



## **65<sup>TH</sup> (LXV) DPCG MEETING**

### **MINUTES**

Date: Tuesday, 30<sup>th</sup> May, 2017

Time: 9:00 -12:00 am

Venue: MINECOFIN (Ground Floor) Conference Room

Development Partners Coordination Group

## **1. Remarks by Chair and Co-Chairs**

The chair of the Development Partners Coordination Group (DPCG) and Permanent Secretary and Secretary to the Treasury (PS/ST), Mr. Caleb Rwamuganza opened the meeting and gave a warm welcome to all the Development Partners, Government officials and Civil Society Organizations in the meeting. The chair thanked everyone for their achievements and thanked the DPs for their disbursements. The Chair expressed his anticipation for the discussion and introduced the co-chairs (The World Bank Chief Country Manager for Rwanda, Yasser El-Gammal and Lamin Maneh, UN Resident Coordinator). The chair also reminded everyone that this was the last DPCG meeting for Lamin Maneh, the United Nations Resident Coordinator, Negatu Makonnen, the AfDB Resident Representative and Saber Azam the UNHCR Resident Representative and thanked them for their huge contributions in Development Cooperation. Lastly, the chair welcomed new members such as Sally Waples, the new DFID Director for Rwanda, and Leslie Marbury, USAID Deputy Mission Director. .

The co-chair, Mr El- Gammal congratulated the government for its progress in the face of one of the worst economic years in Sub Saharan Africa in the last two decades because of the effects of drought, low commodity prices, refugee crisis among other factors. The co-chair conveyed his appreciation for the work that has been done on EDPRS 3 and Vision 2050 and expressed his anticipation to the process of consultation with many stakeholders in the visioning exercise including the private sector and civil society organizations, also DPs. The co-chair noted the importance of sharing disaggregated data on the budget to allow a better understanding of the evolution of expenditures at sectoral levels. The co-chair also conveyed DPs interest in receiving an update on the review of civil society laws to understand the implications on their development partnerships in Rwanda.

The co-chair UN RC, Mr Maneh saluted the efforts to undertake this meeting and thanked senior government officials as well as colleagues from the Development Partners community. In the context of this being the co-chair's last meeting, Mr Maneh thanked the Hon. Minister Claver Gatete and the Government of Rwanda for being instrumental in implementing the DPCG framework. The co-chair also paid tribute to the PS/ST for his commitment to development cooperation.

The co-chair spoke proudly of the progress that Rwanda has made and echoed Mr El-Gammal statements about the country being relatively safe from the turbulence of its neighboring countries. The co-chair noted that EDPRS3/Vision 2050 formulation presents opportunity to integrate several key global agreements and take advantage of the opportunities they provide for Rwanda. The co-chair also praised his UN family for its strong values and its continuous efforts in addressing different needs of humanity in the fields of education, health, governance, infrastructure and food security. The co-chair reflected on his four and a half years as United Nations Resident Coordinator and recognized that it has prepared him well for his next assignment as UNDP Regional Director for Africa.

## **2. Approval of the draft minutes of the previous DPCG**

The minutes of the 65<sup>rd</sup> DPCG meeting were approved without any amendments.

## **3. Presentation of the FY 2017/18 Budget proposal highlights**

Amina Rwakunda, Senior Economist at MINECOFIN and the Director General for Budget Planning Rahema Namutebi presented on the FY 2017/2018 budget proposal highlights. The presentation included the following components:

1. Economic performance and Outlook 2017/18 – 2019/20

- Rwandan economy grew by 5.9%, close to forecast but a deceleration from 8.9% in 2015 due to a combination of factors: drought – completion of big projects – impact of the adjustment policies.
- Rwanda GDP growth is projected to increase to 6.2% in 2017 and 6.8% in 2018 as the supply-side factors are expected to reverse and adjustment policies are eased
- Inflation increases (7.3% end-Dec. 2016) due to high food prices and high imported inflation linked to the high depreciation of 9.7%.
- It is expected to average at 7% in 2017 as the drought eased. But risks remains: possible rise in local pump prices in line with the increase in international oil prices, continued high food prices, pass-through from additional exchange rate depreciation etc.

2. 2017-18 Medium Term Fiscal Projections

Continued fiscal consolidation and prudent borrowing policy to keep debt and external balances sustainable.

- Fiscal deficit to narrow by 1% of GDP;
- Tax to GDP to decline by 0.3% following policy changes to support the ‘Made in Rwanda’ policy and tariff hike on second hand clothes;
- Total Expenditure and Net Lending to reduce to 25.8% of GDP, more reduction in capital expenditure in line with the adjustment policy agreed with the IMF;
- Over the MT, Net domestic financing is projected to be close to zero, allowing maximum room for private sector credit and Investment;
- External debt at 29.8% of GDP in 2016 is expected to remain sustainable over the MT.

3. Key Policy objectives in 2017/18 and over the medium term

- Exports: Growth of traditional exports by 19 % (Tea, Coffee and Mining), non-traditional exports (Manufacturing & Agro-processing, Fruits & vegetables, Flowers), Growth of Services by 33 % (Tourism, Transport & Logistics) AND establishment of cross border and trade logistics infrastructures.
- Urbanization and Interconnectivity: Construction of Bugesera Airport phase, upgrading of Kamembe airport and expansion of Kigali International Airport; Construction of new roads such as Huye-Kibeho, Ngoma Nyanza; Continuing ongoing roads such as Kivu Belt, Rusumo-Kayonza, Huye-Kitabi, base-Butaro-Kidaho and others; Construction of infrastructures to increase water supply for both urban and rural areas (Nzove I & II)

- Financial and ICT sectors: Operationalization of long term saving scheme; Operationalization of affordable housing financing scheme; Automation of UMURENGE SACCOs; Operationalization of Innovation fund and Kigali Innovation City; Completion of ICT Centre of Excellence
- Rural Development: Increasing crop productivity; building resilience to climate change; improving energy efficiency; increasing social protection coverage.
- Productivity and Youth Employment: National Employment Programme targeting about around 201,200 Off-farms jobs; Digital literacy campaign; Implementation of Iwawa Master plan.
- Accountable Governance: Roll out of e-procurement to all institutions; Conducting regular inspections of service delivery in local government; Capacity building for Civil society and media; Strengthening PFM capacities in non-budget agencies through roll out of customized IFMIS modules; Organizing Presidential elections (ensuring availability of logistics and materials)
- Foundational and Crosscutting Areas: Improving the quality of education; Infrastructures development for basic education and TVET; Improving quantity and quality of human resources for health Improving geographical accessibility to health services; Fighting malnutrition; Reducing the burden of Communicable and non-communicable Diseases; Continuing interventions for the prevention of malaria; Fast-tracking the conservation of Gacaca records through the digitization process; Construction/Upgrading of various prisons and other RCS infrastructures

#### **Comments:**

Participants inquired about the challenges to achieve the ambitious targets. It was noted that growth in the agricultural sector very much depends on international prices, the growth of traditional exports such as coffee and tea is expected to increase by 7% and 23% respectively. As the Rwandan economy is sensitive to price movements, recovery in international prices will increase value in these goods.

Another challenge facing Rwanda is the decreasing exports to Congo. However exports are due to increase in 2017 by 21.8% and Made in Rwanda is also expected to contribute to export growth beyond 2017 – through private sector growth. There is a tradeoff between tax incentives for Made In Rwanda initiatives and losses in revenues because of that so there needs to be a tax expenditure assessment in order to gain a better understanding of the revenue losses vs gains.

The Co-Chair noted that unemployment is in line with EDPRS targets but as we see continued support for Made in Rwanda initiative, we can expect to see a change in performance.

The numbers in the presentation are highly aggregated, but some details were shared in individual sectors through the SWGs. The PS will consider what more data can be provided.

#### **4. Update on Vision 2050 and EDPRS 3**

Godfrey Kabera, DG for National Development Planning and Research provided an update on Vision 2050 and EDPRS3 elaboration and highlighted that this is a consultative process whereby inputs from sectors and districts are needed. Targets have been set for Vision 2050 in a national dialogue meeting in December but interventions need to be implemented in order to match the targeted standard of living. The Database

of Potential Indicators for Vision 2050 have been developed and have been shared with Sectors for discussion. It should be noted that some analytical works are ongoing (e.g. Demographic Dividend with UNFPA, Drivers of Growth with the World Bank, and SDGs gap analysis).

In terms of timeline, the final draft version of Vision 2050 and EDPRS3 should be finalized in September. The SSP/DDSs shall be elaborated alongside Vision 2050 and EDPRS 3. The timeline for the SSPs/DDS under elaboration will be six years i.e. 2018/19 – 2023/24 to align to EDPRS 3 and the 7YGP.

#### Comments:

DPs expressed support for the very complicated exercise and promised to be actively engaged in the processes. The main concerns are with respect to the tight time frames, having clear information about indicative budgets a strategy for reviewing and incorporating learning and to adapt to rapidly changing environment. . Discussion is required on the prerequisites on what needs to be done so that Rwanda moves from low income to high income The SWGs are the first entry point to discuss the key issues for Vision 2050 and EDPRS 3. Some issues may need to be elevated to a focused discussion with selected participants in particular sectors. It was also proposed to discuss the projected growth rates in a smaller group before the stage of validating the documents. . .

The PS thanked participants in the meeting for their commitment and concluded the session on Vision 2050 and EDPRS 3.

### **5. Discussion on Affordable housing scheme and DPs support to it**

Eric Rwigamba, the Director General for Financial Sector Deepening (FSD) presented on the proposed financial model for the Affordable Housing scheme and the current housing challenges. Mr. Rwigamba highlighted that housing needs to be accessed by all income brackets and stressed that the cost and terms of finance need to be reduced. The DG for FSD proposed a funding facility to be established (\$250 million) which would be managed/administered by Development Bank of Rwanda (BRD). The shareholders/lenders would be the GoR, Development Financial Institutions (DFIs) and local institutions like BRD and RSSB, etc.

The fund would have two components: Construction fund (60%) to be borrowed at low interest rates by private developers to hire a contractor to deliver 3 categories of houses; Long term line of credit (40% due to buyer's down payment) for banks/MFIs for onward lending over say 25 years.

Measures to reduce cost of housing:

- Government support - land)
- Reduced cost of finance over a longer tenure of borrowing
- Bulk importation of building materials and large volumes of housing units built.
- Minimum beneficiary's contribution (20%) Improved and cost effective construction technologies

- Incremental building/construction approach – an incomplete habitable housing unit based on budget and complete it over time.

### Comments

Affordable Housing is a complex issue that should be tackled using a multi-dimensional approach, especially as housing inputs are very expensive in Rwanda and therefore have a large influence on the overall cost. Made in Rwanda could be used as a means to reduce the cost of housing by producing materials domestically rather than importing them from overseas. It is important to emulate cities such as Vancouver rather than Chicago or London when searching for model examples of successful affordable housing plans. This is because ‘the projects’ or ‘the estates’ tend to become dangerous hotspots whereas Vancouver blends high and low income housing in a way that reduces stigma for low income households. Excessive subsidies should be avoided as they could negatively affect this sector. There are also issues beyond financing, e.g. transparency in allocation.

The chair concluded that Affordable Housing is a cross-cutting issue which includes the environment, energy, transportation, sanitation and encouraged all to be part of the process of providing accessible, equitable and sustainable housing for all Rwandans.

### **6. Rwanda’s participation in the G-20 Compact with Africa Leonard: G20 to compact with Africa.**

Leonard Rugwabiza, the Chief Economist at MINECOFIN gave a brief update on the G20 Compact with Africa initiative. It is an opportunity to boost private investment in Rwanda and increase the provision of infrastructure. The three actors involved in this initiative are Development Partners (G20 Willing members), International Organizations (e.g. IMF, World Bank) and Compact Countries (Rwanda, Côte d’Ivoire, Morocco, Senegal, and Tunisia).

The initiative allows better coordination between different international organizations, actors and governments. It will not only look at the business framework of private investment in compact countries but also their financing framework. This will be done through country teams, and DPs are invited to be actively involved and build on the momentum that has been already generated. The initiative is not limited to G-20 countries only. It is necessary to work together with respective line ministries in order to boost visibility on available projects for investment. A meeting with private investors is planned in June in Berlin.

DPCG participants agreed that attracting investment is a long term process and the initiative is an excellent opportunity to send signals to investors about Rwanda’s favorable environment.

### **7. AOB**

MINECOFIN shared an update on the chairing arrangements for SWGs. Japan will take over from US as co-chair in ICT, while World Bank will co-chair the Energy sector. The updated matrix will be distributed to the DPCG members. With no other AOB issues, the meeting was adjourned.

The chair thanked everyone for the fruitful discussions, inviting all DPCG participants to a cocktail in the evening to say goodbye to several DPs representatives leaving the country.

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