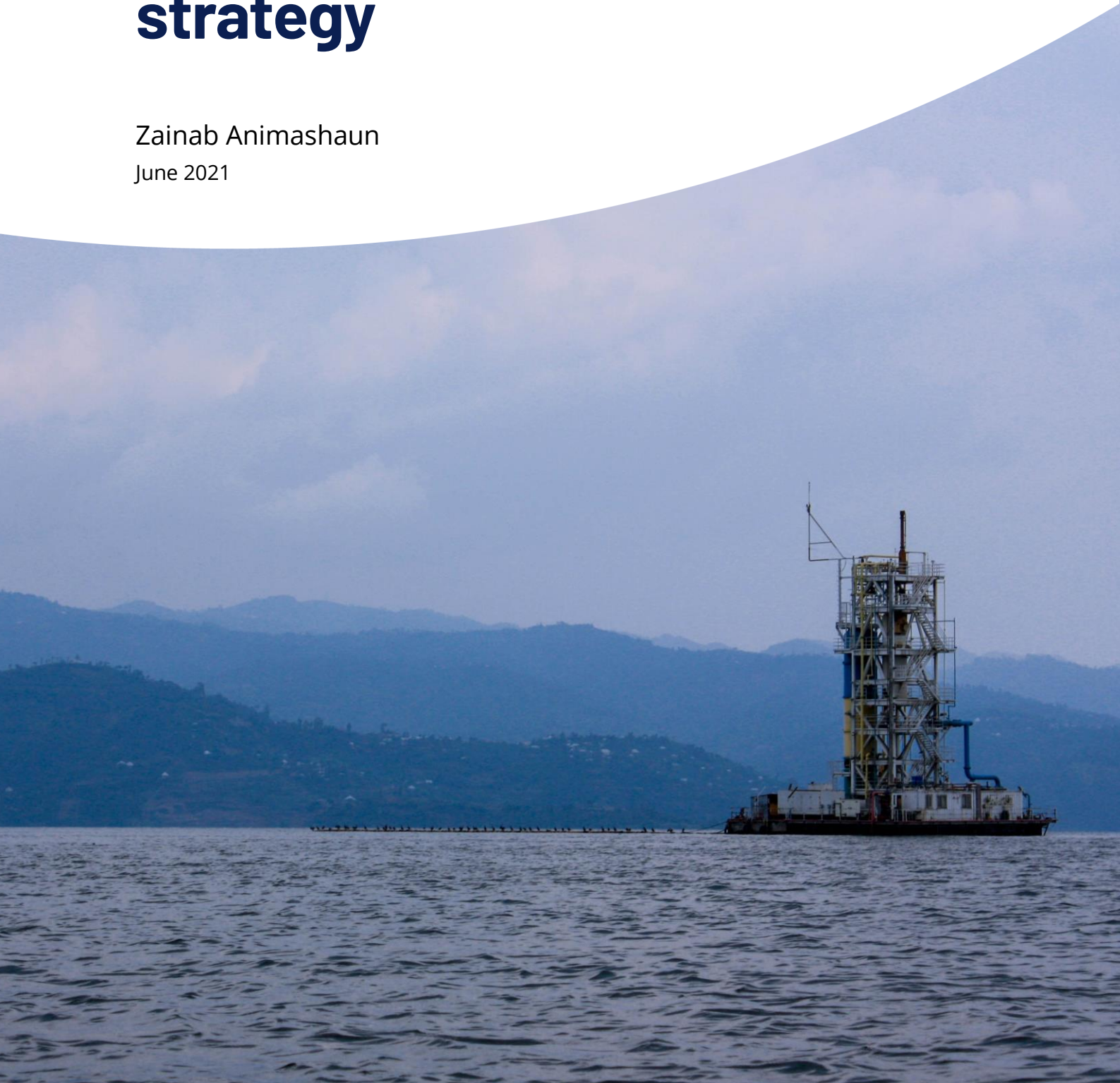


Supporting Rwanda's private-sector focused development strategy

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Rwanda's long-term development aspirations to economic self-reliance and improved living standards for its citizens are based on transformative models¹ and stimulated by private-sector led growth. The Government of Rwanda has been working to enhance private-sector participation in its strategic investment frameworks, through increased ownership and management stakes in state-owned enterprises. This note tells the story of an Oxford Policy Fellow supporting Rwanda's government with the legal reform underpinning its privatization processes.

"The Rwanda we want"

Rwanda's Vision 2050² has overarching objectives of promoting economic growth, prosperity, and high quality of life for Rwandans. Ever since the nation emerged from the brink after 1994's Genocide against the Tutsi, it has undergone several developmental phases. Among them, the most notable was in the early 2000s when the successful implementation of its Vision 2020³ spurred unprecedented economic success over the following two decades. Rwanda became the 38th best place to do business in the world⁴ and its economy only slowed down in the last year, due to the effects of the Covid-19 pandemic⁵, which had a major impact on virtually every country in the world⁶.

Vision 2050's theme – "*the Rwanda we want*" – was inspired by the *Umushyikirano*⁷ State of the Nation address delivered by Rwanda's President Paul Kagame in December 2015⁸. It establishes a framework for Rwanda's next 30 years of development (2020-2050) and articulates the nation's long-term strategic direction: to help its citizens attain upper middle income living standards by 2035 and high income living standards by 2050. To this end, Vision 2050 sets a crucial goal for Rwanda: to achieve economic self-reliance through private-sector led growth⁹.

¹ The Government of Rwanda has created critical planning and policy blueprints to guide Rwanda's economic development and transformation efforts. These include the Vision 2020; Vision 2050; 7 Years Government Programme: National Strategy for Transformation (NST1) 2017–2024; and Rwanda National Investment Policy.

² Vision 2050, published by Rwanda Ministry of Finance and Economic Planning (MINECOFIN); https://www.minecofin.gov.rw/reports?tx_filelist_filelist%5Baction%5D=list&tx_filelist_filelist%5Bcontroller%5D=File&tx_filelist_filelist%5Bpath%5D=%2Fuser_upload%2Fminecofin%2Fpublications%2Fstrategies%2Fvision_2050%2F&cHash=52a2a35dd9c6bb98dee90f7f3f370b55

³ Vision 2020, published by Rwanda Ministry of Finance and Economic Planning (MINECOFIN); https://www.minecofin.gov.rw/reports?tx_filelist_filelist%5Baction%5D=list&tx_filelist_filelist%5Bcontroller%5D=File&tx_filelist_filelist%5Bpath%5D=%2Fuser_upload%2Fminecofin%2Fpublications%2Fstrategies%2Fvision_2020%2F&cHash=0e0cb1929dab10048f8335c554821cc4

⁴ World Bank Ease of Doing Business Ranking (2020); <https://www.doingbusiness.org/en/rankings>

⁵ National Institute of Statistics of Rwanda (NISR) 'In 2020, Rwanda's GDP drop by 3.4% following Covid-19 pandemic outbreak'; <https://www.statistics.gov.rw/publication/2020-rwandas-gdp-drop-34-following-covid-19-pandemic-outbreak>

⁶ World Bank (2020) The Global Economic Outlook During the COVID-19 Pandemic: A Changed World; <https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world>

⁷ <http://umushyikirano.gov.rw/the-13th-national-dialogue-council/>

⁸ Vision 2050, published by Rwanda Ministry of Finance and Economic Planning (MINECOFIN) (Page 4).

⁹ Vision 2050, published by Rwanda Ministry of Finance and Economic Planning (MINECOFIN) (Page 8).

The private sector's role

The Rwandan economy has primarily been developed through substantial reliance on public (domestic and international) funding sources¹⁰ such as: revenue from taxes, public utilities, and state-owned enterprises (SOE); financial aid from regional and international partners; credit and concessional loans from national, regional, and international development finance institutions. Recent examples of public financing include the government's budget for 2020-2021 which ascended to 3,464.8 billion Rwandan francs, partly funded by 1,784.7 billion Rwandan francs in domestic tax and non-tax revenues¹¹, the World Bank's 37 billion Rwandan francs bond to support the country's capital markets; and the International Monetary Fund's 220.46 million US dollars Rapid Credit Facility issued to support Rwanda's balance of payment needs due to the pandemic¹².

Rwanda's future development strategies seek to steer the country from its current reliance on public investments implemented through public funding or financial aid from development partners¹³ to economic self-reliance and competitiveness. The government identifies '*Kwigira*' (translated as self-determination, including self-sufficiency as a nation) as one of the key aspirations and shared values which will define Rwandans in 2050¹⁴. These ambitions are hinged upon private sector participation in fast-tracking economic growth and improving productivity.

The government aims to leverage on the private sector to create 1,500,000 (214,000 annually) jobs, grow exports in high-value 'Made in Rwanda' goods and services by 17% annually, increase sustainable urbanization from 18.4% (2016/17) to 35%, and achieve an average GDP growth of 9.1% by year 2024 – all from boosting private and public investments across key sectors financed by domestic savings and capital inflows¹⁵.

The Ministry of Finance and Economic Planning (MINECOFIN) projected a potential rise in private investments from 14.4% of the nation's GDP in 2017 to 21.2% by 2024, in stark

¹⁰ Rwanda National Investment Policy- prepared by MINECOFIN (Page 19);

https://www.minecofin.gov.rw/policies?tx_filelist_filelist%5Baction%5D=list&tx_filelist_filelist%5Bcontroller%5D=File&tx_filelist_filelist%5Bpath%5D=%2Fuser_upload%2FMinecofin%2FPublications%2FPOLICIES%2FNational_Investment_Policy%2F&cHash=5226fa0e78837c4427cc33baae2e201d

¹¹ 'Revised Budget Puts Emphasis on Fighting Covid-19 Pandemic And Economic Recovery' (February 2021)- published by MINECOFIN; <https://www.minecofin.gov.rw/news-detail/revised-budget-puts-emphasis-on-fighting-covid-19-pandemic-and-economic-recovery>

¹² 'IMF Executive Board Approves an Additional US\$111.06 Million Disbursement to Rwanda to Address the COVID-19 Pandemic'- published by the International Monetary Fund (June 2020); <https://www.imf.org/en/News/Articles/2020/06/11/pr20242-rwanda-imf-executive-board-approves-additional-us-111-06m-disbursement-address-covid19#:~:text=The%20IMF%20approved%20US%24111.06,needs%20stemming%20from%20the%20pandemic.>

¹³ Rwanda National Investment Policy, (Page 19);

¹⁴ Vision 2050 (Page 42).

¹⁵ 7 Years Government Programme: National Strategy for Transformation (NST1) 2017–2024, published by Rwanda Ministry of Finance and Economic Planning (MINECOFIN);

https://www.minecofin.gov.rw/reports?tx_filelist_filelist%5Baction%5D=list&tx_filelist_filelist%5Bcontroller%5D=File&tx_filelist_filelist%5Bpath%5D=%2Fuser_upload%2FMinecofin%2FPublications%2FSTRATEGIES%2FNST1%2F&cHash=b0bd9e867dacabdb56cff5cc0a71bd0a

contrast to projected public investments within the same period of between 8.3% to 9.1%¹⁶. Notwithstanding the above projections, about 59% of Rwanda’s medium-term (2017-2024) development financing obligations – an estimated 39,246 billion Rwandan francs – are still expected to be serviced through public resources, while 41% will be funded via private sector resources¹⁷.

Balanced investment strategy

The government has gradually shifted focus towards the private sector by identifying innovative models of financing and developing strategic frameworks that would increase the sector’s investment share and involvement in the Rwandan economy¹⁸. It plans to carefully balance new public investment and potential dis-investment needs with opportunities to strengthen private sector participation, by way of public-private partnerships (PPPs), joint ventures and the privatisation of SOEs¹⁹. This entails the systematic engagement of private sector entities to finance and deliver specified public services or manage public infrastructure. It also involves executive decisions to strategically withdraw the government from joint ventures and SOEs by limiting its participation in their management and decreasing, or outrightly divesting its interests²⁰.

Central to the execution of this strategy is the Rwanda Development Board (‘RDB’)²¹, an award-winning²² investment promotion agency, whose mandate is to accelerate Rwanda’s economic development by enabling private sector growth²³. RDB was established in 2008 following the merger of eight government institutions to create a ‘one-stop shop’ for business and investments into Rwanda. It was then tasked with negotiating strategic PPPs and overseeing the government’s privatization programme²⁴.

Rwanda’s privatization programme was established by law in 1996²⁵ and was initially implemented by the National Privatization Commission, through its Privatization Secretariat²⁶. The programme’s objectives were to reduce the government’s financial

¹⁶ 7 Years Government Programme: National Strategy for Transformation (NST1) 2017–2024 (Page 49).

¹⁷ 7 Years Government Programme: National Strategy for Transformation (NST1) 2017–2024 (Page 53).

¹⁸ Rwanda National Investment Policy, (Page 19);

¹⁹ Rwanda National Investment Policy, (Page 2);

²⁰ Rwanda National Investment Policy, (Page 20);

²¹ www.rdb.rw

²² RDB is the 2020 recipient of the United Nations Investment Promotion Awards; and was recognised for its role in preparing Rwanda’s economy for post-pandemic recovery through partnerships;

<https://sustainablefdi.org/index.php/investment-promotion-awards-news/57-recognizing-investment-promotion-agencies-for-excellence-in-their-response-to-the-covid-19-crisis>

²³ Rwanda Development Board- Annual Report 2020 (Page iii); <https://rdb.rw/wp-content/uploads/2021/04/2020-RDB-annual-report.pdf>

²⁴ Article 4 of the Law No 46/2013 Of 16/06/2013 Establishing Rwanda Development Board (RDB) and Determining Its Mission, Organisation and Functioning.

²⁵ Law n° 2 of 11 March 1996 Governing Privatization and Public Investment.

²⁶ See the Presidential Decree n° 08/14 of 3 May 1996 establishing the National Privatization Commission and its institutional framework.

burden, restructure and rehabilitate SOEs and improve their management, whilst encouraging private sector investments into SOEs. In 2008, the activities of the Privatization Secretariat were transferred to RDB, and upon subsequent evaluation of the Privatization programme²⁷, several constraints were highlighted in relation to the privatized SOEs and their privatization processes, including financial and managerial capacity of the investors²⁸; and process gaps with respect to timelines, compliance, dispute resolution, monitoring and evaluation, filing and documentation²⁹.

Drafting for development

In order to improve Rwanda's Privatization programme and align the government's privatization processes with global best practices, RDB engaged Rwandan and international legal consultants in 2013 to develop a revised model legislative framework. The model framework comprised input from diverse stakeholders across private and public sector institutions including RDB, MINECOFIN and the Rwanda Law Reform Commission.

Reviews of the model framework and stakeholder engagement continued over seven years, with validation workshops held in 2017 and further revisions in 2018 by another set of international development consultants. Reasons for the extended delay in stakeholder adoption of the model framework was unclear, but a possible explanation could be the disconnection between government clients and their consultants³⁰, which usually arises where the consultants' theoretically sound recommendations are solely based on extensive technical methodologies, often overlooking internal factors such as civil service regulations, or relations within governments³¹.

In January 2020, the Oxford Policy Fellow embedded at RDB was assigned to work with a small team within its Transactions Structuring and Support Division (which now serves as RDB's 'de-facto' Privatization Secretariat) to review the model framework, specifically the Privatization Policy and Strategy. This team comprised a senior legal expert who had been involved in earlier consultative processes on the model framework; and another colleague that was the only privatization analyst retained by RDB from the defunct Privatization Secretariat, a 'walking encyclopaedia' of Rwanda's privatization matters. Working within RDB, the Fellow was able to form relationships with co-workers that held institutional memory of the government's privatization processes, gaining access to vital historical documentation and privileged perspectives on Rwanda's development aspirations. These allowed the Fellow to become better-positioned in supporting the

²⁷ Rwanda Development Board 'Privatization Program in Rwanda – Current Status' May 2013.

²⁸ Rwanda Development Board 'Privatization Program in Rwanda – Current Status' (Page 6).

²⁹ Rwanda Development Board 'Privatization Program in Rwanda – Current Status' (Page 25).

³⁰ Arthur N. Turner (1982) 'Consulting Is More Than Giving Advice'; published by Harvard Business Review; <https://hbr.org/1982/09/consulting-is-more-than-giving-advice>

³¹ Arthur N. Turner (1982) 'Consulting Is More Than Giving Advice' (4. Recommending Actions).

policy drafting team with legal and technical inputs, and also helped to connect-the-dots between the government's transformative models and the draft policy.

The Fellow and policy drafting team began their review work by articulating the government's rationale for a new Privatization Policy³². In essence, the rationale included; a realization of the privatization goals it had set to achieve Rwanda's medium to long-term development strategies, an establishment of guiding principles for its privatization processes, the need for a comprehensive legislative framework to govern privatization processes due to lacunae in Rwanda's Privatization laws, and the creation of evidence-based legislations crafted to address privatization issues highlighted in numerous reports which had been published over the years by various internal and external consultants.

The policy was then redrafted by the team, based on the above-stated rationale. It outlined the government's preferred methods for the management of privatization processes and provided a basis for the development of a revised privatization legislative framework. The team's approach, which was initiated by the Fellow, provided clarity during subsequent high-level consultations, and enabled the government to take full ownership of the policy. The Privatization Policy and Strategy was finally approved by the Government of Rwanda's Cabinet on 10th September 2020³³ and has become the most significant change to Rwanda's privatization framework in 25 years³⁴.

New policy, what next?

The impact of the new Privatization Policy and Strategy is slowly emerging across the public and private sectors. With its approval of this new direction, the government has enshrined Rwanda's guiding principles into its privatization processes and is now able to attract competent national and international investors to partake in the management of SOEs and transform the economy, with a focus on increasing private investments across priority areas in which the government had been the key player over the past decades.

The policy has already steered the government's most recent privatizations. For instance, the recently concluded sale of its 100% stake in an agro-processing SOE Masoro Seed Processing Plant³⁵ to private investors is expected to attract initial investments of 1.7

³² Republic of Rwanda Privatization Policy and Strategy- Background and Objectives (Page 7).

³³ Republic of Rwanda- Office of the Prime Minister: Cabinet Decisions;

https://primature.gov.rw/index.php?id=43&no_cache=1&tx_drblob_pi1%5BdownloadUId%5D=810

³⁴ The extant Law governing Privatisation in Rwanda- Law n° 2 of 11 March 1996 Governing Privatization and Public Investment has not been amended since its passage 25 years ago and created gaps that were partly addressed by way of Executive Orders, specifically- Presidential Decree n° 08/14 of 3 May 1996 which established the National Privatization Commission and its institutional framework; followed by the Ministerial Order n° 007/03/10/MIN of 07/08/2003 Determining Procedures for the Privatization of Public Services and Enterprises and for the Selling of Government Shares and Partnership Shares in Semi-Public Companies; and other legislations with selected provisions that govern aspects of the management of State-owned Enterprises.

³⁵ Republic of Rwanda- Office of the Prime Minister: Cabinet Decisions (14 April 2021);

https://primature.gov.rw/index.php?id=43&no_cache=1&tx_drblob_pi1%5BdownloadUId%5D=864

million US dollars, create and retain Rwandan jobs, and, more importantly, reduce Rwanda's seed import expenditure by increasing the plant's capacity to process at least 10,000 metric tons of maize grain annually. This far exceeds Rwanda's annual target of between 6,000 and 7,000 tons³⁶, and so is expected to improve food security and encourage economic self-sufficiency.

Rwanda's private sector has also welcomed the new policy. The CEO of the Rwanda Stock Exchange noted that the new framework recognises recent innovations, which did not exist in previous laws, such as domestic capital markets and PPPs. The CEO also remarked that the new framework resolved historical challenges found in previous privatization processes, and that it would reduce inefficient management of public assets and encourage private sector participation in priority sectors³⁷.

The long-term effect of the policy remains to be seen, but it has provided a '*grundnorm*'³⁸ for all other laws within Rwanda's privatization legislative framework. With legal reforms being more of a marathon than a sprint, the hope is that the revised framework will be implemented to generate the growth, prosperity, and quality of life that Rwandans desire.

36 The New Times '5 things to know as Masoro seed processing plant is privatised'- published 16 April 2021;

<https://www.newtimes.co.rw/news/5-things-know-masoro-seed-processing-plant-privatised>

37 CNBC Africa 'Rwanda passes new policy on privatization'- published October 22, 2020;

<https://www.cnbc.com/africa/media/6203898525001/rwanda-passes-new-policy-on-privatization/>

38 Oxford Reference defines Grundnorm as 'A hypothetical basic norm; the ultimate, foundational principle from which the validity of all norms can be drawn by the fact that they exist'.

<https://www.oxfordreference.com/view/10.1093/oi/authority.20110803095910371>

Fellow reflection

Working at the Rwanda Development Board has been a challenging yet incredibly rewarding experience.

I was privileged to be at the forefront of national development within an institution that operates in line with global best practices; and collaborated with public and private stakeholders across various sectors, in creating strategic investment frameworks which were ultimately focused on delivering the greatest benefits to the Rwandan people.

Being an international law and public policy practitioner at RDB presented an exceptional platform to apply my legal skills into solving unique development challenges with quantifiable results; and also provided strong lessons on the power of using home-grown solutions to transform societies. I look forward to seeing and hearing great things about the impact of my modest contributions to Rwanda's development story.

Many thanks to the Oxford Policy Fellowship for the opportunity and to my RDB colleagues - *Murakoze cyane!*

Zainab Animashaun

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