

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 ongoing 7-year National Transformation Strategy (NST 1), which was initiated in 2017, and Rwanda Sustainable Finance Roadmap, adopted in 2022, guide its structural change. Tasked to develop and monitor sustainable 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 National Bank of Rwanda (BNR), the National Institute of Statistics (NISR), 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).

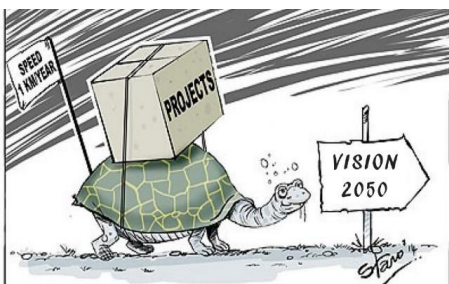
The project provides the support in capacity development, which includes face-to-face and online trainings as well as provision of

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 strengthening research and policy dialogue; and (5) Supporting selected components of the Rwanda Sustainable Finance Roadmap.

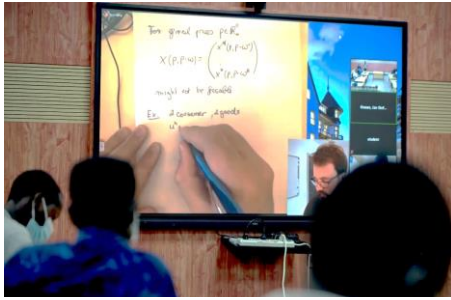
Planning and implementation of public investments (support area 1) aims at improving planning capacities for public investments in the sector ministries. Strategic investment planning in line with national guidelines and based on environmental considerations gears economic policy decisions to a faster 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 Planning (MINECOFIN)
Duration	01.08.2021 – 31.01.2025

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. The Young Economist Program (YEP), in this context, provides each year to young economists an opportunity for specialized training complemented with an on-the-job experience, and to Rwandan public and private institutions a pool of qualified personnel to recruit from.



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



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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. 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 and strengthening research and policy dialogue (support area 4) supports the UR-CBE in implementing the two-year master's program (MSc) 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; ensure a sustained supply of quantitative-oriented economists for public institutions; gain regional reputation for AQE; and obtain international accreditation in due course. In addition, this support area aims to increase the number of quantitatively trained economists and promote dialogue on economic policies in Rwanda by supporting the IPAR in establishing itself as a leading research provider in Rwanda, and the EPRN in promoting a culture of debate via research conferences and public lectures.

Supporting selected components of the Rwanda Sustainable Finance Roadmap (support area 5) provides technical assistance focusing on conceptualisation and development of a national classification (Taxonomy) of economic activities that contribute to achieving Rwanda's environmental sustainability objectives.

The benefits

Enhanced instruments and competencies in macroeconomic analysis, forecasts and policy impact assessments strengthen the advisory role of staffs at MINECOFIN, BNR, NISR, IPAR, EPRN and academia, such as on the effects of pandemic or climate change on economic growth and development. This leads to a better decision-making and an accountable and inclusive design of sustainable policy measures at all levels, and their alignment with the Paris Agreement and the Sustainable Development Goals (SDG).

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, the medium-term fiscal framework, or the fiscal risk statement. 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 Rwandan institutions were facilitated and improved.

Young Economist Program (YEP): Each year since 2016, the YEP offers a three month specialized training to a cohort of young economists to enhance their applied research skills. Expanding from 15-20 MINECOFIN interns, YEP has since 2023 been offered to around 40 interns and junior staff of MINECOFIN, BNR and NISR. Through a specialized training, the young economists are familiarized with various aspects of government economic data analysis and policy preparation, such as macroeconomic projections and monitoring, monetary policy tools, tax policy, external financing and debt, cost benefit analysis, investment planning, and budget preparation and execution. YEP participants also benefit from on-the-job experience in their respective institutions, where they are mentored by regular staff. Given the enhanced knowledge and understanding of macroeconomic and development policy decisions, the YEP increases both the employability of young economists and the pool of qualified candidates for economist positions in public and private sector institutions.

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