



Economic Commission for Africa

**Second Meeting of
the African Learning Group
on the Poverty Reduction Strategy Papers**

18-21 November 2002
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The PRSP Process in Rwanda



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Prof. Samuel Wangwe

The views expressed in this paper are solely the views of the author (s); they do not necessarily reflect the views of the Economic Commission for Africa or any of its officers.

1. INTRODUCTION

1.1 Background and Context

The development agenda in Africa is returning to the key issue of poverty reduction. This concern has been expressed by the international community in the United Nations Millennium Development Goals (MDGs) and in the World Bank supported Poverty Reduction Strategy Papers, a development from the Comprehensive Development Framework (CDF) of 1999. These initiatives are now exerting considerable influence on the development strategies of poor countries. The African countries face two types of challenges. First, there is the challenge of having to develop PRSPs effectively translating the global development goals and targets into country specific programmes, tailored to the needs of the respective countries. Second, there is the challenge of strengthening the intellectual inputs into this area by learning from own experience and experience of other countries which are going through similar processes.

The PRSP is both a paper and a process. It is envisaged that PRSPs are country-driven, participatory, result-oriented, comprehensive and long term in perspective. The process of developing PRSPs is challenging in terms of policy formulation, institutional framework implications and capacity requirements.

Rwanda is faced with a combination of structural problems arising from low incomes and productivity especially low agricultural productivity. The majority (90%) of the 8 million people of Rwanda live in rural areas. The level of human resource development is generally low. The economy has a weak revenue and export base, low savings, demand and investment and is vulnerable to price shocks. The country is poor with low socio-economic indicators. About 60% of the population is living below the poverty line. The spread and depth of poverty in Rwanda deserves serious policy concern.

The genocide of 1994, added further development changes following protracted insecurity, loss of lives. It increased the numbers of vulnerable citizens, destroyed considerable infrastructure in the rural as well as urban areas resulting in substantial decapitalisation, forced large population movements and reduced social capital.

Since 1994, stability has been restored, economic recovery has began and the country has embarked on a new path for development. Since 1997, along with progress being made in the national reconciliation process and ensuring security, the Government of Rwanda embarked on an active economic recovery programme. Since 1998, extensive deregulation of trade and foreign exchange policy has taken place, the tax system has been reformed, public sector reform has been initiated, growth is relatively good and only a third of public expenditure is financed by the country's own funds the rest being development assistance. External debt is high at 60% of the GDP. One type of initiative that has been undertaken to realize recovery is the setting up of new institutions for this purpose. The establishment of the Rwanda Revenue Authority (RRA) to lead Government revenue mobilization, the National Tender Board (NTB) to ensure good tendering practices and the Office of the Auditor general (OAG) to ensure financial accountability are part of the effort being made towards economic recovery and better governance. The main elements of the new development path are contained in Vision 2020 and the PRSP.

PRSP in the main document guiding action on development. It is a product of wide consultation and considerable research has been done as background to the document. It has

better figures resulting from research and the HBS. PRSP work actually has provided useful inputs into other policy documents such as Vision 2020. PRSP is a three year programme which is to be reviewed every two years.

1.2 Objective and Structure of the Paper

The purpose of this paper is to make a review and assessment of the PRSP process and experience of Rwanda with a view to bringing out relevant information, issues and lessons that can be shared with other countries. The review of the experience of Rwanda considers the scope and nature of the challenges that the country has been encountering during the preparation and implementation of the national poverty strategy, the lessons and capacity gaps and changes in the donor aid policies and procedures as they relate to PRSP.

The paper is structured into five main thematic areas which are addressed in section 2 to 6 with a conclusion in section 7. Section 2 presents the content of the PRSP, section 3 addresses the PRSP process. Section 4 examines the public finance implications of PRSP. Section 5 examines the donor support to PRSP and how donors are realigning their policies and resources in support of PRSP. Section 6 addresses the capacity implications of PRSP. Section 7 draws conclusion and lessons to be drawn from the experience of Rwanda.

2. THE CONTENT OF PRSP

This section examines the quality and comprehensiveness of the overall growth strategy underpinning the national poverty strategy, and whether the PRSP contains a clearly elaborated plan on how to translate this strategy into welfare improvement for the poor.

Rwanda's poverty is the outcome of both economic and historical factors. First, the economic structure reflects a chronic failure to achieve productivity increases in a context of a large and growing population. This failure became increasingly evident in the 1980s and early 1990s, leading to severe structural problems. Second, the war and genocide of 1994 left a horrific legacy, further impoverishing the country and leaving a number of specific problems and challenges. While Rwanda's economy has experienced high population growth, economic transformation has lagged behind. Moreover, the country suffered massive terms of trade shock when international coffee prices fell. As a result, per capita income fell sharply during the 1980s and early 1990s. The country now faces the following microeconomic structural problems: low agricultural productivity, which was aggravated by the failure of past agricultural policies. Low human resource development, especially in literacy and skills development. Limited employment opportunities, with an oversupply of unskilled workers in comparison to their low demand. High population density and growth. High transport costs, on account of Rwanda's landlocked position, which have been aggravated by the imposition of axle weight limits in neighbouring countries. Internal transport costs also pose a major constraint, partly because of the decapitalisation of the rural sector. Environmental degradation, with a chronic decline in soil fertility, poor water management, and deforestation. However, it has been acknowledged that since the war and genocide of 1994, Rwanda has achieved considerable progress in economic, political and social recovery by adopting radical reforms. What is needed now is to develop a coherent strategy for sustainable development and poverty reduction, avoiding the economic stagnation which characterised the past.

2.1 Poverty Diagnostics

Genocide may have been precipitated by the socioeconomic situation in Rwanda but it has in turn taken a toll on the situation in the country. Up to 1 million people were killed and 3 million fled into exile in neighbouring countries. Shelter and capital stock were reduced both in the household and small business sectors. Till today poor households have not been able to replenish their livestock holdings. Parts of the country are now facing a serious lack of infrastructure as a result of destruction during the war and the movement of people into areas that were previously sparsely populated. Networks of social links, in rural and urban areas, have been damaged, impeding internal commerce. The war and genocide left 85,000 child-headed households. The continued external security threats, including the insurgencies of 1996/7 and 2001, remain a serious obstacle to recovery. There is an acute need for political development to aim at reconciliation and to forge a new sense of national identity and social cohesion.

Table 2.1 Indicators of Economic Development and Poverty in Rwanda (2000)

Indicator	Current level	Source	Year
Population ¹	7.979.930	EICV	2000
Female	4.276.787	EICV	2000
Male	3.703.142	EICV	2000
Kigali urban	7 %	EICV	2000
Other urban	2.9 %	EICV	2000
Rural	90.1 %	EICV	2000
Proportion of population below the poverty line	60.29%	EICV	2000
Life Expectancy	49 years	DHS	2000
Maternal mortality per 100 000 births	810	DHS	2000
Infant mortality per 1,000 (proportion who die before first birthday)	107	DHS	2000
Child mortality per 1,000 (proportion who die before 5 th birthday)	198	DHS	2000
HIV prevalence (15-49 years)	13.7	DHS	2000
Total fertility rate (average number of children during childbearing years)	5.8	DHS	2000
Contraceptive prevalence rate	4%	DHS	2000
Proportion of children completely immunised <5yrs	72%	MINISANTE	2000
Fertiliser used per ha	2 Kg/an	MINAGRI	2000
Gross primary enrolment (ratio of primary school children of any age to the primary-school age group)	100.0	MINEDUC	2000/1
Net primary enrolment (proportion of children of school age going to school)	73.3	MINEDUC	2000/1
Gross secondary enrolment	10.2	MINEDUC	2000
Net secondary enrolment	6.0	MINEDUC	2000
Adult literacy (> 15years)	52,36 %	EICV	2000
-Female	47.79 %	EICV	2000
-Male	58,06%	EICV	2000
Malnutrition		DHS	2000
Low height for age (stunting)	42,7%	DHS	2000
Low weight for age (underweight)	29%	DHS	2000

Source: Government of Rwanda. Poverty Reduction Strategy Paper. National Poverty Reduction Programme. Ministry of Finance and Economic Planning. Kigali, June 2002.

¹ Population growth rates are currently all projections from past data and will be confirmed in the 2003 Population Census. The most commonly used estimates are 2.5% and 2.9%.

The poverty line was set at a level where 46% of the households in the 1985 survey fell below it. Poverty, in this statistical approach, is measured by the real value of households' expenditures; if a household's real expenditure, including own-produced food, falls below a certain level, it is considered poor. Using this approach, Table 2.2 shows the estimated proportion of the population below the poverty line for the period 1985 to 2000 as drawn from various surveys.

Table 2.2 Movements in poverty since 1985

Year	Percentage of households below the poverty line		
	Rural	Urban	Total
1985	48.4	16.1	45.7
1990	50.3	16.8	47.5
1994	82.4	27.5	77.8
1995	76.6	25.5	72.4
1996	75.3	25.1	71.1
1997	74.1	24.7	70.0
1998	70.7	23.6	66.8
1999	69.3	23.1	65.4
2000 est.	67.9	22.6	64.1

Source: Government of Rwanda. Poverty Reduction Strategy Paper. National Poverty Reduction Programme. Ministry of Finance and Economic Planning. Kigali, June 2002.

The data shows an extremely wide gap between Kigali-urban and the other provinces. 75% of people in Kigali-urban are in the top expenditure quintile for the country. This is particularly striking given that the index has been deflated by regional prices. Additionally, food poverty is largely rural with 96% of the food-poor living in rural areas.

However, there are important differences between provinces. Some, like Ruhengeri and Gisenyi, are of high agricultural potential but have been badly affected by insecurity and have many people without housing. Some, like Kibungo and Umutara, have had very large inflows of population and therefore have a deficit of infrastructure, and are facing environmental pressure. Finally, other provinces, such as Kigali-Ngali, Butare and Gikongoro have chronically low incomes arising from dense population, relative aridity and soil acidity. The large numbers of people reporting illness during the two weeks preceding the interview, who were sick on average for 8.34 days, highlights the significance of levels of ill-health. The levels ranged from 15.2% in Gisenyi to 33.4% in Butare. The long distances to potable water sources represent a significant burden for time use, particularly for women and girls. Significant numbers of people also live in houses without toilets in Umutara (8.4%), Gikongoro (7.8%), Butare (7.2%) and

Gisenyi (5.6%). At a provincial level, Cyangugu shows the highest number of landless households, while Butare, Gikongoro, Cyangugu, and Ruhengeri are the provinces with the highest percentage of households with farm sizes of less than 0.2 ha. Average consumption in the top quintile is about ten times the average consumption in the bottom quintile, and about six times the consumption in the second quintile. In the mid-1980s, by contrast, consumption in the top quintile was only four times that in the bottom quintile. This indicates that inequality has increased since the mid-1980s. Similarly, measures for the Gini-coefficient show an increase in this measure of inequality from 0.27 (one of the most equal distributions in Africa) to 0.455 (a rather high level of inequality, for example Ghana's is 0.37). The data on urban and rural expenditures indicate that much of this gap is likely to be attributable to the urban-rural gap.

2.2 Policies: Vision 2020 and sectoral policies

This section assesses the extent to which selected policies and programs in the PRSP are consistent with the macroeconomic framework and its financing plan.

The PRSP is guided by Vision 2020 and represents a short-medium term instrument for addressing the challenges of Vision 2020. Vision 2020 identifies the key objectives that need to be attained for Rwanda to become a middle-income country by 2020.

The development of Rwanda is supposed to be guided by its long term perspective Vision 2020 which has the following seven goals:

- Good political and economic governance
- Rural economic transformation
- Development of services, manufacturing and mining
- Human resource development
- Lowering risks and costs of doing business in Rwanda and development of the private sector
- Regional and international economic integration
- Poverty reduction

These seven goals are elaborated as follows:

1. **Good political and economic governance:** Good governance is essential to successful development. Security is an absolute prerequisite, as Rwanda's experience has clearly shown. Respect for human rights and increased popular participation in Government, through the bottom-up approach to democratisation, are critical. Equally important is the establishment of sound economic management and macroeconomic stability.
2. **Rural economic transformation:** In order to raise agricultural incomes and generate opportunities to earn incomes outside agriculture, the rural economy needs to be recapitalised and transformed. This can be achieved by building on the traditional strengths of the rural Rwandese economy and by introducing new technologies.
3. **Development of services and manufacturing:** As incomes rise, we need to develop other engines of growth and to transform our economy. We therefore need to increase competitiveness in services and industry. Key sectors identified are the re-establishment of Rwanda as a regional trade and service centre, by strengthening our use of information and

communication technology (ICT) and by encouraging the development of tourism. In the manufacturing sector there are opportunities to expand the production of mass consumer goods, in particular of garments.

- 4. Human resource development:** Rwanda currently imports human resources within the region (and has exported human resources too to other countries in the region and beyond) and has scarce human capacity. An increase in educational attainment is needed at all levels. Better health care is needed to reverse the decline in health indicators and to confront the major killer diseases, HIV/AIDS and malaria.
- 5. Development and promotion of the private sector:** Private sector development calls for further liberalisation, privatisation and enhanced public-private partnership. In order to lower the risks of doing business in Rwanda, and to encourage the formalisation of existing informal enterprises, the whole legal framework for business needs to be reviewed.
- 6. Regional and international economic integration:** Rwanda has joined the Common Market for Eastern and Southern Africa (COMESA) with a three year phasing in period of the free trade area. Rwanda has applied to join the East African Community, and is committed to exploiting the opportunities offered by international trade agreements, including the World Trade Organisation and the recent Africa Growth and Opportunities Act (AGOA) in the USA.
- 7. Poverty reduction:** The reduction of poverty is not a separate objective, but the effect of the achievement of the other objectives. A concern with the reduction of inequality needs to be the foundation for all public actions. This includes reducing inequalities arising from gender and age.

These seven goals are supposed to be operationalized by sectoral policies and programmes. However, at the moment most ministries are in the process of preparing sectoral policies. Draft policies have been produced but these are still internal documents as they have not been approved. The sectoral strategies and actions which have been stipulated in the Poverty Reduction Strategy paper as described in section 2.3 below have preceded the formulation of sectoral policies. This is an anomaly because it would appear that the proposed strategies and actions are not guided by sectoral policies. One option will be to recast the proposed strategies in the light of the sectoral strategies once they are ready. In the discussions which were held with the coordinating Government departments it was clearly recognized that the process of formulating sectoral policies was being delayed on account of capacity constraints. Essentially, vision 2020 has not been translated into sectoral policies and the proposed PRSP strategies have not been guided by sectoral policies.

2.3 Sectoral Strategies and Programmes

Poverty reduction is to be achieved through public actions on six priority areas: rural development and agricultural transformation, human development, economic infrastructure, governance, private sector development and institutional capacity building. The following sectoral and cross cutting public actions have been identified as leading actions for poverty reduction.

- ***Rural development and agricultural transformation***

This includes the actions that most directly affect poor people's ability to raise their incomes. It includes agriculture and environment, land, supporting off-farm employment, credit, rural energy, small-scale rural infrastructure and labour-intensive rural public works.

- ***Human development***

This includes the actions which most directly influence the quality of life of the poor. It includes health, family planning, early child care and development, skills development, education, science and technology, technical education and vocational training, functional adult literacy, water and housing and settlement. Settlement is included partly because it is operationally so closely linked to water supply.

- ***Economic infrastructure***

This includes the development of transport (roads, rail and air), energy, and communications to support economic development both in urban and rural areas.

- ***Good Governance***

This includes security and demobilization, national reconciliation whose implementation is led by the National Unity and Reconciliation Commission (NURC), human rights implemented under the National Human Rights Commission (NHRC) with its ten regional offices all over the country, constitutional reform and democratisation, the criminal justice system and *gacaca* (community-based traditional institutions of dispute resolution), decentralisation to promote a sense of local ownership of public programmes and allow response to local needs, accountability and transparency, and civil service reform.

- ***Private Sector Development***

Building an environment for private sector development is envisaged to entail the promotion of investment and private sector representation, financial sector reform to ensure private sector access to finance, reviewing the legal framework to ensure commercial justice for private sector development, privatization to reduce the burden of investment on the Government and to promote entrepreneurship, the reduction of the costs and risks of doing business, and the promotion of exports. The sectors which are given priority for private sector development are manufacturing, mining (small scale mining and quarrying), tourism, artisanal activities and services (especially ICT).

- ***Social capital to support vulnerable group***

The ministry responsible for local government (MINALOC) will support local communities through the Genocide Survivors Fund and other special funds and will put in place a social protection policy which will guide the local communities to take care of vulnerable groups

- ***Cross-cutting issues such as gender, environment, imudugudu (grouped settlements), HIV/AIDS, employment and capacity building and inequality***

It is envisaged that these cross-cutting issues will be mainstreamed into sector strategies. The integration of these cross-cutting issues into PRSP is addressed in section 2.4 below.

It is envisaged that poverty reduction will come primarily from high growth of the economy and in sectors which can be effective in impacting on poverty reduction. A real per capita growth of 4-5% per year implies 7-8% real growth per year. The effect of 7% real growth rate in consumption and 2.5% population growth, on the number and proportion of poor people in Rwanda is that under this scenario the proportion of people below the poverty line falls to less than half, to 25% by 2015, and the number of people below the poverty line also falls substantially.

Poverty can also be reduced rapidly within a growing economy by ensuring that the incomes of the poor grow faster than those of other groups. In Rwanda, it has been stated that this can best be achieved by investing in rural and specifically in agricultural growth, and by ensuring that the most disadvantaged groups are able to participate.

Because Rwanda's growth strategy is based on agriculture, it is specifically envisaged to be designed to be pro-poor. The Government of Rwanda's objective is that every Rwandese citizen should be healthy, educated and housed. The PRSP places considerable importance on actions outside the formal education system including vocational education and functional adult literacy. There is a need to invest in the short run in order to recapitalise the rural economy through for example community action plans and labour-intensive public works, providing employment while non-agricultural opportunities are scarce, and take advantage of the opportunities for public works offered by the current, comparative low level of wages.

Within the sectors, the following core programme have been identified as particularly high priority:

- **Intensifying small-scale agriculture and livestock**, including extension, credit, and support to marketing
- **Labour-intensive public works**, including environmental infrastructure (agro-forestry, marshes, terracing and water management) and rural roads
- **Malaria and HIV/AIDS** prevention, and support to **health *mutuelles* and *animateurs***
- **Primary school textbooks**
- **Economic infrastructure**, including rural road maintenance and rehabilitation and rural electrification (*microcentrales*/grid extension/solar energy)
- **Skills development** for youth, women and small-business start-up schemes
- **Adult literacy**
- **Gacaca**
- **Demobilisation and reintegration** into socio-economic activities
- **Shelter provision for the homeless**, development of low-cost housing and *imidugudu* infrastructure
- **Development of sector strategies**

The PRSP has identified the role of export diversification in the economy of Rwanda towards more dynamic and higher value exports. Six areas have been singled out as particularly promising:

- **Agro-processing:** it is essential to add value to agricultural products before exporting them. For instance, Rwanda already has some enterprises producing fruit juice.
- **Garment exports:** Rwanda already imports cotton from neighbouring countries and processes it. This should shift towards export markets, particularly with the new opportunities in the American market offered by the Africa Growth and Opportunities Act (AGOA).
- **Commercial and ICT services:** these can be built on the use of both French and English in the country and on Rwanda's position in the region. In the past, Rwanda was an important centre for re-exports in the region and this position could be regained with greater vigour.
- **Tourism:** there is considerable potential, both in the parks and elsewhere in Rwanda.

- **Mining:** this is often a small-scale activity with a direct impact on poverty. The development of this sector is to be encouraged.
- **Export of skills within the region:** Currently Rwanda imports skilled labour from neighbouring countries, even for such basic activities as mechanics. There is a need to invest in domestic human resources so that Rwanda can compete more effectively on the regional labour market.

As indicated earlier, the weakest link here is between Vision 2020 and the proposed strategies. The strategies have yet to be guided by sectoral policies which are consistent with vision 2020. It is proposed that the process of formulating the sectoral policies be accelerated with a view to providing the link between vision 2020 and the sectoral strategies and programmes.

2.4 Integration of Related Challenges

This section assesses the extent to which cross-cutting issues are integrated into PRSP.

2.4.1 HIV/AIDS

The prevalence of HIV has increased dramatically in part as a consequence of large-scale population movements and the use of rape as a weapon. The prevalence is 11.2% nationally and 10.8% in rural areas, compared to a rate of 1.3% in rural areas in 1986. It is estimated that 400 000 adults are currently infected with HIV and that 5-10% develop AIDS every year. As a result of these factors, human resources have been drastically reduced. HIV/AIDS has a devastating impact on the whole society, because of its effect on the adult population, creating new dependants and undermining human development and economic growth. The Government has developed a proposal for a national strategy for multi-sectoral interventions against HIV/AIDS. The programme has been costed at US\$68 million over five years. The areas of intervention are:

- Prevention of HIV transmission by reinforcing information, education and communication
- Provision of voluntary testing and counselling
- Promotion of the use of protection
- Reinforcement of the treatment of sexually transmitted diseases
- Safety of the blood supply
- Prevention of mother-child transmission
- Medical and psycho-social care of people with AIDS
- Support to affected individuals and families
- Development of research
- Coordination of activities
- Regional collaboration in the campaign against HIV/AIDS
- Human resource development

2.4.2 Gender

The Gender Action Plan was adopted in August 2000. The main areas of action are as follows:

- *Poverty*: analysis and adaptation of macroeconomic policies, actions to encourage female entrepreneurship, and review of credit delivery and banking practices.
- *Policy development*: conduct a review of all existing data and statistics to produce a more fully gender disaggregated analysis. This will be used to undertake a full review of all existing government policies and provide the basis of improved advocacy and monitoring. Guidelines and modalities for gender mainstreaming will also be drawn up and gender sensitisation of key staff in all line ministries and other institutions undertaken.
- *Education*: integration of gender in the curriculum, sensitisation about the importance of women education, functional literacy; better access to ICT for women.
- *Legal framework*: full implementation of CEDAW, the implementation of the Gender Legal Action Plan that was prepared in partnership with civil society, reduction of violence against women through the introduction of appropriate legislation and the training of paralegal staff; and encouraging couples to legalise their marriage status.
- *Decision-making*: encourage gender balance in appointed and elected positions; increase women's capacity to participate in decision-making and leadership
- *HIV/AIDS and reproductive health*: prioritise the reduction of maternal morbidity and mortality; make health services gender-sensitive; increase resources for women's health: promote multi-sectoral approach to fight HIV/AIDS.

The Government has acted to increase female political representation, setting up women's councils at all political levels and promoting affirmative action in local administration. The new marital and inheritance code has strengthened the opportunities for co-ownership of assets by married couples, and the new land policy will support women's land rights. Women's funds have been established at the district level. The Government has ratified the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW). All public services are supposed to ensure that access, utilisation and impact are equitable between women and men. The evidence surveyed so far indicates that there is little gender gap in primary or secondary education in aggregate, but that the profiles of private and public sectors differ quite significantly.

2.5 Institutional Framework for Action on Poverty Reduction

The National Poverty Reduction Programme (NPRP) located in the Ministry of Finance and Economic Planning (MINECOFIN) coordinates the PRSP. It is implemented through the various actions that Government and other parties undertake in each sector. The various sectors are supposed to formulate policies which are consistent with both Vision 2020 and PRSP.

In the design of the institutional framework, two other considerations are being made: decentralization and exploiting opportunities of traditional culture.

(i) Decentralization

It is envisaged that the role of sector ministries as implementing agencies will diminish while that of local governments will increase as decentralisation proceeds. The principal function of the ministries will be the formulation and development of sector strategies,

policies and action planning and the implementation of the policies and regulations. The development of the sector strategies will be open and participatory, consistent with the framework of the PRSP.

(ii) Opportunities in traditional culture

Rwanda has resolved to exploit the assets and opportunities available in the traditional culture.

Rwandese society has a number of positive features, including institutions of traditional social organisation, which can be harnessed for the struggle against poverty. These include:

- *Umuganda*, the tradition of work on public projects.
- *Ubudehe*, the tradition of mutual assistance.
- *Gacaca*, the tradition of communal resolution of disputes. This has been adapted to deal with the legacy of genocide cases, and might subsequently be used to help with the resolution of disputes about land and other property rights.
- *Umusanzu*, the tradition of support for the needy and contribution to the achievement of a common goal.
- Linguistic homogeneity; the overwhelming majority speak Kinyarwanda. Two international languages, French and English, are also increasingly widely spoken, although a large proportion of people speak only Kinyarwanda.

3. THE PRSP PROCESS

This section assesses the degree to which the PRSP process itself is participatory and, if so, whether the participatory process does indeed enhance ownership. The main objective of the analysis is to evaluate the extent and quality of participation by stakeholders in the PRSP process and identify the main constraints.

3.1 Depth and Legitimacy

This section evaluates the depth and legitimacy of the participatory processes and the adequacy of associated institutions and processes. It examines the extent and depth of participation in policy formulation, priority setting, resource allocation decisions, and monitoring by all stakeholders.

The PRSP has been prepared by the National Poverty Reduction Programme, which was set up in 2000 in the Ministry of Finance and Economic Planning. There have been numerous stages and inputs in the development of the PRSP.

The National Poverty Reduction Programme reviews all PRSP activities, coordinates and collaborates with all other sectors and provides the necessary information about the implementation of the programme. Coordination is effected through the focal points it has established in various sectors.

The PPA had three specific aims - generating an accurate profile and diagnosis of what poverty is in Rwanda, evaluating the policies proposed in the Interim-PRSP (I-PRSP), and starting a longer term process in which poor people would generate and implement their own solutions. There were three components to the PPA:

(i) National Poverty Assessment (NPA)

The NPA was a national survey, using standard participatory rural appraisal techniques and was conducted at the district level. The process was carried out with communities in one sector in every district (more than 100 sites) and yielded information on:

- Different categories and characteristics of poverty
- A ranking of the problems faced by the community
- An analysis of gender roles
- A discussion of the issues surrounding land ownership and tenure

(ii) Butare Pilot of 'ubudehe mu kurwanya ubukene' - Community Action Planning

The Butare pilot took the methodology a stage further. The exercise was conducted at the cellule level where, after ranking their problems, communities went on to develop action plans to solve the problems they identified. A detailed analysis of the coping strategies of one of the poorest households was also undertaken. This approach will be followed on a national level in 2002 as part of the decentralisation process.

(iii) Policy Relevance Test (PRT)

The PRT looked more specifically at existing policy and those proposed in the I-PRSP. After a round of discussion with line ministries, the policies were evaluated primarily using stratified socio-economic focus group discussions. The policies were assessed for their relevance to individuals and to their communities on the basis of their effectiveness, inclusiveness, and level of participation. They also looked at providing solutions to problems identified.

The Rwanda PRSP process was in one way consultative (taking thematic working groups at the district level) and in another one the participation was to enhance local problem solving experience. Outsiders must facilitate not operate the processes.

Rwanda has developed the UBUDEHE process, which will facilitate the implementation of PRSP by involving the poor. This process has a team of trainers at national level, at district level and cell level. The national team trains the district team and the district team trains the cell team, which on their turn will facilitate defining community priorities and community action at the cell. This process will facilitate the allocation of resources according to the priority identified by the community. Those priorities, according to the resources available for poverty reduction, will be monitored and managed by the communities which will be the owners of the community action.

As part of the programme of decentralization, the Ministry of Local Government, in collaboration with the National Poverty Reduction Programme, is extending project planning and implementation down to the cell level. The approach involves the direct funding of each cell for the implementation of a project that they have identified and analyzed themselves. The objective of the approach is to put in place a durable system of intra-community cooperation through collective action which creates communal discussion forums for the implementation of long-run development activities. These forums will strengthen trust and confidence between members of the community and reinforce the ability of the cell to undertake other development

activities in the future. The action planning process aims to strengthen the concepts of local governance, accountability, transparency and empowerment at the community level. It highlights people's capacity at the grass-roots level for problem analysis and strategy formulation and implementation. The encouraging development is that progress towards decentralization is taking an institutionalized shape. The formulation of the Community Development Policy and the Fiscal and Financial Decentralization Policy is a sign of institutionalization of the local level participation system.

Most ministries and Government agencies have contributed directly to the document through written submissions, corrections and comments. The zero draft was also considered in October 2001 by a national validation workshop to which representatives of all stakeholders were invited. Particular attention was given to the criteria for, and content of, expenditure prioritisation, the planning structure, and partnership. Wide national and international circulation of the initial outline and drafts of the document for comment and feed back have also greatly enriched the final document.

The role of the private sector in poverty reduction is central; this includes the formal private sector as well as the informal sector, including small-scale agriculture. The strategy therefore includes a major emphasis on private sector development as well as identifying possible roles for the private sector within activities where the State has a leading role. It is increasingly understood that this approach will work best if the private sector is fully involved in the formulation of policy. The participation of the private sector is done through the Federation within which the private sector actors work.

Generally speaking, the PRSP and the participatory process in building the Rwanda's full PRSP was new to most institutions and as such is subjected to a learning curve. Most institutions were, however, very quick in adopting the new process. The civil society participates as separate entities such as OSSREA, Action Aid, Christian Aid and Oxfam and others have contributed to the PRSP process. Action Aid (an international NGO) participated fully in the Poverty Participatory Assessment (PPA) while the OSSREA (comprised of academic and research associates in Rwandan Universities) contributed in the Policy Relevant Policy (PRT) of the PRSP. The process also goes with the local NGOs under CCOAIB (an umbrella organization for local NGOs initiatives).

The participation of CSOs in priority setting, resource allocation and in monitoring is encouraging. Firstly, the priorities set in the PRSP were out of full participation by all stakeholders, some of which are mentioned above. The formulation of priorities was particularly deep and concretely participatory by all stakeholders. Secondly, the resource allocation decision can be said to be at its infancy, but the ground is well prepared to accommodate all stakeholders. For example, at grass root level, the Community Development Committees (CDCs) are well established and are made up of elected members representing all stakeholders. Although scanty resources have been allocated at this level, the CDCs have received some training on budgeting and planning procedures especially within the MTEF framework. For instance, the current financial year budgets from the decentralised levels that have been submitted reflect a pro-poor PRSP focus and are result-oriented. Stakeholders have had a say in these budgets. Thirdly, on the monitoring part, there is not yet enough evidence because the implementation of the PRSP is still at its infancy but still one would say that the participation of the stakeholders in the monitoring exercise stands a good chance considering that all the stakeholders participated in developing the monitorable indicators.

The CSOs have not had a culture of working together partly due to suspicions dating back to the roles played by various parties in the genocide and partly because each NGO was operating in its own isolated activity and the linkage to the big picture of a sector or whole province has not been common. Initially, NGOs started meeting to exchange ideas on areas of common interest such as HIV/AIDS. Action Aid was one of the leading actors in bringing together the NGOs which were specifically working on HIV/AIDS. These were initially meeting informally to exchange views and share experiences and later they have developed into significant voice organized in an independent structure of some 80 NGOs working on HIV/AIDS and have played an important role in ensuring that these concerns are reflected in PRSP. These NGOs are increasingly broadening their mandate towards influencing policy through better organized participation.

A free and responsible media and press will strengthen the process of transparency and accountability. The liberalisation of radio airwaves and the promotion of an independent press are initiatives which are expected to enhance the capacity and participation of civil society.

Women participate in three ways: through women organizations, through the Ministry responsible for gender and women affairs and through the PPA process whose one component focuses on women.

It is increasingly being realized by government and CSOs themselves that civil society, non-governmental and community-based organizations (CSOs, NGOs and CBOs), both local and international, and other non-State actors such as religious organisations, trade unions and the media all have an important role in the Poverty Reduction Strategy. First, the Government sometimes contracts such organizations to deliver publicly funded services. For instance, religious hospitals are fully integrated within the public health system. It may be possible to extend this approach to other areas. Secondly, NGOs may often work effectively in areas where the Government has limited capacity, for instance in addressing the specific problems of street children. Thirdly, CSOs and CBOs have a vital role as interlocutors between people and the State, participating in sensitisation campaigns, assisting with determined priorities, particularly in the context of decentralisation, and in contributing to public debate by advocacy and research on particular issues. Finally, these organisations can help to monitor the outcomes of Government programmes.

In spite of the positive and encouraging developments on the ground, the CSOs as such still do not have a proper platform for coordinated action. The Government has organized some channels of communication with individuals drawn from CSOs into commissions on various aspects of development, but these individuals are not representatives of CSOs as such. They are individuals who are deemed credible in the opinion of the Government. Arrangements are underway to form a CSO platform with a view to developing a policy which can guide the operations and participation of CSOs and hopefully form a platform of partnership with Government.

One factor of history which has influenced the pace at which people have responded to participation is the fact that most people had little role in the policy formulation and implementation process in the past. Although the post-1994 Government is committed to changing this relationship between the people and the State, the response on the ground is slow. The National Poverty Assessment (NPA) has been a first key step in introducing the priorities of communities into the planning and expenditure processes at central and local levels of administration. It also lays the foundation for assisting communities themselves to mobilise

their own resources to overcome the problems they face and to support the delivery of public goods which are valued by the community.

While the participation of CSOs has been picking up, concern can be expressed on the relatively little role that the Parliament has played in the whole process of participation. As the peoples' representative institutions, its role in policy processes needs to be greater than it has been to date. This should apply to all elected representatives of the people at all levels so that the participation process is grounded in democratic institutions for sustainability to be ensured.

3.2 Constraints

This section identifies constraints for a more effective engagement of civil society and the private sector in the PRSP process. This section proceeds to assess the capacity of civil society organizations to participate effectively in economic policy making.

Key constraints:

- It was felt on the Government side that time given to prepare PRSP was too short for participation of everybody (of many CSO) to be accommodated.
- Information dissemination is still not adequate. On the one hand, there are questions of how best to get the correct message about PRSP to reach the wider community. For instance, concern has been expressed by Government that debt relief might be interpreted incorrectly to mean that there is money flowing in from outside the country. In order to improve communication, there is a group of people, whose role is to explain to all stakeholders the Government poverty reduction strategies and to translate them in local language. On the other hand, the CSOs and private sector expressed the fear that the Government may not understand their views because the Government officials do not have a tradition of sitting with non-Government officials to deliberate on policy matters.
- The information sharing seems to be wanting. The use of newspapers is still limited due to affordability and the level of illiteracy. The radio is the most widespread means of information even though only 32% of Rwanda's population have access to it. The exposure to television is even worse, yet these have been relied on in information sharing.
- Some Government officials understood good representation to mean negotiation for a permanent desk of a full time representative from CSOs in Government. However, there are more flexible arrangements that could be considered.
- The private sector is also still weak due to majority being illiterate, and the organization of the sector is still in its infancy.
- Capacity of some CSOs to participate in the elaboration of the PRSP is low and needs to be built. The civil society can be said to be strong in a lop-sided manner. In most cases a few CSOs are active and they comprise a few competent professionals who are over burdened with heavy schedules. In addition, there is a high turnover in the NGOs and this explains their weak capacity to retain well-qualified persons to effectively engage the civil society in the PRSP process. Most of the NGOs are based in rural areas where the electronic facilities are yet available. The constraints are also explained by the lack of capacity to retain good resource managers, resulting in information failure. Nevertheless, the civil society, though handicapped, has proved to be resilient and continues to commit their effort in the PRSP process. The overall

assessment suggests that the capacity of the civil society to effectively participate in economic policy-making is rather weak.

In response to the prevailing situation, action is warranted to address the constraints. Based on Rwanda's experience with the PRSP process, it is recommended that the following actions should be taken:

Firstly, data collection exercise, especially the PPA, has proved to be a powerful tool in sensitising the very poor, initially excluded, about the poverty problem and the PRSP building. More of it can be done, given more time and efforts to institutionalize these processes would be warranted.

Secondly, the decentralisation policy, which has picked up so fast in Rwanda, has also proved to be one good instrument to increase the PRSP process and ownership. Through this policy the Community Development Committees (CDCs) have been formed through which the PRS are taken into account especially when it comes to the budget. More effective use and consolidation are recommended.

Thirdly, the budget allocation requirements, both at the decentralised and the line ministries' level, which demand pro-poor and PRSP priorities reflection, have proved to be a good tool in the PRSP process. For example, budgets from these levels have been submitted and dismissed for revision if they do not reflect PRS and priority expenditure. The PER/MTEF process should be consolidated at the local levels consistent with the decentralization policy.

Fourth, all these actions that have seemed to work for Rwanda need to be strengthened through capacity building. There is a serious lack of capacity in handling the PRSP process and issues. So capacity building is another important required action to increase ownership of the PRSP process.

In order to address the constraints mentioned above, the following are some of the actions that could be pursued:

- Organize workshops on economic literacy and policy issues for CSOs including communities and private sector groups to enable them to engage more effectively in policy discussions.
- Facilitate processes for CSOs/CBOs and private sector representation such as establishing CSO/CBO and private sector desks at decision-making organs.
- Work towards broadening the participation of CSOs and the private sector in policy for a.
- Establish effective representation and feedback mechanism for CSO and private sector participation in key technical fora.

4. PUBLIC FINANCE IMPLICATIONS

Public expenditure affects poverty outcomes in a number of ways. First, sound fiscal policy contributes to overall economic stability and growth. Second, policy decisions are financed through the budget. Third, the extent and quality of public services depend on the actual flow of budgeted resources to service delivery institutions. There is need for integration of poverty reduction strategies and domestic budgeting and financial management systems. As will be

shown below, Rwanda is making progress towards improving the quality of the budgetary process in the country and attempting to institutionalize the linkages between PRSP objectives and the budget process.

4.1 The Macroeconomic Framework

Macroeconomic policy has two fundamental objectives: to ensure macroeconomic stability, and to create incentives for growth. Macroeconomic stability ensures that agents can trust the economic environment in which they operate. Existing macroeconomic projections indicate growth projections of 7.3% in 2002, 6.1% in 2003 and 6.2% in 2004. It is envisaged that Government will ensure that public expenditure does not result in unsustainable deficits which could cause macroeconomic instability. The projected budget situation shows a deficit of some 45% which is expected to be financed through foreign aid. With the Rwanda Revenue Authority in place, the Government is undertaking revenue mobilization and tax reform initiatives to increase the revenue side of the budget. External balance is expected to improve through export promotion and development while monetary policy is expected to continue to be under strict control and restraint. The rate of inflation is expected to remain low at around 3% and the exchange rate may depreciate slightly in real terms, but overall is expected to be stable.

4.2 Public Expenditure

Prudent public expenditure management should ensure that the expenditure programme does not lead to unsustainable imbalances. The measures monitored include the overall deficit. Existing domestic debt is also being addressed. In 2002, the Auditor General completed an investigation of Rwf 27 billion in claims (arrears). A plan for repayment of domestic arrears, including some conversion into treasury bills, has been developed. Better debt management will require the development of better measures for commitment control.

While public expenditure programmes and expenditure management are supposed to ensure macroeconomic stability and poverty reduction, crucial information which could link expenditures to poverty impacts is still missing. In this respect, a poverty and social impact assessment of PRSP is being conducted. When completed, this assessment will hopefully give some further indication of the macroeconomic and poverty impact of possible public expenditures. As of now, there is little that is known about the public expenditure impact on poverty reduction.

The current budget process is based on budget submissions from the ministries, coordinated by the Budget Department and assisted by CEPEX for the development budget. The development budget is prepared by CEPEX and presented in the form of the Public Investment Programme (the PIP), which translates actions within each programme into projects. The programme classification on the two budgets is being harmonised with a full merger in the offing.

Within these broad priorities, specific priorities will be identified and action plans and programs will be developed to meet priority needs. The sector strategy process and the MTEF for the budget will be the main instruments identifying specific priorities, preparing action plans and programs and integrating them into the MTEF.

Given the need to prioritise actions within the framework of the priority programmes, the following criteria have been used, and will be used in future, to prioritise expenditure. The criteria were discussed by two working groups at the validation workshop for the PRSP and have been revised in light of the working groups' recommendations.

- Expenditures must contribute, whether directly or indirectly, to the reduction of poverty. Expenditures will be targeted at those activities which the private sector cannot realistically be expected to undertake.
- Expenditures will target those activities which can be shown to have high socio-economic impact, as measured by rates of return or other quantitative criteria.
- Expenditures will target the activities that communities have identified as important to them.
- Expenditures will be directed to well planned activities for which realistic and modest unit costs have been identified and where there is a well-developed expenditure proposal.
- In cases where the previous two criteria are not met but the activity meets the other criteria, priority will be given to supporting policy development and planning in the sector.
- Expenditures that reduce future recurrent costs will be prioritised, for instance bed-nets, non-wage funds (books, materials and teacher training) to schools, road maintenance, and water supply.
- Expenditures will be targeted at those activities which can affordably be extended to the whole relevant target population, rather than those which could only be delivered to a few.
- Activities that are labour intensive and create necessary infrastructure for development will be prioritised.
- Activities that favour disadvantaged groups, including activities which address gender or age-based inequities and protect the rights of children, and activities that reduce economic inequality will be prioritised.

These criteria have been applied to the various expenditure proposals in the priority programmes.

Within the recurrent budget, a subset of programmes has been identified as high-priority for poverty-reduction. This subset plays three roles:

- The share of expenditure on high-priority programmes is to rise and is monitored. When the programme definition is changed, figures are calculated both for old and new programmes to ensure that changes in the share are not due to redefinition.
- The programmes are earmarked for a higher rate of expenditure growth in the recurrent budget
- The programmes are protected from within-year budget cuts.

To refine the prioritisation further, all sectoral ministries with priority programmes provided costed estimates of their needs as part of the preparation for the PRSP. These costings were financially unconstrained, being restricted only by concerns of policy and practicality. Ministries were asked to provide unit costs and quantities for each input. This exercise will provide an important basis for sectoral planning. The costings were scrutinized for technical accuracy and policy coherence, in the light of the criteria.

MTEF started in year 2000 as a framework for resource allocation and prioritization of expenditures. It started with a focus on the recurrent budget. Bringing in the development budget at a later stage was to be done through the Public Investment Programme which is a three year rolling programme. MTEF has working linkages with PIP, the national investment strategy (which is in the process of being developed), Vision 2020 and PRSP. The budget is still

highly dependent on donor funding to the tune of 43% for the recurrent budget and 80% for the development budget. The three year MTEF is divided into one year budgets which are approved annually by Cabinet and Parliament. In its third year, MTEF started even before PRSP was in place. The difference that PRSP made was in prioritization. The earlier sectoral approach and the priorities which had been set then were revised in the light of PRSP priorities and better quality of research base which preceded the preparation of PRSP. As from year 2003 monitoring of outputs is to be introduced. This means that the budget itself will include outputs for the year. Financial monitoring is to be reviewed every 6 months.

A decentralization policy is being operationalized through putting in place the necessary legal framework and consolidating machinery for fiscal decentralization. Decentralization is guided by three considerations: focus on poverty reduction, promotion of good governance and transparency. It is about resources and power to the local levels. The decentralization programme includes a statutory decentralization aspects of the budget. For instance, the Act of 2001 gives local governments the right to access 1½ % of the previous year's revenue for the recurrent budget and 10% for the development budget (from the previous year's account). In the current year, however, local governments managed to access only 5% of the development budget because of a shortfall in resources largely because a number of donors did not deliver in time.

A common Development Fund has been set up and various sectors can apply for project funding provided the projects meet the set criteria. The projects to be funded must be consistent with Vision 2020, PRSP and must show that they are meant to solve problems at the local level.

PER has been done for health, education, justice and water sectors. The most recent additions to the list are agriculture and transport and communication. The latest ones have had a capacity building component built in the process.

The PER process has yet to be institutionalized. The capacity for the policy and planning departments in various ministries is still low, especially as regards preparation of action plans.

The MTEF is supposed to serve as an institutionalized vehicle for medium term public expenditure planning. It addresses the scope and quality of the MTEF as the means of enhancing the efficiency and effectiveness of public spending and evaluates the extent to which the MTEF contributes to the proper costing and efficient realization of the targets of the poverty reduction strategy outlined in the PRSP. In practice, however, MTEF is still being introduced, training on its use is in progress and costings are still weak. There is need for capacity building in this area. MTEF work is still weak on two further grounds. First, the sectoral policies are still being worked out making it difficult to have a firm basis for making costings. Second, output or result orientation is still undeveloped as the traditional approach has been input-based. It will take some time before this new approach is institutionalized and capacity for managing it is built.

5. REALIGNING DONOR POLICIES AND RESOURCES

This section examines the degree to which donors are supporting poverty reduction strategies through their country programs and the extent to which their policies are being realigned to support PRSP.

The major donors had the opportunity to participate in its preparation and many of them have been very supportive. Support for the implementation phase is led by UNDP. The assistance of development partners is very much appreciated. It is, however, essential to ensure that Government remains in charge of the agenda of public action. If individual donors develop donor projects in isolation, they are likely to be ineffective, inequitable and wasteful. Moreover, there is a serious risk that projects designed by donors may be based on international practices and pricing structures that are inappropriate for Rwanda. The development of strong sector strategies within the overall framework provided by the PRSP, is intended to provide the coordinating framework for Government and donor actions within each sector and ensuring geographical coverage

A joint Government and donor document 'Guidelines for Productive Aid Coordination in Rwanda' has been prepared. It proposes concrete long-term and short-term steps for effective coordination to support the implementation of the PRSP. The starting point for aid coordination is PRSP itself as a coordination and organizing framework. The key means of implementation is the budget process especially the three year planning MTEF approach. The objective of MTEF is to integrate the recurrent and development budget processes and to enable the ministries to develop sectoral strategies to reinforce planning and budgeting processes. In Rwanda, measures to be taken under MTEF will contribute to the realization of more optimal allocation and utilization of scarce resources (from domestic resources as well as those from the donor community) within the PRSP framework.

The Government prefers to receive resources on the most flexible terms. However, many donors prefer to provide project support rather than budget support. The Government has resolved to discuss with donors the best way to integrate projects into the overall strategy. Three principles are central:

- Projects should be conceived within a sector strategy and consistent with the priorities of the sector.
- Projects should have cost structures appropriate to the Rwandese economy. For instance, tendering procedures should not exclude local contractors by imposing unrealistic requirements.
- Development partners should consult the Government's Proposal Guideline document for donor implementation of the PRSP, soon to be finalised, and the joint donor and Government document, 'Guidelines for Productive Aid Coordination in Rwanda.'

A fast exit strategy for donor assistance would imply severe contractions of public services. The focus in the medium term must be on ensuring that the Government manages resource flows in an integrated way.

Recently, however, the Government of Rwanda has started to address the challenge of coordination starting with implementing what it calls "the lead agency arrangement" whereby the GoR assigns leading donors in respective sectors ordinarily determined by which donor provides the largest support to the respective sectors. What needs to be appreciated is that this initiative is still at its infancy. This arrangement is a promising step but it must be cautioned that the overall coordination should come from Government so that donor leadership in the respective sectors is done essentially on behalf of government. The practice normally works in the context of SWAPs. The framework should be developed by Government which should also mediate donor actions.

The programming of projects within SWAPs or budget support is expected to be facilitated by the recent shift in donor preferences for programme aid. Like the situation in several other countries, donors are increasingly willing to shift from project to programme aid.

6. CAPACITY BUILDING

This section assesses the capacity implications of PRSP considering capacities to undertake systematic analysis of the causes and consequences of poverty; design and implement poverty reduction policies; and monitor their impact.

6.1 Capacity Needs

This section identifies specific areas of capacity need of critical government institutions responsible for the preparation, implementation, and monitoring outcomes of the PRSP objectives.

The genocide left an acute shortage of skilled personnel in public and private sectors. Capacity building is therefore a fundamental aspect of public policy. However, it cannot be treated as a separate activity but needs to be an integral part of sector strategies. Investment in particular skills is successful only when people have the opportunity and incentive to use their skills productively. Many countries have developed skills in the public sector, only to find that their technicians then leave the country for better paid jobs. We need therefore to develop an enabling management culture in which those who upgrade their skills are rewarded by being given the opportunity to exercise them, sometimes through financial incentives. Thus for a more effective management of institutions, management information systems and skills is vital.

6.2 Assessment

This section assesses whether there is sufficient capacity for setting and monitoring targets and indicators to measure the impact of policies on poverty reduction and determine the extent to which skills gaps are undermining the content and constraining the implementation of the PRSP in the study country.

Human resource capacities are in short supply in terms of qualified personnel for the current and envisaged tasks. The situation was aggravated by genocide and massive exodus of human resources either as a result of insecurity or turning to greener pastures (brain drain). There is a lack of competent management and administrative capacities to cope with the requirements of development as stipulated in Vision 2020 and PRSP. There is a shortage of human skills to negotiate for favourable financing packages with donors and to manage various projects (most of which are donor-funded) and investment programmes. This situation imposes limits to the absorptive capacity of the economy of Rwanda.

The process of building human capacities is multifaceted comprising formal and informal training and learning by doing but utilization and retention of the created capacities require an appropriate institutional framework under which the human resources function.

The development of human resources therefore requires the acquisition of appropriate skills (quality), the presence of adequate numbers of skilled personnel (quantity), reorientation of perceptions towards understanding the development challenges and incentives and working environment which will ensure effective utilization and retention of the human resources that have been or are being made available.

Uncompetitive remunerations, inappropriate organizational structures, inadequate working facilities, complex donor procedures are some of the institutional inadequacies which have been identified (Twahirwa and Muyango, 2002). The institutional framework for managing Government of Rwanda-donors relationships are inadequate. The changing conditions in which the country is operating globally, in the region or nationally are likely to require that the necessary institutional changes be effected for capacities to cope with the such changes. This may call for adjusting, restructuring or even overhauling existing institutions and organizational structures and the associated procedures and systems.

To date capacity building activities in Rwanda have achieved the following:

- rehabilitated much of the destroyed infrastructures and have assisted to install a public administration system which can be a facilitating foundation for the design and implementation of future CB activities;
- a draft HRD policy framework paper has been prepared;
- progress has been made in the promotion and application of ICT and this progress should be supportive of efforts towards good governance.
- training has been provided to many public servants.

Weaknesses in capacity building activities were found in the following aspects:

- It has been found that capacity building projects and programmes are not well coordinated at several levels: within ministries, between ministries and between Government of Rwanda and donors. Existing capacity building projects and programmes tend to be designed and implemented in isolation without being guided by a common national strategy.
- In addition, it has been found that the level of ownership and control of these programmes by Government of Rwanda has been low. This weakness has to do with redefining Government of Rwanda-donor relations. The background to this problem is related to the nature of assistance and the context in which donor assistance came to Rwanda in the post-1994 era. After 1994, the bulk of donor assistance was directed to the rehabilitation of infrastructures which had been destroyed such as social infrastructure, Government offices and provision of badly needed materials and filling many other gaps that had been created during the genocide related destructions. It may not have been the appropriate time to be selective in aid management. Most of the assistance was given in the form of turnkey projects. They did not build in a high degree of ownership because of the prevailing circumstances.

Two other categories of problems have been found to have been encountered in capacity building activities which were assessed by Twahirwa and Muyango (2002). These are: (i) first, contextual inadequacies relating to the policy and institutional environment in which the CB activities were being implemented (including weaknesses in public administration and donor procedures); and (ii) second, the way inputs into the various capacity building activities were designed and provided. As regards, the first category of problems, it was found that there were difficulties retaining the trained staff, many positions were either vacant or were filled with unqualified personnel, disruption caused by frequent transfers of senior staff, weak information flow and management of information on CB gaps, limited horizontal and vertical linkages among institutions which are supposed to collaborate and coordinate their activities (this situation is reportedly worsened by the absence of clear lines of authority within Government of Rwanda ministries and agencies) and poor maintenance of equipment. The CB project specific problems have been identified as delay or failure to disburse donor funds as promised,

delays or failure to make counterpart funding available as promised, unclear job description and monitoring arrangements for TAs and weaknesses of local counterparts (low qualifications and inappropriate attitudes), as well as the design of CB activities with little regard to coordination and linkages and related activities in other sectors.

Twahirwa and Muyango (2002) identified the following areas where there are capacity gaps:

- Macroeconomic policy analysis and management;
- Public finance and accounting, budgeting and public finance management and accountability;
- public administration and management, good governance, transparency and accountability;
- Human resource management;
- National accounts, management of data, information, and ICT;
- Project cycle management.

According to Twahirwa and Muyango (2002) the following are the main merging policy concerns:

- Civil service reform needs to make further progress into pay reform, streamlining recruitments and promotion procedures (possibly by establishing a Public Service Commission) and minimizing disruptions from frequent transfers. The whole system of public administration still needs to implement the decentralization policy and related principles of administration such as instilling the culture and practice of delegating responsibilities.
- There is need to provide for the human resource management function within the civil service. This arrangement coupled with the institution of the *cadre organique* should provide the institutional basis for identifying capacity needs and planning, managing and implementing CB activities.
- Training and providing resources to enable the retrenched civil servants to find alternative income generating activities.
- Improving the management of TA with a view to making it more effective in achieving the set goals and in ensuring sustainability.
- There is need to address the Government of Rwanda-donor relations with a view to enhancing ownership and control by GoR.

7. CONCLUSION

The experience of PRSP in Rwanda has the following interesting lessons to offer for further discussion with other countries.

- PRSP is a paper but it is also a process depicting a different way of managing development. It brings a poverty focus in the development agenda. The challenge now is what this means in terms of the institutional framework and implications on capacity of doing the business of development management directly. The study of the Rwandan experience suggests that this challenge is being addressed by involving the traditional values and practices (e.g. *Gacaca*, *Umuganda*, *Ubudehe*). This attempt

to build on positive traditional practices is an innovation which should provide a useful lesson to other countries in Africa.

- The PRSP has been prepared at a time when Rwanda was emerging from genocide. This challenge is addressed as a critical issue in development. This problem raises the broader challenge of how to deal with the initial conditions of various types in the context of PRSPs.
- Effective participation of all stakeholders runs against capacity limitations of the various stakeholders who have not had the necessary experience, capacity and practice of formulating policies and participating in development. The challenge here is twofold. First, there is the challenge of developing the capacity for using methods (e.g. PPA, PRA) which are amenable to facilitating participation. Second, there is the challenge of building the capacity of the stakeholders so that they can participate more effectively in policy dialogue. It was clear that Rwanda is taking effective action to address the challenges of capacity building. In fact the initiatives Rwanda is taking to formulate programme for Rwanda is a clear recognition of the seriousness of this challenge.

In order to address the capacity building challenge, the following are some of the actions that could be pursued:

- Enhance the awareness on policy issues among CSOs, including communities and private sector groups to enable them engage more effectively in policy discussions.
- Facilitate processes for CSOs/CBOs and private sector representation such as establishing CSO/CBO and private sector desks at decision making organs.
- Work towards broadening the participation of CSOs and the private sector in policy for a.
- Establish effective representation and feedback mechanism for CSO and private sector participation in key technical fora.
- The budget process was being revisited in order to reflect PRSP priorities. Here again there are capacity limitations which become quite explicit. The MTEF and PER processes have been introduced but they have yet to be institutionalized and be integrated into the policy-making process.
- Realigning donor policies and resources is attempted in the framework of PRSP. However, it is evident that an institutional framework is being laid down to address the broader question of changing donor-recipient relations in the direction of greater recipient ownership. This is an area where exchange of country experiences can be useful. Already promising progress is being made at the OECD/DAC level but the challenge of handling the problem at country level remains. Exchange of experiences with neighbouring Tanzania and Uganda would be useful.

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