

11th EDF NIP for Rwanda – Summary

Over the last decade, Rwanda has been an economic success story, but it is still a low income country with a relatively high level of inequality. 85% of its population lives in rural areas, and even if high economic growth in the recent past resulted in significant poverty reduction, almost half of rural population lives below the national poverty line. While Rwanda was able to achieve food self-sufficiency in 2009, household food consumption remains an important challenge and 44% of children under five suffer from chronic malnutrition. Rwanda faces vulnerability due to some factors, including high dependence on donor aid, low government revenue, narrow export base, and weak infrastructure (including weak regional networks essential for a landlocked country), with resulting high costs of doing business that arise from relatively high energy and transport costs. Challenges remain regarding fight against impunity, fundamental freedoms and democratic governance.

The overall objective of the 11th EDF NIP for Rwanda is poverty reduction and the achievement of the Millennium Development Goals (MDGs), in line with the ambitious target of achieving middle income country status by 2020. This objective underpins the Government's national development strategy, the second Economic Development and Poverty Reduction Strategy (EDPRS 2). EDPRS 2 is structured around the following four strategic thematic areas i.e. (i) Economic Transformation for Rapid Growth; (ii) Rural Development, (iii) Productivity and Youth Employment, and (iv) Accountable Governance and foundational issues.

Donors strived to implement in Rwanda the latest principles of aid effectiveness engaging in a joint analysis of the country's priorities and challenges, carried out within a joint programming exercise. Through the combined efforts of donors and government, and with the hindsight of past experience in EU-Rwanda cooperation, three focal sectors were selected for the NIP, namely, (1) Sustainable Energy, (2) Sustainable Agriculture and Food Security and (3) Accountable Governance. These sectors are central to achieving pro-poor economic growth and rural economic development. They were discussed, agreed and are now fully owned by national authorities. As regards aid modalities, sector budget support will be considered for the focal sectors, provided it represents the most effective and efficient option and the eligibility conditions are fulfilled. The indicative allocation to Rwanda will be EUR 460m in programmable funds, subdivided as follows:

| | | |
|--|------------------------|-------------|
| Focal Sector 1: Sustainable Energy | EUR 200 million | 43.5 % |
| Focal Sector 2: Sustainable Agriculture and Food Security | EUR 200 million | 43.5 % |
| Focal sector 3: Accountable Governance | EUR 40 million | 8.6 % |
| Cross-cutting: Measures in favour of Civil Society | EUR 10 million | 2.2 % |
| Cross-cutting: Support measures | EUR 10 million | 2.2 % |
| Total | EUR 460 million | 100% |
| <i>At this stage of the programming exercise, the indicators mentioned in the annexes of the NIP are indicative. Baselines will be defined during the finalization of the NIP.</i> | | |

Support to the energy sector will focus on power generation, access to energy for urban and rural households, energy efficiency and reduction of diesel and biomass dependency. The sustainable agriculture development and food security sector will have a specific emphasis on improving

food and nutrition security among rural households, supporting agricultural intensification and developing inclusive value chains. In the third focal area, the EU will focus on strengthening public accountability and democratic governance, and ensuring efficient, effective and accountable use of public resources. Support to the focal sectors is underpinned by support for civil society and institutional strengthening as well as capacity building of the relevant ministries and public institutions (including the NAO).

REPUBLIC OF RWANDA

11TH EUROPEAN DEVELOPMENT FUND

NATIONAL INDICATIVE PROGRAMME

2014-2020

KIGALI, JANUARY 2014

LIST OF ABBREVIATIONS

| | |
|-----------|---|
| AFDB | African Development Bank |
| AFD | Agence Française de Développement |
| BTC | Belgian Technical Cooperation |
| CAADP | Comprehensive Africa Agriculture Development Programme |
| CEPGL | Economic Community of the Great Lakes Countries |
| CFSVA/NS | Comprehensive Food Security and Vulnerability Analysis and Nutrition Survey |
| CPC | Community Processing Centres |
| CSO | Civil Society Organisation |
| DFID | Department for International Development |
| DHS | Demographic and Health Surveys |
| DP | Development Partner |
| EAC | East African Community |
| EDF | European Development Fund |
| EDPRS | Economic Development and Poverty Reduction Strategy |
| EIA | Environmental Impact Assessment |
| EICV | Integrated Household Living Conditions Survey |
| EPA | Economic Partnership Agreements |
| ESSP | Energy Sector Strategic Plan |
| EU | European Union |
| EUR | EURO |
| FAO | Food and Agriculture Organisation |
| FFS | Farmer Field School |
| FSNMS | Food Security and Nutrition Monitoring Survey |
| GDP | Gross Domestic Product |
| GIZ | German Agency for International Cooperation |
| GOR | Government of Rwanda |
| HIMO | Labour-Intensive Public Work |
| HSSP | Health Sector Strategic Plan |
| ICT | Information and Communication Technologies |
| IFAD | International Fund for Agricultural Development |
| IFPRI | International Food Policy Research Institute |
| JGA | Joint Governance Assessment |
| JICA | Japan International Development Agency |
| KFW | German Development Bank |
| M&E | Monitoring and Evaluation |
| MDG | Millennium Development Goal |
| MINAFFET | Ministry of Foreign Affairs |
| MINAGRI | Ministry of Agriculture and Animal Resources |
| MINALOC | Ministry of Local Government |
| MINECOFIN | Ministry of Economic Planning and Finance |
| MINICOM | Ministry of Trade and Industry |
| MININFRA | Ministry of Infrastructure |
| MINIJUST | Ministry of Justice |
| MINIRENA | Ministry of Natural Resources |
| MOH | Ministry of Health |
| MW | Megawatt |

| | |
|---------|--|
| NAO | National Authorising Officer/EDF |
| NF&NSP | National Food and Nutrition Strategic Plan |
| NGO | Non-Governmental Organisation |
| NIP | National Indicative Programme |
| NL-MoFA | Ministry of Foreign Affairs (The Netherlands) |
| NSEM | National Strategy to Eliminate Malnutrition |
| NTWG | Nutrition Technical Working Group |
| P4R | Programme for Results |
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Finance Management |
| PPD | Public-Private Dialogue |
| PPP | Public-Private Partnership |
| PSTA | Strategic Plan for the Transformation of Agriculture in Rwanda |
| RDB | Rwanda Development Board |
| RGB | Rwanda Governance Board |
| RPF | Rwanda Patriotic Front |
| RTDA | Rwanda Transport Development Authority |
| SBS | Sector Budget Support |
| SDG | Sustainable Development Goal |
| SEA | Strategic Environmental Assessment |
| SE4ALL | Sustainable Energy for All |
| SIDA | Swedish International Development Agency |
| SO | Specific Objective |
| SPS | Sanitary and phyto-sanitary standards |
| SSP | Sector Strategic Plan |
| SWAP | Sector Wide Approach |
| SWG | Sector working group |
| UNIDO | United Nations Industrial Development Organisation |
| USAID | United States Agency for International Development |
| USD | US Dollar |
| WB | World Bank |
| WBI | World Bank Institute |
| WFP | World Food Programme |
| WTO | World Trade Organisation |

TABLE OF CONTENTS

| | |
|---|-----------|
| 1. The overall lines for the EU response to Rwanda | 5 |
| 1.1 Strategic objectives of the EU's relationship with the partner country | 6 |
| 1.2 Choice of sectors | 6 |
| 2. Financial overview | 12 |
| 3. EU Support per sector..... | 12 |
| 3.1. Sector 1: Sustainable Energy..... | 12 |
| 3.2. Sector 2: Sustainable Agriculture and Food Security | 16 |
| 3.3 Sector 3:Accountable Governance..... | 22 |
| 4. Measures in favour of civil society | 26 |
| 5. Envelope B..... | 27 |
| 6. Support measures | 27 |
| 6.1. Measures to support or accompany the programming, preparation or implementation of action | 27 |
| 6.2. Support to the National Authorising Officer | 27 |

Annexes

- 1, Country at a glance.
2. Donor matrix (joint planning)
3. Sector intervention framework and performance indicators
4. Indicative timetable for commitment of funds
5. Process of drafting the NIP

1. The overall lines for the EU response to Rwanda

The overall objective of EU cooperation with Rwanda is poverty reduction and the achievement of the MDGs so that Rwanda can reach middle income country status by 2020 in line with priorities and ambitions of the Government's national development strategy, the second Economic Development and Poverty Reduction Strategy (EDPRS 2).

EDPRS 2 is structured around the following four strategic thematic areas i.e. (i) Economic Transformation for Rapid Growth; (ii) Rural Development, (iii) Productivity and Youth Employment, and (iv) Accountable Governance and foundational issues.

Following the 4th High Level Forum on Aid Effectiveness in Busan the Government of Rwanda and the EU proposed *joint planning/programming* to reduce transaction costs and aid fragmentation and promote harmonisation. The joint exercise included the EU Delegation, EIB, six EU Member States Belgium, France, Germany, the Netherlands, Sweden and the United Kingdom plus the four countries Korea, Japan, Switzerland and United States. The partners made an *analysis* of the EDPRS 2 and prepared a *response* on the basis of a sectoral approach which will allow the partners to follow the sector and district strategies which have been fully aligned to the priorities and the thematic areas of the EDPRS 2. Multilateral financing institutions (African Development Bank and World Bank) and the "One UN" (UN agencies and programmes co-ordinated as a Country Team) have organised separate joint planning approaches.

In concrete terms, this National Indicative Programme (NIP) presents the EU's response to the implementation of the EDPRS 2.

The NIP and its actions will take into account the Addis Peace Security and Cooperation Framework Agreement for the DRC and the region with its obligations for Rwanda and the other countries of the region.

A consultation process with the Government started in early February 2013 following the presentation of the EDPRS 2. Agreement on the sectors took into account both EDPRS 2 expectations as well as EU Agenda for Change considerations. The consultation process was further intensified following the drafting of the NIP in October with discussions with the NAO, line ministries and the civil society (see annex 5 to the NIP).

In line with the principle of concentration and division of labour, and based on the analysis of the country's priorities and challenges, past experience with EU-Rwanda cooperation, and an analysis of the EU's comparative advantage vis-à-vis other donors, three focal sectors have been selected, namely, (1) Sustainable Energy, (2) Agriculture and Food Security and (3) Accountable Governance.

These sectors are central to the theme of pro-poor economic growth and rural economic development and have been discussed and agreed with the national authorities.

As regards aid modalities, budget support programmes, basket funds and project approaches could be used. At present it is very likely that there will be a substantial part of sector budget support in the focal sectors, provided the eligibility conditions are fulfilled. A big portion of the resources would therefore be channelled through Government systems for the scaling up of service delivery and infrastructure development in the framework of the existing policies, strategies and institutional settings.

Other specific actions could be financed by the thematic budget lines. These funds will be awarded subject to availability of the EU budgetary resources.

1.1 Strategic objectives of the EU's relationship with the partner country

The EU has actively and substantially supported the implementation of Rwanda's first Economic Development and Poverty Reduction Strategy (EDPRS 1) which guides the country's medium-term development ambitions to reach Millennium Development Goals (MDGs) and to become a middle income country by 2020 as enshrined in the VISION 2020 strategic document. After the adoption of the second Economic Development and Poverty Reduction Strategy (EDPRS 2) in May 2013, the EU stands ready to continue its level of support to Rwanda by working closely with all levels of Government, the development partners, the civil society and the private sector. In doing so, the EU has taken the lead, following the request of the Government, to prepare a *Joint Response Strategy* which sets out a clear division of labour among Rwanda's bilateral development partners in support of the EDPRS 2 for the period 2014-2018. This strategy is an operational tool and is aimed at making the overall aid delivery to Rwanda more effective, coherent and sustainable and is based on a joint assessment of the situation in the country including a sound analysis of the EDPRS 2 in full respect of the aid effectiveness principles. The expected funding of bilateral partners for the EDPRS 2 is included in the donor matrix in annex 2.

Rwanda joined the Scaling Up Nutrition (SUN) movement in early 2012. The European Commission is since 2012 a member of the SUN Lead Group. In Rwanda, the EU is committed to strengthen the linkages between the agricultural and social protection sectors and nutrition security during the 1,000 day period between a mother's pregnancy and her child's second birthday.

1.2 Choice of sectors

The EU's actions will focus its efforts on three sectors, namely sustainable energy, sustainable agriculture and food security, and accountable governance. These sectors have been selected taking into account several factors:

- The agreement on the division of labour between donors and the Government taking into account a use of all development partner resources according to the priorities of the EDPRS 2 and also considering EU's comparative advantage vis-à-vis other donors in certain sectors.
- A thorough analysis of the country's priorities and challenges
- Past experience with EU – Rwanda cooperation
- The EU's Agenda for change priorities.

The three sectors are key to ensure pro-poor economic growth and economic development. Furthermore, progress in those sectors has been insufficient and external resources relatively scarce, despite the existence of coherent policies, strategies and institutional frameworks.

As the EU has made the commitment of ensuring that 75% of its aid contributes to Gender Equality and Women Empowerment, both sectors of energy and agriculture shall be gender-mainstreamed to ensure that both men and women benefit equally and equitably from EU project and programme activities and to make it possible to measure progress in those sectors.

The EU has made the protection and sustainable management of natural resources and the achievement of Sustainable Development Goals (SDGs) a key priority in its poverty

reduction policies. In this regard, all EU interventions in the aforementioned sectors will be assessed against their environmental sustainability and the implementation of the recommendations of the Strategic Environmental Assessments will be pursued. In both the agriculture and the energy sector, the EU will support capacity development and technology transfer in Rwanda to strengthen climate change adaptation and mitigation strategies. For all sectors, identification will fully take into account lessons learnt from evaluations of past co-operation, including on the choice of implementation modalities.

Sustainable Energy

Support to the energy sector replaces support to the transport sector. Under previous EDF programmes, a series of national roads of regional importance have been rehabilitated and support has been provided to create a sustainable institutional framework for road maintenance. Given the advanced stage of Rwanda's national road infrastructure, the EU and the Government of Rwanda have agreed that the sector should not be a priority for 11th EDF funding. In line with the Agenda for Change and the EU's approach to sustainable growth for human development as well as Government of Rwanda's priorities under the EDPRS 2, the focus should be on supporting energy as a sector with a strong multiplier impact on Rwanda's economy.

Poverty reduction and an expansion of economic output, particularly in higher productivity sectors, are not possible without a significant increase in electricity generation and distribution. Today, at approx. 40 kWh per year, the per-capita electricity consumption in Rwanda is one of the lowest in the region.

Furthermore, Rwanda's energy balance currently shows that only 16% of the population is connected to the electricity grid. An estimated 85% of the overall primary energy consumption is based on biomass (over 90% of all households using biomass for cooking), 11% on petroleum products (transport, electricity generation and industrial use) and 4% on electricity with the installed generation capacity of the country at only about 110 MW.

More than half the population spend a significant part of everyday fetching and carrying fuel and cooking food. With the assistance of children, nearly all of this work is done by women. Given that women constitute the overwhelming majority of energy users, they play a key role in biomass management and consumption.

EDPRS 2 aims at achieving rapid increase in power generation capacity and rural development, increase of employment opportunities, high productivity and sustained economic growth, helping Rwanda to become a middle-income country.

The vision of the energy sector has been formulated as "to contribute effectively to the growth of the national economy and thereby improve the standards of living for the entire nation in a sustainable and environmentally sound manner".

In order to work towards this vision, the Government of Rwanda has placed energy among the top priorities identified in the EDPRS 2. The Government of Rwanda has set very ambitious targets for increasing its generation capacity (563 MW) and for provision of access (70%). It has understood the importance of the sector for the economic development of its country and is committed putting the available financial and human resources at work. Implementation of the energy sector strategy is progressing and is monitored through various measures in place.

In line with the Government's guidelines for all Sector Strategic Plans (SSP) under EDPRS 2, the energy sector is committed to mainstream the following cross-cutting issues: capacity building; gender and family promotion (including women economic empowerment, use of gender-disaggregated data, and a gender strategy); HIV issues; environmental conservation and green growth; risk mitigation and control measures; and regional integration.

It is noteworthy that renewable energy resources, with priority given to geothermal and hydropower, play an increasingly important role in the country's energy mix, which is in line with the goals of the Sustainable Energy for All (SE4All) initiative to which the Government of Rwanda has subscribed to. The targets as per the sector strategy are also coherent with the objectives of the SE4All initiative.

Regional cooperation with its neighbouring countries is crucial in achieving the energy sector objectives, and the Government of Rwanda is therefore pursuing large hydropower projects such as Rusizi III or Rusumo with great commitment.

It is worth highlighting that Rwanda has been closely engaged in the conceptualisation of the "EU-Great Lakes Initiative for cooperation in the Energy sector" and is firmly committed to its follow-up together with Burundi, DRC and with EGL (Organisation for Energy of the Great Lakes Countries), the latter being the mandated body for the development of regional energy projects.

Energy is a complex and diverse sector requiring reliable planning, capacity building and significant capital investment, which goes beyond the financial capacities of the Government of Rwanda. To this end, Government of Rwanda is prioritising and promoting private sector participation and calls for financial assistance from the International Financial Institutions and the donor community. EDF assistance has been solicited and shall be granted.

The EU partnership in the energy sector under the 11th EDF is currently at the phase of project definition, and shall be shaped by a mix of project approach and sector budget support/sector reform contract. It could also involve support towards organisational development, e.g. through technical and policy advice, particularly aiming at strengthening horizontal (inter-agency) and vertical (from national to district level) cooperation and coordination. Even though the identification study is still ongoing, besides a sector budget support programme the energy sub-sectors that could be considered for EDF support are geothermal development and infrastructure maintenance in order to reduce grid losses. Especially in the geothermal sub-sector and its early stages of development EU grant money (as opposed to loans from IFIs) can provide for meaningful contributions and pave the way for later private sector investments.

Another major area of support could be the support to the promotion and implementation of an energy efficiency policy at all levels of the economy (households, productive sector and public sector) as well as the reforms that finally enable the sector to attract and secure private sector participation. Private sector engagement in the Energy Sector Strategy is highlighted as important objective in almost all sub-sectors and there is no doubt about government's willingness to reform.

Sustainable Agriculture and Food Security

Although the share of agriculture in GDP has fallen from 45% in 2001 to 32% in 2011, it remains the main occupation for over 70% of working Rwandans. Agriculture accounted for 45% (Increased Agricultural Production: 10%, Increased Agricultural Commercialization:

10%) from the bulk of National Poverty Reduction between 2001 and 2011 and for almost half of aggregate household income (much more in the case of poor households). An IFPRI study (2009) on Rwanda stated: “economy wide growth led by the agriculture sector has a greater effect on poverty reduction than does the same level of growth driven by the non-agricultural sector”. In the last decade, Rwandan consumer price inflation averaged 8.1% (Sub-Saharan Africa average: 6.5%). With food as a large component of inflation, the performance of agricultural output is a key factor for lowering inflation in Rwanda.

With the current population density at 416/km², a better use and protection of land through improved inputs, irrigation, multi-cropping and high-value crops are key for sustaining economically livelihoods in rural areas. Given that 36% of households own only 6% of the farm land, with an average of only 0.11 ha per household, the importance of the social protection scheme for the poorest and the needs to increase its coverage cannot be emphasised enough. While the National Land Use Master Plan was approved by the Cabinet in January 2011, land use planning at the district and village level land has not yet been completed. Buying and selling of land is becoming widespread on local land markets but the capacity of local governments to support the rural population in land management is still limited.

Irrigation has the potential to triple crop production compared to rain fed agriculture. Rural areas are particularly vulnerable to climate change as Rwandan agriculture is mainly rain-fed. The security provided by irrigation gives farmers confidence to invest in additional inputs that are needed to intensify production. Considerations of cost-effectiveness and -efficiency need to be further integrated in irrigation and other capital-intensive sub-sectors. Terracing will still be one of the most productive ways in which resources can be used within the agricultural sector. The quality of Rwanda’s unpaved roads, maintained through community works, is generally poor. Feeder roads are needed to improve agriculture produce marketability since farmers with better access to main roads receive higher prices for their produce and have fewer direct costs. Production in areas with rehabilitated feeder roads usually increases, while post-harvest losses usually decrease.

The sector so far devoted few resources to finance the envisaged changes in farming systems. However, its new strategy embodies diversification and intensification measures that are explicitly designed to benefit low-income food-insecure households. The accessibility of improved seeds and planting material continues to be one of the main causes of low food crop and horticultural yields and quality. The constraints affecting horticultural value chains mainly concern the capacity to meet quality standards, post-harvest handling, logistics and the challenges to attract investment and enhance entrepreneurship.

MINAGRI has drafted and costed its Nutrition Action Plan, which has been integrated into the new National Food and Nutrition Policy and Strategic Plan (2013-18) and been approved by the Social Cluster, awaiting now Cabinet approval. While Rwanda was able to achieve food self-sufficiency in 2010 at national level, household food consumption remains an important challenge, and 44% of children under the age of five suffer from chronic malnutrition. Reducing Rwanda’s chronic malnutrition rates for children is not only required to ensure the children’s right to appropriate food and feeding, but also a prerequisite for the country’s continued economic and inclusive development.

The socio-economic potential of an increased empowerment of women in agriculture (via improved access to technology, inputs and skill development) has not been explicitly fostered during EDPRS 1. Almost 2 million women are small-scale farmers. As women represent the majority of the labour force in agriculture and animal husbandry (86% of the total female

population), support to the sector should carefully capitalise on and integrate a systematic approach to planning and monitoring in a gender-sensitive manner, ensuring that policy statements are adequately operationalized. The Agriculture Gender Strategy was validated in 2012 by the agriculture sector. Its actual implementation will require improved targeting and increased funding to ensure that women participate proportionately in the technological developments, input supply schemes and proximity services envisaged under PSTA-3.

In order to strengthen the private sector engagement in Rwanda's agricultural development, MINAGRI has created in 2013 a new Agriculture Delivery Unit to connect investors with farmers and work in close collaboration with the Rwanda Development Board, the national investment promotion agency. Under EDPRS 2, Rwanda's PPD forum will be enhanced with representation from a cross section of the private sector and senior Ministry level officials. A "Strengthened business environment through regulatory reform to spur medium and large enterprise growth and attract large investors in priority and emerging sectors of the economy" has been defined as a thematic outcome of EDPRS 2. The application of SPS measures needs to be strengthened in Rwanda as well as the agriculture sector's coordination with the EAC to harmonize and operationalize SPS policies, legislation, inspection and certification procedures and Rwanda's participation in regional and international standard setting bodies. Public and private stakeholders need to be trained and sensitized regarding SPS requirements.

Achieving sustainable economic growth in Rwanda will require the prudent use of natural resources and ensuring that climate resilience is built into economic planning. The agriculture sector has concluded with EU-funding its strategic environmental assessment. The sector's most pressing agro-environmental issues refer to soil and water conservation, soil acidity and nutrient management, crop and variety selection, pest and disease management, climate variability and climate change as well as the project implementation of the requirements set out in Environmental Impact Assessments.

The sector's routine monitoring and reporting systems require an increased inclusion of outcome indicators. The Agriculture Management Information System is at an early stage and a further decentralization of data collection and processing is needed. The sector requires a harmonisation of the modes of operation of the agricultural boards, project implementation units, local government structures, civil society organizations and private sector stakeholders.

SRC will be the preferred financing modality. Substantial complementary support will be provided through Delegated and Joint Management Agreements to harness expertise, comparative advantages and existing facilities of these agencies. Other modalities for complementary support might be found pertinent during later stages of the programming process.

Accountable Governance

Governance is one of the main priorities of the Agenda for Change, and the perception around Rwanda's adherence to the fundamental values is the key factor that divides international opinion. Accountable governance is one of four thematic areas in the EDPRS 2, focusing on two priority areas: (1) citizens' participation and strengthened accountability and (2) improving service delivery.

Public Financial Management is considered as a foundational pillar within the EDPRS 2, i.e., a strategic area that is part of the bedrock of Rwanda's sustainable development over the long term. As such, PFM is the platform for the efficient management of the nation's resources. Its

reporting, audit and oversight functions are essential elements in providing effective Accountable Governance.

The EDPRS 2 offers a reasonably strong statement of principles of “accountable governance” and some of the challenges in achieving it in Rwanda. However, more emphasis on the Government of Rwanda’s own conception of “good governance and a capable state,” is necessary. The goal should continue to be achieving the first pillar of Vision 2020, which “also means a State respectful of democratic structures and processes and committed to the rule of law and the protection [of] human rights in particular.”

The Agenda for Change and Budget Support communications (October 2011) have all announced a strategic shift in EU development policy towards stronger conditionality on human rights, democracy and the rule of law, the role of civil society and other elements of good governance. It underlines the need to provide incentives for results-oriented governance reforms and to support with programmes or projects interventions that strengthen actors and processes at local, sector and national level.

Efficient leadership has made Rwanda popular with development agencies and one of the safest countries in Africa. The power of decision remains strongly centralised and the system is recognised for its efficient and effective approach to service delivery. Important reforms were recently undertaken, e.g., the reform of the penal code, media packet laws, electoral law, and the genocide ideology law. Nevertheless, questions remain regarding the opening of the political space, freedom of speech and media, human rights, and the decentralisation of decision-making processes.

Political power and leadership is distributed on a consensus basis led by the ruling party RPF and the coalition. A significant amount of the political debate takes place in the Cabinet rather than in the Parliament. The Government of Rwanda acknowledges the need to strengthen the role of the Parliament in the political debate so that it can more effectively exercise its oversight role. The same need is acknowledged in strengthening the civil society and media in their role to hold the government accountable.

Judging by the World Bank Institute’s (WBI) Worldwide Governance Indicators Rwanda’s performance has steadily improved, however, when it comes to Voice and Accountability the same trend in performance has not been reflected.

Thus Rwanda acknowledges efforts to improve within the realm of “Voice and Accountability”, which include freedom of expression, freedom of association, and a free media. Some have argued that, despite Rwanda’s generally strong performance on political stability and a low risk of conflict in the near-term, gradual improvement on such measures of governance is essential for long-term stability and thus sustaining the remarkable socio-economic progress that has been achieved since the tragedy of the 1994 genocide.

In view of the 2017 Presidential elections, the EU could consider providing support to specific activities (through either geographic or thematic instruments) to implement the recommendations resulting from the previous electoral observation missions (i.e. the EU Electoral Expert Team 2010 presidential, 2013 legislative elections).

Preferred aid modalities will be the Sector Reform Contract or delegated/joint management agreements in the economic governance area and project approach as well as delegated/joint management agreements in the democratic governance area.

2. Financial overview (Indicative amounts)

The table includes estimates for a National Indicative Programme of a total of EUR 460 million.

| | Indicative allocation (% of total) | Indicative allocation (in million EUR) |
|---|---|---|
| SECTOR I: Sustainable Energy | 43.5 | 200 000 000 |
| SECTOR II: Sustainable Agriculture and Food Security | 43.5 | 200 000 000 |
| SECTOR III: : Accountable Governance | 8.7 | 40 000 000 |
| Measures in favour of civil society | 2.2 | 10 000 000 |
| Support measures | 2.2 | 10 000 000 |

In the joint response to the EDPRS 2 the EU and its partners have aligned to the EDPRS 2 which runs over a period of 5 years until 2017/18. Consequently, funds in the joint planning document have been allocated on a pro rata basis (without taking into consideration planning of projects or programmes). The allocation of funds under this NIP is more specific as can be seen in the timetable for commitment of funds in annex 4. The allocation, however, makes provision of development of new programmes for the new EDPRS from 2018 onwards. Should the successor strategy require a revised division of labour with consequences to the EU sectors this could be evaluated during the mid-term review or an ad hoc review of the present NIP.

3. EU support per sector

3.1 Sustainable Energy (Indicative amount EUR 200 million)

3.1.1 The following overall and specific **objectives** will be pursued:

The overall objective is to increase the energy sector's sustainability and performance and thus its contribution to the sustainable development, poverty reduction and adaptation to climate change of the country.

In line with the national sector policy, the specific objectives that the EU Delegation would like its support to focus on are: (1) to provide sufficient, reliable, affordable and sustainable energy supply with particular focus given to renewable, clean energy sources; (2) to assure the rational and efficient use of energy at all levels; and (3) establishing environmentally sound and sustainable systems of clean energy production, procurement, transportation, distribution and end use; and (4) to ensure equal access and use of energy for men and women.

3.1.2 For each of the specific objectives listed above, the main expected **results** are:

- 1.1 Increased power generation capacity from indigenous sources with priority given to geothermal and hydropower thereby increasing share of renewables in the energy mix;
- 1.2 Increased energy access for urban and rural households by means of grid connections and/or off-grid solutions;
- 2.1 Improved energy efficiency mainly through reduction of grid losses but also at other levels such as end-users and productive industry;
- 2.2 Improved rational use of energy sources for cooking and development/provision of alternative energy sources to firewood;
- 3 Reduced dependence on diesel fuel for electricity generation;
- 4. Increased women participation in decision-making with regards to access and use of energy resources.

3.1.3 The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Attachment 3

It should be noted that all indicators listed above are in line with the energy sector strategy and the corresponding targets shall be coherent with the ones set by the Government in its EDPRS 2 monitoring framework. Identification and formulation studies have been launched, and in their course the indicators will be complemented and fine-tuned.

3.1.4 Donor coordination and policy dialogue

In line with the Division of Labour agreed in 2010, the following main donors are present in the Energy sector: World Bank, BTC/Belgium, AFD/France, Netherlands, GIZ and KfW / both Germany, JICA/Japan, AfDB and UNIDO (United Nations).

Energy sub-sectors such as geothermal or infrastructure maintenance receive less attention from the donors. Here the EU could play a relevant role on sub-sector level and provide for significant added value. Close cooperation for geothermal in particular is envisaged with the EIB, thereby building on and intensifying already good relations.

The sector policy dialogue takes place in a structured form, led by the Ministry of Infrastructure with regular Sector Working Group (SWG) meetings chaired by the Ministry of Infrastructure and co-chaired by the World Bank. The SWG provides a platform for policy dialogue, monitoring of sector performance, and information sharing. In addition, sub-sector working groups have been created in order to discuss between government and donors sub-sectors in a more efficient and effective way. Most recent example is the geothermal sub-sector working group, which is led by MININFRA aiming to formulate a working programme for the sub-sector jointly between Government of Rwanda and the DPs.

In addition donor group meetings are taking place on an ad-hoc basis during which common positions are being discussed and formulated. The current state of coordination, led by the World Bank, leaves room for improvement and it is the intention to hold these donor groups meetings on a more regular basis.

3.1.5 The Government's financial and policy commitments

Energy is among the top priorities identified under the Government's new development policy, EDPRS 2. Under the thematic orientations 'Economic Transformation' and 'Rural

Development', energy is identified as being the main driver for economic growth. The new Energy sector strategy (Sector Strategic Plan, SSP) has been developed setting objectives, expected results and indicators for the monitoring of progress as well as budget performance. The necessary budget to implement this SSP as estimated by the Government of Rwanda amounts to USD 4.8 billion. Priority is given to the increase of the installed generation capacity, grid extension through the Electricity Access Rollout Plan, and reinforcement and extension of the transmission and distribution network.

Based on the challenges and demands for the energy sector, the sector priorities were identified during a consultation process to address current and anticipated challenges. Addressing the following selected priorities shall allow the Energy sector to play a major role in the achievement of the EDPRS 2 objectives:

- a) The establishment of a clear roadmap for investment in the electricity sub-sector to deliver increased access to electricity and sufficient and economic generation to meet all the energy demand;
- b) Significantly increase the use of efficient cooking stoves and Biofuel substitutes to mitigate the environmental, social and health costs of Biomass energy production;
- c) Undertake a thorough capacity development program aligned with the sector's priorities and roadmap over the coming years;
- d) Establish a robust M&E system to allow the tracking of sector performance and make interventions in a timely manner.

The main flagship indicators against which the Ministry's performance is measured and which are very closely monitored are the generation capacity (to be increased from 100 to 563 MW) and the access rate (to be increased from 16 to 70%), both by 2017.

3.1.6 Environmental assessment

During the identification study phase, the aid modality will be defined and the need for a strategic environmental assessment analysed. This would then be addressed during the formulation phase. Environment impact assessments (EIA) will be carried out at project level with special focus on hydropower infrastructures that could endanger the availability of water resources and affect the environment. The involvement of interested stakeholders will be ensured.

It should be noted that some major environmental aspects such as contributing to the reduction of the country's carbon emissions or energy intensity have, although mentioned, not been singled out as priorities in the energy sector strategy. It would be the intention, however, to approach such subjects on the sector dialogue level with the Government throughout the implementation of a sector reform contract.

3.1.7 The overall **risk assessment** of the sector intervention

The sector conditions such as policy, strategy including its monitoring systems, and the sector's institutional setup are sufficiently favourable for the establishment of an EDF support programme and cooperation. The Government has understood the importance of the sector for the economic development of Rwanda and has demonstrated its determination to achieve real results.

The main risks for the sectors' development are the over-ambitious targets set, and the speed with which the actions are pursued resulting in actions that could be better coordinated.

Related cost implications for achieving the sector targets are often underestimated and should be more carefully taken into consideration, together with the prioritisation of actions.

In addition, some of the increased generation capacity is likely to come from higher carbon energy sources such as peat and methane, which will impact on the overall CO₂ emissions per capita. In the long run, however, the carbon intensity will decrease due to phasing out of thermal sources for electricity production (diesel generators). This matter, together with the need of developing an energy efficiency policy/strategy are important points of discussion and will surely be part of the sector dialogue during the EDPRS 2 period.

Energy developments can potentially pose environmental risk, such as soil erosion or sedimentation for hydro developments for example. Mitigation of these risks will be addressed through assessments, proper designs and through the application of national environmental laws in place, for which the national agency REMA is responsible.

Furthermore, the sector strategy puts great emphasis on the increased private sector participation and the latter is said to be key for achieving the sector's ambitious objectives; the necessary reforms, however, have so far not been following the pace of the Government's ambitions. It should be noted nonetheless that several Development Partners are (or will be) active in the sector addressing the mentioned problems on various levels and that significant progress has already been made.

The institutional framework, although in place, reveals weakness due to limited institutional capacities at the Ministry of Infrastructure level as well as at level of the national utility EWSA (Energy Water and Sanitation Authority). The wide remit of the organisation has often led to the neglect of vital areas and management attention being channelled into addressing short-term operational issues rather than ensuring the long-term future of the energy and water sectors.

Possible mitigation measures include the Government's will to reform the energy sector and ensure the financial sustainability in targeting Government subsidies in line with the country's development agenda. A substantial restructuring of EWSA has already been approved and its implementation is supported and funded by the World Bank as the lead donor in the sector.

Regional political risks could lead to budget support not being disbursed to Rwanda during the period of implementation of the 11th EDF. Also other eligibility conditions may be at risk, although this is judged to be remote. However, if risks materialised, it would make it difficult for the EU to effectively support development in this sector in Rwanda. This shall be mitigated through the use of a mix of financing instruments where budget support would account for a limited percentage of the full financing envelope for the energy sector.

3.2 Sustainable Agriculture and Food Security (Indicative amount EUR 200 million)

3.2.1 The following overall and specific **objectives** will be pursued in line with the existing Strategic Plan for the Transformation of Agriculture in Rwanda (PSTA-III):

Overall objective: Support sustainable agriculture development in Rwanda, with a specific emphasis on nutrition, food security, and inclusive economic development

The main progress achieved in Rwanda's agricultural sector under EDPRS 1 relates to an increase in cereal food security crops through crop intensification. Food and nutrition security and agriculture-driven job creation has not improved at the same pace. Strengthened soil and water conservation is mandatory due to Rwanda's landscape which is highly susceptible for a loss of soil and soil fertility.

Specific Objective 1: Improved food and nutrition security among rural households

45% of children under 2 years suffer from chronic malnutrition (stunting). The physical and mental damages associated with stunting are irreversible after the age of 2 - hence the EDPRS 2 emphasis on the early 1,000 days of a child's life. Interventions under SO1 will complement the 10th EDF SRC to support Rwanda's multi-sectoral efforts to eliminate malnutrition. The latter emphasises nutrition governance, but the 11th EDF interventions will support the agriculture sector's shift towards nutrition-sensitive programming, articulated through its Nutrition Action Plan and the Rwanda's 1000 Days campaign. The Social Protection sector is in the process to improve the child sensitivity of public works. The findings will feed into the programming exercise for the 11th EDF interventions. The involvement of non-state-actors under this specific objective will harness their proximity to vulnerable groups for intensive home-based agricultural assistance and participatory peer- led health and nutrition education for families of children diagnosed with malnutrition. Their activities will be delivered through partnerships with health centres and health workers.

Specific Objective 2: Support sustainable, climate-change resilient and decentralized agricultural intensification

Opportunities on how to integrate alternative agri-food networks within the overall land use consolidation scheme will be further explored under EDPRS 2, so as to build closer linkages between producers and consumers, pursue higher prices for producers and lower costs for consumers and ensure both the environmental sustainability (including soil and water conservation) and quality compliance of products. The 10th EDF SBS for Decentralised Agriculture's focus on governance aspects of agricultural decentralization will be succeeded under the 11th EDF by an explicit support to build decentralized capacities for agricultural capital investments and advisory services. EU support will pursue agro-environmental sustainability, climate-resilience, nutrition sensitivity and gender balance in those decentralised investments and proximity services.

Specific Objective 3: Support inclusive value chain development

Inclusive value chain development, from seed to retail, with an emphasis on non-traditional high-value value chains will be pursued through (i) an increased number of producers, traders and public servants trained in export quality standards and SPS management and control

systems, (ii) increased agricultural value addition by agricultural producer organisations, (iii) increased market access for agricultural producer organisations, and (iv) a conducive regulatory and investment framework that will facilitate rapid production aggregation. Based on an initiative of the WB and the Gates Foundation and Rwanda's engagement with the Grow Africa platform, the integration of proxy indicators for measuring the "enabling environment for agribusiness" will be supported so as to inform policy dialogue, strategic planning and sector reviews. Such proxies will include the access to and availability of improved seed and fertilizer, access to agricultural technology, access to agricultural finance, cost of transport, public expenditure on agriculture, tariff- and non-tariff barriers to trade.

3.2.2 For each of the specific objectives the main expected **results** are:

1.1 Decreased prevalence of chronic malnutrition among young children

Under EDPRS 2 food security and malnutrition remain foundational issues to be addressed through coordinated, strengthened and scaled-up community based nutrition programmes. In addition, supporting the implementation of existing district plans to eliminate malnutrition will be a priority. Complementary feeding is a major problem in many families as indicated by the high rates of stunting during the period between exclusive breastfeeding and a child's adoption of a diet closer to older children. This is mainly due to poor practice and insufficient access to the food needed to support healthy early child development. Special emphasis will be given to the community-based implementation of Rwanda's national 1000-days campaign.

1.2 Decreased seasonal food and nutrition security of vulnerable households

The problems of household food security and their malnutrition were well recognised by the MINAGRI in its Nutrition Action Plan which has been incorporated into the National Food and Nutrition Policy and Rwanda's Food and Nutrition Strategic Plan (NF&NSP) 2013-18. The importance of irrigated agriculture and improved post-harvest handling for decreasing seasonal food security has been accounted for in EDPRS 2. Support to small-scale adapted and accessible agricultural technologies, including for small livestock and fisheries, will ensure both gender-balanced and widespread distributional benefit of the corresponding investments. In coherence with the sector's Strategic Environmental Assessment water-use efficiency will be promoted. Focus will be on sustainable land management techniques, improving both crop yields as well as preventing degradation or erosion of the land, pollution of watercourses and related adverse impacts on environment and human health. Provisions will be taken to ensure that agricultural interventions do not contribute to biodiversity degradation through gradual encroaching of areas important for biodiversity. Since agriculture related activities offer a broad range of services and inputs that have the potential to "graduate" participants to self-sufficiency in the context of social protection, a close coordination between MINAGRI and MINALOC (both key ministries for implementing the NF&NSP) will be supported

1.3 Improved and sustainable food utilization practices among rural households

The prevalence of respiratory diseases, eye infections, low birth weight and burns is compounded by traditional cooking practices. Because of the difficulty or expense in securing sufficient amounts of biomass fuel, many families will often prepare just one cooked meal a day with children suffering the greatest burden. It is estimated that the fuel consumption cost for improved cooking stoves may be 30-70% lower than for traditional stoves. The gathering of wood to feed the latter causes further degradation of Rwanda's already

deforested landscapes and carries a significant opportunity cost for the household. Today, less than 50% of households use improved cooking stoves. EDPRS 2 aims to deliver 400,000 improved cook stoves to Ubudehe Categories 1 and 2, integrating community works and training. The private sector will be involved in their production, distribution and marketing.

1.4 Improved access of rural households to safe drinking water

During EDPRS 1, water and sanitation services have improved significantly for rural communities. Access to clean water with improved sources of drinking water has reached 71% of the population, a 7% improvement since 2006. However, there are differences across regions with some parts of the Eastern and Western Province below 60%. Districts will be assisted in planning, designing, financing and implementing water infrastructure projects and the possibilities for community and private sector management will be further explored alongside increased public investment. The aim is to ensure that all households across rural areas are within 500m of an improved water source. There is evidence that clean drinking water and effective hand washing can reduce the prevalence of stunting in children under the age of five by up to 15%. Rwanda's Water and Sanitation Policy has been approved in 2012.

2.1 Improved agro-environmental management of natural resources

90% of domestic cropland in Rwanda is on slopes ranging from 5% to 55%. Thus, investing in land management structures and training are central to improving and conserving land productivity. The continued use of Sector Budget Support to support soil and water conservation in Rwanda is recommended. The proposed indicator will be a composite index of 2 parameters, measuring both i) the proportion of cultivable land under erosion control¹ and ii) the efficiency of soil protection measures. Success in this regard will have positive repercussions on achievements under the NIP's 1st focal sector (sustainable energy) since high rates of soil erosion will reduce the life-span of any hydroelectric dam. The enhancement of multi-sectoral coordination between MINAGRI and MINIRENA in the implementation of Land Use Planning Systems, Environmental Management Plans and other key interventions (e.g. agroforestry) identified in the 2011 SEA will be fundamental to guarantee the agro-environmental sustainability of agriculture investment projects and the intensification of farming systems under EDPRS 2.

2.2 Increased climate-change resilience of agricultural households

Rural areas are particularly vulnerable to climate change as Rwandan agriculture is mainly rain-fed. Irrigation has the potential to triple crop production. The security provided by irrigation (in addition to the recently issued land titles), encourages farmers to invest in additional inputs needed to intensify production. The target for EDPRS 2 is to increase the area under irrigation (marshland & hillside) from 25,490 ha (2012) to 40,000 ha in 2018. The sector is informed by its Irrigation Master Plan (2010) and a new Irrigation Policy is in process, but requires further assistance to identify the most cost-efficient and cost-effective public and private irrigation investment options, facilitate PPPs, improve the infrastructure execution, irrigation management models, empower Water User Associations in their organisation and water-use efficient irrigation, and for integrated watershed management. A unit within MINAGRI has been set up to facilitate private investments in irrigation.

¹ Whereby cultivable land is defined as all land in Rwanda with a slope of < 60% which is not designated as urban, national park, protected forest or protected wetland.

2.3 Increased access of households to agricultural advisory services

Under EDPRS 2, public investment in Farmer Field Schools (FFS) and farmer learning platforms will be scaled up to reach at least 150,000 farmers. FFS trainers and facilitators, particularly women, will be trained to work with farmers. An important addition to public agriculture advisory services will be the introduction of Farmer Promoters and Animal Health Workers, based on the model of community health workers, with model farmers facilitating improved skills at the village level. The privatisation of agricultural extension, fertilizer and seed supply will be promoted under EDPRS 2 which implies both opportunities for private sector engagement but also transitory risks for farmers to access affordable quality services and inputs. It is envisaged to finance under the 11th EDF the up-scaling of Farmer Field Schools in Rwanda so as to leverage the impacts of agricultural Sector Budget Support through increased capacities for integrated soil fertility management, soil acidity correction for efficient use of fertilizers, intercropping, water-efficient irrigation, improved crop variety selection, and integrated pest management.

3.1 Increased quality standard compliance in agricultural and horticultural value chains

MINAGRI and the EU have commissioned in late 2013 a country-wide horticultural census and the validation of the new national horticultural strategy is scheduled for mid-2014. Under the 11th EDF, technical assistance will be provided to promote food safety by strengthening SPS systems for export horticulture and other value chains and a critical mass of certified public and private horticultural master trainers will be built. Given the importance of capacity building on trade and SPS issues for competitiveness in international markets, both the NIP and the regional envelope as well as Intra-ACP facilities will be used to fund those measures.

3.2: Improved market-oriented rural infrastructure

Feeder and secondary roads are needed to improve agriculture produce marketability. Studies revealed that farmers: (a) within 7-10km of a main road receive 85-160% higher price for their produce than those further away, (b) lose, in direct costs, between USD40-106 million a year due to the lack of feeder roads, and (c) are likely to respond to better transport facilities. District feeder roads will be implemented under a National Framework for Feeder Road Development, coordinated by MINAGRI, RTDA and Districts. Interventions will use local labour and prioritise training and capacity development for small-scale contractors and supervisors in road engineering and construction management. Poorly connected areas with high agricultural production potential will be prioritised and communities trained in construction and maintenance. The proposed performance indicator will integrate environmental safe-guards and climate proofing.

3.2.3 The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Attachment 3

During a later stage in the programming cycle – i.e. the development of the project identification fiches – additional indicators will be identified for each specific objective. These will include, among others, indicators to ensure that both men and women benefit equally and equitably from the proposed interventions.

3.2.4 Donor coordination and policy dialogue

According to the Division of Labour, WB, USAID, DFID, FAO, IFAD, WFP, JICA, Korea, and the EU will be the active development partners in the agriculture sector. It is not yet confirmed to what extent USAID and DFID will use the Sector Budget Support instrument. WB will use the P4R-approach to support the Agriculture Sector Investment Plan. The AfDB has moved out of the sector, leaving a substantial vacuum of support to the livestock- and fisheries sub-sectors. BTC is to date the sector's key partner for the country-wide promotion of Farmer Field Schools. As for the EU's policy dialogue, key issues to be brought forward will evolve around the sector's Management Information System, routine progress reporting, performance assessments, public expenditure reviews and impact evaluations, results-oriented planning, budgeting and policymaking, agricultural decentralization issues, feedback mechanisms with farmer organizations and coordination with partner ministries on agricultural decentralisation (MINALOC), private-sector engagement (MINICOM), nutrition-sensitivity (MOH) and agro-environmental sustainability (MINIRENA).

3.2.5 The Government's **financial and policy commitments**

In the recently approved PSTA-3, the goals for Rwandan agriculture are presented as: (1) to grow as rapidly as possible, in order to increase rural incomes and to reduce poverty; and (2) to transform agriculture from subsistence to a knowledge-based sector. During the implementation of PSTA-2 (2009-12), only a small-subset of key indicators was systematically followed and reported to the Agriculture Sector Working Group. A successful implementation of PSTA-3 will require a Management Information System, a comprehensive monitoring of all PSTA-3 sub-programs as well as a timely Mid-Term Review. The Agriculture Sector Investment Plan needs to become a key reference to inform the annual budget consultations between MINAGRI and MINECOFIN. The differences between MTEF projects and the actual annual budget are currently substantial. Currently, the share of the budget allocated to MINAGRI is only around 5% whereas the development budget allocated to agriculture-related interventions amounts to approximately 10% of if set against the entire National Development Budget for 2013/14. Adherence to the CAADP principles Rwanda has signed to – e.g. allocating 10% of the National Budget to the Agriculture Sector and 2% to the Irrigation Sub-Sector – is envisaged. Recent years show a slow and discontinued fiscal decentralization process in the agriculture sector. The effective implementation of PSTA-3 will require a clearer definition of the roles and responsibilities of central and decentralized entities for agricultural development. Substantial institutional and human resource capacity gaps have been identified during the implementation of PSTA-2 for the entities involved in public agricultural service delivery. The implementation of a comprehensive Human Resources Development Plan will be needed to address these limitations under PSTA-3.

3.2.6 **Environmental assessment**

MINAGRI has commissioned, concluded and validated in 2011 with EU funding from the Technical Cooperation Facility III a Strategic Environmental Assessment. The implementation of its findings within the framework of the 3rd Agriculture Sector Strategy and Agriculture Sector Investment Plan requires continued financial commitments and a close M&E through the Agriculture- and Environmental Sector Groups, respectively. The EU will integrate the recommendations of the SEA as far as possible to any of its support programs to the agriculture sector. Any projects identified in the agriculture sector will be subject to EIA screening to determine the need to carry out a detailed EIA according to the EU guidelines and Rwanda's legislative framework. Where appropriate, support will be given

to provide appropriate governance of natural resources across sectors, and involving relevant institutions. Interventions under the present NIP will be articulated with the Intra-ACP Programmes on "Climate change adaptation and mitigation in the COMESA-EAC-SADC region" and "Climate for Development in Africa (ClimDev)".

3.2.7 The overall **risk assessment** of the sector intervention:

The overall **risk assessment** of the sector (sustainable agriculture and food security) intervention:

MINAGRI has been requested by MINECOFIN to downscale and phase out at short-term its input subsidy and credit scheme, which have been the main drivers of remarkable increases of available food and food security gains in the past years. By today, it is however uncertain how quickly the appropriate PPP arrangements (concessions) with private operators (agro-dealers, NGO) can ensure their role as country-wide cost-efficient and accessible input distribution channels. This risk will be mitigated through an increased ability of producer organisations to partner with sourcing companies who can facilitate input access.

The dramatically increasing scarcity of land in combination with a weak capacity of other sectors to provide off-farm employment opportunities represents a major risk to sustainable rural and agricultural development. The impacts of this trend could be mitigated through strengthening value chains with high potentially high revenues and labour demand per land unit (e.g. horticulture). On the other hand the EU shall support the agriculture sector's efforts to harmonize increasingly the needs for land-use consolidation with the need to increase risk insurance coverage for small farmers, both through financial services and by enabling the vulnerable population to diversify their production, diets and income.

The un-predictability of weather to climate change and food-price shocks, as well as the incidence of plant and animal health calamities requires considering an adequate response to decrease the vulnerability of the least wealthy livelihood groups in rural areas. The mitigation of those risks will require both agronomic (e.g. irrigation, integrated pest management) responses as well as better linkages between Rwanda's agricultural and social protection sectors.

Regional political risks could lead to budget support not being disbursed to Rwanda during the period of implementation of the 11th EDF. Also other eligibility conditions may be at risk, although, this is judged to be remote. However, if risks materialised, it would make it difficult for the EU to effectively support development in this sector in Rwanda. This could be mitigated through the use of a mix of financing instruments where budget support would account for a limited percentage of the full financing envelope for the agriculture sector.

3.3 Accountable Governance (Indicative amount EUR 40 million)

3.3.1 Overall and specific objectives

The overall objective is to strengthen accountable governance and performance for an inclusive and sustainable development and poverty reduction.

In line with the national governance policy, the specific objectives are (1) to strengthen public accountability and democratic governance and (2) to ensure efficient, effective and accountable use of public resources.

The main objective of the thematic area "Accountable Governance" of EDPRS 2 is to "Enhance accountable governance by promoting citizen participation and mobilisation for delivery of development, strengthening public accountability and improving service delivery." The Government will focus on public accountability, citizen empowerment and participation in decision-making and effective service delivery.

The EU support will be designed as a response to the national governance priorities, and will encompass as well broader governance principles and priorities as defined in the Cotonou partnership agreement (Art. 7, 9 and 10) and EU's Agenda for Change.

This will include the right to universal and non-discriminatory access to basic services, participation in democratic political process, transparency and accountability, justice and the rule of law, and with focus on poor and vulnerable groups.

A human rights based approach (HRBA) will be used with the aim of integrating human rights principles into EU operational activities for development and to assist the Rwandan authorities in the implementation of international human rights obligations, such as the recommendations of the Universal Periodic Review. The EU will pay particular attention to the principle of developing capacities of "duty bearers" to meet their obligations and for the "rights holders" to claim their rights.

Accordingly, the EU's approach aims at enhancing governance accountability, which is essential to ensure that the government works in the interest of citizens. EU will support on the one hand, horizontal accountability which refers to checks and balances between different governmental bodies (i.e. between the legislative and executive) aimed at ensuring adequate scrutiny and preventing abuse of power; on the other hand it will support vertical accountability which operates in an upwards and downwards direction between different levels of the government and citizen.

Therefore, EU support will supplement the Government's objective of accountable governance by enhancing control and oversight capacity of public institutions, such as Parliament, Ombudsman, Office of the Auditor General, MINECOFIN and National Institute of Statistics of Rwanda (horizontal accountability) and enhancing civil oversight capacity and participation (vertical accountability). With regards to challenges in voice and accountability emphasis will be given to the role of the civil society, private sector organisations, media in scrutinising government performance, providing policy feedback and recommendations, and advocating changes.

In this respect, as well as in the context of the Joint Governance Assessment (JGA) process, dialogue with the Rwanda Governance Board (RGB) as the institution mandated by the GoR to provide policy advocacy on issues of governance and to empower the civil society and the media will continue. In line with the EU Agenda for Change those institutions that shall hold

the executive accountable at central and local level should be put at the centre of attention and funding.

3.3.2 For each of the specific objectives the main expecting **results** are:

These results are strongly linked to the thematic priorities of the EDPRS 2 - accountable governance which aims at empowering the Rwandan population in engaging in the formulation, implementation, monitoring and evaluation of policies that are geared towards accelerated growth and poverty reduction. The strengthening of the demand of accountability relies on an increased oversight capacity of the public mandated institutions as well as media and Civil Society Organisations.

(1.1) Increased public oversight through support to the Parliament, the Office of the Ombudsman, the Abunzi Secretariat as well as governance monitoring mechanisms

The capacities of public oversight institutions need to be enhanced to promote and demand accountability and transparency at horizontal level.

Support to Parliament: the priority is to strengthen the technical capacity of the parliament standing committees in order to perform effectively their oversight and legislative duties. The 2013 outgoing Parliament was reported to perform limited scrutiny over the executive and widespread approval of bills initiated by the government.

Support to the Office of the Ombudsman: the priority is to strengthen the Office's technical capacities and functioning to achieve its mission. This institution was tasked in 2013 with additional responsibilities, such as to promote good governance; to sensitize the population in fighting corruption as well as to prosecute corruption cases; to provide advice to public institutions to improve service delivery; and to monitor the Access to Information Law.

The Joint Governance Assessment is an evidenced based mechanism promoted by the Government of Rwanda and its Development Partners to undertake a common assessment of governance progresses and challenges. The 2013 review of the Monitoring Framework pointed out the difficulties to collect and analyse reliable data to monitor national policies. In this regard to support the Joint Governance Assessment policy dialogue and increase effective oversight attention should be paid to enhancement of data collection and information analysis on governance issues as captured in the JGA indicators.

Support to the Abunzi Secretariat: the support will aim at strengthening the capacities of the Secretariat in terms of performance and monitoring of the Abunzi (local mediators) in charge of alternative dispute resolution mechanisms. The Secretariat is a unit within the Ministry of Justice which is mandated to coordinate and monitor over 30,000 mediators. Abunzi perform great responsibilities in social cohesion and access to justice. The quality of their performance has a direct impact on reduction of the backlog of judicial courts as well as land-based conflicts resolution. This result is strictly complementary to the second focal sector, sustainable agriculture.

(1.2) Increased civil oversight and participation in decision making

Support to the "vertical accountability mechanism" will be channelled through the strengthening of the civil society and the media.

Civil society and media have to redefine their role and mandate as active actors in linking the authorities to the population and vice versa and shift from their role of service providers and

"verbatim" reporting, respectively. Please refer to chapter 4 – Measures in favour of civil society. To that aim, the authorities have to show the readiness to endorse the accountable governance principles both at central and local level.

(2.1) Strengthened effectiveness of public financial management at all levels, including budget transparency and oversight

In line with EDPRS 2, PFM is considered as a foundational pillar as it is an essential building block at all levels and institutions. The focus will be on how to better mobilise both domestic and foreign resources as well as alternative sources of finance, continuing with the enhancement of the Integrated Financial Management Information System (IFMIS) and the capacity building for delivering basic services at the national and district levels.

(2.2) Statistical capacity of institutions developed to provide relevant and high quality information to meet user needs and accessibility of official statistics as well as improved information systems for informed policy making and accurate monitoring and evaluation of the implementation of the EDPRS 2.

An accurate monitoring and evaluation of the implementation of the EDPRS 2 will depend on the accessibility and quality of statistics provided by the National Institute of Statistics of Rwanda.

3.3.3 The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Attachment 3

3.3.4 Donor coordination and policy dialogue

The accountable governance approach presented in this NIP contributes to three main national sector policies: (1) Governance and Decentralisation, (2) Justice, Reconciliation, Law and Order (JRLO) and (3) Public Finance Management (PFM).

In line with the division of labour agreed in 2010, Belgium, EU, the Netherlands, Sweden, UK, UNDP and World Bank will provide support to these sectors. For each sector, a policy dialogue is led by the technical Ministries: MINALOC, MINECOFIN and MINIJUST, respectively. The regular Sector Working Groups (SWG), co-chaired by development partners, provide a platform for policy dialogue, monitoring of sector performance and information sharing.

The Agenda for Change set out an increased emphasis on core EU values of democracy and human rights as underlying principles for development cooperation. Political governance will be mainly addressed at the so called Article 8 dialogues provided for by the Cotonou Agreement as well as at the High Level Dialogue Forum on governance bringing together state authorities, the diplomatic missions and the donor community.

Besides, the Joint Governance Assessment (JGA) provides a basis for joint ownership and constructive discussion in order to improve the quality and usefulness of dialogue around issues of good governance. The assessment addresses three broad subject areas: Ruling Justly, Government Effectiveness and the Investment Climate, and Corporate Governance.

The development partners will additionally focus on the process of unity and reconciliation, regional peace and stability as well as the conditions to promote an enabling environment for the civil society and the media.

The PFM sector dialogue, where all donors active in PFM actions have joint forces, has worked well and is based on the implementation of the PFM Reform Strategy, extended until end of FY 2013/2014. A new PFM Sector Strategic Plan will guide the specific actions to be undertaken in the next five years. The Joint PFM basket fund also comes to an end in FY 2013/2014 and discussions will be pursued to identify the best aid modality to continue supporting this sector.

3.3.5 The Government's financial and policy commitments

Accountable governance is one of four thematic areas in the EDPRS 2, focusing on two priority areas: (1) citizens' participation to delivery and strengthened accountability and (2) improving service delivery. The Government of Rwanda is committed to strengthening public accountability, transparency and efficiency in deploying resources and delivering services and in fighting corruption.

The key elements of accountable governance for Rwanda involve: public accountability, citizen empowerment and participation in decision making and ensuring effective service delivery.

Evidence from the 2012 citizen score cards - an exercise managed by the Rwanda Governance Board – shows that little effort was put into mainstreaming citizen participation and thereby empowering citizens to ask questions to decision making representatives.

The main task is to ensure the accountability of institutions by allowing citizens free access to information and providing and enabling fora for raising questions, thereby strengthening the relationship between citizens and the institutions. In that regard, an "Access to Information Law" was passed early 2013, as part of a major media reform process.

The government intends to fully exploit the potential of ICT to promote participation and the development of communication with the citizenry. Information technology will play a critical role in communication and will help bridge the gap between leaders and citizens, as ICT have proven to be driver of inclusive and sustainable growth, innovation and entrepreneurship.

Finally, Rwanda has registered good progress in promoting political participation of women. Nonetheless, EDPRS 2 still requires embarking on strategies to increase effective participation of women in leadership and decision making especially in the private sector. Gender Based Violence (GBV) prevention and response will be pursued to ensure that GBV is drastically reduced and that victims could have access to appropriate services.

The necessary budget to implement the Accountable Governance priority of the EDPRS 2 amounts to RWF 70,960 million.

3.3.6 Environmental assessment

If necessary, during the identification study phase, the aid modality will be defined and the need for a strategic environmental assessment analysed. This would then be addressed during the formulation phase.

3.3.7 The overall risk assessment of the sector intervention:

Political governance is an extremely sensitive domain. The main political priorities of the ruling coalition remain the unity and reconciliation and internal stability through a consensual

democracy. Legislative reforms regulating the civil and political liberties took place in 2013. In this overall framework the Government will continue playing its observation role however there is a need to effectively guarantee and ensure the freedom of expression and association as recommended by the 2011 UN Human Rights Council Universal Periodic Review (UPR).

The development partner community agrees on the fact that public institutions should effectively perform their oversight mandate and enhance open discussions over policies. The EU MS are keen to promote this dialogue and will use the Article 8 dialogue, the high level dialogue on governance and the Joint Governance Assessment to raise those sensitive topics.

Additionally, the high investment in the ICT and the consequent growth of the use of the social media especially by the new generation need to be accompanied by a progressive and conducive space for dialogue.

The instability in the Great Lakes region could hamper the path toward democratic reforms. In this regard, the EU Delegation promotes the relationship amongst Rwanda, Burundi and DRC for an enhanced economic cooperation within the CEPGL.

The risk of political upheaval inside the country is judged to be remote. The 2017 presidential elections may mark the end of the constitutional mandate of President Kagame with some uncertainties about how change in political leadership may happen.

The PFM sector presents certain implementation risks namely the possibility of setbacks in IT development which may affect the implementation of the IFMIS despite recent major improvements in further stabilising the system and providing reliable and timely financial reports. Failures in the coordination mechanisms and lack of financial resources and staff could also prove to be a major hurdle.

Regional political risks could lead to budget support not being disbursed to Rwanda during the period of implementation of the 11th EDF. Also other eligibility conditions may be at risk, although this is judged to be remote. However if risks materialised, it would make it difficult for the EU to effectively support development in this sector in Rwanda. This could be mitigated through the use of a mix of financing instruments where budget support would account for a limited percentage of the full financing envelope for the governance sector.

4. Measures in favour of civil society (Indicative amount EUR 10 million)

In line with the Cotonou Agreement and its Annex IV, an indicative amount of maximum EUR 10 million may be set aside for support to civil society organisations.

The EU is the main supporter of civil society organisations in Rwanda working in the governance related areas and for the promotion and protection of human rights as well as in monitoring the justice sector. Part of the support is also addressed to the provision of innovative services in out of reach environment and in favour of vulnerable groups (OVC, historically marginalised people, gender based violence, etc.). Both the policy and the political dialogues benefit of the information resulting from those interventions.

There is a widespread opinion amongst development partners, as highlighted in the response strategy to the EDPRS 2, for a major involvement of the civil society in oversight functions especially in a context of significant budget support.

Both the governance area in the EDPRS 2 and the response strategy of the DPs highlight the importance of the inclusion of the civil society in monitoring and tracking government actions, and questioning their impact on development. Yet, the national civil society remains

weak and fragmented due to both its deficiencies in internal management and lack of capacity as well as due to unnecessary administrative burden and control of the national authorities. Thus, there is a need to provide enhanced support to the emergence of an organised local civil society able to act as a watchdog and partner in dialogue with the national institutions.

The complementarity between thematic and geographic support is necessary. The EU plans to conduct a joint mapping of civil society organisations (CSOs). The findings will be used to shape the future support strategy and the EU roadmap on CSOs in compliance with the 2012 EC communication on the role of the civil society.

The emergence and establishment of a responsible and professional civil society cannot be supported only through the traditional call for proposal modality. A suitable support program needs therefore to be defined in joint collaboration with other development partners based on the needs expressed by the civil society. The EU delegation will closely manage a future support programme taking account of the national framework.

In order to support the achievement of the specific objectives N° 2 and 4 envisaged in the sustainable agriculture and food security sector, Non-State Actors are considered well positioned to: (1) strengthen the opportunities of women to benefit proportionately from Rwanda's agricultural development, (2) contribute to household food and nutrition security and (3) improve the participation of civil society in the monitoring of the Agriculture Sector Strategy (PSTA-III), the MINAGRI and District Nutrition Action Plans and participatory land use planning processes.

5. B-allocation

A B-allocation to cover unforeseen needs in Rwanda may be considered at any given point in time to meet the requirements of an emergency.

6. Support measures (Indicative amount EUR 10 million)

6.1. Measures to support or accompany the programming, preparation or implementation of actions

It is foreseen to leverage the support provided to the focal sectors (energy, agriculture, accountable governance) with (1) capacity building in procurement and contract management processes and (2) strengthen the coordination structure, monitoring and accountability systems for cross-cutting issues ("foundational" following the definition of EDPRS 2) (i.e. nutrition, decentralisation, environment, private sector engagement). This support will be channelled via the Technical Cooperation Facility – TCF (EUR 7 million).

6.2. Support to the National Authorising Officer

The National Authorising Officer will continue to benefit from EU support. An indicative amount of maximum indicative amount EUR 3 million could be used for this purpose.

Attachments

1. Country at a glance

| | Indicator | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Source ² |
|----|---|----------------|-----------------------|----------|------------|------------|------------|------------|------------|---------------------|
| | | Actual | actual | estimate | projection | projection | projection | projection | projection | |
| | Basic data | | | | | | | | | |
| 1 | Population (000) | 10.62 (est) | 10.89 (projection) | 11.15 | 11.4 | 11.66 | 11.91 | | | |
| | Annual Population growth (%) | 2.5 (est) | 2.5 (est) | 2.4 | 2.2 | 2.3 | 2.1 | | | |
| 2a | Nominal GDP (USD) | 6,294 | 7,011 | 7,474 | 8,276 | 9,087 | 10,088 | | | |
| 2b | Nominal GDP per capita (in US\$) | 593 | 644 | 670 | 726 | 779 | 847 | | | |
| 2c | Nominal GDP per capita (000 Rwf) | 356 | 395 | 442 | 493 | 545 | 610 | | | |
| 3 | Real GDP annual growth Rate (Rwf based) | 8.2 | 8 | 6.6 | 7.5 | 7.5 | 7.5 | | | |
| 4 | Gross investment | 21.4 | 22.8 | N/A | N/A | N/A | N/A | | | |
| | International transactions | | | | | | | | | |
| 5 | Exports of goods (% GDP) | 7.4 | 8.4 | 10.5 | 11.2 | 10.6 | 10.6 | | | |
| | o/w coffee (% GDP) | 1.19 | 0.87 | 0.97 | 0.89 | 0.89 | 0.86 | | | |
| 6 | Trade balance (% GDP) | -17.5 | -19.6 | -19.1 | -16.8 | -15.9 | -13.7 | | | |
| 7 | Current account balance (as % GDP) | -7.3 | -11.7 | -11.2 | -11.1 | -11.5 | -8.3 | | | |
| | Excluding official transfers(as% GDP) | -19.2 | -19.4 | -19.9 | -17.7 | -16.1 | -13.3 | | | |
| 8 | Foreign direct investment (% GDP) | 2.2 | 2.4 | 2.3 | 3.4 | 3.3 | 4.2 | | | |
| 9 | External debt (% GDP) (1) | 18.0 | 16.5 | 20.7 | 18.3 | 16.4 | 14.4 | | | |
| 10 | Service of external debt (% export of goods) (1) | 5.0 | 4.5 | 30.2 | 7.8 | 7.9 | 7.4 | | | |
| 11 | Foreign exchange reserves (in months of import cover) | 5.2 | 3.7 | 4.0 | 3.6 | 3.4 | N/A | | | |

Source: MINECOFIN, NISR, RRA and BNR staff estimates and projections

1 External debt and debt service stand for public and publicly guaranteed debt and debt service

Continued: Country at a glance

| | Indicator | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Source |
|-----|---|--------|--------|----------|------------|------------|------------|------------|------------|--------|
| | | Actual | actual | estimate | projection | projection | projection | projection | projection | |
| | Government | | | | | | | | | |
| 12 | Revenues (in % GDP) | 25.8 | 22.9 | 25.0 | 25.3 | 26.5 | 24.6 | | | |
| | of which domestic revenue | 14.2 | 15.0 | 16.1 | 17.3 | 19.2 | 19.3 | | | |
| | of which grants | 11.6 | 7.9 | 8.9 | 8.0 | 7.3 | 5.3 | | | |
| 13 | Expenditure (in % GDP) | 26.1 | 27.4 | 31.8 | 29.8 | 28.9 | 27.3 | | | |
| | of which recurrent expenditure (%GDP) | 14.9 | 14.7 | 13.7 | 14.3 | 14.4 | 14.4 | | | |
| | of which capital expenditure (% GDP) | 5.6 | 5.1 | 13.7 | 14.3 | 14.4 | 14.4 | | | |
| 14a | Deficit (including grants) | -0.7 | -6.1 | -7.7 | -4.7 | -2.6 | -2.7 | | | |
| 14b | Deficit (excluding grants) | -12.3 | -11.8 | -16.7 | -12.7 | -9.9 | -8.0 | | | |
| 15 | Total domestic and external Debt (in % GDP) | 25.3 | 25.3 | 27.0 | 25.3 | 23.4 | 21.4 | | | |
| | Of which external (in% of total public debt) | 71.0 | 70.9 | 74.7 | 72.4 | 70.1 | 67.4 | | | |
| | Other | | | | | | | | | |
| 16 | Consumer price inflation (annual average change in %) | 5.70 | 6.30 | 5.19 | 5.29 | 4.79 | 5.25 | | | |
| 17 | Interest rate (for money, annual rate in %) | 16.7 | 16.5 | | | | | | | |
| 18 | Exchange rate (annual average RWF per EUR) | 835.7 | 789.7 | | | | | | | |
| 19 | Unemployment (in % of labour force) | 0.9 | N/A | N/A | N/A | N/A | N/A | | | |
| 20 | Employment in agriculture (in % total employment) | 71.6 | N/A | N/A | N/A | N/A | N/A | | | |

MDGs

| | Indicator | 1990 | 1995 | 2000 | 2011 | 2015 | Source ³ |
|----------------|---|--------|--------|--------|--------|--------|----------------------|
| | | Actual | Actual | Actual | Actual | Target | |
| Impact | Poverty headcount (%) | 47.5 | 77.8 | 60.3 | 44.9 | 23.8 | EICV3 |
| | % of underweight children (under five) | 29 | | 24 | 11.4% | 8 | DHS |
| | Under five mortality rate (per 1000 live births) | 141 | 219 | 198 | 76 | 50 | DHS |
| | Maternal Mortality rate (per 10,000 births) | 2500 | 2300 | 1071 | 476 | 268 | DHS |
| Outcome | Net primary enrolment rate | 65.9 | | 74.3 | 95.9 | 100 | EMIS |
| | Boys | | | | 94.3 | 100 | EMIS |
| | Girls | | | | 97.5 | 100 | EMIS |
| | Primary completion rate (%) | 53 | | 77 | 78.6 | 100 | EMIS |
| | Boys | | | | 75.1 | 100 | EMIS |
| | Girls | | | | 81.8 | 100 | EMIS |
| | Ratio of girls to boys in: | | | | | | |
| | Primary education | 0.75 | | 1.0 | 1.03 | 1 | EMIS |
| | Secondary education (all schools) | 0.75 | | 1.04 | 1.06 | 1 | EMIS |
| | Births attended by skilled health personnel (%) | 22 | | 31 | 69 | 78 | SIS |
| | Proportion of one year old children immunised against measles | | | 62 | 90.3 | 97 | Sentinel site Survey |
| | % population with sustainable access to an improved water source | | | 41 | 74.2 | 82 | Census |

2. Donor matrix showing the indicative allocations per sector (in million USD) of bilateral partners who committed to joint planning

³ The latest figures from the National Institute of Statistics of Rwanda indicate that the country is on course to meeting five of the MDGs, namely, access to universal primary education, promotion of gender equality and women empowerment, reduction of maternal and child mortality rates, and combating HIV/AIDS, malaria and other diseases.

MDGs may be replaced by a proposed set of 12 goals to eradicate poverty merging together the MDG process with the Sustainable Development Goals. This follows the recommendations made by the High-level panel of eminent persons on the post-2015 development agenda, in the report titled "A new global partnership: eradicate poverty and transform economies through sustainable development",

| | | Belgium | EU (note 2) | France | Germany | Japan (note 3) | Netherlands | Korea | Sweden | Switzerland | UK (note 4) | US (note 5) | Grand Total |
|------------------------------------|------------|---------|----------------|--------|---------|-------------------|-------------|-------|--------|-------------|----------------|----------------|-------------|
| Agriculture | FY 2013/14 | | 15.60 | | | 1.52 | | 3.16 | | 2.17 | 9.24 | 32.49 | 64.17 |
| | FY 2014/15 | | 70.20 | | | 1.52 | | 3.17 | | 1.87 | 18.48 | 37.00 | 132.25 |
| | FY 2015/16 | | 52.00 | | | 1.52 | | 1.67 | | 1.22 | | | 56.41 |
| | FY 2016/17 | | 52.00 | | | 1.52 | | | | 2.17 | | | 55.69 |
| | FY 2017/18 | | 52.00 | | | | | | | | | | 52.00 |
| Capacity Building | FY 2013/14 | 3.38 | | | | | | | | | | | 3.38 |
| | FY 2014/15 | 3.38 | | | | | | | | | | | 3.38 |
| | FY 2015/16 | 3.38 | | | | | | | | | | | 3.38 |
| | FY 2016/17 | 3.38 | | | | | | | | | | | 3.38 |
| | FY 2017/18 | 3.38 | | | | | | | | | | | 3.38 |
| Education | FY 2013/14 | 2.08 | | | | 3.20 | | 1.66 | 7.00 | | 35.42 | 21.50 | 70.86 |
| | FY 2014/15 | 2.08 | | | | 3.20 | | 1.67 | 7.70 | | 30.80 | 5.00 | 50.45 |
| | FY 2015/16 | 2.08 | | | | 2.20 | | 1.67 | | | | | 5.95 |
| | FY 2016/17 | 2.08 | | | | 2.20 | | | | | | | 4.28 |
| | FY 2017/18 | 2.08 | | | | | | | | | | | 2.08 |
| Energy | FY 2013/14 | 18.20 | | | | 27.12 | 14.30 | | | | | | 59.62 |
| | FY 2014/15 | 18.20 | 52.00 | 13.00 | | | 15.60 | | | | | | 98.80 |
| | FY 2015/16 | 18.20 | 52.00 | | | | 16.90 | | | | | | 87.10 |
| | FY 2016/17 | 18.20 | 52.00 | | | | | | | | | | 70.20 |
| | FY 2017/18 | 18.20 | 52.00 | | | | | | | | | | 70.20 |
| Environment & Natural Resources | FY 2013/14 | | | | | | | | 2.30 | | 22.33 | 6.02 | 30.65 |
| | FY 2014/15 | | | | | | | | 2.30 | | 18.48 | 3.00 | 23.78 |
| Financial Sector | FY 2013/14 | | | | | | | | | | 7.70 | | 7.70 |
| | FY 2014/15 | | | | | | | | | | 7.70 | | 7.70 |
| Governance and Decentralisation | FY 2013/14 | 8.84 | 1.30 | | 15.99 | | 33.15 | | | | 9.24 | | 68.52 |
| | FY 2014/15 | 8.84 | 5.46 | | | | 36.08 | | | | 10.78 | 5.42 | 66.58 |
| | FY 2015/16 | 8.84 | 5.07 | | | | 47.45 | | | | | | 61.36 |

| | | | | | | | | | | | | | |
|-----------------------------------|------------|-------|-------|------|-------|------|------|------|-------|-------|--------|--|--------|
| | FY 2016/17 | 8.84 | 5.07 | | | | | | | | | | 13.91 |
| | FY 2017/18 | 8.84 | 5.07 | | | | | | | | | | 13.91 |
| Health | FY 2013/14 | 18.20 | | | | | | | 4.71 | 12.32 | 137.83 | | 173.06 |
| | FY 2014/15 | 18.20 | | | | | | | 6.24 | 12.32 | 117.20 | | 153.96 |
| | FY 2015/16 | 18.20 | | | | | | | 6.00 | | | | 24.20 |
| | FY 2016/17 | 18.20 | | | | | | | 3.72 | | | | 21.92 |
| | FY 2017/18 | 18.20 | | | | | | | | | | | 18.20 |
| | | | | | | | | | | | | | |
| ICT | FY 2013/14 | | | | | | | 1.90 | | | | | 1.90 |
| | FY 2014/15 | | | | | | | 1.90 | | | | | 1.90 |
| | FY 2015/16 | | | | | | | 1.80 | | | | | 1.80 |
| Justice | FY 2013/14 | 2.08 | | | | | 4.68 | | | | | | 6.76 |
| | FY 2014/15 | 2.08 | | | | | 4.55 | | | | 1.00 | | 7.63 |
| | FY 2015/16 | 2.08 | | | | | 8.45 | | | | | | 10.53 |
| | FY 2016/17 | 2.08 | | | | | | | | | | | 2.08 |
| | FY 2017/18 | 2.08 | | | | | | | | | | | 2.08 |
| Multi-sector support | FY 2013/14 | | 58.50 | | | | | | | | | | 58.50 |
| | FY 2014/15 | | 13.00 | | 9.10 | | | | | | | | 22.10 |
| | FY 2015/16 | | 13.00 | | | | | | | | | | 13.00 |
| Non State Actors | FY 2013/14 | | | | | 0.32 | | | 25.20 | | | | 25.52 |
| | FY 2014/15 | | 1.95 | | | | | | 25.20 | | | | 27.15 |
| | FY 2015/16 | | 1.95 | | | | | | | | | | 1.95 |
| | FY 2016/17 | | 1.95 | | | | | | | | | | 1.95 |
| | FY 2017/18 | | 1.95 | | | | | | | | | | 1.95 |
| Private Sector & Youth Employment | FY 2013/14 | | 0.91 | | 16.25 | | | | 5.37 | 29.26 | 1.91 | | 53.71 |
| | FY 2014/15 | | 0.26 | 7.00 | | | | | 3.69 | 9.24 | | | 20.19 |
| | FY 2015/16 | | | | | | | | 3.53 | | | | 3.53 |
| | FY 2016/17 | | | | | | | | 3.34 | | | | 3.34 |
| PFM | FY 2013/14 | | 1.82 | | 1.30 | | | | | 4.62 | | | 7.74 |
| | FY 2014/15 | | 6.37 | | | | | | | 9.24 | | | 15.61 |
| | FY 2015/16 | | 5.98 | | | | | | | | | | 5.98 |

| | | | | | | | | | | | | | |
|--------------------|------------|-------|--------|-------|-------|-------|-------|------|-------|-------|--------|--------|--------|
| | FY 2016/17 | | 5.98 | | | | | | | | | | 5.98 |
| | FY 2017/18 | | 5.98 | | | | | | | | | | 5.98 |
| Social Protection | FY 2013/14 | | 7.80 | | | | | | | | 13.86 | | 21.66 |
| | FY 2014/15 | | | | | | | | | | 12.32 | | 12.32 |
| Transport | FY 2013/14 | | 16.90 | | | 7.50 | | | | | | | 24.40 |
| | FY 2014/15 | | 29.90 | | | 7.50 | | | | | | | 37.40 |
| | FY 2015/16 | | | | | 6.59 | | | | | | | 6.59 |
| | FY 2016/17 | | | | | 0.34 | | | | | | | 0.34 |
| Water & Sanitation | FY 2013/14 | | | | | 1.46 | | | | | | | 1.46 |
| | FY 2014/15 | | | | | 1.46 | | | | | | | 1.46 |
| | FY 2015/16 | | | | | 1.46 | | | | | | | 1.46 |
| | FY 2016/17 | | | | | 1.46 | | | | | | | 1.46 |
| | FY 2017/18 | | | | | 1.46 | | | | | | | 1.46 |
| Total FY 2013/14 | | 52.78 | 102.83 | | 33.54 | 41.13 | 52.13 | 6.72 | 34.50 | 12.25 | 143.99 | 199.74 | 679.61 |
| Total FY 2014/15 | | 52.78 | 179.14 | 20.00 | 9.10 | 13.69 | 56.23 | 6.74 | 35.20 | 11.80 | 129.36 | 168.62 | 682.66 |
| Total FY 2015/16 | | 52.78 | 130.00 | | | 11.78 | 72.80 | 5.14 | | 10.75 | | | 283.24 |
| Total FY 2016/17 | | 52.78 | 117.00 | | | 5.53 | | | | 9.23 | | | 184.54 |
| Total FY 2017/18 | | 52.78 | 117.00 | | | 1.46 | | | | | | | 171.24 |

N.B: The sectors included in this table could be subject to changes due to a new Division of Labour to be agreed among DPs and the GoR. Information of AfDB and WB as well as One UN not yet included

Note 1: Multi-sector support includes General budget support and support to Nutrition.

Note 2: EU assumes an amount of € 360 million from the 11th EDF over 4 years of implementation of the EDPRS. Funds were equally divided over 4 years. The first two years include commitments of the 10th EDF.

Note 3: Japan's funding has been equally distributed over the implementation years. Figures will be increased since the projects which have not yet been signed were excluded.

Note 4: The UK's allocation and distribution of figures are tentative pending a review of its budget support facility.

Note 5: Figures do not include planned US Government military assistance. Figures reflect administration budget requests for USG Fiscal years (FY) 2013 and 2014 as published in the Congressional Budget Justification (CBJ) and are subject to Congressional appropriation. It is assumed that funds appropriated in USG FY 2013 will be disbursed in GoR FY 2013/14 and funds appropriated in USG FY 2014 will be disbursed in GoR FY 2014/15. FY 2013/14 health funds reflect PEPFAR FY 2013 Country Operational Plan level. Figures exclude small amounts of centrally allocated funds that are not reflected in administration requests. Out-year figures will be provided as soon as possible, typically upon publication of the annual CBJ.

3. Sector intervention framework and performance indicators

Energy Sector intervention framework

| Sector 1 Sustainable Energy <u>Overall objective:</u> to increase the sector's performance and thus its contribution to the sustainable development and poverty reduction of the country. <u>Specific objective 1:</u> to provide sufficient, reliable, affordable and sustainable energy supply. | | |
|--|--|--|
| Expected Results | Indicators | Means of verification |
| 1.1 Increased power generation capacity from indigenous sources with priority given to geothermal and hydropower | 1.1 Increase in electricity generation capacity by 2017/18 (baseline 2013: 110 MW); | M&E system of the EDPRS 2 Energy Sector Strategic Plan |
| 1.2 Increased energy access for urban and rural households by means of grid connections and/or off-grid solutions | 1.2 Increase of access rates to modern energy sources (electricity) by 2017/18 (baseline 2013: 17%); | M&E system of the EDPRS 2 Energy Sector Strategic Plan |
| <u>Specific objective 2:</u> to assure the rational and efficient use of energy. | | |
| Expected Results | Indicators | Means of verification |
| 2.1 Improved energy efficiency mainly through reduction of grid losses but also at other levels such as end-users and productive industry | 2.1 Reduction of grid losses by 2017/18 (baseline 2013: 22%); | Sector Reviews by MININFRA and EWSA |

| | | |
|---|--|--|
| 2.2 Improved rational use of energy sources for cooking | 2.2 Decrease of biomass (wood) consumption as % of the national energy mix by 2017/18 (baseline 2013: 85% of Rwanda's primary energy use); | Sector Reviews by MININFRA and EWSA |
| <u>Specific objective 3:</u> establishing environmentally sound and sustainable systems of energy production, procurement, transportation, distribution and end use. | | |
| Expected Results | Indicators | Means of verification |
| 3. Reduced dependence on diesel fuel for electricity generation | 3. Phase-out of electricity generation from diesel fuel generators by 2017/18 (baseline 2013: 38%); | M&E system of the EDPRS 2 Energy Sector Strategic Plan |
| <u>Specific objective 4:</u> ensure equal access and use of energy for men and women. | | |
| Expected Results | Indicators | Means of verification |
| 4. Increased women participation in decision-making with regards to access and use of energy resources | 4. % of women in decision-making structures responsible of energy resources <i>Baseline will be included in the Action document at the latest</i> | Sector Reviews by MININFRA and EWSA |

Sustainable Agriculture and Food Security Intervention Framework (Sector 2);

| | | |
|---|---|---|
| Overall objective: Support sustainable agriculture development in Rwanda, with a specific emphasis on nutrition, food security, gender and inclusive economic development. | | |
| Specific objective 1: Improved food and nutrition security among rural households | | |
| Expected Results | Indicators | Source for verification |
| 1.1 Decreased prevalence of chronic malnutrition among young children | 1.1: % of children aged less than 2 years that are stunted (baseline 2010: 44%) | M&E of HSSP; DHS, Health Centre |
| 1.2 Decreased seasonal food and nutrition insecurity of vulnerable households | 1.2: % of households with unacceptable low food consumption score (baseline 2012: 21%) | CFSVA and seasonal FNSMS-surveys |
| 1.3 Improved and sustainable food utilization practices among rural households | 1.3: % of households using improved cook stoves (baseline 2013: 50%) | M&E of ESSP; EICV-IV |
| 1.4 Improved access of rural households to safe drinking water | 1.4: Rural households within 500m of an improved water source (baseline 2012: 47.6%) | MININFRA; EICV-IV |
| Specific objective 2: Support sustainable, climate-change resilient and decentralized agricultural intensification | | |
| 2.1 Improved agro-environmental management of natural resources. | 2.1: % of cultivable land sustainably managed against soil erosion (baseline 2012: 47.6%) | M&E of PSTA-3 |
| 2.2 Increased climate-change resilience of agricultural households | 2.2: Irrigated area, broken down by irrigation system, based on water efficiency (baseline 2012: 25 490 ha) | M&E of EDPRS 2 and PSTA-3 |
| 2.3 Increased access of households to agricultural advisory services | 2.3: % of households receiving annually advice on agricultural or livestock practices (baseline 2012: 31.7%) | M&E of PSTA-3 |
| Specific objective 3: Support inclusive value chain development | | |
| 3.1 Increased quality standard compliance in agricultural and horticultural value chains. | 3.1: Total amount (formal trade) of horticultural (vegetables, fruits, flowers, essential oils) export revenues (baseline 2012: 770,000 USD). | M&E/MIS of Ministry of Trade and Industry |
| 3.2 Improved market-oriented rural infrastructure | 3.2 km of Rural Feeder Roads rehabilitated according to standards (baseline 2013: 71.6) | M&E of EDPRS 2 and PSTA-3 |

Accountable Governance Intervention Framework (Sector 3)

| <p>Overall objective: to strengthen accountable governance and performance for a sustainable development and poverty reduction</p> <p>Specific objective 1: to strengthen public accountability and democratic governance</p> | | |
|--|--|--|
| Expected Results | Indicators | Means of verification |
| <p>1.1 Increased public oversight through support to the Parliament, the Office of the Ombudsman, the Abunzi Secretariat as well as governance monitoring mechanisms (horizontal accountability)</p> <p>1.2 Increased civil oversight and participation in decision making (vertical accountability)</p> | <p>1.1a Improved quality of oversight processes over the parliament tenure 2013-2018 (baseline over the 2009-2013 parliament tenure: 18 oral/written questions; 1 Hearing before Committees; 3 Commissions of Inquiry; 4% of the bills initiated by MPs)</p> <p>1.1b Increase in the % of number of cases where action taken with respect to number of cases reported to the Ombudsman per year (baseline 2012: 50% of cases where action taken against number of cases reported)</p> <p>1.1c Number of cases settled with respect to number of cases reported to the Abunzi</p> <p><i>Baseline will be included in the Action document at the latest</i></p> <p>1.2a Increase in the percentage of UPR recommendations implemented</p> <p><i>Baseline will be included in the Action document at the latest</i></p> <p>1.2b World Bank Institute's Governance Indicator –</p> | <p>Parliament statistics and reporting</p> <p>Statistics provided by the Ombudsman, shadow reports of CSOs</p> <p>Statistics provided by the Abunzi Secretariat, shadow reports of CSOs</p> <p>OHCHR periodic report; UN Human Rights Council periodic reports</p> <p>World Bank Institute's (WBI) Worldwide Governance on Voice and Accountability;</p> |

| | | |
|---|--|--|
| | Voice and Accountability (baseline 2012: score 14.22 out of 100) | |
| Specific objective 2: to ensure efficient, effective and accountable use of public resources. | | |
| Expected Results | Indicators | Means of verification |
| 2.1 Strengthened effectiveness of public financial management at all levels, including budget transparency and oversight | <p>2.1a PEFA indicators both at central and sub-national level, in particular, the index on quality and timeliness of annual financial statements (PI-25, baseline: D+ in November 2010) and the index for multiyear perspective in fiscal planning, expenditure policy and budgeting (PI-12, baseline: C+ in November 2010)</p> <p>2.1b Open Budget Index (baseline 2012: score 8 out of 100)</p> <p>2.1c Tax revenue as a percentage of GDP (baseline FY 2012/13: 13.7%)</p> | PEFA regular reports (next one foreseen for 2014) and PFM sector dialogue reports Open Budget Index annual report Rwanda Revenue Authority annual reports Other independent assessments (Independent reviews of the PFM reform strategy, fiduciary risk assessments, Debt Management Performance Assessment, etc.) |
| 2.2 Statistical capacity of institutions developed to provide relevant and high quality information to meet user needs and accessibility of official statistics improved. | <p>2.2a Tracking poverty surveys timely conducted including integrated and gender-disaggregated data collection systems at district and sector levels (baseline DHS (2010) and EICV (2012))</p> <p>2.2b Percentage of citizen satisfaction with service delivery and implementation of the EDPRS</p> <p><i>Baseline will be included in the Action document at the latest</i></p> | <p>EICV and DHS</p> <p>Citizen satisfaction reports such as Citizen report cards.</p> <p>Government implementation reports.</p> <p>IRDP Local Governance Barometer</p> <p>Joint Action Development Forums</p> |

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period.

4. Indicative timetable for commitment of funds

| | Indicative allocation (M €) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Energy | 200 | | 110 | 50 | | 40 | | |
| Sustainable Agriculture and Food Security | 200 | | 120 | 40 | | 40 | | |
| Accountable Governance | 40 | | 28 | | | 12 | | |
| Other measures (support to civil society) | 10 | | 6 | | | 4 | | |
| B- allocation | | | | | | | | |
| Support measures | 10 | | 6 | | | 4 | | |
| Of which Measures to support or accompany the programming, preparation or implementation of actions | | | 4.5 | | | 2.5 | | |
| Of which Support to the National Authorising Officer/EDF | | | 1.5 | | | 1.5 | | |
| Total Commitments: | 460 | | 270 | 90 | | 100 | | |

5. Process of drafting the NIP

February 2013

Following the presentation of the EDPRS 2 the EU delegation began a consultation process with the Government on broad lines of support under the 11th EDF. The support to the agriculture sector was seen by both the Government of Rwanda and the EU delegation as an important area to continue. Agreement could be reached to add the energy sector as one of the new focal areas of the EU Agenda for Change. The GoR sees improved energy provision as an important factor to increase economic growth. For the third focal sector the discussion went around the further support to the justice sector or dedicated focal sector accountable governance – accountable governance was favoured by the Government with the expectation to continue support to the public finance management system as well as adding support to oversight institutions. The Government was informed that a support facility for the civil society may be included in line with the provisions of the Cotonou Agreement.

March/April 2013

After useful discussions during the EuropeAid days seminar in early March 2013 the Delegation started drafting the 3 pages document focussing on the three sectors discussed with the Government. The paper was approved by the Commissioner for Development in May 2013.

May-August 2013

Internal discussions in the Delegation on the logical framework of the three sectors under the NIP continued. Government sector strategies for agriculture, social protection and energy were taken into consideration. The outcomes, suggested results and indicators of the 3 pages document were further refined. The support component for the civil society was elaborated as a means to improve vertical accountability vis-à-vis horizontal accountability. End August 2013 the Government of Rwanda proposed a new Division of Labour which has no implications for the EU delegation. The EU will be an active partner in energy, agriculture and governance/decentralisation. The EU will be silent partner in social protection and PFM. Following the change of sectors from transport to energy the EU Delegation will give up the co-chair of the Transport sector working group (SWG) and instead take over the co-chair of the Agricultural SWG.

September –October 2013

The draft NIP was unofficially shared with the NAO and line ministries (agriculture, energy) beginning of October. A draft considering some of the comments of a joint EEAS-DEVCO Video Conference on October 10 was officially shared with the Minister of Finance/NAO thereafter. The NAO was asked to submit the latest economic framework as agreed with the IMF during recent consultations. The new Division of Labour has also been requested as an additional input in the document.

Consultations with the Civil Society on objectives and expected outcomes of the NIP and especially the support to the CSOs took place on October 10. A joint (involving EU MS) mapping process will be undertaken to demarcate the support to the civil society between EU MS and EU Delegation under the 11th EDF.

December 2013

The final approval of the Division of Labour of the Government with all Development Partners (DPs) confirms the chosen sectors of the Delegation. Public Finance Management is now cross cutting and is not regarded as one of the three sectors per DP. It is open to all DPs who provide budget support or have intentions to use Government systems and need to be involved in PFM. In the sectors of concentration of the NIP PFM appears under Accountable governance.

Discussion of the first draft of the NIP between GoR and DEL leads to some revisions which are accepted by GoR.