UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 as a permanent intergovernmental body. Its main goals are to maximize the trade, investment and development opportunities of developing countries, to help them face challenges arising from globalization, and to help them integrate into the world economy on an equitable basis. UNCTAD’s membership comprises 193 States. Its secretariat is located in Geneva, Switzerland, and forms part of the United Nations Secretariat.

ICC

The International Chamber of Commerce (ICC) is the world business organization. It is the only body that speaks with authority on behalf of enterprises from all sectors in every part of the world, grouping together thousands of members, companies and associations from 130 countries. ICC promotes an open international trade and investment system and the market economy in the context of sustainable growth and development. It makes rules that govern the conduct of business across borders. Within a year of the creation of the United Nations it was granted consultative status at the highest level (category A) with the United Nations Economic and Social Council. This is now known as General Category consultative status.

NOTES

The term “country” as used in this study also refers, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process.

References to “dollars” ($) are to United States dollars, unless otherwise indicated. References to “tons” are to metric tons.

While every reasonable effort has been made to ensure that the information provided in this publication is accurate, no business or other decision should be made by the reader on the basis of this information alone, without a further independent check. Neither UNCTAD nor ICC accepts any responsibility for any such decision or its consequences.
WHY INVEST IN RWANDA?

- Safe, peaceful and attractive location for expatriates.
- All sectors open to investors with no restrictions.
- Niche opportunities in high-end ecotourism and conference tourism, information and communication technologies, power generation, agricultural processing and logistics.
- Possibility of acquiring government stakes in banks, insurance, telecommunications, hotels and agricultural operators.
- Member of the East African Community single market of 138 million people and a gross domestic product (GDP) of US$ 82.1 billion.
- Stable location next to mineral-rich eastern Democratic Republic of the Congo.
- Rapid reformer of investment-related laws.
- Only 48 hours to register a new business.
- Low petty crime and corruption.
ACKNOWLEDGEMENTS

A great many individuals and institutions have contributed to this project and to the production of this guide. These include a large number of government officials and company executives who participated in the consultations in Rwanda. Particular mention is made of the Rwanda Development Board and John Gara, Chief Executive Officer, Vivian Kayetesi and Philip Lucky.

This guide was prepared in the Division on Investment and Enterprise by Ian Richards under the direction of Nazha Benabbes Taarji-Aschenbrenner and with the overall guidance of James Zhan. Essie Saint-Clair provided administrative support. The guide was designed and typeset by Laurence Duchemin.

The guide was funded by the One UN Fund for Rwanda.

NOTE TO THE READER

This document is published as part of the UNCTAD–ICC series of investment guides. The publications in this series are intended for the use of foreign investors who are largely unfamiliar with the countries covered.

They are thus designed to offer overviews of potential locations for investment, rather than constituting exhaustive works of reference or providing detailed practical instruction. They do, however, offer pointers to sources of further information in the private as well as the public sector.

There are two other features of these publications that the reader will find worth noting. One is that they are third-party documents, intended to offer a balanced and objective account of investment conditions. Their principal advantage in drawing the attention of investors to the countries they cover is credibility. The other feature is that both their general structure and some of their specific content are the result of consultations with the private sector.

The executive summary is followed by a brief introductory chapter. Then come the three chapters that account for the bulk of the contents. “The operating environment” describes the general conditions in which investors must operate: macroeconomic conditions, infrastructure, human resources, etc. “The regulatory framework” focuses on regulations governing investment and foreign direct investment in particular. “Areas of opportunity” offers a description of areas of potential interest to foreign investors. The fifth and final chapter provides a summary of the perceptions of the private sector in the country, both foreign and domestic.
Preface

Foreign direct investment has come to be widely recognized over the past decade as a major potential contributor to growth and development. It can bring capital, technology, management know-how and access to new markets. In comparison with other forms of capital flows, it is also more stable, with a longer-term commitment to the host economy.

An Investment Guide to Rwanda is the concrete product of a collaborative venture by the United Nations Conference on Trade and Development (UNCTAD) and the International Chamber of Commerce (ICC). The objective of this project is to bring together two parties with complementary interests: companies that seek new opportunities and countries that seek new investors. This is not always a straightforward exercise, for firms are driven by their global strategies as much as lured by specific opportunities, and countries have economic and social objectives that transcend attracting foreign investment.

The UNCTAD–ICC investment guides are thus properly seen as parts of a process, a long-term process at the heart of which is an ongoing dialogue between investors and governments. The guides themselves are the product of a dialogue, including that occurring among and between the representatives of business and government during the workshops that precede the completion of the guides. It is our hope that the guides will in turn contribute to the dialogue, helping to strengthen and sustain it. We are convinced that in the long run it is this alone that will create conditions increasingly conducive to greater flows of investment.

Supachai Panitchpakdi
Secretary-General
UNCTAD

Jean-Guy Carrier
Secretary-General
ICC
THE UNCTAD-ICC SERIES OF INVESTMENT GUIDES

An Investment Guide to Ethiopia, 1999; new edition in new format, 2004


An Investment Guide to Bangladesh, 2000


An Investment Guide to Mozambique, 2001


An Investment Guide to Cambodia, 2003

Guide de l’investissement en Mauritanie, 2004

An Investment Guide to East Africa, 2005


An Investment Guide to Tanzania, 2005


An Investment Guide to the Silk Road, 2009

Guide de l’investissement au Bénin, 2010

An Investment Guide to the Lao People’s Democratic Republic, 2010

Guide de l’investissement au Maroc, 2010

Guide de l’investissement aux Comores, 2011

An Investment Guide to Zambia, 2011


www.theiguides.org
## ABBREVIATIONS

### A
- **ACP**  
  Cotonou Agreement between the European Union and the African, Caribbean and Pacific States
- **AfDB**  
  African Development Bank
- **AGOA**  
  African Growth and Opportunity Act

### C
- **CET**  
  common external tariff
- **COMESA**  
  Common Market for Eastern and Southern Africa

### D
- **DTT**  
  double taxation treaty

### E
- **EAC**  
  East African Community
- **EPA**  
  Economic Partnership Agreement
- **EPZ**  
  export processing commodity zone
- **EWSA**  
  Energy, Water and Sanitation Authority

### F
- **FDI**  
  foreign direct investment
- **FEZ**  
  free economic zone
- **FTA**  
  free trade agreement
- **FTZ**  
  free trade zone

### G
- **GDP**  
  gross domestic product
- **GNP**  
  gross national product
- **GSP**  
  General System of Preferences

### H
- **ha**  
  hectare

### I
- **ICC**  
  International Chamber of Commerce
- **ICT**  
  information and communications technology
- **IFC**  
  International Finance Corporation
- **IMF**  
  International Monetary Fund
- **IPRCs**  
  Integrated Polytechnic Regional Centres
- **ITU**  
  International Telecommunications Union

### K
- **km**  
  kilometre
- **kWh**  
  kilowatt-hour
M
MICE meetings, incentives, conferencing and exhibitions
MINECOFIN Ministry of Finance and Economic Planning
MoU memorandum of understanding
MW megawatt

N
NBR National Bank of Rwanda
NSSF National Social Security Fund

P
PCT Patent Cooperation Treaty
PPP public–private partnership

R
REMA Rwanda Environment Management Agency
RDB Rwanda Development Board
RPSF Rwanda Private Sector Federation
RURA Rwanda Utilities Regulatory Agency

S
SEEPZ single enterprise considered as export processing zone

T
TNC transnational corporation
TPMs technical protective measures

U
UNCITRAL United Nations Commission of International Trade Law
UNCTAD United Nations Conference on Trade and Development
UNDP United Nations Development Programme
UNICEF United Nations Children’s Fund
US$ United States dollar(s)

V
VAT value-added tax

W
WB World Bank
WIPO World Intellectual Property Organization
WTO World Trade Organization
WIR World Investment Report
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Why invest in Rwanda?

Rwanda has come from far over the past 18 years. It has established a stable government, secured peace and safety in its territory, made great strides in restoring and reforming the economy and in 2010 was named by the World Bank as the world's top reformer. It has also articulated an inspiring vision of its future – Vision 2020 – that sees the country reaching middle-income status over the next eight years and positioning itself as a high quality hub for an increasingly integrated region, the East African community (EAC). Rwanda has shown that it has the will power and determination to reach this. While still a poor country, it has come a very long way in just over a decade.

Advantages

Rwanda remains relatively virgin territory for investors. The domestic market may be small but it offers select opportunities across the board, as so few services are locally produced. The country runs a substantial trade deficit, which offers opportunities for import substitution for example in consumer goods. Being a landlocked country, to which access only comes with high transport costs, also means that there is a certain natural protection for investors in the country. These features of Rwanda as an investment location would be of particular interest to small investors, especially those already within the EAC, who would have the advantage of a general familiarity with business conditions in the region.

Rwanda also distinguishes itself from the region. The country has a stable government with a clear and coherent vision of where it wants to take Rwanda, backed by commitment and determination. A business can be registered and legally established through a two-step procedure in 48 hours, making Rwanda eighth in the world according to the World Bank's Doing Business for starting a business. It is also a country which current investors regard as being notably free of petty corruption, a feature that makes it stand out not only in its neighbourhood but in sub-Saharan Africa more generally. And it enjoys low levels of crime and other disturbances of the peace.

Finally, Rwanda has the potential to serve as a services hub to access the regional EAC market, with a population of 138 million and a GDP of $82.1 billion, as well as neighbouring Democratic Republic of the Congo, for which it constitutes an access to EAC. As a small country with a relatively good network of major roads, it has some special advantages in this context. Nor is Rwanda's access to other markets limited to its neighbourhood. It is a member of the Common Market for Eastern and Southern Africa (COMESA) free-trade area. It also has duty-free access for a large variety of products to the rich overseas markets of the European Union and the United States of America.

Opportunities

Rwanda offers a range of niche opportunities. The Government is particularly keen on attracting investors in activities related to information and communications technology (ICT). An infrastructure has been laid that will shortly see 75 per cent of the population with access to the Internet and the Government has taken the lead in developing the ICT sector through the installation of advanced applications and their integration into governmental processes. That lead is now being picked up by the local private sector.

Tourism is the other major area of opportunity. The best known asset is the mountain gorillas in the national park at Virunga. However, Rwanda is also known as the land of a thousand hills and is a beautiful country. It has a large number of bird species (estimates vary from 300 to more than 700), a great variety of plants and flowers (including over 100 species of orchids) and Lake Kivu on the western border. Opportunities for investors here are varied: hotels and lodges, entertainment facilities, restaurants, tour operations and training services (for which there is a major need). The Government is aiming both at positioning the
country as a high-end eco-tourist destination and progressively as a long-haul destination in itself though for a limited and wealthy clientele. Complementing tourism, the Government is also positioning Kigali as a regional conference centre, making the most of its regional air connections. It is in the process of building a convention centre that will seat 3,000 in a single room and encouraging further investment in business hotels.

Energy is another high-priority area. Supply is not keeping up with domestically-generated demand. Although some independent power producers are already in operation, more would be most welcome and promising developments are taking place in extracting methane from Lake Kivu and in geothermal energy.

In agriculture, there are opportunities in coffee and tea, Rwanda’s primary exports. Rwanda can produce high-grade Arabica coffee as well as fine teas, given its elevation and climate, but has lacked the resources (training, organization, quality control) that can help it make the most of these natural advantages. Foreign investment could play a very valuable role here in breaking market patterns and adding value in Rwanda through processing, packaging and marketing. There are also opportunities through privatization in tea. Beyond these traditional exports, there are measured opportunities in the nearly unexploited fields of horticulture, floriculture and herbal products.

Opportunities can also be found in mining. The Government is keen to expand this fledgling sector, currently producing tin, wolfram, coltan and gold and encourage full use of the country’s mineral potential. Other opportunities include privatization as the Government decides to divest itself of stakes in banks, insurance, telecommunications, hotels and agricultural operations. There is also logistics, where Rwanda’s key position between the EAC and the Democratic Republic of the Congo needs to be matched by efficient transport and warehousing. At the same time, Rwanda’s small domestic market offers possibilities in manufacturing; local production is limited but so is local competition. Lastly, special economic zones offer demarcated land, facilities and attractive fiscal incentives.

Difficulties facing investors

The difficulties investors are likely to encounter in Rwanda derive primarily from three sources. One is the landlocked nature of the country. Not only does this mean higher costs because of long land transport routes, it means dependence on the infrastructure and administrative procedures of neighbouring countries with coastlines: Kenya and the United Republic of Tanzania. Rwanda has the highest imported freight service costs in the region, which are nearly three times the African average. It also means that Rwanda’s market is relatively small and commensurate with that, the size of its opportunities.

Another difficulty is the shortage of qualified human resources. While the situation is improving and much investment has gone into developing the academic sector (the Kigali Institute of Science and Technology is making great strides) and vocational training, firms must nevertheless spend more on training than they would in neighbouring countries and for senior positions, make use of expatriate labour from the region.

Investors also need to remember that despite efforts being made by the Government to reform the investment climate, Rwanda has not had an extensive history of a private sector-led economy. The Government is still building its skills in facilitating the private sector and fully providing it the space it needs to perform its economic role, especially in more sensitive sectors.

Investment trends

The Government has made the attraction of investment and its role into the Rwandan economy a key policy priority and to this end created the Rwanda Development Board to integrate all agencies dealing with investment and investors. This took place at a time of strong growth in foreign direct investment (FDI), with inflows growing at an average of 70.0 per cent a year between 2005 and 2009 and reaching a peak of US$ 119 million, before returning to US$ 42 million in 2010.

The principal foreign investors in Rwanda reflect the country’s market size, growing
regional integration and its history of attracting investment. They originate principally but not completely from Africa, the Middle East and Asia and cover a range of emerging sectors in the country.

Prospects and challenges

Rwanda has staged a remarkable recovery over the past 18 years. Security, stability and clean governance are impressive accomplishments. What the Government hopes to accomplish in the next decade is clearly stated in its Vision 2020. In reaching this objective – broadly, the transformation of an economy based on subsistence agriculture into one led by industry and services – FDI can play an important role. In addition to capital, it can bring expertise and technology and help enhance local skills, this last a crucial requirement for economic transformation. Some of the constraints on doing business in Rwanda are only susceptible of long-term solutions (such as creating a well-educated and highly skilled workforce) and some are beyond the control of Rwanda on its own (such as improving the land transport routes through neighbouring countries). Yet others relate to understanding and facilitating the role of the private sector in the economy.
# Introducing Rwanda

## Rwanda at a glance

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<tr>
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<tr>
<td><strong>Name</strong></td>
<td>Republic of Rwanda</td>
</tr>
<tr>
<td><strong>Political system</strong></td>
<td>Multiparty system</td>
</tr>
<tr>
<td><strong>Legislature</strong></td>
<td>Bicameral legislature with an elected Chamber of Deputies and a partly-elected and partly-appointed Senate. The Head of State is the President, who is elected directly by the people for a seven-year term renewable once.</td>
</tr>
<tr>
<td><strong>Surface Area</strong></td>
<td>26,338 km²</td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td>10.9 million</td>
</tr>
<tr>
<td><strong>Density</strong></td>
<td>413 people per km²</td>
</tr>
<tr>
<td><strong>Country code</strong></td>
<td>RW</td>
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<tr>
<td><strong>Languages</strong></td>
<td>Kinyarwanda, French and English. Kiswahili is also used in commercial hubs</td>
</tr>
<tr>
<td><strong>Climate</strong></td>
<td>Tropical but mild because of elevation. Two rainy seasons: March–May and October–November. Frost and snow possible in the mountains. Average temperature 24°C (maximum of 34°C during the day and minimum of 10°C at night). Average in Kigali 19°C</td>
</tr>
<tr>
<td><strong>Time Zone</strong></td>
<td>GMT+2</td>
</tr>
<tr>
<td><strong>Administration</strong></td>
<td>Five provinces</td>
</tr>
<tr>
<td><strong>Currency</strong></td>
<td>US$ 1 = RWF 595 (January 2012)</td>
</tr>
<tr>
<td><strong>GDP at current US$$</strong></td>
<td>US$ 5.65 billion (2010)</td>
</tr>
<tr>
<td><strong>Human development rank</strong></td>
<td>166 out of 187 (2011)</td>
</tr>
<tr>
<td><strong>Standard &amp; Poor's Rating</strong></td>
<td>B</td>
</tr>
<tr>
<td><strong>Transparency International ranking</strong></td>
<td>49 of 182 (2011)</td>
</tr>
<tr>
<td><strong>Doing Business rank</strong></td>
<td>50 out of 183 for ease of doing business. Ranked 8 for starting a business (2012)</td>
</tr>
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Country and people

Rwanda is a small, densely populated country in East Central Africa, 120 km south of the equator. The total area is 26,338 sq. km, of which about 1,400 sq. km is water. With 10.9 million inhabitants, the country has a population density of about 413 persons per sq. km, the highest in Africa. Known as the land of a thousand hills, Rwanda enjoys a mild climate despite its location. The average elevation is 1,500 m and the highest point in the country is the Karisimbi volcano at 4,519 m.

With its hilly terrain and lush green vegetation, Rwanda is an exceptionally beautiful country. Its tourist attractions include the Volcanoes National Park in Virunga, which houses the famous mountain gorilla, and Lake Kivu on the western border. It also has a wide variety of fauna and flora, including 670 species of birds and more than 100 species of orchids. Thus far, the country’s tourism potential has largely been unexploited, although the Government is trying both to promote tourism and to attract investment in it.

The country is landlocked and borders on Uganda to the North, the United Republic of Tanzania to the East, Burundi to the South and the Democratic Republic of the Congo to the West. The distances from the Rwandan border to the Indian Ocean ports of Mombasa in Kenya and Dar es Salaam in the United Republic of Tanzania are approximately 1,600 km and 1,300 km respectively.

As a single entity, Rwanda can trace its origins to the late 19th century, when it was unified as a monarchy by King Rwabugiri (a somewhat larger territory than it later became). The agreement among the mainly European powers that participated in the Berlin Conference of 1884–1885 allocated the then Ruanda-Urundi (now Rwanda and Burundi) to the German sphere of influence. But colonial rule properly so-called may be said to begin with the transfer of Rwanda to Belgium after World War I as a mandated territory under the League of Nations. After World War II Belgium moved towards granting independence to the territory, which finally occurred in 1962.

The main religions practised by the population are Roman Catholic (56.5 per cent); Protestant (26 per cent), Adventist (11.1 per cent), Muslim (4.6 per cent), and indigenous beliefs (0.1 per cent). It has a relatively young population with 42.3 per cent of people below the age of 14 and only between three to four per cent of the population above the age of 60.

Kinyarwanda, French and English are the official languages of Rwanda, with the Government emphasizing increased use of English in all official work, especially since membership of the Commonwealth in 2009.

Government and legal system

The Head of State is the President, who is elected directly by the people for a seven-year term renewable once. The President is also the Head of Government and Commander in Chief of the Rwandan Defence Force, and has fairly extensive powers, including the conclusion of international treaties, the declaration of a state of emergency and the dissolution of the Chamber of Deputies.

Legislative power is vested in the National Assembly, a bicameral legislature with an elected Chamber of Deputies of 80 and a partly-elected and partly-appointed Senate of 26. Once the National Assembly passes a bill, it is presented to the President for his assent. On the President’s assent, it becomes law and, on publication in the Official Gazette, comes into force.1

In many instances, individual laws enable the minister responsible for a particular aspect of public life to make specific regulations. In Rwanda, the Minister of Trade and Industry is responsible for most matters relating to investment, while the Minister for Finance and Economic Planning handles fiscal, monetary and related matters. In other instances, the regulatory authorities issue rules to cover particular aspects within their jurisdiction.

The judicial system is headed by the Supreme Court, with, immediately below it, the High Court, and then the higher instance courts, lower instance courts, the Court Martial...
Box I.1. The Rwanda Development Board (RDB), a one-stop shop for investors

The Rwanda Development Board was established in 2009 with the express intention of integrating all government agencies responsible for the entire investor experience under one roof. This includes key agencies responsible for business registration, investment promotion, environmental clearances, privatization and specialist agencies which support the priority sectors of ICT and tourism as well as small and medium-sized enterprises and human capacity development in the private sector. The aim is to provide investors with a one-stop shop.

The RDB reports directly to the President and is guided by a board that includes ministers dealing with finance, commerce, infrastructure, agriculture. As such, it plays an influential role in Rwanda private sector and infrastructure development.

The RDB modelled on international best practice examples of Singapore and Costa Rica and works closely with those countries and with multilateral development organizations.

Source: RDB.
5. the modernization of agriculture and animal husbandry;
6. reconstruction of the nation.

Also identified are four cross-cutting domains: gender issues, environmental protection, science and technology including ICTs, and regional and international integration.

The last two crosscutting domains are of particular importance in the economic context. The emphasis on science and technology is meant to address the need for human resource development and the creation of an economy moving away from subsistence agriculture towards the provision of ICT-based services. The Government has already invested in 2,300 km of SEACOM’s fibre optic cable, throughout the country in order to provide high speed internet. It is also in the process of establishing a National Data Centre to store public data.

The Government is also focused on encouraging fair and competitive trade practices to stimulate entrepreneurship, innovation and investment. To achieve the same it has approved intellectual property, insolvency and secured transactions, and competition laws.
Assessment of the operating environment

Economic performance

The Government’s reform agenda under Vision 2020 (see chapter I) has been accompanied by a vigorous programme of capital expenditure, accounting for 41.1 per cent of the Government budget, of which a substantial proportion has derived from donor assistance. Economically these efforts have been paying off. Rwanda has enjoyed a period of high growth averaging 8.2 per cent a year between 2004 and 2010, with only a slight respite due to the global economic situation (see Figure II.1). Rwanda’s GDP is now 5.65 billion and GDP per capita stands at US$ 531. Inflation has been brought down by a combination of fiscal prudence and a benign international environment in terms of food and fuel prices.

The main contributor to growth has been services (government expenditure on education, health and public administration). The industrial sector picked up after 2008 downturn and reflects important government capital expenditure and greater investment in construction. Agriculture while occupying 79.5 per cent of the labour force and growing at an annual rate of 5.17 per cent over the previous five years has been declining in proportion to the economy, marking Rwanda’s gradual economic diversification to services (see Figure II.2).

Nevertheless, risks to a continued growth scenario exist. The prices of Rwanda’s agricultural exports (4.83 per cent of GDP) are highly volatile. Donor assistance flows to the country account for 26.4 per cent of GDP and a high proportion of total government expenditure. Inflation is significantly influenced by price volatility in fuel and food imports.

Trade and investment

Market Size and Access

Rwanda has an open trade regime. It is a member of the World Trade Organization and of two subregional economic groupings, EAC (see Box II.1) and COMESA.

As a member of the EAC single market, all goods manufactured in one EAC country and sold in another are treated as if they were manufactured locally, by virtue of there being no internal tariffs between partner countries.
The full schedule of tariffs is available in the EAC Common External Tariff Handbook.

More information can be found at www.eac.int

COMESA forms a major market place in Africa bringing together as it does 19 member states covering a total population of 444 million. A Free Trade Area (FTA) was created in 2000 and now encompasses 11 of the 19 member states. A customs union is planned in the close future with the eventual elimination of quantitative and non-tariff barriers for goods originating from within the region. Common external tariffs are also foreseen. Given the technical and legal challenges posed by membership of two different customs unions, it is likely that the conditions of the COMESA union will be harmonized with that of EAC.

**Box II.1. The East African Community**

The East African Community (EAC) is the regional intergovernmental organization of Burundi, Kenya, Rwanda, Uganda and the United Republic of Tanzania. Established in 2000, it consists of seven main organs to enable the Community to fulfil its mission: the Summit (the highest organ of the Community), the Council, the Co-ordination Committee, the Sectoral Committees, the East African Court of Justice, the East African Legislative Assembly and the Secretariat. The Community is headquartered in Arusha. Its official language is English, but it recognizes Swahili as a lingua franca.

The member countries also share a common culture and history, with some variations, and Swahili is widely spoken in the region. It currently encompasses a population of 138 million and a GDP of $82.1 billion.

The East African Community (EAC) that came into existence in 2000 is actually the second to bear that name. The same three founding countries – Kenya, the United Republic of Tanzania and Uganda – had established its predecessor in 1967, only to see it dissolve ten years later. In the 80-year-long history of East African cooperation, the present EAC is only the latest milestone, but it is a particularly notable one.

Key achievements of the EAC include the establishment of a customs union in 2005 and a common market in 2010 with a common external tariff (0% for raw materials, 10% for intermediate goods and 25% for finished goods) and the removal of tariff and non-tariff internal barriers to trade. Future steps include a monetary union and a political federation.3

The EAC is set to expand further. In 2011 South Sudan, with its petroleum industry, applied to join, at the invitation of Kenya and Rwanda. The Democratic Republic of the Congo, with its vast mineral reserves has observer status.

Source: UNCTAD.
Beyond Africa, the country has preferential access, in some cases duty free access to a number of developed country markets. As a least developed country (LDC), Rwanda enjoys preferential market access treatment for a large number of agricultural and industrial products markets through the Generalized System of Preferences (GSP), and the European Union’s Everything But Arms Initiative (EBA), the latter of which also covers the agricultural and food industry including sugar. Rwanda also enjoys access under the United States of America’s Africa Growth and Opportunities Act (AGOA), which covers a substantial range of products, including textile and clothing. There are a number of rules of origin and safety and quality standards that come with these preferential schemes.

Furthermore, Rwanda is a member of the interim European Union–EAC economic partnership agreement (EPA), which would create a free trade area between the EAC and the European Union. Negotiations on a full EPA, which would have to be World Trade Organization (WTO)-compatible, are still ongoing. Once they come into effect Rwanda will benefit in terms of market entry issues relating to standards, rules of origin, investment to build up productive capacities and development measures to diversify production and revenue basis. It could also gain in terms of market access in the services area when EPA negotiations take up this sector.

In addition Rwanda also has several bilateral treaties with other individual countries to which it exports to including China, Malaysia, South Africa and Thailand. Rwanda is a member of the WTO through which it has MFN market access.

**Trade performance**

Rwanda has enjoyed steady export growth in the last ten years averaging 16.0 per cent a year. However, import growth has been much more important resulting in a declining trade balance (see Figure II.3). Nevertheless, forecasts for 2011 show the trade balance narrowing following a rebound in international prices and stronger-than-expected volumes of coffee, tea, and non-traditional exports.

The largest import items are machinery and transport equipment, manufactured goods and chemicals. This is followed by foodstuffs such as grain and cereals. Meanwhile exports are led by agricultural products (45.0 per cent of exports). Tea and coffee together constitute 90.0 per cent of agricultural exports. This is followed by fruits and vegetables. On the services side, tourism revenues continue to increase, contributing US$ 200 million in 2010 compared to US$ 175 million the year before.4

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*Figure II.3. Trade balance, 2004 to 2010*

Source: UNCTADSTAT.
Table II.1. Top export and import markets, 2010, per cent of total

<table>
<thead>
<tr>
<th>Export markets</th>
<th>%</th>
<th>Import markets</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>26.77</td>
<td>Kenya</td>
<td>18.17</td>
</tr>
<tr>
<td>Democratic Republic of the Congo</td>
<td>14.78</td>
<td>Uganda</td>
<td>16.80</td>
</tr>
<tr>
<td>China</td>
<td>9.62</td>
<td>United Arab Emirates</td>
<td>11.19</td>
</tr>
<tr>
<td>Swaziland</td>
<td>5.96</td>
<td>United Republic of Tanzania</td>
<td>6.46</td>
</tr>
<tr>
<td>United States of America</td>
<td>5.71</td>
<td>China</td>
<td>5.35</td>
</tr>
<tr>
<td>Belgium</td>
<td>4.78</td>
<td>Belgium</td>
<td>3.76</td>
</tr>
<tr>
<td>Pakistan</td>
<td>4.61</td>
<td>Korea, Republic of</td>
<td>3.52</td>
</tr>
<tr>
<td>Germany</td>
<td>4.39</td>
<td>United States of America</td>
<td>3.31</td>
</tr>
<tr>
<td>China, Hong Kong SAR</td>
<td>4.34</td>
<td>India</td>
<td>3.16</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2.19</td>
<td>Germany</td>
<td>3.11</td>
</tr>
</tbody>
</table>

Source: UNCTADSTAT.

Foreign direct investment performance

The Government has made the attraction of investment and its role into the Rwandan economy a key policy priority and to this end created the Rwanda Development Board in 2009 to integrate all agencies dealing with investment and investors. This took place at a time of strong growth in FDI, with inflows growing at an average of 70.0 per cent a year between 2005 and 2009 and reaching a peak of US$ 119 million before returning to US$ 42 million in 2010 (see Figure II.4). The 2009 peak reflects significantly on an investment of US$ 117 million in mobile telecommunications by Millicom under its brand name Tigo.

The principal foreign investors in Rwanda reflect the country’s market size, growing regional integration and its history of attracting investment. They originate principally but not completely from Africa, the Middle East and Asia and cover a range of emerging sectors in the country. They include investors from China (ZTE, Star Communication Network), Kenya (Kenya Commercial Bank, Equity Bank, Nation...
Media, Serena Hotels, Nakumatt), Luxemburg (Millicom), Nigeria (Access Bank, Ecobank and United Bank of Africa), South Africa (MTN Group, Tong Yang Moolsan) and the United States (Contour Global).

Continued demand for improved infrastructure, whether in telecommunications, tourism, energy extraction or the public sector such as roads, education and health facilities, is likely to maintain FDI inflows in infrastructure in the medium term.

**Infrastructure**

**Telecommunications**

With Rwanda’s ambitions of becoming an ICT hub in the East Africa region, the Government, through the Rwanda Development Board, has placed a strong emphasis on developing the country’s telecommunications infrastructure. To this end, a 2,300 km fibre optic backbone, from which operators lease capacity, runs through the country, connecting to the Seacom submarine cable. It is expected that 75 per cent of the population will have internet access by the end of 2012 through the further deployment of microwave transmitters on telephone towers. The same network connects schools, universities, government departments and 65 Rwanda Development Board (RDB) telecentres providing business development services to small enterprises.

There are three mobile operators in Rwanda. The largest is South African-owned MTN with 2.8 million subscribers. This is followed by Luxemburg-owned Tigo with 1.55 million as of December 2011, then Indian-owned Airtel. All have invested in 3G technology and MTN and Tigo provide money transfer applications. The landline operator is Rwandatel, which also provides high speed internet access.

**Energy**

Current domestically generated installed capacity stands at 84.9 MW of which 75.5 MW is available. As demand exceeds supply, a further 15.5 MW is imported from neighbouring countries.

Demand is expected to increase as Rwanda develops further. In order to address this gap, the Energy, Water and Sanitation Authority (EWSA, formerly Electrogaz), the country’s national power and water distributor has adopted an open approach in signing agreements with independent power producers targeting a range of energy types. These include methane extraction, geothermal, hydro power and peat. However, while on paper the country appears to have met its future energy needs, concerns have been raised that not all independent power producers will go through with their projects. Energy production therefore remains an important sector of opportunity and this aspect is examined in greater detail in chapter IV.

There are two rates for electricity consumption. Industrial users pay 105 RWF per kWh. Ordinary consumers pay 112 RWF per kWh excluding value-added tax (VAT).

Electrification is concentrated in urban areas and remains a challenge in the rest of the country. For this purpose, the Government established the Electricity Access Scale-up Roll-out Programme (EARP) in 2010 with World Bank financing. It aims to increase the electrification rate in the country from the then nine per cent to 16 per cent in 2014 and foresees the installation of a national infrastructure of high voltage transmission lines. Under the same target it aims to connect 100 per cent of health facilities and administrative offices, at least up to sector level, and 50 per cent of all schools.

**Transport**

**Road transport**

Rwanda’s road network covers approximately 14,000 km, of which 1,083 km are paved and much of that the subject of a road upgrade programme and in a good state. The network, which links Eastern Africa with the Democratic Republic of the Congo is one of Rwanda’s advantages as a potential hub for the region. The road density is 0.52 km per km², one of the highest in Africa, and the main arteries are in very good condition. However, the feeder
roads from rural areas are poor or missing, making it difficult to reach markets in the interior. It is estimated that close to 50 per cent of the mostly rural population live more than an hour away from the nearest market. Because of the great distance separating Rwanda from shipping ports (1,300–1,600 km) and the state of road infrastructure in the subregion, there is an estimated implicit tax on international trade of over $160 per tonne.

Air transport

Rwanda’s main international gateway is at Kigali, which enjoys direct flights to Addis Ababa, Amsterdam, Brazzaville, Brussels, Bujumbura, Dar es Salaam, Dubai, Entebbe, Johannesburg, Libreville, Mombasa and Nairobi. Kigali is also the base for national airline Rwandair.

The main foreign airlines flying to Kigali are Brussels Airlines, Ethiopian Airlines, Kenya Airways and KLM. Turkish Airlines is set to begin operations in April 2012.

The number of passengers, both foreign and domestic, using Kigali airport was around 450,000 in 2011. With only a small terminal building, plans are in place to build a larger airport 30 km from the city at Nyamata. Kigali airport does enjoy cold storage facilities.

There is also an upgraded airport at Cyangugu. Rwanda also has four domestic airports/airfields, at Butare, Gisenyi, Nemba and Ruhengeri.

Rail and water transport

There is no railway system in Rwanda. Expressions of interest are being sought in the construction of a railway line between Kigali and Isaka in the United Republic of Tanzania (estimated cost of US$ 3.7 billion), and the rehabilitation of the line from Isaka to the port at Dar es Salaam (estimated cost of US$ 1 billion). This would be as a public–private partnership (PPP).

There is some internal lake transport, although only that on Lake Kivu is of significant economic value, as it connects Rwanda to the Democratic Republic of the Congo market. Studies are being made on the navigability of the Kagera River (and its tributaries) which passes through nearly all the provinces of the country and serves as a border with the United Republic of Tanzania and Uganda.
Human capital

Labour

The Rwandan population is estimated at 10.9 million, with the highest density in Africa (413 inhab/km²). Life expectancy at birth is 51 years. It is overwhelmingly rural but the urban population, currently at 18 per cent is increasing at an estimated rate of 4.2 per cent per year.

Literacy rates for the 15-24 age group are at 77 per cent (comparable to Burundi and the United Republic of Tanzania and a bit less than Kenya and Uganda). Education is free for the first nine years of school. This is expected to extend for a further three years in 2012. Primary school enrolment is therefore 96 per cent, which is high for the region. However, enrolment in the 405 secondary schools falls to 22 per cent.

There are seven public universities, with a total of 30,000 students enrolled. This is complemented by a further 14 private universities. The most prominent universities are the National University of Rwanda in Butare and the Kigali Institute of Science and Technology (KIST) in Kigali (see Box II.2).

The skills gap remains a challenge in Rwanda with many investors having to hire a significant number of expatriate staff, mainly from Kenya and Uganda, for management and technical positions. The Government is aware of this and is investing heavily in education to fill the skills gap. As a result, the education system now accounts for 15 per cent of the national budget, and is seen as progressive and accessible.

Thirty-six per cent of enrolments in Rwanda’s educational programme are in its technical and vocational education training system. The Government is keen to expand this system, which is composed of a number of elements and there is a proviso for private sector involvement. The Ministry of Education’s Workforce Development Authority offers short courses in a range of trades through schools, training centres and at the workplace to suit the needs of different employers. This is complemented by the state-run Integrated Polytechnic Regional Centres (IRPCs). In addition, vocational courses are offered by a vast network of non-governmental organizations and private institutions.

Health services

Health care in Rwanda is delivered at three levels: primary care provided at government- or non-governmental organization-run clinics at the sector level; specialized care provided by district hospitals and specialists; and specialized care provided at national medical institutions. While preventative services are

Box II.2. Kigali Institute of Science and Technology

KIST was established in 1997. It has three faculties (engineering including information technology, applied sciences and architecture). There are 2,850 students enrolled with 700 expected for the next intake. The institute offers degrees at bachelors and masters levels.

KIST’s approach is to respond to gaps in the labour market. To this end it liaises with the private sector and various ministries in developing its curriculum. It also examines the situation in the wider regional market.

The institute is working hard to support national economic development. Aside from courses provided, it has set up a consulting firm and has established an incubation centre in partnership with the University of Cambridge, where it trains students in creating an income-generating business. It is also working with the private sector to develop a placement system, which would at the same time decrease reliance by investors on expatriate staff.

International partnerships have also been made with the Massachusetts Institute of Technology, the Leeds Institute of Transport, the University of Ghana and a number of universities in South Africa.

While many teaching staff are from abroad, KIST aims by 2015 to be self-sufficient in generating its own staff and in retaining the staff it has.

Source: UNCTAD.
free, curative care at the institutions mentioned above is only partly subsidized by government. The rest must be paid for by the patient and is usually covered through membership of community health insurance funds, which are themselves financed by membership contributions of US$ 2 per person per year and government and donor funding. Nevertheless, the care that can be obtained under this system, while progressing remains basic and employers usually provide more comprehensive medical insurance schemes.

Given that health care in Rwanda remains limited, expatriates are usually evacuated to Kenya or South Africa for emergency treatment. However, plans are underway by Aga Khan Health Services to open a hospital and medical faculty in Kigali (see Box IV.II).

Financial sector

Banking

There are currently nine commercial banks (of which prominent banks are Banque de Kigali, Banque Commerciale du Rwanda, Banque Populaire du Rwanda, Ecobank, Equity Bank and Kenya Commercial Bank), three microfinance banks, one development bank and one discount house in Rwanda. Banking services tend to be limited to traditional loans and deposits, and foreign exchange transactions and transfers. Combined assets are equal to US$ 1.14 billion and expanded 8.3 per cent in 2010. Meanwhile non-performing loans stood at 12.2 per cent.

All banks are subject to a five per cent minimum reserve requirement. Banks wishing to install in Rwanda must apply for a licence to the National Bank of Rwanda by presenting a business model showing that there is a gap in the market and demonstrating a minimum share capital of US$ 8.13 million.

In order to improve access to credit, a private credit reference agency has been set up (see Box II.3) of which all banks and other financial institutions must be members. Other companies such as utilities can be voluntary participants. The agency will shortly establish a scoring system.

Insurance

Rwanda’s current insurance market remains small. The principal actors providing a traditional range of insurance products (life, health, motoring and property) are Société Rwandaise d’assurances (SORAS), Société Nationale
Box II.3. Promoting Access to Credit

In line with its aim to improve the business environment in Rwanda, the Government has taken measures to ease access to credit in the country. The law governing secured transactions in movable property was approved in 2009 while the law regulating credit information systems came into force in 2010. Both these laws are intended to increase availability of affordable credit in Rwanda.

The secured transaction law in movable property now allows the use of movable property in collateral transactions. Movable property can be either tangible or intangible. Tangible property includes crops, animals, trees to be harvested and other movable goods, while intangible property includes chattel paper, documents of title, negotiable instruments, investment securities or money. The above law also makes out-of-court enforcement of movable collateral possible.

The National Bank of Rwanda (NBR) has also put in place a legal framework to regulate the operation of the credit information system with the aim to create a culture of responsible credit behaviour in Rwanda and to increase investors' confidence. By providing valuable information to banks and other credit institutions, the credit information system is expected to increase credit access and reduce interest rates in the long run. NBR has the role of licensing and supervising private credit reference bureaus and also has its own credit register. The private credit reference bureau, Africa, is now operational in Rwanda, offering credit reports on demand. It must be noted that privacy of creditors is also protected by the credit information systems law and lenders and creditors must be responsible when reporting information on their clients.


des Assurances au Rwanda (SONARWA), and Compagnie Générale d’Assurance et de Reassurance (COGEAR). Other companies include CORAR, AAR, and SURMED. In addition, locally-based brokers can also provide access to international companies. The sector is regulated by the National Insurance Commission.

In addition to insurance companies, there are a number of state-backed funds. These include: the National Social Security Fund, one of the largest financial actors in the country and responsible for health, old age and disability insurance, mainly for people in formal employment; the Military Medical Insurance; and community health insurance funds (see Health Services).

Capital markets

The Rwanda Stock Exchange was established in 2011 and is regulated by the Capital Markets Advisory Council. The exchange provides for the trading of equity and fixed-income securities. At the time of writing there were three listed companies and six bond issues being traded. However, this is expected to grow as the Government sees the exchange as a way to divest itself of shares in public enterprises while mobilizing savings, attracting foreign portfolio investment and stimulating private sector growth. Its target is for two initial public offerings a year.

The Government provides fiscal incentives for listing. This includes zero per cent capital gains tax and five per cent dividends tax (down from 15 per cent). Currently 10 brokers are members of the RSE.

The private sector in Rwanda

Rwanda Private Sector Federation (RPSF)

The Rwanda Private Sector Federation promotes and represents the interests of the Rwandan business community. It groups nine professional chambers (agriculture, commerce, crafts, industry, liberal professions, tourism, women entrepreneurs, young entrepreneurs, finance and ICT) and was established in December 1999, replacing the Rwanda Chamber of Commerce and Industry.

It advocates the interests of the private sector to the Government both through the Economic partnership forum and on an ad hoc basis and provides business development services to its members throughout the country.
Set up and exit

Foreign investors can invest in any sector in Rwanda. The two principal laws regulating entry are the Company Law 2009 and the Investment Law 2006.

The main features of Rwanda’s company law are:

- The law makes it possible to establish a new business in three (in practice two) days in Rwanda with only two procedures.
- Four types of company are recognized by the law including company limited by share, company limited by guarantee, company limited by both shares and guarantee and an unlimited company.
- No minimum capital (as a percentage of income per capita) is required to start a business. The overall cost (as a percentage of income per capita) of starting a business is 10.1 per cent as compared to 99.7 per cent in sub-Saharan Africa.
- A foreign company is defined by this law as a company which is registered in a foreign country and which is carrying on business in Rwanda. The process of registration is just as simple as that for a domestic company, via RDB.
- Directors are required to disclose their interests in the company to ensure that shareholders can keep a check on their activities and hence protect their investment.

In order to further encourage investment, Rwanda’s investment law provides for further benefits, including to larger investors, and specifies how these may be obtained. The main features are:

- Investment activity is defined as any new activity or business asset, or operation of the expansion, restructuring or rehabilitation of an existing investment enterprise.
- The law defines foreign and local (or EAC) investors. It specifies that foreign investor means a physical person, business company or partnership. Foreign investors investing in projects in Rwanda shall be treated in the same way as Rwandan investors in matters related to incentives and facilities.
- Foreign and local investors who invest US$ 250,000 and US$ 100,000 respectively in a priority sector, of which the list is fairly broad, qualify for an Investment Certificate. With that certificate, they may obtain certain specific benefits, which may include exemptions on VAT, import duty and investment allowances.
- Non-fiscal incentives are also provided to foreign investors who invest US$ 500,000 in one step, which include permanent residence, citizenship and access to land. In addition, investing at least US$ 100,000 gives the investor the automatic right to recruit three expatriates.
- The law allows for free economic zones of three types (see chapter IV for more details).

Registering a business

The Rwanda Development Board (RDB) functions as a one-stop centre with delegated authority from various government agencies, to register businesses and promote investment.

Registration can also be done online, is free of charge and is complete within 24 hours. As a result, Rwanda was ranked eighth in the world in 2012 by Doing Business for starting a business.

Table III.1. Steps for registering a business

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Check Company name, submit registration application and pay a 15,000 RWF registration fee</td>
</tr>
<tr>
<td>2.</td>
<td>Pickup Registration card</td>
</tr>
</tbody>
</table>
Obtaining an Investment Certificate

An Investment Certificate can be obtained at the RDB as long as investors meet the required threshold of US$ 250,000 for a foreign investor and US$ 100,000 for a local or EAC investor. For investment in existing projects, one remains on the original investment certificate issued for the project and the investment is captured as reinvestment.

The RDB is required to make and communicate its decision regarding the Investment Certificate within 10 working days after receiving a complete application. Should the RDB fail to act within 10 days, the investor may complain to the Minister of Trade and Industry who is in turn required to investigate the matter and communicate a decision within five working days.

Obtaining land

In terms of access to land no difference is made between foreign and domestic investors. All procedures regarding purchase, registration and transfer of land titles are carried out at the District land offices and Rwanda Natural Resources Authority and are explained in more detail in the section on land.

Building and construction

Obtaining a construction permit takes 30 days and can be done at the Kigali one stop centre. The documents that are obtained include deed plans, location contract, building permit, occupational permit and access to utilities such as water, electricity and telephone. The RDB also provides assistance, with in-house EWSA staff to help businesses connect to water and electricity. EWSA also has a client charter that limits waiting times for connections for water and electricity to two days upon application and payment.

Environment-related requirements

The Rwanda Environment Management Authority (REMA) was established in 2005, with as one of its main responsibilities, to examine and approve environmental impact assessment reports. Investors with projects in industry, road construction, housing, tourism, water and sanitation, energy, railways and airports, fisheries, mining, agriculture and forestry are required to carry out an environmental impact assessment prior to receiving a certificate of clearance from the RDB.

Local employees

Employment is Rwanda is covered by the Labour Law 2009. Contracts for a period of six months or more must be written while those of a shorter period may be oral. Article 34 of the law provides for contract termination in case of changing economic conditions and skill requirements of an employer. Termination indemnities and other penalties are only payable to employees with continuous service of at least 12 months.

Employment contracts can be of three types; fixed term, open ended or for a defined work. Fixed term or work-defined contracts are automatically terminated at the end of the defined period or work. Open-ended contracts may also be ended at any time by either party for legitimate reasons and with prior notice. While renewal of fixed term contracts is allowed based on mutual consent, such renewal does not lead to the fixed term contract becoming indefinite.

<table>
<thead>
<tr>
<th>Years worked</th>
<th>Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5</td>
<td>One month</td>
</tr>
<tr>
<td>5-10</td>
<td>Two months</td>
</tr>
<tr>
<td>10-15</td>
<td>Three months</td>
</tr>
<tr>
<td>15-20</td>
<td>Four months</td>
</tr>
<tr>
<td>20-25</td>
<td>Five months</td>
</tr>
<tr>
<td>Over 25</td>
<td>Six months</td>
</tr>
</tbody>
</table>

Table III.2. Termination indemnities
Expatriate employees

The provisions of the Labour Law 2009 also apply to the employment of foreign workers. They require both work and residence permits, which can be issued by the RDB.

Work permits are usually issued to key personnel or for expatriates coming to work in an occupation for which there is a shortage of locally available labour. The permits need to be renewed on an annual basis. However, an investor who invests more than US$ 100,000 is automatically allowed to hire up to three expatriate employees, with the residence and work permit fees of the investor and up to three expatriate employees waived for the first year. In case there is a need for more than three expatriate employees, the enterprise can apply to the agency and will be subject to the regular conditions for work permits stated above.

Fees for work permits fall into two categories. Workers who earn more than RWF 500,000 are classified as Category A and pay RWF 50,000 per year. Those earning under RWF 500,000 are Category B and pay RWF 10,000. Workers from EAC countries do not have to pay a fee.

Competition policy

Rwanda’s Competition and Consumer Protection Law 2011 is enforced by the autonomous Rwanda Competition and Consumer Protection Commission. Competition and consumer protection disputes currently fall under the jurisdiction of the commercial courts.

Rwanda must also conform to regional competition policy requirements under both EAC and COMESA. This is overseen by the COMESA Competition Commission, which enjoys international legal personality, and the 2009 EAC Competition Regulations, expected to be regulated by an EAC Competition Authority. EAC competition law will apply only for cross border economic activity; for disputes within Rwanda, domestic law will apply.

Price regulation

The Government to the greatest extent possible maintains a free market economy approach to all sectors, allowing all private sector participants to determine a fair value of their offerings. Energy and transportation are the only two sectors in which it exercises some control, by influencing the price of fuel and determining the price of electricity through the Rwanda Utilities Regulatory Agency (RURA).

Exchanging and remitting funds

The National Bank of Rwanda governs matters relating to the management of foreign exchange. The Rwandan franc is the official Rwandan currency. Financial transfers to service debt payments, dividends, royalties and profits are unrestricted. However, they are subject to a 15 per cent withholding tax. There are some restrictions on the transfer of earnings by expatriate employees, subject to meeting fiscal obligations. There are also reporting and repatriation requirements for exporters with transactions exceeding US$ 10,000. Both residents and non-residents may open foreign currency accounts with domestic banks. Only authorized dealers are allowed to engage in the foreign exchange business, except where the Central Bank permits a specific person or class of persons to do so, subject to the conditions it may impose.
Exit

Closure of business is allowed by Rwandan law, both on a mandatory and voluntary basis. Exit options are usually determined by the agreement the investor has with other investors in the project. Company law provides guidance for the liquidation of foreign companies in Rwanda, including the rules to be followed by the liquidator while the law on insolvency clarifies how a company can close its business in case of bankruptcy or voluntary closure of business. The Insolvency Law streamlines the process.

Ownership and property

Land

The Land Law 2005 governs the use and management of land in Rwanda; it stipulates that all land belongs to the Government (the State, the cities and districts). Both domestic and foreign investors in Rwanda enjoy the same rights with respect to investment in land. Public land is reserved for public use or environmental protection while private land can be allocated by the Government to natural or legal persons. It then becomes individual land.
Individual land is leased for up to 99 years through a lease contract and against payment of an annual lease fee. The lessee can obtain an ownership certificate by paying 10 years of lease fee in advance and by constructing a building on the land (or by improving/exploiting it conforming to its intended use). Land rights can be transmitted through sale, donation or inheritance.

Rights to land may be transferred between individuals or they may be guaranteed through succession; they may be donated, leased or sold; rights may also be mortgaged according to requirements and procedures are provided for by ordinary civil law without prejudice to specific provisions of the Land Law.

Customarily occupied land refers to land that has been governed by traditional rules and inherited from parents. Such occupation can be officialized by signing up at the local district office and obtaining a customary title. Much land is still owned customarily and the process of registering it all will take time. Hence investors may often have to buy land that is customarily owned but then further ensure that the official customary title is converted into either a lease or ownership title to be formally registered and recognized by the law.

Individual land can be requisitioned by the Government in case it is degraded and unexploited for a period of three consecutive years, unless there is a reason why the land was not utilized. The owner of the requisitioned land can however request for repossession by demonstrating commitment to productively exploit the land within a year of repossession.

Land dispute matters are heard by competent courts after certain steps to resolve the dispute have been taken by the parties. According to Article 57 of the 2008 Ministerial Order relating to requirements and procedures for a land lease, the following steps must be followed:

1. the matter is first referred to the authority that took the decision and the latter must provide its response within 15 days from the date of receipt of request;
2. if the petitioner is not satisfied or no reply was given within the time specified, the matter can be referred to the next higher authority with responsibility for land. Such a petition must be referred to the higher authority within 15 days from the date of notification of the decisions of the lower authority; and
3. if the petitioner is not satisfied by the decision of the higher authority, he or she may refer the matter to the competent court of law.

**Intellectual Property Rights**

Intellectual property in Rwanda is governed by the Protection of Intellectual Property Law 2009. The law regulates industrial property, and copyright and related rights.

Industrial property may be registered and obtained at the RDB. Protection for inventions is provided through patents that are issued for 20 years with no possibility for renewal. Trademarks may be issued for periods of 10 years and can be indefinitely renewed at the end of each term. Both patents and trademarks may be transferred or assigned. Copyrights and related rights are also available under the law; for natural persons such rights are guaranteed for life and up to 50 years after. Effective technical protective measures are protected against circumvention. Furthermore utility model certificates as well as protection rights for designs for layouts and industrial designs are provided, though on a more short term basis.

Enforcement of intellectual property falls in the jurisdiction of the commercial courts in Rwanda whose procedures include conservatory and provisional measures as well as injunctive relief. Criminal procedures are available for acts of infringement and include penalties involving imprisonment for up to five years and/or fines of up to 500 million RWF. Special Border Measures have been put in place by the law and the circulation of imported goods may be suspended if they are believed to infringe protected rights.

Rwanda is a member of the World Intellectual Property Organization (WIPO) and signatory to the Paris Convention for the Protection of Industrial Property, the Universal Copyright Convention and the Bern Convention for the Protection of Literary and Artistic works.
becoming a member of the WTO in 1996, Rwanda has been subject to the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. It is also an observer of the African Regional Industrial Property Organization (ARIPO) and plans to become a full time member soon.

**Investment protection and dispute resolution**

**Expropriation**

The Constitution guarantees protection of property. At the same time Article 30 of the Investment Law 2006 stipulates that the Government is responsible for the protection of foreign investment. Expropriation of property may be carried out by the Government in the public interest defined as development, social welfare, territorial integration and security. However, there should be prior and just compensation that is calculated as being equal to the value of the land and the activities performed thereon by the expropriated person, calculated in consideration of market prices. Offences against property are punishable in accordance with the provisions of the penal code.

**Revocation of investment certificate**

The Investment Law provides that in instances of fraudulent representation or the provision of false or incorrect material, the investment certificate may be revoked by RDB by giving a written notice to the investor requiring him or her to show cause within 10 days from the date of the notice why the certificate should not be revoked. If within that period a satisfactory explanation is not provided, the Board may withdraw the certificate. The entity affected may, however, continue to operate as a business in Rwanda while the legal process takes its due course or even after the certificate is revoked but then without the associated incentives.

In practice RDB has never revoked certificates. It normally relies on counselling to achieve the desired corrective action.

**National treatment**

Foreign investors are treated in the same way as domestic investors in terms of investor rights and protection of assets. There are also no general restrictions on the percentage of equity that foreign nationals may hold in a locally incorporated company.

**Treaties protecting investment**

Rwanda is signatory to several bilateral investment treaties.

<table>
<thead>
<tr>
<th>Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium and Luxembourg</td>
</tr>
<tr>
<td>Germany</td>
</tr>
<tr>
<td>Mauritius</td>
</tr>
<tr>
<td>South Africa</td>
</tr>
<tr>
<td>Switzerland</td>
</tr>
<tr>
<td>United States</td>
</tr>
</tbody>
</table>

Source: UNCTAD.

**Dispute resolution**

Rwanda’s framework for dispute resolution consists of commercial courts, and arbitration and mediation. Rwanda is also a member of the International Centre for the Settlement of Investment Disputes, the World Bank’s Multilateral Investment Guarantee Agency, which offers insurance against non-commercial risk, and the African Trade Insurance Agency, which are supported by the World Bank and Lloyds of London. The African Trade Insurance Agency covers risk against restrictions on import and export activity, inconvertibility, expropriation, war, and civil disturbances.

The commercial justice system covers commercial, financial, fiscal and other matters closely related to them, and consists of three commercial courts and a commercial high court. The three lower courts cover commercial disputes with a value less than US$ 37,000 while the high court covers disputes above this value as well as appeals against decisions from the lower courts.
The Arbitration and Conciliation Law 2009 covers informal dispute resolution. Arbitral rewards are treated as final and binding unless in certain specified exceptional circumstances. The law applies to both domestic and international commercial arbitration and conciliation with respective rules and procedures recognized as long as both parties agree to them. Moreover if during arbitral proceedings the parties settle the dispute, the arbitral tribunal shall terminate the proceedings thus encouraging peaceful agreement. The law also clarifies the case of bankruptcy, where a provision relating to arbitration specified in the contract relating to the bankrupt person, shall be enforceable by the trustee in bankruptcy.

Taxation

Corporate taxation

The corporate tax year is based on the calendar year. A taxpayer wishing to use another date must apply to the Minister of Finance and Economic Planning for permission. Enterprises whose turnover is less than or equal to RWF 20 million pay a lump sum tax of four per cent of annual turnover. All other companies must pay corporate income tax of 30 per cent and register for VAT. Losses may be carried forward for up to five years, earlier losses being deducted before later losses. Fiscal incentives are described in Table III.4.

VAT is payable at 18 per cent. Exports of goods and services are zero-rated and, barring need for further verification, refunds take place within 30 days of a claim being made. Agricultural products, pesticides and fertilizers used in agriculture, health services and supplies, education services and the supply of education materials to learning institutions, bus transport services and water supplies to rural areas are exempt from VAT.

Soft drinks and alcoholic beverages as well as cigarettes and telephone communications are subject to excise duties specified in Table III.5. In addition, a number of withholding taxes are payable. These are specified in Table III.6.

<table>
<thead>
<tr>
<th>Table III.4. Corporate fiscal incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment allowance</td>
</tr>
<tr>
<td>40% on acquisition of old and new assets</td>
</tr>
<tr>
<td>50% for investments outside Kigali or for those benefiting from an investment certificate</td>
</tr>
<tr>
<td>Training and research expenses</td>
</tr>
<tr>
<td>100% deduction from taxable profits</td>
</tr>
<tr>
<td>Investors in free economic zones</td>
</tr>
<tr>
<td>Corporate income tax of 0%</td>
</tr>
<tr>
<td>Exemption from 15% withholding tax</td>
</tr>
<tr>
<td>Tax free repatriation of profits</td>
</tr>
<tr>
<td>Microfinance enterprises</td>
</tr>
<tr>
<td>Corporate income tax of 0% for five years (under specific conditions)</td>
</tr>
<tr>
<td>Publicly listed companies</td>
</tr>
<tr>
<td>Corporate income tax of 20% if at least 40% of shares sold to public</td>
</tr>
<tr>
<td>Corporate income tax of 25% if at least 30% of shares sold to public</td>
</tr>
<tr>
<td>Corporate income tax of 28% if at least 20% of shares sold to public</td>
</tr>
<tr>
<td>Venture capital companies</td>
</tr>
<tr>
<td>Corporate income tax of 0% for five years</td>
</tr>
<tr>
<td>Collective investment schemes</td>
</tr>
<tr>
<td>Corporate income tax of 0%</td>
</tr>
<tr>
<td>Profit tax discounts</td>
</tr>
<tr>
<td>2% with 100 to 200 Rwandan employees</td>
</tr>
<tr>
<td>5% with 201 to 400 Rwandan employees</td>
</tr>
<tr>
<td>6% with 401 to 900 Rwandan employees</td>
</tr>
<tr>
<td>7% with over 900 Rwandan employees</td>
</tr>
<tr>
<td>3% for exports of US$3 million to US$ 5 million</td>
</tr>
<tr>
<td>5% for exports of more than US$5 million</td>
</tr>
</tbody>
</table>

Source: Rwanda Revenue Authority.
Table III.5. Excise duties

<table>
<thead>
<tr>
<th>Item</th>
<th>Excise duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruit juices</td>
<td>5%</td>
</tr>
<tr>
<td>Lemonades</td>
<td>39%</td>
</tr>
<tr>
<td>Mineral water</td>
<td>10%</td>
</tr>
<tr>
<td>Beers</td>
<td>60%</td>
</tr>
<tr>
<td>Wines and liquors</td>
<td>70%</td>
</tr>
<tr>
<td>Cigarettes</td>
<td>150%</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5% to 15% depending on engine size</td>
</tr>
<tr>
<td>Powdered milk</td>
<td>10%</td>
</tr>
<tr>
<td>Telephone communications</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Rwanda Revenue Authority.

Table III.6. Withholding taxes

<table>
<thead>
<tr>
<th>Item</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withholding tax on payments:</td>
<td>Flat rate of 15%</td>
</tr>
<tr>
<td>- dividends;</td>
<td></td>
</tr>
<tr>
<td>- interest on deposits, bonds;</td>
<td></td>
</tr>
<tr>
<td>- royalties, management and technical fees; and</td>
<td></td>
</tr>
<tr>
<td>- performance payments</td>
<td></td>
</tr>
<tr>
<td>Withholding tax on imports</td>
<td>5% on cost, insurance and freight value of goods imported for commercial use</td>
</tr>
<tr>
<td>Withholding tax on public tenders</td>
<td>3% of the sum of the invoice</td>
</tr>
<tr>
<td>Quarterly prepayment</td>
<td>Quarterly prepayment of 25% of previous income tax declared</td>
</tr>
</tbody>
</table>

Source: Rwanda Revenue Authority.

Trade taxes

As a member of the EAC customs union, all goods manufactured in one EAC country and sold in another and which meet rules of origin criteria are treated as if they were manufactured locally, by virtue of there being no internal tariffs between partner countries. The same countries also levy a common external tariff for goods entering the EAC, with the aim of promoting manufacturing and the processing of raw materials. Under this scheme, raw materials are imported duty free, intermediate goods are charged 10 per cent and finished goods 25 per cent.5 Investors in free economic zones (FEZs) are exempted from paying import duties.

Personal taxation

Income is taxed progressively at 0, 20 and 30 per cent. It is withheld by the employer under “pay-as-you-earn”. Self-employed persons must declare and pay their own pay-as-you-earn on a monthly basis. These rates are specified in Table III.7.

Table III.7. Personal rates of income tax

<table>
<thead>
<tr>
<th>Annual income in RWF</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First 360,000</td>
<td>0%</td>
</tr>
<tr>
<td>Between 360,000 and 1,200,000</td>
<td>20%</td>
</tr>
<tr>
<td>All income above 1,200,000</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Rwanda Revenue Authority.
Benefits in kind are also taxed. Taxes on benefits must be declared and settled on an annual basis. Tax rates for these are specified in Table III.8. The following are not taxed:

- contributions to the state social security fund;
- pension payments under the state social security system; and
- employer’s contribution to a qualified pension fund not exceeding, when combined with that of the employee, 10 per cent of the employee’s income from employment or RWF 1,200,000 p.a. whichever is lower.

### Double Taxation Agreements

Rwanda is signatory to several double taxation agreements.

**Table III.9. Double taxation agreements concluded by Rwanda**

<table>
<thead>
<tr>
<th>Partner</th>
<th>Type of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>Income and capital</td>
</tr>
<tr>
<td>EAC</td>
<td>Income</td>
</tr>
<tr>
<td>Mauritius</td>
<td>Income</td>
</tr>
<tr>
<td>South Africa</td>
<td>Income</td>
</tr>
</tbody>
</table>

Source: UNCTAD.

### Table III.8. Taxation of benefits in kind

<table>
<thead>
<tr>
<th>Benefit offered</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company car</td>
<td>10% of employment income excluding the value of the benefit in kind</td>
</tr>
<tr>
<td>Accommodation</td>
<td>20% of employment income excluding the value of the benefit in kind</td>
</tr>
<tr>
<td>Interest on loan</td>
<td>10% of income gained as a result of difference between interest paid and what would have been paid if the rate offered to commercial banks by the BNR had been used</td>
</tr>
<tr>
<td>All other benefits</td>
<td>Full market value is added to employment income and taxed as such</td>
</tr>
</tbody>
</table>

Source: Rwanda Revenue Authority.
Rwanda’s location, climate and business-friendly environment coupled with stability and security make it a country, which while small, offers investors a range of niche opportunities.

What follows is a description of Rwanda’s most attractive and fast-growing sectors. These include the sectors of ICT, for which the Government is keen to position itself as a hub for the region; tourism where the country is positioning itself as a high-end ecotourism niche coupled with a central location as a regional conference centre; power generation, where there is an urgent need to match supply to demand and for which ample resources are available; agriculture, in which there remains plenty of space to increase productivity in tea and coffee and improve value-added to assert the Rwanda brand, and where Rwanda has an opportunity to emulate Kenya’s success in horticulture and floriculture; mining in which there remains unexplored potential and opportunities to service operations in eastern Democratic Republic of the Congo; and privatization as the Government decides to divest itself of stakes in banks, insurance, telecommunications, hotels and agricultural operations. Opportunities also exist in logistics, where Rwanda’s key position needs to be matched by efficient access to neighbouring markets, manufacturing for which investors can gain in import substitution for the local market, and special economic zones, which offer a very attractive fiscal package.

Information and communication technology

The 2,300 km fibre optic backbone, connected to the SEACOM undersea cable has significantly improved Rwanda’s connectivity and prospects for the ICT sector. The Government is keen to develop business process outsourcing and information technology enabled services.

The Government has taken the lead in developing both the infrastructure and the sector through the development of e-government applications. Efforts have been made to connect schools, universities, government departments and 65 RDB telecentres providing business development services to small enterprises. It has also established an ICT park (see Box IV.1). At the same time, over 1,200 primary schools are equipped with computers and at least 10 per cent of Rwanda’s secondary schools have wireless Internet.

There are a number of examples of e-government applications demonstrating the Government’s lead in this area. The Rwanda Revenue Authority has embarked on an initiative to enable businesses to submit tax returns online. Kiosks are also being installed around the country to cater for businesses without internet connectivity. The Department of Immigration and Emigration supports online visa applications. Applicants can upload supporting information, track applications and print out confirmations with which they can travel to Rwanda. The RDB enables investors to register their businesses online. Investors first obtain an e-signature online, with which they fill in the necessary form, upload documents and receive their business registration certificate by email. E-Soko is a system that provides farmers, consumers and traders with the latest market prices for agricultural commodities. The data covers 50 markets in the country with plans to add 20 more.

Demand by the public sector is increasingly complemented by the needs of the local private sector leading to a burgeoning but nevertheless small-scale Rwandan ICT industry, who have developed experience both in developing software solutions and in providing network solutions such as a local area network (LAN), security measures, wireless and data centres. However, foreign investors have tended to import their own solutions. The Government is interested in attracting foreign investors to fill this gap and partner with local forms. In the medium term, there may be feasibility to provide services to the EAC and wider COMESA market. With many entrepreneurs in the local ICT sector being self-taught but sending their staff abroad to train, and graduates in ICT
subjects emerging from the Kigali Institute of Science and Technology and the Adventist University of Rwanda, the country is also building a base of indigenous skills necessary to the development of this sector.

**Tourism**

Rwanda’s tourism sector has been growing slowly but steadily with total visitor arrivals reaching 666,000 in 2010 and receipts of US$ 200 million. Tourists come principally from the United States and the United Kingdom of Great Britain and Northern Ireland. The country has substantial advantages in the tourism sector: great natural beauty with its hills and lakes, a high-altitude climate, a good road network and a secure environment. It is also increasingly linked by direct flights to the neighboring region, Addis Ababa, Amsterdam, Ankara, Brussels, Dubai and through Nairobi to a much wider range of destinations.

Rwanda’s natural assets include six volcanoes, 23 lakes and numerous rivers. Spectacular volcanoes and dense tropical forests dominate the north of the country, while there are hills and valleys, lakes and rivers, and savannah as well as tropical vegetation in the rest of the country. The Parc National des Volcans in northern Rwanda is home to the world’s largest number of endangered mountain gorillas, who live in a protected area and can be viewed in their natural habitats at a fairly close range. 670 different bird species have been recorded in Rwanda, as have 100 orchid species in the Nyungwe Forest National Park, also home to 13 species of primate. The third park in Rwanda, the Akagera National Park is a savannah park with typical wildlife – lion, buffalo, giraffe, elephant, hippopotamus, hyena, impala, gazelle – that is progressively being restocked. There are also water bodies ideal for water sports and fishing, particularly Lake Kivu in the west and Lake Muhazi in the east. Lake Kivu also offers beautiful beaches, jutting peninsulas and islands.

The Government, through its Sustainable Tourism Development Master Plan has designated six destination management areas outside the designated central hub of Kigali. These are the Volcanoes Area (north), Muhazi Area (east), Akagara Area (east), Nyungwe Area (west), Kibuye (west), and Gisenyi in western Rwanda, to be the focus of tourism development.

There are currently 5,000 hotel rooms in Rwanda of which approximately 3,000 are rated three stars and above and the Government is keen for that number to increase. Rwanda currently serves as a tourism add-on to other trips to the region, principally Kenya. However, the aim is for it to eventually become a long-haul destination in its own right. To this end, Tourism Promotion Services East Africa, operating under the Serena brand is aiming to expand its portfolio to seven hotels within the country, allowing a fully national circuit of ten days (see Box IV.2).

The Government is also taking steps to increase the attractiveness of Rwanda as a high-end tourism destination. Akagera National Park is being fenced and restocked with lions under the Akagera Management Company, a joint venture between the Rwanda Development Board and Africa Parks Network, a South African not for profit company. Eventually it will

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**Box IV.1. ICT Park in Rwanda**

Rwanda established an ICT park and incubation facility in Kigali in 2006. Kigali ICT Park is managed by the Rwanda Development Board, and promotes innovation, private sector development, capacity-building and sustainability. The Park offers a service package including subsidized office space, internet connections, power, and other facilities. There are three main objectives: (a) incubation (for ICT start-ups); (b) technology production and exhibition (by ICT companies); and (c) the Multi-Disciplinary Centre of Excellence in ICT. At least six ICT companies have graduated from the Park, and another 12 are being incubated. There are plans to expand the scope and function of the Park in the coming years.

*Source: UNCTAD Information Economy Report 2011, based on information provided by UNECA.*
need to satisfy the need of tourists to Africa to see the big five game. Improvements are also being made to other parks. At Nyungwe, a canopy walk is being installed.

Other attractions being promoted by the Government include the annual Tour du Rwanda cycle race. Established in 2009 and organized by the Rwanda Cycling Federation, it draws an international participation and highlights the country’s potential as an activity and sports tourism destination.

The Government has decided to limit tourism to high-end ecotourism and the cost of a holiday to Rwanda is therefore in consequence. To that end, investment would need to reflect the potential of such a market.

In order to capture further value-added and volume the Government is embarking on a strategy to attract conference tourism, making use of its good regional connections. To this end, it is building a convention centre and hotel, to be managed by Radisson, of which the biggest room would have seating space for 3,000 delegates. This would make Kigali the fifth largest convention centre in Africa after Cape Town, Marrakesh, Cairo and Nairobi. The convention centre will add significant capacity to a growing conference market in Rwanda with the country already hosting a number of regional conferences focused on issues of conflict resolution, health and gender, three areas in which the country has made a mark for itself. Accommodation for conferencing will be supported by a number of business hotels opening their doors in Kigali. These include a Marriott and the New Century Hotel.

The massive increase in capacity means that the Government is required to make efforts to market the sector abroad. Offices have opened...
in Australia, Canada and China, with an office under consideration in the United States, and the country has a presence at the London and Berlin trade fairs. The Rwanda Development Board is also considering direct to consumer marketing.

In order to develop capacities in the sector, the Government is keen to attract hotel training facilities. A Tourism Bill will provide for operating licences, harmonize hotel classifications with those of the EAC and specify certification for staff. A common visa for EAC countries is also being envisaged, reducing the cost for tourists to add Rwanda on to their holidays elsewhere in the region.

Power generation

As mentioned in chapter II, domestically generated installed capacity stands at 84.9 MW of which 75.5 MW is available. A significant portion of that is generated from imported fossil fuels. A further 15.5 MW is imported from neighbouring countries. The gap between demand and domestic supply is expected to grow as the country develops and more of it is electrified (electrification stands at nine per cent). A 1,000 MW demand is forecast for 2017.

The country has substantial hydroelectric resources, as well as natural gas deposits under Lake Kivu, which could make Rwanda self-sufficient in electricity or, even, a net exporter. But the development of thermal power plants to run on natural gas, or dam constructions to increase hydroelectric production, requires both time and investment.

Opportunities therefore exist in power generation and EWSA, the country’s national power and water distributor is open to signing agreements with independent power producers. Sources can include methane extraction, geothermal, hydro power and peat. With the rates for electricity currently charged to the end-user (see chapter II), returns can be high, even if the Government’s intention is to reduce those rates over the medium term. However, at the time of writing, a challenge remained for the Government of untying itself from contracts passed with producers whose projects had not gone through, in order to sign agreements for new projects. All producers will be regulated by the Rwanda Utilities Regulatory Agency.

Box IV.2. Making Rwanda a long-haul destination in its own right

Already well established in the East African region, Tourism Promotion Services East Africa Limited, owned by the Aga Khan Fund for Economic Development and operating under the Serena brand, has its sights set on Rwanda. Currently it operates two properties. The first is in Kigali and attracts principally business and conference visitors. It was taken over from the Government and is now majority-owned by the group. The second is at Gisenyi on Lake Kivu by the border with the Democratic Republic of the Congo focusing mainly on tourism.

The chain has plans to expand to seven properties, which together will enable visitors to enjoy a 10-day circuit targeting long-haul travellers. The properties will include:

- Nyungwe Park to observe the chimpanzees and visit a cultural village;
- Ruhungeri, which will provide a spa, and opportunities for trekking and mountain climbing;
- Kibuye, also on Lake Kivu;
- the Parc National des Volcans to see the gorillas; and
- Akagera National Park, where the chain will take over a lodge abandoned by Dubai World.

The Aga Khan Fund also has plans to establish in other sectors in Rwanda. As a majority shareholder of the Nation Media Group and with a newspaper and FM radio already operating in Rwanda, it also aims to bring in a TV station. Plans are underway to establish the Diamond Trust Bank and Jubilee Insurance. Aga Khan Health Services may open a hospital and medical faculty, which would be the second largest in the region after Kenya.

Source: UNCTAD.
One of the most significant and soon to start producing is the Kivuwatt methane plant on the shores of Lake Kivu in Kibuye (see Box IV.3). The plant is likely to yield 25 MW in the first phase and it is estimated that methane extraction from Lake Kivu could yield a total of 500 MW although under an agreement with the Democratic Republic of the Congo, Rwanda would be limited to 350 MW.

Other energy projects are currently under study. Prospects include the following:

- two other proposals to extract methane from Lake Kivu;
- detailed and promising geothermal explorations are taking place in the Volcanoes National Park and the faults associated with the East African Rift near Lake Kivu, with Chevron (United States of America), Kengen (Kenya), the Icelandic Geosurvey and the Institute for Technology and Renewable Energies (Spain);
- funding being sought for a 145 MW hydro plant in Rusizi on the western border;
- a large number of additional hydro plants under study; and
- two proposals to extract and generate power from peat being studied, with interest from Indian and Chinese investors.

Box IV.3. Generating energy from the depths of Lake Kivu

While it has long been known that Lake Kivu contains significant deposits of methane gas, it is only now that its potential is coming on tap. Contour Global, the energy branch of United States based Reservoir Capital, is finalizing the first phase of a project to extract methane from the depths of Lake Kivu and use it to generate electricity. Its first phase, costing US$ 140 million is likely to yield 25 MW, and will operate under the name of the company’s Rwandan subsidiary, Kivuwatt. In its second phase it could yield 100 MW, some of which could be exported to neighbouring Uganda.

The extraction takes place 30 km offshore through four gas extraction facilities barges. These are connected by a pipeline ten metres below the surface of the lake to an onshore marine landing site. The generation plant itself is onshore at Kibuye. Under this technology, water is pumped up from depths of 360m, the methane is extracted, and the water, without methane, is pumped back to a depth of 240 m. The technology still needs to be fully tested which is why the first phase is only for 25 MW. Risk factors include springs in the lake and uncertainty over how the rebalancing of water types will affect the lake.

The novel nature of this venture meant that no outside contractors could be found and Contour Global found itself having to manage the project. The design also had to change along the way in line with evolving Rwandan regulations. However, the company is positive about its experience working with the Government and about the project’s prospects.

Funding for the project was provided by the principal sources of development finance, including the World Bank, the African Development Bank, the Africa Infrastructure Fund and the Belgian Development Fund; funding which could also likely be made available to other investors entering the sector.

Source: UNCTAD.
Given the favourable climatic conditions, the soil quality and altitude, the challenge for Rwanda is to improve its product quality and market image, so as to increase the value it receives for its crop from its current US$ 2 to 3 a kg to international market prices. Several projects have been launched under the aegis of OCIR-Café, Rwanda’s coffee authority, often with donor support. These have broadened the market presence of Rwandan coffee and helped Rwandan farmers capture a higher percentage of the value of their product. Many of these initiatives focus on building market awareness in Europe and North America, while at the same time improving coffee washing, selection, pulping, fermentation and drying processes and setting higher selection standards in Rwanda. To this end, 180 washing stations are now operational and the Government is investing in a coffee processing plant with a private company.

There are other challenges that can equally be opportunities. As a landlocked country Rwanda’s coffee producers face high transport costs. Moving coffee cherries quickly over Rwandan roads is one concern; moving processed beans out of the country in a timely and cost effective way is a second concern.

There are opportunities for investment in quality improvement and value addition through:

- the construction of coffee washing stations which are crucial for the end product targeting the up-market niche segments (requiring an average investment of US$ 150,000 for a washing station with a capacity of 200 tonnes);
- the construction of roasting facilities on a large scale;
- the setting up of modern coffee-processing and packaging plants; and
- the operating of large-scale coffee plantations.

**Tea**

Like coffee, tea is a key part of Rwanda’s economy. Exports in 2010 reached US$ 33.9 million and accounted for 14.3 per cent of its exports, making it the third export item by value. According to Rwanda’s national tea authority, OCIR-Thé, the sector employs an estimated 60,000 people and has 12,000 ha under cultivation. Nearly all the tea is grown at above 1,500 metres, in soils which permit the production of very superior tea. Like coffee, tea is also grown mainly by small-holders.
(67 per cent) grouped into 13 cooperatives but, in addition, there are also 11 tea factories with associated estates, two of them still state-owned.

Two kinds of tea are grown, swamp tea and mountain tea, of which the latter has a lower yield but higher quality. In general, yields per hectare are lower in Rwanda than in competitors like Kenya and Sri Lanka and studies show that yields of 3 tonnes of black tea per hectare could be reached in the marshlands and 2.5 tonnes in the hills, up from 1.5 tonnes currently.

Most tea is produced by the CTC (cut, tear, curl) method and apart from a limited tea bag production for the local market, there is little value addition. Ninety per cent of tea is sold directly at auction in Mombasa. The Government is keen to encourage investment in this sector to increase value-addition through blending, packaging and branding. The Government is also preparing its two last tea factories and estates for privatization. The first is Mulindi, one hour from Kigali, with 2,013 ha of which 1,437 are planted. The second is Shagasha in the Western Province, with 1,573 ha, of which 1,306 are planted. In addition, the Government encourages investors to set up independent tea factories and to establish contracts with surrounding grower cooperatives. To this end opportunities have been identified in Karongi District in Western Rwanda, at Gatare in Nyamasheke District and at Mushubi in Nyamagabe District. In order to increase value-added orthodox processing methods are also being encouraged.

The Government, through OCIR-Thé provides continuing support to the sector. It markets the Rwanda’s tea abroad, assists investors and cooperatives, identifies ways to improve the competitiveness of the sector and carries out research on methods of growth, plant densities, fertilizers, pruning methods, plucking frequency, soil fertility, species and clones, adaptation of technology, and soil sustainability.

**Horticulture and floriculture**

The horticulture and floriculture sector is mostly undeveloped in Rwanda, although it has become important in many African countries and plays an increasingly important role in sub-Saharan Africa’s exports. A success story in East Africa is Kenya, where the export of flowers, fruits and vegetables generated $1.16 billion in foreign exchange in 2010 with destinations including the Netherlands, the United Kingdom, France, the United States and the United Arab Emirates. The sector has grown quickly in Kenya, from small beginnings, and can integrate outgrowers, to whom exporters provide extension services. Together with similar climatic conditions to Kenya although alternating rainfall seasons (March to May and September to November), and rich volcanic soils, this suggests the possibility of successful replication in Rwanda.

The critical requirements for successful exports are compliance with the sanitary and phytosanitary standards of importing countries and the efficient organization of logistics (essential to the export of perishable products). Foreign investors have helped meet these requirements in Kenya and could do so in Rwanda. The Government is also negotiating air cargo capacity. Regulations and procedures for importing key inputs (seeds, fertilizers and equipment) have been streamlined and a strong institutional base has been put in place to support the sector, including out-grower education and skill-development, quality and certification programmes.

In 2009 according to the Food and Agriculture Organization of the United Nations (FAO), Rwanda exported US$ 3.25 million worth of fruits and vegetables. These included US$ 1.37 million of dry beans, US$ 334,000 of green beans, US$ 22,000 of carrots and overall US$ 42,000 of fresh fruit and US$ 5,000 of tropical fruit. With demand growing in both Western and Middle Eastern markets for fruits and vegetables, buoyed by a trend towards more healthy eating, opportunities exist in this sector. Opportunities also exist in selling highland crops grown in Rwanda to the lowland regions of the EAC.

With regards to floriculture, while attempts have failed in the past due to sanitary and phytosanitary standards and market uncertainty, the Government is keen to promote investment in this sector and has earmarked 200 ha of land in the Eastern Province for a flower farm. With an investment in the form of
a public private partnership of US$ 21 million it believes that production could start at 60 million stems a year initially, rising to 95 million stems a year.

**Other opportunities: herbal products**

Rwanda’s high altitude, soil composition and climate could also lend themselves to the production of other high-value, low-bulk agricultural products for export. Specifically, conditions may be particularly suitable for herbal products, to be used in medicines, health supplements or cosmetic products. The global market for herbal products is estimated to reach US$ 93 billion by 2015. Indian investors have been prominent in this area and may find the potential in Rwanda of much interest.

**Mining**

Rwanda is part of the Kibaran rock system, rich in mineral deposits, stretching from the northern United Republic of Tanzania through southwestern Uganda, Rwanda, Burundi, eastern Democratic Republic of the Congo, Zambia and Angola. The principal mineral output is casseterite (tin), coltan (niobo-tantalite), wolfram (tungsten) and gold. However, the full geological potential or Rwanda remains to be discovered. Box IV.4 identifies possible mineral targets for the sector, taking into account current mining activities and those in adjacent countries.

The country’s mining sector consists mainly of artisanal miners, cooperatives and a limited number of private industrial mines, of which some result from privatization. The sector contributed 1.24 per cent of GDP in 2010 with revenues of US$ 67.7 million, up from US$ 10 million in 2003. The Government’s strategy is to increase the size of the industrial mining sector.

Foreign investors already established include Transafrica (Belgium), Kivu Gold (Canada), Rogi Mining (Russian Federation) in gold; and Mineral Supply Africa (United Kingdom and Belgium), Sotraco (Switzerland), Rutongo Mines (South Africa) in the three major mineral elements of tin, tungsten and niobo-tantalite.

The sector is regulated by the Rwanda National Resources Authority (RNRA) under the Ministry of Natural Resources. The overarching law is the 2008 Law on Mining and Quarry Exploitation. It describes the requirements to obtain a two-year prospecting licence and a subsequent four-year research licence and how to convert these into five-year renewable small mine exploitation licence (up to 40 metres deep) or a 30-year renewable vast mining concession licence and accompanying exploitation agreement. It also details procedures to obtain a quarry exploitation licence. Together with the implementing decrees it also details issues related to environmental impact, transfer of licences and taxes (see Table IV.1).

It should be noted that Rwanda provides a stability clause fixing the fiscal framework in

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**Box IV.4 Possible Mineral Targets**

- Tin, coltan and wolfram: provides short to medium term investment opportunities. Currently all production has a ready market.
- Base metals: known occurrences of nickel and others in neighbouring countries provide an indication of their possible presence. Requires long term exploration strategies.
- Precious metals: likely small occurrences of gold and possibly associated silver. There are larger deposits being exploited in the Democratic Republic of the Congo and the United Republic of Tanzania, which have yet to be identified in Rwanda.
- Rare earth minerals are known and could provide a rapid return for the electronic and similar markets.
- Semi-precious gemstones: there may be some potential, but it is most likely to be small scale, and therefore accessible to local as well as specialist foreign investors.
- Others: industrial minerals, such as talc, kaolin, travertine, dolomite, sand, clay, diatomite, etc., which will be important in building infrastructure.

Source: UNCTAD.
force at the start of an exploitation licence for the duration of that licence. However, if during that period, the fiscal framework changes in the investor’s favour, the investor may opt to benefit from those changes.

**Table IV.1. Principal fiscal features of the mining sector**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospecting stage</td>
<td>Right to temporarily import all equipment free of duty</td>
</tr>
<tr>
<td></td>
<td>Full relief from:</td>
</tr>
<tr>
<td></td>
<td>- corporate income tax</td>
</tr>
<tr>
<td></td>
<td>- capital gains tax</td>
</tr>
<tr>
<td></td>
<td>- VAT on imports (on condition of being registered as investor)</td>
</tr>
<tr>
<td>Research stage</td>
<td>Right to temporarily import all equipment free of duty</td>
</tr>
<tr>
<td></td>
<td>Full relief from:</td>
</tr>
<tr>
<td></td>
<td>- corporate income tax</td>
</tr>
<tr>
<td></td>
<td>- capital gains tax</td>
</tr>
<tr>
<td></td>
<td>- VAT on imports (on condition of being registered as investor)</td>
</tr>
<tr>
<td>Exploitation stage up until first production</td>
<td>Full relief from:</td>
</tr>
<tr>
<td></td>
<td>- corporate income tax</td>
</tr>
<tr>
<td></td>
<td>- capital gains tax</td>
</tr>
<tr>
<td></td>
<td>- VAT on imports (on condition of being registered as investor)</td>
</tr>
</tbody>
</table>

**Fees paid for extractable mining and quarry**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Fee per unit produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospecting stage</td>
<td>25 RWF per ha per year</td>
</tr>
<tr>
<td>Research stage</td>
<td>100 RWF per ha per year</td>
</tr>
<tr>
<td>Exploitation stage up until first production</td>
<td>200 RWF per ha per year</td>
</tr>
<tr>
<td>Exploitation stage as of first production</td>
<td>200 RWF per ha per year</td>
</tr>
<tr>
<td>Exploitation of quarry</td>
<td>5 RWF per square metre extracted</td>
</tr>
</tbody>
</table>

**Taxation of Mining Activities**

| Taxation of quarry licences | Eligibility for a licence 15,000 RWF                                                 |
|                            | Renewal of a licence 25,000 RWF                                                       |
|                            | Transfer of a licence 25,000 RWF                                                       |
|                            | Assignment of a licence 25,000 RWF                                                     |
|                            | Renting out a licence 25,000 RWF                                                       |
|                            | Renouncing a licence 25,000 RWF                                                        |

**Taxation of mining licences**

| Prospecting Licence         | Eligibility for a licence 50,000 RWF                                                  |
|                            | Renting out a licence 25,000 RWF                                                        |
|                            | Renouncing a licence 25,000 RWF                                                         |
| Exploration Licence        | Eligibility for a licence 100,000 RWF                                                  |
|                            | Renewal of a licence 175,000 RWF                                                        |
|                            | Transfer of a licence 175,000 RWF                                                        |
|                            | Assignment of a licence 175,000 RWF                                                      |
|                            | Renting out a licence 175,000 RWF                                                       |
|                            | Renouncing a licence 100,000 RWF                                                        |
| Small Mine Extraction Licence | Eligibility for a licence 150,000 RWF                                   |
|                            | Renewal of a licence 200,000 RWF                                                        |
|                            | Transfer of a licence 250,000 RWF                                                        |
|                            | Renting out a licence 250,000 RWF                                                        |
|                            | Renouncing a licence 150,000 RWF                                                        |
| Concession Licence         | Eligibility for a licence 250,000 RWF                                                  |
|                            | Renewal of a licence 300,000 RWF                                                        |
|                            | Transfer of a licence 350,000 RWF                                                        |
|                            | Renting out a licence 350,000 RWF                                                        |
|                            | Sale of a licence 1,000,000 RWF                                                          |
|                            | Mortgage of a concession 1,000,000 RWF                                                    |
|                            | Renouncing a concession 250,000 RWF                                                      |

Source: Ministry of Natural Resources.
An important consideration remains Rwanda’s location as it has an impact on the logistics lines for imports and exports. This becomes particularly significant for large industrial scale exploitation of base metals, which require bulk concentrates to be exported and plant and equipment to be imported. This suggests that a more profitable exploitation would lie in the exploitation of high value-added minerals that not require significant power such as precious metals, coltan and gemstones. However, Rwanda’s location is an asset for servicing and acting as a transit point for mining operations in eastern Democratic Republic of the Congo (see below).

A further consideration is the local skills base. The current profile of the mining sector means that investors will need to plan training of technicians, laboratory staff, mechanics and all the other skills required in mining. The Government facilitates work permits where skills cannot be found locally and can facilitate the establishment of training programmes with local educational institutions. Models for this are already present in neighbouring Uganda.

Given the size and unrealized potential of the mining sector, opportunities will mainly be of interest to short term investors such as juniors, who often concentrate on exploring to discover potential deposits and then seek a partner to develop any discovery, or entrepreneurs with knowledge of local investment conditions, who may be seeking to diversify.

Aside from exploration and development, opportunities also exist in the areas of mining supplies at every stage of the mineral investment cycle. This industry could equally serve the mining industry in eastern Democratic Republic of the Congo. Potential exists in:

- building products: steel fabrication (e.g., steel sections for mine buildings), cement supply and concrete products;
- consumables: mines are large consumers of tyres, fuel, lubricants, chemicals, explosives and grinding balls; and
- technical services: geological and mine engineering services, environmental engineering, drilling and construction will be extensively used as the industry develops.

### Privatization

The Government currently has a broad portfolio of assets consisting of wholly-owned or partly-owned companies across a range of sectors. These are managed by the Government Portfolio Department in the Ministry of Finance and Economic Planning. In order to promote private sector development, in line with Rwanda’s Vision 2020, the Government established the privatization programme in 1996. The Government sees the main objectives of privatization as (a) relieving the financial and administrative burden on the Government, (b) improving the efficiency, productivity and financial, accounting and budgetary discipline of the enterprises privatized, thus augmenting sources of government revenue, (c) ensuring more accountability, (d) reducing the size of the public sector in the economy and (e) broadening the ownership base of Rwandan enterprises and (f) stimulating Rwandans to participate in private ownership and to enhance entrepreneurship among Rwandans.

Since the programme came into force, 60 companies have been successfully privatized. Seven companies have been liquidated while 18 are awaiting privatization (see website www.rdb.rw for more details). One of the most successful examples of privatization so far has been Rwandatel, which is now the leading provider of high speed internet in the country. At the same time, three of the hotels privatized in the late 1990s, have now reverted to state ownership, following disagreement between the Government and buyers as to whether commitments to rehabilitate the hotels had been met.

Three methods of privatization are currently employed. The newest method, which the Government is keen to encourage further, is through the Rwanda securities exchange. An example of such a privatization is the Bralirwa Brewery. Another method is through public tender. For strategic enterprises calling for substantial investment and specific know-how the Government encourages public private partnerships.

For privatization by tender, which is managed by the RDB, the process begins with a public
invitation to tender in two parts, a technical offer and a financial offer. The technical offer is opened first and, if it is satisfactory, the financial offer is opened next. The results of the evaluations of the bids are presented to the Cabinet for a final decision. Divestiture is followed by monitoring to ensure that the buyer respects the terms of the contract and implements the business plan proposed. Table IV.2 provides a comprehensive overview of the procedure for privatization and the parties responsible for each step.

Public private partnerships (PPPs) are dealt with by the PPP secretariat in the Ministry of Finance and Economic Planning. The secretariat is charged with preparing feasibility studies and structuring the deals after which the RDB is charged with finding a strategic investor. However the international tender process may be commissioned by the Ministry directly for huge projects.

The Government is keen to encourage public PPPs, especially for the development of

| Table IV.2. Procedure for privatization by tender |
|-----------------|-----------------|-----------------|-----------------|
| **Step**         | **Activity**                                            | **Parties involved** | **Outcome**                          |
| Preliminary phase| Contacting responsible ministry to obtain authorization for the sale of government assets under their supervision | RDB | Notification of potential government assets for sale |
|                  | Contacting board of directors, site visits and contact with personnel | RDB | Obtain information and gather stakeholder support for the sale |
|                  | Drafting terms of reference for consulting bids for auditing the proposed enterprises | RDB | Commission consultant or consultancy firm to perform audit |
| Diagnosis and statutory framework | Perform diagnostic financial, legal and social audit | Consultant and RDB | Present audit report to RDB with recommendations |
|                  | Liquidation | Consultant and RDB | Liquidate company in line with regulations |
|                  | Commission valuation of government asset through tender process | RDB | Invitation to tender submitted, best bidder selected and valuation completed with valuation report submitted to RDB by consultants |
| Selling the Government asset | Invitation to potential investors to tender for purchase of government assets | RDB | Potential bidders are invited and submit their proposals |
|                  | Evaluation of tender | RDB and representatives of relevant government agencies | Best bidder identified with one or two reserve bidders (runner up bids) |
|                  | Cabinet paper written to seek approval for sale of the government asset to best bidder | RDB and representatives of relevant government agencies | Cabinet approval or decline |
|                  | Once approved best bidder is notified and negotiations commence | RDB and representatives of relevant government agencies | Sale completed, contracts signed, regularization of workers and recovery of debts |
| Monitoring and evaluation | Follow up on business plan execution and implementation of agreements. This takes on average 5-7 years | RDB | Ensure business plan is implemented as per the proposals during sale |
|                  | Recovery of money owed to the government with regard to the sale in case the asset was not totally paid for | RDB | Recover money owed to the government |

Source: RDB.
infrastructure. Opportunities identified so far include Bugesera International Airport to replace the current international airport at Kigali; a railway to link Kigali to the United Republic of Tanzania; Hydro power plans at Rusizi and Rusumo; and geothermal methane power generation.

Whichever method chosen, it should be recalled that the process of privatization involves a process of negotiation with government and clear communication is key.

Other opportunities

Transport and logistics

Despite Rwanda’s location bridging EAC and the Democratic Republic of the Congo, getting goods in and out of the country remains a logistical challenge, mainly for reasons outside the control of the Rwanda authorities. This includes congestion at the port of Dar es Salaam, an approximate seven-day delay to clear goods through Mombasa or Dar es Salaam ports, and the time for containers to arrive by truck or a combination of train and truck from Kenya, through Uganda and to Rwanda (for 70 per cent of imports), or from the United Republic of Tanzania. In total a container can take between two and three weeks to arrive in Kigali following the arrival of the ship at port. At the same time, roads within Rwanda are of good quality and Rwandan customs clearance is appreciated by investors as being swift. However, a greater presence of logistics operators will enable investors and traders in Rwanda to find better solutions to their needs. Currently they need to group together to fill a container.

Already present in Rwanda and making use of the location as a hub for the regional market are SDV Transami (part of the Bolloré group), World Freight Panalpina, AGS Fraser’s of South Africa and Maersk. However, with the growth in retail and wholesale businesses as well as the boom in construction, significant opportunities for investment exist in this sector.

Manufacturing

While Rwanda’s internal market remains small, there are opportunities for small investors for import substitution. The country runs a substantial trade deficit because it imports just about everything. This offers opportunities for import substitution, for example in consumer goods, the largest category of imports. Current manufacturing takes place in beer, soft drinks, cigarettes, sugar, wheelbarrows, soap, cement (see Box IV.5), mattresses, plastic pipe, roofing materials, textiles and bottled water. Being a landlocked country with high transport costs, also means that there is a certain natural protection for investors in the country. The Government is making available industrial land through the Kigali Free Zone.

Box IV.5. African Development Bank finances cement plant

In October 2010, the African Development Bank (AfDB) approved a US$ 30 million loan to finance the construction of a 700,000 tonne per annum cement plant in Rwanda that will replace the existing 100,000 capacity plant. The aim is to make up for cement supply shortage and satisfy local demand, which continues to be high, mainly driven by housing sector growth and infrastructure development. The plant will also operate several open-pit quarries located near the plant site.

The project will be the Bank’s first private sector industrial investment in Rwanda, and one of the largest industrial investments in the country. It will therefore pave the way for other private sector projects by demonstrating local entrepreneurs’ ability to initiate large transactions with significant knock-on effects on the national economy.

The operation will further boost the construction sector and foster economic growth. It is estimated that 285 jobs will be created. It will also provide additional resources to the Government in terms of foreign currency savings through import substitution, as well as improve regional trade within the EAC.

Source: African Development Bank.
Free economic zones and incentives

Although no free economic zone currently exists in Rwanda, the Government is in the process of building a free economic zone in Kigali to serve as a commercial platform to access the regional market. Land for the FEZ has been acquired at Nyandungu, east of Kigali, about 15 km from the city centre and about 5 km from the Kigali International Airport. Initially, 100 hectares are to be developed, with expansion occurring as needed.

The FEZ is envisaged as a mixed-use free zone covering a diversity of uses:
• Industrial: logistics, warehousing, merchandizing, distribution centres, light and medium manufacturing, processing, relabelling, and assembly;
• Commercial: call centres, conference and training centres, offices, showrooms, banking facilities Administrative and institutional: customs facilities, operational and maintenance facilities, religious facilities, day-care facilities, parking structures, fire and police stations;
• Utilities-related: water treatment and storage facilities, sewage units, power stations, telecommunication switching and distribution centres;
• Petroleum-related: storage tanks, head office functions, maintenance; and
• Other: open spaces for recreational and landscaping purposes The targeted sectors include coffee/tea, horticulture (cold storage), ICT, textiles and apparel, petroleum (storage), dry goods (warehousing and merchandizing), and high-value trading and crafts.

In order to be located within a FEZ and therefore benefit from the duty free import of goods and inputs and other fiscal incentives described in chapter III, an investor must meet one of the following conditions:
• qualify to be in an export commodity processing zone (EPZ) or single enterprise considered as export processing zones (SEEPZ) by being a manufacturing company that exports at least 80 per cent of production or a professional financial and technical investment enterprises engaged in export of services; or
• qualify to be in free trade zone (FTZ) by being a trading enterprise that exports at least 80 per cent of production.
This chapter summarizes the results of consultations with the private sector in Rwanda. The consultations were carried out through individual meetings with investors, firm managers and representatives of business associations.

This summary should be seen as no more than indicative of private sector opinion in Rwanda.

General observations

Overall, investors were positive about their decision to establish in Rwanda. They cited the absence of corruption, the ease of doing business and the advantage of getting early into the market. Many also cited the proactive role being taken by the Government to integrate with the surrounding region.

Specific points

Licensing procedures

Investors cited the speed and simplicity with which they were able to register their businesses (two to three days). They appreciated the transparency of the system and that the rules were closely followed. Furthermore, they generally did not report encountering significant difficulties with obtaining the licences necessary to establishing and maintaining their operations. Investors noted that obtaining work permits did not present a challenge, nor purchasing land, although given the country’s density, land itself is not easy to come by and investors were therefore not always able to obtain the amount of land expected or required.

Human resource and labour issues

Finding suitably qualified and able human resources locally was cited as a challenge, especially for managerial positions. Companies had to invest significantly in training and complement with senior ranks with expatriate labour, often from Kenya (although obtaining work permits was problem-free). However, local staff learnt quickly and were reliable and hard working. No industrial labour problems were mentioned.

Infrastructure

Overall investors were positive about several aspects of the country’s infrastructure. This included roads within the country, telecommunications and the availability of fibre optic connections to the outside world. Concerns were raised about road transport to the surrounding region and specifically about getting containers from sea ports to Kigali. Delays of three weeks to one month were cited although it was made clear that this was due to factors beyond the jurisdiction of the Rwandan authorities. Indeed, Rwandan customs clearance was praised for its speed and efficiency. Power supply within Kigali was reliable but was not present everywhere in the country. Investors, especially in the tourism sector, were pleased with the efforts being made by the Government to attract foreign airlines and to expand the reach of the national carrier. With regards to financial infrastructure, investors noted that the arrival of more foreign banks had increased competition and driven down costs. However, while improving, access to liquidity remained a concern.

Dealing with Government

Investors appreciated the pro-business stance of the Government and the speed with which licences could be obtained. However, concerns were raised that once installed, there seemed less interest in taking on board the needs of investors. The Rwanda Revenue Authority was cited as being particularly rigorous in auditing companies and while this was done transparently it was felt that the agency did need to show greater flexibility in interpreting particular and unusual circumstances applicable to companies with international exposure.

Investors were impressed with the speed at which some legislation was being renewed. However, there were concerns that it could sometimes be hard to keep up and that
legislative requirements were sometimes beyond the needs of a small developing country and the abilities of the kind of investors who would be attracted; although the Government’s strategic ambitions were acknowledged.

Some investors also raised concerns about the presence of Government-owned companies and agencies competing – some felt with an inbuilt advantage – with the private sector. This included in the sector of banking, pensions and insurance, although it was understood that the creation of such institutions had been an important stage in Rwanda’s early development path. Investors felt the Government sometimes needed to better understand the economic role that the private sector could play.

**Quality of life**

Investors were keen to highlight the quality of life in Rwanda. They pointed to its pleasant climate, landscapes, wildlife and virtually crime-free environment. With a strong police presence and well-maintained roads, driving was safe. There was also a ready availability of broadband internet and 3G phone access. There are three international schools, of which one, the Belgian school, provides instruction in French. Housing is easy to come by and rents are reasonable.

A good range of flights mean that expatriates can easily reach other destinations in the region for the weekend.
APPENDIX I. PUBLIC HOLIDAYS AND BUSINESS HOURS

LIST OF PUBLIC HOLIDAYS IN 2012

The official Rwandan holidays for 2012 are:

<table>
<thead>
<tr>
<th>Date</th>
<th>Holiday</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January</td>
<td>New Year Day</td>
</tr>
<tr>
<td>1 February</td>
<td>Hero’s Day</td>
</tr>
<tr>
<td>6 April</td>
<td>Good Friday (a)</td>
</tr>
<tr>
<td>7 April</td>
<td>Genocide Memorial Day</td>
</tr>
<tr>
<td>1 May</td>
<td>Labour Day</td>
</tr>
<tr>
<td>1 July</td>
<td>Independence Day</td>
</tr>
<tr>
<td>4 July</td>
<td>Liberation Day</td>
</tr>
<tr>
<td>15 August</td>
<td>Assumption Day</td>
</tr>
<tr>
<td>19 August</td>
<td>Eid-al-Fitr (a)</td>
</tr>
<tr>
<td>25 December</td>
<td>Christmas Day</td>
</tr>
<tr>
<td>26 December</td>
<td>Boxing Day</td>
</tr>
</tbody>
</table>

(a) The dates of these public holidays vary from year to year in accordance with the lunar calendar.

BUSINESS HOURS

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government working hours</strong></td>
<td>7 a.m. to 4 p.m., Monday to Friday, with a one-hour lunch break.</td>
</tr>
<tr>
<td><strong>Private-sector working hours</strong></td>
<td>8 a.m. to 5 p.m., Monday to Friday, with a one-hour lunch break. Most private-sector organizations also work half days on Saturday.</td>
</tr>
<tr>
<td><strong>Banking hours</strong></td>
<td>8 a.m. to 5 p.m., Monday to Saturday.</td>
</tr>
<tr>
<td><strong>Shopping hours</strong></td>
<td>Most shops are open from 8 a.m. to 6 p.m. on weekdays. Some are also open during weekends from 8 a.m. to 5 p.m.</td>
</tr>
</tbody>
</table>
APPENDIX II. BIBLIOGRAPHY


East African Community (2009), EAC Common External Tariff.


APPENDIX III. LAWS RELEVANT TO FOREIGN INVESTORS

Privatization and Public Investment Law, 1996;
Protection and Conservation of the Environment Law, 2003;
Constitution of Rwanda, 2003;
Income Tax Act, 2005;
Value Added Tax Act, 2005;
Customs and Excise Act, 2005;
Investment Law 2006;
Land Law 2005;
Arbitration and Conciliation Law, 2009;
Companies Law, 2009;
Law on Secured Transactions in Movable Property 2009;
Law Relating To Commercial Recovery And Settling Of Issues Arising From Insolvency, 2009;
Labour Law, 2009;
Insurance Law, 2009;
Protection of Intellectual Property Law, 2009;
Credit Information Systems Law, 2010;
Competition and Consumer Protection Law, 2011.