REPUBLIC OF RWANDA

FINAL REPORT

RWANDA FINANCIAL SECTOR STRATEGY

2013-2018

FINANCIAL SECTOR DEVELOPMENT SECRETARIAT,
MINECOFIN

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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	-	Banque Populaire 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
MIS	-	Management Information System
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 Rwandaise d'Assurance Maladie
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

FOREWORD

The Rwanda Financial Sector Strategy is a long-term development strategy that governs the entire financial sector of Rwanda. It is obvious that the strategy will definitely help in the achievement of the financial sector objectives as set out in Vision 2020, EDPRS II, 7 year Government Program, FSDPII and Strategy for Rwanda becoming an international service centre.

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

The priorities of the Strategy to be pursued for the next five years are savings and investments, access to finance, financial inclusion, modern payment system, skills development and creating an international service centre for Rwanda. Ultimately, once these priorities are achieved, there is no doubt that the strategy will have contributed to fostering economic growth and poverty reduction.

The strategy is cognizance of the on-going regional and international initiatives with regard to 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 lead by the FSDS and Co-chair DFID. This should be a continuation of the process that led to the development of Strategy that builds on the entire consultation process for the elaboration of FDSP II and IFSC that involved a wide- spectrum of the financial sector stakeholders.

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

Financial Sector Secretariat

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 reduce poverty. Through this sector vision, the financial sector plays an important role to 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 what Rwanda needs to drive the aspiration of the country's Vision 2020. 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 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; Rwanda's low savings rates as a result 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 small and underdeveloped to enable public and private sector access long term financing. Furthermore, 28% of the Rwandan population have no access to finance and are financially excluded exacerbated by MFI/banks/SACCOs inability to reach out to the rural areas due to the fact that most of MFIs being concentrated in urban and major cities. 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 harmonizing and integration of supporting pillars for the payment and settlement systems with the EACs.

There is also a lack of qualified graduates and experienced financial services professionals to meet the needs of the recent development of the financial sector. Another challenge is creating Rwanda an international service centre which will require tax harmonization with international and regional countries, entering double taxation agreements, and competitive skills specialists.

This five year strategy has been developed to address the major challenges in the Rwandan Financial sector covering the period of 2013-2018 which will enable the country financial sector play a significant role to transform and contribute meaningfully to the development objectives of the country.

The strategy will focus on the following most critical priorities

- Mobilizing savings and investment
- Access to Finance
- Financial Inclusion
- Modernized Payment Systems
- Skill Development for the Financial Sector
- International Financial Service Centre

Mobilizing savings for 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.

The capital markets legal foundation will be virtually complete when the remaining laws and regulations are put in place within the next year. Creating a government bond market and yield curve is the most important element of capital market development at this juncture. Therefore Government will establish a regular bond issuance program. The three elements of bond market development are introduction regular government bond issues to build a yield curve, 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 Funds of Funds. The government will complementary the fund by setting a seed capital for the fund and resource mobilization campaign targeting the private sector and development partners will need to be launched to complement Government's seed capital

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 completion of the separation of life and non-life businesses, and revisions to capital, solvency and investment rules. Rwanda-specific mortality (life) tables will be developed to foster development of life insurance and annuity products.

Rwanda Social Security Board (RSSB), the largest Rwandan financial institution, will be provided with enhanced autonomy and accountability to enable it to effectively manage the investment portfolio. As capital markets develop, the RSSB will become a major purchaser of bonds and equities, as these long term assets are well suited to its long term liabilities, and more liquid than the current real-estate dominated portfolio.

Enactment of the Pension Law will establish 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 will put an appropriate licensing and supervision regime in place to protect consumers and ensure pension funds are able to meet their financial promises.

Access to Finance

The Banque Rwandaise de Developpement (BRD) will continue to expand the credit guarantee to BDF through increasing amounts of funds to the Fund in order to leverage private credit as percentage of GDP and also ensure that the activities and exposures of BDR are appropriately well governed.
Access to finance will be promoted by the the enactment of a new leasing law that will enhance lenders ability collateralize longer term credit, in particular, for equipment such as tractors and transport vehicles as well as sewing machines, computers and accessories, agriculture products like fertilizers to finance the rural, another areas are promotion of agriculture financing through rural value chain financing, micro insurance and mortgage financing.
The strengthening and achieving sustainability of MFI and SACCO is paramount as these institutions reach out to rural population. Thus, the first phase Unmerge SACCOs will be consolidated into 30 districts and development of standardized systems and policies, facilitating the roll out of a stared technology platform to support the sector.

The second phase will result in the establishment of a national structure to link the District SACCOs. Success is dependent on the District SACCOs themselves demonstrating that they are financially sustainable as well as an appropriate design for the national structure. It will provide products and services which the District SACCOs require to better serve their members, without it becoming a competitor to the SACCOs. Extensive preparation and planning will be undertaken to select and implement the most appropriate national structure, which will be regulated and supervised by the BNR.

Financial Inclusion

MINECOFIN and BNR will ensure the definition of FinScope 2016 is refined and expanded to capture the supply-side aspects by bring qualified Village Savings Group and promotion of Access to finance forums aimed a broaden and deepen financial inclusion.

Based on soon to be completed studies and levering off existing 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 five 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. Much of the innovation has come from non-traditional players—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. Also Agency banking arrangements are now being rolled out across the country, facilitating account opening for potential customers in areas that may not support a bank service outlet.

Modernized Payment Systems

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.

Skills Development for the Financial Sector

The shortage of qualified graduates to enter the financial services industry and of experienced financial services professionals is a serious constraint to financial sector efficiency and growth. To address this challenge, the financial sector will complement the public sector capacity building secretariat through policy interventions for instance train and recruit appropriate skilled investment managers or asset managers, science actuaries and risk managers. Furthermore, Rwandan institutes and associations such as the Rwanda Bankers Association, the Association des Assurers du Rwanda and the Institute of Certified Public Accountants of Rwanda have been encouraged to adopt standards and programs for professional certifications based on existing regional and international programs. This avoids the complication and expense of developing specific Rwandan standards and programs, and more importantly results in accreditations recognized elsewhere in the EAC and the world.

International Financial Service Centre

The International Financial Service Centre for Rwanda requires the Government to design marketing strategy for financial services especially by leveraging the comparative advantages that Rwanda has over Burundi and DRC and afterward some products can be used a springboard for Tanzania and Uganda. Furthermore, this commitment requires the Government to encourage the importation of skilled labour and invest in high quality education and training capacity in Rwanda for financial sector specialists. For Rwanda to success as an international financial centre, there is need for partnering 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 centre. 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

The Government of Rwanda has developed a Financial Sector Strategy (FSS) at the centre of new Economic Development and Poverty Reduction Strategy (EDPRS II) to be implemented from 2013-2018. The objective is to meet the ambitious targets set out in the Government's Vision 2020 and EDPRS II that aims to transform Rwanda into a middle income country and to give better quality of life for all Rwandans through rapid sustainable economic growth of annual target of 11.5% plus accelerated poverty reduction that is below 30%[1]. Rwanda's rapid sustainable economic growth requires at least 20% savings of GDP and domestic investment of up to 30% of GDP. To accomplish the EDPRS 2 aspiration, Rwanda needs a robust and supportive financial sector with a suitable institutional and regulatory framework, effective and efficient financial intermediation and adequate provision of credit to the economy that thrive to contribute to 200,000 annual jobs creation in both formal and informal sector.

The financial sector will have a direct and indirect contribution to the thematic areas of EDPRS 2 in the following ways[2]

- Economic transformation for rapid economic growth. The growth of the financial sector leads to job creation, expansion of the service sector to GDP, growth and transformation in other sectors with financing and transaction services;
- Rural development. The increased financial sector outreach and access to finance improves the quality of life in rural areas and lays the foundation for growth.
- Productivity and youth employment. The adoption of electronic payment and transaction processing will directly improve the productivity of the financial sector as well as indirectly supporting all other sectors of the economy by reducing costs and risks; and the growing financial sector and related capacity building initiatives will expand the employment opportunities for young Rwandans.

SWOT Analysis of the Financial Sector in Rwanda

A SWOT analysis was conducted mainly from the existing literature to indentify the areas within the current environment which require immediate attention and areas that can be strengthened and focused on. The analysis shows that despite of weaknesses and threats in the financial sector, there are number of opportunities that exist which are necessary to drive the sector for the next five years. Table I below highlights the SWOT analysis.

[1] Guidelines for development of sector strategies in the context of EDPRS 2 elaboration, 2012
[2] Financial Sector Development Program II, 2012

Table 1: SWOT Analysis for the Financial Sector

• Strengths • Strong political will- Existence of Financial Sector Development Secretariat to spearhead the growth of the sector • Strategies are in place- national savings mobilisation strategy, savings and credit cooperatives strategy(SACCOs),national microfinance implementation strategy, payments systems framework and strategy • Increased oversight and supervision through enactment of law governing the central bank of Rwanda, law on bank (LOB), Law concerning the payment system, capital market law, law on collective investment schemes, mortgage law and launch of mobile money • Institutional set up- Rwanda market advisory council and Rwanda securities Exchange (RSE) established • Rwanda Cooperation Agency (RCA), Rwanda Association of Insurers and Rwanda Association of Bankers, Rwanda Association of Microfinance Institutions were established • MFIs/SACCOs able to reach people through local branches • Diaspora willingness to invest	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 financial institutions are located in urban areas • lack of financial education on financial products and services • Limited membership to SACCOs • Limited credit to the private sector • Limited products and services that are of comparable standards to those of competing countries.
Opportunities • Untapped market. In 2012, 28% (1.3million adults are financial excluded). • Availability of technical assistance • Strong support from development partners • Existence of Capital Markets and Rwanda Stock Exchange • Modernised electronic payment system • Foreign banking institutions entrance into the banking sector • Establishment of business development Fund • East African Integration • Use of technological products like Mobile Money Transfer, internet banking • IFC l opportunities in banking trade finance, captive insurance, pension and fund management (equity and trusts), international business companies, provision of microfinance and micro insurance.	Threats • Volatile international markets that may lead to financial crisis • Limited usage of financial products • Inadequate number of BNR inspectors • High inflation and interest rates • Fraud through modernised payment systems • Continued cut of donor budgetary support • Lack of international financial players in the banking sector

Source: Rwanda National Savings Mobilization Strategy; IFC strategy, 2012; FSDP II, 2012; FinScope 2012

Methodology

The Financial Sector Strategy has been developed with guidance from the Financial Sector Development Secretariat (FSDS) of the Ministry of Finance and Economic Planning. The Financial Sector Working Group was represented by National Bank of Rwanda (BNR), Capital Markets Authority (CMA), and development partners including DFID, ADB and GTZ provided feedback on key policy interventions to be pursued in the next five years.

The FSDS organized a separate consultation meeting with representatives from public- private financial institutions notably the Insurance Industry, Association of bankers, Capital Markets Authority and Business Development Fund. The objective of the meeting was for the authorities to reach consensus on policy interventions proposed in the strategy

During the elaboration of FSDP II most policy interventions have been categorized/ranked according to Low, Medium and High. This process informed the prioritization of policy interventions to be moved on in the strategy through considering those in most 'High' category that would be implemented like 'Yesterday' during the period of EDPRS 2. The consultant also consulted a desk review on various policy documents as indicated in the reference section.

The Structure of the Report

The structure of the report is as follows. Chapter 2 presents an overview of Rwanda's financial sector; it further tackles sector achievements and challenges. Chapter 3 sets out the strategic framework for the sector development mainly focusing on key policy interventions for sector priorities while chapter 4 outlines the implementation strategy to drive the strategy for the next five years. Chapter 5 and 6 addresses monitoring / evaluation and costing requirements.

CHAPTER 2: OVERVIEW OF THE FINANCIAL SECTOR

2.1 FINANCIAL SECTOR MILESTONES

After the 1994 Genocide, Rwanda started rebuilding its economy, peace and political stability, re-established sound macroeconomic and structural policies backed by substantial donor assistance, As a result, the impressive macroeconomic stability has lead to per capita gross domestic product (GDP) nearly double from $336 in 2006 to $625 in 2011.

The Financial sector reforms in Rwanda started in 1994 with the establishment of five banks after the war, the main areas of reform was that the central bank of Rwanda embarked on strengthening prudential supervision and regulation of the financial sector. The national bank of Rwanda also started comprehensive annual inspections of banks. In order to support the mobilization of long-term savings, The Government set up a working committee to spearhead the establishment of the Capital Market Advisory Council to develop the Capital Market in Rwanda, facilitate the trading of debt and equity securities and enable securities transactions, as well as perform regulatory functions over the Rwanda Securities Exchange (RSE).

In 2007, the Government of Rwanda developed a comprehensive and detailed financial sector assessment plan (FSDP I) based on the 2005 financial sector assessment program. The plan for the financial sector reform focused on five areas; building financial structure infrastructure for instance legal framework, increasing access to finance mainly in rural and SMEs sectors, strengthening the pension and insurance industry and developing the payment system. Subsequently, the FSDP II has been developed providing a comprehensive framework for the development of the financial sector.

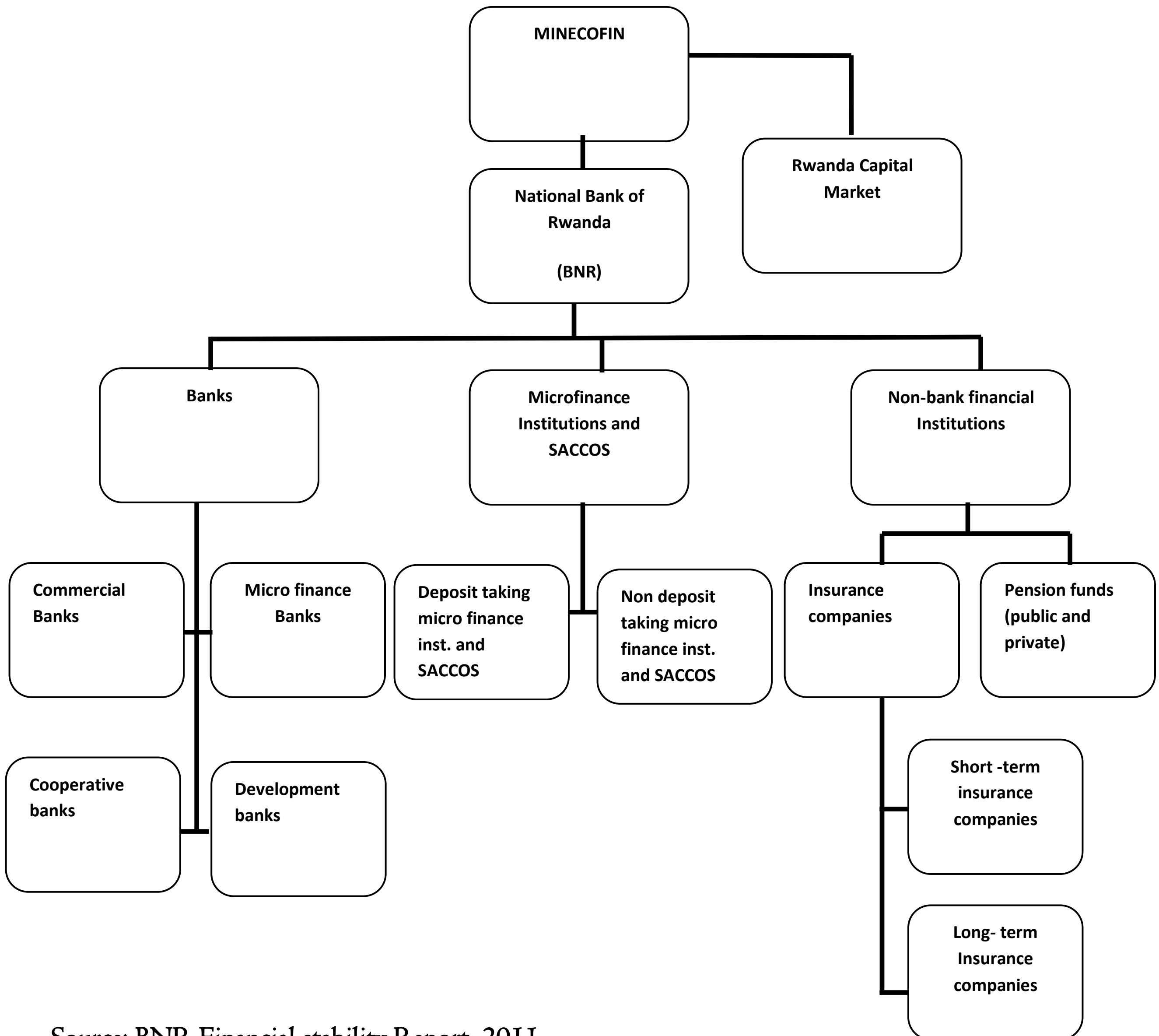
Currently, Rwanda's financial system is dominated by the banking sector. Generally, it has witnessed significant transformation. Changes have occurred with respect to the number of institutions, ownership structure and regulatory landscape. The developments was supported by the Central Bank of Rwanda within the framework of systemic stability as supervision and regulation with efforts to ensure that only fit and proper institutions were granted banking license. Other changes include the entry of international and regional players into the sector as shareholders and competitors. To date, the banking sector is comprised of nine commercial banks, three microfinance banks, one development bank and one cooperative bank.

In addition, banking sector expansion saw the conversion of the Union des Banque Populaire du Rwanda (UPBR) into a cooperative bank, Banque Populaire du Rwanda (BPR), in 2008. Urwego Opportunity Bank (UOB) was licensed as a microfinance bank in 2007 after more than a decade of smaller scale operation in Rwanda. In 2010, three of the larger microfinance institutions for instance Ageseke Bank, Unguka Bank, Zigama Credit and Savings Society obtained banking licenses

2.2 FINANCIAL SECTOR STRUCTURE

Rwandan Financial Sector Structure is in accordance with international standards and reflects the structure of most countries. The structure is composed of banking sector, non- bank financial institutions which is made of; the pension and insurance sectors. These institutions are supervised and regulated by the National bank of Rwanda. The capital market development in Rwanda is coordinated by the Ministry of Finance and Economic Planning. (Table 2 shows in more detail)

<u>Figure I : Structure of the Rwandan Financial Sector, 2012</u>



Source: BNR Financial stability Report, 2011

The dominance of the banking sub-sector is explained by many factors, among which the continued underdevelopment of the capital markets which is at nascent stage. Similarly, the specialized financial institutions as well as the pension and insurance have remained major players in the financial system. There are two public insurers, I public pension fund (the Caisse Sociale) and I state-run medical insurer (RAMA) recently merged into Rwanda Social Security Fund (RSSB), 40 private pension schemes and six non-life insurers and three life insurers respectively.

The entrance of foreign banks and the globalization of operations of the banks have also influenced the system to adopt technological innovations and to adhere to prudential regulatory requirements that are consistent with international standards.

2.3 SECTOR ACHIEVEMENTS

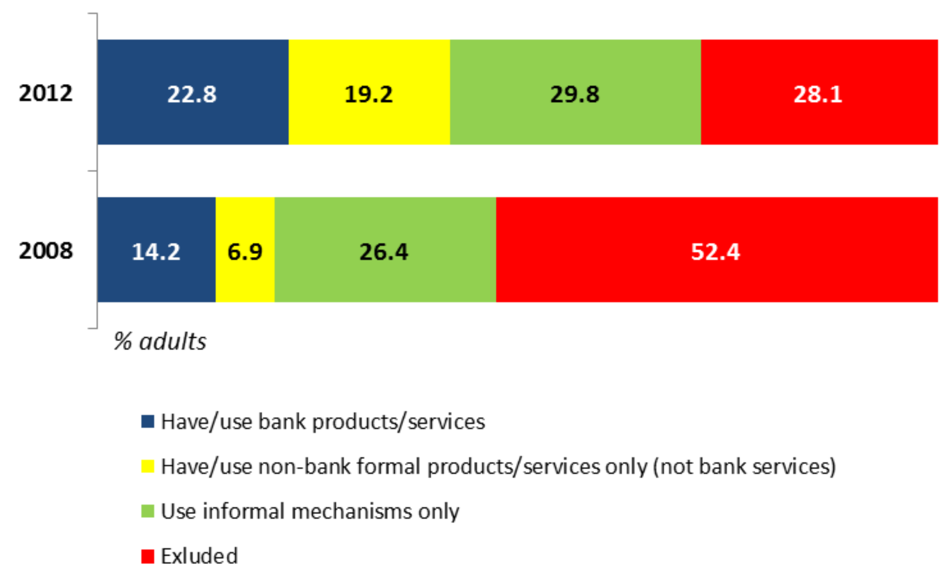
During the EDPRS I, there were several positive developments in the financial sector including; increase in financial inclusion, growth of banking industry, and positive developments in non-bank financial institutions.

2.3.1 Financial Inclusion

The two FinScope Surveys measuring use of financial services in Rwanda carried out in 2008 and 2012 respectively provided detailed data on financial inclusion in Rwanda and recent developments. During this period, overall financial inclusion increased from 47% in 2008 to 72% in 2012 corresponding to a drop in financial exclusion from 52 % in 2008 to 28% in 2012.

There was a large jump in total formal inclusion (formal and other formal) from 21% in 2008 to 42% in 2012. The increase in formal inclusion was driven by an uptake of banking products, and of products offered by non-bank formal financial institutions (such as Umurenge SACCOs and insurance companies). To support this argument, the establishment of Umurenge SACCOs has significantly changed the landscape of formal access in Rwanda. This intervention has been successful in providing formal financial services to Rwandans who would otherwise not use formal financial services.

Figure 2: Financial Access Strand: 2008 - 2012



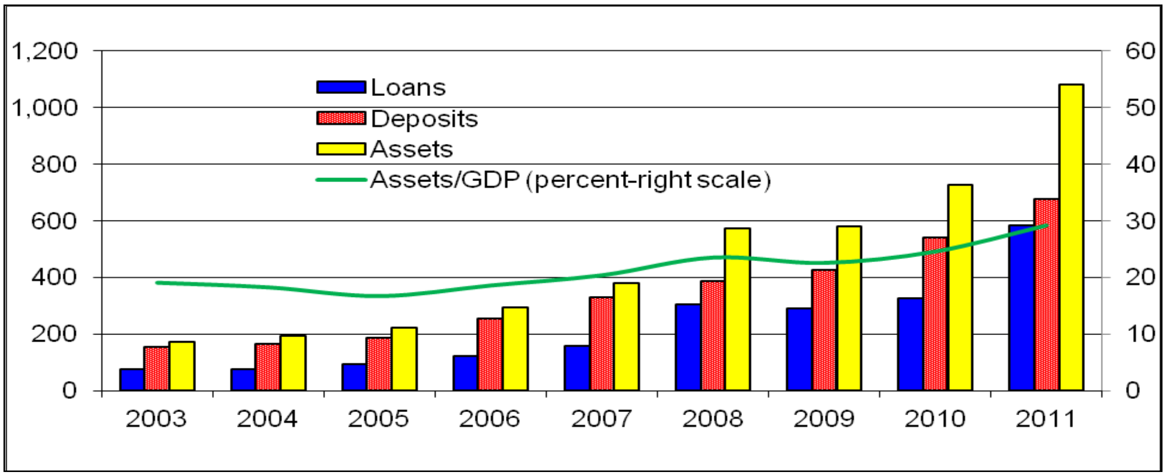
Source: FinScope Survey, 2012

3.3.2 Banking industry

Financial Depth

The banking sector remained sound and liquid, well capitalized and profitable. As shown by Figure 3, overall assets grew by 15.1%, assets doubled to RwF 1.25 billion (USD 1.8 million) between 2008 and 2012[3], holding more than 60% of financial assets in 2011. Furthermore, the figure shows that outstanding loans and advances reached to RwF billion in 2012 from RwF 556.9 billion in 2011 with an increase of 27.8%. The deposits increased to 732.6 billion in 2011.

Figure 3: The balance Sheet of the Banking Sector 2008-2012



Source: Financial Sector Development Program, 2012

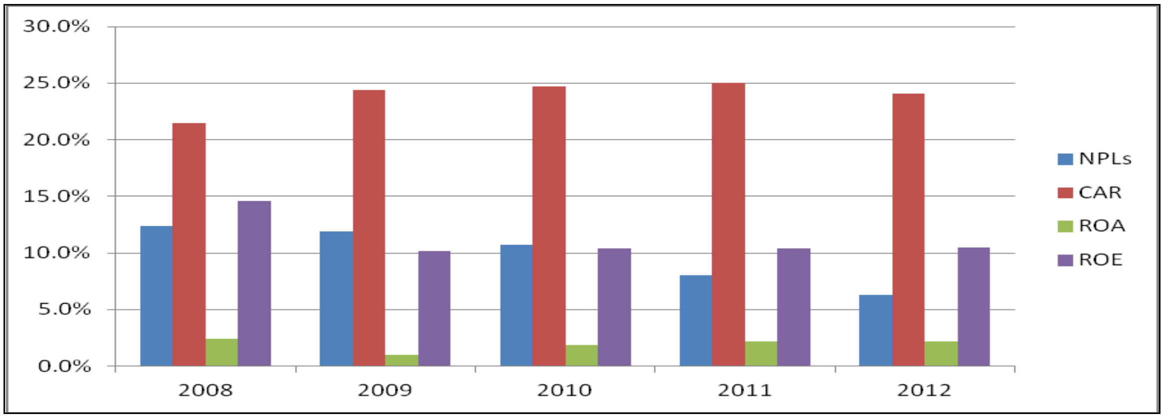
The boost in the banking sector is as a result of strengthened legal and supervisory reforms as well as good macroeconomic environment, low inflation, stable currency and new entrants of foreign banks. The banking sector witnessed new entrants of Kenya Commercial Bank and Equity Bank in the Rwanda market in 2008 and 2011 respectively, these banks come in with innovative agency banking model which is being rolled out through a network of branches and agents across the country[4] . In fact, for the financial sector is to reach its potential, it will require broad based growth not only of the banking sector but also of other financial institutions and markets like government debt, private debt and equity markets.

Profitability

The profitability indicators show that profitability in Rwandan banking system recorded a considerable increase over the years as shown in figure 4. Both return on equity (ROE) and return on assets (ROA) were 2.2% and 10.5% and 2.2% and 10.4% in 2011 and 2012 respectively. The improvement in profitability can be explained by the BNR continuous monitoring of the banking sector profitability followed by the improvement in asset quality management that lead to capital adequacy ratio was at 23.9 compared to 25% in 2012 and 2011 respectively above the regulatory minimum capital of 15% and above 10% for G20 and Basel committee new benchmark.

[3] BNR, Monetary and Financial Statement, 2013
[4] Financial Sector Development Program II, 2012

Figure 4: Selected profitability (in percent) 2008-2012



Source: National bank of Rwanda, 2012

It must be pointed out, however, that the banking sector has been able to reduce NPLs over the years from 12% in 2008 to 6.1% in 2012. The measures taken are; strengthening the prudential and regulatory framework by the central bank of Rwanda, banks internal credit policies, registered real experts recognized by the central bank of Rwanda to mitigate the problem of overvaluation of real properties as collateral for mortgage.

The positive performance of financial depth, profitability, soundness and stability indicators have been due to the National of Bank tight monetary policies that have minimized risks of monetary inflation and repo-interest rate. Furthermore, the basic legal frameworks and regulatory apparatus for central banking, supervision of banks in the system and the business of banking have been established and BNR monetary policy committee has been established with the responsibility of formulating the monetary policy stance.

Banking Outreach

During the EDPRS I period, Rwanda commercial banks witnessed the entry of international and regional players: FINA bank, Kenya Commercial Bank, Ecobank a regional West African Group. These foreign banks have contributed about 10% assets of GDP[5], increased uptake of commercial bank products banked population that is individuals using commercial bank products/services increased from 14% in 2008 to 23% in 2012[6]. Retail payments landscape has been improved. Banque Populaire de Rwanda has been outstanding in retail market as contested competition has led banks to expand their banks networks and banks have begun to roll out mobile and internet banking products. Table 3 indicates progress on banking outreach indicators 2011-2012

[5] FSDPII
[6] FINSCOP 2012

Table 2: Banking outreach indicators, 2011-2012

	City of Kigali		Other provinces		Total	
	2011	2012	2011	2012	2011	2012
Number of Branches	54	56	88	93	142	149
Number of sub-branches	36	42	115	130	151	172
Number of outlets	42	44	73	73	115	117
Total branch and outlets	132	142	266	296	408	438
Banking agents	-	-	-	-	-	844
Total network	132	142	276	296	408	1,282
Number of clients account	**610,316**	**974,094**	**1,416,422**	**1,574,193**	**2,026,738**	**2,548,287**

Source: Monetary Policy and Financial Stability Statement, 2013

Table 3 indicates overall bank network expanded from 408 to 1,282 branches, four banks acquired license and deals as banking agents and now there are 844 banking agents (2012). These developments have led to growth of clients' accounts by 25.7% from 2,026,738 in 2011 to 2,548,287 in 2012.

Credit Expansion to the Private Sector

The ability to extend credit is an essential part of banks' intermediary function. The following table highlights credit expansion granted by commercial banks as well as BRD and BHR during the EDPRS 1. The financial sector played a significant role in provision of credit to the private sector. As table 3 shows the new cash loans authorized increased from RwF114.8 billion in 2006 to RwF 336 billion in 2011 an increase of 66%. The overall financing shows that much of the credit has been concentrated on commerce, restaurants and hotels, followed by infrastructure. Most banking credit has been for rapid expansion of construction which grew at 15% annually.

The productive sector agriculture, animal husbandry and fishing, mining industries and water and energy have been allotted relatively little credit over the years.

Table 3: Credit granted by commercial banks and other financial institutions, 2006-2011(RwF billions)

Sector activities	2006	2007	2008	2009	2010	2011
Agriculture , Animal Husbandry &Fishing	3.2	5.3	3.8	3.7	5.1	11.9
Mining Industries	1.9	0.2	0	0.1	0.1	0.0
Manufacturing Industries	14.3	17.0	11.4	20.1	26.8	18.7
Water and Energy	0.3	0.2	0.2	3.2	1.4	0.6
Public Works, Building and Industry	19.5	28.0	56.8	36.7	45.1	83.1
Commerce , Restaurant & Hotel	54.1	64.3	76.6	73.0	111.8	123.4
Transport, Warehousing and Communication	8.8	14.1	17.8	31.9	22.7	18.2
OFI, insurances, other non financial services	2.4	2.6	2.3	7.5	8.5	19.2
Services supplied to the community	5.6	5.1	9.9	4.7	9.8	9.6
Other activities not elsewhere classified	4.7	8.0	12.0	17.6	30.9	51.5
Total	**114.8**	**144.8**	**190.8**	**198.4**	**262**	**336**

Source: Monetary Policy and Financial Stability Statement, 2012

2.3.3 Modern Payment Systems

Rwanda payment system witnessed significant development from 2003 and now all three components of the RIPPS which includes the Automated Clearing House (ACH), the Real Time Gross Settlement system, the Central Securities Depository CSD are now operational. The RIPPS has lead to a reduction of the clearing cycle from T+5 to T+2 where transactions are settled after five days to T+2 where they are settled after two days with a view to reducing floats. The use of electronic payment system has recorded significant improvements and the use of e-payment such as ATM, (POS) increased both in volume and value since 2009. Table 5 highlights the evolutions of cash based payments.

Table 4: Evolution of card based payments as at end December 2011

Period	Number of ATMs	Number of POS sale terminals	number of debit cards	number of credit cards	ATM transactions		PO transactions	
					volume	value in million RwF	volume	value in million RwF
2009	26	0	30,065					
2010	84	99	41,377					
2011	167	168	115,200	516	1,976,376	122,536	38,440	73
2012	292	666	389,296	428	5,753,163	180,567	54,632	8,487

Source: Monetary Policy and Financial Stability Statement, 2013

2.3.4 Non-Bank Financial Institutions

Insurance Sector

During the EDPRS I, the insurance sector registered remarkable performance , the insurance sector as at 2012 increased by 36% reaching FRW 214 billion compared to FRW 157 billion 2011. The gross premiums also increased as well as net profit due to a better performance of the Rwandan economy. The good performance is attributed to the impact of the supervisory reforms undertaken by BNR. The major developments are related to the separation of life and non-life insurance businesses, prudent underwritings, investment and improved professionalism. The expansion has now seen Rwanda having six non-life insurers, three life insurers and two public insurers, making a total of 11 insurers in the market. As a result of strengthening legal framework and increased level of expansion and performance, the insurance penetration increased to 2% in 2012 from 1.78% in the previous year.

Pension sector

In order to extend social security coverage to all Rwandan citizens, Rwanda's former pension fund CSR has been emerged with the health care insurer/ provider. To this effect, a remarkable achievement has been registered in the domain of collection of contributions, registering new members in the social safety net, payment of beneficiaries and productivity investment. As the RSSB annual report highlights, the contributions rose from 412 million in 1994 to 69.83 billion in 2011/12. This was mainly driven with RSSB employer's inspection and citizen sensitisation on the benefits of social protection products/services. This has led to increased number of registration for employers; According to RSSB , annual report 2011/12, there were 164 new employers registered in pension schemes while 66,632 in mandatory insurance and 28 in voluntary insurance. 97 new employers were registered in medical insurance with 14,099 affiliated members[7]. During the EDPRS I period, RSSB has diversified its investment portfolio transforming 436 million in 1994 to 1.7 billion in 2011/12 implemented in seven real estate's projects.

The GoR's efforts to promote private sector has yielded positive results in the pension industry as well. To this end, there are eight insurance companies encompassing life, non life and health insurance more than 40 occupational pension schemes with a combined size of RF 6 billion or 0.27 percent of GDP[8]. These are voluntary group schemes that sponsored by employers that use mandatory scheme in form of defined benefit plan or defined contribution plan

Microfinance Sector

According to AMIR annual report, (2010), there was a gradual growth to the point that MFIs around the country were serving more than 800,000 clients and an increase in total assets, of 25.6% in 2010

[7] RSSB spearheading social protection in Rwanda, annual report 2011/12
[8] IMF, Rwanda Financial stability report, 2011

from 2009 while gross loans and the deposits increased by 36% and 25.1% respectively. Currently, there are 497 microfinance institutions including 497 inclusive of 416 Umurenge SACCOs, service points 683, number of deposit account 1.8 million and number of borrowers 0.2 million as of June 2012. FinScope 2012 showed that there has been a successful provision of formal financial services through the establishment of SACCOs. The individuals who have opened SACCO accounts are using these accounts more actively than bank accounts are being used by bank clients

The positive change is driven by political and economic stability at the macro level, Strong management systems, strong tradition of informal micro-lending initiatives, and existing stakeholders in the sector which provide a platform and potential for the MFIs in Rwanda to reach out to clients in rural areas[9]. More to note, a Microfinance Credit Fund was established in order to expand access to credit and financial services. The Government of Rwanda committed 1 billion RwF per year towards the fund which is being managed by Rwanda Development Bank (BRD). The purpose of establishing a Credit Fund is to provide sustainable refinancing access to MFIs in form of external lines of credit and also enable MFIs access liquidity to invest and obtain earnings.

Additionally, a Capacity Building Fund was established and has played an instrumental role at developing professional management and financial sustainability of Microfinance Institutions. These funds will continue to facilitate the MFIs, to employ professional management, increase savings and expand outreach thereby contributing to poverty alleviation in rural areas and to the overall economic development.
The Government has continued to promote the growth and soundness of SACCOs, provides 500,000 RwF in each Umurenge SACCOs in form of subsidies, BNR hired 60 inspectors two in each district during the year to supervise the SACCOs and ensure sound management practices and 370 SACCOs managers were trained in Business Plan formulation and other 2,597 SACCOS' leaders and employees from 23 Districts were trained in SACCO Governance, Administration and Management[10]

2.3.5 Capital Market Development

During the EDPRS 1, the Capital Market Authority was established and Rwanda Stock Exchange is vibrant in terms of operation and listings. The following achievements were registered: Firstly, the Government issued one Treasury bond worth RwF 5 billion and matured while one valued at RWF 3.5 billion was listed on Rwanda Stock Exchange (RSE). Secondly, Treasury Bonds worth RWF 13.5 billion and one Corporate Bond (BCR Bond), whose face value is RWF 1 billion, were listed on RSE Rwanda Stock Exchange market was more active with the listing of BRALIRWA shares and a total turnover of RwF 8 billion recorded from 42 million BRALIRWA shares traded in 702 deals up to July 25th, 2011. Lastly, the Cabinet approved Bank of Kigali (BK) to go public through an IPO to recapitalize the bank and as a second IPO in the Rwandan Capital Market. BK launched its IPO on

[9] AMIR annual report, 2010
[10] Republic of Rwanda, Government Annual Performance Report, 2011

June 30th, 2011. The Government of Rwanda and BK offered to sell 20% and 25% of their shares respectively, at the offer price of RWF 125 per share[11].

2.3.6 Financial Sector Skills Development

The financial sector restructuring and the entry of new players resulted into new focus on human resources and skills development. Banking and non- banking institutions have coherent human resource policies mainly focusing on retention issues. According to The Institute of Certified Public Accountants of Rwanda (ICPAR) there are 250 qualified accountants and 100 being Rwandans. To address a serious challenge of skills development in the financial sector, three important institutions supporting the functioning of the financial system and of member-financial institutions have been established: (a) the Rwanda Bankers' Association (RBA); (b) the Association of Insurance Companies in Rwanda (ASSAR); and (c) the Association of Microfinance Institutions in Rwanda (AMIR) that are mandated with capacity building and training employees in the concerned area of operations.

AMIR in collaboration with Rwanda Cooperative Agency provided training in areas of MFIs, Corporate Governance, Credit analysis, delinquency Management, Risk Management, Financial Analysis, Business Plan and Internal Control for MFIs and a total of 269 MFIs practitioners were trained in 2010 in the above mentioned fields and around 800 Umurenge SACCO personnel were also trained in the same year.

[11] Republic of Rwanda, Government Annual report , 2011

2.4 SECTOR EMERGING CHALLENGES FOR EDPRS 2

The Government of Rwanda recognises that the financial sector's ability to play its role in mobilizing savings, conducting effective intermediation and financing its ambitious economic reform agenda is still far from achievable because of financial sector emerging challenges that need to be addressed in the EDPRS 2.

1. Low Domestic Savings

Rwanda faces a challenge of low domestic savings estimated at 5% of GDP which is lower than 10% when compared to the benchmark countries like Vietnam and Malaysia[12].

There are many reasons for Rwanda's low savings rates including low saving culture, low levels of financial literacy, limited and unattractive savings products, and low incomes which translate into low savings.

In order to increase savings, the authorities continue to launch domestic saving initiative through sensitization awareness, access to finance for the unbanked population , consolidate SACCO Umurenge program, raise money mainly through capital markets and public and private pension funds and asset management through capital equity and venture capital.

2. Underdeveloped Capital Markets

One of the key challenges facing Rwanda's economy is the mobilization of long-term stable financing. Rwanda's capital market is small and underdeveloped to enable public and private sector accessing long term financing. In terms of **Market depth/breadth,** the Rwanda capital market offers limited securities and products compared to other EAC countries, equity investments dominate other asset classes such as sovereign and municipal bonds, corporate bonds, and other convertible investments. The listings on RSE are still limited. Since the establishment of the capital market we have seen issuance of no municipal bonds, infrastructure, commercial paper and real estate investment trust.

Despite of Government effort to the opening of Rwanda Stock Exchange this is likely to play a minimal role in helping to meet this challenge what is most needed is to stimulate the securities market towards greater issuance of government longer maturities. Also, the outstanding stock of treasury bonds is small at less than 1% of GDP and a larger stock may enable the market to deepen and allow a fuller yield curve up to 3, 5 and 7 years to develop and serve as benchmark for pricing of risk.

The table 6 below demonstrates the state of capital market development in terms of share contribution to GDP Rwanda compared to the EAC countries, Rwanda's bonds is small less than 1% of GDP while Kenya has the highest at 2.4%, Tanzania 0.26% while Rwanda 0.29%.

[12] IPAR, Rwanda case study on economic transformation, 2012

Table 5: Corporate bond markets at end 2010

	Kenya	Rwanda	Tanzania	Uganda
Number of issuers	10	1	5	5
Amount outstanding (million USD)	743.8	1.7	51.6	44.3
Amount outstanding (percentage of GDP)	2.4	0.03	0.26	0.29

Source: BNR

The table also indicates that Rwanda issued one issuance compared to Kenya's issuers in 10. The situation poses a serious challenge with the ambition of Rwanda EAC integration and tapping into capital market with those of the region.

There are also challenges related to reliance on government bond market to be the backbone of development of the capital market development. These are; it can encourage undesirable government budget deficits not financed by foreign grants, Government bonds are also typically more expensive as a source of finance than treasury bills. It is more desirable for authorities' to work on the enabling environment to stimulate private equities and private debt (bonds and long-term bank loans and deposits) to play this role.

The laws, regulations and rules need to be reviewed to achieve international competitiveness, strengthen oversight enhance transparency and promote a vibrant and deeper market. Thus, there is an urgent need of seriously thinking about the development of the capital market in Rwanda to sustain the economic growth by mobilizing not only domestic savings and investments but also facilitate capital inflows and remittances from abroad. In addition, deep and liquid local capital market will contribute to lessen vulnerability of the economy to external shocks, by reducing currency and duration mismatches in raising funds and limiting the dependency on the aid. Finally, the capital market development is needed as an alternative source of financing to supplement commercial banks by raising more long term resources to finance investment.

3. Limited Access to Finance

The Rwandan microfinance sector (MFIs) faces a number of challenges in its development and outreach to underserved population and these are poor credit culture aggravated by the lack of clear guidelines about the management of MFIs which have tested the sustainability efforts of many of Rwanda's microcredit programs. Furthermore, the presence of strong institutions is critical for the sector and Rwandan microfinance institutions lack strong institutional capacity. Thus, 90% of Rwandan MFIs have no management tool when addressing strategic decision making, and more than 75% of Rwanda's MFIs operate using a manual management information system (MIS), using wires to meet their daily business information needs13This is a bottleneck to develop good portfolio quality, and has hampered the development of strong internal control systems and the application of sound business planning.

Geographical concentration of MFIs in urban and semi-urban is another challenge. More than 50% of Rwandan microfinance institutions operate in the southern and western provinces and concentrated mainly in the major cities. This has disrupted many of the access to finance efforts made by other development actors. Thus, this presents a risk of over indebtedness amongst microfinance clients as MFIs compete over the same market.. A credit information bureau has been introduced to Rwanda, aiming to enhance the availability of real time client credit information and hence, foster healthy financial market in the country.

There is a challenge of poor loan quality and high non-performing loans exacerbated by a long history of mass default. In order to address these challenges, microfinance sector needs geographic and operational diversification to address the finance needs of Rwanda's population. Sector outreach needs to expand to rural areas, and undertake the market research and new cash flow lending. Most of these challenges are being addressed by various actors and internationally recognized institutions in order to strengthened and improve the delivery of services.

Rwandan SMEs are faced with several challenges to access financing and these are; Most SMEs are faced with difficulties in consolidating capital and creating business plans to qualify for lending from commercial banks and microfinance institutions, they lack skills and capacity and often lack the ability and resources to gather and process market information outside of what is immediately relevant to their current business due to lack of technical knowledge and training on how to make use of this information[14].

The Rwanda SMEs sector is also faced with a challenge of limited capital instruments which is exacerbated with the fact that Rwanda's capital market is still at its infancy stage and the instruments currently listed and traded are made of shares/equity and bonds/debt. To address the challenge of the

13 Rwanda, Country Survey, promoting transparent pricing in the microfinance industry in Rwanda, 2011

[14] Rwanda SMEs Policy 2010

scarcity of equity for SMEs through investment in unlisted companies there is need to promote private equity and venture capital program as well as other initiatives such as fund for funds to increase SMEs access to financing15. Rwanda SMEs also face a challenge in terms of access to technology and innovation which would otherwise transform the landscape of SMEs in commerce to production through value addition to their products.

The main challenge facing MFIs is that agriculture investments require medium and long term financing. Despite the fact that, the GoR have addressed the challenge through the establishment of guarantee funds, Rural Investment Facility (RIF) to promote access to agriculture financing, MFI and the commercial banks indicated that the procedures to access it is quite difficult. The findings are: (i) experience of the BNR managed Agricultural Credit Guarantee Fund (ACGF) is that the perceived risk by commercial banks on lending to agriculture is higher than the actual risk; (ii) lack of agricultural expertise within the banks; (iii) lack of appropriate agricultural loan products; (iv) high transaction cost of lending to smallholder farmers; (v) lack of repayment discipline due to grant culture; (vi) lack of skills on the development of bankable proposals.

Another challenge facing agriculture financing is inadequate and insufficient value chain finance that is currently one of the major obstacles affecting agriculture sector productivity, other financial and non financial issues like the absence of warehouse infrastructure or mistrust and asymmetries of information between the chain actors, others issues in the value chain downstream range from primary production, marketing, post-harvest handling and processing16. Addressing these challenges and their financing will certainly reap the benefits of the increase in production seen to transform into secure, market oriented sector.

Umurenge SACCO is a Government of Rwanda initiative as elaborated in the Vision 2020 development agenda that aims to increase access of financial services to citizens. This is aimed to facilitate local citizens to be able to save, access loans and credit for different business activities thus allowing them to invest and graduate from chronic poverty. These institutions are faced with challenges and these are; some local leaders are not active in mobilizing the people to participate in Umurenge SACCO program, sensitization is left to employers of Umurenge SACCO. Another challenge is that employees of Umurenge SACCO lack of essential skills in areas of management, IT, product development, pricing and risk management leading to poor governance and high NPLs within the SACCO governance. Finally some local population remain skeptical as they deposit their membership fees with individuals some with no clear offices in which Umurenge SACCO operate, fear that their money might end up in wrong hands as was the case with previous COOPECs.

[15] ADB, leveraging capital markets for SME financing in Rwanda, 2012
[16] MINARGI , Rural and agricultural financial service strategy, 2011

Rwanda's mortgage market faces a number of challenges and the most critical being the lack of liquidity, long term fiancé for mortgages. The solution lies in selling long-term debt to the market, given the growing demand for such from good companies in an economy with limited investment opportunity. The BRD's new mortgage liquidity facility will continue to support long-term lending activities by Primary Mortgage Institutions (PMIs). This facility raises money by issuing debt instruments, targeting investors such as the national pension fund, insurance companies, and even denominate sufficiently sized bonds for the emerging class of individual investors

There is also a challenge of bank's interest rate on mortgage which is on average 15 to 16 percent a year, and the mortgage tenor is 20 years for residential properties. Reducing or controlling interest rates on loans requires a strong government intervention mechanism. According to Rwanda housing study on affordable housing development projects in Rwanda, it points out that the control of interest rates should be extended to the RSSB and further argues that Since RSSB uses public money, it ought not to be charged at high interest rates like any other commercial/business oriented entity instead it would act as part of the beneficiary's guarantee to Housing Bank for public servants to acquire houses.

Another challenge to access to mortgage finance access finance is limited by affordability as well as the irregularity of incomes among some borrowers, also deposit requirement of up to 30% percent make mortgage finance inaccessible to the majority of people without formal employment. To address the affordability challenge, Home Finance Guarantors Africa Reinsurance Limited, a South African company, has been working with Soras Assurances Generales Ltd in Rwanda to establish collateral replacement guarantees.

4. Achieving Deeper Levels of Financial Inclusion

Despite the significant drop in financial exclusion from 52 % in 2008 to 28% in 2012, the level of financial exclusion is still high in Rwanda. The FinScope survey 2012 indicates that about 1.3 million Rwandan adults are financial excluded. 50% of the excluded are from households in the two lowest categories of UBUDEHE social-economic classification system. Another challenge is low level of education. The survey highlights that 54% of these individuals have never had any formal education.

Another challenge is the low usage of financial products and services. FinScope 2012 reveals that the 72% of the adult population which is considered to be financially included are somewhat "underserved". They possess but only rarely use an account with a bank, SACCO, MFI, or mobile money, and a 30% of the 72% use informal products. Furthermore, 42% of banked adults did not use any of the products the products they had with commercial banks in the 6 months prior to the FinScope 2012 survey.

Rural people in Rwanda like most citizens need a range of appropriate and affordable financial services to address a range of financial needs such as safe accessible savings, microcredit payments and transfer service domestic and/or international as well as insurance.

Rwanda financial diaries study reveals that access is not the primary barrier to effective financial inclusion in Rwanda. The respondents (rural low income people) indicated that when they need banks or SACCOs they can access them but the challenge is the set of services and products seem relevant to limited people as such formal institutions are seen as places for big money meaning big loans for investing in a business or building a home and are not convenient store for low income citizens with short term and temporary savings.[17] To address this challenge Rwanda banks must be aware and develop more products tailored to meet the needs of the informal sector and uncover new revenue opportunities and push the frontier of financial inclusion.

5. Modern Payment System

Rwanda has well-functioning integrated Real Time Gross Settlement (RTGs) systems and automated clearing house, retail payment and settlement system, central securities depositories. However, the main challenge is these various components of the modern payment system are expensive and insufficient local capacity to manage and run the systems since the RIPPs is new, a lot of efforts is needed to train the RIPPs users. The remaining challenge is to ensure that all financial institutions have modern banking systems like Delta, T24 that can be easily integrated with new central bank system to make interface solid[18].

The East African Community objective is enhancing financial inclusion and improved trade and deeper financial sector integration in the EAC region and one of the challenges that Rwanda is likely to face is that of harmonizing national legislation, regulations and policies that ensure adequate supporting pillars for the payment and settlement systems to be integrated throughout the EAC. There is also need to protect payment flows and oversight framework. This harmonized payment framework shall require capacity and supporting skills set for specific areas of payment and settlement systems.

In order to address the above challenges, there is need to have a coherent strategy, encourage banks expand coverage of branchless technologies like e-banking e-payment, internet banking and mobile banking and sensitize Rwandans about RIPPs, the financial sector and ensuring all financial institution are part of the RIPPs

6. Non- banking institutions

Challenges facing the Pension sector: The most outstanding challenge is that the current pension scheme covers about 10% of the population and this is because the existing scheme is only mandatory for salaried workers, who mostly comprise public servants, whereas those who are self-employed participate on a voluntary basis. A a recent FSDP II suggests that there is significant unfunded liability as a result of low contribution rates, no ceiling on earnings and relatively high replacement rates on earnings. The fund will be under financial stress in 5 years to come and the reserve fund will be

[17] AFR and VISA, Rwanda Financial Diaries: Understanding the financial lives and product needs of Rwanda's underserved consumers, 2013

[18] Le banquier, Magazine of National Bank of Rwanda, 2012

exhausted by 2040. To deal with these challenges, the draft pension law presently before Parliament includes adjustments to benefits and contributions to make the plan more sustainable. The draft law aims at revitalizing the system to attract more members; otherwise the Government will have to shoulder the burden of paying all pension benefits in less than 20 years to come.

Furthermore, there is need for more efforts in improving areas of raising compliance level countrywide; enforcement of arrears especially in Real estate and Contributions, improving the statistical database of Medical scheme, ironing out inaccuracies in the database, raising the occupancy rate for real estate and mortgage investments[19].

Challenges facing the Insurance industry: Rwanda's insurance penetration is still low; the sector faces a demanding task of achieving penetration of 10% by 2020 from the current level of 2.3% in order to be at par with the middle income countries. Rwanda has inadequate innovation products/services. Currently there are only two mandatory insurance products and these are motor insurance and health insurance for civil servants. Also, the government has also enforced community health insurance and currently subscribed above 80% however the quality of such services has proven inadequate in some showcases. To address this challenge, insurers are now calling for compulsory insurance on private commercial buildings and government buildings.

In addition to making it compulsory for the medical profession to buy insurance for practitioners such as doctors in order to cover the damages that may occur when they handling patients. More to note, the insurance sector should concentrate on intensifying its awareness campaigns to ensure that the masses know more about available products.

Rwanda is the only active member of the East African Community (EAC), that levy 18% charged on premiums this discourages the expansion of Rwandan insurance sector. To address this challenge, the insurance sector need to conduct a study in order to prove that VAT on premium has negative impact on the insurance penetration.

According to (2010/11 Integrated Household Survey (EICV3)) there has been a significant progress of sustained economic growth and poverty reduction. There has been a reduction in poverty levels from 58% in 2000/1 to 45% in 2012. This implies that the majority of Rwandan population are still engaged in small-scale agricultural activities which, to date, cannot attract insurance because few can afford it. Livestock insurance has begun but is moving at a slow pace because of the costs associated with it. This consequently discourages companies to offer the product. Additionally, Rwanda's informal sector especially those grouped into farming associations are not engaged in micro-insurance. The benefits of micro-insurance are that they do not involve huge administrative costs like mainstream insurance

The Rwanda insurance sector lacks updated Rwanda mortality life tables accompanied by the lack of appropriate assets to match annuity liabilities. Furthermore, there is no comprehensive data on insurance that is publicly available while no separation between data on short-term and long-term

[19] RSSB spearheading social protection in Rwanda, annual report 2011/12

insurance. Although public perception of insurance companies may have improved in the last few years, the inefficiencies of insurance companies in processing claims and perceived unwillingness to pay claims has impacted public confidence hence reducing uptake of insurance products. The general level of awareness about insurance products is still very low.

7. Limited Skills in the Financial Sector

According to FSDP II, the skills development challenge is that the recent growth in the financial sector has created demand for qualified graduates to enter the financial services sector as well as for experienced financial services professionals.

One area of concern in the Rwanda financial sector cited by many players during the consultations is lack of appropriate skill for example risk managers, investment managers and actuaries science and professional accountants this has restrained to a great extent innovations and aggressive entrepreneurship.

According to census of existing skills in the financial sector of Rwanda (2010), despite tertiary institutions continued efforts to produce graduates with relevant financial degrees, many lack skills needed to work in the financial sector. There is a reflection of the general lack of skills to the requirement of the job market. The strategy on Rwanda international service centre (2012) reveals that few people in Rwanda with experience of acting as trustees or managing trusts. Thus, once the law on trust is passed the development of new products and services will aggravate the skills shortage. To address the challenge of shortage of skilled financial sector specialists, the Government should facilitate the importation of skilled financial specialist in the short-term.

More to note, the SFB, the faculty of statistics and actuarial science of the National University of Rwanda, the Kigali Institute of Management and the Centre for Business Studies will play a key role in meeting this demand. Introduction of licensing and continuing education requirements for financial sector professionals will encourage individuals to further their own qualifications, and for their employers to support these endeavors. In the short term, skills gaps can be filled through recruiting expatriates and from the Diaspora. Foreign-owned firms contribute to local market development by bringing expertise, systems and training opportunities.

Conclusively, all the above challenges calls for both the government and the private sector to make concerted efforts to enhance the country's human resource development with the view to improve skills especially in risk management, investment management, actuaries science, product knowledge and advice skills on new generation products and cultural and language skills to ensure that financial services are expanded to more excluded segment of the population.

8. The challenges – Creating a Financial Services Centre

Rwanda operates in a very competitive global market and even the recent recessionary financial crisis is likely to cause a bottleneck to the attraction of foreign direct investment in the service sector. However, Rwanda is still regarded relatively an expensive location of doing business being a land locked country. This situation is exacerbated by the fact that Rwanda is also competing with the EAC countries in international service business. To address the challenge, Rwanda has to maintain a distinctive competitive edge. Subsequently, a major challenge will be to enunciate and sell to non-Rwandan stakeholders the comparative advantages offered by Rwanda. If the fiscal position for any product or service is not at least comparable to those in competing countries, the challenge is more acute[20].

With the persistent global financial crisis and Rwanda's international commitment in sustaining macroeconomic stability is challenge that may limit financial international institutions and bigger corporations to grow in size and think of investing in off-shore business in Rwanda.

Rwanda faces a challenge of tax harmonization with international competitive countries especially around the regional since most jurisdictions offer low tax rates for international business. It is imperative for the Rwanda policy decision makers to proposal favorable taxes that are most relevant taxes that would attract businesses without coming up with that would make Rwanda a tax haven since most financial service centers have collapsed because of tax havens. As the financial international services centre strategy suggests all legislation matters should be channeled through the RDB doing business unit so that all major acts can be passed and the investment code if passed will strengthen the position of Rwanda becoming a prime investment destination point.

There is also a challenge for Rwanda entering into Double Taxation Agreements (DTAs) and tax information Exchange Agreements (TIEAs) with several countries, notably other EAC members (under way), DRC, South Africa, Botswana, Zambia, Nigeria, the United Kingdom, the United States, India, Hong Kong, Singapore, China, Ireland, plus some European countries such as Belgium, France, Germany, Luxembourg, the Netherlands and the Nordic countries.

There is a challenge for Rwanda to consolidate internal market in the context of a closer integration of the credit, money, foreign exchange and public debt markets. The optimal liquidity management will inculcate a culture in the local financial institutions working on the domestic market to look for offshore opportunities as they manage to raise their surplus of foreign exchange and transact more readily with others on the local FX market

Rwanda is faced with shortage and competitive skilled financial sector specialists. However, this challenge shall be addressed by importing specialised labor in the short to medium term. Government should facilitate the importation of skilled financial specialists. In the meantime government needs to develop high quality education and training capacity for financial sector specialists

[20] Strategy for Rwanda International Service Centre, 2012

The strategy on Rwanda becoming an international service centre further suggests that Rwanda needs to attract a major international bank, possibly through the acquisition of a share holding in a local bank. The recent rise in profits can be used to demonstrate the attractions of banking in Rwanda. Rwanda should target Chinese state owned banks to persuade them to use Rwanda as their African Hub. The Liberalization of the pension funds at least to allow wealth management units of international fund managers to manage some of the pension funds which will be enhanced by the passage of pension law.

Rwanda's international service centre will be supported by financial institutions, foreign investors accessing banking information disclosure of private information, and transparency and governance environment. . It also necessitates putting into practice of high accounting and auditing standards in financial reporting in order for corporations to be become more professionally accountable. To address this challenge, BNR still has to comply fully with the 25 principles (Basel Core Principles). The supervision areas that will be focused on are; Legal protection for the supervisory authority (critical for supervisory independence); Internal control (role of board and management, checks and balances within the system) and audit; Abuse of financial service; consolidated supervision (some banks have a foreign equity interest); and Home-host relationship (information sharing with other supervisory agencies)[21].

[21] Strategy for creating a Financial Services Centre in Rwanda, 2012

CHAPTER 3: STRATEGIC FRAMEWORK

3.1 CONCEPTUAL APPROACH FOR THE FINANCIAL SECTOR DEVELOPMENT

The Section sets out clear policy interventions that will enable the financial sector become an engine of growth in the country. The section also addresses the strategic orientation of where the country and the financial sector wants' to be in the next five years and how it's going to reach there through tackling the current challenges to ensure that the targets of the Vision 2020 are achieved.

The Vision 2020 and EDPRS II sets out ambitious targets for the economy that in turn provides the conceptual approach and the context in which the financial sector is elaborated. These targets include;

- Achieving $1,240 GDP per capita by the year 2020.
- Achieving 11.5 per cent average annual growth to reach GDP target for EDPRS II
- Increasing long-term savings with the objective of increasing credit to the private sector to 30% of GDP by 2017
- Creation of an additional 200,000 non- farm jobs per year up to 2020
- Rwanda to achieve the goal of 28% annual real exports growth- reaching $3.6 billion of formal exports by 2020
- Achieving growth rates of 13.5 per cent in services, 8.5 per cent in agriculture, and over 14 per cent in industry.

Rwanda's goals and objectives of socio-economic and governance transformation cannot be achieved without a sound and well developed financial sector in the next five years. 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 is ill equipped 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.
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.

The Financial sector strategy has been developed to provide policy interventions to build on what has been achieved during EDPRS I and mainly focus on expanding access to credit and financial services, enhancing savings mobilization and mobilizing long term capital for investment and strengthening the legal and regulatory regime to achieve developmental goals for the Vision 2020, EDPRS II, 7 year Government Program and Millennium Development Goals (MDGs).

3.1.1 Vision and Mission

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 reduce poverty. The financial sector mission is to drive rapid and sustainable economic growth in order to achieve ambitious objectives of the Vision 2020, 7YGP and EDPRS 2- ensuring that Rwanda attains the status of a low middle- income country by the year 2020 through economic transformation.

The financial sector overarching vision continues unchanged from FSDP I:

"Develop a stable and sound financial sector that is sufficiently deep and broad, capable of efficiently mobilising and allocating resources to address the development needs of the economy and reduce poverty".

Based on the SWOT Analysis and Sector Challenges highlighted above, the financial sector strategy is structured around the following targets for EDPRS 2;

1) Increase in gross/private savings from 10.6% in 2012 to 20% in 2018
2) Increase in private sector credit/GDP ratio from 15.6% in 2012 to 20.2% in 2018
3) Percentage of new investment by formal businesses financed by banks increased from 14% in 2012 to 25% in 2018
4) Value of collateral needed for loans falls from 273% to 160% by 2018
5) Increase in modern electronic payment transactions from 41.5% in 2012 to 75% in 2018
6) Increase in financial inclusion from 71.8% in 2012 to 90% in 2020

3.1.2 High-level Financial Sector Indicators and targets

The high-level Financial Sector objectives as derived from the overarching objectives of EDPRS 2 are shown below.

A stable, vibrant, sound, well developed and diversified financial sector will transform Rwanda into a middle income country with a per capita GDP of US$ 1,240. The EDPRS indicators and targets provides a framework to meet the Millennium Development Goals and the 2020 Vision objectives which the financial sector intends to play an instrumental role in contributing to the attainment of these targets. The financial sector shall be the main driver of investment from 21% to 30% as a percentage of GDP which requires savings moving from 10.6% 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 whole sectors in economic cluster. The financial sector shall ensure that coordination is given priority in order to achieve high level targets mentioned below;

Table 6: Financial Sector Related Indicators and Targets

Indicator	EDPRS I 2012/13	Vision target	EDPRS 2 2017/18
Private investment/ GDP	10%	30	18.2%
Gross national savings	10.6%	6	22%
Credit to the private sector/ GDP	15.6%	30%	20.2%
Access to financial services	71.8	none	90
Percent of transactions completed electronically	41.5	75	75
Mobile subscriptions per 100 people	45	60	60
Growth rate of the service sector (percent)	10.5 (average 2000-2010)	13.5	13.5, and equal to 55 percent of GDP
Financial depth (broad money/GDP)	20.3	25.3	23.7

Source: Vision2020 revised targets and EDPRS Macro Economic Framework

3.1.3 Financial Sector Strategy Guiding Principles

The Financial Sector Strategy has been developed in accordance to EDPRS 2 guiding Principles

- **Innovation and new approaches**

In recent years, Rwanda like other countries has experienced changes in the delivery of financial services that is consistent with technological advances. With these advances the financial sector aspirations continues to be inclusive via meeting financial needs across all segments using appropriate technologies like branchless banking mobile money transfers, internet- on line banking. The sector will continue to advance the expansion of electronic payment usage; agent banking shall be promoted that will open new forms of delivery channels that are of low cost to the lower income households. Over the years, on line trading and brokerage services and capital markets will be made available and utilized. It should be underscored that E-commerce and Finance is redefining the cost and competitive structures of financial services and henceforth this convergence of technology and financial services provides opportunities for the emerging markets to leapfrog in the development and delivery of financial services.

To strengthen these technologies, BNR will continue to ensure that appropriate regulatory is in place to promote new innovations especially through interoperability operations are able to transfer funds to accounts on other services providers' networks and to bank accounts. The feasibility of these new innovations will be safeguard by the implementation of anti-money laundering and combating the financial of terrorism (AML/CFT) that was enacted in 2008 as there are high risk of fraud, money laundering and proliferation of toxic assets likely to setback advanced modernized payment systems

- **Focus on emerging priorities**

There are six emerging priorities tackled in 3.3 that will drive the sector for the next five years towards achieving of Vision 2020

1) Mobilizing savings and investment
2) Access to Finance
3) Financial Inclusion
4) Modernized Payment Systems
5) Skill Development for the Financial Sector
6) International Financial Service Centre

- **Inclusiveness and Engagement**

In order to address the current challenges and achieve sector outcomes over the next five years requires that all financial sector stakeholders own the process especially understanding their key roles and responsibilities for their relevant concert policy actions that shall be pursued. The Financial Sector Development Secretariat will ensure effective coordination through on-going process of policy reforms and dialogue with a wide range of sector. Still, cross-cutting sectors consultations will be vital to draw out synergies and duplication of activities. These sectors are private sector development, agriculture sector, macro and financial sector and districts. Furthermore, reporting financial sector targets will be inclusive of all concerned stakeholders.

- **District-led Development**

The financial sector shall coordinate with districts during the implementation of the strategy. The financial sector policy actions which need districts 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.

- **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.

3.3 FINANCIAL SECTOR PRIORITIES

The SWOT analysis, and key sector challenges highlighted above provide a rationale for the most crucial sector priorities to be pursued in the next five years. These are as follows;

1) Mobilizing savings and investment
2) Access to Finance
3) Financial Inclusion
4) Modernized Payment Systems
5) Skills Development for the Financial Sector
6) International Financial Service Centre

3.3.1 Priority Area 1: Mobilizing savings and Investment

Rationale

Rwanda to achieve its development ambitious plans for poverty reduction, the economy needs to grow in the range of 7-8% target. The achievement of such performance requires high levels of investment 30% of GDP and for this to be realized the country needs to target a saving rate of 20% as a minimum and mobilize external savings and investment. To achieve these targets, the first strategy for Rwanda will be to develop a Financial Market. In this context, attention needs to be paid to certain important elements and aspects of the money market, capital markets and promote equity capital and venture capital

Key policy interventions

1) **Money market development**

An active money market benefits monetary policy and the government as well as portfolio managers, banks and securities markets. Money market facilitates open market and central bank operations to influence interest rates, base money and other targets of monetary policy. The money market comprises of dealings in short-term instruments such as Treasury Bills, Repurchase Agreements (REPOS), Interbank Cash Market (IBCM), and Interbank Foreign Exchange Market (IFEM). The National Bank of Rwanda needs to take steps to ensure certain desirable qualities of the environment.

To this effect, the NBR will continue to support the development of the interbank markets both money and foreign exchange market which will improve the liquidity management 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[22]. To this end, a

[22] Rwanda and IMF : Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, 2011

well developed money markets, low-risk instruments become available to portfolio managers and banks, and diversification and intermediation are made easier, with the ultimate benefit being made to saving and investment as the gains are passed on to savers and investors.

As the strategy on Rwanda international service centre points out as short short-term government securities market deepens and a critical mass of investors emerges, it is likely that other short-term securities will be floated, e.g. negotiable certificates of deposit, bankers' acceptances, and commercial paper. As the money market deepens, some banks may find it attractive to securitise their loan portfolios.

2) Capital Market Development

The MINECOFIN in collaboration with the national bank of Rwanda and capital market authority will revisit withholding tax regime to remove distortions caused by different treatment of maturities. This will be a deliberate fiscal policy move to encourage public and private issuers to issue longer term bonds.

The government shall resume its bond issuance program of issuing bonds via regular auctions and where future bond issues shall be published in advance for instance an indicative quarterly bond auction dates for the coming and subsequent years for the 3, 5 and 7 year auctions. The positive side of this move is that it can serve purposes of market development as well as assisting in monetary policy of the central bank. In addition, the authorities will need to develop a yield curve. Whereby, domestic bond market prices shall be collected for the calculation and publication of a yield curve. The yield curve and bond pricing information constitutes a base on which other issuers can price a bond issue or medium term note. To this end, government will issue different types of bonds for instance indexed bonds, floating rate bonds, retail bonds (for small investors) aimed to promote private sector in capital market development.

The government shall also promote the development of corporate bond market. This shall be through the encouragement of issuance of corporate bonds by public and private institutions, as potential major investors in long-term debt instruments increase their demand for bonds and long-term bank deposits, the government of Rwanda shall encourage private-sector firms and public enterprises through the inclusion of domestic bond tranche in the financing of PPPs. This can be supported with proper accounting and good governance as an incentive for private firm to enter the market. Subsequently, a corporate bond market shall be added to Rwanda stock exchange. Thus venture capital firms could be a great source of funds in such corporate bond market which would encourage venture capital firms to acquire equity. The Government shall deepen the capital market by facilitating the issuance of asset backed securities (ABS) and other marketable securities. This shall be made possible by continuous development of enabling legal and regulatory framework.

3) Rwanda Stock Exchange Development

The Rwanda Stock Exchange is in its early stages of development faced with challenges mentioned above and given the small size of the Rwandan economy. First and foremost, to get the RSE function in a regular way and putting in place the rules related to capital adequacy of brokers and ensuring disclosure and investment protection, the Government of Rwanda want to take the following policy interventions to develop and deepen the capital market.

The MINECOFIN, National Bank of Rwanda and Capital Market Authority will need to take steps to ensure substantial growth in market listings including investments particularly for the automation of trading and setting up a central depository. The interconnectivity between Rwanda's securities depository and other depositories will be promoted to facilitate inter-listing of securities and in anticipation of East African capital markets integration to facilitate bond issuance.

To this effect, CMA shall develop a five year transitional sustainable model including the expansion in the number and type of listed securities to guide the near term evolution of the market considering EAC market integration and future challenges for Rwanda. This will be furthered by building a market supervision skills, including through staff interchange with more mature Rwandan citizens abroad shall be encouraged to purchase bonds through accounts with local brokerage.

The introduction of laws and regulations will be pursued to allow the formation of investment The existing collective investment law provide an avenue for an investor compensation fund which will be operational and aimed at providing more security and comfort for investors, particularly in dealing with new branches of foreign brokerage firms in Rwanda.

Thus, MINECOFIN and BNR shall coordinate the establishment of an investor compensation fund. More to note, the passage of unit trust law will lead to the emergence of companies and unit trusts. CMA and RSE in collaboration with MINECOFIN provide necessary supporting infrastructure for regional trading through the establishment of guidelines for shelf registrations, medium notes and private placements. Rwanda Stock Exchange website shall raise awareness on bond markets in Rwanda online. The online shall disseminate information on bond market developments in Rwanda.

4) Rwanda Fund of Funds.

The establishment of Rwandan Fund of Funds requires the following policy interventions as proposed by a study on leveraging SMEs financing through capital market development drawn from experiences from South Korea and other interventions from the region. First and foremost, the Government should take the initiative in the establishment of fund of funds by providing the seed capital to inject into an existing business for it to expand. This is referred to as developmental capital. The complementary

intervention would be to set a resource mobilization campaign targeting the private sector and development partners and this will be launched to complement Government's seed capital[23]
Clear guidelines should be developed to inform the selection of investors to partner with the government and the beneficiaries including SMEs as in the case of Israel, Korea and Ghana. Explicitly clarifying that the support to SMEs will be a loan and not be subsidy is important for the fund's sustainability;

The fund of funds programme should be designed with a clear exit strategy for both the Government and other investors. This often provides added comfort to the investors that their investment/ contributions to the fund are redeemable.

The governance and management structure of the fund should allow for greater independence be guided by international best practices and should be regulated by Capital Markets Authority and CMA shall develop disclosure guidelines that will focus on SMEs and encourage these companies to issue securities in order to access long-term capital.
Rwanda stock exchange will set up a separate segment of the market for SMEs as a "facilitator" or "advisor" or "nominated adviser" to sponsor SMEs equity markets.

Recruitment of competent fund managers, provision of a commensurate compensation package and development of performance benchmarks are pre-requisites for a successful fund of funds. It will be important to create public awareness of existing institutions on establish of equity funds. Possibilities of sharing Kenya's experience is important on how they have set up equity funds, bond funds, and money market funds as Dyer and Blair and African Alliance have already done this in Kenya.

Encourage the existing brokers to create a fund of funds using the off shore listed funds available. South Africa operates fund-of-funds successfully which would be best practice for Rwanda. Also, insurance companies will be encouraged to set up a new venture capital fund

5) Growth of Insurance Industry

The insurance industry plays a critical role in social and economic transformation of nations and societies hence as Rwanda strives to attract domestic and foreign investment, there is need for a fully developed insurance sector to support this investments. The regulator and insurance players will implement the following policy interventions;

First and foremost, BNR shall 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.

[23] Ghana Venture Fund leveraged its seed funding of GH¢22.4 million (US$ 11.2 million) to create additional GH¢40.2 million (US$ 20.1 million) from the private sector in a Public Private Partnership arrangement that resulted to, total of GH¢62.6 million (US$31.3 million)

Secondly, BNR and MINECOFIN shall Construct Rwandan mortality life tables that shall be beneficial to foster development of life insurance and annuity products. There is need to approach FIRST Initiative to secure funding for the preparation of Rwanda-specific life mortality tables or else commission actuarial consultants to prepare Rwanda specific life mortality tables. Also, insurance companies and ASSAR shall introduce annuity products to meet the requirements of private pension plans.

Thirdly, MINECOFIN, Ministry of Agriculture, Insurance industry in collaboration will the WB and FAO shall set up more weather stations as well carry out additional studies on weather data to determine accurate premiums. Furthermore, the discussions held with Insurance stakeholders revealed that 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.

Awareness campaigns to private sector dealing in the extensive and costly agriculture products for exports to insure against crop/weather risks or related products and 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. Lastly, the insurance sector need to conduct a study in order to prove that VAT on premium has negative impact on the insurance penetration and a remedy to align VAT charged on premiums as this discourages the expansion of Rwandan insurance sector.

Channeling Savings for Long Term Investment and Sustainable Growth

Under EDPRS 2, the financial sector will play critical role in economic transformation through channeling mobilized savings to accelerate investment particularly to boost export and service sectors to drive growth and increased productivity of the private sector. The policy actions proposed above are aimed at effectively mobilizing savings from number of borrowers including households and business enterprises in the country and outside Rwanda mainly from East Africa countries. Improved capital markets and infrastructure will improve the liquidity and efficiency of corporations and banking institutions, insurance companies and public and private pension schemes to mobilize pool of savings for additional investment for economic transformation aimed to achieve sustainable growth.

Most importantly, financial literacy both through formal education systems and training programs for adults would help give savers and investors a better understanding of financial products and services and associated risks. This is critical for growth as citizens and financial institutions understand financial products and services to be able to make well informed decisions. To attract regional savings for intra-regional investment, it is mandatory that the government continues to reduce transactions costs and provide investment information, harmonsation of EAC regulations and practices for integrated markets.

Asset securitization is the process by which assets with similar characteristics are pooled in a special purpose vehicle (SPV) and issued to investors with a right to payments supported by the cash flow from a pool of financial assets held by the SPV. Thus, the passage of trust law is essential for Securitization of assets back securities as positive way to promote marketable bonds to promote home ownership and stimulate other household consumption and provide funding for infrastructure development and SME lending. To make this happen, Rwanda needs to improve transparency regarding the assets origination and securitization and establishing additional disclosure requirement and adopting a greater degree of document standardization and reducing product complexity.

Savings and investment can be distorted by global markets and financial crisis Therefore, the Central bank of Rwanda will continue and have to take into account global market conditions in order to limit cross border arbitrage and the activities of banking sector, insurance and securities which should be coordinated in a consistent manner. Thus, the National Bank of Rwanda shall continue to play its recommendable role in supervision and regulation.

3.3.2: Priority Area 2: Access to Finance

Rationale

The financial sector through its financial institutions and systems shall ensure that it increases Access to Finance in order for Rwanda to achieve its investment and saving targets of 30% of GDP and required savings of 20% respectively. In order to achieve these targets, increased financing to domestic credit is critical to propel Rwanda's based enterprises to set up investments needed to increase productivity and competiveness and ultimately promote job creation. In addition, the financial institutions shall play a critical role to ensure access to finance that would result in upward trend of the current domestic private sector credit/GDP ratio from 15.6% to 22.2% in 2018.

Policy interventions

1) Expansion of Credit Guarantee

As indicated in the challenge section, the high risk associated with providing credit to SMEs is a major reason for limited access to financing by SMEs. To mitigate risk , government intervention in form of credit guarantee schemes have played a significant step towards addressing access to finance challenges facing SMEs. The government's decision to consolidate all the guarantee and refinancing facilities into one institution, the Development Fund Company (BDF) is a step in the right direction .

As revealed by (PSD strategy, 2012) Banque Rwandaise de Development (BRD) will continue to expand the credit guarantee to BDF as credit. Disbursement projection of over US$ 500 million is planned, a tenfold increase in the amount of funds that BDF credit guarantee has been able to leverage. The additional financing requirements shall facilitate to provide credit to the private sector as proportion of GDP to 20 per cent by 2015[24]

Furthermore, the authorities need to ensure that the activities and exposures of the BDF are appropriately well governed .Thus, there is need to improve governance of BDF Ltd through restructuring, risk management and capacity building in terms of adequate skills matched with credit technologies development in the partnering institutions in order to ensure that incentives are well maintained . Subsequently, it is also anticipated that the structural changes will be need whereby overtime BDF will have its ownership as possible means to eliminate competition from BRD as banks will be interested in using the Guarantee facility

Additionally, BDF will 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.

[24] Draft Private Sector Development Strategy, 2012

BDF will 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 a high quality loan application.

BDF will focus on promoting measures aimed at women economic empowerment in accessing financial services (saving, credit and transfers more especially that now the women guarantee fund has been incorporated into BDF

BDF will 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.

2) Collateral and Credit Information Bureau

There is need for the government through the central bank of Rwanda to promote inclusion of SMEs in the credit bureau system, the availability of information about payment performance through credit bureau has been empirically shown to increase the availability of credit in terms of time needed to process loans, cost of making loans and the extent of defaults are all higher without credit bureaus.

3) Promotion of micro Leasing and Micro Savings

Financial leasing is a contractual arrangement between two parties which allows one party (the lessee) to use an asset owned by the other (the lessor) in exchange for specified period payment. The lessee uses the asset and pays rental to the lessor who legally owns it. This mechanism is particularly important to expand access to finance to the rural people.

MINECOFIN, BNR and Rwanda Revenue Authority will push for the enactment of a new leasing law which incorporates international tax-advantaged standards for such legislation, e.g. elimination of VAT on lease payments will enhance lenders' ability to collateralize longer term credit, in particular, for equipment such as tractors and transport vehicles as well as sewing machines, computers and accessories, agriculture products like fertilizers to finance the rural sector.

Furthermore, 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 most effective funding strategy for micro banks as well as critical tool for historically unbanked populations. Therefore, commercial banks and Rwanda development bank to 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.

MFIs, SACCOs and Micro Banks will promote the rural products like new solidarity loans, micro business loans; agriculture loans that will in turn promote micro savings programs aimed to help rural people break through financial barriers and achieve prosperity.

Box 1: Micro saving: Ghana Example.

While the poor are precluded from operating traditional bank accounts due to high transactional fees, required minimum deposits and the physical distance, the poor still find ways to save through traditional network and institutions, In Ghana, Barclays bank works with traditional Susu collectors which act as walking saving accounts by offering a range of services via Susu collectors, Barclays thus raise awareness of formal saving mechanism, give clients greater security and enabled them to build credit profits, Barclays bank anticipates replicating the model elsewhere in Africa[25]

4) Agriculture Financing

The government needs to provide rural financing in helping small farmers increase their productivity and linking them to markets to promote agribusiness, increasing food supply and essentially increase incomes for the poor. The inherent challenges to be addressed have been weather, pests and crop diseases, land degradation and market failures, limited access to seeds, fertilizers and equipment and poor infrastructure like roads, transportation and storage facilities leads to waste and limits opportunities for farmers to sell their crops.

To address these challenges, the policy interventions are to encourage commercial banks, microfinance and SMEs lenders to reach more rural people, promote public- private partnership arrangement to invest in agriculture rural infrastructure. Furthermore, MINAGRI intends to pursue policy interventions to promote rural agriculture lending and these are; i) enacting a Warehouse Receipts Act and regulations; ii) conducting a rural and agricultural services cost study designed to guide MINIAGRI interventions relating to financing associated with specific crops; and iv) Develop index-based crop yield insurance tracking system to facilitate eventual rural crop insurance iii) Target agricultural production cooperatives in financial education/literacy campaign and include modules on HIV/AIDS, Gender and Environment protection.

Box 2: Warehouse Receipts Promoting Rural Finance and Commodity Price Risk Management Program

Tanzania

Warehouse receipts, contract farming and trader guarantee schemes are some of the interesting innovations in rural finance that have been successful in providing storage to enable farmers to access much needed cash at harvest but in addition benefit from farm price increases. The development of warehouse receipt and regulation promoted rural finance support in Tanzania. Warehouse manager,

[25] Christopher N.Sutton and Beth Jenkins (2007), the role of financial services sector in expanding economic opportunity

collateral manager, insurance company, commercial banks and SACCOs through value chain financing that has shown profitable venture 26

Rabobank,

Netherlands Rabobank partners such as the National Micro-finance Bank (NMB) have also benefited financing through value chain finance; the minimum requirements for a successful WRS are regulatory framework and the market for the produce in the warehouse. The emphasis was that the WRS works well when there are forward contracts that can ensure market for the produce.

Rabobank commodity price Risk Management program

Rabobank a Dutch agrarian sector has become increasing involved in SMEs development in the developing countries. Rabobank participated in pilot projects seeking to empower cooperatives aboard. In one of those cases, Rabobank worked with the world bank international task force to explore options and intricacies of introducing market based approaches for assisting SMEs farmers in the developing world. In the course of this initiative, Rabobank helped educate farmers on the basics of price risk management while also helping to restructure existing farming cooperatives. Rabobank foundation provided loans and credit guarantees. As a result of this initiatives coffee producers in Latin America and Africa participated in total five hedging transactions at lending rates significantly below those associated with traditional institutions27

In relation to commodity price risk management, Rwanda has also developed a weather index and crop insurance is already established as an important priority for MINAGRI and its development partners. It is encouraging that insurance companies are beginning to move into the sector: for example, in May 2011 it was announced that the Société Nouvelle d'Assurances du Rwanda (SONARWA) has launched a livestock insurance scheme in the Nyagatare district[28]

5) Micro Insurance

The FSDP II reveals that iimproving access to finance involves not just access to savings, credit and transactions products, but also providing low-income households (including farmers) and small and micro enterprises with the ability to insure against risks. Indeed, vulnerability to uninsured risks will help to keep households poor and enterprises small. Micro-insurance comprises products that are specifically designed to meet the needs of low-income households and small firms using low-cost distribution methods. The promotion of micro-insurance in Rwanda requires change to the regulatory structure. The minimum capital requirement (RWF 1billion) is too high for any specialized micro-insurance company to enter the market, although it would not stop an existing company from adding micro-insurance products to its range. A regulatory "second tier" will be considered for micro-insurance, that might have lower minimum

[26] Third joint regional rural finance workshop, Kigali, 2009

[27] Christopher N.Sutton and Beth Jenkins (2007), the role of financial services sector in expanding economic opportunity

[28] MINAGRI, DFID, Rural and Agricultural financial services strategy, 2012

capital requirements, permitting both short-term and long-term products to be offered by the same insurer, with less onerous corporate governance and reporting requirements, and allowing for a variety of distribution channels. There would be restrictions on the size of risks that micro-insurers will be allowed to insure, in line with the less onerous regulatory requirements. Specifics of the regime will be finalized following consultation with stakeholders.

A pilot study on livestock insurance is being carried out by MicroEnsure, and a feasibility study on a crop yield and livestock micro-insurance product is being carried out by Syngenta Foundation (based on a similar product in operation in Kenya), in both cases in collaboration with MINAGRI. These pilot studies will help to determine commercial viability and in refining product design and designing.

6) Mortgage Financing

According to a 2012 World Bank report on Kigali, Rwanda's housing need is estimated at 6 000 annually, although only 28 percent of this is expected to be needed in urban areas. In line with Rwanda's urban planning, the government has realized the need for affordable housing and this ambition is to be supported by BRD goal to create at least 30,000 to 50,000 affordable and decent homes. The government has also undertaken a pilot housing project to address the needs of public servants. The Affordable Housing Project for Government Employees aims to act as a model for creating more sustainable affordable human settlements. Low and middle income government employees (with an income of between RWF100 000 and RWF350 000) are targeted and the project will develop about 200 two-to three bedroom units in four storey buildings[29]

The policy interventions to promote mortgage financing are as follows;
BRD plans to significantly expand its mortgage lending. It is preparing a housing strategy focused on mid-income housing inclusive of a strategy for raising the long-term local currency necessary to implement this will be promoted by Subsequent to passage of the CMA asset-backed security regulation. First and foremost, BRD will also continue in its attempt to find additional nongovernmental 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,
Secondly BRD will provide housing loan products for SACCO cooperative members based on peer group guarantees as well as traditional collateral and also 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.

[29] Rwanda housing authority, affordable housing development project in Rwanda

7) Increased Saving Mobilisation through SACCO Program

In order for Umurenge SACCOS' role of promoting rural savings and investment to be achieved, the government will continue to ensure overall SACCO stability and sustainability over the next five years. The FSDP II proposed the following policy interventions aimed to consolidate and modernise SACCOs in the country

Strengthen governance by consolidating Umurenge SACCOs at the district level

- BNR/ RCA shall establish district level SACCOs in every district by end 2013
- BNR /RCA Convert those Umurenge SACCO members who meet requirements and wish to do so into District SACCO members
- MINECOFIN/ RCA/BNR conduct a nation-wide public relations and marketing campaign to promulgate the benefits of District SACCO share membership
- BNR /RCA establish method for exchanging Umurenge SACCO shares for district shares consistent with amalgamation
- MINECOFIN/RCA /BNR convert Umurenge SACCOs amalgamated with the District SACCOs into branches
- BNR/RCA Make District SACCO a legal entity with accountability and control over Umurenge branches that have some local-level decision making power
- BNR eliminate separate legal status of Umurenge branches but retain Umurenge boards as "advisory boards")
- Rate all Umurenge SACCOs to determine those that are sufficiently sound and only allow them to qualify for consolidation at district level
- Require standard procedure manuals, rules, and credit and risk management policies for all SACCOs and Umurenge branches
- establish standardized hardware, accounting and reporting systems and fully harmonized IT and MIS at District SACCOs and Umurenge branches

Establish an effective interface between district SACCOs and Umurenge branches to maintain control and preserve cooperative culture

- MINECOFIN/ BNR Recruit highly qualified consultants to prepare district organization, staffing, standard policies & procedures, & interface with Umurenges
- Steering committee shall prepare custom-tailored business strategies and plans for District SACCOs using similarly formatted Umurenge branch business plans as input
- Steering committee shall Prepare standard policies and procedures manual and internal controls at district level which include those that Umurenge branches must follow
- Steering committee shall require Umurenge level branches to provide monthly reports directly to the district for analyzing and onward submission
- Steering committee shall produce pro forma balance sheets and income statements at branch level that focus in particular on deposits, profit, sustainability and NPLs
- Steering committee shall create/redo management contracts between District and Umurenge managers and emphasize number of depositors, sustainability and NPLs
- Steering committee shall maximize interest income associated with liquidity ratio requirements at both District and Umurenge with savings accounts and short-term deposits

- Steering committee shall reward District and Umurenge branch managers for improvements in number of depositors, low NPLs and meeting financial performance targets
- Steering committee shall design compensation policy that pays managers sufficiently well to recruit and retain capable staff

Create District SACCO Headquarters and Umurenge Branch Strategies to improve sustainability

- Assist Umurenge branches to prepare standardized format business plans
- Maximize interest income associated with liquidity ratio requirements at both District and Umurenge with savings accounts and short-term deposits
- Pay deposit rates that allow investing in commercial bank savings or term deposits at an adequate positive spread
- Require market-based interest rate minimums for all loans on which SACCO takes credit risk
- Charge market-based interest on VUP/other gov't programs loan portions to avoid market distortions and eroding branch commercial image and culture
- Measure management performance primarily on the basis of profit, NPLs, and increase in number of depositors
- Adopt some bank lending product ideas targeted at similar clientele where appropriate
- Design low administrative cost structures and MIS system that actively compares actual against annual budget
- Create a technical steering committee under the HLSC to coordinate capacity building support for SACCOs and MFIs for 3 to 5 years
- Act as non-bank agencies, in POS roles, and as Western Union and cash transfer sub-agents when opportunities are available

Link all Financially Sound district SACCOs at National Level as Phase Two

- MINECOFIN/ BNR/ RCA Conduct study of best structure, ownership and interface option for national cooperative entity inter alia including commercial bank, federation, etc.
- In phase 2, establish a national cooperative structure in most appropriate form to link district SACCOs
- License and supervise the national structure in a manner appropriate to the type of structure established
- Implement phase 2 when most District SACCOs have proved to be reasonably sound

Strengthen Supervisory and Regulatory Environment for SACCOs and MFIs

- Retain 2 BNR supervisors at each district throughout phase one or until subsidy runs out, then change to 3 supervisors at each province
- Organize SACCO/MFI supervision units at the provincial level when District SACCO formation has been completed
- Strengthen small off-site supervision team in Kigali to utilize District SACCO and MFI reports as guide to substantive supervision

- Supervise all District SACCOs intensively with particular focus on monitoring those with largest value of assets and those that are weakest
- RCA Require that only SACCOs which are legal entities send an appropriately designed quarterly report to RCA on those issues it supervises
- Require external audits of District and older SACCOs/MFIs by auditors approved by BNR
- Require all SACCOs and MFIs to report all loans to credit bureau as soon as MIS systems make this feasible.

3.3.3: Priority Area 3: Financial Inclusion

Rationale

The aim of financial inclusion strategy is to bring together initiatives from public sector, financial and non-financial institutions and other stakeholders to expand and improve financial inclusion while maintaining sufficient focus on financial stability, integrity and market conduct. Therefore, it is imperative for policymakers and regulators to set up organized package of reforms to encourage private sector activity and innovation in line with financial inclusion targets[30].

Rwanda's efforts have been remarkable to collect better data on financial inclusion and in next five years it will continue the same process as data play a critical role in the policy making process through monitoring and evaluation. Today, the country has shown progress related to financial inclusion to reach the target of 90 % by 2020 but there is much to be done as 2012 Fin Scope Survey indicates that 28% of Rwandans are financially excluded. To that effort, the following policy interventions will be pursed;

1) Monitoring and Evaluation for Financial Inclusion

Defining Financial Inclusion

MINECOFIN and BNR will ensure that the definition of FinScope 2017 scope be refined and expanded to more fully capture the supply-side aspects of financial inclusion to better support efforts to effectively monitor improvements on a quarterly basis. This will be done by bringing qualified Village Saving Groups more fully into the financial inclusion strategy which would require broadening the BNR Umurenge financial mapping to include the semi-formal Village Saving Group programs.

Monitoring Financial Inclusion

The National Bank of Rwanda will ensure that all licensed financial institutions (including Umurenge SACCOs) and qualified semi-formal Village Savings Group 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

The financial Sector Secretariat in collaboration with access to finance development partners will need to train and fully operationalise district based Access to Finance Forums since they play a key role in implementing the strategies for both deepening financial inclusion and delivery of financial literacy outreach. This will include assigning grassroots responsibility for implementation to local government officials, designing a modus operandi for their meetings and activities, and preparing terms of reference that assign specific responsibility and accountability with respect to contributing to achieving district targets in these areas. Additionally, utilise financial inclusion reports for discussion in Access to

[30] World Bank, Financial inclusion strategies reference framework, 2012

Finance Forums, and performance contracts for Umurenge SACCOs, to create incentives for financial institutions to increase focus on their contributions to broadening financial inclusion

Box 3. Mexico, Data Informing Financial Inclusion Reforms

Data collection and analysis play a central role in Mexico's financial inclusion strategy. The National Banking and Securities Commission (CNBV) has pursued a comprehensive data collection strategy to understand the dimensions of the finance access challenge, inform policy decisions, influence the business models of providers, and monitor progress.

The first step taken was to analyze existing data from financial survey providers. Information from financial inclusion reports, such as the percentage of municipalities without bank branches, drew immediate public attention to the issue of financial inclusion. The data collected began to influence public policy and private sector decision making. For example, Bansefi, the major national savings development bank, used the CNBV's database to plan the installation of a large number of POS devices to manage payouts of government cash transfers. Further, the CNBV's pursuit of data has created a clear focal point for the national debate on financial inclusion and has supported the creation of partnerships with other agencies. For example, in a partnership with CONDUSEF, the consumer protection agency, CNBV will carry out focus groups on financial literacy.

The 2011 National Household Survey of Financial Services Usage was designed and collected to construct a complete view of financial inclusion in Mexico. This national demand-side survey includes household motivations for using financial services as well as barriers to greater usage. The survey is expected every three years and will complement other CNBV initiatives to deepen and broaden its financial inclusion data efforts. The survey has been designed by CNBV and is housed at the National Institute of Statistics and Geography (INEGI). Drawing on the institutional capacity and reputation of the INEGI is intended to ensure sustainability and confidence among those people interviewed.

Extract from: Financial Inclusion Strategies, World bank, 2012

2) Broadening and Deepening Financial Literacy

The National Financial Education Strategy: The Government of Rwanda has identified the need for a national strategy aimed at improving financial literacy in Rwanda and has championed the creation of a strategy to coordinate national efforts. MINECOFIN is the lead Government arm in the development of the NFES, with active engagement from the BNR. MINECOFIN and BNR both consider the creation and implementation of an NFES as a critical factor to support and coordinate the national agenda of financial inclusion-- that is, increasing Rwandans' access and informed use of financial services[31]. The table below summarizes the recommended interventions and channels to improve financial literacy in Rwanda;

Segment	Objectives	FE themes	Delivery Channels
Children 0 to 13 years	Provide children with a strong foundation for responsible money management by	• Understanding money • Needs and wants • Spending	• Schools • After-school programs • Non-formal education initiatives

[31] National Financial Education Strategy, final draft May 2013

Segment	Objectives	FE themes	Delivery Channels
	developing good planning and saving habits	• Goal planning • Saving • Budgeting • Types of financial services	• Mediae, i.e. Radio, TV
Youth 14 to 35 years	Provide youth with the knowledge, skills and confidence to prepare financially for life cycle events, such as entering the work force, and take charge of managing their own finances	• Career planning • Saving • Budgeting • Debt management • Financial services (informal and formal) • Banking technology (e.g. mobile money) • Risk management • Consumer rights & responsibilities • Financial negotiations • Investing	• Secondary schools • Technical and Vocational Education and Training (TVET) program • Universities • Clubs; Places of leisure (i.e. hair salons, bars • Entrepreneurship/job skills programs • Health trainings • Literacy programs • Radio • Print publications, Billboards • Video, Mobile phones • Umuganda; Ingando (Camps for Youth); Itorero • Sports activities • Youth councils • Youth cooperatives, associations and savings groups • Churches/mosques
Urban Adults 36 to 65 years	Provide urban adults with higher incomes and more education additional knowledge and skills to best take advantage of advanced financial products and partake in higher levels of financial planning	• Budgeting • Savings • Debt Management • Financial Services • Financial Negotiations • Risk Management & Insurance • Remittances • Banking technology (mobile money, ATMs, credit cards, etc.)	• Radio • TV • Trainings and meetings • Government-led local meetings • Technology

Segment	Objectives	FE themes	Delivery Channels
		• Pensions and Social Security • Shares/stocks/bonds/capital markets • Consumer rights & responsibilities	
Rural Adults 36 to 65 years	Provide rural adults with basic education on budgeting, savings, debt management and financial services information in order to increase financial capability and increase financial inclusion.	• Cash flow planning • Setting Financial Goals • Budgeting • Savings • Debt Management • Financial Services • Financial Negotiations • Remittances • Investing • Consumer rights & responsibilities	• Trainings and meetings • Radio • Umuganda • Mobile devices • Access to Finance Forums • Churches and faith-based groups • VSLAs • Associations and groups • Literacy centers (AEE) • Edutainment (i.e. road shows) • Angando/Anatore
Women 36 to 65 years	Provide women with basic financial management and services training in order to close the knowledge gap between them and their male counterparts.	• Budgeting • Savings • Debt Management • Planning for the Future • Financial Services • Mobile Money • Remittances • Investing • Consumer rights & responsibilities	• Trainings and meetings • Radio

3) Promoting usages of financial products and services

New IT technologies developments have played a significant transformation in the financial services, retail payments and international remittance industries, perhaps the most widely cited delivery channel innovation is the use of mobile phones as a mechanism to initiate and receive payments and banks and non banking institutions are leveraging the widespread use of mobile phones by extending traditional banking and payment services to mobile phones. Furthermore, Mobile Money has promoted the use of e-money where money is stored and subsequently transferred, and business correspondents/agents as the delivery channels. Mobile Money has the potential to help bring about an increase in the reach of electronic payment services and increased operational efficiency among financial service providers in emerging markets.

Over the next five 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 will 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 providers, 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 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.

Box 4. Cutting-Edge Models Rendering Financial Services

Portable Bank. Opportunity International (OI) is putting its bank on wheels. With a portable bank that offers savings, loans, and other such financial services regularly circulating within walking distance of clients' farms or small businesses, entrepreneurs do not have to miss out on business to trek to the bank. OI is developing these portable bank branches in locations around the world. OI also offers electronic wallets that allow customers to make deposits on mobile phones. With this cashless solution, the bank reduces both the risk of client theft/robbery and also the likelihood of staff fraud. OI's electric wallets are currently in use in Malawi and seven other African countries.

Portable Credit. The Entrepreneurial Finance Lab (EFL) is helping banks, MFIs, and other partners improve operations with portable technology. Not only can loan officers complete credit applications electronically on a mobile phone or tablet, but they can also collect photos and the precise location of their clients with the use of mobile GPS. With near-real-time scoring of the EFL Tool, an application that captures the ability and willingness of customers to repay a loan, banks have the opportunity to pre-approve clients on the spot. The improved efficiency of automated data collection and credit assessment decreases service turnaround time and increases credit access. The EFL Tool has been used in over 20 countries to date and has processed over 50,000 credit applications.

Source: Internet

Agent Networks

The number of agents' growth depends on access to cash in and cash out agents' .Over the next five 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

The BNR regulations require that MMT operators maintain an escrow account at a licensed bank. This is a separate bank account segregated from a 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.

4) 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. The separation of life and non-life insurance mandated in 2009 will be completed, with 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.

A new unit will be established in the Office of the Ombudsman to provide Rwandans with a single portal for resolution of financial sector disputes. The Office of the Ombudsman has a broad range of competencies in dealing with complaints, fraud and corruption. It will need to develop staff with expertise in financial services, and to this end the BNR may initially second staff to assist. The financial sector unit in the Office of the Ombudsman will be operational by end-June 2103

The Basel III compliant regime for Rwanda will retain the current 15 percent total capital ratio. Although the EAC agreed minimum standard is 14 percent, with a view to maintaining financial stability there will be no reduction in the Rwandan requirement.

Regulation No. 11/2009 on Capital Adequacy Requirements requires revision to implement the new capital adequacy regime. The main changes are:

- Introduction of a definition and minimum requirement for CET1 in place of the current core capital requirement,
- Specification that deductions of goodwill and intangibles will be from CET1, and
- Establish the CET1 requirement at 12 percent

Box 5. Bangko Sentral Pilipias (BSP): Enabling Regulatory Environment

Expansion of Financial Access Points through Micro-banking Offices

BSP issued regulations (Circular 694, 14 October 2010) to allow banks to expand their physical network even in smaller, hard-to-reach markets, by allowing a simplified branch called a micro-banking office. This provides additional access points to a wide range of financial services (loans, savings, remittances, e-money conversion, bill payment, pay-out services, and limited foreign exchange purchases) while helping address issues of cost and branch viability.

Expanding the Virtual Reach of Banks through an Electronic Money Framework

Through Circulars 649 (09 March 2009) and 704 (22 December 2010), the BSP created a platform for an electronic money ecosystem and efficient retail payments platform. Banks can create linkages with e-money service providers such as telecommunications companies or become e-money issuers either directly or through outsourcing arrangements.

Enhancing Loan Transaction Transparency and Consumer Protection

BSP issued Circulars (730 in 2011 and 754,755 in 2012) that require credit-granting entities (banks, nonbank financial institutions and non supervised credit-granting institutions) to calculate and disclose an effective interest rate, and to use a standard format of disclosure to ensure that every borrower is provided with information related to their loan in a manner that is simple and easy to understand and that is comparable across providers

Extract from: Financial Inclusion Strategies, World bank, 2012

3.3.4: Priority Area 4: Modenised Payment Systems

Rationale

The Government's objective is to scale up the percentage of payment transactions done electronically from 41.5 % in 2012 to 75% in 2017. This will foster Rwanda's economic growth and development prospects and facilitate competition with EACs, minimize systemic risk for the financial sector, stability of its currency and citizen's confidence in the financial system. The proposed strategies and policy interventions that shall be undertaken for improved modernized payment systems in Rwanda are:

1) Update the National Payment System Strategy

The National Payment system Vision and Strategy is aimed to bring all together stakeholders in the consideration of national payment system development in Rwanda. These needs to be further strengthened and clearly defined. The refinements needs 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 behavior 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 functions is vital to ensure the 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 comprising representatives of system participants and Switch to cooperate on common issues.

2) 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.

Over the next five years, there will be increased access of different types of financial institutions Automated Transfer System. Concerted efforts will be required to encourage extensive use of electronic funds transfers in the automated clearing house (ACH).

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 will encourage the public to move away from cheques, while banks' pricing strategies may 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

3) Improving the functioning of Security Settlement Systems

In regard to Securities Settlement Systems, the next five 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.

3.3.5: Priority Area 5: Skills Development for the Financial Sector

Rationale

There is no doubt that for the financial sector to meet its intended goal of contributing to Rwanda's economic development, the government of GoR recognises that relevant human capacity will need to be developed within the sector for various financial institutions to manage their businesses in a more efficient manner. The proposed strategies and concrete policy intervention shall be undertaken to achieve priority 6 outcomes for the next five years;

1) **Establish an overall coordinating system for capacity building**

The financial sector will complement public sector capacity building secretariat through RCA and the training program and training will focus on financially sustainable basis. RCA will continue to provide training necessary for the district and Umurenge branch level entities related to cooperative principles, regulations and governance. Board and advisory board members will be trained both with respect to achieving financial viability and following cooperative principles. The technical secretariat may also propose and pilot test innovative lending product ideas appropriate for these institutions.

The executive secretariat to the technical steering committee will also include a very small highly skilled workout unit, possibly under the same consulting contract. This unit will, when necessary, do the analysis of financially troubled SACCOs, Umurenge branches and MFIs, to i) ascertain the detailed causes of poor performance and what would need to be done to address these causes; ii) assess the ability and capacity of the entity and its staff to respond satisfactorily; iii) recommend a detailed strategy for resolution, e.g., financial restructuring, replacing management, merger, or winding up; and iv) assist as needed in overseeing implementation of the approved resolution strategy.

2) **Develop professional skills in Pension and Insurance Industry**

Due to limited pool of actuarial skills in Rwanda and the fact that many firms hire these skills from other countries, the GoR in collaboration with BNR, RSSB and insurance industry will pursue to minimize the particular need of managing risk by; i) train and recruit appropriate skilled investment managers, actuaries and senior risk management professionals since there are limited investment managers or asset management companies that invest the resources from pension funds and long term insurers ii) ASSUR will collaborate with other certified institutions outside the country to provide training for insurance intermediaries such as brokers and agents who are scarce on the Rwandan market.

3) **Develop Human Skills for International Financial Service Centre**

The strategy for Rwanda FSC proposed that the school of finance and banking becomes the premier in attracting students from the region producing the highest quality graduates, and capable of using both English and French as mediums of instruction. More areas of collaboration in seeking to become a regional institution include the Faculty of Statistics and Actuarial Science of the National University of Rwanda, the Kigali Institute of Management and the Centre for Business Studies potentially drawing students from the Democratic Republic of the Congo, Burundi, and elsewhere in the EAC. Furthermore, further option is that Rwanda could set up a Wealth Management Institute with bank sponsorship (UBS) as Singapore did and since Rwanda does not yet have such a major international bank the government could seek sponsorship from the existing financial institutions.

4) Capacity Building for MFI, SACCOs and SMEs

The existing plan calls for AMIR to become a strong and sustainable professional association of MFIs which provides support for its members (and the industry) in the areas of i) advocacy and co-ordination; ii) research and development; and iii) provision of capacity building services. AMIR is uniquely placed to provide advocacy, co-ordination, and research to its members and the entire industry, functions that are critical to the long-term development of the industry, so it will focus primarily on these roles.

AMIR is considering a strategy that focuses on i) acting as a conduit for information on the industry, publishing and lobbying for members' interests; ii) strengthening AMIR's capacity in communications and marketing; iii) developing a more highly focused research and development program based on members' highest priority needs; iv) developing an AMIR MIS system for tracking and benchmarking MFI/SACCO industry data; v) conducting a program for capacity building for AMIR's own staff; and v) coordinating with the EAC Microfinance Network to further harmonize the enabling environment and improve coordination and consumer protection.

5) Improve Financial Education at the Nonprofessional level

An Institute of Entrepreneurship, Cooperatives and Microfinance will be established under MINICOM auspices. The institute will provide effective managerial skills that are critical to managing SACCOs and MFIs and expansion of credit for small scale entrepreneurs. The institute will produce qualified officers and mangers required for the growth of cooperatives and microfinance sector to take lead in the management and governance of their organization

6) Promote Capacity Building of Rwandan Institutes and Associations

Rwandan institutes and associations such as the Rwanda Bankers Association, the Association des Assurers du Rwanda, AMIR and the Institute of Certified Public Accountants of Rwanda have been encouraged to adopt standards and programs for professional certifications based on existing regional and international programs.

Financial sector associations and institutions are encouraged to partner with educational institutions for delivery of professional programs rather than building separate training institutes. Common elements in financial sector accreditation programs such as introductory accounting and financial management can be more efficiently delivered through a small number of partner educational institutions rather than through sector specific institutes.

3.3.6: Priority Area 6: Rwanda an International Financial Service Centre

Rationale

The Government priority of expanding the size of the financial services sector is a key component of the objective of increasing the service sector share of GDP to 55 percent by 2020. To achieve this ambition, Rwanda's financial institutions and markets are positioned to compete in regional and international opportunities. However, this requires continued improvements in the payment system, capital markets, the legal and regulatory environment, the quality of supervision, the human capital of the financial sector, and review of the tax regime.

The first step towards making Rwanda an international service is for Rwanda's domestic financial sector to meet world-class standards in governance risk-management and capital adequacy is crucial if Rwandan firms are to compete abroad, initially in the EAC and neighboring countries, secondly, a world-class prudential regime is necessary to attract reputable foreign institutions to Rwanda. There will at a later stage be a need to make significant changes in the tax regime as one of the foundation elements of a regional and internationally competitive financial sector[32].

Additionally, the geographical location of Rwanda, rapidly improving financial sector foundation, multi-lingual culture and familiarity with legal systems in both French and English-speaking Africa creates an opportunity for Rwanda becoming an international service centre. Such availing opportunities in Rwanda reduce the operational risks that are most likely to prevail within other jurisdictions with different and less well developed legal and supervisory systems.

Furthermore, EAC integration offers additional opportunities for Rwandan institutions and markets. The rapid pace of reform means that Rwandan institutions are able to operate from a legal, regulatory and supervisory regime that has already made substantial progress towards harmonizing on agreed EAC standards, and which in most areas will reach full harmonization well in advance of other EAC countries[33].

Table 9 reflects what was earlier mentioned that Rwanda has set the stage in terms of opportunities for transforming Rwanda as an international services centre, possible enabling drive factors, products and services are now present that would spur Rwanda has an international services centre

[32] Rwanda Financial Sector Development Plan (FSDP 2)
[33] ibid

Table 7: 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
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 following strategies and interventions are proposed for Rwanda to become a fully fledged international financial services centre within the 10 years. The Government shall aim at creating an enabling environment and promoting Rwanda in potentially other complementary jurisdictions and consider the private sector as the main driver to compete and cooperate with other international financial centres. The financial strategy for Rwanda becoming an international financial service centre proposed the following strategies to be pursued over the next 10 years.

1) The Marketing Strategy for Financial Services

The easiest markets to penetrate into will be Burundi and DRC, which are less sophisticated than the others, and which for some products can be used as a springboard for Tanzania and Uganda. The Kenya market will take some time, and other COMESA markets may offer better opportunities[34] The marketing strategy shall consider the following actions; A Dubai Financial services office can set up an agent office/a branch/ affiliate office in Rwanda to cater for the region offering similar services e.g. OCRA or Sovereign sets up a Rwanda Office and then their clients for the region can be routed through this company. A Dubai office that is doing financial intermediation sets up a local representative office to cater for other management needs of its clients e.g. offering accounting/tax services to a client.

Rwanda can position itself as 'The Central Gateway to Africa' with a base in the centre of the continent offering both financial and management services, in both English and French languages. Mauritius is currently selling itself as the gateway to Africa without really having a relay or outpost on the African mainland. Rwanda can act as the gateway for Mauritius as well as competing for business which is being routed through Mauritius.

Mauritian financial services companies are looking to do business in the region with companies who have real experience in East Africa including DRC. Companies in the Rwanda Financial Services Centre can then become partners to Mauritian companies with businesses in Africa or hoping to expand their business activities in the region.

Finally Rwandan commodities are being sold directly on the international market (coffee for example).Tea is being sold physically on the Mombasa tea market. It will be more efficient for those commodities to be sold via commodities platforms. Mauritius and Ethiopia have such a platform and Botswana is developing one (including currency exchange and forward markets). Rwanda has now signed an agreement for a company to set up a commodities exchange and can build complement on one of these countries by obtaining a franchise to use its trading platform in Rwanda.

2) The EAC's Commitments on Trade in Services in the Community

According to the EAC Schedule this commitments, the partner state service suppliers, providers and consumers within the region will guarantee equivalent treatments to local providers and shall be open to the following subsectors within the 7 broader sectors over the period 2010-15 and these are; Business and Professional Services, Communication Services, Distribution Services, Educational Services, Financial Services, Tourism and Travel Related Services and Transport Services.

[34] Rwanda International Financial Service Centre Strategy, 2012

The strategy also highlights that Partner States will make commitments on the remaining 5 sectors (Health and Social Services, Construction and Related Services, Energy Services, Environment Services, and Movement of Natural Persons) plus additional commitments on the above indicated 7 service sectors in line with Article 23 (2) of the Protocol."

To achieve this commitment, the Government of Rwanda needs to encourage the importation of skilled labour and invest in high quality education and training capacity in Rwanda for financial sector specialists.

3) Financial Literacy

BNR, MINECOFIN and some private and other public sector organizations must spread financial literacy for citizens must understand the importance of saving and investing, insurance, banking and payments mechanisms, and subsequently buy financial planning services, retirement planning services and the underlying financial products associated with these activities.

The BNR and MINECOFIN should promote Daily or Weekly Public Financial Literacy Campaign; the authorities should approach private sector participants who are willing to write content for daily newspaper columns, and radio and television programmes. Financial literacy themes should also be included in any locally produced radio and television entertainment programmes such as soap operas, mini-series, and reality shows.

Rwanda shall take this initiative of establishment of financial literacy week to promote savings and investment culture among Rwandans with the aim of building a sustainable inter-generational wealth and financial freedom. The institutions likely to be involved MINECOFIN, Rwanda stock exchange, private sector federation, capital market authority, National bank of Rwanda.

4) Work Permits, Remittance of Income and Pension Contributions

To attract foreign investor to participate in Rwandan International Service Centre, the Government should provide incentives to foreign expertise that is required in the early stages of development. This is an extract from the International service Centre strategy for Rwanda.

The government must therefore be willing to facilitate the issuance of work permits to these experts. In addition, work permits should be given to their spouses where applicable and dependant permits to their children. It will also be necessary to allow all expatriates to remit freely all of their earnings to foreign bank accounts on demand without having to justify the movement of funds. Like in Singapore, for any contribution made to their social security fund and investment return are paid in full to the expatriate upon leaving the country.

5) Improved Economic Data and Statistics

Investment decisions are made depending on access to updated and accurate information to assess the potential returns against risks. Thus for Rwanda to thrive as an international service centre, economic and statistical data must be improved for deals in the international service centre to make decision on the entry of the market, develop new products, purchase an investment.

The Government of Rwanda must improve the country's national economic statistics database and make it accessible to the public in a timely manner; Demographics: statistics related to size and salaries within formal and informal labour force, disposable income; household spending on housing, education, food, utilities, telecommunication, clothing, leisure, and taxes. Real estate: available land for development; zoning statistics; home ownership versus rentals; number of housing units and rental units, average rental value per type of housing and location Education: amount spent by household on each type of educational programme. Competitive forces; supply, demand, number of competitors, size of markets, and supplier banking: credit information sharing, credit scoring.

6) Innovation and ICT

As indicated in table 9 Rwanda's has a strong ICT platform that is a cutting edge in the regional for the emerging financial service Centre. Electronic trading platforms for various instruments such as equities and bonds, foreign exchange and commodities are now widespread in the west but less so in Africa. Cash-less payments systems offer scope, for example with pre-loaded cards and mobile phone payments are being developed. A proposal has been made to set up an'iHub' Centrefor Financial Services Innovation to focus on financial inclusion. The iHub Centre would capitalise on Rwanda's ICT strategy and developing ICT infrastructure to strengthen financial inclusion.

7) Create an Enabling Environment for an International Service Centre Development

The establishment of Financial Service Centre requires the Government to take political decision on its tax framework. The tax adjustments and harmonisation with the EAC countries will be a priority for example corporate tax, withholding tax and DTAs.

8) Attracting a Large International Bank

The performance of Rwanda's banking sector would be an attraction of large international bank as BNR estimates suggest that the banking sector controls over 60% of the financial sector's total assets and it is recognised that a safe sound and efficient banking sector is prerequisite to achieve the Government goal of becoming an international service Centre.

Partnerships with large multinational Institutions.

The rapid increase in profits of local banks will attract a major foreign bank the government could offer its majority shareholding in Bank of Kigali to major international banks for example a banker from Barclays Bank (Tanzania) observed that although Barclays made an unsuccessful bid for BK in 2008, it remains interested in entering Rwanda's banking sector. Thus, 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 centre[35].

Attracting Chinese Banks

Rwanda could 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.

In addition to the banks themselves such a move may attract a Chinese airline to fly to Rwanda and for various other services to develop to service the banks, their staff and families. Chinese private

9) Establish Financial Services Commission and 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 RDB by creating a Task Force which will be the embryo of the FSC. It could then become a subsidiary organisation of the RDB as it grows, and perhaps spun off as an autonomous body as happened in the case of the Free Trade Zone.

Table 8: Desired Sector Outcomes Based on Priorities Areas for the Next Five Years

Thematic area	Thematic Outcome	Financial Sector Priorities	Financial Sector Outcome
Economic transformation	Accelerated structural changes in the financial sector, in particular measures to increase long-term savings and access to international finance, with the objective of increasing credit to the private sector to 30% of GDP by 2018	Mobilizing savings and investment	increased access to private sector credit; increased share of formal investments financed by banks; reduced collateral needed to access a loan as a share of the value of the loan Regulated inflation and nominal interest rates National investment trust fund established Strengthened Public-Private Partnership Investor compensation fund established
		International Service	Strengthened legal and regulatory framework for international service centre

[35] ibid

		Centre	Harmonized tax legislation with EACs to promote domestic regional service delivery Established Financial service centre
		Skills development in the financial sector	Increased number of professionals in the field of actuaries science, investment managers, and senior risk management
		Modernised Payment Systems	Increased Coverage of the use of ATMs Cards, Mobile phone and Internet based payment
	Increased private sector investment and financing		Improved financial market infrastructure Private and public institutions raise funds through capital market Established electronic trading platform Promoted culture of saving and investment through capital markets Increase equity fund for Investment
		Access to Finance	Increased number of institutions that access the Guarantee fund from BDF. Improved ability by commercial banks to provide long term loans Reduced level of collateral needed to access commercial loans BDF role in export Finance established through more provision of loan guarantee for priority sectors
	Financing and supply options for affordable housing		Increased and Quality affordable Housing for Rwanda Citizens
Rural development	Increased and sustained graduation from core social protection programmes by connecting economic opportunities and financial services	Access to Finance	Consolidated Umurenge SACCO into District SACCOs Effective supervision of SACCO Sustained Savings mobilization campaigns (benefits) Increased long-term financing for agriculture

		Financial Inclusion	Increased IT Technologies and Innovative Products and Services
Productivity and youth employment	Increased MSME businesses		Increased awareness of the benefits of financial services and products

Cross-Cutting issues

According to EDPRS II guidelines to mainstream CCIs into sector strategies, the financial sector strategy pays particular attention on Regional integration, Environment, climate change and disaster management Gender and family promotion HIV/AID and non-communicable diseases and capacity building.

3.5 FINANCIAL SECTOR PRIORITIES FOR DISTRICTS

Rationale

Decentralisation will play an important role in the implementation of strategy especially ensuring increased access to finance to rural citizens. Districts authorities will mobilise 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 be only be limited to mobilization and sensitization of the rural citizens. However, mostly importantly district shall be implicated during the implementation of the following policy actions.

SACCO Nationwide Marketing and Public Relations Campaign

The GoR through the Ministry of Financial Sector Secretariat anticipates continuing SACCOs campaign this time around by conducting a nationwide marketing and public relations campaign to sensitise Umurenge SACCO members the benefits of District SACCO membership. It is envisaged that the district authorities shall to play an important role the sensitization of the agenda.

Promote Access to Finance Forums to Deepen Financial

District 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

Village Savings Groups

Districts authorities shall promote Village Savings Groups and loan Associations 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 Village Savings Group 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 up hand in the realization of the sector outcomes. The primary stakeholders are the National Bank of Rwanda, the Capital Market Authority, Rwanda Social Security Board, Rwanda Development Bank, SACCOs and Commercial Banks. Other important stakeholders are other ministries and agencies particularly MINICOM, ADB, 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 having the desired outcome. Figure 6 set out the financial sector stakeholders

Table 9: Financial Sector Stakeholders

Actors	Roles/ responsibilities
MINECOFIN- Financial Sector Development Secretariat	• 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 • 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	• Mobilising long-term financing through savings mobilisation. • Increase access to long- term funds converting a significant portion of shorter-term bank deposits into longer-term bank deposits • Development of a yield curve
	• Manage pension, occupational hazard insurance and medical benefit insurance. • Provision of institutional long-term capital in Rwanda
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 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	• Mobilization and Advocacy

assurers de Rwanda	• Adopt standards and programs for professional certifications based on existing regional and international programs in insurance • 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 quarter reports of Village Saving and Local Associations.

During the implementation of the strategy, in the short run special attention will be to remove all legal, institutional and capacity building barriers for effective operational for banking and non- banking institutions. Further more capacity building needs identified in the strategy will be tackled especially as highlighted specialized required skills in risk management and science actuaries shall be imported. Furthermore, the authorities will contact key investors from the regional and outside through the financial services commission within the RDB investment promotion. Business models for private equity and venture capital will be promoted and the functioning of the unit trust fund should be operational.

Additionally, special attention will be to strengthen the Rwanda Financial Sector Secretariat in terms of capacity building of its staff that will avail them with adequate skills to drive the sector to its ultimate goal. Furthermore, coordination and regular dialogue is a important for key strategic actors like FSDS, BNR, RDB, RSSB, District, development partners and the private sector since the achievement of strategies and policy interventions cannot be achieved without the engagement of the private sector

The financial sector SWG shall own and monitor the strategy through the existing institutional reporting and evaluation mechanisms for instance annual joint sector reviews, regular reporting and monitoring sector outcomes and indicators

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 10: 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 not be able to procure the necessary financing to close	A very thorough business plan and analysis is undertaken to fully understand market condition and demand for properties as well as 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 EDPRS II Financial Sector Strategy, Financial Services Centre Strategy and FSDP II 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 financial sector development secretariat and others 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 Sector Development Secretariat will lead the process of negotiation and consolidation to produce annual Action Plan and the MTEF which will be presented to the sector working group that involves development partners. The Secretariat need to ensure coherence between the Financial Sector Strategy, MTEF, 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 Sector Review (both forward and backward looking) which is a systematic review process of sectors, which 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. Short and precise report showing performance against the core financial indicators of the Common Performance Assessment Framework is signed jointly by the Permanent Secretary of the Ministry of Finance and Economic Planning and the Lead Donor (DFID) and sent to the National Planning Department.

Regarding internal evaluation of performance, the financial sector Secretariat 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 and the 7YGP, and in turn contribute to achieving the big set of goals and objectives for the country. Annex I sets out to serve as a comprehensive monitoring framework for assessing progress in achieving the sector priorities in line with EDPRS 2. It indicates the relationship between sector thematic outcome, sector priority and sector outcome performance indicators.

Annex D sets out sector outcomes and outcome indicator from which the sector policy makers and technocrats monitor progress of achievements of sector priorities. The annex provides the baseline situation for the year 2013, targets for the five year period 2013-2018 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.

The FSDP II proposed a matrix of actions that shows timeframes and responsible entities and it is important to include these in the strategy as an annex because it provides detailed strategic actions and also identification of those requiring external technical assistance for effective implementation.

CHAPTER 6: FINANCIAL SECTOR COSTING

This chapter sets out the expenditure requirements to meet the priorities outlined in the financial sector strategy and envisaged sources of finance from the Government of Rwanda and External sources. This also highlights the financing gap and its implication for resource allocations 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 independent institution. The outcome that appear in table 7 are areas that sets out expenditure requirements over the five years of the strategy

Source of Funding for the Strategy

The main funding channels for the strategy are;

1) Domestic Government of Rwanda Budget
2) Donor Project Support

Table 11: Source of Funding 2013-2018 ('000' Million RwF)

RWF '000	2013/14	2014/15	2015/16	2016/17	2017/18	Total for EDPRS 2
Funds Available						
Government	3,608,221	3,961,178	3,949,236	4,146,618	4,354,032	**20,019,285**
Donor projects	1,235,520	1,235,520	1,272,960	1,272,960	1,272,960	**6,289,920**
Total	**4,843,741**	**5,196,698**	**5,222,196**	**5,419,578**	**5,626,992**	**26,309,205**
Funds Available	4,843,741	5,196,698	5,222,196	5,419,578	5,626,992	26,309,205
projects costs	7,018,311	7,370,706	7,661,819	6,366,471	6,138,692	**34,555,999**
Overall Deficit	**-2,174,570**	**-2,174,008**	**-2,439,623**	**-946,893**	**-511,700**	**-8,246,794**
% deficit	-45%	-42%	-47%	-17%	-9%	-31%

Sector Budget Expenditures 2013-2018

The table below sets out the budget for the financial sector over the next five years.

Table 12: Expenditure Categories by Financial Sector Outputs 2013-2018 ('000'million RwF)

Financial Sector Outputs	2013/14	2014/15	2015/16	2016/17	2017/18	Total EDPRS 2
Increased awareness of financial services and products	242,200	242,200	353,421	48,863	309,666	1,511,243
Improved financial market infrastructure	1,883,230	2,203,577	2,295,315	2,387,053	3,455,723	11,224,897
Consolidated Umurenge SACCOs	3,928,058	3,871,844	4,075,669	2,810,094	2,658,480	17,224,145
Increasing financing through BDF	50,000	150,000	0	0	0	200,000
Increased Coverage of use of modern payment products	467,512	467,512	492,118	516,724	516,724	2,460,589
Rwanda International service centre	287,414	302,249	304,721	307,193	309,666	1,511,243
Strengthened regulatory framework	159,897	133,325	140,576	141,986	149,237	725,021
Total EDPRS 2						**34,555,999**

The total cost of the strategy is RwF 34.5 billion over its 5 year implementation (2013-2018). The costs are driven by Government subsidies to strengthen Umurenge SACCOs/MFI program as well as strengthening and improving financial market infrastructure that will facilitate savings and investment. This is mainly to address the remuneration of CMA staff needs, Electronic Trading Platform, Unit Trust, CMA operations and information upgrading

Table 7 shows the projected resources available for the financial sector strategy. Over the period of the strategy, the total cost is RwF 34.5 billion. It should be recognized that most funding will come from the Government (74%) whereas AFR and BIFSIR project funding focused improving access to finance as well building an inclusive financial sector.

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 for 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 mobilisation 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 closely with development partners engaged in the sector and the private sector (Financial services Providers) and BNR 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 accurate 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 and building an inclusive financial sector are 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 synergy across the different ministries and institutions that implement financial sector program, through, for example, joint action plans, division of labor and accountability mechanisms.

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ANNEXE I: Financial Sector Monitoring Matrix

EDPRS 2 Thematic	Thematic Outcome	Sector Priority	Sector Outcome	Sector Indicator
Economic transformation	Accelerated structural changes in the financial sector, in particular measures to increase long-term savings and access to international finance, with the objective of increasing credit to the private sector to 30% of GDP by 2018	Mobilising savings for investment	Controlled interest rates National investment and Unit trust fund established Strengthened Public-Private Partnership Investor compensation fund established Increased access to private sector credit; Increased share of formal investments financed by banks; reduced collateral needed to access a loan as a share of the value of the loan	Harmonised interest rates through the Rwanda credit bureau Unit Trust Established Number investment under joint venture agreement Funds of Funds Established
		Skills development in the financial sector	Increased number of professionals as investment managers, actuaries and senior risk managers	Number of trained investment managers, actuaries, Professional accountants and senior risk managers
		Modernised Payment Systems	Increased Coverage of the use of ATMs Cards, Mobile phone and Internet based payment	Number of Transactions completed electronically
		International Service Centre	Strengthened legal and regulatory framework for financial international service centre Harmonized tax legislation with EACs to promote domestic regional service delivery Established Financial service centre	Number of regulations passed to promote financial international centre Harmonised taxes with EACs
	Increased private sector investment	Mobilising savings for investment	Improved financial market infrastructure	Transactions made through electronic trading platform

	and financing		Private and public institutions raise funds through capital market Established electronic trading platform Promoted culture of saving and investment through capital markets Increase equity fund for Investment	for equity and bonds Number of investors increased Increased equity and bond domestic and cross listings Number of registered private equity firms by RDB
		Access to Finance	Greater access to the Guarantee fund from BDF. Increased and Quality affordable Housing for Rwanda Citizens	Number of MFIs/SMEs access with BDF loans Number of Mortgages issued by BRD and Rwanda Housing bank
		International service centre	Harmonised tax legislation with EACs to promote domestic regional service delivery Financial service centre established	Regulatory framework that supports enhanced competition in regional and international financial centre in place Percentage of business owed by non residents Number of International Services providers attracted and registered by RDB
Rural development	Increased and sustained graduation from core social protection programmes by connecting economic	Access to Finance	Consolidated Umurenge SACCO into District SACCOs	No of persons enrolled in SACCO Volume of SACCOs saving

	opportunities and financial services		Increased effective supervision of SACCO through BNR	(RwF)
		Financial Inclusion	Increased IT Technological Innovative Products and Services	Number of low- cost financial services to households beyond the reach of bank branches network
Productivity and youth employment		Financial Inclusion	Increased awareness of the benefits of financial services and products	Adult population with access to financial services
	Increased MSME businesses	Financial Inclusion	Savings mobilisation campaigns and benefits Increased long term financing for agriculture	Increased savings by adult population through saving compaigns Percent agriculture production as result of SMEs financing

ANNEXE 2 : Policy matrix

EDPRS sector Outcome	Outcome Indicator	Baseline year 2012/13	2013/14		2014/15		2015/16		2016/17		2017/18		Means of verification	Responsibility for Reporting on the Indicator
			Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**		
Increased awareness of the benefits of financial services and products	Adult population accessing financial services	72%	74.5%		77%		80%		82%		85%		FinScope Study 2016	MINECOFIN
Increased Coverage of the use of ATMs Cards, Mobile phone and Internet based payment	Payment transactions done electronically	41.5%	50%		55%		65%		70%		75%		Monetary Policy and Financial Stability Statement	BNR
Attract new international financial Institutions	Number of new international financial institutions licensed by BNR	0	0		1		2		3		4 Cumulative figure		RDB annual report	RDB BNR

Electronic trading platform established	Increased domestic and cross listings made through of electronic trading platform for equity and bonds	1 equity	1 equity		2 equity 1 corporate bond		1 equity 1 corporate bond		2 equity 1 corporate bond		2 equity 1 corporate bond		Capital Market annual report	CMA
Credit Expansion	Private credit to GDP ratio		14.5%		17.6%		18.0%		18.7%		30%		Macro Reports	BNR
	Percentage of new investment by formal businesses financed by banks	14%	16%		18%		20%		22%		25%		World Bank Enterprise Surveys	World Bank Enterprise Surveys
	Value of collateral needed for a loan	273%	250%		230%		205%		185%		160%		World Bank Enterprise Surveys	World Bank Enterprise Surveys
Increased professionals within the financial sector(Industry wide)	Number trained and Certified Professionals with in the sector (e.g ACCA, CPA,CFA Actuaries, investment managers, actuaries and	Less than 100 Proffessional	100		200		300		400		500(Cumulative figure)		Monetary Policy and Financial Stability Statement	BNR, ICPAR, RBA, AMIR, ASSAR

	senior risk managers, IT Payment systems etc)													
Consolidated Umurenge SACCO into District SACCOs	No of persons enrolled in SACCO	959976	1007575		1058374		111192		1166857		1225200		Financial sector secretariat annual report	MINECOFIN SACCOs,
Increased effective supervision of SACCO through BNR	Volume of SACCOs saving (in million RwF)	14,648	15,380		16,149		16,957		17,804		18,695		Monetary Policy and Financial Stability Statement	BNR
Savings mobilisation campaigns and benefits	Increased savings by adult population through saving campaigns	30/one campaign per district	30		30		30		30		30		Financial sector secretariat annual report	MINECOFIN

ANNEXE 3: Priority policy actions

Thematic Outcome	Sector	Sector output(Aggregated	PRIORITY/POLICY ACTIONS (000)					Means of verification Responsibility for Reporting on the Indicator
			2013/14	2014/15	2015/16	2016/17	2017/18	
Rural development	Increased awareness of financial services and products	Financial capability study conducted in 2013	150,000					MINECOFIN/AFR
		National financial education strategy completed in 2013		200,000				MINECOFIN/AFR
		Institute of entrepreneurship , cooperatives, microfinance established in 2015 and 2016			159,000	159,000		MINECOFIN/MINCOM/BNR
		Maintenance of the Institute		4,770	4,770	4,770	1,590	THE INSTITUTE OF ENTREPRENEURSHIP, COOPERATIVES AND MICROFINANCE
		Built an inclusive financial sector in Rwanda	42,200	42,200	44,421	44,421	48,863	MINECOFIN/AFR

		Micro-Insurance diagnostic study completed in 2014			150,000			MINECOFIN/MINAGRI
		Financial inclusion monitoring in 2015	50,000					MINECOFIN/AFR
Economic transformation	Improved financial market infrastructure	Smooth running of CMA operations	122,861	258,009	270,295	282,581	294,867	MINECOFIN/CMA
		CMA Staff remunerated	739,310	780,382	821,455	862,528	903,601	MINECOFIN/CMA
		Saving culture through capital market enhanced	89,049	127,212	133,573	139,933	146,294	MINECOFIN/CMA/BNR
		Information technology upgraded	25,548	36,497	38,321	40,146	41,971	MINECOFIN/CMA/BNR
		Investor compensation funds	1,535	2,192	2,302	2,412	2,521	MINECOFIN/CMA/BNR
		Long term capital assessed	51,321	73,316	76,982	80,648	84,313	MINECOFIN/CMA/BNR
		Investment into capital market by diaspora mobilised	24,383	34,833	36,575	38,317	40,058	MINECOFIN/CMA/BNR
		Electronic trading plateform	775,290	775,290	816,095	856,900	856,900	MINECOFIN/CMA/BNR
		Establish an National Trust Unit	100,000					MINECOFIN/CMA/BNR

		National trust Unit	343,901	281,374	297,006	312,638	328,269	MINECOFIN/CMA/BNR
		Increased professional trained investment managers, senior risk managers and actuaries	60,307	51,438	33,701	15,964	15,964	MINECOFIN/CMA/BNR
Rural development	Consolidated Umurenge SACCOs	Government Subsidies for UMURENGE SACCOs	2,496,000	2,496,000	2,496,000	2,496,000	2,496,000	MINECOFIN
		Other support to UMURENGE SACCO	1,235,520	1,235,520	1,272,960			MINECOFIN /AFR and other development partners
		Professionalization SACCOS,MFIs	132,938	140,324	147,709	155,094	162,480	MINECOFIN/RCA/AFR/AMIR
		Standardised hardware , accounting, reporting IT and MIS in use in all districts 2015			159,000	159,000		MINECOFIN/BNR DEVELOPMENT AGENCIES
		SACCO Evaluation study 2016	63,600					MINECOFIN/BNR
	Increased coverage of the use of modern payment	modernised electronic payment	467,512	467,512	492,118	516,724	516,724	BNR/MINECOFIN

	products							
Productivity and youth employment	Increased access to financing through BRD/BDF	Funding Business Development Fund in 2014		100,000				MINECOFIN/DEVELOPMENT AGENCIES
		One study focusing on mid-income housing completed in 2013	50,000					BRD
		Agricultural/SME finance study focusing on the demand side completed 2015		50,000				MINECOFIN/AFR/MINICOM
Foundation issues	Rwanda International Service Centre	Operationalisation of Rwanda international services centre	252,800	252,800	252,800	252,800	252,800	MINECOFIN/RDB
		Financial Sector Regional Integration	34,614	49,449	51,921	54,393	56,866	MINECOFIN/ MINEAC/BNR
	Strengthened legal and regulatory framework for financial sector	Develop legal and regulatory framework compliant with IOSCO principles	19,751	28,216	29,626	31,037	32,448	MINECOFIN/BNR DEVELOPMENT AGENCIES
		Streamline Separation of functions	140,146	105,110	110,949	110,949	116,789	MINECOFIN/BNR