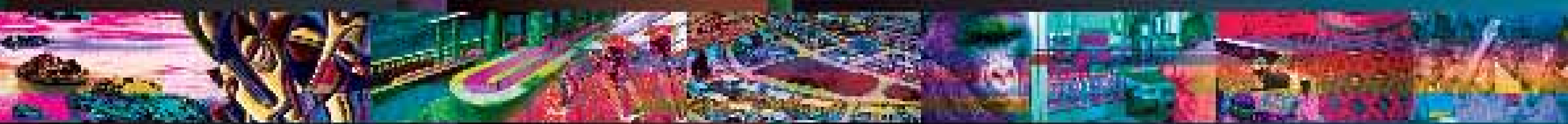
Rwanda



An Investment Guide to Rwanda

Opportunities and conditions
October 2006

United Nations

International Chamber of Commerce
The world business organization

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NATIONS UNIES
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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 192 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 judgment 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.

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.

UNCTAD/ITE/IIA/2006/3

Three good reasons to invest in Rwanda

• An investor-friendly attitude

The Government of Rwanda is acutely aware that achieving the objectives of its *Vision 2020* requires a substantial contribution by foreign investors, who need to be welcomed and assisted on the ground. This awareness is reflected in several ways in the investment regime. Starting a business is much easier and faster in Rwanda, according to the World Bank, than it is in any of its neighbours (including Uganda, which has an established business-friendly reputation). So is registering property. There are no sectors that are barred to foreign investors and no restrictions on the percentage of equity they might hold. The Constitution of 2003 also guarantees investors against expropriation, except in the public interest and with fair and prior compensation, which may be repatriated.

• Varied opportunities

Rwanda offers investment opportunities in just about every field, many focussed on the local market and some on markets abroad. There are opportunities in manufacturing, where Rwanda's landlocked nature and the high cost of imports offer a certain natural protection to small investors targeting the local market (and later perhaps the regional one, to which Rwanda's strategic location provides good access). There are opportunities in agriculture: in the processing and export of coffee and tea, as well as in the virtually unexploited potential in horticulture and herbal products, where the terrain and climate are strong advantages. Then there is tourism, where the great asset is the mountain gorillas in Virunga but there is also a great diversity of fauna and flora and Lake Kivu in the west. Finally, the Government has made information and communication technology (ICT) a high priority and is in the process of developing a TechnoPark near Kigali to facilitate investment in this area.

• Soft assets

There are some very special features of Rwanda that are little known abroad, where the overriding association of the country is with the genocide of 1994. For one thing, it offers a safe and peaceful environment, with very low levels of crime (not something that can be said of many countries in sub-Saharan Africa). For another, there is very little corruption in the country, another distinct advantage among African and indeed among developing countries generally. For a third, it has a strongly development-oriented Government, with a coherent vision of the future and a serious commitment to sustained reform. Lastly, Rwanda is an exceptionally beautiful country with a temperate climate (on account of its elevation), which would be very appealing to most foreign investors as a place to live in.




Acknowledgements

A great many individuals and institutions have contributed to this project and to the production of this guide. Although we cannot list each and every contributor, some merit special mention. These include the donors to the second phase of the investment guides project, specifically the Governments of Finland, Italy, Norway and Sweden; the UNDP office in Rwanda, which facilitated work in the country; the company executives and government officials who participated in the consultations in Kigali; our international lead consultant, Vishwas P. Govitrikar; and our consultants in Kigali: Simon Kalenzi, Richard Mugisha and Lucy Nkuranga.

The cooperation of the Rwanda Investment and Export Promotion Agency (RIEPA) was essential to the success of this project. Our thanks are owed to Williams Nkurunziza, its Director General, and to other RIEPA staff, including Clare Akamanzi and Rosemary Mbabazi.

This guide was prepared, with the assistance of consultants and advisers both external and internal, by a project team led by Anne Miroux. Valuable feedback or input was provided by a number of people, including Antoine Bigirimana, Quentin Dupriez, Beatrice Gakuba, Vincent Karega, Faustin Mbundu, Leonard Mungarulire, A.S. Natarajan, Justin Nsengiyumva, Raj Rajendran, M.S.V. Rao, A.P.S. Shaw, Francesca Tengera and Thérèse Uwamariya. Photographs were provided by the Privatization Secretariat, the Office of Tourism and National Parks and RIEPA. Administrative support was provided by Katia Vieu. The guide was edited by Chris MacFarquhar, and designed and typeset by Nelson Vigneault.

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 constitute exhaustive works of reference or provide 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. "Areas of opportunity" offers a description of areas of potential interest to foreign investors. "The regulatory framework" focuses on regulations governing investment and foreign direct investment in particular. The fifth and final chapter provides a summary of the perceptions of the private sector in the country, both foreign and domestic.

The primary source of further information for an investor wishing to explore investing in Rwanda is the Rwanda Investment and Export Promotion Agency (RIEPA) – see box on page 46. Contact details of selected sources of further information, including websites, are provided in appendix 3. Appendix 2 provides a list, including contact details, of some 60 foreign investors in Rwanda.

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 sixteenth 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

Guy Sebban
Secretary-General
ICC

The UNCTAD–ICC series of investment guides

PUBLISHED

- *An Investment Guide to Ethiopia,* 1999; revised edition in new format, 2004
- *Guide de l'investissement au Mali,* 2000; revised edition in new format, 2004
- *An Investment Guide to Bangladesh,* 2000
- *An Investment Guide to Uganda,* 2001; revised edition, 2004
- *An Investment Guide to Mozambique,* 2002
- *An Investment Guide to Nepal,* 2003
- *An Investment Guide to Cambodia,* 2003
- *Guide de l'investissement en Mauritanie,* 2004
- *An Investment Guide to Mauritania,* 2004
- *An Investment Guide to Kenya,* 2005
- *An Investment Guide to Tanzania,* 2005
- *An Investment Guide to East Africa,* 2005
- *An Investment Guide to Rwanda,* 2006

(The first editions of the guides to Ethiopia and Mali were published in cooperation with PricewaterhouseCoopers.)

FORTHCOMING

- *An Investment Guide to Mali,* 2006

Contents

The focus on technology by the Government of Rwanda provides a rare opportunity for technology companies to invest in this country and serve a significant regional market. E-Tools is impressed by the Government's commitment to technology-led development and delighted to be a part of Rwanda's economic transformation as envisaged in the Government's *Vision 2020*.

Antoine Bigirimana, President and CEO, Electronic Tools Company

Executive summary

Rwanda has made remarkable progress over the past decade. It has established a stable government, secured peace and safety in its territory, and begun restoring and reforming the economy. It has also articulated an inspiring vision of its future – *Vision 2020* – that sees the per capita GDP quadrupling over the next decade and a half. At the moment, it is, like most of its neighbours, a poor country, but it has come a very long way in just over a decade.

These facts about Rwanda are little known abroad. Almost the only thing that *is* known is that Rwanda was the scene of one of the most appalling tragedies of recent years: the 1994 genocide that claimed the lives of about one-tenth of the population and sent twice as many into exile. However, although this painful recent history is known, the extent to which it *is* history is not. The primary purpose of this guide is to help the reader see that Rwanda today is far more than a place with a tragic past; it is a place with a future that has much to offer discerning investors.

Why Rwanda?

So why should foreign investors take an interest in a landlocked country with a limited market? Here are some reasons.

First and foremost, Rwanda is virgin territory for investors. The domestic market may be small but it offers opportunities across the board, as so few goods and services are locally produced. 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. The very fact that this is 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 East Africa, who would have the advantage of a general familiarity with business conditions in the region.

Next, Rwanda has some major soft assets. It has a stable government with a remarkably clear and coherent vision of where it wants to take the country. Some of its plans may strike the outsider as over-ambitious but there is no doubting the commitment behind them. It is also a country which current investors regard as being notably free of corruption, a feature that makes it stand out not only in its neighbourhood but in sub-Saharan Africa more generally. And then there is the little-known fact – one particularly striking against the background of recent history – that Rwanda is a remarkably safe country, with low levels of crime and other disturbances of the peace.

Finally, Rwanda can serve as a hub to access a regional market with some 120 million consumers. As a small country with a relatively very 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) and one of the 11 COMESA members who have formed a free-trade area. Fairly soon, it is expected to join the East African Community (see box I.2 in chapter I), which plans political federation by 2013. 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 (see box III.4 in chapter III).

Opportunities for investors

As noted above, opportunities in Rwanda are to be found everywhere, although many of these would be focussed on the small domestic market. Local production is limited but so is local competition. There is a severe shortage of skills but there are corresponding opportunities for investors who can bring their skills and help enhance domestic ones. (UNCTAD's *Investment Policy Review* of Rwanda, being published concurrently with this guide, has recommended a skills attraction and dissemination programme to the Government.)

There are also more specific opportunities in several sectors, some of them focussed on the export market, for example in agriculture and tourism. 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. There are opportunities in building new washing stations for coffee and opportunities through privatization in tea (see appendix 5 on privatization). Beyond these traditional exports, there are opportunities in the nearly unexploited fields of horticulture, floriculture and herbal products (see chapter III on opportunities).

Tourism is the other major area of opportunity. The best known tourism asset is, of course, the mountain gorillas in the national park at Virunga. Although tourist numbers continue to be low – mainly on account of the country's misleading image as an unsafe place – tourism receipts have recovered and could go much higher. Nor are gorillas all there is to Rwanda. Known as the land of a thousand hills, this is an exceptionally beautiful country. It has an extraordinary 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 many and varied: hotels and lodges, entertainment facilities, restaurants, tour operations, and training services (for which there is a major need).

The Government is particularly keen on attracting investors in ICT-related activities and is setting up a TechnoPark near Kigali to encourage this. At the moment, telecom and computer penetration is very shallow. However, this is changing and the Government itself is taking the lead in the computerization of services (see the section on ICT in chapter III.) Energy is another high-priority area. The state-owned Electrogaz is unable to meet even the very limited electricity needs of the country and back-up generators are widely used by the private sector. Although some independent power producers are already in operation, more would be most welcome. In manufacturing, there may be prospects for exporters who can take advantage of the preferential treatment offered by the US AGOA and the European EBA (box III.7 in Chapter III).

Difficulties facing investors

The difficulties investors are likely to encounter in Rwanda derive primarily from two sources. One is the landlocked nature of the country. Not only does this mean higher costs because of long land-transport routes, it also means dependence on the infrastructure and administrative procedures of neighbouring countries with coastlines: Kenya and Tanzania. The state of roads and railways in these countries is very far from what it might be and the port at Mombasa has long had a reputation for delays and difficulties. Rwanda has the highest imported freight service costs in the region, which are nearly three times the African average.

The second source of difficulties is the long-term damage done to physical and institutional infrastructure by the genocide of 1994. The lack of investment and maintenance in electricity, for example, plagues Rwanda to this day, as investors identify the cost of power and the erratic nature of its supply as the main constraint on doing business in Rwanda. The damage to human resources and institutions has been equally severe. Rwanda was never abundantly supplied with highly developed skills but the genocide made things much worse. Professionals, including those in the judiciary, were particularly targeted in 1994 and the legal system pretty much ground to a halt. The result has been continuing weakness in the system.

(It is worth noting in this context, however, that the Government has been moving aggressively to remedy these deficits. A number of new laws have been passed by parliament or are being reviewed by it: for example, the laws on income tax, customs and VAT became operative in January 2006 and bills on Public Procurement and Intellectual Property Rights are currently before parliament. The Government has also set up a Business Law Reform Commission to advise it on other legal lacunae and a law school in Nyanza to improve the quality of legal training.)

Investment trends

Measured in dollars of foreign direct investment (FDI) per $1,000 of GDP, Rwanda once did better than most East African countries (see table II.3 in Chapter II). But the post-genocide picture is very different. Tanzania, Uganda and Ethiopia have all attracted proportionately far more FDI in the past decade than Rwanda – and note that two of these three are also landlocked countries. In recent years, privatization has accounted for much of the FDI value, as the privatization of 40 enterprises has brought in about $37 million in foreign investment, over half of this being accounted for by the sale of Rwandatel to the US-based Terracom. According to the figures of the Rwanda Investment and Export Promotion Agency (RIEPA), *registered* FDI (which is planned or proposed rather than actual FDI) doubled in 2005 over 2004, and went mainly into manufacturing, retail trade, mining and construction. The principal sources of this investment were some European countries (Belgium and France being prominent), some African countries (Kenya and South Africa) and India. The FDI trend is now positive and, given a number of Government measures, including the setting up of RIEPA, significant growth is possible.

Prospects and challenges

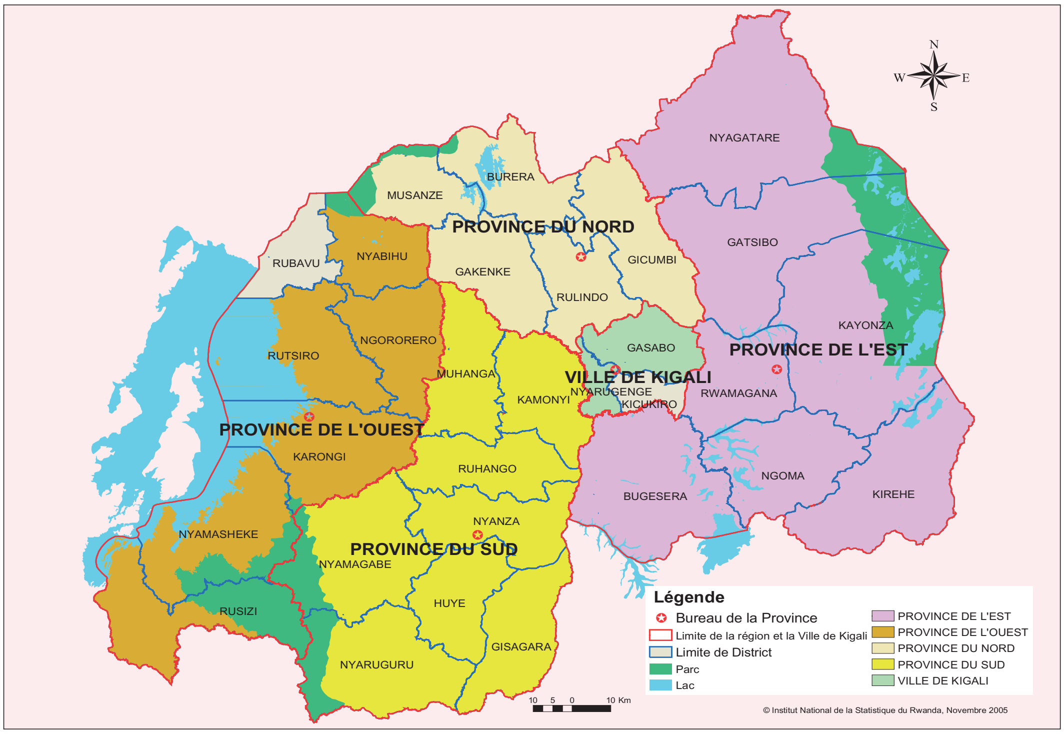
Rwanda has staged a remarkable recovery over the past dozen years. Security, stability and clean governance are impressive accomplishments for a country that went through what Rwanda did in the mid-1990s. What the Government hopes to accomplish in the *next* decade and a half is clearly stated in its *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). But there are things that Rwanda can do and do relatively quickly to attract much more foreign investment than it has attracted so far. Above all, it can create a welcoming, supportive and predictable business climate. The creation of RIEPA is one element in this which is already in place. Improving the legal framework for investment is another element that is partially in place (as outlined in chapter IV on the regulatory framework). A third element is better and more aggressive marketing to counter the country's negative image abroad, in which this guide should be of some use. All in all, considering the committed and deliberate fashion in which the Government is approaching its challenges, it is very likely that Rwanda will attract progressively more FDI over the next decade.

Rwanda at a glance

Official name	Republic of Rwanda
Political system	Unitary state with multiparty democracy
Head of state and government	President Paul Kagame
Political parties	The Rwandan Patriotic Front (RPF) leads a coalition government that includes the Centrist Democratic Party (PDC), the Rwandan Labor (formerly Socialist) Party (PSR), the Ideal (formerly Islamic) Democratic Party (PDI), the Democratic Popular Union (UPDR), the Social Democratic Party (PSD), the Liberal Party (PL), and the Concord Progressive Party (PPC).
Next election date	2010
Surface area	26,338 sq. km
Population	8,648,248
Population density	328 per sq. km (Rwanda is the most densely populated country in Africa.)
GDP per capita (2005)	$250 (at purchasing power parity: $1,263)
Currency	Rwandan franc (Rwf)
Exchange rates (August 2006)	$1 = Rwf 553 €1 = Rwf 705 ¥100 = Rwf 475 Rand 1 = Rwf 81 Ksh 1 = Rwf 8 Tshs 2.3 = Rwf 1 Ushs 3.35 = Rwf 1
Official languages	Kinyarwanda, French and English. Kiswahili is also used in commercial hubs.
Principal religions	Christian 93%, Muslim 5%, indigenous African and other 2%.
Time zone	GMT + 2
Climatic conditions	Tropical but mild because of elevation. Two rainy seasons: March-May and October-November. Frost and snow possible in the mountains. Average temperature 24ºC (maximum of 34ºC during the day and minimum of 10ºC at night). Average in Kigali 19ºC.
Main cities/towns and their populations	Kigali (capital) 603,049 Butare 77,217 Ruhengeri 71,511

Source: UNCTAD, drawing on various sources.



Source: Institut National de la Statistique du Rwanda, 2005.

Source: UNCTAD, based on map of Africa by United Nations Cartographic Section, 2004.

Introducing Rwanda

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 8.6 million inhabitants, the country has a population density of about 328 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, 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 Tanzania are approximately 1,600 and 1,300 km respectively.

The population is overwhelmingly rural – about 90% – although agriculture accounts for only about 40% of GDP. The skill base of the population is weak and has been severely damaged by the genocide of 1994. The Government is currently pursuing an ambitious programme of human resource development, emphasizing highly skilled labour in particular. Rwanda currently has the relatively high population growth rate of 2.5%.

History and government

By the late 19th century, Rwanda (a somewhat larger territory than it later became) was a unified monarchy under a king known as the *Umwami*. The agreement among the mainly European powers that participated in the Berlin Conference of 1884-85 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. During the colonial period, the distinction between the cultivator Hutus and the cattle-herder Tutsis was overemphasized and the relations between them exacerbated, although the two 'groups' had always shared a common culture and language and had also frequently inter-married.

After World War II, Belgium began moving towards granting independence to the territory. As independence came closer, the somewhat artificial division between Hutu and Tutsi came increasingly to be exploited for political purposes, leading to a violent civil upheaval in 1959. In 1962, Belgium withdrew and Rwanda became independent. The post-independence era provided no respite from political divisiveness. Major General Juvénal Habyarimana, who had staged a coup to take power in 1973, founded the *Mouvement révolutionnaire national pour le développement* (MRND) in 1975 and ran a one-party state, until forced to opt for a multiparty system in 1991. Among the proximate causes of this change was an incursion in October 1990 by the Rwandan Patriotic Front (RPF) and its military arm, the Rwandan Patriotic Army (RPA), from Uganda, which had sheltered large numbers of Rwandan refugees. In 1992, the Habyarimana Government agreed to start negotiations with the RPF, which were hosted by the Government of Tanzania and carried out in Arusha, Tanzania. The Arusha Peace Agreements of 1993 were supposed to lead to a coalition government with the RPF but they were widely disliked in the MRND. The next year, 1994, came the genocide – see box I.1 below.

The victorious RPF formed a government of national unity in late 1994, focusing on reconstruction, security, and reconciliation of all Rwandans under one nation. The first election was held in August and September 2003, preceded by a referendum in May to approve a new constitution. The presidential election was won by Paul Kagame, who had led the RPF to victory as military commander and then served as Vice-President, with 95% of the vote. The election for the Chamber of Deputies produced a total of seven parties holding 53 seats, the RPF holding 33 of them. The Government of Rwanda is firmly committed to rooting out the ideology of ethnic division and build on the common Rwandan culture and identity.

Among the main features of the new constitution, approved in the referendum of May 2003 and adopted by Parliament in June 2004, are the following:

- The equality of all Rwandans is recognized and the rights to life and liberty are guaranteed.

- There is a special commitment to fighting the ideology of genocide in all its manifestations and eradicating ethnic, regional and other divisions. Political parties are specifically forbidden to base themselves on racial, ethnic, tribal or religious identity.

- Private property is declared to be inviolable and expropriation is forbidden, except in the public interest and with fair and prior compensation.

Box I.1. The genocide and its aftermath

The Arusha Agreements (see History and government above) were still mostly unimplemented when, on 6 April 1994, the plane carrying President Habyarimana back from Arusha crashed as it was about to land at Kigali airport. This triggered a takeover by a provisional government that sidelined the government nominally in charge, headed by Prime Minister Agathe Uwilingiyimana. The killings, targeting Tutsis and moderate Hutus, began the next day in different parts of the country. The Prime Minister and her family were killed early on the morning of 7 April. The speed and spread of the killing suggested that it had long been planned.[1]

The killings targeted first Tutsis and then moderate Hutus who opposed ethnic extremism and the killing of innocents. They continued for something over three months and stopped more or less when the RPF took Kigali on 19 July. There is still some uncertainty as to the number of persons actually killed in the murderous months of 1994 but the figures range between 500,000 and 800,000. In addition, a further 100,000 to 200,000 persons were forced to flee Rwanda for neighbouring countries.

As the RPF established itself in Kigali and moved to control the western parts of the country, there were yet more refugees – nearly 2 million people fled to Zaïre (now the Democratic Republic of the Congo – DRC) and Burundi. In mid-May, the United Nations recognized that "acts of genocide may have been committed" and strengthened the United Nations Assistance Mission for Rwanda (UNAMIR).

The consequences of the genocide have been grim and long-lasting. Rwanda itself has had to deal with a decimation of its population, a massive social dislocation, the widespread destruction of property, significant damage to its limited reservoir of human resources (as those killed included many of the most highly qualified Rwandans) and consequent damage to the Government's institutional memory. The consequences have spread beyond Rwanda, into the DRC where most Rwandan refugees had fled. Although stability has yet to return to the DRC, a majority of those who had fled Rwanda in the wake of the RPF victory have now returned and the threats of incursion and destabilization have mostly disappeared.

The Government of Rwanda has put in place a system of traditional community courts (Gacaca courts) to bring certain categories of genocide-related crimes to trial, provide justice, and promote healing and reconciliation. Crimes involving planning or people in positions of authority remain within the competence of the national courts. In addition, in November 1994, the Security Council passed Resolution 955 creating the International Criminal Tribunal for Rwanda (ICTR), with jurisdiction to prosecute those responsible for genocide and related crimes in Rwanda in 1994. The ICTR is based in Arusha, Tanzania, and has secured the arrest of some 70 persons and completed the trials of 8 of them.[2]

Rwanda today

It is important to note that, twelve years after the genocide, Rwanda is a very different country from what it was for most of its post-independence history. Foreign investors speak of it as one of the safest places in Africa, as well as one of the least corrupt. It also has a development-oriented Government committed to the transformation of the economy into a regional hub for services and industry. Clean, committed and peaceful, Rwanda is now an investment location well worth considering.

Sources: Columbia Encyclopedia (2005), CIA website (2005), Dallaire (2003), Economist Intelligence Unit (2005), Government of Rwanda website (2005), Human Rights Watch website (1999 and 2004), ICTR (1998), Institute for Security Studies (2005), et al.

[1] Indeed, as early as 11 January 1994, the Force Commander of the United Nations Assistance Mission for Rwanda (UNAMIR), Major General Roméo Dallaire, had sent a telegram to the Military Adviser to the Secretary General, warning that weapons including AK-47s and grenades were being cached in various locations in the capital and that there appeared to be a plan to carry out large-scale massacres.

[2] On 2 September 1998, during the trial of Jean-Paul Akayesu (Case No. ICTR-96-4-T), the ICTR explicitly considered the question of whether the events of April through June 1994 constituted genocide and judged that they did.

• There is to be a 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. The President is also the Head of Government and the Commander in Chief of the Rwandan Defence Force (RDF), 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.

The past twelve years have led to some major socio-political achievements, including the restoration of peace, security, stability and personal safety; a zero-tolerance policy towards corruption; judicial and administrative reforms; regional integration; increased investment in education; and substantial progress towards national reconciliation.

Market size and access

The domestic market of Rwanda is small. Nonetheless, there are many opportunities particularly for small and medium-sized investors. Manufacturing is very limited in both scope and scale, and consumption is significantly dependant on imports, which are expensive. This, however, also offers import-substitution opportunities and a certain natural protection for locally based investors.

Moreover, the domestic market is by no means all there is to interest potential foreign investors. Rwanda is the natural location for supplying much of the eastern part of the Democratic Republic of the Congo (DRC). There is already considerable trade with the DRC, much of it unrecorded. As stability returns to the DRC, its population of 55 million (see table I.1. below) should offer a significant market. There are also markets on the eastern border, as Rwanda is expected soon to join the East African Community (EAC – see box I.2 below), which has some 100 million consumers. The country is also a member of the Common Market for Eastern and Southern Africa (COMESA). COMESA comprises 20 member States with a population of over 385 million and a total GDP of $180 billion (at purchasing power parity, $637 billion). This is one of the largest trading arrangements in Africa. A COMESA free-trade area (FTA) was launched in October 2000. Eleven of its member countries — Burundi, Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Zambia and Zimbabwe — have joined the FTA and reduced their import tariffs to zero on a reciprocal basis.

Beyond Africa, the country has preferential access, in some cases duty-free access, to a number of rich markets. The European Union's Everything But Arms (EBA) initiative offers LDCs, Rwanda among them, wide-ranging access to its markets. The African Growth and Opportunity Act (AGOA) of the United States offers most African countries including Rwanda duty-free access for over 6,000 items, including textiles and apparel. Rwanda is also party to the Cotonou Convention between the EU and the African, Caribbean and Pacific (ACP) countries. (See box III.7 in Chapter III.)

TABLE I.1. THE BROADER REGIONAL MARKET

COUNTRY	POPULATION	GDP [a]	GDP PPP [b]	GDP PER CAPITA [c]	GDP PER CAPITA PPP [d]
Millions	millions 2004	$ billions 2004	$ billions 2004	$ 2004	$ 2004
Burundi	7	0.7	5.0	105	677
DRC [e]	56	6.6	39.4	88	705
Ethiopia	70	8.0	52.9	113	756
Kenya	33	16.1	38.1	427	1 140
RWANDA	***9***	***1.8***	***11.2***	***250***	***1 263***
Tanzania	38	10.9	25.4	313	674
Uganda	28	6.8	41.1	267	1 478
Zambia	11	5.4	10.8	336	943

Source: Adapted from the World Bank (2005c).
[a] At current $. [b] At current international $. [c] At constant 2000 $.
[d] At current international $. [e] The Democratic Republic of the Congo.
Note: PPP = Purchasing power parity.

The Rwandan economy has shown one of the highest growth rates in sub-Saharan Africa over the past decade. In part, this is attributable to the recovery after the destruction of 1994. However, the growth rate has continued to be relatively high even after the country had attained stability. The backbone of the Rwandan economy remains agriculture, which accounts for about 40% of GDP and 90% of employment. The hilly terrain is difficult to cultivate and prone to soil erosion but also has its advantages when combined with the temperate climate. Tea and coffee continue to account for substantial portions of the foreign-exchange earnings from exports, although coffee prices have been declining. In 2005, Rwanda produced 16,800 tons of tea and 18,609 tons of coffee, coffee generating receipts of $26 million and $38 million respectively. Tea production is mainly in the hands of the nine tea factories in Rwanda, seven of which are still owned by the State, although slated for privatization. The quality of both tea and coffee can be exceptional and has been so recognized. To produce and export more high-quality tea and coffee, and to process more of it within the country, are challenges at the core of the Government's value-addition strategy. What is needed is an overhaul of production methods and greater attention to international standards. This calls for capital and expertise which foreign investors are best placed to supply. Incidentally, investors can draw upon the insurance against non-commercial risk offered by the Multilateral Investment Guarantee Agency (MIGA – see box III.1 in Chapter III) associated with the World Bank, as well as by the African Trade Insurance Agency (ATI).

Government priorities

The Government's overall objective is to reduce poverty and, more specifically, to increase GDP per capita from $250 to $900 by 2020. This ambitious plan is articulated in the Government's development roadmap *Vision 2020*, which was developed after wide-ranging consultations with all constituencies. The *Vision* identifies six 'pillars' on which the growth expectations will rest. These are: the reconstruction of the nation; an efficient State that unites and mobilizes the people; human resource development; the development of basic infrastructure;

Box I.2. The East African Community

Rwanda, along with Burundi, has applied for membership of the East African Community (EAC). At their last Summit in 2005, the Heads of State of the EAC member countries (Kenya, Tanzania and Uganda), agreed to expedite the application of Rwanda in particular. The treaty establishing the East African Community was signed on 30 November 1999 and came into force on 7 July 2000 upon ratification by the three partner states.

With Rwanda, the EAC will offer investors a significant market of over 100 million consumers. Unlike other regional organizations in Africa, the EAC may actually move relatively quickly towards its goal of economic integration. For one thing, there is a long history of cooperation among its three founding members. For another, it is explicitly the Community's intent to promote political as well as economic integration. The concrete objectives are to establish a Customs Union, a Common Market, a Monetary Union and a Political Federation. The Community's Fast-tracking Committee has proposed a timetable which has 2013 as the date for achieving political federation.

The EAC Customs Union came into effect on 1 January 2005. For the implementation of the Customs Union protocol, the EAC has adopted asymmetrical transitional provisions on internal tariff elimination, which is to be progressive and achieved within a five-year period, i.e., by January 2010. These provisions apply a declining tariff on the exports of Kenya to the other two partners, taking into account the fact that most internal trade in the EAC flows from Kenya to its partners.

The EAC treaty creates seven main organs to enable the Community to fulfil its mission, including the Summit (the highest organ of the Community), the East African Court of Justice, the East African Legislative Assembly and the Secretariat. The Community is headquartered in Arusha and its official language is English, although it recognizes Kiswahili as a lingua franca.

Source: UNCTAD (2005).

the development of entrepreneurship and the private sector; and the modernization of agriculture and animal husbandry. Also identified are four cross-cutting domains: gender issues, environmental protection, science and technology including ICT, and regional and international integration. The vision is inspired by the need for unity, reconciliation and peace, which is particularly urgent in view of the destruction and dislocation caused by the 1994 genocide.

The economic priorities focus on private-sector development (see section on Privatization below), the modernization of agriculture and the creation of employment opportunities outside agriculture, the development of infrastructure, and the improvement of the skill base. The last two cross-cutting 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. Regional and international integration is linked to the need to diversify exports, currently dominated by the cash crops tea and coffee. Rwanda has thus joined a number of preferential trade arrangements, including COMESA and, most recently, the East African Community (see box I.2).

Privatization

The privatization programme of the Government of Rwanda was established by Law No. 2 on Privatization and Public Investment, dated 11 March 1996, with the presidential decree putting the necessary institutions in place being issued in May 1996. Privatization is one of the key elements in the Government's economic reform and reconstruction efforts and draws on the experience of a number of African countries indicating that the private sector must be the engine of growth.

The broad objectives of privatization are i) relieving the financial and administrative burden on the Government, ii) improving the efficiency and productivity of the enterprises privatized and thereby augmenting the sources of government revenue, iii) reducing the size of the public sector in the economy, and iv) broadening the ownership base of Rwandan enterprises.

The institutional framework for privatization includes i) the Cabinet, which has final authority over the disposition of public enterprises, ii) the National Privatization Commission, which has the general management responsibility for privatization, iii) the Technical Privatization Committee, which is responsible for recommending the terms and conditions of individual sales and negotiating with the bidders, and iv) the Privatization Secretariat, which actually implements the privatization programme and became operational in 1997.

The Government is keen to ensure that the process of privatization is predictable and transparent. With the exception of strategic enterprises calling for substantial investment and specific know-how, 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. (Three of the hotels privatized in the late 1990s, for example, have now reverted to state ownership, as the buyers failed to rehabilitate them as promised in their business plans.) Some investors have found the process much too long, so that conditions at the time of the bid were no longer the same at the time of finalization.

As of December 2005, a total of 33 companies had been privatized. The management of two other companies had been contracted out. Most of the enterprises privatized were small, with only four exceeding $1 million in sale price. The largest privatization thus far has been the telecommunication enterprise Rwandatel, which was bought by Terracom Sarl, a US company, for $20 million. Seven enterprises have been liquidated, with the assets of three of them being sold for about $2 million. Four other enterprises are at an advanced stage of privatization and a further 24 are slated for privatization. These last include seven tea factories, two banks, the State-owned mining company REDEMI, and the State's 30% stake in Bralirwa, the brewery that is one of the largest businesses in the country.

For details, see Appendix 5 on Privatization.

Rwanda is a land of opportunity for investors. It has a unique leadership committed to development, a culture with little tolerance of corruption, and climate and terrain ideal for many agricultural products, including cotton and silk. Utexrwa has been in Rwanda for the past 21 years and foresees a bright future for itself as a vertically integrated textile company that is now venturing into sericulture and beginning to access the regional market.

Raj Rajendran, Managing Director, Utexrwa S.A.

The operating environment

II

Economic environment

The Government of Rwanda has been pursuing a reform agenda focussing on enhancing the attractiveness of the country as an investment location for the past decade. There have been some significant accomplishments, for example in simplifying the process of starting a business in Rwanda (see the final section on Doing business in Rwanda in this chapter). Specific reforms, some completed and others under way, cover the following areas among others:

- Securing macro-economic stability and the trust of donors and the business community;
- Trade liberalization;
- Liberalization of the exchange regime;
- Liberalization of domestic prices and the market for commodities;
- Privatization of state-owned enterprises;
- Wide-ranging reform of business laws, including those covering investment, taxation, contract, banking, bankruptcy, trade licensing and labour;
- Introducing competition in the water, energy, telecommunication and tea sectors;
- Strengthening the financial services sector;
- Promoting infrastructure development, for example in roads and telecommunications; and
- Improving investor facilitation through a one-stop centre at the Rwanda Investment and Export Promotion Agency (RIEPA).

Agriculture dominates the Rwandan economy, employing 90% of the workforce and contributing a little over 40% of the GDP. However, as the two charts for 1995 and 2005 show below (figure II.1), a slow but steady shift away from subsistence agriculture is under way. One area with much potential is tourism, which is thus far mostly unexploited. Also unexploited are aspects of agriculture such as horticulture and floriculture. Manufacturing is very limited and focussed on food-processing. It offers many opportunities to small and medium-sized investors. Services make a significant contribution to GDP (figure II.1) and are dominated by telecommunication, transport and retail. There is also a substantial informal sector.

GDP collapsed by around 50% in the year of the genocide (1994) but bounced back by 18% on average between 1995 and 1998. In 2002, the economy grew at nearly 10% but then grew hardly at all in 2003, on account of reduced Government spending arising from lower donor support, possibly on account of uncertainty over the outcome of the Presidential and Parliamentary elections in that year. Over the 5-year period 2000-2004, the growth rate averaged 5.4% (table II.1 below). All sectors have shown positive growth, with the strongest performance coming from agriculture and construction.

The agriculture sector registered 6% growth in 2005, mainly on account of good policies and a good rainfall. Growth in the manufacturing sector was also estimated at about 11%, attributable mainly to the continued boom in the construction industry.

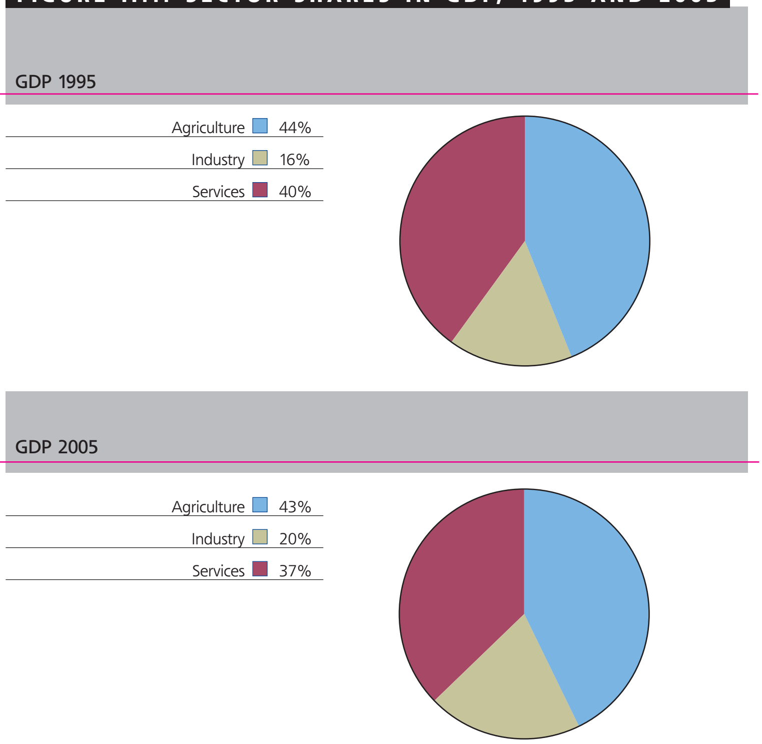
TABLE II.1. REGIONAL GDP GROWTH RATES (PER CENT)

COUNTRY	2000	2001	2002	2003	2004
Burundi	-0.9	2.1	4.5	-1.2	5.5
DRC	-6.9	-2.1	3.5	5.7	6.8
Ethiopia	5.4	7.7	1.6	-3.9	11.6
Kenya	-0.1	1.1	1.1	1.6	3.1
RWANDA	***6.0***	***6.7***	***9.4***	***0.9***	***4.0*** [a]
Tanzania	5.1	6.2	7.2	7.1	6.3
Uganda	5.6	4.9	6.8	4.7	5.9
Zambia	3.6	4.9	3.3	5.1	5.0
Africa	3.2	4.0	3.6	4.6	5.1

Source: IMF, World Economic Outlook, April 2005, P.208.
[a] According to the government of Rwanda, GDP growth rate in 2004 was 4.6%.

Privatization and significant new investment in the sugar industry are beginning to show results in sugar production. Cement production also showed strong growth, again linked to the booming building industry. Growth in the services sector, driven by new investment and higher consumption, was estimated at 6%. The key industries here have been communication, transport, tourism, and financial services.

FIGURE II.1. SECTOR SHARES IN GDP, 1995 AND 2005



Source: Department of Macroeconomics, MINECOFIN.

Trade and investment

Trade

Rwanda has been running a variable but substantial trade deficit for many years. Its exports in 2005 earned about $150 million, while it paid around $400 million for its imports, as shown in figure II.2 below. The Government is currently pursuing a diversification programme aimed at correcting this.

Coffee and Tea remain the key exports, accounting for the largest share (50%) of export revenue. Coffee exports in 2004 accounted for about $32.2 million representing 32.8% of total exports. In 2005, export receipts increased to $38 million, a significant improvement. There was a 70% increase in coffee prices from $1.20/kg in 2004 to $2.04/kg in 2005 (MINECOFIN, Department of Statistics). On the other hand, tea prices fell by 4.2%, leading to a 9% reduction in export earnings in the first six months of 2005. Total tea export earnings for the year 2005 amounted to $26 million (MINECOFIN, Department of Statistics).

Tourism and mining are becoming increasingly important among Rwandan exports. For instance, Cassitterite, tin, wolfram and columbium tantalite (coltan) generated nearly US$ 40 million or 25% of export income in 2005. Incidentally, it is worth noting that the recorded trade figures leave out the *unrecorded* trade, particularly across the DRC-Rwanda border, which is substantial and in surplus.

Imports into Rwanda are dominated by consumer goods and fuel, and are seriously affected by the recent increases in the prices of petroleum products. Intermediate and investment goods are the other major categories of imports.

The main consumer goods imported are:

Food products

Livestock, meat, fish, milk, dairy products, eggs, honey, vegetable oil, fruit, spices, cereals, flour, salt and sugar.

Other consumer goods

Soft drinks, alcoholic beverages, tobacco, clothes and shoes, pharmaceutical products, perfume products and paper goods.

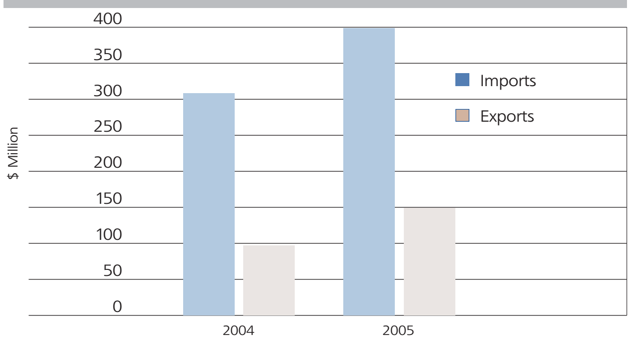
To reduce its heavy trade deficit, Rwanda needs to diversify its exports and to add value to the established export products. Flowers, fruit and vegetables; hides and skins; and handicraft goods are among the new products with potential. Foreign investment, with its associated expertise and access to markets, has a key role to play in diversifying and upgrading exports. It could also play a key role in reducing the reliance on imports for consumer goods.

Foreign direct investment

There was a time, 15-20 years ago, when Rwanda attracted proportionately more FDI than all but one of its neighbours (table II.3 on FDI flows to East Africa below). Since then, however, its performance has languished, although there has been an upswing in recent years, with flows reaching nearly $11 million in 2004.

According to RIEPA's figures, total *registered* investment (planned rather than actualized investment in any given year) in 2005 amounted to $467 million, up from $232 million in 2004. These investments were directed into manufacturing (8 enterprises), agro-processing (9 enterprises), real estate (5 enterprises), services (10 enterprises), and mining and construction (2 enterprises). Since January 2006, 17 newly registered projects valued at over $40 million have launched operations.

FIGURE II.2. RWANDA'S TRADE BALANCE



Source: MINECOFIN, Department of Statistics. (2005)

TABLE II.2. RWANDA'S MAIN TRADING PARTNERS: 2005

COUNTRY	IMPORTS %	EXPORTS %
Kenya	19	20
Uganda	12	2
Belgium	10	12
UAE	9	0
Tanzania	5	1
South Africa	5	1
Germany	4	2
India	4	1
China	3	2
France	3	1

Source: National Bank of Rwanda.

Among the factors beginning to have a positive influence on FDI are the macroeconomic and structural reforms (including the privatization programme); the introduction of an investment code and the setting up of an investment agency (the Rwanda Investment and Export Promotion Agency – RIEPA); a low incidence of corruption; and membership in preferential trading arrangements like COMESA.

The Government of Rwanda has put in place a number of policies, including attractive incentives (see Chapters III and IV below), to make it clear that foreign investors are welcome. FDI is invited in all sectors with no restrictions on equity. Foreign-exchange regulations are quite liberal and efforts to set up a free economic zone are at a relatively advanced stage. See Chapter III for zones and incentives and Chapter IV for the details of the legal framework governing investment.

Infrastructure and utilities

Energy

In 2001, water and electricity contributed 0.2 per cent of real GDP. Both are produced almost exclusively for the domestic market. At present, over 80 per cent of energy consumed is derived from wood burnt in its primary state or processed into charcoal. This form of energy is used mainly by households. However, Rwanda has a deficit in wood, both for energy purposes and for other economic activities. The Government aims to make better use of existing resources and is actively promoting the following alternatives to the traditional sources of energy production: establishment of micro-power plants, use of solar and wind energy (particularly in rural areas), geothermal energy, use of peat or methane gas from Lake Kivu, which has an estimated 55 billion m^3 in reserves. By 2007, investment in methane gas power generation is expected to begin making significant improvements in the power supply, although further investment in power will continue to be needed. Prior to the genocide, there were 21 micro power plants, of which only one is still in operation. The rest are available for interested investors to refurbish and upgrade.

TABLE II.3. FDI FLOWS TO EAST AFRICA: 1986-2004

COUNTRY	1986–1990		1991–1995		1996–2000		2001		2002	
	in $ millions	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP
	Annual average									
Burundi	1.2	1.0	0.7	0.7	2.8	3.8	0.0	0.0	0.0	0.0
Ethiopia	2.0	0.3	8.2	1.5	155.1	25.1	349.4	57.7	255.0	42.9
Kenya	38.4	4.7	12.8	1.5	50.4	4.8	59.3	5.3	51.8	4.2
RWANDA	***15.9***	***7.1***	***3.6***	***1.9***	***4.3***	***2.4***	***3.8***	***2.3***	***7.4***	***4.5***
Sudan	- 4.4	- 0.4	22.1	1.7	246.4	23.9	574.0	43.9	713.2	52.8
Tanzania	0.3	0.1	46.4	10.3	260.4	31.5	467.2	49.4	429.8	44.3
Uganda	- 0.6	- 0.2	54.2	11.1	110.7	18.3	151.5	26.3	202.9	33.7
Zambia	112.5	35.5	106.1	31.9	161.4	47.9	71.7	19.7	82.0	22.2
MEMORANDUM										
sub-Saharan Africa excluding Sudan (47 countries)	1 648.4	6.7	3 236.9	10.4	6 761.7	20.0	14 568.7	47.8	9 121.8	29.7
sub-Saharan Africa excluding South Africa (47 countries)	688.5	7.4	804.0	8.5	2 705.0	26.3	5 187.5	50.7	5 115.3	46.1
COMESA (20 countries)	1 401.4	12.4	1 595.0	13.0	3 316.4	19.6	4 593.5	25.7	4 164.5	23.5
Least developed countries (LDCs - 50 countries)	634.2	4.5	1 586.5	9.3	3 885.3	20.1	6 828.2	31.1	6 327.2	26.8

Source: UNCTAD, FDI/TNC database.

Electricity

Electricity production in Rwanda is 60% thermal based, because of poor rainfall and low current water levels in rivers and lakes. Electrogaz, a State enterprise, has a *de facto* monopoly on the production and distribution of water as well as a monopoly on the distribution of electricity in Rwanda. Only 5 per cent of the population is currently connected to the electricity network, mainly in the capital Kigali, but Electrogaz is not in a position to satisfy even this limited domestic demand.

In late 2005, the available power was 33 MW and the maximum demand was 55 MW. Power outages on account of load shedding are frequent and unpredictable. This is a major concern for investors, who are required to have expensive back-up generators. Power is also expensive, at about 20 US cents per kWh (table II.4 below) and transmission and distribution losses are high. However, the current costs of electricity are in part the result of high petroleum prices and should decline significantly with the planned production of electricity from methane gas that is under way.

TABLE II.4. ELECTRIC POWER CONSUMPTION, TRANSMISSION AND COST

COUNTRY	CONSUMPTION PER CAPITA (in kwh)		TRANSMISSION AND DISTRIBUTION LOSSES (as percentage of output)		ELECTRICITY COST (in US cents per kwh)
	1993	2003	1993	2003	2004
Burundi	..	23	..	20	10
DRC	94	87	4	3	
Ethiopia	23	30	10	10	5 [a]
Kenya	121	125	17	19	10 [b]
RWANDA	**..**	***23***	**..**	***26***	***20*** [a]
Tanzania	50	54	23	27	9.7 [b]
Uganda	..	61	..	20	6.7 [b]
Zambia	698	576	3	3	3

Source: Adapted from the World Bank (2005c), the CIA (2005), the UNDP (2005), Electrogaz Rwanda (personal communication, 2005) and Eastern Africa Power Pool (personal communication, 2005).
[a] Figure for 2005. [b] Figure for 2003.

2003		2004		COUNTRY
in $ millions	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	
0.0	0.0	3.0	4.5	Burundi
465.0	72.2	545.1	66.4	Ethiopia
81.4	5.7	46.1	2.9	Kenya
4.7	***3.0***	***10.9***	***5.9***	***RWANDA***
1 349.2	87.4	1 511.1	71.0	Sudan
526.8	52.6	469.9	43.4	Tanzania
210.5	33.7	237.2	34.7	Uganda
172.0	40.0	334.0	61.7	Zambia
				MEMORANDUM
12 743.1	32.9	12 820.7	25.6	sub-Saharan Africa excluding Sudan (47 countries)
8 642.9	65.1	8 331.2	51.2	sub-Saharan Africa excluding South Africa (47 countries)
6 486.2	39.2	7 554.1	39.7	COMESA (20 countries)
10 350.6	40.1	10 702.1	36.3	Least developed countries (LDCs - 50 countries)

The main cause of the power problem in Rwanda is that there has been virtually no investment in power generation since 1982. The Government is now trying to involve private investors in various ways. An agreement with Dane Associates, an Israeli-Norwegian group, to produce electricity from methane gas in Lake Kivu has been signed and a pilot plant is being installed in Gisenyi. This plant is expected to have a capacity of 40 MW and would be operational in 2007. In addition, a local company, Rwanda Investment Group (RIG), also plans to generate 35 MW from methane gas in Lake Kivu.

Petroleum products

Rwanda has neither oil resources nor a refinery. All petroleum products are imported. The annual consumption of refined petroleum products is estimated at 100,000 tons, which is imported mainly from Kenya. Around 15 oil companies operate in Rwanda. There are five main storage facilities in Gatsatsa and Butare with a total capacity of almost 30,000 m ^{3}; smaller facilities are located in Kigali and Gisenyi.

Telecommunications

Rwanda had about 23,000 fixed telephone lines in 2005, i.e., a teledensity of less than 0.3, one of the lowest in the world. However, since the first licence was granted to MTN Rwandacell for mobile telephone services in 1998, the number of mobile subscribers has surged, from 5,000 to almost 250,000 in 2005. Fixed-line telephony has been in the hands of the State monopoly Rwandatel, which has now been sold for $20 million (the largest privatization so far) to Terracom, a US company that had started out as an Internet service provider. Terracom expects to double the current number of fixed-line connexions by 2010. Both Terracom and MTN now have licenses to operate in fixed-line as well as mobile telephony. The cost of overseas calls in particular is low by regional standards (table II.5 below).

Telecommunications are regulated by Law 44 of 2001, which also created the Rwanda Utilities Regulatory Agency (RURA). RURA is responsible for supervising telecoms, power, water, gas and transport.

TABLE II.5. TELECOMMUNICATIONS

COUNTRY	FIXED TELEPHONE LINES per 100 inhabitants		AVERAGE COST OF TELEPHONE CALL TO UNITED STATES ($ per 3 minutes)	CELLULAR MOBILE SUBSCRIBERS Per 100 inhabitants	CELLULAR MOBILE SUBSCRIBERS As % of total telephone subscribers	INTERNET Users per 10,000 inhab.	INTERNET Estimated PCs per 100 inhab.
	1994	2004	2003	2004	2004	2004	2004
Burundi	0.3	0.3	4	0.9	72.8	0.3	0.5
DRC [c]	0.02	..	..	1.9	99.0	0.1	..
Ethiopia	0.3	0.6	7	0.2	18.4	0.2	0.3
Kenya	0.9	0.9	4 [a]	7.8	89.5	4.6	1.4
RWANDA	***0.2***	***0.3***	***2.5 [b]***	***1.6***	***85.8***	***0.4***	***..***
Tanzania	0.3	0.4	5	4.3	87.5	0.9	0.7
Uganda	0.2	0.3	4	4.4	94.2	0.7	0.5
Zambia	0.9	0.8	6	2.7	73.2	2.1	1.0

Source: Adapted from the ITU (2005), UNCTAD (2006) and the World Bank (2005c).
[a] In early 2005, the cost was $4.98.
[b] Figure for 2004.
[c] The Democratic Republic of the Congo.

Transport

Road transport

Rwanda's road network covers approximately 14,000 km, 1,083 km of which are paved. The network 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% 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 sub-region, there is an implicit tax on international trade of over $160 per ton. It is estimated that the ratio of transport costs to the value of exports is 0.51 in Rwanda, higher than in its (also landlocked) neighbour Uganda (0.35) and almost *four* times higher than in Kenya (0.13). The Government is considering other options such as the use of railways to reduce freight costs of Rwandan imports and exports, although this would be a long-term solution.

Air transport

Rwanda has two international airports, the main one at Kigali and a recently upgraded one at Cyangugu. It also has four domestic airports/airfields, at Butare, Gisenyi, Nemba and Ruhengeri. The number of passengers, both foreign and domestic, using Kigali airport was just under 150,000 in 2005. The state-owned Rwandair Express provides both domestic flights and connexions with neighbouring countries. The most common international route is *via* Nairobi in Kenya. Kigali International airport handled about 7,000 tons of cargo in 2003. The lack of adequate cold storage facilities at the airport has been a problem for the export of horticultural products like flowers and fruit, for which soil and climate are favourable, but it is now being addressed through government and donor intervention. Construction of cold storage facilities at the Kigali airport is complete and tenders have been invited for the supply of cold-room equipment. Another problem is the scarcity of international flights and the fact that only SN Brussels flies direct to Europe. However, planning for a larger modern airport at Nyamata, about 30 km from Kigali, is nearly complete. This should ease the flight scarcity constraint when implemented.

Rail and water transport

There is no railway system in Rwanda. A feasibility study has been undertaken to link Kigali to Isaka in Tanzania, which is linked to the port at Dar es Salaam. The railway in Tanzania, however, is in poor condition and badly in need of upgrading. The planned privatization of the Tanzania Railway Corporation is yet to come to fruition. On the other hand, the concessioning of the Kenya and Uganda railways to the South African firm Rift Valley Railways was completed in January 2006.

There is some internal lake transport, although only that on Lake Kivu is of significant economic value, as it connects Rwanda to the DRC market. There is a plan to study 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 Tanzania and Uganda.

Water, sanitation and health services

Overall access to safe drinking water is estimated at 52% of the population. The objective of the Government is to improve the provision of water and extend the water supply network so that every inhabitant has access to safe drinking water within 500 metres by 2020. This is to be achieved through increased private-sector participation in urban water supply management and a decentralized approach for water supply in rural areas.

The level of health services available to the Rwandan population is low. The HIV prevalence rate is about average for the region, while the number of physicians per 100,000 people is lower than most neighbouring countries (table II.6 below). On the other hand, public expenditure on health is noticeably higher than elsewhere in the region (table II.6), signalling the Government's commitment in this area.

Community-based health insurance schemes have many adherents in Rwanda and they have developed into a convenient system of cost-sharing in healthcare. They currently cover some 20% of the population and are being extended. A multi-sector approach in the fight against HIV/AIDS has led to HIV/AIDS being regarded less as a simple health issue than as an economic and national challenge. The Ministry of Health is responsible for treatment and research, while the National Commission for the Fight Against HIV/AIDS (CNLS) is charged with sensitization and resource mobilization at national, provincial, district and community levels. The Association of People Living with Aids has grown stronger, with a greater emphasis on income-generating projects.

Rwanda has set ambitious goals in its *Vision 2020*: to increase the number of qualified medical staff to international standards (10 physicians, 20 nurses and 5 laboratory technicians for every 100,000 inhabitants), to promote health associations and make them effective, to improve the level of sanitation in both urban and rural areas, and to increase the level of access to safe drinking water to 100% by the year 2020. The Government has also increased medical training in tertiary institutions such as the National University and the Kigali Health Institute.

Planning is under way as well to upgrade King Faisal Hospital in Kigali to provide world-class medical services. $12 million has been set aside for this.

Human Resources

The Rwandan population is estimated at 8.6 million, with the highest density in Africa (328 inhab/km²). It is overwhelmingly rural and largely without skills outside of agriculture. On the other hand, literacy rates are average for the region and school enrolment ratios noticeably higher (table II.7 below).

The importance of capacity-building in Rwanda is closely related to the process of post-genocide reconstruction. The year of the genocide saw the destruction of institutions and equipment as well as of lives. The Government policy is to create an enabling environment with built-in incentives to retain the skills accumulated in capacity-builing.

TABLE II.6. HEALTH

COUNTRY	LIFE EXPECTANCY AT BIRTH	HIV PREVALENCE, PERCENTAGE OF PEOPLE AGED 15-49	PHYSICIANS [a] PER 100,000 PEOPLE	PUBLIC EXPENDITURE ON HEALTH AS % OF GDP
	2003	2003	1990-2004	2002
Burundi	42	6.0	5	0.6
Ethiopia	42	4.4	3	2.6
Kenya	45	6.7	13	2.2
RWANDA	*40*	*5.1*	*2*	*3.1*
DRC [b]	45	4.2	7	1.2
Tanzania	43	8.8	2	2.7
Uganda	43	4.1	5	2.1
Zambia	36	16.5	7	3.1

Source: Adapted from UNDP (2005) and the World Bank (2005c).
[a] Data are for the most recent year available during the period specified.
[b] The Democratic Republic of the Congo.

Employment is at the heart of this policy. The Ministry of Public Service has developed a National Employment Policy and youth employment through vocational training is receiving priority attention.

Large public and private organizations have embarked on ambitious plans to develop human resources in collaboration with institutions such as the Rwanda Institute of Administration and Management, the School of Finance and Banking, the National University of Rwanda, the Kigali Institute of Science, Technology and Management, and others to address the problem of an acute shortage of skilled labour. Public spending on education has been rising every year and currently has the highest sectoral budget allocation.

The labour laws of Rwanda are embodied in its labour code (Law No. 52/2001 of 30/12/2001). The provisions covered by the labour code include those concerning employment contracts for both local and foreign individuals, termination of employment contracts, working conditions specifically related to children, pregnant and breast-feeding women, employment duration, leaves and holidays, wages and salaries, and other administrative matters. According to the labour code, wages can be paid by day, week, fortnight or month for workers recruited on a monthly basis. For work per unit or piece work, payment terms and dates are determined by mutual agreement. The labour code is now under revision. The revisions will address issues relating to the streamling of employment of foreign nationals and provide for a balance between protection of employees and flexibility for employers.

The normal working hours in Rwanda as stipulated by the law are a maximum of 40 hours per week. Ministerial order No. 05/19 of 14 March 2003 specifies salary rates for overtime work. The employment of foreign nationals is governed by ministerial order No. 13/19 of the same date. Foreign professionals intending to work in Rwanda need to apply for a 3-year renewable work permit. Work permits for employees of foreign investors are issued quickly by RIEPA.

Except where more favourable terms are agreed between the employer and employee, every worker is entitled to paid leave at the employer's expense of one-and-a-half working days per month of effective service. Official holidays cannot be regarded as part of paid leave. Rwanda has 13 public holidays a year.

Employment in Rwanda is overwhelmingly (90%) agricultural and rural-based, consisting mostly of subsistence farming. Formal-sector employment is slowly rising in emerging areas such as ICT, finance, engineering and construction. The energy crisis has adversely affected employment creation in both formal and informal sectors.

TABLE II.7. EDUCATION

COUNTRY	NET ENROLMENT RATIO [a]				ADULT LITERACY RATE
	Primary		Secondary		
	Total % of relevant age group	Female % of relevant age group	Total % of relevant age group	Female % of relevant age group	% of people aged 15 and above
	2002–2003	2002–2003	2002–2003	2002–2003	2003
Burundi	57	52	9[b]	8	59
Ethiopia	51[b]	47[b]	18[b]	13[b]	42
Kenya	67	66	25	24	74
RWANDA	*87*	*88*	*..*	*49*	*64*
DRC [d]	..	..	..	..	65
Tanzania	54	81[c]	54	..	69
Uganda	..	..	17	16	69
Zambia	68	68	23	21	68

Source: Adapted from the UNDP (2005).
[a] The net enrolment ratio is the ratio of enrolled children of the official age for the education level indicated to the total population of that age. Net enrolment ratios exceeding 100% reflect discrepancies between two data sets.
[b] Figure for 2003-2004 school year.
[c] Figure for 2004-2005 school year.
[d] The Democratic Republic of the Congo.

The financial sector and business support services

Banking

The banking sub-sector in Rwanda consists of the Central Bank (Banque National du Rwanda – BNR), six commercial banks (BCDI, BK, BANCOR, COGEBANQUE, FINABANK, BCR), one Housing Development Bank (CHR), one Development Bank (BRD), and more than 50 micro-finance institutions. It was estimated in 2001 that 300,000 people (less than 4 per cent of the population) held bank accounts and that 200,000 of them had their accounts with UBPR, a local co-operative bank whose network operates like micro-finance institutions. Four of the banks have significant foreign participation, while five have some equity owned by the State. Nearly half the banking assets of about $380 million in 2003 represented credits to the private sector. (UNCTAD 2006b) The ratio of non-performing loans to total loans is quite high at around 24%.

An application for setting up a banking institution must be submitted to the BNR, stating the purpose of the institution to be established and providing detailed information on share ownership. The application must also include a feasibility study showing financial projections over a five-year period and explaining the assumptions on which these projections are based. The minimum capital required varies, depending on the nature and purpose of the institution. Since 2001, the minimum capital requirement has been Rwf 1.5 billion (somewhat less than $3 million) for commercial banks, Rwf 3 billion for investment or development banks, Rwf 500 million for merchant banks, and Rwf 100 million for portfolio management firms. This requirement extends equally to foreign and Rwandan establishments. In the event that a foreign institution has majority ownership, prior consent of the monitoring authority in the country of origin is required.

Specific rules apply to micro-financing institutions. They need to receive BNR approval before starting operations. A capital endowment of Rwf 5 million (Rwf 4 million if the request involves only the granting of credit) must be deposited in a blocked account with the National Bank of Rwanda. The BNR also needs to be provided with information necessary to verify, *inter alia*, the professional experience and good reputation of the managers and the developers' capacity to achieve their development objectives. These conditions also apply to micro-finance institutions owned by or affiliated with foreign institutions. Foreign nationals who propose to manage a micro-credit institution need to have lived in Rwanda for a minimum of one year.

(Some foreign banks are included in the list of foreign investors in Appendix 2.)

Insurance

The insurance sub-sector includes four commercial entities. State-owned SONARWA is the largest followed by SORAS. The other two, CORAR and COGEAR, are small in size. A foreign insurance company has bid for SONARWA which is being privatized. Phoenix of Kenya has registered in Rwanda and is scheduled to start operating in 2006. The insurance companies offer the usual range of insurance products (life, health and property). The Caisse Sociale du Rwanda, a State-owned institution is responsible for health, old age and disability insurance, mainly for people in formal employment. Other players in the insurance industry include insurance brokerage firms and the National Insurance Commission, which is responsible for regulating insurance activity.

Measures against financial crimes

The IMF and the World Bank Group have reached agreement with the Government of Rwanda on an action plan to set up a legal and regulatory framework based on international standards to fight money-laundering and the financing of terrorist activities. A financial intelligence cell is also being set up.

The capital market

The Ministry of Finance and the BNR are collaborating on setting up a stock exchange in the country. A feasibility study has already been completed.

Taxation

Corporate tax

Corporate taxes have been reduced from 35% to 30% to harmonize them with those of the East African Community, which Rwanda expects to join soon (table II.8 below). The fiscal year for use is 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 4% of annual turnover.

TABLE II.8 CORPORATE TAXES IN EAST AFRICA (2005)

	KENYA		RWANDA		TANZANIA		UGANDA	
CORPORATE TAX RATES (IN %)								
Resident companies	30[a]		30		30		30	
Non-resident companies/branches	37.5		30		30		30	
Withholding taxes (in %)[b]	Resident	Non-resident	Resident	Non-resident	Resident	Non-resident	Resident	Non-resident
Dividends	5	10	15	15	10[c]	10[c]	15	15
Management, technical or professional fees	-	20	15	15	-	20	6[d]	15
Royalties	5	20	15	15	15	15	-	15
Interest:								
- Housing bonds	10	10	15	15	10	10	-	-
- Bearer instrument	25	25	15	15	10	10	15	15
- Others	15	15	15	15	-	15	15	15
Mining companies:								
- Management or technical fees	-	20	15	15	5	15	-	-
- Dividends	-	10	15	15	10	10	-	-
VALUE ADDED TAX								
Registration thresholds (annual)	KShs 3 000 000		Rwf 20,000,000		TShs 40 000 000		UShs 50 000 000	
Rates (in %)								
- Standard	16		18		20		17	
- Hotel and restaurant services	14		N/A		N/A		N/A	
Penalties (monthly)	2[e]		10		See note[f]		2[g]	
CAPITAL DEDUCTIONS (IN %)								
Investment deduction								
- Plant/machinery	100		5		50[h]		50[h]	
- Buildings	100		N/A		-		-	
First year allowance	-		30		50		-	
Industrial building allowance								
- Manufacturing	2.5		N/A		-		5	
- Hotels	4		N/A		-		5[i]	
- Commercial	-		N/A		5		5[i]	
Farmworks allowance [j]	33 1/3		N/A		20[k]		20[k]	

Source: Adapted from KPMG (2004) and KPS Associates (2005).

[a] 25% for the first five years upon listing with at least 30%, and 27% for the first three years upon listing with at least 20%, listed in a security exchange approved under the Capital Markets Act (CMA).
[b] This table shows only the most common withholding taxes. For a full list, see KPMG (2004).
[c] 5% for listed companies.
[d] Applies only to taxpayers not up to date with the filing of tax returns.
[e] 2% per month for late payment and KShs 10,000 or 5% of tax due, whichever is higher, for late returns.
[f] For late payment of VAT, the Central Bank lending rate plus 5%; for late submission of the VAT return, for the first month, the greater of TShs 50,000 or 1% of the VAT payable and, for subsequent months, the greater of TShs 100,000 or 2% of the VAT payable.
[g] Greater of 2% or UShs 200,000 in cases of late returns; otherwise 2% compounded.
[h] 50% for urban areas and 75% for rural areas.
[i] Granted upon approval by the Finance Minister.
[j] Structures necessary for the proper operation of the farm.
[k] Allowance granted on reducing balance.

Personal tax

There is a new tax law, No. 16/2005 of 18 August 2005 on direct taxes on income, which is good news for low-income earners but not for high-income earners. The removal of the exemption of 20% of total remuneration means that all those earning more than Rwf 212,500 p.m. will pay more tax, as shown below (table II.10):

TABLE II.9. ANNUAL PERSONAL TAX (IN RWF)

	TAX BAND	RATE (IN PER CENT)	TAX ON BAND	CUMULATIVE TAX
First	360,000	0	0	0
Next	840,000	20	168,000	168,000
Over	1,200,000	30		

Source: UNCTAD.

TABLE II.10. CHANGES IN PERSONAL TAX

GROSS PAY PER MONTH (IN RWF)	TAX PAYABLE	
	Old regime	New regime
30,000	2,250	0
80,000	16,250	10,000
100,000	23,250	14,000
212,500	47,750	47,750
250,000	58,250	59,000
500,0000	128,250	134,000
1,000,000	268,250	284,000
1,500,000	408,250	434,000
2,000,000	548,250	584,000

Source: UNCTAD.

TABLE II.11. IMPORT DUTIES

ITEM	DUTY (%)
Finished goods	30
Intermediate goods	15
Raw materials	5
Fertilizers, agricultural inputs, drugs and capital goods	0

Source: UNCTAD.

Employment income includes wages, leave, sick pay, and cost-of-living, medical, subsistence, rent and entertainment allowances. It also includes benefits in kind quantified as follows:

- Company car: 10% of employment income excluding benefits in kind,
- Accommodation: 20% of employment income excluding benefits in kind, and
- Interest on loan: the difference between interest paid and what would have been paid if the rate offered to commercial banks by the BNR had been used.

Employment income does *not* include:

- Contributions by employer on behalf of employee to state social security fund,
- Pension payments under state social security system, or
- Employer's contribution to a qualified pension fund not exceeding, when combined with that of the employee, 10% of the employee's income from employment or Rwf 1,200,000 p.a. whichever is lower.

N.B. These duty rates will have to change if, as is expected, Rwanda joins the East African Community. The EAC Customs Union Protocol, which came into force in January 2005, provides for a three-band external tariff: 0% for raw materials, 10% for intermediate goods and 25% for finished goods (table II.11).

The private sector in Rwanda

Although the country's economic performance is improving, much remains to be done if Rwanda is to meet its 2020 goals. In order for Rwanda to meet these goals, the GDP per capita needs to grow from $250 to $900 in 2020. This can only be achieved through major growth in the private sector, in particular among micro and small-scale enterprises (MSSEs).

Rwanda's private sector is still small but it is growing. It is characterised by family businesses, small and medium-sized enterprises (SMEs), a few large companies, and cooperatives. As the Private Sector's representative organization, the Rwanda Private Sector Federation (RPSF) plays a crucial role in building a successful Rwandan private sector.

This group of firms is the main taxpayer and second largest employer in Rwanda. The success of Rwanda's private sector will ultimately drive the country's bid to create prosperity for the average citizen.

The RPSF's major priorities include:

- strengthening Rwanda's private-sector companies;
- building human capacity for the private sector;
- facilitating sustainable funding sources for the private sector;
- developing vibrant private-sector associations;
- providing dispute arbitration and business challenge assistance; and
- providing private-sector advocacy in public-private partnership.

Another key player in voicing private-sector concerns is CAPMER (Centre for Support to Small and Medium-Sized Enterprises (SMEs) in Rwanda), formed in 2002. It provides Business Development Services and works together with other stakeholders to promote the creation and development of SMEs. Its major objectives include:

- facilitating access to information on technologies, markets and financing opportunities as well as entrepreneurship incentives for SMEs;
- technical and management capacity-building in SMEs;
- facilitating SME access to various funding sources; and
- reinforcing organization within and among SMEs, with a particular emphasis on partnership development among SMEs involved in the same sector.

In 2004, the World Bank carried out an in-depth study of micro and small-scale enterprises (MSSEs) in Rwanda. Within the enterprise structure of Rwanda, there are nearly 70,000 formal and informal MSSEs, about 100 to 200 enterprises that fall in the SME category (employing more than 30 persons), and some 20 large-scale enterprises (employing more than 100 persons). Although most of the MSSE sector is informal, there are also formal enterprises that demonstrate the characteristics of enterprises in transition, from informal to formal and micro to small-scale.

Retail trade is the main sub-sector in all provinces, except Gikongoro, to have attracted MSSEs. Its popularity is in large part due to the fact that there are quick returns on little or no investment. It includes some areas that are important for the rural sector such as pharmaceutical and veterinary products. However, the MSSE sector's contribution to employment is limited – about 80% of the units employ only one person.

Beyond retail trade, other sub-sectors worth noting include handicrafts (9% of MSSEs), miscellaneous services (9%), wood work (7.4%), tailoring and garment manufacture (7.3%), building materials (bricks, tiles, etc. – 6%), and construction work (masons, plumbers, brick layers – 4.7%). Almost 35% of the MSSEs are in Kigali, 22% in the provinces of Ruhengeri and Gisenyi, and the remaining 43% in the other nine provinces. (At the time of the study, there were 12 provinces in Rwanda. As of 2006, there are five: Eastern, Western, Northern, Southern and Kigali.)

Doing business in Rwanda

Table II.12 below, adapted from the World Bank's Doing Business website, offers a snapshot of the ease or difficulty of doing business in East Africa. Rwanda comes out ahead of its partner states when it comes to starting a business. The procedures are fewer and the process moves faster, although the cost is very significantly higher. Rwanda's advantage is also clear in the registering property category. It has the fewest procedures and they can be completed very much faster. In this case, the cost is relatively modest as well. When it comes to hiring and firing workers, Rwanda turns out to be much less business-friendly, second only to Tanzania in overall rigidity of employment and second to none when it comes to firing costs. Rwanda also does not do well in enforcing contracts. However, one should note here that performance in this category is basically a function of the competence of the judicial system, which was effectively destroyed by the genocide. The Government is making efforts to improve business legislation and strengthen the courts, which should make enforcing contracts much easier in the future. There is not much to be said about the ease of closing a business in Rwanda, as there simply is not enough information or experience to base a judgment on.

TABLE II.12. DOING BUSINESS IN EAST AFRICA

ECONOMY CHARACTERISTICS (2005)

VARIABLE	KENYA	TANZANIA	UGANDA	RWANDA	SSA[a] AVERAGE
GNI per capita (at PPP) [b]	1 050	660	1 520	1 300	1 850
Informal economy (% GNI, 2003)	34.3	58.3	43.1	..	42.3
Population (millions)	32	37	26	8	719

STARTING A BUSINESS (2005)

The challenges of starting a business in East Africa are shown below through the following measures: procedures required to establish a business, the associated time and cost, and the minimum capital requirement.

INDICATOR	KENYA	TANZANIA	UGANDA	RWANDA	SSA AVERAGE
Number of procedures	13	13	17	9	11
Time (days)	54	35	36	21	63
Cost (% of income per capita)	48.0	161.3	117.8	280.2	225.2
Minimum capital (% of income per capita)	0.0	6.0	0.0	0.0 [c]	254.1

HIRING AND FIRING WORKERS (2005)

The first three indices cover the availability of part-time and fixed-term contracts, working time requirements, minimum wage laws and minimum conditions of employment. The overall Rigidity of Employment Index is an average of these three indices. Higher values represent greater rigidity in all indices.

INDICATOR	KENYA	TANZANIA	UGANDA	RWANDA	SSA AVERAGE
Difficulty of Hiring Index	33	67	0	56	48
Rigidity of Hours Index	20	80	20	60	63
Difficulty of Firing Index	30	60	20	60	48
Rigidity of Employment Index	28	69	13	59	53
Firing costs (weeks of wages)	47	38	12	54	53

REGISTERING PROPERTY (2005)

The ease with which businesses can secure rights to property is measured below, using the following indicators: the number of procedures necessary for transferring a property title from the seller to the buyer, the time required, and the costs as a percentage of the property's value.

INDICATOR	KENYA	TANZANIA	UGANDA	RWANDA	SSA AVERAGE
Number of procedures	8	12	8	5	7
Time (days)	73	61	48	37	117
Cost (% of property per capita)	4.1	12.2	5.1	9.6	12.7

ENFORCING CONTRACTS (2005)

The ease or difficulty of enforcing commercial contracts in East Africa is measured below, using three indicators: the number of procedures counted from the moment the plaintiff files a lawsuit until actual payment, the associated time, and the cost (in court and attorney fees) expressed as a percentage of debt value.

INDICATOR	KENYA	TANZANIA	UGANDA	RWANDA	SSA AVERAGE
Number of procedures	25	21	15	27	36
Time (days)	360	242	209	310	434
Cost (% of debt)	41.3	35.3	22.3	43.2	41.6

CLOSING A BUSINESS (2005)

The time and cost required for resolving for bankruptcies are shown below. Costs include court costs as well as the fees of insolvency practitioners, lawyers, accountants, and the like. The Recovery Rate measures the efficiency of foreclosure or bankruptcy procedures, expressed in terms of how many cents in the dollar claimants recover from the insolvent firm.

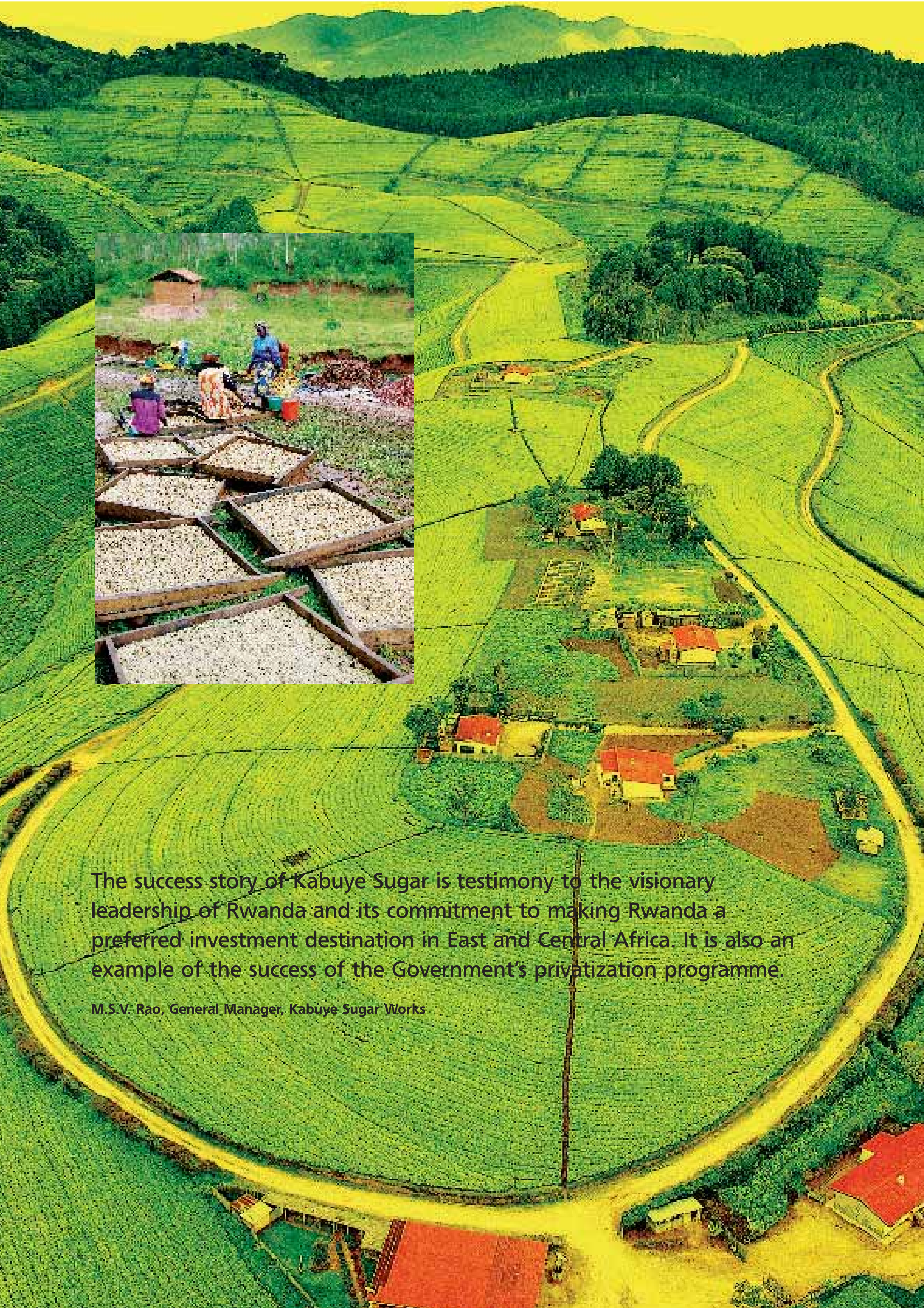
INDICATOR	KENYA	TANZANIA	UGANDA	RWANDA	SSA AVERAGE
Time (years)	4.5	3.0	2.2	..	3
Cost (% of estate)	22	22	30	..	19.5
Recovery rate (cents on the dollar)	15.0	22.4	39.8	0.0	16.1

Source: Adapted from the World Bank (2005a).
[a] "SSA" is "sub-Saharan Africa".
[b] "GNI" is "gross national income", while "PPP" is "purchasing power parity".
[c] The minimum capital requirement for foreign investors who want an investment certificate from RIEPA (which is optional, not required) is now $250,000.

Investment climate: Key factors for foreign investors

Strengths	Opportunities
• Peace and political stability • Investor-friendly government committed to the market economy • Very low incidence of corruption • Preferential access to several developed-country markets	• Agricultural exports such as tea, coffee, fruit and flowers • Eco-tourism • Development of services hub for the Central African region • Manufacturing for the Rwandan and DRC markets
Weaknesses	**Threats**
• Landlocked situation with high costs of energy and transport • Low skill levels, aggravated by the consequences of the 1994 genocide • Inadequate infrastructure	• Unstable border with the DRC

Source: UNCTAD.



The success story of Kabuye Sugar is testimony to the visionary leadership of Rwanda and its commitment to making Rwanda a preferred investment destination in East and Central Africa. It is also an example of the success of the Government's privatization programme.

M.S.V. Rao, General Manager, Kabuye Sugar Works

Areas of opportunity

III

Rwanda is a compact country, with a population of 8.4 million people inhabiting a surface area of 26,338 sq km. This puts pressure on land, which is unusual in Africa, with its generally abundant land and dispersed populations. However, it has its advantages, given in particular the quality of the country's main road network. (The percentage of paved roads in Rwanda is much higher than that of its East African neighbours and approaches that of South Africa.)

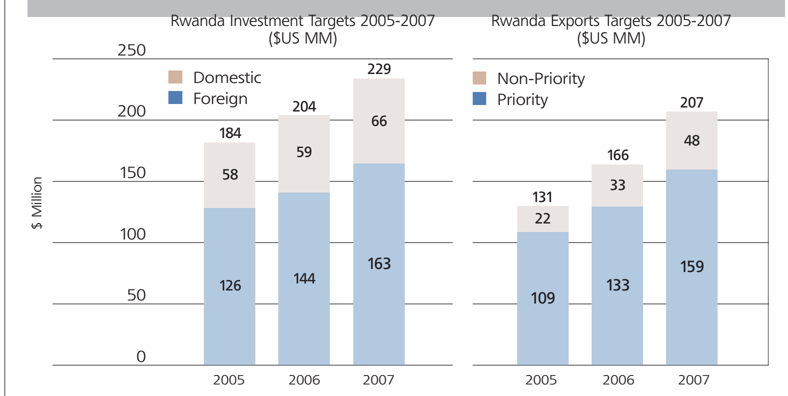
Rwanda's compact size, coupled with its location in the middle of a region of well over 100 million people, makes the country a strategic choice as a base from which to access a significant regional market. Rwanda shares its borders with the Democratic Republic of the Congo (DRC – population 55 million) to the west, Uganda (28 million) to the north, Tanzania (35 million) to the east, and Burundi (9 million) to the south.

Since the end of the 1994 war and genocide, Rwanda has made real progress in rebuilding its economic and social infrastructure. Its achievements in establishing country-wide security and a government notably free of corruption are acknowledged by investors as well as international bodies. GDP has recovered steadily since the year of the genocide (1994). It grew at an annual average of 18% between 1995 and 1998, at 5.4% between 2000 and 2004, and 6.3 % in 2005.

The Government's commitment to the market economy can be seen in its legislative reforms, privatization policy, investment policy and programmes, and regional integration strategies. With respect to the last of these, Rwanda is a member of the Common Market for Eastern and Southern Africa (COMESA) and is expected soon to become a member of the East African Community (EAC). As for markets overseas, Rwanda has privileged access to the US market through the provisions of the African Growth and Opportunity Act (AGOA) and to the EU market through the Everything But Arms (EBA) initiative – see box III.1.

Two major interlinked components of *Vision 2020*, Rwanda's strategic development plan, are foreign direct investment (FDI) and increased exports. The priority sectors for export development efforts are coffee, tea, and tourism, together projected to generate $306 million in exports by 2010. However, Rwanda also needs to diversify its exports into areas like mining, pyrethrum and horticulture. According to RIEPA's Strategic Action Plan, these and other non-priority sectors are expected to represent an increasing proportion of export earnings. A summary of projected investment and exports as a percentage of GDP over the 2005-2007 period appear in figure III.1.

FIGURE III.1. INVESTMENT AND EXPORT TARGETS: 2005-2007



Source: Source: RIEPA's Strategic Action Plan 2005-2007.

Box III.1. Insuring investment against political risk

Part of the World Bank Group, the Multilateral Investment Guarantee Agency (MIGA) is a risk mitigator, promoting foreign direct investment into developing countries by insuring investors against political or non-commercial risks. It specializes in high-risk, low-income countries (like most in sub-Saharan Africa), which account for 42 per cent of its portfolio. The insurance offered covers risks relating to currency transfer restrictions, expropriation, war and civil disturbance, and breach of contract.

Projects in a broad range of sectors in 143 developing countries are covered. Since its inception in 1988, MIGA has issued 774 guarantees in 91 developing countries, totalling $14.7 billion in coverage. The Agency's gross exposure stood at $5.1 billion in September 2005.

Guarantee premiums are priced on the basis of a calculation of both country and project risk. Rates for SIP (see below) guarantees range between 0.45% and 1.75% basis points per year. Coverage is offered for up to 15 years and in special cases 20 years. Equity investments can be covered up to 90 percent, and debt up to 95 percent. MIGA insures up to $200 million and more can be arranged, if necessary, through syndication.

The Small Investment Program (SIP) is aimed at small and medium-sized investors. An investment in the non-financial sector is eligible if it is related to the establishment of an SME, or made into an existing SME, in a developing member country. The SME must fulfill two out of three of the following criteria: no more than 300 employees, annual sales not exceeding $15 million and assets not exceeding $15 million.

Source: Adapted from the MIGA website (http://www.miga.org) in mid-2006.

Priority areas

Investment opportunities in Rwanda can be found in the agricultural sector (coffee, tea, horticulture, etc.); in tourism (eco-tourism, hotels and restaurants, leisure activities); in manufacturing; in training in various fields; and in many areas of infrastructure, including telecommunication, energy and finance.

Energy

Rwanda faces substantial problems with electricity. Only 5 per cent of the population is currently connected to the electricity network, mainly in the capital Kigali, but Electrogaz is not in a position to satisfy even this limited demand. In late 2005, the available power was 33 MW (50% of it from hydroelectric sources) and the maximum demand was 55 MW. The situation has now improved but power remains expensive. Back-up generators are still needed by companies and this reduces the competitiveness of Rwandan manufacturing. According to the Economist Intelligence Unit, overall manufacturing output declined 11% in the first quarter of 2005 as compared to the same period in 2004, largely as a function of inadequate energy supply. Rwanda imports about 13% of its electricity from neighbouring countries, which further raises the cost.

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 new thermal power plants to run on natural gas, or new dam construction to increase hydroelectric production, requires both time and investment.

Investment opportunities in the energy sector include the following:

- the construction of a hydraulic power station on Nyabarongo river with a capacity of 27.5 MW, for which feasibility studies are available;
- the construction of a power station at Rusomo falls with a capacity of 61.5 MW;
- the construction of a hydraulic power station at Rusizi with a possible capacity of 82 MW; and
- the exploitation of methane Gas in Lake Kivu, which has the capacity to support a 700 MW power plant.

Agriculture

Rwanda’s economy is predominantly agricultural. Agriculture contributes over 40% of the country’s GDP and employs nearly 90% of the workforce. The major exports of Rwanda are coffee, tea, tin cassiterite, wolframite and pyrethrum. Coffee and tea account for more a large part of the total agricultural export value.

Coffee

Coffee is central to Rwanda’s economy. It is the second largest export item by value, with production in 2003 of 14,175 tons, worth about $15 million and representing about 22% of total exports. Coffee exports in 2004 accounted for about $32.2 million, representing 32.8% of total exports. In 2005, export receipts increased to $39 million. Targets for 2006, 2007 and 2008 are $59 million, 72 million and 85 million respectively, according to RIEPA projections.

In 2005, OCIR-Café, the parastatal coffee company, registered 18,000 tons of coffee and a corresponding increase in quality through value-addition activities, such as improved processing. 1,100 tons of fully washed coffee were registered, an increase of 53% over the 720 tons in 2004. (Fully washed coffee earned $2.90 per kilo in 2005, as against $1.25 for just washed coffee.) The longer-term strategy, to be achieved largely through the expansion of washing stations and increased processing, is to raise the quantity of high-quality, fully washed coffee sold to 28,000 tons by 2010.

The number of washing stations has gone up by leaps and bounds: from 13 in 2003 to 20 in 2004 to 79 in 2005. The Government, in partnership with private enterprise, expects to increase this total to 140 by 2008. In addition, OCIR-Café has mapped out an ambitious programme to improve the coffee sector, with government spending of nearly $58 million and private investment of about $23 million by 2010. This investment is expected to generate $580 million in increased coffee sales by 2010.

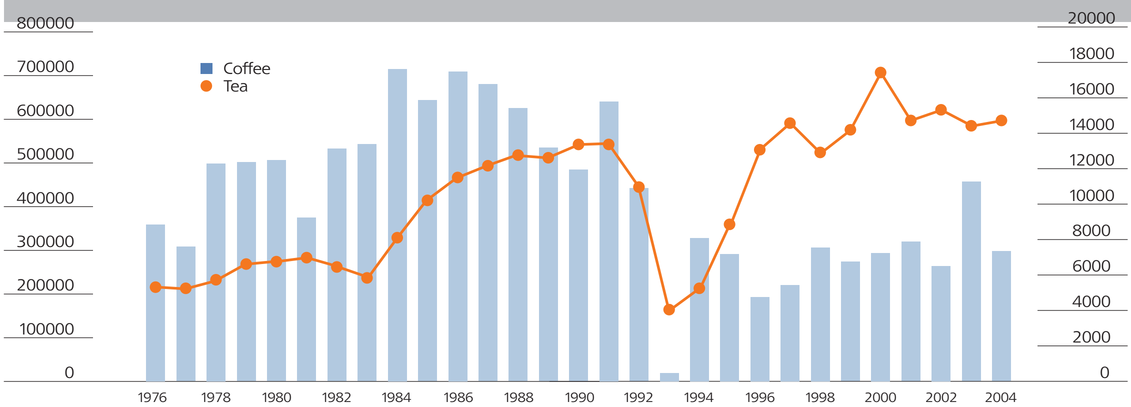
Currently, most coffee growers are producing unwashed, commodity coffee. Fully washed, high-quality coffee, though small in quantity, has won cupping contests in coffee competitions around the world. Opportunities thus exist for investing n the development of fully-washed coffee in Rwanda. Given the favourable climatic conditions and 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.

Several projects have been launched in recent years, often with donor support, to broaden the market presence of Rwandan coffee and to help 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.

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 $150, 000 for a washing station with a capacity of 200 tons);
- 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.

FIGURE III.2. COFFEE AND TEA PRODUCTION: 1976-2004



Source: International Coffee Organization and Food and Agriculture Organization (FAO).

Tea

Total tea exports were 16,800 tons in 2005 and earned over $26 million in foreign exchange (MINECOFIN, 2006). The sector employs an estimated 60, 000 people and has 12,000 ha under cultivation (OCIR-Thé, 2006). 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%) but, in addition, there are also nine tea factories with associated estates, five of them still state-owned. Sorwathé is the leading private tea producer accounting for less than 10% of plantation area and 20% of tea production. New private investors have taken over the factotries at Pfunda, Nshili, Kiva, Rubaya and Sisakura. Private-sector management of these faciliaties is expected to lead to expanded production and larger export receipts.

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. Most tea is produced by the CTC (cut, tear, curl) method and there is little value addition. The Government's goal, by 2010, is to increase the area under cultivation from 12,000 to 18,000 ha; to increase the average yield from 1,500 to 2,500 kg per ha; and more than double production to about 36,000 tons. Another goal is to increase value addition through blending, packaging and branding, and triple export earnings to $91 million by 2012. A feasibility study on value addition has been completed by PricewaterhouseCoopers.

Principal investment opportunities in this subsector include the following:

- the privatization of five tea factories, those at Gisakura, Kitabi, Mata, Mulindi and Shagasha (about $6,000,000 for a factory with a production capacity of 1,200 tons and two production lines, according to OCIR-Thé),
- the construction of a new CTC factory in the Karongi district in western Rwanda ($7,000,000),
- the construction of a new factory at Gatare in the Nyamasheke district in western Rwanda ($7,000,000),
- the construction of a new factory at Mushubi in the Nyamagabe district in western Rwanda ($7,000,000),
- the establishment of a blending and packaging plant, including orthodox tea manufacture ($4,000,000), and
- the development of large-scale tea plantations.

Box III.2. FDI story: Investing in tea

The Pfunda Tea Company is located in Gisenyi in western Rwanda near Lake Kivu, with its plantations between 5 and 35 kms away. It is majority-owned by LAB International UK, which acquired a 55% share in Pfunda Tea in November 2004 for $1,060,160. The remaining 45% is still held by the Government of Rwanda, which has declared its intention to sell a further 35% to private buyers and 10% to an out-growers' cooperative.

The company is currently producing about 1.4 million kgs of tea which, at prices for Rwandan tea varying between $1.40 and $1.55 per kg on average for the last five years, means a turnover of around $2 million. The number of current employees is a core staff of 26 and a further 500 contract employees. Of all of these, only one is an expatriate: A.P.S. Shaw, the General Manager. The company both grows its own tea and buys tea from out-growers. The company's own land (held by long-term lease) is 104 ha, while the out-growers' cooperative has a further 780 ha. The difference in yields is considerable, with the company's land producing about 2,000 kg per ha and the cooperative land producing about 1,200 kg per ha. According to Mr Shaw, this is basically a function of differences in management.

LAB International is a long-established trader in tea in the United Kingdom. It had been buying quality Rwandan tea for quite some time when it saw a special opportunity in the privatization of Pfunda Tea, which would become the company's first tea-growing and manufacturing facility. Generally, the quality of Rwandan tea is highly regarded by buyers but the cost of production in Rwanda (around $1.38 per kg) is higher than in Kenya. This is primarily the result, according to Mr Shaw, of long transport lines to the port of Mombasa in Kenya, where tea auctions are held, and of the high cost of energy and other inputs in Rwanda.

The company assesses the investor's environment as friendly. Mr Shaw was very impressed by his reception on his first visit and sees this friendliness as a stable feature of the operating environment. In his view, the trend in key areas such as infrastructure is basically positive, although improvement in such aspects of it as rural roads has tended to occur very slowly. The company's principal challenge in its business has been educating out-growers in better husbandry.

In the company's view, one top priority for the Government, as far as tea is concerned, ought to be improving the management of cooperatives. This would lead both to higher yields per ha and greater incomes for farmers. There are plenty of opportunities in tea and in agriculture more generally, according to Mr Shaw. These could come from further privatization as well as from additional land the Government could make available. The best features of Rwanda in the company's view are a favourable climate, an investor-friendly Government and the near absence of corruption. (In the two years that Mr Shaw has been in the country, he has not known so much as a hint of a request for a bribe, from the district level right up to the capital.)

The company's plan for the future is to increase production, with a target of 3 million kgs by 2010, whilst improving the quality of the end product.

Source: UNCTAD, based on information provided by Pfunda Tea.

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 generates over $300 million in foreign exchange. The sector has grown quickly in Kenya, from small beginnings, and relies significantly on out-growers, to whom exporters provide extension services – all of which suggests the possibility of successful replication in Rwanda.

According to the Ministry of Agriculture, in 2005, 99% of horticulture products (mainly flowers) were exported to the Netherlands while 100% of dessert banana and passion fruits were exported to Belgium. In 2003-2004, MINAGRI estimated that 13,000 hectares were planted with fruits in Rwanda yielding 98-108 tons per hectare. It was also estimated that, under intensive farming, the potential yield would vary between 197 and 305 tons per hectare.

The existing demand for passion fruits and its processed products presents significant potential for Rwanda, an opportunity for investors if the quality standards necessary for the international market can be met. 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.

There is also potential to develop downstream processing industries and RIEPA has specifically targeted rice, tomatoes and tomato paste production, and castor oil. To address the existing horticultural development bottlenecks, a national development programme is being prepared. The Ministry of Agriculture has also launched a pilot study to analyse the current status of the production, processing and marketing of fruits in Rwanda.

Opportunities for investors can be found in:

- Export of fresh passion fruits and vegetables;
- Export of fresh apple bananas;
- Large-scale cultivation and export of flowers;
- Industrial processing of passion fruit into ready-to-drink juices for both local and regional markets;
- Processing of tomatoes into tomato paste;
- Construction of processing plants for the production of vegetable oils destined for regional and international markets;
- Industrial cultivation of sunflower, soya, groundnut and castor oil plants to supply the future processing needs of vegetable oil factories;
- Construction of greenhouses and cold-storage facilities;
- Production of packaging materials for horticultural products; and
- Production of inputs, fertilizers and pesticides.

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 was estimated at more than $60 billion in 2002 and was growing at an annual rate of 10-15 per cent. Indian investors have been prominent in this area and may find the potential in Rwanda of much interest. For an example of such investment in a country with some similar terrain and climate, see the example of Dabur in box III.1.

Box III.3. An example of exploiting potential for herbal products

Parts of Nepal share some of the natural features of Rwanda, such as a hilly terrain, a mild climate and fertile soil, which lend themselves to niche agricultural production. Dabur Nepal Private Limited, a joint venture with 80% of the equity held by the foreign investor, Dabur India Limited, has been focusing on herbal products in Nepal. The company started with the production of hair oil, tooth powder and other powders (all herbal) in 1992. It later diversified its product range to include glucose-D, candies, fruit juice, perfumery compounds, honey-processing and medicinal products. Annual turnover in 2003 had crossed $60 million, of which 93% was accounted for by exports.

One thing that makes Dabur Nepal an interesting FDI venture to consider in the Rwandan context is its promotion of backward linkages. One of its projects concerns medicinal plants. Medicinal plants have historically contributed to the Nepali economy through the generation of income and employment for farmers, collectors, traders and processors. However, because of indiscriminate exploitation, premature harvesting, a lack of post-harvest technology and poor collection methods, the natural reserves are being rapidly depleted.

Dabur Nepal has set up a state-of-the-art greenhouse with a capacity to produce three to four million saplings of medicinal plants per annum. It supplies the saplings to farmers, directly or through development agencies and NGOs, at cost price. The farmers are given training and technical assistance for plantation, cultivation practices, plant-protection measures and harvesting as well as post-harvesting technology. The company guarantees purchase of the final produce at the prevailing market price and uses it for the production of various herbal products in Nepal.

Source: United Nations, 2003.

Information and communication technology (ICT)

A 2001 review of Rwanda's ICT sector, carried out by the Swedish International Development Agency (SIDA), estimated the total size of the ICT sector at $25-30 million, of which Rwandatel accounted for half. The picture has changed since then. Rwandatel was then the monopoly telephone service provider, with approximately 25,000 fixed subscriber lines. The South African mobile telephone operator MTN, which had begun operations in 1999, was growing fast but from a very low base. Today, there are still only about 25,000 fixed-line subscribers but there are also over 200,000 mobile subscribers. Rwandatel was recently sold to Terracom, a US company, and is licensed to provide mobile as well as fixed-line service. Although telephone penetration remains low (under 3 per 100 inhabitants) and Internet penetration even lower, an expansion of service and lowering of prices may be expected in the new competitive environment.

The Government takes the view that ICT could drive the transformation of Rwanda from a poor subsistence economy to a middle-income knowledge-based economy. Its 2001-2005 ICT plan was very detailed and included several specific FDI targets. Some of these were perhaps over-ambitious, given the small market and limited skills, but there is no doubting the Government's commitment to developing the sector. A plan for 2006-2010 is expected soon.

Moreover, some concrete steps to improve ICT infrastructure, increase demand for ICT products and services, and develop the skills needed have been taken. Rwanda's e-Government programme in particular is intended to create demand for ICT products and services (see box III.3 on e-tools below). The new Kigali Institute of Science and Technology (KIST) is expected to develop a cadre of people with advanced ICT skills, while other education programmes are aimed at introducing computer literacy at the primary level.

Box III.4. FDI story: Investing in ICT

The Electronic Tools Company is an independent software vendor founded by an expatriate Rwandan in the United States in 1994. It specializes in electronic design automation, e-commerce, general business applications, e-government and anti-corruption solutions. E-Tools came to Rwanda in May 2003, impressed by the rapid recovery from the genocide and the commitment of the Government to using technology to speed up development.

The company is fully foreign-owned, with an initial investment of $1.2 million and subsequent reinvestment of profits to the tune of $1.8 million. The turnover in 2005 was about $2 million. It is expected to increase by 20% as the company's products penetrate the regional market. E-Tools currently has 35 employees, of whom nine are expatriates, six of these nine being temporary visitors from the US and Russia. The company's customers at present consist of ministries and agencies of the Government of Rwanda; however, it expects soon to add corporate organizations and other regional governments to the list.

Antoine Bigirimana, President and CEO of E-Tools, assesses the investor's environment as very positive. In Mr Bigirimana's view, the Rwanda Investment and Export Promotion Agency (RIEPA), in particular, does a fine job of making the investor feel welcome. Registration and incorporation procedures, for example, can be completed within a week, a notable accomplishment in sub-Saharan Africa. The trend is generally positive, although the cost and unreliability of power supply continues to be a problem. The main challenge for E-Tools has been the lack of skills. The company has addressed this by providing on-the-job training for its staff.

Asked what needs attention by the Government, Mr Bigirimana points to low-cost reliable electricity and a bigger supply of ICT professionals as the company's most immediate needs. As for investment opportunities in Rwanda, they can be found in ICT services for the region, in financial services and in a variety of agriculture-related areas. With regard to ICT, Mr Bigirimana notes that his company has developed 10 new products with local talent, which indicates that skills can be developed if the investor wants to develop them. In general, he believes that opportunities in Rwanda are primarily there for small and medium-sized enterprises (SMEs) with investments in the range of $50,000-$500,000. (In 2004, Mr Bigirimana and a partner founded the Thousand Hills Venture Fund – www.thvf.com – the only US-based for-profit venture fund focused on SMEs in sub-Saharan Africa.)

The best things about the country for E-Tools are safety and security, workforce trainability and strategic location. The company plans soon to incorporate in Rwanda, where it now operates as a branch of the US company. It sees its future in marketing its products to the region and thinks that Rwanda's forthcoming membership in the East African Community (EAC) will make a large positive difference to its prospects, as its products will enjoy a marketing advantage over comparable products made elsewhere.

Source: UNCTAD, based on information provided by E-Tools.

The Government has decided to establish a state-of-the-art ICT TechnoPark in Kigali, to create the environment necessary to develop the ICT sector and spread the awareness of its importance beyond Government circles. It believes that its advantages in Africa – e.g., a committed government, a clear strategy, an investor-friendly business climate and a strategic location – will appeal to companies in the sector. Through the TechnoPark, it hopes to attract leading foreign firms, provide access to world-class ICT products and services to Rwandan and COMESA consumers, serve as an incubator for new ICT companies and create employment opportunities for the country's emerging skilled workforce.

Proposed services at the TechnoPark will include:

- software development;
- business process outsourcing (BPO);
- hardware assembly and manufacturing;
- state-of-the-art call centres;
- mobile phone assembly;
- broadband fibre optic nfrastructure development;
- state-of-the-art training facilities; and
- research & development (R&D).

Tourism

Rwanda's tourism sector has been growing slowly but steadily since the disruption of 1994. The number of tourists in 2005 was 26,000, a record since 1994. Tourism receipts have grown as well and amounted to $26 million in 2005.

Rwanda 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. And, of course, it has the famous mountain gorillas in the Parc National des Volcans. Tourism is also important to the country, not only as a source of foreign exchange but as a source of employment (outside Kigali) and as a catalyst that could help change the country's misleading image as the land of the 1994 genocide.

Taking Rwanda's advantages and limitations into account, the Government has developed a strategy that focuses on high-end eco-tourism and invites private investment into developing the sector. As part of the Rwanda National Innovation and Competitiveness Program, a group of 40 Private Sector, Public Sector and NGO leaders forming Rwanda's Tourism Working Group has set the goal of generating $100 million in tourism receipts in 2010 by focusing on creating high-value and low environmental impact experiences for eco-travellers, explorers and business travellers. These three kinds of travellers have the following general attributes:

- *Eco-travellers* are interested in nature and in nature-based activities. They are interested in adding texture – sounds, smells and feelings – to their knowledge of world's rarest species and natural sites. Ecologically and culturally sensitive, Eco-travellers want to be non-intrusive and leave nature intact.

- *Explorers* travel to edify themselves and to fit as many new places and sensations as possible into a trip. They visit destinations where they can make "real connections with the locals," and from which they can bring back trophies and souvenirs to share with children and friends to relive their adventures.

- *Business Travellers* have little choice in their destinations. Beyond completing their trip efficiently, they appreciate the opportunity to add a pleasure leg to it. They expect fast transport and reasonable hotels, with business amenities and reliable telecommunications to stay in touch with their base.

Rwanda's natural assets include six volcanoes, twenty-three 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. The third park in Rwanda, the Akagera National Park is a savannah park with typical wildlife – lions, giraffe, elephant, hippopotamus, hyena, impala, gazelle – but it has suffered from the resettlement of populations and the wildlife is less plentiful than it once was. 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.

Principal opportunities for investment include:

- the privatisation of the Hotel Intercontinental and the Kivu Sun, in Kigali and Gisenyi respectively,
- building new high-standard hotels/lodges/ guest houses in the six key tourism destinations outside Kigali (Butare, Gisenyi, Ruhengeri, Muhazi, Nyungwe and Akagera) with a capacity to handle over 100 visitors, in particular the construction of an eco-lodge that blends well with the forest environment at Nyungwe,
- refurbishing and upgrading the existing hotels, lodges and restaurants in all the key tourist destinations, in particular the Kibuye Guest House, strategically located at the shores of Lake Kivu,
- building a modern hotel at Nyanza, where the Nyanza Royal palace, the seat of the former kings, is situated, to cater to tourists who wish to understand the traditional ways of life during pre-colonial Rwanda,
- creating zoological and botanical gardens in major urban centres such as Kigali, Butare, Ruhengeri and Gisenyi, targeting the general public as well as tourists,
- creating boating and water sports facilities on Lake Kivu,
- creating theme parks and other cultural and entertainment centres in key regions, and
- offering training in leisure and hospitality, in key areas such as hotel management, tour guiding, customer service, etc., for which there is a substantial demand.

Box III.5. FDI story: Investing in hospitality

Novotel in Kigali is a three-star hotel owned by Soprotel, a holding company which is majority-owned by the Government of Libya (60%) in conjunction with the Government of Rwanda (40%). It is managed by the French company Accor, which operates some 4,000 hotels around the world, with a presence in 90 countries. Accor hotels come in many categories, ranging from Sofitel at the top through the mid-level Novotel and Suite Hotels to the two-star Ibis. Novotel in Kigali has been managed by Accor since 2001. It had a turnover in 2005 of approximately Rwf 2.5 billion (around $5 million). The number of employees is currently 197, with only the general manager and the chef being expatriates. The company makes a special effort to have its senior employees trained abroad.

Accor came to Rwanda in response to the management contract bids invited by the Government in 2001. The company assesses the investor's environment as generally positive. It particularly values the Government's commitment to creating an investment-friendly environment. Marc Bessodes, the General Manager of Novotel, cites the new tax law (2006) as one instance exemplifying this commitment. Like most foreign companies in Rwanda, however, Accor is concerned at the lack of improvement in the energy sector, with consequent need for expensive back-up generators, and the inadequacies of training in the workforce. Taxation is one area in which the company has seen notable improvement, although tax administration continues to be a problem. The biggest challenge for the company has been dealing with the high cost and unreliable supply of electricity.

Asked what he thinks needs the most urgent attention by the Government, Mr Bessodes responds with "electricity, water and fuel". There is also a problem in customs procedures, which involve significant delays. As for opportunities for FDI in the hotel sector, the company believes these are substantial, created by international meetings (the main source of custom for Novotel) as well as by tourism more generally. The best thing about Rwanda as an investment location, according to Mr Bessodes, is that it is law-abiding.

As for future plans, the company is interested in privatization opportunities. It would also be interested in bidding for some of the Government's share in Soprotel if it were to come on the market. The prospect of Rwanda joining the East African Community in the near future is viewed positively by Accor, as it expects that EAC membership will have a positive impact, for example on tax rates.

Source: UNCTAD, based on information provided by Novotel.

Other opportunities

Manufacturing

As noted earlier, there are opportunities across the board in manufacturing in Rwanda, first for the domestic market, which would be of interest especially to SMEs, and then for the regional market. The high cost of imports in this landlocked country offers opportunities for import-substitution activities that enjoy a certain natural protection. One example of such activity is the Madhvani Group's investment in a sugar factory – see box III.6 below.

Textiles and apparel

Only one industrial-scale apparel manufacturer currently operates in Rwanda: L'Usine Textile du Rwanda (UTEXRWA). This is a vertically integrated company established in 1985, which employs about 700 people and has an annual production capacity of 1 million kg of yarn, and 10 million yards of synthetic and cotton fabric. UTEXRWA also has an in-house garment manufacturing facility with 250 sewing machines. The company has historically imported raw cotton from Uganda and Tanzania, but now its own fabric accounts for some 20% of its use in garment manufacturing. This is significant and positive, given the third-country fabric provision of AGOA (see box on EBA and AGOA below). UTEXRWA has already established contact with potential US customers partners like Wal-Mart but is constrained by low production capacity, high transport costs, the high cost of imported inputs, and the cost and availability of energy. In order to address some of these constraints UTEXRWA entered into a co-operation agreement with the Canadian Centre for Textile Technology in late 2005, to upgrade its workforce and production quality and capacity.

More recently, in collaboration with the Ministry of Agriculture and the Ministry of Defence, Utexrwa has been working on the development of sericulture and the silk textile industry in Rwanda. The country's highly fertile volcanic soil, rainfall for nearly eight months a year and generally conducive climatic conditions make it especially suitable for mulberry cultivation and silk-worm rearing, according to the company.

Box III.6. FDI story: Investing in sugar

Kabuye Sugar Works is a fully foreign-owned venture of the Madhvani Group. The Group has its principal business interests (sugar and the co-generation of electricity) in Uganda and offices also in India, Kenya and the United Kingdom. In December 1997, it acquired Kabuye Sugar as the result of privatization for $1.5 million. Over the past eight years, the Madhvani Group has invested a total of $10 million in Kabuye Sugar. The sugar factory is located just outside Kigali. The annual turnover is about $7 million and growing.

The company has 400 employees in the factory and a further 5,000 workers on daily wages in agricultural operations, about 75 per cent of these latter being women. The number of expatriate employees is 11, all from India, including the General Manager, M.S.V. Rao. At the time of the purchase in 1997, the Government of Rwanda allocated Kabuye Sugar 3,100 ha of land for sugarcane cultivation. Of this, about half was rendered unusable by flooding, something the Group had not expected. Currently, the company is using only 1,600 ha for cultivation and drawing on an additional 2,000 ha held by out-growers. The yield of sugarcane per ha is about 80 tons a year and is expected soon to reach 100 tons.

The Group came to Rwanda in response to the Government's initiative and was impressed by its commitment to create an investor-friendly environment. It took investment and time to become fully operational, as the machinery and equipment the company inherited was obsolete and had to be replaced. Today, Kabuye Sugar produces about 10,000 tons of sugar a year, which meets roughly half the domestic demand of 20,000 tons. Its sugar sells for around Rwf 750 per kg, while imported sugar sells for a slightly higher price. (Kabuye Sugar is currently the only domestic producer of sugar.)

Mr Rao assesses the investor's environment as positive and encouraging. He shares the generally high regard in which investors hold the Rwanda Investment and Export Promotion Agency (RIEPA), although he urges the further simplification of procedures. As for the trend in key areas, Mr Rao sees it as positive but slow, especially when it comes to rural roads, which are critical to any agricultural investor. Electricity is also a problem. However, unlike most foreign investors, Kabuye Sugar expects to solve the problem on its own, as sugar manufacturing can generate power as a by-product.

The company's biggest challenge has been land, in particular protecting it against flooding. This is an issue that it thinks needs urgent Government attention. If it could be sorted out, the company could expand production to as much as 30,000 tons of sugar. As for opportunities, Mr Rao thinks there are plenty of opportunities in agriculture-related activities, if the infrastructure (and rural roads in particular) can be improved. The best thing about Rwanda, in the company's view, is the strength and clarity of Government commitment. It sees its own future in the expansion of production and possibly further investment in other ventures in the agriculture and tourism sectors. In the matter of Rwanda joining the East African Community (EAC), Mr Rao advises caution, as the advantages of scale and infrastructure enjoyed by the other members of the EAC could lead to dumping.

Source: UNCTAD, based on information provided by Kabuye Sugar Works.

Box III.7. Preferential access to the EU and US markets through EBA and AGOA

EBA

The EBA is one of five arrangements available under the Generalised System of Preferences (GSP) of the European Union, which grants trade preferences to all developing countries. It is the most favourable regime available under the GSP and is meant for least developed countries, of which there are 49 in the world and 34 in sub-Saharan Africa.

Roughly 2100 products already enter the EU market duty-free for all countries. Practically all other products are covered by EBA and are granted duty-free access to the EU market if they fulfil the rules of origin requirements (see below). The exclusions are arms and ammunition and, temporarily, fresh bananas, rice and sugar. Duties on these products, except for arms and ammunition, are being gradually reduced until duty-free access will be granted for sugar in July 2009 and for rice in September 2009. In the meanwhile, there are duty-free tariff quotas for rice and sugar, increasing annually.

Preferences under the EBA apply to imports into the EU of products originating in least developed countries. While products wholly obtained in the exporting country are considered as originating there, products manufactured with inputs from other countries are so considered only if they have undergone sufficient working or processing in the exporting country. A guide on how to interpret and implement the rules of origin is available from the European Commission.

AGOA

The African Growth and Opportunity Act (AGOA) was signed into law on 18 May 2000. It is meant to encourage market forces in African countries by offering these countries the most preferential access to the US market available outside of free trade agreements. The Act covers some 6,400 items, including textiles and apparel, and horticultural products. The AGOA Acceleration Act, signed into law on 12 July 2004 and known as AGOA III, extends this preferential access until 30 September 2015.

Eligibility for AGOA benefits is determined annually on the basis of a review by a committee chaired by the United States Trade Representative (USTR). The criteria require that the country have established or be making progress towards establishing, inter alia, a market economy, the rule of law, policies to reduce poverty, and a system to combat corruption. In 2006, 37 sub-Saharan countries qualified, including Rwanda.

Ready-made garments have been of particular interest to some AGOA-eligible countries (e.g., Kenya and Mauritius), as the Act provides duty-free and quota-free treatment for eligible apparel articles made in qualifying sub-Saharan African countries through 2015. Among the qualifying articles are apparel made of US yarns and fabrics; apparel made of sub-Saharan African (regional) yarns and fabrics, subject to a cap; apparel made in a designated lesser-developed country of third-country yarns and fabrics, subject to a cap; and eligible hand-loomed, handmade or folklore articles and ethnic fabrics. (Most countries in sub-Saharan Africa qualify as 'lesser-developed', allowing them to use fabric from any other – 'third-country' – source. This third-country provision is, however, currently set to expire on 30 September 2007.)

It is worth noting in this context that in June 2006 Rwanda signed a Trade and Investment Framework Agreement (TIFA) with the United States. The TIFA will create a formal consultative mechanism to address bilateral trade issues and will help enhance trade and investment relations.

Source: UNCTAD, based on information from the AGOA website (www.agoa.gov/index.html), the EBA website (http://ec.europa.eu/comm/trade/issues/global/gsp/eba/index_en.htm), and other sources.

sub-Saharan Africa is estimated to have a $300 million per annum market for silk products, which Utexrwa hopes to target. The Rwandan Handicraft Society has also expressed an interest in collaborating with Utexrwa on the hand-weaving of silk for the high end market in the United States and Europe.

Crafts

Rwanda's crafts, just like its garments, are eligible for duty-free entry into the US market under AGOA. The main products are baskets, beadwork, metalwork, wood and stone sculptures (e.g., mountain gorilla sculptures, which are popular with tourists), dolls, artisan tanning, hand-printed stationery, and hand-loomed textiles.

Crafts are an important source of full-time and part-time employment and income in Rwanda. The Ministry of Commerce estimates that there are 420 crafts associations or enterprises with over 7,000 organized craftsmen-members. In addition, as many as 100,000 people are estimated to work full-time and as many as 850,000 part-time in crafts. This would make crafts the second biggest source of employment after agriculture.

Only three companies in Rwanda export crafts to the US under AGOA: Modis International, Gahaya Links and AVEGA Gahoza. Gahaya Links, the first Rwanda crafts company to export under AGOA, did so in partnership with a US crafts importer, EDI Imports. Currently, the three companies are exporting to Macy's department store in the US and receipts are expected to reach $600,000 in 2006. The Government, through RIEPA, has also begun an aggressive programme to set up handicraft production centres in the country. Four centres were launched earlier this year and are currently being used by over 1,000 women. Six more are planned before the end of the year.

The challenges in this sector are scattered production, often dispersed all over the country, which reduces capacity to deal with large orders, and a rather high final retail price for the buyer abroad.

Infrastructure

One of the pillars of Rwanda's *Vision 2020* is the refurbishment and development of the country's core economic infrastructure to support and enhance economic growth. Encouraging greater private sector participation in infrastructure is a major element in the government's policy.

There are opportunities for private-sector participation in the road rehabilitation, maintenance and development programmes. There are also opportunities in airport management. In the short term, private-sector players may be contracted to manage airport car-parking. In the long term, as passenger traffic grows, the Airports Authority could be privatized. The new international airport at Nyamata, envisaged in the medium to long term, also presents opportunities for local and foreign firms.

Opportunities in the water-supply sector include establishing new water sources to meet the current deficit in Kigali and deepening private-sector involvement in Electrogaz through private-public partnership agreements.

Transport and logistics

A third main target group of potential investors consists of freight forwarding, transport and logistics companies. SDV Bolloré, DHL/Danzas, World Freight/Panalpina, Fraser's of South Africa, and other transport and logistics companies are already present in the Rwanda market. Danzas has decided to establish a transport hub in Kigali to serve the market in Eastern Congo and Maersk has established an inland container depot in Kigali to service the Rwanda, Burundi and Eastern Congo markets.

With the growth in retail and wholesale businesses as well as the boom in construction, significant opportunities for investment exist in this sub-sector.

Though transport companies tend to enter a market to serve existing customers, their presence can be an inducement to other investors, to whom the availability of reliable transport and logistics services is important, and can thus expand the market for these services.

Finance

The financial sector is small, comprising six commercial banks, a development bank, a cooperative bank and the Rwanda Housing Bank. Only 7% of the population holds bank accounts. Four of the banks have significant foreign participation, while five have some equity owned by the State.

The Rwanda Housing bank is actively seeking to increase its share capital to Rwf 1.5 billion (about $2.7 million), which offers opportunities for institutional and private investors, both local and foreign. Private-sector participation is crucial for the further development of the housing sector in Rwanda and the high demand for housing in Rwanda also provides opportunities for estate and property developers.

The main sectors and industries targeted by the Rwanda Government as engines of future economic growth include ICT, horticulture, coffee, tea, crafts and tourism and, to a smaller degree, textiles and apparel. With the possible exception of textiles and apparel, all of these sectors have significant potential for growth and are likely to be among the main engines of Rwanda's future prosperity.

Special zones and incentives

Although no special zone (such as an EPZ, an industrial zone or a free zone) currently exists in Rwanda, the Government has fairly advanced plans for establishing a Free Economic Zone (FEZ) in Kigali in the near future, which could serve as a commercial platform to access the regional market. Land for the FEZ has been acquired at Nyandungu, east of Kigali, and the site plans have been prepared. The FEZ site is 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 initial development is estimated to cost $72 million. Ground-breaking is scheduled for late 2006 and the completion of phase one scheduled for December 2007.

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, re-labelling, 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

Other: open spaces for recreational and landscaping purposes

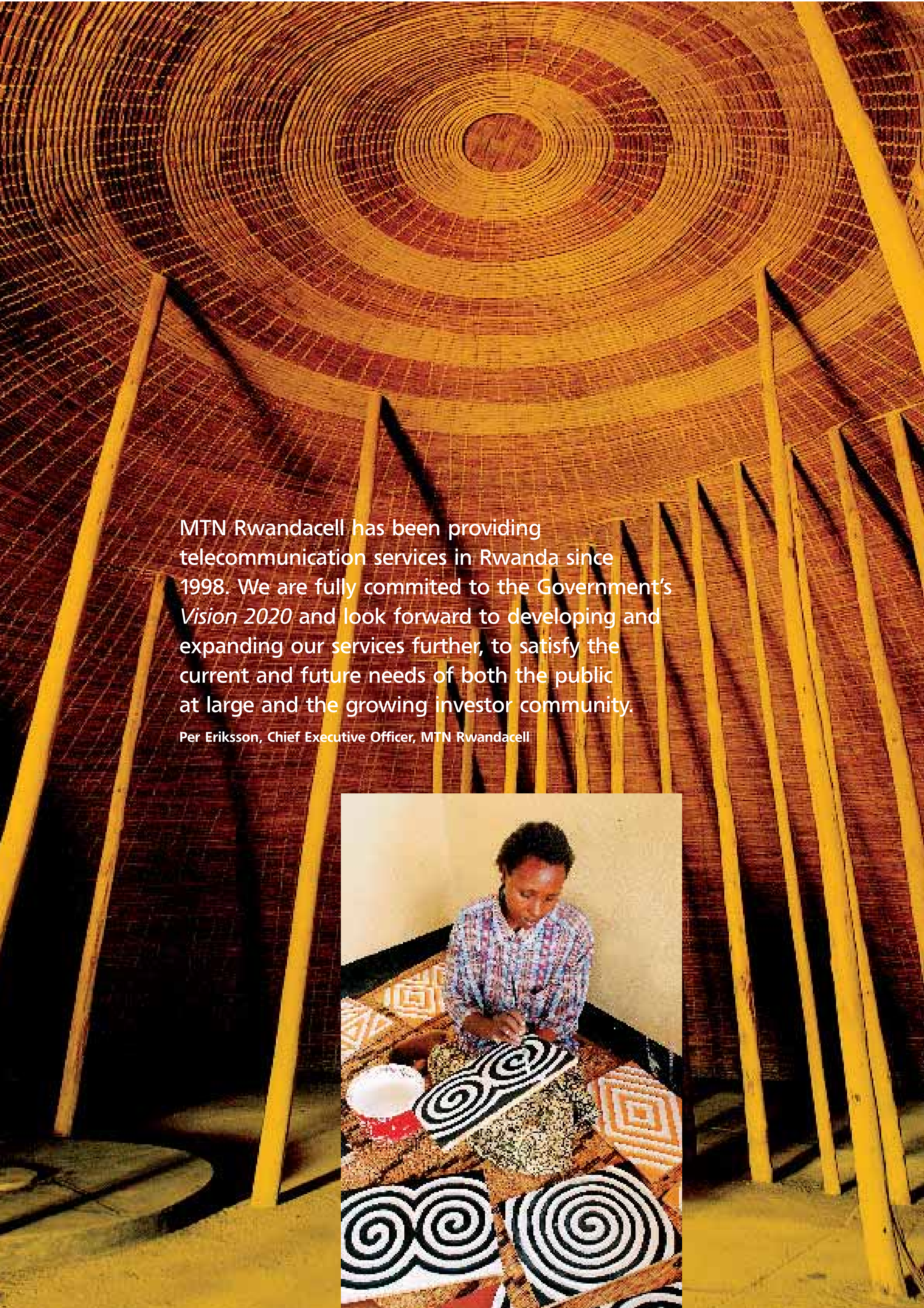
The targeted sectors include coffee/ tea, horticulture (cold storage), ICT, textiles and apparel, petroleum (storage), dry goods (warehousing and merchandizing), and high-value trading and crafts.

The investment incentives proposed for the EFZ are shown in table III.1 below, along with the comparable incentives offered by the three members of the East African Community (EAC).

TABLE III.1. SPECIAL ZONE INVESTMENT INCENTIVES IN EAST AFRICA

	RWANDA	TANZANIA	UGANDA[a]	KENYA
CORPORATE TAX	0% for FZ companies indefinitely Up to 7% tax rebate based on number of employees Export subsidy up to 5% based on export proceeds repatriated	10 year exemption from corporate income tax; 25% maximum rate thereafter	10 year exemption from corporate income tax; 25% maximum rate thereafter Unlimited loss carry-forward, including for unused prior exemptions	10 year exemption from corporate income tax; 25% maximum rate for next 10 years
OTHER TAXES	VAT exemption for FZ companies	Full VAT exemption for all imports except vehicles, consumables and spare parts Exemption on local authority taxes and other taxes for exported goods No stamp duty	Stamp duty exemption Exemption from tax on dividends 10 year exemption from property taxes 3-year exemption of tax on salaries of expatriate managers and technicians	No stamp duty Full VAT exemption (some exceptions on motor vehicles)
ACCELERATED DEPRECIATION	40% of investment in year 1	50% of investment in Year 1	100% deduction on capital expenditures	100% depreciation in first year on investment in buildings, machinery and equipment
R&D, TRAINING INCENTIVES	100% write-off of R&D costs		100% of R&D and training cost expensable in Year 1	
IMPORTS	0% import duty, VAT exemption	0% import duty except on cars, consumables and spare parts	100% exemption on import duty and VAT on imports and on goods purchased from domestic customs territory (including up to 2 vehicles per enterprise)	Perpetual duty & VAT exemption on all imports and for some inputs purchased locally.
SALES TO DOMESTIC MARKET	20% maximum	30% maximum Full repatriation of profits and capital	Maximum 40% in Year 1, 30% in Year 2, 20% thereafter.	20% maximum
OTHER	Exemption of withholding tax Full repatriation of profits and capital	Exemption from pre-shipment inspection Exemption from foreign exchange controls On-site Customs inspection	Full repatriation of profit and capital No foreign exchange controls 10 year exemption from withholding tax Inter-zone exports and subcontracting within Zones permitted	On-site Customs inspection Single license granted by EPZA with no other approvals required Maximum 30-day investment approval, one-stop shop No exchange controls, liberal repatriation of dividends

Source: RIEPA (2005).
[a] Uganda has adopted free-zone legislation but not yet established a free zone.



MTN Rwandacell has been providing telecommunication services in Rwanda since 1998. We are fully commited to the Government's *Vision 2020* and look forward to developing and expanding our services further, to satisfy the current and future needs of both the public at large and the growing investor community.

Per Eriksson, Chief Executive Officer, MTN Rwandacell

The regulatory framework IV

Legal and judicial system

History and basis

The legal system of Rwanda derives, historically, from the French/Belgian civil law tradition. Since July 1994, there has been a gradual introduction of the Anglo-Saxon common law system. The advent of the common law system is attributed to Rwandans returning from exile in neighbouring countries (e.g., Uganda) that follow the common law system and the impeding accession to the East African Community (see box I.2. in Chapter I). Rwanda's current system is thus a hybrid that combines both civil and common law features.

Before the 1994 Genocide (see box I.1 in Chapter I), the Judiciary was weak and subject to the complete control of the Executive. Since members of the Judiciary were dependent upon the executive, they were generally not impartial. In addition, the judiciary was composed of largely untrained personnel and corruption was endemic.

The events of 1994 aggravated an already deplorable situation. The infrastructure of judicial institutions was completely destroyed. The courts, the prosecution service and the police ceased to function. Many members of the judiciary were killed with others fleeing into exile. The legal system basically ground to a halt.

Since early 1995, there have been continuous efforts to restore political stability and the rule of law. The earlier preoccupation was with transitional justice and the huge numbers of genocide cases pending. Lately, civil and commercial justice has acquired greater significance on account of the new policies of liberalization and privatization.

The sources of the laws that govern various judicial institutions include the Constitution of 2003 (see History and government in Chapter I), which is the supreme law, and other laws, including laws promulgated in the Belgian colonial territory of Rwanda, Urundi and Congo Belge. As noted above, Rwanda largely follows the civil law tradition although, with the ongoing legal reforms, a hybrid of civil and common law systems is emerging.

Legislative aspects

The Constitution vests legislative power in the National Assembly. 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. The official Gazette is available online on the official website of the office of the Prime Minister: www.primature.gov.rw.

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 Commerce, Industry, Investment Promotion, Cooperatives and Tourism (all under one ministry) 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.

Much legal reform is currently taking place. The new laws on income tax, customs and VAT became operative in June 2006. Several other major bills are currently before Parliament, including the Public Procurement Bill, the Intellectual Property Rights Law, the law establishing the Rwanda Registration Services Agency, and the Law on the Accountancy Profession. The last two of these have been adopted by the Cabinet. The law on mining and that on insurance have been drafted and are awaiting approval by Cabinet before being sent to parliament for enactment. The Banque Nationale du Rwanda (BNR) is reviewing the current laws on Banking with assistance from the International Monetary Fund. A national steering committee established by cabinet is currently working with consultants from the World Bank to prepare the financial-sector development plan.

The Government has set up a Business Law Reform Commission, drawing on both the private and the public sectors, which is focussing on some key areas of legislation. By April 2007, fourteen bills will have been prepared by the Commission. A list of the bills with remarks on their status can be found at the end of Appendix 5.

Judicial aspects

The official languages of the courts are English, French and Kinyarwanda. Written submissions of cases as well as the arguments may be in any of these three languages, although the practice is to conduct most court hearings in Kinyarwanda.

The judicial system has the Supreme Court at its apex, the High Court immediately below it, and then the Higher Instance Courts, Lower Instance Courts and the Court Martial (for members of the Armed Forces). The High Court is one court but with branches in different parts of the country. It is an appellate court to the provincial courts and a court of first instance in respect of administrative matters and some criminal offences.

The practice and procedure of the Courts are regulated by the code of criminal procedure as well as the code of civil, commercial, labour and administrative procedures. The Supreme Court hears appeals from the High Court and also has original jurisdiction in respect of proceedings against the President of the Republic, the Prime Minister, the President of the Chamber of Deputies, the President of the Senate and the Chief Justice.

Inefficiency has reduced the credibility of the legal and judicial system and may have been an obstacle to investment in Rwanda. However, as mentioned above, the Government has now initiated major reforms in the judicial and legal systems and progressive gains in efficiency may therefore be expected.

Legal practice in Rwanda is currently regulated by the Law Establishing the Kigali Bar Association. However, in order to reflect the recently concluded reforms in the judiciary, a draft law establishing the Rwanda Bar Association has been approved by Cabinet and forwarded to the National Assembly. The admission of advocates is restricted to citizens of Rwanda who fulfil the conditions established by the law. Under the draft law establishing the Rwanda Bar Association, lawyers will have to complete a post-graduate training course at the recently created Institute of Post-graduate Law and Development. Foreign advocates are not entitled to practise in Rwanda but it is common for foreign lawyers to provide advisory services which do not include litigation. Government officials currently act as Commissioners of Oaths and Notaries Public, although the draft law establishing the Rwanda Bar Association provides that all practising advocates may also function as Notaries Public and Commissioners of Oaths.

Administrative aspects

The law establishing the office of the Ombudsman requires all senior public officers to declare the quantity and sources of their wealth every year (Law Establishing the Office of the Ombudsman, 2003). A code of conduct is being developed for all officers in Government departments and the main organs of the State: the legislature, the executive and the judiciary. The Government has recently implemented a civil service reform programme which has led to the retrenchment of excess labour and a restructuring of the salaries of those retained.

The Superior Council of the Judiciary, chaired by the Chief Justice, plays an important role in overseeing the organization and functioning of the judiciary. The power to appoint judges of the Supreme Court is vested in the Cabinet, subject to the approval of the Senate. The Superior Council of the Judiciary directly appoints the other judges, i.e., those of the High Court, Higher Instance Courts, and Lower Instance Courts. The disciplining of all judges is vested in the Council, except for the President and Vice President of the Supreme Court, whose disciplining is vested in the Cabinet and the Senate respectively. Judges and prosecutors, along with soldiers and the police, are prohibited from joining political parties.

Protection of person and property

The Constitution guarantees the protection of property under article 29 and article 30 of the new Investment Law says that Government is responsible for the protection of foreign investment. Several offences against property are also punishable in accordance with the provisions of the penal code. As for personal protection, the country is now secure and crime rates are very low by regional standards.

Dispute resolution

Most disputes in Rwanda are resolved through litigation in court. At the moment, there is no specialized commercial court but the planned reforms include the creation of one.

Arbitration and alternative methods of dispute resolution are not sufficiently developed, despite the fact that the code of civil, commercial, labour and administrative procedures provides for arbitration. An Arbitration Centre was created in 1998 as a non-governmental organization with the mission of settling all commercial disputes. Evaluation of the performance of the centre so far has revealed that it has not done as well as initially envisaged. The Government has now adopted a policy of encouraging the formation of more arbitration centres. A Law on Arbitration and Conciliation is being drafted to provide a legal framework for improving arbitration and alternative dispute resolution in general.

Rwandan courts would, as a general rule, recognize a governing-law clause in an agreement that provides for foreign law. However, the selection of such a law must be real, genuine, *bona fide*, legal and reasonable. A Rwandan court would not give effect to a foreign law if the parties intend to apply it in order to evade the mandatory provisions of a Rwandan law with which the agreement has its most substantial connection and which, for this reason, the court would normally have applied.

There have been few investment disputes in Rwanda and the Government has never been involved as a complainant or respondent in dispute settlement under the auspices of the World Trade Organization (WTO). The country has been a member of the Multilateral Investment Guarantee Agency (MIGA), which provides guarantees against non-commercial risks, since 1989 (see Box III.1 in Chapter III). It is also a member of the International Centre for the Settlement of Investment Disputes (ICSID), associated with the World Bank, and a founding member of the African Trade Insurance Agency (ATI).

Institutional framework

A new investment law, on investment and export promotion and facilitation, which came into force in March 2006, is intended to assist investors in obtaining the necessary licences and by providing other assistance and incentives.

The principal features of the law include the following:

- The law defines "foreign investor" and "local investor" and specifies that the former shall qualify for an *investment certificate* with an investment of $250,000 and the latter $100,000.

- The law provides for free economic zones of three kinds: export-processing zones, single-enterprise export-processing zones and free-trade zones.

- A one-stop centre is established at the Rwanda Investment and Export Promotion Agency (RIEPA – see box IV.1 below), composed of officials from the Rwanda Revenue Authority, the Ministry of Justice, the Ministry of Labour, and the Department of Immigration and Emigration, among others. In the performance of their duties, these officials are to be answerable to RIEPA.

- The provisions on fiscal incentives have been moved to the new law on customs and the new law on income tax but maintained as annexes to the investment law, for ease of reference.

- The law provides special non-fiscal incentives for investors who invest $500,000 in one step. These include permanent residence, citizenship and access to land.

- RIEPA is required to make and communicate its decision regarding an investment certificate within 10 working days after receiving a complete application. Should RIEPA fail to act within 10 days, the investor may complain to the Minister of Commerce who is in turn required to investigate the matter and communicate his/her decision within 5 working days.

- The law also states that the holder of an investment certificate is entitled to certain benefits (see box IV.2 below).

Box IV.1. The Rwanda Investment and Export Promotion Agency

The Rwanda Investment Promotion Agency (RIPA) was established in 1998 by an act of parliament with the mandate to promote private investment in Rwanda by both local and foreign investors. In 2005, the Government expanded the Agency's mandate and changed its name to the Rwanda Investment and Export Promotion Agency (RIEPA). This has now been ratified by a new law. RIEPA's Board of Directors is composed of seven members, 30% of whom must be women. The Prime Minister is the appointing authority.

The services provided by RIEPA include the following:

- Investment and export promotion
- Investor and exporter facilitation
- Investment registration
- Immigration facilitation
- Work permit registration
- Mission organization
- Advisory services
- Project implementation and monitoring
- Information and research
- Export promotion
- Incentives management
- Free-zone implementation and management

In 2004, a One-stop Centre was set up in RIEPA to improve and speed up service delivery to investors. It includes representatives of the following Government departments in addition to those of RIEPA: immigration, work permits, customs, and notary office/company registry. The establishment of the Centre has dramatically reduced the time required to complete a variety of procedures. For example, the company incorporation process used to take at least 21 days; it now takes three. Project evaluation and processing took 14 days before the Centre was set up; it too now takes three days. Business visas and work permits can now be issued in one hour, rather than in one to four weeks.

The current Director General of RIEPA is Williams Nkurunziza (for contact details, see Appendix 3).

Source: UNCTAD, based on information provided by RIEPA.

Box IV.2. Investment certificates and benefits

As noted above, an investment of $250,000 (for non-COMESA members) and $100,000 (for COMESA members) entitles an investor to an investment certificate issued by RIEPA. The holders of these certificates are eligible for some specific benefits, including the following:

- Free residence and work permits for three members of the certificate holder's management or technical staff, valid for one year and reissuable to the same or different persons,

- The zero-rating of VAT on imported capital goods and raw materials subject to zero-rated tariffs,

- A flat tax of 5% in lieu of all other duties (tariffs, excise and VAT) on imported capital goods and raw materials not subject to zero-rated tariffs, upon application for each transaction, and

- An accelerated rate of depreciation of 40% in the first year, if the asset is held for a minimum of 4 years, increasing to 50% for investments located outside Kigali or in one of the 10 priority sectors specified by the 2005 law on Investment and Export Promotion and Facilitation.

Source: UNCTAD, based on information provided by RIEPA.

Current policy and legal framework

The current policy is intended to spur economic growth, as outlined in the document *Vision 2020*. All sectors are open to foreign investment.

The Law Governing Commercial Establishments, the Investment Law, the Law on Privatization and Public Investment, the Land Law, and the Law on Protection and Conservation of the Environment are the main laws governing investment in Rwanda. Some critical laws still await enactment. These include laws on public procurement, on privately financed infrastructure projects, on insurance and on mining. The existing framework provides guarantees against the expropriation of private property, except in the public interest and with fair and prior compensation. It also guarantees the repatriation of capital and after-tax profits.

Participation in international organizations and treaties

Rwanda is a member of a number of global and regional organizations and treaties of interest to potential investors, including the following:

- The African Trade Insurance Agency (ATI)
- The Common Market for Eastern and Southern Africa (COMESA)
- The Cotonou Agreement between the European Union and African, Caribbean and Pacific States (ACP)
- The International Centre for the Settlement of Investment Disputes (ICSID)
- The Multilateral Investment Guarantee Agency (MIGA)
- The Paris Convention on Intellectual Property, the Universal Copyright Convention and the Berne Copyright Convention
- The World Intellectual Property Organization (WIPO)
- The World Trade Organization (WTO)

Rwanda has also signed several bilateral investment treaties (BITs) and double taxation treaties (DTTs), as shown in table IV.1 below.

TABLE IV.1. BITS AND DTTS

BITs		DTTs	
OFID	February 2002	Mauritius	July 2001
South Africa	October 2000	South Africa	December 2002

Source: Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives.
OFID = OPEC Fund for International Development.

Entry and exit

Rwanda's entry requirements for FDI are more or less in keeping with those of its neighbours, as shown in table IV.2 below.

TABLE IV.2. FOREIGN DIRECT INVESTMENT IN THE EAC: ENTRY REQUIREMENTS AND RESTRICTIONS

	KENYA	RWANDA	TANZANIA	UGANDA
Minimum capital	$100,000 for an investment certificate, which is optional.	$250,000 for an investment certificate, which is optional.	$300,000 for an investment certificate, which is optional.	$100,000 for an investment licence, which is optional. There is a new code pending, which reduces the requirement to $25,000.
RESTRICTIONS ON SECTORS				
Prohibited sectors	Narcotic drugs and psychotropic substances.	Narcotic drugs.	Narcotic drugs. Arms and ammunition.	Activities relating to national security.
Restricted sectors	Firearms and explosives require special licences.	None.	Sawn timber, veneer, plywood,wood-based products, and utility logs as raw material are subject to approval from the Ministry of Tourism and Natural Resources.	Activities requiring the ownership of land. (Investors can lease land for up to 99 years or participate in joint ventures involving the leasing of land.)
RESTRICTIONS ON EQUITY				
	Companies listed on the NSE (75%). Fishing activities (49%). Insurance (66.7 %). Telecommunication (70%).	None.	Companies listed on the DSE (45%).	None.

Source: UNCTAD.

Screening, registration and authorization

Figure IV.1 shows the procedures for setting up a private company with foreign investment in Rwanda.

FIGURE IV.1. IMPLEMENTING AN FDI PROJECT IN RWANDA

Submit memorandum and articles of association to the notary public for notarizing.

2-5 days. Cost to complete: $60.
(Maximum 2 days at the RIEPA one-stop centre.)

File memorandum and articles of association with the Greffier Comptable (Registrar of Companies), so as to obtain trading licence/ certificate of incorporation.

2-5 days. Cost varies but the average is $250.
(Maximum 2 days at the RIEPA one-stop centre.)

Register with the tax authority.

1 day. Cost to complete: none.

Register with the social security fund.

1 day. Cost to complete: none.

Submission of a business plan to RIEPA, along with an application for a certificate, which is optional.

Up to 10 days, subject to fulfillment of all conditions including a certificate from REMA regarding environmental impact.

Source: RIEPA.

Incorporation and related requirements

The various forms of legal incorporation of business enterprises in Rwanda include:

- Limited liability companies (private and public);
- Partnerships;
- Sole proprietorships; and
- Cooperatives.

Limited liability companies are the entities most favoured by foreign investors. These offer advantages similar to those offered by corporate bodies in other countries. A shareholder's liability for any deficiency on winding up is restricted to issued and called-up capital on the shares issued to the investor. Shares may be transferred without affecting the continuity of the business.

The procedure for establishing a limited liability company in Rwanda is illustrated in figure IV.1 above.

Exit

The Rwandan legal system is quite flexible on exit options, which are normally determined by the agreement the investor has with other investors in the project. The Law on Commercial Enterprises provides for procedures for both voluntary and compulsory winding-up processes. The process in both cases is unfortunately very time-consuming and this is one of the areas legal reform is expected to focus on. Note, however, that no investor has failed to divest when the investor wished to do so.

Ownership and property

There are no general restrictions on the percentage of equity that foreign nationals may hold in a locally incorporated company, although foreign firms are encouraged to form joint ventures with Rwandan companies or entrepreneurs.

Private and public companies may accept an individual's share in other entities (if it is transferable and acceptable to the newly formed company) instead of cash.

Intellectual property rights

Rwanda is a member of the World Intellectual Property Organization (WIPO) and signatory to the Paris Convention on Intellectual Property, the Universal Copyright Convention and the Berne Copyright Convention. It is also a member of the African Regional Industrial Property Organization by virtue of its membership in COMESA. Investors are entitled to national treatment and priority right recognition for their patent and trademark filing dates. The Government is currently working towards conforming its legislation to the WTO's trade-related aspects of intellectual property. The draft intellectual property bill covering patents, trademarks, copyrights, etc. has been adopted by the cabinet and will be sent to parliament soon. The Government has also adopted a recommendation by the Business Law Reform Commission to establish a Registration Services Agency. This Agency will greatly improve the implementation of intellectual property rights. The Ministry of Commerce, the Rwanda Revenue Authority and the Rwanda Bureau of Standards work together to address issues involving counterfeit products on the Rwandan market.

Performance requirements

Local-content requirements

Investors are encouraged to use local materials whenever available but the use of imported materials is freely allowed. The Government is not involved in assessing what raw materials investors are using, as long as they are not a threat to the environment. Since Rwandan industries are heavily dependent on imported inputs, concessions on import duties and taxes are available.

Environment-related requirements

Investors in Rwanda are required to comply with environmental standards. The Rwanda Environment Management Authority (REMA) oversees these matters and is the principal regulatory agency for them. Developers of particulars projects in industry, road construction, housing, tourism, water and sanitation, energy, railways and airports, fisheries, mining, agriculture, and forestry are therefore required to carry out Environmental Impact Assessments (EIA) prior to project implementation. Compliance with EIA requirements is enforced through the licensing regime. Generally, for projects that require a licence, the licensing authority is prohibited from issuing it unless the developer has produced a certificate of approval from REMA. Companies are required to submit their up-to-date assessment reports to REMA for certification.

Technology transfer

Foreign investors are encouraged to provide training and engage in the development of human resources. They are also encouraged to undertake the transfer of technology and expertise to local staff. There are, however, no legal obligations regarding these matters.

Expatriate employees

Expatriates are allowed to work in Rwanda provided they have a work permit issued by the Department of Labour at the Ministry of Public Service and Labour. Work permits are usually granted to foreign enterprises approved to operate in Rwanda as long as the applicants are key personnel. However, any enterprise, whether local or foreign, may recruit expatriates for any category of skilled labour if Rwandans are not available. Generally, the Government recognizes that foreign investors or shareholders need to be represented in senior management. This applies in particular to managing directors, senior finance and marketing executives, and highly specialized technical positions. RIEPA issues work permits. In addition to the work permit, expatriate staff are also required to have a residence permit issued by the Department of Immigration and Emigration. The Departments of Labour and of Immigration and Emigration work closely together and share information so that the acquisition of both permits is fairly straightforward. However, investors complain of the high cost of these permits. The cost of a resident and a work permit is Rwf 200,000 (approximately $330) each.

Privatization, limitation and exclusion

Privatization

Foreign and local investors may participate in the privatization process without discrimination. Foreign investors have, in fact, bought 14 out of the 98 former public enterprises (parastatals) privatized. In 2004 and 2005, privatization transactions accounted for more than half of new FDI in Rwanda. In these two years, the bulk of FDI was through the privatization of two banks formerly owned by the state and the former Government-owned telecommunication company.

Regional or zonal restrictions

Investors are free to invest in any part of the country subject to the observance of environmental laws. The Organic Law on Protection and Conservation of the Environment (2004) prohibits constructions in wetlands (article 87). (An 'organic law' ranks immediately below the constitution and requires other laws for its implementation. Many of these implementation laws and decrees related to the law on environment are still to be enacted.) The law on land is organic law No 08/2005, which regulates both the local and the national use of land.The objective of this law is to establish a national framework for the development, administration and implementation of policies and regulations on the use of land. Investors intending to undertake projects that require the erection of buildings should obtain advice from physical planners at the Ministry of Lands or at the Kigali City Council, as well as from legal experts.

Investment protection and standards of treatment

Expropriation

According to Rwandan law, including Article 29 of the Constitution, expropriation is forbidden, except in the public interest and with fair and prior compensation. Thus far, there have been no cases of expropriation of foreign investment.

Revocation of certificate

A foreign investment certificate may be revoked:

- if an untrue statement is made while applying for the certificate;
- if the provisions of the Investment law or of any other law under which the licence is granted are breached; or
- if there is a breach of the terms and conditions of the general authority.

In practice RIEPA has never revoked certificates. It normally relies on counselling to achieve the desired corrective action. The law on Promoting and Facilitating Investments and Exports provides in its article 12 that, in instances of fraudulent representation or the provision of false or incorrect material, the investment license may be revoked by RIEPA 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 license should not be revoked. If within that period a satisfactory explanation is not provided, the Agency 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.

National treatment

Legally, there is no difference in the treatment accorded to foreign and local companies.

Foreign exchange, incentives, etc.

Exchanging and remitting funds

The Banque Nationale du Rwanda (BNR – the central bank) 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% withholding tax (Income Tax Act 2006). There are some restrictions on the transfer of earnings by expatriate employees. There are also reporting and repatriation requirements for exporters with transactions exceeding $10,000. Both residents and non-residents can 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.

Fiscal and financial incentives

A number of incentives are offered to encourage investment (Rwanda Investment and Export Promotion Act). These include:

- Accelerated rates of depreciation of 40% and 50% in the first year for investments in Kigali and outside Kigali respectively;
- Reductions in corporate income tax as follows:
  - 2% reduction if the company employs between 100 and 200 employees;
  - 5% reduction if the company employs between 201 nationals and 400 nationals;
  - 6% reduction if the company employs between 400 and 900 nationals;
  - 7% reduction if the company exports products or services valued at $3-5 million; and
  - 5% reduction if the company exports products or services worth less than $3 million.
- VAT exemptions on
  - all imported raw materials; and
  - imported vehicles for investors and their foreign employees.
- Duty exemption on plant, machinery and equipment;
- 100% write-off on R&D costs; and
- Exemption from withholding tax.

Note that exempted imports would still be charged 4% of their value by the only bonded warehouse (MAGERWA) and 0.2 % of their value by the Rwanda Bureau of Standards. Further information is available from RIEPA (see Appendix 3 for contact details).

Rwanda does not offer financial incentives to investors.

Competition and price policies

Rwanda has adopted a liberal stance in regard to competition and price setting, with market forces being allowed to determine who enters or leaves a given business and what prices are charged. However, the Government regulates the market for petroleum products and prices are determined after consultations with the industry, taking the world price into account.

The Government has adopted the COMESA Competition Policy and Regulations and on that basis a law on Competition and Consumer Protection is being drafted. The Law will also provide for a Competition Commission.

Land

The law on land is the organic law No 08/2005 of 14 July 2005 which determines the use and management of land in Rwanda. It repeals several legal instruments which governed land before its enactment. It also covers *all* land, including that previously governed by custom. The law is very recent and many of the implementing regulations are not yet in force. In addition, the land registry provided for by the law is yet to be established. The following are some of the most important developments which have been introduced by the new law.

Although the new law retains the legal principle that ownership of land is vested in the Government, it gives every occupant of land, whether the land is acquired through custom or allocated by the Government, a right to a long-term lease of up to 99 years. The law extends property rights beyond such things as buildings and crops (Article 5). Title may be held even without any development on the land. With a title, it will be possible for the holder to use land as collateral for a loan, bequeath it to his/her descendants, donate it or sell it (Articles 34-38). This is important because it makes land on its own very valuable. (What is actually bequeathed or sold is the title to the long-term lease.)

The new land law envisages registration of all land (Articles 30-32), although land registries are yet to be set up. The new law also guarantees the rights of land-owners. They cannot be arbitrarily evicted. In cases of expropriation, adequate compensation is to be paid (Article 54-59). The net result of all this is to make property rights in land predictable.

With assistance from RIEPA, foreign investors can now obtain land and title with relative ease. Most local and foreign investors involved in extensive agricultural projects easily acquire land titles.

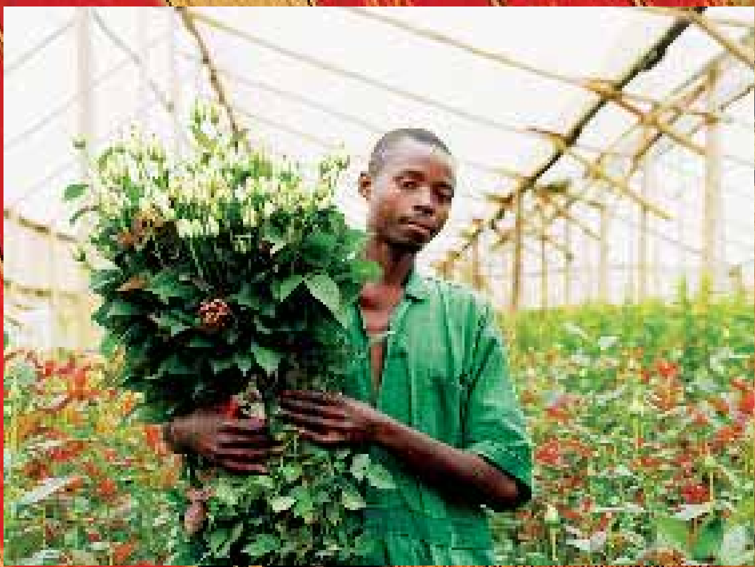
Other issues

It is expected that Rwanda will soon become the fourth member of the East African Community (EAC), the three founding members of the EAC being Kenya, Tanzania and Uganda. This will require a number of changes to the Rwandan trade regime. For example, Rwanda currently has the following import duties: raw materials 5%, intermediate goods 15% and finished goods 30%. According to the Customs Union Protocol of the EAC, which went into effect in 2005, the common external tariff is raw materials 0%, intermediate goods 10% and finished goods 25%. The EAC provisions on rules of origin, harmonized customs documentation, and trade facilitation will also have to be reflected in Rwandan law. Most broadly, Community law will take precedence over national law.

In practical terms, trade relations with the other three Community members may not change much, except perhaps with Tanzania. Trade with Kenya and Uganda is already being liberalized under COMESA, of which these two countries are members, as is Rwanda. There will also be a period of adjustment before trade is fully free within the EAC, as the EAC agreement allows a five-year period in which members other than Kenya may continue to charge declining tariffs on goods they import from Kenya. (This basically recognizes the fact that most trade in the EAC flows *from* Kenya *to* the other members.)

Rwanda is a beautiful country with friendly people and an excellent climate. The stable and committed government has made tremendous progress over the past decade and made Rwanda perhaps the safest place in Africa today. The inherent quality of Rwandan tea and the potential to increase production from existing tea fields strongly encourage investment, although the increasing cost of production is a major cause of concern. We have a very positive view of our company's future and welcome others — to join the tea set.

Amar Pal Singh Shaw, General Manager, Pfunda Tea Company



Private-sector perceptions V

This chapter summarizes the results of consultations with the private sector in Rwanda. The consultations were carried out in late 2005 and mid-2006, mainly through a group meeting in 2006 but also through a number of individual meetings. Some 25 business people participated in these consultations, a little more than half representing companies with foreign investment. The group meeting used a questionnaire on the investment climate, which also served as the agenda for the meeting.

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

General observations

When asked to identify the three most attractive things about Rwanda as a location for investment, investors as a whole put *security* first. Kigali was said to be one of the safest cities in Africa. Foreign investors were somewhat more inclined to emphasize this feature than domestic ones, which is unsurprising given the widespread association between *in*security and sub-Saharan Africa in foreign eyes. *Government commitment* to creating an investor-friendly environment and the *very low level of corruption* were the other two features mentioned by most. Again, there was a slight difference between foreign and local investors, with the former placing a somewhat greater emphasis on the low corruption levels, while the latter put greater stress on government commitment. A number of investors mentioned *good governance* as yet another attractive feature and some domestic investors pointed to Rwanda's central location in the region and its low cost of labour.

When it came to what most needed the Government's attention, *energy* was the clear favourite among all investors. The cost of electricity is the highest in the region, at 20 US cents per kWh, and the supply is unreliable. This considerably raises the cost of production in Rwanda and adds a further burden on Rwandan exports. Slow or otherwise *unsatisfactory implementation* of government policies and decisions came next for both foreign and local investors. Commitment and clarity at the top do not, in investors' view, necessarily translate into efficiency at the middle and lower levels of the bureaucracy. *Infrastructure* generally was the third item mentioned as calling for attention. For investors in agriculture-related activities, this often meant rural roads. The major road network linking urban centres in Rwanda is generally very good, according to investors, but the feeder roads are in poor condition. Other issues mentioned included work permits for foreign employees, customs procedures and workforce skills.

A question about the way government deals with business found most investors in agreement that there had been a great deal of progress over the past five years. Investors were generally satisfied with government performance, RIEPA's in particular. The improvements needed were better coordination among government agencies and faster implementation across the board. Foreign investors were not seen as facing any special difficulties, with the possible exception of work permits.

Specific points

Infrastructure

As already noted, infrastructure is an area of concern for those who do business in Rwanda. Most respondents agreed that there had been progress in the past five years. The areas that had shown the most progress were roads first and telecommunication second. The area of least progress was energy. The issues were cost and reliability. There were no differences between foreign and local investors.

Human resources

This was an area in which investors thought there had been some progress in the past five years but nothing like enough. When asked where there had been most progress, foreign investors identified no particular aspect, while domestic investors thought there had been some progress in skill levels. When asked about areas of least progress, skills were most often mentioned. Some also mentioned attitudes and industrial relations. Several thought the labour law needed reform, which is actually under way.

Taxation

Investors saw taxation as an area that had definitely shown progress. Several foreign investors, though no local ones, even thought that there had been considerable progress. Corporate tax levels had come down, in line with the countries of the East African Community, which was welcomed by investors. A number of foreign companies also thought that there had been an increase in transparency. Tax administration had shown the least progress. The lack of a modern company law was mentioned by a few as a problem. (This is being remedied, as indicated in Appendix 6.)

Other issues

There were no other issues of major concern, although a few mentioned intellectual property rights and land ownership as needing attention.

Concluding remarks

On the whole, current investors clearly think highly of Rwanda as an investment location. They are very conscious of the features that distinguish it from the surrounding region, such as the safe environment it offers and the clean and committed governance, and many would like to see these better known abroad. The main difficulty of doing business in Rwanda, in their eyes, is the cost of production. Part of this is the landlocked nature of the country. Part of it is the cost of energy. It is on energy more than anything else that they would like to see the Government act with some urgency.

Appendix 1

PRIORITIES, RESTRICTIONS AND PROHIBITIONS

Priorities

FDI is particularly welcomed by the Government of Rwanda in the following areas:

- Agro-processing industries;
- Physical infrastructure, energy, and information and communication technology;
- Financial services;
- Tourism and related industries;
- Telecommunication; and
- Mining.

Restrictions and prohibitions

The manufacture of and dealing in narcotic drugs and firearms, including ammunition and explosives, is prohibited.

Source: Rwanda Investment and Export Promotion Agency.

Appendix 2

FOREIGN INVESTORS IN RWANDA

N.B. *This is a sampling of partly or wholly foreign-owned companies in Rwanda, not an exhaustive list.*

Name of company	Major foreign ownership	Business	Contact details
AGRICULTURE AND RELATED			
Kabuye Sugar Works Sarl (Madhvani Group)	United Kingdom and Uganda*	Sugarcane growing and processing	Byuma Road, Karuruma P.O. Box 373, Kigali Tel: 250-574-468 Fax: 250-575-204 E-mail: kabuye@rwandai.com
Pfunda Tea Factory Sarl	United Kingdom	Tea growing and processing	P.O. Box 206, Gisenyi Tel: 250-540-662 250-540-484 Fax: 250 540 662 E-mail: PTC@rwanda1.com
Premier Tobacco Company	United Kingdom	Tobacco leaves processing	P.O. Box 1286, Kigali Tel: 250-570-260 Fax: 250-572-366 E-mail: ptc_premier@hotmail.com
Tabarwanda	Belgium	Tobacco leaves processing	Kicukiro P.O. Box 650, Kigali Tel: 250-585-539 Fax: 250-585-405
MINING, OIL AND GAS			
Engen Petroleum	France	Petroleum	P.O. Box 144, Kigali Tel: 250-571-966 Fax: 250-574-998
Kobil Rwanda Sarl	Kenya	Petroleum	Gatsata P.O. Box 2992, Kigali Tel: 250-570-100 E-mail: jmwaina@kenolkobil.com
Metal Processing Association Sarl	South Africa	Mining	P.O. Box 131, Gisenyi Tel/Fax: 250-540-229 Mobile: 250-08-300-062
NMC Metallurgie Sarl	Germany	Mining	P.O. Box 3663, Kigali Tel: 250-571-215/6
Phoenix Metal Sarl	Germany	Mining	P.O. Box 3663, Kigali Tel: 250-571-215 Fax: 250-571-216

* The Madhvani Group is managed from the United Kingdom and has its main business interests in Uganda. Its holding companies are registered in various places.

Name of company	Major foreign ownership	Business	Contact details
Shell Rwanda Sarl	Netherlands and United Kingdom	Petroleum	Avenue de la Paix P.O. Box 6074, Kigali Tel: 250-510-103 Mobile: 250-08-301-996 Fax: 250-570-681
Total Rwanda	France	Petroleum	Avenue des Poids Lourds P.O. Box 1342, Kigali Tel: 250-517-102 250-577-871 E-mail: totalrwa@rwanda1.com
MANUFACTURING			
ADMA	Lebanon	Biscuit manufacturing	Kikondo Industrial Area P.O. Box 3560, Kigali Tel: 250-502-260 Fax: 250-577-364 E-mail: admaintl@yahoo.co.in
Boucherie Charcuterie de Kigali	Germany	Butchery	1889 Avenue des Mille Collines P.O. Box 1852, Kigali Tel: 250-572-307 E-mail: bck@rwanda1.com
Bralirwa S.A.	Netherlands	Brewery	Kicukiro P.O. Box 131, Kigali Tel: 250-587-200 250-586-607 Fax: 250-585-693
Cimerwa	China	Cement	P.O. Box 21, Cyangugu Tel: 250-537-466 Fax: 250-537-433 E-mail: cimerwa@rwanda1.com
Davis & Shirtliff	Kenya	Water pumps	Muhima Road P.O. Box 7039, Kigali Mobile: 250-08-303-343 250-08-755-381
Entreprise Rwandaise de Signalisation Sarl	Belgium	Road signs	Gikondo P.O. Box 595, Kigali Tel: 250-503-120

Name of company	Major foreign ownership	Business	Contact details
Kigali Steel & Aluminium Works	India	Aluminium and steel fabrication	Avenue Bralirwa, Kicukiro P.O. Box 2359, Kigali Tel: 250-510-835 Fax: 250-510-835 Mobile: 250-08-413-384
M.M. Industry	India	Toiletries	Tel: 250-570-871 Fax: 250-570-879 Mobile: 250-08-505-554
Massoud Group	Oman	Edible oil and plastics	P.O. Box 135, Butare Mobile: 250-08-525-165
Minimex	Canada	Corn	P.O. Box 277, Kigali Tel: 250-574-237 Fax: 250-575-021
Planet Product Sarl	India and Tanzania	Edible oils and plastics	Gacuriro P.O. Box 5282, Kigali Tel: 250-583-040 Mobile: 250-08-770-321/2
Roto Plastic Tanks	Kenya	Plastic tanks	Boulevard de l'OUA 2217, Kicukyiro P.O. Box 6472, Kigali Tel: 250-512-310 Fax: 250-512-311
Rwacom Industry Sarl	India	Plastics	Commercial Street P.O. Box 457, Kigali Tel: 250-573-651 250-739-33 Mobile: 250-08-300-046 E-mail: rwacom@rwandatel.rwanda1.com
Rwanda Industries	India	Tyre retread and plastic tanks	P.O. Box 4707, Kigali Mobile: 250-08-846-414 250-08-868-616 E-mail: retreading@rwandaindustries.com Web: www.rwandaindustries.com
S&R Pharmaceutical Lab.	Kenya	Pharmaceuticals	Quartier Commercial P.O. Box 2012, Kigali Tel: 250-570-085

Name of company	Major foreign ownership	Business	Contact details
Sadoline Paints (Rwanda) Sarl	Kenya	Paints	Avenue de Nyabugogo, Muhima P.O. Box 3414, Kigali Tel: 250-517-142 250-517-144
Sogerrwa	Burundi	Motor vehicle assembly	Gikondo Vers Magerwa P.O. Box 2983, Kigali Tel: 250-575-144 E-mail: sogerrwa@rwanda1.com
Sorwal Sarl	Belgium	Matchboxes	P.O. Box 689, Butura Tel: 250-530-028 Tel/Fax: 250-320-22
Sulfo Rwanda Industries S.A.	India	Sanitary and household products	No. 10 Rue du lac Ihema P.O. Box 90, Kigali Tel: 250-576-472 250-575-457 Fax: 250-574-573 E-mail: rpg@rwanda1.com Website: www.sulfo.com
System Aluminium & Glass Rwanda Sarl	India	Aluminium fabrication	Gikondo Industrial Area next to Rwandex P.O. Box 869, Kigali Tel: 250-502-352 Mobile: 250-08-468-765
UKI Rwanda Ltd Sarl	India	Baby oil products	2271 Boulevard d'OUA P.O. Box 6772, Kigali Tel: 250-375-107-76 Fax: 250-375-107-77 Mobile: 250-08-503-304 E-mail: ukirwa@rwanda1.com
Utexrwa	United Kingdom	Textile	P.O. Box 430, Kigali Tel: 250-514-176 Fax: 250-582-546 Mobile: 250-08-301-107 E-mail: utexrwasa@rwanda1.com

Name of company	Major foreign ownership	Business	Contact details
SERVICES **Financial**			
Banque Continentale Africaine Au Rwanda (BACAR S.A.)	Kenya	Banking	Avenue de la Révolution P.O. Box 331, Kigali Tel: 250-574-456 250-574-457 Fax: 250-573-486 E-mail: bacar@rwanda1.com
Bancor SA	South Africa	Banking	Avenue de la Paix No. 1232 P.O. Box 2059, Kigali Tel: 250-575-763 250-575-780 Fax: 250-575-761 250-572-501 E-mail: bancor@rwandal.com Website: www@banior.co.rw
Tourism and Transport			
Brussels Airlines	Belgium	Airline	Avenue des Mille Collines P.O. Box 96, Kigali Tel: 250-575-290 250-575-294 Fax: 250-578-930 E-mail: wkabbedijk@brussels-airlines.com
Ethiopian Airways	Ethiopia	Airline	P.O. Box 385, Kigali Tel: 250-514-296
Hotel des Mille Collines S.A.	Belgium	Hotel and restaurant	Avenue de l'Armée 2 P.O. Box 1322, Kigali Tel: 250-576-530 Fax: 250-576-541 E-mail: millecollines@millecollines.net Website: www.millecollines.net
Hotel Novotel Umubano	Libya	Hotel	Boulevard de l'Umuganda P.O. Box 874, Kigali Tel: 250-589-919 250-585-815 E-mail: umubano1@rwanda1.com

Name of company	Major foreign ownership	Business	Contact details
Kenya Airways	Kenya	Airline	P.O. Box 757, Kigali Tel: 250-577-972 Fax: 250-576-426 E-mail: kenyair@rwanda1.com Website: www. kenya-airways.com
Soprotel Sarl	Libya and Rwanda	Hotel	P.O. Box 1329, Kigali Tel: 250-582-176/7/8 Ext. 300 Fax: 250-582-957
Business Support			
AGS Frasers International Removals		South Africa	Freight Gatsata P.O. Box 292, Kigali Tel: 250-515-680 Fax: 250-575-671 Mobile: 250-08-300-906 E-mail: ags@rwandal.com Website: www.agsfrasers.com
Deloitte et Touche	Kenya	Auditing and consulting	Boulevard de l'Umuganda Immeuble STIPPAG, Kacyiru P.O. Box 1902, Kigali Tel: 250-514-052 Fax: 250-514-051 E-mail: deloitterw@yahoo.fr Website: www.deloitte.com
DHL Worldwide Express	Kenya	Courier services	Avenue de la Révolution P.O. Box 1395, Kigali Tel: 250-573-051 Fax: 250-573-052 E-mail: dhl@rwanda1.com
East African Cargo	Belgium	Air freight	P.O. Box 2421, Kigali Tel: 250-576-136 Fax: 250-574-127
KPS Associates	Kenya	Auditing and consulting	Avenue des mille Collines P.O. Box 5292, Kigali Tel: 250-570-390 250-570-391 Fax: 250-571-338 E-mail: kps.co.rw@rwanda1.com kpmg@rwanda1.com

Name of company	Major foreign ownership	Business	Contact details
SDV Transami	Kenya	Freight	Rue de la Douane P.O. Box 1338, Kigali Tel: 250-576-314 Fax: 250-573-374 Mobile: 250-08-520-317
TNT International Express	Kenya	Courier services	Avenue de la Paix, P.O. Box 1003, Kigali Tel: 250-510-019 250-577-074 E-mail: sfint@rwandatel.rwanda1.com
Infrastructure			
Arab Contractors Rwanda Ltd	Egypt	Construction	Kimihurura P.O. Box 4051, Kigali Tel: 250-510-710 E-mail: arefkasem@hotmail.com
China Road and Bridge Corporation	China	Road construction	11 Rue du Député Kayuku, Nyarugenge P.O. Box 1154, Kigali Tel: 250-572-458 Fax: 250-574-653 E-mail: crbcjiban@hotmail.com
Computer Point	India	Information technology	Kubaho Plaza, Kacyiru P.O. Box 6647, Kigali Tel: 250-514-433 250-585-184 Fax: 250-585-176 E-mail: sales@computerpoint.co.rw Web: www@computerpointafrica.com
Electronic tools Company	United States	Information technology	928 First Street West Sonoma, California 95476 United States Tel: 707-996-3320, ext. 203 Fax: 707-939-0246 E-mail: antoine@e-tools.com Website: www.e-tools.com
Grinaker Lta-Fair Company	South Africa	Construction	Avenue des Poids Lourds P.O. Box 3109, Kigali Tel: 250-589-595 250-572-325 E-mail: glfc@rwanda1.com

Name of company	Major foreign ownership	Business	Contact details
MFI Office Solution	India and Sri Lanka	Information technology	Kigali Business Center P.O. Box 7045, Kigali Tel: 250-517-747 E-mail: mfikigali@mfios.com Website: www.mfios.com
MTN Rwandacell	South Africa	Telecommunication	Telecom House, 3rd Floor, Kacyiru P.O. Box 264, Kigali Tel: 250-586-863 E-mail: info@mtn.co.rw
Roko Rwanda Sarl	Uganda	Construction	Gikondo Vers Magerwa P.O .Box 323, Kigali Tel: 250-518-617 250-501-878 250-501-904 Fax: 250-501-879 E-mail: rokorwanda@rwanda1.com
Société Nationale Chinoise Des TPC	China	Road construction	Rue du Député Kayuku, Nyarugenge P.O. Box 1154, Kigali Tel: 250-572-458 E-mail crbcrw@hotmail.com
Straberg	Germany	Construction	Mulinde Vers Gasabo Kigali Tel: 250-520-886
Terracom Broadband Sarl	United States	Telecommunication	Ville Rue Du Lac Rwero P.O. Box 618, Kigali Tel: 250-503-262 250-503-263 Fax: 250-503-264 E-mail: billing@terracom.rw
Thomas & Piron Grands Lacs	Belgium	Construction and garage	Gikondo Vers Magerwa P.O. Box 6589, Kigali Mobile: 250-08-755-143
Tolirwa		Construction	P.O. Box 521, Kigali Tel: 250-572-129

Name of company	Major foreign ownership	Business	Contact details
MISCELLANEOUS			
AAR Health Services	Kenya	Health insurance	P.O. Box 6332, Kigali Tel: 250-587-150/1/2 Fax: 250-587-153 E-mail: info@aar.co.ke Website: www@aarhealth.com
Alliance Media Rwanda Ltd	Kenya	Advertising	Zone 1, Plot No. 207, Rugando P.O. Box 7414, Kigali Tel/Fax: 250-514-756 E-mail: rwanda@alliancemedia.net Website: www@alliancemedia.net
Geomaps Africa	Kenya	Land surveying	Tel: 250-570-054 Mobile: 250-08-837-136 Fax: 250-571-185 E-mail: info@geoafrica.com Website: www.geoafrica.com
Intersec Security	Kenya	Security services	Avenue de la Paix P.O. Box 2641, Kigali Tel: 250-574-528 E-mail: intersec@rwanda1.com Website: www.intersect.co.rw
KK Security	Kenya	Security services	Kacyiru near Minagri P.O. Box 1395, Kigali Tel: 250-584-034 250-584-035 Mobile: 250-08-300-874 E-mail: kkkigali@kksecurity.com

Sources: Ministry of Commerce, Industry, Investment Promotion, Tourism & Cooperatives; Rwanda Investment and Export Promotion Agency; and Rwanda Revenue Authority.

Appendix 3

SOURCES OF FURTHER INFORMATION

Rwanda Investment and Export Promotion Agency
(RIEPA)
Avenue du Lac Muhazi, Kimihurura
P.O. Box 6239, Kigali
Tel: 250-510-248, 250-585-221/3, 250-585-179
Fax: 250-510-249
E-mail: info@rwandainvest.com

Public sector

Directorate General of Immigration
and Emigration
P.O. Box 6229, Kigali
E-mail: info@migration.gov.rw
immig@rwanda1.com

Ministry of Agriculture and Livestock (MINAGRI)
P.O. Box 621, Kigali
Tel: 250-585-008
Fax: 250-585-057

Ministry of Commerce, Industry, Investment
Promotion, Tourism & Cooperatives (MINICOM)
P.O. Box 72, Kigali
Tel: 250-574-725
Fax: 250-575-465

Ministry of Finance and Economic
Planning (MINECOFIN)
Avenue de la Révolution
P.O. Box 158, Kigali
Tel: 250-572-212
Fax: 250-577-58

Ministry of Foreign Affairs
and Cooperation (MINAFFET)
Avenue de la Révolution
P.O. Box 179, Kigali
Tel: 250-574-522, 250-575-737, 250-573-339,
250-575-339
Fax: 250-572-904
E-mail: minaffet@minaffet.gov.re

Ministry of Infrastructures
Tel: 250-586-623, 250-585-638
Fax: 250-582-521
E-mail: minifrast@rwanda1.com

Ministry of Local Government,
Information and Social Affairs (MINALOC)
P.O. Box 3445, Kigali
Tel: 250-583-595, 250-586-579
Fax: 250-582-228
E-mail: minaloc@minaloc.gov.rw

Other public organizations

Agence Rwandaise de Régulation des Services d'Utilité Publique (RURA)
Avenue de l'Umuganda
P.O. Box 7289, Kigali
Tel: 250-587-066, 250-584-563
Fax: 250 587-063
E-mail: arms@rwanda1.com

ELECTROGAZ
P.O. Box 537, Kigali
Tel: 250-573-666
Fax: 250-573-802
E-mail: electrogaz@rwanda1.com
Website: www.electrogaz.co.rw

Office du Café - OCIR Café
P.O. Box 104, Kigali
Tel: 250-575-277
Fax: 250-573-992
E-mail: ocicafe@rwanda1.com

Office du OCIR
P.O. Box 1344, Kigali
Tel: 250-574-410, 250-574-416, 250-577-082
Fax 250-514-796, 250-573-943
E-mail: ocir@rwanda1.com

Office du Thé - OCIR Thé
P.O. Box 1344, Kigali
Tel: 250-514-796
Fax: 250-573-943
E-mail: ocirthe@rwanda1.com
Website: www.ocir-the.co.rw

Office Rwandais d'Information (ORINFOR)
P.O. Box 83, Kigali
Tel: 250-575-194, 250-815-666,
250-576-540, 250-576-185,
250-575-622, 250-576-950,
250-573-409, 250-572-275,
250-575-024, 250-574-163
E-mail: orinfor@gov.rw
Website: www.orinfor.gov.rw

Office Rwandais de Normalisation
P.O. Box 7099, Kigali
Tel: 250-586-103
E-mail: orn@rwanda.com

Office Rwandais du Tourisme et des Parcs Nationaux (ORTPN)
Avenue de la Révolution
P.O. Box 905, Kigali
Tel: 250-576-514, 250-573-396, 250-501-760
Fax: 250-576-512
E-mail: ortpn@rwanda1.com
Website: www.ortpn.gov.rw

Régie des Aéroports du Rwanda
P.O. Box 1122, Kigali
Tel: 250-834-41, 250-854-00, 250-858-45
Fax: 250-826-09
E-mail: rar1@rwanda.com

Rwanda Information Technology Authority
Telecoms House, 3rd Floor
Boulevard de l'Umuganda
P.O. Box 7229, Kigali
Tel/Fax : 250-583-222
Email: info@rita.rw
Website: www.rita.rw

Rwanda Revenue Authority (RRA)
Avenue de la Paix
P.O. Box 3987, Kigali
Tel: 250-578-487, 250-578-488, 250-574-920, 250-573-408
Fax: 250-578-488
E-mail: rra@rwandatel1.rwanda1.com
Website: www.rra.gov.rw

Secrétariat de Privatisation
P.O. Box 4731, Kigali
Tel: 250-575-383, 250-570-992, 250-570-991
Fax: 250-575-384
E-mail: pvs@rwandatel1.rwanda1.com
Website: www.privatisation.gov.rw

Private sector

ASPAR (handicrafts)
Tel: 250-08-507-698
E-mail: twajh@yahoo.fr

Association des Artistes pour
le Développement et la Culture
Tel: 250-08-451-456
E-mail: hategejo@yahoo.com

COOPAC (Coffee)
Tel: 250-08-322-223
E-mail: verokagara@coopac.rw
Website: www.coopac.com

Rwanda Private Sector Federation (RPSF)
P.O. Box 319, Kigali
Tel: 250-583-538, 250-583-541
Tel: 250-572-446
Mobile: 250-08-307-330
Fax: 250-583-532
E-mail: karangwaephrem@yahoo.com
Website: www.rpsf.org.rw

Relevant websites

Directorate General of Immigration and Emigration
www.migration.gov.rw

Ministry of Finance and Economic Planning
(MINECOFIN)
www.minecofin.gov.rw

Ministry of Foreign Affaires and Cooperation
(MINAFFET)
www.minaffet.gov.re

Rwanda Investment and Export Promotion Agency
(RIEPA)
www.rwandainvest.com

Rwanda Private Sector Federation (RPSF)
www.rpsf.org.rw

Secrétariat de Privatisation
www.privatisation.gov.rw

Source: Rwanda Investment and Export Promotion Agency.

Appendix 4

LIST OF PUBLIC HOLIDAYS IN 2006

The official Rwandese holidays for 2006 are:

Dates	Public holidays
1 January	New Year Day
1 February	Heroes' Day
14 March	Good Friday
16 March	Easter Sunday
7 April	Genocide Memorial Day
1 May	Labour Day
1 July	Independence Day
4 July	Liberation Day
15 August	Assumption Day
25 December	Christmas Day
26 December	Boxing Day

Business Hours

Government working hours:
7.00 a.m. to 4.00 p.m., Monday to Friday, with one hour lunch break.

Private Sector working hours:
8.00 a.m. to 5.00 p.m., Monday to Friday, with one hour lunch break.
Most private-sector organizations also work half days on Saturday.

Banking hours:
8.00 a.m. to 5.00 p.m., Monday to Saturday.

Shopping hours:
Most shops are open from 8.00 a.m. to 6.00 p.m. on weekdays.
Some are also open during weekends from 8.00 a.m. to 5.00 p.m.

Source: UNCTAD.

Appendix 5

PRIVATIZATION

Privatized enterprises

AGRICULTURE & AGRO-INDUSTRY

Company name	Sector of activity	New Owner	Date of Privatization	Sale Price (in Rwf except when otherwise specified)
Tea factories				
Pfunda tea factory	Tea	LAB International	March 2004	$1,060,000
SORWATHÉ (23,5%)	Tea	Assopthé (10%) Sorwathé (13,5%)	February 2003	345,500,000
Coffee factories (washing stations)				
Gikondo coffee factory	Coffee	RWACOF	November 1998	190,500,000
Nkora coffee factory	Coffee	Cooperative UPROCA	January 1999	108,862,000
Masaka coffee factory	Coffee	Seven Lakes Trading	February 2002	40,115,000
Fisheries				
Lac Ihema fishery	Fishery	SOPEM	December 2001	62,000,000
Lac Kivu fishery – Cyangugu	Fishery	Mr. Nassor Mselem	February 2000	20,000,000
Lac Kivu fishery – Gisenyi	Fishery	cooperative COOPILAK	September 1998	29,400,000
National Centre for Small Livestock (Centre National de Petit Elevage – CNPE)				
CNPE Butare	Livestock	"Street children" Project – Rwandan Red Cross	December 2003	17,000,000
CNPE Cyangugu	Livestock	Cyangugu Province	March 2004	Transfer
CNPE Kabuye – poultry section	Livestock	Mr. Oleg Stenbock	September 1998	35,000,000
CNPE Kabuye – rabbit section	Livestock	Mr. Oleg Stenbock	September 1998	10,000,000
CNPE Ruhengeri	Livestock	COODAF	December 2001	15,587,838
Other companies				
ETIRU	Flour mill	-	November 2000	Auction
Nyagatare dairy	Dairy	Cooperative KOABOMU	September 1998	20,400,000
Mukamira Maize Mill	Flour mill	Ruhengeri Catholic Diocese + Association for Rural Development (Mutara)	September 2002	20,000,000
Gatare Flour mill	Flour mill	Kabandana Venant	December 2001	35,000,000
OPYRWA	Pyrethrum	Société de Pyrèthre du Rwanda (SOPYRWA)	December 2000	550,000,000
Kabuye Sugar Office	Sugar	Kabuye Sugar Works (Madhvani Group)	1997	448,175,200
Kamatsira sawmill	Sawmill	ASCOB & D	July 2003	5,000,000
SONAFRUITS (88,4%)	Drinks	Ecomeki	April 2001	16,500,000
HOTELS & TOURISM				
Kinigi Tourist Village	Hotel	ASOFERWA	January 2000	10,200,000
Akagera Hotel	Hotel	Akagera Game Lodge	June 2003	Lease contract
Diplomates Hotel	Hotel	Southern Sun (Intercontinental Hotels)	August 2003	Management contract
Izuba/Méridien Hotel	Hotel			
Regina hotel	Hotel	Gorillas Hotels	23 November 2005	

INDUSTRY				
Ruliba brickworks	Brickworks	Mr. Jean Murenzi	September 2002	122,000,000
Rwanda National Printing Company (INR)	Printing	Intersec Security Company	November 1998	420,000,000
OVIBAR	Drinks	Rwanda Investment Company (RICO)	May 1998	200,000,000
SORWAL (29,5%)	Matches	Development & Business Prospects (DEBUPRO)	December 2000	33,628,280
TABARWANDA (30,7%)	Cigarettes	Tabacofina-VanderElst	September 2001	$1,500,000
MINING				
Karuruma Smelting Factory (Redemi)	Mining	Niobium Mining Company	December 2001	132,351,660
Ruhengeri Lime Project	Lime	Projet de Valorisation des Calcaires (PVC)	May 1998	110,000,000
ENERGIE				
Electrogaz	Energy and water	Lahmeyer International	August 2003	Management contract
SERVICES				
Boucherie/Charcuterie de Kigali – BCK (29%)	Food stuff	Mr. Otmar Oberlander	May 1999	38,000,000
FINANCIAL SECTOR (BANKING & INSURANCE)				
BACAR (80%)	Banking	Consortium Fina Bank Ltd – Enterprise Holdings Ltd	August 2004	$3,76 million
BCR (80%)	Banking	CDC Group	August 2004	$6,05 million
TELECOMMUNICATION				
RWANDATEL (99 %)	Telecommunication	TERRACOM Sarl	16 June 2005	$20 million

COMPANIES IN LIQUIDATION

Company name	Sector of activity			
Air Rwanda	Airline			
BUNEP	Consultancy	Company dissolved		
Caisse d'Epargne du Rwanda ((Rwandan Savings Fund)	Banking			
OPROVIA	**Food**			
Assets sold in the liquidation of OPROVIA				
Butare branch	Alimentation	Mr. Vincent Semuhungu	November 1998	23,500,000
Byumba branch	-	EER–Byumba Diocese	December 2001	15,350,000
Cyangugu branch	-	Mr. Sylvestre Sinyayobye	December 2001	21,720,000
Gikongoro branch	-	EER–Kigeme Diocese	September 2002	12,500,000
Gisenyi branch	-	Termirwa	December 2001	35,000,000
Gitarama branch	-	Gitarama Municipality	December 2001	22,807,889
Kibungo branch	-	Kibungo Diocese	September 2002	10,000,000
Kibuye branch	-	Ets. Kanock	September 2002	15,000,000
Kimihurura branch	Supermarket	Mr. Sam Rubagumya	December 2001	16,500,000
Nyamata branch	-	Mr. Emmanuel Ndahiro	September 2002	4,200,000
Ruhango branch	-	Presbyterian Church of Rwanda	November 2003	13,000,000
Rwamagana branch	-	Kibungo Diocese	January 2004	23,000,000
Nyabugogo slaughterhouse	Meat	Société d'Abattoir de Nyagatare	September 1998	200,000,000
Garage Nyarugenge	Garage	Mr. John Ndengeye	November 1998	10,000,000

PETRORWANDA	**Petroleum**			
Assets sold in the liquidation of PETRORWANDA				
19 service stations and lease of Gatsata depot	Petroleum	Shell Rwanda	August 1998	672,000,000
SODEPARAL	**Food**			
Assets sold in the liquidation of SODEPARAL				
Nyabugogo tannery	Tannery	Société d'Abattoir de Nyagatare	-	160,000,000
Rubirizi Dairy	Dairy	Mr. Polycarpe Gatete	-	35,000,000
Rubirizi Pastures	Livestock	Cooperative INYAMIBWA	1999	20-year lease for Rwf 25 million
SOPAB	Animal feed			
SOPRORIZ	Rice			
STIR	Transport			

COMPANIES IN ADVANCED PHASE OF PRIVATIZATION

Company name	Sector of activity	Status
RWANDEX (51%)	Import/export	Preemption
Wisumo sawmill	Sawmill	Invitation to bids scheduled in 2006
Mulindi tea factory	Tea	Invitation to bids scheduled for 2006
TOURISM AND HOTELS		
Ituze Tourist Village	Hotel	Negociations
Guest House Kibuye	Hotel	Bids*
Rice mills		
Bugarama rice mill	Rice	Bids
Gikonko rice mill	Rice	Bids
Rwamagana rice mill	Rice	Bids
MINES		
Public Office for the Exploitation and Development of Mines (REDEMI)	Mining	Negociations
Rubaya and Nyabihu Tea Factories	Tea	Negociations

*Guest House Kibuye, Kiyovu Hotel and Regina Hotel had been privatized but now they have been recovered by the Government because of a non-respect of the contract by the purchasers.

COMPANIES IN PREPARATORY PHASE FOR PRIVATIZATION

AGRICULTURE & AGRO-INDUSTRY

Company name	Sector of activity	Status
Tea factories		
Gisakura tea factory	Tea	Invitation to bids scheduled for 2006
Gisovu tea factory	Tea	Date not yet set
Kitabi tea factory	Tea	Invitation to bids scheduled for 2006
Mata tea factory	Tea	Invitation to bids scheduled for 2006
Shagasha tea factory	Tea	Invitation to bids scheduled for 2006
Fisheries		
Lac Kivu Fishery – Kibuye	Fishery	Invitation to bids scheduled for 2006
Other companies		
Rubirizi National Hatchery	Livestock	Date not yet set
Gishwati dairy	Dairy	Invitation to bids scheduled for 2005
INDUSTRY		
BRALIRWA (30%)	Drinks	Date not yet set
IMPRISCO (Public Office for School Printing)	Printing	Invitation to bids scheduled for 2006
Rwanda Paper Mills (Zaza)	Paper mill	Invitation to bids scheduled for 2006
TRANSPORT		
ONATRACOM	Public transport	Date not yet set
SERVICES		
Labophar	Drugs	Invitation to bids scheduled for 2006
MAGERWA (6,25%)	Warehousing	Date not yet set
FINANCIAL SECTOR (BANKING & INSURANCE)		
Banque de Kigali (BK) (23%)*	Banking	Date not yet set
Banque Rwandaise de Développement (BRD) (48,12%)*	Banking	Date not yet set
SONARWA (10%)	Insurance	Date not yet set

Source: Privatization Secretariat.

Appendix 6

MAJOR LAWS AND REGULATIONS AFFECTING FOREIGN INVESTMENT

(a) Investment

Name	Area	
Constitution of Rwanda (2003)	Article 29 of the Constitution provides a guarantee against expropriation without due process.	Entrenches the principle of private property.
Rwanda Investment and Export Promotion Act (2005)	Law on Investment, Trade and Export.	Provides for registration of investment projects.

(b) Trade, taxation, finance, insurance and audit

Name	Area	
Income Tax Act (2006)	Law governing taxation of income.	
Value Added Tax Act (2006)	Law imposing value-added tax.	
Customs and Excise Act (2006)	Law on import and export duties awaiting gazette.	Includes all the customs incentives available to investors.
Banking Act (1999)	Law governing banking and other financial institutions – Under Review.	The new bill aims at putting in place sufficient provisions for corporate governance.
Insurance Act (1975)	Law governing insurance – Draft.	New law is currently being prepared to modernize the legal framework for the industry.
Trade Licensing Act (2005)	Law governing the licensing of trades – Draft.	The law is expected to simplify trade licensing and reduce bureaucracy.
Companies Act (1988)	Law governing the incorporation of business – Under Review.	The review is expected to modernize company law and provide for new forms of companies.
Standards Act (2002)	Law governing the standardization of commodities and codes of practice.	

(c) Labour, immigration and citizenship

Name	Area	
Labour Code 2001	Law governing employment and labour-related issues, including labour disputes – Under Review.	The review is considering harmonization with EAC member states and more protection for employers.
Immigration Act (1999)	Law governing immigration and the issue of entry permits – Under Review.	
Rwanda Citizenship Act (2004)	Issue of citizenship – Under Review.	

(d) The environment, forestry, construction and land

Name	Area	
Organic Law on Protection and Conservation of the Environment (2004)	Regulates matters relating to the management and conservation of the environment.	

(e) Trademarks

Name	Area	
Trade Marks Act (1967 and 1983)	Law governing trademark protection and regulation related to unfair business competition – Draft in civil code.	New Intellectual Property Rights Bill is in parliament for enactment. It will repeal the obsolete current law.

(f) Contracts and arbitration

Name	Area	
Law of Contracts Act (1890)	Law governing the validity, forms, effects and interpretation of contracts – New Draft currently in Civil Code.	New bill is being prepared, with the aim of modernizing contract law and harmonizing it with the EAC countries.
Arbitration Act	Law governing arbitration – New Draft. Currently there is a chapter in the code of civil, commercial, labour and administrative procedure.	New bill is expected to reduce the excessive involvement of courts in arbitration.

New laws affecting the investment climate being prepared by the Business Law Reform Commission and their current status

Title	Current status	Impact on the investment climate
Law on Intellectual Property Rights	In parliament, awaiting presentation to the plenary.	Essential for the growth of the ICT sector and for Rwanda to fulfill WTO obligations.
Law on the Accountancy Profession	In parliament, at the sectoral committee level.	Critical for the development of the financial sector.
Law On Cooperatives	In parliament, at the sectoral committee level.	Critical for the promotion of savings and investment.
Law establishing the Rwanda Registration Services Agency	In parliament, awaiting presentation to the plenary.	Essential for the implementation of many of the commercial laws, including Company and IPR laws.
Amendment of the Law on Companies to remove the 1.20% proportional tax on capital	In parliament, at the sectoral committee level.	Needed to remove barriers to starting companies.
Draft Organic Law establishing the Commercial Court	Submitted to the Minister of Justice for transmission to cabinet.	Will provide for a stand-alone Commercial Court and improve the efficiency of commercial dispute resolution.
Draft Law on Arbitration and Conciliation	Sent to the Prime Minister for cabinet discussion.	Will provide a modern framework for Arbitration and Conciliation.
Draft Law on Competition and Consumer Protection	Under consideration by the Business Law Reform Commission.	Will provide a suitable framework for regulation.
Draft Law on Companies	Being drafted.	Will modernize company law and provide for new forms of companies.
Draft Bankruptcy Law	Being drafted.	Will provide a modern framework for corporate and personal bankruptcy.
Draft Law on Contracts	Being drafted.	Will modernize contract law and harmonize it with EAC member countries.
Draft Law on Condominiums	Being drafted.	Will provide a legal framework for several persons to own sections of a building and will increase the availability of collateral.

Draft Law on Privately Financed Infrastructure Projects	Being drafted.	Will provide a legal framework for the private sector to complement Government efforts to build infrastructure.
Draft Law on Secured Transactions	Being drafted.	Will facilitate the repossession of collateral in case of default and increase the availability of collateral.
Draft Labour Law	Being drafted.	Will strike a balance between employers' rights and employees' rights and harmonize legislation with that of EAC members.
Draft Law on Trade Licensing	Being drafted.	Will simplify trade licensing and reduce bureaucracy.
Draft Law on Negotiable Instruments	Being drafted.	Will modernize the regime for negotiable instruments.
Draft Law on Electronic Commerce	Being drafted.	Will provide a legal framework for electronic commercial transactions.

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