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RWANDESE REPUBLIC
COUNTRY STRATEGIC OPPORTUNITIES PAPER
(COSOP)



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CURRENCY EQUIVALENTS

Currency unit	=	Rwandan franc (RWF)
USD 1.00	=	RWF 445
RWF 1.00	=	USD 0.0022

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 Square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

BADEA	Arab Bank for the Economic Development of Africa
COSOP	Country Strategic Opportunities Paper
CSO	Civil-Society Organization
DC	Development Committee
DALF	Department of Agriculture, Livestock and Forestry
ISAR	Agricultural Research Institute of Rwanda
MFI	Microfinance Institution
MINAGRI	<i>Ministère de l'agriculture et de l'élevage</i> (Ministry of Agriculture, Animal Resources and Forestry)
NGO	Non-Governmental Organization
PPPMER	<i>Projet pour la promotion des petites microentreprises rurales</i> (Rural Small and Microenterprise Promotion Project)
PRSP	Poverty-Reduction Strategy Paper
RRRP	Rwanda Returnees Rehabilitation Programme
SME	Small and Microenterprise
UBPR	<i>Union des banques populaires du Rwanda</i> (Rwandese Peoples' Bank)
UCRIDP	Umutara Community Resource and Infrastructure Development Project

GOVERNMENT OF THE RWANDESE REPUBLIC

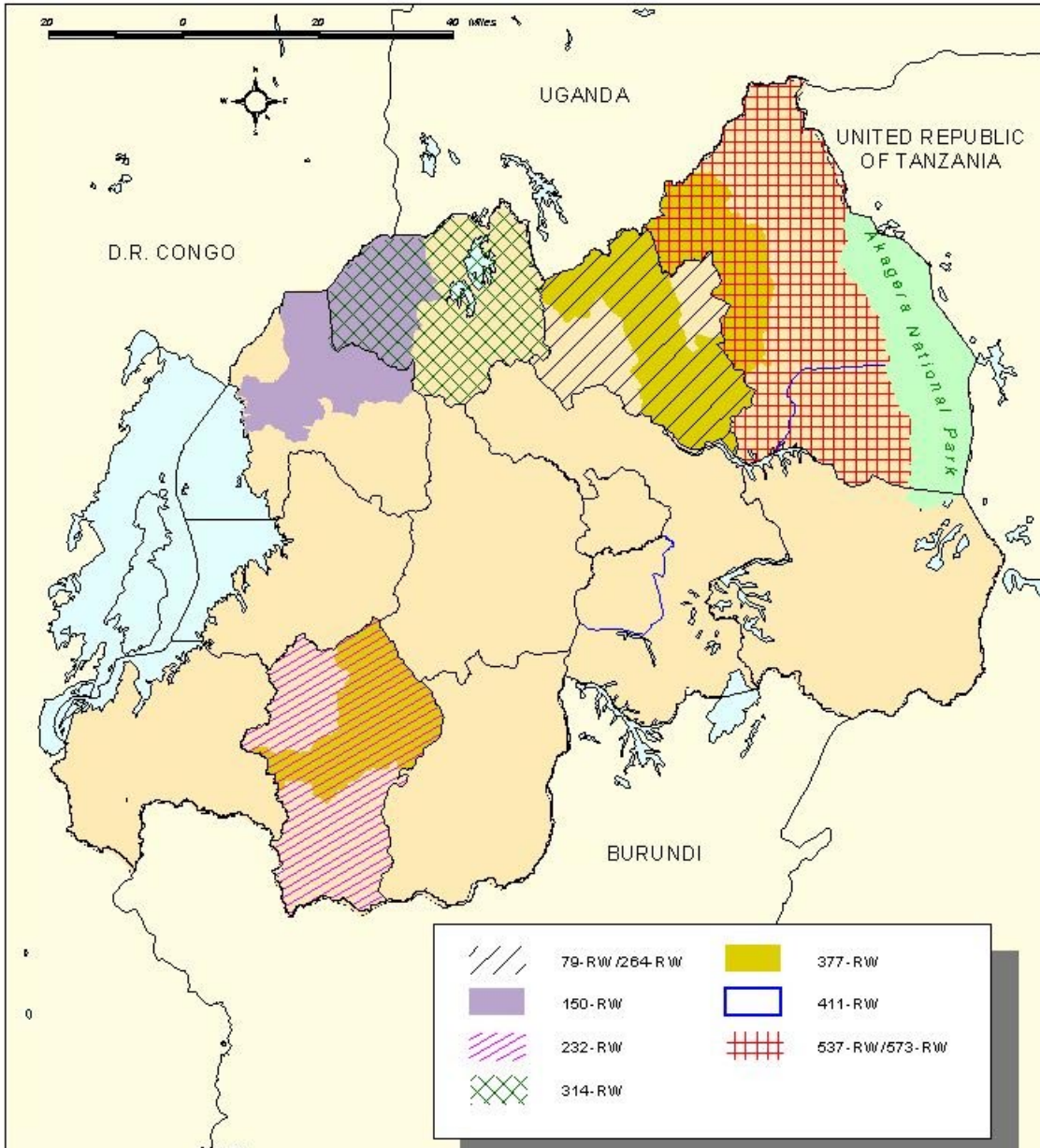
Fiscal Year

1 January – 31 December



RWANDA

IFAD PORTFOLIO



Source: IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof



EXECUTIVE SUMMARY

A. Macroeconomic, institutional, and sectoral context

1. Rwanda's economy has made a good recovery from the destruction left in the wake of the events of 1994. Thanks to considerable assistance from the international community, the gross domestic product (GDP) has returned to the pre-1994 level; large inflows of returnees have been resettled; and inflation and government spending have been curbed. The Government has liberalized the economy and increased the share of fiscal revenue to GDP. At about 5% per annum, GDP is growing faster than the population (growth estimated at about 2.9%). However, low coffee prices and slow recovery of the coffee sector's productive capacity, coupled with high petrol prices, appreciation of the United States dollar and a very heavy debt repayment burden have put considerable pressure on the country's international trade balance-of-payments situation.

2. Despite good economic progress, poverty is still a major problem in Rwanda. The share of the total population (rural and urban) estimated to live below the poverty line has fallen from the 1994 peak of 78%, but at 65% it is still well above the 1990 situation of less than 50%. In rural areas, where over 80% of the total population lives, the poverty index was estimated at 70% in 1999. Some 250 000-300 000 households still live in makeshift settlements and are housed under plastic sheets. In November 2000, the Government issued a document setting out its preliminary poverty-reduction strategy. Several committees are at work on finalizing the strategy, based on consultations with a wide range of interested parties throughout the country.

3. In 2000, the Government launched a far-reaching reform aimed at decentralizing the country's administrative and political processes. Freely elected assemblies and committees have established a system of democratic local government, which includes cells, sectors and districts, and institutions function. Many responsibilities have been devolved to the district level, and those retained by the central Government have been delegated to outposted units at the provincial level. A bottom-up planning and evaluation process is envisaged in which the cell – the grass-roots institution of local government controlled by a consultative committee – is expected to play a major role.

4. Agriculture contributes about 40% of GDP and more than 80% of the country's export earnings. While food production levels have returned to normal in most provinces, the production of export crops, particularly coffee, is lagging behind, despite government measures to encourage private-sector investment and to complete the trade liberalization process. Faster growth calls for investment in the replanting of old trees with high-yielding varieties and the establishment of adequate coffee-washing centres. There is also scope for improving the capacity of tea factories and for supporting producers of tropical fruit in order to encourage export diversification.

B. IFAD Operations in Rwanda

5. Currently, there are three ongoing IFAD projects in Rwanda. (The Gikongoro Agricultural Development Project (232-RW); Byumba Agricultural Development Project - Phase II (264-RW); Socio-Health Programme (grant BSF-BG-020); and the Rwanda Returnees Rehabilitation Programme (grant 377-RW) were closed by end-2001.) The Intensified Land Use Management Project in the Buberuka Highlands (314-RW) and the Rural Small and Microenterprise Promotion Project (PPPMER) were reviewed in mid-2001 and extended for about two years. The mid-term review of PPPMER has strongly recommended a follow-up project. The Umutara Community Resource and Infrastructure Development Project (537-RW) began operations in January 2001. The Umutara Community Resource and Infrastructure Development Twin Project (573-RW) was approved by the Seventy-Fourth Session of the Executive Board held in December 2001 and became effective in October 2002.



C. Lessons Learned

6. The main lessons learned since the reactivation of IFAD operations in 1996 can be summarized as follows:

- Project ‘beneficiaries’ do not participate in activities planned by project designers and managers in a top-down manner: participation requires effective beneficiary empowerment in planning development activities based on their own felt needs and priorities.
- Decentralization is progressing rapidly, providing new opportunities both to the lower echelons of local government and to civil-society organizations (CSOs) at the community level, as well as for associating non-governmental organizations (NGOs) and private enterprises with the development process through the outsourcing of contracts.
- The combination of rapid population increases in heavily populated areas and accelerating urbanization call for development of agriculture-related off-farm income-generating activities; this in turn raises the issues of credit and links to market opportunities.
- Flexibility in demand-driven project design (emphasis on processes rather than on blueprints) is a necessary condition for ‘designing for success’.
- There is a real gap between opportunities to invest in those small rural enterprises in a position to exploit new market opportunities in crop livestock and non-farm products and the financial resources available to such enterprises. Filling that gap calls for the development of viable microfinance institutions (MFIs) capable of promoting local savings mobilization and product diversification, and of providing loans to creditworthy clients at minimal transaction costs to all parties concerned.
- More attention should be paid to: availability of information on markets and technology; infrastructure required to reduce farm-to-market transportation costs so as to increase competition for farmers’ surpluses; and measures to increase farmers’ bargaining power vis-à-vis traders.
- Appropriate technology development (production, processing and marketing technologies) falls short of the requirements of crop/livestock farmers and rural entrepreneurs interested in developing off-farm income-generating activities. This calls for a new approach to technology generation and transfer, based on participatory diagnosis of problems, identification of farmer innovators, close working relationships among provincial- and district-level technicians and research officers, and more demand-driven research.
- Projects are slow to get under way and do not always start up as they should. Strong back-up from IFAD is required during the first years of operations: innovative projects involving institutional development and/or changes in conventional project management practices must be monitored very closely from the outset to help project coordinators and service providers begin with the right approach. Such assistance should go well beyond the current scope of start-up workshops.
- Involving NGOs and private-sector operators in project implementation requires a more realistic approach, including appreciation of the full cost of providing services and an effective system of incentives.



D. Strategic Framework for IFAD

7. Based on lessons learned, three strategic guidelines will be followed by IFAD in designing the next round of operations in Rwanda, namely: (i) emphasis on institutional development, to assist in the Government's decentralization process and ensure that IFAD's target group can fully exploit opportunities offered by the new approach; (ii) exploitation of all possible means of increasing the income of the rural poor through agricultural and non-agricultural activities, focusing on new ways of generating and disseminating technology innovations and on developing sustainable rural financial services; and (iii) focus on potential synergies among IFAD projects, that is, undertaking fewer operations over smaller areas of intervention but designing projects with complementary activities and increasing IFAD headquarters support to project implementation units.

8. The corresponding thrusts of IFAD activities in the country will include support for the Government's decentralization policy; development of sustainable rural MFIs; identifying new responses to issues of technology generation and transfer for crops and livestock; income generation and diversification activities; market organization and innovative marketing techniques and linkages; integrated, rural, non-farm small and microenterprises; and gender mainstreaming.

E. Main Opportunities for Project Intervention and Innovation

9. The ongoing UCRIDP, which involves many innovative features acceptable to the Government, has been replicated in the other four districts of Umutara and thus will provide a uniform approach to institutional development in the province. There is potential for expanding or replicating the activities of PPPMER, combined with the development of sustainable rural financial markets and MFIs capable of responding to the financial needs of small rural enterprises. IFAD is also exploring the possibility of assisting smallholder production of export crops, such as tea, coffee, and new crops with export potential, including support to innovative marketing arrangements.

F. Areas for Policy Dialogue

10. The funding of the two projects in Umutara placed IFAD in a good position to pursue policy dialogue with the Government on all matters relating to implementation of the decentralization policy, particularly with regard to the role that rural communities and groups of poor people will be allowed to play at the different levels of local government. The new approach envisaged under UCRIDP and UCRID Twin Project with respect to technology generation and transfer issues – introduction of participatory diagnosis of problems and identification of farmer innovators, planned joint activities between staff of the Department of Agriculture, Livestock and Forestry (DALF) and the Agricultural Research Institute of Rwanda (ISAR), the private paraveterinary programme, etc. – will enhance policy dialogue on the approach to agricultural services throughout the country. Through support for the development of rural financial markets, dialogue will be established with the Government and the central bank on the 'rules of the game' to be applied. Support to cash and export crops will enhance policy dialogue in subsectors of critical importance to the country's long-term balance-of-payments equilibrium, with a view to addressing jointly poverty reduction and sustainable economic growth objectives. Finally, emphasis on gender and lessons learned from UCRIDP and the UCRID Twin Project will provide the basis for dialogue on equal opportunities for women in Rwanda.

G. Lending Framework

11. Rwanda has a strong case for continued IFAD assistance: (i) low income levels, high incidence of poverty and limited resources compared to the size of the population; and (ii) progress in economic and institutional reform, including decentralization and the existence of a system of democratic local government – albeit fragile – that may serve as an effective vehicle for promoting participation and empowering IFAD's target group.



12. Over the next four years, IFAD's lending programme in Rwanda is expected to include:

- expansion of UCRIDP to all of Umutara Province through a new IFAD loan;
- close monitoring and supervision of the experience in Umutara, including necessary adjustments to improve implementation; possible replication of UCRIDP in other provinces of the country (for instance, Kibungo and Bugesera) once sufficient experience has been acquired in implementing the UCRIDP approach;
- expansion of PPPMER activities to other areas and to all of Umutara Province, thus ensuring the integration of small and microenterprise (SME) with the development of rural financial markets and MFIs; and
- design of a project for the development of cash and export crops, aimed at providing support to associations of poor coffee/tea growers in the renewal of their plantations, full participation in processing and marketing, and development of innovative marketing strategies and opportunities jointly with appropriate private-sector operators.



RWANDESE REPUBLIC

COUNTRY STRATEGIC OPPORTUNITIES PAPER¹ (COSOP)

I. BACKGROUND

1. New factors affecting the Fund's operations in Rwanda have made it necessary to update the Rwanda Country Strategic Opportunities Paper (COSOP) prepared in 1999. These factors include: the closing over the next 18 months of all of the Fund's projects initiated before 1994, good progress in implementing the Government's decentralization policy and – as a means of boosting the economy and reducing poverty – renewed commitment to supporting market-oriented export promotion, economic diversification and development of rural financial markets.

2. Following the events of 1994 that led to the destruction of the country's economic and social fabric, in 1996 all IFAD projects in Rwanda were restructured to reflect changes in both the project areas and the Government's priorities. The project areas and the number of beneficiary households were significantly increased. Project management faced new challenges owing to the loss of many experienced government officers during the genocide. Through the reformulation of its existing portfolio, IFAD has played an important role in the process of reconciliation and economic recovery. It has also demonstrated its capacity to intervene effectively on an emergency basis through rapid launching of the short-term recovery and rehabilitation programme in favour of returnees (the Rwanda Returnees Rehabilitation Programme [RRRP] grant 377-RW).

3. As the political and security situation normalized, the economy recovered and a new government policy emerged in the field of institutional development and poverty reduction. In 2000, the IFAD Executive Board approved the Umutara Community Resource and Infrastructure Development Project (UCRIDP), which was designed to support the institutional development of the lower echelons of local government (under the district administrations) as facilitators to developing grass-roots civil-society organizations (CSOs) (farmers' and women's groups). UCRIDP is helping the Government implement its decentralization programme: outposting of line ministry services to provincial and district levels; outsourcing provision of rural services to service providers in the public and private sectors; and introduction of a system whereby service provision is based on demand from communities, with the stakeholders' commitment being certified by upfront payments of their share of the costs. The aim of the project, which invests very heavily in local training and capacity-building, is to leave behind a viable basis for effective devolution of resources and responsibilities to the lowest echelons of government in the country.

4. Future IFAD operations in Rwanda will be based on lessons learned in supporting institutional development in Umutara and on the need to: (i) improve the income of the Fund's target groups, especially income from innovative methods of promoting traditional and non-traditional export crops such as coffee, tea, kiwi, fresh flowers and passion fruit; and (ii) enhance the food security of poor households by supporting on and off-farm income-generating activities through a variety of measures that mitigate the impact of market imperfections on the poor and improve rural producers' terms of trade.

¹ COSOP approved in July 2001 and updated in October 2002 for presentation to the Executive Board.



II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT

A. Country Economic Background

5. Rwanda has a total land area of 26 000 km² and a population of eight million, which is estimated to be growing at 3% per annum. On average, there are more than 300 people per square kilometre of territory. Per capita gross domestic product (GDP) was USD 250 in 2000. The latest estimate of the proportion of people below the poverty line is 70% nationally.

6. The economy has rebounded since the drastic drop in 1994 (by over 50%) caused by the genocide, as a result of both the determination of the Rwandan people and large quantities of foreign assistance. The initial growth rate of the economy, a spectacular 34% in 1995, has naturally fallen to more normal levels over the course of time. A 9.5% growth was recorded in 1998, but it dropped to about 6% in 1999. In the years immediately following the civil war, inflation was curbed through large imports of goods financed by donors, mostly on a grant basis. Prices increased by about 11% in 1997, declining to about 3% in 1999 and 2000. Government revenue increased from 6.9% of GDP in 1995 to 9.7% in 1999. Military spending is still about 3.8% of GDP, while spending on social services amounts to about 4.1%. The Government expects to reduce the former to 2.3% and increase the latter to 6.9% by 2004. The current account deficit, excluding official transfers, was 16.8% of GDP in 2000 and is expected to drop to 10.7% in 2004.

7. The Government's macroeconomic policy objective is to maintain present stability, keep inflation below 5%, achieve a GDP growth rate of at least 6% per annum over the medium term (2004), and keep the level of foreign exchange reserves at the present level of six months of import equivalent. This requires additional external assistance, particularly in the form of debt relief. Rwanda obtained debt-relief facilities under the Debt Initiative for Heavily Indebted Poor Countries in December 2000. In June 2002, the Government finalized the nation's poverty-reduction strategy paper (PRSP).

B. The Agriculture Sector and Rural Development

8. Agriculture provides the mainstay of the Rwandan economy, contributing about 40% of GDP. Well over 80% of the population lives in rural areas and derives its livelihood from agriculture and other activities strictly related to agricultural production. Agriculture provides the bulk of Rwanda's export earnings, coffee and tea being the main commodities. As a result, both the country's foreign exchange position and the cash income of many agricultural producers are sensitive to seasonal fluctuations in the prices of these commodities.

9. Rwanda's tea is of high quality, and real opportunities exist for expanding production well beyond pre-war levels. There is scope for increasing yields from existing plantations and for more planting in suitable areas, thereby consolidating the experience acquired in managing smallholder tea projects. With relatively marginal investments, the capacity of existing tea factories could be expanded by about 50%. A new factory in Gikongoro province is urgently required to process the production of a government plantation of about 1 000 ha, which is largely wasted for lack of a processing facility at the site. This is an opportunity to privatize the industrial estate by distributing the land to cooperatives of poor smallholders.

10. The volume of coffee production is still about half that of the early 1990s. The number of smallholder coffee growers is 30% less than it was ten years ago. There has been little replanting; poor use of inputs on very old trees is common; and there has been no development of coffee-washing stations. Opportunities exist in this sector to support recent developments, such as the entry of several new private enterprises into the processing and marketing of coffee; establishment of new coffee farmers' associations interested in operating coffee-washing stations; and reform of the government-owned OCIR-Café, which now focuses more effectively on promoting new and improved techniques.



11. The Ministry of Agriculture, Animal Resources and Forestry (MINAGRI) is currently investigating the possibility of introducing non-traditional cash-crops, such as kiwi, fresh flowers (for export) and passion fruit, as a means of increasing smallholder revenues, with particular emphasis on woman-headed households. The potential of these non-traditional cash crops should be investigated further, with a view to assessing the scope for IFAD development assistance in the near future.

12. The potential for improving other crops, particularly food crops, calls for new approaches to soil and soil-fertility conservation, an increasingly pressing problem in an environment prone to degradation. Previous approaches to technology generation and extension have failed to significantly influence farming systems and cropping practices. Innovative ways of handling relations among farmers, government agricultural technicians (crop, livestock, forestry, rural engineering) and research officers will need to be introduced in order to identify specific production problems together with the farmers and to work with farmer-innovators. More farmer-demand-driven research must be undertaken to identify effective, adaptable solutions. Zero tillage, alley farming and zero grazing technologies may prove to be of considerable interest in this respect, provided they are adapted and tested with farmer innovators interested in changing their cropping and livestock husbandry practices.

13. In most areas of the country, other features of rural development have suffered greatly as a result of the civil war. By African standards, in 1993 Rwanda had a well-developed network of public rural health facilities. That network was largely destroyed, but it is now slowly being restored to working order. The same can be said of the rural education system, which has had to cope with large displacements of people and the loss of many qualified teachers. The country's literacy rate has dropped for a variety of reasons. Many refugees/returnees did not have the possibility of sending their children to school when they were abroad and have not been able to do so since their return because they cannot afford the school fees. Many households are headed by: (i) minors (21%) as a result of the genocide and the HIV/AIDS epidemic; (ii) widowed women; and (iii) women (34%) either de jure and/or de facto heads of household (where men are in prison awaiting trial under genocide-related charges). Women's low literacy levels constitute a major problem in most rural areas, and in some areas the problem of water supply is still not resolved. Official statistics state that 56% of the population have access to safe water, but many piped water supplies do not function properly owing to a combination of inadequate management arrangements and insufficient revenue from water charges (supply standards are set far in excess of what people are willing to pay).

C. Institutional Context

14. In 2000, the Government set in motion a series of far-reaching reforms that launched the decentralization process. An official document issued by the Ministry of Local Government and Social Affairs outlines the main features of the decentralization policy (Appendix IV). The policy's objectives include: (i) participation of the population in planning, implementing and supervising activities that concern them; (ii) enhanced transparency with regard to local leaders' activities and their accountability to their constituencies; (iii) improved response to local needs; and (iv) development of local capacities for planning, implementation and supervision of development and poverty-reduction activities and for resource mobilization.

15. The above-mentioned document sets out the services and functions to be undertaken by outposted units under the direct supervision of the central ministries; functions to be delegated to decentralized administrative units with full responsibility for execution; and the power, authority, functions and responsibilities devolved from the central Government to local public administrative bodies, which will receive legal status to become fully-fledged local governments.

16. The territorial administration divides the country into provinces (*intara* – corresponding to the old prefectures), districts (*uturere* – corresponding to the old communes), sectors (*umurenge*) and cells (*utugari*). The central Government appoints the prefects (*umuyobozi*), who are responsible for the



provinces. The people directly elect the chief executive of the district – the mayor – whereas the old commune burgomasters were nominated by the central Government. The structure of districts, sectors and cells includes assemblies of members responsible for formulating and approving local government policy, priorities, programmes and budgets. Assembly members are selected through various election systems. At the cell level, the assembly (Consultative Committee) consists of adult residents, who elect the cell executive and development committees (DCs).

17. The Government expects the decentralization process to go forward in phases: (i) in the first phase, a number of central government functions will be delegated to province or district levels; (ii) in the second phase, the delegation process will proceed from province to district and from district to sector level; and (iii) the third phase will begin once the capacity of the districts is sufficiently developed to take over most of the functions entrusted to the provinces, and the sector capacity is such as to take over most of the functions currently handled at the district level. In this way the intermediation of links with the provinces will gradually be reduced and full autonomy gained in matters delegated to the districts and sectors, without the provinces. In Umutara, the ongoing administrative reform strengthens both the institutional and conceptual basis of UCRIDP and the case for extending UCRIDP activities to the entire province.

D. Rural Poverty Context

18. The events of 1994 have had far-reaching consequences and have led to greater poverty throughout the country. There was a 30% drop in the population as a result of the genocide and the large number of refugees that fled the country. However, following the repatriation of displaced persons and refugees, there was a 9% increase in the population in 1995 and 1996 and 24% in 1997. These changes have had a profound effect on the human settlement patterns in many parts of the country, as many returnees have been deprived of their land, dwellings and assets. It is estimated that over 60 000 private dwellings were completely destroyed during the war. In spite of considerable donor assistance for houses and new village structures, returnees were illegally occupying more than 92 000 houses by mid-2000, and some 150 000 people were still being housed under plastic sheeting. The Government estimates that about 300 000 families (well over one million people) are still inadequately resettled.

19. The demographic structure of Rwanda has changed, with women now accounting for about 54% of the total population. In the age group 16-64 years – representing 49% of the total population in 1996 – women accounted for 27% compared with 22% for men, and adult women were about 23% more numerous than adult men. This situation is reflected in the number of woman/widow-headed households, which has increased significantly to well over 22% of all households in 1996, with peaks of 24% and 28% in Umutara and Butare provinces, respectively. In order to fully appreciate the situation, a large number of households headed by minors must be added. In rural areas, woman- and minor-headed households have insufficient labour to cultivate their land. Many households lost the land their families tilled before the war and have now become extremely poor, landless labourers.

20. In 1990, it was estimated that about 48% of Rwanda's population lived below the poverty line, or 50% of rural people and 16% of those living in urban centres. In 1994, estimates were 78% and 82%, respectively. The situation has improved somewhat, but much needs to be done to return to pre-war levels. Overall, poverty touched an estimated 65% of the total population in 1999; in the rural areas, 70% of the population lived below the poverty line.

21. The HIV/AIDS epidemic constitutes a serious threat to Rwanda's human resources and development. Nationwide, 13.7% of the population over the age of 12 is affected by the epidemic. The survey found a marked increase in HIV/AIDS in rural areas, up from 1.3% in 1986. The epidemic has serious consequences. In agriculture, HIV/AIDS causes a reduction of available labour and of public investment due to rechanneling resources from the agricultural sector to health. In education, the



impact is felt as a reduced supply of teachers, as a result of illness and death and of absenteeism due to the need to care for sick family members.

22. The social capital of rural people (associations, networks and systems of organization and cooperation present in civil society) was also severely damaged by the events of 1994. This involved (i) loss of extended family networks in the genocide; (ii) over-burdened community social networks, particularly those caring for orphans living on their own; (iii) breakdown of informal credit systems (*tontines* [savings groups] and labour groups) due to a lack of confidence in repayment and the exclusion of a growing number of households because of inability to repay; (iv) exclusion of a large number of poor households from traditional labour-sharing groups owing to lack of able-bodied labour; and (v) greater ethnic separation between communities, as survivors of the genocide move to small urban centres in search of greater security.

23. It should be noted, however, that many forms of local organization survived the genocide (the *tontines*, for example), and new forms of social organization have appeared. For instance, war widows have created solidarity groups to share labour and the marketing of produce. These new organizations bring together members of communities affected by similar circumstances. Old institutions have also assumed important new roles. For example, the *gacacas* (committees of elders) play an increasing role in conflict resolution. Together with local governments, they help settle disputes over returnees' land. In this connection, the Government's decentralization policy greatly facilitates the reconstruction of rural people's social capital. The process will take time and the Government must pursue it with unabated determination. It deserves the full support of donors.

E. National Strategy for Poverty Reduction

24. In November 2000, the Government issued the interim PRSP, which was finalized in June 2002.

25. The PRSP recognizes that any successful poverty-reduction policy must be based on high economic growth. Following liberalization measures introduced since 1996, the major challenges over the medium term are to increase export earnings and agricultural production and diversify the economy, including the development of information and communications technology services. Market-oriented education is being emphasized in order to create a competitive, highly skilled labour force to fully exploit the advantages of national bilingualism.

26. Through extensive national consultations, six broad areas have been identified in which action is to be taken on a priority basis. In order of importance, these are: (i) rural development and agricultural transformation; (ii) human development; (iii) economic infrastructure; (iv) governance; (v) private-sector development; and (vi) institutional capacity-building.

27. With respect to social services for the poor, the PRSP supports the *imidugudu* ('village-ization') approach towards displaced populations and households living in makeshift settlements on the grounds that it facilitates provision of social services such as health care, education and water supply. In the field of education, district development committees will be mobilized to improve the coverage and quality of primary education, and public support will enable promising children of poor households to attend secondary school. Following the successful start of private tertiary education on a full fee-paying basis, the expansion of private schools will be encouraged and measures introduced to help the most able students from poor backgrounds enrol. Finally, a national policy on functional literacy is now being drawn up to address the needs of women and men from poor households.



III. IFAD EXPERIENCE

A. Present Strategy and Operations

28. The last COSOP for Rwanda, dated May 1999, indicated six strategic thrusts:
- (i) support to CSOs and community-driven development as a means of promoting an institutional framework to facilitate the integration of small rural producers into the national economy;
 - (ii) support for smallholder production of subsistence and cash crops, focusing on new opportunities for export and/or import substitution and including support for technology dissemination with regard to both cash and subsistence crops;
 - (iii) promotion of livestock development as an integral part of different farming systems, with attention paid to environmentally friendly animal husbandry practices;
 - (iv) support for measures aimed at improving the availability of inputs for smallholders and the marketing of smallholder produce;
 - (v) support to the Government's ongoing decentralization policy with a view to strengthening the role of CSOs and ensuring the full participation of IFAD target groups in all activities of concern to them;
 - (vi) support to the Rwandese Peoples' Bank (UBPR) and/or microfinance institutions (MFIs) to improve access to and availability of credit for smallholders;
29. Specific attention will be focused on cross-cutting issues for women in the design of area-based projects, particularly with respect to: health services and potable water supply; women's microcredit and savings schemes; small-scale agroprocessing and trading; functional literacy; and women's active participation in community decision-making in general.
30. In line with these thrusts, IFAD staff have been successful in giving a new impetus to the implementation of the Rural Small and Microenterprise Promotion Project (PPPMER) and to the preparation and approval of two UCRID projects.
31. The mid-term review of PPPMER and an evaluation conducted by the Government in May 2002 in the framework of PRSP follow-up found that the project has achieved some of its major objectives regarding capacity to exploit options for income generation through off-farm enterprise. The project has established sound methodologies for the survey and validation of enterprises operating in the project area. It has surveyed and validated a large number of small enterprises and trained many small entrepreneurs in business and accounting. However, PPPMER has been less successful in securing the support of formal financial intermediaries to provide credit to validated small enterprises. The line of credit that the project made available to UBPR has not been used. Some project funds have been used by non-governmental organizations (NGOs) to extend short-term credit as part of their own activities. Some funds have been channelled through district women's credit windows, which are an emergency device and not sustainable over the long term. In short, PPPMER has stimulated effective demand for credit, identified investment opportunities, and trained potential borrowers well beyond the willingness of existing credit institutions to extend their operations to cover this potential market.
32. PPPMER has established a wide network of contacts throughout the project area, which is an effective way of gathering and disseminating information on the microenterprise sector, its composition and needs, and has introduced a channel for technology information and training of



microentrepreneurs in the project area. A small nucleus of well-trained, dedicated staff is in place; their experience will be valuable in the context of future IFAD projects that might include a more informed approach to developing rural financial markets. Accordingly, the closing date of PPPMER has been extended for two years and its activities expanded to include appropriate technology diffusion in fields of particular interest to small enterprise, further technical and accounting training, and more market intelligence support. The issue of credit, however, is still not resolved.

33. The two UCRID projects support community development in the eight districts of the newly established Umutara Province, where 100 000 returnees were resettled in compliance with the Government of Rwanda's commitment in the Arusha Peace Agreement of 1994. As 70 000 returnees were resettled in new districts that were formerly part of the Akagera Natural Reserve, project appraisal was backed up by intensive environmental assessment studies.

34. The design of the UCRIDP builds on the Government's considerable progress in implementing its decentralization policy. The projects introduce a number of innovative features aimed, on the one hand, at changing the relationship between the project coordination unit (PCU) and service providers contracted by the PCU through renewable agreements (government services and international and national NGOs) and, on the other, at empowering local communities to plan project activities and have a voice in evaluating the usefulness and quality of the services provided.

35. In order to achieve its institutional development objectives, UCRIDP will enhance the role of local government in Rwanda, particularly the lower echelons of local government, through district task forces for each project activity. Here, elected members of the sector and cell DCs work in close association with technical officers posted at the district level and with research officers from the Umutara station of the Agricultural Research Institute of Rwanda (ISAR). UCRIDP supports communities at the grass-roots level by funding three services for capacity-building contracted to NGOs: a community facilitator (NGOs), women-in-development (WID) (NGOs), and a fund advisor (NGOs). The latter service will assist groups of men and women wishing to establish savings and loan associations that may develop into MFIs with links to the commercial banking system. All project activities will be demand-driven and funded on a matching grant basis, except for training, which absorbs a large share of total project costs.

36. At the request of the Government and in collaboration with the OPEC Fund, IFAD has provided a new loan to Rwanda that expands the UCRIDP area to the entire province. This will ensure a uniform approach to institutional and community development in areas that were not previously cultivated and lack basic infrastructure, and in which the climate is less favourable than in any other area of the country. Since PPPMER operates in two districts of Umutara province, IFAD will test possible synergies between the financial-service development activities of UCRIDP and PPPMER's promotion of small and microenterprises (SMEs).

37. The other IFAD operations in Rwanda closed in 2001: Byumba Agricultural Development Project - Phase II (264-RW), Gikongoro Agricultural Development Project (232-RW), and the Socio-Health Programme (BSF-BG 019/022). Completion reports have been done for the projects, which were designed in the 1980s based on an approach to agricultural and rural development that no longer reflects current thinking on links between economic and institutional development and rural livelihood, new government policy orientation and innovative IFAD approaches. Their implementation was affected by the events of 1994 and the need to serve a greater number of people living under much more severe constraints than originally envisaged. The review of the Gikongoro project experience, in particular, showed that the community participation approach, introduced in projects after the 1996 restructuring of the portfolio, had invariably been misinterpreted as a marginal 'add-on' to project policy rather than as an integral part of project planning and implementation. The absence of mechanisms to make project staff accountable to beneficiaries also contributed to their generally limited impact. The Rwanda Returnees Rehabilitation Programme (RRRP – grant 377-RW) also closed in 2001. RRRP was conceived to facilitate rehabilitation of the agricultural production



capacity of vulnerable households through the distribution of 45 000 agricultural packages to 15 ex-communes showing the highest vulnerability rate in 1997 and in IFAD's portfolio interventions. The participatory approach developed in RRRP has enabled rural communities to identify – fairly and transparently – the vulnerable households among them. RRRP successfully met its objectives of rehabilitating the agricultural production capacity and enhancing social cohesion and reconciliation. In fact, the RRRP participatory approach is being used as a model by the Food and Agriculture Organization of the United Nations and the World Bank in designing rehabilitation projects in Afghanistan, Bosnia, Kosovo, etc.

B. Lessons Learned

38. The main lessons learned since the reactivation of IFAD operations in 1996 can be summarized as follows:

- Project 'beneficiaries' do not participate in activities planned by project designers and managers in a top-down manner: participation requires effective beneficiary empowerment in planning development activities based on their own felt needs and priorities.
- Decentralization is progressing rapidly, providing new opportunities both to the lower echelons of local government and to CSOs at the community level, as well as for associating NGOs and private enterprises with the development process through the outsourcing of contracts.
- The combination of rapid population increases in heavily populated areas and accelerated urbanization call for development of agriculture-related off-farm income-generating activities; this in turn raises the issues of credit and links to market opportunities.
- Flexibility in demand-driven project design (emphasis on processes rather than on blueprints) is a necessary condition for 'designing for success'.
- There is a real gap between opportunities to invest in those small rural enterprises in a position to exploit new market opportunities in crop livestock and non-farm products and the financial resources available to such enterprises. Filling that gap calls for the development of viable MFIs capable of promoting local savings mobilization and product diversification, and of providing loans to creditworthy clients at minimal transaction costs to all parties concerned.
- More attention should be paid to: availability of information on markets and technology; infrastructure required to reduce farm-to-market transportation costs so as to increase competition for farmers' surpluses; and measures to increase farmers' bargaining power vis-à-vis traders.
- Appropriate technology development (production, processing and marketing technologies) falls short of the requirements of crop/livestock farmers and rural entrepreneurs interested in developing off-farm income-generating activities. This calls for a new approach to technology generation and transfer, based on participatory diagnosis of problems, identification of farmer innovators, close working relationships among provincial- and district-level technicians and research officers, and more demand-driven research.
- Projects are slow to get under way. In order to ensure timely implementation, strong back-up from IFAD is required during the first years of operations: innovative projects involving institutional development and/or changes in conventional project management



practices must be monitored very closely from the outset to help project coordinators and service providers begin with the right approach. Such assistance should go well beyond the current scope of start-up workshops.

- Involving NGOs and private-sector operators in project implementation requires a more realistic approach, including appreciation of the full cost of providing services and an effective system of incentives.

IV. STRATEGIC FRAMEWORK FOR IFAD

A. Overall Aims and Strategy Guidelines

39. **Overall aims.** IFAD's overall objective in Rwanda is to comply with the Government's desire, to the extent possible, that the Fund take the lead in supporting efforts to reduce rural poverty. This will require IFAD to: invest in projects with sustainable activities responding to the felt needs of the target group; develop and test approaches that can be replicated in other parts of the country with the support of other donors; seek project cofinancing from other donors; and maintain an effective policy dialogue with the Government on the economic, human and institutional development of the rural poor in Rwanda.

40. **Strategic guidelines.** In pursuing its overall aims, IFAD is guided by three basic strategies:

- **Emphasize institutional development** to achieve effective transition from the concept of helping project 'beneficiaries' to that of dealing with 'partners in development'. This will involve the application of five related principles: (i) supporting grass-roots institutional development, i.e. the lower echelons of local government, spontaneous formal and informal common-interest associations within the target group, and local CSOs; (ii) responding to community *demand* as distinct from *need*; (iii) rationing resources to the communities through rigorous application of a matching grant policy; (iv) establishing effective ways and means of ensuring that service providers are accountable to their clients; and (v) including institutional assessment as a key to project design.
- **Exploit all means of increasing the income** of the rural poor, including food and cash crops, livestock and off-farm income-generating activities. This will entail devising new ways of supporting farmer-demand-driven research and development activities in technology generation and transfer, as well as market information, marketing associations and skills development, and links with financial institutions willing to extend short-term credit to improve farmers' terms of trade. Without losing sight of the importance of increased production, relative emphasis may be shifted to supporting measures that help mitigate the effect of market imperfections and improve the incentive system faced by rural producers. To that end, emphasis will also be placed on sustainably improving rural financial markets (including adoption of adequate and flexible regulations), securing access to financial services for the rural poor, and integrating grass-roots-level financial intermediaries in a competitive network of formal financial institutions capable of exploiting the potential offered by a new market.
- **Focus on potential synergies among IFAD projects**, i.e. with fewer projects, over smaller areas of intervention, and undertaking complementary activities; correspondingly increase headquarters support to project start-up and implementation. This will include identifying innovative ways to improve reporting and monitoring of service delivery and ensure ongoing evaluation of project impact at the community level.



B. Proposed Thrusts

41. **Support to the decentralization process.** IFAD will support relationships among the three layers of local government (cell, sector and district) and the development of formal and informal CSOs at the cell or intra-cell level. Its projects will pay particular attention to the development of effective, bottom-up planning of service-provider activities and a rigorous evaluation of their performance – with the participation of the users. IFAD will invest heavily in training and on-the-job management advice so as to build the capacity of communities, local governments and outposted units of the central Government, and will ensure that all development partners comply with project policy. In this connection, IFAD's area-based projects will strengthen the capacity of the lowest echelons of local government for using participatory rural appraisal methods in formulating their local development plans, and for establishing priorities on the basis of community demand and willingness to meet matching grant conditions.

42. **Support for development of sustainable rural MFIs.** IFAD will provide resources to establish savings and loan associations at the village level, responding to spontaneous requests from local communities willing and able to invest their money in developing such associations. This approach entails gradual development: initial support through small grants to match deposits in order to achieve more quickly the critical mass of resources that would justify relationships with formal banking institutions; adequate training in group organization, fiscal management and book-keeping, and regular assistance in accounting and auditing of accounts; and testing of the reliability of local managers and clientele. Initial operations will be limited to short-term lending to creditworthy clients. Portfolio diversification will depend on proven sustainability of the MFI concerned and be tailored to demand from its members. Within these general principles, IFAD's thrust will support any scheme proposed by local agents interested in developing rural financial markets in Rwanda (NGOs, private banks or public-sector development banks). Through policy dialogue, IFAD will cooperate with other donors to promote the enactment of adequate, flexible regulations to facilitate the development of MFIs and ensure sound management and protection of peoples' savings.

43. **Support for new responses to issues in technology generation and transfer** for crops and livestock. IFAD projects will emphasize demand-driven research and development activities focused on strengthened provincial stations of ISAR; participatory diagnosis of farmers' problems, with special attention to those of poor smallholders; work with farmer innovators, including women; and joint field work with ISAR research officers and outposted MINAGRI technicians. Attention will be paid to the career-development problems of research officers posted at field stations in order to ensure adequate remuneration of their work in solving local problems. Technical support to farmers in natural resource management will be part of this thrust; activities will be undertaken as a result of participatory diagnostic work in order to enhance internalization of the subject matter by local communities. To this effect, IFAD projects will pursue linkages with the Consultative Groups on International Agricultural Research involved in generating technologies and knowledge of particular relevance to the rural poor.

44. **Support to income generation, income diversification and market organization.** IFAD's projects will respond to demand for activities aimed at increasing the income of the rural poor, irrespective of the activity involved. Although assistance for crop, livestock and forestry problems will probably account for most of the demand, other sectors will not be excluded. Projects will promote income diversification to the extent possible, and will emphasize assistance to rural producers of agricultural and non-agricultural goods to improve their marketing skills and capacity and their market organizations. To this end, the tendency of Rwandese rural people to form common-interest groups will be exploited. Particular attention will be given to measures enabling producers of traditional export crops to participate in processing and marketing and to adopt innovative marketing strategies, developing linkages with appropriate private-sector operators.



45. **Integrated support to rural, non-farm small and microenterprises.** The promotion of SMEs initiated by PPPMER will continue in an expanded area, but more emphasis will be placed on adequate technologies; training in management accounting and microproject preparation; integration with activities aimed at developing rural financial services; and support to market intelligence and development, marketing groups and skills development.
46. **Support to community infrastructure.** IFAD will support community-driven demand for infrastructure development, including water supply, health care and farm-to-market roads. The extent of IFAD's commitment will be linked to: (i) identification of potential cofinanciers to share the cost of community infrastructure development; IFAD's approach to community control and management of facilities; the matching grant policy; and users' commitment with regard to maintenance of facilities; and (ii) introduction of effective operation and maintenance measures for infrastructure that cannot be managed at the community level (such as piped water supplies), including delegation to national private enterprises.
47. **Cross-cutting emphasis on gender issues.** All IFAD projects will pay particular attention to the integration of women into the economic and social networks supported, with particular emphasis on women's group activities; functional literacy; goods and services requested by women, including water supply; and training in small-livestock health care and production.
48. **Decentralized project management and improved reporting, monitoring and impact-evaluation practices.** IFAD's decision to focus on demand-driven projects, local institutional development and decentralized project administration calls for improved reporting on project activities and the financial accounting of projects and service providers, and better impact evaluation. The latter entails timely feedback from local partners on the need for adjustments in project activities, schedules and, if need be, resource allocations.
49. **Improved exploitation of synergies among IFAD projects.** IFAD will ensure adequate links among its projects with a view to capitalizing on potential synergies and opportunities for complementary work at field and community levels.
50. The following table shows IFAD strategic thrusts developed in response to the priority areas for poverty reduction indicated in the interim PRSP.



Priority areas (from PRSP document)	IFAD strategic thrusts
REVITALIZING AND RECAPITALIZING THE RURAL ECONOMY	
Reduction of the number of households in a marginal food situation Elimination of hunger	Support for new responses to issues of technology generation and transfer for crops and livestock. Support to income generation, income diversification and market organization.
Resettlement – enabling sustainable livelihoods for people in the <i>imidugudus</i>	Provision of basic social infrastructure (potable water) to recently settled communities in Umutara province.
Providing public works and off-farm employment in rural areas	Support to income generation, income diversification, and market organization, including funding of SMEs, creating employment among IFAD target groups.
Restocking of livestock	Paraveterinarian training for men (cattle) and women (small stock). Umutara herders will be encouraged to improve herd productivity by selling surplus resident stock to farmers resident in understocked areas.
Rehabilitation of agricultural research stations	This is an essential feature of the new approach to research and development in the Umutara projects.
Financing the rural economy by a variety of instruments and microfinance	Support for the development of sustainable rural MFIs.
HUMAN RESOURCE DEVELOPMENT	
Preventive and basic health care HIV/AIDS, malaria control	Not part of IFAD strategy; other donors will intervene. IFAD strategy includes measures to assist people affected indirectly by the diseases, such as children and women heads of households, whose parents or husbands died from AIDS or other epidemic or non-epidemic causes.
Primary education Functional adult literacy	Not part of IFAD strategy. Umutara projects include functional literacy programmes for women and children heads of households.
Secondary and vocational education	IFAD will fund a pilot scheme including basic principles of book-keeping in school curricula; support to apprenticeship schemes will be provided.
Capacity-building for local institutions under decentralization	Support to the decentralization process.
INFRASTRUCTURE	
Feeder roads and other rural infrastructure	Will be included in the Umutara projects subject to availability of funds from cofinanciers (e.g. the OPEC Fund).
Rural water supply	Major component in the Umutara projects; will be replicated to the extent that cofinancing becomes available.
Agricultural infrastructure, water management and soil conservation	The approach of the thrust “ support for new responses to issues of technology generation and transfer for crops and livestock ” will lead to the introduction of soil- and water-conservation technologies by farmers through schemes based on participatory diagnosis of problems; identification of local innovators searching for solutions to their problems through indigenous/traditional knowledge, understanding of the local milieu and the advice of technicians; joint monitoring of innovations by ISAR and DALF officers; joint formulation with innovators of technician-initiated, on-farm, technology-testing projects and the supervision of such projects; and the monitoring of spontaneous spreading of adaptable technologies with the help of cell and sector DCs.

C. Main Opportunities for Project Interventions and Innovation

51. Progress in implementing the Government’s decentralization policy and greater security in the country make it possible for IFAD to support grass-roots farmer organizations and lower echelons of local government, and to associate CSOs, national and international NGOs with development initiatives in favour of the rural poor. The importance of participation has been recognized by staff of the line ministries, thus opening the door to new approaches to technology generation and transfer. A free market for goods and services, including financial services, offers the chance to design a variety



of measures to help smallholder producers improve their terms of trade and their capacity for exploiting market opportunities.

D. Links with Corporate and Regional Strategic Thrusts

52. The present COSOP has been conceived within the framework of IFAD's general strategy and of the regional strategic thrusts of the Africa II Division:

- Support to decentralization is in line with the corporate emphasis on good governance, on working towards fiscal decentralization and on the need to progressively empower the poor to plan project activities, share in their funding, implementation and evaluation, and ensure that project-funded service providers are made accountable to service receivers.
- Development of rural financial services on a sustainable basis complies with a long-established corporate strategy.
- Emphasis on sustainability responds to current corporate concerns. This includes the sustainability of infrastructure and productive activities initiated with IFAD funds and secured through adequate management, sufficient revenue to cover operation and maintenance costs, and reliable supplies of spare parts to service equipment.
- Participatory diagnosis of farmer problems, work with farmer innovators and support to demand-driven research and development in agriculture and livestock are the building blocks of IFAD's approach to poverty reduction. The attempt to promote natural resource management in the context of participatory diagnostic work, rather than as an externally-supported theme, represents a step forward in implementing the participatory approach.
- Support to developing market linkages and innovative marketing strategies complies with the regional strategy.
- Support to rural SMEs with emphasis on training, marketing support and development of rural financial markets responds to the regional strategy to tap all potential income-generating opportunities for the rural poor, as well as to IFAD's policy of exploiting all potential synergies offered by IFAD projects in a country.

E. Opportunities for Strategic Links with Multilateral and Bilateral Donors

53. IFAD has consistently sought to raise cofinancing for its operations in Rwanda. The Belgian Survival Fund provided funding for health care facilities under the now-completed Socio-Health Programme (BG-019/022). The OPEC Fund and five international NGOs are cofinancing the UCRID projects. The Government of Germany is contributing to parallel investments in Umutara Province in coordination with UCRIDP.

54. There is scope for establishing further strategic links when planning the next round of operations: the World Bank in agricultural research; the United Nations Development Programme in the fields of good governance and decentralization; the OPEC Fund for the provision of basic infrastructure; and, possibly, the Arab Bank for the Economic Development of Africa (BADEA) in the rehabilitation and/or development of the cash-crop sector, with particular emphasis on coffee and tea.

F. Areas for Policy Dialogue

55. **Decentralization and good governance, sustainability of rural services, and impact of privatization on the poor.** IFAD will continue policy dialogue with the Government of Rwanda on matters relating to rural poverty reduction. Capitalizing on experience with UCRIDP, the policy



dialogue should be particularly fruitful with regard to decentralization and local governance, as IFAD is presently the only major donor in Rwanda concentrating on the lowest echelons of local government. A possible theme derived from issues facing Umutara Province is the equitable distribution of communal areas not yet allocated under the range-privatization process.

56. Other themes include the financial sustainability of public services provided to rural people – piped water supply in particular, but also production and marketing of improved planting materials – and the maintenance of non-revenue-producing rural infrastructure such as secondary and feeder roads. In this connection, IFAD will engage in dialogue with respect to fiscal decentralization aimed at increasing district administration income (through forestry development, seed and fertilizer marketing centres, support for community tourist development, cell road-maintenance levies, etc.) and to central government policy for grant transfers to districts.

57. **Development of traditional cash and export crops.** This concerns the participation and empowerment of smallholder coffee and tea growers in the processing and marketing phases and the adoption of innovative marketing strategies.

58. **Technology generation and transfer.** The new approach envisaged under UCRIDP with respect to technology generation and transfer – i.e. introduction of participatory diagnosis of problems and identification of farmer innovators, planned joint activities of DALF and ISAR research station staff, private paraveterinary training, etc. – will enhance policy dialogue on the entire approach to agricultural services in the country.

59. **The ‘rules of the game’ in rural financial markets.** Another area in which policy dialogue will be expanded based on the experience of PPPMER and UCRIDP relates to the need to introduce an appropriate framework governing MFIs in order to protect farmers’ savings, facilitate relations between emerging rural savings and loan associations and the formal banking system, and safeguard the autonomy of associations with respect to their lending policy and criteria.

60. **Gender.** IFAD will continue dialogue with the Government on policy measures for equal opportunities for women, ensuring access to basic education facilities, technical training and assets, and influence on the decisions regarding planning and implementation of public services in rural areas.

G. Lending Framework and Non-Lending Activities

61. The continuation and further intensification of IFAD assistance to Rwanda is justified on two grounds: (i) low income levels, high incidence of poverty and limited resource endowment compared to the size of the population; and (ii) progress in economic and institutional reform, including decentralization, and existence of a system of democratic local government that may become an effective vehicle for promoting participation and empowering IFAD’s target group.

62. Opportunities for investment also exist in the field of cash and export crop promotion. However, the unresolved issue of halting land degradation through technologies easily adopted by crop farmers remains a major challenge.

63. Over the next four years IFAD’s lending programme will include:

- expansion of the activities of UCRIDP to all of Umutara Province through a new IFAD loan project. The project (UCRIDP-2) will assist approximately 180 000 people in four districts, including 30 000 new settlers and about 7 000-8 000 vulnerable households;
- close monitoring and supervision of the experience in Umutara, with possible replication in other provinces (for instance, Kibungo and Bugesera) once sufficient experience has been acquired in implementing the UCRIDP approach;



- expansion of PPPMER activities to other provinces, and to all of Umutara Province, ensuring the integration of SME with the development of rural financial markets and MFIs; and
- design of a project dealing with the development of cash and export crops, aimed at supporting associations of poor coffee/tea growers in the renewal of their plantations and the integration of processing and marketing with private-sector operators. The project will also support development of other high-value export crops (e.g. fresh flowers, kiwi and passion fruit). Development of cash crops will, in a sense, constitute a second way in which IFAD can help strengthen Rwanda's long-term debt sustainability, in addition to Debt Initiative relief already committed for delivery at completion point.

64. In line with the policy of designing processes rather than blueprints, IFAD's approach will be inspired by the following principles: (i) **sustainability**: the bulk of loaned funds must originate in local savings and lending terms must be tailored to the structure of deposits and to the liquidity and reserves available to financially viable MFIs; (ii) **modest size** of the new institutions promoted by IFAD projects: this increases the chance that savings collected locally will be employed locally; (iii) **rigorous financial management**: this is a precondition of success and of establishing relations with the formal banking system; (iv) **transparency**: this calls for supervision of accounts and audits; IFAD will support this activity, combining the function of inspection with that of training the managers of MFIs; (v) **flexibility**: IFAD's approach will be demand-driven, adapting to local socio-economic conditions and to peoples' requirements for sustainable products, leaving ample room for a variety of solutions with respect to the type of MFIs supported, products introduced, and the terms and conditions of the institutions' fiscal management policy, provided the basic principles of sustainability and transparency are respected; (vi) **education on fiscal management**: IFAD projects will support the inclusion of a simple curriculum on fiscal management principles and book-keeping in the schools of IFAD project areas; and (vii) **graduality**: the pace of development will be gradual; non-viable initiatives will be dropped and new products supported as and when they are requested.

65. The vehicle for IFAD support will be fund advisor services capable of providing adequate market assessments, training in accounting, organizational aspects and fiscal management, as well as product advice. The quality and performance of fund advisors will be carefully monitored. Small initial contributions to the capital of MFIs promoted by poor members, on a matching grant basis, will help speed up achievement of the minimum critical mass of deposits required for sustainability. No pressure will be put on formal banking institutions to become involved in developing rural financial markets: they will do so only if and when they feel that the rural MFIs have become reliable clients. Aggregation of MFIs into larger units or federations will be promoted only to the extent that this has become a felt need of the MFIs. The development pace will not be forced beyond sound sustainability. IFAD will reward the emergence of successful institutions, rather than the speed of IFAD loan disbursement or the meeting of time targets set at appraisal, perhaps unrealistically. It is expected that the development process will start slowly, but that there will be a snowball effect over time.

66. In the context of its area-based projects, IFAD will intensify its support to agricultural research activities on new technology solutions for land degradation. This will be done in close consultation with donor initiatives in the field of agricultural research, including those of the World Bank, and with the participation of regional and international research institutions.

67. The Africa II Division will continue its efforts to secure cofinancing for IFAD-initiated projects, including arrangements with regional banks, bilateral sources of grant funding from governments and international NGOs. Negotiations are under way to secure cofinancing of the Smallholder Cash and Export Development Project by BADEA and international NGOs.



V. CONCLUSIONS AND RECOMMENDATIONS

68. The UCRID Twin Project was presented to the Seventy-Fourth Session of the Executive Board in December 2001. Appraisal of the Smallholder Cash and Export Crops Development Project has been completed in October 2002, and the project will be presented to the Executive Board in December 2002. This will be followed by the preparation of PPPMER-II, which will be presented to the Executive Board in September 2004. Subsequently, the Africa II Division will review the current situation in Rwanda prior to formulating any new investment commitment.

APPENDIX I

COUNTRY DATA

RWANDA

Land area (km² thousand) 2000 1/	25	GNI per capita (USD) 2000 1/	230
Total population (million) 2000 1/	8.5	GNP per capita growth (annual %) 2000 1/	4.0
Population density (people per km²) 2000 1/	345	Inflation, consumer prices (annual %) 2000 1/	4.3
Local currency	Rwanda Franc (RWF)	Exchange rate: USD 1 = RWF 445	
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1980-99 2/	2.5	GDP (USD million) 2000 1/	1 762
Crude birth rate (per thousand people) 2000 1/	45 a/	Average annual rate of growth of GDP 2/ 1980-90	2.2
Crude death rate (per thousand people) 2000 1/	22 a/	1990-99	-1.5
Infant mortality rate (per thousand live births) 2000 1/	123 a/	Sectoral distribution of GDP 2000 1/	
Life expectancy at birth (years) 2000 1/	40 a/	% agriculture	46 a/
Number of rural poor (million) (approximate) 1/	n.a.	% industry	20 a/
Poor as % of total rural population 2/	n.a.	% manufacturing	12 a/
Total labour force (million) 2000 1/	4.6	% services	34 a/
Female labour force as % of total 2000 1/	49	Consumption 2000 1/	
		General government final consumption expenditure (as % of GDP)	13 a/
		Household final consumption expenditure, etc. (as % of GDP)	89 a/
		Gross domestic savings (as % of GDP)	-1 a/
		Balance of Payments (USD million)	
		Merchandise exports 2000 1/	58
		Merchandise imports 2000 1/	215
		Balance of merchandise trade	-157
		Current account balances (USD million)	
		before official transfers 1999 1/	-210
		after official transfers 1999 1/	-2
		Foreign direct investment, net 1999 1/	2
		Government Finance	
		Overall budget deficit (including grants) (as % of GDP) 1999 1/	n.a.
		Total expenditure (% of GDP) 1999 1/	n.a.
		Total external debt (USD million) 1999 1/	1 292
		Present value of debt (as % of GNI) 1999 1/	36
		Total debt service (% of exports of goods and services) 1999 1/	29.6
		Lending interest rate (%) 2000 1/	n.a.
		Deposit interest rate (%) 2000 1/	8.9
Education			
School enrolment, primary (% gross) 2000 1/	n.a.		
Adult illiteracy rate (% age 15 and above) 2000 1/	33		
Nutrition			
Daily calorie supply per capita, 1997 3/	2 056		
Malnutrition prevalence, height for age (% of children under 5) 2000 1/	42 a/		
Malnutrition prevalence, weight for age (% of children under 5) 2000 1/	27 a/		
Health			
Health expenditure, total (as % of GDP) 2000 1/	4.1		
Physicians (per thousand people) 1999 1/	n.a.		
Population using improved water sources (%) 1999 4/	41		
Population with access to essential drugs (%) 1999 4/	44		
Population using adequate sanitation facilities (%) 1999 4/	8		
Agriculture and Food			
Food imports (% of merchandise imports) 1999 1/	n.a.		
Fertilizer consumption (hundreds of grams per ha of arable land) 1998 1/	4		
Food production index (1989-91=100) 2000 1/	99.0		
Cereal yield (kg per ha) 2000 1/	993		
Land Use			
Arable land as % of land area 1998 1/	33.2		
Forest area (km ² thousand) 2000 2/	3		
Forest area as % of total land area 2000 2/	12.4		
Irrigated land as % of cropland 1998 1/	0.4		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database

2/ World Bank, *World Development Indicators*, 2001

3/ UNDP, *Human Development Report*, 2000

4/ UNDP, *Human Development Report*, 2001

RWANDA: PREVIOUS IFAD FINANCING

	Project/Programme	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Denominated Currency	Approved Loan/Grant Amount	Disbursement (as % of approved amount)
79	Byumba Rural Development Project	IFAD	AfDB	HC	17 Dec 81	1 Apr 83	30 Jun 90	G-I-86-RW L-I-79-RW	SDR SDR	920 000 9 080 000	100% 99%
150	Birunga Maize Project	IFAD	World Bank: IDA	HC	11 Sep 84	9 Oct 85	31 Dec 98	L-I-150-RW	SDR	3 750 000	87%
232	Gikongoro Agricultural Development Project	IFAD	World Bank: IDA	HC	30 Nov 88	22 Dec 89	30 Jun 01	G-I-528-RW L-I-232-RW	USD SDR	22 000 8 350 000	64% 100%
264	Byumba Agricultural – Phase II Development Project	IFAD	AfDB	HC	01 Oct 90	5 Nov 91	30 Dec 01	G-I-528-RW L-I-264-RW	USD SDR	22 000 6 350 000	50% 76%
314	Intensified Land Use Management Project in the Buberuka Highlands	IFAD	UNOPS	HC	02 Dec 92	23 Jul 96	30 Jun 04	L-I-314-RW	SDR	6 750 000	73%
500	Rural Small and Microenterprise Promotion Project	IFAD	UNOPS	HC	17 Apr 96	2 Mar 98	31 Dec 03	L-I-411-RW	SDR	3 750 000	69%
1059	Rwanda Returnees Rehabilitation Programme	IFAD	UNOPS	G	11 Sep 97	24 Oct 97	30 Jun 01	G-I-377-RW G-I-528-RW	SDR USD	2 100 000 22 000	100% 64%
1149	Umutara Community Resource and Infrastructure Development Project	IFAD	UNOPS	HC	04 May 00	5 Dec 00	30 Jun 11	G-I-45-RW G-I-96-RW L-I-537-RW	USD USD SDR	100 000 100 000 11 850 000	97% 91% 11%
1222	Umutara Community Resource and Infrastructure Development Twin Project	IFAD	UNOPS	HC	06 Dec 01	26 Sep 02		L-I-573-RW G-I-135-RW	SDR USD	9 400 000 100 000	 17%



UPDATED KEY FILES

- Logical Framework
- Table 1: Rural Poverty, Major Issues, Government and IFAD Priorities
- Table 2: Target-Group Priority Needs and Project Proposals
- Table 3: Institutional Matrix (SWOT Analysis)
- Table 4: Donor Operations and Partnership Potential
- Table 5: Stakeholder Matrix of Project Actors and Roles



APPENDIX III

LOGICAL FRAMEWORK

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
<p>Goal: Rural poverty reduced in IFAD project areas through effective participation of poor rural households in sustainable institutional, economic and human development activities</p>	<ul style="list-style-type: none"> • poverty indices • welfare indicators • role of the poor in local government • income from on- and off-farm activities • active groups engaged in sustainable common interest activities • rural infrastructure 	<ul style="list-style-type: none"> • national statistics • poverty studies • institutional assessment studies 	<ul style="list-style-type: none"> • political stability and improved security • continued government commitment to poverty reduction and decentralization • Government continues to support outsourcing of public services and IFAD funding of line ministries subject to good performance • significant foreign debt renegotiation • successful rehabilitation of traditional export sectors
<p>Purposes:</p> <ul style="list-style-type: none"> • a system of local governance that empowers the poor to effectively manage assets and resources devolved on a matching grant basis • a sustainable network of MFIs linked to the formal banking system • poor rural households' full participation in exploitation of all opportunities for income generation, including export crop production and related off-farm activities • participatory diagnosis of farmers' problems, support to genuine farmer innovators and demand-driven agricultural research and development, which identify and spontaneously diffuse adoptable technologies that combine improvement in land productivity and sustainable natural resource management • equal opportunities for rural women to access education, assets and social services 	<ul style="list-style-type: none"> • representatives of poor households hold decision-making positions within local governments • public services respond to peoples' demand • financially sustainable MFIs do business with formal banks • increased cash earnings through more production and better producer prices, and participation in processing and marketing • improved food security • better natural resource management reduces land degradation • more women's groups participating in IFAD project activities • women trained in functional literacy, paraveterinary practices and other technical skills 	<ul style="list-style-type: none"> • IFAD project design includes instruments for accountability to target group; outcome of participatory workshops to evaluate the performance of service providers contracted for IFAD project implementation • improved progress reporting and computerization of financial, progress and impact reports, allowing for remote follow-up by CPM and more timely intervention • ad hoc consultation with communities for in-depth impact assessment 	<ul style="list-style-type: none"> • area-based projects with substantial capacity-building at lower levels of local government and at local government level • social stratification in rural areas is not an impediment to empowering the poor under the present local government setting • national and international NGOs are willing and able to contract for services funded by IFAD projects • crop-based projects with links to private enterprises can be effectively targeted at the poor

TABLE 1: RURAL POVERTY, MAJOR ISSUES, GOVERNMENT AND IFAD PRIORITIES

Priority Areas	GOVT.	IFAD	Major Issues	Actions Needed
Decentralization	high	high	<p>Very recent experience, in practice</p> <ul style="list-style-type: none"> • government and donor attention concentrated at the province and district levels, much less attention paid to the lower levels of local governments, which are much nearer to IFAD target group • government and donor culture still induces excessive transfer dependency, peoples' priorities assessed by the concept of 'priority needs' impedes identification of effective demand and seizing of real stakeholder commitment • limited technical and managerial capacity of deconcentrated units of line ministries • inadequate training on how to operate in a more autonomous manner • cultural resistance to bottom-up planning in certain circles • relationships with provincial and district authorities and with central headquarters not well defined under deconcentration • role of development committees (cell, sector, and district) vis-à-vis deconcentrated units of line ministries still defined too vaguely • more progress on fiscal decentralization linked with improved expenditure control 	<ul style="list-style-type: none"> • design projects to support strengthening of local government at cell and sector level, developing the emerging self-help culture, minimizing transfer dependency; turn 'beneficiaries' into 'local development partners' • help cell and sector DCs perform local government functions: mobilize peoples' initiatives, promote self-help, common-interest group formation, plan not implement local projects of common interest groups, facilitate access to external resources from all sources, including technical assistance to design microprojects • support service provision demanded by local communities through cell and sector DCs, insist on matching grant policy adequate to secure local commitment to operate and maintain supported microprojects • train deconcentrated units of line ministries to understand and apply effective participatory approaches • support central government evolution to promote a change of relationships with the deconcentrated units leading to more autonomy in planning and implementing activities
Support to microfinance institutions	moderate	high	<ul style="list-style-type: none"> • concentration of government and donor attention on the need for 'credit' results in inadequate attention to opportunities for rural savings mobilization by institutions that would invest in the areas where such savings are mobilized • absence of capillary structured rural financial markets in which microinstitutions provide financial services on a sustainable basis to local creditworthy clients and establish commercial relationships with commercial, popular, and development banks • lack of an adequate, flexible, and realistic legal framework conducive to the development of a sustainable network of farmer initiated and managed microfinance institutions 	<ul style="list-style-type: none"> • stop asking commercial, peoples', and development banks to do what they are not designed to do • support any scheme that would promote the establishment of sustainable rural financial intermediaries with people's full participation • assist the Government in drafting adequate legislation to create an enabling environment for rural financial services, protect peoples' savings, make credit accessible to the poor at whatever interest they are willing to pay, and open the door to viable financial relationships between local microfinance institutions and commercial and development banks



Priority Areas	GOVT.	IFAD	Major Issues	Actions Needed
Technology generation and transfer in cropping and livestock	high	high	<ul style="list-style-type: none"> • still a top-down 'extension service' • limited staffing, too many vacant posts, inadequate training of the staff of the deconcentrated units of MINAGRI and insufficient operational resources at their disposal • not enough demand-driven research • poor evaluation of the impact of technical packages and inputs distributed to farmers • limited relationships between research and extension officers and generally loose coordination between research programmes and extension activities 	<ul style="list-style-type: none"> • introduce participatory diagnosis of farmer problems • identify genuine farmer innovators (including women) and work with them on their own innovations and to test technician-initiated innovations • more demand-driven research on technologies that can be easily adopted by all farmers to solve felt problems • ensure that farmers demand solutions conducive to improved soil and soil-fertility conservation • complete range privatization on an equitable basis and with due attention to the current role of livestock in farming systems
Promotion of rural small and microenterprises engaged in non-farming income generating activities	moderate	high	<ul style="list-style-type: none"> • a number of small projects of private NGOs and international donors support PMERs in different, often nonsustainable ways and in a uncoordinated manner • limited knowledge about current state, potential for development, and needs of the subsector • vague government development strategy for the subsector, lack of linkages with technical training programmes, policies to improve product markets and marketing skills and infrastructure, and with programmes to develop rural financial markets 	<ul style="list-style-type: none"> • improve activities initiated under the IFAD PPPMER and spread them to other areas • coordinate MER promotion activities with development of rural financial markets and microfinance institutions and with measures aimed at improving market information, skills and organizations • develop linkages with appropriate private operators that can provide innovative market linkages and methods
Support to community infrastructure	high	high	<ul style="list-style-type: none"> • safe water supply is still a problem in many parts of the country • people are ready to form water committees, contribute to investment and establish facility maintenance funds, but matching funds are inadequate to meet demand • people are ready to pay for smaller quantities of water than set by government as standard for project design • insufficiently developed network of private enterprises that stock spare parts and provide other maintenance services • more health centres needed, more sustainable policy to ensure adequate stock of medicines, more doctors and trained nurses • need for a fund to finance small community-demanded infrastructure on matching grant basis, with full devolution about investment decisions to community level 	<ul style="list-style-type: none"> • increase resources for water supply in support of policies aiming at investment cost-sharing with communities, and full recovery of operation and maintenance costs • make contracts for supply of equipment to small water projects subject to establishment of a network of after-sale service by private suppliers • reduce government standards to fit the demand • support government policy to increase human health care facilities on a sustainable basis, including support to private and NGO initiatives • increase national campaigns to fight AIDS • support local initiatives to develop community infrastructure with small matching grant funds devolved to community level, introducing the concept of using a list of non-eligible activities, and the principle of ex post control to activate fund disbursement.
Gender	moderate	high	<ul style="list-style-type: none"> • inadequate training of gender officers at provincial and district level • insufficient basic education of rural women, limited 	<ul style="list-style-type: none"> • train gender officers • concentrate on activities that are felt priorities of active spontaneous women's groups



Priority Areas	GOVT.	IFAD	Major Issues	Actions Needed
			support to poor women to access higher education <ul style="list-style-type: none"> • lack of attention to specific needs of women for training in technical skills • ineffective implementation of measures designed to increase women's participation and proactive role in development project activities 	<ul style="list-style-type: none"> • outsource implementation of women-in-development activities to qualified NGOs • build a 'really equal opportunities' environment, rather than reserve shares of posts to women irrespective of their interest, motivations and qualifications • support active women's groups in acquiring influence in local governments

TABLE 2: TARGET-GROUP PRIORITY NEEDS AND PROJECT PROPOSALS

Notice: as indicated in the text of the COSOP and in Table 1, the IFAD approach in Rwanda does not use the concept of ‘priority needs’ of project ‘beneficiaries’. The approach aims at developing a culture of self-help, in which projects intervene on the basis of peoples’ ‘effective demand’, assessed by meeting cost-sharing conditions and arrangements for adequate operation and maintenance, as tangible signs of stakeholder commitment that would turn ‘beneficiaries’ into ‘partners in development’. The headings of Table 2 have been modified accordingly.

Typology of Local Partners	Expected Effective Demand	Project Response
vulnerable households	<ul style="list-style-type: none"> • employment opportunities in the off season • ways to increase own food production • improved access to land • access to social services • access to assets other than land • fuel wood 	<ul style="list-style-type: none"> • support rural small and microenterprises • involve vulnerable households in project activities (group animation) • fix expected investment of own resources by vulnerable households in line with their effective capacity to share costs
poor and average households	<ul style="list-style-type: none"> • safe water supply • access to education • improved access to health care • access to financial services • fuel-wood supplies 	<ul style="list-style-type: none"> • support rural infrastructure • provide functional literacy programmes (particularly for women) • develop microfinance institutions based on savings mobilization and ‘kick-start’ grants • promote private nurseries and agroforestry
smallholder crop farmers	<ul style="list-style-type: none"> • effectively higher-yielding planting material for food crops • ways to obtain better producer prices of surplus production • linkages to markets of cash crops and inputs to increase cash-crop production • technologies for soil and soil-fertility conservation that can be adopted under current economic conditions and land ownership fragmentation 	<ul style="list-style-type: none"> • support private, improved seed multiplication • promote seed marketing under true labelling • design cash-crop promotion project based on farmers’ associations and linkages with private enterprise • introduce a new approach to technology generation and transfer • support provincial agricultural research stations • exchange information and experiences internationally and interregionally on successful agricultural technology development
owners of large livestock	<ul style="list-style-type: none"> • ways to improve productivity of grazing areas and to produce and conserve fodder without reducing other crop production • access to grazing areas for cattle • better animal health services • assistance to improve cattle production potential (milk) • access to better marketing and processing facilities 	<ul style="list-style-type: none"> • establish adaptive research and technology testing • support equitable range privatization • support private paraveterinarians • help Government enact adequate legislation regulating paraveterinarians
small-stock owners (mostly women)	<ul style="list-style-type: none"> • assistance to restocking • better animal health care • better animal production technology and access to inputs 	<ul style="list-style-type: none"> • support private women paraveterinarian services • support women groups in trading in inputs
small family rural enterprises and medium-size rural entrepreneurs	<ul style="list-style-type: none"> • better access to markets • technical training • credit and other forms of start-up financial support 	<ul style="list-style-type: none"> • extend PPPMER activities • advise on adapted technologies and support private technicians skilled in microproject preparation • establish linkages with development of rural financial markets



TABLE 3: INSTITUTIONAL MATRIX (SWOT ANALYSIS)

Institutions	Strengths	Weaknesses	Opportunities/Constraints	Remarks
Ministry of Finance and Economic Planning	<ul style="list-style-type: none"> • small well-trained staff • supports decentralization 	<ul style="list-style-type: none"> • must improve financial control over project accounts, particularly with respect to complex outsourcing contractual operations • fiscal decentralization must progress further • must address issue of devolving funds in support of village development plans to local government level 	<ul style="list-style-type: none"> • government desire to progress further with decentralization policy opens the door to effective policy dialogue and to extending the scope of current reforms to the subdistrict level of public governance, including measures for fiscal decentralization • flexible lending and outsourcing of service delivery complicate financial and progress reporting 	<ul style="list-style-type: none"> • Government has accepted MINECOFIN as the executing agency of the Umutara projects; IFAD funds the IFAD Project Facilitation Unit of MINFIN; this policy will continue in the future • IFAD will help improve project accounting and financial reporting through the testing and introduction of an appropriate computerized system in the Umutara projects
Ministry of Local Government and Social Affairs	<ul style="list-style-type: none"> • management and staff highly motivated to implement institutional reform 	<ul style="list-style-type: none"> • limited staff needs training, logistical support, funds to outsource facilitation activities in favour of sector and cell DCs and local farmers' associations, policy and on-the-job management advice 	<ul style="list-style-type: none"> • current policy facilitates opening peoples' participation and empowerment to subdistrict levels of public governance • lack of good methodologies for institutional assessment 	
Ministry of Agriculture, Animal Resources and Forestry	<ul style="list-style-type: none"> • has deconcentrated operational units at provincial and district levels • is aware of the need to strengthen agricultural research work in progress on certification of traded planting material 	<ul style="list-style-type: none"> • very limited staff capacity at all levels • system of incentives does not stimulate proactive roles • relationships between central and deconcentrated units are badly defined • scope for autonomous initiatives of deconcentrated units unclear • needs direction to redefine "extension services" functions • little coordination with ISAR work plans 	<ul style="list-style-type: none"> • official strategies emphasize economic potentialities, markets, rehabilitation of export crops and sound natural resource management • willingness to outsource services, but due more to ceiling on staff recruitment than to acceptance as a more-effective modus operandi • open mind towards reorientation of field activities, good potential for joint intervention with other donors 	
Agricultural Research Institute of Rwanda (ISAR)	<ul style="list-style-type: none"> • limited nucleus of well-trained central HQ staff and management sensitive to the need to work on themes 	<ul style="list-style-type: none"> • inadequate overall staffing • needs a better-focused overall programme • insufficient resources and 	<ul style="list-style-type: none"> • organizational culture evolving in the right direction • more resources for targeted programmes, strengthening 	



Institutions	Strengths	Weaknesses	Opportunities/Constraints	Remarks
	closely related to farmers' problems	equipment <ul style="list-style-type: none"> regional and provincial stations must be rehabilitated and adequately staffed to work with farmer innovators jointly with district MINAGRI technicians 	provincial stations in working jointly with government agronomist in participatory diagnosis of problems, and funding farmers' demand-driven applied research	
OCIR-Café, OCIR-Thé	<ul style="list-style-type: none"> long experience in coffee and tea industry competent technical staff farmer's commitment for coffee and tea central and decentralized infrastructures 	<ul style="list-style-type: none"> poor management old infrastructure obsolete technology inadequate marketing aged coffee trees low prices 	<ul style="list-style-type: none"> new approach of OCIR-Café supports promotion of farmers' associations and private-sector initiatives for coffee, adapted high-yielding varieties are available for planting more land and replanting very old existing plantations 	
Ministry of Gender	<ul style="list-style-type: none"> management and staff highly motivated to support WID activities at grass-roots level 	<ul style="list-style-type: none"> many established gender-officer posts at district level not covered; existing staff lack training and operational means 	<ul style="list-style-type: none"> there is scope for integrating WID activities into projects designed to develop rural financial services and PMERs 	
Ministry of Energy, Water and Natural Resources	<ul style="list-style-type: none"> qualified headquarters staff; capacity to handle consultants existence of institutions for transferring responsibility for O&M of facilities to local governments, communities of users, and private enterprise cost recovery for water is government policy 	<ul style="list-style-type: none"> very limited capacity at provincial level; practically none below 	<ul style="list-style-type: none"> many village water committees share the cost of water supply facilities and establish maintenance funds skills to repair small water schemes and parts are not available in many rural areas need to promote the development of a network of private suppliers of maintenance services and simple spare parts 	
District administrations	<ul style="list-style-type: none"> democratic local government setting; elected district DCs and elected bourgmestres are supported by deconcentrated units of MINAGRI and the Ministries of Gender, Land and Local Government 	<ul style="list-style-type: none"> poor planning and administrative capacity of DC members and deconcentrated central government staff unclear relationships between DC members and staff of deconcentrated ministries 	<ul style="list-style-type: none"> government policy and present situation offer the opportunity to help build capacity at district level; autonomy of deconcentrated line ministry units; fiscal decentralization need to verify extent to which 	



Institutions	Strengths	Weaknesses	Opportunities/Constraints	Remarks
Subdistrict local government bodies	<ul style="list-style-type: none"> direct-democracy setting at cell level; role of the cell consultative committees elected sector DC members elect the district DC members; sector DCs may lose mandates if withdrawn by the cell consultative committees 	<ul style="list-style-type: none"> no experience in planning and administration; education of DC members limited, with some exceptions very limited support for animation, training and facilitation of cell and sector DCs 	<p>district committees actually support demands of lower-level constituencies</p> <ul style="list-style-type: none"> fill the gap in providing animation, training and facilitation services at cell and sector levels spread a culture in which the role of DCs is to govern, i.e. to promote, encourage and facilitate local individual and group activities provide funds to test fiscal devolution in practice 	
Commercial, peoples', and development banks	<ul style="list-style-type: none"> conventional financial services have been restored reactivated network of peoples' banks network is managed on sound commercial basis 	<ul style="list-style-type: none"> insufficient competition in financial markets results in limited product supply; utilization of rural savings in urban areas; inadequate service for rural people 	<ul style="list-style-type: none"> scope for building networks of microfinance institutions to mobilize rural savings used in rural areas, develop a creditworthy clientele and provide a market for formal banking institutions this will not happen without investment in animation of spontaneous savings groups, training in accounting and audit of group accounts, and facilitation of business relationships with commercial banks 	
National NGOs	<ul style="list-style-type: none"> many national NGOs emerged since 1995, some supported by international NGOs; some have good service capacity and well-trained staff 	<ul style="list-style-type: none"> some national NGOs are weak and ineffective and lack trained staff and resources technical skills are still scarce in national NGOs 	<ul style="list-style-type: none"> government policy encourages outsourcing service provision to national NGOs there is some individual resistance in government to this policy 	
International NGOs	<ul style="list-style-type: none"> several competent international NGOs operate in Rwanda, with good experience of country problems 	<ul style="list-style-type: none"> specific technical know-how is sometimes missing but often made up through inputs provided from HQs 	<ul style="list-style-type: none"> government policy encourages international NGOs to assist in training local operators in the public and private sector (national NGOs) some international NGOs are 	





Institutions	Strengths	Weaknesses	Opportunities/Constraints	Remarks
			willing to fund participation of their own international and national staff in the implementation of major donor projects	
Farmers' associations	<ul style="list-style-type: none">• saving and lending capacity• training facilities, with most trained	<ul style="list-style-type: none">• lack of access to credit facilities• limited land size and soil infertility• outdated farming technologies	<ul style="list-style-type: none">• government and donor support• land-reform bill	

TABLE 4: DONOR OPERATIONS AND PARTNERSHIP POTENTIAL

Donor	Amount in USD million	Nature of Project/Programme by Sector	Project/Programme Coverage	Status	Complementarity/Synergy Potential
IDA	436.43	- productive - infrastructural - social - admin. and finance - multisectoral	national and regional	ongoing	yes, in the agricultural production sector
FAO	60.38	- productive - infrastructural - social	regional	ongoing	yes, in linking up with FAO in the provision of technical assistance in agriculture and swamp rehabilitation initiatives
UNDP	69.21	- infrastructural - social - admin. and finance - multisectoral	regional	ongoing	yes, in governance and decentralization activities
Germany	246.03	- productive - infrastructural - social	regional	ongoing	yes, coordinating development activities when working in same project areas
Belgium	107.21	- productive - infrastructural - social - admin. and finance - multisectoral	regional	ongoing near completion	yes, as above
The Netherlands	196.25	- productive - infrastructural - social - admin. and finance - multisectoral	regional	ongoing	yes, as above
USA	530.13	- infrastructural - social - admin. and finance - multisectoral	regional	ongoing	yes, as above
European Union	415.99	- productive - infrastructural - social - admin. and finance - multisectoral	regional	ongoing	yes, as above
ADB	216.60	- productive - infrastructural - social - admin. and finance - multisectoral	regional	ongoing near completion	yes, considering cofinancing of agricultural production activities



TABLE 5: STAKEHOLDER MATRIX OF PROJECT ACTORS AND ROLES

Components	Sub-Components	Project Coverage	Perennial Institutions Involved	Potential Contractors	Other Partners in Execution
Capacity building for institutional development	<ul style="list-style-type: none"> community development women-in-development 	<ul style="list-style-type: none"> area based (province) 	<ul style="list-style-type: none"> Ministries of Land and of Local Government Provincial Administration District DCs Sector DCs Cell DCs 	<ul style="list-style-type: none"> national NGOs international NGOs Ministries of Land and of Local Government Ministry of Gender Ministry of Social Affairs 	<ul style="list-style-type: none"> sustainable common interest groups
Rural infrastructure	<ul style="list-style-type: none"> water supply other infrastructure, depending on demand 	<ul style="list-style-type: none"> area based (province) 	<ul style="list-style-type: none"> MINERANA DALF (rural engineering) other ministries 	<ul style="list-style-type: none"> private sector local artisans 	<ul style="list-style-type: none"> NGOs
Development of rural financial services		<ul style="list-style-type: none"> area based 	<ul style="list-style-type: none"> Central Bank of Rwanda lower levels of local government 	<ul style="list-style-type: none"> Commercial peoples' and development banks specialized international and national NGOs 	<ul style="list-style-type: none"> savings and loan associations common interest groups women groups rural entrepreneurs
Support to PMERs		<ul style="list-style-type: none"> linkage with area-based projects and rural finance project 	<ul style="list-style-type: none"> to be identified 	<ul style="list-style-type: none"> specialized international and national NGOs 	
Technology generation and transfer	<ul style="list-style-type: none"> participatory diagnosis of problems and on-farm technology testing on-station demand-driven agricultural research improved seed multiplication forestry 	<ul style="list-style-type: none"> area-based projects 	<ul style="list-style-type: none"> MINAGRI ISAR international and regional research institutes 		
Cash-crop production	<ul style="list-style-type: none"> coffee other crops 	<ul style="list-style-type: none"> selected areas 	<ul style="list-style-type: none"> MINAGRI ISAR OCIR café Other cash crop agents 	<ul style="list-style-type: none"> private enterprise international and national NGOs 	<ul style="list-style-type: none"> smallholder growers' associations



GOVERNMENT DECENTRALIZATION POLICY

In 2000, the Government introduced a far-reaching administrative reform that began the process of decentralization. An official document of the Ministry of Local Government and Social Affairs, issued in May 2000, outlined the main features of the decentralization policy. The objectives of decentralization include:

- mobilization of the population for development through their participation in planning implementation and control of activities that concern them;
- enhanced transparency of local leaders' activities and enhanced accountability of local leaders to their local constituency;
- improved response of the public administration to local needs; and
- development of local capacity for planning implementation and control of development and poverty-reduction activities and for resource mobilization.

The document spells out the services and functions of the central administration that will be executed by deconcentrated units under the direct supervision of the central ministries, those that will be delegated to decentralized administrative units with full responsibility for execution, as well as the power, authority, functions and responsibilities devolved from the central Government to the local public administrative bodies, which will be given legal status so that they will formally become full fledged local governments. The principles to be followed in implementing the decentralization policy include: (a) preservation of national integrity and unity, (b) respect for local autonomy, local interests, and diversity, (c) separation of political activity from administrative and technical activities, and (d) consistency of the transfer of responsibilities with the transfer of the financial human and material resources required to carry out the functions and responsibilities transferred.

The territorial administration divides the country into provinces (*intara*), corresponding to the old prefectures, districts (*uturere*), corresponding to the old communes, sectors (*umurenge*) and cells (*utugari*). The central Government appoints the prefects (*umuyobozi*), who are responsible for the provinces. The chief executive of the district, the mayor, is now directly elected by the people, whereas the old commune burgomasters were nominated by the central Government. The structure of districts, sectors and cells includes assemblies of members chosen through various election systems, which are responsible for elaborating and approving the local government policy, priorities, programmes and budgets. At the cell level, the assembly (Consultative Committee) includes all adult residents, who elect the cell executive and development committees. The members of the corresponding cell committees elect the members of the sector executive and development committees. An elaborate mix of direct and indirect election is used for the members of the district Assemblies. The policy emphasizes the role expected from the cell administration in the identification and prioritization of local problems, and in the decision about which problem-solving activities should be undertaken, including requests for the support by the public services that may be required. All decisions of the CDC regarding development projects, initiatives, and priorities are discussed and approved by the Consultative Committee.

The Government envisages that the decentralization process will take place in phases. In the first phase, a number of central government functions are deconcentrated at the level of the province, and other functions are devolved at the level of the districts. During the second phase, the deconcentration process will proceed from the province to the district, and from the district to the sectors. The third phase will begin when the capacity of the districts is sufficiently developed to take over most of the functions entrusted to the provinces, and the capacity of the sectors is such as to take over most functions now devolved to the district level. In this way, links with the provinces will be gradually reduced and full autonomy gained in matters delegated to the districts and sectors, without the intermediation of the provinces.

The domain of the district is defined by its administrative boundaries and includes a wide range of responsibilities: agriculture (including livestock veterinary services, forestry, and related extension functions); local commerce; primary, secondary, technical and commercial education (including teacher training); health services; water supply; tourism and environment protection; land tenure (including the cadastral service); cooperatives and associations; local roads; gender and youth affairs; support to vulnerable households; culture and sports; protection of minors; and care of cemeteries and of the sites of the genocide.

In Umutara, the administrative reform strengthens the institutional and conceptual basis of the ongoing UCRIDP and the case for extending UCRIDP activities to the entire provincial territory. The decentralization process needs to be accompanied by measures aimed at facilitating the change in organizational culture that is required to implement the government policy effectively at all levels of governance in the country. There are still areas of ambiguity, particularly with respect to the relationships between the new district institutions and the deconcentrated units of the line ministries, and with regard to the effective role that grass-roots institutions, at cell and community group levels, will play in the bottom-up planning, monitoring and evaluation process envisaged by the government policy. The way the process is implemented will critically affect the degree of empowerment of the IFAD target group. IFAD projects in Umutara are expected to help governments ensure that this will actually happen in accordance with the stated intentions.

