

Rwanda

Rwanda's Reform Commitments and Initiatives	Progress in Meeting Commitments and Initiatives	Partner Support
MACROECONOMIC FRAMEWORK		
Macroeconomic Stability		
Progress Made on 2018 Reform Commitments		
<p>Forex availability Establish a financial swap that would lower private sector investment finance costs</p>	<p>The National Bank of Rwanda established a swap with commercial banks to ensure the availability of forex when necessary.</p>	<p>The IFC and IMF will work with the National Bank of Rwanda on a new benchmark for a local currency swap arrangement. KfW will explore forex hedging possibilities through the TCX fund it cosponsors.</p>
<p>Ensure continued macroeconomic stability in the aftermath of the COVID-19 pandemic</p>	<p>Continue implementation of the recovery program (new reforms under the program are detailed below).</p> <ul style="list-style-type: none"> • Fiscal consolidation, with improvement in project prioritization and execution. • Subsidize prices and costs of some products. • Close monitoring and supervision by the central bank and possible monetary policy tightening depending on market conditions. • Prudent debt management. 	<p>The IMF and World Bank are advising on analysis and design of economic policies and programs in the current context.</p> <p>Additional and concessional resources are needed: RST, PRGF, IDA, and so on.</p>
New Reform Commitments and Initiatives		
<p>Ensure inflation is controlled</p>	<ul style="list-style-type: none"> • In face of the inflationary environment, the central bank (BILLIONR) hiked the policy rate by 250 basis points over the last year. BILLIONR keeps monitoring inflation developments and will take necessary measures to ensure inflation comes back to the long-term target (below 8 percent) by the end of 2023. • The government will continue to invest in climate mitigation on agriculture production. This includes adaptation of agriculture to climate change to increase resilience through investment in irrigation, land husbandry, and water management. • The government is taking temporary measures to reduce production costs (including temporary subsidies and exemptions) and ease the cost of living. 	<p>Various development partners are advising on analysis and design of policies and programs in the current context and areas of concern.</p> <p>Partners are also supporting government programs with financial resources.</p>

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Ensure an adequate reserves buffer are kept while avoiding large fluctuations in the exchange rate	<ul style="list-style-type: none"> The monetary and fiscal authorities are coordinating their interventions to ensure that the reserves coverage remains above four months of the following year imports. It is envisaged to continue building reserves from the current 4.2 months for imports to an even higher level, reaching five months for imports in the medium term. BILLIONR will continue intervening in the forex market, only to smooth fluctuations of the exchange rate. 	IMF Policy Coordination Instrument reforms
Enhance fiscal sustainability	<ul style="list-style-type: none"> Government has adopted a fiscal consolidation path, including both increased resources mobilization and rationalization of spending. The government has approved multiyear expenditure ceilings at the Budget Agency and district level earlier in the budget process that is included as an Annex to the Outlook paper in January 2023. The novelty of this reform is that the outlook paper will ensure the early indication of expenditure ceilings, leading to stronger focus on expenditure prioritization and rationalization to support the implementation of the government fiscal consolidation plan. To help reduce inflation and replenish external buffers, the Government is targeting to further reduce the fiscal deficit from 7.3 percent of GDP this fiscal year (FY22/23) to 6.5 and 4.8 percent of GDP in FY23/24 and FY24/25 respectively. 	IMF PCI and FY23 performance and policy actions under the World Bank Sustainable Development Finance Policy.
Ensure continued debt sustainability.	<ul style="list-style-type: none"> The debt path adopted by the government ensures that its debt remains sustainable at moderate risk of debt distress or lower debt/GDP to 65 percent by 2030. 	IMF Policy Coordination Instrument reforms
Domestic Revenue Mobilization		
Progress Made on 2018 Reform Commitments		
Costing and streamlining tax incentives.	As part of the FY19/20 budget framework paper (in June 2019), Rwanda had published a comprehensive tax expenditure report with updated methodology, and a description of broad categories of beneficiaries under the TA of IMF. The authorities continue publishing the tax expenditure report every fiscal year.	IMF TA
Upgrade tax IT infrastructure to broaden the tax base and improve compliance	Rwanda has improved the system of electronic invoicing for collecting taxes. After the piloting phase in FY19/20, Rwanda started the rollout of the electronic invoicing system V.2 to more VAT registered taxpayers in FY20/21.	TradeMark East Africa is supporting RRA on electronic single window for customs. DFID, USG, and KfW will explore the scope for supporting tax IT infrastructure as part of new support to RRA.
Adopt the Medium-Term Revenue Strategy (MTRS)	Adopted in June 2021, the MTRS spans three fiscal years with the objective to increase revenue-to-GDP ratios by 1 percentage point of GDP while supporting	IMF, Tax Dev, World Bank, ATAF and other DPs to support in conducting

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	economic recovery. The MTRS is being implemented and will continue to be updated to take advantage of new revenue streams.	studies to inform tax reforms under the MTRS.
Implement the MTRS	The PiT law was approved by Parliament in September 2022. The law increases progressivity in the PAYE rate structure by developing a new PAYE schedule. In the first year (phase 1), the tax exemption threshold will be doubled from Rwf30,000 to Rwf60,000 per month. In the second year (phase 2), workers who earn between Rwf60,001 and 100,000 will be taxed at 10 percent instead of 20 percent and those who earn between Rwf100,001 and 200,000 taxed at 20 percent instead of 30 percent.	IMF TA
New Reform Commitments and Initiatives		
Implement the MTRS – Revision of the CiT	During 2023, a revision of the CiT to be passed, including a provision of reducing the statutory CiT rate from 30 to 28 percent with a gradual target of 20 percent in the medium term.	IMF TA
Implement the MTRS – Property Tax	A revision of the law on property tax to be passed in 2023, including increases to property tax	IMF TA
Implement the MTRS –revision of the VAT law	A revised law on VAT to be passed in 2023 will include VAT rebates in favor of consumers who claim electronic invoices, and a reward for consumers who denounce businesses that do not issue electronic invoices. It will also increase penalties for VAT taxpayers that do not issue receipts. These measures are expected to increase the use of the electronic billing system and VAT collection.	IMF TA
Implement the MTRS – tax administration measures	The Rwanda Revenue Authority (RRA) will continue to implement MTRS measures aimed at (i) taxing the shadow economy, (ii) improving voluntary compliance through better taxpayer services, and (iii) promoting compliance improvement plans (CIPs) targeted at the manufacturing sector, large businesses, customs, and to combat tax evasion by individuals.	IMF TA
Implement the MTRS – other measures	The government is reviewing our investment code to eliminate some year-to-year tax incentives and grandfathering of unnecessary tax incentives allowed for a multi-year period. The review is expected to be completed by end-2023.	IMF TA
Public Investment Management and Economic Governance		
Progress Made on 2018 Reform Commitments		
Improving the efficiency of public investment practices	A public investment management assessment (PIMA) and Public Expenditure Review (PER) were recently completed with the help from the IMF and World Bank. The next step is to review them to create action plans to implement the key recommendation and define a timeline of implementation.	IMF, World Bank

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SOE oversight, management, and governance.

A new Ministry of Public Investment and Privatization (MININVEST) was established in July 2022 to promote and ensure productivity of profit oriented public investments and privatization. MININVEST is expected to play a central role in strengthening the oversight, management, and governance of SOEs.

New Reform Commitments and Initiatives

BUSINESS FRAMEWORK

Regulations and Institutions

Progress Made on 2018 Reform Commitments

Conduct feasibility study to inform government policy on industrial parks development

Pre-feasibility studies on Industrial parks development were conducted for Bugesera and Rwamagana.

DFID funded Invest Africa to support and facilitate investments attraction.

Current Status: Opportunity and feasibility assessment was conducted at Bugesera SEZ. The shareholder agreement between the government ARISE Integrated Industrial Platforms to develop and operate the zone was made.

New Reform Commitments and Initiatives

Strengthen disaster risk reduction and management

Adopt the new National Disaster Risk Reduction and Management Policy, replacing the 2012 National Disaster Management Policy, focusing on clarifying the roles and responsibilities between institutions and providing clear frameworks for community-based disaster risk reduction and management.

IMF RSF

Develop financing mechanism at the local level to enhance the ability of local governments to mobilize resources to finance the planning and implementation of disaster risk reduction and management strategy at the local level.

Supporting Industry and Export Growth

Progress Made on 2018 Reform Commitments

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Establish a Fund for Feasibility Studies	<p>This will require increasing standardization and uniformity across feasibility studies (leveraging international good practices), developing guidelines to improve quality of feasibility studies, and implementing adequate policy reforms.</p> <p>A Blended Finance Facility model will be explored to determine if we should limit it to PPPs and JVs projects.</p>	<p>Private consulting firms or DPs to support in conducting feasibility studies DPs to strengthen the capacity of key line Ministries (embedded experts in feasibility studies)</p> <p>DPs to support in determining necessary policy reforms and guidelines to improve quality of feasibility studies</p>
Develop a pipeline of projects to attract private investors (including PPPs)	The government further established under the leadership of the Prime Minister and coordination of Rwanda Development Board an inter-ministerial Manufacturing Acceleration Committee that oversees facilitating and giving support to firms in the industry sector (particularly in construction and manufacturing).	Boston Consulting Group 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.
Establish the Manufacturing and Build to Recover Program (MBRP)	The MBRP was developed by the government to boost economic recovery efforts with incentives for the manufacturing, agro-processing, construction, and real estate development sectors. The MBRP was extended until 2025. ²³ The MBRP is managed by the MAC.	The World Bank's "Access to finance for recovery and resilience project" aims at increasing access to finance and support recovery and resilience of businesses affected by the COVID-19 pandemic.
Support the economic recovery after the COVID-19 pandemic	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	World Bank, AIIB – through the Access to Finance for Recovery and Resilience project

²³ 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. Establish a local firms upgrading program (goal: promote links 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). 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). 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). 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).

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through provision of low-cost financing and offering even lower interest rates if acquired equipment would achieve either

- a. Significant increase in production output per worker
- b. Introduce more sophisticated manufacturing technique

New Reform Commitments and Initiatives

Investor Protection and Dispute Resolution

Progress Made on 2018 Reform Commitments

<p>Institute a quarterly investment roundtable to resolve investor issues</p>	<ul style="list-style-type: none"> • 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. • In addition, quarterly CEO forums are held in which RDB leadership engages with business leaders in thematic sector groups. • The Aftercare team has also been elevated to a department and doubled the staff number to ensure effective follow-up of investor issues and encourage re-investments. 	<p>Foreign, Commonwealth & Development Office TA through Invest Africa</p>
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<p>Implement the systemic investment response mechanism (SIRM)</p>	<ul style="list-style-type: none"> • 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 an advanced stage, which will track and handle RDB's service delivery to both potential and existing investors at all stages of the investment process. • Improve system for identifying investor issues, managing investor grievances, and minimizing dispute escalation. <p><u>Current Status</u> At 90 percent systems development- fixing few bugs (online security) and generating reports.</p>	<p>Foreign, Commonwealth & Development Office (FCDO, former DFID) through Invest Africa, implemented by IFC.</p>
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<p>Strengthen advocacy capacity of Private Sector Federation (PSF) to influence investment policy</p>	<p>A feasibility study for establishing the blended finance facility was conducted.</p>	
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Insolvency Law reform	A Ministerial Order is being drafted in collaboration with the World Bank regarding the governing and functioning of the Insolvency Practitioners. Timeline for its adoption is the end of July 2023.	The World Bank hired a private consultant who is working with the RDB office of the Registrar General on modern regulation of the Insolvency Practitioners. The World Bank is advising on the draft of the Ministerial Order. Further, training of the Commercial Judges and the Insolvency Practitioners is scheduled for the end of May 2023 with the support of the Insol International, World Bank and the host RDB.

FINANCING FRAMEWORK

Mobilization of Private and Institutional Investments

Progress Made on 2018 Reform Commitments

Support capital market development 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	World Bank/IFC
Pursue the implementation of Financial Sector Development Program to reinforce the overall financial sector	The NBR has adopted Law no. 017/2021 of March 3, 2021, relating to the protection of financial service consumers. For its implementation, two regulations were adopted in 2022. <ul style="list-style-type: none"> Regulation no. 55/2022 of October 27, 2022, on Financial Service Consumer Protection. This regulation aims at establishing key principles of financial service consumers' protection at the Financial Service Providers' level which includes; corporate governance relating to consumer protection, fair treatment and equitable treatment of consumers, transparency and disclosures, responsible business conduct, and sanction regime for non-compliance Regulation no. 56/2022 of October 27, 2022, on Financial Service Consumer's Internal Complaints Handling, aims at establishing guidelines for internal dispute resolution mechanisms as per articles 36 to 39 of Law no 017/2021 of March 3, 2021, aiming at enhancing transparency in dispute resolutions. 	IMF TA

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BILLIONR management to approve a road map for GMRA implementation endorsed by all stakeholders	Some steps were taken to develop financial markets and strengthen the monetary policy transmission mechanism. Since November 2020, the Real Time Gross Settlement and Central Securities Depository infrastructure was upgraded to accommodate repo transactions. Measures to roll out the Global Master Repurchase Agreement are ongoing. A review of the legal and regulatory framework was conducted, and the report was available in March 2022. The assessment reviewed national laws and identified gaps in insolvency, payment system and banking laws, which will close before the Agreement is introduced.	IMF Policy Coordination Instrument reforms, with support from the World Bank and IFC.
De-risking Investment in Specific Sectors (housing, exports, and agriculture)		
Progress Made on 2018 Reform Commitments		
Establish Affordable Housing Fund	<p>The Affordable housing scheme has started with funds available at Rwanda Development Bank.</p> <p><u>Current status</u> The Funds was established & IWAVE Program was launched to the first homeowners.</p>	The World Bank Group is implementing a \$150 million 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 six Secondary Cities.
Operationalize scale up of the Export Growth Facility (EGF)	<p>The EGF is operational. Criteria for accessing the EGF was reviewed to ensure a larger uptake. The EGF had received and disbursed 93 percent of its available resources by 2020 to 74 export projects. These projects and allocated amount had combined export revenues of five times the investment made by 2020.</p> <p><u>Current status (March 2023)</u> At 80 percent of commitments 50 percent final beneficiaries Available funds (budget) \$160 billion</p>	KfW is supporting EGF and DFID have plans to support.
Establish agriculture risk sharing facility	A Rwanda Agriculture De-Risking and Financing Facility was developed and is expected to become operational in 2022.	The World Bank Group is supporting through the Commercialization and De-risking for Agricultural Transformation Project.
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Climate Investment and Finance		
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Create Ireme Fund- green financing	<p>Ireme Invest is a groundbreaking new investment facility powered by the Rwanda Green Fund and Development Bank of Rwanda with support from a range of valued partners. Ireme Invest – a one stop center for green and sustainable investment – was launched with an initial capitalization of \$104 million to support the private sector to access green finance.</p> <p>Ireme Invest embodies Rwanda's commitment to achieving tangible results toward a green economy through PPPs in key areas</p>	EIB, Agence Française de Développement, Government of Sweden, Foreign, Commonwealth and Development Office of the Government of the United Kingdom, Global Climate Partnership Fund
Improve the sensitivity of PIM to climate-related issues.	<ul style="list-style-type: none"> • Update the national investment policy to integrate the climate agenda. • Publish the guidelines for the appraisal and selection criteria, including climate considerations, at MINECOFIN website. • Publish a consolidated report on major projects in the pipeline by sector with information inclusive of (i) the appraisal and selection criteria related to adaptation and mitigation and (ii) the distribution of ratings according to the appraisal and selection criteria related to adaptation and mitigation. 	IMF RSF
Enhance climate-related risk management for financial institutions and develop a green finance market	<ul style="list-style-type: none"> • RM8 Issue a guideline for climate-related risk management for financial institutions. • Issue a guideline to financial institutions regarding the implementation of recommendations of the International Sustainability Standards Board (ISSB). 	IMF RSF