72nd Development Partners Coordination Group Meeting

26 September 2019
MINECOFIN Board Room

1. Remarks by Chair and Co-Chairs

PS MINECOFIN serving as Chair opened the meeting and welcomed all participants. The Chair gave thanks to the Co-Chairs and Head of External Finance Division for their role in preparing the agenda and updates. The Chair extended a welcome to new members: Mr Navarro, Head of EU Cooperation, Mr. Hodes, advisor to MINECOFIN, Ms. Letitia, DG LODA. He informed that the revised Aid Policy is now pending sign-off by MINECOFIN senior management, after which time it will be submitted to Cabinet for endorsement. MINECOFIN is discussing with DPs a possible division of labour for optimally aligning external support to realize NST1. The Chair emphasized that key planning documents such as Vision 2020 should be considered as "living" documents.

Serving as Co-Chair, USAID Head of Mission, acknowledged the value of the DPCG as well as all the preparatory dialogues in between quarterly meetings. The Co-Chair further appreciated GOR's leadership and proactivity in key global fora, *inter alia*, UN GA, UN SG's Climate Summit. Rwanda's submission of its first Voluntary National Report for the SDGs also well reflected the impressive development gains made to date. It was recognized that progress has already been made on some key priorities identified in the 15th DP's Retreat recommendations, and that some already are or could be taken up in more detail under the relevant sector working groups (e.g., education, agriculture). She reiterated the group's openness to adding additional members such as from the private sector. Consideration of better integrating disability, diversity, and inclusion into planning is emerging as a future priority.

2. Approval of Agenda

The agenda was approved without modification.

3. Report on Macroeconomic Context

By means of contextualizing the discussion, Senior Economist, MINECOFIN gave an overview of the key macroeconomic trends and current fiscal performance in Rwanda. For 2019, GOR maintains a 7.8% headline GDP growth projection—conservative, given higher actual performance achieved in the two first quarters. Headline inflation remains stable and is expected to stay below 5%. The overall balance of payments has improved and net exports continue to grow and to become more diversified. The trade balance, however, was negatively affected in the short-term as a result of increases in imported capital goods (mainly for construction). Monetary policy is expected to remain

accommodative through a cut in the benchmark funds rate; meanwhile, credit to the private sector has improved and lending to different sectors has expanded. Currency depreciation is moderate.

DG, National Budget Execution, shared an overview of the current budget and fiscal balance sheet. The general picture is sound: revenue collection from both traditional tax as well as non-tax sources performed well. Capital expenditure is on track. An anticipated RWF 484.9 million cash deficit for this fiscal year, due to front-loaded expenditure on Peacekeeping Operations, shall be financed through domestic borrowing and issuing new securities. It was noted that decentralized monitoring by line ministries through IFMIS of budget execution would be enabled through the new Finance Law, now pending adoption by Parliament. The DG encouraged DPs to consult MINECOFIN website for additional detail on the status of budget execution.

In terms of headline results from public spending, agricultural sector performance has increased not only in terms of output but also *vis-à-vis* land area under irrigation and access to improved seeds. Five border markets were operationalized and 8 exporters were supported to access export finance using a new guarantee structure. A large number of roads were rehabilitated plus some pivotal new roads were constructed. In terms of education, significant investment was made in the construction of new classrooms, development of 6 training and vocational education (TVET) schools and through wider implementation of ICT innovations. Over 2,200 youth and women were also trained under the National Employment Programme. Key investments in health sector focused on new infrastructure such as clinics (93% of health centers had functional non-communicable diseases clinics) as well as improving blood supply and quality. Primary new social investment included expansion of the local public work schemes, and asset-building including livestock distribution through progammes like the Minimum Package for Graduation and Girinka.

Giving positive feedback on the presentations, DPs also queried what areas may pose greatest risk for not meeting targets, what information was known on the main contributors to inflation and how it was felt geographically, how to correlate performance figures by economic cluster, and how future budget plans and allocations might reflect an emphasis on building human capital as per the NST. Retaining a focus on sustaining agricultural growth was also encouraged, because it concerns the majority of households. Some DPs suggested that further evidence could be gathered on the relative impact of investment outcomes, e.g., which contribute most to sector-driven growth and how key programmes are affecting productivity growth to target and prioritize future public investment. The Co-Chair, UN RC, welcomed the evolving stability in the sub-region and the positive impact on regional integration and in Rwanda's economy potentially. In addition, given the importance of private financial flows to reach the NST targets objectives, monitoring how well on track the 10-year master plan for capital market development and the long-term savings scheme are would be useful. The presentation of the structure of the economy with the GDP growth would be interesting to better understand the contribution of each sector of the economy. The results could also be presented in a way that will help assess their contribution to transformation of the economy: e.g. the absolute number of irrigated hectares and its impact on reducing the dependency on rains.

GOR/MINECOFIN representatives responded that mining sector investment growth is a risk but has been slowly increasing. New processing plants are under construction which is likely to increase production and raise more revenue. Climate-related risk and external crises could potentially reduce future revenue from agricultural commodity exports; however, the projections already take these

risk into account. Agricultural growth is anticipated from two key projects focused on larger-scale commercial farming besides ongoing efforts to boost access to more productive farm inputs such as fertilizer and improved seeds. In addition, supporting new agro-processing facilities that can add value and contribute to job creation in rural areas is a focus. Figures on budget allocations and performance by economic cluster is provided and shared with DPs in more detailed in the Sector Working Groups. Budget allocations over the last few FYs demonstrates a slight trend of increased investment in human capital formulation in line with fiscal constraints. Inflation in rural areas is mainly driven by food prices, which have fallen. Construction investment growth represents not only large-scale public infrastructure, but also commercial developments and household investment.

4. Presentation on Urbanization Programme

PS MININFRA updated participants on the City of Kigali master plan (CoK MP) as well as broader policy reforms and progress to date on urbanization. This is seen as key engine for economic growth and human development. NST1 targets a 35% urban population share by 2024 and proliferation of larger secondary cities and satellite towns. In addition to Kigali there are six key urban growth poles. GOR is also emphasizing growth along major transport corridors. There are five key pillars to the national policy: coordination, densification, conviviality, and focus on economic growth/jobs. Two key initiatives to implement the policy include land banking and an affordable housing fund. Six industrial and SME parks have been developed and secondary city MPs are continually reviewed. In Kigali, administrative reforms have been carried out to run the city more efficiently and promote integrated planning, i.e. dedicated positions for management and infrastructure development. A tool for improving investment planning (SDF) is also being used and piloted. Finally, due to the very ambitious targets, an emphasis is being placed on PPPs and engagement with the private sector. Future opportunities with DPs include supporting Green and Smart City initiatives, supporting low-income housing and servicing land in strategic new areas of urbanization, etc.

Urban Planner, on behalf of the Mayor, CoK, presented its MP for 2050. A MP is crucial because by 2050 the population is expected to surpass 4 million. Revisions from an ongoing updating process since mid-2018 reflect new policies, codes, and the results of relevant studies (e.g., demographic, transport modeling, commercial real estate, etc.). The MP will be updated on a five-year basis. Amendments also reflect responses to feedback by stakeholders and surveys to realign with the changing socio-economic realities, including more focus on affordability and green growth.

DPs expressed thanks for the clarity of the presentations. Some queried how the new policy would take into account sustainability. In addition, the need to develop clear strategies to leverage private sector finance was reiterated, including in particular efforts to develop special events and activities to promote large-scale tourism such as trade fairs. It was recalled that in the past good coordination among different actors played a key role in successful implementation and financing of green urban developments to date, particularly in Kigali. MININFRA responded that cultural and sport activities are already catered for in the strategies and that “green growth” practices and approaches were to be reflected in regulations and codes; this will be supported by existing partners such as GGGI. New measures are also being taken to boost public transport and non-motorized transport. MINECOFIN will also be reviewing the MPs in view of their synergistic impact on development, taking an economic clustering approach.

5. Follow up on DPR Retreat Recommendations

Head EFD, MINECOFIN, recalled the key recommendations from the 15th DP's Retreat and provided status updates for the five key areas. He invited Co-Chairs to articulate in more detail performance to date as well as any plans for scaling up key new initiatives engendered from the last retreat. These include the Agriculture De-risking Facility, Affordable Housing Fund, and Blended Finance Facility. Another key recommendation discussed was on how to improve IMIHIGO so that planning can be more results-oriented for enhanced accountability. Finally, the Rwanda Cooperation Initiative (RCI) gave a presentation on its efforts to facilitate South-South cooperation between Rwanda and other developing countries. It has set up a platform for knowledge management and learning, and compiled a synthesis of home-grown solutions. Administrative reforms have greatly reduced the management and time required to facilitate study tours to Rwanda.

DG, RCI gave a presentation on achievements to date since its operationalization and thanked UNDP for its early support. Other DPs echoed the value of the initiative including codification of knowledge of home-grown solutions and the value of a platform for brokering South-South exchanges for more effective development cooperation. Finally, DPs applauded the vision to develop a self-sufficient funding modeI, and to advance support for after-care of study visits to show impact in long-term.

As part of the wrap up, it was suggested that civil society could also play a key role in improving institutional effectiveness and ensuring effective public participation. There was discussion on whether some aspects of human capital development and education would be best handled through the DPCG or in the relevant sector working groups. PS, LODA, also suggested DPs consider increasing support for social protection and this could be an item for future consideration by the group.

The Chairs thanked the Co-Chairs, presenters, the MINECOFIN technical team, and all participants. The co-chairs thanked the Chair.

Agreed Action: MINECOFIN will work with representative of civil society platform to be more engaged in the DPCG agenda. Head EFD requested all DPs to be fully engaged in preparations for the next retreat from next month in order to expedite planning and reporting on actions in good time. GOR and DP lead(s) of the initiatives to work closely together to accelerate action on key areas. DPs encouraged to get more familiar with the operations of the RCI and to visit its facilities.

6. AOB

With no additional issues raised by the DPCG members the meeting was adjourned on schedule.

Matters Arising

Engagement of CSOs and Private Sector	• Continuous engagement by MINECOFIN with Rwanda Civil Society Platform to support DPCG agenda item coverage • PSF and other Private Sector Actors to Contribute presentations to the DPGC and DPR
City of Kigali Master Plan	• City of Kigali to ensure consultation with private sector and development of strategies to leverage private investment.
DPR Recommendations	• DP and GoR co-leads to continually follow up on progress and report back at next session