

**GOVERNMENT OF RWANDA AND DEVELOPMENT PARTNERS'  
MEETING, KIGALI, 1-2 DECEMBER 2005**

**COMMUNIQUE ON POST-HIPC FINANCING**

*Addressed to delegates attending  
the Senior Level Meeting of the OECD Development Assistance Committee  
scheduled for 6 December 2005*

1. At the 5<sup>th</sup> Government of Rwanda and Development Partners' Meeting, held in Kigali on 1 and 2 December, delegates discussed future options for post-HIPC financing. It was resolved that conclusions reached on this issue should be shared with delegates attending the Senior Level Meeting of the OECD Development Assistance Committee to be held in Paris on 6 December, where the 'scaling up' of development finance is scheduled for discussion. This communiqué sets out some of the issues discussed in Kigali relating to the situation of low income countries which have reached HIPC Completion Point and now face constraints in financing development, and offers some points for consideration by DAC delegates.
2. The Government of Rwanda's long term development strategy, Vision 2020, aims to establish Rwanda as a middle income country by 2020. Rwanda is completing implementation of its first Poverty Reduction Strategy, during which much progress has been made. But growth in 2004 reached only 4% while a sustained growth rate of 8% is required if Rwanda is to reach its ambitious goal in 2020.
3. Rwanda achieved HIPC Completion Point in April 2005. In nominal terms, this brought debt relief amounting to US\$ 1.4 billion (some 90% of total external debt), and has sharply reduced the burden of interest payments.

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Having achieved debt sustainability through the HIPC initiative, the Government of Rwanda is determined to maintain this position.

4. While Rwanda has made impressive progress in mobilising domestic resources, the country will still need to mobilise significant external finance in the medium term to meet long term development needs. Due to the structure of its external debt, Rwanda's borrowing capacity is now very limited. To maintain a sustainable debt ratio, borrowing will need to be very limited. In essence, Rwanda no longer has recourse to external borrowing, if it is to avoid slipping back into unsustainable debt. Given the tremendous development challenges the country faces, Rwanda's investment needs are considerable. Rwanda will need to mobilise these resources in the form of external grants, or reduce investment, the latter resulting in reduced growth prospects. Given the relatively high level of additional grant finance required, a 'business as usual' approach will not allow Rwanda to meet its development targets.

7. DPM delegates noted that Rwanda has received substantial budget support from its development partners in 2005: just over \$240 million. To improve Rwanda's debt sustainability, the ratio of grants to loans must increase. Current information indicates that grant finance is set to fall over the coming years. Medium term commitments from development partners are not yet confirmed. Further uncertainty arises in relation to the G8 debt forgiveness initiative, as it is not yet clear how its implementation might impact on the volume and availability of grant finance. The Government of Rwanda requires firm medium term commitments if it is to be able to plan with confidence.

8. Delegates further noted that Rwanda needs finance which is flexible, predictable, and long term in its nature. Budget support provides flexibility and maximises aid absorption. Delegates recognised that political dimensions reduce aid predictability. Uncertainty over long term financing commitments on the part of development partners further reduces the predictability of development assistance.

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9. For its part, the Government of Rwanda is ready to make commitments which could help to ensure greater confidence among its development partners and the private sector, and mobilise increased volume and predictability of external grant finance. The Government is preparing an aid policy in which it is expected that the following commitments will be reiterated:

- continued pursuit of a long term national strategy for economic development and poverty reduction (through Vision 2020 and Rwanda's Poverty Reduction Strategy)
- further measures to strengthen public financial management, including results-based budgeting and a stronger framework for measuring, monitoring and evaluating results
- further work to strengthen institutional capacity including public sector reform and further decentralisation to strengthen service delivery and local accountability
- further measures to strengthen the environment for private sector investment
- clarification of aid management arrangements across government
- promotion of political stability, strengthening the role of local government, and progressive realisation of human rights

10. Delegates agreed that such commitments provide a basis for mutual accountability and a framework within which development partners should confidently consider increasing commitments in terms of financial resources. This could provide a stronger long-term perspective and greater predictability.

11. Following discussions with delegates attending the Government of Rwanda and Development Partners Meeting, the Government of Rwanda

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urges participants at the DAC Senior Level meeting to consider the following, with particular regard to post-HIPC countries such as Rwanda:

- (i) Development partners to provide a clear indication of how much they will increase aid over the next 5 -10 years, in which countries, and through which channels (bilateral/multilateral etc) in time for the IMF/World Bank Spring Meetings, balancing developing countries' needs and performance;
- (ii) Development partners to support country-led processes to coordinate extra resources to be made available. This could be through a round of special results-based Consultative Group/Round Table meetings, beginning in 2006.
- (iii) In principle, Rwanda offers to participate in such a process and to host such a meeting in Kigali on a suitable date in mid 2006.

Kigali, 2 December 2005