The challenge

Almost two-fifths of Rwandans live below the national poverty line of 0.7 USD per day, making poverty reduction a vital objective. In Vision 2020 and successor Vision 2050, the Government sets out its long-term development objectives: moving toward zero poverty by 2035 and becoming an upper-middle (high) income country by 2035 (2050) and achieving this through high savings and investment and structural transformation to a knowledge-based economy. Sound macroeconomic and fiscal policies are key for inclusive growth, while design and steering of adequate public and public–private investment levels are crucial for providing the social and physical infrastructure which supports high productivity growth and structural economic change.

The Ministry of Finance and Economic Planning (MINECOFIN) has been supported by the GIZ program Macroeconomic Advice for Poverty Reduction since 2010, renamed Macroeconomic and Investment Policies with the 2018–21 phase. The program aims at strengthening capacities and institutions for economic analyses and evidence-based policymaking in three ways: (a) strengthening capacities of the Chief Economist department (CED) to undertake macroeconomic projections and policy analyses (Support area 1); (b) strengthening capacities of the National Development Planning and Research department (NDPR) to appraise public investment programs and implement the 2017 National Investment Policy (NIP) (Support Area 2); (c) strengthening overall capacity for economic research and promoting public dialogue on economic policies in Rwanda, while increasing sustainably the number of well-trained economists (Support Area 3).

Our approach

Macroeconomic Analysis (Support Area 1) focuses on strengthening capacity for developing and using tools for macroeconomic projection, tax revenue analysis, and policy impact assessment, while supporting empirical research reports feeding into policymaking in MINECOFIN. The new phase builds on the integrated macroeconomic framework and databases developed in phase 1 and jointly maintained by staffs of CED and National Bank of Rwanda (NBR). The program aims at enhancing the macroeconomic toolbox by linking the macro framework to: business cycle analysis (macro–econometric model); revenue forecasting and tax incidence and expenditure analysis; employment–income distribution and structural change (SAM and CGE); and population, growth, investment, and debt dynamics (long-term growth model). Each tool serves to underpin government policies and strategies at different time horizons, notably short-term macroeconomic policy responses and Budget; medium-term budgets and National Strategy for Transformation; and Vision 2050.

Investment Planning (Support Area 2) focuses on strengthening capacity for investment planning and monitoring in NDPR and sector ministries, while ensuring joint assessment of investment proposals, in line with the 2017 NIP. At the institutional level, investment appraisal processes are strengthened through guidelines for feasibility studies using transparent financial and socio-economic criteria; investment monitoring is strengthened through enhanced Monitoring & Evaluation procedures; and investment planning, execution, and monitoring are integrated in MINECOFIN’s budget execution system (IFMIS). At the individual level, the program supports
training in investment appraisal, financial analysis, and Monitoring & Evaluation for NDPR and sector ministry staffs, covering both public and public-private partnership investments.

**Economic Research and Networking** (Support Area 3) focuses on enhancing economic research and public policy dialogue in three ways. First, it supports and cooperates with the Economic Policy Research Network (EPRN Rwanda), which aims at strengthening economic research by connecting institutions and individual researchers. EPRN seeks to promote a culture of debate through regular research conferences, policy dialogues and public lectures, while offering training focused on research methods. Second, the program supports the University of Rwanda in establishing an MSc with focus on “Applied Quantitative Economics” from 2019/20, leading up to a PhD program in due course, through a twinning arrangement with two German universities. As an intermediate step, it provided an 8-month MSc-level program in “Applied Quantitative Economics” for PhD (AQEPD) as a bridge toward reputable PhD programs elsewhere, delivered by staffs of a German university and University of Rwanda (UR). Third, it supports the Institute of Policy Analysis and Research–Rwanda (IPAR) in establishing itself as a leading economic research provider in Rwanda.

**Our Impact**

In **Macroeconomic Analysis**, the integrated macroeconomic framework is operational, while the fiscal and external financing components are being strengthened. The tool is used by some 12 staff of CED and NBR for macroeconomic policy scenarios, for example for Budget, IMF-supported program discussions, and official reports. The ongoing in-house development of further macroeconomic tools should enable CED to analyse impact of policies on economic activity; employment–income distribution–poverty and long-term growth prospects, including population dynamics and gender dimensions. To help ensure an adequate influx of new staff, the MINECOFIN Young Economist Program has run each year since May 2016; it provides economics courses and on-the-job training to some 15 economics graduates each year, preparing them for work in MINECOFIN or elsewhere in government.

In **Investment Planning**, the NIP is being implemented and transparency of investment decisions and efficiency of public investment have improved. Each year, central government investment planners are trained in implementing the NIP-based procedures. MINECOFIN’s budget execution system (IFMIS) has been expanded with a project planning module, which captures all ongoing and newly proposed projects, including a so-called “pipeline” approved by the Public Investment Committee (PIC). The database is used by some 8 staff who are responsible for appraising all projects going into the Development Budget (some 10% of GDP each year).

In **Economic Research and Networking**, five Annual EPRN Research Conferences since late 2014 have attracted wide audiences. Dissemination of policy recommendations from papers, public lectures, and Policy Dialogues organised by EPRN have created a public platform for debating economic policy issues. Mid–2019, EPRN had about 250 paying members, but many more registered adherents and website visitors. To encourage young researchers, EPRN has started Student Chapters in 12 universities, with events aimed at them. EPRN organizes over 10 short-term technical courses each year, with an average of 25 participants per course. In academic training, two AQEPD programs have been delivered for some 36 participants in 2016/17 and 2018/19, equipping them for admission to PhD programs. The revised two-year MSc in Economics of UR started with over 30 students in November 2019.