

Rwanda

Rwanda's reform commitments/initiatives	Progress in meeting commitments/initiatives	Partner Support
Macroeconomic framework		
<u>Macroeconomic stability</u>		
2018		
Forex availability	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
Establish a financial swap that would lower private sector investment finance costs		
New Reform Commitments/Initiatives		
Government will take the necessary measures to ensure continued macroeconomic stability	Continue implementation of the Recovery program (some of the new reforms under the program are detailed below) Fiscal consolidation – with improvement in projects prioritization and execution Subsidize prices/ costs of some products Close monitoring and supervision by central bank and possible monetary policy tightening depending on market conditions Prudent Debt management	IMF and WB are advising on analysis and design of sound economic policies/ program in current context More (additional and concessional) resources are needed: RST, PRGF, IDA, etc. Debt Service Suspension Initiative and Consolidated Debt framework
<u>Domestic Revenue Mobilization</u>		
2018		
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.	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.
Upgrade Tax IT infrastructure to broaden tax base and improve compliance	Rwanda has improved the system of electronic invoicing for collecting taxes ³⁷ .	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.
New Reform Commitments/Initiatives		

³⁷ 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.

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Adoption of the Medium-Term Revenue Strategy (MTRS)	A Medium-Term Revenue Strategy (MTRS) ³⁸ spanning three fiscal years has been adopted with the objective to increase revenue-to-GDP ratios by 1percentage point of GDP while supporting economic recovery. The MTRS is being implemented and will continue to be updated to take advantage of new revenue streams.	IMF, Tax Dev, WB, ATAF and other development partners to support in conducting studies to inform tax reforms under the MTRS.
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Public Investment Management		
New Reform Commitments/Initiatives		
Conduct various assessments (including but not limited to PIMA) and adopt action plans to improve public investment management		IMF, WB
Business Framework		
Regulations and Institutions		
2018		
Conduct feasibility study that will inform GoR policy on industrial parks development ³⁹	Pre-feasibility studies on Industrial parks development were conducted for Bugesera and Rwamagana. Demand market study was also completed. 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.	DFID funded Invest Africa to support and facilitate investments attraction.
Supporting industry and export growth		
New Reform Commitments/Initiatives		
Establish a Fund for Feasibility Studies	This will require increasing standardization and uniformity across feasibility studies (leveraging international good practices), developing guidelines to improve quality of feasibility studies, as well as implementing adequate policy reforms. A Blended Finance Facility model will be explored to determine if we should limit it to PPPs and JVs projects.	Private consulting firms or development partners to support in conducting feasibility studies Development partners to strengthen the capacity of key line Ministries (embedded experts in feasibility studies) Development partners to support in determining necessary policy reforms and guidelines to improve quality of feasibility studies
Management of the Manufacturing and Build to Recover Program (MBRP)	The MAC is operational. Cabinet gave it mandate to manage the Manufacturing and Build to Recover Program (MBRP) offering specific incentives to grow private investment in construction and manufacturing over two years (up to end-2022).	

³⁸ The MTRS presents, among others, a set of tax policy and tax administration measures to be implemented through a sustained process of tax reforms over 3 years with the objective to boost tax revenue collection to support Rwanda's medium-term development priorities and fiscal consolidation.

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	<p>Assessment of the MBRP and recommendation for a follow-up program (extension of existing or other) to ensure continuous growth of private investment in industry and other sectors</p> <p>Establish a local firms upgrading program (goal: promote linkages among large exporters and local firms by Improving operating efficiency of participating SMEs, widening their product range and introducing new processes. Eventually to undertake joint product or process development with large exporters)</p> <p>Establish a market development assistance program (goal: encourage, support, and train local firms to enter export markets/multinationalism by providing financial assistance to firms which desire to prospect new markets or to identify niches in such markets)</p> <p>Establish market knowledge and competence upgrading program (goal: support local firms in obtaining competitive advantage by adopting/creating systems and processes that generate and integrate market knowledge - which provide real-time and granular market data – and accurately identify trends. This would allow local firms to spot and exploit changes in markets before competitors.)</p> <p>Establish management skills/Capacity-Building program (goal: widen talent pool of local managers by offering operational and organizational training programs, on-site training on productivity development, and providing training on business model design emphasizing value-chain development and value creation)</p>	
Investor protection and dispute resolution		
2018		
<p>Institute a quarterly investment roundtable to resolve investor issues</p>	<p>Quarterly investment roundtable established. 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>	<p>DFID to provide TA to secretariat through Invest Africa.</p>
<p>Implement the systemic investment response mechanism (SIRM)</p>	<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>DFID is funding SIRM through Invest Africa, implemented by IFC. The SIRM platform is completed at about 80%. currently under development.</p>

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	Improve system for identifying investor issues, managing investor grievances, and minimizing dispute escalation.	
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:		
Mobilization of private and institutional investments		
2018		
<i>Support capital market development</i> 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	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	
De-risking investment in specific sectors (housing, exports, and agriculture)		
2018		
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.
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.
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 program 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

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		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.
New Reform Commitments/Initiatives		
A Rwanda Agriculture De-Risking and Financing Facility (RWADEFF) has been developed and will be operational in 2022		WB CDAT project
<p>A second version of the Economic Recovery Fund (ERF2) will be operational in 2022 with the aim of supporting financing of private enterprises to foster growth through provision of low-cost financing and offering even lower interest rates if acquired equipment would achieve either</p> <ul style="list-style-type: none"> a. Significant increase in production output per worker b. Introduce more sophisticated manufacturing technique 		WB, AIB