



# Development Partners Coordination Group (DPCG) Meeting

62nd (LXII) DPCG Draft Meeting Minutes  
5th of May 2016

MINECOFIN Boardroom

## 1. Remarks by Chair and Co-Chairs

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The Permanent Secretary and Secretary Treasury (PS/ST) of MINECOFIN, Caleb Rwamuganza opened the DPCG meeting by stressing his commitment to ensuring that the DPCG continues to be an effective partnership forum.

The DPCG Donor Co-Chair Laure Beaufilets welcomed the new Chair of the DPCG. She requested that the DPCG agenda includes a standing item on follow up of the agreed actions from the 2016 Development Partners Retreat (DPR) and proposed another topic for discussion in the future related to refugees and finding strategies to boost their self-reliance. On behalf of DPs, she also requested a separate discussion on the Budget Framework Paper (BFP), which was circulated a few hours prior to the DPCG meeting in order to allow for proper preparation and discussion. Regarding the energy sector, the DPCG Co-Chair stressed the importance of keeping realistic targets and providing access to energy to the poor, as well as building the capacity of MININFRA. She welcomed the progress made since the DPR on nutrition coordination and also requested for a technical meeting with DPs to work out the details of the proposal on the establishment of an intra-governmental Secretariat, including its financing. Regarding the upcoming World Economic Forum (WEF) for Africa meeting, she requested a list of the side events and the setting up of a joint DPs meeting with the Minister of Finance and Economic Planning to allow for dialogue with senior representatives of DPs. On the preparations for the next EICV survey, the Donor Co-Chair asked how disability would be taken into account into the survey methodology.

The DPCG Secretariat Co-Chair Mr. Lamin Manneh welcomed the new DPCG Chair and also stressed the importance of the nutrition topic and the need to address the coordination challenges. He also pointed that energy is an important sector for the One UN with a focus on green economy and climate resilience.

The PS/ST of MINECOFIN agreed with the proposal for quarterly follow up of the DPR agreed actions and noted that at the next meeting in July 2016 the DPCG members will take stock of the progress made.

The DPCG Chair and Co-Chairs also welcomed new DPCG members, namely the new Country Director of the World Bank Mr. Yasser El-Gammal, the new Chief Representative of JICA Mr. Hiroyuki Takada and the new Head of Mission of USAID Mrs. Marcia Musisi-Nkambwe.

### Agreed Action:

The DPCG to take stock of progress in implementing the 2016 DPR recommendations.

## 2. Approval of the minutes of the 61<sup>st</sup> (LXI) DPCG

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The minutes were approved.

## 3. Draft budget – linking planning priorities to allocations and the new Stand-By Credit Facility with the IMF

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The Director General (DG) of Planning of MINECOFIN presented the BFP for FY16/17, which represents a starting point for the discussion on the budget in Parliament. DPs were requested to provide their comments prior to the end of May so they can be compiled along with those of the MPs. The DG of Planning highlighted the following key issues stemming from the global economic outlook that are framing the budget, namely: i)

economic slowdown in China and its impact on the global economy and on Rwanda; ii) tightening monetary policy in the US; iii) low commodity prices and iv) lower economic growth projected for Sub-Saharan Africa at 3.1% in 2016 and 4% in 2017. On the domestic front, MINECOFIN is preoccupied with the deteriorating current account of the balance of payments, which is offset by a lower energy bill. The IMF's support through the stand-by facility is critical in the months ahead to ensure that the Central Bank has sufficient foreign reserves. The growth in 2015 was 6.9% with the mining sector registering a drop of 8.8% and other sectors such as trade, tourism, hotels registering lower performance. In 2016, growth is projected to be 6% and inflation to remain below 5%. The short-term prospects for the export crops is of low growth due to low coffee prices and climate change effects. Lower performance of the mining sector is expected to persist with anticipated improvements in the prices of minerals as of 2017. Regarding the fiscal performance, MINECOFIN considers that domestic resource mobilization is performing well through the introduction of the VAT electronic billing machines and other measures to ensure better tax collection. This trend will continue with projected decrease in grants and less financial resources being available for the development budget. The GoR will continue to exert strong fiscal control. In terms of EDPRSII financing, the emphasis continues to be on economic transformation and job creation, while protecting the expenditure for the social sectors. In order to overcome the external and domestic constraints, the GoR has articulated a number of policy priorities and related projects to firstly increase the exports and boost the production of goods for the local market through "Made in Rwanda" campaign, allocated approximately 6% of the development budget and accompanied by measures such as support for textile, garments and leather industry; skills development interventions; value addition in the mining sector (energy supply, certification) and in the coffee, tea, horticulture and livestock sectors; key services' projects include the Kigali Convention Center and the Kigali Logistics Platform. Secondly, through increasing productivity of the agriculture sector, which has been allocated 8% of the development budget and continuous reductions in the cost of doing business by improving the energy supply; working with the private sector to scale up off-grid solutions. There are also planned investments in the water and sanitation sector, such as improving water supply in Kigali. Other key priorities of the GoR include strengthening implementation of the public sector project portfolio, including improving the performance on grants and loans and improved M&E.

The IMF Director complemented that the IMF's stand-by facility aims to counter the reduction of foreign reserves at the Central Bank and is expected to last between 12-18 months. It has not yet been reviewed by the IMF's Board.

In the ensuing discussion, DPs requested a number of clarifications on the BFP. One of them concerned the nature of the drop in the exports of coffee, tea and minerals, whether it is due to lower prices or lower volume or combination of both. In terms of boosting exports, the mix of short- and mid-term measures and their likely effect; coordination of Rwanda's export strategy with other countries in the EAC region; the potential fragility of the three-months of imports reserve at the Central Bank and whether it is sufficient to counter any possible speculation on the forex market; the protection of pro-poor spending, especially in a sector such as education, notably basic education where DPs observe decline in pro capita spending. Another question concerned the operationalization of air cargo agreements and whether this measure is related to the Northern and/or Central Corridors.

In the responses, the DG of Planning clarified that coffee and tea exports performed well supported by an increase in the volume and good prices, however there is a projected decline in volume and especially in prices. The GoR is counting on food crops to make a better contribution to growth. In the mining sector, the decline in exports is due to both prices and volume. On the question concerning regional coordination within the EAC, the focus on developing a textile industry is primarily for the domestic market and for exports outside of the

region. Different levels of implementation within the EAC will minimize potential risks of countries pursuing the same strategies for economic growth. Regarding the social sectors, basic education continues to be a top priority for the GoR. Significant investments are planned in the health and education sectors (teacher training and recruitment, classroom rehabilitation). The VUP and the school-feeding programs have not been affected in terms of funding. The PS/ST confirmed that the expenditures in the social sectors have not been reduced and most of them are included in the recurrent budget. The number of children in schools is not on the decline and there are plans to increase the number of teachers in schools and the use of ICT in education.

The DG of Planning responded further that the operationalization of the air cargo agreements is linked to the export promotion strategy of the GoR and notably the exports of flowers and beef, as well as with the Northern Corridor projects.

Concerning the request of DPs to have an additional meeting on the budget, the PS/ST of MINECOFIN requested that he first consults with his counterparts in other ministries given the tight timeline of the budget discussions with Parliament. It was agreed, however, that DPs will submit written comments on the BFP by 25<sup>th</sup> of May.

#### Agreed action:

DPs to submit written comments on the BFP by 25<sup>th</sup> of May through the DPCG Donor Co-Chair.

## 4. Energy sector: priorities, resource envelope, sustainability of investments

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MININFRA presented on the latest developments in the energy sector. The current capacity stands at 200MW compared to the EDPRS2 target of 563MW to be generated by 2018. The GoR is focusing on expanding access to electricity, both on-grid and off-grid, especially in the rural areas. A number of key projects in power production are in various stages of development. MININFRA is also working on projects for the construction of transmission lines and for the reduction of grid losses, particularly in Kigali. The focus is on energy for productive use, such as in the Special Economic Zones, the milk collection centers, etc. The strategy in the off-grid sector aims to eliminate the use of kerosene lamps by providing solar ones. There are number of planned studies in the sector and MININFRA is working with DPs to update the biomass strategy, the energy efficiency strategy and law, the Electricity Master Plan and Integrated Resource Plan, the Solar Energy Strategy and Action Plan, among others.

Belgium as Co-Chair of the Energy Sector Working Group (SWG) raised a number of challenges in the sector. The first one is coordination given the number of actors and the large involvement of the private sector with a number of parallel initiatives taking place. The SWGs has three initiatives to tackle the coordination challenges, namely establishment of an information-sharing platform, a functional review of the management of the energy sector in MININFRA and the establishment of relevant technical working groups. The second challenge is the issue of biomass affordability and sustainability. Biomass accounts for 35% of energy use in Rwanda and this has a huge negative impact on people's health. This is closely linked to the affordability of electricity for households and the need for large subsidies to allow for access to on-grid electricity. The third challenge lies in ensuring the right energy mix between renewable and non-renewable energy, between on and off-grid sources and their affordability.

In the discussion, DPs raised questions concerning the greening of the energy sector and the integration of the Sustainable Energy 4 All Initiative in the GoR plans; the use of safe cooking stoves and the role of the private sector and how DPs can support scaling up such projects; the relevance of the EDPRS2 target of 563 MW given

recent studies, which suggest that a lower target is more realistic and in line with the country's consumption needs. The UN raised the issue of the use of clean energy in refugee camps and requested that the topic of refugees in the country is addressed at a subsequent meeting of the DPCG.

The Netherlands also mentioned a successful pilot project they have in promoting the use of solar lights at the district level through linking the private sector with their potential clients through trade fairs. This model can be used to bridge the information gap and bring private sector closer to poor households.

The PS of MININFRA responded that the SWAP Secretariat, which is tasked to improve coordination in the sector is in place. On greening, the GoR plans to reduce the reliance on thermal power and increase gradually the use of renewable energy. The Ministry also supports the use of solar systems in the rural areas in order to halter the high-mortality rates due to the use of biomass. On the issue of energy sustainability, there is an ongoing discussion with the World Bank on a guarantee scheme. The EDPRS2 target of 563 MW capacity is still relevant and the studies mentioned above were somewhat conservative in their estimates. The GoR has already signed domestic and regional projects for 340 MW.

## 5. Nutrition Coordination and follow up

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The PS of MINALOC presented on this topic. He outlined that the GoR had conducted an internal review and has prepared a draft proposal on new coordination arrangements for nutrition. A National Nutrition and Food Programs Coordination Secretariat will be established within MINALOC with main responsibility to promote synergy among the various institutions and partners involved and assist with oversight (e.g. fulfill functions such as stakeholders' mapping, development of community initiatives, M&E at the local level, support research, etc.). The Secretariat will support the Social Cluster, which is the primary intra-governmental coordination body. DPs will be invited to attend the meetings of the latter upon invitation of its Chair, the PS of MINALOC. Various technical teams will be set up to support the its work. The Social Cluster is reporting to the PMO. It is envisaged that monitoring would be enhanced through a monthly report prepared by the Secretariat on progress against nutrition performance indicators. At the decentralized level, the Social Cluster coordination model will be rolled out.

DPs welcomed the swift development of the proposal on nutrition coordination and its contents. Questions concerned the frequency of the reporting and whether it would not pose too much of a burden on the Secretariat; whether the mandate of the Secretariat includes both nutrition and food security and if it does, ensuring that both topics get due consideration in the future work. Partners further urged GoR to take into account the existing monitoring tools such as the Nutrition Dashboard developed with support by the EU and to make it accessible to all stakeholders, as well as the DevInfo database, supported by the Netherlands and UNICEF with information at the decentralized level. Partners also pointed to existing detailed mappings of nutrition interventions and partners and encouraged maintaining links between nutrition and social protection programs. Finally, DPs also requested more information on the available funding for the Secretariat, the timeline for its establishment and the support envisaged by DPs, as well as the holding of a technical meeting with DPs.

In his responses, the PS of MINALOC clarified that the focus of the Secretariat's work is on nutrition. Broader food security issues will remain responsibility of MINAGRI. Strong linkages with social protection will be maintained. A National Dialogue on Social Protection and Agriculture will take place regularly. The coordination proposal will be finalized in the coming week and a meeting of all concerned GoR institutions called by the PM. On the accessibility of the Nutrition Dashboard, the PS of MINALOC affirmed that the information accessible to the public should be online and this will be followed up. Regarding the financing of the Secretariat, the PS/ST

of MINECOFIN informed that the concerned GoR institutions are still consulting on the financial requirements and that the support of DPs would be welcomed. The details will be provided as part of the technical meeting to be convened.

**Agreed action:** MINALOC to convene a technical meeting with DPs to discuss in detail the proposal once finalized at the GoR level, including funding requirements.

## 6. AOB:

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### a. Update on the World Economic Forum on Africa, 11-13 of May 2016, Kigali

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Rwanda is the third country on the continent to host the World Economic Forum on Africa between 11 and 13 of May 2016. More than 1500 delegates are expected to come, among them 10 Heads of State and many CEOs and representatives of academia, the arts, etc. The theme of the Forum is “Connecting Africa’s Resources through Digital Transformation”. Participation is upon invitation only. A number of side events are planned by various organizations.

DPs requested a list of the side events in order to manage the agendas of their respective VIPs and the possible convening of a meeting of senior DPs officials with the Minister of Finance and Economic Planning. The PS/ST of MINECOFIN responded that the office of the Minister has been approached in this regard and a response will be provided through the DPCG Donor Co-Chair.

### b. Substantive preparations for the next EICV

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The Director General of the National Institute of Statistics of Rwanda (NISR) presented on the finalization of the EICV4 and the preparations for EICV5. With regard to the finalization of EICV4, all in-depth analyses will be made available by June 2016 less than a year after the survey was conducted. The NISR has used three different methods to undertake poverty analysis and is also preparing a special issue on poverty dynamics based on the following categories: i) in long-term poverty; ii) moving out of poverty; iii) dropping into poverty, and iv) never in poverty. All micro-data will also be shared in June. The data and analysis are robust and are firmly demonstrating that poverty is dropping in Rwanda, especially in rural areas.

Concerning EICV5, the survey will begin in October 2016. NISR will follow a 3-year cycle. For this survey, advanced IT solutions will be used to collect all data, which is expected to increase the efficiency of the process.

DPs requested that NISR keeps the window for receiving comments on the methodology for the next round of the survey open until the detailed data is published and everyone has had an opportunity to look into it. Specific questions were asked on the methodology used in EICV4; the policy implications of the EICV4 findings on the Ubudehe system, used for the major social protection programs and whether this can be a topic of a separate discussion. Another set of questions pertained to the estimated cost of the EICV5 and the planned training of the surveyors.

The DG of NISR clarified that there is a misconception on the methodology for EICV4 and the break with the past ones used. Three models were applied to understand better their potential limitations and to analyze in-

depth the poverty trends. He also confirmed that the consultation will remain open until the publication of the detailed analyses and data in June. Concerning the policy implications for Ubudehe, the DG of NISR specified that Ubudehe and the EICVs are guided by different methodologies. In EICV5, NISR will be able to capture the Ubudehe categories. On the cost of the survey, it was mentioned that the costs of the past surveys are in the billions of RWF and that all surveyors undergo a 4-months in-house training.

**Agreed action:** Opportunity to provide comments on EICV5 methodology to be kept open by NISR until publication of detailed data and analyses of EICV4.

[Annex 1: List of Participants](#)

[Annex 2: PowerPoint Presentations](#)