The Executive Directors discussed the second Poverty Reduction Strategy Paper prepared by the Government of Rwanda, and the Joint IDA-IMF Staff Advisory Note (JSAN). They commended the strong participatory process followed in preparation of the PRSP.

Directors commended Rwanda for its prudent macroeconomic management, its progress in stabilization, and its efforts to consolidate gains made in the social sectors. Some Directors believed, however, that the projected growth rates were ambitious, and said that further efforts would be needed to maintain a robust economy, particularly given the country’s vulnerability to external shocks. They noted the need for a contingency plan of alternative scenarios and exploration of alternatives sources of financing to ensure sufficient resources for effective implementation of the strategy. In this context, they noted that prioritization of the PRSP would be a key approach to achieve Rwanda’s development goals. Directors also emphasized the importance of having adequate, transparent fiduciary arrangements in place and strengthening the government’s capacity in public financial management and procurement at the central and decentralized levels. Directors noted that Rwanda remained at high risk of debt distress, and in this regard they encouraged the authorities to develop a prudent and comprehensive debt management strategy.

Directors broadly supported the PRSP’s emphasis on growth, embodied in the three pillars (i) Sustainable Growth for Jobs and Exports, (ii) Vision 2020 Umurenge and (iii) Governance. They welcomed the comprehensive treatment of poverty and poverty-reducing policies in the document. Directors called on the Government to explore further the longer-term causes of inequality and in this regard they noted the importance of developing a strategic plan to ensure the welfare of the poor and vulnerable. Directors urged the government to continue to monitor gender-specific indicators, especially with respect to education completion rates, violence towards women and women’s rights in the land titling process.

Directors underscored the importance of reforms to improve the business environment, agricultural productivity, and infrastructure. They noted that Rwanda’s inadequate infrastructure was a major obstacle to its development, and pointed to the key role the private sector could play in this area. Directors added that investment in infrastructure would be key in integrating the rural economy. They highlighted the important roles that IFC and MIGA could play in enhancing the investment climate and supporting the transport and energy sectors in particular.

Directors commended the Government for progress made in decentralization and the completion of its territorial reforms, but underscored the importance of paying adequate attention to implementation of the PRSP. This would require having in place the necessary institutional arrangements to ensure effective cross-government delivery, which was an area of weakness in the first PRSP. In this regard, Directors underscored the importance of adequate monitoring and evaluation arrangements. They also observed that devolution of staff and decision-making to the country office remained insufficient.

Finally, Directors highlighted the importance of donor coordination and urged the Bank to play a significant role in this respect.