

## RWANDA

CWA REFORM COMMITMENTS IN 2018	PROGRESS ON REFORM COMMITMENTS SINCE 2018	ADDITIONAL REFORM INITIATIVES	PARTNER SUPPORT
<b>Macroeconomic Framework:</b>			
<b>Macroeconomic stability:</b>			
Forex availability Establish a financial swap that would lower private sector investment finance costs	National Bank of Rwanda (NBR) has established a swap with commercial banks to ensure availability of forex when necessary.		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
<b>Domestic Revenue Mobilization:</b>			
1. To conduct an analysis of the cost/benefits of the current tax incentive regime by January 2018	Rwanda has published a comprehensive tax expenditure report with updated methodology, and a description of broad categories of beneficiaries by end - June 2019 and 2020 under the technical assistance of IMF.	Preparation of the Medium-Term Revenue Strategy (MTRS) <sup>1</sup> to be adopted by June 2021.	IMF will provide Technical Assistance (TA) to conduct the tax incentive regime analysis IGC supported the analysis of tax incentives performance. Subsequently the Investment code has been revised to better target incentives. IMF TA supports the preparation of the MTRS.
2. Upgrade Tax IT infrastructure to broaden tax base and improve compliance	Rwanda has improved the system of electronic invoicing for collecting taxes. <sup>2</sup>		TradeMark East Africa (TMEA) is supporting RRA on Electronic single window for customs. DFID, USG and KfW to explore scope for supporting Tax IT infrastructure as part of new phases of support to RRA.
<b>Public Investment Management (including SOEs, PPPs, Utilities):<sup>3</sup></b>			

<sup>1</sup> The MTRS will present a set of tax policy and tax administration measures to be implemented through a sustained process of tax reforms over the next 3 years with the objective to boost tax revenue collection to support Rwanda's medium-term development priorities and fiscal consolidation.

<sup>2</sup> Improvement was made in usage of the Electronic Billing Machines. As of end June 2020, taxpayers having EBMs registered an annual growth of 14.1% over 12 months. In addition, the number of taxpayers having EBM V.2 (electronic invoicing software) accounted for 40.8% of total number of taxpayers having EBMs. Other efforts made in improving service delivery and enhance tax compliance include intensification of tax education and information programs, monitoring of non-filers and non-payers, enhancement of e-tax system and local government tax management system and further progress towards enhancement of Electronic Single Window System.

<sup>3</sup> Rwanda has made not commitment on this subject under the CwA Initiative, however the following is part of the World Bank's ongoing policy dialogue. Under the Sustainable Development Finance Policy (SDPF), the following performance policy action (PPA) was proposed: Adoption of a medium-term Public Investment Program for FY23-25 based on the review and optimization of public investment (to be implemented before June 30th, 2022). This forms also a prior action for the 3rd Human Capital for Inclusive Growth (HCIG) DPO. Since 2013, Rwanda has implemented a major investment drive through direct public investment and net lending to and guarantees for SOEs mostly in hospitality and air-transportation sectors. As a result, the Public Investment Program (PIP) has been quite sizable often exceeding 12 percent of GDP while net lending to SOEs fluctuated between 2 and 3 percent of GDP. This investment strategy has created a new reality on

## Business Framework:

### Regulations and Institutions:

Conduct feasibility study that will inform GoR policy on industrial parks development <sup>4</sup>	<p>Pre-feasibility studies on Industrial parks development were conducted for Bugesera and Rwamagana.</p> <p>Demand market study was also completed.</p> <p>A detailed study of Bugesera industrial park was delayed due to funding issues. An option is being explored on how the study (Bugesera business model) could be undertaken under a project being finance by GIZ.</p>		DFID funded Invest Africa to support and facilitate investments attraction.
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### Investor protection and dispute resolution:

Institute a quarterly investment roundtable to resolve investor issues	<p>Quarterly investment roundtable established</p> <p>RDB established an investment committee comprising of core Ministries to review ongoing deals and address escalated issues. RDB also established an investor open day every Friday from 9:00 to 12:30.</p> <p>In addition, quarterly CEO forums are held in which RDB leadership engages with business leaders in thematic sector groups.</p> <p>The Aftercare team has also been elevated to a department and doubled staff number to ensure effective follow up of investor issues and encourage re-investments.</p>		DFID to provide TA to secretariat through Invest Africa.
Implement the systemic investment response mechanism (SIRM)	<p>Reinvestment and Investor Aftercare: Following the establishment of Systemic Investment Response Mechanism for groundwork at Rwanda's Development Board (RDB), Development of Customer Relationship Management System (CRM) is at advanced stage, which will track and handle RDB's service delivery to both potential and existing investors at all stages of the investment process</p> <p>Improve system for identifying investor issues, managing investor grievances, and minimizing dispute escalation.</p>		DFID is funding SIRM through Invest Africa, implemented by IFC. The SIRM platform is completed at about 80%. currently under development.

the ground and a viable platform for attracting private investment. At the same time, the fiscal room for carrying on with the strategy that guided government investment decisions in 2013-2019 has significantly narrowed, calling for a shift in Rwanda's investment model away from the public sector to the private sector as well as for optimization in public investment. This proposed PPA will support the design of Rwanda's PIP for the medium term (FY21/22-FY23/24) by optimizing the PIP both in terms of its overall scope and for more efficient allocation of resources geared toward projects critical for broad-based and inclusive economic recovery following the pandemic (access to markets, supporting agriculture economy and rural livelihood, etc.). These measures are expected to reduce the primary deficit and ensure higher social returns from investments. The World Bank will support this process with a Public Expenditure Review (planned for FY22) and a Public Investment Management Assessment prepared jointly with the IMF.

<sup>4</sup> Rwamagana Industrial Park (IP), Bugesera Special Economic Zone (SEZ), Kigali SEZ, Musanze IP and Kicukiro SME park are operational with around 220 (63%) medium and large industries current and prospective. There are also close to 700 industries out of the IPs and SEZ. Kigali SEZ Phase I was saturated by demand. Hence expansion of SEZ to phase II, which is now completely operational. Since demand was still not satisfied, phase III was started.

Strengthen advocacy capacity of Private Sector Federation (PSF) to influence investment policy			Feasibility study for establishing the blended finance facility has been conducted.
Develop a pipeline of projects to attract private investors (incl PPP)	The Government further established under the leadership of the Prime Minister and coordination of Rwanda Development Board an inter-ministerial Manufacturing Acceleration Committee that is in charge of facilitating and giving support to firms in the industry sector (particularly in construction and manufacturing).		Boston Consulting Group (BCG) worked with RDB to create the country's first Investment Accelerator: a central hub to propel FDI in a landlocked country with a relatively small population. The Investment Accelerator manages the investment process from end to end, identifying where to focus, developing value propositions, designing deals, and building long-term government capacity.

#### Financing Framework:

#### De-risking investment in specific sectors (housing, exports, and agriculture):

1. Establish Affordable Housing Fund	The Affordable housing scheme has started with funds available at Rwanda Development Bank.		WBG is implementing a \$150m operation with the objective to expand access to housing finance to households and to support capital market development in Rwanda.  IFC stands ready to develop PPP housing bankable projects for 6 Secondary Cities.
2. Operationalization and scale up of the Export Growth Facility (EGF)	EGF is operational. Criteria for accessing the EGF has been reviewed to ensure larger uptake. EGF had received and disbursed 93% of its available resources by 2020 to 74 export projects. These projects and allocated amount had combined export revenues of 5 times the investment made by 2020		KfW is supporting EGF & DFID have plans to support.
3. Establish agriculture risk sharing facility (ARSF)	A Rwanda Agriculture De-Risking and Financing Facility (RWADEFF) has been developed and is expected to become operational in 2021.		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

capitalization of an ARSF

The WBG, under the Commercialization and De-risking for Agricultural Transformation Project, will play an essential role in de-risking the agriculture sector by strengthening the linkage between credit and agriculture insurance to encourage financial institutions to expand more credit to the sector.

**Mobilization of private and institutional investments:**

<p><i>Support capital market development</i></p> <ol style="list-style-type: none"> <li>1. Build capacity of companies to list on the Rwanda stock exchange</li> <li>2. Build capacity of banks to undergo credit rating by international credit rating agencies</li> </ol>	<p>Capital Market Development by improving framework for money markets and government securities market development and developing the institutional investor base, assessing the potential to use instruments to mobilize long term financing</p>		
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