

COMMUNIQUE
THE FIFTH GOVERNMENT OF RWANDA & DEVELOPMENT PARTNERS
CONFERENCE

KIGALI 1-2 DECEMBER 2005

At the invitation of the Government of the Republic of Rwanda, the Annual Meeting between Government and Development Partners was held from the 1–2nd of December, 2005 in Kigali. His Excellency Paul KAGAME, The President of the Republic of Rwanda, officially opened the conference. Professor Manasseh Paul NSHUTI, Minister of Finance and Economic Planning, presided over the proceedings, assisted by Development Partners as co-chairs.

The following countries and organizations participated in the meeting: Belgium, Canada, China, Egypt, France, Germany, Italy, Japan, Kenya, Kuwait, Netherlands, Russia, Saudi Arabia, South Africa, Sweden, Switzerland, United Kingdom, USA; AfDB, European Commission, FAO, Global Fund, IFAD, IMF, UNAIDS, UNDP, UNECA, UNFPA, UNHCR, UNICEF, UNIFEM, UNOPS, WFP, WHO, World Bank. Representatives from International and Local NGOs, the Private Sector and Civil Society also attended.

The Agenda of the conference covered: a review of Rwanda's economic performance; progress in implementing the poverty reduction strategy; sector policy reforms; progress on aid coordination; post HIPC financing; progress on NEPAD implementation; the private sector, the status of regional stability; and national reconciliation.

Participants noted with satisfaction the impressive progress that Rwanda has made in the implementation of the poverty reduction strategy and acknowledged the country's continued commitment to ensuring that the PRS process is participatory, and results and evidence based. Participants commended the quality of sector strategic plans and recommended that focus should be put on how to finance them effectively. Ensuring a stronger linkage between the sector strategic plans, the MTEF and annual budgets was pointed out as critical to the implementation of the plans in order to achieve results.

Participants recommended that the second generation PRSP should strike a healthy balance between investing in the productive and social sectors. In order to achieve this balance participants agreed that Rwanda's short to medium-term development strategy, to be outlined in the five year Economic Development and Poverty Reduction Strategy (EDPRS), needs to address concretely the growth challenges of the country. It was recognised that growth is critical to sustain poverty reduction, as it will enable delivery of services in the social sector, create employment and provide other opportunities for income generation by the poor. The participants also agreed on the importance of creating an enabling environment for private sector development through increasing investment in infrastructure (energy, roads, water and ICT), as this will reduce the costs of doing business in Rwanda. Commercialisation of agriculture and industrial development will require support for more effective cooperatives and financing in the rural sector, as well as effective systems of export promotion. Finally, it was recognised that more explicit integration of gender equality, the environment and population pressure will enhance the sustainability of poverty reduction efforts.

In addressing the issues of growth and investment participants noted the financing issues arising from Rwanda's successful attainment of the HIPC completion point. While reaching the completion point was recognized as a strong achievement, keeping Rwanda's debt at

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sustainable levels will pose significant challenges for financing the implementation of development programmes in the future. Following from this analysis, the need for grants rather than loans along with private sector investment was identified. Participants agreed that grants should be in the form of predictable, long-term commitments and flexible to ensure alignment to the country's priorities. However, grants alone cannot finance all the major needs for socioeconomic transformation. The meeting urged Development Partners to consider reviewing the financing framework so as to ensure good policies and plans can easily access financing and deliver real development outcomes.

The Government presented its work on an Aid Policy Document that will provide a framework for coordinating aid and ensuring its efficient management. It noted with appreciation the enthusiasm and support that the Development Partners have shown in the development of this document. The Policy will set out aid management procedures to increase the efficiency, effectiveness, and sustainable impact of development assistance. Participants recognized the benefits of employing Sector Wide Approaches (SWAPs) in supporting specific sectors. Development Partners acknowledged the Government of Rwanda preference for budget support as the most desirable financing instrument and recognised the complementarity of project support where aligned with national priorities. However, participants emphasized the need for improved public financial management capacity, and that macro-economic policies should be geared towards managing possibly increased inflows of external aid. It was also agreed that aid through NGOs and other grass roots organisations should be notified to the Government. The Government committed to build sound fiduciary mechanisms to raise Development Partners' confidence in using procurement and other national systems.

While acknowledging the tremendous progress that Rwanda has made in implementing its programmes, participants identified capacity challenges in a number of key sectors, most importantly in the energy, agriculture, ICT and private sectors. This is likely to hinder the successful implementation of future programmes. Development Partners praised the rapid improvements in education and recognized the long-term impacts of this, while at the same time recognizing that there is some way to go to ensure the system meets specific sectoral needs. The importance of developing a national science, technology and innovation programme was also recognised.

Participants noted that the ongoing reforms in decentralization, public sector and public financial management will ensure efficient service delivery, reduce public expenditure and strengthen transparency and accountability. Participants expressed broad support for these reforms and many Development Partners expressed commitment to channel more resources into decentralization and rural development. Strategic capacity building actions were recommended as a means of sustaining these reforms and ensuring delivery.

Participants acknowledged the key role of agriculture, but more broadly that of rural development. The Government expressed concerns over the declining agricultural productivity during the last three years and the continued vulnerability of agriculture to climatic shocks. However, participants noted the impressive achievements in developing a strategic framework for agricultural transformation and the potential impact of rapid implementation of this plan on both growth and poverty reduction. Participants therefore requested that higher priority be given to implementing the agriculture strategy, particularly with respect to the level of finance flowing to the sector. The need to develop support mechanisms to cope with the phasing out of various development-funded agriculture assistance schemes was also highlighted. Participants noted linkages between the agriculture

sector and other sectors, particularly energy, commercial development, land and water management.

Participants recognized that the energy crisis continues to hold back the development of all sectors, specifically the transformation of agriculture, as well as commercial and industrial growth. In particular, participants noted the need to increase generation of and access to electricity and other forms of energy in rural areas. It was agreed that urgency should be given to the search for immediate solutions to the energy crisis, and to medium- and long-term solutions within a sub-regional context. Such solutions must also seek to address high energy prices, and vulnerability to changes in the price of oil.

Participants commended the efforts and commitment of the Government of Rwanda to expedite the roll-out of NEPAD programs on the ground. They particularly recognized Rwanda's roll in setting the pace of African Peer Review Mechanism implementation. The Development Partners expressed keen interest in the outcome of Rwanda's peer review and the publication of the country report, including its program of action. Noting that the NEPAD initiative is fully consistent with Rwanda's Vision 2020, participants recommended faster integration of NEPAD strategies into national medium- and long-term development programs through which Development Partners committed to align their support towards the realization of the NEPAD Vision in Rwanda.

Participants were encouraged by the emerging return of peace and stability in the region; particularly welcoming the recent successful elections in Burundi and the ongoing electoral process in DRC and other countries of the region. They expressed general support for the Tripartite Plus Commission's decisions on FDLR and other armed groups taken at the Kampala October 20-21st meeting, and also recognised other efforts by the international community to put an end to armed conflicts. Participants expressed support for the emerging spirit of dialogue in the region, most notably within the context of the International Conference on Peace, Security and Development in the Great Lakes Region, and look forward to the holding of the second regional summit at the earliest opportunity. Participants re-emphasised the centrality of peace, security and stability for sustained development in the region.

Participants noted with satisfaction the progress that Rwanda's has made in consolidating national unity and reconciliation. They agreed that this process is a cornerstone to all national development efforts and a basis for combating all forms of discrimination and exclusion. They acknowledged the need for continued support to national unity and reconciliation in Rwanda.

Participants commended the transformations in the justice sector. They expressed particular support for the role of the Gacaca model in the country's reconciliation process. The continued commitment to build on the rule of law and human rights observance was also commended. They also supported Rwanda's steps towards talking over the roles of the ICTR and recognised the role of the international community in building the capacity of the domestic institutions concerned. The Government assured participants that modalities for the transfer of the International Crimes Tribunal for Rwanda from Arusha, Tanzania to Rwanda are under discussion.

Participants concluded by acknowledging the strong convergence of views between the Government of Rwanda and Development Partners during the open and frank discussions. The Government of Rwanda appreciates the active participation of the Development Partners

and their commitment and continued support to Rwanda's development efforts. Participants expressed their gratitude to the Government of Rwanda for organising the meeting and for their hospitality.

Kigali, 2nd December 2005