



Development Partners Coordination Group

EXTRAORDINARY DEVELOPMENT PARTNERS COORDINATION GROUP

MEETING – XXXIV MEETING

Tuesday, 10 October 2006, 10h00

MINECOFIN Basement Conference Room

Kigali, Rwanda

MEETING MINUTES

ANNEX I – Follow Up Matrix

ANNEX II – List of Attendees

ANNEX III – GoR Official Response to the 2006 KKZ Report

ANNEX IV – World Bank Official Statement on the 2006 KKZ Report

1. Agenda Item #1: Review and Adoption of 10 October 2006 DPCG Meeting Agenda

1.1. The Chair, Secretary General MINECOFIN, reviewed the agenda which was adopted with a GoR statement on the 2007 Budget added as AOB.

2. Agenda Item #2: Discussion on the GoR Position on the World Bank Institute

Report: “Governance Matters 2006: Worldwide Governance Indicators”

See ANNEX III, presentation by John Rwangombwa – Secretary General and Secretary to the Treasury MINECOFIN –GOR Official Response to the 2006 KKZ Report

See ANNEX IV, presentation by Kene Ezemenari – Economist at the World Bank –World Bank Official Statement on the 2006 KKZ Report

2.1. Discussion on the presentations:

2.1.1. GoR: The GoR has concerns regarding the interpretation of the KKZ report and asked how it can work with its partners to change the negative image given by the report. For example, Rwanda was given a poor score in terms of corruption; this does not accurately depict reality, where Rwanda is generally known to have accomplished much in terms of minimizing corruption.

2.1.2. German Cooperation: Support was given to the WBs statement (annexed), reminding that the report aggregates data from numerous years and from various sources; moreover,

many sources do not perform in-country work assessment. It was added, however, that information on how the sources came up with their numbers should be made available. The WB itself is used as a source for the report; this is the first time the WB publishes their findings from 2005. Such data can be used as a basis for understanding what was published. The report is identifiably flawed; and, if it were to be read by the Ministry of Cooperation in Berlin, the German Cooperation in Kigali would ensure to provide a correcting side opinion to complement the available data. There are a number of other reports that seem to be more accurate. Simply adding up numbers may not be a precise method of showing the situation on the ground. The only real way to remedy this situation is to bring the WBI on the ground.

2.1.3. SIDA: It remains unclear why the WB has selected these indicators for the report, and not those of the OECD/DAC. For Rwanda, there are large differences between the data from year to year; and thus, questions regarding such discrepancies arise. For example, the rating for rule of law jumps up and down from year to year, which is not indicative of reality. It was added that DPs could also see this report positively. It has been a basis for discussion on variables, and more generally on the concept of good governance, which can challenge data and stimulate analysis. Everyone needs to pay attention to what KKZ say directly in their report: “We also caution users that the aggregate indicators can in some circumstances be a rather blunt tool for policy advice at the country level. We expect that the provision of the underlying data will help users in identifying -- and acting upon -- more specific aspects of governance that may be problematic in a given country. And we also encourage using these aggregate and individual indicators in conjunction with a wealth of possible more detailed and nuanced sources of country-level data on governance in formulating policy advice” (KKZ, 2006, pg 33). It was inquired whether government and donors could conduct studies to showcase more accurate data – as many donors would probably be willing to finance such activities.

GoR: The Chair clarified that while Rwanda does not claim to be a top scorer, there are significant weaknesses in the report. People on the ground should contribute to such studies in order to improve the quality of the data.

2.1.4. DFID: Support was given to comments made by SIDA. It was suggested that Rwanda work with its DPs to develop its own research institutes and think tanks in order to debate such issues. Harvard and Oxford Universities, for example, could build a partnership with a local think tank, noting that they have much experience with this line of work, and DPs can support such initiatives. A concern was mentioned in that donors put a lot of weight on the WBs CPIA, and it was only recently that donors have been informed about how such values

are calculated. Such information sharing needs to continue. It was added that the EC has just developed a set of governance indicators in a rather independent way. A rather complex matrix on these indicators was created in a relatively short time. DPs need to ensure good communication in order for all indicators put forth to be applicable in different situations.

2.1.5. EC: The EC wants to work with everyone in order to improve the indicators in the matrix. Indicators are linked with measurement; and as such, the EC along with DPs have to figure out what collectively should be measured regarding governance. It was added that the APRM can be used as a possible source of data for future reports.

2.1.6. AfDB: As far as the AfDB is concerned, report data conflicts with data in other reports and in the AfDBs own assessment of Rwanda. The main reason the report does not appear to reflect the situation on the ground is a result of the small sampling size used; for example, only two sources were used for political stability. The AfDB has its own CPIA for 2004-2005, where Rwanda scored 4/6 in the public sector, management and accountability, and corruption in the public sector – one of the highest scores in Africa. This marks an improvement against the score of 3.5 given in 2004. The APRM was also noted as a useful source to develop data.

2.1.7. UNDP: The co-Chair commented on UNDPs surprise with the report, especially on corruption indicators. It is key to figure out how to make the next report accurately reflect what is actually observed on the ground. When the data is observed from year to year, the large changes are evident; large margins of error are also mentioned in the report. Such discrepancies indicate that data is insufficient, unfair, or not detailed. More sources need to be used in order to reduce the margin of error.

2.1.8. RNE: DPs have to keep in mind both the long-term and short-term effects of the report. While DPs need to consider the indicators on the long term, short term effects are a highly political matter and are of great concern. At the HQ level, governments will soon question what the situation on the ground is; it is therefore necessary to have official statements from the GoR and the World Bank on this report. The Netherlands national budget is being drafted, and this report could have some serious consequences. As for long-term effects, a discussion of the indicators and methodology used could take place.

2.1.9. World Bank: It was noted that discussions with the authors of the report need to take place in order to understand the rationale behind the indicators used.

2.1.10. SIDA: The new government in Sweden has decided to focus on good governance when determining the allocation of resources for international development. As such,

questions will have to be answered about this report; it would thus be helpful to have statements recorded in order to provide responses to HQs.

2.1.11. GoR: The Chair requested that an official copy of the statement by the WB be attached as an annex to the minutes. It was reminded that all partners should contribute to a discussion on indicators, including those from the GoR, the EC, and the WB CPIA. All partners need to have a broad and shared understanding of such information. It was concluded that it would be very useful to involve other institutes, like Oxford and Harvard Universities, to bring in think tanks from abroad and to widen the sources for future KKZ reports.

3. Agenda Item #3: Presentation of the 2006 Agenda for the 2006 Government of Rwanda and Development Partners Meeting

Jean Jacques Nyirubutama – Director External Finance Unit

3.1. The 2006 Government of Rwanda and Development Partners Meeting will be held at the InterContinental Kigali from 22 to 23 November. All invitations have been sent to local and foreign participants. The deadline for all confirmations is 27 October. It is important to confirm on time in order to allow for successful planning.

3.1.1. The Government of Rwanda recommends that foreign participants arrive in Kigali no later than Tuesday, 21 November 2006. Moreover all travel information needs to be communicated to the EFU prior to the 27 of October. Block reservations have been made at the InterContinental Hotel. The Deadline for booking rooms is 27 October 2006. After that date, availabilities can not be guaranteed. Rooms will be confirmed upon receipt of the Registration Form. Participants not staying at the InterContinental Hotel are responsible for their own reservations. Airport facilitation will be arranged for all participants traveling from abroad, if requested and pending timely confirmation.

3.1.2. Pre - Registration for the DPM will commence on Tuesday 21 November 2006 at the InterContinental Kigali from 17:00 to 19:00. All participants are strongly encouraged to pre-register on this day in order to avoid delays on the conference day.

3.1.3. Registration period will be held as of 0700am on Wednesday, 22 November 2006. No registrations will be accepted after 0800 am on that day. Conference badges will be required for access to all Conference related events. Please be advised that mobile phones will be prohibited in Conference Areas during the opening session.

3.1.4. The theme for the 2006 DPM is: “Long-Term Investments for Economic Growth and Poverty Reduction”. The UN Resident Coordinator will open the 2006 DPM with the traditional statement on behalf of development partners. Opening statements will then be

made by the Hon. Minister of Finance and Economic Planning. This will be followed by a welcome address by H.E. the President of the Republic of Rwanda. Subsequently, a 2006 performance overview will be given, focusing on macroeconomic performance and PFM reforms. The IMF will be co-chairing this session.

3.1.5. Session 1 will focus on planning for economic growth and poverty reduction, where the LTIF, the EDPRS, and aid flows will be addressed, with the World Bank as co-chair. Session 1 will continue with a presentation on medium term plans for energy and growth with the ADB as co-chair. Session 2 will be co-chaired by USAID with a focus on private sector development in the context of long-term investments, including the financial sector's role.

3.1.6. In session 3, discussions will be centered on decentralization reforms and performance monitoring with Germany as co-chair. The Honorable Minister of Finance and Economic Planning will then be hosting an Evening Reception at the InterContinental Kigali from 1830 to 2030.

3.1.7. Day 2 of the DPM will commence at 0900 with session 4, focusing on governance, rule of law, and reconciliation, with presentations on the APRM, progress in *Gacaca*, and progress in national unity and reconciliation. The European Commission will co-chair this session. Session 5 will subsequently deal with implementing the Aid Policy with DFID as co-chair. Accordingly, the GoR will present its plan for implementing the Policy. It is then suggested to have the Head of the Swedish International Development Agency in Rwanda present the joint DPs statement of support to the Aid Policy.

3.1.8. Afterward, DPs will be allotted time to give statements with Belgium co-chairing the session. Finally, the DPM will conclude with the adoption of the final communiqué and closing remarks. The UN Resident Coordinator will then be hosting a reception from 1900 to 2100 at the InterContinental Kigali.

3.1.9. As a result of recommendations from last year's DPM, sector-specific presentations and discussions will not be included in the DPM. In order to provide sectors with an opportunity to discuss their issues, an optional session, following the DPM, will be devoted to senior-level group discussions. Five EDPRS sectors will simultaneously meet in separate rooms to build consensus on EDPRS sector-specific priorities, followed by another five sectors. As this exercise is optional for all participants, and is not part of the DPM, only interested participants who have registered for this day will attend. This exercise will take place the day after the closing of the DPM, on Friday, 24 November 2006 at the InterContinental Kigali. MINECOFIN is currently working on the concept of this exercise to ensure its success.

3.1.10. MINECOFIN is currently working on different options for field trips, including Kigali City Tour and Gorilla Trekking. More information will be communicated on this.

3.2. Discussion on the Presentation:

3.2.1. The Chair indicated that the GoR was unable to have all DPs participate as co-chairs during the sessions of the DPM due to time constraints.

3.2.2. RNE suggested that Day 2 of the DPM begin 30 minutes earlier in order to allow 90 minutes for Development Partners statements. It was also clarified that pre-registration on 21 November was open to all and valid for all sessions, including the post-DPM SWG exercise.

3.2.3. SIDA indicated that agriculture, which is main occupation of most Rwandans, should be included into the DPM Agenda. The session on private sector development is quite uncontroversial; all partners agree on the need to develop this sector. Therefore, it was suggested that this session be split in order to allow time for the agriculture sector to present. Moreover, it was suggested that Session 5 (Governance, Rule of Law, National Reconciliation) should also present progress in the legal sector outside of *gacaca* and NURC, where Rwanda has also made important progress.

3.2.4. DFID made a strong plea for the GoR to focus the sessions of the DPM on tangible results and indicated that the programme needs to seize the opportunity to seek to scale up resources in line with the LTIF. It was added that results have to be demonstrated to attract additional resources; and, the programme does not provide sufficient information for outcomes achieved thus far. Session 1 could provide an indication of what was achieved in the past year with donor financing and what results increased donor financing might lead to in the future. Session 3 should stress that decentralization is not solely an instrumental process, but also a political one. Moreover, it should make reference to local government and people participation in decision making. Session 4 makes no mention of human rights issues as well as civil and political rights, topics that are important to most donors. Session 5 should also make reference to the developing partnership between the GoR and DPs and aid effectiveness as a whole. In this session, a more neutral title should be given to the DP statement on the Aid Policy. By having SWG discussions as an optional exercise after the closing of the DPM might send the wrong signal to HQ levels, where it might be interpreted that the EDPRS is on the back burner of the GoRs plans. It was suggested that the exercise be renamed "Optional In-Depth Sector Discussions". With regard to the Field Trip options, it was added that perhaps the GoR should focus more on development tourism (agricultural research visit, local or provincial government visit, coffee washing station visit).

3.2.5. EFU Director responded that the EDPRS was given the 1st session of the DPM, indicating its importance to the GoR. The optional exercise is out of necessity to provide extra time for in depth discussions.

3.2.6. Belgium suggested that the optional SWG exercise be conducted the day prior to the DPM, Tuesday, 21 November 2006, as was done with the water and energy sectors in the 2004 DPM.

3.2.7. USAID suggested that drafts for statements on behalf of DPs be sent well ahead of time to allow sufficient time for review. Moreover, it was agreed that agriculture be added to the Session 2, which is to be co-chaired by USAID.

3.2.8. Head of ACU added that the ACU is working on the draft statement of intent for Rwanda's Aid Policy and on the opening statement by the UN RC on behalf of DPs. These will be circulated one month prior to the DPM.

3.2.9. The Chair concluded that session by indicating that all comments made by DPs will be taken into consideration. The final version of the DPM Agenda will be distributed to all ASAP.

4. AOB – GoR Statement on 2007 Budget

John Rwangombwa – Secretary General and Secretary to the Treasury MINECOFIN

4.1. The Budget was largely discussed during the 2006 September JBSR. The budget was sent to parliament on 3 October 2006, with a total envelope of 493.270.465.881 RWF. 242.056.465.881 RWF will be financed domestically; 251.214.000.000 will be financed from external sources; 216.684.000.000 RWF of that comes from grants; and, 34.530.000.000 RWF comes from project loans. The budget presented to Parliament includes a 23.100.000.000 RWF draw down on reserves and a total of 16.100.000.000 RWF of expenditures contingent on additional grants from donors. The total recurrent budget is 289.696.465.881 RWF and the total capital expenditure is 177.675.000.000 RWF; net lending is 9.899.000.000 RWF and payment of arrears is 7.000.000.000 RWF. There has been an increase in capitation grant for education, salaries of teachers, and increases in the *mutuelles* for health. The date for the presentation of the budget by the Minister remains to be confirmed.

**Secretary General and Secretary to the Treasury
Ministry of Finance and Economic Planning
Government of the Republic of Rwanda
Co-Chair of the Development Partners Coordination Group**

**Deputy Resident Representative / Programme Director
United Nations Development Programme
Kigali, Rwanda
Co-Chair of the Development Partners Coordination Group**

ANNEX I – FOLLOW-UP MATRIX

Follow-Up Actions	Responsibility	Required Coordination	Due date
Discussions with KKZ to take place in order to understand rationale of the report	WB	DPs – GoR	ASAP
DPM Final Agenda and Concept Note to be circulated, incorporating DP feedback	EFU	MINECOFIN	ASAP
Tourism proposal to be circulated for out of country DPM participants	EFU	ORTPN	17 October
Consider conducting studies which rectify discrepancies in the 2006 KKZ Report	DPs	GoR	on-going
Consider having international think tanks conduct in country assessments and develop local research institutes	GoR	DPs	on-going
Long-term discussions to take place on indicators and methodology used in KKZ reports as well as in other reports and indicators	All	--	on-going
Recommendations made for more sources to be used for future KKZ reports to reduce margins of error	WB	DPs – GoR	on-going

ANNEX II – LIST OF ATTENDEES

(by organization)

	Full Name	Job Title	Organization
1	Mr. Kader Gueye	Resident Representative	AfDB – African Development Bank
2	Mr. Dirk Brems	First Secretary, Cooperation	Belgian Embassy
3	Dr. Colin Kirk	Head of Office	DFID – UK Department for International Development
4	Mr. Jean Barbé	Counselor	EC – European Commission Delegation
5	Mr. Jean Baptiste Luciani	Head of Mission a.i.	French Embassy
6	Mr. Hans Von Schroeder	Deputy Head of Mission	German Embassy
7	Mr. Sunday Kayemba	Economist	IMF – International Monetary Fund
8	Kazumi Shimaoka	Rural Development Advisor	JICA – Japanese International Cooperation Agency
9	Mr. John Rwangombwa	Secretary General and Secretary to the Treasury	MINECOFIN – Ministry of Finance and Economic Planning
10	Mr. Jean Jacques Nyirubutama	External Finance Unit Director	MINECOFIN – Ministry of Finance and Economic Planning
11	Mr. Gianluca Rampolla	Head of Aid Coordination Unit	MINECOFIN – Ministry of Finance and Economic Planning
12	Mr. Christian Shingiro	Budget Support Specialist, EFU	MINECOFIN – Ministry of Finance and Economic Planning
13	Mr. Didier Gakuba	Aid Management Specialist – External Finance Unit	MINECOFIN – Ministry of Finance and Economic Planning
14	Mr. Michel Sebera	Economist in charge of Bilateral Organizations, External Finance Unit	MINECOFIN – Ministry of Finance and Economic Planning
15	Ms. Elise Rusingizandekwe	Economist in charge of Bilateral Organizations, External Finance Unit	MINECOFIN – Ministry of Finance and Economic Planning
16	Mr. Robin Ogilvy	ODI Fellow, External Finance Unit	MINECOFIN – Ministry of Finance and Economic Planning
17	Mr. Paul Farran	Programme Officer EFU/ACU	MINECOFIN – Ministry of Finance and Economic Planning
18	Mr. Jeffrey Bower	JPC EFU/ACU	MINECOFIN – Ministry of Finance and Economic Planning
19	Dr. Gertjan Tempelman	Head of Development Cooperation	Royal Netherlands Embassy
20	Ms. Ellen Beijers		Royal Netherlands Embassy
21	Mr. Matthias Weingart	Country Director	SDC – Swiss Agency for Development and Cooperation

	Full Name	Job Title	Organization
22	Mr. Arne Ström	Head of Mission	Sida – Swedish International Development Co-operation Agency
23	Mr. Alain Noudehou	Deputy Resident Representative and Programme Director	UNDP – United Nations Development Programme
24	Mr. Kevin J. Mullaly	Director	USAID – United States Agency for International Development
25	Mr. Christophe Tocco	Supervisory Program Officer	USAID – United States Agency for International Development
26	Mr. Gregory Alex	Country Manager a.i.	WB – World Bank
27	Ms. Kene Ezemenari	Senior Economist	WB – World Bank
28	Mr. Ahmed Zakaria	DCD	WFP – World Food Programme

**Government of Rwanda Position on the World Bank Institute Report:
“Governance Matters 2006: Worldwide Governance Indicators”**

Secretary General and Secretary to the Treasury MINECOFIN

The Government of Rwanda, concerned with the recent release of the World Bank Institute Worldwide Governance indicators, also called the KKZ indicators, has decided to organize this exceptional DPCG meeting.

The Government of Rwanda wishes to make it known to the members of the Development Partners Coordination Group (DPCG) that it does not agree with the outcome of the so-called KKZ Governance Indicators published by researchers at the World Bank Institute, which shows deterioration in Rwanda’s performance across 6 governance areas between 2004 and 2005.

These areas are: (i) Voice and Accountability, (ii) Political Stability, (iii) Government Effectiveness, (iv) Regulatory Quality, (v) Rule of Law and (vi) Control of Corruption.

We are aware of the limitations of these indicators, notably that the difference between 2004 and 2005 is actually not statistically significant. However, we wish to share with you the view that governance in Rwanda has improved between 2004 and 2005 and not deteriorated as a reading of the indicators might suggest.

We want to stress that the sources used to construct the indicators for Rwanda are fewer than for most of the other countries in the study and that almost all studies originate outside of Africa. In this respect, we underline that Rwanda was one of only two African countries to finalize the APRM process in 2006. The APRM Country Report acknowledges the significant progress made by Rwanda across a wide range of governance areas, including most of those covered by the KKZ indicators.

Further, Transparency International, in its Corruption Perception Index ranked Rwanda 83rd among 158 countries - a better rating than all countries in Eastern and Central Africa; whilst a 2005 World Bank study on countries’ investment climates put Rwanda among the top countries worldwide regarding the pace of reforms.

The Government of Rwanda, would like herewith once more to underline our commitment to the continued improvement of governance in Rwanda.

OFFICIAL STATEMENT OF THE WORLD BANK ON THE KKZ INDICATORS

The official position of the World Bank is that the KKZ governance indicators for Rwanda do not indicate a trend in performance. In particular, the small number of sources cited (compared to other countries), coupled with changes in those sources over time make it difficult to make comparisons across time.

Based on these factors, and the large confidence interval, it cannot therefore be concluded that the governance situation in Rwanda has worsened. In fact, there are indications that there has been some improvements in certain aspects based on some criteria of the CPIA and the Doing Business Report, related to tax administration, customs, and the regulatory framework.

It is important to note that the report, put out by the World Bank Institute, is based on a constructed index derived from secondary sources, some of which are based on subjective assessments and draw on different views and perceptions that are meant to provide an independent and relatively comparable assessment of governance performance across different countries, over time. As such, the results do not reflect the Bank's official assessment of Rwanda's performance in this area. Rather, as noted in the KKZ report, the indicators should be viewed as a basis to highlight areas for key policy discussions, and should not be used strictly on its own as a basis for policy advice to countries. Policy advice should be based on more in-depth studies conducted in-country.

In this regard, the Bank has put forth some suggestions on how to facilitate more accurate assessment in the future. To achieve this we may wish to encourage the utilization of more sources and to seek to invite institutions and think tanks to come to Rwanda and make assessments on the ground. Increasing assessments on the ground, coupled with an increase in the number and diversity of sources provides a good opportunity to demonstrate the progress Rwanda has made in this area.