

Part II – JOINT RESPONSE STRATEGY

1. The overall lines for the response

This Joint Response Strategy is designed as a joint response by Rwanda's bilateral development partners, consisting of the EU (European Commission and its Member States as well as the European Investment Bank), Japan, the Republic of Korea, Switzerland, and the United States, in support of the Government of Rwanda's Economic Development and Poverty Reduction Strategy II (EDPRS II) 2013/14 – 2017/18. With this exercise the development partners want to create and sustain a positive momentum for supporting Rwanda to achieve the Millennium Development Goals and achieve its Vision 2020 target of attaining middle income country status by 2020. This strategy is an operational tool and is aimed at making the overall aid delivery to Rwanda more effective, coherent and sustainable. It is based on a joint assessment of the situation in the country including a sound analysis of the EDPRS II.

For the past years, the Rwandan government has been a front runner in holding donors accountable for their aid. Rwanda's aid policy and the country-lead division of labour exercise are two notable examples. As part of the EDPRS II elaboration process, the Government has requested development partners to organise themselves into three groups, each of which should prepare a "joint response" to the EDPRS II as far as aid programming is concerned. These three groups are (1) the UN family, (2) the multilateral development banks (the World Bank, African Development Bank and the International Monetary Fund), and (3) the bilateral development partners. The present joint response is the result of these endeavours for the latter.

The goal of the joint response strategy is to increase the impact and delivery of aid for better results, by reducing fragmentation, and increasing transparency, predictability and accountability. The joint response also reaffirms the development partners' commitment to support ownership and partnership as agreed in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

However, the joint response comes at a time marked by significant uncertainty. Long standing constraints to providing longer term aid commitments by most development partners are compounded by fiscal austerity budgets back at home. Moreover, an increased emphasis on core values of democracy and human rights as underlying principles for development cooperation call for a reassessment of the optimal aid modalities, in particular, budget support. As a result, the financial projections contained in this strategy, in terms of both amounts and modalities, are to be understood as "best guess" estimates, intended to help the Government of Rwanda in its medium term planning. A large proportion of the projected funds are neither secured nor assured, and will have to be negotiated/approved in the coming years. As such, the strategy will be updated on regular intervals.

2. Strategic objectives for development aid to Rwanda

The key objective for development aid to Rwanda is to promote sustainable development, in particular by reducing poverty, strengthening democratic values, and integrating the country into the regional and world economy. The conclusions of the joint analysis showed that the EDPRS II provides a suitable basis to guide the allocation of development aid to Rwanda.

The EDPRS II objectives together with the supporting sector strategies are presented below. This section is structured along the existing sector working groups, rather than the EDPRS thematic areas, as they constitute the coordination fora between the Government and development partners.

2.1. Agriculture

Agriculture is recognised in the EDPRS II as a priority sector of the economy that will both stimulate economic growth and make the greatest contribution to poverty reduction. The key constraints affecting agricultural value chains are identified as quality and quantity issues with raw materials and the accessibility and efficient use of inputs; limited rural infrastructure (feeder roads and irrigation infrastructure; high energy costs); lack of working capital and long term credit; low human capacity; limited sector innovation; small existing base of agro-processing; and limited private sector investment due to perceived high risks in agriculture and scarcity of available land resources. In order to tackle the abovementioned constraints, it is important to continue strengthening both the human capacity throughout the value-chain and the infrastructure as firm foundation for all value-chain stakeholders (including irrigation, inputs, road, mechanization or finance). While there is significant potential for further productivity gains in high value and staple crops and associative forms of bulking up production, it is recognised that soil erosion and water management concerns have to be addressed to ensure environmental sustainability.

The strategic plan for the transformation of agriculture in Rwanda phase III (PSTA-3, 2013-18) aims to transform Rwandan agriculture from a subsistence sector to a knowledge-based, value creating sector; at the same time, agricultural production and commercialisation should expand as fast as possible to increase rural incomes and reduce poverty. Like in the overall EDPRS II, an important role is envisaged for the private sector; in the coming years the role of government is anticipated to change from a direct provider to a facilitator of the private sector. The sector is also increasingly mainstreaming nutrition-sensitivity in its interventions and aligning itself within the CAADP framework of the African Union's NEPAD Program. The sector is also increasingly mainstreaming water management issues in the interventions.

Support to agriculture will be provided in the form of sector budget support (EU, the UK, US) as well as project aid (EU, Japan, Netherlands, Republic of Korea, Switzerland, the UK¹ and US).

2.2. Education

In the education sector, the key challenges are to increase access to all levels of education, and to improve equity on the basis of poverty, disability and geographical location. The quality of education needs to be improved, starting with school readiness and the provision of pre-primary education, to improving the relevance of education and addressing labour market demands.

The key objectives in the sector are (1) equitable access to fee-free and compulsory primary and lower secondary schooling for all children, and expanding access to upper secondary; (2) improved quality and learning outcomes across primary and secondary education; (3) improved relevance of education and training to the labour market, including secondary, demand driven TVET and Higher Education.

Support to education will be provided in the form of sector budget support (Belgium and UK) as well as project aid (Germany, Japan, Republic of Korea, Netherlands, Sweden, UK and the US). With regard to specific sub sectors the US will support basic education, Germany, Korea and the Netherlands will support Technical Vocational Education and Training and Korea also Higher Education. Sweden will focus on higher education and research.

¹ All UK aid modalities and sector priorities outlined in this document are tentative pending a review of their General Budget Support instrument.

2.3. Energy

The overall objective of the energy sector is “*to assure the provision of sufficient, reliable and affordable energy supplies for all Rwandans*”. This is to be achieved by increasing power generation capacity from indigenous sources, with priority given to geothermal and hydropower, and increasing electricity access rates in both urban and rural areas through grid extension and off-grid solutions upon consideration of the whole system planning for the quality of supplied electricity. At the same time, strategies will be pursued to improve energy efficiency, through reduction of grid losses and rational use of energy sources for cooking. In order to achieve these goals, it is indispensable to strengthen the capacity of the energy sector in terms of planning, implementation/supervision, operation and maintenance.

The investments and planning in the electricity sector under EDPRS II shall be based on a roadmap with the following objectives: (i) meet demand for electricity using a balanced mix of energy sources; (ii) gradually eliminate subsidies to the electricity tariff, freeing up public funds for other investments; and (iii) prioritise public investments with a clear view on when and how funds are invested to ensure value for money (iv) reduce the cost of energy to facilitate business.

As outlined in the sector strategy the GoR is striving for independence from diesel imports for electricity generation, which shall be reduced to 0% by 2017, thereby developing domestically less expensive, more clean and renewable energy resources that ensure environmental conservation, such as geothermal, methane and solar.

It should be noted that the GoR is convinced that well-functioning regional projects will help achieve national energy targets, therefore particular importance is paid to regional aspects of energy generation and transmission, with the regional hydropower projects Ruzizi III (and IV) and Rusumo Falls as flagship projects actively pursued by the GoR. Several electricity transmission line projects are under development to connect to the regional trading partners and facilitate planned power exchange under the East African Power Pool (EAPP), Nile Equatorial Lakes Subsidiary Action Program (NELSAP) and CEPGL.

Support to energy will be provided in the form of sector budget support (EU) as well as project aid (Belgium, EU, Japan, Netherlands, France, Germany (regional)).

2.4. Environment and natural resources

Concerns related to environment and natural resources have an important bearing on the different EDPRS II objectives. Land productivity is shrinking due to high population pressure, and construction further limits the productive land available. At the same time, however, the capacity of district councils and district land commissions to monitor land use plans’ implementation is limited. In agriculture, the rising application of chemical agricultural inputs is the main source of water pollution in rural areas. More generally, Rwanda is exposed to persistent vulnerability arising from increased human pressure on natural resources and climate change impacts. Environmental considerations need to be further mainstreamed in all productive sectors, as agriculture, mining or energy. Rapid urbanisation will require significant investments to deal with sanitation and waste management challenges.

The Land sub-sector sector development strategy identified the following four priorities for the next five years: (1) security of land tenure for all land claimants ensured and sustained; (2) rational land use ensured through comprehensive land use plans and adequate mapping; (3) the national land registry sustained through strengthening land administration institutions (4) capacity building in lands and mapping sub-sector enhanced.

In addition, the Environment and Climate Change sub-sector development strategy lists the

following five priorities: (1) environmental and climate change issues mainstreamed across all development sectors for improved sector performance and productivity; (2) vulnerability to climate change reduced (mitigation and adaptation); (3) pollution management ensured for sustainable development; (4) environmental research and planning improved to support sustainable development and livelihoods; (5) environmental governance strengthened.

Support will be provided by Germany, Sweden, the UK and the US to the climate change sub-sector. The US will also support biodiversity conservation. The Netherlands and the UK are appraising further support to the land development strategy.

2.5. Financial sector

There are six emerging priorities/challenges tackled in the Financial Sector Development Strategy that will drive the sector for the next five years towards achieving Vision 2020; these priorities are (1) mobilizing savings and investment; (2) access to finance; (3) financial inclusion; (4) modernized payment systems; (5) international financial service centre; and (6) skill development for the financial sector. The financial sector will have to play an important role for the thematic area productivity and youth employment and more access to credits for small and medium enterprises will be key for delivering on the ambitious target of providing more off-farm employment.

This sector will be supported by the UK through contributions to a private sector company (Access to Finance Rwanda). Credit lines to support the SME sector will also be provided through the European Investment Bank (EIB).

2.6. Governance and decentralisation

A major challenge will be the empowering of the Rwandan population to engage in formulating, implementing, monitoring and evaluating of policies that are geared towards accelerated growth and poverty reduction. This is one of the thematic priorities of the EDPRS II (accountable governance). However, governance challenges also remain in the other areas of political, economic and corporate governance - despite some good progress in access to justice, PFM and the fight against corruption. Bilateral development partners see further challenges in the provision of an enabling operating space for the civil society and its organisations.

While the EDPRS addresses governance as a thematic priority in the area of public accountability, citizen empowerment in decision-making and efficient service delivery DPs would like to highlight that participation of the population in decision-making would need to have a much higher attention as well as the own capacity of Local Administration to effectively implement policies and participate on the planning process. Bilateral DPs will support district policy coordination, district representation, district support fund, training, capacity building. Furthermore DPs will support the promotion of democracy, unity and reconciliation, regional peace and stability as well as the enabling space for the civil society.

DPs supporting Governance and decentralisation will be Belgium, EU, Germany, Netherlands, Sweden, the UK, and US. EU, Germany and Sweden will provide support to the civil society.

2.7. Health

Based on an analysis of the burden of diseases, the health sector strategic plan has been developed with the following five priorities: (1) achieve MDGs 1 (nutrition), 4 (child), 5 (MCH) and 6 (Disease control) by 2015; (2) improve accessibility to health services (financial, geographical, community health); (3) improve quality of health provision (QA, training, medical equipment, supervision); (4) reinforce institutional strengthening (especially towards district health services, DHU); (5) improve quantity and quality of Human Resources for Health (planning, quality, management).

Support to health will be provided in the form of sector budget support (Belgium) as well as project aid (Switzerland and US).

2.8. ICT

The ICT Sector Strategic Plan indicates a number of challenges such as high cost of ICT access and hence low utilisation, financial and human resource constraints, wide internal digital divide between rural and urban areas in terms of ICT facilities, low level of awareness of ICT, lack of national standards and need for a robust national and regional cyber strategy.

Based on these challenges the strategy has as its objectives to (1) transform Rwanda into an ICT literate nation; (2) promote and encourage the deployment and utilization of ICTs within the society; (3) improve the civil and public service efficiency; (4) develop the information and communications infrastructure of Rwanda; (5) make Rwanda a regional ICT hub; (6) transform the educational system using ICTs with the aim of improving accessibility, quality and relevance to the developmental needs of Rwanda; (7) empower Rwandans by developing a human resource base that adapts to changing demands of the economy; (8) develop the legal, institutional and regulatory framework and structures required to support the deployment and utilization of ICT. The national environment will be harmonized with the region for full penetration and effective communication.

The ICT sector has a key cross cutting role to play for the thematic area Productivity and youth employment in supporting businesses, skills and public service delivery.

The Republic of Korea will support this sector in the form of project support.

2.9. Justice, reconciliation, law and order (JRLO)

The Justice, Reconciliation, Law and Order sector strategic plan identifies the following five priorities to guide interventions in the sector for the coming five years: (1) To enhance the sector wide capacity and coordination; (2) to strengthen the universal access to quality (i. a. consistency) justice; (3) to effectively combat impunity for international crimes and genocide ideology; and to strengthen truth-telling and reconciliation; (4) to enhanced rule of law, accountability and competitiveness; and (5) to maintain safety, law and order, and enhance adherence to Human Rights

Support to the JRLO sector will be provided in the form of sector budget support by Belgium (transfer agreement with EU) as well as project aid (Netherlands, US). Specific support to reconciliation will be provided by the Netherlands through a country wide psycho therapeutic counselling implemented by NGO's, the church network and supported by NURC and CNLG. Germany provides specific support to reconciliation, trauma counselling and conflict prevention with supporting NGOs such as IBUKA and Never Again Rwanda.

2.10. Private Sector Development (PSD) and Youth Employment

Based on an analysis of the binding constraints to specific economic sectors, the private sector development strategy establishes a number of priorities to be achieved over the EDPRS II period. These priorities partly refer to activities carried out by other sectors, such as expansion of energy and transport infrastructure, and others directly carried out by institutions of the SWG. The key priority programmes include (1) an investment promotion taskforce, (2) Entrepreneurship Development, (3) Credit Expansion, (4) private sector linkages for skills and innovation, and (5) better regulation.

Support to Private Sector Development will come from France, Netherlands, Germany, Sweden, Switzerland, UK and US.

2.11. Public Finance Management

With a mission to “ensure efficient, effective and accountable use of public resources as a basis for economic development and poverty eradication through improved service delivery”, the PFM sector has an important cross-cutting role affecting the performance of all sectors. The newly developed sector strategy builds on the framework put in place by the successfully implemented previous strategy. Key priorities include a drive to increase domestic resource mobilisation, the implementation of the IFMIS, strengthening the PFM systems at the service delivery level units, continued capacity building and training in all PFM dimensions, strengthening of the internal audit function, and strengthening the implementation of the MTEF.

Support to the PFM will be provided by EU, Germany and the UK.

2.12. Social protection

The key challenges related to social protection are (1) ensuring increased coverage of the extreme poor and of all vulnerable groups by the social protection system; (2) addressing child poverty and vulnerability in the poorest households; (3) strengthening systems and building capacities; (4) measuring and communicating results and impact; (5) ensuring sustainability; and (6) linking social protection and disaster risk reduction.

The overall objective of the sector is to “establish a social protection system that tackles poverty, inequality and vulnerability and improves access to essential services and social insurance”. The sector intends to achieve this by delivering core social protection programmes and building and strengthening linkages with complementary programmes.

Sweden and the UK will support this sector.

2.13. Transport

Transport costs are estimated at up to 40% of the cost of imports and exports, and poor transport services further compound the situation and pose a significant challenge to expand economic activity. The sector also faces capacity shortages in the procurement and construction of transport infrastructure.

The transport sector development plan identifies a number of objectives to be achieved over the EDPRS II period, including to (1) ensure door-to- door mobility and accessibility of people and goods; (2) develop an integrated and seamless multimodal transport system; (3) reduce non-tariff barriers for international transport and (4) strengthen the institutional framework and capacity of transport institutions.

The sector strategy places great emphasis on the intermodality and complementary of the different transport modes. To this end, it should be noted that development of a rail connections to either the port of Dar es Salaam or Mombasa, the reinforcement and expansion of the national airline, as well as the development of waterways (Lake Kivu and possibly Akagera river), are among the top priorities of the GoR aiming to reduce transport costs and to facilitate trade. The Sector Strategic Plan for the EDPRS-2 period also foresees further work for the reduction of non-tariff barriers, as part of the more comprehensive goal to transform Rwanda into a regional logistics hub.

Under the new EDPRS II, the EU will continue to fund the Kigali-Gatuna road as an important interregional link on the Northern Corridor. Japan will continue to support the construction of Rusumo international bridge and One Stop Border Post at the border between Rwanda and Tanzania including support to capacity building for the customs administrations.

2.14. Water and Sanitation

EDPRS II and the sector strategic plan expect the water and sanitation sector to contribute to poverty reduction by ensuring sustainable and affordable access to water supply, sanitation and waste management services for all Rwandans. As major priorities, the sector continues the infrastructure development in order to achieve the total access rate by end of 2018. Operation and maintenance for water supply systems requires also a particular attention since the involvement of the private sector has not yet been a successful trial. On the other side, though there is a good progress in household sanitation, the collective sanitation including waste water and solid waste management where very few interventions are currently observed, would require important technical efforts and enormous investments.

Japan will continue to support by means of projects the water supply infrastructure development as well as the operation and maintenance framework, with a particular focus on capacity building of the stakeholders which is a crucial condition for the realization of the above objectives. Switzerland will also support this sector.

2.15. Cross-cutting issues

Gender

The Government of Rwanda has demonstrated strong commitment to women and girls: in its Constitution, through explicit consideration of gender issues in its development strategies and policies, the application of gender responsive budgeting and creation of the Gender Monitoring Office; in its political rhetoric and in ratification of the Convention of the Elimination of Discrimination against Women (CEDAW). 56% parliamentarians are women, the highest representation in the world. Rwanda ranks 82 of 146 countries in the Gender Inequality Index 2011.

But gender inequalities persist. Where 45% of the population live in poverty, the inequalities underpinning the lives of women and girls restrict their opportunities to escape poverty. Women's work (82%) dominates the poorly paid agricultural sector; women are more vulnerable to climate change. Experiences of violence are widespread. Political representation at decentralised levels does not yet reflect national progress; only 10% of mayors are women. Abortion continues to be illegal, albeit with considerably reduced sentencing, resulting in missing critical care.²

Most bilateral DPs support women and girls across their sector programmes. Specific support will be rendered by UK through strengthening women's assets through supporting their access to loans, cash transfers and land titles, supporting girls pass exams after Grade 9 and enabling more girls to enrol at Grades 7 to 9, the prevention of violence against women and children through its TradeMark East Africa programme (keeping women and girls safe at border crossings) and by providing training and information through its support to the Girl Hub.

Sweden will provide substantial support to the gender machinery of Rwanda through the One UN fund (with UN Women as the implementing agency). Support to the Gender Monitoring Office will be prioritized. The Netherlands will engage in support to a country wide one stop network for

² Sources: Inter-Parliamentary Union, <http://www.ipu.org/wmn-e/classif.htm>, accessed 8th Jan 2013;

National Institute of Statistics of Rwanda (2012) The Evolution of Poverty in Rwanda from 2000 to 2011: Results from the Household Surveys (EICV); National Institute of Statistics of Rwanda (2012) EICV3, Thematic Report on Gender; NISR, Ministry of Health and ICF International (2012), Rwanda Demographic and Health Survey 2010; NISR (2011) Rwanda Statistical Yearbook 2011; NISR (2012) EICV3 Thematic Report on Education; NISR, Ministry of Health and ICF International (2012), Rwanda Demographic and Health Survey 2010.

victims of gender based violence. In addition, support is provided to civil society organisations and networks that promote women's rights. The EU has a focus on mainstreaming gender in its support to the agricultural sector.

Regional integration

For a landlocked country like Rwanda, deepened regional integration is the only way forward. Rwanda is a member of the East Africa community (EAC), the Common Market for East and Southern Africa (COMESA) and the Countries of the Great Lakes (CEPGL).

Rwanda fully supports the deepening of regional cooperation and integration in the energy sector. In particular, Rwanda is committed to participating actively in the formulation of the Regional Energy Master plans being coordinated by the East African Community (EAC), and similar regional energy planning under the Communauté Economique des Pays des Grands Lacs (CEPGL) and other regional initiatives (East African Power Pool; Nile Equatorial Lakes Subsidiary Action Program (NELSAP); Lake Kivu methane gas and petroleum exploration together with DRC).

Similarly, a number of key projects listed in the EDPRS-2 Transport Sector Strategic Plan shall contribute in various ways to the achievement of the sector's defined objectives in the context of regional integration and trade facilitation. Given the particular landlocked position of Rwanda it is of crucial importance to have access to a number of reliable trade routes taking into consideration transport multimodality, cost efficiency, financing possibilities, private sector involvement, and relations with the neighbouring countries. An important EDPRS II goal which is confirmed in the transport sector strategic plan is the positioning of Rwanda as regional logistic hub which would require a transformation of the existing logistics system.

EU, Germany, Netherlands, France will provide funds at regional level to energy and transport. The EU also provides institutional support to CEPGL in the management of its regional responsibilities. Germany provides technical cooperation support to the International Conference of the Great Lakes Region (ICGLR) and the East African Community.

3. Overview of support from bilateral DPs

The following table gives an overview of planned support of each bilateral partner to its sectors of concentration. A new partner has entered the stage since the division of labour proposal of the Government in 2010 (Korea). Some partners intend to phase out of certain sectors and to enter into new ones. Discussions with the Government of Rwanda are ongoing. All funds are subject to parliamentary approval

Overall indicative support to the EDPRS II of bilateral partners amounts to 689 and 660 million US\$ for the years 2013/14 and 2014/15. Indicative support for the outer years of the strategy is not yet conclusive as some partners cannot at this stage predict commitments for these years. The estimated support for 2015/16 to 2017/18 ranges from 255 million US\$ to 148 million US\$. These figures will need to be substantiated during negotiations of bilateral partners with the Government.

Sectors health and energy present the largest allocations so far with over 465 and 317 million US\$, respectively. In terms of aid modalities the figures are less conclusive. At this point in time most of the funds have been either shifted to project support or "to be decided" which could be either of the modalities (budget support, pooled funding or project support). SBS and GBS have a share of 18% of all funds in the FY 2013/14 and SBS only has an indicative share of 15% in year 2014/15. Figures for the outer years are not yet conclusive.

The overview of tentative bilateral DP support to the EDPRS II per sector per year and the tentative

DP support per aid modality per year is presented in table 1 and 2 in the annex.

Table: Support of bilateral DPs per Sector

	BE	EU ³	EIB	FR	DE ⁴	JP ⁵	NL ⁶	KO ⁷	SE ⁸	CH	UK ⁹	US ¹⁰
1. Financial sector		X									X	
2. PSD&youth employment					X		X		X	X	X	X
3. Energy	X	X	X	X		X	(X)					
4. Transport		(X)				X						
5. Water and Sanitation			X			X				X		
6. ICT								X				
7. Agriculture	(X)	X				X		X		X	X	X
8. Environment and natural resources									X			X ¹¹
9. Health	X		S							X		X
10. Education	S				X	X		X	X		X	X
11. Social protection		S							X		X	
12. Public Finance management		S			X							X
13. Justice, reconciliation, law &order (JRLO)	S	(X)					X					
14. Governance & decentralisation	X	X			X		X		X		X	X

X = active in the sector; (X) = phasing out; S = silent

³ EU will phase out of the justice and transport sector and enter into the energy sector

⁴ Germany will prepare a new programme from 2014 onwards

⁵ Japan's actual financing is based on its single-year budget and subject to signing agreements of projects.

⁶ NL will shortly update its strategic plan for a four year period. After 2015 NL will exit energy and will consider agriculture and water as possible sectors for future cooperation.

⁷ Republic of Korea has annual allocations and has made a very indicative planning for 2014/15 and 2015/16

⁸ Sweden will initiate work on a new indicative programme with Rwanda during 2013. Sectors will be discussed with Rwanda during this process (including education and governance).

⁹ United Kingdom will prepare a new programme from 2015 onwards

¹⁰ Planned sectors for the U.S. reflect the proposed evolution in USAID's assistance portfolio over the EDPRS II period and U.S. FYs 2013-17. Actual financing is subject to annual Congressional appropriation and may differ.

¹¹ Funds will be provided through UK Climate Change programme.