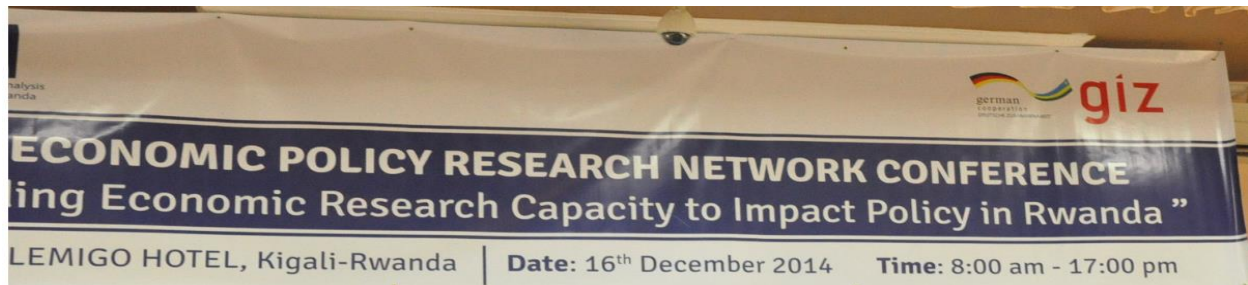


Report of the 1st EPRN Research Conference

- Conference Theme: Building Economic Research Capacity in Rwanda to impact change
- Venue: Lemigo Hotel, Kigali
- Date: 16th December 2014



1. Introduction

The Economic Policy Research Network through support of the GIZ organized a First Annual Economic Researchers' Conference as one of the actions to strengthen economic researchers' capacity following rounds of training and mentorship in research techniques for selected EPRN Members from government, private sector and academic institutions covering a wide range of economic spectrum regarding local and global economic issues and how they influence production and sustainable growth in Rwanda.

The conference was held on 16th December 2014 at Lemigo Hotel-Kigali and its aim was to showcase the research papers developed by young Rwandan economic researchers who have been mentored, bring Rwandan economic researchers and consumers of research together as well as to use the conference as an advocacy platform to appeal for more support in the area of economic research in Rwanda.

2. Opening Remarks

Prof Alfred Bisoza

Prof Alfred Bisoza, one of the senior members of EPRN welcomed all participants to the conference. He proceeded to make the introductory remarks, introducing the categories of participants as well as highlighting GIZ as the funder of the conference. He briefly underscored the background of the EPRN and its overall objective as being the first economic policy research network conference for the young economists to present their first policy and research outlooks with the aim of encouraging them to be actively involved in scientific research that informs policy and accelerate economic development in Rwanda.

Dr. Hermann Boemmel

Dr. Hermann Boemmel, the GIZ Representative in his remarks highlighted that the conference needed to ensure strengthening not only of individual capacity but also institutional capacity and to create an enabling environment in Rwanda for self-sustainability. He mentioned that economic success is related to innovation and research and commended Rwanda which is taking the same direction since there is a lot of capacity that needs to be developed. He reminded the participants that research is always the high end of capacity development. Finally, he expressed his delight at the apparent success from the preparations of this first conference and called for everyone to be actively involved in it for fruitful deliberations.

Guest of honor: Mr John Rwangombwa, Governor Central Bank of Rwanda

The Guest of Honor, the Governor of the Central Bank Hon. John Rwangombwa in his key note address started by giving a vote of thanks for the partnership between the Government of Rwanda and development partners especially GIZ and IMF. He accorded special mention to GIZ for supporting this project in funding and technical advice as this will help the country to achieve her long term vision of Rwanda becoming a knowledge based, service led economy as highlighted in the Vision2020 and EDPRS2.

Commenting on the theme of this conference ***“building economic research capacity to impact change in Rwanda”***, the Guest of Honor affirmed that it is pertinent and in line with the country’s economic orientation. Hon. Rwangombwa went on to explain how Rwanda’s economic research capacity as a country has seen an absence of a variety of skills in its young stages. The country is still below the required standard. There is need to link research to evidence based policy making, and evidence based planning to continue in the way that has seen Rwanda achieving good economic performance over the years, as well as good growth numbers of about 10%. Rwangombwa advised that in the early stages of growth in the last 15 years, it was easier for Rwanda to achieve good growth rates and results. It required a commitment to do things and do it better than what we are doing. But with where we are today and where we are moving to, it requires us to do what we do best. We now need to close that gap, research and innovate, in order to maintain the high economic growth and development that is desired while moving a step ahead from the achievements since the last 15 years. It is also up to economists like these we are hearing from today to play a part in maintaining this economic performance going forward.

The economic transformation that is mentioned in EDPRS2 is not doing what was being done better; rather it is changing and bringing in new things, doing them in a different way. It is a challenge that is presented to the country and it is good that economists are standing up to this challenge.

The economic research being presented today should support research in different aspects of life in the country, and based on that, then evidence based policy making can take root and drive economic development. There is political will, and the government supports these initiatives and always looks forward to the technicians to come up with policy evidence that can guide the decisions to be taken. At the Central Bank, a consortium (network) of economic researchers has been established and this is being supported even with the minimum resources available. This supports the development of economists in the country and the doors are open even to interested entities, partners and individuals to work together and build this capacity in economic research.

Research linked policy should be boosted, and the research results presented whereas the consequent recommendations should be implemented and impact assessed. This could input new ways of doing things.

The Guest of honor concluded by appreciating all participants for taking time to attend this EPRN conference and challenged them to take it a step further, to not look at this as an academic endeavor but rather an initiative aimed at supporting the development of this country. He re-echoed Central Bank's support and also did not hesitate to reaffirm the government's keen commitment to such initiatives. Since the ball is in our courts, he called on the participants to take advantage of this opportunity and be the catalysts of change needed in this country. He wished all a healthy and successful new year 2015.

3. Conference proceedings

Presentation on capacity needs assessment for economic policy research in Rwanda by Birasa Nyamulinda

Mr Birasa Nyamulinda, started his presentation of the research findings of the "Capacity needs assessment for economic policy research in Rwanda" by highlighting the Project background, overall objective of the assessment, data and methods employed, before going into some of the key findings on Policy, Institutional and Individual Levels.

He said the scope for evidence-based policy-making in Rwanda is constrained by limited capacity in policy analysis and research and the well-qualified researchers and policy analysts in Rwanda, are spread too thinly across different institutions. Thus a number of organizations came together to establish the Economic Policy Research Network, aiming at building a community of policy practitioners in a bid to address this gap.

In Summary of key findings, Birasa revealed that this study highlighted key gaps in selected institutions with regard to economic policy analysis and he thus recommended that;

- An in-depth study that quantifies particular gaps in each member institution is highly required.
- Capacity building programs for economic policy research be enhanced
- EPRN should take a lead in formulating national framework for economic research development & policy dialogue
- Data management systems and efficiency to guarantee users easy & full access to the data also be enhanced
- To enhance economic research; institutions in economic policy research domain should motivate and incentivize professionals to engage in research and publications

Presentation on Determinants of interest rate spread in Rwanda by Nyalihama Christian and Karangwa Mathias

Christian started presenting his research by drawing from background that since 1995, the Rwandan government had introduced various reforms in the banking system and with the entry of new banks and growing competition; empirical studies showed that competition led to a decline in interest rate spreads (the difference between the lending rate and the deposit rate). Despite these reforms, the spread has been volatile and remained relatively higher in Rwanda and this can be a key indicator of bank efficiency, profitability, monetary policy impact, etc. hence, it is vital to know what the main factors behind its movement are.

This, he explained, was the main objective of this research that set out to investigate the determinants of interest rate spreads in Rwanda, paying more attention to banks specific characteristics and captured the latest developments in the banking sector in Rwanda. After discussing the methodology employed during this research, Christian laid out his conclusions and gave policy recommendations.

Presentation on Financial sector development and economic growth in Rwanda by Okello John Paul and Mutuyimana Jean Pierre

Okello began the presentation of his research by giving an overview of the project, the objective as being to empirically investigate the nature of relationship between financial sector development and economic growth in Rwanda and consequently the methodology used as well as the key findings in both long run and short run results.

In his presentation, he explained how Empirical scientific studies have conflicting results as well;

- Supply-leading hypothesis – financial sector influencing economic growth
- Demand-following hypothesis – economic growth positively impacting the financial sector
- Bi-directional relationship that holds – could be the financial sector impacting economic growth or economic growth could impact the financial sector

Presentation on Rural Electrification in Rwanda: A Measure of Willingness to Contribute Time and Money by Dr. Thierry Kalisa

Dr Thierry started his presentation of his research by giving an overview of the project, whose objective is to present a relatively new contingent valuation design method based on the choice of the people living close to Lake Kivu, Rwanda, and given the nature of the lake, for them to choose between Contribution in time or Contribution in money in order to obtain electrification.

The other objectives are as well, to understand what influences the choice of contribution and finally to evaluate the amount of Willingness to Contribute Money (WTCM) and Willingness to Contribute Time (WTCT).

The contingent valuation (CV) method is used to estimate economic values for different kinds of ecosystem and environmental services. It is called “Contingent” because it is based on a hypothetical scenario. For example, in relation to pollution in a river, the question that would be asked to the people living close to that river is “how much are you willing to pay in order to reduce the pollution of the river?”

This method is also used to assign monetary values to non-use values – values that cannot be driven by market purchases or by use of people. For example, even if you may never see a giant Panda, the mere existence of this endangered species could be a value to you to preserve this species, so in order to capture this value, you be asked a direct question like “how much are you willing to pay for the preservation of these species?”

Presentation on Employment Intensity of Growth in Rwanda by Dr. Dickson Malunda

In analyzing his findings, Dickson explained how Inter-sectoral shifts, Agriculture, commerce and government services accounted for the largest contribution to the observed output per worker growth:

- Large increases in Rwanda's agricultural productivity are attributed the land consolidation and the Crop Intensification Programs (CIP) which entail fertiliser distribution to rural farmers.
- Productivity increases in the government services are attributed to the reforms to streamline employment and build capacity within the public sector
- Since inter-sectoral shifts had the largest positive contribution, it implies that on average labor movements from lower than average productivity sectors to above average productivity sectors contributed the largest gains to Output per worker
- Except agriculture whose share of working age population contracted, other sectors increased their employment shares

- An important source of growth in output per worker may have been due to movements of the labor force from agriculture into other sectors of the economy.

In conclusion, Dr. Dickson revealed that Growth was mainly driven by inter-sectoral shifts and productivity increases at 56.6 % and 45% respectively. Employment changes contributed a meagre 0.9% indicating jobless growth. Agriculture contributed most to productivity increases at 31% while commerce and construction created the highest proportion of new jobs at 8% and 5.65 respectively. Contributions to Inter-sectoral shifts were highest in construction and agriculture at 15% and 12% respectively. Demographic component (population growth) has a negative impact on the observed output growth of 28% over the period whereas Rwandan manufacturing sector still lags.

Presentation on Remittance Flows and Economic Growth in Rwanda by Kadozi Edward

Kadozi's presentation kicked off with the background to his study, which he explained set out to look at how we use this money to regulate our economic growth, and analyzes the long-run relationship between remittance inflows and economic growth in Rwanda. The research focused on the relationship between remittances and economic growth. Kadozi emphasized that it looked at the macroeconomic impact of remittances and his research did not go deep into the effects of remittances to economic development but rather only focused on the macroeconomic aspect.

A larger percentage of remittances are channeled through non-banks. Reasons to the informal channeling of remittances are drawn from an ADB Report of 2011, among which are;

- The high costs of sending
- There are no bank branches close to some of the beneficiaries in the rural areas – no access to financial services and therefore prefer to send their money through friends returning home
- Recipient's lack of access to bank accounts

Presentation on Threshold Effects in the relationship between Inflation and Economic Growth by Musoni J. Rutayisire

John commenced his presentation with the background to his study, which he explained was to explore the relationship between economic growth and inflation in Rwanda (positive or negative). The research based on the general belief between economists, policy makers and central bankers that the objective of macroeconomic policy is to achieve high economic growth rate and maintaining low inflation, however high inflation is detrimental to economic growth in medium and long term.

John then discussed inflation and economic growth trends in Rwanda, highlighted the data and methodological framework used, and finally presented the study results which drove him to conclude that;

- Results confirm a non-linear relationship between inflation and growth and existence of threshold level of inflation
- Estimated threshold inflation level is 12.7% in Rwanda; results from data, maybe with influence of outliers in 1974 and 1994
- Causality test revealed that simultaneity bias was not a serious concern for the coefficient of inflation in the model;
- This is a first attempt that will be updated and technically improved.

4. Recommendations

After presentations and brainstorming sessions, participants came up with the recommendations here below:

- i. There is need to link research to evidence based policy making, and evidence based planning
- ii. There is need for effective collaboration, cooperation, and coordination of information sharing between stakeholders in research and policy analysis.
- iii. Banks should adopt cost minimization strategies and improve efficiency
- iv. Banks also should strengthen their credit management strategies to help reduce credit risk
- v. There is a need of more appropriate monetary, macro prudential and fiscal policy to continue stabilizing prices and the general macroeconomic environment;
- vi. There is need to promote and develop capital market to diversify sources of funds for investors, enhance savings and reduce the dependency on only the banking sector;
- vii. There is need to maintaining conducive environment for business, innovation and minimization of transaction costs;
- viii. There is need to enhance financial inclusion and financial literacy programs to reduce information asymmetry.
- ix. In order to fast-track rural electrification, there is need to find a price strategy that would include people's work or participation, or permit them to pay every year or semester instead of a lump sum.
- x. There is need to enhance measures to tackle structural bottlenecks and increase productivity and employment in the manufacturing sector
- xi. Inflation close to threshold should be a warning for monetary policy authorities to conduct a prudent monetary policy

5. Closing remarks



In her closing remarks, the Vice Governor of the Rwanda Central Bank, Ms. Monique Nsanzabaganwa congratulated all participants and mostly presenters for good conference. She also thanked EPRN and partners for having organised this. She mentioned that the need for EPRN to us is key, because capacity may be an issue but we are excited that the aspect of organising ourselves into this network presents a great opportunity to optimise on whatever capacities are there and build on them to achieve milestones. Therefore, we call upon all institutions to retake ownership of this initiative, including the Central Bank, MINECOFIN, IPAR, WB, NISR, UR, RRA and other institutions and reorganise economic policy making in this country. At the Central Bank we are proud of this initiative and is why we have

constantly engaged with the all the institutions to have revamped evidence based economic policy research and analysis.

Ms Monique mentioned that with a research program and a team of different disciplines, around a particular research problem, this will ensure a complete package of evidence based research and analysis around any issue. She also registered her appreciation to all stakeholders including the GoR, developments partners, for the support to EPRN initiative. And also to all organisers of this particular conference for making it a success. She ended by reiterating not only the Central Bank's commitment but also her personal modest contribution to the success of the EPRN.

SOME PHOTOS FROM THE CONFERENCE



