NOTE

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The following symbols have been used in the tables:

Two dots (..) indicate that date are not available or not separately reported. Rows in tables have been omitted in those cases where no data are available for any of the elements in the row.

A dash (-) indicates that the item is equal to zero or its value is negligible.

A blank in a table indicates that the item is not applicable.

A slash (/) between dates representing years – for example, 2004/05, indicates a financial year.

Use of a dash (--) between dates representing years – for example 2004–2005 signifies the full period involved, including the beginning and end years.

Reference to the “dollars” ($) means United States dollars, unless otherwise indicated.

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates.

Details and percentages in tables do not necessarily add to totals because of rounding.

The material contained in this study may be freely quoted with appropriate acknowledgement.
PREFACE

The UNCTAD Investment Policy Reviews are intended to help countries improve their investment policies and to familiarize Governments and the international private sector with an individual country’s investment environment. The reviews are considered by the UNCTAD Commission on Investment, Technology and Related Financial Issues.

The Investment Policy Review of Rwanda, initiated at the request of the Government, was carried out through a fact-finding mission in June-July 2005 and is based on information current at that date. The mission received the full cooperation of the relevant ministries and agencies, in particular the Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives and the Rwanda Investment and Export Promotion Agency (RIEPA). The mission also had the benefit of the views of the private sector, foreign and domestic, civil society and the resident international community, particularly bilateral donors and development agencies. A preliminary version of this report was discussed with stakeholders at a national workshop in Kigali on 20 June 2006. The report was also presented to members of the Economic and Trade Committee of the Chamber of Deputies and of the Committee on Economy and Finance of the Senate.

This report was prepared by Rory Allan and Quentin Dupriez with guidance from Fiorina Mugione and under the overall supervision of Khalil Hamdani. It was funded by the Government of Germany (BMZ), which also provided financing for follow-up activities currently underway.

It is hoped that the analysis and recommendations of this Review will help Rwanda achieve its development goals, contribute to improved policies, promote dialogue among stakeholders and catalyse investment.

Geneva, July 2006
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ABBREVIATIONS

AGOA African Growth and Opportunity Act
ASEAN Association of South East Asian Nations
BIT bilateral investment treaty
BNR Banque Nationale du Rwanda
BPO business process outsourcing
CEPGL Communauté Economique des Pays des Grands Lacs
CIF cost insurance and freight
COMESA Common Market for Eastern and Southern Africa
DFID Department for International Development
DTT double taxation treaty
EAC East African Community
EIA environmental impact assessment
EBA Everything But Arms
EPZ export processing zone
EU European Union
FAO Food and Agriculture Organization
FDI foreign direct investment
FOB free on board
FPR Front Patriotique Rwandais
GATT General Agreement on Tariffs and Trade
GDP gross domestic product
GSP Generalized System of Preferences
HIPC heavily indebted poor countries
ICSID International Centre for Settlement of Investment Disputes
IPP independent power producer
ISP internet service provider
IT information technologies
ITES internet-enabled services
LDC Least Developed Country
M&A mergers and acquisitions
MaGeRwa Magasins Généraux du Rwanda
MDGs Millenium Development Goals
MFN most favoured nation
NGO non-governmental organization
NIS national investment strategy
NPLs non-performing loans
OBU offshore banking unit
OFSC offshore financial services centre
PPA power purchase agreement
PPP purchasing power parity
PRGF poverty reduction and growth facility
PRSP poverty reduction strategy paper
REDemi Régie d’Exploitation et de Développement des Mines
REMA Rwanda Environmental Management Authority
RIPA Rwanda Investment Promotion Agency
RIEPA Rwanda Investment and Export Promotion Agency
RRA Rwanda Revenue Authority
RURA Rwanda Utilities Regulatory Agency
SADC Southern African Development Community
SMEs small- and medium-sized enterprises
SMIG salaire minimum interprofessionel garanti
SPS sanitary and phytosanitary standards
TNCs transnational corporations
UNCTAD United Nations Conference on Trade and Development
VAT value added tax
WIPO World Intellectual Property Organization
WTO World Trade Organization
### RWANDA - STATISTICAL OVERVIEW

#### MAIN ECONOMIC AND SOCIAL INDICATORS

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<td>Merchandise exports</td>
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<td>Literacy rate, youth (per cent)</td>
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<td>76.5</td>
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Sources: UNCTAD, FDI/TNC Database; World Bank; World Development Indicators; UNDP; Human Development Report 2002, 2003 and 2004.
INTRODUCTION

Rwanda is among the world’s poorest nations and it faces particular challenges in leveraging FDI for development as a result of its economic structure, the low level of development of human capital, its landlocked position and its small size. It suffered tremendous hardship as a consequence of the genocide in 1994 which, in addition to the human horror, led to the collapse of the economy and left much of the infrastructure dilapidated or destroyed.

Despite the instability in the Great Lakes region, political stability and personal safety have been restored in Rwanda for a number of years. The Government has proved its resolute commitment to further entrenching peace and stability and fostering a private sector-led process of socio-economic development and transformation. The challenge is to sustain the recovery of the past few years, accelerate the process of economic transformation and correct the image of the country in the world. While it wants FDI to play a significant role in achieving national development goals, the Government has so far not developed a comprehensive FDI strategy. This Review seeks to fill this gap.

Chapter I provides an overview of the economic structure and the impact of FDI. Rwanda’s economy is small and dominated by agriculture, with around 90 per cent of the population living in rural areas. The secondary and tertiary sectors are under-developed and provide little formal employment. The level of formal skills and human capital is low in spite of recent successes in boosting primary education, the quality of infrastructure is generally poor, and the country does not have significant natural resources. This means that Rwanda lacks the main drivers of foreign investment by large transnational corporations in search of resources, markets or competitive centres of production. As a result, it has to date attracted little FDI and the impact on the economy has been limited. High operating costs, the small size of the domestic market and the lack of development of the industrial and services sectors imply that it is illusory to attract FDI from the major TNCs at the moment. Instead, Rwanda is much more likely to attract interest from small- and medium-scale enterprises (SMEs) and from individual investors, particularly from within the region.

Chapter II examines the investment framework. Rwanda has an open regime to FDI, and the Government has embarked upon an ambitious programme to modernize the investment framework. The aim is to provide a framework that both promotes investment and protects the national interest. Although the progress realized so far is impressive given the situation inherited in 1994, much remains to be done to upgrade the entire framework. A number of recommendations are offered to transform Rwanda into a centre of excellence in soft infrastructure and governance and to set up a skills attraction and dissemination programme. These two elements would be central to the strategy of turning Rwanda into an attractive business location and for correcting the image of the country abroad.

Chapter III proposes a strategy to enhance the role of FDI in achieving national development goals. Medium- and long-term constraints to FDI attraction are highlighted and likely foreign investors are identified, together with their probable market focus. The strategy proposes to mitigate the impact of hard infrastructure constraints by turning the country into a centre of excellence in soft infrastructure and governance in Africa by 2010. It also highlights that Rwanda is likely to benefit most from attracting skilled individual foreign investors to bridge the skills gap and ensure a transfer a competence, and proposes to establish a business talent scheme. In addition to “horizontal” measures to promote business development, the strategy suggests a number of policy packages to improve investment conditions and advance the process of economic transformation and wealth creation.

Chapter IV highlights the main findings and recommendations of the Review.