

# COUNTRY PROFILE

## RWANDA



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



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*This profile of the tourism sector has been prepared on behalf of the organisers by Tourism Intelligence International (TII) under contract to BK Consultants.*

*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 European Investment Bank (EIB), 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
<b>Population (mn.)</b>	8.129	8.364	8.590	8.822	9.069
<b>Population Growth (%)</b>	2.1	2.9	2.7	2.7	2.8
<b>GDP (US\$ bn. at current prices)</b>	1.732	1.684	1.835	2.137	2.357
<b>GDP per capita (US\$ at current prices)</b>	213	201	214	242	260
<b>GDP growth at constant prices (%)</b>	9.4	0.9	4.0	6.0	3.0
<b>Current account balance (US\$ mn.)</b>	(117)	(131)	(55)	(67)	(254)
<b>Inflation Rate (%)</b>	2.0	7.4	12.0	9.2	5.5
<b>Exchange Rate: Annual average Rwandan francs to US\$</b>	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 km<sup>2</sup>. The total labour force is estimated at about 5 million persons, with around 90 percent engaged in the agricultural sector.

### 1.4 Role of Tourism

The tourism sector is relatively underdeveloped. According to the World Travel & Tourism Council (WTTC), Rwanda's travel and tourism Economy (direct and indirect impact) in 2007 is expected to account for 5.8 percent of GDP and 4.6 percent (78,000 jobs) of total employment).

### 1.5 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 Local Skills Base**

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 speak only 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.

#### **1.7.3 Telecommunications**

*Telephone:* IDD is available. The country code is 250. There are no area codes.

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

*Internet:* There are internet cafes in many places in Kigali, including one at the airport and all major cities. You can also find wireless connection in major hotels of the country and some public places

## 2. TOURISM SECTOR

Rwanda is a landlocked country of varied and attractive landscapes. The Virunga volcanic mountains have high altitude-forests and the world-famous mountain gorillas, while Lake Kivu offers beautiful beaches and an archipelago of islands.

The year 2003 marked the re-launch of domestic tourism in Rwanda and international tourism at WTM in London, this was accompanied by a series of marketing and distribution measures aimed at attracting nationals and visitors to invest in the tourism sector. At the same time, new hotels (including the Kigali Serena, the Kivu Serena and the Akagera Game Lodge) have opened and others are under construction in order to meet the need for quality accommodation that meets international standards. Construction of a new paved road linking Kigali to the western part of the country where Lake Kivu is located has also benefited tourism. Since 2000, there has been a fourfold increase in the number of tourists visiting national parks - from 5,000 in 2000 to 20,000 in 2005.

Tourism has been included in the priorities established by the Government in its vision 2020. Policy has focused on preparation of a tourism recovery plan, restructuring of the national tourist office; strengthening of the partnership with the Rwandan private sector; encouraging eco-tourism development based on the natural beauty of the country; ensuring that the development of the tourism sector leads to equitable distribution of income to the whole country; and ensuring that the tourism sector contributes to the creation of a strong and positive image about Rwanda.

The emphasis in future years will be on

- Stronger co-operation among the different actors in the tourism sector;
- Encouraging private sector operators to take the lead in the development of the industry;
- Improving quality of tourist services;
- Promoting of high-end tourism that is respectful of the natural and social environment;
- Diversifying and developing other tourism attractions inside and outside protected area;
- Promotion of domestic tourism.

### 2.1 Product Offer

#### *Wildlife*

The country's major tourist attraction is undoubtedly its wildlife which can be seen in the various national parks:

- Parc National des Volcans, part of the Virunga Conservation Area and site for the mountain gorilla, a protected species, which has been the major cornerstone for the development of tourism in Rwanda;
- Akagera National Park: with an area covering 90,000ha, that is situated along the Eastern border with Tanzania and is a typical example of the East African savannah with herds of elephant, buffalo giraffe, zebra and more than a dozen types of antelope as well as some leopards, spotted hyenas and lions; and
- Nyungwe Forest National Park: situated in the extreme south-west of Rwanda, this forest has many different species of flora and fauna. Its major attraction is the primate population, there are 13 types of primates among which the chimpanzees.

Other places to visit include:

#### *Kigali*

The rapidly growing city of Kigali is not only the national capital, but also the country's most important business centre and main port of entry. Kigali is located within three hours' drive of the main tourist sites. It is home to the Rwanda National Ballet, famous for its traditional dancing and singing, and to the Genocide Memorial, which documents the massacre in 1994. Kigali also has a colourful market, with souvenir stalls displaying a wide range of local crafts.

You can visit the city through the Kigali City Tour which is a 4 hours tour that takes you around the city giving a historical perspective of the city from colonial times to new developments.

### **Huye**

The most prominent attraction in Huye (Butare) is the National Museum, which houses perhaps the finest ethnographic collection in East Africa. Huye also boasts craft shops and a botanical garden. North of Butare is Gitarama, which has a good art museum while nearby is the cathedral town of Kabgayi; and at Mushubati, the grottoes of Bihongori. The impressive Royal Palace at Nyabisindu, formerly known as Nyanza, is now maintained as a museum.

**Nyagatare** (Umutara), in the east of the country, is in the centre of a region of lakes and waterfalls, including Lake Mungesera and the Rusumo Falls.

**Rubavu** (Gisenyi) is the main centre for excursions close to the Parc National des Volcans. Plane trips can be arranged to view the craters. Situated on the north of Lake Kivu, it also offers many opportunities for water sports or for excursions on the lake. **Kibuye**, further south, is another lakeside resort.

## **2.2 Accommodation**

More than half the hotels are located in Kigali. Outside of Kigali, the hotels are small which means that more accommodation of satisfactory size is needed.

Rwanda has a high-capacity conference hall in the Hotel Serena in Kigali. Other conference facilities have been constructed elsewhere in Kigali, and in some major cities outside Kigali.

## **2.3 Market Trends**

### **2.3.1 Visitor Arrivals**

There is a lack of up-to-date tourism statistics. The estimated number of international tourist arrivals was 113,000 in 2001, of which the great majority - an estimated 48 percent - was from other African countries (particularly Uganda and the Democratic Republic of Congo). The main non-African markets were Belgium and the USA.

### **Mode of transport**

Practically all international holiday visitors arrive in Rwanda by air, apart from a small number of overland visitors.

### **2.3.2 Visitor Expenditure**

In 2006, international tourism receipts amounted to an estimated \$33 million compared with \$17 million in 2004. This compares with total export earnings from coffee, tea and other products of approximately \$135 million in 2006. Visitors to the national parks were at 30,812 in 2006 compared to 3799 visitors in 2000.

## **2.4 Institutional Arrangements**

The main responsibility for tourism development and promotion lies with the Office Rwandaise du Tourisme et des Parcs Nationaux (ORTPN) which falls under the Ministry of Trade, Industry, Investment Promotion and Tourism (MINICOM). The main private sector body is the Rwanda Private Sector Federation (RPSF).

## **2.5 Future Outlook**

Future prospects for Rwanda tourism appear good for the following reasons:

- Rich and varied tourism sites and tourism potential;
- Adequate communication infrastructure; modern airport and road network linking the capital to different points of the country;
- Pleasant climate throughout the year;
- Growing number of good quality tourist accommodation near major sites and in Kigali;
- Central geographic location that makes it possible to plan complementary inter-regional tourism products;
- Vibrant folk culture (handicrafts, folklore, hospitality of the people, etc.);

- Restored security following the genocide;
- Restructuring of the national tourism administration which is now open to the private sector; and
- Effective marketing and promotion.

According to the WTTC, Rwanda's travel and tourism sector is expected to grow by 5.1 percent in 2007 and by 4.3 percent per annum, in real terms, between 2008 and 2017. The government objective for 2010 is to generate tourism receipts of around \$100 million per annum, compared with an estimated \$26 million in 2005, by focusing on creating high value and low environmental impact experiences for eco-travellers, explorers and individual business travellers.

### 3. INVESTMENT OPPORTUNITIES IN TOURISM

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. Tourism is expected to play a pivotal role in fostering future sustained economic development and prosperity that in turn will nurture political stability. Prospects for investing in the tourism sector are enhanced by the the quality of attractions; the beauty of the landscape; and the country's geographic position in the heart of the African continent.

Recently, substantial private investments have been made in tourism and developing new industries, such as cut flowers for export and fish farming.

#### 3.1 Investment Sectors

The following investment opportunities in the tourism sector have been identified by Government:

##### *(i) Tourist transport*

- Creation of a transport company using a seaplane that could link Kigali to different tourist sites: the Akagera National Park (Lake Ihema), Virunga National Park (Lake Kivu, Gisenyi) and Nyungwe Forest (Lake Kivu, Cyangugu)
- Use of engine-powered boats connecting Gisenyi to Cyangugu through Kibuey to ensure the movement of tourists between Virunga National Park and Nyungwe Forest, as well as serving as transport for business

##### *(ii) Hotels and restaurants*

- Establishment of a cultural village (built in traditional style) with accommodation for about 30 persons at Nyanza, the capital of the former Kingdom
- Construction of a hotel that would accommodate about 30 persons in Nyungwe forest, near Uwinka Centre

##### *(iii) Leisure infrastructure*

- Creation of zoological and botanical gardens for use by local persons in the country's major towns: Kigali, Butare, Ruhengeri and Gisenyi
- Establishment of a relatively small type of theme park would serve as a centre for selected events such as trade fairs in Kigali and different economic forums, at the same time operating as an area for permanent commercial activities

##### *(iv) Privatisation*

- Kibuye Guest house: situated on the Kivu lake shores
- Ituze tourist village



## 4. INVESTMENT ENVIRONMENT

### 4.1 Investment Framework

#### 4.1.1 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.

#### 4.1.2 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.

#### 4.1.3 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.

### 4.2 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 (FEPPZ), 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.

### **4.3 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.

#### **4.3.1 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.

#### **4.3.2 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).

#### **4.3.3 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.

### **4.4 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.

### **4.5 Technical and Promotional Assistance**

Generic tourism promotion is undertaken by the ORTPN. The comparatively small marketing budget is complemented by limited private sector marketing initiatives.

Marketing activities includes participation in international fairs e.g. WTM-London and ITB-Berlin (where the Rwanda booth won first prize for being the best in Africa in 2006); creation of a tourism promotion

agency within the ORTPN; creation of an excellent ORTPN website; and launch and follow-up of national and international promotional campaigns.

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 (including tourism-related) via the London-based Commonwealth Secretariat.

## 5. LIST OF KEY CONTACTS

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