REPUBLIC OF RWANDA

FINANCIAL SECTOR DEVELOPMENT STRATEGIC PLAN

2018-2024

FINANCIAL SECTOR DEVELOPMENT DIRECTORATE

MINECOFIN

ACRONYMS	
AFF	Access to Finance Forums
AFR	Access to Finance Rwanda
ASSAR	Association des Assureurs de Rwanda
ATM	Automated Teller Machine
BNR	National Bank of Rwanda
BPR	BanquePopulaire de Rwanda
CMA	Capital Markets Authority
CRB	Credit Reference Bureau
CSD	Central Securities Depository
EAC	East African Community
FSDP I	First Financial Sector Development Program
FSDP II	Second Financial Sector Development Program
FSDS	Financial Sector Development Secretariat
GDP	Gross Domestic Product
IMF	International Monetary Fund
IT	Information Technology
MINECOFIN	Ministry of Finance and Economic Planning
MFI	Microfinance Institution
M&E	Monitoring and Evaluation
MMT	Mobile Money Transfer
MMO	Mobile Money Operator
OTC	Over-the-counter
POS	Point of Sale
RAMA	La Rwandaised'AssuranceMaladie
RBA	Rwanda Bankers Association
RCA	Rwanda Cooperative Agency
RDB	Rwanda Development Board
RIPPS	Rwanda Integrated Payment Processing System
RSE	Rwanda Stock Exchange
RSSB	Rwanda Social Security Board
RTGS	Real Time Gross Settlement
RWF	Rwandan Francs
SACCO	Savings and Credit Cooperative
SWG	Sector Working Group
VSLA	Village Savings and Loan Associations
VUP	Vision Umurenge Program
7YGP	Seven Year Government Plan

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FOREWORD

The Rwanda Financial Sector Strategy is a long-term development strategy that governs the entire financial sector of Rwanda. It is understandable that the strategy will help in the achievement of the financial sector objectives as set out in Vision 2020, Vision 2050, NST1, FSDPII and Strategy for Rwanda becoming an international service center.

The Strategy focuses on financial inclusiveness driven by Access to Finance as the Government rediscovers the benefits of savings. The attention has been to reach out to the remaining underserved Rwandans through fast expansion of credit to the private sector which must be accompanied by saving as a key enabler to finance productive activities.

The priorities of the Strategy to be pursued for the next six years are savings and investments, access to finance, financial inclusion, modern payment system, skills development, establishing and Maintaining Rwanda as an international financial service center. Ultimately, once these priorities are achieved, there is no doubt that the strategy will have contributed to fostering economic growth and Moving towards a Poverty Free Rwanda.

The strategy grasps the on-going regional and international initiatives about financial sector development as well as anticipated future challenges. There is no doubt that the successful implementation and outcome of the strategy will offer significant benefits to Rwanda and will only be possible with the support and constant follow-up from all stakeholders through Sector Working Group Monitoring Mechanism led by the FSDD and co-chaired DFID. This should be a continuation of the process that led to the development of Strategy and should involve a wide-spectrum of the financial sector stakeholders.

Sincere thanks to all of you who contributed and supported the formulation of the Strategy

Financial Sector Development
Ministry of Finance and Economic Planning

EXECUTIVE SUMMARY

The overarching vision of the sector is to develop a stable and sound financial sector that is sufficiently deep and broad, capable of efficiently mobilizing and allocating resources to address the development needs of the economy and Moving towards a Poverty Free Rwanda. Through this sector vision, the financial sector plays an important role towards the general economic growth of the country. Its contribution is well documented in the past five years. It should be recognized that when financial services reach out to the population broadly and efficiently, they accelerate economic growth, efficient allocation of resources and improved wealth distribution.

This is why Rwanda needs to effectively implement NST 1 and achieve the country's Vision 2020 and vision 2050 goals. To achieve a more sustainable economic growth and development, we need a deepened, broadened and developed financial system, well-regulated and competitive, an inclusive and a financially literate population to accelerate growth. A recent review of Rwanda's financial sector highlighted that although the sector has made remarkable achievement, it still faces major challenges that need addressing to enable the financial sector to contribute meaningfully to the overall performance of the country's economy.

The key challenges identified include; low savings rates because of low savings culture, limited access to banking products and services in the rural areas and low incomes that translates into low savings. Another challenge facing Rwanda is the country's inability to mobilize long term stable financing given that Rwanda's capital market is still at infant stages and has not been able to address private sector long term financing needs. Furthermore, 11% of the Rwandan population have no access to finance and are financially excluded- exacerbated by MFI/banks/SACCOs inability to develop low income tailored products to attract low income earners. There is also a need to create a supporting infrastructure through the expansion of electronic payments systems for credit and debit cards, Automated Teller Machines, and point of sale terminals and harmonization and integration of supporting pillars for the payment and settlement systems with the EACs.

The strategy will focus on the following critical priorities most of which are continuing priorities:

- Mobilization of savings (*short, medium & long-term)* for Private Sector Financing and Investment
- Private Sector financing
- Financial inclusion- Improve uptake and usage of financial services
- Position Rwanda as a cashless economy
- Establishing and maintaining Rwanda as International Financial Service Center

Mobilization of savings (*short, medium & long-term)* for Private Sector Financing and Investment

Rwanda has a fairly strong savings culture with over 4.5 million Rwandans (76 percent of adults) in 2016 were part of saving mechanisms, either formal or informal. Rwanda leads Uganda, Mauritius and South Africa in terms of the highest proportion of adults that save. However, most Rwandans save in non-bank and informal savings groups' with only 13 percent saving in a bank, thus negatively impact on domestic savings for investment.

Government of Rwanda through MINECOFIN and BNR has Created a government bond market and the yield curve is being established which is the most important element of capital market development. Therefore, the government will continue a regular bond issuance program. The three elements of bond market development are introduction of regular government bond issues to build a yield curve which is already ongoing, broadening the investor base through the growth of contractual savings such as pensions, and promoting private sector bond issuance. To this end, large infrastructure projects or private public partnerships will be encouraged to include a domestic financing component.

Another key policy intervention for savings mobilization is the establishment of Rwanda Long term saving scheme. LTSS/Ejo Heza aims at providing each Rwandan (non-salaried informal sector workers, public and private sector salaried employees and unpaid workers) an equal right and opportunity to accumulate savings for old age based on their own unique cash-flows and savings capacity. The insurance industry performance has improved since the adoption of new legislation in 2009. Further refinement of the regulatory regime will be introduced to foster its development, including Rwanda-specific mortality (life) tables which will be developed to foster development of life insurance and annuity products. Other key policy interventions should be:

- Introduction of educational savings products or families to save for children education.
- Incentivize savings in self-employed through fiscal packages
- Leverage technology to increase savings options and accessibility across all the population.
- Launch financial education campaign to provide information on existing financing options.

Enactment of the Pension Law established the basis for private pension plans. This will meet the social objective of facilitating retirement savings, as well as playing an important role in mobilizing long-term savings and contributing to capital market development. BNR has put an appropriate licensing and supervision regime in place to protect consumers and ensure pension funds are able to meet their financial promises and also provide automatic membership to pension scheme through National Identity Number (NID) to all Rwandans aged 16 to 55 years old to ensure Universal access to pension and savings

Private Sector Financing

Increasing domestic credit to the private sector is the most fundamental financial sector target relating to social and economic transformation. Many of the initiatives in NST 1 will directly support this objective, for instance SMEs, agriculture and housing finance and education of potential entrepreneurs.

Greater use of the available guarantee programs will encourage banks to lend to credit-worthy enterprises and farmers who may lack a track record. Specialized training for lenders in agricultural credit and housing finance will help to roll out these products through all of the formal institutions. Government of Rwanda and private sector will continue to fund BDF through increasing amounts of funds to leverage credit to private by focusing on priority sectors marching with job creation.

Access to finance will be promoted by the leasing finance that will enhance lenders ability to collateralize longer term credit for equipment such as tractors and transport vehicles as well as sewing machines, computers and accessories, agriculture products like fertilizers, as well as helping TVET graduates to acquire technical equipment and start their business without being hindered by collateral issues. Another area is the promotion of agriculture financing through rural value chain financing, micro insurance, and mortgage financing.

Strengthening and building sustainability of MFI and SACCO is paramount as these institutions reach out to rural populations. Thus, the first phase, Umurenge SACCOs will be automated and consolidated into 30 district Saccos that will result in the establishment of cooperative bank to maximize their contribution made so far towards national development objectives.

Increasing the supply of long-term financing, initially from the RSSB and in the longer term from development of other contractual savings institutions and products and the capital markets, will stimulate the access to finance for public and private investment.

The BNR will continue to strengthen its monetary policy to ensure liquidity management through the support of interbank markets-both money and foreign exchange market and the implementation of the reserve money program. Measures to further enhance repo operations will be pursued by selecting one point on the short-end yield curve corresponding to the Key Repo Rate (KRR) and allowing interest rates on other maturities to be fully market determined.

Financial Inclusion- Transformational uptake and usage of Financial Services

MINECOFIN and BNR have ensured that the definition of FinScope 2016 is refined and expanded to capture the supply-side aspects by bringing qualified Village Savings groups and promotion of Access to finance forums aimed at broadening and deepening financial inclusion, the next step will be to find a way to serve 11% of Rwandan population who are financially excluded and also ensure that there is more formal financial inclusive whereby only 68% formally access financial services/products, Meaning that 32% are formal financially excluded.

Based on initiatives such as the district Access to Finance Forums and the Village Saving Groups, a nation-wide district-focused financial education and literacy program will be rolled out to ensure that all Rwandans obtain a basic understanding of financial concepts and products within six years.

A key element of the financial inclusion strategy is creating an enabling environment for financial institutions and other competitors to provide a broader range of low-cost financial services to households. This includes savings and deposit products for historically excluded clients, mobile money transfers (MMT), mobile and internet banking, agent banking, micro insurance, and micro leasing.

Electronic Payment Systems and Digital Financial Services

Following the development of the Rwanda National Payment System Framework and Strategy (2008), Rwanda's payment landscape has experienced significant improvement over the past several years. The design and implementation of the Rwanda Integrated Payment Processing Systems (RIPPS) in 2011, which drove the automation of payment transfers and provision of real time settlement of payment transactions, was one of the several achievements of the Rwandan payment system over the past decade

To maintain the momentum towards further development of the national payment system, visionary strategy was commissioned and it is in final stages for validation. The strategy is building on the framework and strategy established over the last years since 2008. The National Payment System Framework and Strategy: Vision 2020 serves as a guide for the various participants in the payment system, including both public and private sector players, to promote the continued development and modernization of the Rwanda National Payment System (RNPS). The major issue going forward is to expand the use of electronic payments for instance credit and debit cards, Automated Teller Machines, and point of sale terminals. Furthermore, the linkage of the Rwandan real time gross settlement system and securities depository with the other EAC countries and the rest of the world.

Establishing and Maintaining Rwanda as International Financial Service Center

An International Financial Centre is a jurisdiction which provides a range of professional and business services to international clients in different sectors normally outside of their jurisdiction. The international financial services center component will aim to attract foreigners who are (i) investing in Rwanda (ii) investing in other jurisdictions to do so through Rwanda, while making use of services available in Rwanda. The target will be capital flows which otherwise would never have come to Rwanda. This component of international financial services is a new and additional component to the economy and income flow. This will enhance the current efforts of attracting DFIs.

The International Financial Services Centre for Rwanda requires the Government to design marketing strategy for financial services especially by leveraging the comparative advantages that Rwanda has over Central and East Africa and afterwards some products can be used as a springboard for Tanzania and Uganda. Furthermore, this commitment requires the Government to encourage the importation of skilled labor and invest in high quality education and training capacity in Rwanda for financial sector specialists. For Rwanda to succeed as an international financial services center, there is need for collaborating with large multinational institutions for instance major foreign banks, Rwanda needs to press forward in its effort to attract at least one international bank so as to increase its credibility as a regional financial center. Rwanda could also target Chinese state banks, such as Industrial and Commercial Bank of China, China Construction Bank, Bank of Communications, and Agricultural Bank of China, with the aim of persuading them to adopt Rwanda as their hub for their business in Africa.

CHAPTER 1: INTRODUCTION

1. Background

The Government of Rwanda Vision 2020 seeks to transform Rwanda into a lower middle-income country by 2020 and recently adopted vision 2050 main priorities that will turn Rwanda into upper middle income by 2035 and high-income country by 2050. In order to pave the way towards our long- term vision, the National Strategy for Transformation (NST 1) for the next 7 years from 2017-2024 has an ambitious objective to increase the quality of life of all Rwanda through rapid sustainable economic growth and accelerated Moving towards a Poverty Free Rwanda. The achievement of these objectives requires a level of savings and domestic investments. To this end, the overall objective of the financial sector is to facilitate the mobilization of savings by establishing direct links to productive public and private investments required to recover and sustain strong real economic growth. To achieve this developmental pathway, the financial sector is crucial in expanding access to credit and financial services to the whole population across the country in both urban and rural areas and enhancing saving mobilization especially long-term savings.

The main reason for the financial sector strategy is to come up with policy interventions that will have direct and indirect contributions to the pillars of the NST 1. The strategy contributes significantly to the following pillars;

1. Economic Transformation pillar

The main objectives of this pillar is to accelerate inclusive economic development founded on the Private Sector, knowledge and Rwanda's Natural Resources. The Economic transformation pillar shall be the main driver in achieving a rapid sustainable economic growth of annual target of 11.4%. This shall enable Rwanda to be competitive in the East African Countries and central Africa region. This will be achieved through an expanded and high-value export sector, increased returns to private investment, innovative financing, and capitalizing on urbanization. Thus, the following NST 1 keys priorities are more relevant to financial sector;

- Establish Rwanda as a Globally Competitive Knowledge Based Economy
- Position Rwanda as a Hub for World Class Talent
- Attain a Structural Shift in the Export Base to High Value, Value Added Goods and Services
- Increase domestic savings and position Rwanda as a hub for financial services to promote investments

2. **Social Transformation Pillar**

Overreaching goal to social transformation is to; Develop Rwandans into a capable skilled people with quality standards of living and a stable and secure society. Financial serves as the engine to realize this objective through contributing to the following key interventions

- Moving towards a poverty free Rwanda
- Ensuring quality of health care for all
- Building a competent Rwandan:
- A modern Rwandan household

SWOT Analysis of the Financial Sector

SWOT analysis was conducted mainly from existing strategic documents to identify the area with the current environment which require immediate attention and focused on new innovations and critical intervention in next years.

SWOT Analysis for the Financial Sector

<table>
<tr><td>Strengths
• Strong political will
• Stable macro-economic framework
• Existence of financial sector development Secretariat to spearhead the growth of the financial sector
• Savings friendly strategies
• Existence of adequate legal framework
• Willingness of financial institutions to learn and adopt
• BNR strong monitoring and supervision mechanism
• MFIs/SACCOs able to reach people through local branches
• Diaspora willingness to invest
• Modern IT investment and infrastructure
• Innovations in the sector</td><td>Weaknesses
• Relative small financial market
• Low savings and investment
• Low penetration of financial institutions particularly in rural areas
• Lack of diversified products
• Limited product innovations, single products 'fit all'- mentality lack of demand driven products
• Lack of skilled and specialised professionals
• Most of institutions are urban based
• Lack of education on savings
• Limited membership to SACCOs
• Limited credit to the private sector</td></tr>
<tr><td>Opportunities
• Untapped market including informal sector
• Large rural population
• Economic growth
• Strong technical and financial support from development partners
• Coherent financial sector strategies</td><td>Threats
• Volatile international markets that may lead to financial crisis
• Limited usage of financial products
• High inflation and interest rates
• Fraud through modernised payment systems
• Continued cut of donor budgetary support</td></tr>
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• Existence of Capital Markets and Rwanda Stock Exchange • Modernised electronic payment system • Foreign banking institution entrance into the banking sector • Establishment of business development Fund • East African Integration • Use of technological products like Mobile Money Transfer, internet banking	

1.1 Guiding Principles

Financial sector strategy has been developed in accordance with NST 1 and vision 2050 guiding principles. This aims ultimately aims to drive Rwanda to achieve growth of 11.4% to reach middle income country by 2024. It aims to act as an engine to support economic and social transformation and emerging priorities. The process adopted in the development of financial sector strategy required a high level of inclusive consultations; both with varying sub-sectors operating in financial sector, Government institutions and development partners operating in the country for all stakeholders participating in the financial sector have consensus on the policy interventions that will guide the sector for the next 6years

The FSSP will provide an overreaching framework for new innovations and initiatives to inform priorities and establishing a frame work for monitoring progress. It sets out key gaps and weakness of current efforts and how can be addressed by Government and private institutions during the next six years of implementation.

Layout of Financial Sector Strategic Plan

The strategy has six chapters: Chapter 1 illustrates the overriding principles and methodology of document elaboration. Chapter 2: provides a brief overview of Rwanda' financial sector focusing on the financial sector status and structure. The chapter further tackles the financial sector achievements and challenges during the EDPRS II. Chapter 3 sets out the strategic framework for sector development which includes; i) conceptual approach for the financial sector development, mission vision and strategies for achieving sector outcomes particularly articulating concert policy actions that shall be pursued during the second generation of NST 1 Chapter 4 outlines the implementation of the strategy pointing out institutional framework that shall drive the strategy over the next six years, the likely risks and proposed risk mitigation measures. Chapters 5 and 6 addresses, the financial sector monitoring and evaluation framework and Cost and financing of the sector strategic plan respectively.

CHAPTER 2: OVERVIEW OF THE FINANCIAL SECTOR

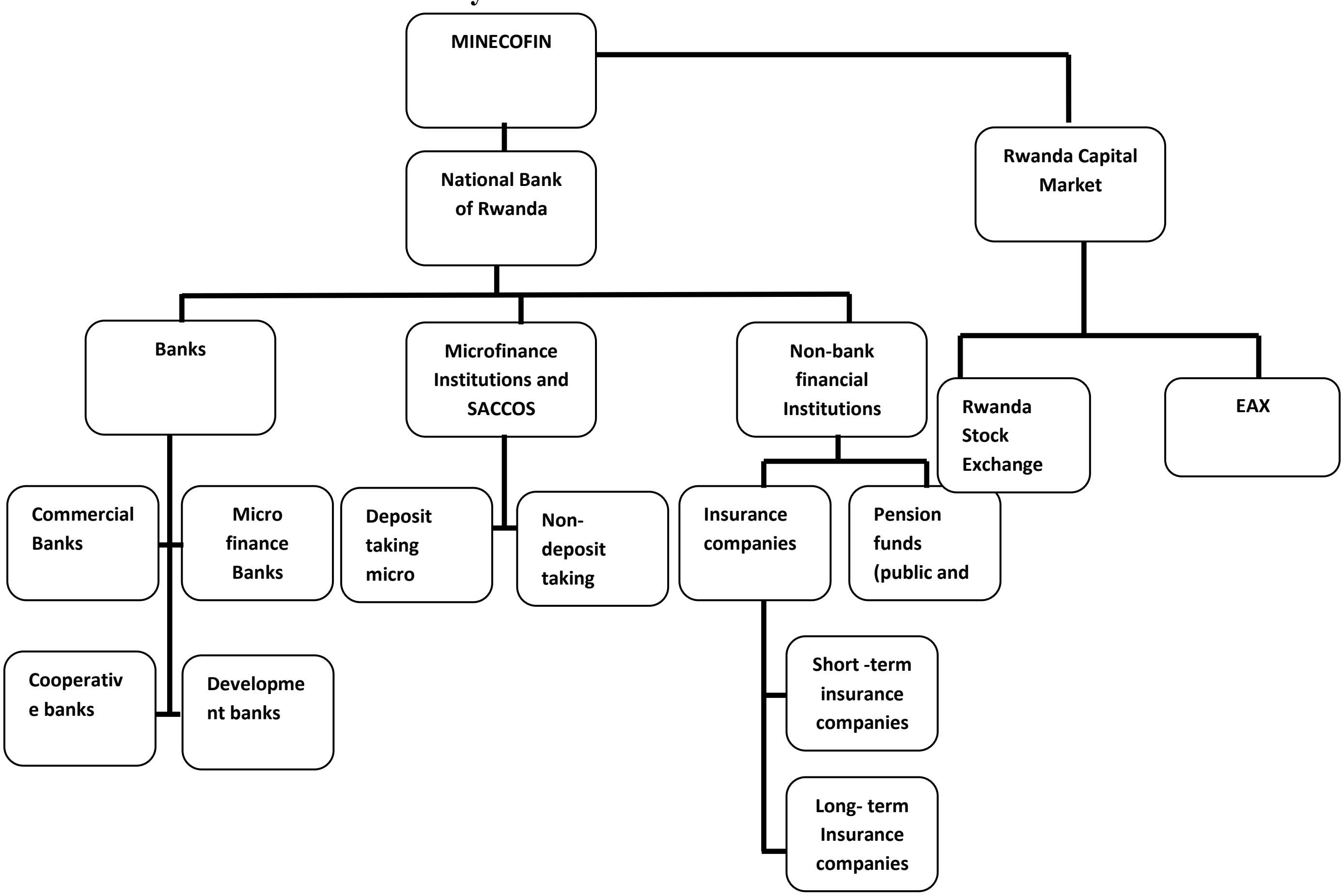
2.1 Introduction

The financial sector is shaped by a number of national aspirations and international goals embodied in policy declarations and plans. These include Rwanda's Vision 2020, Vision 2050 and Seven-Year Government Programme/National Strategy for Transformation (2017-2024). There are also regional commitments made as part of Rwanda's membership of the East African Community (EAC) and other regional and international organizations.

Rwandan Financial Sector Structure

The design of the Rwanda financial sector is in accordance to international standards. The structure of most countries lay along the following: Banking sector, Non- bank financial institutions which include Pension sector and Insurance, Capital market and stock exchange infrastructure, fund management as well as financial sector supervision and regulation which is the mandate of MINECOFIN and BNR.

Structure of Rwanda's Financial System



The significant changes have shaped the formal financial landscape which now comprises of the banking and non- banking institutions;

- The Banking sector is comprised of 11 commercial banks, 4 microfinance banks, one development bank and one cooperative bank,
- The microfinance sector composed of 473 microfinance institutions of which 11 are limited companies and 479 SACCOs (including 416 UMURENGE SACCOs)
- The non- bank financial institutions composed of 10 non-life insurers (private) and 4 life insurers (private) and 2 public medical insurers
- Capital market has registered Market Capitalization going from zero to 2,756,316,278,996 FRW as of 5th September 2017
- 40 private pension schemes

Over the past 5 years, Rwanda's financial sector has undergone significant changes including the entry of international and regional players into the sector as shareholders and competitors.

2. Sector Achievements and Challenges

The EDPRS II achievements, challenges and lessons learned are classified along the following clusters; banking and non-banking institutions, Microfinance and Umurenge SACCOs, Capital market development, regulatory and institutional set up, financial sector infrastructure, innovation and financial product development and finally, human capacity focusing on skills development, education / training and international service center.

Rwanda's financial sector is composed of a wide and growing array of institutions, and is becoming increasingly diversified, which is a positive development. The banking system continues to hold the largest combined share of financial sector assets at 66.3 percent as at June 2016. Overtime, this ratio has declined, showing increased diversification in recent years. For example, in 2011, the banks' combined share was 70.8 percent and has gradually declined to 66.5 percent in June 2016. The main contribution to diversification came from increased share of pension, MFIs and SACCOs ─ the MFIs and SACCOs combined share of financial sector assets increased to 6.7 percent, up from 5.1 percent in 2011, while the share of assets for the pension sector increased from 13.8 percent to 17.1 percent.

I. Banking Sub-Sector

As shown above, this sector has been the main driver of Rwanda's financial sector and a lot has been achieved as indicated by key indicators of financial depth, profitability, soundness and stability.

The number of competitors and range of products and services in the banking sector has increased remarkably over the past five years as a result of strong economic growth of the country, good and improving conditions for doing business and an appropriate regulatory environment as shown in above section. The benefit of this competition is expanded outreach through bring people that were previously excluded into the banking market, enhancement such as accounts with no fee and product innovation such as introduction of credit and debit. The entry of foreign owned banking institutions has expanded new business model, strategy and capability to the market.

Achievements

- FinScope 2016 showed that there was an increased uptake of commercial bank products, the banked population that is individuals using commercial bank products/services increased from 23% in 2012 to 26% in 2016
- Increased bank loans from 3.3% in 2012 to 4% in 2016.
- The entrance and shareholdings of Access bank, commercial bank of Rwanda, ECOBANK, Equity Bank, FinaBank and Kenya Commercial Bank, Crane Bank, Bank of Africa, AB Bank has considerably increased financial sector, these foreign banks hold RwF 374.3 billion and contributed 10% assets of GDP.
- Retail payments landscape has been improved. Bank of Kigali and Atalas mara aquired former Banque Populaire de Rwanda have been outstanding in retail market as contested competition has led banks to expand their banks networks.
- Revocation of the SIMTEL monopoly led to market driven solutions, including the entry of VISA and master Card
- Three MNOs (MTN, Tigo and Airtel) have introduced mobile money transfer products.
- Banks in collaboration with MNOs have introduced out mobile and internet banking products.

The banking sector remained sound and liquid, well capitalized and profitable. As shown by overall assets grew by 110.14%, assets doubled to RwF 2,278 billion between 2011 and 2016, holding more than 66% of financial assets in 2016.

	2011			Jun- 15			Jun- 16		
	Number	Assets (billion Frw)	% of total assets of FS*	Number	Assets (billion Frw)	% of total assets of FS*	Number	Assets (billion Frw)	% of total assets of FS*
Banks	15	1,084	70.8%	17	2,000	66.4%	17	2,278	66.5%
Insurance	8	158	10.3%	14	295	9.8%	15	329	9.6%
Pension	1	212	13.8%	1	530	17.6%	1	585	17.1%
Microfinance	11	77	5.1%	493	188	6.2%	493	230	6.7%
TOTAL	35	1,531	100%	525	3,013	100%	526	3,422	100%
*FS: Financial Sector									

Source: BNR Annual financial stability report June 2015 – June 2016

Challenges

- The banks clientele lack security in form of collateral for the banking sector as security against lending risk. This has a casual effect on credit lending to the private sector
- More banks are doing the something (one size fit All) which limits increased competition but an international bank could bring global scope to the Rwandan market, while an example of a possible innovative business model would be a bank with an SME lending focus.
- Lack of skilled professionals for instance risk managers, skills in managing clients and strategic thinking
- Exposed to credit risk of default
- Lack of hedging financial products e.g. Currency and interest rate risks

II. Microfinance Institutions and SACCOs

Microfinance institutions are widely spread across Rwanda and continue to play a significant role in accelerating financial inclusion. As at June 2017, out of 473 microfinance institutions operating in Rwanda, 18 are Limited Liability microfinance institutions and 455 are Savings and Credits Cooperatives (SACCOs) consisting of 416 USACCOs and 39 non U-SACCOs. Key changes in the composition of institutions in this sub-sector included the restructuring of 14 SACCOs into two Limited Liability Companies, the liquidation of 10 SACCOs affected in December 2016. AXON TUNGA Microfinance Limited entered the market in January 2017 but is yet to commence its operations.

Indicators show that, the micro-finance sub sector recorded a remarkable increase over the years as shown in the table below. The profitability and increase in the total asset can be explained by the BNR continuous and strong monitoring of the sector. The sector remained liquid and well capitalized above minimum and capital of 15% and above 10% for G20 and Basel committee new bench mark.

MFIs Performance Indicators (U-SACCOs included)

Indicators	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17
Assets (FRW billion)	88.3	60.1	94.8	122.0	147.4	187.5	230.3	247.7
Loans (FRW billion)	58.4	30.3	39.1	60.9	78.0	93.6	119.5	127.4
Deposits (FRW billion)	56.4	36.2	56.6	69.0	82.2	104.9	126.0	133.4
Equity (FRW billion)	25.8	16.5	24.5	38.5	47.0	58.8	69.7	82.5
Net profit/Loss (FRW billion)	1.5	0.9	2.3	3.6	2.6	3.4	4.3	-0.1
Capital Adequacy Ratio (%)	29.2	27.5	25.8	31.5	31.9	31.4	30.3	33.3
NPLs / Gross Loans (%)	8.6	11.2	8.4	8.9	7.6	7.4	7.5	12.3
ROA (%t)	3.5	3.1	2.4	3.0	1.8	3.9	4.0	-0.1
ROE (%)	11.9	11.3	9.4	9.4	5.6	12.6	13.3	-0.3
Liquidity ratio (%)	89.7	93.0	85.0	89.3	86.2	95.4	95.1	99.1

Source; BNR (2017) Monetary Policy and Financial Stability Statement, 2017

The Microfinance sub-sector continues to play an important role in the country's financial development agenda. The sector plays a critical role in driving financial inclusion (connecting the rural population and lower income groups to financial services).

Key achievements and challenges for MFIs/ SACCO

Achievements	Challenges
• Microfinance institutions are widely spread across Rwanda and continue to play a significant role in accelerating financial inclusion. As at June 2017, out of 473 microfinance institutions operating in Rwanda, 18 are Limited Liability microfinance institutions and 455 are Savings and Credits Cooperatives (SACCOs) consisting of 416 USACCOs and 39 non U-SACCOs. • FinScope 2016 showed that there has been a successful provision of format financial services through the establishment of SACCOs. The individuals who have opened SACCOs accounts are using these accounts more actively than bank accounts are being used by bank clients • There is trust in the SACCO programme especially in rural areas with positive	• There are capacity issues in the management and control of MFIs/SACCOs/SMEs institutional systems/ processes, quality of leadership • Human resource capacity issues -Skilled professional for example risk managers • BNR as regulator lacks sufficient human resource capacity to effectively supervise hundreds of newly established Umurenge SACCOs which have struggled to comply with the reporting requirements which require assistance • Financial management and reporting. The key challenge for SMEs in accessing the formal sources of financing is the absence of skills in preparing business plans, monthly cash-flow projections, audited

Achievements	Challenges
perception regarding SACCOs as the people's bank	books of accounts which is often a ground for banks to reject loan application[1]

III. NON-BANK FINANCIAL INSTITUTIONS

In Rwanda non-bank financial institutions consist of insurance and pension sectors. These institutions are regulated and supervised by the National Bank of Rwanda.

Insurance Sub-Sector

The number of insurance companies increased from fourteen in June 2016 to seventeen in June 2017. The new insurance companies licensed during the period were BK General Insurance Company Ltd and Mayfair Insurance Rwanda Ltd, which joined the market in July 2016 and May 2017 respectively.

Currently, the insurance industry consists of 16 insurers of which ten are private non-life insurers, four private life insurers, and two public medical insurers. The insurance sub-sector operates a network of 185 branches countrywide, 557 agents, 15 brokers and 13 loss adjusters.

Key Financial highlights for the insurance sector

Description (In FRW billion)	**Jun-13**	**Jun-14**	**Jun-15**	**Jun-16**	**Jun-17**
Description (In FRW billion)	**Jun-13**	**Jun-14**	**Jun-15**	**Jun-16**	**Jun-17**
Insurance Industry					
Gross written premiums	39.4	44.9	47.5	52.9	59.7
Net written premiums	35.8	38.2	41.1	46.1	52.3
Total Claims	**3.0**	**18.7**	**22.0**	**30.2**	**30.9**
Management expenses	6.4	13.2	13.6	17.2	15.2
Net underwriting profit (loss)	8.4	6.3	5.4	(1.4)	6.3
Investment Income	9.0	8.9	9.8	11.6	12.7
Net profit after taxes	16.5	14.6	14.7	10.0	18.6
Assets	**219.4**	**247.2**	**295.3**	**332.6**	**366.5**
Technical provisions	46.4	51.1	59.0	74.2	80.5
Liabilities	15.4	15.6	18.0	20.3	19.8
Capital and reserves	157.6	180.5	218.4	238.1	266.0
Private Insurers	**Jun-13**	**Jun-14**	**Jun-15**	**Jun-16**	**Jun-17**
Gross written premiums	22.0	25.4	27.9	30.6	33.8
Net premiums written	18.4	18.7	21.5	23.7	26.5
Total Claims	**9.4**	**12.0**	**13.6**	**18.5**	**18.4**
Description (In FRW billion)	**Jun-13**	**Jun-14**	**Jun-15**	**Jun-16**	**Jun-17**
Description (In FRW billion)	**Jun-13**	**Jun-14**	**Jun-15**	**Jun-16**	**Jun-17**

[1] ADB, Leveraging capital markets for SMEs financing in Rwanda, 2012

Description (In FRW billion)	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17
Description (In FRW billion)	**Jun-13**	**Jun-14**	**Jun-15**	**Jun-16**	**Jun-17**
Insurance Industry					
Management expenses	9.0	10.4	11.0	13.2	12.3
Net underwriting profit (loss)	(0.0)	(3.7)	(3.1)	(8.0)	(4.2)
Investment Income	5.2	4.3	4.0	4.1	5.2
Net profit after taxes	**4.3**	**0.1**	**0.3**	**(4.1)**	**0.6**
Assets	93.3	102.9	116.7	124.7	136.4
Technical provisions	45.7	51.0	58.5	73.4	79.8
Liabilities	11.8	11.8	15.9	17.5	17.3
Capital and reserves	35.8	40.0	42.2	33.8	39.2
Public Insurers	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17
Gross written premiums	17.4	19.5	19.6	22.4	25.8
Net premiums written	17.4	19.5	19.6	22.4	25.8
Total Claims	**6.4**	**6.7**	**8.4**	**11.8**	**12.5**
Management expenses	2.7	2.8	2.6	4.0	2.9
Net underwriting profit (loss)	8.4	10.0	8.6	6.6	10.5
Investment Income	3.8	4.6	5.8	7.5	7.5
Net profit after taxes	**12.2**	**14.5**	**14.4**	**14.1**	**17.9**
Assets	126.1	144.4	178.6	207.9	230.1
Technical provisions	0.7	0.1	0.4	0.7	0.7
Liabilities	3.6	3.8	2.0	2.8	2.5

Source; BNR (2017) Monetary Policy and Financial Stability Statement, 2017

Achievements

- The performance of the insurance industry has improved since the adoption of new legislation in 2009 and the transfer of responsibility for regulation and supervision to the BNR.
- The total assets of the Rwandan insurance sector have increased over the years and stood at FRW 366.5 billion as at the end of June 2017 compared FRW 214 billion 2012
- Expansion of the sector: Now Rwanda The non- bank financial institutions composed of 10 non-life insurers (private) and 4 life insurers (private) and 2 public medical insurers.
- In terms of insurance intermediation: The insurance sub-sector operates a network of 185 branches countrywide, 557 agents, 15 brokers and 13 loss adjusters.

Challenges

- Rwanda has third party liability for vehicles as the only compulsory insurance
- The sector also lacks diversified products for instance weather- based insurance products, credit life Insurance and mandatory insurance.
- The insurance lacks updated Rwandan Mortality life tables accompanied by the lack of appropriate assets to match annuity liabilities
- No comprehensive data on insurance are publicly available, and there is no separation between data on short-term and long-term insurance.

With regard to the access to finance, BNR is working with Access to Finance Rwanda (AFR) to establish micro-insurance regulatory framework. This framework will provide a policy and regulatory environment that will facilitate the participation of private sector in providing risk protection for low-income sector. This initiative is expected to improve the level of insurance penetration. Further, a National Financial Inclusion Strategy has been developed and is also at the final validation stages. This strategy identifies key target areas and stakeholders to drive formal financial inclusion from the current level of 68 percent to 90 percent by the year 2020.

Pension Sub-Sector

The pension sub-sector, on the other hand, is composed of one mandatory public pension scheme i.e. Rwanda Social Security Board (RSSB) and about 38 unlicensed complementary occupational pension schemes currently managed by the insurance companies or in-house by employers. BNR is in the process of licensing private pension schemes in accordance with new pension law and it's implementing regulations.

The pension sub-sector is dominated by the Rwanda Social Security Board (RSSB), the public pension fund. The RSSB provides defined pension benefits on a mandatory basis to all workers formally employed in the public and private sector. As at end June 2017, the pension scheme had around 446,409 contributors and pays pensions to around 17,378 retirees.

The pension sector continues to grow, and remains the second largest contributor to financial sector assets after the banking sector. Assets of the pension fund accounted for 17.1 percent of the financial sector assets in June 2017. Total pension sector assets stands at FRW 661.3 billion.

The pension fund's assets are allocated as follows: equity investments account for 36 percent of total assets; 20 percent fixed deposits; 18 percent immovable property; 15 percent government securities and 11 percent other assets. The vast majority of pension assets in Rwanda are managed (in-house) by the RSSB, within its investment policy and strategy.

The RSSB remains the main source of long-term deposits in commercial banks and a source of financing for several development projects. As at June 2017, 8 percent of all deposits in the banking system came from the RSSB. Its deposits are distributed across different banks, enabling them access to long-term resources. As at end June 2017, RSSB held deposits in 10 banks out of the 17 banks operating in Rwanda.

Pension Sector Key financial highlights (FRW billion)

Description	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Percent change Jun-17/Jun-16
Total assets	383.6	455.9	512.1	584.5	661.3	**13%**
Total contributions	55.3	55.5	59.7	74.5	77.6	**4%**
Total benefits paid	10	11.9	14.9	15.8	17.7	**12%**
Total operating expenses	5.8	5.7	5.4	4.7	4.5	**-4%**
Total investment income	15.9	20.2	21	23.1	26.4	**14%**

Source; BNR (2017) Monetary Policy and Financial Stability Statement, 2017

Challenges:

- Limited contributory capacity due to low and irregular incomes,
- Lack of awareness,
- Distrust of public agencies administering pension schemes,

The improvement in the financial indicators is due to tight monetary policies implemented by the National Bank of Rwanda that has minimized risks of monetary inflation and repo interest rate while continuing to support the financing of the economy. To address to the persistent uncertainties in international and regional environment the following monetary reforms were implemented.

IV. FINANCIAL INCLUSION

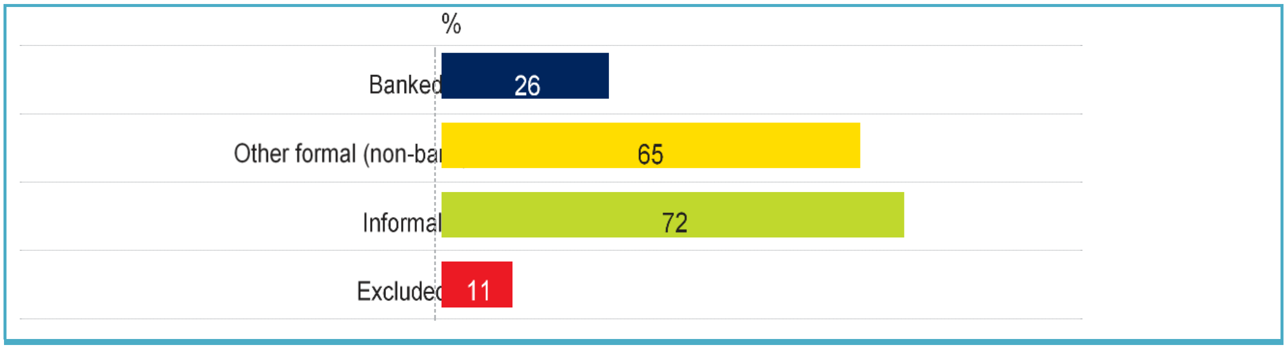
The objective of financial sector development and increased financial inclusion is all about to improve the lives of Rwanda. The reason is access to financial products and services in order for the population secure savings facilities and other services for the poor becoming enabled to build financial security, manage stocks and invest in business opportunities. However, to achieve this, appropriate financial products and services must be made accessible to Rwandan adults.

Overall there has been unprecedented increase of the adult population having access to finance formally and informally from 42% in 2008 to 89 percent in 2016, while the adult population having access to formal finance increased from 21.1% in 2008 to 68% in 2016.

A key element of the financial inclusion strategy is creating an enabling environment for financial institutions and other competitors to provide a broader range of low-cost financial services to households. This includes savings and deposit products for historically excluded clients, mobile money transfers (MMT), mobile and internet banking, agent banking, micro insurance and micro leasing. Much of the innovation has come from non-traditional player's mobile phone operators, or new entrants to the Rwandan banking market rolling out agency banking models, which highlights the importance of an outward looking policy.

The rapid growth in MMT agent networks and customers is evidence that the current regulatory framework is working well. Nevertheless, some further enhancements are required. First, interoperability the ability to transfer from one network to another is required by regulation but not yet operational. This will ensure that Rwandans can transfer to subscribers of all MMT networks in the country, and in the longer term, throughout the EAC. Enactment of the Trust Law will allow greater protection for customer balances in MMT accounts by making more robust the current escrow account arrangements. In turn, this will facilitate recognizing that many subscribers use MMT balances as de facto savings accounts.

Financial Access Strand (Uptake Strand), 2016



Source: FINSCOPE 2016

Achievements

- FinScope 2016 showed that the proportion of adults who are formally served as well as the proportion that are informally served has increased since 2008. Formal inclusion has tripled from 21% to 68%.
- FinScope 2016 showed that there was an increased uptake of commercial bank products as well as an increased uptake of non-bank formal products since 2008. The banked population (i.e. individuals using commercial bank products/services) increased from 14% to 26%, whilst the non-bank formally served (i.e. individuals using non-bank formal products/services) increased from12% to 65%.
- Although the proportion served in rural areas is lower than in urban areas there are more individuals served by both commercial banks as well as non-bank formal institutions in rural areas.
- Umurenge SACCO uptake has significantly increased levels of formal financial inclusion amongst individuals relying on inconsistent, irregular sources of income farmers, farm labourers and individuals who rely on piece work for an income representing the majority of Rwandan adults
- FinScope 2016 showed that Around 2.3 million adults in Rwanda use mobile money (m-money). Around 34% of adults are registered for mobile money accounts and further 10% use someone else’s mobile money account.

Challenges

- Despite the fact that the issue of Access has been addressed through market being flooded by financial institutions there is need to for different types of institutions defining their target markets rather than institutions competing for same market
- Significant progress has been made in terms of uptake however in order to increase uptake there is need to help the excluded understand the value of financial inclusion through financial education
- The biggest challenge is in ensuring sustainability of institutions and usage of products: Sustainability of institutions will depend on effective management, administrative, governance, accountability and having the facilities and equipment needed
- According to FinScope 2016, 21% of Rwanda use informal savings mechanisms only, 56% own savings mechanism only either save at home or in kind and 14% have no saving mechanism or products thus there is need for financial literacy campaigns to raise awareness to channel these savings through the financial system and/or developing financial products that suit the various needs/ motivations for saving across the population.

The increase in formal inclusion was caused by an uptake of products offered by nonbank formal financial institutions (such as mobile money, Umurenge SACCOs and insurance companies). The banked population slightly increased from 23% in 2012 to 26% in 2016. More to note, improving financial literacy and training for entrepreneurs and production cooperatives will help to address demand side constraints of the inability of farmers and entrepreneurs to present credible financial plans. Expanding the use of BDF guarantees and training for loan officers in small business and agricultural lending will help address supply side constraints.

V. FINANCIAL SECTOR MARKET INFRASTRUCTURE

During EDPRS II period, Government of Rwanda in collaboration with the National Bank of Rwanda have achieved a lot in payment system modernization, Rwanda integrated payment processing system, cash based payment and E-commerce, Visa National settlement system, mobile financial services and internet banking and regional connectivity. The achievements are indicated below;

Modernized Payment System

Following the development of the Rwanda National Payment System Framework and Strategy (2008), Rwanda's payment landscape has experienced significant improvement over the past several years. The design and implementation of the Rwanda Integrated Payment Processing Systems (RIPPS) in 2011, which drove the automation of payment transfers and provision of real time settlement of payment transactions, was one of the several achievements of the Rwandan payment system over the past decade. Additionally, between 2008 and 2015, uptake of electronic payments (e-payments) increased dramatically to constitute 20% of the country's GDP; participants in the payment system expanded from nine banks to 20 different players, including banks, mobile network operators, and microfinance banks; Visa established a presence in the country, joining RSwitch as one of the country's two main switches; and the number of automated teller machines (ATMs) and point of sale (POS) throughout the country expanded exponentially.

Electronic retail payments continued to develop fast. The number of transactions on ATMs and POSs increased between June 2016 and June 2017. ATM transactions increased by 26.9 percent from 3,821,313 to 4,611,166 in volume and by 28 percent from FRW 188 billion to FRW 241 billion in value while POS transactions increased by 94 percent from 270,084 to 523,473 in volume and 98 percent from FRW 16 billion to FRW 32 billion in value. In the same line, between June 2016 and June 2017, the number of ATMs increased by 6 percent from 398 to 405 while the number of POS devices increased by 19 percent from 1,707 to 2,030 due to increased demand from merchants like new hotels and petrol stations. The number of debit cards increased by 28 percent from 682,184 in June 2016 to 872,476 in June 2017

Evolution of Payment Access Points and Cards

	Jun-2010	**Jun-2011**	**Jun-2012**	**Jun-2013**	**Jun-2014**	**Jun-2015**	**Jun-2016**	**Jun-17**
Number of ATMs	**84**	**167**	**232**	**323**	**343**	**361**	**398**	**405**
Number POS terminals	99	298	385	797	1,057	1,339	1,707	2,031
Number of debit cards	**41,377**	**208,767**	**320,565**	**440,875**	**532,157**	**654,349**	**682,184**	**872,476**
Number of credit cards	172	526	542	1,179	1,561	3,675	3,201	3,531

Source: BNR (2017) Monetary Policy and Financial Stability Statement, 2017

Achievements

Highlights of the Rwanda Retail Payment Landscape in 2008 - 2015

2008	2015
There were various regulations that impacted the payment system, but there was no specific legislation regulating the payment system itself. Existing legislations included: *the NBR Law; Banking Law; Cheque Decree of 1951; Promissory Note "Letter de Change" law; Anti Money Laundering Law; 1989 Clearing House Rules and Regulations that provide for the clearing and settlement of cheques, credit transfers, and other types of payment instruments based on paper documents.*[2]	The legal framework for the Rwandan national payment system is fairly comprehensive with the following laws and policies in place: *2009 Law governing Negotiable Instruments; 2009 Prime Minister's Order Establishing the National Payment System Council (updated 2015) 2010 Payment System Law; 2010 Regulation on the Licensing Criteria of Operating Payment and Securities Settlement System; 2010 Regulation on Oversight of Payment Systems and the Activities of PSPs; 2010 Regulation on Electronic Fund Transfers and Electronic Money; 2010 Law relating to Electronic Messages, Electronic Signatures and Electronic Transactions; 2012 BNR Regulation governing Payment System Providers; 2013 Regulation on Cheque Truncation,* which enables electronic cheque presentment, truncation, and imaging
Participants in the payment system included seven commercial banks, one development bank, and one housing bank	Participants (both direct and indirect) in the payment system include 11 commercial banks, Rwanda Development Bank (formed by the merger of the development bank and the housing bank), three mobile network operators (MNOs), all four microfinance banks, and a cooperative bank
Cash was the predominant payment instrument	Cash is still the predominant payment instrument, but uptake of e-payments has grown rapidly and now constitutes approximately 20% of the country's GDP
All interbank payment systems (clearing and settlement) were semi-manually processed in paper form and the settlement of clearing house balances were posted in the National Bank of Rwanda (BNR) accounting system	The Rwanda Integrated Payment Processing System (RIPPS) includes the Automated Transfer System (ATS) and Central Securities Depositories (CSD); the ATS is comprised of the RTGS and ACH
SIMTEL Switch (now RSwitch) offered card-based services through Automated Teller Machines (ATMs)	Visa and RSwitch offer card-based services through both ATMs and point of sale (POS) for their member banks; eight commercial banks

[2] BNR National Payment System Framework and Strategy 2015

2008	2015
	acquire Visa and RSwitch cards
There were 23 ATM machines in the country; penetration was 1 ATM per 400,000 inhabitants	There are over 343 ATMs, representing 6.6 ATMs per 100,000 adults
There were 120 POS devices, of which only 20 were active; penetration was 1 POS per 75,000 inhabitants	There are over 1,000 POS devices, representing 21.7 POS per 100,000 adults

Source: BNR (2016), National Payment System Framework and Strategy: Vision 2020

VI. CAPITAL MARKETS

Capital markets have a key role to play in supporting Rwanda's economic development. In EDPRS2 Government of Rwanda set out its priorities for achieving the goals of its Vision 2020 program. These priorities are rapid economic growth to middle income status; increased Moving towards a Poverty Free Rwanda; more off-farm jobs and more urbanization; reduced external dependency; and the private sector as an engine growth. The capital markets act as an enabler of these goals stimulating and supporting growth in the private sector, attracting foreign investment inflows, creating employment in the service sector and enabling savings across the economy to be employed productively.

For the private sector to be an engine of growth it needs well-managed entrepreneurial businesses, whether agricultural or non-agricultural, as well as the finance to support their growth. The foundation of Capital markets is strengthening the financial management and governance of businesses. This will make them more effective so that they contribute to stronger economic growth and increased employment. This will benefit the banks that lend to them and will enable them to access the capital markets for funding. Without such a foundation, progress is unlikely.

In 2011, the Capital Market Authority was established and Rwanda Stock Exchange is vibrant in terms of operation and listings. The following achievements were registered in debt and equity market. Since 2014, the government of Rwanda, through the National Bank of Rwanda, has been issuing Treasury Bonds on quarterly basis to avail the products on the market and drive the development of the capital market.

In all the past issuances, increased participation of institutional and retail investors has been noticed. The share of institutional investors increased from 18.8 percent by December 2013 to 58.9 percent end June 2017 and the share of retail investors increased to 4.2 percent end June 2017 from 0.1 percent in December 2013. On other hand, the share of banks' investments in government bonds declined from 81.2 percent end December 2013 to 37.0 percent end June 2017. This shows the increase in saving opportunities offered by the capital markets and the growing awareness of the T-Bonds market in particular and capital markets in general.

T-Bonds Outstanding 2013-June 2017 (FRW billion)

YEAR	BANKS	IN PERCENT	INSTITUTIONAL INVESTORS	IN PERCENT	RETAIL INVESTORS	IN PERCENT	TOTAL
2013	6.9	81.2	1.6	18.8	0.0	0.1	8.5
2014	24.3	50.1	23.4	48.3	0.8	1.6	48.5
2015	46.2	46.2	51.5	51.5	2.3	2.3	100.0
2016	60.9	39.9	86.5	56.7	5.1	3.3	152.5
Jun-17	59.0	37.0	94.3	58.9	6.8	4.2	160.0

Source; BNR (2017) Monetary Policy and Financial Stability Statement, 2017

Over the last 4years, the secondary market performed well and transactions registered a remarkable improvement. The value of deals transacted on RSE increased by 581 percent, from FRW 521 million in first six months of 2016 to FRW 3.5 billion during the first six months of 2017. This increase was mainly attributed to the increased trade in government bonds on the secondary market, which rose by 637 percent during the first half of 2017 compared to the same period of 2016.

Outstanding Bonds traded on secondary market as of 30th June 2016

Security	Maturity	Tenor	Face value	Coupon Rate (%)	YTM (%)
FXD1/2014/3yrs	24/02/2017	3years	Frw 12.5 billion	11.475 fixed	11.625
FXD2/2011/5yrs	30/09/2016	5years	Frw 2.5 billion	11.25 fixed	11.15
FXD 3/2014/5yrs	23/08/2019	5years	Frw 15 billion	11.875 fixed	12
FXD4/2014/7yrs	19/11/2021	7years	Frw 15billion	12.475 fixed	12.5
FXD1/2015/3yrs	23/02/2018	3years	Frw 15billion	11.55 fixed	11.7
FXD2/2015/10yrs	16/05/2025	10years	Frw 15billion	12.925 fixed	13
FXD3/2015/5YR	21/08/2020	5years	Frw 15 billion	11.95fixed	11.95
FXD 4/2015/3YR	23/11/2018	3years	Frw 15 billion	11.8fixed	11.8
FXD 1/2016/5YR	19/02/2021	5years	Frw 15 billion	12fixed	12
FXD 2/2016/15YR	09/05/2031	15years	Frw 10 billion	13.5fixed	13.5

Source; BNR (2017) Monetary Policy and Financial Stability Statement, 2017

On the equity market, the increase was mainly due to the government's sale of its stake in, Bank of Kigali, BRALIRWA and I&M Bank to the public. The objective of the offer was to allow the Government to implement its divesture plan and to develop the Capital Market in Rwanda by continuously giving investors an opportunity to participate in the success of the leading corporates in Rwanda.

Trading activities on the RSE (FRW million)

		2013	**2014**	**2015**	**2016**	**Jan-Jun-16**	**Jan-Jun-17**	**Percent change**
Volume traded	Bonds	108.4 -	2,375.1 1,055.4	1,021.1 884.9	1,729.0 1,633.5	520.6	3,546.5	581
						470.7	3,467.1	637
	Equities	108.4	1,319.6	136.2	95.5	49.9	79.4	59
Turnovers		**53,982.1**	**46,312.6**	**38,547.7**	**17,115.3**	**9,000.4**	**15,770.6**	**75**
	Bonds	-	1,089.7	913.5	1,710.5	514.5	3,551.5	590
	Equities	53,982.1	45,222.9	37,634.2	15,404.8	8,485.9	12,219.1	44
Number of deals		**1,738.0**	**1,542.0**	**968.0**	**991.0**	**438.0**	**518.0**	**18**
	Bonds	-	13.0	30.0	99.0	33.0	88.0	167
Market cap	Equities	1,738.0 1,372.7	1,529.0 1,339.5	938.0 2,820.4	892.0 2,748.0	405.0	430.0	6
						2,808.4	2,745.9	-2

Source: BNR, Financial Market Department

IV. OPPORTUNITIES FOR INTERNATIONAL FINANCIAL CENTRE

The financial sector development has set a stage for Rwanda becoming an international financial center. Considering Rwanda being not gifted with natural resources and its export base is still low. It is imperative to diversify the economy considering the existing opportunities for Rwanda to success as an international service hub and to attract users of financial hubs; there is political and economic stability.

The authorities have initiated a series of institutional changes- ranging from modernized payment systems, capital market, financial sector intermediation and consolidation, investment promotion, commercial courts, regular flight connections and several legal, regulatory and administrative actions have been improved that are favorable to make Rwanda a financial hub. However, further improvement is needed to meet Rwanda's international ambitions in the financial field since international service center cannot be achievable with a fairly developed infrastructure, state of art internet services and digital technology are of critical importance to users of financial centres, enactment or revision of the existing legal and tax framework and offshore financial centres typical need to have a pool of human resources with particular skills in finance, accountancy and law.

International financial Centre – Definition and common features

An International Financial Centre is a jurisdiction which provides a range of professional and business services to international clients in different sectors normally outside of their jurisdiction. Below are the common features of IFC:

- **Products and services** offered by the Centre – developed financial services and other support/ancillary services demanded by industry

- Favorable and **competitive tax policies** designed to attract non-resident investors and High Net Worth Individuals as well as support service providers needed by the players in the Centre.

- **Legislation** – suite of legislations which provides relevant International standards in relation to doing business in the Centre, countering financial crime including: Anti-money laundering, financing of terrorism,

- **Structure** –full suite of corporate structures with modern world class Company Law, Trust Law, Foundations, funds, banks, Insurance companies, accounting and Legal Laws. Businesses and financial institutions developed financial and services products demanded by industry.

- **Regulatory framework:** The regulator must be equipped with skilled and experienced personnel and have financial resources to effectively oversee, regulate, investigate and enforce the laws. The regulator must be a member of various global bodies Organisation for Economic Co-operation and Development (OECD), International Organization of Securities Commissions (IOSCO), etc... And sign MoUs with other regulators on mutual cooperation. Normally, players in the Centres have rights to privacy of their businesses and this privacy must be assured by the institutions that are in charge of overseeing the businesses in the Centre. However, it is highly recommended for the regulator to create a register of beneficial ownership in order to have all necessary information on institutions and business that are using the Centre and exchange this information with other regulatory bodies in other jurisdictions if this is requested.

- **Highly competent and professional workforce** – attract entrepreneurs and professional's workforce from around the world and identify specific areas to focus on for capacity building. Cooperation among jurisdictions in education and manpower skills development have been identified as a key strategy to build professional skills in the financial services industry.

- **Market Access** – It was observed that different financial services Centres, normally they target a certain geographical region for a big part of the investments they do (e.g. Mauritius-India & Africa, Morocco-North & West Africa, Malaysia-south east Asia, Cayman-USA, Singapore –Asia, Jersey –UK and EU).

- **Government commitment -** in order for an international financial Centre to successfully achieve its mandates, it must be strongly supported by the Government. In this regard, Governments delegate the oversight of the financial services Centre to one single Ministry that coordinates the activities of the Centre.

Why establish IFC in Rwanda? – expected benefits

- Direct new well-paying jobs created in a range of professional services e.g. banking, fund management, Trusts, insurance services, legal, administration of foundations, family office management, etc.

- Indirect new jobs created in related support/ancillary services e.g marketing, accounting, Human Resources, auditors, travel agency, hospitality, etc.

- Raising tax and revenue to Government of Rwanda (corporate income tax, licensing fees…). Therefore, Raising Rwanda's competitiveness and a new dynamic sector which will contribute significantly to GDP delivering on Vision 2020 and 2050 targets.

CHAPTER 3: STRATEGIC FRAMEWORK

3.1: Conceptual Approach for the Financial Sector Development

The overarching vision of the GOR for this sector is to develop a stable and sound financial system that is sufficiently deep and broad, capable of efficiently mobilizing and allocating resources to address the development needs of the Rwandan economy and eradication of poverty. This provides a strong ground for the contribution of the financial sector to the objectives of the Vision 2020, Vision 2050 and NST1 ensuring that Rwanda attains the status of a low middle-income country by the year 2020, upper middle income by 2035 and higher income by 2050 through economic transformation.

Rwanda's goals and objectives of socio-economic and governance transformation for the next 7 years cannot be achieved without a sound and well developed financial sector. In order to face the current challenges of globalization, it's obvious that a financial sector with inadequate capital and liquidity or weaknesses in prudential oversight needs to be strengthened to effectively intermediate savings to support investment for economic growth. The absence of effective Public policy decision making, strong institutional framework and key foundational issues like the legal and regulatory framework, prudential standards, effective supervision, and market conduct and consumer protection would certainly undermine the financial sectors' direct and indirect contribution to achieving the country's goals.

Rwanda's desire to make Kigali an International Financial Services hub through the provision of sophisticated services that have an international dimension is another key driver for this strategy. The Financial sector's contribution to this goal will be critical in helping provide the finances needed to transform Rwanda into a modern and green economy.

3.2 Vision and Mission of the Financial Sector

The overdriving goal of financial sector continues unchanged. The vision of the financial sector is to:

"**Develop a stable and sound financial sector that is sufficiently deep and broad, capable of efficiently mobilising and allocating resources to address the development financing needs for transformation and prosperity".**

This provides a foundation for the contribution of the financial sector as key driver to achieve developmental aspirations. The objective of NST 1 and vision 2050 is to fuel economic transformation. A stable, sound, well diversified and competitive financial sector is vital for the long-term economic growth and economic transformation process. In order to achieve this vision, the sector working group should work to unlock the existing constraints that will drive innovation and diversification in the financial sector. Thus the FSSP is structured around the following targets of NST 1

- Economic growth 11.4% to transform the economy towards a country that is free of poverty
- Increase in gross/private savings from 18% in 2017 to 30% in 2024
- Increase in private sector credit/GDP ratio from 21% in 2017 to 40% in 2024
- Increase in modern electronic payment transactions from 26.9% in 2017 to 80% in 2024
- Increase in financial inclusion from 89% in 2016 to 100% in 2024

The financial sector shall be the main driver of investment from 21.6% to 30% as a percentage of GDP which requires savings moving from 12.2% to 20% as a percentage of GDP to match these investments. However, the financial sector shall not achieve these targets alone without the involvement of other sectors for instance the Private Sector Development and the other sectors in the economic cluster. The financial sector shall ensure that coordination is given priority in order to achieve the high level targets stipulated below.

3.3: Financial Sector Priorities

The Financial sector entails a number of interventions designed to unlock the binding constraints to investment and growth in the country. This will enable economic transformation to take the economy to another level of prosperity. Furthermore, this growth and transformation will be stronger if more people particularly the lower levels of the population can contribute and benefit from it.

Considering the emerging economic development needs and key challenges, FSSP has prioritized the following as the most crucial sector priorities that the Government needs to embark on in the next six years:

- Mobilization of savings (*short, medium & long-term)* for Private Sector Financing and Investment
- Private Sector financing
- Financial inclusion- Improve uptake and usage of financial services
- Position Rwanda as a cashless economy
- Establishing and maintaining Rwanda as International Financial Service Center

In order for the financial sector to achieve these priorities, the sector will be guided by the following principles:

a) Innovation and new approaches

The sector will continue to promote new ways of thinking of making Rwanda inclusive via technology advancement to effectively engage consumers; the financial sector has highlighted its aspirations of inclusiveness via meeting financial needs across all segments especially using appropriate technological platforms in branchless banking mobile money transfers, internet banking , expansion of VISA usage ,agent banking that shall open new forms of delivery channels that are less costly to low income households shall be promoted. Furthermore, BNR shall ensure that an appropriate regulatory framework is in place to promote new innovations especially through interoperability where operators can be able to transfer funds to accounts on other services providers' networks and to bank accounts

The modernized payment system is another innovation, but it possesses high risk of fraud, money laundering and proliferation of toxic assets. To address this threat, BNR together with the Rwanda Banking Association shall continue to educate people through awareness campaigns on how to prevent and detect money laundering and proliferation of toxic assets.

Within the capital market and RSE, a ten-year Capital market master plan shall focus on training of counter clerks and risk managers on advanced technologies that are emerging and shaping the capital market infrastructure

b) Inclusiveness and Engagement

To address the current challenges and achieve sector outcomes over the next six years requires that all financial sector stakeholders own the process especially understanding their key roles and responsibilities for their relevant specific policy actions that shall be pursued. The Financial Sector Development Directorate will ensure effective coordination of the sector through wide involvement of sector stakeholders in the current institutionalised reporting and monitoring frameworks. Still, cross-cutting areas consultations will be vital to draw out synergies and duplication of activities. These sectors are; Private sector development and Youth employment, agriculture sector, Macro and financial sector and districts. Furthermore, reporting financial sector targets will be inclusive of all concerned stakeholders.

c) District-led Development

The financial sector shall coordinate with districts during the implementation of the strategy. The financial sector policy actions which need district's attention are the consolidation and strengthening of Umurenge SACCOs, rural access to finance through Village Saving and Loan Associations. The principle required to be pursued by the financial sector shall be consultation, coordination and ownership with and by districts.

d) Sustainability

In the strategy there are several policy actions proposed to ensure sustainability of the sector for instance institutional and skills development, the financing gap is highlighted that will be the benchmark to mobilize additional resources for sustainability. The sector wide approach mechanism is proposed as a means to manage the available resources and also mobilization of additional funds to achieve the strategy.

3.4 Strategies for Achieving Outcomes

3.4 .1 Priority Area 1: Mobilization of savings (short, medium & long-term) for Private Sector Financing and Investment

Rationale

For Rwanda to achieve its ambitious development plan for economic transformation, the economy needs to grow at 11.4% per annum. The achievement of such performance requires high levels of investment of more than 30% of GDP and for this to be realized the country needs to target a saving rate of more than 20% as a minimum and mobilize external savings as well. Apart from the investments generated though financing from the banking sector, Rwanda shall promote and strengthen the capacity of financial markets to mobilize additional savings through the issue of government and corporate bonds, strengthen market infrastructure most importantly Rwanda Stock Exchange for capital market development and expansion of insurance industry to support the expansion of investments in future.

1. **Strengthen the Capacity of Financial Markets to Mobilize Savings**

The prime purpose of the Government bond market policy actions is to build the government yield curve to serve as a pricing base for the market, to broaden the investor base and to promote the private sector.

Strategic actions

- MINECOFIN and the National Bank of Rwanda shall continue to strengthen the Government yield curve guided by well-established principles and approaches. The resumption of its borrowing program to issue benchmark securities with tenures on a regular basis of 3.5 followed by the introduction of 7 year bonds supported by building the government yield curve to serve as a pricing base for the market
- Bond market development shall require the publication of indicative quarterly bond auction dates for the coming year for the 3.5 and 7 year auctions.
- Asset managers to be encouraged to award mandates for sub-portfolios to external managers and where possible pre-announce a program of requiring fund managers to be based in Rwanda.
- Define a mandate for investment in foreign securities and appoint an external manager
- Work at EAC level to liberalize inward and outward investment flows
- Amend foreign currency mismatch limits to reflect hedged positions when FX hedging becomes possible
- BNR to review the prudential regulation of pension funds and life insurance companies to ensure that regulation does not inappropriately inhibit their investment in long-term capital market instruments.
- Develop guidelines restricting offers to those backed by venture capital, angel or private equity who can afford to take the risks

2. The Need to Increase listings

An increased supply of listed companies depends on the availability of companies that are suitable for issuing securities on public markets, understand the benefits of doing so and have a need for external finance. The role of RSE is to participate in the campaign to ensure they understand the benefits of doing so. RSE will therefore participate alongside CMA and RDB in targeting companies that are eligible to list on the stock exchange and help them understand the benefits and guide them through the process.

Strategic Actions

- Complete the legal framework and regulation consistent with IOSCO
- Work to develop a group of appropriately-qualified corporate advisors and then work with them to promote the SME market as a source of capital for medium-sized companies.
- CMA and RSE in collaboration with MINECOFIN to provide necessary supporting infrastructure for regional trading through the establishment of guidelines for self-registrations, medium notes and private placements, develop a sustainability plan for the RSE including attracting additional local and cross-listings, taking into account the challenges of EAC market integration.
- Operationalize an investor compensation fund that will aim at providing more security and comfort for investors, particularly in dealing with new branches of foreign brokerage firms in Rwanda and electronic trading. Thus, MINECOFIN and BNR shall coordinate the establishment of an investor compensation fund.
- Interconnectivity between Rwanda's securities depository and other depositories will be promoted to facilitate inter-listing of securities in anticipation of East African capital markets integration to facilitate bond issuance. These will be furthered by building market supervision skills, including staff interchange with more mature Rwandan citizens abroad shall be encouraged to purchase bonds through accounts with local brokerage.
- Target Private Equity firms to bring successful investments to the market.

3. Strengthen Insurance Industry to Increase Access

Rwanda aims to achieve high levels of investment that is 30% of GDP in the next six years supported by a target saving rate of 20% as a minimum and mobilize external savings. The implication is that Rwandans shall have generated investments that require a stable and efficient insurance industry that ensures protection of depositors and also maintains financial stability, regulation and supervision.

In order to address the above-mentioned challenges faced by the sector and enable the Government to achieve the above 2020 targets, the following policy actions will be pursued for the next six years:

Strategic Actions

- BNR to revise and enforce the Regulatory Framework on insurance to reflect the differences between short-term and long-term insurance businesses, and within short-term, the distinction between general insurance (fire theft, motor etc.) and health insurance. Reporting formats and risk-based supervision to be amended accordingly.
- Rwandan Mortality life tables. BNR, MINECOFIN to Construct Rwandan mortality life tables that shall foster development of life insurance and annuity products.
- Insurance companies and ASSAR to introduce annuity products that meet the requirements of private pension plans
- Government to undertake a bond issuance programme as capital bond market for capital development
- BNR to develop capacity to supervise annuity risk and management of life insurance companies
- MINECOFIN, Ministry of Agriculture and Insurance industry to set up more weather stations as well carry out additional studies on weather data to determine accurate premiums
- Awareness campaigns to the private sector dealing in the extensive and costly agriculture products for exports to insure against crop/weather risks or related products
- In order to promote banks micro loans, BNR, Insurance industry and ASSAR shall promote credit life insurance products and create awareness on the benefits of credit life insurance.
- Mandatory Insurance. From the discussions held with Insurance stakeholders there is need to make certain categories of insurance mandatory in order to increase the number of insured products and persons. The area of interest is to do with the promotion of mandatory insurance for Government institutions, hospitals, schools against fire outbreak.

4. Promoting Universal Access to long-term Saving Schemes (LTSS/Ejo Heza)

Under the NST 1, the Financial Sector will play critical role in economic transformation through mobilizing and channeling of savings to accelerate investment particularly sensitizing the population to subscribe to a long-term savings scheme. In this aspect, Government is targeting 700, 000 people to subscribe to a long-term savings schemes by 2024.

3.4.2: Priority Area 2: Private Sector financing

Rationale

The major obstacle that limits access to finance to the private sector is lack of collateral (formalized land titles and property). Collateral is requirement in form of security needed by banks to cover against lending risks. In order to address this challenge strategies and policy actions will be pursed to increase credit to the private sector that shall result in banks and MFIs continuing to provide financing to small and medium enterprises that shall result in increased production of micro and small businesses in agro- based activities, services, equipment and informal sector promotion which in turn will spur savings and investment.

During EDPRS II, the Government established Credit Guarantee Schemes under the management of the Central bank of Rwanda and these were; 1) Agriculture Guarantee Fund, 2) SME Guarantee Fund; 3) The Retrenched Civil Servants Guarantee Fund 4) The Women Guarantee Fund and 5) The Rural Investment Facility. However, the Government of Rwanda consolidated these guarantee funds into a Business Development Fund aimed at improved access to financing to the private sector and rural development.

This was primarily intended to minimize the risk for banks while assessing loan applications from SMEs and cooperatives / associations, increased loan size, extended maturity period deepened financial products including private equity and quasi-equity instruments. In order to increase Access to Finance to the private sector the following strategies and policy actions shall be pursued:

Increasing SMEs Finance

Strategic actions

- Improve governance of BDF Ltd through restructuring, risk management and capacity building to facilitate SMEs access loans from financial institutions. It is also anticipated that BDF will have a sense of ownership as a possible means to eliminate competition from BRD as banks will be interested in using the Guarantee facility.
- BDF to broaden its product offerings to include guarantees for i) housing finance loans; ii) coffee and tea production loans; and iii) export financing relating to customers for whom banks would not otherwise take full risk exposure on.
- BDF to play financial facilitation role to provide free advice to small enterprises on finance and loans in assessing and diagnose the health of their enterprise, understand financing options, and come up with high quality loan applications
- BDF to create awareness and encourage SMEs to finance their business/ projects through Venture Capital Funds through financing from Capital Market by the use of debt securities or equity financing. However, for this initiative to be achieved SMEs will have to address the current weaknesses in the status of ownership, governance, incorporation, and financial management and reporting
- MINECOFIN to continue to emphasise AMIR's role in advocacy and co-coordination and research and development while de-emphasising direct capacity building

1. **Strengthen BRD and Commercial Banks` role in Mortgage Finance**

According to Rwanda Urban and Housing Policy, the target for Vision 2020 is to ensure that 35% of the population will live in planned cities with access to basic infrastructure necessary to ensure sustainable development, as the concentration of the urban population in the capital is estimated at 44% of the urban population in Rwanda. The policy further states that on the basis of the urban growth, the annual housing requirement in Kigali is estimated at between 8,500 and 10, 000 units while annual need for the rest of the urban centers is estimated at 15, 000 units. To meet these urbanization investments, the financial sector will play a critical role in mortgage financing through bank and non-banking institutions. Currently, urban planning is essential for the expanding population in Kigali City thus policymakers need to devise policies that target the construction of middle sized skyscrapers.

The policy actions focus on commercially viable housing finance that shall be complemented by other policy initiatives to more specifically target affordable and subsidized housing.

Strategic Actions

- BRD to significantly expand its mortgage lending, through its planned housing strategy focused on mid-income housing. Inclusive of a strategy for raising the long-term local currency necessary to implement is the promotion and subsequent passage of the CMA asset-backed security regulation.
- BRD to continue its attempt to find additional non-governmental investors with similar objectives to reduce the government' share to less than 50 percent, which may provide access to additional sources of long term funds.
- Establish a BDF guarantee scheme for affordable housing loans with the support of RSSB through access to long term funds.
- BRD to provide housing loan products for SACCOs cooperative members based on peer group guarantees as well as traditional collateral.
- RSSB to identify opportunities to invest in commercially viable affordable housing; designing a developer scheme for low cost housing, conducting a housing microfinance study with a view to developing an affordable housing finance project, an incremental financing component, and a supporting fund targeted at commercial lenders.
- Subsidized lending supported by government and donors will be necessary to more directly contribute to meeting the urgent and growing demand for the bulk of affordable housing
- BRD to prepare national strategy and policy for financing affordable housing which will focus primarily on non-commercial sources and will build on a recent EU housing market study.

2. Increase Agriculture Financing

The major challenge is that rural farmers are faced with lack of financing to support their businesses including long term investment financing in agro-processors in the rural areas. The agriculture sector is also faced with high collateral associated with banking loans due to lack of insurance products that target commercially viable products. The financial sector shall play a critical role facilitating them to access finance.

Strategic actions

- BNR to report outstanding loans and new loans by subsector on a quarterly basis to better capture seasonality and should publish the agricultural lending breakdown by subcategory which is already reported to them by the banks.
- MINECOFIN in collaboration with MINAGRI to pursue actions related to agriculture lending as follows: i) enacting a Warehouse Receipts Act and Regulations; ii) conducting a rural and agricultural services cost study designed to guide MINAGRI

interventions relating to financing associated with specific crops; and iii) Target agricultural production cooperatives in financial education/literacy iv) Develop index-based crop yield insurance tracking system to facilitate eventual rural crop insurance

- MINICOM to Facilitate commercial bank lending programs for financing new coffee production including BDF guarantees.
- Expand the capacity of export guarantee facility to support small borrowers who do not have access to bank LCs and financing.
- Facilitation of private sector to access finance and services to increase domestic production for exports.
- Build on established programs and other technical assistance to improve SME management and creditworthiness.
- There is need of strategies for insuring agricultural activity or crop insurance
- There is need of strategies for availing appropriate loans and appropriate guaranties to farmers through agriculture bank and/or contracting farming with agro processing companies.

3. Promotion of Leasing Finance

Promotion of Micro Savings and Micro Leasing: Micro finance creates new financing opportunities for businesses in the country which in turn promotes micro leasing as an alternative financing mechanism. MINECOFIN and BNR will promote local intermediation of funds or local savings deposits that will be the most effective funding strategy for micro banks as well as critical tool for historically unbanked populations. Therefore, commercial banks and Rwanda development bank will expand micro leasing products to the rural areas as a means of helping micro business entrepreneurs make use of equipment without having to commit to purchase it. Micro leasing of assets like buildings and machinery and equipment, sewing machines, computers and accessories, agriculture products like fertilizers.

4. Increase Access to Finance and saving mobilisation through Strengthening the Umurenge SACCO Program

The recent established Umurenge SACCOs have contributed substantially to the objectives of increasing financial inclusion, saving mobilisation and supporting economic development especially at the grass root level. It is essential for SACCOs to achieve sustainability for the system to contribute substantially to national development. This will be supported by the consolidation of U-SACCOs into district SACCOs and ultimately a Cooperative Bank to maximise the contribution made so far and increase the capacity to provide loans.

3.4.3: Priority Area 3: Financial Inclusion- Improve Uptake and Usage of Financial Services

Rationale

During EDPRS II progress related to financial inclusion has positioned the country to reach the target of 90 percent by 2020 but there is much to be done as the 2016 Fin Scope Survey indicates that 11% of Rwandans are financially excluded. In recognition of the negative impact that financial exclusion can have on the economy, proposed strategies and concrete actions shall be undertaken to achieve priority 3 outcomes for the next six years.

Monitoring Financial Inclusion. The National Bank of Rwanda will ensure that all licensed financial institutions (including Umurenge SACCOs) and qualified semi-formal VSLA programs submit the required supply-side data on a quarterly basis. BNR will prepare a summary on the monitored indicators quarterly and submit it to MINECOFIN and MINALOC.

Creating Incentives to broaden and deepen Financial Inclusion. Utilise financial inclusion reports for discussion in Access to Finance Forums, and performance contracts for Umurenge SACCOs, to create incentives for financial institutions to increase focus on their contributions to broadening financial inclusion.

Broadening and Deepening Financial Literacy

National Financial Capability Baseline and Financial Literacy and Education Study: The national financial capability baseline and financial literacy and education study will continue to be funded by AFR. The objective of these studies will be used to; i) create a plan for implementing the strategy and monitoring implementation at the district and Umurenge level; ii) develop clear objectives, priorities, stakeholder roles, and key messages targeted at different consumer segments; and iv) establish a roadmap to achieve the objectives over the next six years. These studies will look into the following possible policy issues; i) Establishing a financial literacy unit/function in MINECOFIN and a task force composed of representatives of the most relevant financial institutions. Other actions include; i) Utilizing existing VSLA program trainers and content to train all new participants in four of the biggest programs ii) Utilizing existing AFF district committees, agricultural production cooperatives and RCA membership training to support delivery of literacy strategy programs.

Promoting Products for Financial Inclusion: New IT technology innovations like mobile money transfers (MMT), mobile and internet banking and agent banking are causing a significant transformation in the financial services payments and international remittance industries. The mobile phone is changing how customers conduct their financial activities leading to an extended reach and increased operational efficiency among financial service providers in emerging markets.

Over the next six years, overall strategy will be to encourage financial and non- financial institutions to provide a broader range of low cost financial services to households beyond the reach of branch networks. This will include mobile money transfers (MMT), mobile and internet banking, agent banking, and micro insurance.

Branchless Banking: The National Bank of Rwanda in collaboration with commercial banks will promote branchless banking to ensure the expansion of delivery mechanisms that are of low cost and more relevant to low income households. It is imperative to design new financial products and services that are suited to the needs of customers and these include both mobile phone based systems, internet banking and systems where information and communication technologies such as point of sale device networks will be used to transmit transactions among service provides, the retail agents and customers.

Mobile Money Transfers: The use of MMT for transactions between individuals and businesses will be encouraged as it provides a cheap, safe and convenient method of making payments. To facilitate this, BNR shall ensure that different categories of MMT subscribers will be introduced, distinguishing between individual and corporate/business customers. These will be distinguished by different due diligence requirements on account opening, and higher transaction and account balance limits for corporate subscribers, effectively adopting a risk-based approach for customer due diligence. MMT service providers will also be encouraged to provide cross-border remittances as well as domestic transfers, subject to the introduction of suitable risk mitigation procedures

The license imposes a cap on the value of transfers that may be made by individual subscribers, with lower limits for domestic transactions than for international transactions. In order to support innovation, the transfer limits will be changed by harmonizing the domestic and international transfer caps, effectively increasing the limit on domestic transactions.

Agent Networks: The number of agents' growth depends on access to cash in and cash out. Over the next six years, the number of agents needs to be expanded further from 2,734 as of June, 2012 in order to provide reliable and functional MMT system with outreach that encompasses the majority of the population. This will be enforced by BNR to ensure that service providers develop a programme for the implementation of the interoperability requirements, including introducing the ability to transfer funds to accounts on other service providers' networks and to bank accounts.

Trust/Escrow Accounts BNR regulations require that MMT operators maintain an escrow account at a licensed bank. This is a separate bank account segregated from a payment service provider's own funds, in which the payment service provider is required to deposit all funds collected for clients. In the absence of a Trust Law in Rwanda this segregation is unlikely to be effective in the event of an MMT provider experiencing financial problems.

Protecting Consumers and Maintaining Financial Stability: To increase consumer confidence and provide protection in the unlikely event of institution failures, introduction of deposit insurance and an investor compensation fund are planned for the near term, and the BNR will consult with stakeholders on introduction of an insurance policy-holder compensation fund.

BNR shall ensure that the regulatory framework will be updated with revisions to the banking legislation and prudential standards, and the central bank law. The separation of life and non-life insurance mandated in 2009 will be completed, with the regulation revised to fully reflect this separation. The Microfinance Act will also be revised.

Formalized arrangements for crisis management will be put in place, including the development of contingency plans to deal with the possible failure of a financial institution and more wide-spread financial sector turmoil. The BNR will implement a core training curriculum to enhance its oversight capacity.

3.4.4: Priority Area 4: Position Rwanda as a Cashless Economy

Rationale

The Government's objective was to scale up the percentage of payment transactions done electronically. This will foster Rwanda's economic growth and development prospects and facilitate competition with EAC, minimize systemic risk for the financial sector, stability of its currency and citizen's confidence in the financial system. The proposed strategies and concrete actions shall be undertaken to achieve priority 3 outcomes for the next six years.

Strategic Actions

Implement the National Payment System Strategy
The National Payment Systems Vision and Strategy is aimed at bringing together all stakeholders in the consideration of national payment system development in Rwanda, these need to be further strengthened and clearly defined. The refinements need to be focused on effective policy design and BNR oversight function with increasing the demand of additions to the systems.

The organizational structure of the BNR's payment system department should be strengthened with the separation of policy and oversight functions. The separation should be divided into; an Oversight Unit that will focus on behaviour and compliance of operators, a Policy and Strategy Unit mandated with defining general policy and strengthening the clearing process and the Operations Unit focusing on daily operational issues.

Among others the oversight function is vital to ensure that emerging risks are monitored and managed and these will entail an expansion of skills and the number of staff at the BNR engaged in oversight activities, so as to ensure that all relevant activities are covered. It will also be important to develop co-operative relationships with other supervisory entities, both within the BNR and in other countries, and to maintain an ongoing consultative relationship with all relevant stakeholders.

The strategy is to work together with a wide range of stakeholders in the area of retail payments to promote an intensive use of efficient payment instruments and mandate the creation of a switch working group.

Broaden the Rwanda Integrated Payment Processing Systems (RIPPS)

The main objectives with respect to RIPPS in the coming years will be to encourage further transition towards electronic payments; to ensure that adequate arrangements are in place to manage the liquidity requirements of participants in the RTGS; to broaden participation in the RIPPS; and to further integrate into the EAC payment system.

Increase access by different types of financial institutions Automated Transfer System

Concerted efforts are still needed to encourage extensive use of electronic funds transfers in the automated clearing house (ACH). Over the next six years more efforts will be directed towards improving the efficiency of the cheque clearing system while accommodating the move towards electronic payments, and broadening access by different types of financial institutions.

The BNR is implementing a cheque automation and modernization plan, involving the introduction of machine-readable cheques. Standards for these cheques (based on magnetic image character recognition), have been agreed between the banks and the BNR. The banks will invest in new (machine readable) cheques and processing machinery for cheque reading, imaging and truncation. Banks will be required to meet the new cheque standards and introduce cheque reading equipment. The BNR still encourages the public to move away from cheques, while banks' pricing strategies continue to provide an incentive for the public to move away from cheques to electronic payments.

The BNR will consider alternative means of providing MFIs and SACCOs with access to the ACH. This could be through tiered membership of the RIPPS, which would allow selected MFIs and SACCO's access to the ACH under strict conditions. The conditions for accommodating such tier-2 membership of the RIPPS would need to be developed. Not all SACCOs/MFIs would be eligible – access will be restricted to those that meet minimum volume requirements, are in good regulatory standing, and have access to the necessary technology and communications. If a decision is taken to combine Umurenge SACCOs into a smaller number of district SACCOs, then these district-level organizations would be more suitable as ACH participants. Such tier-2 membership would specifically exclude access to credit facilities at the central bank, which would continue to be available only to licensed banks.

An alternative approach would be to establish a central facility serving all MFIs and SACCOs, which would collect all EFT instructions and submit them to the ACH through a bank (as well as providing other services). This would provide access to the ACH for all MFIs/SACCOs and would be more manageable than multiple MFI/SACCO memberships of the ACH. This solution would be feasible if plans to establish a SACCO/MFI Management Information System come to fruition.

Improving the functioning of Security Settlement Systems

In regard to Securities Settlement Systems, the next six years will focus on improving the functioning of CSD and ensure users are aware of the range of functionality provided; an operational manual will be prepared, laying out rules and regulations for participants and providing guidance with respect to the features of the CSD. Training for CSD users will also be provided. Custodial services for international investors will be put in place by encouraging Rwandan institutions to develop links with international custodial services

There is need to embark on the regional integration of payment systems. The integration of the Rwanda CSD with other depositories in the EAC (Uganda, Tanzania, and most importantly Kenya) will facilitate dematerialization and inter-register transfers of dual-listed stocks. This will help improve the efficiency of trading of dual listed stocks on the RSE; will encourage further dual listings, and will help to make the RSE more attractive to foreign investors, who require stocks to be held on a CSD. Progress on implementing these linkages will depend not just on actions in Rwanda but also the necessary complementary actions by relevant entities in other EAC member states.

3.4.5: Priority Area 5: Rwanda an International Financial Service Centre

Rationale

The GoR will diversify the country's financial sector into the provision of international financial services to serve as a financial hub. The process of financial sector development will require the government to create the enabling environment, to promote Rwanda as an international financial center, and to provide the regulatory framework. It will also have to incentivize the private financial sector through exhortation or financial incentives to provide the institutions, mechanisms, markets, products and services which constitute a regional and international financial center. The Government of Rwanda is ambitious to transform Rwanda into an international financial service center. This Financial sector strategy provides just an overview of the International Service Centre for further detailed information, reference shall be made to recently concluded commissioned study; Strategy for creating a financial services center in Rwanda.

Key Drivers of International Financial Services

Drivers	Comments
ICT	Rwanda's Strong ICT base puts it a head of most African countries and will be an attraction to foreign firms and investors. In additional to that Rwanda was ranked by Global Technology report 2015 to be 1st Country in ICT Promotion Globally
Financial literacy	To be continued. It is the key to growing the domestic market for financial services and for developing a strong base for Rwandan financial sector skills
Human Resources	Currently a negative attribute, and one that needs addressing by first importing skills and improving facilities for long term expatriate staff, and secondly by developing strong financial education in Rwanda
International transport and other services	International transport: More direct flights are needed, for example to London. High quality lifestyle services for financial sector expatriates
Logistics and distribution services	The expansion of trade foreseen in MINICOM''s Logistics and Distribution Services: Strategy for Rwanda (October 2012) envisages considerable expansion of trade from and through Rwanda to neighbouring countries. This could increase demand for trade finance and insurance
Banking	Rapidly growing profits and existing offshore deposits from the DRC provide a platform for growth and the attraction of a major foreign bank
CIS	Private equity, pensions management to be developed in Rwanda and health insurance exported; back office insurance services to be exported; captive insurance to be developed
Capital Markets	Issues, listings and secondary market development of long term government bonds, mortgage bond, securitized mortgage bond, diaspora bond, privatisation issues. Develop trust business once the law is passed. The Regional Settlement and Central Depository System to attract securities investment into and through Rwanda
Microfinance	Develop and export microfinance training and capacity building, and micro-insurance, develop a cooperative bank

Source: Rwanda International Financial Service Centre Strategy, 2012

The proposed strategies and concrete actions shall be undertaken to achieve priority 4 outcomes for the next six years;

Strategies and policy actions:

Create an Enabling Environment for Financial Sector Centre

The process of financial sector development will require the government to create the enabling environment, to promote Rwanda as an international financial centre, and to provide the regulatory framework.

The establishment of Financial Service Centre requires the Government to take political decision on its tax framework. The strategy proposals tax adjustments to tax rates in comparison with the EAC's countries. The corporation tax rate in the Centre could be set at15%, but lower rates should be considered too. For example, a corporate rate between 10% and 12% would give a competitive edge over all jurisdictions not classed as tax havens

Furthermore, withholding tax on interest and dividends could be set much lower, at say 5% as it is in some EAC's countries' DTAs, or even as low as 2%. This would certainly make Rwanda an attractive location for securities based businesses such as trusts, private equity and other fund management companies. The Law on Trusts and fund management companies (including private equity funds) could be a catalyst for attracting funds from high net worth individuals as should low withholding tax on interest and dividends and no capital gains tax.

Rwanda does not have a capital gains tax, but capital gains *de facto* are taxed as income. It would be attractive to both domestic and international investors to legislate for capital gains to be tax free. This would ensure that Rwanda would be an attractive base for portfolio investments, private equity, pensions and other fund management

Establish Financial Services Commission at the Rwanda Development Board

Another policy direction that needs cabinet approval is the creation of the Financial Service Centre this may take some time due to resource constraint and the infancy of the centre however, on the start process will be made by strengthening the Services Development Department of the MINECOFIN by creating a Task Force which will be the embryo of the FSC.

3.5: Financial Sector Priorities for Districts

Rationale

Decentralization will play an important role in the implementation of strategy- especially ensuring increased access to finance to rural citizens. District authorities will mobilize their rural citizens to engage in productive income generating activities as a means to boost their tax base. The set-up of financial sector does not create an enormous opportunity for the district to directly engage in the implementation of financial sector activities unlike other social and economic sectors that exercise block or earmarked transfers to devolved programs that are implemented by district authorities. Therefore, the district' role to promote financial sector priorities shall only be limited to mobilization and sensitization of the rural citizens. However, most importantly district shall be enlisted during the implementation of the following policy actions:

SACCO - Nationwide Marketing and Public Relations Campaign
The GoR through the Ministry of Finance and Economic Planning anticipates continuing SACCOs campaign this time around by conducting a nationwide marketing and public relations campaign to sensitise Umurenge SACCO members concerning the benefits of District SACCO membership. It is envisaged that the district authorities shall to play an important role in the sensitization of the agenda.

Promote Access to Finance Forums to Deepen Financial inclusion authorities shall also engage in discussions during Access to Finance Forums and performance contracts for Umurenge SACCOs to create incentives for financial institutions to increase inclusion.

Village Savings and Loan Associations (VSLA): District authorities shall promote Village Savings and Loan Associations, the case study being the CARE Village Saving and loan Associations which has been exemplary, the group are self- selected, operate at the village level and able to obtain both savings and credit from banks and MFIs through associations. Institutionalize the reporting framework of VSLA operating at Umurenge level to districts MIS data. This will be coordinated by the district cooperative officer.

CHAPTER 4: IMPLEMENTATION OF THE STRATEGY

4.1 Institutional Framework

The Financial Sector will in no way achieve these outlined policies and strategies without continually interacting with the stakeholders these policies affect, or institutions that have an upper hand in the realization of the sector outcomes. The primary stakeholders are MINECOFIN, the National Bank of Rwanda, the Capital Market Authority, Rwanda Social Security Board, Rwanda Development Bank, and Insurance companies, MFIs, SACCOs and Commercial Banks. Other important stakeholders are other ministries and agencies particularly MINEDUC, MINICOM, RDB, Districts and Development Partners. The consultation and engagement of the private sector and its representative is crucial during the implementation of the financial sector strategy and should also be engaged to ensure that the strategy is addressing the desired outcome. The table below highlights the financial sector stakeholders.

Table 1: Financial Sector Stakeholders

Actors	Roles/ responsibilities
MINECOFIN-Financial Sector Development Directorate	• The mandate and mission of the Secretariat will be to ensure the Financial sector strategy is implemented accordingly to promote, develop and deepening the financial sector in Rwanda • To monitor, ensure and evaluate the implementation of the financial sector development program (FSDP) by all concerned institutions; • To develop, review and update the financial sector strategy and sub-sector strategies aiming at increasing access to financial services; • To develop/update, monitor and evaluate the implementation of the National Financial Literacy Strategy by all concerned institutions; • To propose new concepts and innovations for financial sector development and related laws;
National Bank of Rwanda	• National Bank of Rwanda will play a regulatory of basic legal frameworks and regulatory apparatus of the bank businesses • Continue to strengthen its framework for banking supervision. BNR will adopt at least annual on-site inspection for all banks • Oversight role for financial institutions notably banks, micro finance institutions, SACCO, insurance companies, social security institutions, collective investment schemes, and Rwanda Social Security Fund

Actors	Roles/ responsibilities
	• Provide MFIs and SACCOs with access to the ACH. This could be through tiered membership of the RIPPS, which would allow selected MFIs and SACCO's access to the ACH under strict conditions
Rwanda Social Security Board	• Mobilizing long-term financing through savings mobilization. • Increase access to long- term funds converting a significant portion of shorter-term bank deposits into longer-term bank deposits
Rwanda Development Bank (BRD)	• Direct Public Investment in agriculture and livestock, housing, infrastructure • Direct public-private investment through debt equity, other financial products • Advisory role in SME financing
Rwanda Development Board	• Financial Services Marketing • Private Equity and Venture capital development and other financial services Advocacy
Capital Market Authority	• Regulator of the Capital Market Transactions • Facilitate the trading of debt and equity securities and enable securities transactions through business operations done at the Rwanda Stock Exchange (RSE) • Enable the Rwandan economy to access long term capital that complements traditional sources that have been existent.
Commercial Banks	• Provide short and medium term loans to entrepreneurs to invest in new enterprises and adopt new methods of production. • Provide credit for development of agriculture and small scale industries in rural areas. • The provision of credit to housing sector • Financing micro leasing and rural micro credit
Insurance Industry	• Provision of Risk coverage for businesses and private sector • Prepare Mortality life tables • Train insurance intermediaries for instance brokers, agents, loss adjusters and technical staff in insurance professional courses • Prepare a development program to produce qualified Rwandan Actuaries
SACCOS	• Promote financial inclusiveness through mobilizing more savings and supporting economic development at the grassroots level
Development Partners	• Contribute to financial sector development through providing technical assistance in policy implementation • Mobilize external financing for the sector
Rwanda Cooperative Agency	• Oversight and policy governing Cooperatives and SACCOs • Train SACCOs, MFIs to acquire skills to manage expanding credit for small scale entrepreneurs
Association des assurers de Rwanda	• Mobilization and Advocacy • Adopt standards and programs for professional certifications based on existing regional and international programs in insurance

Actors	Roles/ responsibilities
	• Consultation in insurance industry • Provide training of insurance professional • Support development issues in the sector of the industry
RBA	• Mobilization and Advocacy • Adopt standards and programs for professional certifications based on existing regional and international programs in banking • Consultation in banking industry • Support development issues in the sector of the Banking sector
District	• Participate in District Access to Finance Forums • Review quarterly reports of Village Saving and Local Associations.

4.2 Risks and Mitigation

This part identifies the possible risk exposures and the minimum risk mitigation processes that will be addressed by the financial sector.

Table 23: Risks and Mitigation

Risk Areas	Possible Risk Exposure	Risk mitigation
	Financial system	
Financial system instability risks	Possibility collapse of an entire financial system or market imposed by inter-linkages and interdependence in a system or market	vigilant in its regular supervision of the financial system for any early warnings by BNR
	Investment	
Money Market	Short-term deposits in commercial banks are subject to credit risk, high interest rates.	Credit/CAMEL analysis to be undertaken on all banks and deposits are only made with those institutions on the approved list of eligible Banks
Equity Risks	Bank's or public entity will depreciate because of stock market dynamics (interest rates, currency, inflation etc), operational risks, political risks, etc.	Ensure wide diversification of markets as well as industries in addition to extensive financial analysis to ensure a good Understanding of the market and the company prior to investing.
Real Estate	Sales value may change because the demand may change from inception to the time the project is completed. Also, costs may also escalate during construction. There is also a risk that the buyer may	A very thorough business plan and analysis is undertaken to fully understand market condition and demand for properties as well as

Risk Areas	**Possible Risk Exposure**	**Risk mitigation**
	not be able to procure the necessary financing to close	Expected yields.
Private Equity/Joint Ventures	limited amount of transparency, access to information	The agreements to the joint venture should include a provision for the management to provide transparent and consistent financial reports
	Banks	
Credit Risk	A consumer does not make due on a mortgage loan, line of credit or other loans	Establish sound record and credit management policies

CHAPTER 5: MONITORING AND EVALUATION

Annual planning

The Financial Sector Strategy Plan implementation framework will serve to guide the formulation of annual Action Plan and the medium-term expenditure framework (MTEF). The annual plan will outline all the activities carried out by the financial sector secretariat and other pertinent institutions and agencies like the BNR, RSE, CMA to mention but a few. The annual drafted plans and budget should be informed by the strategy. The Financial Secretariat will lead the process of negotiation and consolidation to produce annual Action Plan and the MTEF which will have to be presented to the sector working group that involves development partners. The Secretariat needs to ensure coherence between the Financial Sector Strategy, MTEF and the annual planning and budgeting cycle to ensure alignment between resource allocation and strategic priorities.

Monitoring and Evaluation

The Ministry of Finance and Economic Planning (MINECOFIN) institutionalized the Annual Joint Review which is a systematic review process of sectors that links financial sector strategic planning to an annual basis within the Monitoring and Evaluation process. The Annual Joint Review builds on a joint budget and sectors review process.

Objectively, the annual systematic review aims for the financial sector secretariat to review their performance in terms of policy and planning, implementation, budget execution and progress against the agreed key indicators and targets.

The Financial Sector Working Group will be responsible for oversight of monitoring the set outcomes and outputs indicators and will lead the process of review to identify key priorities for the year ahead within the framework of the Financial Sector Strategy and informs policy development and work programs. A short and precise report showing performance against the core financial indicators of the Common Performance Assessment Framework is signed jointly by the Permanent Secretary and secretary to the treasury of the Ministry of Finance and Economic Planning and the Lead Donor (DFID) and sent to the National Development Planning and Research Department.

The Sector Working Group meetings are meant to monitor progress and are held every six months and in February of each year, a Joint Sector Review will be undertaken as stipulated in the Organic Budget Law and it is also expected that the Districts SACCOs will provide regular reports every six months on the achievements related to their role and outreach strategies set the

Strategy. Thus, SWG will consider whether new or reviewed policy actions need to be introduced to achieve the desired outcome.

Regarding internal evaluation of performance, the financial sector development directorate will conduct regular management meetings and when need be a specific task force set up to review and report on key priorities.

Performance Indicators

The expected sector outcomes and outputs will contribute to reaching the financial sector targets established in Vision 2020, Vision 2050, NST 1, and in turn contribute to achieving the boarder set of national goals and objectives. The annex below serves as a comprehensive monitoring framework for assessing progress in achieving the sector priorities in line with EDPRS 2. It indicates the relationship of sector thematic outcomes, sector priorities and sector outcome performance indicators.

The sector strategy sets out sector outcomes and indicators from which the sector policy makers and technocrats monitor progress of achievements of sector priorities. The annex provides the baseline situation for the year 2017, targets for the six-year period 2018-2024 and responsible partners to be held accountable in terms of implementation and reporting. This is particularly important to serve as the key performance indicators to be assessed as part of the annual joint sector review process.

Outcome 1: Improved Private Sector financing												
Output	**indicators**	**Base line**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Activities to deliver the output**	**Responsible institutions**	**Timeline**	**Budget**
Improved private financing	Total new authorized loans to the private sector	788.5	827.92	869.32	958.42	1056.65	1215.15	1397.42	Support BRD and BDF to continue lending to key sectors of the economy and provide business development assistance respectively	MINECOFIN, BRD, BDF, MINEDUC, BNR	2017-2018 (and +)	10,000,000,000
									Implement the new affordable Housing financing model			
									Develop new leasing products on the market targeting agriculture mining, TVET, transport, health and other key sectors.			
									Develop new leasing products on the market targeting agriculture mining, TVET, transport, health and other key sectors.			
									Implement the new capital markets Master Plan			
									Identify potential companies for privatization and bring them to capital market.	MINECOFIN, CMA, RSE, RDB	2017-2018 (and +)	
									Find companies ready or with the potential for public issues and deliver technical assistance to support them in preparing for market.			

Outcome 1: Improved Private Sector financing												
Output	**indicators**	**Base line**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Activities to deliver the output**	**Responsible institutions**	**Timeline**	**Budget**
									Co-ordinate provision of training on financial records, corporate governance and capital market finance for businesses.			
									Develop a business information exchange for venture capital, SMEs, and investors, with access to financial and legal resources.			
									Organize showcasing events for carefully vetted small businesses to attract investors.			
Output 1.2: Credit to Agriculture sector (primary farming and agro processing in agriculture, fisheries & livestock) as percentage of total loans (all sectors) increased	Credit to Agriculture sector (primary farming and agro processing)as percentage of total loans (all sectors)	1.6%	3%	7%	8%	9%	10%	11.5%	Develop an Agriculture financing scheme through an incentive based risk sharing facility where the agriculture value chain is developed and integrated with agriculture value chain financing	MINECOFIN, BRD, BDF,MINAGRI		
									Implement a national agriculture insurance scheme			
									Develop new leasing products on the market targeting agriculture sector			
									Support BRD and BDF to continue			

Output	indicators	Base line	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Activities to deliver the output	Responsible institutions	Timeline	Budget
Outcome 1: Improved Private Sector financing												
									lending to the agriculture sector by providing business development assistance			
Outcome 2: Increased Financial Inclusion												
Output 2.1 : uptake and usage of financial services Increased	% Adult population financially included	89	90	95	96	97	98	100	Identifying the financially excluded population and link them to formal and informal financial institutions.	MINECOFIN, BNR, MINALOC, LODA, RCA	2017/18 (and +)	10,000,000,000
									Implementation of financial education			
									Linking VSLAs members to formal financial institutions			
									Automation of U-SACCOs, Establishment of District SACCOs as well as a Cooperative Bank to enable financial accessibility and usage			
									Implement consumer protection guidelines and law			
Outcome 3: Improved Domestic Savings												
Output 3.1: Mobilized Members subscribing to the long term savings scheme	Number of subscribers to the long-term savings Scheme	0	166,000	233,000	300,000	433,334	566,668	700,000	Enact laws and regulations of Long Term Saving Scheme (LTSS)	MINECOFIN, BNR, RSSB, MINALOC, NID	2017/18 (and +)	3,309,122,600
									Operationalize Long Term Saving Scheme (LTSS)			

Outcome 1: Improved Private Sector financing												
Output	**indicators**	**Base line**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Activities to deliver the output**	**Responsible institutions**	**Timeline**	**Budget**
	Gross Domestic Savings as Percentage (%) of GDP	10.2%	11.%	12.%	14.%	16%	18%	23 %	Mobilize Rwandans to save and invest in key available personal savings products.			
									Design and provide key incentives for the Long-Term Savings Scheme			
									Develop a financing model for affordable housing linked to personal savings			
Outcome 4: Improved access to modern payment systems (electronic and digital Financial Services) to enable cashless Rwanda												
Output 4.1: improved of electronic retail payment to GDP	Payments transactions done electronically as percentage of GDP	26.9	45	68	75	76	78	80	Design and implement a new electronic and digital payments strategy	MINECOFIN, BNR, MYICT, RISA, RBA, FIs	2017/18(and+)	7,500,000, 000
									Conduct awareness campaigns on electronic and digital financial services			
Output 4.2: No of active mobile money accounts and subscribers increased	Number of Active Mobile Money Holders	3,3 million subscribers	3,6 million subscribers	3,9 million subscribers	4,2 million subscribers	4,5 million subscribers	4,8 million subscribers	5 million subscribers	Ensure development of interoperable payment switch amongst financial institutions and Mobile Network Operators.			
									Design, implement a directive for a cashless economy.			
									Review and update the legal and regulatory framework on payment systems			
Output 4.3:	Number of	1,885	2000	2500	3000	3500	4000	4500	Engage financial			

Outcome 1: Improved Private Sector financing												
Output	**indicators**	**Base line**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Activities to deliver the output**	**Responsible institutions**	**Timeline**	**Budget**
No of PoS and ATM Cards increased	PoS								banks and MFIs to issue debit, prepaid and credit cards at affordable prices			
Outcome 5: Rwanda Established and Maintained as International and Financial Service Center												
Output 5.1: Non Residents attracted into the center	Number of nonresident investors attracted in the center	0	1	2	5	7	9	10	Cabinet approval of KIB&FSC	MINECOFIN, RDB, CMA, BNR, CESB	2017/18 (and +)	**7,252,000,000**
	Value of foreign investments made in the financial services (FDIs) in Million USD	236.2	248.01	260.4105	273.431	287.1026	301.458	316.531	Design a mechanism for training and attracting key skills to sustain a financial services center by developing the Kigali International Business and Financial Services Centre (KIB & FSC) skills development strategy			
									Set up a dedicated unit under MINECOFIN to coordinate all activities for the development and implementation of the Kigali International Business and Financial Services Centre (KIB & FSC)			

CHAPTER 6: FINANCIAL SECTOR COSTING

This chapter sets out the expenditure requirements to meet the priorities outlined in the financial sector strategy and predicted sources of finance from the Government of Rwanda and External sources. It also highlights the financing gap and its implication for resource allocation over the Strategy period.

The uniqueness is that this strategy elaborates strategic actions of the entire financial sector which needs complementary financing from parallel banking and non-banking institutions as well as independent institution.

Expenditure Categories by Financial Sector Outcome 2018/19-2023/24

Pillar	Outcome	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
Pillar 1: Economic Transformation	1.5.2: Enhanced long-term savings and innovative financing mechanisms	842,234,900	1,573,924,990	1,693,469,800	764,679,240	799,679,240	605,134,430	**6,279,122,600**
	FSDD Outcome: Improved Private Sector financing	84,950,000,000	74,587,500,000	53,832,500,000	1,690,000,000	1,560,000,000	1,630,000,000	**218,250,000,000**
	FSDD Outcome: Rwanda established and maintained as an International Business and Financial Service Center	634,600,000	876,600,000	1,148,900,000	1,420,400,000	1,495,700,000	1,675,800,000	**7,252,000,000**
	FSDD Outcome: Enhanced long-term savings and innovative financing mechanisms	209,250,000	627,750,000	837,000,000	1,046,250,000	1,046,250,000	418,500,000	**4,185,000,000**
	FSDD Outcome: Increased Financial Inclusion	1,767,582,355	2,137,376,473	1,609,032,355	392,550,000	372,700,000	372,700,000	**6,651,941,182**
	FSDD Outcome: Improved access to modern Payment Systems (electronic and Digital financial Services) to enable a cashless Rwanda	1,322,798,750	1,308,278,750	944,780,000	580,241,250	504,502,500	89,498,750	**4,750,100,000**
	1.6.3. Increased financing and infrastructure for agriculture	402,306,372	722,306,372	512,000,000	200,000,000	0	0	**1,836,612,744**
Pillar 1: Economic Transformation Total		**90,128,772,377**	**81,833,736,585**	**60,577,682,155**	**6,094,120,490**	**5,778,831,740**	**4,791,633,180**	**249,204,776,526**
Grand Total		**90,128,772,377**	**81,833,736,585**	**60,577,682,155**	**6,094,120,490**	**5,778,831,740**	**4,791,633,180**	**249,204,776,526**

The total cost of the strategy is Rwf **249.2** billion over its 6-year implementation (2018-2024). The costs are driven by Government subsidies to strengthen Umurenge SACCOs/MFI program. Additionally, the Government is expected to spend more on creating improved financial market infrastructure that will facilitate savings and investment. This is mainly to address the remuneration of CMA staff needs, Electronic Trading Platform, CMA operations and information upgrading.

Financing Gap Implications and Future Strategies

In the first three years the financial sector funding indicates a significant financing gap and the implication of this is that there is a likelihood that the gap may not be bridged requiring a more realistic spending scenario to work within the available funds from the Government hence calling for prioritization of funding as the entire cost of the strategy may not be met. The ambitious scenario spending that involves the current financing gap overtime is particularly important for the sector in terms of resource mobilization from the donor partners and private sector.

To fulfill the projected financing gap the financial sector through the secretariat at the Ministry of Finance and Economic Planning will continue to work vigorously with development partners engaged in the sector and the private sector, BNR, banking and microfinance institutions on possible cost sharing arrangement.

With this ambitious scenario, it is more logical for the financial sector to periodically review spending plans as more and acute information will help make adjustment in the sector MTEFs when need arises for realistic planning within the available resource envelope.

Sector Wide Funding Mechanisms

It is our intention to develop a sector-wide funding mechanism for financial sector. The current practice is that development partner’s fund specific financial sector programs in particular access to finance a given priority. The development of a sector wide funding mechanism will allow development partners to contribute to the sector as a whole, rather than specific programs.

This will ensure that funding is aligned to government priorities and will also enable development partners to engage over the whole sector. The sector-wide funding mechanism will also facilitate coordination, harmonization and cooperation across the different ministries and institutions that implement financial sector program, though, for example, joint action plans, division of labor and accountability mechanisms.

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