2006 and 2011 to below 10% of GDP.

Rwanda's tax collection remains among the lowest in Sub-saharan Africa. The macroeconomic assumptions in the EDPRS II assume a gradual increase of tax revenue as a percentage of GDP to 16.3% (from present 13.6%) and a slowdown of grants from 10.5% to 6.2% of GDP. Rwanda thus acknowledges that it needs to reduce its high aid dependency. At a time of external aid flows at such high levels it is important for Rwanda to increase the collection of domestic revenues. This is a positive step and gives assurance to international partners that their support can be decreased in the near future while Rwanda increases its domestic contribution to its development.

2.3 Sustainable agriculture and food security situation

85% of Rwanda's total population lives in rural areas, and almost half of this rural population lives below the national poverty line. Overall, poverty in rural areas still stands at 48.7%, compared to 22.1% in urban areas (according to the national EICV), but there is significant variation between districts. For example, in Rwanda’s poorest district, Nyamagabe, 73% of people live below the poverty line. Moreover, indicators measuring the depth of poverty, i.e. the proportion by which poor households fall below the poverty line, show that despite improvements, many households in rural areas are far below the poverty line while others continue to be vulnerable to shocks, particularly in the agriculture sector.

The prevalence of poverty is associated with low productivity and scarcity of land resources in subsistence agriculture. With the current population density at 416/km², better use and protection of land through improved inputs, irrigation, multi-cropping and high-value crops are key for sustaining livelihoods in rural areas. While Rwanda was able to achieve food self-sufficiency in 2009, household food consumption remains an important challenge, and 44% of children under five suffer from chronic malnutrition. Private sector investment and entrepreneurship in agriculture are low. Access/rights to land in a land scarce country is one of the complex issues determining the potential for development of a value added agricultural sector in Rwanda.

2.4 Social vulnerability[5]

High economic growth in the recent past resulted in significant poverty reduction, particularly in the rural areas.[6] As explained in the EDPRS II, the reduction in poverty was supported by a combination of improved agricultural incomes, off-farm job creation, reduction in household sizes, and public and private transfers. Agricultural incomes were enhanced by productivity gains for staple and cash crops, partly as a result of increased fertilizer use, and by commercialisation in the agricultural sector. At the same time, the number of non-farm jobs increased by 50-60%. GDP per capita increased from USD 333 in 2006 to USD 670 in 2012.

The pro-poor growth resulted in an overall drop in inequality.[7] However, as acknowledged in the EDPRS II, inequality remains high when compared to other Sub-Saharan Africa countries. Growth under EDPRS II will have to continue to be pro-poor, and the extreme poor and poor will require access to services of quality.

Significant gains were also recorded in non-income dimensions of poverty, with a significant reduction in maternal and infant mortality, and increases in school enrolment rates. While good progress has been made in reducing acute malnutrition of children under five, chronic malnutrition remains a problem (44% of children under five).

The EDPRS II does not go into a lot of detail regarding most social sector challenges and policies, they are mostly referred to under foundational issues. The rationale is that these areas have seen significant progress during the EDPRS I period, and that appropriate strategies are in place to realise continued progress. In the education sector, the important themes in the coming years include early childhood development, recognised as a vital foundation for learning, particularly for children from more disadvantaged backgrounds who are less likely to start school at the correct age, and improving the quality of education. In the health sector, the focus is on improving quality of health care services, while continuing to expand geographical and financial accessibility.

As explained above, high population density is a serious challenge in Rwanda, to the extent that agriculture can no longer provide a natural safety net for young people growing up in rural areas.

Overall, the EDPRS II contains a whole arsenal of interventions to address social vulnerability. The scale of the challenge is, however, immense. Despite significant progress in increasing education, the net enrolment rate at secondary schools currently stands at around 20%, which implies that the vast majority of youth entering the labour force in the coming years will continue to be relatively low skilled and may not be able to fit into the envisaged technology driven high productivity sectors of the economy.

---

5 The poverty data in this section are based on the household living conditions surveys (EICV) conducted by the GoR in 2000/01, 2005/06, and 2010/11, as summarised in the report by the Rwanda National Institute.of Statistics : "*The Evolution of Poverty in Rwanda from 2000 to 2011*".

6 The percentage of people living below the national poverty line dropped from 56.7% in 2005/06 to 44.9% in 2010/11. The national poverty line is defined in reference to a minimum food consumption basket that provides the required number of calories for a Rwandan involved in physically demanding work, along with an allowance for non-food consumption.

7 The Gini coefficient of income inequality declined from 0.52 to 0.49.

2.5 Urbanisation

The World Development Indicators for Rwanda show that while the proportion of the population living in urban areas steadily increased in the 90s and up to around 2005, the rate appears to have stabilized at just under 20% since then, which is still very low by international standards. However, this is set to change dramatically in the coming years. Related to Rwanda's population density, the median land holding in rural areas is only 0.33 hectares. The current land consolidation policy prohibits the division of land parcels below one hectare; this means that most youths will no longer be able to start their adult lives by building a home on a part of their parent's land, but will have to find housing in nearby settlements. As 54% of Rwanda's population is currently aged 19 or younger, huge demographic changes can be expected in the years ahead, which will present challenges in terms of urban planning and the provision of urban infrastructure. The EDPRS II recognises that the changes will emerge in the coming years.

2.6 Environmental situation

Rwanda is highly vulnerable to climate change as it relies heavily on rain-fed agriculture, both for rural livelihoods and exports of tea and coffee. It also depends on hydropower for half of its electricity generation. In 2011, the Government of Rwanda developed the National Green Growth and Climate Resilience Strategy, supported by a fund for environment and climate change to facilitate access to sustainable financing. This strategy is being referred to in the EDPRS, while (i) mainstreaming environmental sustainability into productive and social sectors; (ii) reducing vulnerability to climate change and (iii) preventing and controlling pollution are identified as priority cross cutting issues.

2.7 Country capacity

Among development partners in Rwanda, there is a general perception that Rwanda’s ambitious reform agenda could outstrip its capacity to implement and manage the investment program. High turnover rate of personnel and weak capacity within all institutions pose a continuous risk to the achievement of the EDPRS II objectives. High staff turnover is a significant issue across the public sector and in civil society organisations in Rwanda. It affects all levels in some organisations and presents a significant challenge to capacity building. For example, there have been four Ministers of Education in the last two years. Lower-level personnel, particularly in the health and education sector, show high turnover rates due to poor compensation, heavy workloads and inconsistent supervision. In addition, the consistently high number of unfilled positions in local ministries further strains employee morale and weakens government institutions.

The EDPRS II explicitly recognised that “the delivery challenges of EDPRS 2 require enhanced coordination and a step change in the performance of the public and private sector”, and capacity building initiatives are built into all different components of the strategy, for both the public and private sectors. The recently approved Pay and Retention Policy should also be recognised as a positive step; efforts are ongoing to identify and address other institutional issues that undermine capacity building, including the strengthening of Human Resource Management systems and the development of career paths.

The challenges outlined above with respect to voice and accountability extend to the space provided to civil society to operate. In general terms, civil society can act as alternative channel for service delivery, and/or act as a watchdog on government and engage in advocacy to represent specific interests. In Rwanda, the accorded space has in practice been limited to service delivery. However, in the eyes of the government many civil society organisations represent a very poor channel for service delivery, as they are seen to be doing so far less efficiently as the public sector. Hence, during the course of the EDPRS I period, the official rhetoric changed somewhat, shifting the focus towards advocacy, though the space remained restricted in practice. Capacity constraints also limit Parliament in its ability to play an effective role in holding the executive branch accountable.

3. Country Development Priorities and Objectives

The main aim of EDPRS II is to ensure a better quality of life for all Rwandans, by achieving rapid double-digit economic growth, and reducing poverty to under 30%. To achieve these targets, the following priorities, grouped into four thematic areas, were identified during the elaboration process:

1. **Economic Transformation**
   a) Increase the domestic interconnectivity of the Rwandan economy through investments in hard and soft infrastructure
   b) Increase the external connectivity of Rwanda's economy and boosting exports
   c) Transform the private sector by increasing investment in priority sectors
   d) Transform the economic geography of Rwanda by facilitating and managing urbanisation, and promoting secondary cities as poles of economic growth
   e) Pursue a 'green economy' approach to economic transformation

2. **Rural Development**
   a) Integrated approach to land use and human settlements
   b) Increase the productivity of agriculture
   c) Enabling graduation from extreme poverty
   d) Connecting rural communities to economic opportunity through improved infrastructure

3. **Productivity and Youth Employment**
   a) Critical skills and attitudes for service and industrial sectors
   b) Technology and ICT
   c) Entrepreneurship, access to finance and business development
   d) Labour market interventions

4. **Accountable Governance**
   a) Strengthening citizen participation, awareness and demand for accountability
   b) Service delivery

These thematic areas are supported by a set of foundational / underpinning issues, which are essentially the ongoing priorities from EDPRS I that require continued focus, such as macroeconomic stability; the rule of law, unity and reconciliation, demographic issues; food security and malnutrition; early childhood development and basic education; improving quality, demand, and accessibility of healthcare; public financial management, and consolidating efficient decentralisation. The thematic priorities were arrived at by contrasting the results of the latest household living conditions survey, as well as other indicators capturing the current state of the economy, with the state of the economy that is deemed to be required for a middle income country.

Capacity building is incorporated as a cross cutting issue in the EDPRS II, with every sector expected to elaborate a dedicated sector capacity building strategy as part of its development plan. Improved capacity is seen as a fundamental requirement to achieve the EDPRS II objectives.

DP's largely share the analysis and the broad set of priorities of the EDPRS II and recognize the need for a significant economic transformation. In broad terms, this transformation requires a significant expansion of infrastructure, while accelerating urbanisation to accommodate the Rwandan youths that can no longer establish sustainable livelihoods in the rural areas. This trend will be accompanied by significant skills building initiatives to facilitate the emergence of a modern and productive formal sector. Employment creation is not only necessary to grow the economy, it is equally a prerequisite for maintaining social stability. Thus, the priorities set in the EDPRS II appear to address the key challenges that Rwanda is facing.

However, the assumed high economic growth rate – based on the aspiration to achieve middle income status - is, by any means, unprecedented, exceeding even the experience of the East Asian countries. This suggests that the macroeconomic framework underlying the EDPRS II is highly optimistic.[8]

Moreover, there are concerns about the feasibility of some of the interventions, particularly in energy and transport, which may undermine the achievement of the strategy as a whole. In energy, the objective of quintupling energy production speaks for itself as far as the degree of ambition is concerned. In transport, envisaged projects include a new airport, a railroad, expansion of Rwanda Air, and feeder roads. The EDPRS II indicates that the private sector should play an important role in the financing of these investments. While the public sector would clearly struggle to mobilize the necessary resources, it is not clear that the private sector would be able to step in on this scale, considering the low level of private sector involvement in these sectors currently. Proposed interventions to boost investments are centred around streamlining the investment process and further strengthening of the business environment, essentially a continuation of past practice which so far failed to deliver results.

Lack of analysis of the factors determining the saving and investment decisions of private actors – both domestic and foreign – to inform how substantially higher levels of private investment might be mobilized, would therefore appear to be a weakness of the EDPRS II. Without such an understanding and appropriate actions, there is a very substantial risk that the private sector will not rise to the challenge put forward in the EDPRS II.

There is likewise a risk that governance objectives may not be achieved, as it remains unclear how proposed interventions, such as “home grown” initiatives and the Joint Action Development Form, will be reformed to empower citizens in decision-making, a key priority of both Vision 2020 and EDPRS II. The Justice, Reconciliation and Law and Order (JRLO) Sector has become more implicit in EDPRS II. Although the sector document itself is qualitatively strong, the importance of the JRLOS as a governance and accountability tool for EDPRS II should not be underestimated and would merit more explicit emphasis. With district-level household survey data available for the first time in 2010/11, GoR policies and programs can be better tailored to respond to local conditions and citizens’ preferences, particularly if local authorities are given greater discretion in resource allocation, accompanied by an appropriate decentralization of responsibilities and accountability.

The formulation of the EDPRS II has, to some extent, been an inclusive process with active participation of segments of the population.

---

8 To assuage the concerns of the IMF, the EDPRS II contains a statement that “‘alternative’ scenarios will be developed and updated every year under the Policy Support Instrument programme with the International Monetary Fund”

4. Consistency with international development policy and aid effectiveness

Rwanda finalised its first PRSP in 2001, covering the period 2002-2006, followed by the first Economic Development and Poverty Reduction Strategy 2008-12. Based on the statistics provided by the different household living conditions surveys conducted in 2000/01, 2005/06 and 2010/11, the results of the first PRSP were mixed, showing only limited poverty reduction and an overall increase in inequality. In contrast, the EDPRS delivered strong economic growth, significant poverty reduction, and reduced inequality. The way Rwanda managed its expenditures and implemented policies during this period earned the country a lot of respect, most clearly borne out by the large proportion of aid provided in the form of general budget support.

The EDPRS II sets out a plan to accelerate progress further, with explicit references to the Millennium Development Goals and further reductions in poverty and inequality. Therefore, as far as poverty reduction is concerned, the EDPRS II provides a clear basis to orient aid allocations. However, largely absent from the EDPRS II are aspects related to political governance, the promotion of democratic values and human rights. While aspects of governance have always played a role in decisions on aid allocations and modalities, in particular for the EU (Member States and the Commission) the promotion of human rights and democracy has become a more explicit policy priority since the adoption of the Agenda for Change in 2011. In 2012, these considerations affected a number of aid programmes to Rwanda, with particularly budget support disbursements falling short of amounts anticipated in the national budget.

Over the EDPRS I period, external aid financed about half of the government's budget, half of which in the form of budget support. At those levels, predictability of disbursements, particularly of budget support, constitutes a major issue for the Government to be able to effectively manage its expenditure programmes. While progress has been made to address technical challenges that have affected predictability, no dedicated and functioning mechanism is in place to address the governance related challenges. And yet governance related concerns, specifically related to Rwanda's relationship with the DRC[9] and its domestic human rights record[10], can be expected to affect the aid relationship for the foreseeable future.

As discussed in section 2, the EDPRS II is very thin on governance aspects, and there is no reference to an alternative process or forum where these aspects are addressed. This is a gap that will need to be addressed to ensure that external support, assumed to remain in the range of 1 billion USD or more per annum over the EDPRS II period, can continue to effectively contribute to the common goal of poverty reduction.[11]

Beyond projecting a global amount, the EDPRS II is silent on aid modalities. For the reasons highlighted above, it can be expected that the proportion of general budget support in the total aid envelope will decline in favour of more sector and project support. Therefore, while in the past efforts to improve aid effectiveness have relied heavily on increasing the share of aid that is provided in the form of budget support, in future more efforts will have to be made to maximise benefits of project aid or other forms of programme aid, including their proper

9 In the past decade, there were at least three episodes when some budget support disbursements were (temporarily) delayed or suspended due to allegations of Rwanda's involvement in unrest in the Eastern DRC. Until effective governance is established in the DRC, it would appear likely that such allegations, rightly or wrongly, may resurface again in the future.

10 See footnote 4

11 See recent ODA reports of the Ministry of Finance and Economic Planning

capturing in the Government's planning and budgeting processes. Identifying novel financing mechanisms could equally be part of the equation.

5. Performance Assessment and Monitoring

The EDPRS I put in place the EDPRS results and policy matrix, a consolidated list of indicators that sectors were supposed to report on during the annual review process. This was a big achievement compared to what was there before the EDPRS – essentially narrative reporting only with ad hoc indicator requests. From the EDPRS results and policy matrix was extracted the Common Performance Assessment Framework (CPAF), a consolidated list of indicators which budget support donors together use as the overarching framework for policy conditionality of the various budget support programmes. The results and policy matrix in general, and the CPAF more specifically, turned out to become the cornerstone of performance reporting in the different sector working groups regarding the implementation of their sector strategies.

The discussion of results based on indicators inevitably leads to the identification of challenges around the exact definition of indicators and quality of measurement. Moreover, once the basics are catered for, demand for more quickly builds up, in particular related to the disaggregation of indicators by different socio-economic groups. A key aspect around performance assessments in Rwanda is the extent to which these are used by the Government. There is very strong accountability for results, although this is mainly upwards towards the President, rather than to Parliament or the population more generally. Failure to show good progress can mark the end of a minister's or senior official's career, so there is significant pressure to perform. But - like in any country or organisation - as soon as performance indicators assume such importance, there may be tendencies to misreport or paint too rosy a picture of the actual situation. And there may be resistance to moving to better indicators which may portray a less rosy picture.

Another key aspect is the realism of target setting. The approach in Rwanda generally is to set ultra-ambitious targets, but still rate performance as satisfactory even if the target was not fully achieved but significant progress was made. The rationale for these ultra-ambitious targets is to attempt to squeeze out the maximum progress possible.

The EDPRS II contains a monitoring matrix, which consists of a priority set of thematic and foundational indicators that are core to the EDPRS II expected outcomes. Whether this matrix will inform the preparation of a new CPAF is at this stage not yet clear. Should the preferred aid modalities shift to sector budget support or project support a new CPAF may not be required.

The matrix contains baseline values (2012), targets for 2015/16 (the mid point of the EDPRS II), and 2017/18. The targets are extremely ambitious. For example, real per capita GDP is projected to grow by more than 7% per year over the EDPRS II period; electricity production is expected to triple by 2015/16 and quintuple by 2017/18; the value for some indicators are expected to double (e.g. exports/GDP, FDI/GDP, percentage of the population in urban areas) while others are expected to halve (e.g. infant and maternal mortality).

Insufficient coordination and communication across sectors as well as between central and local government entities was identified as one of the lessons learned from the implementation of EDPRS I. An important coordination role is assigned to the Thematic

Working Groups that were established for the elaboration of the EDPRS II. It remains to be seen, however, how this will work out during implementation; there is no publicly available information to judge the functioning of these Thematic Working Groups so far as membership is limited to Rwandan Government Agencies. More importantly, there are equally important interministerial coordination challenges related to the foundational issues, which would not appear to be addressed in the proposed set up.

6. Conclusion

Rwanda looks back at a successful implementation of the EDPRS I. At the time of the launch, the EDPRS I was welcomed by development partners as a solid piece of work, yet possibly too optimistic in the targets that were set. In fact, Rwanda achieved or exceeded targets on most EDPRS I performance indicators. GDP growth averaged 8.2 per cent per year, exceeding the target of 7.6 per cent per year, and well above the IMF staff projection of 6 per cent.

This provides the context for the EDPRS II, summed up in the foreword as follows: "*Our progress strengthens the belief that our development ambitions towards the Vision 2020 can be achieved with our concerted efforts*." The EDPRS II will bring Rwanda closer to the year 2020, at which point Rwanda aspires to be a middle income country.

Overall, the EDPRS II provides a sound analysis of the development challenges facing the country, and proposes an appropriate strategy mix to propel the country towards its medium term development goals. The level of ambition is, however, extremely high, and the targets spelled out in the strategy are best described as aspirational.

Nevertheless, if growth turned out a few percentage points less than envisaged, the implications for the overall resource envelope available to the Government would be limited for the first few years, implying that the strategy still provides a solid basis for budgetary discussions over the medium term. Evidently, if growth turns out to be consistently lower, a careful prioritisation will need to take place to scale down the proposed interventions, particularly in the outer years.