



COUNTRY PROFILE

RWANDA



Full Name:	Republic of Rwanda
Area:	26,338 km ²
Capital:	Kigali
Main Languages:	Kinyarwanda (official), French (official), English (official), Kiswahili
Currency:	Rwandan franc (RWF)
Head of State:	President Paul Kagame



The Novatech 2007 Regional Investment Conference in Nairobi, Kenya is a component of the Pro€Invest programme which is a common initiative of the European Commission (EC) and institutions from the ACP states (Africa, the Caribbean and the Pacific).

This overview of the ICT sector has been prepared by BK Consultants on behalf of the organizers. The authors accept sole responsibility for the profile which does not necessarily reflect the views of the organizers: Pro€Invest, the Centre for the development of Enterprise (CDE), the African Union (AU) and the Common Market for Eastern and Southern Africa (COMESA).

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1. BUSINESS OVERVIEW

1.1 Key Economic Indicators

Table 1 shows the recent trend for selected key economic indicators using the most up-to-date available information.

Table 1: Key Economic Indicators 2002-06

	2002	2003	2004	2005	2006
Population (mn.)	8.129	8.364	8.590	8.822	9.069
Population Growth (%)	2.1	2.9	2.7	2.7	2.8
GDP (US\$ bn. at current prices)	1.732	1.684	1.835	2.137	2.357
GDP per capita (US\$ at current prices)	213	201	214	242	260
GDP growth at constant prices (%)	9.4	0.9	4.0	6.0	3.0
Current account balance (US\$ mn.)	(117)	(131)	(55)	(67)	(254)
Inflation Rate (%)	2.0	7.4	12.0	9.2	5.5
Exchange Rate: Annual average Rwandan francs to US\$	476.3	537.7	574.6	610.0	560.0

Sources: COMTRADE, World Development Indicators, Oanda.com

1.2 Economic Context

In 2006, total Gross Domestic Product (GDP) amounted to almost US\$2.4 billion at current market prices. Rwanda's dominant sectors are agriculture and services which contributed 41 percent and 38 percent, respectively, to GDP in 2004. Industry contributed just over 21 per cent. Real GDP growth has been relatively strong over the last three years and is expected to continue into 2007.

Rwanda reached the completion point under the Enhanced Heavily Indebted Poor Countries (HIPC) initiative in 2005 and also qualified for the Multilateral Debt Relief Initiative (MDRI) in 2006. As a result, the MDRI relief led to a reduction of over USD one billion in Rwanda's debt which the Government intends to allocate to improving and increasing the efficiency of the water and energy sectors.

Net overseas development assistance increased between 2003 and 2005 from \$335 million to \$576 million, making a more significant contribution to Rwanda's development. According to the OECD statistics, Rwanda received an average of one quarter of its aid from the World Bank's affiliate, the IDA, in 2004-05. Other multilateral assistance was provided by the EU and the Global Fund. Major bilateral donors included the UK, the US, the Netherlands, Germany and Sweden.

1.3 Population and Labour Force

The population was estimated at almost 9.1 million in 2006 with an overall population density of approximately 344 persons per km². The total labour force is estimated at about 5 million persons, with around 90 percent engaged in the agricultural sector.

1.4 General Institutional and Regulatory Framework

The legal system in Rwanda is based on German and Belgian civil systems, customary law and a new constitution which was introduced in 2003.

A new land law conferring security of tenure and user rights was approved by Parliament in 2005 with the promise of subsequently drafting subordinate legislation and regulations. Implementation of the law will take place over several years through a consultative process. In addition, the Government has set up a 'one-stop shop' for investors (see Section 4.1.2 below). A range of benefits and concessions for investors is set out in the Investment Code.

1.6 General educational level

Unemployment is high in Rwanda and labour is plentiful and inexpensive. However, the labour force is relatively unskilled and on-the-job training is essential. Most Rwandans only speak French and a local language, but the use of English is spreading, especially in business circles. Canada is sponsoring a new tourism training school which will offer an integrated tourism curriculum, while ORTPN is working with the private sector associations to articulate ‘emergency’ tourism training programmes that will enhance service standards and skills in the short term.

1.7 Infrastructure Services

1.7.1 International Access

Air

Kigali International Airport (KGL) is 12km east of the city. The national airline is Rwandair Express which operates direct flights between Kigali and Bujumbura, Entebbe, Johannesburg, Kilimanjaro (Tanzania) and Nairobi. Other airlines serving Rwanda include Ethiopian Airlines, Kenya Airways and KLM as well as SN Brussels which has 2 direct flights a week from Brussels in Belgium.

Road

International routes to Rwanda are usually available from the surrounding countries of the Democratic Republic of Congo (DRC), Tanzania and Uganda, depending upon political and security conditions. There are daily bus services from Kampala in Uganda and Bujumbura in Burundi, Nairobi and Dar Es Salaam to Kigali.

1.7.2 Internal Transport

Air

Rwandair Express flies between Kigali and Cyangugu (Kamembe) on the western border with the DRC. Chartered planes are also available but are usually expensive.

Road

The roads linking the capital with the frontier posts are good. Some local roads are not paved and a 4-wheel drive vehicle would be advantageous.

2. ICT SECTOR

2.1 Overview

Rwanda today is a nation re-born, a country in an advanced stage of rehabilitation, and one looking to a brighter future. The high level of political stability and peace since 1995 has encouraged the repatriation of millions of refugees. Economic liberalisation and civil stability have stimulated a consistently high annual economic growth rate since 1995. And this also goes for the ICT sector.

2.2 Telecommunications

The present fixed telecom operator is **Rwandatel S.A.**, which is a state owned company that is in the process of being privatised. The winner will be granted a mobile licence.

- In 2006, the company counted 25,565 fixed telephone subscribers;
- The fixed tele-density is 0.3%

The Rwandan mobile operator is **MTN Rwandacell**,

- 170.000 subscribers in 2006; a mobile tele-density of 2%
- Rwandatel owns 28% of the shares of Rwandacell;
- Although the GSM does not cover the entire Rwandan territory, it nevertheless covers the great majority of the population

Roaming agreements exist with two international mobile phone companies. Handsets can be hired, and coverage is quite reliable.

2.3 Internet

There were an estimated 25.920 Internet Users in 2006.

Four companies offer internet services in Rwanda:

- **Rwandatel S.A.** – 2,378 subscribers in 2003
- **Artel** – 12 subscribers in 2003
- **Mediapost** – 114 subscribers in 2003
- **Terracom**

There are several Internet Cafes in operation, mostly in Kigali, including one at the airport, but equally in other major cities. You can also find wireless connection in major hotels of the country and some public places.

Major brands that are sold and/or supported in Rwanda include:

Compaq, Alcatel, IBM, De la Rue, Hewlett Packard, Canon, Epson, Sharp, Panasonic, Microsoft, Apple, Siemens, Packard Bell, Dell

2.4 Regulatory framework and sector regulation

Rwanda has the active support of the President, Paul Kagame, in the vision of turning the Rwandan economy into a knowledge-based economy by the year 2020.

The formal ICT Policy Process started in Kigali at a National Workshop on “Information and Communication Technology and Strategy” held from November 30th -December 3rd in 1998. The Ministry of Transport and Communications organised the event together with UNECA as part of its AISI programme, and with funding from UNESCO, USAID, UNDP and the Carnegie Corporation of New York.

- Integrated ICT-led Socio-Economic Development Policy and Plan for Rwanda 2001-2005.
- Law nr 39/2001 establishes the Rwanda Utilities Regulatory Agency as a Multisector Regulatory Authority (telecom, energy, gas, transport, water and sanitation)

- Law nr 44/2001 governs telecommunications
- **The National Information Technology Commission (NITC)** and the **Rwandan Technology Agency (RITA)** have been established in order to act as the national implementation and coordination bodies.

2.5 Opportunities

The Rwandan ICT sector was estimated an annual growth of 10% in 2000 and future prospects for development of the Rwandan ICT sector appear positive for the following reasons:

- Adequate communication infrastructure; modern airport and road network linking the capital to different points of the country;
- Restored security following the genocide;
- Effective marketing and promotion.

3. INVESTMENT ENVIRONMENT

3.1 Investment Framework

3.1.1 Government Policy

Rwanda's economy is liberalised. Since 1994, the Government has embarked on a comprehensive liberalisation of its foreign trade regime which is one of the most open in sub-Saharan Africa.

The Government recognises that the private sector is an essential engine of development and to this end is extremely welcoming of foreign investment, both in policy and in practice, and is ready to work hand-in-hand with investors to realise their goals and drive the economy forward. To this end, in March 2006, the Government enacted an updated investment law to facilitate investors to obtain necessary licenses, visas, work permits, and tax incentives. The law provides permanent residence, citizenship, and access to land for investors who invest \$500,000 or more in Rwanda. No statutory limits on foreign ownership or control exist, and there is no official economic or industrial strategy that has discriminatory effects on foreign investors.

3.1.2 Investment Agencies

The Rwanda Investment and Export Promotion Agency (RIEPA) was established in 1998 to encourage investment by developing incentives and publicising investment opportunities. RIEPA-registered investors obtain certificates that bring benefits, including exemption from value-added tax and duties when importing machinery, equipment, and raw materials. RIEPA also assists with the issuance of expatriate work permits, securing all the required government permits, and assisting with land acquisition if required. Grants and special access to credit are provided to investors promoting rural areas.

In 2006, RIEPA registered 69 investment projects worth \$245.5 million, compared with only 40 projects in 2005.

3.1.3 Investment Guarantees

Rwanda is a member of the Multilateral Investment Guarantee Agency (MIGA) which protects investors against non-commercial risks. Other safeguards for investors include the Law establishing the Rwanda Investment Promotion Agency (now RIEPA) which clearly spells out the Government policy on the protection of investments and the settlement of disputes.

3.2 Investment Incentives

Approved investors are entitled to a range of benefits and incentives provided for in the Investment Code, including:

- Exemption from import duties and sales taxes on imports of plant, machinery and equipment. Items which are zero import tax rated are exempted from sales tax otherwise payable on those goods, while, for items which are not zero import tax rated, a single flat fee of 5% of the value of the imported items is payable in lieu of all taxes and duties which would normally be imposed on such goods;
- Investment allowances of 30% of the value of invested capital during the first year of operations;
- Additional deduction from taxable income of 50% of training, research and product development costs;
- The right to fully offset the cost of providing infrastructure to the site of the business operations; and
- Duty drawback for all duties and taxes paid on imported raw materials if the investor is an exporter who is operating outside a free export economic zones.

On the recommendation of the RIEPA Board, the Cabinet may accord additional incentives and facilities to projects which, because of their nature, national importance, location, or volume of capital investment, would not get meaningful benefits from the incentives and facilities provided under the Investment Law. Investors who demonstrate capacity to add more value, technology transfer, and invest in priority sectors

may also enhanced more tax and investment incentives, while there are additional incentives for an investor operating in a Free Export Economic Processing Zone (FEEPZ), including greater tax benefits.

The Rwandan investment code is currently under review to determine the precise duration for exemption from taxes and to provide more incentives for investors.

3.3 Access to Finance

Rwanda aspires to become the financial hub for the Central African region. The current drive is to diversify bank's products and services to accommodate the needs of an ever-increasing clientele, and make them affordable at the same time contributing to the financing of economic development of Rwanda.

The Banque Nationale du Rwanda (National Bank of Rwanda) is the country's central bank.

3.3.1 Commercial Banks

Commercial banks registered with the central bank include Banque Commerciale du Rwanda (BCR); Bank of Commerce Development and Industry; (BCDI); Banque Populaire du Rwanda; FINA Bank; Banque de Kigali (BK), Cogebanque and Bancor SA. There is also a growing number of savings and co-operatives serve the population through provision of small loans at affordable interest rates.

The Banque Rwandaise de Développement (BRD) is the nation's main development bank, financing more than 80 percent of investments in the economy.

3.3.2 International Financial Institutions

Rwanda, as a signatory to the agreement between African, Caribbean and Pacific nations (ACP) and the European Union, known as the Cotonou Agreement, has access to the facilities of the European Investment Bank (EIB).

As a member of the World Bank, the facilities of the International Finance Corporation (IFC) would also be available for projects in Rwanda. Other potential development finance sources include the African Development Bank (AfDB), the Development Bank of Southern Africa (DBSA), the Industrial Development Corporation of South Africa Ltd (IDC) and the New Partnership for Africa's Development (NEPAD).

3.3.3 Transfer of Capital and Profits

There is no difficulty in obtaining foreign exchange, or transferring funds associated with an investment into a freely usable currency and at a legal market clearing rate. Investors can remit payments only through authorised commercial banks. There is no limit on the inflow or outflow of funds, but justification for high value transfers is required by the central bank to facilitate the oversight of potential money laundering.

3.4 Residential and Work Visas

A valid passport is mandatory. Visas are required for all visitors except nationals of USA, Canada, UK, Germany, Sweden, EAC member countries, the Democratic Republic of Congo, South Africa and some others.

There are no onerous residence or work permit requirements that inhibit foreign investors' mobility. Work permits are granted to foreign expatriates as long as they are key personnel and fall into categories of skilled labour where Rwandans are not available. An industrial enterprise that makes capital investment of \$100,000 and above shall automatically be entitled to three work permits. A business enterprise that needs to hire additional expatriate workers may apply to RIEPA, which in its sole discretion, may grant the request on specific terms and conditions. Expatriate employees are exempt from the payment of import duty and sales tax on one car and personal and household effects imported within a period of twelve months from the date of issuance of his or her work permit, and are entitled to repatriate those goods and vehicle free of all duties and taxes.

RIEPA can assist potential investors to obtain visa and work and residential permits.

3.5 Promotional Assistance

Rwanda has recently become a member of the East African Community (EAC) whose other members are Burundi, Kenya, Tanzania and Uganda. Under the auspices of the EAC treaty signed in November of 1999,

the member countries are negotiating to establish a common regional market, leading eventually - in the longer term - to a monetary and political union. Rwanda is also a member of the Commonwealth of Nations, which is able to provide technical assistance via the London-based Commonwealth Secretariat.

4. LIST OF KEY CONTACTS

Ministry of Infrastructure

BP 24, Kigali
Tlf: +250 58 26 19
Fax: +250 58 26 18
Email: minifra@wanda1.com
Website: www.minifra.gov.rw

Ministry of Finance and Economic Planning

PO Box 158, Kigali
Tel: +250 575 438
Fax: +250 575 719
Email: mfin@rwanda1.com
Website: www.minecofin.gov.rw

Ministry of Trade, Industry, Investment Promotion and Tourism

PO Box 73, Kigali
Tel: +250 577 470
Website: www.minicom.gov.rw

Agence rwandaise de Regulation des Services d'utilité

BP 7289, Kigali
Tel : +250 5 87066
Fax : +250 5 87063
Email : arms@rwanda1.com
Website : www.rura.gov.rw

Rwanda Investment and Export Promotion Agency

PO Box 6239, Kigali
Tel: +250 510251
Fax: +250 510249
Email: info@rwandainvest.com

Rwanda Private Sector Federation

Tel: +250 835 38
Fax: +250 835 32
Email: frsp@rwanda1.com
Website: www.rpsf.org.rw

Privatisation Secretariat

PO Box 4731, Kigali
Tel: +250 575 383
Fax: +250 575 384
Email: pvs@rwanda1.com
Website: www.privatisation.gov.rw