

Report to G20 Compact with Africa – Compact Narrative

Rwanda

Goal: Improve framework conditions for private investment (domestic and foreign)

Rwanda has strong macro-economic management capacity and has been proactive in dealing with emerging macroeconomic risks. This was evident in the Government of Rwanda (GoR) negotiation of a stand-by credit with the IMF, to bolster international reserves while implementing an adjustment program to address external imbalances stemming from, among other things, commodity price declines. The program has been more successful than envisaged thus far, with greater exchange flexibility serving as a pillar. Macroeconomic fundamentals are currently strong, with sustainable fiscal and debt positions, and low inflation. Rwanda has implemented several reforms over the past decade to secure high and inclusive growth, including carefully-targeted public investment, improving the business environment, and fostering financial inclusion. These reforms have been embedded in development strategies and revised legal frameworks. However, there remain various implementation gaps which mean that the policy context is not delivering maximum results. The GoR and Development Partners believe that a lot of potential gains can be achieved from addressing these implementation issues. For the reasons above, the table below focuses on targeted reforms in specific sectors, including (i) ensuring an investor-friendly tax regime without eroding the tax base, (ii) strengthening the responsiveness of government to private sector concerns and (iii) establishing instruments to ease access to finance for private investors in specific sectors.

Report to G20 Compact with Africa – Policy Matrix

Country's Name: Rwanda

Goal: Improve framework conditions for private investment (domestic and foreign)

Focus Areas	Government action	Indicators and targets	Partners' support
Macroeconomic framework			
Domestic revenue mobilization	<ol style="list-style-type: none"> 1. To conduct an analysis of the cost/benefits of the current tax incentive regime by January 2018 2. Upgrade Tax IT infrastructure to broaden tax base and improve compliance 	<ol style="list-style-type: none"> 1. 17/18 tax revenue in relation to GDP at 15.3%. 	<ol style="list-style-type: none"> 1. IMF will provide Technical Assistance (TA) to conduct the tax incentive regime analysis 2. DFID, USG and KfW to explore scope for supporting Tax IT infrastructure as part of new phases of support to RRA.
Forex availability	<ol style="list-style-type: none"> 1. Establish a financial swap that would lower private sector investment finance costs 	<ol style="list-style-type: none"> 1. Lower cost of finance for private investors participating in the facility 	<ol style="list-style-type: none"> 1. IFC, & IMF to work with the Central Bank of Rwanda on new benchmark for local currency swap arrangement. KfW to explore forex hedging possibilities through the TCX fund it cosponsors
Business Framework			
Develop industrial parks to attract and facilitate investment	<ol style="list-style-type: none"> 1. Conduct feasibility study that will inform GoR policy on industrial parks development 	<ol style="list-style-type: none"> 1. \$xm in investments attracted to Rwanda's industrial parks 	<ol style="list-style-type: none"> 1. DFID funded Invest Africa to support and facilitate investments attraction 2. IFC has been asked by Minicom to structure a PPP for Industrial Park –This imply conducting feasibility study as well as crowding in Private Sector on competitive basis
Strengthening investor aftercare, dialogue and monitoring	<ol style="list-style-type: none"> 1. Institute a quarterly investment roundtable to resolve investor issues 2. Implement the systemic investment response mechanism 3. Strengthen advocacy capacity of Private Sector Federation (PSF) to influence investment policy 	<ol style="list-style-type: none"> 1. Reduced number of investment complaints 2. Surveys indication higher levels of investor satisfaction 3. Number of policy changes effected as 	<ol style="list-style-type: none"> 1. DFID to provide TA to secretariat through Invest Africa 2. DFID to fund SIRM through Invest Africa to be implemented by WBG 3. USG to provide TA to PSF and RDB

Establish a project preparation fund		a result of PSF advocacy	
	1. Developing a pipeline of projects to attract private investors (incl PPP)	1. Number of investors attracted	1. WB is finalizing PPP Law and Guidelines 2. IFC has a tool to develop bankable projects When Mandated by GoR, IFC through its C3P/PPP unit not only fund feasibility studies as needed but also works with the Government to crowd in Private Sector on competitive basis;
Financing framework			
De-risking investment in specific sectors (housing, exports and agriculture)	1. Establish Affordable Housing Fund 2. Operationalization and scale up of the Export Growth Facility 3. Establish agriculture risk sharing facility (ARSF)	1. \$xm of private investment leveraged by the AHF 2. Number of exporters accessing the EGF 3. \$xm of private investment leveraged into the agriculture sector	1. WBG has committed \$150m to the AHF. IFC ready to develop PPP housing bankable projects for 6 Secondary Cities 2. KFW are supporting EGF& DFID have plans to support. 3. Netherlands is developing a new programme in horticulture value-chain development which includes 5m euros to support private sector investments in horticulture. WBG, Netherlands, USAID, AFDB to support in design and establishing of an ARSF

Supporting capital market development in Rwanda	<ol style="list-style-type: none"> 1. Build capacity of companies to list on the Rwanda stock exchange 2. Build capacity of banks to undergo credit rating by international credit rating agencies 	<ol style="list-style-type: none"> 1. Number of companies listed 2. Number of banks rated 	<ol style="list-style-type: none"> 1. IFC through ESMID Program (Efficient Securities Markets Institutional Development Program can step in and work with other Development Partners as required. 2. AfDB to support through Rwanda Innovation Fund-Venture Capital Fund
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