Report No. 148876-RW

COUNTRY PARTNERSHIP FRAMEWORK

For the Republic of Rwanda

FY21-FY26

WORLD BANK GROUP

THE REPUBLIC OF RWANDA
COUNTRY PARTNERSHIP FRAMEWORK

FISCAL YEAR	July 1 – June 30
CURRENCY EQUIVALENTS	Currency Unit = Rwandan Franc (Rwf)
	US$1.00 = 953.72 Rwanda Franc (Rwf - May 31, 2020)

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LIST OF ACRONYMS

AfDB	African Development Bank
ASA	Advisory Services and Analytic
BRT	Bus Rapid Transit
BNR	Banque Nationale du Rwanda (National Bank of Rwanda)
CAS	Country Assistance Strategy
CHW	Community Health Workers
CLR	Completion and Learning Review
COVID	Coronavirus Disease
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
CPPR	Country Portfolio Performance Review
CPS	Country Partnership Strategy
CPSD	Country Private Sector Diagnostic
CSOs	Civil Society Organisations
DfID	U.K. Department for International Development
DIME	Development Impact Evaluation
DOL	Division of Labour
DPF	Development Policy Financing
DPO	Development Policy Operation
DPs	Development Partners
DRC	Democratic Republic of Congo
DSSI	Debt Service Suspension Initiative
EAC	East African Community
EAQIP	Energy Access and Quality Improvement Project
EDPRS	Economic Development and Poverty Reduction Strategy
e-GP	e-Government Procurement
EICV	Enquête Intégrale sur les Conditions de Vie des ménages (Integrated Household Living Conditions Survey in English)
ERPA	Emission Reduction Purchase Agreements
EU	European Union
FAO	Food and Agriculture Organization
FRDP	Feeder Roads Development Project
FDI	Foreign Direct Investments
FSAP	Financial Sector Assessment Program
FY	Fiscal Year
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GEMS	Geo-Enabling Initiative for Monitoring and Supervision
GoR	Government of Rwanda
HCI	Human Capital Index
HCIG	Human Capital for Inclusive Growth
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communications Technology
IDA	International Development Association
IECD	Integrated Early Childhood Development
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information & System
IMF	International Monetary Fund
IPF	Investment Project Financing
KTRN	Korea Telecom Rwanda Networks
IPP	Independent Power Producer
JICA	Japan International Cooperation Agency
M&E	Monitoring and Evaluation
MAPS	Methodology for Assessment of Public Procurement System
MIC	Middle-Income Country
MICE	Meetings, International Conferences and Events
MIGA	Multilateral Investment Guarantee Agency
MINAGRI	Ministry of Agriculture
MINALOC	Ministry of Local Government
MINEDUC	Ministry of Education
MININFRA	Ministry of Infrastructure

MIS	Management Information System
MSMEs	Micro, Small, and Medium Enterprises
MW	Megawatt
NDC	Nationally Determined Contributions
NECDP	National Early Childhood Development Program
NEP	National Employment Program
NSDEPS	National Skills Development and Employment Promotion Strategy
NGOs	Non-Governmental Organizations
NISR	National Institute of Statistics of Rwanda
NTS	National Strategy for Transformation
OAG	Office of the Auditor General
ODA	Official Development Assistance
OFID	OPEC Fund for International Development
OPEC	Organization of the Petroleum Exporting Countries
PFM	Public Financial Management
PforR	Program for Results
PLR	Performance Learning Review
PPA	Project Preparation Advance
PPD	Public-Private Dialogue
PPP	Public and Private Partnership
PSG	Priority Skills for Growth
PSTA	Strategic Plan for the Transformation of Agriculture
RMRC	Rwanda Mortgage Refinance Company
RPF	Rwandan Patriotic Front
RQBEP	Rwanda Quality Basic Education Project for Human Capital Development
RSSB	Rwanda Social Security Board
RUDP	Rwanda Urban Development Project
Rwf	Rwandan Franc
SCD	Systematic Country Diagnostic
SDF	Skills Development Fund
SDFP	Sustainable Development Financing Policy
SFD	Saudi Fund for Development
SIRM	Systemic Investment Response Mechanism
SLE	Sustainable Livelihood Enhancement
SMEs	Small and Medium Enterprises
SOEs	State-Owned Enterprises
SP	Social Protection
SPRP	Stunting Prevention and Reduction Project
SSA	Sub-Saharan Africa
SSN	Social Safety Nets
SSPP	Strengthening Social Protection Project
STEM	Science, Technology, Engineering, and Mathematics
STEP	Systematic Tracking of Exchanges in Procurement System
SWAP	Sector-wide Approach Project
SWG	Sector Working Group
TA	Technical Assistance
TFP	Total Factor Productivity
TTL	Task Team Leader
TVET	Technical and Vocational Education and Training
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
US$	United States Dollar
USAID	U. S. Agency for International Development
VUP	Vision 2020 Umurenge Program
WAVES	Wealth Accounting and the Valuation of Ecosystem Services
WBG	World Bank Group
WBL	Women, Business and the Law
WEF	World Economic Forum
WFP	World Food Program

I. INTRODUCTION

1. **Rwanda is widely celebrated for the remarkable social, political, and economic renaissance it has experienced in the years following the genocide against the Tutsi of 1994.** Uninterrupted economic growth since the mid-1990s has resulted in a more than three-fold increase in per capita income. While still a low-income country, today Rwanda's per capita gross domestic product (GDP) is higher than that of more than 20 countries in Sub Saharan Africa (SSA). The country has made excellent progress in increasing adult survival and reducing maternal mortality rates to levels approaching those seen in lower middle-income countries. It has also radically improved its investment climate, climbing to 38th place in the 2020 Doing Business global rankings. Poverty rates (measured as US$1.90 a day) have also been falling from 77 percent in 2001 to 55.5 percent in 2017. However, Rwanda appears to have relatively higher poverty rates than African peers with similar income per capita, and its elasticity of poverty reduction to growth is low compared to high-growing SSA peers. Poverty is concentrated in rural areas and among households with many children. Rwanda now faces challenges in fully translating its very strong growth into commensurate gains in poverty reduction and shared prosperity.

2. **This Country Partnership Framework (CPF) sets out the World Bank Group's (WBG) plans for addressing the country's development priorities as identified in the 2019 Systematic Country Diagnostic (SCD)[1] and Rwanda's National Strategy for Transformation (NST1)[2]** as well as supporting Rwanda's response to the COVID-19 pandemic to recover from the negative public health and socio-economic impacts of the pandemic. These plans have been developed in light of: (i) the Government's own strategic priorities, its COVID-19 response plan, and existing requests for WBG support; (ii) consistency with the priority areas identified by the SCD, which was completed in 2019; and (iii) alignment with the areas of comparative advantage of the WBG, taking into account IDA19[3] priority themes, the WBG's increased focus on mobilizing financing for development and creating markets, and lessons learnt from the previous CPF. The final proposed selection has benefited from close dialogue with the Government and has been validated through stakeholder consultations in country including with Civil Society Organizations (CSOs), other Development Partners (DPs), and the private sector.

3. **This CPF was finalized as the COVID-19 pandemic was unfolding.** Rwanda, like most other countries, has been severely affected by the crisis. The country's strong growth momentum has been interrupted by the pandemic as the authorities put in place a national lockdown to contain the spread of coronavirus. International flows of goods and services have been disrupted with significant spillovers to Rwanda's broader economy. The full extent of the impact and time taken to recovery will depend on the trajectory of the global infection and its evolution in Rwanda and its neighbors as well as on the measures

[1] *World Bank. 2019. Rwanda - Systematic Country Diagnostic. Washington, D.C.: World Bank Group.*

[2] *The Government's seven-year National Strategy for Transformation (NST1; 2017-2024) http://www.minecofin.gov.rw/fileadmin/user_upload/MINECOFIN_Documents/NST_A5_booklet_final_2.04.19_WEB.pdf*

[3] *The 19th replenishment of IDA.*

adopted to mitigate its impact. The CPF takes into account Rwanda's anti-crisis response program as of mid-May 2020, including the Government's emergency Economic Recovery Plan, although it will likely continue to evolve in coming months. It was agreed with the authorities that should the situation warrant considerable changes to the Government's strategy and its program with the WBG, the Performance and Learning Review (PLR) will be brought forward to accommodate such changes.

4. **The CPF spans two IDA cycles, IDA19 (July 2020 to June 2023) and IDA 20 (July 2023 to June 2026).** The program already agreed with the Government of Rwanda (GoR) is for IDA19 (i.e., to the end of June 2023), while specifics of the rest of the program will be agreed at the time of the PLR planned in FY23. This arrangement will allow time for the NST1 mid-term review (planned by the GoR for FY21-FY22) to be reflected in the PLR. The indicative allocation for Rwanda under IDA19 is US$912 million.[4] Given the country's preference for frontloading its IDA commitment, and a track record of making good use of additional IDA resources available, Rwanda will explore the use of additional resources from IDA windows.

[4] *Referenced IDA volumes are indicative. Actual PBA allocations will be determined annually and will depend on: (i) total IDA resources available; (ii) the number of IDA-eligible countries; (iii) the country's performance rating, per capita GNI, and population; (iv) implementation of IDA's forthcoming Sustainable Development finance Policy (SDFP) and (v) the performance and other allocation parameters for other IDA borrowers.*

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

A. Social and Political Context

5. **The Genocide against the Tutsi in 1994 is the inescapable backdrop to the remarkable achievements of the country since that time**. Around one million Rwandans were murdered during the Genocide against the Tutsi in 1994. The country's social and physical infrastructure collapsed, trade links ruptured, businesses and agricultural assets dwindled. Insecurity and instability were the norm, with threats both internal and from across the region. The new leadership that ended the Genocide and the military conflict in 1994 prioritized peace and national reconciliation. Among young people, identification with the Rwandan nation is growing, strengthening the country's prospects for social cohesion and unity.

6. **Strong state institutions and capable public administration have become the cornerstones of Rwanda's transformation.** The Government took steps to modernize the country's infrastructure and delivered critical social services to the population to help build human capital. The replacement of former municipalities by new territorial entities and the reform of their functions has created a strong presence for the dominant party, the Rwandan Patriotic Front (RPF), which cascades down through provincial, district, and sector administrations the level of villages. Government officials are bound by a detailed personal performance contract (imihigo) with the President of the Republic, reflecting the strategic objectives of the central government. The system has proved to be an effective tool of performance management and top-down approach toward socioeconomic transformation. The Government has also introduced an annual national dialogue and leadership retreat that are widely regarded as effective means of connecting directly with citizens and developing a cohesive administration.[5]

7. **A results-oriented approach to service delivery and a zero-tolerance approach to corruption helped mobilize external assistance.** Rwanda's relative success in battling corruption is reflected in the control of corruption indicator of the Worldwide Governance Indicators, according to which Rwanda ranks at 71 percentile globally, which is not only significantly ahead of the average ranking for low- and lower middle-income countries but also higher than the average ranking for upper middle-income countries.[6] This has helped Rwanda become a highly favored recipient of development assistance, which has been one of the main sources of its development finance.

8. **Rwanda has bolstered its capacity to ensure peace and security although ranking low on voice and accountability**. According to the 2016 World Internal Security and Police Index, Rwanda is now ranked 1st (equal with Botswana) in SSA for its ability

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[5] *The annual national dialogue, known as umushyikirano in Kinyarwanda, is an annual forum to allow all citizens to have direct access to the most senior leadership in government. It brings all segments of the society for a broad dialogue platform that would be used to discuss various national issues in order to assess the country's development progress and plan for the future. The leadership retreat, Umwiherero, brings together leaders from central and local governments, parliament, and private sector to reflect on the achievements that have taken place over the past year and discuss priorities for the year to come. Both fora are chaired by the President of the Republic. (source: http://rgb.rw/publications/home-grown-initiatives/)*

[6] *The Worldwide Governance Indicators, 2018.*

to respond to internal challenges and 50th in the world. In contrast to its strong anti-corruption credentials, Rwanda is ranked in the 17th percentile globally with respect to voice and accountability as measured by the Worldwide Governance Indicators, well below the average for low-income countries.

9. **Rwanda is also widely recognized for its commitment to gender equality.** The Government of Rwanda has long been a global leader on the issue of gender equality and has put in place a strong legal and policy framework. These efforts have included: a revised constitution that reflects the principle of gender equality and a 30-percent quota for women in decision-making positions; the inclusion of gender as a cross-cutting issue in Rwanda's national policy strategy documents, such as Rwanda Vision 2020, a stand-alone national gender policy (2010), and a variety of sector-specific gender strategies and profiles; a girls' education policy (2008); a national policy against Gender-Based Violence (GBV,2011); a legal mandate for gender-responsive planning and reporting through Gender Budget Statements; gender-sensitive land reform, with joint titling of female and male partners' land; and gender equality in inheritance reforms. These efforts have born impressive fruits over recent years, including gender equality in primary and secondary enrollments, a sharp reduction in fertility, large improvements in maternal health outcomes, women's greater access to land and therefore to finance which requires land as collateral, and the world's highest representation of women in parliament.

10. **Climate change and other environmental factors pose a range of challenges for Rwanda.** Situated in the equatorial zone in Central Africa, Rwanda is a landlocked country with limited natural resources. With a population of more than 12 million and a territory covering around 26 thousand square kilometers the country is one of the most densely populated in the world. Around 80 percent of population lives in rural areas and, despite increasing urbanization, the rural population continues to grow in absolute numbers. Rwanda is ranked 153rd in terms of its vulnerability to climate change (Notre Dame Global Adaptation Index). Temperature rises in recent decades have exceeded the global average. Since 1970, Rwanda's average temperature has gone up by 1.4C and in some scenarios is projected to increase by 2C by the 2030s. Rainfall has become more intense increasing the incidence of floods and landslides. Critical watersheds and water catchments have been converted into agricultural land, resulting in the destruction and drying up of streams and a decline in groundwater reserves. Steep topographical gradients and poor farming techniques have led to a soil nutrient balance that is among the most negative in Africa.[7]

[7] *Food and Agriculture Organization of The United Nations. Assessment of soil nutrient balance Approaches and methodologies. http://www.fao.org/fileadmin/templates/cpesap/C-RESAP_Info_package/Links/Module_5/Soil_nutrient_balance.pdf*

B. Recent Economic Developments

11. **The state has played an important role in Rwanda's spectacular growth performance.** Since the early-2000s Rwanda's growth in GDP per capita has averaged 5 percent per year, second only on the continent to Ethiopia. Rwanda has been able to sustain its economic growth by consistently increasing public investment, which has risen from 5 percent of GDP to an average of 15 percent in recent years, driving the overall investment-to-GDP ratio from about 12 to more than 25 percent. Rwanda's economic model has rested on centralized resource allocation to achieve outcomes aligned with government priority sector and spatial development preferences.

12. **Rwanda has been a highly favored recipient of development assistance** and strong growth has been supported by external assistance as well as borrowing and foreign direct investment (FDI). Flows of official development assistance (ODA) have averaged around 17 percent of GDP annually, nearly 5 percent more than the average for SSA-IDA countries, and nearly double the average for low-income countries. With Rwanda's growing income, ODA inflows have declined in recent years, from around 20 percent of GDP in 2000-2010 to around 12 percent in 2011-2018 but are still high. While national savings have recovered from negative values, they are still modest at 10.7 percent of GDP - underscoring Rwanda's continued dependence on foreign sources of finance.

13. **Even though the COVID-19 shock is expected to be transitory, Rwanda's economy has been hit hard by the COVID-19 pandemic and there might be long-lasting implications for growth and poverty reduction.** In the three weeks following the beginning of the lockdown (end-March to early April 2020), total declared sales dropped by 55 percent year on year on average, driven by both industry and services sectors with an average decline of 45 percent and 60 percent year on year, respectively. The main affected sub-sectors are trade, manufacturing, hotels and restaurants. By end-April, commercial banks had received a substantial number of requests for loan restructuring amounting to ¼ of total loan portfolio. The slowdown in economic performance is exacerbated further because of low international prices for the commodities that Rwanda exports (mainly coffee, tea and, tin, wolfram and coltan). Overall, the growth is expected to slow down from about 8 percent projected pre-COVID-19 for 2020 to 2.0 percent, with a gradual recovery to its pre-crisis trajectory by 2022 (see Table 1).

14. **As a response to the crisis, the Cabinet has approved an Economic Recovery Plan which will guide interventions from May 2020 through December 2021 for supporting households and enterprises**. As part of the plan the Government has launched a Social Protection Relief and Recovery Plan amounting to Rwf130 billion (around 1.4 percent of GDP) which will focus on immediate relief response for the most vulnerable and affected households, economic relief response to increase household resilience, and accompanying measures to ensure access to basic services. The Plan includes several high-impact labor-

Table 1: Rwanda - Selected economic indicators

	2018	2019	2020f	2021f	2022f	2023f
Real economy; annual percent change, unless indicated otherwise						
Real GDP	8.6	9.4	2.0	6.9	7.3	7.5
GDP Deflator	-0.7	0.3	6.5	5.4	4.7	5.0
CPI (year-average)	1.4	2.4	6.9	5.4	5.0	5.0
Fiscal account, percent of GDP unless otherwise indicated						
Expenditures	28.7	31.6	32.2	31.2	30.6	29.1
Revenues	24.1	23.6	21.4	23.0	23.7	23.5
General Government Balance	-4.5	-8.0	-10.8	-8.1	-6.9	-5.6
General Government Debt	52.4	58.5	68.0	71.6	74.9	77.5
Balance of payments, percent of GDP unless indicated otherwise						
Current Account Balance	-7.9	-9.6	-15.1	-11.3	-10.6	-9.8
Imports, Goods and Services	32.7	32.8	28.0	29.8	30.9	32.0
Exports, Goods and Services	21.2	21.4	13.1	17.2	18.4	19.8
Net Foreign Direct Investment	2.9	3.3	1.8	2.8	3.0	3.0

Source: National Institute of Statistics of Rwanda (NISR) data, and WBG and IMF staff projections

intensive investment projects (mostly rural roads and terrace upgrading) for creating jobs and improving rural infrastructure. GoR will also establish an Economic Recovery Fund with an estimated capital of around US$200 million to support businesses in the hardest-hit sectors as well as Micro and Small Enterprises including in the informal sector.

15. **The need to respond to the COVID-19 pandemic has led to significant fiscal pressures, at a time when Rwanda's fiscal space was shrinking due to its ambitious investment strategy.** Since mid-March 2020, when Rwanda registered its first case, the Government has seen growing financing requirements to combat the potential spread of the virus, and a need to bolster its health system. The mobility restrictions introduced since March and the decline in trade, commodity prices, remittances have required efforts to mitigate the social impacts of the crisis.

16. **These recent financing needs come at time when Rwanda has been in the midst of a public investment push.** Since 2013, Rwanda had focused on developing the modern infrastructure needed to make the country a business, tourism, financial services, and communication hub including in high-value sectors such as air-transport, business and convention tourism, and a modern urban infrastructure for Kigali. Rwanda's distinctive "signature" projects include MICE (Meetings, International Conferences, and Events) facilities like the Kigali Convention Center, Rwandair, the Bugesera airport under construction, several high-end hotels and a modern sports arena. At the same time Rwanda has continued to invest in more conventional infrastructure including roads and energy, aiming, for example, to achieve universal access to electricity by 2024.

BOX 1: Fiscal and financial impact of the COVID-19 pandemic

The COVID-19 pandemic is likely to narrow further Rwanda's fiscal space which will limit the resources available to continue to fund a state-led growth model. In addition, COVID-19 has created an uncertain outlook for its strategic sectors of tourism, conventions and air transportation. Current projections indicate that growth in 2020 is expected to slow down from the projected rate of about 8 percent pre-COVID-19 to 2 percent, with a gradual recovery to its pre- COVID-19 trajectory by 2022 (see Table 1). There are downside risks to this scenario stemming from the possibility of a more protracted global crisis and the pandemic's possible long-term impact on Rwanda's strategic sectors, which were expected to be the drivers of growth over the long-term.

The Government had intended to bring the fiscal deficit down to 6 percent of GDP in fiscal year 2020/21, but the crisis will affect short-term prospects of fiscal consolidation. Rwanda's tax revenues have come under major pressure, while the government's growing spending requirements on public health and mitigation of social impacts have increased combined budgetary financing needs by an estimated 4 percent of GDP in 2020 alone. Initial projections indicate that the fiscal deficit may exceed 10 percent of GDP in 2020. While it is projected that public and publicly guaranteed debt will reach 68 percent of GDP by the end of 2020 and more than 70 percent in 2021, Rwanda's debt will continue to be sustainable due to the country's strong debt-carrying capacity and reliance on concessional borrowing. External imbalances will widen substantially as a result of COVID-19. Rwanda's exports are expected to be affected severely, with an estimated 40 percent decline in exports of goods and services in 2020 (in U.S. dollar terms). Despite BNR's flexible exchange rate policy, Rwanda's foreign exchange reserves are also likely to come under pressure.

In order to strengthen financial system resilience, the National Bank of Rwanda (BNR) has introduced an extended lending facility of Rwf50 billion which will provide liquidity to the banking sector in addition to existing instruments. To support borrowers and increase banks' incentives to continue supporting the real sector, BNR has encouraged the banking sector to ease loan repayment conditions to borrowers affected by the COVID-19 shock. To encourage all citizens to use digital payment means in all their transactions and limit the risks of virus transmission via handling of cash, BNR agreed with Mobile Network Operators (MNOs) and banks to waive all charges on electronic money transactions until July 1, 2020.

The Government has mobilized financial resources for funding the anti-crisis program and for creating the necessary external buffers to maintain macroeconomic stability. Multilateral and bilateral development partners providing additional financial support to Rwanda as of June 2020 include the World Bank, the IMF, the African Development Bank, UK and France. Rwanda will continue to focus on mobilizing concessional financial support for funding its economic recovery plan. Rwanda is also expected to benefit from the Debt Service Suspension Initiative (DSSI) endorsed by G20 Finance Ministers and Paris Club under which bilateral official creditors committed to suspend all principal and interest falling due between May 1 and December 31, 2020. Participation in the DSSI which provides a time-bound suspension of official bilateral debt service payments to IDA-eligible and least developed countries as defined by the UN would provide additional fiscal space in the near term. The authorities have not yet requested debt service suspension from official bilateral creditors as envisaged under the DSSI.

17. **Rwanda has increasingly turned to external borrowing as aid and public savings have declined** relative to financing needs**.** Despite a remarkable improvement in its investment climate, and a rise in 2020 Doing Business rankings to 38th place, FDI has failed to take the place of declining aid flows. Increased financing needs have led to an increase in primary deficits from 2-3 percent of GDP in the early 2010s to 5-6 percent of GDP, which in turn have led to an increase in public debt. Debt has also risen because of government guarantees for loans to state-owned enterprises (SOEs) such as Rwandair and the Convention Center. As of 2019, Rwanda's public and publicly guaranteed debt stood at 58.5 percent of GDP, compared to around 21.5 percent in 2012, of which 45 percent of GDP was comprised of external debt. But Rwanda's debt profile remains comfortable because of the reliance on concessional borrowing (concessional loans make up 64 percent of its total public debt) and strong debt-carrying capacity.

18. **On the supply side, construction, mining, trade, and transport have each grown at 9-10 percent annually since 2006,** while manufacturing grew at 7 percent and agriculture at 5.5 percent**.** Rwanda has seen new subsectors emerging, such as dynamic eco- and business tourism and food-processing, while existing industries have expanded. Agriculture remains the main source of employment for nearly 60 percent of workers, accounting for about 30 percent of GDP. Since the early 2000s, total factor productivity in the sector has grown at around 2 percent per annum. The National Agricultural Policy of 2017 and its implementation plan, Strategic Plan for Agriculture Transformation phase 4 (PSTA-4) for 2018-2024, envisage a transformation of agriculture from a subsistence sector to a knowledge-based value-creating sector, that contributes to the national economy and ensures food and nutrition security. Since the early 2000s, average growth of about 5.5 percent has been driven by expanding the land devoted to agriculture combined with more labor, more use of inputs, and growth in total factor productivity (TFP).

19. **The scope for further expansion of land used for agriculture is severely limited, as is the potential for continued gains from further intensification of production.** A growing rural population continues to put pressure on scarce land resources because non-farm labor-intensive industries and rural to urban migration are still limited. Compared to its regional peers Rwanda's agriculture sector has a lower share in GDP despite a comparable share of workers engaged in farming, as reflected in lower value added in Rwanda's agriculture (per worker) and larger gap between farm and non-farm labor productivity. This gap is an indication of a misallocation of labor to agriculture rather than to off-farm work and a costly misallocation of land and labor within agriculture to crops in which Rwanda does not have a comparative advantage, rather than to export and higher-value crops. The country's lack of reliable trading relationships within the region, and impediments to more efficient domestic markets are at the root of this misallocation. Recent disruption to trade and horticulture exports (including some due to COVID-19) may also have a medium-term impact on farmers' behavior to move to export cash crops.

20. **Rwanda's exports are below the levels its per capita income would predict.** The annual growth rate of exports of goods and services averaged more than 12 percent in 2010-19. This brought total exports to more than US$2 billion. Exports of tourism and transport services have done well, in part reflecting heavy investment in these sectors. Rwanda has also emerged as a transit country acting as a re-export center between East Africa's ports and the east of the Democratic Republic of Congo (DRC). However, overall exports are constrained by geographic disadvantages, weaknesses in tradable sectors, and impediments to regional trade and integration in the Eastern African Community (EAC), largely due to political tensions amongst some of its members. Rwanda's remarkable gains in services exports took a major hit in 2020; suspension of international mobility as a result of the global pandemic significantly affected Rwanda's revenues from leisure and convention tourism and air-transportation. As a result, Rwanda may see a 40-percent reduction in its 2020 exports of goods and services in US dollar terms[8].

21. **Total factor productivity (TFP) in Rwanda (in level and growth rate) has underperformed relative to countries at a similar level of income**. The movement of labor out of low-productivity agriculture to industry and services and from farms to cities was a major source of TFP growth between 2001 and 2011. However, the sectors attracting large capital investments and growing fast, especially services, have been less labor-intensive. Economy-wide spillovers from large upfront capital investments have not yet fully materialized. According to Labor Force Surveys, 200,000 new working-age people were added to the population annually between 2016-2019, while non-farm job creation stood at around 110 thousand per year, suggesting that the absolute number of people employed in agriculture and underemployed, unemployed or withdrawn from the work force altogether, has continued to increase.

[8] *World Bank staff projections.*

22. **Prior to the COVID-19 pandemic, government policies had created new economic opportunities for the landlocked country, but the risks have also risen.** For example, Rwanda's receipts from tourism, most of which are generated by high-end eco and business and conference tourism, have steadily grown in the past decade and are estimated at around 4 percent of GDP as of 2019, while Rwanda's exports of air-transportation services have also increased rapidly reaching around 1.5 percent of GDP as of 2019. But risks are also growing because of higher public debt required to finance new infrastructure in these sectors and a reduction in the labor intensity of the economy because of the nature of these new investments. The global COVID-19 shock that is unfolding creates severe and immediate fiscal pressures on Rwanda given the vulnerability of the tourism and air transport sectors.

23. **The current state of the economy illustrates the risks and opportunities that face Rwanda.** After moderating public investment in 2016-2017 to address growing external imbalances, the Government resumed strong investment in mid-2018 pursuant to NST1. The investment momentum before COVID-19 was strong with economic growth in the range of 9-10 percent. Frontloading of investment led to a large fiscal deficit estimated at 8 percent of GDP in 2019, bringing public and publicly guaranteed debt to more than 58 percent of GDP, while the current account deficit widened to 10 percent of GDP. This has weakened Rwanda's external and fiscal buffers needed for responding to various shocks, including the COVID-19 pandemic. But at the same time Rwanda has succeeded in attracting one of the world's leading air-transport developers to participate in jointly developing the new airport and Rwandair, the national carrier. While these investments will lead to further debt accumulation, the presence of a major global player could increase the chances of Rwanda's past investments translating into a successful new industry, as envisaged by the Government's vision. That said, the medium- and long-term impact of the COVID-19 shock on the future of air travel is still uncertain. The Government is pursuing a similar strategy in transforming Kigali into a regional financial hub and further strengthening the country's appeal to business and recreational tourists.

C. Poverty, Inequality, Jobs

24. **Rwanda's achievements in poverty reduction and human development are widely recognized.** Between 2001 and 2017, poverty as measured by the international poverty line fell from 77.2 to 55.5 percent, and by the national poverty line from 58.9 to 38.2 percent (Table 2). Rwanda has also reduced inequality as measured by the Gini coefficient.

TABLE 2: Poverty and inequality (based on international poverty line)

	2000/2001	2010/2011	2016/2017
Headcount poverty rate (at US$1.9 a day)	77.2	62.4	55.5
Gini coefficient	0.51	0.48	0.43

Source: EICV/NISR

25. **Key achievements in human development include major strides in non-monetary indicators of well-being especially in maternal and child health** where Rwanda performs at par with or above many lower middle-income countries (Table 3). Furthermore, access to improved water sources, sanitation, electricity, and housing conditions all improved significantly between 2011 and 2017 (EICV3 and EICV5). Rwanda has shown an impressive decline in both fertility and dependency ratios, and child nutrition indicators are improving. The GoR also prioritizes social protection, investing significantly to build an integrated system for ensuring a minimum standard of living by promoting poor and vulnerable households' access to core public services, boosting resilience to shocks, and strengthening opportunity. Rwanda also remains committed to women's empowerment and ranks first in the world for female representation in the national parliament and among the top 10 countries with more than 50 percent representation of women in the national cabinet.

26. **Although poverty reduction has been remarkable, Rwanda faces challenges translating its very strong growth into poverty reduction.** Rwanda has higher poverty rates than peers with similar income per capita. Rwanda's semi-elasticity of poverty with respect to growth seen over this period of -0.16 is lower than the world average of -0.37 and SSA average of -0.49. The second half of the 2000s witnessed the steepest decline in poverty; however, between 2011-2017 poverty reduction was less responsive to Rwanda's strong growth, falling less than 7 percentage points in 6 years (Table 1). More than 90 percent of the poor in Rwanda live in rural areas, especially in the Southern, Western, and Eastern provinces. Female-headed households are more vulnerable to poverty. Based on national poverty line, 39.5 percent of female-headed households were poor in 2017 compared to 37.6 percent of male-headed households mostly because rural female-headed households are less market-oriented than male-headed households and have fewer members with off farm work which results in 6 percent lower consumption.

TABLE 3: Maternal and child health, Rwanda in 2005-2015 and comparator countries

Health Indicators	Rwanda			Kenya 2014	Uganda 2016
	2005	2010	2015		
Maternal health					
Maternal mortality ratio (death per 1,000 live births)	750	476	210	362	336
Percentage of deliveries in health facility	28	69	91	61	73
Total fertility rate for women age 15-49	6.1	4.6	4.0	3.9	5.4
Percentage of married women using modern contraceptives	10	45	48	53	35
Teenage pregnancy rate (% among age 15-19)	4.1	6	7.3	18	25
Child health					
Under five mortality (death per 1,000 live births)	152	76	50	52	64
Percentage of children 12-23 months fully vaccinated	75	90	93	71	55
Percentage of children stunted (height for age)	51	44	38	26	29

Source: Most recent Demographic Health Survey (DHS) from Rwanda, Kenya, Uganda

27. **The relatively slow rate of poverty reduction is explained by compressed household consumption in the rural areas, due in part to a slow rural to urban transition**. Rwanda's labor market struggled to keep pace with growth in the working-age population. Despite strong growth, structural transformation slowed down in 2011-2017 compared to 2001-2011. The Labor Force Surveys indicate that in 2016-2019 net job creation in the non-farm sector provided job opportunities for only half of the new entrants to the labor market. Job creation in the non-agricultural sectors tends to slow down when public investment wanes (such as in 2016-2017) raising concerns about the sustainability of welfare gains. While in the periods of fast growth (such as 2018-2019) jobs are created at a higher rate, in the services sector, where Rwanda has placed particular strategic emphasis (such as MICE and air transportation), jobs tend to increase slowly in response to growth which is explained by the capital-intensive nature of these sectors. The net effect of labor market dynamics has been persistent under-employment, and slow transition of farm to non-farm employment. By contrast, although the drought of 2016/17 affected growth in agriculture, its overall contribution to the slowdown of poverty reduction was limited. While some households directly impacted by weather shocks experienced reduced welfare, on the whole these impacts were offset by transfers, food aid, temporary migration to Kigali for work, and utilization of household savings. However, weather shocks remain major risks to rural livelihoods and poverty reduction. COVID-19 is also expected to have a significant impact on poverty and welfare more broadly (Box 2).

BOX 2: Expected poverty impact of COVID-19

The expected economic downturn in 2020, due to COVID-19, is likely to affect poor and vulnerable households in both urban and rural areas. In urban areas, the prohibition of social gatherings, closure of non-essential institutions and the ban on public and private transport are expected to have significantly reduced incomes of those engaged in the services, manufacturing and construction sectors. While more poor people live in rural than urban areas (806,000 households in rural areas are poor compared to 62,000 in urban areas), it is likely that urban poverty has gone up more quickly due to the lockdown. Informal sector workers are likely to be disproportionately impacted in urban areas. In addition to the poor and near-poor, additional categories will be impacted in urban areas. These include people in the private sector who lose their jobs and income due to the shutdown, informal sector workers and firms that lose their jobs or demand for their products. In the first phase of expanding social safety nets and emergency income support to affected population, it will be important to be adaptable and innovative in in designing the support and to place the emphasis on speed rather than targeting accuracy.

28. **Rwanda has reached the limits of an agricultural policy focused on food self-sufficiency and regionalization of crop choice, input intensification, and land intensification.** Lacking efficient access to agricultural output and retail food markets, many farmers have persisted in highly autarkic livelihood strategies, forgoing gains from specialization and exchange that are fundamental to productivity growth. Agricultural households produce an unusually high number of different crops, overwhelmingly for own consumption – even relative to other parts of SSA. Meanwhile, the share of retail or export value accruing to agricultural producers has also fallen in key crops, despite investments

in rural road connectivity. Adopting more market-oriented production strategies with better functioning markets, clearer price signals, and reliable regional trade is essential for agricultural productivity and inclusive growth.

29. **Low educational attainment, one of the main predictors of poverty, remains a serious problem.** More than 70 percent of adults at the 40th percentile of population distribution or below (B40) have only incomplete primary or no schooling at all. The share is higher for women. A key predictor of migration to Kigali is the educational attainment of the household head, which highlights that education is critical in facilitating Rwanda's structural transformation.

30. **Stunting remains a major challenge, especially among the poor.** Rwanda has made excellent progress improving adult survival and reducing maternal mortality to approach the level in lower middle-income countries. Rwanda has also made great strides in improving infant and child survival. However, stunting remains high at 38 percent (below SSA countries with similar income per capita), impeding progress on human capital development. Children from the two lowest wealth quintiles, especially those born to mothers with relatively little education, poor nutritional status, and numerous children have the highest stunting rates. Nearly 50 percent of children from the bottom two wealth quintiles are stunted, compared with 20 percent for the richest, highlighting large disparities and uneven opportunities for children to grow, thrive, and become productive adults.

31. **Although Rwanda's commitment to gender equality is widely recognized, serious gaps remain and progress in these areas can be instrumental in helping Rwanda meet its development objectives.** Areas where further attention is needed include: stalled progress in reducing fertility after prior impressive reductions; translating gains in human capital into greater quality of women's economic participation, including occupational sex segregation and a large gender-earnings gap; a continuing gender gap in secondary completion and in tertiary education and technical and vocational education and training (TVET); the lower representation of women in decision-making positions below the national government level; gender-based violence (GBV); women's greater share of domestic tasks; and smaller but continuing gaps in access to productive assets for agriculture and entrepreneurship. Challenges remain in eliminating GBV and violence against children in spite of the firm government commitment to promote gender equality.

32. **Economic barriers for women's participation continue to persist in Rwanda.** Rwanda scores 78.1 (in 15th place among countries in SSA), in the 2020 Women, Business and the Law (WBL) index, which measures gender inequality in the law. Rwanda scores 75/100 in the indicator for entrepreneurship (failing only to explicitly outlaw gender discrimination in access to credit). This is reflected in the Micro, Small, and Medium Enterprises (MSME) Finance Gap Database (2018) according to which 38 percent of women-owned MSMEs are credit constrained compared with 26 percent of men-owned MSMEs. Rwanda scores poorly in the WBL measure of equality in parenthood, 20/100. This reflects, among others, the lack of a legal provision for paid leave of at least 14 weeks for new mothers. Rwanda also has a high gender wage gap, where it ranks 19/136 in wage equality for similar work (World Economic Forum 2018). The FinScope Rwanda 2020 shows clear gender gap in accessing and using formal financial services where women (74 percent) are lagging with 7 percent gap compared to male counterparts at 81 percent.[9] Government is strongly committed to addressing these gaps, and the WBG will support Rwanda in these areas through an IFC program for women's economic empowerment.

D. Development Opportunities and Challenges

33. **The SCD concluded that the main development challenges facing Rwanda comprise** weak human capital, low agricultural productivity, the small size and weak job-generating capacity of the private sector and risks to sustainability.

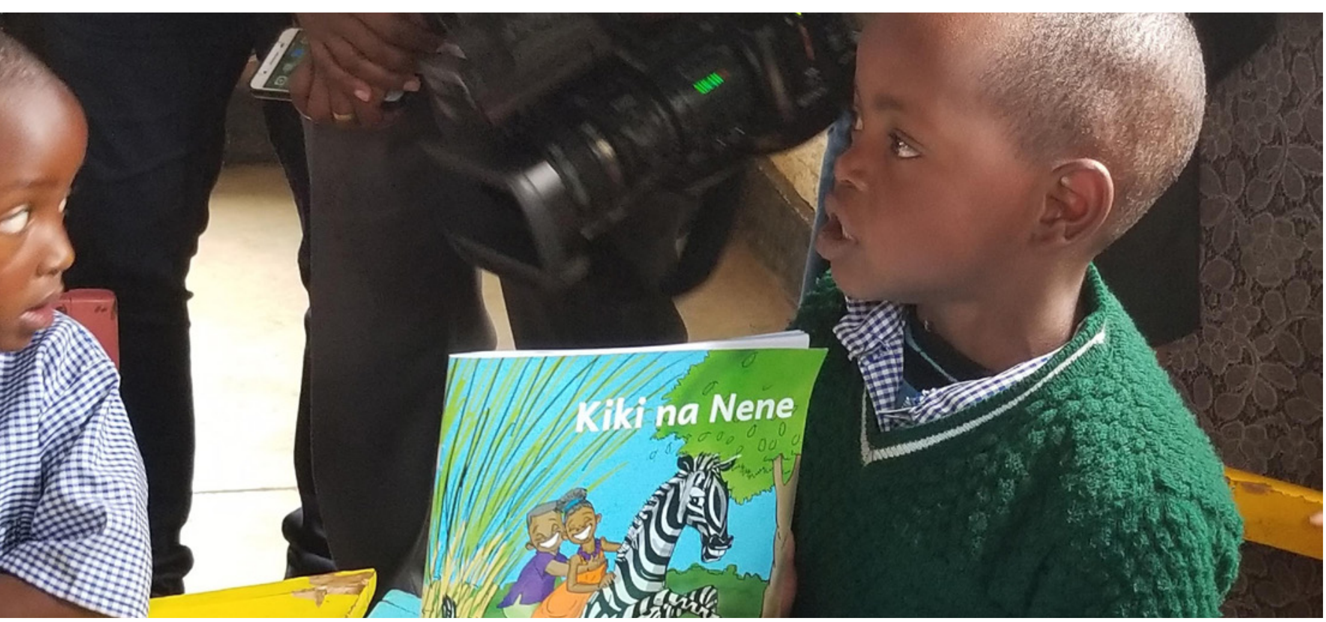
Improving human capital is key for poverty reduction and inclusive growth

34. **Addressing human capital gaps will empower the people of Rwanda to seize opportunities presented by the growing economy.** Low human capital is a key structural weakness in Rwanda's inclusive growth and poverty reduction agenda. The Human Capital Index (HCI), which quantifies the contribution of health and education to the productivity of the next generation of workers, estimates that children born today in Rwanda will be

[9] *http://www.statistics.gov.rw/publication/finscope-rwanda-2020*

just 37 percent as productive as adults compared to what they could have achieved with complete education and full health as defined by the HCI[10]. This score places the country in the lowest performing quintile in the HCI and is primarily driven by the low quality of education and a relatively high stunting rate. The COVID-19 pandemic can further negatively impact the human capital situation in Rwanda and the initial period of this CPF will support the GoR's plan to contain the social impacts.

35. **Expanding basic education while ensuring quality is essential for sustained poverty reduction and shared prosperity.** While Rwanda has achieved some progress in education, recent data point to stagnation in several areas. Net primary attendance has been stagnant for more than a decade, and while literacy among Rwandans aged 15–24 years improved considerably until 2014, there has been no major improvement since. Rwanda also trails other countries of similar income in education indicators. The country has exceptionally high gross enrollment rates in primary education but dropping out is common, so that only 68 percent of first graders eventually complete six years of primary schooling and only 38 percent complete the full nine years of basic education, which is below the averages for low-income countries as a whole. The concern about the quality of education is just as serious - learning outcomes are alarmingly low. According to the World Bank's HCI Rwanda's ranking is particularly low on the education-related subcomponents, which illustrates the need for more policy attention to learning outcomes and school completion rates. There is still a large gap in access between rural and urban children: in lower secondary, the latest data show that gross enrollment for this level is 82 percent in urban areas, but only 44 percent



[10] *Productivity-linked indicators included in the HCI are (i) probability of survival to age 5 (ii) expected years of schooling (iii) harmonized test scores as a measure of the quality of learning (iv) the adult survival rate and (v) proportion of children not stunted. The 2018 Human Capital Index covered 157 countries.*

in rural ones. Differences in the rates of transition from primary to lower secondary are equally wide. Schools at all levels have closed in March 2020 as a measure to contain the transmission of COVID-19; they are expected to only reopen in September. The World Bank processed additional financing to the ongoing IPF operation on basic education to support the sector COVID-19 response plan on delivery of remote learning solution through the use of mass media such as radio and television, and through digital tools such as the ministry's e-learning platform and YouTube channel. Additionally, this COVID-19 response financing will support safe-reopening of schools by strengthening WASH facilities and by providing nutritional support through school feeding in targeted schools, as well as by driving a back-to-school campaign to minimize the risk of student drop-out and teacher attrition under this prolonged period of school closure.

36. **Rwanda has taken major steps toward establishing a social safety net system to address vulnerabilities**. With World Bank support over a decade, Rwanda has built the Vision 2020 Umurenge Program (VUP) which provides cash transfers to poor families who cannot contribute labor, public works to those who can, and financial services to support micro businesses. However, urgent reforms are needed to improve the targeting mechanism through operationalizing a social registry which will serve social sectors beyond safety nets, expanding coverage of Human Capital focused social safety nets and improving delivery systems, particularly digitized government-to-person (G2P) payments. As emergencies and external shocks keep increasing globally, the adoption of shock-responsive social safety nets (SSN) is of utmost importance to reduce or prevent socio-economic impact on the poorest and to ensure human capital stock achieved is not depleted abruptly. As part of the COVID-19 response, the GoR has expanded coverage of the cash transfer program, adding new categories of beneficiaries who have lost their incomes, exempting public works beneficiaries from working during the lockdown and is considering increasing the amount of the cash transfer.

37. **Pension coverage, however, has remained low and limited to the formal sector in Rwanda**. Pension fund reserves are not used to deepen financial markets and boost savings in the country. As of 2019, there were only about 560,000 active contributors in the Rwanda Social Security Board (RSSB) pension scheme, which implies that it covered less than 10 percent of the working-age population. In addition, the RSSB pension scheme is not, as currently configured, financially sustainable (see further below). The recently launched 'Ejo Heza' scheme which is a voluntary defined contribution scheme for all Rwandans, is a step in the right direction to expand social protection to the informal sector.

38. **Rwanda's strong policy, legal, and institutional framework to promote gender equality** and address and prevent violence against women and children should be leveraged for greater results. Priority actions to promote gender equality are strengthening women's participation in tertiary and technical-vocational education; promoting women's

economic participation through entrepreneurship, especially access to finance; building up women's participation in subnational democratic bodies; and expanding response and prevention services to address GBV in all districts and sectors and support for awareness and behavior change.

Improving rural livelihoods remains key for Rwanda's poverty reduction agenda

39. **Agriculture has grown steadily but policies need to respond better to the evolving context**. The sector accounts for close to 60 percent of employment, 24 percent of GDP in 2019, and more than 50 percent of exports of goods. Agricultural productivity has increased significantly, and value added has risen by more than 5 percent per year over the past 15 years. Although the sector consists overwhelmingly of individual farmers, the government has decided the what, where, and how of agriculture development motivated by a focus on self-sufficiency. The focus of public interventions has been on stabilizing and expanding terraces, boosting the use of more adapted fertilizers, increasing farmers' use of better seeds, improving farmer skills, and extending the irrigated area, which helped the sector to grow at an average rate of more than 5 percent annually since the early 2000s. However, the impact of such improvements will decline over time unless producers can profitably become more market-oriented and embedded in regional and global value chains. Agriculture is also increasingly exposed to the effects of climate change including increased incidence of droughts and floods. As discussed further below, a reduction in vegetation and increased run-off has resulted in soil loss. Erosion is a significant problem which threatens food security. There is also evidence that land fragmentation has accelerated recently as a result of growing population pressure and slow rural to urban transition.

40. **To maintain high growth, agriculture must continue to modernize, become more responsive to market signals, and more effectively integrate with regional and global markets.** With its small domestic market, small land holdings, and the lack of significant specialized farming, Rwanda should seek to maximize its access to regional and international markets with a strategy that includes strong national branding, internationally trusted food safety institutions and regulations, strong National Quality Infrastructure, and easier trade. This will require rapid responses to market signals, ready access to investment resources, technical expertise, and the ability to organize production that can only be accomplished by the private sector. A greater reliance on markets and private initiative will ensure that investments are based on expected economic returns. Any policies that may have the unintended consequence of increasing the wedge between producer and consumer prices in foods and introducing high price variability in food prices should be reexamined. This will rely on creating an institutional, infrastructure, and policy environment where the market decides where, when, and how agriculture produces and trades, and a gradual shift in the public sector's role to facilitate the fair implementation of those private sector decisions. While public sector efforts to improve the technical efficiency of smallholders should continue, policy needs to shift to supporting a form of industrial organization whereby producers are free to maximize returns given prevailing market opportunities.

41. **Among areas where there are obvious major investment gaps in Rwanda, agriculture features prominently.** As noted above, the sector is highly susceptible to drought as well as flooding. Yet less than 5 percent of all land used for production is currently irrigated—an estimated 7.5 percent of irrigable potential. Only 16 percent of potentially irrigable marshlands have been developed for irrigation. Linking irrigation expansion plans with market development is necessary for higher-value products like horticulture and dairy, which, especially in the case of horticultural products, are likely to be for regional markets. More competitive commercial farms are needed to utilize small land holdings effectively and drive exports and develop financial products that will support agriculture investments e.g. irrigation, crop insurance. Investing in infrastructure for better rural-urban integration is also critical for agriculture. The poor quality of rural roads impairs the integration of Rwanda's cities with the countryside. Half of the rural population lack access to a road network in good condition within a 2-km walking distance. A better road network can reduce transaction costs in agriculture and rural development more broadly by improving access to inputs and product markets, facilitating access to education and health services, and expressing the commitment to serving women and the most vulnerable groups. Recognizing these challenges, the Government has increasingly focused on these areas, directing investment resources to address these gaps, but the needs remain vast.

The private sector needs to play a bigger role, supported by market-friendly policies, better access to infrastructure and improved urban agglomeration

42. **Rwanda's structural features—its small market size, hilly terrain, lack of direct access to the sea, and low human capital—are all barriers to job-intensive growth.** Although the business environment for attracting private investment has been a priority for the Government, there are still many barriers to overcome if the private sector is to drive jobs. Cross-cutting constraints across sectors (e.g., ICT, Transport, and Finance) persist, making it difficult for firms to compete and take advantage of market opportunities. The large influence and penetration of SOEs in some domestic markets could thwart private competition or the perceptions of new investors. The way Rwanda has entered into private-public partnerships (PPPs) in some key infrastructure sectors has not encouraged competition. Although Rwanda has made major strides in consistently improving its Doing Business ranking, and private firms have become a growing presence in the economy, it is not yet able to sustain job creation at a level that absorbs a growing labor supply. An overwhelming majority of firms are small, lacking the scale economies critical for competitiveness. There is a significant misallocation by businesses of factors of production that is slowing structural transformation and inhibiting TFP growth. Strengthening the enabling environment for private firms and corporate governance regime for SOEs along with sustaining government commitments is essential for sustaining a high growth rate. Further advancing on SOE governance reforms is critical for achieving more efficiency and transparency and an overall healthier functioning of markets. The impact on long-term growth of better contract enforcement and well-functioning courts is also very important.

43. **Rwanda's infrastructure needs remain vast.** Connectivity and logistics remain major challenges for Rwanda. Trade costs have remained stubbornly high, and Rwanda remains one of the most expensive places for a container to reach. The high cost of power is another major challenge for Rwanda's enterprise sector. The cost of power of US$0.26 per kWh is amongst the highest in the region and well above the average end-user tariff of US$0.18 per kWh. Rwanda Energy Group (REG) is relying on significant subsidies, representing 1.5 percent of GDP. Power outages—particularly for manufacturing firms—also hurt competitive advantage. One-third of firms report that access to reliable electricity is a challenge to their operations. Limited access to land also remains a constraint for Rwanda's private sector. Access to serviced land is a major constraint for firms and is often raised as the biggest challenge by foreign investors looking to set up operations. Access to agricultural land is a serious constraint for investors seeking to undertake large-scale farming and land consolidation for private investors is challenging.

44. **The opportunities from improving digital connectivity are huge but much remains to be done before these opportunities can be fully realized.** For a small, landlocked country distant from major markets, and located in a region with several challenges, digitally enabled services are a promising pathway for export-oriented services for which distance from markets is a much lower barrier to global competitiveness than for goods. This is especially true given the significant digital infrastructure investments and strong and adaptive government leadership in this sector. The Government has focused on increasing investment in downstream, ICT-enabled sectors and deploying mobile services in rural areas. Rwanda's telecom market is positioned to become one of the fastest-growing wireless markets in Southern and Eastern Africa. Mobile coverage is currently at 92 percent of the country's geography and 99 percent of Rwanda's population. Rwanda is the only country in Africa with a national 4G network that covers about 97 percent of the population. However, 4G penetration rate is still below 5 percent. While the country has achieved its coverage target of 97 percent, uptake of broadband services is significantly lagging largely due to limited literacy levels and lack of usage. Furthermore, the household penetration rate of fixed high-speed Internet subscribers is less than 1 percent, well below the regional average of 6 percent. Accelerating digital solutions to create more opportunities for distance learning, digital financial services and home-based work is essential for strengthening society's resilience to shocks such as the COVID-19 pandemic.

45. **The challenge of increasing digital utilization and its development impact has both supply and demand side aspects.** On the supply side, granting long-term exclusive access to assets and operations to one monopoly service provider, including key spectrum bands as well as 4G and higher services, is blocking competition and new entrants and affecting affordability. Efforts are needed to foster adequate competition and bring down costs of access and to equip individuals and firms with the digital skills to navigate the vast catalogue of digital services, information, employment and e-commerce opportunities that

could become available. In addition to Rwanda's national efforts, fostering an integrated regional digital market is important to create economies of scale and network effects. Rwanda can become a digital economy success by supporting digitally enabled firms to grow and continue to attract foreign investment.

46. **Despite major strides in urbanization, urban areas in Rwanda, and Kigali in particular, have not generated the productivity gains that other rapidly growing cities have achieved.** This reduces the agglomeration economies of urbanization. Access to land in and around Kigali remains limited not only because of scarcity but also because of zoning and regulation practices, which reduce the availability of the land in line with market demand. Master plans have often required densities, structures, and uses that may not match market demand. While it is imperative to maintain Kigali's reputation, which supports high-value industries like those in MICE, a better balance between long-term strategic bets to create new economic endowments and current market opportunities needs to be found.

47. **Urbanization challenges are reflected in housing challenges; more than 60 percent of urban households (79 percent of Kigali residents) live in unplanned settlements.** The current supply of formal housing remains unaffordable for most of Rwanda's population. These shortages create significant opportunities for private sector-led provision of affordable housing. Larger markets will only be reached by moving down the "housing pyramid." Nevertheless, market failures exist for affordable housing supply. The demand-side also faces challenges, and both need to be addressed along the value chain.

48. **The high cost of finance is a binding constraint for the private sector that also cuts across economic sectors.** Availability of affordable finance or bank loans is the number one perceived constraint for access to finance. The Country Private Sector Diagnostic (CPSD)[11] notes the high cost of borrowing stems from low savings domestically, underdeveloped capital markets, challenges to reach economies of scale in the financial sector (rather than inefficiencies), and the legal and regulatory framework. Higher interest margins observed in Rwanda are a function of higher operational costs as Rwandan banks struggle to achieve scale economies due to the small market with comparatively large numbers of competing banks. Availability of long-term funds depends on the depth of capital markets, which remain underdeveloped in Rwanda with limited capital market investors or instruments. Financial product diversity is limited. The financial sector is dominated by commercial banks, which require high levels of collateral, and there is low availability of alternative financing (e.g., micro-finance institutions or fintech lenders). There is a need to deepen the financial and capital markets, and regional and international flows of funds, as well as the legal and regulatory framework of the financial sector.

[11] *A CPSD is a WBG product that assesses economy-wide and sector-specific constraints and opportunities for private sector growth and recommend policy reforms and actions that can catalyze private sector investment.*

Multiple dimensions of sustainability need to be prioritized

49. **Rwanda's growth model cannot be successful without prioritizing environmental sustainability and building resilience against climate change.** A steady depletion of Rwanda's forest and water resources has heightened the country's sensitivity to climate change. Since 1990, there has been a steady decline in total forest cover, and an increase in cropland.[12] Demand for biomass for energy use is a major driver of deforestation and forest degradation. Rwanda has set targets to increase and sustain forest cover through its National Strategy for Transformation. Critical watersheds and water catchments have been converted to agricultural land. The resulting reduced vegetation cover has led to increased runoff and river flows, increasing the water yield. Reduced vegetation has caused a decrease in infiltration and groundwater reserves have been depleted. Increased runoff is linked to greater soil erosion, and such soil loss through erosion is a significant problem which threatens food security.[13] Watershed destruction, inappropriate settlements, inappropriate agricultural practices, and inadequate sanitation have led to more siltation, sedimentation, pollution, and the risk of invasive aquatic weeds. This deterioration in water assets has been exacerbated by climate-related impacts on water resources. Serious environmental problems are also caused by poor management of solid waste in Kigali and secondary cities. Going forward, key priorities will include the development of climate-compatible, sustainable urban infrastructure; investments in stable and sustainable landscapes; and development of financing instruments for resilience and green growth that address the challenges posed by large upfront costs and uncertain long-run benefits.

50. **Debt and fiscal sustainability are another important pillar on which Rwanda's long-term development strategy depends.** Rwanda has one of the highest public-sector investment-to-GDP ratios in the world, while also demonstrating consistency in investing in priority sectors. Although risks have increased because of large borrowing needs linked to these investments, new growth opportunities have been created with the entry of a major global player in air-transportation to develop an airport hub in Rwanda. Rwanda's traditional strengths such as commitment to macroeconomic stability and prudent monetary and exchange rate policies have helped to manage these risks. More recently, fiscal risks have risen as a result of COVID-19, which directly affects economic prospects of Rwanda's priority sectors such as business travel, eco-tourism and air-transportation. The state pension system, overseen by the Rwanda Social Security Board (RSSB), represents another long-term fiscal risk (see discussion on human capital above).

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[12] *The Natural Capital Accounts for Land, published by the Government of Rwanda in 2018 under the Wealth Accounting and the Valuation of Ecosystem Services (WAVES) program, demonstrated that between 1990 and 2015, there have been significant decreases in forest and woodland cover. According to the WAVES accounts, total forest and woodland cover reduced from 1,099,000 to 432,200 hectares. Dense forest declined by half from 1990 to 2015, while sparse forest has increased, particularly after 2000.*

[13] *The Natural Capital Accounts for Ecosystems report that in 2015, soil erosion was reported as 158 million tones. In 2015, soil erosion has increased over 120 percent relative to 1990.*

III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

A. Overview of The WBG Rwanda Partnership Framework

51. **The FY21-FY26 CPF has been developed and refined in light of three selectivity filters:** (i) the consistency of proposed CPF objectives with the Government's own strategic priorities and existing requests for WBG support; (ii) consistency with the priority areas identified by the SCD (Table 4); and (iii) the extent to which WBG areas of intervention correspond with the WBG's international and/or in-country comparative advantage, taking into account lessons learnt from the previous Country Partnership Strategy (CPS). Identification of objectives has also taken into account IDA19 priority themes as well as the need to maximize financing for development. The final selection benefited from close dialogue with the Government and was validated through stakeholder consultations in country with CSOs, other development partners, and the private sector. Discussions have also incorporated support to the GoR's response plan to COVID-19, to which the IDA19 program has been adjusted.

52. **Selectivity Filter 1—Alignment with the Government's program:** The GoR's Vision 2050 strategy targets upper middle-income status by 2035 and high-income status by 2050. The Government's seven-year National Strategy for Transformation (NST1; 2017-2024) provides the medium-term framework for achieving the country's development aspirations. NST1 priorities are clustered under three pillars. The first, Economic Transformation, includes a focus on leveraging the private sector, the knowledge economy and natural resources to accelerate inclusive growth and jobs creation. The second pillar, Social Transformation, aims at developing Rwandans into a capable and skilled people with quality standards of living and a stable and secure society. Under the third pillar, Transformational Governance, the NST1 seeks to strengthen governance and justice as building blocks for equitable and sustainable national development. The COVID-19 response plan includes scaling up some social protection measures, prioritizing some labor-intensive activities and setting up a fund to support the private sector including small and medium enterprises (SMEs). The FY21-FY26 CPF objectives respond to each of these Government priorities, but particularly those that fall within the Economic and Social Transformation pillars and COVID-19 response plan. The NST1 includes seven cross-cutting areas to attain inclusive and sustainable development: (i) capacity development; (ii) HIV/AIDS and non-communicable diseases; (iii) disability and social inclusion; (iv) climate change; (v) regional integration; (vi) gender; and (vii) disaster management. As shown below, the first six of these are addressed through the CPF.

53. **Selectivity Filter 2—Focus on SCD priority areas.** The SCD identified four development priorities and one cross-cutting theme to address the structural constraints that could prevent Rwanda from realizing the Twin Goals. Priorities highlighted in the SCD are: (i) Investing in Human Capital; (ii) Market and Private Sector Development; (iii) Investing Sustainably; and (iv) Building Resilience. The cross-cutting theme of strengthening institutions and increasing public sector capacity is relevant across all four priority areas and is a fundamental building block for maintaining progress in Rwanda. Each of these priorities is reflected in CPF pillars and objectives although to varying degrees depending on the interaction with other selectivity filters (Figure 1).

54. **Selectivity Filter 3—WBG comparative advantage, considering IDA19 priority themes, the WBG's increased focus on mobilizing financing for development and creating markets, and lessons learnt from the previous CPF**. The WBG's comparative advantage relative to other DPs is partly a function of its existing commitments in individual sectors relative to other donors and partly WBG investment in knowledge development. Changing circumstances and lessons learnt from the engagement of the previous CPS have resulted in shifting areas of comparative advantage, and the World Bank will adjust its engagements accordingly.

55. **The lessons from the previous CPS period, drawn from the Completion and Learning Review (Annex 2) have informed the design of the proposed FY21-FY26 CPF**. Key broader lessons include:

- Strong government leadership and discipline have been an important determinant of development progress and ODA effectiveness. This will continue to be leveraged in Rwanda.
- General budget support can be an effective means of supporting development, particularly when blended with investment project financing (IPF) and technical assistance (TA). Building on this the World Bank will finance a programmatic Human Capital for Inclusive Growth (HCIG) Development Policy Operation (DPO) series during FY21-FY23. The first DPO in the series will respond to the impacts of the COVID-19 pandemic, including measures to accelerate recovery and ensure medium-term fiscal sustainability.
- Sustained collaboration is essential to realizing synergies across the WBG—experience in the agriculture and affordable housing sectors suggests regular World Bank-IFC-MIGA staff interaction is key and should be increased in other sectors, including energy, financial sector, and urban development.
- Rapid agricultural modernization requires proactive steps to ensure inclusivity: the CPF will encourage a more holistic rural-urban approach to ensure inclusive and sustained territorial transformation that does not leave the poor behind or widen inequalities.
- A strong field presence of senior task team leads is important for building policy-making capacity and ensuring effective project implementation. The Country Management Unit will endeavor to increase the share of task team leaders (TTLs) based in country offices.
- There is scope to use analytical work more strategically to draw timely attention to policy constraints barring the path toward middle-income country (MIC) status. The World Bank has a full program of planned advisory services and analytics – ASA - (see Annex 1).

56. **Key lessons for IFC include:**

- When engaging with SOEs, which continue to dominate many sectors, IFC should favor debt instruments except when government commits to significantly reduce its stake to a minority shareholding. IFC will aim to conduct a proper assessment of government direct and indirect shareholding and prioritized provision of senior loans.
- To minimize misalignment of interests, IFC should avoid taking unsecured loan exposures in situations where success depends on significant changes in corporate structures and practices.

Table 4: Alignment between SCD and CPF objectives

SCD constraints and interventions	Objectives in FY21-FY26 CPF
Investing in Human Capital	**CPF objective 1: Improve Human Capital**
• Prioritizing learning through investing in education and skills development	Performance of P1 and P3 students
• Prioritizing health and well-being	Childhood nutrition
• Improving social protection to reduce vulnerability and strengthen inclusion	Inclusion of gender and child sensitive safety net programs to enhance resilience and expanding SSN in the short term to respond to the COVID-19 pandemic
• Building on the country's success in gender equality	Special focus on closing the gender gap in education and targeting pregnant and lactating women under the social protection support.
• Market and Private Sector Development	**CPF objectives 2: Improved Conditions for Private Sector Development** **CPF objectives 4: Increased Agricultural Productivity and Commercialization**
• Balancing the role of the state and domestic private sector	No World Bank activity planned
• Strengthening the role of the market and the private sector in agriculture	Credit to the sector; marketing infrastructure; financing facilitated into maize and other grain farmers and cooperatives
• Addressing cross-cutting constraints to private sector development	Capital market transactions, development of the mortgage market; vocational training. CPF objective 3: Expanded Access to Infrastructure and the Digital Economy
• Promoting market-driven urbanization and agglomeration	CPF objective 5:Intensified Urban Agglomeration
Investing Sustainably	
• Reorienting public investments for higher social returns and improved rural livelihoods	Support for infrastructure and agriculture; public expenditure review
• Prioritizing debt sustainability and macroeconomic stability	Long-term fiscal sustainability through supporting prior actions for enhanced fiscal management and debt transparency under the fiscal pillar of HDIG DPO
• Engaging the private sector for infrastructure sustainably	IFC/MIGA will seek to leverage private finance into infrastructure
Building resilience	
• Investing in stable and sustainable landscapes	Support sustainable land use in urban and peri-urban areas, through reforestation, green spaces in unplanned urban settlements, nature-based solutions for flood risk reduction, wetlands restoration and protection.
• Strengthening resilience through effective environmental management in the water sector	Supporting the preparation of flagship, climate resilience projects and programs that are prioritized in NST1, including Flood risk management Program in the Volcano Region.
Sectors not highlighted in the SCD but included in the CPF	
	Water and sanitation
	Decentralization and governance

- When investing in firms that are essentially "Owner-Manager driven", IFC should avoid predicating the success of its project on expectations of significant transformation in the management and corporate governance practices of the investee firms.
- To improve compliance monitoring and tracking, it is important to agree with the client at the appraisal what data can practically be obtained and specify in the legal agreements the format and frequency for data submission. During supervision, paying greater than usual attention to collecting and analyzing the data is important.

57. **The program, as shaped by these selectivity filters, was developed in close dialogue with the Government and validated through stakeholder consultations in Rwanda.** Consultations were carried out with Government at the ministerial level, with development partners, CSOs, foundations, and private sector. For the most part the consultations validated the envisaged approach for the CPF. However, stakeholder consultations gave rise to the following key recommendations: (i) a call from DPs and CSOs for engagement early in the design of WBG projects and programs, (ii) systematic and continuous dialogue with the private sector whether at the sector or transaction level, and (iii) incorporating capacity building to relevant institutions in World Bank projects.

58. **The CPF is also closely aligned with the WBG's core institutional areas of focus. The identification of five IDA themes has strengthened the institution's comparative advantage in those areas:**

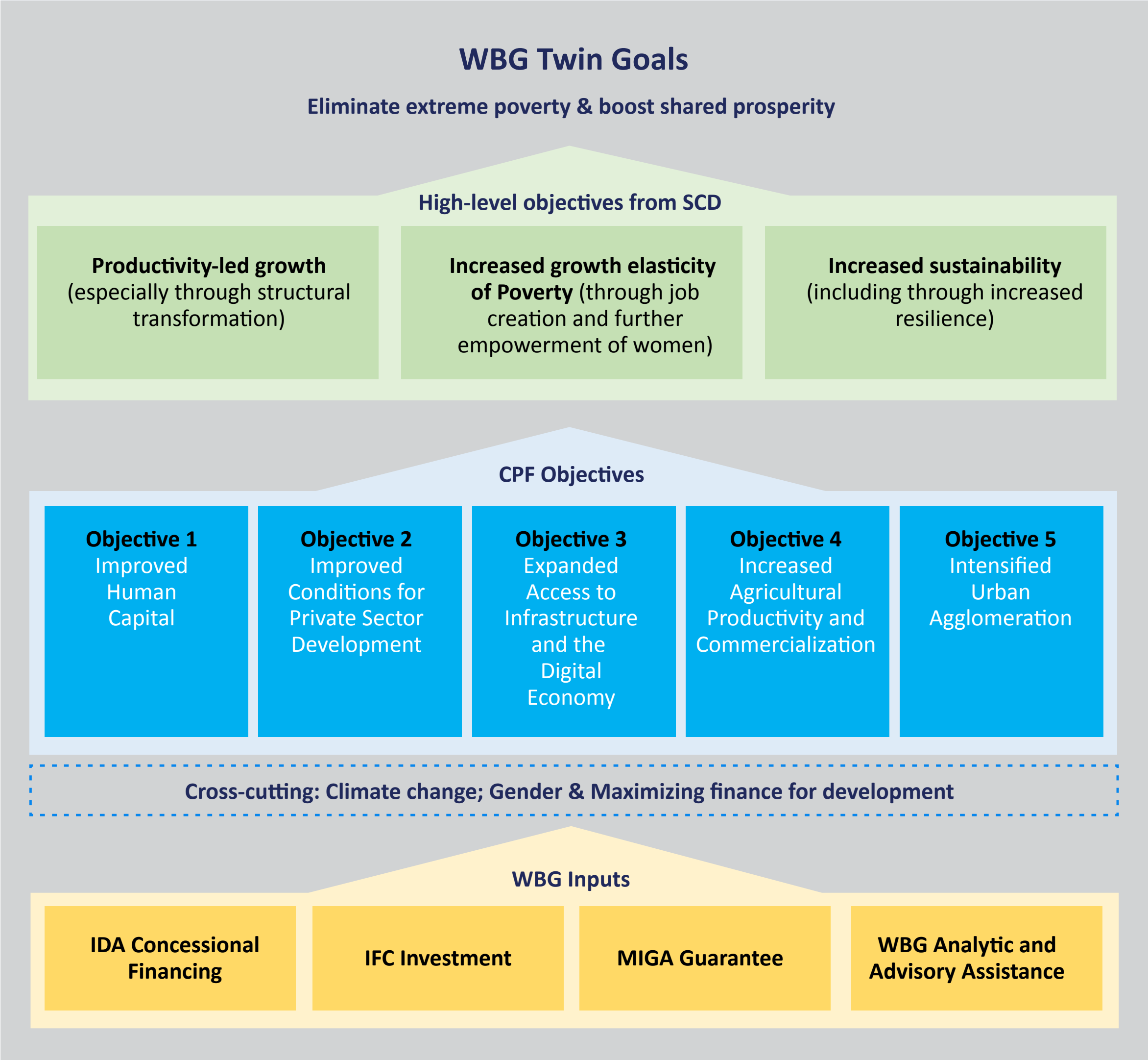
- ***Climate Change.*** The WBG has an extensive engagement and portfolio on climate change activities in Rwanda. The World Bank is supporting the revision of Rwanda's Nationally Determined Contributions (NDC) under the Paris Agreement and will extend this support through Rwanda's NDC Climate Action Enhancement Package which will aid the revision of the Environment and Natural Resources Sector Strategic Plan 2018-2024. A Deep-Dive Program to develop and pilot new climate financing instruments through Rwanda's Green Fund (FONERWA) is under development. Two carbon finance pilots are supporting the clean cooking agenda, including a novel pay-per-use approach to displace charcoal use with highly efficient biomass gasification stoves. Innovative approaches for landscape restoration and flood protection are being piloted in North-West Rwanda. The World Bank is providing technical analysis to support MINECOFIN and Ministry of Environment in Natural Capital Accounting. Upcoming programs such as the Rwandan Urban Development Project Phase II (US$159 million with IDA and Global Environmental Facility financing) will incorporate nature-based solutions to strengthen climate resilience and mitigation. IFC is also focusing on renewable energy (hydropower independent power producers - IPPs) to help Rwanda reduce greenhouse gas (GHG) emissions consistent with the Paris Agreement. MIGA is also working in the renewable energy sector focusing on off-grid solar aimed at supplying electricity to rural communities.
- ***Fragility, Conflict, and Violence.*** Rwanda is not classified as a fragile situation and the CPF does not directly target reduction in fragility, conflict, and violence as an objective.

- ***Gender and Development.*** The CPF includes a strong focus on key gender gaps. The approach, with respect to gender, has been informed by the findings of the World Bank's SCD for Rwanda, as well as by a range of gender analyses that, taken together, fulfil the requirements of OP/BP 4.20. This CPF proposes to focus on human capital investments and policy support for achieving the demographic dividend and women's economic empowerment. Other existing commitments include: addressing gender-related constraints to agricultural productivity under the Sustainable Agricultural Intensification and Food Security Project (P164520); investments under the Rwanda Energy Access Roll-Out and Efficiency Project (P172594) in electrification and clean cooking solutions which should have disproportionate benefits for women; assistance to MINECOFIN to better account for gender in data collection, analysis, and planning; and measures to promote women's active participation in project-related decision-making. (Annex 3 contains additional options for further hard-wiring gender into the CPF agenda)
- ***Governance and Institutions.*** The World Bank is supporting the Government to improve budget reliability and control of funds for service delivery, enhance budget transparency and increase professionalization of public finance officials. This includes supporting measures to improve performance-based budgeting and the medium-term expenditure framework, predictability of funding for service delivery, control of resources received by service delivery units, reporting of accurate financial information, and increasing capacity across all government entities.
- ***Jobs and Economic Transformation.*** All of the CPF objectives relate to issues of employability and private sector development. Objective 1 (Improved Human Capital) aims to improve Rwanda's human capital base to create the potential for a productive, prosperous and inclusive economy. Objective 2 (Improved Conditions for Private Sector Development) focuses on the private sector as a creator of jobs. Objective 3 (Expanded Access to Infrastructure and the Digital Economy) attempts to address key constraints that hinder private sector development in Rwanda. Objective 4 (Increased Agricultural Productivity and Commercialization) focuses on the agricultural sector as a key source of employment in Rwanda. Finally, Objective 5 (Intensified Urban Agglomeration) recognizes that well-managed urbanization is essential for Rwanda to achieve its aspirations for growth and poverty reduction.
- ***Disability.*** In support for Rwanda's flagship Vision 2020 Umurenge Program (VUP) for targeting vulnerable groups, the World Bank is currently supporting approximately 11,000 single worker households caring for a person with a disability. In addition, technical support is being provided to the Ministry of Education (MINEDUC) along with key civil society organizations to improve the delivery and quality of inclusive education programs in Rwanda. Main activities support: (i) supply-side interventions under the Rwanda Quality Basic Education Project (RQBEP); (ii) awareness building on the national special needs and inclusive education policy and demand-side impacts; (iii) improvements in inclusion data and knowledge management systems; and (iv) local level innovations support disability inclusion in education.

B. Proposed WBG Country Partnership Framework

59. **This CPF comprises five objectives:** (i) Improved Human Capital; (ii) Improved Conditions for Private Sector Development; (iii) Expanded Access to Infrastructure and the Digital Economy; (iv) Increased Agricultural Productivity and Commercialization; and (v) Intensified Urban Agglomeration. These objectives represent the WBG's contribution to the three higher-level development goals set out in the SCD namely higher productivity growth through structural transformation of the economy; an increased pass through of growth into poverty reduction as a result of job growth and greater empowerment of women; and increased sustainability of the country's development pathway including through increased resilience. These three higher level outcomes will each contribute to achieving the WBG's Twin Goals of poverty reduction and shared prosperity (Figure 1).

Figure 1: Overview of intervention logic: WBG inputs, CPF objectives, outcomes and twin goals



Note: Details of intervention logic are presented for each objective in the Results Matrix in Annex 1.

Objective 1 - Improved Human Capital

60. **Objective 1 – Improved Human Capital – aims to deepen Rwanda's human capital base, while supporting the poor and vulnerable groups.** A healthy, well-educated and skilled labor force is essential to Rwanda's future prospects and inclusive growth. However, maintaining high growth alongside sustainable poverty reduction and shared prosperity will not be possible without significant and tailored investments in human capital. An overarching element of Bank support consists of a programmatic HCIG DPO series, which will be delivered from FY21-23. The HCIG-DPO focuses on: (i) fiscal sustainability; (ii) enabling learning and development of children, (ii) enhancing coverage and equity in access to critical social programs, and (iii) strengthening decentralized capacity and accountability for accelerated human capital development. The first DPO in this series, to be delivered in FY21, to which additional resources will be allocated, will respond to the impacts of the COVID-19 pandemic, including measures to accelerate recovery.

Education and Skills

61. **The WBG will support improvements in access and particularly quality of basic education.** Over the past 25 years, Rwanda has made significant progress in expanding the coverage of its education system and has already achieved a high level of primary school enrolment. Now, as Rwanda enters a new phase of development the priority is to improve access and quality in basic education.[14]

[14] *Learning outcomes in Rwanda are alarmingly low: only 45 percent of 2nd and 5th graders tested in 2014 met grade level expectations in Kinyarwanda and in English; and the average score for mathematics was 33 percent for 2nd graders and 38 percent for 5th graders.*

62. **The recently approved Rwanda Quality Basic Education Project for Human Capital Development (RQBEP, FY19) is the first comprehensive engagement in basic education in Rwanda by the World Bank.** The objective is to improve teacher competency and student retention and learning in basic education. The project tackles the crisis in learning and school completion in Rwanda and helps the country strengthen its human capital base for sustained growth, to enable Rwanda to realize its Vision 2050 goal of becoming a high-income country. The WBG education portfolio focuses on building upon and complementing the successful ongoing work in the sector. The design and proposed implementation arrangements of the ongoing RQBEP, for example, were informed by input from other DPs coordinated through a strong Education Sector Working Group (SWG), particularly in school-based support for better teaching and learning.

63. **As a result of school closures in March 2020, which are expected to continue till September 2020, there is a further threat to educational outcomes and greater risk of dropouts**. The GoR together with DPs have developed the Education Sector COVID-19 Response Plan which aligns with the 2018-2024 Education Sector Strategic Plan (ESSP-III). The Global Partnership for Education COVID-19 Fund has awarded a US$10-million grant which will be processed as additional financing to the RQBEP. It will support optimization of remote learning and use of mass broadcasting tools for continued education and socio-emotional wellbeing of students during the lockdown and enhance school safety upon reopening. This grant is well aligned with the RQBEP and will be fully incorporated with the ongoing education portfolio and should contribute to minimizing the impacts of the crisis on the education sector.

64. **The Human Capital for Inclusive Growth DPO includes two areas of focus in education:** (i) improving student flow efficiency in basic education, and (ii) strengthening the governance and quality of the teaching workforce These priorities were designed keeping in view the ongoing and upcoming investment operations of the World Bank, and other partners.

Health and Nutrition

65. **Rwanda has made excellent progress in improving adult survival and reducing maternal mortality rates, but rates of malnutrition and stunting are still too high.** Access to prenatal care is now almost universal and over 90 percent of women benefit from skilled attendants at birth. Despite the country's remarkable achievements since 2000, considerable gaps and unmet needs persist. Tackling Rwanda's unmet needs in health and nutrition may help to unlock its true potential. Chronic malnutrition remains unacceptably high, especially among the poorest households and those living in rural areas (nearly 50 percent). Over the past 15 years, there have been encouraging trends in many of the underlying causes of malnutrition—care practices, environmental health, food adequacy. However, less than 4 percent of Rwandan children have access to all three of

the critical dimensions of child welfare - adequate care, environmental health, and access to minimally acceptable diet. While food consumption has improved in 17 districts since 2015, it deteriorated or remained inadequate in 13 high-stunting districts.

66. **World Bank estimates suggest that with an investment of US$27 million per year over 10 years, 183,000 fewer children will be stunted, and 1.5 million cases of anemia in women will be averted**. Investing in high-impact interventions such as micronutrient supplements and fortification and de-worming will result in an estimated US$3.4 billion in economic benefits over the lifetime of beneficiaries. As the burden of stunting falls disproportionately on poor households, targeting these groups will be also be critical to reducing inequality of outcomes and contributing to shared prosperity. The GoR has renewed its political commitment to dramatically reduce and eventually eliminate childhood stunting.

67. **The World Bank will continue to support the Government's agenda of producing a generation of well-nourished children who grow, thrive, and reach their full potential.** Authorities have set a bold target for all districts to reach a 19-percent stunting rate by 2024. A National Childhood Development Coordination Program was established under the leadership of the Prime Minister. In support of this target, the WBG has developed an integrated program to combat stunting with cross-sectoral interventions through operations in health, social protection, and agriculture as well as private sector (IFC). The US$55-million Stunting Prevention and Reduction Project (SPRP, FY18) aims to: (i) improve awareness and deliver harmonized behavior change messages; (ii) strengthen the community health workers (CHW) program; (iii) strengthen the health sector response and improve accountability of health personnel through a performance-based financing scheme; (iv) support district authorities' multi-sectoral responses; (v) support home-

based early childhood development (HB-ECD) models of care; and (vi) provision of fortified blended food (FBF) for the most vulnerable children and women. World Bank support is complementing that of other DPs. District plans to eliminate malnutrition serve as a vehicle to minimize the risk of duplication and maximize synergies with key partners (USAID, UNICEF) while JICA supports policy reforms through its Sector Policy Loan for Nutrition Improvement through Agriculture Transformation.

68. **In addition to the SPRP, the World Bank is also supporting analytic work and knowledge products.** The World Bank's Mind Behavior and Development Unit (eMBeD) is evaluating select behaviorally informed interventions to identify barriers to accelerated reduction of stunting among children aged 6-23 months. A rigorous impact evaluation has been designed to assess how effective a targeted and multisectoral approach can be in reducing stunting, and the World Bank is also supporting the Government to conduct a nutrition expenditure analysis. The World Bank team is also supporting the National Early Childhood Development Program (NECDP) to strengthen the financial management system and mechanisms for coordinating and monitoring nutrition activities included in the budget to strengthen oversight and stewardship.

69. **The Human Capital for Inclusive Growth DPO focuses on cross-sectoral Early Childhood Development Programs** and aims to(i) enhance timely and effective provision of Integrated Early Childhood Development (IECD) services; (ii) strengthen NECDP oversight and coordination function for delivery of multi-sectoral IECD agenda; and (iii) enhance effectiveness of IECD program implementation. To support quality of health services, the DPO includes (i) provisions for adequate skilled health professionals for service delivery to citizens based on workload and disease profiles, and (ii) improving the financial sustainability of the community-based health insurance (CBHI) and enhancing its membership.

70. **The recently approved US$14.25 million COVID-19 Emergency Response Project (P173855)** is helping Rwanda to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness. The specific interventions aim to: (i) strengthen case detection and confirmation and conduct contact tracing; (ii) improve clinical care capacity; (iii) raise public awareness and promote community engagement; and (iv) bolster coordination, planning, logistical support, and reporting. Activities are also expected to have cross-cutting benefits for addressing other disease outbreaks. The project is part of the global framework of the World Bank COVID-19 Response financed under the Fast Track COVID-19 Facility (FCTF).

Social Protection

71. **The World Bank continues to support efforts to enhance the poorest households' resilience and human capital through strengthening and further development of Rwanda's Social Protection system.** Rwanda's flagship social safety net, the Vision 2020

Umurenge Program (VUP) has made good progress through labor-intensive public works and direct cash transfers to labor-constrained households mainly comprising the elderly and disabled persons. However, the coverage of VUP remains low with only 4.4 percent of the population benefiting from the program (EICV 5). To consolidate the gains and introduce human capital-centered innovations in the VUP, in 2017 the World Bank approved the Strengthening Social Protection Project (SSPP, P162646) with additional financing approved in 2018. SSPP added a nutrition-sensitive co-responsibility cash transfer (CCT) in the VUP as a demand-side intervention to incentivize the poorest households to take up health and nutrition services complemented by SPRP and the HB-ECD as a new modality in the expanded Public Works to support the poorest families with knowledge and practices on better parenting, childcare and early stimulation. Finally, support to the Civil Registration and Vital Statistics (CRVS) agenda is being advanced as a solid foundation for the human capital agenda. Going forward, HCIG DPO will support reforms to: (i) expand child, gender and nutrition-sensitive social safety nets (SSN); (ii) operationalize a social registry to raise the efficiency of targeting of social benefits; and (iii) strengthen Local Government structures, capacity, and accountability for enhanced delivery of Human Capital centered programs. Consistent with the Government's vision, the World Bank remains committed to support other forms of social protection such as sustainable livelihoods enhancement (SLE) of the poor and vulnerable, social pension and longer-term savings schemes, and modernization of delivery systems for social protection (SP) programs and services.

72. **The World Bank's engagement in the social protection sector builds upon ongoing successful collaboration with key DPs.** DFID's support to the SP sector through a recently approved £64.5 million SP Program is fully aligned with SSPP and HCIG DPO and the World Bank and DFID work together through joint implementation support missions. UNICEF is engaged in child and nutrition-sensitive SP with a focus on TA and analytical work, whereas the WFP focuses on shock-responsive SP, which is complementary to the interventions supported by the World Bank. All of these DPs are a part of the Government-led SP Sector Working Group (SWGs) and Technical Working Groups (TWGs), which are convened regularly.

73. **In the context of COVID-19, World Bank support to social protection under the Government's Economic Recovery Plan will be covered in the scope of HCIG DPO**. To enhance shock-responsiveness of the VUP, the HCIG DPO will aim to support expanding emergency cash transfers households affected by COVID-19 containment measures who are not previously covered under any other existing safety net schemes. Furthermore, the use of social registry to guide the adaptive safety net and timely delivery of support and enhanced institutional arrangements to better coordinate and manage delivery of services at the decentralized levels will directly improve Government's ability to respond to future shocks.

Objective 2 - Improved Conditions for Private Sector Development

74. **The second CPF objective aims to improve conditions for private sector development in Rwanda, particularly in the areas of inclusive finance, FDI and vocational skills.** Despite the impressive set of business-friendly reforms that Rwanda has implemented, the private sector remains small scale, largely informal, with a small foothold in external markets. Rwanda's structural features—small, landlocked country with low human capital—hinder market development and the private sector's ability to create jobs. These structural features mean Rwanda has to work even harder to address constraints on private sector growth. The CPSD concluded that availability and cost of key inputs—including finance, ICT, and land—are essential for firm competitiveness and growth.

75. **Several reforms are required to create a financial sector that is sound, deep, and capable of effectively mobilizing and allocating resources to meet the needs of the private sector**. First, vulnerabilities and risks need to be monitored and mitigated to sustain and strengthen confidence in the sector. The GoR and the central bank have undertaken major reforms to the legal and regulatory framework for the financial sector, especially reinforcing the system's preparedness for a financial crisis. Continuing these reforms and eliminating possible barriers to efficient investment allocations will help Rwanda become a more attractive destination for local, regional, and international investments. Secondly, innovations in the design of financial products and services are critical to expand access to and use of financial services. Thirdly, to support sustained economic growth and the Government's transformation agenda, long-term private finance and investments are needed.

76. **The WBG will continue to support MSMEs.** The impacts of COVID-19, especially on MSMEs, are expected to be immense and could put these firms at high risk of bankruptcy and insolvency. To cushion the economic impact on MSMEs, the GoR has initiated an Economic Recovery Fund which the WBG will be supporting possibly through financing, piloting of interventions and targeting. IFC is already partnering with financial institutions to provide debt and equity to local and regional banks for MSME financing, and providing technical assistance to establish a capable, competitive and well supervised credit bureau operator and capacity building in MSME banking and credit risk management through two local microfinance banks and one commercial bank.

77. **In the housing sector, the WBG is supporting both the demand and supply side of housing through the provision of technical assistance, analytical work, and financing investments.** The Rwanda Housing Finance Project (P165649) supports the development of the mortgage market through provision of long-term finance to financial institutions to support the issuance of housing loans to households. On the supply side, IFC will seek to create levers for private sector participation in the housing value chain in order to deepen and broaden the housing sector in Rwanda. IFC will also seek to improve Rwanda's housing investment climate, contribute to the development of a stronger, integrated housing economic value chain for the long-term development of housing markets and a better coordination between the public, private and not-for-profit organization (NPO) sectors engaged in the housing sphere with a focus on greater local private sector engagement in housing.

78. **The WBG will continue its broader support toward inclusive finance in Rwanda with analytical and advisory services and financing** These are geared towards facilitating access to long-term local currency finance for sectors such as housing, infrastructure, agriculture, and MSMEs. Interventions will include (i) supporting implementation of recommendations from the Financial Sector Assessment Program (FSAP) being carried out jointly by the World Bank and the IMF; (ii) supporting catalytic transactions such as the Rwanda Mortgage Refinance Company; (iii) support to crowd in financial services to the agriculture sector through a range of innovative financial and de-risking tools and services; and (iv) investments in alternative investment vehicles and instruments to mobilize long-term local currency financing for MSMEs and infrastructure; (v) facilitating access to long-term local currency financing through the IFC's Capital Market Development Project by increasing secondary market liquidity in the government debt market, increasing supply and issuance of non-government bonds and development of a professional investor base, and (vi) increase competitiveness and facilitate improved investment through improved sector competitiveness and business growth support. Sector-specific reforms will aim to address market failures and promote investment in priority growth sectors for housing, agribusiness, tourism and light manufacturing. Cross-cutting themes include a focus on gender-sensitive programming, a specific focus on SMEs and enhanced private sector engagement.

79. **To facilitate and help retain and increase FDI into Rwanda,** IFC will set up a mechanism, the Systemic Investment Response Mechanism (SIRM), to better detect, manage and track investor grievances in the pre-establishment, establishment and post-establishment phases of FDI. This will help address issues or problems before they have escalated into full-fledged investment legal disputes. MIGA will continue to explore opportunities for de-risking foreign private investment and lending in Rwanda through its guarantee products.

80. **IFC will continue supporting economy-wide improvements in the investment climate and strengthening the business environment in high growth potential sectors such as agribusiness and housing.** In agribusiness, IFC will seek to increase the role of the private sector in supply chains and improve food-safety management by streamlining regulatory compliance in Rwanda. This will be achieved by: (i) Identifying and resolving key regulatory constraints affecting firms in agro-chemicals and food-processing sub-sectors; (ii) Strengthening institutional frameworks by building capacity of newly created FDA (Food and Drugs Administration), other agencies under the Ministry of Agriculture (MINAGRI) and introducing reforms and establishing private sector feedback loops for reform delivery; and (iii) Providing business advisory to agribusinesses on regulatory compliance.

81. **The World Bank will expand opportunities to acquire quality and market-relevant skills in selected sectors while IFC targets private investment in TVET and distance education.** The proposed Additional Financing for the Priority Skills for Growth Program-for-Results (PSG Additional Funding, FY21) builds on evaluation of the National Employment Program (NEP, 2014-2019) and will support the National Skills Development and Employment Promotion Strategy (NSDEPS, 2019-2024) which aims to provide the workforce with market-relevant skills and access to quality employment. Under the original PSG Program, satisfactory results have been achieved including skills assessment for the target sectors and development of related training programs; improvements in the operations of the student loan program and skills development fund (SDF); and training of the first and second cohorts of SDF recipients. As noted in the CPSD, private sector provision of higher education is nascent in Rwanda as a result of the small market, poor overall basic education outcomes, and high fees because of low scale economies. However, there may be potential for private sector participation in skills development through the TVET system. IFC is targeting opportunities to invest in scalable, quality, affordable and innovative TVET and distance education providers.

Objective 3 - Expanded Access to Infrastructure and the Digital Economy

82. **Rwanda has achieved major gains in infrastructure, especially in terms of access to electricity, water, and sanitation, yet the private sector still faces constraints that reduce returns.** High cost and unreliability of electricity, poor transport connectivity, and a small digital economy and ICT sector are all cited as cross-cutting constraints. Hence, policy interventions in Rwanda should emphasize energy sector reforms, improving connectivity domestically and regionally, and promoting the digital economy and ICT.

Energy

83. **One of the major challenges for Rwanda's enterprise sector is the cost of power.** Unit costs of electricity in Rwanda are among the 10 highest in SSA. The GoR recently reduced tariffs for commercial sectors through subsidies. As Rwanda's fiscal space has substantially narrowed and there are competing demands for public resources, long-term

cost reduction requires adhering to the principles of least-cost power production, including considering imports from neighboring, competitive electricity producers. Power outages—particularly for manufacturing firms—also hurt competitive advantage. One-third of firms report that access to reliable electricity is a challenge to their operations.

84. **The World Bank supported on- and off-grid electricity access to households and industrial / commercial consumers in Rwanda during the previous CPS.** These programs addressed sector reforms,[15] expanding access[16] and generation capacity,[17] restructuring Rwanda's electric utility while improving its efficiency[18], asset and liability evaluation, sector capacity needs assessments, energy sector agencies' capacity strengthening, and comprehensive assessment of financial viability of the energy sector. The World Bank has also served as co-chair of the Energy SWG which promotes a coordinated approach of DPs and energy sector stakeholders. The Energy Access and Quality Improvement Project (EAQIP), currently being prepared, will further support improved access to energy and efficiency and reliability of energy service delivery to households, businesses and public institutions in Rwanda. It is well-aligned with the Government's sector priorities and has been developed to both establish a sustainable policy-framework for the sector and to support the investment needs. Successful implementation of the project will require strengthening the capacity of relevant government agencies and organizations, particularly the Rwanda Energy Group.

85. **To support the Government's ambitious electrification agenda (universal electrification by 2024), the WBG is collaborating with multiple development partners.** The African Development Bank (AfDB), European Investment Bank, Agence Française de Développement, OPEC Fund for International Development, Saudi Fund for Development, and Korean EXIM Bank, are putting together a universal energy access program with collective financing of US$650 million. The energy sector in Rwanda is also supported by IFC, which is considering refinancing of small hydropower plants; and by MIGA, which is considering providing a guarantee in a solar off-grid service provider company.

86. **IFC will assist the power utility to explore options to reduce the tariff of existing small/medium-scale hydropower IPPs.** If the right reforms are carried out, they will also refinance a portfolio of small/medium-scale hydropower projects with a view to reducing their tariff; and finance a medium scale IPP implemented in line with the Least Cost Power Development Plan. IFC will also support GoR to competitively procure electricity through an IPP scheme.

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[15] *Energy Sector DPO series (US$375 million; FY2018-20; P162607, P166458, P169040).*

[16] *Rwanda EASSDP (P111567, 2009 and 2013; US$130 million); RESSP (P150634, 2015; US$45 million for access); Scaling-up Renewable Energy Program-financed Rwanda Renewable Energy Fund (P160691, 2017; US$50 million for off-grid access); Rwanda EAQIP (P172594, 2020; US$150 million for grid/off-grid electrification, distribution network strengthening, and clean cooking).*

[17] *AFR RI-Regional Rusumo Falls Hydroelectric Project (P075941, 2013; US$340 million).*

[18] *RESSP (P150634, 2015; US$50 million for utility reforms).*

87. **As part of its support to Rwanda's anti-crisis resource mobilization, the World Bank prepared and delivered a US$100-million supplemental DPO based on the series of Rwanda Energy DPOs.** The program built on WBG recent successful engagement in energy sector reform aimed at promoting access to electricity in a fiscally sustainable manner.

Transport

88. **The demand for transport in Rwanda is growing rapidly.** In Kigali, the capital and largest city, rapid urbanization and rising incomes have led to an estimated 75 percent increase in the number of vehicles over the last 10 years (NISR, Rwanda Statistical Yearbooks).Traffic congestion is becoming part of everyday life and is leading to associated negative environmental impacts such as local air pollution, greenhouse gases, and noise. In rural areas, despite a recent scale-up in investments, the poor quality of rural roads impairs the integration of Rwanda's countryside with its cities. Half of the rural population have no access to a road network in good condition within a 2-km walking distance. The lack of rural-urban links limits the opportunities for rural workers, including off-farm rural workers, to raise the efficiency, specialization, and ultimately productivity that can otherwise slow rural poverty reduction and limit the supply of inputs to urban areas.

89. **The WBG will continue to support GoR's efforts to develop a multi-modal transport system to reduce the cost of doing business and facilitate trade**. Access to both domestic and international markets remains a major challenge in Rwanda and is a key focus under the economic transformation pillar of the NST1 which targets rehabilitation and maintenance of 3,000 km of feeder roads to link agriculture production centers to markets.

- The ongoing Feeder Roads Development Project (FRDP, P126498) financed by the World Bank (IDA Credit) and a Multi-Donor Trust Fund (Grant) aims to enhance all-season road connectivity to agricultural market centers in selected districts. The project is on track to improve 720 km of feeder roads, increase the percentage of feeder roads in good and fair condition from 15 per cent to 48 per cent, connect 150 market centers and provide access to all-season road connectivity to at least 50 per cent of the rural people in the participating districts. The GoR is in the process of preparing a National Feeder Road Master Plan under FDRP which will form the basis for planning and financing Rwanda's future Feeder Roads Program.
- The WBG's ongoing multi-country Lake Victoria Transport Program (P160488; FY17) financed under IDA Scale-Up Facility, will see an upgrade to the regional road corridor linking the border crossing at Rusumo to the border crossings at Nemba and Rusizi to EAC road standards. Options for connecting the new Kigali Logistics Platform are also under review. The project will be restructured to include updating of a National Transport Master Plan that can guide the sustainable development of an integrated multi modal transport sector.

90. **The World Bank also maintains a strong urban transport sector engagement with Rwanda, including through an ongoing series of policy dialogues**. Through the ongoing Policy Dialogue on Enhancing Urban Mobility in Kigali II (P171671), the World Bank is delivering advisory services and technical assistance build capacity to manage urban mobility in the city, including through public transport reform, bus-rapid-transit (BRT) development and implementation and eMobility. The GoR is now considering scaling up the engagement through an IPF operation to tackle traffic congestion and urban air pollution in Kigali through support for congestion relief investments (such as junction improvements, freight management, dedicated bus lanes), the first corridor of a new BRT system with prospective options for electric mobility, and institutional strengthening for national and city-level institutions managing the urban mobility sector. The BRT project is expected to mobilize a significant amount of private investment through its PPP model.

Digital Technology

91. **Since Rwanda is a small, landlocked country distant from major markets, digitally enabled services are a promising pathway for export-oriented services.** However, several constraints are holding back more rapid adoption of digital technologies. These include the low purchasing power of Rwanda's citizens, low levels of computer and smartphone ownership, an erratic electricity supply, low digital skills and lack of sufficient local digital content and services. Attention now needs to focus on how to unlock the benefits of past investment by expanding access to more Rwandan citizens and firms. Efforts are needed to foster competition, bring down access costs, and equip individuals and firms with the digital skills to be able to navigate the vast catalogue of digital services, information, employment, and e-commerce opportunities now at their fingertips.

92. **The World Bank and IFC jointly supported the multi-disciplinary diagnosis of the Digital Economy for Africa (DE4A) for Rwanda.**[19] The assessment reviewed the building blocks of Rwanda's digital economy: (i) Digital Infrastructure; (ii) Digital Skills; (iii) Digital Platforms; (iv) Digital Financial Services; and (v) Digital Entrepreneurship. While substantial progress has been made, particularly in digital infrastructure and development of public digital platforms and services, Rwanda has a long way to go to accelerate digital transformation and foster the emergence of an advanced digital economy.

93. **IFC has also supported expansion of cellular telecom towers, with FMO and a local commercial banking consortium** with the objective of helping establish a common mobile telecom infrastructure platform in Rwanda. IFC has also worked with the World Bank to provide an Options Study for addressing the commercial challenges of Korea Telecom Rwanda Networks (KTRN), the joint venture between Korea Telecom (KT) and the Rwandan Government.

94. **The WBG will seek to accelerate country-wide digital transformation and facilitate Rwanda's integration in the emerging regional digital market.**[20] The proposed World Bank Digital Rwanda Acceleration Project seeks to position Rwanda to capitalize on digitally enabled growth, innovation and enhanced serviced delivery, while ensuring that all Rwandans are equipped to participate and leverage opportunities in the country's emerging digital economy. The project will expand digital adoption - bringing more Rwandans online by addressing the major barriers that constrain demand for digital services and spearheading a series of interventions that promote digital inclusion. It will also enable Rwanda to leverage enabling digital platforms and data-driven solutions that improve the efficiency and adopt digitally enabled services that span the public and private sectors. It will increase Rwanda's capacity to support digitally enabled innovation and productivity-gains by strengthening the local entrepreneurship ecosystem, supporting tech firms to move from startup to growth, and supporting the adoption of digital technology in key sectors.

[19] *Key findings are featured in the 15th edition of the Rwanda Economic Update. See: http://documents.worldbank.org/curated/en/912581580156139783/Rwanda-Economic-Update-Accelerating-Digital-Transformation-in-Rwanda*

[20] *The East Africa Single Digital Market Initiative aims to support the East African Region to become a more deeply integrated and dynamic digital investment, innovation and trade hub - unlocking the growth potential of the East African Digital Economy. The initiative is coordinated by the World Bank with key regional stakeholders. World Bank. 2019. "A Single Digital Market for East Africa: Presenting Vision, Strategic Framework, Implementation Roadmap, and Impact Assessment". See: http://documents.worldbank.org/curated/en/809911557382027900/A-Single-Digital-Market-for-East-Africa-Presenting-Vision-Strategic-Framework-Implementation-Roadmap-and-Impact-Assessment*

95. **The World Bank and IFC will coordinate and leverage their respective strengths, technical expertise and resources to support the GoR** to further develop the broadband market in Rwanda. This may include supporting unbundling of KTRN such that the 4G spectrum becomes available to operators for their own deployment and supporting the entry of new players or acquisition of 4G spectrum by existing operators; supporting liberalization of the fixed-line sector through PPPs or acquisitions; creating a fixed-line market structure with a carrier-neutral wholesale fiber operator to provide transmission services to all operators (MNOs and internet services providers - ISPs) on a nondiscriminatory basis; liberalization of the 4G spectrum; commercialization of State-Owned Fiber Networks; and creating a regulatory framework to promote broadband open access and infrastructure sharing.

96. **IFC, as part of working towards Inclusive Finance as a strategic priority, will also focus on building local capital market infrastructure and accelerating the adoption of digital financial services.** The latter will be achieved by supporting stakeholders to design appropriate digital financial services solutions and products that meet the market needs and structuring the right partnerships. This will include helping financial institutions become more digital and enabling financial institutions, wallet providers, and switches to design partnership models as part of product development.

Objective 4 - Increased Agricultural Productivity and Commercialization

97. **To maintain high growth, agriculture must continue to modernize, become more responsive to market signals, and more effectively integrate with regional and global markets.** It will need to shift from primarily supplying commodities for domestic use to producing higher value-added goods as an integral part of and international food supply chains to reap the benefits of scale economies and specialization. This will require rapid responses to market signals, ready access to investment resources, technical expertise, and the ability to organize production that can only be accomplished by the private sector.

98. **The WBG will continue to support capacity strengthening of agriculture sector institutions to deliver on the expected Strategic Plan for the PSTA-4 results.** These include the required policy and organizational reform needed to promote increased private sector investment, enable the delivery of improved services and commercialization of key agriculture value chains, and promote efficiency in public expenditures. Key interventions will include support to develop digital information platforms, mechanisms to strengthen Agriculture Public-Private Dialogues (Agri-PPDs), development of Public and Private Partnerships (PPPs) in the areas of irrigation, land husbandry and agriculture infrastructure, and private sector extension models.

99. **In order for Rwanda to move up the agribusiness value chain, more private investment is critical.** IFC has invested in a greenfield public-private partnership that produces fortified blended foods which includes a contract farmer financing facility to support smallholder cooperatives. IFC has also leveraged the Global Agriculture and Food Security Program (GAFSP) to support leading commercial banks to expand lending to the agricultural sector. It has supported local maize production by training smallholders in modern farming methods and helping cooperatives become more professional. IFC has also helped demonstrate a variety of irrigation system options, installing irrigation systems for 10 cooperatives, providing market linkages for horticultural production, and worked with a regional company producing wheat flour to lower prices in Rwanda's domestic market through increased competition. Bank supported interventions build on existing efforts to draw in financial services to the agriculture sector and will support a range of innovative financial and de-risking tools and services These include the development of platforms to deliver FinTech solutions, payments, savings, insurance and market information. Improved access to finance will allow agri-food producers and other value chain actors to acquire equipment, infrastructure, inputs, and to establish or upscaling agriculture processing facilities.

100. **The WBG will also support nutrition-sensitive and climate-resilient agriculture technologies and improved post-harvest handling, processing and marketing systems, and private sector linkages**. Support for essential goods, works and services will facilitate the generation and dissemination of technology along the selected value chains with a view to increase productivity and commercialization. Investments will include irrigation, sustainable land management infrastructure, on-farm infrastructure; such as greenhouses and mechanization, cold chain, post-harvest and value-addition infrastructure.

101. **IFC will seek opportunities to invest in improving low quality inputs, inefficient production techniques, and lowering high transportation costs.** It aims doing so by increasing competitive and profitable commercial farms that could utilize small land effectively and drive exports; expand medium-scale commercial farming; and develop financial products that will support agriculture investments. Working with private sector clients such as agro-processors, IFC seeks to support private investments in high-potential sectors such as sugar, horticulture and tea. Investments will then prioritize Madhvani Sugar's expansion, upstream work on Gabiro Agro Park and the Gako beef project. For the upstream work on Gabiro Agro Park, the GoR and Netafim will develop 16,000 hectares (ha) of irrigated arable land with bulk water supply infrastructure and rent out to private sector agribusiness players.

102. **IFC will continue working with Africa Improved Foods Limited (AIFL) and its suppliers to improve production** and post-harvest handling practices with an objective to increase supply of high quality locally grown maize and lower levels of aflatoxin.[21] Furthermore, they are building the capacity of irrigation systems design and distribution companies.

Objective 5 - Intensified Urban Agglomeration

103. **Rwanda needs an economic engine that will deliver dynamic agglomeration economies of the kind seen only in large cities.** Kigali's economy, which is already seven times the size of the next largest urban area, can perform this role. With 1.63 million residents as of 2017, Kigali is home to approximately 13.7 percent of Rwanda's population. Population growth in Kigali was about 6 percent per year from 2002 to 2012, which makes it one of the fastest-growing cities in Africa and the most favored destination for rural migrants. However, there is evidence that zoning and urban planning have restrained the market forces that generate scale economies and reduced Kigali's potential to grow and absorb surplus workers from rural areas. Moreover, the combination of scarce access to land in and around Kigali and zoning and regulations has also reduced the availability of affordable housing, the lack of which, in combination with the low tolerance to informality, is currently discouraging rural-to-urban transition. As 63 percent of Kigali's settlements are considered informal, this situation is more or less similar in some of the secondary cities, and people in those areas live with lack of basic infrastructure and poor living conditions.

104. **There is a projected demand for 345,000 new houses by 2022 in Kigali alone**. More than half of these new units would need to cater to the affordable housing segment of the market. In upgrading of unplanned settlements and satisfying housing demands, market opportunities cut across construction, infrastructure provision, local manufacturing of building materials, and professional services.

[21] *IFC has invested in Africa Improved Foods Limited (AIFL), an affiliated company of Royal DSM (Netherlands), to support the construction and operation of a 45,000 MT processing plant in Rwanda to produce high-quality fortified food products used by agencies such as WFP and various national Government programs to combat malnutrition. The aim of the investment was to address malnutrition in the most vulnerable populations such as pregnant and lactating mothers and infants, while creating a market for the maize production base of 12,000 farmers.*

105. **Vulnerability to climate change, notably urban flood risks, has also been exacerbated by unmanaged urban growth and subsequent degradation of natural resources and ecosystem services**. To sustain Rwanda's growth trajectory and gains, efforts are needed to enhance resilience by improving adaptive capacity against climate-related risks such as floods. Rwanda's exposure to climate change and the associated disaster risks can undermine its growth prospects and slow down poverty reduction efforts. Rwanda's priority now is to carry out adaptive, responsive planning that improves urban development, harnessing the agglomeration economies that are essential for future economic growth and poverty reduction, while taking heed of the country's vulnerability to the climate change.

106. **The World Bank previously supported the Rwanda Urban Development Project (RUDP) (P150844; FY16, US$95 million)** to provide basic infrastructure in six secondary cities, pilot upgrading of an unplanned settlement in Kigali and build urban management capacity at the local level. Implementation of the infrastructure part in the secondary cities progressed very well, however, the pilot upgrading encountered serious delays in Kigali, mainly due to design changes in the original plan, and high cost of compensation.

107. **The World Bank is supporting RUDP II, which will build on the first phase, but with expanded and new focus on some important aspects.** These include: (i)increasing the pilot upgrading in Kigali from 86 to 385 hectares and upgrading in six secondary cities to about 515 hectares; (ii) an integrated approach to flood risk management from the upper to lower catchment areas; and (iii) continued strengthening of cities' economic and spatial planning capacity for efficient infrastructure and service provision. MIGA has been addressing Kigali's water supply shortages through a guarantee for the Kigali Bulk Water Supply project involving the construction of a water treatment plant, pumping stations and storage reservoirs.

108. **The World Bank will support Rwanda in developing climate-compatible, sustainable urban infrastructure through NDC Deep Dive Support Project.** This project will support infrastructure development in secondary cities by focusing on sustainable settlement through strengthened spatial planning, improved waste disposal and recycling, air and water pollution management, and efficient use of water resources.

109. **To address Kigali's affordable housing issue, IFC is currently progressing with an investment in Kinyinya, Kigali, where it has actively played a market creation role.** This has involved bringing an international developer to deliver on a large-scale residential unit project. This project is the first phase of what will ultimately be a 10,000-unit community development. IFC is also in discussions with Remote Group, a local developer to finance the Rugarama project. Together with the World Bank, IFC is actively engaged to address the offtake side through the Rwanda Affordable Housing Finance Project as well as working to support the creation of the Rwanda Mortgage Refinance Company (RMRC), which will help unlock the mortgage market.

110. **A key strategic objective for IFC is to support and deepen the Rwandan affordable housing supply towards delivering 15,000 units over the next three to five years**. This will entail working to improve policy environment for rental property development framework and developing the capacity of local developers and construction companies. IFC will also aim to stimulate effective housing demand by supporting the RMRC and creating a consistent PPP framework to increase the affordable housing supply. IFC will start by investing in developers with cost effective, alternative construction methods and other innovative technologies that could improve the affordability of the developed housing units and achieve greater scale. Enabling a greater role for the private sector requires resolving the issues associated with the existing Condominium Law to enforce the mechanism for foreclosures and security over mortgages, among other regulatory issues.

Development Objectives at the Regional Level

111. **The WBG's regional objectives are multi-sectoral.** They include: (i) improving the efficient and safe movement of goods and people along a regional corridor from a border crossing with Tanzania (Rusumo) through border crossings with Burundi (Nemba) and DRC (Rusizi); (ii) facilitating cross-border trade by increasing the capacity for commerce and reducing the costs faced by traders, especially small-scale and women traders, at targeted locations in the borderlands; (iii) increasing the supply of electricity to the national grids of Rwanda along with Tanzania and Burundi; (iv) developing Rwanda's potential as a regional hub for digital connectivity; and (v) strengthening selected Eastern and Southern African higher education institutions to deliver quality post-graduate education and building collaborative research capacity. Sufficient preparation time and resources to ensure effective implementation will be built into regional projects to address problems identified in the CLR.

C. Implementing the CPF Program

112. **Given the CPF spans two IDA cycles; IDA19 and IDA 20, the program agreed with the GoR is for IDA19** and the specifics of the rest of the program will be agreed at the time of the PLR. As mentioned above, should the COVID-19 pandemic trigger a full revision of the program, the WBG will advance the PLR to reflect the changes agreed with the authorities. The evolving crisis has restricted movement but the WBG team is all in Kigali and relies on technology to ensure business continues during the period of restricted movement. This arrangement allows for reflecting the findings of the NST1 mid-term review planned by the GoR in FY2021-2022. It is safe to assume, given the long-term planning available, that the WBG will remained focused on areas like human capital, agriculture and select infrastructure sectors. The WBG will continue to employ all modalities of funding, continue to mobilize trust fund resources and use selectivity for ASA and IFC advisory programs. The WBG will continue the successful partnerships created under the CPF and expand to other sectors.

Financial Envelope

113. **The indicative allocation for Rwanda under IDA19 is US$912 million.**[22] Given Rwanda's approach of frontloading its IDA commitment and track record of making use of additional IDA resources available, Rwanda will explore utilization of resources from IDA special windows. Rwanda also selectively utilizes IDA Scale-Up Facility and there is an approved request of US$100 million for FY21 in agriculture finance (Table 5).

Table 5: Tentative IDA19 lending program (FY21 – FY23)

	IDA19 proposed allocation	US$ Million
FY21	Rwanda Priority Skills for Growth Project – Additional Financing	150
	Human Capital Development Project – DPO1	150
	Increasing Energy Access Project	150
	Rwanda Urban Development Project – RUDP II	150
Sub-total		***600***
FY22	Human Capital Development Project - DPO2	125
	Agriculture Project (IDA US$100 m + Scaled Up Facility US$100 m). The part of funds will go through MINAGRI and other part will be channeled through a revolving agriculture de-risking fund under BRD	200
	Rwanda Digital Acceleration Project	100
	RUSIZI Hydro Power Plant III	33
Sub-total		***458***
FY23	Human Capital Development Project - DPO3	125
	Strengthening Social Protection Project II	100
Sub-total		***225***
Total		**1,283**

[22] *Referenced IDA volumes are indicative. Actual PBA allocations will be determined annually and will depend on: (i) total IDA resources available; (ii) the number of IDA-eligible countries; (iii) the country's performance rating, per capita GNI, and population; (iv) implementation of IDA's forthcoming Sustainable Development finance Policy (SDFP) and (v) the performance and other allocation parameters for other IDA borrowers.*

114. **Since the CPF program is planned across the WBG and a number of its components are designed to leverage private sector and other DPs' financing, mobilization of private financing is expected across the program**. Examples include the agriculture, affordable housing finance and energy sectors. It is difficult to estimate at this point the exact amount of leveraging this IDA envelope will mobilize.

115. **The WBG will also continue to use innovative approaches to support Rwanda's efforts to mobilize private finances in different forms**. In January 2020, the World Bank issued its first bond in Rwandan Franc - a US$40-million equivalent - purchased by off-shore investors bringing international funding to support Rwanda's development priorities. It is a three-year bond with an annual coupon of 9.25 percent. This IBRD bond was listed on the London Stock Exchange, the first IBRD or IDA bond to be listed there. Similar issuance will be considered in the future as this raises awareness of investment opportunities in Rwanda among international investors.

Portfolio Performance

116. **Rwanda continues to have one of the best-performing portfolios in the Africa region and still holds the highest Country Policy and Institutional Assessment (CPIA) rating amongst low-income countries**. Its annual disbursement rate has consistently been above the regional average and its own target. The average disbursement rate during the FY2014-2020 CPS is 25.97 percent. However, a number of systemic problems prevent the portfolio from going to higher levels. The June 2019 Joint Country Portfolio Performance Review (CPPR) identified these issues and agreements were reached with the GoR to resolve them (Annex 9 presents the outcome of the 2019 CPPR). Overall, given the GoR's strong accountability system, risk of corruption in general and including in Bank projects is low. The main issues facing strong program implementation are lack of adequate skills in the market and lengthy processes for procurement transactions. During the CPF period, the WBG and the GoR will work together to address these bottlenecks as reflected in the matrix below.

Partnerships

117. **The WBG will continue to be part of the strong existing platform for DP coordination in Rwanda**. Strong participation and, in some cases, leadership will continue across several sectors which is feasible given the existing sectoral staffing in the CO. At the level of SWGs, the World Bank will continue to lead the SWG in urban development and as of FY21, will also co-chair the agriculture SWG. The WBG's joint publication with the GoR, *The Future Drivers of Growth* is systematically being used as a key input to planning programs for all DPs. The strong level of consultations that takes place on the ground amongst the main DPs will continue. During the CPF period, the DPs active in Rwanda will work with the Government to mobilize non-traditional DPs to the existing platform. This includes foundations active in Rwanda, social investors, development banks, and, in key areas, the private sector and CSOs.

118. **The WBG will continue to work closely with the IMF to ensure the stability and soundness of the macro-fiscal framework.** This coordination will be key during FY21 to ensure emergency support for COVID-19 helps to prevent the reversal of Rwanda's development gains. As the practice has been, the World Bank will continue to join IMF missions to Kigali and will actively participate in discussions. The annual Debt Sustainability Analysis (DSA) will continue to be done jointly, allowing for identification of areas where the GoR needs capacity building in macro-fiscal management and plan complementary support between the two institutions. The new Sustainable Development Financing Policy for engaging with IDA-eligible clients will further guide Bank's policy dialogue with the GoR and, if necessary, address emerging risks to fiscal and debt sustainability in coordination with the IMF.

Co-financing and parallel financing

119. **This high level of coordination amongst DPs will result in further expanding the number of sectors and programs that involve co- and parallel financing**. The existing co-financing arrangements in rural roads and agriculture will continue.[23] The parallel financing arrangements in public finance management, social protection, transport, and health will also continue. A new power program to expand access and enhance quality will be launched in FY21. This program will contain co-financing with a number of DPs along with parallel financing with others.

120. **The IDA financial envelope will be selectively positioned to leverage private finance and investment**. Earlier in the CPF, the World Bank and IFC are likely to see the fruits of their joint support to the GoR in establishing the housing refinancing facility. If this moves according to the plan, it is likely that US$10 million will be mobilized for the initial capital of the facility including US$1.7 million in equity from IFC, with another US$35 million planned in bond issuance. The agriculture finance project planned for FY21 is likely to mobilize US$170 million from banks and insurance companies to support the sectors. These are only examples of a longer list of potential leveraging possibilities.

Monitoring and Evaluation

121. **The WBG will continue to rely on the expanded Kigali-based team based to provide implementation support to the portfolio.** Currently, 50 percent of the portfolio is managed from the country office or from a neighboring country office, with team leadership arrangements involving field-based staff covering other parts of the portfolio. This allows for day-to-day communication with counterparts and a continuous dialogue not just on portfolio implementation but overall sectoral policies. The World Bank also has field-based fiduciary and safeguard staff who contribute to a solid support to the client. During the last two years, annual disbursement and procurement forums were organized, with

[23] *The co-financing in rural roads is with the USAID and the Dutch government. The co-financing in agriculture is with DFID and the Dutch and Belgian governments.*

participation from the Loans' Department which helped smooth disbursement transactions and built relationships between clients with back-office functions in the World Bank. This practice will continue given the good results seen so far.

122. **Under the CPF, the World Bank plans to introduce the use of Geo-Enabling initiative for Monitoring and Supervision (GEMS) in Rwanda's Portfolio Monitoring**. GEMS relates to the use of hand-held ICT tools (smartphones/tablets) to collect granular geo-tagged project data that automatically feeds into a project central monitoring and evaluation (M&E) system. This is intended to contribute to effective planning, remote supervision, M&E, and geo-mapping of projects. Using GEMS for Rwanda portfolio mapping will systematically allow operations to enhance the transparency and accuracy of M&E, and accountability. It will also provide a platform for remote supervision, safeguards monitoring, and portfolio mapping for coordination across projects and partners. This is intended to build capacity among clients and local stakeholders to harness simple ICT tools for baseline data collection, remote supervision, M&E, beneficiary engagement, risk management and portfolio mapping.

123. **Capacity to produce, manage, analyze and use data is an important foundation for evidence-based policy making and the WBG's work in Rwanda.** The NISR is a capable institution for providing such quality data and has been active in receiving TA from DPs to enhance its capacity further. For example, the World Bank has been supporting NISR with a program of TA on poverty measurement and analysis. Most of the indicators proposed to measure progress against CPF objectives are derived from surveys and censuses conducted periodically by NISR.

124. **The World Bank's Development Impact Evaluation (DIME) group works with the Government** to generate high-quality and operationally relevant data and research. For the past seven years, DIME has developed a country research program in Rwanda (Box 3). The program includes rigorous evaluations and innovative implementation modalities in the agriculture sector, roll out Randomized Controlled Trials within government programs, and collects agricultural data on an annual basis. More recently, the program has moved beyond household surveys to collect high-frequency data and digitize administrative data, building the capacity and scale of the data infrastructure in the country. Collaboration with numerous government agencies ensures that data-collection efforts led by DIME serve both trend monitoring purposes and will also be utilized to inform policy. The WBG is committed to continuing to support the GoR in increasing the use of evidence in its decision-making apparatus.

BOX 3: WBG's DIME activities in Rwanda

In 2017, the European Union (EU) – Rwanda formalized a contribution to the World Bank's Impact Evaluation to Development Impact (i2i) trust fund to support a portfolio of impact evaluations (IE) of flagship MINAGRI programs and policy priorities, to develop a larger evidence base in agriculture. This effort complements the planned national agriculture survey in identifying key gaps and policy reform needs, using experimental and non-experimental IE methods to test policy options, delivery mechanisms and operational possibilities. A key pillar of the partnership is to build capacity throughout the sector – with trainings for government staff and targeted engagements between DIME researchers and local academics. The partnership has already delivered a range of outputs that have fed into policy and programming. One research collaboration documenting the impacts of farmers' access to dry-season irrigation found that while irrigation significantly enables dry-season horticultural production, irrigation use remains moderate and stagnant four years after the system came online. This dichotomy has fed into a new phase of WBG investments in the sector that will be complemented by experimentation on potential policy instruments to support MINAGRI's agenda.

Over the next six years, DIME will continue to engage with MINAGRI and other line ministries to support the generation of policy-relevant results. This includes working with WBG-supported MINAGRI projects (such as the Sustainable Agricultural Intensification Project, SAIP) and other large-scale investments including the Rural Feeder Roads program. This support includes technical assistance to the Government in continuing to develop data systems that respond to key questions of interest that have been several years in the making. This robust information system will build upon ongoing efforts to collect and digitize data to set up a reliable information system for evaluating the impact of large-scale infrastructure, supporting the Government's agenda of rural transformation.

Country Systems

125. **Rwanda has been consistently enhancing its institutional capacity and, for a low-income country, has solid institutions that allowed the country to have the highest CPIA rating of this group of countries.** The WBG has been using country systems across program and project implementation. Project audits done by the Office of the Auditor General (OAG) in Rwanda are acceptable to the WBG and will continue to be used across the portfolio. The OAG has also taken responsibility for verifying the achievement of results under program for results (PforRs) with technical support from the private sector only when needed.

126. **The GoR conducts an annual exercise to assess the extent to which DPs use country systems.** According to the most recent Report (FY17-18), the WBG continues to use country systems in the delivering their resources to the Government. While 71.1 percent of DP disbursements use country public financial management and procurement systems, WBG is among the top four DPs whose disbursements were done using country public financial management and procurement systems at 100 percent.

127. **Not only has the WBG been diligently using country systems in Rwanda and will continue to do so, but it has also been contributing to enhancing these systems**. In the area of procurement, the World Bank supported the development and deployment of the e-Government Procurement (e-GP) system as part of Public Sector Reform PforR under the CPS. Rwanda is the first country in Africa to roll out e-GP (end to end solution) across the country and for all public procurement categories. This success will significantly contribute to better public finance management by enhancing transparency, integrity and value for money in public procurement. The World Bank has established the technical feasibility of system integration to share Procurement Plan data between the World Bank's Systematic Tracking of Exchanges in Procurement System (STEP) and the Rwanda E-Government Procurement System via system-to-system API exchanges. Once implemented, interface of the two systems will resolve the current procurement process delays due to double work by the SPIUs both on E-Procurement and STEP.

128. **The World Bank is also financing and leading the Rwanda Public Procurement Assessment by following the Methodology for Assessment of Public Procurement System** (MAPS). The assessment is conducted in coordination with the Rwanda Public Procurement Authority and other DPs (mainly AfDB). Once completed the assessment report will be used for future reform plans in the public procurement area.

129. **The World Bank's engagement in the area of public financial management (PFM), as part of a donor basket fund, has contributed to enhancing reliability and efficiency of the budget process.** The on-going PFM Reform Project, launched in December 2018, will further improve budget reliability and control of funds for service delivery, enhance budget transparency and increase professionalization of public finance officials. The project will support the roll out and expanded functionality of Financial Management Information System (FMIS), implement public sector accounting reforms, strengthen the multi-year perspective of budgeting, support implementation of performance-based budgeting methodology and build capacity in procurement and accounting/audit. Expected project results include improved budget outturns, reduced payment arrears in districts, publishing a comprehensive citizens' budget, increasing the number of professionals among public finance staff, and improved alignment of reporting practices with international standards.

IV. MANAGING RISKS TO THE COUNTRY PARTNERSHIP FRAMEWORK PROGRAM

130. **The overall risk to the CPF is assessed as moderate (Table 6).** A high level of political stability combined with functional and results-oriented public administration has allowed the WBG to engage effectively with Rwanda with a high degree of predictability. Overall risks could have been low but were adjusted because of high macroeconomic risk resulting from significant exposure of Rwanda's strategic sectors to the COVID-19 pandemic. Remaining risks vary from low, moderate, to substantial.

Table 6: Systematic operations risk rating tool

Risk category	Rating (High, Substantial, Moderate, Low)
1. Political and governance	Moderate
2. Macroeconomic	High
3. Sector strategies and policies	Moderate
4. Technical design of project	Low
5. Institutional capacity for implementation and sustainability	Substantial
6. Fiduciary	Moderate
7. Environment and social	Substantial
8. Stakeholders	Low
Overall	**Moderate**

131. **Macroeconomic risk is assessed as high.** While Rwanda is expected to maintain manageable risk of debt distress due to its strong debt-carrying capacity and the country's reliance on concessional borrowing, fiscal space for investments that are critical for achieving results in the areas targeted by the CPF, especially human development and agriculture, may come under pressure if expectations behind large-scale investments do not materialize and long-term growth slows down. COVID-19 has further intensified the economic uncertainties and risks facing Rwanda because of significant exposure of its key services export sectors such as business, eco-tourism and air-transportation to the global slowdown. The pandemic may have long-term negative effects on the economy and further narrow Rwanda's fiscal space. The WBG will continue to engage in macro and fiscal dialogue with the authorities to support striking an optimal balance between public investments in long-term strategic sectors and preserving the fiscal space for investing in human capital and agriculture. Rwanda's strong track record in macroeconomic stability and PFM will allow the WBG to continue using development policy financing through which an estimated 40 percent of disbursements under IDA19 will take place. The DPO series would allow pro-active engagement in the overall policy dialogue with the authorities and provide an opportunity to flag macro-fiscal issues as they emerge. The WBG's new Sustainable Development Financing Policy which will become effective as of July 1, 2020 will provide instruments for mitigating macro-fiscal risks to the CPF (Box 4).

BOX 4: Sustainable Development Finance Policy and its application to Rwanda

In the context of the IDA19 replenishment negotiations, IDA Deputies and Borrower Representatives endorsed the Sustainable Development Finance Policy (SDFP) which will replace IDA's Non-Concessional Borrowing Policy from FY2021. The objective of the SDFP is to incentivize countries to borrow sustainably and promote coordination between IDA and other creditors in support of borrowing countries' efforts. This objective reflects that while public debt is critical to help countries finance implementation of their development plans, such debt needs to be managed in a sustainable way. Policy would help achieve this objective by (i) strengthening borrowers' incentive structures with appropriate accountability measures and closer operational linkages with country programs; (ii) enhancing coordination, collective action and partnerships among borrowers, creditors and other DPs; and (iii) introducing a more robust monitoring and accountability framework. The SDFP will cover all IDA countries and will have two pillars: The Debt Sustainability Enhancement Program (DSEP) to enhance incentives for countries to move toward sustainable financing; and The Program of Creditor Outreach (PCO) to enhance IDA's global platform and convening role to promote debt transparency, outreach, and creditor coordination on sustainable lending practices.

The SDFP will guide WBG interventions with Rwanda for this CPF. Rwanda's public debt to GDP ratio has been on an upward trajectory since 2013 as a result of an ambitious investment strategy and it will be further elevated because of COVID-19. The overall risks to debt distress will remain manageable because of Rwanda's reliance on concessional borrowing, and strong debt-carrying capacity as evidenced by the highest CPIA score for low-income countries. To address the remaining risks the WBG will support Rwanda's fiscal management reforms through a programmatic HCIG DPO series (FY2021-23) which will include a pillar on enhancing Rwanda's debt and fiscal transparency and management of public investments which will help maintain Rwanda's non-concessional borrowing at a sustainable level.

132. **Risks related to institutional capacity for implementation and sustainability are assessed as substantial.** Overall Rwanda has an efficient public sector structure, but it is also thin and stretched to implement many activities. The recent CPPR notes that delays in hiring project staff and prolonged vacancies may significantly hinder project implementation. The CPPR also notes that high turnover may be inconvenient for projects in the short term, but in the broader perspective it accelerates capacity-building nationally. The GoR and the WBG will jointly undertake a systematic assessment of project staffing to identify measures to ensure that all needed staff are hired on time, that vacancies are promptly filled, and that turnover is reduced, while prioritizing sustainability and capacity building. Moreover, the CPPR recommends the recruitment of project staff as fixed-term civil service staff, rather than as consultants, to avoid the extra complications of the hiring process for consultants and to provide better consistency with regular GoR staff.

133. **Environmental and social risks are substantial, mostly due to climate change.** Climate change is expected to lead to more frequent droughts and floods, and may increase the spread of vector-borne, air-borne and water-borne diseases. Vulnerability to climate change is also heightened by anthropogenic land-use change driven in part by subsistence

agriculture and fuelwood harvesting. The WBG will continue supporting GoR's strategy for adapting to these challenges, as set out in its Nationally Determined Contribution. With regard to social risks, including risks to progress in achieving women's empowerment, the GoR has prepared, adopted, and successfully implemented quality environmental and social safeguards in WBG-funded projects that have set a strong foundation for mitigating these risks in the CPF.

ANNEX

Annex 1: Rwanda (FY21-26) CPF Results Matrix

CPF Objective 1: Improved Human Capital

Intervention Logic:

In education: the WBG will address key constraints through: (i) the **Rwanda Quality Basic Education Project (RQBEP)**, which aims to improve teacher competency and student retention and learning in basic education; (ii) **Rwanda COVID-19 Response Add. Financing to RQBEP** to support optimization of remote learning ; (iii) the **Programmatic Development Policy Operation for Human Capital for Inclusive Growth in Rwanda**, which aims to improve student flow efficiency in the basic education, strengthen the governance and quality of the teaching workforce; and, (iv) two **Advisory Services and Analytics (ASAs)** that are aimed at strengthening the technical aspects of Inclusive Education and School readiness of the ongoing operations in the country (P173302 & P171451, respectively).

Other DPs in the area of education and skills:

- **Lead Donor**: DfID
- **Multilateral DPs**: Global Partnership on Education; ILO; UNESCO; UNFPA; UNICEF; UN Women; AfDB (via Treasury Delivery Mechanisms)
- **Other bilateral DPs:** USA, Germany, Japan (via Treasury Delivery Mechanisms), SIDA

In health: the WBG will have a specific focus on tackling childhood malnutrition. Initiatives include: (i) the **Stunting Prevention and Reduction Project (SPRP),** which aims to improve awareness and deliver harmonized behavior change messages, incentivize community health workers (CHW) and revamp the CHW program, strengthen the health sector response and improve accountability of health personnel, provide grant funds to support the multi-sectoral response to stunting, and support home-based early childhood development models of care; (ii) **eMBeD-led evaluation of select behaviorally informed interventions** to identify barriers to accelerated reduction of stunting among children aged 6-23 months; (iii) **World Bank-led impact evaluation** has been designed to address the question of how effective a targeted and multisectoral approach can be in reducing stunting; and, (iv) support for **a nutrition expenditure analysis** that maps out the level and composition of nutrition related spending across all stakeholders.

- **Lead Donor:** USAID
- **Multilateral DPs:** Global Fund; IAEA; IOM; UNAIDS; UNFPA; WHO; WBG (via Treasury Delivery Mechanisms)
- **Other bilateral DPs:** N/A

In Social protection: the World Bank will address constraints through: (i) the ongoing **Strengthening Social Protection Project (SSPP),** which aims at improving the effectiveness of Rwanda's social protection system, notably the Vision 2020 Umurenge Program, for targeted vulnerable groups; (ii) a programmatic three-series **Human Capital for Inclusive Growth DPO** to be delivered from FY 21-23; which from a Social Protection perspective aims at expanding gender, child and nutrition sensitive SSN and which from a multi-sectoral perspective aims at operationalizing a social registry for objective and transparent targeting of social support and strengthening local decentralized entities for improved Human Capital centered programs delivery (iii) continued and further **deepened partnerships with key DPs such as DFID, UNICEF and WFP**. World Bank's Social Protection initiatives are complemented by the Stunting Prevention and Reduction Project (approved in 2018), the Sustainable Agriculture Intensification Project (approved in 2018) and the Quality Basic Education Project (approved in 2019) which respectively support stunting reduction, production and intake of nutritious food, and the readiness of the education system to absorb more children in the schools.

Other DPs in the area of social protection:

- **Lead Donor:** DfID
- **Multilateral DPs:** EC; WBG; UNCDF; UNFPA; UNHCR; UNICEF; UN Women; WFP
- **Other bilateral DPs:** N/A

CPF Objective Indicator	Supplementary Project Indicators[24]	WBG Program
Indicator 1. Share of P1 students who reach P6 (Percentage) Baseline [2019]: 42.0 Target [2026]: 58.0 Female: [2026]: 58.0 *Source: P168551*	**Indicator 1.1. Average pupil to classroom ratio in public primary schools that are newly constructed by the project or that benefit from additional classrooms through the project (Number)** Baseline [2019]: 91.0 Target [2026]: 60.0	**Ongoing IDA Operations:** • P151847-Eastern and Southern Africa Higher Education Centers of Excellence (FY16-23). • P162646-Strengthening Social Protection Project (FY18-21). • P164845-Rwanda Stunting Prevention and Reduction Project (FY18-23). • P168551-Rwanda Quality Basic Education for Human Capital Development Project (FY20-25). • P252350-Rwanda Priority Skills for Growth (PSG) (FY18-21). • Rwanda COVID-19 Emergency Response Project (P173855). **Ongoing IDA ASA:** • P155779-Evaluation of Child Sensitive Social Protection in Rwanda - (TF financed). • P168279 – Nutrition evaluations (impact evaluation of combined program of stunting reduction project (SPRP) and nutrition-sensitive direct support (NSDS)). • P169525-eMBeD Nutrition Interventions (qualitative evaluation of feeding and hygiene practices). • P169988-Rwanda Stunting Prevention and Reduction PASA. • P171427-Rwanda Poverty Assessment. • P171451-Rwanda Reading: Developing Books for School Readiness – FY19-22. • P172302-Rwanda Enhancements in Safety Net Delivery Systems - (TF financed). • P172880-Rwanda: supporting digital ID and digital birth registration initiatives. • P173302-Technical assistance for inclusive education in Rwanda– FY20-22. • P71876 Rwanda Economic update FY20. **Pipeline IDA Operations:** • P171554- Proposed Rwanda - Human Capital for Inclusive Growth Development Policy Credit (Programmatic- 3 series).
Indicator 2. Share of P3 students in public and government-aided schools achieving grade-level proficiency in English (Percentage) Baseline [2019]: 0.0 Target [2026]: 65.0 Female: [2026]: 65.0	**Indicator 2.1. Share of P1-S3 teachers in public and government-aided schools registered in English e-learning courses (Percentage)** Baseline [2019]: 0.0 Target [2026]: 75.0	
Indicator 3. Percentage of children under 5 years with height-for-age Z-score below -2 standard deviations (Percentage in Targeted districts) Baseline [2018]: 43.6 Target [2023]: 32.0[25] *Baseline source: Rwanda DHS 2014-15*[26] *Source:* P164845	**Indicator 3.1. Percentage of children 6-23 months old receiving micronutrient powders – Targeted districts (Percentage)** Baseline [2018]: 18.0 Target [2023]: 90.0 *Baseline source: Rwanda HMIS*	
Indicator 4. Increase in the coverage of gender and child sensitive safety net and economic inclusion programs to enhance poorest households' resilience and human capital (households) Baseline [2019]: 104,000 households Target [2026]: 208,000 households *Baseline Source:* LODA MEIS	**Indicator 4.1. Percent of eligible households in Ubudehe 1 with children <2 years receiving child sensitive cash transfer grants (Percentage)** Baseline [2019]: 17.0 Target [2021]: 60.0 *Source:* P162646 **Indicator 4.2. Number of Home-based ECD groups operational (Custom)** Baseline [2019]: 64.0 Target [2021]: 3,375 *Source:* P162646	
Indicator 5. Proportion of population covered by CBHI (individual enrolment rate) Baseline [2017]: 69%[27] Target [2026]: 85% *Source*: P171554		

[24] *The Supplementary Project Indicators for this objective reflect "how" the objective indicator will be achieved, i.e., more efficient government delivery through improved governance.*

[25] *The 2020 Demographic and Health Survey is currently underway and will provide useful information to ascertain trends in this indicator and progress towards the 2023 target.*

[26] *National Institute of Statistics of Rwanda (NISR) [Rwanda], Ministry of Health (MOH) [Rwanda], and ICF International. 2015. Rwanda Demographic and Health Survey 2014-15. Rockville, Maryland, USA: NISR, MOH, and ICF International.*

[27] *Source: EICV5 (2017).*

CPF Objective 2: Improved Conditions for Private Sector Development

Intervention Logic – Rwanda's private sector is expected to play a leading role in the country's drive for high growth. Despite the impressive set of business-friendly reforms that Rwanda has implemented, the private sector still faces significant constraints. The WBG will provide a range of support for PSD including capital market development, TVET and strengthening the environment for FDI. The recently conducted Country Private Sector Diagnostic (CPSD) identifies the shortage of long-term finance as a major obstacle for economic development in Rwanda (particularly in the affordable housing and agribusiness sectors). This was also underscored by the SCD and the joint government-WBG study on Rwanda's Future Drivers of Growth (the Growth study). Although the capital market, which can be a vehicle for raising medium- and long-term financing, continues to grow rapidly, it is still under-developed with limited capital market investors or instruments and a shortage of long-term financing. The WBG, through the provision of technical assistance, analytical work, and financing investments, will aim to facilitate access to long-term local currency finance in Rwanda for key sectors such as housing, industry and small and medium enterprises (SMEs). Capital market development activities will create a solid enabling environment for crowding in private sector finance into these key sectors. Support for TVET will help build the skills of the workforce. The proposed Additional Financing for the Priority Skills for Growth Program-for-Results (PSG Additional Funding, FY21) will support the National Skills Development and Employment Promotion Strategy (NSDEPS, 2019-2024) which aims to provide the workforce with market-relevant skills and access to quality employment and IFC will target opportunities to invest in scalable, quality, affordable and innovative TVET and distance education providers. In the area of FDI, the IFC will support the development of a mechanism to address delays and complaints by inward investors in a timely manner and thus strengthen the overall environment for FDI. MIGA will continue supporting FDI through political risk insurance guarantees.

- **Lead Donor**: EC
- **Multilateral DPs**: AfDB; IFC; OFID; ILO; ITC; UNCTAD; UNDP; UNIDO; UNV; BADEA (via joint financing partnerships)
- **Other bilateral DPs:** N/A

CPF Objective Indicator	Supplementary Project Indicators	WBG Program
Indicator 6. Value of capital market transactions (US$) Baseline [2019]: 0 Target [2023]: 40,000,000	**Indicator 6.1. Value of non-sovereign security issuance transaction (US$)** Baseline [2019]: 0 Target [2023]: 20.000.000	**Ongoing IDA Operations:** • P165649-Rwanda Housing Finance Project (FY19-24). • P252350-Rwanda Priority Skills for Growth (PSG) (FY18-21). **Ongoing IDA ASA:** • P172927- Rwanda Financial Sector Assessment Program (FSAP) development module. • Private Equity and Venture Capital (PEVC) Diagnostic. **Ongoing IFC Investment and Advisory:** • AB Rwanda TA. • MFS - URWEGO Opportunity MFI Bank Rwanda. • Rwanda Credit Reporting Project. • RICRP 3 Sector competitiveness. • Rwanda Capital Market Development Project. • Rwanda SIRM ID: 603299. **Pipeline IDA Operations:** • P172735-Rwanda Priority Skills for growth Additional Financing (FY21-23). • MSME Access to Finance for resilience and Investments. **Pipeline IFC Investment and Advisory:** • Gabiro Agri hub (IS). • Gako beef project (IS). • Rwanda Agri Inputs & Food Safety Project (ASA). • Kinyinya housing project IS). • Secondary cities housing project (Rwamagana/Nyagatare)-AS/PPP. • Rwanda Mortgage Refinancing company (IS).
Indicator 7. Private Equity raised by Rwanda Mortgage Refinance Company RMRC (Amount in US$ million) Baseline [2018]: 0.0 Target [2024]: 10.0	**Indicator 7.1. Rwanda Mortgage Refinance Company RMRC Established** Baseline [2019]: No Target [2022]: Yes	
	Indicator 7.2. Number of Participating Financial Institutions (Number of RMRC Shareholders) Baseline [2018]: 0.0 Target [2024]: 3.0	
Indicator 8. Share of TVET and degree graduates, from the new and updated programs, in occupations related to Energy, Transport and Logistics, and Agro-processing sectors employed or self-employed 12 months after graduation (% female) Baseline [2019]: 00.00 Target [2024]: 50.00 *Source*: P172735	**Indicator 8.1. Students enrolled in the new and updated TVET and degree programs in Energy; Transport and Logistics; Manufacturing/agro-processing (Number)** Baseline [2019]: 0 (PSG) Target [2024]: 4,318 (PSG)	
Indicator 9. Percentage of SDF supported trainees employed/ self-employed nine (9) months after graduation (percentage) Baseline [2019]: 65.0 Target [2024]: 70.0 *Source*: P252350 & P172735	**Indicator 9.1. Number of graduates of SDF supported programs by window. Target (Number, (% female).** Baseline [2019]: 6,962 (35% female) Target [2024]: 23,930 (35% female).	
Indicator 10: Amount of Investment retained due to operations of the Systemic Investment Response Mechanism Baseline [2018]: 0 Target [2022]: US$10,000,000 *Source*: IFC ASA ID: 603299		

CPF Objective 3: Expanded Access to Infrastructure and the Digital Economy

Intervention Logic

During the CPF, the WBG will address constraints in Transport through the ongoing multi-country **Lake Victoria Transport Program (P160488; FY17)** which will be restructured to support the development of a Rwandan National Transport Master Plan. It will address constraints in Digital Technology through: (i) the **Digital Rwanda Acceleration Project**, which aims to accelerate country-wide digital transformation as well as facilitate Rwanda's integration in the emerging regional digital market; (ii) **IFC-led initiatives to build local capital market infrastructure** and accelerate the adoption of digital financial services in the market; and (iii) IFC-led initiatives to restructure Rwanda's 4G monopoly and create a fixed line market structure with a carrier neutral wholesale fiber operator to provide transmission services to all operators. The WBG will address constraints in Energy through: (i) the **EAQIP (P172594)**, which provides investment required to expand energy access and improve the reliability of energy services in Rwanda; (ii) co-supporting a Universal Energy Access Program with collective financing to the tune of US$650 million (W/ AfDB, EIB, AFD, OFID, SFD, and EXIM Bank); (iii) **IFC-led efforts to explore options to reduce the tariff of existing small/ medium scale hydropower IPPs**; (iv) MIGA's potential support for off-grid solar. MIGA is continuing to support a PPP in the water sector.

Other DPs working in the area of transport:

- **Lead Donor**: JICA
- **Multilateral DPs**: AfDB; BADEA; UN-HABITAT
- **Other bilateral DPs**: N/A

Other DPs working in the area of digital technology:

- **Lead Donor**: KOICA
- **Multilateral DPs**: ITU; WBG (via joint financing partnerships)
- **Other bilateral DPs**: USA

Other DPs working in the area of energy:

- **Lead Donor**: AfDB
- **Multilateral DPs**: BADEA; EIB; OFID; WBG; FAO; IAEA; UN Environment; UNIDO; EC (via Treasury Delivery Mechanisms)
- **Other bilateral DPs**: Japan

CPF Objective Indicator	Supplementary Project Indicators[1]	WBG Program
Indicator 11. Percentage of households provided with access to grid-electricity (Percentage) Baseline [2017]: 29.7 Target [2024]: 52.0 *Source*: P169040; Rwanda Energy Sector Strategic Plan [2018]	**Indicator 11.1. Reduction in average duration of electricity interruptions (SAIDI) and average frequency of electricity interruptions (SAIFI)** SAIDI Baseline [2017]: 44 hours Target [2024]: 14 hours SAIFI Baseline [2017]: 265 Target [2024]: 92 *Source*: P169040	**Ongoing IDA Operations:** • P075941-AFR RI-Regional Rusumo Falls Hydroelectric Project. • P150634-Rwanda Electricity Sector Strengthening Project (FY16-22). • P160488-Lake Victoria Transport Program - SOP1, Rwanda (FY17-24). • P160699-Renewable Energy Fund (FY17-24). • P169040-Rwanda Energy Sector Development Policy Financing (FY17-21). • P172594-Rwanda Energy Access and Quality Improvement Project (FY20-25). • P161876-Transformation of Agriculture Sector Program 4 Phase 2 (FY18-22). **Ongoing IDA ASA:** • P172880-Rwanda: supporting digital ID and digital birth registration initiatives. • P169597-Digital Economy Readiness and 4G network Repositioning Assessment. **Ongoing IFC Investment and Advisory:** • IHS Rwanda. • MFS - Urwego Opportunity MFI Bank Rwanda. **Pipeline IDA Operations:** • P173373-Rwanda Digital Acceleration Project. • P172594-Rwanda Energy Access and Improvement Project. • Rusizi Hydropower Plant II.
Indicator 12. Number of households provided with access to off-grid electricity (Number) Baseline [2019]: 527 Target [2024]: 350,000 *Source*: P160699		
Indicator 13. Increased access to digitally enabled public services: Number of government services available digitally Baseline [2019]: 98 Target [2026]: 150	**Indicator 13.1 Increased access to digitally enabled public services: Number of government services available digitally** Baseline [2019]: 98 Target [2026]: 150	
Indicator 14. Reduction in travel time from Kibugabuga to Gasoro (Hours, Custom) Baseline [2019]: 2.75 Target [2023]: 1.75 *Source: P160488*	**Indicator 14.1 Reduction in travel time from Kibugabuga to Gasoro (Hours, Custom)** Baseline [2019]: 0.00 Target [2023]: 13.00	
Indicator 15. Increased private sector investment in renewable energy electrification (US$) Baseline [2017]: N/A Target [2024]: 41,000,000 *Source: P160699*	**Indicator 15.1. Total credit line funding lent to SACCOs, commercial banks, mini-grid developers and off-grid solar companies to facilitate and leverage private investment in renewable energy electrification (US$):** Baseline (2017): N/A Target (2024): $30,000,000	

CPF Objective 4: Increased Agricultural Productivity and Commercialization

Intervention Logic

During the CPF, the WBG will support: (i) **capacity strengthening of agriculture sector institutions to deliver Fourth Strategic Plan for Agriculture Transformation (PSTA-4)**, through development of digital information platforms, mechanisms to strengthen Agriculture Public-Private Dialogues (Agri-PPDs), development of Public and Private Partnerships (PPPs) in the areas of irrigation, land husbandry and agriculture infrastructure, and private sector extension models; (ii) interventions to build on existing efforts to **draw in financial services to the agriculture sector**; and, (iii) interventions (led by IFC) to **increase the exportability of Rwandan agricultural goods**.

The WBG will also improve individual capacities by improving agricultural productivity and post-harvest handling, processing and marketing systems through: (i) **support for essential goods, works and services** to facilitate the generation and dissemination of technology along the selected value chains with a view to increase productivity and commercialization; (ii) **IFC-led initiatives with AIF to improve production practices**; and, (iii) **IFC-led initiatives to strengthen capacity of irrigation systems design and distribution companies**.

Other DPs working in the area of agriculture:

- **Lead Donor**: WBG
- **Multilateral DPs**: FAO; IFAD; WFP; EC (via Treasury Delivery Mechanisms); EIB (via joint financing partnerships)
- **Other bilateral DPs**: Japan; USA; UK (via Treasury Delivery Mechanisms)

<table>
<tr><th>CPF Objective Indicator</th><th>Supplementary Project Indicators</th><th>WBG Program</th></tr>
<tr>
<td>Indicator 16. Increase in harvested yield of targeted crops (tons per hectare)
<table>
<tr><th></th><th>Baseline [2019]</th><th>Target [2024]</th></tr>
<tr><td>Maize</td><td>1.5</td><td>2.94</td></tr>
<tr><td>Irish Potatoes</td><td>9</td><td>14.23</td></tr>
<tr><td>Beans</td><td>0.8</td><td>2.22</td></tr>
<tr><td>Vegetables</td><td>10.39</td><td>14.08</td></tr>
<tr><td>Fruits</td><td>6.37</td><td>8.7</td></tr>
</table>
Source: NISR Seasonal Agricultural Survey.</td>
<td>Indicator 16.1. Area provided with new/improved irrigation services (Hectare), Corporate
Baseline [2019]: 55,063
Target [2024]: 102,284

Indicator 16.2. Percentage increase of produced commodities in targeted value chains marketed by producers in targeted Districts
Baseline [2019]: 6.7
Target [2023]: 25.0
Source: P164520</td>
<td rowspan="4">Ongoing IDA Operations:
• P164520-Sustainable Agricultural Intensification and Food Security Project (FY19-24).
• P161876-PforR-Transformation of Agriculture Sector Program 4 Phase 2 (FY19-22).
• P126498-Rwanda Feeder Roads Development Project (FY14-23).
• P158092-Rwanda Feeder Roads Development Project - Additional Finance.
• P161876-Transformation of Agriculture Sector Program 4 Phase 2 (FY18-22).

Ongoing IDA ASA:
• P154433-Rwanda Irrigation - Impact Evaluation.
• P144873-DIME Rwanda Feeder Roads IE.

Ongoing IFC Investment and Advisory:
• WFP Rwanda and Rwanda Grain Markets.
• WFP KCBR RSF and Heineken Rwanda.

Pipeline IDA Operations:
• P171462-Commercialization and De-risking for Agricultural Transformation Project.</td>
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<tr>
<td>Indicator 17. Credit to agriculture sector as percentage of total loans
Baseline [2019): 5.97
Target [2024]: 10.4
Source: MINAGRI Annual Reports</td>
<td>Indicator 17.1 Private investment in agriculture value chain services (US$ million)
Baseline [2018]: 101.5
Target [2021]: 200.0
Source: P161876</td>
</tr>
<tr>
<td>Indicator 18. Number of agricultural marketing centers connected by all season road (Number)
Baseline [2019]: 33.0
Target [2022]: 150.0
Source: P126498; P158092, RTDA progress reports</td>
<td>Indicator 18.1. Share of rural population with access to an all-season road (Percentage)
Baseline [2019]: 40.0
Target [2022]: 50.0
Source: P126498; P158092, RTDA progress reports</td>
</tr>
<tr>
<td>Indicator 19: Value of financing facilitated into maize and other grain farmers and cooperatives (US$)
Baseline [2019]: 0
Target [2022]: US$ 4,035,000
Source: IFC ASA ID: 602936</td>
<td></td>
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</table>

CPF Objective 5: Intensified Urban Agglomeration

Intervention Logic

During the CPF, the WBG will address urbanization issues through: (i) supporting Phase II of Rwanda Urban Development Project (RUDPII), which aims to scale up pilots in Kigali, and upgrade six secondary cities in Rwanda, integrate upgrading w/ flood risk management and wetland restoration, and to build effective urban management capacity; and (ii) IFC-led initiative to address Kigali's affordable housing issue.

Other DPs working in the area of urbanization:

- **Lead Donor:** WBG
- **Multilateral DPs:** UN-Habitat
- **Other bilateral DPs:** N/A

CPF Objective Indicator	Supplementary Project Indicators	WBG Program
Indicator 20. People in urban areas provided with access to all-season roads within a 500-m range under the project in secondary cities and City of Kigali Baseline: [2019]: 118,805[28] Target: [2025]: 437,273[29] *Source:* P165017	**Indicator 20.1. People in urban areas provided with access to all-season roads within a 500-m range under the project of which are women**[30] Baseline [2019]: 61,541 Target [2025]: 226,508	**Ongoing IDA Operations** • P165649-Rwanda Housing Finance Project (FY19-24). • P150844-Rwanda Urban Development Project. • P172153 - Advancing Financial Innovation to scale up Climate Action Project. **Ongoing IDA ASA** • P169151-Programmatic Approach for green Growth and Climate Resilient Development in Rwanda. • P171671-Rwanda - Policy Dialogue for Strategies to Enhance Urban Mobility in Kigali II. **Pipeline IDA Operations:** • P170376-Kigali Environmental Management and Climate Compatible Development. • P165017-Rwanda Urban Development Project - RUDPII (FY21-25).
Indicator 21. People in unplanned settlements with improved living conditions in City of Kigali and Secondary City[31] Baseline: [2019]: 18,900 Target: [2025]: 152,284 *Source:* P165017	**Indicator 21.1. Number of females with improved living conditions**[32] Baseline [2019]: 9,791 Target [2025]: 78,884	
Indicator 22. People benefiting from wetland restoration interventions Baseline: [2019]: 0 Target: [2025]: 128,286[33] *Source:* P165017		
Indicator 23. Share of urban residents with access to bus services (percentage, Custom) Baseline [2019]: 55.0 Target [2024]: 65.0 *Source:* P171671		
Indicator 24. Number of housing loans financed by financial institutions (Percentage) Baseline [2019]: N/A Target [2024]: 30.00 P165649	**Indicator 24.1. Average maturity of housing loans financed by the project (Number)** Baseline [2019]: 0.0 Target [2023]: 10.0	

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28 *Baseline figure comes from end target of the first Rwanda Urban Development Project (or RUDP, P150844) covering the number of beneficiaries in Kigali and six secondary cities.*

29 *Estimated household population determined using the government's Land Administration Information System (LAIS) – 6 SCs + COK 4 unplanned settlements (351,063+86,210=437,273).*

30 *The 2012 census female proportion of 51.8% is used to arrive at the female population.*

31 *The baseline is from the ongoing RUDP, and target is for population of 4 unplanned settlement in Kigali and unplanned Settlements in secondary cities.*

32 *The census female proportion has been used, which is 51.8%.*

33 *Estimated beneficiaries would be those living adjacent to the Gikondo wetland within a 500m buffer.*


RWANDA
SELECTED CITIES AND TOWNS
AKARERE (DISTRICT) CAPITALS
INTARA (PROVINCE) CAPITALS
NATIONAL CAPITAL
RIVERS
MAIN ROADS
AKARERE (DISTRICT) BOUNDARIES
INTARA (PROVINCE) BOUNDARIES
INTERNATIONAL BOUNDARIES
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TANZANIA
BURUNDI
DEM. REP. OF CONGO
NORTH
EAST
KIGALI
WEST
SOUTH
Lac Kivu
0 10 20 30 40 Kilometers
0 10 20 30 Miles
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