REPUBLIC OF RWANDA

National Investment Policy

Prepared by

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List of acronyms and abbreviations

BA	Budget Agency
BOO	Build Operate Own
BOT	Build Operate Transfer
CBA	Cost Benefit Analysis
CEA	Cost Effectiveness Analysis
EAC	East African Community
EDPRS	Economic Development and Poverty Reduction Strategy
EFU	External Finance Unit
EoI	Expression of Interest
FDI	Foreign Direct Investment
FDU	Fiscal Decentralization Unit
Frw	Rwandan Franc
GDP	Gross Domestic Product
GoR	Government of Rwanda
GPU	Government Portfolio Unit
IFMIS	Integrated Financial Management Information & System
IPO	Initial Public Offering
ISA	Individual Savings Account
JV	Joint Venture
KPI	Key Performance Indicator
LGIP	Local Government Investment Program
LGPAC	Local Government Projects Advisory Committee
LODA	Local Administrative Entities Development Agency
MIGA	Multilateral Investment Guarantee Agency
MINECOFIN	Ministry of Finance and Economic Planning
NBD	National Budget Department
NDPR	National Development Planning and Research Department
NIP	National Investment Program

PIC	Public Investment Committee
PPD	Project Profile Document
PPP	Public Private Partnership
PSF	Private Sector Federation
RDB	Rwanda Development Board
RLDSF	Rwanda Local Development Support Fund
RSE	Rwandan Stock Exchange
SME	Small and Medium Enterprise
SOE	State Owned Enterprises
SPIU	Single Project Implementation Unit
TOR	Terms of Reference
USD	United States Dollar
VAT	Value Added Tax
VfM	Value for Money

1 Background and Objectives

Rwanda has made significant achievements in its recovery from the 1994 genocide against the Tutsi. The Government of Rwanda (GoR), through its public expenditure program has played a crucial role in the process of promoting socio-economic reconstruction. More than two decades later, the country is aiming for long-term sustainable development, economic transformation and poverty reduction as elaborated in the Vision 2020 and the Second Economic Development and Poverty Reduction Strategy (EDPRS 2). Both, long and medium term development strategies, aspire to lead Rwanda into middle-income category by 2020.

The overarching goal of Vision 2020 is to accelerate progress to middle income status and better quality of life for all Rwandans through sustained average GDP growth of 11.5% and accelerated reduction of poverty to less than 20% of the population. The Government also targets to increase the proportion of investment accounted for by the private sector, and in particular the export sector, to increase foreign exchange earnings and enhance the nation's external Balance of Payments position, which goes along with one of the pillars of Vision 2020 to become a private sector-led economy.

Therefore, public expenditure in general should support the achievement of the goals highlighted in Vision 2020 and EDPRS 2. Public investment has a central role to play in this respect; first, through the creation of wealth itself, and second, through its capacity to facilitate the creation of wealth by enabling the private sector, thus facilitating private investment. Past experience has shown that economic growth has been an important contributor to sustainable reduction of poverty in Rwanda. Economic growth significantly depends on the volume and quality of investment among other factors. In this regard, including the private sector in the delivery of public investments via Public Private Partnerships and Joint Ventures can play a pivotal role in supporting the accelerated delivery of strategic national investments. It can also yield multiplier effects in the economy including job creation; value for money and quality services without jeopardizing debt sustainability.

All this underscores the importance of public and private investments in contributing to the overall development goals of Rwanda and hints to the relevance and challenges of a sound investment policy fit to fulfil the expectations. In 2009, the "National Public Investment Policy" had been approved to guide the Government in its investment program, focusing on improving efficiency and efficacy of the public investment portfolio and increasing the coordination between public and private investments, including Public Private Partnerships.

Much has been achieved since then, especially with regard to building transparent and accountable processes for public investments. The national public investment program established in Rwanda is: (a) part of the regular planning and budgeting cycle, (b) based on strategic development goals outlined in the EDPRS 2, 7 Year Government Program and Vision 2020 priorities, (c) consultatively agreed upon using an investment committee and (d) effectively used as an operational document. The National Public Investment Policy from 2009 has especially led to establishing the Public Investment Committee (PIC) as point of entry and scrutiny for all central government projects. Experience has shown that this measure has considerably contributed to the improvement of the quality and transparency of public projects. Significant progress has also been achieved in other areas of public investments, which now call for further policy guidance: e.g. development of a PPP framework and the introduction of PPPs, alternative forms of investment engaging the private sector, advancements in decentralization.

The objective of this policy is to achieve the country's strategic development goals by transforming the *"National Public Investment Policy"* into a "*National Investment Policy*", which addresses public as well as private investment. It is intended to lay the ground to carefully balance new public investment projects and potential dis-investment needs with options to strengthen private sector participation. This means building upon existing principles and widening the scope of the policy to efficiently cover the involvement of private sector in public investments through PPPs and Joint Ventures.

This "*National Investment Policy*" is intended to guide the country in its investment program by ensuring:

1. Prioritisation of investments based on strategic goals, which also guides long-term budgeting and debt-management;
2. Improving implementation through feeding back execution data to ensure strategic and efficient management of the project portfolio and
3. Transparency and accountability over the investment cycle to enable budget agencies on central and local level to plan and prioritise effectively;
4. Engaging the private sector and leveraging alternative sources of financing by: increasing confidence in a credible pipeline of projects and systematically targeting a wider range of strategic investment forms.

2 Foundation of the National Investment Policy

2.1 Definitions, terminology

Public Investment Management (PIM) comprises all processes and procedures needed for the efficient delivery of Public Investments, including planning, formulation, appraisal, selection & budgeting, execution, monitoring, reporting & evaluation, using a computerized software/database. The delivery of public investment may be through traditional public investment, State Own Enterprises, Joint Venture schemes and Public Private Partnership (PPP) arrangements.

State Owned Enterprises (SOEs) are defined as corporate entities recognised by national law as an enterprise, and in which the state exercises ownership. This includes joint stock companies, limited liability companies and partnerships limited by shares. In addition, statutory corporations, with their legal personality established through specific legislation, are considered as SOEs, if their purpose and activities, or parts of their activities, are of a largely economic nature.[1]

In the National Investment Policy, an SOE is defined as a legal entity that is fully or partially owned by the Government of Rwanda in order to undertake economic activities.

A **Joint Venture**, generally, is an association of firms or individuals formed to undertake a specific business project. It is similar to a partnership, but limited to a specific project (such as producing a specific product or doing research in a specific area).[2]

With regard to this policy, a joint venture is defined as a business arrangement, in which the Government of Rwanda (GoR) agrees with one or more private sector parties to pool their resources for accomplishing a strategic investment. The venture is its own legal entity, in which each of the participants is responsible for its share in accordance with the prevailing shareholding structure and likewise for profits, losses and costs associated with it. Joint Ventures operate in the commercial market, where GoR is a joint investor but not the sole customer for the service provided.

Public Private Partnerships (PPPs) are defined as "a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance".[3]

According to Law N° 14/2016 of 02/05/2016 governing public private partnerships PPPs are similarly understood as a broad modality to procure public investments with the involvement of the private sector, potentially leveraging private financing and technical know-how to deliver the project. The basic principle for PPPs is that risks are allocated to the party best able to mitigate the respective risk, thereby arriving at an optimal risk allocation.

[1] OECD, 2015, "Guidelines on Corporate Governance of State-Owned Enterprises".
[2] OECD, 2002, "Glossary of Industrial Organisation Economics and Competition Law".
[3] http: // ppp.worldbank.org / public-private-partnership / overview / what-are-public-private-partnerships

Privatisation of public enterprises refers to transfer of ownership and control of government or state assets, firms and operations to private investors.[4]

Privatisation, in the sense of this policy, encompasses the transfer of ownership of property or businesses from the Government of Rwanda to a privately owned entity, hence aiming at selling shares of (partly) state owned enterprises (SOE), including Joint Ventures.

National Investment Program (NIP) is a consolidation of all public investment projects over the medium term, which is either ongoing or planned (pipeline). Prerequisite for all projects to be included in the NIP comprises is the approval by PIC. The pipeline section of the NIP is used as a tool to coordinate mobilization of external resources through offering well-prepared and economically viable projects.

A **Project** is a set of activities over an established timeline and budget intended to achieve a developmental objective, which is defined through outputs. According to this policy the definition also comprises 'programmatic' projects, which combine smaller projects into larger investments in order to ease planning and management procedures. Projects can mainly be divided into capital investments and technical assistance development projects.

Capital Investment entails expenditure targeting the acquisition of fixed assets, thereby contributing to fixed capital formation. Potential fixed assets comprise e.g. buildings and structures, machinery and equipment. This category of investment also includes major improvements (renovations, re-constructions or enlargements) of existing fixed assets. In this respect, capital investments increase the performance or capacity of an existing fixed asset or significantly extend it beyond the previously expected service life, thereby increasing the value of the asset.

Technical assistance development projects comprise sets of activities focussed either on social transfers or on capacity development / knowledge transfer through coordinated programs consistent with Rwanda's priorities.

Contracting authority includes institutions engaging in a contract for goods or services such as: Ministries, Agencies, Districts, City of Kigali and State Owned Enterprises / Public Utilities.

2.2 Scope of investment subjects covered

Against the backdrop of the mentioned objectives, this policy mainly deals with publicly driven investments on central and local government level as well as investments of commercial nature. In theory, investments are defined as long-term commitment of funds in real or in intangible assets. Since the National Investment Policy also applies to development assistance programs and technical assistance projects, as included in the development budget, a broader understanding of investments is applied.

In that sense, the policy deals on the one hand with "public investment", which refers to capital investment in public goods, like physical assets / infrastructure (e.g. property, roads,

[4] OECD, 2002, "Glossary of Industrial Organisation Economics and Competition Law".

government buildings, etc.), and soft assets / infrastructure (e.g. human capital development, innovation support, research and development, etc.). On the other hand, the National Investment Policy raises strategic ways of organizing capital expenditure on commercial goods and businesses. This means investing in enterprises involved in the buying and/or selling of goods and/or services that are expected to generate positive cash flows and/or beneficial effects for the development of key sectors in the Rwandan economy. The following figure shows the structure of investment goods covered.

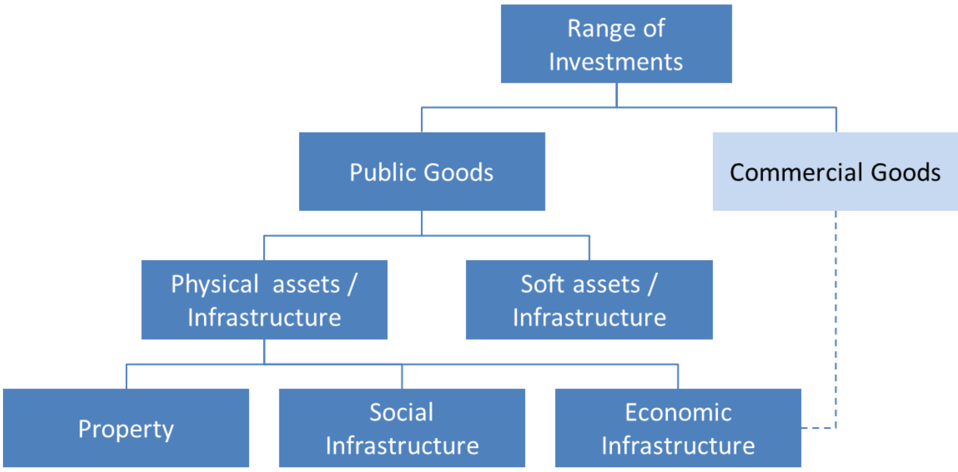

Figure 1: Structure of investment options covered

Building upon this definition the National Investment Program shall cover all investments in capital assets as well as in all developmental projects. This means on the hand to include all projects in the National Investment Program, which are listed in the development budget and on the other hand to encompass all other investments, including shares and guarantees, which may be budgeted for under recurrent expenditure.

This approach serves the purposes of availing structured information on public investments in a proven manner, to inform and align all investment decisions by government and to allow for provision of credible data about the increase of Rwanda's capital stock. Following this line of thinking means knowingly accepting that some projects or programs listed in the National Investment Program will not be capital investments in the sense, that they do not generate gross fixed capital formation (GFCF), which as such has to last longer than one year, with measurable return on the invested sum. This applies in particular to technical assistance projects.

2.3 Funding Public Investments

In general, there are three sources for funding and financing public investments: i) Internal funding sources, ii) external funding support and iii) borrowing as financing source with the requirement to be paid back at least partly.

Internal funding sources entail domestic tax and non-tax revenues, which are used to fund the recurrent as well as the development budget.

External funding support refers to Budget and Project Support from Development Partners. According to the Rwanda Aid Policy from 2006, Budget Support is the transfer of resources from a Development Partner to the Rwandan budget. The same lines of authority and procedures that govern the normal Rwandan budget are applicable. There are three main types of Budget Support in Rwanda: "General Budget Support" is defined as a method of financing the GoR's national budget through a transfer of resources from a donor to the government national treasury account with no earmarking to a sector or program dealing with budget allocation. "Sector Support" is budget support provided by a donor with the aim of financing the realisation of development objectives in an identified sector. "Budget Support to Decentralization" is sector budget support for decentralized entities, channelled through Local Administrative Entities Development Agency (LODA). The third option is "Project Support", which is directly targeting defined sets of activities under the development budget.

Borrowing is used for the recurrent as well as for the development budget. It can be differentiated into domestic borrowing, external concessional and non-concessional loans (including financing via capital markets issuing bonds) and public guarantees. If a loan is considered as concessional, depends on the share of a potential grant element and the terms with regard to maturity and interest rates.

3 Guiding principles of the National Investment Policy

Rwanda has come a long way in terms of improving public investment planning, budgeting and execution. In order to further improve efficiency of the investment process and to ensure attainment of investment objectives, there is a need to have a comprehensive look, on how to strategically approach different stages of investment activity as well as on how to increase the efficiency and effectiveness of public investment management on central and local government level.

The following key principles will support the achievement of the objectives of the National Investment Policy and will help to transform its logical framework into practice:

i. **Alignment with national priorities**. Identification and selection of all projects shall be guided by national priorities laid out in strategic documents, e.g. the National Vision (to date Vision 2020), the National medium term strategy for development (to date EDPRS 2), and the government development program (to date 7 Year Government Program).

ii. **Leveraging private sector**. Rwanda aspires to be a private sector led economy in line with the Vision 2020. National investments will as much as possible leverage additional private sector financing.

iii. **Value for money**. All projects, regardless how they are implemented, shall deliver optimal value for money and contribute to growth by maximizing the efficiency through better selection, preparation and management of investments.

iv. **Effectiveness and impact orientation**. The selection and design of future projects shall be driven by systematically assessed experiences about achieved impacts and lessons learnt from ongoing and completed projects.

v. **Efficiency of investments.** This will be achieved by ensuring investment selection and design take into consideration the importance of reducing fragmentation and scattering of resources wherever possible while increasing complementarity of projects.

vi. **Promotion of local content**. Investment designs and selection shall consider the objectives of knowledge transfer and promotion of the local economy, especially targeting the creation of local jobs as much as possible.

vii. **Transparency and reliability**. All procedures and decisions within the public investment management shall be transparent to all stakeholders ensuring a sound understanding and good predictability of resource allocation.

viii. **Sustainability**: investment design and selection will be driven by sustainability considerations including long term environmental and social impacts among others.

ix. **Coordination and accountability**. Roles and responsibilities of all involved stakeholders shall be clearly designed to ensure coordination across sectors and government levels and to enable all institutions to plan and implement effectively.

Investment design shall integrate accountability mechanisms in different forms of investment to ensure that intended objectives are achieved.

x. **Autonomous decision taking by Districts.** Following the principle of decentralisation, investment management on the level of local governments will be autonomous as provided by the Decentralization policy. For purposes of coordination across the country central government institutions will provide advisory and quality assurance support

4 Framework for the management of National Investments

4.1 Institutional framework, key stakeholders

Efficient and effective management of public investments requires coordination with a wide range of entities and stakeholders; thus clear roles and responsibilities are required. Existing legal framework that guides the actions of stakeholders include:

- Law N° 14/2016 of 02/05/2016 governing public private partnerships, as gazetted on 30/05/2016 (PPP Law)
- Prime Minister's Order determining the functioning of the Public Private Partnership (PPP) Steering Committee; approved by Cabinet on 03/02/2017
- Law N° 12/2013/OL of 12/09/2013 "Organic Law on State finances and property", as gazetted on 05/11/2013
- N°001/16/10/TC of 26/01/2016 Ministerial Order relating to financial regulations, as gazetted on 03/02/2016

The following stakeholders shall play key roles in the process of delivering public investment.

Parliament

Parliament approves the Finance Law after holding Budget Hearings (Approval of Finance Bill, as per Article 35 of the Organic Law on State finances and property). It is also an important organ in ensuring accountability of investments undertaken by the Executive.

Cabinet

In the course of investment planning, implementation and monitoring, Cabinet is involved as key decision-maker at the Executive level (Pre-approval of Finance Bill and submission to Parliament, as per Article 35 of the Organic Law on State finances and property).

District Councils

In the course of investment planning, implementation and monitoring, District Councils are involved as key decision-makers for investments in the respective districts.

Public Investment Committee

The Public Investment Committee (PIC) is a body that approves ongoing and new investments on central government level, which meet the requirements for implementation.

The PIC will be chaired by a high-level representative of MINECOFIN. The Committee will also be comprised of high-level representatives of key spending ministries.

Local Government Projects Advisory Committee

The Local Government Projects Advisory Committee (LGPAC) is a body, which advises on the quality and relevance of ongoing and new projects that meet the requirements for implementation on district level.

The LGPAC will be chaired by a high-level representative of MINECOFIN and co-chaired by a high-level representative of MINALOC. The Committee will be constituted of high-level representatives from Provinces and key spending ministries.

PPP Steering Committee

As per Law Nº 14/2016 of 02/05/2016 governing public private partnerships, the PPP Steering Committee will take over the gateway and oversight function of PPP projects. The Steering Committee is specifically responsible for approving the shortlisted bidders and the preferred bidder for a PPP project.

Clusters

These are forums bringing together high level decision makers in government for the purposes of improving coordination. Three main clusters exist namely: Economic, Social and Governance. These shall be convened through the respective lead Ministries designated by the Office of the Prime Minister to discuss investments that require consensus among stakeholders. Clusters shall also review progress reports on investments and help to unblock implementation challenges or bottlenecks.

Ministry of Finance and Economic Planning

A high-level representative of the Ministry of Finance and Economic Planning (MINECOFIN) will chair the Public Investment Committee and the Local Government Projects Advisory Committee. Various departments in the Ministry are empowered with key roles for the implementation of the National Investment Policy:

a) National Development Planning and Research Department

The National Development Planning and Research Department (NDPR) serves as the technical secretariat for PIC, providing the information, analysis and research necessary for the implementation of the National Investment Policy. The department also develops a pipeline of projects to be implemented in the medium term that require financing and monitors the execution of development projects.

b) National Budget Department (NBD)

Key responsibilities of the National Budget Department (NBD), which are linked to the investment process, are coordinating the formulation of the annual National Budget and the Medium Term Expenditure Framework. The department also covers Budget policy formulation, which includes: forecasting, monitoring and reporting on the implementation of the National Budget.

c) Office of the Government Chief Economist

Regarding the investment process, the Chief Economist's Office has key responsibilities of mobilizing external resources to finance investments in addition to assessing and advising on the macro-economic impact of investments.

d) Office of the Accountant General

The Government Portfolio Management Unit (GPMU) in the Office of the Accountant General is mandated to ensure that Government investments in State Owned enterprises and joint ventures are managed to achieve national strategic objectives. This includes ensuring economic returns and adherence to strong corporate governance principles and standards.

To further improve the management and financial sustainability of the portfolio of GoR's commercial and quasi-commercial investments an **Autonomous Government Investment Body** shall be established taking over functions of the GPMU in this area.

Ministry of Local Government

A high-level representative of the Ministry of Local Government (MINALOC) will be a member of the Local Investment Advisory Committee. With LODA being an agency of MINALOC, key administrative procedures for planning and implementation of local government projects are located within this Ministry.

a) Local Administrative Entities Development Agency

The Local Administrative Entities Development Agency (LODA) / Fiscal Decentralization will take over key responsibilities in the public investment process on local government level and will, therefore, serve as the technical secretariat for LGPAC. LODA also monitors execution of public investments undertaken through Districts. LODA further works with the National Budget Department in MINECOFIN to support Districts in preparing investment related spending plans.

Budget Agencies

Budget Agencies are entities whose activities are financed by the State Budget. Budget Agencies (BA) are the executing institutions; their responsibility covers the proper handling of investments from identification to implementation and operation according to respective rules and regulations.

a) Line Ministries, Agencies

Relating to investments, Line Ministries and their agencies are in charge of identifying suitable projects in line with their sector strategy and coordinating required activities during the planning and implementation of these projects. This includes ensuring a proper monitoring and evaluation system is in place for the execution of the projects under their supervision.

b) Districts

Relating to investments, Districts are in charge of identifying suitable projects according to strategic guidelines set by ministries. Identified development projects are compiled in District Development Plans (DDPs). During the planning and implementation of these projects, Districts are responsible for coordinating required activities. This includes ensuring a proper monitoring and evaluation system is in place for the execution of the projects under their supervision.

c) Chief Budget Manager

The role of the Chief Budget Manager on behalf of a line ministry or a district amongst others comprises the control to exercise control over the execution of the budget of the public entity under his/her responsibility, in compliance with all provisions of the Organic Law as well as regulations issued by the Minister; of Finance and Economic Planning (Article 19 of the Organic Law on State finances and property).

Rwanda Development Board (RDB)

RDB is in charge of attracting private investments from both domestic and foreign (FDI) sources. RDB also serves as the secretariat of the PPP Steering Committee as per Article 2 of the Prime Minister's Order determining the functioning of the Public Private Partnership (PPP) Steering Committee. In line with article 10 of law N º 14/2016 of 02/05/2016 "governing public private partnerships", RDB's role also comprises the function of a specialized advisor for the preparation and implementation of PPPs. This role includes coordinating the negotiation of strategic investments and Joint Ventures with potential investors as well as following up the actualization of investments attracted.

4.2 Procedures for the management of national investments

The public investment process covers the project life cycle from identification and appraisal via implementation up to ex-post evaluation. Procedures targeted by the policy are designed along key phases of the public investment management process, reaching from initial guidance up to evaluation feeding back into guidance for future projects:

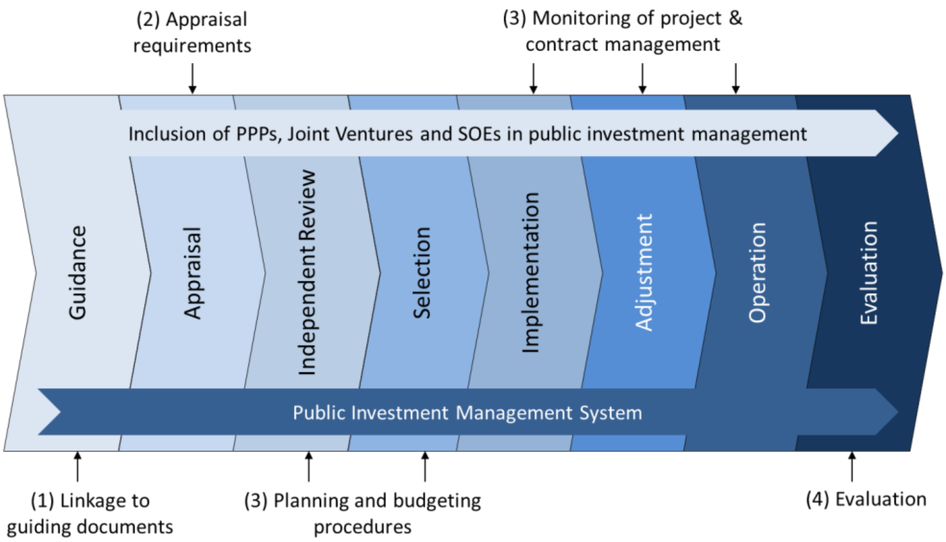

Figure 2: Key areas of the Public Investment Management Process[5]

4.2.1 Strategic Guidance for Investment Planning

Project identification will be guided by existing strategic documents to anchor government decisions and to guide sector-level decision makers toward national priorities:

- The National Vision (to date Vision 2020), the National medium term strategy for development (to date EDPRS 2) and the government development program (to date 7 Year Government Program) will be the most important strategies to orient the prioritization of investments.
- On the next level investment planning will be informed by macroeconomic analysis and targets, derived from the government's macroeconomic policy, e.g. sufficiency of investment levels as percentage of GDP with regard to targeted growth rates, appropriateness of the cross-sectoral distribution of investment also taking into consideration employment effects, complementarity of public and private investments as well as conduciveness for domestic and foreign investment.
- Within sectors, decisions will be guided by sectoral strategies and policies, including e.g. industrial policy and agricultural strategy etc.
- Lastly, compliance with regional strategies and policies for example the EAC Vision 2050 and the Agenda 2063 for Africa will be considered.

National Investment Planning is informed by the above mentioned guiding documents. There will be a feedback loop from investment management to inform these higher-level strategies as to their realism and feasibility.

[5] See A. Rajaram, et. al. (2014). The Power of Public Investment Management. Transforming Resources into Assets for Growth. Washington DC World Bank, p. 22.

4.2.2 Appraisal

One prerequisite for an efficient implementation of appropriate investments is a sound preparation process. To ensure that projects are adequately prepared to be delivered in time and on budget, specific levels of appraisal are required, before a project will be considered for implementation it will go through a thorough screening and appraisal process.

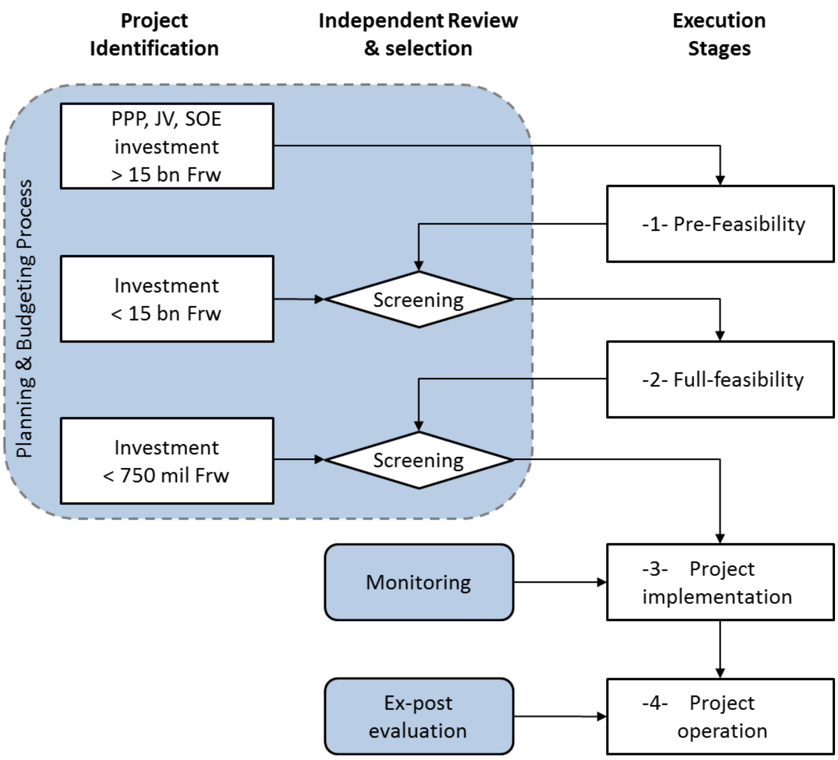

Figure 3: Thresholds for appraisal requirements

All new proposals for full-feasibility or project implementation will have to be submitted with a project profile document (PPD), which includes basic project information, and an additional concept note describing the design of the requested project (full-feasibility or investment) to ensure that the project is accurately costed and can be tendered and implemented in time and in budget. Depending on the type of investment, its size and the envisaged way of implementation different levels of appraisal are necessary, see Figure 3:

- Pre-feasibility studies help to identify relevant alternatives before undergoing a full-fledged feasibility study. Pre-feasibilities assess a project's readiness, desirability, viability and most appropriate form of implementation. The intention is to identify and exclude unsuitable projects from further preparation and assessment with a reasonable input of resources. Pre-feasibility studies can be carried out internally without prior screening by an Investment Committee.
- Feasibility studies will be used to assess proposed projects in detail on a quantitative basis requiring comprehensive analysis of market conditions, technical, social, environmental, financial and economic issues depending on the nature of the project in order to determine the optimal project design and

form of implementation. Requests for feasibility studies have to be submitted according the standard planning and budgeting guidelines issued by MINECOFIN to be screened by the respective Investment Committee.

The necessary scope of work of the studies required will be adapted to the specific nature of projects and set out in guidelines, which will be published to support the implementation of suggested policy measures. The Ministry of Finance and Economic Planning (MINECOFIN) has the key function as quality assurer.

4.2.3 Planning, budgeting and monitoring procedures on Central Government level

The description of processes at central level highlights the function of the Public Investment Committee.

Planning and Budgeting Process for Central Government Investments

The annual planning and budgeting cycle for central government projects, which covers the steps of independent review and selection, is designed as follows:

- The planning and budget cycle on central government level officially starts with the issuance of the 1st Planning & Budget Call Circular (1st PBCC) by MINECOFIN (NDPR). This document invites all Budget Agencies to propose new projects for funding and to provide information on ongoing projects with regard to their funding needs for the upcoming (n) and the two following fiscal years (n+1, n+2). The issuance of the circular includes templates and guidelines on how to prepare and provide the needed information.
- MINECOFIN (NDPR) will carry out a first screening of new and ongoing projects from Central Government taking into consideration the state of preparation, strategic desirability as well as the economic and financial viability.
- Taking into consideration resolutions from planning consultations, MINECOFIN (NDPR) will present findings and recommendations to the Public Investment Committee (PIC), which will determine the priorities for implementation of investments.
- To initiate the budgeting process the 2nd Budget Call Circular is then issued by MINECOFIN (NBD). Ceilings are informed by the findings of PIC.
- The result of budget negotiations is compiled in the National Investment Program.
- Once the budget is approved by Parliament, it becomes law, and each Ministry may commit expenditure within the approved budgetary limits.

Monitoring of contract and project management on Central Government level

Following project approval, responsibility for project implementation will pass to the sponsoring Budget Agency (BA). The Budget Agency is responsible for implementing the project, handling contract and project management, while the Chief Budget Manager is in charge of overseeing project execution. MINECOFIN will monitor expenditure and physical progress against budget approvals and implementation plans. Generally, MINECOFIN will report to Cabinet on progress against budget and planned implementation progress.

Upon closure of a project, a project completion report will be prepared by the Budget Agency and approved by the Chief Budget Manager. This report needs to provide an extensive documentation of the project, including information on physical and financial execution, achievement of outputs, pending activities, challenges and recommendations. This report will be submitted to MINECOFIN for assessment and to update the Public Investment Management System.

If projects generate revenues after their completion, these need to be part of a special "operational monitoring" by the contracting authority delivering reports to MINECOFIN. This reporting shall ensure that these projects are properly monitored and that associated income flows into National Treasury's accounts.

4.2.4 Planning, budgeting and monitoring procedures on Local Government Level

LODA and of the Local Government Projects Advisory Committee fulfil key functions within the investment process at district level.

Planning and Budgeting Process on local level

The planning and budget cycle for local governments follows the same pattern as the one for central government.

- The planning and budget cycle officially starts with the 1st Planning & Budget Call Circular for Local Governments issued by MINECOFIN.
- All project proposals will be submitted by Districts to MINECOFIN through LODA.
- LODA in collaboration with MINECOFIN will carry out an initial screening of all submitted projects. LODA will present its findings and recommendations to the Local Government Projects Advisory Committee (LGPAC), which will advise on the priorities for investment. District Councils will review and approve investment decisions.
- After the District Councils decision, LODA and MINECOFIN consult on budget ceilings. The 2nd Budget Call Circular, related to district investment plans, is then issued by MINECOFIN to begin the budgeting process on local level.
- In accordance with the law No. 62/2013 of 27/08/2013 establishing the Local Administrative Entities Development Agency (LODA) and determining its mission, organisation and functioning, all the development projects implemented by decentralised entities shall be financed through LODA to increase efficiency and eliminate duplication. Within this process, LODA, in

collaboration with MINECOFIN, will hold consultations with each District in order to finalise the budget proposals in the light of funding availability and arrive at a final allocation for each District. For externally funded projects, LODA will negotiate funds; the approved ones will be part of the projects to be presented to LGPAC for quality assurance.

- LODA submits the development investments and corresponding budget to the Districts, then each District presents its development projects to the respective District Council. The final budget is sent to Parliament, where it is subject to the detailed scrutiny of the Budget Committee.
- Once the budget is approved by Parliament, it becomes law, and each District may commit expenditure within the approved budgetary limits.

Monitoring of contract and project management on local government level

The Chief Budget Manager of the respective District is in charge of overseeing project execution. LODA will track expenditure and physical progress against budget approvals and implementation plans. Generally, LODA will report to Cabinet via MINECOFIN on progress against budget and stated outputs.

Upon closure of a project, a project completion report will be prepared by the District and approved by the Chief Budget Manager. This report will be sent to LODA for assessment and forwarded to MINECOFIN for updating the Public Investment Management System.

The Chief Budget Manager shall ensure that potential revenues from such investments are properly monitored and reported on and that associated income flows into the Local Government Consolidated Fund.

4.2.5 Evaluation

Monitoring and evaluation are important management tools to track progress and facilitate decision making. Both shall provide information that is credible and useful, enabling the incorporation of lessons learned into the planning and decision making process. While monitoring can be defined as a continuing function that aims primarily to provide the management and main stakeholders of an ongoing project with early indications of progress, or lack thereof, in the achievement of results; evaluation is the systematic and objective assessment of an on-going or completed project with regard to its results and impacts at defined stages. The aim is to determine the relevance and fulfilment of objectives, investment efficiency and effectiveness, as well as impact and sustainability. Stages of evaluation that matter for investment projects, depend on type, size and sector, these are: Ex-ante evaluation / ex-ante impact assessment, mid-term review, end-of-project evaluation, ex-post evaluation (3-5 years after completion).

Evaluations go beyond a micro-economic assessment of projects and therefore require enhanced preparatory works and an extended scope of work for institutions involved:

- Properly worked out baseline;

- Accurate description of chain from inputs, activities, outputs and outcomes to impact;
- Intervention logic of projects needs to be properly worked out, and (at minimum) put in a log frame (depending on project type);
- Design of monitoring and evaluation functions with roles for Line Ministries, MINECOFIN, LODA, Auditor General, and (at times) independent evaluation.

Since the most targeted socio-economic impacts only become measurable some years after project completion, ex-post evaluation is a privileged type of evaluation among national and multi-national development Banks and other Investment agencies. Whereas ex-post evaluation of single investment projects comes with the inconvenience that its results can only inform future projects, it is a very important tool for investment programs, which are rolled out over many years and locations.

Complying with evaluation requirements is international best practice. Therefore an assessment will be carried out to deliver a sound concept, how to adequately fit the logic of evaluation of investment projects into the institutional setting tailored to Rwanda's needs.

Evaluations for central government projects will be carried out or commissioned by MINECOFIN or the executing Budget Agency. For local government projects, the District or LODA may commission an evaluation. Third parties may also conduct an evaluation of a project with authorization of MINECOFIN.

The performance of strategically important projects will be subject to evaluation after closure, to assess their outputs against the targets and Key Performance Indicators set at feasibility stage.

Aims of the ex-post evaluation are to:

- assess how well individual projects are achieving the targets, especially on outcome and impact level, set for them at feasibility stage and
- Systematically collect information on project costs, outputs and impacts to inform future project appraisals and improve the design of future projects.

4.3 Selecting the suitable form of implementation of public investments

One objective of the National Investment Policy lies in engaging the private sector and leveraging alternative sources of financing by systematically targeting a wider range of strategic investment forms.

Nature / Origin	Public funding (public purpose)	Mixed funding (public & commercial purpose)	Private funding (commercial purpose)
	Focus and direction of impact of the National Investment Policy		
Domestic sources	• Public Utilities • State Owned Enterprises • Public Credit 1	• PPPs with national partners • SOEs / Joint Ventures with national shareholders 4	• Private Companies 7
Mixed sources	• Financial aid project with counterpart funding • Regional (EAC) public utility / company • Regional Development Bank Bank Credit 2	• PPPs with international partners • Joint Ventures with international shareholders 5	• Joint Venture (classical) • Joint-stock corporation (w/ international shareholders) 8
Foreign sources	• Subsidiary of foreign SOE • Concessional loans 3	• International public-private consortia 6	• Foreign direct investment • Commercial Credit 9

Figure 4: Matrix of investment forms

The matrix represents the landscape of (most) available forms of investment. There are three generally preferable vectors of evolution to be seen, which are indicated by the blue arrow:

(1) Considering scarcity of public domestic capital it is desirable to move to the right and to unlock private commercial investments;

(2) With regard to technology and knowledge transfer it is attractive to stimulate international participation in investments (the four lower right cells: to the sorts of Joint Ventures, international PPPs, consortia and FDI) and

(3) Turn upwards and target the whole column to the right, aiming at a substantially growing share of Rwandan national companies.

At present, the Rwandan economy is strong in the left column [cells (1), (2) and (3)], the implementation of public investments with either public funds or financial aid from development partners. The next step for the economy will be to further increase the investment share and involvement of the private sector and to identify innovative sources of financing.

With regard to the matrix, this means targeting the middle column [cells (4) and (5)]: Applying the concept of PPPs systematically means engaging the private sector, including foreign companies, to finance and deliver a specified public service or public infrastructure.

An enhanced way of collaborating with the private sector will be Joint Ventures. They will be aiming at a more private sector driven approach to commercial investments limiting the temporal participation of the government by agreeing upon clear exit and risk mitigation options. The possibility to strategically withdraw from Joint Ventures forms part of the concept of privatisation, which generally covers the divestiture of shares in existing (partly) state owned enterprises.

4.3.1 Involving the private sector through PPP arrangements

PPPs are relatively new in Rwanda. It is the objective of Rwanda to expand the application of PPPs across sectors where they demonstrate potential for sustainable development gains. In this regard, PPPs are seen as a suitable step to attract further domestic and foreign investors by efficiently sharing inherent project risks and thereby making investing in the provision of public goods and services more attractive for private partners.

4.3.2 Founding State Owned Enterprises

Founding new state owned entities shall be an option to drive economic development in cases, where public investment is needed due to market failure causing the absence of private sector interest or where promising business cases in strategic sectors, like transport, agriculture, manufacturing, etc., are too risky to be developed by the private sector. Another rationale applies, when there is a need to enhance public services to improve the population's well-being (e.g. public utilities for water, electricity, sanitation…).

The aim founding new SOEs should be to create an environment that attracts and gives confidence to the private sector to invest (catalytic investments). Upon the market's readiness to invest, the State shall consider privatizing the entity by selling off its shares.

4.3.3 Catalysing the development of private businesses through Joint Ventures

Joint Ventures are meant to be used as an instrument to incentivize and drive private investments in strategic commercial markets with foreign and domestic partners, which are seen as key to develop the Rwandan economy. The rationale to promote Joint Ventures is to tap into strategic opportunities and to encourage knowledge and technology transfer into strategic sectors.

The formulation of clear exit or risk mitigation strategies for the public share within Joint Ventures will be part of all investments in order to minimize public interventions in commercial markets. Exceptions can be useful, where there is a special public strategic interest and a further know-how as well as technology development is deemed necessary.

4.4 Including PPPs, Joint Ventures and SOEs in public investment procedures

Based on the investment procedures outlined in chapter 4.2 specific arrangements for PPPs, Joint Ventures and founding of SOEs are designed to include them in standard planning and monitoring procedures. The aim is, firstly, to establish PIC and LGPAC as mandatory checkpoints for all projects in order to increase transparency of future investments and alignment with national priorities. Secondly, planning processes will be defined in a manner that options to increase the participation of the private sector are systematically explored.

Investments planned to be carried out as PPPs, Joint Ventures or SOEs require a pre-feasibility study as first step of preparation. During their subsequent investment cycle, they will pass four gateway procedures:

- Step 1: Approval of full feasibility
- Step 2: Approval of implementation
- Step 3: Implementation and monitoring
- Step 4: Ex-post evaluation (operation).

4.4.1 Need for approval by PIC or LGPAC during project preparation

At project preparation stage PPPs, JVs and SOEs need to be assessed twice by PIC or LGPAC in order to obtain green light to proceed: In the first step, the approved request to conduct a full feasibility study is compulsory. Going ahead before starting tender procedures, the approved request for implementation of the project is required.

The corresponding requests need to be prepared in line with the general planning and budgeting procedures. The sponsoring Line Ministry or District will compose a Project Profile Document (PPD) complemented by the respective study, which will be submitted to PIC for approval or LGPAC for non-objection via MINECOFIN or LODA.

Adhering to the PPP Law, all findings and resolutions issued by the PIC regarding PPPs on central level will be forwarded to the PPP Steering Committee for final decision. The option of calling a ministerial committee will also be available for other investments deemed to be of strategical importance. At local level, the LGPAC will advise on the quality of proposed PPPs and make recommendations as to whether they require the attention of the PPP Steering Committee depending on their size and impact.

In the course of budget planning and approval processes, options for required funding will be assessed and, if agreed upon, the respective project will form part of the development budget approved by Parliament. Information on fiscal obligations for GoR arising from PPPs, Joint Ventures and Investments in SOEs will form part of the Budget Framework Paper.

Following these steps, involving PIC on central and LGPAC on local level systematically, will open the possibility to promptly capture these investments within the Public Investment Management System and to build a credible pipeline of projects ready for feasibility or investment funding. For a speedy procedure and progress of strategic investments, PIC and LGPAC will convene repeatedly throughout the year to scrutinize investment priorities in a timely manner.

4.4.2 Implementation of PPPs

Following project approval, responsibility for project implementation will pass to the sponsoring Budget Agency.

Tendering and negotiation of PPPs

According to the PPP Law, Rwanda Development Board (RDB) will act as lead negotiator during negotiations relating to a PPP agreement. For a gateway and oversight function on central level throughout the various stages of the procurement procedures the PPP Steering Committee will be authorized to approve tender documents, selection of bidders (shortlisted bidders) and processing of procurement up to selection of the preferred bidder (refer to the Law Governing PPPs).

The District, LGPAC, or LODA may request RDB to assist with the negotiation of PPPs on local level.

To ensure prudent debt management, information about the details of the financial agreements will be shared with and assessed by MINECOFIN. The affirmation is a strict precondition for signing the contract. A formal request for a change of budget has to be filed by the sponsoring Budget Agency when needed.

Monitoring of PPPs

For PPPs, the sponsoring Budget Agency – line ministries and districts – will be responsible for monitoring service delivery against the terms set out in the Project Agreement. Generally, according to the PPP Law monthly reports will be addressed to the PPP Steering Committee.

On a quarterly basis, the Budget Agency will be required to provide information on physical progress and expenditure to MINECOFIN or LODA using standard report cards. For PPPs on district level, LODA will check and consolidate the information and send it to MINECOFIN.

According to the standard monitoring procedures, MINECOFIN will screen and consolidate information on PPPs on central level and prepare a quarterly report, encompassing PPP projects on both levels. This brief will be integrated into the overall project reporting to be submitted to Cabinet for information and taking of necessary decisions.

During their operational phase, PPPs shall be subject to a quarterly monitoring procedure by the contracting authority in order to inform MINECOFIN on compliance with contractual obligations; this includes potential generation of revenues.

At District Level, the Chief Budget Manager shall ensure that those PPP arrangements are monitored on a quarterly basis and reported to MINECOFIN (FDU) through LODA and that associated revenues flow into the Local Government Consolidated Fund, if not agreed otherwise.

4.4.3 Implementation of Joint Ventures

If the feasibility study indicates that a commercial project should be carried out partnering with a private investor targeting know-how and technology transfer and if the requested budgetary means are approved, then the project will be marketed and promoted by the respective Budget Agency or District.

Since a Joint Venture is commercial in nature targeting mainly private and potentially public customers, the initiation of Joint Ventures will follow a path deviating from common public procurement procedures. Usually, mobilising private and in particular foreign investment into publicly driven investments will need a procedure focused on communication and negotiation with potential partners. In pro-active (industrial) investment planning Public Private Dialogues will be applied in order to obtain concrete matches of investment intentions and required public support measures.

The negotiation of Joint Ventures on Central Level will be supported by RDB. RDB will take over this task on Local Level, if requested by the specific District, LGPAC, MINECOFIN or LODA. Special attention will be paid to the governance structures to ensure an adequate representation of the public party in the Board of Directors (or similar body).

To ensure sound financial management, JV agreements will be shared with and assessed by MINECOFIN. The affirmation is a strict precondition for signing the contract. A formal request for a change of budget has to be filed by the sponsoring Budget Agency when needed.

Joint Ventures under operation (including start-up phase) will form part of the government's portfolio of public shareholdings and will be monitored accordingly.

4.4.4 State Owned Enterprises

If an investment is identified to be best implemented as a State Owned Enterprise (SOE), all essential aspects of implementation will need to be set out with the request for funding of the initial capital. This entails a detailed business model outlining organisational structures as well as core and supportive procedures, which will guide the implementation through the Budget Agency or District in charge.

The process of setting up and running an SOE will be subject to monitoring of public shareholdings.

4.5 Managing the portfolio of public shareholdings

4.5.1 Monitoring Shareholdings

The Government Portfolio Management Unit within MINECOFIN and LODA will be responsible for monitoring the portfolio of existing and upcoming shareholdings on central and local government level comprising Joint Ventures and SOEs. Quarterly reports will be drafted to inform public decision makers about the performance of public corporations. On annual basis, a review of all shareholdings will be prepared in order to assess the composition of the existing portfolio against strategic targets.

Amongst others, required information will be sourced from regular company reports and minutes of regular board and annual shareholders' meetings. Reports on engagements on central level will be elevated within MINECOFIN. If needed, necessary decisions on managing the entities will be taken by MINECOFIN.

Quarterly reports about shareholdings on district level and respective annual reviews will be compiled by LODA and submitted to MINECOFIN via the Fiscal Decentralization Unit (FDU). Necessary decisions regarding the management of public companies will be pre-agreed with the respective District Council and will then be approved by MINECOFIN.

Decisions on changes in the structure of shares directly owned by GoR, either by selling or buying, will need to be additionally screened by PIC or LGPAC. All decisions concerning usual business operations will be taken by the company management team following company specific governance structures.

The Autonomous Government Investment Body as one of GoR's companies will take over a special role in the management of GoR's shareholdings by pooling and managing commercial and quasi-commercial investments of government. It will be governed by the provisions of the law relating to companies; it will have full commercial discretion and flexibility to undertake investments, divestments and business decisions under the guidance of the board of directors. MINECOFIN will have the responsibility to monitor the performance of the autonomous investment vehicle as one of GoR's shareholdings.

4.5.2 Portfolio Management (Privatisation Decisions)

The institutions in charge of monitoring public shareholdings will support the strategic management of the public shareholding portfolio by analysing and recommending adaptations to the compilation of the existing portfolio. This assessment will be guided by two overarching principles: Firstly, considering limited public resources and the objectives of industrialization, the invested shares per industrial line shall reflect the strategic importance of the particular sector. Secondly, maximizing the private sector involvement in order to become a private sector led economy.

Bearing in mind the latter principle as one of the key issues of the national investment strategy, the Government of Rwanda will regularly review its investments in public corporations, with a view to devising a program to expand the role of the private sector. This will be done in accordance with the privatisation law, the privatisation policy and the Law Determining the Procedure for Disposal of State Private Assets.

Requests for the buying or selling (privatisation) of shares, including infrastructure managed as government property representing a business opportunity, can be filed by respective Line Ministries, Districts or decision taking bodies on ministerial level. These requests need to comprise concept notes clearly outlining the rationale, social and economic effects and implications for the state budget. They will be screened by PIC for approval or LGPAC for no-objection and will then be elevated for decision taking to Cabinet or the Economic Cluster. Decisions concerning entities on District Level will be pre-approved by the specific District Council. Buying and selling of shares under the Autonomous Government Investment Body shall be subject to approval of the Board of Directors, which then informs the shareholder (GoR) in line with usual reporting rules.

The sale of central or local government interests in these corporations may vary depending upon the most appropriate mechanism for particular enterprises, but as an objective, at least some of their shares will be listed on the Rwanda Stock Exchange (RSE) via an initial public offer (IPO) to broaden and deepen the capital market.

4.6 Tracking Private Investments

The procedures and tools set out in the preceding section will apply to any project where the Government of Rwanda has a direct financial interest – i.e., conventional public sector projects, PPPs and JVs.

In addition, as part of the national investment policy, the Government of Rwanda will track investment in private sector projects, in order to estimate the total level of private investment and monitor the growth of private investments against the targets set out in the Vision 2020 and EDPRS.

Responsibility for tracking private investments will fall to the Rwanda Development Board, which shall share the information with MINECOFIN. The tasks to be undertaken by RDB to track private investments are set out below.

1. RDB will register and monitor all new private investments. RDB already performs this function by issuing Investment Certificates to new investors, and allocating an Aftercare Officer to provide support to each project once an Investment Certificate has been issued.
2. RDB will submit quarterly reports to MINECOFIN on forecast levels of private investment.
3. RDB will submit an annual report on the actual estimated level of private investment in the previous year, drawing on surveys of investment actually undertaken
4. All projects with an investment value exceeding USD 2,000,000 will be identified within the RDB quarterly report to support economic planning.

4.7 Managing key investment data

4.7.1 Establishing a Public Investment Management System (PIMS)

The Integrated Financial Management Information & System (IFMIS) will be expanded to also serve as Public Investment Management System (PIMS), a customized web-based database system. It will be designed to prepare a proper ground for the efficient and effective delivery of public investments. It shall be upgraded from time to time to keep it abreast with current developments. The PIMS will contain four essential modules:

Pipeline Module: Projects approved by the investment committees, which have not obtained funding in the current fiscal year will be considered for funding in the following financial year. These investments will be systematically recorded in the pipeline module according to their preparation status (e.g. "ready for feasibility funding", "under appraisal", "ready for investment"). By this means a reliable and transparent pipeline of sound project concepts will evolve, including projects targeted to be carried out as PPPs, Joint Ventures or SOEs. By passing through the screening process, it will be ensured that all listed projects / investments have sound information showing: a convincing concept, their feasibility and strategic alignment, representing key sectors targeted by the government.

This pipeline shall be used as reliable source for a pro-active marketing of projects by either RDB or MINECOFIN or Line Ministries, when looking for investors or external funding sources.

Project Module: This module facilitates the registration, screening / selection and allocation of funds during annual budgeting as well as the monitoring and evaluation of projects. Budget Agencies shall use this module via a web-based interface to register and submit projects for screening /selection during the annual planning and budgeting cycle. To ensure a simple and clear identification of projects during their lifetime, all projects will be given a unique code.

The data captured will be focussing on general project information and details on financing and outputs. To emphasize the importance of medium term expenditure projections both for investment and financing decisions, the database will be structured to comprise a breakdown of cost, including maintenance and operation cost, and, if applicable, revenue estimations. To facilitate the strategic management and monitoring of the investment portfolio, this module will include all types of projects. Investments in form of JVs and SOEs will be captured up to the selection stage and the approval for implementation. From then on JVs and SOEs will be managed as part of the portfolio of public shareholdings.

PPP Module: This module will capture details about the implementation of Public Private Partnership (PPP) projects. The purpose will be to support tracking, managing and reporting on all PPPs.

Reporting Module: This module will avail management reports and executive summaries of information captured in PIMS to facilitate decision making. It shall be flexible to create and generate analytical reports according to specific purposes.

The PIMS shall be linked to other government databases, to facilitate swift information flow and enhance efficiency in the delivery of public investment projects, e.g. the M&E Database for projects on local level, the Public Debt Management System and National Bank Information Systems. The PIMS shall be made accessible to all public institutions, which perform any role in process of delivery of public investment or capital expenditure. Staff of budget agencies shall be given user IDs and passwords with the relevant restrictions for various uses.

4.7.2 Documentation as audit trail

To ensure probity and transparency in the use of public funds, in any case where public investment is committed to projects, whether directly or via a PPP or Joint Venture agreement, the project cycle will be documented by a full audit trail from inception to completion within the Public Investment Management System.

Annex I: Implementation Plan

Objective	Activity	Responsibility	Timeline
Awareness about National Investment Policy raised	Produce distributable version of National Investment Policy and disseminate to stakeholders	MINECOFIN, LODA	MAY – JUN 2017
	Explain innovations of policy in regular trainings for planning officers and in sector meetings on project execution	MINECOFIN, LODA	MAY – JUN 2017
	Include module on National Investment Policy in trainings designed to support the implementation of the PPP Law	RDB, MINECOFIN, LODA	JUL – SEP 2017
Quality of submitted investment proposals ensured	Guidelines for Pre-Feasibility and Feasibility Studies	MINECOFIN, LODA	NOV 2016 – JUN 2017
	Guidelines for the appraisal of PPP projects	RDB, MINECOFIN	NOV 2016 – JUN 2017
	Preparation of trainings around developed guidelines	RDB, MINECOFIN	JUN – SEP 2017
Quality and timeliness of project implementation increased	Develop a capacity building plan for project managers	MINECOFIN, SPIUs	MAY - JUN 2017
	Implementing capacity building plan	MINECOFIN, SPIUs	JUL 2017 – JUN 2018
	Develop a harmonized monitoring manual for government projects and programs including templates for reporting	MINECOFIN, CBMs, SPIUs	JUL 2017 – JUN 2018
	Establishment of completion reports	MINECOFIN, CBMs, SPIUs	Ongoing
Transparency and sustainability of National Investment Program (PIMS) improved	Develop a database of feasible projects in pipeline ready for financing	MINECOFIN, LODA	MAY – SEP 2017
	Develop a computerized projects monitoring system for government projects/programs	MINECOFIN	NOV 2016 – JUN 2017
Long-term effectiveness of investments ensured	Development of an overall evaluation framework designed to fit the existing framework	MINECOFIN, LODA	JUL 2017 – JUN 2018