

# Support for Macroeconomic and Investment Policies in Rwanda

Improving the capacities of key government and academic actors for formulating economic, fiscal and investment policies geared toward inclusive growth

## The challenge

With two-fifths of the population living below the national poverty line of 0.7 USD per day, poverty reduction is seen as a precondition to achieving Rwanda's long-term economic aspirations of becoming a zero poverty and upper-middle income country by 2035 and achieving a high-income status by 2050. The Vision 2050, Rwanda's development framework for 2020-2050 as well as medium-term implementation strategies such as the National Investment Policy 2017 and the ongoing 7-year National Transformation Strategy (NST 1), which was initiated in 2017, guide its structural change. Tasked to develop and monitor macroeconomic, fiscal and investment policies that underpin the economic policy reforms, the Ministry of Finance and Economic Planning (MINECOFIN), the project's lead executing agency, made important steps in putting in place relevant macroeconomic frameworks and decision-making processes. Nevertheless, the growing need for analytical expertise and skilled staff call for enhanced and continuous efforts in strengthening capacities.

## Our approach

The project responds to the needs of Rwandan key actors in economic, fiscal and investment policymaking, in academia and research. These are the MINECOFIN, the University of Rwanda – College of Business and Economics (UR-CBE), Institute of Policy Analysis and Research (IPAR) and Economic Policy and Research Network (EPRN Rwanda).

The project provides the support in capacity development, which includes face-to-face and online trainings as well as provision of advice and expertise in five interlinked 'support areas': (1) Planning and implementation of public investments; (2)

Macroeconomic modelling; (3) Promoting evidence-based fiscal policy; (4) Improving research-based higher education; and (5) Strengthening research and policy dialogue.

**Planning and implementation of public investments** (support area 1) aims at improving planning capacities for public investments in the sector ministries. Strategic investment planning in line with national guidelines gears economic policy decisions to a faster and broader-based growth and a more efficient resource allocation.

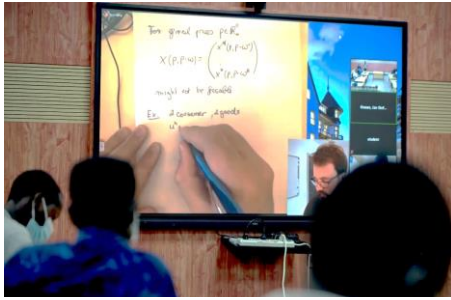
Project name	Macroeconomic and Investment Policies
Commissioned by	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ)
Project region	Rwanda
Lead executing agency	Ministry of Finance and Economic Development (MINECOFIN)
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**Macroeconomic modelling** (support area 2) focuses on strengthening capacities for use of the macroeconomic projection tools developed in previous phases of the project, which feed into policymaking at MINECOFIN. Each tool serves to underpin government policies and strategies at different time horizons and areas, notably fiscal policy, and agriculture. The Young Economist Program (YEP), in this context, provides each year to between 15 and 20 young economists an opportunity for an on-the-job experience with the use of analytical tools, and to MINECOFIN a pool of qualified personnel to recruit from.

**Promoting evidence-based fiscal policy** (support area 3) aims to strengthen the new sub-department for tax policy at the MINECOFIN in the preparation of evidence-based tax reforms.



Smart classroom at the UR-CBE Gikondo campus for MSc in AQE students  
Photo @ GIZ



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Photo @ GIZ

More specifically, the objective is to equip the staff with the necessary tools and skills to assess the economic, social, and environmental effects of taxes on economic growth.

**Improving research-based higher education** (support area 4) supports the UR-CBE in implementing the two-year Masters Program (MSc) in Economics with focus on “Applied Quantitative Economics, AQE” through a partnership with the University of Kiel and the Kiel Institute for the World Economy. The goal is to enhance the attractiveness and the quality of higher education and research at the UR-CBE relevant for Rwandan economic, fiscal and investment policy; ensure a sustained supply of quantitative-oriented economists for public institutions; gain regional reputation for AQE; and obtain international accreditation in due course.

**Strengthening research and policy dialogue** (support area 5) aims to increase sustainably the number of quantitatively trained economists and promote dialogue on economic policies in Rwanda. It supports the IPAR in establishing itself as a leading research provider in Rwanda, and the EPRN Rwanda in promoting a culture of debate via research conferences, seminars, and public lectures.

## The benefits

Enhanced instruments and competencies in macroeconomic analysis, forecasts and policy impact assessments strengthen the advisory role of staffs at MINECOFIN, IPAR, EPRN Rwanda and academia, such as on the effects of the COVID-19 pandemic or climate change on economic growth and development. This leads to a better decision-making and an accountable and inclusive design of policy measures at all levels, and their alignment with the Sustainable Development Goals (SDG) of the Agenda 2030, especially SDG 1 (No poverty), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities) and SDG 16 (Peace, justice, and strong institutions).

## Success factors

Inclusive design and joint implementation of the project strengthen ownership and institutionalization of the capacities and tools, which in turn inform the development of national strategies and policies, such as the national budget and the medium-term fiscal framework. Responsiveness to partners’ demands is another factor of success. In the case of MSc in AQE, major students’ concerns, such as lack of stipends, were addressed by the project, increasing the retention of students. Moreover, a smart classroom has been equipped at the UR-CBE Gikondo campus to make online training more efficient. Finally, by bringing the best talent on board through the YEP, the hiring decisions at MINECOFIN were facilitated and improved.

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**Young Economist Program (YEP):** Each year since 2016, the YEP allows between 15 and 20 young economists to gain work experience and enhance applied research skills during a 6-month internship at the MINECOFIN. The YEP internship consists of work assignments and specialized training, all with systematic assessment. The work assignments cover areas such as macroeconomic projections and monitoring, tax policy, external financing and debt, investment planning, and budget preparation and execution. Each intern is mentored by regular MINECOFIN staff working in that area. Through a specialized training, interns are familiarized with various aspects of government economic data analysis and policy preparation in a range of agencies (MINECOFIN, National Bank of Rwanda, National Institute of Statistics). Given the enhanced knowledge and understanding of macroeconomic and development policy decisions, the YEP increases both the pool of qualified candidates for economist positions at the MINECOFIN and the employability of young economists for positions in other public or private sector organisations.

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